



The insight you need. The independence you trust.

**Carriage House**

2226 Merrill Drive  
Forrest City, Arkansas 72335

BBG File #0122025849

**Prepared For**

Ms. Jackie Dulay  
First Technology Federal Credit Union  
5100 N.E. Dawson Creek Drive  
Hillsboro, OR 97124

**Report Date**

December 1, 2022

**Prepared By**

BBG, Inc., New York Office  
112 Madison Avenue, 11<sup>th</sup> Fl  
New York, NY 10016  
Ph: 212-682-0400  
Client Manager: Jon DiPietra  
jdipietra@bbgres.com



December 1, 2022

Ms. Jackie Dulay  
First Technology Federal Credit Union  
5100 N.E. Dawson Creek Drive  
Hillsboro, OR 97124

Re: Appraisal of Real Property  
**Carriage House**  
2226 Merrill Drive  
Forrest City, Arkansas 72335  
**BBG File No. 0122025849**

Dear Ms. Dulay:

As requested, we have completed an appraisal of 2226 Merrill Drive for the purpose of advancing an opinion of the "As Is" market value of the Leased Fee Interest.

The subject property is a generally rectangular-shaped, 10.00-acre (435,600 square foot) lot the subject is located on one parcel bound by Deadrick Road to the south, a used car dealership to the east, Stonebrook Drive to the west and US Hwy 63 to the North in Forrest City, AR. It is further identified on the St Francis County tax maps as 0800-00160-0000.

The subject property is improved with (16) 2-story, walk-up multifamily buildings containing 94 apartments and 114,000± square feet of gross building area, built in 1978. As of the rent roll and date of value, November 1, 2022, the subject property was 97.9% occupied. Lastly, the subject benefits from a pool and laundry rooms.

This report was prepared for First Technology Federal Credit Union (client), and their successors and/or assigns, and is intended only for its specified use. The appraisal report that follows sets forth the identification of the property, the assumptions and limiting conditions, pertinent facts about the area and the subject property, comparable market data, the results of the investigation, and the reasoning leading to the conclusions set forth.

This report has been written in accordance with the Code of Ethics and the Standards of Professional Practice of the Appraisal Institute. In addition, this appraisal report was prepared to conform with the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP), the appraisal guidelines set forth in Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), the December 2010 Interagency Appraisal, Evaluation Guidelines and any additional standards of our client First Technology Federal Credit Union (client). Our client, their successors and/or assigns may read and rely upon the findings and conclusions of this report.

#### EXTRAORDINARY ASSUMPTION(S) AND HYPOTHETICAL CONDITION(S)

The values presented within this appraisal report are subject to the extraordinary assumptions and hypothetical conditions listed below. Pursuant to the requirement within Uniform Standards of Professional Appraisal Practice Standards Rule 2-2(a)(xi), it is stated here that the use of any extraordinary assumptions might have affected the assignment results.

<b>Extraordinary Assumption(s)</b>	This appraisal employs no extraordinary assumptions.
<b>Hypothetical Condition(s)</b>	This appraisal employs no hypothetical conditions.

Based on our inspection of the property, the investigation and the analysis undertaken, subject to the assumptions and limiting conditions, certifications, we have developed the following value opinion(s).

MARKET VALUE CONCLUSION(S)			
Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
As Is	Leased Fee	November 1, 2022	\$6,050,000

Based on recent market transactions, as well as discussions with market participants, a sale of the subject property at the above-stated opinion of market value would have required an exposure time of approximately 12 months, or less. Furthermore, a marketing time of approximately 12 months, or less is currently warranted for the subject property.

This letter must remain attached to the report, which should be transmitted in its entirety, in order for the value opinion set forth to be considered valid.

Our firm appreciates the opportunity to have performed this appraisal assignment on your behalf. If we may be of further service, please contact us.

Sincerely,  
**BBG, Inc.**



Matthew DeBlasio  
Director  
Temporary License #: CG-4943  
Ph: 646-923-9191  
Email: mdeblasio@bbgres.com



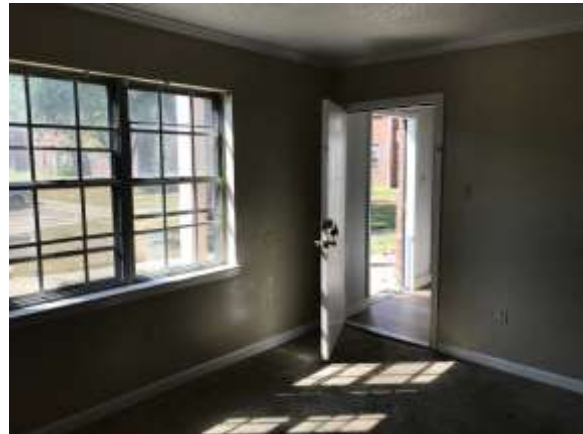
Gregory Jeffery  
Director  
License #: CG 1419  
Ph: 501-409-1901  
Email: gjeffery@bbgres.com

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# SUBJECT PROPERTY

(ADDITIONAL PHOTOS LOCATED IN ADDENDA)



# SUMMARY OF SALIENT FACTS

## APPRAISAL INFORMATION

<b>Client</b>	First Technology Federal Credit Union 5100 N.E. Dawson Creek Drive, Hillsboro, OR 97124
<b>Intended User(s)</b>	First Technology Federal Credit Union and its related entities, successors, and/or assigns.
<b>Intended Use</b>	The purpose of the appraisal is to advance an opinion of "As Is" market value of the Leased Fee Interest. This appraisal is to be used for Asset Valuation Purposes
<b>Premise Summary</b>	As Is Market Value November 01, 2022
<b>Date of Inspection</b>	September 22, 2022
<b>Marketing Time</b>	12 months, or less
<b>Exposure Time</b>	12 months, or less
<b>Owner of Record</b>	JPW HOLDINGS LLC
<b>Highest and Best Use</b>	
<b>If Vacant</b>	Multifamily Development
<b>As Improved</b>	As currently developed

## PROPERTY DATA

<b>Property Name</b>	Carriage House
<b>Address</b>	2226 Merrill Drive Forrest City, Arkansas 72335
<b>Location</b>	The subject is located on one parcel bound by Deadrick Road to the south, a used car dealership to the east, Stonebrook Drive to the west and US Hwy 63 to the North in Forrest City, AR.
<b>Property Description</b>	Multi Family - Units (walk-up apartment building)
<b>Census Tract No.</b>	9604.00
<b>Tax Lot</b>	0800-00160-0000
<b>Site Area</b>	
<b>Total Site</b>	435,600 square feet                      (10.0000 acres)
<b>Zoning</b>	R3; Single and Multi-family Residential District
<b>Flood Status</b>	Zone X (unshaded) is a Non-Special Flood Hazard Area (NSFHA) of minimal flood hazard, usually depicted on Flood Insurance Rate Maps (FIRM) as above the 500-year flood level. This is an area in a minimal risk flood zone that is not in any immediate danger from flooding caused by overflowing rivers or hard rains. In communities that participate in the National Flood Insurance Program (NFIP), flood insurance is available to all property owners and renters in this zone.
<b>Year Built</b>	1978
<b>Year Renovated</b>	2022
<b>Type of Construction</b>	Wood Frame
<b>Number of Buildings</b>	16
<b>Gross Building Area</b>	114,000 square feet
<b>Total Number of Residential Units</b>	94
<b>Residential Occupancy</b>	97.9%
<b>Overall Condition</b>	Average/Good

VALUE INDICATIONS			
As Is as of November 1, 2022			
Sales Comparison Approach	\$6,100,000	\$64,894	Per Dwelling Unit
Income Capitalization Approach			
Direct Capitalization	\$6,050,000	\$64,362	Per Dwelling Unit
Approach Reliance	Direct Capitalization		
Value Conclusion - As Is	\$6,050,000	\$64,362	Per Dwelling Unit
Insurable Value	\$13,100,000		

PROPERTY HISTORY	
Portfolio Property History	
Sale Date	October 19, 2021
Sale Price	\$16,600,000
Grantor	WORTH, JOSEPH M & REBEKAH S-LIVING TRUST
Grantee	JPW HOLDINGS LLC
Comments	<p>The asset last sold on October 19th, 2021 within a portfolio transaction. Current ownership acquired the asset along with 9-other assets throughout Forrest City and Blytheville, Arkansas in multiple transactions on this same date. The portfolio consists of 9 multifamily buildings along with a mixed-use asset and a total of 414 residential units and 15 retail spaces. The total acquisition cost for all 10-assets was \$16,600,000. According to the property contact, roughly \$3,550,000 has been spent since acquisition on renovating approximately half of the units in the portfolio.</p> <p>In mid-2022, the subject along with the entire portfolio was marketed for sale for approximately \$33,000,000 per the property contact. The contact noted there was some purchase interest in the portfolio, however nothing material progressed. Further, according to the contact, U.S. Steel announced in 2022 that they were opening a \$3 billion steelmaking facility within the City of Osceola of Mississippi County, Arkansas. Osceola is approximately 80 miles northeast of Forrest City and 18 miles north of Blytheville. This was a major reason that ownership decided to then remove the portfolio from the market and retain the assets.</p>
Recent Transaction	
Contract Date	October 19, 2021
Purchase Price	\$4,500,000
Grantor	ZECHARIAH 4:6 LLC
Grantee	JPW HOLDINGS LLC
Comments	The deed transferred in October 2021 for \$4,500,000 within a portfolio sale from ZECHARIAH 4:6 LLC to JPW HOLDINGS LLC.
Recent Transaction	
Contract Date	April 1, 2021
Purchase Price	\$2,300,000
Grantor	NICO PROPERTIES LLC
Grantee	ZECHARIAH 4:6 LLC
Comments	The deed transferred in April 2021 for \$2,300,000 from NICO PROPERTIES to ZECHARIAH 4:6 LLC.

The above portfolio transactions also include other assets beyond the subject of this appraisal. The deeds for these transactions do not contain allocated prices. Therefore, the above purchase prices are reasonably higher than the concluded As Is value of the subject in this report since it includes other assets.

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**REAL PROPERTY VERSUS PERSONAL PROPERTY**

According to the Dictionary of Real Estate Appraisal (6th ed., Chicago, IL, Appraisal Institute, 2016), personal property is defined as:

- 1) Identifiable tangible objects that are considered by the general public as being personal"-for example, furnishings, artwork, antiques, gems and jewelry, collectibles, machinery and equipment; all tangible property that is not classified as real estate. Standards Rule 1-2 (e) (USPAP, 2020-2021 ed.)".

**In developing a real property appraisal, an appraiser must:**

**(e) identify, from sources the appraiser reasonably believes to be reliable, the characteristics of the property that are relevant to the type and definition of value and intended use of the appraisal, including:**

**(i) any personal property, trade fixtures, or intangible assets that are not real property but are included in the appraisal;**

The market value conclusion includes a nominal amount of FF&E that is typical of multi-family comparable sales and rentals. Market participants do not make an allocation between real estate and FF&E.

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## SCOPE OF WORK

SCOPE OF THE INVESTIGATION																														
General and Market Data Analyzed	<ul style="list-style-type: none"><li>▪ Researched and investigated the location in terms of economic activity, development patterns, and future trends and related their impact on the market</li><li>▪ Determined the Highest and Best Use of the subject property based on an analysis of all relevant factors</li><li>▪ Conducted a market survey of rent and vacancy levels of similar buildings</li><li>▪ Projected the net operating income under a stabilized operation and applied a market-derived income capitalization rate to develop an opinion of value by the income approach</li><li>▪ Researched and analyzed sales of competitive assets and applied the techniques of the sales comparison approach in advancing an opinion of value</li><li>▪ Interviewed professionals knowledgeable about the subject’s property type and market</li><li>▪ Advanced an opinion of the As Is value based on the Sales Comparison Approach and Income Approach</li><li>▪ Greg Jeffery inspected the asset on September 22, 2022</li><li>▪ Brandon Tannenbaum and Lindsey Rothenberg assisted in the preparation of the report, conducting research and performing analysis</li></ul>																													
	Inspection Details	<table><tr><th colspan="5">SUMMARY OF UNITS INSPECTED</th></tr><tr><th>Unit No.</th><th>Floorplan Type</th><th>Size (SF)</th><th>Status</th><th>Make-Ready Cost</th></tr><tr><td>14-A1</td><td>1BR-1BA</td><td>650</td><td>Occupied</td><td>Ready</td></tr><tr><td>17-B4</td><td>2BR-1BA</td><td>800</td><td>Occupied</td><td>Ready</td></tr><tr><td>44-A2</td><td>3BR-1½BA</td><td>1,025</td><td>Vacant</td><td>Not-Ready</td></tr></table>				SUMMARY OF UNITS INSPECTED					Unit No.	Floorplan Type	Size (SF)	Status	Make-Ready Cost	14-A1	1BR-1BA	650	Occupied	Ready	17-B4	2BR-1BA	800	Occupied	Ready	44-A2	3BR-1½BA	1,025	Vacant	Not-Ready
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## VALUATION METHODOLOGY

### Most Probable Purchaser

To apply the most relevant valuation methods and data, the appraiser must first determine the most probable purchaser of the subject property.

The most probable purchaser of the subject property "As Is" is an investor because it is leased to third-party tenants.

### Valuation Methods Utilized

This appraisal employs the Income Capitalization Approach and the Sales Comparison Approach. Based on our analysis and knowledge of the subject property type and relevant investor profiles, it is our opinion that these approaches would be considered applicable and/or necessary for market participants. The subject's age makes it difficult to accurately form an opinion of depreciation and tends to make the Cost Approach unreliable. Investors do not typically rely on the Cost Approach when purchasing a property such as the subject of this report. Therefore, we have not employed the Cost Approach to develop an opinion of market value. The client also requires an insurable value of the improvements.

## DEFINITIONS

Pertinent definitions, including the definition of market value, are included in the glossary, located in the Addenda to this report. The following definition of market value is used by agencies that regulate federally insured financial institutions in the United States:

### Market Value

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

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

## LEVEL OF REPORTING DETAIL

Standards Rule 2-2 (Real Property Appraisal, Reporting) contained in USPAP requires each written real property appraisal report to be prepared as either an Appraisal Report or a Restricted Appraisal Report.

This report is prepared as an **Appraisal Report**. An Appraisal Report must at a minimum summarize the appraiser's analysis and the rationale for the conclusions.

<sup>[1]</sup> (Interagency Appraisal and Evaluation Guidelines; December 10, 2010, Federal Register, Volume 75 Number 237, Page 77472)



In the last decade, apartment builders have added 9,000 units, growing inventory by 20%. As new properties worked to stabilize, apartment owners and operators managed to push rents at a respectable pace.

Little Rock's multifamily market is bifurcated in terms of inventory vintage. About 20% of the existing inventory was developed in the last 10 years. Meanwhile, vintage inventory is abundant as well. In turn, renovations are common and are concentrated mostly in Downtown Little Rock. New developments have sprouted along with outlying suburban locations, including the north and west submarkets and Conway.

## **ECONOMY**

From 2019Q2-2021Q1 the Little Rock economy reported seven consecutive quarters of job losses, totaling 18,500 jobs. The economy has recovered all the jobs lost during the downturn, with employment reaching 367,000, slightly higher than early 2019. At 3.2% the unemployment rate is slightly lower than the national average of 3.8%. In addition to the employment gains the region has realized substantial wage growth, increasing from \$56,500 in early 2020 to \$63,700 today.

As the state capital, the state and local government employees have an outsized impact on the economy, accounting for 69,000 employees. In fact, there is a 30% greater concentration of government employment in Little Rock when compared to the rest of the United States. Medical services and healthcare are some of the largest employers in the area; Baptist Health (7,340), Arkansas Children's Hospital (4,370), and Central Arkansas Veterans Healthcare System (4,000). Other significant employers include At&T (2,600), Arkansas Blue Cross Blue Shield (2,600), and Entergy Arkansas (2,800).

## **COVID-19 AND OTHER RELEVANT FACTORS**

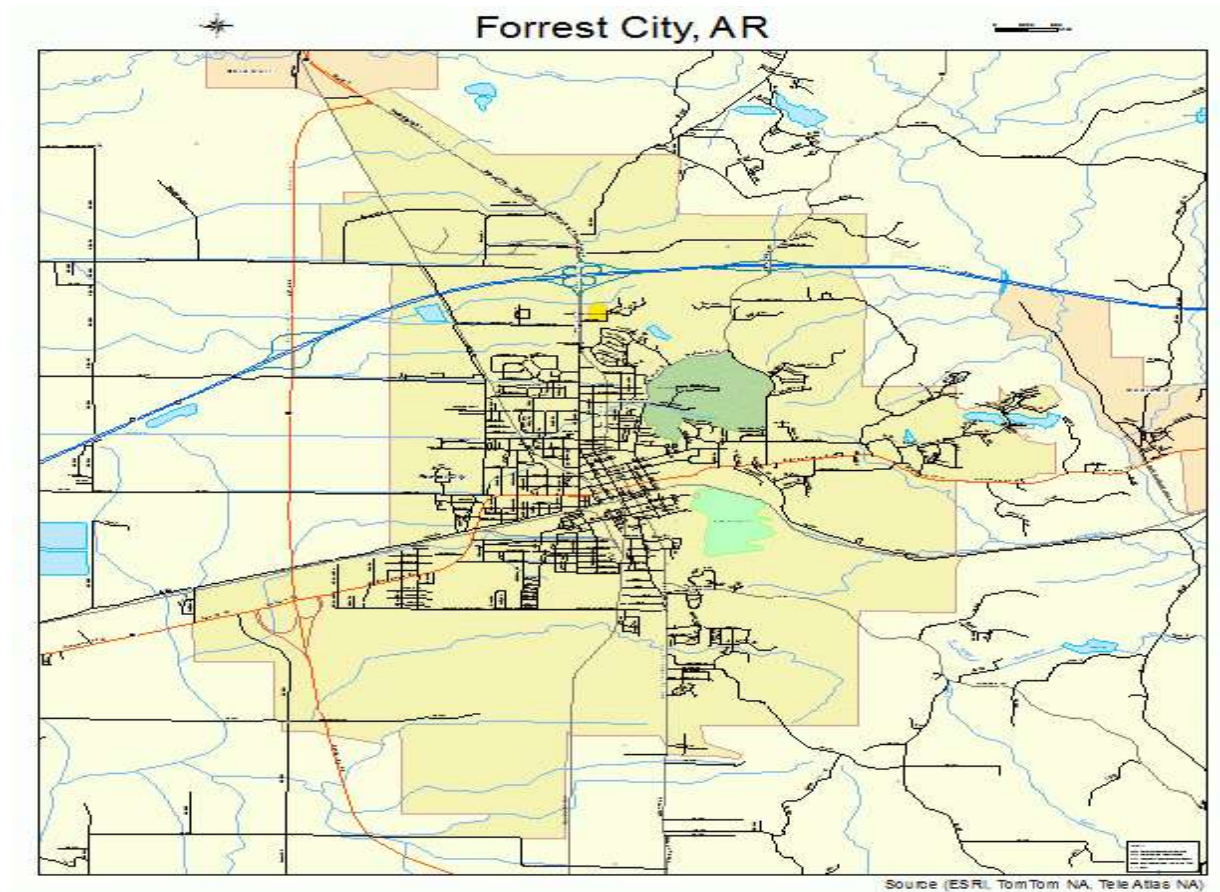
As we continue to monitor the real estate markets and the impact of Covid-19 and the Delta/Omicron Variants it has become apparent that continued analyses and reporting of the health of the individual market segment is best left to specific discussions with the individually impacted property types and locations. We have chosen to not include a detailed national market overview related specifically to the pandemic related issues. We will address the key indicators within the appropriate sections of our reports as necessary. As always, we will remain vigilant in monitoring the national, state, and local economies as they relate to commercial real estate and the subject property. Should conditions change such that a full analysis be warranted, we will alter our reporting as necessary.

Of more immediate concern, supply chains and demand inconsistencies resulting from the world-wide pandemic continue to manifest near-term risk that may not be completely priced into the real estate market. Construction cost and inflationary pressures seem to be stabilizing. However, recent rate increases and changes in monetary policies by the Federal Reserve, and ongoing global turmoil resulting from Russia's recent invasion of neighboring Ukraine could have unforeseen impacts on supply and demand chains and the overall health of the economy. The reader should note the data and comparables used in this report are data points that occurred in the past and there is projection risk associated with using lagging indicators. The opinion of value is as of a specific point in time and changing conditions could impact the value at other points in time.



# LOCAL AREA ANALYSIS

Forrest City is a city in St. Francis County, Arkansas, and the county seat. It was named for General Nathan Bedford Forrest, who used the location as a campsite for a construction crew completing a railroad between Memphis and Little Rock, shortly after the Civil War.



## Geography

Forrest City is located on Crowley's Ridge, a geological phenomenon that rises above the flat Mississippi Delta terrain that surrounds it. This north-south running highland is some three miles wide and 300 feet above sea level. Several species of trees not indigenous to Arkansas are found here, including beech, butternut, sugar maple, and cucumber trees.

## Education

The Forrest City School District educates approximately 4,000 students each year in grades PreK-12, which are fully recognized by the Arkansas Department of Education, North Central Accreditation, and offer Gifted and Talented programs. Public and private educational facilities in the area include, but are not limited to, the following: Lincoln Middle School, Forrest City Junior High, Forrest City High School, The ABC Pre-School, Central Elementary, Stewart Elementary, Calvary Christian School and KIPP Forrest City College Preparatory School.

There are several major colleges and universities located within easy driving distance of Forrest City including Arkansas State University in Jonesboro and University of Memphis, Rhodes College as well as Christian Brothers University in Memphis, Tennessee. East Arkansas Community College is another full-service post-secondary school that serves eastern Arkansas with affordable academic offerings including core general educational classes that are fully transferrable to other state-supported colleges and universities.

***Health***

Forrest City Medical Center serves the local population and is well-equipped. It's considered the regional medical center in a six-county area, offering a wide range of services with a capacity of 108 beds, six of which reside in the hospital's intensive care unit. Notably, locals also have access to Memphis's various hospitals and health centers.

***Economy***

The city's 12-county labor shed includes the following nearby counties: St. Francis, Cross, Crittenden, Lee, Phillips, Woodruff, Monroe, White as well as Craighead and Mississippi in Arkansas, and Shelby County in Tennessee. Further, U.S. Steel is planning a three-billion-dollar expansion in Mississippi County, north of Forrest City. The expansion is expected to create 900 jobs locally and establish the area as a top domestic manufacturer of Steel.

# DEMOGRAPHIC OVERVIEW

Population characteristics and income levels were obtained from Nielson Company for 1, 3 and 5-mile radii around the subject's location. A summary of the information is presented in the table below:

COMPARATIVE DEMOGRAPHIC ANALYSIS FOR PRIMARY TRADE AREA			
Description	- 1 mi. Totals	- 3 mi. Totals	- 5 mi. Totals
<b>Population</b>			
2027 Projection	658	12,861	15,104
2022 Estimate	696	13,427	15,797
2010 Census	818	15,565	18,326
2000 Census	772	15,480	18,165
2022 Est. Median Age	34.04	37.28	37.24
2022 Est. Average Age	36.12	38.54	38.50
<b>Households</b>			
2027 Projection	271	3,429	4,306
2022 Estimate	287	3,656	4,583
2010 Census	335	4,488	5,568
2000 Census	311	4,844	5,859
<b>2022 Est. Average Household Size</b>	<b>2.42</b>	<b>2.53</b>	<b>2.54</b>
<b>2022 Est. Households by Household Income</b>			
Income < \$15,000	<b>24.7</b>	<b>22.7</b>	<b>22.3</b>
Income \$15,000 - \$24,999	10.1	12.3	12.5
Income \$25,000 - \$34,999	12.2	11.3	11.1
Income \$35,000 - \$49,999	16.7	17.9	18.2
Income \$50,000 - \$74,999	13.9	15.9	15.6
Income \$75,000 - \$99,999	8.0	9.1	9.0
Income \$100,000 - \$124,999	5.6	4.5	4.5
Income \$125,000 - \$149,999	3.1	2.4	2.3
Income \$150,000 - \$199,999	2.1	1.9	2.1
Income \$200,000 - \$249,999	1.0	0.7	0.9
Income \$250,000 - \$499,999	1.4	0.9	1.0
Income \$500,000+	1.4	0.4	0.4
<b>2022 Est. Average Household Income</b>	<b>\$58,542</b>	<b>\$51,802</b>	<b>\$52,535</b>
<b>2022 Est. Median Household Income</b>	<b>\$37,599</b>	<b>\$38,074</b>	<b>\$38,316</b>
<b>2022 Est. Tenure of Occupied Housing Units</b>			
Owner Occupied	40.4	49.3	50.6
Renter Occupied	59.6	50.7	49.4
<b>2022 Est. Median All Owner-Occupied Housing Value</b>	<b>\$81,012</b>	<b>\$76,016</b>	<b>\$76,587</b>
Source: 2022 Claritas, Inc.			

As shown above, the population within a 1-, 3- and 5-mile radius increased from 2000 to 2010. From 2010 to 2022, the population within a 3-mile radius decreased and is projected to decrease over the next five years. The market area is comprised of average income earners with median household income of \$38,074 within a three-mile radius. Existing residential service uses are of sufficient quantities to support the needs of residents and visitors in this neighborhood.

# SITE DESCRIPTION

## INTRODUCTION

The description of the site is based upon our physical inspection of the property, information available from the client, and public sources.

### GENERAL DESCRIPTION OVERVIEW

<b>Location</b>	The subject is located on one parcel bound by Deadrick Road to the south, a used car dealership to the east, Stonebrook Drive to the west and US Hwy 63 to the North in Forrest City, AR.		
<b>Parcel Number</b>	0800-00160-0000		
<b>Site Area</b>			
<b>Total Site</b>	435,600 square feet	(10.0000 acres)	
<b>Configuration</b>	Generally Rectangular		
<b>Topography</b>	Level		
<b>Drainage</b>	Appears adequate		
<b>Utilities/Municipal Services</b>	Typical utilities and municipal services available to site including water, sewer, natural gas, electricity, telephone and cable tv/internet.		
<b>Floodplain:</b>	<b><u>Zone:</u></b>	<b><u>Map:</u></b>	<b><u>Date:</u></b>
	Zone X (Unshaded)	X	February 18, 2005
	Zone X (unshaded) is a Non-Special Flood Hazard Area (NSFHA) of minimal flood hazard, usually depicted on Flood Insurance Rate Maps (FIRM) as above the 500-year flood level. This is an area in a minimal risk flood zone that is not in any immediate danger from flooding caused by overflowing rivers or hard rains. In communities that participate in the National Flood Insurance Program (NFIP), flood insurance is available to all property owners and renters in this zone.		
<b>Census Tract No.</b>	9604.00		
<b>Latitude Longitude</b>	35.03067, -90.79529		
<b>Soil/Subsoil Conditions</b>	We did not receive or review a soil report. However, we assume that the soil's load-bearing capacity is sufficient to support existing and/or proposed structure(s). We did not observe any evidence to the contrary during our physical inspection of the property.		
<b>Environmental Concerns</b>	A current Phase 1 ESA Report was not provided. We are not qualified to detect the existence of potentially hazardous material or underground storage tanks which may be present on or near the site. The existence of such may have an effect on the value of the property.		
<b>Land Use Restrictions</b>	A title report was not provided, however, we are unaware of any detrimental easements, encroachments or other restrictions that would adversely affect the site's use.		
<b>Frontage</b>	~592 feet on Merrill Drive		
<b>Access</b>	Merrill Drive is a ~23'-0" wide, two-way street with traffic flowing north and south. The public concrete sidewalks adjacent to the building's public street frontage are in good overall condition. Public roadways were also observed to be in good condition.		
<b>Visibility</b>	The site is deemed to have adequate light, air, and view characteristics.		
<b>Surrounding Land Uses</b>	Consist of similar height, multifamily and mixed-use apartment buildings.		
<b>Transportation Facilities</b>	The site is readily accessible via car and public transportation via local expressways.		
<b>Comments</b>	Overall, the subject site is functionally adequate and well suited for its current use. The subject property site offers the requisite exposure, accessibility, access to neighborhood services and linkage to employment centers so as to adequately support the current use.		



ZONING	
<b>General</b>	
<b>Property Jurisdiction</b>	Forrest City
<b>Zoning Classification</b>	R3
<b>Description</b>	Single and Multi-family Residential District
<b>Zoning Intent/Purpose</b>	This district is intended to permit quiet residential neighborhood of single, two family, and multiple-family homes and manufactured housing dwelling units with smaller lot requirements than R-2.
<b>Rebuildability</b>	Nothing in this section shall prevent, within a period of six (6) months from the date of the damage, the securing of a permit for the restoration of a non-conforming building damaged by fire, explosion, act of God, or act of the public enemy. Any building restored under the provision of this section shall not be enlarged in exterior dimensions or increased in height.

