APPRAISAL REPORT

Of
13.8641 acres of Vacant Land Tract

Located at:
North Fabens Road at Luttunich Street
Future Site of Valley View Estates
Fabens, Texas 79938

Prepared For
Mr. Ike J. Monty
Investments Builders, Inc.
7400 Viscount Boulevard, Suite 109
El Paso, Texas 79925

And

The Texas Department of Housing and Community Affairs

Prepared by
ZACOUR AND ASSOCIATES, INC.
Real Estate Valuation Services
128 Thunderbird Drive, Suite B
El Paso, Texas 79912

Date of Valuation
January 29, 2020

Date of the Appraisal Report
February 12, 2020
February 12, 2020

Texas Department of Housing and Community Affairs
Mr. Ike J. Monty, Investments Builders, Inc.
7400 Viscount Boulevard, Suite 109
El Paso, Texas 79925

Re: Appraisal Report of 13.8641-acre land tract located at Lettunich Street and North Fabens Road, in Fabens, Texas 79938
File Number: CA20-005

Dear Mr. Monty and the Texas Department of Housing and Community Affairs:

At your request, we have prepared an appraisal for the above referenced property.

Please reference page 8 of this report for important information regarding the scope of research and analysis for this appraisal, including property identification, inspection, highest and best use analysis and valuation methodology. We certify that we have no present or contemplated future interest in the property beyond this estimate of value. The appraiser has not performed any prior services regarding the subject within the previous three years of the appraisal date. Your attention is directed to the Limiting Conditions and Assumptions section of this report (page 7). Acceptance of this report constitutes an agreement with these conditions and assumptions. In particular, we note the following: there are no hypothetical conditions and no extraordinary assumptions for this appraisal.

Based on the appraisal described in the accompanying report, subject to the Limiting Conditions and Assumptions, Extraordinary Assumptions and Hypothetical Conditions (if any), we have made the following value conclusion(s):

**Current As Is Market Value**
The “As Is” market value of the fee simple estate of the property, as of January 29, 2020, is
**Three Hundred Sixty Thousand Dollars**
($360,000)

Respectfully submitted,
Zacour and Associates, Inc.
Real Estate Valuations Services

Paul G. Zacour, President
State Certified General Real Estate Appraiser
Texas No. TX-1322726-G
<table>
<thead>
<tr>
<th>TABLE OF CONTENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subject Photographs ................................................................. 4</td>
</tr>
<tr>
<td>Summary of Important Facts and Conclusions ........................................ 5</td>
</tr>
<tr>
<td>Appraisal Specifics .............................................................................. 6</td>
</tr>
<tr>
<td>Scope of Work ...................................................................................... 8</td>
</tr>
<tr>
<td>Limiting Conditions and Assumptions .................................................. 10</td>
</tr>
<tr>
<td>Site Description ................................................................................. 46</td>
</tr>
<tr>
<td>Flood Zone ......................................................................................... 48</td>
</tr>
<tr>
<td>Zoning Analysis ................................................................................. 49</td>
</tr>
<tr>
<td>Assessment and Taxes ........................................................................... 50</td>
</tr>
<tr>
<td>Highest and Best Use .......................................................................... 51</td>
</tr>
<tr>
<td>Valuation Methodology ....................................................................... 53</td>
</tr>
<tr>
<td>Sales Comparison Approach ............................................................... 56</td>
</tr>
<tr>
<td>Final Reconciliation ............................................................................ 59</td>
</tr>
<tr>
<td>Certification Statement ....................................................................... 59</td>
</tr>
<tr>
<td>Qualifications ...................................................................................... 60</td>
</tr>
<tr>
<td>Addenda ............................................................................................... 63</td>
</tr>
<tr>
<td>Glossary ............................................................................................... 64</td>
</tr>
</tbody>
</table>
Subject Photographs

The subject property at 1500 blk of Fabens Road

The fifty-foot strip from Fabens Road

Looking North along N. Fabens Rd.

Looking south along N. Fabens Rd.

Looking north along Lettunich St

Looking south along Lettunich St.
Summary of Important Facts and Conclusions

**Subject:** 13.8641 acres of vacant land located on Lettunch St and N Fabens Road Fabens, Texas 79938

**Owner of Record:** Davis Street Corporation, Ike Monty

**Legal Description:** A Portion of Land Survey 127 &128, Section 1, Block L University Lands

**Date of Inspection:** February 11, 2020

**Valuation Date:** February 11, 2020

**2019 Assessment:** $3,298

**Zoning District:** None

**Site Summary:** The subject site is 13.8641 acres of land, located along Letunich Street and North Fabens Road in Fabens, Texas. The site has an irregular or flag shape, with level to rolling topography. Public utilities are available and it is not located in a designated flood hazard zone. The subject is the proposed site for Sunset Vista Seniors.

**Highest and Best Use as Vacant:** Multifamily development

**Sales Comparison Approach:** $360,000

**Reconciled Value:** $360,000
Appraisal Specifics

General Provision
This appraisal is intended to conform to the Uniform Standards of Professional Appraisal Practice (USPAP) as adopted by the Appraisal Standards Board of the Appraisal Foundation.

The Appraiser has read and understood the Appraisal Rules and Guidelines of the Texas Department of Housing and Community Affairs.

Paul G. Zacour and Zacour & Associates, Inc. are a disinterested party and will not materially benefit from the Development in any other way than receiving a fee for performing the appraisal and that the fee is in no way contingent upon the outcome of the appraisal report.

Intended User(s)
This report is intended for the use only by Investment Builders Inc. and the Texas Department of Housing and Community Affairs. Use of this report by others is not intended by the appraiser.

Intended User(s)
This report is intended for the use only by Investment Builders, Inc. and the Texas Department of Housing and Community Affairs. Use of this report by others is not intended by the appraiser.

Intended Use
This report is intended only for use in the financing the development of the subject property. This appraisal report is not intended for any other use.

Real Property Interest Appraised
A Fee Simple interest is defined\(^1\) as: Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

Market Value Definition
Per Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) of 1989. (Source: 12 C.F.R. Part 34.42(g); 55 Federal Register 34696, August 24, 1990, as amended at 57 Federal Register 12202, April 9, 1992; 59 Federal Register 29499, June 7, 1994.), market value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus.

\(^1\) Appraisal Institute, The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002).
Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

A. Buyer and seller are typically motivated;
B. Both parties are well informed or well advised, and acting in what they consider their own best interests;
C. A reasonable time is allowed for exposure in the open market;
D. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
E. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Sale History
The Davis Street Corporation has owned the land since March of 2017, when it was purchased from William J. Ellis. The terms of this transaction are not available. Davis Street Corp. is no transferring ownership to Ike Monty who is the principle in the DSC. To the appraiser’s knowledge, there have been no other transactions or records regarding the subject in the past three years.

Current Listing/Pending Contract(s)
The subject land is currently under contract to Ike Monty from the Davis Street Corporation, for the sum of $360,000, or $25,966 per acre. According to the valuation analysis presented in this report, this contract price is consistent with current market values.

Statement of Financing Terms
The market value estimate is stated in terms of cash in U.S. Dollars or in terms of financial arrangements comparable thereto.

Identification of Personal Property
Personal property is not endowed with the rights of real property ownership. Items of personal property include furniture and furnishings that are not built into the structure. For the purposes of this appraisal report, personal property is not included in the overall value estimate of the subject property.

Estimated Exposure Period
Based on the marketing periods of sale comparables and an analysis of the local market trends, the estimated exposure period for the subject property is six to twelve months. This assumes that the property is professionally marketed at the estimated value set forth in this report.
Scope of Work
According to the Uniform Standards of Professional Appraisal Practice, it is the appraiser’s responsibility to develop and report a scope of work that results in credible results that are appropriate for the appraisal problem and intended user(s). Therefore, the appraiser must identify and consider:

- the client and intended users;
- the intended use of the report;
- the type and definition of value;
- the effective date of value;
- assignment conditions;
- typical client expectations; and
- typical appraisal work by peers for similar assignments.

Report Type: Appraisal Report

Report Type Definition: This is an Appraisal Report as defined by Uniform Standards of Professional Appraisal Practice under Standards Rule 2-2(a). This format provides a summary or description of the appraisal process, subject and market data and valuation analyses.

Property Identification: The subject has been identified by the legal description and the assessors’ parcel number.

Inspection: A complete exterior inspection of the subject property has been made, and photographs taken.

Market Area and Analysis of Market Conditions: A complete analysis of market conditions has been made. The appraiser maintains and has access to comprehensive databases for this market area and has reviewed the market for sales and listings relevant to this analysis.

Highest and Best Use Analysis: A complete as vacant and as improved highest and best use analysis for the subject has been made. Physically possible, legally permissible and financially feasible uses were considered, and the maximally productive use was concluded.

Type of Value: Market Value

The Extent of Data Research: The appraiser maintains a current and comprehensive database of commercial sales and listings for the El Paso market area. In addition to market data
developed in the course of previous appraisal work and retained in the appraiser’s work files, other sources of information include:

- El Paso County Central Appraisal District
- The City of El Paso’s Department of Planning, Research, and Development
- El Paso Chamber of Commerce
- F.E.M.A. Flood Insurance Rate Maps
- El Paso County Clerk’s Office
- Fabens Demographic Information
- Local real estate brokers
- Local real estate developers
- Local investors
- Property management firms

Where warranted, market data has been confirmed by a party to the transaction, or other reliable source.

The Type and Extent of Analysis:

**Cost Approach:** This approach is most useful and relevant when appraising newer properties that have accrued little or no depreciation. Further, it is not an approach whose value estimate is typically relied upon by investors, underwriters, and other market participants in their financial decision making. There are no improvements on the subject, making it difficult to arrive at a credible value estimate using this approach. Therefore, it has been determined by the appraiser that the use of the Cost Approach is not necessary in this analysis.

**Sales Comparison Approach:** This approach is most applicable. The data used in this approach is the best and most recent available in the subject area, and results in a credible value estimate for the subject property. Use if this approach is necessary, has been fully developed and is determined sufficient to arrive at a credible value estimate for the subject property.

**Income Approach:** This approach is also a good value indicator when solid, reliable comparable rental data is available, however, comparable rental data for vacant land is not readily available; therefore this approach would not yield a viable value estimate and has not been developed.
Limiting Conditions and Assumptions

This appraisal is subject to the following conditions and to the other specific and limiting conditions listed in the report:

1. The subject property is appraised free and clear of all liens except as herein described. The appraiser assumes no responsibility for matters of a legal nature involving legal or title considerations, nor does the appraiser render any opinion as to the title, which is assumed to be good and marketable. The property is appraised as though under responsible ownership and competent management.

2. It is assumed that any easements noted without specific locations will have no material effect on the normal use of any of the subject parcels. It is further assumed that the utilization of the land and improvements is within the boundaries or property lines of the subject and that there is no encroachment or trespass unless otherwise noted in the report.

3. The information in this report has been gathered from sources deemed reliable. No responsibility can be taken by the appraiser for its' accuracy. Correctness of estimates, opinions, dimensions, sketches and other exhibits used in this report are not guaranteed.

4. Any value estimates provided in the report apply to the entire property, and any proration or division of the total into fractional interests will invalidate the value estimate, unless such proration or division of interests has been set forth in the report. The value estimate is considered reliable and valid only as of the date of the appraisal, due to possible changes in external factors that can significantly affect the property value.

5. The appraiser, by reason of this report, is not required to give testimony in court with reference to the property appraised unless notice and proper arrangements have been previously made.

6. It is assumed that the subject is in compliance with all applicable federal, state, and local environmental regulations and laws, and all applicable zoning and use regulations and restrictions, unless noncompliance is stated, defined, and considered in the appraisal report.

7. It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, national government or private entity have been or can be obtained or renewed for any use on which the value estimate included in this report is based.

8. The value conclusions in this report are contingent upon completion of the improvements in a workmanlike manner in accordance with the submitted plans and specifications.

9. It is assumed that all customary public utilities for this property type and market are reasonably available to the subject property.
10. The appraiser is not qualified to detect hazardous waste and/or toxic material. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The appraiser’s value estimate is predicated on the assumption that there is no such material on or in the property unless otherwise stated in this report.

11. The appraiser assumes no responsibility for hidden or unapparent conditions of the property, subsoil, or structures that would render it more or less valuable. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover such factors.

12. Unless otherwise stated in this report, the subject property is appraised without a specific compliance survey to determine if the property is or is not in conformance with the requirements of the Americans with Disabilities Act. The presence of architectural and communications barriers that are structural in nature that would restrict access by disabled individuals may adversely affect the property’s value, marketability, or utility.

