

THE ÆGIS GROUP, INC.

REAL ESTATE APPRAISAL & CONSULTING

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September 26, 2014

Mr. Rainer Ficken, AICP
Senior Project Manager
Newland Communities
13809 Research Blvd., Suite 475
Austin, TX 78750

RE: A 0.2524 acre tract of land located at the northwest corner and a 0.1109 acre tract of land located at the northeast corner of Pflugerville Parkway and Colorado Sand Drive in Pflugerville, Travis County, Texas.

Dear Mr. Ficken:

At your request, we personally inspected and appraised the above-referenced properties for the purpose of deriving opinion of market value of the fee simple interest in the subject. We understand that the intended use of this appraisal is for establishing the value for a reimbursement by the City of Pflugerville pertaining to a ROW acquisition. The effective date of appraisal of the property is September 23, 2014. This is the date we inspected the property.

For this assignment, we prepared an “**appraisal report**.” This appraisal report conforms with the minimum reporting requirements of Standard Rule 2-2(a) of the *Uniform Standards of Professional Practice* as adopted by the Appraisal Foundation, as well as to the standards of the Appraisal Institute. In our opinion, the development of our appraisal is sufficiently complete, resulting in a credible conclusion.

Market Value as used herein is defined as:

"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently, knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and each acting in what he or she considers his or her own best interest;

3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
5. 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."

(Source: *The Appraisal of Real Estate*, 14th Edition, published by the Appraisal Institute, 2013.)

Considering the above definition of market value and based upon a thorough analysis of the subject property and pertinent market data from the subjects' market area, it is our opinion that the market value of the fee simple interest in the subject 0.2524 acre tract in its "as is" condition, as of September 23, 2014, of:

FIFTY THOUSAND DOLLARS
(\$50,000)

Considering the above definition of market value and based upon a thorough analysis of the subject property and pertinent market data from the subjects' market area, it is our opinion that the market value of the fee simple interest in the subject 0.1109 acre tract in its "as is" condition, as of September 23, 2014, of:

FORTY ONE THOUSAND DOLLARS
(\$41,000)

We were not provided a survey or metes and bounds description of the "larger parcels". According to the client, these "larger parcels" are currently under contract and are being carved out of an even "larger parcel". As such, our analysis is based on the extraordinary assumption that the sizes and descriptions of the "larger parcels" are accurate.

This appraisal is also based on the extraordinary assumption that both "larger parcels" currently under contract, will close within a reasonable time frame.

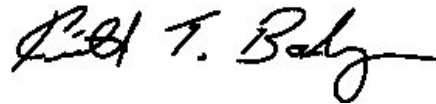
The use of these extraordinary assumptions may have affected assignment results.

Mr. Rainer Ficken, AICP
September 26, 2014
Page 3

Should you have any questions regarding the contents of this report, please contact our office.

Respectfully submitted,

THE ÆGIS GROUP, INC.

A handwritten signature in black ink that reads "Keith T. Bodungen". The signature is written in a cursive style with a long horizontal flourish at the end.

Keith T. Bodungen, MAI
State Certified General Real Estate Appraiser
No. TX-1380024-G

A handwritten signature in black ink that reads "John M. Coleman". The signature is written in a cursive style with a long horizontal flourish at the end.

John M. Coleman, MAI, SRA
State Certified General Real Estate Appraiser
No. TX-1320293-G

A 0.2524 ACRE TRACT OF LAND LOCATED AT THE NORTHWEST CORNER AND A 0.1109 ACRE TRACT OF LAND LOCATED AT THE NORTHEAST CORNER OF PFLUGERVILLE PARKWAY AND COLORADO SAND DRIVE IN PFLUGERVILLE, TRAVIS COUNTY, TEXAS.

FOR

MR. RAINER FICKEN, AICP
SENIOR PROJECT MANAGER
NEWLAND COMMUNITIES
13809 RESEARCH BLVD., SUITE 475
AUSTIN, TX 78750

BY

THE AEGIS GROUP, INC.
4926 SPICEWOOD SPRINGS ROAD
SUITE 101
AUSTIN, TEXAS 78759

AS

OF

SEPTEMBER 23, 2014

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SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Property Appraised:	<p>A 0.2524 acre tract of land located at the northwest corner and a 0.1109 acre tract of land located at the northeast corner of Pflugerville Parkway and Colorado Sand Drive in Pflugerville, Travis County, Texas.</p> <p>The 0.2524 acre tract is out of a ± 15 acre “larger parcel”, while the 0.1109 acre tract is out of a ± 1.6 acre “larger parcel”. We were not provided a survey or metes and bounds description of the “larger parcels”. According to the client, these “larger parcels” are currently under contract and are being carved out of an even “larger parcel”. As such, our analysis is based on the extraordinary assumption that the sizes and descriptions of the “larger parcels” are accurate.</p> <p>This appraisal is also based on the extraordinary assumption that both “larger parcels” currently under contract, will close within a reasonable time frame.</p> <p>The use of these extraordinary assumptions may have affected assignment results.</p>
Interest Appraised:	Fee simple
Effective Dates of Appraisal:	September 23, 2014
Date of Appraisal Report:	September 26, 2014
Legal Description:	Lot 1, Block C and Lot 1, Block B, Falcon Pointe South Tract Major Facilities, Travis County, Texas.
“Larger Parcel”:	± 15 acres and ± 1.6 acres out of the J. Davis Survey No. 13, Abstract No. 231, Travis County, Texas.
Tax Parcel I.D. Number:	02-7449-01-01 & 02-7449-02-01
“Larger Parcel”:	02-7550-01-71
Site Size:	0.2524 acre; 10,993 SF & 0.1109 acre; 4,832 SF
“Larger Parcel”:	± 15 acres; $\pm 653,400$ SF & ± 1.6 acres; $\pm 69,696$ SF

Zoning: Per the City of Pflugerville zoning map, the subject tracts are zoned “ALUR” Alternative Land Use Regulation.

Highest and Best Use: Assemblage with the larger parcel.
“Larger Parcel”: Commercial development (office & retail)

Value Indicators

Market Value - Fee Simple Interest

0.2524 acre tract: \$50,000; \$4.50/SF

0.1109 acre tract: \$41,000; \$8.50/SF

Exposure Time: 12 months or less

CONTINGENT AND LIMITING CONDITIONS

This report is subject to the following limiting conditions:

The legal description furnished is assumed to be correct. The Aegis Group, Inc., assumes no responsibility for matters legal in character, nor renders any opinion as to the title, which is assumed to be good. The property is appraised having knowledgeable ownership and competent management.

The Aegis Group, Inc., has made no survey and assumes no responsibility in connection with such matters. The information identified in this report as being furnished by others is believed to be reliable, but no responsibility for its accuracy is assumed. The construction and condition of any improvements mentioned in the body of this report are based on observation and no engineering study has been made which would discover any latent defects. No certification as to any of the physical aspects could be given unless a proper engineering study was made.

The distribution of the total evaluation between land and improvements in this report, where applicable, applies only under the existing program of utilization. The separate estimates for land and improvements must not be used in conjunction with any other appraisal, and are invalid if so used.

We are not required to give testimony or attendance in court by reason of the appraisal with reference to the property in question, unless arrangements have been made previously thereof. Possession of this report or a copy thereof does not carry with it the right of publication. It may not be used for any purpose by anyone other than the addressee without the previous written consent of the appraisers.

Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or other media without the written approval and consent of the author, particularly as to valuation conclusions, the identity of the appraisers or firm with which they are connected or any reference to the Appraisal Institute, or the SRA or MAI designation.

To the best of the appraisers' knowledge, the subject properties do not contain any toxic substances such as hazardous waste, asbestos or radon gas which would adversely impact the market value of the subject properties. Additionally, to the best of the appraisers' knowledge, there are no properties within the immediate area which contain these substances. This is not a guarantee that these substances do not occur in the subject properties or within the immediate area. This is only a statement as to the knowledge of the appraisers.

We were not provided a survey or metes and bounds description of the “larger parcels”. According to the client, these “larger parcels” are currently under contract and are being carved out of an even “larger parcel”. As such, our analysis is based on the extraordinary assumption that the sizes and descriptions of the “larger parcels” are accurate.

This appraisal is also based on the extraordinary assumption that both “larger parcels” currently under contract, will close within a reasonable time frame.

The use of these extraordinary assumptions may have affected assignment results.



Looking at 0.2524 Acre Subject Property



15 Acre Larger Parcel



Access to 15 Acre Larger Parcel From Colorado Sand Drive



Looking at 0.1109 Acre Subject Property



1.6 Acre Larger Parcel



Access to 1.6 Acre Larger Parcel from Colorado Sand Drive



Looking West Along Pflugerville Parkway



Looking North Along Colorado Sand Drive

INTRODUCTION

TYPE OF REPORT

This document represents an appraisal report. This appraisal was prepared in accordance with the requirements of Standard Rule 2-2(a) of the *Uniform Standards of Professional Appraisal Practice*, 2014-2015, as well as with the standards of the Appraisal Institute.

REAL PROPERTY INTERESTS APPRAISED

The real property interest appraised is fee simple.

FEE SIMPLE ESTATE DEFINED

According to *The Dictionary of Real Estate Appraisal*, Fifth Edition, published by the Appraisal Institute, the fee simple estate is "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."

INTENDED USE OF THE APPRAISAL

We understand that the intended use of this appraisal is for establishing the value for a reimbursement by the City of Pflugerville pertaining to a ROW acquisition.

INTENDED USER OF THE APPRAISAL

The intended user of this appraisal report is Mr. Rainer Ficken, and/or his assigns.

IDENTITY OF THE CLIENT

The client is Rainer Ficken.

EFFECTIVE DATE OF APPRAISAL

The effective date of this appraisal is September 23, 2014.

DATE OF THE REPORT

The date of this report is September 26, 2014. This report was written between September 22, 2014 and September 26, 2014.

MARKET VALUE DEFINED

Market Value as used herein is defined as:

"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently, knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the

consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and each acting in what he or she considers his or her own best interest;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
5. 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."

(Source: *The Appraisal of Real Estate*, 14th Edition, published by the Appraisal Institute, 2013.)

PROPERTY IDENTIFICATION

A 0.2524 acre tract of land located at the northwest corner and a 0.1109 acre tract of land located at the northeast corner of Pflugerville Parkway and Colorado Sand Drive in Pflugerville, Travis County, Texas.

The 0.2524 acre tract is out of a ± 15 acre "larger parcel", while the 0.1109 acre tract is out of a ± 1.6 acre tract "larger parcel". **We were not provided a survey or metes and bounds description of the "larger parcels". According to the client, these "larger parcels" are currently under contract and are being carved out of an even "larger parcel". As such, our analysis is based on the extraordinary assumption that the sizes and descriptions of the "larger parcels" are accurate.**

This appraisal is also based on the extraordinary assumption that both "larger parcels" currently under contract, will close within a reasonable time frame.

The use of these extraordinary assumptions may have affected assignment results.

LEGAL DESCRIPTION

Lot 1, Block C and Lot 1, Block B, Falcon Pointe South Tract Major Facilities, Travis County, Texas.

LEGAL DESCRIPTION - "LARGER PARCEL"

± 15 acres and ± 1.6 acres out of the J. Davis Survey No. 13, Abstract No. 231, Travis County, Texas.

CURRENT USE

Vacant land.

PURPOSE OF APPRAISAL

The purpose of this appraisal is to develop an opinion of market value of the fee simple interest of the subject tracts.

PROPERTY HISTORY

Title to the subject tracts, as well as the "larger parcel" is currently vested in Terrabrook Falcon Pointe, LP. The current property owner has owned the property in excess of three years. The subject property is not currently under contract or listed for sale. However, according to the client, the adjacent ± 15 acre "larger parcel" is currently under contract for \$4.50 per square foot, while the adjacent ± 1.6 acre "larger parcel" is currently under contract for \$8.32 per square foot. Due to confidentiality, we were not provided a copy of the contracts to analyze. The information provided is assumed to be accurate. Our research indicated nine total lots out the 58 acre "larger parcel" parent tract are currently listed for sale. The sizes range from 1.07 acres to 14.96 acres, and the asking prices range from \$6.00 per square foot to \$15.00 per square foot. An individual plat of these lots was not available. Based on our opinions of value to follow, the asking prices appear to be slightly high, while the contract prices appear reasonable.

THE APPRAISAL PROCESS/SCOPE OF WORK

Description and Analyses Sections describing and relating data concerning the area/city, the neighborhood, and the site is undertaken to develop the pertinent market characteristics and factual data for further processing in the valuation process. The analysis of all these characteristics is developed in an effort to establish the highest and best use of the sites "as if vacant."

The Valuation Section is then undertaken considering all pertinent market factors that relate to the subject property as recognized in the Description and Analyses Sections of the report. The valuation process is typically approached through the use of three recognized valuation techniques, each based upon an underlying basic concept or premise. These three approaches are the Cost Approach, the Sales Comparison Approach, and the Income Approach. Each of these valuation techniques develops a value indication for the subject property, falling into a pattern of reasonable limits. Then, through the process of reconciliation, a final opinion of market value is rendered.

The first valuation technique is referred to as the Cost Approach, which is a physical analysis of the real property where the property is analyzed with respect to land and improvements. The Cost Approach is based upon the premise that value is inherent to the object itself and that "cost" and "value" tend to coincide. The value indication is developed by forming an opinion of the site's value through sales comparison and estimating the improvement's value via replacement cost new less all accrued depreciation, if any. The respective estimates of value of the land and the improvements are then summed to indicate an estimate of value from the Cost Approach. Given the fact that the subject is vacant land, the Cost Approach was not utilized.

The second valuation technique is referred to as the Sales Comparison Approach. This approach is based on the premise that persons in the marketplace buy by comparison. Hence, the

"principle of substitution" is represented, which basically states that a prudent purchaser/investor will pay no more for a property than the cost of procuring an equally desirable substitute property in the market, given that the substitute property possesses the same utility as the property being appraised. This approach is derived by analyzing comparable property sales by some unit or units of comparison and by adjusting appropriately for the dissimilarities between them and the subject, thus yielding an indication of value from the Sales Comparison Approach. The Sales Comparison Approach was utilized in our analysis of each tract.

The third valuation technique, referred to as the Income Approach, is based on the premise that the typical purchaser/investor in the market buys real property in anticipation of its capability to produce an acceptable return on the invested capital; thus, this approach reflects the "principle of anticipation". This approach is developed by taking a potential gross income stream and reducing it by the expenses attributable to the production of that income stream, thus yielding a net operating income. This net income estimate is then capitalized at an appropriate market derived capitalization rate into an indication of value from the Income Approach. Given that the subject is vacant land, the Income Approach to value was not utilized.

The correlation of a "Final Opinion of Value" is then developed through reconciliation of pertinent value affecting factors reflected in each approach. During this process of review and reconciliation, the appraisers consider the strengths and weaknesses of each approach with respect to the property being appraised. Consideration must be given to pertinent physical, legal, and economic conditions which exist and influence the value of the subject property. The final opinion of market value is concluded through this reconciliation process.

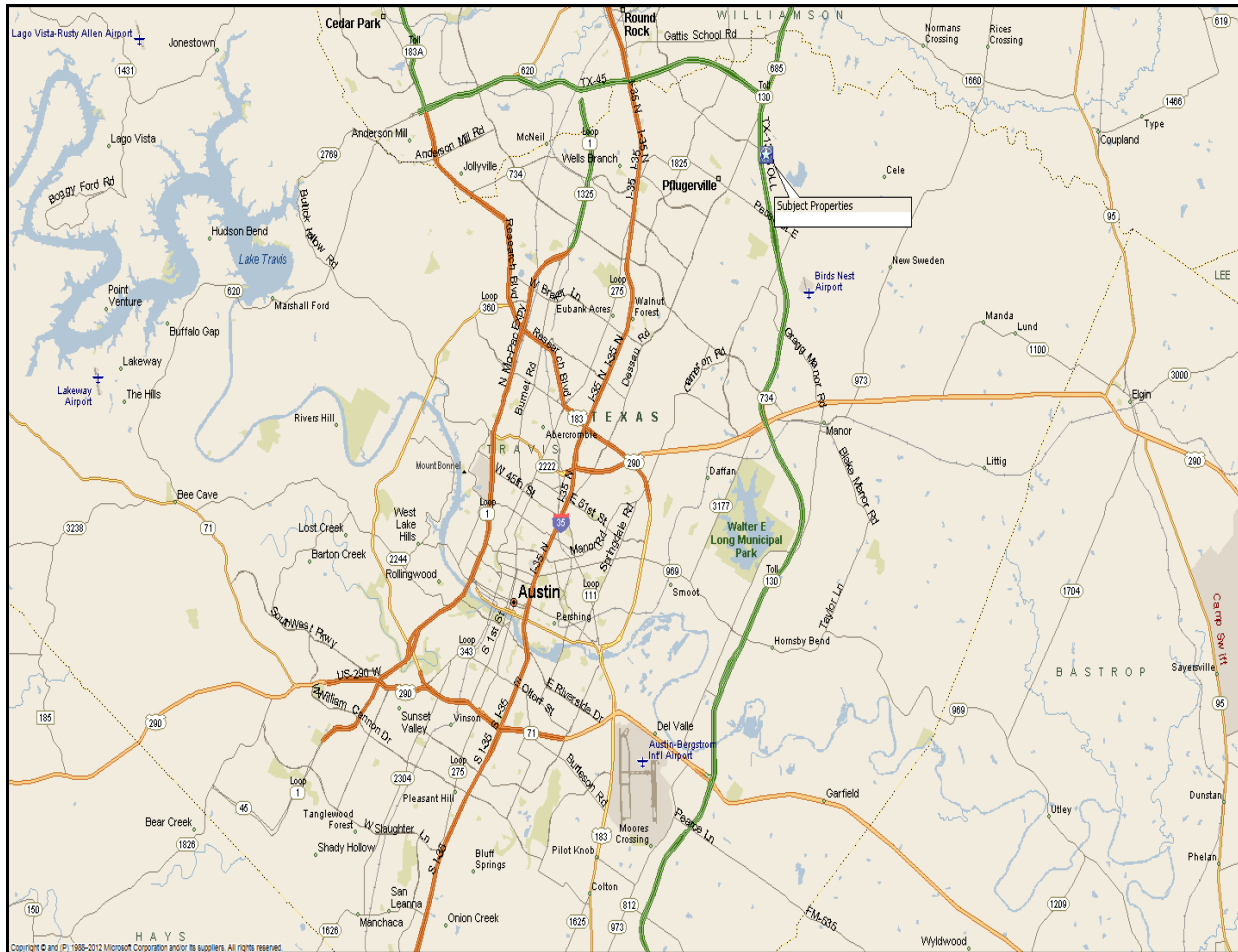
In regards to valuing the subject property consisting of a 0.2524 acre tract and a 0.1109 acre tract located along the northwest and northeast corners of Pflugerville Parkway and Colorado Sand Drive, the first analysis that was undertaken was to determine whether the subject properties in their current configuration represent the highest and best and would bring the highest market value dollar amount a willing buyer would bring. Based upon our analysis of the subject tracts, which is described in greater detail later in this report, the subject properties are not considered to be separate economic entities. Therefore, in our opinion, their value is considered to be a pro-rata share of the value of an adjoining property.

In regards to the subject 0.2524 & 0.1109 acre tracts, they are adjacent to larger ± 15 acre and ± 1.6 acre tracts, respectively. Given this, they would be considered to have a highest and best use as if assembled into the larger ± 15 acre and ± 1.6 acre tracts, respectively. Therefore, they have been valued as a pro-rata share as assembled with the adjacent ± 15 acre and ± 1.6 acre "larger parcels", respectively. Using comparable sales, we have first valued the adjacent ± 15 acre and ± 1.6 acre "larger parcel", respectively. Thus, once we have established a value for the ± 15 acre tract and ± 1.6 acre tract, a determination of the 0.2524 acre and 0.1109 acre tracts will be valued based on an "across the fence" value of the adjacent tracts (same price per unit).

