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**APPRAISAL FOR MARKET VALUE  
BEFORE AND AFTER THE ACQUISITION OF RIGHT OF WAY**

**TYPE OF PROPERTY:**  
FREESTANDING RETAIL BUILDING – FORMER WALGREENS  
13,650 S.F. BUILDING AREA



**LOCATED:**  
2415 N. ALVERNON WAY  
TUCSON, PIMA COUNTY, ARIZONA 85712

**EFFECTIVE DATE OF VALUE:**  
NOVEMBER 4, 2020

**PREPARED FOR:**  
CONDEMNATION SUMMIT

**PREPARED BY:**  
STEVEN R. COLE, MAI, SRA  
*CERTIFIED GENERAL REAL  
ESTATE APPRAISER #30130*

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**AERIAL OF SUBJECT PROPERTY—BEFORE ACQUISITION**



***INTEREST TO BE APPRAISED***

The interest appraised is the leased fee estate because the property has a benefit of a lease to Walgreens as of the date of value.

**Leased Fee Estate:**

The interest to be appraised is that interest arising from the leased fee estate. *The Dictionary of Real Estate Appraisal, 6<sup>th</sup> Edition*, by The Appraisal Institute defines the leased fee and fee simple estate as:

*“The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.”*

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***LEASE SUMMARY***

The original lease was signed July 9, 2002, between Bencor/Grant-Alvernon LLC, Landlord, and Walgreens Arizona Drug Co, Tenant. This lease required the construction of the improvements. The lease was to commence July 1, 2003, and to continue to June 30, 2078, a period of 75 years. However, the lease provided the tenant an option to terminate as of the last day of the 300<sup>th</sup> month, or 25 years later. That date will be June 30, 2028.

The lease terms are net of all operating expenses to the landlord, NNN. The lease provides the right to the tenant to sublease the space. The lease has two amendments. Significantly, the Second Amendment states the rent will be \$37,500 per month, plus rental taxes.

By Certified Mail, a letter dated September 10, 2020, from the attorney for Walgreens announced Walgreens intent to terminate the lease because of the condemnation instituted by the City of Tucson. The termination became effective October 10, 2020. There were approximately 7.66 years remaining on the lease before the tenant would have had the opportunity to terminate were it not for condemnation.

To the best of my knowledge, the subject property is not listed for sale as of the date of value. However, the building has been offered for lease by SRS Real Estate for \$11.50 per square foot, with triple net expenses of \$4.19 per square foot, and no tenant improvements allowance.

A Letter of Intent to lease the property, (“LOI”), dated March 21, 2019, was submitted to the property owner by El Rio Healthcare. The terms of the LOI included a five (5) year term with four renewal options of five (5) years each and rent of \$10.00 per square foot, triple net for Years 1-5. The offer also required the landlord to provide \$25.00 per square foot, or \$341,250, for tenant improvements. This equals rent of \$5.00 per square foot over the guaranteed minimum term of five years. The LOI was not accepted by the property owner.

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**LIMITED SITE DATA - BEFORE**

**Location:**

The address for the subject property is 2415 North Alvernon Way, Tucson, Pima County, Arizona. The subject is within the City of Tucson jurisdiction.

**Site Area:**

Prior to the acquisition a survey performed by the City of Tucson reported a site area of 71,759 square feet.

**Access and Visibility:**

The property is located on the north side of Grant Road with access via Haskell Drive (west boundary) and Alvernon Way (east boundary). The intersection of Alvernon Way and Grant Road is signalized, and all adjacent streets are asphalt paved. Access is considered good.

Visibility is considered good, with an average two-way weekday traffic count along Grant Road of 38,000 vehicles at this location. Monument signage is visible at the Alvernon Way access point.

**Utilities:**

All necessary utilities are available to the property.

**Zoning**

The subject property is in the **C-1 Commercial** zoning district for the City of Tucson. This district provides for low-intensity, commercial and other uses that are compatible with adjacent residential uses. Permitted uses include a wide range of retail sales, merchandizing and services, business and professional offices, business schools, medical or dental offices, museums, schools, professional studios, governmental and nonprofit organizations. There is no minimum site area requirement, the maximum residential density is 36 units/acre with a 75% maximum lot coverage. The maximum building height is 25 feet for residences and 30 feet for non-residential uses. The subject is a conforming use under its current zoning.

**Impact on Value:**

The subject property has good visibility and bi-directional access from Grant Road via Haskell Drive (west side of property) and Alvernon Way (east side of property). All access streets are asphalt paved. The intersection of Grant Road and Alvernon Way is signalized.

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**HIGHEST AND BEST USE – BEFORE CONDITION**

**AS IMPROVED**

**Legally Permissible:** Drug store use is a legally permissible use of the subject property in the C-1, Commercial, zoning district, in the City of Tucson. Walgreens vacated the premises in 2015 for undisclosed reasons and the building has been unoccupied since. Continued retail, drug store, medical clinic, or other similar commercial use is legally permissible.

**Physically Possible:** Access is available from Grant Road via Haskell Drive to the west and Alvernon Way to the east. The intersection of Alvernon Way and Grant Road is signalized. The site is outside the 100-year flood hazard area. The surrounding area is improved with restaurants, offices, medical, and mixed commercial uses. With two access points and a daily traffic volume of 38,000 vehicles, retail, drug store, medical clinic, or other similar commercial uses are physically possible with good functional utility.

