REDDY APPRAISAL

REAL ESTATE PORTFOLIO REVIEW

2026







PREPARED FOR

Sonoran Property Holdings

PORTFOLIO VALUATION | MARKET ANALYSIS | STRATEGIC RECOMMENDATIONS



ENGAGEMENT LETTER

A clearer view of your assets

November 2026 | Sonoran Property Holdings

Dear Portfolio Owner,

Real estate wealth is built one property at a time, but important decisions are made across the entire portfolio. This review brings together values, debt, operating income, tax assessments, and local market conditions to show where your capital is productive and where it may deserve a closer look.

Across six holdings, estimated value totals $4.85 million, with approximately $2.44 million in debt and $2.42 million in equity. The portfolio is moderately leveraged overall, but the property-level picture is uneven. Catalina Rental (01) may justify a refinance feasibility review; Westside Rental (04) has the lowest indicated income yield and warrants a hold-versus-improve analysis. Assessment screening also identifies Properties 03 and 04 for further review.

The Greater Tucson market reinforces a selective approach: higher inventory and softer sales volume make individual property performance more important, while elevated borrowing costs require careful testing of any equity extraction. Our recommendations therefore prioritize decisions that can be supported by measurable cash flow, financing terms, and market evidence.

This report can also serve as a working overview for your CPA and financial adviser. Your CPA can assess depreciation, tax basis, assessment appeal considerations, and after-tax sale scenarios. Your financial adviser can evaluate concentration, liquidity, and the role of real estate in your long-term plan. We contribute the property valuation and local market perspective; each adviser applies their own professional judgment.

The initial engagement establishes a baseline through individual property appraisals and this consolidated review. In later years, annual market and portfolio updates help track changes and identify new opportunities, with fresh appraisals commissioned when needed.

Sincerely,

The Reddy Appraisal Team

SAMPLE DISCLOSURE: This abbreviated outline illustrates the format and scope of our portfolio review. Property names, ownership information, values, debt, income, and recommended scenarios are fictional and are provided without disclosing confidential client information. A completed client report is typically 20-40 pages, with full individual property appraisal reports included as addenda. Final length varies by portfolio and assignment scope.

TABLE OF CONTENTS

2026 / ANNUAL PORTFOLIO REVIEW

01	Cover	10	Rental Performance Overview
02	Engagement Letter	11	Equity & Income
03	Table of Contents	12	Greater Tucson Market
04	Assignment Overview	13	Portfolio Findings & Handoffs
05	Valuation Process & Methodology	14	Client Goals & Customized Analysis
06·07	Definitions & Report Terminology	15	CPA Coordination
08	Portfolio Dashboard	16	Wealth Management Coordination
09	Property Performance	17	Appendix · Individual Property Appraisals

ASSIGNMENT OVERVIEW

PURPOSE AND INTENDED USE

The engagement provides an independent assessment of the real estate holdings comprising the portfolio. It establishes a valuation baseline and evaluates financial characteristics, equity utilization, market exposure, and asset performance. The consolidated analysis supports the property owner's internal asset management and planning discussions with qualified tax, lending, and wealth management professionals.

SCOPE OF SERVICES

The initial engagement includes individual real property appraisals and a consolidated portfolio review. The review addresses estimated property values, debt and equity, loan-to-value ratios, rental income and operating expenses where applicable, property tax assessment screening, market conditions, and property-specific considerations.

VALUATION BASIS AND EFFECTIVE DATES

Each appraisal develops an opinion of value as of its stated effective date, subject to its specified property rights, market value definition, scope, assumptions, and limiting conditions. The sum of individual property values does not necessarily equal the price obtainable through a bulk portfolio sale.

ANNUAL PORTFOLIO REVIEW

After the initial engagement, annual updates monitor changes in market conditions, estimated property values, leverage, and operating performance. Subsequent market analyses are not automatically new appraisals; additional appraisal assignments are scoped when warranted by property changes, intended use, or client needs.

INFORMATION SOURCES AND LIMITATIONS

Analyses draw on property records, market evidence, and owner-supplied financial information, subject to verification appropriate to the assignment. Financial scenarios are illustrative, not guaranteed. The consolidated advisory report does not modify the intended users, intended uses, or conditions stated in individual appraisal reports.

