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**APPRAISAL REPORT
OF THE PROPOSED
PROVIDENCE AT PARKWAY VILLAGE SENIOR APARTMENTS
5095 SOUTHWOOD ROAD
UNION CITY, FULTON COUNTY, GEORGIA**

EHA File 14-174

DATE OF VALUE

May 9, 2014

PREPARED FOR

**Mr. Torian Priestly
The Benoit Group, LLC
Executive Vice President
Premier Plaza One
5605 Glenridge Drive, Suite 100
Atlanta, Georgia 30342**



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Douglas M. Rivers

ADMINISTRATIVE

Pauline J. Hines

May 13, 2014

Mr. Torian Priestly
The Benoit Group, LLC
Executive Vice President
Premier Plaza One
5605 Glenridge Drive, Suite 100
Atlanta, Georgia 30342

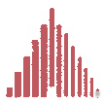
RE: Appraisal Report of the Proposed
Providence at Parkway Village Senior Apartments
5095 Southwood Road
Union City, Fulton County, Georgia 30213

EHA File 14-174

Dear Mr. Priestly:

At your request and authorization, we conducted the inspections, investigations, and analyses necessary to appraise the above referenced property. We have prepared an appraisal report in comprehensive format. The purpose of this appraisal is to estimate market value of the fee simple interest in the subject vacant site and estimate prospective market value of the fee simple interest in the proposed improved property "as complete/stabilized" under two scenarios, using both restricted (contracted) and hypothetical unrestricted (market) rents. We were also requested to estimate the value of the tax credits. Our value is predicated upon market conditions prevailing on May 9, 2014, which is the effective date of the appraisal. The report is intended for use by the addressee as part of a Low Income Housing Tax Credit (LIHTC) application for acquisition/construction and may be used and/or relied upon by the Department of Community Affairs.

The subject property is a proposed low income 150-unit senior apartment complex situated on a 9.99-acre site. It is located along the east side of Southwood Road, just north of Thompson Road in Union City, Fulton County, Georgia. This location is approximately four miles northwest of downtown Union City, and approximately 16 radial miles southwest of the Atlanta CBD. The unit mix will consist of 110 one and 40 two-bedroom units, which will be contained in two, three- and four-story buildings. Construction will be wood frame on concrete slab with brick veneer and fiber cement siding exteriors. Property amenities will include a community/business center, fitness center, elevators and shuttle to the public transportation stations. The units



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Mr. Torian Preistly
May 13, 2014
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will be allocated under various low income housing programs with 90 PBRA units, 30 HOME units, 20 60% LIHTC units, and 10 ACC units. Reportedly, construction will begin in June 2014 with construction completion by August 1, 2015 and stabilization by May 1, 2016. The site is currently vacant with a rolling and wooded topography.

The subject is more fully described, legally and physically, within the attached report. Additional data, information and calculations leading to the value conclusion are in the report following this letter. This document in its entirety, including all assumptions and limiting conditions, is an integral part of this letter.

The following narrative appraisal contains the most pertinent data and analyses upon which our opinions are based. The study was prepared in compliance with the requirements of Title XI of the Federal Financial Institution Reform, Recovery and Enforcement Act of 1989 (FIRREA) and the requirements of the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation.

Our opinions of value were formed based on our experience in the field of real property valuation, as well as the research and analysis set forth in this appraisal. Our concluded income and expenses, subject to the attached Assumptions and Limiting Conditions.



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Mr. Torian Preistly
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Estimate of Market Value of the Fee Simple Interest in the Subject Site "As Is," As of May 9, 2014: Per Unit (150):	\$1,500,000 \$10,000
Estimate of Market Value of the Leasehold Interest in the Subject Site "As Is, if Considering Pending Ground Lease" As of May 9, 2014: Per Unit (150):	\$0 \$0
Estimate of Market Value of the Leasehold Interest in the Subject "At Completion," Subject to Restricted Rents, As of August 1, 2015: Per Unit (150):	\$9,150,000 \$61,000
Estimate of Market Value of Leasehold Interest in the Subject "At Stabilization," Subject to Restricted Rents, As of May 1, 2016: Per Unit (150):	\$9,600,000 \$64,000
Estimate of Hypothetical Market Value of the Leasehold Interest in the Subject "At Completion," Assuming Unrestricted/Market Rents, As of August 1, 2015: Per Unit (150):	\$10,650,000 \$71,000
Estimate of Hypothetical Market Value of the Leasehold Interest in the Subject "At Stabilization," Assuming Unrestricted/Market Rents, As of May 1, 2016: Per Unit (150):	\$11,100,000 \$74,000
Estimate of Hypothetical Market Value of the Leasehold Interest in the Subject Assuming Unrestricted/Market Rents "At Loan Maturity," As of August 1, 2035: Per Unit (150):	\$12,900,000 \$86,000
Value of Tax Credits, As of May 9, 2014:	\$6,487,000

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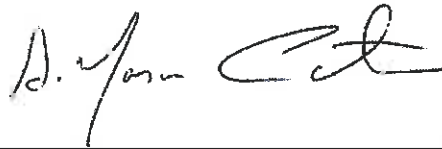
Mr. Torian Preistly
May 13, 2014
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It was our pleasure assisting you in this matter. If you have any questions concerning the analysis, or if we can be of further service, please call.

Respectfully submitted,

EVERSON, HUBER & ASSOCIATES, LC

By:



A. Mason Carter
Registered Appraiser
Georgia Certificate No. 319489



Timothy P. Huber
Certified General Appraiser
Georgia Certificate No. 6110



Stephen M. Huber
Principal
Certified General Appraiser
Georgia Certificate No. CG001350

CERTIFICATION OF THE APPRAISERS

We certify that to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. We have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
9. A. Mason Carter made a personal inspection of the subject property and prepared this report under the supervision of Timothy P. Huber and Stephen M. Huber, who also inspected the subject.
10. Douglas M. Rivers provided real property appraisal assistance, consisting of market research and comparable data verification, to the person signing this certification.
11. The reported analyses, opinions and conclusions were developed, and this report has been prepared in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
13. As of the date of this report, we have completed the Standards and Ethics Education Requirement for Practicing Affiliates or Candidates of the Appraisal Institute
14. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Georgia Real Estate Appraiser Classification and Regulation Act, the Rules and Regulations of the Georgia Real Estate Appraisers Board.
15. We have extensive experience in the appraisal of commercial properties and Stephen M. Huber and Timothy P. Huber are appropriately certified by the State of Georgia to appraise properties of this type.



A. Mason Carter
Registered Real Property Appraiser
Georgia Certificate No. 319489



Timothy P. Huber
Certified General Real Property Appraiser
Georgia Certificate No. 6110



Stephen M. Huber
Principal
Certified General Real Property Appraiser
Georgia Certificate No. 1350

SUMMARY OF SALIENT FACTS

Property Name/Address:	Proposed Providence at Parkway Village Senior Apartments 5095 Southwood Road Union City, Fulton County, Georgia 30213
Location:	East side of Southwood Road, just north of Thompson Road in Union City, Fulton County, Georgia. This location is approximately four miles northwest of downtown Union City, and approximately 16 radial miles southwest of the Atlanta CBD.
Appraisal Identification:	EHA 14-174
Assessor Parcel Nos.:	09F-3000-0118-032-1, 061-0
Land Area:	9.991 total acres - per tax information
Property Identification:	The subject property is a proposed low income 150-unit senior apartment complex situated on a 9.99-acre site. The unit mix will consist of 110 one and 40 two-bedroom units, which will be contained in two, three- and four-story buildings. Construction will be wood frame on concrete slab with brick veneer and fiber cement siding exteriors. Property amenities will include a community/business center, fitness center, elevators and shuttle to the public transportation stations. The units will be allocated under various low income housing programs with 90 PBRA units, 30 HOME units, 20 60% LIHTC units, and 10 ACC units. Reportedly, construction will begin in June 2014 with construction completion by August 1, 2015 and stabilization by May 1, 2016. The site is currently vacant with a rolling and wooded topography.
Highest and Best Use	As Though Vacant: Development with a multifamily use As Proposed: Development of an apartment complex
Purpose of the Appraisal:	The purpose of this appraisal is to estimate market value of the fee simple interest in the subject vacant site and estimate prospective market value of the fee simple interest in the proposed improved property "as complete/stabilized" under two scenarios, using both restricted (contracted) and hypothetical unrestricted (market) rents.
Intended Use:	The report is intended for use by the addressee as part of a Low Income Housing Tax Credit (LIHTC) application for acquisition/construction and may be used and/or relied upon by the Department of Community Affairs.
Property Rights:	Fee simple interest
Date of As Is Value / Inspection:	May 9, 2014

Summary of Salient Facts

Date of Report: May 13, 2014

Estimated Marketing Time: Six to 12 months

Valuation:

Estimate of Market Value of the Fee Simple Interest in the Subject Site "As Is," As of May 9, 2014:	\$1,500,000
Per Unit (150):	\$10,000
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Estimate of Market Value of the Leasehold Interest in the Subject Site "As Is, If Considering Pending Ground Lease" As of May 9, 2014:	\$0
Per Unit (150):	\$0
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Estimate of Market Value of the Leasehold Interest in the Subject "At Completion," Subject to Restricted Rents, As of August 1, 2015:	\$9,150,000
Per Unit (150):	\$61,000
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Estimate of Market Value of Leasehold Interest in the Subject "At Stabilization," Subject to Restricted Rents, As of May 1, 2016:	\$9,600,000
Per Unit (150):	\$64,000
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Estimate of Hypothetical Market Value of the Leasehold Interest in the Subject "At Completion," Assuming Unrestricted/Market Rents, As of August 1, 2015:	\$10,650,000
Per Unit (150):	\$71,000
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Estimate of Hypothetical Market Value of the Leasehold Interest in the Subject "At Stabilization," Assuming Unrestricted/Market Rents, As of May 1, 2016:	\$11,100,000
Per Unit (150):	\$74,000
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Estimate of Hypothetical Market Value of the Leasehold Interest in the Subject Assuming Unrestricted/Market Rents "At Loan Maturity," As of August 1, 2035:	\$12,900,000
Per Unit (150):	\$86,000
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Value of Tax Credits, As of May 9, 2014:	\$6,487,000

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ADDENDA

- A ASSUMPTIONS AND LIMITING CONDITIONS
- B SUBJECT PHOTOGRAPHS
- C LOCATION MAPS
- D SITE DOCUMENTS / FLOOD MAP
- E COMPARABLE LAND SALES / LOCATION MAP
- F RENTAL COMPARABLES / LOCATION MAP
- G IMPROVED SALE COMPARABLES / LOCATION MAP
- H ENGAGEMENT LETTER
- I QUALIFICATIONS

PROPERTY IDENTIFICATION

The subject property is a proposed low income 150-unit senior apartment complex situated on a 9.99-acre site. It is located along the east side of Southwood Road, just north of Thompson Road in Union City, Fulton County, Georgia. This location is approximately four miles northwest of downtown Union City, and approximately 16 radial miles southwest of the Atlanta CBD. The unit mix will consist of 110 one and 40 two-bedroom units, which will be contained in two, three- and four-story buildings. Construction will be wood frame on concrete slab with brick veneer and fiber cement siding exteriors. Property amenities will include a community/business center, fitness center, elevators and shuttle to the public transportation stations. The units will be allocated under various low income housing programs with 90 PBRA units, 30 HOME units, 20 60% LIHTC units, and 10 ACC units. Reportedly, construction will begin in June 2014 with construction completion by August 1, 2015 and stabilization by May 1, 2016. The site is currently vacant with a rolling and wooded topography. The subject's street address is 5095 Southwood Road and it is identified as tax parcels 09F-3000-0118-061-0 and 09F-3000-0118-032-1.

OWNERSHIP AND PROPERTY HISTORY

According to Fulton County records, the subject site is owned by The Housing Authority of Fulton County. The subject site was deeded to the Housing Authority of Fulton County on August 31, 2007 from Regions Bank. It should be noted that the subject property will be under a ground lease between the Housing Authority of Fulton County (lessor) and TBG Providence, LP (leasee). The term of the lease is 99 years at a base rent of \$1.00 per year on an absolute net basis. Any expenses will be the responsibility of the leasee. We have not valued the ground lease in this report. We are aware of no other offers, contracts, or transactions, nor any ownership changes during the past three years.

PURPOSE AND INTENDED USE OF THE APPRAISAL

The purpose of this appraisal is to estimate market value of the fee simple interest in the subject vacant site under the hypothetical condition it is free-standing with no affiliation to the Bedford Pines development and has typical neighborhood residential zoning. Additionally, we have estimated prospective market value of the fee simple interest in the proposed improved property "as complete/stabilized" under two scenarios, using both restricted (contracted) and hypothetical unrestricted (market) rents.

The report is intended for use by the addressee as part of a Low Income Housing Tax Credit (LIHTC) application for acquisition/construction and may be used and/or relied upon by the Department of Community Affairs.

DATES OF INSPECTION, VALUATION AND REPORT

The "as is" value reported is predicated upon market conditions prevailing on May 9, 2014, which is the effective date of the appraisal. The date of report is May 13, 2014.

DEFINITION OF MARKET VALUE

Market value is one of the central concepts of the appraisal practice. Market value is differentiated from other types of value in that it is created by the collective patterns of the market. Market value means the most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby¹:

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

PROPERTY RIGHTS APPRAISED

We appraised the fee simple interest in the subject property. Real properties have multiple rights inherent with ownership. These include the right to use the real estate, to

occupy, to sell, to lease, or to give away, among other rights. Often referred to as the "bundle of rights," an owner who enjoys all the rights in this bundle owns the fee simple title.

"Fee title" is the greatest right and title that an individual can hold in real property. It is "free and clear" ownership subject only to the governmental rights of police power, taxation, eminent domain, and escheat reserved to federal, state, and local governments².

Since the property is appraised subject to short-term leases, this could be construed to be the leased fee estate. However, we are recognizing the interest appraised as fee simple with the stipulated qualification.

APPRAISAL DEVELOPMENT AND REPORTING PROCESS – SCOPE OF WORK

We completed the following steps for this assignment:

1. Analyzed regional, county, neighborhood, site, and improvement data.
2. Inspected the subject site, comparables and neighborhood.
3. Reviewed data regarding taxes, zoning, utilities, easements, and county/town services.
4. Considered comparable rentals, land and improved sales. Confirmed data with buyers, sellers, brokers, leasing agents, property managers, knowledgeable third parties, news articles, websites and/or various other data sources.
5. Estimated reasonable exposure and marketing times associated with the value estimate.

The site and improvement descriptions included in this report are based on a review of planning and financial documents provided by the developer; appraisal performed by CBRE and dated September 2013, building plans prepared by Martin Riley Associates – Architects, PC and dated February 28, 2014, provided ground lease, a Phase I Environmental Site Assessment prepared by Geotechnical & Environmental Consultants, Inc. and dated April 18, 2014, a soil report prepared by Universal Engineering Sciences and dated October 4, 2012, construction schedule, legal description, a survey prepared by Planners and Engineers Collaborative and dated July 13, 2006, floor plans, public information and our experience with

¹ The definition of market value is taken from: The Office of the Comptroller of the Currency under 12 CFR, Part 34, Subpart C-Appraisals, §34.42(f), August 24, 1990. This definition is compatible with the definition of market value contained in *The Dictionary of Real Estate Appraisal*, Third Edition, and the Uniform Standards of Professional Appraisal Practice adopted by the Appraisal Standards Board of The Appraisal Foundation, 2012/13 edition. This definition is also compatible with the OTS, FDIC, NCUA, and the Board of Governors of the Federal Reserve System definition of market value.

² *The Dictionary of Real Estate Appraisal*, Appraisal Institute, Fourth Edition, 2002; and *The Appraisal of Real Estate*, 13th Edition, Appraisal Institute, 2008.

typical construction features for apartment complexes. The available information is adequate for valuation purposes.

To develop an opinion of value, we have prepared an appraisal report in comprehensive format, which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the Standards of Professional Appraisal Practice. The value estimate reflects all known information about the subject, market conditions, and available data. This appraisal report incorporates, to the fullest extent possible, a practical explanation of the data, reasoning and analysis used to develop the opinion of value. It also includes through descriptions of the subject and the market for the property type.

SPECIAL APPRAISAL INSTRUCTIONS

As mentioned above, we were asked to appraise the subject site "as is." The following definitions pertain to the value estimates provided in this report.

Market Value "As Is" On Appraisal Date

An estimate of the market value of a property in the condition observed upon inspection and as it physically and legally exists without hypothetical conditions, assumptions, or qualifications as of the date the appraisal is prepared.

Prospective Value Upon Completion of Construction

The value presented assumes all proposed construction, conversion, or rehabilitation is completed, or under other specified assumed conditions, as of the future date when such construction completion is projected to occur. If anticipated market conditions indicate that stabilized occupancy is not likely as of the date of completion, this estimate shall reflect the market value of the property in its then "as is" leased state (future cash flows must reflect additional lease-up costs, including tenant improvements and leasing commissions, for all areas not pre-leased). For properties where individual units are to be sold over a period of time, this value should represent that point in time when all construction and development cost have been expensed for that phase, or those phases, under valuation.

