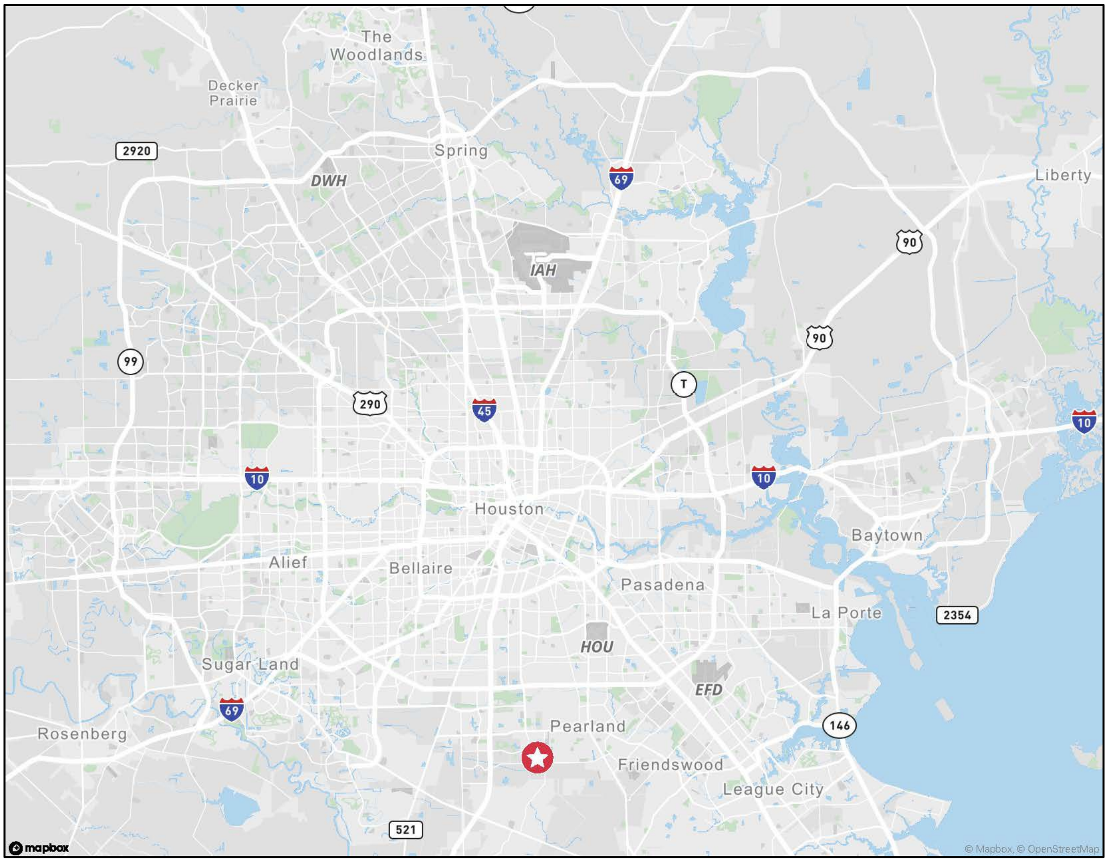
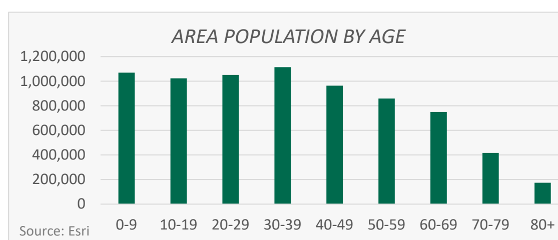
Area Analysis



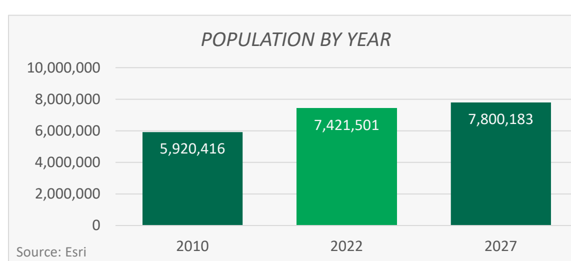
The subject is located in the Houston-The Woodlands-Sugar Land, TX Metropolitan Statistical Area. Key information about the area is provided in the following tables.

POPULATION

The area has a population of 7,421,501 and a median age of 35, with the largest population group in the 30-39 age range and the smallest population in 80+ age range.



Population has increased by 1,501,085 since 2010, reflecting an annual increase of 1.9%. Population is projected to increase by 378,682 between 2022 and 2027, reflecting a 1.0% annual population growth.



Source: ESRI, downloaded on May, 24 2023

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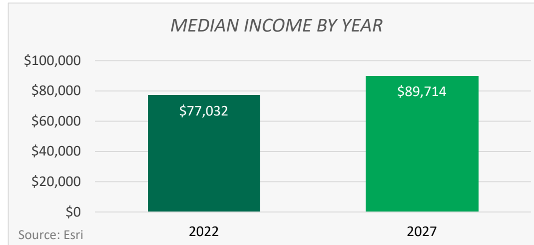
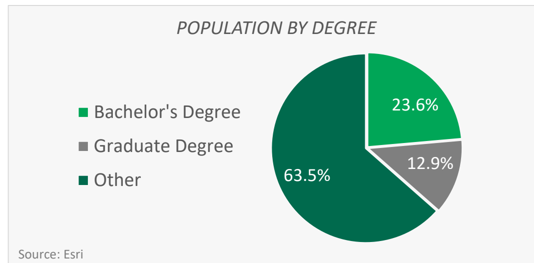
INCOME

The area features an average household income of $112,247 and a median household income of $77,032. Over the next five years, median household income is expected to increase by 16.5%, or $2,536 per annum.

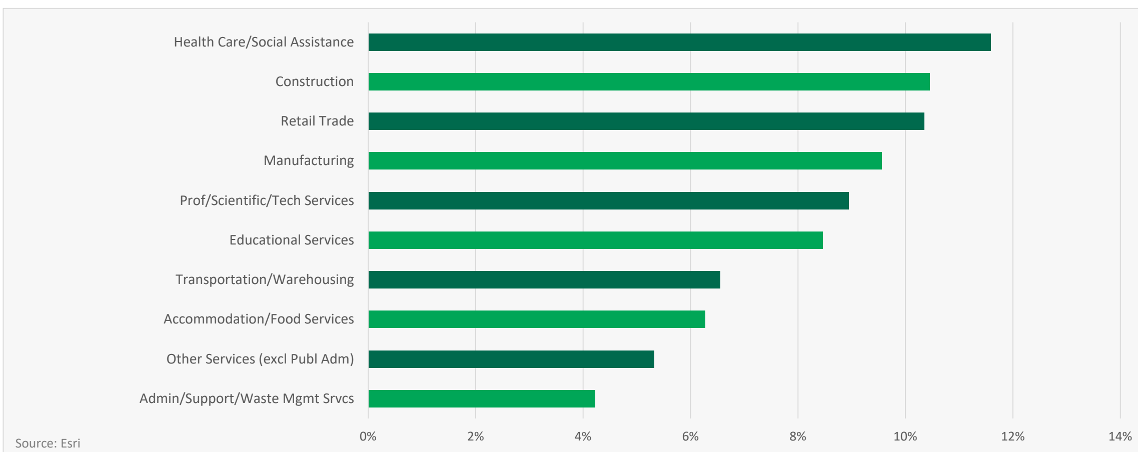


EDUCATION

A total of 36.5% of individuals over the age of 24 have a college degree, with 23.6% holding a bachelor's degree and 12.9% holding a graduate degree.



EMPLOYMENT



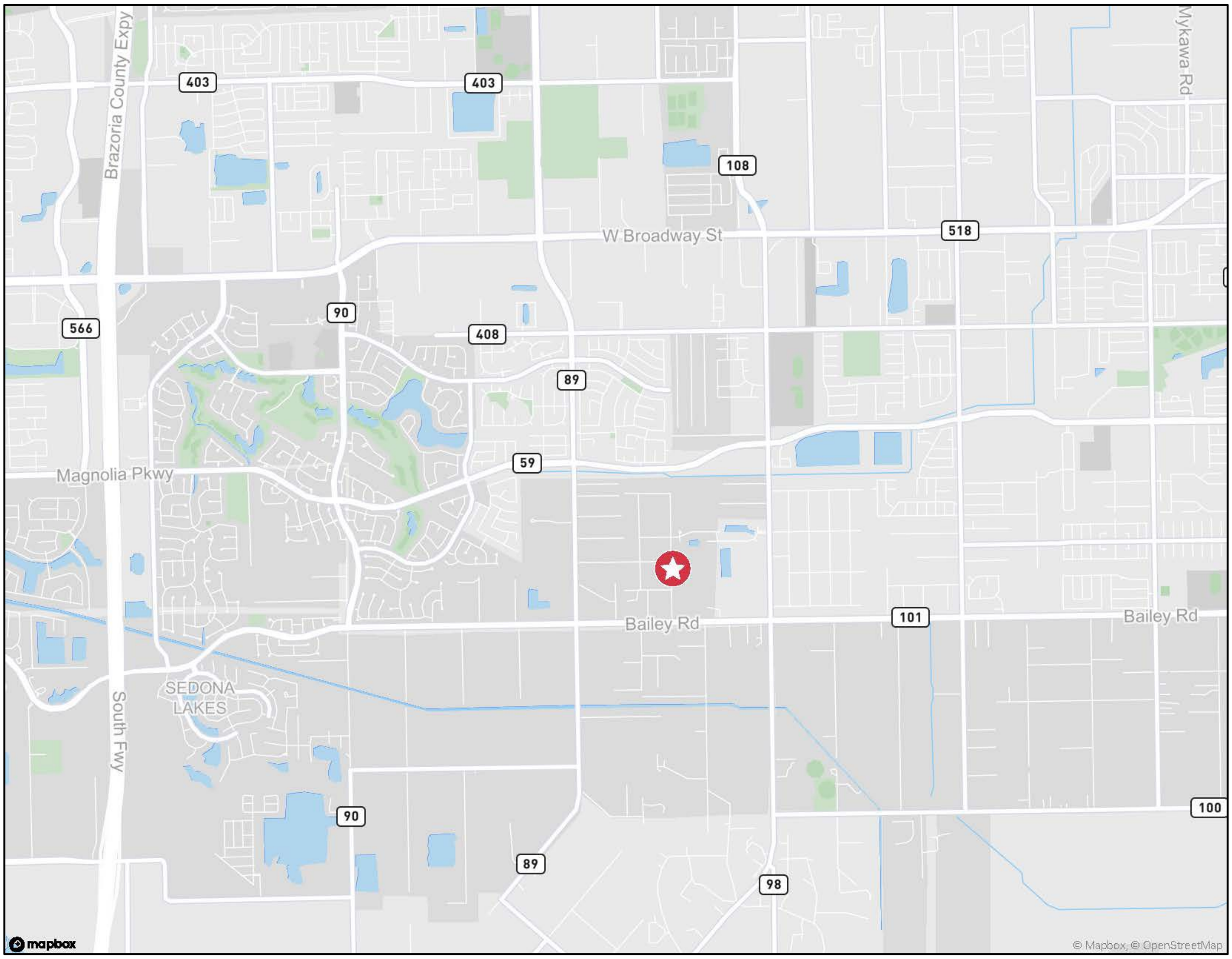
The area includes a total of 3,551,026 employees and has a 4.8% unemployment rate. The top three industries within the area are Health Care/Social Assistance, Construction and Retail Trade, which represent a combined total of 32% of the workforce.

Source: ESRI, downloaded on May 24, 2023; BLS.gov dated Feb 1, 2023 (preliminary)

CONCLUSION

The Houston-The Woodlands-Sugar Land economy is anticipated to grow over the coming year as gains in manufacturing and residential reconstruction rises. Overall, above-average population growth, and expansion in housing, transportation and distribution will cause The Houston-The Woodlands-Sugar Land metropolitan area to experience above-average gains.

Neighborhood Analysis



LOCATION

The subject neighborhood is located in the South Houston submarket which is within the city limits of Pearland. The neighborhood is about 16 miles south of the Houston Central Business District. The area has been experiencing significant growth over the last five to ten years. The area has grown from around 99,766 residents on a 5-mile radius according to the 2010 census to nearly 134,269 residents in 2022.

BOUNDARIES

The neighborhood boundaries are detailed as follows:

North:	Beltway 8
South:	Highway 6
East:	SH 35
West:	SH 288

LAND USE

Land uses within the subject neighborhood consist of a mixture of commercial and residential development. The immediate area surrounding the subject is a newer area of development, consisting primarily of residential uses with much of the development being built from 2000 to the present.

Overall land use characteristics for the neighborhood are summarized below:

Predominant Age of Improvements	new to 30 Years
Predominant Quality and Condition	Above Average
Stage of Neighborhood Life Cycle	Growth
Predominant Location of Undeveloped Land	South, southwest and southeast

The majority of the single-family residential development within a 3 Mile Radius of the subject may be described as tract homes in the $300,000 to $400,000 price range. According to information obtained from ESRI, over 34.7% of the homes built within a 5-mile radius of the subject were constructed between 2000 and 2009. The average home value within a 5-mile radius of the subject is about $282,277.

GROWTH PATTERNS

Growth patterns have occurred primarily along primary commercial thoroughfares such as Sam Houston Parkway, State Highway 6, State Highway 288 (Nolan Ryan Expressway), State Highway 35 (Main Street) and FM 518 (Broadway). Other major thoroughfares include Fuqua Road, Beamer Road, FM 2234/Shadow Creek Parkway, Pearland Parkway, Almeda Genoa Road and other major cross streets. State Highway 288 extends southward from the CBD to Angleton approximately 35 miles to the south, FM 518 extends from State Highway 288 eastward to Friendswood and the League City area along Interstate Highway 45. The Sam Houston Parkway is a controlled access thoroughfare that provides another loop system around the metropolitan area. It is a toll road with a varying width of two to three lanes in each direction.

The major retail development in the area is Pearland Town Center, which is located at the southwest corner of State Highway 288 (Nolan Ryan Expressway) and Broadway (FM 518). CBL & Associates has developed Pearland Town Center, a 1,200,000 square foot open-air retail lifestyle center. Anchors include Macy's, Dillard's, Sports Authority and Barnes & Noble. Other improvements include 50,000 square feet of office space and multi-family development above some of the retail.