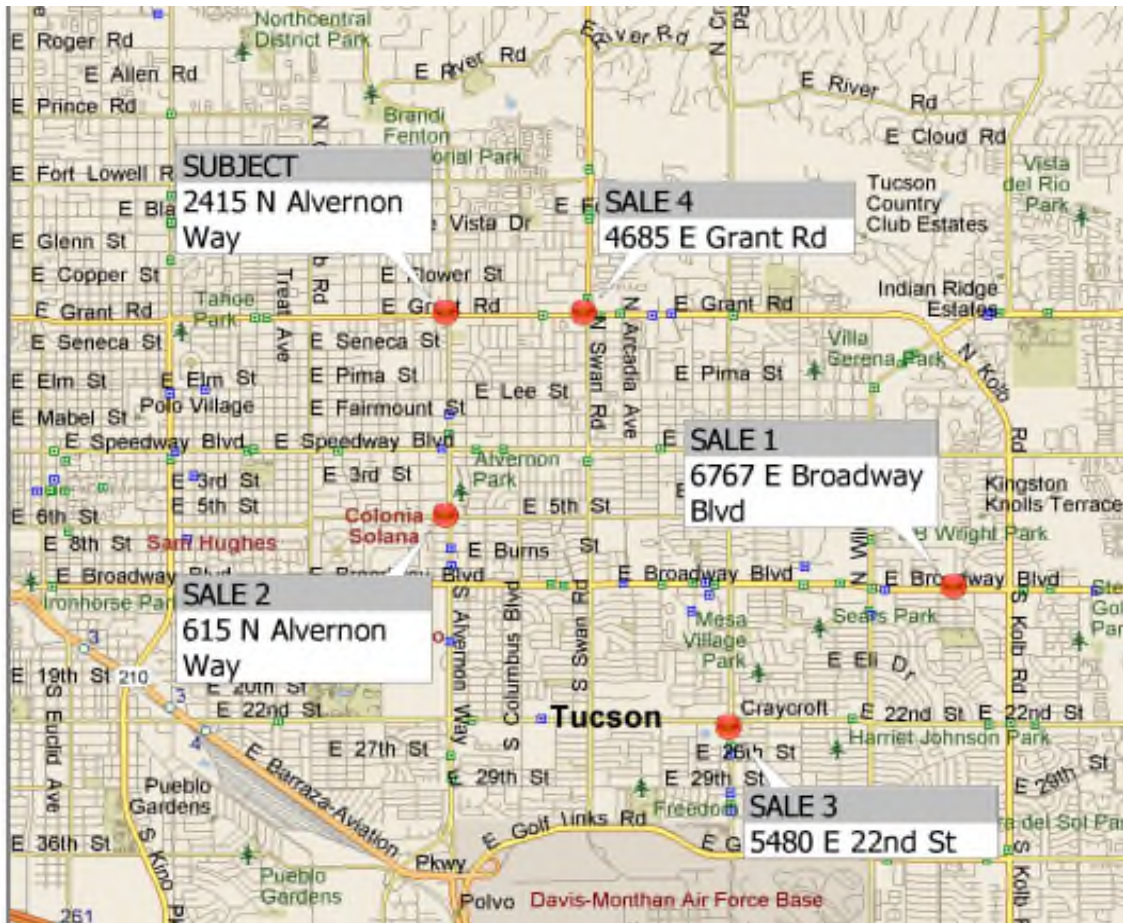
**Financially Feasible:** Given the built-up nature of the surrounding area and the heavy traffic volume on Grant Road, drug store, retail, or medical clinic use at this location can serve a high volume of customers. The surrounding uses indicate good demand for general retail products, drug store, or service businesses. However, there is another Walgreens store one mile east of the subject. A neighborhood Walmart store and Dollar Tree store are across the street to the east, and another Family Dollar store within one-half mile to the west. Absent the Grant Road condemnation, Walgreens was required to fulfill the lease terms by continuing to pay rent of \$37,500 per month until June 30, 2028, the early termination date Walgreens elected to exercise.

Ignoring the benefit of the existing lease, the store closure, and the existence of another Walgreens store one mile away indicate that continued use as a national drug store chain is unlikely. As previously discussed, Walgreens' reasons to close the store are unknown. It is most advantageous to the property owner to continue to receive rents from Walgreens until the early termination date, 25 years after the lease commenced. Thus, the most desirable financially feasible use in the before condition is to continue receiving rents from Walgreens until June 30, 2028, and then release the property to another user.

**Maximally Productive:** The maximally productive and highest and best use is to continue to receive rent from Walgreens under the terms of the lease until June 30, 2028.

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**IMPROVED SALES MAP**



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**COMPARABLE IMPROVED SALE ONE**

<b>COMPARABLE:</b>	<b>IMPROVED COMP 1</b>
PROPERTY NAME:	Walgreens (Part of a Portfolio)
LOCATION:	6767 E. Broadway Blvd
TAX CODE NUMBER:	133-21-158F
RECORDS:	
Instrument:	Special Warranty Deed
Date Recorded:	October 29, 2019
Affidavit of Fee No:	20193020153
SELLER:	Walgreen Arizona Drug Co
BUYER:	WBTUAZ001 LLC
INTEREST CONVEYED:	Leased Fee
TERMS:	Conventional Financing
CONDITIONS OF SALE:	Arm's-length
GROSS LEASABLE AREA (GLA) SQ. FT.:	17,786
SITE SIZE IN SQ. FT.:	90,010
SITE COVERAGE RATIO:	19.8%
PARKING SPACES PROVIDED:	71 spaces
SALE PRICE:	\$5,422,399
SALE PRICE PER GLA SQ. FT.:	\$304.87
OCCUPANCY:	100% Leased Fee (Walgreen's)
NET OPERATING INCOME:	\$266,240
NOI PER SQ. FT.:	\$14.97
CAPITALIZATION RATE (OAR):	4.91%
PHYSICAL DESCRIPTION:	
General Location:	Average - East Tucson
Access / Visibility / Traffic Counts:	Good/Good/46,460 VPD
Topography / Shape:	Level / Irregular
Quality:	Average
Flood Risk:	Zone X
Year Built / Condition:	1997 / Average
ZONING:	C-1, Commercial Zone
THREE YEAR HISTORY:	No prior sales
MARKETING TIME:	111 DOM
CONFIRMED WITH:	Patricia Jacek, Broker for Buyer (847) 730-9330
DATE CONFIRMED:	July-21

COMMENTS:  
This was a portfolio transaction with 23 corporately owned Walgreen's stores across 13 states, all of which are located on hard corner locations. At the time of sale Walgreen's executed a sale/leaseback for all locations, with the 15-year absolute net leases, with a 5% rent increase in years 6 and 11. Twelve 5-year renewal options are also included in the leases.