13. Disclosure of the contents of the appraisal report is governed by the Bylaws and Regulations of the professional real estate organizations with which the appraiser is affiliated.

14. Possession of this report does not carry with it the right of publication. No part of this report, (especially conclusions as to the property value, the identity of the appraiser, professional designations, reference to any professional real estate organization, nor the firm with which the appraiser is connected), shall be used for any purpose by anyone but the client specified in the report, nor shall it be conveyed by anyone to the public through advertising, public relations, news, sales, nor other media, without the written consent and approval of the appraiser.

15. Appraisals are based on the data available at the time the assignment is completed. Forecasts or projections contained in this report are the product of analysis of market conditions and assume continuation of such conditions. These factors and contingent forecasts and projections are subject to change. Amendments or modifications to appraisals based on new information made available after the appraisal was completed can be made, as soon as reasonably possible, for an additional fee.

In the production of this appraisal, I have made a thorough inspection of the property. To the best of my knowledge and belief, everything contained in this report is true and no relevant or important fact has been omitted.

Neither my employment as appraiser nor my compensation is contingent upon the valuation reported. I have no past, present, or prospective interest (including that of real estate agent or broker) in the property, the parties involved, or any other interest which conflicts in any way with the services performed in the making of an impartial report.
Regional Map
Paso del Norte Region Overview

The Paso del Norte region is a dynamic bicultural and bilingual region that spans two countries and three states. The region includes Northern México, West Texas (including Brewster, Culberson, El Paso, Hudspeth, Jeff Davis and Presidio counties) and Southern New Mexico (Dona Ana, Eddy, Lincoln, Luna, Otero and Sierra counties). The economic hub of the region is centralized in the three cities of El Paso, Texas, Ciudad Juárez, México, and Las Cruces, New Mexico.

Population: Two key factors, location and population, together with the region’s other essential resources add to the attractiveness of the Paso del Norte as a commercial center and trade area. The largest population centers of the region are Juárez at about 1.3 million people, the City of El Paso at about 620,000 people and Las Cruces at about 100,000 people. Several years ago, Juarez was one of the fastest growing cities in Mexico as a result of strong employment growth in the manufacturing industry. That changed as violence spiked significantly in Juarez. A huge exodus of people have left Juarez, some headed north to El Paso and other American cities. Researchers indicated that Juarez lost approximately 230,000 people in 2009. El Paso is experiencing a spike in its rate of population growth as a result of fast paced growth at Fort Bliss and as a result of people fleeing the insecurity in Juarez.

Geography: The region is strategically located along major north-south and east-west trade routes in proximity to major U.S. markets including Los Angeles, Phoenix, Denver, Dallas-Fort Worth, Houston and San Antonio. The region’s diverse economy, based in manufacturing, retail, service, government and agriculture, is growing steadily. The strategic location of this region promotes a strong trading partnership with Mexico.
Economy: The region’s industries include mineral and timber extraction, metallurgy, high technology associated with the military installations, manufacturing, warehousing and transportation. Higher technologies are present at the federal laboratories of Los Alamos, Sandia National Laboratories, White Sands Missile Range, Fort Bliss and the area’s institutions of higher learning including the University of Texas at El Paso, New Mexico State University, the new Paul L. Foster School of Medicine, Institute de Monterrey in Ciudad Juárez and the Autonomous University in Ciudad Juárez.

Several recent public investments will be significant drivers for the region’s economy. Fort Bliss, located in El Paso, increased its population by 44% from 88,050 in 2008 to just over 127,000 in 2012, as a result of the Base Realignment and Closure (BRAC) proceedings of 2005. These troop gains are estimated to result in $4.4 billion in military construction. Fort Bliss was also selected as the location of the Future Combat System which is the centerpiece of the Army’s modernization program at Fort Bliss and promises to bring with it new capital investment and high-tech job creation from defense contractors. The Fort Bliss expansion was expected to energize El Paso’s economy, but given the national recession, the expansion has mostly served to insulate El Paso from the economic losses facing other large American cities.

The State of Texas authorized and invested in a four-year medical school in El Paso, the first new medical school to be built in the United States in 30 years. The school is fully accredited and opened its doors in the fall of 2009. The school opened with an endowment of over $100 million including a gift of $50 million from
Western Refinery’s Paul L. Foster. The Paul L. Foster School of Medicine focuses on cutting edge research related to Hispanic health and medicine. Other significant health care investments include a $42.5 million Soldier Family Care Clinic at Fort Bliss, $154 million expansion of the University Medical Center (formerly Thomason Hospital), $120 million for a publicly-financed children’s hospital and $60 million for a new facility for the UTEP Nursing School. The Texas Tech University Health Science Center Gayle Greve Hunt School of Nursing is slated to open its new facility in October 2014 in the newly appointed area of the Medical Center of the Americas.

Adding to the region’s research and technology capacity, the University of Texas at El Paso (UTEP) has significantly increased its spending for research from $5 million a year to $50 million a year in the last 20 years. UTEP’s annual research expenditure in 2013 was $76 million. As a result of investment in research, community services and graduating students of modest income status, UTEP was ranked #7 in National University Rankings as reported in Washington Monthly in 2013.

A more unique segment of the region’s economy is composed of the Maquiladoras - the twin plant facilities that allow U.S. owned companies to operate in Mexico. These companies have played an important role in maintaining the region’s competitive edge. As a region including Juárez, El Paso and Southern New Mexico, this is the fourth largest manufacturing center in North America. The Wadley Donovan Group noted in an assessment of the region’s labor force that the success of the manufacturing sector is due primarily to the fact that the region possesses “the largest bi-lingual and bi-cultural workforce in the Western Hemisphere.”

Juárez was named the #4 Most Cost Effective Large City by FDIIntelligence in 2013, an industrial research group that ranks cities comparing the overall cost of office and industrial space, materials, salaries, and utilities. There are approximately 335 maquiladora plants operating in Ciudad Juárez. More than 70 of those maquilas are Fortune 500 companies. The maquila sector employed approximately 230,000 workers in 2013. More than 50,000 jobs in El Paso are tied to economic activity in Juárez with 14,000 of those jobs directly related to the maquila industry. In addition, the production-sharing sector of the border economy has $8 billion in annual purchases which adds to the region’s economy.

The national recession had posed a significant threat to the maquiladora industry. Forty percent of Juárez maquila production is related to automotive, and 40% is related to electronics products. As a result of the economic recession, particularly in the automotive industry, Juárez lost approximately 83,000 maquila jobs from January 2008 to May 2009. That trend started to turn around in June 2009. Seventy-two thousand jobs have been added from June 2009 to October 2013.

El Paso and Southern New Mexico have reaped important benefits from their maquiladora neighbors. Transportation and customs services have flourished on the U.S. side of the border because of the industry’s large trade flows through border
ports of entry. In 2012, $87.9 billion in U.S./Mexico trade crossed through ports in the El Paso region an 81.9% increase since 2009, making up 15.4% of all U.S./Mexico trade. Maquiladoras import 97% of the components they use. And 80 to 85% of these come from the United States, mostly from states not bordering Mexico.

As more suppliers seek to move closer to their maquiladora customer base, the border stands to benefit. The border’s traditionally high unemployment rate translates into an available labor pool in the region. However, this workforce has to be transformed into the skilled labor that high-tech maquiladora suppliers need. Should this happen, we could see industrialization of the border at a time when the rest of the country is de-industrializing.

The major trade sectors between El Paso and Juárez include automotive, electronics, electrical, medical, and machinery. The electronics and electrical industries have experienced the most growth in this region. Electronics have increased their trade by 101.8% since 2009, reaching $41.22 billion in 2012. The electric industry reached $13.48 billion in trade in 2012, a growth rate of 83.7% since 2009. In total, the five major industries contribute to $69.6 billion dollars of trade between the two border cities.

An additional threat to the economy of the region was the escalating violence in Juárez. In 2008, Juárez experienced 1,600 murders, then 2,754 murders in 2009.
and 3,111 in 2010. Most of the causalities have been as a result of the drug wars, but many have been caught in the cross fire. The inability of the municipal government and the Mexican military to stem this violence has resulted in higher rates of crime and uncertainty in the region. While much of the violence has been directly related to the drug trade, there have been more and more opportunistic criminal activities such as kidnapping and extortion that increasingly make industrial recruitment problematic. The El Paso Regional Economic Development Corporation, which does industrial recruitment for the region, reports that the escalating crime did not deter investment in the region.

Juarez is now experiencing a gradual return to normalcy. In November 2013, there was a considerable reduction in the murder rate by 89% as compared to the same month in 2010. Additionally, there was an 87% decrease in the amount of carjackings in Cd. Juarez in 2013. Many businesses, restaurants, and nightclubs have reopened in Cd. Juarez as a direct result of the reduction in crime. Mexican families that migrated to El Paso in previous years are also returning to their former homes.

Mexico has had a stable peso value for many years until recently where it has spiked upward as a result of global economic forces. The peso devaluation has negatively impacted the retail markets in El Paso that rely on a steady flow of retail dollars from the south. It is estimated that El Paso enjoys about $1.4 to $1.6 billion in retail trade from Mexican nationals who come to El Paso to shop.

1 Mexican Peso = 0.075 US Dollar

Prior to the national recession and the social destabilization in Juárez, there was strong market optimism punctuated by strong job gains, income appreciation and new investment. El Paso’s economy is somewhat insulated from the significant losses facing other American cities. Although job growth will certainly be influenced by these factors, growth in government created jobs, including jobs created from the billions of dollars in infrastructure projects already underway or financed, will continue to stabilize and buoy the region’s economy.
El Paso Area Analysis

The City of El Paso is located in El Paso County, the westernmost county of Texas. The City shares a border with its sister city of Juárez, Mexico. El Paso was founded over four centuries ago as an outpost for traders and missionaries in the west. The County of El Paso is bounded on the southwest by the Rio Grande and Mexico, on the north and west by the state of New Mexico, and on the east by Hudspeth County, Texas. The City of El Paso is the county seat. El Paso County is approximately 650 miles west of Dallas and 575 miles northwest of San Antonio. Other nearby municipalities and their proximity to El Paso are:

- Las Cruces, New Mexico ................................ 44 miles
- Alamogordo, New Mexico ............................ 86 miles
- Albuquerque, New Mexico ............................ 264 miles
- Chihuahua, Mexico ......................... 232 miles
- Denver, Colorado .................................... 725 miles

El Paso is currently the fifth largest city in the State of Texas and the nineteenth most populous city in the United States. Ciudad Juárez, El Paso’s sister city across the U.S. – Mexico border, is the largest city in the State of Chihuahua and the fifth largest city in Mexico. The region is home to more than 2.7 million residents and comprises one of the largest bi-national metro areas in the world.

Regional Resources

The region is replete with natural resources, including 135,000 acres of irrigated farmland in the Rio Grande Basin. Natural gas and crude oil from the surrounding area are processed in El Paso. To the north and south are substantial pine forests. The area has produced one third of all the silver mined in the world during the past 400 years. Granite, rock and marble quarries and extensive sand, gravel and rock mining operations are conducted in El Paso County.
Economic Overview

Major drivers of the region’s economy include military/defense, international trade and advanced manufacturing—with significant clusters in automotive, high tech consumer electronics, and medical devices. Expansion has continued at Fort Bliss since it quadrupled in troop count as a result of the 2005 BRAC decisions, marking the largest net gains of any military installation in the country. As a major hub for trade and commerce, more than $71 billion, or about 18% of the total trade between the United States and Mexico, passed through El Paso’s ports in 2010.

El Paso, Texas ranked #4 for its 5-year projected wages and salaries growth in the Milken Institute’s Best-Performing Cities index released in 2013, which compared large metropolitan areas across the United States. Milken index ranks cities based on their ability to create and sustain jobs, as well as overall economic performance. Nine factors are considered in compiling the index, including growth in jobs, wages, and technology-based performance over one and five-year periods. El Paso was ranked #18 overall in 2012, moving down to #35 in the 2013 report. Leading cities in the 2013 index are metros that succeeded amidst one of the worst economic declines in history—driven by weak housing markets and job losses in manufacturing and global trade.

El Paso's economy, as measured by Gross Metropolitan Product, or economic output, is projected to reach $29.8 billion in 2013, as reported by IHS Global Insight. It is projected to grow 5% in 2014 to $31.2 billion -- slightly better than the estimated 2% growth rate predicted for the nation and above El Paso’s 2013 1% growth rate. The size of the El Paso economy has been hovering around $29 billion since 2011. By contrast, it was at $14.4 billion in 2000.

