



**Stardust Center for Affordable Homes and
the Family**

Coffelt Housing Project: Market Analysis

Final Report

September 19, 2009

SYNTHESIS DEVELOPMENT

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Executive Summary

Executive Summary

Housing Authority of Maricopa County is considering alternative uses for the Coffelt housing project located near the SW corner of 19th Avenue and Buckeye Rd

- With 37.75 acres, the property is one of the largest developable land parcels in central Phoenix with good transportation access to major arterials, Interstate-17, Phoenix Sky Harbor Airport, and the Union Pacific railroad tracks
- Over the last 50 years the site has been encroached upon by incompatible industrial and commercial uses, and as a result, the site is suboptimal for residential use
- Zoning and the general plan call for high density residential use, despite being surrounded by commercial and industrial uses; city planning seems to be open to alternative, compatible uses such as industrial
- Phoenix and the nation are in the midst of the most severe recession in the post-war era, characterized by a shortage of capital and depressing real estate values
- Residual market demand analysis indicates market demand for retail, industrial and multifamily uses in the next 1 – 3 years
- Quantitative, locational use analysis indicates that the property has strong attributes for an industrial use
- Required rent to support new construction for industrial or multifamily use is higher than current market rent; therefore, new development is only financially feasible for an owner user
- Land residual analysis indicates that an industrial use is maximally productive
- Given the likelihood of a successful zone change and general plan amendment and taking into account what is physically possible, financially feasible, and maximally productive, Synthesis concludes that the highest and best use of the property is an industrial use in the 1 – 3 year timeframe with an owner user as the most likely buyer

Indicated land value is \$2.3 - \$2.8 million after conversion to an industrial use

Site Analysis

Site Analysis Summary

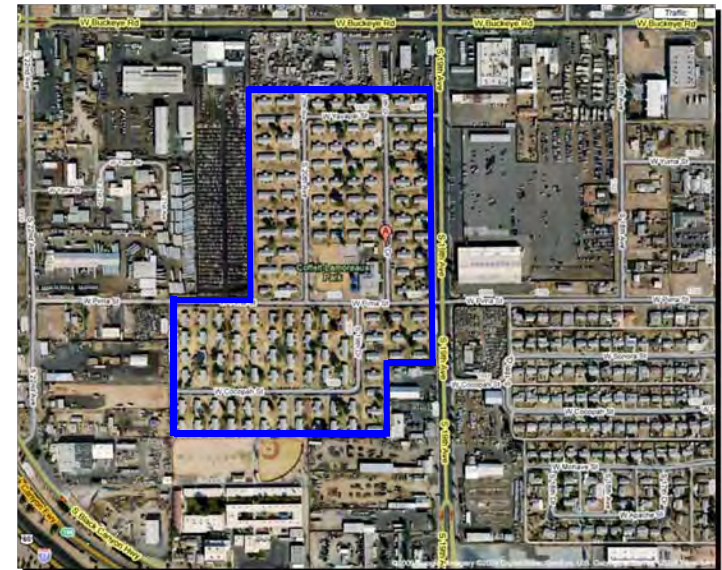
Subject is located southwest of Phoenix's Central Business District, near Interstate 17, and roughly at the southwest corner of 19th Ave and Buckeye

- Located near the southwest corner of 19th Avenue and Buckeye and with 37.75 acres, the site is one of the largest developable land parcels in central Phoenix
- Site has good transportation access to major arterials, Interstate-17 freeway, Phoenix Sky Harbor Airport, and Union Pacific railroad tracks
- Located close to large employment center, Phoenix Memorial Hospital, America West Arena, Chase Field and within 2 miles of the Phoenix Central Business District
- Adjacent properties include incompatible land uses: trucking companies, junk yards, palette storage, Arthur Hamilton School, and multiple industrial buildings
- Property falls within Central City South and Black Canyon Freeway Overlay Districts
- Site was annexed into the City of Phoenix in 1959; however, the streets were not annexed into the city street plan
- Zoning is R-3 which allows for high density multifamily and single family residential uses
- General Plan designates the site for residential uses despite being surrounded by commercial and industrial uses
- Property appears to reside within the 100 year floodplain
- Nuisances include freeway noise and airplane noise levels exceeding 60 decibels
- Given the surrounding uses, linkages, and property size and attributes, the most probable alternative land use is industrial

Site Description & Analysis

Location	Street Address: 1510 S. 19 th Ave, Phoenix, AZ 85009 Parcel Number: 105-05-005-A Additional Frontage To: None Site Orientation: East/West Nearest Cross-Street: 19 th Avenue and Buckeye Road
Accessibility & Visibility	Primary Access Via: 19 th Avenue via Yavapai St. & Pima Secondary Access Via: None Accessibility Rating: Above average Visibility Rating: Average
Physical Characteristics	Site Size: 37.75 acres Shape: Irregular Topography: Level Vegetation: Limited Improvements: 150 duplexes, and a small office
Flood Zone Information	Zone: Zone AE Panel Number: 04013C2140G, effective 9/30/2005
Utility Availability	Electricity: Provided by APS Natural Gas: Provided by Southwest Gas Water: Provided by City of Phoenix Sewage Treatment: Provided by City of Phoenix Telephone: Provided by Qwest and Cox
Environmental	Phase 1 ESA: Not provided Known Hazards: None observed or known
Adjacent Properties	North: Truck sales and junkyard East: 19 th Ave, then parking lot, industrial buildings South: Aurthur Hamilton School, industrial buildings West: Industrial buildings, junkyards, palette storage
Zoning, Easements, and Other Legal Constraints	Zoning: R-3, City of Phoenix Access Easements: None known Utility Easements: Unknown, title report not provided Other Restrictions: None known

Aerial Site Image



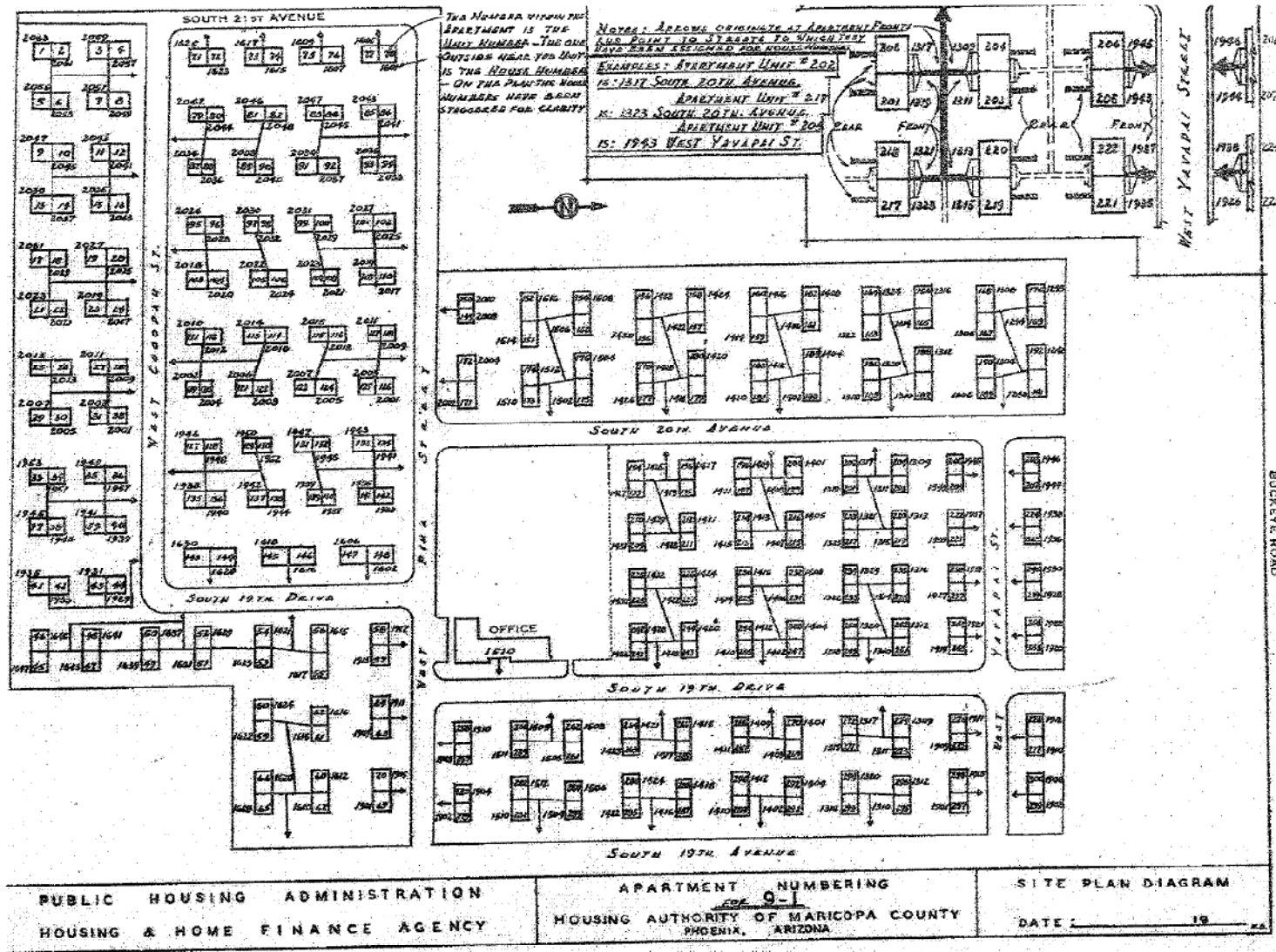
Site Aerial Map



Source: Maricopa County Assessor Interactive Map

Current Site Plan Diagram

Improvements include 150 duplexes, 300 dwelling units, and a management office



Source: HAMC

Primary Trade Area – 1 Mile Radius from Subject

Overall

- Site has good transportation access to arterials and interstate highway
- Union Pacific railroad tracks are north of the site
- Phoenix Central Business District is located within 2 miles
- Phoenix Sky Harbor Airport is located within 5 miles

1 Mile Radius

Population: 15,081

Square Miles: 3.14

Roughly 7th Ave to 27th Ave & Adams to Lower Buckeye Rd

3 Mile Radius

Population: 111,012

Square Miles: 28.26

Roughly 16th St to 43rd Ave & Osborne to Broadway Rd

5 Mile Radius

Population: 384,847

Square Miles: 78.50

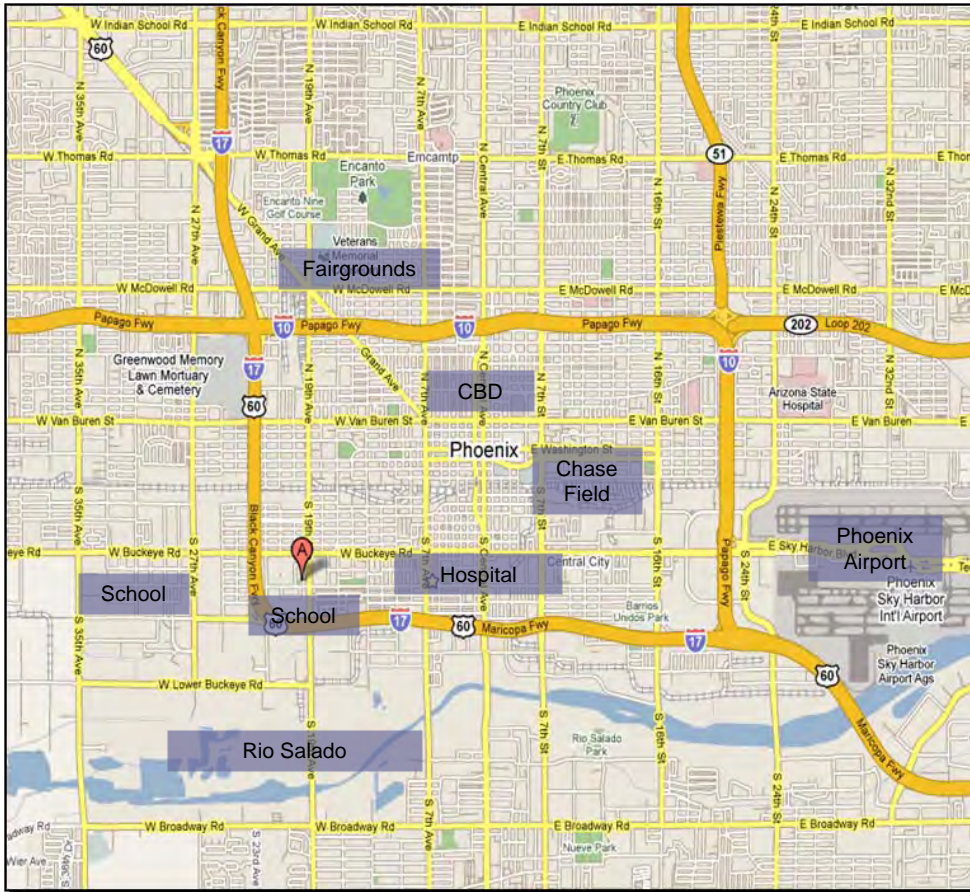
Roughly Baseline to Camelback & 59th Ave to 32nd St



Source: STDB Online; Synthesis analysis

Site Linkages – Macro View

Site is located close to large employment centers and services: Downtown Phoenix, Sky Harbor Airport, Phoenix Memorial Hospital, America West Arena, Chase Field, and the County Fairgrounds



Public Services

Street Improvements

The market area benefits from the following road infrastructure:

- Interstate Highways
 - North/South: I-17
 - East/West: I-17
- Other Highways
 - North/South: None
 - East/West: None
- Major City Streets
 - North/South: 19th Avenue
 - East/West: Buckeye Road

Police Fire Protection

Police and fire protection is provided by the City of Phoenix.

Schools

The area is within the Murphy Elementary and Phoenix Union High School District. Arthur Hamilton School is just south of the property and both Alfred F. Garcia and Bethune Mary Elementary are in the immediate vicinity

Shopping

Shopping in the area primarily consists of small neighborhood or convenience grocers and general retail is dominated by car dealers, rim shops and other retail

Medical

Phoenix Memorial Hospital is the nearest full service hospital to the site and is just over 1 mile away

Site Linkages - Services

Family Services and Senior Centers



Government Entities



Hospital, Fire and Police



- Family Services and Senior Centers are available in the trade area and include family counseling, Big Brother Big Sister programs and senior recreational opportunities.
- Government entities are clustered near the site and not only provide services, but serve as significant employment centers
- Several Hospitals exist close to the site and both police and fire protection appear adequate.

Source: STDB Online

Site Linkages - Recreational Amenities

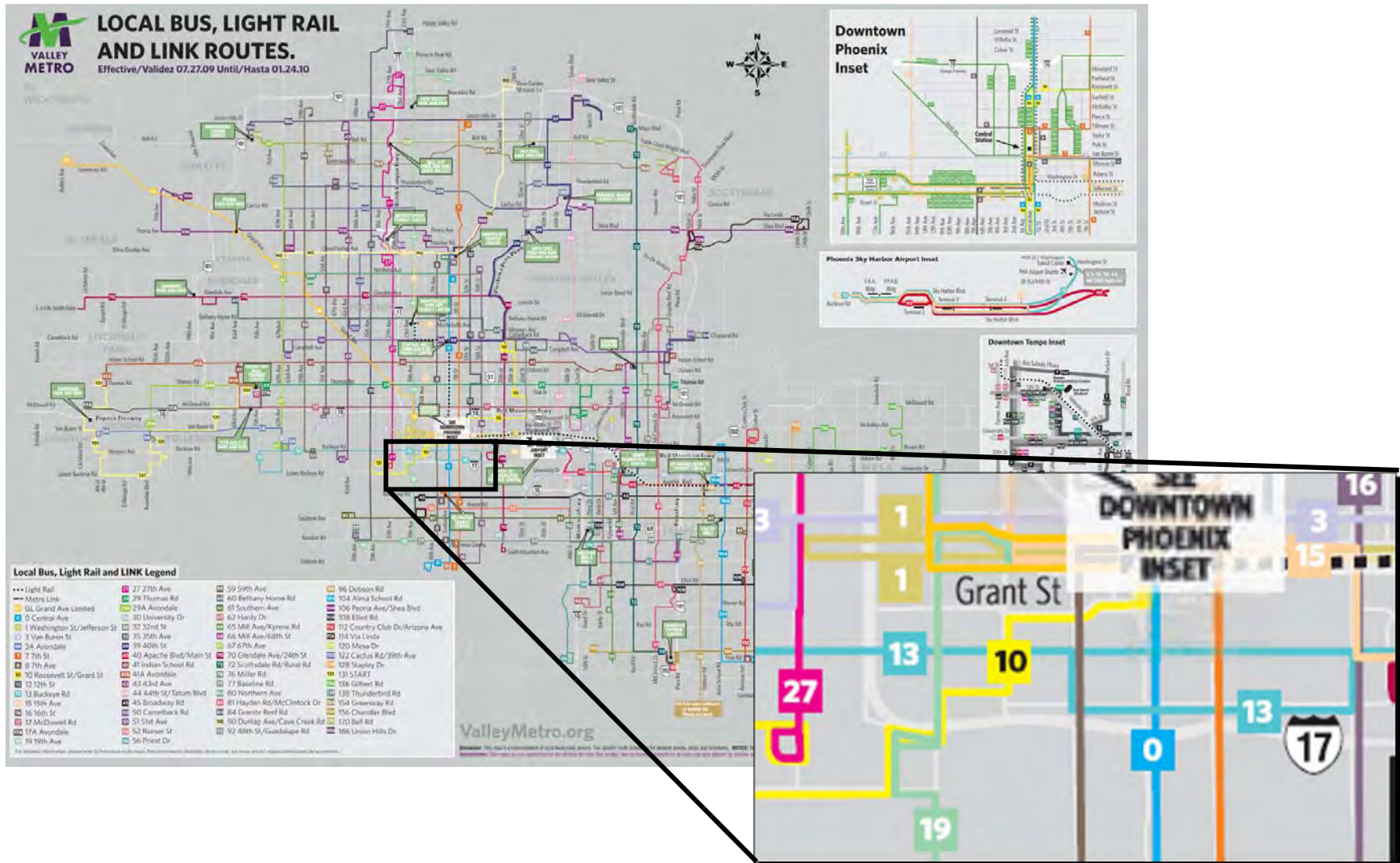
The YMCA of Maricopa County, Encanto Sports Complex, multiple public parks and various libraries are near the site



Source: STDB Online

Linkages – Public Transportation

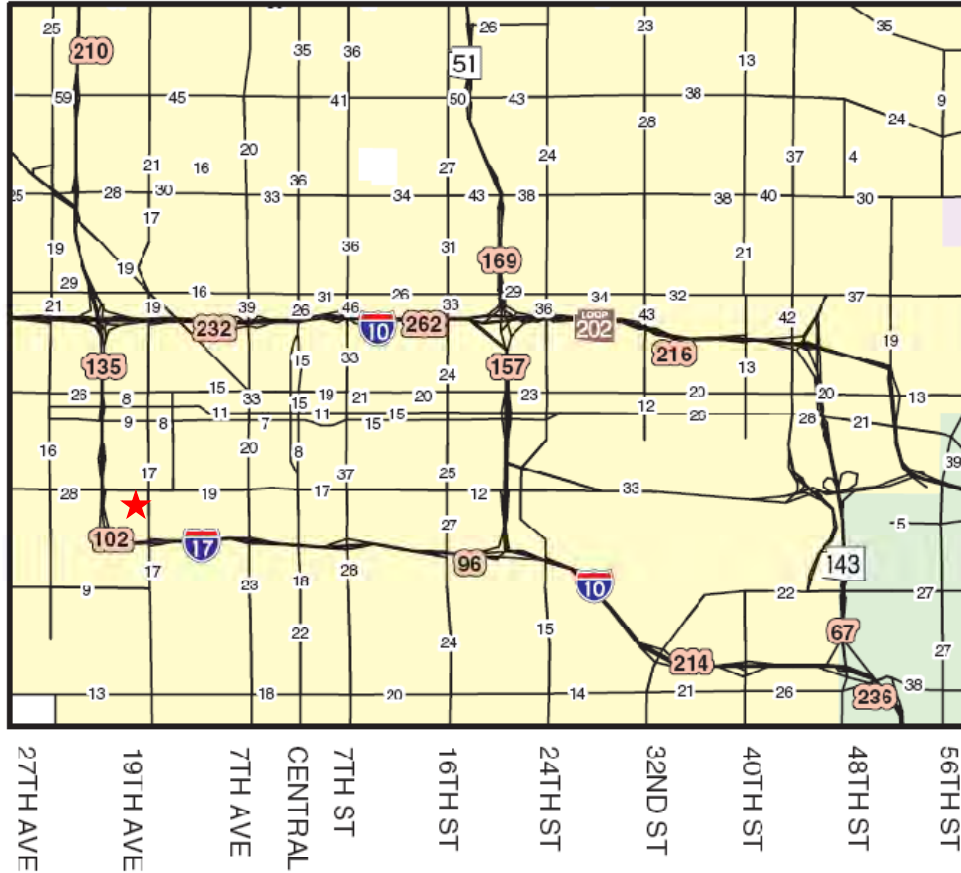
Valley Metro bus routes 10, 13, and 19 run along 19th Ave and Buckeye roads, providing access to the downtown Central Business District and the light rail



Source: Valley Metro

Transportation – Traffic Counts

Traffic counts along 19th Ave and Buckeye Road are average with good access to Interstate 17 with interchanges at 19th Ave and Buckeye Road



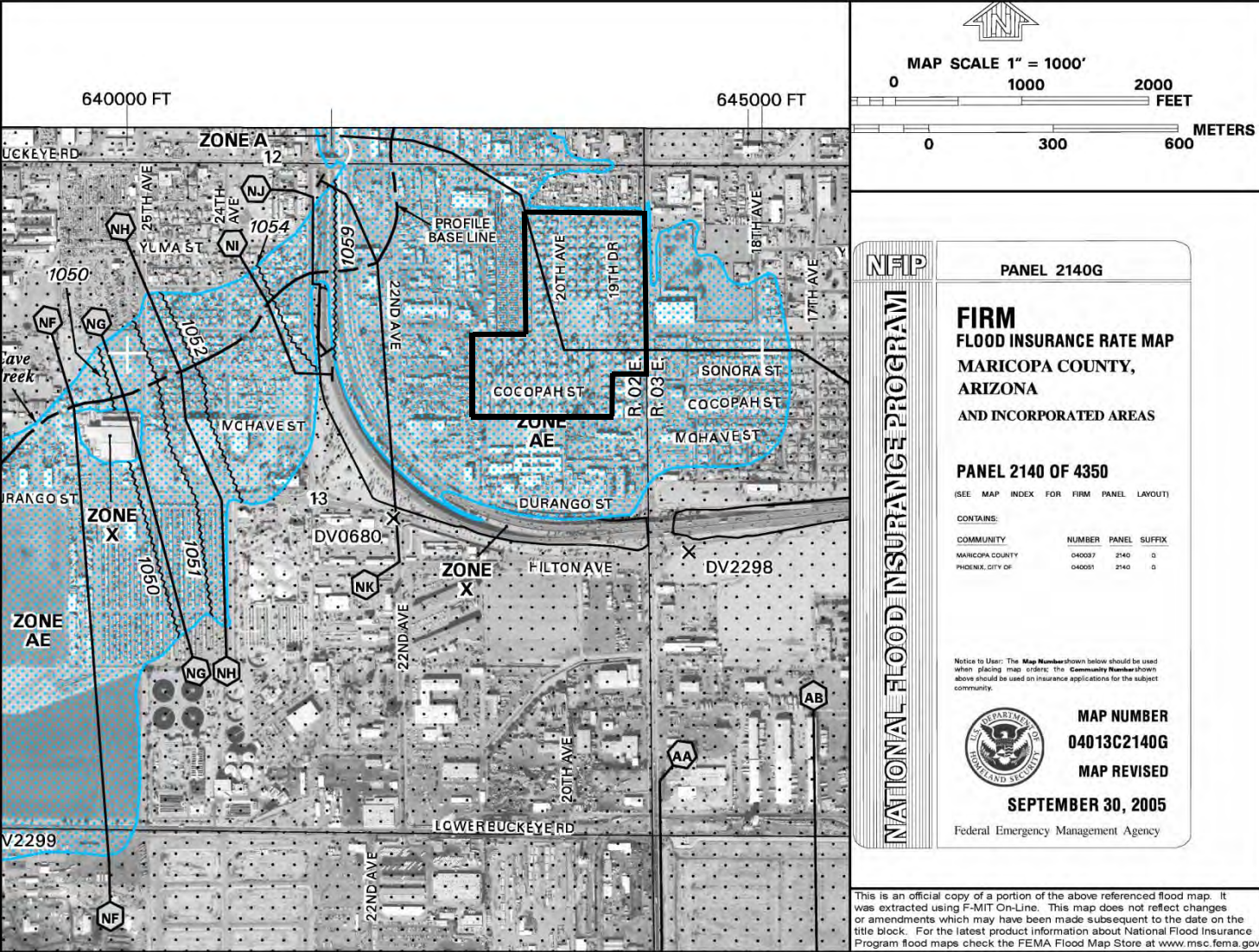
- INDIAN SCHOOL RD
- THOMAS RD
- MCDOWELL RD
- VAN BUREN ST
- WASHINGTON ST
- JEFFERSON ST
- BUCKEYE RD
- RIO SALADO PKWY
- UNIVERSITY DR
- BROADWAY RD

Average Weekly Traffic	2003
19 th Avenue	17K
Buckeye	19K
I-17 East/West	102K
I-17 North/South	135K

Source: MAG 2003 Average Daily Traffic Volume Report

Flood Map

Subject appears to reside within the 100 year floodplain



Source: FEMA Map Service Center

Infrastructure – Water

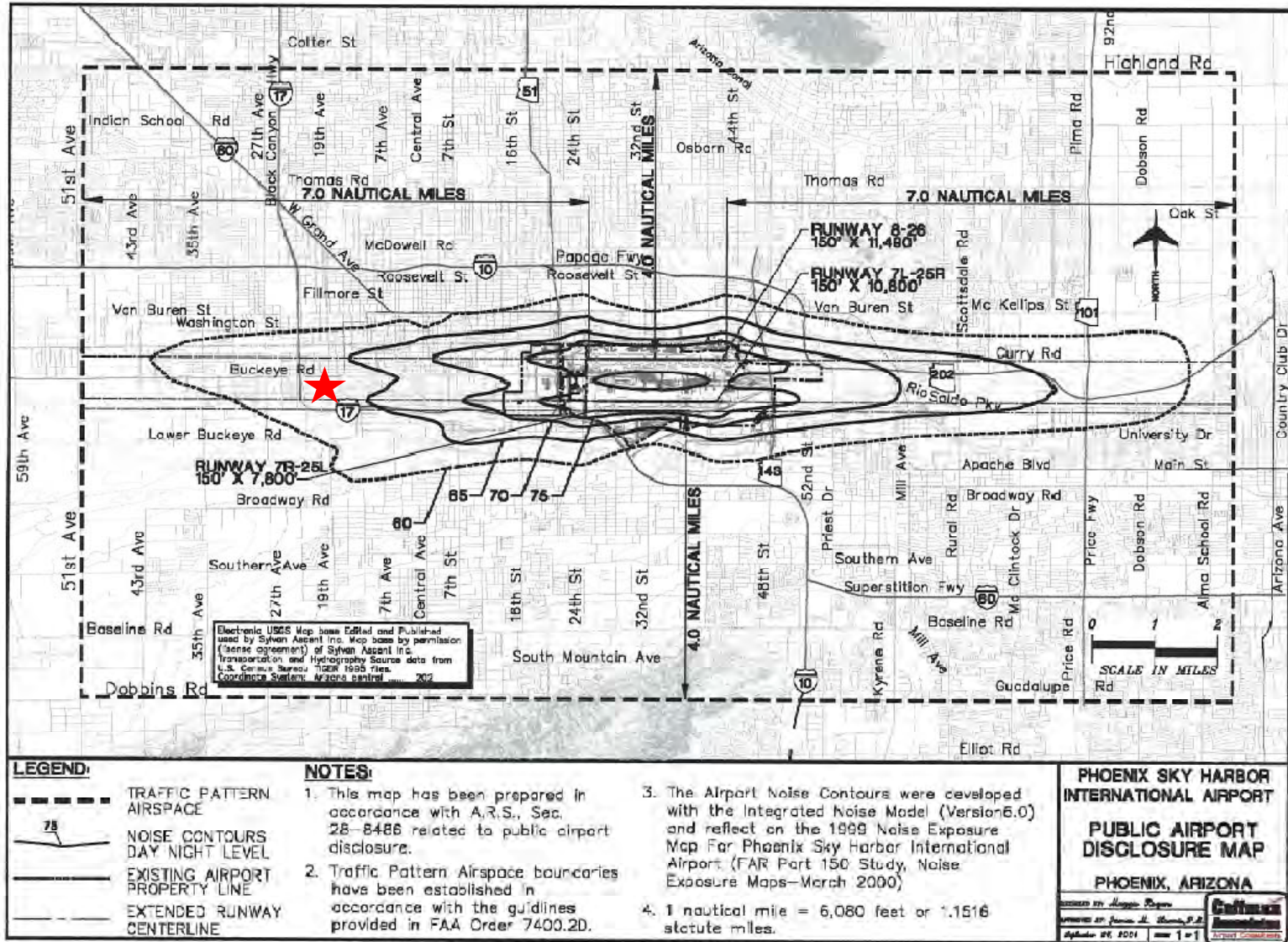
12" water pipe runs along 19th Avenue, 8" and 6" pipe is available under the interior streets



Source: City of Phoenix – Water Services

Phoenix Sky Harbor Noise Contours

Subject appears to reside between the 60dB and 65dB level noise contours and the traffic pattern airspace



