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**Attachment D:  
Warranty Deed & As Built Appraisal**

**SPECIAL WARRANTY DEED WITH VENDOR'S LIEN**

**NOTICE OF CONFIDENTIALITY RIGHTS**

**IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.**

Date: December 28, 2009

Grantor: Foley Property Asset's LLC

Grantor's Mailing Address: P.O. Box 675725, Rancho Santa Fe CA

Grantee: Community Partnership For The Homeless, Inc., a Texas non-profit corporation <sup>92067</sup>

Grantee's Mailing Address: 1503 J 1435, Austin TX 78741

**Consideration:**

(1) Cash and other good and valuable consideration.

(2) The execution and delivery of a note by COMMUNITY PARTNERSHIP FOR THE HOMELESS, INC., A TEXAS NON-PROFIT CORPORATION dated of even date herewith in the original principal amount of \$2,000,000.00, payable to the order of AUSTIN HOUSING FINANCE CORPORATION, secured by vendor's lien in the amount of \$2,000,000.00 as well as superior title retained herein and by the lien of a deed of trust given by Grantee to Marc A. Ott as Trustee.

The \$2,000,000.00 note executed by Grantee payable to AUSTIN HOUSING FINANCE CORPORATION, and described above is secured by vendor's lien retained by Grantor. Superior title to the real property conveyed to Grantee is retained until the note has been fully paid at which time this deed shall become absolute.

The vendor's lien retained in this deed to secure payment of the \$2,000,000.00 note payable to AUSTIN HOUSING FINANCE CORPORATION, and superior title to the real property described in this deed are transferred, without recourse, to AUSTIN HOUSING FINANCE CORPORATION, for value received.

**Property (including any improvements):**

Lots 14 and 15, of MANOR BSTATES, a Subdivision in Travis County, Texas, according to the map or plat thereof, recorded in Book 53, Page 52, of the Plat Records of Travis County, Texas.

**Exceptions To Conveyance:**

Easements, rights-of-way, and prescriptive rights, whether of record or not; all presently recorded restrictions, reservations, covenants, conditions, oil and gas leases, mineral severances, and other instruments, other than liens and conveyances, that affect the property; all zoning laws, regulations and ordinances of municipal and other governmental authorities affecting the property; rights of

adjoining owners in any walls and fences situated on a common boundary; any discrepancies, conflicts, or shortages in area or boundary lines; any encroachments or overlapping of improvements; and taxes for the current year, the payment of which Grantee assumes.

**Warranty Of Title:**

Grantor, for the consideration and subject to the reservations from and exceptions to conveyance and warranty, grants, sells, and conveys to Grantee the property, together with all and singular the rights and appurtenances thereto in any wise belonging, to have and hold it to Grantee, Grantee's heirs, executors, administrators, successors or assigns forever. Grantor binds Grantor and Grantor's heirs, executors, administrators, successors and assigns to warrant and forever defend all and singular the property to Grantee; Grantee's heirs, executors, administrators, successors and assigns against every person lawfully claiming or who may lawfully claim the property or any part of or interest in the property, except as to the reservations from and exceptions to conveyance and warranty, when the claim is by, through or under Grantor, but not otherwise.

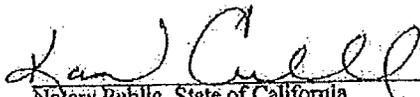
Foley Property Asset's LLC, a California limited liability company

By:   
Timothy Foley, Manager

State of California

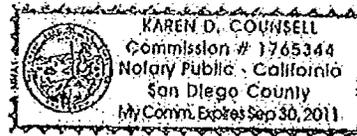
County of San Diego

This instrument was acknowledged before me on the 28 day of December, 2009 by Timothy Foley, Manager of Foley Property Asset's LLC, a California limited liability company, on behalf of the company.

  
Notary Public, State of California

Prepared By:  
Hancock & McGill, L.L.P.  
Attorneys at Law  
File No: 092325

AFTER RECORDING RETURN TO:



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**A SUMMARY APPRAISAL OF**

The Apartment Complex Located at  
5800 Sweeney Circle and 5715 Manor Road,  
Austin, Travis County, Texas 78723

**Project #: 10-000487-01**

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PREPARED FOR

**Capital One, N.A.  
Mr. Larry Montz  
7933 Preston Road  
Plano, Texas 75024**

Date of Value: March 23, 2010  
Date of Report: April 6, 2010

ADVANCED APPRAISAL GROUP

COMMERCIAL REAL ESTATE APPRAISAL



Jim Sheppard, MAI  
jsheppard@aagtexas.com

Houston Office  
Phone: 713-629-4211  
Fax: 713-554-7722

Austin / San Antonio Office  
Phone: 512-646-3211  
Fax: 512-646-8722

Dallas / Fort Worth Office  
Phone: 214-446-8711  
Fax: 214-446-8724

April 6, 2010

Capital One, N.A.  
Mr. Larry Montz  
7933 Preston Road  
Plano, Texas 75024

Reference: A Summary Appraisal of the 46-unit apartment complex located at 5800 Sweeney Circle and 5715 Manor Road, Austin, Travis County, Texas 78723.  
Project #: 10-000487-01

Dear Mr. Montz:

In compliance with your request, the subject property was appraised as of March 23, 2010. The subject property consists of a 46-unit, garden-style apartment complex that is constructed upon a ±1.065-acre site. The purpose of this report is to form opinions of the subject property's "as is", prospective future "as complete", and prospective future "as stabilized" market values in fee simple estates. The market values are based upon our personal observation of the property; research and analysis of various factors that influence value. As of the effective date of this appraisal analysis the subject property is effectively vacant and is proposed to be renovated. In our opinion, the "as is" market value of the fee simple estate, as of March 23, 2010, based on a one year exposure time, is as follows:

**\$430,000**

We were provided with two renovation cost bids totaling ±\$1,625,044 (\$35,327 per unit or \$74.82 per square foot) and ±\$1,764,082 (\$38,350 per unit or \$81.23 per square foot). The renovations will include: gutting the interior; converting five of the existing units to meet accessible standards (for handicapped persons); converting two units into an office/community and laundry room; repainting and residing the exterior; replace stairs and railings; replace windows; repair the concrete; replace gutters; repair the attics; repair the roofs; replace the HVAC; replace the doors; repair mailboxes; replace electrical; add tile; add window treatments; and update landscaping. It appears that the majority of the proposed renovations are prudent management of the property with some amenities being added so that rent levels can justifiably be increased. Based on discussions with a representative of Capital One, there is a waiting list for eligible tenants to lease the subject property and our client was confident the subject would be stabilized upon completion. Therefore, in our analysis, the subject's "As Complete" valuation scenario is synonymous with the subject's "As Stabilized" valuation scenario. Based on the provided information, we have estimated the subject property should be completed within 12-months. In our opinion, the prospective future value "As Complete/As Stabilized" in fee simple estate, as of March 23, 2011, based on a one year exposure time, is as follows:

**\$2,300,000**

Due to the deferred maintenance and the subject's estimated effective ages "as is" and "as complete", which are highly subjective, the cost approach is not applicable. Since the cost approach would have little meaning, and it is the least applicable approach, we have not performed the cost approach. The cost approach is not necessary to form a credible opinion of the subject property's market value.

Market Value, as further defined in this report, is the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably, and assuming that the price is not affected by undue stimulus. In accordance with the definition of Market Value utilized in this appraisal report, the marketing period as set forth in this report represents the time period required to sell the subject property, allowing for currently identified market conditions and factors.

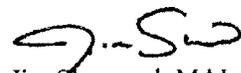
Based on the quality and condition of the subject improvements, as well as the current market conditions, it is the appraisers' opinion that the market value of the subject property is based on an anticipated exposure period of 12-months. Prior to accepting this assignment, the appraisers concluded that they have the necessary experience and/or knowledge to competently complete the appraisal, and during the preparation of the appraisal, the appraisers have not discovered any areas in the assignment requiring appraisal expertise in which we were lacking.

The above statements of appraiser competency applies to knowledge and/or experience for the real estate appraisal discipline and not other areas of trades, professions or disciplines such as engineering, surveyors, attorneys, etc. Our property inspection did not reveal, nor did we observe, or are we aware of any natural, cultural, recreational, environmental, or scientific value influences affecting the subject property. Additionally, we have not made a specific Americans with Disabilities Act (ADA) compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. The value estimate is predicated on the assumption that no such influences are present that would affect our value conclusions. We have no expertise in these fields and no responsibility is assumed for any such conditions or for any expertise, engineering or other special knowledge required to discover them. Such studies are required before these values can be relied on by readers of this report.

To the best of our understanding this report conforms to recognized appraisal guidelines of our client, FIRREA, as well as the provisions of the Uniform Standards of Professional Appraisal Practice adopted by the Appraisal Standards Board of the Appraisal Foundation.

We certify that we have no interest, present or proposed, in the subject property, that the estimate herein has been reached after investigation, analysis and study of pertinent data, and that our fee is in no way contingent upon the value reached. This appraisal is made subject to our current contingent and limiting conditions.

Sincerely,



Jim Sheppard, MAI  
TX-1323601-G



Candice Reyes, Associate  
TX-1337135-Trainee

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PHOTOGRAPH OF THE SUBJECT



## CERTIFICATION

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

- (1) The statements of facts 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 we have no personal interest with respect to the parties involved.
- (4) We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- (5) Our engagement in this assignment is not contingent upon developing or reporting a predetermined results.
- (6) 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.
- (7) Our analyses, opinions, or conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- (8) The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- (9) Jim Sheppard has made a personal visit to the subject property for a personal observation. Candice Reyes has not visited the subject property.
- (10) No one provided significant real property appraisal assistance to the persons signing this certification.
- (11) The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- (12) As of the date of this report, Jim Sheppard has completed the requirements of the continuing education program of the Appraisal Institute.
- (13) As of the date of this report, Jim Sheppard is a Texas State Certified General Real Estate Appraiser. Candice Reyes is a Texas State Approved Appraiser Trainee.
- (14) We have not appraised the subject property within the previous three years.

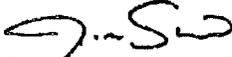
**CERTIFICATION - CONTINUED**

- (15) The subject property's "as is" market value in fee simple estate, as of March 23, 2010, based on a one year exposure period, is as follows: .....

**\$430,000**

- (16) The subject property's "as complete/as stabilized" market value in fee simple estate, as of March 23, 2011, based on a one year exposure period, is as follows:

**\$2,300,000**

  
Jim Sheppard, MAI  
TX-1323601-G

  
Candice Reyes, Associate  
TX-1337135-Trainee

## SUMMARY OF SALIENT FACTS AND CONCLUSIONS

<b>Intended User:</b>	Mr. Larry Montz / Capital One, N. A.
<b>Identification:</b>	A 46-unit apartment complex comprised of 21,718 square feet of Net Rentable Area in six buildings.
<b>Location:</b>	The subject property is located along the east line of Manor Road and the south line of Sweeney Circle, just north of Rogge Lane. The subject's address is 5800 Sweeney Circle and 5715 Manor Road, Austin, Travis County, Texas 78723.
<b>Purpose of the Appraisal:</b>	To form opinions of the subject property's "as is", and "as compete/as stabilized" market values in fee simple estate as of the effective date(s) of appraisal.
<b>Property Right Appraised:</b>	Fee Simple Estate(s).
<b>Land Size:</b>	±1.065-Acres (±46,374 square feet)
<b>Improvements:</b>	The subject improvements include 46-units and one office/community/laundry room within ±6 buildings that are two-story. The improvements were constructed in 1984 and 1985 and are proposed to be renovated. The total complex has ±24,054 square feet of gross building area, and the 46-units consist of ±21,718 total net rentable square feet. There are three floor plans ranging from one to two-bedroom units.
<b>Current Occupancy:</b>	0%
<b>Stabilized Occupancy:</b>	±90.00% (based on market data)
<b>Average Market Rent:</b>	±\$1.20 PSF /month
<b>Highest and Best Use:</b>	
"As Vacant" -	To hold the site for future development when rental rates and occupancies have increased to points that would justify new construction.
"As Improved" -	To renovate, repair, and remodel the subject property so that it's current use, an apartment complex, can continue.
<b>Zoning:</b>	The portion of the subject addressed as 5711 Manor Road is Zoned Community General-Mixed Use-Vertical Mixed Use-Conditional Overlay-Neighborhood Plan by the City of Austin. The portion of the subject addressed as 5800 Sweeney Circle is Zoned Multi-Family 3 (Medium Density) by the City of Austin.
<b>Flood Plain Status</b>	The subject property appears to be located in Zone X (an area outside of the 100-year flood plain), per F.I.R.M. Map #48453C0470H, dated September 26, 2008.
<b>Date of Property Visit:</b>	March 23, 2010

**SUMMARY OF SALIENT FACTS AND CONCLUSIONS - CONTINUED**

**Dates of Market Value:**

"As Is" - March 23, 2010  
"As Complete/As Stabilized" - March 23, 2011

**Date of Report:** April 6, 2010

**OPINIONS OF MARKET VALUE:**

**"As Complete/As Stabilized" Market Value:**

<b>Cost Approach -</b>	Not Applicable
<b>Income Approach- Direct Capitalization -</b>	\$2,330,000 \$2,330,000
<b>Market Approach -</b>	\$2,250,000
<b>Price P.S.F. -</b>	\$2,215,000
<b>Price Per Unit -</b>	\$2,300,000

**Final Market Value "As Complete/As Stabilized":**

**\$2,300,000 (March 23, 2011)**  
**(±\$50,000 per unit)**  
**(±\$105.91 PSF)**

**Final Market Value "As Is":**

**\$430,000 (March 23, 2010 )**  
**(±\$9,348 per unit)**  
**(±\$19.80 PSF)**

**Insurable Value (See Addenda) \$1,340,000**

## CONTINGENT AND LIMITING CONDITIONS

This appraisal report is subject to the following assumptions and limiting conditions and to special assumptions set forth in various sections of the appraisal report. These special assumptions are considered necessary by the appraisers to make a proper estimate of value in accordance with the appraisal assignment and are made a part herein, as though copied in full.

