

APPRAISAL OF
A PROPOSED FULL SERVICE HOTEL
18211 N. PIMA ROAD
SCOTTSDALE, ARIZONA 85255

PREPARED FOR:

MR. PETER KOLIOPOULOS
ALPHA CO. LAND HOLDINGS, LLC
500 EAST THOMAS ROAD
PHOENIX, ARIZONA 85012

MARKET VALUE AS OF:
APRIL 28, 2025 "As Is"
NOVEMBER 1, 2027 "AS COMPLETE"

DATE OF REPORT:
MAY 8, 2025

PREPARED BY:

LYONS VALUATION GROUP, LLC
16631 NORTH 91ST STREET
SUITE 106
SCOTTSDALE, ARIZONA 85260



May 8, 2025

Mr. Peter Koliopoulos
Alpha Co. Land Holdings, LLC
500 E. Thomas Road
Phoenix, Arizona 85012

RE: A Proposed Full Service Hotel
18211 N. Pima Road
Scottsdale, Arizona 85255

Dear Mr. Koliopoulos:

Pursuant to your request, I have inspected the site and appraised the above captioned property for the purpose of estimating its Market Value for internal planning purposes as of April 28, 2025, "As Is", November 1, 2027, "As Complete".

The subject property is proposed to consist of a 140 room full service hotel property, situated just east of Pima Road along the north side of Trailside View, south of Legacy Boulevard at in Scottsdale, Arizona. This property will consist of a single, five-story structure, expected to be completed in 2027. The building will feature a lobby with the reception desk, an event space, a restaurant/bar, four floors of rooms, two levels of below grade parking and an outdoor pool on the fifth floor.

The property features a total of 140 rooms broken down into 13 room types. The property will not feature any rooms on the ground level. The property will feature 43 rooms, mostly queens, double queens, and kings on the second, third, and fourth levels, with the majority of the suites on the fifth. The average room size is approximately 588 square feet, with the property containing a total room area of approximately 76,567 square feet, according to the measurements provided by the property contact. The property will feature a total improved space of approximately 157,199 square feet, with an additional 56,761 square feet of below grade parking.

The property is expected to be completed in 2027 and be in excellent condition. The improvements will sit on a site containing 72,966 square feet or 1.68 acres of land zoned R-4R PCD, Resort/Townhouse Residential by the City of Scottsdale.

Based upon the following analysis, contained in the attached report, it is our opinion that the fee simple market value of the subject property, as of April 28, 2025, the date of inspection, is: **\$8,675,000.**

16631 N. 91st Street, Suite 106 - Scottsdale, Arizona 85260 - P: (480) 419-2992 - C: (602) 369-3206

E-Mail: Order@LyonsValuation.com



Mr. Peter Koliopoulos
May 5, 2025
Page Two

Based upon the following analysis, contained in the attached report, it is our opinion that the fee simple market value of the subject property, as of November 1, 2027, the date of inspection, is: **\$105,000,000**. This includes an estimated \$2,534,500 in FF&E.

This is a letter of transmittal for the accompanying appraisal report. It is not intended to be nor should it be construed as a restricted appraisal report. Preparation of the accompanying appraisal report commenced on April 22, 2025 and was completed May 5, 2025. This restricted appraisal was amended on May 8, 2025.

I certify that I have no present or prospective interest in the property being appraised; that my employment is in no way contingent upon the amount of value reported; that I have personally inspected the property and surrounding area; that the statements made and the information contained in this report are true to the best of my knowledge and belief; and that this appraisal has been made in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP) and the Code of Professional Ethics of the Appraisal Institute.

Respectfully submitted,

David M. Lyons, MAI
Certified General Real
Estate Appraiser - Arizona
Cert.#30928
Exp. May 31, 2026

Mitchell Lyons
Certified General Real
Estate Appraiser - Arizona
Cert.#1041186
Exp. July 31, 2026

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APPRAISAL CERTIFICATE

PROPERTY LOCATION: A Proposed Full Service Hotel
18211 N. Pima Road
Scottsdale, Arizona 85255

REQUESTED BY: Mr. Peter Koliopoulos
Alpha Co. Land Holdings, LLC
500 E. Thomas Road
Phoenix, Arizona 85012

I the undersigned, representing LYONS VALUATION GROUP, LLC, do hereby certify that to the best of my knowledge and belief:

ONE: The statements of fact contained in this appraisal report are true and correct.

TWO: The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.

THREE: I have no present or prospective interest in the property that is the subject of this appraisal report and no personal interest with respect to the parties involved.

FOUR: I have no bias with respect to the property that is the subject of this appraisal report or to the parties involved with this assignment.

FIVE: My engagement in this assignment was not contingent upon developing or reporting predetermined results.

SIX: My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal report.

SEVEN: The reported analyses, opinions, and conclusions were developed, and this appraisal report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.

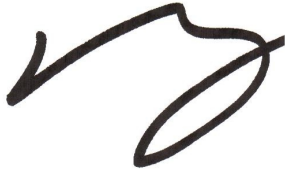
EIGHT: The use of this appraisal report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

APPRAISAL CERTIFICATE (CONT'D)

- NINE: Mitchell Lyons has made a personal inspection of the property that is the subject of this appraisal report and the comparables.
- TEN: No one provided significant real property appraisal assistance to the persons signing this certification.
- ELEVEN: As of the date of this report, I David M. Lyons, have completed the continuing education program for Designated Members of the Appraisal Institute.
- TWELVE: Neither David Lyons, MAI, Mitchell Lyons nor Lyons Valuation Group, LLC, have appraised the subject property, nor provided any other services for the subject property within the past three years.

In witness whereof, the undersigned has caused these statements to be signed and attested to on May 8, 2025.

Respectfully submitted,



David M. Lyons, MAI
Certified General Real
Estate Appraiser - Arizona
Cert.#30928
Exp. May 31, 2026



Mitchell Lyons
Certified General Real
Estate Appraiser - Arizona
Cert.#1041186
Exp. July 31, 2026



SUMMARY OF SALIENT FACTS AND CONCLUSIONS

ADDRESS:	A Proposed Full Service Hotel 18211 N. Pima Road Scottsdale, Arizona 85255
PURPOSE OF APPRAISAL:	Estimate market value for internal planning purposes
PROPERTY RIGHTS APPRAISED:	Fee Simple Interest
CENSUS TRACT:	2168.54
SITE AREA:	72,966 Square Feet or 1.68 Acres
BUILDING IMPROVEMENTS:	The subject property consists of proposed five-story, full service hotel that will contain a total of 140 rentable rooms in Scottsdale, Arizona, along the east side Pima Road, at Trailside View, just south of Legacy Boulevard. The property will feature a five stories, interior access full service hotel that is planned to open in November of 2027. The structure has a building size of approximately 157,199 square feet, 76,567 square feet of rooms, with a typical room size of approximately 588 square feet.
AGE:	2027 (Proposed)
GROSS BUILDING AREA:	157,199 square feet 76,567 square feet of Rooms
LAND TO BUILDING RATIO:	0.46 to 1
ZONING:	R-4R PCD, Resort/Townhouse Residential (Scottsdale)
CONDITION:	Excellent
HIGHEST AND BEST USE:	As Vacant - Commercial Use As Improved - As Proposed as a lodging facility



SUMMARY OF SALIENT FACTS AND CONCLUSIONS (CONT'D)

VALUE INDICATIONS:

Land Value:	\$ 8,675,000
Cost Approach:	\$101,700,000
Income Approach	\$113,000,000
Sales Comparison Approach	\$ 95,700,000
FINAL OPINION OF VALUE:	\$105,000,000
FF&E:	\$2,590,000
DATE OF VALUE ESTIMATE:	April 28, 2025 "As Is" November 1, 2027 "As Complete"
DATE OF INSPECTION:	April 28, 2025



CONTINGENT AND LIMITING CONDITIONS

It is assumed that the title to this property is good and marketable. No title search has been made, nor have I attempted to determine ownership of title, boundaries or encroachments. The value estimate is given without regard to any questions of title, boundaries or encroachments. It is assumed that all assessments are paid. I assume the property to be free and clear of liens and encumbrances except as noted. No attempt has been made to render an opinion or determine the status of easements that may exist.

The legal description, if included herein, should be verified by legal counsel before being relied upon or used in any conveyance or other document.

We are not familiar with any engineering studies made to determine the bearing capacity of the land. Improvements in the area appear to be structurally sound. It is therefore assumed that soil and subsoil conditions are stable unless specifically outlined in this report.

Any exhibits in the appraisal report are intended to assist the reader in visualizing the property and its surroundings. The drawings are not intended as surveys and no responsibility is assumed for their cartographic accuracy. Drawings are not intended to be exact in size, scale or detail. Any reduced reproductions of the actual plat of survey provided by the property owner or legal counsel may not be to scale, and should not be used in any other document.

Areas and dimensions of the property may or may not have been physically measured. If data is furnished by the principal or from plot plans or surveys furnished by the principal, or from public records, I assume it to be reasonably accurate. In the absence of current surveys, land areas may be based upon representations made by the owner's agents or my client. No responsibility is assumed for discrepancies which may become evident from a licensed survey of the property.

The value of the property is expressed in U.S. currency as of the date of valuation, and is subject to any future changes which may occur in the value of the U.S. dollar.

It is assumed that the property is subject to lawful, competent and informed ownership and management unless noted.

Information in this appraisal report concerning market data was obtained from buyers, sellers, brokers, attorneys, trade publications or public records. To the extent possible, this information was examined for accuracy and is believed to be reliable. Dimensions, areas or data obtained from others are believed correct; however, no guarantee is made in that the appraiser may or may not have personally measured same.

Any information, in whatever form, furnished by others is believed to be reliable; however, no responsibility is assumed for its accuracy.

CONTINGENT AND LIMITING CONDITIONS (CONT'D)

The physical condition of any improvements described herein was based on visual inspection only. Electrical, heating, cooling, plumbing, sewer and/or septic system, mechanical equipment and water supply were not specifically tested but were assumed to be in good working order, and adequate, unless otherwise specified. No liability is assumed for the soundness of structural members, since no engineering tests were made of same. The roof(s) of structures described herein are assumed to be in good repair unless otherwise noted. The existence of potentially hazardous material used in the construction or maintenance of the building, such as urea formaldehyde foam insulation and/or asbestos insulation, which may or may not be present on the property, has not been considered. In addition, no deposits of toxic wastes, unless specifically mentioned herein, have been considered. The appraiser is not qualified to detect such substances and suggests the client seek an expert opinion, if desired.

It is specifically noted that the appraiser(s) have not conducted tests to determine the presence of, or absence of, Radon. I am not qualified to detect the presence of Radon gas, which requires special tests and therefore must suggest that if the buyer is suspect as to the presence of Radon or any other potentially hazardous substances, he or she should take steps to have proper testing done by qualified firms who have the equipment and expertise to determine the presence of this substance in the property.

In addition, if the client has any concern regarding the structural, mechanical or protective components of the improvements described herein, or the adequacy or quality of sewer, water or other utilities, it is suggested that independent contractors or experts in these disciplines be retained by said client, before relying upon this appraisal.

The separate allocation between land and improvements, if applicable, represents my judgement only under the existing utilization of the property. A reevaluation should be made if the improvements are removed or substantially altered, and the land utilized for another purpose.

All information and comments concerning the location, neighborhood, trends, construction quality and costs, loss in value from whatever cause, condition, rents, or any other data for the property appraised herein, represent the estimates and opinions of the appraiser formed after an examination and study of the property.

Any valuation analysis of the income stream had been predicted upon financing conditions as specified herein, which I have reason to believe are currently available for this property. Financing terms and conditions other than those indicated may alter the final value conclusions.

Expenses shown in the Income Approach, if used, are estimates only, and are based on past operating history if available, and are stabilized as generally typical over a reasonable time period.

The appraiser is not required to give testimony or appear in court because of having made this appraisal, with reference to the property in question, unless arrangements have been made previously thereto. If the appraiser(s) are subpoenaed pursuant to court order, the client will be required to compensate said appraiser(s) for their time at their regular hourly rates plus expenses.

CONTINGENT AND LIMITING CONDITIONS (CONT'D)

All opinions, as to values stated, are presented as the appraiser's considered opinion based on the information set forth in the report. I assume no responsibility for changes in market conditions or for the inability of the client or any other party to achieve their desired results based upon the appraised value. Further, some of the assumptions made can be subject to variation depending upon evolving events. I realize some assumptions may never occur and unanticipated events or circumstances may occur. Therefore, actual results achieved during the projection period may vary from those in my report.

Appraisals made subject to satisfactory completion of construction, repairs, alterations, remodeling or rehabilitation, are contingent upon completion of such work in a timely manner using good-quality materials and workmanship and in substantial conformity to plans or descriptions or attachments made hereto.

ADA became effective January 26, 1992, I have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since I have no direct evidence relating to this issue, I did not consider possible noncompliance with the requirements of ADA in estimating the value of the property.

It is assumed that the construction and use of the appraised property, if improved, complies with all public authorities having jurisdiction, including but not limited to the National Environmental Protection Act and any other applicable federal, state, municipal, and local environmental impact or energy laws or regulations.

It is agreed that the liability of the appraiser/consultant to the client is limited to the amount of the fee paid as liquidated damages. The appraiser/consultant responsibility is limited to the client and/or third parties.

A signatory of this appraisal report is a member of the Appraisal Institute. The Bylaws and Regulations of the Institute require each member and associate to control the use and distribution of each appraisal report signed by such member or associate. Therefore, except as hereinafter provided, the party for whom this appraisal report was prepared may distribute copies of this appraisal report, in its entirety, to such third parties as may be selected by the party for whom this was prepared. Selected portions of this appraisal report, however, shall not be given to third parties without prior written consent of the signatories of this appraisal report. Further, neither all nor any part of this appraisal report shall be disseminated to the general public by the use of advertising media, public relations media, news media, sales media or other media for public communication without the prior written consent of the signatories of this appraisal report. This restriction applies particularly as to the valuation conclusions, the identity of the appraisers, or any reference to the Appraisal Institute or to the MAI or SRA designations.

Disclosure of the contents of this appraisal report is governed by the Bylaws and Regulations of the Appraisal Institute.

DEFINITION OF ASSIGNMENT



INTENDED USE AND USER OF THE APPRAISAL

The purpose of the appraisal is to estimate the market value as defined by the Board of Governors of the Federal Reserve System, in accordance with Title X1 of FIRREA (1989). The appraisal will be utilized by Mr. Peter Koliopoulos, for acquisition, financing, loan classification or asset disposition purposes.

DEFINITION OF MARKET VALUE

The following definition of market value in this appraisal report is from the Office of Thrift Supervision under Section 12CFR-CH V, part 564 - Appraisals - Subpart 564.2 Definitions (g).

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

PROPERTY RIGHTS OF THE APPRAISED

The "As Is" property rights appraised in this appraisal are the fee simple title, free and clear of all encumbrances. Fee simple title is defined as an absolute fee without limitations to any particular class of heirs or restrictions, but subject to the limitation of eminent domain, escheat, police power and taxation.