In 2012, the city council unanimously adopted a plan built around the principles of smart growth and green development. Plan El Paso gives priority to reinvestment downtown; transit-supportive infill development; revitalization of older neighborhoods; balanced transportation options; strategic suburban retrofits; sustainable economic development; respect for nature; and much more. It also gives special recognition to the challenges and opportunities presented by El Paso’s location as an international border city and home to a large military installation, Fort Bliss.
Population

Census Bureau estimates place the El Paso County population at 800,647 in 2010, with an estimated 849,310 residents at the end of 2013. El Paso County’s population grew by 45,528 residents or 5.3% between 2010 and 2013. The population at the end of 2013 resulted in a 1.7% increase within the year or by 14,200 residents.

The El Paso Metropolitan Planning Organization estimates that the population of the El Paso County is projected to surpass 894,000 in 2015. The forecast is for the metropolitan statistical area population to increase to 945,532 by 2025.

Much of the anticipated growth in the region comes as a result of growth at the city’s military installation, Fort Bliss. Fort Bliss, located in El Paso, increased its population by 44% from 88,050 in 2008 to just over 127,000 in 2012, as a result of the Base Realignment and Closure (BRAC) proceedings of 2005, allocating five billion to expand military combat teams at Fort Bliss.

Valuations and Construction

The El Paso Central Appraisal District property valuations in 2012 totaled $32.1 billion. Of this amount, personal property was valued at $3.43 billion and real property was valued at $28.5 billion. Over the last five years, the tax base has increased by $3.13 billion dollars, an increase of 9.78%.
Building activity had been increasing at a rapid pace since 2006 as new military families moved into the community. The year 2007 outperformed all prior years in every area of building activity, with 16,943 total permits being issued. During 2008, a total of 17,492 building permits with a dollar valuation of $886.59 million were issued.

While in 2008 the number of building permits was up from the 2007 number of 16,934, the total value decreased by 24% from the 2007 total of $1.1 billion. The Development Services Division of the City of El Paso reports that activity for 2009 increased again with 19,614 permits, and 2011 outstripped projections ending the year with 33,470 permits issued. Total value for all years, 2009-2011 was significantly lower than the 2007 figures. Building activity slowed in 2011 to 23,096 permits for the year, greater than the total number for 2007 and nearing the 2007 record for total value, coming in at $1 billion. The total number of building permits in 2012 has increased to a five year record high at 35,771 with a total value at just over $1.3 billion.
### City of El Paso Permit Construction Values - 2006 – 2012

<table>
<thead>
<tr>
<th>Year</th>
<th>Multi Family (in millions)</th>
<th>New Commercial (in millions)</th>
<th>Single - Family (in millions)</th>
<th>Totals per Year* (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Units / Value</td>
<td>Units / Value</td>
<td>Units / Value</td>
<td>Units / Value</td>
</tr>
<tr>
<td>2006</td>
<td>216 / $31.25</td>
<td>279 / $231.64</td>
<td>3,126 / $397.65</td>
<td>12,899 / $937.86</td>
</tr>
<tr>
<td>2007</td>
<td>286 / $94.11</td>
<td>219 / $416.28</td>
<td>2,996 / $454.29</td>
<td>16,934 / $1,167.50</td>
</tr>
<tr>
<td>2008</td>
<td>156 / $69.77</td>
<td>148 / $179.17</td>
<td>2,317 / $335.85</td>
<td>17,438 / $880.95</td>
</tr>
<tr>
<td>2009</td>
<td>88 / $56.10</td>
<td>204 / $164.46</td>
<td>2,202 / $322.46</td>
<td>19,614 / $898.00</td>
</tr>
<tr>
<td>2010</td>
<td>146 / $103.34</td>
<td>133 / $150.07</td>
<td>2,450 / $363.12</td>
<td>33,470 / $688.59</td>
</tr>
<tr>
<td>2011</td>
<td>136 / $101.70</td>
<td>184 / $107.90</td>
<td>2,925 / $440.10</td>
<td>23,096 / $1,036.19</td>
</tr>
<tr>
<td>2012</td>
<td>120 / $99.19</td>
<td>263 / $360.78</td>
<td>2,726 / $418.89</td>
<td>13,617 / $1,127.67</td>
</tr>
</tbody>
</table>

*Totals per year include: Multi-Family, New Commercial, and Single - Family, plus permits for roofing, signs, schools, swimming pools, residential alterations, other non-residential buildings, etc.

Source: City of El Paso, City Development Department, Monthly Census Report

### Industrial Real Estate

The Paso del Norte region functions almost as a single urban area when it comes to the manufacturing sector and industrial real estate. The industrial market in El Paso is distinctly tied to and dependent on the industrial sector in Juárez.

The region is the fourth largest manufacturing center in North America when ranked based on the number of employees. Healthy growth in the manufacturing sector in Juárez translates into robust growth in El Paso’s industrial real estate. In the last 20 years, the industrial market in El Paso has seen tremendous growth increasing to 54.5 6 million square feet in industrial space from only 12 million in 1984.

El Paso’s industrial real estate market stretches from Santa Teresa, New Mexico in the west to Socorro, Texas in the east. The main industrial areas follow Interstate 10 and are clustered around the three main Ports of entry into Cd. Juarez, Mexico, and the El Paso International Airport.

The market is comprised of a 70/30 mix of warehouse and manufacturing operations, most with a direct relationship to the maquiladora industry across the border.

Gross absorption was a healthy 874,000 square feet, which compares favorably to recent quarters, and well above the 646,000 square foot gross absorption figure from the first quarter of this year, as well as the quarterly average of 513,000 square
feet in 2011. Demand for industrial real estate came from many industries in the second quarter but the vast majority of leases were for warehouse and logistics use.

The El Paso Industrial market ended the fourth quarter 2013 with a vacancy rate of 10.9%. The vacancy rate was down over the previous quarter by 0.4%, with a net absorption totaling positive (73,814) square feet in the fourth quarter. Vacant sublease space increased in the quarter, ending the quarter at 13,333 square feet. Rental rates ended the fourth quarter at $4.00, an increase over the previous quarter 2013, when rents were reported at $3.94. There was 43,280 square feet still under construction at the end of the quarter.

### Industrial Market Statistics 2013

<table>
<thead>
<tr>
<th>Market</th>
<th>Rentable Area SF</th>
<th>Vacancy Direct SF</th>
<th>Vacancy Rate %</th>
<th>Net Absorption SF</th>
<th>Under Construction SF</th>
<th>NNN Average Asking Lease Rate $/PSF/YR</th>
</tr>
</thead>
<tbody>
<tr>
<td>West</td>
<td>5,767,618</td>
<td>268,568</td>
<td>5%</td>
<td>8,730</td>
<td>20,000</td>
<td>$4.02</td>
</tr>
<tr>
<td>Northeast</td>
<td>2,810,071</td>
<td>175,164</td>
<td>6.2%</td>
<td>58,836</td>
<td>0</td>
<td>$3.29</td>
</tr>
<tr>
<td>Central</td>
<td>7,172,432</td>
<td>507,776</td>
<td>12%</td>
<td>(21,333)</td>
<td>0</td>
<td>$3.60</td>
</tr>
<tr>
<td>East</td>
<td>8,671,436</td>
<td>725,504</td>
<td>11.8%</td>
<td>80,457</td>
<td>0</td>
<td>$4.01</td>
</tr>
<tr>
<td>Lower Valley</td>
<td>19,673,065</td>
<td>2,887,416</td>
<td>14.7%</td>
<td>75,243</td>
<td>23,280</td>
<td>$3.61</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>44,171,029</strong></td>
<td><strong>4,564,428</strong></td>
<td><strong>10.9%</strong></td>
<td><strong>(5,558)</strong></td>
<td><strong>43,280</strong></td>
<td><strong>$4.00</strong></td>
</tr>
</tbody>
</table>

Source: CoStar Group, Inc.

Overall, though the market is not in an upward trend, companies are still planning and many are still growing. New industries are being created as advances in research provide solutions to industrial, technological and medical problems. Growth will come from these solutions. As the credit market loosens and companies are able to borrow, we will begin to see this growth.

Annual lease rates are reported at an average of approximately $4.00 per square foot, triple net, citywide.

El Paso’s economy continues to perform well, driven by the growth of Ft. Bliss and the rebound in the manufacturing industry in Cd. Juarez, Mexico, which experienced a decrease in its vacancy rate in 2013 at 10.4%. There are several large infrastructure projects underway in the city including two interstate interchanges on the west and east ends of El Paso, the Guadalupe/Tornillo international Bridge in Fabens, TX and Union Pacific’s intermodal switch yard in Santa Teresa, NM.
Retail

Retail sales experienced a decline in 2009, but have since been improving. Based on data from UTEP’s Borderplex Economic Outlook, 2011-2013, industries in El Paso which are expected to experience better growth than others in 2013 are gas stations, furniture and home furnishings. The Outlook estimates continued growth in retail sales of 3.2% 2012 followed by 5.4% into 2013. Gross Metropolitan Product (GMP) or the total value of goods and services produced in a metropolitan area, shows improvement as well. Since El Paso’s recent low in the first half of 2009, GMP has increased 12.2% according to the Brookings Institution’s latest Metro Monitor, September 2012.

El Paso has a formidable base for retail and commercial development because of the population of the entire Paso del Norte region. As with the other economic sectors, local commerce is directly influenced by proximity to Mexico. Nearly 45% of retailers state that 50% or more of their customer-base is Mexican. Over 50% believe these Mexican shoppers account for at least 25% of their sales and profits, as reported in a 2008 study titled, “Cross-Border Retailing Study.” International and extra-regional clientele travel from miles away to visit major shopping centers such as Cielo Vista Mall, Bassett Center Mall, Sunland Park Mall, and Las Palmas Marketplace.

The latest retail offering, a $70 million, 600,000-square-foot lifestyle center, the Fountains at Farah, opened in October 2013. The site is located at Hawkins Boulevard and Interstate 10, across the street from the 1.2-million-square-foot, 145-store Cielo Vista Mall. The new center will have the capacity of 30 buildings with 60 to 80 tenants, including 15 to 20 restaurants of various sizes and categories, reported West Miller, president of Centergy Retail, a Dallas-based retail shopping developer. Miller is a partner in the project with Paul Foster, Western Refining founder and executive chairman, who owns the site. Currently, there are 30 shops and 7 restaurants that operate at The Fountains at Farah.

The retail market experienced an improvement in market conditions in the fourth quarter of 2013. The vacancy rate went from 5.6% in the previous quarter to 5.2% in the current quarter. Net absorption was positive 361,574 square feet. Over the past two years, the market has seen an overall increase in the vacancy rate. The vacancy rate has increased by almost 1% when comparing the vacancy rate in the third quarter of 2012, reported at 4.7%.

Gross Retail Sales, as reported by the Texas Comptroller’s Office, have grown steadily to $22.5 billion at the end of the second quarter of 2013, up from approximately $22.2 billion from the second quarter of 2012. This is an average increase of almost 1.2% per year during a period of national economic recession.
Office Real Estate

The El Paso Office market ended the fourth quarter 2013 with a vacancy rate of 7.6%. The vacancy rate was down over the previous quarter, with net absorption totaling positive 71,299 square feet in the fourth quarter. Rental rates ended the fourth quarter at $16.32, an increase over the previous quarter. There was 47,982 square feet still under construction at the end of the quarter.

A historically weak Central Business District market is beginning to see some positive change. Downtown office rents are on the rise and occupancy at the Chase Bank and Wells Fargo building are higher now than in the last five years. The average quoted asking rental rate in this district was $15.76 at the end of the fourth quarter 2013, an increase of $.90 per square foot as compared to the previous quarter.

Western Refining founder and CEO, Paul Foster, has bought and renovated two prominent but long vacant buildings in the city center. As part of the Downtown redevelopment plan, the City of El Paso is offering a host of incentives to encourage new investment Downtown. These incentives will help offset some of the higher costs associated with renovation, redevelopment and locating in the Central Business District. The City of El Paso reports that property values, according to the Central Appraisal District have increased by 40% in the last four years.

Hotel

According to the Texas Department of Economic Development, nearly 40 percent of all travel to the El Paso area is business related. As a result, the El Paso hotel-motel industry caters primarily to this group. The local hotel market conditions and the potential for increased market development are excellent.

The El Paso, TX market has been attracting evermore interest from hotel developers over the last twelve months, thanks to the growing occupancy and ADR (average daily rate) seen in the market since the tail-end of the recession. This growth has been in part due to the city’s investment in improving its overall appeal for both businesses and families, with numerous economic and lifestyle projects launched over the last three years.