Prospective Value "At Stabilization"

The value presented assumes the property has attained the optimum level of long-term occupancy, which an income-producing real estate project is expected to achieve under competent management after exposure for leasing in the open market for a reasonable period of time at terms and conditions comparable to competitive offerings. The date of stabilization must be estimated and stated within the report.

Hypothetical Condition on Appraisal Date

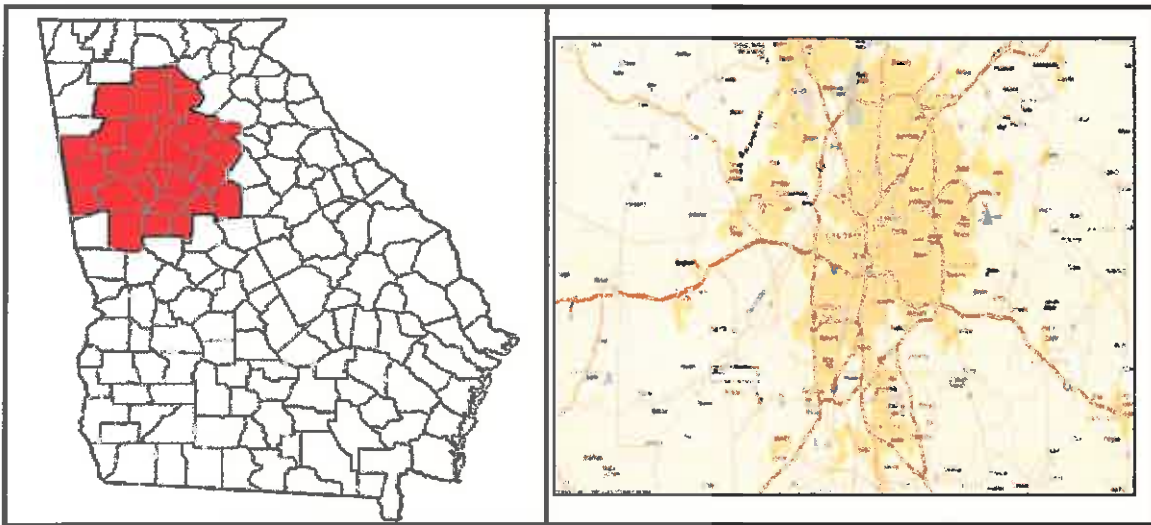
A hypothetical condition is that which is contrary to what exists but is supposed for purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal or economic characteristics of the subject property or about conditions external to the property, such as market conditions or trends, or the integrity of data used in an analysis.

EXTRAORDINARY ASSUMPTIONS AND LIMITING CONDITIONS

It is assumed that the proposed subject will be completed on or before the prospective date of value, in a workmanlike manner, and in accordance with the building plans and specifications relied on for the appraisal.

REGIONAL OVERVIEW

The following section of the report provides an overview of the 28-county Atlanta Metropolitan Statistical Area or MSA.

**Location and Population**

Located in the central, northwestern portion of Georgia, Atlanta is the state's capital and largest city. At almost 5.4 million, the current population of the Atlanta MSA has remained relatively stable in recent years. As can be seen in the following table, between 2000 and 2010, the MSA has been growing at a rate over twice as fast as the nation and 1/3 faster than the state of Georgia. The fastest growing counties are Henry, Forsyth and Paulding, all outlying counties and all growing at a rate of around 7.5% per year. In terms of absolute growth, the two largest counties, Gwinnett and Fulton, lead the way. An interesting facet of the Atlanta MSA growth pattern is the strong growth indicators within the core urbanizing counties. Typically, large older cities show stagnant growth or population loss at the core. Atlanta's growth varies (only one small county shows population loss over the 2000-2010 decade), but is essentially strong throughout. The trend from 2010 through 2012 generally tracks with the 2000 to 2010 trend.

Chief among the factors driving continued expansion of the MSA population are employment opportunities, transportation, climate, standard of living, and Atlanta's dominant position in the southeast for national and international business, industry, and trade. While it is true that most of the growth in the MSA has occurred in the north, available land in that sector is becoming scarce (as the MSA hits the north Georgia mountains and heads towards the Alabama border to the west) and the pattern may more strongly turn to the south and west,

where affordable land is available and the strong interstate system facilitates commuting patterns.

The following table shows the Atlanta MSA population trend, county by county, from 1990 to 2012 (new Census figures).

	ATLANTA METROPOLITAN STATISTICAL AREA (MSA) POPULATION							
	1990	2000	2010	2012	2000 to 2010 Chge.		2010 to 2012 Chge.	
					Number	Percent	Number	Percent
Barrow	28,721	46,144	69,367	70,169	23,223	50%	802	1%
Bartow	55,911	76,019	100,157	100,661	24,138	32%	504	1%
Butts	15,326	19,522	23,655	23,524	4,133	21%	-131	-1%
Carroll	71,422	87,268	110,527	111,580	23,259	27%	1,053	1%
Cherokee	91,000	141,903	214,346	221,315	72,443	51%	6,969	3%
Clayton	184,100	236,517	259,424	265,888	22,907	10%	6,464	2%
Cobb	453,400	607,751	688,078	707,442	80,327	13%	19,364	3%
Coweta	53,853	89,215	127,317	130,929	38,102	43%	3,612	3%
Dawson	9,429	15,999	22,330	22,422	6,331	40%	92	0%
DeKalb	553,800	665,865	691,893	707,089	26,028	4%	15,196	2%
Douglas	71,700	92,174	132,403	133,971	40,229	44%	1,568	1%
Fayette	62,800	91,263	106,567	107,524	15,304	17%	957	1%
Forsyth	44,083	98,407	175,511	187,928	77,104	78%	12,417	7%
Fulton	670,800	816,006	920,581	977,773	104,575	13%	57,182	6%
Gwinnett	356,500	588,448	805,321	842,046	216,873	37%	36,725	5%
Hall	95,984	139,677	179,684	185,416	40,007	29%	5,732	3%
Haralson	21,966	25,690	28,780	28,400	3,090	12%	-380	-1%
Heard	8,628	11,012	11,834	11,633	822	7%	-201	-2%
Henry	59,200	119,341	203,922	209,053	84,581	71%	5,131	3%
Jasper	8,453	11,426	13,900	13,630	2,474	22%	-270	-2%
Lamar	13,038	15,912	18,317	18,057	2,405	15%	-260	-1%
Meriwether	22,441	22,534	21,992	21,273	-542	-2%	-719	-3%
Newton	41,808	62,001	99,958	101,505	37,957	61%	1,547	2%
Paulding	41,611	81,678	142,324	144,800	60,646	74%	2,476	2%
Pickens	14,432	22,983	29,431	29,268	6,448	28%	-163	-1%
Pike	10,224	13,688	17,869	17,810	4,181	31%	-59	0%
Rockdale	54,500	70,111	85,215	85,820	15,104	22%	605	1%
Spalding	54,457	58,417	64,073	63,865	5,656	10%	-208	0%
Walton	38,586	60,687	83,768	84,575	23,081	38%	807	1%
MSA Total	3,209,173	4,387,658	5,448,544	5,625,366	1,060,886	24%	176,822	3%
State: Georgia	6,478,216	8,186,453	9,687,653	9,919,945	3,441,729	18%	232,292	2%
U.S.	248,709,873	281,421,906	308,745,538	313,914,040	65,204,167	10%	5,168,502	2%

Source: U.S. Census Bureau

Employment By Industry

A key factor in Atlanta's population growth is the strength of its regional economy. Atlanta has a vigorous, diverse economic base. Only broad based, overall declines in the national economy are likely to affect the region's economy to any significant extent. A breakdown of employment by industry sector within the MSA (from The Georgia Department of labor) is presented below.

MSA INDUSTRY MIX						
	Establishments			Employment		
	2010	2013(11)	% Change	2010	2013(11)	% Change
Construction	11,953	11,396	-4.7%	87,239	82,396	-5.6%
Manufacturing	4,625	4,613	-0.3%	140,948	145,390	3.2%
Finance/Info./Real Estate	18,233	18,611	2.1%	208,611	216,042	3.6%
Wholesale Trade	11,154	11,892	6.6%	127,792	129,422	1.3%
Retail Trade	15,908	16,111	1.3%	241,497	246,255	2.0%
Professional/Tech./Scientific	22,312	23,305	4.5%	154,312	166,473	7.9%
Health Care/Social Assistance	11,791	12,461	5.7%	213,204	237,233	11.3%
Accommodation/Food Services	10,116	10,468	3.5%	197,786	192,782	-2.5%
Transport/Warehousing	3,367	3,821	13.5%	105,839	128,651	21.6%
Administration/Support/Waste Mgt.	9,324	9,415	1.0%	161,422	166,190	3.0%
Government	3,112	4,481	44.0%	319,296	321,259	0.6%
All Other	23,143	14,364	-37.9%	176,333	135,406	-23.2%
Total	145,038	140,938	-2.8%	2,134,279	2,167,499	1.6%

* includes private and government sector
 Source: Georgia Department of Labor

As can be seen on this chart, in terms of absolute job numbers, the Government sector dominates the Atlanta employment base. This sector includes the entire county, city and state educational industries as well as state supported colleges and most of the state government structure. Health Care, Retail Trade and Finance also have high employment figures. From 2010, Transportation and Warehousing and Health Care have shown significant growth, while Construction has declined.

Unemployment

The unemployment rates for the Atlanta MSA over the years have generally equaled or consistently bettered the state and national averages. However, unemployment has been climbing in the state of Georgia, as well as the Atlanta MSA. According to a recent article in the *Atlanta Journal-Constitution*, ex-Georgia's State Labor Commissioner, Michael Thurmond, indicated that the state of Georgia is facing an increasingly difficult economic environment. Economists believe the unemployment rate to be a lagging and somewhat inexact indicator. Critics argue that a slowing economy typically does not immediately shove jobless rates much higher. On the other hand, an improving economy is often accompanied by rising rates as more people seek work. The following table looks at the MSA trend since 2006 and compares it with the state and the nation.

UNEMPLOYMENT RATES - ANNUAL AVERAGES								
	2006	2007	2008	2009	2010	2011	2012	Apr-14
Atlanta MSA	4.7%	4.2%	6.2%	9.6%	10.2%	9.6%	8.7%	6.8%
Georgia	4.6%	4.4%	6.2%	9.6%	10.2%	9.8%	9.0%	7.0%
U.S.	4.6%	4.6%	5.8%	9.3%	9.6%	8.9%	8.1%	6.3%

Source: Georgia Department of Labor / Atlanta Regional Commission

Largest Employers

As indicated in the following chart, Atlanta's top employer continues to be Delta Airlines, Emory University, Gwinnett County Public Schools, and AT & T. It is important to note that several of Atlanta's highest profile companies do not quite make the list of largest employers. For example, Coca Cola, Turner Broadcasting, Georgia Pacific, Bank of America, Home Depot (12th) and the Georgia Institute of Technology (14th) were under the threshold.

MAJOR EMPLOYERS - ATLANTA REGION		
Rank	Company	Atlanta Employees
1	Delta Airlines	30,000
2	Emory University	23,898
3	Gwinnett County Public Schools	19,943
4	AT & T	18,339
5	Cobb County Public Schools	13,551
6	DeKalb County Public Schools	12,012
7	Fulton County Public Schools	12,000
8	UPS	10,849
9	WellStar Health System	9,717
10	Publix Super Markets	9,656

Source: Atlanta Business Chronicle, Book of Lists 2013 - 2014

Over the last decade major changes have taken place in the Atlanta employment arena. Lockheed, once a leader, has dropped to 18th and may continue to decline. Both GM and Ford decreased their presence in the area with major plant closures. Delta, which is still quite strong, emerged from bankruptcy and merged with Northwest Airlines. And although the Ford and GM plants, Kia opened a new \$1 billion 2.2 million square-foot auto plant in 2009 just outside the metro area's southwestern boundary near LaGrange, GA. Another major employer began hiring in the Atlanta vicinity in 2013. Caterpillar is opening a large plant in Athens, Georgia (just outside eastern edge of the MSA). By 2015 the plant expects to have hired 1,400 new workers at the Athens plant with indications that another 2,800 new positions would evolve from satellite parts and service plants in the area.

A few other job announcements in 2013 are worthy of note: Athena Health is leasing a large amount of space in Ponce City Market downtown and expects to hire 500. INALFA Roofing Systems is opening a plant in Cherokee County that will hire 300 and Hartsfield International Airport expanded food service operations in 2013, hiring an additional 200 workers.

Income, Median Age, Home Value, and Education

According to a demographic report by STDBOnline, for 2013, the average household income estimate is \$72,679 (2010 figure was \$85,998), with a median of \$54,603. The

median home value for the MSA is \$153,417 (versus 2010 figure of \$145,533). As per the 2013 estimate, 87% of the population had completed high school, and 34% had at least a four-year college degree.

MARKET SECTOR SNAPSHOTS

Retail

According to the *CoStar Retail Report, First Quarter 2014*, the Atlanta retail market experienced a slight improvement in market conditions in the first quarter 2014. The vacancy rate went from 9.2% in the previous quarter to 8.9% in the current quarter. Net absorption was positive 1,052,091 square feet, and vacant sublease space increased by 27,200 square feet. Quoted rental rates increased from fourth quarter 2013 levels, ending at \$12.87 per square foot per year. A total of 11 retail buildings with 154,894 square feet of retail space were delivered to the market in the quarter, with 654,455 square feet still under construction at the end of the quarter.

Multi-Family

According to *Atlanta Apartment Market Tracker – Mid-Year 2013* published by Dale Henson Associates, Inc. (most recent available), average monthly effective rents in garden properties in the eleven-county *Tracker* area increased 4.1% from the middle of 2012. Effective rents were up to \$808 from \$776. At mid-year 2013, Class A apartments showed an increase of 5.0%, Class B apartments increased their effective rent by 4.0%, and Class C units were up 4.7% over the middle of 2012. In addition, concessions were down at \$15, from \$23 a year earlier. Occupancy in the eleven core counties (garden properties only) increased to 91.8% during mid-year 2013, up from 90.7% the prior year. In fact, 19 of the 29 submarkets either stayed the same or experienced gains in occupancy during 2013. The losses in occupancy were reported by the Dunwoody (high rise only), Midtown (high rise only), Lindbergh (high rise only), Decatur, Buckhead, Henry, North Fulton, Central, Cherokee, and Rockdale markets.

Office

According to the *PwC Real Estate Investor Survey, 1st Quarter 2014*, As the Atlanta office market recovery gains traction, the advantage in the leasing market is shifting towards property owners. Although survey participants agree that leasing incentives are still prevalent in this market, the average amount of free rent declines this quarter to eight months on a ten year lease, down from 9.2 months a year ago. At the same time, the high end of the range for free rent decreases from 14 to 12 months. In 2013, local landlords benefitted from a 3.9%

increase in total office leasing activity compared to the prior year, as per Cushman & Wakefield. The increase is partly due to several major lease deals, and some investors sense the shortage of large blocks of space may serve as a catalyst for new office development in this market. Roughly 660,000 square feet are under construction and set for completion this year. Due to ongoing positive trends in the Atlanta office market, competition is mounting between investors seeking assets here.

Industrial

According to the *CoStar Industrial Report, First Quarter 2014*, the Atlanta Industrial market ended the first quarter 2014 with a vacancy rate of 10.5%. The vacancy rate was down over the previous quarter, with net absorption totaling positive 4,729,105 square feet in the first quarter. Vacant sublease space decreased in the quarter, ending the quarter at 2,176,121 square feet. Rental rates ended the first quarter at \$3.94, an increase over the previous quarter. A total of two buildings delivered to the market in the quarter totaling 177,000 square feet, with 4,276,846 square feet still under construction at the end of the quarter.

Tallying industrial building sales of 15,000 square feet or larger, Atlanta industrial sales figures fell during the fourth quarter 2013 in terms of dollar volume compared to the third quarter of 2013. In the fourth quarter, 79 industrial transactions closed with a total volume of \$254,305,210. The 79 buildings totaled 7,390,664 square feet and the average price per square foot equated to \$34.41 per square foot. That compares to 57 transactions totaling \$287,702,448 in the third quarter. The total square footage was 8,839,453 for an average price per square foot of \$32.55. Total year-to-date industrial building sales activity in 2013 is down compared to the previous year. In the twelve months of 2013, the market saw 261 industrial sales transactions with a total volume of \$823,444,324. The price per square foot has averaged \$33.81 this year. In the twelve months of 2012, the market posted 258 transactions with a total volume of \$1,146,664,439.

Housing

According to the First Multiple Listing Service (FMLS) statistics overview for the metro Atlanta area, dated February 21, 2014, there were 3,123 closings for single-family detached homes in February 2014. This reflects a decrease of 12% over February 2013. The average sale price was \$227,074 versus \$199,380 for the same period one year ago. Year-to-date closings for single-family detached homes were 6,199, which reflect a decrease of 9% over YTD 2013. The YTD average sale price was \$224,499 versus \$191,331 for 2013, representing a 17% increase. Active inventory for single-family detached homes continues to increase with 17,095 active listings as of the end of February 2014 versus 14,331 as of the end of February 2013.