The "As Complete" property rights appraised in this appraisal are the leased fee title, free and clear of all encumbrances. Leased fee is defined as: the ownership interest held by the lessor, which includes the rights to receive the contract rent specified in the lease plus the reversionary right when the lease expires.



IMPORTANT DATES

The date of valuation reflected in this report is April 28, 2025 which is also the date of the inspection. I have also spoken with the property contact of the property, who answered my questions.

SCOPE OF THE APPRAISAL

This report has been prepared for the sole purpose of presenting a value for internal planning purposes. In keeping with this function, the value of the real estate has been estimated according to: the limiting instructions, assumptions and hypothetical conditions that are set forth in this report.

In preparation of this report we have:

1. Personally inspected the subject property and spoke with a representative of the property ownership who answered my questions. I have also noted the condition, quality of construction and functionality of the design and construction of the improvements. The description of improvements is based upon the appraiser's personal inspection, review of building sketches, and information supplied by the owner.
2. The site data is based upon the appraiser's personal inspection of the site and a review public records and documents. A review was made of the applicable zoning maps, ordinances and statutes, and also the applicable flood maps.
3. An investigation and analysis was made to determine the property's Highest and Best Use. This included consideration of the present and anticipated future use; market trends in the surrounding areas; the property's physical characteristics; and economic feasibility factors for various development or redevelopment alternatives of the property.
4. Completed the Cost Approach, wherein I estimated the reproduction cost new through use of the Marshall Valuation Service and/or other recognized authoritative sources; subtracted an estimate of physical, functional and external obsolescence; and added the estimated market value of the underlying land, based upon a sales comparison approach using the sales information of other similar parcels.
5. Employed the Income Approach, wherein I gathered information on similar hotel or motel properties which are currently operating in the subject market. I compared the subject rates with the comparables, and viewed market and subject occupancy, and ADR to determine the appropriateness of the subject rates. The income from the room rental, less expenses necessary to maintain the investment, has then been capitalized to determine a value estimate. Capitalization rates have been extracted from the sales of similar properties and/or have been estimated utilizing the band of investment based upon current economic conditions with consideration given to amount of risk involved in the ownership of the property.



SCOPE OF THE APPRAISAL (CONT'D)

6. Employed the Sales Comparison Approach, wherein I gathered information regarding the sales of similar improved properties in similar locations. I made adjustments, where necessary, to these sales in order to compensate for any differences between the sales and the subject. All sales have been verified, whenever possible, to assure the sale information is correct.
7. Analyzed and compared the estimates obtained in each of the approaches employed and have assigned the greatest weight to the most appropriate indications. Based upon this process we have estimated the Market Value of the subject property.
8. Market data, with regard to comparable room rentals and improved sales, were collected and confirmed by one or more sources including real estate brokers, data bases, buyers, sellers, public records, etc. Those comparables most similar were then compared to the appraised property and, where necessary, adjustments were made in order to arrive at an indication of value for the appraised property.

The Scope of the Appraisal is subject to all the assumptions and limiting conditions set forth within this report.

HYPOTHETICAL CONDITIONS AND EXTRAORDINARY ASSUMPTIONS

The value of the property as presented herein, is based on the drawings presented and the financial assumptions made base on information provided by the client as well as assumptions concerning the construction period and quality of the property. Any significant change in the property or projections based on economic conditions arise, our estimate of property value may change significantly.

IDENTIFICATION OF THE SUBJECT PROPERTY

The subject property is a proposed 140 unit hotel located at 18211 N. Pima Road in Scottsdale, Arizona. The property is identified by the Maricopa County Assessor's Office as parcel number 217-11-859. The legal description, found in previously recorded documents in the Maricopa County Recorder's Office can be found in the addendum of this report.



HISTORY OF THE PROPERTY

The subject property has not been involved in any transactions within the past three years. The last recorded transaction occurred on October 19, 2017 when Wishing Well Residential, LLC, sold the property to Trailside View, LLC for \$3,000,000. This was recorded by the Maricopa County recorders office as document number 2017-0776118.

The property has not been involved within any other transactions within the past three years. The property is currently under contract. The property was reported to be listed 425 days ago. The property was listed at \$6,000,000. The property is currently under contract for \$6,300,000. This transaction is expected to close in the coming weeks.

The subject property is proposed to be improved with a 140 room hotel. The construction of the improvement is proposed to start in May of 2026 and be completed in November of 2027. The proposed improvements are quoted to cost \$73,806,058 in soft and hard cost alone.

The subject property was recently under contract to sell to a different buyer, who had plans of constructing a four story, 126 room hotel. The property was planned to be branded a Fairfield Inn. The transaction fell through though due to the buyers not being able to secure all the funding needed.

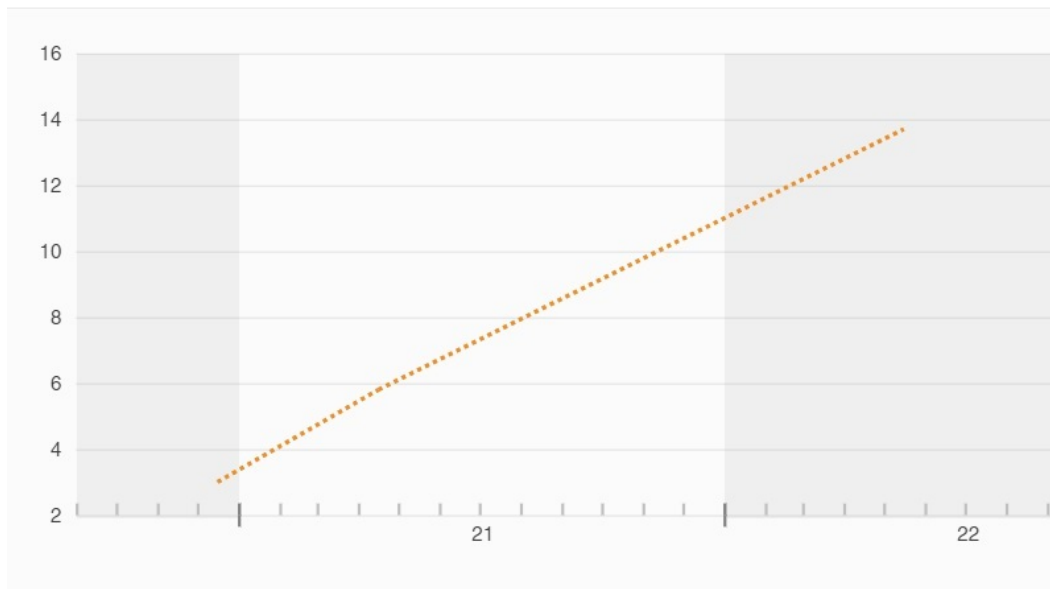
EXPOSURE PERIOD

The subject property is a hotel property in an area that has seen a number of commercial and multi-family properties built over the past 5 to 10 years.

A review of the sales in the subject market area generally reports marketing periods which are towards the shorter end of the range for commercial properties. While some of the properties were reportedly marketed of more than 1 year, one investor in this industry indicated that due to the commodity-like nature of the product type, it attracts a significant amount of 1031 Exchange investors, with shorter time frames to make investment decisions.

Based on this information, obtained from both local brokers and brokers active in markets across Arizona, I expect an exposure period of between 3 and 9 months.

Months To Sale



The above chart is not conclusive enough to draw opinions from as there has been a lack of concluded sales for hotel properties in the Phoenix market over the past 18 months. The above chart shows an increasing marketing period trend but the lack of transactions skews the data.

NEIGHBORHOOD ANALYSIS

The subject property consists of a site along the east side of Pima Road, south of Legacy Boulevard in Scottsdale. The subject area is bounded by:

Pinnacle Peak Road to the north, Thompson Peak Parkway to the east, Scottsdale Road to the west, and Cactus Road to the south.

The subject area is decidedly commercial and light industrial in nature. Residential properties are typically found on the internal roadways with commercial and industrial improvements located along the arterials. The majority of the residential properties included in the above boundaries are contained within small to medium sized subdivisions developed mostly in the 1990's and 2000's, with a significant amount of new development near the north and east boundaries.

The following table depicts various neighborhood demographics for the subject area.

NEIGHBORHOOD INFORMATION			
	1 Mile	3 Miles	5 Miles
2024 Population	5,932	65,001	136,386
2024-2029 Annual Population Change	1.90%	2.10%	2.00%
2024 Households	2,430	30,821	60,836
Average Household Size	2.4	2.0	2.2
2024 Median Household Income	\$173,316	\$112,818	\$117,162
Median Home Value	\$779,594	\$726,233	\$720,906

Source: The CoStar Group

The above data indicates that the subject area is one which has moderately high income levels, but one with a moderately high number of children which translates to a lower per capita income, based on the population and household figures. The residential development that is described in the above figures generally has above average to high home values seen in the Scottsdale market.

The immediate area is seeing a large light industrial park being constructed. The developers are calling the project "The Loop". Creation, the developer, is developing the 16.45 acre parcel with a total of 267,640 square foot industrial complex that will be used as showroom, light industrial and skilled assembly tenants. The project is projected to be complete in late 2027.

A map of the neighborhood is contained on the following page.

NEIGHBORHOOD MAP





SITE DATA

The subject site is irregular in shape and has a land area of 72,966 square foot, or 1.68 acres. The site is situated along the east side of Pima Road, at Trailside View. The property has frontages as follows:

North:	160.83 feet along the south side of property otherwise owned;
South:	155.18 feet along the north side of Trailside View;
East:	242.23 feet along the west side of property otherwise owned; and,
West:	364.83 feet along the east side of property otherwise owned.

Topography/Flood Hazard Zone

The topography of the site is generally at grade of both roadways and adjoining properties. According to the Flood Insurance Rate Map, panel number 04013C1320L, published by the Federal Emergency Management Agency on October 16, 2013, the subject property is situated in an area labeled Zone AO, or an area that is noted to see a one foot depth with a 4 feet per second flow rate. A copy of this map is contained within the following pages.

Soil Conditions/Environmental Hazards

I was not provided with a report concerning the environmental condition of the site. In the absence of any reports, it has been assumed that the property is free of any hazardous materials or contamination.

Utilities

According to the property owner, and a review of the area, the subject property is serviced by all utilities needed to operate a lodging facility. This includes electricity, water and sewer to the property. Quasi public utilities such as telephone service and cable television are also present.

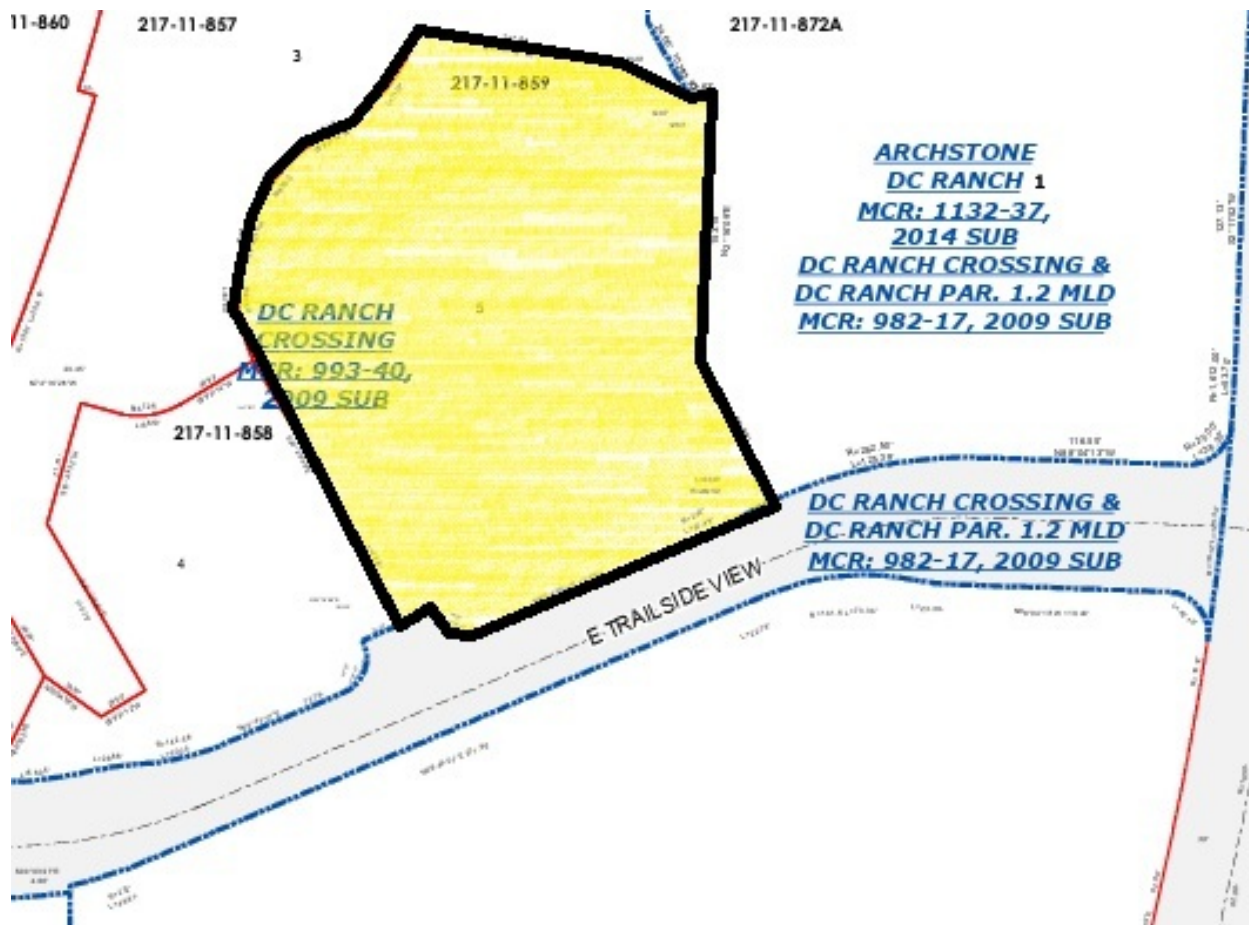
Easements

Typical utility easements were assumed to be present. There are no other known easements which would negatively impact the value of the property.

Comments

The subject site has very good accessibility from throughout Scottsdale.