VALUATION PROCESS & METHODOLOGY

SALES COMPARISON APPROACH

This approach compares the subject property with competitive sales. Differences in location, size, condition, utility, amenities, and other market-supported characteristics are considered to develop an indication of value.

INCOME CAPITALIZATION APPROACH

When applicable, this approach analyzes a property's income-producing capacity using market rents, vacancy, operating expenses, and net operating income. Direct capitalization and discounted cash flow techniques may be applied when supported by the available data and typical market participant behavior.

COST APPROACH

This approach considers land value and the cost of improvements, less applicable depreciation. It may be relevant for newer, specialized, or otherwise suitable properties where reliable land and cost evidence is available.

RECONCILIATION

The applicable value indications are evaluated according to the relevance and reliability of their supporting data. Final opinions reflect appraisal judgment rather than a simple average of approach indications.

PORTFOLIO ANALYSIS PROCESS

Following individual property valuations, the review considers debt, income, expenses, equity, portfolio concentration, financing exposure, and tax assessment records. Findings are translated into property-specific points to consider, such as refinance feasibility, tax assessment review, reinvestment, or hold-versus-disposition analysis.

PROFESSIONAL BOUNDARIES

Real estate valuation conclusions are distinct from financing, investment, legal, and tax advice. Strategic scenarios are intended to inform discussion with the client's lender, CPA, attorney, or financial adviser.

DEFINITIONS & REPORT TERMINOLOGY

MARKET VALUE

An opinion of value under the market value definition stated in the applicable appraisal report.

EFFECTIVE DATE

The date to which an appraisal's analyses, opinions, and conclusions apply.

FEE SIMPLE ESTATE

Ownership unencumbered by other private interests or estates, subject to governmental powers.

LEASED FEE INTEREST

The lessor's ownership interest, including contractual rent rights and the reversion.

HIGHEST AND BEST USE

The reasonably probable use that is legally permissible, physically possible, financially feasible, and maximally productive.

NET OPERATING INCOME (NOI)

Income after vacancy allowances and operating expenses, before debt service, income taxes, and depreciation.

CAPITALIZATION RATE

A rate used to convert a single period's income into an indication of value.

LOAN-TO-VALUE RATIO (LTV)

Outstanding secured debt divided by estimated property value.

ESTIMATED EQUITY

Estimated property value less outstanding secured debt, before selling costs and tax consequences.

DEBT SERVICE COVERAGE RATIO (DSCR)

Net operating income divided by annual debt service.

CASH-ON-CASH RETURN

Annual pre-tax cash flow divided by invested cash.

PORTFOLIO CONCENTRATION

Exposure concentrated in particular assets, property types, or geographic areas.

FULL CASH VALUE (ARIZONA)

A statutory property tax valuation measure, generally related to market value under applicable law.

LIMITED PROPERTY VALUE (ARIZONA)

A statutory value used in calculating Arizona primary property taxes.

ASSESSMENT REVIEW

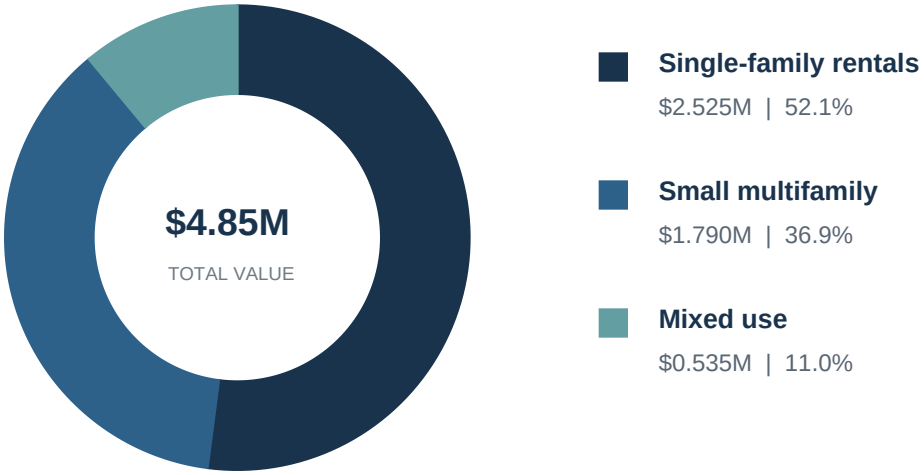
Screening tax assessment records for discrepancies or matters warranting additional investigation.