Source: Phoenix Sky Harbor Airport

Zoning and Surrounding Uses

Current Zoning

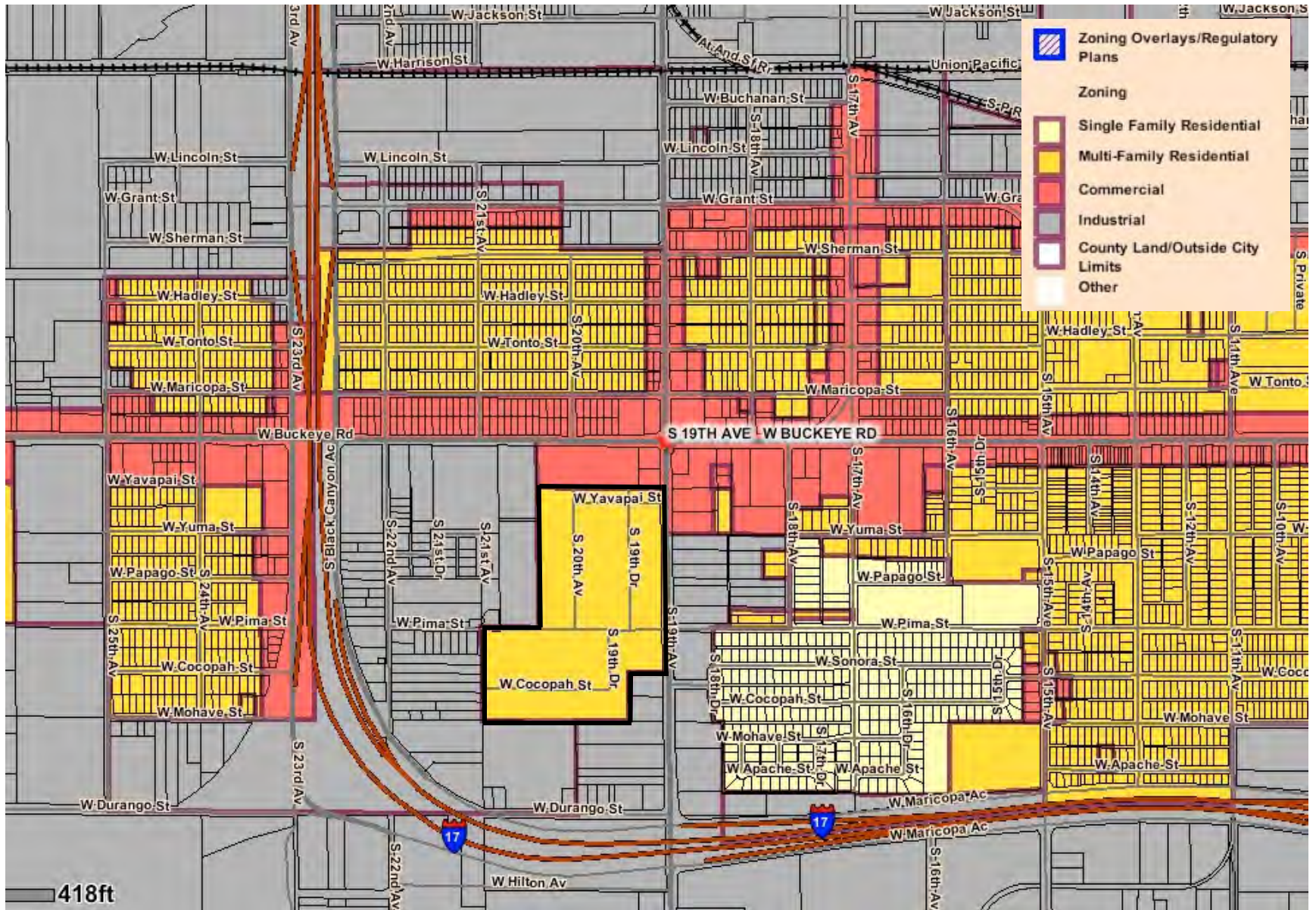
Although owned by the Housing Authority of Maricopa County, the subject was annexed into the City of Phoenix in 1959 and is subject to city zoning regulations; however, the streets are private and are not part of the City street system

Zoning Jurisdiction	City of Phoenix (land annexed in 1959)
Zoning Designation	R-3
Description	Multi-Family Residence District
Legally Conforming?	Yes ¹
Zone Change Likely?	Possible ²
Permitted Uses	High density residential
Purpose	The purpose of the multifamily residence district is to provide for alternate living styles including rental, condominiums and single ownership of land with multiple units thereon or single or attached townhomes.

1) R-3 zoning provides for single family density limitation of 5 to 6.5 du/acre and 15.23 for multifamily. Site is currently 7.95 du/acre based on 300 dwelling units.

2) Note: See analysis in Highest and Best Use section

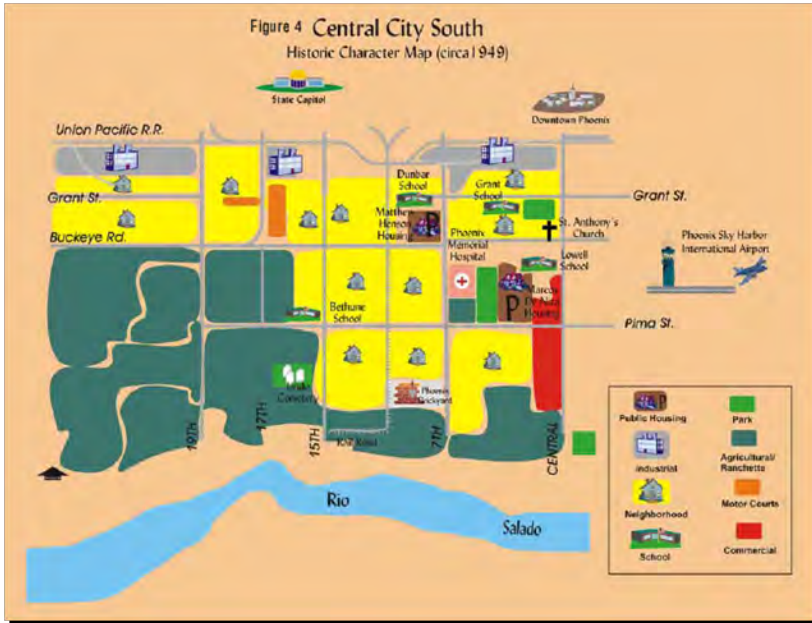
Site Is Completely Surrounded by Industrial Uses and Some Commercial



Source: City of Phoenix Planning Department

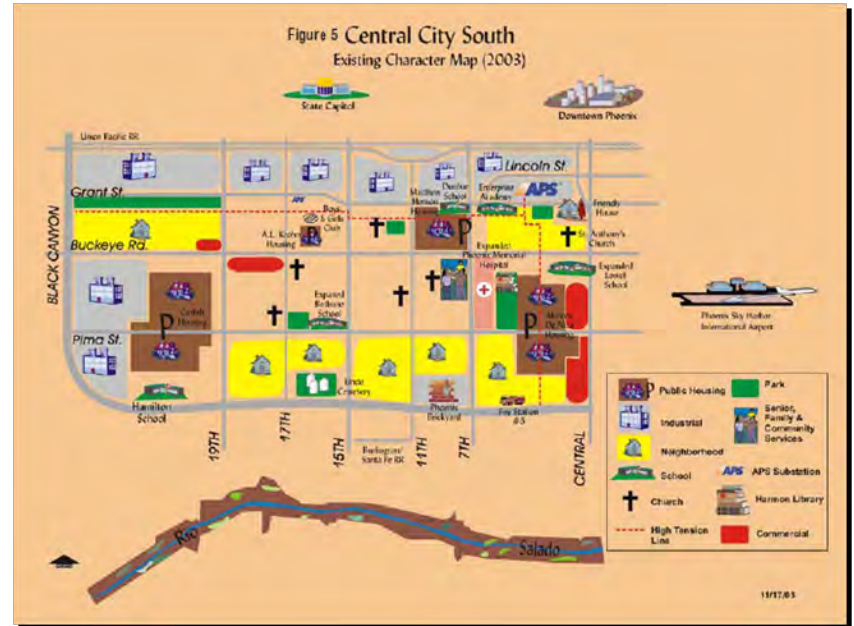
Historical Land Uses

Historic Character Map (circa 1949)



- Agricultural areas converted to industrial use.
- Interstate 17 constructed in early 1960's.
- Residential areas surrounded by industrial and commercial use.
- Coffelt property annexed into City of Phoenix in 1959.

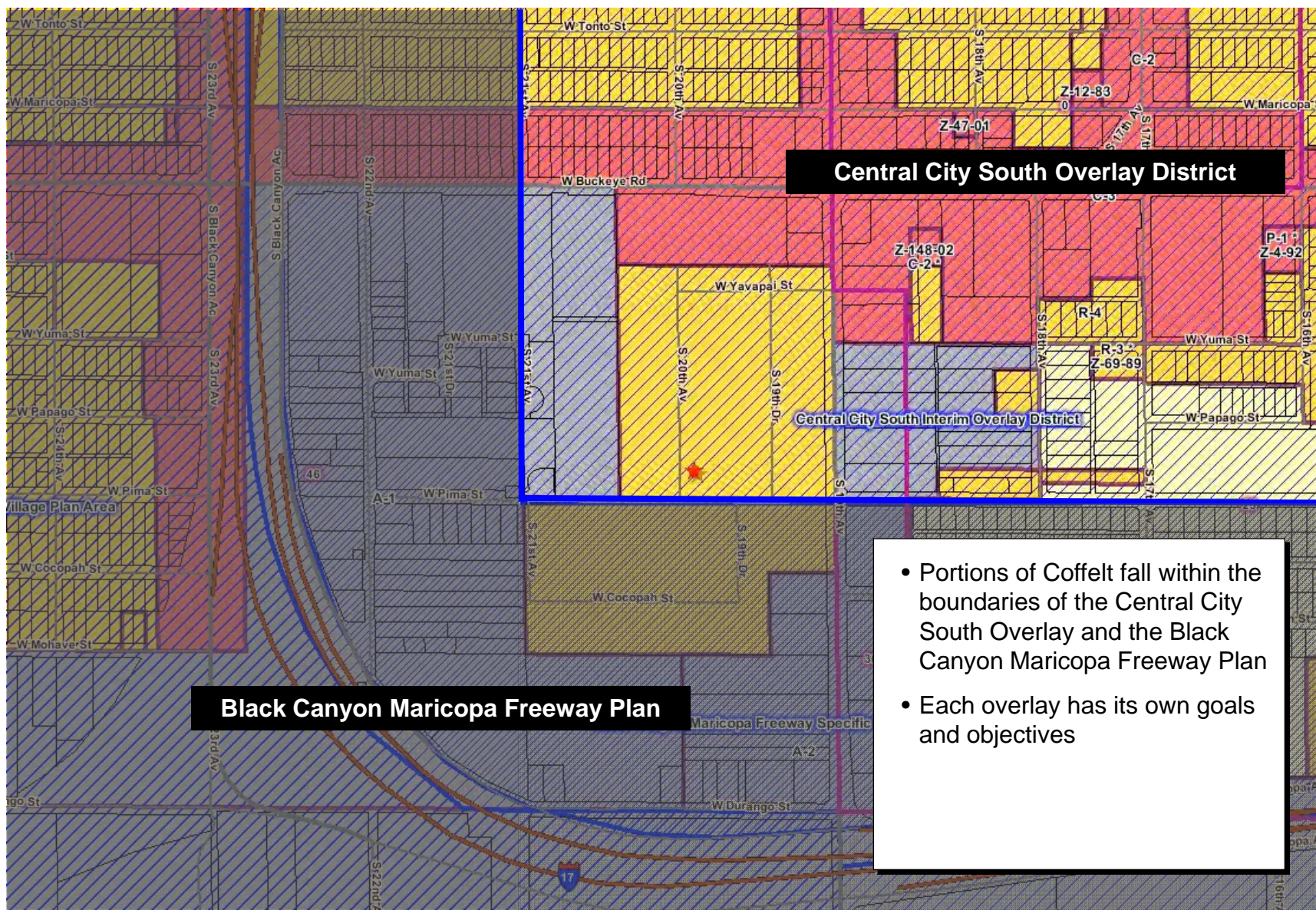
Existing Character Map (2003)



- City of Phoenix adopts Central City South Interim overlay in 2004 to address incompatible land use and urban decay through regulation of new development.
- Redevelopment of Rio Salado area south of I-17 underway.

Source: City of Phoenix Planning Department; Central City South Area Plan

Subject Lies Within The Black Canyon Maricopa Freeway Plan & CCSIO District



Source: City of Phoenix Planning Department

Central City South Interim Overlay

The site falls within the Central City South Area Plan, which impacts all future development in the plan area

Community Identified Issues

1. **Land use:** heavy industrial open land uses and blight.
2. **Housing:** insufficient homeownership and poor housing quality.
3. **Neighborhood Preservation:** junk in vacant lots and inconsistent code enforcement.
4. **Circulation:** lack of sidewalks, speeding and truck traffic through neighborhood.
5. **Economic Development:** need major grocery store, lack of neighborhood retail services, and improve access to better jobs.
6. **Job Training and Day Care:** improved access to educational and training programs and supportive services such as day care
7. **Environment:** illegal dumping, air and noise impacts from airport and freeway, and too many hazardous waste and polluting industries
8. **Socio-Economic:** potential gentrification and displacement of residents, drug abuse, and vandalism
9. **Public Safety:** need to improve visibility and relationships with police, insufficient street lighting in some areas

Goals of Central City South Overlay

1. Quality housing in attractive, well served neighborhoods
2. Safe environment
3. Economic Opportunities for Area Residents and Businesses
4. Transition of Heavy Industrial Uses to Residentially Compatible Uses



Poor Housing Conditions



Industrial Uses Along Railroad

Source: City of Phoenix Planning Department; Central City South Area Plan

Black Canyon Freeway Overlay

The Black Canyon Freeway overlay does not appear to have a material impact on future development

Land Use Policies

To assist the evaluation of land issues, the following overall policies have been identified to improve the function and stability of neighborhoods near freeways.

Policy 1: Coordinate with the village planning policies, the general plan and zoning ordinance to review any land use recommendations that would require an amendment to the city of Phoenix General Plan in Association with recommendations of this mitigation plan.

Policy 2: Where land uses do not conform with the current general plan, change may be implemented to ensure compatible land use designations.

Policy 3: Recommendations for vacant parcels within residential areas should implement city infill programs and not exceed the existing density pattern.

Policy 4: AS conditions of re-zoning or site plan/subdivision approval, all new developments adjacent to the freeway should be required to use features in their site plans and building designs that will mitigate noise and reduce other harmful effects of the freeway. These features may include:

- Situating buildings and outdoor living areas as far from the freeway as possible. Two story residential buildings should not be adjacent to the freeway or frontage road.
- Utilizing landscaping walls, fences, and elevation differences, to screen the freeway from view and to attenuate noise.
- Designing buildings to have fewer, smaller windows facing the freeway. Use double-glazed windows, extra insulation, and solid exterior doors to reduce freeway noise within the interior.

These are described more fully in the Outer Loop Freeway Specific Plan where the Phoenix city Council adopted standards for residential development adjacent to all freeways.

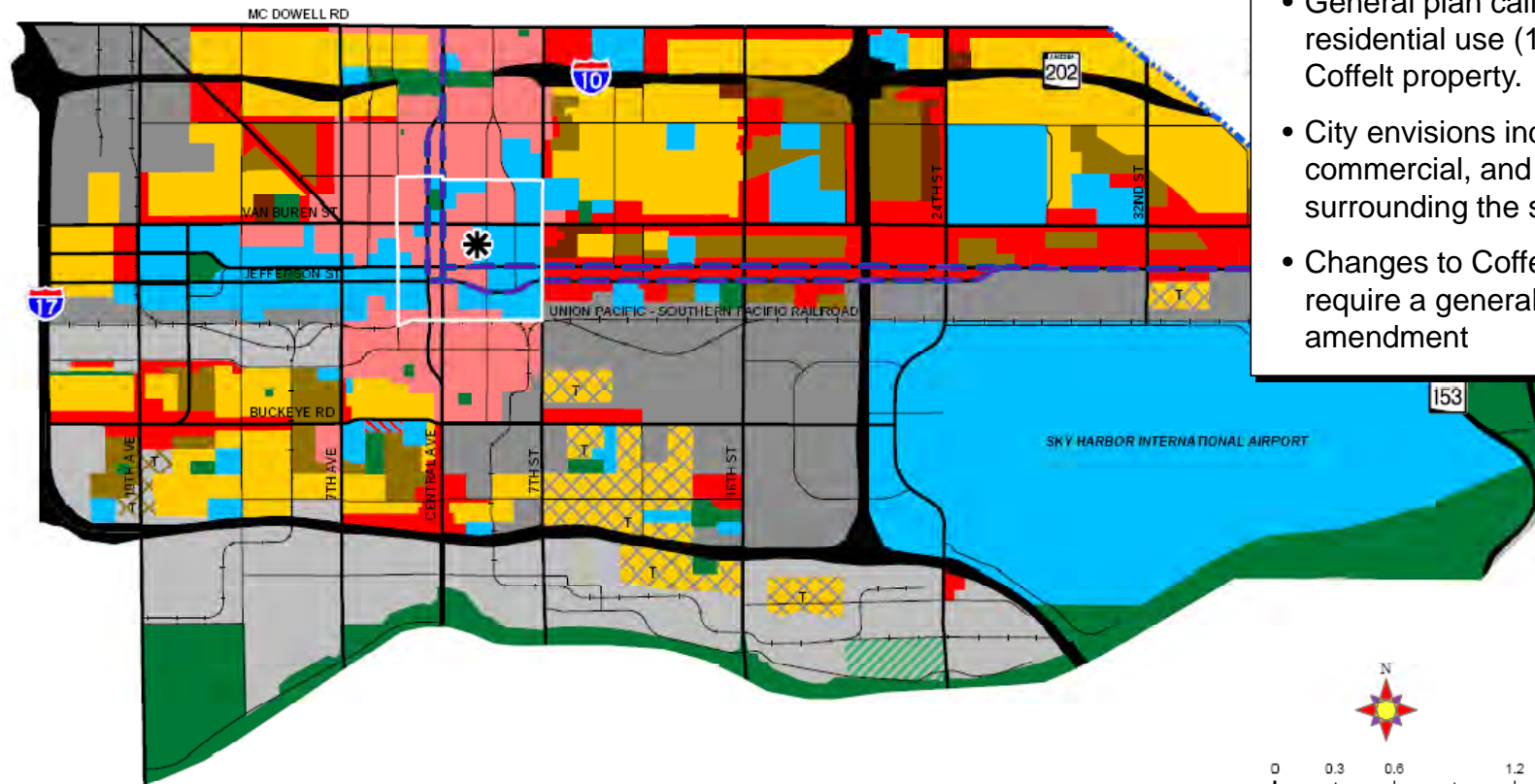
Policy 5: Where necessary, describe situations in which land use recommendations need to coordinate with future and ongoing planning efforts. These are areas where other projects will be implemented for example, the North Black Canyon corridor Study, north of Pinnacle Peak Road, the Pecos road and I-10 traffic interchange, and Pecos Parkway.

Policy 6: ADOT freeway construction projects will be carefully monitored for their impact on residential properties. Mitigation efforts will be carefully monitored for their impact on residential properties. Mitigation efforts should coordinate with ADOT during preparation and review of construction drawings.

Policy 7: Identify City of Phoenix or ADOT remnant parcels, not needed for construction, to buffer freeway impacts on residential areas.

- A policy between the City of Phoenix and ADOT should be developed concerning the disposition of remnant parcels.
- ADOT may dedicate some remnant parcels for additional parkland.
- Small remnant parcels contiguous to access control may be used for bike paths, recreational trails or landscaping.
- Other remnant parcels, contiguous to developed or developable properties may be sold to consenting adjacent property owners in accordance with policies set by ADOT and the City of Phoenix.

City of Phoenix General Plan



- General plan calls for high density residential use (15+ du/acre) for Coffelt property.
- City envisions industrial, commercial, and mixed-use surrounding the site.
- Changes to Coffelt zoning will require a general plan amendment

General Plan Categories

1. All other land uses are subject to the provisions of the City of Phoenix General Plan, including the City of Phoenix Comprehensive Zoning Ordinance. The City of Phoenix reserves the right to amend the General Plan at any time without notice. The City of Phoenix is not responsible for any errors or omissions in this map. The City of Phoenix is not responsible for any damages or losses resulting from the use of this map. The City of Phoenix is not responsible for any damages or losses resulting from the use of this map.

- Note:**
- 3.5 to 5 du/acre - Traditional Lot
 - 10 to 15 du/acre - Higher density attached townhouses, condos, or apartments
 - 15+ du/acre - Higher density attached townhouses, condos, or apartments
 - Parks/Open Space - Publicly Owned
 - Mixed Use (MU) (See NOTES # 1)
 - Mixed Use Transition - Color in crosshatch is the color to, color between the crosshatch is the color from.
 - Mixed Use (Striped)
- Color stripes indicate that any of the land uses in any quantity is appropriate. Can be any combination i.e., commercial / industrial, or residential / residential, or industrial / residential specific density, etc.

- Commercial
- Industrial
- Commerce / Business Park
- Public/Quasi-Public
- Transportation
- Arterial Streets
- Collector Streets
- Light Rail
- Canals
- Existing Railroad
- Primary Core



Source: City of Phoenix Planning Department

Locational Use Analysis

Quantitative analysis of property attributes favors industrial use followed by multifamily and community retail

Summary of Subject Locational Analysis					
	Ratings				Relative Score
	1 Poor	2 Avg.	3 Good	4 Excellent	
Multistory Office					
Proximity to major activity nodes		X			
Proximity to major transportation linkages				X	
Proximity to executive housing	X				
Proximity to Fortune 500 firms		X			
Direction of multistory office growth	X				
Public planning and zoning	X				
Total score	3	4	0	4	
Garden Office (Doctors, Insurance)					
Proximity to housing	X				
Proximity to major thoroughfares				X	
Proximity to complementary retail	X				
Proximity to office occupants' housing	X				
Direction of garden office growth		X			
Public planning and zoning	X				
Total score	4	2	0	4	10
Community Retail					
Proximity to housing		X			
Traffic volume by site			X		
Proximity to other community shopping centers	X				
Density of area housing	X				
Direction of community retail growth		X			
Public planning and zoning			X		
Total score	2	4	6	0	12

Summary of Subject Locational Analysis					
	Ratings				Relative Score
	1 Poor	2 Avg.	3 Good	4 Excellent	
Multifamily					
Proximity to employment centers			X		
Proximity to cultural activities (restaurants, entertainment, etc.)		X			
Proximity to views/amenities	X				
Proximity to other apartment communities	X				
Direction of multifamily growth		X			
Public planning and zoning				X	
Total score	2	4	3	4	
Single-Family					
Proximity to employment			X		
Proximity to schools/community facilities			X		
Proximity to neighborhood shopping	X				
Proximity to quiet streets/privacy	X				
Proximity to new single-family growth	X				
Public planning and zoning	X				
Total score	4	0	6	0	10
Industrial Park					
Proximity to major transportation (particularly freeways, truck routes)				X	
Proximity to labor force			X		
Neighborhood acceptance of industrial park			X		
Proximity to service and material suppliers				X	
Proximity to new industrial park growth			X		
Public planning and zoning	X				
Total score	1	0	9	8	18

Market Analysis

Market Summary

National and Local Economy

- Economists predict positive U.S. GDP growth by year-end and the unemployment rate to rise to double digits by 2010
- 1 in every 135 Arizona housing units received a foreclosure filing in July, the nation's third highest state foreclosure rate and more than 2.5 times the national average
- Maturing commercial loans combined with decreasing real estate values will cause turmoil in commercial real estate markets for several years and value appreciation in commercial assets is not likely in the near future
- Residential and commercial real estate values are approaching 2003 values
- In the Phoenix Metro employment, home values, and retail sales are all decreasing
- Government and public entities represent the largest employers in Arizona, followed by Wal-Mart, Banner Health and Honeywell

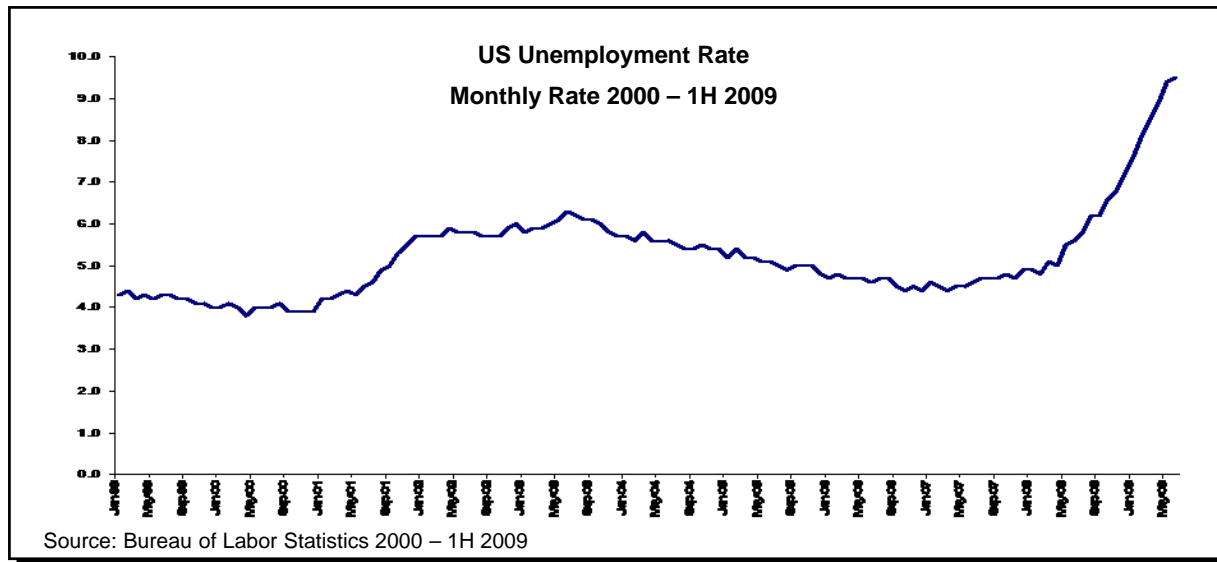
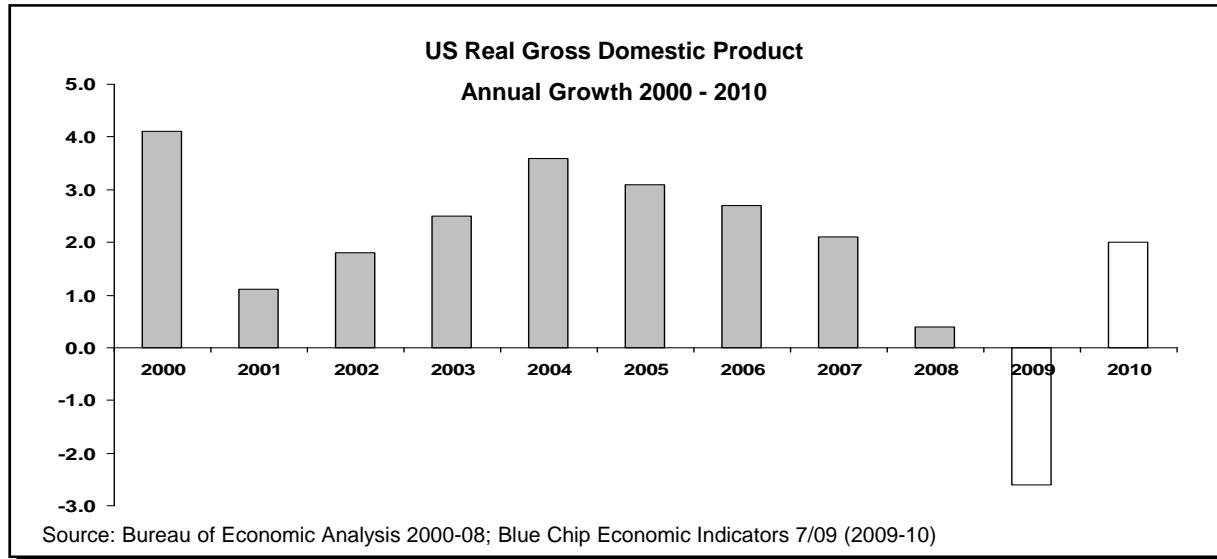
Trade Area Demographics

- Despite strong population growth between 2005-2007, Phoenix is likely to only see an increase of 1.2% in 2009
- Arizona's population is projected to age over the next decade with the median age for men rising to 34.2 in 2010 to 38.2 in 2020 and the median age for women rising from 32.9 to 36.9
- Although the Phoenix MSA saw positive job growth from 2005-2007, a contraction of almost 6% is expected in 2009
- Population within the 1 mile trade area is projected to grow slower than Phoenix MSA, tends to be younger, and lags in the overall level and growth rate of median income
- Per capita median income in the 1 mile trade area is \$17,279, while Phoenix MSA per capita median income is \$45,353
- Subject market area is predominantly Hispanic with larger than average households sizes, most are employed in blue collar, service or skilled labor sectors such as construction, manufacturing and food service

Economics

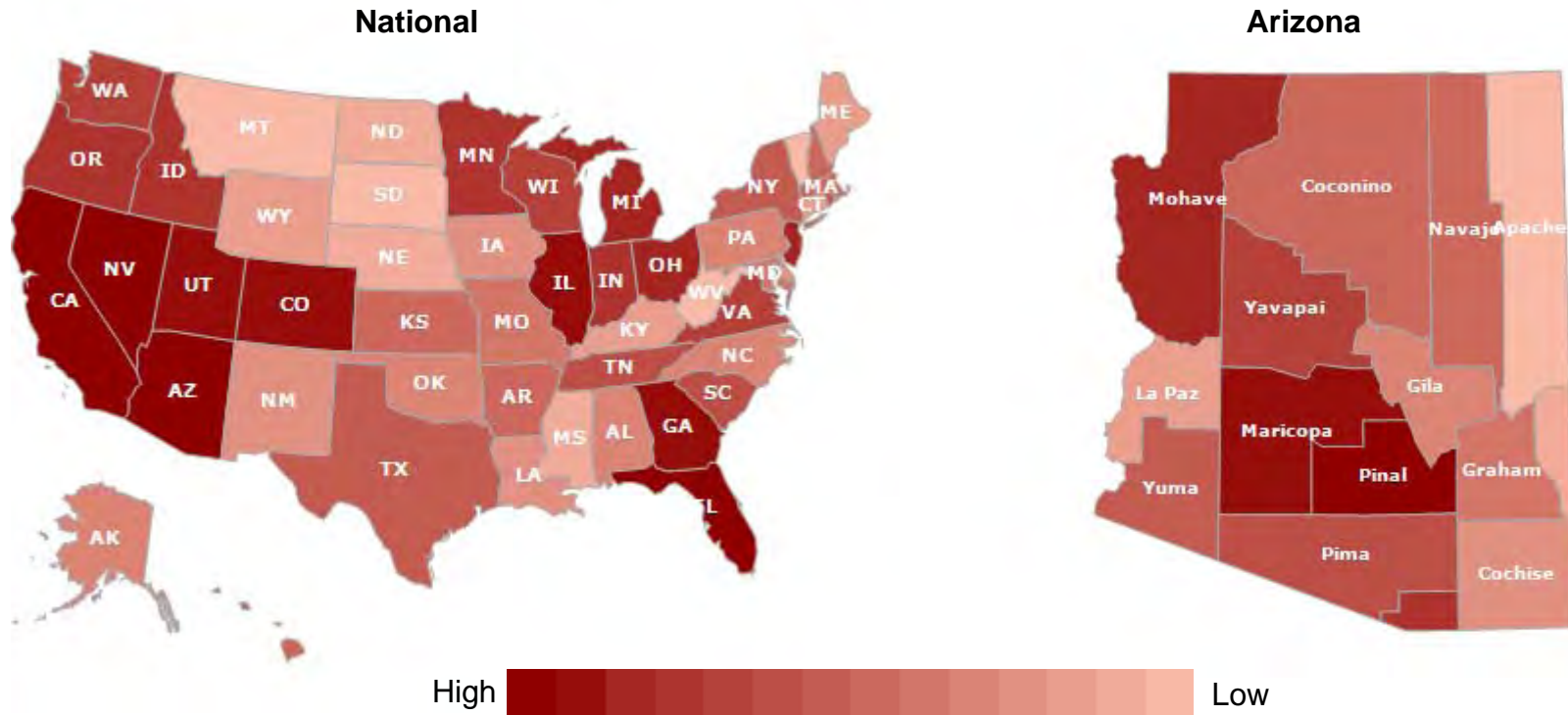
National Economics

Economists predict positive GDP growth by year-end and the unemployment rate to rise to double digits by 2010



Residential Foreclosures

1 in every 135 Arizona housing units received a foreclosure filing in July, the nation's third highest state foreclosure rate and more than 2.5 times the national average



Four states account for more than half of total foreclosure activity

The top four state foreclosure activity totals in July were reported by California, with 108,104 properties receiving a foreclosure filing; Florida, with 56,486 properties receiving a foreclosure filing; Arizona, with 19,694 properties receiving a foreclosure filing; and Nevada, with 19,535 properties receiving a foreclosure filing. Together these four states accounted for nearly 57 percent of the nation's total foreclosure activity.