Your attention is directed to the following report where the data and analysis used in developing the various value estimates referenced above are included.

DESCRIPTION

AUSTIN AREA ANALYSIS



Located in the south-central part of Texas, within the Interstate-35 Growth Corridor, Austin is approximately 200 miles south of Dallas-Fort Worth, 80 miles north of San Antonio, and 160 miles west of Houston. Austin is the capital of Texas and is the county seat of Travis County. The Metropolitan Statistical Area (MSA) includes Travis, Williamson, Bastrop, Hays, and Caldwell counties. The following pages will present an overview of the factors which influence property values in the greater Austin area. The discussion will focus on a number of areas including the local economy, demographics, governmental issues, environmental concerns, as well as an overview of the various segments of the Austin real estate market.

Economy/Employment

Traditionally, the Austin area has relied heavily on state government and higher education for economic growth and stability. However, in recent years Austin has emerged as a center for research and development as major microelectronics research consortia and major technical product development companies continue to select sites here for new headquarters and branch operations (e.g., Dell Computers, Freescale Semiconductor, 3M, AMD, Applied Materials, and Samsung). Also, Austin has become a center for software, internet, and telecommunications

companies alike. Additionally, the Austin area has seen significant growth in other industries such as biotechnology, film, music, telecommunications, and multimedia. Although there are periodically significant fluctuations in these industries, Austin's economy is partially insulated and stabilized by the presence of employers like City, County, State, and Federal government offices and the University of Texas.

Located below are summaries of the top employers with over 2,000 employees in the Austin area. These are listed alphabetically and grouped by size as of year-end 2013.

Greater Austin Major Employers

Employer	Description
Employing 6,000 and Over	
Austin School District	Public education
City of Austin	Government
Dell	Computer technology solutions and equipment mfg./sales (Hdq.)
Federal Government	Government
IBM Corporation	Computer systems, hardware, software, & chip R&D
Round Rock School District	Public education
Seton Healthcare Family	Healthcare (Hdq.)
State of Texas	Government
University of Texas at Austin	Higher education, public

Employer	Description
Employing 2,000-5,999	
Advanced Micro Devices	Semiconductor chip engineering, marketing & admin.
Apple	Computer maker's tech & admin support center
Applied Materials	Semiconductor production equipment mfg.
AT&T	Telecommunications (Hdq. of Texas ops.)
Austin Community College	Higher education, public
Flextronics	Contract electronics mfg. & integrated supply chain services
Freescale Semiconductor	Semiconductor chip design & mfg. (Hdq.)
Girling Health Care	Healthcare (Hdq.)
Hays School District	Public education
Leander School District	Public education
National Instruments	Virtual instrumentation software & hardware mfg. (Hdq.)
Pflugerville School District	Public education
Samsung Austin Semiconductor	Semiconductor chip mfg., R&D (Hdq.)
Texas State University - San Marcos	Higher education, public
Travis County	Government
U.S. Internal Revenue Service	Government (regional call & processing center)
Whole Foods Market	Grocery retailer (Hdq.)
Source: Greater Austin Chamber of Commerce, February 2013	

Austin is home to many large global, national, and regional companies. The 20 largest public employers in Austin as of year-end 2013 is listed below.

Top 20 Public Companies

Employer	Type of Business	Employees
Dell, Inc	Direct sales of computer systems, related products and services	14,000
Whole Foods Market, Inc.	Natural and organic foods supermarkets	2,000
Freescale Semiconductor Inc.	Semiconductor design/mfg. of microcontrollers & microprocessors	5,000
National Instruments Corp.	Computer-based measurement and automation hardware and software	2,800
EZCORP, Inc.	Immediate cash and financial services	398
Hanger, Inc.	Prosthetics and Orthotics	230
National Western Life Insurance Co.	High quality insurance	275
Silicon Laboratories, Inc.	Design mixed-signal Ics for equipment, networking, and communications	600
American Campus Communities, Inc.	Developer, owner, & manager of high quality student housing	714
Cirrus Logic, Inc.	Semiconductors for audio and energy-related applications	580
ArthroCare Corp.	Multi-business medical device company	270
Netspend Corp.	Reloadable prepaid debt cards	408
HomeAway, Inc.	Online marketplace of vacation rentals	654
Thermon Group Holdings, Inc.	Heat tracing needs	300
SolarWinds	Purpose-built products designed for IT professionals	360
Citizens, Inc.	Living benefit life insurance products	114
Luminex Corp.	Proprietary biological testing technologies	400
Chuy's Holdings, inc.	Tex-Mex restaurant	700
Forestar Group, Inc.	Real estate and natural resources company	66
Multimedia Games, Inc.	Designs, manufactures, and distributes advanced gaming technology	319
Source: Austin Business Journal		

2010 brought the first signs of light to the U.S. economy which had been in a deep recession since mid-2008 with the apparent peaking of unemployment and started gradual reversal towards pre-recession levels. Austin is anticipated to experience solid job growth in 2014 according to a study by Angelou Economics.

The Texas economy in general and Austin in particular, has continued to outperform the U.S. economy through the end of 2013. Austin accounted for nearly 10% of the state’s new jobs. As of year-end 2013, the Austin MSA’s unemployment rate was 4.5%, down slightly from the 5.2% rate at year-end 2012.

Below is a summary of the Austin MSA wage and salary employment from 1990 through 2013.

Austin MSA Employees on Non-Farm Payrolls (Not Seasonally Adjusted)

	Total		Construction, Natural Resources & Mining	Manufacturing	Wholesale Trade	Retail Trade	Transportation, Warehousing & Utilities	Financial Activities	Other Services	Government
1990	389,000	277,900	13,100	47,500	12,300	42,500	5,900	22,900	15,400	111,100
1991	402,800	288,700	14,400	51,000	11,700	41,600	5,900	23,600	15,700	114,100
1992	424,200	307,300	16,300	53,700	11,600	44,100	6,600	24,900	16,400	116,900
1993	453,600	332,400	19,200	57,000	13,500	46,400	7,500	26,300	17,100	121,300
1994	484,400	359,600	23,100	60,700	15,000	50,100	7,900	27,900	17,800	124,800
1995	516,500	388,800	26,300	65,300	17,900	54,200	8,900	29,400	18,500	127,700
1996	540,900	415,300	29,600	70,000	20,700	57,100	9,700	30,700	19,200	125,500
1997	566,300	440,000	31,500	73,200	22,800	59,100	9,900	31,600	20,300	126,400
1998	600,700	470,800	34,900	78,200	26,400	61,300	10,500	32,900	20,900	129,900
1999	635,400	501,600	38,200	77,800	31,600	65,500	10,800	34,600	21,500	133,800
2000	672,700	535,800	41,300	82,800	34,900	69,400	10,700	35,300	22,300	136,800
2001	674,100	533,700	41,500	76,300	35,500	69,800	11,300	36,400	23,200	140,400
2002	658,400	513,600	38,200	63,500	33,900	68,300	11,100	38,000	23,900	144,800
2003	653,000	507,300	37,400	57,700	33,700	67,800	10,500	39,400	24,400	145,600
2004	667,400	521,700	37,700	57,400	35,400	69,100	11,000	40,000	26,000	145,800
2005	692,200	543,200	40,200	57,300	37,400	72,700	11,700	41,200	26,500	148,900
2006	723,200	571,200	44,600	58,900	38,500	76,300	12,600	43,300	27,700	152,000
2007	758,200	601,600	49,000	59,700	41,300	81,400	13,300	44,700	28,200	156,600
2008	776,500	614,400	47,400	57,200	41,500	84,300	13,400	45,100	30,800	162,100
2009	759,800	592,800	40,800	48,500	37,700	82,200	12,800	43,600	33,300	166,900
2010	770,300	600,200	40,000	47,600	39,800	82,600	12,900	42,500	33,100	170,000
2011	795,800	628,200	39,500	49,700	42,300	85,100	13,500	44,100	33,500	167,700
2012	827,000	660,500	42,100	50,900	44,200	88,400	13,900	46,100	35,500	166,500
2013	864,200	695,000	45,100	52,200	45,200	92,800	14,300	48,200	37,700	169,200

Sources: Texas Workforce Commission (www.tracer2.com) and U.S. Bureau of Labor Statistics (www.bls.gov/ces/home.htm). [Last Chamber update: March 7, 2014]

As shown above, the Austin MSA gained jobs in all sectors surveyed. For 2013, 37,200 jobs were created, a very healthy 4.5% increase from end of year 2012 total employment.

Demography

The demographic composition and population of an area impact demand for real estate products which, in turn, influence real property values. Most of the corporate limits of Austin are located within Travis County. After the 1990 Census, the Metropolitan Statistical Area (MSA) was changed to include Williamson County to the north, Hays County to the south, as well as Bastrop and Caldwell Counties. The Aegis Group, Inc., tracks demographic trends using two sources: the 10 year U.S. Census Data and the City of Austin Department of Planning. The following table reflects historical changes and future projections in total population data for the region.

Austin Area Population Histories and Forecasts								
Year	City of Austin Total Area Population	Annualized Growth Rate	City of Austin Full Purpose Population	City of Austin Limited Purpose Population	Travis County	Annualized Growth Rate	Five County MSA(1)	Annualized Growth Rate
1940	87,930				111,053		214,603	
1950	132,459	4.2%			160,980	3.8%	256,645	1.8%
1960	186,545	3.5%			212,136	2.8%	301,261	1.6%
1970	251,808	3.0%			295,516	3.4%	398,938	2.8%
1980	345,890	3.2%			419,573	3.6%	585,051	3.9%
1990	465,622	3.0%			576,407	3.2%	846,227	3.8%
2000	656,562	3.5%	639,185	17,377	812,280	3.5%	1,249,763	4.0%
2001	669,693	2.0%	654,019	15,674	830,150	2.2%	1,314,344	5.2%
2002	680,899	1.7%	667,705	13,194	844,263	1.7%	1,353,122	3.0%
2003	687,708	1.0%	674,382	13,326	856,927	1.5%	1,382,675	2.2%
2004	692,102	0.64%	678,769	13,333	874,065	2.00%	1,419,137	2.6%
2005	700,407	1.20%	687,061	13,346	893,295	2.20%	1,464,563	3.2%
2006	718,912	2.64%	707,952	10,960	920,544	3.05%	1,527,040	4.3%
2007	735,088	2.25%	724,117	10,971	948,160	3.00%	1,592,590	4.3%
2008	750,525	2.10%	739,543	10,982	978,976	3.25%	1,648,331	3.5%
2009	774,037	3.13%	765,957	8,080	1,008,345	3.00%	1,706,022	3.50%
2010*	790,390	2.11%	777,953	12,437	1,024,266	1.58%	1,716,289	0.60%
2011	812,025	2.74%	799,578	12,447	1,049,873	2.50%	1,763,487	2.75%
2012	824,205	1.50%	811,746	12,459	1,076,119	2.50%	1,811,983	2.75%
2013	842,750	2.25%	830,278	12,472	1,108,403	3.00%	1,870,872	3.25%
2014	859,605	2.00%	847,121	12,484	1,138,884	2.75%	1,926,998	3.00%
2015	874,648	1.75%	862,151	12,497	1,170,203	2.75%	1,984,808	3.00%
2016	889,954	1.75%	877,445	12,509	1,202,384	2.75%	2,044,353	3.00%
2017	905,529	1.75%	893,007	12,522	1,238,456	3.00%	2,110,794	3.25%
2018	921,375	1.75%	908,841	12,534	1,275,609	3.00%	2,179,395	3.25%
2019	937,499	1.75%	924,953	12,547	1,313,878	3.00%	2,250,225	3.25%
2020	951,562	1.50%	939,002	12,559	1,350,009	2.75%	2,317,732	3.00%
2025	1,025,102	1.50%	1,012,484	12,618	1,546,129	2.75%	2,686,887	3.00%
2030	1,104,326	1.50%	1,091,695	12,631	1,749,304	2.50%	3,077,220	2.75%
2035	1,175,094	1.25%	1,162,450	12,644	1,955,158	2.25%	3,481,592	2.50%
2040	1,235,036	1.00%	1,222,379	12,656	2,158,652	2.00%	3,939,101	2.50%
2045	1,298,035	1.00%	1,285,366	12,669	2,325,481	1.50%	4,349,086	2.00%
SOURCE: Ryan Robinson, City Demographer, Department of Planning, City of Austin. January 2013.								
*Most recent actual numbers								
NOTES:								
1) The Five County Austin--Round Rock MSA wholly includes these counties: Bastrop, Caldwell, Hays, Travis and Williamson.								
2) Population figures are as of April 1 of each year.								
3) Historical and current period population figures for the City of Austin take into account annexations that have occurred.								
4) Forecasted population figures for the City of Austin do not assume any future annexation activity.								

As shown above, the Austin area population continues to grow at a healthy pace; 2013 saw the MSA grow at a 3.25% rate, an increase of 58,889 from the year end 2012. Projections of MSA future growth through 2020 are expected to average between 3.00% and 3.25% per year. The projected population for the Austin MSA for 2015 is expected to be 1,984,808 and 2,317,732 by 2020.

Environmental Attributes

The natural landscape of the area plays a significant role in real property value in most areas of Austin by providing many amenities as well as imposing potentially serious development constraints. Environmentally, Austin is located at the intersection of the Colorado River and the eastern edge of the Balcones Escarpment. The Escarpment is a geologic uplift that delineates the boundary between the Hill Country of the Edwards Plateau and the Blackland Prairie of the Gulf Coastal Plain. The Austin area is covered with numerous surface water features such as creeks, streams, and lakes as well as subsurface aquifers. Both surface waters and aquifers are delicately balanced as sources of drinking water as well as recreational areas. The South and North zones of the Edwards Aquifer bisect the area and are critical components in the water supply. Several other aquifers provide drinking water to areas east and west of the immediate Austin area. The preservation of water quality is a routine consideration in the regulation of local development and is frequently a highly contested issue. There are numerous ordinances and other restrictions which impact development in environmentally sensitive areas.

In addition to contributing to the quality of life that continues to draw new businesses and residents to Austin, the natural landscape also poses major development constraints in certain areas in the form of **endangered species habitat**. This habitat is a major issue locally because the area involved includes the majority of undeveloped land in the western portions of the MSA.

Overview of the Commercial and Residential Real Estate Markets

The following is a presentation of discussions of several of Austin's key commercial real estate markets including single-family, apartments, office, retail, and industrial. The focus of the analysis will be historical data published by local real estate brokerage companies, the City of Austin, and the Austin Board of Realtors.

Single-Family Residential Markets

The single-family home market in Austin has seen substantial growth both historically and in recent years, as values increased from an average home price of \$91,700 in 1989 to \$286,500 at year-end 2013. Prior to the recession average home prices peaked at \$255,700 in August 2007. From a past recession low in April 2010 through the end of 2013, average sales prices for single-family homes in Austin increased from \$230,100 to \$286,500, a growth of 25% over the past 45 months. The following table is a summary of single family-home sales by year, mean and median prices, as well as the months of inventory.

AUSTIN ANNUAL SINGLE FAMILY HOME SALES SUMMARY						
Year-End	Sales	Dollar Volume	Average Price	Median Price	Total Listings	Months Inventory
1990	7,159	\$627,287,229	\$87,600	\$73,000	5,071	9.1
1991	7,581	\$711,123,662	\$93,800	\$76,400	4,209	6.8
1992	8,503	\$887,249,588	\$104,300	\$83,700	3,676	5.6
1993	9,926	\$1,139,100,456	\$114,800	\$91,600	3,516	4.6
1994	10,571	\$1,272,585,426	\$120,400	\$96,000	4,302	4.9
1995	11,459	\$1,439,915,043	\$125,700	\$100,500	4,436	4.9
1996	12,597	\$1,672,441,903	\$132,800	\$108,700	5,787	5.6
1997	12,439	\$1,762,198,574	\$141,700	\$112,600	6,005	6.0
1998	15,583	\$2,334,200,698	\$149,800	\$117,900	4,976	4.2
1999	18,135	\$2,963,915,274	\$163,400	\$126,600	3,948	2.8
2000	18,621	\$3,561,039,919	\$191,200	\$144,500	3,658	2.4
2001	18,392	\$3,556,546,121	\$193,400	\$150,600	7,164	4.7
2002	18,716	\$3,695,947,381	\$197,500	\$154,500	8,831	5.6
2003	19,793	\$3,899,018,519	\$197,000	\$154,800	10,340	6.6
2004	22,567	\$4,487,464,528	\$198,900	\$154,100	10,394	5.9
2005	26,905	\$5,660,934,916	\$210,400	\$161,300	8,965	4.3
2006	30,284	\$6,961,725,607	\$229,900	\$172,200	8,695	3.6
2007	28,048	\$6,910,962,480	\$246,400	\$184,200	9,833	4.0
2008	22,440	\$5,470,518,171	\$243,800	\$188,200	11,585	5.5
2009	20,747	\$4,924,240,373	\$237,300	\$186,000	10,803	6.4
2010	19,872	\$4,906,445,110	\$246,900	\$189,400	11,579	6.6
2011	21,208	\$5,336,642,011	\$251,600	\$190,900	9,734	5.8
2012	25,521	\$6,789,371,785	\$266,000	\$203,300	7,686	4.0
2013	30,419	\$8,714,544,439	\$286,500	\$222,400	6,104	2.6

Source: Real Estate Center at Texas A&M University; data represents MLS activity only

According to data tracked by the Austin Multiple Listing Services, as of year-end 2007, the height of the single family market, the number of listings and months of inventory was 9,866 homes listed with a 4.2 month supply. At year-end 2008, the number of listings increased with 10,089 homes listed with a 5.4 month supply. By year-end 2009, there were only 9,366 active listings representing a 5.4 month supply. At year-end 2010, the listings decreased to 9,284 with 5.6 months of supply. As of year-end 2011, the listings further decreased to 7,473 representing only a 5.2 month inventory. By year-end 2013 it became a total sellers' market with only 6,104 homes on the market being a 2.6 month supply. It should be noted that these are only sales reported in the MLS system and do not reflect direct sales from builders.

The table on the following page summarizes the distribution of resale residential home sales in the Austin area by price category for the period of 2003 through 2013. The numbers displayed in the grid are the percentage of overall sales in that category. This data covers only those sales listed within the Austin MLS which are typically resales, as builder direct sales are not included. Regardless this provides an accurate indication of the trends within the area.

Resale Residential Home Sales Distribution

Price Range											
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
\$29,999 or less	0.4	0.7	0.5	0.3	0.2	0.2	0.3	0.3	0.3	0.3	0.2
30,000 - 39,999	0.6	1.0	0.8	0.6	0.3	0.3	0.5	0.5	0.6	0.5	0.3
40,000 - 49,999	0.8	1.1	0.8	0.6	0.5	0.5	0.8	0.9	0.9	0.7	0.4
50,000 - 59,999	1.1	1.2	1.0	0.9	0.8	0.6	0.9	1.1	1.4	0.8	0.5
60,000 - 69,999	1.4	1.6	1.4	1.1	0.9	1.1	1.0	1.2	1.6	1.1	0.7
70,000 - 79,999	1.6	2.3	2.0	1.7	1.2	1.2	1.4	1.5	1.7	1.6	1.0
80,000 - 89,999	2.9	3.1	3.0	2.2	1.7	1.5	1.7	1.8	2.4	1.8	1.1
90,000 - 99,999	3.9	4.0	3.7	2.7	2.3	1.9	2.1	2.2	2.3	2.0	1.4
100,000 - 119,999	12.6	12.1	11.0	9.0	7.1	6.1	6.6	6.6	6.7	5.8	4.1
120,000 - 139,999	15.6	14.7	13.7	13.5	11.8	11.0	10.3	10.1	9.5	9.0	7.4
140,000 - 159,999	12.1	11.7	11.4	11.4	11.8	11.8	11.8	10.7	9.7	9.2	8.9
160,000 - 179,999	9.4	8.8	9.3	10.1	9.8	10.3	10.1	9.8	8.9	9.0	9.4
180,000 - 199,999	6.5	6.4	6.7	7.1	8.0	8.2	8.3	7.1	7.1	7.3	8.0
200,000 - 249,999	10.7	10.5	11.2	11.7	13.0	14.2	14.1	13.4	12.9	13.9	15.1
250,000 - 299,999	7.4	6.9	7.2	8.0	8.9	9.4	9.6	9.2	10.0	10.3	10.8
300,000 - 399,999	6.5	7.2	8.2	8.9	9.9	10.5	10.1	11.4	11.1	11.8	13.7
400,000 - 499,999	2.6	2.8	3.5	4.3	5.0	4.6	4.5	5.3	5.2	6.3	7.5
500,000 and more	3.7	4.0	4.6	6.1	6.9	6.5	5.8	7.0	7.6	8.6	9.7

Notes: Data represent Multiple Listing Service housing activity only. Residential data include single-family, townhouses and condominiums. "-" represents no or under-reported data.
Source: Austin Board of Realtors and Real Estate Center

As illustrated by the above table, the majority of home sales in 2013 were in the \$200,000 to \$400,000 range. The percentage of home sales in all the upper price ranges were up from the previous year with all the lower price ranges having fewer sales.