According to a February 21, 2014 report from Metrostudy, a national housing information and consulting firm, the 22 county Atlanta region experienced 13,862 housing starts in 2013, up 67% year over year and new home closings were up 39% coming in at 12,079 units closed (move-ins). According to Eugene James, regional director for Metrostudy, "with housing demand outpacing the low supply of new and resale homes in the region I think we will have another year of huge gains in housing construction activity, probably by at least 25% above the 2013 figures."

The Atlanta region finished the 2013 year with huge gains in new construction housing starts. By the end of 2013 there were 13,862 annual single family homes either being constructed or built in the region, up 67% from December 2012 when Annual Starts ended the year with 8,311 housing starts. The northern portions of Atlanta (areas above I-20) have experienced the bulk of the housing starts with an 80% market share. But for the first time in many years starts rose significantly in every county, including the exurban markets. For instance, counties located south of I-20, an area hit hard with foreclosures and declining property values, saw housing starts increase by 97% from one year earlier.

Convention Trade

Tourism is a major business in Atlanta. The city hosts on average about 17,000,000 visitors a year. The industry typically generates between three and four billion in annual revenues. Convention and trade show business ranks as Atlanta's largest industry. Estimates vary, but overall annual attendance is approximately three million, with delegates spending an average of almost \$200 per person, per day. To accommodate visitors there are approximately 92,000 hotel rooms in the 28-county metro area. As other cities continue to offer increasing competition for Atlanta's convention business, namely Orlando, Miami, Las Vegas and New Orleans, the city continually strives to improve its facilities. The largest facility, the Georgia World Congress Center (GWCC), completed its expansion from 950,000 to 1.4 million square feet of exhibit space, in 2002. The top trade shows and conventions booked during 2011 in Atlanta are shown next.

Other Features

Some additional features of Atlanta are 29 degree-granting colleges and universities and the Jimmy Carter Presidential Center. Atlanta is one of few cities with three major professional sports teams: football with the Atlanta Falcons (1998 NFC Champions); basketball with the Atlanta Hawks; and baseball with the Atlanta Braves (1992, 1996, and 2000 National League Champions and 1995 World Series Champions); The Atlanta Thrashers hockey team moved from Atlanta to Winnipeg, Manitoba in June 2011. Additionally, the Atlanta area hosts a major NASCAR race every year (over 100,000 in attendance). Major recreational attractions include Six Flags Over Georgia, Stone Mountain Park, Lakes Sidney Lanier and Allatoona, and multiple museums and theater venues. New attractions in the Atlanta area include the Georgia Aquarium and Atlantic Station.

Over the last decade, Atlanta has been a huge presence in the world of spectator sports. It all started with its selection as the site of the 1996 Summer Olympics. A key factor in that achievement, as well as the city's hosting of the 1994 and 2000 Super Bowls, 2002 and 2007 NCAA Men's Basketball Final Four, 2003 NCAA Women's Basketball Final Four, and major indoor track events, has been the Georgia Dome. This indoor stadium was completed for the Falcons' 1992 football season. Coupled with recent improvements to the nearby Georgia World Congress Center, it has proven to be a big plus for the city. The spin-off from the events has further enhanced Atlanta's reputation as a true international city, not to mention the significant economic impact. Phillip's Arena hosted the NHL all-star game in 2008.

CONCLUSIONS / OUTLOOK

One of the recognized experts on the Atlanta economy is Dr. Rajeev Dhawan of Georgia State University in Atlanta. In August 2013, he released his quarterly forecast for the local economy: "If we can just get through the end of the year, the economy should start looking up for the United States, Georgia, and metro Atlanta." According to Dr. Dhawan, growth forces have fully taken hold across the country and locally with sustained growth in home building, existing home sales, and auto sales.

"We are doing, like the national economy, maybe a little bit better on the growth on paper," says Dr. Dhawan. "But in terms of growth and everything, it's just mirroring. We're dealing with the same headwinds and surviving the same way."

Those headwinds are external forces: fluctuations in the global economy, trouble in the Mideast, and settling on a new federal budget. Dhawan says we'll continue to see job growth in metro Atlanta, though it will be slow until the end of the year. If the headwinds dissipate, he says the national and local economy should pick up next year and even more in 2015.

Another perspective was released in an analysis by PNC Bank. In their third quarter 2013 outlook for Atlanta, they indicated that a severe downturn in the commercial real estate market caused Atlanta to experience a steeper slump than other regional economies during the recession; yet, job growth in the market area is set (going forward) to be stronger than average in later 2013 and 2014. Technical and professional services will continue to be key employment generators. The rebound in these high wage industries will boost above average income growth. The South region is recovering faster than average, which bodes well for the area's transportation and logistics industries. Leisure and hospitality will be sustained by increased demand for convention space and tourism as the U.S. economy continues to expand moderately. Although Federal income tax increases weakened the recovery somewhat in the first half of 2013, the economy's momentum is set to pick back up in the second half of the year as households adjust to the new tax rates and the housing market gains traction. We see the unemployment rate declining to 7.6 percent in the final quarter of 2013 from 8.5 percent in fourth quarter of 2012. The economic recovery will encourage work-seekers to reenter the labor force, implying the unemployment rate will decline more slowly than the better jobs numbers suggest. Longer term, Atlanta will be an above average performer. The Atlanta metropolitan area is the 10th largest metro economy in the United States by real GDP and the largest in the South. Living and business costs, however, compare with metros of smaller size. A diverse industrial structure, strong population growth, reasonable business costs, and high educational attainment lift Atlanta's growth potential above the U.S.'s. Also, its status as a major transportation and logistics hub makes the metro economy a vital player in the South.

NEIGHBORHOOD OVERVIEW

Location

The subject is located along the east side of Southwood Road, north of Thompson Road in Union City, Fulton County, Georgia. This location is less than ½ mile north of South Fulton Parkway (US 29), less than ½ mile east of Campbellton Fairburn Road (SR 92), less than seven miles west of Interstate 285, approximately six miles north of Interstate 85, approximately four miles northwest of the downtown district of Union City, and approximately 16 radial miles southwest of the Atlanta CBD. Neighborhood boundaries are an approximate three-mile radius around the subject. A neighborhood map is presented on the following page with a larger map, as well as a regional map, included in the Addenda.

TOP TRADE SHOWS AND CONVENTIONS IN ATLANTA FOR 2013/2014		
Show	Estimated or expected No. of Attendees	Location
NCAA Final Four	100,000	Georgia Dome
AmericasMart Gift & Home Furnishings Market Jan.	92,000	AmericasMart Atlanta
AmericasMart Gift & Home Furnishings Market July	91,000	AmericasMart Atlanta
SEC Football Championship	73,000	Georgia Dome
2014 Chick-Fil-A Bowl	72,000	Georgia Dome
Chick-fil-a College Kick-Off	72,000	Georgia Dome
Cheersport	70,000	GWCC
Atlanta Football Classic 2011	60,000	Georgia Dome
Passion Conference	60,000	GWCC
Tampa Bay Big South Qualifier	59,000	GWCC

Source: Atlanta Business Chronicle, Book of Lists 2013 - 2014

Transportation

The Atlanta region's continued emphasis on upgrading the transportation system is a significant factor in the area's economic growth and development. The main focus on improvement has been primarily in three areas over the recent past: the Metropolitan Atlanta Rapid Transit Authority (MARTA) commuter railway project; Hartsfield-Jackson Atlanta International Airport; and the interstate highway system.

MARTA is a public agency that provides mass rail transportation in the two most populated counties of the Atlanta region. Its transit system consists of extensive bus service (over 150 routes) and a heavy-rail, rapid transit system in DeKalb and Fulton Counties. The rail system consists of north-south and east-west lines that intersect near the center of Atlanta's CBD. The system currently consists of 47 miles of rail and 38 stations, including one at Hartsfield Airport. Cobb, Gwinnett and Clayton counties also have bus transit systems that have routes to the CBD, as well as links to other MARTA routes.

The interstate highway system in and around Atlanta is well developed. Encircling the city is the six- to 10-lane, 64-mile, I-285. The highway system also includes three major freeways that intersect in the middle of town and radiate out in all directions. These are I-20 (east/west), I-75 (northwest/southeast), and I-85 (northeast/southwest). Additionally, the extension of Georgia Highway 400 from I-285 to I-85 near the downtown connector was completed in 1993. This is Atlanta's first toll road and provides multiple-lane, direct access to the central business district for residents of north Fulton and Forsyth Counties.

Hartsfield-Jackson Atlanta International Airport is the world's largest passenger terminal complex and the world's busiest airport (per *Wikipedia* and other sources). Since 1998, Hartsfield-Jackson has been the busiest airport in the world, thus making it the busiest airport in the history of aviation.



Access and Availability of Utilities

Access to the subject is via Southwood Road, the subject's frontage road. Southwood Road is a paved, two-lane road with vacant land and multi-family improvements. Southwood Road intersects Thompson Road south of the subject. Thompson Road connects the subject to Campbellton Fairburn Road to the southwest and Derrick Road to the northeast. From Interstate 85, the subject is accessed via exit 62 / South Fulton Highway, which is approximately 6.5 miles east of the subject. I-285 is Atlanta's circumferential expressway, and is a link to many other interstates running thru the city including Interstates 85, 75, and 20 along with Georgia Highway 400. This extensive roadway system provides the subject with access to virtually all areas of the Atlanta metro area, and well beyond. Other major traffic arteries that service the neighborhood include Campbellton Fairburn Road and South Fulton Highway. Campbellton Fairburn Road travels in a general northwest / southeast direction and connects the neighborhood with Douglas County to the northwest and Interstate 85 to the southeast. South Fulton Highway travels in a general east / west direction connecting the neighborhood with Interstate 285 to the east and southern Douglas County to the west. In addition, numerous secondary roadways provide additional access throughout the subject neighborhood

Most of the streets in the neighborhood are asphalt-paved, with a combination of overhead and underground utilities. Sidewalks are present in some improved areas, and most major streets have multiple lanes. Overall, access to and within the neighborhood is very good. Utilities available in this neighborhood include public water, sanitary sewer, electricity, natural gas and telephone. All standard municipal services are also provided, including police and fire protection.

Land Use

Overall, the subject neighborhood is 25% developed and prime developable land is still plentiful. The land use most prevalent in the immediate surrounding area of the subject is commercial/retail and residential, both single- and multi-family. Nearby residential neighborhoods are located in all directions of the subject site. Most of the neighborhoods are fairly new over the past decade. The subject site is located within a planned unit development known as the Parkway Village project. Phase I of this development is the Arcadia at Parkway Village apartment complex. It was constructed in 2009 and contains 292 mixed income units. Phase II of Parkway Village was Woodbridge at Parkway Village which was constructed in 2011 and consists of 150 mixed income units and caters to residents 62 years of age and older.

The most significant commercial development in the subject's neighborhood is the Publix-anchored Parkway Village Shopping Center located at the northeast corner of South Fulton Parkway and Campbellton Fairburn Road approximately less than ½ mile southwest of the subject site. This shopping center is approximately 82,000 square feet and includes various retail tenants and outparcels that include a branch bank and freestanding restaurants. There are additional smaller strip retail centers along South Fulton Parkway that service the neighborhood.

The adjacent uses to the subject site include vacant land to the north, east, and west; vacant developed commercial pad sites to the southwest; Acadia at Parkway Village and Woodbridge at Parkway Village apartments to the south.

Area Demographics/Growth and Trends

To gain additional insight into the characteristics of the subject's neighborhood, we reviewed a demographic study prepared by ESRI through STDBonline.com. The demographic information in the chart illustrates the conditions of this neighborhood in comparison to the MSA.

DEMOGRAPHICS SUMMARY			
Proposed Providence at Parkway Village Senior Apartments, Union City, GA			
Three Mile Radius - 5095 Southwood Road, Union City, GA			
	2000	2013	2018
Population	7,248	21,929	24,731
Growth		203%	13%
Households	2,527	7,734	8,761
Growth		206%	13%
		3 Mile Ring	Atlanta MSA
Income			
Average HH		\$67,501	\$75,181
Median HH		\$55,332	\$54,635
Per Capita		\$23,951	\$27,790
Median Home Value		\$167,760	\$158,071
Housing Units			
Renter - Occupied		22%	33%
Owner - Occupied		72%	57%
Vacant		7%	10%
Education Levels (Adults > 25)			
High School Graduate		88%	87%
4-Year College Degree		31%	34%
Largest Employment Categories			
Services		61%	55%
Retail Trade		10%	13%
Finance, Insurance, Real Estate		8%	8%
Transportation		7%	4%
Source: ESRI			

As can be seen, the three-mile radius around the subject site has experienced strong growth over the past decade and this trend is expected to continue, albeit at a slower pace. Single-family housing in the area is more expensive than the MSA and most occupancy in the area is weighted towards owners. Neighborhood households have income levels similar to the MSA, and they have similar educational attainment. Employment is diversified but weighted towards services, retail trade, and finance, insurance, and real estate sectors.

Conclusion and Relevance to the Subject Property

In conclusion, the subject property is located in a growing area of southwestern metro Atlanta although the area is still mostly rural. The neighborhood has seen recent development and demographic indicators show steady improvement in income, housing values and education levels. The area has good accessibility, and is well located with respect to availability of labor, supporting services, and surrounding complementary developments. The

area's population and households are projected to grow at a moderate pace into the foreseeable future. In addition, the area contains a large amount of older housing that should attract residents to a newer development. These factors suggest the subject area should continue to be a stable location for the subject apartments.

The site and improvement descriptions included in this report are based on a review of planning and financial documents provided by the developer; appraisal performed by CBRE and dated September 2013, building plans prepared by Martin Riley Associates – Architects, PC and dated February 28, 2014, provided ground lease, a Phase I Environmental Site Assessment prepared by Geotechnical & Environmental Consultants, Inc. and dated April 18, 2014, a soil report prepared by Universal Engineering Sciences and dated October 4, 2012, construction schedule, legal description, a survey prepared by Planners and Engineers Collaborative and dated July 13, 2006, floor plans, public information and our experience with typical construction features for apartment complexes. The available information is adequate for valuation purposes.

SITE DESCRIPTION

Location: 5095 Southwood Road
Union City, Fulton County, Georgia 30213
East side of Southwood Road, just north of Thompson Road in Union City, Fulton County, Georgia. This location is approximately four miles northwest of downtown Union City, and approximately 16 radial miles southwest of the Atlanta CBD.

Land Area: 9.99 total acres - per legal description

Assessor Parcel Nos.: 09F-3000-0118-032-1 & 061-0

Property Condition: The subject is currently raw vacant land.

Shape and Frontage: Irregularly shaped with approximately 540' of frontage along the east side of Southwood Road. Site is at street grade.

Ingress and Egress: According to the site plan, access will be available via one curb cut along the east side of Southwood Road.

Topography and Drainage: The site has generally rolling and wooded topography. Our analysis assumes that the property will be improved in such a manner as to promote adequate drainage.

Soils: We are provided a Geotechnical Exploration report prepared by Universal Engineering Sciences, Inc. and dated October 4, 2012. The report recommended the proposed structure be supported on conventional, shallow spread foundations with an allowable soil bearing pressure of 3,000 pounds per square foot, assuming all site preparation is followed. The opinions rendered herein assume no adverse soil conditions exist and that the site has adequate soils to support the integrity of the proposed structures. We have no expertise in this area. We recommend the consultation of a specialist for further questions of this nature.

- Easements:** The provided survey does not identify easements. We assume there are numerous easements for various utilities and drainage. In our analysis, we assume there are no easements that are detrimental to the proposed development.
- Utilities/Services:** Available utilities include electricity, public water, sanitary sewer, and telephone service. Municipal services that are available include police and fire protection.
- Flood Zone:** According to a flood map prepared by Floodscape and provided by ESRI, the subject property is identified on Federal Emergency Management Agency Flood Insurance Rate Map Number 13121C0451F, effective date September 18, 2013, and the subject site is located within Zone X. Zone X designations are areas outside of the 100- and 500-year flood hazard areas. We are not experts in this area and recommend the consultation of an expert for flood issues or the need to purchase flood insurance.
- Environmental Issues:** A Phase One Environmental Site Assessment performed by Geotechnical & Environmental Consultants, Inc. and dated April 18, 2014 found no Recognized Environmental Conditions associated with the site and had no recommended action items. We assume no responsibility for adverse environmental conditions, or for engineering that may be required to discover them.
- Conclusion:** The subject site has an adequate shape, size, and topography, with all utilities and services available. It enjoys a good location with respect to surrounding supportive development, major transportation arteries and employment.

