



**A MARKET CONDITIONS AND PROJECT EVALUATION SUMMARY OF
BUTTRUM MULTIFAMILY DEVELOPMENT**

Located

**25100 North IH 35
New Braunfels, Comal County, Texas 78132**

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EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

1) DESCRIPTION OF SITE AND IMMEDIATE SURROUNDING AREA

The Subject will be phase I of a multi-phase mixed-use development. The entire multi-phase development will cover 28 acres. The size of the Subject site was unavailable as of the date of this report. The site is located at 25100 North IH 35, New Braunfels, Texas 78132 in Census Tract 310802. According to the developer, the site is located in the city of Schertz, but has a New Braunfels postal address. The site is located in Comal County just north of its border with Guadalupe County. The site is generally level and is currently vacant with the exception of one house, which is being leased by the site’s former owner, but will be vacated and razed prior to the beginning of construction on the Subject. The site also has a pond; this will remain and a jogging/walking path will be added around the pond as a property amenity for the Subject’s tenants. The site is irregular in shape, and has frontage along the Interstate 35 frontage road and Eckhardt Road.

According to the City of Schertz Zoning Department, the entire multi-phase development spans multiple parcels which feature three zoning classifications: General Business (GB), Development Agreement / Delayed Annexation (DVL), and Pre-Development (PRE). According to the site plan provided by the developer, the site is zoned multifamily. The developer noted that some re-zoning will be required for the Subject prior to construction in order to ensure that the Subject’s improvements are legally conforming uses. Parcels to the south are zoned DVL, parcels to the north are zoned GB, parcels to the east are zoned GB and PRE, and parcels to the west are zoned GB and R-7, Single-family Residential.

The Subject site is located in between downtown New Braunfels and downtown Schertz on the east side of Interstate 35, approximately eight miles southwest of New Braunfels and nine miles northeast of Schertz. The Subject is not located in a formally designated neighborhood; instead, the Subject is located off Interstate 35 which consists primarily of single-family home subdivisions and commercial uses. Current land uses in the area are in good to excellent condition, with single-family uses in generally good to excellent condition immediately surrounding the Subject. Furthermore, crime in the Subject’s neighborhood is well below the national average.

SUMMARY OF SUBJECT SITE	
Visibility/Views	Average
Access/Traffic Flow	Good
Layout/Curb Appeal	Excellent

2) PROJECT SUMMARY

The Subject is Phase I of a proposed multi-phase mixed-use development and the overall site includes zoning for both commercial and multifamily uses. The Subject will be Phase I of the multifamily uses proposed for the overall site. The Subject will target young professionals and families. The Subject will be improved with 11 two and three-story garden-style residential buildings and one single-story clubhouse. The Subject will offer 176 carports for an additional fee (amount yet to be determined) as well as an undetermined number of off-street parking spaces. The development will contain a total of 176, one, two, and three-bedroom units. The Subject will be in excellent condition upon completion. Construction is

scheduled to begin within one year and will be complete within 18 months after the start date. The Subject’s proposed unit mix and rents are detailed in the following table.

PROPOSED RENTS				
Unit Type	Number of Units	Unit Size (SF)	Asking Rent	Rent Per Sq. Ft.
1BR/1BA	30	712	\$800	\$1.12
2BR/2BA	84	973	\$1,100	\$1.13
3BR/2BA	62	1,236	\$1,300	\$1.05
Total	176			

All of the Subject’s units will be market rate and will not be Subject to any rent restrictions.

3) SUMMARY STATEMENTS REGARDING ECONOMIC AND DEMOGRAPHIC CONDITIONS AND COMPETITIVE ENVIRONMENT

- Employment in the PMA is greatest in the retail trade, healthcare/social assistance, public administration, and educational services sectors, which together represent nearly 47 percent of the total PMA employment. Of the largest sectors in the PMA, healthcare/social assistance sector, public administration, and educational services are considered historically stable, while retail trade is often prone to changes in the economy and were hit with job losses during the recent economic crisis. The MSA was not significantly affected by the most recent national recession. Total employment in the MSA has increased every year for the past decade, whereas the nation experienced declines in total employment from 2008 to 2010. Employment increased in the MSA by 2.5 percent from March 2015 to March 2016, while the nation experienced a 2.1 percent increase. In terms of unemployment rates, historically, the rate in the MSA has been below that of the nation. As of March 2016, the local unemployment rate was 3.7 percent, below the national unemployment rate of 5.1 percent. The unemployment rate in the MSA increased from 2008 to 2010, peaking in 2010 at 7.2 percent, which was significantly lower than the peak unemployment level of 9.6 percent in the nation for the same time period. The declining unemployment rate coupled with the historical increasing employment levels is indicative of a recovered and strong local economy. Additionally, employment projections for the Alamo WDA, a 12-county area which includes Comal County, are significantly greater than national projections. An increasing job base bodes well for continued demand for rental housing units within the region.
- Population and household growth in the PMA have historically significantly outpaced growth in both the MSA and the nation as a whole. In fact, growth in the PMA from 2000 to 2010 was nearly six times that of national growth. While population and household growth in the PMA slowed from 2010 to 2015 and is projected to continue to slow from 2015 to 2020, the growth remains considerably stronger than that in the MSA and nation. From 2015 to 2020 population and household growth is projected to outpace national growth by over three times. From 2015 2020 the number of renter households in the PMA is expected to increase by approximately 1,421 households many of whom are expected to be income-qualified for the Subject’s units. Based on the *Demand Estimate and Analysis* detailed later in this report, approximately 65.84 percent of the renter

households in the PMA earn over \$28,800, the estimated minimum income requirement for the Subject, and are a likely source of demand for the Subject’s units. Additionally, the number and percentage of income-qualified renter households in the PMA will increase through 2020, suggesting demand for additional market rate rental housing is needed.

- Novogradac performed a competitive analysis of the local rental market. We attempted to compare the Subject to properties from the competing market area to provide a picture of the health and available supply in the market. The Subject will consist of one, two, and three-bedroom units. An extensive search for comparable properties was performed and we included seven market rate properties in our analysis. All of the comparables used are located in New Braunfels or Schertz within 11 miles of the Subject site and all are located within or just outside the parameters of the PMA. The stabilized comparables have an overall vacancy rate of 1.8 percent.

4) STATEMENT OF KEY CONCLUSIONS

- Upon completion, the Subject will exhibit excellent condition. The development will be located in between New Braunfels and Schertz and will primarily target young professionals and families. The Subject will offer a competitive amenities package, and appliances will include a stove/oven, refrigerator, garbage disposal, dishwasher, microwave, and washer/dryers, which is similar to the comparables. The Subject is located in a mixed-use neighborhood, with vacant land, a relatively recently constructed single-family home subdivision, several small commercial uses. Current land uses in the area are in fair to excellent condition. Furthermore, the crime for the Subject’s neighborhood below the national average. The proposed Subject will positively impact the neighborhood and the availability of good quality rental housing in the New Braunfels - Schertz areas.
- The following table details preliminary absorption information reported by the two most recent additions to the market.

ABSORPTION					
Property name	City	Type	Year Built	Number of Units	Units Absorbed/ Month
Creekside Vue*	New Braunfels	Market	2015	150	10
The Springs At Creekside*	New Braunfels	Market	2015/2016	268	11

*In lease-up.

As illustrated, the two comparables that are in lease-up reported preliminary absorption rates of ten and 11 units per month. The two comparables in lease-up are located within one mile of one another, which is likely slowing the absorption rates at the two properties as both are simultaneously in the lease-up process. There have been no recent additions to the Schertz market since 2008 and the properties in lease-up and planned in New Braunfels are located on northern boundary of the PMA. There are two planned multifamily additions to Schertz, both within six miles of the Subject site, though neither have been permitted. Given the Subject’s location in between the two cities and the lack

of new product in the immediate neighborhood, and based on the market vacancy rates and our demand calculations, we estimate the Subject will absorb approximately 15 units per month and reach a stabilized occupancy of 95.0 percent within 11 to 12 months.

- The following table illustrates vacancy rates at the comparable properties.

OVERALL VACANCY					
Comparable Property	City	Type	Total Units	Vacant Units	Vacancy Rate
Avenues At Creekside	New Braunfels	Market	395	6	1.5%
Creekside Vue*	New Braunfels	Market	150	21	14.0%
Legacy Oaks Apartments	Schertz	Market	256	0	0.0%
Mission Hill	New Braunfels	Market	187	6	3.2%
The Springs At Creekside*	New Braunfels	Market	268	169	63.1%
Waterford Place	New Braunfels	Market	228	9	3.9%
Waterford Ridge	Schertz	Market	288	4	1.4%
Total			1,772	215	12.1%
Total Stabilized			1,354	25	1.8%

*In lease-up.

As illustrated in the previous table, the stabilized comparables reported vacancy rates ranging from zero to 3.9 percent, with an overall average vacancy rate of 1.8 percent. Creekside Vue and The Springs at Creekside are in lease-up. According to management at Creekside Vue, the property is currently 69 percent occupied and 86 percent leased. According to management at The Springs at Creekside, the property is 37 percent occupied and 47 percent leased. The low incidence of vacancies at the stabilized comparables illustrates a need for additional housing. Further, the comparables do not maintain waiting lists as demand and traffic in the market was reported to be both regular and high. Taking all of this information into account, assuming competent management and appropriate marketing of the property, we believe the Subject could achieve a stabilized vacancy rate of approximately five percent or less.

The following table illustrates the vacancy by bedroom type at the comparable properties.

VACANCY BY BEDROOM TYPE								
Comparable Property	City	Rent	Studio	One-Bedroom	Two-Bedroom	Three-Bedroom	Four-Bedroom	Overall Vacancy Rate
		Structure	Units	Units	Units	Units	Units	
Avenues At Creekside	New Braunfels	Market	-	0.0%	0.0%	0.0%	0.0%	0.0%
Creekside Vue*	New Braunfels	Market	-	30.0%	0.0%	0.0%	-	14.0%
Legacy Oaks Apartments	Schertz	Market	-	0.0%	0.0%	0.0%	-	0.0%
Mission Hill	New Braunfels	Market	0.0%	4.0%	3.2%	-	-	3.2%
Waterford Place	New Braunfels	Market	-	0.0%	0.0%	0.0%	-	0.0%
Waterford Ridge	Schertz	Market	-	2.1%	0.7%	2.1%	-	1.4%

*In lease-up.

As illustrated in the previous table, only one property, Creekside Vue, reported an above average vacancy rate for a unit type. According to management at Creekside Vue, all of the remaining unleased units at the property are one-bedroom units, but this property is in the initial lease-up period. Overall performance of the market is considered excellent. This local market data is also consistent with the REIS data presented previously in this report.

- Presently, only one of the comparables maintains a waiting list. Management at the remaining comparables all attributed the lack of a waiting list to sufficient demand and

traffic in the market so as not to warrant a need for a waiting list. As such, we do not expect the Subject will be able to maintain a waiting list.

- Below are the rent comparisons between the Subject’s rents and comparable developments’ market rents. The comparable rents have been adjusted for concessions and variances in utility structure.

SUBJECT COMPARISON TO MARKET RENTS					
Unit Type	Subject	Surveyed Min	Surveyed Max	Surveyed Average	Achievable Market Rents
1 BR	\$800	\$783	\$1,309	\$934	\$950
2 BR	\$1,100	\$1,023	\$1,719	\$1,100	\$1,150
3 BR	\$1,300	\$1,248	\$1,973	\$1,329	\$1,350

The Subject’s proposed rents are below the surveyed average rents being achieved by the comparables.

The achievable rents were determined by comparing the aesthetic quality, amenities, unit sizes, etc. to that of projects in the area. Novogradac & Company concluded that the Subject will be comparable to superior to the market rate competition. Achievable rents represent net market rate rent levels that we anticipate a project of the Subject’s condition and quality could reasonably achieve.

The Subject will be new construction with a competitive amenity package in an excellent location. The Subject will be most similar in terms of age/condition to Avenues at Creekside, Creekside Vue, and the Springs at Creekside. The Subject will be most similar in terms of amenities to Waterford Place and Waterford Ridge, the two comparables that do not offer garage parking, but the Subject will be slightly superior to these in terms of age/condition. Given the Subject’s smaller than average unit sizes, and the fact that many of the comparables offer a variety of floorplans for each unit type, we have compared the Subject’s units to the most similar floorplan for each unit type at the comparables. The following table illustrates this comparison.

MARKET RENT COMPARISON - MOST SIMILAR UNIT			
Property Name	Rent	Unit Size (SF)	Rent Per Square Foot
<i>One-Bedroom Units</i>			
Avenues At Creekside	\$1,025	726	\$1.41
Creekside Vue	\$982	719	\$1.37
Legacy Oaks Apartments	\$910	705	\$1.29
Mission Hill	\$953	724	\$1.32
The Springs At Creekside	\$1,034	760	\$1.36
Waterford Place	\$934	735	\$1.27
Waterford Ridge	\$1,005	735	\$1.37
<i>Two-Bedroom Units</i>			
Avenues At Creekside	\$1,314	1,046	\$1.26
Creekside Vue	\$1,233	994	\$1.24
Legacy Oaks Apartments	\$1,143	1,057	\$1.08
Mission Hill	\$1,228	946	\$1.30
The Springs At Creekside	\$1,230	1,062	\$1.16
Waterford Place	\$1,100	960	\$1.15
Waterford Ridge	\$1,193	960	\$1.24
<i>Three-Bedroom Units</i>			
Avenues At Creekside	\$1,973	1,537	\$1.28
Creekside Vue	\$1,654	1,408	\$1.17
Legacy Oaks Apartments	\$1,248	1,150	\$1.09
Mission Hill	-	-	-
The Springs At Creekside	\$1,467	1,334	\$1.10
Waterford Place	\$1,329	1,150	\$1.16
Waterford Ridge	\$1,380	1,150	\$1.20

Overall, we believe that the Subject should achieve rents similar to those at Waterford Place and Waterford Ridge and below those at the new comparables in north New Braunfels, which offer superior access to locational amenities and garage parking, though it is worth noting that the rents at these properties may be limited to some extent by the multitude of new supply in the immediate neighborhood.

It is reasonable to assume that the Subject, as a new development in excellent condition with a competitive amenity package and desirable location, should be able to achieve rents within the range of the comparables. Based on our analysis, we believe the Subject’s proposed rents are achievable for the following reasons:

- Unit sizes will be within the surveyed range.
- Similar to slightly inferior location.
- Similar to slightly superior to all of the comparables in terms of unit amenities.
- Similar to slightly inferior to the comparables in terms of common area amenities.
- High occupancy rates among all of the comparables.

Overall, we have concluded to market rents of **\$950** for one-bedroom units, **\$1,150** for two-bedroom units and **\$1,350** for the three-bedroom units. The achievable rents fall within the range of the comparables.

- The following table summarizes our calculations and estimate of net demand, including an estimate of the number of demanded units over the forecast period.

NET DEMAND							
	2015	2016	2017	2018	2019	2020	Total
Income-Appropriate Renter Households	6,678	6,962	7,246	7,530	7,814	8,098	-
New Renter Growth (1)	-	284	284	284	284	284	-
Less Unstabilized Properties (3)	-	163	0	0	0	0	-
Less Proposed Rental Units (excluding Subject) (4)	-	388	195	400	0	0	-
Plus Estimated Units Removed from Supply Due to Demolition, Conversion (2)	-	280	292	304	316	328	-
Net Annual Demand	-	13	381	188	600	612	1,796

- 1. Per Item A
- 2. Per Item C
- 3. Per Item D
- 4. Per Item E

According to these calculations, there are approximately 1,796 units of rental housing needed over the forecast period. The Subject will represent 176 units, or 9.8 percent of the net demand. Therefore, based on our analysis of the Subject’s particular submarket, current leasing trends, and projected demand, we believe the Subject is feasible as proposed, and will be well-accepted in the market.

- In terms of effective demand, the Subject as proposed has a good overall capture rate of 4.4 percent which is low. Likewise, the calculated penetration rate is 43.9 percent. Both of these indicators suggest sufficient demand for the Subject.

5) COMPETITIVE ADVANTAGES/DISADVANTAGES

Competitive advantages of the Subject development and market include:

- There are no competitive multifamily developments in the Subject’s immediate neighborhood. The lack of new competitive product in the neighborhood area bodes well for the Subject property.
- Vacancy rates in the market are low, ranging from zero to 3.9 percent, averaging 1.8 percent, at stabilized properties. Managers reported that traffic is sufficiently high and regular so as not to warrant the maintenance of waiting lists.
- The Subject will be new construction and will exhibit excellent condition upon completion, generally similar to superior to properties in the market.

Competitive disadvantages of the Subject development and market include:

- The Subject site is located further from locational amenities including retail, medical, and educational uses than the comparables. The Subject’s location is more similar to that of recently completed, currently under construction, and planned single-family home subdivisions than multifamily properties. On the other hand, the Subject has excellent access to Interstate 35 and proximity to multiple employment centers, Schertz and New Braunfels, which may mitigate the disadvantage posed by being further from locational amenities when compared to multifamily properties in the market.

- All of the recently constructed comparables offer attached and/or detached garage parking. The Subject will not offer this amenity, but will offer one carport parking space per unit for an additional fee (fee yet to be determined).
- The Subject’s units will be smaller than the surveyed average, but will be within the surveyed range.

6) NUMBER OF UNITS CURRENTLY UNDER CONSTRUCTION IN THE DEVELOPMENT PIPELINE

- During our site inspection, we identified one multifamily development under construction within the Subject’s immediate neighborhood, Reserve at Engel Road, which upon completion will be a 96-unit LIHTC property. With differing rent/income restrictions, we do not expect this property to compete directly with the Subject. In order to obtain additional information on proposed or under construction new multifamily developments in the Subject’s area, we consulted the planning departments of both the city of Schertz and the city of New Braunfels as well as the REIS report for the San Antonio MSA. According to these sources there are six projects currently under construction in New Braunfels and Schertz. The following table provides information on these properties.

MULTIFAMILY PIPELINE IN SCHERTZ & NEW BRAUNFELS						
Property Name	Address	City	Distance to Subject (in Miles)	Total Number of Units	Total Number of Unleased Units	Status
Creekside Vue*	2120 Stephens Pl	New Braunfels	10.4	150	21	Under Construction - In Lease Up
The Springs at Creekside*	2980 Creek Bend Dr	New Braunfels	10.5	268	142	Under Construction - In Lease Up
The Vantage at New Braunfels	FM - 1101 & FM-306	New Braunfels	9.6	288	288	Under Construction - completed 2016
Northwoods	1951 Old FM-306	New Braunfels	12.5	100	100	Under Construction - completed 2016
Mission Hill II	2745 Westpointe Dr	New Braunfels	7.6	195	195	Under Construction - completed 2017
Reserve at Engel Road**	125 Engel Road	New Braunfels	1.0	96	96	Under Construction - completed 2017

*Included as comparable property.

**Subsidized/Low-Income property; is not expected to compete with Subject as proposed.

Upon completion, we expect the Subject to compete with all of the above properties with the exception of Reserve at Engel Road.

- Projects in the planning stages are those that have been permitted and are moving forward. Projects that are proposed have not yet been permitted. We recognize that within the proposed category there are some projects that are further along than others; more specifically, a representative of the planning department at the city of Schertz has no knowledge of Cibolo Canyons, a proposed 368-unit property according to the most recent REIS report.

MULTIFAMILY PIPELINE IN SCHERTZ & NEW BRAUNFELS						
Property Name	Address	City	Distance to Subject (in Miles)	Total Number of Units	Total Number of Unleased Units	Status
Ranch at Guadalupe II	1355 Ranch Pkwy	New Braunfels	9.8	104	104	Planned - projected market entry 2018
The Kensington	2515 W San Antonio St	New Braunfels	4.8	120	120	Proposed
Avanti Canyons	22520 I-35	Schertz	5.2	95	95	Proposed
Unnamed Property	Roy Richards Dr & Weiderstein	Schertz	8.0	81	81	Proposed
Cibolo Canyons***	I-35 & Old Wiederstein Rd	Schertz	6.9	368	368	Proposed

***City planning officials are unaware of this proposed addition; we have therefore not included these units in the total line items or deducted these units from the demand analysis.

As illustrated, there are five multifamily properties that are in the planning or proposed stages. Of these, city officials were able to confirm the status of all but Cibolo Canyons.

7) ANALYST’S OPINION OF MARKET FEASIBILITY

According to our survey, the market for rental development within the PMA is considered to be excellent. Overall, the area is experiencing very high occupancy levels and only two properties are offering a concession and those are the properties that are in lease-up and located within one mile of one another. The majority of the properties do not maintain a waiting list though this was attributed to sufficiently high demand and regular traffic as opposed to weak demand and limited traffic. According to market participants, demand for good quality housing is high and the current supply of multifamily housing does not meet the existing demand. The Subject will be generally similar to superior to the competition upon completion. The majority of the new supply is concentrated around the northern border of the PMA. The Subject will be located in between New Braunfels and Schertz with excellent interstate access allowing it to attract applicants from both cities. Based upon our market research, demographic calculations, and analysis, we believe there is demand for the Subject property as conceived.

Strengths of the Subject include its age/condition. There are two possible weaknesses of the Subject: location and the lack of garage parking. First, the Subject is located further from locational amenities such as retail, educational, and medical uses when compared to the comparables. Despite this, the location in between two employment centers will be ideal for households looking for access to both locations. Additionally, a significant amount of new development, primarily single-family home subdivisions, are recently completed, currently under construction, or planned in the Subject’s immediate neighborhood, which suggests the location is desirable for residential uses. Therefore, we do not believe that the Subject’s location will have a detrimental influence on the Subject’s performance. Second, all of the recently completed properties offer garage parking, either attached (included in the rent) or detached (for an additional fee). The Subject will not offer this amenity, but will offer carport parking, which will mitigate to some extent the lack of garage parking as an amenity. While there is a significant amount of new supply in the pipeline, the PMA has historically experienced significantly greater population and household growth than the national average and these trends are projected to continue through 2020. In fact, from 2015 to 2020, the PMA will add more renter households than all units that are in the pipeline, many of which have not been permitted and as such may not actually be added to the existing supply. The Subject will have no significant impact on existing housing stock within the PMA. We believe the Subject will be well received and will perform well within the market.

8) RECOMMENDATIONS AND/OR SUGGESTED MODIFICATIONS

Rents are appropriately positioned. Assuming our achievable rents, we have no other recommendations as the Subject appears to be a well-planned development in a market with adequate demand for good quality multifamily housing.

DESCRIPTION OF PROPOSED PROJECT

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1) UNIT MIX AND SIZE

The Subject is Phase I of a proposed multi-phase mixed-use development and the overall site includes zoning for both commercial and multifamily uses. The Subject will be Phase I of the multifamily uses proposed for the overall site. The site is improved with one mobile home, which according to the developer is occupied by the former owner and will be vacated and razed prior to the onset of construction; the remainder of the site is vacant land. The Subject will be improved with 11 two and three-story garden-style residential buildings and one single-story clubhouse. The development will contain a total of 176 one, two, and three-bedroom units. Construction is scheduled to begin in the next year and will be completed within 18 months after the start date. The Subject will be in excellent condition upon completion. The Subject’s proposed unit mix and rents are detailed in the following table.

The table below details the unit mix and unit sizes, along with the net rentable area.

UNIT MIX AND SQUARE FOOTAGE				
Unit Type	Number of Units	HUD Net (SF)*	Net A/C Area (SF)*	Total Area
1BR/1BA	30	712	712	21,360
2BR/2BA	84	973	973	81,732
3BR/2BA	62	1,236	1,236	76,632
Total	176			179,724

*Only one unit size was provided.

2) PROPOSED RENTS

Proposed rents, based on the developer’s pro forma, are as follows.

PROPOSED RENTS				
Unit Type	Number of Units	Unit Size (SF)	Asking Rent	Rent Per Sq. Ft.
1BR/1BA	30	712	\$800	\$1.12
2BR/2BA	84	973	\$1,100	\$1.13
3BR/2BA	62	1,236	\$1,300	\$1.05
Total	176			

3) DESCRIPTION OF ANY INCOME OR RENT RESTRICTIONS

The Subject will be a 176-unit market rate development. There will be no rent restrictions imposed on the project, nor will there be income restrictions. However, according to several of the comparable property managers, the general convention in the market to establish income guidelines is for tenants to earn at least three times the monthly rent. Therefore, for the purposes of our analysis, we have estimated the minimum income limit to be three times the Subject’s proposed rent. Novogradac’s estimate of appropriate income ranges for the Subject’s units is summarized in the following table:

INCOME GUIDELINES	
Avenues at Creekside	3 times monthly rent
Creekside Vue	3 times monthly rent
Legacy Oaks Apartments	3 times monthly rent
Mission Hill	3 times monthly rent
The Springs at Creekside	3 times monthly rent
Waterford Place	3 times monthly rent
Waterford Place	3 times monthly rent

According to the developer, the Subject will primarily target young professionals and families.

4) UTILITY POLICY

Tenants at the Subject will be responsible for all utilities. The landlord will pay for common area utility expenses.

5) UNIT AND PROJECT AMENITIES AND SERVICES

The Subject will offer balcony/patios, blinds, central heating and air conditioning, coat closets, ceiling fans, and washer/dryer connections. Kitchen appliances will include a stove/oven, refrigerator, garbage disposal, dishwasher, and microwave.

The Subject’s common area amenities will include a clubhouse with a business center, exercise facility, and on-site management. The Subject will also offer a swimming pool, jacuzzi, picnic area, playground, and volleyball court.

Security features offered at the Subject will include controlled access, perimeter fencing, video surveillance, and in-unit alarms.

The Subject will offer 176 carports, one per unit, for which tenants will be charged an additional monthly fee, though the exact fee has yet to be determined. The Subject will also offer uncovered parking, though the exact number of parking spaces has yet to be determined.

6) REHABILITATION PROJECT INFORMATION

Not applicable, as the Subject is proposed new construction.

7) PROJECT LOCATION/NEIGHBORHOOD CHARACTERISTICS

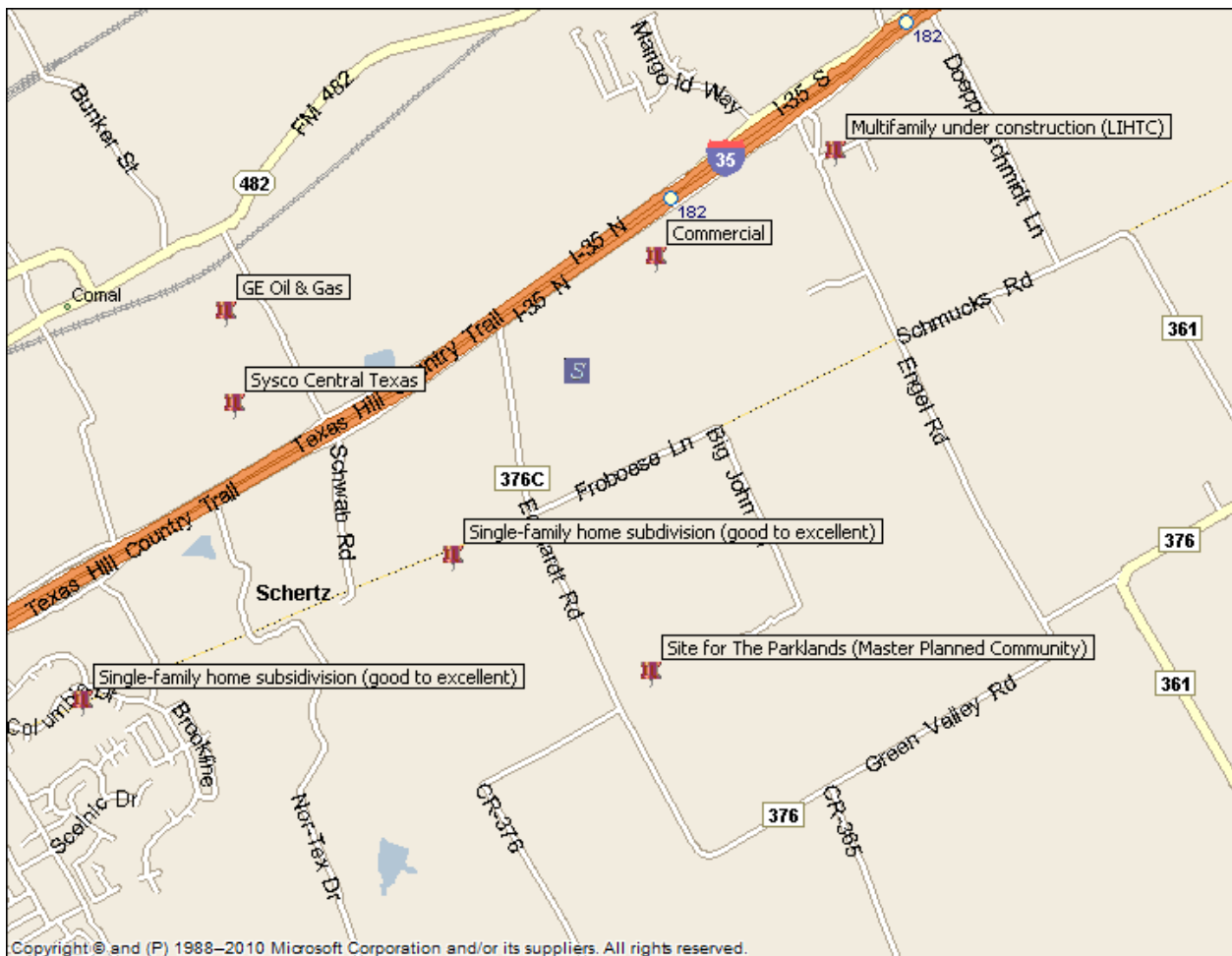
Location and Accessibility

The Subject site is located in between downtown New Braunfels and downtown Schertz on the east side of Interstate 35, approximately eight miles southwest of New Braunfels and nine miles northeast of Schertz. The site is located in the city of Schertz but has a New Braunfels mailing address. Schertz and New Braunfels are located in between San Antonio to the south (28.6 miles south of Subject site) and Austin to the north (54.3 miles north of the Subject site). Both Schertz and New Braunfels are located in the San Antonio-New Braunfels, Texas Metropolitan Statistical Area (MSA), which includes Atascosa, Bandera, Bexar, Comal, Guadalupe, Kendall, Medina, and Wilson counties. The MSA is the third largest MSA in Texas.

The site is located on the east side of the Interstate 35 on the northeast corner of the intersection of the Interstate 35 frontage road and Eckhardt Lane. Eckhardt Lane is a lightly traversed two-

lane arterial that connects the frontage road to site for Phase III of Cypress Point, a single-family home subdivision, and the site for Parklands, a planned master-planned community. According to Channary Gould of the Schertz Planning Department, The Parklands development is a proposed four phase mixed-use master-planned development including 505 single-family homes and a potential school/commercial site; as of the date of this study no building permits have been issued for The Parklands development. According to Ms. Gould, the potential school site does not necessarily indicate that a school will be built on the development. North of the Subject site is Concrete Art by Us, a business that sells concrete yard art. Further north is the site for Reserve at Engel Road, a 96-unit LIHTC property that is currently in the early stages of construction and is expected to be completed in 2017. South of the Subject site on the east side of the interstate is the site for Belle Vista Homes, a single-family home subdivision that is currently under construction. South of the Subject site on the west side of the interstate are the Sysco Central Texas and GE Oil & Gas plants.

Subject's Neighborhood



Subject's Neighborhood Boundaries

The Subject is not located in an officially defined neighborhood. Instead, the Subject's location consists primarily of single-family home subdivisions and planned master-planned communities.

Transportation

- Highway:** The Subject site is located off the eastern frontage road of Interstate 35. Interstate 35 is a north/south interstate that traverses through the central portion of Texas and provides access to San Antonio, Texas to the south and Austin, Texas to the north. The Subject site is also located within a reasonable distance to Interstate 10, which is located approximately 13 miles south of the Subject site. Interstate 10 provides access Houston to the east and El Paso to the west.
- Air:** San Antonio International Airport is located approximately 18.3 miles south of the Subject site. The airport serves more than 8.5 million passengers each year and is serviced by 10 domestic and international airlines.
- Rail:** There is no rail service in the immediate area. The closest Amtrak stations are located in San Antonio to the south (27.2 miles) and San Marcos to the north (23.9 miles).

Public Transportation

The Alamo Area Council of Governments (AACOG) provides Alamo Regional Transit (ART) to 12 rural counties including Atascosa, Bandera, Comal, Frio, Gillespie, Guadalupe, Karnes, Kendall, Kerr, Medina, McMullen, and Wilson Counties. ART is a demand response, curb to curb bus system that operates between 7 am to 6 pm, Monday through Friday. Reservations can be made by phone or on-line. Fares for ART start at \$2.00 for a one-way trip in county and range to \$12.00 for trips to two or more counties one-way. All ART vehicles are wheelchair accessible. New Braunfels does not have a fixed route bus system.