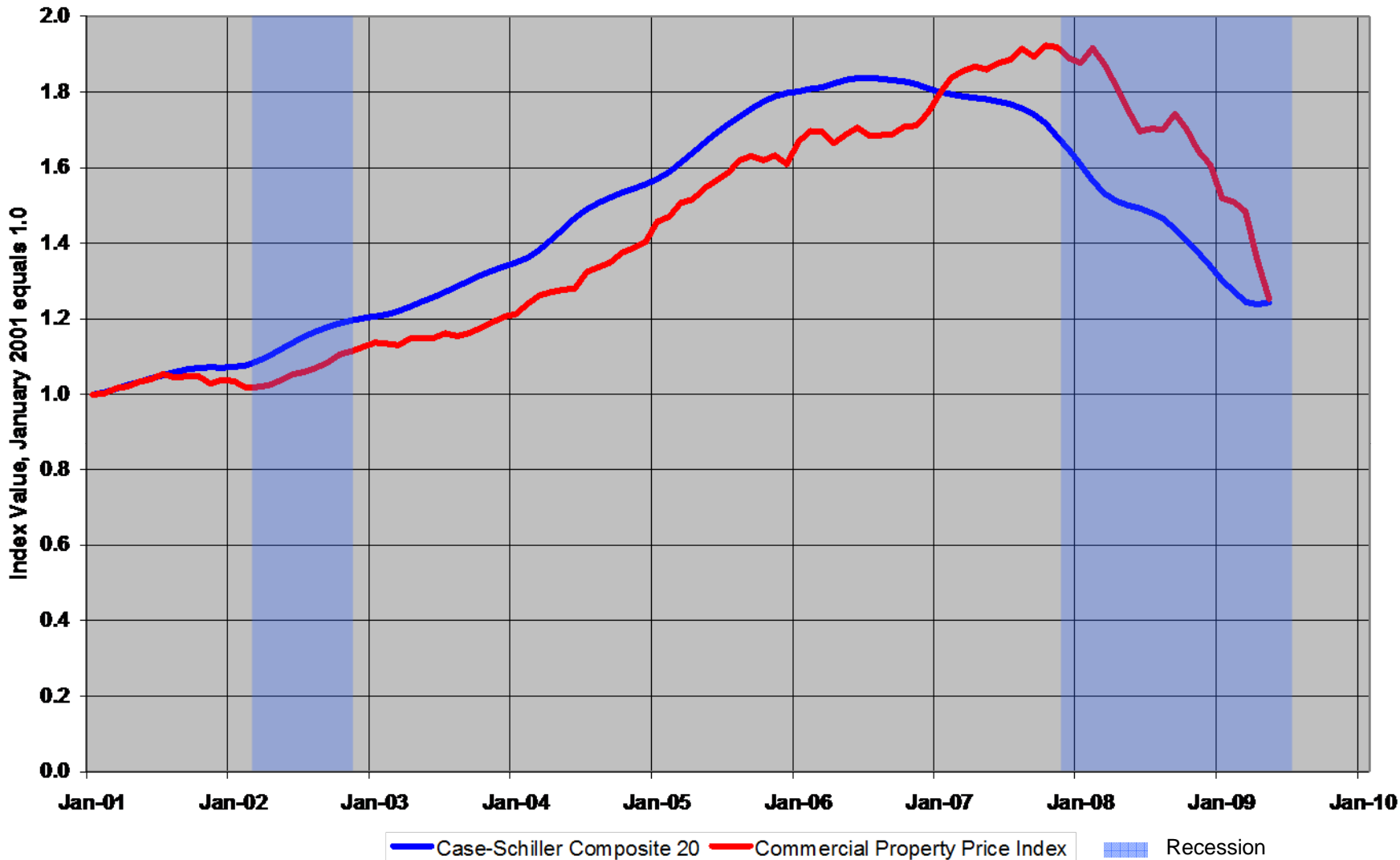
One in every 135 Arizona housing units received a foreclosure filing in July, the nation's third highest state foreclosure rate and more than 2.5 times the national average. Scheduled auctions (NTS), the first public record in the Arizona foreclosure process, jumped 25 percent from the previous month while bank repossessions stayed flat.

Other states with foreclosure rates ranking among the nation's 10 highest were Florida, Utah, Idaho, Georgia, Illinois, Colorado and Oregon.

Commercial Real Estate and Housing Values Approaching '03/'04 Levels

Decreasing real estate values are putting pressure on real estate owners and developers nationally and locally

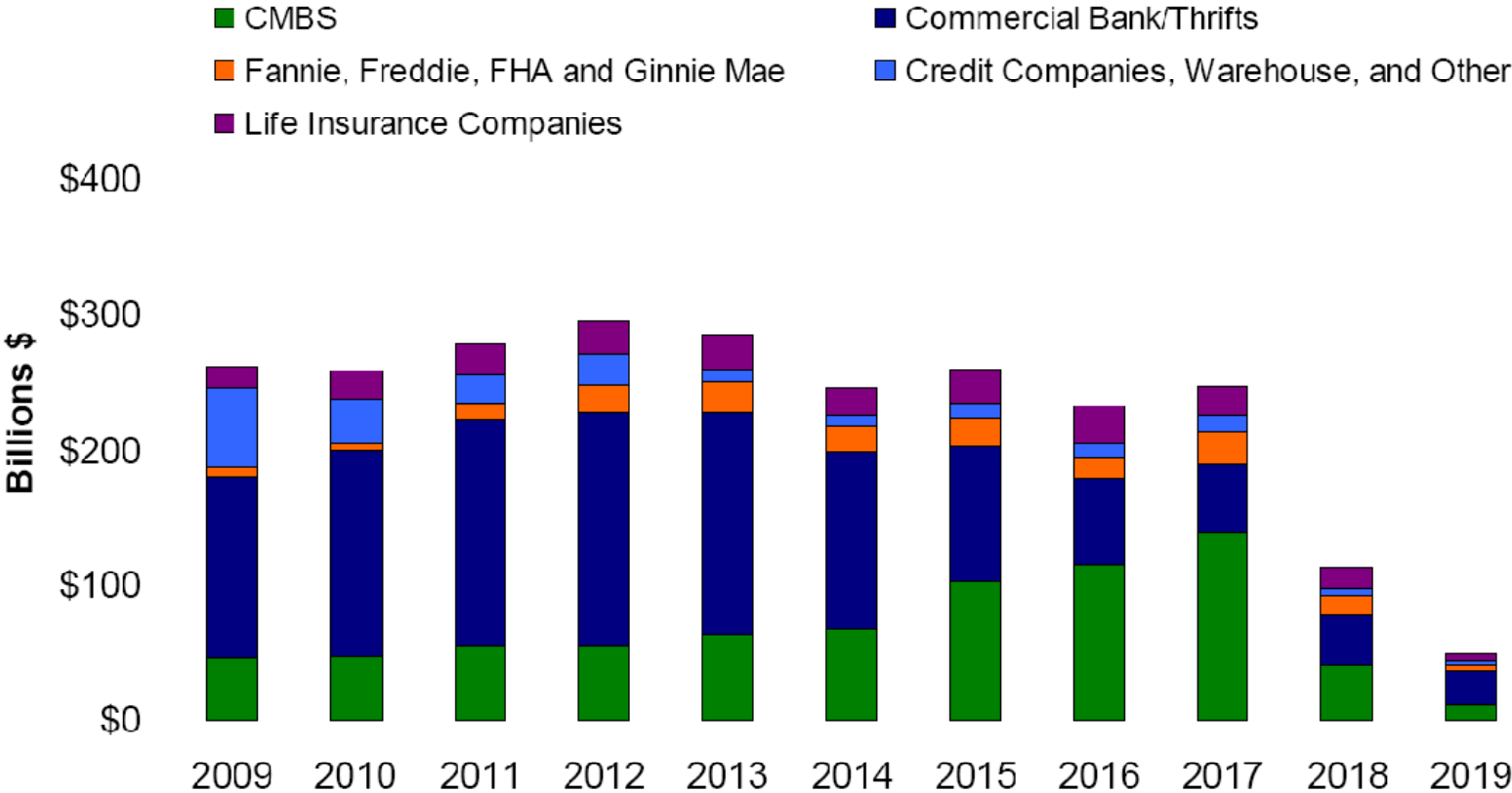
Comparison of Commercial Real Estate and Housing Prices



Source: Case-Schiller Price Index, Moody's/Real CPPI, Compiled by Synthesis

Estimated Commercial Debt Maturities by Lender Type

Maturing commercial loans combined with decreasing real estate values will cause turmoil in commercial real estate markets for several years

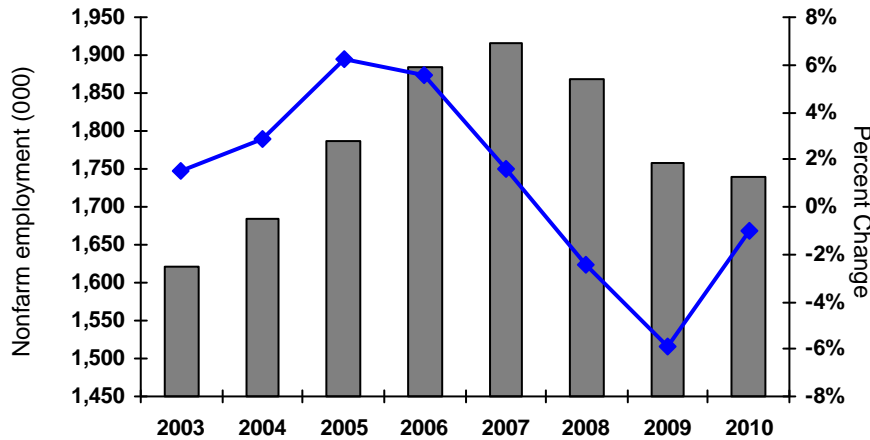


Source: Marcus & Millichap Research Services; Foresight Analytics

Phoenix Economics

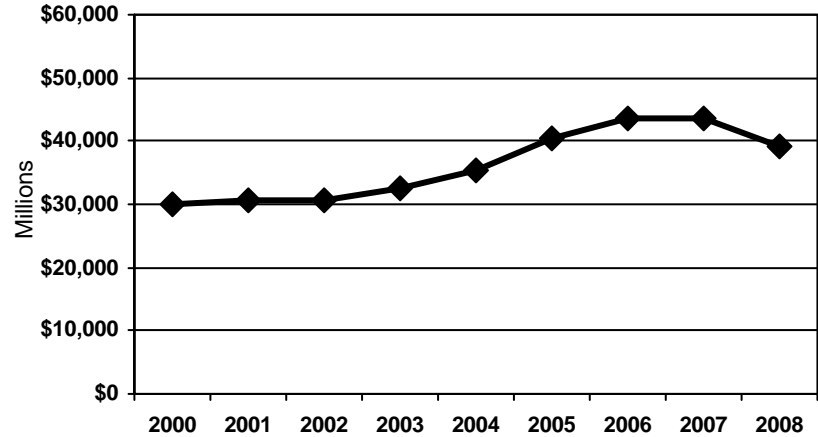
Employment, home values, and retail sales are all decreasing

Nonfarm Employment



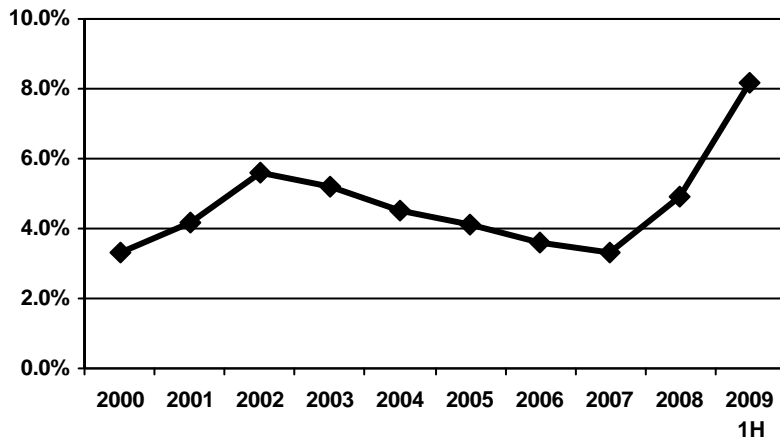
Source: AZ Dept. of Commerce; 2009 & 2010 are projections

Retail Sales



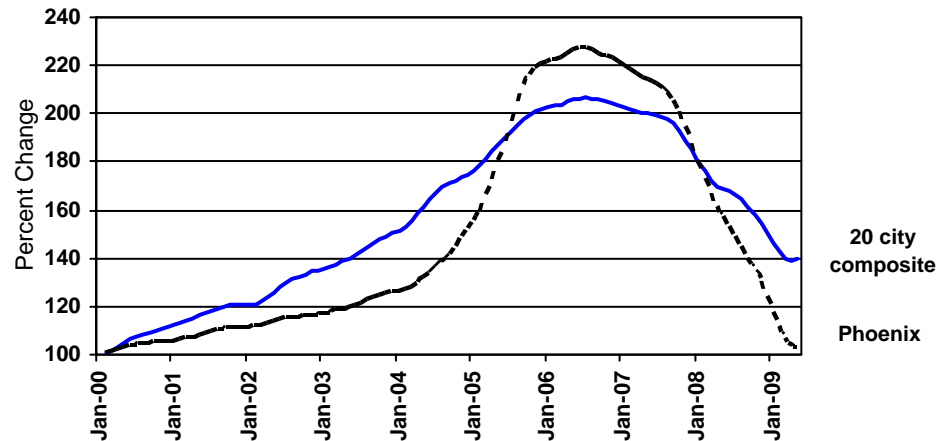
Source: Maricopa County taxable sales from AZ Dept. of Revenue

Unemployment Rate



Source: AZ Dept. of Commerce

S&P Case-Schiller Home Price Index



Source: S&P, January 2000 – June 2009

Arizona Major Employers

Government and public entities represent the largest employers in Arizona

Major Employers – Greater Phoenix	
Company Name	Arizona Employment
State of Arizona	50,363
Wal-Mart Stores Inc.	18,677
Banner Health Systems	13,756
Maricopa County	13,482
City of Phoenix	13,095
Honeywell International Inc.	12,000
U.S. Postal Service	11,406
Wells Fargo Company	11,000
Arizona State University	10,005
Albertson's-Osco	9,500
Intel Corp.	9,500
Bashas ' Inc.	9,374
Safeway Inc.	9,100

Major Employers – Greater Phoenix	
Company Name	Arizona Employment
Fry's Food and Drug Stores.	9,053
Target Corp.	9,021
Mesa Public Schools	8,348
Luke Air Force Base	7,836
U S Airways	7,280
Qwest Communications Intl. Inc.	6,900
Bank One Corp.	6,794
American Express Co.	6,670
Pinnacle West (Public Service)	6,100
Bank Of America Corp.	6,035
Motorola Inc.	5,840
Walgreen Co.	5,738

Source: The Business Journal Book of Lists, 2004.

Demographic Analysis

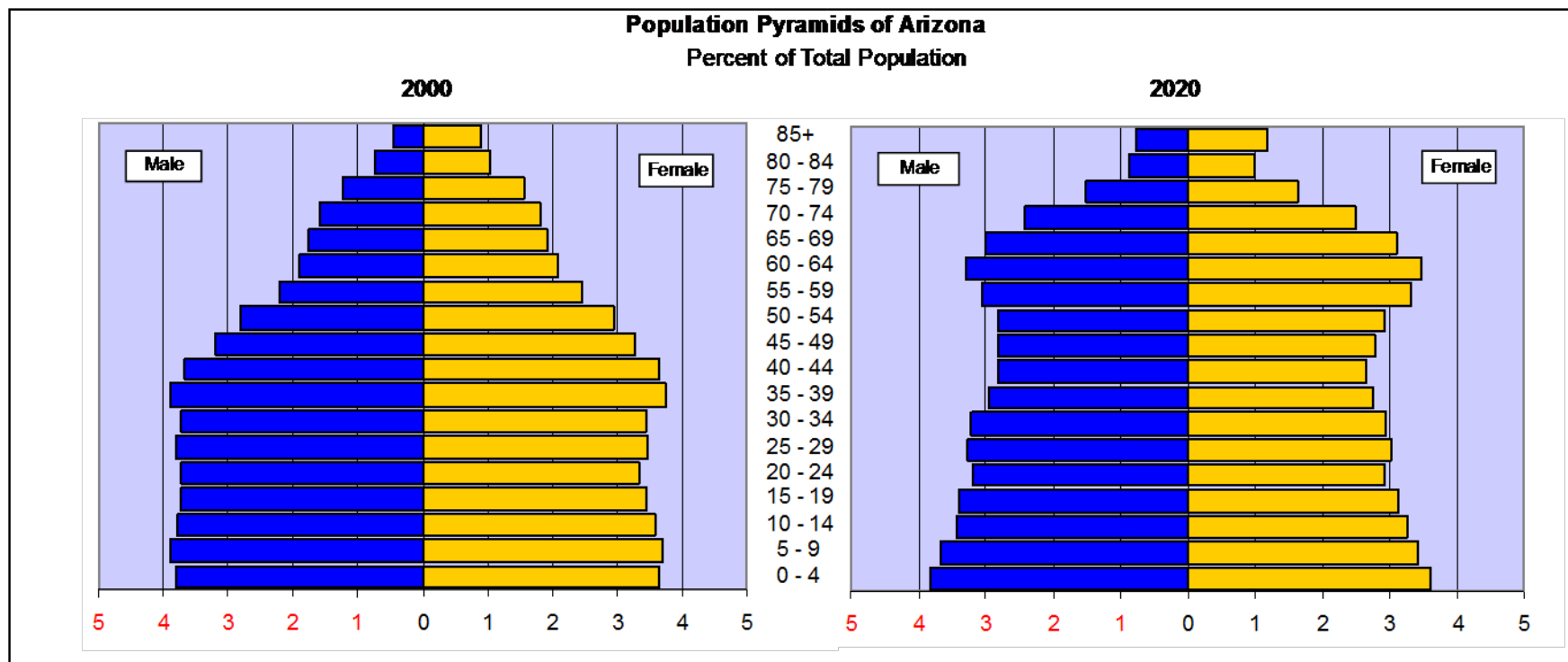
US and Phoenix MSA Population – Historical and Projected

Population growth projected to slow this year and 2010 with growth rising above 2% a year beginning in two years

POPULATION TRENDS COMPARISON					
United States			Phoenix MSA		
	Year	Population (000's)	% Change	Population (000's)	% Change
Historical	1999	272,690.8		2,861.4	
	2004	293,191.5	7.5%	3,495.5	22.2%
	2005	295,895.9	0.9%	3,636.3	4.0%
	2006	298,754.8	1.0%	3,766.5	3.6%
	2007	301,621.2	1.0%	3,865.0	2.6%
	2008	304,059.7	0.8%	3,954.6	2.3%
Current	2009	307,049.5	1.0%	4,003.5	1.2%
	2010	310,068.6	1.0%	4,059.5	1.4%
Projected	2011	313,066.2	1.0%	4,167.6	2.7%
	2012	316,098.1	1.0%	4,274.8	2.6%
	2013	319,161.3	1.0%	4,381.2	2.5%
	2014	322,252.3	1.0%	4,486.5	2.4%
	2015	325,367.4	1.0%	4,590.7	2.3%
	2016	328,503.5	1.0%	4,693.6	2.2%
	2017	331,657.8	1.0%	4,795.2	2.2%
	2018	334,827.9	1.0%	4,895.4	2.1%
	2019	338,011.3	1.0%	4,994.2	2.0%
Compound Annual Growth Rate	Historical				
		Past 5 Years	0.93%		2.75%
		Past 10 Years	1.19%		3.42%
	Projected				
		Next 5 Years	0.97%		2.30%
		Next 10 Years	0.97%		2.24%

Source: Population Division, U.S. Census Bureau, AZ Dept. of Commerce; compiled by Synthesis

Arizona Population Projected to Age Over the Next Decade



Demographic Indicator	2000	2020	Change
Median Age	34.2	38.2	4.0
Male	32.9	36.9	4.0
Female	35.5	39.5	4.1
Dependency Ratio (1)	74.2	84.3	10.1
Youth (2)	51.6	51.2	-0.4
Old Age (3)	22.7	33.1	10.5

Demographic Indicator	2000	2020	Change
Child-Women Ratio (4)	35.3	42.7	7.5
Sex Ratio (5)	99.7	101.2	1.5
Under 18	105.4	106.2	0.8
18-64	102.0	102.6	0.6
65-84	83.8	94.4	10.6
85+	50.6	64.3	13.6

(1) Dependency Ratio = (Age under 20 + Age 65 and over) / (Age 20-64) X 100

(2) Youth dependency ratio = Age under 20 / Age 20- 64 X 100

(3) Old age dependency ratio = Age 65 and over / Age 20 - 64 X100

(4) Child-Women ratio = Age under 5 / Female 15 - 44 X 100

(5) Sex Ratio = Male / Female X 100

Source: U.S. Census Bureau, Population Division, Interim State Population Projections, 2005

US and Phoenix MSA Employment – Historical and Projected

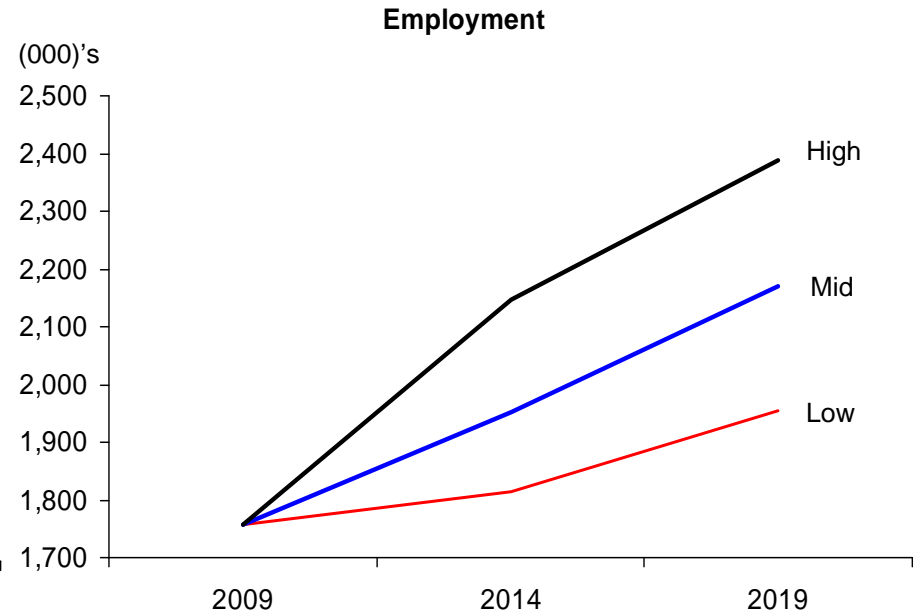
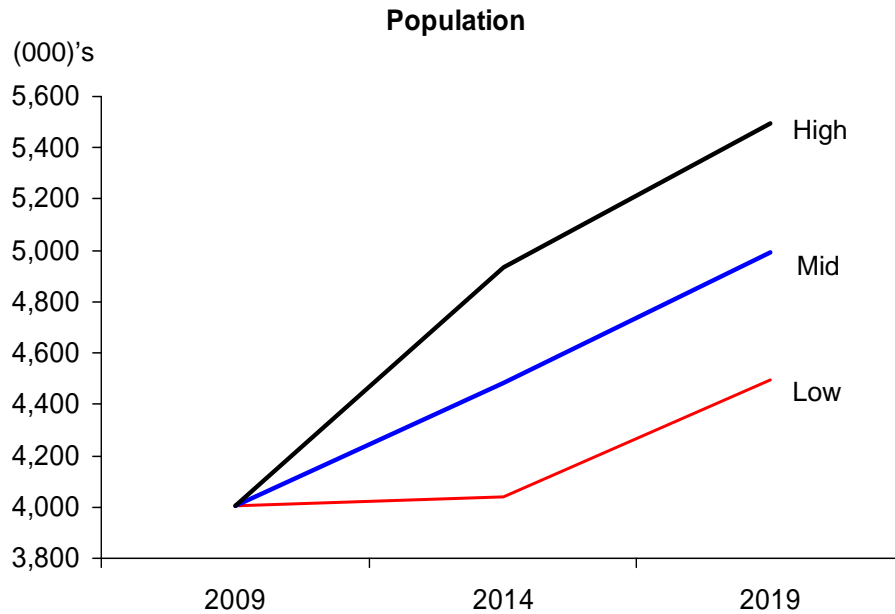
Employment growth projected to slow this year and 2010 with five and ten year growth projections above 2% a year

EMPLOYMENT TRENDS COMPARISON					
United States			Phoenix MSA		
	Year	Employment (000's)	% Change	Employment (000's)	% Change
Historical	1999	128,993.0		1,525.0	
	2004	131,435.0	1.9%	1,683.7	10.4%
	2005	133,703.0	1.7%	1,787.7	6.2%
	2006	136,086.0	1.8%	1,884.1	5.4%
	2007	137,598.0	1.1%	1,914.8	1.6%
	2008	137,066.0	-0.4%	1,868.3	-2.4%
Current	2009	130,212.7	-5.0%	1,756.7	-6.0%
	2010	129,561.6	-0.5%	1,740.0	-1.0%
Projected	2011	131,245.9	1.3%	1,812.0	4.1%
	2012	133,083.4	1.4%	1,858.6	2.6%
	2013	134,547.3	1.1%	1,904.9	2.5%
	2014	136,027.3	1.1%	1,950.7	2.4%
	2015	137,523.6	1.1%	1,995.9	2.3%
	2016	138,967.6	1.1%	2,040.7	2.2%
	2017	140,426.8	1.1%	2,084.9	2.2%
	2018	141,831.0	1.0%	2,128.4	2.1%
	2019	143,249.4	1.0%	2,171.4	2.0%
Compound Annual Growth Rate	Historical				
		Past 5 Years	-0.19%		0.85%
		Past 10 Years	0.09%		1.42%
	Projected				
		Next 5 Years	0.88%		2.12%
		Next 10 Years	0.96%		2.14%