Apartment Market

We relied on Austin Investor Interests for the most recent information regarding the Austin apartment market. The most recent year-end data is from 2013. The following summarizes the Austin area conventional apartment market.

Year	#Rentable Units	Unit Change	Occupied Units	Absorption	\$/SF	Occupancy
2000	92,255	6,193	88,970	5,826	\$0.95	96.44%
2001	101,214	8,959	89,193	223	\$0.99	88.12%
2002	107,711	6,497	95,348	6,155	\$0.88	88.52%
2003	110,612	2,901	98,410	3,062	\$0.82	88.97%
2004	112,155	1,543	101,548	3,138	\$0.80	90.54%
2005	113,467	1,312	106,002	4,454	\$0.83	93.42%
2006	116,042	2,575	108,854	2,852	\$0.89	93.81%
2007	119,649	3,607	111,895	3,041	\$0.95	93.52%
2008	127,242	7,593	113,538	1,643	\$0.97	89.23%
2009	134,725	7,483	119,953	6,415	\$0.93	89.04%
2010	136,955	2,230	128,210	8,257	\$0.96	93.61%
2011	139,170	2,215	132,206	3,996	\$1.03	95.00%
2012	141,854	2,684	134,625	2,419	\$1.09	94.90%
2013	147,864	6,010	140,219	5,594	\$1.16	94.83%

Average apartment rents in Austin declined from 2002 to 2004. From 2005 through 2008 average rents increased. Rents declined in 2009, then increased again in 2010, 2011, 2012, and 2013. The average monthly rent per square foot increased to \$1.33. This is an increase of 5.6% since year-end 2012. The average Class A occupancy rate is 91.02%, down slightly from the 2012 rate of 93.16%. The tables below show Austin's Class-A average occupancy rates and rental rates for all submarkets.

Class A Average Occupancy Rates and Average Rent Per Square Foot

Submarket	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13
BAS	84.00%	84.00%	95.00%	95.95%	96.62%	98.31%	94.93%	94.26%	98.31%	99.32%	97.30%	96.62%
C	96.12%	94.65%	96.01%	94.54%	95.03%	89.99%	86.26%	82.95%	88.10%	90.06%	96.63%	93.35%
CBD	96.18%	94.96%	93.95%	93.80%	97.40%	98.41%	95.53%	95.45%	94.39%	84.51%	90.27%	83.04%
CP/L	96.64%	96.86%	97.44%	96.20%	96.42%	96.49%	97.74%	95.84%	97.08%	85.95%	89.32%	88.95%
FN	94.08%	95.19%	95.65%	95.63%	95.43%	95.88%	92.94%	84.89%	87.79%	91.55%	93.74%	93.19%
FNW	94.28%	98.25%	98.57%	95.87%	96.50%	96.18%	95.23%	95.71%	96.50%	95.87%	96.50%	94.59%
N	98.73%	94.94%	98.10%	92.09%	93.67%	93.67%	96.84%	96.84%	99.68%	96.65%	88.87%	91.77%
NE	93.13%	92.05%	89.39%	92.64%	93.76%	95.81%	96.07%	94.53%	94.61%	96.15%	95.72%	83.89%
NW	94.90%	96.74%	95.68%	95.23%	95.45%	92.53%	92.75%	93.26%	95.22%	92.11%	91.32%	86.72%
NWH	94.21%	94.74%	94.91%	93.68%	93.77%	90.42%	89.10%	90.06%	91.88%	94.96%	96.22%	95.17%
RR	92.33%	95.46%	95.13%	94.92%	96.03%	96.06%	96.57%	94.60%	94.26%	95.57%	95.84%	94.28%
S	92.36%	93.03%	97.03%	94.92%	94.44%	95.33%	96.28%	90.04%	89.60%	88.07%	93.14%	92.26%
SE	94.75%	91.80%	95.21%	94.20%	96.04%	98.16%	96.13%	96.22%	91.23%	96.28%	84.47%	82.22%
SM	87.97%	82.91%	95.70%	81.83%	83.06%	89.03%	94.62%	94.74%	91.63%	86.79%	91.09%	93.03%
SW	93.89%	95.23%	96.46%	95.93%	95.15%	95.66%	96.17%	96.73%	96.00%	94.92%	94.87%	92.64%
WMS	83.38%	91.52%	92.73%	92.73%	93.94%	96.80%	95.15%	95.67%	90.03%	89.58%	95.05%	96.70%
Travis Co.	93.96%	94.44%	95.56%	94.83%	95.22%	95.06%	93.75%	90.46%	91.33%	91.33%	92.62%	89.71%
Austin MSA	93.42%	94.27%	95.50%	94.25%	94.75%	94.80%	94.28%	91.91%	92.26%	91.59%	93.16%	91.02%

Submarket	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13
BAS	\$0.93	\$0.93	\$0.92	\$0.92	\$0.92	\$0.96	\$0.95	\$0.95	\$0.97	\$0.97	\$0.96	\$0.96
C	\$1.71	\$1.73	\$1.72	\$1.74	\$1.74	\$1.77	\$1.83	\$1.81	\$1.84	\$1.84	\$1.86	\$1.86
CBD	\$2.25	\$2.25	\$2.21	\$2.29	\$2.32	\$2.39	\$2.43	\$2.47	\$2.51	\$2.55	\$2.55	\$2.51
CP/L	\$0.92	\$0.94	\$0.98	\$0.95	\$0.95	\$0.98	\$0.98	\$1.05	\$1.05	\$1.10	\$1.09	\$1.10
FN	\$1.04	\$1.09	\$1.07	\$1.08	\$1.08	\$1.10	\$1.15	\$1.15	\$1.16	\$1.21	\$1.24	\$1.22
FNW	\$0.84	\$0.88	\$0.91	\$0.93	\$0.94	\$0.95	\$0.91	\$0.94	\$0.92	\$1.01	\$1.02	\$0.99
N	\$1.39	\$1.42	\$1.49	\$1.42	\$1.52	\$1.65	\$1.65	\$1.65	\$1.68	\$1.41	\$1.43	\$1.45
NE	\$1.37	\$1.40	\$1.36	\$1.39	\$1.43	\$1.40	\$1.40	\$1.37	\$1.37	\$1.40	\$1.46	\$1.50
NW	\$0.98	\$0.98	\$1.04	\$1.04	\$1.04	\$1.05	\$1.09	\$1.04	\$1.09	\$1.10	\$1.16	\$1.15
NWH	\$1.12	\$1.20	\$1.16	\$1.13	\$1.16	\$1.20	\$1.22	\$1.17	\$1.18	\$1.25	\$1.28	\$1.23
RR	\$0.95	\$0.99	\$0.97	\$0.97	\$1.00	\$1.01	\$1.03	\$1.02	\$1.05	\$1.06	\$1.09	\$1.06
S	\$0.98	\$1.10	\$1.13	\$1.11	\$1.11	\$1.15	\$1.18	\$1.17	\$1.16	\$1.18	\$1.20	\$1.24
SE	\$1.16	\$1.27	\$1.23	\$1.26	\$1.27	\$1.31	\$1.32	\$1.32	\$1.30	\$1.34	\$1.49	\$1.55
SM	\$1.07	\$1.11	\$1.10	\$1.06	\$1.11	\$1.13	\$1.14	\$1.15	\$1.11	\$1.16	\$1.19	\$1.22
SW	\$1.14	\$1.15	\$1.11	\$1.14	\$1.16	\$1.17	\$1.22	\$1.22	\$1.22	\$1.22	\$1.26	\$1.26
WMS	\$0.90	\$0.93	\$0.97	\$0.97	\$1.00	\$0.99	\$1.05	\$1.03	\$1.05	\$1.05	\$1.09	\$1.09
Travis Co.	\$1.26	\$1.31	\$1.30	\$1.31	\$1.32	\$1.35	\$1.38	\$1.37	\$1.38	\$1.41	\$1.43	\$1.44
Austin MSA	\$1.16	\$1.20	\$1.20	\$1.20	\$1.21	\$1.23	\$1.27	\$1.26	\$1.27	\$1.30	\$1.33	\$1.33

From 2001 to 2005, the annual net amount of new units coming on line declined steadily. The catalysts for the construction of apartment projects in Austin included an extremely tight housing market, coupled with several years of strong local employment growth. Additionally, Austin regained its favor with the investment and capital communities resulting in financing and mortgage opportunities that had not been available. The number of new units added increased slightly in 2006 and 2007. Then in 2008 and 2009 the number of units added per year more than doubled the units added in the prior year.

In 2010, Austin saw the greatest amount of absorption (8,257 units) over the past 14 years. The absorption for the most recent two years was 2,538 units and 5,591 units, respectively.

Many of the projects constructed over the last 10 years have been luxury-style properties that included significant amenity packages. As Austin's job growth strengthens the local apartment market will also strengthen. Demand for apartment units has been stronger as a result of sub-prime interest rate problems, foreclosures, and tighter credit for first time home buyers. The number of conventional apartment units under construction as of the end of 2013 was 14,102.

Office Market

CoStar surveys local market conditions quarterly. The survey includes buildings which are not entirely owner-occupied and are 20,000 square feet or larger. These buildings cover a wide spectrum of locations and product types. Although there are no "set" criteria for classifying office buildings in the Austin area, most real estate professionals describe buildings as being Class A, B, or C. The components which are generally agreed upon as being important are construction quality and materials, age, access/visibility, and surrounding properties. As a result of the numerous factors and lack of specific criteria, building classification is a gray area and can be interpreted differently by different people. Nonetheless, with common sense, most parties active in the market conclude to the same classification. CoStar defines the various office "classes" as follows:

Class A: A classification used to describe buildings that generally qualify as extremely desirable investment-grade properties and command the highest rents or sale prices compared to other buildings in the same market. Such buildings are well located and provide efficient tenant layouts as well as high quality, and in some buildings, one-of-a-kind floor plans. They can be an architectural or historical landmark designed by prominent architects. These buildings contain a modern mechanical system, and have above-average maintenance and management as well as the best quality materials and workmanship in their trim and interior fittings. They are generally the most attractive and eagerly sought by investors willing to pay a premium for quality.

Class B: A classification used to describe buildings that generally qualify as a more speculative investments, and as such, command lower rents or sale prices compared to Class A properties. Such buildings offer utilitarian space without special attractions, and have ordinary design, if new or fairly new; good to excellent design if an older non-landmark buildings. These buildings typically have average to good maintenance, management and tenants. They are less appealing to tenants than Class A properties, and may be deficient in a number of respects including floor

plans, condition and facilities. They lack prestige and must depend chiefly on a lower price to attract tenants and investors.

Class C: A classification used to describe buildings that generally qualify as no-frills, older buildings that offer basic space and command lower rents or sale prices compared to other buildings in the same market. Such buildings typically have below-average maintenance and management, and could have mixed or low tenant prestige, inferior elevators, and/or mechanical/electrical systems. These buildings lack prestige and must depend chiefly on a lower price to attract tenants and investors.

According to CoStar, the following is a market summary showing existing inventory, vacant square feet, vacancy percentage, absorption, deliveries, projects under construction, and quoted gross rental rates by sector as well as citywide totals, as of year-end 2013.

Total Office Market Statistics – Year-End 2013

Market	Existing Inventory		Vacancy			YTD Net	YTD	Under	Quoted Gross Rental Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %	Absorption	Deliveries	Const SF	
Bastrop County	81	392,112	13,400	13,400	3.4%	28,419	0	0	\$14.01
Caldwell County	19	65,745	13,115	13,115	19.9%	-8,891	0	0	\$15.94
CBD	448	13,509,100	1,239,691	1,299,929	9.6%	-77,995	26,400	722,711	\$39.17
Cedar Park	152	1,431,390	99,069	103,696	7.2%	102,714	14,140	115,139	\$26.64
Central	389	6,031,566	628,254	639,306	10.6%	124,733	82,455	0	\$23.94
East	228	2,618,095	405,486	405,486	15.5%	-18,539	0	30,451	\$18.47
Far Northeast	57	423,425	21,354	21,354	5.0%	27,644	11,832	8,928	\$19.89
Far Northwest	180	4,373,324	405,549	411,831	9.4%	340,342	0	0	\$25.04
Georgetown	253	1,681,716	131,762	131,762	7.8%	-6,727	0	12,000	\$23.60
Hays County	197	1,557,377	157,862	157,862	10.1%	52,699	15,000	48,210	\$21.34
North	166	6,480,376	427,008	483,162	7.5%	89,693	0	365,304	\$22.62
Northeast	105	3,608,521	428,222	454,445	12.6%	2,790	0	0	\$17.08
Northwest	435	15,943,140	1,496,466	1,589,198	10.0%	259,898	15,000	457,340	\$28.36
Round Rock	351	5,110,577	312,838	327,067	6.4%	146,911	26,752	19,496	\$23.95
South	442	7,314,357	464,328	503,972	6.9%	183,272	0	20,000	\$28.86
Southeast	80	3,801,073	563,286	565,046	14.9%	20,107	0	0	\$22.02
Southwest	444	10,243,185	754,054	801,013	7.8%	83,833	87,461	146,936	\$27.42
West Central	208	2,091,796	65,786	103,014	4.9%	3,406	15,000	0	\$33.50
Totals	4,235	86,676,875	7,627,530	8,024,658	9.3%	1,354,309	294,040	1,946,515	\$27.94

Source: CoStar Property®

Over the past year, most all of the submarkets had positive absorption. Austin’s Northwest gained the most with 259,898 net square feet of occupied space. Overall the total office market had a positive net absorption of 1,354,309 square feet in 2013, down slightly from the 1,702,544 square feet absorbed in 2012 and almost double from the 880,772 square feet absorbed in 2010 and the 821,772 square feet absorbed in 2011. During 2013, 294,040 square feet of new office space were completed and there was another 1,946,515 square feet of space under construction.

The average quoted rate (full service) of all properties was \$27.94 per square foot. The Class-A sector was \$33.07 per square foot at year-end 2013, while Class-B rates stood at \$23.46 per square foot, and Class-C rates at \$18.63 per square foot. The fourth quarter 2012 Class-A rates were at \$30.56 per square foot, Class-B rates were \$22.15 per square foot, and Class C were at \$18.40 per square foot. This indicates rental rates increased across the entire spectrum of office classes.

The average quoted asking rental rate in Austin’s CBD was \$39.17 per square foot at year-end 2013. At year-end 2012, Class A quoted rates were \$34.75 per square foot in the CBD.

According to the CoStar Office Report, the citywide vacancy rate decreased from 10.1% at year-end 2012 to a rate of 9.3% at year-end 2013.

Retail Market

CoStar Group conducts a semi-annual retail survey of the Austin market. CoStar data includes Austin, Round Rock and Cedar Park area retail centers of at least 50,000 square feet.

The following table shows the existing inventory, vacancy rates, absorption, year-to-date deliveries, under construction square footages, and quoted triple net rental rates.

Total Retail Market Statistics – Year-End 2013

Market	Existing Inventory		Vacancy			YTD Net		Under Const SF	Quoted Rates
	# Blds	Total GLA	Direct SF	Total SF	Vac %	Absorption	Deliveries		
Bastrop County	367	2,863,730	118,571	118,571	4.1%	52,332	0	0	\$13.35
Caldwell County	95	676,181	16,000	16,000	2.4%	4,097	0	20,000	\$14.87
CBD	356	2,551,336	68,504	72,835	2.9%	53,702	4,527	18,466	\$27.46
Cedar Park	425	7,394,521	378,953	387,616	5.2%	130,455	105,718	415,000	\$17.49
Central	914	10,633,579	537,038	537,038	5.1%	9,285	4,132	0	\$18.78
East	635	4,515,989	154,691	154,691	3.4%	120,648	124,925	92,515	\$18.53
Far Northeast	187	2,812,738	236,837	236,837	8.4%	99,611	68,924	0	\$16.03
Far Northwest	286	4,622,107	470,978	490,670	10.6%	-126,431	9,841	0	\$14.33
Georgetown	674	6,715,451	422,450	424,764	6.3%	17,335	0	24,762	\$15.99
Hays County	585	8,147,107	375,767	375,767	4.6%	13,476	36,955	72,355	\$14.04
North	515	7,418,412	308,827	317,883	4.3%	54,962	6,200	58,880	\$15.90
Northeast	180	3,147,819	121,973	154,686	4.9%	49,226	0	5,000	\$16.92
Northwest	376	5,724,643	390,422	391,222	6.8%	-15,710	0	0	\$21.45
Round Rock	572	7,644,485	444,467	444,467	5.8%	55,738	71,817	37,800	\$16.94
South	1,128	12,804,627	255,325	343,394	2.7%	209,501	18,787	88,000	\$18.01
Southeast	289	2,813,077	110,899	111,921	4.0%	113,647	9,646	127,175	\$18.34
Southwest	474	8,382,719	284,356	303,649	3.6%	114,013	12,513	54,750	\$20.36
West Central	237	1,383,215	22,452	22,452	1.6%	8,015	0	0	\$27.31
Totals	8,295	100,251,736	4,718,510	4,904,463	4.9%	963,902	473,985	1,014,703	\$17.40

Source: CoStar Property®

As of year-end 2013, there was 4,904,463 square feet of vacant retail space, or 4.9% of the total 100,251,736 square feet surveyed. The net absorption of retail space for 2013 was 963,902 square feet. Additionally, 473,985 square feet of new retail space was delivered and an additional 1,014,703 square feet of space was under construction at year-end 2013. The average quoted rental rate (triple net) as of year-end 2013 was \$17.40 per square foot. The highest average quoted rate was in the CBD at \$27.46 per square foot. Within Austin, the Far Northwest market had the lowest quoted average rate in Austin of \$14.33 per square foot. These rental rates are generally up from year-end 2012.

Industrial Market

CoStar conducts a quality survey of industrial market conditions. According to CoStar, there was a net absorption of 1,195,505 square feet of industrial space absorbed in 2013. This was down from the 1,953,129 square feet of industrial space absorbed in 2012. The greatest absorption occurred in the Cedar Park and Far Northwest submarkets. These accounted for 105,718 square feet and 124,925 square feet, respectively. No local Austin industrial submarket lost any space. A total of 473,985 square feet of industrial space was delivered into the market in 2013, while 1,014,703 square feet was under construction at year-end.

The following table summarizes vacancy rates and new additions to supply and average rental rates for year-end 2013 for both “flex” and “warehouse” industrial properties, as surveyed by CoStar.