The Parks at Boulder Creek is a proposed development that will be located at Pearland Parkway and the Sam Houston Parkway and will have 1.5 million square feet of retail space, a 300-unit apartment complex and Class A office space. Construction has already started on the center, with a multi-tenant retail building completed with loft space on the upper floors. Read King is also developing a 450,000 square foot mixed use development at the same intersection. At the present time, only a 26,000 square foot unanchored retail strip center and a freestanding restaurant have been developed. The development will reportedly include several anchor tenants, additional restaurants and office space. Additionally, Property Commerce has developed a Target anchored shopping center at the northeast corner of Beltway 8 and Pearland Parkway. The 133,000 square foot Target and several thousand square foot of retail space have already been developed. There are reportedly plans to develop a 22,000 square foot anchor tenant space and an additional 19,000 square feet of in-line retail space.

Shadow Creek Ranch Town Center is a recently completed power center located at the northwest corner of State Highway 288 and FM 518. This 616,372 square foot retail center is anchored by a 150,615 square foot H-E-B Plus! grocery store. Other anchor tenants include Academy Sports & Outdoors, Ashley Furniture and Hobby Lobby. The development includes over 38-acres of pad sites, and was developed by a joint venture of Transwestern Development Company and WCF Development, a Houston area developer. The property is now owned by AmREIT.

Gulf Coast Commercial has developed a Kroger anchored retail center at the northwest corner of State Highway 288 and Shadow Creek Parkway.

The Crossing at 518 is located at the northeast corner of FM 518 and State Highway 288. Its tenants include Bed Bath & Beyond, Best Buy, Old Navy, Olive Garden, Sprint, Mattress Firm, EyeMasters and Chase. A JC Penney store is located on a ground lease in this center and an On the Border restaurant was recently completed. A 12,000 square foot junior anchor space has yet to be constructed. A new Walmart Supercenter on State Highway 35/Telephone Road, south of Beltway 8 was recently completed.

In addition to the retail development in the area, many medically related facilities are planned or have been recently built. HCA Affiliated Hospitals completed the first Phase of their new Pearland Medical Complex in Shadow Creek Ranch. The new healthcare facility is located at the southwest corner of Shadow Creek Parkway and Highway 288. The Pearland Medical Office Building offers 81,500 square feet of medical facilities, including an emergency center, imaging and diagnostic testing, laboratory services and physician offices. The new Emergency Center is open 24-hours a day and staffed with physicians, nurses and technicians and the Imaging department offers diagnostic radiology, ultrasound, mammography and a MRI. The $22 million medical complex was completed in 2006 and employs 40 healthcare professionals.

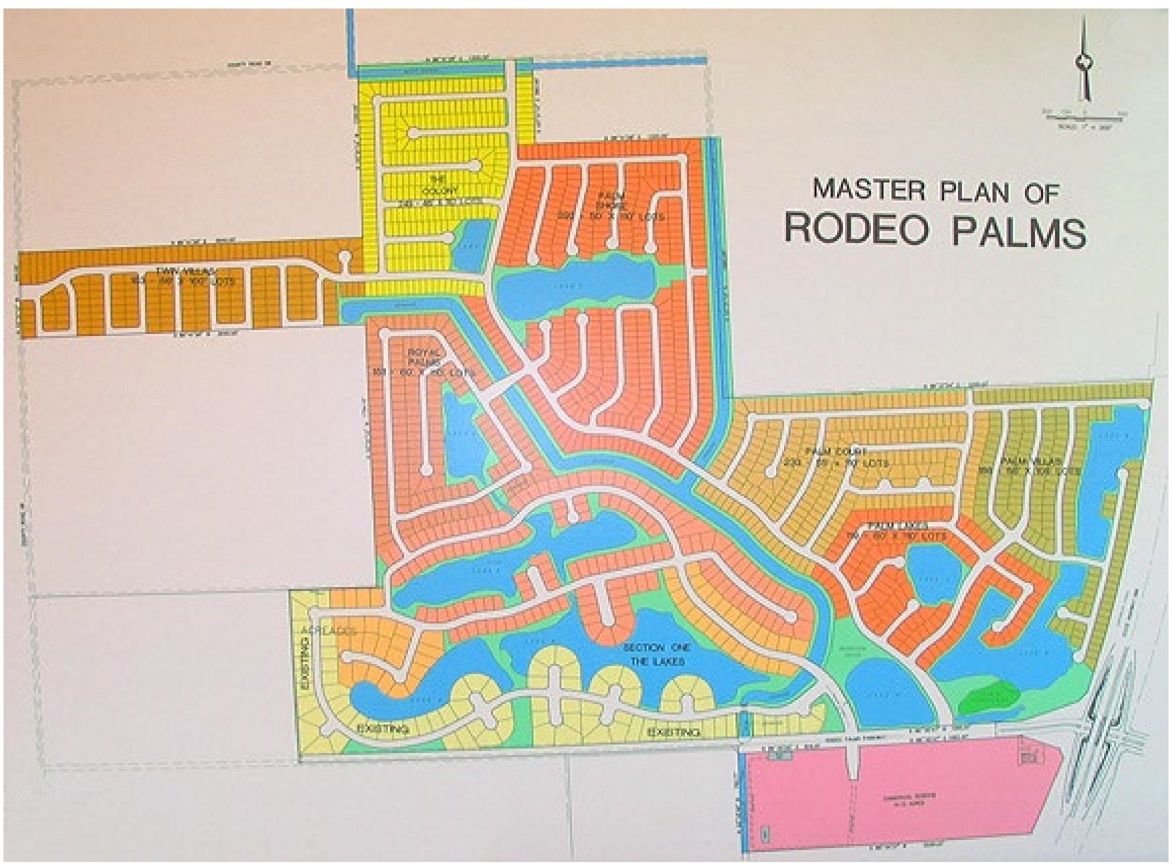
The Memorial Hermann Pearland Medical Office Outpatient Center is an 80,000 square foot Class "A" facility. The project is dedicated exclusively to the practice of medicine and related services, providing a multi-specialty medical community environment for physicians and patients. Memorial

Hermann is the anchor tenant with an Ambulatory Surgery Center and a full-modality Outpatient Imaging Center. The project was completed in mid-2006. Located at FM 518 and Pearland Parkway, there is a Conn's anchored center which includes a bank pad. Conn’s took over an old Randall’s grocery store space that had been vacated. There is also a 24-hour CVS/pharmacy and a new LA Fitness club at the intersection, along with a Lowe's Home Improvement store and an IHOP.

Major residential developments in the subject submarket include Southern Trails, Rodeo Palms, Sedona Lakes, Lakes of Savannah, Southfork, Sterling Lakes and Meridiana.

Rodeo Palms is a 600-acre, lake-oriented community located just north of SH 6 on the western side of SH 288. The 2,000-home community is a project of Amvest and Skymark Development. Rodeo Palms features multiple price points, with an overall range of from $120,000 to $400,000. The initial sections were opened in 2001, with additional openings on an ongoing process. The development includes a full feature club house and recreation center in addition to 10 lakes. Builders include Legend Homes, Castle Rock, Pioneer and Meritage Homes.

A view of the overall development plan is presented on the following site plan.



Sedona Lakes is a 600-acre and 800-lot development of Marlin Atlantis. Current builders include Coventry, Highland, J Patrick and Darling. The first phase of the development has sold out to builders and consists of lots ranging from 60’-80’. Price Points for Sedona Lakes range from

$239,000 to $350,000. Sedona Lakes is one of the few Houston area communities to offer fiber-optic infrastructure, bringing fiber to the home (FTTH) networks directly into each home. Community amenities include pocket parks, several miles of walking trails, a resort-style recreation center with a pool and playground, green areas and two large lakes.

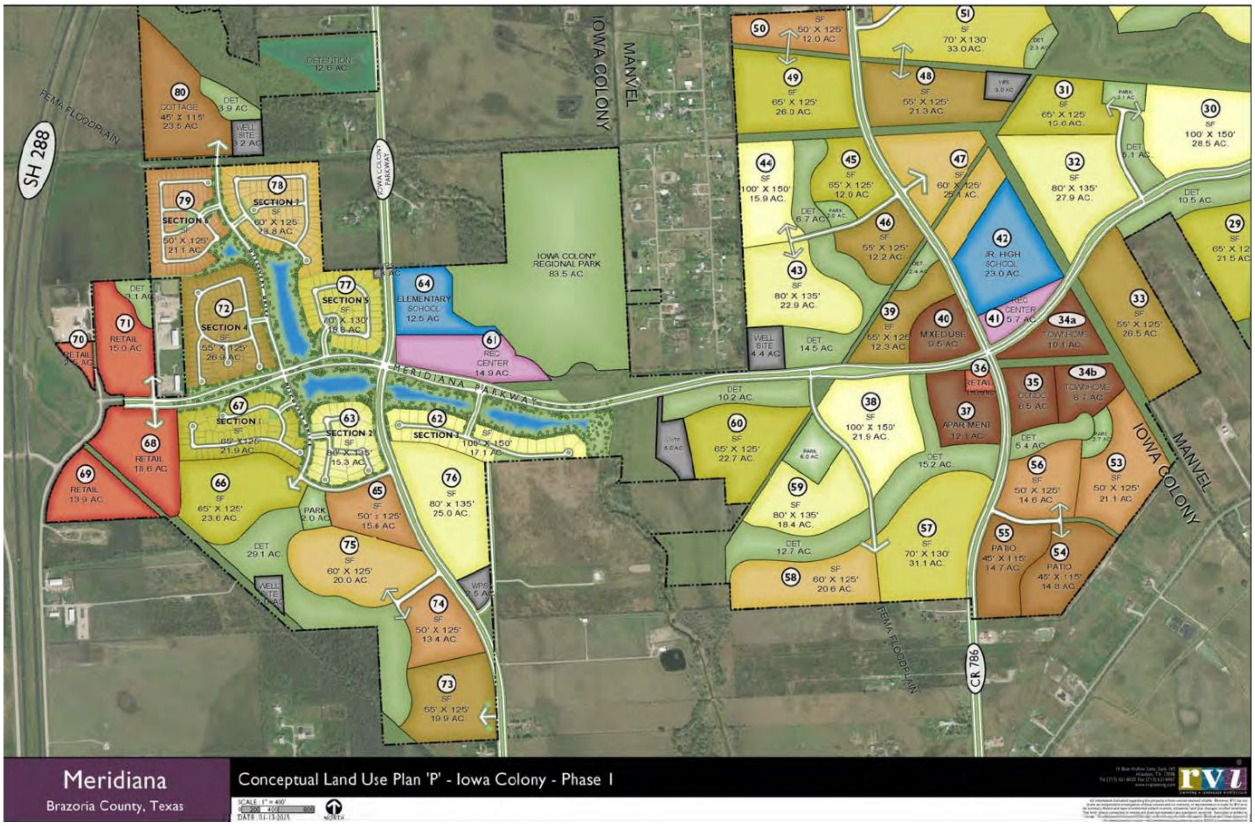
The overall development plan for Sedona Lakes is shown below.

Lakes of Savannah is a 1,425-acre master planned community located along SH 6 just east of SH 288. The community is one of the older area developments and is nearly built out. It offers 50'-80' lots built by Lennar, Brighton, and J Patrick home builders. The community has homes ranging from $140,000 to $320,000.

The overall development plan for Lakes of Savannah is shown below.

Meridiana is a 2,856-acre master-planned community located on the east and west sides of County Road 65 between SH 288 and SH 6 in Manvel, Brazoria County, Texas. Rise Communities is the developer. The development features 40'-80' lots with price points ranging from $227,000 to $901,000. Active builders include Highland Homes, Perry, Trendmaker, Lennar, Taylor Morrison, Weekley, Chesmar, Shea Homes and Plantation Homes.

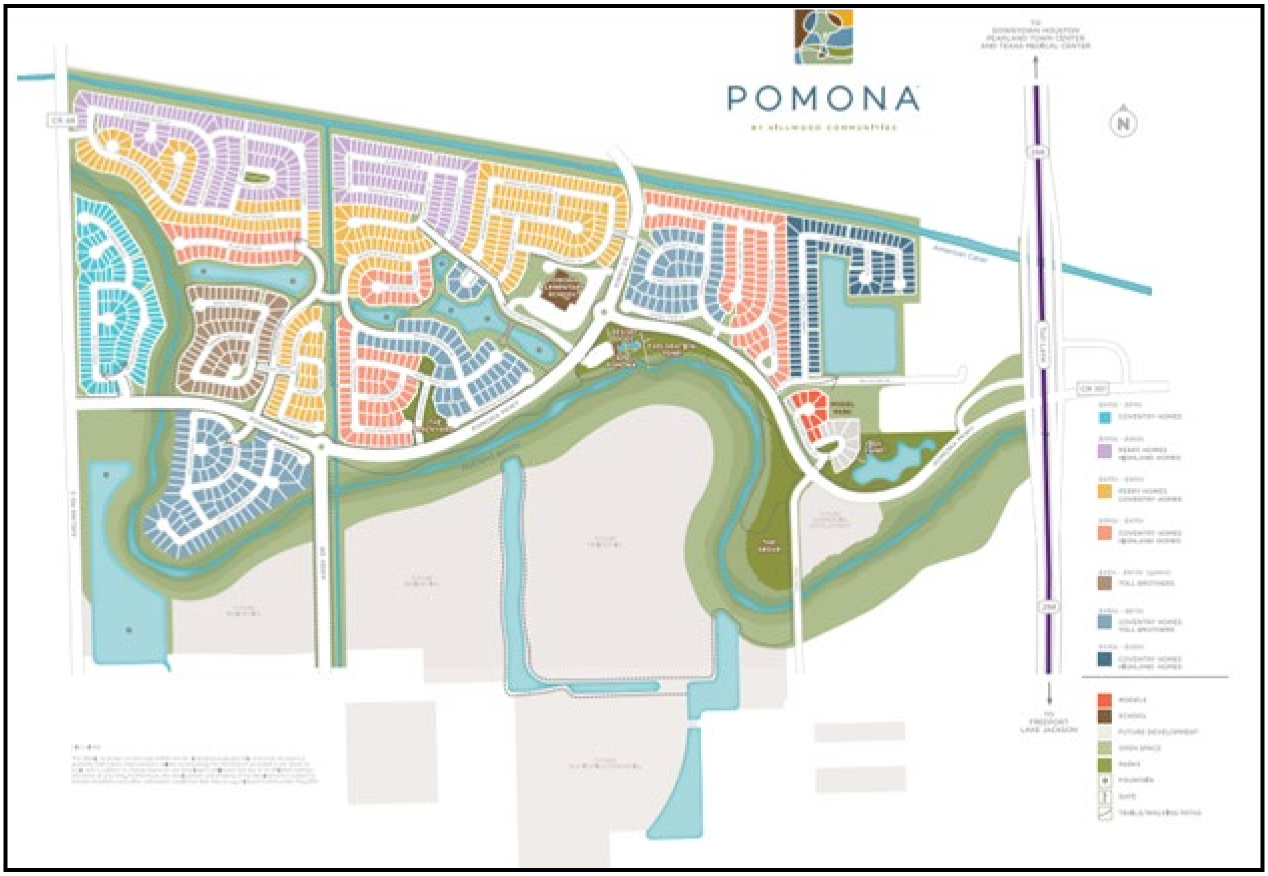
The overall development plan for Meridiana is shown below.