Source: BLS, AZ Dept of Commerce Forecast '09-'10; compiled by Synthesis

Phoenix MSA Population & Employment – Range Forecast

The range forecasts below are used in market demand models for the retail, office, industrial, and multifamily uses in the market analysis section



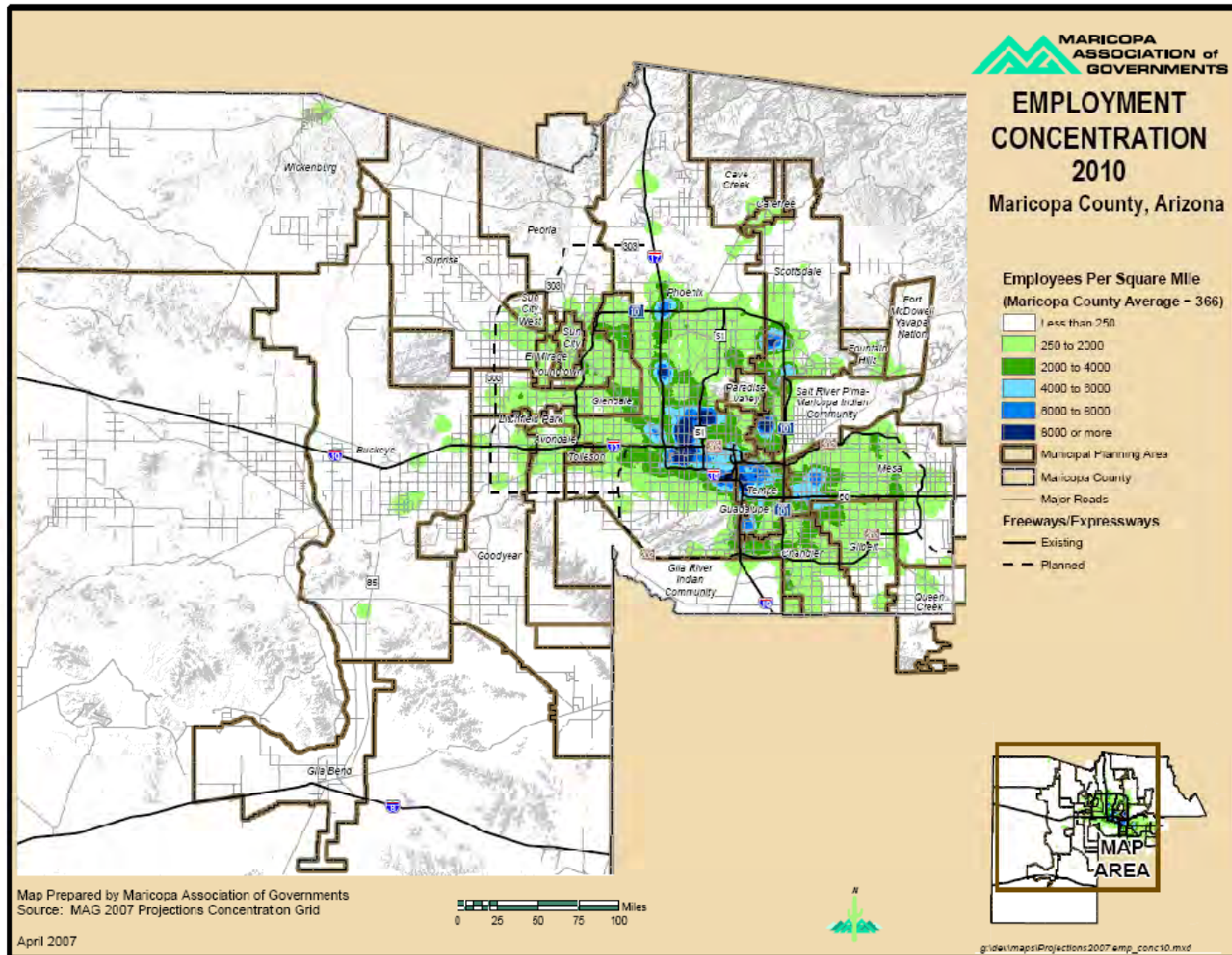
(000)'s	2009	2014	2019	CAGR %	
				5 year	10 year
Low	4,003.5	4,037.9	4,494.8	0.2%	1.2%
Mid	4,003.5	4,486.5	4,994.2	2.3%	2.2%
High	4,003.5	4,935.2	5,493.6	4.3%	3.2%

(000)'s	2009	2014	2019	CAGR %	
				5 year	10 year
Low	1,756.7	1,814.2	1,954.3	0.6%	1.1%
Mid	1,756.7	1,950.7	2,171.4	2.1%	2.1%
High	1,756.7	2,145.8	2,388.5	4.1%	3.1%

Source: Synthesis Estimates

Projected Employment Concentration – 2010

Subject employment density projected to be 4000 – 8000 employees per square mile

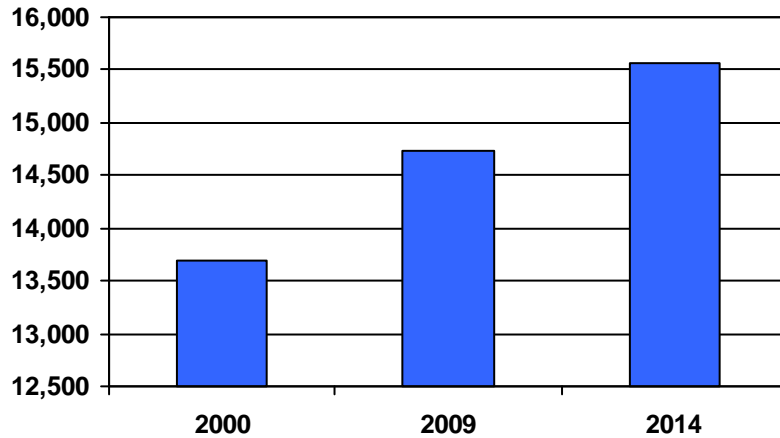


Source: Maricopa Association of Governments

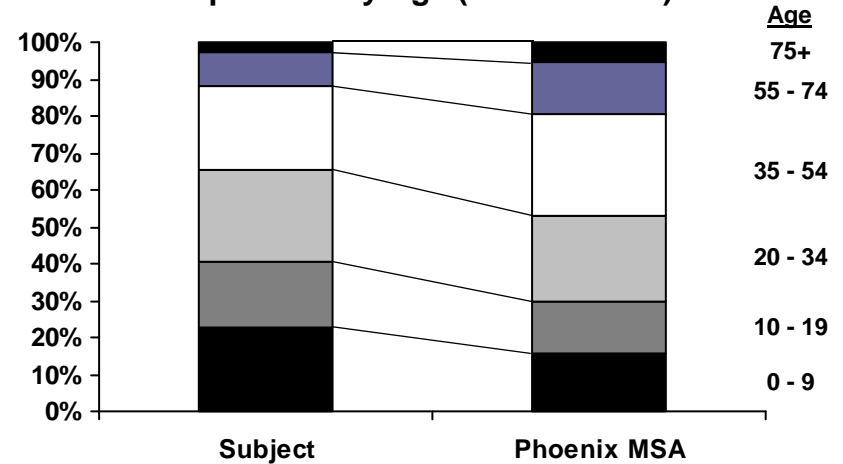
Subject Area (1 mile radius) - Demographics and Income

Subject population projected to grow slower than Phoenix MSA, skews younger, and lags in the level and growth rate of median income

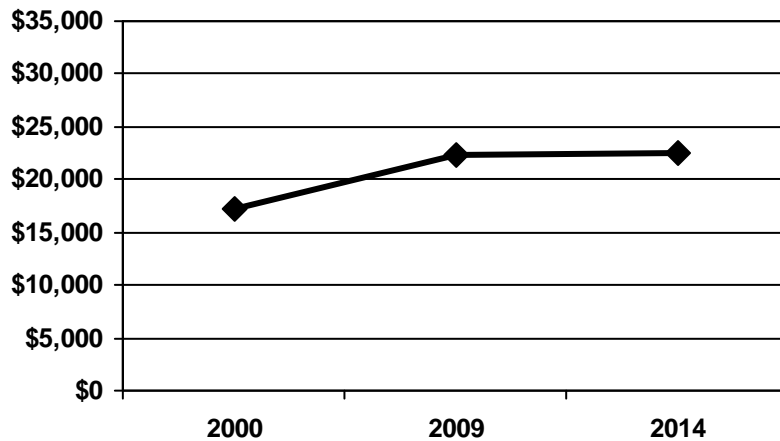
Population



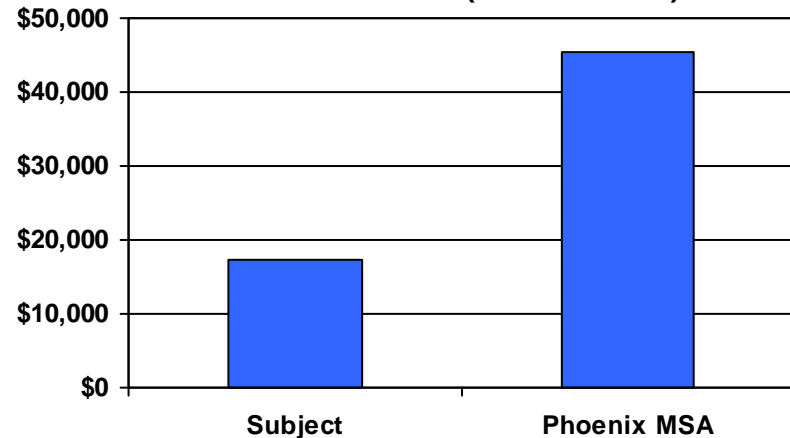
Population by Age (2000 Census)



Median Income Trend



Median Income (2000 Census)

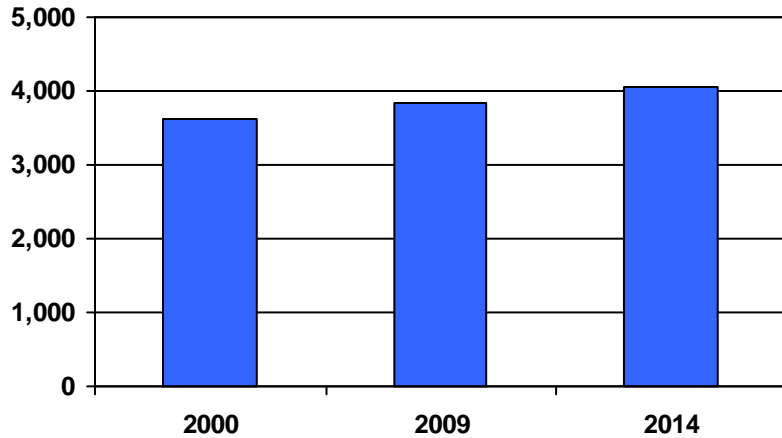


Source: STDB; compiled by Synthesis

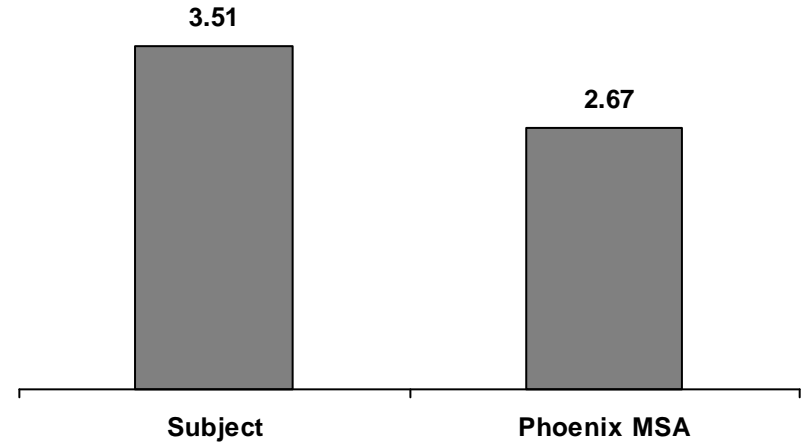
Subject Area (1 mile radius) - Demographics and Income

Subject area is predominantly Hispanic with larger than average sized households, employed in blue collar and service-oriented industries

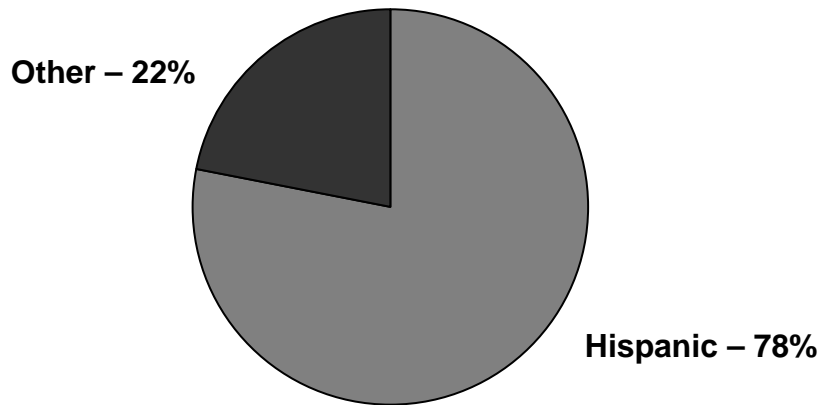
Households



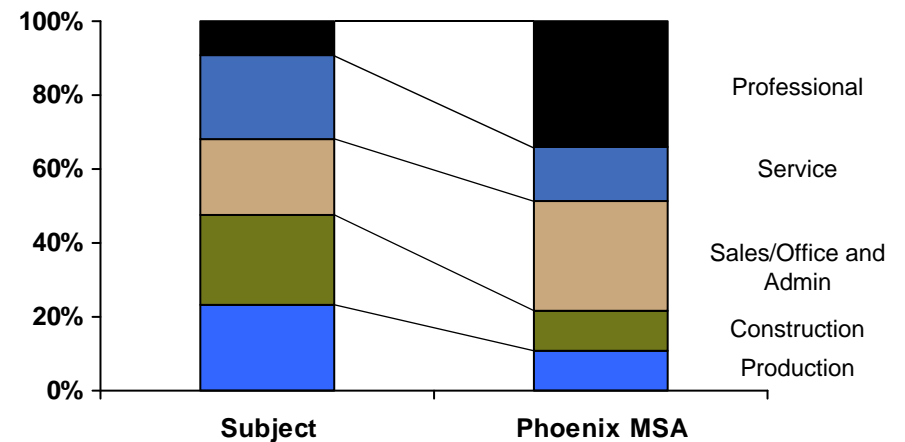
Average Household Size (2000 Census)



Ethnicity (2009)



Employed Population 16+ (2000 Census)

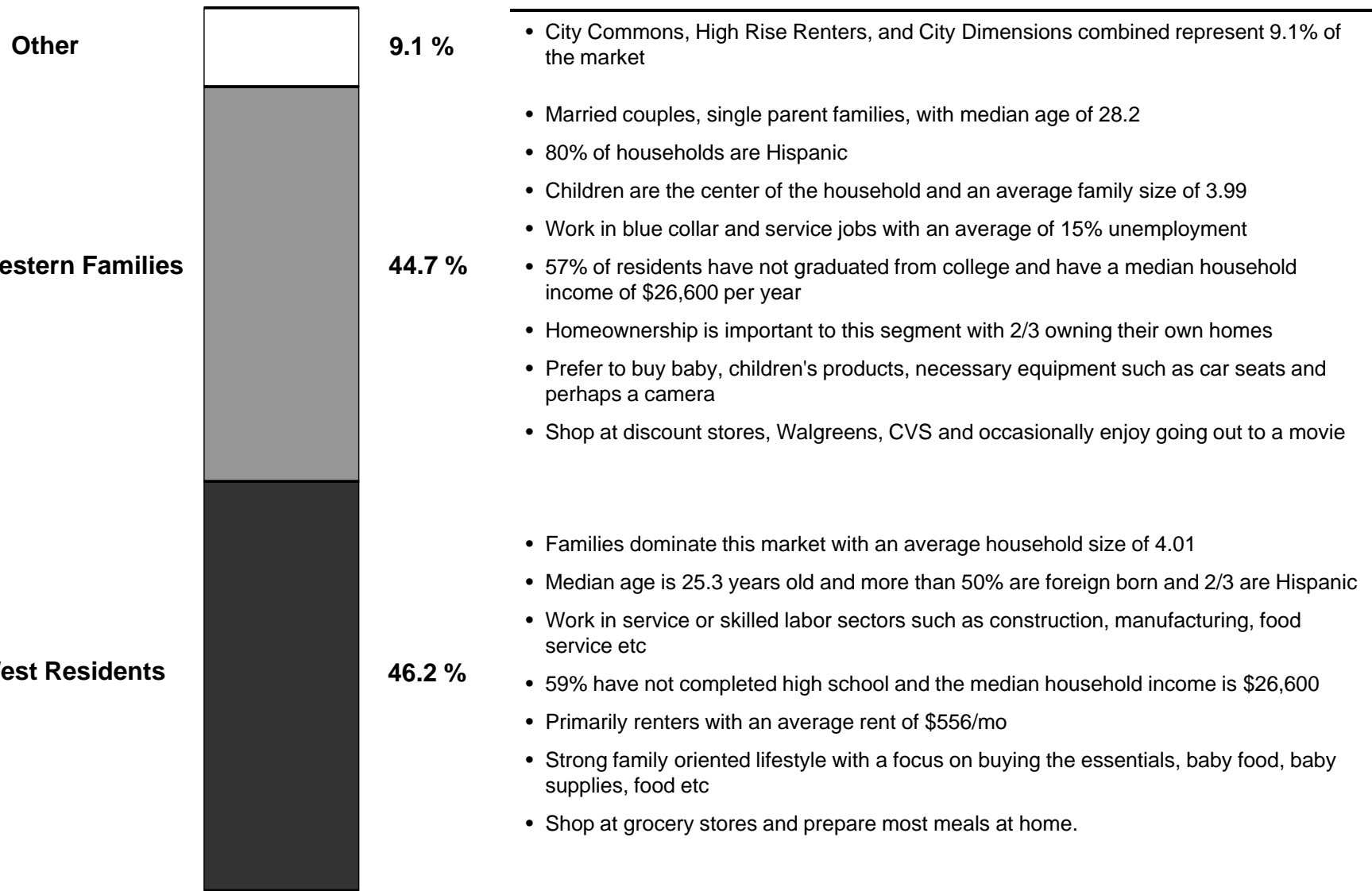


Source: STDB; compiled by Synthesis

Psychographics

100 %

Segment Description



- City Commons, High Rise Renters, and City Dimensions combined represent 9.1% of the market

- Married couples, single parent families, with median age of 28.2
- 80% of households are Hispanic
- Children are the center of the household and an average family size of 3.99
- Work in blue collar and service jobs with an average of 15% unemployment

- 57% of residents have not graduated from college and have a median household income of \$26,600 per year
- Homeownership is important to this segment with 2/3 owning their own homes
- Prefer to buy baby, children's products, necessary equipment such as car seats and perhaps a camera
- Shop at discount stores, Walgreens, CVS and occasionally enjoy going out to a movie

- Families dominate this market with an average household size of 4.01
- Median age is 25.3 years old and more than 50% are foreign born and 2/3 are Hispanic
- Work in service or skilled labor sectors such as construction, manufacturing, food service etc
- 59% have not completed high school and the median household income is \$26,600
- Primarily renters with an average rent of \$556/mo
- Strong family oriented lifestyle with a focus on buying the essentials, baby food, baby supplies, food etc
- Shop at grocery stores and prepare most meals at home.

Source: STDB; ESRI

Retail

Retail Summary

Phoenix MSA

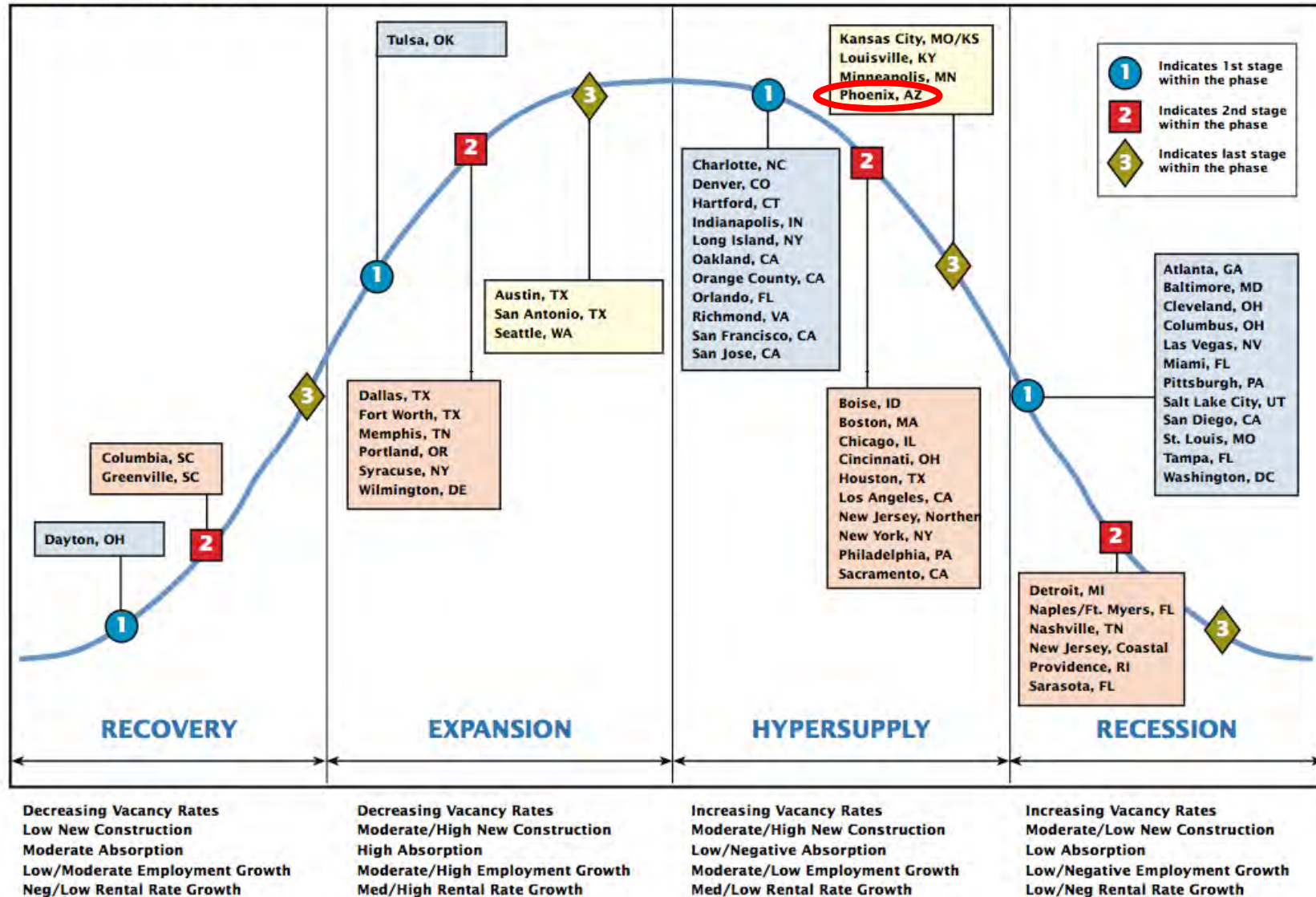
- Phoenix retail market is oversupplied and in a recessionary phase
- Retail inventory in Phoenix ballooned in 2007, but deliveries are beginning to slow, vacancies are rising and overall absorption is negative. Historical absorption rates have averaged approximately 3.8 million square feet annually.
- Retail rents are decreasing across the board for all asset types and average \$18.25 sf/ft nnn
- Gross leasable area is roughly 200 million square feet with a vacancy rate of 11.1%
- Citywide retail residual demand indicates excess demand of 7M with residual demand of 40M in ten years
- Excess demand is estimated to be absorbed in 2 – 3 years based on historical absorption rates

Retail Demand in the Primary Trade Area (1 mile radius)

- Gross leasable area is about 81K square feet with an average vacancy rate of 9.4%
- Average retail rents are estimated at \$10 sf/ft nnn
- Three demand models were used to estimate residual demand for retail in the primary trade area. All three methods indicate residual demand for retail.
 - Ratio method: 7K rising to 39K in ten years
 - Per capita expenditure method: 27K rising to 65K in ten years
 - Buying power segmentation method: 13K rising to 93K in ten years
- Reconciliation of the three methods indicates a residual retail demand of 15K rising to 65K in ten years

Phoenix Retail Is Moving From Hypersupply To Recession Phase

RETAIL MARKET CYCLE



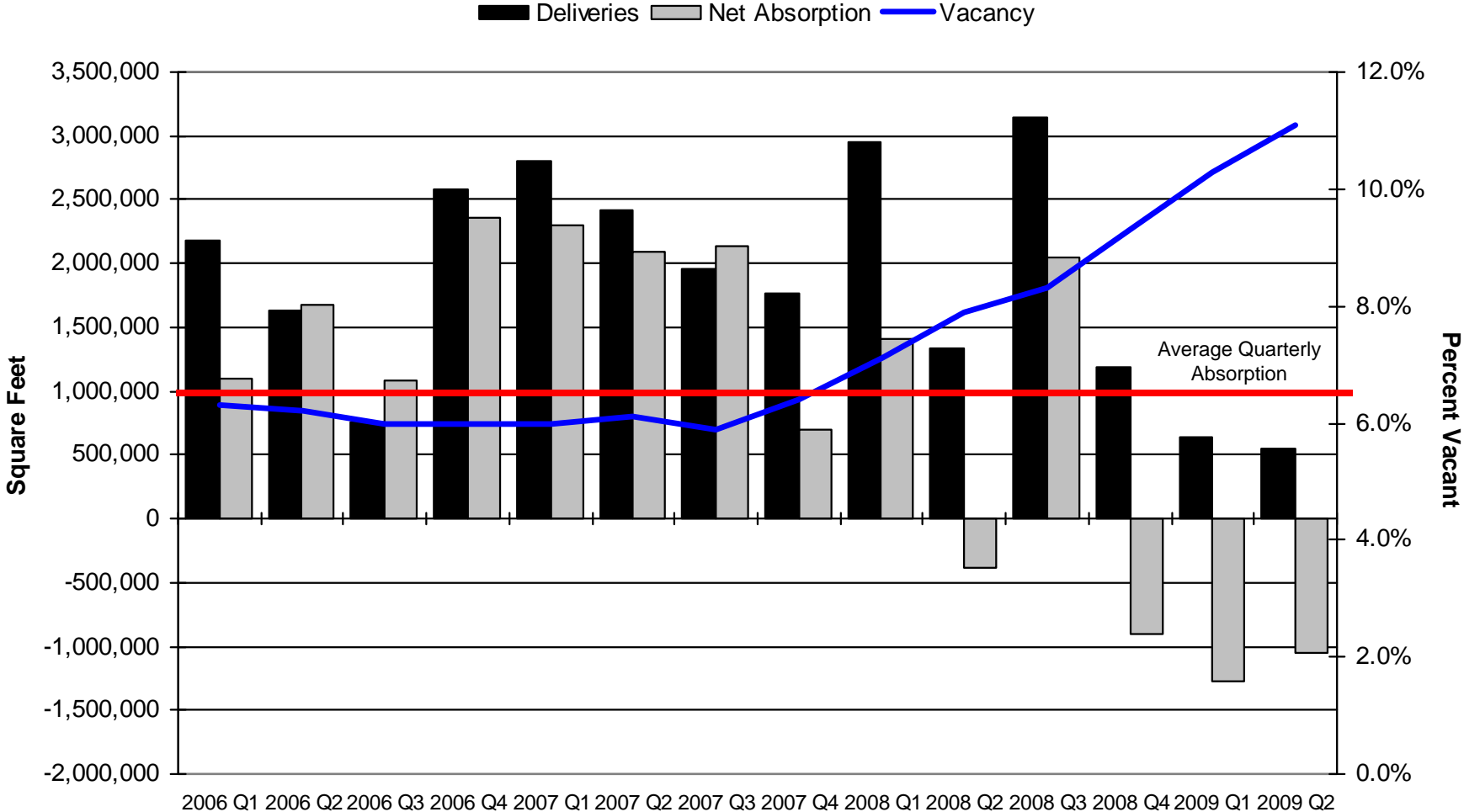
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Source: IRR

Retail – Historical Deliveries, Absorption, and Vacancy (All Classes)

Vacancies are rising, deliveries are slowing, and three consecutive quarters of negative absorption