**1. COPIES, PUBLICATION, DISTRIBUTION, USE OF REPORT** - Possession of this report or any copy thereof does not carry the right of publication, nor may it be used for other than its intended use; the physical report(s) remains the property of the appraiser for the use of the client, the fee being for the analytical services only. The report may not be used for any purpose by any person or corporation other than the client and or their assignee. Please be advised that you have the right to assign the appraisal to an investor, and an assignee may rely on the appraisal as though it were addressed to the assignee. Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations efforts, news, sales or other media, without the written consent and approval of Advanced Appraisal Group, Inc., nor may any reference be made in such a public communication to the Appraisal Institute or MAI designation.

**2. CONFIDENTIALITY** - The appraiser may not divulge the material (evaluation) contents of the report, analytical findings or conclusions, or give a copy of the report to anyone other than the client or his designee as specified in writing (except as may be required by the Appraisal Institute as they may request in confidence for ethics enforcement), or by a court of law or body with the power of subpoena. This appraisal is to be used only in its entirety and no part is to be used without the whole report. All conclusions and opinions concerning the analysis which are set forth in the report were prepared by the appraiser(s) whose signature(s) appear on the appraisal report, unless indicated as "Review Appraiser." No change of any item in the report shall be made by anyone other than the appraiser, and the appraiser and firm shall have no responsibility if any such unauthorized change is made.

**3. TRADE SECRETS** - This appraisal was obtained from Advanced Appraisal Group., and consists of "trade secrets and commercial or financial information" which is privileged and confidential and exempted from disclosure under 5 U.S.C. 552 (b)(4). Notify the appraiser(s) signing the report or Advanced Appraisal Group, of any request to reproduce this appraisal in whole or in part.

**4. INFORMATION USED** - No responsibility is assumed for accuracy of information furnished by or from others, the client, his designee, or public records. We are not liable for such information or the work of possible subcontractors. The comparable data relied upon in this report has been confirmed with one or more parties familiar with the transaction or from affidavit; all are considered appropriate for inclusion to the best of our factual judgment and knowledge.

**5. EXHIBITS** - The sketches and maps in this report are included to assist the reader in visualizing the property and are not necessarily to scale. Various photos, if any, are included for the same purpose and are not intended to represent the property in other than actual status, as of the date of the photos.

**6. COMPONENT VALUES** - The distribution of the total valuation in this report between land and improvements applies only under the existing program of utilization. The separate valuations for land and building must not be used in conjunction with any other appraisal and are invalid if so used.

**7. LEGAL, ENGINEERING, FINANCIAL, STRUCTURAL, OR MECHANICAL NATURE, HIDDEN COMPONENTS, SOIL** - No responsibility is assumed for matters legal in character or nature, nor matters of survey, nor of any architectural, structural, mechanical, or engineering nature. No opinion is rendered as to the title, which is presumed to be good and merchantable. The property is appraised as if free and clear of encumbrances, unless otherwise stated in particular parts of the report. The legal description is assumed to be correct as used in this report as furnished by the client, his designee, or as derived by the appraiser. The appraiser has inspected, by observation, the land and the improvements thereon; however, it is not possible to personally observe conditions beneath the soil or hidden structure, or other components, or any mechanical components within the improvements; no representations are made herein as to these matters unless specifically stated and considered in the report; the value estimate considers there being no such conditions that would cause a loss of value. The land or the soil of the area being appraised appears firm; however, the degree of subsidence in the area is unknown. The appraiser(s) do not warrant against this condition or occurrence of problems arising from soil conditions. The appraisal is based on there being no hidden, unapparent, or apparent conditions of the property site, subsoil, or structures which would render it more or less valuable. No responsibility is assumed for any such conditions or for any expertise or engineering to discover them. All mechanical components are assumed to be in operable condition and status standards for properties of the subject type. Condition of heating, cooling, ventilating, electrical and plumbing equipment is considered to be commensurate with the condition of the balance of the improvements unless otherwise stated.

**8. TITLE POLICY** A title policy has not been provided to the appraisers. Information has been obtained from other information deemed reliable. However, if this is in error, we reserve the right to adjust our values, report, etc. accordingly

## **CONTINGENT AND LIMITING CONDITIONS - CONTINUED**

**9. TESTIMONY, CONSULTATION, COMPLETION OF CONTRACT FOR APPRAISAL SERVICES** - The contract for appraisal, consultation or analytical service is fulfilled and the total fee payable upon completion of the report. The appraiser(s) or those assisting in preparation of the report will not be asked or required to give testimony in court or hearing because of having made the appraisal, in full or in part, nor engage in post appraisal consultation with client or third parties except under separate and special arrangement and at an additional fee.

**10. DOLLAR VALUES, PURCHASING POWER** - The fair value estimated and the costs used are as of the date of the estimate of value. All dollar amounts are based on the purchasing power and price of the dollar as of the date of the value estimate.

**11. AUXILIARY AND RELATED STUDIES** - No environmental or impact study, special market study or analysis, highest and best use analysis study or feasibility study has been requested or made unless otherwise specified in an agreement for services or in the report. The appraiser reserves the unlimited right to alter, amend, revise or rescind any of the statements, findings, opinions, values, estimates, or conclusions upon any subsequent such study or analysis or previous study or analysis subsequently becoming known to him.

**12. THE EXISTENCE OF HAZARDOUS SUBSTANCES** - No judgment is made as to adequacy of type of insulation or energy efficiency of the improvements or equipment. Further, unless otherwise stated in this report, the appraiser(s) have no knowledge of the existence of hazardous waste products or any resultant contamination, including, without limitation, asbestos, polychlorinated biphenyl, petroleum leakage, or agricultural chemicals, which may or may not be present on the property, or other environmental conditions which were not called to the attention of nor did the appraiser(s) become aware of such during the appraiser's inspection. The appraisers(s), however, are not qualified to test such substances or conditions. If the presence of such substances, such as asbestos, urea formaldehyde, foam insulation, or other hazardous substances or environmental conditions, may affect the value of the property, the value estimated is predicated on the assumption that there is no such condition on or in the property or in such proximity thereto that it would cause a loss in value. No responsibility is assumed for any such conditions, nor for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in the field of environmental impacts upon real estate if so desired. Also, the appraisers have not commissioned an environmental audit of the property being appraised, nor have we been provided such a report that would indicate presence or absence of hazardous materials/contamination. The appraiser represents that they are not an expert to appraise insulation or other products banned by the Consumer Products Safety Commission which might render the property more or less valuable, and in connection with this appraisal, the appraiser has not inspected for, tested for, nor taken into consideration in any respect, the presence or absence of insulation or other products described above. Therefore, the appraiser assumes no responsibility in the event the presence or absence of insulation, hazardous waste contamination, or other products increases or decreases the value of the property from the value placed thereon by the opinion of the appraiser.

**13. LEGALITY OF USE** - The appraisal is based on the premise that there is full compliance with all applicable federal, state and local environmental regulations and laws unless otherwise stated in the report. Further, that all applicable zoning, building, and use regulations and restrictions of all types have been complied with unless otherwise stated in the report. Further, it is assumed that all required licenses, consent, permits, or other legislative or administrative authority from local, state, federal and/or private entities or organizations have been or can be obtained or renewed for any use considered in the value estimate.

**14. INCLUSIONS** - Furnishings and equipment or business operations, except as specifically indicated and typically considered as a part of real estate, have been disregarded with only the real estate being considered.

**15. PROPOSED IMPROVEMENTS, CONDITIONED VALUE** - Improvements proposed, if any, on or off-site, as well as any repairs required, are considered, for purposes of this appraisal, to be completed in good and workmanlike manner according to information submitted and/or considered by the appraiser(s). In cases of proposed construction, the appraisal is subject to change upon inspection of property after construction is completed. This estimate of market value is as of the date shown, as proposed, as if completed and operating at levels shown and projected.

**16. VALUE CHANGE, DYNAMIC MARKET, INFLUENCES** - The estimated value is subject to change with market changes over time; value is highly related to exposure, time, promotional effort, terms, motivation, and conditions surrounding the offering. The value estimate considers the productivity and relative attractiveness of the property physically and economically in the marketplace. The "Estimate of Market Value" in the appraisal report is not based in whole or in part upon the race, color or national origin of the present owners or occupants of the properties in the vicinity of the property appraised. In cases of appraisals involving the capitalization of income benefits, the estimate of value is a reflection of such benefits and appraiser's interpretation of income and yields and other factors derived from general and specific market information. Such estimates are as of the date of the estimate of value; they are thus subject to change as the market is dynamic and may naturally change over time.

**17. MANAGEMENT OF THE PROPERTY** - It is assumed that the property which is the subject of this report will be under prudent and competent ownership and management, neither inefficient nor super-efficient.

## CONTINGENT AND LIMITING CONDITIONS - CONTINUED

**18. THE AMERICANS WITH DISABILITIES ACT (ADA) -** ADA became effective January 26, 1992. We have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the act. If so, this fact could have a negative effect upon the value of the property. Since we have no direct evidence relating to this issue, we did not consider a possible noncompliance with the requirements of ADA in estimating the value of the property.

**19. UTILIZATION.** It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the Property and that there is no encroachment or trespass unless noted in the Appraisal.

**20. VALUE CONCLUSION -** The final value conclusion is of the surface estate only. No consideration has been given to value, if any, of the subsurface rights of the subject property.

**21. APPRAISER'S LIABILITY LIMITATIONS, SPECIAL REPORT CONDITIONS, AND CLIENT AGREEMENTS**  
The acceptance of this report and its use by the client in any manner whatsoever or for any purpose is acknowledgment by the client that this report is a satisfactory professional product, and that the client has personally read the Appraisal. As a part of the Appraiser-Client employment agreement, the Client agrees to notify the Appraiser of any error, omission, or invalid data herein of which it is aware within 15 days of receipt and to return the Appraisal along with all copies to the Appraiser for correction prior to any use whatsoever. Corrections will be made at the Appraiser's discretion. Thus, by acceptance of this Appraisal, the client acknowledges that a value opinion is the product of a trained professional, but nevertheless is an opinion only and not a provable fact. As an opinion, valuations may vary between Appraisers based on the same facts. Thus, the Appraiser warrants only that the value conclusion is the Appraiser's best opinion as of the exact day of valuation. Neither the content of the Appraisal, purpose of the Appraisal or value opinions should be revealed to anyone by the Appraisal Consultant without prior written consent. The appraisal may be used for any purpose deemed appropriate by the client.

### **22. GENERAL CONDITIONS -**

A. The fee for this appraisal or study is for the service rendered and not for the time spent on the physical report.

B. As of the date of this report, Jim Sheppard has completed the requirements under the continuing education program of the Appraisal Institute.

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

## INTRODUCTION

## THE APPRAISAL PROCESS

This section of the report explains the applicability of recognized appraisal methods, reviews the work done in the valuation process, and sets forth the reasoning that supports each opinion or conclusion.

The Cost Approach - In this approach, the cost to replace improvements is estimated. Deductions are estimated for accrued depreciation, and the result is combined with the estimated value of the underlying land. This approach is applicable when the improvements reflect the highest and best use development and do not exhibit excessive accrued depreciation. The subject property was originally constructed in 1984 and 1985, and is proposed to be renovated.