Public Education

The Comal Independent School District serves parts of Comal County that are not served by the New Braunfels School District or Schertz-Cibolo-Universal City School District including the Subject site. A population increase in the past 20 years led to the passage of a \$189 million bond issue passed by voters in 2005 and the \$205.85 million bond passed in 2008 which would allow the school district to increase its number of schools from 13 to 28 in just eight years. Children at the Subject will attend Garden Ridge Elementary, Canyon Middle School, and Canyon High School. Garden Ridge was built as a result of the 2008 bond, replacing Comal Elementary. Comal Middle received substantial upgrades and renovations as a part of the 2005 bond and Canyon High was newly constructed in 2007 as a result of a 1999 bond. Overall, all of the Subject's zoned schools appear to have been newly built or renovated in the past ten years. As of the end of the 2012-2013 school year, the school system served 18,650 students, an increase of 40 percent over the student population served in 2006. According to schooldigger.com, the Comal Independent School District is ranked 183rd out of 950 districts.

Higher Education

The New Braunfels area is home to several institutions of higher education. Alamo Colleges – Central Texas Technology Center and Howard Payne University New Braunfels Center are located approximately 11 and 13 miles north of the Subject site in northern New Braunfels; both of these are satellite campuses of the respective institutions of higher education.

Healthcare

Baptist Emergency Hospital is located 8.8 miles southwest of the Subject site in Schertz. Baptist Emergency Hospital offers emergency care, inpatient services, and diagnostic services. Christus Santa Rosa Hospital New Braunfels is located 8.9 miles northwest of the Subject site in New Braunfels. Christus Santa Rosa Hospital-New Braunfels is a general medical and surgical hospital in New Braunfels TX with 132 beds, and offers many specialties including acute care, cancer services, cardiovascular services, diabetes services, imaging services, intensive care, intermediate care, outpatient surgery, physical therapy, senior care, weight loss, and speech therapy. Christus Santa Rosa Hospital-New Braunfels is part of Christus Santa Rosa Health System.

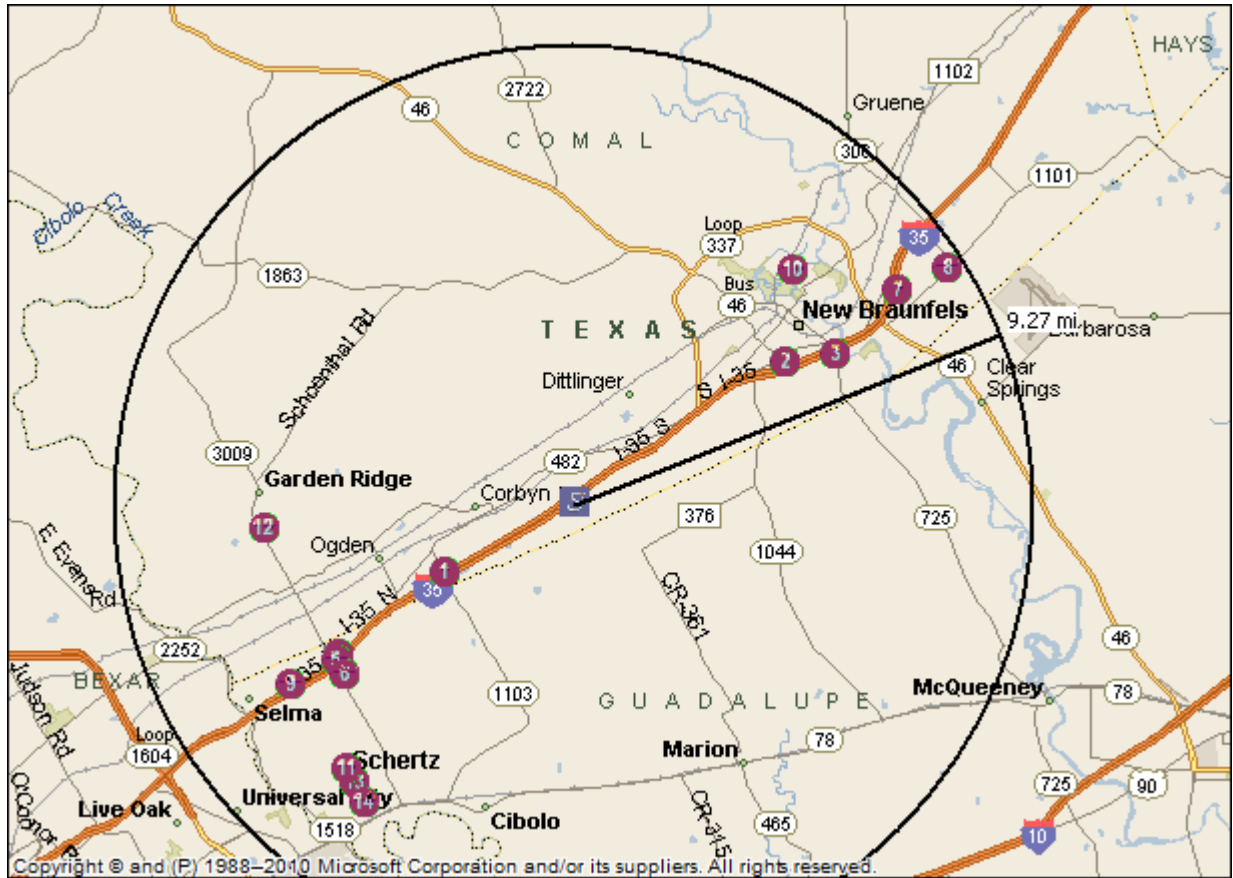
Adequacy/Availability of Utilities

All utilities are available in the neighborhood.

Proximity to Local Services

The Subject site offers reasonable, albeit inferior to that offered by other multifamily properties in the market, access to services including schools, employment, healthcare, and retail shopping. The following are distances of various services from the Subject. A map depicting the location of services in relation to the Subject's location follows.

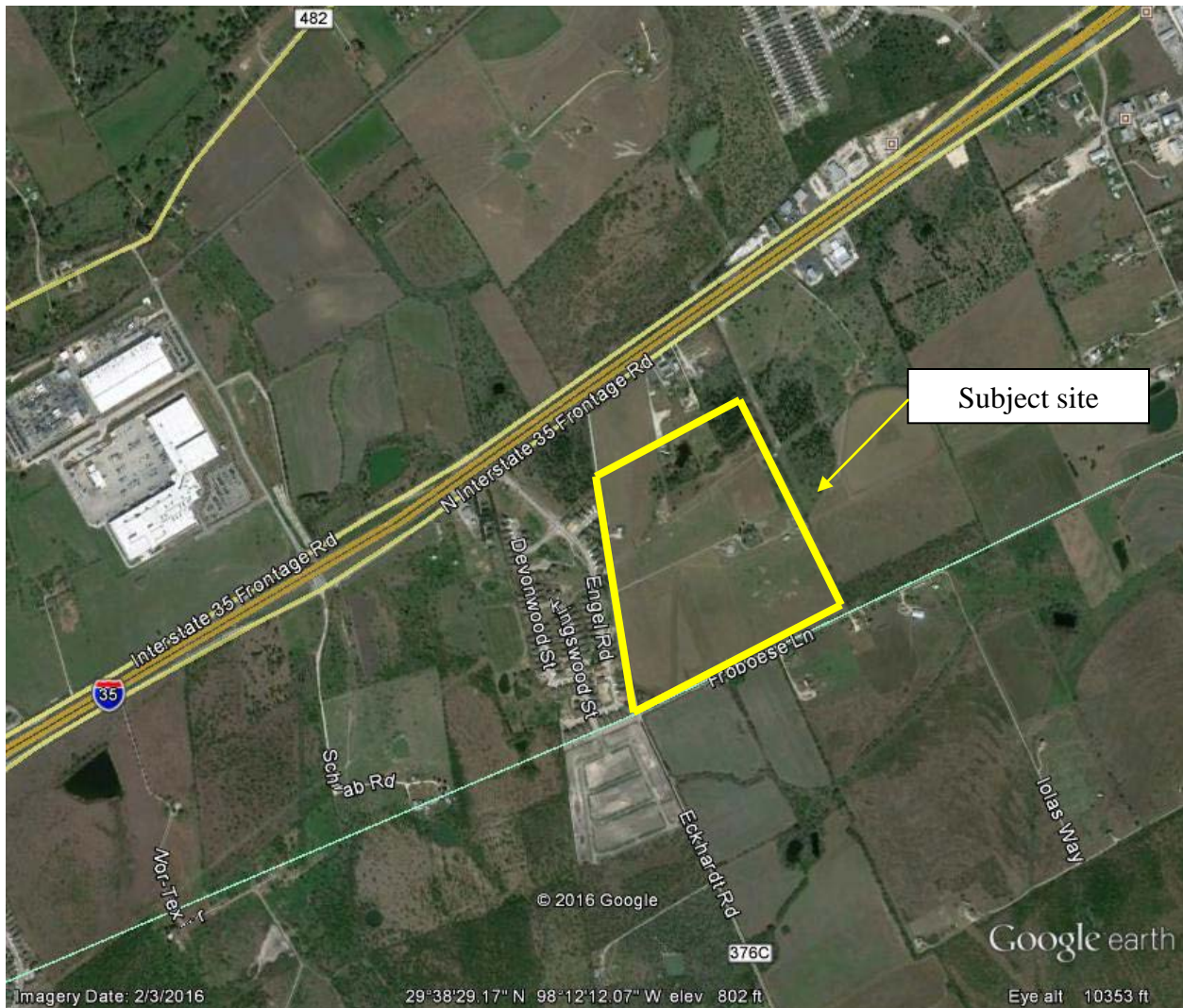
Map of Locational Amenities



LOCATIONAL AMENITIES					
Map Number	Service or Amenity	Miles From Subject	Map Number	Service or Amenity	Miles From Subject
1	Valero Gas Station	4.9 miles	8	Canyon Middle School	8.7 miles
2	H-E-B	5.8 miles	9	Baptist Emergency Hospital	8.8 miles
3	New Braunfels Police Department	6.7 miles	10	CHRISTUS Santa Rosa Hospital	8.9 miles
4	Walmart Supercenter (grocery & pharmacy)	7.6 miles	11	Schertz Police Department	10.7 miles
5	Chase Bank	7.6 miles	12	Garden Ridge Elementary School	10.8 miles
6	H-E-B Plus	8.1 miles	13	U.S. Post Office	11.0 miles
7	Canyon High School	8.6 miles	14	Library	11.2 miles

8) OTHER CHARACTERISTICS/CONCLUSION

Upon completion, the Subject will exhibit excellent condition. The development will be located in between Schertz and New Braunfels and will primarily target young professionals and families. The Subject will offer a competitive amenities package, and appliances will include a stove/oven, refrigerator, garbage disposal, dishwasher, microwave, and washer/dryers, which is similar to the comparables. The Subject is not located in a formally designated neighborhood; instead, the Subject is located off Interstate 35 which consists primarily of single-family home subdivisions and commercial uses. Current land uses in the area are in good to excellent condition, with single-family uses in generally good to excellent condition immediately surrounding the Subject. Furthermore, crime in the Subject’s neighborhood is well below the national average. The proposed Subject will positively impact the neighborhood and the availability of good quality rental housing in between Schertz and New Braunfels; the site requires some re-zoning prior to construction of the Subject per information provided by the developer. An aerial view of the Subject site for the entire Subject development, of which the Subject is Phase I, is outlined below.



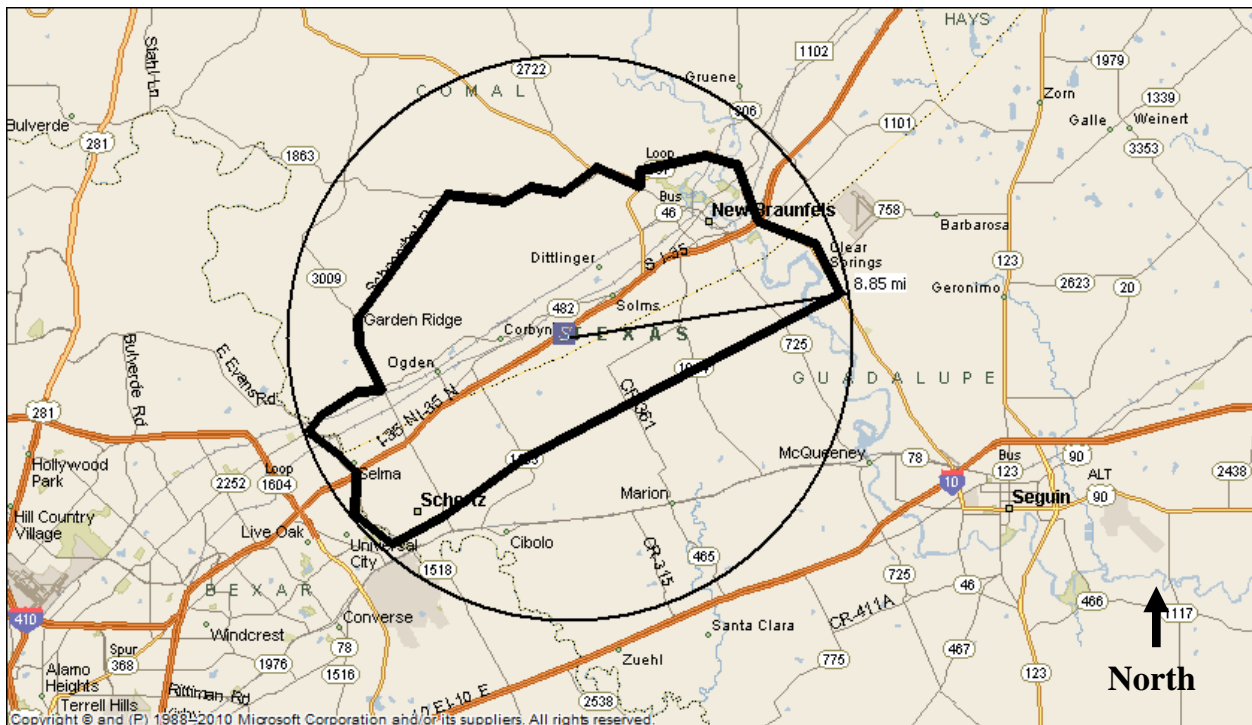
PRIMARY MARKET AREA DEFINITION

PRIMARY MARKET AREA DEFINITION

1) PRIMARY MARKET AREA MAP

In some areas, residents are very much “neighborhood oriented” and are generally very reluctant to move from the area where they have grown up. In other areas, residents are much more mobile and will relocate to a completely new area. The Subject site is located in between New Braunfels and Schertz in the city limits of Schertz but with a New Braunfels mailing address. The Primary Market Area (PMA) boundaries reflect the likelihood that renters would consider communities within this area. The Primary Market Area for the Subject generally encompasses a small irregularly shaped area encompassing 98 square miles. The PMA includes New Braunfels and Schertz. The specific boundaries of the PMA include:

- North: Schoentel Road and Loop 337
- South: County Road 374
- East: State Route 46
- West: North Evans Road and FM 1518



2) DESCRIPTION AND JUSTIFICATION OF THE PRIMARY MARKET AREA

The PMA boundaries and overall market health assessment are based upon an analysis of demographic and socioeconomic characteristics, target tenant population, political jurisdictional boundaries, natural boundaries, experience of nearby comparable developments, accessibility to mass transit or key transportation corridors and commute patterns, and market perceptions. The PMA boundaries were defined based on interviews with local officials and surveyed property managers. We recognize several sub-markets exist within this PMA; however, market data demonstrates that a significant amount of the renter base considers housing opportunities within these boundaries. Given the opportunity to locate good quality housing, the renter base will move within these areas. The market area is considered to be of average size and will provide adequate demand. We anticipate the majority of demand will be generated from this geographic area. We believe some tenants will come from outside the PMA. Therefore, we estimate 90 percent of the Subject's tenants will originate from the PMA. However, the demand estimates have not been adjusted to reflect this potential for leakage.

The Subject site is located on the frontage road of Interstate 35 in between New Braunfels and Schertz. Given its location in between the two cities and the site's proximity to the interstate, the Subject is expected to attract tenants from New Braunfels and Schertz as well as surrounding areas. The Subject will be located within a reasonable distance to retail, healthcare, employment, public transportation, and educational uses, though all will require car transportation. Overall, tenants will be within close proximity to numerous employment options. Given the location of the Subject, it is reasonable that the Subject would draw from a relatively wide area along Interstate 35, thus providing support for our PMA definition. According to conversations with property managers, tenants are willing to relocate within the area to find good quality housing. Thus, while we expect the majority of the Subject's tenants to come from within the PMA, we do expect some leakage from other parts of the San Antonio-New Braunfels MSA.

ECONOMIC CONTEXT

ECONOMIC CONTEXT

Overview

The Subject will be located in between the city center of Schertz (approximately 11 miles south) of the city center of New Braunfels (approximately eight miles north). The Subject will technically be located in the city of Schertz, but has a New Braunfels mailing address. The Subject will be located in between the city center of Schertz of the city center of New Braunfels. The Subject will be located in Comal County, but just north of the county line with Guadalupe County. Given that the site lies at the intersection of multiple geopolitical units of analysis, we have, where available, included data on both the city of Schertz and the city of New Braunfels as both are located in the PMA and given the Subject site's location in between the two city centers, is likely to be impacted by economic trends in both areas of analysis. The Subject site is located in the San Antonio-New Braunfels, Texas Metropolitan Statistical Area (MSA). The following discussion includes an analysis of the local economy. This section will present and analyze information regarding employment by industry, the major employers, and unemployment trends. Information was provided, where available, for the Subject's Primary Market Area, as well as the larger metropolitan area.

Novogradac & Company LLP obtained economic information from City of New Braunfels Planning Department, City of Schertz Planning and Zoning, New Braunfels Economic Development Council, Schertz Economic Development Corporation, US Department of Housing and Urban Development, the US Bureau of Labor Statistics, and ESRI Demographics, along with various other sources. These data sources are reliable and current sources.

Employment by Industry

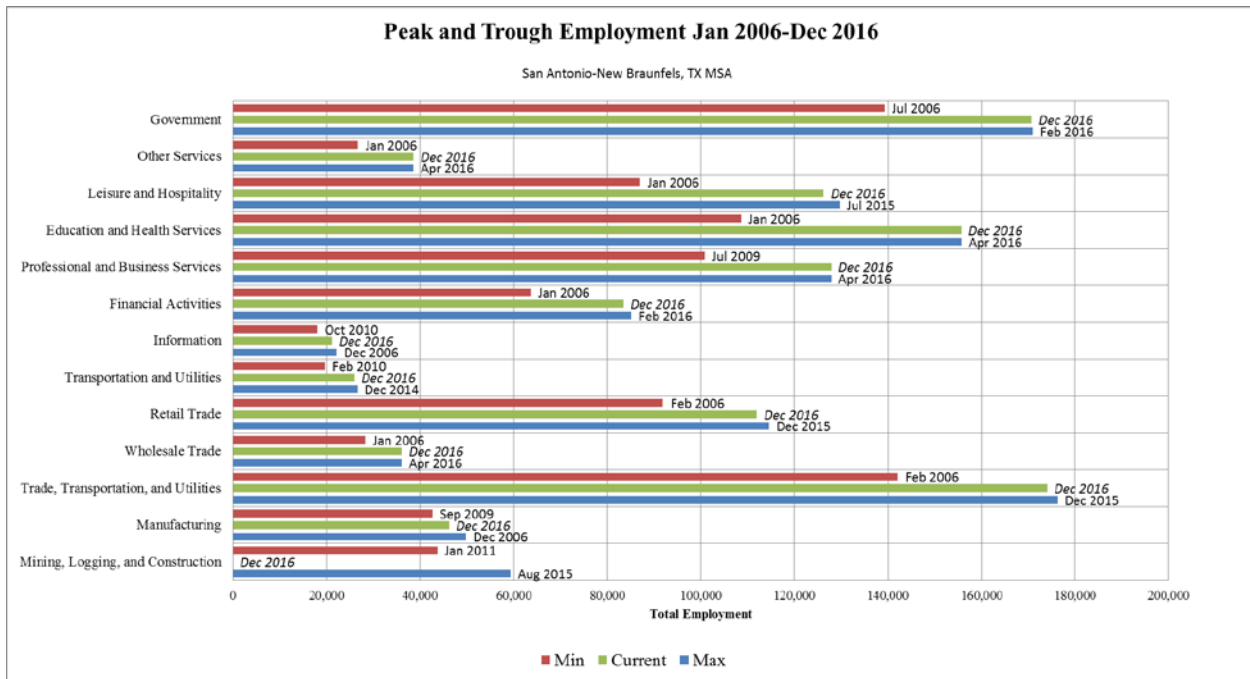
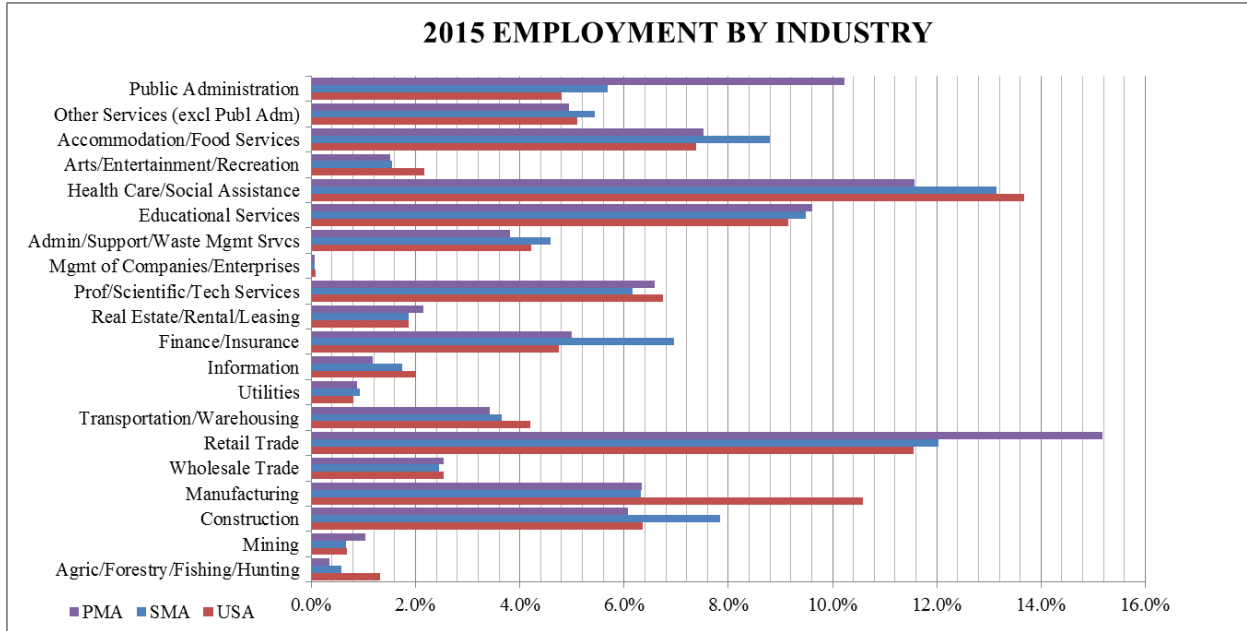
The following table illustrates the distribution of employment sectors by industry within the PMA and the nation.

2015 EMPLOYMENT BY INDUSTRY				
Industry	PMA		USA	
	Number Employed	Percent Employed	Number Employed	Percent Employed
Retail Trade	7,036	15.2%	17,089,319	11.6%
Healthcare/Social Assistance	5,361	11.6%	20,205,674	13.7%
Public Administration	4,741	10.2%	7,099,307	4.8%
Educational Services	4,449	9.6%	13,529,510	9.2%
Accommodation/Food Services	3,488	7.5%	10,915,815	7.4%
Prof/Scientific/Tech Services	3,052	6.6%	9,981,082	6.8%
Manufacturing	2,941	6.3%	15,651,841	10.6%
Construction	2,812	6.1%	9,392,204	6.4%
Finance/Insurance	2,315	5.0%	7,026,905	4.8%
Other Services (excl Publ Adm)	2,289	4.9%	7,548,482	5.1%
Admin/Support/Waste Mgmt Svcs	1,764	3.8%	6,242,568	4.2%
Transportation/Warehousing	1,584	3.4%	6,200,837	4.2%
Wholesale Trade	1,180	2.5%	3,742,526	2.5%
Real Estate/Rental/Leasing	998	2.2%	2,759,067	1.9%
Arts/Entertainment/Recreation	705	1.5%	3,193,724	2.2%
Information	546	1.2%	2,965,498	2.0%
Mining	482	1.0%	997,794	0.7%
Utilities	405	0.9%	1,190,608	0.8%
Agric/Forestry/Fishing/Hunting	157	0.3%	1,941,156	1.3%
Mgmt of Companies/Enterprises	30	0.1%	115,436	0.1%
Total Employment	46,335	100.0%	147,789,353	100.0%

Source: Esri Demographics 2015, Novogradac & Company LLP, June 2016

The previous table reflects the workforce for the PMA and the USA. Employment in the PMA is greatest in the retail trade, healthcare/social assistance, public administration, and educational services sectors, which together represent nearly 47 percent of the total PMA employment. Despite being the second largest sector in the PMA, the healthcare/social assistance and the manufacturing sectors are underrepresented in the PMA. Conversely, retail trade and public administration are overrepresented in the PMA, when compared to the nation as a whole. Of the largest sectors in the PMA, healthcare/social assistance sector, public administration, and educational services are considered historically stable, while retail trade is often prone to changes in the economy and were hit with job losses during the recent economic crisis.

The following tables illustrate the employment by sector for 2015 in the PMA, MSA, and nation and the peak and trough employment by sector for the MSA, also known as the secondary market area (SMA).



Employment and Unemployment Trends

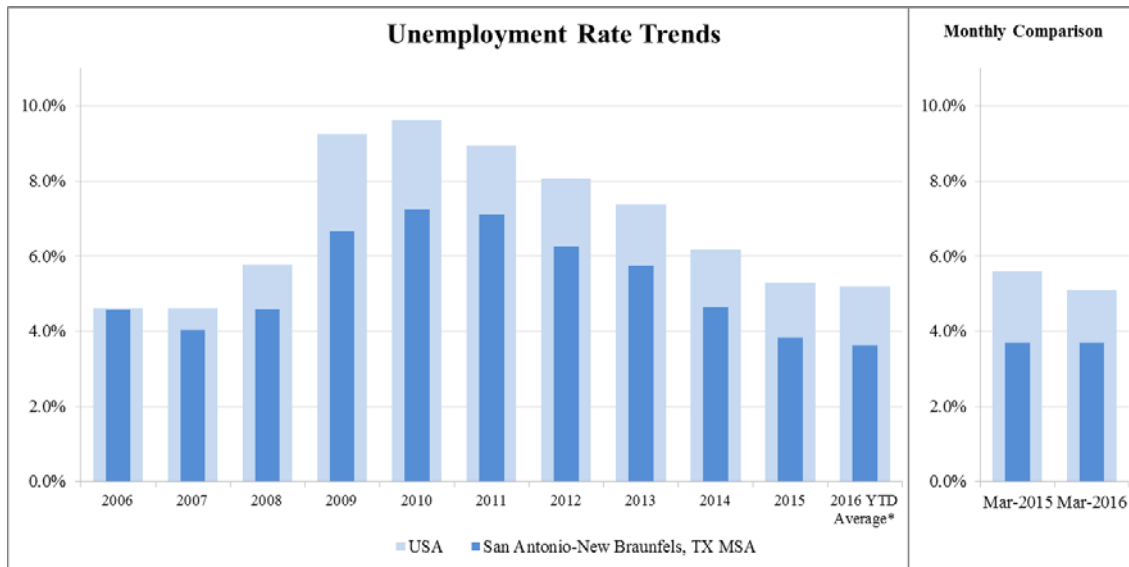
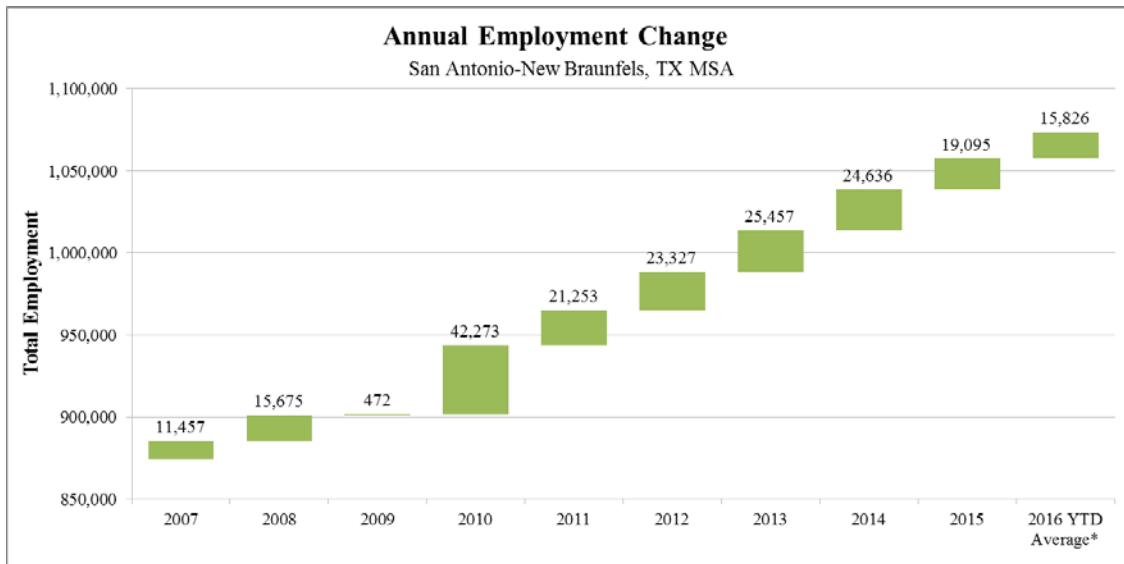
The following table details employment and unemployment trends for the MSA and the nation from 2006 through 2016 year-to-date.

EMPLOYMENT & UNEMPLOYMENT TRENDS (NOT SEASONALLY ADJUSTED)

Year	San Antonio-New Braunfels, TX MSA				USA			
	Total Employment	% Change	Unemployment Rate	Change	Total Employment	% Change	Unemployment Rate	Change
2006	873,894	-	4.6%	-	144,427,000	-	4.6%	-
2007	885,351	1.3%	4.0%	-0.5%	146,047,000	1.1%	4.6%	0.0%
2008	901,025	1.8%	4.6%	0.6%	145,363,000	-0.5%	5.8%	1.2%
2009	901,498	0.1%	6.7%	2.1%	139,878,000	-3.8%	9.3%	3.5%
2010	943,771	4.7%	7.2%	0.6%	139,064,000	-0.6%	9.6%	0.3%
2011	965,023	2.3%	7.1%	-0.1%	139,869,000	0.6%	9.0%	-0.7%
2012	988,350	2.4%	6.3%	-0.9%	142,469,000	1.9%	8.1%	-0.9%
2013	1,013,808	2.6%	5.8%	-0.5%	143,929,000	1.0%	7.4%	-0.7%
2014	1,038,443	2.4%	4.6%	-1.1%	146,305,000	1.7%	6.2%	-1.2%
2015	1,057,538	1.8%	3.8%	-0.8%	148,833,000	1.7%	5.3%	-0.9%
2016 YTD Average*	1,073,363	1.5%	3.6%	-0.2%	148,833,417	0.0%	5.2%	-0.1%
Mar-2015	1,052,247	-	3.7%	-	147,635,000	-	5.6%	-
Mar-2016	1,078,928	2.5%	3.7%	0.0%	150,738,000	2.1%	5.1%	-0.5%

Source: U.S. Bureau of Labor Statistics June 2016

*2016 data is through March.



The MSA was not significantly affected by the recent recession. Total employment in the MSA has increased every year for the past decade, whereas the nation experienced declines in total employment from 2008 to 2010. Employment increased in the MSA by 2.5 percent from March 2015 to March 2016, while the nation experienced a 2.1 percent increase.

In terms of unemployment rates, historically, the rate in the MSA has been below that of the nation. As of March 2016, the local unemployment rate was 3.7 percent, below the national unemployment rate of 5.1 percent. The unemployment rate in the MSA increased from 2008 to 2010, peaking in 2010 at 7.2 percent, which was significantly lower than the peak unemployment level of 9.6 percent in the nation for the same time period. The declining unemployment rate coupled with the historical increasing employment levels is indicative of a recovered and strong local economy.

Employment Analysis and Expansion/Contractions

According to Holly Covington, Research Director with the New Braunfels Economic Development Council, there have been several recent economic and employment expansions in the New Braunfels area.

- CGT U.S. Limited announced that it will construct a new manufacturing facility in New Braunfels. CGT anticipates that the expansion will create at least 275 jobs and \$80 million in capital investment in the State of Texas.
- The Central Texas Technology Center is currently building a 30,000 square foot addition to its facilities that will house general instructional space, biology and chemistry labs, student support areas, and faculty offices. The \$6.3 million dollar expansion is expected to open for classes in fall 2016.
- ASA Properties recently chose New Braunfels as the site to build a massive multi-use community. The Veramendi Community Project will cost approximately \$1.5 billion and will occupy more than 2,400 acres of land in the city's center. Once complete, the project will consist of more than 5,000 dwellings, a new resort hotel, 400 acres of parks, a university, a hospital, two public schools, a new flood-control dam, shopping center, corporate offices, and more. Construction is expected to begin in August 2016.

