

Integra Realty Resources
Seniors Housing & Health Care Specialty Practice

Market Study Of:

Shoals Creek Senior Village
NWQ of Flat Shoals Road SE and Iris Drive
Conyers, Georgia 30013
Latitude: 33.635138, Longitude: -89.983090

Prepared For:

Mr. Thomas Chandler
Post Office Box 555
Fayetteville, Georgia 30214

Integra Realty Resources File Number:

File Number: 148-2017-0253





June 23, 2017

Mr. Thomas Chandler
Post Office Box 555
Fayetteville, Georgia 30214

Subject: Shoals Creek Senior Village
NWQ of Flat Shoals Road SE and Iris Drive
Conyers, Georgia 30013

Pursuant to your request, we have completed a market study of the above-referenced property. Accompanying this letter is a report that contains a narrative of the factual data and appropriate analyses.

This report has been prepared in conformance with the Code of Ethics and Standards of Professional Practice of the Appraisal Institute. Further, the report is intended to comply with the Uniform Standards of Professional Appraisal Practice.

The purpose of this market study is to determine market bed need and competition analysis for a proposed independent living, assisted living, memory care and age-restricted apartment property in Conyers, Georgia. The intended use is to assist the client with their due diligence for the development of the subject property.

The scope of this assignment includes the following research and analysis.

- Description of Area and market area,
- Supply and demand analysis for the Independent living, assisted living, memory care and age-restricted apartment market segments in the PMA are performed,
- Identification and demographic description of the Primary Market Area,
- Develop a demand estimate for independent living, assisted living, memory care and age-restricted apartment in the PMA,
- List competitive supply of independent living, assisted living, memory care and age-restricted apartment,
- Quantify unmet demand for these segments in the PMA,
- An occupancy survey was made,

- A pipeline survey was made, and
- Rental rate analysis.

We appreciate this opportunity to provide valuation services to our client.

Integra Realty Resources Seniors Housing & Health Care Specialty Practice



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Summary of Salient Facts and Conclusions

Property Name:	Shoals Creek Senior Village	
Property Identification -		
Street Address:	NWQ of Flat Shoals Road SE and Iris Drive	
Municipality:	Conyers	
County:	Rockdale	
State:	Georgia	
Zip:	30013	
Census Tract -		
State Code:	13	
County Code:	247	
Tract/BNA Code:	0603.05	
Purpose of Market Study	To determine if there is sufficient market demand to support the proposed subject property.	
Certification -		
Certified Appraisers:	John F. Thigpen, MAI	Bradford L. Johnson, MAI, MRICS
Certification Numbers:	287684	3936
Certification Types:	Certified General Real Property Appraiser	Certified General Real Property Appraiser
Site Summary -		
Site Size (Acres):	35.65	
Shape:	Irregular	
Utilities:	All standard municipal utilities available	
Improvement Summary -		
Property Type:	Seniors housing	
Care Provided:	Independent Living, assisted living, memory care and Age-Restricted Apartments	
Year of Construction:	2018	
Construction Type:	Class D	
Gross Building Area (SF):	351,528	
Assisted Living Units:	60	
Age-Restricted Apartment Units:	172	
Independent Living Units:	68	
Total Units:	300	
Number of Licensed Beds:	66	
Number of Operating Beds:	306 (Including 2nd persons)	

The following table summarizes the concluded market rents for the subject property.

Estimated of Market Rents						
Unit/Bed Type	Care Type	Square Feet	Number of Units/Beds	Monthly Rent	Rent Per Square Foot	Monthly Gross Potential Income
1 Bedroom, 1 Bath	Senior Apartments	970	64	\$1,400	\$1.44	\$89,600
2 Bedroom, 2 Bath	Senior Apartments	1,334	108	\$1,750	\$1.31	\$189,000
2 BR/2 BA, Villa	Independent Living	1,324	33	\$3,000	\$2.27	\$99,000
2 BR/2 BA, Den, Chateau	Independent Living	1,908	18	\$3,500	\$1.83	\$63,000
2 BR/2 BA, Den, Chateau, Large	Independent Living	1,920	17	\$3,525	\$1.84	\$59,925
Studio	Assisted living	350	20	\$3,600	\$10.29	\$72,000
1 Bedroom	Assisted living	550	14	\$4,000	\$7.27	\$56,000
2 Bedroom	Assisted living	700	8	\$4,400	\$6.29	\$35,200
Studio	Memory Care	350	12	\$4,700	\$13.43	\$56,400
Studio, Shared	Memory Care	350	12	\$3,600	\$10.29	\$43,200
Totals			306			\$763,325
Annual Gross Potential Unit Rental Income						\$9,159,900

Strengths and Weaknesses

The following paragraphs summarize the planned subject property and the market.