Subsequent to the completion of all renovations, which is a significant amount of cost, the subject property's estimated effective age will be approximately 10-years. Estimating an economic life of 50-years the remaining economic life will be approximately 40-years. The subject property has an actual age of 26-years, and an "as is" effective age of 26-years. "As Complete", however, the property will have an estimated effective age of approximately 10-years. Due to the deferred maintenance and the subject's estimated effective ages "as is" and "as complete", which are highly subjective, the cost approach is not applicable. Since the cost approach would have little meaning, and it is the least applicable approach, we have not performed the cost approach. The cost approach is not necessary to form a credible opinion of the subject property's market value.

In this case it is our opinion that the cost approach has limited applicability at best, and it is not necessary to develop a credible opinion of the subject's market value. Since the cost approach would be the least meaningful approach, and it is not necessary to develop a credible opinion of the subject's market value, we have elected to not perform this approach. The cost approach has been considered, but due to the lack of applicability, the cost approach has not been included in this appraisal analysis.

The Income Approach - This approach analyzes the property's capacity to generate income (or other monetary benefit) and converts this capacity into an indication of market value. This approach is suitable for properties that have obvious earning power and investment appeal. The income approach is considered to be applicable in the estimation of market value for the subject property. We have performed a direct capitalization technique in the income approach based on the estimated market rentals rates and stabilized occupancy.

The Market Approach to Value - This approach compares the subject property to other properties that have transacted fairly recently, at known price levels. This approach is most meaningful when there is adequate market data involving comparable properties. Reliability of the approach varies directly with the quality of available market data. The improved sales included in this report are considered to be the most comparable and reliable market value indicators that were available as of the effective date of this appraisal analysis. The market approach to value has been relied upon to form an opinion of the subject property's market value in fee simple estate.

Applicability to Subject Property - The income and sales comparison approaches are applicable methods to estimate the market value of the fee simple estate for the subject property. The cost approach is not applicable, and it has not been included in this analysis.

## SCOPE OF WORK

In preparation of this appraisal report, all three approaches (cost, income, and market or sales comparison approaches) to value recognized by the appraisal profession have been considered. Due to the difficulty in accurately estimating depreciation, the cost approach is the least applicable approach, and it is not applicable in forming an opinion of the subject property's market value. The income and sales comparison approaches are applicable methods, and they have both been performed to form an opinion of the subject's market value in fee simple estate. Specifically, information regarding the subject, the area, and its neighborhood have been collected and analyzed to determine the subject's highest and best use.

Furthermore, we have researched Austin MSA to find market data regarding rents, occupancies, operating expenses, improved sales and vacant land sales. In all cases, the data is verified with either the grantor, grantee, broker, property manager, third party or through public records. Additionally, we have interviewed real estate professionals to obtain their opinions regarding trends in the local real estate market. Investor strategies and construction cost variables have been collected, analyzed and used within the appropriate approaches to arrive at the market value estimates contained herein. We have also investigated tax records to obtain tax information on the subject property. The statistical market data was obtained through the Texas A&M Real Estate Center, Loopnet, The CoStar Group, City of Austin, and the Texas Employment Commission.

This Summary Appraisal Report does not contain all of the appraiser's data, analyses, and conclusions. The report has been prepared and presented in Summary format, as requested by our client. The scope of work has been limited by neither the nature of the appraisal problem nor the request of the client. This appraisal involves the use of all applicable approaches to value, and concludes in an opinion of market value based on an unconditioned definition. It has been our intention to prepare this appraisal in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation, and the Code of Ethics and the Standards of Professional Practice of the Appraisal Institute.

In preparing this appraisal, we visited the subject property, viewed the interior of several units, and we drove the immediate area. We gathered information concerning sales of comparable improved properties and comparable rentals. In addition we researched operating expenses of various similar apartment communities using our in-house data base. Our search for sales utilized Loopnet, the Austin Board of Realtors MLS and CoStar data services, and we supplemented this information using our personal contacts with knowledgeable real estate brokers, particularly those with listings in the immediate area. Our search for data concentrated on the immediate market area, but because of the lack of sales, was expanded to the entire Austin market area. We commenced our searches for data beginning January 1, 2008. However, if necessary we searched farther in time to use the most comparable data.

Texas is a non-disclosure state. It is important that the intended users of this appraisal understand that in Texas, there is no legal requirement of grantors or grantees to disclose any information relative to a transfer of real property, other than the recordation of the deed itself. In Texas, the deed contains no information about the transaction, including the purchase price. As a result, no data source provides absolute coverage of all transactions. It is possible that there are sales of which we are unaware. Our data sources provide all the data typically available to appraisers in the ordinary course of business. The description of extent of the process of collecting, confirming, and reporting data is contained in various sections of this report. We did not perform a title search or survey of the subject property. Engineering studies, ADA determinations, surveys, title reports, and environmental audits are beyond the scope of work, as we are not qualified to detect or identify structural or mechanical deficiencies present in the improvements, nor hazardous substances that may, or may not, be present on, in, or near the subject property.

### **PURPOSE OF THE APPRAISAL**

The purpose of this appraisal is to form opinions of the subject property's "as is", prospective future "as complete/as stabilized" market values in fee simple estate(s) as of the effective date(s) of this appraisal analysis.

### **INTENDED USE OF THE APPRAISAL**

The intended user of this appraisal report is Capital One, N. A. The intended user has requested the report for loan underwriting and/or credit decisions regarding the subject property, subject to the scope of work, purpose of the appraisal, reporting requirements of this appraisal report format, and definition of market value. No additional intended users are identified by the appraiser.

### **DATE(S) OF VALUATION**

The opinion of the subject property's "as is" market value is effective as of March 23, 2010. We have estimated approximately twelve-months for completion of all renovations. The opinion of the subject property's "as complete/as stabilized" market value is effective as of a prospective future date being March 23, 2011. The date of this appraisal report is April 6, 2010.

### **PROPERTY RIGHTS APPRAISED**

The property rights being appraised in this report consist of a fee simple valuation for the subject. Fee simple estate is defined by The Dictionary of Real Estate Appraisal, Fourth Edition, copyright 2002, page 113, by the Appraisal Institute as being:

"Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat."

### DEFINITION OF MARKET VALUE

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

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; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

*Source: United States Treasury Department, Comptroller of Currency, 12 CFR part 34, 34.42 (f)*

**FACTUAL DESCRIPTIONS**

### IDENTIFICATION OF THE PROPERTY

Based on information obtained from the Travis County Appraisal District, the subject property is legally described as Lots 14 and 15, Manor Estates, Travis County, Austin, Texas. The subject is located along the east line of Manor Road and the south line of Sweeney Circle, just north of Rogge Lane. The subject's address is 5800 Sweeney Circle and 5715 Manor Road, Austin, Texas 78723. The subject improvements include a 46-unit, two-story apartment complex in six buildings. Additionally, there is an office/community/laundry room on-site. The subject was originally constructed in 1984 and 1985 and are proposed to be renovated. The total complex has ±24,054 square feet of gross building area within ±6-buildings, and the 46-units and office/community/laundry room consists of ±21,718 total net rentable square feet. There are basically three floor plans ranging from one to two-bedroom units.

### PROPERTY HISTORY

The current owner, Community Partnership for the Homeless, Inc., purchased the subject property from Foley Properties Asset's, LLC on December 29, 2009 for \$1,296,000 or \$28,174 per unit or \$59.67 per square foot, which appears above market. According to the provided Settlement Statement, there is a "Capital One-future rehabilitation" line-item totaled at \$699,574.01, which the City of Austin has funded toward the rehabilitation. We were provided with two renovation cost bids totaling ±\$1,625,044 (\$35,327 per unit or \$74.82 per square foot) and ±\$1,764,082 (\$38,350 per unit or \$81.23 per square foot). The renovations will include: gutting the interior; converting five of the existing units to meet accessible standards (for handicapped persons); converting two units into an office/community and laundry room; repainting and residing the exterior; replace stairs and railings; replace windows; repair the concrete; replace gutters; repair the attics; repair the roofs; replace the HVAC; replace the doors; repair mailboxes; replace electrical; add tile; add window treatments; and update landscaping. It appears that the majority of the proposed renovations are prudent management of the property with some amenities being added so that rent levels can justifiably be increased.

Upon completion of all the required renovations, repairs, and make-ready the property may obtain a stabilized occupancy level at market rental rates. No historical operating statements such as rental rates, occupancies, and operating expenses, were available to be included within this analysis.

In 2009, we appraised Phase 1 of this Community Partnership for the Homeless project which consisted of 24-units in six buildings (±16,674 square feet of net rentable area) known as: 5802, 5804, 5805, 5807, 5809, and 5811 Sweeney Circle. These properties were purchased in 2009 and 2010 for a grand total of \$800,000 and were renovated for a grand total of \$649,165. Considering the purchase price plus the cost of renovations (expenditures immediately after purchase) the adjusted sales price of Phase 1 totaled \$1,449,165 or approximately \$86.91 per square foot.

To the best of our knowledge, there have not been any other arm's-length transactions involving the subject property in the past three years. Additionally, the appraisers do not have any knowledge of any pending contracts or listing agreements on the subject.

## NEIGHBORHOOD DATA & ANALYSIS

**Delineation.** The subject property is located within the City of Austin, the state capital of Texas. For the purposes of this report, the subject neighborhood is considered to be generally bound by North Mapac Expressway to the west, Town Lake (Colorado River) to the south, and Highway 183 to the east and north.

**Major Traffic Carriers.** The major roadways in the subject area North Mopac Expressway, Interstate 35, Highway 290, and Highway 183. Interstate 35, which is located along the eastern boundary of the area, spans the whole state from Laredo and the Mexico border to Dallas and far North Texas and provided primary access to the general subject area. North Mopac Expressway provides primary north/south access to the western portion of Austin linking Highway 183 north of town to Highway 290 south of town. Highway 183 provides north/south access on the east side south of Highway 290. North of Highway 290, Highway 183 turns northwest and crosses Interstate 35 and North Mopac providing access to the northwest portion of Austin area. Highway 290 provides northwest/southeast access from Austin to Houston.

Primary east/west arteries servicing the immediate subject area include Anderson Lane, Northland Drive (FM 2222), 45<sup>th</sup> Street, 38<sup>th</sup> Street, 15<sup>th</sup> Street, 5<sup>th</sup> Street and Ceasar Chavez Street (1<sup>st</sup> Street). Primary north/south arteries servicing the immediate subject area include Burnet Road, Lamar Boulevard, and Airport Boulevard.

The subject neighborhood also has a number of secondary streets, which enhance its accessibility. Most of the roadways within the neighborhood are concrete or asphalt paved with concrete curb and gutter.

**Area Influences.** Over the past couple of years, the subject neighborhood has been in a stage of stable growth in both commercial and residential development. According to the U.S. Census Bureau, the Austin MSA experienced the largest increase in income in the state and was one of the country's fastest-growing cities during the 1990s, growing by nearly 48 percent. According to the results of the National Migration Trend Report released by U-Haul International Inc., the nation's third ranked growth area for families who moved during 2004 was Austin, which saw a growth spurt of about 6.4 percent during the year. The 2004 Top Growth Cities Report segment of the U-Haul trend report was compiled from more than 1.6 million U-Haul transactions between Jan. 1 and Dec. 31, 2004.

Austin, the capital of Texas, is home to the University of Texas, the largest university in the nation. The city supports a politically charged and culturally rich environment. Area high tech employers include Dell Corporation, IBM, AMD and Motorola. Austin is home to the regional Internal Revenue office.

The area is largely dense residential development with supportive commercial uses on the major roadways. The residential uses consists of typical urban subdivision lots with structures ranging vastly in quality and style. A wide mix of single and multi-family living units characterizes the area. The commercial developments, including free standing retail and strip centers, restaurants, office buildings, office/warehouses, service-related businesses, and multi-family residential developments. In addition, adequate recreational and religious facilities are located nearby. The area is approximately 90% built out.

The Robert Mueller Municipal Airport, which has been vacant since the airport relocated in 1999, is currently being redeveloped into a mixed-use urban village. The 711-acre site is located three miles from the CBD and Texas' State Capitol, and two miles from the University of Texas. The award-winning master plan includes: nearly 4,600 single family, condo, or apartment homes (atleast 25% will be reserved for families who qualify for affordable housing; more than 140 acres of parks and perimeter greenways; town center including cafe's, shops, and live/work spaces; Dell Children's Medical Center of Central Texas; The UT Medical Research Campus; Austin Film Studios; and Class A Office Space.