Pomona is a 1000-acre master planned community located off the Highway 288 corridor in Manvel, Texas. The community is centered around Mustang Bayou offering more than 300-acres of open space. This 2,200-home development is a project of Hillwood Communities. Pomona features multiple price points, with an overall range from $260,000 to $670,000. The initial sections were opened in 2015, with additional openings on an ongoing process. The development includes two resort-style pools, a 6,000-square-foot recreation center with a catering kitchen, playground area, and fitness center. Builders include Coventry Homes, Highland Homes, Perry Homes, and Toll Brothers.

The overall development plan for Pomona is shown below.

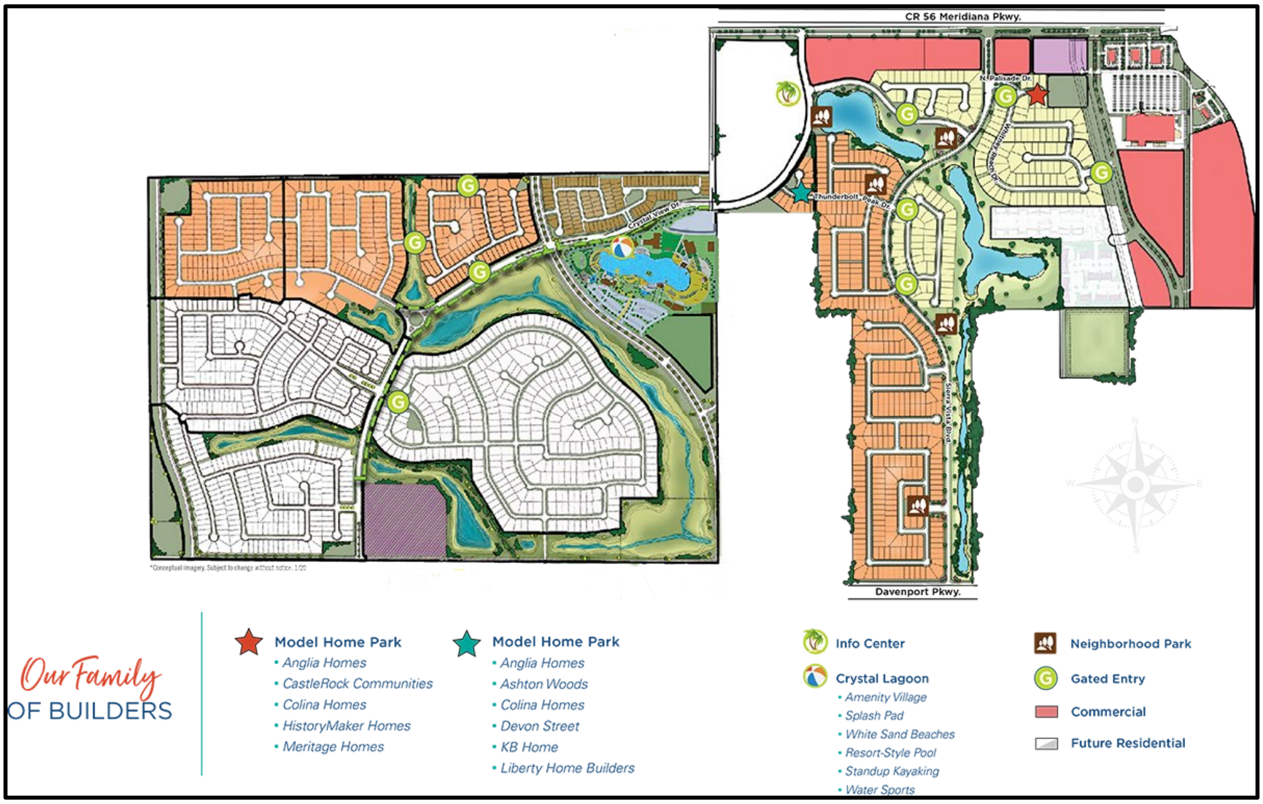
CBRE



Sierra Vista/Sterling Lakes

Sierra Vista and Sterling Lakes are sister developments of Land Tejas located along the SH 288 corridor at CR 56. The developments occupy approximately 1,450 acres and features some of the most active builders in the Houston area. Sierra Vista and Strerling Lakes feature price points from $188-$459K. Amenities include a junior Olympic pool, poolside cabana, Splash pad, recreation center, exercise facility, hike and bike trails and sand volleyball court. The developments will consist of 8,231 homes when fully developed.

A land plan for Sierra Vista and Sterling Lakes is shown below.



PORT OF FREEPORT

The following is an overview of the Port of Freeport, obtained directly from their web site (portfreeport.com).

Located in Brazoria County, Texas, Port Freeport is an independent governmental body authorized by an act of the Texas Legislature in 1925. The Port is governed by a board of six commissioners that each serve six-year staggered terms. The Commissioners are elected by the districts' voters, and our district encompasses 85% of Brazoria County. Port Freeport is located approximately 60 miles south of Houston, Texas and is accessible via state highway 36, and highway 288.

Port Freeport is Growing Exponentially

Statewide Economic Impact

	2012 EIS*	2016 EIS*	2019 EIS*
Total Jobs	66,689	126,000	150,651
Total Income	$2.56 Billion	$7.60 Billion	$9.0 Billion
Total Economic Impact	$17.9 Billion	$46.2 Billion	$98.8 Billion

* Texas A&M Transportation Institution (TTI) Study

Port Freeport Ranking

- Top 10 Fastest Growing U.S. Ports for Exports – Forbes Magazine
- 10th in Chemicals
- 19th in Total Tonnage
- 26th in Containers

46′ Deepwater Channel

- 7.5 Miles from Deep Water to the Inner Harbor
- Shortest Deepwater Channel on the Texas Coast
- Low Maintenance Dredging Cost

Vessels and Tonnage

- More than 1,030 vessels called Port Freeport in 2019
- Approximately 21 million tons of cargo transported annually
- Vessel calls forecasted to increase approximately >35% over next 3-4 years
- Vessel call volume expected to increase over 1,100 in 2021

Strategic Initiatives

- Freeport Harbor Channel deepening and widening
- Buildout of the Port's Container Handling Facilities
- Development of rail-served warehousing and distribution facilities
- Supporting development of an efficient transportation corridor from Freeport to Texas markets and the heart of the United States

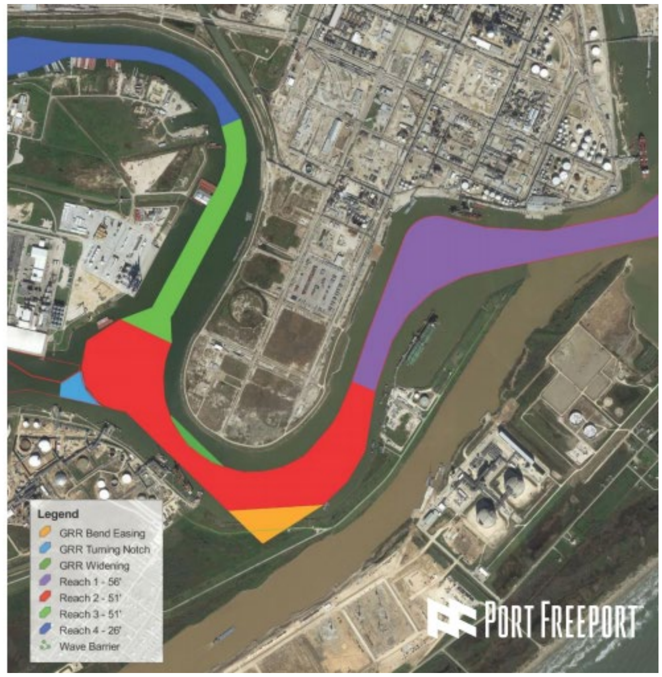
Freeport Harbor Channel Improvement Project

Deepens the channel

- **Current depth – 46 feet MLLW**
- **Project depth – 51 to 56 feet MLLW**

Port Freeport will be the

Deepest Port in Texas



Velasco Terminal Expansion

Full Buildout Lift Capacity: 1,500,000 Lifts

Phase 1 (Current)

- ✓ 26 Paved Acres
- ✓ 2 STS ZPMC Post-Panamax Gantry Cranes
- ✓ 800' berth with 47' operational depth

Phase 2

- ✓ Permit Application Received from USACE - September 2018

- 950' Berth Extension and Dredging – 51' operational depth
- December 2019 Contract Awarded
- September 2022 Completion

- 6 acres Backland Stabilization
- Completed May 2020

- STS Post-Panamax Gantry Cranes Installation – 2022

APARTMENT CONSTRUCTION

The following table summarizes apartment properties that were completed since 2019 within a 15-mile radius of the subject:

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SUBMARKET APARTMENT CONSTRUCTION SINCE 2019			
Property Name	# of Units	Year Built	Current Occupancy
1879 At The Grid	383	2019	88%
August Friendswood	249	2021	97%
Beldon, The	107	2019	99%
Cityscape	240	2022	63%
Elan Shadow Creek Ranch	274	2022	78%
Fordham At Silver Lake, The	190	2021	38%
Gala At Four Corners	90	2019	99%
Ivy Point Friendswood	120	2022	0%
Larkspur At Shadow Creek	257	2020	48%
Mariposa At Clear Creek	180	2019	99%
Mirror Lake Townhomes	88	2019	98%
Pointe At Crestmont, The	191	2019	94%
Pradera Oaks	809	2021	26%
Reserve At Baybrook, The	291	2022	23%
Reserve At Lake Jackson, The	218	2020	95%
Royal Sienna	328	2020	97%
Smart Living On Cullen	252	2020	96%
Source: Apartmentdata.com			

Please refer to the Market Analysis section for more information.

HOUSING

Three of the top 25 subdivisions are situated within the South submarket based on new starts over the last twelve months as illustrated on the following table.

CBRE

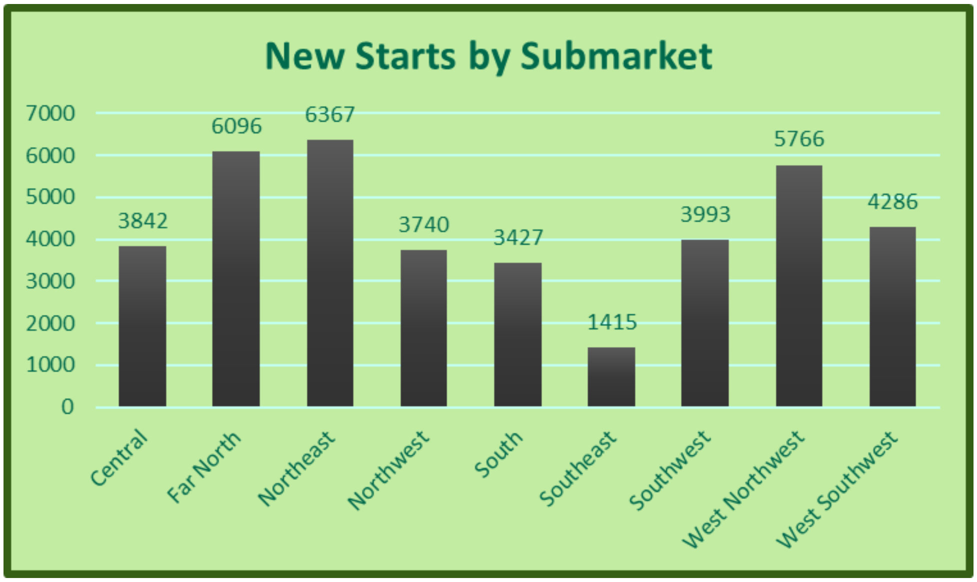
Top 25 Subdivisions By Absorption							
Rank	Subdivision	Housing Type	Active Bldrs	Submarket	Price Range	Annual Starts	Annual Closings
1	Sunterra	Single Family	22	West Northwest	$256-$751	772	662
2	Bridgeland	Mixed	18	West Northwest	$180-$1,751	737	708
3	Tamarron	Mixed	1	West Southwest	$190-$591	658	695
4	Tavola	Single Family	4	Northeast	$216-$657	650	558
5	Marvida	Single Family	17	West Northwest	$255-$655	639	431
6	Caldwell Ranch	Single Family	1	Southwest	$234-$368	612	367
7	Baytown Crossings	Single Family	3	Northeast	$193-$437	498	321
8	Breckenridge Forest	Single Family	3	Northeast	$176-$319	429	464
9	Sienna	Mixed	17	Southwest	$102-$4,000	416	583
10	Meridiana	Mixed	12	**South**	$230-$974	414	441
11	Cross Creek Ranch	Mixed	9	West Southwest	$179-$1,201	401	483
12	Woodforest	Mixed	20	Far North	$150-$2,000	392	511
13	Harrington Trails	Single Family	4	Northeast	$234-$355	388	397
14	Harpers Preserve	Single Family	7	Far North	$290-$877	375	413
15	Jordan Ranch	Mixed	8	West Southwest	$240-$793	357	359
16	Sierra Vista	Mixed	13	**South**	$211-$535	337	362
17	Elyson	Mixed	9	West Northwest	$300-$825	331	447
18	Winward	Single Family	2	West Northwest	$236-$396	314	252
19	Cane Island	Single Family	12	West Northwest	$267-$1,601	304	310
20	Artavia	Single Family	8	Far North	$280-$673	290	320
21	Magnolia Ridge	Single Family	3	Northwest	$200-$376	285	313
22	Kingwood	Mixed	16	Northeast	$75-$3,000	281	266
23	The Highlands	Mixed	12	Northeast	$300-$1,012	267	256
24	Santa Fe	Single Family	8	Northeast	$170-$329	249	176
25	Lago Mar	Mixed	15	**South**	$197-$600	243	317
TOTALS						10,639	10,412

Source: MetroStudy

Zonda conducts a quarterly housing survey for the Houston region by submarket. The results of the 1Q23 survey for the South sub-market are summarized in the following table.