TAX MAP



AERIAL MAP



FLOOD PLAIN MAP

National Flood Hazard Layer FIRMette



Legend

SEE FIRM REPORT FOR DETAILED LEGEND AND INDEX MAP FOR FIRM PANEL LAYOUT

SPECIAL FLOOD HAZARD AREAS	Without Base Flood Elevation (BFE) <i>Zone A, V, AE</i>
	With BFE at Depth <i>Zone AE, AH, AO, VE, VE1</i>
	Regulatory Roadway
OTHER AREAS OF FLOOD HAZARD	0.2% Annual Chance Flood Hazard, Areas of 1% annual chance flood with average depth less than one foot or with drainage areas of less than one square mile <i>Zone 1</i>
	Future Conditions 1% Annual Chance Flood Hazard <i>Zone 1</i>
	Area with Reduced Flood Risk due to Levee. See Notes. <i>Zone 1</i>
	Area with Flood Risk due to Levee <i>Zone 0</i>
OTHER AREAS	no screen: Area of Minimal Flood Hazard <i>Zone 2</i>
	Effective LOMR
	Area of Undetermined Flood Hazard <i>Zone 2</i>
GENERAL STRUCTURES	Channel, Culvert, or Storm Sewer
	Levee, Dike, or Floodwall
OTHER FEATURES	Cross Sections with 1% Annual Chance Water Surface Elevation
	Coastal Transect
	Base Flood Elevation Line (BFE)
	Limit of Study
	Jurisdiction Boundary
	Coastal Transect Baseline
	Profile Baseline
	Hydrographic Feature
MAP PANELS	Digital Data Available
	No Digital Data Available
	Unmapped
	The pin displayed on the map is an approximate point selected by the user and does not represent an authoritative property location.

This map complies with FEMA's standards for the use of digital flood maps if it is not void as described below. The basemap above complies with FEMA's basemap accuracy standards.

The flood hazard information is derived directly from the authoritative NFHL web-services provided by FEMA. This map was exported on 4/29/2025 at 9:37 PM and does not reflect changes or amendments subsequent to this date and time. The NFHL and effective information may change or become superseded by new data over time.

This map image is void if the one or more of the following map elements do not appear: basemap imagery, flood zone labels, legend, scale bar, map creation date, coordinate identifiers, FIRM panel number, and FIRM effective date. Map images for unapproved and unincorporated areas cannot be used for regulatory purposes.

ZONING

According to the zoning ordinance for the City of Scottsdale the subject property is zoned R-4R PCD, Resort/Townhouse Residential. The purpose of the Resort/Townhouse district is,

“This district is intended primarily for self-contained accommodations which include recreational amenities and services customarily furnished at hotels, including the service of meals. Additionally, the district provides for residential development having either party walls or walled courtyards.” Section 5.901, City of Scottsdale Zoning Ordinance

This zoning category has a list of permitted uses, some are listed below:

Day Care Home
Dwelling Units
Group Home
Travel Accommodations
Model Home
etc...

The district has rules about how properties are developed. The City Plan states that the subject is a type 2 development district. These are:

BUILDING HEIGHT:	Maximum height of any structure shall be 35 feet.
Density:	Minimum land are per guest room: 4,100 SF Buildings may cover 25% of area City Council can regulate density
SETBACKS:	
FRONT YARD:	30 Feet - Minimum
SIDE YARDS:	30 Feet - Minimum
REAR YARD:	30 Feet - Minimum

In addition to the above regulations, there are also parking regulations for the subject property, which state there must be one space per guest room. The property features 140 vehicle parking spaces on site and ample shared spaces throughout the subject area of Scottsdale. The surrounding area features open space as well as other parking spaces of neighboring properties. Overall, the subject property is of legal and conforming use.

DESCRIPTION OF IMPROVEMENTS

The subject property is a proposed 140 room, hotel property in Scottsdale, Arizona. The property will feature 5 stories. The average room sizes at the property are approximately 558 square feet, and the structure has a total area of 157,199 square feet, of which approximately 76,567 square foot is accounted for by rooms. The improvements sit on a site containing 1.68 acres or 72,966 square feet.

Just as the property can be divided into square footage, the property can also be identified by the number and type of rooms. These are:

<u>Room Type</u>	<u>Room Count</u>
Queen 1	8
Double Queen 1	63
Double Queen 2	3
King 1	6
King 2	3
King 3	3
King 4	35
King 5	3
Suite 1	7
Suite 2	4
Suite 3	2
Suite 3 B	1
Suite 3 C	2
Total	140

A more detailed description of the proposed property is presented below.

FOUNDATION: Reinforced concrete slab and perimeter wall footings.

EXTERIOR WALLS: Concrete

FLOORS: It is assumed that the property will feature a variety of flooring types in each of the rooms, hallways, and common areas.

ROOF: It is assumed that the improvement will feature a flat foam roof that will be in excellent condition.

DESCRIPTION OF THE IMPROVEMENTS (CONT'D)

WINDOWS:	Standard aluminum framed, dual pane windows in each room.
LOBBY:	According to the documents provided, the entrance to the property will be situated near the center of the building. The lobby features a check in desk, with a retail space , a restaurant and a speak easy, an event space, and more. The lobby also has access to the elevators.
INTERIOR:	All of the rooms are accessed from interior entrances. The building will feature elevators near the center of the building and stairwells at the end of each hallway. Each of the rooms are slightly different due to the shape of the larger improvement, but all feature at least a bed room and a bathroom. The suites feature multiple rooms, like a living room, kitchen, and gym. All of the suites but Suite 3C, feature a full kitchen.
PLUMBING:	Each unit is equipped with a bathroom, including at least a walk in shower, tank toilet and sink. Some of the rooms feature more of a wet room where the shower also has the bathtub inside.
H.V.A.C.:	All rooms feature an air conditioner.
ELECTRICAL:	The property will feature ample electrical service for its proposed use.
ELEVATORS:	Three elevators for the guests, and a service elevator.
STAIRWAYS:	There are two sets of stairs that give access to the other stories.
SPRINKLERS:	100% wet sprinkler system.
PARKING:	The improvement will feature two levels of below grade parking.
POOL:	The property will feature one pool on the fifth level infinity edge pool.
AGE:	The improvement is currently proposed and is expected to be completed in 2027.
CONDITION:	The property will be in excellent condition upon completion.
EFFECTIVE AGE:	The property is estimated to have an effective age of 0 years
REMAINING LIFE:	The estimated remaining economic life is estimated at 50 years.

PHOTOGRAPHS



West Elevation



East Elevation

PHOTOGRAPHS (CONT'D)



North Elevation



South Elevation

PHOTOGRAPHS (CONT'D)



Looking East on Trailside View



Looking West on Trailside View

PHOTOGRAPHS (CONT'D)

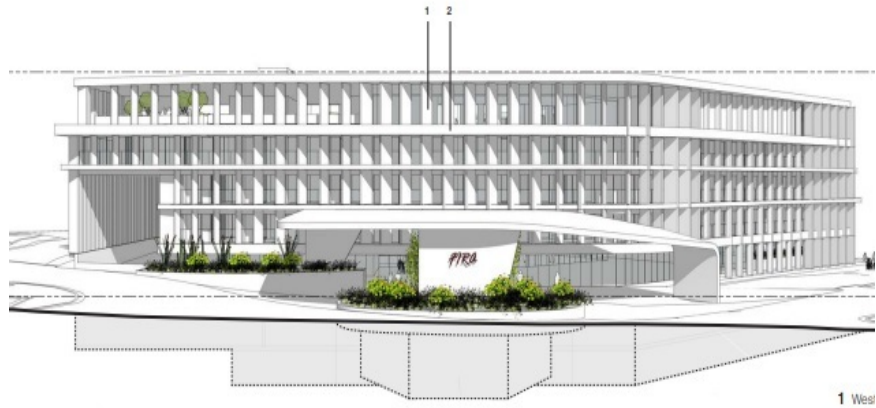


Planned Improvement



All Planned Floors

PHOTOGRAPHS (CONT'D)



Planned West Elevation

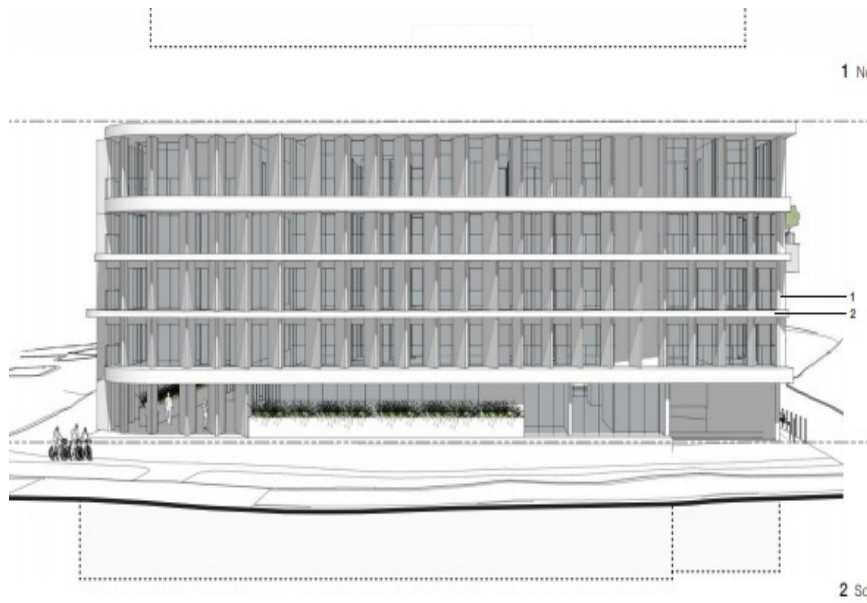


Planned East Elevation

PHOTOGRAPHS (CONT'D)



Planned North Elevation



Planned South Elevation



REAL ESTATE TAX ASSESSMENT INFORMATION

The following real estate assessments and real estate taxes for the subject were obtained from the Maricopa County, Arizona, Assessor's office.

The tax process is relatively simple in Maricopa County. The process is broken down into four factors:

- 1) Limited Value (Set by State of Arizona)
- 2) Full Value (Set by Maricopa County Assessor's Office)
- 3) Primary Tax Rate
- 4) Secondary Tax Rate

Current policy is to assess all commercial properties at 17% of the estimated Full Value and residential properties at 10% of Full Value. The Arizona Property Tax Assessed Valuation Amendment, also known as Proposition 117, was on the November 6, 2012 general election ballot in the State of Arizona as a legislatively-reflected constitutional amendment, where it was approved. The result of the passage, at the beginning of tax year 2015, the calculation of the Limited Property Value (LPV) was changed and now is based on a single valuation used for taxation purposes, the LPV. The measure also limits the annual growth in the limited property value of the locally assessed properties to 5.0% (as long as the LPV does not exceed the Full Cash Value). This does not impact properties that were significantly changed from the previous year, such as new construction of parcel splits.

According to the Rule B policy statement from the assessor, additional increases to the LPV will occur if the new construction/renovation causes an increase of 10.0% more in the Full Cash Value of increases the building square footage by more than 5.0%. There is also a second test which compares the FCV as adjusted for the new construction to the LPV. Each year, the assessor calculates the relationship of the Limited Property Value to the Full Cash Value for each asset class annually. This percentage is utilized to compare any adjusted FCV resulting from new construction with the LPV. If this calculation does not exceed the LPV then no adjustments will be made. If the adjusted FCV after being improved does exceeds the LPV, then the LPV will be increased accordingly.

The tax bills are calculated using the following formula:

$\frac{\text{Limited Value}}{100} \times \text{Assessment Rate} \times \text{Primary Tax Rate} = \text{First Portion of Tax Bill}$
$\frac{\text{Full Value}}{100} \times \text{Assessment Rate} \times \text{Secondary Tax Rate} = \text{Second Portion of Tax Bill}$
<hr style="width: 20%; margin-left: auto; margin-right: 0;"/> <p align="right">Total Tax Bill</p>

The subject property is known to the assessor's office as parcel numbers. The limited assessed and full



assessed values for the property are listed on the following page.

REAL ESTATE TAX ASSESSMENT INFORMATION (CONT'D)

217-11-859

Year	Limited Value	Full Cash Value	Taxes
2022	\$1,201,764	\$1,896,100	\$13,844.54
2023	\$1,264,852	\$2,082,400	\$14,580.26
2024	\$1,324,945	\$2,274,500	\$14,935.56

The taxes for the property were \$0.20 per square foot of land area. This appears to be reasonable in the market considering the size and location of the property. The property is also located within the DC Ranch CFD, and the East Valley Institute of Technology special tax district. Once developed, much higher taxes, in the range of \$805 to \$1,711 per unit, are expected.

HIGHEST AND BEST USE

HIGHEST AND BEST USE

Highest and Best Use is defined as:

The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.¹

Implicit in this definition is that there are two types of highest and best use: the site as vacant and the property as improved. The highest and best use of a site, as if vacant, is analyzed to identify its maximally productive use. The highest and best use of a property, as improved, is analyzed to determine if the current use of the improvements contributes to the overall property value. If another use would result in a higher value than the existing use, the existing use will remain until it would be financially feasible to convert the improvements to their maximally productive use. If the site, as if vacant, is determined to have a highest and best use that is different from its current use, the use of the existing improvements will continue until the value of the land, as if vacant or made available for development, exceeds the value of the property as improved.

Highest and Best Use "As Vacant Land"

Legality of Use:

The R-4R, Resort/Townhouse Residential is designed to be developed with a variety of residential uses. A wide range of uses are allowed.

Physical Possibility of Use:

No engineering reports or environmental assessments were supplied the appraiser in conjunction with this assignment. In the absence of same, it is assumed that the site is environmentally clean, and has the load bearing capacity to support the type of construction typically found in the area. The subject's site size is considered adequate for many building applications at approximately 1.68 acres having good access to North Scottsdale.

Financial Feasibility of Use:

As vacant, a lodging facility appears to be a reasonable fit. The area features a limited number of other hotel/motel properties nearby. Other residential and commercial uses would also be feasible.

Maximum Productivity of Use:

The maximum productive use of the subject site as vacant could be for a variety of uses. The previously mentioned uses are reasonable uses under the aegis of maximum productivity.

¹*The Dictionary of Real Estate Appraisal*, Third Edition, published by the Appraisal Institute, Page 171.

HIGHEST AND BEST USE (CONT'D)

Highest and Best Use "As Proposed"

Legality of Use:

The zoning and use of the subject site as a lodging facility is permitted under provisions of the zoning ordinance according to the Scottsdale General Plan.

Physical Possibility of Use:

The proposed building was designed and constructed as a lodging facility and will function as such.

Financial Feasibility of Use:

The subject area is an area that will benefit greatly from the tourism and events in the area which should translate to a relatively strong occupancy. There are a limited number of other similar properties that compete in this market.

Maximum Productivity of Use:

The subject property is proposed to be improved with a 140 rentable unit full service hotel/resort property. There is no other use which would better utilize the property as proposed.

Conclusion:

In conclusion, the appraisers are of the opinion, based upon the above cited factors, that the existing layout and use as a full service hotel/resort facility represents the highest and best use of the subject property.

THE COST APPROACH

ESTIMATE OF VALUE BY THE COST APPROACH

The Cost Approach reflects the value of the subject property based upon the estimated value of the subject site, if vacant, and the estimated depreciated value of the subject improvements (building and site improvements). The procedures used in estimating the value of the subject property by the Cost Approach are outlined as follows:

- A. Estimate the Market Value of the site, if vacant, at its highest and best use. The value of the site is based upon market analysis of comparable vacant sites which are compared to the subject site in the analysis.
- B. Estimate the current replacement cost or reproduction cost of the improvements (building and site improvements).
- C. Estimate the accrued depreciation and obsolescence inherent in the subject improvement.
- D. Deduct the total estimated amount of depreciation and obsolescence (C) from the current replacement costs (B) to arrive at the estimated depreciated value of the improvements.
- E. Add the estimated depreciated value of the improvements (D) to the estimated market value of the site (A) to arrive at the indicated value of the subject property by the Cost Approach.