## **NEIGHBORHOOD ANALYSIS - CONTINUED**

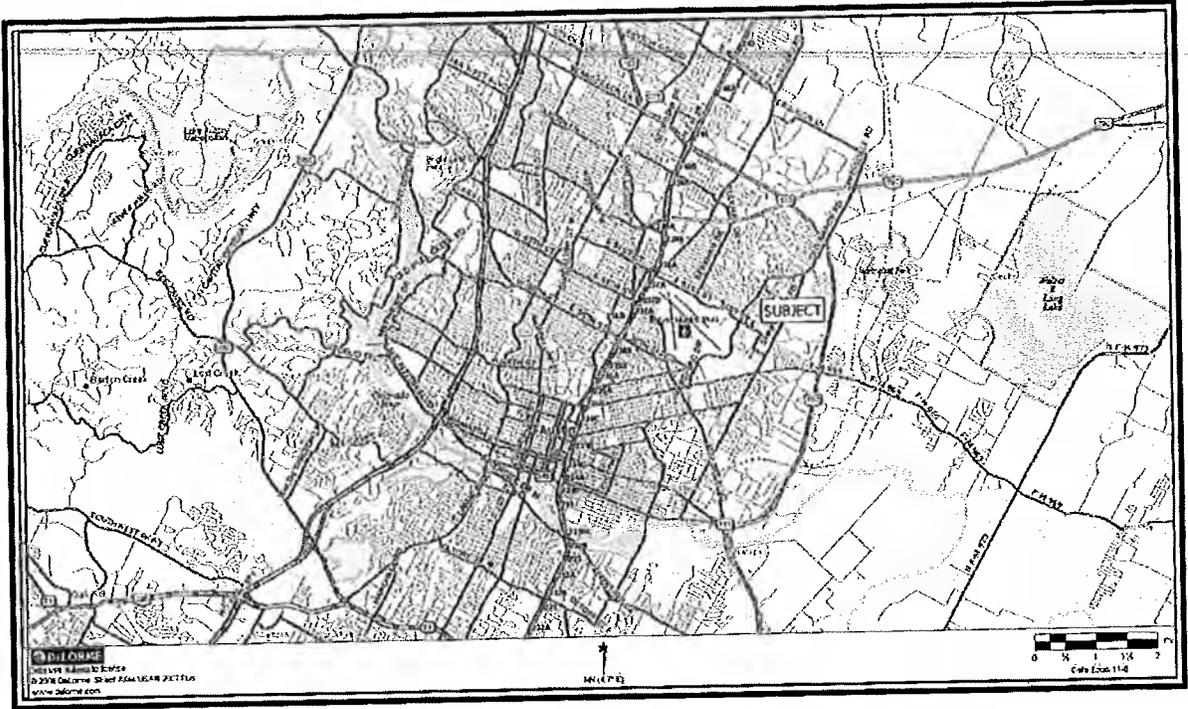
**Political Jurisdictions.** The subject is located in the Austin Independent School District. Water and sewer is provided to the majority of the neighborhood by the City of Austin. Fire and police protection are supplied by the City of Austin.

**Topography.** The subject area is characterized by many hills and un-even terrain. Areas along creeks and bayous have been designated as special flood hazard areas according to the flood hazard boundary maps for Travis County.

**Immediate Vicinity.** To the east of the subject is a multi-family property on Sweeney Circle. To the south of the subject are single family residential uses. To the west of the subject, across Manor Road, is a retail center. To the north of the subject is a daycare facility and multi-family residential uses.

**Conclusions.** The subject neighborhood is considered to be in a stable stage of development. The success of the area is attributable to Austin's politically charged and culturally rich environment. The location of the University of Texas and area employers should contribute to the influx of residents to the area.

**NEIGHBORHOOD MAP**



**AD VALOREM PROPERTY TAX ANALYSIS**

The Travis County Appraisal District identifies the subject property as account numbers 217252 and 217241. The subject's 2010 assessed values have not been published as of the effective date of this appraisal report. The property's tax identification numbers, and the 2009 assessed value(s) for the property are as follows:

ACCOUNT NUMBER	LAND	IMPROVEMENTS	TOTAL
217252	\$28,386	\$372,894	\$401,280
217241	\$54,900	\$443,660	\$498,560
<b>Total</b>	<b>\$83,286</b>	<b>\$816,554</b>	<b>\$899,840</b>

The subject's 2009 assessed value is \$899,840; \$19,562 per unit or \$41.43 per square foot based on the TCAD net rentable area of 23,152 square feet. Because the property is proposed to be renovated, we have analyzed the comparable rents utilized in the Income Approach section of this report. The following table illustrates the assessed values of the rent comparables, which we have compared to the subject's assessed value.

<b>COMPARABLE ASSESSED VALUE ANALYSIS</b>				
Rent No.	Complex	Year Built	Assessed Value Per Unit (2009)	Assessed Value PSF (2009)
	<b>Subject</b>	<b>1984-1985/2010</b>	<b>\$19,562</b>	<b>\$41.43</b>
1	Spring Hollow	1983/2001	\$8,258	\$40.75
2	Sandstone	1986/2001	\$22,317	\$63.41
3	Eastside Commons	1964/2005	\$42,326	\$57.00
4	Capitol Steps	1969/2007	\$29,179	\$39.37
5	Reinli Arms	1974	\$26,906	\$35.00
6	Santa Fe & Legacy	1980	\$31,826	\$43.76
	<b>AVERAGE</b>	<b>1976</b>	<b>\$26,802</b>	<b>\$46.55</b>

The comparable rents have assessed values that range from \$8,258 to \$42,326 per unit with an average of \$26,802 per unit, and \$35.00 to \$63.41 per square foot with an average of \$46.55 per square foot. The subject's actual assessed value is within the range of the comparable rentals assessed value, but due to the proposed renovation, we have assumed the subject's assessed value should be near the average of the comparable rents. Therefore, we have utilized \$45.00 per square foot or ±\$977,310 for analysis of the subject property's tax liability.

The subject property is situated within the taxing jurisdictions the Austin Independent School District, the City of Austin, Travis County, Travis County Healthcare District, and the Austin Community College. The taxes are assessed as a percentage of the tax rate per \$100 of the assessed value. To estimate the subject's 2010 tax liability, we have used the 2008 tax rates and the estimated 2009 assessed value.

**AD VALOREM PROPERTY TAX ANALYSIS - CONTINUED**

<b>Taxing Authority</b>	<b>2008 Tax Rate</b>	<b>Projected Taxes</b>
Austin Independent School District	\$1.202000	\$11,747.27
City of Austin	\$0.420900	\$4,113.50
Travis County	\$0.421500	\$4,119.36
Travis County Healthcare District	\$0.067400	\$658.71
Austin Community College District	\$0.094600	\$924.54
<b>Total</b>	<b>\$2.206400</b>	<b>\$21,563.37</b>

The subject's 2009 tax liability is estimated to be  $\pm$ \$21,563;  $\pm$ \$469 per unit or  $\pm$ \$0.99 per square foot. According to the various taxing authorities, there are no delinquent taxes as of the date of this appraisal for the subject property. Real estate taxes are due January 31 of each year. For example, the 2010 real estate taxes are due January 31, 2011. As such, our proforma tax expense estimate is \$21,563, and this estimated tax liability has been used in the income approach operating pro forma for the subject property.

## SITE DATA & ANALYSIS

An analysis of a site is particularly important in determining its highest and best use and for separate valuation from the improvements. We were provided with a copy of the subject's site plan, we have obtained a copy of the FEMA flood zone map for the subject property, and we also obtained a copy of the site's plat map from TCAD. Copies of the county plat map, and the flood zone map have been included within the addenda of this report. We have relied on this information in addition to our property visit, as well as information obtained from the Travis County Appraisal District, to estimate the size and configuration of the site. We have assumed all provided and acquired data to be accurate and reliable. The following is a discussion of the more pertinent site factors for the site "as vacant".

**Legal Description.** Based on information obtained from the Travis County Appraisal District, the subject property is legally described as Lots 14 and 15, Manor Estates, Travis County, Austin, Texas.

**Location/Access.** The subject site is located along the southeast line of Manor Road and the west line of Sweeney Circle (cul-de-sac), just north of Rogge Lane. The site's location is considered to be an average suburban area that compares favorably to other competing multi-family developed sites in the area.

The site has access via two ingress/egress driveways off of Manor Road and one ingress/egress driveways off of Sweeney Circle. The overall access is also average and typical of similar competing sites. The subject site's location along Sweeney Circle strongly suggests a multi-family development.

**Physical Characteristics.** Based on the information obtained from the Travis County Appraisal District, the subject site contains a total of ±1.065-acres (±46,374 square feet) of land. The site is level and at grade with the fronting street, and drainage appears to be adequate.

**Off-Site Improvements.** Manor Road is a four-lane, concrete-paved, traffic artery that traverses the subject's neighborhood southwest/northeast intersecting with Rogge Lane to the south of the subject site. Sweeney Circle is a cul-de-sac along the eastern border of the subject site. Upon our visit to the property, the subject site appeared to be basically level, and it is at grade with the fronting street. No drainage inadequacies were noted.

**Adjacent Land Use.** To the east of the subject is a multi-family property on Sweeney Circle. To the south of the subject are single family residential uses. To the west of the subject, across Manor Road, is a retail center. To the north of the subject is a daycare facility and multi-family residential uses.

**Zoning & Restrictions.** The subject property is located within the city of Austin, Travis County, Texas, which utilizes zoning to regulate development. . The portion of the subject addressed as 5711 Manor Road is Zoned Community General-Mixed Use-Vertical Mixed Use-Conditional Overlay-Neighborhood Plan by the City of Austin. The portion of the subject addressed as 5800 Sweeney Circle is Zoned Multi-Family 3 (Medium Density) by the City of Austin. See the Zoning and Restrictions section in this report for additional information.

**Easements/Encroachments.** We were not provided with a recent, detailed survey of the subject site. Therefore, we are unaware of any easement or encroachments which may negatively affect the subject site. According to the information provided and our observation of the site, there are typical utility easements located throughout the site. There does not appear to be any adverse easements that would negatively affect the development, use, or marketability of the subject site. "As Vacant" the subject site could be developed to its highest and best use.

**Utilities.** All public utilities are available to the property to include water, sewer, electricity, gas, and telephone. Water and sewer service is available via the City of Austin; electricity service and telephone services are provided via local providers. The site has access to all public utilities.

## **SITE DATA & ANALYSIS - CONTINUED**

**Topography/Flood Plain.** There are no soil or subsoil conditions noted that would adversely affect construction as evidenced by the existing and nearby improvements. According to the published flood maps issued by the Federal Emergency Management Agency Community Panel #48453C0470H (dated September 26, 2008), the subject site is located in Zone X (an area outside of the 100-year flood plain). A flood map is included in the addenda section of this report.

**Political Jurisdiction.** The site is served by the Austin Independent School District. Fire and police protection are provided by the City of Austin and the Texas Department of Public Safety.

**Improvements.** The subject site is improved with a 46 unit, two-story, garden-style apartment complex contained in  $\pm 6$  buildings. The improvements will be discussed in greater detail in the Improvement Data and Analysis section of this report.

**Conclusions/Analysis.** The subject site contains a total of  $\pm 1.065$ -acres or  $\pm 46,374$  square feet of land that is suitable for a variety of uses. It has access to all utilities, and has a usable configuration with a low frontage-to-acreage ratio. The site has a level topography, it is located inside a flood prone area, and it is located along a secondary dead-end traffic artery. On an overall basis, the subject site is considered to be well suited for multi-family development. The FEMA flood zone map is included within the addenda of this report.

## IMPROVEMENT DATA & ANALYSIS

The subject improvements consist of a 46-unit, two-story, garden-style apartment complex that was constructed in 1984 and 1985 and are proposed to be renovated. The project is developed on ±1.065-acres of land, and there are ±6 total buildings including the clubhouse/management office. The subject's address is 5800 Sweeney Circle and 5715 Manor Road, Austin, Texas, 78723. The total net rentable area is ±21,718 square feet which equates to an average floor plan size of ±472 square feet, which is similar to the competing properties. The subject has three floor plans, ranging from one units to two-bedroom units.

We have not been provided a rent roll, and the property is effectively unoccupied. We were provided with two renovation cost bids totaling ±\$1,625,044 (\$35,327 per unit or \$74.82 per square foot) and ±\$1,764,082 (\$38,350 per unit or \$81.23 per square foot). The renovations will include: gutting the interior; converting five of the existing units to meet accessible standards (for handicapped persons); converting two units into an office/community and laundry room; repainting and residing the exterior; replace stairs and railings; replace windows; repair the concrete; replace gutters; repair the attics; repair the roofs; replace the HVAC; replace the doors; repair mailboxes; replace electrical; add tile; add window treatments; and update landscaping. It appears that the majority of the proposed renovations are prudent management of the property with some amenities being added so that rent levels can justifiably be increased. Upon completion of all the required renovations, repairs, and make-ready the property may obtain a stabilized occupancy level at the estimated market rental rates.