IMPROVEMENT DESCRIPTION AS PROPOSED

- Construction Class:** The Class of construction is the basic subdivision in *Marshall Valuation Service*, dividing all buildings into five basic groups by type of framing (supporting columns and beams), walls, floors, roof structure, and fireproofing. The subject buildings will qualify as Class D¹ construction.
- Competitive Rating:** The subject will be perceived in its market as a Class A property in terms of quality, features, amenities and age.

¹ Class D buildings are characterized by combustible construction. The exterior walls may be made up of closely spaced wood or steel studs, as in the case of a typical frame house, with an exterior covering of wood siding, shingles, stucco, brick, or stone veneer, or other materials. Floors and roofs are supported on wood or steel joists or trusses or the floor may be a concrete slab on the ground. Upper floors or roofs may consist of wood or metal deck, prefabricated panels or sheathing. (Source: *Marshall Valuation Service*, January 2012, §1, p. 8)

Unit Mix:

UNIT MIX				
Providence at Parkway Village				
Unit Type Program	No. Units	Unit SF	Total SF	
1BR/1BA 60%/PBRA	40	709	28,360	
1BR/1BA 60%	16	709	11,344	
1BR/1BA 60%/PBRA	22	709	15,598	
1BR/1BA ACC	10	709	7,090	
1BR/1BA HI HOME 50% AMI	14	709	9,926	
1BR/1BA LOW HOME 50%	8	715	5,720	
2BR/2BA PBRA	28	954	26,712	
2BR/2BA 60%	4	937	3,748	
2BR/2BA HI HOME 50% AMI	6	937	5,622	
2BR/2BA LOW HOME 50%	2	937	1,874	
Total/Average	150	773	115,994	

Improvements:

Buildings/Units: 150 total units in one, three- and one four-story elevator buildings.

Apt. Bldg. Area: 115,994 net rentable heated SF; 773 SF average

Year Built: July 2015 (estimated completion)

Exterior Description:

Foundation: Poured, reinforced concrete

Frame: Wood frame

Exterior Walls: Brick veneers and concrete or stucco exteriors

Roof Cover: Pitched, architectural asphalt-shingle roofs

Interior Living Areas:

Walls: Painted drywall

Windows: Vinyl, double pane

Ceiling: Painted drywall

Flooring: Carpet and vinyl

Appliances: Refrigerator/Freezer with icemaker, microwave, dishwasher, stove/oven, disposal, washer/dryer connections

Other:

HVAC: Central heat and air

Electrical/Plumbing: Typical, assumed adequate

Bathrooms: Standard finish, multiple fixtures

Utilities: Water, Sewer, and Trash are included in the rent. Electricity will be individually metered.

Site Improvements:	Parking: 151 surface spaces Landscaping: Minimal
Property Amenities:	Proposed complex amenities include a laundry room, community room, exercise room, walking trail, picnic area, security gate, computer center, library, gazebo, community garden.
Conclusion/Comments:	Overall, the subject will be typical of modern, high quality apartment complexes found in the Southeast. It will have interior features and amenities that are demanded by senior tenants, and good quality construction and exterior appeal. In comparison to existing inventory in the market, the project would rate as above average.

ECONOMIC AGE AND LIFE

The subject complex is proposed. According to *Marshall Valuation Service* cost guide (Section 97, page 10, Multiple Residences, Class D), properties of this type have 'typical building lives' of 45 to 55 years. However, this may be extended by a consistent repair schedule. For excellent quality structures the indication is 55 years. It is noted that the foregoing estimates largely pertain to physical life. For purposes of the appraisal we are to estimate *remaining economic life*, which takes other factors into consideration and may vary from remaining physical life. Remaining Economic Life is defined as the estimated period during which improvements will continue to contribute to property value and an estimate of the number of years remaining in the economic life of the structure or structural components as of the date of the appraisal.

Our estimate considers the following factors:

1. The economic make-up of the community and the ongoing demand for the subject type,
2. The relationship between the property and the immediate environment,
3. Architectural design, style and utility from a functional point of view,
4. The trend and rate of change in the characteristics of the neighborhood that affect values,
5. Construction quality, and
6. Physical condition

The subject property is located in an established area of central metropolitan Atlanta. The area has good accessibility, and is well located with respect to availability of labor, supporting services, and surrounding complementary developments. The area's population and households are projected to grow at a moderate pace into the foreseeable future.

The subject neighborhood is in a growing life cycle stage, with new development (or redevelopment) planned and occurring. Some of the competition is the same sort of quality/condition/product type, etc. as the subject, though not age restricted. Some is less upscale. Prevailing underlying land values are stable and recovering, supporting likely ongoing contributory value of the improvements. There are no indications the area will experience any significant changes in the foreseeable future that will impact the economic viability of the subject.

The subject will be good to excellent quality construction with interior corridor-style floor plans. The unit mix and sizes will be consistent with competitive properties in the area and should fit the senior tenant base well. In addition, the subject's construction quality, condition and level of amenities will be consistent with other senior communities. There appears to be demand for similar units, and this demand should bode well for occupancy at the subject.

Considering all of these factors, our estimate of remaining economic life for the subject at completion is 55 years.

UNITS MIX / GROSS RENTS

The subject will have an estimated 115,866 net rentable square feet of apartments contained in 150 one- and two-bedroom units. Each unit measures between 709 and 954 square feet (average 772 square feet) and a projected total rental income of \$1,264,440. In a later section of this report we will analyze the proposed rents.

ZONING ANALYSIS

According to the City of Union City zoning office, the subject parcels are zoned TCMU, Town Center Mixed Use District. Zoning requirements under the TCMU designation include a minimum lot area of 6,000 SF for first unit and 2,500 SF for each additional unit, maximum building height of 20 stories, minimum lot coverage of 85%, minimum front yard setback of 20', rear yard setback of 20', side yard setback of 15', and one parking space per dwelling unit. It appears that the proposed subject will be a legal non-conforming use. We recommend contacting the local planning and development authority for further questions regarding zoning.

TAX ANALYSIS

Real property in Georgia is assessed at 40% of the assessor's estimated "fair market value." Taxes are determined based upon application of the local millage rate. The subject is

located inside the city limits for Union City. According to the county Tax Commissioner's Office, the 2013 combined millage rate for Atlanta and Fulton County was \$40.09 per \$1,000 of assessed value. However, since the site is owned by the Housing Authority of Fulton County, the subject site is tax exempt.

Since the subject is proposed, we must estimate the taxes once the improvements are completed and the property is stabilized. We estimated the subject's taxable value by comparing the property as proposed to similar apartment complexes located in the market area and reviewing the "fair market value" attributed to them by the county. Although many taxing authorities use *Marshall Valuation Service* and/or actual permit values to estimate building cost in their valuation analysis, tax values must be equitable. To estimate taxes we performed a review of several apartment complexes located in the area. The following table indicates the fair market and assessed values of five senior apartment complexes in Fulton County.

2013 SENIOR APARTMENT TAX COMPARABLES					
Comparable	One	Two	Three	Four	Five
Name:	Legacy at Walton Sr.	Columbia Mechanicsville Sr.	Columbia Blackshear Sr.	Princeton Court Sr.	Columbia Heritage Sr.
Address:	2181 New Market Pkwy SE	555 McDaniel St	14 Meldon Ave	3520 Piedmont Rd NE	1900 Perry Blvd
Tax ID No.:	14F0068 LL0179	14 0085 LL0273	14 005700080211	14 016000030533	17 0227 LL0747
No. of Units:	126	165	79	104	132
Year Built:	2009	2007	2006	2005	2005
Avg. Unit Size	981	990	1,151	1,159	1,440
Value Per Unit:	\$62,560	\$53,352	\$31,615	\$38,410	\$47,662
Source: Fulton County Tax Assessor's records					

The subject will be a new complex in a good location. The five comparables present a fair market value range from \$31,615 to \$62,560 per unit, with an average of \$46,720. The unit square footages presented above are based on gross building area (includes common area) divided by the number of units. The first comparable, Legacy at Walton Lakes, is the newest complex and has the most similar average unit size. However, it has a superior location in a more recently developed area. For comparison, the subject's average unit size is 772 square feet, which is smaller than all of the comparables. The developer budgeted \$899 per unit for real estate taxes for the subject.

Based on the above, we estimate that the subject's fair market value for tax purposes will fall within a range of \$53,000 to \$58,000 per unit. We used \$56,000 in our analysis, or a total of \$8,400,000, which indicates rounded real property ad valorem taxes of \$898 per unit, summarized in the following chart.

ASSESSMENT AND TAX ESTIMATE AT COMPLETION - ALL UNITS				
Total Market	Assessed	Millage	Indicated	
Value	Value	Rate	Taxes	Per Unit
\$8,400,000	\$3,360,000	\$40.090	\$134,702	\$898

It should be noted that the subject will have an agreement with the Fulton County Board of Assessors for tax exemption for the 100 units under the PBRA / ACC subsidy. We were not provided with written documentation of this agreement, but the sister property, Woodbridge at Parkway Crossing, is operated in a similar manner and has a tax exemption on the PBRA / ACC subsidy units. An extraordinary assumption has been made that the proposed subject will receive this tax exemption on the 100 PBRA / ACC subsidy units and this exception will be treated as a tax exemption that runs with the land. Applying the \$56,000 fair market value per unit, the real property taxes for the remaining 50 taxable units are \$299, summarized in the following chart.

ASSESSMENT AND TAX ESTIMATE AT COMPLETION - 50 UNITS				
Total Market	Assessed	Millage	Indicated	
Value	Value	Rate	Taxes	Per Unit
\$2,800,000	\$1,120,000	\$40.090	\$44,901	\$299

An overview of regional and local market conditions is a necessary aspect of the appraisal process. The market analysis forms a basis for assessing market area boundaries, supply and demand factors, and indications of financial feasibility. In this section of our report, we will review trends in the investment market relative to apartments in particular. In addition, we will discuss the subject's apartment market and general conditions for this product type.

APARTMENT INVESTMENT MARKET

The following paragraphs were taken from *Emerging Trends in Real Estate 2014*. According to the study, moderate- and high-income apartment development prospects, as well as moderate-income investment prospects, remain among the strongest of all sectors rated for 2014 by survey respondents. Unlike last year, however, investors place them behind warehousing. Investment prospects for high-income apartments are lower than those for a wide range of commercial subsectors. The declining appetite for investing in high-income apartments is reflected, in part, in the sharp drop in "buy" recommendations from 44% in 2013 to 21% in 2014. Moderate-income apartments show their strength with an increase in "buy" recommendations for 2014 over 2013 – 38% versus 28%, respectively.

Many interviewees expressed a sentiment similar to the one expressed by a real estate analyst who said that apartments will be "fully supplied, not oversupplied" in 2014. The apartment sector may "flirt with overbuilding, but this industry can lay off the gas pedal fairly quickly." Even with a strengthening of the single-family housing market, many interviewees are optimistic that multi-family will adjust appropriately. There still may be isolated pockets of over-building, particularly in the luxury market. "The peak of supply is coming this year and next year," says a REIT executive. "Then what happens? If interest rates move up, can we get the rent to justify new supply? At some point, if costs are going up, how much farther can we push the rents?" Overall, even with a slight uptick in vacancy rates projected as additional units come on the market, rates are projected to remain relatively low in 2014 and for several years beyond, according to REIS.

According to the *PwC Real Estate Investor Survey - First Quarter 2014*, in the face of the largest wave of new supply in five years, investors maintain positive expectations for future rental rate growth in the national apartment market. Additions to apartment stock reached 126,639 units in 2013, and Reis predicts new supply to peak in 2014 at 161,640 units. Investors suggest that there are prospects for both new development and rent growth in certain markets, but remain aware of potential oversupply issues. "The best opportunities are in secondary markets with strong growth, but the challenges include new supply, rising construction costs, and higher interest rates," adds an investor. Survey participants indicate that prices for apartment assets range from 90.0% to 130.0% of replacement cost. The average is 104.5% of replacement cost, which is well above the 99.4% average from a year ago.

The *PwC Survey* indicates that overall capitalization rates for apartments in the Southeast Region range from 4.50% to 7.25%, with an average of 5.65% (institutional-grade properties). The average rate is down eight basis points from the previous quarter and is up seven basis points from the same period one year ago. It should be noted that National noninstitutional-grade capitalization rates on average are 100 basis points higher (Southeast Region is not currently being tracked). Investors indicated inflation assumptions for market rent generally ranging between 2.00% and 4.00%, with an average of 3.05%. Additionally, these investors quoted an expense inflation rate between 2.00% and 4.00%, with an average of 3.00%. Internal rate of return (IRR) requirements for the investors ranged from 6.50% to 10.00%, with an average of 7.85%, down from 7.95% in the prior quarter and 7.90% one year ago. It should be noted that National noninstitutional-grade IRRs on average are 120 basis points higher (Southeast Region is not currently being tracked). The average marketing time ranged from one to 12 months, with an average of 4.0 months, down from 4.4 months in the prior quarter and 6.2 months one year ago

ATLANTA MSA APARTMENT MARKET

Inventory And Overall Market Conditions

According to *Atlanta Apartment Market Tracker – Mid-Year 2013* published by Dale Henson Associates, Inc., there are over 400,000 apartment units in market rate projects that contain over 50 units in the 11-county Tracker area. During the first half of 2013, there were 15 new starts in the 11-county metro Atlanta area. These complexes along with their respective submarkets and number of units are shown in the chart below.

2013 New Market Rate Starts - 11 County Metro		
Complex Name	Submarket	# of Units
Alta Brookhaven	Buckhead	230
Broadstone Peachtree	Buckhead	186
Buckhead Atlanta	Buckhead	370
Circle Terminus	Buckhead	360
Rocca at Piazza II	Buckhead	234
131 Ponce de Leon	Central	281
755 North	Central	227
Ponce City Market	Central	204
Trees of Newnan	Coweta	500
100 6th Street	Midtown	320
Circle Howell Mill	Midtown	259
Collier Lofts	Midtown	184
Colonial Homes Redevelopment	Midtown	278
Citizen Perimeter Apartments	Dunwoody	341
Perimeter Town Center	Dunwoody	350
Total		4,324

In the first half of 2013, unit starts were 4,324, up significantly from 2,315 during the first half of 2012. New unit market-rate deliveries increased to 1,873 in the 11-county Tracker area during 2013, up from 519 in the first half of 2012. The eleven-county Tracker area experienced new unit absorption (new never occupied units) of 1,411, up from 499 in the first half of 2012.

Effective Rent Trends

According to *Atlanta Apartment Market Tracker – Mid-Year 2013* published by Dale Henson Associates, Inc., average monthly effective rents in garden properties in the eleven-county Tracker area increased 4.1% from the middle of 2012. Effective rents were up to \$808 from \$776. At mid-year 2013, Class A apartments showed an increase of 5.0%, Class B apartments increased their effective rent by 4.0%, and Class C units were up 4.7% over the middle of 2012. In addition, concessions were down at \$15, from \$23 a year earlier.

Occupancy/Occupancy Trends

According to *Atlanta Apartment Market Tracker – Mid-Year 2013*, occupancy in the eleven core counties (garden properties only) increased to 91.8% during mid-year 2013, up from 90.7% the prior year. In fact, 19 of the 29 submarkets either stayed the same or experienced gains in occupancy during 2013. The losses in occupancy were reported by the Dunwoody (high rise only), Midtown (high rise only), Lindbergh (high rise only), Decatur, Buckhead, Henry, North Fulton, Central, Cherokee, and Rockdale markets.

THE SUBJECT'S SOUTH FULTON SUBMARKET

Inventory

According to the Dale Henson reports, the subject is located in the South Fulton submarket. According to the *Mid-Year 2013 Atlanta Apartment Market Tracker*, in the South Fulton submarket, inventory is 25,296 apartment units. For the submarket, there have been no starts between 2009 and 2013. However, we are aware of the 292-unit Arcadia at Parkway Village apartments built in 2009 and the 150-unit Woodbridge at Parkway Village apartments built in 2011.

The *Atlanta Apartment Market Tracker – Pipeline Report Year-End 2012* published by Dale Henson Associates, Inc. reports that no properties are in the planning stages in the South Fulton submarket, however, one complex is under construction. Woodside Vista, located along Buffington Road, will have 370 units and started their leasing in October 2008 with an anticipated stabilization date of July 2012.

Occupancy

Overall occupancy for the South Fulton submarket at mid-year 2013 was 91.7%, down from 92.0% a year earlier. Occupancy for Class-A properties in this submarket at mid-year 2013 was 92.3%, an increase from 90.1% a year earlier. Occupancy for Class-B properties was 86.9%, a decrease from 90.2% a year earlier. Occupancy for Class-C properties was 84.8%, an increase from 83.0% a year earlier.

The best indicator for market health is the comparables located in the subject's immediate area. We surveyed six comparable apartment complexes in the subject and surrounding submarkets. The comparables reported physical occupancy levels between 94% and 98% with a weighted mean of 96%, indicating strong occupancy for the area.

