



Valbridge
PROPERTY ADVISORS

Appraisal Report

Carnahan Road Land
228 S. Carnahan Road
Spokane Valley, Spokane County, Washington 99212

Report Date: January 23, 2024



FOR:

Goodale & Barbieri Company
Mr. Bob Spooner
RE Provider for the City of Spokane Valley
818 W. Riverside Avenue, Suite 300
Spokane, Washington 99201

Valbridge Property Advisors | Inland Pacific Northwest

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Valbridge File Number:
WA03-24-0010-000



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January 23, 2024

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Mr. Bob Spooner
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Goodale & Barbieri Company
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Spokane, Washington 99201

RE: Appraisal Report
Carnahan Road Land
228 S. Carnahan Road
Spokane Valley, Spokane County, Washington 99212

Dear Mr. Spooner:

At your request, we appraised the above referenced property to form an opinion of the Market Value of the Fee Simple Interest as of January 10, 2024.

Tiffany Taula and Karen K. Meek, MAI inspected the property that is the subject of this appraisal and report on January 10, 2024. This appraisal report sets forth the pertinent data gathered, the techniques employed, and the reasoning leading to our value opinions. This letter of transmittal is not an appraisal and the value reported in this letter cannot be adequately understood if separated from the appraisal report.

The subject property, as referenced above, is a double corner tract located on the west side of Carnahan Road, along 2nd and 3rd Avenues in Spokane Valley, Washington. The Spokane County Assessor identifies the property as Assessor's Parcel Numbers (APNs) 35232.1503 and 35232.1509. The subject is a 1.35-acre or 58,875-sf tract consisting of two contiguous parcels zoned CMU which allows a variety of commercial and dense residential uses. The northeast portion of the site is improved with an older single-family home and detached garage. As the highest and best use would be to retain the single-family house, we have allocated 8,000 sf for a lot to support the house and the remaining 50,875 sf is excess land.

We developed our analyses, opinions, and conclusions and prepared this report in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation; the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute; and the requirements of our client as we understand them.

The client in this assignment is Goodale & Barbieri Company. The intended users of this appraisal and appraisal report are the City of Spokane Valley City Service Department and yourself and no others. The sole intended use is to assist with internal business decisions for a possible acquisition. The value opinions reported herein are subject to the definitions, assumptions, limiting conditions, and certifications contained in this report.

Assumptions and Conditions of the Appraisal

The value opinions reported herein are subject to the definitions, assumptions, limiting conditions, and certifications contained in this report. The findings and conclusions are further contingent upon the following appraisal conditions, extraordinary assumptions and/or hypothetical conditions, the use of which might have affected the assignment results:

Extraordinary Assumptions

- None

Hypothetical Conditions

- None

The conclusions presented in the following table are based on the analysis contained in the following report.

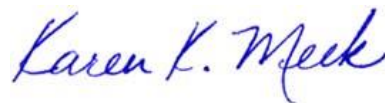
Value Conclusion

Value Perspective and Premise	Current As Is
Value Type	Market Value
Real Property Interest	Fee Simple
Effective Date of Value	January 10, 2024
Excess Land	\$545,000
Existing Home	\$190,000
Value Conclusion	\$735,000

Respectfully submitted,
Valbridge Property Advisors | Inland Pacific Northwest



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Summary of Salient Facts

Property Name:	Carnahan Road Land
Address:	228 S. Carnahan Road Spokane Valley, Spokane County, Washington 99212
Latitude & Longitude:	47.654912, -117.336561
Assessor's Parcel Numbers:	35232.1503 and 35232.1509
Property Rights Appraised:	Fee Simple
Zoning:	CMU, Corridor Mixed-Use
Gross Land Area:	1.35 acres, (58,875 sf)
Excess Land Area:	1.167 acres, (50,859 sf)
Existing Improvements	Single-family home
Property Type and Sub-Type:	Land - Multi Family; Land - Office; Land - Retail
Gross Building Area:	1,673 sf (including 800-sf unfinished basement)
Finished Livable Area:	873 sf
Number of Buildings	1
Year Built:	1930 (estimated)
Condition:	Fair
Extraordinary Assumptions:	None
Hypothetical Conditions:	None
Highest and Best Use	
As Vacant:	Multi-family development
As Improved:	Complete a boundary line adjustment or short plat to retain the house on site and redevelop the remainder of the site with a multi-family development.
Date of Inspection:	January 10, 2024
Date of Report:	January 23, 2024

Value Conclusion

Value Perspective and Premise	Current As Is
Value Type	Market Value
Real Property Interest	Fee Simple
Effective Date of Value	January 10, 2024
Excess Land	\$545,000
Existing Home	\$190,000
Value Conclusion	\$735,000

Strengths, Weaknesses, Opportunities, Threats (SWOT) Analysis

This section of the report provides useful insights into strengths, weaknesses, opportunities, and threats to the property (and its value).

Strengths

- Zoning designation allows for multi-family development with no density limits.
- Near bus route, shopping, employment, and schools as well as several major arterials.

Weaknesses

- While being near I-90 is desirable for access, there are issues relating to noise. The I-90 visibility is desirable for commercial uses as opposed to the planned residential use.
- 3rd Avenue is one-way west bound adjacent to the subject; however, with access to two-way 2nd Avenue and Carnahan Road, this condition is somewhat mitigated.

Opportunities

- Adjust the lot lines to reduce the home site to a more typical lot size able to accommodate the existing improvements and develop the remainder of the site for high density residential use. Raze the existing garage near the house due to its poor condition. The residential market remains exceptionally strong for both single-family, multi-family, and other rental properties selling within short time frames, low vacancy rates and increasing rental rates.

Threats

- In an effort to stem inflation by slowing economic activity, the Federal Reserve increased the federal funds rate to 5.25% from 0% in early 2022. In response, mortgage interest rates have increased ± 500 basis points to over 8%. Residential and commercial sales volumes have slowed significantly as has inflation. The risk of a recession has since decreased. New development has also slowed.

Aerial and Front Views

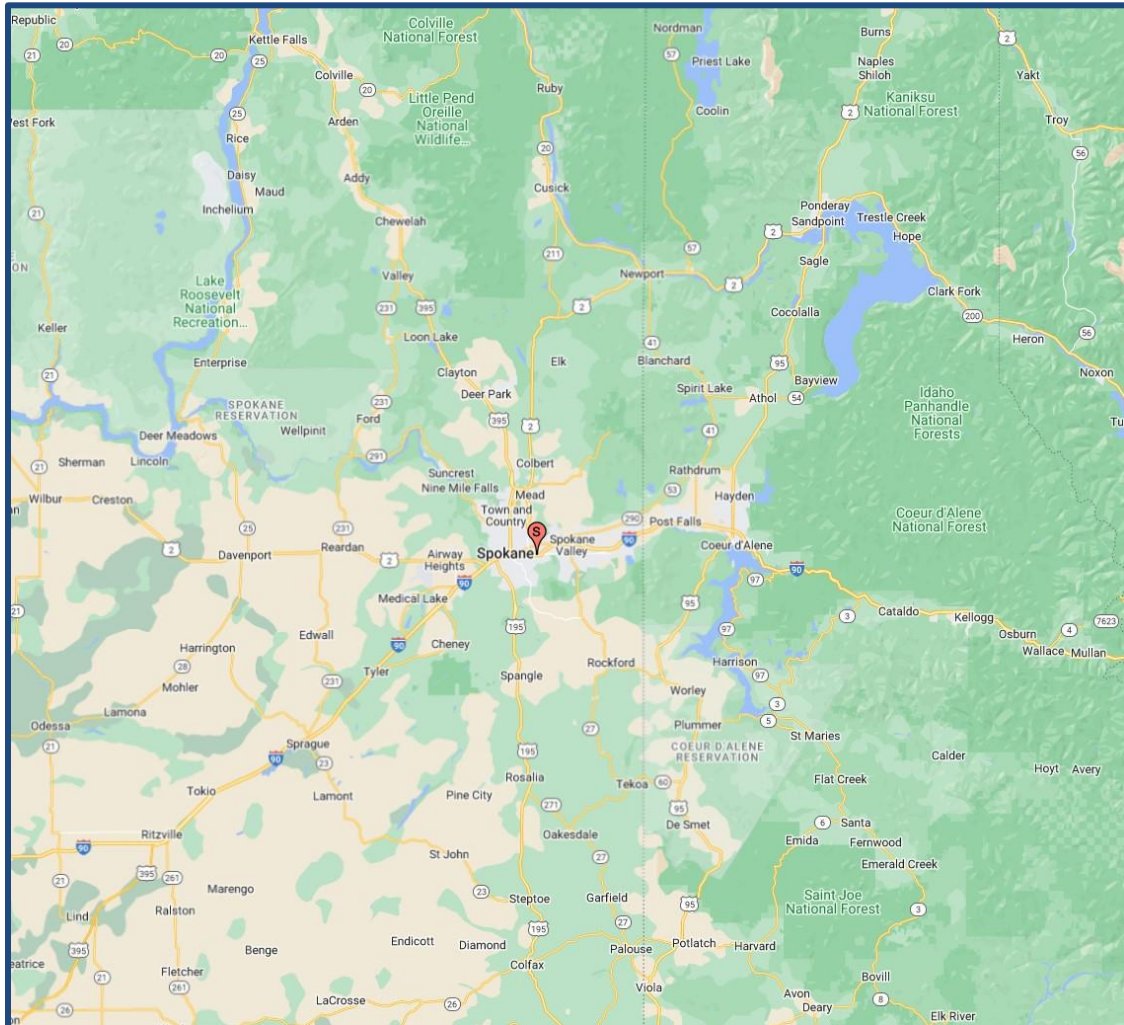
AERIAL VIEW



**FRONT VIEW- LOOKING SOUTH FROM 2ND AVENUE
(EXISTING HOME ON SITE)**



Location Map



Introduction

Client and Intended Users of the Appraisal

The client for this assignment is Goodale & Barbieri Company. The sole intended users of this appraisal and appraisal report are the City of Spokane Valley City Service Department and yourself. Under no circumstances shall any of the following parties be entitled to use or rely on the appraisal or this appraisal report:

- i. The borrower(s) on any loans or financing relating to or secured by the subject property,
- ii. Any guarantor(s) of such loans or financing; or
- iii. Principals, shareholders, investors, members or partners in such borrower(s) or guarantors.

Intended Use of the Appraisal

The sole intended use of this report is to assist with internal business decisions for a possible acquisition.

Real Estate Identification

The subject property is located at 228 S. Carnahan Road, Spokane Valley, Spokane County, Washington 99212. The subject property is further identified by the Assessor's Parcel Numbers (APNs) 35232.1503 and 35232.1509.

Legal Description

The legal description for the subject is as follows:

LOTS 1, 2, 3, 4, 9, 10, 11, 12 AND THE NORTH 97.5 FEET OF LOT 5, BLOCK 15, SPRAGUE STREET ADDITION, ACCORDING TO PLAT RECORDED IN VOLUME B OF PLATS, PAGE 82, IN THE CITY OF SPOKANE VALLEY, SPOKANE COUNTY, WASHINGTON.

Also known as Assessor's Tax Parcel No(s) 35232.1503 and 35232.1509

Use of Real Estate as of the Effective Date of Value

As of the effective date of value, the subject was an older single-family dwelling with excess land.

Use of Real Estate as Reflected in this Appraisal

Same as above.

Ownership of the Property

According to Spokane County Assessor records and Statutory Warranty Deeds, title to the subject property is vested in Wheeler Invest and Develop, LLC.

History of the Property

Ownership of the subject property has changed within the past three years. The current owner acquired the subject parcels in two separate transactions; the western parcel (Parcel No. 35232.1503) sold on 10/12/2022 for a recorded \$111,000. The Grantor was Bain Investments, LLC according to the Statutory Warranty Deed dated 10/12/2022, recorded as Document No. 7248348 on 10/21/2022. This sale included vacant land only. The eastern parcel (Parcel No. 35232.1509) sold on 3/28/2022 for a recorded \$350,000. The Grantor was H.A. Tombari, LLC according to the Statutory Warranty Deed dated 3/28/2022, recorded as Document No. 7194952 on 4/1/2022. This sale included two, single-family homes, one of which had squatters and was in very poor condition. There were also multiple people in trailers and a large amount of garbage on site. After purchase, the buyer demolished the southern home which was in poor condition along with several outbuildings and the cleanup of the site reportedly cost over \$100,000. The other home on site is currently being rented and is in fair to average condition.

These prior sales total \$461,000 and with clean-up costs, the total seller expenditure is \$561,000. The subject is currently under contract for \$630,000.

Parcel	Address	Sale Date	Sale Price	Land \$/sf	Deed	Deed No.	Excise No.	Grantor
35232.1503	5008 E. 2nd Avenue	10/12/2022	\$ 111,000	\$ 22.77	SWD	7248348	202214824	Bain Investments, LLC
35232.1509	228 S. Carnahan Road	3/28/2022	\$ 350,000	\$ 6.48	SWD	7194952	202204303	H.A. Tombari, LLC

When appropriate, we have considered and analyzed the known history of the subject in the development of our opinions and conclusions.

Analysis of Listings/Offers/Contracts

The subject property is not offered for sale on the open market, but it under contract for \$630,000. The buyer is City of Spokane Valley, and the closing date is projected to be within 15 days after the release of all contingencies. The terms will be all cash to the seller. The listing broker is Jack Kestell with Kestell Co Realtors. There are no atypical conditions or terms noted in the contract. This appears to be an arm's-length transaction. The conclusion of this appraisal is higher than the pending sale price.

Type and Definition of Value

The appraisal problem is to develop an opinion of the market value of the subject property. "Market Value," as used in this appraisal, is defined as "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 seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus." Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- *Buyer and seller are typically motivated.*
- *Both parties are well informed or well advised, each acting in what they consider their own 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 sale concessions granted by anyone associated with the sale.”¹*

The value conclusions apply to the value of the subject property under the market conditions presumed on the effective date of value. Please refer to the Glossary in the Addenda section for additional definitions of terms used in this report.

Valuation Scenarios, Property Rights Appraised, and Effective Dates of Value

Based on the scope of our assignment and our analysis of the property and the market, we have developed the following opinion of value:

Valuation Scenario	Effective Date of Value
Current Market Value As Is of the Fee Simple Interest	January 10, 2024

Tiffany Tauala and Karen K. Meek, MAI inspected the subject property on January 10, 2024.

Date of Report

The date of this report is January 23, 2024.

List of Items Requested but Not Provided

- Title report

Assumptions and Conditions of the Appraisal

This appraisal assignment and the opinions reported herein are subject to the General Assumptions and Limiting Conditions contained in the report and the following extraordinary assumptions and/or hypothetical conditions, the use of which might have affected the assignment results.

Extraordinary Assumptions

- None

Hypothetical Conditions

- None

¹ Source: Code of Federal Regulations, Title 12, Banks and Banking, Part 722.2-Definitions

Scope of Work

The elements addressed in the Scope of Work are (1) the extent to which the subject property is identified, (2) the extent to which the subject property is inspected, (3) the type and extent of data researched, (4) the type and extent of analysis applied, (5) the type of appraisal report prepared, and (6) non-realty items included or excluded in the development of the value opinion. These items are discussed below.

Extent to Which the Property Was Identified

The three components of the property identification are summarized as follows:

- Legal Characteristics - To determine the legal characteristics of the property, we referenced zoning, Assessor's documents and maps.
- Economic Characteristics - To determine the economic characteristics of the subject property, we analyzed the community and neighborhood, demand for properties similar to the subject, and analyzed properties with similar locational and physical characteristics.
- Physical Characteristics - To identify physical characteristics of the property, we inspected the property, referenced Spokane County Assessor's records, soils records, and other data.

Extent to Which the Property Was Inspected

Tiffany Tauala and Karen Meek, MAI inspected the subject property on January 10, 2024. During this inspection, we:

- Viewed the neighborhood in which the property is located;
- Viewed the property from the streets and some surrounding boundaries;
- Viewed the interior of the improvements; and
- Measured the improvements.

Type and Extent of Data Researched

We researched and analyzed: (1) market area data, (2) property-specific market data, (3) zoning and land-use data, and (4) current data on comparable listings and transactions. We also interviewed people familiar with the subject market/property type.

Type and Extent of Analysis Applied (Valuation Methodology)

We observed surrounding land use trends, the condition of any improvements, demand for the subject property, and relevant legal limitations in concluding a highest and best use. We then valued the subject based on that highest and best use conclusion.

Appraisers develop an opinion of property value with specific appraisal procedures that reflect three distinct methods of data analysis: the Cost Approach, Sales Comparison Approach, and Income Capitalization Approach. One or more of these approaches are used in all estimations of value.

- Cost Approach - In the Cost Approach, the value indication reflects the sum of current depreciated replacement or reproduction cost, land value, and an appropriate entrepreneurial incentive or profit.

- Sales Comparison Approach - In the Sales Comparison Approach, value is indicated by recent sales and/or listings of comparable properties in the market, with the appraiser analyzing the impact of material differences in both economic and physical elements between the subject and the comparables.
- Income Capitalization Approach - In the Income Capitalization Approach, value is indicated by the capitalization of anticipated future income. There are two types of capitalization: direct capitalization and yield capitalization, more commonly known as discounted cash flow (DCF) analysis.

We assessed the availability of data and applicability of each approach to value within the context of the characteristics of the subject property and the needs and requirements of the client. Based on this assessment we developed the Sales Comparison Approach. The Cost Approach was not used because market participants rarely employ the Cost Approach in their buy/sell decision making processes for properties like the subject. The extent of our analysis and the methodology of each approach is discussed in the respective valuation sections.

Competency

The appraisers are competent to complete this report in accordance with the Competency Provision in the USPAP.

Appraisal Conformity and Report Type

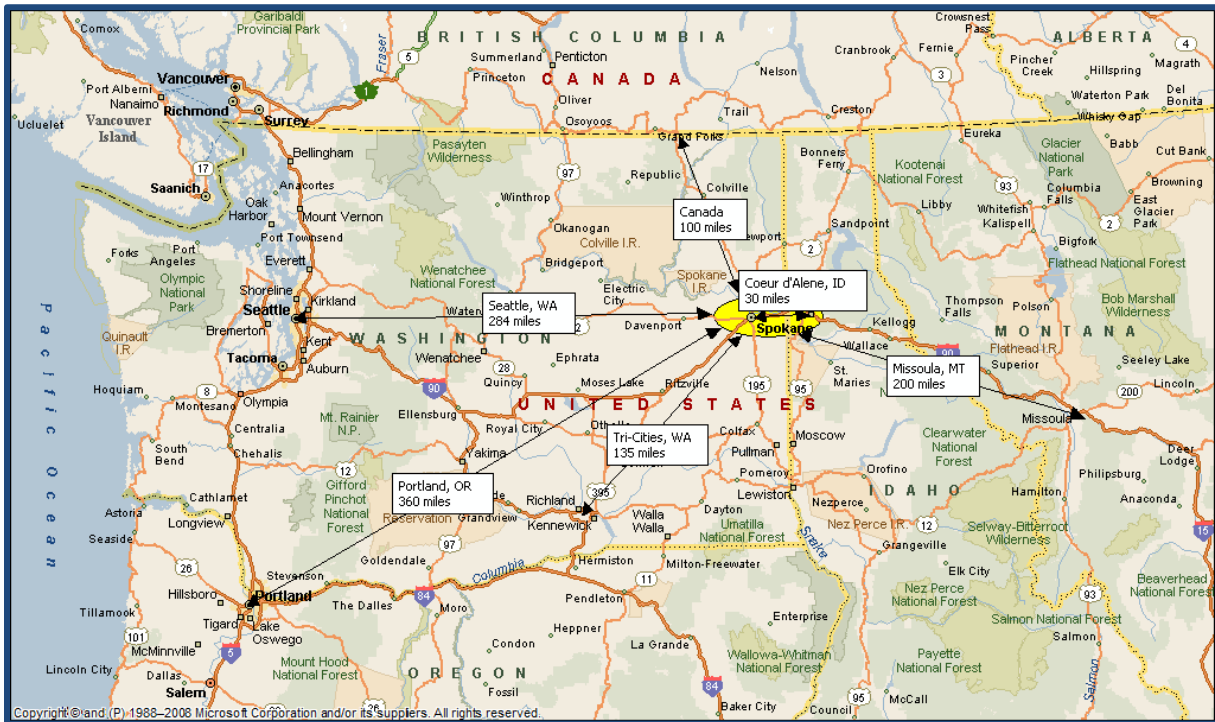
We developed our analyses, opinions, and conclusions and prepared this report in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation; the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute; and the requirements of our client as we understand them. This is an Appraisal Report as defined by the Uniform Standards of Professional Appraisal Practice under Standards Rule 2-2a.

Personal Property/FF&E

This appraisal is of real property only. Non-realty items are excluded from this analysis.

Regional and Market Area Analysis

REGIONAL MAP



Overview

Spokane is the second largest city in Washington State, and the largest city in a region known locally as “The Inland Northwest”, a roughly 80,000-square-mile area spanning eastern Washington, the Idaho Panhandle, western Montana, and portions of northern Oregon. Over 2.2 million people² reside in the Inland Northwest. Spokane County, Washington, and Kootenai County, Idaho, form a metropolitan area with a combined population of over 750,000.³ Interstate 90 extends east and west through the metropolitan areas, connecting Spokane, Washington; and Coeur d’Alene, Idaho; located approximately 30 miles apart. The Spokane-Coeur d’Alene metropolitan area is the primary economic, service, retail, and cultural area in the region.

Population

Population estimates and trends are presented in the table on the following page. Spokane County’s population grew 1.4% per year on average from 2010 to 2020. Growth was slow during the early years of the decade but began to accelerate in 2016 and averaged 1.7% from 2015 through 2020⁴. ESRI forecasts a 3.26% growth between 2023 and 2028 (0.7%/year) which appears lower than likely based on the growth in housing and workforce.

² U.S. Census Bureau, 2020 Decennial Census data.

³ Ibid.

⁴ Washington State Office of Financial Management-Intercensal Estimates 2010-2020.