There have also been several economic and employment expansions in the Schertz area according to the Schertz Economic Development Commission; these are included below.

- Robinson-Weeks Partners completed construction of Building 1 in the Enterprise Industrial Park in January 2015. The building was the first fully-speculative industrial building offering over 150,000 square feet built in the San Antonio area in the past six years. The building was 82 percent leased by June 2015. Tenants include: LKQ Corporation, the nation's largest provider of alternative collision auto parts, Animal Supply Company, a leading pet food distribution company, and Goodman Networks, a telecommunication network services company. Construction on building two began May 2015 and tenants moved in in the first quarter of 2016. Plans for the third building were announced in April 2016.

- In June 2015 the Schertz Amazon.com fulfilment center announced the addition of 300 full-time jobs bringing the total number of full-time employees at the Amazon facility to 750.
- In August 2015 GE Oil and Gas announced it would add 50 welding jobs to the Schertz facility. Since 2014, GE Oil and Gas has invested over \$10 million and employes over 800 individuals.

Overall, the local economy appears to be adding new jobs each year, which suggests a continued need for additional housing in the area.

We have reviewed publications by the Texas Workforce Commission’s WARN (Worker Adjustment and Retraining Notification Act) notices for 2015 and 2016 for New Braunfels and Schertz. Since 2015, there have been no WARN notices issued for Schertz and only one issued in New Braunfels. According to the WARN notices, Dynamic Workforce Solutions – New Braunfels, a training company, issued WARN notices to seven employees in October 2015. We are aware of no other closures or downsizing operations that will impact total employment in the local economy.

Major Employers – New Braunfels

The following table details the largest employers in New Braunfels and Schertz.

MAJOR EMPLOYERS - New Braunfels, TX

Employer	Industry	Number of Employees
Comal ISD School District	Education	2,588
Schlitterbahn Waterpark	Amusement	1,689
Wal-Mart Distribution Center	Transportation/Warehousing	1,218
New Braunfels ISD	Education	1,040
Sysco	Transportation/Warehousing	864
IBEX Corporation	Telemarketing	750
Hunter Industries, Ltd.	Construction	705
Comal County	Public Administration	683
Resolute Health	Healthcare	593
City of New Braunfels	Public Administration	550

Source: New Braunfels EDC; retrieved June 2016.

MAJOR EMPLOYERS - Schertz, TX*

Employer	Industry
Sysco	Transportation/Warehousing
Amazon.com	Transportation/Warehousing
Brandt Engineering	Construction
Vision Works	Retail
H.E.B. Grocery Co.	Retail
Wal-Mart Stores	Retail
Federal Express	Transportation/Warehousing
Metro Ambulance LP	Healthcare
Manco	Manufacturing
Lowe's	Retail

*The number of individuals employed was not available.

Source: Schertz EDC; retrieved June 2016.

The largest employers in the local economy are concentrated in the education, amusement, transportation/warehousing, and public administration sectors. Two of the largest employers in New Braunfels and three in Schertz are distribution centers in the transportation/warehousing sector. While the education and public administration industries are relatively stable industries, the transportation/warehousing sector is more vulnerable to fluctuations in the economy.

Wages by Occupation

The following table details the wages by occupation in the MSA.

SAN ANTONIO-NEW BRAUNFELS, TX MSA - 2ND QTR 2015 AREA WAGE ESTIMATES			
Occupation	Number of Employees	Mean Hourly Wage	Mean Annual Wage
Total all occupations	947,350	\$21.03	\$43,740
Management Occupations	34,540	\$53.84	\$111,990
Legal Occupations	6,510	\$41.51	\$86,340
Computer and Mathematical Occupations	28,420	\$40.42	\$84,070
Architecture and Engineering Occupations	12,870	\$35.46	\$73,760
Healthcare Practitioners and Technical Occupations	57,790	\$35.24	\$73,310
Business and Financial Operations Occupations	51,060	\$34.29	\$71,310
Life, Physical, and Social Science Occupations	5,080	\$33.30	\$69,270
Education, Training, and Library Occupations	61,040	\$24.09	\$50,110
Arts, Design, Entertainment, Sports, and Media Occupations	10,610	\$22.02	\$45,810
Community and Social Services Occupations	9,630	\$20.77	\$43,200
Installation, Maintenance, and Repair Occupations	38,190	\$20.10	\$41,810
Protective Service Occupations	23,180	\$19.99	\$41,570
Construction and Extraction Occupations	38,040	\$18.91	\$39,330
Sales and Related Occupations	102,760	\$17.99	\$37,420
Office and Administrative Support Occupations	170,100	\$16.45	\$34,210
Production Occupations	41,400	\$15.85	\$32,960
Transportation and Material Moving Occupations	56,340	\$15.49	\$32,230
Healthcare Support Occupations	26,820	\$14.26	\$29,670
Farming, Fishing, and Forestry Occupations	810	\$11.77	\$24,480
Building and Grounds Cleaning and Maintenance Occupations	29,290	\$11.25	\$23,410
Food Preparation and Serving-Related Occupations	102,410	\$10.43	\$21,690
Personal Care and Service Occupations	40,450	\$10.02	\$20,830

Source: Department Of Labor, Occupational Employment Statistics, 5/2015, retrieved 6/2016

The previous table illustrates average hourly and annual wages by employment classification. The classification with the lowest average hourly wage is personal care and service occupations, at \$10.02 per hour. The highest average hourly wage of \$53.84 is management occupations. The qualifying incomes for the Subject’s tenants will range from \$28,800 to \$200,000 plus, which encompasses a significant portion of the employment in the area.

Employment Projection over the Forecast Period

Per the HUD MAP Guide, the analyst should provide an estimate of employment projection over the forecast period. In order to determine an appropriate forecast we consulted the Texas Workforce Commission’s long-term employment projections data. Texas is divided into Workforce Development Areas (WDA) by the Texas Workforce Commission and employment projection data is available at the WDA level of analysis. Comal County is located in the Alamo

Workforce Development Area (WDA) of Texas. The Alamo WDA consists of Gillespie, Kerr, Kendall, Bandera, Medina, Bexar, Guadalupe, Wilson, Karnes, Atacosa, Frio, and Comal Counties. The following table illustrates employment projections by industry as well as overall for the Alamo WDA which includes Comal County.

ALAMO WORKFORCE DEVELOPMENT AREA*				
Employment by Industry				
Industry Title	Annual Average Employment		Number Change	Growth Rate
	2012	2022		
Total All Industries	1,012,330	1,225,250	212,920	21.0%
Agriculture, Forestry, Fishing, & Hunting	2,810	3,110	300	10.7%
Mining	5,090	7,380	2,290	45.0%
Construction	43,460	53,240	9,780	22.5%
Manufacturing	48,310	53,770	5,460	11.3%
Utilities	1,240	1,450	210	16.9%
Wholesale Trade	29,540	34,200	4,660	15.8%
Retail Trade	102,870	120,270	17,400	16.9%
Transportation & Warehousing	24,950	28,950	4,000	16.0%
Information	20,320	24,190	3,870	19.0%
Finance & Insurance	60,920	74,250	13,330	21.9%
Real Estate & Rental & Leasing	14,420	16,950	2,530	17.5%
Professional & Technical Services	43,420	55,160	11,740	27.0%
Management of Companies & Enterprises	10,960	15,100	4,140	37.8%
Administrative & Waste Services	56,710	69,910	13,200	23.3%
Educational Services, Public & Private	95,150	119,100	23,950	25.2%
Health Care & Social Assistance	134,000	176,320	42,320	31.6%
Arts, Entertainment, & Recreation	12,990	15,760	2,770	21.3%
Accommodation & Food Services	102,900	125,980	23,080	22.4%
Other Services, Ex. Government	37,940	46,100	8,160	21.5%
Government	76,010	87,940	11,930	15.7%

*Defined as Atacosa, Bandera, Bexar, Comal, Frio, Gillespie, Guadalupe, Karnes, Kendall, Kerr, Medina, and Wilson Counties.

Source: Texas Labor Market Information Tracker, Alamo Workforce Development Area, retrieved June 2016.

As illustrated, employment in the WDA is projected to increase by 21 percent, or approximately 212,920 jobs, from 2012 to 2022; this equates to an average annual increase of 2.1 percent. According to the Texas Workforce Commission, the projected employment growth in the Alamo Workforce Development Area of 21 percent is similar to that projected for the state as a whole (21.3 percent), and both are significantly greater than employment growth projections for the nation as a whole (10.8 percent).

Total employment in the PMA in 2015 was 46,335. The following table illustrates employment projections assuming an annual 2.1 percent growth in total employment in the PMA.

Projection Total Employment (assumes 2.1% annual growth)	Total Employment in PMA
2015 Total Employment	46,335
Projected 2016 Total Employment	47,308
Projected 2017 Total Employment	48,302
Projected 2018 Total Employment	49,316
Projected 2019 Total Employment	50,351
Projected 2020 Total Employment	51,409
Projected 2021 Total Employment	52,488
Projected 2022 Total Employment	53,591

It is important to note that the above analysis assumes that the job growth projected for the WDA will be evenly experienced across the WDA. Data is not available at smaller units of analysis. Overall, given the urban nature of the PMA and the representation of resilient industries among major employers, the above assumptions are reasonable. An increasing job base bodes well for continued demand for rental housing units within the region.

Summary

Employment in the PMA is greatest in the retail trade, healthcare/social assistance, public administration, and educational services sectors, which together represent nearly 47 percent of the total PMA employment. Of the largest sectors in the PMA, healthcare/social assistance sector, public administration, and educational services are considered historically stable, while retail trade is often prone to changes in the economy and were hit with job losses during the recent economic crisis. The MSA was not significantly affected by the most recent national recession. Total employment in the MSA has increased every year for the past decade, whereas the nation experienced declines in total employment from 2008 to 2010. Employment increased in the MSA by 2.5 percent from March 2015 to March 2016, while the nation experienced a 2.1 percent increase. In terms of unemployment rates, historically, the rate in the MSA has been below that of the nation. As of March 2016, the local unemployment rate was 3.7 percent, below the national unemployment rate of 5.1 percent. The unemployment rate in the MSA increased from 2008 to 2010, peaking in 2010 at 7.2 percent, which was significantly lower than the peak unemployment level of 9.6 percent in the nation for the same time period. The declining unemployment rate coupled with the historical increasing employment levels is indicative of a recovered and strong local economy. Additionally, employment projections for the Alamo WDA, a 12-county area which includes Comal County, are significantly greater than national projections. An increasing job base bodes well for continued demand for rental housing units within the region.

DEMOGRAPHIC ANALYSIS

DEMOGRAPHIC ANALYSIS

Population and Households

The table below illustrates general population and household trends in the PMA, MSA, and the nation from 2000 through 2020.

POPULATION						
Year	PMA		MSA		USA	
	<i>Number</i>	<i>Annual Change</i>	<i>Number</i>	<i>Annual Change</i>	<i>Number</i>	<i>Annual Change</i>
2000	54,334	-	1,711,703	-	281,421,906	-
2010	87,124	6.0%	2,142,508	2.5%	308,745,538	1.0%
2015	101,034	3.0%	2,318,052	1.6%	318,536,439	0.6%
2020	114,404	2.6%	2,524,054	1.8%	330,622,575	0.8%

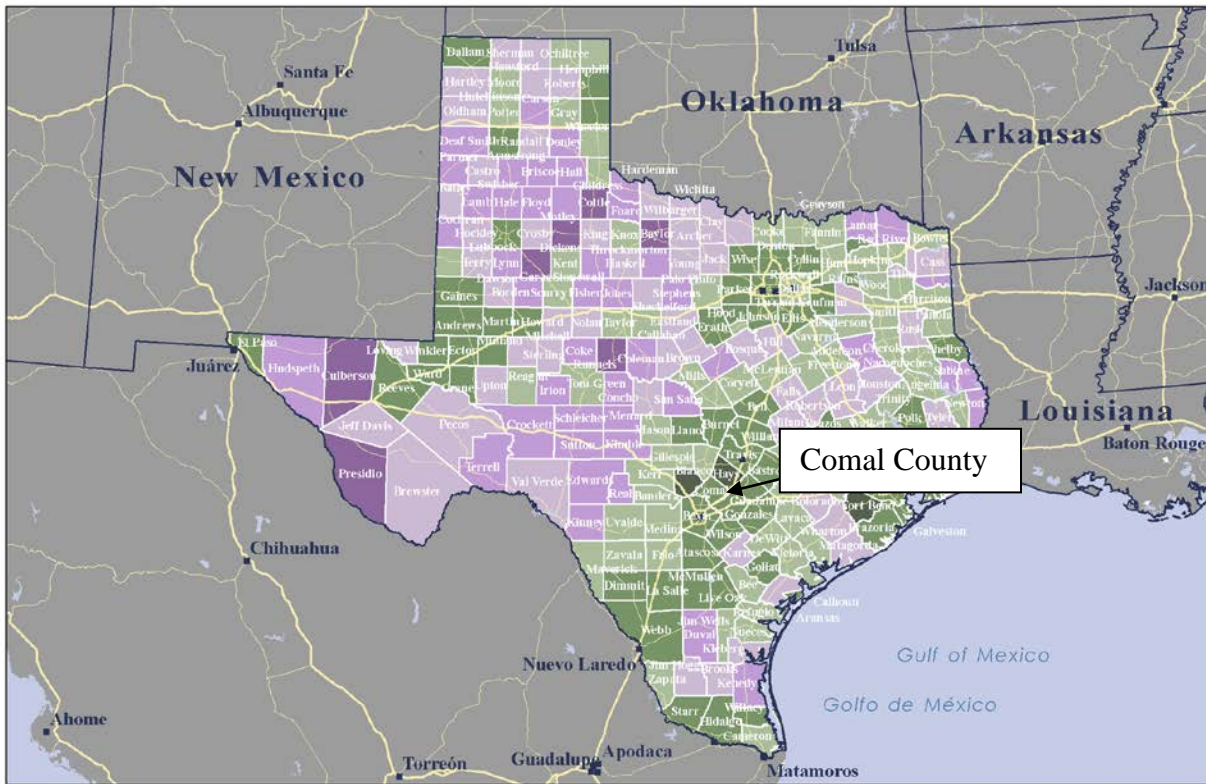
Source: Esri Demographics 2015, Novogradac & Company LLP, June 2016

HOUSEHOLDS						
Year	PMA		MSA		USA	
	<i>Number</i>	<i>Annual Change</i>	<i>Number</i>	<i>Annual Change</i>	<i>Number</i>	<i>Annual Change</i>
2000	19,636	-	601,265	-	105,480,101	-
2010	31,321	6.0%	763,022	2.7%	116,716,292	1.1%
2015	36,295	3.0%	829,834	1.7%	120,746,349	0.7%
2020	41,163	2.7%	906,792	1.9%	125,477,562	0.8%

Source: Esri Demographics 2015, Novogradac & Company LLP, June 2016

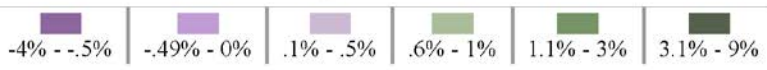
From 2000 to 2010 the PMA experienced significantly stronger population and household growth than the MSA and nation as a whole; in fact, population and household growth in the PMA was nearly six times as strong as the national average. Population and household growth slowed in all three areas of analysis from 2010 to 2015 with growth in the PMA remaining significantly stronger than the national average at over three times the rate of the nation. Finally, growth is projected to slow from 2015 to 2020 in the PMA, but overall will remain significantly stronger than population and household growth in the MSA and nation as a whole. Overall, the population and household projections for the local area suggest that housing options will continue to be a necessity within the PMA, which bodes well for the Subject.

The map below illustrates the annual population growth from 2010 to 2015 in the state of Texas by county.



2010-2015 Population Growth Rate

0 40 80 160 Miles
Lucy Mullineaux January 2015



2010-2015 Population Growth

NOVOGRADAC & COMPANY LLP
www.novoco.com

As the previous map demonstrates, population growth in Texas has been concentrated in the major urban areas and the Dallas, Houston, and San Antonio areas in particular. Comal County experienced strong growth relative to the rest of the state.

Average Household Size

The following table illustrates average household size in the PMA, MSA, and nation from 2000 to 2020.

AVERAGE HOUSEHOLD SIZE						
Year	PMA		MSA		USA	
	Number	Annual Change	Number	Annual Change	Number	Annual Change
2000	2.70	-	2.78	-	2.59	-
2010	2.75	0.2%	2.74	-0.1%	2.58	-0.1%
2015	2.75	0.0%	2.73	-0.1%	2.57	0.0%
2020	2.75	0.0%	2.73	0.0%	2.57	0.0%

Source: Esri Demographics 2015, Novogradac & Company LLP, June 2016

The PMA and MSA feature larger average household sizes relative to the nation as a whole. The average household size is projected to remain stable in all three areas of analysis through 2020.

Household Income Distribution

The following tables illustrate the household income distribution in 2015 and 2020 within the PMA and MSA.

HOUSEHOLD INCOME PMA						
Income Cohort	PMA					
	2015		2020		Annual Change 2015 to 2020	
	Number	Percentage	Number	Percentage	Number	Percentage
\$0-9,999	1,573	4.3%	1,646	4.0%	15	0.9%
\$10,000-19,999	2,373	6.5%	2,434	5.9%	12	0.5%
\$20,000-29,999	3,105	8.6%	3,063	7.4%	-8	-0.3%
\$30,000-39,999	3,053	8.4%	3,370	8.2%	63	2.1%
\$40,000-49,999	2,954	8.1%	3,327	8.1%	75	2.5%
\$50,000-59,999	3,273	9.0%	2,954	7.2%	-64	-2.0%
\$60,000-74,999	4,530	12.5%	4,918	11.9%	78	1.7%
\$75,000-99,999	6,203	17.1%	6,870	16.7%	133	2.1%
\$100,000-124,999	3,954	10.9%	5,028	12.2%	215	5.4%
\$125,000-149,999	2,290	6.3%	3,072	7.5%	156	6.8%
\$150,000-199,999	1,777	4.9%	2,569	6.2%	158	8.9%
\$200,000+	1,210	3.3%	1,913	4.6%	141	11.6%
Total	36,295	100.0%	41,163	100.0%		

Source: Ribbon Demographics 2014, Novogradac & Company LLP, June 2016

HOUSEHOLD INCOME MSA						
Income Cohort	San Antonio-New Braunfels, TX MSA					
	2015		2020		Annual Change 2015 to 2020	
	Number	Percentage	Number	Percentage	Number	Percentage
\$0-9,999	68,790	8.3%	69,444	7.7%	131	0.2%
\$10,000-19,999	88,552	10.7%	88,366	9.7%	-37	0.0%
\$20,000-29,999	95,400	11.5%	95,376	10.5%	-5	0.0%
\$30,000-39,999	86,292	10.4%	90,057	9.9%	753	0.9%
\$40,000-49,999	79,577	9.6%	83,398	9.2%	764	1.0%
\$50,000-59,999	72,056	8.7%	72,913	8.0%	171	0.2%
\$60,000-74,999	86,087	10.4%	94,350	10.4%	1,653	1.9%
\$75,000-99,999	102,723	12.4%	113,966	12.6%	2,249	2.2%
\$100,000-124,999	60,815	7.3%	75,495	8.3%	2,936	4.8%
\$125,000-149,999	32,148	3.9%	44,506	4.9%	2,472	7.7%
\$150,000-199,999	30,829	3.7%	39,579	4.4%	1,750	5.7%
\$200,000+	26,564	3.2%	39,342	4.3%	2,556	9.6%
Total	829,834	100.0%	906,792	100.0%		

Source: Ribbon Demographics 2014, Novogradac & Company LLP, June 2016

Renter Household Income Distribution

The following tables illustrate renter household income distribution in 2015 and 2020 for the PMA and MSA.

RENTER HOUSEHOLD INCOME PMA						
Income Cohort	PMA					
	2015		2020		Annual Change 2015 to 2020	
	<i>Number</i>	<i>Percentage</i>	<i>Number</i>	<i>Percentage</i>	<i>Number</i>	<i>Percentage</i>
\$0-9,999	854	8.4%	910	7.9%	11	1.3%
\$10,000-19,999	1,327	13.1%	1,390	12.0%	13	1.0%
\$20,000-29,999	1,459	14.4%	1,457	12.6%	0	0.0%
\$30,000-39,999	1,200	11.8%	1,372	11.9%	34	2.9%
\$40,000-49,999	1,013	10.0%	1,191	10.3%	36	3.5%
\$50,000-59,999	1,111	11.0%	1,142	9.9%	6	0.6%
\$60,000-74,999	1,024	10.1%	1,173	10.1%	30	2.9%
\$75,000-99,999	872	8.6%	1,092	9.4%	44	5.0%
\$100,000-124,999	521	5.1%	726	6.3%	41	7.8%
\$125,000-149,999	298	2.9%	394	3.4%	19	6.5%
\$150,000-199,999	234	2.3%	342	3.0%	22	9.2%
\$200,000+	230	2.3%	374	3.2%	29	12.5%
Total	10,143	100.0%	11,564	100.0%		

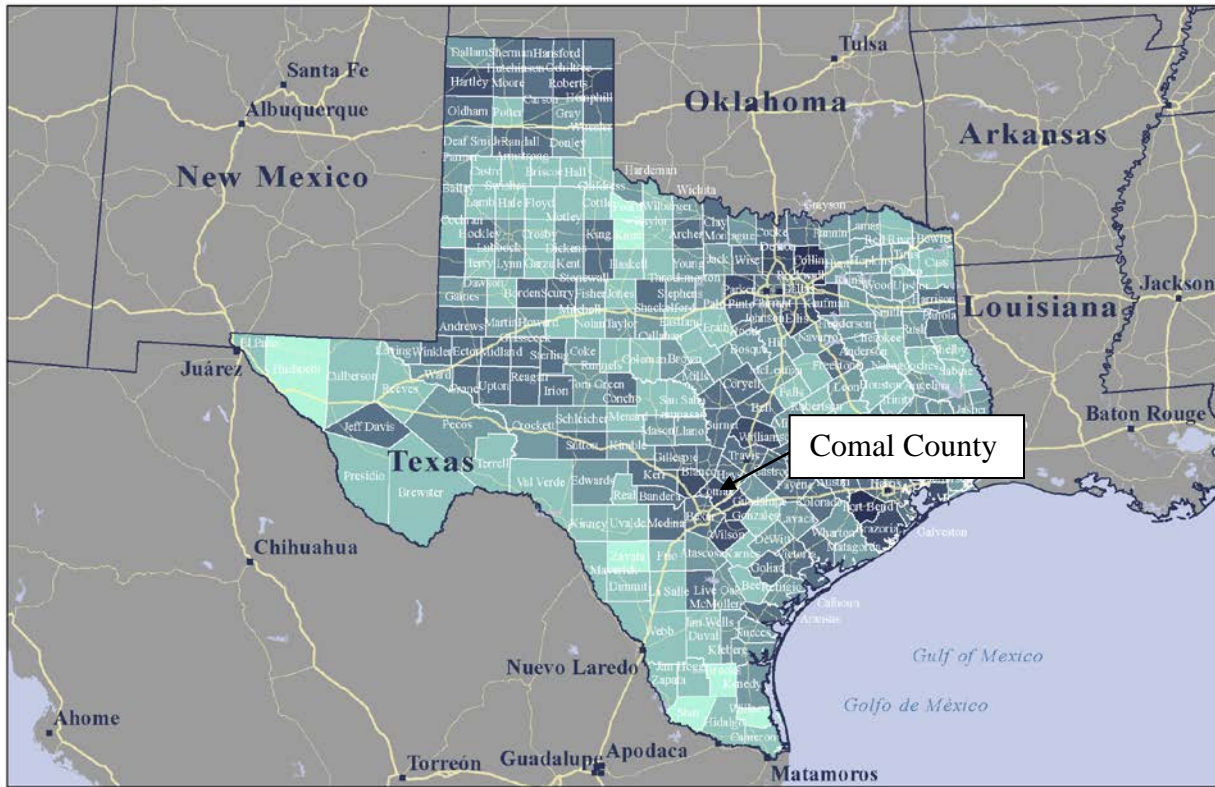
Source: Ribbon Demographics 2014, Novogradac & Company LLP, June 2016

RENTER HOUSEHOLD INCOME SMA						
San Antonio-New Braunfels, TX MSA						
Income Cohort	2015		2020		Annual Change 2015 to 2020	
	<i>Number</i>	<i>Percentage</i>	<i>Number</i>	<i>Percentage</i>	<i>Number</i>	<i>Percentage</i>
	\$0-9,999	44,898	14.3%	45,829	13.4%	186
\$10,000-19,999	48,204	15.4%	49,055	14.3%	170	0.4%
\$20,000-29,999	50,331	16.1%	50,792	14.8%	92	0.2%
\$30,000-39,999	39,934	12.7%	42,756	12.5%	565	1.4%
\$40,000-49,999	32,332	10.3%	34,806	10.1%	495	1.5%
\$50,000-59,999	25,243	8.1%	26,922	7.8%	336	1.3%
\$60,000-74,999	25,056	8.0%	29,187	8.5%	826	3.3%
\$75,000-99,999	22,604	7.2%	27,367	8.0%	953	4.2%
\$100,000-124,999	10,913	3.5%	14,876	4.3%	792	7.3%
\$125,000-149,999	5,766	1.8%	8,866	2.6%	620	10.8%
\$150,000-199,999	4,240	1.4%	6,249	1.8%	402	9.5%
\$200,000+	3,847	1.2%	6,489	1.9%	528	13.7%
Total	313,368	100.0%	343,195	100.0%		

Source: Ribbon Demographics 2014, Novogradac & Company LLP, June 2016

The minimum income limit for the Subject’s units will be \$28,800 and there will be no maximum income limit. Over 64 percent of the renter households in the PMA have incomes of \$30,000 and above. By 2020, this will increase to 67.5 percent of renter households with incomes above this threshold.

The following map illustrates the 2015 annual median household income in the state of Texas by county.



As the previous map demonstrates, median household income for Comal County is between \$65,001 and \$85,000.

Household Size Distribution

The following tables illustrate the overall household size distribution for the PMA and the MSA.

PMA HOUSEHOLD DIZE DISTRIBUTION						
Household Size	2000		2015		2020	
	Total	Percent	Total	Percent	Total	Percent
1 persons	4,087	20.8%	7,442	20.5%	8,480	20.6%
2 persons	6,529	33.3%	11,620	32.0%	13,020	31.6%
3 persons	3,541	18.0%	6,546	18.0%	7,479	18.2%
4 persons	3,150	16.0%	5,886	16.2%	6,629	16.1%
5+ persons	2,329	11.9%	4,801	13.2%	5,555	13.5%
Total	19,636	100.0%	36,295	100.0%	41,163	100.0%

Source: Esri Demographics 2015, Novogradac & Company LLP, June 2016

SMA HOUSEHOLD DIZE DISTRIBUTION

Household Size	2000		2015		2020	
	Total	Percent	Total	Percent	Total	Percent
1 persons	137,578	22.9%	207,255	25.0%	229,526	25.3%
2 persons	180,057	29.9%	247,974	29.9%	268,987	29.7%
3 persons	105,866	17.6%	139,707	16.8%	153,079	16.9%
4 persons	93,121	15.5%	119,077	14.3%	128,928	14.2%
5+ persons	84,643	14.1%	115,821	14.0%	126,272	13.9%
Total	601,265	100.0%	829,834	100.0%	906,792	100.0%

Source: Esri Demographics 2015, Novogradac & Company LLP, June 2016

The majority of households consist of between one and three person households in both the PMA and MSA. In 2015, approximately 70.6 percent of the households in the PMA consisted of between one and three persons, below that of the MSA where 71.7 percent of households consisted of one to three persons; this bodes well for the Subject which will offer one, two, and three-bedroom units.

Renter Household Size Distribution

The following tables illustrate the renter household size distribution for the PMA and the MSA.

PMA RENTER HOUSEHOLD SIZE DISTRIBUTION						
Household Size	2000		2015		2020	
	Total Renter Households	Percent	Total Renter Households	Percent	Total Renter Households	Percent
1 person	1,608	30.8%	3,054	30.1%	3,497	30.2%
2 persons	1,257	24.1%	2,559	25.2%	2,882	24.9%
3 persons	971	18.6%	1,741	17.2%	1,998	17.3%
4 persons	804	15.4%	1,441	14.2%	1,631	14.1%
5+ persons	578	11.1%	1,349	13.3%	1,555	13.4%
Total	5,219	100.0%	10,143	100.0%	11,564	100.0%

Source: Ribbon Demographics 2014, Novogradac & Company LLP, June 2016

SMA RENTER HOUSEHOLD SIZE DISTRIBUTION						
Household Size	2000		2015		2020	
	Total Renter Households	Percent	Total Renter Households	Percent	Total Renter Households	Percent
1 person	71,239	33.4%	110,900	35.4%	123,336	35.9%
2 persons	53,376	25.0%	77,205	24.6%	84,074	24.5%
3 persons	34,587	16.2%	48,148	15.4%	52,651	15.3%
4 persons	28,200	13.2%	37,996	12.1%	40,957	11.9%
5+ persons	26,092	12.2%	39,118	12.5%	42,177	12.3%
Total	213,495	100.0%	313,368	100.0%	343,195	100.0%

Source: Ribbon Demographics 2014, Novogradac & Company LLP, June 2016

The majority of renter households in both the PMA and the MSA are one and two-person households, which make up 55.3 percent of renter households in the PMA and 54.9 percent of households in the MSA.

Building Permits

The following table illustrates building permits in New Braunfels and Schertz from 2006 through April 2016.

BUILDING PERMITS: New Braunfels, TX

Year	Single-family and Duplex	Three and Four-Family	Five or More Family	Total Units
2006	1,184	0	0	1,184
2007	671	0	0	671
2008	468	0	0	468
2009	351	0	0	351
2010	356	0	0	356
2011	348	0	0	348
2012	638	0	0	638
2013	804	0	0	804
2014	1,231	7	268	1,506
2015	1,001	0	0	1,001
2016*	420	0	0	420
Total	7,472	7	268	7,747
Average	679	1	24	235

*Through April 2016.

Source: US Department of Housing and Urban Development, retrieved June 2016.

BUILDING PERMITS: Schertz, TX

Year	Single-family and Duplex	Three and Four-Family	Five or More Family	Total Units
2006	455	0	0	455
2007	371	0	0	371
2008	433	0	0	433
2009	350	0	0	350
2010	297	0	187	484
2011	484	0	0	484
2012	265	0	0	265
2013	268	0	0	268
2014	299	7	0	306
2015	575	0	0	575
2016*	82	0	0	82
Total	3,879	7	187	4,073
Average	353	1	17	123

*Through April 2016.

Source: US Department of Housing and Urban Development, retrieved June 2016.

According to the U.S. Department of Housing and Urban Development, 95 and 96 percent of the building permits issued between 2006 through April 2016 were for single-family units in New Braunfels and Schertz, respectively. It is worth noting however that we are aware of multiple building permits issued in 2015 in New Braunfels for multifamily development and the HUD data reflects no permits issued; therefore, the percentage of multifamily permits issued appears to be understated in the above data.

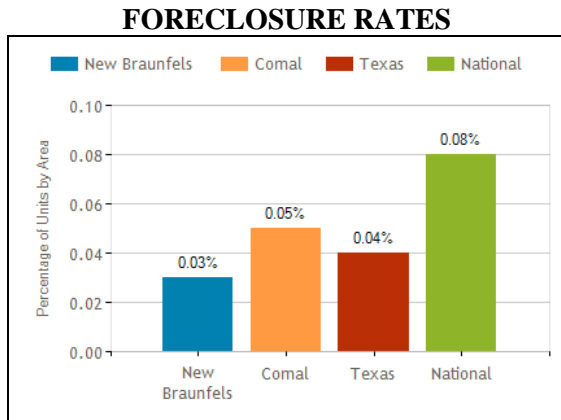
Conclusion

Population and household growth in the PMA have historically significantly outpaced growth in both the MSA and the nation as a whole. In fact, growth in the PMA from 2000 to 2010 was nearly six times that of national growth. While population and household growth in the PMA slowed from 2010 to 2015 and is projected to continue to slow from 2015 to 2020, the growth remains considerably stronger than that in the MSA and nation. From 2015 to 2020 population and household growth is projected to outpace national growth by over three times. From 2015 to 2020 the number of renter households in the PMA is expected to increase by approximately 1,421 households many of whom are expected to be income-qualified for the Subject's units. Based on the *Demand Estimate and Analysis* detailed later in this report, approximately 65.84 percent of the renter households in the PMA earn over \$28,800, the estimated minimum income requirement for the Subject, and are a likely source of demand for the Subject's units. Additionally, the number and percentage of income-qualified renter households in the PMA will increase through 2020, suggesting demand for additional market rate rental housing is needed.