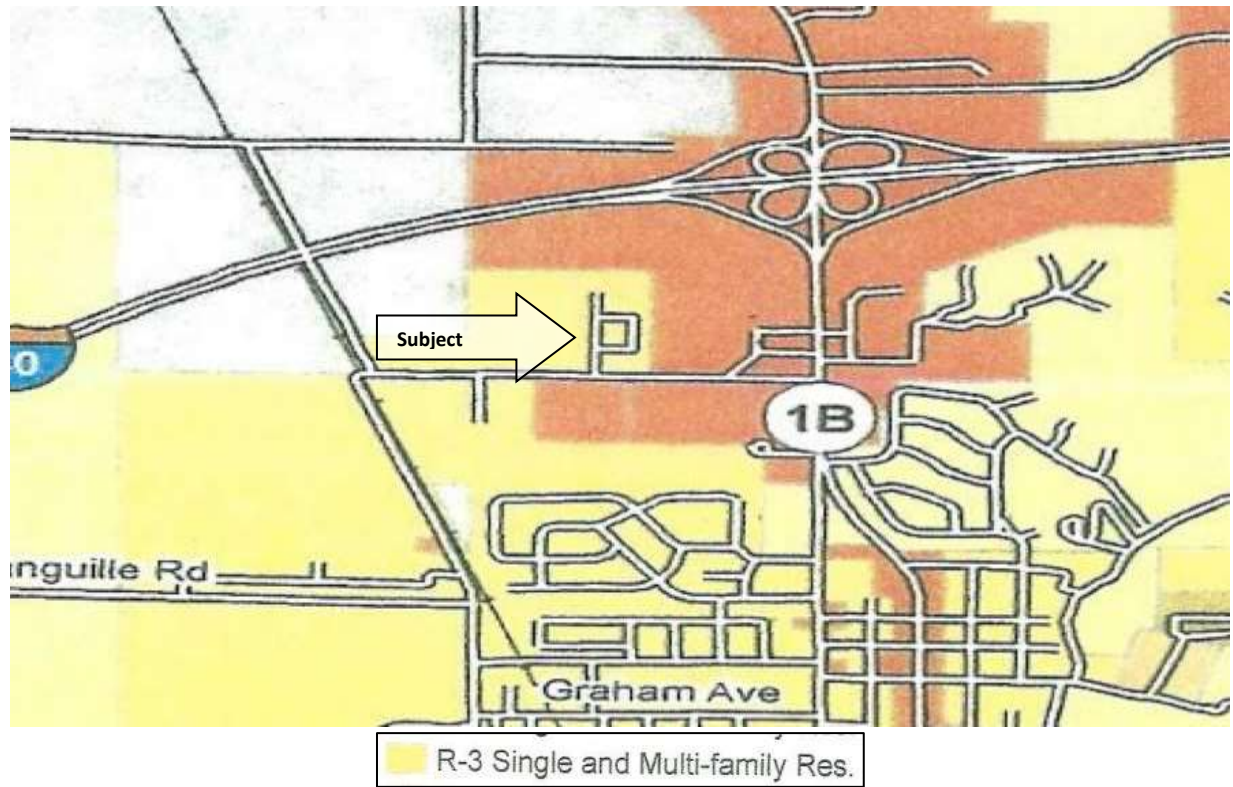
## ZONING CONFORMITY AND COMPLIANCE CONCLUSION

The improvements which consist of multifamily development, represent a legal conforming use under the current R3 (Single and Multi-family Residential District) zoning designation. Further, based on bulk development permitted on the site, the improvements conform and comply to the current zoning designation.

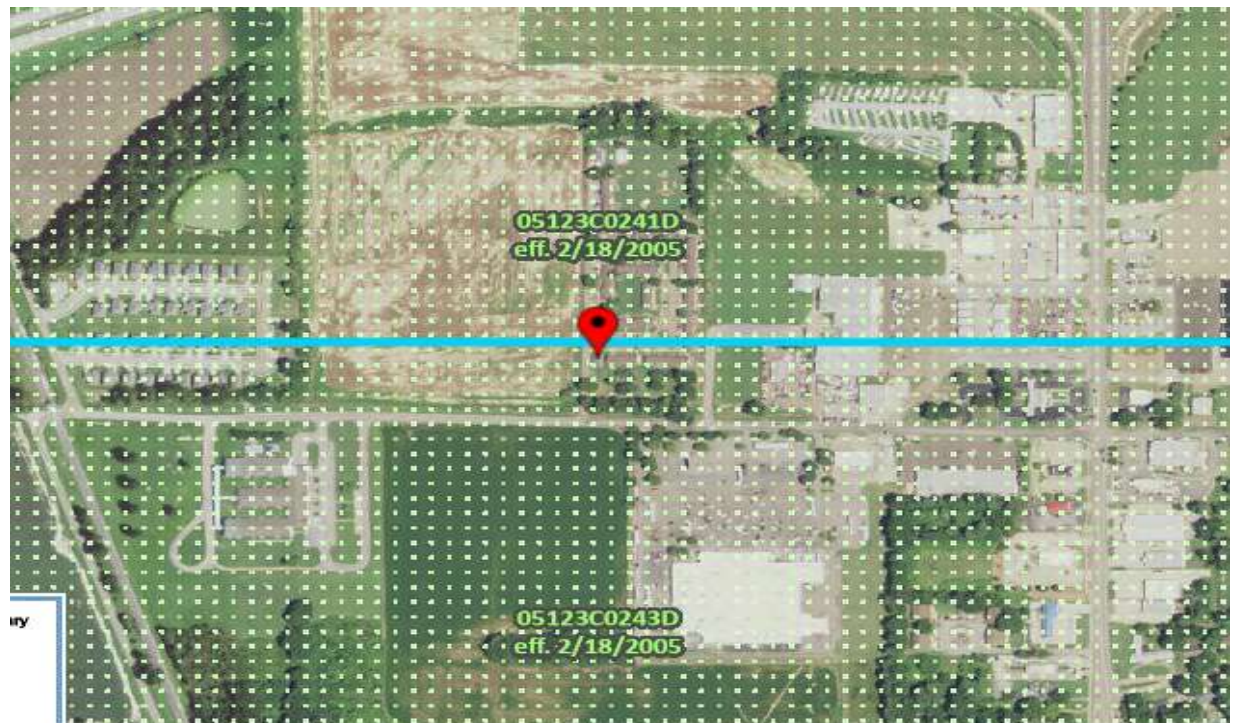
Finally, we note that although we have analyzed the zoning requirements in relation to the subject and considered the conformance of the existing use, we are not experts in the interpretation of complex zoning ordinances. Detailed zoning studies are typically performed by a zoning or land use expert, including attorneys, land use planners and architects. The depth of our study correlates directly with the scope of this assignment, and it considers all pertinent issues that have been discovered through our due diligence. This appraisal is not intended to be a detailed determination of compliance, as that determination is beyond the scope of this real estate appraisal assignment.

SUBJECT MAPS

ZONING MAP



FLOOD MAP



# IMPROVEMENTS DESCRIPTION

## GENERAL DESCRIPTION OVERVIEW

Address	2226 Merrill Drive Forrest City, Arkansas 72335		
Property Description	Multi Family - Units (walk-up apartment building)		
Year Built	1978		
Year Renovated	2022		
Number of Buildings	16		
Number of Stories	2		
Total Number of Residential Units	94		
Building Construction Class	C		
Net Residential Rentable Area	75,500 square feet	(BBG Estimated)	
Residential Common Space	38,500 square feet	(BBG Estimated)	
Gross Building Area (GBA)	114,000 square feet	(BBG Estimated)	
Ceiling Heights	8' to 10'		
Utility Metering	Electricity and cooking gas, separately metered and charged to the tenants. Landlord is responsible for heat/hot water, water/sewer, trash, and common area electricity. A portion of the utilities are also reimbursed to the landlord.		
Parking Ratio	2.14 spaces per dwelling unit.		
Elevator(s)	No		
ADA Compliance	The property was constructed prior to implementation of Federal ADA regulations; we assume the property is not fully ADA compliant.		

## RESIDENTIAL UNIT SUMMARY

Type	No.	Size (SF)*	NRA (SF)
1BR-1BA	16	650	10,400
2BR-1BA	66	800	52,800
3BR-1½BA	12	1,025	12,300
<b>Total/Avg</b>	<b>94</b>	<b>803</b>	<b>75,500</b>

\*(BBG Estimated)

## CONSTRUCTION DETAIL

<b>Foundation</b>	Concrete slab on piles
<b>Construction</b>	Wood Frame
<b>Exterior Walls</b>	Brick
<b>Roof Type/Cover</b>	Sloped; Asphalt Shingle
<b>Windows</b>	Double-pane, aluminum
<b>Basement</b>	No subgrade space

### INTERIOR DETAIL

<b>Walls</b>	Drywall and ceramic wainscot (bathrooms)
<b>Floor Coverings</b>	Hardwood floors and ceramic tile
<b>Lighting</b>	Ceiling mounted fixtures; LED/Incandescent
<b>Ceiling Heights</b>	8' to 10'
<b>Kitchen Finish</b>	The kitchens are equipped with stainless steel sinks, composition board cabinets, ceramic tile back splash, and formica/ laminate countertops. Appliances consists of economy grade gas range -ovens, and refrigerators.
<b>Bathroom Finish</b>	Porcelain sink in laminated vanity, medicine cabinet with mirror, porcelain commode, tub and shower combination
<b>Comments</b>	The layouts and finishes of the apartments are considered to offer a competitive choice in the influencing housing market.

### MECHANICAL DETAIL

<b>Heating</b>	HVAC units
<b>Cooling</b>	HVAC
<b>Plumbing &amp; Electrical</b>	Assumed to code and adequate.
<b>Meters</b>	Electric and gas meters located on the exterior of the building.
<b>Security</b>	Deadbolt entry doors, individually monitored security system.
<b>Fire Protection</b>	Assumed to code; Smoke detectors-pull alarm stations-fire extinguishers

### SITE IMPROVEMENTS

<b>Parking Type</b>	Surface
<b>Surface Parking Spaces</b>	201
<b>Landscaping</b>	Low maintenance shrubs and grass
<b>Amenities (Project)</b>	Laundry room, pool, playground, surface parking

### RENOVATIONS

<b>Recent Renovations</b>	~ \$3,550,000 was spent on portfolio wide renovations and common area upgrades. Roughly 50% of the total units throughout the portfolio have recieved updated finishes.
<b>Deferred Maintenance</b>	N/A
<b>Cost to Cure</b>	N/A

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**SUMMARY**

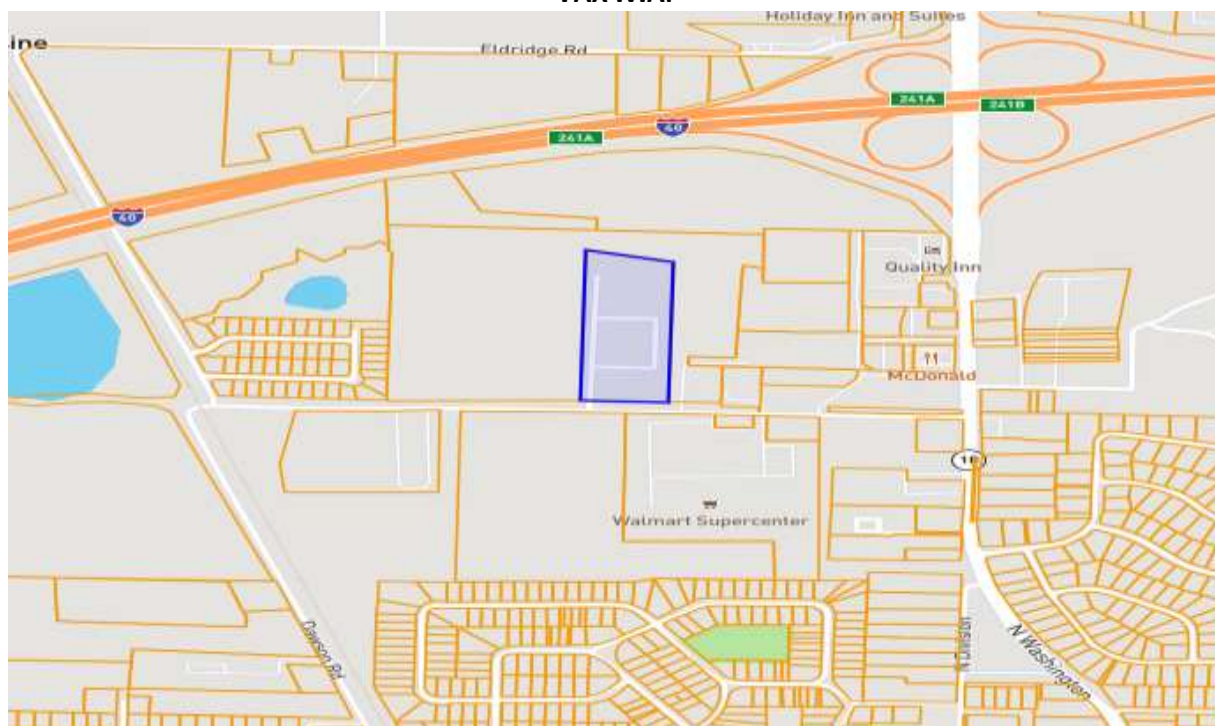
<b>Building Condition</b>	Average/Good; Based on the overall average/good condition of the improvements, we have assumed that there has been an on-going repairs and maintenance program.
<b>Design and Functionality</b>	No functional obsolescence was noted during our inspection of the subject property.
<b>Actual Age</b>	44 years
<b>Expected Economic Life</b>	60 years
<b>Effective Age</b>	20 years
<b>Remaining Economic Life</b>	40 years
<b>Conclusion</b>	The subject property appears to be suitable for its present use providing tenants with an adequate residence that is considered average for facilities in this area. The subject property should be able to maintain a competitive position in its market through prudent management and an on-going repairs and maintenance program. Overall, it is our opinion that the subject property satisfies the requirements for the present and continued use as a multifamily walk-up apartment building.

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# REAL PROPERTY TAXES AND ASSESSMENT

## TAX MAP



## PROPERTY ASSESSMENT

The subject property is identified on the St Francis County tax maps as 0800-00160-0000. In the State of Arkansas properties are assessed at 20% the actual market appraised value, as estimated by the equalization board. The following is a summary of the property assessment (Final 2022/23).

TAX ID	REAL ESTATE TAX ASSESSMENT			Taxable Assessment
	Land	Assessed Building	Total	
0800-00160-0000	\$20,000	\$288,440	\$308,440	\$308,440
<b>Total Taxable Assessment:</b>				<b>\$308,440</b>

All commercial properties were last reassessed in 2017/2018. Further, per the St Francis County Tax Assessor's office, next year is a reassessment year across the county based on the current 5-year commercial reassessment cycle. A sale of a commercial property will not trigger a reassessment. However, given next year is a reassessment year, it is thus reasonable to base a projected assessment with on an expected ratio based on our appraised market value.

## ASSESSMENT PROJECTION

Given next year is a reassessment year in the county, it is necessary to consider the risk of reassessment in relation to the appraised value. Based off similar assets in the submarket, we reconcile the subject's projected tax value at 60% of the value conclusion.

Given the concluded "As Is" valuation of \$6,050,000 , the projected assessment is detailed below:

Assessment Projection	
Appraised Value "As Is"	\$6,050,000
Hard Percentage	60%
Market Value	\$3,630,000
Equalization Rate	20.0%
<b>Actual AV</b>	<b>\$726,000</b>

The projected tax liability is detailed below:

REAL ESTATE TAX LIABILITY				
FY	Taxable A.V.		Mill Rate	RE Tax Liability
FY 2023	\$726,000	x	46.40	= \$33,686

## PROJECTED TAX LIABILITY COMPARISONS

In order to test the reasonability of the real estate tax liability, we surveyed those of comparable buildings in the area within the same municipality:

REAL ESTATE TAX COMPARABLES				
No.	Property Name	No. Units	Tax Liability per Unit	
	Subject Property	94	1978	\$358
1	21 Christopher Place	20	1985	\$580
2	2256 SFC 311	8	2001	\$587
3	1000 Alabama Avenue	20	1998	\$271
4	705 W Sixth Street	32	1992	\$349
	Low	8	1985	\$271
	High	32	2001	\$587
	Average	20	1994	\$447

Considering the subject's amenities offered, and comparable condition, the subject should have an appraised value within the comparable range. The subject's taxes per unit fall within the market range. The real estate tax liability reflects 5% of the effective gross income. Considering such, the subject's current assessed value is deemed reasonable and reflective of the market.

## AD VALOREM TAXES

Per the County Tax Collector's Office, the subject's real property taxes are current.

## CONCLUSION

The following stabilized real estate tax liability for the subject property has been adopted for the appraised fiscal year.

TAX PROJECTION	
Appraised Value "As Is"	\$6,050,000
Market Value	\$3,630,000
Taxable Value	\$726,000
Mill Rate (per \$1,000)	<u>46.4</u>
<b>Total Property Taxes</b>	<b>\$33,686</b>
per Unit	\$358



# MARKET ANALYSIS

## LITTLE ROCK MULTI-FAMILY MARKET

Costar is the source for the following data. The data reflects conditions of 2022 Q2, the most recent data available. The initial discussion provides information on the overall Little Rock Multi-Family market, followed by the subject's submarket. The nearest and most similar market to the subject is the Lonoke County submarket and Little Rock market, which will be discussed later in this report.

CoStar's 2021Q4 Base Case forecast is based on the Oxford Economics Baseline scenario published on December 21, 2021, which incorporates the strong growth experienced in the fourth quarter despite the emergence of the Omicron variant. The outlook for the first quarter of 2022 envisions a moderate pullback in activity because of the variant followed by some recovery in the early spring, driving economic growth in the first quarter to about 3.4% annualized. Economic growth in 2022 is expected to reach a relatively strong 4.4%. After losing roughly 9.1 million jobs in 2020 and recovering about 6.2 million jobs in 2021, about 1.1 million jobs are added in the first quarter and about 3.5 to 4 million by year end. The unemployment rate falls below 4% in the second quarter. Employment returns to its pre-COVID peak in the fourth quarter of 2022. Thereafter, job growth slows gradually to about 0.3% per year in 2024 before returning to its long run growth rate of 0.6%. Solid aggregate demand amid lingering supply constraints led to inflation rising sharply in the fourth quarter of 2021. Headline and core PCE rose to their highest rates in decades but are expected to peak in the first quarter of 2022 as supply constraints ease, with core PCE falling to about 3.0% before mid-year. In response to higher prices, the Federal Reserve is expected to raise its policy rate four times in 2022, beginning in March after its asset purchases end. Further, the Fed has signaled that it is prepared to begin quantitative tightening by mid-year. Capital markets remain calm as spreads settle below 200 basis points through the end of the forecast period.

Costar rates multi-family properties using a star rating, in which 1 and 2-star properties generally equate to the more traditional Class C rating; 3-star properties generally equate to Class B; and 4 and 5-star properties generally equate to Class A.

**Class A** – They are characterized by high quality construction and finishes, high occupancy levels, sophisticated amenities, and top rental rates. A+ properties would suggest "trophy" properties with the characteristics noted above.

**Class B** – These apartment properties are regarded as modern (although not necessarily new) buildings, or old (i.e., Class C) structures recently renovated to modern standards. Good locations, reasonably high occupancy levels, and competitive rental rates characterize these buildings.

**Class C** – The lowest quality apartments available in the market are found in Class C buildings. These buildings are generally old, but in fair condition. Rental rates are the lowest within the market and amenities are minimal.

## KEY INDICATORS AT A GLANCE

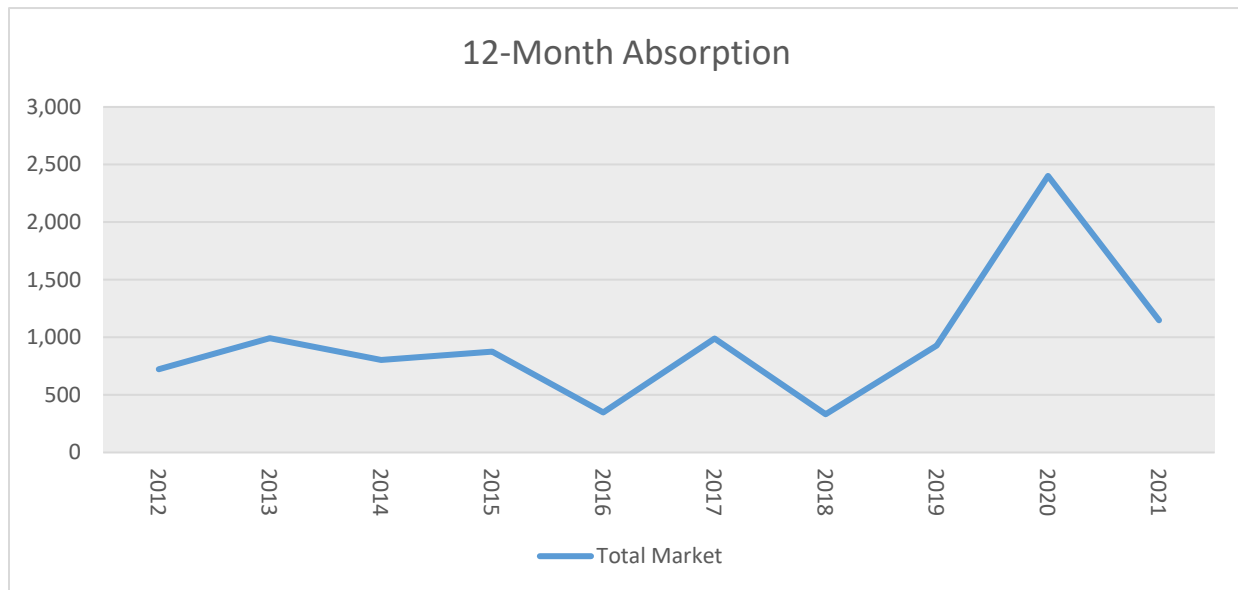
	PRIOR QUARTER	CURRENT QUARTER	COMPARISON
Vacancy (%)	5.22%	5.28%	increased 6 Basis Points
Absorption (Units)	394	-29	decreased 423 Units
Quoted Rental Rates (\$/Unit/Month)	\$892	\$928	increased \$37 Per Unit
Inventory (Units)	49,092	49,092	no change in Units
Net Deliveries (Units)	144	0	decreased 144 Units
Under Construction (Units)	85	85	no change Units

## LITTLE ROCK MULTI-FAMILY MARKET STATISTICS

PERIOD	EXISTING INVENTORY (UNITS)	VACANCY %	NET ABSORPTION (UNITS)	NET COMPLETIONS (UNITS)	UNDER CONST. (UNITS)	QUOTED RATES (\$/UNIT/MONTH)
2022 Q2	49,092	5.28%	-29	0	85	\$928
2022 Q1	49,092	5.22%	394	144	85	\$892
2021 Q4	48,948	5.74%	-56	280	229	\$876
2021 Q3	48,668	5.08%	282	108	509	\$869
2021	48,948	5.74%	1,147	652	229	\$876
2020	48,296	6.84%	2,401	1,906	881	\$816
2019	46,390	8.18%	927	85	2,358	\$790
2018	46,305	10.01%	332	578	1,364	\$780
2017	45,727	9.61%	990	1,093	642	\$762
2016	44,634	9.61%	348	1,263	969	\$752
2015	43,371	7.78%	875	398	1,020	\$737
2014	42,973	8.97%	804	624	578	\$722
2013	42,349	9.52%	992	1,665	840	\$713

The Little Rock Multi-Family market ended the second quarter with a vacancy rate of 5.28%. The vacancy rate increased over the previous quarter, with net absorption totaling -29 units in the second quarter. Rental rates increased compared to the previous quarter, ending second quarter at \$928. A total of 0 units was delivered to the market, with 85 units still under construction at the end of the quarter.

### ABSORPTION



Net absorption for the overall Little Rock Multi-Family market was -29 units in the second quarter 2022. That compares to 394 units in the first quarter 2022, -56 units in the fourth quarter 2021, and 282 units in the third quarter 2021. Net absorption in the market over the prior 12 months totaled 591 units.

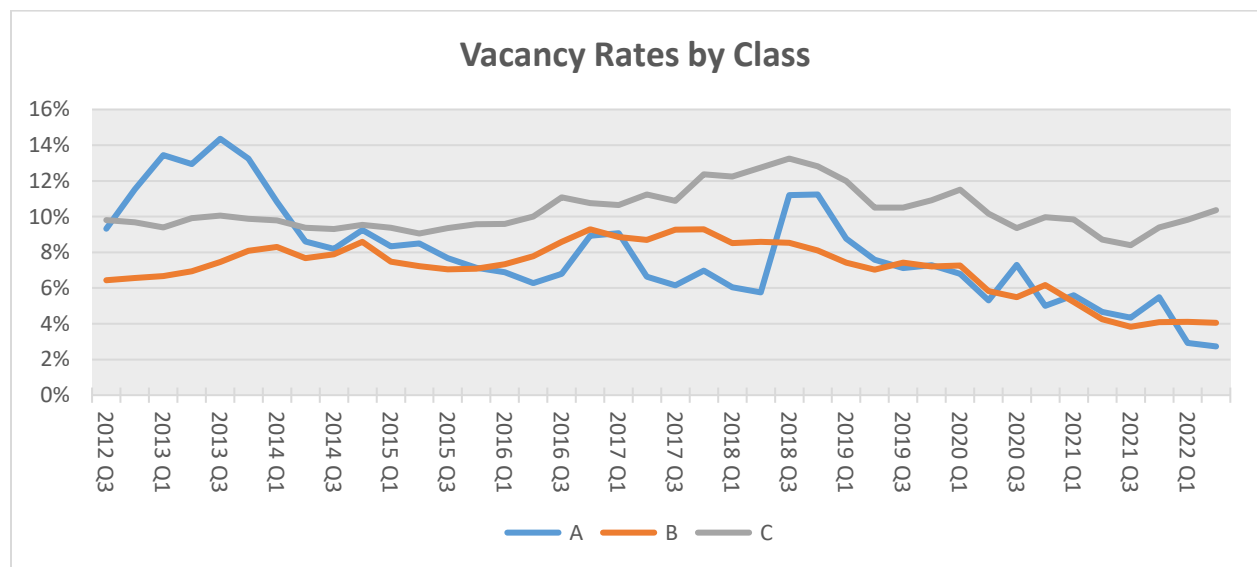
The Class A (4 & 5 Star) Multi-Family market recorded net absorption of 24 units in the second quarter 2022, compared to 311 units in the first quarter 2022, 114 units in the fourth quarter 2021, and 140 units in the third quarter 2021.

The Class B (3 Star) Multi-Family market recorded net absorption of 12 units in the second quarter 2022, compared to 134 units in the first quarter 2022, -51 units in the fourth quarter 2021, and 104 units in the third quarter 2021.

The Class C (1 & 2 Star) Multi-Family market recorded net absorption of -65 units in the second quarter 2022, compared to -51 units in the first quarter 2022, -119 units in the fourth quarter 2021, and 38 units in the third quarter 2021.

Net absorption for the Lonoke County submarket was 18 units in the second quarter 2022. That compares to 131 units in the first quarter 2022, -11 units in the fourth quarter 2021, and 2 units in the third quarter 2021.

## VACANCY



Vacancy for the overall Little Rock Multi-Family market increased to 5.28% in the second quarter 2022. That compares to 5.22% in the first quarter 2022, 5.74% in the fourth quarter 2021, and 5.08% in the third quarter 2021.

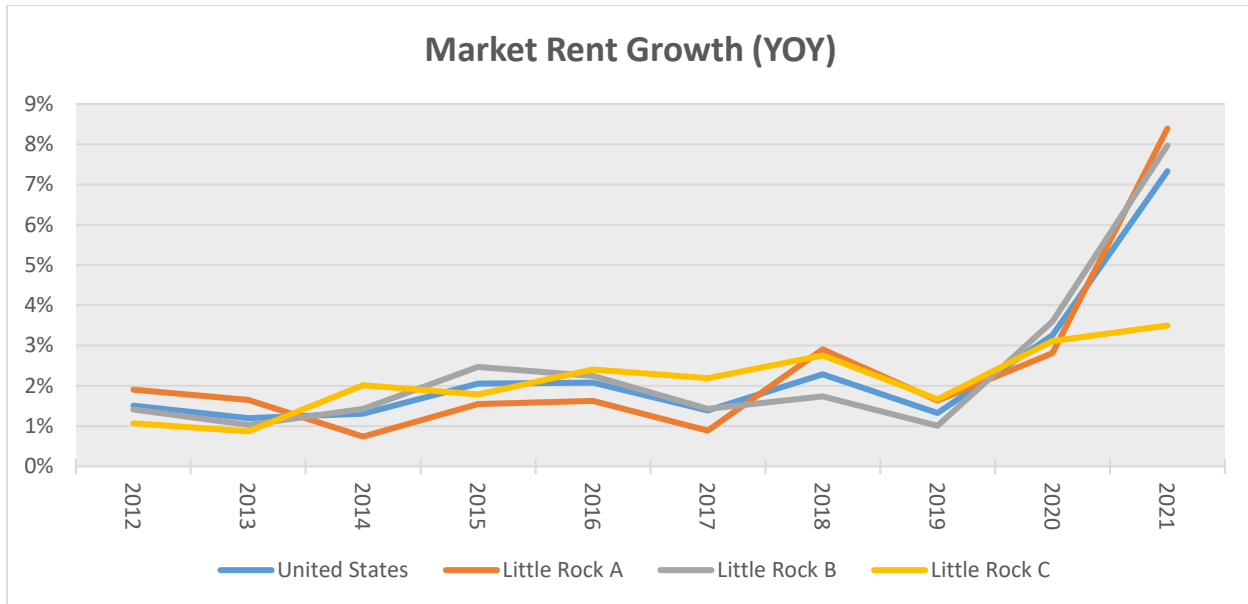
Class A (4 & 5 Star) projects reported a vacancy rate of 2.73% at the end of the second quarter 2022, 2.93% at the end of the first quarter 2022, 5.49% at the end of the fourth quarter 2021, and 4.34% at the end of the third quarter 2021.

Class B (3 Star) projects reported a vacancy rate of 4.06% at the end of the second quarter 2022, 4.11% at the end of the first quarter 2022, 4.09% at the end of the fourth quarter 2021, and 3.83% at the end of the third quarter 2021.

Class C (1 & 2 Star) projects reported a vacancy rate of 10.37% at the end of the second quarter 2022, 9.82% at the end of the first quarter 2022, 9.40% at the end of the fourth quarter 2021, and 8.40% at the end of the third quarter 2021.

The overall vacancy rate in the Little Rock Lonoke County submarket at the end of the second quarter 2022 was 2.84%. The vacancy rate was 4.05% at the end of the first quarter 2022, 3.53% at the end of the fourth quarter 2021 and 2.71% at the end of the third quarter 2021.

## RENTAL RATES



The average asking rental rate for available Multi-Family space, all classes, was \$928 per unit per month at the end of the second quarter 2022 in the Little Rock market area. This represented a 4.1% increase in quoted rental rates from the end of the first quarter 2022, when rents were reported at \$892 per unit.

The average quoted rate within the Class A (4 & 5 Star) sector was \$1,197 at the end of the second quarter 2022, while Class B (3 Star) rates stood at \$893, and Class C (1 & 2 Star) rates at \$694. At the end of the first quarter 2022, Class A (4 & 5 Star) rates were \$1,128 per unit, Class-B (3 Star) rates were \$861, and Class C (1 & 2 Star) rates were \$683.

The average quoted asking rental rate in Little Rock's Lonoke County district was \$834 per unit per month at the end of the second quarter 2022. In the first quarter 2022, quoted rates were \$820.

## INVENTORY & CONSTRUCTION

During the second quarter 2022, a total of 0 units was completed in the Little Rock market area. This compares to a total of 144 units completed in the first quarter 2022, a total of 280 units completed in the fourth quarter 2021, and 108 units completed in the third quarter 2021.

There were 85 units of Multi-Family space under construction at the end of the second quarter 2022.