Total Industrial Market Statistics – Year-End 2013

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
Bastrop County Ind	60	871,370	137,430	137,430	15.8%	24,900	0	0	\$5.89
Caldwell County Ind	27	394,298	12,692	12,692	3.2%	-1,277	0	0	\$5.82
CBD Ind	14	141,191	3,700	3,700	2.6%	0	0	0	\$12.50
Cedar Park Ind	103	2,297,702	104,827	104,827	4.6%	-11,571	27,500	0	\$11.18
Central Ind	144	2,192,203	156,067	175,803	8.0%	-11,985	0	0	\$9.20
East Ind	388	7,644,394	957,540	962,540	12.6%	-98,785	0	0	\$8.43
Far Northeast Ind	228	3,872,941	332,962	332,962	8.6%	304,555	12,500	0	\$7.18
Far Northwest Ind	80	1,348,377	91,380	93,380	6.9%	-2,558	0	0	\$8.27
Georgetown Ind	344	4,812,628	525,244	528,244	11.0%	105,937	4,000	5,000	\$5.49
Hays County Ind	297	4,526,615	425,558	469,808	10.4%	180,403	47,125	118,890	\$6.88
North Ind	699	18,433,775	1,239,682	1,248,182	6.8%	306,501	116,890	222,454	\$7.02
Northeast Ind	288	14,118,619	1,051,809	1,091,529	7.7%	35,392	0	70,750	\$8.08
Northwest Ind	57	4,889,575	168,920	168,920	3.5%	11,498	0	0	\$5.69
Round Rock Ind	248	4,557,819	394,630	394,630	8.7%	138,896	0	10,870	\$7.68
South Ind	294	4,492,521	42,560	61,960	1.4%	25,184	12,000	16,500	\$10.07
Southeast Ind	319	13,611,066	1,168,826	1,284,530	9.4%	199,004	0	4,000	\$6.66
Southwest Ind	115	3,734,034	70,585	72,785	1.9%	-10,589	0	0	\$12.34
West Central Ind	17	145,327	0	0	0.0%	0	0	0	\$14.49
Totals	3,722	92,084,455	6,884,412	7,143,922	7.8%	1,195,505	220,015	448,464	\$7.32

Source: CoStar Property®

According to CoStar the average vacancy as of year-end 2013 was 7.8%, a decline of 1.1% from the 8.9% rate at year-end 2012 and much lower than the 11.0% rate at year-end 2011. At year-end 2013 the average quoted rental rate was \$7.32, up from the average rate for all markets of \$6.72 in 2012. The average quoted rental rate for flex market space was \$10.06 per square foot while the average quoted rate for warehouse space was \$6.15 per square foot. Average warehouse rents in 2012 were \$5.83. The 2013 flex space rents were up from \$9.42 per square foot in 2012. Market statistics for these types of industrial space follows:

The following tables summarize the Industrial Flex Markets and Warehouse Markets for year-end 2013.

Flex Market Statistics - Year-End 2013

Market	Existing Inventory		Vacancy			YTD Net		YTD	Under	Quoted
	# Blds	Total RBA	Direct SF	Total SF	Vac %	Absorption	Deliveries	Const SF	Rates	
Bastrop County Ind	4	246,525	25,440	25,440	10.3%	6,400	0	0	\$10.43	
Caldwell County Ind	1	30,000	0	0	0.0%	0	0	0	\$0.00	
CBD Ind	2	13,688	0	0	0.0%	0	0	0	\$12.50	
Cedar Park Ind	32	1,189,897	43,603	43,603	3.7%	-11,581	0	0	\$11.34	
Central Ind	32	625,729	61,797	61,797	9.9%	9,121	0	0	\$10.73	
East Ind	26	942,694	619,141	619,141	65.7%	-94,142	0	0	\$10.60	
Far Northeast Ind	19	270,671	12,250	12,250	4.5%	17,559	12,500	0	\$10.80	
Far Northwest Ind	7	190,453	25,881	25,881	13.6%	1,501	0	0	\$10.32	
Georgetown Ind	37	440,209	26,600	29,600	6.7%	4,100	0	0	\$4.66	
Hays County Ind	38	493,638	47,023	81,023	16.4%	-20,854	0	0	\$13.18	
North Ind	106	4,777,545	521,115	529,615	11.1%	72,228	0	0	\$9.78	
Northeast Ind	77	4,562,805	664,588	664,588	14.6%	119,557	0	0	\$9.39	
Northwest Ind	17	2,710,147	29,402	29,402	1.1%	11,379	0	0	\$11.33	
Round Rock Ind	37	686,966	104,992	104,992	15.3%	44,608	0	0	\$8.77	
South Ind	34	595,937	3,713	11,676	2.0%	20,443	0	0	\$14.73	
Southeast Ind	81	4,580,908	576,036	608,946	13.3%	-29,895	0	0	\$8.69	
Southwest Ind	25	390,419	43,225	43,225	11.1%	-5,881	0	0	\$12.65	
West Central Ind	2	13,305	0	0	0.0%	0	0	0	\$0.00	
Totals	577	22,761,536	2,804,806	2,891,179	12.7%	144,543	12,500	0	\$10.06	

Source: CoStar Property®

Warehouse Market Statistics - Year-End 2013

Market	Existing Inventory		Vacancy			YTD Net		YTD	Under	Quoted
	# Blds	Total RBA	Direct SF	Total SF	Vac %	Absorption	Deliveries	Const SF	Rates	
Bastrop County Ind	56	624,845	111,990	111,990	18%	18,500	0	0	\$4.90	
Caldwell County Ind	26	364,298	12,692	12,692	3%	-1,277	0	0	\$5.82	
CBD Ind	12	127,503	3,700	3,700	3%	0	0	0	\$0.00	
Cedar Park Ind	71	1,107,805	61,224	61,224	6%	10	27,500	0	\$11.04	
Central Ind	112	1,566,474	94,270	114,006	7%	-21,106	0	0	\$8.10	
East Ind	362	6,701,700	338,399	343,399	5%	-4,643	0	0	\$5.81	
Far Northeast Ind	209	3,602,270	320,712	320,712	9%	286,996	0	0	\$7.01	
Far Northwest Ind	73	1,157,924	65,499	67,499	6%	-4,059	0	0	\$7.27	
Georgetown Ind	307	4,372,419	498,644	498,644	11%	101,837	4,000	5,000	\$5.51	
Hays County Ind	259	4,032,977	378,535	388,785	10%	201,257	47,125	118,890	\$6.06	
North Ind	593	13,656,230	718,567	718,567	5%	234,273	116,890	222,454	\$5.91	
Northeast Ind	211	9,555,814	387,221	426,941	4%	-84,165	0	70,750	\$6.66	
Northwest Ind	40	2,179,428	139,518	139,518	6%	119	0	0	\$5.05	
Round Rock Ind	211	3,870,853	289,638	289,638	7%	94,288	0	10,870	\$7.02	
South Ind	260	3,896,584	38,847	50,284	1%	4,741	12,000	16,500	\$7.66	
Southeast Ind	238	9,030,158	592,790	675,584	7%	228,899	0	4,000	\$5.91	
Southwest Ind	90	3,343,615	27,360	29,560	1%	-4,708	0	0	\$11.11	
West Central Ind	15	132,022	0	0	0%	0	0	0	\$14.49	
Totals	3,145	69,322,919	4,079,606	4,252,743	6%	1,050,962	207,515	448,464	\$6.15	

Source: CoStar Property®

For 2013, the vacancy rate for flex space was 12.7%. There was a net absorption of flex space of 144,543 square feet in 2013.

As of year-end 2012, the average vacancy rate for warehouse space was 6.0%. There was a net absorption of 1,050,962 square feet of warehouse space in 2013.

Conclusion

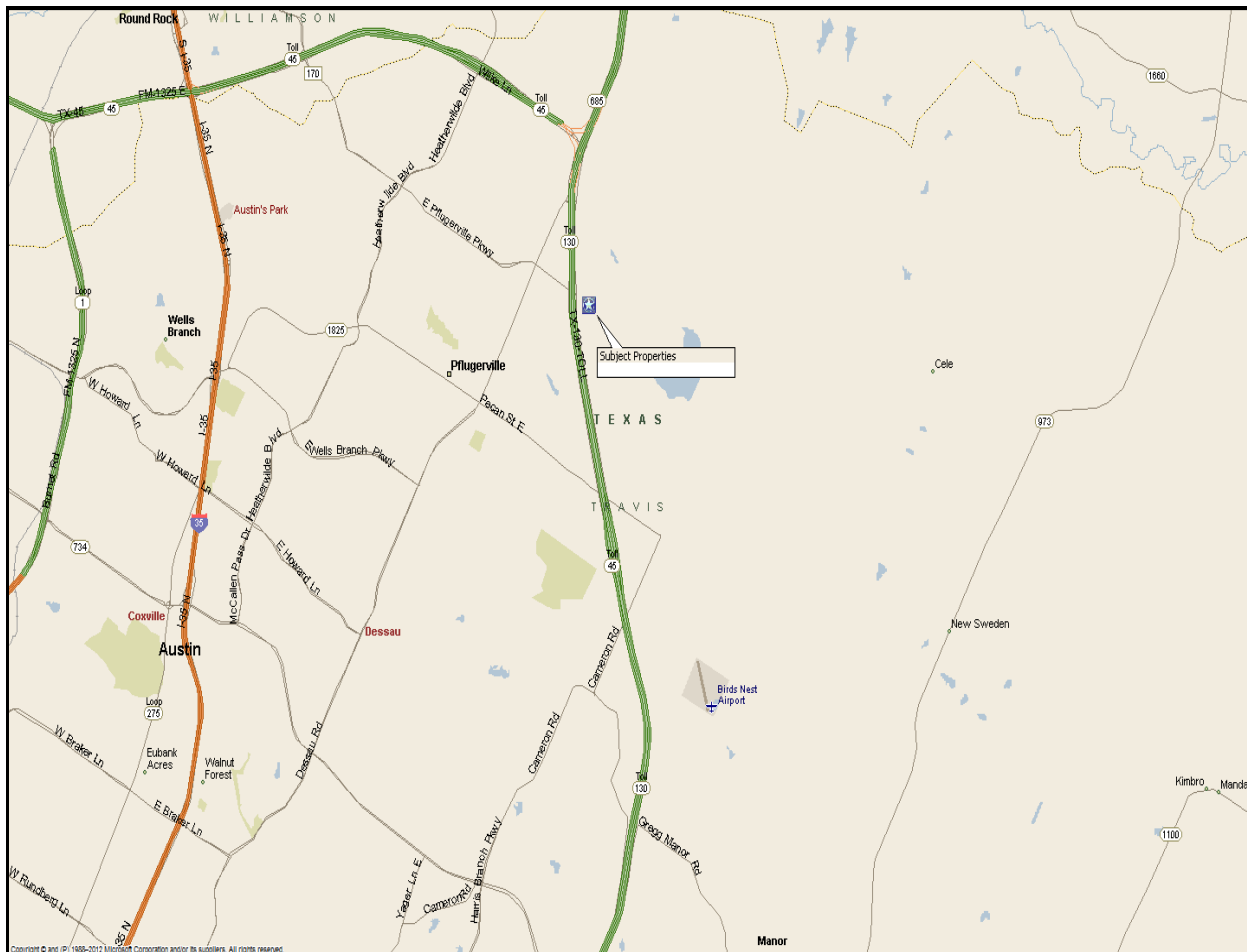
The Austin-San Marcos MSA, located along the IH-35 corridor, continues to grow in population. Much of the growth in the MSA is taking place outside and on the outskirts of Austin. The area is dominated by high-tech industries, which has helped to bring higher salaries to the area. However, as with other parts of the country, these high paying jobs are shrinking relative to the whole.

During the previous year, real estate markets for all product types advanced with occupancy and rental rates trending upward. It would appear that Austin's real estate markets have gained momentum to the rise which began in late 2010 as the national and local economies began to grow after three years of recession.

NEIGHBORHOOD ANALYSIS

A neighborhood can be considered as a part of a larger city or community wherein there is a tendency towards the grouping of land utilization. As defined in the 14th Edition of *The Appraisal of Real Estate, 2013*, “The boundaries of market areas, neighborhood, and districts identify the areas that influence a subject property’s value.” A neighborhood may be an urban or suburban development, which may include residential, commercial, industrial or other land uses that are generally characterized as being homogeneous in some respects, and include a unified area with some definite boundaries.

The purpose of a neighborhood analysis is to provide a bridge between the study of general influences on all property values and the analysis of a particular subject. Neighborhood boundaries are identified by determining the area in which the four forces which effect value (social, economic, government and environmental) operate in the same way they effect the subject property.



The subject neighborhood includes the City of Pflugerville and the surrounding semi-rural and residential areas. For the purposes of this analysis, the subject neighborhood can be defined by the following boundaries:

North:	Travis/ Williamson County Line
East:	Cameron Road/Weiss Lane/Hodde Lane
West:	IH-35
South:	Dessau Road/Gregg Lane

This community acts principally as a bedroom community for Austin. Access to and from the subject neighborhood is considered good. The Austin Central Business District is located approximately 18 miles southwest of the City of Pflugerville. Pflugerville is appealing to commuters because the Austin CBD can be quickly reached by IH-35 and FM 1825. Additionally, many Pflugerville residents work in the City of Round Rock. This larger suburban city is located six miles to the north of Pflugerville along IH-35.

Land Use

The corporate limits of the City of Pflugerville comprise approximately 9,059 acres. The ETJ extends in a 0.5 mile arc around the city or out to the previously established ETJ limits of Austin. The ETJ covers approximately 16,346 acres and is subject to subdivision regulations of the City of Pflugerville. The Pflugerville ETJ is completely surrounded by the City of Austin's ETJ. **The subject property falls inside the city limits of Pflugerville.**

The predominant type of land use in Pflugerville and the ETJ is agriculture, representing 34% of the area within the ETJ. Single family residential development is the most prevalent structural use category. It comprises about 28.7% of the area. Commercial and light industrial uses (representing 30% of the area) are located along major roads such as FM 1825 and Pecan Street, FM 685, Main Street, and Railroad Street in Pflugerville and along the IH-35 corridor between Round Rock and Pflugerville. Multi-family residential units, churches, schools, and other public facilities are located on tracts of varying sizes throughout the city. Gilleland Creek and the associated floodplain flows southeastward through the city. Much of this floodplain land has been designated for use as a city park.

There have been two significant retail developments in Pflugerville, the 400,000 square foot Pfluger Crossing Shopping Center at the corner of Pflugerville Parkway and FM685, and the Stone Hill Town Center with over a million square feet under construction at the southwest corner of SH 45 and SH 130. The neighborhood commercial and office properties developed along FM 1825 and in the original "Old Town" section of the city also fulfill some retail needs of the neighborhood.

Industrial development is primarily located within the IH-35 corridor in the vicinity of Grand Avenue Parkway in north Pflugerville. The majority of the development represents single-tenant, owner-occupied or build-to-suit projects.

Economic Base

The economic base of Pflugerville is shifting from the ranching and farming industries associated with the blackland prairies to the commercial and industrial activity in the Austin and Round Rock areas. The majority of employed persons residing in Pflugerville work in either Austin or Round Rock. However, the few locally oriented businesses generate some employment for area residents. The most significant employer in the area is Dell Computer's World Headquarters, located near the northeast quadrant of IH-35 and FM 1325/Louis Henna Boulevard (CR 170), in Round Rock, just north of the defined neighborhood boundaries. In the beginning of 2001, Dell made layoffs of approximately 6,000 employees. Other high-tech companies also made layoffs. However, the companies have begun to stabilize and increase their workforce.

Significant retail and commercial development has occurred at the IH-35 and FM 1325 intersection. Additionally, La Frontera, a 400-acre mixed use development, is complete at the northwest corner of FM 1325 and IH-35. State Highway 45, an arterial that connects FM 620 to the SH 130 to the east of Pflugerville was completed (2007). SH 130, also recently completed extends from north of Georgetown to south of Austin, and extends through Pflugerville. The City of Pflugerville is in the process of right-of-way acquisition to widen Heatherwilde Boulevard to a four-lane roadway south of SH-45. The Pflugerville market area has recently emerged as one of the most attractive areas for suburban development in the greater Austin area. During the past few years, the Pflugerville market has grown at a rapid pace, with the development of several subdivisions.

City Management and Administration

The City government is directed by the Mayor and five members of the City Council. The Public Works Director supervises the City staff, Water and Wastewater Department, and many other aspects of city government. There is a full time City Clerk and Municipal Court Clerk. Part time staff include the city judge, a consulting city engineer, a consulting building inspector, a consulting city attorney, and a consulting city planner. The Planning and Zoning Commission advises the City Council on zoning and subdivision cases, city ordinances, comprehensive planning, and related matters. A park committee oversees the maintenance and improvements for the city park.

Municipal Services

The City owns and operates its own water and wastewater systems. The utility service area is certified by the Public Utility Commission and extends beyond the corporate limits in certain areas; however, most areas outside the corporate limits are served by either Windermere Utilities, the Manville Water Corporation or the City of Austin.

Streets and roads are maintained by contracting with private contractors or Travis County on an as-needed basis.

The City owns a nine acre park with a junior Olympic swimming pool, a basketball court, playground, picnic pavilion and restroom facilities.

The City of Pflugerville operates its own police department. Fire protection and emergency medical service are by the Pflugerville Volunteer Fire Department.

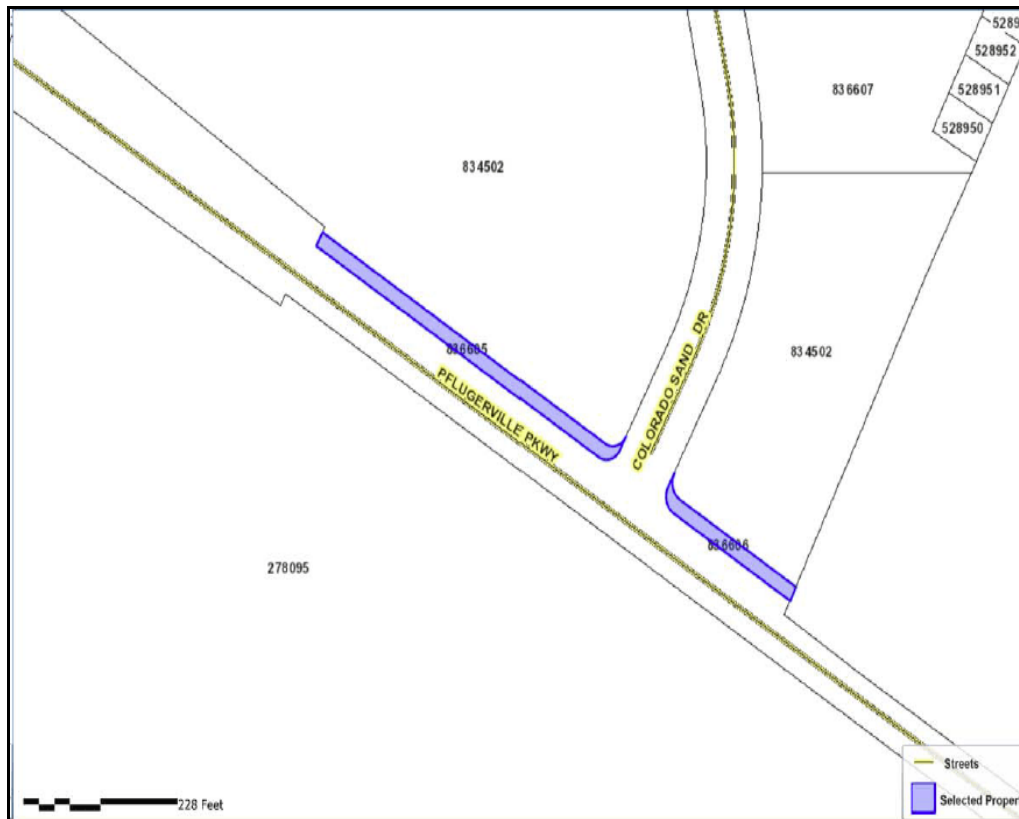
Conclusion

The Pflugerville area is one of three most active areas in the Austin MSA with respect to residential development. Its success comes from its proximity to Austin and Round Rock, good access by IH-35, developable land with few environmental constraints, and availability of utilities. Most recently the completion of SH 130 and SH 45 have significantly impacted the retail development and increased accessibility to Austin and areas to the north and south.