- **Location:** The property is located at the northwest quadrant of Flat Shoals Road and Iris Drive in Conyers, Rockdale County, Georgia. The subject is located in an area developed with mixed uses such as single family residential, retail and multi-family.
- **Demographics:** The forecasted growth of the total population of the PMA is greater than the nation. It is forecasted to grow an average annual rate of 1.26% compared to the nation's forecasted annual growth rate of 0.74%. The market can be characterized as an adult child type market as evident by the above average growth rate of the adult child age group (age 45-64 years). Its percentage of population is also slightly above the national average. The market is also considered an aging in place type market. Population growth rates for seniors is above the national averages.
- **Income:** Income levels for seniors age 75 to 84 and 85 years+ are above the national averages. However, income levels for those in the 65 to 74-year age bracket are below average. The median household income for the total population in the PMA is less than the national average.
- **Market Demand:** The Independent Living market segment has a current unmet demand of 300 beds and in five years, the unmet demand is forecasted at 287 beds. Demand for independent living is forecasted to grow at an average annual rate of 3% over the next ten years. There is sufficient unmet demand to support the planned assisted living and memory care component.
- **Competition.** The subject is located about 3.3 miles from its closest competitor. The three competitors in Conyers are located 3.3 to 3.4 miles from the subject. There are no age-restricted apartment properties in the PMA.
- **Market Occupancy:** The average of the independent living rent comparables is 96% and the average of the age-restricted comparables is 95%. The occupancy of the assisted living and memory care rent comparables is 91%.

General Information

Identification of the Subject

The subject is a proposed seniors housing facility located at NWQ of Flat Shoals Road SE and Iris Drive, Conyers, Rockdale County, Georgia, and it is known as Shoals Creek Senior Village.

The subject is a proposed independent living and age-restricted apartment. The independent living component will be constructed in two phases and will total 68 village style units. The first phase will have 36 IL units that will be constructed on 9.37 acres and the second phase will have 32 IL units that will be constructed on 8.07 acres. The IL component will have a mix of two bedroom, two bathroom units and two bedrooms, two bathrooms and a den. All units will have attached garages. There will be a clubhouse, pool and community even center constructed.

The age-restricted apartment property will have 172 units and will have one and two bedroom units. The apartment building will have two stories and there will be a total of eight buildings. Project amenities include a clubhouse, swimming pool and tennis courts. Including the 5.17-acre community park, the total land area for the apartment development is 15 acres.

The assisted living and memory care component is still being planned. It should have between 60 and 90 units. For this analysis, we are projecting the subject will have 60 units and 66 operating beds and will have 24 memory care beds.

A copy of the site plan can be found on the following page.

Purpose of the Market Study

The purpose of this market study is to determine market bed need and competition analysis for the independent living, assisted living, memory care and age-restricted apartment market segments.

Client, Intended User(s) and Intended Uses(s)

Mr. Thomas Chandler engaged IRR to prepare this appraisal and is also the intended user of this report. The intended use is to determine if there is sufficient unmet demand for the proposed subject property.

Pertinent Dates

Dates pertinent to this assignment are as follows:

Pertinent Dates	
Item	Date
Report Date	June 23, 2017
Effective Date of Report	June 5, 2017

Prior Services

USPAP 2016-17 requires the appraiser to disclose “any services regarding the subject property performed by the appraiser within the three-year period immediately preceding acceptance of the assignment, as an appraiser or in any other capacity.” Pursuant to that requirement, to the best of our knowledge, we:

- Have provided consulting services in connection with this property within the past three years for the current client.

Scope of Work

USPAP 2016-2017 states:

For each appraisal and appraisal review assignment, an appraiser must:

1. Identify the problem to be solved;
2. Determine and perform the scope of work necessary to develop credible assignment results; and
3. Disclose the scope of work in the report.

Pursuant to that requirement, the steps in the appraisal process are as follows:

- Description of Area and market area,
- Supply and demand analysis for the Independent living and age-restricted apartment market segments in the PMA are performed,
- Identification and demographic description of the Primary Market Area,
- Develop a demand estimate for independent living and age-restricted apartment in the PMA,
- List competitive supply of independent living and age-restricted apartment,
- Quantify unmet demand for these segments in the PMA,
- An occupancy survey was made,
- A pipeline survey was made, and
- Rental rate analysis.