Phoenix MSA

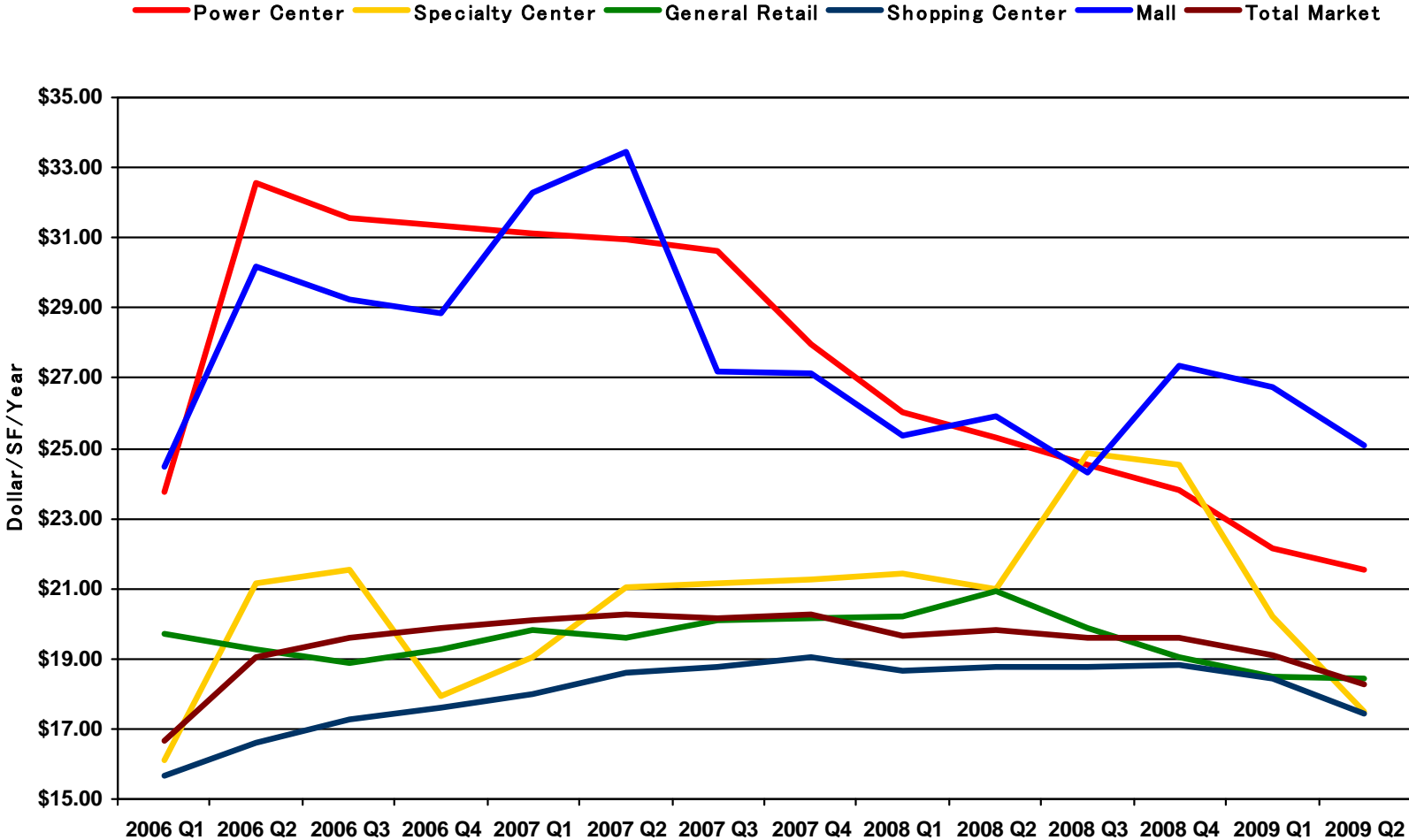


Source: CoStar Property

Retail – Historical Rental Rates (Based on NNN)

Rental rates are decreasing across the board for all asset types

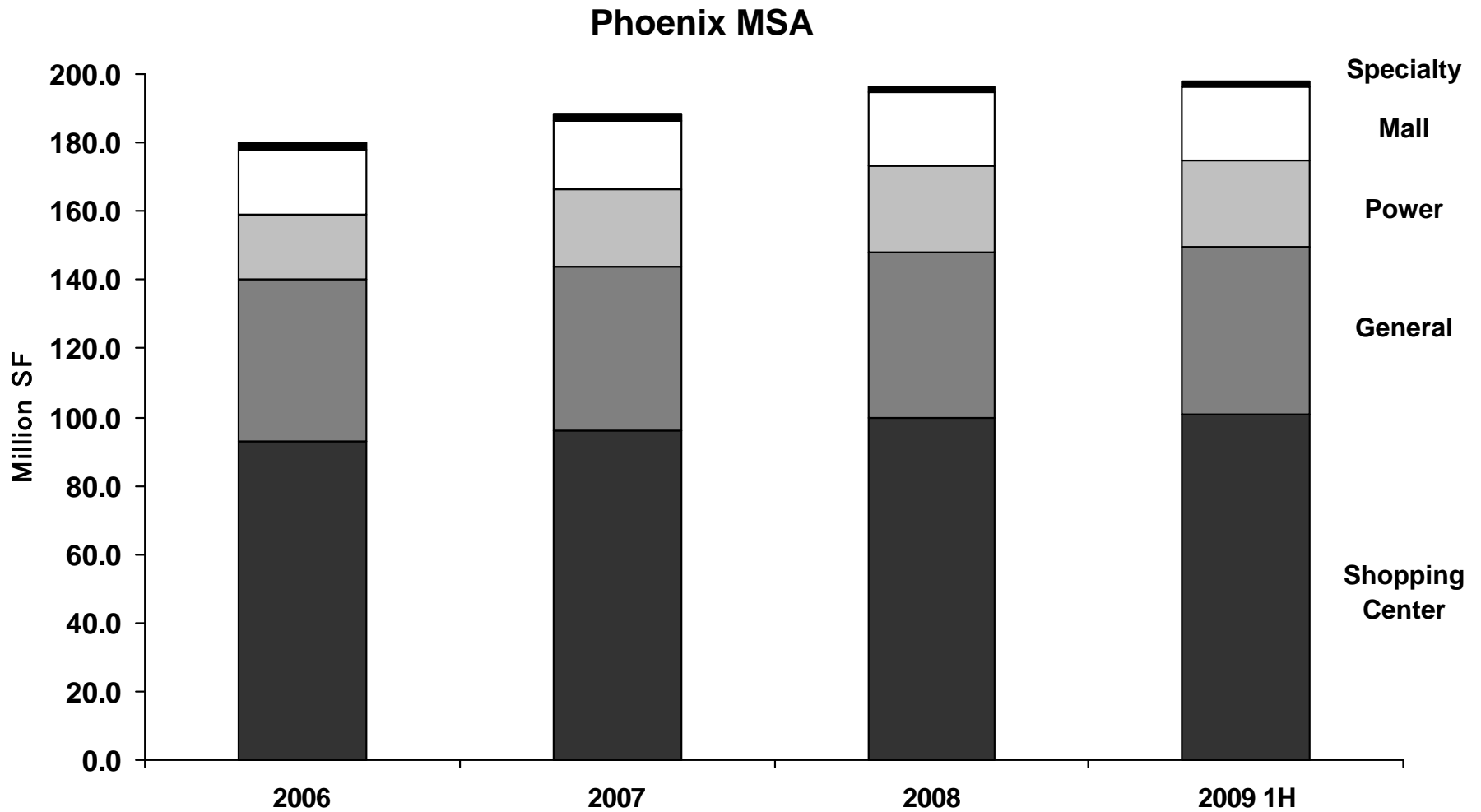
Phoenix MSA



Source: CoStar Property

Retail – Total Gross Leasable Area

Gross leasable area is roughly 200 million square feet



Source: CoStar Property

Residual Demand Estimate – Citywide Retail

Using the ratio method to estimate residual demand for retail indicates excess demand of 7M with residual demand of 40M in ten years

Retail Market Analysis—Ratio Method					
Item					Comments/Source
1	Existing occupied sq. ft. retail (and office in retail) in primary trade area	176,116,464			CoStar
2	Current citywide population in for same time	4,003,500			U.S. Census; Analyst's forecast
3	Ratio of occupied retail sq. ft. per capita (population and/or employees)	43.99			Calculation
	Forecast New Demand	Current	2014	2019	
4	Forecast population in primary trade area	4,003,500	4,486,500	4,994,200	U.S. Census; Analyst's forecast
5	Ratio of occupied sq. ft. per capita	43.99	43.99	43.99	Calculation from Line 3
6	Demand for occupied shopping center space	176,116,464	197,363,935	219,697,975	Calculation
9	Plus frictional vacancy @ 8%	15,314,475	17,162,081	19,104,172	Calculation
10	Total forecasted demand (sq. ft.) in primary trade area	191,430,939	214,526,017	238,802,147	Includes all types of retail and non-retail users typically found in neighborhood shopping centers
11	Less current competitive sq. ft.	198,026,320	198,835,008	198,835,008	Actual survey: CoStar
12	Less estimate new construction	808,688	0	0	Estimated probability: CoStar
13	Citywide retail marginal demand - net (excess) shortage	(7,404,069)	15,691,009	39,967,139	Line 10 minus Line 11 minus line 12

Source: CoStar; Synthesis analysis

Residual Demand Estimate – PMA Neighborhood Retail

Using the ratio method to estimate residual demand for retail indicates demand of 7K rising to 39K in ten years

Retail Market Analysis—Ratio Method					
Item					Comments/Source
1	Existing occupied sq. ft. retail (and office in retail) in primary trade area	81,474			CoStar
2	Current population in primary trade area for same time	15,081			STDB Online
3	Ratio of occupied retail sq. ft. per capita (population and/or employees)	5.40			Calculation
Forecast New Demand		Current	2014	2019	
4	Forecast population in primary trade area	15,081	16,607	20,500	STDB Online
5	Ratio of occupied sq. ft. per capita	5.40	5.40	5.40	Calculation from Line 3
6	Demand for occupied shopping center space	81,474	89,718	110,750	Calculation
9	Plus frictional vacancy @ 8%	7,085	7,802	9,630	Calculation
10	Total forecasted demand (sq. ft.) in primary trade area	88,559	97,520	120,380	Includes all types of retail and non-retail users typically found in neighborhood shopping centers
11	Less current competitive sq. ft.	81,474	81,474	81,474	Actual survey: CoStar
12	Less estimate new construction	0	0	0	Estimated probability: CoStar
13	PMA retail marginal demand - net (excess) shortage	7,085	16,046	38,906	Line 10 minus Line 11 minus line 12

Source: CoStar; Synthesis analysis

Demand Estimate – PMA Neighborhood Retail

Using the per capita expenditure method to estimate residual demand for retail indicates demand of 26K rising to 65K in ten years

Neighborhood—Retail Demand by Per Capita Expenditure					
Line	Year	Current	2014	2019	Source/Comment
1	Population in primary trade area	15,081	16,607	20,500	STDB Online
2	Neighborhood-type retail sales per capita	\$3,299	\$3,299	\$3,299	STDB Online
3	Total neighborhood retail sales potential	\$ 49,752,790	\$ 54,787,122	\$ 67,629,500	From residents in primary market area
4	Percentage of retail sales retention in primary trade area	60%	60%	60%	Analyst estimate
5	Neighborhood retail sales expected	\$ 29,851,674	\$ 32,872,273	\$ 40,577,700	From residents in primary market area
6	Required sales per sq. ft.	\$300	\$300	\$300	Dollars and Cents of Shopping Centers
7	Supportable retail sq. ft. from resident population in primary trade area	99,506	109,574	135,259	Divide Line 5 by Line 6
8	Plus demand for neighborhood retail from secondary trade area or other sources	0	0	0	
9	Total occupied retail sq. ft. demand from primary and secondary trade areas	99,506	109,574	135,259	Total occupied retail space in sq. ft.
10	Percentage of nonretail service/office use	0%	0%	0%	
11	Plus demand for nonretail service office sq. ft.	0	0	0	Line 9/(1-Line 10) – Line 9
12	Total demand for occupied retail and service/local office sq. ft. in primary trade area	99,506	109,574	135,259	Demand for total occupied space—retail + service + local office
13	Plus frictional vacancy @ 8%	8,653	9,528	11,762	Historical vacancy rate
14	Total demand for retail/service/local office sq. ft. in primary trade area	108,158	119,102	147,021	Market demand for neighborhood shopping center space
15	Less current competitive sq. ft.	81,474	81,474	81,474	Actual survey: CoStar
16	Less estimate new construction	0	0	0	Estimated probability: CoStar
17	PMA retail marginal demand - net (excess) shortage	26,684	37,628	65,547	Line 14 minus Line 15 minus line 16

Source: Synthesis analysis

Residual Demand Estimate – Neighborhood Retail

Using the buying power segmentation method to estimate residual demand for retail indicates demand of 13K rising to 93K in ten years

Line No.	Year	Current	2014	2019	Data Source/Comment
1	Total number of households in primary trade area	3,935	4,344	5,395	STDB Online
2	Median household income	\$22,092	\$26,377	\$29,843	STDB Online
3	Total household income in primary trade area	\$86,932,020	\$114,581,688	\$160,995,965	Line 1 X Line 2
4	Percentage income spent on retail	57%	57%	57%	Bureau of Labor Statistics
5	Total retail sales potential	\$49,551,251	\$65,311,562	\$91,767,700	Line 3 X Line 4
6	Percentage of retail sales by subject type shopping center	56%	56%	56%	Spending pattern percentage for neighborhood-type retail
7	Total subject-type shopping center sales	\$27,748,701	\$36,574,475	\$51,389,912	Line 5 X Line 6
8	Percentage of potential retention of sales in primary trade area	75%	75%	75%	Analyst Estimate
9	Retail sales potential in primary trade area from resident household	\$20,811,526	\$27,430,856	\$38,542,434	Line 7 X Line 8
10	Sales required per sq. ft.	\$300	\$300	\$300	Source: <i>Dollars and Cents of Shopping Centers</i>
11	Supportable sq. ft. of retail space from households in primary trade area	69,372	91,436	128,475	Line 9 divided by Line 10
12	Plus demand of neighborhood-type retail space from secondary trade area and/or sources	17,343	22,859	32,119	Demand from residents in secondary area plus nonresidents in primary or secondary trade area
13	Total occupied retail demand from primary and secondary trade area	86,715	114,295	160,593	Line 11 + Line 12
14	Percentage of service/office use/medical use	0%	0%	0%	Estimate based on analyst's original survey and <i>Dollars and Cents of Shopping Centers</i>
15	Plus demand for nonretail use	0	0	0	(Line 13/.85) minus Line 13
16	Total demand for occupied sq. ft. of retail and service/office space from primary and secondary trade area	86,715	114,295	160,593	Includes all types of retail and nonretail users typically found in neighborhood shopping centers
17	Plus frictional vacancy @ 8%	7,540	9,939	13,965	(Line 16/.95) minus Line 16
18	Total forecast demand (sq. ft.) in primary trade area	94,255	124,234	174,558	Market demand for neighborhood shopping center space
19	Less existing sq. ft. of competitive space	81,474	81,474	81,474	Survey of space like Line 6 in primary trade area
20	Less forecasted new competition	0	0	0	
21	Net (excess) shortage of supportable sq. ft. of retail space	12,781	42,760	93,084	Market residual demand for neighborhood shopping
22	Subject capture rate	63%	35%	35%	Capture of market demand (Line 16)
23	Subject forecasted square feet occupied	54,630	40,003	56,208	Line 16 X Line 22
24	Subject percentage occupied	50%	36%	51%	Subject capture estimate @ mid-range forecast

Source: Synthesis analysis

Demand Reconciliation & Gap Analysis – Neighborhood Retail

Retail gap analysis indicates residual demand of 15K rising to 66K in ten years

Analysis Types	Supportable Occupied Square Feet			Average Increase/Yr.
	Current	5 Years	10 Years	
Buying Power Segmentation	87,067	114,295	160,593	7,353
Ratio Method	81,474	89,718	110,750	2,928
Per Capita Sales Method	99,506	109,574	135,259	3,575
Average of Three Methods	89,349	104,529	135,534	4,619
Plus 8% Frictional Vacancy	7,769	9,089	11,786	
Total Forecast Demand SQ. FT. from PMA	97,118	113,619	147,320	
Less Existing Square Feet of Space	81,474	81,474	81,474	
Less Forecasted New Supply	0	0	0	
Net (Excess) Shortage of Supportable SQ. FT. of Retail Space	15,644	32,145	65,846	

Source: Costar; Synthesis analysis

Office

Office Summary

Phoenix MSA

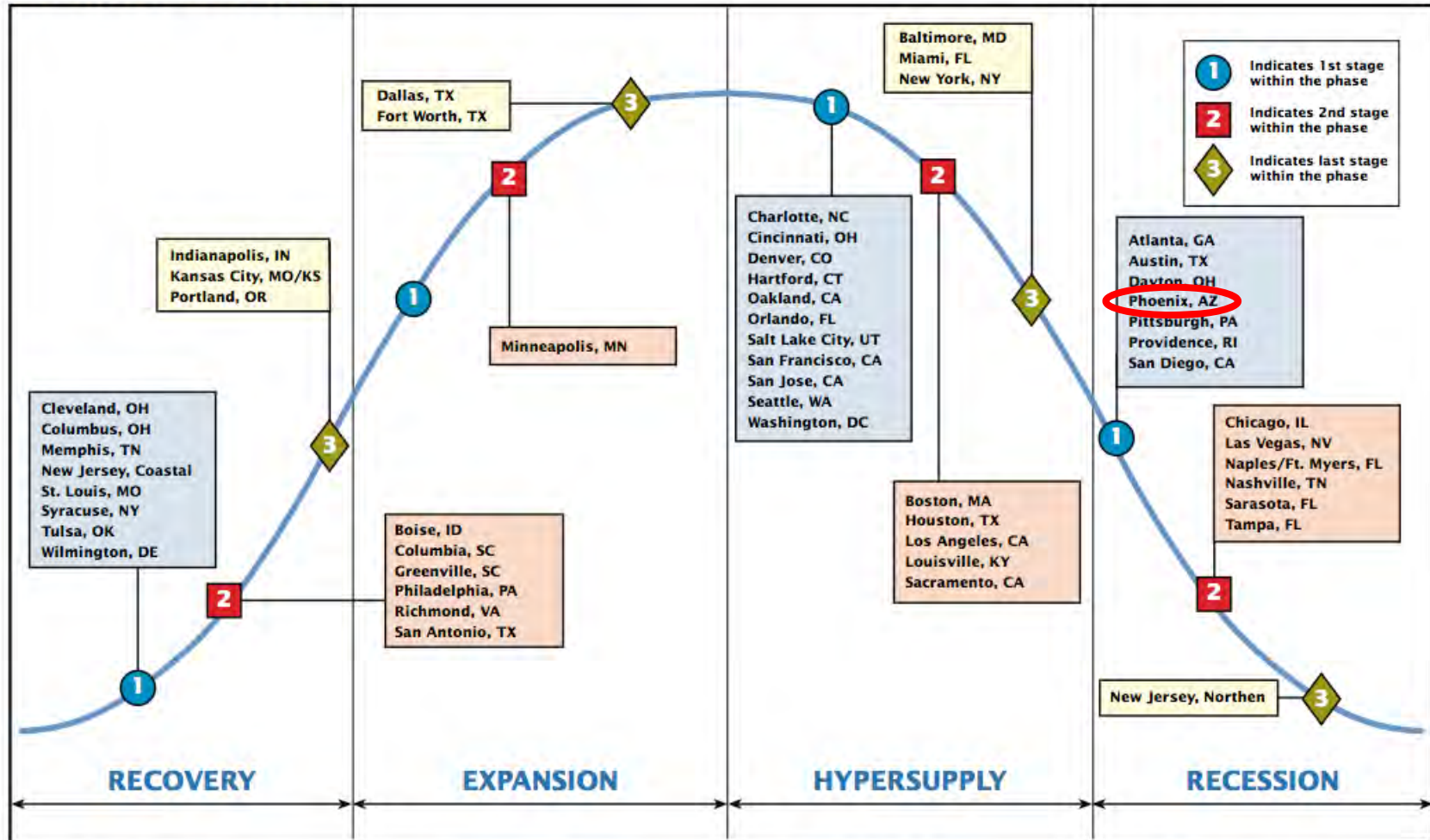
- Phoenix office market is oversupplied and in a recessionary phase
- Vacancies are rising rapidly, deliveries are decreasing, and there has been negative absorption for 2 consecutive years. Historical absorption rates have averaged approximately 2.6 million square feet annually.
- With a 550 basis point year over year increase, Phoenix MSA ranks near the bottom of the country in office vacancy
- Gross leasable area is roughly 150 million square feet with a vacancy rate of 20.5%
- Office rents are decreasing on a quarter to quarter basis and approaching 2006 levels and currently averaging \$24.23 sf/ft triple net
- Total office gap analysis indicates a citywide excess demand of 21 million square feet
- Office gap analysis indicates citywide excess demand for Class A space of 9 million square feet and Class B space of 11 million square feet
- Based on historical absorption rates, excess demand for Class A and B is estimated to be absorbed in 5 – 10 years and 3 – 6 years, respectively

Office Demand in the Southwest Phoenix Submarket

- Gross leasable area is about 1.2 million square feet with an average vacancy rate of 25.1%
- Average rents are estimated at \$17.82 sf/ft full service
- Office gap analysis indicates submarket excess demand for Class B space of 211K square feet
- Excess demand is estimated to be absorbed in 5 – 7 years based on historical absorption rates

Phoenix Office Market Is In A Recessionary Phase

CBD OFFICE MARKET CYCLE



Decreasing Vacancy Rates
 Low New Construction
 Moderate Absorption
 Low/Moderate Employment Growth
 Neg/Low Rental Rate Growth

Decreasing Vacancy Rates
 Moderate/High New Construction
 High Absorption
 Moderate/High Employment Growth
 Med/High Rental Rate Growth

Increasing Vacancy Rates
 Moderate/High New Construction
 Low/Negative Absorption
 Moderate/Low Employment Growth
 Med/Low Rental Rate Growth

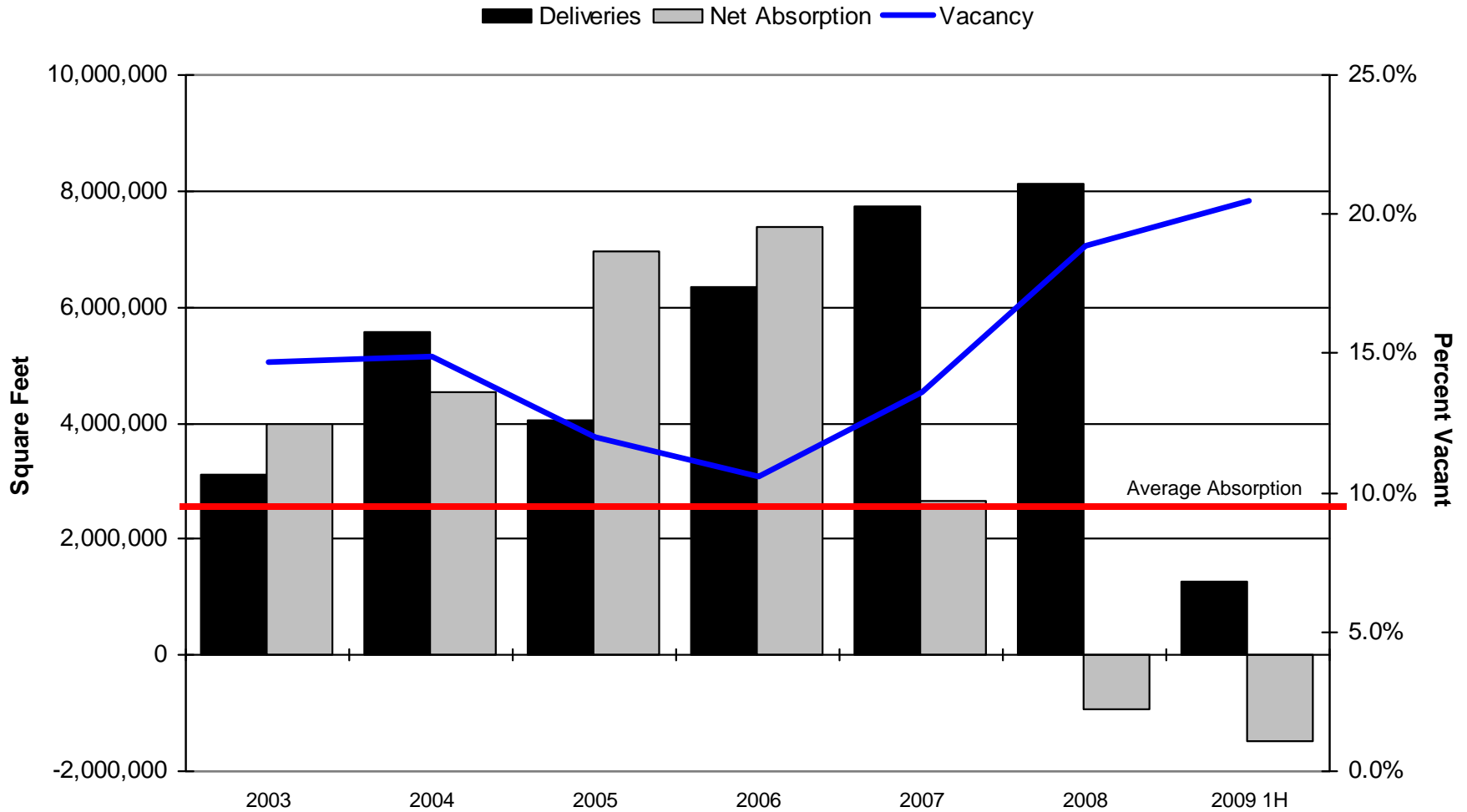
Increasing Vacancy Rates
 Moderate/Low New Construction
 Low Absorption
 Low/Negative Employment Growth
 Low/Neg Rental Rate Growth

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Office – Historical Deliveries, Absorption, and Vacancy (All Classes)

Vacancies are rising rapidly, deliveries are decreasing, negative absorption for 2 consecutive years

Phoenix MSA



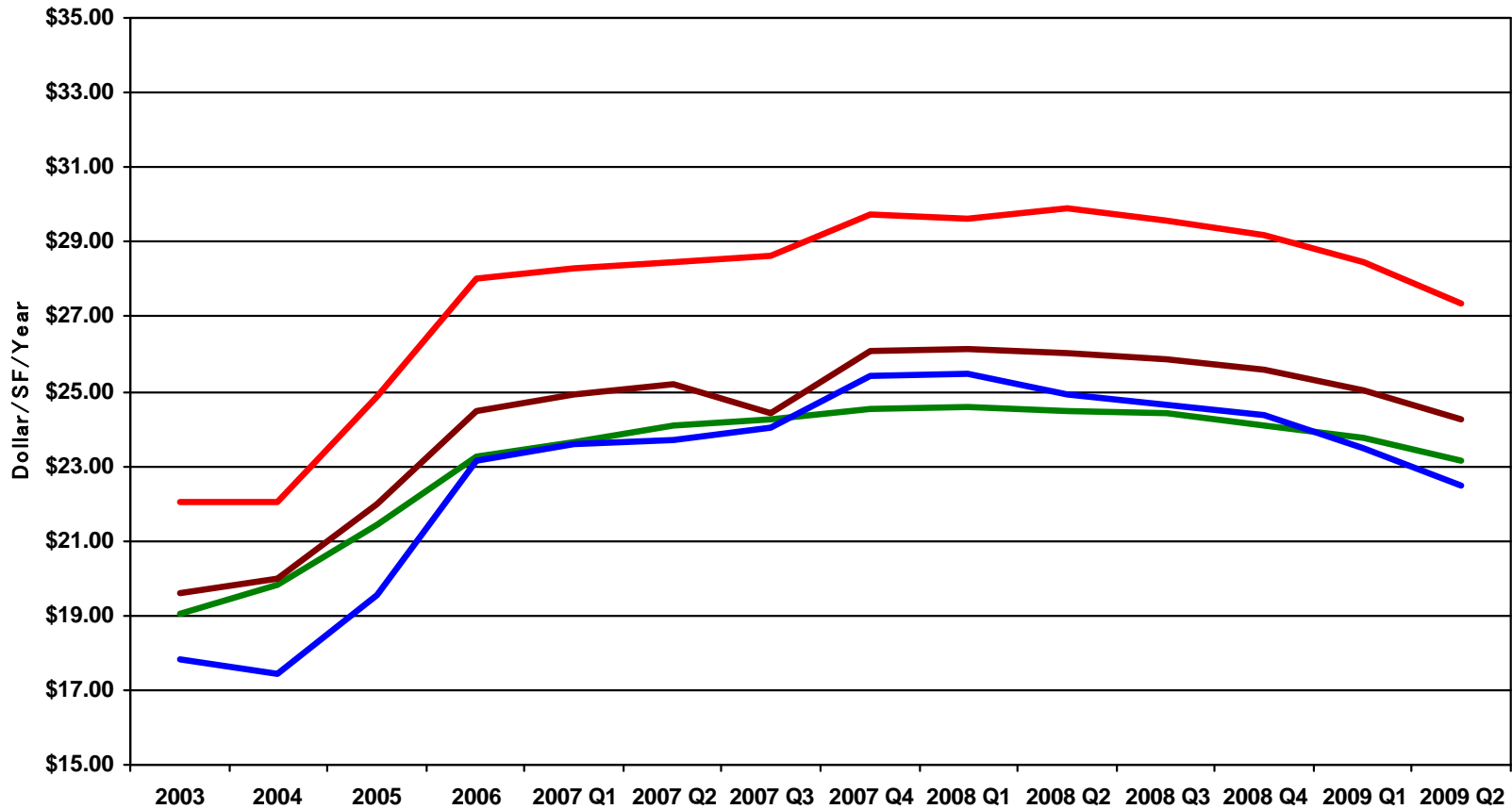
Source: CoStar Property

Office – Historical Rental Rates (Based on NNN)