The subject property is proposed to consist of a 140 room full service hotel property, situated just east of Pima Road along the north side of Trailside View, south of Legacy Boulevard at in Scottsdale, Arizona. This property will consist of a single, five-story structure, expected to be completed in 2027. The building will feature a lobby with the reception desk, an event space, a restaurant/bar, four floors of rooms, two levels of below grade parking and an outdoor pool on the fifth floor.

The property features a total of 140 rooms broken down into 13 room types. The property will not feature any rooms on the ground level. The property will feature 43 rooms, mostly queens, double queens, and kings on the second, third, and fourth levels, with the majority of the suites on the fifth. The average room size is approximately 588 square feet, with the property containing a total room area of approximately 76,567 square feet, according to the measurements provided by the property contact. The property will feature a total improved space of approximately 157,199 square feet, with an additional 56,761 square feet of below grade parking.

The property is expected to be completed in 2027 and be in excellent condition. The improvements will sit on a site containing 72,966 square feet or 1.68 acres of land zoned R-4R PCD, Resort/Townhouse Residential by the City of Scottsdale.

The comparable land sales are presented on the following pages.

LAND SALES MAP



LAND SALES ANALYSIS

Sale No.	Location	Sale Date	Sale Price	Size Sq. Ft.	Zoning	Price / Sq. Ft.
1	7620 E. Cavasson Boulevard Scottsdale	4/25/25	\$28,882,000	490,871	PAD	\$58.84
2	16061 N. 81 st Street Scottsdale	10/24/24	\$4,850,000	52,529	I-1	\$92.33
3	7370 E. Henkel Way Scottsdale	9/13/23	\$22,750,000	139,827	PRC	\$162.70
4	15902 N. 80 th Street Scottsdale	8/29/23	\$5,000,000	52,599	I-1	\$95.06
5	9100 E. Legacy Boulevard Scottsdale	1/6/23	\$3,000,000	102,161	PNC	\$29.37
6	16990 N. 91 st Street Scottsdale	4/28/21	\$3,550,000	136,602	C-2	\$25.98
Subject	18211 N. Pima Road Scottsdale	Pending	\$6,300,000	72,966	R-4R	\$86.34

According to the information available, the sales represent the transfer of 100% of the merchantable interests in the properties. The sales were initially compared to the subject for financing or unusual sale conditions. The available information indicated that there was no unusual financing in the transactions. Sale conditions varied from property to property and also reflect the motivations of the sellers and buyers.

Adjustments are required in the analysis of each of the comparable sales as indicated by the aforementioned differences from the subject property. The appraiser has made qualitative adjustments to each comparable in order to guide the reader through the appraiser's analysis of the relationship of each comparable to the subject property. Some instances of matched pairs analysis were seen in the market data. Discussions of the adjustments arising from this data are contained in the following analysis. Where not possible to find matched pairs in the market to use as quantitative measures of the various factors considered in valuing the subject property, the analysis should be viewed as the opinions of the appraiser, developed through previous experience with similar properties and comparison with the given comparable sales. Whenever possible, I attempt to include percentage adjustments based definitive market information, however, given the somewhat limited number of land sales in the subject area, this is not always possible and qualitative adjustments based on experience were used.

The comparables are sales of properties with varying degrees of similarity with the subject property. The analysis of these sales is presented below.

The following paragraphs describe the adjustments and rating given to the sales in comparison with the subject property. The initial adjustment is for sale conditions. None of the sales were an REO or short sale. None of the transactions presented here needed to be adjusted for discounts given.

The sales used in this appraisal took place between April of 2021 and April of 2025. Based on the market information, I have applied a monthly adjustment factor of 0.5% for changes in market conditions.

The adjustments made to the comparables are presented in the following grid.

LAND SALES ANALYSIS (CONT'D)

RELATIVE COMPARISON ANALYSIS						
Sale	Sale #1	Sale #2	Sale #3	Sale #4	Sale #5	Sale #6
Price / SF	\$58.84	\$92.33	\$162.70	\$95.06	\$29.37	\$25.98
Sale Date	4/25/25	10/24/24	9/13/24	8/29/23	1/6/23	4/28/21
Financing	Similar	Similar	Similar	Similar	Similar	Similar
Sale Conditions	Similar	Similar	Similar	Similar	Similar	Similar
Market Conditions	Similar	Inferior +1.5%	Inferior +1.75%	Inferior +5.0%	Inferior +7.0%	Inferior +12.0%
Adj. Price / SF	\$58.84	\$93.71	\$165.55	\$99.81	\$31.43	\$29.10
Location	Similar	Inferior +10%	Superior -35%	Inferior +10%	Similar	Inferior +10%
Frontage / Visibility	Inferior +5%	Inferior +5%	Superior -10%	Inferior +5%	Inferior +5%	Similar
Accessibility	Similar	Superior -25%	Superior -10%	Superior -25%	Similar	Similar
Size	Inferior +50%	Superior -10%	Inferior +15%	Superior -10%	Inferior +25%	Inferior +20%
Zoning	Similar	Inferior +25%	Inferior +5%	Inferior +25%	Inferior +50%	Inferior +50%
Level of Improvement	Similar	Superior -5%	Similar	Superior -5%	Similar	Similar
Adjustments	55%	0%	-35%	0%	80%	80%
Adjusted Price / SF	\$91.20	\$93.71	\$107.61	\$99.81	\$56.57	\$52.38

The above chart presents the adjustments made to the sales in the above paragraphs and indicates that the range in per square foot sale prices narrows significantly compared to the unadjusted range. Based on the preceding analysis, the value of the subject property is between \$52.38 and \$107.61 per square foot. We have used a range between \$95.00 and \$100.00 per square foot due to the location and the zoning and approvals already in place. Calculations are as follows:

$$\begin{array}{rcl}
 72,966 \text{ square feet @ } \$ 95.00 \text{ per square foot} & = & \$6,931,770 \\
 72,966 \text{ square feet @ } \$100.00 \text{ per square foot} & = & \$7,296,600
 \end{array}$$

$$\text{Say} = \$7,100,000$$

REPRODUCTION COST

The next step in this approach was to estimate the reproduction cost new of the improvements. This was done via the Marshall Valuation Service. Reproduction cost is the estimated cost of creating an exact replica of a property, using the same materials, labor, and construction methods employed in the original structure. It's essentially the cost to rebuild something exactly as it was, rather than a cost that would result in a modern equivalent.

The building improvements have characteristics reflecting an average to good quality Class A Full Service Hotel as listed in Section 11, Page 25 of the Marshall Valuation Service cost manual. The manual lists the cost figures for this type of property as:

Class A, Hotel: Full Service

Excellent:	\$380.00 per square foot
Good :	\$310.00 per square foot

Using a base figure of \$380.00 per square foot appears to be reasonable, but I now need to adjust this for items such as sprinklers, as well as area, perimeter, current and local multipliers. Sprinklers add approximately \$4.25 per square foot to the costs over those listed in the cost manual. After applying area, current and local cost multipliers of roughly 0.98, 1.01 and 0.97, respectively, the estimated replacement cost of the property is adjusted to \$368.92 per square foot or a total of \$57,993,969.

In Addition ,the building improvements have characteristics reflecting an Average quality Class A Parking Basement as listed in Section 14, Page 33 of the Marshall Valuation Service cost manual. The manual lists the cost figures for this type of property as:

Class A, Parking Basement

Average :	\$88.00 per square foot
-----------	-------------------------

Using a base figure of \$88.00 per square foot appears to be reasonable, but I now need to adjust this for items such as sprinklers, as well as area, perimeter, current and local multipliers. Sprinklers add approximately \$4.25 per square foot to the costs over those listed in the cost manual. After applying area, current and local cost multipliers of roughly 0.98, 1.01 and 0.97, respectively, the estimated replacement cost of the property is adjusted to \$88.56 per square foot or a total of \$5,026,754.

In preparing the cost estimate using the cost manual, I also need to include the expenses for the site improvements. The subject property features concrete and fencing. The costs for these items were estimated as follows:

Landscaping:	\$ 100,000
Driveway:	\$ 25,000
Pool:	\$ 150,000
Concrete:	<u>\$ 100,000</u>
Total:	\$ 375,000

REPRODUCTION COST (CONT'D)

These cost estimates reflect all direct costs (including architect's fees, normal interest costs, and contractor's overhead and profit) and also accounts for some indirect costs (such as preliminary concept and layout, appraisal or consulting fees, initial marketing expenses and impact fees). The cost of the indirect items not included is typically reflected as a percentage of the direct costs and was estimated at 7% for the subject improvements. Overall, the Marshall Valuation Service generates a cost estimate of \$67,833,423 or \$431.51 per square foot.

Entrepreneurial incentive typically is added to the cost new of the subject improvements to compensate the developer for taking the risk to develop a property. The developer is taking on a moderate risk in doing so. Typically, appraisals will reflect an allowance for entrepreneurial incentive in the range of 15% to 20%. I have given 20% for entrepreneurial incentive of the subject property.

Reproduction Cost New: Hotel Building Property: 157,199 Sq. Ft. @ \$431.51 per Sq. Ft.: Entrepreneurial Incentive (20% total): Total Cost New	\$ 67,833,423 <u>13,566,684</u> \$81,400,107
--	--

DEPRECIATION

Accrued depreciation is basically the difference between the contributory (market) value of the improvements and their cost new. The five basic components of depreciation that affect real estate are: curable physical deterioration, incurable physical deterioration, curable functional obsolescence, incurable functional obsolescence, and external obsolescence. Curable physical deterioration is generally items of deferred maintenance, and incurable physical deterioration is that which is not financially feasible to correct. Curable functional obsolescence encompasses items that are financially feasible to cure and incurable functional obsolescence, those which are not financially feasible to cure. External obsolescence is a loss in value due to influences which are external to the property and are not typically curable.

The subject improvements will consist of newly constructed Full Service Hotel building within a setting that appears to be in excellent condition as of the date of completion. The property was judged to have an effective age of 0 years, and a economic life of approximately 50 years. Therefore, the depreciation affecting the property was estimated at:

$$\begin{aligned}
 &0 \text{ Year Economic Age} / 50 \text{ Year Economic Life} = 0\% \\
 &\text{Say} = 0\%
 \end{aligned}$$

SUMMARY OF THE COST APPROACH

Reproduction Cost New: All Improvements: Less: Depreciation and Obsolescence: (0%)	\$81,400,107 <u>\$ 0</u>
Depreciated Cost of Improvement:	\$81,400,107
Plus: Land Value	<u>\$6,300,000</u>
Total:	\$87,700,107
Say:	\$87,700,000

CONSTRUCTION BUDGET

We have been supplied with the proposed construction budget for the proposed improvements. The construction budget states that the entire development of the proposed improvements will carry a construction cost of \$78,834,471, which increased by over 10% from the end of 2024. This carries a direct cost of \$58,122,334, and a soft cost of 11,215,356, with a 10% contingency. Based on the fact that this budget was crafted for the proposed subject property improvements, we have elected to use this figure to conclude this analysis. Since the construction budget did not account for the purchase of the land, or entrepreneurial incentive, we have also added these values. We have applied a 20% entrepreneurial incentive, much like we did above. Calculations are presented below:

Construction Budget:	\$ 78,834,471
Entrepreneurial Incentive:	\$ 15,766,894
Land Value:	<u>\$ 7,100,000</u>
Total:	\$101,701,365
Say:	\$101,700,000

SUMMARY OF THE COST APPROACH

This is the value of the property As Completed, however, I also need to value the property As Is. While one may think that the value of the property “As Is” is simply the land value, since there are not yet any building improvements on the site, the developer needs to be compensated for the planned and entitlement work completed to this point, while the purchasing party does not have any approvals of their own as of the date of valuation, they are taking over a project that has been approved and changing it to their own project. According to the developer, their project has yet to receive any approvals. This signifies that a fair amount of work has been completed and a return has already been earned. Two ways of looking at this issue would be to:

- 1) Look at the final appraised value and back out the development costs, allowing for profit to the construction, or,
- 2) Look at the total profit and allocate some of the profit to the entitlement process and some to the construction process.

In looking at the property from the first perspective, the property has an appraised value of \$101,700,000 As Proposed, and a development budget of \$78,834,431, leaving a residual value to the land, as entitled of \$22,865,529. In the second scenario, the value of the property, as entitled was estimated to include roughly 15% of the total profit incentive given to the project, as the proposed project has yet to receive any approvals of their own, though it is similar to a project that was already approved on the site. In this case, the underlying value of the site, \$7,100,000 needs to be increased by 10% of the total budgeted profit of \$15,766,894, which equates to \$1,576,689, resulting in a total value of \$8,676,689.

Given the demand for entitled projects, it is likely that the property could be sold in a very short amount of time, at a value in the range of \$8,675,000. This is the estimated value of the property As Is, including entitlements.

THE INCOME APPROACH

ESTIMATE OF VALUE BY THE INCOME APPROACH

The income capitalization approach is defined as:

a set of procedures through which an appraiser derives a value indication for an income producing property by converting its anticipated benefits (cash flows and reversion) into property value...²

The principal assumption of the income capitalization approach is that there is a direct relationship between the value of an investment-grade, income producing property and the pre-tax net income it can produce. In this approach, stabilized income and expenses for the property are estimated, through analysis of past operating information and/or by direct market comparison, to arrive at the net operating income imputable to the real property. The net income is then converted into a value indication at an appropriate rate which would attract investors to, and reflect the risks in, the property investment.

The two most common methods of converting net income into value are direct capitalization and discounted cash flow analysis. It is our opinion the direct capitalization approach is the most appropriate method in valuing the subject property since the property has rebounded moderately and the assumptions that lead to a discounted cash flow value are still very subjective at this point in time.

This approach is normally reserved for properties where the improvements can be leased out to generate an income stream. The subject property lends itself very well for use of this approach to value, and therefore, this approach was completed in this appraisal. The results of this approach are detailed below.

The subject property is proposed to consist of a 140 room full service hotel property, situated just east of Pima Road along the north side of Trailside View, south of Legacy Boulevard at in Scottsdale, Arizona. This property will consist of a single, five-story structure, expected to be completed in 2027. The building will feature a lobby with the reception desk, an event space, a restaurant/bar, four floors of rooms, two levels of below grade parking and an outdoor pool on the fifth floor.