Inspection

John F. Thigpen, MAI has conducted an inspection of the subject property. Bradford L. Johnson, MAI, MRICS has not conducted an inspection of the subject.

Data Collection

Three types of data are normally gathered while completing an appraisal: general, specific, and competitive supply and demand.

General Data

General data concerns the social, economic, governmental, and environmental forces that impact property values. This data is found in the area description and analysis and the neighborhood description and analysis sections of this report. We have gathered the general data from a variety of sources and publications, which are noted in the analyses. In addition, the general data concerning the neighborhood is based upon observations made during our inspection of the neighborhood.

Specific Data

The data relating to the property being appraised and comparable properties is referred to as specific data. Documents we have relied upon for specific data pertaining to the subject are listed in the general assumptions section. Additional data pertaining to the subject has been gathered from zoning maps, tax records, and other resources maintained in our library, city halls, chambers of commerce, Rockdale County, and various state of Georgia offices.

The specific comparable data has been gathered from market participants. The extent of the comparable market data collection process varies for each type of comparable data. Refer to discussions preceding the presentation of data in the approaches to value for descriptions of the data sources consulted and the search criteria.

Competitive Supply and Demand Data

An analysis of seniors housing supply and demand conditions is included in this report.

Report Type

Standards Rule 2-2 of the Uniform Standards of Professional Appraisal Practice sets forth two reporting options, as follows:

Appraisal Report: should summarize all pertinent data considered and summarize all analyses developed in arriving at the conclusion of value.

Restricted Report: merely states the major conclusions without discussion of the data considered and the analyses conducted.

This report is intended to comply with the requirements for an Appraisal Report.

Compliance

We have developed this appraisal in compliance with:

- The requirements of the Code of Ethics and the Standards of Professional Practice of the Appraisal Institute;
- The Uniform Standards of Professional Appraisal Practice promulgated by the Appraisal Foundation;

