



Crown Appraisal Group

Corporate Office

355 E. Campus View Blvd.

Suite 150

Columbus, OH 43235

tel 614.431.3332

fax 614.431.3376

www.crownappraisal.com



Pinebrook Apartments

**715 Mason Terrace Road
52-unit apartment complex
Perry, Georgia**

Date of Report: October 25, 2013

Prepared by

**Crown Appraisal Group, Inc.
355 East Campus View Boulevard, Suite 150
Columbus, Ohio 43235
614-431-3332 (o), 614-431-3376 (f)**

Prepared for

**Mr. Bill Rea
Rea Ventures Group, LLC
2964 Peachtree Road NW, Suite 640
Atlanta, Georgia 30305**

PRIVILEGED AND CONFIDENTIAL

This document, and all of the statements, opinions, contents, and all attachments and addendums are privileged and confidential to the client (the addressee), and are not intended to be disclosed to or relied upon by any third party without the express written consent of the appraiser(s).



Crown Appraisal Group

Corporate Office

355 E. Campus View Blvd.

Suite 150

Columbus, OH 43235

tel 614.431.3332

fax 614.431.3376

www.crownappraisal.com

October 25, 2013

Rea Ventures Group, LLC

Attn: Bill Rea

2964 Peachtree Road NW, Suite 640

Atlanta, Georgia 30305

**Re: Pinebrook Apartments
715 Mason Terrace Road
Perry, Georgia**

Dear Mr. Rea:

At your request, we have completed an inspection and analysis of the referenced property for the purpose of developing and reporting an opinion of value for the property. The specific real property interest, real estate, type of report, and type of value are detailed within the body of the accompanying report. The accompanying report has been prepared in conformance with the requirements established by the Appraisal Institute. The appraisal is in conformance with USPAP requirements. The liability of Crown Appraisal Group, Inc. and its employees is limited to the fee collected for the preparation of the appraisal report. There is no accountability or liability to any third party. Based on discussions with market participants, the marketing period and exposure period for the property is estimated at 12 months. The following summarizes the interest being appraised, types of values, effective dates of values, and value opinions.

<i>Competitive Rent Comparable Unit Conclusions (CRCU)</i>		
	<u>1 Bed, 1 Bath</u>	<u>2 Bed, 1.5 Bath</u>
As-is CRCU	525	650
Prospective (Renovated) CRCU	575	700

<i>Value Opinions</i>	<u>Date of Value</u>	<u>Value</u>
Value 1 - as-is, as conventional or unrestricted	August 1, 2013	\$2,840,000
Value 2 - as-is, subject to restricted rents	August 1, 2013	\$1,030,000
Value 3 - prospective, subject to restricted rents	February 1, 2015	\$3,080,000
Value 4 - prospective, as conventional or unrestricted	February 1, 2015	\$3,240,000
Value 5 - Land Value	August 1, 2013	\$135,000
Value 6 - Interest Credit Subsidy Value (Existing 515 Loan)	December 31, 2012	\$710,000
Value 7 - LIHTC Value	February 1, 2015	\$1,050,850
Value 8 - Insurable Value	February 1, 2015	\$2,847,136

The opinion of value contained in the attached appraisal report is based upon the following extraordinary assumptions:

- The units and other improvements at the property that were viewed during the inspection (defined within the body of the report) are representative of all the units and other improvements at the property.

The opinion of value contained in the attached appraisal report is based upon the following hypothetical condition:

- Hypothetical conditions are stated within the Parameters of Assignment section of the report.

The opinion of value contained in the attached appraisal report is based upon the following assumptions and limiting conditions:

- The information furnished by others is believed to be reliable. No warranty is given for its accuracy, though.
- No responsibility is assumed for the legal description or for matters including legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
- The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated in the report.
- It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations, laws, and license requirements unless otherwise stated in the report.
- The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate valuations for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used.
- The value opinions, and the costs used, are as of the date of the value opinion.
- All engineering is assumed to be correct. The plot plans and other illustrative material in this report are included only to assist the reader in visualizing the property.
- The proposed improvements, if any, on or off-site, as well as any repairs required, are considered, for purposes of the appraisal, to be completed in a good and workmanlike manner according to information submitted and/or considered by the appraiser.
- Responsible ownership and competent property management are assumed.
- It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that make it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering or environmental studies that may be required to discover them.

Bill Rea

October 25, 2013

Page Three

- Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on or in the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of such substances may affect the value of the property. The value opinion is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.
- It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.
- All mechanical components are assumed to be in good, operable condition unless otherwise noted.
- The appraiser is not required to give further consultation, testimony, or be in attendance in court with reference to the property in question unless arrangements have been previously made.
- Our opinion of value does not consider the effect (if any) of possible noncompliance with the requirements of the ADA.
- This appraisal is to be used only in its entirety. Possession of the report or any copy does not carry with it the right of publication. The report may not be used for any purpose by any person or corporation other than the client or the party to whom it is addressed or copied without the written consent of the signing appraiser(s).
- Crown Appraisal Group, Inc. and its employees accept no responsibility for changes in market conditions or the inability of the client, intended user, or any other party to achieve desired outcomes.
- Projections or estimates of desired outcomes by the client, intended user, or any other party may be affected by future events. The client, intended user, or any other party using this report acknowledges and accepts that Crown Appraisal Group, Inc. and its employees have no liability arising from these events.
- This document, and all of the statements, opinions, contents, and all attachments and addendums are privileged and confidential to the client (the addressee), and are not intended to be disclosed to or relied upon by any third party without the express written consent of the appraiser(s).

ACCEPTANCE OF, AND/OR USE OF, THIS APPRAISAL REPORT CONSTITUTES ACCEPTANCE OF THE ABOVE CONDITIONS.

The undersigned hereby certify that, except as otherwise noted in the report:

- the statements of fact contained in this report are true and correct.
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions.
- we have no present or prospective interest in the property that is the subject of this report, and we have no personal interest or bias with respect to the parties involved.
- our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute.
- our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- our compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the client, the amount of the value opinion, the attainment of the stipulated results, or the occurrence of a subsequent event.
- we have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- the analysis was not based on a requested minimum valuation or specific valuation or the approval of a loan.
- the use of this report is subject to the requirements of the Appraisal Institute of relating to review by its duly authorized representatives.
- as of the date of this report, Andrew Moye has completed the requirements of the continuing education program of the Appraisal Institute.
- Andrew Moye has not made a personal inspection of the property that is the subject of this report.
- Kim Garner and Hanna Phillips have provided significant professional assistance to the person signing the report.
- compliance with the USPAP competency rule has been achieved.

The attached appraisal report contains the results of the investigation and opinion of value. We appreciate this opportunity to serve you and your firm. Should you or anyone authorized to use this report have any questions, contact us at your convenience.

Sincerely,

CROWN APPRAISAL GROUP



Andrew J. Moye, MAI
Principal

AJM/kkg
Enclosure

Table of Contents

Introduction to Report

Title Page	
Letter of Transmittal	
Table of Contents	
Executive Summary	1

Premises of Appraisal

Parameters of Assignment.....	2
-------------------------------	---

Presentation of Data

Comments Regarding Appraisal	9
Apartment Housing	10
City Overview.....	11
Property Description.....	29

Analysis of Data

Highest and Best Use	36
Valuation.....	39
As-Is Market Valuation	41
Income Capitalization Approach	41
Sales Comparison Approach.....	53
Prospective Market Value	62
Income Capitalization Approach	62
Cost Approach	70
Reconciliation and Final Value Opinion	73
Interest Credit Subsidy Value Opinion.....	75
Low Income Housing Tax Credit Value Opinion	77
Insurable Value Opinion	80

Addendum

Subject Data	
Professional Qualifications	

Executive Summary

Subject Real Estate Identification: The subject is known as Pinebrook Apartments and has an address of 715 Mason Terrace Road in Perry, Georgia. The complex operates as a Class C, subsidized income, non-age restricted property. Pinebrook Apartments is located in the northeast quadrant of I-75 and US 341 (Sam Nunn Boulevard), about 1½ miles northwest of downtown Perry. The property is in Houston County. Perry is the county seat of Perry County and is located in central Georgia.

The subject improvements include a 52-unit apartment complex (housed in 7 one and two-story buildings). The property includes one and two bedroom units. The improvements were built in 1988. The property is in average physical and functional condition. The 52 units total 42,600 sf. The property is currently 96.2% occupied. The subject site is 4.502 acres.

Existing Use of Real Estate: Apartment Complex
 Highest and Best Use: Intensive Residential (current use)

Zoning: C-1: Light Commercial

Pertinent dates:
 As-is date of valuation: see chart
 Prospective date of valuation: see chart
 Date of inspection: September 12, 2013
 Date of report: October 25, 2013

Type of report: Self-contained
 Values, interests appraised: see next page

Conclusions:

<i>Competitive Rent Comparable Unit Conclusions (CRCU)</i>		
	<u>1 Bed, 1 Bath</u>	<u>2 Bed, 1.5 Bath</u>
As-is CRCU	525	650
Prospective (Renovated) CRCU	575	700

<i>Value Opinions</i>	<u>Date of Value</u>	<u>Value</u>
Value 1 - as-is, as conventional or unrestricted	August 1, 2013	\$2,840,000
Value 2 - as-is, subject to restricted rents	August 1, 2013	\$1,030,000
Value 3 - prospective, subject to restricted rents	February 1, 2015	\$3,080,000
Value 4 - prospective, as conventional or unrestricted	February 1, 2015	\$3,240,000
Value 5 - Land Value	August 1, 2013	\$135,000
Value 6 - Interest Credit Subsidy Value (Existing 515 Loan)	December 31, 2012	\$710,000
Value 7 - LIHTC Value	February 1, 2015	\$1,050,850
Value 8 - Insurable Value	February 1, 2015	\$2,847,136

Parameters of Assignment

Purpose, Intended Use

The purpose of this assignment is to arrive at an opinion of the market value of the property known as Pinebrook Apartments. A number of value opinions of a number of interests are provided. The value opinions, applicable notes (including discussion about the use of a hypothetical condition), and intended use, are detailed below:

Value Opinion 1	<p>Market value within 7 CFR Part 3560.752(b)(1)(ii), Premised Upon A Hypothetical Condition As-If Unsubsidized Conventional Housing in compliance with 7 CFR Part 3560.656(c)(1)(i).</p> <p><i>Note - using the hypothetical condition “as unsubsidized conventional housing” according to 7 CFR Part 3560.656(c)(1)(i) means that when the appraiser develops their highest and best use analysis they will not recognize any Rural Development restrictions or subsidies and must only consider the property as continued use as housing.</i></p> <p>The intended use of this appraised value is to determine the value of the property that qualifies for an Incentive Offer within 7 CFR Part 3560.656 for sale/purchase and to determine the amount and availability of any equity.</p> <p>For ease of communication throughout the report, every effort is made to identify this value either by the complete definition or “Value Opinion 1, market, unrestricted”.</p>
Value Opinion 2	<p>Market Value, within 7 CFR Part 3560.752(b)(1)(ii).</p> <p><i>Note – this value opinion must consider all existing restrictions and prohibitions including Restrictive-Use Provisions (RUPs).</i></p> <p>The intended use of this appraised value is to determine the value of the property for sale/purchase and to determine the amount and availability of any equity.</p> <p>For ease of communication throughout the report, every effort is made to identify this value either by the complete definition or “Value Opinion 2, market, restricted”.</p>
Value Opinion 3	<p>Prospective Market Value, Subject To Restricted Rents within 7 CFR Part 3560.752(b)(1)(i).</p> <p><i>Note – this value opinion must consider any rent limits, rent subsidies, expense abatements, and restrict-use conditions that will affect the property. All intangible assets must be evaluated individually and separately from real estate.</i></p> <p>The intended use of this appraised value for a new or subsequent loan is to assist the underwriter with calculating the security value for the basis of a loan or loan guarantee.</p> <p>For ease of communication throughout the report, every effort is made to identify this value either by the complete definition or “Value Opinion 3, prospective, restricted”.</p>
Value Opinion 4	<p>Prospective Market Value within 7 CFR Part 3560.752(b)(1)(ii), Premised Upon A Hypothetical Condition As-If-Conventional Housing.</p> <p><i>Note – this value opinion is based upon a highest and best use analysis as-if not encumbered by USDA program provisions.</i></p> <p>The intended use of this appraised value is for reasonable analysis and comparison as to how the USDA restrictions affect the property. It should not be used as the basis of a loan or loan</p>

	<p>guarantee.</p> <p>For ease of communication throughout the report, every effort is made to identify this value either by the complete definition or “Value Opinion 4, prospective, unrestricted”.</p>
Value Opinion 5	Market value of underlying land.
Value Opinion 6	Value of the interest credit subsidy from assumed 515 loan.
Value Opinion 7	Market value of LIHTC (tax credits).
Value Opinion 8	Insurable Value.

Definitions

Market Value, incorporated in Value Opinions 1, 2, 5, 6, 7

The 4th Edition of The Dictionary of Real Estate Appraisal includes several definitions for *market value*. The following definition from the dictionary is used by the federal agencies that regulate insured financial institutions in the United States.

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

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Comments from HB-1-3560

Most appraisers and users of Agency Multi-Family Housing appraisals understand the definition of *market value* to mean the value as a conventional or unrestricted or market property. However, to avoid confusion when requesting or reporting this value type, the term “as conventional or unrestricted” should be added to the term *market value* (i.e. “market value, as conventional or unrestricted”).

Market Value, subject to restricted rents – incorporated in Value Opinions 2 (possible), 3

A definition of market value, subject to restricted rents, as the term is used by RHS, derived from the definition of market value above, is stated as follows. Market value, subject to restricted rents: 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 and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Comments from HB-1-3560

It considers any rent limits, rent subsidies, expense abatements, or restrictive-use conditions imposed by any government or non-government financing sources but does not consider any favorable financing involved in the development of the property.

Market value, subject to restricted rents, refers only to the value of the subject real estate, as restricted, and excludes the value of any favorable financing. The market value, subject to restricted rents, is based on a pro forma that projects income, vacancy, operating expenses, and reserves for the property under a restricted (subsidized) scenario. This restricted pro forma includes the scheduled restricted rents, a vacancy and collection loss factor that reflects any rental assistance (RA) or Section 8, and operating expenses and reserves projected for the subject as a subsidized property. Subsidized apartments typically experience higher management, auditing, and bookkeeping expenses, relative to similar conventional apartments, but often have lower real estate tax expenses.

Real Property Interest Valued, Value Opinions 1, 2 (possible), 4
fee simple estate, subject to short term leases.

The 4th Edition of the Dictionary of Real Estate Appraisal defines fee simple estate as “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.”

Real Property Interest Valued, Value Opinions 2 (possible), 3
fee simple estate, as restricted, subject to short-term leases.

The 4th Edition of the Dictionary of Real Estate Appraisal defines fee simple estate as “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.”

Prospective Value, Value Opinions 3, 4, 8

The term *prospective value* is defined by the 4th Edition of The Dictionary of Real Estate Appraisal as follows. “*Prospective value: a forecast of the value expected at a specified future date. A prospective value opinion is most frequently sought in connection with real estate projects that are proposed, under construction, or under conversion to a new use, or those that have not achieved sellout or a stabilized level of long-term occupancy at the time the appraisal report is written.*”

Comments from HB-1-3560

As used in Agency regulations and instructions, the term “as-improved value” refers to the value of real property after completion of proposed improvements. The Agency’s intended meaning of “as-improved value” is the same as the definition of *prospective value*. However, use of the term “as-improved value” can cause confusion for two reasons, as follows. 1) The term “as improved”, as used in a Highest and Best Use analysis, refers to the subject real estate as it has already been improved at the time of the appraisal, not as it is proposed to be improved. Therefore, “as-improved value” could be interpreted to refer to the value of the subject property as it has already been improved at the time of the appraisal. 2) There is a common misconception with the use of the term “as-improved value” that this is a value based on a hypothetical condition; that is, the value of the property as if it were improved, as proposed, as of the date of inspection. Since this scenario is impossible, an “as-improved value”, as of appraisal date (inspection date), is not useful. The term *prospective value* is better understood than the terms “as-improved value” and “as-complete value” by appraisers and users of appraisals and has replaced these terms in appraisal literature and common usage. Therefore, the term *prospective value* should be used when requesting or reporting a forecasted value, and the associated date of value should be the projected date of completion of construction.

“As-Is” Value

The 4th Edition of the Dictionary of Real Estate Appraisal defines value as is as follows. “Value as is: the value of specific ownership rights to an identified parcel of real estate as of the effective date of the appraisal; relates to what physically exists and is legally permissible and excludes all assumptions concerning hypothetical market conditions or possible rezoning.”

Comments from HB-1-3560

The term “As-Is” should precede the term market value, subject to restricted rents, when the market value, subject to restricted rents, of the project at the time of the appraisal is required.

Insurable Value, Value Opinion 8

A definition of *insurable value* acceptable for use in Agency Multi-Family Housing appraisals is as follows: *Insurable value: the value of the destructible portions of a property which determines the amount of insurance that may, or should, be carried to indemnify the insured in the event of loss. The estimate is based on replacement cost new of the physical improvements that are subject to loss from hazards, plus allowances for debris removal or demolition. It should reflect only direct (hard) construction costs, such as construction labor and materials, repair design, engineering, permit fees, and contractor's profit, contingency, and overhead. It should not include indirect (soft) costs, such as administrative costs, professional fees, and financing costs.*

The term “insurable cost” is sometimes used instead of the term *insurable value* because it is based strictly on a cost estimate, not a value concluded in an appraisal. However, the term *insurable value* is more commonly used. Attachment 7-I, *Insurable Value Calculation*, is a worksheet that should be used as a guide by State Appraisers and fee appraisers contracted by the Agency in calculating *insurable value*.

Extraordinary Assumption:

An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusion.

Source: Uniform Standards of Professional Appraisal Practice (USPAP)

For those reports that incorporate an extraordinary assumption, USPAP requires that the appraiser provide notice to the user of the report that the use of the extraordinary assumption might affect the assignment results. The appraiser(s) is not required to report on the impact of the extraordinary assumption on assignment results.

The following extraordinary assumptions are incorporated:

- The units and other improvements at the property that were viewed during the inspection (defined within the body of the report) are representative of all the units and other improvements at the property.

Hypothetical Condition:

That which is contrary to what exists but is supposed for the purpose of analysis.

Source: Uniform Standards of Professional Appraisal Practice (USPAP)

For those reports that incorporate a hypothetical condition, USPAP requires that the appraiser provide notice to the user of the report that the use of the hypothetical condition might affect the assignment results. The appraiser(s) is not required to report on the impact of the hypothetical condition on assignment results.

Applicable hypothetical conditions have been identified in the prior section.

Intended Use, User

The intended use for most of the values developed and reported has been shown in the prior section. For those values that do not have an intended use, the use is to assist the client in their understanding and analysis of the property. Unless otherwise identified within this report, the intended use of the report has not been more fully described to the appraiser(s). The client, or intended user, for whom the report is prepared is identified in the letter of transmittal, Bill Rea of Rea Ventures Group, LLC. The only other known intended users are representatives from USDA, Georgia Department of Community Affairs, and Mr. Rex Tilley at Churchill Stateside Group, LLC and/or its Assigns. Unless otherwise identified within this report, no other intended users have been identified to the appraiser(s).

The Uniform Standards of Professional Appraisal Practice (USPAP) have a number of rules, comments, advisory opinions, and frequently asked questions relating to control or use of reports. The signatory(ies) of this report is/are bound by USPAP. Therefore, as noted in the letter of transmittal, no party other than the intended user may use this report without receiving written consent from the signing appraiser(s). Further, no part of the report shall be published or made available to the general public, nor shall any part of the report be published or made available for public or private offering memorandum or prospectus, without the written consent of the signing appraiser(s) of this report.

Scope

The scope of services was focused on reviewing issues considered relevant and appropriate by the appraisers based on their knowledge of the subject's real estate market. The appraisers believe that the scope was sufficient to arrive at an accurate value opinion. A summary of the scope of work is presented below. Additional explanatory comments regarding the scope undertaken can be found throughout the report. The scope included the following:

- Review and analysis of the subject market area, economic and demographic issues.
- Review of existing and planned comparable and/or competitive properties located within the subject area.
- Analysis of economic, demographic and development factors within the subject market area.
- Physical inspection of the real estate; specifically, observation of the above ground attributes of the site was made, observation of representative exterior facades of building(s) on site was made, observation of representative property amenities on site was made, and interior viewing of a sufficient number of representative living units within the building(s) was made in a manner considered sufficient to comprehend and analyze the physical and functional adequacy and appropriateness of the real estate in light of market conditions as of the date of valuation.
- Evaluation of the highest and best use of the property.
- Consideration of all applicable and appropriate valuation approaches.
- Reconciliation of the above opinions to a point value opinion.

Note that:

- Crown Appraisal Group, Inc. employees are not engineers and are not competent to judge matters of an engineering nature.
- Inspection of 100% of the units or other improvements at the property was not made.

Pertinent Dates

The as-is and prospective dates of valuation are noted in the charts on the first page of the letter of transmittal and the Executive Summary Page. The most recent inspection of the property was on September 12, 2013. It is noted that the term *inspection* is not intended to convey a complete, exhaustive examination of the real estate. Such an inspection is best suited for an engineer, architect, or building inspector formally educated and trained in such matters. Rather, the term denotes that the individual viewing the real estate was at the property on the date and observed the general condition and quality of the real estate at that time. The date of report--the date the report was written—is October 25, 2013.

Events subsequent to these dates may have an impact on the opinions developed through the course of the assignment, and on the opinions contained within this report. All such subsequent events are beyond the control of the appraiser(s), and any consequences thereof are beyond the scope of this assignment.

Comments Regarding Appraisal

A number of comments regarding the subject and appraisal assignment are discussed below:

- **Property.** The subject is known as Pinebrook Apartments and has an address of 715 Mason Terrace Road in Perry, Georgia. The property is a 52-unit apartment complex. The property includes one and two bedroom units. The complex operates as a Class C, subsidized income, non-age restricted property. The improvements were built in 1988. Overall, the property is in average physical and functional condition.