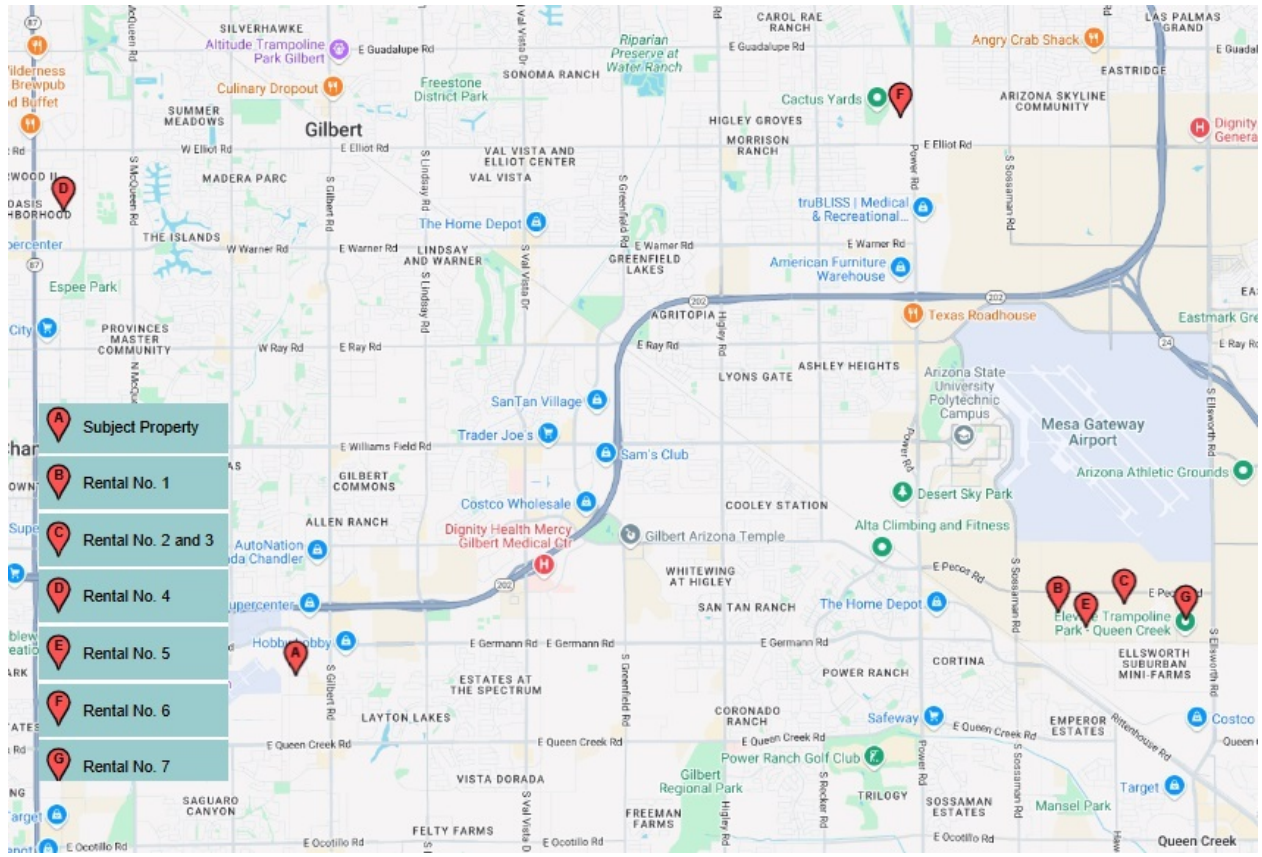
The property features a total of 140 rooms broken down into 13 room types. The property will not feature any rooms on the ground level. The property will feature 43 rooms, mostly queens, double queens, and kings on the second, third, and fourth levels, with the majority of the suites on the fifth. The average room size is approximately 588 square feet, with the property containing a total room area of approximately 76,567 square feet, according to the measurements provided by the property contact. The property will feature a total improved space of approximately 157,199 square feet, with an additional 56,761 square feet of below grade parking.

The property is expected to be completed in 2027 and be in excellent condition. The improvements will sit on a site containing 72,966 square feet or 1.68 acres of land zoned R-4R PCD, Resort/Townhouse Residential by the City of Scottsdale.

The first step in the analysis is to look to the market for income comparables for the subject property. Many comparable properties were found throughout Scottsdale and the surrounding communities. These comparables are presented on the following pages.

²*The Dictionary of Real Estate Appraisal*, Third Edition, published by the Appraisal Institute, 1993.

RATE COMPARABLES MAP



RATE COMPARABLES

Rental No.	Location	Number of Rooms	Avg. Room Size	Average Rate
1	JW Marriott Phoenix Desert Ridge Resort and Spa 5350 E. Marriott Drive Phoenix	950	465	\$303-\$1,002
2	Fairmont Scottsdale Princess 7575 East Princess Drive Scottsdale	750	624	\$396-\$1,171
3	Royal Palms Resort and Spa 5200 E. Camelback Road Phoenix	119	503	\$303-\$775
4	Hyatt House North Scottsdale 18513 North Scottsdale Road Scottsdale	136	611	\$99-\$284
5	Sheraton Desert Oasis Villas 17700 N. Hayden Road Scottsdale	300	712	\$181-\$409
6	Hilton Vacation Club Scottsdale Links Resort 16858 N. Perimeter Drive Scottsdale	228	1021	\$149-\$387
7	Hilton Garden Inn Scottsdale North/Perimeter Center 8550 E. Princess Drive Scottsdale	122	455	\$98-\$259
8	Hilton North Scottsdale at Cavasson 7965 E. Cavasson Boulevard Scottsdale	237	427	\$154-363
Subject	18211 N. Pima Road Scottsdale	140	558	---

ANALYSIS OF RENTAL RATES

The subject was compared to eight comparable lodging facilities in Scottsdale and Phoenix, all located within the subject property market area. The subject property has not reported official rates as the subject property is a proposed resort in the North Scottsdale Market. The property contact did however state that they have completed financial modeling and have had the models verified by consultants and market partners that support an ADR of \$490.

The subject property is expected to operate towards the middle to high range in the comparables presented in the above pages. The below table shows the historical data for Scottsdale.

	2021	2022	2023	2024
Occupancy	57.60%	65.00%	65.20%	79.80%
ADR	\$228.49	\$273.91	\$279.84	\$256.83
RevPAR	\$55.56	\$79.54	\$84.24	\$168.69

*City of Scottsdale Tourism Department (2021-2023)

*Matthews Real Estate Investment Services (2024)

We have not been provided with any financials for the property as it has yet to start the improvement process. Since the property is proposed and does not have any historical financials we have relied on the market data collected to complete this analysis.

The data available from the Arizona Office of Tourism, is as follows:

INCOME ANALYSIS (CONT'D)

Quarter 1 2025
 Arizona Office of Tourism
 Arizona Lodging Performance



Statewide Lodging Performance First Quarter 2025 (January, February, March)					
Market Year	Occupancy	ADR	RevPAR	Demand	Supply
United States					
2024	58.2%	\$154.86	\$90.10	292,351,152	502,463,250
2025	58.4%	\$157.75	\$92.13	293,353,770	505,756,626
% change Q1	0.4%	1.9%	2.2%	1.0%	0.7%
Mountain Region					
2024	63.7%	\$187.64	\$119.54	37,020,672	58,108,166
2025	62.0%	\$181.05	\$112.30	36,159,697	58,298,302
% change Q1	-2.6%	-3.5%	-6.1%	-2.3%	0.3%
State of Arizona					
2024	70.0%	\$193.53	\$135.56	7,326,897	11,174,392
2025	69.6%	\$195.50	\$136.06	7,882,990	11,326,971
% change Q1	-0.6%	1.0%	0.4%	0.7%	1.4%
Metro Phoenix					
2024	76.8%	\$222.10	\$170.46	4,859,813	6,331,871
2025	75.9%	\$224.01	\$169.99	4,896,183	6,451,938
% change Q1	-1.1%	0.9%	-0.3%	0.7%	1.9%
Metro Tucson					
2024	71.2%	\$180.15	\$128.34	1,054,881	1,480,730
2025	70.6%	\$182.85	\$129.07	1,063,287	1,506,328
% change Q1	-0.9%	1.5%	0.6%	0.8%	1.7%
Flagstaff AZ					
2024	62.7%	\$108.02	\$67.68	311,026	496,440
2025	60.5%	\$105.21	\$63.62	300,185	496,409
% change Q1	-3.5%	-2.6%	-6.0%	-3.5%	0.0%
AZ Northeast & Holbrook					
2024	48.7%	\$99.75	\$48.54	199,719	410,400
2025	48.4%	\$104.04	\$50.36	192,719	398,160
% change Q1	-0.5%	4.3%	3.7%	-3.5%	-3.0%
AZ Southeast & Sierra Vista					
2024	55.8%	\$102.04	\$56.92	247,971	444,541
2025	58.6%	\$106.29	\$62.29	257,659	439,681
% change Q1	5.1%	4.2%	9.4%	3.9%	-1.1%
Non-metro AZ					
2024	57.2%	\$127.18	\$72.79	2,045,716	3,577,251
2025	57.8%	\$128.43	\$73.54	2,060,068	3,597,845
% change Q1	0.1%	0.9%	1.0%	0.7%	0.6%

Source: CoStar Group-The information contained in this report is based upon independent surveys and research from sources considered reliable but no representation is made as to its completeness or accuracy. This information is intended solely for the internal purposes of your organization and should not be published in any manner unless authorized by the Arizona Office of Tourism and CoStar Group. REPUBLICATION OR OTHER RE-USE OF THIS DATA WITHOUT THE EXPRESS WRITTEN PERMISSION OF COSTAR GROUP IS STRICTLY PROHIBITED.

Note: % change represents the current Quarter over the same Quarter in the previous year.

INCOME ANALYSIS (CONT'D)

There is no table available from the Arizona Office of Tourism that summarizes the entire year, but the quarterly survey does allow comparison to the previous year’s figures and the subject performance for that specific period.

On a national basis, the STR information reflects an average occupancy of 56.2%, with the state occupancy rate moderately higher at 69.7%. The subject market is over-performing the national average, and over-performing the state average, with a 79.80% occupancy. The subject market is also over-performing to the Metro (70.6%) market data overall suggesting that this market has a strong place in the broader market.

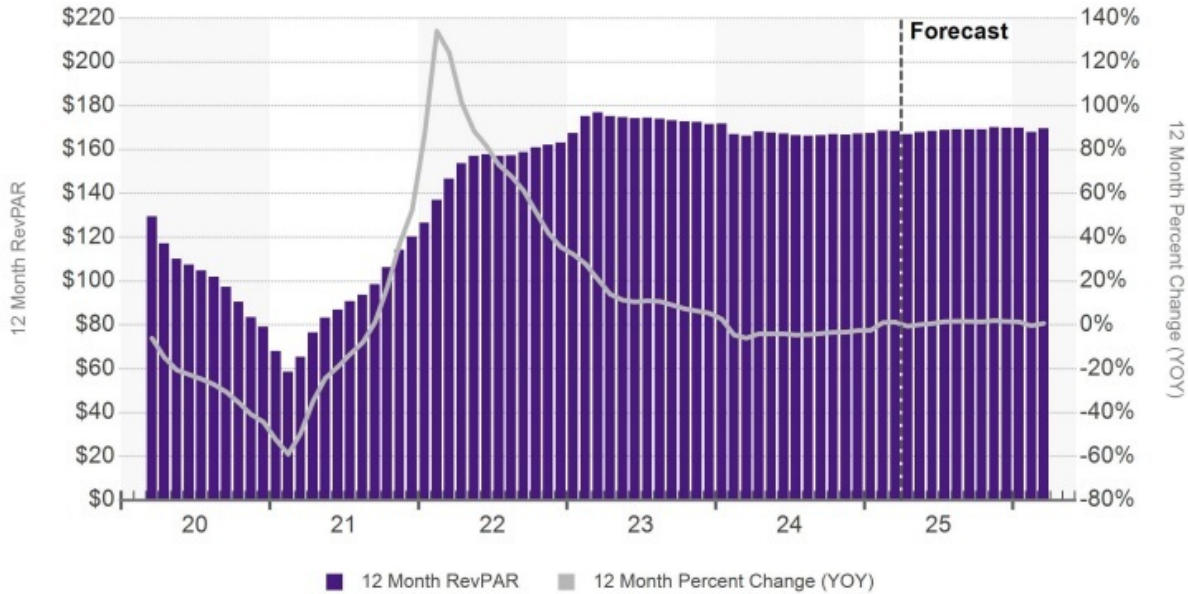
The data shows national and statewide ADR and RevPAR compared to several markets and the subject data as follows:

Q1 2025	ADR	RevPAR
National	\$157.75	\$92.13
Arizona	\$195.50	\$136.06
Metro	\$224.04	\$169.99
Scottsdale	\$256.14	\$168.41

While the market figures are relatively stable, the subject property features a similar ADR to the local market average, the subject market significantly over-performs the national and statewide ADR and RevPar. The subject is proposed to be a luxury resort, which leads to belief that the subject should out perform the Scottsdale data. The CoStar Group published a Q1 2025 Hospitality report which showed that Luxury and Upper Upscale properties in the Scottsdale market saw an average occupancy of 64.5%, with a ADR of \$336.06, and a RevPAR of \$216.06. The subject market has appeared to fully rebound from the effects of the Covid-19 Pandemic. The information that was published by the Arizona Office of Tourism shows the rebound from the pandemic as well, showing strong occupancy rates that are similar to the figures seen in 2019. This data shows that the subject will be performing at levels similar, but higher than the Scottsdale market. While the data set is the smallest, the proposed subject property should have similar data to the Luxury, Upper Upscale data for Scottsdale from The CoStar Group data.

INCOME ANALYSIS (CONT'D)

REVPAR



OCCUPANCY MONTHLY

The subject property is a hotel property and when valuing an income producing company we look to the potential income for the next twelve months. The historical information allows the appraisers to see the trends of the subject property in the past to allow the appraisers to project an appropriate potential revenue. By valuing the subject property this way the property will have a stabilized and As Is value that are the same. Whereas in the past, the property was not stabilized, the property is now projected to be operating on a stabilized basis for the reasons included herein. For those reasons, these values are projected to be the same.

Given the data available from the comparable properties, I have stabilized at an occupancy rate at 70% due to the market the subject is in. The subject market has shown a trend that shows that the ADR of the property has been relatively stable over the period examined. We stabilized the subject property's RevPar at \$343.00, which is slightly higher than the average figures for the subject market of Luxury/Upper upscale, which should be achievable due to the property being new and in a heavy tourism area.

INCOME ANALYSIS (CONT'D)

In viewing the subject relative to the competitive set, and the other market data obtained, room revenue for the coming 12 months can be projected as follows:

140 Rooms X 365 = 51,100 annual room nights
Estimated Occupancy = 70% (51,100 X .70= 35,770)
Estimated ADR = \$490
Room Revenue = \$17,527,300 (35,770 X \$490)
RevPAR = \$343.00

Based on the calculations above, it appears the subject gross room income is \$17,527,300.

We have stabilized the revenue at the property at \$17,525,000.

Other Income

The subject property is also planning to have ways to generate other income. It has been reported to the appraisers that the property is planning to have income by the sources of Food and Beverage, Other Operated Departments, and Miscellaneous Income.