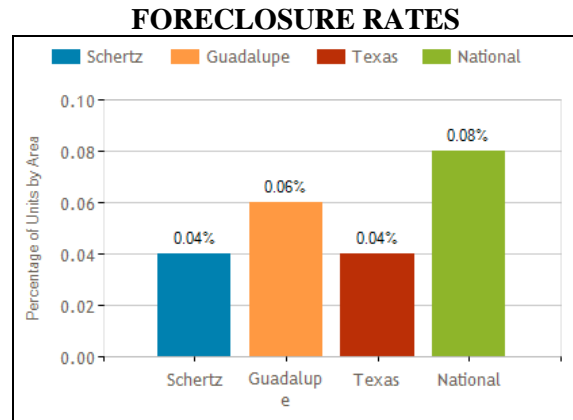
CURRENT HOUSING MARKET CONDITIONS

CURRENT HOUSING MARKET CONDITIONS

According to www.realtytrac.com, the foreclosure rate in New Braunfels is one in every 3,257 homes and the foreclosure rate in Schertz is one in every 2,343 homes while the foreclosure rate for the nation is one in every 1,310 homes. The foreclosure rate in New Braunfels is lower than the foreclosure rate for the nation as a whole as well as for the state of Texas, which is one in every 2,245 homes. The following chart is a comparison the foreclosure rate in the city of New Braunfels, Comal County, the State of Texas, and the nation:



Source: www.realtytrac.com; as of May 2016



Source: www.realtytrac.com; as of May 2016.

As illustrated, New Braunfels has the lowest foreclosure rate of the areas of analysis, following by Schertz and the state of Texas.

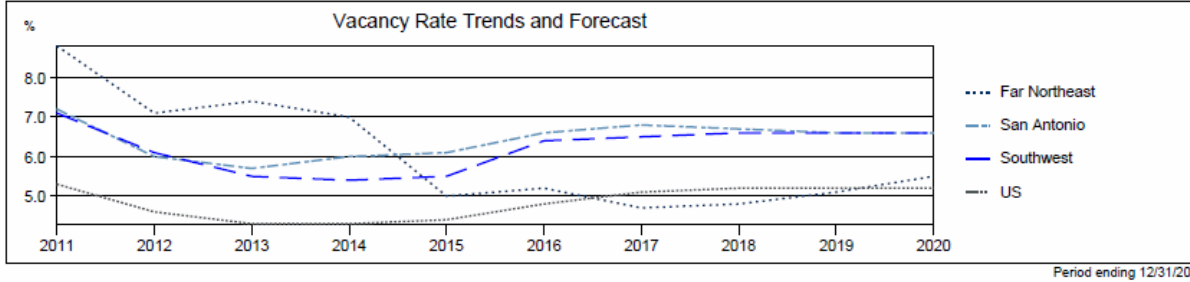
According to the U.S. Department of Housing and Urban Development’s Comprehensive Housing Market Analysis for San Antonio-New Braunfels dated November 1, 2014 (most current available),

- Sales market: The “sales housing market in the HMA [defined as the San Antonio-New Braunfels, TX MSA] is balanced, with an estimated sales vacancy rate of 1.7 percent. During the next 3 years, demand is expected for 28,950 new homes, including 500 mobile homes (Table 1). The 1,825 homes currently under construction will meet a portion of this demand. In addition, a portion of the estimated 34,500 other vacant units likely will reenter the sales housing market and satisfy some of the forecast demand.”
- Rental market: The “rental housing market conditions in the HMA are slightly soft because of slowing population growth coupled with high levels of apartment completions during 2013. The current overall rental vacancy rate is estimated at 7.3 percent, down from 9.5 percent in April 2010. During the forecast period, demand is estimated for 7,850 new market-rate rental units in the HMA (Table 1). The 5,125 units currently under construction will meet a portion of the forecast demand.”
- Delinquent mortgages: “In December 2013, 3.9 percent of mortgage loans were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned), down slightly from 4.3 percent in December 2012 (Black Knight Financial Services, Inc.). In comparison, in December 2013, the percentage of mortgage loans that were delinquent, were in foreclosure, or transitioned into REO was 3.9 percent in Texas and 5.6 percent nationally.”

We also consulted the most recent REIS report for the San Antonio market. The following tables detail the vacancy rates and asking rents for the San Antonio, TX market area and the northeast submarket, which includes the city of Schertz, compared to that of the southwest region and the nation as a whole. New Braunfels is located 34 miles northeast of San Antonio and is part of the San Antonio-New Braunfels MSA.

	Vacancy Rates						
	Quarterly			Annualized			
	1Q16	4Q15	YTD Avg	1 Year	3 Year	5 Year	5 Yr Forecast
Far Northeast	5.3%	5.0%	5.3%	6.0%	6.6%	7.4%	5.1%
San Antonio	6.7%	6.1%	6.7%	6.0%	5.9%	6.5%	6.6%
Southwest	5.8%	5.5%	5.8%	5.5%	5.6%	6.4%	6.5%
United States	4.5%	4.4%	4.5%	4.3%	4.4%	4.9%	5.1%
Period Ending:	03/31/16	12/31/15	03/31/16	12/31/15	12/31/15	12/31/15	12/31/20

Submarket Rank Compared to:	Total Subs	Submarket Ranks						
		1Q16	4Q15	YTD	1 Year	3 Year	5 Year	5 Yr Forecast
San Antonio	11	2	3	2	4	7	7	4
Southwest	105	50	50	50	62	70	70	43
United States	835	574	556	574	643	712	726	513



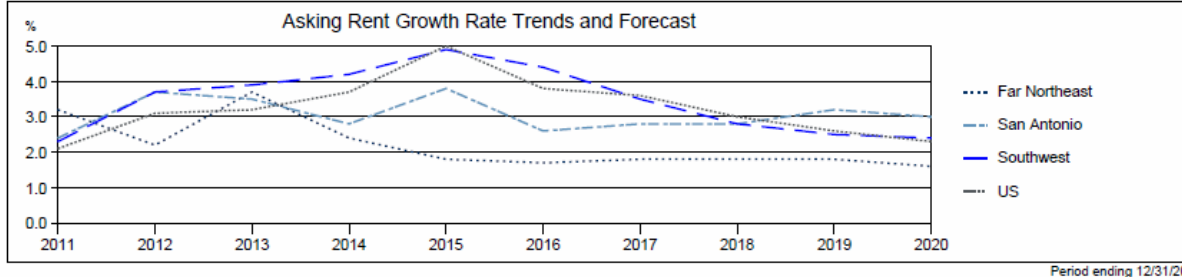
Source: REIS.com, 1st Quarter 2016 Metro Report, Novogradac & Company LLP, retrieved May 2016.

As indicated above, the overall vacancy rate in all four areas increased in the first quarter of 2016 with the lowest vacancy in the nation as a whole followed by the far northeast submarket of the San Antonio market. REIS projects that the vacancy rate in the far northeast submarket of the San Antonio market will decrease slightly to 5.1 percent over the next five years; this is equivalent to the vacancy rate projected for the nation as a whole and below that projected for San Antonio and the southwest region.

The following table illustrates rent growth trends in the nation, southwest region, San Antonio market, and the far northeast submarket.

	Asking Rent Growth						
	Quarterly			Annualized			
	1Q16	4Q15	YTD Avg	1 Year	3 Year	5 Year	5 Yr Forecast
Far Northeast	- 0.7%	0.1%	- 0.7%	1.8%	2.6%	2.7%	1.8%
San Antonio	0.4%	0.9%	0.4%	3.8%	3.4%	3.3%	2.9%
Southwest	0.7%	1.2%	0.7%	4.9%	4.3%	3.8%	3.1%
United States	0.4%	1.0%	0.4%	5.0%	4.0%	3.4%	3.0%
Period Ending:	03/31/16	12/31/15	03/31/16	12/31/15	12/31/15	12/31/15	12/31/20

Submarket Rank Compared to:	Total Subs	Submarket Ranks						
		1Q16	4Q15	YTD	1 Year	3 Year	5 Year	5 Yr Forecast
San Antonio	11	11	8	11	10	8	9	9
Southwest	105	100	78	100	94	80	76	87
United States	835	764	647	764	691	497	421	636



Source: REIS.com, 1st Quarter 2016 Metro Report, Novogradac & Company LLP, retrieved May 2016.

Asking rent growth in the far northeast submarket of San Antonio was negative for the first quarter of 2016, albeit by less than one percent. Asking rent growth is however projected to be positive over the next five years, though less than the growth that is projected for San Antonio market as a whole.

Planning Discussion

We spoke with Channary Gould of the Schertz Planning and Zoning Department. According to Ms. Gould, there have been no recent additions to the multifamily market in Schertz and there are no projects currently under construction. There are however two proposed multifamily projects in Schertz though neither have been permitted. First, Avanti Canyons is a proposed 95 unit property to be located off the frontage road of Interstate 35 south of the Subject. According to Ms. Gould, the proposal was originally scheduled to go before the Planning Commission in early June but the applicant requested a continuance to the June 22nd meeting. The second proposed development is unnamed and will be located near the intersection of Roy Richards Drive and Wiederstein approximately six miles south of the Subject site. If built, the project would consist of approximately 81 units. Ms. Gould noted that while the multifamily market in Schertz has been relatively inactive, the single-family market has seen significant additions in recent years with significant additional units planned. There are three single-family home subdivisions planned in the Subject’s immediate neighborhood. First, Cypress Point is a single-family home subdivision located immediately south of the Subject site. Phase III of Cypress Point is in the early stages of construction. Second, The Parklands is a proposed mixed-use development to be located immediately east of the Subject site. According to Ms. Gould, the site plan includes 505 single-family homes as well as commercial sites including a potential school site. No permits have been issued for the Parklands development. Finally, the Homestead project will be located less than 0.25 miles south of the Subject site off the frontage road of Interstate 35 and Schwab Road. According to Ms. Gould, the proposed development will include approximately 750 single-family homes, if fully improved; preliminary ground work is underway at the Homestead project.

We also spoke with a representative of the Building Division of the New Braunfels Planning Department who pointed us to the city’s website for building permit and activity information. According to the city’s website, there are nine multifamily developments that have been permitted since 2013. Of these, three are complete, four are under construction (Springs at Creekside Way, Reserve at Engel Road Apartments, Mission Hill Apartments Phase II, and Vantage at New Braunfels), and two are in progress (Northwoods Apartments and Kensington Apartments).

Finally, we consulted the REIS report for the San Antonio metro area for properties in the Subject’s PMA. The following table summarizes information provided by the Schertz Planning Department, the New Braunfels Planning Department, and the REIS report. While several of the recent and planned additions are located just north of the PMA in north New Braunfels, given the similar new construction product, we expect the Subject to compete with these developments to some extent and have thus removed these units from the demand analysis.

MULTIFAMILY PIPELINE IN SCHERTZ & NEW BRAUNFELS						
Property Name	Address	City	Distance to Subject (in Miles)	Total Number of Units	Total Number of Unleased Units	Status
Creekside Vue*	2120 Stephens Pl	New Braunfels	10.4	150	21	Under Construction - In Lease Up
The Springs at Creekside*	2980 Creek Bend Dr	New Braunfels	10.5	268	142	Under Construction - In Lease Up
The Vantage at New Braunfels	FM - 1101 & FM-306	New Braunfels	9.6	288	288	Under Construction - completed 2016
Northwoods	1951 Old FM-306	New Braunfels	12.5	100	100	Under Construction - completed 2016
Mission Hill II	2745 Westpointe Dr	New Braunfels	7.6	195	195	Under Construction - completed 2017
Reserve at Engel Road**	125 Engel Road	New Braunfels	1.0	96	96	Under Construction - completed 2017
Ranch at Guadalupe II	1355 Ranch Pkwy	New Braunfels	9.8	104	104	Planned - projected market entry 2018
The Kensington	2515 W San Antonio St	New Braunfels	4.8	120	120	Proposed
Avanti Canyons	22520 I-35	Schertz	5.2	95	95	Proposed
Unnamed Property	Roy Richards Dr & Weiderstein	Schertz	8.0	81	81	Proposed
Cibolo Canyons***	I-35 & Old Wiederstein Rd	Schertz	6.9	368	368	Proposed
Total				1,497	1,242	
Total Competitive				1,401	1,146	
Total Competitive Unstabilized				-	163	
Total Competitive for 2016 market entry				388	388	
Total Competitive for 2017 market entry				195	195	
Total Competitive for 2018 market entry (includes unannounced properties)				400	400	

*Included as comparable property.

**Subsidized/Low-Income property; is not expected to compete with Subject as proposed.

***City planning officials are unaware of this proposed addition; we have therefore not included these units in the total line items or deducted these units from the demand analysis.

As illustrated, there are 1,401 competitive units in the pipeline of which 163 are at properties that are in lease-up. An additional 388 are expected to enter the market in 2016, 195 in 2017, and 400 in 2018. Together this equates to a total of 1,146 new, unstabilized units over the next few years. While this is a sizeable increase in supply, renter households in the PMA alone are projected to increase by 1,421 between 2015 and 2020, which provides support for the planned additions as well as the Subject.

Local Housing Authority Discussion

The City of New Braunfels Housing Authority represents the Housing Authority for the New Braunfels, Texas area. According to Nadine Mardock, Executive Director, the waiting list for Housing Choice Vouchers in New Braunfels was closed as of September 2015 and is approximately six months to a year in length. There are currently 297 Housing Choice Vouchers allocated for New Braunfels, 289 of which are in use. The following table illustrates the gross payment standards for New Braunfels.

2015 PAYMENT STANDARDS			
0BR	1BR	2BR	3BR
\$597	\$739	\$929	\$1,222

The Subject’s gross rents are well above the current payment standards. None of the comparables reported voucher tenants. As such, it is unlikely that voucher tenants will be able to reside at the Subject.

LIHTC Competition / Recent and Proposed Construction

According to the Texas Department of Housing and Community Affairs, only one project has been allocated tax credits in the PMA since 2013. Reserve at Engel Road is a 96-unit family-targeted LIHTC development that is currently under construction. This development was allocated LIHTC funding in 2015. The property is located one mile north of the Subject.

Rent/Buy Analysis

We performed a rent/buy analysis. Our inputs assume a three-bedroom single-family home on www.zillow.com in the Subject’s neighborhood with a purchase price of \$188,000 and an interest rate of 3.66 percent for a 30-year fixed mortgage with a ten percent down payment. This was compared to the cost to rent the Subject’s three-bedroom unit. This analysis indicates that with a monthly differential of \$91, it is more slightly more affordable to rent a unit at the Subject than to purchase a home in the area. This indicates that the Subject may face some competition with home ownership from within the immediate area. The rent buy analysis is illustrated in the following table.

RENT VS. BUY ANALYSIS				
THREE-BEDROOM HOME - 3.66% MORTGAGE RATE				
Inputs		Ownership	Rental	Notes
Average Price		\$188,000		www.zillow.com
Closing Costs	3%	\$5,640		
Downpayment	10%	\$18,800.00		
Principal		\$169,200.00		
Interest Rate	3.66%			Estimate from www.bankrate.com
Amortization period	30			
Monthly Payment		\$775		
Annual Payment		\$9,300		
Real Estate Taxes	1.25%	\$2,350		
Private Mortgage Insurance	0.50%	\$846.00		
Homeowner's Insurance	0.50%	\$300		
Utilities		\$804		Rent includes water, sewer, and trash removal
Maintanance and Repairs	3.00%	\$5,640		Assumes a 1% cost for maintainance and repairs.
Marginal Tax Bracket	28%			
Annual Interest		\$6,193		Assumes first year
Annual Tax Savings		(\$2,391.96)		
Rental Costs				
Annual Rent			\$15,600	3BR Rent
Insurance (renter)			\$150	
Total Annual Cost		\$16,848	\$15,750	
Total Monthly Cost		\$1,404	\$1,313	
Differential per year	\$1,098			
Differential per month	\$91			
Cash Due at Occupancy		\$24,440	\$1,600	

As illustrated, the “cash due at occupancy” category adds to approximately \$24,440 for the down payment and closing costs. The cash necessary for homeownership is still a barrier to many households. In general, first-time homebuyers have difficulty saving for a down payment. Further, renting at the Subject is more affordable than purchasing even a modest single-family home in the area. For this reason, we believe that the Subject will limited competition from homeownership.

1) COMPETITIVE RENTAL INVENTORY

Household Tenure General Population

The table below illustrates the breakdown by household tenure within the PMA.

TENURE PATTERNS PMA				
Year	Owner-Occupied Units	Percentage Owner-Occupied	Renter-Occupied Units	Percentage Renter-Occupied
2000	14,417	73.4%	5,219	26.6%
2015	26,152	72.1%	10,143	27.9%
2020	29,599	71.9%	11,564	28.1%

Source: Esri Demographics 2015, Novogradac & Company LLP, June 2016

As illustrated, the PMA features significantly more owner-occupied units than renter-occupied units. From 2015 to 2020 both the number and the percentage of renter-occupied units is projected to increase in the PMA. It is worth noting that while the percentage of renter-occupied units is projected to increase only slightly, the number suggests an increase of nearly 1,421 new renter occupied-units, which is a sizeable increase.

Housing Units by Units in Structure in PMA

The table below illustrates the housing units by units in a structure within the PMA.

HOUSING UNITS BY UNITS IN STRUCTURE IN PMA	
1-Unit Detached	27,355
1-Unit Attached	457
2 Units	674
3 or 4 Units	453
5 to 9 Units	606
10 to 19 Units	1,100
20 or More Units	394
Mobile Home	867
Other	2,169
Total	34,075

Source: Source: U.S. Census Bureau, 2010 American Community Survey, May 2016.

The above table illustrates that 80.3 percent of housing units in the PMA are single-family detached homes.

Age of Housing Stock in PMA

The below table illustrates the age of housing stock in the PMA.

AGE OF HOUSING STOCK IN PMA		
Years	Number of Units	Percent of Housing Stock
2005 or later	898	2.6%
2000 - 2004	13,030	38.2%
1990 - 1999	6,492	19.0%
1980 - 1989	3,749	11.0%
1970 - 1979	3,475	10.2%
1960 - 1969	1,900	5.6%
1950 - 1959	2,100	6.2%
1940 - 1949	1,030	3.0%
1939 or earlier	1,437	4.2%
Total	34,111	100.0%

Source: U.S. Census Bureau, American Community Survey 2015, Novogradac & Company LLP, June 2016

The majority of the housing stock in the PMA was built between 1990 and 2004.

Number of Bedrooms

The following table illustrates tenure by number of bedrooms in the occupied housing units. Information was unavailable for the PMA.

NUMBER OF BEDROOMS				
Number of Bedrooms	Schertz, Texas		New Braunfels, Texas	
	Owner-occupied units	Renter-occupied units	Owner-occupied units	Renter-occupied units
No Bedroom	0.0%	4.0%	0.3%	2.0%
One-bedroom	0.0%	18.4%	0.5%	19.6%
Two or three bedrooms	55.2%	62.6%	71.4%	72.3%
Four or more bedrooms	44.8%	14.9%	27.8%	6.1%

Source: U.S. Census Bureau, 2014 American Community Survey, May 2016.

As the table indicates, the majority of owner and renter-occupied units in both the city of Schertz and the city of New Braunfels are two and three-bedroom units.

Gross Rent

The following table illustrates the gross rent in New Braunfels and Schertz. Information was unavailable for the PMA.

GROSS RENTS		
Schertz, Texas		
	Number	Percentage
Occupied Units Paying Rent	2,760	100.0%
Less than \$200	45	1.6%
\$200 to \$299	7	0.3%
\$300 to \$499	74	2.7%
\$500 to \$749	426	15.4%
\$750 to \$999	743	26.9%
\$1,000 to \$1,499	855	31.0%
\$1,500 or more	610	22.1%
No Rent	16	0.6%

Source: U.S. Census Bureau, 2014 American Community Survey, May 2016.

GROSS RENTS		
New Braunfels, CO		
	Number	Percentage
Occupied Units Paying Rent	7,257	100%
Less than \$200	11	0%
\$200 to \$299	245	3%
\$300 to \$499	267	4%
\$500 to \$749	1,223	17%
\$750 to \$999	1,991	27%
\$1,000 to \$1,499	2,648	36%
\$1,500 or more	872	12%
No Rent	369	5%

Source: U.S. Census Bureau, 2014 American Community Survey, May 2016.

As illustrated, approximately 80 percent of renter-occupied units in Schertz are achieving rents of \$750 and above; this compares to 76 percent of renter-occupied units in New Braunfels. The Subject’s gross rents range from \$925 to \$1,475 per month. Over 53 percent of renter-occupied units in Schertz and 49 percent of renter-occupied units in New Braunfels have rents of \$1,000 or more.

2) RECENT MARKET EXPERIENCE

Survey of Comparable Projects

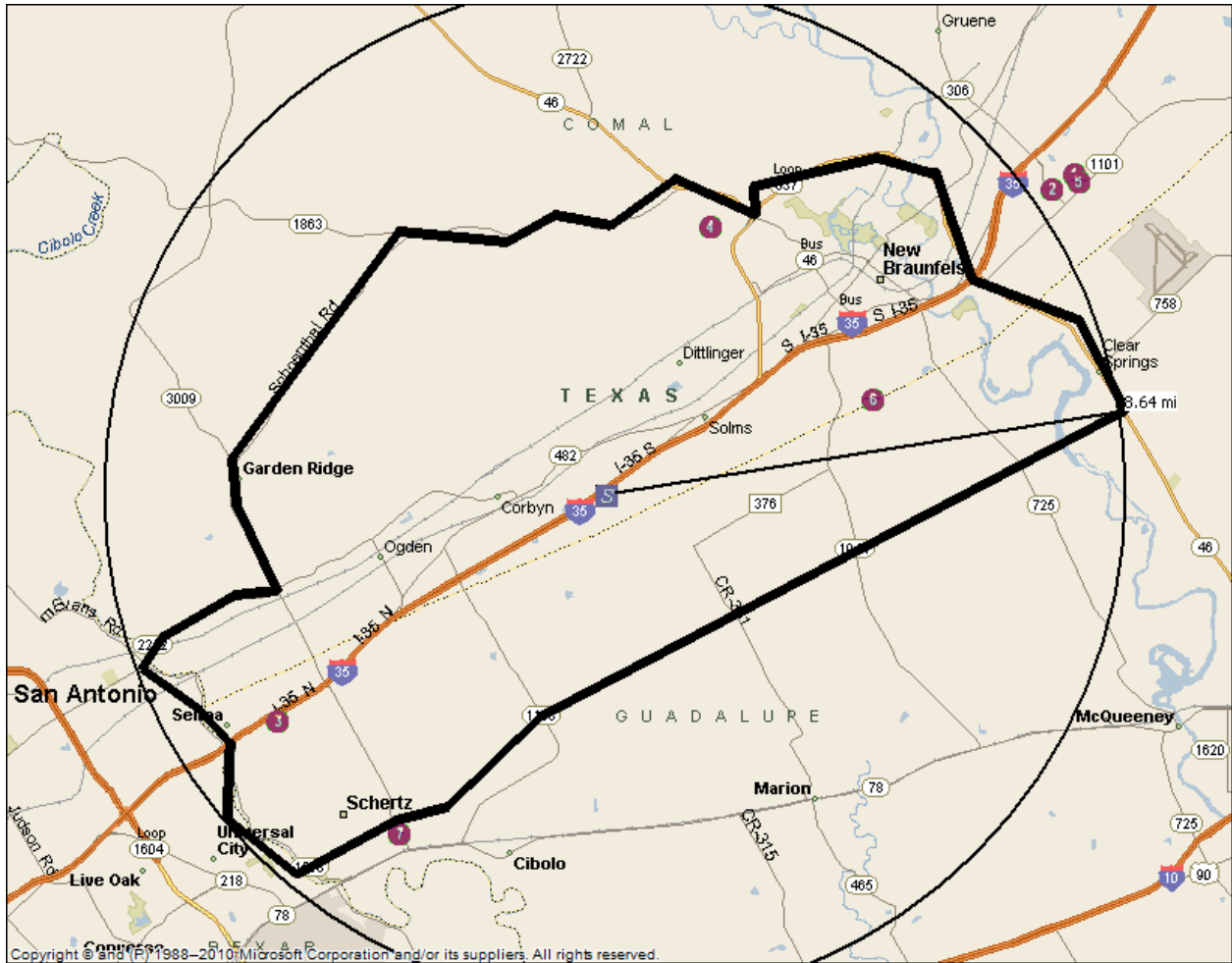
Novogradac performed a competitive analysis of the local rental market.

We attempted to compare the Subject to properties from the competing market area to provide a picture of the health and available supply in the market. The Subject will consist of one, two, and three-bedroom units. An extensive search for comparable properties was performed within the PMA, and we included three market rate properties in our analysis. The majority of the new supply is located just north of the PMA in north New Braunfels. We have included these properties as comparables in this analysis as they represent the most similar product in the New Braunfels-Schertz area to the Subject as proposed.

All of the comparables used are located in New Braunfels or Schertz and are located within 11 miles of the Subject site. Of the seven comparables, three are located in the PMA and four are located just outside of the PMA.

Provided on the following pages are maps and individual property profiles of the comparable properties used in the rental analysis. In addition, Novogradac has provided summary matrices to facilitate the analysis of the comparable properties.

Comparable Property Map



COMPARABLE PROPERTIES				
#	Property Name	City	Type	Distance
1	Avenues At Creekside	New Braunfels	Market	10.4 miles
2	Creekside Vue*	New Braunfels	Market	10.3 miles
3	Legacy Oaks Apartments	Schertz	Market	10.5 miles
4	Mission Hill	New Braunfels	Market	8.3 miles
5	The Springs At Creekside*	New Braunfels	Market	10.4 miles
6	Waterford Place	New Braunfels	Market	7.1 miles
7	Waterford Ridge	Schertz	Market	10.7 miles

*In lease-up.

Buttrum Multifamily Development, New Braunfels, Comal County, Texas; Market Study

SUMMARY MATRIX

Comp#	Project	Distance	Type / Built / Renovated	Market / Subsidy	Units	#	%	Restriction	Rent (Adj.)	Size (SF)	Max Rent?	Wait List?	Units Vacant	Vacancy Rate
Subject	Buttrum Construction 25100 North IH 35 New Braunfels, TX 78130 Guadalupe County	n/a	Garden 2017	Market	1BR / 1BA	30	17.05%	Market	\$800	712	n/a		N/A	N/A
					2BR / 2BA	84	47.73%	Market	\$1,100	973	n/a	N/A	N/A	
					3BR / 2BA	62	35.23%	Market	\$1,300	1,236	n/a	N/A	N/A	
						176	100%					N/A	N/A	
1	Avenues At Creekside 625 Creekside Way New Braunfels, TX 78130 Comal County	10.4 miles	Various 2013 / n/a	Market	1BR / 1BA (Garden)	N/A	N/A	Market	\$925	608	n/a	No	0	N/A
					1BR / 1BA (Garden)	N/A	N/A	Market	\$1,025	726	n/a	No	0	N/A
					1BR / 1BA (Garden)	N/A	N/A	Market	\$1,144	785	n/a	No	0	N/A
					1BR / 1BA (Garden)	N/A	N/A	Market	\$1,309	903	n/a	No	0	N/A
					1BR / 1BA (Townhouse)	N/A	N/A	Market	\$1,069	743	n/a	No	0	N/A
					1BR / 1BA (Townhouse)	N/A	N/A	Market	\$1,034	762	n/a	No	0	N/A
					1BR / 1BA (Townhouse)	N/A	N/A	Market	\$1,141	787	n/a	No	0	N/A
					2BR / 1BA (Townhouse)	N/A	N/A	Market	\$1,486	1,177	n/a	No	0	N/A
					2BR / 2BA (Garden)	N/A	N/A	Market	\$1,314	1,046	n/a	No	1	N/A
					2BR / 2BA (Garden)	N/A	N/A	Market	\$1,362	1,136	n/a	No	0	N/A
					2BR / 2BA (Garden)	N/A	N/A	Market	\$1,412	1,170	n/a	No	1	N/A
					2BR / 2BA (Townhouse)	N/A	N/A	Market	\$1,629	1,260	n/a	No	1	N/A
					2BR / 2BA (Townhouse)	N/A	N/A	Market	\$1,719	1,381	n/a	No	0	N/A
					2.5BR / 1BA (Townhouse)	N/A	N/A	Market	\$1,466	1,088	n/a	No	0	N/A
					3BR / 2BA (Garden)	N/A	N/A	Market	\$1,973	1,537	n/a	No	0	N/A
					3BR / 2BA (Garden)	N/A	N/A	Market	\$1,923	1,578	n/a	No	0	N/A
					4BR / 1.5BA (Townhouse)	N/A	N/A	Market	\$2,404	1,910	n/a	No	3	N/A
					395	100%							6	1.50%
2	Creekside Vue 2120 Stephens Pl New Braunfels, TX 78130 Comal County	10.3 miles	Midrise (4 stories) 2015 / n/a	Market	1BR / 1BA	12	8.00%	Market	\$967	706	n/a	No	3	25.00%
					1BR / 1BA	20	13.30%	Market	\$982	719	n/a	No	10	50.00%
					1BR / 1BA	20	13.30%	Market	\$1,069	783	n/a	No	4	20.00%
					1BR / 1BA	8	5.30%	Market	\$1,079	802	n/a	No	2	25.00%
					1BR / 1BA	8	5.30%	Market	\$1,094	802	n/a	No	2	25.00%
					1BR / 1BA	2	1.30%	Market	\$1,165	872	n/a	No	0	0.00%
					2BR / 2BA	44	29.30%	Market	\$1,233	994	n/a	No	0	0.00%
					2BR / 2BA	8	5.30%	Market	\$1,329	1,056	n/a	No	0	0.00%
					2BR / 2BA	4	2.70%	Market	\$1,319	1,066	n/a	No	0	0.00%
					2BR / 2BA	8	5.30%	Market	\$1,444	1,234	n/a	No	0	0.00%
					2BR / 2BA	8	5.30%	Market	\$1,489	1,279	n/a	No	0	0.00%
					3BR / 2BA	8	5.30%	Market	\$1,654	1,408	n/a	No	0	0.00%
										150	100%			
3	Legacy Oaks Apartments 5501 Legacy Oaks Schertz, TX 78154 Guadalupe County	10.5 miles	Garden (3 stories) 2005 / n/a	Market	1BR / 1BA	56	21.90%	Market	\$783	522	n/a	Yes	0	0.00%
					1BR / 1BA	84	32.80%	Market	\$910	705	n/a	Yes	0	0.00%
					2BR / 1BA	36	14.10%	Market	\$1,023	878	n/a	Yes	0	0.00%
					2BR / 2BA	64	25.00%	Market	\$1,143	1,057	n/a	Yes	0	0.00%
					3BR / 2BA	16	6.20%	Market	\$1,248	1,150	n/a	Yes	0	0.00%
										256	100%			
4	Mission Hill 2745 Westpoint Drive New Braunfels, TX 78132 Comal County	8.3 miles	Garden (3 stories) 2012 / n/a	Market	Studio / 1BA	24	12.80%	Market	\$828	524	n/a	No	0	0.00%
					1BR / 1BA	50	26.70%	Market	\$928	636	n/a	No	2	4.00%
					1BR / 1BA	50	26.70%	Market	\$953	724	n/a	No	2	4.00%
					2BR / 2BA	50	26.70%	Market	\$1,228	946	n/a	No	2	4.00%
					2BR / 2BA	13	7.00%	Market	\$1,328	1,041	n/a	No	0	0.00%
										187	100%			
5	The Springs At Creekside 2980 Creek Bend Dr New Braunfels, TX 78130 Comal County	10.4 miles	Garden (3 stories) 2015/2016 / n/a	Market	Studio / 1BA	N/A	N/A	Market	\$828	525	n/a	No	N/A	N/A
					Studio / 1BA	N/A	N/A	Market	\$879	623	n/a	No	N/A	N/A
					1BR / 1BA	N/A	N/A	Market	\$1,034	760	n/a	No	N/A	N/A
					1BR / 1BA	N/A	N/A	Market	\$1,040	816	n/a	No	N/A	N/A
					1BR / 1BA	N/A	N/A	Market	\$1,064	857	n/a	No	N/A	N/A
					1BR / 1BA	N/A	N/A	Market	\$1,067	909	n/a	No	N/A	N/A
					2BR / 2BA	N/A	N/A	Market	\$1,230	1,062	n/a	No	N/A	N/A
					2BR / 2BA	N/A	N/A	Market	\$1,238	1,088	n/a	No	N/A	N/A
					2BR / 2BA	N/A	N/A	Market	\$1,242	1,152	n/a	No	N/A	N/A
					2BR / 2BA	N/A	N/A	Market	\$1,304	1,185	n/a	No	N/A	N/A
					3BR / 2BA	N/A	N/A	Market	\$1,467	1,334	n/a	No	N/A	N/A
3BR / 2BA	N/A	N/A	Market	\$1,477	1,430	n/a	No	N/A	N/A					
					268	100%						169	63.10%	
6	Waterford Place 1360 W County Line Road New Braunfels, TX 78130 Guadalupe County	7.1 miles	Garden (3 stories) 2008 / n/a	Market	1BR / 1BA	48	21.10%	Market	\$885	597	n/a	No	N/A	N/A
					1BR / 1BA	24	10.50%	Market	\$934	735	n/a	No	N/A	N/A
					2BR / 1BA	72	31.60%	Market	\$1,100	896	n/a	No	N/A	N/A
					2BR / 2BA	72	31.60%	Market	\$1,100	960	n/a	No	N/A	N/A
					3BR / 2BA	12	5.30%	Market	\$1,329	1,150	n/a	No	0	0.00%
										228	100%			
7	Waterford Ridge 501 FM 3009 Schertz, TX 78154 Guadalupe County	10.7 miles	Garden (3 stories) 2008 / n/a	Market	1BR / 1BA	48	16.70%	Market	\$916	597	n/a	No	1	2.10%
					1BR / 1BA	48	16.70%	Market	\$1,005	735	n/a	No	1	2.10%
					2BR / 2BA	144	50.00%	Market	\$1,193	960	n/a	No	1	0.70%
					3BR / 2BA	48	16.70%	Market	\$1,380	1,150	n/a	No	1	2.10%
					288	100%						4	1.40%	

RENT PER SQUARE FOOT RANKING

The following chart illustrates the Subject and the comparables rent per square foot ranking.