PERFORMANCE BY SUBMARKET								
South	9%	**Starts**	**914**	**1,083**	**739**	**407**	**521**	**3,140**
	9%	**Closings**	**896**	**979**	**735**	**818**	**757**	**3,427**
	9%	**Housing Inv.**	**2,328**	**2,432**	**2,436**	**2,025**	**1,789**	**7.1 Mos.**
	12%	**VDL Inv.**	**5,055**	**4,793**	**5,259**	**5,771**	**6,487**	**22.1 Mos.**

The South sub-market has been a below average performer and currently ranks eighth out of nine submarkets. The Houston housing market performance by submarket is shown on the following table.

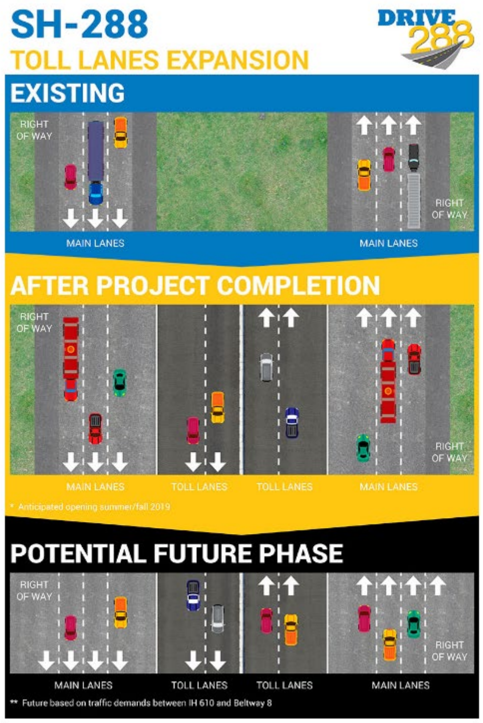


ACCESS

Primary access to the subject neighborhood is provided by State Highway 288, Interstate Highway 45 and the Sam Houston Parkway. State Highway 288 is a north-south freeway that connects the Houston CBD with areas located between Interstate Highway 45 and US Highway 59. Interstate Highway 45 is the primary north/south thoroughfare for Houston, connecting Dallas with Galveston. The Sam Houston Parkway circumnavigates the metropolitan area at approximately 15 miles. It is a controlled access thoroughfare. Secondary access to the neighborhood is provided by FM 518 and State Highway 35, both of which are heavily traveled roadways.

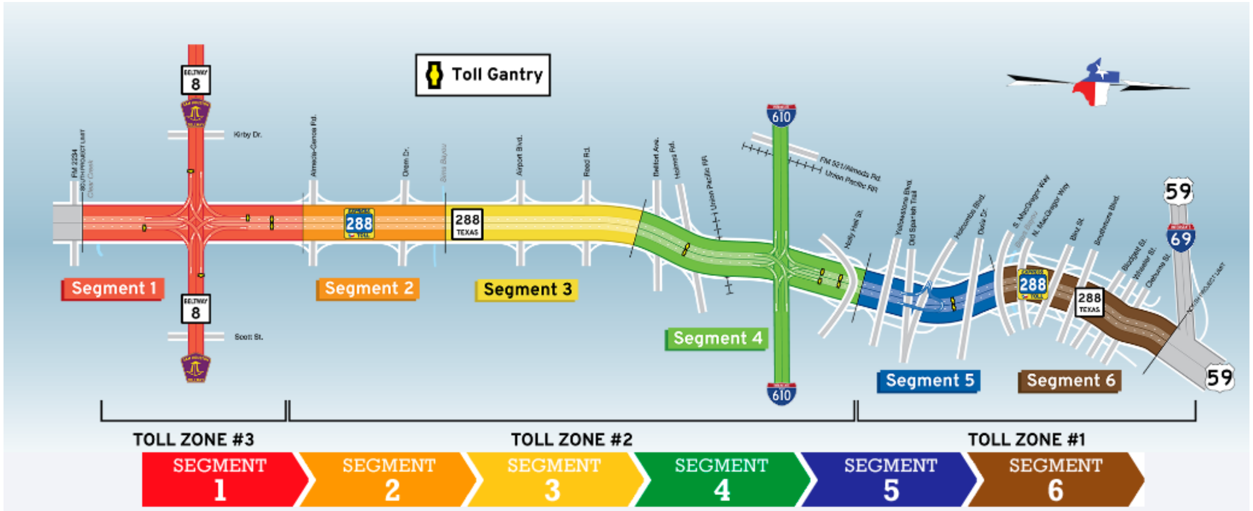
SH 288 Road Construction

Road construction is in progress on SH 288 between US 59 and the Harris County line at Clear Creek. The 10.3-mile segment of SH 288 has been converted into toll lanes and widened to six main lanes plus four, tolled lanes (see exhibit below).



Construction began October 2016 and was opened for use in November 2020.

An overview of the project including location of toll booths and interchanges is shown below.



The commute to the Houston Central Business District is about twenty minutes. William P. Hobby Airport is about a twenty-minute drive to the east and George Bush Intercontinental Airport is located about thirty minutes to the north.

DEMOGRAPHICS

Selected neighborhood demographics in 1-, 3- and 5-mile radius from the subject are shown in the following table:

SELECTED NEIGHBORHOOD DEMOGRAPHICS				
3525 Charles Ave Pearland, TX 77584	1 Mile Radius	3 Mile Radius	5 Mile Radius	Houston-The Woodlands-Sugar Land, TX Metropolitan Statistical Area
Population				
2027 Total Population	5,487	59,208	140,213	7,800,183
2022 Total Population	5,332	57,520	134,269	7,421,501
2010 Total Population	4,710	49,544	99,766	5,920,416
2000 Total Population	3,861	25,616	51,444	4,693,161
Annual Growth 2022 - 2027	*0.57%*	*0.58%*	*0.87%*	*1.00%*
Annual Growth 2010 - 2022	*1.04%*	*1.25%*	*2.51%*	*1.90%*
Annual Growth 2000 - 2010	*2.01%*	*6.82%*	*6.85%*	*2.35%*
Households				
2027 Total Households	1,702	19,554	47,627	2,752,504
2022 Total Households	1,650	18,940	45,556	2,617,110
2010 Total Households	1,452	16,490	34,137	2,062,529
2000 Total Households	1,212	8,640	18,102	1,648,147
Annual Growth 2022 - 2027	*0.62%*	*0.64%*	*0.89%*	*1.01%*
Annual Growth 2010 - 2022	*1.07%*	*1.16%*	*2.43%*	*2.00%*
Annual Growth 2000 - 2010	*1.82%*	*6.68%*	*6.55%*	*2.27%*
Income				
2022 Median Household Income	$110,843	$111,323	$105,305	$77,032
2022 Average Household Income	$130,703	$140,304	$131,518	$112,247
2022 Per Capita Income	$41,227	$46,372	$44,565	$39,639
2022 Pop 25+ College Graduates	1,679	18,867	40,421	1,770,876
Age 25+ Percent College Graduates - 2022	49.4%	51.0%	47.0%	36.5%

Source: ESRI

CONCLUSION

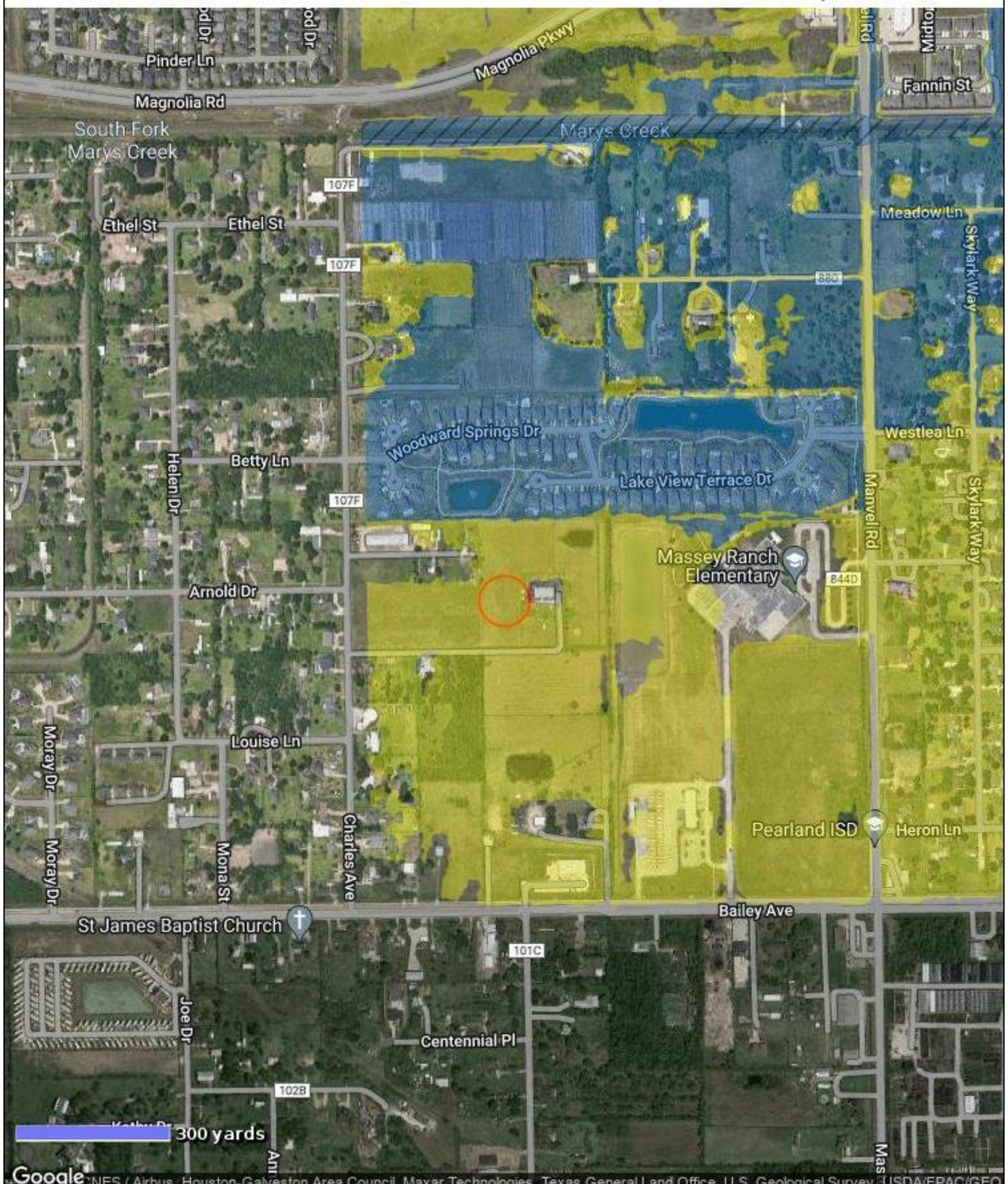
As shown above, the population within the subject neighborhood has normal growth in terms of population or households on a percentage basis over the last several years. This trend is projected to continue for the foreseeable future. The neighborhood currently has an upper-income demographic with an average household income of $131,518 on a 5 Mile Radius. As a result, the demand for existing developments is expected to be average.

CBRE

FLOOD PLAIN MAP

InterFlood by a la mode

Prepared for: CBRE, Inc.
3525 County Road 107F
Pearland, TX 77584-8961



Powered by CoreLogic®

MAP DATA

FEMA Special Flood Hazard Area: **No**
Map Number: **48039C0040K**
Zone: **X500**
Map Date: **December 30, 2020**
FIPS: **48039**

MAP LEGEND

- Areas inundated by 500-year flooding
- Areas inundated by 100-year flooding
- Velocity Hazard
- Protected Areas
- Floodway
- Subject Area

CBRE

Site Analysis

The following chart summarizes the salient characteristics of the subject site.

SITE SUMMARY AND ANALYSIS			
Physical Description			
Gross Site Area		15.14 Acres	659,455 Sq. Ft.
Net Site Area		15.14 Acres	659,455 Sq. Ft.
Primary Road Frontage		Charles Ave	
Excess Land Area		None	
Shape		L Shaped	
Topography		Generally Level	
Zoning District		SR-15	
Flood Map Panel No. & Date		48039C0040K	30-Dec-20
Flood Zone		Zone X (Shaded)	
Adjacent Land Uses		Single family residential, elementary campus and light industrial	
Comparative Analysis		**Rating**	
Visibility		Average	
Functional Utility		Average	
Traffic Volume		Average	
Adequacy of Utilities		Adequate	
Landscaping		Typical	
Drainage		Assumed Adequate	
Utilities	**Provider**		**Availability**
Water	Private Well		Yes
Sewer	Private Septic		Yes
Natural Gas	Centerpoint		Yes
Electricity	Various		Yes
Telephone	Various		Yes
Mass Transit	None		
Other	**Yes**	**No**	**Unknown**
Detrimental Easements		X	
Encroachments		X	
Deed Restrictions			X
Reciprocal Parking Rights		X	
Comments	This site is conducive to residential lot development.		

Various sources compiled by CBRE

STREET IMPROVEMENTS

A summary of street improvement features is shown in the following table.

Street Improvements Summary

Street	# of Lanes	Directional	Curbs	Sidewalks	Streetlights	Center Esplanade	Center Lane	Gutters
Charles Ave	2	2						

LOCATION

The subject is located at 3525 Charles Avenue.

LAND AREA

The land area for the subject in aggregate was obtained from Brazoria County Appraisal District tax rolls. The subject site is considered adequate in terms of size and utility.

SHAPE AND FRONTAGE

The site has an L-shaped configuration and has adequate frontage along a secondary collector road.

TOPOGRAPHY AND DRAINAGE

The site is generally level and at street grade. The topography of the site is not seen as an impediment to the development of the property. During our inspection of the site, we observed no drainage problems and assume that none exist.