RENT COMPARABLES - OCCUPANCY				
	Complex	Year Built	# of Units	Occupancy
1	Arcadia at Parkway Village (Market & LIHTC)	2009	292	96%
2	Orchard Springs (Market & LIHTC)	2003	220	94%
3	Harbor Grove (Market)	2009	244	97%
4	Oakley Park (Market)	2008	240	94%
5	Peachtree Landing (Market)	2001	220	98%
6	Harbor Lakes (Market)	2003	310	97%
Weighted Average/Total:			1,526	96%

Comparables One and Two have income restricted units. All are located in the subject's immediate submarket. Comparable Three through Six are all market-rate, non-age

restricted property. The restricted unit comparables are 96% and 94% occupied. Based on this information, we estimate a stabilized physical occupancy of 95% for the subject and an economic occupancy of 93%, which considers physical vacancy and collection loss. This loss is applied to apartment and other income.

Unit Vacancy Rates

Most complex managers do not have and/or divest vacancy rates by specific unit types. When queried, none of the "occupancy" comparable managers noted any abnormal vacancy trends as regard apartment sizes or unit mixes. We therefore project the subject will experience approximate 5% economic vacancies in all unit types.

Concessions

It does not appear that concessions are a significant factor in this submarket. However, in our competitive rent analysis, we will consider effective rent at the comparables and subject.

ABSORPTION

The *Atlanta Apartment Pipeline Report* does list one complex in the South Fulton submarket which recently reached stabilization. Woodside Vista, located off Bluffington Road in Union City, according to the report, reached stabilization in July 2012 with an absorption rate of 7.8 units per month. We were unable to confirm absorption rates for our rent comparables.

Given that a portion of the subject will be offered as PBRA units, its absorption period will be abbreviated and more to do with the logistics of getting people qualified and moved in rather than traditional market forces. Based on our experience with this type property, we forecast absorption at a rate of 15 per month.

UNDER CONSTRUCTION/IN PLANNING

According to the *Atlanta Apartment Market Tracker – Pipeline Report Year-End 2012* published by Dale Henson Associates, Inc. no properties are in the planning stages in the South Fulton submarket.

COMPETITIVE ANALYSIS

We surveyed six comparable complexes in the area, two of which are income restricted to some degree and four are market rate properties. All of them are located in the subject's neighborhood. The comparables are all Class-A/B complexes in terms of quality and amenities, built between 2001 and 2009 with unit counts from 2206 to 310. The subject's proposed rents and the comparable rents are presented in the following chart. Further details, as well as photographs and a location map, are presented in the Addenda.

One-Bedroom Units – Market

The subject proposes four, 709 square foot and one, 715 square foot one-bedroom, one-bathroom floor plans. The comparable one-bedroom units range in size from 727 to 806 square feet and average 777 square feet. The subject's proposed floor plans are below the range of the comparables. Effective market rents at the comparables range from \$625 to \$845 (\$0.78 to \$1.15 per square foot) and average \$716 (\$0.93 per square foot). Comparable One was the only comparable to have PBRA rents which are \$695 (\$0.88 per square foot). Comparable One and Two offer LIHTC (60%) rents that range from \$660 to \$700 (\$0.84 to \$0.88 per square foot) and average \$680 (\$0.86 per square foot).

APARTMENT RENT COMPARABLE SUMMARY ONE-BEDROOM UNITS										
Comparable No.	Name	Bath Qty.	Size (SF)	Market Rent		PBRA		LIHTC (60%)		Utilities
				Per Unit	Per SF	Per Unit	Per SF	Per Unit	Per SF	
	Subject (60%/PBRA)	1.0	709	N/Ap	N/Ap	\$705	\$0.99	N/Ap	N/Ap	W,S,T
	Subject (LIHTC 60%)	1.0	709	N/Ap	N/Ap	N/Ap	N/Ap	\$674	\$0.95	W,S,T
	Subject (60%/PBRA)	1.0	709	N/Ap	N/Ap	\$705	\$0.99	N/Ap	N/Ap	W,S,T
	Subject (ACC)	1.0	709	N/Ap	N/Ap	\$327	\$0.46	N/Ap	N/Ap	W,S,T
	Subject (HI HOME/PBRA)	1.0	709	N/Ap	N/Ap	\$705	\$0.99	N/Ap	N/Ap	W,S,T
	Subject (LO HOME/PBRA)	1.0	715	N/Ap	N/Ap	\$622	\$0.87	N/Ap	N/Ap	W,S,T
1	Arcadia at Parkway Village (Mkt & LIHTC)	1.0	790	\$750	\$0.95	\$695	\$0.88	\$660	\$0.84	T
2	Orchard Springs (Mkt & LIHTC)	1.0	794	\$710	\$0.89	N/Ap	N/Ap	\$700	\$0.88	T
3	Harbor Grove (Market)	1.0	806	\$625	\$0.78	N/Ap	N/Ap	N/Ap	N/Ap	T
4	Oakley Park (Market)	1.0	727	\$734	\$1.01	N/Ap	N/Ap	N/Ap	N/Ap	T
5	Peachtree Landing (Market)	1.0	737	\$845	\$1.15	N/Ap	N/Ap	N/Ap	N/Ap	T
6	Harbor Lakes (Market)	1.0	806	\$630	\$0.78	N/Ap	N/Ap	N/Ap	N/Ap	T
Average of comps			777	\$716	\$0.93	\$695	\$0.88	\$680	\$0.86	
Maximum			806	\$845	\$1.15	\$695	\$0.88	\$700	\$0.88	
Minimum			727	\$625	\$0.78	\$695	\$0.88	\$680	\$0.84	

The subject is most similar to Comparable One, which indicates a market rent of \$750 per unit. Considering all of this information, and the subject's relative small size we concluded a market rent for the proposed subject 1BR-plan of \$725.

Two-Bedroom Units – Market

The subject proposes three, 937 square foot and one, 954 square foot two-bedroom, two-bathroom floor plans. The comparable two-bedroom units range in size from 1,025 to 1,143 square feet and average 1,104 square feet. The subject's proposed floor plans are below the range of the comparables. Effective market rents at the comparables range from \$730 to \$976 (\$0.64 to \$0.89 per square foot) and average \$861 (\$0.76 per square foot). Comparable One was the only comparable to have PBRA rents which is \$790 (\$0.72 per square foot). Comparable One and Two offer LIHTC (60%) rents that range from \$735 to \$810 (\$0.67 to \$0.72 per square foot) and average \$773 (\$0.70 per square foot).

TWO-BEDROOM UNITS										
Comparable No.	Name	Bath Qty.	Size (SF)	Market Rent		PBRA		LIHTC (60%)		Utilities
				Per Unit	Per SF	Per Unit	Per SF	Per Unit	Per SF	
	Subject (PBRA)	2.0	954	N/Ap	N/Ap	\$826	\$0.87	N/Ap	N/Ap	W,S,T
	Subject (LIHTC 60%)	2.0	937	N/Ap	N/Ap	N/Ap	N/Ap	\$800	\$0.85	W,S,T
	Subject (HI HOME/PBRA)	2.0	937	N/Ap	N/Ap	\$826	\$0.88	N/Ap	N/Ap	W,S,T
	Subject (LO HOME/PBRA)	2.0	937	N/Ap	N/Ap	\$738	\$0.79	N/Ap	N/Ap	W,S,T
1	Arcadia at Parkway Village (Mkt & LIHTC)	2.0	1,100	\$830	\$0.75	\$790	\$0.72	\$735	\$0.67	T
2	Orchard Springs (Mkt & LIHTC)	2.0	1,119	\$810	\$0.72	N/Ap	N/Ap	\$810	\$0.72	T
3	Harbor Grove (Market)	2.0	1,143	\$800	\$0.70	N/Ap	N/Ap	N/Ap	N/Ap	T
4	Oakley Park (Market)	2.0	1,025	\$891	\$0.87	N/Ap	N/Ap	N/Ap	N/Ap	T
5	Peachtree Landing (Market)	2.0	1,093	\$976	\$0.89	N/Ap	N/Ap	N/Ap	N/Ap	T
6	Harbor Lakes (Market)	2.0	1,143	\$730	\$0.64	N/Ap	N/Ap	N/Ap	N/Ap	T
	Average of comps		1,104	\$861	\$0.76	\$790	\$0.72	\$773	\$0.70	
	Maximum		1,143	\$976	\$0.89	\$790	\$0.72	\$810	\$0.72	
	Minimum		1,025	\$730	\$0.64	\$790	\$0.72	\$735	\$0.67	

Utilities: W=Water, S=Sewer, T=Trash

The subject is most similar to Comparable One, which indicates a market rent of \$830 per unit. Considering all of this information, and the subject's relative small size we concluded a market rent for the proposed subject 2BR-plan of \$775.

SUBJECT'S CHARACTERISTICS AND MARKETABILITY

The subject property is a proposed low income 150-unit senior apartment complex situated on a 9.99-acre site. It is located along the east side of Southwood Road, just north of Thompson Road in Union City, Fulton County, Georgia. This location is approximately four miles northwest of downtown Union City, and approximately 16 radial miles southwest of the Atlanta CBD. The unit mix will consist of 110 one and 40 two-bedroom units, which will be contained in two, three- and four-story buildings. Construction will be wood frame on concrete slab with brick veneer and fiber cement siding exteriors. Property amenities will include a community/business center, fitness center, elevators and shuttle to the public transportation stations. The units will be allocated under various low income housing programs with 90 PBRA units, 30 HOME units, 20 60% LIHTC units, and 10 ACC units. Reportedly,

construction will begin in June 2014 with construction completion by August 1, 2015 and stabilization by May 1, 2016. The site is currently vacant with a rolling and wooded topography.

The subject property is located in a growing area of southwestern metro Atlanta. The area has good accessibility, and is well located with respect to availability of labor, supporting services, and surrounding complementary developments. The area's population and households are projected to grow at a moderate pace into the foreseeable future. These factors suggest the subject area should continue to be a stable location for the proposed subject affordable apartments. Overall, the proposed subject is a good quality property in a good location and it is our opinion that if the subject was placed on the market, it would receive a moderate level of demand from a local or regional investor.

INCOME/RENT RESTRICTIONS

The units will be allocated under various low income housing programs with 90 PBRA units, 30 HOME units, 20 60% LIHTC units, and 10 ACC units. The property will be financed with proceeds from the syndication of federal and state 4% low income housing tax credits. When the tax credits are in place, income levels for the LIHTC units must be at or below 60% of area median income (AMI) and the HOME units must be under 50%. For Fulton County in 2014, per HUD, area median income is defined at \$64,400. The restricted income levels are calculated at 60% of this figure. The ACC and PBRA units are contracted with the Atlanta Housing Authority. Qualified tenants pay 30% of their income towards rent, with the Atlanta Housing Authority paying the difference between this amount and calculated contract rent, which is at market rent levels. The utility allowance was provided by the developer.

MAXIMUM ALLOWABLE RENT PER AMI LEVEL						
	# Persons	(Income Limit	x Rent %	) / 12 =	Max. Gross Mo. Rent	Max. Net Mo. Rent
					- Utilities	=
50% Inc. 1BR	1.5	(\$24,175	x 30%	) / 12 =	\$604	= \$553
50% Inc. 2BR	3.0	(\$29,000	x 30%	) / 12 =	\$725	= \$655
60% Inc. 1BR	1.5	(\$29,010	x 30%	) / 12 =	\$725	= \$674
60% Inc. 2BR	3.0	(\$34,800	x 30%	) / 12 =	\$870	= \$800

It is noted the developer's and our concluded rents are below maximum allowable levels.

REASONABLE EXPOSURE AND MARKETING TIMES

Exposure time is always presumed to precede the effective date of appraisal. It is the estimated length of time the property would have been offered prior to a hypothetical market value sale on the effective date of appraisal. It assumes not only adequate, sufficient, and reasonable time but also adequate, sufficient, and reasonable marketing effort. To arrive at an estimate of exposure time for the subject, we considered direct and indirect market data gathered during the market analysis, the amount of time required for marketing the comparable sales included in this report, broker surveys, as well as information provided by national investor surveys that we regularly review. This information indicated typical exposure periods of less than twelve months for properties similar to the subject. Recent sales of similar quality apartment complexes were marketed for periods of less than twelve months. Therefore, we estimate a reasonable exposure time of 12 months or less.

A reasonable marketing time is the period a prospective investor would forecast to sell the subject immediately after the date of value, at the value estimated. The sources for this information include those used in estimating reasonable exposure time, but also an analysis of the anticipated changes in market conditions following the date of appraisal. Based on the premise that present market conditions are the best indicators of future performance, a prudent investor will forecast that, under the conditions described above, the subject property would require a marketing time of six to 12 months. This seems like a reasonable projection, given the current and projected market conditions.

In appraisal practice, the concept of highest and best use is the premise upon which value is based. The four criteria that the highest and best use must meet are: legal permissibility; physical possibility; financial feasibility; and maximum profitability.

Highest and best use is applied specifically to the use of a site as vacant. In cases where a site has existing improvements, the concluded highest and best use as if vacant may be different from the highest and best use as improved. The existing use will continue, however, until land value, at its highest and best use, exceeds that total value of the property under its existing use plus the cost of removing or altering the existing structure.

HIGHEST AND BEST USE AS VACANT

According to the Union City zoning office, the subject parcels are zoned TCMU, Town Center Mixed Use District. Given the subject's specific location and surrounding uses, a zoning change seems unlikely. The site has adequate size and shape, and sufficient access and exposure to allow for nearly all types of allowable uses, but given the surrounding development and site area, it is best suited for some type of moderate- to high-density multi-family use. There are a number of multi-family developments in Atlanta and the surrounding area that are performing well. Thus, multi-family development does appear to be financially feasible. In our opinion, multi-family development will ultimately result in the maximum productive use of the site. Therefore, the highest and best use, as vacant, is likely development with a multi-family project.

HIGHEST AND BEST USE AS PROPOSED

The proposed improvements should be well suited for use as an apartment complex. It is possible the improvements could be converted to another use entirely, if the costs were justified. Justification seems highly unlikely. Based on our projected operating levels and our estimates of market value, which are discussed in a subsequent report section, the proposed improvements are capable of providing an adequate return on investment, after consideration of the low income housing tax credits. Therefore, we conclude that the proposed apartment development is representative of a financially feasible use. Given that the subject conforms to zoning, will be generally similar to superior to other existing apartment complexes in the market, and can generate an adequate return, we estimate the proposed development is the maximally profitable use. Based on the foregoing discussions, we conclude that the highest and best use of the property, as improved, is the operation of a tax credit apartment complex.

Three basic approaches to value are typically considered. The cost, sales comparison, and income capitalization methodologies are described below.

- The **cost approach** is based on the premise that an informed purchaser will pay no more for the subject than the cost to produce an equivalent substitute. This approach is particularly applicable when the subject property is relatively new and represents the highest and best use of the land, or when relatively unique or specialized improvements are located on the site for which there exist few sales or lease comparables. The first step in the cost approach is to estimate land value (at its highest and best use). The second step is to estimate cost of all improvements. Improvement costs are then depreciated to reflect value loss from physical, functional and external causes. Land value and depreciated improvement costs are then added to indicate a total value.
- The **income approach** involves an analysis of the income-producing capacity of the property on a stabilized basis. The steps involved are: analyzing contract rent and comparing it to comparable rentals for reasonableness; estimating gross rent; making deductions for vacancy and collection losses as well as building expenses; and then capitalizing net income at a market-derived rate to yield an indication of value. The capitalization rate represents the relationship between net income and value.

Related to the direct capitalization method is discounted cash flow (DCF). In this method of capitalizing future income to a present value, periodic cash flows (which consist of net income less capital costs, per period) and a reversion (if any) are estimated and discounted to present value. The discount rate is determined by analyzing current investor yield requirements for similar investments.

- In the **sales comparison** approach, sales of comparable properties, adjusted for differences, are used to indicate a value for the subject. Valuation is typically accomplished using physical units of comparison such as price per square foot, price per square foot excluding land, price per unit, etc., or economic units of comparison such as a net operating income (NOI) or gross rent multiplier (GRM). Adjustments are applied to the physical units of comparison. Economic units of comparison are not adjusted, but rather are analyzed as to relevant differences, with the final estimate derived based on the general comparisons. The reliability of this approach is dependent upon: (a) availability of comparable sales data; (b) verification of the data; (c) degree of comparability; and (d) absence of atypical conditions affecting the sale price.

For our analysis of the underlying land, we used only the sales comparison approach, which is the typical approach used for land valuation. Development cost information was provided, which was compared for reasonableness to actual costs of similar properties and information published by cost services. However, the construction costs as well as projections of operating income and expenses are considered.

The income approach is particularly applicable to this appraisal since the income producing capability is the underlying factor that would attract investors to the subject property. There is an adequate quality and quantity of income and expense data available to render a reliable and defensible value conclusion. Therefore, this approach was employed for this

assignment. We performed the direct capitalization analyses in this approach. It is more direct with fewer subjective variables, and is more commonly relied upon by investors for the subject property type.

In regard to the sales comparison approach, sale prices of income producing properties are highly dependent on income characteristics. For this reason, a comparison of the net income of each property is more indicative of value for the property than comparison of physical units. We also performed a physical adjustment analysis. Given the quality of the comparable sales information that we did obtain, we believe that this approach provides a fairly reliable value estimate.