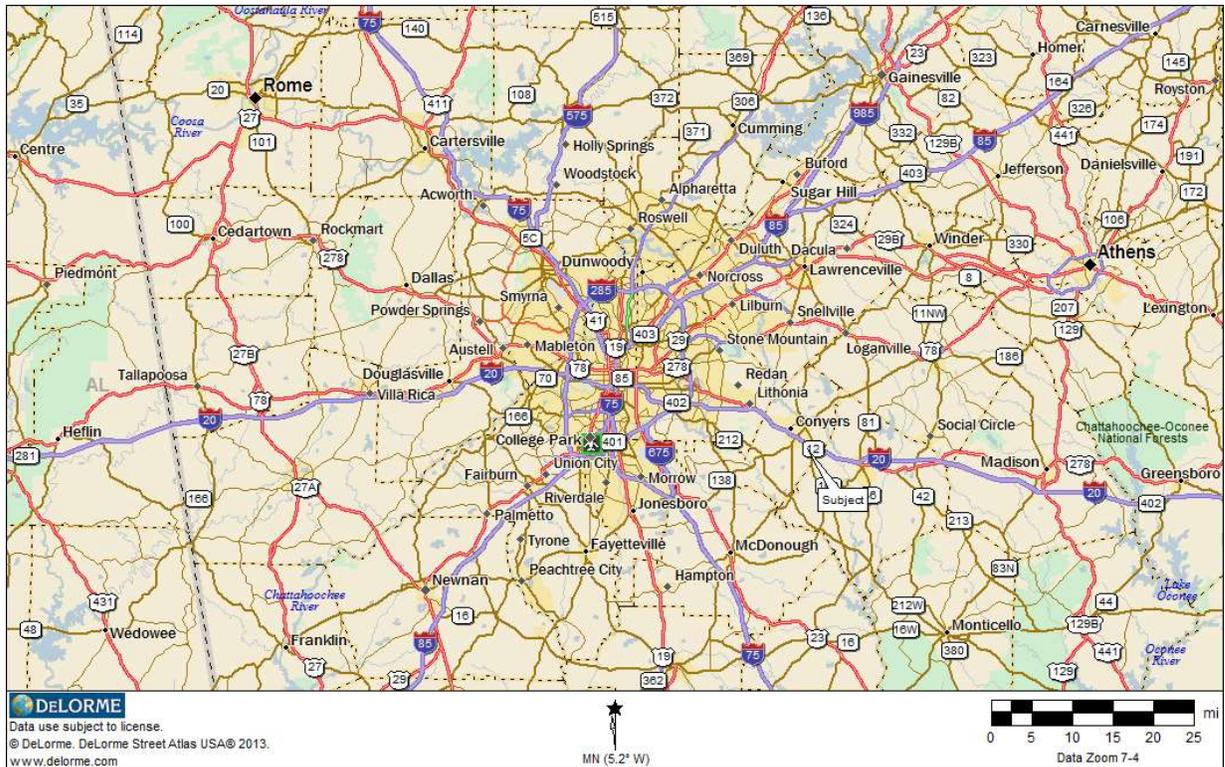
Competency

With 57 offices nationwide, Integra Realty Resources is America's largest commercial valuation and counseling firm. From 2002 through 2016, the practice completed in excess of 10,000 assignments related to seniors housing and health care properties. Assignments have been completed in all 50 states, the District of Columbia, and Canada. Most involved the valuation of going concerns. The firm maintains an extensive library of seniors housing and health care industry publications, and the firm and its staff have the knowledge, experience, and resources necessary to evaluate seniors housing and health care properties of all types.

Economic Analysis

Atlanta MSA Area Analysis

The subject is located in the Atlanta-Sandy Springs-Roswell, GA Metropolitan Statistical Area, hereinafter called the Atlanta MSA, as defined by the U.S. Office of Management and Budget. The Atlanta MSA is 8,686 square miles in size, and is the ninth most populous metropolitan area in the nation.



Population

The Atlanta MSA has an estimated 2017 population of 5,843,277, which represents an average annual 1.4% increase over the 2010 census of 5,286,728. The Atlanta MSA added an average of 79,507 residents per year over the 2010-2017 period, and its annual growth rate exceeded the State of Georgia rate of 1.0%.

Looking forward, the Atlanta MSA's population is projected to increase at a 1.3% annual rate from 2017-2022, equivalent to the addition of an average of 78,177 residents per year. The Atlanta MSA's growth rate is expected to exceed that of Georgia, which is projected to be 1.0%.

Population Trends					
	Population			Compound Ann. % Chng	
	2010 Census	2017 Est.	2022 Est.	2010 - 2017	2017 - 2022
Georgia	9,687,653	10,375,263	10,911,290	1.0%	1.0%
Atlanta-Sandy Springs et al, GA	5,286,728	5,843,277	6,234,160	1.4%	1.3%
Rockdale County, GA	85,215	90,313	95,044	0.8%	1.0%

Source: The Nielsen Company

Employment

Total employment in the Atlanta MSA is currently estimated at 2,714,600 jobs. Between year-end 2006 and the present, employment rose by 248,700 jobs, equivalent to a 10.1% increase over the entire period. There were gains in employment in eight out of the past ten years despite the national economic downturn and slow recovery. The Atlanta MSA's rate of employment growth over the last decade surpassed that of Georgia, which experienced an increase in employment of 6.8% or 282,300 jobs over this period.

A comparison of unemployment rates is another way of gauging an area's economic health. Over the past decade, the Atlanta MSA unemployment rate has been generally lower than that of Georgia, with an average unemployment rate of 7.2% in comparison to a 7.4% rate for Georgia. A lower unemployment rate is a positive indicator.