Our improvement description is based upon our personal observation and the provided building plans. The following general specifications are for the subject property "as complete/as stabilized".

### General Information:

Number of Units:	46 plus an office/community/laundry room
Year of Construction:	1984 and 1985 (Proposed Renovation)
Land Area:	±1.065-acres (±46,374 square feet)
Current Occupancy:	Effectively ±0% ("As Is")
Unit Density:	±43.19 units/acre
Zoning:	According to a representative with the City of Austin's Planning Department as well as the city's Zoning Map, the portion of the subject addressed as 5711 Manor Road is Zoned Community General-Mixed Use-Vertical Mixed Use-Conditional Overlay-Neighborhood Plan by the City of Austin. The portion of the subject addressed as 5800 Sweeney Circle is Zoned Multi-Family 3 (Medium Density). The proposed renovations are assumed to be in compliance with Zoning regulations.
Gross Building Area:	±24,054 square feet (per provided building plans)
Net Rentable Area:	±21,718 square feet
Average Unit Size:	±472 SF/Unit (based on net rentable area)

## IMPROVEMENT DATA & ANALYSIS - CONTINUED

Access: The property's primary access is via two curb cuts (ingress/egress) off of Manor Road and one curb cut (ingress/egress) off of Sweeney Circle. Access to the property is overall average.

Parking: There are ±20,000 square feet of concrete paved parking and driveway areas that are in poor to fair condition. There are approximately 49 open parking spaces which is considered adequate. Parking appears to be adequate, and it is typical of competing multi-family communities in the subject's market area.

### Construction Features:

Foundation: Reinforced concrete slab.

Frame: Conventional wood stud beams and rafters; party walls, 2" x 4" stud walls. Floor decking is concrete or wood over wood joist subfloor. Balconies are concrete on metal deck with steel railing.

Exterior Walls: Fiber cement siding and masonry veneer.

Roof: Asphalt shingle

Exterior Windows: Aluminum frame with clear glass.

Doors: Interior: hollow core wood  
Exterior: solid core wood

Insulation: Fiberglass batt type (assumed to be adequate to meet code).

Access: Each unit has individual access doors.

### Mechanical Features:

Heating and Cooling: Each unit has central HVAC with its own individual zone and ground mounted exterior unit.

Electricity: All interior (assumed) electrical distribution is cabled with duplex outlets in all units. Assumed to have been installed according to applicable building codes. All units are individually metered.

Plumbing: Adequate with one bathroom per unit.

Hot Water: Central boiler

Unit Amenities: Refrigerators, disposal, dishwasher, electric stove and oven with vent hood, some ceiling fans, cable ready, and mini-blinds.

### Interior Finish (All Assumed):

Ceiling: Textured and painted drywall.

**IMPROVEMENT DATA & ANALYSIS - CONTINUED**

Floor Covering: Carpet in bedroom(s) & living areas, vinyl tile in kitchen, bathroom(s), and some entries.

Interior Walls: Drywall over wood studs. Drywall is taped, textured, & painted.

Illumination: Incandescent throughout.

Bathrooms: Wood cabinets and vanities, vanity sinks, conventional tub/shower.

Bedrooms: One or two bedrooms per unit.

**Other Features:**

Landscaping: Landscaping is average for an apartment community of this type.

Office: Upon completion two of the existing units will have been converted into an office/community/laundry room.

Security: None.

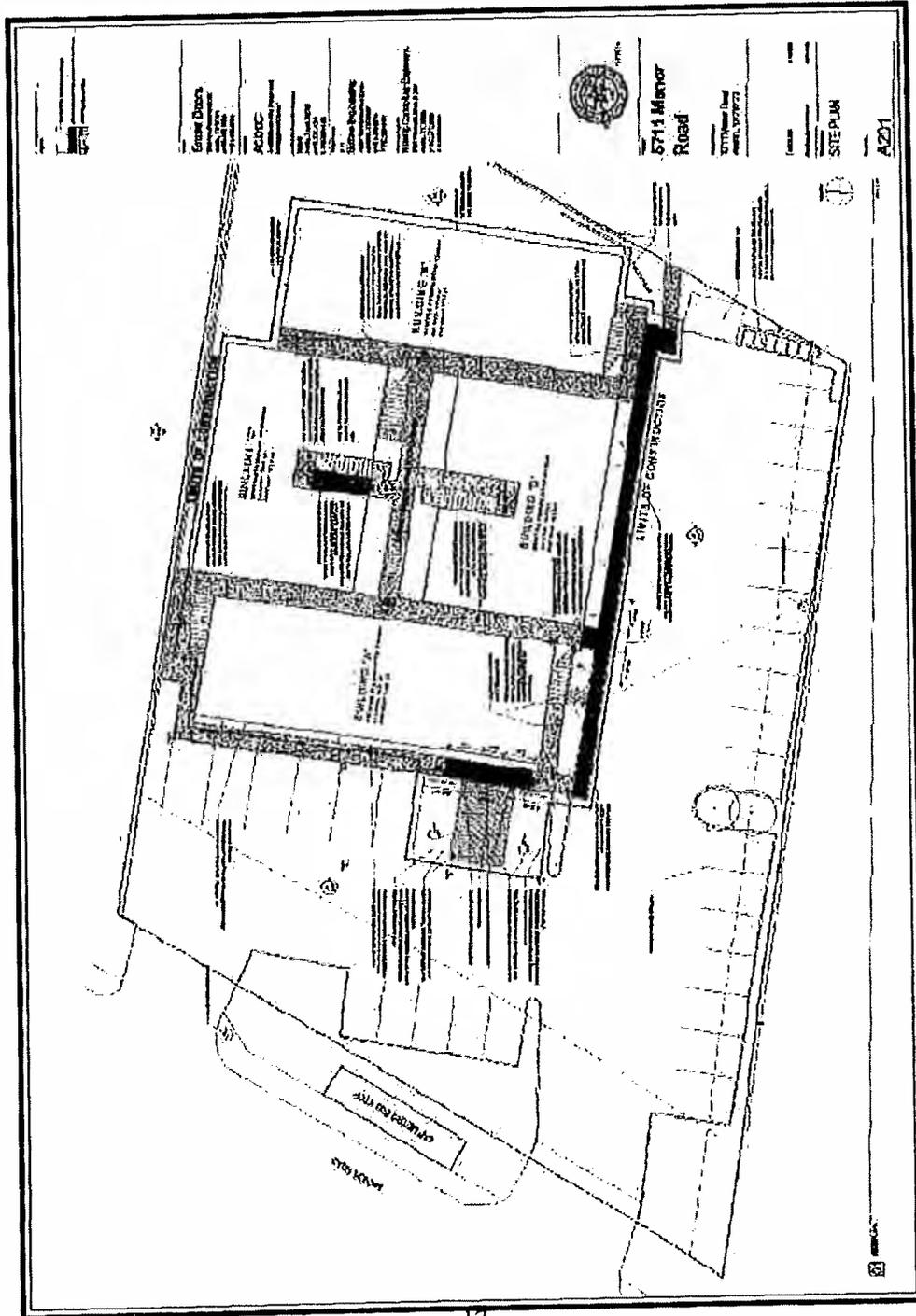
Unit Mix: The subject property consists of three floor plans or unit types containing a total net rentable area of ±21,718 square feet. The following schedule represents the inventory of area details for each of the unit types.

<b>FLOOR PLAN BREAKDOWN/UNIT MIX SCHEDULE</b>				
<b>Number of Units</b>	<b>Floor Plan</b>	<b>Unit Type</b>	<b>Size Square Feet</b>	<b>Total Square Feet</b>
16	A	1 BR / 1 BA	402	6,432
22	B	1BR / 1 BA	388	8,536
8	C	2 BR / 1 BA	746	5,968
1	N/A	Office/Community/Laundry Room	782	782
<b>Total Number of Units</b>				<b>46</b>
<b>Average Unit Size</b>				<b>472</b>
<b>Total Square Footage (NRA)</b>				<b>21,718</b>

**General Comments.** The subject property was originally constructed in 1984 and 1985 and is proposed to be renovated. Therefore, the property has an actual age of 26-years and an "as is" estimated effective age of 26-years. Subsequent to the completion of all deferred maintenance and renovations, which is a significant amount of cost, the subject property's estimated effective age will be approximately 10-years. Properties of the subject's type and quality typically have an economic life of ±50-years, which indicates a remaining "as complete" economic life of 40-years.