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I.D. : 21-157-C.1

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**COMPARABLE IMPROVED SALE ONE**  
**6767 E Broadway Boulevard - Front**



**AERIAL VIEW**





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**COMPARABLE IMPROVED SALE TWO**

<b>COMPARABLE:</b>	<b>IMPROVED COMP 2</b>
PROPERTY NAME:	CVS Drug Store
LOCATION:	615 N. Avernon Way
TAX CODE NUMBER:	125-11-251A
RECORDS:	
Instrument:	Warranty Deed
Date Recorded:	December 19, 2019
Affidavit of Fee No:	20193530026
SELLER:	Horwitch Brothers Number Two
BUYER:	Cohen Arizona, LLC
INTEREST CONVEYED:	Leased Fee
TERMS:	Cash to Seller
CONDITIONS OF SALE:	Arm's-length
GROSS LEASABLE AREA (GLA) SQ. FT.:	14,889
SITE SIZE IN SQ. FT.:	69,488
SITE COVERAGE RATIO:	21.4%
PARKING SPACES PROVIDED:	72 spaces
SALE PRICE:	\$4,050,000
SALE PRICE PER GLA SQ. FT.:	\$272.01
OCCUPANCY:	100% Tenant - CVS
NET OPERATING INCOME:	\$268,920
NOI PER SQ. FT.:	\$18.06
CAPITALIZATION RATE (OAR):	6.64%
PHYSICAL DESCRIPTION:	
General Location:	Good - Central Tucson
Access / Visibility / Traffic Counts:	Good/Avg/32,691 VPD
Topography / Shape:	Level / Mostly Rectangular
Quality:	Average
Flood Risk:	Zone X
Year Built / Condition:	2002 / Average
ZONING:	C-1, Commercial Zone
THREE YEAR HISTORY:	No prior sales
MARKETING TIME:	162 DOM
CONFIRMED WITH:	Public Records; CoStar
DATE CONFIRMED:	July-21
COMMENTS:	
Call to listing agent was unreturned. Buyer is an out of state investor and did not return phone calls.	

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I.D. : 21-157-C.2

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**COMPARABLE IMPROVED SALE TWO**  
**615 N Alvernon Way**



**AERIAL VIEW**



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**COMPARABLE IMPROVED SALE THREE**

<b>COMPARABLE:</b>	<b>IMPROVED COMP 3</b>
PROPERTY NAME:	Walgreens
LOCATION:	5480 E. 22nd St
TAX CODE NUMBER:	131-01-013E
RECORDS:	
Instrument:	Special Warranty Deed
Date Recorded:	July 17, 2020
Affidavit of Fee No:	20201990520
SELLER:	Shapiro Family Tucson LLC
BUYER:	SRMM Investment LLC
INTEREST CONVEYED:	Leased Fee
TERMS:	Private financing
CONDITIONS OF SALE:	NNN
GROSS LEASABLE AREA (GLA) SQ. FT.:	14,560
SITE SIZE IN SQ. FT.:	57,499
SITE COVERAGE RATIO:	25.3%
PARKING RATIO (SPACES/1,000 SF)	4.60
SALE PRICE:	\$4,100,000
SALE PRICE PER GLA SQ. FT.:	\$281.59
OCCUPANCY (ATOS):	100%
NET OPERATING INCOME:	\$369,820
NOI PER SQ. FT.:	\$25.40
CAPITALIZATION RATE (OAR):	9.02%
PHYSICAL DESCRIPTION:	
General Location:	Good - East Tucson
Access / Visibility / Traffic Counts:	Good/Good/73,000 VPD
Topography / Shape:	Level / Irregular
Quality:	Good
Flood Risk:	Zone X
Year Built / Condition:	2004 / Average
ZONING:	C-1, Commercial Zone
THREE YEAR HISTORY:	No prior sales
MARKETING TIME:	113 DOM
CONFIRMED WITH:	Christopher Lind, Listing Broker, Marcus & Millichap (602) 687-6700
DATE CONFIRMED:	July-21
COMMENTS:	
This property sold with a sub-lease to Dollar Tree negotiated by Walgreen's. The terms of the sublease to Dollar Tree were not available. At the time of sale, there were 9 years, 2 months remaining on the Walgreen's lease, with ten 5-year options. There were no rent increases.	

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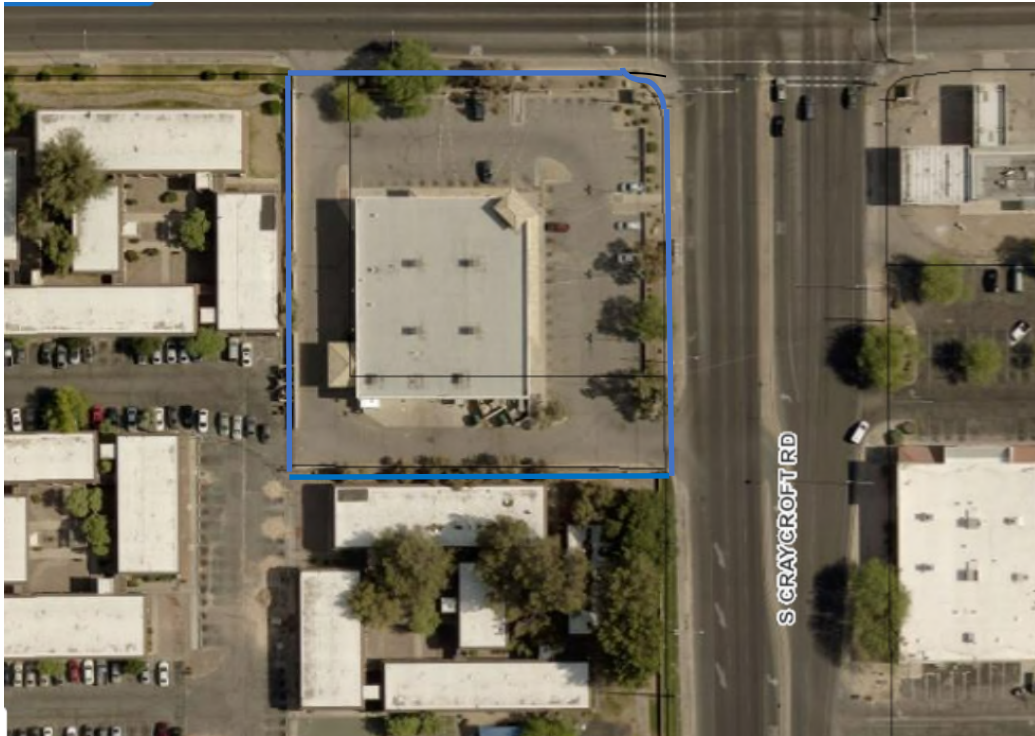
I.D. : 21-157-C.3