LAND ANALYSIS

Land analysis is “a study of factual data relating to the characteristics of undeveloped land or an improved site that create, enhance, or detract from the utility and marketability of that parcel.” (From The Dictionary of Real Estate Appraisal, Fifth Edition, 2010).

Below, is a tax plat of the subject tracts.



The following pages summarize the characteristics of the subject “larger parcels”.

We were not provided a survey or metes and bounds description of the “larger parcels”. According to the client, these “larger parcels” are currently under contract and are being carved out of an even “larger parcel”. As such, our analysis is based on the extraordinary assumption that the sizes and descriptions of the “larger parcels” are accurate.

±15 Acre “Larger Parcel”

Legal Description:	±15 acres out of the J. Davis Survey No. 13, Abstract No. 231, Travis County, Texas..
Travis County Parcel Number:	02-7550-01-71
Site Size “Larger Parcel”:	±15 acres; ±653,400 SF

Shape:	Basically Rectangular
Frontage/Access:	The site has frontage and access on the north side of Pflugerville Parkway and the west side of Colorado Sand Drive.
Exposure/Visibility:	The site has exposure and visibility from the north side of Pflugerville Parkway and the west side of Colorado Sand Drive.
Topography/Drainage:	The site is generally level.
Soils:	We did not receive a soil survey or study that addresses the composition of the subject's underlying soils. A visual inspection of the site and surrounding area indicates that the existing soils will be adequate to insure development.
Floodplain:	No portion of the property is located within a designated flood hazard area.
Utilities:	All municipal utilities available to the site (City of Pflugerville).
Zoning:	Per the City of Pflugerville zoning map, the subject tracts are zoned "ALUR" Alternative Land Use Regulation.
School District:	Pflugerville I.S.D.
Environmental Hazards:	We did not receive an environmental site assessment. We assume that there are no adverse conditions associated with the site.
Easements:	Typical PUEs
Surrounding Land Uses:	SH-130, vacant land and single family residential.
<u>±1.6 Acre "Larger Parcel"</u>	
Legal Description:	±1.6 acres out of the J. Davis Survey No. 13, Abstract No. 231, Travis County, Texas.
Travis County Parcel Number:	02-7550-01-71
Site Size "Larger Parcel":	±1.6 acres; ±69,696 SF

Shape:	Basically Rectangular
Frontage/Access:	The site has frontage and access on the north side of Pflugerville Parkway and the east side of Colorado Sand Drive.
Exposure/Visibility:	The site has exposure and visibility from the north side of Pflugerville Parkway and the east side of Colorado Sand Drive.
Topography/Drainage:	The site is generally level.
Soils:	We did not receive a soil survey or study that addresses the composition of the subject's underlying soils. A visual inspection of the site and surrounding area indicates that the existing soils will be adequate to insure development.
Floodplain:	No portion of the property is located within a designated flood hazard area.
Utilities:	All municipal utilities available to the site (City of Pflugerville).
Zoning:	Per the City of Pflugerville zoning map, the subject tracts are zoned "ALUR" Alternative Land Use Regulation.
School District:	Pflugerville I.S.D.
Environmental Hazards:	We did not receive an environmental site assessment. We assume that there are no adverse conditions associated with the site.
Easements:	Typical PUEs
Surrounding Land Uses:	SH-130, vacant land and single family residential.

REAL ESTATE TAX ANALYSIS

The subject is located within the taxing jurisdictions of Travis County, Travis County Healthcare District, City of Pflugerville, Pflugerville Independent School District, Travis County Emergency Service District No. 2 and Travis County Municipal Utility District No. 15. The following summarizes the 2013 tax rates for the above indicated jurisdictions.

Taxing Authority	2013 Tax Rate
City of Pflugerville	\$0.5736
Pflugerville ISD	\$1.5400
Travis County	\$0.4946
Travis County ESD No. 2	\$0.1000
Travis County MUD No. 15	\$0.3325
Travis County Healthcare District	\$0.1290
Total	\$3.1697

The “larger parcels” are not individually assessed.

TCAD #02-7449-01-01

The subject 0.2524 acre tract’s 2014 assessed value is \$6,310.

TCAD #02-7449-02-01

The subject 0.1109 acre tract’s 2014 assessed value is \$2,773.

2014 tax rates have not yet been established. No delinquent taxes were noted.

ANALYSES

HIGHEST AND BEST USE ANALYSIS

The term highest and best use, as used in this appraisal report and defined by *The Appraisal of Real Estate*, 14th Edition, Appraisal Institute, 2013, is:

"The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value."

A distinction is made between the highest and best use of the land or site as though vacant and the highest and best use of the property as improved.

Highest and best use of the land as though vacant: Among all reasonable, alternative uses, the use that yields the highest present land value after payments are made for labor, capital, and entrepreneurial coordination.

Highest and best use of property as improved: The use of a property, as improved, that will maximize its value.

There are four criteria which a use must meet to satisfy the requirement of highest and best use. These are that the use be: 1) physically possible, 2) legally permissible, 3) financially feasible, and 4) maximally productive. These four criteria as they relate to the highest and best use of the subject "as vacant" and "as improved" are discussed below.

Highest and Best Use - As Vacant (±15 acre "larger parcel")

Physically Possible

The "larger parcel" consists of ±15 acres (653,400 SF) located at the northwest corner of Pflugerville Parkway and Colorado Sands Drive in Pflugerville. Topography is level. All public utilities are available to the site. Access is available from Pflugerville Parkway and Colorado Sands Drive. No portion of the property is located within the floodplain.

Based upon the above physical characteristics, and considering the constraints imposed by soils, topography, floodplain, parcel size and location, we considered any use that is suited for a ±15 acre tract to be physically possible.

Legal Constraints

As mentioned in the *Land Analysis*, the subject is located within the municipal jurisdiction of the City of Pflugerville. As such, development of the subject must comply with the zoning regulations.

The subject's current zoning district is ALUR - Alternative Land Use Regulation.

This district is intended to permit creative development of land, to provide locations for well planned comprehensive developments incorporating one or more types of dwellings or buildings and one or more categories of land use, and to provide for variety in the development patterns of the City which conform to the purposes of the Comprehensive Master Plan. An ALUR agreement may include alleys, community features, and gap fencing under the standards below. The Director and the Planning and Zoning Commission shall use these standards in consideration of ALUR district proposals, but may use discretion in determining how much weight to give these standards in deciding whether to grant an ALUR request.

An additional factor in determining a legally permissible use is the appraisal principal of conformity. According to the 14th Edition of *The Appraisal of Real Estate*, 2013, "Conformity holds that real property value is created and sustained when the characteristics of a property conform to the demands of its market." Therefore, surrounding use becomes an important consideration in any Highest and Best Use Analysis. The surrounding properties are a mix of SH-130, single family residential and vacant land.

Based upon the subject's physical and legal constraints as well as surrounding property uses and trends, it would seem reasonable that commercial development would be both physically possible and legally permissible and conforming to surrounding trends in land use patterns.

Financially Feasible and Maximally Productive

The definition of highest and best use states that the highest and best use must result "in the highest present land value." In regard to the subject property, we interpret this portion of the definition to mean that the subject's land use plan must maximize density, but remain within the range of supportable intensities of developments in the competing market. In other words, development that occurs on the subject site should be homogeneous with development which will occur in the competing market to be financially feasible.

For a use to meet the test of financial feasibility, the benefits of ownership in the form of rents and tax advantages must exceed the costs associated with acquiring the site, developing the improvements, and operating the property. For a property use to be financially feasible, the forces of supply and demand must be in balance and the property developed must provide sufficient income to return profit to the land. Since new residential development is occurring in the immediate area, some type of commercial office project would be financially feasible.

Highest and Best Use - Conclusion

Based upon the preceding discussion of the physically possible and legally permissible uses for the subject, more specifically its size and corner location, it would appear that commercial/office development would be the highest and best use of the ±15 acre tract of land.

Highest and Best Use - As Vacant (±1.6 acre “larger parcel”

Physically Possible

The “larger parcel” consists of ±1.6 acres (69,696 SF) located at the northeast corner of Pflugerville Parkway and Colorado Sands Drive in Pflugerville. Topography is level. All public utilities are available to the site. Access is available from Pflugerville Parkway and Colorado Sands Drive. No portion of the property is located within the floodplain.

Based upon the above physical characteristics, and considering the constraints imposed by soils, topography, floodplain, parcel size and location, we considered any use that is suited for a ±1.6 acre tract to be physically possible.

Legal Constraints

As mentioned in the *Land Analysis*, the subject is located within the municipal jurisdiction of the City of Pflugerville. As such, development of the subject must comply with the zoning regulations.

The subject’s current zoning district is ALUR - Alternative Land Use Regulation.

This district is intended to permit creative development of land, to provide locations for well planned comprehensive developments incorporating one or more types of dwellings or buildings and one or more categories of land use, and to provide for variety in the development patterns of the City which conform to the purposes of the Comprehensive Master Plan. An ALUR agreement may include alleys, community features, and gap fencing under the standards below. The Director and the Planning and Zoning Commission shall use these standards in consideration of ALUR district proposals, but may use discretion in determining how much weight to give these standards in deciding whether to grant an ALUR request.

An additional factor in determining a legally permissible use is the appraisal principal of conformity. According to the 14th Edition of *The Appraisal of Real Estate*, 2013, “Conformity holds that real property value is created and sustained when the characteristics of a property conform to the demands of its market.” Therefore, surrounding use becomes an important consideration in any Highest and Best Use Analysis. The surrounding properties are a mix of SH-130, single family residential and vacant land.

Based upon the subject’s physical and legal constraints as well as surrounding property uses and trends, it would seem reasonable that commercial development would be both physically possible and legally permissible and conforming to surrounding trends in land use patterns.

Financially Feasible and Maximally Productive

The definition of highest and best use states that the highest and best use must result "in the highest present land value." In regard to the subject property, we interpret this portion of the definition to mean that the subject's land use plan must maximize density, but remain within the

range of supportable intensities of developments in the competing market. In other words, development that occurs on the subject site should be homogeneous with development which will occur in the competing market to be financially feasible.

For a use to meet the test of financial feasibility, the benefits of ownership in the form of rents and tax advantages must exceed the costs associated with acquiring the site, developing the improvements, and operating the property. For a property use to be financially feasible, the forces of supply and demand must be in balance and the property developed must provide sufficient income to return profit to the land. Since new residential development is occurring in the immediate area, some type of commercial project would be financially feasible.

Highest and Best Use - Conclusion

Based upon the preceding discussion of the physically possible and legally permissible uses for the subject, more specifically its smaller size and corner location, it would appear that commercial/retail development would be the highest and best use of the ±1.6 acre tract of land.

The subject tracts are best suited to be used in conjunction with the adjacent properties given their long narrow configuration and small size. Therefore, the highest and best use for the subject tracts is for assemblage with the adjacent “larger parcels”.

SALES COMPARISON APPROACH

The Sales Comparison Approach is defined as: “The process of deriving a value indication for the subject property by comparing similar properties that have recently sold with the property being appraised, identifying appropriate units of comparison, and making adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant market-derived elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant when an adequate supply of comparable sales is available.” (The *Appraisal of Real Estate*, 14th Edition, published by the Appraisal Institute, 2013.)

A **systematic procedure** for applying the sales comparison approach includes the following steps:

1. Research the competitive market for information on properties that are similar to the subject property and that have recently sold, are listed for sale, or are under contract.
2. Verifying the information by confirming that the data obtained is factually accurate and that the transactions reflect arm’s-length market considerations.
3. Select the most relevant units of comparison used by participants in the market.
4. Look for differences between the comparable sale properties and the subject property using all appropriate elements of comparison.
5. Reconcile the various value indications produced from the analysis of comparables into a value conclusion.

(The *Appraisal of Real Estate*, 14th Edition, published by the Appraisal Institute, 2013.)

In the Highest and Best Use Analysis, we concluded that the highest and best use of the “larger parcels” were for commercial office and retail development, respectively. To this end, we have researched recent sales in the immediate area to be used in the valuation of the “larger parcels”.

Data sheets for each sale can be found in the Addenda. Following the Paired Sales Analysis methodology discussion is a summary table of the first set of comparables and the analysis section for these sales, which are applied to the ±15 acre “larger parcel”. Subsequent to this analysis, is a separate set of sales and analysis, which is applied to the ±1.6 acre “larger parcel”.

PAIRED SALES ANALYSIS

The previously presented comparable sales were adjusted to account for differences between the sales prices in order to derive value indicators of the subject property. The appraisers attempted to extract adjustments from "pure" pair sales whenever possible. In other words, adjustments were extracted from two sales that were considered comparable with the exception of the variable under consideration. The difference can then be expressed as a percentage and applied to the remaining comparable sales. The reader should note that this percentage difference needs to be adjusted to reflect the quantifiable attribute difference between the sale and the subject. The appraisers have used a point ranking system in a computerized matched pairs analysis to facilitate this process¹. The subject was given a ranking of 3.0 and the comparable sales are compared to the subject on the following point basis:

Superior	=	5
Slightly Superior	=	4
Comparable	=	3
Slightly Inferior	=	2
Inferior	=	1

A simple example of this process is as follows. Assume two sales are exactly the same except for one variable, the "pure" pair, and that there was a 12% difference in the sales price. One comparable was considered to be superior (5 points) to the subject and the other sale was slightly inferior (2 points), for a difference of 3 points. The indicated adjustment would then be 12% per 3 points' difference or 4% per point. Thus, if another sale in the data base was rated inferior (1), it would be adjusted upward by the 2 points' difference times 4%, or an 8% overall adjustment. Adjusting downward is more complicated, however, because of the algebraic change in the base to be adjusted. To maintain mathematical consistency, the reciprocal must be employed. Using the previous example, assume another sale was slightly superior (4 points) and thus needed to be adjusted downward. The proper formula would be:

$$\begin{aligned} \text{Adjustment} &= \frac{1}{1 + (4\%/pt. * 1 pt. diff.)} - 1 \\ &= -3.8\% \end{aligned}$$

This slightly superior sale would therefore be adjusted downward by 3.8% to reflect comparability with the subject.

The adjustment process is the accepted technique which is utilized to account for the observed differential in real estate prices. Typically, this price differential is the composite variation due to actual or perceived attribute differences in properties. The qualitative response of the market to those attributes (e.g., location, zoning, etc.) affects real estate values at specific points in time. It should be realized that value is not inherent in real estate and the proportional qualitative

¹Terry V. Grissom, et al., "A Matched Pairs Analysis Program in Compliance with FHLBB Memorandum R-41B/C," The Appraisal Journal, Volume 40, No. 1 (January 1987), 42-68.

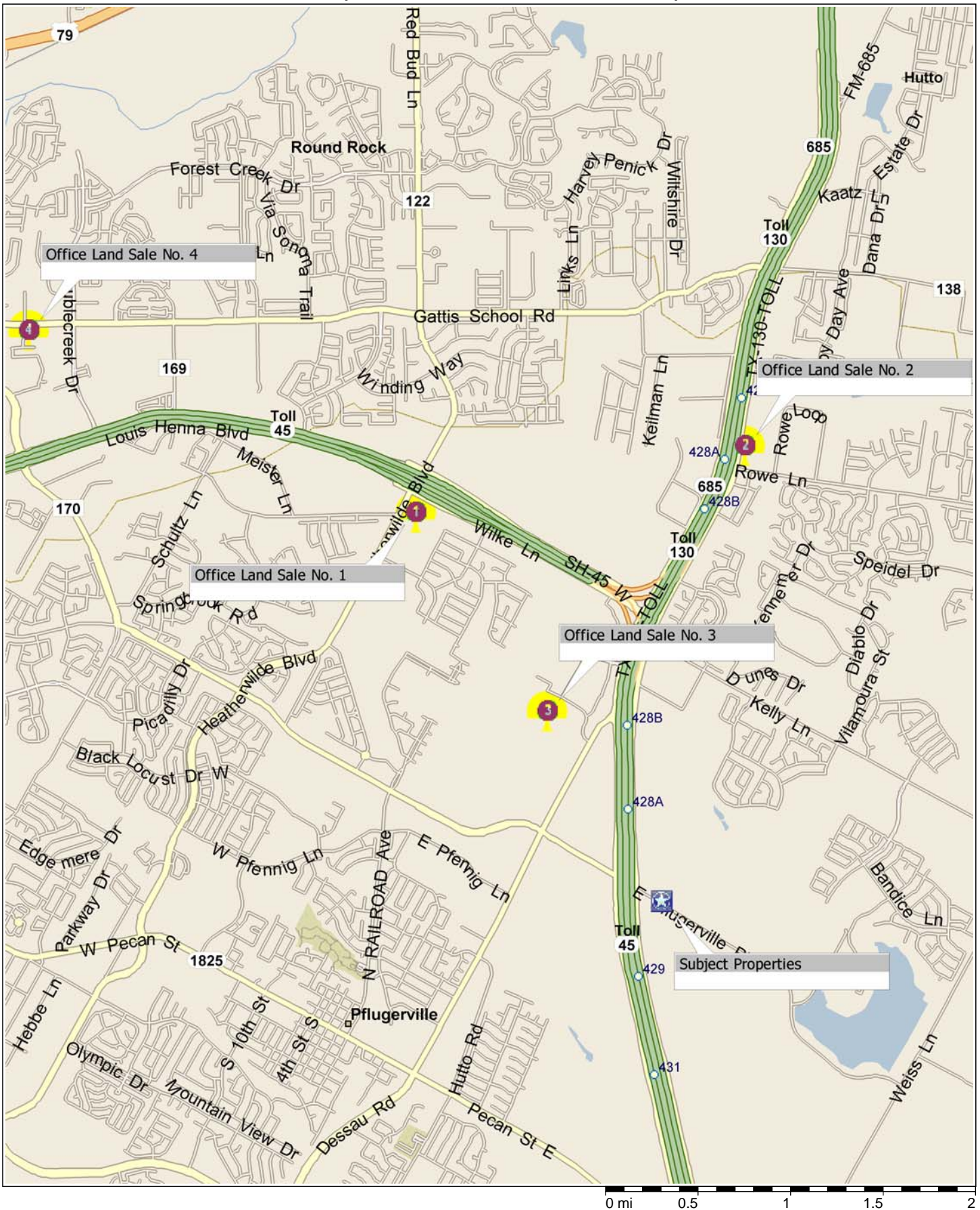
ranking of these specific quality measures can vary with time. Therefore, value in real estate is determined by the "created space-time product", or the real estate's ability to meet human demand at the point in time being studied. As the nature of economic activities changes, the requirements for space also change. Therefore, in an economic sense, real estate becomes a product whose value rises and falls depending upon current perception.

Further, the market for a real estate product is imperfect in that information which affects value perceptions is not available to all market participants. This market imperfection contributes to a portion of the observed price variation and typically cannot be explained by the qualitative variables. The remaining price variability should be dependent on and explained by the quality of the attributes. The explanation of this systematic variance then becomes the basis of the adjustment process as a valuation technique. Basically, this technique is concerned with the appraiser seeking patterns and trends in the market on which to document the explanation of market price variation.

Listed on the following pages are the bases for ratings that we selected to explain the price/quality differentials. This discussion summarizes our thought process with respect to rating the comparable sales. The discussion of the percentage adjustment for each variable is also summarized in this portion of the report. An adjustment grid will be presented to serve as a visual summary of the data. The grid presents the relationship between comparable sales and the subject for each variable, the appropriate adjustment, as well as the adjusted price for each variable. The adjustment grid is calculated based upon the quality rankings and subsequent market extracted adjustments derived from the sequential pairings. This procedure occurs for each attribute in a sequential manner by way of explaining those factors that can be documented first. The residual adjustments reflect a composite of the remaining variables. In this manner, the price/quality variables are analyzed interdependently, rather than independently.

We used the price per square foot of land area in our analysis.