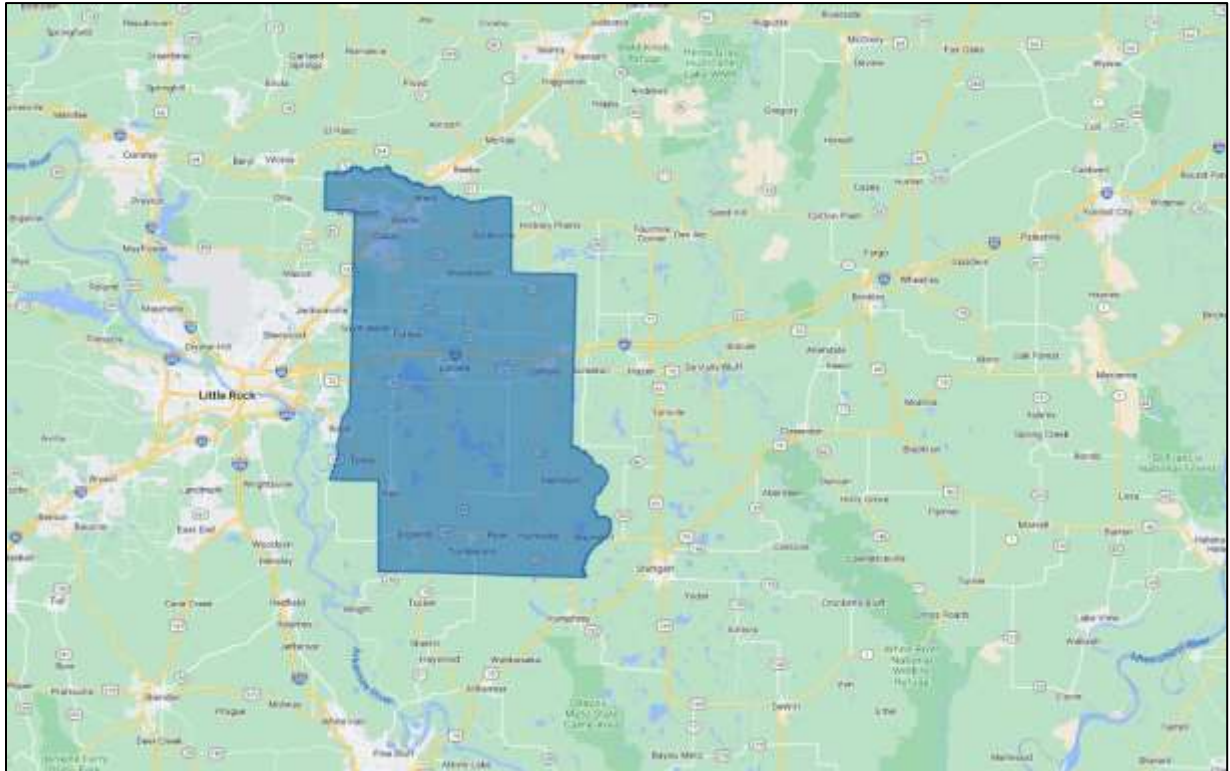
SUBTYPE	EXISTING INVENTORY (UNITS)	NET DELIVERIES (12 MONTHS)	UNDER CONSTRUCTION (UNITS)
Class A (4 & 5 Star)	12,014	372	0
Class B (3 Star)	25,088	160	85
Class C (1 & 2 Star)	11,990	0	0
<b>Total</b>	<b>49,092</b>	<b>532</b>	<b>85</b>

## MARKET OUTLOOK

The Little Rock Multi-Family market ended the second quarter 2022 with an overall vacancy rate of 5.28%. The vacancy rate increased over the previous quarter, with net absorption totaling -29 units in the second quarter 2022. Rental rates increased \$36.72 per unit per month over the previous quarter and ended at \$928 per unit per month. A total of 0 units was delivered in the quarter, with 85 units still under construction at the end of the quarter.

## LONOKE COUNTY MULTI-FAMILY MARKET

### LONOKE COUNTY SUBMARKET MAP



### KEY INDICATORS AT A GLANCE

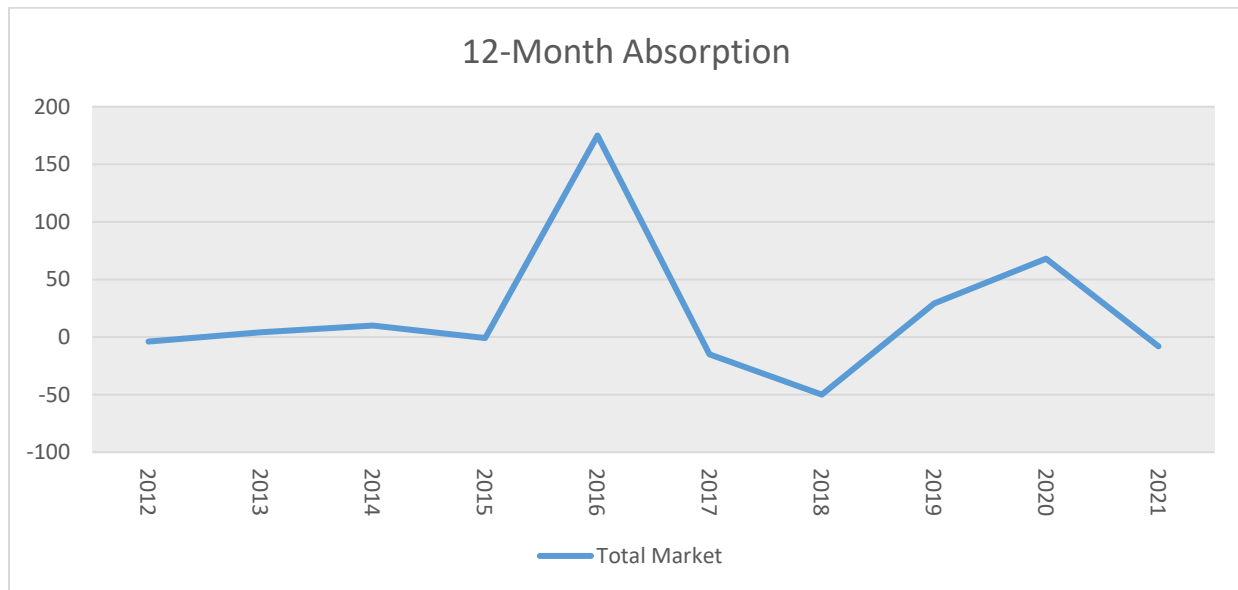
	PRIOR QUARTER	CURRENT QUARTER	COMPARISON
Vacancy (%)	4.05%	2.84%	decreased 121 Basis Points
Absorption (Units)	131	18	decreased 113 Units
Quoted Rental Rates (\$/Unit/Month)	\$820	\$834	increased \$15 Per Unit
Inventory (Units)	1,459	1,459	no change in Units
Net Deliveries (Units)	144	0	decreased 144 Units
Under Construction (Units)	0	0	no change in Units

## LONOKE COUNTY MULTI-FAMILY MARKET STATISTICS

PERIOD	EXISTING INVENTORY (UNITS)	VACANCY %	NET ABSORPTION (UNITS)	NET COMPLETIONS (UNITS)	UNDER CONST. (UNITS)	QUOTED RATES (\$/UNIT/MONTH)
2022 Q2	1,459	2.84%	18	0	0	\$834
2022 Q1	1,459	4.05%	131	144	0	\$820
2021 Q4	1,315	3.53%	-11	0	144	\$794
2021 Q3	1,315	2.71%	2	0	144	\$782
2021	1,315	3.53%	-8	0	144	\$794
2020	1,315	2.94%	68	0	144	\$763
2019	1,315	8.11%	29	0	0	\$740
2018	1,315	10.33%	-50	0	0	\$748
2017	1,315	6.53%	-15	0	0	\$727
2016	1,315	5.29%	175	180	0	\$705
2015	1,135	5.72%	-1	0	180	\$688
2014	1,135	5.69%	10	0	180	\$674
2013	1,135	6.54%	4	0	180	\$667

The Lonoke County Multi-Family market ended the second quarter with a vacancy rate of 2.84%. The vacancy rate decreased over the previous quarter, with net absorption totaling 18 units in the second quarter. Rental rates increased compared to the previous quarter, ending second quarter at \$834. A total of 0 units was delivered to the market, with 0 units still under construction at the end of the quarter.

### ABSORPTION



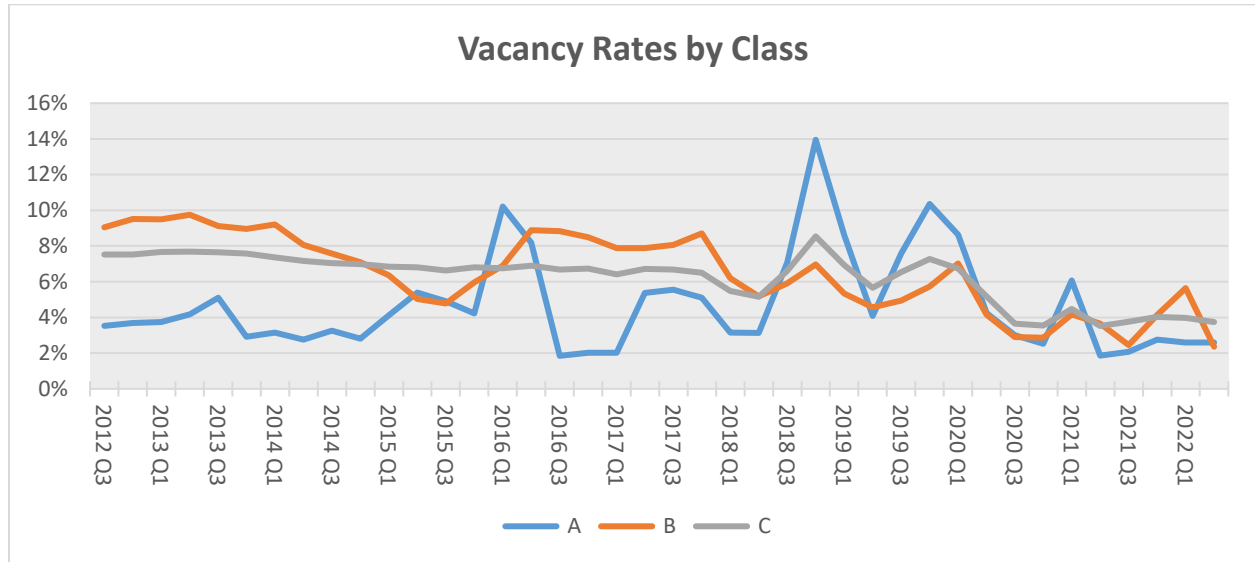
Net absorption for the overall Lonoke County Multi-Family market was 18 units in second quarter 2022. That compares to 131 units in first quarter 2022, -11 units in fourth quarter 2021, and 2 units in third quarter 2021. Net absorption in the market over the prior 12 months totaled 140 units.

The Class A (4 & 5 Star) Multi-Family market recorded net absorption of 0 units in the second quarter 2022, compared to 1 units in the first quarter 2022, -4 units in the fourth quarter 2021, and -1 units in the third quarter 2021.

The Class B (3 Star) Multi-Family market recorded net absorption of 17 units in the second quarter 2022, compared to 130 units in the first quarter 2022, -6 units in the fourth quarter 2021, and 4 units in the third quarter 2021.

The Class C (1 & 2 Star) Multi-Family market recorded net absorption of 1 units in the second quarter 2022, compared to 0 units in the first quarter 2022, -1 units in the fourth quarter 2021, and -1 units in the third quarter 2021.

## VACANCY



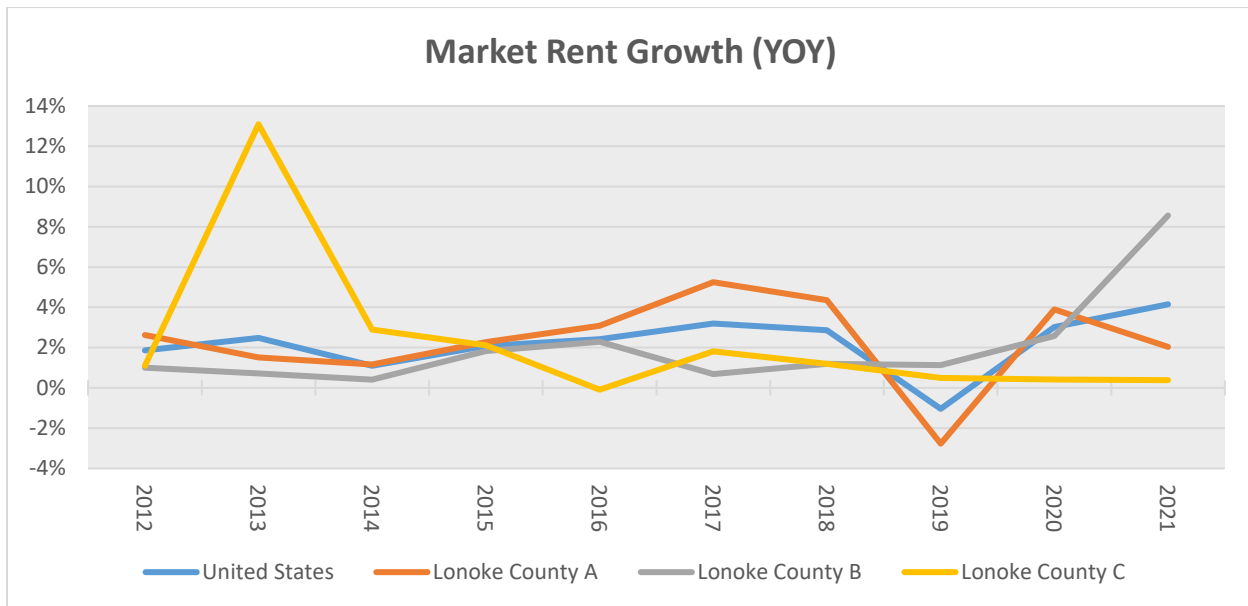
Vacancy for the overall Lonoke County Multi-Family market decreased to 2.84% in the second quarter 2022. That compares to 4.05% in the first quarter 2022, 3.53% in the fourth quarter 2021, and 2.71% in the third quarter 2021.

Class A (4 & 5 Star) projects reported a vacancy rate of 2.60% at the end of the second quarter 2022, 2.60% at the end of the first quarter 2022, 2.75% at the end of the fourth quarter 2021, and 2.08% at the end of the third quarter 2021.

Class B (3 Star) projects reported a vacancy rate of 2.36% at the end of the second quarter 2022, 5.65% at the end of the first quarter 2022, 4.13% at the end of the fourth quarter 2021, and 2.45% at the end of the third quarter 2021.

Class C (1 & 2 Star) projects reported a vacancy rate of 3.74% at the end of the second quarter 2022, 3.98% at the end of the first quarter 2022, 4.03% at the end of the fourth quarter 2021, and 3.76% at the end of the third quarter 2021.

## RENTAL RATES



The average asking rental rate for available Multi-Family space, all classes, was \$834 per unit per month at the end of the second quarter 2022 in the Lonoke County market area. This represented a 1.8% increase in quoted rental rates from the end of the first quarter 2022, when rents were reported at \$820 per unit.

The average quoted rate within the Class A (4 & 5 Star) sector was \$860 at the end of the second quarter 2022, while Class B (3 Star) rates stood at \$903, and Class C (1 & 2 Star) rates at \$586. At the end of the first quarter 2022, Class A (4 & 5 Star) rates were \$856 per unit, Class-B (3 Star) rates were \$867, and Class C (1 & 2 Star) rates were \$585.

## INVENTORY & CONSTRUCTION

During the second quarter 2022, a total of 0 units was completed in the Lonoke County market area. This compares to a total of 144 units completed in the first quarter 2022, a total of 0 units completed in the fourth quarter 2021, and 0 units completed in the third quarter 2021.

There were 0 units of Multi-Family space under construction at the end of the second quarter 2022.

SUBTYPE	EXISTING INVENTORY (UNITS)	NET DELIVERIES (12 MONTHS)	UNDER CONSTRUCTION (UNITS)
Class A (4 & 5 Star)	540	0	0
Class B (3 Star)	505	144	0
Class C (1 & 2 Star)	414	0	0
<b>Total</b>	<b>1,459</b>	<b>144</b>	<b>0</b>

## LONOKE COUNTY MARKET OUTLOOK

The Lonoke County Multi-Family market ended the second quarter 2022 with an overall vacancy rate of 2.84%. The vacancy rate decreased over the previous quarter, with net absorption totaling 18 units in the second quarter 2022. Rental rates increased \$14.81 per unit per month over the previous quarter and ended at \$834 per unit per month. A total of 0 units was delivered in the quarter, with 0 units still under construction at the end of the quarter.



# HIGHEST AND BEST USE

## INTRODUCTION

The highest and best use is the reasonable, probable, and legal use of vacant land or an improved property that is physically possible, legally permissible, appropriately supported, financially feasible and that results in the highest value. These criteria are often considered sequentially. The tests of legal permissibility and physical possibility must be applied before the remaining tests of financial feasibility and maximal productivity. A financially feasible use is precluded if it is legally prohibited or physically impossible. If a reasonable possibility exists that one of the prior, unacceptable conditions can be changed, is it appropriate to proceed with the analysis with such an assumption.

## HIGHEST AND BEST USE CRITERIA

The site's highest and best use is analyzed both as vacant and as improved, and if improvements are proposed then an as proposed analysis is required. In all cases, the property's highest and best use must meet four criteria: (1) legally permissible; (2) physically possible; (3) financially feasible; and (4) maximally productive.

## HIGHEST AND BEST USE AS VACANT

### LEGALLY PERMISSIBLE

This test addresses which uses are permitted by zoning and private restrictions on the site. Our analysis of the market indicates that the location supports the current zoning. The subject site is situated in the R3 zoning district, which permits multifamily development as of right. It is our opinion that the site, if vacant, could be developed for the above legally permitted (and assumed) uses to maximum conformity and density with the current zoning ordinance.

### PHYSICALLY POSSIBLE

This test addresses the physical characteristics associated with the site that might affect its highest and best use. The subject site is 10.00-acres (435,600 sq. ft.) and has good street access. All necessary utilities are available, and there are no apparent easements or encroachments that would hinder or prevent development. The size falls within the range of improved sites in the area and is not considered to restrict the utility in relation to competing sites. Any of the above legally permitted uses, therefore, are considered physically possible.

### FINANCIALLY FEASIBLE

This test addresses the demand for uses that have passed the first two tests. As long as a potential use has value commensurate with its cost, and at the same time conforms to the first two tests, that use is financially feasible. The subject site is zoned for multifamily development. Market rents are considered to provide a fair rate of return on replacement costs for new construction, thereby indicating multifamily development to be financially feasible.

### MAXIMALLY PRODUCTIVE

This test is applied to the uses that have passed the first three tests. The maximally productive use is the selected land that yields the highest value of the possible uses. Given the zoning and the character of the surrounding neighborhood, multifamily development use appears to be the maximally productive allowable uses.

## CONCLUSION

Based on the preceding, the highest and best use of the subject site, as vacant, is for multifamily development built to the maximum bulk in conformity with the market.

## **HIGHEST AND BEST USE AS IMPROVED**

### **LEGALLY PERMISSIBLE**

As improved the subject building complies and conforms to current zoning standards. As such, the subject property is legal permissible.

### **PHYSICALLY POSSIBLE**

The physical possibility of the subject improvements is manifest by their existence. Moreover, the presence of similar improvements in the immediate area attests to the physical possibility of such improvements. The subject property was observed, upon inspection, to be (16) multifamily buildings containing 114,000± square feet of gross building area and 94 apartments. Continued use of the improvements for multifamily development use is physically possible.

### **FINANCIALLY FEASIBLE**

Financial feasibility as an income-producing investment is based on the amount of rental income it can generate net of the required operating expenses. If the resulting net operating income motivates continued operation, then the land is being put to a productive and financially feasible use. The subject is capable of producing positive net cash flow to an investor. The existing improvements provide contributory value to the site, and there is no alternate use that would result in a greater value. Therefore, utilization of the existing improvements is financially feasible.

### **MAXIMUM PRODUCTIVITY**

The improvements contribute return to the site that is far greater than that which would be generated if the land were vacant. Since return to the land and improvements is greater than the expenses associated with maintaining them, continued utilization of the improvements through their economic life is likely.

### **CONCLUSION**

Based on our analysis, demolition of the existing improvements and redevelopment of the site with an alternative or more profitable use is not economically feasible. Therefore, the highest and best use is for its continued use as a multifamily rental facility.

# VALUATION PROCESS

## OVERVIEW

The three traditional approaches to valuing improved properties are:

- Income Capitalization Approach - the processing of a projected net income into an opinion of value via one or more capitalization techniques; and
- Sales Comparison Approach - a comparison of the property appraised with reasonable similar, recently conveyed properties for which the price, terms and conditions of sale are known;
- Cost Approach - an estimate of the replacement cost of all structural improvements as if new, less loss in value attributable to depreciation from all causes plus the value of the land as if vacant.

The Income Capitalization Approach is based on the principle of anticipation that recognizes the present value of the future income benefits to be derived from ownership in a particular property. The Income Capitalization Approach is most applicable to properties that are bought and sold for investment purposes, and is considered very reliable when adequate income and expense data are available. Since income producing real estate is most often purchased by investors, this approach is valid and is generally considered the most applicable when the property being appraised was designed for, or is easily capable of producing a rental income.

The Sales Comparison Approach is founded upon the principle of substitution that holds that the cost to acquire an equally desirable substitute property without undue delay ordinarily sets the upper limit of value. At any given time, prices paid for comparable properties are construed by many to reflect the value of the property appraised. The validity of a value indication derived by this approach is heavily dependent upon the availability of data on recent sales of properties similar in location, size, and utility to the appraised property.

The Cost Approach is based on the premise that the value of a property can be indicated by the current cost to construct a reproduction or replacement for the improvements minus the amount of depreciation evident in the structures from all causes plus the value of the land and entrepreneurial profit. This approach to value is particularly useful for appraising new or nearly new improvements.

## SUMMARY

This appraisal employs the Income Capitalization Approach and the Sales Comparison Approach. Based on our analysis and knowledge of the subject property type and relevant investor profiles, it is our opinion that these approaches would be considered applicable and/or necessary for market participants. The subject's age makes it difficult to accurately form an opinion of depreciation and tends to make the Cost Approach unreliable. Investors do not typically rely on the Cost Approach when purchasing a property such as the subject of this report. Therefore, we have not employed the Cost Approach to develop an opinion of market value. The client also requires an insurable value of the improvements.

The valuation process is concluded by analyzing each approach to value used in the appraisal. When more than one approach is used, each approach is judged based on its applicability, reliability, and the quantity and quality of its data. A final value opinion is chosen that either corresponds to one of the approaches to value, or is a correlation of all the approaches used in the appraisal.

# INCOME CAPITALIZATION APPROACH

## GENERAL PROCESS

In the Income Capitalization Approach, a property's capacity to generate future benefits is analyzed; the forecasted income is capitalized into an indication of present value. Commonly used measures of anticipated benefits are:

- **Potential Gross Income:** The total potential income attributable to the real property at full occupancy before operating expenses are deducted. It may refer to the level of rental income prevailing in the market or that contractually determined by existing leases.
- **Effective Gross Income:** The anticipated income from all operations of real property adjusted for vacancy and collection losses.
- **Net Operating Income:** The anticipated net income remaining after all operating expenses are deducted from effective gross income.
- **Equity Dividend:** The portion of net income that remains after debt service is paid; this is returned to the equity position.
- **Reversions:** A lump-sum benefit an investor expects to receive upon the termination of the investment.

## DIRECT VS. YIELD CAPITALIZATION

The income capitalization approach supports two methodologies: Direct and Yield capitalization.

- **Direct Capitalization:** A method used to convert an estimate of a single year's income expectancy into an indication of value in one direct step, either by dividing the net income estimate by an appropriate capitalization rate or by multiplying the income estimate by an appropriate factor. Direct capitalization employs capitalization rates and multipliers extracted or developed from market data. Only one year's income is used. Yield and calculate changes are implied, but not explicitly identified.<sup>1</sup>
- **Yield Capitalization:** A method used to convert future benefits into present value by (1) discounting each future benefit at an appropriate yield rate, or (2) developing an overall rate that explicitly reflects the investment's income pattern, holding period, value change, and yield rate.<sup>2</sup>

## CONCLUSION

As a multifamily rental property with short-term, market-oriented leases, a regular cash flow is anticipated. Therefore, it is appropriate to apply the direct capitalization method, which converts a single year's income into an indication of value.

<sup>1</sup> *The Appraisal of Real Estate*, 15th edition (Chicago, IL: Appraisal Institute 2013): 65

<sup>2</sup> *The Appraisal of Real Estate*, 15th edition (Chicago, IL: Appraisal Institute 2013): 251

## INCOME ANALYSIS

The subject's potential gross income is a function of rental payments under the terms of current and anticipated leases. This can include base rent as well as expense reimbursements and ancillary income.

### Rental Rates

The subject offers 94 residential units. The current rent roll is as follows:

RECONSTRUCTED RENT ROLL						
No.	Unit	Type	No. of Rooms	Unit Area (SF)	Rent/Mo	Rent Status
1	14-A1	1BR-1BA	3.0	650	\$555	Contract
2	14-A2	1BR-1BA	3.0	650	\$555	Contract
3	14-A3	1BR-1BA	3.0	650	\$555	Contract
4	14-A4	1BR-1BA	3.0	650	\$524	Contract
5	14-B1	1BR-1BA	3.0	650	\$555	Contract
6	14-B2	1BR-1BA	3.0	650	\$555	Contract
7	14-B3	1BR-1BA	3.0	650	\$524	Contract
8	14-B4	1BR-1BA	3.0	650	\$535	Contract
9	37-A1	2BR-1BA	4.0	800	\$635	Contract
10	37-A2	2BR-1BA	4.0	800	\$1,200	Contract
11	37-A3	2BR-1BA	4.0	800	\$635	Contract
12	37-A4	2BR-1BA	4.0	800	\$595	Contract
13	37-B1	2BR-1BA	4.0	800	\$635	Contract
14	37-B2	2BR-1BA	4.0	800	\$635	Contract
15	37-B3	2BR-1BA	4.0	800	\$0	Vacant
16	37-B4	2BR-1BA	4.0	800	\$635	Contract
17	38-A1	2BR-1BA	4.0	800	\$595	Contract
18	38-A2	2BR-1BA	4.0	800	\$0	Vacant
19	38-A3	3BR-1½BA	5.0	1,025	\$595	Contract
20	38-A4	3BR-1½BA	5.0	1,025	\$530	Contract
21	38-B1	3BR-1½BA	5.0	1,025	\$635	Contract
22	38-B2	3BR-1½BA	5.0	1,025	\$635	Contract
23	38-B3	2BR-1BA	4.0	800	\$635	Contract
24	38-B4	2BR-1BA	4.0	800	\$595	Contract
25	60-A1	2BR-1BA	4.0	800	\$595	Contract
26	60-A2	2BR-1BA	4.0	800	\$530	Contract
27	60-A3	2BR-1BA	4.0	800	\$635	Contract
28	60-A4	2BR-1BA	4.0	800	\$555	Contract
29	60-B1	2BR-1BA	4.0	800	\$635	Contract
30	60-B2	2BR-1BA	4.0	800	\$595	Contract
31	60-B3	2BR-1BA	4.0	800	\$635	Contract
32	60-B4	2BR-1BA	4.0	800	\$635	Contract
33	17-A1	2BR-1BA	4.0	800	\$487	Contract
34	17-A2	2BR-1BA	4.0	800	\$635	Contract
35	17-A3	2BR-1BA	4.0	800	\$595	Contract
36	17-A4	2BR-1BA	4.0	800	\$635	Contract
37	17-B1	2BR-1BA	4.0	800	\$595	Contract
38	17-B2	2BR-1BA	4.0	800	\$635	Contract
39	17-B3	2BR-1BA	4.0	800	\$525	Contract
40	17-B4	2BR-1BA	4.0	800	\$635	Contract

41	2240-A1	2BR-1BA	4.0	800	\$635	Contract
42	2240-A2	2BR-1BA	4.0	800	\$595	Contract
43	22-A1	2BR-1BA	4.0	800	\$635	Contract
44	22-A2	2BR-1BA	4.0	800	\$635	Contract
45	22-A3	2BR-1BA	4.0	800	\$555	Contract
46	22-A4	2BR-1BA	4.0	800	\$595	Contract
47	22-B1	2BR-1BA	4.0	800	\$525	Contract
48	22-B2	2BR-1BA	4.0	800	\$495	Contract
49	22-B3	2BR-1BA	4.0	800	\$0	Vacant
50	22-B4	2BR-1BA	4.0	800	\$495	Contract
51	2320-A1	2BR-1BA	4.0	800	\$555	Contract
52	2320-A2	2BR-1BA	4.0	800	\$555	Contract
53	2320-A3	2BR-1BA	4.0	800	\$555	Contract
54	2320-A4	2BR-1BA	4.0	800	\$525	Contract
55	2320-B1	2BR-1BA	4.0	800	\$555	Contract
56	2320-B2	2BR-1BA	4.0	800	\$525	Contract
57	2320-B3	2BR-1BA	4.0	800	\$555	Contract
58	2320-B4	2BR-1BA	4.0	800	\$555	Contract
59	30-A1	2BR-1BA	4.0	800	\$555	Contract
60	30-A2	2BR-1BA	4.0	800	\$555	Contract
61	30-A3	2BR-1BA	4.0	800	\$555	Contract
62	30-A4	2BR-1BA	4.0	800	\$555	Contract
63	30-B1	3BR-1½BA	5.0	1,025	\$695	Contract
64	30-B2	3BR-1½BA	5.0	1,025	\$0	Vacant
65	30-B3	3BR-1½BA	5.0	1,025	\$625	Contract
66	30-B4	3BR-1½BA	5.0	1,025	\$625	Contract
67	52-A1	3BR-1½BA	5.0	1,025	\$0	Vacant
68	52-A2	3BR-1½BA	5.0	1,025	\$690	Contract
69	52-A3	3BR-1½BA	5.0	1,025	\$640	Contract
70	52-A4	3BR-1½BA	5.0	1,025	\$570	Contract
71	52-B1	2BR-1BA	4.0	800	\$530	Contract
72	52-B2	2BR-1BA	4.0	800	\$595	Contract
73	52-B3	2BR-1BA	4.0	800	\$595	Contract
74	52-B4	2BR-1BA	4.0	800	\$525	Contract
75	55-A1	2BR-1BA	4.0	800	\$555	Contract
76	55-A2	2BR-1BA	4.0	800	\$635	Contract
77	55-A3	2BR-1BA	4.0	800	\$595	Contract
78	55-A4	2BR-1BA	4.0	800	\$635	Contract
79	55-B1	2BR-1BA	4.0	800	\$634	Contract
80	55-B2	2BR-1BA	4.0	800	\$0	Vacant
81	55-B3	2BR-1BA	4.0	800	\$635	Contract
82	55-B4	2BR-1BA	4.0	800	\$635	Contract
83	2254-A1	2BR-1BA	4.0	800	\$635	Contract
84	2254-A2	2BR-1BA	4.0	800	\$635	Contract
85	2254-A3	2BR-1BA	4.0	800	\$595	Contract
86	2254-A4	2BR-1BA	4.0	800	\$595	Contract
87	44-A1	1BR-1BA	3.0	650	\$555	Contract
88	44-A2	1BR-1BA	3.0	650	\$555	Contract
89	44-A3	1BR-1BA	3.0	650	\$555	Contract
90	44-A4	1BR-1BA	3.0	650	\$495	Contract

91	44-B1	1BR-1BA	3.0	650	\$555	Contract
92	44-B2	1BR-1BA	3.0	650	\$555	Contract
93	44-B3	1BR-1BA	3.0	650	\$555	Contract
94	44-B4	1BR-1BA	3.0	650	\$495	Contract
<b>Totals</b>			<b>372.0</b>	<b>75,500</b>	<b>\$52,064</b>	
<b>Annual</b>					<b>\$624,768</b>	

\*per rent roll

## MARKET RENT

In order to gauge the reasonableness of the contract rents and to determine market rent, we have examined the following rental activity in the submarket presented on the following pages.