The unit size is based on the best information provided. Crown was given floor plans, square foot summary pages, and building plans. The information was generally consistent, but not identical.

Tenancy at the subject property is restricted to households with incomes of less than the area median household income. The units at the subject have long maintained a high level of occupancy. Demand for subsidized rental units is high locally.

Historical operating information for the subject was available for 2009, 2010, 2011, and 2012. In general the information provided indicated that the property is being run in an efficient manner. Historical information will be used when developing expenses and for valuation purposes, while market data will be used as support.

- **Near Term.** The property is part of a portfolio of apartment properties in Georgia that are to transfer ownership in the near term. There is a letter of intent on the subject property, proposing an option to purchase. The letter of intent was requested but not provided. The transfer is assumed to be between related parties and not one that is considered to be arms-length. The purchase price amount given to the appraisers is \$1,389,076. As the transfer is not arms-length no credence is given to this purchase price when determining the said values of the subject property. Subsequent to the sale, ownership plans to renovate the subject with funding from a combination of mortgage monies, sale proceeds of Section 42 Low Income Housing Tax Credits, and equity. Following the acquisition the existing Section 515 loan will remain at the property. (The loan is expected to be restated under new rates and terms.) Renovations will be extensive and will include interior unit renovation as well as exterior unit renovation. Among the items that will be replaced and/or renovated (depending upon the condition of the individual components) are air conditioning units, windows, roofs, plumbing and electric, parking areas, and kitchens and bathrooms. Furthermore, all Section 504 accessibility issues will be addressed and corrected as appropriate.
- **Property Location.** The property is located in the northeast quadrant of I-75 and US 341 (Sam Nunn Boulevard), about 1½ miles northwest of downtown Perry. The property is in Houston County. Perry is the county seat of Perry County and is located in central Georgia. Perry is a relatively small Georgia town. There are few truly comparable properties in the area. The location of the subject is considered to be a good one for the property type.
- **Competency of the Appraisers.** We have performed numerous appraisals on properties such as the subject. Files are maintained with historic and current market data relative to the subject. Competency has been established in both the property type and market through work experience or research of market trends. Therefore, we possess the requisite knowledge and experience to perform the appraisal assignment.

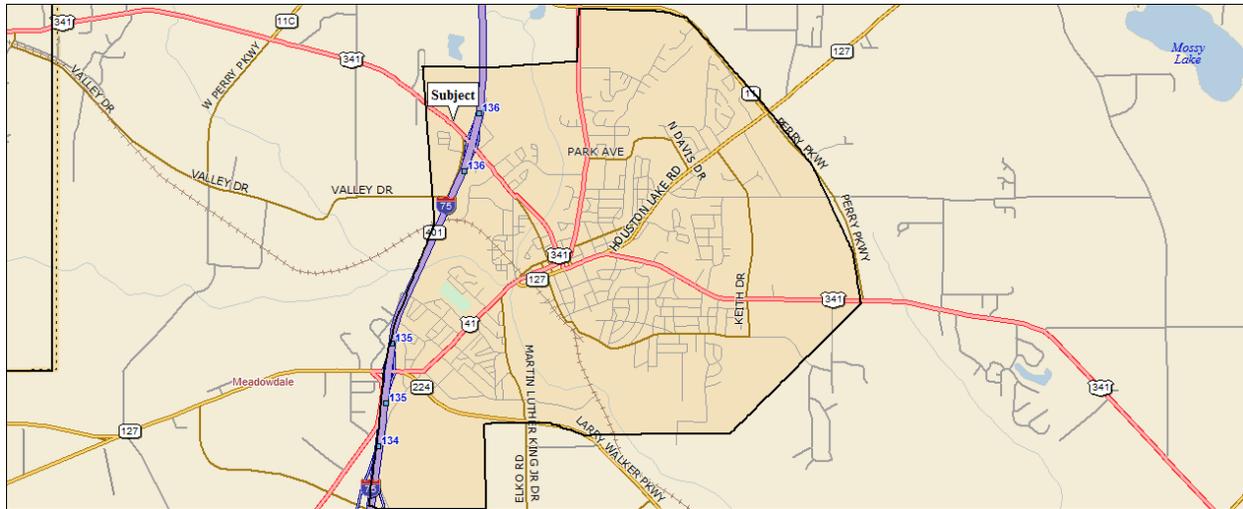
Apartment Housing

There is a continual change in the definition and implications of various apartment types. A number of the more prevalent apartment classifications include *luxury*, *Class A*, *Class B*, *conventional*, *LIHTC*, *HUD*, and *affordable*. With respect to the senior market, there are classifications such as *independent* or *assisted*. Some terms have specific definitions, while some can be used interchangeably (upscale or luxury, etc.). In some cases, the terms are meant to suggest a specific resident profile or income level (LIHTC or affordable are examples). To minimize confusion, the following definitions and comments are presented:

- Luxury, Class A, Class B, Class C - The type of property is designated by the year of construction and the amenities (unit and project). A luxury complex will have more amenities than a Class A property, while a Class A property has more amenities than Class B. A Class C property typically possesses few amenities. An *upscale* property could be either a luxury or a Class A property. A Class B property could be new. A Class B property does not possess all the amenities of a Class A or luxury property.
- Market rate, LIHTC, HUD - Refers to the rent limits, or rent payment structure. A market rate property has no rent constraints (other than the market) while a LIHTC (Low-Income Housing Tax Credit) property is (or could be) constrained by income levels as well as the market. A market rate property is also known as a *conventional* property. Low-income, subsidized, or affordable (such as HUD Section 8 and/or Section 236) are designations used to denote subsidy programs other than the LIHTC program, and refer to the entity (or entities) that make the rent payment to the property owner.
- Independent, assisted - Refers to the level of service offered, particularly with respect to the senior housing/care market. An independent complex has few, if any, services (such as meals, housekeeping). An assisted living facility offers more ADL (Activities of Daily Living) services. This classification also has implications as to the typical design of apartment units within a complex – an independent complex generally has apartments with full kitchens and exterior entries, while the units at an assisted living complex typically have a small kitchenette, many common areas, and interior enclosed hallways.
- Elderly Only (Age Restricted) - Refers to the minimum age of at least one of the residents of a unit. Depending upon the specific nature of a given program, the typical minimum age limit is within the 55 to 65 range.

Based on the above, the complex operates as a Class C, subsidized income, non-age restricted property.

Perry



Physical Boundaries

Perry is roughly bordered by North Perry Parkway to the north and east, South Perry Parkway to the south and I-75 to the west.

Road Infrastructure

There are several roadways which service Perry, including I-75, US 41 (Macon Road), US 341 (Sam Nunn Boulevard), SR 11 (North Perry Parkway), SR 127 (Marshallville Road), and SR 224 (Limerock Road). I-75 is a significant north-south interstate in the subject's immediate area. It connects the subject's area with Macon (± 25 miles) and Atlanta (± 95 miles) to the north as well as Dooly County (± 12 miles) and the Florida state border (± 130 miles) to the south. US 41 is a north-south roadway which travels through downtown Perry. US 41 travels roughly parallel to I-75. To the north, US 41 connects the subject's area with Peach County (± 4 miles). To the south, US 41 connects the subject's area with Dooly County (± 12 miles). US 341 is a northwest-southeast roadway which has a full service interchange with I-75 and travels through downtown Perry. To the northwest, US 341 connects the subject's area to Peach County. To the southeast, it connects the subject with Pulaski County (± 13 miles). SR 11 is only about 5 miles long and acts as the northern outerbelt to Perry. It has a full service interchange with I-75 just north of the city. SR 127 is a northeast-southwest roadway which travels through downtown Perry. It has its northeastern terminus is Kathleen, about 7 miles northeast of Perry. To the southwest, SR 127 connects the subject to Macon County (± 6 miles). SR 224 is an east-west roadway which borders the southern city limits of Perry. It has an eastern terminus in Hayneville (± 9 miles) and connects the subject with Macon County.

Population

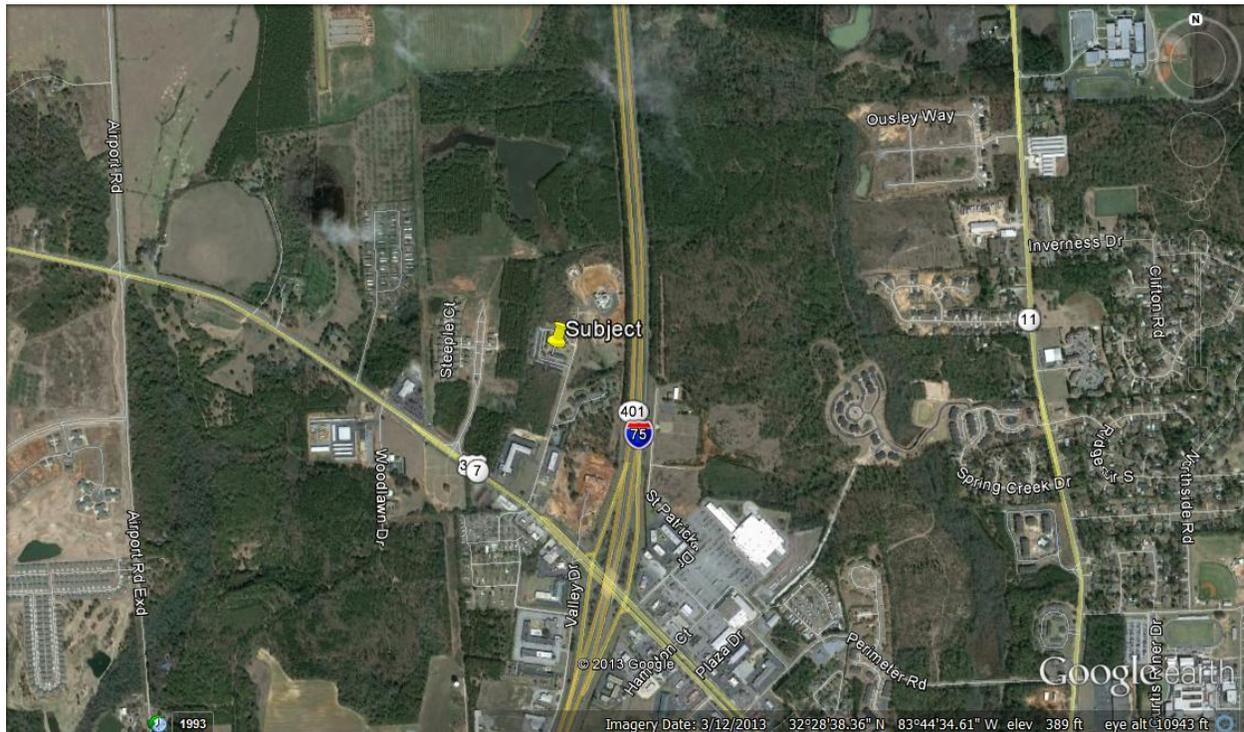
The Perry population according to the 2000 census was 11,363. In 2010, the population was 14,822 (increase of about 30%). The 2013 population estimation is 15,762 (population increase of about 6% from 2010). The population is expected to increase by about 9% in 2018 to 17,134.

History

Perry was originally founded in 1823 as Wattsville. The town was located near the center of Houston County and served as its county seat. The name was later changed to honor Commodore Oliver Hazard Perry, a hero of the War of 1812. It was officially incorporated in 1824. The original city limit was a circle, one mile in diameter. Perry is home to the Georgia National Fair.

Land Uses and Development

Land uses and development in the immediate area consist of single-family residential properties, multi-family properties, retail properties, industrial properties, and institutional uses (churches, schools, parkland). The aerial photo below depicts the general location of the area and the surrounding development.



Residential development in the subject's immediate area is located along the secondary roadways which intersect US 341 (Sam Nunn Boulevard). Just west of the subject is a single family residential subdivision known as Walker Farm. Walker Farm began development in 2008 and generally consists of homes ranging in size from $\pm 2,000$ sf to $\pm 3,000$ sf. Immediately east of the subject, across Mason Terrace, are Timberwood Apartments (Rent Comparable 1; ± 60 units) and Mason Terrace (± 10 units). Smith Heights Apartments (subsidized; ± 50 units) are located about $\frac{3}{4}$ mile southeast of the subject, on the north side of Smith Drive. Gatwick Senior Village (± 60 units) and the Perry Housing Authority (subsidized; ± 52 units) are located about one mile southeast of the subject along Perimeter Road. There are several apartment complexes located along SR 11 (Macon Road), about one mile east of the subject. These multifamily properties include Winslow Place (Rent Comparable 2; ± 88 units), Ashton Landing (LIHTC; ± 108 units), Commodore Manor Apartments (subsidized; ± 53 units), and Heritage Apartments (± 45 units). There is a ± 60 unit mobile home park located about $\frac{1}{4}$ mile south of the subject on the south side of Sam Nunn Boulevard.

Retail development is the most prominent user in the subject's immediate area. The majority of retail development is located along Sam Nunn Boulevard, about ¼ mile south of the subject. In the northwest quadrant of Sam Nunn Boulevard and Mason Terrace is Quality Inn (±102 rooms). In the northeast quadrant are Knights Inn (±45 rooms) and Hamilton Inn (±98 rooms). Along the south side of Sam Nunn Boulevard are Passport Inn (±40 rooms), Grillmaster BBQ, and Chevron gas station. Eastward, in the southwest quadrant of I-75 and Sam Nunn Boulevard, are Marathon gas station, Applebee's, EconoLodge (±78 rooms), Green Derby restaurant, Ramada Inn (±202 rooms), and Ashburn Inn & Suites (±50 rooms). In the northeast quadrant is Plaza Shopping Center (±180,000 sf). Plaza Shopping Center is anchored by Wal-Mart and is also tenanted by Dollar General, Radio Shack, H&R Block, Aaron's, Shoe Show, and Dollar Tree. Outparcels include KFC, Circle K gas station, Waffle House, Wendy's, and Burger King. Also in this quadrant are Great Inn (±112 rooms) and McDonald's Western Store. In the southeast quadrant of I-75 and Sam Nunn Boulevard are a vacant gas station, Zaxbys, Hampton Inn (±98 rooms), Flash Foods gas station, Krystal, McDonald's, and Howard Johnson (±58 rooms).

Further east, on the south side of Sam Nunn Boulevard, is Perry Marketplace Shopping Center (±175,000 sf). Perry Marketplace is anchored by Kroger and is tenanted by Beall's, Goody's, Ace Hardware, Cato, AppleCare, LifeTree, Great Clips, GNC, Verizon, AT&T, and American Deli. There are Chic-Fil-A, Red Lobster, and Kroger gas station outparcels. Other freestanding retail users along Sam Nunn Boulevard include NAPA, Advanced Auto Parts, Sherwin Williams, Edward Jones, Walgreen's, Lube Fast Oil Change, Carlos & BJ Auto Sales, Kimberly BBQ, Taco Bell, Pizza Hut, Hibatchi Buffet, Title Max, Subway, and Captain D's. On the west side of I-75 along Sam Nunn Boulevard is David Raglan Ford dealership.

There is a limited amount of industrial development in the subject's immediate area. About ½ mile southwest of the subject, in the southwest quadrant of Sam Nunn Boulevard and Woodlawn Drive is Bob White Self Storage (±500 units).

There are several institutional users in the subject's immediate area. Perry Woodlawn Cemetery is located about ¼ mile southwest of the subject on the south side of Sam Nunn Boulevard. Schools are typically located near historical downtown Perry, about 1½ miles southeast of the subject. Schools include Perry High School, Perry Middle School, Perry Primary School, and Morningside Elementary School. Churches are also located near downtown Perry and include Saint Christopher Episcopal Church, Perry Presbyterian Church, New Hope Baptist Church, Perry United Methodist Church, and First Baptist Church.

Immediate (Adjacent) Land Uses

North: To the north are the BAPS Swaminarayan Sanstha (a Hindu organization) and vacant, wooded land.

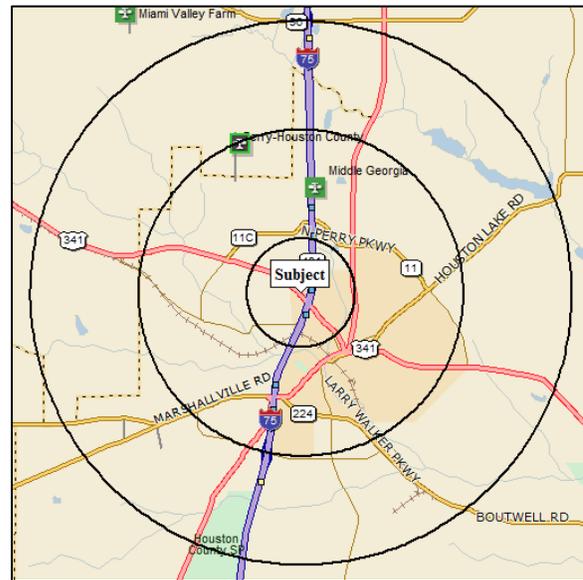
South: To the south is vacant, wooded land. Further south is Quality Inn (±102 rooms).

East: To the east, across Mason Terrace Road, are Timberwood Apartments (Rent Comparable 1; ±60 units) and vacant, undeveloped land.

West: To the west is the Walker Farm subdivision of single family homes.

Market Area Demographic Profile

The chart below shows demographic data for the subject market for a number of identified areas. The map depicts the areas covered.

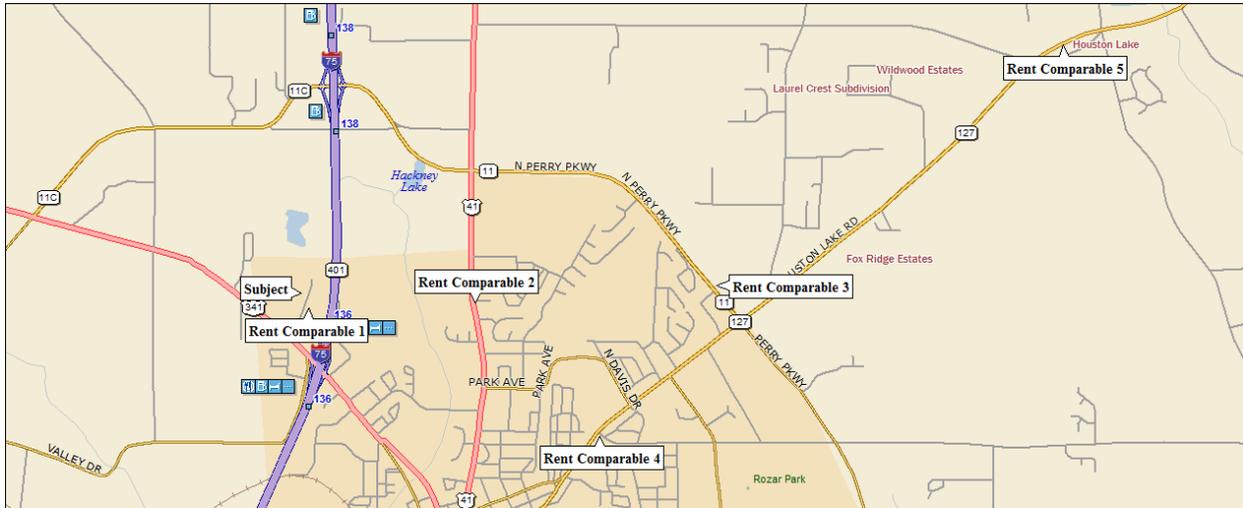


Pinebrook Apartments											
Demographic Profile: 1, 3 and 5-mile Radii											
	Perry		Radius from subject						Houston		
	City	CAG	1 Mile	CAG	3 Mile	CAG	5 Mile	CAG	County	CAG	
Population											
2000	11,363		1,442		10,900		15,820		110,764		
2010	14,822	2.7%	2,062	3.6%	13,049	1.8%	20,100	2.4%	139,900	2.4%	
2013	15,762	2.1%	2,226	2.6%	13,697	1.6%	21,218	1.8%	148,671	2.0%	
2018	17,134	1.7%	2,471	2.1%	14,692	1.4%	22,900	1.5%	161,774	1.7%	
Median Age	37.00		35.20		38.20		37.90		35.00		
Average Age	38.10		37.60		39.20		38.50		36.20		
Households											
2000	4,292		589		4,194		5,922		40,909		
2010	5,749	3.0%	883	4.1%	5,265	2.3%	7,754	2.7%	53,051	2.6%	
2013	6,154	2.3%	957	2.7%	5,567	1.9%	8,222	2.0%	56,579	2.2%	
2018	6,739	1.8%	1,067	2.2%	6,017	1.6%	8,913	1.6%	61,807	1.8%	
Average Household Size											
2000	2.65		2.45		2.60		2.67		2.71		
2010	2.58	-0.3%	2.34	-0.5%	2.48	-0.5%	2.59	-0.3%	2.64	-0.3%	
2013	2.56	-0.2%	2.33	-0.1%	2.46	-0.2%	2.58	-0.1%	2.63	-0.1%	
2018	2.54	-0.1%	2.32	-0.1%	2.44	-0.2%	2.57	-0.1%	2.62	-0.1%	
Owner Occupied (est.)	3,877	63.00%	499	52.14%	3,426	61.54%	5,546	67.45%	37,742	66.71%	
Renter Occupied (est.)	2,277	37.00%	458	47.86%	2,141	38.46%	2,676	32.55%	18,837	33.29%	
Est. Household Income											
\$0-\$14,999	13.73%		14.00%		14.75%		12.65%		11.16%		
\$15,000-\$24,999	10.25%		12.85%		11.37%		9.90%		9.53%		
\$25,000-\$34,999	9.86%		10.03%		10.45%		9.85%		10.24%		
\$35,000-\$49,999	11.96%		15.67%		12.90%		11.92%		13.72%		
\$50,000-74,999	20.33%		19.54%		19.97%		20.37%		21.76%		
\$75,000-\$99,000	14.88%		12.33%		13.51%		15.34%		15.63%		
\$100,000 +	18.98%		15.46%		17.05%		19.97%		17.96%		
	100.0%		100.0%		100.0%		100.0%		100.0%		
Average Household Income (est.)	\$66,862		\$60,496		\$63,853		\$68,521		\$66,662		
Median Household Income (est.)	\$55,156		\$47,527		\$50,661		\$56,988		\$56,148		

¹ Compounded Annual Growth
Source: Claritas Inc.