PORTFOLIO DASHBOARD

Portfolio at a glance

MARKET VALUE	DEBT	EQUITY	LTV
$4.85M	$2.44M	$2.42M	50.2%

VALUE BY PROPERTY TYPE



Portfolio mix based on property-level values; totals may differ slightly due to rounding.

PORTFOLIO CAPITAL STRUCTURE



Debt $2.44M **Equity $2.42M**

PORTFOLIO INSIGHT

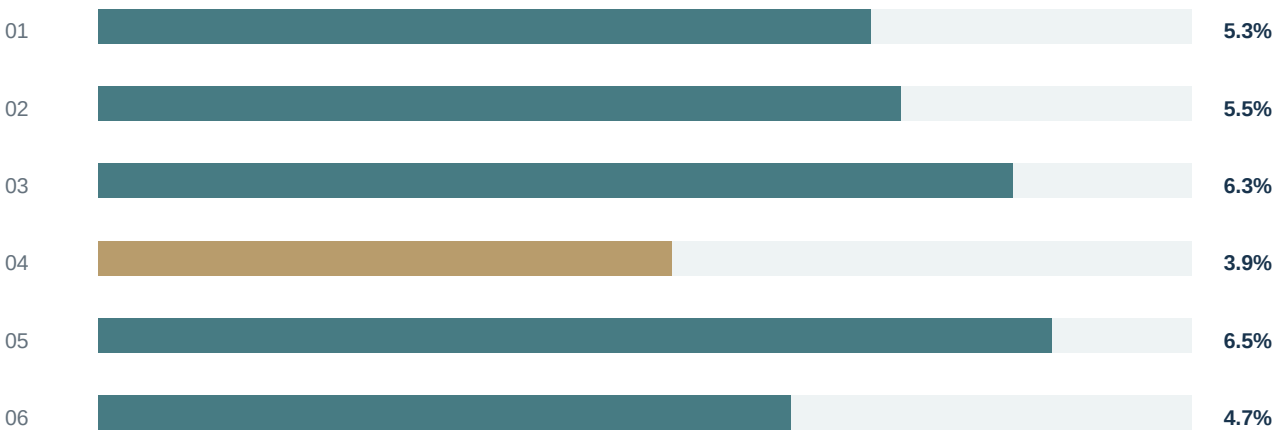
Equity is nearly half of total asset value, but it is not evenly distributed. A portfolio-wide LTV masks different income yields, liquidity needs, and refinancing risks.

PROPERTY PERFORMANCE

Six assets, different priorities

ID	PROPERTY	VALUE	DEBT	LTV	NOI	CAP
01	**Catalina Rental**	$925k	$370k	40%	$49k	5.3%
02	**Midtown Duplex**	$690k	$470k	68%	$38k	5.5%
03	**Eastside Fourplex**	$1,100k	$660k	60%	$69k	6.3%
04	**Westside Rental**	$610k	$200k	33%	$24k	3.9%
05	**Central Mixed Use**	$535k	$315k	59%	$35k	6.5%
06	**Foothills Rental**	$990k	$420k	42%	$47k	4.7%

INDICATED CAP RATE BY PROPERTY



WHAT STANDS OUT

Property 04 generates the lowest indicated NOI yield (3.9%), while Property 05 leads at 6.5%. These are unlevered indicators, not owner cash-on-cash returns.

RENTAL PERFORMANCE OVERVIEW

Current rent compared with estimated market potential

The following figures are hypothetical illustrations, not verified rent comparables or conclusions about achievable market rent. Gross rent is annualized and assumes current occupancy; market potential assumes full occupancy at illustrative market rents. Actual results depend on leases, tenant turnover, concessions, expenses, and local conditions.

PROPERTY	CURRENT / YR	MARKET / YR	GAP / YR	NOI / YR
01 Catalina Rental	$72,000	$75,600	+$3,600	$49,000
02 Midtown Duplex	$54,000	$63,600	+$9,600	$38,000
03 Eastside Fourplex	$105,600	$110,400	+$4,800	$69,000
04 Westside Rental	$42,000	$51,600	+$9,600	$24,000
05 Central Mixed Use	$60,000	$63,600	+$3,600	$35,000
06 Foothills Rental	$72,000	$75,600	+$3,600	$47,000
TOTAL	$405,600	$440,400	+$34,800	$262,000

Rental gap by property

The Midtown Duplex and Westside Rental together account for $19,200 of the $34,800 illustrative annual gross rent gap (55%). A rental gap is not equivalent to incremental NOI or property value.