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**COMPARABLE IMPROVED SALE THREE**  
**6480 E 22<sup>nd</sup> Street**



**AERIAL VIEW**



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**COMPARABLE IMPROVED SALE FOUR**

<b>COMPARABLE:</b>	<b>IMPROVED COMP 4</b>
PROPERTY NAME:	Walgreens
LOCATION:	4685 E. Grant Rd
TAX CODE NUMBER:	110-08-305E
RECORDS:	
Instrument:	Special Warranty Deed
Date Recorded:	November 18, 2020
Affidavit of Fee No:	20203230862
SELLER:	DS Tucson AZ Landlord LLC
BUYER:	Logit LLC and Silmit LLC
INTEREST CONVEYED:	Leased Fee
TERMS:	Conventional financing
CONDITIONS OF SALE:	NNN
GROSS LEASABLE AREA (GLA) SQ. FT.:	15,608
SITE SIZE IN SQ. FT.:	67,128
SITE COVERAGE RATIO:	23.3%
PARKING SPACES PROVIDED	67 spaces
SALE PRICE:	\$7,396,226
SALE PRICE PER GLA SQ. FT:	\$473.87
OCCUPANCY:	100% Walgreen's
NET OPERATING INCOME:	\$392,000
NOI PER SQ. FT.:	\$25.12
CAPITALIZATION RATE (OAR):	5.30%
PHYSICAL DESCRIPTION:	
General Location:	Good - East Tucson
Access / Visibility / Traffic Counts:	Good/Good/35,771 VPD
Topography / Shape:	Level / Irregular
Quality:	Good
Flood Risk:	Zone X
Year Built / Condition:	1997 / Good
ZONING:	C-1, Local Commercial
THREE YEAR HISTORY:	Sold for \$73,013,290 on 4/28/2020 as part of a portfolio sale with 15 properties.
MARKETING TIME:	190 DOM
CONFIRMED WITH:	Greg Peters, Truist Bank, Seller (314) 974-4448
DATE CONFIRMED:	July-21
COMMENTS:	
Seller extended the lease for 15 years at \$32,978 per month. 5% increases in years 6 and 11.	

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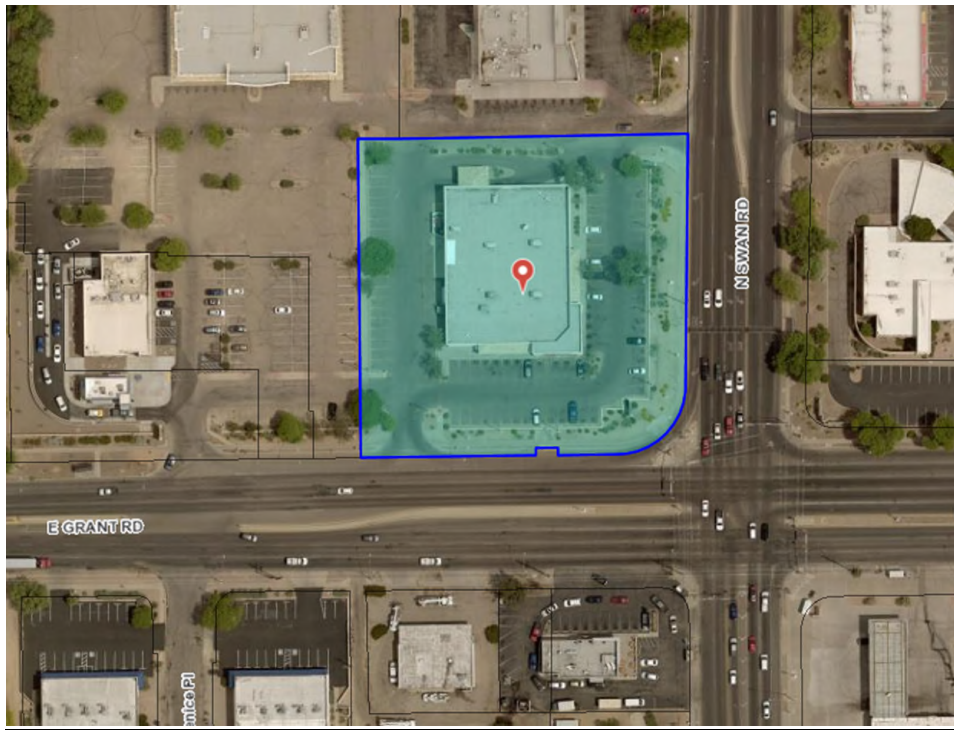
I.D. : 21-157-C.4

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**COMPARABLE IMPROVED SALE FOUR**  
**4685 E Grant Road**