Supply Side Analysis - Competitive Properties Survey

A survey of nearby multi-family complexes is detailed on the following pages. The map below shows the locations of the rent comparables and the subject.



Rent Comparable 1

General Data

Property Name:	Timberwood Apartments
Property Address:	710 Mason Terrace
City:	Perry
County:	Houston
MSA:	Warner Robins
State:	GA
Zip:	31069
Typical Tenancy:	Non-Age Restricted
Rent Type:	Market



Property Data

		Bedrooms	Baths	Type	Size (rsf)	Units	Rent	Rent/rsf
Year Built:	1986	0	1.0	Garden	288	6	\$459	\$1.59
Size (Number of Units):	60	1	1.0	Garden	576	42	\$489	\$0.85
Rentable Size (rsf):	36,288	2	1.0	Garden	864	12	\$649	\$0.75
Site Size (acres):	5.040							
Density (units/acre):	11.9							
Occ. At Time Of Survey:	90.0%							
Floors:	1							
Exterior:								

Landlord Paid Utilities

N Cable	N Sewer
N Electric	N Trash
N Gas	N Water

Tenant Paid Utilities

Y Cable	Y Sewer
Y Electric	Y Trash
Y Gas	Y Water

Unit Amenities

Y Refrigerator	N Fireplace
Y Range	Y Balcony/Patio
Y Microwave	N Att. Garage
Y Dishwasher	N Carport
Y Garbage Disposal	N Basement
N Air Conditioning	Y Ceiling Fans
Y Washer/Dryer	N Vaulted Ceilings
Y W/D Hookups	N Security System

Complex Amenities

N Pool	Y Laundry
N Clubhouse	N Det. Garages
N Tennis	N Cov. Storage
N Jacuzzi	N Open Storage
N Fit. Center	N Car Wash
N Lake	N Elevators
N Gated	N Playground
N Bus. Center	N Racquetball

Other Comments

Timberwood Apartments is located on the east side of Mason Terrace, in the northwest quadrant of the I-75/US 341 interchange and about 1.5 miles northwest of downtown Perry. Perry is the county seat of Houston County. This location is within the Warner Robins MSA. All units contain attic storage except for studios. Select two bedroom units have an additional bathroom for a \$20/month premium.

Rent Comparable 2

General Data

Property Name:	Winslow Place Apartments
Property Address:	200 Bristol Street
City:	Perry
County:	Houston
MSA:	Warner Robins
State:	GA
Zip:	31069
Typical Tenancy:	Non-Age Restricted
Rent Type:	Market



Property Data

		Bedrooms	Baths	Type	Size (rsf)	Units	Rent	Rent/rsf
Year Built:	1988	1	1.0	Garden	745	32	\$535	\$0.72
Size (Number of Units):	88	2	1.0	Garden	978	24	\$630	\$0.64
Rentable Size (rsf):	81,512	2	2.0	Garden	1,045	24	\$650	\$0.62
Gross Size (gsf):	82,260	2	2.0	Garden	1,140	8	\$665	\$0.58
Site Size (acres):	7.270							
Density (units/acre):	12.1							
Occ. At Time Of Survey:	97.7%							
Floors:	2							
Exterior:	Combination							

Landlord Paid Utilities

N Cable	N Sewer
N Electric	N Trash
N Gas	N Water

Tenant Paid Utilities

Y Cable	Y Sewer
Y Electric	Y Trash
Y Gas	Y Water

Unit Amenities

Y Refrigerator	N Fireplace
Y Range	Y Balcony/Patio
N Microwave	N Att. Garage
Y Dishwasher	N Carport
Y Garbage Disposal	N Basement
Y Air Conditioning	Y Ceiling Fans
N Washer/Dryer	N Vaulted Ceilings
Y W/D Hookups	N Security System

Complex Amenities

Y Pool	Y Laundry
N Clubhouse	N Det. Garages
N Tennis	N Cov. Storage
N Jacuzzi	N Open Storage
Y Fit. Center	N Car Wash
N Lake	N Elevators
N Gated	Y Playground
N Bus. Center	N Racquetball

Other Comments

Winslow Place Apartments is located on the east side of US 42 (Macon Road), about one mile northeast of the I-75/US 341 interchange and about 1.25 miles north of downtown Perry. This location is in Houston County within the Warner Robbins MSA. Perry is the county seat of Houston County. The 8 largest 2 bedroom units include a sunroom. Additional amenities include a sports court and picnic area. The property is currently offering \$200 off 1st month's rent.

Rent Comparable 3

General Data

Property Name:	Hampton Place Apartments
Property Address:	395 Perry Parkway
City:	Perry
County:	Houston
MSA:	Warner Robins
State:	GA
Zip:	31088
Typical Tenancy:	Non-Age Restricted
Rent Type:	Market



Property Data

		Bedrooms	Baths	Type	Size (rsf)	Units	Rent	Rent/rsf
Year Built:	1999	1	1.0	Garden	747	48	\$625	\$0.84
Size (Number of Units):	152	2	1.0	Garden	982	48	\$690	\$0.70
Rentable Size (rsf):	139,884	2	2.0	Garden	1,069	56	\$740	\$0.69
Gross Size (gsf):	142,500							
Site Size (acres):	16.650							
Density (units/acre):	9.1							
Occ. At Time Of Survey:	90.0%							
Floors:	2							
Exterior:	Siding							

Landlord Paid Utilities

N Cable	Y Sewer
N Electric	Y Trash
N Gas	N Water

Tenant Paid Utilities

Y Cable	N Sewer
Y Electric	N Trash
N Gas	Y Water

Unit Amenities

Y Refrigerator	N Fireplace
Y Range	N Balcony/Patio
Y Microwave	N Att. Garage
Y Dishwasher	N Carport
Y Garbage Disposal	N Basement
Y Air Conditioning	Y Ceiling Fans
N Washer/Dryer	N Vaulted Ceilings
Y W/D Hookups	N Security System

Complex Amenities

Y Pool	Y Laundry
Y Clubhouse	N Det. Garages
Y Tennis	N Cov. Storage
N Jacuzzi	N Open Storage
Y Fit. Center	N Car Wash
N Lake	N Elevators
N Gated	Y Playground
N Bus. Center	N Racquetball

Other Comments

Hampton Place is located in the northwest quadrant of SR 11 (North Perry Parkway) and SR 127 (Houston Lake Road), about 2 miles northeast of the I-75/US 341 interchange and about 2 miles northeast of downtown Perry. Select units include water in the rent for an additional \$10-\$20/month.

Rent Comparable 4

General Data

Property Name:	Pacific Coast Apartments
Property Address:	1712 Kings Chapel Road
City:	Perry
County:	Houston
MSA:	Warner Robins
State:	GA
Zip:	31069
Typical Tenancy:	Non-Age Restricted
Rent Type:	Market



Property Data

		<u>Bedrooms</u>	<u>Baths</u>	<u>Type</u>	<u>Size (rsf)</u>	<u>Units</u>	<u>Rent</u>	<u>Rent/rsf</u>
Year Built:	1975	2	1.0	Garden	650	10	\$525	\$0.81
Size (Number of Units):	10							
Rentable Size (rsf):	6,500							
Gross Size (gsf):	8,400							
Site Size (acres):	0.970							
Density (units/acre):	10.3							
Occ. At Time Of Survey:	90.0%							
Floors:	1							
Exterior:	Concrete							

Landlord Paid Utilities

N Cable	Y Sewer
N Electric	Y Trash
N Gas	Y Water

Tenant Paid Utilities

Y Cable	N Sewer
Y Electric	N Trash
Y Gas	N Water

Unit Amenities

Y Refrigerator	Y Fireplace
Y Range	N Balcony/Patio
N Microwave	N Att. Garage
Y Dishwasher	N Carport
Y Garbage Disposal	N Basement
Y Air Conditioning	N Ceiling Fans
N Washer/Dryer	N Vaulted Ceilings
Y W/D Hookups	N Security System

Complex Amenities

N Pool	N Laundry
N Clubhouse	N Det. Garages
N Tennis	N Cov. Storage
N Jacuzzi	N Open Storage
N Fit. Center	N Car Wash
N Lake	N Elevators
N Gated	N Playground
N Bus. Center	N Racquetball

Other Comments

This property is located on the south side of Houston Lake Road, just east of SR 127 (Houston Lake Road). This location is about one mile northeast of downtown Perry and about 1.50 miles east of the I-75/US 341 interchange. The property is located in Houston County within the Warner Robbins MSA. Perry is the county seat of Houston County.

Rent Comparable 5

General Data

Property Name:	Houston Lake Apartments
Property Address:	2350 Houston Lake Road
City:	Perry
County:	Houston
MSA:	Warner Robins
State:	GA
Zip:	31047
Typical Tenancy:	Non-Age Restricted
Rent Type:	Market



Property Data

		Bedrooms	Baths	Type	Size (rsf)	Units	Rent	Rent/rsf
Year Built:	2008	1	1.0	Garden	825	22	\$685	\$0.83
Size (Number of Units):	300	1	1.0	Garden	915	22	\$685	\$0.75
Rentable Size (rsf):	350,070	2	1.0	Garden	1,031	90	\$795	\$0.77
Gross Size (gsf):	354,710	2	2.0	Garden	1,230	90	\$795	\$0.65
Site Size (acres):	25.750	3	2.0	Garden	1,362	38	\$920	\$0.68
Density (units/acre):	11.7	3	2.0	Garden	1,488	38	\$920	\$0.62
Occ. At Time Of Survey:	90.0%							
Floors:	3							
Exterior:	Combination							

Landlord Paid Utilities

N Cable	Y Sewer
N Electric	Y Trash
N Gas	N Water

Tenant Paid Utilities

Y Cable	N Sewer
Y Electric	N Trash
Y Gas	Y Water

Unit Amenities

Y Refrigerator	N Fireplace
Y Range	Y Balcony/Patio
Y Microwave	N Att. Garage
Y Dishwasher	N Carport
Y Garbage Disposal	N Basement
Y Air Conditioning	Y Ceiling Fans
N Washer/Dryer	N Vaulted Ceilings
Y W/D Hookups	N Security System

Complex Amenities

Y Pool	Y Laundry
Y Clubhouse	Y Det. Garages
N Tennis	Y Cov. Storage
N Jacuzzi	N Open Storage
Y Fit. Center	Y Car Wash
Y Lake	N Elevators
Y Gated	Y Playground
N Bus. Center	N Racquetball

Other Comments

Houston Lake is located on the east side of SR 127 (Houston Lake Road), about 4.50 miles east of the I-75/SR 11 interchange and about 5 miles northeast of downtown Perry. Additional amenities include a picnic area and a walking trail.

Analysis

Pinebrook Apartments: The subject has 52-units, was built in 1988, and is in average physical and functional condition. It is more fully described and discussed in the Property Description section of the report. It is summarized below.

Pinebrook Apartments									
Property and Unit Amenity Summary									
Street Address	715 Mason Terrace Road			Year Built	1988		Floors	1 and 2	
City	Perry			Total Units	52		Occupancy	96.2%	
Unit Types	# units	Size (sf)		Utilities (L-landlord, T-tenant, na-not applicable)					
1 Bed, 1 Bath	14	600		<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Heat</u>	<u>Trash</u>	<u>Cable</u>
2 Bed, 1.5 Bath	38	900		L	L	T	T	L	T
Complex Amenities (Y/N)									
Pool	N		Bus. Ctr.	N		Lake	N		
Clubhouse	N		Laundry	N		Gated	N		
Tennis	N		Det. Garages	N		Car Wash	N		
Jacuzzi	N		Cov. Storage	N		Elevators	N		
Fit. Ctr	N		Open Storage	N		Playground	Y		
Unit Amenities (Y/N)									
Refrigerator	Y	Disposal	N	Fireplace	N	Central A/C	Y	Ceil. Fans	N
Range	Y	Double Sink	Y	Patio	Y	Wall A/C	N	Vlt Ceiling	N
Microwave	N	Fan Hood	Y	Balcony	N	W/D hk ups	Y	Sec Sys	N
Dishwasher	N	Att Garage	N	Bsmt	N	W/D	N	Storage	Y

Market Rent Conclusions

Apartment Survey Ranges						
Pinebrook Apartments						
		Unit Size		Adj. Monthly Rent		Rent/sf
As-Is	1 Bed, 1 Bath					
	Pinebrook Apartments	600		\$525		\$0.88
	Comparable Properties	576 -	709	\$484 -	\$600	\$0.84 - \$0.85
	average of comparables	745		\$532		\$0.71
As-Is	2 Bed, 1.5 Bath					
	Pinebrook Apartments	900		\$650		\$0.72
	Comparable Properties	650 -	901	\$580 -	\$729	\$0.81 - \$0.89
	average of comparables	978		\$645		\$0.66
As Ren.	1 Bed, 1 Bath					
	Pinebrook Apartments	600		\$575		\$0.96
	Comparable Properties	576 -	709	\$539 -	\$655	\$0.92 - \$0.94
	average of comparables	745		\$588		\$0.79
As Ren.	2 Bed, 1.5 Bath					
	Pinebrook Apartments	900		\$700		\$0.78
	Comparable Properties	650 -	901	\$630 -	\$779	\$0.86 - \$0.97
	average of comparables	978		\$695		\$0.71

Source: Crown Appraisal Group

The chart above details the as-is and as renovated market-derived rents for the subject as well as the range of rents offered at the comparable properties.

Adjustments are made to the comparables for perceived, material differences. (For example, while a given comparable unit might be 3 square feet larger than a given subject unit, there is no material difference in the unit size, so no adjustment is warranted, nor made.) Adjustments are considered for property attributes such as location (specific or general), condition/street appeal, or complex amenities, as well as unit attributes such as unit size, configuration (number of bedrooms or bathrooms, style), utility payment structure, unit amenities, and any concessions. If no adjustment is made, it is because there is no perceived difference between the comparable and the subject.

The charts that follow detail the analysis, and show the adjustments considered appropriate.

As-is Market Rent, 1 br-1 ba

The subject is comprised of 14 of these units. Comparable properties from the area are used to develop the as-is rent conclusion.

1 Bed, 1 Bath						
As is						
	Subject	Rent 1	Rent 2	Rent 3	Rent 4	Rent 5
Name	Pinebrook Apartments	Timberwood Apartments	Window Place Apartments	Hampton Place Apartments	Pacific Coast Apartments	Houston Lake Apartments
Address	715 Mason Terrace Road	710 Mason Terrace	200 Bristol Street	395 Perry Parkway	1712 Kings Chapel Road	2350 Houston Lake Road
Unadjusted Rent		\$489	\$535	\$625	\$525	\$685
Location						
Address	715 Mason Terrace Road	710 Mason Terrace	200 Bristol Street	395 Perry Parkway	1712 Kings Chapel Road	2350 Houston Lake Road
City	Perry	Perry	Perry	Perry	Perry	Perry
Population	15,762	Similar	Similar	Similar	Similar	Similar
Year Built	1988	1988	1988	1999	1975	2008
Condition/Street Appeal		Similar	Similar	Superior	Inferior	Superior
Unit Size (sq)	600	576 Inferior	715 Superior	717 Superior	650 Superior	825 Superior
Bedrooms	1	1	1	1	2	1
Bathrooms	1.0	1.0	1.0	1.0	1.0	1.0
Utilities (who pays?)						
Heat	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant
Electric	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant
Water	Landlord	Tenant	Tenant	Tenant	Landlord	Tenant
Sewer	Landlord	Tenant	Tenant	Landlord	Landlord	Landlord
Trash	Tenant	Tenant	Tenant	Landlord	Landlord	Landlord
Cable	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant
Unit Amenities	Ref. Range, A/C, Patio, W/D HU, Storage	Ref. Range, DW, Disp., Micro., Wn. A/C, W/D HU, Patio, Ceil. Fans, Storage	Ref. Range, DW, Disp., A/C, W/D HU, Patio/Bal., Ceil. Fans, Storage	Ref. Range, DW, Disp., Micro., A/C, W/D HU, Patio/Bal., Ceil. Fans	Ref. Range, DW, A/C, W/D HU, FP	Ref. Range, DW, Disp., Micro., A/C, W/D HU, Patio/Bal., Ceil. Fans, Storage
Complex Amenities	Playground	Laundry	Pool, Laundry, Fit. Ctr., Playground, Sports Ct., Picnic	Pool, Laundry, CH, Fit. Ctr., Playground, Sports Ct.	None	Pool, Laundry, CH, Fit. Ctr., Playground, Sports Ct., Storage, Lake, Gated, Car Wash, Picnic, Trail
Concessions	None	None	\$200 off 1st Month	None	None	None
Net Adjustment		\$20	-\$51	-\$52	-\$25	-\$85
Adjusted Rent		\$509	\$484	\$566	\$500	\$600
Market Rent Conclusion	\$525					

Adjustments are made for the perceived differences. The comparables range in size from 576 sf – 825 sf. After making the adjustments considered appropriate, the rent range is \$484-\$600. Central tendencies are \$532 (average) and \$509 (median). No one property stands out as being more comparable than another. An as-is market rent of \$525/month, within the central tendencies, is concluded to be appropriate.

As Renovated Market Rent, 1 br-1 ba

Comparable properties from the area are used to develop the as-renovated rent conclusion.

<i>1 Bed, 1 Bath As Renovated</i>		Subject		Rent 1	Rent 2	Rent 3	Rent 4	Rent 5
Name	Pinebrook Apartments	Timberwood Apartments	Window Place Apartments	Hampton Place Apartments	Pacific Coast Apartments	Houston Lake Apartments		
Address	715 Mason Terrace Road	710 Mason Terrace	200 Bristol Street	395 Perry Parkway	1712 Kings Chapel Road	2350 Houston Lake Road		
Unadjusted Rent		\$489	\$535	\$625	\$525	\$685		
Location								
Address	715 Mason Terrace Road	710 Mason Terrace	200 Bristol Street	395 Perry Parkway	1712 Kings Chapel Road	2350 Houston Lake Road		
City	Perry	Perry	Perry	Perry	Perry	Perry		
Population	15,762	15,762	15,762	15,762	15,762	15,762		
Year Built	1988-2013R	1986	1988	1999	1973	2008		
Conditions/Street Appeal		Inferior	Inferior	Inferior	Inferior	Inferior		
Unit Size (sq)	600	576	715	717	650	825		
Bedrooms	1	1	1	1	2	1		
Bathrooms	1.0	1.0	1.0	1.0	1.0	1.0		
Utilities (who pays?)								
Heat	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant		
Electric	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant		
Water	Landlord	Tenant	Tenant	Tenant	Landlord	Tenant		
Sewer	Landlord	Tenant	Tenant	Tenant	Landlord	Landlord		
Trash	Landlord	Tenant	Tenant	Tenant	Landlord	Landlord		
Cable	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant		
Unit Amenities	Ref. Range, A/C, DW, Patio, WD HU, Ceil. Fans, Storage	Ref. Range, DW, Disp., Micro., Win, A/C, WD HU, Patio, Ceil. Fans, Storage	Ref. Range, DW, Disp., A/C, WD HU, Patio/Bal., Ceil. Fans, Storage	Ref. Range, DW, Disp., Micro., A/C, WD HU, Patio/Bal., Ceil. Fans	Ref. Range, DW, A/C, WD HU, FP	Ref. Range, DW, Disp., Micro., A/C, WD HU, Patio/Bal., Ceil. Fans, Storage		
Complex Amenities	Playground, Picnic	Laundry	Pool, Laundry, Fit. Cr., Playground, Sports Ct., Picnic	Pool, Laundry, CH, Fit. Cr., Playground, Sports Ct.	None	Pool, Laundry, CH, Fit. Cr., Playground, Sports Ct., Storage, Lake, Gated, Car Wash, Picnic, Trail		
Concessions	None	None	\$200 off 1st Month	None	None	None		
Net Adjustment		\$80	\$4	-\$4	\$30	-\$30		
Adjusted Rent		\$569	\$539	\$621	\$555	\$655		
Market Rent Conclusion	\$575							

Source: Crown Appraisal Group

Adjustments are made for the perceived differences. The comparables range in size from 576 sf – 825 sf. After making the adjustments considered appropriate, the rent range is \$539-\$655. Central tendencies are \$588 (average) and \$569 (median). No one property stands out as being more comparable than another. An as-renovated market rent of \$575/month, within the central tendencies, is concluded to be appropriate.

As-is Market Rent, 2 br-1 ba

The subject is comprised of 38 of these units. Comparable properties from the area are used to develop the as-is rent conclusion.