02 Midtown Duplex | Rent alignment opportunity

Current: $4,500/month combined. **Illustrative market:** $5,300/month combined. **Potential gross increase:** $800/month, or $9,600/year. Review lease expirations, comparable unit rents, turnover costs, and any improvements required before adjusting rents. A phased, lawful rent reset at turnover may be more economical than immediate renovation.

04 Westside Rental | Low income yield and condition review

Current: $3,500/month. **Illustrative market:** $4,300/month. **Potential gross increase:** $800/month, or $9,600/year. Current NOI of $24,000 implies a 3.9% yield on the report's $610,000 value. Obtain a contractor's scope for selective kitchen, bath, and exterior updates, then compare incremental rent against capital cost, downtime, and ongoing expenses.

Illustrative sensitivity

If only 65% of the combined $19,200 gross rent gap were retained after incremental operating costs, the two properties could generate approximately $12,480 in additional annual NOI before renovation capital, financing costs, and taxes. This is a scenario, not a forecast.

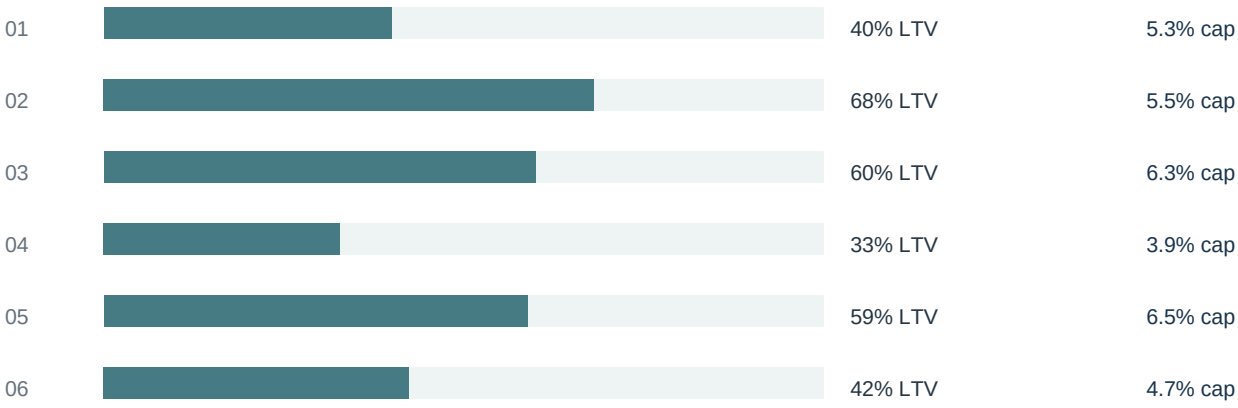
EQUITY AND INCOME

Where capital is concentrated

EQUITY BY PROPERTY / $ THOUSANDS



LEVERAGE VS. INCOME YIELD



DECISION FRAMEWORK

Property 01: test refinance proceeds against new debt service and deployment alternatives. Property 04: assess rent, expenses, and potential sale economics before borrowing against a low-yield asset.

GREATER TUCSON MARKET

Market snapshot / Fall 2026

RESIDENTIAL SALES & FINANCING

Median sale price	**$391,696**	Sep 2026 / +4% YoY
Active listings	**4,677**	Sep 2026 / +2% YoY
Months of inventory	**4.5**	Sep 2026 / 3.9 prior year
Closed transactions	**1,032**	Sep 2026 / -12% YoY
30-year fixed mortgage	**7.18%**	Nov 5 / U.S. average

MARKET DIRECTION / YEAR-OVER-YEAR



INVESTOR IMPLICATIONS

Higher inventory and fewer closed sales favor conservative resale timing and property-specific pricing. Refinance decisions must clear debt-service and closing-cost hurdles; national mortgage averages are not investment-loan quotes.

Rental lens

Northmarq reported 1,725 units of Tucson multifamily net absorption in H1 2026; Class C vacancy was about 8.2% at Q2. Evaluate rent growth and expenses at the submarket and property level.

Sources: Long Realty (Sep 2026); Freddie Mac PMMS (Nov 5, 2026); Northmarq (Q2 2026).