**AERIAL VIEW**



## IMPROVED SALES ADJUSTMENT MATRIX - BEFORE

ELEMENTS OF COMPARISON	SUBJECT	IMPROVED COMP 1		IMPROVED COMP 2		IMPROVED COMP 3		IMPROVED COMP 4	
	2514 N. Alvernon Way	6767 E. Broadway Blvd	Price / sq ft Adjustments	615 N. Avernon Way	Price / sq ft Adjustments	5480 E. 22nd St	Price / sq ft Adjustments	4685 E. Grant Rd	Price / sq ft Adjustments
SALE PRICE / PER SQUARE FOOT	---	\$5,422,399	\$304.87	\$4,050,000	\$272.01	\$4,100,000	\$283.11	\$7,396,226	\$473.87
TENANCY	Walgreens	Walgreens (Part of a Portfolio)		CVS Drug Store		Walgreens		Walgreens	
NOI Per SF	---	\$14.97		\$18.06		\$25.54		\$25.31	
OAR	---	4.91%		6.64%		9.02%		5.34%	
PROPERTY RIGHTS CONVEYED	Leased Fee	Leased Fee		Leased Fee		Leased Fee		Leased Fee	
Adjustment		0%	\$0.00	0%	\$0.00	0%	\$0.00	0%	\$0.00
			\$304.87		\$272.01		\$283.11		\$473.87
FINANCING TERMS	Assume Cash to Seller	Conventional Financing		Cash to Seller		Private financing		Conventional financing	
Adjustment		0%	\$0.00	0%	\$0.00	0%	\$0.00	0%	\$0.00
			\$304.87		\$272.01		\$283.11		\$473.87
CONDITIONS OF SALE	Assume Arm's-length	Arm's-length		Arm's-length		Arm's Length		Arms Length	
Adjustment		0%	\$0.00	0%	\$0.00	0%	\$0.00	0%	\$0.00
			\$304.87		\$272.01		\$283.11		\$473.87
MARKET CONDITIONS (TIME)	November 4, 2020	October 29, 2019		December 19, 2019		July 17, 2020		November 18, 2020	
Adjustment	Date of Value	1%	\$3.05	1%	\$2.72	0%	\$0.00	0%	\$0.00
<b>ADJUSTED SALE PRICE PER SF</b>			<b>\$307.92</b>		<b>\$274.73</b>		<b>\$283.11</b>		<b>\$473.87</b>
LOCATION	Average / Central / Vacant	Average / East / Walgreens		Good - Central Tucson		Average - Central Tucson		Good - Central Tucson	
General/Tenancy	Good/Good/64,000 VPD	Good/Good/46,460 VPD		Good/Avg/32,691 VPD		Good/Good/73,000 VPD		Good/Good/73,000 VPD	
Adjustment		0	0	+	+	0	0	0	0
PHYSICAL CHARACTERISTICS	13,650	17,786		14,889		14,482		15,608	
GLA in Square Feet (Size)		+	+	0	0	0	0	0	0
Adjustment									
Construction / Quality / Appeal	Masonry / Class C, Average	Average		Average		Average		Average	
Adjustment		0	0	0	0	0	0	0	0
Year Built / Renovated / Condition	2003 / Average	1997 / Average		2002 / Average		2004 / Average		1997 / Good	
Adjustment		0	0	0	0	0	0	-	-
Site Coverage Ratio / Parking Ratio	19.02% / 5.2 per 1,000 SF	19.8% / 4.0		21.4% / 4.8		36.4% / 4.8		23.3% / 4.3	
Adjustment		+	+	+	+	+	+	+	+
Tenancy / Remaining Term	National Oper. / 7.7 Yrs. (Assume)	National Oper. / ±14 Yrs.		National Oper. / ±3 Yrs.		National Oper. / ±9 Yrs.		National Oper. / ±15 Yrs.	
Adjustment		-	-	+	+	0	0	-	-
Economic Characteristics (NOI)	\$33.00 PSF	\$15.00		\$18.06		\$25.54		\$25.31	
Adjustment		+	+	+	+	+	+	+	+
<b>ADJUSTED SALE PRICE / SF</b>		<b>LESS THAN</b>	<b>\$307.92</b>	<b>GREATER THAN</b>	<b>\$274.73</b>	<b>EQUAL TO</b>	<b>\$283.11</b>	<b>LESS THAN</b>	<b>\$473.87</b>

**Conclusion Improved Sales Analysis:** The unadjusted price per square foot range from the comparable sales is from \$272.01 to \$473.87. After qualitative adjustments for the strengths and weaknesses of each comparable sale, the adjusted value range is greater than \$274.73 and less than \$473.87 per square foot.

Sale One has 14 years remaining on the Walgreens lease, and Sale Four has about 15 years remaining. The superior remaining term for these sales is a significant value factor. Thus, the subject's value is significantly less than Sales One and Four. Sale Two has lower rent and fewer years remaining on the CVS lease. The subject value should be greater than Sale Two. Sale Three has lower rent, but a slightly longer remaining term of about 9 years. These factors are considered offsetting. Thus, the subject value should be like Sale Three. Strongest weight is given to Sales Two and Three greater similarities. Based on the foregoing data and analysis, it is my opinion that the "as is" value of the subject property, indicated through the Sales Comparison Approach, in the before condition, is approximately \$280.00 per square foot, as calculated below:

$$\$280/\text{SF} \times 13,650 \text{ SF} = \$3,822,000$$

Rounded to \$3,820,000

**"AS IS" MARKET VALUE FOR THE SUBJECT INDICATED THROUGH THE SALES COMPARISON APPROACH, IN THE BEFORE CONDITION..... \$3,820,000**

**MARKET VALUE OPINION FOR THE PART TO BE ACQUIRED ..... \$93,148**

**VALUE OF THE IMPROVEMENTS WITHIN AREA TO BE ACQUIRED.....\$47,392**

***VALUATION – REMAINDER AS PART OF THE WHOLE***

Market Value of the Subject, Before Condition:	\$3,820,000
Value of Right of Way to be Acquired:	(\$93,148)
Site Improvements to be Acquired	<u>(\$47,392)</u>
<b>Value of the Remainder, as Part of the Whole,</b>	<b>\$3,679,460</b>



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### ***PHYSICAL EFFECTS OF THE ACQUISITION***

Grant Road is being widened to six lanes with a center median at the intersection of Alvernon Way and Grant Road. New and wider sidewalks will be added, more signalized crosswalks, improved bicycle lanes, and enhanced landscaping. The new median will prevent bi-direction access to the subject from east bound Grant Road traffic and via Haskell Drive at the subject's western boundary. There will be an indirect left turn at Alvernon Way, which means that eastbound traffic will have to go beyond Alvernon Way to make a U-turn to gain access to the subject via Alvernon Way. A depiction of the Grant Road and Alvernon Way intersection, after the project is complete, is provided on Page 126. Any increased circuitry of access is not compensable if access remains "suitable."

The site after the acquisition is about 7% smaller than before the acquisition, and there are 14 parking spaces in the area to be acquired that cannot be re-located within the remainder. There are otherwise no physical impairments to the subject property after the project is complete.