Population

Area	2010	Census 2020	Annual % Change	Estimated 2023	Projected 2028	Annual % Change
			2010 - 20			2023 - 28
United States	308,745,538	331,449,281	0.7%	337,470,185	342,640,129	0.3%
Washington	6,724,540	7,705,281	1.5%	7,962,223	8,198,106	0.6%
Spokane County	471,221	539,339	1.4%	558,404	576,609	0.7%

Source: Site-to-Do-Business (STDB Online)

Transportation

Interstate 90 (I-90) is the main transportation route to and through Spokane County. From its terminus in Seattle, I-90 extends easterly through Spokane, then to Coeur d'Alene, Idaho, through Montana and the northern tier of the United States, ultimately ending in Boston. U.S. Highway 195 (U.S. 195) extends south from Spokane to Lewiston, Idaho, where it merges with U.S. 95 and continues south through Boise, Nevada, and southern California to the Mexican border. U.S. Highway 2 (U.S. 2) extends east from Seattle through Spokane, where it turns north and continues to Bonners Ferry, Idaho, before turning easterly and continuing through Montana, North Dakota, and Minnesota to Duluth.

U.S. Highway 395 (U.S. 395) extends south from the Canadian border, Stevens County to Spokane, where it merges with I-90 to Ritzville before turning south through the Tri-Cities area of south-central Washington State. It continues southerly through eastern Oregon and California before intersecting I-15 in the Mojave Desert.

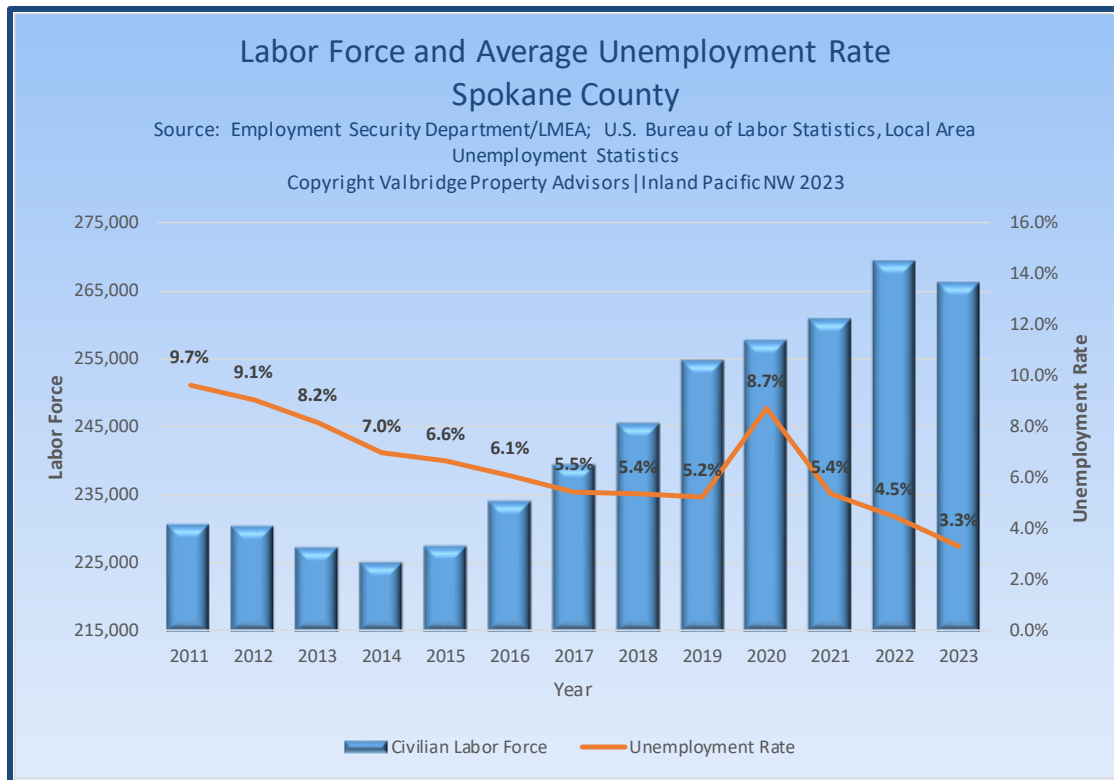
U.S. 395 currently runs along Division Street, Spokane's primary north/south commercial strip, but will shift to the North Spokane Corridor (NSC), a limited access "freeway" that is currently under construction east of the CBD. When completed in 2029, the 11-mile link will connect I-90 to northern Spokane. Although the interchange at I-90 will not be completed until 2029, the roadway is complete and drivable north of Francis Avenue, and a drivable link to I-90 will be complete by 2027.

Employment

The graph on the following page presents trends in labor force and employment in the greater Spokane area from 2011 through June 2023. Spokane's labor force grew 8.7% from 2011 through 2021. Although robust, this growth rate was less than the 13.4% rate in the prior decade due largely to the impact of the "Great Recession" in 2008.

With the onset of the Great Recession, the average labor force shrank from its prior peak of 240,000 in 2009, finally bottoming out in 2014 at 225,474. In the subsequent five years, the labor force grew an exceptional 16.9% to 263,635 through 2019, while the average unemployment rate declined from 10.1% in 2010 to 5% in 2019. Local businesses reported difficulty filling vacant positions, prompting competition and upward pressure on wages into early 2020. By March, the COVID-19 pandemic prompted stay at home orders, causing a precipitous drop in employment. Unemployment was as high as 16.7% in April 2020 but lowered to 7.2% as 2020 ended.

While employment declined in 2020, these figures demonstrate an employment percentage similar to the 2019 (pre-pandemic) figure. Currently, Spokane's unemployment rate is 30 basis percentage points below the state of Washington, which is at 3.6%.

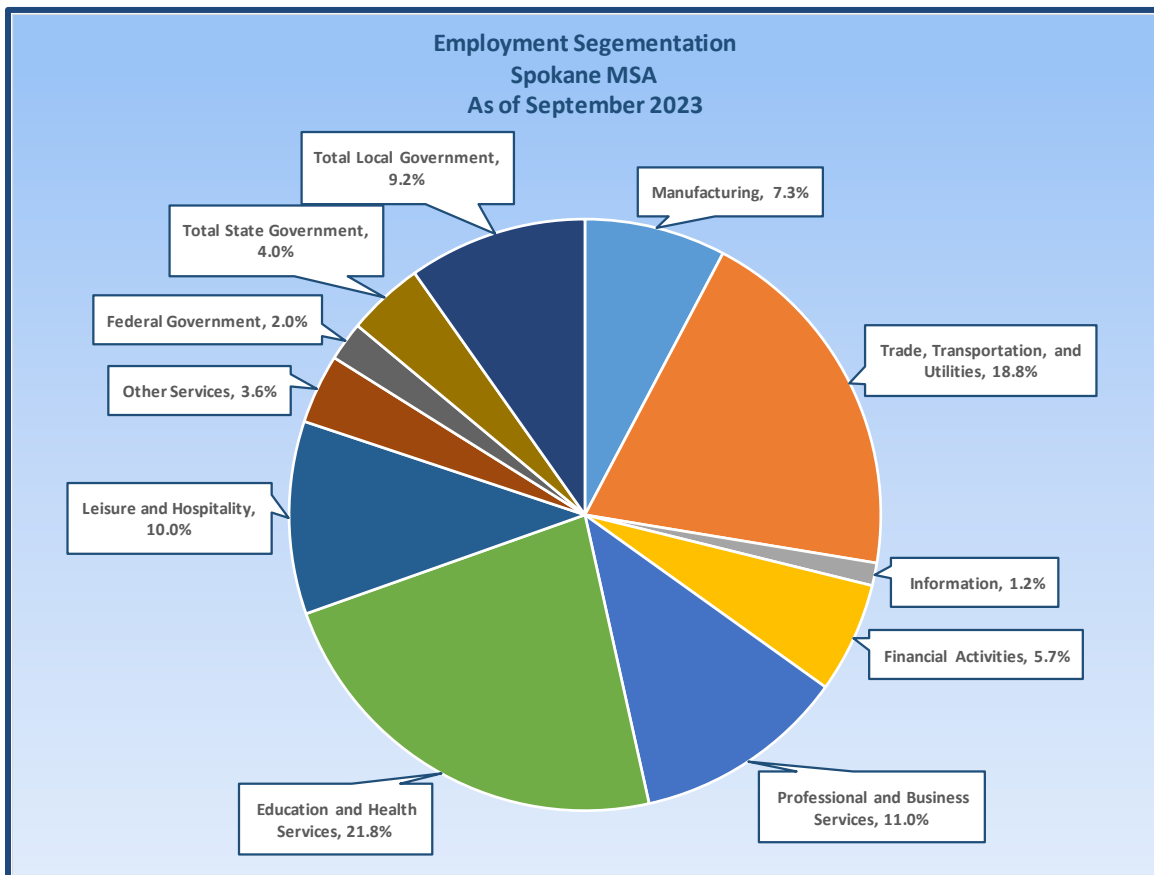


The following table presents employment at Spokane County's largest employers.

SPOKANE COUNTY MAJOR EMPLOYERS RANKED BY NUMBER OF FULL-TIME EQUIVALENT EMPLOYEES					
Organization	Sector	FTE	Organization	Sector	FTE
Fairchild Air Force Base	Govt.	6,756	Walmart	Retail	1,422
Providence Inland Northwest	Health	6,042	Mann-Grandstaff VA Medical Center	Health	1,322
State of Washington	Govt.	5,575	Gonzaga University	Educ.	1,293
Spokane Public Schools - District 81	Educ.	3,728	United States Postal Service	Delivery	1,287
Amazon.com Inc.	Online Retailer	3,724	CHAS Health	Health	1,225
MultiCare Health System - Inland NW	Health	3,121	Eastern Washington University	Educ.	1,198
City of Spokane	Govt.	2,150	Avista Corp.	Utilities	1,033
Spokane County	Govt.	1,917	Kaiser Aluminum Washington	Indust.	950
Central Valley School District	Educ.	1,656	Frontier Behavioral Health	Health	825
URM Stores, Inc.	Retail	1,614	Mead School District No. 354	Educ.	816
Kalispel Tribal Economic Authority/Northern Quest Resort & Casino	Casino	1,503	Kaiser Permanente Washington	Health	795
Community Colleges of Spokane	Educ.	1,444	Spokane Teachers Credit Union	Finance	764

Source: Journal of Business-Book of Lists, As of November 1, 2022. Annually updated, FTE = Full Time Equivalent

Employment by industry for the Spokane-Spokane Valley MSA is summarized in the following graph. The data is the most recent available June 2023. Service-related businesses account for 87.18% of non-agricultural jobs. Because Spokane is a regional health care center (serving eastern Washington, northern Idaho, and western Montana), of the non-agricultural industries in the area, education and health services are the largest. Combined they account for 21.8% of non-farm employment. Wholesale and retail trade, not shown separately on the chart below, account for 14.68% of employment, reflecting Spokane County's position as a regional service center.



Federal, state, and local government combined, is the third largest sector, accounting for 15.2% of local employment. Of this sector, over 18,300 people are employed by state or local educational services. Fairchild Air Force Base, located just west of Airway Heights, is one of the area's largest employers with nearly 11,868 active-duty, Air National Guard, tenant unit members, dependents, and civilian employees, per the Fairchild website and the Manpower and Organization Division. In 2020, 12 additional tankers and 357 support personnel were added to the 92nd Refueling Wing at Fairchild.

Median and Household Income

The table on the following page presents estimated Median Household Income. In 2020, Spokane County had lagged behind Washington State and particularly the Puget Sound area which has Boeing, Amazon, Microsoft, and others as major employers. However, estimates for median household income place Spokane County in line with Washington State for annual growth from 2023 to 2028.

Median Household Income

Area	Estimated 2023	Projected 2028	Annual % Change 2023 - 28
United States	\$72,603	\$82,410	2.7%
Washington	\$89,067	\$105,056	3.6%
Spokane County	\$67,279	\$79,532	3.6%

Source: Site-to-Do-Business (STDB Online)

Likely Trends – Short Term

Following the technical end of the “Great Recession” in mid-2009, Seattle, Washington; Portland, Oregon; and Boise, Idaho recovered fairly quickly, but the recovery in Spokane began later and was initially less robust. Spokane’s growth since 2015 approaches unprecedented levels. Home sales and median home prices are at record levels. The labor force and total employment recently reached record levels.

In addition to abundant water, power, and comparatively inexpensive land, the Spokane/Coeur d’Alene corridor offers a well-trained labor force, making it attractive to new businesses. In 2020, Amazon opened a 2.67 million-sf distribution facility in Spokane that initially employed approximately 1,800 people. Since then, Amazon built a 1.3 million-sf distribution facility to supplement the first and leases a built-to-suit distribution hangar at Spokane International Airport. New construction of a fourth distribution facility, immediately west of the first, was completed in 2022. Douglass Legacy Business Park is a 15-building industrial park under construction near Amazon’s primary distribution facility.

With the addition of 12 tankers, employment at Fairchild AFB will increase by at least 357. In 2019, Kattera opened a factory in Spokane Valley that manufactures cross laminated timbers, a relatively new technology for framing residential and commercial construction. Kattera has since closed; however, in August 2021, Vancouver, British Columbia-based Mercer International announced that it acquired and has reopened the former Kattera, Inc. facility. These are but a few examples of recent business expansions that have burnished Spokane’s image as a business center and has helped attract other significant employers.

Although the Spokane-Spokane Valley MSA does not include nearby Kootenai County, Idaho, it would be difficult to understand demographic and economic trends without recognizing the larger metro area. The I-90 corridor between Spokane and Coeur d’Alene is rapidly becoming a continuous commercial and residential strip. The Spokane–Coeur d’Alene combined statistical area (CSA), officially the Spokane–Spokane Valley–Coeur d’Alene, WA–ID CSA as defined by the United States Census Bureau, includes the Spokane metropolitan area and the Coeur d’Alene metropolitan area.

According to data presented by ESRI, the CSA was estimated to have a combined population of 744,546 as of November 2023, making it the 98th largest Combined Statistical Area in the United States in 2022 (per the most recent ranking data).

Coeur d'Alene's population is growing by 2.25%/year. Kootenai County averaged 2.5% population growth per year over the last decade per an April 2021 article by the Spokane Journal. Post Falls, located just across the Idaho border from Spokane County, is among the fastest growing communities in the nation and, to a large degree, is a bedroom community for Spokane. According to the 2020 Census, Kootenai County population has increased 23.7% from 2010 to 2020 with a 2020 population of 171,362, while the entire state of Idaho grew 17.3% from 2010 to 2020 to 1,839,106. The rapid trend of growth in Kootenai County is projected to continue unabated.

The current expansion is creating a profound change in employment and demographics. The exceptionally rapid increase in housing costs in coastal communities has placed housing out of reach for many households; younger families are among those affected most directly. The lower cost of housing and the improving employment opportunities in Spokane have attracted some of these families from the larger communities. As a result, the median age in Spokane has declined to 38.9 years and is now just below the Washington State average of 39.

In-migration and low mortgage interest rates over the past three years produced high demand for housing, which caused skyrocketing home prices in both Spokane and Kootenai Counties. The median price of homes sold through the Spokane MLS reached \$460,000 in May 2022, a 17.6% increase from May 2021. Rising interest rates have seen that number fall to \$409,000 as of October 2022; however, it has recovered slightly back up to \$429,952 as of August 2023. In October 2022, in Kootenai County, Idaho, the median home price was \$540,000, up 14% from October 2021; as of August 2023, it has increased approximately 3% to \$556,027. According to the WSJ/Realtor.com Spring 2022 index, the Coeur d'Alene area was the 7th best Emerging Market, which has subsequently found a more stable balance, and as of March 2023 it has fallen out of the top 20 list.

With the increase in median home prices, many in the area have been pushed out of the market over affordability issues. Rapidly increasing costs for land, labor, and materials have made the development of subdivisions difficult. Since demand still outstrips supply, the elevated prices are expected to continue, albeit at a pace dampened somewhat by rising interest rates and the dwindling base of individual buyers with the necessary capital. Rapid increases in prices is one element in the increase in homelessness in recent years. Government officials in Spokane and Spokane Valley are working to open new shelters and create initiatives aimed toward increasing the supply of affordable housing.

Despite increases in housing and development costs, the area remains lower priced than many communities in the Pacific Northwest and west, positioning the area for continued growth. The prospects for growth in the next decade are on par with other communities in the Pacific Northwest and significantly better than historical rates.

City and Neighborhood Analysis

NEIGHBORHOOD MAP



Overview

The subject property is located in a transitional, mixed residential and commercial area in Spokane Valley, east of the Spokane city limits at Havana Street. This neighborhood is bounded by Interstate 90 on the south, Thierman Road on the east, Broadway Avenue on the north, and by Havana Street on the west. With interchanges at Freya/Thor Streets, Sprague Avenue and Broadway Avenue, Interstate 90 (I-90) access is one of the most significant features in the neighborhood. Havana Street is the eastern boundary of the City of Spokane and western boundary of the City of Spokane Valley.

The Sprague Avenue/I-90 interchange was revised and redeveloped in 2000 to 2001, widening I-90 to four lanes in each direction while greatly improving access to Sprague Avenue. East of the interchange, Sprague Avenue was revised to form a couplet with Appleway Avenue. Both Broadway and Sprague Avenues are four-lane principal arteries with center left turn lanes and signal light controls at major intersections. Fancher Road, Havana Street, and Freya Street provide north/south access through the neighborhood. WSDOT is developing the North South Corridor, which will have an interchange with Interstate 90, west of Freya Street. I-90 south of the subject will be widened and as shown in the aerial map above, most of the land has been acquired. The widening and interchange project is slated between 2022 and 2028. Average daily traffic counts along I-90 as of 2018 were 126,000 vpd.

Sprague Avenue is the primary east/west commercial strip in Spokane. Before I-90 was developed, Sprague Avenue was one of two primary east/west routes to and through Spokane. It originally developed with retail and traveler services. This particular stretch had light industrial uses.

Although commercial uses date to the early decades of the last century, the current transition began in about 1994 when Eagle Hardware (now Lowes) redeveloped a large parcel along Sprague Avenue at Carnahan Road (north of the subject).

The neighborhood is now dominated by the big box retail district that includes Walmart, Costco, and Home Depot, in addition to Lowe's. The former Kmart was acquired and converted into a U-Haul storage unit and rental facility. Two blocks north of the subject on Havana Street is the Spokane County Fairgrounds and Avista Field, a baseball stadium, which both increase traffic in the neighborhood.

The development of Lowe's Home Center, The Home Depot, Costco, and Walmart has fostered significant new supportive commercial development along Sprague Avenue. Older properties are being razed to make way for new construction; however, there are still several vacant land parcels available in the immediate area. The secondary streets like 3rd Avenue, Fancher Road, and Broadway Avenue support commercial improvements such as office building and light-industrial improvements.

Site Description

Site Characteristics

Location:	Double corner tract located on the west side of Carnahan Road, along 2nd and 3rd Avenues
Gross Land Area:	1.35 acres, or 58,875 sf
Usable Land Area:	1.35 acres, or 58,875 sf
Usable Land %:	100.0%
Shape:	L-Shaped
Topography:	Level
Grade:	At street grade
Off-Site Improvements:	no curbs or sidewalks, several streetlights
Interior or Corner:	Double Corner
Signalized Intersection:	No: No traffic signal at, or near, the site
Excess Land:	Yes, see separate description
Surplus Land:	None

Utilities

Water:	Carnhope Irrigation District #7
Sewer:	Spokane County Utilities Division
Electricity:	Avista Utilities
Natural Gas:	Avista Utilities
Refuse Hauling:	Waste Management

Street Frontage/Access

Frontage Road	Primary	Secondary	Tertiary
Street Name:	Carnahan Road	3rd Avenue	2 nd Avenue
Street Type:	Collector	Collector	Collector
Number of Lanes:	Two	Two	Two
Frontage (Linear Ft.):	203'	200'	250'
Number of Curb Cuts:	0	0	0
Alley Access:	No	No	No
Traffic Count (Cars/Day):	4.600	Not Available	Not Available
Comments:	The subject has frontage along three streets, none of which have sidewalks.		

Flood Zone Data

Flood Map Panel/Number:	53063C0564D
Flood Map Date:	July 6, 2010
Flood Zone:	Zone X

Zone X is a flood insurance rate zone that corresponds to an area outside the 1-percent annual chance floodplain.

Other Site Conditions

Soil Type:

According to the USDA NRCS web soil survey, the predominant soil found on the property is Urban land-Opportunity, disturbed complex, 0 to 3% slopes. Based on existing and surrounding improvements, the soil types mentioned appear adequate to support substantial development.

Environmental Issues:

An environmental site assessment has not been provided. We saw no suspicious materials that would suggest that environmental contamination is present; however, this does not preclude the possibility that contamination exists on the site, on nearby sites, or in the subject's construction materials. We are not experts in this field and express no opinion about the possible absence or presence of contamination. The property is appraised under the assumption that no contamination exists.

Easements/Encroachments:

A title report was not provided. No encroachments or adverse easements that would limit the marketability of the subject property were noted.