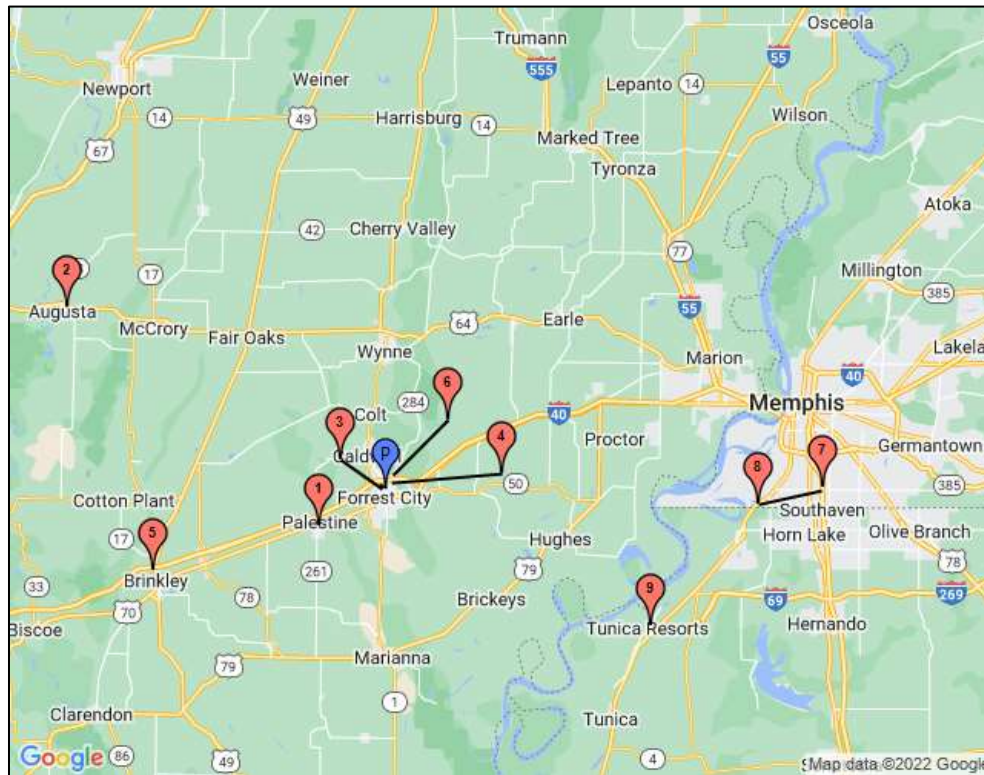
As previously noted, electricity and cooking gas, separately metered and charged to the tenants. Landlord is responsible for heat/hot water, water/sewer, trash, and common area electricity. A portion of the utilities are also reimbursed to the landlord. Comparable rental data will be relied upon to estimate market rental rates for the subject's units.

### *Comparable Rents*

The comparable rentals are all located within 45.1 miles of the subject property and have all been leased within the past 12 months. None of the comparable properties offer concessions, which are uncommon in this market.

A full description of each property and their amenity packages and utility structure can be found in the addenda. Most comparable properties offer similar level of common area and unit amenities to the subject. Utilities included in the rent of the comparable properties, are similar to the subject. All comparable rental properties are within a reasonable size and are good indicators of rental prices for the subject.

## COMPARABLE RENTAL MAP



## COMPARABLE RENTAL SURVEY

No.	Property Name	No. Units	Year Built	Avg Unit Size (SF)	Distance (Miles)	Occup.
1	7923 U.S. 70	20	1990	725	7.5	100%
2	1255 Spruce Street	24	1985	558	36.1	90%
3	1421 North Division Street	48	1999	813	0.5	100%
4	1731 Indian Hills Road	70	1970	774	1.3	99%
5	705 West Sixth Street	32	1992	764	24.6	88%
6	1085 Holiday Drive	132	2003	949	1.5	100%
7	The Posts	172	1960	743	45.1	99%
8	Sutton at Shelby	119	1973	1,016	44.7	94%
9	Legacy at River Pointe	152	2001	1,032	31.1	97%
	Minimum	20	1960	558	0.5	88%
	Maximum	172	2003	1,032	45.1	100%
	Average	85	1986	819	21.4	97.4%
	<b>Subject</b>	94	1978	803	-	97.9%

The preceding comparable properties are analyzed in the following tables in order to estimate market rent for the subject property.



**1BR**

UNIT-BY-UNIT ANALYSIS – One-Bedroom						
Comp No.	Property Name	Year Built	Unit Type	Size (SF)	Rental Rate (\$/mo.) (\$/SF)	
2	1255 Spruce Street	1985	1BR-1BA	500	\$500	\$1.00
4	1731 Indian Hills Road	1970	1BR-1BA	500	\$650	\$1.30
7	The Posts	1960	1BR-1BA	528	\$579	\$1.10
1	7923 U.S. 70	1990	1BR-1BA	650	\$475	\$0.73
6	1085 Holiday Drive	2003	1BR-1BA	675	\$600	\$0.89
8	Sutton at Shelby	1973	1BR-1BA	744	\$600	\$0.81
5	705 West Sixth Street	1992	1BR-1BA	750	\$550	\$0.73
3	1421 North Division Street	1999	1BR-1BA	800	\$505	\$0.63
9	Legacy at River Pointe	2001	1BR-1BA	805	\$715	\$0.89
Rental Range (\$/mo.): \$475 to \$715			Average: \$575			
Rental Range (\$/SF): \$0.63 to \$1.30			Average: \$0.90			
Unit Size (SF): 500 to 805			Average: 661			

**2BR**

UNIT-BY-UNIT ANALYSIS – Two-Bedroom						
Comp No.	Property Name	Year Built	Unit Type	Size (SF)	Rental Rate (\$/mo.) (\$/SF)	
2	1255 Spruce Street	1985	2BR-1BA	675	\$699	\$1.04
7	The Posts	1960	2BR-1BA	785	\$679	\$0.86
1	7923 U.S. 70	1990	2BR-1BA	800	\$615	\$0.77
4	1731 Indian Hills Road	1970	2BR-1BA	800	\$720	\$0.90
3	1421 North Division Street	1999	2BR-1BA	900	\$620	\$0.69
6	1085 Holiday Drive	2003	2BR-1BA	900	\$700	\$0.78
8	Sutton at Shelby	1973	2BR-1BA	928	\$715	\$0.77
5	705 West Sixth Street	1992	2BR-1BA	975	\$705	\$0.72
Rental Range (\$/mo.): \$615 to \$720			Average: \$682			
Rental Range (\$/SF): \$0.69 to \$1.04			Average: \$0.82			
Unit Size (SF): 675 to 975			Average: 845			

**3BR**

UNIT-BY-UNIT ANALYSIS – Three-Bedroom						
Comp No.	Property Name	Year Built	Unit Type	Size (SF)	Rental Rate (\$/mo.)	Rental Rate (\$/SF)
4	1731 Indian Hills Road	1970	3BR-2BA	900	\$795	\$0.88
7	The Posts	1960	3BR-2BA	1,050	\$805	\$0.77
6	1085 Holiday Drive	2003	3BR-1BA	1,075	\$800	\$0.74
7	The Posts	1960	3BR-2BA	1,205	\$879	\$0.73
9	Legacy at River Pointe	2001	3BR-2BA	1,250	\$900	\$0.72
8	Sutton at Shelby	1973	3BR-2BA	1,346	\$825	\$0.61
Rental Range (\$/mo.): \$795 to \$900			Average: \$834			
Rental Range (\$/SF): \$0.61 to \$0.88			Average: \$0.74			
Unit Size (SF): 900 to 1,346			Average: 1,138			

**RECONCILIATION**

Important considerations in determining potential rental value include location, access to transportation and neighborhood amenities and building design and condition. The subject property is in a desirable section of Forrest City. The asset offers good access to highways and public transportation. The comparable rents are similar in their physical and locational appeal and are good indicators of value. As noted, a major renovation program was recently conducted with approximately half the units in the entire portfolio recently upgraded.

**MARKET RENT FORECAST**

Following are the concluded market rents for the subject property, followed by the subject's in-place rents:

MARKET RENTAL RATES							IN-PLACE RENTS		
Type	No.	Size (SF)	Rent/Mo.	Rent/SF	Rent/Room	Total*	RR Min	RR Max	RR Avg
1BR-1BA	16	650	\$550	\$0.85	\$183	\$105,600	\$495	\$555	\$542
2BR-1BA	66	800	\$625	\$0.78	\$156	\$487,500	\$487	\$1,200	\$600
3BR-1½BA	12	1,025	\$800	\$0.78	\$133	\$115,200	\$530	\$695	\$630
<b>Total/Avg</b>	<b>94</b>	<b>803</b>	<b>\$635</b>	<b>\$0.80</b>	<b>\$158</b>	<b>\$708,300</b>	<b>\$487</b>	<b>\$1,200</b>	<b>\$594</b>

\*Excluding Employee Unit

**VACANT UNITS**

The subject contains 6 vacant unit(s), which were assumed to require make ready costs at the time of inspection. The following rent will be adopted within the analysis. Presented:

VACANT UNIT INCOME									
Unit	Vacant Units			Market Rent/Mo.	Legal Rent/Mo.	Total Rent			
1BR-1BA	16	16	0	\$550	Market	\$0		\$0	
2BR-1BA	66	63	3	\$625	Market	\$1,875		\$22,500	
3BR-1½BA	12	12	0	\$800	Market	\$0		\$0	
<b>Total</b>						<b>\$1,875</b>		<b>\$22,500</b>	

## RENT ROLL SUMMARY BY STATUS

Residential rent roll is summarized by rent status:

RENT ROLL SUMMARY BY RENT STATUS						
Type	No. of Units	Rental Range Per Month			Monthly Rent	Annual Rent
Vacant	6	\$625	to	\$800	\$1,875	\$22,500
Contract Rent	88	\$487	to	\$1,200	\$52,064	\$624,768
<b>Totals</b>	<b>94</b>				<b>\$53,939</b>	<b>\$647,268</b>

## POTENTIAL GROSS RESIDENTIAL INCOME

Potential gross residential income is summarized by income type:

TOTAL POTENTIAL RESIDENTIAL GROSS INCOME		
	Monthly	Annual
Contract Rent*	\$52,064	\$624,768
Vacancies	\$1,875	\$22,500
<b>Total</b>	<b>\$53,939</b>	<b>\$647,268</b>

\*per rent roll

## UPSIDE POTENTIAL IN CONTRACT RENTS

Based on the previous comparable rent survey, we have determined an average market rent for the subject's unit mix. Assuming that all of the subject property's rentable apartments were leased at market rent levels, the gross potential residential income would be \$708,300. The subject property's residential contract income reflects 91% of the market rent, indicating moderate upside potential.

RENT ROLL SUMMARY			
Rental Income	Monthly	Annual	psf
Market Rents (fee simple)	\$59,025	\$708,300	\$0.78
Current Rent Roll (leased fee)	\$53,939	\$647,268	\$0.71
Percent (%) of Market Rent	91%		
<b>Potential Rental Income</b>	<b>\$53,939</b>	<b>\$647,268</b>	

\*Excluding Employee Unit

## ANCILLARY INCOME

Typically, apartment properties such as the subject generate additional income from various sources, including tenant reimbursement fees (RUBS), application fees, late fees, pet fees, laundry, forfeited deposits, and storage. This income category can fluctuate due to any number of reasons including rental market, the economy, or increased turnover. The subject's proforma ancillary income is shown in the following table with our forecasted ancillary income which is deemed reasonable based on experience in the submarket:

ANCILLARY INCOME			
	TTM		BBG
Income Item	2022	Budget	Forecast
Fee Income	\$0	\$32,771	\$33,000
Utility Reimbursements	\$0	\$32,771	\$33,000
<b>Total Ancillary Income</b>	<b>\$0</b>	<b>\$65,543</b>	<b>\$66,000</b>

## VACANCY AND COLLECTION LOSS

Stable residential properties typically experience a low vacancy and collection loss. A brief survey of the influencing market has indicated that there is a strong demand for housing among buildings similar to the subject property, with comparable properties experiencing low overall vacancy rates.

CoStar reports vacancy for the overall Lonoke County Multi-Family market decreased to 2.84% in the second quarter 2022. That compares to 4.05% in the first quarter 2022, 3.53% in the fourth quarter 2021, and 2.71% in the third quarter 2021. Additionally, we surveyed a total of 769 apartments within 9 competitive market-rate rental properties in the general vicinity, which exhibited an average occupancy of 97.4%.

In addition to physical vacancy loss and losses attributable to concessions, loss to lease, the subject will also suffer losses due to rental write offs, bad debt, etc. Typically, discounted employee-occupied units are included as a payroll expense, and model units are accounted for in administrative expenses. Investors typically expect credit losses of 1.00% to 3.00% for apartment projects with the lower end of the range representative for Class A communities.

### Conclusion

Based on the preceding overall vacancy rate summaries, and given the current occupancy at the subject, plus investor expectations, a vacancy and collection loss of 6.0% is applied to the apartment income to allow for periodic interim vacancy during lease rollover. Further, a loss of 6.0% was applied on the ancillary income at the site.

VACANCY & COLLECTION LOSS SUMMARY			
Income Type	Annual Income	V/C %	Total
Base Rental Income	\$647,268	6.0%	\$38,836
Ancillary Income	\$66,000	6.0%	\$3,960
<b>Totals/Avg</b>	<b>\$713,268</b>		<b>\$42,796</b>

## EFFECTIVE GROSS INCOME

The summation of the preceding income analysis results in what is commonly referred to as the *effective gross income* (EGI).

EFFECTIVE GROSS INCOME	
Income	Total
Base Rental Income	\$647,268
Ancillary Income	\$66,000
<b>Total Potential Gross Income</b>	<b>\$713,268</b>
Vacancy & Collection Loss	(\$42,796)
<b>Effective Gross Income</b>	<b>\$670,472</b>

## OPERATING EXPENSE ANALYSIS

We analyzed the subject's historical operating expenses and proforma, and that of comparable properties in developing our forecast of operating expenses. We requested a three-year income/expense history from the property contact and were supplied with a trailing 10-month statement dated August 2022 and the proforma for the entire portfolio which was allocated on a per square foot basis.

A summary of historical operations for the subject, as well as our projections, are as follows. Each of the respective expense items is estimated in the following analysis with consideration given to comparable expense data from the local market.

HISTORICAL & PRO FORMA OPERATING ANALYSIS									
	T10MA			Budget			BBG Projection*		
	Total	per Unit	Per SF	Total	per Unit	Per SF	Total	per Unit	Per SF
<b>INCOME</b>									
Base Rental Income	\$669,561	\$7,123	\$5.87	\$952,581	\$10,134	\$8.36	\$647,268	\$6,886	\$5.68
Ancillary Income	\$0	\$0	\$0.00	\$65,543	\$697	\$0.57	\$66,000	\$702	\$0.58
<b>Total Potential Gross Income</b>	\$669,561	\$7,123	\$5.87	\$1,018,123	\$10,831	\$8.93	\$713,268	\$7,588	\$6.26
Vacancy & Collection Loss	\$0	\$0	\$0.00	(\$66,681)	(\$709)	(\$0.58)	(\$42,796)	(\$455)	(\$0.38)
<b>EFFECTIVE GROSS INCOME</b>	\$669,561	\$7,123	\$5.87	\$951,443	\$10,122	\$8.35	\$670,472	\$7,133	\$5.88
<b>OPERATING EXPENSES</b>									
Real Estate Taxes	\$20,891	\$222	\$0.18	\$29,674	\$316	\$0.26	\$33,686	\$358	\$0.30
Insurance	\$18,222	\$194	\$0.16	\$28,747	\$306	\$0.25	\$28,500	\$303	\$0.25
Utilities	\$31,204	\$332	\$0.27	\$36,343	\$387	\$0.32	\$35,250	\$375	\$0.31
Repairs & Maintenance	\$44,248	\$471	\$0.39	\$86,241	\$917	\$0.76	\$70,500	\$750	\$0.62
Management	\$0	\$0	\$0.00	\$28,543	\$304	\$0.25	\$20,114	\$214	\$0.18
Payroll	\$111,409	\$1,185	\$0.98	\$126,486	\$1,346	\$1.11	\$112,800	\$1,200	\$0.99
General Administration	\$6,976	\$74	\$0.06	\$28,747	\$306	\$0.25	\$28,200	\$300	\$0.25
Replacement Reserves	\$0	\$0	\$0.00	\$34,496	\$367	\$0.30	\$23,500	\$250	\$0.21
<b>TOTAL EXPENSES</b>	\$232,952	\$2,478	\$2.04	\$399,277	\$4,248	\$3.50	\$352,550	\$3,751	\$3.09
<b>Total Expenses (minus taxes &amp; res.)</b>	\$212,060	\$2,256	\$1.86	\$335,107	\$3,565	\$2.94	\$295,364	\$3,142	\$2.59
<b>NET OPERATING INCOME</b>	\$436,609	\$4,645	\$3.83	\$552,165	\$5,874	\$4.84	\$317,922	\$3,382	\$2.79

\* Fiscal Year Beginning Nov-22

## COMPARABLE EXPENSE DATA

Each of the respective expense items is projected in consideration of actual historical operations and market data. The following table summarizes the expenses from similar assets in the general vicinity of the subject property. Although an attempt was made to categorize expenses on a similar basis to the subject, the nature of the raw data prevented such in some categories, especially with regard to the level of detail. The management fee for a property is typically based upon a percentage of the EGI, which is denoted separately. Property insurance is also shown on the basis of per square foot of building area, which is shown separately in the table, as follows:

Comparable No.	1			2			3			4		
City, State	1304 E Broadway Avenue Forrest City, AR			43 Warren Drive Little Rock, AR			21 Christopher Place Palestine, AR			Glen at Polo Park Bentonville, AR		
Year Built	16			184			20			356		
No. of Rooms	48.0			552.0			60.0			1,068.0		
Gross Building Area	11,448			162,960			23,500			324,517		
Year Operations	2021			2021			2020			T-4 (Annualized) April-22		
Occupancy	95%			95%			90%			85%		
Type	Apartments			Apartments			Apartments			Apartments		
	Amount	/Unit	/SF	Amount	/Unit	/SF	Amount	/Unit	/SF	Amount	/Unit	/SF
<b>INCOME</b>												
Effective Gross Income	\$102,544	\$6,409	\$8.96	\$1,074,414	\$5,839	\$6.59	\$150,200	\$7,510	\$6.39	\$3,935,604	\$11,055	\$12.13
<b>EXPENSES</b>												
Real Estate Taxes	\$9,588	\$599	\$0.84	\$81,476	\$443	\$0.50	\$16,844	\$842	\$0.72	\$323,292	\$908	\$1.00
Insurance	\$5,255	\$328	\$0.46	\$55,000	\$299	\$0.34	\$2,560	\$128	\$0.11	\$163,479	\$459	\$0.50
Utilities	\$6,450	\$403	\$0.56	\$89,965	\$489	\$0.55	\$2,927	\$146	\$0.12	\$87,557	\$246	\$0.27
per Room		\$134			\$163			\$49			\$82	
Repairs & Maintenance	\$13,654	\$853	\$1.19	\$42,000	\$228	\$0.26	\$12,000	\$600	\$0.51	\$289,629	\$814	\$0.89
Management	\$4,162	\$260	\$0.36	\$40,301	\$219	\$0.25	\$3,500	\$175	\$0.15	\$157,805	\$443	\$0.49
% of EGI		4.1%			3.8%			2.3%			4.0%	
Payroll	\$9,855	\$616	\$0.86	\$150,000	\$815	\$0.92	\$19,020	\$951	\$0.81	\$307,493	\$864	\$0.95
General Administration	\$1,870	\$117	\$0.16	\$19,431	\$106	\$0.12	\$4,020	\$201	\$0.17	\$176,625	\$496	\$0.54
Replacement Reserves	\$2,080	\$130	\$0.18	\$0	\$0	\$0.00	\$0	\$0	\$0.00	\$0	\$0	\$0.00
Total Expenses	\$52,914	\$3,307	\$4.62	\$478,173	\$2,599	\$2.93	\$60,871	\$3,044	\$2.59	\$1,505,880	\$4,230	\$4.64
Expenses (Minus Taxes & Res.)	\$41,246	\$2,578	\$3.60	\$396,697	\$2,156	\$2.43	\$44,027	\$2,201	\$1.87	\$1,182,588	\$3,322	\$3.64
<b>NET OPERATING INCOME</b>	<b>\$49,630</b>			<b>\$596,241</b>			<b>\$89,329</b>			<b>\$2,429,724</b>		
Expense Ratio (Minus Taxes & Res.)		40%			37%			29%			30%	

## EXPENSE PROJECTIONS

The expense projections are based on the subject property's 114,000± sq. ft. of gross building area and 94 apartments.

### Real Estate Taxes

This item covers the cost of ad valorem taxes and special assessments collected by the various taxing authorities described in the Real Property Taxes and Assessment section of this report. As previously discussed, we projected real estate taxes at market levels, which amounted to \$33,686, per annum, or \$358 per unit.

### Insurance

This item covers the cost of fire and extended coverage premiums for the property. Since insurance underwriting parameters are generally based upon square footage of building area rather than the number of units, we have expressed insurance costs in accordance with the market.

INSURANCE (PER SQ.FT.)				
Expense Comps		TTM		BBG
Range	Average	2022	Budget	Forecast
\$0.11–\$0.50	\$0.35	\$0.16	\$0.25	\$0.25

The comparable expense data shows a reasonable range. Thus, balancing the projected proforma and the historical expenses, we have projected an insurance cost of \$0.25 per square foot or \$303 per unit, which is consistent with the historical data and is within the range of the comparable data.

### Operating

The most reliable indicator for utility expenses is the history of the subject. As previously noted, electricity and cooking gas, separately metered and charged to the tenants. Landlord is responsible for heat/hot water, water/sewer, trash, and common area electricity. A portion of the utilities are also reimbursed to the landlord.

Repairs & Maintenance pertains to general upkeep of the property, whereas painting & decorating is specific to the normal turnover costs of units as they are vacated. This expense covers the cost of all routine maintenance and repairs including routine painting, maintenance and repairs to the roof, common areas, equipment maintenance and building supplies. Services also include trash removal, grounds maintenance, snow removal, and extermination.

Some management companies expense items which are normally included as capital costs. In addition, repair and maintenance costs may change from year to year; in some cases, repairs that require attention may be postponed due to cash flow considerations.

OPERATING EXPENSES (PER UNIT)					
Expense Item	Expense Comps		TTM		BBG
	Range	Average	2022	Budget	Forecast
Utilities	\$146–\$489	\$321	\$332	\$387	\$375
Repairs & Maintenance	\$228–\$853	\$624	\$471	\$917	\$750
<b>Total Operating</b>	<b>\$717–\$1,257</b>	<b>\$945</b>	<b>\$803</b>	<b>\$1,304</b>	<b>\$1,125</b>

Our forecast of total operating expenses is \$1,125 per unit, within the comparable range of \$717–\$1,257 per unit and appropriately reflects stabilized operations. Based on the unit sizes, our concluded utility expense equates to \$95 per room.

#### **Administrative**

Administrative expenses are subcategorized into three separate expense items, as shown in the following table. General administrative expenses allow for any expenditure not included in the above categories including advertising, non-recoverable legal, routine engineering, accounting fees, permits and dues, miscellaneous charges, and office expenses.

ADMINISTRATIVE EXPENSES (PER UNIT)					
Expense Item	Expense Comps		TTM		BBG
	Range	Average	2022	Budget	Forecast
Management	\$175–\$443	\$274	\$0	\$304	\$214
Payroll	\$616–\$951	\$811	\$1,185	\$1,346	\$1,200
General Admin.	\$106–\$496	\$230	\$74	\$306	\$300
<b>Total Administration</b>	<b>\$993–\$1,803</b>	<b>\$1,316</b>	<b>\$1,259</b>	<b>\$1,955</b>	<b>\$1,714</b>

As a larger building, payroll covers the maintenance team's costs whose duties include trash, landscape, common area cleaning and general maintenance. For this service a small staff, spending a few hours per week is sufficient. The total payroll expense amounts to \$112,800 or \$1,200 per unit, which reflects staff used to run a property such as the subject. The payroll is similar to the proforma historical operations, and within the range of the comparable data.

Management entails the cost of third-party management of the property. It is not uncommon for multi-family assets similar in size and management responsibilities to be directly managed by ownership. However, a prudent investor would underwrite a market-derived, third party management fee necessary to manage this asset. The market generally commands 2% to 6% of EGI for professional management of a property, depending upon the income levels of the property and the potential of the area. The expense sources are shown as a percentage of effective gross income.

MANAGEMENT FEE (% of EGI)				
Expense Comps		TTM	BBG	
Range	Average	2022	Budget	Forecast
2.3%–4.1%	3.5%	0.0%	3.0%	3.0%

### Replacement Reserves

Replacement reserves are costs set aside for the short to long-lived recurring systems and components that do not require attention at this time but should be annually budgeted for in advance. These items are those such as kitchen appliances and bathroom fixtures, mechanical and electrical systems, and renovations to the lobby and other common areas. The comparable expenses did not provide data for this expense, which is typical to the marketplace; often, owners pay this expense as it occurs and incorporate it as a miscellaneous expense. However, prudent management would set aside a replacement reserve fund and, thus, it must be included in any projection. The following table summarizes reserves expense expectations by investor category, as published in the PwC Real Estate Investor Survey for the National Apartment Market:

RESERVES FOR REPLACEMENT		
Survey/Investment Type	Range (Per Unit)	Average
PwC Real Estate Investor Survey (3Q22)		
Apartment	\$200 - \$700	\$345
<b>Indicated Reserves for Replacement:</b>	<b>\$200 - \$700</b>	<b>\$345</b>

Considering the age and condition of the subject property, the replacement reserves expense is deemed appropriate to reflect stabilized operations, which is within range of the survey.

RESERVES FOR REPLACEMENT	
BBG Forecast	
Per Unit	\$250

### TOTAL EXPENSES

For all expenses, we relied upon the subject's actual operating history and market data. In order to provide a more equitable basis of comparison, taxes and reserves are excluded from the comparable properties and the subject.

EXPENSE COMPARISON *			
Source	\$/SF	\$/Unit	Expense Ratio
<b>Expense Comps</b>	\$1.87–\$3.64	\$2,156–\$3,322	29.3%–40.2%
Average	\$2.89	\$2,564	34.1%
TTM 2022	\$1.86	\$2,256	31.7%
Budget	\$2.94	\$3,565	35.2%
<b>Forecast</b>	<b>\$2.59</b>	<b>\$3,142</b>	<b>44.1%</b>

\* Taxes and replacement reserves are excluded as basis of comparison.

Operating expenses exclusive of real estate taxes and reserves were forecasted at \$2.59 per square foot and \$3,142 per unit. Excluding real estate taxes and reserves, the comparable expenses ranged from \$1.87 to \$3.64 per square foot and from \$2,156 to \$3,322 per unit. The total concluded expenses for the subject fall within the ranges of the comparable expenses, thus will be applied in our analysis.



## NET OPERATING INCOME

Following is a summary of the income and expense projections for the subject as of the date of valuation, November 1, 2022, which is a summation of the preceding analysis. The subject property is operating at stabilized occupancy and is realizing a positive net operating income.

DIRECT CAPITALIZATION				
Income	FY Nov-22			
Base Rental Income	\$647,268			
Ancillary Income	\$66,000			
<b>Total Potential Gross Income</b>	<b>\$713,268</b>			
Vacancy & Collection Loss	(\$42,796)			
<b>Effective Gross Income</b>	<b>\$670,472</b>			
Operating Expenses	Total	\$/Unit	\$/SF	as % of EGI
Real Estate Taxes	\$33,686	\$358	\$0.30	5.0%
Insurance	\$28,500	\$303	\$0.25	4.3%
Utilities	\$35,250	\$375	\$0.31	5.3%
Repairs & Maintenance	\$70,500	\$750	\$0.62	10.5%
Management (3.0%)	\$20,114	\$214	\$0.18	3.0%
Payroll	\$112,800	\$1,200	\$0.99	16.8%
General Administration	\$28,200	\$300	\$0.25	4.2%
Replacement Reserves	\$23,500	\$250	\$0.21	3.5%
<b>Total Expenses</b>	<b>\$352,550</b>	<b>\$3,751</b>	<b>\$3.09</b>	<b>52.6%</b>
<b>NET OPERATING INCOME (NOI)</b>	<b>\$317,922</b>	<b>\$3,382</b>	<b>\$2.79</b>	

## VALUE BY DIRECT CAPITALIZATION

Capitalization is the process of converting a net income stream into an indication of value. This approach to valuation can be accomplished by: (1) by dividing a single year's net operating income by an appropriate overall capitalization rate, i.e., Direct Capitalization; or (2) by discounting to present value a net income stream and property reversion over a projected holding period, i.e., Discounted Cash Flow Analysis. Since no single income or expense item is expected to fluctuate significantly in future operations, the Discounted Cash Flow Analysis is not employed.