PORTFOLIO FINDINGS & HANDOFFS

From valuation evidence to coordinated professional review

This report is designed to provide the property owner and their professional team with a clear, organized summary of the portfolio. Reddy Appraisal identifies relevant valuation and operating findings, documents the supporting figures, and frames focused questions for specialists. The owner is not expected to execute a prescribed 90-day action plan.

Finding 01 | Rental income optimization

Evidence: Midtown Duplex and Westside Rental show a combined hypothetical gross rent gap of $19,200 annually. **Handoff:** A property manager or leasing professional can validate achievable rents and turnover timing; a contractor can assess renovation cost and disruption. **Decision supported:** Retain as-is, adjust rents at turnover, or pursue targeted improvements.

Finding 02 | Property tax assessment screening

Evidence: Eastside Fourplex and Westside Rental show elevated assessment-to-market screening ratios in the existing report. **Handoff:** A property tax specialist or qualified tax professional can verify statutory value measures, classification, deadlines, and the merits of a challenge. **Decision supported:** Whether additional assessment research or a formal appeal is warranted.

Finding 03 | Equity and acquisition planning

Evidence: Catalina Rental is shown at $925,000 value, $370,000 debt, and approximately $555,000 gross equity. **Handoff:** A lender can assess proceeds, underwriting, rates, and debt coverage; a wealth manager can evaluate concentration, liquidity, and risk. **Decision supported:** Whether accessing equity for another acquisition fits the owner’s objectives.

Finding 04 | Tax and ownership structure

Evidence: Portfolio values, income, debt, and prospective disposition scenarios may have tax consequences that are not determinable from appraisal data alone. **Handoff:** The CPA can assess basis, depreciation, passive-activity rules, and potential exchange planning. **Decision supported:** Whether any strategy merits further tax modeling.

How the handoff works

The client may share the report with their existing advisers, subject to applicable confidentiality and intended-user limitations. Any additional specialist consultation, appraisal assignment, financing application, tax filing, or construction project is separately authorized by the owner. Reddy Appraisal does not represent that outside professionals have reviewed or endorsed these hypothetical findings.

CLIENT GOALS & ACTION PLAN

Your priorities shape the analysis

A CUSTOMIZED ADVISORY ENGAGEMENT

The information and recommendations presented in this section will be tailored to the goals, questions, and concerns identified during our initial meeting. We begin with the numbers, but the objective is to translate those findings into meaningful next steps for your particular situation.

WHAT ARE YOU WORKING TOWARD?

Your priorities may include reducing property taxes, accessing equity to acquire another investment, evaluating refinancing opportunities, improving cash flow, reducing debt, preparing for retirement, planning a sale or 1031 exchange, diversifying holdings, assessing estate or succession needs, or deciding which properties to retain or improve.

HOW THE PROCESS WORKS

01 Identify goals. Discuss objectives, timing, liquidity needs, and risk preferences during our meeting.
02 Review the evidence. Analyze property values, debt balances, operating performance, tax records, and relevant market conditions.
03 Develop action steps. Identify property-specific opportunities, tradeoffs, and questions requiring specialist input.
04 Coordinate next steps. Prepare focused handoffs for your CPA, wealth manager, lender, or attorney, as appropriate.

ILLUSTRATIVE GOAL-TO-ACTION EXAMPLE

Goal: Acquire another rental property without selling existing assets.
Finding: Property 01 has an estimated value of $925,000 and debt of $370,000, implying approximately $555,000 in gross equity and a 40% LTV.
Action: Ask a lender to model a cash-out refinance or equity line, including financing costs, debt service, reserve requirements, and impact on portfolio cash flow. The amount actually available will depend on underwriting.

WHAT THE REPORT DELIVERS

Each identified priority is paired with the supporting property or portfolio metrics, a concise explanation of the opportunity or concern, and practical next steps. The following CPA and Wealth Management pages illustrate the kind of coordinated handoffs that may result.

SCOPE CLARIFICATION

Reddy Appraisal provides real property valuation and related portfolio analysis, not individualized tax, legal, lending, or securities investment advice. Illustrative strategies require review by appropriately qualified professionals before implementation.

CPA COORDINATION

Tax questions supported by property-level evidence

PURPOSE OF THE CPA HANDOFF

The portfolio review highlights property valuation and operating information that may merit further review by the client's tax professional. The examples below are hypothetical screening findings, not conclusions about tax liability, appeal eligibility, or deductible amounts.