Adjacent Land Uses

North:

2nd Avenue, single family dwellings and mobile homes, 1st Avenue, retail buildings, Sprague Avenue

South:

3rd Avenue and I-90

East:

Carnahan Road, office, retail and industrial buildings

West:

Single-family dwellings, Chronicle Road, auto sales and repair

Site Ratings

Access:

Average

Visibility:

Average

Zoning

Zoning Jurisdiction:

City of Spokane Valley

Zoning Classification:

CMU, Corridor Mixed-Use

Zoning Description:

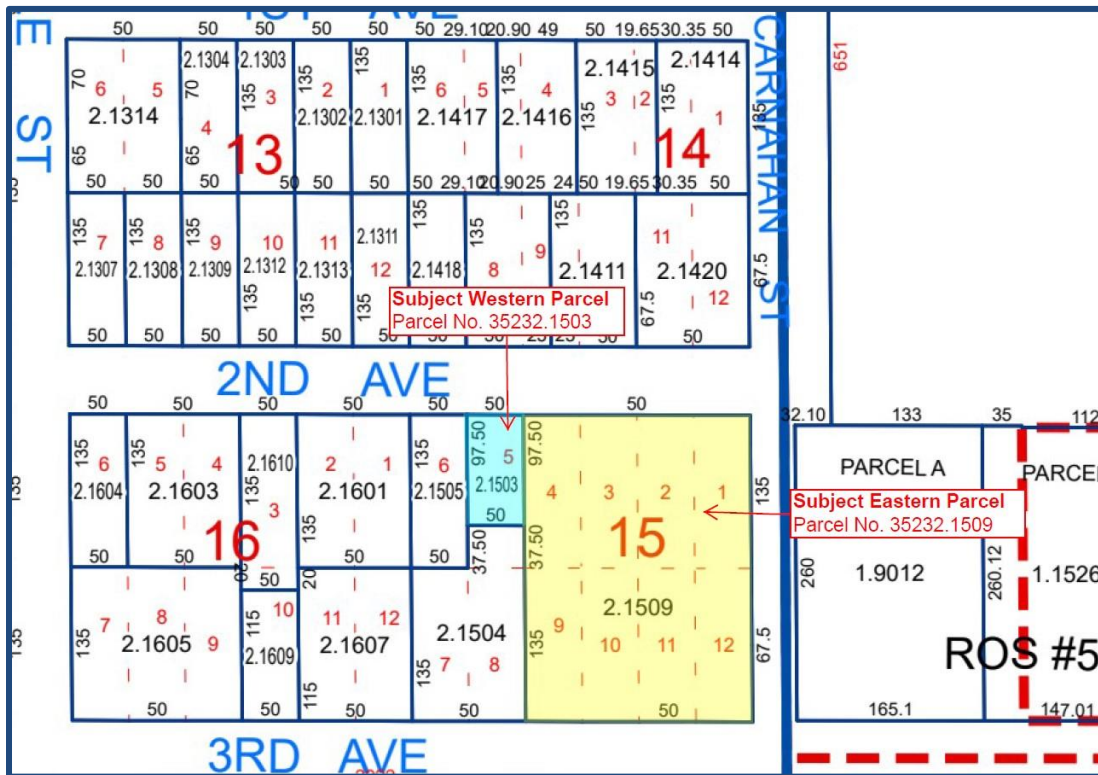
Corridor Mixed-Use (CMU) allows for light manufacturing, retail, multifamily, and offices along major transportation corridors. CMU recognizes the historical low-intensity, auto-dependent development pattern. It is primarily used along Sprague Avenue, and the north-south arterials.

Permitted Uses:	Include but are not limited to: Professional offices, single and multi-family dwellings, retail sales and services, warehouses, self-storage facilities, churches, crematories and funeral homes, daycares, eating and drinking establishments and nursing homes.
Conditional Uses & Special Exceptions:	Include but are not limited to: Duplexes and townhomes, animal shelters, emergency shelters, transitional housing, exercise facilities, recycling facilities, marijuana sales, animal clinics and hospitals.
Zoning Comments:	<p>The current zoning classification contains certain restrictions regarding permitted uses, Improvements on the site would need to either 1-) meet these zoning requirements, 2-) be granted a variance by the local zoning authority for areas that do not conform, or 3-) be considered a legal non-conforming use due to the improvements having been built prior to the establishment of the local zoning guidelines. Restrictions and requirements for the CMU zone include but are not limited to:</p> <p>Minimum off-street parking required for multi-family dwellings with studios and one bedrooms: 1 per dwelling unit, plus 5% of total for guests</p> <p>Minimum off-street parking required for multi-family dwellings with two or more bedrooms: 1.5 per dwelling unit, plus 5% of total for guests</p> <p>Maximum density: The CMU Zone does not have a maximum density although according to the Spokane Valley Planning Department, 22 units/acre is typically approved in this zone.</p>

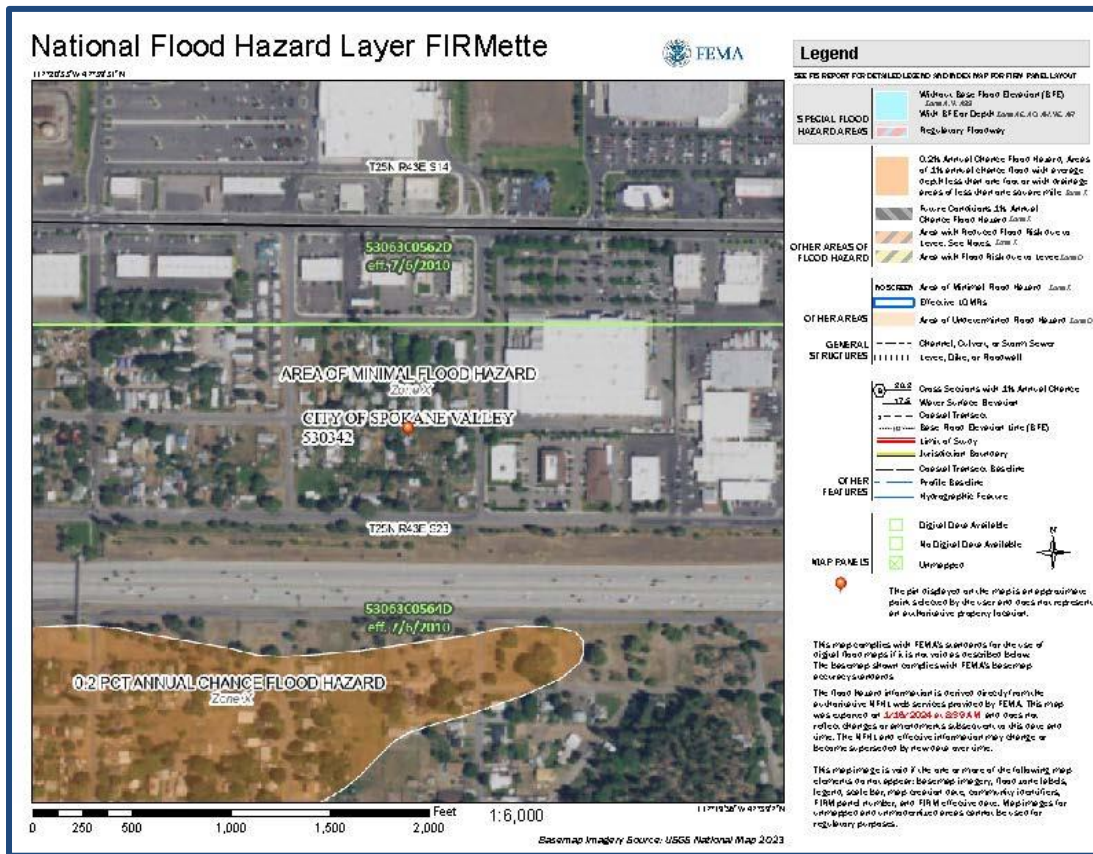
Analysis/Comments on Site

The subject is an L-shaped double corner tract consisting of two contiguous parcels totaling 58,875-sf or 1.35-ac; the western parcel is 4,875-sf and unimproved, the eastern parcel is 54,000-sf and improved with a single-family residence and detached garage on the northeast corner of the site. The subject site is larger than needed to support the current improvements and we estimate there is 50,875-sf of excess land, allocating 8,000 sf to the house site. Exposure and visibility are average and based on the characteristics above, the site is suitable for a variety of legal uses.

PARCEL MAP



FLOOD MAP



ZONING MAP



Improvement Description

The site is improved with a 1,673-sf single-story home and a detached garage. The 873-sf main floor includes a kitchen, living room, three bedrooms and one bathroom. There is a carpet floor covering the living room and bedrooms with tile in the kitchen and bathroom. A staircase located off the kitchen provides access to the 800-sf unfinished basement used for storage and laundry. On this level, the flooring is concrete, the walls are mostly concrete block, and the ceiling is exposed wood rafters. The detached garage is located on the south side of the home and is in poor condition. Overall, the home is dated, in average to fair condition.

Improvement Characteristics

Property Type:	Residential
Property Subtype:	Single-Family Residential
Occupancy Type:	Tenant Occupied
Tenancy:	Single tenant
Number of Buildings:	1
Number of Stories:	1
Construction Quality:	Average
Gross Building Area (GBA):	1,673 sf (based on Appraiser measurements)
Net Rentable Area (NRA):	873 sf (based on Appraiser measurements)

Age/Life

Year Built:	1930's (estimated)
Condition:	Fair
Actual Age:	Unknown
Effective Age:	55 years
Typical Building Life:	100 years
Remaining Economic Life:	45 years

Structural Characteristics

Foundation:	Concrete slab
Building Frame:	Wood frame
Exterior Walls:	Wood siding
Roof Material:	Asphalt shingles

Interior Characteristics

Floors:	Carpet and tile on main floor and concrete in basement
Walls:	Painted gypsum wallboard on main floor and concrete block in basement
Ceilings:	Painted gypsum wallboard on main floor and exposed wood beams in basement

Lighting: Typical
Bathrooms: 1

Mechanical Systems

Electrical: Assumed adequate for current use
Plumbing: Assumed adequate for current use
Heating: Gas forced air and electric baseboard in 3rd bedroom
Air Conditioning: None
Fire Protection/Sprinklers: None

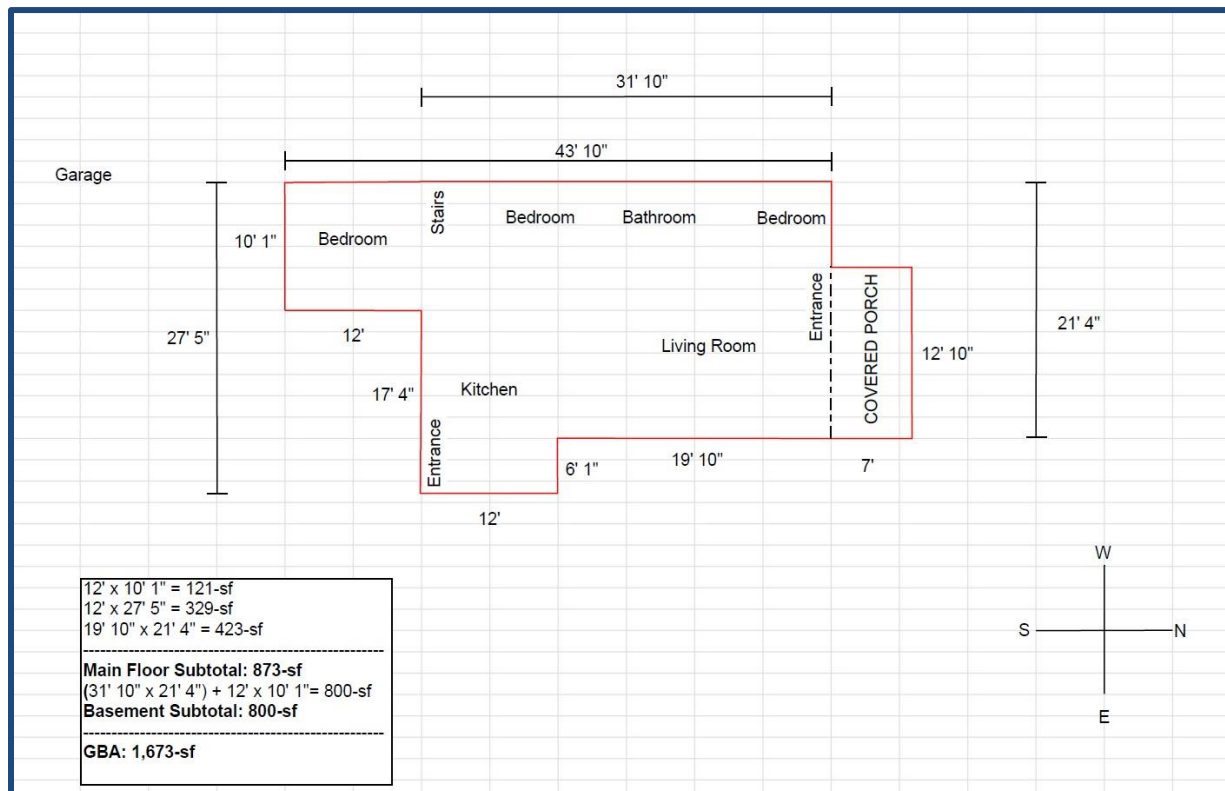
Site Improvements

Primary Site Improvements: Perimeter fencing of northeast corner lot and a one-car detached garage in poor condition.
Landscaping: Grass, trees and shrubs

Legal, Conforming Status

Legally Permitted Use: Yes
Conformity Conclusion: We are not professional planners. Based on our analysis of the property and of the applicable codes, the current use appears to conform to current requirements.

APPRAISER BUILDING SKETCH



Subject Photographs



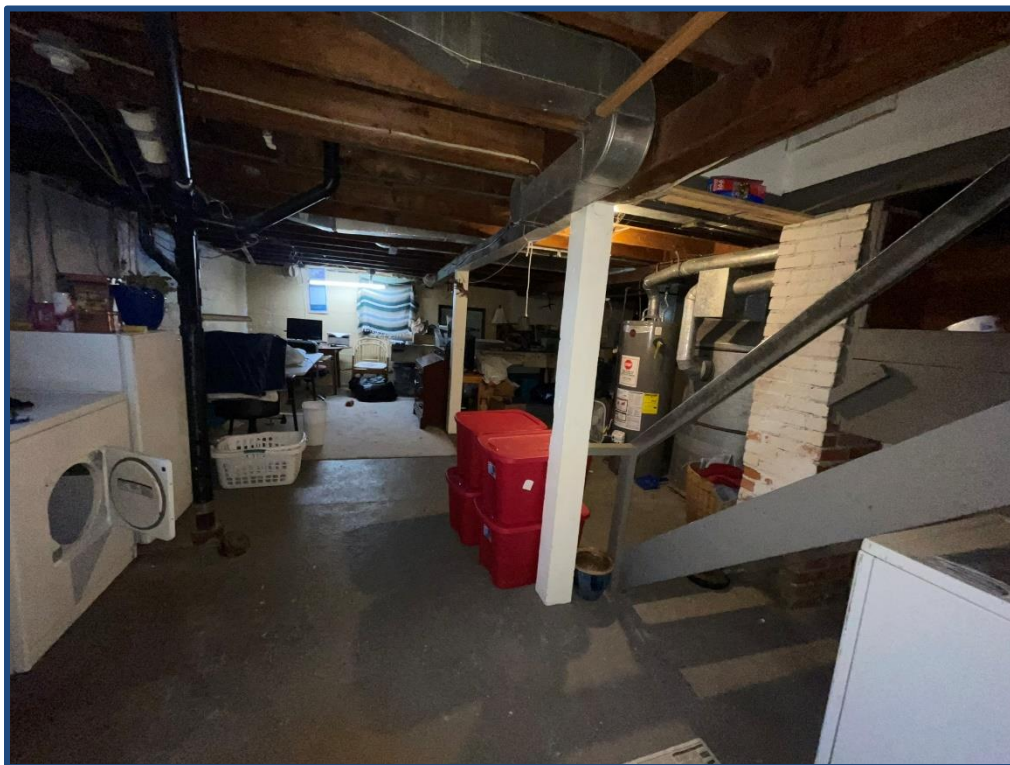
Kitchen



Living Room



Bedroom



Unfinished Basement

Additional photos are included in the Addenda.

Assessment and Tax Data

Assessment Methodology

According to Washington State Department of Revenue, the State of Washington assessed values of real property is based on one or more of the following appraisal methods:

- The Market or Sales Comparison Approach to Value is determined, or estimated, based on multiple sales of similar properties. Most residential property is valued using this method.
- The Cost Approach to Value is determined based on the cost of replacing an existing structure with a similar one that serves the same purpose. This method is commonly used to value new construction.
- The Income Approach to Value is determined based on the income-producing potential of the property. This method is used primarily to value business property.

In 1955, the Legislature adopted a property revaluation cycle, requiring that revaluation occur a minimum of every four years.

Assessed Values and Property Taxes

The subject's assessed values, applicable tax rates and total taxes, including direct assessments, are shown in the following table:

ASSESSED VALUES & PROPERTY TAXES

Ad Valorem Tax Schedule

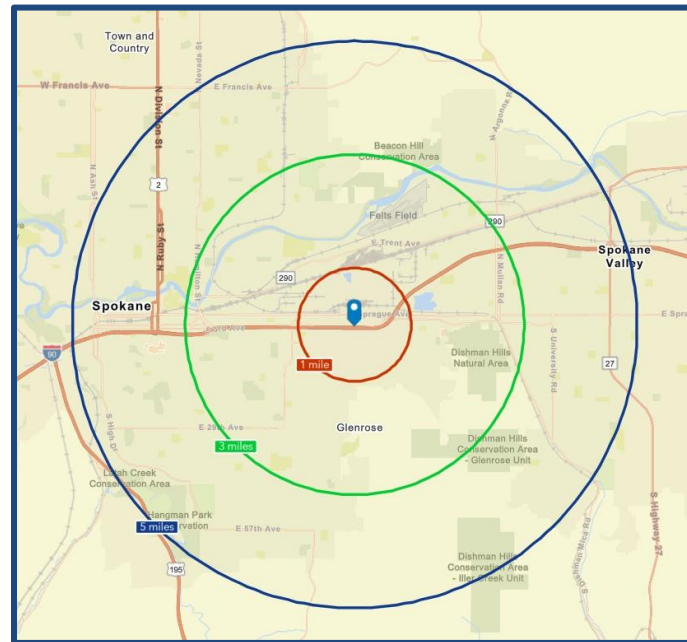
Assessor's Parcel No(s)	Size	Year	Assessed Values			Levy Rate	Taxes	Fees	Taxes & Fees
			Land	Impr	Total				
35232.1503	0.11 ac	2020	\$25,000	\$43,400	\$68,400	0.01301199	\$890.02	\$402.68	\$1,292.70
35232.1509	1.24 ac		\$175,000	\$131,800	\$306,800	0.01301193	\$3,992.06	\$1,012.17	\$5,004.23
Totals	1.35 ac		\$200,000	\$175,200	\$375,200		\$4,882.08	\$1,414.85	\$6,296.93
35232.1503	0.11 ac	2021	\$25,000	\$46,700	\$71,700	0.01253082	\$898.46	\$391.07	\$1,289.53
35232.1509	1.24 ac		\$175,000	\$142,000	\$317,000	0.01253082	\$3,972.27	\$1,007.75	\$4,980.02
Totals	1.35 ac		\$200,000	\$188,700	\$388,700		\$4,870.73	\$1,398.82	\$6,269.55
35232.1503	0.11 ac	2022	\$30,000	\$54,300	\$84,300	0.01235907	\$1,041.87	\$307.93	\$1,349.80
35232.1509	1.24 ac		\$210,000	\$161,600	\$371,600	0.01235904	\$4,592.62	\$1,088.91	\$5,681.53
Totals	1.35 ac		\$240,000	\$215,900	\$455,900		\$5,634.49	\$1,396.84	\$7,031.33
35232.1503	0.11 ac	2023	\$44,000	\$88,000	\$132,000	0.01015697	\$1,340.72	\$304.38	\$1,645.10
35232.1509	1.24 ac		\$200,000	\$0	\$200,000	0.0101569	\$2,031.38	\$1,164.20	\$3,195.58
Totals	1.35 ac		\$244,000	\$88,000	\$332,000		\$3,372.10	\$1,468.58	\$4,840.68
35232.1503	0.11 ac	2024	\$45,000	\$85,100	\$130,100	TBD	TBD	TBD	TBD
35232.1509	1.24 ac		\$324,000	\$0	\$324,000	TBD	TBD	TBD	TBD
Totals	1.35 ac		\$369,000	\$85,100	\$454,100	TBD	TBD	TBD	TBD

Conclusions

According to the Spokane County Treasurer, the subject's property tax payments are current as of the date of value.

Market Analysis

1-3-5 MILE RADIUS MAP



Neighborhood Demographics

228 S. Carnahan Road

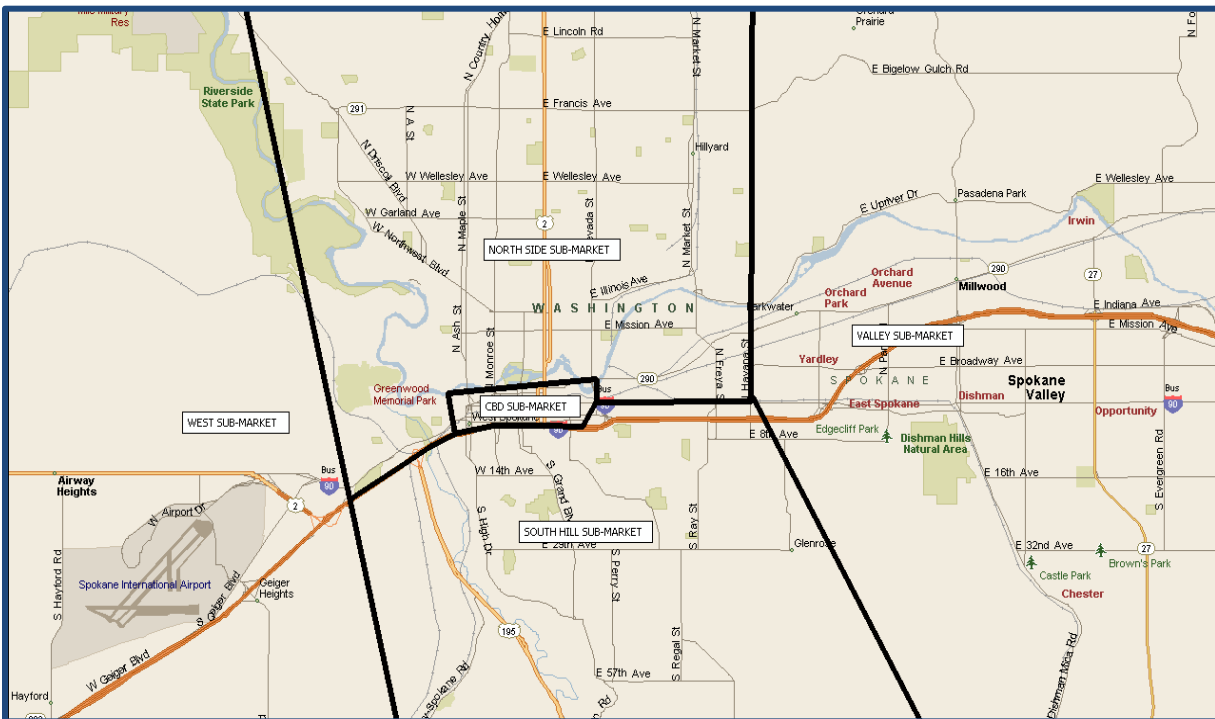
Radius (Miles)	1 Mile	3 Mile	5 Mile
Trade Area (Sq. Mi.)	3.14	28.27	78.54
Trade Density (Pop/Sq. Mi.)	1,957	2,532	2,845
Population			
Census Population (2010)	5,406	63,937	198,081
Census Population (2020)	0	0	217,021
Current Population (2023)	6,144	71,587	223,394
Projected Population (2028)	6,196	73,473	230,109
Households			
Census Households (2010)	2,360	25,764	82,161
Census Households (2020)	2,555	27,290	88,893
Current Households (2023)	2,668	28,182	91,954
Projected Households (2028)	2,703	29,074	95,573
<u>Compound Annual Growth</u>			
2010 - 2020	0.8%	0.6%	0.8%
2020 - 2023	1.5%	1.1%	1.1%
2023 - 2028	0.3%	0.6%	0.8%
Average Household Size (2023)	2.28	2.45	2.34
Trade Area (Sq. Mi.)	3.14	28.27	78.54
Trade Density (Pop/Sq. Mi.)	1,957	2,532	2,845
2023 Housing Units			
Median Home Value	\$300,123	\$320,034	\$338,475
Median Year Built	1975	1971	1967
Total Housing Units	2,829	29,524	96,878
Owner-Occupied Housing %	0.0%	0.0%	52.8%
Renter-Occupied Housing %	0.0%	0.0%	42.1%
Vacant Housing %	0.0%	0.0%	5.1%
2023 Employment			
Total Establishments	457	3,143	10,380
Total Employees	6,011	39,853	150,976
2023 Income Summary			
Median Household Income	\$53,515	\$62,132	\$58,689
Average Household Income	\$78,530	\$84,235	\$84,521
Avg Spending/Household	\$21,510	\$22,774	\$22,758
Per Capita Income	\$33,758	\$33,556	\$35,005

Source: ESRI (ArcGIS)

(Lat: 47.654912, Lon: -117.336561)

Multi-Family Market Analysis

MARKET AREA MAP



Garden-style apartments constructed over the past 40 to 50 years in suburban areas comprise the bulk of apartments in the larger Spokane market. Older and smaller rental complexes, including single-family residences converted to apartments, older projects built as apartments, and hotels rented as apartments comprise the pre-1960s inventory and are typically located in the Central Business District (CBD), or in neighborhoods on its periphery.