The part to be acquired for the new right of way project is an irregular-shaped strip of land that borders Grant Road, comprised of 5,035 square feet. The remainder, comprised of 66,724 square feet, is sufficient for commercial or retail uses. The City of Tucson project includes a widening of Grant Road, sidewalks, bicycle lanes, indirect left turns, and a median. The current bus pull-out may also need to be moved.

The new right of way will diminish the physical size of the overall parcel and reduce the number of parking spaces by 14 spaces. Given the high traffic volume at this location, the loss of 14 parking spaces may result in a loss of business, which may cause an operator to negotiate a lower rent. The overall utility of the site and improvements is impacted by the acquisition due to reduced availability of parking spaces.

The loss of 14 spaces makes the property a legal non-conforming use since 57 spaces does not comply with the requirement of 69 spaces. The area to be acquired has an impact on the remainder in the form of lower rent due to the fewer number of parking spaces available during peak hours. If adequate parking is not available, customers may go elsewhere. While the impact will not be felt 24 hours a day, there may be some loss of business during hours of peak traffic. As such, the lease rate could be reduced although no evidence of that could be extracted from market sales or leases. The acquisition does not significantly impact the shape or size of the subject remainder.

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## ***VALUATION – REMAINDER AFTER THE ACQUISITION***

### **Highest & Best Use Analysis After the Acquisition**

In the after condition, the legally permissible use remains the same as in the before condition. The size of the site in the after condition remains adequate for a commercial use. Thus, there is no change in the legally permissible or physically possible use in the after condition.

The financially feasible use remains for commercial use. Changes in traffic patterns (reduction or re-routing of traffic volumes) are not compensable according to *Real Property Valuation in Condemnation* published by the *Appraisal Institute, 2018, Page 189*. Circuity of travel and diversion of traffic are not compensable. “Suitable” access must remain, and I believe such in the case for the subject property. However, the loss of parking capacity has the potential for reducing value if, during peak business hours, there is insufficient parking to accommodate customers.

### ***VALUATION AFTER THE ACQUISITION - SALES COMPARISON APPROACH***

After the acquisition, the highest and best use of the subject property, as improved, is continued retail use. The size of the remainder parcel is sufficient for the continued commercial/retail use of the improvements. However, since Walgreens closed operations at this location in 2015, it is unlikely that the subject improvements will attract a national pharmacy like Walgreens. The net loss of 14 parking spaces raises the Site Coverage Ratio to 20.5%. The reduced number of available spaces may impact customer volume during peak hours. Since drug stores are typically rented as a triple net investment, the rent amount is related indirectly to potential sales volume generated at a specific location. A buyer would be willing to pay more for a property that can generate a high volume of sales. However, I have been unable to isolate a loss in value due to a somewhat lower parking ratio.

Here follow the comparable sales used to value the property in the “after” condition.

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**COMPARABLE:**

PROPERTY NAME:  
LOCATION:  
TAX CODE NUMBER:  
RECORDS:

Instrument:  
Date Recorded:  
Affidavit of Fee No:

SELLER:

BUYER:

INTEREST CONVEYED:

TERMS:

CONDITIONS OF SALE:

GROSS LEASABLE AREA (GLA) SQ.  
FT.:

SITE SIZE IN SQ. FT.:

SITE COVERAGE RATIO:

PARKING SPACES PROVIDED:

SALE PRICE:

**SALE PRICE PER GLA SQ. FT.:**

OCCUPANCY:

NET OPERATING INCOME:

NOI PER SQ. FT.:

CAPITALIZATION RATE (OAR):

PHYSICAL DESCRIPTION:

General Location/Tenancy:

Access / Visibility / Traffic Counts:

Topography / Shape:

Quality:

Flood Risk:

Year Built / Condition:

ZONING:

THREE YEAR HISTORY:

MARKETING TIME:

CONFIRMED WITH:

DATE CONFIRMED:

COMMENTS:

This was a portfolio transaction with two Window Depot properties in Tucson. Upon the sale, the tenant renewed the lease for 10 years, to expire in February 2027, with 2% annual escalations.

**IMPROVED COMP 1**

Window Depot  
5123 E Speedway Blvd  
121-12-060C; -058D; -061E; -4690

Special Warranty Deed

March 8, 2017

2017-0670575

Solar Industries, Inc.

Scar Family Trust dated January 4, 1978

Leased Fee

Conventional Financing

Arm's-length

13,164

41,382

31.8%

63 spaces (per CoStar)

4.78 parking ratio per 1,000 SF GBA

\$2,640,000

**\$200.55**

100% Leased Fee (Window Depot)

\$184,300

\$14.00

6.98%

Average / Central / Window Depot

Good/Good/40,062 VPD

Level / Irregular

Average

Zone X

2011 / Average

C-2, Commercial Zone

No prior sales

442 DOM

Stephen Cohen, CW/Picor (520) 546-2750

July-21

VIEW OF PROPERTY



VIEW OF AERIAL



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**COMPARABLE:**

PROPERTY NAME:

LOCATION:

TAX CODE NUMBER:

RECORDS:

Instrument:

Date Recorded:

Affidavit of Fee No:

SELLER:

BUYER:

INTEREST CONVEYED:

TERMS:

CONDITIONS OF SALE:

GROSS LEASABLE AREA (GLA) SQ.  
FT.:

SITE SIZE IN SQ. FT.:

SITE COVERAGE RATIO:

PARKING SPACES PROVIDED:

SALE PRICE:

**SALE PRICE PER GLA SQ. FT:**

OCCUPANCY:

NET OPERATING INCOME:

NOI PER SQ. FT.:

CAPITALIZATION RATE (OAR):

PHYSICAL DESCRIPTION:

General Location:

Access / Visibility / Traffic Counts:

Topography / Shape:

Quality:

Flood Risk:

Year Built / Condition:

ZONING:

THREE YEAR HISTORY:

MARKETING TIME:

CONFIRMED WITH:

DATE CONFIRMED:

COMMENTS:

**IMPROVED COMP 2**

Dollar General

3436 N Country Club Rd

111-03-085C

125-11-251A

Special Warranty Deed

April 25, 2019

2019-1150163

EPDG, LLC (Edwin Praver)

Rayner Family Trust

Leased Fee

Cash

Arm's-length

8,978

35,380

25.4%

45 spaces

5.01 Parking Ratio Per 1,000 SF GBA

\$1,670,000

**\$186.01**

100% Tenant - Dollar General

\$107,548

\$11.98

6.44%

Average - Central

Avg/Below Avg/16,135 VPD

Level / Rectangular

Below Avg

Zone X

2014 / Avg

C-1, Commercial Zone

Sold 3/14 for \$1,721,244

45 DOM

Mike Schulte (520) 885-5900

July-21

None

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VIEW OF PROPERTY



VIEW OF AERIAL



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**COMPARABLE:**

PROPERTY NAME:

LOCATION:

TAX CODE NUMBER:

RECORDS:

Instrument:

Date Recorded:

Affidavit of Fee No:

SELLER:

BUYER:

INTEREST CONVEYED:

TERMS:

CONDITIONS OF SALE:

GROSS LEASABLE AREA (GLA) SQ. FT.:

SITE SIZE IN SQ. FT.:

SITE COVERAGE RATIO:

PARKING SPACES PROVIDED

SALE PRICE:

**SALE PRICE PER GLA SQ. FT.:**

OCCUPANCY:

NET OPERATING INCOME:

NOI PER SQ. FT.:

CAPITALIZATION RATE (OAR):

PHYSICAL DESCRIPTION:

General Location:

Access / Visibility / Traffic Counts:

Topography / Shape:

Quality:

Flood Risk:

Year Built / Condition:

ZONING:

THREE YEAR HISTORY:

MARKETING TIME:

DATE CONFIRMED:

COMMENTS:

This property sold with a lease to Family Dollar. According to CoStar, the cap rate was 8.94%, which results in a net operating income of \$115,865. The remaining term is undisclosed.

**IMPROVED COMP 3**

Family Dollar

3607 E Grant Road

111-08-4680

Special Warranty Deed

January 10, 2020

2020-0100681

WFDS-AZ.1, LLC

3625 Impulso LLC

Leased Fee

Conventional financing

Arm's Length

8,706

36,386

23.9%

50 spaces

5.74 Parking Ratio per 1,000 SF GBA

\$1,075,700

**\$123.56**

100% Family Dollar

\$96,168

\$11.05

8.94%

Average - Central Tucson

Avg/Avg/44,163 VPD

Level / Rectangular

Below Average

Zone X

1998 / Below Avg

C-2, Commercial

No prior sales

159 DOM

July-21

VIEW OF PROPERTY



VIEW OF AERIAL





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<b>COMPARABLE:</b>	<b>IMPROVED COMP 4</b>
PROPERTY NAME:	Walgreens
LOCATION:	7877 E Snyder Rd 114-14-003H 110-08-305E
TAX CODE NUMBER:	
RECORDS:	
Instrument:	Under Contract
Date Recorded:	N/A
Affidavit of Fee No:	N/A
SELLER:	Sabino Ventures, LLC
BUYER:	Not Disclosed
INTEREST CONVEYED:	Leased Fee
TERMS:	Assume Conventional Financing
CONDITIONS OF SALE:	Assume Arm's Length
GROSS LEASABLE AREA (GLA) SQ. FT.:	14,944
SITE SIZE IN SQ. FT.:	87,086
SITE COVERAGE RATIO:	17.2%
PARKING SPACES PROVIDED	90 spaces (per Co-Star) 6.02 Parking Ratio per 1,000 SF GBA
ASKING PRICE:	\$2,923,000
<b>SALE PRICE PER GLA SQ. FT.:</b>	<b>\$195.60</b>
OCCUPANCY:	100% Walgreens
NET OPERATING INCOME:	\$232,379
NOI PER SQ. FT.:	\$15.55
CAPITALIZATION RATE (OAR):	7.95%
PHYSICAL DESCRIPTION:	
General Location:	Good / Corner /North Tucson
Access / Visibility / Traffic Counts:	Good/Avg/13,500 VPD (Snyder & Sabino Canyon
Topography / Shape:	Level / Irregular
Quality:	Average
Flood Risk:	Zone X
Year Built / Condition:	2001 / Good
ZONING:	CB-2
THREE YEAR HISTORY:	Sold new in August 2011 for \$4,140,265
MARKETING TIME:	190 DOM
CONFIRMED WITH:	Greg Peters, Truist Bank, Seller (314) 974-4448
DATE CONFIRMED:	July-21
COMMENTS:	
Affluent neighborhood with median household income of \$94,252.	