2 Bed, 1.5 Bath As is		Subject	Rent 1	Rent 2	Rent 3	Rent 4	Rent 5
Name		Pinebrook Apartments	Timberwood Apartments	Windsor Place Apartments	Hampton Place Apartments	Pacific Coast Apartments	Houston Lake Apartments
Address		715 Mason Terrace Road	710 Mason Terrace	200 Bristol Street	395 Perry Parkway	1712 Kings Chapel Road	2350 Houston Lake Road
Unadjusted Rent		\$649	\$649	\$630	\$690	\$525	\$795
Location		715 Mason Terrace Road	710 Mason Terrace	200 Bristol Street	395 Perry Parkway	1712 Kings Chapel Road	2350 Houston Lake Road
Address		Perry	Perry	Perry	Perry	Perry	Perry
City		15,762	15,762	15,762	15,762	15,762	15,762
Population		Similar	Similar	Similar	Similar	Similar	Similar
Year Built		1988	1988	1988	1999	1975	2008
Condition/Street Appeal		Similar	Similar	Similar	Superior	Inferior	Superior
Unit Size (sf)		900	861	978	962	650	1,031
		Inferior	Superior	Superior	Superior	Inferior	Superior
		\$7	-\$16	-\$16	-\$16	\$50	-\$26
Bedrooms		2	2	2	2	2	2
		Similar	Similar	Similar	Similar	Similar	Similar
		\$0	\$0	\$0	\$0	\$0	\$0
Bathrooms		1.5	1.0	1.0	1.0	1.0	1.0
		Similar	Similar	Similar	Similar	Similar	Similar
		\$0	\$0	\$0	\$0	\$0	\$0
Utilities (who pays?)							
Heat	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant
Electric	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant
Water	Landlord	Landlord	Tenant	Tenant	Tenant	Landlord	Tenant
Sewer	Landlord	Tenant	Tenant	Tenant	Landlord	Landlord	Landlord
Trash	Landlord	Tenant	Tenant	Tenant	Landlord	Landlord	Landlord
Cable	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant
		Inferior	Inferior	Inferior	Inferior	Similar	Inferior
		\$30	\$30	\$30	\$15	\$0	\$15
Unit Amenities	Ref. Range, A/C, Patio, W/D HU, Storage	Ref. Range, DW, Disp., Micro, Wn. A/C, W/D HU, Patio, Ceil. Fans, Storage	Ref. Range, DW, Disp., A/C, W/D HU, Patio/Bal., Ceil. Fans, Storage	Ref. Range, DW, Disp., Micro, A/C, W/D HU, Patio/Bal., Ceil. Fans	Ref. Range, A/C, DW, D, W/D HU, B.P. Ceil. Fans	Ref. Range, DW, Disp., Micro, A/C, W/D HU, Patio/Bal., Ceil. Fans, Storage	
		Superior	Superior	Superior	Superior	Superior	
		-\$10	-\$5	-\$5	-\$10	-\$5	
Complex Amenities	Playground	Laundry	Pool, Laundry, Fit. Ctr., Playground, Sports Ct., Picnic	Pool, Laundry, CH, Fit. Ctr., Playground, Sports Ct.	None	Pool, Laundry, CH, Fit. Ctr., Playground, Sports Ct., Storage, Lake, Gated, Car Wash, Picnic, Trail	
		Similar	Superior	Superior	Similar	Superior	
		\$0	-\$25	-\$25	\$0	-\$25	
Concessions	None	None	\$200 off 1st Month	None	None	None	
		\$0	-\$17	\$0	\$0	\$0	
Net Adjustment		\$27	-\$32	-\$46	\$55	-\$66	
Adjusted Rent		\$676	\$598	\$644	\$580	\$729	
Market Rent Conclusion		\$650					

Adjustments are made for the perceived differences. The comparables range in size from 650 sf – 1,031 sf. After making the adjustments considered appropriate, the rent range is \$580-\$729. Central tendencies are \$645 (average) and \$644 (median). No one property stands out as being more comparable than another. An as-is market rent of \$650/month, near the central tendencies, is concluded to be appropriate.

As Renovated Market Rent, 2 br-1 ba

Comparable properties from the area are used to develop the as-renovated rent conclusion.

2 Bed, 1.5 Bath As Renovated		Subject	Realt 1	Realt 2	Realt 3	Realt 4	Realt 5
Name		Pinebrook Apartments	Timberwood Apartments	Windsor Place Apartments	Hampton Place Apartments	Pacific Coast Apartments	Houston Lake Apartments
Address		715 Mason Terrace Road	710 Mason Terrace	200 Brintel Street	395 Perry Parkway	1712 Kings Chapel Road	2350 Houston Lake Road
Unadjusted Rent		\$649	\$630	\$630	\$690	\$525	\$795
Location		715 Mason Terrace Road	710 Mason Terrace	200 Brintel Street	395 Perry Parkway	1712 Kings Chapel Road	2350 Houston Lake Road
Address							
City		Perry	Perry	Perry	Perry	Perry	Perry
Population		15,762	15,762	15,762	15,762	15,762	15,762
		Similar	Similar	Similar	Similar	Similar	Similar
		\$0	\$0	\$0	\$0	\$0	\$0
Year Built		1988/2013R	1988	1988	1990	1973	2008
Condition/Street Appeal			Inferior	Inferior	Inferior	Inferior	Inferior
			\$50	\$50	\$40	\$60	\$30
Unit Size (sf)		900	864	978	982	650	1,031
			Inferior	Superior	Superior	Inferior	Superior
			\$7	-\$16	-\$16	\$50	-\$26
Bedrooms		2	2	2	2	2	2
			Similar	Similar	Similar	Similar	Similar
			\$0	\$0	\$0	\$0	\$0
Bathrooms		1.5	1.0	1.0	1.0	1.0	1.0
			Similar	Similar	Similar	Similar	Similar
			\$0	\$0	\$0	\$0	\$0
Utilities (who pays?)							
Heat		Tenant	Tenant	Tenant	Tenant	Tenant	Tenant
Electric		Tenant	Tenant	Tenant	Tenant	Tenant	Tenant
Water		Landlord	Tenant	Tenant	Tenant	Landlord	Tenant
Sewer		Landlord	Tenant	Tenant	Landlord	Landlord	Landlord
Trash		Landlord	Tenant	Tenant	Landlord	Landlord	Landlord
Cable		Tenant	Tenant	Tenant	Tenant	Tenant	Tenant
			Inferior	Inferior	Inferior	Similar	Inferior
			\$30	\$30	\$15	\$0	\$15
Unit Amenities		Ref. Range, A.C, DW, Patio, W/D HU, Ceil. Fans, Storage	Ref. Range, DW, Disp., Micro., Win. A.C, W/D HU, Patio, Ceil. Fans, Storage	Ref. Range, DW, Disp., A.C, W/D HU, Patio/Bal., Ceil. Fans, Storage	Ref. Range, DW, Disp., Micro., A.C, W/D HU, Patio/Bal., Ceil. Fans	Ref. Range, A.C, DW, D, W/D HU, B/P, Ceil. Fans	Ref. Range, DW, Disp., Micro., A.C, W/D HU, Patio/Bal., Ceil. Fans, Storage
			Superior	Superior	Superior	Superior	Superior
			-\$10	-\$5	-\$10	-\$5	-\$10
Complex Amenities		Playground, Picnic	Laundry	Pool, Laundry, Fit. Ctr., Playground, Sports Ct., Picnic	Pool, Laundry, CH, Fit. Ctr., Playground, Sports Ct.	None	Pool, Laundry, CH, Fit. Ctr., Playground, Sports Ct., Storage, Lake, Gated, Car Wash, Picnic, Trail
			Similar	Superior	Superior	Similar	Superior
			\$0	-\$25	-\$25	\$0	-\$25
Concessions		None	None	\$200 off 1st Month	None	None	None
			\$0	-\$17	\$0	\$0	\$0
Net Adjustment			\$27	\$18	\$4	\$105	-\$16
Adjusted Rent			\$726	\$648	\$694	\$630	\$779
Market Rent Conclusion		\$700					

Adjustments are made for the perceived differences. The comparables range in size from 650 sf – 1,031 sf. After making the adjustments considered appropriate, the rent range is \$630-\$779. Central tendencies are \$695 (average) and \$694 (median). No one property stands out as being more comparable than another. An as-renovated market rent of \$700/month is concluded to be appropriate.

Market Vacancy Conclusion

Five market rate properties have been detailed. There are relatively few market rate rent comparables. Occupancy of the comparable properties ranges from 90.0% to 97.7%.

Apartment Vacancy				
Pinebrook Apartments				
<u>Name</u>	<u>Location</u>	<u>Total Units</u>	<u>Occ.</u>	<u>Vacancy</u>
Pinebrook Apartments	715 Mason Terrace Road	52	96.2%	3.8%
Timberwood Apartments	710 Mason Terrace	60	90.0%	10.0%
Winslow Place Apartments	200 Bristol Street	88	97.7%	2.3%
Hampton Place Apartments	395 Perry Parkway	152	90.0%	10.0%
Pacific Coast Apartments	1712 Kings Chapel Road	10	90.0%	10.0%
Houston Lake Apartments	2350 Houston Lake Road	300	90.0%	10.0%
	Minimum		90.0%	2.3%
	Maximum		97.7%	10.0%
Totals and average (excluding subject)		610	91.1%	8.9%

Source: *Area Managers; Crown Appraisal Group*

The subject has historically operated as a government subsidized property. Most of the units are available for rental assistance, with the tenant paying 30% of their income towards the rent figure. Historic vacancy at Pinebrook Apartments has been low. When inspected, there were 2 vacant units.

After consideration of the market vacancy and the area supply/demand components, a figure of 5% is considered to be applicable when developing the as-is and as-renovated market value of the property.

Property Description

This section will present a description of the physical and economic characteristics of the site and building improvements. The description is based upon an inspection of the property, discussions with local municipal authorities, and data provided by the client and management.

General Location

The subject is located in the northeast quadrant of I-75 and US 341 (Sam Nunn Boulevard), about 1½ miles northwest of downtown Perry. The property is in Houston County. Perry is the county seat of Perry County and is located in central Georgia. The property has an address of 715 Mason Terrace Road, Perry, Georgia. The maps in the preceding section show the property's location.

Access, Ingress, Egress, Visibility

Overall, access is average from both a neighborhood (local) perspective, as well as a macro (regional) perspective. Ingress/egress to the property is from Mason Terrace Road. The ingress and egress attributes are average. Visibility to the subject is considered average.

History of the Property

According to public records, the subject is owned by Pinebrook Apartments, Ltd. The current owner purchased the property in 1987 and subsequently developed the property. The subject has not been sold during the past three years. The property is part of a portfolio of apartment properties in Georgia that are to transfer ownership in the near term. While the sale price is in the final stages of negotiation, the price is expected to be about \$1,389,076. The transfer is assumed to be between related parties and not one that is considered to be arms-length. As the transfer is presumably not arms-length, no credence is given to this purchase price when determining the said values of the subject property. Subsequent to the sale, ownership plans to renovate the subject with funding from a combination of mortgage monies, sale proceeds of Section 42 Low Income Housing Tax Credits, and equity. Following the acquisition the existing Section 515 loan will remain at the property. (The loan is expected to be restated under new rates and terms.) The developer estimates the renovation cost to be about \$28,245 per unit, or about \$1,468,740. Renovations will be extensive and will include interior unit renovation as well as exterior unit renovation. It is expected that the air conditioning units will be replaced, windows will be repaired/replaced, new roofs will be installed, parking areas will be repaired, and kitchens and bathrooms will be updated as needed.

Easements

No detrimental easements that would substantially deter development are known to exist. Others, such as utility easements, allow for development of the site and are considered beneficial to the tract.

Soil Conditions

Soil conditions are assumed to be adequate. The site appears to be well drained. No engineering or soil testing has been performed to the knowledge of the appraisers, and no further conclusion as to the condition of the foundation or soil condition is made. There is no reason to suspect that hazardous materials are on the property. **Note: The appraisers are not experts in environmental matters. It is assumed that the site is clean from an environmental standpoint. The user of the report is instructed to seek the advice of an expert if further questions arise pertaining to environmental issues.**

Third Party Reports

A market study completed by Bowen National was provided. No warranty is made for the completeness and accuracy of this report or any other third party report that may exist.

Topography

The topography at the site is generally level.

Flood Plain

According to FEMA's flood insurance rate map community panel number 13153C0151 E, dated September 28, 2007, the subject is located in Zone X. Zone X is identified as not being in a flood plain.

Zoning

The property is zoned C-1: Light Commercial. According to local government officials, the current use is a legal, conforming use under this zoning classification.

Utilities

The subject site is serviced by the following utilities (the payor of the utilities is also shown):

<i>Utility Details</i>	
<i>Pinebrook Apartments</i>	
<u>Service</u>	<u>Paid by</u>
Heat	Tenant
Electric	Tenant
Water	Landlord
Sewer	Landlord
Trash	Landlord
Cable	Tenant

Source: *Management*

Improvements

The subject improvements include a 52-unit apartment complex (housed in 7 one and two-story buildings). The improvements were initially developed in 1988.



The buildings have a poured concrete foundation. The buildings have a combination brick and siding exterior, and a pitched roof covered with shingles.

Each unit has a living room/living area, kitchen, one or two bedrooms, and one to one and one-half bathrooms. The floors in the units are a combination of carpet and tile. Windows are sliders. Exterior doors are metal; interior doors are hollow core wood. Interior walls are painted drywall; ceilings are painted drywall. Ceiling height is generally 8 feet. Hot water is supplied via individual water heaters. Each unit includes a washer/dryer hook-up. Kitchens have vinyl flooring. They are equipped with a refrigerator, double sink, fan hood, and range. After renovations, the kitchen will also include a dishwasher.



Each unit has an individual forced air furnace. The units have central air conditioning. The units have battery powered and hard wired smoke alarms.

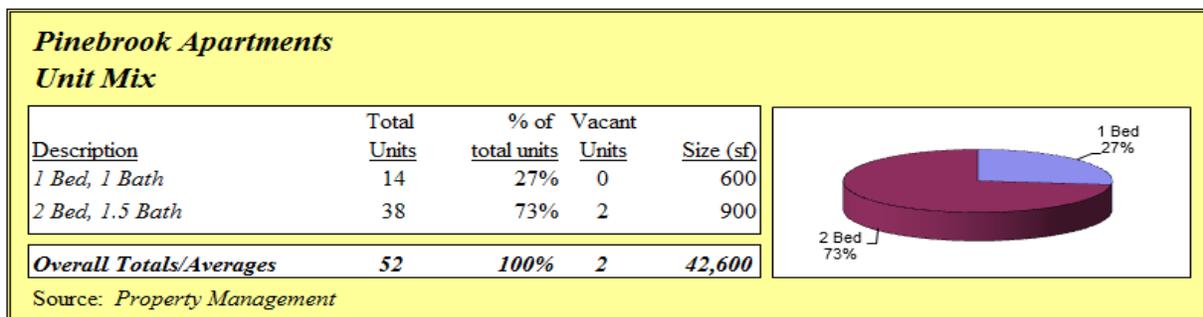
Property amenities include a playground. After renovations, there will also be a picnic area.



Parking areas are in average condition. There appears to be sufficient parking for the property. Overall parking at the subject is adequate.

Unit Mix

The composition of the property is shown in the chart below.



Physical and Functional Condition

The improvements were completed in 1988 and renovated periodically over time. The property has been maintained on an as needed basis.

The total building size is 43,180 sf. This is the sum of the apartment units (1 Bedroom - 600 sf/unit * 14 units – 8,400 sf plus 2 Bedroom – 900 sf/unit * 38 units – 34,200 sf) plus the office (580 sf).

A major renovation is planned for the property improvements. Planned renovations include replacement of all existing flooring, replacement of kitchen cabinets and countertops, replacement of existing kitchen appliances, plumbing fixtures, lighting fixtures, bathroom cabinets and countertops, HVAC, repainting, re-roofing (new shingles), as well as exterior upgrades and improvements, and re-paving and re-striping of drive and parking areas. Furthermore, all Section 504 accessibility issues will be addressed and corrected as appropriate. The renovation is expected to cost about \$28,245 per unit, or about \$1,468,740.

Upon completion of the renovations, the property’s marketability, overall quality, and aesthetic appeal will be increased and enhanced. Following the renovations, the subject is projected to have a remaining economic life – assuming normal maintenance and repairs - of 55 years. If the property

were not renovated, the remaining economic life (the “as-is remaining economic life”) is estimated at 30 years.

Current Rent Parameters/Rent Roll

The chart below illustrates the current rent parameters. As has been discussed, there are LIHTC restrictions applicable to the units at the property. The as-is market rent and as-renovated market rent (CRCU) conclusions are well below the maximum LIHTC rent figure.

Pinebrook Apartments											
Rent Parameters											
	Total Units	% of total	Vacant Units	% of unit type	Size (sf)	Total Size (sf)	Basic Rent	Max Rents		CRCU	
								LIHTC	FMR	As-Is	As-Renovated
1 Bed, 1 Bath	14	27%	0	0%	600	8,400	\$395	\$773	\$659	\$525	\$575
2 Bed, 1.5 Bath	38	73%	2	5%	900	34,200	\$415	\$928	\$813	\$650	\$700
Overall Totals/Averages	52	100%	2	4%	819	42,600					

LIHTC is gross rent, prior to Utility allowance deduction
 FMR is effective 10-1-12
 Source: Property Management

Operating History

The chart below shows the recent operating history for the subject.

Pinebrook Apartments									
Operating History									
52 units									
	2009	Per Unit	2010	Per Unit	2011	Per Unit	2012	Per Unit	
Revenue									
Apartment Rental Income	211,871	4,074	227,015	4,366	236,900	4,556	246,899	4,748	
Plus: Other Income	7,520	145	4,727	91	4,584	88	1,506	29	
Effective Gross Income	219,390	4,219	231,742	4,457	241,484	4,644	248,405	4,777	
Operating Expenses									
Real Estate Taxes	18,654	359	18,805	362	17,328	333	12,488	240	
Insurance	12,549	241	13,282	255	13,784	265	13,608	262	
Repairs & Maintenance	21,178	407	23,966	461	18,906	364	24,896	479	
General & Administrative	15,999	308	15,672	301	15,996	308	14,279	275	
Management Fees	25,025	481	25,713	494	26,834	516	27,590	531	
Utilities									
Electric	5,441	105	5,484	105	6,671	128	5,236	101	
Water/Sewer	33,647	647	41,421	797	26,078	502	21,064	405	
Total Utilities	39,089	752	46,905	902	32,749	630	26,300	506	
Payroll	39,318	756	47,352	911	43,791	842	41,587	800	
Marketing	659	13	479	9	420	8	374	7	
Total Expenses	172,469	3,317	192,174	3,696	169,808	3,266	161,121	3,098	
<i>operating expense ratio</i>		<i>78.6%</i>		<i>82.9%</i>		<i>70.3%</i>		<i>64.9%</i>	
Net Operating Income	46,921	902	39,567	761	71,675	1,378	87,284	1,679	

Source: Property Management

While individual line items will vary depending upon the specific valuation developed later in the report, the following generally holds true:

Interest Appraised

Comment

As-is market value, unrestricted rents

The effective gross income, which is comprised primarily of apartment rent, should be above historic levels. The apartment rent will be constrained by market rent levels.

The total operating expense estimate will be less than historic primarily due to reduced Repairs & Maintenance, General & Administrative, Management Fee, and Payroll expenses. The Marketing expense will be higher than historic, and there will be an explicit Reserve expense.

Market value, subject to restricted rents (RD)

The effective gross income, which is comprised primarily of apartment rent, should be above historic levels. The apartment rent will be constrained by basic rent levels.

The total operating expense estimate will be similar to historic expenses at the subject. There will be an explicit Reserve expense.

Prospective market value of the fee simple estate, upon completion of renovation and as stabilized, subject to restricted rents (RD).

The effective gross income, which is comprised primarily of apartment rent, should be above historic levels. The apartment rent will recognize the economic benefits of the renovation as the units will be in better physical (and functional) condition. The apartment rent will be constrained by the lesser of market rent or LIHTC constraints

With respect to operating expense line items, Real Estate Taxes, Insurance, General & Administrative, Management Fee, Utilities, and Marketing should be near historic. Repairs & Maintenance should be lower due to the renovations. Payroll should also be lower, also due to the renovation. An explicit Reserve will be recognized.

Prospective market value of the fee simple estate, upon completion of renovation and as stabilized, as conventional or unrestricted.

The effective gross income, which is comprised primarily of apartment rent, should be above historic levels. The apartment rent will recognize the economic benefits of the renovation as the units will be in better physical (and functional) condition. The apartment rent will be based on the (prospective) market rent figures.

The total operating expense estimate should be lower due to renovation (reduced Repairs & Maintenance as well as Payroll) as well as reduced General & Administrative and Management

expenses. The Marketing expense should be higher than historic, and there will be an explicit Reserve expense.

Real Estate Taxes and Assessments

The chart below shows the tax details.

<i>Real Estate Taxes Pinebrook Apartments</i>		
Parcel Number	0P0400 002000	
	<u>Appraised</u>	<u>Assessed</u>
Land	\$135,000	\$54,000
Improvements	694,900	277,960
Total	829,900	331,960
Real Estate Taxes		\$12,455
Taxes/unit		\$240
Source: County Auditor		

Highest and Best Use

Highest and best use is defined in The Appraisal of Real Estate, Thirteenth Edition, Appraisal Institute, as follows:

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

Some of the more germane comments from this publication regarding highest and best use are noted in the following bullet points:

- ...highest and best use relies on that analysis to then identify the most profitable, competitive use to which the subject can be put.
- In general, if the value of a property as improved is greater than the value of the land as though vacant, the highest and best use is the use of the property as improved.
- ...a property's existing use may represent an interim use, which begins with the land value for the new highest and best use and adds the contributory value of the current improvements until the new highest and best use can be achieved.
- These criteria [legally permissible, physically possible, financially feasible, maximally productive] are generally considered sequentially.

After consideration of the data, the following conclusions are drawn:

As If Vacant:

Physically Possible Uses:	Physical constraints include site area, shape, and adjacent uses. The site has all public utilities available. Noted easements are typical, and soil conditions are assumed to be adequate. There are acceptable access and visibility attributes. Based on location and site constraints, the most probable physically possible uses would be an intensive use. The existing improvements are such a use, and effectively utilize the site.
Legally Permissible Uses:	According to government officials, the current multi-family use is a permissible use.
Financially Feasible Uses:	The subject has a good location and is convenient to major traffic arteries. The surrounding area has been developed with a number of properties, including single-family residential properties, multi-family properties, retail properties, office and institutional uses (churches, schools, parkland). The residential users in the immediate area appear to have met with market acceptance. If vacant, a similar use is appropriate. The existing improvements develop a return in excess of that if the property were not improved.

Conclusion/Maximum Productivity: Of those uses that are physically possible, legally permissible, and financially supported, a residential development is concluded to be the highest and best use of the site as if vacant. Given the area demographics, development should not be speculative – rather, development should only occur with an identified end user in place.

As Improved:

Physically Possible Uses: The presence of the improvements demonstrate their physical possibility.

Legally Permissible Uses: The current multi-family use is a permissible use.

Financially Feasible Uses: As is shown in the valuation, the existing improvements develop a return well in excess of that if the property were not improved.

Conclusion/Maximum Productivity: The existing improvements are considered to be financially feasible. The chart below demonstrates that the proposed renovation is appropriate and financially viable – when considering the inclusion of the additional value from the interest credit subsidy and LIHTC. As shown, the sum of the prospective market value, interest credit values, and LIHTC values are in excess of the property's as is value plus renovation costs. Therefore, the proposed renovations provide a higher return to the property than if the property were not renovated, and the highest and best as improved is concluded to be with the renovations made to the property.