At the request of our client, in order to comply with DCA appraisal requirements, we are appraising the property under several scenarios, including market rents assuming no rent restrictions. Thus, we must estimate the "hypothetical market value" of the fee simple interest in the subject property without regard to any restrictions.

The sales comparison approach is commonly used in the analysis of residential land by appraisers, as well as by purchasers and sellers in the market. In this analysis, sale prices of comparable sites are compared on a unit basis such as price per allowable or achievable unit, or price per acre. For this portion of our analysis, we are appraising the underlying site "as if vacant" land and will be performing our analysis on a per-acre basis. Typically, when ample sales data can be found, adjustments can be determined and applied to provide a clear indication of value.

DISCUSSION OF THE COMPARABLES

In our valuation of the subject site, we searched for sales and listings of residential land sites within the greater northeast Georgia area. Our search produced three sales and two listing. These comparables are summarized in the following chart. Photographs and a location map are included in the Addenda.

Land Valuation

COMPARABLE MULTI-FAMILY LAND SALES									
#	Grantor	Grantee	Date of Sale	Price	Land Area (Acres)	Units Planned	Units / Acre	Sale Price / Acre	Sale Price / Unit
1	N/Ap	The Jordan Company (Broker)	Listing	\$2,192,000	17.00	274	16.12	\$128,941	\$8,000
<p>Comments: This property is located in the northwest quadrant of Spence Road (SR 92) and Oakley Industrial Boulevard in Union City. According to the broker and marketing information this is 17 acres of multifamily land that is listed for \$2,192,000. It is zoned for approximately 274 units. The site had a gently rolling and wooded topography. Access and exposure are considered good.</p>									
2	Resources For Residents & Communities	MHSE Reynoldstown Senior LP	Jun-13	\$800,000	1.23	78	63.41	\$650,407	\$10,256
<p>Comments: This property is located along the north side of Marcus Street in Atlanta. According to a representative of the seller, the property was appraised and listed for \$1,200,000. She indicated that they wanted to sell for \$1,000,000, however, the seller is a non-profit and they came to a mutual agreement that it would serve the greater purpose of Reynoldstown. Because of rising construction cost, they agreed on the lesser amount. The buyer reportedly intends to build an affordable senior apartment complex containing 60 to 80 units (approved for 78 units). The project is filed as the "Reynoldstown Senior Apartments District" at 695 Field Street, targeted to residents over 55 years of age.</p>									
3	Maple Drive, LLC	Broadstone Maple, LLC	Apr-13	\$5,905,000	2.18	250	114.68	\$2,708,716	\$23,620
<p>Comments: This property is located at 3091 Maple Drive in Atlanta. It is in an submarket known as Buckhead. At the time of sale the site had three parcels improved with office buildings that were built in 1972. These improvements are to be demolished at the reported cost of \$380,000 according to the developer. The site is to be redeveloped into a 250-unit apartment complex that is anticipated to be complete in early 2015. Access and exposure are considered average.</p>									
4	Synovus Bank	WB Cabbagetown LLC	Mar-13	\$350,000	0.96	23	23.96	\$364,583	\$15,217
<p>Comments: This property is located along the north side of Memorial Drive, west of Pearl Street, in Atlanta. The property was bank owned at the time of sale. The site was a partially improved condominium pad site that was proposed and permitted for 23 low-rise, stacked flat residential units.</p>									
5	Roberts Properties Residential, LP	Lennar Multifamily Investors, LLC	Feb-13	\$7,590,000	20.61	268	13.00	\$368,268	\$28,321
<p>Comments: This tract is located at the southwest corner of Peachtree Industrial Boulevard and Medlock Bridge Road in Norcross across from the Forum shopping center. The land was sold for the development of an apartment complex. Zoning allows for 13 units per acre. Access and exposure are considered good.</p>									
6	Oaks at Johns Creek, LLC	Lennar Multifamily Investors, LLC	May-12	\$6,600,000	23.82	286	12.01	\$277,078	\$23,077
<p>Comments: This site is located along the south side of Technology Circle, east of Johns Creek Parkway in Johns Creek. The land was purchased to develop a 286-unit apartment complex. It was reported that the high sales price reflects the high-barrier to entry market of Johns Creek. Access and exposure are considered good.</p>									

DISCUSSION OF ADJUSTMENTS

Condition of Sale

Comparable One is a current listing. Typically, there is some negotiation involved in the sale of real estate. Thus, we made a downward adjustment to this comparable. It was reported that the high sales price for Comparable Five was to reflect the high-barrier to entry market of Johns Creek, where apartment entitlements can take significantly longer to achieve. Therefore, we have applied a downward adjustment to this comparable. Comparables Two through Five do not warrant any adjustments.

Market Conditions

The comparable sales closed between May 2012 and June 2013. Based on our research, land values in the subject market have been generally stable since that time period and the current date of appraisal. Thus, no adjustments are warranted for market conditions.

Location

The subject property is located in a developing, residential and commercial area of south Fulton County. Comparables Two through Five are considered to have superior locations when compared to the subject and warrant varying degrees of downward adjustments. Comparable is considered similar enough to not require any adjustment.

Access/Exposure

As previously discussed, the subject has good access and exposure along a primary neighborhood artery. Comparables Three through Five are considered to have superior access/exposure characteristics and warrant varying degrees of downward adjustments. Comparables One and Two are considered similar enough and do not require any adjustments.

Size (# of units)

In terms of the total number of planned/permitted units, value typically tends to decrease per unit for larger projects, indicating a volume discount. The subject is proposed for 150 units. Based on this, Comparables One, Three, and Five are proposed to have more units and receive varying degrees of upward adjustments, while Two and Three are proposed to have fewer units and receive varying downward adjustments.

Density

On a price per unit basis, a higher density indicates less green space and common area per unit; therefore, a lower density is superior. The subject's proposed density is 15 units per acre. Comparables Two, Three and Four have higher densities and receive varying degrees of upward adjustments. The remaining comparables did not warrant any adjustment.

SUMMARY AND COMMENTS

The following adjustment grid illustrates our thought processes in the comparison of these sales to the subject. As shown, prior to adjustment, the comparables present a range of price per unit between \$8,000 and \$23,620, with an overall mean of \$16,034 per unit.

COMPARABLE LAND SALES ADJUSTMENT GRID						
Sale No.	Subject	1	2	3	4	5
Date		Listing	June-13	April-13	March-13	May-12
Sale Price		\$2,192,000	\$800,000	\$5,905,000	\$350,000	\$6,600,000
Acres	9.99	17.00	1.23	2.18	0.96	23.82
Units	150	274	78	250	23	286
Density	15	16	63	115	24	12
Price per Unit		\$8,000	\$10,256	\$23,620	\$15,217	\$23,077
Conditions of Sale		-10%				-25%
Market Conditions						
Adjusted Price/Unit		\$7,200	\$10,256	\$23,620	\$15,217	\$17,308
Physical Adjustments						
Location			-10%	-30%	-10%	-15%
Access/Exposure				-15%	-10%	-10%
Size (Nbr. Of Units)		15%	-5%	10%	-15%	15%
Density			15%	15%	5%	
Net Adjustment		15%	0%	-20%	-30%	-10%
Adjusted Indication		\$8,280	\$10,256	\$18,896	\$10,652	\$15,577
Indicated Range:			\$8,280	to	\$18,896	
Adjusted Mean:				\$12,732		
Indicated Range (excl'd extremes):			\$10,256	to	\$15,577	
Adjusted Mean (excl'd extremes):				\$12,162		

After application of adjustments, the range of indicated price per unit is between \$8,280 and \$18,896, with a mean of \$12,732 per unit. We placed weighted emphasis on Comparable One (\$8,280) because it is a current listing and the only land sale that is in south Fulton County. We also placed weighted emphasis on Comparable Two (\$10,256) as it had the least amount of net adjustments. Thus, we estimate a value for the subject site (as vacant) at \$10,000 per unit, which reflects the following:

ESTIMATED LAND VALUE				
Units		\$/Unit	=	Total
150	X	\$10,000	=	\$1,500,000
Rounded:				\$1,500,000

“AS IS” LEASEHOLD INTEREST IN THE SITE

The site is subject to a 99-year ground lease from The Housing Authority of Fulton County, Georgia to TBG Providence, LP, for annual rent of \$1. The Housing Authority will provide funding for construction of the ACC units and rent on these units will be limited to reimbursement of operating expenses only. Further, Low Income Housing Tax Credits will

provide additional funding with rent restricted to 60% of Area Median Income. Essentially, the restrictions on use of the land results in insufficient revenues to support a residual land value. Further, the improvements are only feasible to construct with the assistance of substantial incentives. Therefore, the land does not contribute value to the leasehold interest in the subject and, thus, was given no further consideration in our analysis.

COST ANALYSIS

In this section of our report, we will present the developer's estimated costs for the proposed development. We reviewed a development cost budget provided to us by our client and compared the information to that published by *Marshall Valuation Service*. The latter publication is used nationwide by real estate appraisers and analysts to estimate replacement costs for all building types. In our analysis of *Marshall Valuation Service* information, we employed the comparative unit method. This method is based on unit costs of similar structures adjusted for time, location, and physical differences.

We compiled the summary shown in the following chart of the subject's construction costs. As indicated on the chart, the projected total direct and indirect costs for the subject are \$15,232,504. This equates to \$101,550 per apartment unit and \$131.47 per gross square foot.

DEVELOPMENT BUDGET			
PROVIDENCE AT PARKWAY VILLAGE			
150 Apartment Units - 115,866 SF			
Direct Costs	Total	Per Unit	Per SF
Pre-Development Costs	\$97,944	\$1,224	\$1.33
Site Improvement	\$1,445,000	\$18,063	\$19.57
Construction	\$8,410,945	\$105,137	\$113.94
Builders Overhead	\$197,119	\$2,464	\$2.67
Builders Profit	\$591,357	\$7,392	\$8.01
General Requirements	\$507,247	\$6,341	\$6.87
Contingency	\$492,797	\$6,160	\$6.68
Payment & Performance Bond Premium	\$84,109	\$1,051	\$1.14
Total Hard Costs	\$11,826,518	\$78,843	\$102.07
Indirect Costs			
Soft Costs	\$805,470	\$5,370	\$6.95
Financing Fees	\$1,169,610	\$7,797	\$10.09
Equity Costs	215,238	\$1,435	\$1.86
Start Up and Reserves	1,215,668	\$8,104	\$10.49
Total Indirect Costs	\$3,405,986	\$22,707	\$29.40
% Of Direct Costs	28.8%		
Total Direct & Indirect Costs	\$15,232,504	\$101,550	\$131.47
Land Acquisition	\$0	\$0	\$0.00
Developer Fee	\$1,800,000	\$12,000	\$15.54
Total Development Cost	\$17,032,504	\$113,550	\$147.00

With regard to *Marshall Valuation Service*, as reported in the property description section, the proposed apartment complex is classified as a Class D structure, masonry veneer. Our review of information included in the cost manual indicates that the buildings will qualify as average to good cost quality multiple residences. *Marshall Valuation Service* cost estimates include the following.

1. Final costs to the owner, including average architect and engineer's fees. These, in turn, include plans, plan check, building permits and survey(s) to establish building lines and grades.
2. Normal interest on building funds during the period of construction plus a processing fee or service charge.
3. Materials, sales taxes on materials, and labor costs.
4. Normal site preparation including finish grading and excavation for foundation and backfill.
5. Utilities from structure to lot line figured for typical setback.
6. Contractor's overhead and profit, including job supervision, workmen's compensation, fire and liability insurance, unemployment insurance, equipment, temporary facilities, security, etc.

As shown in the following chart, after inclusion of costs for built-in appliances and adjustments for current and local cost multipliers, *Marshall's* indication of direct costs for the improvements are between about \$98 and \$124 per square foot. The provided budgeted hard cost estimate (\$102) is within the range. Given their expertise in construction costs of multifamily properties, we believe that the projections of direct costs provided by the developer are reasonable.

MARSHALL VALUATION SERVICES					
Good Cost Quality Multiple Residences (Senior Citizen), Class D Masonry Veneer					
	<u>Cost Per SF</u>	<u>Current Multiplier</u>	<u>Local Multiplier</u>	<u>SF</u>	<u>Cost</u>
Apartment Buildings	\$92.02	1.10	0.94	115,866	\$11,024,497
Elevator					\$57,750
Appliances	\$1,670			150	\$250,500
Total Cost					\$11,332,747
Cost Per SF					\$97.81
Excellent Cost Quality Multiple Residences (Senior Citizen), Class D Masonry Veneer					
	<u>Cost Per SF</u>	<u>Current Multiplier</u>	<u>Local Multiplier</u>	<u>Gross SF</u>	<u>Cost</u>
Apartment Buildings	\$116.46	1.10	0.94	115,866	\$13,952,542
Elevator					\$67,700
Appliances	\$2,140			150	\$321,000
Total Cost					\$14,341,242
Cost Per SF					\$123.77

INDIRECT COSTS

Indirect costs include such items as legal, title and appraisal fees, contingencies, and other miscellaneous costs. Typically, these costs total 5% to 15% of direct costs, but they are higher for LIHTC properties due to additional financing fees. According to the developer's

budget, they project indirect costs at \$3,405,986, or 28.8% of direct costs. The budgeted amount seems reasonable. For our analysis, we used 28% of direct cost, or a rounded \$3,400,000.

BUILDER AND SPONSOR PROFIT AND RISK

Typically, builder and sponsor profit and risk is between 10% and 15% of direct costs. We used 15% in our analysis.

CONCLUSION

Based on the information presented in this section, the provided costs estimates appear reasonable. The total costs, inclusive of builder and sponsor profit and risk, plus our estimate of leasehold land value, and less proceeds from tax credit sales are \$10,513,496, rounded to \$10,500,000, which equates to \$70,000 per unit.

COST APPROACH SUMMARY			
Providence at Parkway Village Senior Apartments			
	SF	Total	Per SF
Direct Costs	115,866	\$11,826,518	\$102.07
Indirect Costs	28.7%	3,400,000	29.34
Total Direct and Indirect Costs		\$15,226,518	\$131.41
Developer's Profit	15%	1,773,978	15.31
Estimated Replacement Cost New of Improvements		\$17,000,496	\$146.72
Depreciation			
Physical Curable	0		
Physical Incurable	0		
Functional / External	0		
Total Depreciation		\$0	\$0.00
Estimated Depreciated Replacement Cost		\$17,000,496	\$146.73
Estimated Land Value		\$0	\$0.00
Indicated Value by Cost Approach		\$17,000,496	\$146.73
Less Proceeds from sale of LIHTC		\$6,487,000	\$146.73
Net Cost to the Developer		\$10,513,496	\$293.46
Rounded		\$10,500,000	\$90.62
Per Apartment Unit		\$70,000	

INCOME CAPITALIZATION APPROACH

We initially estimated potential rental income, followed by projections of other income, vacancy and collection loss, and operating expenses in order to estimate a net operating income.

Summary Rent Recommendations

As previously discussed, we concluded rents for the proposed subject that are in-line with the developer's estimates, shown in the chart following. This gives a potential gross income of \$1,264,440 or \$8,430 per unit (annually).

UNIT MIX AND DEVELOPER PROPOSED RENTS Providence at Parkway Village				
Unit Type Program	No. Units	Unit SF	Monthly Rent	Total Income
1BR/1BA 60%/PBRA	40	709	\$705	\$338,400
1BR/1BA 60%	16	709	\$674	\$129,408
1BR/1BA 60%/PBRA	22	709	\$705	\$186,120
1BR/1BA ACC	10	709	\$327	\$39,240
1BR/1BA HI HOME 50% AMI	14	709	\$705	\$118,440
1BR/1BA LOW HOME 50%	8	715	\$622	\$59,712
2BR/2BA PBRA	28	954	\$826	\$277,536
2BR/2BA 60%	4	937	\$800	\$38,400
2BR/2BA HI HOME 50% AMI	6	937	\$826	\$59,472
2BR/2BA LOW HOME 50%	2	937	\$738	\$17,712
Total/Average	150	773	\$702	\$1,264,440

OTHER INCOME

Other Income in the apartment market is derived from laundry income, forfeited deposits, pet fees, application fees, late payment fees, utility reimbursement income, vending machines, etc. IREM shows a range of \$333 to \$1,111 with a median of \$697 per unit. As a percentage of PGI, IREM shows a range of 3.5% to 9.3% with a median of 6.3%. Typically, other income at low-income communities is much lower than at market rate properties. A similar property operated by the subject developer reported other income of \$127 per unit for 2013. The developer's budget included \$84 per unit. Based on this information, we used the estimate of \$100 per unit for other income.

VACANCY AND COLLECTION LOSS

As discussed in the Market Analysis section of this report, we estimate a combined vacancy and collection loss of 7%.