With additional income-level growth and ever diminishing unemployment, the growth in performance and demand within the hotel and lodging market is expected to continue apace in this market, and properties already developed, or in the pipeline, have added nearly 1,000 new rooms to meet the demands of the market since summer 2010. El Paso had a hotel construction boom from 2009 to 2011 with ten new hotels being built during that time span.
El Paso County’s occupancy rate averaged 65.5% in 2012 compared to 67.6% in 2011 and hotel revenues grew 1.8% to an estimated $163.5 million, according to STR, a Nashville company that tracks hotel and industry data worldwide. STR data show that El Paso’s hotel occupancy rate was 60.6% in January 2013, much better than the 55.2 percent in January 2012. Hotel revenues were up almost 11% in January 2013 compared to revenues a year ago, STR reported.

From January to September 2013, average occupancy for 102 hotel properties representing 9,755 rooms, was 67.2 percent. The State Comptroller’s Report for FY 2013 indicates the El Paso hotel market had 3,756,215 room-nights available and produced $116,213,592 in receipts for the past three quarters.

Housing

Multi-Family

The rapid growth of Fort Bliss with many soldiers housed off base has created new opportunity in the multi-family sector in El Paso. Military personnel have moved into the area with monthly housing allowances that are substantially above market rents. Fort Bliss and the City of El Paso have estimated that the growth at Fort Bliss has required at least 8,000 new multifamily units to be built.

The City of El Paso put tax incentives in place to encourage a rapid escalation of multifamily development. As a result, El Paso has seen healthy growth in the multifamily housing market from local and national developers. New construction includes low income tax credit projects, market rate projects and some high end construction. New multi-family construction is concentrated in the Northeast and on the Eastside. Several infill lots close to Fort Bliss have been purchased for multifamily housing.

Approximately, 390 apartments came online in the El Paso metro area last year. The 290 apartments of the Venue at Montecillo were delivered in early 2013 as well as 184 units of the Villas at Helen of Troy, both of which are in the Northwest Market area. Construction commenced on two projects in the Northeast Market area of El Paso, with approximately 100 units of the 300 total apartments completed by the end of the year.

According to Hendricks & Berkadia MarketData Research, completions in the El Paso metro area have averaged 730 apartments annually during the last five years. Builders are slated to complete more than 540 apartments this year. Approximately, 60% of those deliveries will be located at three large communities in the Northeast Market area of El Paso. The remainder of the inventory will be in Northwest El Paso. Permitting activity rose last year as developers anticipated a rebound in demand in the coming years. In 2013, builders requested permits for 1,690 multifamily units. In 2012, issuance totaled 1,180 apartments.
The local apartment market experienced a 35% gain in average asking rents over the past decade, bringing the average monthly rent to $693 in late 2012. Asking rents decline 1.8% in 2013, with average rent falling to $798 per month in December. Class A asking rents descended 2.4% to $928 per month. Metrowide concessions were 1.3% of asking rents, the same as in December of 2012.

<table>
<thead>
<tr>
<th>El Paso Multi-Family Vacancy &amp; Rent Comparison</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vacancy</td>
<td>7.5%</td>
<td>7.0%</td>
</tr>
<tr>
<td>Average Rent Increase</td>
<td>1.8%</td>
<td>-1.8%</td>
</tr>
<tr>
<td>Average Rent</td>
<td>$813</td>
<td>$798</td>
</tr>
</tbody>
</table>

Source: Hendricks & Berkadia ApartmentUpdate and Apartment MarketData Research

**Single Family**

El Paso’s single family market has maintained stability mostly as a result of anticipated growth of Fort Bliss troops and personnel. Through the last quarter of 2006, this was one of the strongest housing markets El Paso had ever experienced. Housing prices were increasing rapidly as a result of this demand. In the fourth quarter of 2008, the housing market began to cool throughout 2009 and 2010 as a result of the national economic crisis. While there has been an increase in housing foreclosures, it is not at the striking levels that other cities are suffering under. The Greater El Paso association of Realtors estimates the year-to-date sales of 2013 at 5,755 homes or a 13% increase from sales in 2011.
In response and as a means for managing growth, the City of El Paso has processed six annexation agreements in the last two years bringing 1,923 acres of land into the city limits. The city’s annexation policy is to bring in any voluntary annexations in order to control and manage growth.

El Paso’s housing market is still affordable compared to other markets, but it is becoming less affordable to first time home buyers and to households at the lower end of the market. The Texas Real Estate Center uses a Housing Affordability Index (HAI) to examine affordability in different markets. “The HAI is the ratio of the median family income to the income required to buy the median-priced house using standard mortgage financing at the current interest rate. A HAI of 1.00 indicates that the median family income is exactly equal to the required income to qualify for the standard loan to purchase the median-priced house (El Paso Market Overview 2007).” El Paso has seen its affordability index increase from 1.13 in 2007 to 1.69 in 2012. First time homebuyers are at a significant disadvantage in the current marketplace because of their low incomes. The HAI for First Time Homebuyers in 2012 is 0.86, a slight increase from 2007 index of .70.
Housing Affordability Index

<table>
<thead>
<tr>
<th>Area</th>
<th>Median-Priced Home</th>
<th>Required Income to Qualify</th>
<th>Median Family Income</th>
<th>Housing Affordability Index (HAI)</th>
<th>HAI for First Time Homebuyers</th>
</tr>
</thead>
<tbody>
<tr>
<td>El Paso</td>
<td>$138,600</td>
<td>$32,399</td>
<td>$41,700</td>
<td>1.69</td>
<td>0.86</td>
</tr>
<tr>
<td>Texas</td>
<td>$177,000</td>
<td>$36,286</td>
<td>$60,300</td>
<td>2.21</td>
<td>1.41</td>
</tr>
<tr>
<td>U.S.</td>
<td>$211,312</td>
<td>$53,138</td>
<td>$65,000</td>
<td>2.06</td>
<td>1.01</td>
</tr>
</tbody>
</table>

Source: Texas Real Estate Center 2012 and Texas Quarterly Housing Report

Coldwell Banker de Wetter Hovious reported in its third quarter 2013 housing report that the average sales price of residential homes in El Paso has increased since the third quarter 2012 by 3.2%. Median prices have been experiencing a mild uptrend for the past several quarters, similar to what is being observed in other Texas and U.S. cities. The following table compares the third quarters in 2012 and 2013:

<table>
<thead>
<tr>
<th>El Paso Residential Homes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Average sales price</td>
</tr>
<tr>
<td>Average $/SF</td>
</tr>
<tr>
<td>Median sales price</td>
</tr>
<tr>
<td>DOM</td>
</tr>
<tr>
<td>Sale % of list</td>
</tr>
<tr>
<td># of sales</td>
</tr>
<tr>
<td>Listed inventory</td>
</tr>
</tbody>
</table>

Source: Coldwell Banker de Wetter Hovious

As a result of both public and private efforts to improve the quality of El Paso neighborhoods, several new master planned communities are proposed to be built in El Paso. These master planned communities promise to provide for mixed use town centers within easy walking distance of neighborhoods and more communities amenities such as parks, open space and bike and hike trails.

In April 2007, Hunt Communities, an El Paso-based affiliate of Hunt Building Corporation announced the beginning phase of Cimarron, the largest master-planned community of its kind in the El Paso area. Located in the foothills of the
Franklin Mountains on El Paso’s west side, Cimarron is unique in that it was master-planned, from concept to construction, and follows the principles of Smart Growth – including environmental protections and covenants not found in traditional residential developments.

Cimarron is built on 850-plus acres, and features approximately 1,800 residential home sites, 15 parks, over seven miles of jogging/walking/biking trails, one elementary school, and approximately 225 acres of open space. The three core components of Cimarron consist of retail and commercial properties, urban properties, and mountain residential properties. There is capacity to develop 1,200-2,500 more homes on 600 acres of undeveloped land.

The City of El Paso and the El Paso Water Utilities has also master planned significant property holdings in northeast and northwest El Paso in effort to improve the quality of neighborhoods and to better manage public resources for new growth. Approximately, 16,000 acres of land has been master planned in the northeast and 1,850 acres in the northwest. In the summer of 2007, the City of El Paso sold the first portion of land that was master planned in the northeast to Hunt Communities. Hunt Communities is buying 4,832 acres for $27,132 per acre. Hunt will be able to develop 3,845 acres for sale while 852 acres of arroyos will largely be left in their natural state, and 135 acres will go for streets and a regional park and two senior communities.

The City of El Paso has also increased its requirements for park dedication and re-wrote the City’s subdivision code in order to allow more flexibility and more innovation in neighborhood design and development. Additionally, the City of El Paso was the first in Texas to adopt a SmartCode, a form based code that considers land use and land design in one simple code.

In 2012, the city council unanimously adopted a detailed comprehensive plan built around the principles of smart growth and green development. The plan proposes strategies to bring more of the activities of daily living within walking distance and a framework of transportation alternatives including transit and bicycle systems. This plan encourages walk-ability to create healthy life styles and building complete places that enable neighbors to know each other hoping to thus create and retain close-knit communities.
Governmental

The Chief Administrative Officer for the County of El Paso is a County Judge who is elected at large. The four Commissioners who serve the County are elected by precincts and serve four-year terms. The Commissioners’ terms are staggered with two elected every two years; elections are held in even-numbered years.

The government of the City of El Paso was chartered in 1873. As a result of a City Charter Election, the City of El Paso just transitioned from a Strong Mayor form of government to a City Manager form of government. The governing body of the City is the Mayor and a City Council consisting of eight district representatives who are elected for four-year staggered terms. City elections are held in odd-numbered years.

Fire and police protection within the city limits are provided by the City of El Paso. Fire protection outside the city limits is provided by independent volunteer fire departments along with the fire departments of La Tuna Federal Correctional Institution and Fort Bliss Military Reservation. Police protection outside the city limits is provided by the El Paso County Sheriff’s Department.

There are also large state and federal agencies located within El Paso County. Many of the federal agencies, such as U.S. Customs and Border Patrol, have a large presence in El Paso because of the international ports of entry.

Property Taxes

The Consolidated Tax office managed by the City of El Paso collects property taxes on behalf of all governmental entities that levy taxes within El Paso County. Property taxes are determined by three factors—the appraised value of the property, the adopted tax rates of the various taxing entities units and any applicable tax exemptions. Recent growth in the commercial tax base has allowed taxing entities to keep tax rates steady while still providing necessary services for a growing community. Tax payers within the city limits pay taxes to the City of El Paso, El Paso County, University Medical Center Hospital, El Paso Community College and the applicable school district.

Tax rates are listed below and apply to land and improvements and are levied per $100 of assessed value. The total county tax rate in 2012 was $.408870 with a total market value at just over $40 billion.
### Zoning

In order to classify, regulate and restrict the location of businesses, trades, industries, residences and other land uses within the City of El Paso, the Corporate Limits is divided into zoning districts. As of November 1, 2007, the new zoning ordinance took place. The City went through an extensive re-write of their zoning codes in order to modernize the standards and to allow for more innovation in development. New zoning categories include mixed use districts, which allow for more flexibility in density and uses. The zoning categories for the City of El Paso are grouped as follows:

#### Residential Districts.

**Light Density Residential Districts**
- R-1, R-2, R-2A, R-3, R-3A Residential Districts
- R-4, R-5 Residential Districts
- RMH Residential Mobile Home District

**Medium Density Residential Districts**
- A-1 Apartment District
- A-2 Apartment District
- A-3 Apartment District
- A-O Apartment/Office District

**High Density Residential Districts**
- A-4 Planned Apartment District
- A-3/O Apartment/Office High Density District
- A-M Apartment/Mobile Home Park District

---

### 2014 Property Tax Rates El Paso County

<table>
<thead>
<tr>
<th>Location</th>
<th>Rate (Proportion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of El Paso</td>
<td>0.678378</td>
</tr>
<tr>
<td>El Paso County</td>
<td>0.452694</td>
</tr>
<tr>
<td>University Medical Center</td>
<td>0.220682</td>
</tr>
<tr>
<td>El Paso Community College</td>
<td>0.124359</td>
</tr>
<tr>
<td>Lower Valley Water District</td>
<td>0.196870</td>
</tr>
<tr>
<td>Fabens Independent School District</td>
<td>1.261900</td>
</tr>
<tr>
<td>Ysleta Independent School District</td>
<td>1.360000</td>
</tr>
<tr>
<td>Socorro Independent School District</td>
<td>1.274794</td>
</tr>
<tr>
<td>Canutillo Independent School District</td>
<td>1.490000</td>
</tr>
</tbody>
</table>

Source: City of El Paso Consolidated Tax Office
Commercial Districts.

Neighborhood Commercial Districts
- C-OP Office Park District
- C-1 Commercial District

Community Commercial Districts
- C-2 Commercial District
- C-3 Commercial District

Regional Commercial Districts
- C-4 Commercial District
- C-5 Central Business District

Industrial and Manufacturing Districts.