Based on the data presented by the CoStar Group, Full Service properties average a 48.9% of revenue from rooms. This leaves 51.1% of the total revenue coming from other sources. They have reported that on average approximately 20% of the Revenue comes from Food or \$200.38 per occupied room, 8.5% comes from Beverage or \$85.16 per occupied room, 8.0% comes from other F&B \$80.15 per occupied room, 9.1% comes from other Departments or \$91.17 per occupied room, and 5.6% from miscellaneous or \$56.11 per occupied room.

Since the subject property is just proposed and does not have any actual income to rely on, we have had to rely solely on the market data available. Based on the market data, the subject property should expect a food revenue of approximately \$7,170,000, or \$200.44 per occupied room, beverage revenue of approximately \$3,050,000 or \$85.26 per occupied room, an other F&B revenue of approximately \$2,870,000 or \$80.23 per occupied room, an other department revenue of approximately \$3,260,000 or \$91.13 per occupied room, and a miscellaneous revenue of approximately \$2,000,000 or \$55.91 per occupied room. In total, the subject property should have a total revenue of approximately \$35,815,000 annually.

We will be using the total revenue figure in order to form a basis of our revenue generation in this approach. Overall, we have allowed for a total revenue of \$35,815,000, which allows for all sources of revenue stated above.

EXPENSE ANALYSIS

The next step is to discuss the expenses likely to be seen on a stabilized basis. The foundation for this discussion includes the historical expense comparables as well as market and industry data.

To arrive at an estimated of stabilized net operating income (NOI), we have applied expenses against the estimated revenue.

Expenses were largely based on the historical expense data of comparable properties and the market since the property will be operating on a stabilized basis with competent management in place.

The expense categories are discussed below.

Departmental Expenses

The expenses as categorized by the Host Study are discussed below. The figures applicable to the subject property are summarized in the table that follows the description of each category.

Rooms

This expense includes labor costs for front desk staff, housekeeping, reservations, bell staff, laundry, plus employee benefits. This category also includes linen, cleaning supplies, guest supplies, uniforms, franchise reservation fees, equipment leases (not telecom.) and travel commissions.

Food & Beverage

This expense category includes the labor costs as well as all costs to the hotel property for the food and beverages that are sold at the property. The subject has no Food and Beverage expense center.

Other

This includes the expenses associated with parking attendants, and other incidental costs.

Undistributed Operating Expenses

General and Administrative

This category includes payroll and expenses for the general manager, human resources and training, security, clerical staff, controller, and accounting staff. Other expenses included here are office supplies, computer services, professional fees, cash overages and shortages, bad debt expense, travel insurance, credit card commissions, non-guest transportation plus travel and entertainment.

Marketing

The marketing and advertising category includes payroll and associated expenses for sales and marketing staff, direct sales expense, advertising and promotion, travel expenses for sales staff, civic and community projects. This category also includes a national advertising fee, or assessment paid to a franchisor, plus cost of frequent guest stay programs.

Telecommunications

Includes the cost of calls, and all related expenses, excluding capital lease payments.

Utility Costs

These expenses included electric, water, gas, plus any emergency management systems.

EXPENSE ANALYSIS (CONT'D)

Property Operations and Maintenance

This category includes payroll and expenses for maintenance, supplies, repairs, furniture, equipment, grounds and removal of waste matter.

Franchise Fees

This is typically only the royalty portion of the fees paid to a franchisor.

Management Fees

These are fees charged by a management company, and include all base and incentive fees.

Real Estate Taxes

Includes taxes on the real estate, business and occupation, personal property, and other municipal taxes.

Insurance

This category is the cost of insuring the building and contents. Does not include workers compensation.

Reserves for Capital Replacement

This is a figure set aside for replacement of FF & E, which can be required by a management or franchise agreement.

Industry Data

The following statistics from the 2023 CoStar Group, list some differing expense ratios for different areas and different type of lodging facilities. Thus, it can be expected that a stabilized property might be reasonably be expected to run expenses of above 50%, but less than, say 90%.

Of course, income and expenses are not subject to as much stability as other properties, such as apartment facilities or other more stable property types. A lodging facility could go from a good profit to a loss within a year, depending on market circumstances and unpredictable events and market conditions.

EXPENSE ANALYSIS (CONT'D)

2023

Exp. Category	Scottsdale		Phoenix	
Rooms	22.5%	\$19,207	23.5%	\$15,936
Food & Beverage	61.5%	\$39,043	62.1%	\$28,605
Other Dept. Exp.	68.2%	\$10,772	69.1%	\$6,024
Telecom.	0.9%	\$1,527	1.0%	\$1,274
G & A	6.7%	\$11,728	7.2%	\$9,291
Marketing	6.2%	\$10,892	7.4%	\$9,498
Utility	2.1%	\$3,615	2.5%	\$3,245
Op. & Maint.	3.9%	\$6,818	4.1%	\$5,331
Mgmt.	4.9%	\$8,462	4.1%	\$5,343
RE Taxes	1.3%	\$2,290	1.6%	\$2,016
Insurance	0.7%	\$1,142	0.9%	\$1,114
Reserves	4.5%	\$7,843	4.5%	\$5,797

EXPENSE ANALYSIS (CONT'D)

Departmental Expenses and Undistributed Operating Expenses

The expenses as categorized by the 2023 CoStar Data is discussed below. The figures applicable to the subject property are summarized in the table that follows the description of each category.

Rooms

As many of the expenses in this category do hinge on the occupancy, the subject Rooms expense is estimated to stabilize at 25% of room revenue, this is similar to the expense comparables. This is due to the population of travelers that stay in Scottsdale. Vacant rooms do not generate significant expenses. The market expenses categories as detained in the data suggest expense categories in the range of 22.5% to 23.5% in 2023. I have stabilized an expense of 25.0%.

Food and Beverage

As many of the expenses in this category do hinge on the occupancy, the subject Food and Beverage expense is estimated to stabilize at 60% of departmental expenses, this is similar to the expense comparables. This is due to the population of travelers that stay in Scottsdale. The market expenses categories as detained in the data suggest expense categories in the range of 61.5% to 62.1%. I have stabilized an expense of 60% of the Food and Beverage revenue.

Other Expense

As many of the expenses in this category do hinge on the occupancy, the subject Other expense is estimated to stabilize at 67.5% of Other revenue, this is similar to the expense comparables. This is due to the population of travelers that stay in Scottsdale. The market expenses categories as detained in the market data report suggest expense categories in the range of 68.2% to 69.1%. I have stabilized an expense of 65.5% of the Other revenue.

Undistributed Operating Expenses

General and Administrative

The industry expense categories shown above indicate a range of 6.7% to 7.2%. The range on a per room basis is between \$9,291 and \$11,728. On a stabilized basis, this expense was stabilized in line with the industry figures, at approximately 7% of revenue.

Marketing

The industry data reflected a range of 6.2% to 7.4%. As the subject property is currently proposed, there is not an expense for this category, though upon completion the subject property will not be branded as a chain property and will thus have a marketing expense. Based on the market data, this expense category was stabilized at 7.0%.

EXPENSE ANALYSIS (CONT'D)

Utility Costs

Utilities are a large cost at the property given its size and the climate in which the property is located. A substantial portion of this expense is occupancy related. The industry data shows an expense of 2.1% to 2.5% and a range of \$3,245 to \$3,615 per room. This is one of the largest expenses any hotel/motel property experiences. The property features 140 rooms with full bathrooms, air conditioners. The subject's Utility expense was stabilized at 2.5%.

Property Repairs and Maintenance

The standard repairs and maintenance items performed at the property are included in this category. In room and general repairs are expected, but this category does not include capital projects. The market data shows a range of 3.9% to 4.1% of revenue. On a per room basis the range is \$5,331 to \$6,818. The subject expense has been stabilized at 4.0%.

Management Fees

The amount paid for the day to day operation of the property is the management fee and is typically negotiated on a percentage basis. The subject property will most likely be professionally managed. The industry reflects rates of between 4.1% to 4.9%. I have relied on the industry data, and included a management fee of 4.5%.

Information Technology (IT)

We have relied on the industry data for this category, which reflects a range of 0.9% to 1.0%. I have stabilized this expense at 1.0%.

Insurance

Industry range indicated is 0.7% to 0.9% of revenues. I have stabilized this expense at 1.0%.

Real Estate Taxes

The industry range indicated a range from 1.3% to 1.6%, or \$2,016 to \$2,290 per room. I have stabilized this expense at \$2,000 per room.

Reserves for Capital Replacement

The range indicated is generally near 4.5% of revenue. This expense will be stabilized at 4.5% for the subject property.

The following stabilized income and expense statement assumes the revenue for the coming 12 months. The discussions leading to stabilization were utilized to project the first year's income and expenses. These are based on discussions and projections and may vary significantly from the actuals.

STABILIZED OPERATING STATEMENT

Revenue		
Rooms		\$17,525,000
Food		\$7,170,000
Beverage		\$3,050,000
Other Food and Beverage		\$2,870,000
Other Department		\$3,260,000
Miscellaneous Income		<u>\$2,000,000</u>
Total		\$35,875,000
Expenses		
Departmental Expenses		
Rooms	25%	\$4,381,250
Food and Drink	60%	\$7,854,000
Other	65.5%	<u>\$3,406,000</u>
Total Departmental Expenses		\$15,641,250
Undistributed Expenses		
G & A	7.0%	\$2,511,250
Marketing	7.0%	\$2,511,250
Utility Costs	2.5%	\$896,875
Repairs and Maintenance	4.0%	\$1,435,000
Management	4.5%	\$1,614,375
IT	1.0%	\$358,750
Insurance	1.0%	\$358,750
Real Estate Taxes	\$2,000/Rm	\$280,000
Total Undistributed Expenses		<u>\$9,966,250</u>
Reserves	4.5%	\$1,614,375
Total Expenses and Deductions		\$27,221,875
Net Operating Income		\$8,653,125

The stabilized expense level equates to \$194,441 per room. Overall, the expenses appear to be reasonable and justified given the size and quality of the subject.



CAPITALIZATION ANALYSIS

The selection of the overall capitalization rate will consider rates extracted from the market, Band of Investment analysis and rates from published sources.

Market Extraction Method

This is the simplest method of capitalization as it involves direct capitalization with a rate obtained from known sales prices and net income. Utilization of this method requires that income and sales data be obtained for properties comparable to the subject in characteristics of age, usage and size. This rate has the least subjective aspects of any of the rates available for the capitalization methods. A sampling of capitalization rates from properties across Arizona are presented below.

The Holiday Inn Express & Suites Tempe sold in December of 2024 for \$17,500,000. This 128 room property sold based on a cap rate of 7.40%.

The Hotel Serene Glendale Peoria sold in August of 2024 for \$6,500,000. This 60 room property sold based on a cap rate of 8.50%.

The Residence Inn Scottsdale North sold in June of 2023 for \$29,000,000. This 120 room property was sold based on a capitalization rate of 8.00%.

The Arizona Biltmore sold in May of 2024. This 703 room property was sold based on a capitalization rate of 7.54%.

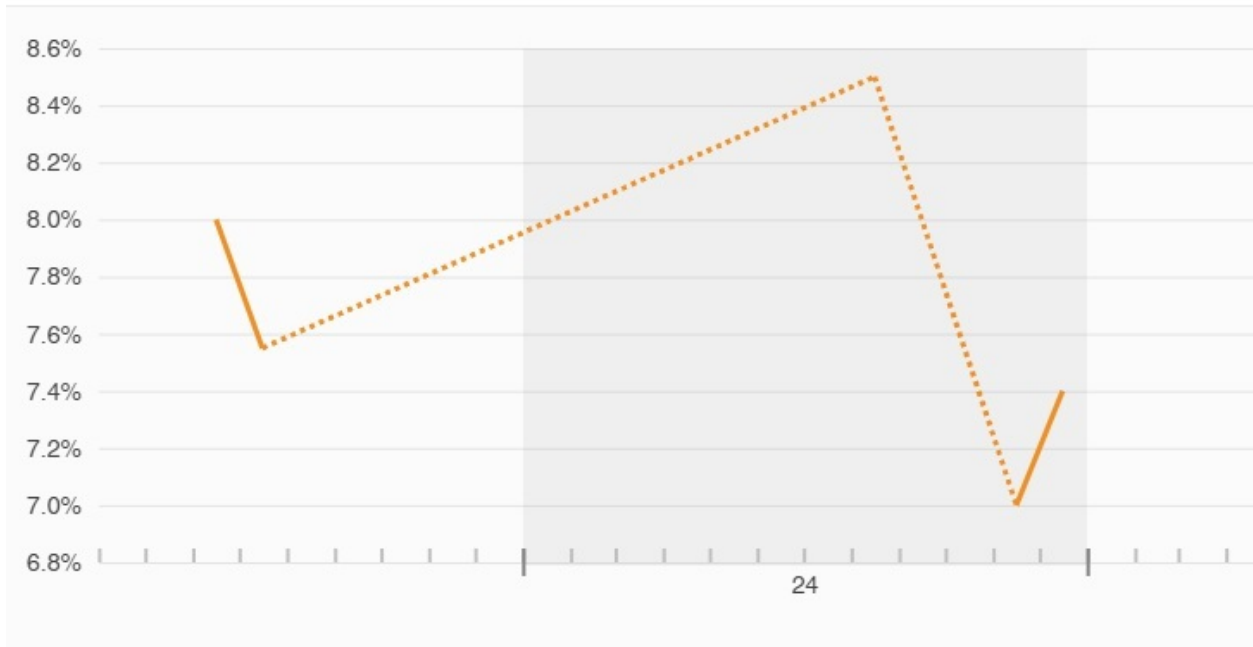
The Sedona Real Inn and Suites sold in November of 2023. This 89 room property was sold based on a capitalization rate of 6.80%.

The Four Seasons sold in December of 2022. This 210 room property was sold based on a capitalization rate of 5.70%.

As additional support, I have provided the following graph which shows the trend for capitalization rates of hospitality properties over the past year according to The CoStar Group.

CAPITALIZATION ANALYSIS (CONT'D)

Cap Rate



The above chart shows that over the past few quarters, that capitalization rates have been increasing though not enough data was available to make a strong conclusion..

Band of Investment Analysis

A method for estimating an overall capitalization rate is the use of the Band of Investment method wherein the rates sought by the lender and the investor are weighed. Current mortgage rates for properties such as the subject with a typical investors qualifications range between 5.76% and 14.20%. This is based on a survey of local lenders active in this type of financing market and published sources such as Realty Rates.com. Based on the foregoing analysis, a mortgage with a 25-year term, bearing interest at an annual rate of 7.75%, was considered reasonable. This rate was selected, as the subject has a good location in an established market.

The second component of the Band of Investment is the "return on" capital. This "return on" capital reflects the requirement of an investor to get a rate of return on the equity portion commensurate with the risk involved. As in all investments, the higher the perceived risk, the higher the rate of return required by an investor. As investors have a wide variety of investment mediums from which to choose, with varying degrees of risk and rates of return, it is prudent to analyze these competing investment opportunities.