TAX EXEMPTION

According to the developer, the 100 subject PBRA/ACC units will be tax exempt. This is typical for projects like this. In fact, the adjacent Woodbridge at Parkway Village complex, which is operated by the subject developer, has a similar exemption on their PBRA units. The provided operating budget includes a real estate tax exemption income of \$89,919, or \$899 per PBRA/ACC unit. This per unit figure correlates with their budgeted real estate taxes per unit. It is important to note that the provided operating budget also includes the full real estate tax amount of \$134,878 as an expense. Ultimately, the exemption income and real estate tax expense are offsetting for a net real estate tax consequence of \$44,959. Per the request of our client, we have also presented the exemption and expense separately. In our analysis we concluded real estate taxes of \$900 per unit, which we applied to the 100 PBRA/ACC units, or \$90,000.

EFFECTIVE GROSS INCOME

Based on our estimates of apartment and other income and vacancy and collection loss, effective gross income for the subject is \$1,309,031, or \$8,727 per apartment unit. The developer's projections are slightly less at \$8,517 per unit.

EXPENSE ANALYSIS

In estimating reasonable operating expenses, we gave consideration to the developer's operating budget and industry standard expenses as published in the 2013 edition of the *Income/Expense Analysis – Conventional Apartments* published by IREM (Institute of Real Estate Management). In addition, we considered operating data from four highly similar newer interior corridor apartment complexes operated by the subject developer in various locations in Georgia. The developer's operating expense budget, and IREM data, as well as a combined Expense Analysis Sheet showing the expense comparable data are shown in the following charts.

Income Capitalization Approach

DEVELOPER'S OPERATING BUDGET PROVIDENCE AT PARKWAY VILLAGE 150 Units - 115,858 SF				
		Total	Per Unit	Per SF
Potential Gross Rental Income		\$1,264,440	\$8,430	\$10.91
Plus Other Income	1.0%	<u>12,644</u>	84	0.11
Potential Gross Income		\$1,277,084	\$8,514	\$11.02
Vacancy and Collection Loss	-7.0%	(\$89,396)	(\$596)	(\$0.77)
RE Tax Exemption		<u>\$89,919</u>	\$599	\$0.78
Effective Gross Income		\$1,277,607	\$8,517	\$11.03
Expenses				
Land Lease		\$0	\$0	\$0.00
Real Estate Taxes		134,878	899	1.16
Insurance		30,900	206	0.27
Management Fee	4.6%	59,384	396	0.51
Utilities		81,410	543	0.70
Salaries & Labor		160,070	1,067	1.38
Maintenance & Repairs / Turnkey		63,960	426	0.55
Security		4,800	32	0.04
Landscaping		11,000	73	0.09
Advertising & Promotion		12,000	80	0.10
Administrative/Misc.		<u>44,100</u>	294	0.38
Total Expenses		\$602,502	\$4,017	\$5.20
Reserves		<u>50,466</u>	336	0.44
Total Operating Expenses		\$652,968	\$4,353	\$5.64
Net Income		\$624,639	\$4,164	\$5.39

Income Capitalization Approach

2013 IREM INCOME & EXPENSE DATA FOR ATLANTA METRO

Income & Expense Category (A)	Annual Inc. & Exp. as % of GPI			Annual Income & Exp Per Unit		
	Low	Median	High	Low	Median	High
Income						
Gross Possible Rents:	89.7%	92.1%	96.6%	\$7,863	\$9,231	\$11,058
Other Income:	3.3%	8.0%	10.3%	\$330	\$909	\$1,219
Gross Possible Income:	100.0%	100.0%	100.0%	\$8,698	\$10,319	\$11,764
Vacancies/Rent Loss:	4.5%	8.6%	13.3%	\$567	\$815	\$1,272
Total Collections:	79.4%	87.6%	93.4%	\$7,224	\$8,913	\$10,446
Expenses (B)						
Real Estate Taxes	6.0%	7.6%	9.3%	\$456	\$733	\$939
Insurance	1.3%	2.2%	2.8%	\$149	\$186	\$233
Management Fee	2.4%	3.3%	4.7%	\$229	\$343	\$486
Total Utilities (1)	5.5%	7.4%	9.9%	\$619	\$804	\$1,014
Water/sewer (common & Apts)	4.1%	5.5%	7.5%	\$471	\$600	\$771
Electric (common only)	1.3%	1.7%	2.1%	\$139	\$179	\$209
Gas (common only)	0.1%	0.2%	0.3%	\$8	\$25	\$33
Total Utilities (2)	5.2%	7.1%	11.1%	\$587	\$748	\$831
Water/sewer (common only)	3.8%	5.2%	8.7%	\$439	\$542	\$589
Electric (common only)	1.3%	1.7%	2.1%	\$139	\$179	\$209
Gas (common only)	0.1%	0.2%	0.3%	\$8	\$25	\$33
Salaries and Administrative (C)	7.4%	9.6%	18.8%	\$773	\$1,099	\$1,575
Other Administrative	2.8%	4.0%	7.5%	\$307	\$460	\$652
Other Payroll	4.6%	5.6%	11.3%	\$467	\$639	\$923
Maintenance & Repairs	2.5%	3.7%	4.8%	\$224	\$356	\$631
Painting & Redecorating (D)	1.1%	1.5%	2.1%	\$109	\$174	\$294
Grounds Maint. & Amenities (D)	1.4%	1.9%	2.4%	\$138	\$179	\$263
Grounds Maintenance	1.3%	1.7%	2.1%	\$130	\$162	\$238
Recreational/Amenities	0.1%	0.2%	0.3%	\$9	\$17	\$26
Security (D)	0.6%	0.2%	1.0%	\$17	\$43	\$86
Other/Miscellaneous	0.4%	1.6%	4.1%	\$37	\$130	\$462
Other Tax/Fee/Permit	0.1%	0.1%	0.2%	\$12	\$12	\$24
Supplies	0.1%	0.4%	0.9%	\$12	\$58	\$116
Building Services	0.3%	0.8%	1.7%	\$28	\$66	\$160
Other Operating	0.1%	0.8%	2.4%	\$9	\$64	\$302
Total Expenses:	32.5%	38.9%	47.6%	\$3,855	\$4,374	\$4,956
Net Operating Income:	30.4%	49.8%	55.3%	\$2,883	\$5,318	\$6,176

Notes: Survey for Atlanta Metro includes 18,296 apartment units with an average unit size of 1,016 square feet.
 (A) *Median* is the middle of the range, *Low* means 25% of the sample is below this figure, *High* mean 25% is above.
 (B) Line item expenses do not necessarily correspond to totals due to variances in expenses reported and sizes of reporting complexes.
 (C) Includes administrative salaries and expenses, as well as maintenance salaries.
 (D) Includes salaries associated with these categories.

Source: 2013 *Income/Expense Analyses: Conventional Apartments* by the Institute of Real Estate Management (IREM).

Income Capitalization Approach

OPERATING EXPENSE COMPARABLES						
Property Name	Woodbridge		Capitol Gateway II		Carver, Phase V	
Location	Fairburn, GA		Atlanta, GA		Atlanta, GA	
Type	Sr. - Int. Corridor (LIHTC)		Sr. - Int. Corridor (LIHTC)		Sr. - Int. Corridor (LIHTC)	
No. Units	150		152		164	
Avg. Unit Size	734		817		936	
Year Built	2010		2007		2007	
	Actual	Trended	Actual	Trended	Actual	Trended
Effective Date/% Trended	2013	0.0%	2012	0.0%	2012	0.00%
Real Estate Taxes	\$206	\$206	\$502	\$502	\$358	\$358
Insurance	269	269	184	184	172	172
Management Fee:	475	475	497	497	449	449
<i>% of EGI</i>	5.9%		5.9%		6.1%	
Utilities	641	641	1,393	1,393	882	882
Salaries & Labor	1,570	1,570	1,432	1,432	1,621	1,621
Repairs/Redecorating	408	408	483	483	905	905
Landscaping/Amenities	143	143	66	66	132	132
Advert. & Promotion	190	190	117	117	73	73
Administrative/Misc.	382	382	541	541	746	746
Total Expenses	\$4,285	\$4,285	\$5,215	\$5,215	\$5,338	\$5,338

Land Lease

The site is subject to a 99-year ground lease from The Housing Authority of Fulton County, Georgia to TBG Providence, LP, for annual rent of \$1.

Real Estate Taxes

As mentioned in the Tax Analysis section of this report, the estimated "at completion" taxes are a rounded \$135,000. The provided operating budget indicates \$134,878. This is exclusive of the tax exemption, which was previously discussed in the income section. We relied on this estimate of real estate taxes at \$135,000, or \$900 per unit, as presented earlier in this report.

Insurance

IREM indicates a range of \$149 to \$233 per unit, and a median of \$186 per unit. The comparables indicate insurance expenses within a range of \$172 to \$269 per unit with an average of \$208. The developer budgeted \$206 per unit. We have estimated the insurance expense at \$210 per unit.

Management Fee

Management expense for an apartment complex is typically negotiated on a percent of collected revenues (effective gross income, or EGI). This percentage typically ranges between 3.0% to 5.0%, depending on the size of the complex and position in the market. In other

words, a large, upscale property might be managed at the lower end of the cost range. IREM indicates a range from 2.4% to 4.7% with a median of 3.3%, or \$229 to \$486 per unit with a median of \$343. The comparables ranged from \$449 to \$497 per unit with an average of \$475 per unit. The operating budget includes a management fee of \$396 per unit, which is 4.6% of effective gross income. This is reasonable for a LIHTC property with low income levels. We included a management fee of 4.5% of effective gross income, which equates to \$393 per unit as proposed and \$396 per unit as a hypothetical market rate property.

Utilities

This expense covers all energy costs related to the leasing office, vacant units, and common areas, including exterior lighting. It also typically includes trash removal and sometimes water/sewer costs for apartments. In the case of the subject, it will include water, sewer and trash utilities. IREM indicates a range of \$619 to \$1,014 per unit, and a median of \$804 per unit. The comparables indicate utilities expenses within a range of \$641 to \$1,393 per unit with an average of \$972. However, inclusions differ. Woodbridge, a highly similar project operated by the subject developer, reported utilities of \$641 per unit for 2013. The developer indicates a total utilities expense of \$543 per unit, which seems low as it is toward the low end of the indication of by IREM and near the average indicated by the comparables. We used \$600 per units for our "as-proposed" pro forma. Because the units will be individually metered it is reasonable to assume that if the property were converted to market rate the tenants would be responsible for their water/sewer and would be billed directly. For the hypothetical pro forma at market we used \$425 per unit, which falls toward the lower end of the indicated range by IREM.

Salaries and Labor

This expense covers all payroll and labor expenses, including direct and indirect expenses. The taxes and benefits portion of this expense also includes the employer's portion of social security taxes, group health insurance and workman's comp insurance. In addition, employees typically incur overtime pay at times. The IREM expense chart reflects combined salaries and administrative expenses within a range of \$773 to \$1,575 per unit, and a median of \$1,099 per unit. The comparables indicate payroll expense within a range of \$1,432 to \$1,621 per unit (exclusive of administrative) and average \$1,541 per unit. Woodbridge, a highly similar project operated by the subject developer, reported salaries and labor of \$1,570 per unit for 2013. The developer estimated salaries and labor, and related expenses, at \$1,067 per unit. We used salaries and labor of \$1,200 per unit in our "as proposed" analysis and \$1,100 per unit in our hypothetical analysis.

Maintenance And Repairs And Painting And Redecorating (Turnkey) - Combined

The allowance for interior decoration typically includes the cost of apartment turnkey, painting, cleaning and carpet shampooing, but not extraordinary expenses such as sheetrock, appliances and other miscellaneous repairs. Interior decoration, or turnkey expense, is based primarily on the number of units vacated during the year. Frequently we discover this category is consolidated with maintenance and repairs. The latter category includes the cost of building and exterior repairs, exterior painting, electrical repairs, plumbing and miscellaneous repairs. Maintenance and repairs expenses vary considerably from complex to complex and from year to year, due primarily to scheduling of repairs and accounting procedures. Apartment owners often list replacement items under "maintenance and repairs" for more advantageous after-tax considerations. Data obtained from IREM indicates a range of \$333 to \$925 per unit, and a median of \$530 per unit for the Atlanta area. The comparables present a combined range of \$408 to \$905 with an average of \$599. Woodbridge, a highly similar project built in 2010 and operated by the subject developer, reported repairs and maintenance of \$408 per unit for 2013. The provided budget indicates \$458 per unit combined for maintenance and redecorating, within the range of IREM and the comparables. We note that the subject will be new construction and the maintenance and turnover expenses should be low for at least the first few years, though the target tenant may incur higher than average turnkey expenses. We estimate **\$425** per unit for repairs and maintenance, including turnkey.

Landscaping and Amenities

Landscaping, or grounds maintenance, includes normal grounds landscaping and maintenance. Routine pool maintenance is typically performed by the maintenance personnel at larger complexes. IREM indicates a range of \$138 to \$263 per unit, and a median of \$179 per unit. The comparables indicate a range of \$66 to \$143 with an average of \$115. Woodbridge, a highly similar project operated by the subject developer, reported landscaping costs of \$143 per unit for 2013. The provided budget includes \$73 per unit for landscaping, but amenities are not separately considered. We included an estimate of **\$125** per unit.

Advertising And Promotion

This expense category accounts for placement of advertising, commissions, signage, brochures, and newsletters. Advertising and promotion costs are generally closely tied to occupancy. If occupancy is considered high and the market is stable, then the need for advertising is not as significant. However, if occupancy is considered to be low or occupancy tends to fluctuate, then advertising becomes much more critical. Our analysis assumes that the property is operating at stabilized levels; however, rent restricted properties typically incur lower advertising expenses. IREM does not separately report advertising expenses. The comparables indicate a range of \$73 to \$190 per unit with an average of \$127. The developer's budget includes \$80 per unit. Based upon the above discussion, we included a

stabilized advertising and promotion cost of **\$75** per unit as proposed, and **\$125** per unit in our hypothetical analysis.

Administrative And Miscellaneous Expense

This expense includes such items as legal, accounting, office supplies, answering service, telephone, etc. It is noted that rent restricted properties typically incur higher administrative expenses as the level of paperwork and administrative responsibility is much larger. IREM indicates a range of \$37 to \$462 per unit, and a median of \$130 per unit for the Atlanta area. However, as noted earlier, IREM includes most traditional administrative costs within their Salaries and Administrative cost category. The comparables indicate a range of \$382 to \$746 with an average of \$556 per unit. The provided developer's budget includes \$294 per unit, which is generally reasonable for a tax credit property, which incurs higher administrative expenses. We projected Administrative and Miscellaneous Expense at **\$350** per unit as proposed, and **\$250** per unit at hypothetical market rents.

Reserves for Replacement

Reserves for replacement is an annual allowance for the periodic replacement of roof covers, paving, carpeting, HVAC units, appliances, and other short-lived items. Investors of apartment properties sometimes establish separate accounts for reserves in the pro forma analysis. IREM does not chart this category and it is not included for the comparables. Typically, reserves range from \$200 to \$300 per unit, depending on age, condition, and size. The developer's budget includes \$336 per unit for reserves. It is also important to consider that the subject will be new with many major components under warranty for at least the first couple of years, which should hold reserves/capital expenditures down over the holding period. However, it is also interior corridor and will be served by an elevator. We included reserves in our analysis at **\$300** per unit.

Summary of Expenses

The estimated expenses total \$686,657 including reserves, which equates to \$4,578 per unit (\$4,278 without reserves). The developer projected total expenses of \$4,353 per unit including reserves (\$4,017 without reserves), which is slightly below our estimate. Total expenses reported by IREM, which do not include reserves, ranged from \$3,855 to \$4,956 with a median of \$4,374 per unit for Atlanta. Our estimates, not including reserves, are within the range indicated by IREM. The expense comparables, which also do not include reserves, indicate a range of \$4,285 to \$5,338, with an average of \$4,946. Our estimate is just below the range indicated by the operating expense comparables (excluding reserves). Based upon the prior discussion, we believe our estimates of operating expenses are reasonable and appropriate.

Income Capitalization Approach

Our estimates of income and expenses for the subject apartments, under the restricted scenario, result in a net operating income projection of \$622,373, or \$4,149 per unit.

CAPITALIZATION OF NET OPERATING INCOME

Generally, the best method of estimating an appropriate overall rate is through an analysis of recent sales in the market. The following table summarizes capitalization rates extracted from the apartment sales presented in the sales comparison approach.