Light Industrial Districts
- M-1 Light Manufacturing District

Heavy Industrial Districts
- Q Quarry District
- M-2 Heavy Manufacturing District
- M-3 Unrestricted Manufacturing District

Special Purpose Districts.
- R-F Ranch & Farm District
- PMD Planned Mountain Development District
- S-D Special Development District
- U-P Union Plaza District
- P-R I Planned Residential District I
- P-R II Planned Residential District II
- P-C Planned Commercial District
- P-I Planned Industrial District
- SRR Special Residential Revitalization District
- R-MU Residential Mixed Use District
- G-MU General Mixed Use District
- I-MU Industrial Mixed Use District

The City of El Paso recently adopted the first SmartCode in Texas. The SmartCode is an integrated land development ordinance. It folds zoning, subdivision regulations, urban design, public works standards and basic architectural controls into one compact document. It is also a unified ordinance, spanning scales from the region to the community to the building.
Social and Community Characteristics

The median age in El Paso is 31.3 years versus a statewide average of 33.6 years and a national average of 37.2 years. On average, El Paso is comprised of a younger population than other communities with 29.3% in 2012 under the age of seventeen.

According to 2010 Census data, El Paso County had approximately 256,557 households, an increase of from 210,022 in 2000. There is an average of 3.06 persons per household.

El Paso is predominately Hispanic/Latino in ethnicity. According to the American Community Survey Data from 2010, 523,721 persons, or 80.7% of El Paso County residents are Hispanic. Almost 75% of Hispanics are of Mexican origin. Those responding as white alone (non-Hispanic or Latino) totaled 92,426 persons or 14.2 percent of the total population. African Americans (non-Hispanic or Latino) totaled 18,155 persons, approximately 2.8% of the population. The balance of the population comprised of American Indian, Alaska Native, Asian, Native Hawaiian or other Pacific Islander, or other race, totaled 2.3 percent, or 14,819 persons.

Hispanic or Latino and Race in El Paso County

Source: American Community Survey, Census Bureau, 2006
Employment and Income

In 2005 and 2006, unemployment rates in El Paso were significantly higher than state and nationwide figures. As the national rate began to increase in 2008 during the recession, unemployment in El Paso dropped below national figures. Since 2010, unemployment in the US and Texas has steadily declined. El Paso, however, continued to experience increases, with rates peaking in 2011. Given sustained growth in private sector employment figures and stable unemployment insurance claims figures at the time, it is possible the growth in unemployment in 2011 may have been the result of an increase in individuals entering the local workforce, which would include newly-arrived military spouses, as opposed to contractions in employment opportunities. As of 2012, unemployment was declining, but continues to remain above state and national figures. In May 2013, the Texas Workforce Commission reports the local unemployment rate to be at 9.2%.

### Labor Force, Employment & Unemployment Rate

<table>
<thead>
<tr>
<th></th>
<th>El Paso MSA</th>
<th>Texas</th>
<th>U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Labor Force</td>
<td>Employed</td>
<td>Unemployed</td>
</tr>
<tr>
<td>May 2013</td>
<td>325,500</td>
<td>295,800</td>
<td>29,800</td>
</tr>
<tr>
<td>April 2013</td>
<td>324,100</td>
<td>295,900</td>
<td>28,200</td>
</tr>
<tr>
<td>May 2012</td>
<td>325,700</td>
<td>295,200</td>
<td>30,500</td>
</tr>
</tbody>
</table>


### Establishments, Employment & Wages by Private Industry Sector in El Paso MSA –2012

<table>
<thead>
<tr>
<th>Industry</th>
<th>Establishments</th>
<th>Employment</th>
<th>Avg. Weekly Wage</th>
<th>Avg. Yearly Wage*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural Resource and Mining</td>
<td>111</td>
<td>1,184</td>
<td>$629</td>
<td>$32,708</td>
</tr>
<tr>
<td>Construction</td>
<td>1,221</td>
<td>12,798</td>
<td>$780</td>
<td>$40,500</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>583</td>
<td>18,080</td>
<td>$815</td>
<td>$42,380</td>
</tr>
<tr>
<td>Trade, Transportation &amp; Utilities</td>
<td>3,918</td>
<td>59,258</td>
<td>$624</td>
<td>$32,448</td>
</tr>
<tr>
<td>Information</td>
<td>167</td>
<td>4,910</td>
<td>$865</td>
<td>$44,980</td>
</tr>
</tbody>
</table>
Financial Activities | 1,544 | 12,179 | $826 | $42,952
---|---|---|---|---
Professional & Business Services | 2,025 | $29,690 | $681 | $35,412
Education & Health Services | 1,553 | 37,727 | $705 | $36,660
Leisure & Hospitality | 1,459 | 30,028 | $284 | $14,768
Other Services | 1,289 | 6,746 | $403 | $22,360

*Avg. Yearly Wage is calculated by multiplying the Avg. Weekly Wage by 52 weeks in a year. Source: Quarterly Employment and Wages (4th Qtr. 2012) for El Paso MSA. Texas Workforce Commission’s Texas Labor Market Information:

With the decrease in unemployment, El Paso is also seeing an increase in per capita income.

Expanding national and regional markets have helped stimulate service sector employment growth in El Paso. Telecommunication call centers have provided some of the most important payroll gains in recent years. The health care industry is another source of high-paying jobs. In-bond manufacturing activities in Ciudad Juárez create numerous requirements on both sides of the border for such services as advertising, overnight delivery and logistics, reproduction, commercial art, photography, data processing, communications, engineering, accounting, research, and personnel management.

Personal income in El Paso County was reported to be close to $25 billion by the Texas Association of Counties in 2012. That figure represents a compound annual growth rate of 5.4% over the next decade. Higher worker productivity as a result of
regional labor force improvement efforts will contribute directly to that performance. As a principal hub of the area economy, El Paso will continue to provide jobs that contribute more than $400 million per year to workers from Doña Ana and Otero Counties in New Mexico, as well as to jobholders who cross daily from Ciudad Juarez, Mexico.

The median income was $41,700 in 2012, and 8% increase from 2011. These figures fall below the $60,300 median household figure for the State of Texas in 2012.

The 2012 income study by the El Paso Branch of the Federal Reserve Bank of Dallas noted that per capita disposable income increased from $18,812 in 2000 to $28,686 in 2010. This represents a strong regional income growth rate averaging 4% per year from 2001 to 2010, compared to the national per-capita income growth during that same period of only 2.8%.

El Paso’s incomes have lagged behind regional competitors, Texas and the rest of the nation. The Borderplex Economic Outlook: 2008-2010, produced by Tom Fullerton at UTEP predicts that El Paso’s total economy, as measured by total personal income, will grow 5.7 percent next year. El Paso’s per capita income growth is expected to outstrip national growth in the next two years, the economic forecasts show, though the city will continue to lag well behind the nation and state in total per capita income.

The poverty estimate for El Paso County is 24% of individuals, a decrease from the area’s high of 26% in 2006. The percent of population under the age of 18 and classified as living in poverty is 33.2%. Approximately 14.2% of Texas families and 16.9% of individuals fell below the poverty line, compared to 9.8% of households and 13.3% of individuals in the United States as a whole.

**Education**

El Paso’s population consists of a large number of young people, and school districts have been challenged with limited funds and resources. However, recent state funding reforms have allowed public schools to better confront the challenge of educating El Paso’s youth. In the past several years, many schools in El Paso districts have received federal and state recognition for student performance and innovative programs.

The El Paso public school system, with approximately 229 schools, comes under the supervision of nine districts. Total enrollment for Region 19 for 2010-2011 was 183,430. El Paso Independent School District and Socorro Independent School District will experience rapid growth as a result of troop increases at Fort Bliss. Both districts have prepared by asking the voters to approve large bond issuances for the construction of new schools and the rehabilitation of older schools. Approximately 73.3% of the population has attained a high school degree or higher and 20.3% hold a Bachelor’s degree or higher, as reported in 2012.
Upper level education is provided by the University of Texas at El Paso, with approximately 23,000 students. The El Paso Community College, now with six campuses, serves over 29,000 students. The Texas Tech University School of Medicine is located in El Paso and New Mexico State University is 43 miles to the north in Las Cruces, New Mexico. Other universities located in the city include: Howard Payne University, Park University, Webster University, and the University of Phoenix.

Community Services and Recreation

El Paso is the leading provider of medical services for a geographic region that spans far west Texas, southern New Mexico, and northern Mexico. The city’s healthcare facilities include nine private hospitals, one public hospital, one children’s hospital, and the William Beaumont Army Medical Center. Total educational and health services employment was 37,500 in 2012 according to the Texas Workforce Commission.

El Paso continues to grow as a regional healthcare research and an education center. The State of Texas recently funded and approved a four year medical school for Texas Tech that opened in 2009. The school has benefited from large private endowments, including a $50 million endowment from Paul Foster, owner of Western Refining. Texas Tech is partnered with the local public hospital, University Medical Center (UMC), both of which are located in the Central Market area.

UMC gained approval of a $120 million renovation and expansion project in 2007 from the voters for a fully accredited, stand alone children’s hospital. The El Paso Children’s Hospital was opened in 2012 and is the largest expansion of pediatric services in West Texas with approximately 225,000 square feet. In April 2013, County Commissioners approved a $152 million bond to expand and renovate UMC in South Central El Paso and also to include satellite clinics throughout the city, which will be operating by 2015.

These medical assets in South Central El Paso form the corpus of an economic engine known as the Medical Center of the Americas. Currently, through a public/private partnership, the area is being master planned to induce additional health related investment in the area.

Approximately 530 churches represent more than 60 denominations and cultural activities include the El Paso Symphony Orchestra, the Chamizal National Memorial, the El Paso del Norte Outdoor Drama Amphitheater and the El Paso Museum of Art. The city provides 1,800 acres of public parks and recreational areas. The City of El Paso recently adopted a Parks Master Plan and an Open Space Master Plan in order to increase the amount of available and accessible park and open space in El Paso. In the center of El Paso is the Franklin Mountain State Park, the largest urban park in the United States.
El Paso, in combination with Ciudad Juárez, Mexico, offers a wide diversity of entertainment and recreational activities. Among the entertainment options there are walking tours of Downtown, outdoor concerts at the Chamizal National Memorial, a wide variety of museums, the El Paso Zoo, and nature hikes through the Franklin Mountains and Hueco Tanks State Parks. There is dog racing, bullfighting and ice skating in Ciudad Juárez, as well as horse racing in nearby Sunland Park, New Mexico and independent league baseball, soccer and hockey teams in El Paso.

The traditional Sun Bowl football game is played in El Paso each New Year’s day and is broadcast nationally via television. The climate encourages many popular sports such as golf, tennis and hiking throughout most of the year. Nearby New Mexico provides excellent winter sports facilities, as well as trout fishing in the mountains and bass fishing at Elephant Butte Reservoir.

Crime Rate

El Paso’s crime rate has dropped to the lowest it has been in more than 20 years. The city’s reduction in crime has been attributed to the task forces that target gang activity, domestic violence, auto theft and drug/trafficking organizations. In 2012, the National Crime Prevention Council in Washington, D.C. named El Paso one of the “Six Safer Cities in the United States.” El Paso was ranked number one as the city with populations exceeding 500,000 with the lowest crime rate, utilizing the FBI Uniform Crime reports by CQ Press.

This accomplishment is attributed to the effort and partnerships that the El Paso Police Department has developed with citizens through its philosophy of Community Policing. In addition to the 16 community action groups that employ a proactive approach to preventing crime in El Paso, technological advances have improved the ability of officers to achieve the department’s mission and goals. The table below details the incidents of various crime in the area, as well as the percentage increase and or decreasing rates:

| 2010 Annual Crime Report by the El Paso Police Department |
|---------------------------------|--|--|--|--|--|--|--|--|--|--|
| Murder                         | 20   | 14   | 21   | 11   | 14   | 13   | 17   | 17   | 12   | 5    |
| Manslaughter                   | 1    | 3    | 1    | 0    | 0    | 1    | 0    | 0    | 1    | 1    |
| Sexual Assault                 | 203  | 221  | 219  | 201  | 286  | 304  | 260  | 181  | 182  | 179  |
| Assault                        | 14,760 | 14,666 | 13,222 | 12,308 | 11,560 | 11,248 | 11,408 | 11,042 | 10,916 | 11,629 |
| Robbery                        | 775  | 575  | 581  | 570  | 448  | 503  | 472  | 456  | 452  | 479  |
| Burglary                       | 2,553 | 2,221 | 2,185 | 2,304 | 2,127 | 2,212 | 2,149 | 2,079 | 1,991 | 1,953 |
| Larceny/Theft                  | 22,039 | 18,887 | 17,735 | 16,702 | 14,662 | 14,808 | 14,526 | 14,870 | 14,647 | 13,899 |
| Motor Veh. Theft               | 1,836 | 1,998 | 1,860 | 1,840 | 2,580 | 3,552 | 3,049 | 2,753 | 1,890 | 1,552 |
| Totals                         | 42,187 | 38,585 | 35,824 | 33,936 | 31,677 | 32,641 | 31,881 | 31,938 | 30,091 | 29,697 |
| % Increase or Decrease         | -8.5% | -7.5% | -5.3% | -6.7% | 3.0%  | -2.3% | -1.5% | -4.2% | -1.3% |
Environmental

The sun shines over 300 days a year in El Paso, 83% of daylight hours, according to the El Paso Weather Bureau. The climate includes high, although not extreme, daytime summer temperatures, low humidity, scant rainfall, and a relatively cool winter season, which is typical of arid areas. The mean January temperature is 44.1 degrees and the mean July temperature is 82.5 degrees.