The greater Spokane apartment market spans the incorporated and unincorporated metropolitan areas. A geographical categorization of the apartment market generally includes the CBD, the North Side, the South Hill, the Spokane Valley, as well as West Spokane, which includes Airway Heights and Cheney. Each area can be further divided into several submarkets. Geographic boundaries are somewhat nebulous, with some apartment developments competing in overlapping submarkets. The subject property is located in the Spokane Valley submarket. New and Proposed Construction

Following the Great Recession and several years of inactivity in new construction, a number of large projects were developed in the Spokane Valley market in 2010 and 2011. This was followed by considerable activity over the course of the next decade and into 2022.

More than 9,100 apartment units have been added, market wide over than past ten years, with about 1,900 more currently permitted or under construction. Two of the most notable developments are Magnesium Village, a 504-unit development in north Spokane expected for completion late 2023 and The District, located in the University District with 298 units expected mid-2024⁵.

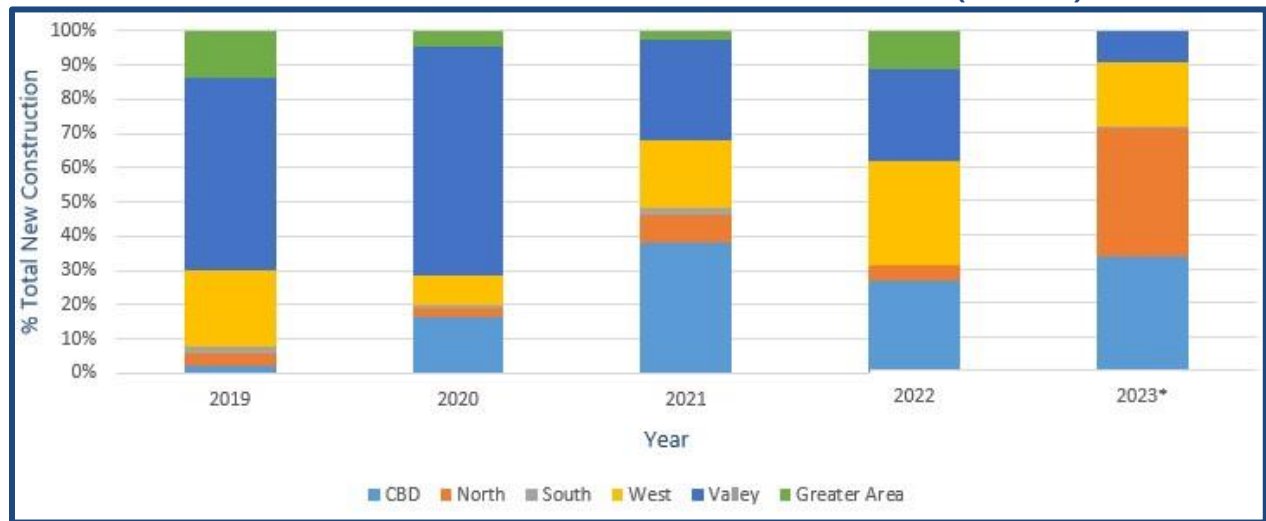
⁵ Source: CoStar Spokane County Market Report Retrieved 11-28-2023

Despite recent trends, at 34.7%, a majority of the “under construction” units in the past five years have been located in the Valley submarket. This trend peaked in 2020 at 67.1% of Spokane County’s “under construction” units before falling to 9.43% this year. The new developments have shifted to the CBD (33.4%) and North Spokane (37.7%) markets.¹

5 Year Under Construction Units													
	CBD		North		South		West		Valley		Greater Area		County Total
Year	Units	%	Units	%	Units	%	Units	%	Units	%	Units	%	Units
2019	42	2.3%	67	3.7%	30	1.6%	414	22.7%	1,026	56.2%	246	13.5%	1,825
2020	190	16.6%	26	2.3%	12	1.0%	99	8.6%	769	67.1%	50	4.4%	1,146
2021	509	38.1%	109	8.2%	25	1.9%	268	20.0%	390	29.2%	36	2.7%	1,337
2022	703	26.7%	117	4.4%	0	0.0%	806	30.6%	709	26.9%	299	11.4%	2,634
2023*	637	33.4%	719	37.7%	14	0.7%	356	18.7%	179	9.4%	0	0.0%	1,905
Total	2,081	23.5%	1,038	11.7%	81	0.9%	1,943	22.0%	3,073	34.7%	631	7.1%	8,847
Average		23.4%		11.3%		1.0%		20.4%		37.3%		6.5%	

*YTD As of November Source: CoStar Spokane County Market and Spokane Valley Submarket reports

FIVE YEAR “UNDER CONSTRUCTION” - SPOKANE COUNTY (COSTAR)



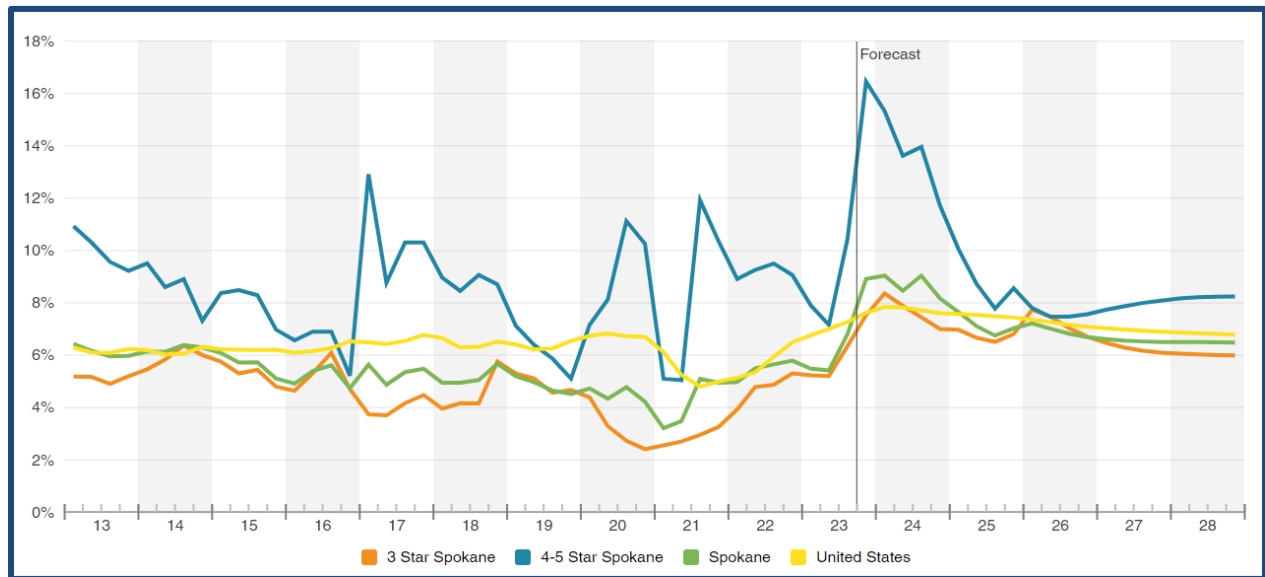
While down a little over a quarter from 2022, unit construction in the county remains strong, with 2023 year-to-date “under construction” units already exceeding that of 2019, 2020, and 2021.

Vacancy and Absorption

The Runstad Center for Real Estate Research no longer surveys the various submarkets of Spokane County for apartment vacancy data, but the most recent overall vacancy report indicates a 4.3% vacancy rate, as of the second quarter of 2023.

Historically, vacancies in the greater-Spokane area have varied by season with the highest occupancy in late summer and early autumn and lowest in winter. With exceptionally high demand in recent years, occupancy is now high throughout the year. According to estimates prepared by CoStar and presented in the following table, the current stabilized vacancy rate is 7.8% in the overall Spokane market, up from 5.8% one year ago. The subject’s specific Valley submarket has reported vacancy rate at 6.7% versus 6.4% one year ago.

COSTAR MARKET VACANCY – SPOKANE COUNTY



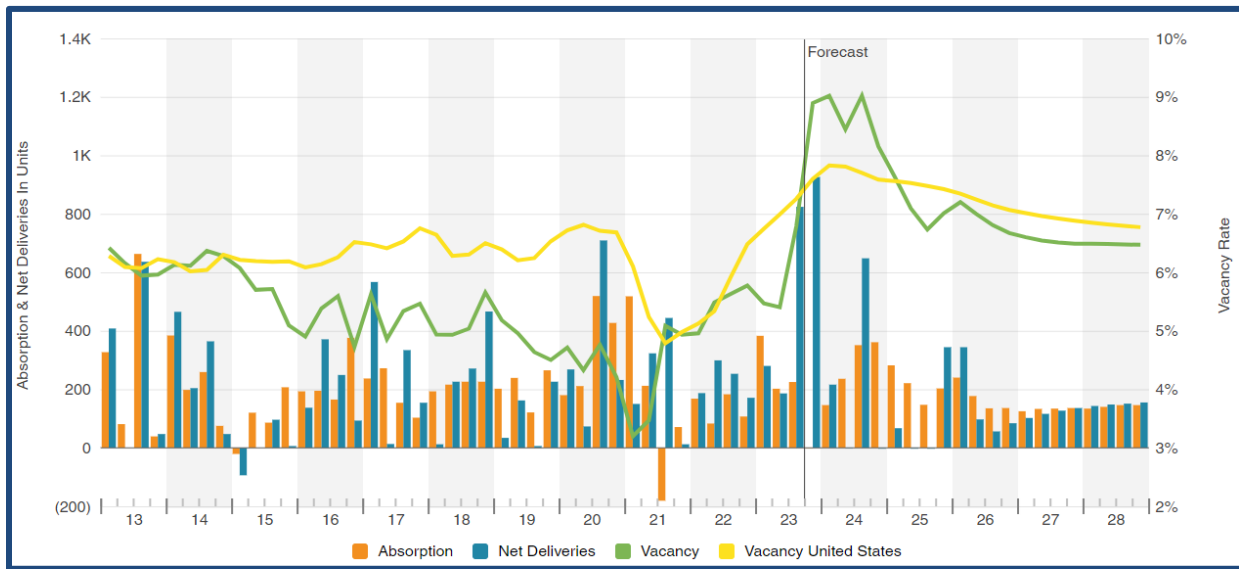
Institutional investors are now among the owners of properties in the local market. Few apartment properties are offered for sale at this time, as current owners do not see safer or better investment opportunities. This is creating a seller's market.

The multi-family market has expanded over the past decade, and vacancies have remained well below historical averages. While the COVID-19 pandemic has created some uncertainties, the local market has benefited from significant in-migration from larger cities, particularly from those along the West Coast, from Seattle through southern California.

A statewide moratorium on rental increases expired September 1, 2021, although evictions will be guided by a so-called bridge wherein landlords and tenants behind on rents must negotiate arrears payments, often with mediation. This will slow outright eviction for non-payment.

Year-over-year rent growth has remained strong as demand has surpassed supply. Newer and high-end properties have benefited from residents leaving larger markets, typically with higher incomes than the local population.

COSTAR ABSORPTION, DELIVERIES & VACANCY



Investment activity has been high over the past several years, and momentum remains strong during the pandemic. Pricing has increased and capitalization rates have contracted slightly, as investors are confident in a secondary market that has benefited from strong population growth.

Typically, utilities are not included in the base rents for newer projects. Some projects offer carports and/or garages. Newer projects have in-unit washer/dryers, as well as dishwashers. The strong rent growth and occupancy levels in new, high amenity projects is reportedly being fueled by millennials with a strong desire for high-end finishes and amenities, as well as baby boomers that have opted out of home ownership for rental housing, which offers more freedom from the chores of home ownership. These baby boomers are accustomed to mortgage payments and the high rents are not an obstacle.

Conversely, millennials are willing to stretch the amount of monthly income they do have to stay in the newest and best properties. These new properties typically have the newest high-end finishes available, and high-end appliances. Many are pet friendly and offer clubhouses with indoor and outdoor social areas that include fire pits and barbeques. They often have enclosed pet walking areas and washing stations.

Another trend is being seen in the desire to live in downtown neighborhoods within walking distance of shops and restaurants. Parking is at a premium in these locations and some of the new projects in the central business district have additional bike storage, for those tenants that plan to fully embrace the downtown lifestyle. Parking in these locations commands a premium, when available.

In addition to traditional apartment development in the suburban areas, and the development and redevelopment in the downtown core, there have been a number of duplex developments constructed on residential and multi-family land throughout the larger Spokane market, and most recently the development of detached housing on residential lots to be held and operated as a rental portfolio.

Multi-Family Conclusion

Investor interest in apartments remains higher than most other property types. Overall capitalization rates are rising, as a reflection of increased interest rates. But multi-family properties are still deemed as relatively low-risk investments. Many of the recent sales have been the result of unsolicited offers. We have interviewed out-of-area brokers who are actively approaching apartment owners and developers with offers to buy, for their out-of-area investors.

Although the Federal Reserve has recently raised interest rates due to increasing inflation levels, brokers are reporting that potential buyers – many with cash or 1031 exchanges – are willing to make larger equity contributions, as they remain optimistic about rent growth. Some sellers are willing to liquidate rather than refinance at higher interest rates. Other sellers are sticking to their investment holding plans despite the changes in market conditions.

Highest and Best Use

The Highest and Best Use of a property is the use that is legally permissible, physically possible, and financially feasible which results in the highest value. An opinion of the highest and best use results from consideration of the criteria noted above under the market conditions or likely conditions as of the effective date of value. The highest and best use conclusion is the product of the judgment and analytical skills of the appraiser. It is an opinion, not a fact. In appraisal practice, the concept of highest and best use is the premise upon which value is based.

Analysis of Highest and Best Use As Though Vacant

The primary determinants of the highest and best use of the property As Though Vacant are the issues of (1) Legal permissibility, (2) Physical possibility, (3) Financial feasibility, and (4) Maximum productivity.

Legally Permissible

The subject site is zoned CMU, Corridor Mixed-Use which controls the general nature of permissible uses but is appropriate for the location and physical elements of the subject property, providing for a consistency of use with the general neighborhood. The property has a billboard as well as overhead power lines impacting some areas of the site. According to the City of Spokane Valley Planning Department, the CMU zone has no density limitations; however, 22 units per acre and building heights of 35' to 50' are typically approved. With a density based on 22 units/acre, the overall site can physically support 29 units. Office buildings and retail developments are also legally permissible.

Physically Possible

The physical attributes allow for a number of potential uses. The subject is a 1.35-acre, level, L-shaped double-corner tract. All municipal utilities are near the property. The site has no physical characteristics that adversely impact development with the legally permitted uses.

Financially Feasible

The most probable use of the site is for multi-family development, which conforms to the pattern of land use in the market area. Rental and occupancy rates suggest that demand is high for multi-family residential development. Only recently have vacancy rates exceeded 5%, rents are starting to stabilize, and some projects are offering rental concessions to entice new tenants. As construction costs have increased along with interest rates/capitalization rates, financial feasibility will depend on the design and construction materials. However, based on new housing development in the neighborhood, near-term speculative development of the subject site could be financially feasible.

Maximally Productive

Among the financially feasible uses, the use that results in the highest value (the maximally productive use) is the highest and best use. Considering these factors, the maximally productive use as though vacant is for multi-family development.

Conclusion of Highest and Best Use As Though Vacant

The conclusion of the highest and best use As Though Vacant is for multi-family development.

Analysis of Highest and Best Use As Improved

The highest and best use of the property as improved has three possibilities: (1) continuing the existing use, (2) modifying the property for an alternate use, or (3) demolishing the improvements and redeveloping the site.

Retaining the existing house improvements as they exist is physically possible, legally permissible and financially feasible.

The subject is an older home, estimated to have been constructed in the 1930s. It has 873-sf of main floor living space and an 800-sf unfinished basement. No apparent updates have been made recently to the home and the interior finishes are dated but in fair-average condition. We conclude that the effective age is 55 years. The analyzed use is a single-family dwelling. The property appears to be a legal use per the zoning regulations. The improvements are consistent with surrounding uses and we have rated its functional utility as average.

Continuing the existing use/ modifying the property:

Retaining the improvements as they exist is physically possible, legally permissible, and financially feasible. However, the subject's land area is larger than needed to support the current improvements and we have estimated there is excess land. Lot sizes in the subject's immediate neighborhood vary in size for single-family homes although most appear to range between 6,750-sf and 13,500-sf. To retain the existing improvements, a boundary line adjustment can be made so that the northeastern parcel is reduced to a more typical lot size (8,000-sf due to the location of the existing improvements), the remainder of the site (50,875-sf) would then become irregular shaped but generally functional for multi-family development. Another option would be to create a third lot separate from the existing two parcels which would require a short plat. According to the Planning Department, the boundary line adjustment process which would keep the existing house with future multi-family development on the same lot is less expensive and would take significantly less time to complete than re-platting a third lot.

RETAIN THE EXISTING IMPROVEMENTS



As shown above, the yellow 50,875-sf of excess land could accommodate up to 25 units based on a typical 22 units/acre.

Land Area Breakdown- Retaining Existing Improvements

Description	Size/sf	Size/ac	%	Shape
Primary Site:	8,000 sf	0.18 ac	14%	Rectangular
Excess Land:	50,875 sf	1.17 ac	86%	Slightly Irregular
Total:	58,875 sf	1.35 ac	100%	L-Shaped

To test the highest and best use of the site as improved, we searched the immediate neighborhood for sales of single-story homes of a similar size and vintage. Four sales were found to have taken place since 2020 which are located less than two blocks from the subject. We limited sales to this immediate area due to the proximity to the I-90 and the pending highway construction. These sales along 2nd Avenue were not part of the right of way take and were acquired as single-family residences.

Single-Family Comparable Sales Map








To determine real estate trends for the subject neighborhood, we searched the Spokane MLS for home sales located on the north and south side of I-90, more specifically, south of Sprague Avenue, north of 6th Avenue, between Napa Street and Carnahan Road.

Home Sales- Spokane MLS (Between Napa St. and Carnahan Rd., 8th Ave. and Sprague Ave.)

<u>SALES</u>	2020	2021	2022	2023	2024- YTD	<u>LISTINGS</u>	2024-YTD
	Total Home Sales	Total Home Sales	Total Home Sales	Total Home Sales	Total Home Sales		Total Home Listings
TOTAL SALES	64	91	62	58	1	TOTAL LISTINGS	6
Avg. List Price:	\$182,456	\$235,722	\$275,353	\$278,975	\$199,000	Avg. List Price:	\$250,000
Avg. Sale Price:	\$187,441	\$245,721	\$284,587	\$279,636	\$195,000		
Diff. From Prev. Yr.	N/A	31%	16%	-2%	-30%		
Med. Sale Price:	\$190,045	\$248,000	\$292,500	\$293,000	\$195,000	Med. List Price:	\$265,000
Avg. DOM:	10	9	12	18	45	Avg. DOM:	22

The residential market has been very strong over the last several years. However, in mid-2022, interest rates rose which impacted buying power and sales activity slowed. As reflected above, home prices appear to have leveled out following the increase in rates, therefore a 15% adjustment is applied to the sales through May 2022 and no adjustment is applied thereafter through the effective date.