RENT AND SQUARE FOOTAGE RANKING -- All rents adjusted for utilities and concessions extracted from the market.								
Effective Rent Date:		May-16	Units Surveyed:		1772	Weighted Occupancy:	87.90%	
			Market Rate:		1772	Market Rate		87.90%
			Tax Credit:		0	Tax Credit		N/A
One Bedroom One Bath		Two Bedrooms Two Bath			Three Bedrooms Two Bath			
RENT	Property	Average	Property	Average	Property	Average		
	Avenues At Creekside	\$1,309	Avenues At Creekside	\$1,719	Avenues At Creekside	\$1,973		
	Creekside Vue	\$1,165	Avenues At Creekside	\$1,629	Avenues At Creekside	\$1,923		
	Avenues At Creekside	\$1,144	Creekside Vue	\$1,489	Creekside Vue	\$1,654		
	Avenues At Creekside	\$1,141	Creekside Vue	\$1,444	The Springs At Creekside	\$1,477		
	The Springs At Creekside	\$1,134	Avenues At Creekside	\$1,412	The Springs At Creekside	\$1,467		
	Creekside Vue	\$1,094	Avenues At Creekside	\$1,362	Waterford Ridge	\$1,380		
	Creekside Vue	\$1,079	Creekside Vue	\$1,329	Waterford Place	\$1,329		
	Avenues At Creekside	\$1,069	Mission Hill	\$1,328	Buttrum Construction	\$1,300		
	Creekside Vue	\$1,069	Creekside Vue	\$1,319	Legacy Oaks Apartments	\$1,248		
	The Springs At Creekside	\$1,067	Avenues At Creekside	\$1,314				
	The Springs At Creekside	\$1,064	The Springs At Creekside	\$1,304				
	The Springs At Creekside	\$1,040	The Springs At Creekside	\$1,242				
	Avenues At Creekside	\$1,034	The Springs At Creekside	\$1,238				
	Avenues At Creekside	\$1,025	Creekside Vue	\$1,233				
	Waterford Ridge	\$1,005	The Springs At Creekside	\$1,230				
	Creekside Vue	\$982	Mission Hill	\$1,228				
	Creekside Vue	\$967	Waterford Ridge	\$1,193				
	Mission Hill	\$953	Legacy Oaks Apartments	\$1,143				
	Waterford Place	\$934	Buttrum Construction	\$1,100				
	Mission Hill	\$928	Waterford Place	\$1,100				
	Avenues At Creekside	\$925						
	Waterford Ridge	\$916						
	Legacy Oaks Apartments	\$910						
	Waterford Place	\$885						
	Buttrum Construction	\$800						
	Legacy Oaks Apartments	\$783						
SQUARE FOOTAGE								
	The Springs At Creekside	909	Avenues At Creekside	1,381	Avenues At Creekside	1,578		
	Avenues At Creekside	903	Creekside Vue	1,279	Avenues At Creekside	1,537		
	Creekside Vue	872	Avenues At Creekside	1,260	The Springs At Creekside	1,430		
	The Springs At Creekside	857	Creekside Vue	1,234	Creekside Vue	1,408		
	The Springs At Creekside	816	The Springs At Creekside	1,185	The Springs At Creekside	1,334		
	Creekside Vue	802	Avenues At Creekside	1,170	Buttrum Construction	1,236		
	Creekside Vue	802	The Springs At Creekside	1,152	Legacy Oaks Apartments	1,150		
	Avenues At Creekside	787	Avenues At Creekside	1,136	Waterford Place	1,150		
	Avenues At Creekside	785	The Springs At Creekside	1,088	Waterford Ridge	1,150		
	Creekside Vue	783	Creekside Vue	1,066				
	Avenues At Creekside	762	The Springs At Creekside	1,062				
	The Springs At Creekside	760	Legacy Oaks Apartments	1,057				
	Avenues At Creekside	743	Creekside Vue	1,056				
	Waterford Place	735	Avenues At Creekside	1,046				
	Waterford Ridge	735	Mission Hill	1,041				
	Avenues At Creekside	726	Creekside Vue	994				
	Mission Hill	724	Buttrum Construction	973				
	Creekside Vue	719	Waterford Place	960				
	Buttrum Construction	712	Waterford Ridge	960				
	Creekside Vue	706	Mission Hill	946				
	Legacy Oaks Apartments	705						
	Mission Hill	636						
	Avenues At Creekside	608						
	Waterford Place	597						
	Waterford Ridge	597						
	Legacy Oaks Apartments	522						
RENT PER SQUARE FOOT								
	Waterford Ridge	\$1.53	Mission Hill	\$1.30	Avenues At Creekside	\$1.28		
	Avenues At Creekside	\$1.52	Avenues At Creekside	\$1.29	Avenues At Creekside	\$1.22		
	Legacy Oaks Apartments	\$1.50	Mission Hill	\$1.28	Waterford Ridge	\$1.20		
	The Springs At Creekside	\$1.49	Creekside Vue	\$1.26	Creekside Vue	\$1.17		
	Waterford Place	\$1.48	Avenues At Creekside	\$1.26	Waterford Place	\$1.16		
	Mission Hill	\$1.46	Avenues At Creekside	\$1.24	The Springs At Creekside	\$1.10		
	Avenues At Creekside	\$1.46	Waterford Ridge	\$1.24	Legacy Oaks Apartments	\$1.09		
	Avenues At Creekside	\$1.45	Creekside Vue	\$1.24	Buttrum Construction	\$1.05		
	Avenues At Creekside	\$1.45	Creekside Vue	\$1.24	The Springs At Creekside	\$1.03		
	Avenues At Creekside	\$1.44	Avenues At Creekside	\$1.21				
	Avenues At Creekside	\$1.41	Avenues At Creekside	\$1.20				
	Creekside Vue	\$1.37	Creekside Vue	\$1.17				
	Waterford Ridge	\$1.37	Creekside Vue	\$1.16				
	Creekside Vue	\$1.37	The Springs At Creekside	\$1.16				
	Creekside Vue	\$1.37	Waterford Place	\$1.15				
	Creekside Vue	\$1.36	The Springs At Creekside	\$1.14				
	Avenues At Creekside	\$1.36	Buttrum Construction	\$1.13				
	Creekside Vue	\$1.35	The Springs At Creekside	\$1.10				
	Creekside Vue	\$1.34	Legacy Oaks Apartments	\$1.08				
	Mission Hill	\$1.32	The Springs At Creekside	\$1.08				
	Legacy Oaks Apartments	\$1.29						
	The Springs At Creekside	\$1.27						
	Waterford Place	\$1.27						
	The Springs At Creekside	\$1.24						
	The Springs At Creekside	\$1.17						
	Buttrum Construction	\$1.12						

PROPERTY PROFILE REPORT

Avenues At Creekside

Effective Rent Date	6/08/2016
Location	625 Creekside Way New Braunfels, TX 78130 Comal County
Distance	10.4 miles
Units	395
Vacant Units	6
Vacancy Rate	1.5%
Type	Various
Year Built/Renovated	2013 / N/A
Marketing Began	N/A
Leasing Began	N/A
Last Unit Leased	N/A
Major Competitors	Springs at Creekside, Creekside Vue
Tenant Characteristics	Mixed tenancy
Contact Name	Katy
Phone	830-625-2740



Market Information

Program	Market
Annual Turnover Rate	35%
Units/Month Absorbed	N/A
HCV Tenants	0%
Leasing Pace	Couple of weeks
Annual Chg. in Rent	Increase, amount unknown
Concession	Discounted rent for select units

Utilities

A/C	not included -- central
Cooking	not included -- electric
Water Heat	not included -- electric
Heat	not included -- electric
Other Electric	not included
Water	not included
Sewer	not included
Trash Collection	not included

Unit Mix (face rent)

Beds	Baths	Type	Units	Size (SF)	Rent	Concession (monthly)	Restriction	Waiting List	Vacant	Vacancy Rate	Max Rent?	Range
1	1	Garden	N/A	608	\$925	\$0	Market	No	0	N/A	N/A	AVG*
1	1	Garden	N/A	726	\$1,025	\$0	Market	No	0	N/A	N/A	AVG*
1	1	Garden	N/A	785	\$1,144	\$0	Market	No	0	N/A	N/A	AVG*
1	1	Garden	N/A	903	\$1,309	\$0	Market	No	0	N/A	N/A	AVG*
1	1	Townhouse	N/A	743	\$1,069	\$0	Market	No	0	N/A	N/A	AVG*
1	1	Townhouse	N/A	762	\$1,034	\$0	Market	No	0	N/A	N/A	AVG*
1	1	Townhouse	N/A	787	\$1,141	\$0	Market	No	0	N/A	N/A	AVG*
2	1	Townhouse	N/A	1,177	\$1,486	\$0	Market	No	0	N/A	N/A	AVG*
2	2	Garden	N/A	1,046	\$1,314	\$0	Market	No	1	N/A	N/A	AVG*
2	2	Garden	N/A	1,136	\$1,362	\$0	Market	No	0	N/A	N/A	AVG*
2	2	Garden	N/A	1,170	\$1,412	\$0	Market	No	1	N/A	N/A	AVG*
2	2	Townhouse	N/A	1,260	\$1,629	\$0	Market	No	1	N/A	N/A	AVG*
2	2	Townhouse	N/A	1,381	\$1,719	\$0	Market	No	0	N/A	N/A	AVG*
2.5	1	Townhouse	N/A	1,088	\$1,466	\$0	Market	No	0	N/A	N/A	AVG*
3	2	Garden	N/A	1,537	\$1,973	\$0	Market	No	0	N/A	N/A	AVG*
3	2	Garden	N/A	1,578	\$1,923	\$0	Market	No	0	N/A	N/A	AVG*
4	1.5	Townhouse	N/A	1,910	\$2,404	\$0	Market	No	3	N/A	N/A	None

Avenues At Creekside, continued

Unit Mix

Market	Face Rent	Conc.	Concd. Rent	Util.	Adj. Rent
1BR / 1BA	\$925 - \$1,309	\$0	\$925 - \$1,309	\$0	\$925 - \$1,309
2BR / 1BA	\$1,486	\$0	\$1,486	\$0	\$1,486
2BR / 2BA	\$1,314 - \$1,719	\$0	\$1,314 - \$1,719	\$0	\$1,314 - \$1,719
2.5BR / 1BA	\$1,466	\$0	\$1,466	\$0	\$1,466
3BR / 2BA	\$1,923 - \$1,973	\$0	\$1,923 - \$1,973	\$0	\$1,923 - \$1,973
4BR / 1.5BA	\$2,404	\$0	\$2,404	\$0	\$2,404

Amenities

In-Unit

Balcony/Patio
Central A/C
Dishwasher
Fireplace
Microwave
Refrigerator
Washer/Dryer hookup

Blinds
Coat Closet
Ceiling Fan
Garbage Disposal
Oven
Walk-In Closet

Security

In-Unit Alarm
Limited Access

Services

None

Property

Business Center/Computer Lab
Clubhouse/Meeting
Exercise Facility
Off-Street Parking
Picnic Area

Carport
Elevators
Garage
On-Site Management
Swimming Pool

Premium

None

Other

Walking/jogging trail, game

Comments

Rents change daily and specials are offered in the form of discounted rents on specific units based on supply and demand. The property does not maintain a waiting list. The contact reported that the opening of two new apartment complexes, Springs at Creekside and Creekside Vue, has not had a negative impact on the property's performance. The property changed management and owners approximately one year ago and rents were raised at that point but the exact amount of the rent increase was unknown. The contact was unable to provide absorption information for the property due to the management change. All townhomes and three-bedroom garden-style units have attached garages included in the rent. All units include one covered carport parking space.

Photos



PROPERTY PROFILE REPORT

Creekside Vue

Effective Rent Date	5/25/2016
Location	2120 Stephens Pl New Braunfels, TX 78130 Comal County
Distance	10.3 miles
Units	150
Vacant Units	21
Vacancy Rate	14.0%
Type	Midrise (4 stories)
Year Built/Renovated	2015 / N/A
Marketing Began	N/A
Leasing Began	N/A
Last Unit Leased	N/A
Major Competitors	Springs at Creekside, Avenues at Creekside
Tenant Characteristics	Mixed tenancy; most are from local area, some from San Maros and Seguin and a few from out of state
Contact Name	Leasing agent
Phone	830-626-2120



Market Information

Program	Market
Annual Turnover Rate	N/A
Units/Month Absorbed	10
HCV Tenants	0%
Leasing Pace	Couple of weeks
Annual Chg. in Rent	Decrease of six to nine percent
Concession	See comments

Utilities

A/C	not included -- central
Cooking	not included -- electric
Water Heat	not included -- electric
Heat	not included -- electric
Other Electric	not included
Water	not included
Sewer	not included
Trash Collection	not included

Unit Mix (face rent)

Beds	Baths	Type	Units	Size (SF)	Rent	Concession (monthly)	Restriction	Waiting List	Vacant	Vacancy Rate	Max Rent?	Range
1	1	Midrise (4 stories)	12	706	\$1,050	\$83	Market	No	3	25.0%	N/A	None
1	1	Midrise (4 stories)	20	719	\$1,065	\$83	Market	No	10	50.0%	N/A	None
1	1	Midrise (4 stories)	20	783	\$1,090	\$21	Market	No	4	20.0%	N/A	None
1	1	Midrise (4 stories)	8	802	\$1,100	\$21	Market	No	2	25.0%	N/A	None
1	1	Midrise (4 stories)	8	802	\$1,115	\$21	Market	No	2	25.0%	N/A	None
1	1	Midrise (4 stories)	2	872	\$1,165	\$0	Market	No	0	0.0%	N/A	None
2	2	Midrise (4 stories)	44	994	\$1,275	\$42	Market	No	0	0.0%	N/A	None
2	2	Midrise (4 stories)	8	1,056	\$1,350	\$21	Market	No	0	0.0%	N/A	None
2	2	Midrise (4 stories)	4	1,066	\$1,340	\$21	Market	No	0	0.0%	N/A	None
2	2	Midrise (4 stories)	8	1,234	\$1,465	\$21	Market	No	0	0.0%	N/A	None
2	2	Midrise (4 stories)	8	1,279	\$1,510	\$21	Market	No	0	0.0%	N/A	None
3	2	Midrise (4 stories)	8	1,408	\$1,675	\$21	Market	No	0	0.0%	N/A	None

Creekside Vue, continued

Unit Mix

Market	Face Rent	Conc.	Concd. Rent	Util.	Adj. Rent
1BR / 1BA	\$1,050 - \$1,165	\$0 - \$83	\$967 - \$1,165	\$0	\$967 - \$1,165
2BR / 2BA	\$1,275 - \$1,510	\$21 - \$42	\$1,233 - \$1,489	\$0	\$1,233 - \$1,489
3BR / 2BA	\$1,675	\$21	\$1,654	\$0	\$1,654

Amenities

In-Unit

Balcony/Patio
Cable/Satellite/Internet
Coat Closet
Exterior Storage
Garbage Disposal
Oven
Walk-In Closet
Washer/Dryer hookup

Blinds
Central A/C
Dishwasher
Ceiling Fan
Microwave
Refrigerator
Washer/Dryer

Security

Limited Access

Services

None

Property

Business Center/Computer Lab
Elevators
Garage
On-Site Management
Swimming Pool

Clubhouse/Meeting
Exercise Facility
Off-Street Parking
Picnic Area
Wi-Fi

Premium

None

Other

pond with walking trail, pet

Comments

The property is in lease up. The property is 69 percent occupied and 86 percent leased. All units are located in one four-story building with two wings connected by common areas and elevators. The property does not accept Section 8 Housing Choice Vouchers. The minimum income requirement for the property is three times the monthly rent. Each unit comes with one covered parking space in the attached community garage. Additional spaces are available for \$30 per month. The property offers seven different exterior storage floorplans all of which rent for an additional monthly fee. The five by six feet units rent for \$25 per month, the five by seven feet units for \$30, the five by eight feet units for \$35, the six by eight feet units for \$40, seven by eight feet for \$50, eight by ten feet for \$60, and the eight by 13 feet for \$75 per month. The majority of the tenants rent additional storage and the most popular sizes are the five by six feet and the three largest floorplans. Active pre-leasing began in April 2015 and the property opened July 20, 2015. Construction on the property took longer than anticipated and as a result only 24 of the units were released during the peak season; the remaining were released between late August 2015 and mid November 2015, which the contact reported led to a slower absorption rate than anticipated and a lowering of the asking rents. The current rents are reportedly \$75 to \$100 below the original asking rents at the property. The property is offering a lease-up special of \$1,000 off the first month on the smallest one-bedroom floorplans, \$500 off the small two-bedroom floorplan, and \$250 off all other floorplans. The property is also offering a look and lease special of \$0 deposit if a lease is signed within 24 hours of viewing the unit. The contact reported that some form of special has been offered since the original opening of the property. The contact reported sufficient demand in the market for additional rental units, particularly two and three-bedroom units. Tenants pay an additional \$17 per month for trash and \$3 per month for pest control; we have reflected these as not included in the rent and no adjustment was made to the asking rents. The rent includes cable TV and WIFI internet.

Photos



PROPERTY PROFILE REPORT

Legacy Oaks Apartments

Effective Rent Date	6/08/2016
Location	5501 Legacy Oaks Schertz, TX 78154 Guadalupe County
Distance	10.5 miles
Units	256
Vacant Units	0
Vacancy Rate	0.0%
Type	Garden (3 stories)
Year Built/Renovated	2005 / N/A
Marketing Began	N/A
Leasing Began	N/A
Last Unit Leased	N/A
Major Competitors	Retreat at Chelsea Park, Waterford Ridge
Tenant Characteristics	Mostly from local area but they do also get some from New Braunfels and Austin
Contact Name	Bree
Phone	210-654-0000



Market Information

Program	Market
Annual Turnover Rate	15%
Units/Month Absorbed	N/A
HCV Tenants	0%
Leasing Pace	Pre-leased
Annual Chg. in Rent	Increase of 2 to 3 percent
Concession	None

Utilities

A/C	not included -- central
Cooking	not included -- electric
Water Heat	not included -- electric
Heat	not included -- electric
Other Electric	not included
Water	not included
Sewer	not included
Trash Collection	not included

Unit Mix (face rent)

Beds	Baths	Type	Units	Size (SF)	Rent	Concession (monthly)	Restriction	Waiting List	Vacant	Vacancy Rate	Max Rent?	Range
1	1	Garden (3 stories)	56	522	\$783	\$0	Market	Yes	0	0.0%	N/A	AVG*
1	1	Garden (3 stories)	84	705	\$910	\$0	Market	Yes	0	0.0%	N/A	AVG*
2	1	Garden (3 stories)	36	878	\$1,023	\$0	Market	Yes	0	0.0%	N/A	AVG*
2	2	Garden (3 stories)	64	1,057	\$1,143	\$0	Market	Yes	0	0.0%	N/A	AVG*
3	2	Garden (3 stories)	16	1,150	\$1,248	\$0	Market	Yes	0	0.0%	N/A	AVG*

Unit Mix

Market	Face Rent	Conc.	Concd. Rent	Util.	Adj. Rent
1BR / 1BA	\$783 - \$910	\$0	\$783 - \$910	\$0	\$783 - \$910
2BR / 1BA	\$1,023	\$0	\$1,023	\$0	\$1,023
2BR / 2BA	\$1,143	\$0	\$1,143	\$0	\$1,143
3BR / 2BA	\$1,248	\$0	\$1,248	\$0	\$1,248

Legacy Oaks Apartments, continued

Amenities

In-Unit

Balcony/Patio
Central A/C
Dishwasher
Ceiling Fan
Microwave
Refrigerator
Washer/Dryer

Blinds
Coat Closet
Exterior Storage
Garbage Disposal
Oven
Walk-In Closet
Washer/Dryer hookup

Security

Limited Access
Perimeter Fencing

Services

None

Property

Business Center/Computer Lab
Clubhouse/Meeting
Garage
Off-Street Parking
Swimming Pool

Carport
Exercise Facility
Central Laundry
On-Site Management

Premium

None

Other

None

Comments

The property does maintain a waiting list though it is more of an interest list and the property usually just operates on a first come first serve policy. A minimum of three times the monthly rent is required in order to qualify. The property attracts tenants from New Braunfels and even Austin who are looking to relocate closer to San Antonio. The contact was unable to provide the number of garages, carports, and exterior storage units offered at the property but did state that all garages and storage units are leased and the carports are approximately 95 percent leased; garages rent for \$75 per month, carports for \$25 per month, and storage units for \$35 per month. The contact noted that a new property in Schertz would probably have an impact on them because it would be superior in terms of age and condition, but the impact would likely be small as there is definitely demand in the area for quality rental housing. Rents for each unit type vary based on the floor, view, and flooring. The low end of the range is for a top floor unit with tile or carpet flooring and no pool view. The high end of the range is for a first floor unit with wood plank flooring and a pool view. The wood plank flooring rents for an additional \$25 to \$60 depending on unit size, pool views are \$15 more, and first floor units rent for the most, though the exact rent premium was not available. The following represents the rent range at the property: \$730 to \$835 for small one-bedroom units, \$840 to \$980 for large one-bedroom units, \$960 to \$1,085 for two-bedroom one-bathroom units, \$1,075 to \$1,210 for two-bedroom two-bathroom units, and \$1,185 to \$1,310 for three-bedroom units.

Photos



PROPERTY PROFILE REPORT

Mission Hill

Effective Rent Date 6/12/2016
Location 2745 Westpoint Drive
 New Braunfels, TX 78132
 Comal County
Distance 8.3 miles
Units 187
Vacant Units 6
Vacancy Rate 3.2%
Type Garden (3 stories)
Year Built/Renovated 2012 / N/A
Marketing Began N/A
Leasing Began N/A
Last Unit Leased N/A
Major Competitors None mentioned
Tenant Characteristics Mixed tenancy
Contact Name Devone
Phone 830-609-2300



Market Information

Program Market
Annual Turnover Rate 39%
Units/Month Absorbed N/A
HCV Tenants 0%
Leasing Pace Pre-leased
Annual Chg. in Rent See comments
Concession None

Utilities

A/C not included -- central
Cooking not included -- electric
Water Heat not included -- electric
Heat not included -- electric
Other Electric not included
Water not included
Sewer not included
Trash Collection included

Unit Mix (face rent)

Beds	Baths	Type	Units	Size (SF)	Rent	Concession (monthly)	Restriction	Waiting List	Vacant	Vacancy Rate	Max Rent?	Range
0	1	Garden (3 stories)	24	524	\$840	\$0	Market	No	0	0.0%	N/A	None
1	1	Garden (3 stories)	50	636	\$940	\$0	Market	No	2	4.0%	N/A	None
1	1	Garden (3 stories)	50	724	\$965	\$0	Market	No	2	4.0%	N/A	None
2	2	Garden (3 stories)	50	946	\$1,240	\$0	Market	No	2	4.0%	N/A	None
2	2	Garden (3 stories)	13	1,041	\$1,340	\$0	Market	No	0	0.0%	N/A	None

Unit Mix

Market	Face Rent	Conc.	Concd. Rent	Util.	Adj. Rent
Studio / IBA	\$840	\$0	\$840	-\$12	\$828
1BR / IBA	\$940 - \$965	\$0	\$940 - \$965	-\$12	\$928 - \$953
2BR / 2BA	\$1,240 - \$1,340	\$0	\$1,240 - \$1,340	-\$12	\$1,228 - \$1,328

Mission Hill, continued

Amenities

In-Unit

Balcony/Patio
Central A/C
Dishwasher
Ceiling Fan
Microwave
Refrigerator
Washer/Dryer

Blinds
Coat Closet
Exterior Storage
Garbage Disposal
Oven
Walk-In Closet
Washer/Dryer hookup

Security

Patrol

Services

None

Property

Car Wash
Clubhouse/Meeting
Garage
On-Site Management
Swimming Pool

Carport
Exercise Facility
Off-Street Parking
Picnic Area
Theatre

Premium

None

Other

Dog park, dog wash station

Comments

The contact reported that the property requires three times the monthly rent in order to qualify at the property. The property does not accept Section 8 Housing Choice Vouchers. A second phase of the property is under construction; the phase is expected to be completed in April 2016 and will offer an additional 195 units. The contact has only been at the property for three months; rents have not changed in that time period. All vacancies have been pre-leased. The property is not offering any concessions and according to the contact does not have a history of doing so. There are two courtesy officers that reside at the property. The property offers three storage units for an additional monthly fee. The four by four foot storage unit rents for \$15, the five by ten foot storage unit rents for \$45, and the 9.5 by ten foot storage rents for \$65 per month. The contact noted that they have some carports and some storage units available, but only a few, these amenities are typically leased at 90 percent or above. The property offers 100 garages that are fully leased and there is a waiting list for this amenity.

Photos



PROPERTY PROFILE REPORT

The Springs At Creekside

Effective Rent Date	6/03/2016
Location	2980 Creek Bend Dr New Braunfels, TX 78130 Comal County
Distance	10.4 miles
Units	268
Vacant Units	169
Vacancy Rate	63.1%
Type	Garden (3 stories)
Year Built/Renovated	2015/2016 / N/A
Marketing Began	N/A
Leasing Began	N/A
Last Unit Leased	N/A
Major Competitors	Creekside Vue, Avenues at Creekside
Tenant Characteristics	See comments
Contact Name	Katy
Phone	855-981-9553



Market Information

Program	Market
Annual Turnover Rate	N/A
Units/Month Absorbed	11
HCV Tenants	0%
Leasing Pace	Couple of weeks
Annual Chg. in Rent	N/A
Concession	\$99 deposit & one month free

Utilities

A/C	not included -- central
Cooking	not included -- electric
Water Heat	not included -- electric
Heat	not included -- electric
Other Electric	not included
Water	not included
Sewer	not included
Trash Collection	not included

Unit Mix (face rent)

Beds	Baths	Type	Units	Size (SF)	Rent	Concession (monthly)	Restriction	Waiting List	Vacant	Vacancy Rate	Max Rent?	Range
0	1	Garden (3 stories)	N/A	525	\$900	\$72	Market	No	N/A	N/A	N/A	None
0	1	Garden (3 stories)	N/A	623	\$959	\$80	Market	No	N/A	N/A	N/A	AVG*
1	1	Garden (3 stories)	N/A	760	\$1,104	\$70	Market	No	N/A	N/A	N/A	AVG*
1	1	Garden (3 stories)	N/A	816	\$1,134	\$94	Market	No	N/A	N/A	N/A	AVG*
1	1	Garden (3 stories)	N/A	857	\$1,161	\$97	Market	No	N/A	N/A	N/A	AVG*
1	1	Garden (3 stories)	N/A	909	\$1,164	\$97	Market	No	N/A	N/A	N/A	AVG*
2	2	Garden (3 stories)	N/A	1,062	\$1,342	\$112	Market	No	N/A	N/A	N/A	AVG*
2	2	Garden (3 stories)	N/A	1,088	\$1,350	\$112	Market	No	N/A	N/A	N/A	AVG*
2	2	Garden (3 stories)	N/A	1,152	\$1,355	\$113	Market	No	N/A	N/A	N/A	AVG*
2	2	Garden (3 stories)	N/A	1,185	\$1,422	\$118	Market	No	N/A	N/A	N/A	AVG*
3	2	Garden (3 stories)	N/A	1,334	\$1,600	\$133	Market	No	N/A	N/A	N/A	AVG*
3	2	Garden (3 stories)	N/A	1,430	\$1,611	\$134	Market	No	N/A	N/A	N/A	AVG*

The Springs At Creekside, continued

Unit Mix

Market	Face Rent	Conc.	Concd. Rent	Util.	Adj. Rent
Studio / 1BA	\$900 - \$959	\$72 - \$80	\$828 - \$879	\$0	\$828 - \$879
1BR / 1BA	\$1,104 - \$1,164	\$70 - \$97	\$1,034 - \$1,067	\$0	\$1,034 - \$1,067
2BR / 2BA	\$1,342 - \$1,422	\$112 - \$118	\$1,230 - \$1,304	\$0	\$1,230 - \$1,304
3BR / 2BA	\$1,600 - \$1,611	\$133 - \$134	\$1,467 - \$1,477	\$0	\$1,467 - \$1,477

Amenities

In-Unit

Balcony/Patio
Central A/C
Dishwasher
Ceiling Fan
Microwave
Refrigerator
Washer/Dryer

Blinds
Coat Closet
Exterior Storage
Garbage Disposal
Oven
Walk-In Closet
Washer/Dryer hookup

Security

None

Services

None

Property

Car Wash
Exercise Facility
Off-Street Parking
Swimming Pool

Clubhouse/Meeting
Garage
On-Site Management

Premium

None

Other

Dog park

Comments

The property is in lease-up. Leasing began May 15, 2015 and the property is currently 37 percent occupied and 47 percent leased. The contact reported that units are leased as they are delivered. To date 243 of the 268 total units have been delivered; the remaining 25 are under construction and are expected to be complete and ready for occupancy on July 2, 2016. The contact reported that there are 142 units that will need to be leased. Of these, 25 are under construction, 70 are available now for occupancy, and the remaining 47 are being prepared for occupancy. The rents change on a daily basis based on supply and demand but on average the rents have not significantly changed since the property began leasing in May 2015. The property is offering two specials: first, a \$99 deposit instead of the typical one month rent, and second, one month free for move-ins that take place before July 15th. The property offers attached and detached garage parking. Approximately 104 units have direct access garages and this amenity is incorporated into the asking rent. The property also offers 62 detached garages for an additional fee of \$90 per month. The contact reported that the garages are a popular amenity (the exact leased rate was not available) and that many are used for storage rather than for parking. Trash is not included in the asking rent, but rather are charged a trash fee by the property of \$25 per month. We have reflected this as not included in the profile and have not made any adjustment to the asking rents. The property requires applicants to demonstrate an income of at least three times the monthly rent. The contact reported a mixed tenancy. The majority of the tenants are from New Braunfels, but there is also a significant minority that are from Seguin. The contact also noted that many commute to either Austin or San Antonio for work.

Photos



PROPERTY PROFILE REPORT

Waterford Place

Effective Rent Date	5/25/2016
Location	1360 W County Line Road New Braunfels, TX 78130 Guadalupe County
Distance	7.1 miles
Units	228
Vacant Units	9
Vacancy Rate	3.9%
Type	Garden (3 stories)
Year Built/Renovated	2008 / N/A
Marketing Began	N/A
Leasing Began	N/A
Last Unit Leased	N/A
Major Competitors	Legacy Oaks, Waterford Ridge, Westshore
Tenant Characteristics	Varied tenancy.
Contact Name	Denise
Phone	830-625-4040



Market Information

Program	Market
Annual Turnover Rate	33%
Units/Month Absorbed	N/A
HCV Tenants	0%
Leasing Pace	Couple of weeks
Annual Chg. in Rent	Increase of two to 15 percent
Concession	None

Utilities

A/C	not included -- central
Cooking	not included -- electric
Water Heat	not included -- electric
Heat	not included -- electric
Other Electric	not included
Water	not included
Sewer	not included
Trash Collection	not included

Unit Mix (face rent)

Beds	Baths	Type	Units	Size (SF)	Rent	Concession (monthly)	Restriction	Waiting List	Vacant	Vacancy Rate	Max Rent?	Range
1	1	Garden (3 stories)	48	597	\$885	\$0	Market	No	N/A	N/A	N/A	None
1	1	Garden (3 stories)	24	735	\$934	\$0	Market	No	N/A	N/A	N/A	None
2	1	Garden (3 stories)	72	896	\$1,100	\$0	Market	No	N/A	N/A	N/A	None
2	2	Garden (3 stories)	72	960	\$1,100	\$0	Market	No	N/A	N/A	N/A	None
3	2	Garden (3 stories)	12	1,150	\$1,329	\$0	Market	No	0	0.0%	N/A	None

Unit Mix

Market	Face Rent	Conc.	Concd. Rent	Util.	Adj. Rent
1BR / 1BA	\$885 - \$934	\$0	\$885 - \$934	\$0	\$885 - \$934
2BR / 1BA	\$1,100	\$0	\$1,100	\$0	\$1,100
2BR / 2BA	\$1,100	\$0	\$1,100	\$0	\$1,100
3BR / 2BA	\$1,329	\$0	\$1,329	\$0	\$1,329

Waterford Place, continued

Amenities

In-Unit

Balcony/Patio
Carpeting
Coat Closet
Exterior Storage
Garbage Disposal
Oven
Vaulted Ceilings
Washer/Dryer

Blinds
Central A/C
Dishwasher
Ceiling Fan
Microwave
Refrigerator
Walk-In Closet
Washer/Dryer hookup

Security

Patrol

Services

None

Property

Business Center/Computer Lab
Clubhouse/Meeting
Central Laundry
On-Site Management

Carport
Exercise Facility
Off-Street Parking
Swimming Pool

Premium

None

Other

None

Comments

Management reported that the property uses LRO software and rents fluctuate daily based upon availability and demand. The current rents are two to 15 percent higher than the rents reported in February 2016. The contact noted that the property does not accept Section 8 Vouchers. The property is 96 percent occupied and 98 percent leased.