Comparable Office Land Sales Map



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COMPARABLE LAND SALES SUMMARY - ±15 ACRE “LARGER PARCEL”

Sale	Location	Date of Sale	Sales Price	Price/SF	Acres	Zoning	Surrounding Land Uses	Development Readiness	Proposed Use
1	Southeast corner of SH-45 and Heatherwilde Boulevard, Pflugerville	Under Contract	\$3,150,000	\$2.67	27.067	CL-4	SH-45, vacant land, an elementary school, single-family residential and some commercial	Approved for 425,000 SF of distribution and flex office/warehouse. Mansfield water; wastewater nearby.	Office/warehouse; 80%/20%
2	20511 FM 685 (east line of FM 685 (SH-130), north of Rowe Lane), Pflugerville	01/18/13	\$500,000	\$2.29	5.01	A-AG Conservation	Commercial/light industrial, rural residential, and single family residential.	Needed rezoning out of AG. Water available; no wastewater.	U-Haul Self Storage
3	West side of Pfluger Farm Road, south of Town Center Drive, Pflugerville	10/05/12	\$2,613,600	\$1.49	40.36	CL-4	Single family, vacant land, and multi-family, retail uses to east fronting SH-130	Raw, unsubdivided land. Utilities available in area, but not extended to site.	Austin Technology Park
4	Southeast corner of Gattis School Road and Joyce Lane (1521 Joyce Lane), Round Rock	08/09/11	\$688,644	\$5.24	3.017	PUD 56 (allows office)	Single family, retail and office uses	Water available; wastewater nearby.	Commercial development
Subject “Larger Parcel”	Northwest corner of Pflugerville Parkway and Colorado Sand Drive, Pflugerville	Under Contract	±\$2,940,300 (Calculated)	\$4.50	±15	ALUR	SH-130, vacant land and single family residential	All utilities available to site. Ready to develop.	Office development

Subject Valuation - ±15 acre “Larger Parcel”

In the Highest and Best Use Analysis, we concluded that the highest and best use of the ±15 acre “larger parcel” was for commercial office development. To this end, we have researched recent comparables sales to be used in the valuation of the subject.

Previously presented was a table summarizing the pertinent facts of the comparable sales, as well as a map illustrating each comparable’s location. In the following paragraphs, is a discussion of the characteristics for which adjustments were deemed necessary. In addition to an explanation of the basis for these adjustments, the appraisers have explained the extraction of the actual adjustment factors from the market data. Included in the *Addenda*, is the documentation of the comparable sales considered.

The reader's attention is directed to the following pages for these analyses.

Discussion of Percentage Adjustments

In the application of the adjustment process, the appraisers first examine the sales data to determine whether dollar adjustments are merited for such factors as motivations of the parties, the financing associated with the transactions, or other unique features of the transactions which can be quantified. Upon examining the documentation of the sales data, no such dollar adjustments were considered necessary. The adjustment grid included at the end of this section provides a summary of the actual percentage adjustments applied to the per square foot prices of the comparables in deriving an estimate of current market value of the “larger parcel”.

Comparables	1	2	3	4
Sales Price	\$2.67	\$2.29	\$1.49	\$5.24
# Of Months	0	20	24	37
Attributes	Ratings			
Market Conditions	3.0	2.5	2.0	1.5
Size	2.0	4.5	1.0	5.0
Develop Rediness/Location	2.5	1.0	1.0	3.0
Floodplain	3.0	3.0	2.0	3.0

Financing

The initial adjustment to be made in any comparable analysis is for financing associated with the transaction. The comparables were reported as being cash sales where the purchaser obtained third-party financing or where owner financing was equivalent to market terms.

Property Rights Conveyed

The transaction price of a sale is always based on the real property interest conveyed. In the process of confirming the sales data, specific questions were asked concerning the terms of any existing leases and the impact they may have had on sales price. The comparable sales were

comprised of vacant tracts of land with no leases in place. As such, we have concluded that an adjustment for property rights conveyed was not necessary.

Conditions of Sale

This category usually attempts to reflect the motivations of the buyer and seller. In many instances, the conditions surrounding a sale can greatly impact the final sales price, especially when one party is under duress. In other instances a buyer may be willing to pay more for a property needed for assemblage purposes or for other reasons. All of the sales reflect investor/end-user to investor/end-user transactions with none of the parties under duress to transact.

Market Conditions (Time Adjustment)

The first variable to examine in this approach is the change in market conditions since the sales dates of the comparables. This is commonly referred to as a time adjustment. A review of the sales dates of the comparables indicates all of the sales closed between August 2011 and currently pending, or within 37 months of the effective date of this appraisal. Thus, the question to answer is whether changes in market conditions over the last approximately 37 months merit adjustments to the sales prices of the comparables.

The most reliable method of determining an appropriate time adjustment is to examine the sale/resale of the same property, a technique which provides a clear indication of the increase or decrease in value since the first sale date. However, in the present data set no such sales were noted.

It should be noted; however, based on our discussions with area developers and agents, as of late there has been a more overall positive outlook going forward and prices have increased from their decline in 2009 and early 2010. Given all of this we have chosen to rate Comparable Sale Two as similar to slightly inferior (2.5) for market conditions as this sale occurred during 2013, when the market was increasing, but not yet back to today's prices. Sale Three has been rated as slightly inferior (2.0) as it occurred in 2012 when the market was just beginning to pick back up. Sale Four was rated as slightly inferior to inferior (1.5), as it occurred in 2011, just above the bottom of the market. The remaining Sale One is currently pending; therefore, was rated as similar (3.0) for market conditions.

Based upon our ratings, there were no pure pairings available to demonstrate a market conditions adjustment. However, based upon our experience and knowledge of the latest market cycle we have chosen to apply a 15% per point difference adjustment to be applied to the comparable sales. This, in our opinion, appropriately reflects the appreciation associated with the demand of similar property types spurred by growth and development near the subject market area. The following matrix summarizes our adjustments applied for market conditions.

ADJUSTMENT FOR VARIABLE 1: Market Conditions					
SALE NO.	1	2	3	4	
RATING		3.0	2.5	2.0	1.5
SECONDARY PAIRS					
	1	2	3	4	
PURE PAIRS	1	*****	0.33	0.79	-0.33
	2		*****	1.07	-0.56
	3			*****	-1.43
	4				*****
MEAN (POSITIVE VALUES ONLY):		0.00		RANGE:	
%	0.06	0.09	0.12	0.15	
#	0	0	0	0	
PLEASE ENTER THE ESTIMATED % OF ADJUSTMENT FOR VARIABLE ONE					
ADJUSTMENT FOR ONE POINT =					
Price After 15.00% Adjustment for: Market Conditions					
SALE NO.	1	2	3	4	
PRICE	\$2.67	\$2.46	\$1.71	\$6.42	

Size

The market typically exhibits an inverse relationship between price and size because of the principle of diminishing marginal returns (i.e. as size increases, price per square foot decreases and vice versa). As such, the following table summarizes the rating applied to each comparable.

Sale	Acres	Rating
1	27.067	Slightly Inferior (2.0)
2	5.01	Slightly Superior to Superior (4.5)
3	40.36	Inferior (1.0)
4	3.017	Superior (5.0)
Subject "Larger Parcel"	±15	---

The size ratings are as follows:

ADJUSTMENT FOR VARIABLE 2: Size					
SALE NO.	1	2	3	4	
RATING		2.0	4.5	1.0	5.0
SECONDARY PAIRS					
	1	2	3	4	
PURE PAIRS	1	*****	-0.03	0.56	0.47
	2		*****	0.12	3.21
	3			*****	0.69
	4				*****
MEAN (POSITIVE VALUES ONLY):		0.00		RANGE:	
%	0.06	0.09	0.12	0.15	
#	0	0	0	0	
PLEASE ENTER THE ESTIMATED % OF ADJUSTMENT FOR VARIABLE TWO					
ADJUSTMENT FOR ONE POINT =					
Price After 15.00% Adjustment for: Size					
SALE NO.	1	2	3	4	
PRICE	\$3.07	\$2.01	\$2.23	\$4.94	

Based on these ratings, no pure pairings were available to indicate an adjustment for size. Based on our knowledge and experience with these types of properties and given the size range of the sales, we have chosen to apply a size adjustment of 15% per point difference to the comparable sales. Sale One was adjusted upward 15% for its one rating point of difference. Sale Two was adjusted downward -18.37% for its one and a half rating point of difference and to account for the change in base when adjusting downward. Sale Three was adjusted upward 30% for its two rating points of difference. Sale Four was adjusted downward -23.08% for its two rating points of difference and to account for the change in base when adjusting downward.

Development Readiness/Location

An adjustment was made for Development Readiness/Location. These two attributes were combined because it was not possible to extract meaningful adjustments separately. Also, areas with “superior” locations have more visibility, surrounding development, and are more likely to have zoning and utilities in place.

The “larger parcel” is located on the corner of Pflugerville Parkway and Colorado Sand Drive. It has good access and visibility from these roadways. Surrounding land uses are a mix of vacant land and a single family subdivisions. The site has ALUR zoning and all utilities are extended to the property.

The development readiness, locational attributes, and ratings of the comparables are as follows:

Sale	Location	Zoning	Surrounding Land Uses	Development Readiness	Rating
1	Southeast corner of SH-45 and Heatherwilde Boulevard, Pflugerville	CL-4	SH-45, vacant land, an elementary school, single-family residential and some commercial	Approved for 425,000 SF of distribution and flex office/warehouse. Mansfield water; wastewater nearby.	Similar to Slightly Inferior (2.5)
2	20511 FM 685 (east line of FM 685 (SH-130), north of Rowe Lane), Pflugerville	A-AG Conservation	Commercial/light industrial, rural residential, and single family residential.	Needed rezoning out of AG. Water available; no wastewater.	Inferior (1.0)
3	West side of Pfluger Farm Road, south of Town Center Drive, Pflugerville	CL-4	Single family, vacant land, and multi-family, retail uses to east fronting SH-130	Raw, unsubdivided land. Utilities available in area, but not extended to site.	Inferior (1.0)
4	Southeast corner of Gattis School Road and Joyce Lane (1521 Joyce Lane), Round Rock	PUD 56 (allows office)	Single family, retail and office uses	Water available; wastewater nearby.	Similar (3.0)
Subject “Larger Parcel”	Northwest corner of Pflugerville Parkway and Colorado Sand Drive, Pflugerville	ALUR	SH-130, vacant land and single family residential	All utilities available to site. Ready to develop.	---

The development readiness/location ratings are as follows:

ADJUSTMENT FOR VARIABLE 3: Develop Rediness/Location					
SALE NO.	1	2	3	4	
RATING		2.5	1.0	1.0	3.0
SECONDARY PAIRS					
	1	2	3	4	
PURE PAIRS	1	*****	0.35	0.25	1.22
	2	0.35	*****	0.00	0.73
	3			*****	0.61
	4	1.22	0.73		*****
MEAN (POSITIVE VALUES ONLY):		0.77		RANGE:	
%	0.06	0.09	0.12	0.15	
#	0	0	0	0	0
PLEASE ENTER THE ESTIMATED % OF ADJUSTMENT FOR VARIABLE THREE					
ADJUSTMENT FOR ONE POINT =					
Price After 35.00% Adjustment for: Develop Rediness/Location					
SALE NO.	1	2	3	4	
PRICE	\$3.61	\$3.42	\$3.79	\$4.94	

Based

on these ratings, three positive pure pairings were available to indicate an adjustment for development readiness/location. These ratings ranged from 35% to 122%. As such, we have chosen to apply a development readiness/location adjustment toward the low end of the range of 35% per point difference to the comparable sales. Sale One was adjusted upward 17.50% for its half rating point of difference. Sales Two and Three were adjusted upward 70% for their two rating points of difference. The remaining Sale Four was considered to be overall similar in development readiness/location as the “larger parcel”; therefore, no adjustment was warranted.

Floodplain

The amount of floodplain on a site can limit development. As previously determined, the “larger parcel” is not located within the 100-year floodplain. None of the comparable sales are located within the 100-year floodplain, except for Sale Three, which is approximately 20% in the 100-year floodplain. As such, Sale Three was rated as slightly inferior (2.0) for floodplain, while the remaining sales were rated as similar (3.0) to the “larger parcel”.

The floodplain ratings are as follows:

ADJUSTMENT FOR VARIABLE 4: Floodplain					
SALE NO.	1	2	3	4	
RATING		3.0	3.0	2.0	3.0
SECONDARY PAIRS					
	1	2	3	4	
PURE PAIRS	1	*****	0.00	-0.05	0.00
	2	0.00	*****	-0.10	0.00
	3	-0.05	-0.10	*****	0.30
	4	0.00	0.00	0.30	*****
MEAN (POSITIVE VALUES ONLY):		0.30		RANGE:	
%	0.06	0.09	0.12	0.15	
#	0	0	0	0	
PLEASE ENTER THE ESTIMATED % OF ADJUSTMENT FOR VARIABLE FOUR					
ADJUSTMENT FOR ONE POINT =					
Price After 30.00% Adjustment for: Floodplain					
SALE NO.	1	2	3	4	
PRICE	\$3.61	\$3.42	\$4.92	\$4.94	

Based on these ratings, one positive pure pairing of 30% was available to indicate an adjustment for floodplain. As such, we have chosen to apply a floodplain adjustment of 30% per point difference to the comparable sales. Sale Three was adjusted upward 30% for its one rating point of difference. The remaining sales were considered to be similar to the “larger parcel” with respect to floodplain; therefore, no adjustments were warranted.

Reconciliation of Value - ±15 acre “Larger Parcel”

The following table summarizes the adjustments to the comparable sales. It should be noted that downward adjustments reflect a changing base. This is done in order to keep all dollar amount adjustments consistent, being either upward or downward adjustments. For example, an adjustment from \$8 up to \$10 equates to 25%. However, an adjustment from \$10 to \$8 equates to a downward adjustment of -20%.

FINAL ADJUSTMENT GRID				
SALE NO.	1	2	3	4
SALES PRICE	\$2.67	\$2.29	\$1.49	\$5.24
Time	0.0	20.0	24.0	37.0
\$ Adjustment	\$0.00	\$0.00	\$0.00	\$0.00
Adj. Price	\$2.67	\$2.29	\$1.49	\$5.24
Market Conditions	3.0	2.5	2.0	1.5
ADJUSTMENT	0.00%	7.50%	15.00%	22.50%
\$ ADJUSTM.	\$0.00	\$0.17	\$0.22	\$1.18
ADJ. PRICE	\$2.67	\$2.46	\$1.71	\$6.42
Size	2.0	4.5	1.0	5.0
ADJUSTMENT	15.00%	-18.37%	30.00%	-23.08%
\$ ADJUSTM.	\$0.40	-\$0.45	\$0.51	-\$1.48
ADJ. PRICE	\$3.07	\$2.01	\$2.23	\$4.94
Develop Rediness/Location	2.5	1.0	1.0	3.0
ADJUSTMENT	17.50%	70.00%	70.00%	0.00%
\$ ADJUSTM.	\$0.54	\$1.41	\$1.56	\$0.00
ADJ. PRICE	\$3.61	\$3.42	\$3.79	\$4.94
Floodplain	3.0	3.0	2.0	3.0
ADJUSTMENT	0.00%	0.00%	30.00%	0.00%
\$ ADJUSTM.	\$0.00	\$0.00	\$1.14	\$0.00
ADJ. PRICE	\$3.61	\$3.42	\$4.92	\$4.94
TOTAL ADJUSTMENTS				
PERCENTAGE	35.13%	49.18%	230.40%	-5.77%
DOLLAR	\$0.94	\$1.13	\$3.43	(\$0.30)
ADJUSTED PRICE	\$3.61	\$3.42	\$4.92	\$4.94
MEAN:	\$4.22			
MEDIAN:	\$4.27			
STD DEV:	\$0.82			

Prior to adjusting the sales prices of the comparables for the identifiable value influencing features, the sales prices ranged from \$1.49 to \$5.24 per square foot of land, a difference of 252%. After adjusting the sales prices for the differences in the aforementioned attributes, the adjusted values for the “larger parcel” ranged from \$3.42 to \$4.94 per square foot. The adjusted range was narrowed to 44%. The indicated mean and median of the adjusted sales was \$4.22 and \$4.27 per square foot, respectively. All of the sales are given fairly equal weight in our reconciliation, with slightly more weight given to Sale Four as it had the lowest net adjustment.

Based on this, with consideration for the aforementioned attributes, we have chosen to reconcile to a rounded value of **\$4.50 per square foot** of land for the “larger parcel”.

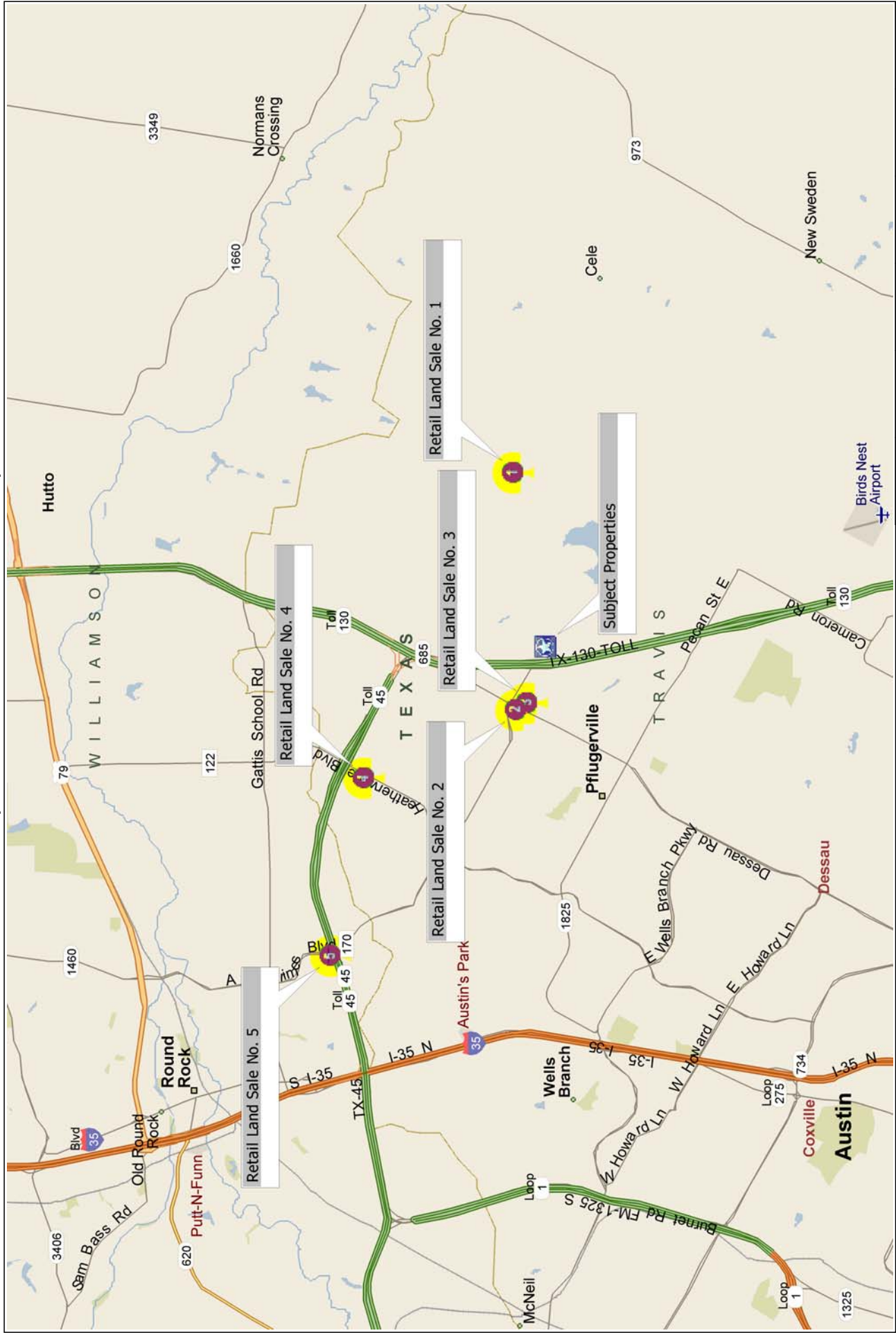
Conclusion of Value for the Subject - 0.2524 acre (10,993 SF) Tract

As previously noted, the highest and best use of the subject tract is for assemblage with the adjacent “larger parcel”. As such, an “across the fence” value is applied, meaning it is valued using the same price per unit as the adjacent “larger parcel”. The following value is indicated for the subject 0.2524 acre tract, based on the per unit value (\$4.50 per square foot) of the “larger parcel”.

$$\mathbf{\$4.50/SF \times 0.2524 \text{ Acres (10,993 SF)} = \$49,469}$$

Say: \$50,000

Comparable Retail Land Sales Map



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COMPARABLE LAND SALES SUMMARY - ±1.6 ACRE “LARGER PARCEL”

Sale	Location	Date of Sale	Sales Price	Price/SF	Acres	Zoning	Surrounding Land Uses	Development Readiness	Proposed Use
1	Northwest corner of Kelly Lane and Weiss Lane, Pflugerville	Under Contract	\$696,000 Asking	\$7.99 Asking	2.0	ETJ	Vacant land, a church and single-family residential	Developed lot. All utilities available to site.	C-Store
2	West line of FM 685, just south of Pflugerville Parkway, Pflugerville	12/03/12	\$886,882	\$20.00	1.018	GB-1	Retail, some office and vacant land.	Developed pad site. All utilities available to site. Approximately 5% floodplain at NEC. Access on 2 sides/frontage on 3 sides.	Retail center
3	East side of FM 685, south of Pflugerville Parkway, Pflugerville	06/20/12	\$685,000	\$10.77	1.46	GB-1	Retail, some office and vacant land.	Developed pad site. All utilities available to site. Access/frontage on 2 sides.	Goodwill retail store.
4	Southwest corner of Heatherwilde Boulevard and Meister Lane (18900 Heatherwilde Boulevard), Pflugerville	07/09/11	\$675,000	\$7.86	1.9727	CL-4	Single family, vacant land, elementary school and some commercial/light industrial	Water available; wastewater nearby. Otherwise, ready for development.	C-store
5	Northwest corner of Louis Henna Boulevard (SH-45) and AW Grimes (800 Louis Henna Boulevard), Round Rock	03/21/11	\$1,055,000	\$11.41	2.123	C-1	Multi-family, commercial and vacant land.	Developed site ready for development. All utilities available to site.	C-store.
Subject “Larger Parcel”	Northeast corner of Pflugerville Parkway and Colorado Sand Drive, Pflugerville	Under Contract	±\$579,871 (Calculated)	\$8.32	±1.6	ALUR	SH-130, vacant land and single family residential	All utilities available to site. Ready to develop.	Retail development

Subject Valuation - ±1.6 acre “Larger Parcel”

In the Highest and Best Use Analysis, we concluded that the highest and best use of the ±1 acre “larger parcel” was for commercial retail development. To this end, we have researched recent comparables sales to be used in the valuation of the subject.