<i>Financial Feasibility</i>	
<i>Pinebrook Apartments</i>	
<u>Initial Test of Financial Feasibility</u>	
Value 3, prospective, subject to restricted rents	\$3,080,000
Value 1, as-is, as conventional or unrestricted	<u>\$2,840,000</u>
Incremental difference	\$240,000
Renovation Cost	<u>\$1,468,740</u>
Benefit (cost) of renovating <i>before</i> consideration of other benefits	-\$1,228,740
<u>Other Benefits</u>	
Value 6, interest credit subsidy (existing loan re-financed)	\$710,000
Value 7, LIHTC	<u>\$1,050,850</u>
Value of additional benefits of renovation	\$1,760,850
<i>Net benefits, or added value, of renovation</i>	
<i>\$532,110</i>	
<u>Initial Test of Financial Feasibility</u>	
Value 3, prospective, subject to restricted rents	\$3,080,000
Value 2, subject to restricted rents	<u>\$1,030,000</u>
Incremental difference	\$2,050,000
Renovation Cost	<u>\$1,468,740</u>
Benefit (cost) of renovating <i>before</i> consideration of other benefits	\$581,260
<u>Other Benefits</u>	
Value 6, interest credit subsidy (existing loan re-financed)	\$710,000
Value 7, LIHTC	<u>\$1,050,850</u>
Value of additional benefits of renovation	\$1,760,850
<i>Net benefits, or added value, of renovation</i>	
<i>\$2,342,110</i>	

These thoughts are carried to the Valuation section.

Valuation

The valuation process involves the gathering of data in order to develop opinions of value for the subject. A number of value opinions are provided. The value opinions are detailed below; the applicable approaches to value are also identified.

Value Opinion 1	<p>Market value within 7 CFR Part 3560.752(b)(1)(ii), Premised Upon A Hypothetical Condition As-If Unsubsidized Conventional Housing in compliance with 7 CFR Part 3560.656(c)(1)(i).</p> <p><i>Note - using the hypothetical condition “as unsubsidized conventional housing” according to 7 CFR Part 3560.656(c)(1)(i) means that when the appraiser develops their highest and best use analysis they will not recognize any Rural Development restrictions or subsidies and must only consider the property as continued use as housing.</i></p> <p>The intended use of this appraised value is to determine the value of the property that qualifies for an Incentive Offer within 7 CFR Part 3560.656 for sale/purchase and to determine the amount and availability of any equity.</p> <p>For ease of communication throughout the report, every effort is made to identify this value either by the complete definition or “Value Opinion 1, market, unrestricted”.</p> <p>The income capitalization and sales comparison approaches are used.</p>
Value Opinion 2	<p>Market Value, within 7 CFR Part 3560.752(b)(1)(ii).</p> <p><i>Note – this value opinion must consider all existing restrictions and prohibitions including Restrictive-Use Provisions (RUPs).</i></p> <p>The intended use of this appraised value is to determine the value of the property for sale/purchase and to determine the amount and availability of any equity.</p> <p>For ease of communication throughout the report, every effort is made to identify this value either by the complete definition or “Value Opinion 2, market, restricted”.</p> <p>The income capitalization approach is used.</p>
Value Opinion 3	<p>Prospective Market Value, Subject To Restricted Rents within 7 CFR Part 3560.752(b)(1)(i).</p> <p><i>Note – this value opinion must consider any rent limits, rent subsidies, expense abatements, and restrict-use conditions that will affect the property. All intangible assets must be evaluated individually and separately from real estate.</i></p> <p>The intended use of this appraised value for a new or subsequent loan is to assist the underwriter with calculating the security value for the basis of a loan or loan guarantee.</p> <p>For ease of communication throughout the report, every effort is made to identify this value either by the complete definition or “Value Opinion 3, prospective, restricted”.</p> <p>The income capitalization and cost approaches are used.</p>
Value Opinion 4	<p>Prospective Market Value within 7 CFR Part 3560.752(b)(1)(ii), Premised Upon A Hypothetical Condition As-If-Conventional Housing.</p> <p><i>Note – this value opinion is based upon a highest and best use analysis as-if not encumbered by USDA program provisions.</i></p>

	<p>The intended use of this appraised value is for reasonable analysis and comparison as to how the USDA restrictions affect the property. It should not be used as the basis of a loan or loan guarantee.</p> <p>For ease of communication throughout the report, every effort is made to identify this value either by the complete definition or “Value Opinion 4, prospective, unrestricted”.</p> <p>The income capitalization approach is used.</p>
Value Opinion 5	<p>Market value of underlying land.</p> <p>This value is developed within the cost approach valuation used for Value Opinion 3.</p>
Value Opinion 6	<p>Value of the interest credit subsidy from assumed 515 loan.</p> <p>The income capitalization approach is used.</p>
Value Opinion 7	<p>Market value of LIHTC (tax credits).</p> <p>The income capitalization approach is used.</p>
Value Opinion 8	<p>Insurable Value.</p> <p>The cost approach is used.</p>

As-Is Market Valuation

An opinion of the market value, unrestricted rents (fee simple estate, as conventional or unrestricted, as of the date of valuation) is subject to the hypothetical condition that the subject property is operated as a conventional, market rate property. Historically, the subject property has been operated as a subsidized property. Both the income capitalization approach and the sales comparison approach are utilized to arrive at opinions of the as-is market value of Pinebrook Apartments (value 1). The income capitalization approach is used to arrive at the market value, subject to restricted rents opinion (value 2).

Income Capitalization Approach as conventional or unrestricted – Value 1

The income capitalization approach to value opinion is based on the economic principle of anticipation--that the value of an income producing property is the present value of anticipated future net benefits. Other appraisal principles and concepts upon which this approach is based include supply and demand, change, substitution, and externalities.

Net operating income projections (future net benefits) are translated into a present value indication using a capitalization process. In this appraisal, a pro forma technique is explicitly used. Market value is developed through the use of market derived financial opinions and return parameters. More specifically, the capitalization process steps in the pro forma technique are as follows:

- The effective gross revenue is estimated by the sum of the market rents on the units less an allowance for vacancy, plus other income.
- Expenses inherent in the operation of the property, including real estate taxes, insurance, repairs and maintenance, general and administrative, management, utilities, payroll, marketing, and reserve are estimated.
- The net operating income is derived by deducting the operating expenses from the effective gross revenue.
- The net operating income is then capitalized to obtain an indication of value.

With respect to this valuation, the effective gross income, which is comprised primarily of apartment rent, should be above historic levels. The apartment rent will be based on market rent figures.

The total operating expense estimate will be less than historic primarily due to reduced Repairs & Maintenance, General & Administrative, Management Fee, and Payroll expenses. The Marketing expense will be higher than historic, and there will be an explicit Reserve expense.

Pro Forma Capitalization

Base Rent Revenue – is based on the market rent levels for the units at the subject. The annual market rent is shown in the chart below.

<i>Pinebrook Apartments</i>		<i>as-is</i>						
<i>Base Rent Revenue</i>		<i>as conventional or unrestricted</i>						
		<i>Value 1</i>						
	Total	% of	Size	Total	Market Rent			
	Units	total	(rsf)	rsf	Rent/Month	Rent/sf	Monthly	Yearly
1 Bed, 1 Bath	14	27%	600	8,400	\$525	\$0.88	\$7,350	\$88,200
2 Bed, 1.5 Bath	38	73%	900	34,200	\$650	0.72	24,700	296,400
Overall Totals/Averages	52	100%	819	42,600	616	0.75	32,050	384,600

Source: *Crown Appraisal Group*

Vacancy – Stabilized vacancy has been discussed in the Market Area Overview section. Vacancy is estimated at 5%, and is applied to base rent revenue.

Other Income – Other revenues include laundry income, late/nsf charges, application fees, forfeited deposits, termination/restoration fees and other miscellaneous incomes. Other revenue is estimated at \$55/unit. This is a net income line item component, with vacancy inherently considered.

Operating Expenses – are those costs necessary to maintain the property at or near a maximum level of economic performance. These expenses are categorized as real estate taxes, insurance, repairs and maintenance, general and administrative, management fees, utilities, payroll, and marketing. In addition, reserves are also considered. Estimated operating expenses are based on historical figures, and support from market data. The market data information is of properties similar in size, age, condition, and location relative to the subject that have been appraised by Crown Appraisal Group. All of these properties are RD properties – none are market rate ones. Like the subject, the operating histories reflect the benefits – and costs – associated with operating as a rural property subject to various RD operating costs.

With respect to operating expense line items, Real Estate Taxes, Insurance, and Utilities should be near historic. Repairs & Maintenance, General & Administrative, Management Fees and Payroll should be lower than historic due to the nature of market rate operations as compared to subsidized operations. Marketing should be above historic, also due to the nature of market rate operations. An explicit Reserve will be recognized.

<i>Operating Expense Comparables</i>										
<i>Pinebrook Apartments</i>										
	1	2	3	4	5	6	7	8	9	10
Units	28	20	25	24	34	18	24	20	30	29
Year	2012	2012	2012	2012	2012	2012	2012	2012	2012	2012
<i>Per Unit Basis</i>										
Real Estate Taxes	343	455	150	277	510	617	300	232	320	285
Insurance	260	279	260	271	229	260	260	260	260	251
Repairs and Maintenance	637	740	854	511	361	424	531	572	818	455
General and Administrative	278	300	352	349	245	366	323	374	381	288
Management Fees	532	534	522	553	471	534	525	527	528	508
Utilities										
Electric	249	173	138	83	108	123	153	160	172	111
Water/Sewer	<u>395</u>	<u>30</u>	<u>466</u>	<u>178</u>	<u>362</u>	<u>386</u>	<u>594</u>	<u>3</u>	<u>57</u>	<u>357</u>
Total Utilities	644	203	604	261	470	509	747	164	229	468
Payroll	687	1,064	742	1,169	533	720	567	1,329	597	1,073
Marketing	6	7	23	2	2	2	10	8	11	23
Total	3,388	3,580	3,506	3,393	2,822	3,431	3,263	3,466	3,144	3,350
<i>Per Unit Basis</i>										
<u>Category</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Average</u>	<u>Median</u>						
Real Estate Taxes	150	617	349	310						
Insurance	229	279	259	260						
Repairs and Maintenance	361	854	590	551						
General and Administrative	245	381	326	336						
Management Fees	471	553	523	528						
Utilities										
Electric	83	249	147	145						
Water/Sewer	<u>3</u>	<u>594</u>	<u>283</u>	<u>359</u>						
Total Utilities	164	747	430	469						
Payroll	533	1,329	848	731						
Marketing	<u>2</u>	<u>23</u>	<u>9</u>	<u>7</u>						
Total	2,822	3,580	3,334	3,390						

Source: Apartment Management, Crown Appraisal Group

The line item operating expenses are presented in the chart below. The chart details the median and average operating expenses by the operating expense comparables, the historic operating expenses at the subject, and the pro forma operating expense projections.

Pinebrook Apartments
Operating Expense Estimates

as-is
as conventional or unrestricted
Value 1

Real Estate Taxes

Source	Comparables		2009	2010	2011	2012	Pro Forma	Amount		
Cost/unit	310	med	349	avg	359	362	333	240	240	\$12,455

Insurance

Source	Comparables		2009	2010	2011	2012	Pro Forma	Amount		
Cost/unit	260	med	259	avg	241	255	265	262	265	\$13,780

Repairs & Maintenance

Source	Comparables		2009	2010	2011	2012	Pro Forma	Amount		
Cost/unit	551	med	590	avg	407	461	364	479	425	\$22,100

General & Administrative

Source	Comparables		2009	2010	2011	2012	Pro Forma	Amount		
Cost/unit	336	med	326	avg	308	301	308	275	275	\$14,300

Management

Source	Comparables		2009	2010	2011	2012	Pro Forma	Amount		
Cost/unit	528	med	523	avg	481	494	516	531	354	\$18,412

Electric Utilities

Source	Comparables		2009	2010	2011	2012	Pro Forma	Amount		
Cost/unit	145	med	147	avg	105	105	128	101	105	\$5,460

Water & Sewer

Source	Comparables		2009	2010	2011	2012	Pro Forma	Amount		
Cost/unit	359	med	283	avg	647	797	502	405	450	\$23,400

Total Utilities

Source	Comparables		2009	2010	2011	2012	Pro Forma	Amount		
Cost/unit	469	med	430	avg	752	902	630	506	555	\$28,860

Payroll

Source	Comparables		2009	2010	2011	2012	Pro Forma	Amount		
Cost/unit	731	med	848	avg	756	911	842	800	775	\$40,300

Marketing

Source	Comparables		2009	2010	2011	2012	Pro Forma	Amount		
Cost/unit	7	med	9	avg	13	9	8	7	20	\$1,040

Total Operating Expenses (including consideration of Reserve)

Source	Comparables		2009	2010	2011	2012	Pro Forma	Amount		
Cost/unit	3,390	med	3,334	avg	3,317	3,696	3,266	3,098	3,259	\$169,447

Source: *Property Management; Crown Appraisal Group*

Pinebrook Apartments		<i>as-is</i>
Operating Expense Estimates		<i>as conventional or unrestricted</i>
		<i>Value 1</i>
<u>Operating Expense</u>	<u>Cost/unit</u>	<u>Discussion</u>
Real Estate Taxes	240	Based on the current real estate taxes of the subject as reported by the county.
Insurance	265	Based on historic with support from market.
Repairs & Maintenance	425	Below historic; property would not be as well maintained if it were to be operated as a market rate one.
General & Administrative	275	Below historic; market rate properties have lower general & administrative costs than subsidized properties.
Management	5.00%	Percent of effective gross income rather than fee per occupied door per month.
Utilities	105 Electric	Based on historic with support from market.
	450 Water and sewer	Based on historic with support from market.
Payroll	775	Based on the size of the property, a total cost per year, or a cost per month, is the appropriate manner in which to develop this operating expense estimate. The expense is based on the probable cost if the property were operated as a market rate one.
Marketing	20	Above historic; market rate properties require a higher cost for marketing.
Reserve	350	Based on market participant attitudes.

Total Operating Expenses – The chart below compares historical and market derived operating expense data with the pro forma. Notice the market estimates are lower than the historical figures as government subsidized properties typically cost more to operate than market rate.

Pro Forma Operating Expense Estimate & Comparisons (per unit basis)					<i>as-is</i>				
Pinebrook Apartments					<i>as conventional or unrestricted</i>				
					<i>Value 1</i>				
	<u>Crown Appraisal Group Survey</u>				<u>Year End Historical</u>				<u>Subject Pro Forma</u>
	Low	High	Avg.	Med.	2009	2010	2011	2012	
Real Estate Taxes	150	617	349	310	359	362	333	240	240
Insurance	229	279	259	260	241	255	265	262	265
Repairs and Maintenance	361	854	590	551	407	461	364	479	425
General and Administrative	245	381	326	336	308	301	308	275	275
Management Fees	471	553	523	528	481	494	516	531	354
Utilities									
Electric	83	249	147	145	105	105	128	101	105
Water/Sewer	<u>3</u>	<u>594</u>	<u>283</u>	<u>359</u>	<u>647</u>	<u>797</u>	<u>502</u>	<u>405</u>	<u>450</u>
Total Utilities	164	747	430	469	752	902	630	506	555
Payroll	533	1,329	848	731	756	911	842	800	775
Marketing	2	23	9	7	13	9	8	7	20
Reserve	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	350
Total Operating Expenses	2,822	3,580	3,334	3,390	3,317	3,696	3,266	3,098	3,259

Note: columns with median and average figures may not add to total

Source: Property Managers; Crown Appraisal Group

The net operating income is estimated by deducting the operating expenses from the effective gross income. The pro forma is shown below.

<i>Pro Forma Operating Statement</i>		<i>as conventional or unrestricted</i>	
<i>Pinebrook Apartments</i>			<i>as-is</i>
		52 units	Value 1
		% of EGI	Per Unit
			Amount
Potential Rental Revenue		104.4%	\$7,396
Less: Vacancy and Collection Loss @	5.0%	-5.2%	-370
Effective Rent		99.2%	7,026
Plus Other Revenue:			
Other Income		0.8%	55
Effective Gross Income		100.0%	7,081
Less: Operating Expenses			
Real Estate Taxes		3.4%	240
Insurance		3.7%	265
Repairs and Maintenance		6.0%	425
General and Administrative		3.9%	275
Management Fees @	5.0%	5.0%	354
Utilities			
Electric		1.5%	105
Water/Sewer		6.4%	450
Total Utilities		7.8%	555
Payroll		10.9%	775
Marketing		0.3%	20
Reserve		4.9%	350
Total Operating Expenses		46.0%	3,259
Net Operating Income		54.0%	3,823

Source: Crown Appraisal Group

Capitalization Rate Discussion

Capitalization is the process by which net operating income is converted into a value indication. A capitalization rate is utilized that most accurately represents the risk associated with receiving the property's net operating income. A property that has a "safer" income stream is one that has less risk.

In order to arrive at an appropriate range, emphasis was put on data provided by comparable sales and analysis of financing techniques.

Comparable Sales

The comparable sales utilized in the Sales Comparison Approach section indicate an overall capitalization rate range as shown below. Other data is shown, including the dates of the sales. Overall, the sales properties are comparable in the sense that they are recent sales of similar apartment complexes in the greater market area.

Comparable Sales						
Overall Capitalization Rates						
<u>Name/Location</u>	<u>Sale Date</u>	<u>Year Built</u>	<u>Units</u>	<u>Sale Price</u>	<u>Price/Unit</u>	<u>OAR</u>
Lealand Place Apts Lawrenceville, GA	Dec-11	1999	192	11,370,000	59,219	6.9%
Rumson Court Apartments Atlanta, GA	Nov-12	1950	20	1,025,000	51,250	5.5%
Legacy Century Center Atlanta, GA	Aug-12	1978	178	11,850,000	66,573	6.3%
Arlington Park at Wildwood Marietta, GA	May-13	1983	198	14,850,000	75,000	7.0%
The Apartments at President Park Decatur, GA	Jun-13	1966	80	6,150,000	76,875	7.0%
Average, Median, Range		6.5%	6.9%	5.5% - 7.0%		

Source: *Crown Appraisal Group*

A number of differences between the properties and the specifics of transaction, however, make correlation to a specific rate within the range problematic. The sales do represent current market activity and characteristics of the properties that are similar to the subject. An overall rate near the range is appropriate. Certainly, the market data alone does not support the selection of a rate below 5.5% or a rate above 7.0%. If the sales were the only data source from which to select the overall capitalization rate, a rate near the low to middle of the range is most appropriate given the net operating income figure.

Final consideration of an appropriate rate is through an analysis of lender requirements. After all, properties such as the subject are usually transferred only after financing has been arranged. The debt coverage ratio technique calculates an overall rate by multiplying the mortgage constant by the loan-to-value ratio and then by the debt coverage figure.

Financing Techniques

Debt Coverage Ratio

The debt coverage ratio technique places emphasis on lender requirements while inherently providing for a reasonable equity return. Rather than developing an explicit equity dividend, the equity position is left with a residual dividend return. This has good applicability for properties such as the subject. Using current parameters, development of the overall rate can be seen in the following chart.

Overall Rate Derivation
Debt Coverage Ratio Technique

<u>Mtg. Rate</u>	<u>Term of Mtg.</u>	<u>Mtg. Constant</u>	<u>Loan to Value</u>	<u>DCR</u>	<u>OAR</u>
5.25%	30	0.0663	70.0%	1.25	5.80%
5.25%	30	0.0663	75.0%	1.20	5.96%
5.50%	30	0.0681	70.0%	1.25	5.96%
5.50%	30	0.0681	75.0%	1.20	6.13%
5.75%	30	0.0700	70.0%	1.25	6.13%
5.75%	30	0.0700	75.0%	1.20	6.30%

rounded to 5.8% - 6.3%

Source: Crown Appraisal Group

Given the specific characteristics of the property, the overall capitalization rate range derived from the debt coverage ratio appears to be reasonable.

Band of Investment

There are two primary components utilized in the band of investment technique. These are the debt and equity components. Both are explicitly developed. A weighted average, which combines these two components, is used to capitalize the net operating income. The strength of the band of investment is that it has long been used by real estate market participants in developing an overall rate. The band of investment technique quantifies the appropriate overall rate as follows:

Overall Rate Derivation
Band of Investment Technique

<u>Interest Rate</u>	<u>Amort.</u>	<u>Constant</u>	<u>Weighted Average</u>
5.25%	30	75% (loan to value) x 0.0663	= 4.970%
		25% (equity to value) x 6.0%	= 1.500%
Overall Rate =			6.470%

Rounded To: 6.5%

Source: Crown Appraisal Group

Conclusion

In summarizing, most of the market-based indicators suggest that a rate toward the middle of the range is most appropriate. The weakness in the rates indicated by the comparable sales is that the figures are historic. The overall rates from the comparable sales are also suspect to relatively wide fluctuations when relatively minor changes are made (as an example, an change to the net operating income of only \$1,000 on a \$1,000,000 sale impacts the overall rate by 10 basis points). The strength in the debt coverage and the band of investment techniques, is that they are based on real participants and real mortgage rates. The information from the latter analysis suggests that the appropriate rate is in the low 6.0% range.

In the final analysis, an overall rate that lies between the comparable sale and financing technique analysis of 7.00% is selected as being appropriate to accurately reflect the risk characteristics arising from the income stream. The rate selected falls within the ranges indicated by comparable sales, and the quantitative overall rate derivation techniques (band of investment and debt coverage ratio). Application of the rate to the pro forma net operating income is shown in the chart below.

<i>Pro Forma Technique Value Conclusion</i>		<i>as-is</i>
<i>Pinebrook Apartments</i>	<i>as conventional or unrestricted</i>	<i>Value 1</i>
Net Operating Income		\$198,783
Overall Capitalization Rate		7.00%
Value Conclusion		2,839,762
<i>Rounded To:</i>		<i>\$2,840,000</i>

Source: *Crown Appraisal Group*

Income Capitalization Approach as restricted – Value 2

A pro forma is used. Much of the valuation is based on the analysis previously presented. Major differences (and similarities) are detailed below.