Waterford Place, continued

Trend Report

Vacancy Rates

2Q11	1Q14	1Q16	2Q16
0.9%	7.0%	3.1%	3.9%

Trend: Market

1BR / 1BA

Year	QT	Vac.	Face Rent	Conc.	Concd. Rent	Adj. Rent
2011	2	N/A	\$815 - \$825	\$0	\$815 - \$825	\$815 - \$825
2014	1	5.6%	\$759 - \$813	\$0	\$759 - \$813	\$759 - \$813
2016	1	4.2%	\$850	\$0	\$850	\$850
2016	2	N/A	\$885 - \$934	\$0	\$885 - \$934	\$885 - \$934

2BR / 1BA

Year	QT	Vac.	Face Rent	Conc.	Concd. Rent	Adj. Rent
2011	2	N/A	\$944	\$0	\$944	\$944
2014	1	8.3%	\$950	\$0	\$950	\$950
2016	1	0.0%	\$959	\$0	\$959	\$959
2016	2	N/A	\$1,100	\$0	\$1,100	\$1,100

2BR / 2BA

Year	QT	Vac.	Face Rent	Conc.	Concd. Rent	Adj. Rent
2011	2	N/A	\$955	\$0	\$955	\$955
2014	1	8.3%	\$969	\$0	\$969	\$969
2016	1	5.6%	\$998	\$0	\$998	\$998
2016	2	N/A	\$1,100	\$0	\$1,100	\$1,100

3BR / 2BA

Year	QT	Vac.	Face Rent	Conc.	Concd. Rent	Adj. Rent
2011	2	N/A	\$1,250	\$0	\$1,250	\$1,250
2014	1	0.0%	\$1,267	\$0	\$1,267	\$1,267
2016	1	0.0%	\$1,329	\$0	\$1,329	\$1,329
2016	2	0.0%	\$1,329	\$0	\$1,329	\$1,329

Trend: Comments

2Q11	The property accepts Housing Choice vouchers but the contact was unable to provide how many tenants are currently using them. The contact was unable to provide the annual turnover rate. The small one-bedroom units and the two-bedroom one-bathroom units have washer/dryers.
1Q14	The property is f.k.a. Vantage at New Braunfels but has been under new ownership since November 2012. The contact noted current occupancy is below the typical 94 to 95 percent that the property typically operates. The small one-bedroom units and the two-bedroom one-bathroom units have stackable washer/dryer appliances.
1Q16	The contact noted that the property does not accept Section 8 Vouchers. Management reported that the property uses LRO software and rents fluctuate daily based upon availability and demand.
2Q16	Management reported that the property uses LRO software and rents fluctuate daily based upon availability and demand. The current rents are two to 15 percent higher than the rents reported in February 2016. The contact noted that the property does not accept Section 8 Vouchers. The property is 96 percent occupied and 98 percent leased.

Photos



PROPERTY PROFILE REPORT

Waterford Ridge

Effective Rent Date	6/08/2016
Location	501 FM 3009 Schertz, TX 78154 Guadalupe County
Distance	10.7 miles
Units	288
Vacant Units	4
Vacancy Rate	1.4%
Type	Garden (3 stories)
Year Built/Renovated	2008 / N/A
Marketing Began	N/A
Leasing Began	N/A
Last Unit Leased	N/A
Major Competitors	Other properties in Schertz, Live Oak, and Convers
Tenant Characteristics	Mixed tenancy, most are from Schertz, Live Oak, or Converse
Contact Name	Denise
Phone	855-336-2738



Market Information

Program	Market
Annual Turnover Rate	N/A
Units/Month Absorbed	N/A
HCV Tenants	0%
Leasing Pace	Pre-leased
Annual Chg. in Rent	Increase, amount unknown
Concession	None

Utilities

A/C	not included -- central
Cooking	not included -- electric
Water Heat	not included -- electric
Heat	not included -- electric
Other Electric	not included
Water	not included
Sewer	not included
Trash Collection	not included

Unit Mix (face rent)

Beds	Baths	Type	Units	Size (SF)	Rent	Concession (monthly)	Restriction	Waiting List	Vacant	Vacancy Rate	Max Rent?	Range
1	1	Garden (3 stories)	48	597	\$916	\$0	Market	No	1	2.1%	N/A	None
1	1	Garden (3 stories)	48	735	\$1,005	\$0	Market	No	1	2.1%	N/A	None
2	2	Garden (3 stories)	144	960	\$1,193	\$0	Market	No	1	0.7%	N/A	None
3	2	Garden (3 stories)	48	1,150	\$1,380	\$0	Market	No	1	2.1%	N/A	None

Unit Mix

Market	Face Rent	Conc.	Concd. Rent	Util.	Adj. Rent
1BR / 1BA	\$916 - \$1,005	\$0	\$916 - \$1,005	\$0	\$916 - \$1,005
2BR / 2BA	\$1,193	\$0	\$1,193	\$0	\$1,193
3BR / 2BA	\$1,380	\$0	\$1,380	\$0	\$1,380

Waterford Ridge, continued

Amenities

In-Unit

Balcony/Patio
Central A/C
Dishwasher
Garbage Disposal
Oven
Walk-In Closet
Washer/Dryer hookup

Blinds
Coat Closet
Ceiling Fan
Microwave
Refrigerator
Washer/Dryer

Security

None

Services

None

Property

Business Center/Computer Lab
Clubhouse/Meeting
Central Laundry
On-Site Management
Swimming Pool

Carport
Exercise Facility
Off-Street Parking
Picnic Area

Premium

None

Other

None

Comments

The contact reported that the property does not maintain an official waiting list in the office as the property posts all availability online. The contact was unable to provide an estimate of turnover. The contact was also unable to provide a numerical estimate of rent growth over the past year but did report that the rents are "obviously higher". Carports are available for an additional \$25 a month and the contact reported that they are often fully leased. The property attracts tenants primarily from Schertz, Live Oak, and Converse. The property does not accept Section 8 Housing Choice Vouchers. A minimum of three times the monthly rent is required in order to qualify for the property.

Photos



PROPERTY CHARACTERISTICS

Following are relevant characteristics of the comparable properties surveyed:

Location

The Subject is located in between Schertz and New Braunfels, Comal County, Texas. Surrounding uses include vacant undeveloped land and a single-family home subdivision with homes in good to excellent condition. Local amenities such as schools, retail, and medical uses are located within ten miles to the north in New Braunfels and the south in Schertz. The Subject's location along Interstate 35 will provide the Subject's tenants with access to employment opportunities in both Schertz and New Braunfels. Overall, the Subject's location is rated as good. We included seven comparable developments within 11 miles of the Subject site. Two of the comparables are located in Schertz and five are located in New Braunfels. Four of the comparables are located on the border of the PMA and three are located inside the PMA. The comparables are located within closer proximity to local amenities including retail, schools, and medical uses. The table on the following page provides a comparison of the Subject's size, renter tenure, crime levels, walk score, and schools to the comparable properties.

Buttrum Multifamily Development, New Braunfels, Comal County, Texas; Market Study

	LOCATIONAL COMPARISON							
<i>Radius</i>	0.5 miles	0.5 miles	0.5 miles	0.5 miles	0.5 miles	0.5 miles	0.5 miles	0.5 miles
Name	Buttrum Construction Subject	Avenues At Creekside	Creekside Vue	Legacy Oaks Apartments	Mission Hill	The Springs At Creekside	Waterford Place	Waterford Ridge
Address	5832 Ekhardt road	625 Creekside Way	2120 Stephens place	5501 Legacy Oaks	2745 Westpoint Drive	2980 Creek Bend Drive	1360 W County Line Road	501 FM 3009
City	New Braunfels	New Braunfels	New Braunfels	Schertz	New Braunfels	New Braunfels	New Braunfels	Schertz
State	TX	TX	TX	TX	TX	TX	TX	TX
ZIP Code	78130	78130	78130	78154	78132	78130	78130	78154
MSA	San Antonio-New Braunfels, TX Metropolitan Statistical Area	San Antonio-New Braunfels, TX Metropolitan Statistical Area	San Antonio-New Braunfels, TX Metropolitan Statistical Area	San Antonio-New Braunfels, TX Metropolitan Statistical Area	San Antonio-New Braunfels, TX Metropolitan Statistical Area	San Antonio-New Braunfels, TX Metropolitan Statistical Area	San Antonio-New Braunfels, TX Metropolitan Statistical Area	San Antonio-New Braunfels, TX Metropolitan Statistical Area
Locational qualities								
Population 2015	83	11	1,522	530	881	3	3,533	2,484
MSA	2,318,052	2,318,052	2,318,052	2,318,052	2,318,052	2,318,052	2,318,052	2,318,052
STATE	26,964,627	26,964,627	26,964,627	26,964,627	26,964,627	26,964,627	26,964,627	26,964,627
Population 65+ 2015	10.84%	0.00%	10.32%	6.42%	23.16%	0.00%	11.83%	17.35%
Median Household Income 2015	\$57,317	\$75,000	\$55,395	\$93,423	\$107,991	\$75,000	\$70,622	\$47,328
MSA	\$52,913	\$52,913	\$52,913	\$52,913	\$52,913	\$52,913	\$52,913	\$52,913
STATE	\$53,616	\$53,616	\$53,616	\$53,616	\$53,616	\$53,616	\$53,616	\$53,616
Renter Household Percent 2015	29.17%	20.00%	31.02%	54.24%	8.76%	20.00%	28.20%	54.16%
MSA	34.61%	34.61%	34.61%	34.61%	34.61%	34.61%	34.61%	34.61%
STATE	34.17%	34.17%	34.17%	34.17%	34.17%	34.17%	34.17%	34.17%
Owner Household Percent 2015	66.67%	80.00%	59.00%	38.18%	89.27%	80.00%	69.03%	39.82%
MSA	57.04%	57.04%	57.04%	57.04%	57.04%	57.04%	57.04%	57.04%
STATE	55.55%	55.55%	55.55%	55.55%	55.55%	55.55%	55.55%	55.55%
Vacant Housing Unit Percent 2015	0.00%	0.00%	9.98%	7.58%	1.98%	0.00%	2.77%	6.03%
MSA	8.35%	8.35%	8.35%	8.35%	8.35%	8.35%	8.35%	8.35%
STATE	10.29%	10.29%	10.29%	10.29%	10.29%	10.29%	10.29%	10.29%
Total Crime	58	70	70	44	110	70	82	87
Personal Crime	30	61	61	43	60	61	48	72
Property Crime	62	71	71	44	117	71	86	89
Walk Score®	0	22	19	16	13	16	3	37
Walk Score® Name	Car-Dependent	Car-Dependent	Car-Dependent	Car-Dependent	Car-Dependent	Car-Dependent	Car-Dependent	Car-Dependent
USDA Food Desert								
Low Income and Low Access Census Tract	No	No	No	No	No	No	No	No
EPA Brownfield Site								
Number of sites within Census Tract	0	0	0	0	0	0	0	0

As illustrated in the previous table, the Subject and all of the comparables are located in “Car Dependent” locations, though all have walk scores above that of the Subject and are located within closer distance to retail and locational amenities when compared to that of the Subject. Similarly, the Subject and all of the comparables are located in neighborhoods with below national average crime. The primary distinction between the Subject and the comparables in terms of location is the median household income within the neighborhood. The Subject’s neighborhood (defined as 0.5 mile radius of the Subject site) has a median household income of \$57,317. One of the comparables, Waterford Ridge in Schertz, is located in a lower income neighborhood when compared to the Subject’s neighborhood, Creekside Vue’s location has a similar median household income when compared to that of the Subject, and the remaining comparables are located in higher income neighborhoods, particularly Legacy Oaks in Schertz and Mission Hill in New Braunfels. Overall, the Subject’s location is considered similar to that of Waterford Ridge, and slightly inferior to that of the remaining comparables.

Size, Age, and Condition

The comparable properties offer between 150 and 395 units, with an average size of 253 units. The Subject, with 176 units, which is within the surveyed range.

Construction on the Subject is projected to begin in 2017 and will be completed within 18 months. The comparables were newly constructed between 2005 and 2016. Three of the comparables were built between 2005 and 2008 - Legacy Oaks, Waterford Place, and Waterford Ridge – and are in good condition; the remaining comparables were built between 2012 and 2016 and are in excellent condition. Upon completion, the Subject will be slightly superior to comparables built in 2005 and 2008 and similar to comparables built since 2012 in terms of age and condition.

Unit Size

The following table illustrates the unit sizes of both the Subject and the comparable properties that reported unit sizes.

UNIT SIZE COMPARISON					
Unit Type	Subject	Surveyed Min	Surveyed Max	Surveyed Average	Advantage/ Disadvantage
1 BR	712	522	909	744	-4%
2 BR	973	878	1,381	1,092	-11%
3 BR	1,236	1,150	1,578	1,342	-8%

As illustrated, the Subject’s units will be within the surveyed range, but smaller than the surveyed average. Overall, we believe that the Subject’s unit sizes will be accepted in the market, though they will be at a competitive disadvantage with regards to unit sizes. We have taken the Subject’s proposed unit sizes into consideration in our determination of achievable market rents.

Total Number of Baths per Unit

The Subject will offer one bathroom in its one-bedroom units and two bathrooms in its two- and three-bedroom units. All of the comparables offer one bathroom in their one-bedroom units. All of the comparables also offer two bathrooms in all of their two- and three-bedroom floor plans,

though some offer two-bedroom units with just one bathroom as well. Overall, the Subject will be similar to all of the comparable properties in terms of bathrooms offered.

Amenities

A detailed description of amenities included in both the Subject and the comparable properties can be found in the following amenity matrix. The matrix has been color coded. Those properties that offer an amenity that the Subject does not offer are shaded in red, while those properties that do not offer an amenity that the Subject does offer are shaded in blue. Thus, the inferior properties can be identified by the blue and the superior properties can be identified by the red.

Buttrum Multifamily Development, New Braunfels, Comal County, Texas; Market Study

UNIT MATRIX REPORT

	Buttrum Construction	Avenues At Creekside	Creekside Vue	Legacy Oaks Apartments	Mission Hill	The Springs At Creekside	Waterford Place	Waterford Ridge
Comp #	Subject	1	2	3	4	5	6	7
Property Information								
Property Type	Garden	Various	Midrise (4 stories)	Garden (3 stories)	Garden (3 stories)	Garden (3 stories)	Garden (3 stories)	Garden (3 stories)
Year Built / Renovated	2017/2018	2013 / n/a	2015 / n/a	2005 / n/a	2012 / n/a	2015/2016 / n/a	2008 / n/a	2008 / n/a
Market (Conv./Subsidy Type)	Market	Market	Market	Market	Market	Market	Market	Market
Utility Adjustments								
Cooking	no	no	no	no	no	no	no	no
Water Heat	no	no	no	no	no	no	no	no
Heat	no	no	no	no	no	no	no	no
Other Electric	no	no	no	no	no	no	no	no
Water	no	no	no	no	no	no	no	no
Sewer	no	no	no	no	no	no	no	no
Trash Collection	no	no	no	no	yes	no	no	no
In-Unit Amenities								
Balcony/Patio	yes	yes	yes	yes	yes	yes	yes	yes
Blinds	yes	yes	yes	yes	yes	yes	yes	yes
Cable/Satellite/Internet	no	no	yes	no	no	no	no	no
Central A/C	yes	yes	yes	yes	yes	yes	yes	yes
Coat Closet	yes	yes	yes	yes	yes	yes	yes	yes
Dishwasher	yes	yes	yes	yes	yes	yes	yes	yes
Ceiling Fan	yes	yes	yes	yes	yes	yes	yes	yes
Fireplace	no	yes	no	no	no	no	no	no
Garbage Disposal	yes	yes	yes	yes	yes	yes	yes	yes
Microwave	yes	yes	yes	yes	yes	yes	yes	yes
Oven	yes	yes	yes	yes	yes	yes	yes	yes
Refrigerator	yes	yes	yes	yes	yes	yes	yes	yes
Vaulted Ceilings	no	no	no	no	no	no	yes	no
Walk-In Closet	yes	yes	yes	yes	yes	yes	yes	yes
Washer/Dryer	yes	no	yes	yes	yes	yes	yes	yes
Washer/Dryer hookup	yes	yes	yes	yes	yes	yes	yes	yes
Property Amenities								
Business Center/Computer Lab	yes	yes	yes	yes	no	no	yes	yes
Car Wash	no	no	no	no	yes	yes	no	no
Clubhouse/Meeting Room/Community Room	yes	yes	yes	yes	yes	yes	yes	yes
Elevators	no	yes	yes	no	no	no	no	no
Exercise Facility	yes	yes	yes	yes	yes	yes	yes	yes
Jacuzzi	yes	no	no	no	no	no	no	no
Central Laundry	no	no	no	yes	no	no	yes	yes
Exterior Storage	no	no	yes - \$25 to \$75	yes - \$35	yes - \$15 to \$65	no	yes - off balcony/patio	no
Off-Street Parking	yes	yes	yes	yes	yes	yes	yes	yes
On-Site Management	yes	yes	yes	yes	yes	yes	yes	yes
Picnic Area	yes	yes	yes	no	yes	no	no	yes
Playground	yes	no	no	no	no	no	no	no
Recreation Areas	yes	no	no	no	no	no	no	no
Swimming Pool	yes	yes	yes	yes	yes	yes	yes	yes
Theatre	no	no	no	no	yes	no	no	no
Volleyball Court	yes	no	no	no	no	no	no	no
Wi-Fi	no	no	yes	no	no	no	no	no
Parking								
Carport	yes	yes	no	yes	yes	no	yes	yes
Carport Fee	fee to be determined	included in rent	N/A	\$25.00	\$35.00	N/A	\$20.00	\$25.00
Garage	no	yes	yes	yes	yes	yes	no	no
Garage Fee	N/A	included in rent	one space included in rent; additional space \$30.00	\$75.00	\$80.00	104 units have attached garages included in rent; detached garages are \$90.00 <small>*contact reported that many of the detached garages are utilized as storage units</small>	N/A	N/A
Services								
Security								
In-Unit Alarm	yes	yes	no	no	no	no	no	no
Limited Access	yes	yes	yes	yes	no	no	no	no
Patrol	no	no	no	no	yes	no	yes	no
Perimeter Fencing	yes	no	no	yes	no	no	no	no
Video Surveillance	yes	no	no	no	no	no	no	no
Premium Amenities								
Other Amenities								
Other	Jogging path around on-site pond	Walking/jogging trail, game room, adjacent park	Pond with walking trail, pet wash, pet park	n/a	Dog park, dog wash station	Dog park	n/a	n/a

Unit Amenities

The Subject will offer balcony/patios, blinds, central heating and air conditioning, coat closets, ceiling fans, and washer/dryer connections. Kitchen appliances will include a stove/oven, refrigerator, garbage disposal, dishwasher, and microwave. One of the comparables does not offer washer/dryer appliances included in the rent; this amenity will be offered by the Subject and all of the comparables. Overall, the Subject is considered similar to slightly superior to the comparables in terms of in-unit amenities. We have taken the Subject's proposed unit amenities into consideration in our determination of achievable market rents.

Common Area Amenities

The Subject's common area amenities will include a clubhouse with a business center, exercise facility, and on-site management. The Subject will also offer a swimming pool, jacuzzi, picnic area, playground, and volleyball court. Four of the comparables also offer exterior storage; three off the four charge an additional fee for said storage ranging from \$15 to \$75, and the fourth offers storage off the balcony/patio of the units and it is included in the rent. According to the developer, the Subject may offer exterior storage, though this has yet to be determined. None of the comparables offer a playground or volleyball court, amenities that will be offered at the Subject. One comparable, Creekside Vue, includes WIFI and cable in the rent. Three of the comparables offer a dog park and two offer a walking/jogging path; the Subject will offer the latter, but will not offer the former. Overall, the Subject's property amenities will be similar to slightly superior relative to the comparable developments. We have taken the Subject's proposed common area amenities into consideration in our determination of achievable market rents.

Parking

The Subject will offer 176 carports, one per unit, for which tenants will be charged an additional monthly fee, though the exact fee has yet to be determined. The Subject will also offer uncovered parking, though the exact number of parking spaces has yet to be determined. Five of the comparables offer carports and four charge an additional fee ranging from \$20 to \$35 per month, the fifth includes one carport parking space per unit in the rent. Five of the comparables, the comparables most recently constructed, offer garage parking. Attached garages are offered at two of the comparables and included in the rent. Detached garages are offered for an additional fee ranging from \$75 to \$90 per month. Overall, we believe the proposed parking will be accepted within the market, though it will be slightly inferior to that offered at the most recently constructed properties all of which offer garage parking. We have taken the Subject's proposed parking into consideration in our determination of achievable market rents.

Security Features

Security features offered at the Subject will include controlled access, perimeter fencing, video surveillance, and in-unit alarms. Five of the comparables offer some form of security feature. Overall crime in the Subject and comparables area is below the national average as such security features are unlikely to be important features.

Utility Structure

Tenants at the Subject will be responsible for all utilities. The landlord will pay for common area utility expenses. Six of the seven offer the same utility structure as that proposed at the Subject

with tenants being responsible for all utilities paid either to the service provider directly or to the property owner. Mission Hill includes trash removal in the rent. The rents of the comparables are adjusted to reflect differences in utilities. The amount of the adjustment has been based on the current utility allowance schedule provided by the Housing Authority of the City of New Braunfels, effective June 1, 2015.

Turnover

The following table illustrates turnover rates at the comparable properties. It is worth noting that management at Waterford Ridge was unable to report turnover information and Creekside Vue and The Springs at Creekside remain in lease-up and reported no turnover to date.

TURNOVER			
Comparable Property	City	Type	Turnover
Avenues At Creekside	New Braunfels	Market	35%
Creekside Vue*	New Braunfels	Market	N/Ap
Legacy Oaks Apartments	Schertz	Market	15%
Mission Hill	New Braunfels	Market	39%
The Springs At Creekside*	New Braunfels	Market	N/Ap
Waterford Place	New Braunfels	Market	33%
Waterford Ridge	Schertz	Market	N/Av
Average Turnover			31%

*In lease-up.

Turnover rates in the market range from 15 to 39 percent. It is worth noting that Avenues at Creekside is located adjacent The Springs at Creekside, the most recent addition to the multifamily market in north New Braunfels. Management at Avenues at Creekside did not report an increase in turnover as a result of the opening of the Springs at Creekside. As a market rate property, we believe the Subject will experience an annual turnover rate of 35 percent or less, in line with the comparables.

Vacancy

The following table illustrates vacancy rates at the comparable properties.

OVERALL VACANCY					
Comparable Property	City	Type	Total Units	Vacant Units	Vacancy Rate
Avenues At Creekside	New Braunfels	Market	395	6	1.5%
Creekside Vue*	New Braunfels	Market	150	21	14.0%
Legacy Oaks Apartments	Schertz	Market	256	0	0.0%
Mission Hill	New Braunfels	Market	187	6	3.2%
The Springs At Creekside*	New Braunfels	Market	268	169	63.1%
Waterford Place	New Braunfels	Market	228	9	3.9%
Waterford Ridge	Schertz	Market	288	4	1.4%
Total			1,772	215	12.1%
Total Stabilized			1,354	25	1.8%

*In lease-up.

As illustrated in the previous table, the stabilized comparables reported vacancy rates ranging from zero to 3.9 percent, with an overall average vacancy rate of 1.8 percent. Creekside Vue and The Springs at Creekside are in lease-up. According to management at Creekside Vue, the property is currently 69 percent occupied and 86 percent leased. According to management at

The Springs at Creekside, the property is 37 percent occupied and 47 percent leased. The low incidence of vacancies at the stabilized comparables illustrates a need for additional housing. Further, the comparables do not maintain waiting lists as demand and traffic in the market was reported to be both regular and high. Taking all of this information into account, assuming competent management and appropriate marketing of the property, we believe the Subject could achieve a stabilized vacancy rate of approximately five percent or less.

The following table illustrates the vacancy by bedroom type at the comparable properties.

VACANCY BY BEDROOM TYPE								
Comparable Property	City	Rent Structure	Studio Units	One-Bedroom Units	Two-Bedroom Units	Three-Bedroom Units	Four-Bedroom Units	Overall Vacancy Rate
Avenues At Creekside	New Braunfels	Market	-	0.0%	0.0%	0.0%	0.0%	0.0%
Creekside Vue*	New Braunfels	Market	-	30.0%	0.0%	0.0%	-	14.0%
Legacy Oaks Apartments	Schertz	Market	-	0.0%	0.0%	0.0%	-	0.0%
Mission Hill	New Braunfels	Market	0.0%	4.0%	3.2%	-	-	3.2%
Waterford Place	New Braunfels	Market	-	0.0%	0.0%	0.0%	-	0.0%
Waterford Ridge	Schertz	Market	-	2.1%	0.7%	2.1%	-	1.4%

*In lease-up.

As illustrated in the previous table, only one property, Creekside Vue, reported an above average vacancy rate for a unit type. According to management at Creekside Vue, all of the remaining unleased units at the property are one-bedroom units, but this property is in the initial lease-up period. Overall performance of the market is considered excellent. This local market data is also consistent with the REIS data presented previously in this report.

Absorption

The following table details preliminary absorption information reported by the two most recent additions to the market.

ABSORPTION					
Property name	City	Type	Year Built	Number of Units	Units Absorbed/ Month
Creekside Vue*	New Braunfels	Market	2015	150	10
The Springs At Creekside*	New Braunfels	Market	2015/2016	268	11

*In lease-up.

As illustrated, the two comparables that are in lease-up reported preliminary absorption rates of ten and 11 units per month. The two comparables in lease-up are located within one mile of one another, which is likely slowing the absorption rates at the two properties as both are simultaneously in the lease-up process. There have been no recent additions to the Schertz market since 2008 and the properties in lease-up and planned in New Braunfels are located on northern boundary of the PMA. There are two planned multifamily additions to Schertz, both within six miles of the Subject site, though neither have been permitted. Given the Subject’s location in between the two cities and the lack of new product in the immediate neighborhood, and based on the market vacancy rates and our demand calculations, we estimate the Subject will absorb approximately 15 units per month and reach a stabilized occupancy of 95.0 percent within 11 to 12 months.

Concessions

Two of the comparables are currently offering concessions. Both of the comparables offering concessions are in the initial lease-up phase and both are located within one mile of one another. According to management at Creekside Vue, the property is offering a lease-up special of \$1,000 off the first month on the smallest one-bedroom floorplans, \$500 off the small two-bedroom floorplan, and \$250 off all other floorplans. The property is also offering a look and lease special of a \$0 deposit if a lease is signed within 24 hours of viewing the unit. The contact reported that some form of special has been offered since the original opening of the property. According to management at the Springs at Creekside, the property is offering two specials: first, a \$99 deposit instead of the typical one month rent, and second, one month free for move-ins that take place before July 15th. None of the stabilized comparables are currently offering concessions nor did they report concessions to be typical at the respective properties. The two properties offering lease-up concessions are located within one mile of one another. Because the Subject will be new construction and will be located in an area without other newly constructed multifamily developments, we do not believe the Subject will need to offer concessions to stay competitive, particularly given the strength of the local rental market.

Waiting Lists

In markets with high housing costs and a limited supply of quality housing, waiting lists are common. A waiting list indicates a strong market with high occupancy and unmet demand. Properties that carry a waiting list typically enjoy easy lease-up upon turnover. Presently, only one of the comparables maintain a waiting list, though all those without waiting lists attributed this to sufficient demand and traffic in the market so as not to warrant a need for a waiting list. As such, we do not expect the Subject will be able to maintain a waiting list.

Rent Trends

The following table illustrates the rent trends over the past year.

RENT GROWTH			
Comparable Property	City	Type	Rent Growth
Avenues At Creekside	New Braunfels	Market	Increase, amount unknown
Creekside Vue*	New Braunfels	Market	Decrease of six to nine percent since opening
Legacy Oaks Apartments	Schertz	Market	Increase of two to three percent
Mission Hill	New Braunfels	Market	None in past three months; additional information unavailable
The Springs At Creekside*	New Braunfels	Market	None since opening
Waterford Place	New Braunfels	Market	Increase of two to 15 percent
Waterford Ridge	Schertz	Market	Increase, amount unknown

*In lease-up.

As illustrated in the table above, four of the comparables reported rents increasing, one reported decreasing rents, and the remaining reported no change in the past year. The one comparable that reported a decrease in the rents, Creekside Vue, attributed this decrease to construction delays, which led to the majority of the units at the property being delivered after peak leasing season and the original rents were based on the assumption that the units would be delivered during peak leasing season. In general, the stabilized comparables reported rent growth over the past year ranging from two to 15 percent. We believe the Subject should be able to achieve moderate rent increases annually, similar to the comparables.

We previously presented REIS data regarding rent growth in the Subject market. According to this forecast, rents are projected to increase approximately 1.8 percent per annum over the next five years in the northeast submarket of the San Antonio market, which includes Schertz, and 2.9 percent in the San Antonio market as a whole. Overall, we believe the Subject should be able to achieve rent growth of two to three percent.

Reasonability of Rents

The Subject’s proposed rents are illustrated in the table below.

PROPOSED RENTS				
Unit Type	Number of Units	Unit Size (SF)	Asking Rent	Rent Per Sq. Ft.
1BR/1BA	30	712	\$800	\$1.12
2BR/2BA	84	973	\$1,100	\$1.13
3BR/2BA	62	1,236	\$1,300	\$1.05
Total	176			

Below are the rent comparisons between the Subject’s rents and comparable developments’ market rents. The comparable rents have been adjusted for concessions and variances in utility structure.

SUBJECT COMPARISON TO MARKET RENTS					
Unit Type	Subject	Surveyed Min	Surveyed Max	Surveyed Average	Achievable Market Rents
1 BR	\$800	\$783	\$1,309	\$934	\$950
2 BR	\$1,100	\$1,023	\$1,719	\$1,100	\$1,150
3 BR	\$1,300	\$1,248	\$1,973	\$1,329	\$1,350

The Subject’s proposed rents are below the surveyed average rents being achieved by the comparables.

Achievable Market Rents

The achievable rents were determined by comparing the aesthetic quality, amenities, unit sizes, etc. to that of projects in the area. Novogradac & Company concluded that the Subject will be comparable to superior to the market rate competition. Achievable rents represent net market rate rent levels that we anticipate a project of the Subject’s condition and quality could reasonably achieve.

The Subject will be new construction with a competitive amenity package in an excellent location. The Subject will be most similar in terms of age/condition to Avenues at Creekside, Creekside Vue, and the Springs at Creekside. The Subject will be most similar in terms of amenities to Waterford Place and Waterford Ridge, the two comparables that do not offer garage parking, but the Subject will be slightly superior to these in terms of age/condition. Given the Subject’s smaller than average unit sizes, and the fact that many of the comparables offer a variety of floorplans for each unit type, we have compared the Subject’s units to the most similar floorplan for each unit type at the comparables. The following table illustrates this comparison.

MARKET RENT COMPARISON - MOST SIMILAR UNIT			
Property Name	Rent	Unit Size (SF)	Rent Per Square Foot
<i>One-Bedroom Units</i>			
Avenues At Creekside	\$1,025	726	\$1.41
Creekside Vue	\$982	719	\$1.37
Legacy Oaks Apartments	\$910	705	\$1.29
Mission Hill	\$953	724	\$1.32
The Springs At Creekside	\$1,034	760	\$1.36
Waterford Place	\$934	735	\$1.27
Waterford Ridge	\$1,005	735	\$1.37
<i>Two-Bedroom Units</i>			
Avenues At Creekside	\$1,314	1,046	\$1.26
Creekside Vue	\$1,233	994	\$1.24
Legacy Oaks Apartments	\$1,143	1,057	\$1.08
Mission Hill	\$1,228	946	\$1.30
The Springs At Creekside	\$1,230	1,062	\$1.16
Waterford Place	\$1,100	960	\$1.15
Waterford Ridge	\$1,193	960	\$1.24
<i>Three-Bedroom Units</i>			
Avenues At Creekside	\$1,973	1,537	\$1.28
Creekside Vue	\$1,654	1,408	\$1.17
Legacy Oaks Apartments	\$1,248	1,150	\$1.09
Mission Hill	-	-	-
The Springs At Creekside	\$1,467	1,334	\$1.10
Waterford Place	\$1,329	1,150	\$1.16
Waterford Ridge	\$1,380	1,150	\$1.20

Overall, we believe that the Subject should achieve rents similar to those at Waterford Place and Waterford Ridge and below those at the new comparables in north New Braunfels, which offer superior access to locational amenities and garage parking, though it is worth noting that the rents at these properties may be limited to some extent by the multitude of new supply in the immediate neighborhood.