SOILS

A soils analysis for the site has not been provided for the preparation of this appraisal. In the absence of a soils report, it is a specific assumption that the site has adequate soils to support the highest and best use.

EASEMENTS AND ENCROACHMENTS

There are no known easements or encroachments impacting the site that are considered to affect the marketability or highest and best use. It is recommended that the client/reader obtain a current title policy outlining all easements and encroachments on the property, if any, prior to making a business decision.

IMPROVEMENTS

There is 50 x 100 sf building on the subject property totaling approximately 5,000 sf of improvements. The building consists of approximately 70% warehouse space with the remainder of the building being used as a primary residence. The primary residence is single-story and has 3

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bedrooms, 2 baths with a living room, kitchen and utility room. The kitchen and bathrooms consist of ceramic tile flooring. The flooring in the living room and bedrooms is carpet. The kitchen has formica countertops and backsplash. The highest and best use will be determined to be to raze the improvements in favor of residential subdivision use. Consequently, the improvements do not contribute significantly to the overall land value.

COVENANTS, CONDITIONS AND RESTRICTIONS

There are no known covenants, conditions or restrictions impacting the site that are considered to affect the marketability or highest and best use. It is recommended that the client/reader obtain a copy of the current covenants, conditions and restrictions, if any, prior to making a business decision.

UTILITIES AND SERVICES

The property is within of the city limits of Pearland and is not yet served by public water or wastewater utilities. According to the owner, the property is expected to receive public water and sewer within the next five years. CBRE reached out to the City of Pearland in an attempt to receive an estimation of when utilities would be put in place but did not receive an answer.

ENVIRONMENTAL ISSUES

The appraiser is not qualified to detect the existence of potentially hazardous material or underground storage tanks which may be present on or near the site. The existence of hazardous materials or underground storage tanks may affect the value of the property. For this appraisal, CBRE, Inc. has specifically assumed that the property is not affected by any hazardous materials that may be present on or near the property.

ADJACENT PROPERTIES

The adjacent land uses are summarized as follows:

North:	Single-family residential
South:	Single-family residential & manufactured homes
East:	Pearland Elementary School campus and vacant land
West:	Single-family residential & manufactured homes

The adjacent properties are all compatible uses and conform with neighborhood characteristics.

FLOOD ZONE

We are not experts in determining flood zone elevations and we were not provided with a flood zone certificate for the subject. The reader is encouraged to consult with a professional engineer to determine the subject's actual flood zone status. We reserve the right to modify our analyses and conclusions if our assumption proves to be incorrect. Based on our review of FEMA Flood Panel #48039C0040K the property appears to be in Zone X (Shaded). The flood zone applicable to the subject is defined as follows:

Zones B and X (shaded) are areas of 0.2-percent-annual-chance floodplain, areas of 1-percent-annual-chance (base flood) sheet flow flooding with average depths of less than 1 foot, areas of base flood stream flooding with a contributing drainage area of less than 1 square mile, or areas protected from the base flood by levees. No Base Flood Elevations (BFEs) or depths are shown in this zone, and insurance purchase is not required.

CONCLUSION

The size of the site is typical for the area and use, and there are no known detrimental uses in the immediate vicinity. Overall, there are no known factors, which are considered to prevent the site from development to its highest and best use.

Zoning

The following chart summarizes the subject's zoning requirements.

ZONING SUMMARY	
Current Zoning	SR-15
Uses Permitted	Low density residential development of detached single-family units
Zoning Change	Not likely
Source: City of Pearland	

The subject involves an effectively vacant tract of land located within the city limits of Pearland, and is subject to zoning. The subject reflects a legally conforming use.

ANALYSIS AND CONCLUSION

Additional information may be obtained from the appropriate governmental authority. For purposes of this appraisal, CBRE has assumed the information obtained is correct.

Tax and Assessment Data

The following summarizes the local assessor's estimate of the subject's market value, assessed value, and taxes, and does not include any furniture, fixtures or equipment. The CBRE estimated tax obligation is also shown.

AD VALOREM TAX INFORMATION				
Parcel	Assessor's Parcel No.	2021	2022	2023
1	0547-0028-130	417,960	592,700	590,340
	Subtotal Assessed Value	417,960	$592,700	$590,340
	% of Assessed Value (Exemptions)	32.33%	25.10%	27.71%
	Final Assessed Value (With Exemptions)	135,120	148,795	163,589
	Subject Pro-Rata (Assessor Market Value)	417,960	592,700	590,340
	Subject Pro-Rata (Assessed Value)	135,120	148,795	163,589
	General Tax Rate (per $ A.V.)	1.953730	1.881806	2.505571
	General Tax With Exemptions:	**$2,640**	**$2,800**	**$4,099**
	Agricultural Rollback Taxes			
	Subject Pro-Rata Difference in Assessed Value	282,840	443,905	426,751
	General Tax Rate (per $ A.V.)	1.953730	1.881806	2.505571
	Indicated Tax Shortfall	5,526	8,353	10,693
	Plus Interest	871	1,317	535
	Rollback Tax Subtotal	6,397	9,670	11,227
	Estimated Rollback Taxes Owed	**$37,985**		

Source: Assessor's Office

The local Assessor's methodology for valuation is market value. The above represents the most recent assessment for the subject. The sale of the property would most likely not result in an immediate reassessment for the following year as Texas is a non-disclosure state and the sales price would not become public record.

DELINQUENCY

To the best of our knowledge there are no delinquent property taxes encumbering the subject.

AGRICULTURAL EXEMPTIONS

The subject has benefited from an agricultural exemption in prior years, which reduces the taxable burden of the subject for agricultural uses. If the use of the subject changes from agricultural, rollback taxes would be owed. Rollback taxes amount to the difference between taxes owed and

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taxes paid over the three years prior plus applicable interest. Typically, buyers are responsible for payment of rollback taxes. Accordingly, we have not deducted any anticipated rollback tax payments from our valuation. Should the use of the subject change, rollback taxes would be due as outlined in the chart above.

CONCLUSION

Based on the foregoing, the total taxes for the subject have been estimated at $4,866 for the base year of our analysis, based upon an assessed value of $194,210. This is consistent with the current assessment.

Market Analysis

HOUSTON HOUSING MARKET

The subject property involves a vacant tract of land conducive to subdivision development. A subdivision for purposes of this appraisal is defined as follows:

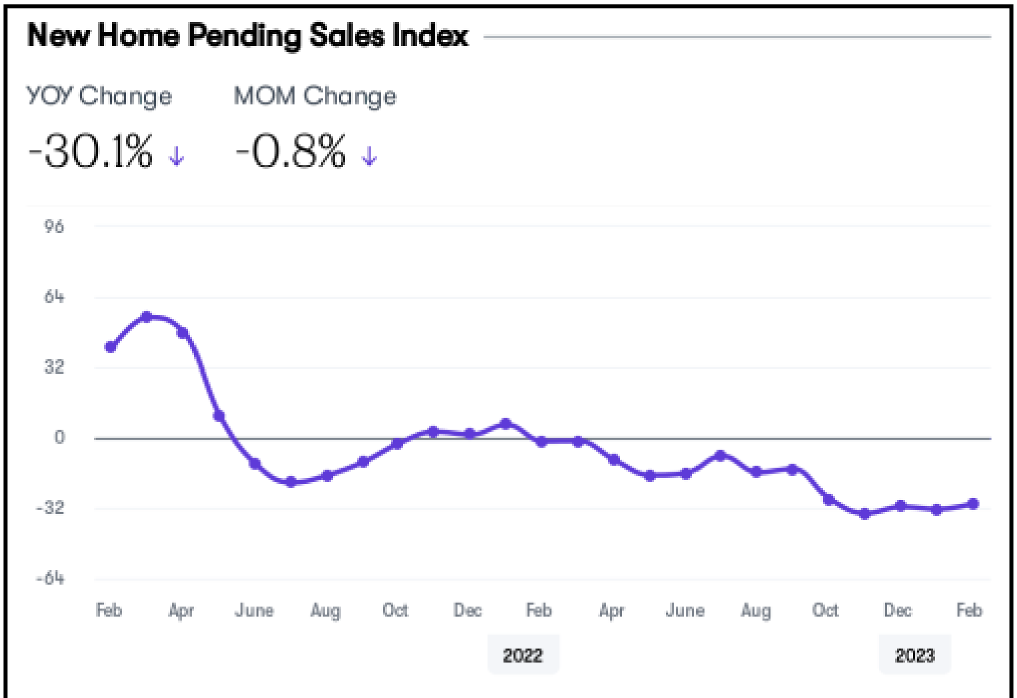
> **Subdivision** – A tract of land that has been divided into lots or blocks with streets, roadways, open areas, and other facilities appropriate to its development as residential, commercial, or industrial sites.

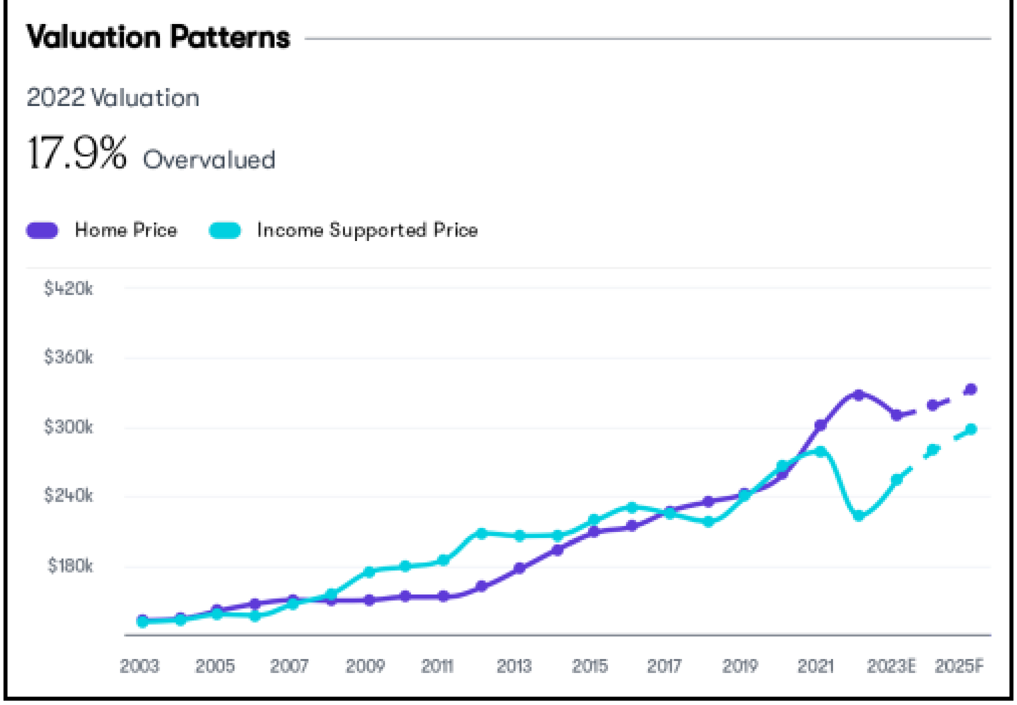
Zonda Data

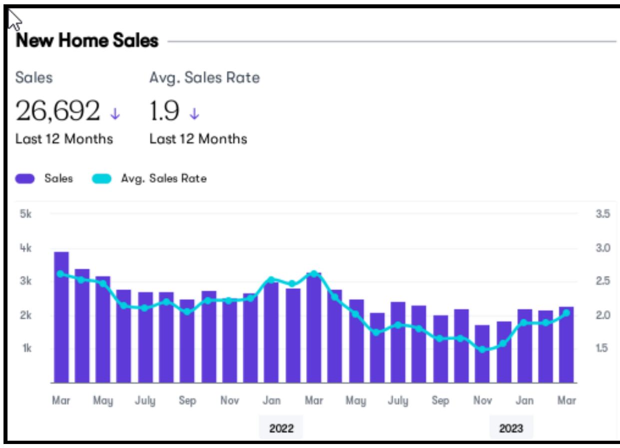
Houston still presents a strong affordability proposition due to abundant supply, with 268 projects offering homes under $3OOK and likely further downward pressure from a large number of units under construction and slower demand. New-home price appreciation in Houston lagged behind other Texas markets since 2020, but an increasing share of builders are lowering prices and/or increasing incentives to move product today. While pricing pressure will likely stay in place in the Houston market for some time, the metro, like the rest of Texas, will benefit over the long-term from a friendly business climate and relatively low cost of living.

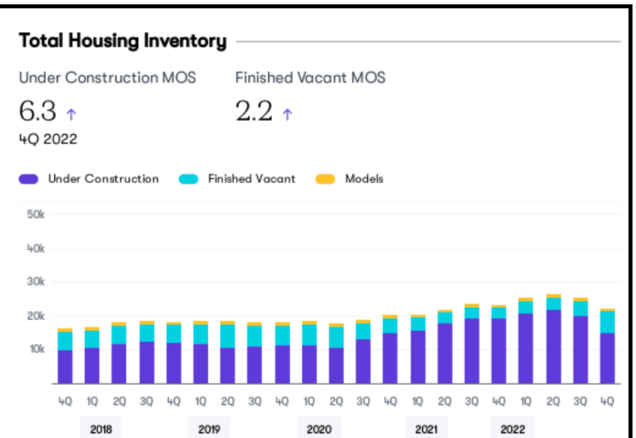
Strengths - Relatively easy regulation to help get more homes built. No state income tax. Low overall cost of living. Land availability. Culturally diverse. Houston's typical mortgage payment is only $25 more expensive than renting.

Weaknesses - As 2023 began, Houston's typical mortgage payment had increased 71% since the start of 2022. Tropical storm/climate risk. Heavy dependence on the oil and gas industry (though the local economy has diversified). Bad traffic with limited public transportation.