The selection of the most appropriate overall capitalization rate ( $R_o$ ) in Direct Capitalization can be accomplished by several methods.

## DERIVATION OF OAR

Overall Capitalization Rates can be estimated with various techniques, depending upon the quality and quantity of data available. This appraisal will consider the following techniques: (a) investor surveys, (B) derivation from comparable sales, and (c) the band of investment (aka the mortgage equity formula).

## INVESTOR SURVEYS

INVESTOR SURVEYS		
Survey/Investment Type	OAR Range	Average
PwC Real Estate Investor Survey (3Q22)		
Apartment	3.00% - 7.00%	4.45%
Situs RERC Real Estate (2Q22)		
Apartment	3.40% - 5.50%	4.10%
Realtyrates.com Investor Survey (3Q22)		
Apartments	4.37% - 11.77%	7.96%
<b>Indicated OAR:</b>	<b>3.00% - 11.77%</b>	<b>5.50%</b>

The real estate and investor surveys provide capitalization rates which range for the national apartment market from 3.00% to 11.77% and an average of 5.50%. The subject property represents a Class C property within the St Francis County area. The subject is not considered to be an investment grade property (as compared to the national survey which includes much larger properties with a greater investor pool). However, based upon our interviews of market participants, this property would appeal strongly to local and regional investors. Thus, the subject warrants a capitalization rate within the reported range of investor surveys. It should be noted that the survey data represents a cross-section of institutional investment-grade assets. As such, this appraisal placed minimal emphasis on the investor surveys.

## MARKET PARTICIPANTS

We surveyed local market participants to assist us in our advance an opinion of the going-in capitalization rates for similar quality, multifamily projects in the St Francis County, Arkansas region.

Overall, our survey respondent put the range of OAR's between 5.50% - 7.50% with the low end being a well located, recently renovated free-market properties with excellent features/quality and facilities, and the upper end of the range being required for an older property suffering from notable deferred maintenance / functional obsolescence and in a secondary / peripheral location, yielding less immediate upside rent potential and requiring significant capital expenditure to modernize and reposition.

In general, describing (while preserving confidentiality) the characteristics of the subject property, the consensus was this is a "average/good" asset in terms of quality and in an "average" location to many competing properties. Balancing these factors, the consensus was a 5.25% capitalization rate would be reasonable, considering the subject's quality and location within the area.

## MARKET DERIVATION FROM COMPARABLE SALES

Extracting a capitalization rate from comparable sales is the preferred technique when sufficient data of similar, competitive properties are available. The indicated OAR is calculated by dividing the forecasted net operating income by the sale price. We analyzed sales of comparable apartment assets within the subject's influencing market as well as competitive metropolitan regions of St Francis County. The following table summarized capitalization rates extracted from the comparable sales transactions.

CAPITALIZATION RATE SUMMARY				
No.	Property / Location	Date of Sale	Year Built	Capitalization Rate
1	1085 Holiday Drive	Jan-22	2003	6.13%
2	3719 Stadium Boulevard	Sep-21	2000	5.34%
3	1515 Aggie Road	Sep-21	1998	5.70%
4	3700 South Caraway Road	Aug-21	2006	N/A
5	840 East Main Street	Nov-20	1975	9.00%
SUPPLEMENTAL CAPITALIZATION RATE COMPARABLES				
7	1906 West Matthews Avenue, Jonesboro, AR	Jul-22	1977	6.35%
8	123-131 N Bingham Street, Memphis, TN	Feb-22	1965	5.83%
9	2500 Kavanaugh Blvd, Little Rock, AR	Jul-21	1920	5.17%
Low				5.17%
High				9.00%
Median				5.83%
Average				6.22%

## MORTGAGE COMPONENT

A survey of active lenders in the subject property's influencing market indicates that 25-year and 30-year mortgage commitments are typically 100 to 300 basis points above 10-year treasuries. Some lenders surveyed, but not limited to, were Greystone, Capital One, Berkadia, Arbor and the Community Preservation Corporation.

SURVEY OF COMPETITIVE RATES	
Type	Rate (%)
Federal Funds Rate	3.83%
Prime Rate	7.00%
10-Year Treasury Bond	3.67%
30-Year Treasury Bond	3.85%
10-Year Corporate Bonds (AAA)	5.10%
10-Year Corporate Bonds (BAA)	6.26%
30-Year Municipal Bonds	3.66%
Source: Federal Reserve Statistical Release	
Nov-22	

Inasmuch as a stabilized income pro forma is expressed in constant dollars, an equity divided rate will be applied. The consensus of those actively engaged in the marketplace for apartment buildings is that Year 1 equity rates of return (based upon forecasting techniques and assumptions similar to those utilized herein) fall within a broad range, depending on numerous risk factors, including location, physical characteristics, degree of growth forecasted for income and expenses, amount of equity investment required and type of investment.

Applying an appropriate equity dividend rate to the mortgage equity technique is an integral part of the valuation process. As previously stated, the equity rate of return is sensitive to the risk associated with the property, whether it be location, income flows, functional or physical obsolescence, and most important of all, the economic climate.

## EQUITY COMPONENT

The subject property is a stable product and well located within the influencing area. The asset is nearby to public transportation options and proximate to a myriad of employers as well as neighboring retail and commercial

services. Based on our discussions with market participants from multiple brokerages, equity dividend rates for multifamily real estate investments typically range from 3.00% to 15.00%, depending on the above noted factors.

As support for our equity dividend factor, we have extracted this rate from a sample-set of comparable sales, as follows via utilizing a market-based interest rate, estimated at 5.75% to 6.50%, which has remained relatively constant over the sales period:

EQUITY COMPONENT					
	#1	#2	#3	#4	#5
Interest Rate	6.00%	5.75%	6.25%	6.00%	6.50%
Loan to Value (%)	80%	75%	75%	75%	75%
Mortgage Constant	0.0716	0.0697	0.0735	0.0716	0.0755
Cost of Mortgage Funds Component	5.73%	5.23%	5.52%	5.37%	5.66%
Equity % of Capitalization	20%	25%	25%	25%	25%
Cap Rate	6.13%	5.34%	5.70%	N/A	9.00%
<b>Implied Equity Dividend Rate</b>	<b>2.03%</b>	<b>0.47%</b>	<b>0.74%</b>	<b>N/A</b>	<b>13.35%</b>

Based on the preceding factors, with emphasis on the subject's location and lack of available land/development sites to increase supply, an equity dividend rate of 0.75% has been applied.

This is within the projected mortgage constant based upon the moderate demand for multifamily investments in the subject's area of Forrest City as well as the anticipated increases in market rents, and therefore cash flow over a typical holding period.

## BAND OF INVESTMENT

The band of investment technique is utilized as a check for reasonableness with respect to the extracted market indications. The band of investment represents the build-up of a capitalization rate by using a weighted average return to the equity and the debt. Typical market loan parameters for a property such as the subject would likely entail an 75% loan-to-value at an annual interest rate of about 6.00%. The amortization period for this loan is 30 years. Based upon a 6.00% interest rate (payable monthly), the resultant mortgage constant is 0.07195.

The following table indicates the cap rate employing the assumptions indicated above, and a typical investor equity return of around 0.75% .

BAND OF INVESTMENT		
Loan Parameters		
Loan-to-Value (LTV)		75%
Amortization Period (yrs)		30
Interest Rate		6.00%
Mortgage Constant		0.07195
Equity Dividend Rate		0.75%
Calculation		
0.75 LTV	x 0.07195 Mortgage Constant =	0.05396
0.25 Equity	x 0.00750 Equity Dividend Rate =	0.00188
<b>Capitalization Rate</b>		<b>5.58%</b>

## CONCLUDED OVERALL RATE

The summary of the capitalization rate and conclusion is below:

SUMMARY OF CAPITALIZATION RATE AND CONCLUSION	
Method	Capitalization Rate
Market Extraction	5.17% - 9.00%
Market Participants	5.50% - 7.50%
Investor Surveys (Avg.)	5.50%
Band of Investment	5.58%
<b>Primary Weight</b>	<b>Market Extraction</b>
<b>Secondary Weight</b>	<b>Band of Investment</b>
<b>Capitalization Rate Conclusion</b>	<b>5.25%</b>

Overall capitalization rates are influenced by numerous factors, of which the most influential are: investors' perception of risk, the potential for net income growth, and the market for competitive assets. As indicated by the local comparable sales, assets in the submarket tend to trade for going-in returns near the middle of the national range.

Due to some vagaries of income, cap rates can fluctuate. Balancing location, quality and upside, properties capturing higher NOI typically capture an OAR at the upper end of the range, vice versa. Therefore, in developing our opinion of a reasonable cap rate for the subject, we have given consideration to income, condition, and location. The residential contract rent is 91% of market rate, which indicates a lesser disparity between market and contract rent. Further, the subject is in average/good condition and has been well maintained, thus the risk of requiring additional capital expenditure in order for the subject to continue to compete well within the influencing area is minimal. As noted, approximately \$3,550,000 was recently spent on renovations portfolio-wide, with roughly half the units in the portfolio upgraded. Lastly, with regards to location, the property is well located within the Forrest City neighborhood, which has seen significant investment over the past 5 to 10 years.

Further, the overall Forrest City market area is improving on an economic basis but is challenged by a lack of new inventory being brought to market. The growing gap will allow for the subject to capitalize and meet this demand for well-maintained properties as inflation continues to make new development projects unfeasible. Thus, based upon the range of overall rates suggested by comparable sales, we reconciled an overall capitalization rate of 5.25% which is appropriate for the subject property considering we accounted for the risk of reassessment and projected the taxes at market levels.

Based on the preceding, it is our view an investor would accept a relatively average OAR with the expectation the rents and asset values will appreciate as the Forrest City area continues to improve.

Typically, most weight is placed on the rates derived from sources most closely associated with the subject's immediate market, that is, comparable sales, particularly if the comparable sales have a similar risk profile to the subject property. Thus, based upon the range of overall rates suggested by comparable sales, we reconciled an overall capitalization rate of 5.25% which is appropriate for the subject property.

## ADJUSTMENTS TO VALUE

Moreover, the subject currently has 18 vacant units. Considering the previous renovations and inspection pictures we have applied make ready costs to the subject's vacant units. The rent loss over a projected three-month lease-up period with 50% of the PGI taken as a collection loss with the projected make ready costs are summarized:

RESIDENTIAL RENT LOSS & MAKE READY COSTS	
Residential PGI	\$22,500
Residential PGI per Month	\$1,875
Collection Loss of PGI (50%)	\$938
Months of Rent Loss	3
Total Residential Rent Loss	\$2,813
Number of Vacant Units	2
Make Ready Costs (\$/Unit)	\$5,000
Total Make Ready Costs	\$10,000
<b>Total Rent Loss and Make Ready Costs</b>	<b>\$12,813</b>

### VALUE INDICATION FROM DIRECT CAPITALIZATION

An opinion of market value is indicated by the Direct Capitalization Method by dividing the net operating income (NOI), derived earlier in this section by the appropriate capitalization rate. Our conclusion via the Direct Capitalization Method is as follows, as previously discussed.

DIRECT CAPITALIZATION METHOD VALUE CONCLUSION			
<b>NET OPERATING INCOME</b>	<b>\$317,922</b>	<b>\$3,382</b>	<b>\$2.79</b>
<b>OAR</b>	<b>Value</b>	<b>\$/Unit</b>	<b>\$/SF</b>
Based on Most Probable Rate of 5.25%	\$6,055,648	\$64,422	\$53.12
<b>Reconciled Value</b>	<b>\$6,055,648</b>	<b>\$64,422</b>	<b>\$53.12</b>
<i>Less: Rent Loss and Make Ready Costs</i>	<u>(\$12,813)</u>	<u>(\$136)</u>	<u>(\$0.11)</u>
<b>Final Indicated Value</b>	<b>\$6,042,836</b>	<b>\$64,285</b>	<b>\$53.01</b>
<b>Rounded to nearest \$50,000</b>	<b>\$6,050,000</b>	<b>\$64,362</b>	<b>\$53.07</b>

# SALES COMPARISON APPROACH

## METHODOLOGY

In the Sales Comparison Approach, we developed an opinion of value by comparing the subject property with similar, recently sold properties in the surrounding or competing area. Inherent in this approach is the principle of substitution, which states that when a property is replaceable in the market, its value tends to be set at the cost of acquiring an equally desirable substitute property, assuming that no costly delay is encountered in making the substitution.

By analyzing sales that qualify as arm's-length transactions between willing and knowledgeable buyers and sellers, we can identify value and price trends. The basic steps of this approach are:

- Research recent, relevant property sales and current offerings throughout the competitive area;
- Select and analyze properties that are similar to the property appraised, analyzing changes in economic conditions that may have occurred between the sale date and the date of value, and other physical, functional, or locational factors;
- Identify sales that include favorable financing and calculate the cash equivalent price;
- Reduce the sale prices to a common unit of comparison such as price per dwelling unit or per square foot;
- Make appropriate comparative adjustments to the prices of the comparable properties to relate them to the property being appraised; and
- Interpret the adjusted sales data and draw a logical value conclusion.

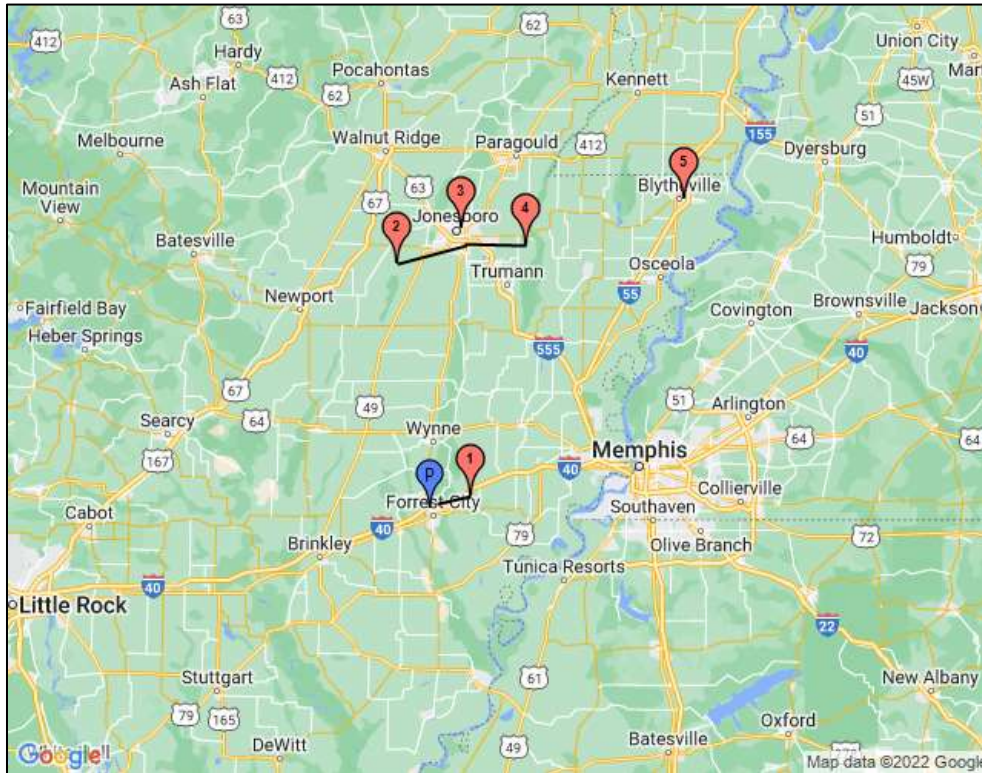
The most widely used and market-oriented unit of comparison for multifamily buildings such as the subject is the sales price per unit. All comparable sales were analyzed on this basis. On the following pages, we present a summary of the improved properties that we compared to the subject property, a map showing their locations, and the adjustment process.

In advancing a direct competitive set of sales, we emphasize that there has been minimal sales activity throughout the influencing area in 2022. We reviewed transactional data for the immediate neighborhood and did not uncover any additional sales of assets which would compete in terms of physical condition and appeal. As a result, we expanded our search to sales dating back to 2020 & 2021 as well as nearby similar areas. Cognizant of differing rents, appreciation in the market and overall investment demand in other areas, we have accounted for these differences in the following sales comparison approach.

Due to the nature of the subject property and the level of detail available for the comparable data, we have elected to analyze the comparable sales through application of a traditional adjustment grid utilizing percentage adjustments.



## COMPARABLE IMPROVED SALES MAP



SUMMARY OF IMPROVED SALES								
No.	Property / Location	Date of Sale	Distance (Miles)	Year Built	Bldg. Size (SF Gross)	No. Units	Sale Price \$/Unit \$/SF	Overall Rate
1	Apartment 1085 Holiday Drive Forrest City, AR	Jan-22	1.5	2003	129,640	132	\$5,271,580 \$39,936 \$41	6.13%
2	DLP Jonesboro 3719 Stadium Boulevard Jonesboro, AR	Sep-21	53.1	2000	181,480	200	\$16,350,000 \$81,750 \$90	5.34%
3	Williamsburg Apartments 1515 Aggie Road Jonesboro, AR	Sep-21	56.5	1998	80,000	90	\$6,857,253 \$76,192 \$86	5.70%
4	The Meadows 3700 South Caraway Road Jonesboro, AR	Aug-21	53.5	2006	166,200	208	\$16,373,910 \$78,721 \$99	N/A
5	Apartment 840 East Main Street Blytheville, AR	Nov-20	80.4	1975	30,000	28	\$1,315,000 \$46,964 \$44	9.00%
Subj.	Carriage House 2226 Merrill Drive Forrest City, Arkansas		----	1978	114,000	94	-----	5.25%

## **ADJUSTMENT PROCESS**

The sales that we have utilized represent the best available information that could be compared to the subject property. The major elements of comparison for an analysis of this type include the property rights conveyed, the financial terms incorporated into a particular transaction, the conditions or motivations surrounding the sale, changes in market conditions since the sale, the location of the real estate, its physical traits and the economic characteristics of the property.

### **PROPERTY RIGHTS CONVEYED**

This adjustment accounts for any impact that the property rights transferred to the buyer may have on sale price. For leased fee properties, the length of leases in place and the relationship of market to contract rent could impact value. Some properties may have stronger appeal to an owner-user or an investor, resulting in a premium or discount associated with fee simple property rights. The subject and comparable sales are transactions of the leased fee interest. Thus, no adjustments were necessary.

### **FINANCING**

The purpose of adjusting for financing terms is to determine cash equivalent sale prices for the comparable sales in accordance with the definition of market value for this report. Most of the sales were reportedly sold all cash to the seller or financed at market rates by a disinterested third party, however, sale 2 was a debt assumption and warrants an upwards adjustment.

### **TERMS/CONDITIONS OF SALE**

Adjustments for condition of sale refers to the motivations of the buyer and seller involved in a particular transaction. Most comparable sales appear to be arm's length transactions thus, no adjustments were necessary.

### **EXPENDITURES AFTER SALE**

In order to arrive at the effective sale price, the actual sale price of each comparable is adjusted to account for any expenditures planned by the buyer immediately after sale, such as capital expenditures, cost to cure deferred maintenance, or lease-up costs. All of the comparable sales were considered similar to the subject thus no adjustments were made.

### **MARKET CONDITIONS**

This adjustment category accounts for differences in economic conditions between the effective date of appraisal and the transaction date of the comparable, such as may be caused by changing supply and demand factors, rental rates, vacancy rates, and/or capitalization rates.

Sale 5 sold with inferior market conditions in the height of the Covid-19 pandemic and required an upwards adjustment. No further adjustments were necessary.

### **LOCATION**

The appeal of a property's location to users of and/or investors in a particular property type can influence value significantly. This factor broadly considers the impact of demographics, geographical attributes, access to transportation networks and/or employment centers and local land use trends on pricing. Comparisons of location can often be derived, or even quantified, by examining rent, vacancy, capitalization rate, and land value trends in the subject and directly competitive areas.

All sales sold in similar locations thus, no adjustments are warranted due to location.

**ECONOMICS/TENANCY**

The quality of a property's tenancy at the time of sale for investment properties plays a substantial role in a property's sale price. Economic characteristics include the attributes of a property that directly affect its income. This element of comparison is usually applied to income producing properties. Characteristics that affect a multifamily property's income includes operating expenses, such as fuel costs, tenant mix, including rent regulated apartments, real estate taxes and ancillary income, including amenity/parking income.

The subject property currently has a projected NOI per unit of \$3,382. Most of the sales are experiencing similar levels of NOI per unit however, sale 1 exhibits lower levels of NOI per unit and requires an upwards adjustment.

**PROJECT SIZE - UNITS**

Normally, all other characteristics being equal, the per square foot / per unit value of a property is affected by its size. Building size and price per square foot / per unit typically have an inverse relationship. Larger buildings tend to achieve lower pricing on a per sq. ft. / per unit basis due to their economies of scale, and smaller pool of prospective buyers.

Sales 2 and 4 are larger assets thus required upwards adjustments. No further adjustments were necessary.

**AVERAGE UNIT SIZE**

This adjustment accounts for the difference in average unit size between each of the comparable sales and the subject property. Since larger units generate higher income levels, properties with a larger average unit size tend to sell at a higher price per unit and vice versa.

Although the comparable sales have varying average unit types, the subject and most of the comparable sales are within a reasonable size range. Sale 5 exhibits larger average unit sizes and warrants a downwards adjustment.

**CONDITION/QUALITY**

This adjustment reflects variations in the building features and condition of the comparable sales relative to the subject property. Physical differences may include different quality and type of construction, architectural style, building materials, age, condition. Older properties that have been well maintained could be considered to be in better condition than newer properties that have not been well maintained or that have incurred deferred maintenance.

The comparable sales were built from 1975 to 2006, while the subject was built in 1978. Considering the recent renovations across the portfolio, all of the comparable sales are considered to be in relatively similar condition to the subject property. Thus, no adjustments were necessary.

**UTILITY**

This adjustment recognizes differences for market appeal amongst properties. This may include differences between mid-rise properties vs. high-rise properties, views, design and layout of each comparable as compared to the subject property. Further, site/unit amenities are also a contributory factor in this adjustment as properties with significant amenities generally achieve slightly higher rents which translates into higher value contribution to the property.

Sale 5 represents a multi-family apartment projects with similar finishes but does not offer a pool and warrants an upwards adjustments accordingly. Sales 1, 2, 3 and 4 offer superior amenity packages with on-site fitness centers and in-unit laundry appliances respectively and warrant downwards adjustments. No further adjustments were necessary.

## SUMMARY OF ADJUSTMENTS

COMPARABLE SALE SUMMARIES AND ADJUSTMENTS						
	Subject	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5
Property / Location	Carriage House 2226 Merrill Drive Forrest City, Arkansas	Apartment 1085 Holiday Drive Forrest City, AR	DLP Jonesboro 3719 Stadium Boulevard Jonesboro, AR	Williamsburg Apartments 1515 Aggie Road Jonesboro, AR	The Meadows 3700 South Caraway Road Jonesboro, AR	Apartment 840 East Main Street Blytheville, AR
Date of Sale	Jan-00	Jan-22	Sep-21	Sep-21	Aug-21	Nov-20
Year Built	1978	2003	2000	1998	2006	1975
Bldg. Size (SF Gross)	114,000	129,640	181,480	80,000	166,200	30,000
No. Units	94	132	200	90	208	28
Occup.	98%	100%	93%	93%		91%
Sale Price	-----	\$5,271,580	\$16,350,000	\$6,857,253	\$16,373,910	\$1,315,000
NOI per Unit	\$3,382	\$2,449	\$4,368	\$4,343	\$0	\$4,227
Overall Rate	5.25%	6.13%	5.34%	5.70%	N/A	9.00%
Unadjusted Price (\$ per Unit)	-----	\$39,936	\$81,750	\$76,192	\$78,721	\$46,964
Transactional Adjustments						
Property Rights Conveyed	<i>Leased Fee</i>	<i>Leased Fee</i>	<i>Leased Fee</i>	<i>Leased Fee</i>	<i>Leased Fee</i>	<i>Leased Fee</i>
Adjustment		0%	0%	0%	0%	0%
Financing	<i>Assumed Cash</i>	<i>Similar</i>	<i>Debt Assumption</i>	<i>Similar</i>	<i>Similar</i>	<i>Similar</i>
Adjustment		0%	12%	0%	0%	0%
Terms/Conditions of Sale	<i>At Market</i>	<i>Similar</i>	<i>Similar</i>	<i>Similar</i>	<i>Similar</i>	<i>Similar</i>
Adjustment		0%	0%	0%	0%	0%
Expenditures After Sale	<i>None</i>	<i>Similar</i>	<i>Similar</i>	<i>Similar</i>	<i>Similar</i>	<i>Similar</i>
Adjustment		0%	0%	0%	0%	0%
Market Conditions	<i>Nov-22</i>	<i>Jan-22</i>	<i>Sep-21</i>	<i>Sep-21</i>	<i>Aug-21</i>	<i>Nov-20</i>
Adjustment		0%	0%	0%	0%	5%
Total Transactional Adjustment		0%	12%	0%	0%	5%
Adjusted Price (\$ per Unit)		\$39,936	\$91,250	\$76,192	\$78,721	\$49,313
Property Adjustments						
	<i>Average</i>	<i>Similar</i>	<i>Similar</i>	<i>Similar</i>	<i>Similar</i>	<i>Similar</i>
Location		0%	0%	0%	0%	0%
NOI per Unit	\$3,382	\$2,449	\$4,368	\$4,343	N/A	\$4,227
Economics/Tenancy		5%	0%	0%	0%	0%
Project Size - Units	94	132	200	90	208	28
		0%	5%	0%	5%	0%
Average Unit Size (SF)	803	949	899	796	799	1,050
		0%	0%	0%	0%	-5%
Condition/Quality	<i>Average/Good</i>	<i>Average/Good</i>	<i>Average</i>	<i>Average</i>	<i>Average</i>	<i>Average</i>
		0%	0%	0%	0%	0%
Utility	<i>Average</i> <i>Walk-Up</i>	<i>Superior</i>	<i>Superior</i>	<i>Superior</i>	<i>Superior</i>	<i>Inferior</i>
		-5%	-5%	-5%	-5%	5%
Total Property Adjustments		0%	0%	-5%	0%	0%
Indication for Subject:		\$39,936	\$91,250	\$72,382	\$78,721	\$49,313

## CONCLUSION OF SALES COMPARISON APPROACH

All adjustments are percentages. A positive adjustment indicates an inferior characteristic to the subject. A negative adjustment indicates a superior characteristic to the subject.

<b>SALES SUMMARY</b>	<b>Unadjusted</b>	<b>Adjusted</b>
Minimum	\$39,936	\$39,936
Maximum	\$81,750	\$91,250
Average	\$64,713	\$66,320

The comparable set is a strong representative of the asset. The sales presented and analyzed represent a cross-section of market activity for similar assets in the submarket. Based on this analysis and recognition of the elasticity of per unit prices for assets with similar physical and economic characteristics, we have ascribed a value of \$65,000 per unit to the subject property.

## VALUE CONCLUSION

The value via the Sales Comparison Approach is illustrated in the following table, calculated:

<b>SALES COMPARISON APPROACH VALUE CONCLUSION - AS IS</b>	
Indicated Value Per Unit	\$65,000
No. Units	x 94
<b>Indicated Value</b>	<b>\$6,110,000</b>
<i>Less: Rent Loss and Make Ready Costs</i>	<i>(\$12,813)</i>
<b>Final Indicated Value</b>	<b>\$6,097,188</b>
<b>Rounded to nearest \$50,000</b>	<b>\$6,100,000</b>
<b>Per Unit</b>	<b>\$64,894</b>

# RECONCILIATION

## SUMMARY OF VALUE INDICATIONS

VALUE INDICATIONS			
As Is as of November 1, 2022			
Sales Comparison Approach	\$6,100,000	\$64,894	Per Dwelling Unit
Income Capitalization Approach			
Direct Capitalization	\$6,050,000	\$64,362	Per Dwelling Unit
Approach Reliance	Direct Capitalization		
Value Conclusion - As Is	\$6,050,000	\$64,362	Per Dwelling Unit
Insurable Value	\$13,100,000		

The **Cost Approach** is generally reliable for newer properties that have not been impacted by a significant level of accrued depreciation. Since the property was originally constructed in 1978, incurable depreciation has begun to accrue to consequential levels. Thus, the cost approach has not been applied as a result of its age and condition. The omission of the Cost Approach does not reduce the reliability or credibility of the appraisal report.

The **Income Capitalization Approach** is a good indicator of value when market rents, stabilized expenses, capitalization rates, discount rates and vacancy rates are based on reliable market data. For our analysis, income and expenses were derived from actual and market figures and were considered reliable. Vacancy rates were based on a neighborhood survey and were reflective of market demand for the subject property. The capitalization and discount rates were derived from reliable market surveys of investor criteria. For our valuation of the subject property as a rental building, we have concluded at the value indicated by the Income Approach.

The **Sales Comparison Approach** is reliable when few differences exist between the comparable sales and the subject, and the sales data collected is credible and accurate. Similar property types in competitive locations tend to sell within a consistent range, and this factor makes valuation on a per unit basis a strong indicator of value.

The sales used to advance an opinion of value of the subject property were comparable in most respects and were good indicators of value. However, given the physical and/or locational differences of the comparables, required adjustments were made accordingly. Thus, since the quantitative adjustments were largely drawn from elements of the Income Capitalization Approach, investors give this analysis less weight. Therefore, the Sales Comparison Approach is largely used as secondary support for our opinion developed in the application of the Income Approach.

## FINAL OPINION OF VALUE

Based on our inspection of the property, the investigation and the analysis undertaken, subject to the assumptions and limiting conditions, certifications, we have developed the following value opinion(s).

MARKET VALUE CONCLUSION(S)			
Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
As Is	Leased Fee	November 1, 2022	\$6,050,000

## **MARKETING TIME AND EXPOSURE TIME**

We believe the concluded market value for the subject property is consistent with an anticipated marketing time and exposure time of 12 months, or less. Our opinion of value is consistent with recent sales and the return parameters are considered adequate to generate investor interest in the property. Our estimate is reasonably consistent with historic exposure times, and is considered a reasonable estimate of the exposure time for the subject. Additionally, a time of 12 months, or less is typically quoted as an adequate marketing time by area brokers, given proper pricing and an adequate commitment to marketing. Furthermore, market conditions are not expected to change dramatically in the short term, so a marketing time equal to the historic exposure time is considered a reasonable expectation. Based on these factors, our conclusion of 12 months, or less for an adequate marketing time and exposure time is considered reasonable.