IMPROVEMENT DATA & ANALYSIS - CONTINUED

MANOR ROAD SITE PLAN



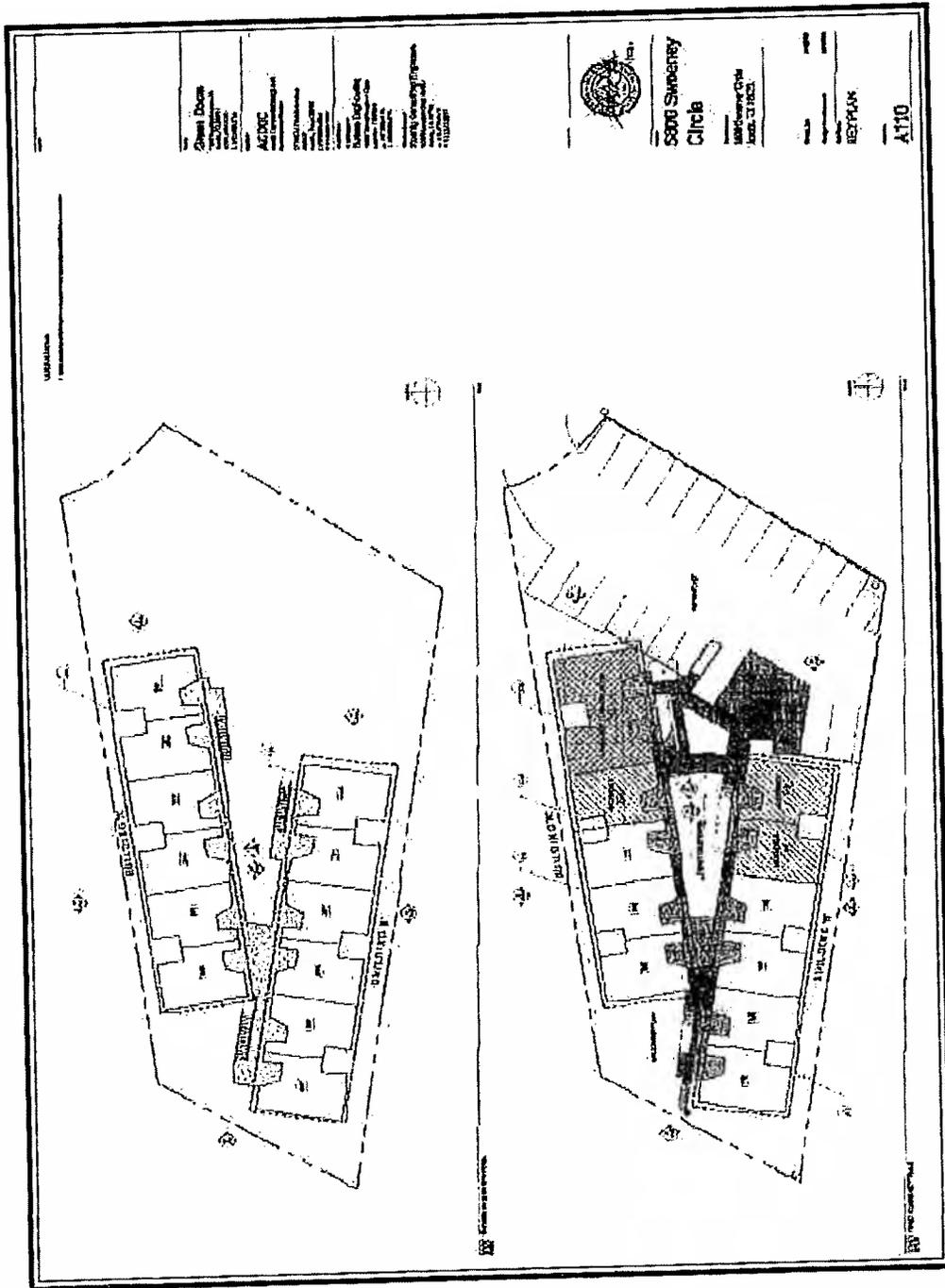






IMPROVEMENT DATA & ANALYSIS - CONTINUED

**SWEENEY CIRCLE FLOOR PLAN (KEY PLAN)**





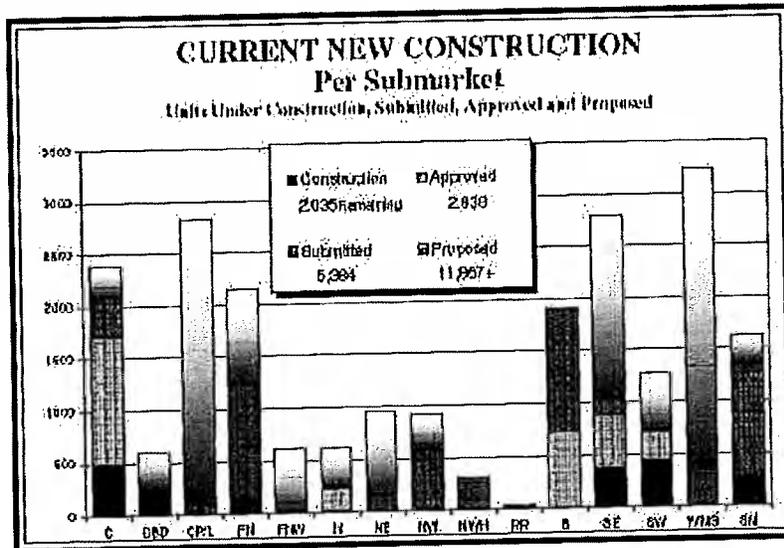
### ZONING & RESTRICTIONS

According to a representative with the City of Austin's Planning Department as well as the city's Zoning Map, the portion of the subject addressed as 5711 Manor Road is Zoned Community General-Mixed Use-Vertical Mixed Use-Conditional Overlay-Neighborhood Plan by the City of Austin. The portion of the subject addressed as 5800 Sweeney Circle is Zoned Multi-Family 3 (Medium Density). The proposed renovations are assumed to be in compliance with Zoning regulations. Additionally, property use may be regulated by deed restrictions specific to a property. However, we were not provided with a copy of any applicable deed restrictions for the subject property. To the best of our knowledge, the subject property is not adversely affected by any deed restrictions. However, if there are any deed restrictions that would only be discovered beyond the scope of this appraisal, the market value of the property may be affected if any restrictions are concluded to be detrimental to the property's development, use, or marketability. In addition, there are no known environmental regulations, burdensome building codes or historic district controls which would adversely affect the development, use, or marketability of the subject property. To the best of our knowledge, the current improvements are of a legal conforming use.

## APARTMENT MARKET ANALYSIS

**Locational Attributes of the Property.** The subject property is located northeast of Austin's Central Business District. Nearby land uses are complementary with nearby retail centers, schools, and recreational facilities adequately serving the residents of the subject apartments. We have concluded that the market area for the subject apartment project as defined by Austin Investor Interests, LLC is the "Northeast Sub-market".

**Demand Based on Residential Construction Trends.** Construction activity was the highest in the late 1970's and early 1980's, dropping dramatically during the late 1980's due to the economic recession. In the 1990's and 2000's new construction has been moderate. As of the fourth quarter 2009, although new development is waning, there are still 11 properties with a total of 2,921 units underway. Additionally, there were 2,492 units completed within 9 properties.



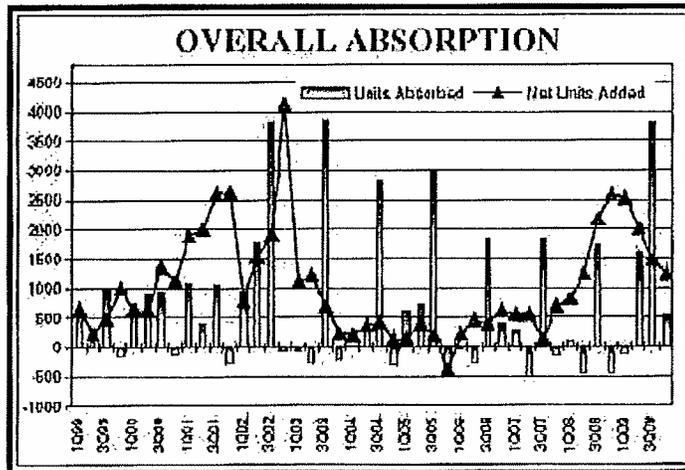
**Conclusions based on new construction.** Given the limited amounts of new construction, the absorption of the units constructed during the 1990's, the overall market occupancy, and assuming continued growth in population, the subject should be able to achieve and maintain a stabilized occupancy level for the foreseeable future.

**APARTMENT MARKET ANALYSIS - CONTINUED**

**Demand Based on Historical Absorption.** Another indicator of demand is the current trend in vacancy levels. The following table indicates the absorption in the Austin area. The Northeast Submarket had 180 units absorbed in the fourth quarter of 2009, while Travis County had a negative 260 units absorbed and Austin MSA had 526 units absorbed.

2009	Absorption & Units Added				New Development Forecast			
	Available Units	New Units Added*	Net Unit Change*	Absorbed Units	New Units Added	Out In New Units	Est. Starts	Est. Complete
MSA	584	--	--	-20	45	74.0%	-	-
NE	7,145	813	-123	-322	1,004	69.9%	330	171
COO	1,785	43	565	350	220	65.1%	540	252
SE	3,538	222	222	-10	222	-	-	-
TH	7,559	144	144	242	630	69.2%	400	143
TRCV	4,822	--	--	-15	--	--	--	--
TL	9,923	151	151	-254	231	24.6%	--	25
TR	9,420	-92	293	180	441	67.6%	160	-
TRW	16,745	72	62	72	692	64.1%	--	-
TRW II	19,420	--	--	-62	650	74.2%	--	-
TR	9,787	144	144	130	1,160	64.0%	--	45
TR	11,635	--	-2	291	699	61.0%	276	-
TR	13,208	--	-1	-226	--	64.4%	511	188
TR	4,434	--	--	-41	604	61.9%	564	264
TR	12,005	--	-1	45	274	61.6%	--	434
TR	2,039	--	--	-26	432	47.2%	700	--
TRAV	10,690	132	232	-250	4,344	61.4%	2,611	1,617
TOTAL	136,394	1,608	1,630	526	7,470	61.6%	3,095	1,521

\*New units added reflects only those units that have been added from new construction during the quarter. Net unit change includes the units added and units absorbed. Net unit change has been adjusted for vacancy. Excluding and net unit change reflects a net unit change. The vacancy and net unit change are reported plus/minus 12 months ahead. Please refer to www.apartmentmarket.com for quarterly reports for more details.



## APARTMENT MARKET ANALYSIS - CONTINUED

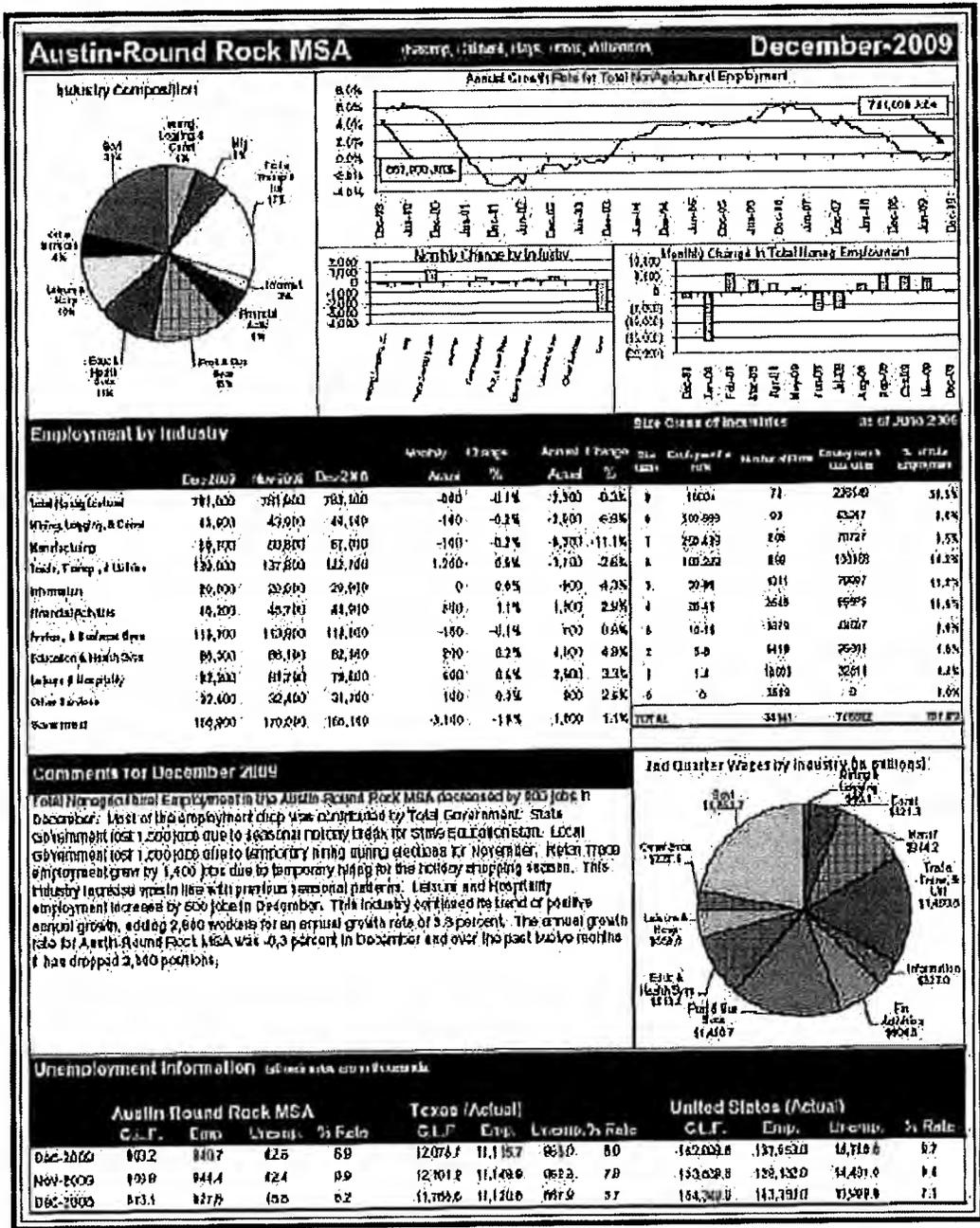
**Subject Market Overview.** The current overall occupancy rate for the Austin MSA is 84.6% for Class "A" properties, 92.69% for Class "B" properties, and 88.52% for Class "C" properties. The quarter change in occupancy was a negative 0.42%. The current overall occupancy for the "Northeast Submarket" is 83.27% for Class "A" properties, 92.94% occupancy for Class "B" properties, and 84.59% for Class "C" properties. The total occupancy overall for the "Northeast Submarket" is 84.82%. Additionally, the average rental rates in the "Northeast Submarket" for Class "A" properties is \$1.12 per square foot per month, for Class "B" properties is \$0.88 per square foot per month, and for Class "C" properties it is \$0.79 per square foot per month. The total average rental rate in the "Northeast Submarket" is \$0.86 per square foot per month.