El Paso Average Temperatures

<table>
<thead>
<tr>
<th></th>
<th>Spring</th>
<th>Summer</th>
<th>Fall</th>
<th>Winter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Low Temperature</td>
<td>56° F</td>
<td>68° F</td>
<td>49° F</td>
<td>39° F</td>
</tr>
<tr>
<td>Average High Temperature</td>
<td>87° F</td>
<td>95° F</td>
<td>80° F</td>
<td>60° F</td>
</tr>
</tbody>
</table>

Rainfall in El Paso County averages 8.8 inches per year as compared to the Texas average of 28.1 inches per year. Dust and sandstorms are the most unpleasant features of El Paso weather. While wind velocities are not excessively high, the soil surface is dry and loose and natural vegetation is sparse, so moderately strong winds raise considerable dust and sand. Dust storms are most frequent in March and April. Prevailing winds are from the north in the winter and from the south in the summer.

The soils of El Paso County vary from rough desert up-land to fertile irrigated bottom-land. Drainage is to the south and west into the Rio Grande from both the upper and lower valleys. The Franklin Mountains begin within the El Paso city limits and extend northward for approximately 16 miles; the peaks of the mountains range from 4,687 feet to 7,167 feet (the highest point in the county) above sea level.

Utilities

All usual utilities are available in the City of El Paso, and, for the most part, in the unincorporated areas of the county. The El Paso Electric Company area of service includes El Paso, Las Cruces and Hatch, New Mexico and Van Horn, Texas to the east. Telephone service is supplied by AT&T, natural gas service is furnished by Texas Gas Services, and cable television service is provided, for the most part, by Time Warner Communications of El Paso.

Water and sewer service is the responsibility of the El Paso Water Utilities. These services are available, generally, only within the incorporated limits of the City. A few areas outside the city, because of special circumstances, are served with either water or sewer, or both.
Transportation

El Paso enjoys excellent transportation facilities. Its principal thoroughfare is Interstate Highway 10 which traverses the city in a northwest to southeast direction and provides a connection to the entire country via the interstate systems. Other interstate routes include I-25 in Las Cruces and I-110, which runs from Interstate 10 to the Mexican border. Transcontinental highways through El Paso are U. S. Highway 54 to Chicago, U. S. Highway 62 to Niagara Falls, U. S. Highway 85 to Canadian Highway 35, and Mexico 45 from Juarez to Mexico City and Guadalajara. El Paso is connected to Juarez through four international bridges, two downtown, one in Central El Paso and the other in far east El Paso.

El Paso Roads

Truck transportation is provided by twenty-five regular route motor freight common carriers with both interstate and intrastate services. The firms maintain terminals in El Paso and provide direct-line service to most major cities throughout the United States. Freight railroads serving the area are the Santa Fe, Southern Pacific, Missouri Pacific, National Railways of Mexico, and Chihuahua Pacific Railroad. The total expenditures for road and bridge construction, maintenance, and rehabilitation in El Paso county exceeded $10 million in 2012.

Intercity bus transportation is provided by Greyhound Bus Lines and Texas and New Mexico Coaches, Inc., each of which also has an express package service. Intra-city bus service is provided by Sun Metro, which links most areas of the city.
The City of El Paso, the Texas Department of Transportation and the recently created Camino Real Regional Mobility Authority have recently adopted an aggressive one-billion-dollar comprehensive mobility plan which will complete the city’s transportation highway loop, beautify the I-10 and invest in the first leg of the rapid transit system. There are several large infrastructure projects underway in the city including two interstate interchanges on the west and east ends of El Paso, the Guadalupe/Tornillo international Bridge in Fabens, TX and Union Pacific’s intermodal switch yard in Santa Teresa, NM.

Conclusion

The El Paso region is in the midst of a successful transition to an information-age economy. That transition carries with it a large number of challenges and opportunities that result from economic globalization. The new technologies and more efficient business practices associated with process are helping to revitalize the El Paso/Ciudad Juárez regional economy.

International trade has long been a staple of regional commerce. NAFTA and the Mexican maquiladora program helped stimulate even greater development of that sector during the late 1990s. El Paso service sector companies are continuing this tradition into the 21st century by identifying new opportunities and creating new products for those markets.

Of the various challenges posed by this structural shift in the economic fortunes of El Paso, none is more important than the need for improved workforce quality. Greater educational attainment will not only attract new business investment, it will raise labor productivity and metropolitan income performance. Public sector infrastructure investment will complement that process, further improving business productivity and, by extension, private sector profitability.
Fabens Market Area

The subject neighborhood can be described as the area lying approximately 25 miles southeast of the El Paso Central Business District. Its geographic boundaries may generally be described as follows: Interstate 10 to the north, the community of Fabens to the east. This boundary description is supported by similar social, economic, governmental, and environmental forces influencing property values in the subject neighborhood, as well as similar types and groupings of land uses. Much of this area is undeveloped; however, El Paso’s eastward expansion is beginning to affect this area.

According to the 2010 census figures, the area known as Fabens had a population estimated at 8,257, with approximately 2,320 total households. This represents an average of 3.56 persons per household. The census showed that 94% of the residents are of Hispanic origin.

The subject neighborhood is located in the eastern portion of El Paso County outside of the El Paso city limits and most of the neighborhood lies outside of the five-mile jurisdiction of the City. Therefore, development within the neighborhood, for the most part, does not need to comply with the planning, zoning and subdivision ordinances and other restrictions imposed by the City of El Paso. El Paso County, however, does enforce certain development restrictions including those related to road development and septic system installation.

The majority of the subject neighborhood is undeveloped land, which is covered, in native vegetation. Existing developments consist of limited commercial and industrial uses located along Socorro Road and Alameda Avenue. Pockets of residential development are scattered throughout the rest of the neighborhood. Utilities are provided by the Lower Valley Water District for water, sewer services, and garbage pickup, El Paso Electric Company and Southern Union Gas for electricity and natural gas, and Southwestern Bell Telephone for telephone services. The El Paso Sheriff’s Department provides police protection and fire protection is provided by a volunteer fire department.
Site Description
The subject site is a 13.8641-acre tract of vacant land tract located along Luttunich Street and Fabens Road in Fabens, Texas. The site has a flag-shape, with a generally level to rolling topography. Public utilities are available and it is not located in a designated flood hazard zone. The subject is the proposed site for a multifamily development.

Boundary Survey
Site Size: 13.8641 acres or 603,920 square feet

Shape: Irregular or flag shaped

Frontage/Access: The subject property has about fifty feet of frontage on North Fabens Road and over a thousand feet of frontage along Lettunitch Street. It is not a corner lot.

Visibility: Average

Topography: Level to rolling terrain

Soil Conditions: The soil conditions observed at the subject appear to be typical of the region and adequate to support development.

Utilities:
- Electricity: El Paso Electric
- Sewer: Lower Valley Water District
- Water: Lower Valley Water District
- Natural Gas: Texas Gas Service
- Adequacy: The subject's utilities are typical and adequate for the market area.

Site Improvements: None

Environmental Issues: There are no known adverse environmental conditions on the subject site.

Encumbrance / Easements: There no known adverse easements or encroachments.
Flood Zone
The subject is located in an area mapped by the Federal Emergency Management Agency (FEMA). The subject is located in FEMA flood zone X, which is not classified as a flood hazard area. The subject is not in a flood zone.
Zoning Analysis

The subject property lies outside the El Paso City limits and is not subject to any zoning ordinances in Fabens, Texas. Development within the neighborhood does not need to comply with the planning, zoning and subdivision ordinances and other restrictions imposed by the City of El Paso. Therefore, the subject property has no zoning restrictions.

Conforming: The subject is a conforming use.
Assessment and Taxes

Tax Parcel ID#: 221622
Assessment Year: 2019
Assessed Value Land: $3,298
Total Assessed Value: $3,298
Tax Rate: $2.489680
Real Estate Taxes: $82.12

Taxes
The subject property is under the jurisdiction of five different taxing authorities, each of which taxes at 100 percent of the assessed value. The following table identifies each of the local taxing entities, the certified 2019 tax rates and the estimated taxes for the subject property based on the land value set forth in this appraisal report.

<table>
<thead>
<tr>
<th>Name of Taxing Authority</th>
<th>Tax Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fabens ISD</td>
<td>$1.338300</td>
</tr>
<tr>
<td>County of El Paso</td>
<td>$0.488997</td>
</tr>
<tr>
<td>Emergency Service District #2</td>
<td>$0.100000</td>
</tr>
<tr>
<td>University Medical Center of El Paso</td>
<td>$0.267747</td>
</tr>
<tr>
<td>Lower Valley Water District</td>
<td>$0.153469</td>
</tr>
<tr>
<td>El Paso Community College</td>
<td>$0.141167</td>
</tr>
</tbody>
</table>

Total taxes based on assessment of $2.489680

The El Paso County Tax Office reports that taxes for the year 2019 have been paid, and there are no known overdue taxes on the subject property as of the date of appraisal. The 2020 taxes have not been billed.
Highest and Best Use

Highest and best use may be defined as

the reasonably probable and legal use of vacant land or improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.\(^2\)

Highest and Best Use As Vacant

Legally Permissible

Legal restrictions on the highest and best use of a property may include private deed restrictions, zoning, building codes, historic district controls, and environmental regulations. Any of these restrictions may preclude many of the possible uses.

A review of the most recent deed recorded on this property failed to reveal any atypical restrictions or easements that would adversely affect the development of the subject. The subject is not located in a historic district and therefore, no historic district controls have been imposed. There are no known adverse environmental conditions on the subject site.

The subject neighborhood is located in Fabens, Texas, in the eastern portion of El Paso County outside of the El Paso City limits. The town lies outside of the five-mile jurisdiction of the City of El Paso. Therefore, development within the neighborhood does not need to comply with the planning, zoning and subdivision ordinances and other restrictions imposed by the City of El Paso. Therefore, the subject property has no known zoning restrictions.

Physically Possible

The physical features of the site itself dictate the physically possible criterion imposed on the subject property. The physical characteristics of the site were discussed, in detail, under the Site Description section of this report. These characteristics are now analyzed to determine their conduciveness to the development of the subject site.

The subject site is 13.8641 acres or 603,920 square feet of vacant land, with approximately 50 feet of frontage along Fabens Road, the main arterial in town. The subject location is at the northern edge of town, where the developments thin out, and consists of mixed commercial and residential uses. The tract has an irregular or flag shape, with an abundance of land set back from the street. This factor makes it less likely to be developed as a commercial use. Public utilities are available to the subject and the site is not located within a flood hazard area. The tract has adequate size for a variety of developments.

Financially Feasible
Only those uses which are physically possible and legally permissible need to be considered and analyzed to determine which are likely to produce an income, or return, greater than the combined income needed to satisfy operating expenses, financial expenses and capital amortization. All uses considered to produce a positive return and satisfactory equity yield are regarded as financially feasible.

Based on the parameters set forth by the physical constraints, the most probable highest and best use of the subject property is the development of residential use. Given the size constraints, a multifamily development would be the best option. Given the historically stable demand for multifamily housing, as well as steadily increasing rents and low vacancies, it would be financially feasible to develop an apartment complex on the subject property.

Maximally Productive
The subject area is characterized by an abundance of residential uses, including several multi-family developments, with scattered commercial developments outside of the central town area. Based on high occupancy rates in the area and the presence of several successfully operating apartment developments, it is determined a new multifamily used would be financially feasible and maximally productive. Therefore, the highest and best use of the subject property “as though vacant” is for the development of a multifamily use.