Previously presented was a table summarizing the pertinent facts of the comparable sales, as well as a map illustrating each comparable’s location. In the following paragraphs, is a discussion of the characteristics for which adjustments were deemed necessary. In addition to an explanation of the basis for these adjustments, the appraisers have explained the extraction of the actual adjustment factors from the market data. Included in the *Addenda*, is the documentation of the comparable sales considered.

The reader's attention is directed to the following pages for these analyses.

Discussion of Percentage Adjustments

In the application of the adjustment process, the appraisers first examine the sales data to determine whether dollar adjustments are merited for such factors as motivations of the parties, the financing associated with the transactions, or other unique features of the transactions which can be quantified. Upon examining the documentation of the sales data, no such dollar adjustments were considered necessary. The adjustment grid included at the end of this section provides a summary of the actual percentage adjustments applied to the per square foot prices of the comparables in deriving an estimate of current market value of the “larger parcel”.

Comparables	1	2	3	4	5
Sales Price	\$7.99	\$20.00	\$10.77	\$7.86	\$11.41
# Of Months	0	22	27	38	42
Attributes	Ratings				
Market Conditions	3.0	2.5	2.0	1.5	1.5
Develop Rediness/Location	2.5	5.0	5.0	3.5	4.0
Access/Frontage	3.0	5.0	3.0	3.0	3.0

Financing

The initial adjustment to be made in any comparable analysis is for financing associated with the transaction. The comparables were reported as being cash sales where the purchaser obtained third-party financing or where owner financing was equivalent to market terms.

Property Rights Conveyed

The transaction price of a sale is always based on the real property interest conveyed. In the process of confirming the sales data, specific questions were asked concerning the terms of any existing leases and the impact they may have had on sales price. The comparable sales were

comprised of vacant tracts of land with no leases in place. As such, we have concluded that an adjustment for property rights conveyed was not necessary.

Conditions of Sale

This category usually attempts to reflect the motivations of the buyer and seller. In many instances, the conditions surrounding a sale can greatly impact the final sales price, especially when one party is under duress. In other instances a buyer may be willing to pay more for a property needed for assemblage purposes or for other reasons. All of the sales reflect investor/end-user to investor/end-user transactions with none of the parties under duress to transact.

Market Conditions (Time Adjustment)

The first variable to examine in this approach is the change in market conditions since the sales dates of the comparables. This is commonly referred to as a time adjustment. A review of the sales dates of the comparables indicates all of the sales closed between March 2011 and currently pending, or within 42 months of the effective date of this appraisal. Thus, the question to answer is whether changes in market conditions over the last approximately 42 months merit adjustments to the sales prices of the comparables.

The most reliable method of determining an appropriate time adjustment is to examine the sale/resale of the same property, a technique which provides a clear indication of the increase or decrease in value since the first sale date. However, in the present data set no such sales were noted. Sale One, currently under contract, previously sold in 2013; however, as with the current contract, there was a confidentiality agreement which kept the sale price from being released.

It should be noted; however, based on our discussions with area developers and agents, as of late there has been a more overall positive outlook going forward and prices have increased from their decline in 2009 and early 2010. Given all of this we have chosen to rate Comparable Sale Two as similar to slightly inferior (2.5) for market conditions as this sale occurred at the end of 2012, when the market was increasing, but not yet back to today's prices. Sale Three has been rated as slightly inferior (2.0) as it occurred in mid-2012 when the market was just beginning to pick back up. Sales Four and Five were rated as slightly inferior to inferior (1.5), as they occurred in 2011, just above the bottom of the market. The remaining Sale One is currently pending; therefore, was rated as similar (3.0) for market conditions.

Based upon our ratings, there were no pure pairings available to demonstrate a market conditions adjustment. However, based upon our experience and knowledge of the latest market cycle we have chosen to apply a 15% per point difference adjustment to be applied to the comparable sales. This, in our opinion, appropriately reflects the appreciation associated with the demand of similar property types spurred by growth and development near the subject market area. The following matrix summarizes our adjustments applied for market conditions.

ADJUSTMENT FOR VARIABLE 1: Market Conditions						
SALE NO.	1	2	3	4	5	
RATING	3.0	2.5	2.0	1.5	1.5	
SECONDARY PAIRS						
	1	2	3	4	5	
PURE PAIRS	1	*****	-1.20	-0.26	0.01	-0.20
	2		*****	1.71	1.54	0.75
	3			*****	0.74	-0.11
	4				*****	0.00
	5					*****
MEAN (POSITIVE VALUES ONLY):		0.00		RANGE: 0.00		
%	0.06	0.09	0.12	0.15	0.18	
#	0	0	0	0	0	
PLEASE ENTER THE ESTIMATED % OF ADJUSTMENT FOR VARIABLE ONE						
ADJUSTMENT FOR ONE POINT =						
Price After 15.00% Adjustment for: Market Conditions						
SALE NO.	1	2	3	4	5	
PRICE	\$7.99	\$21.50	\$12.39	\$9.63	\$13.98	

Size

The market typically exhibits an inverse relationship between price and size because of the principle of diminishing marginal returns (i.e. as size increases, price per square foot decreases and vice versa). As such, the following table summarizes the rating applied to each comparable.

Sale	Acres	Rating
1	2.00	Similar (3.0)
2	1.018	Similar (3.0)
3	1.46	Similar (3.0)
4	1.9727	Similar (3.0)
5	2.123	Similar (3.0)
Subject "Larger Parcel"	±1.6	---

All of the comparables are considered to be similar in size to the "larger parcel"; therefore, no adjustment for size is necessary.

Development Readiness/Location

An adjustment was made for Development Readiness/Location. These two attributes were combined because it was not possible to extract meaningful adjustments separately. Also, areas with "superior" locations have more visibility, surrounding development, and are more likely to have zoning and utilities in place.

The "larger parcel" is located on the corner of Pflugerville Parkway and Colorado Sand Drive. It has good access and visibility from these roadways. Surrounding land uses are a mix of vacant land and a single family subdivisions. The site has ALUR zoning and all utilities are extended to the property.

The development readiness, locational attributes, and ratings of the comparables are as follows:

Sale	Location	Zoning	Surrounding Land Uses	Development Readiness	Rating
1	Northwest corner of Kelly Lane and Weiss Lane, Pflugerville	ETJ	Vacant land, a church and single-family residential	Developed lot. All utilities available to site.	Similar to Slightly Inferior (2.5)
2	West line of FM 685, just south of Pflugerville Parkway, Pflugerville	GB-1	Retail, some office and vacant land.	Developed pad site. All utilities available to site. Approximately 5% floodplain at NEC.	Superior (5.0)
3	East side of FM 685, south of Pflugerville Parkway, Pflugerville	GB-1	Retail, some office and vacant land.	Developed pad site. All utilities available to site.	Superior (5.0)
4	Southwest corner of Heatherwilde Boulevard and Meister Lane (18900 Heatherwilde Boulevard), Pflugerville	CL-4	Single family, vacant land, elementary school and some commercial/light industrial	Water available; wastewater nearby. Otherwise, ready for development.	Similar to Slightly Superior (3.5)
5	Northwest corner of Louis Henna Boulevard (SH-45) and AW Grimes (800 Louis Henna Boulevard), Round Rock	C-1	Multi-family, commercial and vacant land.	Developed site ready for development. All utilities available to site.	Slightly Superior (4.0)
Subject "Larger Parcel"	Northeast corner of Pflugerville Parkway and Colorado Sand Drive, Pflugerville	ALUR	SH-130, vacant land and single family residential	All utilities available to site. Ready to develop.	---

The development readiness/location ratings are as follows:

ADJUSTMENT FOR VARIABLE 2: Develop Rediness/Location						
SALE NO.	1	2	3	4	5	
RATING	2.5	5.0	5.0	3.5	4.0	
SECONDARY PAIRS						
	1	2	3	4	5	
PURE PAIRS	1	*****	0.68	0.22	0.21	0.50
	2		*****	0.00	0.82	0.54
	3	0.22		*****	0.19	-0.11
	4	0.21			0.19	*****
	5	0.50		-0.11	0.90	*****
MEAN (POSITIVE VALUES ONLY):		0.40		RANGE:		-0.11
%	0.06	0.09	0.12	0.15	0.18	
#	0	0	0	0	0	
PLEASE ENTER THE ESTIMATED % OF ADJUSTMENT FOR VARIABLE TWO						
ADJUSTMENT FOR ONE POINT =						
Price After 35.00% Adjustment for: Develop Rediness/Location						
SALE NO.	1	2	3	4	5	
PRICE	\$9.39	\$12.65	\$7.29	\$8.19	\$10.35	

Based on these ratings, five positive pure pairings were available to indicate an adjustment for development readiness/location. These ratings ranged from 19% to 90%, with a mean of 40%.

As such, we have chosen to apply a development readiness/location adjustment just below the mean and consistent with the previous development readiness/location adjustment of 35% per point difference to the comparable sales. Sale One was adjusted upward 17.50% for its half rating point of difference. Sales Two and Three were adjusted downward -41.18% for their two rating points of difference and to account for the change in base when adjusting downward. Sale Four was adjusted downward -14.89% for its half rating point of difference and to account for the change in base when adjusting downward. Sale Five was adjusted downward -25.93% for its one rating point of difference and to account for the change in base when adjusting downward.

Access/Frontage

As previously determined, the “larger parcel” is located at the corner of Pflugerville Parkway and Colorado Sand Drive. It also has good access, frontage and visibility from both of these roadways. All of the comparables have similar access, frontage and visibility from two roadways, except for Sale Two, which has excellent frontage and visibility from three roadways and access from two roadways. As such, Sale Two was rated as superior (5.0) to the “larger parcel” for access/frontage. The remaining sales were rated as similar (3.0) to the “larger parcel” for access/frontage.

The access/frontage ratings are as follows:

ADJUSTMENT FOR VARIABLE 3: Access/Frontage						
SALE NO.	1	2	3	4	5	
RATING		3.0	5.0	3.0	3.0	3.0
SECONDARY PAIRS						
		1	2	3	4	5
PURE PAIRS	1	*****	0.17	0.00	0.00	0.00
	2	0.17	*****	0.37	0.27	0.11
	3	0.00	0.37	*****	0.00	0.00
	4	0.00	0.27	0.00	*****	0.00
	5	0.00	0.11	0.00	0.00	*****
MEAN (POSITIVE VALUES ONLY):			0.23	RANGE:		0.00
%		0.06	0.09	0.12	0.15	0.18
#		0	0	1	0	1
PLEASE ENTER THE ESTIMATED % OF ADJUSTMENT FOR VARIABLE THREE						
ADJUSTMENT FOR ONE POINT =						
Price After 25.00% Adjustment for: Access/Frontage						
SALE NO.	1	2	3	4	5	
PRICE		\$9.39	\$8.43	\$7.29	\$8.19	\$10.35

Based on these ratings, four positive pure pairings were available to indicate an adjustment for access/frontage. These ratings ranged from 11% to 37%, with a mean of 23%. As such, we have chosen to apply an access/frontage adjustment toward the mean of the range of 25% per point difference to the comparable sales. Sale Two was adjusted downward -33.33% for its two rating points of difference and to account for the change in base when adjusting downward. The remaining sales were considered to have overall similar access/frontage as the “larger parcel”; therefore, no adjustments were warranted.

Reconciliation of Value - ±1.6 acre “Larger Parcel”

The following table summarizes the adjustments to the comparable sales.

FINAL ADJUSTMENT GRID						
SALE NO.	1	2	3	4	5	
SALES PRICE	\$7.99	\$20.00	\$10.77	\$7.86	\$11.41	
Time	0.0	22.0	27.0	38.0	42.0	
\$ Adjustment	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Adj. Price	\$7.99	\$20.00	\$10.77	\$7.86	\$11.41	
Market Conditions	3.0	2.5	2.0	1.5	1.5	
ADJUSTMENT	0.00%	7.50%	15.00%	22.50%	22.50%	
\$ ADJUSTM.	\$0.00	\$1.50	\$1.62	\$1.77	\$2.57	
ADJ. PRICE	\$7.99	\$21.50	\$12.39	\$9.63	\$13.98	
Develop Rediness/Location	2.5	5.0	5.0	3.5	4.0	
ADJUSTMENT	17.50%	-41.18%	-41.18%	-14.89%	-25.93%	
\$ ADJUSTM.	\$1.40	-\$8.85	-\$5.10	-\$1.43	-\$3.62	
ADJ. PRICE	\$9.39	\$12.65	\$7.29	\$8.19	\$10.35	
Access/Frontage	3.0	5.0	3.0	3.0	3.0	
ADJUSTMENT	0.00%	-33.33%	0.00%	0.00%	0.00%	
\$ ADJUSTM.	\$0.00	-\$4.22	\$0.00	\$0.00	\$0.00	
ADJ. PRICE	\$9.39	\$8.43	\$7.29	\$8.19	\$10.35	
TOTAL ADJUSTMENTS						
PERCENTAGE	17.50%	-57.84%	-32.35%	4.26%	-9.26%	
DOLLAR	\$1.40	(\$11.57)	(\$3.48)	\$0.33	(\$1.06)	
ADJUSTED PRICE	\$9.39	\$8.43	\$7.29	\$8.19	\$10.35	
MEAN:	\$8.73					
MEDIAN:	\$8.43					
STD DEV:	\$1.18					

Prior to adjusting the sales prices of the comparables for the identifiable value influencing features, the sales prices ranged from \$7.86 to \$20.00 per square foot of land, a difference of 154%. After adjusting the sales prices for the differences in the aforementioned attributes, the adjusted values for the “larger parcel” ranged from \$7.29 to \$10.35 per square foot. The adjusted range was narrowed to 42%. The indicated mean and median of the adjusted sales was \$8.73 and \$8.43 per square foot, respectively. All of the sales are given fairly equal weight in our reconciliation, with minimal weight given to Sale One as it is currently pending and the actual sale price is likely to be less than the asking price shown. Based on this, with consideration for the aforementioned attributes, we have chosen to reconcile to a rounded value of **\$8.50 per square foot** of land for the “larger parcel”.

Conclusion of Value for the Subject - 0.1109 acre (4,832 SF) Tract

As previously noted, the highest and best use of the subject tract is for assemblage with the adjacent “larger parcel”. As such, an “across the fence” value is applied, meaning it is valued using the same price per unit as the adjacent “larger parcel”. The following value is indicated for

the subject 0.1109 acre tract, based on the per unit value (\$8.50 per square foot) of the “larger parcel.”

$$\mathbf{\$8.50/SF \times 0.1109 \text{ Acres (4,832 SF) = \$41,072}}$$

Say: \$41,000

CONCLUSIONS

CERTIFICATION AND FINAL OPINION OF VALUE

We certify, to the best of our 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 our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We 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. We have performed appraisal services, as appraisers, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. Our analyses, opinions, and conclusion were developed and this report has been prepared in conformity with the *Uniform Standards of Professional Appraisal Practice*.
9. Keith T. Bodungen, MAI and John M. Coleman, MAI, SRA have made a personal inspection of the property that is the subject of this report.
10. No one provided significant real property appraisal assistance to the persons signing this certification.
11. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
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, John M. Coleman, MAI, SRA has completed the continuing education program for Designated Members of the Appraisal Institute.

14. As of the date of this report, Keith T. Bodungen, MAI, has completed the continuing education program for Designated Members of the Appraisal Institute.

Considering the above definition of market value and based upon a thorough analysis of the subject property and pertinent market data from the subjects' market area, it is our opinion that the market value of the fee simple interest in the subject 0.2524 acre tract in its "as is" condition, as of September 23, 2014, of:

FIFTY THOUSAND DOLLARS
(\$50,000)

Considering the above definition of market value and based upon a thorough analysis of the subject property and pertinent market data from the subjects' market area, it is our opinion that the market value of the fee simple interest in the subject 0.1109 acre tract in its "as is" condition, as of September 23, 2014, of:

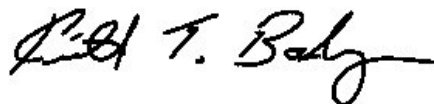
FORTY ONE THOUSAND DOLLARS
(\$41,000)

We were not provided a survey or metes and bounds description of the "larger parcels". According to the client, these "larger parcels" are currently under contract and are being carved out of an even "larger parcel". As such, our analysis is based on the extraordinary assumption that the sizes and descriptions of the "larger parcels" are accurate.

This appraisal is also based on the extraordinary assumption that both "larger parcels" currently under contract, will close within a reasonable time frame.

The use of these extraordinary assumptions may have affected assignment results.

Respectfully submitted,
THE ÆGIS GROUP, INC.



Keith T. Bodungen, MAI
State Certified General Real Estate Appraiser
No. TX-1380024-G



John M. Coleman, MAI, SRA
State Certified General Real Estate Appraiser
No. TX-1320293-G

QUALIFICATIONS OF KEITH T. BODUNGEN, MAI

Keith Bodungen has been actively involved in the Real Estate profession since 2004, and is currently employed with The Aegis Group, Inc., with an office in Austin, Texas. Mr. Bodungen has been involved in all types of real property valuation including, commercial, office, industrial, agricultural, condemnation, recreation and special purpose appraisals.