Office rents decreasing on a quarter to quarter basis, approaching 2006 levels

Phoenix MSA

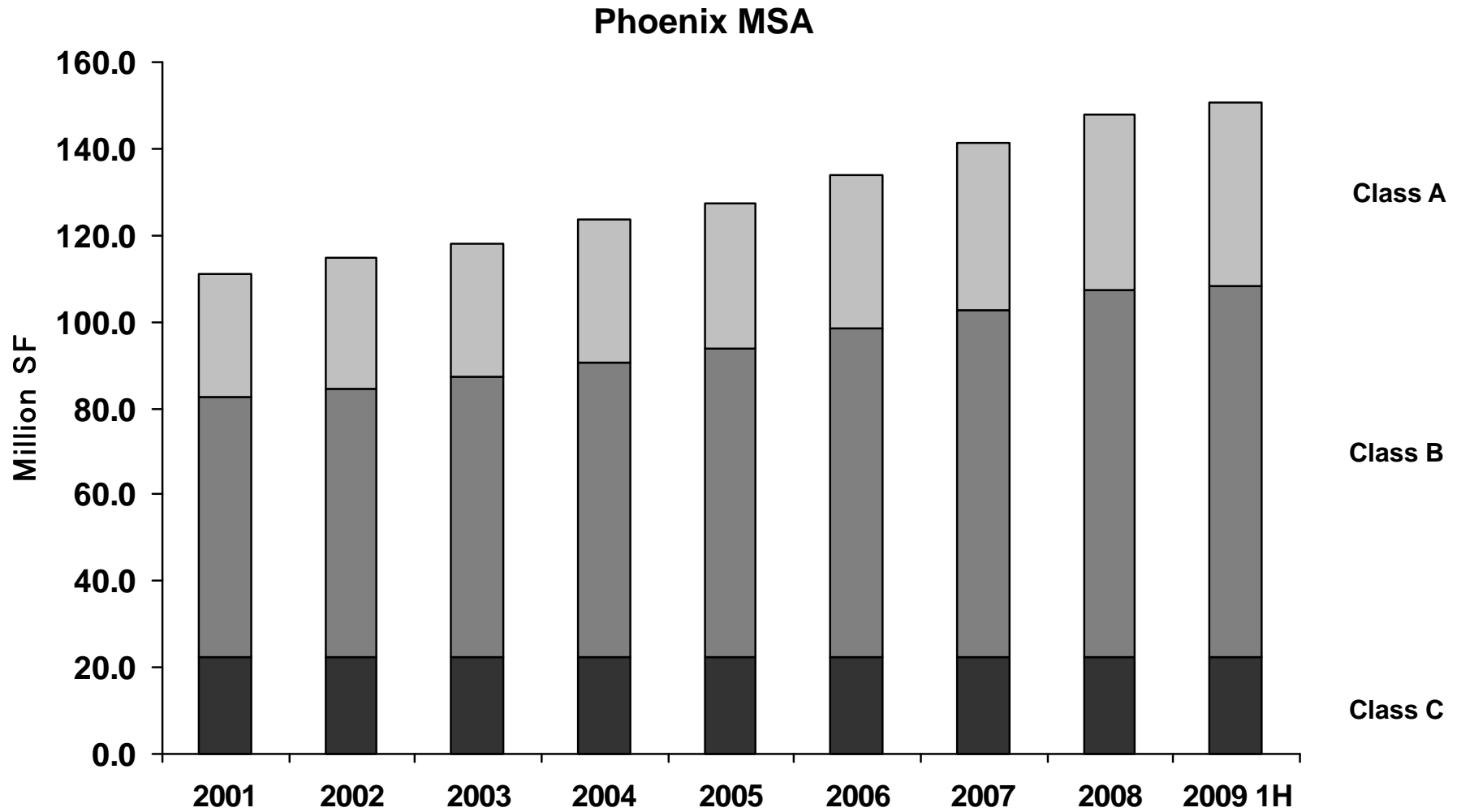
Class A Class B Class C Total Market



Source: CoStar Property

Office – Total Gross Leasable Area

Gross leasable area is roughly 150 million square feet



Source: CoStar Property

Office Metro Vacancy Ranking – 2Q 2009

With a 550 basis point year over year increase, Phoenix Metro ranks near the bottom of the country in office vacancy

Top 15 Markets	2Q 2009 Vacancy	Y-O-Y Bps Change	Bottom 15 Markets	2Q 2009 Vacancy	Y-O-Y Bps Change
Cincinnati	18.8%	-	Palm Beach	16.7%	380
Cleveland	18.9%	60	Jacksonville	19.4%	380
Louisville	14.5%	100	Austin	20.2%	390
Columbus	18.7%	110	Fort Lauderdale	16.7%	400
Kansas City	16.3%	110	Orlando	14.6%	410
Oklahoma City	16.1%	110	Las Vegas	21.6%	410
Philadelphia	12.9%	120	Oakland-East Bay	18.0%	420
Chicago	17.1%	140	San Francisco	13.5%	420
Atlanta	17.4%	160	San Diego	17.7%	430
Charlotte	13.3%	180	Tampa-St. Petersburg	17.8%	460
Houston	14.1%	190	New York	10.8%	470
New Haven-F.C.	15.8%	200	Orange County	17.3%	490
Indianapolis	17.2%	210	Phoenix	21.5%	550
Dallas-Fort Worth	22.6%	220	San Jose	20.0%	600
Portland	13.7%	220	Inland Empire	22.8%	700
U.S. Average	15.9%	270	U.S. Average	15.9%	270

Residual Demand Estimate – Citywide Total Office

Office gap analysis indicates citywide excess demand for office space of 21 million square feet

Office Market Demand Analysis by Ratio Method					
Line No.	Year	2009	2014	2019	Comments/Source
1	Total employment in Phoenix MSA	1,757,000	1,951,000	2,170,000	Survey data - Bureau of Labor Stat; AZ Dept. of Commerce
2	Total occupied office space citywide (sq. ft.)	119,673,643			Survey data: CoStar
3	Ratio of sq. ft. occupied office space per employee	68.1	68.1	68.1	Calculation (2 / 1) for current ratio is assumed constant for forecast
4	Total demand for occupied office space citywide (sq. ft.)		132,863,100	147,777,000	Calculate Line 3 x Line 1
5	Plus frictional vacancy @ 10%	11,967,364	13,286,310	14,777,700	
6	Gross estimate of total citywide office demand in sq. ft.	131,641,007	146,149,410	162,554,700	Calculate Line 3 x Line 1
7	Less current competitive sq. ft.	150,606,176	153,100,377	153,100,377	Actual survey
8	Less estimate new construction	2,494,201	0	0	Estimated probability
9	Citywide office marginal demand - net (excess) shortage	(21,459,370)	(6,950,967)	9,454,323	Line 6 minus Line 7 minus line 8

Source: CoStar, Synthesis analysis

Residual Demand Estimate – Office (Class A)

Office gap analysis indicates citywide excess demand for Class A space of 9 million square feet

Office Market Segmentation Method					
Line #		2009	2014	2019	Comment/Source
Citywide Marginal Demand					
1	Total citywide employment	1,757,000	1,951,000	2,170,000	Forecast
2	Percentage occupying office space	33.8%	33.8%	33.8%	Estimate from NAICS most probable office sectors
3	Total employed in office space	593,866	659,438	733,460	Line 1 x Line 2
4	Percentage of office workers in Class A office space	27.2%	27.2%	27.2%	Estimate by current office sq. ft. mix
5	Total citywide demand for Class A office space jobs	161,532	179,367	199,501	Line 3 x Line 4
6	Average sq. ft. per employee	200	200	200	Forecast
7	Total citywide occupied Class A office demand in sq. ft.	32,306,310	35,873,427	39,900,224	Line 5 x Line 6
8	Plus frictional vacancy @ 10%	3,589,590	3,985,936	4,433,358	(Line 7/.90)-Line 7
9	Gross estimate of total citywide Class A office demand in sq. ft.	35,895,900	39,859,364	44,333,582	Line 7 plus Line 8
10	Less current competitive sq. ft.	42,530,177	44,786,042	44,786,042	Actual survey: CoStar
11	Less estimate new construction	2,255,865	0	0	Estimated probability
12	Citywide Class A marginal demand - net (excess) shortage	(8,890,142)	(4,926,678)	(452,460)	Line 9 minus Line 10 minus Line 11

Source: CoStar, Synthesis analysis

Residual Demand Estimate – Office (Class B)

Office gap analysis indicates citywide excess demand for Class B space of 11 million square feet and submarket excess demand of 211K square feet

Office Market Segmentation Method					
Line #		2009	2014	2019	Comment/Source
Citywide Marginal Demand					
1	Total citywide employment	1,757,000	1,951,000	2,170,000	Forecast
2	Percentage occupying office space	33.8%	33.8%	33.8%	Estimate from NAICS most probable office sectors
3	Total employed in office space	593,866	659,438	733,460	Line 1 x Line 2
4	Percentage of office workers in Class B office space	56.9%	56.9%	56.9%	Estimate by current office sq. ft. mix
5	Total citywide demand for Class B office space jobs	337,850	375,154	417,265	Line 3 x Line 4
6	Average sq. ft. per employee	200	200	200	Forecast
7	Total citywide occupied Class B office demand in sq. ft.	67,570,073	75,030,856	83,453,079	Line 5 x Line 6
8	Plus frictional vacancy @ 10%	7,507,786	8,336,762	9,272,564	(Line 7/.90)-Line 7
9	Gross estimate of total citywide Class B office demand in sq. ft.	75,077,859	83,367,617	92,725,643	Line 7 plus Line 8
10	Less current competitive sq. ft.	85,693,741	85,932,077	85,932,077	Actual survey
11	Less estimate new construction	238,336	0	0	Estimated probability
12	Citywide Class B marginal demand - net (excess) shortage	(10,854,218)	(2,564,460)	6,793,566	Line 9 minus Line 10 minus Line 11
Submarket Marginal Demand for Class B Office Space					
13	Gross estimate of total citywide occupied Class B office demand in sq. ft.	67,570,073	75,030,856	83,453,079	Taken from Line 7
14	Estimated percentage capture (subject area)	1.4%	1.4%	1.4%	
15	Total occupied demand in sq. ft. from employees in submarket	940,776	1,044,652	1,161,915	Line 13 x Line 14
16	Plus frictional vacancy@ 10%	104,531	116,072	129,102	(Line 15/.90)-Line 15
17	Total submarket demand for Class B space	1,045,307	1,160,725	1,291,016	Line 15 plus Line 16
18	Less current competitive sq. ft.	1,256,764	1,256,764	1,256,764	Actual survey
19	Less estimate new construction	0	0	0	
20	Submarket marginal demand for Class B space	(211,457)	(96,039)	34,252	Line 17 minus Line 18 minus Line 19

Source: CoStar, Synthesis analysis

Industrial

Industrial Summary

Phoenix MSA

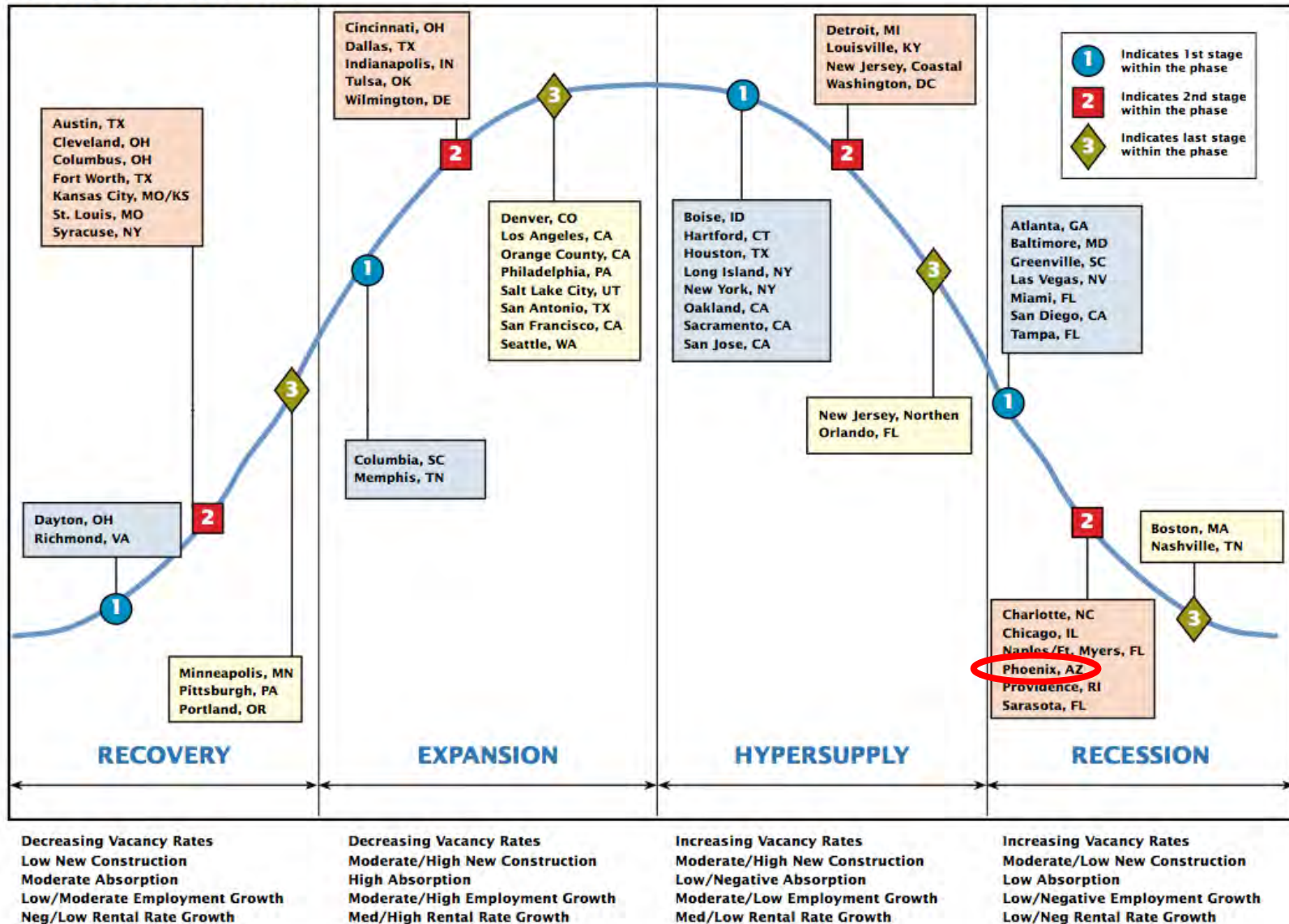
- Phoenix industrial market is in a recessionary phase
- Vacancies are rising rapidly, deliveries are decreasing, and there has been negative absorption for 2 consecutive years. Historical absorption rates have averaged approximately 3 million square feet annually.
- Gross leasable area is roughly 280 million square feet with a vacancy rate of 16%
- Industrial rents are decreasing on a quarter to quarter basis and approaching 2006 levels
- While year over year port activity is down, quarter to quarter is up, which is a positive indicator of industrial demand
- Total industrial gap analysis indicates a citywide excess demand of 24 million square feet
- Warehouse gap analysis indicates citywide excess demand of 18 million square feet
- Excess demand is estimated to be absorbed in 7 – 9 years based on historical absorption rates

Industrial Demand in the Southwest Phoenix Submarket

- Gross leasable area is about 11 million square feet with an average vacancy rate of 22.7%
- Average rents are estimated at \$4.83 sf/ft triple net
- Gap analysis indicates submarket excess demand for Warehouse space of 711K square feet
- Excess demand is estimated to be absorbed in 2 – 4 years based on historical absorption rates

Phoenix Industrial Market Is In A Recessionary Phase

INDUSTRIAL MARKET CYCLE



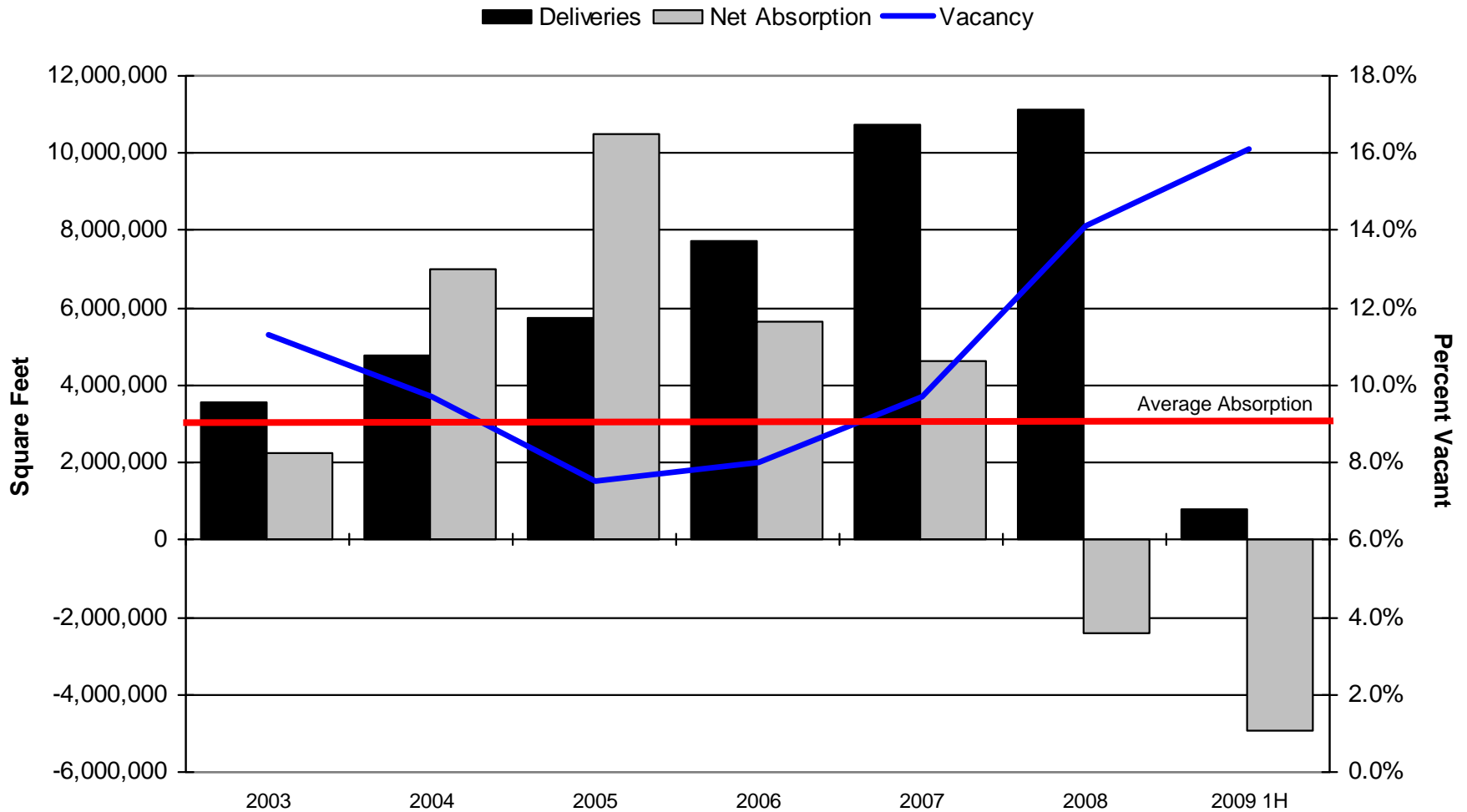
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Source: IRR

Industrial – Historical Deliveries, Absorption, and Vacancy (All Classes)

Vacancies are rising rapidly, deliveries decreasing, negative absorption for 2 consecutive years

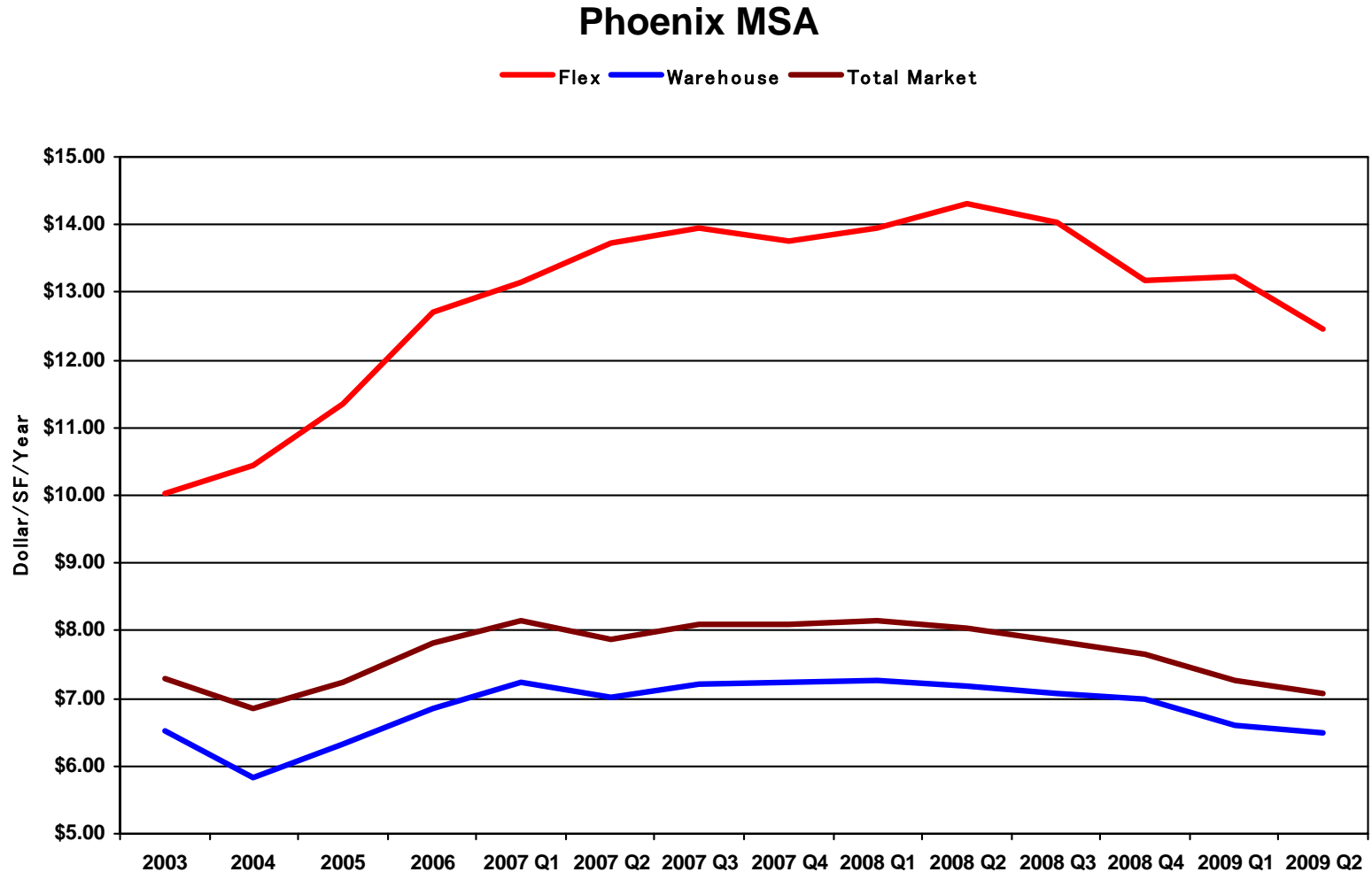
Phoenix MSA



Source: CoStar Property

Industrial – Historical Rental Rates (Based on NNN)

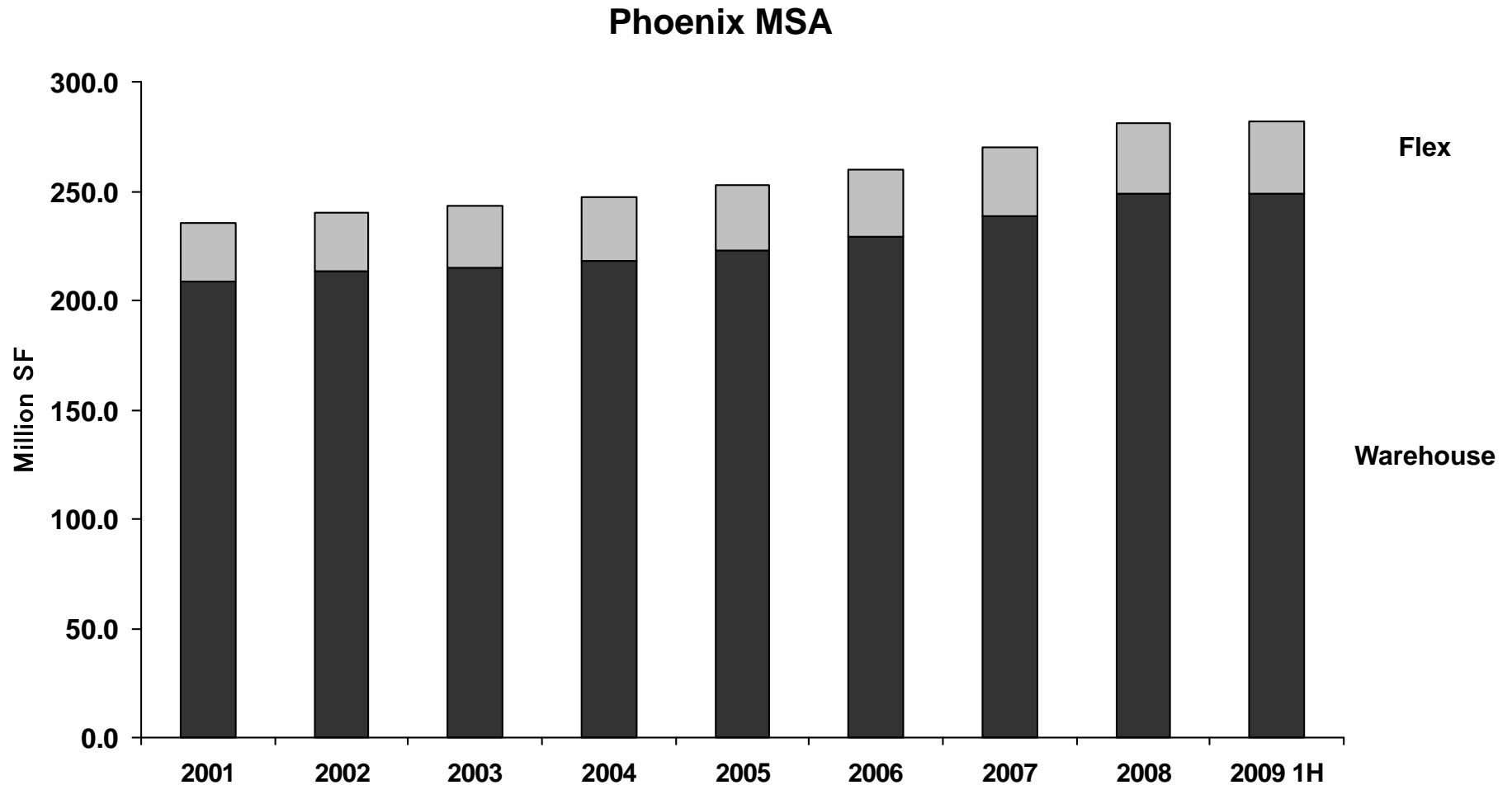
Industrial rents decreasing on a quarter to quarter basis, approaching 2006 levels



Source: CoStar Property

Industrial – Total Gross Leasable Area

Gross leasable area is roughly 280 million square feet



Source: CoStar Property

United States Port Activity

While year over year port activity is down, quarter to quarter is up, which is a positive indicator of industrial demand

Port	YTD* TEUs	YOY Change	Q1-Q2 Change
Houston	863,954	-6.6%	22.4%
Oakland	962,482	-13.9%	9.3%
Los Angeles	3,186,033	-15.6%	8.6%
Savannah	1,087,272	-16.3%	5.9%
New York-New Jersey	1,714,107	-17.1%	8.3%
Seattle	690,715	-21.7%	9.8%
Long Beach	2,333,075	-27.4%	13.8%

Note: TEU – ten foot equivalent unit. One TEU represents the cargo capacity of a standard intermodal container (20 feet long and 8 feet wide).