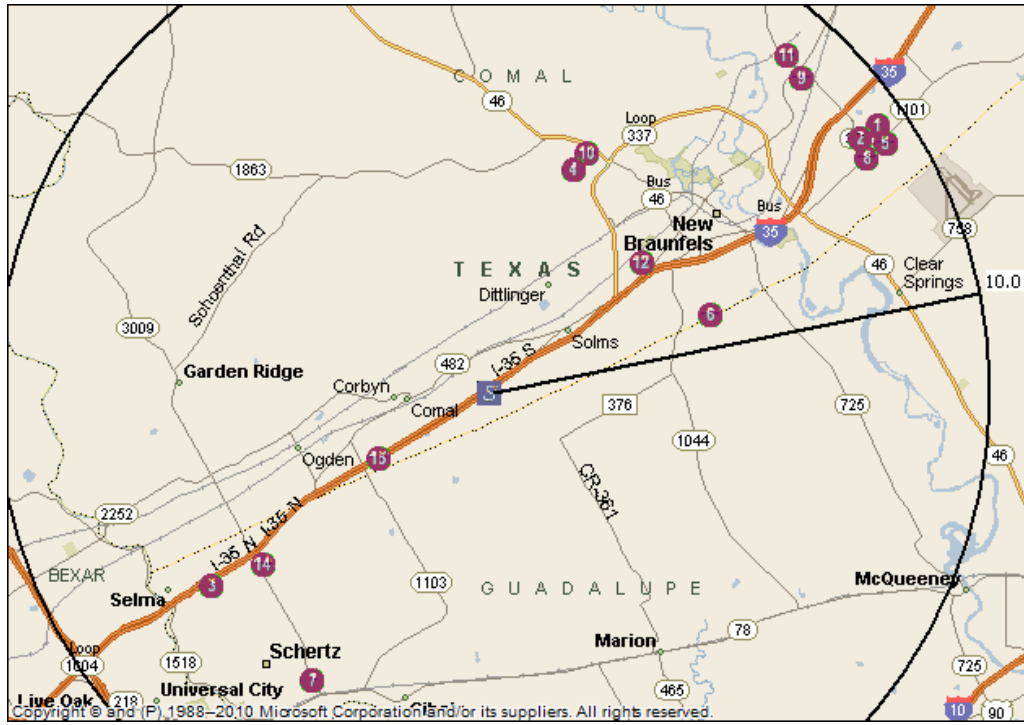
It is reasonable to assume that the Subject, as a new development in excellent condition with a competitive amenity package and desirable location, should be able to achieve rents within the range of the comparables. Based on our analysis, we believe the Subject’s proposed rents are achievable for the following reasons:

- Unit sizes will be within the surveyed range.
- Similar to slightly inferior location.
- Similar to slightly inferior to all of the comparables in terms of unit amenities.
- Similar to slightly inferior to the comparables in terms of common area amenities.
- High occupancy rates among all of the comparables.

Overall, we have concluded to market rents of **\$950** for one-bedroom units, **\$1,150** for two-bedroom units and **\$1,350** for the three-bedroom units. The achievable rents fall within the range of the comparables.

3) COMPETITIVE RENTAL DEVELOPMENTS MAP

The following illustrates a map of existing, under construction, planned, and proposed competitive developments. The following map illustrates the identified properties for the Subject’s PMA:



COMPARABLE RENTAL DEVELOPMENTS					
#	Property Name	City	Type	Total Units	Total Market Rate Units
1	Avenues At Creekside*	New Braunfels	Market	395	395
2	Creekside Vue*	New Braunfels	Market	150	150
3	Legacy Oaks Apartments*	Schertz	Market	256	256
4	Mission Hill*	New Braunfels	Market	187	187
5	The Springs At Creekside*	New Braunfels	Market	268	268
6	Waterford Place*	New Braunfels	Market	228	228
7	Waterford Ridge*	Schertz	Market	288	288
8	The Vantage at New Braunfels	New Braunfels	Market	288	288
9	Northwoods	New Braunfels	Market	100	100
10	Mission Hill II	New Braunfels	Market	195	195
11	Ranch at Guadalupe II	New Braunfels	Market	104	104
12	The Kensington	New Braunfels	Market	120	120
13	Avanti Canyons	Schertz	Market	95	95
14	Unnamed Property	Schertz	Market	81	81
15	Cibolo Canyons***	Schertz	Market	368	368
Total				2,674	2,674

*Utilized as a comparable.

**Under construction / proposed.

Excluded properties include, but are not limited to, the properties identified in the following table.

EXCLUDED PROPERTIES				
Property Name	Address	Program	Tenancy	Reason Excluded
Eden Heights	New Braunfels	Section 8	Senior	Differing tenancy & rent/income restrictions
Village Circle Apartments	New Braunfels	Section 8	Family	Differing rent & income restrictions
Bavarian ManorEden Heights	New Braunfels	Section 8	Family	Differing rent & income restrictions
Balcones Huas	New Braunfels	Section 8	Senior	Differing tenancy & rent/income restrictions
The Residences at Solms Village	New Braunfels	LIHTC	Family	Differing rent & income restrictions
Landa Place	New Braunfels	LIHTC	Senior	Differing tenancy & rent/income restrictions
Hawthorne Riverside	New Braunfels	Market	Family	More comparable properties available
Landmark Gardens	New Braunfels	Market	Family	More comparable properties available
The Veranda at Landa	New Braunfels	Market	Family	More comparable properties available
Laurel Heights	New Braunfels	Market	Family	More comparable properties available
Braunfels Place	New Braunfels	Market	Family	More comparable properties available
La Sierra Apartments	New Braunfels	Market	Family	More comparable properties available
Waterford Place	New Braunfels	Market	Family	More comparable properties available
Westshore Colony Apartments	New Braunfels	Market	Family	More comparable properties available
The Ranch At State Highway	New Braunfels	Market	Family	More comparable properties available
Briarbend Apartments	New Braunfels	Market	Family	More comparable properties available
Gruenewood Villa	New Braunfels	Market	Family	More comparable properties available
Hawthorne Riverside Apartments	New Braunfels	Market	Family	More comparable properties available
Langtry Village	New Braunfels	Market	Family	More comparable properties available
Mill Bridge	New Braunfels	Market	Family	More comparable properties available
River Park Apartments	New Braunfels	Market	Family	More comparable properties available
Retreat at Chelsea Park	Schertz	Market	Family	More comparable properties available
Sycamore Creek	Schertz	Market	Family	More comparable properties available
Reserve at Engel Road	New Braunfels	LIHTC	Family	Under Construction - completed 2017
The Vantage at New Braunfels	New Braunfels	Market	Family	Under Construction - completed 2016
Northwoods	New Braunfels	Market	Family	Under Construction - completed 2016
Mission Hill II	New Braunfels	Market	Family	Under Construction - completed 2017
Ranch at Guadalupe II	New Braunfels	Market	Family	Planned - projected market entry 2018
The Kensington	New Braunfels	Market	Family	Proposed
Avanti Canyons	Schertz	Market	Family	Proposed
Unnamed Property	Schertz	Market	Family	Proposed
Cibolo Canyons	Schertz	Market	Family	Proposed

4) ANALYSIS OF SUBSIDIZED SUPPLY

Not applicable since the Subject is a market rate new construction development.

Conclusion

According to our survey, the market for rental development within the PMA is considered to be excellent. Overall, the area is experiencing very high occupancy levels and only two properties are offering a concession and those are the properties that are in lease-up and located within one mile of one another. The majority of the properties do not maintain a waiting list though this was attributed to sufficiently high demand and regular traffic as opposed to weak demand and limited traffic. According to market participants, demand for good quality housing is high and the current supply of multifamily housing does not meet the existing demand. The Subject will be generally similar to superior to the competition upon completion. The majority of the new supply is concentrated around the northern border of the PMA. The Subject will be located in between New Braunfels and Schertz with excellent interstate access allowing it to attract applicants from

both cities. Based upon our market research, demographic calculations, and analysis, we believe there is demand for the Subject property as conceived.

Strengths of the Subject include its age/condition. There are two possible weaknesses of the Subject: location and the lack of garage parking. First, the Subject is located further from locational amenities such as retail, educational, and medical uses when compared to the comparables. Despite this, the location in between two employment centers will be ideal for households looking for access to both locations. Additionally, a significant amount of new development, primarily single-family home subdivisions, are recently completed, currently under construction, or planned in the Subject's immediate neighborhood, which suggests the location is desirable for residential uses. Therefore, we do not believe that the Subject's location will have a detrimental influence on the Subject's performance. Second, all of the recently completed properties offer garage parking, either attached (included in the rent) or detached (for an additional fee). The Subject will not offer this amenity, but will offer carport parking, which will mitigate to some extent the lack of garage parking as an amenity. While there is a significant amount of new supply in the pipeline, the PMA has historically experienced significantly greater population and household growth than the national average and these trends are projected to continue through 2020. In fact, from 2015 to 2020, the PMA will add more renter households than all units that are in the pipeline, many of which have not been permitted and as such may not actually be added to the existing supply. The Subject will have no significant impact on existing housing stock within the PMA. We believe the Subject will be well received and will perform well within the market.

**CHARACTERISTICS OF RENTAL UNITS IN
THE PIPELINE**

CHARACTERISTICS OF RENTAL UNITS IN THE PIPELINE

1) PROJECTS UNDER CONSTRUCTION

During our site inspection, we identified one multifamily development under construction within the Subject’s immediate neighborhood, Reserve at Engel Road, which upon completion will be a 96-unit LIHTC property. With differing rent/income restrictions, we do not expect this property to compete directly with the Subject. In order to obtain additional information on proposed or under construction new multifamily developments in the Subject’s area, we consulted the planning departments of both the city of Schertz and the city of New Braunfels as well as the REIS report for the San Antonio MSA. According to these sources there are six projects currently under construction in New Braunfels and Schertz. The following table provides information on these properties.

MULTIFAMILY PIPELINE IN SCHERTZ & NEW BRAUNFELS						
Property Name	Address	City	Distance to Subject (in Miles)	Total Number of Units	Total Number of Unleased Units	Status
Creekside Vue*	2120 Stephens Pl	New Braunfels	10.4	150	21	Under Construction - In Lease Up
The Springs at Creekside*	2980 Creek Bend Dr	New Braunfels	10.5	268	142	Under Construction - In Lease Up
The Vantage at New Braunfels	FM - 1101 & FM-306	New Braunfels	9.6	288	288	Under Construction - completed 2016
Northwoods	1951 Old FM-306	New Braunfels	12.5	100	100	Under Construction - completed 2016
Mission Hill II	2745 Westpointe Dr	New Braunfels	7.6	195	195	Under Construction - completed 2017
Reserve at Engel Road**	125 Engel Road	New Braunfels	1.0	96	96	Under Construction - completed 2017

*Included as comparable property.

**Subsidized/Low-Income property; is not expected to compete with Subject as proposed.

Upon completion, we expect the Subject to compete with all of the above properties with the exception of Reserve at Engel Road.

2) PROJECTS IN PLANNING AND PROPOSED STAGES

Projects in the planning stages are those that have been permitted and are moving forward. Projects that are proposed have not yet been permitted. We recognize that within the proposed category there are some projects that are further along than others; more specifically, a representative of the planning department at the city of Schertz has no knowledge of Cibolo Canyons, a proposed 368-unit property according to the most recent REIS report.

MULTIFAMILY PIPELINE IN SCHERTZ & NEW BRAUNFELS						
Property Name	Address	City	Distance to Subject (in Miles)	Total Number of Units	Total Number of Unleased Units	Status
Ranch at Guadalupe II	1355 Ranch Pkwy	New Braunfels	9.8	104	104	Planned - projected market entry 2018
The Kensington	2515 W San Antonio St	New Braunfels	4.8	120	120	Proposed
Avanti Canyons	22520 I-35	Schertz	5.2	95	95	Proposed
Unnamed Property	Roy Richards Dr & Weiderstein	Schertz	8.0	81	81	Proposed
Cibolo Canyons***	I-35 & Old Wiederstein Rd	Schertz	6.9	368	368	Proposed

***City planning officials are unaware of this proposed addition; we have therefore not included these units in the total line items or deducted these units from the demand analysis.

As illustrated, there are five multifamily properties that are in the planning or proposed stages. Of these, city officials were able to confirm the status of all but Cibolo Canyons.

3) PROPOSED LIHTC PROJECTS

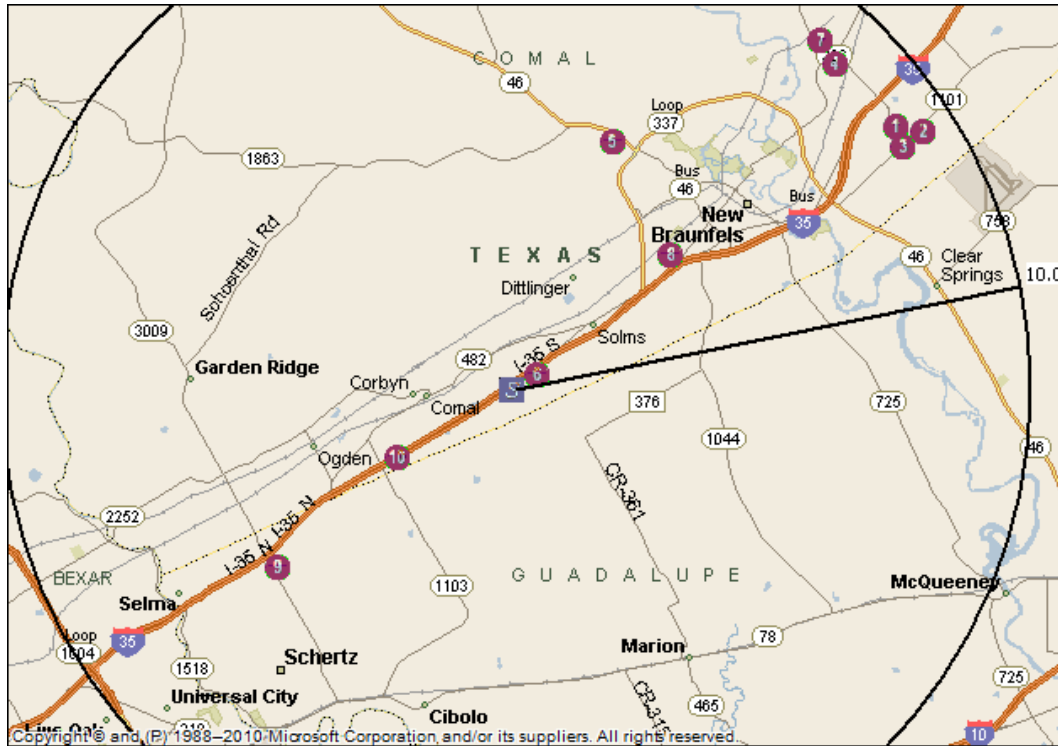
We also researched the Texas Housing and Finance Authority’s LIHTC allocation lists to see if there have been any new affordable properties allocated funds within the past three years. According to the Texas Department of Housing and Community Affairs, only one project has

been allocated tax credits in the PMA since 2013. Reserve at Engel Road is a 96-unit family-targeted LIHTC development that is currently under construction. This development was allocated LIHTC funding in 2015. The property is located one mile north of the Subject.

4) PROPOSED SENIOR SUPPLY

The Subject will be a market rate development that will primarily target young professionals and families; as such, an elderly analysis is not applicable.

5) MAP IDENTIFYING ALL PROPOSED COMMUNITIES



PROPOSED RENTAL DEVELOPMENTS IN PMA					
Map Number	Property Name	City	Distance to Subject (in Miles)	Total Number of Units	Total Market Rate Units
1	Creekside Vue*	New Braunfels	10.4	150	150
2	The Springs at Creekside*	New Braunfels	10.5	268	268
3	The Vantage at New Braunfels	New Braunfels	9.6	288	288
4	Northwoods	New Braunfels	12.5	100	100
5	Mission Hill II	New Braunfels	7.6	195	195
6	Reserve at Engel Road**	New Braunfels	1.0	96	96
7	Ranch at Guadalupe II	New Braunfels	9.8	104	104
8	The Kensington	New Braunfels	4.8	120	120
9	Avanti Canyons	Schertz	5.2	95	95
10	Unnamed Property	Schertz	8.0	81	81
Total Proposed/ Under Construction				1,497	1,497
Total Competitive Proposed/ Under Construction				1,401	1,347

Source: Site inspection, May 2016; Schertz Planning and Zoning; Building Division of New Braunfels Planning Department; REIS report, retrieved May 2016.

DEMAND ESTIMATE AND ANALYSIS

DEMAND ESTIMATE AND ANALYSIS

Introduction

The Subject is a proposed market rate development. We calculated the number of income-appropriate residents in this section of the analysis. To assess the likely number of tenants in the market area eligible to live in the Subject, we used Census information as provided by ESRI Demographics. We have considered both Net Demand and Effective Demand in accordance with the HUD MAP Guide; Effective Demand consists of both a capture rate and penetration rate analysis.

1) NET DEMAND ANALYSIS

Primary Market Area Defined

As previously defined, the PMA boundaries were defined based on the Subject's location off of Interstate 35 and our conversations with local officials and property managers. We recognize several sub-markets exist within this PMA; however, market data demonstrates that a significant amount of the renter base considers housing opportunities within these boundaries. Given the opportunity to locate good quality housing, the renter base will move within these areas. Further, we believe some tenants will come from outside the PMA to live closer to their places of work. We anticipate the majority of demand will be generated from this geographic area. We estimate 90 percent of the Subject's tenants will originate from the PMA. However, the demand estimates have not been adjusted to reflect this potential for leakage.

Net Demand Analysis and Calculations

Per the HUD MAP Guide, the market study must include an estimate of future demand for the specific forecast period, which is estimated to be through 2020. This estimate of demand must be based on a calculation of incremental demand and must address the following five factors (identified here and in the MAP Guide as A, B, C, D, E):

A) Renter household growth during the forecast period.

Overall, between 2015 and 2020 the number of income-appropriate renter households in the PMA will increase from 10,143 to 11,564 households or by 284 households annually. The following tables and text summarize these calculations.

Income Appropriate Calculations

First, we estimate the Subject's minimum and maximum income levels for the project. We interviewed market rate comparables in order to ascertain minimum income requirements. According to the contacts, the general rule is the tenant must have an income of at least three times the monthly rental rate. As such, we have taken the market rate monthly rental rate, multiplied it by three and annualized it for our minimum income requirements. There is no upper limit for market rate units.

INCOME GUIDELINES	
Avenues at Creekside	3 times monthly rent
Creekside Vue	3 times monthly rent
Legacy Oaks Apartments	3 times monthly rent
Mission Hill	3 times monthly rent
The Springs at Creekside	3 times monthly rent
Waterford Place	3 times monthly rent
Waterford Place	3 times monthly rent

Secondly, we illustrate the renter household population segregated by income band in order to determine those who are income appropriate to reside in the Subject property.

Third, we combine the allowable income range with the income distribution analysis in order to determine the number of potential income-qualified households. In some cases the income-eligible band overlaps with more than one census income range. In those cases, the prorated share of more than one census range will be calculated. This provides an estimate of the total number of households that are income appropriate. The minimum and maximum income limits for the Subject’s units are as follows. As the Subject will offer market rate units, there is no maximum income limit.

INCOME LIMITS

Unit Type	Minimum Allowable Income	Maximum Allowable Income
	<i>Market Rate</i>	
1BR	\$28,800	\$200,000+
2BR	\$39,600	\$200,000+
3BR	\$46,800	\$200,000+

Based on the demand calculations detailed later in this report, approximately 65.8 percent of the renter households in the PMA earned over \$28,800 as of 2015, the estimated minimum income requirement, and could provide demand for the Subject’s units. By 2020, this will increase to 69.0 percent. The following tables illustrate our calculations

INCOME DISTRIBUTION 2015

Income Cohort	Total Renter Households	Market Rate		
		cohort overlap	% in cohort	# in cohort
\$0-9,999	854			
\$10,000-19,999	1,327			
\$20,000-29,999	1,459	1,199	11.99%	175
\$30,000-39,999	1,200	9,999	100.00%	1,200
\$40,000-49,999	1,013	9,999	100.00%	1,013
\$50,000-59,999	1,111	9,999	100.00%	1,111
\$60,000-74,999	1,024	14,999	100.00%	1,024
\$75,000-99,999	872	24,999	100.00%	872
\$100,000-124,999	521	24,999	100.00%	521
\$125,000-149,999	298	24,999	100.00%	298
\$150,000-199,999	234	49,999	100.00%	234
\$200,000+	230	199,999	100.00%	230
Total	10,143		65.84%	6,678

NET DEMAND							
	2015	2016	2017	2018	2019	2020	Total
Income-Appropriate Renter Households	6,678	6,962	7,246	7,530	7,814	8,098	-
New Renter Growth (1)	-	284	284	284	284	284	-
Less Unstabilized Properties (3)	-	163	0	0	0	0	-
Less Proposed Rental Units (excluding Subject) (4)	-	388	195	400	0	0	-
Plus Estimated Units Removed from Supply Due to Demolition, Conversion (2)	-	280	292	304	316	328	-
Net Annual Demand	-	13	381	188	600	612	1,796

- 1. Per Item A
- 2. Per Item C
- 3. Per Item D
- 4. Per Item E

B) Recent trends in tenure broken down by homeownership and rental that may increase/decrease the demand for rental units.

Regarding item B, we have not assumed any significant shifting from owner to renter-occupied households. Therefore, this has not been accounted for in this analysis.

C) Replacement of existing rental units lost from the inventory due to demolition, conversion, shifting of owner units into the rental market and by other means.

Demand from the PMA will stem from several sources in addition to new growth, as discussed in *Item A*. These sources include demand from renter households that are forced from existing rental housing due to demolition or conversion of the housing units. Further, demand will stem from existing households that live in the area but move to a new home because people are searching for better housing or housing in a desired location (frictional vacancy). The calculation begins by determining the year 2015 base level eligible demand. This is then adjusted by the percentage of renters in the PMA.

This figure is then adjusted for losses of inventory via conversion or demolition (which also accounts for frictional vacancy in the market). To determine an appropriate percentage within the market we utilized/analyzed various housing characteristics.

The following table illustrates age of housing stock within the PMA.

AGE OF HOUSING STOCK IN PMA		
Years	Number of Units	Percent of Housing Stock
2005 or later	898	2.6%
2000 - 2004	13,030	38.2%
1990 - 1999	6,492	19.0%
1980 - 1989	3,749	11.0%
1970 - 1979	3,475	10.2%
1960 - 1969	1,900	5.6%
1950 - 1959	2,100	6.2%
1940 - 1949	1,030	3.0%
1939 or earlier	1,437	4.2%
Total	34,111	100.0%

Source: U.S. Census Bureau, American Community Survey 2015, Novogradac & Company LLP, June 2016

As the table indicates, 13.4 percent of the housing stock was constructed prior to 1960 in the PMA. It is reasonable to assume that a portion of the existing housing units constructed prior to 1960 will leave the market based upon the loss of functional or physical inadequacies of the units.

It is also important to recognize demand for new rental housing will come from the market from households in inadequate living situations.

Further, the demand needs to be adjusted for frictional vacancy within the market. According to The Dictionary of Real Estate Appraisal 5th Edition published in 2010 by the Appraisal Institute, frictional vacancy is the amount of vacant space in the market needed for orderly operation. A five percent frictional vacancy less 1.8 percent stabilized vacancy in the market results in a modified frictional vacancy rate of 3.2 percent. It allows for tenant relocations as leases roll over and expire, and is considered a typical vacancy rate in a given market operating in equilibrium.

We believe a reconciled estimate of demolition or conversion of one percent is appropriate for this market as many of these categories likely overlap. The following table illustrates our conclusion:

LOSSES TO INVENTORY VIA CONVERSION OR DEMOLITION	
Reconciled Estimate of Demolition or Conversion	1.00%
Frictional Vacancy	5.00%
Stabilized Vacancy in the Market	1.80%
Total Percentage	4.20%

In order to account for demand created by the previously described factors, we believe that adjusting the demand by 4.2 percent for losses of inventory via conversion or demolition, as well as frictional vacancy is conservative and reasonable.

D) The effect of any current excess vacant supply, based on an estimate of the balanced market vacancy rate.

As discussed previously in this report, the stabilized comparables reported vacancy rates ranging from zero to five percent, with an overall average vacancy rate among stabilized properties of 1.8 percent, which is considered stabilized. There are two comparables, Creekside Vue and The Springs at Creekside, that are in lease-up. Creekside Vue is currently 69 percent occupied and 86 percent leased; The Springs at Creekside is 37 percent occupied and 47 percent leased. Although both are located just north of the PMA, we do consider these properties to be competitive with the Subject as proposed and as such we have removed the unstabilized units from the net demand analysis. Overall performance of the stabilized market is considered excellent and we expect the 164 units at the comparables in lease-up to be absorbed in 2016.

E) The study must reconcile the number of units in the proposed project with the demand estimate for the PMA, taking into consideration current housing market conditions, available vacancy, and forecast additions to the supply (planned and under construction).

We have accounted for unstabilized properties in the market; in this case, only two properties are unstabilized and we removed those 163 vacant units. No additional deductions are necessary. However, there are an additional 983 proposed competitive units within Schertz and New Braunfels, which we have estimated will enter the market in 2016, 2017, and 2018 and beyond (projected). The table following summarizes these calculations and estimates the net demand over the forecast period.

PMA RENTER HOUSEHOLDS							
	2015	2016	2017	2018	2019	2020	Total
Income-Appropriate Renter Households	6,678	6,962	7,246	7,530	7,814	8,098	-
New Renter Growth (1)	-	284	284	284	284	284	-
Less Unstabilized Properties (3)	-	163	0	0	0	0	-
Less Proposed Rental Units (excluding Subject) (4)	-	388	195	400	0	0	-
Plus Estimated Units Removed from Supply Due to Demolition, Conversion (2)	-	280	292	304	316	328	-
Net Annual Demand	-	13	381	188	600	612	1,796

- 1. Per Item A
- 2. Per Item C
- 3. Per Item D
- 4. Per Item E

According to these calculations, there are approximately 1,796 units of rental housing needed over the forecast period. The Subject will represent 176 units, or 9.8 percent of the net demand. Therefore, based on our analysis of the Subject’s particular submarket, current leasing trends, and projected demand, we believe the Subject is feasible as proposed, and will be well-accepted in the market.

2) EFFECTIVE DEMAND

We have also provided an estimate of effective demand, which is the pool of households with sufficient incomes and/or applicable household size that would be expected to demand such housing during the forecast period.

Capture Rate

The capture rate is calculated by dividing the total number of units at the property by the total number of households that meet the applicable age and any income band requirements, and are appropriately sized. It should be noted that the MAP guide does not specify if renter households or total households should be utilized here. We have deferred to NCHMA guidance and have utilized only renter households within our calculations.

The first step is to determine the number of income-qualified renter households. We have previously determined this in the *Item A* discussion.

The second step is to determine if there are any age restrictions. The Subject will target the general population and will not have any age restrictions. Therefore, no further refinement is needed.

The third step is to consider which households are size appropriate. The tables on the following page outline these calculations.

The last step is the presentation of the capture rate analysis, at the conclusion of this section of the report.

Number of Appropriate Sized Households

In order to determine the number of appropriate sized households at each bedroom type, first we analyzed the number of persons in each household by renter tenure, as detailed in the following table.

PMA HOUSEHOLD SIZE DISTRIBUTION		
2015		
Household Size	Total Households	Percent
1 person	7,442	20.5%
2 persons	11,620	32.0%
3 persons	6,546	18.0%
4 persons	5,886	16.2%
5+ persons	4,801	13.2%
Total	36,295	100.0%

Source: Ribbon Demographics 2014, Novogradac & Company LLP, June 2016

Second, we made assumptions based on the average household size in the market to estimate the distribution of households by unit type. The following table details our assumptions:

HOUSEHOLD DISTRIBUTION MATRIX			
Household Size	Bedrooms		
	1BR	2BR	3BR
1 person	90%	10%	-
2 persons	40%	60%	-
3 persons	-	90%	10%
4 persons	-	30%	70%
5 persons	-	-	100%

Third, we multiplied the percentage of renter households at each household size by the distribution of those households within each bedroom type. The sum of these percentages is the appropriate percentage of renter households for each bedroom type.

APPROPRIATE SIZED RENTER HOUSEHOLDS						
One-Bedroom Unit	20.50%	*	90.00%	=	18.5%	
	+	32.02%	*	40.00%	=	12.8%
	=					31.26%
Two-Bedroom Unit	20.50%	*	10.00%	=	2.1%	
	+	32.02%	*	60.00%	=	19.2%
	+	18.04%	*	90.00%	=	16.2%
	+	16.22%	*	30.00%	=	4.9%
	=					42.36%
Three-Bedroom Unit	18.04%	*	10.00%	=	1.8%	
	+	16.22%	*	70.00%	=	11.4%
	+	13.23%	*	100.00%	=	13.2%
	=					26.38%

Demand Estimate by Bedroom Type

PROJECTED RENTER HOUSEHOLD DEMAND BY BEDROOM TYPE

Renter Household Distribution 2015

	Renter Household Size Distribution	Total Number of Renter Households
1 person	30.1%	3,054
2 persons	25.2%	2,559
3 persons	17.2%	1,741
4 persons	14.2%	1,441
5+ persons	13.3%	1,349
Total	100.0%	10,143

Income-Qualified Renter Demand

	Total Number of Renter Households		% Income-Qualified Renter Households	Number Qualified Renter Households
1 person	3,054	x	65.8%	2,011
2 persons	2,559	x	65.8%	1,685
3 persons	1,741	x	65.8%	1,146
4 persons	1,441	x	65.8%	949
5+ persons	1,349	x	65.8%	888
Total	10,143			6,678

Projected Renter Household Demand by Bedroom Size

	Number of Qualified Renter Households
1BR	2,483
2BR	2,528
3BR	1,667
Total	6,678

Capture Rate Analysis - Market Rate

	Developer's Unit Mix	Capture Rate
1BR	76	3.1%
2BR	152	6.0%
3BR	100	6.0%
Total/Overall	328	4.9%

Adjusted for Leakage from Outside of the PMA

10%

1BR	76	2.8%
2BR	152	5.4%
3BR	100	5.4%
Total/Overall	328	4.4%

The above calculation derives an estimate of the capture rate, both overall and by bedroom type. The capture rate for one-bedroom units is 2.8 percent and the capture rate for two-bedroom units is 5.4 percent and the capture rate for three-bedroom units is 5.4 percent. The overall capture rate is 4.4 percent.

Penetration Rate

Penetration rate is defined as the percentage of Qualified Households in the PMA that the property and similar existing and proposed competing properties must capture to fill all units and achieve stabilized occupancy. The Penetration Rate is calculated by dividing the total number of units in the competitive inventory (including the Subject property and the current and proposed relevant competitive properties) by the total number of households that meet the applicable age and any income band requirements.

The following table illustrates the existing market rate properties in the PMA that were considered in the penetration rate analysis.

COMPARABLE RENTAL DEVELOPMENTS					
#	Property Name	City	Type	Total Units	Total Market Rate Units
1	Avenues At Creekside*	New Braunfels	Market	395	395
2	Creekside Vue*	New Braunfels	Market	150	150
3	Legacy Oaks Apartments*	Schertz	Market	256	256
4	Mission Hill*	New Braunfels	Market	187	187
5	The Springs At Creekside*	New Braunfels	Market	268	268
6	Waterford Place*	New Braunfels	Market	228	228
7	Waterford Ridge*	Schertz	Market	288	288
8	The Vantage at New Braunfels	New Braunfels	Market	288	288
9	Northwoods	New Braunfels	Market	100	100
10	Mission Hill II	New Braunfels	Market	195	195
11	Ranch at Guadalupe II	New Braunfels	Market	104	104
12	The Kensington	New Braunfels	Market	120	120
13	Avanti Canyons	Schertz	Market	95	95
14	Unnamed Property	Schertz	Market	81	81
Total				2,755	2,755
Total Stabilized				1,609	1,609
Total Unstabilized				1,146	1,146

*Utilized as a comparable.

**Under construction / proposed.

As displayed in the table, we were able to identify 2,755 existing and proposed market rate units that are/will be competitive with the Subject. Of these, 1,609 are existing and stabilized (1,772 units at the included comparables less the 21 remaining units at unstabilized comparable Creekside Vue and 142 units at unstabilized comparable The Springs at Creekside), and the remaining 1,146 units are under construction, planned, or proposed.

Market Penetration Analysis

We performed a market penetration analysis for the Subject’s units.