IMPROVED SALES SUMMARY									
No.	Name Location	Sale Date	Number of Units	Year Built	Price Per Unit	Avg. Unit Size (SF)	Occupancy at Time Of Sale	NOI/Unit at Sale	OAR
1	Parkside at Town Center, Kennesaw, GA	Feb-14	234	2002	\$117,000	1,177	96%	\$6,229	5.32%
2	Mountain Park Estates Kennesaw, GA	Sep-13	450	2001	\$108,889	1,087	97%	\$6,533	6.00%
3	Lexington Farms, Alpharetta, GA	Mar-13	352	1995	\$118,750	1,077	96%	\$7,244	6.10%
4	10 Perimeter Park, Atlanta, GA	Sep-12	230	2008	\$114,783	1,030	94%	\$6,600	5.75%
5	Stoneleigh at Deerfield, Alpharetta, GA	Aug-12	370	2003	\$117,568	949	97%	\$6,819	5.80%

Capitalization rates reflect the relationship between net operating income and the value of receiving that current and probable future income stream during a certain projection period or remaining economic life. In selecting an appropriate capitalization rate for the subject, we considered those rates indicated by recent sales of properties which are similar to the subject with regard to risk and duration of income, quality and condition of improvements, and remaining economic life. Primary factors that influence overall rates include potential for income increases over both the near and long terms, as well as appreciation potential. Adjustments for dissimilar factors that influence the utility and/or marketability of a property, such as specific location within a market area; land/building ratio; functional efficiency, quality, and condition of improvements; and specific features of the building and land improvements, are inherently reflected by the market in the form of varying market rent levels. As rent levels form the basis for net income levels, the market has, in effect, already made the primary adjustments required for those factors, and any significant adjustments to overall rates based upon these dissimilarities would merely distort the market data.

The overall rates of the comparable properties indicate a range from 5.32% to 6.10%, with a mean of 5.79%. As mentioned in the Market Analysis section, the *PwC Survey* indicates that overall capitalization rates for apartments range from 4.50% to 10.00%, with an average of 5.80% (5.73% for the Southeast Region). This is an increase in the overall average rate of 19 basis points from the prior quarter and 8 basis points higher than the same period one year ago. The average marketing time reported ranged from 0 to 18 months, with an average of 5.7 months (4.4 months for the Southeast Region). However, it is important to note that the subject is an income restricted property that includes PBRA/ACC units. While it

has limited downside risk, it also has limited upside potential. Therefore, some premium would be anticipated by potential investors.

Band Of Investment

We also utilized the mortgage-equity procedure, which is presented in the following chart. Under this procedure, the overall capitalization rate considers the returns on the mortgage and equity positions as well as the equity build-up that accrues as the loan principle is paid off. For properties like the subject Steelhead Capital indicates a typical loan-to-value ratio of 75%, a fixed interest rate of 4.34% to 5.09% and a 30-year amortization with a balloon in 10 years. For this analysis, we used an 75% loan-to-value, an interest rate of 4.25%, 30-year amortization, a 10-year balloon, and property appreciation of 2.0% annually (reasonable considering the current market). Equity yield rates are more difficult to ascertain. However, based on discussions with investors and valuation experts, and consideration of alternative investment choices and comparing the risks involved with each, we concluded an equity yield rate of 15% is considered reasonable. As shown on the following chart, the indicated overall capitalization rate based on the foregoing parameters equates to approximately 6.50% (rounded to the nearest 0.25%).

Income Capitalization Approach

CAPITALIZATION RATE DERIVATION BY MORTGAGE/EQUITY TECHNIQUE					
ASSUMPTIONS					
Mortgage Amortization Term					30 Years
Holding Period					10 Years
Mortgage Interest Rate					4.25%
Loan-to-Value Ratio					75%
Annual Constant for Monthly Payments					0.059033
Required Equity Yield Rate					15%
Assumed Net Annual Appreciation					1.50%
CALCULATIONS					
Basic Rate Calculation:					
Mortgage:	75%	x	0.059033	=	0.044275
Equity:	25%	x	0.150000	=	+ 0.037500
Composite Basic Rate:					0.081775
Credit For Equity Build-up Due to Amortization Over Holding Period:					
Mortgage (Loan-to-Value Ratio):			75%		
Sinking Fund Factor @	15%	For	10 Years	=	0.049252
Percentage of Loan Principal Repaid After			10 Years	=	20.5570%
Credit:	75%	x	0.049252	x	0.205570 = 0.007594
Appreciation Factor Over the Holding Period:					
Appreciation Credit @	2%	Over	10 Years	=	16.0541%
Sinking Fund Factor @	15%	For	10 Years	=	0.049252
Credit:	16.0541%	x	0.049252	=	0.007907
INDICATED CAPITALIZATION RATE					
Basic Rate:					0.081775
Less Credit For Equity Build-up:					- 0.007594
Less Credit For Appreciation:					- 0.007907
INDICATED CAPITALIZATION RATE:					0.066274
ROUNDED:					6.50%

Capitalization Rate - Conclusion

Based on the information provided by the comparables, the investor survey and the band of investment technique, we estimate an overall rate of between 6.25% and 6.75% (reconciled to 6.50%) as appropriate for the subject.

A summary of the stabilized pro forma income and expense statement, including our capitalized value estimate, is presented in the following chart. As shown, our final value estimate by this method of analysis is a rounded **\$9,600,000**, or \$64,000 per unit.

Income Capitalization Approach

HYPOTHETICAL PRO FORMA ANALYSIS - AS PROPOSED PROVIDENCE AT PARKWAY VILLAGE 150 Units - 115,858 SF				
		Total	Per Unit	Per SF
Potential Gross Rental Income		\$1,264,440	\$8,430	\$10.91
Plus Other Income	1.5%	18,750	125	0.16
Potential Gross Income		\$1,283,190	\$8,555	\$11.08
Vacancy and Collection Loss	-5.0%	(\$64,160)	(\$428)	(\$0.55)
RE Tax Exemption		\$90,000	\$600	\$0.78
Effective Gross Income		\$1,309,031	\$8,727	\$11.30
Expenses				
Land Lease		\$1	\$0	\$0.00
Real Estate Taxes		135,000	900	1.17
Insurance		31,500	210	0.27
Management Fee	4.5%	58,906	393	0.51
Utilities		90,000	600	0.78
Salaries & Labor		180,000	1,200	1.55
Maintenance & Repairs / Turnkey		63,750	425	0.55
Landscaping		18,750	125	0.16
Advertising & Promotion		11,250	75	0.10
Administrative/Misc.		52,500	350	0.45
Total Expenses		\$641,657	\$4,278	\$5.54
Reserves		45,000	300	0.39
Total Operating Expenses		\$686,657	\$4,578	\$5.93
Net Income		\$622,373	\$4,149	\$5.37
Overall Rates/Indicated Values	6.25%	\$9,957,970	\$66,386	\$85.95
	6.50%	\$9,574,971	\$63,833	\$82.64
	6.75%	\$9,220,343	\$61,469	\$79.58
Stabilized Reconciled Value		\$9,600,000	\$64,000	\$82.86

SALES COMPARISON APPROACH

The Sales Comparison Approach provides an estimate of market value based on an analysis of recent transactions involving similar properties in the market area. This method is based on the premise that an informed purchaser will pay no more for a property than the cost of acquiring an equally desirable substitute. When there are an adequate number of sales involving truly similar properties, with sufficient information for comparison, a range of values for the subject can be developed. In the analysis of sales, considerations for such factors as changing market conditions over time, location, size, quality, age/condition, and amenities, as well as the terms of the transactions, are all significant variables relating to the relative marketability of the subject property. Any adjustments to the sale price of comparables to provide indications of market value for the subject must be market-derived; thus, the actions of typical buyers and sellers are reflected in the comparison process.

There are various units of comparison available in the evaluation of sales data. The sale price per unit (physical adjustment and NOI) and effective gross income multiplier (EGIM) are most commonly used for apartments. We performed an NOI and physical adjustment analysis. Due to the limited availability of expense information on the comparables, we did not perform an EGIM analysis. The summary chart below provides pertinent details, with additional information pertaining to each transaction, along with a location map, included in the Addenda.

IMPROVED SALES SUMMARY									
No.	Name Location	Sale Date	Number of Units	Year Built	Price Per Unit	Avg. Unit Size (SF)	Occupancy at Time Of Sale	NOI/Unit at Sale	OAR
1	Parkside at Town Center, Kennesaw, GA	Feb-14	234	2002	\$117,000	1,177	96%	\$6,229	5.32%
2	Mountain Park Estates Kennesaw, GA	Sep-13	450	2001	\$108,889	1,087	97%	\$6,533	6.00%
3	Lexington Farms, Alpharetta, GA	Mar-13	352	1995	\$118,750	1,077	96%	\$7,244	6.10%
4	10 Perimeter Park, Atlanta, GA	Sep-12	230	2008	\$114,783	1,030	94%	\$6,600	5.75%
5	Stoneleigh at Deerfield, Alpharetta, GA	Aug-12	370	2003	\$117,568	949	97%	\$6,819	5.80%

DISCUSSION OF SALES

All of the comparable sales used in this analysis are located in north metropolitan Atlanta. The sales are of overall good quality apartment complexes built between 1995 and 2008. The transactions occurred between August 2012 and September 2013 with one contract expected to close in late February 2014. They include properties ranging in size from 230 to 450 units with average unit sizes between 949 and 1,177 square feet. Sale prices per unit range from \$108,889 to \$118,750. Net operating incomes for the comparables range from \$6,229 to \$7,244 per unit. Overall rates indicated by the transactions range between 5.32% and 6.10%, with a mean of 5.80%.

SALE PRICE PER UNIT / NOI ANALYSIS

We analyzed the NOI per square foot being generated by each comparable as compared to the subject's net operating income. Basically, by developing a ratio between the subject's and the comparable's NOI per square foot, an adjustment factor can be calculated for each of the individual sales. This factor can then be applied to the comparable's price per unit to render indications for the subject. This process illustrates an attempt to isolate the economic reasoning of buyers. In general, it is a fundamental assumption that the physical characteristics of a property (e.g., location, access, design / appeal, condition, etc.) are reflected in the net operating income being generated, and that the resulting price per unit paid for a property has a direct relationship to the net operating income being generated. The following chart depicts the calculations involved in developing adjustment factors to be applied to the respective price per unit for the comparables employed.

NET OPERATING INCOME (NOI) ANALYSIS						
Sale No.	Subject's NOI/Unit		Multiplier	Sale Price		Adjusted \$/Unit
	Comp. NOI/Unit			\$/Unit		For Subject
1	\$4,149	/	\$6,229	=	0.67	X \$117,000 = \$78,390
2	\$4,149	/	\$6,533	=	0.64	X \$108,889 = \$69,689
3	\$4,149	/	\$7,244	=	0.57	X \$118,750 = \$67,688
4	\$4,149	/	\$6,600	=	0.63	X \$114,783 = \$72,313
5	\$4,149	/	\$6,819	=	0.61	X \$117,568 = \$71,716

As shown, this analysis indicates an adjusted price per unit range for the subject between \$67,688 and \$78,390 with a mean of \$71,959 per unit. Excluding the extremes, the range is \$69,689 to \$72,313 with a mean of \$71,239. Comparables One (\$78,390) required the least adjustment due to its more similar NOI. However, given the subject's limited upside potential, it would likely fall toward the low end or just below the indicated range. Based on this analysis, we estimate the value of the subject at a rounded \$65,000 per unit, which provides the following value indication.

SALES COMPARISON APPROACH VALUE				
Indicated Value / Unit		Subject Units		Total
\$65,000	X	150	=	\$9,750,000
Rounded				\$9,750,000

PHYSICAL ADJUSTMENT ANALYSIS

We also included a physical adjustment grid for the comparables. Adjustments were made for conditions of sale and market conditions, as well as common characteristics including location, access/exposure, size, avg. unit size, quality/amenities and age/condition.

Conditions of Sale

The subject includes LIHTC, PBRA, ACC and HOME units, which restricts income and upside potential. This type property rarely sells and in the rare situation that they do sell, it is often a distressed sale. All of the comparables warrant significant downward adjustment for this factor.

Market Conditions

Apartment market conditions have generally improved over the past two years. The sales are recent enough (since August 2012) as to not warrant adjustment for market conditions.

Location

The subject is located in a fairly desirable, though not premium, area. The comparables are all located in perceived better locations of northern metropolitan Atlanta. The relative value of these locations is evidenced in the higher rents they can command, and corresponding higher net operating incomes. While very different than the subject's location physically, the net appeal of these locations is superior, and we adjusted the comparables downward for location characteristics.

Size / Number of Units

The subject has 150 units. Typically, smaller properties sell for higher per unit prices. Conversely, larger properties tend to sell for lower per unit prices. This represents something of a quantity discount. All of the comparables have higher unit counts and received upward adjustments.

Average Unit Size

The subject has relatively small, one- and two-bedroom units. The comparables have larger average unit sizes and were adjusted downward.

Sales Comparison Approach

Quality / Amenities

The subject and comparables have different, but similar enough amenities. No adjustments are necessary.

Age

The subject is proposed and will be new at stabilization. All of the comparables are older and received varying upward adjustment depending on their age.

SUMMARY AND COMMENTS

The following adjustment grid illustrates our thought processes in the comparison of the comparables to the subject. Prior to adjustment, the comparables present a range of price per unit between \$108,889 and \$118,750, with a mean of \$115,398 per unit.

COMPARABLE SALES ADJUSTMENT CHART						
Comparable #	Subject	1	2	3	4	5
Sale Date	N/Ap	Feb-14	Sep-13	Mar-13	Sep-12	Aug-12
Sale Price	N/Ap	\$27,378,000	\$49,000,000	\$41,800,000	\$26,400,000	\$43,500,000
# Units	150	234	450	352	230	370
Avg. Unit Size	772	1,177	1,087	1,077	1,030	949
Year Built	Proposed	2002	2001	1995	2008	2003
Location	Good	Superior	Superior	Superior	Superior	Superior
Price per Unit	N/Ap	\$117,000	\$108,889	\$118,750	\$114,783	\$117,568
Comparative Analysis						
Conditions of Sale		-35%	-35%	-35%	-35%	-35%
Market Conditions		0%	0%	0%	0%	0%
Adjusted Price/SF		\$76,050	\$70,778	\$77,188	\$74,609	\$76,419
Physical Adjustments						
Location		-10%	-10%	-20%	-10%	-20%
Size (# of units)		5%	15%	10%	5%	10%
Average Unit Size		-25%	-20%	-20%	-20%	-20%
Quality/Amenities		0%	0%	0%	0%	0%
Age/Condition		10%	10%	15%	5%	10%
Net Adjustment		-20%	-5%	-15%	-20%	-20%
Adjusted Price/SF		\$60,840	\$67,239	\$65,609	\$59,687	\$61,135
Indicated Range:			\$59,687	to	\$67,239	
Mean:				\$62,902		
Indicated Range: (Excluding Extremes)			\$60,840	to	\$65,609	
Mean: Excluding Extremes)				\$62,528		

Sales Comparison Approach

After adjustments, the indicated range is \$60,840 to \$65,609, with a mean of \$62,528. Excluding the extremes, the range is \$93,600 to \$100,938 with a mean of \$96,197. Based on our analysis, we estimate a value for the subject at a rounded \$96,000 per unit. Our estimate of value for the subject property, based on a price per unit method is shown as follows.

SALES COMPARISON APPROACH VALUE				
Indicated Value / Unit		Subject Units		Total
\$63,000	X	150	=	\$9,450,000
Rounded				\$9,450,000

SALES COMPARISON APPROACH CONCLUSION

The following table summarizes the value indications provided by the methods of analysis presented in the sales comparison approach. Both methods provide very similar value indications and both are commonly used in the market. Therefore, we conclude an estimate of value for the subject, by the sales comparison approach, at **\$9,600,000**.

SUMMARY OF VALUE ESTIMATES BY SALES COMPARISON APPROACH	
Method	Indicated Value
NOI Per Square Foot	\$9,750,000
Physical Adjustments	\$9,450,000

RECONCILIATION OF VALUE ESTIMATES

We were asked to estimate the prospective market value of the leasehold interest in the proposed subject apartments, using restricted rents, "upon completion" and "at stabilization." In addition, we were asked to provide the prospective hypothetical value "upon completion of construction" and "at stabilization" of the subject using unrestricted/market rents. We were also requested to estimate "as is" market value of the leasehold interest in the subject site, and the value of the tax credits.

FINAL VALUE ESTIMATES

VACANT LAND

The sales comparison approach was used to estimate the land value, "as is" fee simple interest in the site. We found several sales of multi-family land in the subject's neighborhood. Our analysis yielded the following value indication:

**Estimate of Market Value of the Fee Simple Interest in the Subject Site "As Is," As of
May 9, 2014:**

**ONE MILLION FIVE HUNDRED THOUSAND DOLLARS
\$1,500,000**

"AT STABILIZATION" RESTRICTED CONTRACT RENTS

We used the income and sales comparison approaches to estimate market value for the subject property. The indications from each are presented in the following chart.

FINAL VALUE ESTIMATES -AS COMPLETE AND STABILIZED	
Income Capitalization Approach	\$9,600,000
Sales Comparison Approach	\$9,600,000

Apartment properties are typically purchased by investors; thus, the income approach most closely parallels the anticipated analysis that would be employed by a likely buyer. Most multifamily buyers place emphasis on this approach, particularly the direct capitalization analysis for existing properties operating at or near stabilization.

The sales comparison approach is predicated on the principle that an investor will pay no more for an existing property than for a comparable property with similar utility. This approach is contingent on the reliability and comparability of available data. We used sales of