FINDING 01 | PROPERTY TAX ASSESSMENT REVIEW

Observation: Eastside Fourplex (Property 03) and Westside Rental (Property 04) are flagged for closer review of their assessed values and classification data.
Evidence provided: Property identifiers, estimated market values, assessment records, and relevant comparable market evidence.
CPA handoff: Review whether assessment discrepancies or classification issues justify consultation with an Arizona property tax appeal specialist; confirm applicable valuation dates, appeal procedures, and deadlines.

FINDING 02 | DEPRECIATION AND CAPITAL IMPROVEMENTS

Observation: The owner reports recent improvements to multiple rental properties, but the portfolio summary does not establish their tax treatment.
Evidence provided: Property descriptions, improvement dates and costs when supplied, and supporting valuation context.
CPA handoff: Reconcile capital improvement records with depreciation schedules, distinguish repairs from capital expenditures, and assess whether a cost segregation study merits consideration.

FINDING 03 | DISPOSITION AND REINVESTMENT PLANNING

Observation: The owner is considering selling a lower-performing asset to fund another purchase.
Evidence provided: Estimated market value, debt, equity, NOI, and market context for the property.
CPA handoff: Estimate tax basis, capital gains, depreciation recapture, and net after-tax proceeds; evaluate whether a Section 1031 exchange may be appropriate and coordinate timing with qualified specialists.

REQUESTED FOLLOW-UP

The CPA can confirm which issues are actionable, identify additional records needed, and advise the client on tax implications. Reddy Appraisal can provide supplemental real estate valuation support if a separate appraisal assignment is required.

WEALTH MANAGEMENT COORDINATION

Putting real estate equity in context

PURPOSE OF THE WEALTH MANAGEMENT HANDOFF

The portfolio analysis provides a consolidated view of property values, leverage, income, and concentration to inform discussions about liquidity, diversification, and long-term financial goals. The scenarios below are illustrative and require advisor and lender review.

FINDING 01 | POTENTIAL EQUITY REDEPLOYMENT

Observation: Catalina Rental (Property 01) has an estimated value of $925,000, debt of $370,000, and approximately $555,000 of gross equity (40% LTV).
Evidence provided: Market value, existing debt, equity estimate, and property-level income metrics.
Advisor handoff: Compare retaining existing leverage with potential equity extraction for another acquisition. Model borrowing limits, interest expense, reserves, debt service coverage, and risk-adjusted return.

FINDING 02 | CONCENTRATION AND DIVERSIFICATION

Observation: The hypothetical portfolio is concentrated in six Greater Tucson properties, creating geographic and real estate asset-class exposure.
Evidence provided: Property-level values, equity, leverage, property type, and location mix.
Advisor handoff: Evaluate the portfolio alongside the owner's other assets, liquidity needs, and investment horizon; consider whether rebalancing or a staged disposition aligns with stated goals.

FINDING 03 | RETIREMENT CASH FLOW AND DEBT REDUCTION

Observation: The owner wants to improve dependable cash flow ahead of retirement while retaining selected properties.
Evidence provided: NOI, debt balances, LTV, and estimated equity by property.
Advisor handoff: Compare debt paydown, refinancing, selective sales, and hold scenarios based on projected after-debt cash flow, liquidity, interest-rate exposure, and downside sensitivity.

REQUESTED FOLLOW-UP

The wealth manager can integrate the real estate findings into the client's broader financial plan and coordinate any financing analysis with lenders. The portfolio report identifies considerations, not a recommendation to buy or sell financial securities.

APPENDIX / INDIVIDUAL APPRAISALS

Supporting property appraisals

The initial engagement includes individual property appraisal reports prepared under separately defined assignments. The completed reports are assembled behind this index in the client deliverable. Future annual reviews typically use market updates, with additional appraisals commissioned when warranted.

01	Catalina Rental	Appraisal report
02	Midtown Duplex	Appraisal report
03	Eastside Fourplex	Appraisal report
04	Westside Rental	Appraisal report
05	Central Mixed Use	Appraisal report
06	Foothills Rental	Appraisal report

HOW TO USE THE APPENDICES

Each individual appraisal contains its own valuation analysis, effective date, assumptions, limiting conditions, and intended-use and intended-user designations. Refer to the underlying appraisal for property-specific conclusions and supporting evidence; the portfolio overview is a consolidated decision-support document.