Identification			Subject	1	Adjust.	2	Adjust.	3	Adjust.	4	Adjust.
Location			228 S. Carnahan Road Spokane, WA 99212	211 S. Chronicle Road Spokane, WA 99212		4712 E. 2nd Ave Spokane, WA 99212		4718 E. 2nd Avenue Spokane, WA 99212		4311 E. 3rd Avenue Spokane, WA 99212	
											
Parcel No.				35232.1604		35232.1804		35232.1803		35232.221	
List Price				\$150,000		\$219,000		\$230,000		\$125,000	
Sale Price				\$130,000	\$77.70	\$220,000	\$131.50	\$230,000	\$137.48	\$135,000	\$80.69
Market Conditions Adjustments				\$1,282		\$12,658		\$16,258		\$39,557	
Analysis Price				\$131,282	\$116.28/sf	\$232,658	\$139.07/sf	\$246,258	\$147.20/sf	\$174,557	\$104.34/sf
Date of Sale			1/10/2024	5/7/2022		1/11/2022		12/10/2021		6/17/2020	
Land Size			8,016 sf	6,750 sf		6,750 sf		6,750 sf		8,450 sf	
Improvement Value				\$131,282		\$232,658		\$246,258		\$174,557	
Overall PSF				\$116		\$303		\$157		\$235	
Year Built			Unknown- Est. 1930's	1937		1953		1925		1932	
Renovations			None noted	None noted- No pics available		Yes		Yes		None noted	
Condition			Average	Average		Average		Average		Average	
Overall Effective Age			1.50%/yr 55 yrs	55 yrs	\$0	40 yrs	-\$50,000	40 yrs	-\$60,000	55 yrs	\$0
Above-grade			\$50.00/sf 873	1,129	(\$13,000)	768	\$5,000	785	\$4,000	742	\$7,000
Unfinished Basement:			\$10.00/sf 800	0	\$8,000	0	(\$8,000)	785	\$0	0	\$8,000
Style/Appeal				Similar		Slightly Superior		Slightly Superior		Very Similar	
# of Bedrooms			\$3,000 3	2	\$3,000	2	\$3,000	2	\$3,000	3	\$0
# of Baths			\$5,000 1.00	1.00	\$0	1.00	\$0	1.00	\$0	1.00	\$0
Comments			Single-Story 3bd/1bth w/ detached garage. The 873-sf main floor includes a kitchen, living room, three bedrooms and one bathroom. The flooring is carpet and tile. The 800-sf unfinished basement is used for storage and laundry. The flooring is concrete, the walls are mostly concrete block and the ceiling is exposed wood rafters in the basement. Overall, the subject's interior finishes are dated but in fair condition.	Single-Story 2bd/1bth w/ detached garage. No interior pictures available.		Single-Story 2bd/1bth w/ detached garage. Slightly superior compared to subject with some updates- Newer roof, 200-amp service, new paint.		Single-Story 2bd/1bth w/ detached garage. Superior main floor with some updates, the basement is unfinished (similar to subject) excluding 1 bedroom w/ nonegress window.		Single-Story 3bd/1bth w/ detached garage. Interior finishes are most similar to subject.	
Garage			Detached	Detached		Detached		Detached		Detached	
Net Adjustments (less time)				(\$2,000)		(\$50,000)		(\$53,000)		\$15,000	
Total Indicated Improvement Value				\$77	\$129,282	\$109	\$182,658	\$116	\$193,258	\$113	\$189,557

As reflected on the previous page, the sales are adjusted for market conditions and differences in effective age (based on MLS photos as listed), gross building area and number of bedrooms. Prior to adjustments the comparables range from \$131,282 to \$246,258. After adjustments, the sales support a total value between \$130,000 to \$190,000 rounded or between \$77/sf and \$116/sf. Excluding the low indicator (Sale 1) which was the only comparable without interior photos available to analyze, the remaining sales reflect a tight range from \$109/sf to \$116/sf, this is a reasonable adjusted comparable range for the subject. Taking into consideration that Sale 4 is the most comparable based on interior finishes, we conclude the subject has a market value of \$115/sf or **\$190,000** rounded.

Demolishing the improvements and redeveloping the site:

If the improvements on site were demolished, the subject site would be an L-shaped, double-corner tract able to support a total of 29 units, this is four more units than possible than if the improvements on site were retained. As discussed later in the land valuation section of this report, a reasonable range for the subject is between \$21,000/unit and \$22,000/unit; four units x \$22,000/unit = \$88,000. As concluded above, the house on site has a market value of **\$190,000**.

Conclusion of Highest and Best Use As Improved

The highest and best use of the subject property, As Improved, is to complete a boundary line adjustment or short plat to retain the house on site and redevelop the remainder of the site with a multi-family development. The excess land could support 25 units based on a typical density of 22 units/acre. The excess land area is analyzed at 50,875-sf.

Excess/Surplus Land

Our analysis has established that the subject property has excess land.

Most Probable Buyer

As of the date of value, the most probable buyer of the subject property is a developer.

Excess Land Valuation

Methodology

Site value is most often developed using the Sales Comparison Approach. This approach is based on the principle 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. In this approach, the appraiser develops an indication of market value by analyzing closed sales, listings, or pending sales of properties similar to the subject property. No two properties are identical. To account for differences in physical and economic characteristics from the subject property, the appraiser applies adjustments developed from market and sales analysis, and from professional judgment.

Unit of Comparison

The unit of comparison depends on land use economics and how buyers and sellers use the property. The unit of comparison in this analysis is per usable square foot as well as price per maximum potential residential unit. The rate per unit is based on the maximum probable density based on zoning. According to the City of Spokane Valley Planning Department, there is no density limit, however 22 units/acre is typical for this zone. The subject and all comparable sales are analyzed on a 22 unit/acre capacity.

Elements of Comparison

Elements of comparison are the characteristics or attributes of properties and transactions that cause the prices of real estate to vary. The primary elements of comparison considered in sales comparison analysis are as follows: (1) property rights conveyed, (2) financing terms, (3) conditions of sale, (4) expenditures made immediately after purchase, (5) market conditions, (6) location, and (7) physical characteristics. Properties with characteristics or attributes that are most similar to the subject property are most comparable and the best indications of value. Appraisers commonly adjust the comparables to account for the impact of differences from the subject property in elements of comparison.

Comparable Sales Data

To obtain and verify comparable sales of vacant land properties, we researched public records, conducted field surveys, interviewed knowledgeable real estate professionals in the area, and reviewed our internal database and other databases. Of the data that this research produced, six sales (including the subject's pending sale) were judged to be the most comparable to provide the best indication of market value for the subject property.

The following table identifies each sale comparable followed by comparable sheets and a location map.

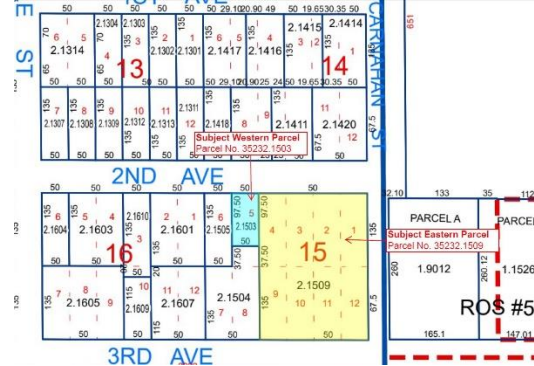
Land Sales Summary

Comp. No.	Sale Date	Location		Usable Sq. Ft.	Zoning	Sales Price Actual	Per Sq. Ft.
1	In-Contract	228 S. Carnahan Road	Spokane Valley	58,875	CMU	\$630,000	\$10.70
2	August-23	100 Block S. Dartmouth Road	Spokane Valley	122,114	CMU	\$1,400,000	\$11.46
3	October-22	12717 E. 4th Avenue	City of Spokane Valley	105,980	MFR	\$1,250,000	\$11.79
4	January-22	15922 E. Valleyway Avenue	Spokane Valley	101,778	MFR	\$919,500	\$9.03
5	October-21	10215 E. 4th Avenue	Spokane Valley	17,050	CMU	\$135,000	\$7.92
6	March-21	12050 E. Alki Avenue	City of Spokane Valley	116,279	CMU	\$1,200,000	\$10.32

Land Sale Comparables

LAND COMPARABLE 1

Record No.	11397784	Property Type	Land - Multi Family; Land - Office; Land - Retail
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Location Data

Identification	Carnahan Road Land	City, County	Spokane Valley, Spokane County
Address	228 S. Carnahan Road	State, Zip	Washington 99212
Location Description	double corner tract located on the west side of Carnahan Road, along 2nd and 3rd Avenues	Latitude, Longitude	47.654912, -117.336561
Legal Description	Lengthy and retained in our files.	TaxID/APN	35232.1503 and 35232.1509

Sales Data

Grantor	Wheeler Investments and Development, LLC	Sale Price	\$630,000	\$10.70/sf
Grantee	City of Spokane Valley	Financing Terms	\$0	None
Sale Date	1/17/2024	Conditions of Sale	\$0	None
Sale Status	In-Contract	Expenditures	\$0	Demolition of existing home
Property Rights	Fee Simple	After Purchase		
Financing	Cash to Seller	Non Realty Items	\$0	None
Conditions of Sale	Arm's Length	Atypical Costs	\$0	None
		Adjusted Sale Price	\$630,000	\$10.70/sf

Sale History

The current owner acquired the subject parcels in two separate transactions; the western parcel (Parcel No. 35232.1503) sold on 10/12/2022 for a recorded \$111,000. The Grantor was Bain Investments, LLC according to the Statutory Warranty Deed dated 10/12/2022, recorded as Document No. 7248348 on 10/21/2022. This sale included a 528-sf home constructed in 1941 which the buyer demolished after purchasing. The eastern parcel (Parcel No. 35232.1509) sold on 3/28/2022 for a recorded \$350,000. The Grantor was H.A. Tombari, LLC according to the Statutory Warranty Deed dated 3/28/2022, recorded as Document No. 7194952 on 4/1/2022. This sale included two, single-family homes, one of which was in poor condition and demolished after purchased, the other is currently being rented and is in fair condition.

Verification

Confirmed With	jack@kestell.com	Confirmed By	TTauala 01-16-2024
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Physical Data

Land Size	58,875 sf/1.35 acres	Traffic Count (vpd)	4.600
Usable Land	58,875 sf/1.35 acres	Signalization	No
Zoning	CMU Corridor Mixed-Use	Primary Frontage	203' Carnahan Road
Topography	Level	Second Frontage	200' 3rd Avenue
Flood Zone	Zone X	Parcel Type	Double Corner
Shape	L-Shaped	Site Improvements	Perimeter fencing of northeast corner lot and a one-car detached garage in poor condition.
Utilities	All available		
Access	Average		

LAND COMPARABLE 1 (CONT.)**Property Description**

The subject is a two parcel tract of land with commercial zoning located north of I-90 and west of Lowes in Spokane Valley, WA.

Remarks

This is the sale of a 1.35-ac double corner tract zoned CMU, improved with an older single family home with an unfinished basement. The property went under contract on 12/13/23 and is scheduled to close on or before 2/26/24.

LAND COMPARABLE 2

Record No. 11368897

Property Type

Land - Retail; Land - Multi Family



Location Data

Identification	Appleyway Ave/Dartmouth Rd CMU Land	City, County State, Zip	Spokane Valley, Spokane County Washington 99206
Address	100 Block S. Dartmouth Road	Latitude, Longitude	47.655009, -117.268292
Location	on the northeast corner of Appleyway	TaxID/APN	45201.0129, 45201.0130 and 45201.0131
Description	Boulevard and Dartmouth Road		
Legal Description	20-25-44: PARCEL 3 OF RECORD OF SURVEY AFN 6875619. 20-25-44: PARCEL 4 OF RECORD OF SURVEY AFN 6875619. 20-25-44: PARCEL 5 OF RECORD OF SURVEY AFN 6875619.		

Sales Data

Grantor	University City Inc.	Sale Price	\$1,400,000	\$11.46/sf
Grantee	Wheeler Investments & Development LLC	Financing Terms	\$0	None
Sale Date	8/28/2023	Conditions of Sale	\$0	None
Sale Status	Closed	Expenditures	\$0	None
Document #	Excise No. 202312262	After Purchase		
Property Rights	Fee Simple	Non Realty Items	\$0	None
Financing	Cash to Seller	Atypical Costs	\$0	None
Conditions of Sale	Arm's Length	Adjusted Sale Price	\$1,400,000	\$11.46/sf
Marketing Time	Since 3/9/2023			
Sale History	No prior sales noted in the previous three years			

Verification

Confirmed With	NAI Black Office Jim Koon, jim@cdabroker.com	Confirmed By	Tiffany Tauala 12-29-2023
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Physical Data

Land Size	122,114 sf/2.80 acres	Utilities	All available
Usable Land	122,114 sf/2.80 acres	Traffic Count (vpd)	11,700
Zoning	CMU Corridor Mixed-Use	Signalization	No
Topography	Level	Primary Frontage	133' Dartmouth Road
Flood Zone	X	Second Frontage	595' Appleyway Boulevard
Shape	Mostly rectangular	Parcel Type	Corner

Property Description

This a vacant corner tract of land with frontage along Appleyway Boulevard in Spokane Valley, just south from Spokane Valley City Hall.

Remarks

This is the sale of three contiguous parcels with frontage along Appleyway Blvd. According to the listing agent they had no other offers, there were no special factors that affected the listing/sale price and the Buyer intends to use the site for manufacturing.

(Parcel 45201.0129 the 1.07 acre rectangular shaped, level corner tract was listed by itself for \$550k, \$11.80/sf since 3/9/23).



LAND COMPARABLE 4

Record No. 11374060

Property Type

Land - Multi Family



Location Data

Identification	Valleyway Apartments Land Only	State, Zip	Washington 99037
Address	15922 E. Valleyway Avenue	Latitude, Longitude	47.659848, -117.190339
Location Description	South along Valleyway Avenue and east of Sullivan Road	Geographic Area	Valley
City, County	Spokane Valley, Spokane County	TaxID/APN	45133.1012
Legal Description	Lengthy and retained in our files.		

Sales Data

Grantor	Estate of Jennifer O'Brien	Sale Price	\$919,500	\$9.03/sf
Grantee	Skyline Homes LLC	Financing Terms	\$0	None
Sale Date	1/28/2022	Conditions of Sale	\$0	None
Sale Status	Closed	Expenditures	\$20,000	Removal of existing structure
Property Rights	Fee Simple	After Purchase		
Financing	Cash-equivalent	Non Realty Items	\$0	None
Conditions of Sale	Arm's Length	Atypical Costs	\$0	None
Sale History	No recent sales	Adjusted Sale Price	\$939,500	\$9.23/sf

Verification

Confirmed With	Gene Arger- Broker 509-844-8814	Confirmed By	Marcus Clause-Geston 09-22-2023
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Physical Data

Land Size	101,778 sf/2.34 acres	Access	Average
Usable Land	101,778 sf/2.34 acres	Signalization	No
Zoning	MFR Multi-family Residential	Primary Frontage	140' Valleyway Avenue
Topography	Level	Parcel Type	Interior
Shape	Rectangular	Site Improvements	None
Utilities	All available		

Property Description

This is 2.35 acres of MFR zoned laned purchased to develop apartments.

Remarks

The broker reported a typical transaction with no concessions. There was an old house on the property which was assigned no value and cost \$20,000 to remove.

TMT 11/17/23: The 2bd house constructed in 1914 which was in poor condition as well as the three car-garage and outbuildings were demolished. Buyer constructed a three-story apartment complex on site (51 units total: 1 and 2 bed units), construction was completed in summer 2023.

LAND COMPARABLE 5

Record No. 11153885

Property Type

Land - Multi Family



Location Data

Identification	CMU Land- Multifamily 4th Avenue Land	City, County	Spokane Valley, Spokane County
Address	10215 E. 4th Avenue	State, Zip	Washington 99206
Location	South along 4th Avenue inbetween	Latitude, Longitude	47.653963, -117.267266
Description	Balfour Road and University Road	TaxID/APN	45201.0640
Legal Description	OPPORTUNITY W55FT of E155FT of BLK 226 LYG S OF COUNTY Y R/W		

Sales Data

Grantor	University City	Sale Price	\$135,000	\$7.92/sf
Grantee	Cyprian Homes, LLC	Financing Terms	\$0	None
Sale Date	10/13/2021	Conditions of Sale	\$0	None
Sale Status	Closed	Expenditures	\$0	None
Property Rights	Fee Simple	After Purchase		
Financing	Cash to Seller	Non Realty Items	\$0	None
Conditions of Sale	Arm's Length	Atypical Costs	\$0	None
Marketing Time	May 2021	Adjusted Sale Price	\$135,000	\$7.92/sf
Sale History	No recent sales			

Verification

Confirmed With	Jim Koon - Listing Agent 208-665-6475	Confirmed By	Wyatt Mitchell 06-07-2021
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Physical Data

Land Size	17,050 sf/0.39 acres	Utilities	All available
Usable Land	17,050 sf/0.39 acres	Access	Average
Zoning	CMU Corridor Mixed use	Signalization	Yes
Topography	Level	Primary Frontage	98' E. 4th Avenue
Flood Zone	Not in Flood Zone	Parcel Type	Interior
Shape	Rectangular		

Property Description

The property is a narrow strip of land with access from 4th Avenue and frontage along Appleway Boulevard.

Remarks

The property sold to a development company. The listing agent would only state the legal allowance for homes on the site and did not know the specific amount that would be built.

LAND COMPARABLE 6

Record No. 11404789 **Property Type** Land-Multi-family; Land-Commercial



Location Data

Identification	Alki Townhomes Site	City, County	City of Spokane Valley, Spokane County
Address	12050 E. Alki Avenue	State, Zip	Washington 99206
Location Description	on the south side of Alki Avenue, just west of Pines Road	Latitude, Longitude	47.662191, -117.243091
		TaxID/APN	45164.0253
Legal Description	(CITY OF SPOKANE VALLEY) LT 2 OF RECORDED SURVEY AUDITORS #5740277 BK 135 PG 58 BEING A PTN OF TR 115 OF OPPORTUNITY		

Sales Data

Grantor	Joseph P. Taggart III	Sale Price	\$1,200,000	\$10.32/sf
Grantee	Pence Properties Alki, LLC	Financing Terms	\$0	None
Sale Date	3/31/2021	Conditions of Sale	\$0	None
Sale Status	Closed	Expenditures	\$0	None
Document #	Excise No. 202104990	After Purchase		
Property Rights	Fee Simple	Non Realty Items	\$0	None
Financing	See Comments	Atypical Costs	\$0	None
Conditions of Sale	Arm's Length	Adjusted Sale Price	\$1,200,000	\$10.32/sf
Marketing Time	11			
Sale History	No prior sales noted in the previous three years			

Verification

Confirmed With	Marie Pence, Windermere- BUYER	Confirmed By	Tiffany Tauala 01-18-2024
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Physical Data

Land Size	116,279 sf/2.67 acres	Utilities	All available
Usable Land	116,279 sf/2.67 acres	Signalization	No
Zoning	CMU Corridor Mixed Use	Primary Frontage	277' Alki Avenue
Topography	Level	Parcel Type	Interior
Flood Zone	X	Site Improvements	None
Shape	Slightly irregular		

LAND COMPARABLE 6 (CONT.)**Property Description**

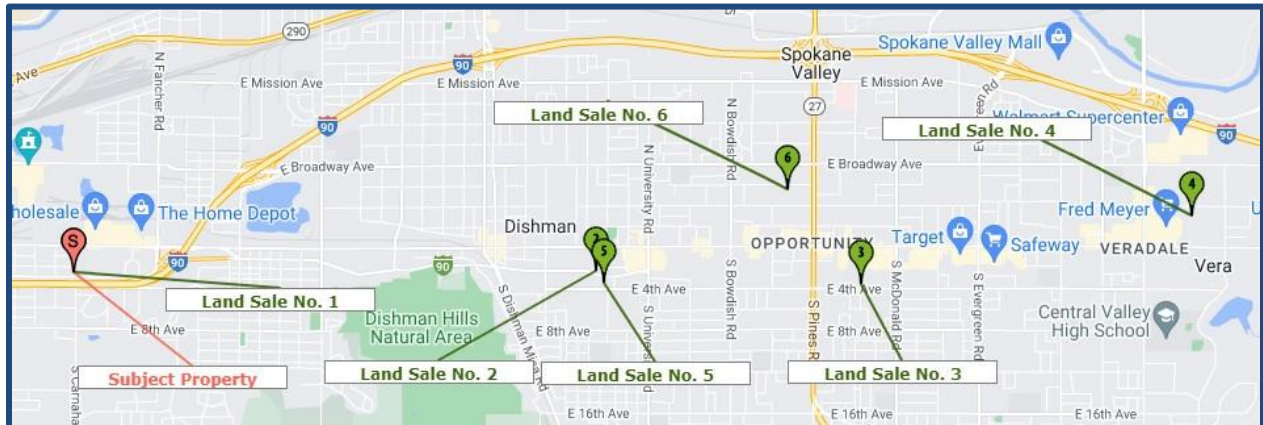
This is vacant mixed-use land which allows for a wide array of commercial uses and high density residential in Spokane Valley.

Remarks

****1/22/24: After getting off the phone with Marie, I double checked the recorded sale price and calculated the difference between what she said she bought the site for vs. what MLS and Assessor records reflect (\$205,000 difference) this is a lot more than what her commission would have been which she implied was the difference in prices. I tried calling her back to inquire more but it went to VM. If using this comp you may want to try and clarify the difference in sale price with her!****

This is the sale of a slightly irregular shaped interior tract zoned CMU located across the street from a new middle school with power, water and sewer available directly in front of the property. Situated one block south of Broadway Ave, west of Pines. According to the buyer, the purchase price was actually \$1.2 mil and since she was her own realtor for the transaction, her commission was applied towards the purchase price. She believes that they had three other offers (all of which were around \$1.2 mil, all intended residential dev.). She feels that the location, zoning and level site played a roll in the competing offers (minimal land available allowing for high density residential in good locations). Buyer is constructing seven, two-story townhome buildings (59 units total). The townhome development, when complete, will span a total of 30,090 square feet, according to permit data. Spokane Valley-based Wyatt Architects & Associates is designing the townhome development. The project contractor is Pence Properties Inc., of Spokane.

MAP OF COMPARABLE LAND SALES



Land Sales Comparison Analysis

When necessary, adjustments were made for differences in various elements of comparison. If the element of comparison is considered superior to that of the subject, we applied a negative adjustment. Conversely, a positive adjustment was applied if the characteristic was inferior.