CODE	CLASS A		CLASS B		CLASS C		TOTALS		QTR CHANGE		ANNUAL CHANGE	
	OCC	RENT	OCC	RENT	OCC	RENT	OCC	RENT	OCC	RENT	OCC	RENT
ALL	80.83%	\$0.80	92.73%	\$0.85	82.90%	\$0.89	85.45%	\$0.79	-0.42%	0.89%	-4.86%	1.47%
HAAS	80.42%	\$1.65	93.04%	\$1.89	85.83%	\$1.16	91.64%	\$1.89	-2.87%	-3.26%	-1.67%	-2.88%
DEG	88.51%	\$1.80			94.44%	\$1.17	88.76%	\$1.78	2.34%	2.08%	2.21%	0.31%
DFL	88.83%	\$0.82	81.42%	\$0.75	81.25%	\$0.73	87.64%	\$0.80	-8.44%	-4.62%	-0.99%	-8.88%
FX	84.85%	\$0.80	82.78%	\$0.83	81.04%	\$0.85	80.81%	\$0.85	0.84%	-2.47%	2.88%	-9.53%
FXV	82.66%	\$0.82	83.04%	\$0.84			82.78%	\$0.83	-0.31%	-0.21%	0.04%	0.87%
IT	28.52%	\$1.15			84.70%	\$0.81	83.05%	\$0.83				
JE	83.87%	\$1.12	82.64%	\$0.80	84.69%	\$0.79	84.82%	\$0.88	-0.48%	-0.69%	-3.26%	-1.07%
JEV	83.29%	\$0.90	82.58%	\$0.80	80.55%	\$0.77	80.32%	\$0.86	0.07%	-0.35%	-1.06%	-5.71%
JEVH	81.23%	\$0.93	84.50%	\$0.89	82.69%	\$0.89	82.49%	\$0.84	0.46%	-1.38%	2.54%	-10.82%
JEVH	78.23%	\$0.88	80.80%	\$0.80	87.20%	\$0.78	82.04%	\$0.83	0.07%	-4.32%	2.14%	-3.84%
JEVH	87.00%	\$0.99	81.85%	\$0.87	80.73%	\$0.91	80.88%	\$0.81	2.45%	-3.46%	2.15%	-5.83%
JEVH	81.45%	\$0.95	88.37%	\$0.83	83.18%	\$0.79	85.39%	\$0.82	-1.69%	-3.08%	-4.20%	-7.64%
JEVH	83.60%	\$0.89	81.91%	\$1.02	83.41%	\$0.85	82.89%	\$0.83	0.92%	-0.88%	-2.18%	1.38%
JEVH	82.48%	\$1.04	83.68%	\$0.88	81.10%	\$1.05	82.99%	\$0.89	0.86%	-0.80%	2.41%	-7.88%
JEVH	85.15%	\$0.94	89.52%	\$0.78	81.48%	\$0.90	78.27%	\$0.87	-1.07%	-1.80%	-6.11%	2.70%
JEVH	88.14%	\$1.08	82.99%	\$0.82	88.36%	\$0.87	80.23%	\$0.83	-0.51%	-1.26%	-0.11%	-5.16%
AUS MSA	84.60%	\$1.00	92.69%	\$0.80	88.52%	\$0.86	88.74%	\$0.81	-0.42%	-1.81%	-0.47%	-5.19%

**Immediate Subject Market Analysis.** We have utilized six rent comparables generally located in the subject's immediate area. The known average occupancy of the rent comparables utilized in the Income Approach is approximately 92%. Unit sizes of the utilized rent comparables range from 378 square feet to 800 square feet. Rental Rates range from \$0.82 per square foot per month to \$1.14 per square foot per month, with an average of \$0.97 per square foot per month.

**Conclusion.** The subject's sub-market is currently experiencing an increase in vacancy levels as compared to the past several years. The subject is considered to be a competitive property due its condition. The age, amenities, and floor plans are typical of competing properties of this age bracket in the subject's neighborhood.

**APARTMENT MARKET ANALYSIS - CONTINUED**



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**ANALYSIS OF DATA AND OPINIONS OF THE APPRAISER**

## HIGHEST AND BEST USE

### Highest and Best Use "As Vacant":

**Legally Permissible.** Private (deed) restrictions, zoning regulations, building codes, historic district controls, and environmental regulations can often preclude a possible highest and best use. The subject property is located within the City of Austin, and zoning restrictions are used to regulate development. According to a representative with the City of Austin's Planning Department as well as the city's Zoning Map, the portion of the subject addressed as 5711 Manor Road is Zoned Community General-Mixed Use-Vertical Mixed Use-Conditional Overlay-Neighborhood Plan by the City of Austin. The portion of the subject addressed as 5800 Sweeney Circle is Zoned Multi-Family 3 (Medium Density). The proposed renovations are assumed to be in compliance with Zoning regulations. We are unaware of any known deed restrictions, environmental regulations, historic district controls, or burdensome building codes which would adversely affect the development, use, or marketability of the subject site "as vacant". Therefore, only a multi-family use is considered legally permissible.

**Possible Use.** The next constraint imposed on the possible use of the property is dictated by the physical aspects of the site itself. This includes such factors as size, shape, terrain, etc. In general, the larger the site, the greater it's potential to achieve economics of scale and flexibility in development. The subject site contains ±1.065-acres which is large enough to accommodate a variety of uses. It has access via Manor Road and Sweeney Circle. The configuration of the site and it's physical characteristics would facilitate many possible uses.

A tract's topography and subsoil conditions are also important considerations in determining its possible uses. If a site's topography or subsoil conditions make utilization restrictive and costly, the site's potential future use is adversely affected. As mentioned previously in the Site Data and Analysis section of this report, as of the effective date of this analysis, the subject site appeared to be basically level and well drained. In addition, there are no apparent soil or subsoil conditions which would adversely affect construction, as evidenced by nearby and existing improvements. Additionally, the site is located outside of the 100-year flood plain.

The possible uses of a tract are also dependent upon the site's utility availability and capacity. If a site has no access to utility service and cannot acquire access, it is virtually impossible to develop. Of equal importance is a site's utility capacity. A tract which does not have, and cannot acquire, high density utility capacity is restricted from most commercial property uses. The subject site has all utilities available in adequate capacity via the City of Austin to support the subject improvements or their equivalent.

By virtue of its size, shape, topography and utility availability, the site lends itself to a multi-family use.

**Financially Feasible Use.** From a financial standpoint, any property use which is expected to produce a positive rate of return is regarded as being feasible. Factors dictating which property uses are feasible include those which determine the possible and legal uses as well as other important factors such as: the shape, frontage, and location of the tract; access to the tract; adjacent property uses (in the interest of conformity); and the general neighborhood characteristics. These factors, along with pertinent market information, help determine what returns could be expected from alternative property uses.

The subject has legal and physically possible uses including multi-family residential development. Due to legally and physically possible uses and well as conformity, a multi-family residential development is the only financially feasible use. The most likely development for the subject site "as vacant:" is multi-family residential development.

## **HIGHEST AND BEST USE - CONTINUED**

**Maximally Productive.** A multi-family residential use is legally, physically, and financially permissible. Therefore, it is our opinion that the maximally productive use of the subject site is to develop with a multi-family residential use.

**Highest and Best Use, "As Vacant".** As noted by the analysis of the subject site, "as vacant", a multi-family development is physically possible, legally permissible, and financially feasible. Therefore, the highest and best use of the site is to develop with a multi-family use.

### **Highest and Best Use "As Improved":**

**Legally Permissible.** The subject property is located within the City of Austin, which utilizes zoning restrictions to regulate development. According to a representative with the City of Austin's Planning Department as well as the city's Zoning Map, the portion of the subject addressed as 5711 Manor Road is Zoned Community General-Mixed Use-Vertical Mixed Use-Conditional Overlay-Neighborhood Plan by the City of Austin. The portion of the subject addressed as 5800 Sweeney Circle is Zoned Multi-Family 3 (Medium Density). The proposed renovations are assumed to be in compliance with Zoning regulations. To our knowledge, there are no adverse deed restrictions to the development, use, or marketability of the subject property. The subject improvements are concluded to be legally permissible and conforming to the current restrictions. Therefore, the subject improvements are legally permissible.

**Physically Possible.** The subject's existing improvements consist of 46 apartment units with an average unit size of ±472 square feet. The improved sales and rent comparables included in this report are similar to the subject in design, quality, physical features and unit mix. In our opinion, the subject improvements are considered to reflect a functional and physically possible improvement.

**Financially Feasible.** Based on the value concluded in this report and the utilization of adjacent tracts for multi-family communities the existing improvements do contribute to the overall property value. Furthermore, there are no known property uses that would justify the conversion or demolition of the subject improvements at the time of this appraisal. Given the contributory value of the existing improvements, and considering the potential "as stabilized" cash flow that the subject property should generate, the net operating income after expenses appears to be sufficient enough to attract particular investors.

**Maximally Productive Use.** Of the financially feasible uses, the use that produces the highest price, or value consistent with rates of return warranted by the market for that use is the highest and best use. As of the date of this appraisal, the maximally productive use of the subject property would be to renovate, repair, and remodel the subject property so that it can obtain a stabilized occupancy level at market rental rates. Thereby justifying a continuation of its current use as an apartment complex.

**Highest and Best Use "As Improved".** As indicated in the income approach of this report, "as stabilized" the subject is capable of generating revenues in excess of operating costs. Considering the existing improvements and other factors influencing this particular area, and no economically justified alternative usage, it is our opinion that the Highest and Best Use "As Improved" is to renovate, repair, and remodel the subject property so that its current use as an apartment complex can continue.

## COST APPROACH TO VALUE

In this approach, the cost to replace improvements is estimated. Deductions are made for accrued depreciation, and the result is combined with the estimated value of the underlying land. This approach is applicable when the improvements reflect the highest and best use development and do not exhibit excessive accrued depreciation.

In this approach, the cost to replace improvements is estimated. Deductions are made for accrued depreciation, and the result is combined with the estimated value of the underlying land. This approach is applicable when the improvements reflect the highest and best use development and do not exhibit excessive accrued depreciation. The subject property was originally constructed in 1984 to 1985, and is proposed to be renovated. Therefore, the property has an actual age of 26-years and an "as is" estimated effective age of ±26-years.

Subsequent to the completion of all deferred maintenance and renovations, which is a significant amount of cost, the subject property's estimated effective age will be approximately ±10-years. Estimating an "as complete" economic life of ±50-years the remaining economic life will be ±40-years. The subject property has an actual age of 26-years, and an "as is" effective age of 26-years. The subject property has significant amounts of deferred maintenance and damaged units. "As Complete" the property will continue to have a large amount of incurable depreciation due to the actual age of the subject property. Due to the extensive amounts of deferred maintenance and the subject's estimated effective ages "as is" and "as complete", which are highly subjective, the cost approach is not applicable. Since the cost approach would have little meaning, and it is the least applicable approach, we have not performed the cost approach. The cost approach is not necessary to form a credible opinion of the subject property's market value.

In this case it is our opinion that the cost approach has limited applicability at best, and it is not necessary to develop a credible opinion of the subject's market value. Since the cost approach would be the least meaningful approach, and it is not necessary to develop a credible opinion of the subject's market value, we have elected to not perform this approach. The cost approach has been considered, but due to the lack of applicability, the cost approach has not been included in this appraisal analysis.

### MARKET APPROACH TO VALUE - IMPROVED

The market is based on the principle of substitution. In essence, this principle states that a prudent purchaser will pay no more for any particular property than it would cost him to acquire an equally desirable alternate property. The market approach or sale comparison approach uses the sales of properties similar to the subject as the basis for an indication of market value. Direct comparison is made between each sale and the subject on an item-by-item basis to include such factors as recency of sale, condition of sale, financing terms, location, and various other physical characteristics. The sales price of the comparable property is adjusted to arrive at an indication of what it would have sold for had it been essentially the same as the subject property. These adjusted prices are then reconciled into an indication of value for the subject.

Within the addenda of this report there are several improved sales that are believed to be comparable to the subject property. Pertinent data about each property has been verified. These improved sales have been compared with each other to obtain appropriate adjustments. The following is a summary of the sales used in this analysis with their comparison to the subject on a per unit basis and per square foot basis.

**IMPROVED SALES ANALYSIS - CONTINUED**

IMPROVED SALES SUMMARY CHART						
Sale Number	Subject*	1	2	3	4	5
Property Name		Southwood Apartments	Spanish Trails	Bull Creek Apartments	Montecito	Oak Grove
Sale Date	N/A	12/10/09	12/31/08	7/31/08	7/24/08	5/1/08
Year Built	1984-1985/2011	1970/2008	1971	1965/2005	1962	1978
Net Rentable Area - (NRA)	21,718	23,775	22,200	17,400	29,784	48,450
Number of Units	46	44	40	24	48	62
Average Unit Size	472	540	555	725	621	781
Sales Price	N/A	\$1,975,000	\$2,275,000	\$1,675,000	\$1,825,000	\$4,100,000
Per Unit	N/A	\$44,886	\$56,875	\$69,792	\$38,021	\$66,129
Per Square Foot	N/A	\$83.07	\$102.48	\$96.26	\$61.27	\$84.62
Operating Expenses PSF - (Includes Reserves)	\$4.84	\$6.29	\$5.84	\$5.65	\$4.50	\$4.50
Operating Expenses/ Unit - (Includes Reserves)	\$2,286	\$3,399	\$3,241	\$4,096	\$2,792	\$3,517
Electricity Paid By	Tenant	Tenant	Tenant	Tenant	Tenant	Tenant
Net Operating Income PSF - (NOI)	\$8.06	\$6.95	\$7.78	\$6.63	\$5.07	\$5.99
Net Operating Income/Unit - (NOI)	\$3,806	\$3,754	\$4,319	\$4,810	\$3,148	\$4,681
Overall Rate - (R <sub>o</sub> )	N/A	8.36%	7.59%	6.89%	8.28%	7.08%
Equity Dividend Rate - (EDR)	N/A	N/A	N/A	N/A	N/A	N/A
Effective Gross Income Multiplier - (EGIM)	N/A	6.27	7.52	7.84	6.40	8.07
Operating Expense Ratio - (OER)	37.53%	47.52%	42.88%	45.99%	47.01%	42.90%
Land Area - (Acres)	1.065	1.031	0.861	0.831	0.990	3.550
Density - (Units Per Acre)	43.19	42.68	46.46	28.88	48.48	17.46
* Note: Subject information reflects our estimate of proforma income and operating expenses.						