Source: Marcus & Millichap Research Services (* through June)

Residual Demand Estimate – Total Industrial

Total industrial gap analysis indicates citywide excess demand of 24 million square feet, absorption of excess supply estimated in four years

Industrial Market Demand Analysis by Ratio Method					
Line No.	Year	2009	2014	2019	Comments/Source
1	Total employment in Phoenix MSA	1,758,000	1,951,000	2,170,000	Survey data - Bureau of Labor Stat; AZ Dept. of Commerce; Synthesis Estimate
2	Total occupied industrial space citywide (sq. ft.)	236,604,159			Survey data: CoStar
3	Ratio of sq. ft. occupied industrial space per employee	134.6	134.6	134.6	
4	Total demand for occupied industrial space citywide (sq. ft.)		262,579,473	292,054,053	Calculate Line 3 x Line 1
5	Plus frictional vacancy @ 10%	23,660,416	26,257,947	29,205,405	
6	Gross estimate of total citywide industrial demand in sq. ft.	260,264,575	288,837,421	321,259,458	Calculate Line 3 x Line 1
7	Less current competitive sq. ft.	282,012,401	284,326,890	284,326,890	Actual survey: CoStar
8	Less estimate new construction	2,314,489	0	0	Estimated probability: CoStar
9	Citywide industrial marginal demand - net (excess) shortage	(24,062,315)	4,510,531	36,932,568	Line 6 minus Line 7 minus line 8

Source: Synthesis analysis

Residual Demand Estimate – Warehouse Citywide & Submarket

Warehouse gap analysis indicates citywide excess demand of 18 million square feet, absorption of excess supply estimated in three to four years

Warehouse Market Segmentation Method					
Line #		2009	2014	2019	Comment/Source
Citywide Marginal Demand					
1	Total employment in Phoenix MSA	1,758,000	1,951,000	2,170,000	Survey data - Bureau of Labor Stat; AZ Dept. of Commerce; Synthesis Estimate
2	Percentage occupying industrial space	8.4%	8.4%	8.4%	Estimate from NAICS most probable industrial sectors; Synthesis Estimate
3	Total employed in industrial space	147,672	163,884	182,280	Line 1 x Line 2
4	Percentage of industrial workers in warehouse space	88.9%	88.9%	88.9%	Estimate by current industrial sq. ft. mix (% of occupied space per CoStar)
5	Total citywide demand for warehouse space jobs	131,280	145,693	162,047	Line 3 x Line 4
6	Average sq. ft. per employee	1,599	1,600	1,600	Forecast
7	Total citywide occupied warehouse demand in sq. ft.	209,923,497	233,108,602	259,275,072	Line 5 x Line 6
8	Plus frictional vacancy @ 10%	23,324,833	25,900,956	28,808,341	(Line 7/90)-Line 7
9	Gross estimate of total citywide warehouse demand in sq. ft.	233,248,330	259,009,557	288,083,413	Line 7 plus Line 8
10	Less current competitive sq. ft.	249,211,833	251,526,322	251,526,322	Actual survey: CoStar
11	Less estimate new construction	2,314,489	0	0	Estimated probability: CoStar
12	Citywide marginal demand - net (excess) shortage	(18,277,992)	7,483,235	36,557,091	Line 9 minus Line 10 minus Line 11
Submarket Marginal Demand for Warehouse Space					
13	Gross estimate of total citywide occupied warehouse demand in sq. ft.	209,923,497	233,108,602	259,275,072	Taken from Line 7
14	Estimated percentage capture (subject area)	4.5%	4.5%	4.5%	Declines due to new suburban competition
15	Total occupied demand in sq. ft. from employees in submarket	9,341,596	10,373,333	11,537,741	Line 13 x Line 14
16	Plus frictional vacancy@ 10%	1,037,955	1,152,593	1,281,971	(Line 15/90%)-Line 15
17	Total submarket demand for space	10,379,551	11,525,925	12,819,712	Line 15 plus Line 16
18	Less current competitive sq. ft.	11,090,692	11,090,692	11,090,692	Actual survey: CoStar (SW S Buckeye Submarket)
19	Less estimate new construction	0	0	0	
20	Submarket marginal demand for space	(711,141)	435,233	1,729,020	Line 17 minus Line 18 minus Line 19

Source: Synthesis analysis

Multifamily

Multifamily Summary

Phoenix MSA

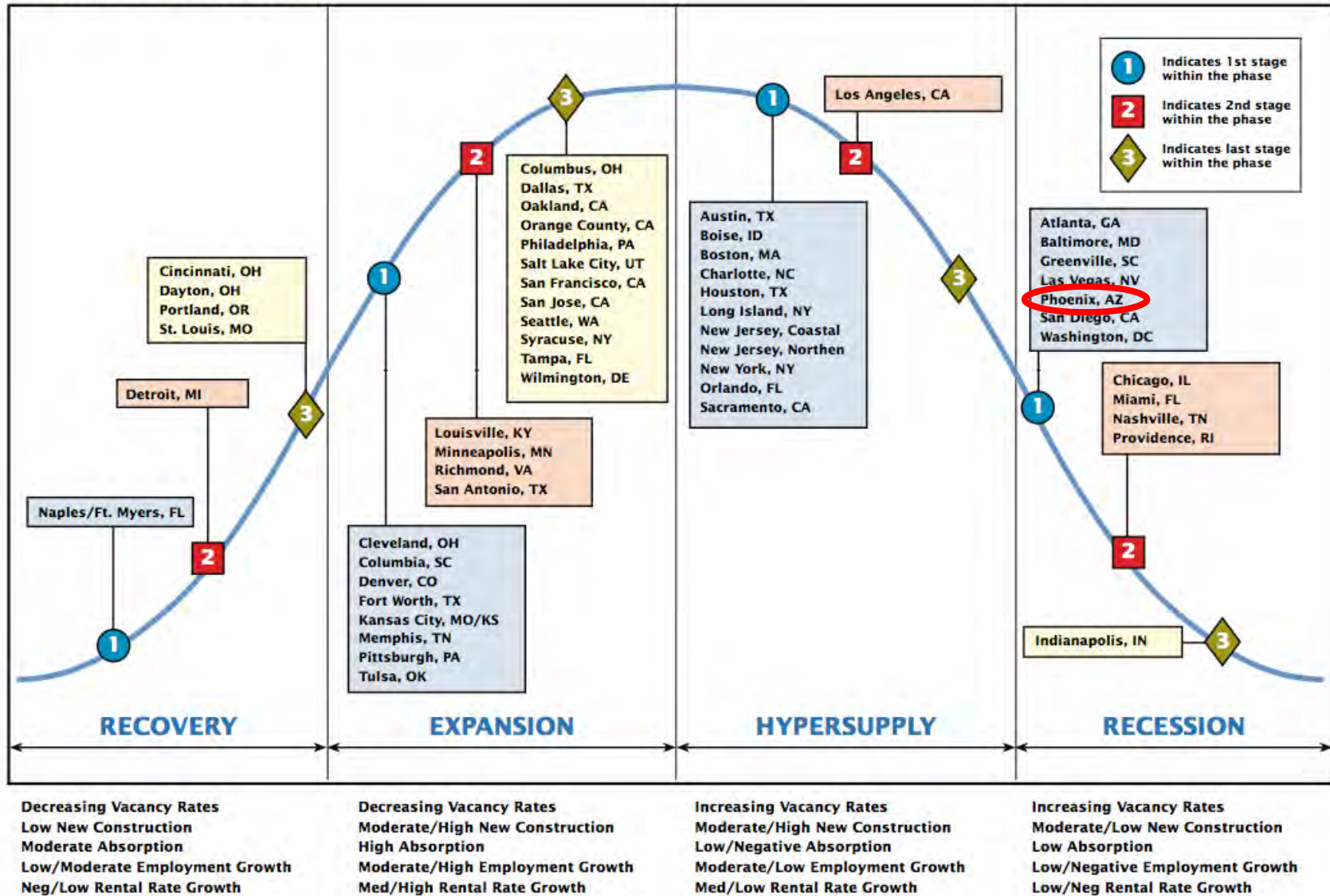
- Phoenix multifamily market is just entering a recessionary phase
- Vacancies are rising rapidly, deliveries are decreasing, and there has been negative absorption for 3 consecutive quarters
- Annual net absorption totalled about 8,200 units in 2000 and averaged about 4,200 units per year from 2000 – 2004, before being impacted by condo conversions
- Total number of multifamily units is roughly 330,000, with a vacancy rate of over 12%
- Multifamily supply has been reduced by 18,827 units since 2003 due to condo conversions
- Apartment rents are decreasing on a quarter to quarter basis and approaching 2006 levels
- Multifamily gap analysis indicates a citywide excess demand of 21,000 units and positive absorption estimated to occur 2010
- Excess demand is estimated to be absorbed in 4 – 6 years based on historical absorption rates

Multifamily Demand in the Southwest Phoenix Submarket

- Household growth within 3 miles of the subject is estimated at 1,500 over 5 years
- Average rents are estimated at \$0.90 - \$0.97 per square foot

Phoenix Multifamily Market Is In A Recessionary Phase

APARTMENT MARKET CYCLE



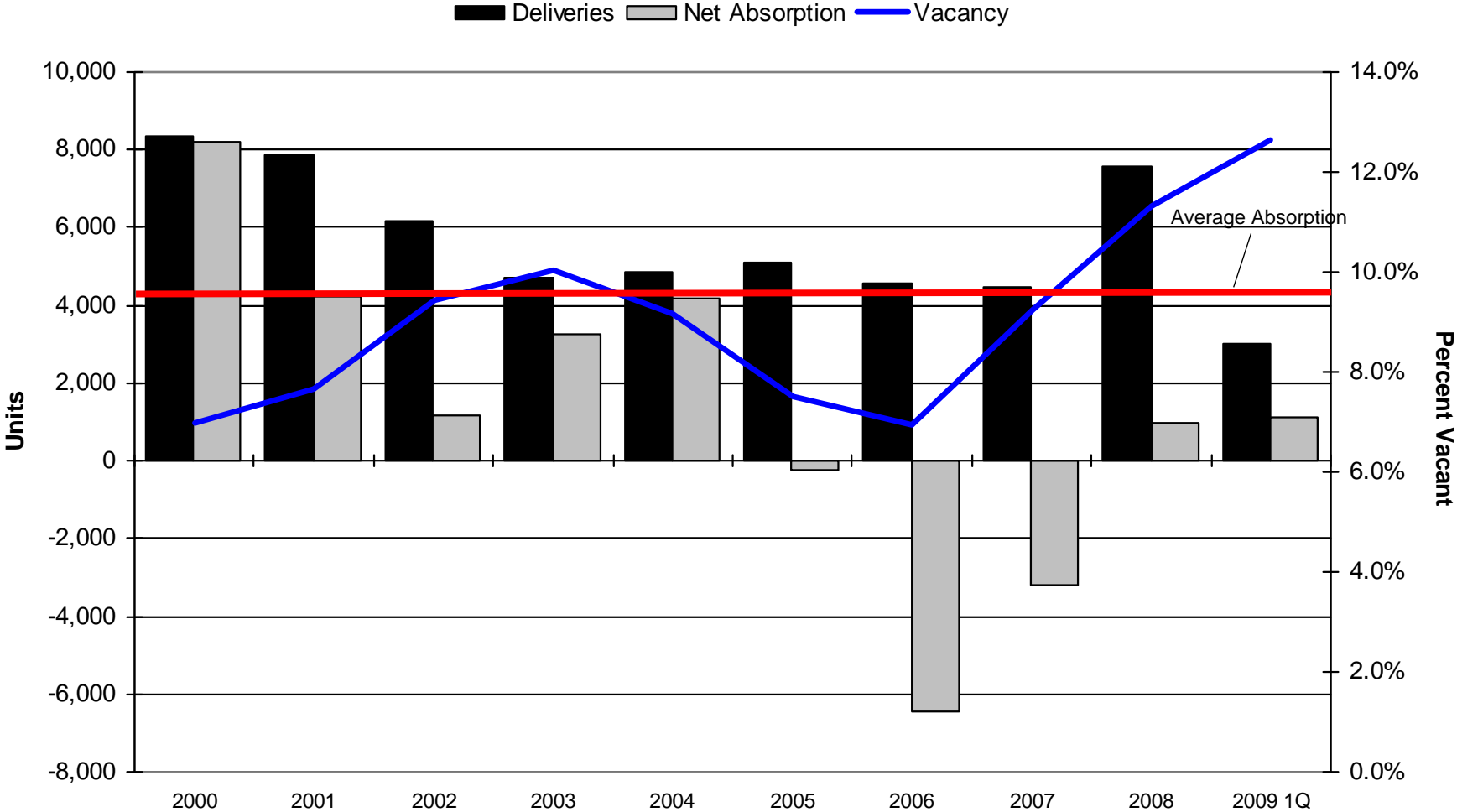
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Source: IRR

Multifamily – Historical Deliveries, Absorption, and Vacancy (All Classes)

Vacancies are rising rapidly, deliveries decreasing, absorption negative for 3 consecutive quarters

Phoenix MSA



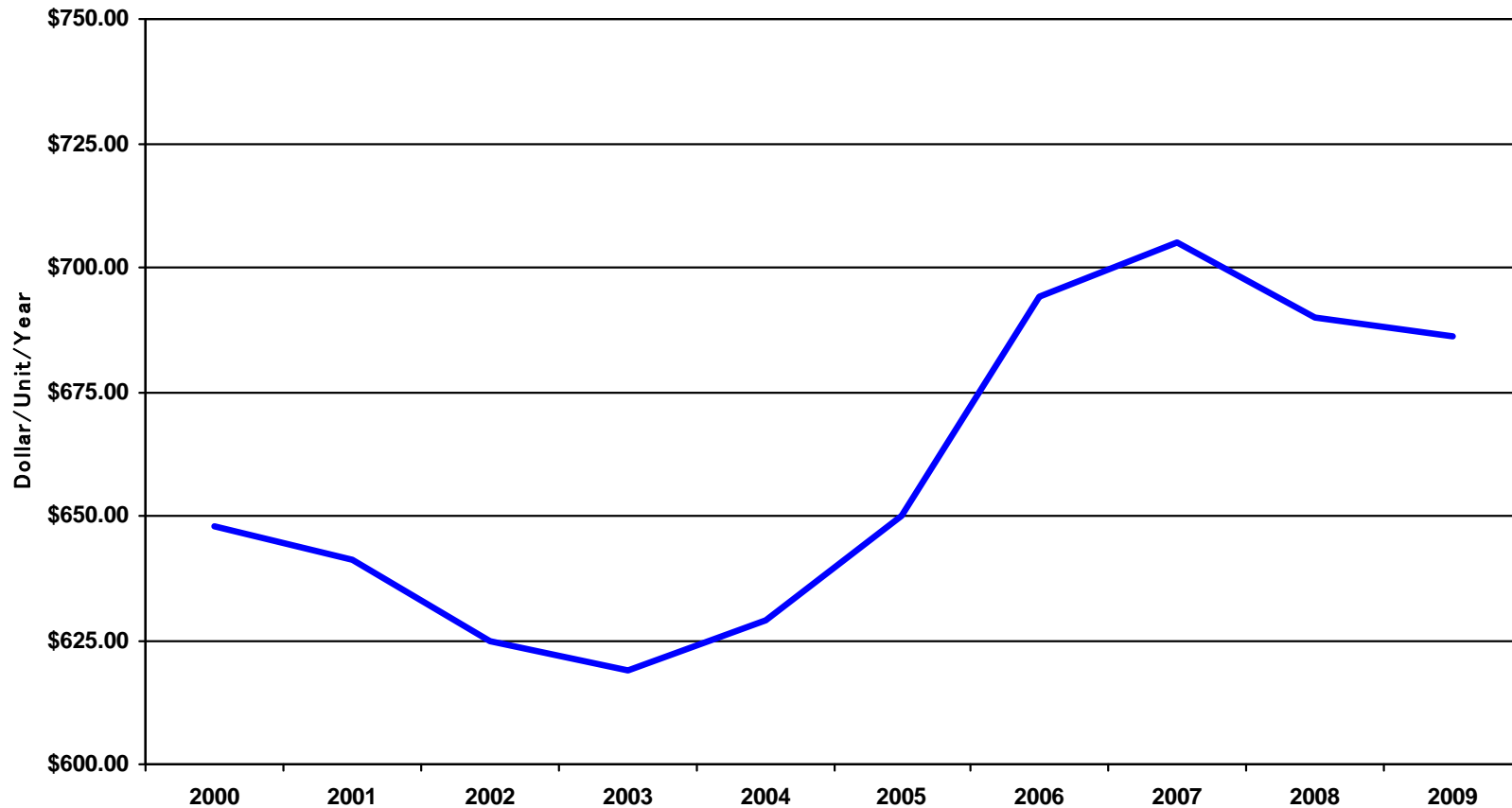
Source: Real Data Inc.

Multifamily – Historical Rental Rates (Based on Effective Rents)

Apartment rents decreasing on a quarter to quarter basis, approaching 2006 levels

Phoenix MSA

Effective Rental Rate

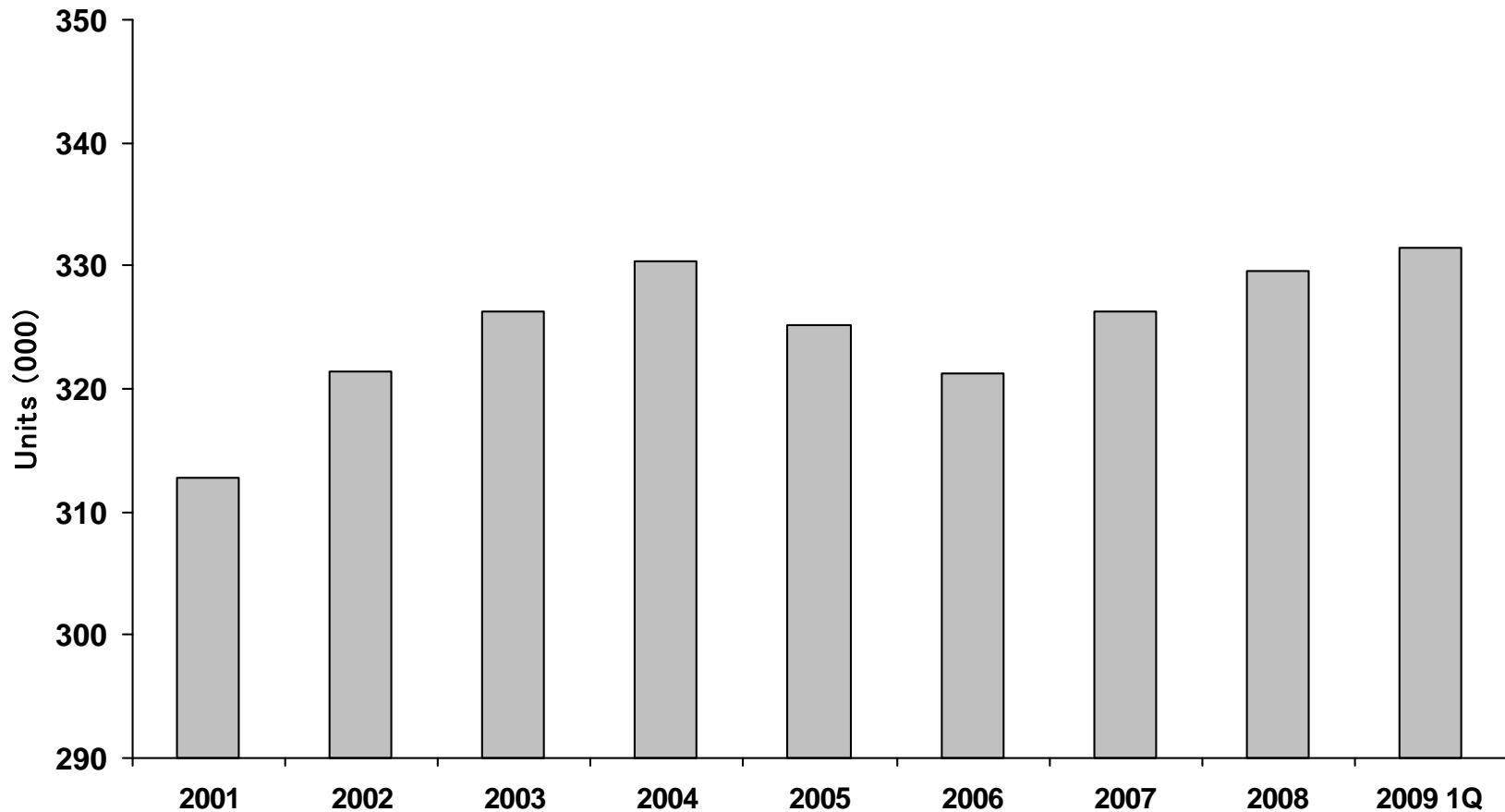


Source: REIS, Inc.; RealData, Inc. 100+ Unit Properties

Multifamily – Total Inventory in 100+ Unit Projects

Total number of multifamily units is roughly 330,000, condo conversions in 2005 and 2006 reduced multifamily supply

Phoenix MSA



Source: Phoenix Metro Housing Study

Residual Demand Estimate – Multifamily

Multifamily gap analysis indicates citywide excess demand of 21,000 units, positive absorption estimated in 2010

Apartment Demand by Segmentation Method—Mid-Range Forecast													
Line ID	Item	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Comment
Market Demand Forecast													
1	Population forecast	4,003,487	4,059,487	4,167,487	4,274,487	4,380,487	4,485,487	4,589,487	4,692,487	4,794,487	4,894,487	4,993,487	
2	Average increase per year		56,000	108,000	107,000	106,000	105,000	104,000	103,000	102,000	100,000	99,000	Analyst's forecast
3	Persons per household	2.67	2.66	2.65	2.64	2.63	2.62	2.61	2.60	2.59	2.58	2.57	Decreasing
4	Occupied housing unit demand (total household)	1,499,433	1,526,123	1,572,637	1,619,124	1,665,584	1,712,018	1,758,424	1,804,803	1,851,153	1,897,088	1,942,991	Line 1 divided by Line 3
5	Percentage of apartment units	22%	22%	22%	22%	22%	22%	22%	22%	22%	22%	22%	Analyst's forecast
6	Potential demand for apartment units	329,875	335,747	345,980	356,207	366,429	376,644	386,853	397,057	407,254	417,359	427,458	Line 4 x Line 5
7	Percentage able to afford units in subject economic segment	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	Based on minimum and maximum income
8	Total potential demand for occupied units in subject economic segment	296,888	302,172	311,382	320,587	329,786	338,980	348,168	357,351	366,528	375,623	384,712	Line 6 x Line 7
9	Plus frictional vacancy @ 5%	15,626	15,904	16,389	16,873	17,357	17,841	18,325	18,808	19,291	19,770	20,248	
10	Total potential demand for units in subject economic segment	312,513	318,076	327,771	337,460	347,143	356,821	366,493	376,159	385,819	395,393	404,960	Line 8 plus Line 9
Market Residual Demand													
11	Year starting competitive supply	331,388	333,388	335,388	338,888	344,388	352,388	360,388	368,388	376,388	384,388	393,888	
12	New construction	2000	2000	3500	5500	8000	8000	8000	8000	8000	9500	9500	Analyst's forecast
13	Total competitive supply	333,388	335,388	338,888	344,388	352,388	360,388	368,388	376,388	384,388	393,888	403,388	
14	Residual demand	(20,875)	(17,312)	(11,117)	(6,929)	(5,245)	(3,567)	(1,895)	(229)	1,431	1,505	1,572	Line 10 minus Line 13
15	Estimated market occupancy rate	89%	90%	92%	93%	94%	94%	95%	95%	95%	95%	95%	Line 8 divided by Line 13

Source: Synthesis analysis

Highest and Best Use

Highest and Best Use Summary

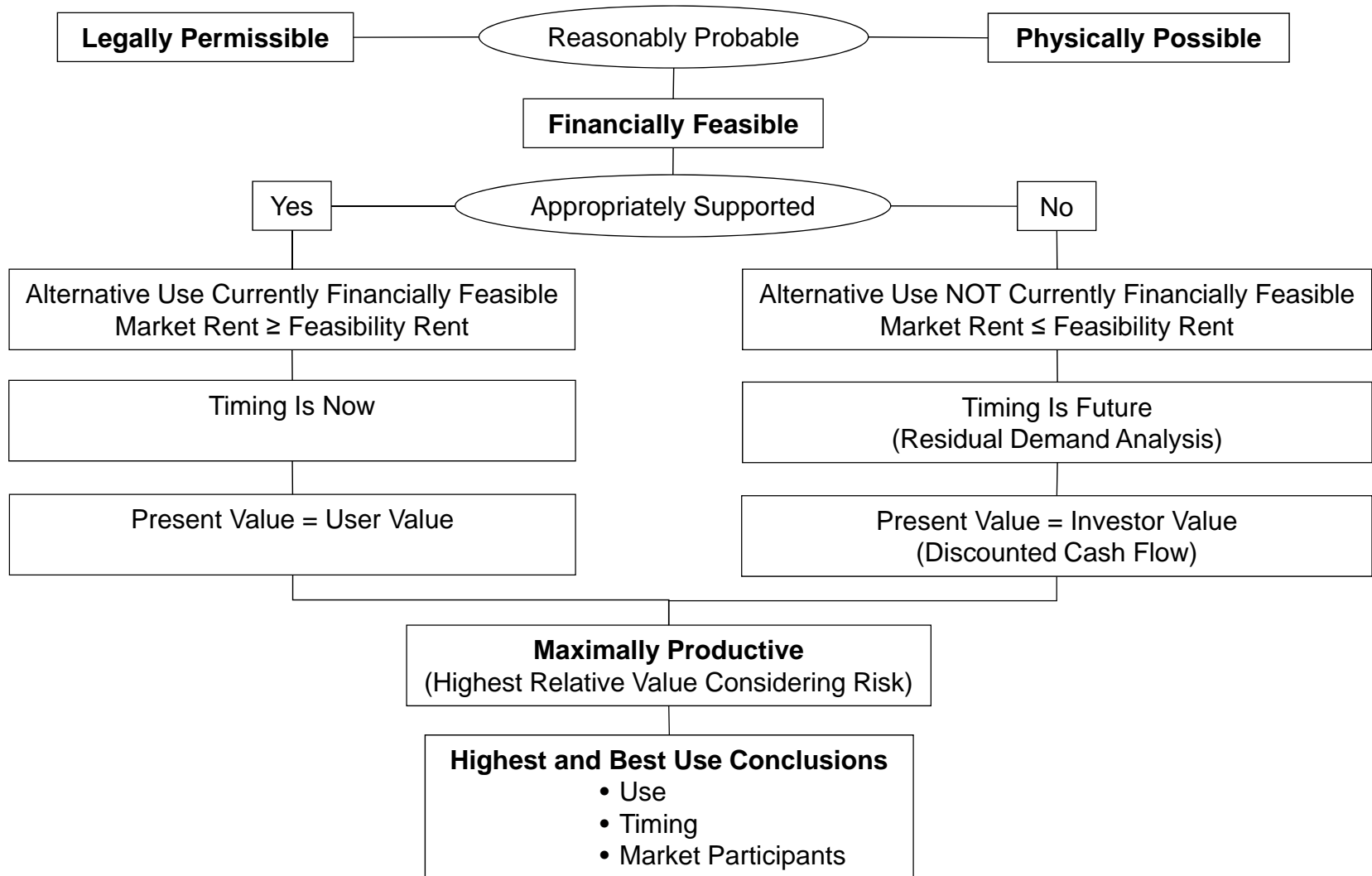
The probable highest and best use of the property appears to be an industrial use in the 1 – 3 year timeframe with an owner user as the most likely buyer

- With 37.75 acres, the property is one of the largest developable land parcels in central Phoenix with good transportation access to major arterials, Interstate-17, Phoenix Sky Harbor Airport, and the Union Pacific railroad tracks
- Over the last 50 years the site has been encroached upon by incompatible industrial and commercial uses, and as a result, the site is suboptimal for residential use
- Zoning and the general plan call for high density residential use, despite being surrounded by commercial and industrial uses; city planning seems to be open to alternative, compatible uses such as industrial
- Quantitative, locational use analysis indicates that the property has strong attributes for an industrial use
- Required rent to support new construction for industrial or multifamily use is higher than current market rent; therefore, new development is only financially feasible for an owner user
- Land residual analysis indicates that an industrial use is maximally productive
- Given the likelihood of a successful zone change and general plan amendment and taking into account what is physically possible, financially feasible, and maximally productive, Synthesis concludes that the probable highest and best use of the property is an industrial use in the 1 – 3 year timeframe with an owner user as the most likely buyer

Indicated land value is \$2.3 - \$2.8 million after conversion to an industrial use

Highest and Best Use Decision Process

Highest and best use financial analysis methods



Legally Permissible & Physically Possible

Legally permissible use is either single family or multifamily residential development, which is also physically possible

Legally Permissible

Property is zoned R-3

R-3 zoning allows for multifamily, single family detached or attached residences

- Single family detached
 - Density of 5 – 6.5 dwelling units/acre
 - Maximum of 2 stories and 30 feet
 - Lot coverage less than 40%
- Single family attached or multifamily
 - Density of 14.5 – 15.23 dwelling units/acre
 - Maximum of 2 stories and 30 feet
 - Lot coverage less than 45%

General Plan calls for high density residential use (15+ du/acre)

Any zoning changes would require an amendment to the General Plan

Physically Possible

Topography is level

Utilities are available

Site resides with a 100 year floodplain

Soil type and composition is unknown

Phase 1 ESA has not been provided; environmental hazards are unknown

Locational Use Analysis

Quantitative analysis of property attributes favors industrial use followed by multifamily and community retail

Summary of Subject Locational Analysis					
	Ratings				Relative Score
	1 Poor	2 Avg.	3 Good	4 Excellent	
Multistory Office					
Proximity to major activity nodes		X			
Proximity to major transportation linkages				X	
Proximity to executive housing	X				
Proximity to Fortune 500 firms		X			
Direction of multistory office growth	X				
Public planning and zoning	X				
Total score	3	4	0	4	
Garden Office (Doctors, Insurance)					
Proximity to housing	X				
Proximity to major thoroughfares				X	
Proximity to complementary retail	X				
Proximity to office occupants' housing	X				
Direction of garden office growth		X			
Public planning and zoning	X				
Total score	4	2	0	4	10
Community Retail					
Proximity to housing		X			
Traffic volume by site			X		
Proximity to other community shopping centers	X				
Density of area housing	X				
Direction of community retail growth		X			
Public planning and zoning			X		
Total score	2	4	6	0	12

Summary of Subject Locational Analysis					
	Ratings				Relative Score
	1 Poor	2 Avg.	3 Good	4 Excellent	
Multifamily					
Proximity to employment centers			X		
Proximity to cultural activities (restaurants, entertainment, etc.)		X			
Proximity to views/amenities	X				
Proximity to other apartment communities	X				
Direction of multifamily growth		X			
Public planning and zoning				X	
Total score	2	4	3	4	
Single-Family					
Proximity to employment			X		
Proximity to schools/community facilities			X		
Proximity to neighborhood shopping	X				
Proximity to quiet streets/privacy	X				
Proximity to new single-family growth	X				
Public planning and zoning	X				
Total score	4	0	6	0	10
Industrial Park					
Proximity to major transportation (particularly freeways, truck routes)				X	
Proximity to labor force			X		
Neighborhood acceptance of industrial park			X		
Proximity to service and material suppliers				X	
Proximity to new industrial park growth			X		
Public planning and zoning	X				
Total score	1	0	9	8	18

Probability Analysis of Changing Zoning

Given adjacent industrial and commercial land uses and the amount of time since the property was last zoned, rezoning may be slightly to moderately probable