Base Rent

The appropriate unit rent to use is the basic rent figure.

<i>Pinebrook Apartments</i>					<i>subject to restricted rents</i>			
<i>Base Rent Revenue</i>					<i>as-is</i>			
					<i>Value 2</i>			
	Total	% of	Size	Total	Market Rent			
	<u>Units</u>	<u>total</u>	<u>(rsf)</u>	<u>rsf</u>	<u>Rent/Month</u>	<u>Rent/sf</u>	<u>Monthly</u>	<u>Yearly</u>
1 Bed, 1 Bath	14	27%	600	8,400	\$395	\$0.66	\$5,530	\$66,360
2 Bed, 1.5 Bath	38	73%	900	34,200	\$415	0.46	15,770	189,240
Overall Totals/Averages	52	100%	819	42,600	410	0.50	21,300	255,600

Source: *Crown Appraisal Group*

Vacancy

Utilized historic levels.

Operating Expenses

The operating expenses are largely based on recent history at the subject. Figures used are shown below.

<i>Pinebrook Apartments</i>			<i>as-is</i>
<i>Operating Expense Estimates</i>			<i>subject to restricted rents</i>
			<i>Value 2</i>
<u>Operating Expense</u>	<u>Cost/unit</u>		<u>Discussion</u>
Real Estate Taxes	240		Based on the current real estate taxes of the subject as reported by the county.
Insurance	265		Based on historic with support from market.
Repairs & Maintenance	475		Near the recent historic figures with the recognition that some of the historic amounts have some costs better categorized as capital expenditures.
General & Administrative	300		Based on historic.
Management	44.50		Based on cost per occupied door per month.
Utilities	105	Electric	Based on historic with support from market.
	450	Water and sewer	Based on historic with support from market.
Payroll	825		Based on historic.
Marketing	10		Based on historic.
Reserve	350		Based on market participant attitudes.

The pro forma is shown below.

<i>Pro Forma Operating Statement</i>		<i>subject to restricted rents</i>		
<i>Pinebrook Apartments</i>		<i>as-is</i>		
		52 units	Value 2	
		<u>% of EGI</u>	<u>Per Unit</u>	
			<u>Amount</u>	
Potential Rental Revenue		104.0%	\$4,915	\$255,600
Less: Vacancy and Collection Loss @	5.0%	<u>-5.2%</u>	<u>-246</u>	<u>-12,780</u>
Effective Rent		98.8%	4,670	242,820
Plus Other Revenue:				
Other Income		1.2%	55	2,860
Effective Gross Income		100.0%	4,725	245,680
Less: Operating Expenses				
Real Estate Taxes		5.1%	240	12,455
Insurance		5.6%	265	13,780
Repairs and Maintenance		6.0%	475	14,683
General and Administrative		6.3%	300	15,600
Management Fees		10.7%	507	26,380
Utilities				
Electric		2.2%	105	
Water/Sewer		<u>9.5%</u>	<u>450</u>	
Total Utilities		11.7%	555	28,860
Payroll		17.5%	825	42,900
Marketing		0.2%	10	520
Reserve		<u>7.4%</u>	<u>350</u>	<u>18,200</u>
Total Operating Expenses		70.6%	3,334	173,378
Net Operating Income		29.4%	1,390	72,302

Source: *Crown Appraisal Group*

Capitalization Rate Discussion

The appropriate rate selected should recognize two primary characteristics. There is a need for affordable housing in the area. Second, the net operating income developed is within the range at that seen during the prior three years. In that sense, the net operating income is one that is relatively “safe”. The conclusion is that the appropriate overall rate should be less than that selected for the as-is market, unrestricted. The question is, of course, how much lower. There is some information available from RD that helps answer this. The consensus is that, for properties that are comprised of all (or mostly all) RA units, the appropriate rate should be about 100 basis points less than the market rate conclusion (the rate used for as-is market unrestricted). For properties that do not have a high percentage of RA units, the overall rate should not be significantly different than the overall rate used in the as-is, unrestricted valuation. The value is developed below.

<i>Pro Forma Technique Value Conclusion</i>	<i>as-is</i>
<i>Pinebrook Apartments</i>	<i>subject to restricted rents</i>
	<i>Value 2</i>
Net Operating Income	\$72,302
Overall Capitalization Rate	<u>7.00%</u>
Value Conclusion	1,032,889
<i>Rounded To:</i>	<i>\$1,030,000</i>

Source: *Crown Appraisal Group*

Sales Comparison Approach

as conventional or unrestricted – Value 1

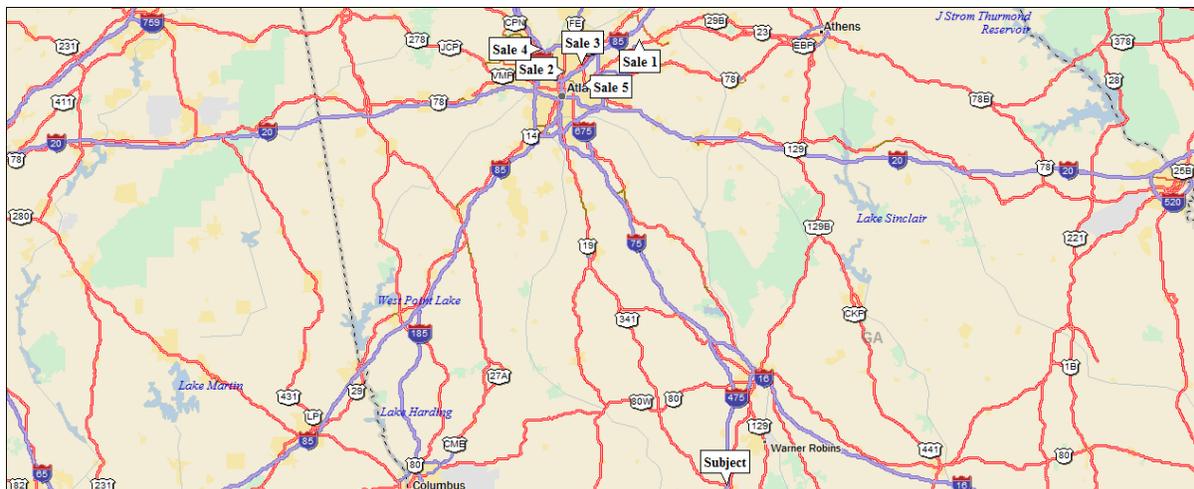
The sales comparison approach is based upon the theory that an informed purchaser will pay no more for a property than the cost of acquiring an equally desirable substitute property. The principle of substitution confirms that the maximum value of a property is set by the cost of acquisition of an equally desirable and valuable substitute property, assuming that substitution can be made without costly delay. Other appraisal principles and concepts relating to the approach include supply and demand, balance, and externalities.

In order to obtain an indication of value from the sales comparison approach, recent sales of similar properties have been analyzed and the sales prices adjusted to reflect dissimilarities between these properties and the subject. From these sales prices an indication of market value for the subject has been developed.

One of the fundamental considerations in the sales comparison approach is defining substitute or comparable properties. Issues that are involved in this consideration involve determination of physically similar properties as well as similarly located properties. Sales properties analyzed involve small to medium-sized multi-family properties. All are located in the regional area.

The accuracy of this approach relies upon the similarities, or lack thereof, between the sales properties and the subject. The greater the differences, the more subjective this valuation technique becomes. Multi-family properties, like any specialized real estate product, are complex and involve a variety of considerations. A comparison of sales properties includes reviewing size, location, financing and date of transaction. In essence, these categories are all tied to one over-riding factor--the financial aspects and implications arising from the improvements.

The initial sales search was limited to sales of similar size properties, built during the same time period as the subject, having the same general economic characteristics, and having occurred within the immediate market area during the past six months. There were no sales meeting these criteria. When expanding the time frame and geographical area, a sufficient number of comparable sales were uncovered. While the research uncovered several sales properties which share similar attributes with the subject, dissimilarities do exist. The map below locates the comparable sales that were utilized. A detailed write up page and photograph of each sale can be found after the map.



Sale Comparable 1

General Data

Property Name:	Lealand Place Apartments
Property Address:	2945 Cruse Road
City:	Lawrenceville
County:	Gwinnett
MSA:	Atlanta-Sandy Springs-Marietta
State:	GA
Zip:	30044
Typical Tenancy:	Non-Age Restricted
Rent Type:	Market
Buyer (Grantee):	Cruse Road Apartments, LLC
Seller (Grantor):	Lealand Place, LLC



Sale and Economic Data

			<u>Total</u>	<u>Per Unit</u>	<u>Per rsf</u>	<u>% of EGI</u>
Sale Price	\$11,370,000	Effective Gross Income:	1,526,004	7,948	7.92	100.0%
Size (number of units)	192	Operating Expenses:	739,200	3,850	3.84	48.4%
Sale Price/unit:	\$59,219	Net Operating Income:	786,804	4,098	4.09	51.6%
Rentable Size (rsf):	192,558					
Sale Price/rsf:	\$59.05	Overall rate:	6.9%			
		EGIM:	7.5			
		Occupancy at time of sale:	95.0%			
Sale Date:	Dec-11					

Physical Data

		<u>Bedrooms</u>	<u>Baths</u>	<u>Type</u>	<u>Size (rsf)</u>	<u>Units</u>
Year Built:	1999	1	1.0	Garden	817	102
Site Size (acres):	9.410	2	2.0	Garden	1,157	72
Density (units/acre)	20.4	3	2.0	Garden	1,440	18
Floors:	2					
Exterior:	Combination					

Landlord Paid Utilities

N Cable	Y Sewer
N Electric	Y Trash
N Gas	Y Water

Unit Amenities

Y Refrigerator	N Fireplace
Y Range	Y Balcony/Patio
N Microwave	N Att. Garage
Y Dishwasher	N Carport
Y Garbage Disposal	N Basement
Y Air Conditioning	N Ceiling Fans
N Washer/Dryer	N Vaulted Ceilings
Y W/D Hookups	N Security System

Complex Amenities

Y Pool	Y Laundry
N Clubhouse	N Det. Garages
N Tennis	N Cov. Storage
N Jacuzzi	N Open Storage
N Fit. Center	N Car Wash
N Lake	N Elevators
N Gated	N Playground
N Bus. Center	N Racquetball

Other Comments

Lealand Place is located on the north side of Cruse Road Northwest, about 2 miles south of the I-85/SR 316 interchange. This location is about 20 miles northeast of the Atlanta CBD. The property is located in Gwinnett County within the Atlanta-Sandy Springs-Marietta MSA.

Sale Comparable 2

General Data

Property Name:	Rumson Court Apartments
Property Address:	115 Rumson Rd NE
City:	Atlanta
County:	Fulton
MSA:	Atlanta-Sandy Springs-Marietta
State:	GA
Zip:	30305
Typical Tenancy:	Non-Age Restricted
Rent Type:	Market
Buyer (Grantee):	12-14 Peachtree LLC
Seller (Grantor):	Rumson Court LLC



Sale and Economic Data

			<u>Total</u>	<u>Per Unit</u>	<u>Per rsf</u>	<u>% of EGI</u>
Sale Price	\$1,025,000					
Size (number of units)	20					
Sale Price/unit:	\$51,250	Net Operating Income:	56,375	2,819	5.35	100.0%
Rentable Size (rsf):	10,530					
Sale Price/rsf:	\$97.34	Overall rate:	5.5%			
		EGIM:	18.2			
		Occupancy at time of sale:	100.0%			
Sale Date:	Nov-12					

Physical Data

		<u>Bedrooms</u>	<u>Baths</u>	<u>Type</u>	<u>Size (rsf)</u>	<u>Units</u>
Year Built:	1950	1	1.0	Garden	260	10
Site Size (acres):	0.590	2	1.0	Garden	793	10
Density (units/acre)	33.9					
Floors:	2					
Exterior:	Wood					

Landlord Paid Utilities

N Cable	N Sewer
N Electric	N Trash
N Gas	N Water

Unit Amenities

N Refrigerator	N Fireplace
N Range	N Balcony/Patio
N Microwave	N Att. Garage
N Dishwasher	N Carport
N Garbage Disposal	N Basement
N Air Conditioning	N Ceiling Fans
N Washer/Dryer	N Vaulted Ceilings
N W/D Hookups	N Security System

Complex Amenities

N Pool	N Laundry
N Clubhouse	N Det. Garages
N Tennis	N Cov. Storage
N Jacuzzi	N Open Storage
N Fit. Center	N Car Wash
N Lake	N Elevators
N Gated	N Playground
N Bus. Center	N Racquetball

Other Comments

Rumson Court Apartments is located on the east side of US 19 (Peachtree Road NE), just south of downtown Buckhead and about 2 miles north of the I-75/I-85 interchange. This location is about 5 miles north of the Atlanta CBD. The property is located in Fulton County within the Atlanta-Sandy Springs-Marietta MSA.

Sale Comparable 3

General Data

Property Name:	Legacy Century Center
Property Address:	100 Windmont Drive
City:	Atlanta
County:	DeKalb
MSA:	Atlanta-Sandy Springs-Marietta
State:	GA
Zip:	30329
Typical Tenancy:	Non-Age Restricted
Rent Type:	Market
Buyer (Grantee):	CSP Clairmont, LLC
Seller (Grantor):	Deville Windmont Partners LLC



Sale and Economic Data

			<u>Total</u>	<u>Per Unit</u>	<u>Per rsf</u>	<u>% of EGI</u>
Sale Price	\$11,850,000					
Size (number of units)	178					
Sale Price/unit:	\$66,573	Net Operating Income:	740,625	4,161	5.25	100.0%
Rentable Size (rsf):	141,150					
Sale Price/rsf:	\$83.95	Overall rate:	6.3%			
		EGIM:	16.0			
		Occupancy at time of sale:	96.0%			
Sale Date:	Aug-12					

Physical Data

		<u>Bedrooms</u>	<u>Baths</u>	<u>Type</u>	<u>Size (rsf)</u>	<u>Units</u>
Year Built:	1978	1	1.0	Garden	680	44
Site Size (acres):	6.780	1	1.0	Garden	740	43
Density (units/acre)	26.3	1	1.0	Garden	870	43
Floors:	3	2	2.0	Garden	875	48
Property Class:	C					
Exterior:	Combination					

Landlord Paid Utilities

N Cable	N Sewer
N Electric	N Trash
N Gas	N Water

Unit Amenities

N Refrigerator	N Fireplace
N Range	N Balcony/Patio
N Microwave	N Att. Garage
N Dishwasher	N Carport
N Garbage Disposal	N Basement
N Air Conditioning	N Ceiling Fans
N Washer/Dryer	N Vaulted Ceilings
N W/D Hookups	N Security System

Complex Amenities

N Pool	N Laundry
N Clubhouse	N Det. Garages
N Tennis	N Cov. Storage
N Jacuzzi	N Open Storage
N Fit. Center	N Car Wash
N Lake	N Elevators
N Gated	N Playground
N Bus. Center	N Racquetball

Tenant Paid Utilities

N Cable	N Sewer
N Electric	N Trash
N Gas	N Water

Other Comments

Legacy Century Center is located on the west side of US 23 (Clairmont Road NE), about one mile north of the I-85/US 23 interchange and about 8 miles northeast of the Atlanta CBD. The property is located in DeKalb County, within the Atlanta-Sandy Springs-Marietta MSA.

Sale Comparable 4

General Data

Property Name:	Arlington Park at Wildwood
Property Address:	1970 Kimberly Village Ln
City:	Marietta
County:	Cobb
MSA:	Atlanta-Sandy Springs-Marietta
State:	GA
Zip:	30067
Typical Tenancy:	Non-Age Restricted
Rent Type:	Market
Buyer (Grantee):	Lofton Place, LLC
Seller (Grantor):	Marietta Steeplechase



Sale and Economic Data

			<u>Total</u>	<u>Per Unit</u>	<u>Per rsf</u>	<u>% of EGI</u>
Sale Price	\$14,850,000					
Size (number of units)	198					
Sale Price/unit:	\$75,000	Net Operating Income:	1,039,500	5,250	5.62	100.0%
Rentable Size (rsf):	185,098					
Sale Price/rsf:	\$80.23	Overall rate:	7.0%			
		EGIM:	14.3			
		Occupancy at time of sale:	95.0%			
Sale Date:	May-13					

Physical Data

		<u>Bedrooms</u>	<u>Baths</u>	<u>Type</u>	<u>Size (rsf)</u>	<u>Units</u>
Year Built:	1983	1	1.0	Garden	565	2
Site Size (acres):	14.250	1	1.0	Garden	820	98
Density (units/acre)	13.9	2	1.0	Garden	700	2
Floors:	2	2	1.0	Garden	940	40
		2	2.0	Garden	1,140	44
Exterior:	Combination	3	2.0	Garden	1,204	12

Landlord Paid Utilities

N Cable	N Sewer
N Electric	Y Trash
N Gas	N Water

Unit Amenities

Y Refrigerator	Y Fireplace
Y Range	Y Balcony/Patio
N Microwave	N Att. Garage
Y Dishwasher	N Carport
Y Garbage Disposal	N Basement
Y Air Conditioning	N Ceiling Fans
Y Washer/Dryer	Y Vaulted Ceilings
Y W/D Hookups	N Security System

Complex Amenities

Y Pool	Y Laundry
Y Clubhouse	N Det. Garages
Y Tennis	Y Cov. Storage
N Jacuzzi	N Open Storage
Y Fit. Center	N Car Wash
N Lake	N Elevators
N Gated	Y Playground
Y Bus. Center	N Racquetball

Tenant Paid Utilities

Y Cable	Y Sewer
Y Electric	N Trash
N Gas	Y Water

Other Comments

Arlington Park at Wildwood is located on the north side of Windy Hill Road SE, about one mile north of the I-75/I-285 interchange and about 11 miles northwest of the Atlanta CBD. The property is located in Cobb County within the Atlanta-Sandy Springs-Marietta MSA.

Sale Comparable 5

General Data

Property Name:	The Apartments at President Park
Property Address:	1231 Clairmont Road
City:	Decatur
County:	DeKalb
MSA:	Atlanta-Sandy Springs-Marietta
State:	GA
Zip:	30030
Typical Tenancy:	Non-Age Restricted
Rent Type:	Market
Buyer (Grantee):	Seliug Presidentis Park LLC
Seller (Grantor):	Carter Clairmont PPA LLC



Sale and Economic Data

		<u>Total</u>	<u>Per Unit</u>	<u>Per rsf</u>	<u>% of EGI</u>
Sale Price	\$6,150,000				
Size (number of units)	80				
Sale Price/unit:	\$76,875	Net Operating Income:	430,500	5,381	4.38
Rentable Size (rsf):	98,360	Overall rate:	7.0%		
Sale Price/rsf:	\$62.53	EGIM:	14.3		
		Occupancy at time of sale:	100.0%		
Sale Date:	Jun-13				

Physical Data

	<u>Bedrooms</u>	<u>Baths</u>	<u>Type</u>	<u>Size (rsf)</u>	<u>Units</u>
Year Built:	1966	1	1.0	Garden	850
Site Size (acres):	7.000	2	1.0	Garden	1,224
Density (units/acre)	11.4	2	2.0	Garden	1,274
Floors:	2	3	2.0	Garden	1,403
Property Class:	C				
Exterior:	Combination				

Landlord Paid Utilities

Y Cable	Y Sewer
N Electric	Y Trash
N Gas	Y Water

Tenant Paid Utilities

N Cable	N Sewer
Y Electric	N Trash
Y Gas	N Water

Unit Amenities

Y Refrigerator	N Fireplace
Y Range	Y Balcony/Patio
N Microwave	N Att. Garage
N Dishwasher	N Carport
N Garbage Disposal	N Basement
Y Air Conditioning	N Ceiling Fans
N Washer/Dryer	N Vaulted Ceilings
Y W/D Hookups	N Security System

Complex Amenities

Y Pool	Y Laundry
N Clubhouse	N Det. Garages
N Tennis	N Cov. Storage
N Jacuzzi	N Open Storage
N Fit. Center	N Car Wash
N Lake	N Elevators
N Gated	Y Playground
N Bus. Center	N Racquetball

Other Comments

The Apartments at President Park is located on the east side of US 23 (Clairmont Road), about 0.25 miles north of the US 23/US 29 intersection and about 7 miles northeast of the Atlanta CBD. This location is in DeKalb County within the Atlanta-Sandy Springs-Marietta MSA.

Comparable Sales Data

The sales that were utilized to develop the value of the subject are detailed in the chart that follows. The sale price per unit of comparison is used to develop the value of the subject. To arrive at a value conclusion, the comparables are adjusted for dissimilarities to the subject with respect to property rights conveyed, financing terms, conditions of sale, date of sale, location, physical and economic attributes. Adjustments are made based on a comparison with one another as well as the appraisers' knowledge about the sales as they relate to the subject. The chart also notes the adjustments.