## EXHIBITS AND ADDENDA

## INSURABLE VALUE

Insurable Value is directly related to the portion of the real estate which is covered under the asset's insurance policy. We have based this opinion on the building's replacement cost new (RCN) which has no direct correlation with its actual market value. The replacement cost new is the total construction cost of a new building built using modern technology, materials, standards and design, but built to the same specifications of and with the same utility as the building being appraised. For insurance purposes, replacement cost new includes all direct costs necessary to construct the building improvements. Items which are not considered include land value, site improvements, indirect costs, accrued depreciation and entrepreneurial profit. To develop an opinion of insurable value, exclusions for below-grade foundations and architectural fees must be deducted from replacement cost new. We developed an opinion of replacement cost new by using the Calculator Cost Method developed by Marshall Valuation Service, a nationally recognized cost estimating company which estimates construction costs for all types of improvements. Marshall Valuation Service revises its cost factors monthly and adjusts them to reflect regional and local cost variations.

2226 Merrill Drive			
Apartments - Section 11, Page 18, Class C Average, manual dated November 2020.			
Base Unit Cost New PSF			\$102.00
Adjusted Base Unit Cost New PSF			\$102.00
Current Cost Multiplier	1.34		
Height Multiplier	1.00		
Local Multiplier	x 0.93		
Total Multiplier		x 1.25	
Adjusted Replacement Cost New PSF			\$127.11
Area		x 114,000	
Replacement Cost New			\$14,490,814
<b>Total Replacement Cost New</b>			<b>\$14,490,814</b>
<b>Exclusions</b>			
Foundations	3.30%		\$478,197
Architect's Fees	6.40%		\$927,412
<b>TOTAL EXCLUSIONS</b>	<b>9.70%</b>		<b>\$1,405,609</b>
Indicated Insurable Value			\$13,085,205
<b>Rounded:</b>			<b>\$13,100,000</b>

The opinion of insurable value is included at the request of the client and has not been performed by a qualified insurance agent or risk management underwriter. This cost estimate should not be solely relied upon for insurable value purposes. The appraisers are not familiar with the definition of insurable value from the insurance provider, the local governmental underwriting regulations, or the types of insurance coverage available. These factors can impact cost estimates and are beyond the scope of the intended use of this appraisal. The appraisers are not cost experts in cost estimating for insurance purposes.

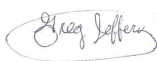
## CERTIFICATION

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

- 1 The statements of fact contained in this report are true and correct.
- 2 The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- 3 We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved with this assignment.
- 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 was not contingent upon developing or reporting 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 This appraisal assignment was not based upon a requested minimum valuation, a specific valuation, or the approval of a loan.
- 8 Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice, as well as the requirements of the state of Arkansas.
- 9 The reported analyses, opinions, and Value Indications were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics, the Standards of Professional Practice of the Appraisal Institute.
- 10 The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- 11 As of the date of this report, Matthew DeBlasio has completed the Standards and Ethics Education Requirements for Candidates of the Appraisal Institute.
- 12 Matthew DeBlasio has not and Gregory Jeffery has made a personal inspection of the property that is the subject of this report.
- 13 Brandon Tannenbaum and Lindsey Rothenberg provided significant real property appraisal assistance to the person signing this certification.
- 14 Matthew DeBlasio has and Gregory Jeffery has provided services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.



Matthew DeBlasio  
Director  
Temporary License #: CG-4943  
Ph: 646-923-9191  
Email: mdeblasio@bbgres.com



Gregory Jeffery  
Director  
License #: CG 1419  
Ph: 501-409-1901  
Email: gjeffery@bbgres.com

## STANDARD ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal report has been made with the following general assumptions:

- 1) Notwithstanding that Appraiser may comment on, analyze or assume certain conditions in the appraisal, BBG, Inc. shall have no monetary liability or responsibility for alleged claims or damages pertaining to: (a) title defects, liens or encumbrances affecting the property; (b) the property's compliance with local, state or federal zoning, planning, building, disability access and environmental laws, regulations and standards; (c) building permits and planning approvals for improvements on the property; (d) structural or mechanical soundness or safety; (e) contamination, mold, pollution, storage tanks, animal infestations or other hazardous conditions affecting the property; and (f) other conditions and matters for which licensed real estate appraisers are not customarily deemed to have professional expertise. Accordingly:
  - a) The Appraiser has not conducted any engineering or architectural surveys in connection with this appraisal assignment. Information reported pertaining to dimensions, sizes, and areas is either based on measurements taken by the Appraiser or the Appraiser's staff or was obtained or taken from referenced sources and is considered reliable. The Appraiser and BBG, Inc. shall not be monetarily liable or responsible for or assume the costs of preparation or arrangement of geotechnical engineering, architectural, or other types of studies, surveys, or inspections that require the expertise of a qualified professional.
  - b) Unless otherwise stated in the report, only the real property is considered, so no consideration is given to the value of personal property or equipment located on the premises or the costs of moving or relocating such personal property or equipment. Further, unless otherwise stated, it is assumed that there are no subsurface oil, gas or other mineral deposits or subsurface rights of value involved in this appraisal, whether they are gas, liquid, or solid. Further, unless otherwise stated, it is assumed that there are no rights associated with extraction or exploration of such elements considered. Unless otherwise stated it is also assumed that there are no air or development rights of value that may be transferred.
  - c) Any legal description or plats reported in the appraisal are assumed to be accurate. Any sketches, surveys, plats, photographs, drawings or other exhibits are included only to assist the intended user to better understand and visualize the subject property, the environs, and the competitive data. BBG, Inc. has made no survey of the property and assumes no monetary liability or responsibility in connection with such matters.
  - d) Title is assumed to be good and marketable, and in fee simple, unless otherwise stated in the report. The property is considered to be free and clear of existing liens, easements, restrictions, and encumbrances, except as stated. Further, BBG, Inc. assumes there are no private deed restrictions affecting the property which would limit the use of the subject property in any way.
  - e) The appraisal report 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 appraisal report; additionally, that all applicable zoning, building, and use regulations and restrictions of all types have been complied with unless otherwise stated in the appraisal report. Further, it is assumed that all required licenses, consents, permits, or other legislative or administrative authority, local, state, federal and/or private entity or organization have been or can be obtained or renewed for any use considered in the value opinion. Moreover, unless otherwise stated herein, it is assumed that there are no encroachments or violations of any zoning or other regulations affecting the subject property, that the utilization of the land and improvements is within the boundaries or property lines of the property described, and that there are no trespasses or encroachments.

- f) The American Disabilities Act (ADA) became effective January 26, 1992. The Appraiser has not made a specific compliance survey or analysis of the property to determine whether or not it is in conformity with the various detailed requirements of ADA. It is possible that a compliance survey of the property and a detailed analysis of the requirements of the ADA would 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 impact upon the value of the property. Since the Appraiser has no direct evidence relating to this issue, possible noncompliance with the requirements of ADA was not considered in estimating the value of the property.
- g) No monetary liability or responsibility is assumed for conformity to specific governmental requirements, such as fire, building, safety, earthquake, or occupancy codes, except where specific professional or governmental inspections have been completed and reported in the appraisal report.
- h) It is assumed the subject property is not adversely affected by the potential of floods; unless otherwise stated herein. Further, it is assumed all water and sewer facilities (existing and proposed) are or will be in good working order and are or will be of sufficient size to adequately serve any proposed buildings.
- i) Unless otherwise stated within the appraisal report, the depiction of the physical condition of the improvements described therein is based on visual inspection. No monetary liability or responsibility is assumed for (a) the soundness of structural members since no engineering tests were conducted; (b) the condition of mechanical equipment, plumbing, or electrical components, as complete tests were not made; and (c) hidden, unapparent or masked property conditions or characteristics that were not clearly apparent during the Appraiser's inspection.
- j) If building improvements are present on the site, it is assumed that no significant evidence of termite damage or infestation was observed during physical inspection, unless so stated in the appraisal report. Further, unless so stated in the appraisal report, no termite inspection report was available. No monetary liability or responsibility is assumed for hidden damages or infestation.
- k) Unless subsoil opinions based upon engineering core borings were furnished, it is assumed there are no subsoil defects present, which would impair development of the land to its maximum permitted use or would render it more or less valuable. No monetary liability or responsibility is assumed for such conditions or for engineering which may be required to discover them.
- l) BBG, Inc. is not an expert in determining the presence or absence of hazardous substances, defined as all hazardous or toxic materials, wastes, pollutants or contaminants (including, but not limited to, asbestos, PCB, UFFI, or other raw materials or chemicals) used in construction or otherwise present on the property. BBG, Inc. assumes no monetary liability or responsibility for the studies or analyses which would be required to determine the presence or absence of such substances or for loss as a result of the presence of such substances. Appraiser is not qualified to detect such substances. The Client is urged to retain an expert in this field; however, Client retains such expert at Client's own discretion, and any costs and/or expenses associated with such retention are the responsibility of Client.
- m) BBG, Inc. is not an expert in determining the habitat for protected or endangered species, including, but not limited to, animal or plant life (such as bald eagles, gophers, tortoises, etc.) that may be present on the property. BBG, Inc. assumes no monetary liability or responsibility for the studies or analyses which would be required to determine the presence or absence of such species or for loss as a result of the presence of such species. The Appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions contained within the appraisal report based upon any subsequent endangered species impact studies, research, and investigation that may be provided. However, it is assumed that no environmental impact studies were either requested or made in conjunction with this analysis, unless otherwise stated within the appraisal report.

- 2) If the Client instructions to the Appraiser were to inspect only the exterior of the improvements in the appraisal process, the physical attributes of the property were observed from the street(s) as of the inspection date of the appraisal. Physical characteristics of the property were obtained from tax assessment records, available plans, if any, descriptive information, and interviewing the client and other knowledgeable persons. It is assumed the interior of the subject property is consistent with the exterior conditions as observed and that other information relied upon is accurate.
- 3) If provided, the estimated insurable value is included at the request of the Client and has not been performed by a qualified insurance agent or risk management underwriter. This cost estimate should not be solely relied upon for insurable value purposes. The Appraiser is not familiar with the definition of insurable value from the insurance provider, the local governmental underwriting regulations, or the types of insurance coverage available. These factors can impact cost estimates and are beyond the scope of the intended use of this appraisal. The Appraiser is not a cost expert in cost estimating for insurance purposes.
- 4) The dollar amount of any value opinion herein rendered is based upon the purchasing power and price of the United States Dollar as of the effective date of value. This appraisal is based on market conditions existing as of the date of this appraisal.
- 5) The value opinions reported herein apply to the entire property. Any proration or division of the total into fractional interests will invalidate the value opinions, unless such proration or division of interests is set forth in the report. Any division of the land and improvement values stated herein is applicable only under the program of utilization shown. These separate valuations are invalidated by any other application.
- 6) Any projections of income and expenses, including the reversion at time of resale, are not predictions of the future. Rather, they are BBG, Inc.'s best estimate of current market thinking of what future trends will be. No warranty or representation is made that such projections will materialize. The real estate market is constantly fluctuating and changing. It is not the task of an appraiser to estimate the conditions of a future real estate market, but rather to reflect what the investment community envisions for the future in terms of expectations of growth in rental rates, expenses, and supply and demand. The forecasts, projections, or operating estimates contained herein are based on current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to changes with future conditions.
- 7) The Appraiser assumes no monetary liability or responsibility for any changes in economic or physical conditions which occur following the effective date of value within this report that would influence or potentially affect the analyses, opinions, or conclusions in the report. Any subsequent changes are beyond the scope of the report.
- 8) Any proposed or incomplete improvements included in the appraisal report are assumed to be satisfactorily completed in a workmanlike manner or will be thus completed within a reasonable length of time according to plans and specifications submitted.
- 9) If the appraisal report has been prepared in a so-called "public non-disclosure" state, real estate sales prices and other data, such as rents, prices, and financing, are not a matter of public record. If this is such a "non-disclosure" state, although extensive effort has been expended to verify pertinent data with buyers, sellers, brokers, lenders, lessors, lessees, and other sources considered reliable, it has not always been possible to independently verify all significant facts. In these instances, the Appraiser may have relied on verification obtained and reported by appraisers outside of our office. Also, as necessary, assumptions and adjustments have been made based on comparisons and analyses using data in the report and on interviews with market participants. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.
- 10) Although the Appraiser has made, insofar as is practical, every effort to verify as factual and true all information and data set forth in this report, no responsibility is assumed for the accuracy of any information furnished the Appraiser either by the Client or others.

If for any reason, future investigations should prove any data to be in substantial variance with that presented in this report, the Appraiser reserves the right to alter or change any or all analyses, opinions, or conclusions and/or opinions of value.

- 11) The right is reserved by the Appraiser to make adjustments to the analyses, opinions, and conclusions set forth in the appraisal report as may be required by consideration of additional or more reliable data that may become available. No change of this report shall be made by anyone other than the Appraiser. The Appraiser shall have no monetary liability or responsibility for any unauthorized change(s) to the report.
- 12) The submission of the appraisal report constitutes completion of the services authorized and agreed upon. Such appraisal report is submitted on the condition the Client will provide reasonable notice and customary compensation, including expert witness fees, relating to any subsequent required attendance at conferences, depositions, or judicial or administrative proceedings. In the event the Appraiser is subpoenaed for either an appearance or a request to produce documents, a best effort will be made to notify the Client immediately. The Client has the sole responsibility for obtaining a protective order, providing legal instruction not to appear with the appraisal report and related work files, and will answer all questions pertaining to the assignment, the preparation of the report, and the reasoning used to formulate the opinion of value. Unless paid in whole or in part by the party issuing the subpoena or by another party of interest in the matter, the Client is responsible for all unpaid fees resulting from the appearance or production of documents regardless of who orders the work.



## Overview

### BBG OVERVIEW

BBG is one of the nation's largest real estate due diligence firms with more than 45 offices across the country serving more than 3,000 clients. We deliver best-in-class valuation, advisory and assessment services with a singular focus of meeting our clients' needs.

Our professional team offers broad industry expertise and deep market knowledge to help clients meet their objectives throughout the real estate life cycle.

BBG clients include commercial real estate professionals, investors, lenders, attorneys, accountants and corporations.

### THE BBG DIFFERENCE

**National Footprint.** BBG is one of only two national firms offering in-house valuation and environmental and property condition assessment services for all commercial property types.

**Customer-focused Growth.** BBG is one of the largest national due diligence firms because we deliver best-in-class work product and provide excellent customer care.

**Qualified Team.** Over 50 percent of BBG appraisers are MAI designated and offer deep industry expertise gained through real-world experience.

**Unbiased Independence.** By focusing exclusively on due diligence services, BBG guarantees an independent perspective free from potential conflicts of interest.

**Innovative Technology.** BBG has made significant analytics and IT investments to continually improve our data and report quality.

### SERVICES

#### Valuation

- + Single Asset Valuation
- + Portfolio Valuation
- + Institutional Asset Valuation
- + Appraisal Review
- + Appraisal Management
- + Lease and Cost Analysis
- + Insurance Valuation
- + Arbitration & Consulting
- + Feasibility Studies
- + Highest and Best Use Studies
- + Evaluation
- + Investment analysis
- + Tax appeals
- + Litigation Support
- + Manufactured Housing and Campgrounds

#### Advisory

- + ASC 805 Business combinations
- + ASC 840 Leases
- + Purchase Price Allocations
- + Portfolio Valuations for reporting net asset values (NAV)
- + Public and non-traded REIT valuations
- + Valuations for litigation and litigation support
- + Sale-leaseback valuation analysis
- + Valuations for bankruptcy/fresh start accounting
- + Cost segregation analysis

#### Assessment

- + Environmental due diligence
- + Property condition consulting
- + Small loan services
- + Energy consulting
- + Environmental consulting
- + Zoning
- + ALTA Surveys

**ADDENDA**

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## **GLOSSARY**

**Appraisal:** (noun) the act or process of developing an opinion of value; an opinion of value. (adjective) of or pertaining to appraising and related functions such as appraisal practice or appraisal services.<sup>7</sup>

**Appraisal Practice:** valuation services performed by an individual acting as an appraiser, including but not limited to appraisal and appraisal review.<sup>7</sup>

**Appraisal Review:** (noun) the act or process of developing an opinion about the quality of another appraiser's work (i.e., a report, part of a report, a workfile, or some combination of these), that was performed as part of an appraisal or appraisal review assignment, (adjective) of or pertaining to an opinion about the quality of another appraiser's work that was performed as part of an appraisal or appraisal review assignment.<sup>7</sup>

**Appraiser:** one who is expected to perform valuation services competently and in a manner that is independent, impartial and objective.<sup>7</sup>

**Appraiser's Peers:** other appraisers who have expertise and competency in a similar type of assignment.<sup>7</sup>

**Assessed Value:** The value of a property according to the tax rolls in ad valorem taxation; may be higher or lower than market value, or based on an assessment ratio that is a percentage of market value.<sup>1</sup>

**Asset:**

1. Any item, the rights to which may have economic value, including financial assets (cash or bonds), business interests, intangible assets (copyrights and trademarks), and physical assets (real estate and personal property).
2. In general business usage, something owned by a business and reflected in the owner's business sheet.

**Asset:** A resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity.<sup>2</sup>

**Assignment:** a valuation service that is provided by an appraiser as a consequence of an agreement with a client.<sup>7</sup>

**Assignment Conditions:** Assumptions, extraordinary assumptions, hypothetical conditions, laws and regulation, jurisdictional exceptions, and other conditions that affect the scope of work.<sup>7</sup>

**Assignment Elements:** Specific information needed to identify the appraisal or appraisal review problem: client and any other intended users, intended use of the appraiser's opinions and conclusions, type and definition of value; effective date of the appraiser's opinions and conclusions; subject of the assignment and its relevant characteristics; and assignment conditions.<sup>7</sup>

**Assignment Results:** An appraiser's opinions or conclusions, not limited to value, that were developed when performing an appraisal assignment, an appraisal review assignment, or a valuation service other than an appraisal or appraisal review.<sup>7</sup>

**Bias:** a preference or inclination that precludes an appraiser's impartiality, independence, or objectivity in an assignment.<sup>7</sup>

**Business Enterprise:** an entity pursuing an economic activity.<sup>7</sup>

**Business Equity:** the interests, benefits, and rights inherent in the ownership of a business enterprise or a part thereof in any form (including, but not necessarily limited to, capital stock, partnership interests, cooperatives, sole proprietorships, options, and warrants).<sup>7</sup>

**Capital Expenditure:** Investments of cash (or the creation of liability) to acquire or improve an asset, e.g., land, buildings, building additions, site improvements, machinery, equipment; as distinguished from cash outflows for expense items that are normally considered part of the current period's operations. Also referred to as Cap Ex.<sup>1</sup>

**Cash Equivalency Analysis:** An analytical process in which the sale price of a transaction with nonmarket financing or financing with unusual conditions or incentives is converted into a price expressed in terms of cash or its equivalent.<sup>1</sup>

**Client:** the party or parties (i.e., individual, group or entity) who engage an appraiser by employment or contract in a specific assignment, whether directly or through an agent.<sup>7</sup>

**Condominium Ownership:** A form of fee ownership of separate units or portions of multiunit buildings that provides for formal filing and recording of a divided interest in real estate.<sup>1</sup>

**Confidential Information:**

1: information that is either:

- Identified by the client as confidential when providing it to a valuer and that is not available from any other source, or
- Classified as confidential or private by applicable law or regulation.

2: Information that is either

- Identified by the client as confidential when providing it to an appraiser and that is not available from any other source; or
- Classified as confidential or private by applicable law or regulation \*
- NOTICE: For example, pursuant to the passage of the Gramm-Leach-Bliley Act in November 1999, some public agencies have adopted privacy regulations that affect appraisers. The Federal Trade Commission (FTC) issued two rules. The first rule (16 CFR 313) focuses on the protection of "non-public personal information" provided by consumers to those involved in financial activities "found to be closely related to banking or usual in connection with the transaction of banking." These activities include "appraising real or personal property." The second rule (16 CFR 314) requires appraisers to safeguard customer non-public personal information. Significant liability exists for appraisers should they fail to comply with these FTC rules.<sup>7</sup>

**Cost:** the actual or estimated amount required to create, reproduce, replace or obtain a property.<sup>7</sup>

**Cost Approach:** A set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive, deducting depreciation from the total cost, and adding the estimated land value. Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised.<sup>1</sup>

**Credible:** worthy of belief.<sup>7</sup>

**Deferred Maintenance:** Items of wear and tear on a property that should be fixed now to protect the value or income-producing ability of the property, such as a broken window, a dead tree, a leak in the roof, or a faulty roof that must be completely replaced. These items are almost always curable.<sup>1</sup>

**Disposition Value:** The most probable price that a specified interest in real property should bring under the following conditions: 1) Consummation of a sale within a specific time, which is short than the typical exposure time for such a property in that market. 2) The property is subjected to market conditions prevailing as of the date of valuation. 3) Both the buyer and seller are acting prudently and knowledgeably. 4) The seller is under compulsion to sell. 5) The buyer is typically motivated. 6) Both parties are acting in what they consider to be their best interests. 7) An adequate marketing effort will be made during the exposure time. 8) Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto. 9) The price represents the normal consideration of the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. This definition can also be modified to provide for valuation with specified financing terms.<sup>1</sup>

**Economic Life:** The period over which improvements to real estate contribute to property value.<sup>1</sup>

**Effective Date:** the date to which the appraiser's analysis, opinions and conclusions apply, also referred to as date of value.<sup>7</sup>

**Effective Gross Income Multiplier (EGIM):** The ratio between the sale price (or value) of a property and its effective gross income.<sup>1</sup>

**Effective Rent:** Total base rent, or minimum rent stipulated in a lease, over the specified lease term minus rent concessions, the rent that is effectively paid by a tenant net of financial concessions provided by a landlord.<sup>1</sup>

**Exposure Time:** an opinion, based on supporting market data, of the length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at the market value on the effect date of the appraisal.<sup>7</sup>

**Extraordinary Assumption:** an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.<sup>7</sup>

**Fair Market Value:**

1. In nontechnical usage, a term that is equivalent to the contemporary usage of market value.
2. As used in condemnation, litigation, income tax, and property tax situations, a term that is similar in concept to market value but may be defined explicitly by the relevant agency. For example, one definition of *fair market value* provided by the Internal Revenue Service for certain purposes is as follows: The price at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts. The fair market value of a particular item of property includible in the decedent's gross estate is not to be determined by a forced sale price. Nor is the fair market value of an item of property to be determined by the sale price of the item in a market other than that in which such item is most commonly sold to the public, taking into account the location of the item wherever appropriate. (IRS Regulation §20.2031-1)<sup>1</sup>

**Fair Share:**

1. A share of a fund or deposit that is divided or distributed proportionately.
2. A share of a burden or obligation that is divided proportionately; e.g., a tenant in a multitenant building or development may be required to pay a pro rata share of the building's operating expenses based on the number of square feet the tenant occupies. In a shopping center, the tenant's share of operating costs is often stated as a fraction, with the gross leasable area of the tenant's premises as the numerator and the gross leasable area or gross leased area of the entire shopping center as the denominator.
3. The share of a trade area that a retail facility is likely to capture; assumes that capture is a function of property size as a proportion of the overall inventory of competitive space in the trade area, i.e., that the facility captures a "fair share" of the trade area.<sup>1</sup>

**Fair Value:**

1. The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. (FASB)
2. The estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties. (This does not apply to valuations for financial reporting.) (IVS).<sup>1</sup>
3. The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.<sup>2</sup>

**Feasibility Analysis:** a study of the cost benefit relationship of an economic endeavor.<sup>1</sup>

**Fee Simple Estate:** 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.<sup>1</sup>

**Floor Area Ratio (FAR):** The relationship between the above-ground floor area of a building, as described by the zoning or building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area.<sup>1</sup>

**Going Concern:**

1. An established and operating business having an indefinite future life.
2. An organization with an indefinite life that is sufficiently long that, over time, all currently incomplete transformations [transforming resources from one form to a different, more valuable form] will be completed.<sup>1</sup>

**Gross Building Area (GBA):**

1. Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above-grade area. This includes mezzanines and basements if and when typically included in the market area of the type of property involved.
2. Gross leasable area plus all common areas.
3. For residential space, the total area of all floor levels measured from the exterior of the walls and including the super structure and substructure basement; typically does not include garage space.<sup>1</sup>

**Highest and Best Use:**

1. The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.
2. The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (IVS).
3. [The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions)<sup>1</sup>

**Hypothetical Condition:** a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.<sup>7</sup>

**Income Capitalization Approach:** Specific appraisal techniques applied to develop a value indication for a property based on its earning capability and calculated by the capitalization of property income.<sup>1</sup>

**Inspection:** Personal observation of the exterior or interior of the real estate that is the subject of an assignment performed to identify the property characteristics that are relevant to the assignment, such as amenities, general physical condition, and functional utility. Note that this is not the inspection process performed by a licensed or certified building inspector.<sup>1</sup>

**Insurable Value:** A type of value for insurance purposes.<sup>1</sup>

**Intangible Property (intangible Assets):** Nonphysical assets, including but not limited to franchises, trademarks, patents, copyrights, goodwill, equities, securities, and contracts as distinguished from physical assets such as facilities and equipment.<sup>7</sup>

**Intended Use:** the user(s) of an appraiser's reported appraisal or appraisal review assignment results, as identified by the appraiser based on communication with the client at the time of the assignment.<sup>7</sup>

**Intended User:** the client and any other party as identified, by name or type, as users of the appraisal or appraisal review report by the appraiser, based on communication with the client at the time of the assignment.<sup>7</sup>

**Internal Rate of Return ("IRR"):** The annualized yield rate or rate of return on capital that is generated or capable of being generalized within an investment of portfolio over a period of ownership. Alternatively, the indicated return of capital associated with a projected or pro forma income stream. The discount rate that equates the present value of the net cash flows of a project with the present value of the capital investment. It is the rate at which the Net Present Value (NPV) equals zero. The IRR reflects both the return on invested capital and the return of the original investment, which are basic considerations of potential investors. Therefore, deriving the IRR from analysis of market transactions of similar properties having comparable income patterns is a proper method for developing market discount rates for use in valuations to arrive at Market Value. Used in discounted cash flow analysis to find the implied or expected rate of return of the project, the IRR is the rate of return which gives a zero net present value (NPV). See also equity yield rate (YE); financial management rate of return (FMRR); modified internal rate of return (MIRR); yield rate (Y).<sup>1</sup>

**Investment Value:** 1) The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market. 2) The value of an asset to the owner or a prospective owner for individual investment or operational objectives. (IVS)<sup>1</sup>

**Jurisdictional Exception:** an assignment condition established by applicable law or regulation, which precludes an appraiser from complying with a part of USPAP.<sup>7</sup>

**Leasehold Interest:** The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.<sup>1</sup>

**Leased Fee Interest:** The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.<sup>1</sup>

**Liquidation Value:** The most probable price that a specified interest in real

property should bring under the following conditions: 1) Consummation of a sale within a short time period; 2) The property is subjected to market conditions prevailing as of the date of valuation; 3) Both the buyer and seller are acting prudently and knowledgeably; 4) The seller is under extreme compulsion to sell; 5) The buyer is typically motivated. 6) Both parties are acting in what they consider to be their best interests. 7) A normal marketing effort is not possible due to the brief exposure time 8) Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto. 9) 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. This definition can also be modified to provide for valuation with specified financing terms.<sup>1</sup>

**Load Factor:** A measure of the relationship of common area to useable area and therefore the quality and efficiency of building area layout, with higher load factors indicating a higher percentage of common area to overall rentable space than lower load factors; calculated by subtracting the amount of useable area from the rentable area and then dividing the difference by the useable area:<sup>1</sup>

Load Factor =

$$\frac{(\text{Rentable Area} - \text{Useable Area})}{\text{Useable Area}}$$

**Market Value:** a type of value stated as an opinion, that presumes the transfer of a property (i.e., a right of ownership or a bundle of such rights), as of a certain date, under specific conditions set forth in the value definition that is identified by the appraiser as applicable in an appraisal.<sup>7</sup>

**Market Value "As If Complete" On The Appraisal Date:** Market value as if complete on the effective date of the appraisal is an estimate of the market value of a property with all construction, conversion, or rehabilitation hypothetically completed, or under other specified hypothetical conditions as of the date of the appraisal. With regard to properties wherein anticipated market conditions indicate that stabilized occupancy is not likely as of the date of completion, this estimate of value should reflect the market value of the property as if complete and prepared for occupancy by tenants.

**Market Value "As Is" On The Appraisal Date:** Value As Is -The value of specific ownership rights to an identified parcel of real estate as of the effective date of the appraisal; relates to what physically exists and is legally permissible and excludes all assumptions concerning hypothetical market conditions or possible rezoning. See also effective date; prospective value opinion.