Zoning Alternatives

Decision Factors	Retail	Office	Industrial	Multifamily *	Single Family *	Importance Rank
Site features suitable for land use allowed by zoning	1	1	3	3	2	3
Compatible with adjacent land use	1	-1	3	-3	-3	6
Conforms to general plan	-3	-3	-3	3	3	4
Change in conditions since zoned	0	0	3	-3	-3	1
Public good shown	2	1	3	1	1	2
History of similar zoning approval in area	0	0	0	0	0	5
Neighborhood support	2	1	0	2	2	7
Gross Score	3	-1	9	3	2	
Total Weighted Score	15	-6	24	16	13	

Rating Criteria

Description of Score	Score	Rating Guideline	Score
Highly positive	+3	Highly probable for rezoning	over 60
Moderately positive	+2	Moderately probable for rezoning	30 to 60
Slightly positive	+1	Slightly probable for rezoning	0 to 29
Neutral, no impact	0	Low probability for rezoning	-1 to -29
Slightly negative	-1	Moderately low probability for rezoning	-30 to -60
Moderately negative	-2	Very low probability for rezoning	over -60
Highly negative	-3		

* Current zoning on property

Financially Feasible – Required Rent for New Multifamily Construction

Construction costs need to approximate the low cost estimate below in order to be financially feasible

Rent Required for New Construction - Low Estimate					
Data Inputs					
Construction cost	\$	72.00	per sq. ft.	Building size	632,500 sq. ft.
Land cost	\$	2.00	per sq. ft.	Land size	1,644,390 sq. ft.
Operating expense		30%	% of EGI	% Bldg. rentable	95%
Overall rate		8.5%			
Normal vacancy		8%			
Calculations of Required Rent					
			Sq. ft.	Cost per sq. ft.	
Building and site improvement cost			632,500	X \$ 72.00	= \$ 45,540,000
Land cost			1,644,390	X \$ 2.00	= \$ 3,288,780
Total cost					\$ 48,828,780
Calculation of Feasibility Rent					
Required NOI		\$48,828,780	X	8.5%	= \$ 4,150,446
Add operating expenses		(NOI/1-Exp. Ratio) - NOI			= \$ 1,778,763
Effective gross income (EGI)					\$ 5,929,209
Vacancy and collection loss					515,583.39
Potential gross income					\$ 6,444,792
Calculation of Minimum Required Rent for New Construction					
		PGI	divided by	NRA	Required Monthly Rent
		\$ 6,444,792		600,875	= \$ 0.89

Rent Required for New Construction - High Estimate					
Data Inputs					
Construction cost	\$	87.00	per sq. ft.	Building size	632,500 sq. ft.
Land cost	\$	2.00	per sq. ft.	Land size	1,644,390 sq. ft.
Operating expense		30%	% of EGI	% Bldg. rentable	95%
Overall rate		8.5%			
Normal vacancy		8%			
Calculations of Required Rent					
			Sq. ft.	Cost per sq. ft.	
Building and site improvement cost			632,500	X \$ 87.00	= \$ 55,027,500
Land cost			1,644,390	X \$ 2.00	= \$ 3,288,780
Total cost					\$ 58,316,280
Calculation of Feasibility Rent					
Required NOI		\$58,316,280	X	8.5%	= \$ 4,956,884
Add operating expenses		(NOI/1-Exp. Ratio) - NOI			= \$ 2,124,379
Effective gross income (EGI)					\$ 7,081,263
Vacancy and collection loss					615,761.96
Potential gross income					\$ 7,697,025
Calculation of Minimum Required Rent for New Construction					
		PGI	divided by	NRA	Required Monthly Rent
		\$ 7,697,025		600,875	= \$ 1.07

- Current market rent is estimated at \$0.90 - \$0.97 per square foot per month
- Required rent of \$0.89 for the low cost estimate is within the current market rental range
- Land value is estimated at \$2.00 per square foot

Source: Synthesis analysis

Financially Feasible – Required Rent for New Industrial Development

Required rent based on estimated construction cost of new industrial development exceeds current market rent

Rent Required for New Construction - High Estimate					
Data Inputs					
Construction cost	\$	45.00 per sq. ft.	Building size	600,000 sq. ft.	
Land cost	\$	3.00 per sq. ft.	Land size	1,644,390 sq. ft.	
Operating expense		0% % of EGI	% Bldg. rentable	95%	
Overall rate		9.5%			
Normal vacancy		10%			
Calculations of Required Rent					
		Sq. ft.	Cost per sq. ft.		
Building and site improvement cost		600,000	X \$ 45.00	=	\$ 27,000,000
Land cost		1,644,390	X \$ 3.00	=	\$ 4,933,170
Total cost					\$ 31,933,170
Calculation of Feasibility Rent					
Required NOI		\$31,933,170	X 10%	=	\$ 3,033,651
Add operating expenses		(NOI/1-Exp. Ratio) – NOI		=	\$ -
Effective gross income (EGI)					\$ 3,033,651
Vacancy and collection loss					337,072.35
Potential gross income					\$ 3,370,724
Calculation of Minimum Required Rent for New Construction					
		PGI	divided by	NRA	Req. rent
		\$ 3,370,724		570,000	= \$ 5.91

Rent Required for New Construction - High Estimate					
Data Inputs					
Construction cost	\$	60.00 per sq. ft.	Building size	600,000 sq. ft.	
Land cost	\$	3.00 per sq. ft.	Land size	1,644,390 sq. ft.	
Operating expense		0% % of EGI	% Bldg. rentable	95%	
Overall rate		9.5%			
Normal vacancy		10%			
Calculations of Required Rent					
		Sq. ft.	Cost per sq. ft.		
Building and site improvement cost		600,000	X \$ 60.00	=	\$ 36,000,000
Land cost		1,644,390	X \$ 3.00	=	\$ 4,933,170
Total cost					\$ 40,933,170
Calculation of Feasibility Rent					
Required NOI		\$40,933,170	X 10%	=	\$ 3,888,651
Add operating expenses		(NOI/1-Exp. Ratio) – NOI		=	\$ -
Effective gross income (EGI)					\$ 3,888,651
Vacancy and collection loss					432,072.35
Potential gross income					\$ 4,320,724
Calculation of Minimum Required Rent for New Construction					
		PGI	divided by	NRA	Req. rent
		\$ 4,320,724		570,000	= \$ 7.58

- Current market rent is estimated at less than \$1.00 per square foot per month
- Required rent of \$6.00 – \$7.50 is above current market rent
- Land value is estimated at \$3.00 per square foot
- With required rent below current market rent, the most likely buyer is an owner user with a desire to be at the subject location

Source: Synthesis analysis

Multifamily – Land Residual Estimate

Multifamily land residual value is estimated to be around \$2.00 per square foot

	factors	2010	Phase I		Phase II		Phase III				2019
			2011	2012	2013	2014	2015	2016	2017	2018	
Revenue Assumptions											
Inflation Factor	1%	1.01	1.02	1.03	1.04	1.05	1.06	1.07	1.08	1.09	1.10
Projected Unit Absorption	575	0	0	200	200	400	400	575	575	575	575
Average Gross Unit Size	1100	-	-	220,000	220,000	440,000	440,000	632,500	632,500	632,500	632,500
Net Rentable Area	1045	-	-	209,000	209,000	418,000	418,000	600,875	600,875	600,875	600,875
Monthly Rent per s.f.	\$ 0.91	\$ 0.92	\$ 0.93	\$ 0.94	\$ 0.95	\$ 0.96	\$ 0.97	\$ 0.98	\$ 0.99	\$ 1.00	\$ 1.01
Occupancy Factor			90.0%	95.0%	92.5%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%
Net Operating Income											
Gross Lease Revenues		\$ -	\$ -	\$ 2,116	\$ 2,256	\$ 4,438	\$ 4,603	\$ 6,683	\$ 6,750	\$ 6,817	\$ 6,886
Annual Operating Expenses per s.f.	\$ 3.08	\$ -	\$ -	\$ 699	\$ 706	\$ 1,425	\$ 1,440	\$ 2,090	\$ 2,111	\$ 2,132	\$ 2,154
Net Operating Income		\$ -	\$ -	\$ 1,418	\$ 1,551	\$ 3,012	\$ 3,163	\$ 4,593	\$ 4,639	\$ 4,685	\$ 4,732
Development Costs											
Development Costs	\$ 45,540	\$ -	\$ 16,158	\$ -	\$ 16,483	\$ -	\$ 14,713	\$ -	\$ -	\$ -	\$ -
Infrastructure Costs											
Percent Built by Year		0%	35%	35%	70%	70%	100%	100%	100%	100%	0%
Total Development Costs		\$ -	\$ 16,158	\$ -	\$ 16,483	\$ -	\$ 14,713	\$ -	\$ -	\$ -	\$ -
Annual Cash Flow											
Net Operating Income		\$ -	\$ -	\$ 1,418	\$ 1,551	\$ 3,012	\$ 3,163	\$ 4,593	\$ 4,639	\$ 4,685	\$ 4,732
Asset Value	8.0%										\$ 59,150
Costs of Sale	5%										\$ (2,958)
Total Development Costs		\$ -	\$ (16,158)	\$ -	\$ (16,483)	\$ -	\$ (14,713)	\$ -	\$ -	\$ -	\$ -
Net Cash Flow (000)'s		\$ -	\$ (16,158)	\$ 1,418	\$ (14,933)	\$ 3,012	\$ (11,549)	\$ 4,593	\$ 4,639	\$ 4,685	\$ 60,925
Net Present Value	10%	\$ 3,146									
Internal Rate of Return (IRR)	12%										
Land Square Footage		1,644,390									
Price per Square Foot		\$ 1.91									
Indicated Land Value		\$ 3,145,873									

Source: Synthesis analysis

Industrial – Land Residual Estimate

Industrial land residual value is estimated to be around \$3.00 per square foot

factors	Phase I				Phase II						
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
Assumptions											
Inflation Factor	1%	1.01	1.02	1.03	1.04	1.05	1.06	1.07	1.08	1.09	1.10
GLA Absorbed	600,000	-	-	300,000	300,000	300,000	600,000	600,000	600,000	600,000	600,000
Net Rentable Area	95%	-	-	285,000	285,000	285,000	570,000	570,000	570,000	570,000	570,000
Vacancy Factor		0%	0%	10%	10%	10%	10%	10%	10%	10%	10%
Net Lease Revenue per s.f.	\$ 7.75	\$ 7.80	\$ 7.90	\$ 8.00	\$ 8.10	\$ 8.10	\$ 8.20	\$ 8.30	\$ 8.40	\$ 8.50	\$ 8.60
Net Operating Income											
Leasing Revenues	\$ -	\$ -	\$ 2,052	\$ 2,078	\$ 2,078	\$ 4,207	\$ 4,258	\$ 4,309	\$ 4,361	\$ 4,412	\$ 4,412
Operations and Maintenance Expenses per s.f.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Operating Income	\$ -	\$ -	\$ 2,052	\$ 2,078	\$ 2,078	\$ 4,207	\$ 4,258	\$ 4,309	\$ 4,361	\$ 4,412	\$ 4,412
Development Costs											
Percent Built by Year		0.0%	50.0%	0.0%	0.0%	50.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Development Costs	\$ 36,000	\$ -	\$ 18,362	\$ -	\$ -	\$ 18,918	\$ -	\$ -	\$ -	\$ -	\$ -
Infrastructure Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Development Costs	\$ -	\$ 18,362	\$ -	\$ -	\$ 18,918	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Annual Cash Flow											
Net Operating Income	\$ -	\$ -	\$ 2,052	\$ 2,078	\$ 2,078	\$ 4,207	\$ 4,258	\$ 4,309	\$ 4,361	\$ 4,412	\$ 4,412
Asset Value	9.5%										\$ 46,440
Cost of Sale	5%										\$ (2,322)
Total Development Costs	\$ -	\$ (18,362)	\$ -	\$ -	\$ (18,918)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Cash Flow (000)'s	\$ -	\$ (18,362)	\$ 2,052	\$ 2,078	\$ (16,841)	\$ 4,207	\$ 4,258	\$ 4,309	\$ 4,361	\$ 4,412	\$ 48,530
Net Present Value	10%	\$ 4,904									
Internal Rate of Return (IRR)	13%										
Land Square Footage		1,644,390									
Price per Square Foot		\$ 2.98									
Indicated Land Value		\$ 4,904,302									

Source: Synthesis analysis

Maximally Productive

Converting the site to an industrial use is estimated to provide the highest value

Acres	37.75
Square Feet	1,644,390

	Industrial		Multifamily	
	Low	High	Low	High
Land Price Per Square Foot	\$ 2.50	\$ 3.00	\$ 1.50	\$ 2.00
Indicated Value Before Costs	\$ 4,110,975	\$ 4,933,170	\$ 2,466,585	\$ 3,288,780
Estimated Demolition Costs				
Per Unit	\$ 5,000	\$ 6,000	\$ 5,000	\$ 6,000
Less: Site Demolition Costs	\$ 1,500,000	\$ 1,800,000	\$ 1,500,000	\$ 1,800,000
Less: Estimated Rezoning Costs	\$ 250,000	\$ 300,000	\$ -	\$ -
Indicated Value (Rounded)	\$ 2,361,000	\$ 2,833,000	\$ 967,000	\$ 1,489,000
Price Per Acre	62,500	75,000	25,600	39,400
Price Per Square Foot	\$ 1.44	\$ 1.72	\$ 0.59	\$ 0.91

Highest and Best Use Conclusion:

- **Use:** Industrial
- **Timing:** 1 – 3 years
- **Market Participants:** Owner user

Source: Synthesis analysis; Marshall & Swift Residential Cost Handbook

General Limiting Conditions

Reasonable efforts have been made to ensure that the data contained in this study reflect accurate and timely information and are believed to be reliable. This report is based on estimates, assumptions, and other information developed by SYNTHESIS DEVELOPMENT from its independent research effort, third party data, general knowledge of the industry, and consultations with the client and its representatives. No responsibility is assumed for inaccuracies in reporting by the client, its agent, and representatives or in any other data source used in preparing or presenting this report. This analysis is based on information that to our knowledge was current as of the date of this analysis, and SYNTHESIS DEVELOPMENT has not undertaken any update of its research effort since such date.

Our report may contain prospective financial information, estimates, or opinions that represent our view of reasonable expectations at a particular time, but such information, estimates, or opinions are not offered as predictions or assurances that a particular level of income or profit will be achieved, that particular events will occur, or that a particular price will be offered or accepted. Actual results achieved during the period covered by our prospective financial analysis may vary from those described in our report, and the variations may be material. Therefore, no warranty or representation is made by SYNTHESIS DEVELOPMENT that any of the projected values or results contained in this model will be achieved.

Possession of this study does not carry with it the right of publication thereof or to use the name of "SYNTHESIS DEVELOPMENT" in any manner without first obtaining the prior written consent of SYNTHESIS DEVELOPMENT. No abstracting, excerpting, or summarization of this study may be made without first obtaining the prior written consent of SYNTHESIS DEVELOPMENT. This report is not to be used in conjunction with any public or private offering of securities or other similar purpose where it may be relied upon to any degree by any person other than the client without first obtaining the prior written consent of SYNTHESIS DEVELOPMENT. This study may not be used for any purpose other than that for which it is prepared or for which prior written consent has first been obtained from SYNTHESIS DEVELOPMENT.

R-3 Zoning Ordinance

R-3 zoning allows either single family or multifamily residential development

A. Purpose. The purpose of the multifamily residence districts is to provide for alternate living styles including rental, condominiums and single ownership of land with multiple units thereon or single or attached townhomes.

The density ranges offered are intended to allow for a greater interaction of residents with at least the opportunity for less individual maintenance, unit cost, and size as compared with a conventional single-family residence.

The design options of average lot subdivision and planned residential development are intended to provide flexibility as to unit placement, variable yard requirements, more reasonable and practical use of open spaces, staggered height limits up to three and four stories and more standardized parking and street improvement requirements. Bonus provisions are intended to facilitate and enhance the utilization of smaller infill parcels as well as unusual and irregular parcels throughout the City.

Along with the freedom that the multifamily district offers are certain responsibilities which must be met for project residents, but more importantly for the overall adjacent neighborhood. These are expressed in terms of standards and performance criteria. The standards internal to a project are intended to increase livability with amenities include landscaping, recreational facilities and project design. On the other hand the exterior standards provide a better fit, [and] better the project and the neighborhood environs. Criteria relating to setbacks, screening and landscaping are intended to reduce noise, maintain privacy and minimize psychological feelings to a change in development character and avoid any adverse effect on property values.

B. District Regulations. The following tables establish standards to be used in the R-3 district. The definitions of terms used in these standards are found in Section 608.D. *5

C. Special Regulations.

1. A group home is allowed with a use permit. *1
2. A recovery home is allowed with a use permit. *1
3. A group foster care home is allowed in an R-4 district. A group foster care home is allowed in an R-3 or R-3A district with a use permit. *1
4. Group homes for the handicapped shall be permitted, provided that:
 - a. No such home is located on a lot with a property line within one thousand three hundred twenty feet, measured in a straight line in any direction, from the lot line of another such group home. +1

b. Such home is registered with, and administratively approved by, the Zoning Administrator as to compliance with the standards of this section as provided in Section 701. +1

Notwithstanding the foregoing, group homes shall not house any person whose tenancy would constitute a direct threat to the health or safety of other individuals or would result in substantial physical damage to the property of others. +1

5. Dormitories and convents shall be permitted as accessory uses to churches or similar places of worship. +1

6. A site plan in accordance with Section 507 is required for all development in the R-2, R-3, R-3A, R-4, R-4A and R-5 districts except when the development consists of single-family dwellings on individual lots. +1

Date of Addition/Revision/Deletion - Section 615

+1 Addition on 2-19-1992 by Ordinance No. G-3498

*1 Revision on 2-19-1992 by Ordinance No. G-3498

-2 Deletion on 5-20-1992 by Ordinance No. G-3529

*2 Revision on 5-20-1992 by Ordinance No. G-3529

*3 Revision on 7-1-1992 by Ordinance No. G-3553

+4 Addition on 7-2-1997 by Ordinance No. G-4041

+5 Addition on 5-1-1998 by Ordinance No. G-4078

*5 Revision on 5-1-1998 by Ordinance No. G-4078

+6 Addition on 7-1-1998 by Ordinance No. G-4111

*7 Revision on 6-2-1999 by Ordinance No. G-4188

*8 Revision on 1-3-2007 by Ordinance No. G-4857, eff. 2-2-2007

Source: City of Phoenix Planning

R-3 Zoning Ordinance – continued

Table A	R-3 Development Option – Single Family Development	
Standards	Conventional	Planned Residential Development
Minimum lot width (in the event of horizontal property regimes, "lot" shall refer to the width of the structure and exclusive use area) *7	55' minimum	45' minimum (unless approved by either the design advisor or the Single-Family Architectural Appeals Board for demonstrating enhanced architecture that minimizes the impact of the garage (see Section 507 Tab A.2.12.1 B(2)(b) [sic]) *7
Minimum lot depth	None, except 110' adjacent to freeway or arterial	None, except 110' adjacent to freeway or arterial
Dwelling unit density (units/gross acre)	5.0	6.5; 12 with bonus
Minimum perimeter building setbacks	Front: 15'; Rear: 15' (1-story), 20' (2-story); Side: 10' (1-story), 15' (2-story)	Street (front, rear or side): 15' (in addition to landscape setback); Property line (rear): 15' (1-story), 20' (2-story); Property line (side): 10' (1-story), 15' (2-story)
Common landscaped setback adjacent to perimeter streets	None	15' average, 10' minimum (Does not apply to lots fronting onto perimeter streets)
Minimum interior building setbacks	Front: 10'; rear: 10'; combined front and rear: 35', street side: 10'; sides: 13' total (3' minimum, unless 0')	Front: 10'; rear: none (established by Building Code); street side: 10'; sides: none (established by Building Code)
Minimum building separation	10'	None
Minimum garage setback	18' from back of sidewalk for front-loaded garages, 10' from property line for side-loaded garages	18' from back of sidewalk for front-loaded garages, 10' from property line for side-loaded garages

Source: City of Phoenix Planning

R-3 Zoning Ordinance– continued

Table A - continued	R-3 Development Option – Single Family Development	
Maximum garage width	For lots <60': 2 car widths, for lots >=60' to 70': 3 car widths, for lots >70': no maximum *7	For lots <60': 2 car widths, for lots >=60' to 70': 3 car widths, for lots >70': no maximum *7
Maximum height	2 stories and 30'	2 stories and 30' (except that 3 stories not exceeding 30' are permitted when approved by the design advisor for demonstrating enhanced architecture) *7
Lot coverage	Primary structure, not including attached shade structures: 40% Total: 50%	Primary structure, not including attached shade structures: 40% Total: 50%
Common areas	None	Minimum 5% of gross area
Allowed uses	Single-family detached	Single-family detached
Required review	Development review per Section 507, and subdivision to create 4 or more lots	Development review per Section 507, and subdivision to create 4 or more lots
Street standards	Public street, or private street built to City standards with a homeowners' association established for maintenance	Public street or private access way (1)
On-lot and common retention	Common retention required for lots less than 8,000 sq. ft. per grading and drainage ordinance requirements	Common retention required for lots less than 8,000 sq. ft. per grading and drainage ordinance requirements
Landscape standards		Perimeter common: trees spaced a maximum of 20 to 30 feet on center (based on species) or in equivalent groupings, and 5 shrubs per tree.

- (1) Public streets may be required as a part of subdivision or development review for extensions of street patterns, for circulation within neighborhoods, or to continue partial dedications.
- (2) For single-family, detached development built or subdivided under the subdivision development option prior to May 1, 1998, refer to the subdivision option in table B. +6 *8

Source: City of Phoenix Planning

R-3 Zoning Ordinance – continued

Table B	R-3 Development Option – Single Family (Subdivided Prior To May 1, 1998) and Multifamily Development		
Standards	(a) Subdivision (3)	(b) Average Lot	(c) Planned Residential Development
Minimum lot dimensions (width and depth) *3	60' width, 94' depth *3	40' width, 50' depth *3	None
Dwelling unit density (units/gross acre)	14.5	14.5	15.23; 17.40 with bonus
Perimeter standards (2)	None	20' front, 15' rear, 10' side	20' adjacent to a public street; this area is to be in common ownership unless lots front on the perimeter public street; 15' adjacent to property line *2
Building setbacks	25' front, 15' rear, 10' and 3' side	10' front, 30' front plus rear	10' front
Maximum height	2 stories and 30'*	2 stories and 30'*	2 stories or 30' for first 150'; 1' in 5' increase to 48' high, 4-story maximum*
Lot coverage	45%	45%	45%
Common areas	None	None	Minimum 5% of gross area (3)
Allowed uses	Single-family attached and multifamily *5	Single-family attached and multifamily *5	Single-family attached and multifamily *5
Required review	Subdivision to create 4 or more lots	Subdivision with building setbacks	Development review per Section 507 *5
Street standards	Public street required	Public street	Public street or street access way

*There shall be a fifteen-foot maximum height within ten feet of a single-family zoned district, which height may be increased one foot for each additional one foot of building setback to the maximum permitted height.

(1) For purposes of this section, canal rights-of-way shall be treated the same as public street rights-of-way. If landscaping is placed in the canal right-of-way adjacent to the residential development, the perimeter standard may be reduced by an amount equal to the depth of the right-of-way landscaping. If the canal bank right-of-way is too narrow to accommodate the full perimeter standard, the perimeter standard may be reduced provided that a minimum ten-foot-wide landscape strip is placed adjacent to the canal bank right-of-way line. +4 *8

If no landscaping is provided on the canal bank right-of-way due to physical constraints, then a minimum fifteen-foot-wide landscape strip shall be provided on-site adjacent to the canal bank right-of-way. +4

(2) For purposes of this section, improvements in the canal right-of-way shall be included in the calculation of minimum common area. +4 *8

(3) These standards also apply to single-family, detached development built or subdivided under the subdivision option prior to May 1, 1998. +6 *8

Source: City of Phoenix Planning

Central City South Interim Overlay Ordinance

Section 656. Central City South Interim Overlay (CCSIO) District. +1

A. Purpose. The Central City South Interim Overlay District is designed to protect and enhance residential character in the area, promote community identity, reduce open land uses, discourage undue concentration of environmentally harmful land uses, and promote well managed growth. The CCSIO is an interim overlay and will be re-examined upon completion of the Central City South area plan. +1

B. Applicability. The CCSIO District is the area bounded on the west and south by I-17, on the east by Central Avenue, on the north by Lincoln Street between Central and 3rd Avenue and by the Union Pacific Railroad Line between 3rd Avenue and I-17. +1

The CCSIO applies to all new land uses or new development established after the effective date of this ordinance within. The CCSIO district will not apply to those properties that have received preliminary site plan approval or a building permit prior to the effective date of this ordinance. +1

Except as provided in Section C, land in the CCSIO District may be used for all uses permitted in the base district in accordance with the standards and procedures established in this ordinance and the limitations of Section D or Section E or Section F. In such instance where there is a conflict between the uses permitted in the base district and the provisions of the Section D, E and F, the more restrictive regulations shall apply. +1

C. Prohibited Uses. The following uses are not permitted within the CCSIO district. +1

1. Commercial slaughtering of animals. +1

2. Commercial waste facilities used to collect, treat, store, process, transfer or dispose of solid waste. Solid waste means any garbage, refuse, sludge from a waste treatment plant, water supply treatment dissolved materials in domestic sewage, or solid and dissolved materials in irrigation return flows, or discharges from point sources subject to permits issued pursuant to 33 USC Section 1342 or Arizona Revised Statutes Section 49-255.01, or source, special nuclear, or byproduct material as defined by the Atomic Energy Act of 1954, or facilities that treat, store or dispose of hazardous waste as defined in Section 648 of the Phoenix Zoning Ordinance. Facility includes all contiguous land, structures, other appurtenances and improvements on the land. +1

3. Outdoor advertising structures (billboards). +1

4. Junk yards, wrecking yards and salvage yards. +1

D. Special Permit Uses. The following uses shall be subject to special permit approval in accordance with Section 504.1. +1

1. Homeless shelters. +1

2. Open Outdoor Primary Uses. Those primary uses shall include, but are not limited to, long-term storage, storage of vehicles for a period of longer than one week, outdoor storage of equipment for a period of longer than one week or any primary use conducted outside of an enclosed structure. +1

3. Used car sales. +1

E. Use Permit Uses. The following uses shall be subject to use permit approval in accordance with Section 307. +1

1. Day labor hiring and associated transportation centers. +1

2. Pawn shops. +1

3. Tattoo shops. +1

F. District Restrictions. +1

1. All development zoned A-1 and A-2 shall be subject to the development standards of Section 626.H, the Commerce Park/General Commerce Park districts standards. New developments on parcels that are less than 10 acres are subject to administrative review by the Planning Director or his/her designee. The Planning Director shall determine which screening and setback standards of Section 626.H shall apply. Where solid walls are required, other appropriate screening may be applied. The Planning Director's decision can be appealed to the Planning Commission and ultimately to the City Council. For those uses or development that are considered non-conforming due to the provisions of the CCSIO district, the new standards shall apply only to expansion areas. +1

2. All new homes in the CCSIO district shall be subject to the design review process of Section 507 Tab A, II. for Single-family Design Review. The design review shall apply to all new homes regardless of lot width. +1 *2

– In addition to the provisions of tab a, ii. of the Zoning Ordinance, new one and two units per lot residential development shall be subject to the following provisions: +2

– a. All driveways and parking spaces shall be hard surface. +2

– b. Each dwelling unit shall have at least one covered parking space located in a garage or under a carport. The design of the covered parking shall be substantially similar with regard to texture, color and material to that of the housing. +2

– c. The front yard open space of a two unit per lot development shall be landscaped and separated from the driveway and parking areas by a three foot wall, fence, or physical barrier. +2

– d. Unless all Zoning Ordinance required parking is provided along an alley, a contiguous one-half of the area between the rear lot line and the setback line shall be landscaped and separated from the driveway and parking areas by a physical barrier such as a three foot wall or fence. +2

– e. Where two detached units are placed on a single lot, a notice that the lots are not to be split without prior City approval shall be recorded prior to issuance of building permits and the recorded document noted on the submitted site plan. +2

– Date of Addition/Revision/Deletion - Section 656

– +1 Addition on 7-3-2002 by Ordinance No. G-4453, eff. 8-2-2002

– +2 Addition on 6-4-2003 by Ordinance No. G-4516, eff. 6-4-2003

– *2 Revision on 6-4-2003 by Ordinance No. G-4516, eff. 6-4-2003

Source: City of Phoenix Planning Department

Financially Feasible – Required Rent for New Retail Development

Required rent based on estimated construction cost of new retail development exceeds current market rent

Rent Required for New Construction					
Data Inputs					
Construction cost	\$ 180.00	per sq. ft.	Building size	10,000	sq. ft.
Land cost	\$ 3.00	per sq. ft.	Land size	25,000	sq. ft.
Operating expense	0%	% of EGI	% Bldg. rentable	95%	
Overall rate	9.5%				
Normal vacancy	10%				
Calculations of Required Rent					
Building and site improvement cost		Sq. ft.		Cost per sq. ft.	
		10,000	X	\$ 180.00	= \$ 1,800,000
Land cost		25,000	X	\$ 3.00	= \$ 75,000
Total cost					\$ 1,875,000
Calculation of Feasibility Rent					
Required NOI		\$1,875,000	X	10%	= \$ 178,125
Add operating expenses		(NOI/1-Exp. Ratio) - NOI			= \$ -
Effective gross income (EGI)					\$ 178,125
Vacancy and collection loss					19,792
Potential gross income					\$ 197,917
Calculation of Minimum Required Rent for New Construction					
	<i>PGI</i>	divided by	<i>NRA</i>		Req. rent
	\$ 197,917		9,500	=	\$ 20.83