New Home Pending Sales Index
YOY Change
-30.1% ↓
MOM Change
-0.8% ↓
96
64
32
0
-32
-64
Feb
Apr
June
Aug
Oct
Dec
Feb
Apr
June
Aug
Oct
Dec
Feb
2022
2023

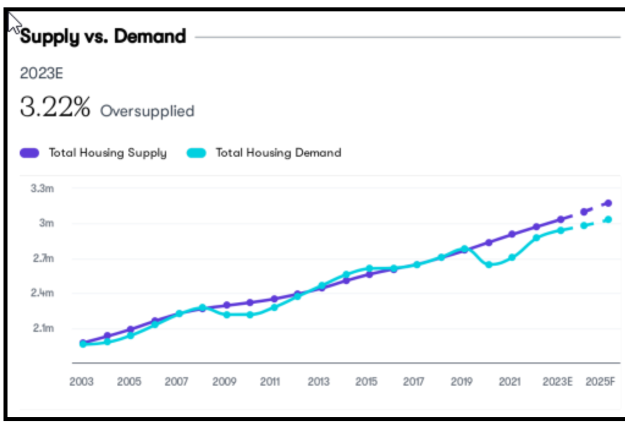

Valuation Patterns
2022 Valuation
17.9% Overvalued
Home Price
Income Supported Price
$420k
$360k
$300k
$240k
$180k
2003
2005
2007
2009
2011
2013
2015
2017
2019
2021
2023E
2025F

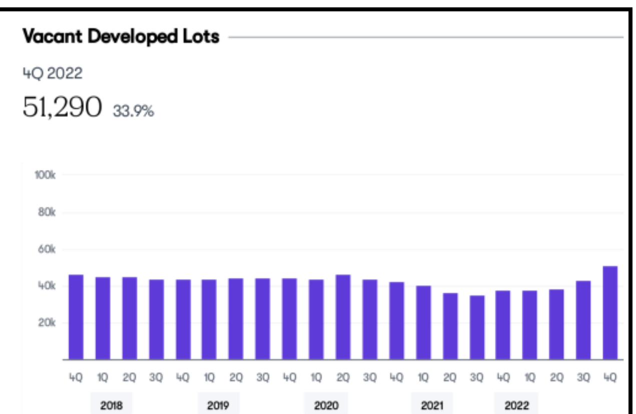




Supply Highlights

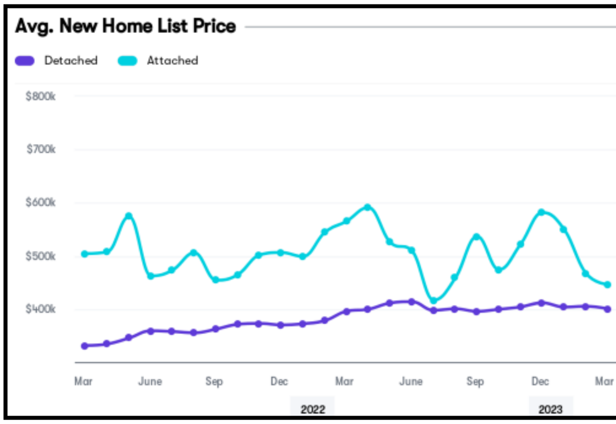
Quarterly Housing Starts decreased 31.0% from a year ago, while the number of available Vacant Developed Lots sits at 51,290 up 33.9% over the same quarter last year. In terms of Supply/Demand balance, the market area is 3.22% oversupplied.

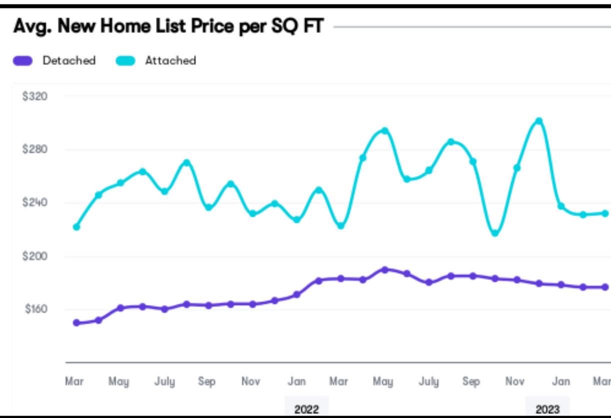


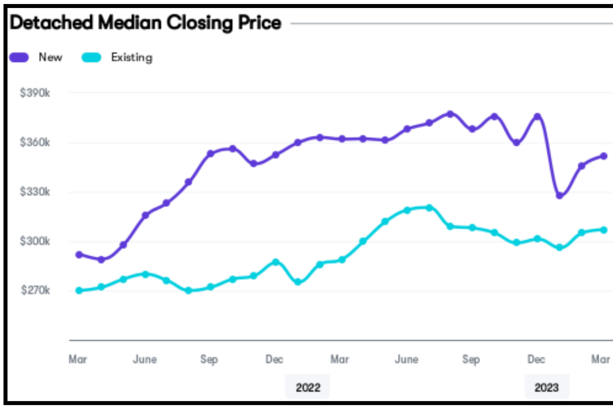


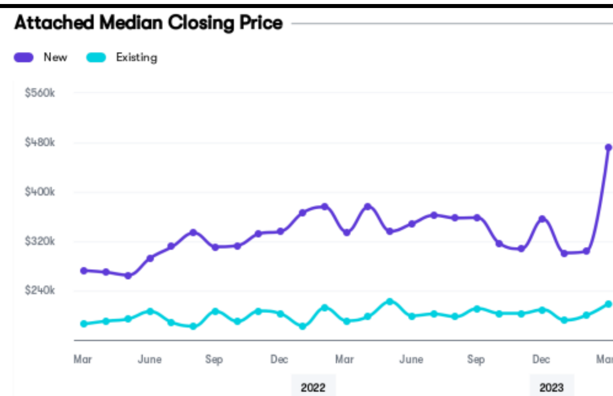
Price Highlights

The average list price for a new detached home in the Houston- The Woodlands-Sugar Land, TX region increased 1.2% from 2022 to $400,500 in March while the average list price for a new attached home decreased 21.0% over the same period to $446,818. Homes priced under $250,000 experienced the most closing activity over the past year. The new home affordability ratio for a detached home reached 40.5% in March.



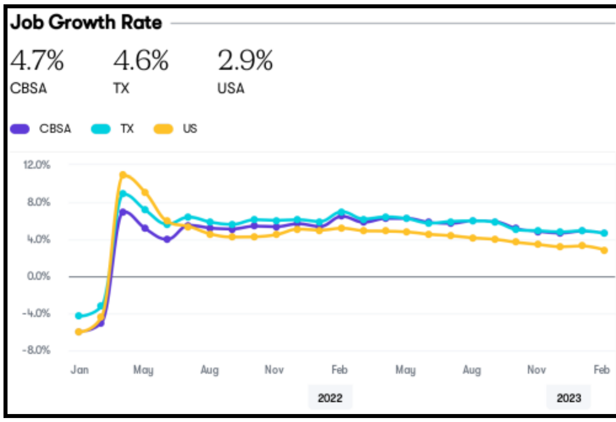


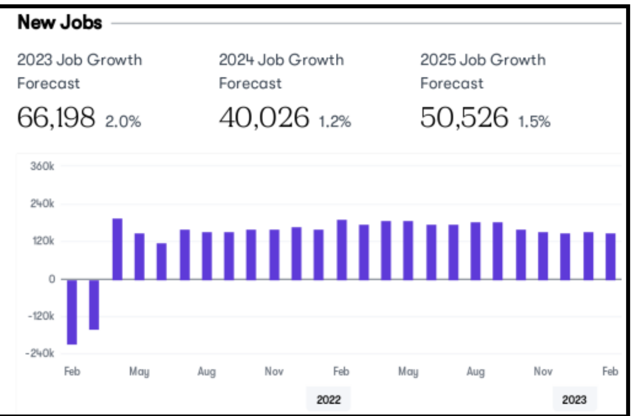




Economic Highlights

Total nonfarm employment in the Houston-The Woodlands- Sugar Land, TX metropolitan statistical area increased 4.7% from the same period last year to 3,330,900 payrolls in Feb. 2023. There were approximately 9,000 more jobs in Feb. 2023 compared to the previous month. The local unemployment rate increased to 4.1% in February compared to 4% in the previous month. February 2023's jobless rate is lower than it was this time last year when it stood at 5.1%. Zonda forecasts the region's unemployment rate will finish the year at 4.2%.





Job Growth by Industry

#	INDUSTRY	INDUSTRY SHARE OF TOTAL	CURRENT YEAR JOBS	YOY JOBS CHANGE	3 YEAR GROWTH FORECAST	3 YEAR GROWTH % CHANGE
1	Trade, Transport & Utilities	20.3%	671,808	0.5%	-1,675	-0.3%
2	Education & Health	13.2%	435,875	0.5%	13,667	3.2%
3	Professional & Business Services	15.9%	527,000	0.3%	11,792	2.2%
4	Government	13.0%	432,150	0.2%	8,150	1.9%
5	Hospitality	11.2%	370,850	7.2%	46,158	13.3%
6	Manufacturing	6.9%	229,133	2.2%	16,784	7.5%
7	Finance	5.3%	175,400	1.0%	3,650	2.1%
8	Information	1.0%	31,858	-0.4%	66	0.2%
9	Other	3.6%	117,775	4.8%	11,200	10.0%
10	Construction	7.5%	249,692	7.6%	40,900	17.6%
11	Natural Resource Mining	2.1%	70,308	3.7%	5,050	7.5%

HOUSTON ASSOCIATION OF REALTORS DATA (EXISTING HOMES MARKET)

Houston Area Single-Family Analysis

The following information is sourced from Houston Area Realtors (HAR).

HOUSTON — With March home sales figures in the books, the Houston Association of Realtors (HAR) continues to conduct a two-tiered analysis of Houston real estate in an effort to provide the most accurate assessment of market conditions: a comparison to 2019 – the last "normal" year before the pandemic, as well as 2022. April marked the 13th consecutive month of falling sales,

According to the HAR April 2023 Market Update, single-family home sales fell 18.4 percent year-over-year, with 7,310 units sold compared to 8,955 in April 2022. However, when compared to April of 2019, when sales volume totaled 7,673 units – sales were down just 4.7 percent.

All housing segments experienced declines in April when compared to 2022. Single-family rentals benefited again from strong consumer demand as many would-be homebuyers are still turning to the rental market amid ongoing uncertainty about interest rates and inflation. HAR will publish its April 2023 Rental Home Update next Wednesday, May 17.

"The housing market turnaround was never going to happen overnight, especially with interest rates still fluctuating, uncertainty about inflation and speculation about a recession," said HAR Chair Cathy Treviño with Side, Inc. "Anecdotally, we have many Realtors reporting that their sub-markets are performing well, which underscores the fact that real estate is local. We are still hopeful that the Houston housing market as a whole will strengthen later this year."

Single-family home prices fell for only the third time since the spring of 2020. The average price dipped 1.3 percent to $419,929 while the median price fell 3.6 percent to $331,000. That is in sharp contrast to the record high prices of $438,327 (average) in May 2022 and $353,995 (median) in June 2022.

April Monthly Market Comparison

April marked the 13th straight month of negative sales as housing throughout the Houston market and across the U.S. suffers the lingering effects of economic uncertainty with mortgage interest rates still in flux. Year-over-year single-family home sales were down 18.4 percent, but when compared to April 2019, before the pandemic, sales were down just 4.7 percent, and stacked against April 2018, five years ago, sales were up 3.9 percent.

In addition to the drop in single-family home sales, total property sales and total dollar volume also fell short of last year's levels. Single-family pending sales dropped 2.8 percent. Active listings, or the total number of available properties, was 56.2 percent ahead of their 2022 level.

Months of inventory continued to improve in April, growing to a 2.7-months supply. Housing inventory nationally stands at a 2.6-months supply, according to the latest report from the National Association of Realtors (NAR). A 4.0- to 6.0-months supply is commonly regarded as a "balanced market" in which neither the buyer nor the seller has an advantage.

Houston Association of Realtors Data					
	Total S-F Properties Sold	**Gain or (Loss) over Trailing 12 months**	**Houston Area Average S-F Sales Price**	**Houston Area Median Price**	**National Median Price**
Mar-23	7,907	-18.3%	$408,647	$325,000	$375,700
Feb-23	5,723	-23.0%	$385,103	$320,000	$363,600
Jan-23	4,549	-29.9%	$381,983	$315,000	$361,200
Dec-22	6,378	-32.6%	$409,777	$330,000	$366,500
Nov-22	5,827	-30.4%	$403,589	$332,000	$372,700
Oct-22	6,641	-22.8%	$403,712	$330,500	$378,800
Sep-22	7,664	-17.0%	$414,776	$343,950	$383,500
Aug-22	8,241	-16.9%	$411,671	$341,950	$391,700
Jul-22	8,370	-17.1%	$426,494	$348,740	$399,200
Jun-22	9,728	-8.6%	$436,425	$355,000	$413,800
May-22	9,627	-0.9%	$440,670	$351,000	$408,400
Apr-22	9,079	-0.2%	$426,061	$343,900	$395,500
Mar-22	9,681	4.0%	$409,782	$334,900	$379,300
Source:	Houston Association of Realtors and National Association of Realtors				

Single-Family Homes Update

Single-family home sales fell 18.4 percent year-over-year in April with 7,310 units sold across the Greater Houston area compared to 8,955 in 2022. Pricing continues to ease after soaring to record highs last spring. The April average price fell 1.3 percent to $419,929 while the median price declined 3.6 percent to $331,000. February 2023 marked the first pricing declines the Houston housing market had experienced in more than two years

For a pre-pandemic perspective, April sales were down 4.7 percent compared to April 2019, when a total of 7,673 single-family homes sold. The April 2023 median price of $331,000 is 35.1 percent higher than it was in 2019 ($245,000) and today's average price of $419,929 is 35.2 percent higher than it was then ($310,432). Sales are 3.9 percent ahead of where they were five years ago, in April 2018, when volume totaled 7,035. Back then, the median price was $240,000 and the average price was $304,890.