Transaction Adjustments

Transaction adjustments include (1) real property rights conveyed, (2) financing terms, (3) conditions of sale, and (4) expenditures made immediately after purchase. These adjustments are discussed as follows:

Real Property Rights Conveyed

Real property rights conveyed can influence sale prices and must be considered when analyzing a sale comparable. The subject and the sale comparables all reflect Fee Simple Interest with no adjustments required.

Financing Terms

Market value is based on cash or on cash-equivalent terms. Terms that differ from these can affect sale prices and may require an adjustment for cash equivalency. All of the comparables sold for cash or on cash equivalent terms; therefore, no adjustments are required.

Conditions of Sale

Market value is based on a sale from a "...willing and reasonable knowledgeable seller to a willing and reasonably knowledgeable buyer, with neither acting under any compulsion to buy or sell..." All parties in a sale are motivated to one degree or another. Unusual or atypical motivation can affect the sale price. Conditions of sale adjustments account for the impact of atypical motivation or other similar factors. The sales all occurred under typical conditions with no unusual pressure on the seller or buyer; therefore, no adjustments are necessary.

Expenditures Made Immediately After Purchase

Expenditures that the buyer expects to make after the acquisition but anticipated before the sale closes are added to the price to reflect the total effective purchase price. Examples may include costs to demolish and remove any portion of the improvements, costs to petition for a zoning change, or costs to remediate environmental contamination. Sale 3 and 4 are adjusted upward \$20,000 for the removal of the existing improvements on site.

Market Conditions Adjustment

Inflation, deflation, fluctuations in supply and demand, and other factors can cause prices to change over time and create the need for an adjustment for the impact of these changing market conditions. All sale comparables sold within the last three years. Market participants and an analysis of market data indicate that the residential market had strong growth in sales and rental rates during that timeframe and commercial land sales support appreciation as well.

The table below summarizes some sales and resales of land in Spokane County with zoning designations allowing for multi-family development. This table was updated with the most recent sales in our database as of January 2024 and there have been few sales/resales to pair with since the increase in interest rates, mid-2022.

Paired Land Sales

Address	Zoning	Sale Date	Sale Price	Resale Date	Resale Price	No. of months	% change per year
9600 E. Sprague Avenue	CMU	4/29/2019	\$375,000	8/16/2022	\$575,000	39.62	16.2%
Hartson Avenue Multi-family Site	RMF	9/27/2005	\$140,000	7/28/2022	\$450,000	202.12	13.1%
16224 E. Sprague Avenue	CMU	1/30/2021	\$200,000	6/14/2022	\$350,000	16.44	54.8%
Westminster Project Site	OR-150	11/17/2017	\$1,035,000	5/27/2022	\$1,325,000	54.31	6.2%
Rockwell Mixed Use	IMU	2/1/2021	\$61,150	3/7/2022	\$117,500	13.12	84.3%
Dakota Street Land	RMF	11/28/2017	\$70,000	3/2/2022	\$250,000	51.12	60.4%
31st Street Avenue Land	O-35	4/24/2019	\$100,000	2/22/2022	\$239,000	34.03	49.0%
1720 W. Riverside Ave	RHD-35	6/25/2013	\$262,500	2/22/2022	\$400,000	104.02	6.0%
Peaceful Valley Lot	RHD-35	6/21/2013	\$250,000	2/7/2022	\$400,000	103.66	6.9%
Baldwin Avenue Land	GC-70	3/2/2018	\$165,000	6/7/2021	\$260,000	39.22	17.6%
4th Avenue Land	MFR	8/8/2013	\$71,550	6/1/2021	\$299,000	93.83	40.7%
Mission Avenue Land	CC2-EC	9/18/2020	\$40,000	4/20/2021	\$55,000	7.04	64.0%
516 N. Evergreen Road	CMU	5/19/2016	\$406,000	3/19/2021	\$415,643	58.03	0.5%
3907 & 3911 E. Sprague Avenue	CMU	9/17/2015	\$250,000	1/12/2021	\$350,000	63.91	7.5%
16524 E. Sprague Avenue	CMU	3/23/2009	\$425,000	7/28/2020	\$470,000	136.27	0.9%
Conklin Parcels	RMF	3/24/2019	\$339,000	7/9/2020	\$557,500	15.55	49.7%
Appleway Land	CMU	12/6/2011	\$308,000	2/18/2020	\$500,000	98.50	7.6%
12407 E. Riverside Avenue	CMU	3/20/2017	\$90,000	1/27/2020	\$140,000	34.29	19.4%
						Average	24.3%
				Average Appreciation	2022 Sales	11 Sales	32.99%
				CMU Zoned: 15.3%	2021 Sales	5 sales	26.05%
					2020 Sales (Not Shown)	4 sales	19.43%
					2019 Sales (Not Shown)	6 sales	24.75%

Considering the proximity of sales with the same zoning designation and varied appreciation (in bold), as well as the sale comparables from throughout the county, a market condition adjustment of 20%/year is applied through May 2022. Since then, interest rates have increased substantially, and sales activity has slowed. Investors and developers have become more cautious with the increase in interest rates and a slower 5%/year adjustment is applied from August 2022 through to the effective date of value.

Property Adjustments

Property adjustments account for relevant differences between the comparable properties and the subject property in physical characteristics such as location, size, access, visibility, topography, functional utility and other elements. Our reasoning for the property adjustments made to each sale comparable follows. The discussion analyzes each adjustment category deemed applicable to the subject property.

Location

Location adjustments may be required when the locational characteristics of a comparable are different from those of the subject. These characteristics can include general neighborhood characteristics, neighboring properties, view amenities, and other factors. The subject is a double corner tract with frontage along 3rd Avenue which has a traffic count of 4,600 vpd. Uses near the subject include older single-family dwellings, mobile homes, offices along 3rd Avenue and retail along Sprague Avenue.

The subject and all comparable sales are located in Spokane Valley along or near main arterials and are within close proximity to Interstate 90, schools, shopping and employment opportunities. A location along an arterial would be attractive to a larger group of potential buyers, therefore Sales 2 and 5 are adjusted downward 5%. Sale 2 is also a corner location located within the Sprague Avenue/Appleway Boulevard corridor with a higher traffic count of 11,700 vpd. This sale is adjusted downward an additional 5%. Sale 6 is located across the street from a newly constructed middle school in an area with some new residential development therefore, this sale is adjusted downward 5%. No other adjustments are necessary.

Size

The size adjustment addresses the impact of size differences. Larger parcels typically command a lower price per unit than a smaller parcel. This inverse relationship is due, in part, to the principle of "economies of scale." The subject has an estimated 50,875 sf of excess land. Sales 2, 3 and 6 are more than double this size and are adjusted upward 5%. Sale 5 is less than half this size and is adjusted downward 5%. All other sales are similar enough in size that no adjustments are required.

Shape/Depth/ Functional Utility

The subject's excess land is irregularly shaped. Sales 2, 3 and 4 are rectangular shaped which is superior to the subject therefore, these sales are adjusted downward 5%. Sale 5 is rectangular shaped; however, it is only 55' wide which is greatly inferior to the subject; Sale 5 is adjusted upward 10%. No other adjustments are necessary.

Zoning

Zoning controls land uses and thereby affects highest and best use and values. The subject is zoned CMU, all comparable sales are either zoned CMU or MFR. The MFR zone allows a maximum of 22 units/acre with building heights of 50' and while the CMU zone doesn't have a density or height restriction, the Planning Department stated that 22 units/acre and 35' - 50' building heights is typical. No adjustments are necessary.

Summary of Adjustments

The table on the following page summarizes significant characteristics of the subject property and the comparables and the adjustments for differences in elements of comparison. These qualitative adjustments are based on our market research, best judgment, and experience in the appraisal of similar properties.

Land Sales Adjustment Grid - Per SF

Subject - Per SF		Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6
Sale ID		1715635	1692735	1721179	1696469	1538695	1721111
Date of Value & Sale	January-24	In-Contract	August-23	October-22	January-22	October-21	March-21
Property Name	Land	Carnahan Road	Appleway	The Flats on 4th	Valleyway	CMU Land-	Alki Townhomes
Unadjusted Sales Price		\$630,000	\$1,400,000	\$1,250,000	\$919,500	\$135,000	\$1,200,000
Usable Square Feet	50,875	58,875	122,114	105,980	101,778	17,050	116,279
Unadjusted Sales Price per Usable Sq. Ft.		\$10.70	\$11.46	\$11.79	\$9.03	\$7.92	\$10.32
Transactional Adjustments							
Property Rights Conveyed	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>
Financing Terms	<i>Cash to Seller</i>	<i>Cash to Seller</i>	<i>Cash to Seller</i>	<i>Cash to Seller</i>	<i>Cash-equivalent</i>	<i>Cash to Seller</i>	<i>See Comments</i>
Conditions of Sale	<i>Typical</i>	<i>Arm's Length</i>	<i>Arm's Length</i>	<i>Arm's Length</i>	<i>Arm's Length</i>	<i>Arm's Length</i>	<i>Arm's Length</i>
Expenditures after Sale		\$0	\$0	\$20,000	\$20,000	\$0	\$0
Adjustment		-	-	1.6%	2.2%	-	-
Adjusted Sales Price		\$10.70	\$11.46	\$11.98	\$9.23	\$7.92	\$10.32
Market Conditions Adjustments							
Elapsed Time from Date of Value		<i>0.00 years</i>	<i>0.37 years</i>	<i>1.21 years</i>	<i>1.95 years</i>	<i>2.24 years</i>	<i>2.78 years</i>
Market Trend Through	May-22	-	-	-	6.7%	12.6%	23.3%
Subsequent Trend Ending	January-24	-	1.8%	6.1%	8.1%	8.1%	8.1%
Analyzed Sales Price		\$10.70	\$11.68	\$12.71	\$10.65	\$9.64	\$13.76
Physical Adjustments							
Location	<i>228 S. Carnahan Road</i>	<i>228 S. Carnahan Road</i>	<i>100 Block S. Dartmouth Road</i>	<i>12717 E. 4th Avenue</i>	<i>15922 E. Valleyway Avenue</i>	<i>10215 E. 4th Avenue</i>	<i>12050 E. Alki Avenue</i>
	<i>Spokane Valley</i>	<i>Spokane Valley</i>	<i>Spokane Valley</i>	<i>City of Spokane Valley</i>	<i>Spokane Valley</i>	<i>Spokane Valley</i>	<i>City of Spokane Valley</i>
Location Description:	<i>Corner tract. Adjacent uses are older SF & mobile home with office and retail to the E along 3rd Ave and Sprague</i>	<i>Subject</i>	<i>On the N side of 4th Ave, between Pines and McDonald Rd. Neighborhood is a mixture of single and MF residential with commercial uses along Sprague Ave directly N. Some new residential constructed nearby</i>	<i>On the N side of 4th Ave, between Pines and McDonald Rd. Neighborhood is a mixture of single and MF residential with commercial uses along Sprague Ave directly N. Some new residential constructed nearby</i>	<i>S side of Valleyway, one block N of Sprague & just E of Sullivan. Neighborhood is a mix of retail, single & MF</i>	<i>S side of Appleway N side of 4th, just E of Dartmouth. Adjacent uses are MF w/ vacant land and retail across street</i>	<i>On the N side of 4th Ave, between Pines and McDonald Rd. Neighborhood is a mixture of single and MF residential with commercial uses along Sprague Ave directly N. Some new residential constructed nearby</i>
Corner or Interior?	<i>Corner</i>	<i>Double Corner</i>	<i>Corner</i>	<i>Interior</i>	<i>Interior</i>	<i>Interior</i>	<i>Interior</i>
Frontage Type:	<i>Collectors</i>	<i>Collectors</i>	<i>Major Arterial (One-way) & Collector</i>	<i>Collector</i>	<i>Collector</i>	<i>Major Arterial & Collector</i>	<i>Collector</i>
Total Traffic Count (VPD):	<i>4,600</i>	<i>4,600</i>	<i>11,700</i>	<i>1,600</i>	<i>Not Available</i>	<i>12,800</i>	<i>Not Available</i>
Adjustment		-	-10.0%	-	-	-5.0%	-5.0%
Size	<i>50,875 sf</i>	<i>58,875 sf</i>	<i>122,114 sf</i>	<i>105,980 sf</i>	<i>101,778 sf</i>	<i>17,050 sf</i>	<i>116,279 sf</i>
Adjustment		-	5.0%	5.0%	-	-5.0%	5.0%
Shape/Depth/Functional Utility	<i>Irregular</i>	<i>L-Shaped</i>	<i>Mostly rectangular</i>	<i>Rectangular</i>	<i>Rectangular</i>	<i>Rectangular</i>	<i>Slightly irregular</i>
Adjustment		-	-5.0%	-5.0%	-5.0%	10.0%	-
Zoning	<i>CMU</i>	<i>CMU</i>	<i>CMU</i>	<i>MFR</i>	<i>MFR</i>	<i>CMU</i>	<i>CMU</i>
Adjustment		-	-	-	-	-	-
Net Physical Adjustment		-	-10.0%	-	-5.0%	-	-
Adjusted Sales Price per Usable Square Foot		\$10.70	\$10.51	\$12.71	\$10.12	\$9.64	\$13.76

Land Value Conclusion

The following table summarizes the unadjusted and adjusted unit rates.

Land Sale Statistics - Per SF

Metric	Unadjusted	Adjusted
Minimum Sales Price per Usable Square Foot	\$7.92	\$9.64
Maximum Sales Price per Usable Square Foot	\$11.79	\$13.76
Median Sales Price per Usable Square Foot	\$10.51	\$10.60
Mean Sales Price per Usable Square Foot	\$10.21	\$11.24

The adjusted price per square foot for these sales range from \$9.64/sf to \$13.76/sf with an average of \$11.24/sf and median of \$10.60/sf. Out of the six comparables, three range from \$10/sf to \$11/sf rounded, this is a reasonable comparable range for the subject. The subject's pending sale, Sale 1 (\$10.70/sf) is bracketed by the comparables and is well supported therefore, we conclude a preliminary market value of \$545,000 rounded for the subject's excess land.

Land Value Indication - Per SF

Reasonable Adjusted Comparable Range			
50,875 square feet	x	\$10.00 psf =	\$508,750
50,875 square feet	x	\$11.00 psf =	\$559,625
Market Value Opinion - Per SF			(Rounded)
50,875 square feet	x	\$10.70 psf =	\$545,000

LAND VALUE CONCLUSION – PER UNIT ANALYSIS

Subject - Per Unit		Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6
Sale ID		1715635	1692735	1721179	1696469	1538695	1721111
Date of Value & Sale	January-24	In-Contract	August-23	October-22	January-22	October-21	March-21
Property Name	Land	Carnahan Road	Appleway	The Flats on 4th	Valleyway	CMU Land-	Alki Townhomes
Unadjusted Sales Price		\$630,000	\$1,400,000	\$1,250,000	\$919,500	\$135,000	\$1,200,000
Proposed Units (22 un/ac)	25.00	29.7	61.7	53.5	51.4	8.6	58.7
Unadjusted Sales Price per Proposed Unit		\$21,724	\$22,951	\$23,585	\$18,029	\$16,875	\$20,690
Transactional Adjustments							
Property Rights Conveyed	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>
Financing Terms	<i>Cash to Seller</i>	<i>Cash to Seller</i>	<i>Cash to Seller</i>	<i>Cash to Seller</i>	<i>Cash-equivalent</i>	<i>Cash to Seller</i>	<i>See Comments</i>
Conditions of Sale	<i>Typical</i>	<i>Arm's Length</i>	<i>Arm's Length</i>	<i>Arm's Length</i>	<i>Arm's Length</i>	<i>Arm's Length</i>	<i>Arm's Length</i>
Expenditures after Sale		\$0	\$0	\$20,000	\$20,000	\$0	\$0
Adjustment		-	-	1.6%	2.2%	-	-
Adjusted Sales Price		\$21,724	\$22,951	\$23,962	\$18,422	\$16,875	\$20,690
Market Conditions Adjustments							
Elapsed Time from Date of Value		<i>0.00 years</i>	<i>0.37 years</i>	<i>1.21 years</i>	<i>1.95 years</i>	<i>2.24 years</i>	<i>2.78 years</i>
Market Trend Through	May-22	-	-	-	6.7%	12.6%	23.3%
Subsequent Trend Ending	January-24	-	1.8%	6.0%	8.1%	8.1%	8.1%
Analyzed Sales Price		\$21,724	\$23,372	\$25,410	\$21,247	\$20,532	\$27,575
Physical Adjustments							
Location	<i>228 S. Carnahan Road</i>	<i>228 S. Carnahan Road</i>	<i>100 Block S. Dartmouth Road</i>	<i>12717 E. 4th Avenue</i>	<i>15922 E. Valleyway Avenue</i>	<i>10215 E. 4th Avenue</i>	<i>12050 E. Alki Avenue</i>
Adjustment	<i>Spokane Valley</i>	<i>Spokane Valley</i>	<i>Spokane Valley</i>	<i>City of Spokane</i>	<i>Spokane Valley</i>	<i>Spokane Valley</i>	<i>City of Spokane</i>
		-	-10.0%	-	-	-5.0%	-5.0%
Size	<i>25 units</i>	<i>29 units</i>	<i>61 units</i>	<i>53 units</i>	<i>51 units</i>	<i>8 units</i>	<i>58 units</i>
Adjustment		-	5.0%	5.0%	-	-5.0%	5.0%
Shape/Depth/Functional Utility	<i>Irregular</i>	<i>L-Shaped</i>	<i>Mostly rectangular</i>	<i>Rectangular</i>	<i>Rectangular</i>	<i>Rectangular</i>	<i>Slightly irregular</i>
Adjustment		-	-5.0%	-5.0%	-5.0%	10.0%	-
Zoning	<i>CMU</i>	<i>CMU</i>	<i>CMU</i>	<i>MFR</i>	<i>MFR</i>	<i>CMU</i>	<i>CMU</i>
Adjustment		-	-	-	-	-	-
Net Physical Adjustment		-	-10.0%	-	-5.0%	-	-
Adjusted Sales Price per Proposed Unit		\$21,724	\$21,035	\$25,410	\$20,185	\$20,532	\$27,575

Land Sale Statistics - Per Unit

Metric	Unadjusted	Adjusted
Minimum Sales Price per Proposed Unit	\$16,875	\$20,185
Maximum Sales Price per Proposed Unit	\$23,585	\$27,575
Median Sales Price per Proposed Unit	\$21,207	\$21,380
Mean Sales Price per Proposed Unit	\$20,642	\$22,743

With the same adjustments applied from the previous analysis, the sales indicate value rates of \$20,185/unit to \$27,575/unit with a median of \$21,380/unit. Out of the six comparables, four range from \$21,000/unit to \$22,000/unit rounded, this is a reasonable comparable range for the subject. The subject's pending sale, Sale 1 (\$21,724/unit) is bracketed by the comparables and is well supported therefore, we conclude a preliminary market value of \$545,000 rounded for the subject's excess land.

Reconciliation

Summary of Value Indications

The following table presents the indicated values from the approaches used and our market values conclusion(s):

Value Indications

Value Perspective and Premise	Current As Is
Sales Comparison Approach Per Sf- Excess Land Only	\$545,000
Sales Comparison Approach Per Unit- Excess Land Only	\$545,000
Sales Comparison- Existing Home	\$190,000

Value Conclusion

Value Perspective and Premise	Current As Is
Value Type	Market Value
Real Property Interest	Fee Simple
Effective Date of Value	January 10, 2024
Excess Land	\$545,000
Existing Home	\$190,000
Value Conclusion	\$735,000

The sale comparables are considered good indications for support of market value.

Our findings and conclusions are further contingent upon the following extraordinary assumptions and/or hypothetical conditions which might have affected the assignment results:

Extraordinary Assumptions

- None

Hypothetical Conditions

- None

Pending Transactions

The subject property is currently under contract for sale. Our final opinion of market value is higher than the pending contract due to market evidence.

Exposure Time and Marketing Period

Based on statistical information about days on market, escrow length, and marketing times gathered through national investor surveys, sales verification, and interviews of market participants, we estimate marketing and exposure times of 6 to 9 months each.

General Assumptions and Limiting Conditions

This appraisal is subject to the following limiting conditions:

1. We have not verified the accuracy of the legal description included in this report and accept no liability for its accuracy. It is provided for the client's convenience only and should not be relied upon for any transaction without verification from a reliable source.
2. We assume no responsibility for legal matters, questions of survey or title, soil or subsoil conditions, engineering, availability or capacity of utilities, or other similar technical matters. Unless otherwise stated in this report, we have disregarded all existing liens and encumbrances. The property is appraised as though free and clear, under responsible ownership and competent management unless otherwise noted.
3. Unless otherwise noted, the appraisal will value the property as though free of contamination. Auble, Jolicoeur, & Gentry, Inc. dba Valbridge Property Advisors | Inland Pacific Northwest will conduct no hazardous materials or contamination inspection of any kind. It is recommended that the client hire an expert if the presence of hazardous materials or contamination poses any concern.
4. Unless otherwise noted, it is assumed that there are no encroachments, zoning violations or restrictions existing in the subject property.
5. The appraiser is not required to give testimony or attendance in court by reason of this appraisal, unless previous arrangements have been made.
6. Unless expressly specified in the engagement letter, the fee for this appraisal does not include the attendance or giving of testimony by Appraiser at any court, regulatory, or other proceedings, or any conferences or other work in preparation for such proceeding. If any partner or employee of Auble, Jolicoeur, & Gentry, Inc. dba Valbridge Property Advisors | Inland Pacific Northwest is asked or required to appear and/or testify at any deposition, trial, or other proceeding about the preparation, conclusions or any other aspect of this assignment, client shall compensate Appraiser for the time spent by the partner or employee in appearing and/or testifying and in preparing to testify according to the Appraiser's then current hourly rate plus reimbursement of expenses.
7. The values for land and/or improvements, as contained in this report, are constituent parts of the total value reported and neither is (or are) to be used in making a summation appraisal of a combination of values created by another appraiser. Either is invalidated if so used.
8. The dates of value to which the opinions expressed in this report apply are set forth in this report. We assume no responsibility for economic or physical factors occurring at some point at a later date, which may affect the opinions stated herein. The forecasts, projections, or operating estimates contained herein are based on current market conditions and anticipated short-term supply and demand factors and are subject to change with future conditions.
9. The sketches, maps, plats and exhibits in this report are included to assist the reader in visualizing the property. The appraiser has made no survey of the property and assumed no responsibility in connection with such matters.
10. The information, estimates and opinions, which were obtained from sources outside of this office, are considered reliable; however, no liability for them can be assumed by the appraiser.