**Improved Sales Analysis.** The improved sales within the addenda of this report are the most comparable to the subject property of all occurring in the recent past. The previous chart provides a chronological listing of the improved sales for ease of comparison. When comparing these sales to the subject property, the adjustment factors most pertinent to the subject's "as complete/as stabilized" market value are believed to be recency of sale, conditions of sale, financing terms, location, and various other physical characteristics. Each of these factors has been addressed in the following discussion.

## **IMPROVED SALES ANALYSIS - CONTINUED**

**Date of Sale (Market Conditions).** Generally, prices rise over time due to inflation and the decreasing supply of available land. The sales in this report range in dates of sale from March 2008 through December 2009. Since these time periods lending requirements have begun to tighten due to the subprime lending crises. It is general market consensus that due to more stringent lending standards or regulations that current sales prices have slightly decreased. Based on discussion with brokers, appraiser's, and lenders the market is recognizing slightly lower market values due to increases in capitalization rates attributed to changing market conditions created from the subprime lending crises. However, a quantitative amount is illusive as there is insufficient data at this time to substantiate this market phenomena. However, it is our opinion that the sales which transacted in 2008 should be adjusted downward 5% for market conditions.

**Conditions of Sale.** Conditions of sale usually reflect the motivations of the buyer and the seller. None of the sales required an adjustment for this factor.

**Financing Terms.** The transaction price of one property may differ from that of an identical property due to different financing arrangements. Cash equivalency is a procedure in which the sale prices of comparable properties that were sold with atypical financing terms are adjusted to reflect typical market terms. All of the sales were cash to the seller with typical financing, and no adjustments were deemed necessary.

**Location.** Sales 1, 2, 4, and 5 have superior locations and were adjusted downward 5% for location. Sale 3 is considered to have an inferior location compared to the subject and was adjusted upward 10% for this factor.

**Size (Number of Units).** Generally, smaller apartment complexes (number of units) sell for a higher price per unit than larger properties. This is due to the fact that purchases of large complexes entail a much greater capital outlay. This restricts the number of possible buyers as compared to the relatively larger market for smaller complexes, which tends to disproportionately "bid-up" the smaller property's per unit prices. This generalization, as a whole, is considered to be true with these improved sales.

The subject property is a 46-unit apartment complex. Sales 1, 2, and 4 have generally similar amounts of units, and these three sales do not warrant any adjustments. Sale 3 has fewer units compared to the subject and was adjusted downward 10% for this factor. Sale 5 is larger in size (number of units), and they have been adjusted upward 5%.

**Age/Condition.** The effective age of a building can have an impact on a building's sales price. The subject "as stabilized", and the comparable apartment complexes generally have economic lives  $\pm 50$ -years. The subject improvements were constructed in 1984 and 1985 and are proposed to be renovated. The sales were constructed between 1962 to 1978; however, Sales 1 and 3 were renovated recently. All of the utilized sales were considered inferior compared to the subject for age/condition and were adjusted upward 20% to 50%.

**Quality of Construction and Amenities.** The construction quality, condition, and style of an improved property at the time of sale can also greatly affect its desirability in the market. The construction quality of an apartment is also important because some construction materials allow for longer building lives (and less maintenance) than other building materials. In our opinion, each sale is generally similar in regards to construction quality and overall amenities levels. No adjustments are warranted for this category.

**Amenities.** All of the utilized sales, with the exception of Sale 4, have a swimming pool, unlike the subject. Therefore, all of the sales (except Sale 4) were adjusted downward 10% for amenities.

**Average Unit Size.** The improved sales have average unit sizes that range from  $\pm 540$  to  $\pm 781$  square feet. The subject has an average unit size of 472 square feet. Generally, smaller units rent for a higher rental rate on a per square foot basis. This produces a higher gross potential income on a square foot basis and

### **IMPROVED SALES ANALYSIS - CONTINUED**

conceivably a higher net operating income per square foot, which results in a higher sales price per square foot. Sales 1 and 2 are similar to the subject and no adjustments are warranted. Sales 3 through 5 have larger units as compared to the subject and were adjusted upward 5% to 10%.

**Units Per Acre (Density).** The comparable sales have a project density ranging from 17.46 to 48.48 units per acre. The subject has a density of 43.19 units per acre. Sales 3 and 5 have fewer units per acre, and were adjusted downward 10% to 15%. Sales 1, 2, and 4 are each reasonably similar to the subject property with no adjustments necessary.

**Sales Price Per Square Foot.** This unit of comparison is derived by dividing the sale prices by the building areas (NRA). The following adjustment grid analysis is a qualitative analysis of each improved sale in comparison to the subject property. The sales have been compared to one another to obtain the appropriate adjustments.

**IMPROVED SALES ANALYSIS - CONTINUED**

IMPROVED SALES GRID - PER SQUARE FOOT						
	Subject	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5
Sales Price (per square foot)		\$83.07	\$102.48	\$96.26	\$61.27	\$84.62
Sales Price		\$1,975,000	\$2,275,000	\$1,675,000	\$1,825,000	\$4,100,000
Date		12/10/09	12/31/08	7/31/08	7/24/08	5/1/08
Year Built	1984-1985/2011	1970/2008	1971	1965/2005	1962	1978
Size	21,718	23,775	22,200	17,400	29,784	48,450
Number of Units	46	44	40	24	48	62
Average Unit Size	472	540	555	725	621	781
Land Size (Acres)	1.065	1.031	0.861	0.831	0.990	3.550
Units per Acre	43.19	42.68	46.46	28.88	48.48	17.46
NOI Per Square Foot	\$8.06	\$6.95	\$7.78	\$6.63	\$5.07	\$5.99
Market Conditions		0%	-5%	-5%	-5%	-5%
Condition of Sale		0%	0%	0%	0%	0%
Adjusted Sales Price (per square foot)		\$83.07	\$97.35	\$91.45	\$58.21	\$80.39
Physical Characteristics						
Location		-5%	-5%	10%	-5%	-5%
Size (Number of Units)		0%	0%	-10%	0%	5%
Age/Condition		25%	20%	40%	50%	35%
Amenities		-10%	-10%	-10%	0%	-10%
Average Unit Size		0%	0%	10%	5%	10%
Units Per Acre		0%	0%	-10%	0%	-15%
Net Percent Adjustment		10%	5%	30%	50%	20%
Net Dollar Adjustment		\$8.31	\$4.87	\$27.44	\$29.11	\$16.08
Final Adj. \$/SF		\$91.38	\$102.22	\$118.89	\$87.32	\$96.47
Low:	\$87.32					
High:	\$118.89					
Average:	\$99.25					

The sales indicate a range of adjusted market values for the subject of \$87.32 to \$118.89 per square foot with an average adjusted price of \$99.25 per square foot.

The income characteristics of the sales were also compared to the subject. The subject is considered to be most similar to Sale 2 with regard to net operating income per square foot. This sale indicates an unadjusted price of \$102.48 per square foot. The unadjusted sales prices and net operating income of the sales are illustrated in the following table.

**IMPROVED SALES ANALYSIS - CONTINUED**

<b>Sale No.</b>	<b>Electricity Paid-By</b>	<b>Sale Prices</b>	<b>Net Operating Income Per Square Foot</b>
<b>Subject</b>	<b>Tenant</b>		<b>\$8.06</b>
1	Tenant	\$83.07	\$6.95
2	Tenant	\$102.48	\$7.78
3	Tenant	\$96.26	\$6.63
4	Tenant	\$61.27	\$5.07
5	Tenant	\$84.62	\$5.99
<b>AVERAGES</b>		<b>\$85.54</b>	<b>\$6.48</b>

Since the subject's net operating income per square foot is above the average of the indicated range we consider the subject's market value to also be above the average sale price of the adjusted range. Therefore, we have estimated the market value of the subject property to be \$102.00 per square foot, or as follows:

**21,718 square feet @ \$102.00 per square foot = \$2,215,236**

**Rounded SAY: \$2,215,000**

**Sales Price Per Unit.** This unit of comparison was derived by dividing the total sale prices by the total number of units and; therefore, gives an indication of what price a typical investor would pay for each individual apartment unit.

In this instance, the same adjustments applied in the per square foot method remained the same, with the exception of the average unit size adjustment. Generally, larger units rent for a higher rental rate on a per unit basis. This produces a higher gross potential income on a per unit basis and conceivably a higher net operating income per unit, which results in a higher sales price per unit. Therefore, the adjustment for Sales 1 and 5 were inverted.

**IMPROVED SALES ANALYSIS - CONTINUED**

IMPROVED SALES GRID - PER UNIT						
	Subject	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5
Sales Price (per unit)		\$44,886	\$56,875	\$69,792	\$38,021	\$66,129
Sales Price		\$1,975,000	\$2,275,000	\$1,675,000	\$1,825,000	\$4,100,000
Date		12/10/09	12/31/08	7/31/08	7/24/08	5/1/08
Year Built	1984-1985/2011	1970/2008	1971	1965/2005	1962	1978
Size	21,718	23,775	22,200	17,400	29,784	48,450
Number of Units	46	44	40	24	48	62
Average Unit Size	472	540	555	725	621	781
Land Size (Acres)	1.065	1.031	0.861	0.831	0.990	3.550
Units per Acre	43.19	42.68	46.46	28.88	48.48	17.46
NOI Per Unit	\$3,806	\$3,754	\$4,319	\$4,810	\$3,148	\$4,681
Market Conditions		0%	-5%	-5%	-5%	-5%
Condition of Sale		0%	0%	0%	0%	0%
Adjusted Sales Price (per unit)		\$44,886	\$54,031	\$66,302	\$36,120	\$62,823
Physical Characteristics						
Location		-5%	-5%	10%	-5%	-5%
Size (Number of Units)		0%	0%	-10%	0%	5%
Age/Condition		25%	20%	40%	50%	35%
Amenities		-10%	-10%	-10%	0%	-10%
Average Unit Size		0%	0%	-10%	-5%	-10%
Units Per Acre		0%	0%	-10%	0%	-15%
Net Percent Adjustment		10%	5%	10%	40%	0%
Net Dollar Adjustment		\$4,489	\$2,702	\$6,630	\$14,448	\$0
Final Adj. \$/Unit		\$49,375	\$56,733	\$72,932	\$50,568	\$62,823
Low:	\$49,375					
High:	\$72,932					
Average:	\$58,486					

The sales indicate an adjusted range of market values for the subject of \$49,375 to \$72,932 per unit with an average adjusted price of \$58,486 per unit.

The income characteristics of the sales were also compared to the subject. The subject is considered to be most similar to Sales 1 and 2 with regard to net operating income per unit. These sales indicated unadjusted prices of \$44,886 and \$56,875 per unit. The unadjusted sale prices and net operating incomes of the sales are illustrated in the chart below.

**IMPROVED SALES ANALYSIS - CONTINUED**

<b>Sale No.</b>	<b>Electricity Paid By</b>	<b>Sales Price</b>	<b>Net Operating Income Per Unit</b>
<b>Subject</b>	<b>Tenant</b>		<b>\$3,806</b>
1	Tenant	\$44,886	\$3,754
2	Tenant	\$56,875	\$4,319
3	Tenant	\$69,792	\$4,810
4	Tenant	\$38,021	\$3,148
5	Tenant	\$66,129	\$4,681
<b>AVERAGES</b>		<b>\$55,141</b>	<b>\$4,142</b>

Since the subject's net operating income per unit is below the average of the indicated range we consider the subject's market value to also be below the average sale price of the adjusted range. After considering net operating income per unit, it is our opinion, the subject property has a market value, of \$50,000 per unit or as follows:

**46 units @ \$50,000 per unit = \$2,300,000**

**Rounded SAY: \$2,300,000**

**Conclusion**

The Price per Unit and Price per Square Foot methods were utilized in estimating value via the Market Approach to Value - Improved. The price per square foot method indicates a value of \$2,215,000, and the price per unit method indicates a value of \$2,300,000. Each of the methods are reasonable indicators of market value for the subject with the sales price per square foot and per unit considered most indicative of the subject's market value. Considering the current market conditions as well as the data presented herein, it is our opinion this approach indicates a market value "as stabilized" estimate as follows:

**\$2,250,000**