The Sunset Vista Seniors is representative of the maximally productive use.
Valuation Methodology

Three basic approaches may be used to arrive at an estimate of market value. They are:

1. The Cost Approach
2. The Income Approach
3. The Sales Comparison Approach

This appraisal includes the following:

**Cost Approach**: This approach is most useful and relevant when appraising newer properties that have accrued little or no depreciation. Further, it is not an approach whose value estimate is typically relied upon by investors, underwriters, and other market participants in their financial decision making. There are no improvements on the subject, making it difficult to arrive at a credible value estimate using this approach. Therefore, it has been determined by the appraiser that the use of the Cost Approach is not necessary in this analysis.

**Sales Comparison Approach**: This approach is most applicable. The data used in this approach is the best and most recent available in the subject area, and results in a credible value estimate for the subject property. Use if this approach is necessary, has been fully developed and is determined sufficient to arrive at a credible value estimate for the subject property.

**Income Approach**: This approach is also a good value indicator when solid, reliable comparable rental data is available, however, comparable rental data for vacant land is not readily available; therefore, this approach would not yield a viable value estimate and has not been developed.
Sales Comparison Approach – Land Valuation

The Sales Comparison Approach is based on the premise that a buyer would pay no more for a specific property than the cost of obtaining a property with the same quality, utility, and perceived benefits of ownership. It is based on the principles of supply and demand, balance, substitution and externalities. The following steps describe the applied process of the Sales Comparison Approach.

- The market in which the subject property competes is investigated; comparable sales, contracts for sale and current offerings are reviewed.
- The most pertinent data is further analyzed and the quality of the transaction is determined.
- The most meaningful unit of value for the subject property is determined.
- Each comparable sale is analyzed and where appropriate, adjusted to equate with the subject property.
- The value indication of each comparable sale is analyzed and the data reconciled for a final indication of value via the Sales Comparison Approach.

Comparative Land Sales

We have researched various comparables for this analysis; four are documented on the following pages followed by a location map and analysis grid. All sales have been researched through numerous sources, inspected and verified by a party to the transaction.

Analysis Grid

The above sales have been analyzed and compared with the subject property. We have considered adjustments in the areas of:

- Property Rights Sold
- Financing
- Conditions of Sale
- Market Trends
- Location
- Physical Characteristics

On the following page is a sales comparison grid displaying the subject property, the comparables and the adjustments applied.
<table>
<thead>
<tr>
<th>Comparable No.</th>
<th>SUBJECT</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>PROPERTY DATA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property Address:</td>
<td>North Fabens Road at Luttunich Street</td>
<td>0 Celeste Drive</td>
<td>14270 Montana Avenue</td>
<td>15910 Montana</td>
<td>281 North Nevarez Road</td>
<td>13000 North Nevarez Road</td>
</tr>
<tr>
<td>Land Area in Sq. Ft.:</td>
<td>603,920</td>
<td>406,415</td>
<td>856,825</td>
<td>401,188</td>
<td>652,964</td>
<td>435,600</td>
</tr>
<tr>
<td>Corner or Interior Lot:</td>
<td>Interior</td>
<td>Interior</td>
<td>Interior</td>
<td>Interior</td>
<td>Interior</td>
<td>Interior</td>
</tr>
<tr>
<td>Roadway Frontage:</td>
<td>North Fabens Road at Luttunich Street</td>
<td>Gateway Boulevard West</td>
<td>Montana Avenue</td>
<td>Montana Avenue</td>
<td>N Nevarez Road</td>
<td>Pellicano</td>
</tr>
<tr>
<td>Shape of the Tract:</td>
<td>Irregular</td>
<td>Long, Rectangular</td>
<td>Rectangular</td>
<td>Rectangular</td>
<td>Rectangular</td>
<td>Rectangular</td>
</tr>
<tr>
<td>Topography of the Tract:</td>
<td>Generally Level</td>
<td>Generally Level</td>
<td>Generally Level</td>
<td>Average</td>
<td>Average</td>
<td>Average</td>
</tr>
<tr>
<td>Designated Flood Hazard Area:</td>
<td>None Noted</td>
<td>None Noted</td>
<td>None Noted</td>
<td>None Noted</td>
<td>None Noted</td>
<td>None Noted</td>
</tr>
<tr>
<td>Designated Zoning District:</td>
<td>No Zoning</td>
<td>No Zoning</td>
<td>No Zoning</td>
<td>No Zoning</td>
<td>No Zoning</td>
<td>No Zoning</td>
</tr>
<tr>
<td>Intended Use:</td>
<td>Multi-Family</td>
<td>Investment</td>
<td>Residential</td>
<td>Investment</td>
<td>Investment</td>
<td>Investment</td>
</tr>
<tr>
<td>Typical Utilities:</td>
<td>Available</td>
<td>Available</td>
<td>Available</td>
<td>Electricity Only</td>
<td>Available</td>
<td>Available</td>
</tr>
<tr>
<td>SALES DATA:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales Price:</td>
<td>$250,000</td>
<td>$412,000</td>
<td>$140,000</td>
<td>$522,371</td>
<td>$220,000</td>
<td></td>
</tr>
<tr>
<td>Financing Terms:</td>
<td>Cash to Seller</td>
<td>Cash to Seller</td>
<td>Cash to Seller</td>
<td>Cash to Seller</td>
<td>Cash to Seller</td>
<td></td>
</tr>
<tr>
<td>Days on Market:</td>
<td>Unavailable</td>
<td>289</td>
<td>18</td>
<td>3686</td>
<td>83</td>
<td></td>
</tr>
<tr>
<td>Unadjusted Price / SF:</td>
<td>$0.62</td>
<td>$0.48</td>
<td>$0.35</td>
<td>$0.80</td>
<td>$0.51</td>
<td></td>
</tr>
<tr>
<td>Unadjusted Price / AC:</td>
<td>$26,795</td>
<td>$20,946</td>
<td>$15,201</td>
<td>$34,848</td>
<td>$22,000</td>
<td></td>
</tr>
<tr>
<td>ADJUSTMENTS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Similar</td>
<td>Similar</td>
<td>Similar</td>
<td>Similar</td>
<td>Similar</td>
<td>Similar</td>
<td></td>
</tr>
<tr>
<td>Time &amp; Finance:</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Location of Property:</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Similar</td>
<td>Similar</td>
<td>Similar</td>
<td>Superior</td>
<td>Similar</td>
<td>Similar</td>
<td></td>
</tr>
<tr>
<td>Size of the Tract in Acres:</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Shape of the Tract:</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Corner or Frontage:</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Availability of Utilities:</td>
<td>0%</td>
<td>0%</td>
<td>50%</td>
<td>0%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Total Adjustment:</td>
<td>0%</td>
<td>0%</td>
<td>50%</td>
<td>0%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Final Value Indicated:</td>
<td>$26,795</td>
<td>$20,946</td>
<td>$22,802</td>
<td>$34,848</td>
<td>$22,000</td>
<td></td>
</tr>
<tr>
<td>Minimum:</td>
<td>$20,946</td>
<td>Mean:</td>
<td>$25,478</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maximum:</td>
<td>$34,848</td>
<td>Median:</td>
<td>$22,802</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Comparable Land Sale Adjustments

Financing
The subject property is being valued on a cash equivalent basis. Therefore, the comparable sales may need to be adjusted for the impact of financing terms. Downward adjustments for financing terms are generally indicated whenever there is seller financing at below-market interest rates or when they include any other type of favorable financing terms. No adjustments were made for financing.

Economic Trends
Market conditions may change between the time of sale of a comparable property and the date of the appraisal of the subject property. Changing market conditions often result from various causes such as inflation, deflation, changing demand, and changing supply. Time itself is not the cause for the adjustment; it is the change in economic conditions over this period of time that justifies an adjustment. No adjustments were made for economic trends.

Location
An adjustment for location is required if the location of a comparable property is significantly different from that of the subject property. Factors included in such an evaluation are access, desirability, and traffic patterns. While one factor may be superior in a comparable property, the other factors may skew the character of the location, which would result in an overall inferiority. Thus, the appraiser considered all factors when judging one location against another. All of comparable sales are considered to have similar locations.

Land Area / Size
An estimated adjustment is typically made for size when a distinguishable premium, or discount, is paid for a tract due to its size. Typically, the smaller the site the higher the unit cost, and the larger the site the lower the unit cost. However, when you are dealing with parcels that are not developed and will require expensive infrastructure investments, it is preferable to have larger parcels with more lot yield to share infrastructure costs over a greater number of lots. As in all adjustments, the market tends to set the adjustment. All of the comparable sales are similar in size.

Road Frontage
The visibility and access of good frontage, particularly a corner location, can improve the value of property. This is more relative with primary/retail commercial uses, and less of a factor with residential or industrial properties. No adjustments were applied due to road frontage.

Topography
The topography of a property can affect the costs of developing a site making it more expensive to develop and therefore less valuable. Adjustments were not applied due to topography.
Shape
The shape of a property can affect visibility, access and land-to-building ratios which can increase or decrease the value of improvements on a parcel. No adjustments were necessary due to shape.

Depth
The depth of a property can impact the value of a property if it limits or expands the size of the building or buildings that can be developed on the parcel. Adjustments were not applied due to depth.

Sales Comparison Approach Conclusion – Land Valuation
The adjusted values of the comparable properties range from $20,946 to $34,848 per acre, with an average is $25,479.

All of the value indications have been considered, and in the final analysis, the comparables were weighed evenly in arriving at the final estimated per square foot value of $26,000 per acre.

<table>
<thead>
<tr>
<th>As Is Market Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indicated Value per Acre:</td>
</tr>
<tr>
<td>Subject Size:</td>
</tr>
<tr>
<td>Indicated Value:</td>
</tr>
<tr>
<td>Rounded:</td>
</tr>
<tr>
<td>Three Hundred Sixty Thousand Dollars</td>
</tr>
</tbody>
</table>
Final Reconciliation
The process of reconciliation involves the analysis of each approach to value. The quality of data applied, the significance of each approach as it relates to market behavior and defensibility of each approach are considered and weighed. Finally, each is considered separately and comparatively with each other.

Value Indications

<table>
<thead>
<tr>
<th>Cost Approach:</th>
<th>NA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Comparison Approach:</td>
<td>$360,000</td>
</tr>
<tr>
<td>Income Approach:</td>
<td>NA</td>
</tr>
</tbody>
</table>

Sales Comparison Approach
In estimating the market value via the Sales Comparison Approach, the Sales Price per Square Foot technique was utilized. The Sales Price per Square Foot analysis resulted in an estimated value of $360,000.

Value Conclusion
Based on the data and analyses developed in this appraisal, we have reconciled to the following value conclusion(s), as of February 11, 2020, subject to the Limiting Conditions and Assumptions of this appraisal.

Reconciled Value(s):
- Premise: As Is
- Interest: Fee Simple
- Value Conclusion: $360,000
  Three Hundred Sixty Thousand Dollars
Certification Statement
We certify that, to the best of our knowledge and belief:

• The statements of fact contained in this report are true and correct.

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

• We have no present or prospective future interest in the property that is the subject of this report, and have no personal interest with respect to the parties involved.

• We have no bias with respect to the property that is the subject of this report, or to the parties involved with this assignment.

• Our engagement in this assignment was not contingent upon developing or reporting predetermined results.

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

• Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP).

• No one provided significant real property appraisal assistance to the person(s) signing this certification.

• We certify sufficient competence to appraise this property through education and experience, in addition to the internal resources of the appraisal firm.

• The appraiser has performed prior services regarding the subject within the previous three years of the appraisal date. An Appraisal Report was submitted on February 10, 2014 to the current clients.

• Paul G. Zacour has made an inspection of the subject property.

Paul G. Zacour
State Certified General Real Estate Appraiser
Texas No. TX-1322726-G
Texas Appraiser Licensing and Certification Board
P.O. Box 12188 Austin, Texas 78711-2188
Certified General Real Estate Appraiser

Number: TX 1322726 G
Issued: 04/26/2018 Expires: 04/30/2020
Appraiser: PAUL GEORGE ZACOUR

Having provided satisfactory evidence of the qualifications required by the Texas Appraiser Licensing and Certification Act, Texas Occupations Code, Chapter 1103, is authorized to use this title, Certified General Real Estate Appraiser.

Douglas E. Oldmixon
Commissioner
Qualifications of Paul G. Zacour

Zacour and Associates, Inc., El Paso, TX
Zacour & Associates, Inc. is a full service appraisal firm established in 1992. The firm performs both residential and commercial appraisals as well as valuations on all types of commercial projects.