Pinebrook Apartments						
Improved Sales						
Sale	Subject	1	2	3	4	5
Name	Pinebrook Apartments	Lealand Place Apts	Rumson Court Apartments	Legacy Century Center	Arlington Park at Wildwood	The Apartments at President Park
Location	715 Mason Terrace Road	2945 Cruse Road	115 Rumson Rd NE	100 Windmont Dr	1970 Kimberly Village Ln	1231 Clairmont Rd
City or Township	Perry	Lawrenceville	Atlanta	Atlanta	Marietta	Decatur
County	Houston	Gwinnett	Fulton	DeKalb	Cobb	DeKalb
MSA	Warner Robbins	Atlanta	Atlanta	Atlanta	Atlanta	Atlanta
Reference Number		10387	11911	11915	11903	11899
Date of Sale		December-11	November-12	August-12	May-13	June-13
Sale Price		\$11,370,000	\$1,025,000	\$11,850,000	\$14,850,000	\$6,150,000
Building Size (units)	52	192	20	178	198	80
Building Size (inc. community)	43,180	193,090	11,400	132,024	168,152	95,540
Sale Price/Unit		\$59,219	\$51,250	\$66,573	\$75,000	\$76,875
Sale Price/sf		\$58.88	\$89.91	\$89.76	\$88.31	\$64.37
Year Built	1988	1999	1950	1978	1983	1966
Site Size	4,502	9,410	0,590	6,780	14,250	7,000
Coverage	22%	47%	44%	45%	27%	31%
Average Unit Size (sf)	830	1,006	570	742	849	1,194
Units per Acre	11.6	20.4	33.9	26.3	13.9	11.4
EG/Unit	\$7,081	\$7,948	\$2,819	\$4,161	\$5,250	\$5,381
EGIM		7.5	18.2	16.0	14.3	14.3
Expenses/Unit	\$3,069	\$3,850	\$0	\$0	\$0	\$0
NOI/Unit	\$4,012	\$4,098	\$2,819	\$4,161	\$5,250	\$5,381
OAR		6.9%	5.5%	6.3%	7.0%	7.0%
Sale Adjustments						
Property Rights Conveyed	Fee Simple	Similar	Similar	Similar	Similar	Similar
		0%	0%	0%	0%	0%
Financing Terms	Market	Similar	Similar	Similar	Similar	Similar
		0%	0%	0%	0%	0%
Conditions of Sale	Arm's Length	Similar	Similar	Similar	Similar	Similar
		0%	0%	0%	0%	0%
Market Conditions	Current	Similar	Similar	Similar	Similar	Similar
		0%	0%	0%	0%	0%
Total Sale Adjustments		0%	0%	0%	0%	0%
Adjusted Price per Unit		\$59,219	\$51,250	\$66,573	\$75,000	\$76,875
Property Adjustments						
Location	715 Mason Terrace Road	2945 Cruse Road	115 Rumson Rd NE	100 Windmont Dr	1970 Kimberly Village Ln	1231 Clairmont Rd
	Perry	Lawrenceville	Atlanta	Atlanta	Marietta	Decatur
	Houston	Gwinnett	Fulton	DeKalb	Cobb	DeKalb
Population	2,918	30,128	443,261	443,261	21,463	19,809
Comparison to subject		Superior	Superior	Superior	Superior	Superior
		-10%	-25%	-25%	-10%	-25%
Physical						
Avg. Unit Size	830	1,006	570	742	849	1,194
Comparison to subject		Superior	Inferior	Inferior	Similar	Superior
		-5%	10%	5%	0%	-15%
Age	1988	1999	1950	1978	1983	1966
Quality/Condition	Average	Average	Below Average	Below Average	Average	Below Average
Comparison to subject		Similar	Inferior	Inferior	Similar	Inferior
		0%	10%	10%	0%	5%
Total Property Adjustments		-15%	-5%	-10%	-10%	-35%
Value Indication per Unit		\$50,336	\$48,688	\$59,916	\$67,500	\$49,969

Source: Crown Appraisal Group

As shown, no sale adjustments are indicated as appropriate for property rights conveyed, financing terms, conditions of sale, and market conditions, as they are considered to be the same as the subject. With respect to property adjustments, all location, physical, and economic attributes were reviewed – the analysis of each comparable sale is below.

Lealand Place Apartments (Comparable 1) - The comparable is considered to have a superior location at the time of sale when compared to the subject due to its location in a more densely populated area near Atlanta. The comparable is adjusted downward. On average, the unit size at the comparable is larger, which is considered to be a superior attribute as compared to the average unit size at the subject, and the comparable is adjusted downward. Combined, the adjustments total -15%. This results in a value indication of \$50,336/unit for Pinebrook Apartments.

Rumson Court Apartments (Comparable 2) - The comparable is considered to have a superior location at the time of sale when compared to the subject due to its location in a more densely populated area near Atlanta. The comparable is adjusted downward. On average, the unit size at the comparable is smaller, which is considered to be an inferior attribute as compared to the average unit size at the subject, and the comparable is adjusted upward. The general physical aspects of the comparable (such as age and quality/condition attributes) were inferior to the subject due to its older age and below average condition. An upward adjustment is made. Combined, the adjustments total -5%. This results in a value indication of \$48,688/unit for Pinebrook Apartments.

Legacy Century Center (Comparable 3) - The comparable is considered to have a superior location at the time of sale when compared to the subject due to its location in a more densely populated area near Atlanta. The comparable is adjusted downward. On average, the unit size at the comparable is smaller, which is considered to be an inferior attribute as compared to the average unit size at the subject, and the comparable is adjusted upward. The general physical aspects of the comparable (such as age and quality/condition attributes) were inferior to the subject due to its older age and below average condition. An upward adjustment is made. Combined, the adjustments total -10%. This results in a value indication of \$59,916/unit for Pinebrook Apartments.

Arlington Park at Wildwood (Comparable 4) - The comparable is considered to have a superior location at the time of sale when compared to the subject due to its location in a more densely populated area near Atlanta. The comparable is adjusted downward. The adjustments total -10%. This results in a value indication of \$67,500/unit for Pinebrook Apartments.

The Apartments at President Park (Comparable 5) - The comparable is considered to have a superior location at the time of sale when compared to the subject due to its location in a more densely populated area near Atlanta. The comparable is adjusted downward. On average, the unit size at the comparable is larger, which is considered to be a superior attribute as compared to the average unit size at the subject, and the comparable is adjusted downward. The general physical aspects of the comparable (such as age and quality/condition attributes) were inferior to the subject due to its older age and below average condition. An upward adjustment is made. Combined, the adjustments total -35%. This results in a value indication of \$49,969/unit for Pinebrook Apartments.

All of the sales were given credence when determining the value via this approach. This approach is used only as support for the primary approach, and the value conclusion reflects a hypothetical condition. This value indication is concluded to as representative of the property’s as-is value as if operated under the hypothetical conventional, market rate scenario. **A value conclusion of \$53,000/unit or \$2,760,000 is selected to represent the as-is market value as of the date of valuation.** The following summarizes the projections of value via the sales comparison approach.

<i>Sales Comparison Approach Summary</i>		<i>Value 1</i>
<i>Pinebrook Apartments</i>		
Unadjusted Value Range Per Unit	51,250 -	76,875
Indicated Value Range (rounded)	2,700,000 -	4,000,000
Adjusted Value Range Per Unit	48,688 -	67,500
Indicated Value Range (rounded)	2,500,000 -	3,500,000
Average, Median (adjusted)	55,282	50,336
<i>Indicated Value (rounded)</i>	<i>2,760,000</i>	
<i>Value per Unit</i>	<i>53,000 /unit</i>	
<i>Source: Crown Appraisal Group</i>		

Prospective Market Value

The prospective market value subject to restricted rents is projected under the extraordinary assumption that the proposed renovations to the subject property are complete. This valuation also assumes that the subject is operated as a subsidized, rural housing property. Both the income capitalization approach and the cost comparison approach are utilized to project the prospective market value subject to restricted rents (value 3). The income capitalization approach is used to arrive at the prospective market value, as conventional or unrestricted (value 4).

Income Capitalization Approach, subject to restricted rents (RD) as restricted – Value 3

The income capitalization approach to value opinion is based on the economic principle of anticipation--that the value of an income producing property is the present value of anticipated future net benefits. Other appraisal principles and concepts upon which this approach is based include supply and demand, change, substitution, and externalities.

Net operating income projections (future net benefits) are translated into a present value indication using a capitalization process. In this appraisal, a pro forma technique is explicitly used. A discounted case flow technique is not considered appropriate. Market value is projected through the use of market derived financial projections and return parameters. More specifically, the capitalization process steps in the pro forma technique are as follows:

- The effective gross revenue is projected by the rents on the units less an allowance for vacancy, plus other income.
- Expenses inherent in the operation of the property, including real estate taxes, insurance, repairs and maintenance, general and administrative, management, utilities, payroll, marketing, and reserve are projected.
- The net operating income is derived by deducting the operating expenses from the effective gross revenue.
- The net operating income is then capitalized to obtain an indication of value.

With respect to this valuation, the effective gross income, which is comprised primarily of apartment rent, should be above historic levels. The apartment rent will recognize the economic benefits of the renovation as the units will be in better physical (and functional) condition. The apartment rent will be constrained by the lesser of market rent or LIHTC constraints.

With respect to operating expense line items, Real Estate Taxes, Insurance, General & Administrative, Management Fee, Utilities, and Marketing should be near historic. Repairs & Maintenance should be lower due to the renovations. Payroll should also be lower, also due to the renovation. An explicit Reserve will be recognized.

Pro Forma Capitalization

Base Rent Revenue – is based on the market rent levels for the units at the subject. The annual market rent is shown in the chart below. The rent is based on the lesser of market rent or LIHTC restrictions.

<i>Pinebrook Apartments</i>		<i>subject to restricted rents</i>							
<i>Base Rent Revenue</i>		<i>prospective</i>							
		<i>Value 3</i>							
	<u>Rent</u>	<u>Total</u>	<u>% of</u>	<u>Size</u>	<u>Total</u>	<u>Market Rent</u>			
	<u>Constraint</u>	<u>Units</u>	<u>total</u>	<u>(rsf)</u>	<u>rsf</u>	<u>Rent/Month</u>	<u>Rent/sf</u>	<u>Monthly</u>	<u>Yearly</u>
1 Bed, 1 Bath	Market	14	27%	600	8,400	575	\$0.96	\$8,050	\$96,600
2 Bed, 1.5 Bath	Market	38	73%	900	34,200	700	\$0.78	\$26,600	319,200
Overall Totals/Averages		52	100%	819	42,600	666	0.81	34,650	415,800

Source: Crown Appraisal Group

Vacancy – Stabilized vacancy has been discussed in the Market Area Overview section. Vacancy is estimated at 5%, and is applied to base rent revenue.

Other Income – Other revenues include laundry income, late/nsf charges, application fees, forfeited deposits, termination/restoration fees and other miscellaneous incomes. Other revenue is estimated at \$55/unit. This is a net income line item component, with vacancy inherently considered.

Operating Expenses – are based on historic and comparable data. The comparable data has been presented previously. As noted, Real Estate Taxes, Insurance, General & Administrative, Management Fee, Utilities, and Marketing should be near historic. Repairs & Maintenance should be lower due to the renovations. Payroll should also be lower, also due to the renovation. An explicit Reserve will be recognized.

Pinebrook Apartments		<i>prospective</i>	
Operating Expense Estimates		<i>subject to restricted rents</i>	
		<i>Value 3</i>	
<u>Operating Expense</u>	<u>Cost/unit</u>	<u>Discussion</u>	
Real Estate Taxes	263	Based on the current real estate taxes of the subject as reported by the county, and increased to reflect the renovations.	
Insurance	265	Based on historic with support from market.	
Repairs & Maintenance	450	Lower end of the historic range reflecting the renovation.	
General & Administrative Management	300	Based on historic.	
Management	44.50	Based on cost per occupied door per month.	
Utilities	105	Electric	Based on historic with support from market.
	450	Water and sewer	Based on historic with support from market.
Payroll	800	Near the lower end of historic range reflecting the renovation.	
Marketing	10	Based on historic.	
Reserve	350	Based on market participant attitudes recognizing the renovation.	

Total Operating Expenses – The chart below compares historical and market derived operating expense data with the pro forma.

Pro Forma Operating Expense Estimate & Comparisons (per unit basis)					<i>prospective</i>				
Pinebrook Apartments					<i>subject to restricted rents</i>				
					<i>Value 3</i>				
	<u>Crown Appraisal Group Survey</u>				<u>Year End Historical</u>				<u>Subject Pro Forma</u>
	Low	High	Avg.	Med.	2009	2010	2011	2012	
Real Estate Taxes	150	617	349	310	359	362	333	240	263
Insurance	229	279	259	260	241	255	265	262	265
Repairs and Maintenance	361	854	590	551	407	461	364	479	450
General and Administrative Management Fees	245	381	326	336	308	301	308	275	300
Utilities	471	553	523	528	481	494	516	531	507
Electric	83	249	147	145	105	105	128	101	105
Water/Sewer	3	594	283	359	647	797	502	405	450
Total Utilities	164	747	430	469	752	902	630	506	555
Payroll	533	1,329	848	731	756	911	842	800	800
Marketing	2	23	9	7	13	9	8	7	10
Reserve	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	350
Total Operating Expenses	2,822	3,580	3,334	3,390	3,317	3,696	3,266	3,098	3,501

Note: columns with median and average figures may not add to total

Source: *Property Managers; Crown Appraisal Group*

The net operating income is estimated by deducting the operating expenses from the effective gross income. The pro forma is shown below.

Pro Forma Operating Statement		<i>subject to restricted rents</i>		
Pinebrook Apartments		<i>prospective</i>		
		52 units	Value 3	
		<u>% of EGI</u>	<u>Per Unit</u>	
			<u>Amount</u>	
Potential Rental Revenue		104.5%	\$7,996	\$415,800
Less: Vacancy and Collection Loss @	5.0%	<u>-5.2%</u>	<u>-400</u>	<u>-20,790</u>
Effective Rent		99.3%	7,596	395,010
Plus Other Revenue:				
Other Income		0.7%	55	2,860
Effective Gross Income		100.0%	7,651	397,870
Less: Operating Expenses				
Real Estate Taxes		3.4%	263	13,701
Insurance		3.5%	265	13,780
Repairs and Maintenance		5.9%	450	23,400
General and Administrative		3.9%	300	15,600
Management Fees		6.6%	507	26,380
Utilities				
Electric		1.4%	105	5,460
Water/Sewer		<u>5.9%</u>	<u>450</u>	23,400
Total Utilities		7.3%	555	28,860
Payroll		10.5%	800	41,600
Marketing		0.1%	10	520
Reserve		<u>4.6%</u>	<u>350</u>	<u>18,200</u>
Total Operating Expenses		45.8%	3,501	182,040
Net Operating Income		54.2%	4,151	215,830

Source: Crown Appraisal Group

Capitalization Rate Discussion

Capitalization is the process by which net operating income is converted into a value indication. A capitalization rate is utilized that most accurately represents the risk associated with receiving the property's net operating income. A property that has a "safer" income stream is one that has less risk.

In order to arrive at an appropriate range, emphasis was put on data provided by comparable sales and analysis of financing techniques.

It is noted that Attachment 7-A of Chapter 7 of the USDA Rural Development handbook states the following:

Use of an overall rate from the conventional market, which reflects conventional financing, is appropriate because all favorable financing will be valued separately from the market value, subject to restricted rents, of the real estate.

The handbook also notes that there is additional value of RA (rental assistance) to the net operating income stream through reducing the risk of investment by improving the durability of the [rental] income stream (through the assistance of the rent subsidy). The handbook further recognizes that the overall rate can be adjusted downward to account for the reduced risk due to RA.

Before consideration of the ramifications of the RA units, an overall rate of 7.00% is selected as being appropriate to accurately reflect the risk characteristics arising from the income stream. The rate selected falls within the ranges indicated by comparable sales, and the quantitative overall rate derivation techniques (band of investment and debt coverage ratio).

Attachment 7-A of Chapter 7 of the USDA Rural Development handbook states the following:

When the subject property has RA, the appraisal must include a discussion of the Section 521 Rental Assistance Program, the number of RA units at the subject, and how RA affects the market value, subject to restricted rents, of the property. Rental assistance is a rent subsidy provided to owners of 514/515 projects. The renter of an RA unit is required to pay a tenant contribution toward the approved shelter cost (rent plus tenant based utilities) of the unit that is equal to no more than 30 percent of his/her income. RA is the portion of the approved shelter cost paid by the Agency to compensate a borrower for the difference between the approved shelter cost and the tenant contribution. RA usually adds value to a 514/515 project in three ways: 1) it guarantees that the scheduled base rate rent for all occupied RA units will be attained; 2) it usually increases demand for the subject's units and consequently decreases the vacancy rate; and 3) it reduces the risk of investment in the subject project by improving the durability of the income stream. Rental assistance need not be separately valued; the value of RA can be incorporated within the market value, subject to restricted rents. This can be accomplished within the Income Approach by taking into account the three ways that RA increases value, listed above, as follows. 1) Base rate rents should be included as Potential Gross Income (PGI) in the restricted pro forma; 2) a vacancy and collection loss factor that reflects the amount of RA at the property should be included; and 3) a capitalization rate for the subject may be adjusted downward to account for the reduced risk to the investor due to RA.

Based on market participant attitudes and prior experience in the valuation of subsidized properties, overall capitalization rates for properties that have 100% subsidized tenancy typically are ± 50 basis points lower than the overall capitalization rates of similar properties than are market rate properties. This is due to market participant attitudes that view the income that is provided by a government funded source to be “safer” than income that is provided from market rate tenants.

When arriving at an opinion of the *Market Value of the fee simple estate, as conventional or unrestricted, subject to the short term leases as of the date of valuation* a weighted average technique is utilized to arrive at an overall capitalization rate conclusion. The weighted average technique take the relative “safeness” of the income streams attributable to the rental assistance and non rental assistance units at the property into consideration. The chart below summarizes the technique utilized to arrive at a final overall capitalization rate opinion for the *Market Value of the fee simple estate, as conventional or unrestricted, subject to the short term leases as of the date of valuation*.

Overall Capitalization Rate Selection				<i>Value 3</i>
Prospective Market Value Subject to Restricted Rents				
<u>Lease Guarantor</u>	<u># of Units</u>	<u>% of Total</u>	<u>Selected OAR</u>	<u>Weighted Rate</u>
Tenant	52	100.0%	7.00%	7.000%
Rental Assistance	0	0.0%	6.10%	0.000%
Total	52	100.0%		7.000%
Indicated OAR				7.00%

Source: Crown Appraisal Group

Recognizing that 0% of the units have RA, an overall rate of 7.00% is selected as being appropriate to accurately reflect the risk characteristics arising from the subject income stream. Application of the rate to the pro forma net operating income is shown in the chart below.

Pro Forma Technique Value Conclusion		<i>prospective</i>
Pinebrook Apartments		<i>subject to restricted rents</i>
		<i>Value 3</i>
Net Operating Income		\$215,830
Overall Capitalization Rate		7.00%
Value Conclusion		3,083,282
Rounded To:		\$3,080,000

Source: Crown Appraisal Group

Income Capitalization Approach as conventional or unrestricted – Value 4

As has been discussed, the prospective market value market value upon completion and as stabilized (unrestricted rents) assumes that the subject is operated as a conventional, market rate property.

The effective gross income, which is comprised primarily of apartment rent, should be above historic levels. The apartment rent will recognize the economic benefits of the renovation as the units will be in better physical (and functional) condition. The apartment rent will be constrained by market rent.

The total operating expense estimate should be lower due to renovation (reduced Repairs & Maintenance as well as Payroll) as well as reduced General & Administrative and Management expenses. The Marketing expense should be higher than historic, and there will be an explicit reserve expense.

Many of the parameters used in this valuation have been extensively discussed and analyzed. A summary of them follows.

<i>Pinebrook Apartments</i>		<i>prospective</i>	
<i>Operating Expense Estimates</i>		<i>as conventional or unrestricted</i>	
		<i>Value 4</i>	
<u>Operating Expense</u>	<u>Cost/unit</u>	<u>Discussion</u>	
Real Estate Taxes	263	Based on the current real estate taxes of the subject as reported by the county, and increased to reflect the renovations.	
Insurance	265	Based on historic with support from market.	
Repairs & Maintenance	400	Below historic; reflects the renovation as well as the recognition that the property would not be as well maintained if it were to be operated as a market rate one.	
General & Administrative	275	Below historic; market rate properties have lower general & administrative costs than subsidized properties.	
Management	5.00%	Percent of effective gross income rather than fee per occupied door per month.	
Utilities	105	Electric	Based on historic with support from market.
	450	Water and sewer	Based on historic with support from market.
Payroll	775	Based on the size of the property, a total cost per year, or a cost per month, is the appropriate manner in which to develop this operating expense estimate. The expense recognizes the renovation and is based on the probable cost if the property were operated as a market rate one.	
Marketing	20	Above historic; market rate properties require a higher cost for marketing.	
Reserve	350	Based on market participant attitudes reflecting the renovation.	

The pro forma and value conclusion are below.

Pinebrook Apartments		<i>prospective</i>						
Base Rent Revenue		<i>as conventional or unrestricted</i>						
		<i>Value 4</i>						
	Total	% of	Size	Total	Market Rent			
	Units	total	(rsf)	rsf	Rent/Month	Rent/sf	Monthly	Yearly
1 Bed, 1 Bath	14	27%	600	8,400	\$575	\$0.96	\$8,050	\$96,600
2 Bed, 1.5 Bath	38	73%	900	34,200	\$700	0.78	26,600	319,200
Overall Totals/Averages	52	100%	819	42,600	666	0.81	34,650	415,800

Source: Crown Appraisal Group

Pro Forma Operating Statement		<i>prospective</i>		
Pinebrook Apartments		<i>as conventional or unrestricted</i>		
		<i>Value 4</i>		
		52 units		
		% of EGI	Per Unit	Amount
Potential Rental Revenue		104.5%	\$7,996	\$415,800
Less: Vacancy and Collection Loss @	5.0%	-5.2%	-400	-20,790
Effective Rent		99.3%	7,596	395,010
Plus Other Revenue:				
Other Income		0.7%	55	2,860
Effective Gross Income		100.0%	7,651	397,870
Less: Operating Expenses				
Real Estate Taxes		3.4%	263	13,701
Insurance		3.5%	265	13,780
Repairs and Maintenance		5.2%	400	20,800
General and Administrative		3.6%	275	14,300
Management Fees		5.0%	383	19,894
Utilities				
Electric		1.4%	105	5,460
Water/Sewer		5.9%	450	23,400
Total Utilities		7.3%	555	28,860
Payroll		10.1%	775	40,300
Marketing		0.3%	20	1,040
Reserve		4.6%	350	18,200
Total Operating Expenses		42.9%	3,286	170,874
Net Operating Income		57.1%	4,365	226,996

Source: Crown Appraisal Group

Pro Forma Technique Value Conclusion		<i>prospective</i>
Pinebrook Apartments		<i>as conventional or unrestricted</i>
		<i>Value 4</i>
Net Operating Income		\$226,996
Overall Capitalization Rate		7.00%
Value Conclusion		3,242,798
Rounded To:		\$3,240,000

Source: Crown Appraisal Group

Cost Approach

as restricted – Value 3

The cost approach aggregates land value as if vacant, plus the cost to replace the existing improvements, less any accrued depreciation. The cost approach reflects value by recognizing that participants relate value to cost. Appraisal principles and concepts relating to this approach include substitution, supply and demand, balance, externalities, and highest and best use. Land valuation concepts and principles include anticipation, change, supply and demand, substitution, and balance. This approach provides an opinion of value principally based on the principle of substitution that states that:

No rational person would pay more for a property than that amount by which he or she can obtain, by purchase of a site and construction of a building, without undue delay, a property of equal desirability and utility.