MARKET PENETRATION	
Number of Comparable Market Rate Units-Under Construction in PMA	1,146
	=
Number of Comparable Market Rate Units in the PMA	1,609
	+
Number of Market Rate Units-Proposed for Subject	176
	=
Total	2,931
	/
Income Appropriate Households	6,678
	=
Overall Market Penetration Rate	43.9%

The overall market penetration rate is derived by taking the number of market rate units proposed or under construction within the PMA, combined with the number of existing market rate units and the number of the Subject’s units divided by the number of income appropriate households. This yields an overall market penetration rate of 43.9 percent for the Subject’s market rate units.

3) EVALUATION OF NET DEMAND AND EFFECTIVE DEMAND

The current and anticipated supply over the next few years is significant with 163 units at comparables in lease-up remaining to be leased, 388 units that will enter the market in 2016, 195 units that will enter the market in 2017, and 400 that are proposed to enter the market in 2018 and beyond. The majority of the additions to supply are located around the northern border of the PMA in north New Braunfels, over ten miles north of the Subject site. As proposed, the Subject has an overall capture rate of 4.4 percent, which is low and indicates sufficient demand for the Subject. Likewise, the indicated penetration rate is 43.9 percent, which is reasonable. Based on the Subject’s proposed unit mix and amenity package, the marketability of the Subject is strong in relation to the comparable properties.

FINDINGS AND CONCLUSIONS

FINDINGS AND CONCLUSIONS

- 1) Employment in the PMA is greatest in the retail trade, healthcare/social assistance, public administration, and educational services sectors, which together represent nearly 47 percent of the total PMA employment. Of the largest sectors in the PMA, healthcare/social assistance sector, public administration, and educational services are considered historically stable, while retail trade is often prone to changes in the economy and were hit with job losses during the recent economic crisis. The MSA was not significantly affected by the most recent national recession. Total employment in the MSA has increased every year for the past decade, whereas the nation experienced declines in total employment from 2008 to 2010. Employment increased in the MSA by 2.5 percent from March 2015 to March 2016, while the nation experienced a 2.1 percent increase. In terms of unemployment rates, historically, the rate in the MSA has been below that of the nation. As of March 2016, the local unemployment rate was 3.7 percent, below the national unemployment rate of 5.1 percent. The unemployment rate in the MSA increased from 2008 to 2010, peaking in 2010 at 7.2 percent, which was significantly lower than the peak unemployment level of 9.6 percent in the nation for the same time period. The declining unemployment rate coupled with the historical increasing employment levels is indicative of a recovered and strong local economy. Additionally, employment projections for the Alamo WDA, a 12-county area which includes Comal County, are significantly greater than national projections. An increasing job base bodes well for continued demand for rental housing units within the region.

We have analyzed the strengths and weaknesses of the Subject regarding the following characteristics:

- **Location:** The Subject is located in between Schertz and New Braunfels, Comal County, Texas. Surrounding uses include vacant undeveloped land and a single-family home subdivision with homes in good to excellent condition. Local amenities such as schools, retail, and medical uses are located within ten miles to the north in New Braunfels and the south in Schertz. The Subject's location along Interstate 35 will provide the Subject's tenants with access to employment opportunities in both Schertz and New Braunfels. Overall, the Subject's location is rated as good. The Subject's location is considered similar to slightly inferior to that of the comparables.
- **Project Size:** The Subject will be within the surveyed range of the comparables in terms of project size.
- **Unit Breakdown:** The Subject will offer 30 one-bedroom units, 84 two-bedroom units, and 62 three-bedroom units. We believe the unit mix will be well accepted within the market.
- **Units Sizes:** The Subject's units will be within the surveyed range, but smaller than the surveyed average. Overall, we believe that the Subject's unit sizes will be

accepted in the market, though they will be at a competitive disadvantage with regards to unit sizes.

- Amenities: The Subject will offer a competitive unit and common area amenity package. The primary differences in terms of common area amenities are that the Subject will offer a playground and volleyball court, amenities that are not common in the market and will provide the Subject with a competitive advantage particularly when marketing to families, but will not offer garage parking, an amenity that is offered by all of the recently constructed comparables.
- Features: The Subject will be new construction in excellent condition.
- Rents: We have concluded to market rents of **\$950** for one-bedroom units, **\$1,150** for two-bedroom units, and **\$1,350** for the three-bedroom units. The achievable rents fall within the range of the comparables and are above the Subject’s proposed rents.

2) The following table details preliminary absorption information reported by the two most recent additions to the market.

ABSORPTION					
Property name	City	Type	Year Built	Number of Units	Units Absorbed/ Month
Creekside Vue*	New Braunfels	Market	2015	150	10
The Springs At Creekside*	New Braunfels	Market	2015/2016	268	11

*In lease-up.

As illustrated, the two comparables that are in lease-up reported preliminary absorption rates of ten and 11 units per month. The two comparables in lease-up are located within one mile of one another, which is likely slowing the absorption rates at the two properties as both are simultaneously in the lease-up process. There have been no recent additions to the Schertz market since 2008 and the properties in lease-up and planned in New Braunfels are located on northern boundary of the PMA. There are two planned multifamily additions to Schertz, both within six miles of the Subject site, though neither have been permitted. Given the Subject’s location in between the two cities and the lack of new product in the immediate neighborhood, and based on the market vacancy rates and our demand calculations, we estimate the Subject will absorb approximately 15 units per month and reach a stabilized occupancy of 95.0 percent within 11 to 12 months.

3) As previously stated throughout this report, the Subject’s submarket is performing well, with low vacancy and rent growth. We also reviewed the FHA housing list in order to determine if there are any FHA insured properties in the PMA. According to the list there are five FHA-insured multifamily properties located within the PMA. The following table details these developments:

FHA INSURED MULTIFAMILY PROPERTIES IN PMA					
Name	# of Units	Year Built	Type	Occupancy	Waitlist
Eden Heights	94	N/Av	Section 8	N/Av	N/Av
Saddleback2 - Sundance Inn	95 beds	N/Av	Nursing Home	100%	N/Av
Northwood Apartments	152	1998	Market	100%	N/Av
La Sierra Apartments	152	2009	Market	97%	No
Creekside Vue (fka Creekside Park Apartments)*	150	2015	Market	69%	No

*In lease-up; property is leased at 86 percent.

As illustrated, the FHA-insured developments are Section 8, nursing home, and market rate properties. Creekside Vue was included as a comparable in this report as this property represents one of the most recent additions to the multifamily market and is considered competitive and comparable to the Subject in terms of age/condition, income/rent restrictions and targeted tenancy. Creekside Vue remains in the lease-up stage; the remaining FHA-insured properties are all stabilized. Creekside Vue is 86 percent leased and we expect the remaining units at the property to be absorbed before the end of 2016.. As such, we do not believe the construction of the Subject will have a negative impact on existing FHA-insured developments in the PMA.

- 4) The Subject is not an age-restricted property, thus a description of the intended occupancy regime is not applicable.

**ADDITIONAL REQUIREMENTS/GUIDANCE
FOR INCOME RESTRICTED PROJECTS**

ADDITIONAL REQUIREMENTS/GUIDANCE FOR INCOME RESTRICTED PROJECTS

The Subject will be a market rate development; as such, this section does not apply.

DATA, ESTIMATES, AND FORECAST

DATA, ESTIMATES, AND FORECAST

SOURCES OF DATA

Sources used in this study include data that is both written and oral, published and unpublished, and proprietary and non-proprietary. Real estate developers, housing officials, local housing authority and planning department employees, property managers and other housing industry participants were interviewed. In addition, we conducted a survey of existing, comparable properties.

This report incorporates published data supplied by various agencies and organizations including:

- Bureau of Labor Statistics
- City of New Braunfels
- Department of Housing and Urban Development (HUD)
- New Braunfels Housing Authority Utility Allowance
- City of New Braunfels Planning Department
- City of Schertz Planning and Zoning
- New Braunfels Economic Development Council
- Schertz Economic Development Corporation
- ESRI, Business Information Solutions
- Texas Workforce Commission
- San Antonio Business Journal
- REIS
- Ribbon Demographics
- US Census Bureau
- US Census Bureau LED
- US Department of Housing and Urban Development
- www.trulia.com
- www.zillow.com
- www.bankrate.com
- www.realtytrac.com
- www.walkscore.com

The scope of the work undertaken included:

- Inspecting the site of the Subject and the general location.
- Analyzing appropriateness of the unit mix, rental levels, available amenities, and site.
- Estimating market rent, absorption and stabilized occupancy level for the market area.
- Investigating the health and conditions of the multifamily market.
- Calculating income bands, given the Subject rents.
- Estimating the number of income appropriate households.
- Reviewing relevant public records and contacting appropriate public agencies.
- Analyzing the economic and social conditions in the market area in relation to the Subject.

- Establishing the Subject Primary Market Area.
- This report was prepared in accordance with Section 7.5, Content and Format of the Market Study, of the current (January 2016) HUP MAP Guide.

ADDENDUM A

Certification, Assumptions & Limiting Conditions

HUD MAP CERTIFICATION

I understand that my market study will be used by Paragon Mortgage Company to document to the U.S. Department of Housing and Urban Development that the MAP Lender's application for FHA multifamily mortgage insurance was prepared and reviewed in accordance with HUD requirements. I certify that my market study was in accordance with the HUD requirements applicable on the date of my market study and that I have no financial interest or family relationship with the officers, directors, stockholders, members, or partners of the lender or affiliated entities, the general contractor, any subcontractors, the buyer or seller of the proposed property or engage in any business that might present a conflict of interest.



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WARNING: I hereby certify under penalty of perjury that all of the information I have provided on this form and in any accompany documentation is true and accurate. I acknowledge that if I knowing have made any false, fictitious, or fraudulent statement, representation, or certification on this form or any accompanying documents, I may be subject to criminal, civil, and/or administrative sanctions, including fines, penalties, and/or imprisonment under applicable federal law, including but not limited to 12 U.S.C § 1833a; 18 U.S.C. §§1001, 1006, 1010, 1012, and 1014; 12 U.S.C §1708 and 1735f-14; and 31 U.S.C §§3729 and 3802.

ASSUMPTIONS & LIMITING CONDITIONS

1. In the event that the client provided a legal description, building plans, title policy and/or survey, etc., the consultant has relied extensively upon such data in the formulation of all analyses.
2. The legal description as supplied by the client is assumed to be correct and the author assumes no responsibility for legal matters, and renders no opinion of property title, which is assumed to be good and merchantable.
3. All encumbrances, including mortgages, liens, leases, and servitudes, were disregarded in this valuation unless specified in the report. It was recognized, however, that the typical purchaser would likely take advantage of the best available financing, and the effects of such financing on property value were considered.
4. All information contained in the report, which was furnished by others, was assumed to be true, correct, and reliable. A reasonable effort was made to verify such information, but the author assumes no responsibility for its accuracy.
5. The report was made assuming responsible ownership and capable management of the property.
6. The sketches, photographs, and other exhibits in this report are solely for the purpose of assisting the reader in visualizing the property. The author made no property survey, and assumes no liability in connection with such matters. It was also assumed there is no property encroachment or trespass unless noted in the report.
7. The author of this report assumes no responsibility for hidden or unapparent conditions of the property, subsoil, or structures, or the correction of any defects now existing or that may develop in the future. Equipment components were assumed in good working condition unless otherwise stated in this report.
8. It is assumed that there are no hidden or unapparent conditions for the property, subsoil, or structures, which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering, which may be required to discover such factors.
9. The investigation made it reasonable to assume, for report purposes, that no insulation or other product banned by the Consumer Product Safety Commission has been introduced into the Subject premises. Visual inspection by the consultant did not indicate the presence of any hazardous waste. It is suggested the client obtain a professional environmental hazard survey to further define the condition of the Subject soil if they deem necessary.
10. Any distribution of total property value between land and improvements applies only under the existing or specified program of property utilization. Separate valuations for land and buildings must not be used in conjunction with any other study or appraisal and are invalid if so used.

11. A valuation estimate for a property is made as of a certain day. Due to the principles of change and anticipation, the value estimate is only valid as of the date of valuation. The real estate market is non-static and change and market anticipation is analyzed as of a specific date in time and is only valid as of the specified date.
12. Possession of the report, or a copy thereof, does not carry with it the right of publication, nor may it be reproduced in whole or in part, in any manner, by any person, without the prior written consent of the author particularly as to value conclusions, the identity of the author or the firm with which he or she is connected. Neither all nor any part of the report, or copy thereof shall be disseminated to the general public by the use of advertising, public relations, news, sales, or other media for public communication without the prior written consent and approval of the consultant. Nor shall the consultant, firm, or professional organizations of which the consultant is a member be identified without written consent of the consultant.
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14. The author of this report is not required to give testimony or attendance in legal or other proceedings relative to this report or to the Subject unless satisfactory additional arrangements are made prior to the need for such services.
15. The opinions contained in this report are those of the author and no responsibility is accepted by the author for the results of actions taken by others based on information contained herein.
16. Opinions of value contained herein are estimates. There is no guarantee, written or implied, that the Subject will sell or lease for the indicated amounts.
17. All applicable zoning and use regulations and restrictions are assumed to have been complied with, unless nonconformity has been stated, defined, and considered in the appraisal report.
18. It is assumed that all required licenses, permits, covenants or other legislative or administrative authority from any local, state, or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
19. On all appraisals, subject to satisfactory completion, repairs, or alterations, the appraisal report and value conclusions are contingent upon completion of the improvements in a workmanlike manner and in a reasonable period of time. A final inspection and value estimate upon the completion of said improvements should be required.
20. All general codes, ordinances, regulations, or statutes affecting the property have been and will be enforced and the property is not subject to flood plain or utility restrictions or moratoriums except as reported to the consultant and contained in this report.

21. The party for whom this report is prepared has reported to the consultant there are no original existing condition or development plans that would subject this property to the regulations of the Securities and Exchange Commission or similar agencies on the state or local level.
22. Unless stated otherwise, no percolation tests have been performed on this property. In making the appraisal, it has been assumed the property is capable of passing such tests so as to be developable to its highest and best use, as detailed in this report.
23. No in-depth inspection was made of existing plumbing (including well and septic), electrical, or heating systems. The consultant does not warrant the condition or adequacy of such systems.
24. No in-depth inspection of existing insulation was made. It is specifically assumed no Urea Formaldehyde Foam Insulation (UFFI), or any other product banned or discouraged by the Consumer Product Safety Commission has been introduced into the appraised property. The consultant reserves the right to review and/or modify this appraisal if said insulation exists on the Subject.
25. Acceptance of and/or use of this report constitute acceptance of all assumptions and the above conditions. Estimates presented in this report are not valid for syndication purposes.

ADDENDUM B

Subject Photographs

Photographs of Subject Site and Street Views



Subject site



Subject site



Subject site



Subject site



View west on Eckhardt Lane (site on left)



View north on I-35 Frontage Road



Immediately Northeast – Commercial



Further Northeast – retail in New Braunfels



South – site for The Parklands (MPD)



Southwest – site for Cypress Point III (SFH subdivision)



Southwest – typical single-family home in Cypress Point



Southwest – typical single-family home in Cypress Point



Northwest – Sysco facility



GE Oil & Gas facility

ADDENDUM C

Qualifications of Consultants

STATEMENT OF PROFESSIONAL QUALIFICATIONS
REBECCA S. ARTHUR, MAI

I. Education

University of Nebraska, Lincoln, Nebraska
Bachelor of Science in Business Administration – Finance

Appraisal Institute
Designated Member (MAI)

II. Licensing and Professional Affiliation

Designated Member of the Appraisal Institute (MAI)
 Kansas City Chapter of the Appraisal Institute Board of Directors – 2013 & 2014
Member of Commercial Real Estate Women (CREW) Network
Member of National Council of Housing Market Analysts (NCHMA)

State of Arkansas Certified General Real Estate Appraiser No. CG2682N
State of Arizona Certified General Real Estate Appraisal No. 31992
State of California Certified General Real Estate Appraiser No. AG041010
State of Hawaii Certified General Real Estate Appraiser No. CGA-1047
State of Iowa Certified General Real Estate Appraiser No. CG03200
State of Indiana Certified General Real Estate Appraiser No. CG41300037
State of Kansas Certified General Real Estate Appraiser No. G-2153
State of Michigan Certified General Real Estate Appraiser No. 1201074011
State of Minnesota Certified General Real Estate Appraiser No. 40219655
State of Missouri Certified General Real Estate Appraiser No. 2004035401
State of New Mexico Certified General Real Estate Appraiser No. 02511-G
State of Texas Certified General Real Estate Appraiser No. TX-1338818-G

III. Professional Experience

Partner, Novogradac & Company LLP
Principal, Novogradac & Company LLP
Manager, Novogradac & Company LLP
Real Estate Analyst, Novogradac & Company LLP
Corporate Financial Analyst, Deloitte & Touche LLP

IV. Professional Training

The Appraiser as an Expert Witness: Preparation & Testimony, April 2013
Forecasting Revenue, December 2012
USPAP Update, May 2012
How to Analyze and Value Income Properties, May 2011
Appraising Apartments – The Basics, May 2011
Business Practices and Ethics, December 2010

HUD MAP Third Party Training, June 2010
HUD LEAN Third Party Training, January 2010
National Uniform Standards of Professional Appraisal Practice, April 2010
MAI Comprehensive Four Part Exam, July 2008
Report Writing & Valuation Analysis, December 2006
Advanced Applications, October 2006
Highest and Best Use and Market Analysis, July 2005
Advanced Sales Comparison and Cost Approaches, April 2005
Advanced Income Capitalization, October 2004
Basic Income Capitalization, September 2003
Appraisal Procedures, October 2002
Appraisal Principals, September 2001

V. Real Estate Assignments

A representative sample of Due Diligence, Consulting, or Valuation Engagements includes:

- In general, have managed and conducted numerous market analyses and appraisals for various types of commercial real estate since 2001, with an emphasis on multifamily housing and land.
- Have managed and conducted numerous market and feasibility studies for multifamily housing. Properties types include Section 42 Low Income Housing Tax Credit (LIHTC) Properties, Section 8, USDA and/or conventional. Local housing authorities, developers, syndicators, HUD and lenders have used these studies to assist in the financial underwriting and design of multifamily properties. Analysis typically includes; unit mix determination, demand projections, rental rate analysis, competitive property surveying, and overall market analysis. The Subjects include both new construction and rehabilitation properties in both rural and metro regions throughout the United States and its territories.
- Have managed and conducted numerous appraisals of multifamily housing. Appraisal assignments typically involved determining the as is, as if complete and the as if complete and stabilized values. Additionally, encumbered LIHTC and unencumbered values were typically derived. The three traditional approaches to value are developed with special methodologies included to value tax credit equity, below market financing and PILOT agreements.
- Performed market studies and appraisals of proposed new construction and existing properties under the HUD Multifamily Accelerated Processing (MAP) program. These reports meet the requirements outlined in HUD Handbook 4465.1 and Chapter 7 of the HUD MAP Guide for 221(d)(4) and 223(f) programs, as well as the LIHTC PILOT Program.
- Performed numerous market study/appraisals assignments for USDA RD properties in several states in conjunction with acquisition rehabilitation redevelopments. Documents are used by states, FannieMae, USDA, and the developer in the underwriting process. Market studies are compliant to State, FannieMae, and USDA requirements. Appraisals are compliant to FannieMae and USDA HB-1-3560 Chapter 7 and Attachments.

- Completed numerous FannieMae and FreddieMac appraisals of affordable and market rate multi-family properties for DUS Lenders.
- Managed and Completed numerous Section 8 Rent Comparability Studies in accordance with HUD's Section 8 Renewal Policy and Chapter 9 for various property owners and local housing authorities.
- Managed and conducted various City and County-wide Housing Needs Assessments in order to determine the characteristics of existing housing, as well as determine the need for additional housing within designated areas.
- Performed numerous valuations of the General and/or Limited Partnership Interest in a real estate transaction, as well as LIHTC Year 15 valuation analysis.

VI. Speaking Engagements

A representative sample of industry speaking engagements follows:

- Institute for Professional Education and Development (IPED): Tax Credit Seminars
- Institute for Responsible Housing Preservation (IRHP): Annual Meetings
- National Council of Housing Market Analysts (NCHMA): Seminars and Workshops
- Novogradac & Company LLP: LIHTC, Developer and Bond Conferences
- AHF Live! Affordable Housing Finance Magazine Annual Conference
- Kansas Housing Conference
- California Council for Affordable Housing Meetings

STATEMENT OF PROFESSIONAL QUALIFICATIONS

MATTHEW A. HUMMEL

I. EDUCATION

Rockhurst University – Kansas City, Missouri

Master of Business Administration - Concentration in Management and International, 2008

University of Missouri-Columbia

Bachelor of Business Administration - Finance and Banking, 2006

II. LICENSING AND PROFESSIONAL AFFLIATION

Appraisal Institute Candidate for Designation

State of Kansas Certified General Real Estate Appraiser No. G-2959

State of Washington Certified General Real Estate Appraiser No. 1102285

State of California Certified General Real Estate Appraiser No. 3002505

State of Missouri Certified General Real Estate Appraiser No. 2014030618

State of Texas Certified General Real Estate Appraiser No. TX1380146-G

State of New Mexico Certified General Real Estate Appraiser No. 03446-L

State of Michigan Certified General Real Estate Appraiser No. 1201075419

III. PROFESSIONAL EXPERIENCE

Manager - Novogradac & Company LLP

Real Estate Analyst - Novogradac & Company LLP

Researcher - Novogradac & Company LLP

December 2010 to Present

Investor Reporting Analyst - KeyBank Real Estate Capital

Insurance Specialist - KeyBank Real Estate Capital

May 2009 to December 2010

IV. PROFESSIONAL TRAINING

Educational requirements successfully completed for the Appraisal Institute

Basic Appraisal Principles - March 2012

Basic Appraisal Procedures - December 2012

Statistics, Modeling, and Finance - April 2013

General Appraiser Market Analysis Highest and Best Use - April 2013

National Uniform Standards of Professional Appraisal Practice - May 2013

General Appraiser Sales Comparison Approach – June 2013

General Appraiser Site Valuation and Cost Approach – July 2013

General Report Writing and Case Studies – August 2013

General Appraiser Income Approach – September 2013

Commercial Appraisal Review – September 2013

Expert Witness for Commercial Appraisers – October 2013

Supervisor – Trainee Course – December 2014

The Nuts and Bolts of Green Building – March 2015

Even Odder – More Oddball Appraisal – March 2015

Mortgage Fraud – April 2015

2014-2015 National USPAP Course – April 2015

V. REAL ESTATE ASSIGNMENTS

A representative sample of Due Diligence, Consulting, or Valuation Engagements includes:

- Prepared and managed market studies and appraisals for proposed Low-Income Housing Tax Credit, market rate, HOME financed, USDA Rural Development, and HUD subsidized properties, on a national basis. Analysis includes property screenings, market analysis, comparable rent surveys, demand analysis based on the number of income qualified renters in each market, supply analysis, and operating expenses analysis. Property types include proposed multifamily, senior independent living, assisted living, large family, and acquisition with rehabilitation.
- Prepared and managed Rent Comparability Studies for expiring Section 8 contracts and USDA contracts for subsidized properties located throughout the United States. Engagements included site visits to the subject property, interviewing and inspecting potentially comparable properties, and the analyses of collected data including adjustments to comparable data to determine appropriate adjusted market rents using HUD form 92273.
- Performed and have overseen numerous market study/appraisal assignments for USDA RD properties in several states in conjunction with acquisition/rehabilitation redevelopments. Documents are used by states, lenders, USDA, and the developer in the underwriting process. Market studies are compliant to State, lender, and USDA requirements. Appraisals are compliant to lender requirements and USDA HB-1-3560 Chapter 7 and Attachments
- Researched and analyzed local and national economy and economic indicators for specific projects throughout the United States. Research included employment industries analysis, employment historical trends and future outlook, and demographic analysis.
- Examined local and national housing market statistical trends and potential outlook in order to determine sufficient demand for specific projects throughout the United States.
- Performed and managed market studies and appraisals of proposed new construction and existing properties under the HUD Multifamily Accelerated Processing (MAP) program. These reports meet the requirements outlined in HUD Handbook 4465.1 and Chapter 7/Appendix 7 of the HUD MAP Guide for 221(d)(4) and 223(f) programs.

STATEMENT OF PROFESSIONAL QUALIFICATIONS

JULIA SMITH

I. Education

University of Arizona, School of Sociology (in progress)

Ph.D. in Sociology with concentrations in Stratification and Methodology/Statistics

The London School of Economics and Political Science

MSc in Comparative Politics (States and Markets)

The London School of Economics and Political Science

MSc in Social Policy and Planning

American University, Washington, DC

BA in Law and Society, minor in Mathematics

II. Professional Experience

Principal, Julia Grace Smith, LLC (2011 – Present)

Analyst, Novogradac & Company LLP (2006 – 2009)

Legal Secretary, Bergen & Bergen Law Firm

Research Assistant, Chr. Michelson Institute

III. Research Assignments

- Conducted market and feasibility studies for affordable housing. Properties are generally Section 42 Low Income Housing Tax Credit Properties. Local housing authorities, developers, syndicators and lenders have used these studies to assist in the financial underwriting and design of LIHTC properties. Analysis typically includes; unit mix determination, demand projections, rental rate analysis, competitive property surveying and overall market analysis.
- Conducted Rent Comparability Studies and HUD MAP Market Studies according to HUD guidelines.
- Assisted in appraisals of proposed new construction and existing Low-Income Housing Tax Credit properties.

ADDENDUM D

Site/Floor Plans and Survey



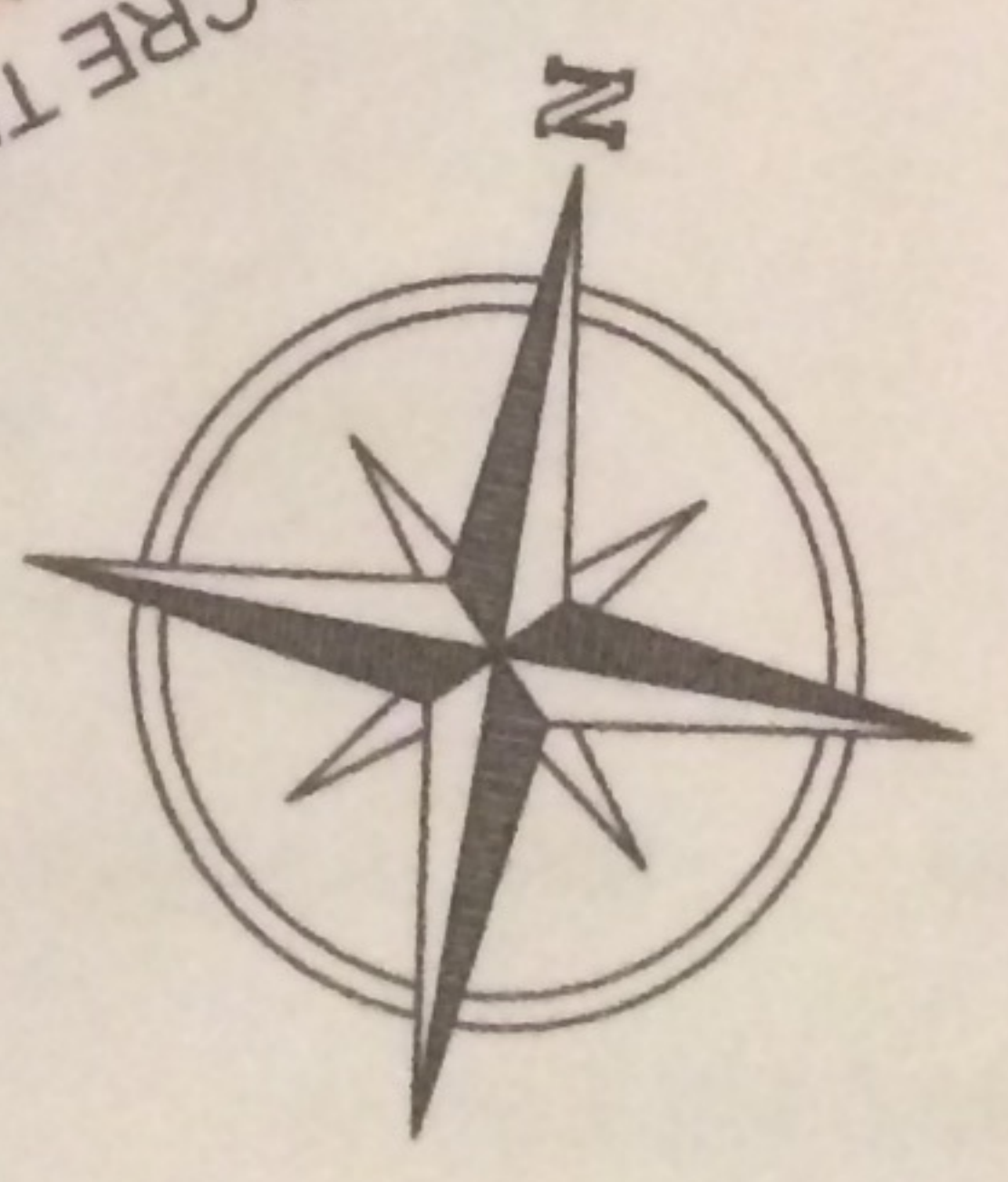
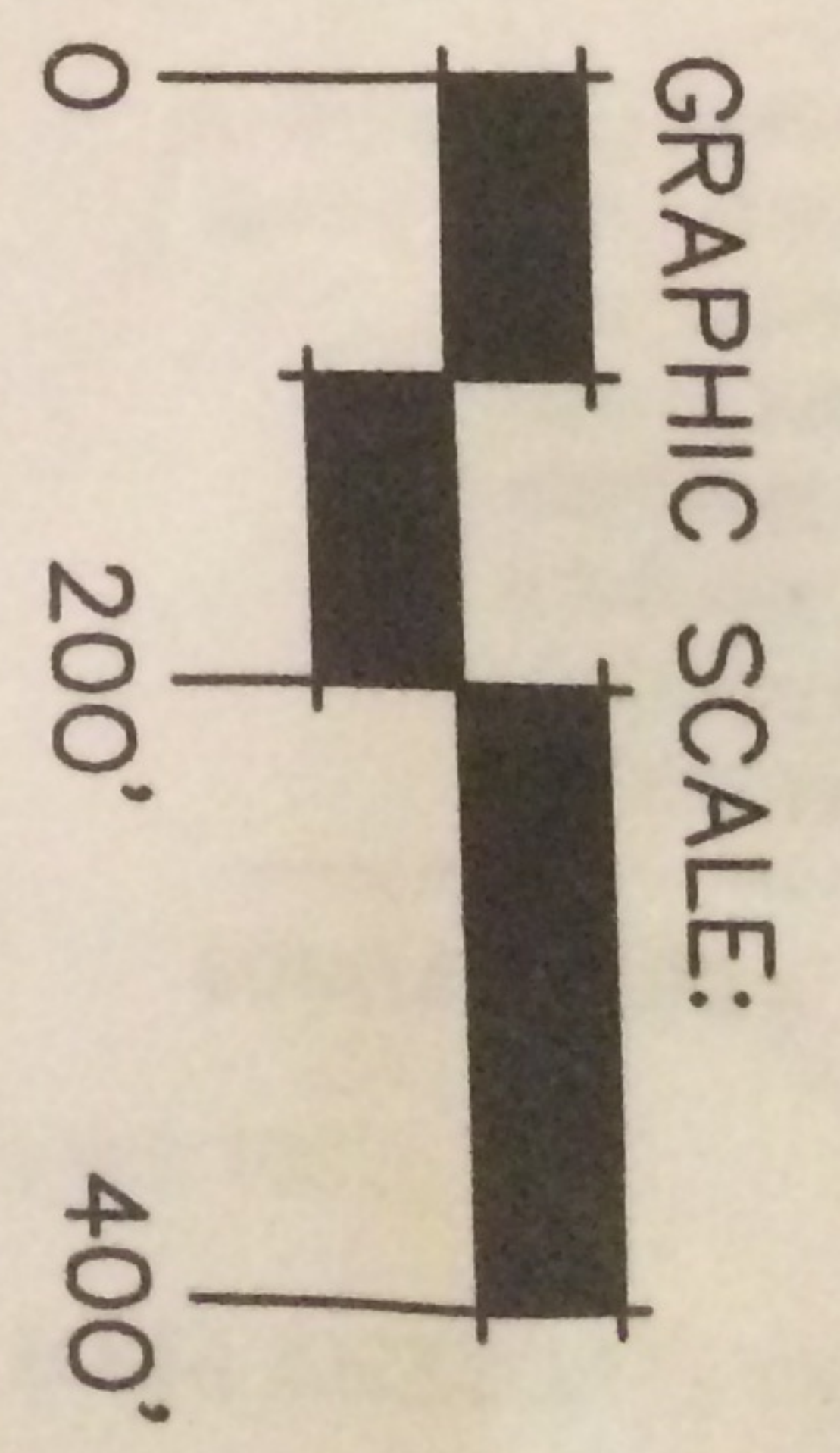
EXISTING / PROPOSED
OFFICE

1ST PROPOSED
16 UNIT, 2-STORY

MAINTAIN EXISTING
POND AS DETENTION

8-ACRE TRACT

20-ACRE TRACT



BUTTRUM CONSTRUCTION

ECKHARDT ROAD, SITE DEVELOPMENT PLAN - May 17, 2016

Mark Stuart, AIA