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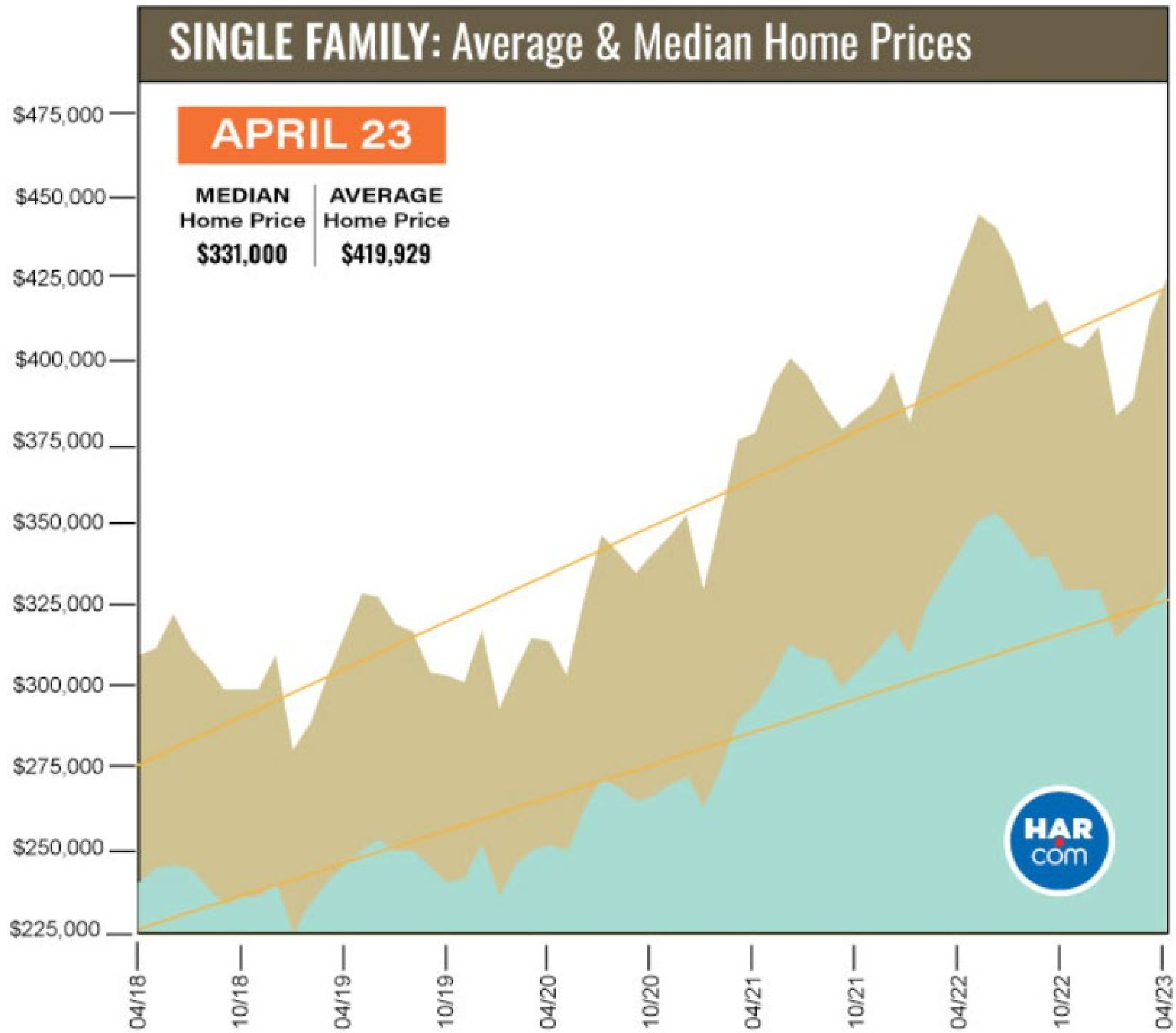

DEMOGRAPHIC ANALYSIS

Demand for additional residential property is a direct function of population change. Single Family residential communities are products of a clearly definable demand relating directly to population shifts. The demographic data used in this report is based on information obtained from ESRI, a national demographic firm.

Housing, Population and Household Formation

The following table illustrates the population and household changes for the subject's target market area (TMA), which is considered to be a 5 Mile Radius of the subject.

POPULATION AND HOUSEHOLD PROJECTIONS				
Population	1 Mile Radius	3 Mile Radius	5 Mile Radius	Houston-The Woodlands-Sugar Land, TX Metropolitan Statistical Area
2027 Total Population	5,487	59,208	140,213	7,800,183
2022 Total Population	5,332	57,520	134,269	7,421,501
2010 Total Population	4,710	49,544	99,766	5,920,416
2000 Total Population	3,861	25,616	51,444	4,693,161
Annual Growth 2022 - 2027	*0.57%*	*0.58%*	*0.87%*	*1.00%*
Annual Growth 2010 - 2022	*1.04%*	*1.25%*	*2.51%*	*1.90%*
Annual Growth 2000 - 2010	*2.01%*	*6.82%*	*6.85%*	*2.35%*
Households				
2027 Total Households	1,702	19,554	47,627	2,752,504
2022 Total Households	1,650	18,940	45,556	2,617,110
2010 Total Households	1,452	16,490	34,137	2,062,529
2000 Total Households	1,212	8,640	18,102	1,648,147
Annual Growth 2022 - 2027	*0.62%*	*0.64%*	*0.89%*	*1.01%*
Annual Growth 2010 - 2022	*1.07%*	*1.16%*	*2.43%*	*2.00%*
Annual Growth 2000 - 2010	*1.82%*	*6.68%*	*6.55%*	*2.27%*

Source: ESRI

Households represent a basic unit of demand in the housing market. According to the data, the subject's market area has experienced average growth in both population and households. As of 2023, there were an estimated 134,269 people in 45,556 households on a 5 Mile Radius of the subject. The annual household growth on a 3-mile radius of the subject was 1.52% between 2010 and 2022.

Income Distributions

Household income available for expenditure on housing and other consumer items is a primary factor in determining the price/rent level of housing demand in a market area. In the case of this study, projections of household income identifies in gross terms the market from which the subject submarket draws. The following table illustrates estimated household income distribution for the subject neighborhood.

HOUSEHOLD INCOME DISTRIBUTION				
Households by Income Distribution (202:	1 Mile Radius	3 Mile Radius	5 Mile Radius	Houston-The Woodlands-Sugar Land, TX Metropolitan Statistical Area
<$15,000	1.88%	1.59%	2.76%	6.93%
$15,000 - $24,999	2.42%	3.55%	3.54%	6.91%
$25,000 - $34,999	6.18%	4.26%	4.19%	7.36%
$35,000 - $49,999	8.67%	6.99%	6.79%	10.71%
$50,000 - $74,999	11.52%	11.78%	13.49%	16.77%
$75,000 - $99,999	11.88%	13.85%	15.04%	12.54%
$100,000 - $149,999	24.30%	24.87%	25.39%	17.40%
$150,000 - $199,999	22.91%	17.74%	15.90%	9.64%
$200,000+	10.30%	15.37%	12.90%	11.74%
Source: ESRI				

Households in the TMA (target market area) are concentrated in the income ranges between $50,000 and $150,000. Overall, 53.92% of the TMA households earn between $50,000 and $150,000. Households with incomes over $150,000 represent 28.81% of the market.

The following table illustrates the median and average household income levels for the subject neighborhood.

HOUSEHOLD INCOME LEVELS				
Income	1 Mile Radius	3 Mile Radius	5 Mile Radius	Houston-The Woodlands-Sugar Land, TX Metropolitan Statistical Area
2022 Median Household Income	$110,843	$111,323	$105,305	$77,032
2022 Average Household Income	$130,703	$140,304	$131,518	$112,247
2022 Per Capita Income	$41,227	$46,372	$44,565	$39,639
Source: ESRI				

The general home affordability for the TMA area can be characterized by analyzing current household income. Based on the estimated 2023 median ($105,305) and average ($131,518) household incomes for the subject TMA, as indicated by ESRI, the typical household in the trade area can afford home prices, as illustrated in the following table.

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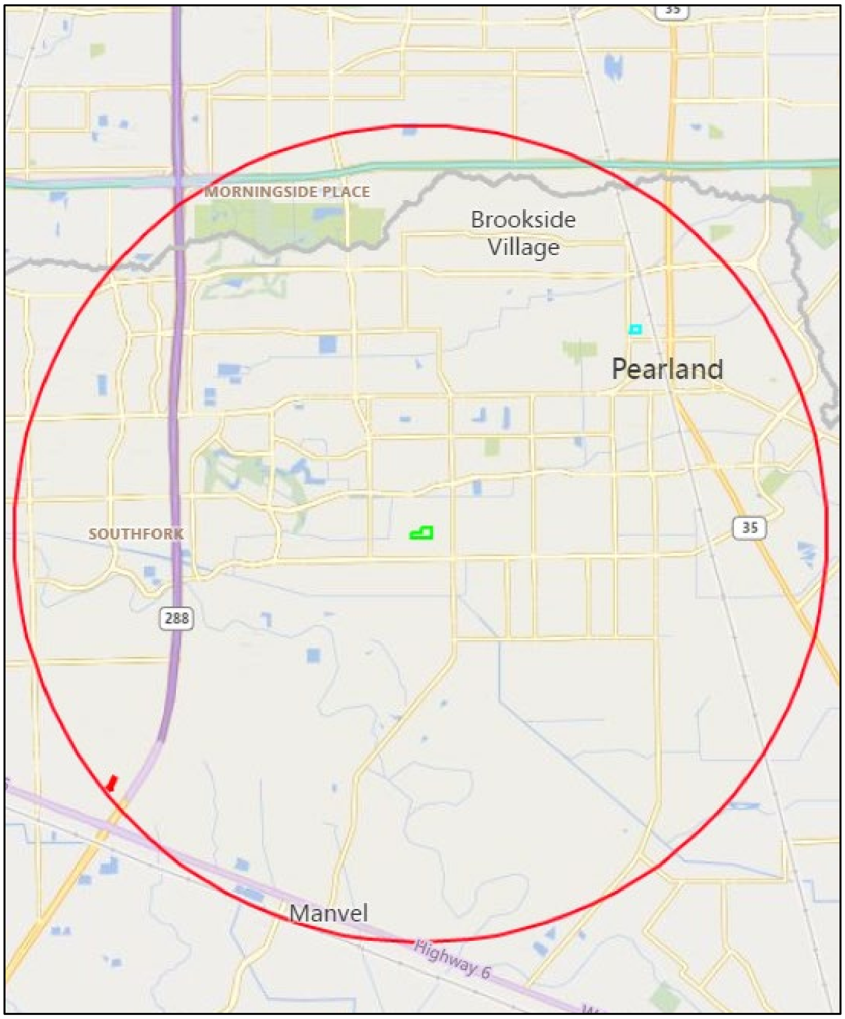
AFFORDABILITY INDEX		
	Median	Average
Annual Household Income-(5-Mile Radius)	$105,305	$131,518
X Typical Income Qualification Factor*	28%	28%
Maximum Annual PITI Mortgage Payment	$29,485.40	$36,825.04
Maximum Monthly PITI Mortgage Payment	$2,457.12	$3,068.75
Less: Typical HOA dues @ $66.67	($66.67)	($66.67)
Less: Typical R.E Taxes @ 17%	($417.71)	($521.69)
Less: Typical Property Insurance @ 7.00%	($172.00)	($214.81)
Estimated Maximum Principal & Interest Pmts	$1,800.74	$2,265.59
PV factor @ 6.50% Interest w 30-year Conforming Mortgage	158.211	158.211
Maximum Loan Amount	$284,897	$358,440
Typical Loan to Value Ratio	90%	90%
Estimated Home Price Range	$316,552	$398,267
Source: ESRI and CBRE		

Based on the calculations shown above the typical household in the subject TMA can afford a home in the $316,552 to $398,267 price range.

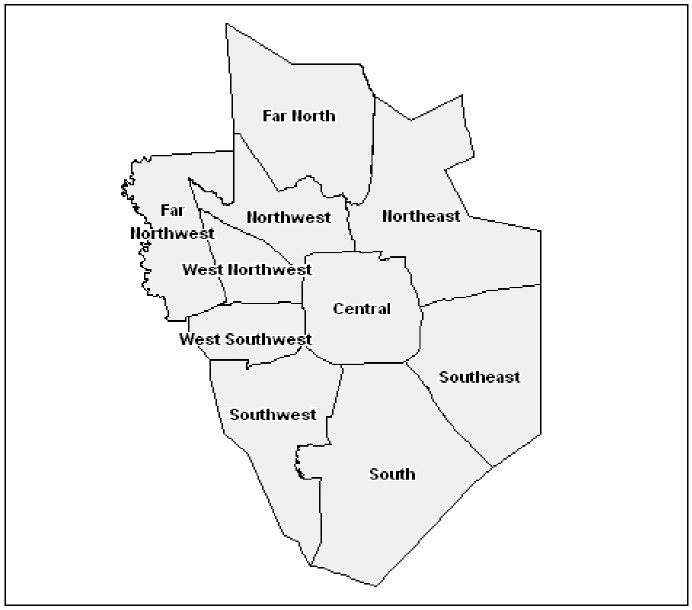
HOUSING MARKET PERFORMANCE

Market Delineation

Our analysis involves an overview of the subject TMA relative to the overall Houston market based on Zonda data. The subject TMA is considered to include properties located within a 10 Mile Radius of the subject. The map below outlines the subject TMA.



The delineated market area is considered to represent the TMA for the subject. The communities within this area also share the same infrastructure advantages and disadvantages, such as retail and commercial locations, schools, traffic patterns, drive time to and from employment centers, and recreational facility availability. Consequently, new home sales within the submarket are considered to be indicative of future demand for housing products at the subject site. The subject TMA is part of the broader South Submarket which is shown on the following map.