Designations and Licenses
State Certified General Real Estate Appraiser No. TX-1322726-G
New Mexico State Certified General Real Estate Appraiser No. 001163-G
Senior Ad Valorem Tax Consultant Texas License No. 155
Texas Real Estate Broker License No. 285738-06
Approved Analyst Texas Department of Housing and Community Affairs
MAI Candidate No. M930959, Appraisal Institute, Chicago, IL

Formal and Continuing Education
University of Texas at El Paso, Texas, Bachelor of Business Administration, 1984
Double Major: Real Estate and Marketing
Nat 1 USPAP Update & Sales Verification - McKissock - March 2010
Mortgage Fraud - Protect Yourself - New Mexico State University - February 2008
Nat 1 USPAP Update - New Mexico State University - February 2008
Residential Site Valuation and Cost Approach - Appraisal Institute Course - Nov. 2007
PTCE Appraisal Update IX & PTC Legal Issues - June 2006
Residential Case Study - Appraisal Institute Course - April 2006
PT-100 - Principles of Property Tax - July 2005
HBU and Market Analysis - Appraisal Institute Course - April 2005
TP-100 - The Property Tax System - July 2004
Online Analyzing of Operating Expenses - Appraisal Institute Course - April 2004
Uniform Standard of Professional Practice - May 2003
Basic Real Estate Development - Urban Land Institute - Oct 2002
Effective Appraisal Writing - Appraisal Institute - Oct 2002
The Road Less Traveled: Special Purpose Properties - Appraisal Institute - Oct 2001
Pre-Investment Concerns and Considerations - Appraisal Institute - Sept 2001
General Demonstration Appraisal Report Writing - Appraisal Institute - Sept 2000
Preparing/ Presenting Ethical Ad Valorem Valuation - August 2000
Advanced Applications - Appraisal Institute Course 550 - Oct 1999
Internet Search Strategies for Real Estate Appraising - Appraisal Inst. - Jan 1999
Eminent Domain and Condemnation Appraising - Appraisal Institute - June 1998
An Introduction to Oil & Gas Valuation - TAOTP - Feb 1996
Survey of Texas Property Tax Law - TAOTP-Instructor - Jan 1996
Principles of Property Tax Consulting - TAOTP Jan 1994
Real Estate Appraisal Principles - Appraisal Institute Exam 1A1 - March 1991
Basic Valuation Procedures - Appraisal Institute Exam 1A2 - Sept 1986

Professional and Civic Memberships
National Council of Affordable Housing Market Analysts - Associate Member
Texas Association of Property Tax Professionals
Texas Association of Realtors and the Greater El Paso Association of Realtors
Building and Zoning Advisory Committee, City of El Paso
Building and Standards Committee, City of El Paso

128 Thunderbird Drive, Suite E • El Paso, Texas 79912 • Phone 915 581-1141 • Fax 915 581-1168
e-mail: paul@zacour.com
Addenda
Glossary
This glossary contains the definitions of common words and phrases, used throughout the appraisal industry, as applied within this document. Please refer to the publications listed in the Works Cited section below for more information.

Works Cited:

Band of Investment
A technique in which the capitalization rates attributable to components of a capital investment are weighted and combined to derive a weighted-average rate attributable to the total investment. (Dictionary, 5th Edition)

Common Area
1. The total area within a property that is not designed for sale or rental but is available for common use by all owners, tenants, or their invitees, e.g., parking and its appurtenances, malls, sidewalks, landscaped areas, recreation areas, public toilets, truck and service facilities.
2. In a shopping center, the walkways and areas onto which the stores face and which conduct the flow of customer traffic. (ICSC) (Dictionary, 5th Edition)

Common Area Maintenance (CAM)
1. The expense of operating and maintaining common areas; may or may not include management charges and usually does not include capital expenditures on tenant improvements or other improvements to the property.
   - CAM can be a line-item expense for a group of items that can include maintenance of the parking lot and landscaped areas and sometimes the exterior walls of the buildings.
   - CAM can refer to all operating expenses.
   - CAM can refer to the reimbursement by the tenant to the landlord for all expenses reimbursable under the lease. Sometimes reimbursements have what is called an administrative load. An example would be a 15% addition to total operating expenses, which are then prorated among tenants. The administrative load, also called an administrative and marketing fee, can be a substitute for or an addition to a management fee.
2. The amount of money charged to tenants for their shares of maintaining a center's common area. The charge that a tenant pays for shared services and facilities such as electricity, security, and maintenance of parking lots. The area maintained in common by all tenants, such as parking lots and common passages. The area is often
defined in the lease and may or may not include all physical area to be paid for by all tenants. Items charged to common area maintenance may include cleaning services, parking lot sweeping and maintenances, snow removal, security, and upkeep. (ICSC) (Dictionary, 5th Edition)

**Debt Coverage Ratio (DCR)**
The ratio of net operating income to annual debt service (DCR = NOI/Im), which measures the relative ability of a property to meet its debt service out of net operating income; also called debt service coverage ratio (DSCR). A larger DCR indicates a greater ability for a property to withstand a downturn in revenue, providing an improved safety margin for a lender. (Dictionary, 5th Edition)

**Discount Rate**
A yield rate used to convert future payments or receipts into present value; usually considered to be a synonym for yield rate. (Dictionary, 5th Edition)

**Effective Age**
The age of property that is based on the amount of observed deterioration and obsolescence it has sustained, which may be different from its chronological age. (Dictionary, 5th Edition)

**Effective Date**
1. The date on which the analyses, opinion, and advice in an appraisal, review, or consulting service apply.
2. In a lease document, the date upon which the lease goes into effect. (Dictionary, 5th Edition)

**Exposure Time**
1. The time a property remains on the market.
2. The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market. (Dictionary, 5th Edition)

**External Obsolescence**
An element of depreciation; a diminution in value caused by negative externalities and generally incurable on the part of the owner, landlord, tenant. (Dictionary, 5th Edition)

**Extraordinary Assumption**
An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser’s opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis. (USPAP, 2010-2011 ed.) (Dictionary, 5th Edition)

**Fee Simple Estate**
Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the
governmental powers of taxation, eminent domain, police power, and escheat. (Dictionary, 5th Edition)

**Functional Obsolescence**
The impairment of functional capacity of a property according to market tastes and standards. (Dictionary, 5th Edition)

**Functional Utility**
The ability of a property or building to be useful and to perform the function for which it is intended according to current market tastes and standards; the efficiency of a building's use in terms of architectural style, design and layout, traffic patterns, and the size and type of rooms. (The Appraisal of Real Estate, 13th Edition)

**Gross Building Area (GBA)**
Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above-grade area. This includes mezzanines and basements if and when typically included in the region. (Dictionary, 5th Edition)

**Gross Leasable Area (GLA)**
Total floor area designed for the occupancy and exclusive use of tenants, including basements and mezzanines; measured from the center of joint partitioning to the outside wall surfaces. (Dictionary, 5th Edition)

**Highest & Best Use**
The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. Alternatively, the probable use of land or improved property—specific with respect to the user and timing of the use—that is adequately supported and results in the highest present value. (Dictionary, 5th Edition)

**Highest and Best Use of Land or a Site as Though Vacant**
Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements. (Dictionary, 5th Edition)

**Highest and Best Use of Property as Improved**
The use that should be made of a property as it exists. An existing improvement should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one. (Dictionary, 5th Edition)

**Hypothetical Condition**
That which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as
market conditions or trends; or about the integrity of data used in an analysis. (Dictionary, 5th Edition)

**Leased Fee Interest**
A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship (i.e., a lease). (Dictionary, 5th Edition)

**Market Area**
The area associated with a subject property that contains its direct competition. (Dictionary, 5th Edition)

**Market Rent**
The most probably rent that a property should bring is a competitive and open market reflecting all conditions and restrictions of the lease agreement, including permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs). (Dictionary, 5th Edition)

**Market Value**
The major focus of most real property appraisal assignments. Both economic and legal definitions of market value have been developed and refined.

1. The most widely accepted components of market value are incorporated in the following definition: The most probable price that the specified property interest should sell for in a competitive market after a reasonable exposure time, as of a specified date, in cash, or in terms equivalent to cash, under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, for self-interest, and assuming that neither is under duress.

2. Market value is described in the Uniform Standards of Professional Appraisal Practice (USPAP) as follows: A type of value, stated as an opinion, that presumes the transfer of a property (i.e., a right of ownership or a bundle of such rights), as of a certain date, under specific conditions set forth in the definition of the term identified by the appraiser as applicable in an appraisal. (USPAP, 2010-2011 ed.) USPAP also requires that certain items be included in every appraisal report. Among these items, the following are directly related to the definition of market value:
   - Identification of the specific property rights to be appraised.
   - Statement of the effective date of the value opinion.
   - Specification as to whether cash, terms equivalent to cash, or other precisely described financing terms are assumed as the basis of the appraisal.
   - If the appraisal is conditioned upon financing or other terms, specification as to whether the financing or terms are at, below, or above market interest rates and/or contain unusual conditions or incentives. The terms of above—or below—market interest rates and/or other special incentives must be clearly set forth; their contribution to, or negative influence on, value must be described and estimated; and the market data supporting the opinion of value must be described and explained.
3. The following definition of market value is used by agencies that regulate federally insured financial institutions in the United States: The most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and the seller each acting prudently and knowledgeable, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:
   - Buyer and seller are typically motivated;
   - Both parties are well informed or well advised, and acting in what they consider their best interests;
   - A reasonable time is allowed for exposure in the open market;
   - Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
   - The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (12 C.F.R. Part 34.42(g); 55 Federal Register 34696, August 24, 1990, as amended at 57 Federal Register 12202, April 9, 1992; 59 Federal Register 29499, June 7, 1994)

4. The International Valuation Standards Council defines market value for the purpose of international standards as follows: The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion. (International Valuation Standards, 8th ed., 2007)

5. Market value is the amount in cash, or on terms reasonably equivalent to cash, for which in all probability the property would have sold on the effective date of the appraisal, after a reasonable exposure of time on the open competitive market, from a willing and reasonably knowledgeable seller to a willing and reasonably knowledgeable buyer, with neither acting under any compulsion to buy or sell, giving due consideration to all available economic uses of the property at the time of the appraisal. (Uniform Standards for Federal Land Acquisitions) (Dictionary, 5th Edition)

**Marketing Time**
An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of the appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the Standards Board of The Appraisal Foundation and Statement on Appraisal Standards No. 6, “Reasonable Exposure Time in Real Property and Personal Property
Market Value Opinions” address the determination of reasonable exposure and marketing time). (Dictionary, 5th Edition)

**Net Operating Income (NOI)**
The actual or anticipated net income that remains after all operating expenses are deducted from effective gross income but before mortgage debt service and book depreciation are deducted. (Dictionary, 5th Edition)

**Obsolescence**
One cause of depreciation; an impairment of desirability and usefulness caused by new inventions, changes in design, improved processes for production, or external factors that make a property less desirable and valuable for a continued use; may be either functional or external. (Dictionary, 5th Edition)

**Parking Ratio**
A ratio of parking area or parking spaces to an economic or physical unit of comparison. Minimum required parking ratios of various land uses are often stated in zoning ordinances. (Dictionary, 5th Edition)

**Scope of Work**
The type and extent of research and analyses in an assignment. (Dictionary, 5th Edition)

**Stabilized Occupancy**
An expression of the expected occupancy of a property in its particular market considering current and forecasted supply and demand, assuming it is priced at market rent. (Dictionary, 5th Edition)

**Tenant Improvements (TIs)**

**Rentable Area**
For office buildings, the tenant’s pro rata portion of the entire office floor, excluding elements of the building that penetrate through the floor to the areas below. The rentable area of a floor is computed by measuring to the inside finished surface of the dominant portion of the permanent building walls, excluding any major vertical penetrations of the floor. Alternatively, the amount of space on which the rent is based; calculated according to local practice. (Dictionary, 5th Edition)

**Replacement Cost**
The estimated cost to construct, at current prices as of the effective appraisal date, a substitute for the building being appraised, using modern materials and current standards, design, and layout. (Dictionary, 5th Edition)

1. Fixed improvements to the land or structures installed and paid for use by a lessee.
2. The original installation of finished tenant space in a construction project; subject to periodic change for succeeding tenants. (Dictionary, 5th Edition)

**Vacancy and Collection Loss**
A deduction from potential gross income (PGI) made to reflect income reductions due to vacancies, tenant turnover, and non-payment of rent; also called vacancy and credit loss or vacancy and contingency loss. Often
vacancy and collection loss is expressed as a percentage of potential gross income and should reflect the competitive market. Its treatment can differ according to the interest being appraised, property type, capitalization method, and whether the property is at stabilized occupancy. (Dictionary, 5th Edition)