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**SALES COMPARISON APPROACH ANALYSIS – AFTER CONDITION**

**IMPROVED SALES ADJUSTMENT MATRIX - AFTER**

ELEMENTS OF COMPARISON	SUBJECT	IMPROVED COMP 1		IMPROVED COMP 2		IMPROVED COMP 3		IMPROVED COMP 4	
	2514 N. Alvernon Way	5123 E.Speedway Blvd	Price / sq ft Adjustments	3436 N. Country Club Rd	Price / sq ft Adjustments	3607 E Grant Rd	Price / sq ft Adjustments	7877 E. Synder Rd	Price / sq ft Adjustments
SALE PRICE / PER SQUARE FOOT	---	\$2,640,000	\$304.87	\$1,670,000	\$186.01	\$1,075,700	\$283.11	\$2,923,000	\$195.60
TENANCY	Vacant	Window Depot		Dollar General		Family Dollar		Walgreens	
NOI Per SF	---	\$14.00		\$11.98		\$11.05		\$12.71	
OAR	---	6.98%		6.44%		8.94%		6.50%	
PROPERTY RIGHTS CONVEYED	Leased Fee	Leased Fee		Leased Fee		Leased Fee		0	
Adjustment		0%	\$0.00	0%	\$0.00	0%	\$0.00	0%	\$0.00
			\$304.87		\$186.01		\$283.11		\$195.60
FINANCING TERMS	Assume Cash to Seller	Conventional Financing		Cash		Cash to Seller		Assume Conventional Fin.	
Adjustment		0%	\$0.00	0%	\$0.00	0%	\$0.00	0%	\$0.00
			\$304.87		\$186.01		\$283.11		\$195.60
CONDITIONS OF SALE	Assume Arm's-length	Arm's-length		Arm's-length		Arm's-length		Assume Arm's-length	
Adjustment		0%	\$0.00	0%	\$0.00	0%	\$0.00	0%	\$0.00
			\$304.87		\$186.01		\$283.11		\$195.60
MARKET CONDITIONS (TIME)	November 4, 2020	March 8, 2017		April 25, 2019		January 6, 2020		Listing	
Adjustment	Date of Value	3%	\$9.15	1%	\$1.86	1%	\$2.83	0%	\$0.00
<b>ADJUSTED SALE PRICE PER SF</b>			<b>\$314.02</b>		<b>\$187.87</b>		<b>\$285.94</b>		<b>\$195.60</b>
LOCATION	Average / Central / Vacant	Average/Central/Window Depot		Average/Central/2nd Gen		Average - Central Tucson		Good/North/Walgreens	
General/Tenancy	Good/Good/64,000 VPD	Avg/Good/40,062 VPD	0	Avg/Below Avg/16,135 VPD	+	BelowAvg/Avg/45,000	+	Good/Avg/13,500 VPD	-
Access/Visibility/Traffic Counts			0		+		+		-
Adjustment			0		+		+		-
PHYSICAL CHARACTERISTICS	13,650	13,164	0	8,978	-	9,180	-	14,944	0
GLA in Square Feet (Size)			0		-		-		0
Adjustment			0		-		-		0
Construction / Quality / Appeal	Masonry / Class C, Average	Masonry/Class C/Average	0	Metal / Class S/BelowAverage	+	Metal / Class S / BelowAvg	+	Masonry / Class C / Average	0
Adjustment			0		+		+		0
Year Built / Renovated / Condition	2003 / Average	2011/Average	0	2014/Average	0	1998 / Fair	+	2001/Good	-
Adjustment			0		0		+		-
Site Coverage Ratio / Parking Ratio	20.46% / 4.18 per 1,000 SF	31.8% / 4.78	+	25.4%/5.01	0	25.2% / 5.45	0	17.2%/6.02	-
Adjustment			+		0		0		-
Tenancy / Remaining Term	2nd Gen / 7.7 Yrs	National Oper. / ±7 Yrs.	-	Discount Store / 7 Yrs	0	Discount Store / ±5 Yrs	0	National Oper. / ±5 Yrs.	-
Adjustment			-		0		0		-
Economic Characteristics (Rent)	\$11.00 - Asking	\$14.00	-	\$11.98	-	\$10.61	-	\$12.71	-
Adjustment	NNN		-		-		-		-
<b>ADJUSTED SALE PRICE / SF</b>		<b>LESS THAN</b>	<b>\$314.02</b>	<b>LESS THAN</b>	<b>\$187.87</b>	<b>LESS THAN</b>	<b>\$285.94</b>	<b>LESS THAN</b>	<b>\$195.60</b>

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**Conclusion Improved Sales Analysis – After:**

The unadjusted price per square foot range from the comparable sales is from \$186.01 to \$304.87. After quantitative adjustments for market conditions, the adjusted values range from \$187.87 to \$314.02. After qualitative adjustments for the strengths and weaknesses of each comparable sale, the adjusted value range is less than \$187.87 per square foot.

The superior lease status for the comparable sales is a significant value factor. Thus, the subject’s value is significantly less than Sales One and Three and less than Sales Two and Four because an actual contract rent for the subject is uncertain.

Based on the foregoing data and analysis, it is my opinion that the “as is” value of the subject property, indicated through the Sales Comparison Approach, in the after condition, without the Walgreens lease, is approximately \$120.00 per square foot, as calculated below:

$$\begin{aligned} \$120/\text{SF} \times 13,650 \text{ SF} &= \$1,638,000 \\ &\text{Rounded to } \$1,600,000 \end{aligned}$$

**MARKET VALUE FOR THE SUBJECT INDICATED  
THROUGH THE SALES COMPARISON APPROACH  
IN THE AFTER CONDITION.....\$1,600,000**

***SEVERANCE DAMAGES***

Due to the condemnation action, Walgreens was afforded the right to an immediate termination of the lease that would not have otherwise terminated until June 30, 2028.

In eminent domain valuation, severance damages can be part of just compensation, measured as the difference between the value of the remainder as part of the whole and the value of the remainder after the acquisition.

After the project is completed, access will be somewhat more circuitous because of the median prohibiting direct access into the subject from east bound Grant Road traffic and the indirect left turn at Alvernon Way. However, as an exercise of the police power and believing that access after construction of the road improvements remains suitable, those actions are believed not compensable. The smaller site, increasing the site coverage ratio, and reducing parking spaces, may reduce the market value of the subject property

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and may reduce the potential rent that a buyer could receive. However, I was unable to find quantitative support in the market for this condition.

As previously discussed, the market value of the subject property after the acquisition, is \$1,600,000. Therefore, severance damages accrue in the amount of \$2,079,460, as follows:

“Value of the Remainder, as part of the Whole	\$3,679,460
“As Is” Market Value, After the Acquisition	<u>\$1,600,000</u>
Severance Damages	\$2,079,460

**SEVERANCE DAMAGES..... \$2,079,460**

**Special Benefits:**

Consideration must be given to special benefits since severance damages accrue to the owner. Special benefits that are created because of the project are considered to offset severance damages. In the case of the subject property, in the after condition there is a general benefit to the surrounding properties from the improved traffic flow for the neighborhood that will be provided by the new traffic interchange. This is a general benefit to surrounding properties and is not specific to the subject property. Thus, no special benefits accrue to the subject.

***TOTAL AWARD***

The total award is the sum of the value of the part to be acquired, plus site improvements to be acquired, plus severance damages, plus cost to cure.

Land to be Acquired for New Right of Way	\$93,148
Site Improvements to be Acquired	\$47,392
Severance Damages	\$2,079,460
Special Benefits	\$0
<b>Total Award</b>	<b>\$2,220,000</b>