ASSOCIATION MEMBERSHIP

Member Appraisal Institute
Member of Austin Chapter 80, Appraisal Institute
2011 Nominating Committee of Austin Chapter 80, Appraisal Institute
Texas Real Estate Broker License No. 523817.
Texas State Certified General Real Estate Appraiser - Certificate No. TX-1380024-G

EDUCATION

Texas A&M University at College Station, BS, 2003

Appraisal and Related Courses:

- Basic Appraisal Principals
- Basic Appraisal Procedures
- Real Estate Finance, Statistics and Valuation Modeling
- Report Writing & Valuation Analysis
- Business Practices and Ethics
- Residential Market Analysis and Highest & Best Use
- USPAP
- General Appraiser Income Approach Part I & II
- General Appraiser Site Valuation and Cost Approach
- Apartment Appraisal: Concepts and Applications
- General Appraiser Report Writing and Case Studies
- General Appraiser Sales Comparison Approach
- Revised General Appraiser Market Analysis and Highest & Best Use
- Advanced Sales Comparison and Cost Approaches
- Advanced Income Capitalization
- Advanced Applications
- Review Theory - General

EXPERIENCE

The Aegis Group, Inc.
Atrium Real Estate Services
Bolton Real Estate Consultants
I Bank Texas (formerly Independent Bank of Austin, SSB)
Landmark Ranches
Keller Williams Realty

QUALIFICATIONS OF JOHN M. COLEMAN, MAI, SRA

John Coleman has been actively involved in the Real Estate profession since 1972. Mr. Coleman is President of The Aegis Group, Inc., a real estate appraising and consulting firm founded in 1987 and located in Austin, Texas.

Mr. Coleman is involved in all types of real property valuation including residential, commercial, office, industrial, agricultural, condemnation, recreation and special purpose appraisals such as the evaluation projections for utility districts. Mr. Coleman often serves in the capacity of expert litigation witness in cases involving eminent domain, bankruptcy, civil litigation and ad valorem tax appeal. He is qualified as an appraisal expert in various county district courts, Federal District Court, U.S. Bankruptcy Court, and various county commissioners courts and appraisal district review boards.

ASSOCIATION MEMBERSHIP

Member Appraisal Institute (MAI), Appraisal Institute - Certificate No. 7628.
Senior Residential Appraiser (SRA), Appraisal Institute
Texas Real Estate Broker License No. 338677-23.
Texas State Certified General Real Estate Appraiser - Certificate No. TX-1320293-G

EDUCATION

Bachelor of Arts in Economics and Political Science, MacMurray College, Jacksonville, Illinois.
Attended Washington University School of Law, St. Louis, Missouri.

Appraisal and Related Courses:

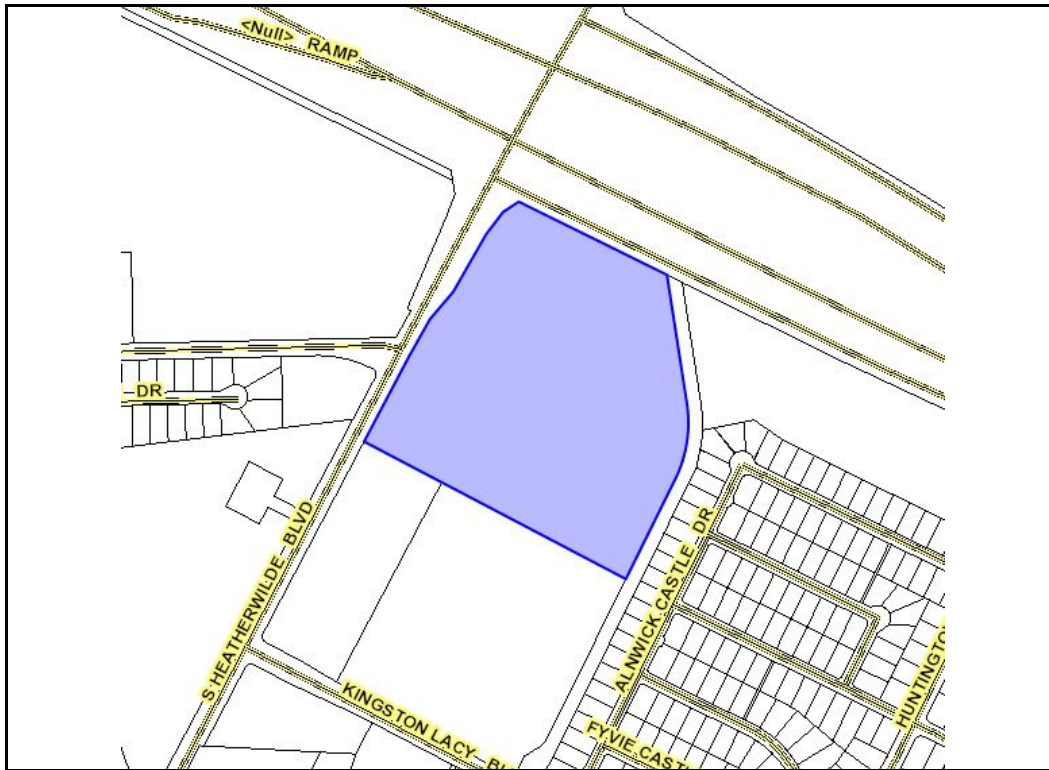
Appraisal Institute, Standards of Professional Practice
Appraisal Institute, Advanced Income Capitalization
AIREA, Course 1-A, Basic Principles, Methods and Techniques
AIREA, Course 1-B, Capitalization Theory and Techniques
AIREA, Course II, Urban Properties
AIREA, Course III, Rural Properties
AIREA, Course VIII, Residential Properties
AIREA, Litigation Valuation

Attended various appraisal seminars offered by the Appraisal Institute and the Society of Real Estate Appraisers.

ADDENDA

COMPARABLE OFFICE LAND SALES

COMPARABLE OFFICE LAND CONTRACT PENDING NUMBER ONE



Location:	Southeast corner of SH-45 and Heatherwilde Boulevard, Pflugerville, Texas 78660
Parcel Number:	02-8341-02-24
Legal Description:	27.0670 acres out of the T.G. Stuart Survey No. 9, Abstract No. 689, Travis County, Texas.
Date of Sale:	Under contract; expected to close November 2014
Recording Data:	N/A
Grantor:	Bancroft Austin 45, LP
Grantee:	N/A
Consideration:	\$3,150,000
Terms:	Cash to seller

Price per Unit: \$2.67/SF

Size: 27.067 acres; 1,179,039 SF

Shape: Irregular

Topography: Level

Frontage/Access: 653.55 feet off south side of SH-45 and 1,139.43 feet on east side of Heatherwilde Boulevard. Access available from Heatherwilde Boulevard and SH-45 frontage road.

Utilities: Mansfield water supply. Wastewater nearby.

Zoning: CL-4; Urban District Level 4

Floodplain: None

School District: Pflugerville ISD

Easements: Typical PUE's

Surrounding Land Uses: SH-45, vacant land, an elementary school, single family residential, and some commercial.

Intended Land Use: Office/warehouse; 80%/20%

Comments: The site is approved for 425,000 SF of distribution and flex warehouse.

Confirmation: Name: Pete Bancroft; Kenny Dryden, and appraisal files
Phone: 208-229-7972; 512-371-0040
Date: 08/04/14
Appraiser: KTB

COMPARABLE OFFICE LAND SALE NUMBER TWO



Location: 20511 FM 685 (east line of FM 685 (SH-130), north of Rowe Lane), Pflugerville, Texas 78660

Parcel Number: 02-9052-08-01 and 02-9052-08-81

Legal Description: 5.010 acres of land out of the J. Casner Survey No. 9, Abstract No. 2753, Travis County, Texas.

Date of Sale: 01/18/13

Recording Data: Document #: 2013010855; Date: 01/18/13

Grantor: Shirley A. Jekel

Grantee: Amerco Real Estate Company of Texas, inc.

Consideration: \$500,000

Terms: Cash to seller

Price per Unit:	\$2.29/SF; \$99,800/acre
Size:	5.01 acres
Shape:	Rectangular
Topography:	Level
Frontage/Access:	Approximately 415 feet along FM 685 (SH-130); access from this roadway.
Utilities:	Water available; no wastewater
Zoning:	A-AG Conservation (Pflugerville)
Floodplain:	None
School District:	Pflugerville ISD
Easements:	None adverse noted
Surrounding Land Uses:	Commercial/light industrial, rural residential, and single family residential.
Intended Land Use:	U-Haul self-storage facility
Comments:	Current improvements do not contribute value.
Confirmation:	Name: Patrick McGinley (KW Commercial) Phone: 412-248-0840 Date: 07/23/13 Appraiser: KTB Deed Reviewed: KTB

COMPARABLE OFFICE LAND SALE NUMBER THREE



Location:	West side of Pfluger Farm Road, south of Town Center Drive, Pflugerville, Texas
Parcel Number:	02-7541-01-36
Legal Description:	40.36 acres out of the G.T. Stuart Survey No. 6, Abstract No. 689, Travis County, Texas.
Date of Sale:	10/05/12
Recording Data:	Document #: 2012171807; Date: 10/10/12
Grantor:	Terrell Timmerman
Grantee:	Dimension - RPC Stone Hill, LP
Consideration:	\$2,613,600
Terms:	Cash to seller

Price per Unit:	\$1.49/SF
Size:	40.36 acres; 1,758,082 SF
Shape:	Rectangular
Topography:	Level to gently sloping
Frontage/Access:	Frontage and access along Pfluger Farm Road.
Utilities:	All available, but not extended.
Zoning:	CL4- City of Pflugerville
Floodplain:	Approximately 20%
School District:	Pflugerville ISD
Easements:	None adverse noted
Surrounding Land Uses:	Single family, vacant land, and multi-family; retail uses to east fronting SH-130.
Intended Land Use:	Austin Technology Park
Comments:	Property was raw unsubdivided land at time of sale.
Confirmation:	Name: Mike Tipps (Oxford Commercial) Phone: 512-370-2413 Date: 07/16/13 Appraiser: KTB Deed Reviewed: KTB

COMPARABLE OFFICE LAND SALE NUMBER FOUR



Location:	Southeast corner of Gattis School Road and Joyce Lane (1521 Joyce Lane)
Parcel Number:	R511847
Legal Description:	Lot 1, Block A, Randall's Town Centre Section Six, Round Rock, Williamson County, Texas.
Date of Sale:	08/09/11
Recording Data:	Document #: 2011053307; Date: 08/12/11
Grantor:	Hickerson Round Rock Land, LP
Grantee:	Babb Investments, LLC
Consideration:	\$688,644
Terms:	Cash to seller

Price per Unit: \$5.24/SF

Size: 3.017 acres; 131,421 SF

Shape: Slightly irregular

Topography: Level

Frontage/Access: Frontage along Gattis School Road and Joyce Lane.
Access from Gattis School Road only

Utilities: Water and electricity; wastewater nearby

Zoning: PUD 56 (allows office uses)

Floodplain: None

School District: Round Rock ISD

Easements: Typical; none adverse

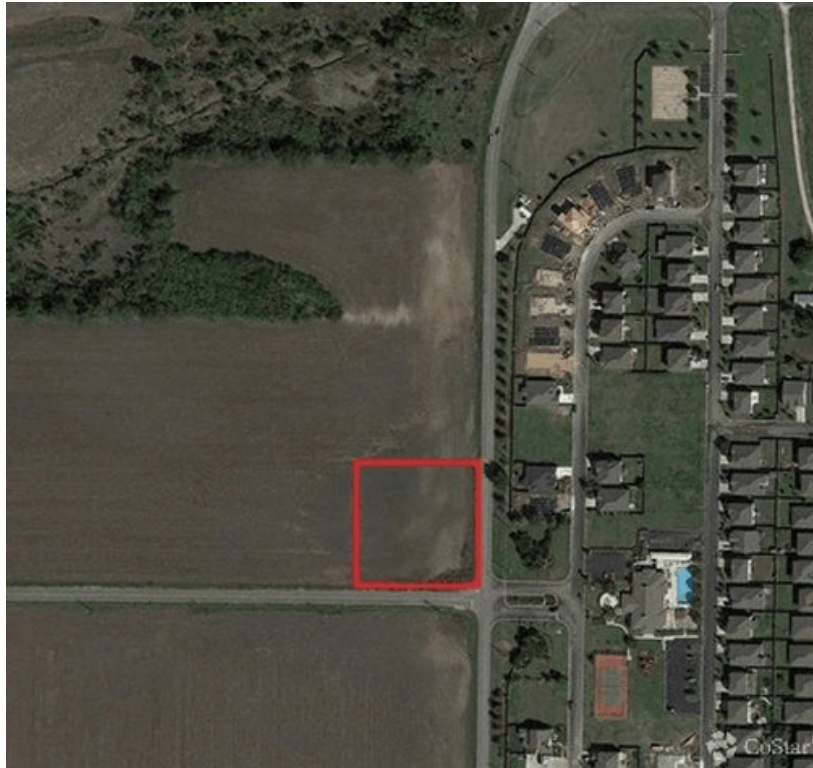
Surrounding Land Uses: Single family, vacant land

Intended Land Use: Commercial development

Confirmation: Name: Bill Blood (McAllister & Assoc.)
Phone: 512-472-2100
Date: 10/21/11
Appraiser: KTB
Deed Reviewed: KTB

COMPARABLE RETAIL LAND SALES

COMPARABLE RETAIL LAND CONTRACT PENDING NUMBER ONE



Location:	Northwest corner of Kelly Lane and Weiss Lane, Pflugerville, Texas 78660
Parcel Number:	02-7859-01-01
Legal Description:	2.0 acres out of the E. Flint Survey No. 11, Abstract No. 277, Travis County, Texas.
Date of Sale:	Under Contract
Recording Data:	N/A
Grantor:	735 Henna, LLC
Grantee:	Unknown
Consideration:	\$696,000 (asking)
Terms:	N/A

Price per Unit: \$7.99/SF (asking)

Size: 2.0 acres; 87,120 SF

Shape: Rectangular

Topography: Level

Frontage/Access: Both from Kelly Lane and Weiss Lane

Utilities: All to site

Zoning: Pflugerville ETJ

Floodplain: None

School District: Pflugerville ISD

Easements: None adverse noted

Surrounding Land Uses: Vacant land, single family residential, and a church.

Intended Land Use: C-Store

Comments: Broker has confidentiality agreement and could not release any sales price terms.

Confirmation: Name: Jan Stralec (Tribeca Company)
Phone: 512-472-3939
Date: 09/24/14
Appraiser: KTB
Deed Reviewed: N/A

COMPARABLE RETAIL LAND SALE NUMBER TWO



Location:	West line of FM 685, just south of Pflugerville Parkway, Pflugerville, TX 78660
Parcel Number:	02-7646-01-17
Legal Description:	Lot 6A, Pfluger Crossing South, Phase I, Amended Final Plat of Lots 1 2, 3, and 6, Block A, Travis County, Texas.
Date of Sale:	12/03/12
Recording Data:	Document #: 2012203678; Date: 12/03/12
Grantor:	Capella Partners-Pflugerville, LLC
Grantee:	Highway 6 Interests, LLC
Consideration:	\$886,882
Terms:	Cash to seller

Price per Unit:	\$20.00/SF
Size:	1.018 acres; 44,344 SF
Shape:	Rectangular
Topography:	Level
Frontage/Access:	Frontage along FM 685 and two reciprocal access easements on southern and western side of property. Access available only via reciprocal easements.
Utilities:	All to site
Zoning:	GB-1
Floodplain:	Approximately 5% at northeast corner of site.
School District:	Pflugerville ISD
Easements:	Typical PUE's
Surrounding Land Uses:	Retail and some office, vacant land.
Intended Land Use:	Retail center
Comments:	Retail pad site ready for development.
Confirmation:	Name: Confidential Date: 07/26/13 Appraiser: KTB Deed Reviewed: KTB

COMPARABLE RETAIL LAND SALE NUMBER THREE



Location:	East line of FM 685, just south of Pflugerville Parkway, Pflugerville, TX 78660 (1701 FM 685)
Parcel Number:	02-7646-03-09
Legal Description:	Lot 6, Block B, Town Center, Lots 5 and 6, Block B Amended, Travis County, Texas.
Date of Sale:	06/20/12
Recording Data:	Document #: 2012100657; Date: 06/22/12
Grantor:	Timmerman & Haga, Ltd.
Grantee:	Goodwill Industries of Central Texas
Consideration:	\$685,000
Terms:	Cash to seller

Price per Unit: \$10.77/SF

Size: 1.46 acres; 63,598 SF

Shape: Rectangular

Topography: Level

Frontage/Access: Both along FM 685 and reciprocal access easement along eastern boundary.

Utilities: All to site

Zoning: GB-1

Floodplain: None

School District: Pflugerville ISD

Easements: Typical PUE's

Surrounding Land Uses: Retail, some office, and vacant land.

Intended Land Use: Goodwill Retail Store

Comments: Retail pad site ready for immediate development.

Confirmation: Name: Confidential
Date: 07/26/13
Appraiser: KTB
Deed Reviewed: KTB

COMPARABLE RETAIL LAND SALE NUMBER FOUR



Location: Southeast corner of Heatherwilde Boulevard and Meister Lane (18900 Heatherwilde Boulevard), Pflugerville, Texas 78660

Parcel Number: 02-8341-03-10

Legal Description: 1.9727 acres out of Lot 1, Block A, Royal Pointe Commercial Subdivision, Travis County, Texas.

Date of Sale: 07/09/11

Recording Data: Document #: 2011099656; Date: 07/11/11

Grantor: CRHC Land Investments, LLC and Austin Chinese Church

Grantee: AAGF, Inc.

Consideration: \$675,000

Terms: Cash to seller

Price per Unit: \$7.86/SF

Size: 1.9727 acres; 85,931 SF

Shape: Slightly irregular

Topography: Basically level

Frontage/Access: Both along Heatherwilde Boulevard and Meister Lane.

Utilities: Water available and extended to site via Mansfield Water Supply. Wastewater not currently available.

Zoning: CL-4 - Urban District 5

Floodplain: None

School District: Pflugerville ISD

Easements: Typical PUE's

Surrounding Land Uses: Single family residential, vacant land, elementary school, and commercial

Intended Land Use: C-Store

Comments: The information provided is considered to be reliable and accurate.

Confirmation: Name: George Faddoul (owner)
Phone: 512-970-8387
Date: 08/06/14
Appraiser: KTB
Deed Reviewed: KTB

COMPARABLE RETAIL LAND SALE NUMBER FIVE



Location: 800 Louis Henna Boulevard (Highway 45).
Northwest corner of Highway 45 and A.W. Grimes.

Parcel Number: R369587

Legal Description: Lot 1, Block A, Replat of the George Subdivision,
Round Rock, Williamson County, Texas.

Date of Sale: 03/21/11

Recording Data: Document #: 2011018073; Date: 03/18/11

Grantor: J17 Fortune, LP

Grantee: Landmark Petroleum

Consideration: \$1,055,000

Terms: Cash to seller

Price per Unit: \$11.41/SF

Size: 2.123 acres; 92,478 SF

Shape: Slightly irregular

Topography: Site is level near the corner with the northwest portion below grade with a drainage ditch along the western border.

Frontage/Access: Westbound Louis Henna Boulevard and southbound A.W. Grimes Boulevard; access to both.

Utilities: All available and extended to site.

Zoning: C1 - General Commercial by the City of Round Rock

Floodplain: None, but drainage area along the back.

School District: Round Rock ISD

Easements: Typical, none adverse

Surrounding Land Uses: Multi-family, commercial, and vacant land

Intended Land Use: Retail development; Exxon Tiger Mart convenience store with gas pumps.

Comments: Sold for immediate development. This is good corner lot with access and visibility to both A.W. Grimes and Louis Henna.

Confirmation: Name: Lance Morris (The Weitzman Group)
Phone: 512-482-0094
Date: 11/29/11
Appraiser: KTB
Deed Reviewed: KTB