11. Possession of this report, or a copy thereof, does not impart the right of publication. Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to property value, the identity of the appraisers, professional designations, reference to any professional appraisal organization or the firm with which the appraisers are connected), shall be disseminated to the public through advertising, public relations, news, sales, or other media without prior written consent and approval.
12. We claim no expertise for matters that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers. Examples include, but are not limited to, legal, survey, structural, environmental, pest control, mechanical, etc.
13. This appraisal was prepared for the sole and exclusive use of the client for the function outlined herein. Any party who is not the client or intended user identified in the appraisal or engagement letter is not entitled to rely upon the contents of the appraisal without express written consent of Auble, Jolicoeur, & Gentry, Inc. dba Valbridge Property Advisors | Inland Pacific Northwest and Client. The Client shall not include partners, affiliates, or relatives of the party addressed herein. The appraiser(s) neither assume nor accepts any obligation, liability or accountability to any third party.
14. Distribution of this report is at the sole discretion of the client, but third-parties not listed as an intended user on the face of the appraisal or the engagement letter may not rely upon the contents of the appraisal. In no event shall client give a third-party a partial copy of the appraisal report. We will make no distribution of the report without the specific direction of the client.
15. This appraisal shall be used only for the function and intended use outlined herein, unless expressly authorized by Auble, Jolicoeur, & Gentry, Inc. dba Valbridge Property Advisors | Inland Pacific Northwest.
16. This appraisal shall be considered in its entirety. No part thereof shall be used separately or out of context.
17. Unless otherwise noted in the body of this report, we have assumed that the subject property does not fall within the areas where flood insurance is required. Unless otherwise noted, we have not completed nor have we contracted to have completed an investigation to identify and/or quantify the presence of non-tidal wetland conditions on the subject property. Because the appraiser is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.
18. The flood maps are not site specific. We are not qualified to confirm the location of the subject property in relation to flood hazard areas based on the FEMA Flood Insurance Rate Maps or other surveying techniques. It is recommended that the client obtain a confirmation of the subject property's flood zone classification from a licensed surveyor.
19. If the appraisal is for mortgage loan purposes 1) we assume satisfactory completion of improvements if construction is not complete, 2) no consideration has been given for rent loss during rent-up unless noted in the body of this report, and 3) occupancy at levels consistent with our "Income and Expense Projection" are anticipated.
20. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

21. Our inspection included an observation of the land and improvements thereon only. It was not possible to observe conditions beneath the soil or hidden structural components within the improvements. We inspected the buildings involved, and reported damage (if any) by termites, dry rot, wet rot, or other infestations as a matter of information, and no guarantee of the amount or degree of damage (if any) is implied. Condition of heating, cooling, ventilation, electrical and plumbing equipment is considered to be commensurate with the condition of the balance of the improvements unless otherwise stated. Should the client have concerns in these areas, it is the client's responsibility to order the appropriate inspections. The appraiser does not have the skill or expertise to make such inspections and assumes no responsibility for these items.
22. We do not guarantee that the property is in compliance with building code and life safety code requirements of the local jurisdiction. It is assumed that all required licenses, consents, certificates of occupancy or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value conclusion contained in this report is based unless specifically stated to the contrary.
23. When possible, we have relied upon building measurements provided by the client, owner, or associated agents of these parties. In the absence of a detailed rent roll, reliable public records, or "as-built" plans provided to us, we have relied upon our own measurements of the subject improvements. We follow typical appraisal industry methods; however, we recognize that some factors may limit our ability to obtain accurate measurements including, but not limited to, property access on the day of inspection, basements, fenced/gated areas, grade elevations, greenery/shrubbery, uneven surfaces, multiple story structures, obtuse or acute wall angles, immobile obstructions, etc. Professional building area measurements of the quality, level of detail, or accuracy of professional measurement services are beyond the scope of this appraisal assignment.
24. We have attempted to reconcile sources of data discovered or provided during the appraisal process, including assessment department data. Ultimately, the measurements that we have deemed to be the most accurate and/or reliable are used within this appraisal and report. While the measurements and any accompanying sketches are considered to be reasonably accurate and reliable, we cannot guarantee their accuracy. Should the client desire a greater level of measuring detail, they are urged to retain the measurement services of a qualified professional (space planner, architect or building engineer). We reserve the right to use an alternative source of building size and amend the analysis, narrative and concluded values (at additional cost) should this alternative measurement source reflect or reveal substantial differences with the measurements used within the report.
25. In the absence of being provided with a detailed land survey, we have used assessment department data to ascertain the physical dimensions and acreage of the property. Should a survey prove this information to be inaccurate, we reserve the right to amend this appraisal (at additional cost) if substantial differences are discovered.
26. If only preliminary plans and specifications were available for use in the preparation of this appraisal, then this appraisal is subject to a review of the final plans and specifications when available (at additional cost) and we reserve the right to amend this appraisal if substantial differences are discovered.

27. Unless otherwise stated in this report, the value conclusion is predicated on the assumption that the property is free of contamination, environmental impairment or hazardous materials. Unless otherwise stated, the existence of hazardous material was not observed by the appraiser and the appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required for discovery. The client is urged to retain an expert in this field, if desired.
28. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. We have not made a specific compliance survey of the property to determine if it is in conformity with the various requirements of the ADA. It is possible that a compliance survey of the property, together with an analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this could have a negative effect on the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible noncompliance with the requirements of ADA in developing an opinion of value.
29. We are not experts in water rights and have not verified and do not assure the quality or quantity of any sources of water, the ownership of and/or the legal rights to access water used for domestic purposes or other purposes on the subject property. We accept no responsibility or liability for water quality, quantity, water rights, or other matters relating to water.
30. This appraisal applies to the land and building improvements only. The value of trade fixtures, furnishings, and other equipment, or subsurface rights (minerals, gas, and oil) were not considered in this appraisal unless specifically stated to the contrary.
31. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated, unless specifically stated to the contrary.
32. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute prediction of future operating results. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance.
33. Any estimate of insurable cost presented herein, is based upon figures developed consistent with industry practices. Actual local and regional construction costs may vary significantly from our estimate and individual insurance policies and underwriters have varied specifications, exclusions, and non-insurable items. As such, we strongly recommend that the Client obtain estimates from professionals experienced in establishing insurance coverage. This analysis should not be relied upon to determine insurance coverage and we make no warranties regarding the accuracy of this estimate.
34. The data gathered in the course of this assignment (except data furnished by the Client) shall remain the property of the Appraiser. The appraiser will not violate the confidential nature of the appraiser-client relationship by improperly disclosing any confidential information furnished to the appraiser. Notwithstanding the foregoing, the Appraiser is authorized by the client to disclose all or any portion of the appraisal and related appraisal data to appropriate representatives of the Appraisal Institute if such disclosure is required to enable the appraiser to comply with the Bylaws and Regulations of such Institute now or hereafter in effect.

35. You and Auble, Jolicoeur, & Gentry, Inc. dba Valbridge Property Advisors | Inland Pacific Northwest both agree that any dispute over matters in excess of \$5,000 will be submitted for resolution by arbitration. This includes fee disputes and any claim of malpractice. The arbitrator shall be mutually selected. If Valbridge Property Advisors | Auble, Jolicoeur, & Gentry, Inc. and the client cannot agree on the arbitrator, the presiding head of the Local County Mediation & Arbitration panel shall select the arbitrator. Such arbitration shall be binding and final. In agreeing to arbitration, we both acknowledge that, by agreeing to binding arbitration, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury. In the event that the client, or any other party, makes a claim against Auble, Jolicoeur, & Gentry, Inc. or any of its employees in connections with or in any way relating to this assignment, the maximum damages recoverable by such claimant shall be the amount actually received by Valbridge Property Advisors | Auble, Jolicoeur, & Gentry, Inc. for this assignment, and under no circumstances shall any claim for consequential damages be made.
36. Auble, Jolicoeur, & Gentry, Inc. dba Valbridge Property Advisors | Inland Pacific Northwest shall have no obligation, liability, or accountability to any third party. Any party who is not the "client" or intended user identified on the face of the appraisal or in the engagement letter is not entitled to rely upon the contents of the appraisal without the express written consent of Auble, Jolicoeur, & Gentry, Inc. dba Valbridge Property Advisors | Inland Pacific Northwest. "Client" shall not include partners, affiliates, or relatives of the party named in the engagement letter. Client shall hold Auble, Jolicoeur, & Gentry, Inc. dba Valbridge Property Advisors | Inland Pacific Northwest and its employees harmless in the event of any lawsuit brought by any third party, lender, partner, or part-owner in any form of ownership or any other party as a result of this assignment. The client also agrees that in case of lawsuit arising from or in any way involving these appraisal services, client will hold Auble, Jolicoeur, & Gentry, Inc. dba Valbridge Property Advisors | Inland Pacific Northwest harmless from and against any liability, loss, cost, or expense incurred or suffered by Auble, Jolicoeur, & Gentry, Inc. dba Valbridge Property Advisors | Inland Pacific Northwest in such action, regardless of its outcome.
37. The Valbridge Property Advisors office responsible for the preparation of this report is independently owned and operated by Auble, Jolicoeur, & Gentry, Inc. Neither Valbridge Property Advisors, Inc., nor any of its affiliates has been engaged to provide this report. Valbridge Property Advisors, Inc. does not provide valuation services, and has taken no part in the preparation of this report.
38. If any claim is filed against any of Valbridge Property Advisors, Inc., a Florida Corporation, its affiliates, officers or employees, or the firm providing this report, in connection with, or in any way arising out of, or relating to, this report, or the engagement of the firm providing this report, then (1) under no circumstances shall such claimant be entitled to consequential, special or other damages, except only for direct compensatory damages, and (2) the maximum amount of such compensatory damages recoverable by such claimant shall be the amount actually received by the firm engaged to provide this report.
39. This report and any associated work files may be subject to evaluation by Valbridge Property Advisors, Inc., or its affiliates, for quality control purposes.

40. In cases where the appraiser has access to a title report for the subject property, easements and encumbrances noted in that report often have incomplete descriptions, and/or reference documents which have not been provided. The appraiser has no expertise in matters of title. A thorough reading and analysis of the subject chain of title, and review of pertinent documents, are beyond the scope of this assignment. Other than easements and encumbrances specifically discussed in this report, Auble, Jolicoeur, & Gentry, Inc. dba Valbridge Property Advisors | Inland Pacific Northwest assumes no liability for the impact on marketability or value of the subject property (if any) arising from recorded or unrecorded documents.
41. The global outbreak of a "novel coronavirus" (known as COVID-19) was officially declared a pandemic by the World Health Organization (WHO). It is currently unknown what direct, or indirect, effect, if any, this event may have on the national economy, the local economy or the market in which the subject property is located. The reader is cautioned, and reminded that the conclusions presented in this appraisal report apply only as of the effective date(s) indicated. The appraiser makes no representation as to the effect on the subject property of this event, or any event, subsequent to the effective date of the appraisal.
42. Acceptance and/or use of this appraisal report constitutes acceptance of the foregoing general assumptions and limiting conditions.

Certification – Tiffany Tauala

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

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. The undersigned has not performed services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
9. Tiffany Tauala has personally inspected the subject property.
10. The reported analysis, opinions, and conclusions were developed, and this report complies with, the Standards of Valuation Practice.
11. No one provided significant real property appraisal assistance to the person signing this certification.



Tiffany Tauala
State Registered Real Estate Appraiser Trainee #22002665
Expiration Date: January 16, 2026

Certification – Karen K. Meek, MAI

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

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. The undersigned has not performed services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
9. Karen K. Meek, MAI has personally inspected the subject property.
10. No one else provided significant real property appraisal assistance to the person signing this certification.
11. The reported analyses, opinions, and conclusions were developed, and this report complies with, the Standards of Valuation Practice.
12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
13. As of the date of this report, the undersigned has completed the continuing education program for Designated Members of the Appraisal Institute.



Karen K. Meek, MAI
Certified General Appraiser #1100137
Expiration Date: February 19, 2025

Addenda

Additional Subject Photographs

Letter of Engagement

Glossary

Qualifications

- Tiffany Tauala, Appraiser Trainee
- Karen K. Meek, MAI, Senior Managing Director

Appraiser Licenses

Information on Valbridge Property Advisors

Office Locations

Additional Subject Photographs



Staircase located off kitchen



Bedroom 2 of 3



Bedroom 3 of 3



Bathroom



Basement



Basement



Laundry area in basement



Garage



Looking north at house



Looking southeast from near the northwest
corner of the site



Looking west at house from Carnahan Road.



Looking northeast from near the southwest
corner of the site

Letter of Engagement



December 19, 2023

Karen K. Meek, MAI
509-747-0999
kmeek@valbridge.comMr. Bob Spooner
RE Provider for the City of Spokane Valley
Goodale & Barbieri
818 W. Riverside Avenue, Suite 300
Spokane, WA 99201

Sent by email: bob.spooner@g-b.com

RE: Vacant development land at northwest corner of 3rd Avenue and Carnahan Road,
Spokane Valley
Tax Parcel Nos: 35232.1503, 35232.1509

Dear Mr. Spooner:

Thank you for contacting Valbridge Property Advisors | Inland Pacific Northwest about your appraisal needs. The purpose of the appraisal will be to form an opinion of the Market Value of the Fee Simple Interest for the combined parcels referenced above. The intended use of the valuation will be for internal business decisions regarding a possible acquisition. You are the client and you and the City of Spokane Valley City Services Department are the intended users of the appraisal and appraisal report.

As vacant land, we will be using the Sales Comparison Approach to Value considering both sale rates on a per square foot as well as per residential unit basis. The results and analysis will be transmitted in an 'Appraisal Report', which is a narrative reporting format. The analysis and resulting report will be developed to comply with the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation and the Standards of Professional Practice, and Code of Ethics of the Appraisal Institute.

324 N. Mullan Road
Spokane Valley, WA 99206
Phone: 509.747.0999**Valbridge Property Advisors – Inland Pacific Northwest**
1875 N. Lakewood Dr., Suite 100
Coeur d'Alene, ID 83814
Phone: 208.292.23658378 W. Grandridge Blvd., Suite 110-D
Kennewick, WA 99336
Phone: 509.221.1540
Web: www.Valbridge.com

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The fee for the appraisal is **\$2,400** and a **50% retainer (\$1,200)** is required to commencement the assignment. The balance is due upon completion and delivery of the appraisal report. The results will be transmitted to you in electronic format and up to two (2) hard copies are available upon request. We anticipate a completion date of **three weeks** from return of this signed engagement letter. Please submit the engagement letter electronically and remit payment to 324 N. Mullan Road, Spokane Valley, WA 99206.

Thank you for allowing me to submit this proposal. If it meets with your approval, please sign on the indicated line and return the letter. By signing this letter, you are accepting responsibility to pay all fees for the real estate analysis and consultation services associated with this assignment. By signing this letter, you are also acknowledging that the analysis will be developed under some or all of the attached Limiting Conditions. Please contact me with any questions or additional needs.

Respectfully submitted,
Valbridge Property Advisors | Inland Pacific Northwest



Karen K. Meek, MAI
Senior Managing Director
Washington and Idaho State Certified General Real Estate Appraiser
Kmeek@valbridge.com

Attachments: Possible Limiting Conditions

Accepted By:



Date:

1/2/24

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Assumptions and Limiting Conditions

1. The legal description is assumed to be correct.
2. We accept no responsibility for matters legal in character, nor do we express any opinion about the quality of the title, which is assumed to be marketable. All existing liens and encumbrances have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management unless otherwise noted.
3. Unless otherwise noted, we assume that the subject property has no encroachments, zoning violations or adverse restrictions.
4. The appraiser is not required to give testimony or attendance in court by reason of this appraisal, unless previous arrangements have been made.
5. Unless expressly specified in this Agreement, the fee for this assignment does not include attending or testifying at any court, regulatory or other proceedings, or any conferences or other work in preparation for such proceeding(s). If any partner or employee of Auble, Jolicoeur & Gentry, Inc., is asked or required to appear and/or testify at any deposition, trial, or other proceeding about the preparation, conclusions or any other aspect of this assignment, client shall compensate Auble, Jolicoeur & Gentry, Inc. for the time that its employees spend in appearing and/or testifying and in preparing to testify according to the Appraiser's then current hourly rate plus reimbursement of expenses.
6. The relationship between the client(s) and the appraiser(s) is for this assignment only.
7. The liability of Auble, Jolicoeur and Gentry, Inc. and its employees, dba Valbridge Property Advisors, is limited to the client only and only up to the amount of the fee actually received for the assignment. Furthermore, we accept no accountability, obligation, or liability to any third party. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions.
8. The values for land and/or improvements, as contained in this report, are constituent parts of the total value reported and neither is (or are) to be used in making a summation appraisal of a combination of values created by another appraiser. Either is invalidated if so used.
9. The dates of value to which the opinions expressed in this report apply are set forth in this report. We assume no responsibility for economic or physical factors occurring at some point at a later date, which may affect the opinions stated herein. The forecasts, projections, or operating estimates contained herein are based on current market conditions and

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anticipated short-term supply and demand factors and are subject to change with future conditions.

10. The sketches, maps, plats and exhibits in this report are included to assist the reader in visualizing the property and/or understanding the appraisal analysis. We accept no responsibility for the accuracy of these documents.
11. The appraiser has made no survey of the property. Although we have developed our estimates of property size and other property characteristics from sources that we believe to be reliable, we have not independently verified the accuracy of the land size, boundary lines, encroachments, easements and other possible site characteristics, and we assume no responsibility should our statements and conclusion with respect to land characteristics prove inaccurate.
12. The information, estimates and opinions which were obtained from sources outside of this office, are assumed to be reliable. We have not verified the information and assume no liability for its accuracy.
13. The Valbridge Property Advisors office responsible for the preparation of this report is independently owned and operated by Auble, Jolicoeur & Gentry, Inc. Valbridge Property Advisors, Inc. has not been engaged to provide this report, does not provide valuation services, and has taken no part in the preparation of this report.
14. Possession of this report, or a copy thereof, does not also confer the right of publication. Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to property value, the identity of the appraisers, professional designations, reference to any professional appraisal organization or the firm with which the appraisers are connected), shall be disseminated to the public through advertising, public relations, news, sales, or other media without prior written consent and approval.
15. We claim no expertise in matters which require specialized investigation or knowledge beyond levels common among real estate appraisers. Examples of these matters include, but are not limited to, legal, survey, structural, environmental, pest control, mechanical, etc.
16. This appraisal was prepared for the sole and exclusive use of the client. Any party who is not the client identified in the appraisal or engagement letter is not entitled to rely upon the contents of the appraisal without express written consent of Valbridge Property Advisors | Auble, Jolicoeur & Gentry, Inc. and Client. The appraiser assumes no liability for unauthorized use of the appraisal report by a third party.
17. This appraisal shall be considered in its entirety. No part thereof shall be used separately or out of context.

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18. The value opinion provided herein is subject to any and all predications set forth in this report.
19. If required by governmental authorities, any environmental impact statement prepared for the subject property will be favorable and will be approved.
20. Unless otherwise noted in the body of this report, we assume that the subject property is not located in an area where flood insurance is required. Unless otherwise noted, we have not completed nor have we contracted to have completed an investigation to identify and/or quantify the presence of non-tidal wetland conditions on the subject property. Because the appraiser is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.
21. It is assumed that the property has no hidden or unapparent conditions which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.
22. Unless otherwise stated in the appraisal report, we inspected the land and improvements thereon only. It was not possible to observe conditions beneath the soil or hidden structural components within the improvements. We inspected the buildings involved, and reported damage (if any) by termites, dry rot, wet rot, or other infestations as a matter of information, and no guarantee of the amount or degree of damage (if any) is implied. The condition of the building systems, including but not limited to the heating, cooling, ventilation, electrical and plumbing equipment, is assumed to be commensurate with the condition of the balance of the improvements unless otherwise stated.
23. We have attempted to reconcile sources of data discovered or provided during the appraisal process, including assessment department data. Ultimately, the data that we deem to be the most accurate and/or reliable are used within this appraisal and report. While the measurements and any accompanying sketches are considered to be reasonably accurate and reliable, we cannot guarantee their accuracy. Should the client desire a greater level of measuring detail, they are urged to retain the measurement services of a qualified professional (space planner, architect or building engineer). We reserve the right to use an alternative source of building size and amend the analysis, narrative and concluded values (at additional cost) should this alternative measurement source reflect or reveal substantial differences with the measurements used within the report.
24. In the absence of being provided with a detailed land survey, we have used assessment department data to ascertain the physical dimensions and acreage of the property. Should a survey prove this information to be inaccurate, we reserve the right to amend this appraisal (at additional cost) if substantial differences are discovered.

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25. Unless expressly granted in writing, this appraisal may not be used, on behalf of or in connection with a real estate syndicate or syndicates. A real estate syndicate means a general or limited partnership, joint venture, unincorporated association or similar organization formed for the purpose of, and engaged in, an investment or gain from and interest in real property, including, but not limited to a sale or exchange, trade or development of such real property, on behalf of others, or which is required to be registered with the United States Securities and Exchange Commission or any state regulatory agency which regulates investments made as a public offering. It is agreed that any user of this appraisal who uses it contrary to the prohibitions in this section indemnifies the appraiser and the appraiser's firm and holds them harmless of and from all claims, including attorney's fees, arising from said use.
26. Unless otherwise stated in this report, we observed no hazardous material(s), which may or may not be present on the property. The appraiser has no knowledge of the existence of such materials on or in the property and, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The value conclusion is predicted on the assumption that the property has no environmental contamination has no such material on or in the property that would cause a loss in value. We accept no responsibility for any such conditions, or for the cost of any expertise or engineering knowledge required to discover such materials and/or conditions. The client is urged to retain an expert in this field, if desired.
27. Unless otherwise stated in the report, this appraisal is of the land and building improvements only. The value of trade fixtures, furnishings, and other equipment, or subsurface rights (minerals, gas, and oil) were not considered in this appraisal unless specifically stated to the contrary.
28. If any claim is filed against any of Valbridge Property Advisors, Inc., a Florida Corporation, its affiliates, officers or employees, or the firm providing this report, in connection with, or in any way arising out of, or relating to, this report, or the engagement of the firm providing this report, then (1) under no circumstances shall such claimant be entitled to consequential, special or other damages, except only for direct compensatory damages and (2) the maximum amount of such compensatory damages recoverable by such claimant shall be the amount actually received by the firm engaged to provide this report.
29. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated, unless specifically stated to the contrary.
30. It is your responsibility to read the report and to inform the appraiser of any errors or omissions of which you are aware, prior to utilizing the report.