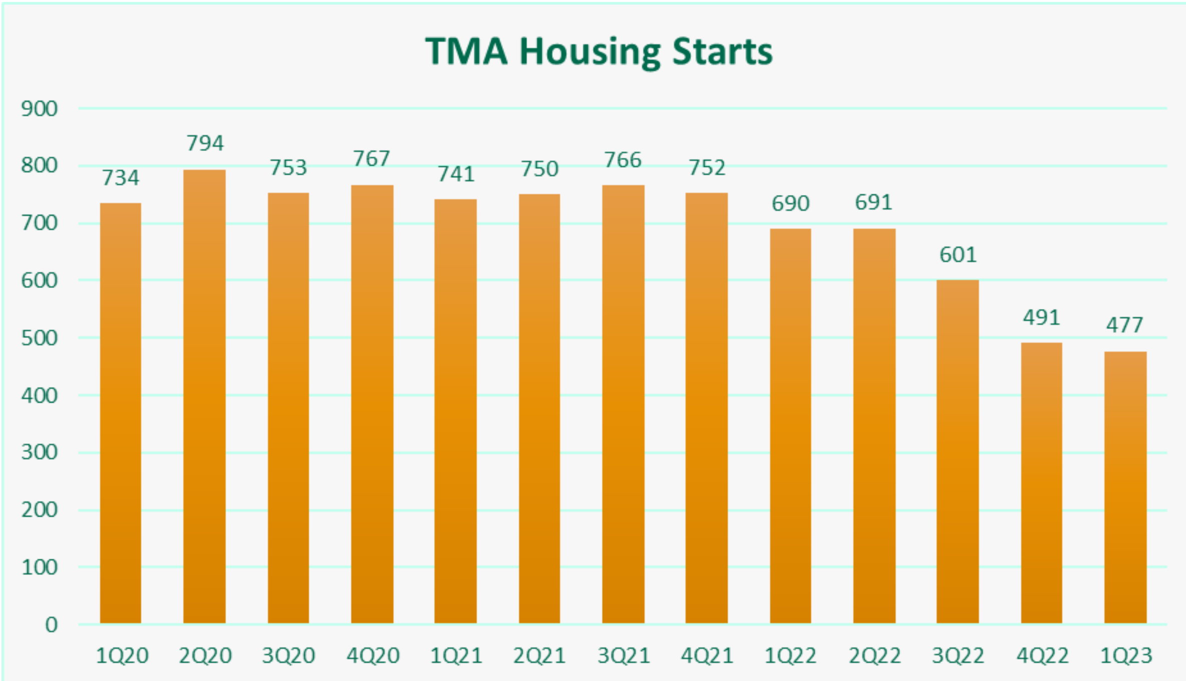
New Single-family Housing Market

The following table displays the annual rate of new home starts on a quarterly basis since the 1Q20 for both the overall Houston market and the local submarket.

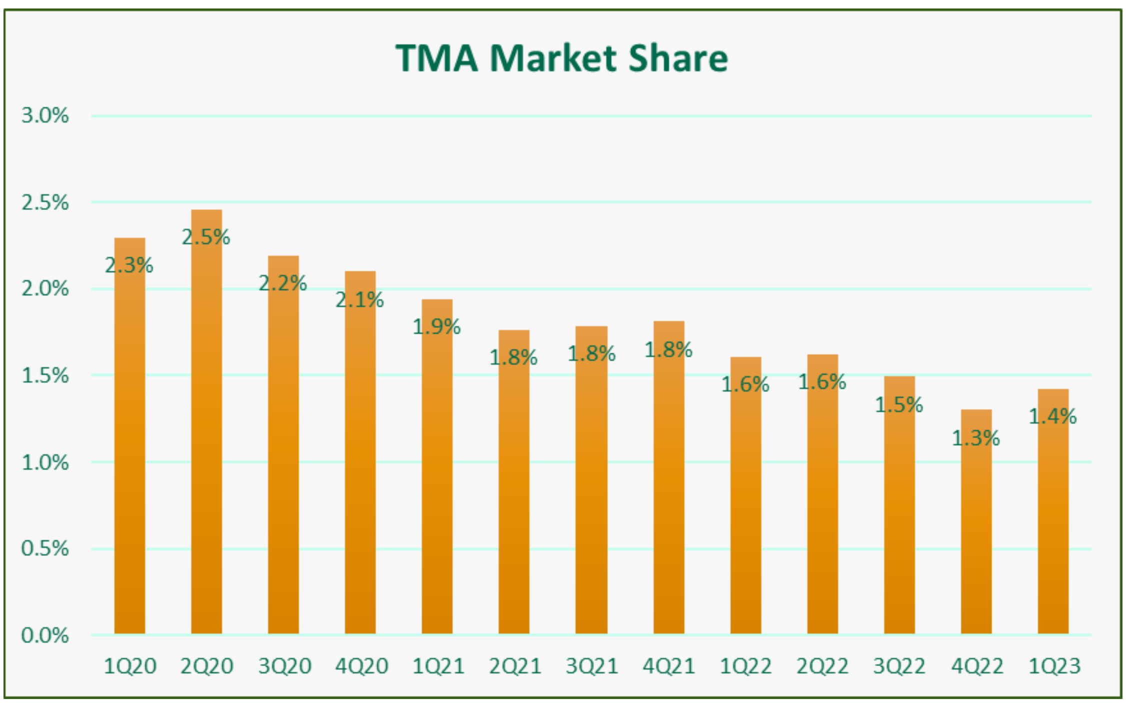
Annual Housing Start Rates; Houston Market vs. Subject TMA					
Quarter / Year	Annual Starts - Houston	% Chg from Prev.	Annual Starts- TMA	% Chg from Prev.	TMA's Market Share
1Q20	32,000		734	--	2.3%
2Q20	32,302	0.94%	794	8.17%	2.5%
3Q20	34,336	6.30%	753	-5.16%	2.2%
4Q20	36,534	6.40%	767	1.86%	2.1%
1Q21	38,166	4.47%	741	-3.39%	1.9%
2Q21	42,478	11.30%	750	1.21%	1.8%
3Q21	42,945	1.10%	766	2.13%	1.8%
4Q21	41,519	-3.32%	752	-1.83%	1.8%
1Q22	42,857	3.22%	690	-8.24%	1.6%
2Q22	42,519	-0.79%	691	0.14%	1.6%
3Q22	40,218	-5.41%	601	-13.02%	1.5%
4Q22	37,682	-6.31%	491	-18.30%	1.3%
1Q23	33,466	-11.19%	477	-2.85%	1.4%

Source: Zonda 1Q23

The most recent quarter reflects 477 housing starts for the subject TMA, which represents a -35.0% decrease from the 1Q20 annual start rate of 734. The general trend for new starts for the subject TMA has been downward over the last three years although it has fluctuated up and down over the last year and a half. This is demonstrated on the following chart.



The average market share within the TMA for the last four quarters has decreased from previous four quarters as demonstrated in the following exhibit.



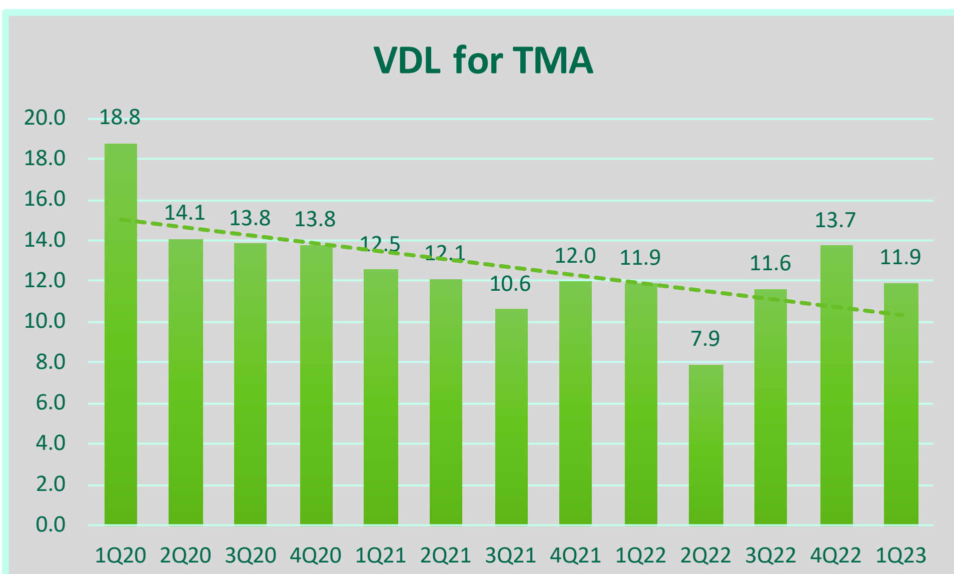
Vacant Developed Lots

The following table displays the quarterly lot inventory trends for the overall Houston market and the subject TMA.

Vacant Developed Lots; Houston Market vs. Subject TMA				
Quarter / Year	Houston - VDL	Houston VDL Months of Supply	Subject TMA - VDL	TMA VDL Months of Supply
1Q20	44,281	16.6	1,149	18.8
2Q20	46,422	17.2	931	14.1
3Q20	43,847	15.3	867	13.8
4Q20	42,662	14.0	880	13.8
1Q21	40,394	12.7	774	12.5
2Q21	36,626	10.3	756	12.1
3Q21	35,211	9.8	676	10.6
4Q21	38,314	11.1	749	12.0
1Q22	37,844	10.6	682	11.9
2Q22	38,699	10.9	454	7.9
3Q22	42,865	12.8	581	11.6
4Q22	52,126	16.6	561	13.7
1Q23	53,856	19.3	473	11.9

Source: Zonda 1Q23

The subject TMA has seen its supply of lots decrease over the past three years from a 18.8-month supply to a current 11.9-month supply. The absolute number of vacant developed lots decreased -58.83% during this time period. The current lot inventory is below the recognized equilibrium range and considered to be in short supply, indicating a need for additional quality lots. The lot inventory in terms of months of supply has been generally declining over the last six quarters as shown on the following chart.



Lot Delivery and Housing Activity

The following table displays the historic lot delivery and absorption rates for the overall Houston market and the subject TMA over the last approximate 3-year period.

Housing Activity Summary							
Quarter / Year	Annual Starts-TMA	Annual Closings-TMA	Annual Lot Deliveries - TMA	Housing Inventory- TMA	Housing Supply (Mos.)	VDL	VDL Mos. Supply
1Q20	734	709	1,112	369	6.2	1,149	18.8
2Q20	794	711	692	415	7.0	931	14.1
3Q20	753	757	608	386	6.1	867	13.8
4Q20	767	758	522	367	5.8	880	13.8
1Q21	741	717	366	393	6.6	774	12.5
2Q21	750	752	575	413	6.6	756	12.1
3Q21	766	711	575	441	7.4	676	10.6
4Q21	752	702	621	417	7.1	749	12.0
1Q22	690	696	598	387	6.7	682	11.9
2Q22	691	679	389	425	7.5	454	7.9
3Q22	601	611	506	431	8.5	581	11.6
4Q22	491	564	303	344	7.3	561	13.7
1Q23	477	561	268	303	6.5	473	11.9

Source: Zonda 1Q23

Price Range Distribution of New Home Starts and VDL

The following table brackets new home price ranges and the number of housing starts within each price range for the local submarket. The table also displays the VDL's designated for homes within each price range for analysis purposes.

SUBJECT TMA PRICE RANGE DISTRIBUTION OF ANNUAL STARTS & VACANT DEVELOPED LOTS					
Price Range	Annual Starts	Percent Distribution	Vacant Developed Lots	Months of Supply (Housing)	Months of Supply (VDL)
$0-$100K	0	0.0%	0	0.0	0.0
$100-$150K	0	0.0%	0	0.0	0.0
$150-$200K	0	0.0%	0	0.0	0.0
$200-$250K	0	0.0%	0	0.0	0.0
$250-$300K	0	0.0%	0	0.0	0.0
$300-$400K	90	18.9%	133	4.0	17.7
$400-$500K	143	30.0%	137	7.0	11.5
Above $500K	244	51.2%	203	8.0	10.0
TOTALS	477	100%	473	6.5	11.9

Source: Zonda 1Q23

The highest volume of activity is in the Above $500K price range, which has accounted for 51.2% of market activity within the subject TMA. The second highest volume of activity is in the $400-$500K price range, which has accounted for 29.98% of market activity within the TMA. The top two most active price ranges account for 81.13% of the total starts in the TMA. The price point for the subject lots is partly within the most active range.

The annual home starts and closings by price point range is demonstrated on the following chart.

CBRE

Conclusion

The overall housing market continues to perform well although new starts and closings have declined over the last year. The Houston housing market still ranks in the top two housing markets in the nation. Job growth has been strong over the last six months although housing starts have been trending downward. The TMA's market share has ranged from 1.3% and 2.5% over the last three years and has generally been trending downward. The lot inventory in the TMA is below the recognized equilibrium range and considered to be in short supply, indicating a need for additional quality lots.

HIGHEST AND BEST USE

In appraisal practice, the concept of highest and best use represents the premise upon which value is based. The four criteria the highest and best use must meet are:

- legally permissible;
- physically possible;
- financially feasible; and
- maximally productive.

The highest and best use analysis of the subject is discussed below.

AS VACANT

Legal Permissibility

The subject site is located in northern Brazoria County in a relatively undeveloped area. The area is subject to local zoning ordinances. Therefore, a myriad of uses are legally permissible, including residential subdivision development.

Physical Possibility

The subject site is adequately served by a well and septic system (and is expected to be served by public utilities within the next five years), is of adequate size, has sufficient access, and has a configuration conducive to a variety of uses, including residential lot development. The subject site could reasonably accept a site layout for any of the legally probable uses. The underlying soil is assumed to be of no constraint to any of the permissible uses. Overall, the physical characteristics do not pose any major limitations on the use of the site.

Financial Feasibility

The subject is located in a growing area and lies in the direct path of Houston's southerly growth. The area is developing a reputation as a good location for medium-density detached housing. Both lot and house pricing have exhibited strong appreciation over the last two to three years. Overall, there is a shortage of quality lots in the South submarket, which exhibits a 22.1 month supply of vacant developed lots according to Zonda. Further, the majority of the vacant developed lots are already committed to builders and the lot inventory is really in much shorter supply. Risk is considered to be low to moderate due to the limited inventory of lots in quality development and strong demand for housing. However, new starts in the subject TMA and builder's interest in the area is gaining momentum

During 2022, high mortgage rates, home price appreciation, and inflation began to negatively impact overall consumer confidence and demand in the housing market. Cooling demand was reflected in the number of new housing starts and closings. The economic uncertainty that persisted during the latter half of 2022 is projected to continue into 2023. Due to a combination of economic factors, including continued high inflation and monetary policy tightening, many economists forecast the economy will fall into a recession later this year.

Maximum Productivity - Conclusion

The final test of highest and best use of the site as if vacant is that the use be maximally productive, yielding the highest return to the land.

In the case of the subject, the analysis thus far has indicated that constructing single family residences within a price point that corresponds with the most active price ranges indicated in the current market as shown on the following chart.

Our analysis of the subject and its respective market characteristics indicate the most likely buyer, as if vacant, would be a developer.

AS IMPROVED

The subject site is improved with a 5,000 sf warehouse/single-family residence that was built in 2000. Although the improvements are considered to be in average to good condition, the highest and best use for the site is determined to be for the development of a residential subdivision. Consequently, the existing improvements do not contribute to the overall value of the property. In this respect, the highest and best use for the property as improved is to raze the existing improvements in favor of residential lot development.