**Market Value of the Total Assets of the Business:** The market value of the total assets of the business is the market value of all of the tangible and intangible assets of a business as if sold in aggregate as a going concern. This assumes that the business is expected to continue operations well into the future.<sup>4</sup>

**Marketing Time:** An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the Appraisal Standards Board of The Appraisal Foundation and Statement on Appraisal Standards No. 6, "Reasonable Exposure Time in Real Property Market Value Opinions" address the determination of reasonable exposure and marketing time.).<sup>3</sup>

**Mass Appraisal:** the process of valuing a universe of properties as of a given date using standard methodology, employing common data and allowing for statistical testing.<sup>7</sup>

**Mass Appraisal Model:** a mathematical expression of how supply and demand factors interact in a market.<sup>7</sup>

**Misleading:** intentionally or unintentionally misrepresenting, misstating or concealing relevant facts or conclusions.<sup>7</sup>

**Net Lease:** A lease in which the landlord passes on all expenses to the tenant. See also lease.<sup>1</sup>

**Net Rentable Area (NRA):** 1) The area on which rent is computed. 2) The Rentable Area of a floor shall be computed by measuring to the inside finished surface of the dominant portion of the permanent outer building walls, excluding any major vertical penetrations of the floor. No deductions shall be made for columns and projections necessary to the building. Include space such as mechanical room, janitorial room, restrooms, and lobby of the floor.<sup>5</sup>

**Penetration Ratio (Rate):** The rate at which stores obtain sales from within a trade area or sector relative to the number of potential sales generated; usually applied to existing facilities. Also called: penetration factor.<sup>1</sup>

**Personal Inspection:** a physical observation performed to assist in identifying relevant property characteristics in a valuation service.<sup>7</sup>

**Personal Property:** any tangible or intangible article that is subject to ownership and not classified as real property, including identifiable tangible objects that are considered by the general public as being "personal", such as furnishings, artwork, antiques, gems and jewelry, collectibles, machinery and equipment, and intangible property that is created and stored electronically such as plans for installation art, choreography, emails or designs for digital tokens.<sup>7</sup>

**Physical Characteristics:** attributes of a property that are observable or measurable as a matter of fact, as distinguished from opinions and conclusions, which are the result of some level of analysis or judgement.<sup>7</sup>

**Price:** the amount asked, offered or paid for a property.<sup>7</sup>

**Prospective opinion of value.** A value opinion effective as of a specified future date. The term does not define a type of value. Instead it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.<sup>1</sup>

**Real Estate:** an identified parcel or tract of land, including improvements, if any.<sup>7</sup>

**Real Property:** the interests, benefits and rights inherent in the ownership of real estate.<sup>7</sup>

**Reconciliation:** A phase of a valuation assignment in which two or more value indications are processed into a value opinion, which may be a range of value, a single point estimate, or a reference to a benchmark value.<sup>1</sup>

**Relevant Characteristics:** features that may affect a property's value or marketability such as legal, economic or physical characteristics.<sup>7</sup>

**Reliable Measurement:** [The IAS/IFRS framework requires that] neither an asset nor a liability is recognized in the financial statements unless it has a cost or value that can be measured reliably.<sup>2</sup>

**Remaining Economic Life:** The estimated period over which existing improvements are expected to contribute economically to a property; an estimate of the number of years remaining in the economic life of a structure or structural components as of the effective date of the appraisal; used in the economic age-life method of estimating depreciation.<sup>1</sup>

**Replacement Cost:** The estimated cost to construct, at current prices as of the effective appraisal date, a substitute for the building being appraised, using modern materials and current standards, design, and layout.<sup>1</sup>

**Report:** any communication, written or oral, of an appraisal or appraisal review that is transmitted to the client or a party authorized by the client upon completion of an assignment.<sup>7</sup>

**Retrospective Value Opinion:** A value opinion effective as of a specified historical date. The term retrospective does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of the type of value with this term is appropriate, e.g., "retrospective market value opinion."<sup>1</sup>

**Sales Comparison Approach:** The process of deriving a value indication for the subject property by comparing sales of similar properties to the property being appraised, identifying appropriate units of comparison, and making adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant when an adequate supply of

comparable sales is available.<sup>1</sup>

**Scope of Work:** the type and extent of research and analyses in an appraisal or appraisal review assignment.<sup>7</sup>

**Signature:** personalized evidence indicating authentication of the work performed by the appraiser and the acceptance of the responsibility for content, analyses and the conclusions in the report.<sup>7</sup>

**Stabilized value:** A value opinion that excludes from consideration any abnormal relationship between supply and demand such as is experienced in boom periods when cost and sale price may exceed the long-term value, or during periods of depression, when cost and sale price may fall short of long-term value. It is also a value opinion that excludes from consideration any transitory condition that may cause excessive construction costs, e.g., a premium paid due to a temporary shortage of supply.

**Substitution:** The principle of substitution states that when several similar or commensurate commodities, goods, services are available, the one with the lowest price will attract the greatest demand and widest distribution. This is the primary principle upon which the cost and sales comparison approaches are based.<sup>3</sup>

**Total Assets of a Business:** Total assets of a business is defined by the Appraisal Institute as “the tangible property (real property and personal property, including inventory and furniture, fixtures and equipment) and intangible property (cash, workforce, contracts, name, patents, copyrights, and other residual intangible assets, to include capitalized economic profit).”

**Use Value:**

The value of a property assuming a specific use, which may or may not be the property's highest and best use on the effective date of the appraisal. Use value may or may not be equal to market value but is different conceptually.<sup>1</sup>

**Valuation Service:** a service pertaining to an aspect of property value, regardless of the type of service and whether it is performed by appraisers or by others.<sup>7</sup>

**Value:** the monetary relationship between properties and those who buy and sell, or use those properties, expressed as an opinion of the worth of a property at a given time.<sup>7</sup>

**Workfile:** data, information and documentation necessary to support the appraiser's opinions and conclusions and to show compliance with USPAP.<sup>7</sup>

<sup>1</sup>Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute 2010). <sup>2</sup>Appraisal Institute, *International Financial Reporting Standards for Real Property Appraiser*, IFRS Website, [www.ifrs-ebooks.com/index.html](http://www.ifrs-ebooks.com/index.html). <sup>3</sup>Appraisal Institute, *The Appraisal of Real Estate*, 13th ed. (Chicago: Appraisal Institute 2008). <sup>4</sup> This definition is taken from “Allocation of Business Assets Into Tangible and Intangible Components: A New Lexicon,” *Journal of Real Estate Appraisal*, January 2002, Volume LXX, Number 1. This terminology is to replace former phrases such as: value of the going concern. <sup>5</sup>Finacial Publishing Company, *The Real Estate Dictionary*, 7 ed. <sup>6</sup> U.S. Treasury Regulations. <sup>7</sup>USPAP 2020-2021

## **SUBJECT PHOTOGRAPHS**





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## COMPARABLE RENTS



## Rental Comparable #1

**Apartment**  
 7923 U.S. 70  
 Palestine, AR 72372  
 St. Francis County  
 BBG Property #1486535

### Property Data

#### Improvement Details

Property Type/Use	<b>Apartment Multi Family - Units</b>	Lat/Long	<b>34.9683 / (90.9042)</b>
Tax Account #	<b>0806-00169-0003</b>	# of Buildings	<b>5</b>
Year Built	<b>1990</b>	Renovated	<b>n/a</b>
Quality	<b>Average</b>	Condition	<b>Average</b>
Construction Class	<b>C</b>	Construction Details	
Gross Building Area (SF)	<b>15,950</b>	Rentable Area (SF)	<b>14,500</b>
# of Units	<b>20</b>	Average Unit Size (SF)	<b>725</b>
# of Floors	<b>1</b>	Floor Area Ratio	<b>0.19</b>
HAP Contract	<b>No HAP contract in place</b>	LIHTC	<b>Property is not LIHTC</b>
Parking	<b>Surface: 0 Garage: 0 Other: 0 Total: 0</b>	Parking Ratio	<b>0.00:1,000 SF (Rentable) 0.00:1,000 SF (GBA) 0.00 per unit</b>

Unit Amenities

Project Amenities

Comments

#### Site Details

Gross Land Area	<b>84,942 SF / 1.95 Acres</b>	Land to Building Ratio	<b>5.33</b>
Net Land Area	<b>84,942 SF / 1.95 Acres</b>	Flood Designation	<b>X</b>

### Rental Survey Details

Leasing Incentives

Rent Premiums

Utilities Paid By **Electric Paid by Tenant , Gas Paid by Landlord, Water Paid by Landlord, Sewer Paid by Landlord, Cable Paid by Tenant , Trash Paid by Landlord, CAM Paid by Landlord, Management Paid by Landlord, Taxes Paid by Landlord, Insurance Paid by Landlord**

Occupancy Rate **100%**

Comments

Confirmed By , **09/20/2022**

Rental Unit Detail							
# Units	Unit Plan	Unit Size SF	Quoted Rent Low	Quoted Rent High	Eff. Rent Low	Eff. Rent High	Comments
10	1BR-1BA	650	\$475 \$0.73 PSF	\$475 \$0.73 PSF	\$475 \$0.73 PSF	\$475 \$0.73 PSF	
10	2BR-1BA	800	\$615 \$0.77 PSF	\$615 \$0.77 PSF	\$615 \$0.77 PSF	\$615 \$0.77 PSF	
<b>20</b>		<b>725</b>	<b>\$545 per unit, \$0.75 PSF</b>		<b>\$545 per unit, \$0.75 PSF</b>		



## Rental Comparable #2

**Apartment**  
1255 Spruce Street  
Augusta, AR 72006  
Woodruff County  
BBG Property #1486561

Property Data			
Improvement Details			
Property Type/Use	Apartment Multi Family - Units	Lat/Long	35.2871 / (91.3535)
Tax Account #	003-00021-001	# of Buildings	6
Year Built	1985	Renovated	n/a
Quality	(Unknown)	Condition	(Unknown)
Construction Class		Construction Details	
Gross Building Area (SF)	20,000	Rentable Area (SF)	13,400
# of Units	24	Average Unit Size (SF)	558
# of Floors	1	Floor Area Ratio	0.09
HAP Contract	No HAP contract in place	LIHTC	Property is not LIHTC
Parking	Surface: 0 Garage: 0 Other: 0 Total: 0	Parking Ratio	0.00:1,000 SF (Rentable) 0.00:1,000 SF (GBA) 0.00 per unit
Unit Amenities	Standard appliances		
Project Amenities	Laundry room, play ground, on site office		
Comments			
Site Details			
Gross Land Area	234,788 SF / 5.39 Acres	Land to Building Ratio	11.74
Net Land Area	0 SF / 0.00 Acres	Flood Designation	X

Rental Survey Details	
Leasing Incentives	
Rent Premiums	
Utilities Paid By	Electric Paid by Tenant , Gas Paid by Landlord, Water Paid by Landlord, Sewer Paid by Landlord, Cable Paid by Tenant , Trash Paid by Landlord, Management Paid by Landlord, Taxes Paid by Landlord, Insurance Paid by Landlord
Occupancy Rate	90%
Comments	
Confirmed By	Public Record, 09/20/2022

Rental Unit Detail							
# Units	Unit Plan	Unit Size SF	Quoted Rent Low	Quoted Rent High	Eff. Rent Low	Eff. Rent High	Comments
16	1BR-1BA	500	\$500 \$1.00 PSF	\$500 \$1.00 PSF	\$500 \$1.00 PSF	\$500 \$1.00 PSF	
8	2BR-1BA	675	\$699 \$0.80 PSF	\$699 \$0.80 PSF	\$699 \$0.80 PSF	\$699 \$0.80 PSF	
<b>24</b>		<b>558</b>	<b>\$566 per unit, \$0.93 PSF</b>		<b>\$566 per unit, \$0.93 PSF</b>		





## Rental Comparable #3

**Apartment**  
 1421 North Division Street  
 Forrest City, AR 72335  
 St Francis County  
 BBG Property #1486572

Property Data			
Improvement Details			
Property Type/Use	Apartment Multi Family - Units	Lat/Long	35.0234 / (90.7913)
Tax Account #	0800-00184-0000	# of Buildings	5
Year Built	1999	Renovated	n/a
Quality	Average	Condition	Average
Construction Class		Construction Details	
Gross Building Area (SF)	50,400	Rentable Area (SF)	39,000
# of Units	48	Average Unit Size (SF)	813
# of Floors	2	Floor Area Ratio	0.27
HAP Contract	No HAP contract in place	LIHTC	Property is not LIHTC
Parking	Surface: 0 Garage: 0 Other: 0 Total: 0	Parking Ratio	0.00:1,000 SF (Rentable) 0.00:1,000 SF (GBA) 0.00 per unit
Unit Amenities	Standard appliances, wood flooring		
Project Amenities			
Comments			
Site Details			
Gross Land Area	185,130 SF / 4.25 Acres	Land to Building Ratio	3.67
Net Land Area	0 SF / 0.00 Acres	Flood Designation	X

Rental Survey Details	
Leasing Incentives	
Rent Premiums	
Utilities Paid By	Electric Paid by Tenant , Gas Paid by Landlord, Water Paid by Landlord, Sewer Paid by Landlord, Cable Paid by Tenant , Trash Paid by Landlord, CAM Paid by Landlord, Management Paid by Landlord, Taxes Paid by Landlord, Insurance Paid by Landlord
Occupancy Rate	100%
Comments	
Confirmed By	, 09/20/2022

Rental Unit Detail							
# Units	Unit Plan	Unit Size SF	Quoted Rent Low	Quoted Rent High	Eff. Rent Low	Eff. Rent High	Comments
8	Studio	600	\$440 \$0.73 PSF	\$440 \$0.73 PSF	\$440 \$0.73 PSF	\$440 \$0.73 PSF	
18	1BR-1BA	800	\$505 \$0.63 PSF	\$505 \$0.63 PSF	\$505 \$0.63 PSF	\$505 \$0.63 PSF	
22	2BR-1BA	900	\$620 \$0.69 PSF	\$620 \$0.69 PSF	\$620 \$0.69 PSF	\$620 \$0.69 PSF	
<b>48</b>		<b>813</b>	<b>\$547 per unit, \$0.67 PSF</b>		<b>\$547 per unit, \$0.67 PSF</b>		



## Rental Comparable #4

**Apartment**  
 1731 Indian Hills Road  
 Forrest City, AR 72335  
 St Francis County  
 BBG Property #1486576

### Property Data

#### Improvement Details

Property Type/Use	<b>Apartment Multi Family - Units</b>	Lat/Long	<b>35.0331 / (90.7733)</b>
Tax Account #	<b>0800-00224-0002</b>	# of Buildings	<b>21</b>
Year Built	<b>1970</b>	Renovated	<b>n/a</b>
Quality	<b>Average</b>	Condition	<b>Average</b>
Construction Class		Construction Details	
Gross Building Area (SF)	<b>60,000</b>	Rentable Area (SF)	<b>54,200</b>
# of Units	<b>70</b>	Average Unit Size (SF)	<b>774</b>
# of Floors	<b>1</b>	Floor Area Ratio	<b>0.17</b>
HAP Contract	<b>No HAP contract in place</b>	LIHTC	<b>Property is not LIHTC</b>
Parking	<b>Surface: 0 Garage: 0 Other: 0 Total: 0</b>	Parking Ratio	<b>0.00:1,000 SF (Rentable) 0.00:1,000 SF (GBA) 0.00 per unit</b>
Unit Amenities	<b>Laundry appliances</b>		
Project Amenities	<b>Play ground, surface parking</b>		
Comments			

#### Site Details

Gross Land Area	<b>355,885 SF / 8.17 Acres</b>	Land to Building Ratio	<b>5.93</b>
Net Land Area	<b>0 SF / 0.00 Acres</b>	Flood Designation	<b>X</b>

### Rental Survey Details

Leasing Incentives

Rent Premiums

Utilities Paid By **Electric Paid by Tenant , Gas Paid by Landlord, Water Paid by Landlord, Sewer Paid by Landlord, Cable Paid by Tenant , Trash Paid by Landlord, CAM Paid by Landlord, Management Paid by Landlord, Insurance Paid by Landlord**

Occupancy Rate **99%**

Comments

Confirmed By **Public record, 09/20/2022**

Rental Unit Detail							
# Units	Unit Plan	Unit Size SF	Quoted Rent Low	Quoted Rent High	Eff. Rent Low	Eff. Rent High	Comments
12	1BR-1BA	500	\$650 \$1.30 PSF	\$650 \$1.30 PSF	\$650 \$1.30 PSF	\$650 \$1.30 PSF	
40	2BR-1BA	800	\$720 \$0.90 PSF	\$720 \$0.90 PSF	\$720 \$0.90 PSF	\$720 \$0.90 PSF	
18	3BR-2BA	900	\$795 \$0.88 PSF	\$795 \$0.88 PSF	\$795 \$0.88 PSF	\$795 \$0.88 PSF	
<b>70</b>		<b>774</b>	<b>\$727 per unit, \$0.96 PSF</b>		<b>\$727 per unit, \$0.96 PSF</b>		



## Rental Comparable #5

**Apartment**  
 705 West Sixth Street  
 Brinkley, AR 72021  
 Monroe County  
 BBG Property #1486596

Property Data			
Improvement Details			
Property Type/Use	Apartment Multi Family - Units	Lat/Long	34.9037 / (91.2014)
Tax Account #	1139-02269-000	# of Buildings	1
Year Built	1992	Renovated	n/a
Quality	Average	Condition	Average
Construction Class		Construction Details	
Gross Building Area (SF)	38,880	Rentable Area (SF)	24,450
# of Units	32	Average Unit Size (SF)	764
# of Floors	2	Floor Area Ratio	0.45
HAP Contract	No HAP contract in place	LIHTC	Property is not LIHTC
Parking	Surface: 0 Garage: 0 Other: 0 Total: 0	Parking Ratio	0.00:1,000 SF (Rentable) 0.00:1,000 SF (GBA) 0.00 per unit
Unit Amenities	Standard appliances, wood flooring		
Project Amenities	Club house, security gate, laundry room		
Comments			
Site Details			
Gross Land Area	87,120 SF / 2.00 Acres	Land to Building Ratio	2.24
Net Land Area	87,120 SF / 2.00 Acres	Flood Designation	X

Rental Survey Details	
Leasing Incentives	
Rent Premiums	
Utilities Paid By	Electric Paid by Tenant , Gas Paid by Landlord, Water Paid by Landlord, Sewer Paid by Landlord, Cable Paid by Tenant , Trash Paid by Landlord, CAM Paid by Landlord, Management Paid by Landlord, Taxes Paid by Landlord, Insurance Paid by Landlord
Occupancy Rate	88%
Comments	
Confirmed By	Public Record, 09/20/2022

Rental Unit Detail							
# Units	Unit Plan	Unit Size SF	Quoted Rent Low	Quoted Rent High	Eff. Rent Low	Eff. Rent High	Comments
30	1BR-1BA	750	\$550 \$0.73 PSF	\$550 \$0.73 PSF	\$550 \$0.73 PSF	\$550 \$0.73 PSF	
2	2BR-1BA	975	\$705 \$0.72 PSF	\$705 \$0.72 PSF	\$705 \$0.72 PSF	\$705 \$0.72 PSF	
<b>32</b>		<b>764</b>	<b>\$560 per unit, \$0.73 PSF</b>		<b>\$560 per unit, \$0.73 PSF</b>		



## Rental Comparable #6

**Apartment**  
 1085 Holiday Drive  
 Forrest City, AR 72335  
 St Francis County  
 BBG Property #1486656

### Property Data

#### Improvement Details

Property Type/Use	<b>Apartment Multi Family - Units</b>	Lat/Long	<b>35.0425 / (90.7723)</b>
Tax Account #	<b>0800-00651-0003</b>	# of Buildings	<b>1</b>
Year Built	<b>2003</b>	Renovated	<b>n/a</b>
Quality	<b>Average/Good</b>	Condition	<b>Average/Good</b>
Construction Class	<b>C</b>	Construction Details	
Gross Building Area (SF)	<b>129,640</b>	Rentable Area (SF)	<b>125,300</b>
# of Units	<b>132</b>	Average Unit Size (SF)	<b>949</b>
# of Floors	<b>2</b>	Floor Area Ratio	<b>0.23</b>
HAP Contract	<b>No HAP contract in place</b>	LIHTC	<b>Property is not LIHTC</b>
Parking	<b>Surface: 275 Garage: 0 Other: 0 Total: 275</b>	Parking Ratio	<b>2.19:1,000 SF (Rentable) 2.19:1,000 SF (GBA) 2.08 per unit</b>
Unit Amenities	<b>Balconies, laundry appliances</b>		
Project Amenities	<b>Fitness center, business center, play ground, on site office</b>		
Comments			

#### Site Details

Gross Land Area	<b>567,151 SF / 13.02 Acres</b>	Land to Building Ratio	<b>4.37</b>
Net Land Area	<b>567,151 SF / 13.02 Acres</b>	Flood Designation	

### Rental Survey Details

Leasing Incentives  
 Rent Premiums  
 Utilities Paid By **Electric Paid by , Gas Paid by , Water Paid by , Sewer Paid by , Cable Paid by , Trash Paid by , CAM Paid by ,  
 Management Paid by , Taxes Paid by , Insurance Paid by**  
 Occupancy Rate **100%**  
 Comments  
 Confirmed By **Wogan Property Managment, 09/13/2022**

## Rental Unit Detail

# Units	Unit Plan	Unit Size SF	Quoted Rent Low	Quoted Rent High	Eff. Rent Low	Eff. Rent High	Comments
16	1BR-1BA	675	\$600 \$0.89 PSF	\$600 \$0.89 PSF	\$600 \$0.89 PSF	\$600 \$0.89 PSF	
64	2BR-1BA	900	\$700 \$0.78 PSF	\$700 \$0.78 PSF	\$700 \$0.78 PSF	\$700 \$0.78 PSF	
48	3BR-1BA	1,075	\$800 \$0.74 PSF	\$800 \$0.74 PSF	\$800 \$0.74 PSF	\$800 \$0.74 PSF	
4	4BR-2BA	1,325	\$900 \$0.68 PSF	\$900 \$0.68 PSF	\$900 \$0.68 PSF	\$900 \$0.68 PSF	
<b>132</b>		<b>949</b>	<b>\$730 per unit, \$0.78 PSF</b>		<b>\$730 per unit, \$0.78 PSF</b>		





## Rental Comparable #7

### The Posts

4485 Hudgins Road  
Memphis, TN 38116  
Shelby County  
BBG Property #786759

### Property Data

#### Improvement Details

Property Type/Use	<b>Apartment Multi Family - Units</b>	Lat/Long	<b>35.0263 / (90.0016)</b>
Tax Account #	<b>079040 00002C; 079039 00050; 079039 00040C</b>	# of Buildings	<b>11</b>
Year Built	<b>1960</b>	Renovated	<b>n/a</b>
Quality	<b>Average</b>	Condition	<b>Average</b>
Construction Class	<b>C</b>	Construction Details	
Gross Building Area (SF)	<b>127,722</b>	Rentable Area (SF)	<b>127,722</b>
# of Units	<b>172</b>	Average Unit Size (SF)	<b>743</b>
# of Floors	<b>2</b>	Floor Area Ratio	<b>0.27</b>
HAP Contract	<b>No HAP contract in place</b>	LIHTC	<b>Property is not LIHTC</b>
Parking	<b>Surface: 350 Garage: 0 Other: 0 Total: 350</b>	Parking Ratio	<b>2.74:1,000 SF (Rentable) 2.74:1,000 SF (GBA) 2.03 per unit</b>
Unit Amenities	<b>Standard appliances, laundry connections, laundry appliances, carpet</b>		
Project Amenities	<b>Laundry room, on site office</b>		
Comments			

#### Site Details

Gross Land Area	<b>470,361 SF / 10.80 Acres</b>	Land to Building Ratio	<b>3.68</b>
Net Land Area	<b>470,361 SF / 10.80 Acres</b>	Flood Designation	

### Rental Survey Details

Leasing Incentives **None**

Rent Premiums **None**

Utilities Paid By **Electric Paid by Tenant , Water Paid by Tenant , Sewer Paid by Tenant , Cable Paid by Tenant , Trash Paid by Tenant**

Occupancy Rate **99%**

Comments

Confirmed By **Professional Source/Website/TDE, 09/12/2022**

## Rental Unit Detail

# Units	Unit Plan	Unit Size SF	Quoted Rent Low	Quoted Rent High	Eff. Rent Low	Eff. Rent High	Comments
92	1BR-1BA	528	\$579 \$1.10 PSF	\$579 \$1.10 PSF	\$579 \$1.10 PSF	\$579 \$1.10 PSF	
4	1BR-1BA	634	\$599 \$0.94 PSF	\$599 \$0.94 PSF	\$599 \$0.94 PSF	\$599 \$0.94 PSF	
22	2BR-1BA	785	\$679 \$0.86 PSF	\$679 \$0.86 PSF	\$679 \$0.86 PSF	\$679 \$0.86 PSF	
4	2BR-2BA	1,083	\$749 \$0.69 PSF	\$749 \$0.69 PSF	\$749 \$0.69 PSF	\$749 \$0.69 PSF	
12	2BR-2BA	1,104	\$749 \$0.68 PSF	\$749 \$0.68 PSF	\$749 \$0.68 PSF	\$749 \$0.68 PSF	
26	3BR-2BA	1,050	\$805 \$0.77 PSF	\$805 \$0.77 PSF	\$805 \$0.77 PSF	\$805 \$0.77 PSF	
12	3BR-2BA	1,205	\$879 \$0.73 PSF	\$879 \$0.73 PSF	\$879 \$0.73 PSF	\$879 \$0.73 PSF	
<b>172</b>		<b>743</b>	<b>\$663 per unit, \$0.95 PSF</b>		<b>\$663 per unit, \$0.95 PSF</b>		



## Rental Comparable #8

**Sutton at Shelby**  
 1760 Chancery Street  
 Memphis, TN 38116  
 Shelby County  
 BBG Property #1417165

### Property Data

#### Improvement Details

Property Type/Use	<b>Apartment Multi Family - Units</b>	Lat/Long	<b>35.0199 / (90.0056)</b>
Tax Account #	<b>07-9068-0-0002C</b>	# of Buildings	<b>0</b>
Year Built	<b>1973</b>	Renovated	<b>2019</b>
Quality	<b>Average</b>	Condition	<b>Average</b>
Construction Class	<b>C</b>	Construction Details	
Gross Building Area (SF)	<b>0</b>	Rentable Area (SF)	<b>120,882</b>
# of Units	<b>119</b>	Average Unit Size (SF)	<b>1,016</b>
# of Floors	<b>0</b>	Floor Area Ratio	<b>0.00</b>
HAP Contract	<b>No HAP contract in place</b>	LIHTC	<b>Property is not LIHTC</b>
Parking	<b>Surface: 0 Garage: 0 Other: 0 Total: 0</b>	Parking Ratio	<b>0.00:1,000 SF (Rentable) 0.00:1,000 SF (GBA) 0.00 per unit</b>
Unit Amenities			
Project Amenities			
Comments			

#### Site Details

Gross Land Area	<b>238,709 SF / 5.48 Acres</b>	Land to Building Ratio	<b>0.00</b>
Net Land Area	<b>238,709 SF / 5.48 Acres</b>	Flood Designation	

### Rental Survey Details

Leasing Incentives  
 Rent Premiums  
 Utilities Paid By **Electric Paid by Tenant , Gas Paid by Landlord, Water Paid by Landlord, Sewer Paid by Landlord, Cable Paid by Tenant , Trash Paid by Tenant**  
 Occupancy Rate **94%**  
 Comments  
 Confirmed By **Leasing Site, 07/14/2022**

## Rental Unit Detail

# Units	Unit Plan	Unit Size SF	Quoted Rent Low	Quoted Rent High	Eff. Rent Low	Eff. Rent High	Comments
21	1BR-1BA	744	\$600 \$0.81 PSF	\$600 \$0.81 PSF	\$600 \$0.81 PSF	\$600 \$0.81 PSF	
28	2BR-1BA	928	\$715 \$0.77 PSF	\$715 \$0.77 PSF	\$715 \$0.77 PSF	\$715 \$0.77 PSF	
47	2BR-1.5BA	1,028	\$775 \$0.75 PSF	\$775 \$0.75 PSF	\$775 \$0.75 PSF	\$775 \$0.75 PSF	
23	3BR-2BA	1,346	\$825 \$0.61 PSF	\$825 \$0.61 PSF	\$825 \$0.61 PSF	\$825 \$0.61 PSF	
<b>119</b>		<b>1,016</b>	<b>\$740 per unit, \$0.74 PSF</b>		<b>\$740 per unit, \$0.74 PSF</b>		



## Rental Comparable #9

**Legacy at River Pointe**  
 11594 Old Highway 61 North  
 Tunica Resorts, MS 38664  
 Tunica County  
 BBG Property #1127726

### Property Data

#### Improvement Details

Property Type/Use	Apartment Multi Family - Units	Lat/Long	34.8224 / (90.3104)
Tax Account #	3116 13000 0000105	# of Buildings	0
Year Built	2001	Renovated	n/a
Quality	Average	Condition	Average
Construction Class		Construction Details	
Gross Building Area (SF)	0	Rentable Area (SF)	156,920
# of Units	152	Average Unit Size (SF)	1,032
# of Floors	2	Floor Area Ratio	0.00
HAP Contract	No HAP contract in place	LIHTC	Property is not LIHTC
Parking	Surface: 320 Garage: 0 Other: 0 Total: 320	Parking Ratio	2.04:1,000 SF (Rentable) 2.04:1,000 SF (GBA) 2.11 per unit
Unit Amenities	Standard appliances, ceiling fans, laundry connections, dishwasher, vinyl flooring, ceramic tile flooring, carpet		
Project Amenities	Club house, fitness center, pool, tennis, play ground, on site office		
Comments			
Site Details			
Gross Land Area	548,856 SF / 12.60 Acres	Land to Building Ratio	0.00
Net Land Area	548,856 SF / 12.60 Acres	Flood Designation	

### Rental Survey Details

Leasing Incentives

Rent Premiums

Utilities Paid By **Electric Paid by Tenant , Water Paid by Tenant , Sewer Paid by Tenant , Cable Paid by Tenant , Trash Paid by Tenant**

Occupancy Rate **97%**

Comments **This garden style property is currently being renovated to include granite or faux granite countertops, stainless steel appliances, vinyl plank flooring, new cabinetry, updated lighting and fixtures. Rents shown are for renovated units. Not offering concessions.**

Confirmed By **Property Website/Costar - property would not cooperate with verification attempts, 07/14/2021**

Rental Unit Detail							
# Units	Unit Plan	Unit Size SF	Quoted Rent Low	Quoted Rent High	Eff. Rent Low	Eff. Rent High	Comments
24	1BR-1BA	805	\$715 \$0.89 PSF	\$715 \$0.89 PSF	\$715 \$0.89 PSF	\$715 \$0.89 PSF	
112	2BR-2BA	1,050	\$805 \$0.77 PSF	\$805 \$0.77 PSF	\$805 \$0.77 PSF	\$805 \$0.77 PSF	
16	3BR-2BA	1,250	\$900 \$0.72 PSF	\$900 \$0.72 PSF	\$900 \$0.72 PSF	\$900 \$0.72 PSF	
<b>152</b>		<b>1,032</b>	<b>\$801 per unit, \$0.78 PSF</b>		<b>\$801 per unit, \$0.78 PSF</b>		

## COMPARABLE SALES



# BBG

## Sale Comparable #1

Apartment  
1085 Holiday Drive  
Forrest City, AR 72335  
St Francis County  
BBG Property #1486656

Property Data			
<i>Improvement Details</i>			
Property Type/Use	Apartment Multi Family - Units	Lat/Long	35.0425 / (90.7723)
Tax Account #	0800-00651-0003	# of Buildings	1
Year Built	2003	Renovated	n/a
Quality	Average/Good	Condition	Average/Good
Construction Class	C	Construction Details	
Gross Building Area (SF)	129,640	Rentable Area (SF)	125,300
# of Units	132	Average Unit Size (SF)	949
# of Floors	2	Floor Area Ratio	0.23
HAP Contract	No HAP contract in place	LIHTC	Property is not LIHTC
Parking	Surface: 275 Garage: 0 Other: 0 Total: 275	Parking Ratio	2.19:1,000 SF (Rentable) 2.19:1,000 SF (GBA) 2.08 per unit
Unit Amenities	Balconies, laundry appliances		
Project Amenities	Fitness center, business center, play ground, on site office		
Comments			
<i>Site Details</i>			
Gross Land Area	567,151 SF / 13.02 Acres	Land to Building Ratio	4.37
Net Land Area	567,151 SF / 13.02 Acres	Flood Designation	
<i>Unit Mix Details</i>			
Unit Plan	Unit Size SF	Unit Count	Comments
1BR-1BA	675	16	
2BR-1BA	900	64	
3BR-1BA	1,075	48	
4BR-2BA	1,325	4	
	949 Avg.	132	