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31. This report and any associated work files are subject to evaluation by Valbridge Property Advisors, Inc. for quality control purposes.
32. All disputes shall be settled by binding arbitration in accordance with then then-existing commercial arbitration rules of the American Arbitration Association (the "AAA").
33. Acceptance of and/or use of this appraisal report constitutes acceptance of the foregoing general assumptions and limiting conditions.

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Glossary

Definitions are taken from The Dictionary of Real Estate Appraisal, 6th Edition (Dictionary), the Uniform Standards of Professional Appraisal Practice (USPAP), and Building Owners and Managers Association International (BOMA).

Absolute Net Lease

A lease in which the tenant pays all expenses including structural maintenance, building reserves, and management; often a long-term lease to a credit tenant. (Dictionary)

Amortization

The process of retiring a debt or recovering a capital investment, typically through scheduled, systematic repayment of the principal; a program of periodic contributions to a sinking fund or debt retirement fund. (Dictionary)

As Is Market Value

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date. (Dictionary)

Base Rent

The minimum rent stipulated in a lease. (Dictionary)

Base Year

The year on which escalation clauses in a lease are based. (Dictionary)

Building Common Area

In office buildings, the areas of the building that provide services to building tenants but which are not included in the office area or store area of any specific tenant. These areas may include, but shall not be limited to, main and auxiliary lobbies, atrium spaces at the level of the finished floor, concierge areas or security desks, conference rooms, lounges or vending areas, food service facilities, health or fitness centers, daycare facilities, locker or shower facilities, mail rooms, fire control rooms, fully enclosed courtyards outside the exterior walls, and building core and service areas such as fully enclosed mechanical or equipment rooms. Specifically excluded from building common area are floor common areas, parking space, portions of loading docks outside the building line, and major vertical penetrations. (BOMA)

Building Rentable Area

The sum of all floor rentable areas. Floor rentable area is the result of subtracting from the gross measured area of a floor the major vertical penetrations on that same floor. It is generally fixed for the life of the building and is rarely affected by changes in corridor size or configuration. (BOMA)

Certificate of Occupancy (COO)

A formal written acknowledgment by an appropriate unit of local government that a new construction or renovation project is at the stage where it meets applicable health and safety codes and is ready for commercial or residential occupancy. (Dictionary)

Common Area Maintenance (CAM)

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. (Dictionary)

The amount of money charged to tenants for their shares of maintaining a [shopping] center's common area. The charge that a tenant pays for shared services and facilities such as electricity, security, and maintenance of parking lots. Items charged to common area maintenance may include cleaning services, parking lot sweeping and maintenance, snow removal, security and upkeep. (ICSC – International Council of Shopping Centers, 4th Ed.)

Condominium

A multiunit structure, or a unit within such a structure, with a condominium form of ownership. (Dictionary)

Conservation Easement

An interest in real estate restricting future land use to preservation, conservation, wildlife habitat, or some combination of those uses. A conservation easement may permit farming, timber harvesting, or other uses of a rural nature as well as some types of conservation-oriented development to continue, subject to the easement. (Dictionary)

Contributory Value

A type of value that reflects the amount a property or component of a property contributes to the value of another asset or to the property as a whole.

The change in the value of a property as a whole, whether positive or negative, resulting from the addition or deletion of a property component. Also called deprival value in some countries. (Dictionary)

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 typically indicates a greater

ability for a property to withstand a reduction of income, providing an improved safety margin for a lender. (Dictionary)

Deed Restriction

A provision written into a deed that limits the use of land. Deed restrictions usually remain in effect when title passes to subsequent owners. (Dictionary)

Depreciation

- 1) In appraisal, a loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date.
- 2) In accounting, an allocation of the original cost of an asset, amortizing the cost over the asset's life; calculated using a variety of standard techniques. (Dictionary)

Disposition Value

The most probable price that a specified interest in property should bring under the following conditions:

- Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market.
- The property is subjected to market conditions prevailing as of the date of valuation;
- Both the buyer and seller are acting prudently and knowledgeably;
- The seller is under compulsion to sell;
- The buyer is typically motivated;
- Both parties are acting in what they consider to be their best interests;
- An adequate marketing effort will be made during the exposure time;
- Payment will be made in cash in U.S. dollars (or the local currency) 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. (Dictionary)

Easement

The right to use another's land for a stated purpose. (Dictionary)

EIFS

Exterior Insulation Finishing System. This is a type of exterior wall cladding system. Sometimes referred to as dry-vit.

Effective Date

- 1) The date on which the appraisal or review opinion applies. (SVP)

- 2) In a lease document, the date upon which the lease goes into effect. (Dictionary)

Effective Gross Income (EGI)

The anticipated income from all operations of the real estate after an allowance is made for vacancy and collection losses and an addition is made for any other income. (Dictionary)

Effective Rent

Total base rent, or minimum rent stipulated in a lease, over the specified lease term minus rent concessions; the rent that is effectively paid by a tenant net of financial concessions provided by a landlord. (TIs). (Dictionary)

EPDM

Ethylene Propylene Diene Monomer Rubber. A type of synthetic rubber typically used for roof coverings. (Dictionary)

Escalation Clause

A clause in an agreement that provides for the adjustment of a price or rent based on some event or index. e.g., a provision to increase rent if operating expenses increase; also called *escalator clause*, *expense recovery clause* or *stop clause*. (Dictionary)

Estoppel Certificate

A signed statement by a party (such as a tenant or a mortgagee) certifying, for another's benefit, that certain facts are correct, such as that a lease exists, that there are no defaults, and that rent is paid to a certain date. (Black's) In real estate, a buyer of rental property typically requests estoppel certificates from existing tenants. Sometimes referred to as an *estoppel letter*. (Dictionary)

Excess Land

Land that is not needed to serve or support the existing use. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land has the potential to be sold separately and is valued separately. (Dictionary)

Excess Rent

The amount by which contract rent exceeds market rent at the time of the appraisal; created by a lease favorable to the landlord (lessor) and may reflect unusual management, unknowledgeable or unusually motivated parties, a lease execution in an earlier, stronger rental market, or an agreement of the parties. (Dictionary)

Expense Stop

A clause in a lease that limits the landlord's expense obligation, which results in the lessee paying operating expenses above a stated level or amount. (Dictionary)

Exposure Time

- 1) The time a property remains on the market.
- 2) The estimated length of time that 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; Comment: Exposure time is a retrospective opinion based on an analysis of past events assuming a competitive and open market. (Dictionary)

Extraordinary Assumption

An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions. Comment: 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, 2016-2017 ed.)

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)

Floor Common Area

In an office building, the areas on a floor such as washrooms, janitorial closets, electrical rooms, telephone rooms, mechanical rooms, elevator lobbies, and public corridors which are available primarily for the use of tenants on that floor. (BOMA)

Full Service (Gross) Lease

A lease in which the landlord receives stipulated rent and is obligated to pay all of the property's operating and fixed expenses; also called a *full service lease*. (Dictionary)

Furniture, Fixtures, and Equipment (FF&E)

Business trade fixtures and personal property, exclusive of inventory. (Dictionary)

Going-Concern Value

An outdated label for the market value of all the tangible and intangible assets of an established and operating business with an indefinite life, as if sold in

aggregate; more accurately termed the *market value of the going concern* or *market value of the total assets of the business*. (Dictionary)

Gross Building Area (GBA)

- 1) 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 market area of the type of property involved.
- 2) Gross leasable area plus all common areas.
- 3) For residential space, the total area of all floor levels measured from the exterior of the walls and including the superstructure and substructure basement; typically does not include garage space. (Dictionary)

Gross Measured Area

The total area of a building enclosed by the dominant portion (the portion of the inside finished surface of the permanent outer building wall which is 50 percent or more of the vertical floor-to-ceiling dimension, at the given point being measured as one moves horizontally along the wall), excluding parking areas and loading docks (or portions of same) outside the building line. It is generally not used for leasing purposes and is calculated on a floor by floor basis. (BOMA)

Gross Up Method

A method of calculating variable operating expenses in income-producing properties when less than 100% occupancy is assumed. Expenses reimbursed based on the amount of occupied space, rather than on the total building area, are described as "grossed up." (Dictionary)

Gross Retail Sellout

The sum of the separate and distinct market value opinions for each of the units in a condominium, subdivision development, or portfolio of properties, as of the date of valuation. The aggregate of retail values does not represent the value of all the units as though sold together in a single transaction; it is simply the total of the individual market value conclusions. Also called the *aggregate of the retail values*, *aggregate retail selling price* or *sum of the retail values*. (Dictionary)

Ground Lease

A lease that grants the right to use and occupy land. Improvements made by the ground lessee typically revert to the ground lessor at the end of the lease term. (Dictionary)

Ground Rent

The rent paid for the right to use and occupy land according to the terms of a ground lease; the portion of the total rent allocated to the underlying land. (Dictionary)

HVAC

Heating, ventilation, air conditioning (HVAC) system. A unit that regulates the temperature and distribution of heat and fresh air throughout a building. (Dictionary)

Highest and Best Use

- 1) The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.
- 2) The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (IVS)
- 3) [The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions) (Dictionary)

Hypothetical Condition

- 1) A condition that is presumed to be true when it is known to be false. (SVP – Standards of Valuation Practice, effective January 1, 2015)
- 2) A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. Comment: Hypothetical conditions are 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. (USPAP, 2016-2017 ed.) (Dictionary)

Industrial Gross Lease

A type of modified gross lease of an industrial property in which the landlord and tenant share expenses. The landlord receives stipulated rent and is obligated to pay certain operating expenses, often structural maintenance, insurance and real property taxes, as specified in the lease. There are significant regional and local differences in the use of this term. (Dictionary)

Insurable Value

A type of value for insurance purposes. (Typically this includes replacement cost less basement excavation, foundation, underground piping and architect's fees). (Dictionary)

Investment Value

The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market. (Dictionary)

Just Compensation

In condemnation, the amount of loss for which a property owner is compensated when his or her property is taken. Just compensation should put the owner in as good a position pecuniarily as he or she would have been if the property had not been taken. (Dictionary)

Leased Fee Interest

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. (Dictionary)

Leasehold Interest

The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease. (Dictionary)

Lessee (Tenant)

One who has the right to occupancy and use of the property of another for a period of time according to a lease agreement. (Dictionary)

Lessor (Landlord)

One who conveys the rights of occupancy and use to others under a lease agreement. (Dictionary)

Liquidation Value

The most probable price that a specified interest in property should bring under the following conditions:

- Consummation of a sale within a short time period.
- The property is subjected to market conditions prevailing as of the date of valuation.
- Both the buyer and seller are acting prudently and knowledgeably.
- The seller is under extreme compulsion to sell.
- The buyer is typically motivated.
- Both parties are acting in what they consider to be their best interests.

- A normal marketing effort is not possible due to the brief exposure time.
- Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
- 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. (Dictionary)

Loan to Value Ratio (LTV)

The ratio between a mortgage loan and the value of the property pledged as security, usually expressed as a percentage. (Dictionary)

Major Vertical Penetrations

Stairs, elevator shafts, flues, pipe shafts, vertical ducts, and the like, and their enclosing walls. Atria, lightwells and similar penetrations above the finished floor are included in this definition. Not included, however, are vertical penetrations built for the private use of a tenant occupying office areas on more than one floor. Structural columns, openings for vertical electric cable or telephone distribution, and openings for plumbing lines are not considered to be major vertical penetrations. (BOMA)

Market Rent

The most probable rent that a property should bring in a competitive and open market reflecting the conditions and restrictions of a specified lease agreement, including the rental adjustment and revaluation, permitted uses, use restrictions, expense obligations; term, concessions, renewal and purchase options and tenant improvements (TIs). (Dictionary)

Market Value (In Federally Regulated Transaction)

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 seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;

- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in United States 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.⁶

Market Value (UASFLA)

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 value, after a reasonable exposure 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.⁷

Fair Market Value as defined in Washington State Courts

Fair market value means the amount in cash that a well-informed buyer, willing but not obligated to buy the property, would pay, and that a well-informed seller, willing but not obligated to sell it, would accept, taking into consideration all uses to which the property is adapted or may be reasonably adaptable.⁸

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 an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the Appraisal 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)

⁶ Board of Governors of the Federal Reserve System (FRS), 12 CFR Part 225; Federal Deposit Insurance Corporation (FDIC), 12 CFR Part 323; National Credit Union Administration (NCUA), 12 CFR Part 722; Office of the Comptroller of the Currency (OCC), 12 CFR 34.42(g); Office of Thrift Supervision (OTS), 12 CFR 564.2(f); and the Resolution Trust Corporation (RTC), 12 CFR Part 1608. Washington, DC: Federal Register, Vol. 55,

No. 251, pages 536110-53618; Monday, December 31, 1990. (Technical corrections published at 56 FR 1229 do not affect this definition.)

⁷ Uniform Appraisal Standards for Federal Land Acquisitions-2016, Sixth Edition, Section 1.2.4, Page 10

⁸ Source: Washington Pattern Jury Instruction Civ. WPI 150.08 (6th ed.)

Master Lease

A lease in which the fee owner leases a part or the entire property to a single entity (the master lease) in return for a stipulated rent. The master lessee then leases the property to multiple tenants. (Dictionary)

Modified Gross Lease

A lease in which the landlord receives stipulated rent and is obligated to pay some, but not all, of the property's operating and fixed expenses. Since assignment of expenses varies among modified gross leases, expense responsibility must always be specified. In some markets, a modified gross lease may be called a *double net lease*, *net net lease*, *partial net lease*, or *semi-gross lease*. (Dictionary)

Operating Expense Ratio

The ratio of total operating expenses to effective gross income (TOE/EGI); the complement of the net income ratio, i.e., $OER = 1 - NIR$ (Dictionary)

Option

A legal contract, typically purchased for a stated consideration, that permits but does not require the holder of the option (known as the *optionee*) to buy, sell, or lease real estate for a stipulated period of time in accordance with specified terms; a unilateral right to exercise a privilege. (Dictionary)

Partial Interest

Divided or undivided rights in real estate that represent less than the whole, i.e., a fractional interest such as a tenancy in common, easement, or life interest. (Dictionary)

Pass Through

A tenant's portion of operating expenses that may be composed of common area maintenance (CAM), real property taxes, property insurance, and any other expenses determined in the lease agreement to be paid by the tenant. (Dictionary)

Potential Gross Income (PGI)

The total income attributable to property at full occupancy before vacancy and operating expenses are deducted. (Dictionary)

Prospective Future Value Upon Completion

A prospective market value may be appropriate for the valuation of a property interest related to a credit decision for a proposed development or renovation project. According to USPAP, an appraisal with a prospective market value reflects an effective date that is subsequent to the date of the appraisal report. ... The prospective market value –as completed- reflects the

property's market value as of the time that development is expected to be complete. (Dictionary)

Prospective Future Value Upon Stabilization

A prospective market value may be appropriate for the valuation of a property interest related to a credit decision for a proposed development or renovation project. According to USPAP, an appraisal with a prospective market value reflects an effective date that is subsequent to the date of the appraisal report ...The prospective market value – as stabilized – reflects the property's market value as of the time the property is projected to achieve stabilized occupancy. For an income-producing property, stabilized occupancy is the occupancy level that a property is expected to achieve after the property is exposed to the market for lease over a reasonable period of time and at comparable terms and conditions to other similar properties. (Dictionary)

Replacement Cost

The estimated cost to construct, at current prices as of a specific date, a substitute for a building or other improvements, using modern materials and current standards, design, and layout. (Dictionary)

Reproduction Cost

The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all of the deficiencies, superadequacies, and obsolescence of the subject building. (Dictionary)

Retrospective Value Opinion

A value opinion effective as of a specified historical date. The term *retrospective* does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of the type of value with this term is appropriate, e.g., "retrospective market value opinion." (Dictionary)

Sandwich Leasehold Estate

The interest held by the sandwich leaseholder when the property is subleased to another party; a type of leasehold estate. (Dictionary)

Sublease

An agreement in which the lessee in a prior lease conveys the right of use and occupancy of a property to another, the sublessee, for a specific period of time,

which may or may not be coterminous with the underlying lease term. (Dictionary)

Subordination

A contractual arrangement in which a party with a claim to certain assets agrees to make his or her claim junior, or subordinate, to the claims of another party. (Dictionary)

Surplus Land

Land that is not currently needed to support the existing use but cannot be separated from the property and sold off for another use. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel. (Dictionary)

Triple Net (Net Net Net) Lease

An alternative term for a type of net lease. In some markets, a net net net lease is defined as a lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that the

landlord is responsible for structural maintenance, building reserves, and management; also called *NNN lease, net net net lease, or fully net lease*. (Dictionary) (The market definition of a triple net lease varies; in some cases tenants pay for items such as roof repairs, parking lot repairs, and other similar items.)

Usable Area

The measured area of an office area, store area, or building common area on a floor. The total of all the usable areas for a floor shall equal floor usable area of that same floor. (BOMA)

Value-in-Use

The value of a property assuming a specific use, which may or may not be the property's highest and best use on the effective date of the appraisal. Value in use may or may not be equal to market value but is different conceptually. (Dictionary)

Qualifications of Tiffany Tauala Appraiser Trainee

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Independent Valuations for a Variable World

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State of Washington-Trainee

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Uniform Standards of Professional Appraisal Practice, 2022
Market Analysis Highest and Best Use, 2022
General Appraiser Income Approach, 2023

Experience:

Appraiser Trainee

Valbridge Property Advisors | Inland Pacific Northwest (2022-present)

Researcher

Valbridge Property Advisors | Inland Pacific Northwest (2020-2022)

Commercial Escrow Associate

Title Guaranty Escrow Services, Inc., Honolulu, HI (3/2019 – 2/2020)

Real Estate Agent

Coldwell Banker Pacific Properties, Honolulu, HI (4/2018- 2/2020)

Assignments include: Retail buildings and strip centers; general and medical office buildings; industrial buildings including retail/ office warehouses and manufacturing buildings; convenience stores; car washes; auto dealerships; self-storage; childcare facilities; truck stops; grocery stores; banks; hotels and motels; food parks; religious and special purpose properties including churches, schools, aircraft hangars, libraries, radio stations, police stations and kennels; vacant commercial and industrial land as well as conservation easements. Existing, proposed, retrospective, current, prospective, fee simple, leased fee and leasehold properties.

Qualifications of Karen K. Meek, MAI
Senior Managing Director
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Comparative Analysis -2023
Fundamentals of Apartment Appraising - 2023
Uniform Standards of Professional Appraisal Practice (USPAP) –
2022
Supporting Your Adjustments – 2022
Business Practice & Ethics - 2021
Evaluations, Desktops and Other Limited Scope Appraisals - 2021
Appraisal of Medical Office Buildings - 2020
Appraising Convenience Stores - 2020
Uniform Appraisal Standards for Federal Land Acquisitions – 2017
Subdivision Valuation – 2016
Fundamentals of Separating Real Property, Personal Property &
Intangible Business Assets – 2012

Experience:

Senior Managing Director

ValbridgePropertyAdvisors|Inland Pacific Northwest (2013-Present)

Principal & Senior Analyst/Appraiser

Auble, Jolicoeur & Gentry, Inc. (2008-2013)

Appraiser

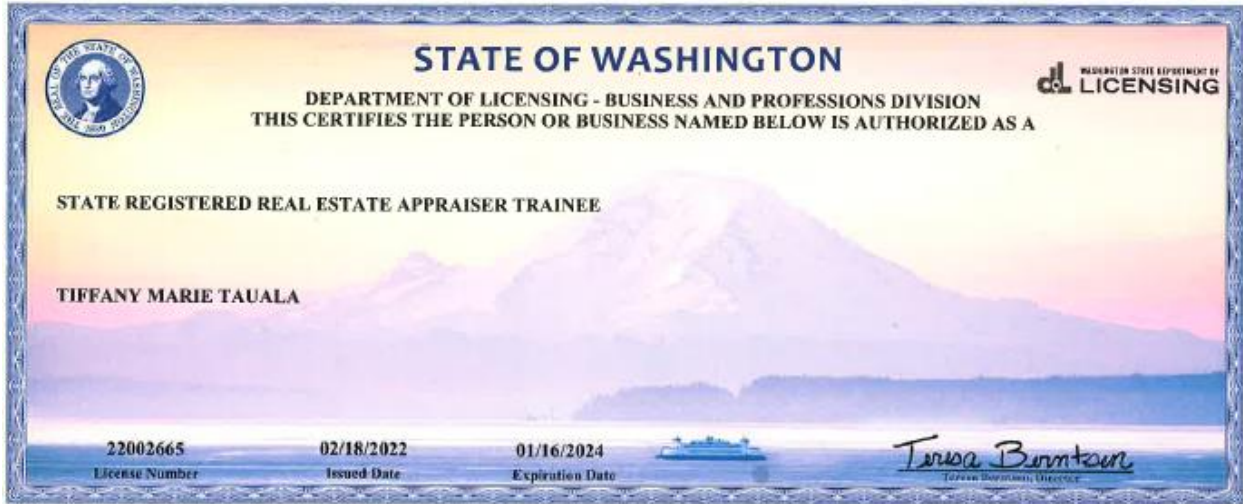
Auble, Jolicoeur & Gentry, Inc. (1995-2007)

Researcher

Auble & Associates, Inc. (1994)

Appraisal/valuation and consulting assignments include: general and medical office buildings; commercial/retail buildings; commercial/industrial land; retail/warehouse buildings; apartments; development land; health clubs; residential & commercial condominiums and residential subdivisions. Assignments also include lease analysis; leased fee and leasehold valuations.

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- Valbridge specializes in appraising all types of real property.
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