CAPITALIZATION ANALYSIS (CONT'D)

In examining an investment situation, a hypothetical investor would weigh the perceived levels of financial and business risk against the return he expects to receive from the subject investment. The investor would compare his expected return to the return available for alternative investment opportunities such as government securities or minority interests in publicly traded common stock. The table on the following page presents some of these alternative investment opportunities as of the date of valuation.

KEY INTEREST RATES

- as of April 28, 2024 -

MARKET RATES AND BONDS YIELDS - %

Reserve Bank Discount Rate	4.50
Prime Rate (monthly average)	7.50
Federal Funds Rate	4.33
1-Year Treasury Bills	3.92
U.S. 5 Yr. Treasury Notes	3.81
U.S. 10 Yr. Treasury Notes	4.23
U.S. 30 Yr. Treasury Bonds	4.69

Annualized interest rates on certain investments as reported by the Federal Reserve Statistical Release.

The prior interest rates reviewed will assist us in developing an overall capitalization rate via the Band of Investment technique. This method involves synthesis of mortgage and equity rates and represents a weighted average, which is a percentage assigned to mortgage and equity positions. The overall rate in this particular instance is, therefore, developed by using the mortgage constant and the market's expected equity dividend rate in a weighted average calculation.

According to the April 2025 publication of REITWatch, published by NAREIT (National Association of Real Estate Investment Trusts) the Equity Dividend Rate for All Equity REITs over the past 10 years is 5.70% while for the past 15 years it has been 8.90%. I have included a Dividend Rate of 7% based on the level of perceived risk associated with the subject property.

Therefore, utilizing the band of investment technique of weighted percentages for the mortgage and equity position, the following capitalization rate was derived:

Financing:	70% mortgage	x .09064 mortgage constant	=	.06345
Equity:	30% down payment	x .07000 return	=	.02100
			Total	.08445

Overall Rate 8.4% as Rounded

CAPITALIZATION ANALYSIS (CONT'D)

Conclusion - Overall Capitalization Rate

The band of investment analysis generated a rate of 8.4%. It was given little regard in the market and was not considered.

I have put more emphasis on the information reported by the hotel brokerage companies as well as the actual market rates.

The comparable rates found in the market range from 5.7% to 8.5%. Giving effect to all factors considered, but mostly the rates seen in the subject market, and given the location in a tourist driven market, an overall capitalization rate of between 7.50% and 7.75% was considered appropriate due to its size and location.

Utilizing the estimated income and expenses for the subject property and the overall capitalization rate, the value indication for the property is developed below.

Net Operating Income for Capitalization	\$8,653,125	\$8,653,125
Divided by Capitalization Rate	<u>7.75%</u>	<u>7.50%</u>
Indicated Value	\$111,653,225	\$115,375,000
 Rounded	 \$113,000,000	

SEPARATION OF TANGIBLE AND INTANGIBLE PROPERTY

We will now deduct the value of the business enterprise value, be separated from the value of the real estate. In the case of the subject, which is a hotel property, the differentiation is not all that clear, and debated within the Appraisal Institute, and other professional organizations.

A value for going concern be completed along with the other value conclusions for the subject property. The subject property will be an operating hotel property. The subject property has the benefit of its location being near several large tourist event in the first quarter of each year. The subject will have 140 fully furnished rooms and a fully educated staff that keeps the property operating. The property has yet to develop any recognizable business value based on it not being a brand name resort, however, going forward this may develop. The property does, however, have FF&E.

CONTRIBUTORY VALUE OF THE FF&E

According to HVS International, the leading authority on hotel valuation, the minimum cost per room for FF & E's in a mid-scale hotel with food and beverage facilities is \$6,800, and the maximum is \$20,700, with an average of \$10,900 per room. These costs include case goods, upholstered seats, bedding and frames, pool and lobby furniture, carpeting throughout the building, wall coverings throughout the building, drapery and bedspreads, fixtures and lamps, televisions, art work and interior graphics. I have allowed for a budget of \$18,500 per room.

The subject property will feature a luxury level of personalty given the fact that the property will be a luxury property in the North Scottsdale market. A recently appraised extended stay featured a budget of \$1,620,000 in FF&E for the property or \$18,000 per room. Given the fact that the property is new, and will be in excellent condition, it will also not suffer from depreciation. Therefore, the contributory value is expected to be reasonably similar to the cost figure.

The subject property, the estimate of contributory value is approximately \$2,590,000 for the FF & E's of the subject.

THE SALES COMPARISON APPROACH

SALES COMPARISON APPROACH

The sales comparison approach is defined as:

a set of procedures in which a value indication is derived by comparing the property being appraised to similar properties that have been sold recently, applying appropriate units of comparison, and making adjustments to the sale prices of the comparables based on elements of comparison...³

The premise of the sales comparison approach is that the value of a property is directly related to the prices paid for similar properties in the marketplace. This approach to value considers the sales of similar properties and examines both their physical and economic aspects as compared to the various characteristics of the subject property.

The sale prices of the comparables were analyzed in terms of a similar unit of comparison due to the typical differences between the subject property and the comparable sales. The information provided indicated that the most applicable units of comparison were both the price per square foot and also the price per unit.

The subject property is proposed to consist of a 140 room full service hotel property, situated just east of Pima Road along the north side of Trailside View, south of Legacy Boulevard at in Scottsdale, Arizona. This property will consist of a single, five-story structure, expected to be completed in 2027. The building will feature a lobby with the reception desk, an event space, a restaurant/bar, four floors of rooms, two levels of below grade parking and an outdoor pool on the fifth floor.

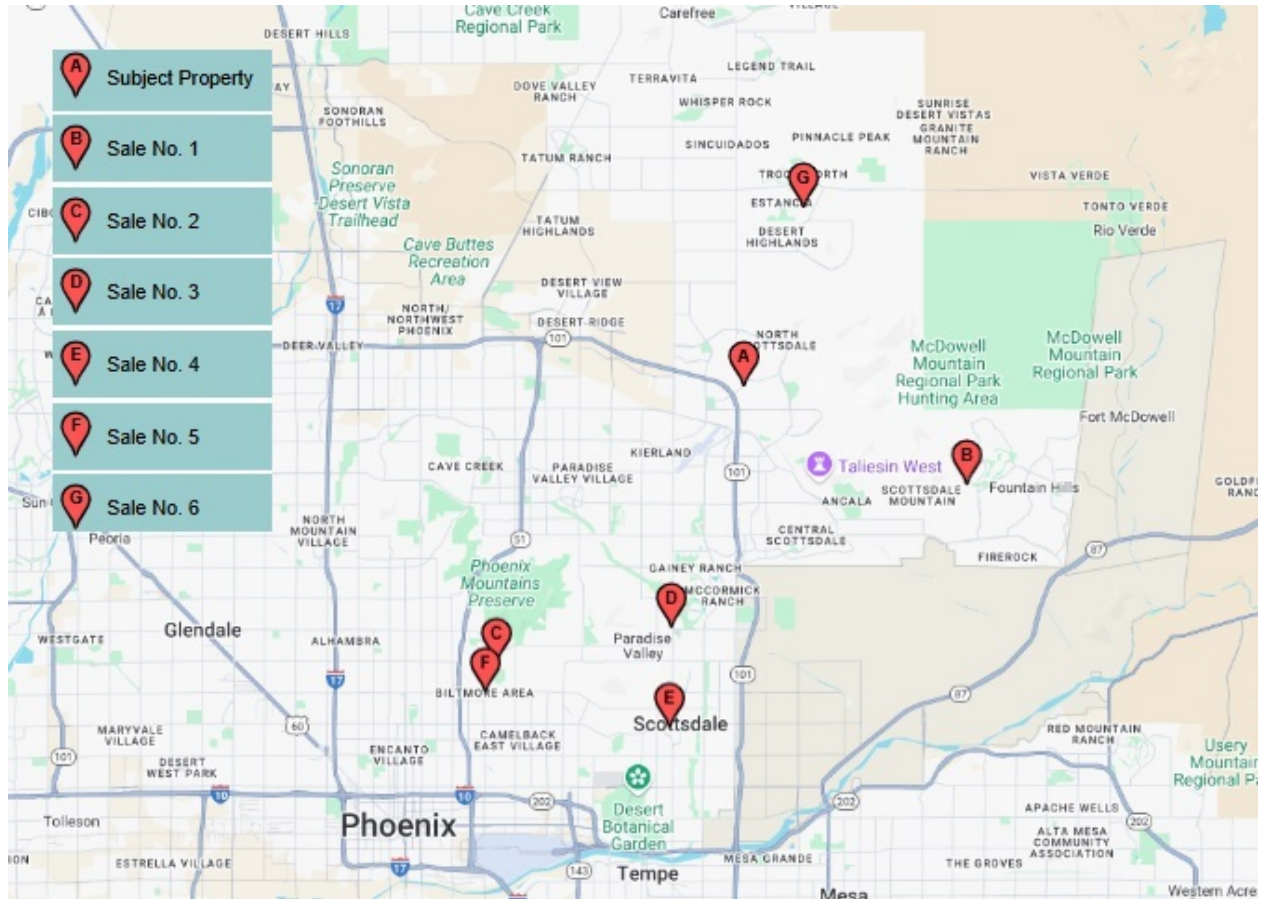
The property features a total of 140 rooms broken down into 13 room types. The property will not feature any rooms on the ground level. The property will feature 43 rooms, mostly queens, double queens, and kings on the second, third, and fourth levels, with the majority of the suites on the fifth. The average room size is approximately 588 square feet, with the property containing a total room area of approximately 76,567 square feet, according to the measurements provided by the property contact. The property will feature a total improved space of approximately 157,199 square feet, with an additional 56,761 square feet of below grade parking.

The property is expected to be completed in 2027 and be in excellent condition. The improvements will sit on a site containing 72,966 square feet or 1.68 acres of land zoned R-4R PCD, Resort/Townhouse Residential by the City of Scottsdale.

I have included sales information from hospitality properties in Phoenix market.

³*The Dictionary of Real Estate Appraisal*, Third Edition; published by the Appraisal Institute, 1993.

IMPROVED SALES MAP



IMPROVED SALES SUMMARY

Location	Sale Date	Sale Price	No. Units Year Built	Price Per Room
ADERO Scottsdale Resort 13225 N. Eagle Ridge Drive Fountain Hills	12/26/24	\$57,500,000	177 200/2020	\$324,859
Arizona Biltmore 2400 E. Missouri Avenue Phoenix	5/8/24	\$705,000,000	703 1929/2023	\$1,002,845
The Scottsdale Plaza Resort and Villas 7200 N. Scottsdale Road Scottsdale	4/4/24	\$124,300,000	404 1972/2015	\$307,673
Canopy by Hilton Scottsdale Old Town 7142 E. 1 st Street Scottsdale	9/26/23	\$101,800,000	177 2020	\$575,141
The Camby 2401 E. Camelback Road Phoenix	3/10/23	\$110,000,000	277 1988/2024	\$397,112
Four Seasons Scottsdale 10600 E. Crescent Moon Drive Scottsdale	12/2/22	\$267,800,000	210 1999	\$1,275,238
Fira Luxury Botique Hotel 18211 N. Pima Road Scottsdale	---	---	140 2027	---

IMPROVED SALES ANALYSIS

The sales in the above chart present a wide range in prices per room.

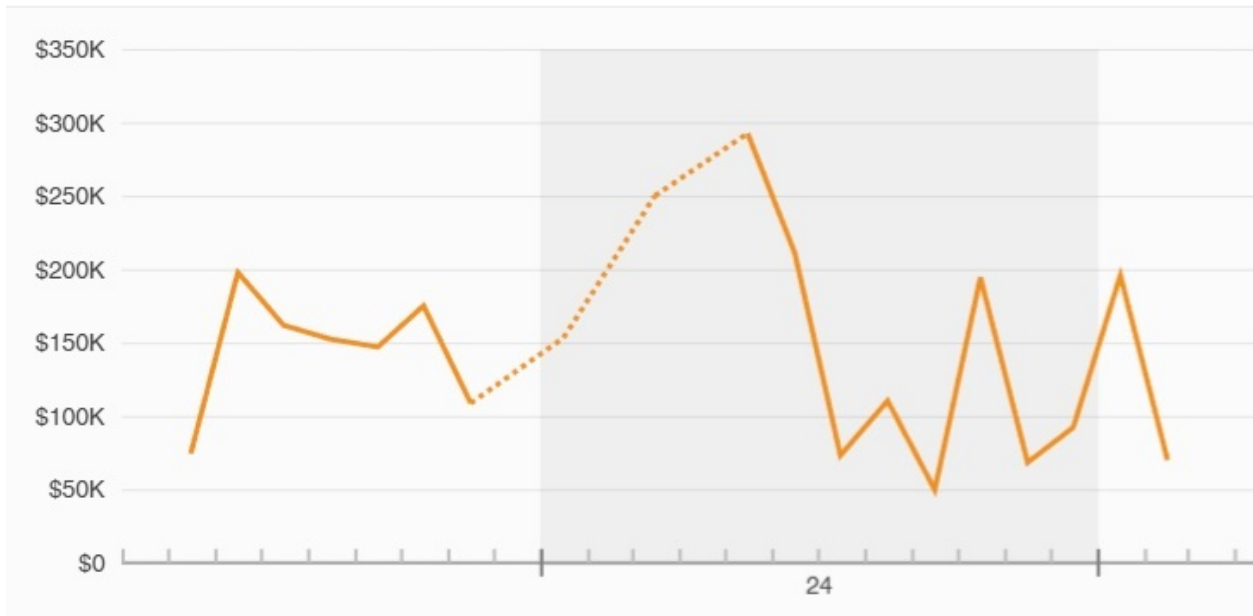
According to the information available, the sales represent the transfer of 100% of the merchantable interests in the properties. The sales were initially compared to the subject for financing or unusual sale conditions. The available information indicated that there was no unusual financing in the transactions. Sale conditions varied from property to property and also reflect the motivations and strengths of the sellers.

Adjustments are required in the analysis of each of the comparable sales as indicated by the aforementioned differences from the subject property. The appraiser has made quantitative adjustments to each comparable in order to guide the reader through the appraiser's analysis of the relationship of each comparable to the subject property. It was not possible to find matched pairs in the market to use as quantitative measures of the various factors considered in valuing the subject property, so the analysis should be viewed as the opinions of the appraiser, developed through previous experience with similar properties and comparison with the given comparable sales.

IMPROVED SALES ANALYSIS (CONT'D)

Each of the sales above will be compared to the subject individually in the following paragraphs. None of the properties needed to be adjusted for changes in sales conditions so I next looked at market conditions. The graphic on the following page shows the trend in hospitality sale prices across Arizona over the past two and a half years.

Sale Price Per Room



The data shows that the unit sales price since 2022 has been relatively stable but continuously fluctuating up and down. I have not used a market conditions adjustment.