Methodology

The cost approach involves several steps (presented below) that have been employed to project the value of the subject:

- Comparable land sales are typically analyzed and adjusted to provide an estimate of the subject's site as if vacant. However, although due to the size and location of Perry, minimal development has taken place and land rarely trades in the area. Given this, the appraised courthouse land value estimate for the subject is utilized.
- The improvement cost was projected using the Marshall Valuation Service.
- The amount of accrued depreciation or obsolescence (physical, functional and economic) has been projected and deducted from the replacement cost opinion.
- The depreciated replacement cost opinion is then added to the land value projected for the subject site.
- The sum of these opinions produces an indication of value by the cost approach.

Land Valuation Value 5

In order to obtain a value for the subject via the cost approach, land sales within the area are typically utilized. However, a search for comparable land sales in the subject’s market area found no results. The reality is that few properties have been acquired to construct new multi-family properties in those parts of the state. This is understood through a review of the rent comparables – the newest of these was constructed in 2008 – more than 5 years ago. The majority of the comparables were constructed at least 15 years ago. Given this, the courthouse appraised value of the subject land is utilized when estimating the value of the subject site.

The county appraised value of the ±4.502 acre site is \$135,000. *A point value of \$135,000 is estimated for the subject land as of the date of valuation.*

Improvement Valuation

The Marshall Valuation service has been used to develop the replacement cost of the improvements. The chart below develops the improvement replacement cost, and the value via the cost approach.

<i>Improvement Value Pinebrook Apartments</i>							
	Square feet	Unadjusted Cost/sf	Current Multiplier	Local Multiplier	Total Multiplier	Adjusted Cost/sf	Total Cost
Multiple Residences, Sec. 12, Average/Good, Class D	42,600	75.00	1.04	0.86	0.89	67.08	2,857,608
Additional buildings	580	75.00	1.04	0.86	0.89	67.08	38,906
							Total Cost Estimate
							2,896,514
							Less: Depreciation
							Effective Age
							5
							Economic Life
							55
							Depreciation
							9.1%
							Total Depreciation
							263,319
							Improvement Cost
							2,633,195
							Improvement Cost (rounded)
							2,630,000

Source: *Marshall Valuation; Crown Appraisal Group*

Briefly, the base cost includes average architect's and engineer's fees, plans, building permits and surveys, normal construction interest, typical site preparation, contractor's overhead and profit, builder's risk insurance, and of course, labor and materials. A base cost per square foot is developed. Adjustments are made for current and local multipliers; the adjusted cost is multiplied by the size of the improvements. After adjusting for the current and local cost multipliers, the undepreciated replacement cost estimate for the subject improvements is \$2,896,514.

Depreciation/Obsolescence Estimates for Improvements

A depreciated age-life method is used to estimate depreciation. There are two types of depreciation and/or obsolescence that need to be considered for the improvements. Physical deterioration and functional/economic obsolescence are considered. Following renovations, the improvements will be in good physical and functional condition. Marshall Valuation estimates the economic life of the improvements at 55 years. The effective age of the building (following renovations) is estimated at 5 years. Total depreciation of the subject improvements is estimated at 9.1% or \$263,319. The total depreciation is deducted from the undepreciated replacement cost opinion to arrive at a depreciated improvement cost opinion.

Entrepreneurial Incentive

Entrepreneurial incentive is defined in The Appraisal of Real Estate, Thirteenth Edition, Appraisal Institute, as follows:

A market derived figure that represents the amount an entrepreneur expects to receive for his or her contribution to a project and risk.

Typically, properties like the subject are constructed as investment properties. Entrepreneurs, or developers/builders, of these properties usually seek profit margins of 12% to 25%. Rather than develop an explicit opinion of entrepreneurial incentive, this item is considered in the Reconciliation and Final Value Opinion section of the report. The reasoning for the treatment of entrepreneurial incentive in this manner is that entrepreneurial incentive is, in reality, only realized as a result of how well a particular property meets market [participant] attitudes. The reality is that the incentive may be less than anticipated by a developer, or may be more, depending upon the circumstances.

Conclusion

The cost approach value opinion is reached by adding the land value and depreciated improvement cost opinions. ***The following value indication, before entrepreneurial incentive, is reached for the subject.***

<i>Cost Approach Summary</i>	<i>land value</i>	<i>Value 5</i>
<i>Pinebrook Apartments</i>	<i>cost approach total</i>	<i>Value 3</i>
Land Value		\$135,000
Depreciated Improvement Cost		<u>2,630,000</u>
<i>Cost Approach Value Estimate (rounded)</i>		<i>2,765,000</i>
<i>before entrepreneurial incentive</i>		

Source: *Crown Appraisal Group*

Reconciliation and Final Value Opinion

The purpose of this assignment is to develop and report an opinion of value for Pinebrook Apartments. The specific real property interest, real estate, and type of value have been detailed within the body of this report. The values developed by the approaches are summarized as follows:

<i>Reconciliation and Final Value Conclusions</i>				
<i>Pinebrook Apartments</i>				
	Value 1	Value 2	Value 3	Value 4
	<i>as conventional or unrestricted</i>	<i>subject to restricted rents</i>	<i>subject to restricted rents</i>	<i>as conventional or unrestricted</i>
Income Capitalization Approach	2,840,000	1,030,000	3,080,000	3,240,000
Sales Comparison Approach	2,760,000	n/a	n/a	n/a
Cost Approach before entrepreneurial incentive	n/a	n/a	2,765,000	n/a

Source: *Crown Appraisal Group*

The methodology and applicability of each approach has been previously explained.

Value 1

The income capitalization approach is the primary approach, with support from the sales comparison approach.

Value 2

The income capitalization approach is the only approach considered applicable.

Value 3

The income capitalization approach is the primary approach, with support from the cost approach.

Value 4

The income capitalization approach is the only approach considered applicable.

The income capitalization approach is based on the principle of anticipation in the potential of receiving future income streams from the property. Its applicability is good, as the property being appraised was developed to produce income. As such, the property is typically valued by participants based on its ability to do so. Revenue, expense, and capitalization rate criteria were all derived from actual, market, and/or investor-based criteria. A pro forma technique was explicitly utilized and considered in developing all value opinions. The income capitalization approach is the primary approach for all value opinions.

The sales comparison approach is based on the principle of substitution, and is a viable technique when comparable properties have transferred ownership in the market. It is also viable when the participants base their investment decisions on the principle of substitution. This approach is rarely applicable in concluding a market value, subject to restricted rents, due to the lack of sales of subsidized apartments in small rural markets and the difficulty of making meaningful adjustments for financing terms to the sales comparables.

The cost approach is based on the principle of substitution. It is most appropriate when valuing properties with little applicable depreciation, obsolescence, or externalities. The cost approach is used when developing the Value 3 opinion. The applicability of the cost approach in developing

this opinion of value is greatly diminished due to its subjectiveness and current market participant attitudes. The implied entrepreneurial incentive or difference between the value indicated by the cost approach and the final market value 3 opinion is 17.5%. This figure is within market parameters.

As noted, primary emphasis was placed on the income capitalization approach for point value opinions of the all market value opinions. Therefore, based upon the analyses and conclusions contained within this report and subject to the assumptions and limiting conditions contained herein, the value opinions, as of the as-is and prospective dates of valuation are:

<i>Value Opinions</i>	<u>Date of Value</u>	<u>Value</u>
<i>Value 1 - as-is, as conventional or unrestricted</i>	August 1, 2013	<i>\$2,840,000</i>
<i>Value 2 - as-is, subject to restricted rents</i>	August 1, 2013	<i>\$1,030,000</i>
<i>Value 3 - prospective, subject to restricted rents</i>	February 1, 2015	<i>\$3,080,000</i>
<i>Value 4 - prospective, as conventional or unrestricted</i>	February 1, 2015	<i>\$3,240,000</i>

Interest Credit Subsidy Value Opinion

Value 6

Interest credit is a form of federal assistance available to eligible borrowers that reduces the effective interest rate of a loan. The USDA Rural Housing Service (RHS or RD) offers direct loans with favorable terms for affordable housing in the Rural Rental Housing Program and the Farm Labor Housing Program. The 515 loan falls within this program. In this case, Section 515 permanent loans for new construction and subsequent loans for rehabilitation include interest rates as low as 1 percent. These loans are made at a “note rate” of interest, but a “basic rate” of interest to the borrower is typically 1 percent. A monthly mortgage payment is calculated at the note rate of interest, and the loan is amortized at the note rate of interest, but the borrower's actual mortgage payment is based on the basic rate of 1 percent. The difference between the note rate payment and the basic rate payment is the *interest credit*. The borrower is effectively subsidized with an income stream represented by the monthly *interest credit* that is available for the term of the loan.

In appraisals of Section 515 funded properties, valuation of the *interest credit subsidy* (favorable financing) is part of the assignment when the *market value, subject to restricted rents*, must be concluded. When *interest credit subsidy* is the only favorable financing involved, the security value, on which the loan is based, has two components: 1) the *market value, subject to restricted rents*, of the real estate, and 2) the value of the *interest credit subsidy*.

The value of the *interest credit subsidy* from RD direct loans on most existing properties can be calculated by subtracting the monthly debt service at the below-market rate of interest from the monthly payment at the current rate offered for conventional loans and discounting the difference by the current conventional interest rate over the remaining loan term. For the subject property interest credit subsidy values are calculated for the existing Section 515 loan and the subsequent Section 538 loan. These calculations are summarized in the following two charts:

Interest Credit Subsidy Valuation		Value 6	
Existing Section 515 Loan/Restated 515 Loan Terms			
Pinebrook Apartments			
Existing/Restated 515 Loan		New 538 Loan	
<i>Existing Lender's Terms (market rate)</i>		<i>Market Rate</i>	
Principal Balance of	December 31, 2012	Principal Balance	\$834,000
Conventional Loan Interest Rate	5.500%	Conventional Loan Interest Rate	5.500%
Term of Existing Section 515 Loan (years)	30	Term (years)	30
Loan Monthly Payment	\$7,853	Conventional Loan Monthly Payment	\$4,735
<i>Restated Section 515 Loan Terms</i>		<i>Section 538 Loan Terms</i>	
Principal Balance	\$1,383,076	Principal Balance	\$834,000
Interest Rate	1.000%	Interest Rate	3.125%
Term (years)	50	Term (years)	30
Section 515 Loan Monthly Payment	\$2,930	Section 538 Loan Monthly Payment	\$3,573
Monthly Savings from Below Market Financing	\$4,923	Monthly Savings from Below Market Financing	\$1,163
Present Value of Monthly Savings from Below Market Financing	\$867,009	Present Value of Monthly Savings	\$204,778
Note Rate	3.125%		
Monthly Payment at Note Rate	\$4,559		
Future Value of Balloon Payment	\$812,908		
Present Value of Balloon Payment	<u>\$156,709</u>		
Value of Interest Credit Subsidy	\$710,300	Value of Interest Credit Subsidy	\$204,778
Existing Section 515 Loan Interest Credit Subsidy Value (Rounded)	\$710,000	New Section 538 Loan Interest Credit Subsidy Value (Rounded)	\$205,000

Source: Greystone; Crown Appraisal Group

LIHTC Value Opinion

Value 7

The Low Income Housing Tax Credit (LIHTC or Tax Credit) program was created by the Tax Reform Act of 1986 as an alternate method of funding housing for low- and moderate-income households, and has been in operation since 1987. Until 2000, each state received a tax credit of \$1.25 per person that it can allocate towards funding housing that meets program guidelines (currently, legislation is pending to increase this per capita allocation). This per capita allocation was raised to \$1.50 in 2001, to \$1.75 in 2002, and adjusted for inflation beginning in 2003. These tax credits are then used to leverage private capital into new construction or acquisition and rehabilitation of affordable housing.

The tax credits are determined by the development costs, and are used by the owner. Often, because of IRS regulations and program restrictions, the owner of the property will not be able to use all of the tax credits, and therefore, many LIHTC properties are owned by limited partnership groups that are put together by syndicators. In this manner, a variety of companies and private investors participate within the LIHTC program, investing in housing development and receiving credit against their federal tax liability in return.

Tax Credits must be used for new construction, rehabilitation, or acquisition and rehabilitation and projects must also meet the following requirements:

- 20% or more of the residential units in the project are both rent restricted and occupied by individuals whose income is 50% or less of area median gross income *or* 40% or more of the residential units in the project are both rent restricted and occupied by individuals whose income is 60% or less of area median gross income.
- When the LIHTC program began in 1987, properties receiving tax credits were required to stay eligible for 15 years. This eligibility time period has since been increased to 30 years.

These are minimums. Because of the way states award credits, it is in the interest of developers to exceed these minimums, as most states look more favorably on projects serving a higher percentage of income-eligible households.

Most states determine the amount of tax credit an individual project receives based on its *qualified basis*. First, total project cost is calculated. Second, *eligible basis* is determined by subtracting non-depreciable costs, such as land, permanent financing costs, rent reserves and marketing costs. The project developer may also voluntarily reduce the requested eligible basis in order to gain a competitive advantage. If the development is located in a HUD designated high cost area (HCA), the eligible basis receives a 130% HCA adjustment. These areas include both Qualified Census Tracts (QCTs) and Difficult Development Areas (DDAs). Finally, to determine the qualified basis, the eligible basis is multiplied by the applicable fraction, which is the smaller of, (1) the percentage of low income units to total units, or, (2) the percentage of square footage of the low income units to the square footage of the total units, to arrive at the qualified basis.

The qualified basis is multiplied by the federal tax credit rate, published monthly by the IRS, to determine the maximum allowable tax credit allocation. For projects that are new construction or rehabilitation, which are not financed with a federal subsidy, the rate is approximately 9%. For projects involving a federal subsidy (including projects financed more than 50% with tax exempt bonds), the rate is approximately 4%. The 9% and 4% rates are used to determine a project's initial tax credit reservation. A project's final (placed-in-service) tax credit allocation is based on actual project sources and uses of funds, the financing shortfall and the actual applicable federal rate. The rate applicable to a project is the rate published for the month each building is placed in service or in an earlier month elected by the sponsor. The allocation cannot exceed the initial reservation amount and may be reduced if an analysis determines that the maximum allowable amount would generate excess equity proceeds to the project.

Pinebrook Apartments LIHTC

An annual LIHTC of \$91,378 is anticipated to be granted for the acquisition and rehabilitation of the subject. This low income housing tax credit will be granted annually over a 10-year term. The overall net sum of the LIHTC to the ownership entity of the subject over the 10-year term is \$913,783. The tax credits reduce the owner's tax liability. Thus, they have value to the owner. The tax credits can be transferred if the seller guarantees that the transfer will still maintain the LIHTC requirements.

Current LIHTC Market

Not surprising, LIHTC pricing has not remained static. In May, 2009, average pricing of LIHTC was about \$0.70 per credit (data compiled and reported by Novogradac & Company). Pricing dropped to about \$0.62 in March 2010, but has risen steadily. In November, 2011 (pricing was about \$0.90 per credit. Since January 2011, pricing has been consistently above \$0.80 per credit.

Specific to the subject (and the portfolio of properties to which it is a part), there is a contract to purchase the tax credits at \$1.15 per gross credit. This is the best evidence of the appropriate value of the tax credits.

Value of Tax Credits

The value of the tax credits is a fairly simple calculation. The value is developed by taking the total tax credits and multiplying them by the appropriate pricing – in this case, \$1.15 per tax credit. The value is shown below.

<i>LIHTC Analysis</i>	<i>Pinebrook Apartments Value 7</i>
<u>Period</u>	
Annual Tax Credits	91,378
Years	<u>10</u>
Total Tax Credits	913,783
Total Pricing	1.15
	Value of Tax Credits 1,050,850

Source: *Crown Appraisal Group*

Insurable Value Opinion

Value 8

The insurable value opinion is shown below. The insurable value opinion is based on Marshall Valuation Service figures. The reported cost is the opinion to replace the improvements described within this report with improvements of generally similar utility (physical condition, quality, and functionality), under the assumption that the improvements need to be completely replaced for insurance coverage purposes.

<i>USDA Rural Development</i>				<i>Value 8</i>
<i>Insurable Value Calculation</i>				
Property Name	Pinebrook Apartments			
Street Address	715 Mason Terrace Road			
City, County, State, Zip	Perry, Houston County, Georgia 31069			
Base Cost				
Main Structure/sf				75.00
Sprinkler/sf				0.00
Other/sf				0.00
Adjustments and/or Multipliers	1.04	current cost	0.86	local cost
				0.89
Total Base Cost per square foot				67.08
Building Area square footage				43,180
Total Replacement Cost New				2,896,514
Exclusions				
	<u>per sf</u>	<u>percent</u>		
Excavations	0.00	0.0%		0
Foundations	2.35	3.5%		101,378
Site Work	0.00	0.0%		0
Site Improvements	0.00	0.0%		0
Architect's Fees	0.00	0.0%		0
Underground Piping	<u>0.00</u>	<u>0.0%</u>		<u>0</u>
Total Exclusions	2.35	3.5%		101,378
Inclusions				
	<u>per unit</u>	<u>units</u>		
Appliance Packages	750	52		39,000
Patios/Balconies	250	52		<u>13,000</u>
Total Inclusions				52,000
Concluded Insurable Value				
Total Replacement Cost New				2,896,514
Less Total Exclusions				101,378
Plus Total Inclusions				<u>52,000</u>
Concluded Insurable Value				2,847,136

Source: *Marshall Valuation; Crown Appraisal Group*

ADDENDUM

SUBJECT PHOTOGRAPHS



PROFESSIONAL QUALIFICATIONS
ANDREW J. MOYE, MAI

Business Experience

Crown Appraisal Group, Columbus, Ohio.

Principal

Real estate consulting, including appraisal and market study assignments for commercial real estate.

Vista Capital/Chemical Mortgage Company, Columbus, Ohio.

Vice President.

Responsible for appraisals and market studies of commercial real property.

Landauer Associates, Inc., West Palm Beach, Florida.

Assistant Vice President.

Valuation and evaluation of real property, and development of land use studies for large commercial and residential PUDs.

Education

Masters of Business Administration (Finance), The Ohio State University, Columbus, Ohio.

Bachelor of Science in Business Administration (Real Estate), The Ohio State University, Columbus, Ohio.

Professional Education

Appraisal Principles	AI Course 110
Appraisal Procedures	AI Course 120
Basic Income Capitalization	AI Course 310
General Applications	AI Course 320
Standards of Professional Practice.....	AI Course 410
Standards of Professional Practice.....	AI Course 420
Advanced Income Capitalization.....	AI Course 510
Highest & Best Use and Market Analysis	AI Course 520
Advanced Sales Comparison and Cost	AI Course 530
Report Writing and Valuation Analysis.....	AI Course 540
Advanced Applications.....	AI Course 550

Professional Qualifications

MAI (Member, Appraisal Institute), Appraisal Institute

Young Advisory Council, Appraisal Institute

Certified General Appraiser, AL, AZ, CO, FL, GA, IN, KY, MI, MS, NC, NY, OH, SC, WV

Expert witness in Federal Bankruptcy Court, Common Pleas Courts throughout Ohio, various Boards of Revision, State Board of Tax Appeal

STATE OF GEORGIA REAL ESTATE APPRAISERS BOARD

ANDREW JOHN MOYE

5464

IS AUTHORIZED TO TRANSACT BUSINESS IN GEORGIA AS A
CERTIFIED GENERAL REAL PROPERTY APPRAISER

THE PRIVILEGE AND RESPONSIBILITIES OF THIS APPRAISER CLASSIFICATION SHALL CONTINUE IN EFFECT AS LONG AS THE APPRAISER PAYS REQUIRED APPRAISER FEES AND COMPLIES WITH ALL OTHER REQUIREMENTS OF THE OFFICIAL CODE OF GEORGIA ANNOTATED, CHAPTER 43-39-A. THE APPRAISER IS SOLELY RESPONSIBLE FOR THE PAYMENT OF ALL FEES ON A TIMELY BASIS.

D. SCOTT MURPHY
Chairperson

JEFF LAWSON
KEITH STONE
MARILYN R. WATTS

SANDRA MCALISTER WINTER
Vice Chairperson

46535503

ANDREW JOHN MOYE

5464
Status **ACTIVE**

ORIGINALLY LICENSED

11/09/1995

END OF RENEWAL
09/30/2014

**CERTIFIED GENERAL REAL PROPERTY
APPRAISER**

THIS LICENSE EXPIRES IF YOU FAIL TO PAY
RENEWAL FEES OR IF YOU FAIL TO COMPLETE ANY
REQUIRED EDUCATION IN A TIMELY MANNER.

State of Georgia
Real Estate Commission
Suite 1000 - International Tower
229 Peachtree Street, N.E.
Atlanta, GA 30303-1605



WILLIAM L. ROGERS, JR.
Real Estate Commissioner

46535503

ANDREW JOHN MOYE

5464
Status **ACTIVE**

ORIGINALLY LICENSED

11/09/1995

END OF RENEWAL
09/30/2014

**CERTIFIED GENERAL REAL PROPERTY
APPRAISER**

THIS LICENSE EXPIRES IF YOU FAIL TO PAY
RENEWAL FEES OR IF YOU FAIL TO COMPLETE ANY
REQUIRED EDUCATION IN A TIMELY MANNER.

State of Georgia
Real Estate Commission
Suite 1000 - International Tower
229 Peachtree Street, N.E.
Atlanta, GA 30303-1605



WILLIAM L. ROGERS, JR.
Real Estate Commissioner

46535503