Sale Transaction Data			
Transaction Date	1/18/2022	Consideration	\$5,271,580
Sale Status	Closed	Adjustments	\$0
Occupancy at TOS	100%	Cash Equivalent Price	\$5,271,580
Months on Market		Sale Price PSF	\$40.66 PSF GBA \$42.07 PSF Rentable Area
Property Rights	Leased Fee	Sale Price Per Unit	\$39,936
Grantor	Income Property Investments, Inc.		
Grantee	Yaakov Lipman		
Record Info	000000000202		
Comments	The property traded with no vacancies and a mix of market-rate and subsidized units. All information is per public records as of 9/20/2022. Ownership is implimenting a capital improvement program to upgrade the market-rate units and release them at higher rents.		
Verification	Deed 09/20/2022		

#### Financial Attributes - Based on Income In-Place at Time of Sale

	Amount	PSF	Per Unit
Net Operating Income	\$323,332	\$2.58	\$2,449
Overall Rate	6.13%		



## Sale Comparable #2

DLP Jonesboro  
3719 Stadium Boulevard  
Jonesboro, AR 72404  
Craighead County  
BBG Property #528805

Property Data			
Improvement Details			
Property Type/Use	Apartment Multi Family - Units	Lat/Long	35.7949 / (90.6723)
Tax Account #	01-144333-18500	# of Buildings	10
Year Built	2000	Renovated	n/a
Quality	Average	Condition	Average
Construction Class		Construction Details	Wood frame, siding exterior, pitched roof with composition shingles
Gross Building Area (SF)	181,480	Rentable Area (SF)	179,880
# of Units	200	Average Unit Size (SF)	899
# of Floors	3	Floor Area Ratio	0.40
HAP Contract	No HAP contract in place	LIHTC	Property is not LIHTC
Parking	Surface: 0 Garage: 0 Other: 0 Total: 0	Parking Ratio	0.00:1,000 SF (Rentable) 0.00:1,000 SF (GBA) 0.00 per unit
Unit Amenities	White appliances (top-freezer refrigerator, dishwasher, electric range with vent hood, disposal), washer/dryer, walk-in closets, pantry, patio/balcony		
Project Amenities	Club house, fitness center, pool, on site office, playground, basketball court		
Comments			
Site Details			
Gross Land Area	453,024 SF / 10.40 Acres	Land to Building Ratio	2.50
Net Land Area	453,024 SF / 10.40 Acres	Flood Designation	
Unit Mix Details			
Unit Plan	Unit Size SF	Unit Count	Comments
1BR/1BA	686	80	
2BR/1BA	1,100	20	
3BR/2BA	1,350	20	
2BR/1BA	950	80	
	899 Avg.	200	

Sale Transaction Data			
Transaction Date	9/15/2021	Consideration	\$16,350,000
Sale Status	Closed	Adjustments	\$0
Occupancy at TOS	93%	Cash Equivalent Price	\$16,350,000
Months on Market		Sale Price PSF	\$90.09 PSF GBA \$90.89 PSF Rentable Area
Property Rights	Leased Fee	Sale Price Per Unit	\$81,750
Grantor	Engel Stadium Place LLC		
Grantee	DLP Capital		
Record Info	2021R-022225		
Comments	The capitalization rate was based on T12 operating statements with \$250/unit in replacement reserves added by the appraiser. In addition, the listing broker stated that the loan was a debt assumption and the true cash equivalent price for the property was \$18,250,000.		
Verification	12/17/2021		

#### Financial Attributes - Based on Income In-Place at Time of Sale

	Amount	PSF	Per Unit
Rental Income	\$1,663,312	\$9.25	\$8,317
Other Income	\$78,382	\$0.44	\$392
Gross Annual Income	\$1,741,694	\$9.68	\$8,708
Vacancy Expense	\$130,640	\$0.73	\$653
Effective Gross Income	\$1,611,054	\$8.96	\$8,055
Expenses	\$687,490	\$3.82	\$3,437
Reserves	\$50,000	\$0.28	\$250
Net Operating Income	\$873,564	\$4.86	\$4,368
GIM	9.39		
EGIM	10.15		
Overall Rate	5.34%		
Operating Expense Ratio	45.78		

#### Financial Attributes - Based on Pro-Forma Income/Expense Estimates

	Amount	PSF	Per Unit
Rental Income	\$1,812,000	\$10.07	\$9,060
Other Income	\$81,000	\$0.45	\$405
Gross Annual Income	\$1,893,000	\$10.52	\$9,465
Vacancy Expense	\$92,000	\$0.51	\$460
Effective Gross Income	\$1,801,000	\$10.01	\$9,005
Expenses	\$676,000	\$3.76	\$3,380
Reserves	\$50,000	\$0.28	\$250
Net Operating Income	\$1,075,000	\$5.98	\$5,375
GIM	8.64		
EGIM	9.08		
Overall Rate	6.57%		
Operating Expense Ratio	40.31		



## Sale Comparable #3

Williamsburg Apartments  
1515 Aggie Road  
Jonesboro, AR 72401  
Craighead County  
BBG Property #929351

### Property Data

#### Improvement Details

Property Type/Use	<b>Apartment Multi Family - Units</b>	Lat/Long	<b>35.8427 / (90.6876)</b>
Tax Account #	<b>01-144173-02000</b>	# of Buildings	<b>4</b>
Year Built	<b>1998</b>	Renovated	<b>n/a</b>
Quality	<b>Average</b>	Condition	<b>Average</b>
Construction Class	<b>B</b>	Construction Details	
Gross Building Area (SF)	<b>80,000</b>	Rentable Area (SF)	<b>71,608</b>
# of Units	<b>90</b>	Average Unit Size (SF)	<b>796</b>
# of Floors	<b>2</b>	Floor Area Ratio	<b>0.47</b>
HAP Contract	<b>No HAP contract in place</b>	LIHTC	<b>Property is not LIHTC</b>
Parking	<b>Surface: 0 Garage: 0 Other: 0 Total: 0</b>	Parking Ratio	<b>0.00:1,000 SF (Rentable) 0.00:1,000 SF (GBA) 0.00 per unit</b>
Unit Amenities	<b>Standard appliances, balconies, laundry connections, laundry appliances, dishwasher</b>		
Project Amenities			
Comments			

#### Site Details

Gross Land Area	<b>168,577 SF / 3.87 Acres</b>	Land to Building Ratio	<b>2.11</b>
Net Land Area	<b>168,577 SF / 3.87 Acres</b>	Flood Designation	

### Unit Mix Details

Unit Plan	Unit Size SF	Unit Count	Comments
1BR-1BA	600	14	
1BR-1BA	686	13	
1BR-1BA	730	13	
2BR-1BA	750	16	
2BR-1BA	950	16	
2BR-1BA	1,100	16	
3BR-1BA	1,200	2	
	796 Avg.	90	

Sale Transaction Data			
Transaction Date	9/1/2021	Consideration	\$6,857,253
Sale Status	Closed	Adjustments	\$0
Occupancy at TOS	93%	Cash Equivalent Price	\$6,857,253
Months on Market		Sale Price PSF	\$85.72 PSF GBA \$95.76 PSF Rentable Area
Property Rights	Leased Fee	Sale Price Per Unit	\$76,192
Grantor	HJE LLC		
Grantee	Doogan Investments LLC		
Record Info	2021R-021368		
Comments	Actual cap rate was based on YE 2020 income/expense with \$300/unit in replacement reserves added by the appraiser.		
Verification	12/17/2021		
Financial Attributes - Based on Income In-Place at Time of Sale			
	Amount	PSF	Per Unit
Rental Income	\$682,487	\$9.53	\$7,583
Other Income	\$54,749	\$0.76	\$608
Gross Annual Income	\$737,236	\$10.30	\$8,192
Vacancy Expense	\$52,624	\$0.73	\$585
Effective Gross Income	\$684,612	\$9.56	\$7,607
Expenses	\$266,738	\$3.72	\$2,964
Reserves	\$27,000	\$0.38	\$300
Net Operating Income	\$390,874	\$5.46	\$4,343
GIM	9.30		
EGIM	10.02		
Overall Rate	5.70%		
Operating Expense Ratio	42.91		
Financial Attributes - Based on Pro-Forma Income/Expense Estimates			
	Amount	PSF	Per Unit
Rental Income	\$708,168	\$9.89	\$7,869
Other Income	\$55,000	\$0.77	\$611
Gross Annual Income	\$763,168	\$10.66	\$8,480
Vacancy Expense	\$29,901	\$0.42	\$332
Effective Gross Income	\$733,267	\$10.24	\$8,147
Expenses	\$274,790	\$3.84	\$3,053
Reserves	\$27,000	\$0.38	\$300
Net Operating Income	\$431,477	\$6.03	\$4,794
GIM	8.99		
EGIM	9.35		
Overall Rate	6.29%		
Operating Expense Ratio	41.16		



## Sale Comparable #4

The Meadows  
3700 South Caraway Road  
Jonesboro, AR 72404  
Craighead County  
BBG Property #86440

Property Data			
Improvement Details			
Property Type/Use	Apartment Multi Family - Units	Lat/Long	35.7987 / (90.6761)
Tax Account #	01-144333-16900	# of Buildings	13
Year Built	2006	Renovated	n/a
Quality	Average	Condition	Average
Construction Class		Construction Details	Wood frame, siding, pitched composition roof
Gross Building Area (SF)	166,200	Rentable Area (SF)	166,260
# of Units	208	Average Unit Size (SF)	799
# of Floors	2	Floor Area Ratio	0.23
HAP Contract	No HAP contract in place	LIHTC	Property is not LIHTC
Parking	Surface: 0 Garage: 0 Other: 0 Total: 0	Parking Ratio	0.00:1,000 SF (Rentable) 0.00:1,000 SF (GBA) 0.00 per unit
Unit Amenities	Standard appliances, balconies, ceiling fans, laundry appliances, dishwasher, vinyl flooring, carpet, walk-in closets, disposal, and laminate countertops		
Project Amenities	Fitness center, laundry room, pool, play ground, on site office, maintenance on site, property manager on site, storage space, sundeck, courtyard, grill, and picnic area		
Comments			
Site Details			
Gross Land Area	736,600 SF / 16.91 Acres	Land to Building Ratio	4.43
Net Land Area	736,600 SF / 16.91 Acres	Flood Designation	Zone X
Unit Mix Details			
Unit Plan	Unit Size SF	Unit Count	Comments
1BR-1BA	640	104	
2BR-1BA	830	23	
2BR-2BA	900	26	
3BR-1.5BA	960	26	
3BR-2BA	1,140	26	
2BR-1.5BA	870	3	
	799 Avg.	208	

Sale Transaction Data			
Transaction Date	8/31/2021	Consideration	\$16,373,910
Sale Status	Closed	Adjustments	\$0
Occupancy at TOS	%	Cash Equivalent Price	\$16,373,910
Months on Market		Sale Price PSF	\$98.52 PSF GBA \$98.48 PSF Rentable Area
Property Rights	Leased Fee	Sale Price Per Unit	\$78,721
Grantor	HJH Properties LLC		
Grantee	Interurban Eagles Landing LLC		
Record Info	R021359		
Comments			
Verification	12/13/2021		

#### Financial Attributes - Based on Pro-Forma Income/Expense Estimates

	Amount	PSF	Per Unit
Rental Income	\$1,701,470	\$10.23	\$8,180
Other Income	\$63,277	\$0.38	\$304
Gross Annual Income	\$1,764,747	\$10.61	\$8,484
Vacancy Expense	\$97,324	\$0.59	\$468
Effective Gross Income	\$1,667,423	\$10.03	\$8,016
Expenses	\$642,261	\$3.86	\$3,088
Reserves	\$52,000	\$0.31	\$250
Net Operating Income	\$973,162	\$5.85	\$4,679
GIM	9.28		
EGIM	9.82		
Overall Rate	5.94%		
Operating Expense Ratio	41.64		





## Sale Comparable #5

Apartment  
840 East Main Street  
Blytheville, AR 72315  
Mississippi County  
BBG Property #1486691

### Property Data

#### Improvement Details

Property Type/Use	<b>Apartment Multi Family - Units</b>	Lat/Long	<b>35.9281 / (89.8895)</b>
Tax Account #	<b>305-06958-000</b>	# of Buildings	<b>4</b>
Year Built	<b>1975</b>	Renovated	<b>n/a</b>
Quality	<b>Average</b>	Condition	<b>Average</b>
Construction Class	<b>C</b>	Construction Details	
Gross Building Area (SF)	<b>30,000</b>	Rentable Area (SF)	<b>29,400</b>
# of Units	<b>28</b>	Average Unit Size (SF)	<b>1,050</b>
# of Floors	<b>2</b>	Floor Area Ratio	<b>0.16</b>
HAP Contract	<b>No HAP contract in place</b>	LIHTC	<b>Property is not LIHTC</b>
Parking	<b>Surface: 42 Garage: 0 Other: 0 Total: 42</b>	Parking Ratio	<b>1.43:1,000 SF (Rentable) 1.43:1,000 SF (GBA) 1.50 per unit</b>
Unit Amenities	<b>Standard appliances, wood flooring</b>		
Project Amenities			
Comments			

#### Site Details

Gross Land Area	<b>191,750 SF / 4.40 Acres</b>	Land to Building Ratio	<b>6.39</b>
Net Land Area	<b>191,750 SF / 4.40 Acres</b>	Flood Designation	

### Unit Mix Details

Unit Plan	Unit Size SF	Unit Count	Comments
2BR-1.5BA	1,050	28	
	1,050 Avg.	28	

Sale Transaction Data			
Transaction Date	11/13/2020	Consideration	\$1,315,000
Sale Status	Closed	Adjustments	\$0
Occupancy at TOS	91%	Cash Equivalent Price	\$1,315,000
Months on Market		Sale Price PSF	\$43.83 PSF GBA \$44.73 PSF Rentable Area
Property Rights	Leased Fee	Sale Price Per Unit	\$46,964
Grantor	Townhouse East I LLC		
Grantee	JM Property Rentals LLC		
Record Info			
Comments	On November 13, 2020 the sale of a 28-unit multi-family property sold in Blytheville, AR. Townhouse East I LLC sold the property for \$1,315,000 or \$46,964 per unit to JM Property Rentals LLC. The sale closed with a 9% cap rate.		
Verification	Public Record 09/20/2022		
Financial Attributes - Based on Income In-Place at Time of Sale			
	Amount	PSF	Per Unit
Net Operating Income	\$118,350	\$4.03	\$4,227
Overall Rate	9.00%		

## **SPONSOR PROVIDED DOCUMENTS**

## Rent Roll - All Time

Unit	Lease	Start date	End date	Beds / Bat Rent	Balance	
4 Units					\$2,310.00	\$1,521.00
property: 1315 North Izard Street (StoneWood)						
	1 L.Hall	0	0	44563	\$595.00	\$955.00
	2 Thompson, J._1	44805	45169	2	\$645.00	\$0.00
	3 M.Regidor	0	0	2	\$595.00	\$0.00
	4 Urban, J.	44577	44942	2	\$595.00	\$0.00
	5 Ashley Adams	44866	45231	-/-	\$640.00	\$295.00
	6 G.White	0	0	2	\$595.00	\$2,245.00
	7 John Marlow	44866	45230	44563	\$595.00	\$0.00
	8 Sparkman, S.	44763	45128	2	\$595.00	\$0.00
	9 E.Varsovia	0	0	2	\$595.00	\$0.00
	10 Smith, A.	44562	44927	2	\$500.00	\$0.00
	11 N.Fondara	0	0	2	\$595.00	\$0.00
	12 Wright, L.	44743	45108	2	\$595.00	(\$2.00)
	13 v.White	0	0	2	\$595.00	\$0.00
	14 Richmond, M.	44621	44986	2	\$475.00	\$0.00
	15 Jenkins, A.	44713	45078	2	\$595.00	\$690.00
	16 Singh, K.	44805	45170	2	\$595.00	(\$350.00)
16 Units					\$9,400.00	\$3,833.00

# FINANCIAL ANALYSIS

## FORREST CITY



		MMG Pro Forma	T-1 T-4 Expenses [ Feb'22 ]	T-4 Annualized [ Nov'21-Feb'22 ]
<b>Income</b>				
Scheduled Market Rent		\$1,563,360	\$1,284,252	\$1,257,319
Less: Loss to Lease	1.00%	(\$18,888)	\$0	\$0
Less: Vacancy	5.00%	(\$94,440)	\$0	\$0
Less: Concessions	0.00%	\$0	\$0	\$0
Less: Non-Rev/Bad Debt/Adjust	1.00%	(\$18,888)	\$0	\$0
Plus: Year-One Rent Growth	20.82%	\$325,440		
<b>Net Rental Income</b>		<b>\$1,756,584</b>	<b>\$1,284,252</b>	<b>\$1,257,319</b>
Plus: Fee Income		\$64,980	\$0	\$0
Plus: Utility Reimbursements		\$64,980	\$0	\$0
<b>Total Other Income</b>		<b>\$129,960</b>	<b>\$0</b>	<b>\$0</b>
<b>Effective Gross Income</b>		<b>\$1,886,544</b>	<b>\$1,284,252</b>	<b>\$1,257,319</b>

		Per Unit			
<b>Expenses</b>					
Real Estate Taxes	0.9280%	\$258	\$58,839	\$41,424	\$41,424
Insurance		\$250	\$57,000	\$36,131	\$36,131
Utilities		\$316	\$72,062	\$61,399	\$61,399
Contracted Services		\$250	\$57,000	\$0	\$0
Repairs & Maintenance		\$500	\$114,000	\$86,923	\$86,923
Marketing & Promotion		\$50	\$11,400	\$0	\$0
General & Administrative		\$200	\$45,600	\$11,481	\$11,481
On-Site Payroll		\$1,100	\$250,800	\$221,986	\$221,986
Management Fee	3.00%	\$248	\$56,596	\$0	\$0
Replacement Reserve		\$300	\$68,400	\$68,400	\$68,400
<b>Total Expenses</b>		<b>\$3,472</b>	<b>\$791,698</b>	<b>\$527,744</b>	<b>\$527,744</b>

Real Estate Taxes, Insurance, & Utilities Per Unit:	\$824	\$609	\$609
Total Controllable Expenses Per Unit:	\$2,648	\$1,705	\$1,705
Total Expenses Per Unit:	\$3,472	\$2,315	\$2,315
Total Expenses Per SF:	\$4.40	\$2.93	\$2.93
Total Expenses as % of EGI	41.97%	41.09%	41.97%

<b>Net Operating Income</b>		<b>\$1,094,846</b>	<b>\$756,508</b>	<b>\$729,575</b>
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JPW Holdings - Forrest City  
Profit & Loss by Month

	Nov 21	Dec 21	Jan 22	22-Feb	22-Mar	22-Apr	May-22	Jun-22	Jul-22	Aug-22
Ordinary Income/Expense										
Income										
47400 - Rental Income	100,365.25	105,509.95	106,210.00	107,021.00	107,524.00	109,125.00	109,437.00	116,251.00	121,854.00	123,054.00
Total Income	100,365.25	105,509.95	106,210.00	107,021.00	107,524.00	109,125.00	109,437.00	116,251.00	121,854.00	123,054.00
Expense										
61020 - Bank Fees	-	-	-	-	-	-	-	-	-	-
61040 - Software & Computer Expense	675.00	675.00	675.00	675.00	675.00	675.00	675.00	675.00	675.00	675.00
61050 - Professional Fees	-	-	-	-	-	-	-	-	-	-
61051 - Legal Fees	-	-	-	-	-	-	-	-	-	-
61060 - Insurance Expense	3,010.91	3,010.91	3,010.91	3,010.91	3,010.91	3,010.91	3,011.00	3,011.00	3,011.00	3,011.00
61080 - Office Supplies	55.50	-	15.82	60.25	58.31	45.91	68.00	52.00	57.00	47.00
61090 - Telephone / Internet Expense	128.32	256.44	128.00	128.00	128.00	128.00	128.00	128.00	128.00	128.00
61100 - Utilities										
61110 - Electric	1,213.83	1,511.71	2,956.08	2,872.00	2,578.00	2,781.00	2,541.00	951.00	2,410.00	2,214.00
61115 - Water	2,891.61	2,864.10	3,105.90	3,051.00	3,267.00	3,157.00	1,985.00	3,682.00	2,874.00	2,654.00
62045 - Travel	-	335.24	137.69	137.69	-	-	-	-	-	-
62050 - Supplies	308.02	214.84	129.26	440.30	254.00	187.00	195.00	177.00	165.00	228.00
64100 - Repairs and Maintenance	3,871.00	1,874.00	1,785.00	1,852.00	2,541.00	2,471.00	2,641.00	2,751.00	2,576.00	2,451.00
64101 - HVAC Repairs	1,452.00	1,103.00	1,241.00	1,802.00	2,214.00	2,301.00	2,214.00	3,691.00	3,127.00	2,471.00
64102 - Plumbing Repairs	3,485.00	5,960.00	1,805.00	1,652.00	3,251.00	2,180.00	2,541.00	1,950.00	1,876.00	1,985.00
64110 - Landscaping-Grounds Care	-	-	-	-	-	-	-	-	-	-
64200 - Furnishings-Decor	-	-	-	-	-	-	-	-	-	-
65000 - Misc Services	-	-	-	-	-	-	-	-	-	-
66000 - Payroll										
66020 - Payroll-Contract Services (CND)	15,465.45	14,274.45	-	-	-	-	-	-	-	-
66050 - Payroll-Wages (NET)	-	-	16,367.80	16,210.00	13,254.00	13,887.00	13,654.00	14,251.00	14,374.00	14,587.00
66060 - Payroll-Garnishments (CSD)	-	-	355.75	355.75	355.75	355.75	356.00	356.00	356.00	356.00
66090 - Payroll Taxes (TAX)	-	-	5,483.04	5,483.04	3,742.00	3,854.00	3,754.00	4,120.00	4,128.00	4,352.00
Total 66000 - Payroll	15,465.45	14,274.45	16,746.59	16,658.79	13,665.75	14,106.75	14,060.00	14,727.00	14,954.00	15,301.00
64521 - Taxes	3,452.00	3,452.00	3,452.00	3,452.00	3,452.00	3,452.00	3,452.00	3,452.00	3,452.00	3,452.00
Total Expense	36,008.64	35,531.69	40,648.25	41,181.94	38,652.97	36,357.57	37,215.00	39,247.00	39,209.00	38,611.00
Net Ordinary Income	64,356.61	69,978.26	65,561.75	65,839.06	68,871.03	70,767.43	72,222.00	77,004.00	82,645.00	84,443.00
Net Income	64,356.61	69,978.26	65,561.75	65,839.06	68,871.03	70,767.43	72,359.00	77,132.00	82,773.00	84,571.00

## LETTER OF ENGAGEMENT





October 26, 2022

Ms. Jackie Dulay  
First Technology Federal Credit Union  
5100 N.E. Dawson Creek Drive  
Hillsboro, OR 97124  
503-350-4503  
Jackie.dulay@firsttechfed.com

RE: 205 West Moultrie Drive, Blytheville  
101 Seaton Drive, Forrest City  
928-940 Robinson Street, Forrest City  
2451 Fernwood Street, Forrest City  
941-945 Robinson Street, Forrest City

2226 Merrill Drive, Forrest City  
12 Princeton, Forrest City  
1315 North Izard Street, Forrest City  
621 Graham Avenue, Forrest City  
271 Graham Avenue, Forrest City

Dear Ms. Dulay:

We are pleased to submit this proposal and our terms and conditions for the appraisal of the above-referenced real estate.

## PROPOSAL SPECIFICATIONS

**Valuation Premise:**

Recertify the existing reports to First Tech Federal Credit Union

**Property Rights Appraised:**

Leased fee interest

**Intended Use:**

Asset valuation

**Intended Users:**

First Technology Federal Credit Union and its related entities, successors, and/or assigns.

**Scope of Work:**

The appraisals will include any approach to value that is applicable and necessary to the assignment.

**Appraisal Standards:**

Uniform Standards of Professional Appraisal Practice (USPAP), Financial Institution Reform, Recovery, and Enforcement Act (FIRREA), December 2010 Interagency Appraisal and Evaluation Guidelines, and Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute.

**Fee:**

\$5,000 total (\$500 each)

**Report Copies:**

PDF delivery of draft and/or final reports.

**Delivery Date:**

Delivery of the appraisal conclusions and/or report will be within 1 week, pending timely receipt of your written authorization to proceed and any required information.

**Acceptance Date:**

Date of execution

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**NEW YORK**

P + 212.682.0400

112 MADISON AVENUE  
+ 11<sup>TH</sup> FLOOR  
NEW YORK, NY 10016

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BBGRES.COM

VALUATION + ADVISORY + ASSESSMENT + ZONING

The attached terms and conditions of the engagement are deemed part of this Appraisal Services Agreement and are incorporated fully herein by reference and shall apply to any appraisal reports, contract or orders into which they are incorporated. In addition, with respect to any appraisal report, any use of or reliance on the appraisal by any party, regardless of whether the use or reliance is authorized or known by BBG, Inc. and its agents, servants, employees, principals, affiliated companies and all those in privity with them, constitutes acceptance of such terms and conditions of the engagement, as well as acceptance of all other appraisal statements, limiting conditions and assumptions stated in the appraisal report. Use of this appraisal report constitutes acknowledgement and acceptance of the terms and conditions of the engagement, special assumptions (if any), extraordinary assumptions (if any), and hypothetical conditions (if any) on which this estimate of market value is based. This appraisal report has been prepared for the exclusive benefit of the client. It may not be used or relied upon by any other party. Any other party who is not the identified client within this report who uses or relies upon any information in this report does so at their own risk.

Thank you for the opportunity to quote this deal. Please let me know if you need pricing on a Phase I, PCA, Seismic Risk Assessment (SRA), Zoning, ALTA surveys, Energy Services, Indoor Air Quality, or Construction Risk Management Services.

Sincerely,



**Jon DiPietra, MAI**  
**Senior Managing Director**  
**As Agent for BBG, Inc.**

**AGREED AND ACCEPTED**

Client Signature 

Date 10/26/2022

## **APPRAISER QUALIFICATIONS AND LICENSES**

## Profile

Gregory is a Director for BBG in the Little Rock office. Gregory has been actively engaged in real estate valuation and consulting since 1998. He has extensive experience in the valuation of regional malls, community/neighborhood shopping centers, office buildings (CBD and suburban), warehouse/distribution facilities, mini-storage units, multifamily (including CBD condominium development), vacant land, residential homes, and special purpose properties.

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## Professional Affiliations

### General Certified Real Estate Appraiser:

State of Arkansas (License No. CG-1419)  
State of Oklahoma (License No. 13579CGA)  
State of Tennessee (License No.6038)  
State of Mississippi (License No.GA-1402)

## Education

B.S. Degree, University of Central Arkansas, 1996

Successfully completed numerous real estate and valuation courses and seminars sponsored by the Appraisal Institute, accredited universities and others available upon request.



## Profile

Matthew is a Director at BBG, Inc. in New York City. He has professional experience in institutional real estate valuation. His experience includes institutional apartment, mixed use, land asset management, portfolio management, acquisitions, development, budgeting, leasing, and portfolio valuation. Matthew's national valuation experience includes fair market value appraisals, financial analyses, cash flow models, and other real estate consulting services in a wide array of commercial real estate asset classes including multifamily, office, retail, hospitality, industrial, health care, mixed use, land, and special use properties.

Prior to joining BBG, Matthew worked with SL Green in Manhattan. During his time with SL Green, Matthew worked very closely with the Underwriting/Construction department assisting in property management. During his college years, Matthew worked with the local Campus Housing Real Estate Company, assisting in daily administrative needs and overseeing a budget for the company's maintenance program. He was also a member of the University of Notre Dame varsity swimming team.

A sampling of the types of engagements performed for public, private, and institutional clientele includes:

- 300,000 to 500,000 square foot Class A apartment and mixed use buildings
- Transformative 100-acre live/work/play development in suburban area
- Hi-rise luxury condominium developments in the 5 boroughs
- National land, apartment, retail, industrial, and office valuations with a focus on New York City

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## Professional Affiliations

### Certified General Appraiser:

State of New York (License #46000053167)

State of Connecticut (License #RCG.0001649)

State of New Jersey (License #42RG00278200)

State of Rhode Island (License #CGA.0020141)

State of Wisconsin (License #2605-10)

State of Ohio (License #2022003055)

State of Pennsylvania (License #GA004668)

State of Maryland (License #34732)

State of Tennessee (License #6335)

State of Massachusetts (License #1000272-RA-CG)

State of Indiana (License #CG42200040)

State of Louisiana (License #APR.04958-CGA)

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## Education

University of Notre Dame – Mendoza College of Business

Bachelor of Business Administration – Management Entrepreneurship & Economics



**ARKANSAS  
APPRAISER LICENSING &  
CERTIFICATION BOARD**

**This is to certify that  
Gregory Jeffery**

**License #: CG 1419**

**has complied with the requirements of  
Arkansas Code Section §17-14-201 et seq.; and  
is the holder of a valid certificate.  
This card is for identification purposes only.**

**6/30/2023**

**Expiration Date**

A handwritten signature in black ink, appearing to read "John C. Barber".

**Chairman**





Arkansas Licensing & Certification Board

# CERTIFICATE OF TEMPORARY PRACTICE

Number CG-4943

Matthew Michael DeBlasio

Full Name

112 Madison Ave

Address

New York

NY

10010

City

State

Zip Code

who possesses a valid license or certification in

NY

State

has complied with the requirements of ACT 541 of 1991 and applicable "Rules and Regulations to qualify to receive temporary authority to practice in the State of Arkansas in the capacity of a

CG-4943

(Licensed, Certified Residential, or Certified General)

## REAL ESTATE APPRAISER

To perform the following appraisal assignment:

Apartment Developments Blytheville and Forrest City, St. Francis & Mississippi County, AR

Effective this 2nd day of Nov, 20 22

By: John C. Balch

Chairman, Arkansas Appraiser Licensing Certification Board