The adjustments made in the above paragraphs are presented in table format below.

IMPROVED SALES ANALYSIS (CONT'D)

RELATIVE COMPARISON ANALYSIS						
Sale	Sale #1	Sale #2	Sale #3	Sale #4	Sale #5	Sale # 6
Price/Unit	\$324,859	\$1,002,845	\$307,673	\$575,141	\$397,112	\$1,275,238
Sale Date	12/26/24	5/8/24	4/4/24	9/26/23	3/10/23	12/2/22
Financing	Similar	Similar	Similar	Similar	Similar	Similar
Sale Conditions	Similar	Similar	Similar	Similar	Similar	Similar
Market Conditions	Similar	Similar	Similar	Similar	Similar	Similar
Adjusted Price/Unit	\$324,859	\$1,002,845	\$307,673	\$575,141	\$397,112	\$1,275,238
Location	Inferior +50%	Inferior +10%	Similar	Superior -5%	Inferior +10%	Superior -5%
Frontage and Visibility	Inferior +10%	Inferior +5%	Similar	Similar	Similar	Inferior +5%
Accessibility	Inferior +10%	Similar	Similar	Superior -5%	Similar	Inferior +5%
Age, Condition, Functionality, Appeal	Inferior +40%	Inferior +10%	Inferior +100%	Inferior +45%	Inferior +60%	Similar
Brand Recognition	Superior -5%	Superior -30%	Similar	Superior -5%	Superior -5%	Superior -35%
Number of Units	Superior -5%	Superior -25%	Superior -15%	Superior -5%	Superior -10%	Superior -10%
Amenities	Inferior +5%	Similar	Similar	Similar	Similar	Similar
Total Adjustment	105%	-30%	85%	25%	55%	-40%
Adjusted Price/Unit	\$665,960	\$701,991	\$569,195	\$718,926	\$615,524	\$765,142

The adjustments made to the comparables narrow the range in per unit basis from \$307,673 to \$1,275,238 to a tighter \$569,195 to \$765,142. Given the adjustments made and the review of the data, a reasonable conclusion appears to be between \$680,000 to \$690,000 per unit.

140 Units X \$680,000 per unit = \$95,200,000

140 Units X \$690,000 per unit = \$96,600,000

Say: \$95,700,000

CONCLUSION

CORRELATION, ANALYSIS AND CONCLUSIONS

The subject property is proposed to consist of a 140 room full service hotel property, situated just east of Pima Road along the north side of Trailside View, south of Legacy Boulevard at in Scottsdale, Arizona. This property will consist of a single, five-story structure, expected to be completed in 2027. The building will feature a lobby with the reception desk, an event space, a restaurant/bar, four floors of rooms, two levels of below grade parking and an outdoor pool on the fifth floor.

The property features a total of 140 rooms broken down into 13 room types. The property will not feature any rooms on the ground level. The property will feature 43 rooms, mostly queens, double queens, and kings on the second, third, and fourth levels, with the majority of the suites on the fifth. The average room size is approximately 588 square feet, with the property containing a total room area of approximately 76,567 square feet, according to the measurements provided by the property contact. The property will feature a total improved space of approximately 157,199 square feet, with an additional 56,761 square feet of below grade parking.

The property is expected to be completed in 2027 and be in excellent condition. The improvements will sit on a site containing 72,966 square feet or 1.68 acres of land zoned R-4R PCD, Resort/Townhouse Residential by the City of Scottsdale.

Analysis of the subject property by the Cost Approach, Income Approach, and the Sales Comparison Approach has resulted in the following range in prospective value indications as of April 28, 2025 “As Is”, and November of 2027 “As Complete”.

Cost Approach	\$ 8,625,000 “As Is”
	\$101,700,000 “As Complete”
Income Approach:	\$113,000,000 “As Complete”
Sales Comparison Approach:	\$ 95,700,000 “As Complete”

The Cost Approach reflects the value of a property based on an analysis of the current reproduction cost of the improvements, less the estimated physical depreciation and economic obsolescence, plus the estimated market value of the site (as vacant), as indicated by a market analysis of comparable vacant properties. The Cost Approach was given some credence, as the local market justifies new construction, and land sales are sometimes quite high in the area. This approach was given the least amount of weight as the construction costs have seen a significant amount of fluctuation over the past couple months.

The Income Approach reflects the value of the subject property based upon its income producing capabilities. The theory of the Income Approach is that the current value of a property is reflected by the present worth of the net income it will produce over its remaining economic life. An analysis of the available market data indicated that these types of properties suited well to this approach and this approach was given considerable weight in the overall analysis. In the analysis of the subject property, we estimated the income producing capabilities of the subject property based on an analysis of the rates charged at the subject and at similar properties in the area.

The income approach was given some weight in the analysis. Because there are two methods of evaluating hotel income, there can be a large variance in the value estimates which is the case with the subject property. Many hotel buyers are focused primarily on the GIM rather than the capitalization approach, even though the expenses are a major factor in the overall NOI, and buyers should pay attention to the expense ratios. This approach was given primary weight.



CORRELATION, ANALYSIS AND CONCLUSIONS (CONT'D)

The Sales Comparison Approach reflects the range of value of the subject property based upon an analysis of recent sales of similarly improved properties. The Sales Comparison Approach is considered to be the most reliable approach to value because it reflects the actions of buyers and sellers of comparable properties, including both owner/users and investors, and exemplifies the basic "Principle of Substitution: which states that "No purchaser will pay more for a property than the cost of acquiring a comparable property."

The value indicated by the Sales Comparison Approach comprises a cross section of purchasers in the market ranging from owner/users to investors. This approach reflects the market conditions by including owner/users together with a cross section of investors in various brackets having varying tax shelter and equity return requirements. The Sales Approach was given secondary weight.

Therefore, based on the analysis of the aforementioned approaches to value and the data contained in this report, it is our opinion that the Market Value, in fee simple title ownership, free and clear of all encumbrances, as of April 28, 2025 is: **\$8,675,000**

Therefore, based on the analysis of the aforementioned approaches to value and the data contained in this report, it is our opinion that the Market Value, in fee simple title ownership, free and clear of all encumbrances, as of November 1, 2027 is: **\$105,000,000**. This figure is estimated to include \$2,590,000 in FF&E.

ADDENDA



QUALIFICATIONS



David M. Lyons, MAI

WORK EXPERIENCE: **Lyons Valuation Group, LLC**

Owner. My goal is to work with clients to prepare thorough, supported and well prepared commercial and residential real estate valuation assignments. Please refer to the client list and types of work assignments completed.

Josephs & Lyons, Commercial Valuation Services, L.L.P.

May, 1998 - December, 2002

Partner. Prepared commercial and residential appraisals throughout the State of Arizona, including Mohave, La Paz, Coconino, Navajo, Apache, Yavapai, Gila, Maricopa, Pinal, Pima, Yuma, Cochise and Santa Cruz counties.

Urban Real Estate Research Inc.

May, 1990 - May, 1998

Senior Staff Appraiser. Responsibilities included working with attorneys, property owners, and banks to prepare quality appraisal reports in a timely fashion. I gained experience with all types of properties from vacant land to CBD office buildings, but specialized in the industrial market with experience from 1,000 to 2,250,000 square foot properties.

Anthemios Control Corporation

April, 1995 - Fall, 2013

Treasurer. Responsibilities include managing two investment residential properties in Champaign, Illinois. I handled day to day accounts as well as evaluate the purchase of other properties in the area.

EDUCATION:

DePaul University - Charles H. Kellstadt Graduate School of Business

MBA in Finance

Course work included:

Financial and Managerial Accounting

Money and Financial Systems

Marketing Management

Operations Management

Real Estate Investment I and II

Real Estate Seminar

Investment Analysis

Human Resources Management

Portfolio Analysis

Entrepreneurship and New

Venture Management

University of Illinois, Urbana-Champaign

Graduation - May, 1990

B.A. in Economics/Finance - Real Estate

Appraisal Institute
MAI Designation

Courses Completed Include:

110 (1A-1) - Appraisal Principals
120 (1A-2) - Appraisal Procedures
310 - Basic Income Capitalization
320 - General Applications
410 - Standards of Professional Appraisal Practice - A
420 - Standards of Professional Appraisal Practice - B
430 - Standards of Professional Appraisal Practice - C
510 - Advanced Income Capitalization
520 - Highest & Best Use Analysis
530 - Advanced Sales Comparison and Cost Approaches
540 - Report Writing and Valuation Analysis
550 - Advanced Applications
Demonstration Report
General Comprehensive Examination
Seminar - Internet Search Strategies for Appraisers
Seminar - Appraising from Blueprints
Seminar - Supervising Appraisers
Seminar - Appraising Distressed Real Estate
Seminar - Curriculum Overview
Webinar - A Debate on the Allocation of Hotel Total Assets
Advanced Online Search Strategies
Fundamentals of Separating Real Property, Personal Property, and Intangible Business Assets

Certified General Real Estate Appraiser - Arizona
Certified General Real Estate Appraiser - Nevada

HONORS: Thomas Seay Real Estate Scholarship Winner - Illinois Real Estate Educational Foundation - June, 1997

TESTIMONY: United States Bankruptcy Court - Phoenix
United States Bankruptcy Court - Tucson
United States Tax Court
Arizona Superior Court - Maricopa County
Arizona Superior Court - Mohave County

OTHER: Contacts in banking, brokerage, appraisal, architecture, investment, and law.



TYPES OF PROPERTY VALUED

Automobile Service
Automobiles Dealers
Banquet Hall
CBD Office Buildings
Churches
Concrete Plants
Funeral Home
General Commercial
Golf Courses / Country Clubs
Industrial Condominiums
Industrial, Single Tenant
Industrial, Multi-Tenant
Large Suburban Office Buildings
Mixed Use Properties
Multi-Family Residential
Neighborhood Shopping Centers
Parking Garage
Residential Condominiums
Restaurants
Single Family Residential
Small Office
Truck Terminal
Vacant Land

USES FOR APPRAISAL ASSIGNMENTS

Bankruptcy Court
Condemnation
Divorce Court
Estate Tax
Financing
Market Rental Analysis
Portfolio Valuation
Street & Alley Vacation
Tax Protest

PARTIAL LIST OF CLIENTS SERVED

I Financial Institutions

1 st National Bank of Arizona	Arizona Bank & Trust
Arizona Central Credit	Union Bankers Trust
BankUSA	Biltmore Bank
BNC Bank	Business Partners
Camelback Community Bank	Ciena Capital, LLC
Comerica Bank	Copper Star Bank
Desert Schools Federal Credit Union	First Fidelity Bank
First International Bank & Trust	First National Bank of Omaha
Golden State Business Bank	Grand National Bank
Harris Bank	Imperial Bank
Investor's Mortgage Holdings	Irwin Union Bank
Johnson Bank	LaSalle National Bank
MB Financial	Mission Oaks National Bank
Mortgages Ltd.	National Bank of Arizona
NexTier	Pacific Premier Bank
Royal Business Bank	Sonoma National Bank
Stearns Bank	Sunrise Community Bank
Towne Bank of Arizona	Well Fargo
Western Security Bank	

II Governmental Agencies and Institutions

City of Chicago
- Dept. of General Services.
- Dept. of Aviation
City of Kingman, Arizona
Town of Carefree, Arizona
Chicago Transit Authority
Department of Housing and Urban Development
State of Illinois, Medical District Commission
Illinois Housing Development Authority
Resolution Trust Corporation (RTC)
United States Postal Service
University of Illinois at Chicago
University of Chicago

III Real Estate and Finance Corporations

AETNA Realty Advisors, Inc.
CenterPoint Properties Trust
Cushman & Wakefield
Draper & Kramer
Frain, Camins & Swartchild
Habitat Companies
Hamilton Partners, Inc.
Heitman Properties Limited
JMB Urban Development Company
Jupiter Realty Corporation
Manulife Real Estate Corporation
Markborough Properties
RREEF Funds
Unitrin Financial

IV Insurance Companies & Affiliates

American Family Insurance Company
Assurant Asset Management
United Insurance Company of America
Great Western Insurance Company
Farmers Insurance Federal Credit Union
State Farm Bank

V Notable Companies

Ameritech	Joseph E. Seagram & Sons	K m a r t
Bantam Doubleday Dell Publishers	Corporation	
Brach's Candy	Kohl's	
Carl Buddig and Company	Mack Truck	
Commerce Clearing House	May Potenza Baran & Gillespie, P.C.	
Continental White Cap	Moyes Sellers & Hendricks	
Ernst & Young	Praxair, Inc.	
Fel-Pro Incorporated	Prestone Products Corporation	
Fennemore Craig	R.R. Donnelley & Sons.	
Fuji Hunt Photographic Chemicals	Schering-Plough	
Jefferson Smurfit Corporation	Snell & Wilmer	
Jiffy Lube	Speedfam Corporation	
John F. Long Properties	Sun Chemical Corporation	
Jorgensen Steel Company	West Maricopa Education Center	



Mitchell D. Lyons

WORK EXPERIENCE: **Lyons Valuation Group, LLC**
Certified General Appraiser. My goal is to work with clients to prepare thorough, supported and well prepared commercial and residential real estate valuation assignments. **2016-Present**

Hunt Real Estate
Realtor. My goal is to work with clients to teach and assist with their real estate sale/purchase. **2016-2018**

JS Real Estate/RE/MAX Elite
Realtor. My goal is to work with clients to teach and assist with their real estate sale/purchase. **2018-Present**

EDUCATION: **Arizona State University**
Graduated in 2015
B.A. in Earth and Environmental Science
Minor in Sustainability

Appraisal Institute
Certified General Appraiser

Courses Completed Include:
Appraisal Principals
Appraisal Procedures
General Appraiser Income 1, and 2
General Appraiser Report Writing and Case Studies
General Appraiser Site Valuation and Cost Approach
General Appraiser Market Analysis and Highest and Best Use
Real Estate Finance, Statistics, and Valuation Modeling
General Appraiser Sales Comparison Approach
Advanced Income Capitalization
Advanced Concepts and Case Studies

Certified General Real Estate Appraiser - Arizona

HONORS: Medallion Scholar at Arizona State University

OTHER: Contacts in brokerage, appraisal, and investment, and law.



TYPES OF PROPERTY VALUED

Automobile Service
Automobiles Dealers
Banquet Hall
CBD Office Buildings
Churches
Concrete Plants
Funeral Home
Gas Station
General Commercial
Golf Courses / Country Clubs
Industrial Condominiums
Industrial, Single Tenant
Industrial, Multi-Tenant
Large Suburban Office Buildings
Mixed Use Properties
Multi-Family Residential
Neighborhood Shopping Centers
Parking Garage
Residential Condominiums
Restaurants
Single Family Residential
Small Office
Truck Stop
Truck Terminal
Vacant Land

USES FOR APPRAISAL ASSIGNMENTS

Bankruptcy Court
Condemnation
Divorce Court
Estate Tax
Financing
Market Rental Analysis
Portfolio Valuation
Street & Alley Vacation
Tax Protest