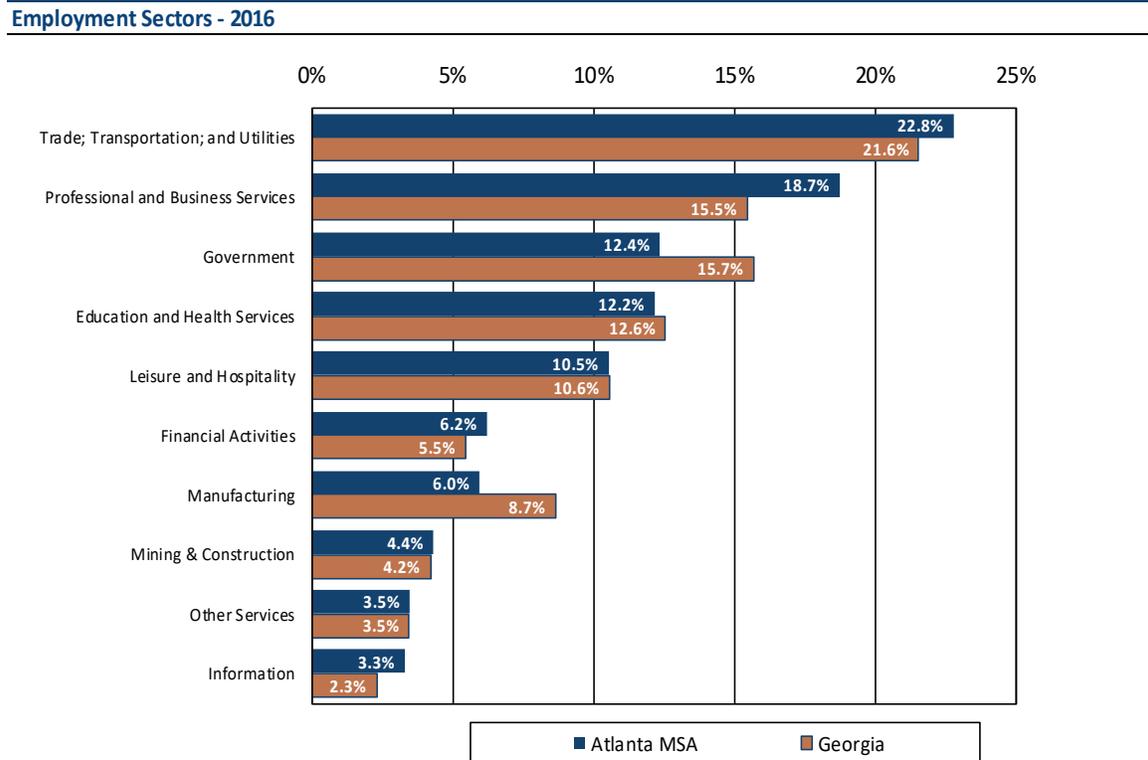
Recent data shows that the Atlanta MSA unemployment rate is 4.5% in comparison to a 5.3% rate for Georgia, a positive sign that is consistent with the fact that the Atlanta MSA has outperformed Georgia in the rate of job growth over the past two years.

Year	Total Employment (Year End)				Unemployment Rate (Ann. Avg.)	
	%		%		Atlanta MSA	Georgia
	Atlanta MSA	Change	Georgia	Change		
2006	2,465,900		4,174,800		4.7%	4.7%
2007	2,484,400	0.8%	4,201,300	0.6%	4.4%	4.5%
2008	2,396,600	-3.5%	4,059,000	-3.4%	6.2%	6.2%
2009	2,278,400	-4.9%	3,872,200	-4.6%	9.9%	9.9%
2010	2,301,100	1.0%	3,896,700	0.6%	10.3%	10.6%
2011	2,342,800	1.8%	3,935,400	1.0%	9.9%	10.2%
2012	2,391,800	2.1%	4,009,700	1.9%	8.8%	9.2%
2013	2,469,900	3.3%	4,101,600	2.3%	7.8%	8.2%
2014	2,574,100	4.2%	4,242,400	3.4%	6.7%	7.1%
2015	2,643,800	2.7%	4,360,300	2.8%	5.6%	5.9%
2016	2,714,600	2.7%	4,457,100	2.2%	5.0%	5.3%
Overall Change 2006-2016	248,700	10.1%	282,300	6.8%		
Avg Unemp. Rate 2006-2016					7.2%	7.4%
Unemployment Rate - April 2017					4.5%	5.3%

Source: Bureau of Labor Statistics and Economy.com. Employment figures are from the Current Employment Survey (CES). Unemployment rates are from the Current Population Survey (CPS). The figures are not seasonally adjusted.

Employment Sectors

The composition of the Atlanta MSA job market is depicted in the following chart, along with that of Georgia. Total employment for both areas is broken down by major employment sector, and the sectors are ranked from largest to smallest based on the percentage of Atlanta MSA jobs in each category.



Source: Bureau of Labor Statistics and Economy.com

The Atlanta MSA has greater concentrations than Georgia in the following employment sectors:

1. Trade; Transportation; and Utilities, representing 22.8% of Atlanta MSA payroll employment compared to 21.6% for Georgia as a whole. This sector includes jobs in retail trade, wholesale trade, trucking, warehousing, and electric, gas, and water utilities.
2. Professional and Business Services, representing 18.7% of Atlanta MSA payroll employment compared to 15.5% for Georgia as a whole. This sector includes legal, accounting, and engineering firms, as well as management of holding companies.
3. Financial Activities, representing 6.2% of Atlanta MSA payroll employment compared to 5.5% for Georgia as a whole. Banking, insurance, and investment firms are included in this sector, as are real estate owners, managers, and brokers.



4. Mining & Construction, representing 4.4% of Atlanta MSA payroll employment compared to 4.2% for Georgia as a whole. This sector includes construction of buildings, roads, and utility systems, as well as mining, quarrying, and oil and gas extraction.

The Atlanta MSA is underrepresented in the following sectors:

1. Government, representing 12.4% of Atlanta MSA payroll employment compared to 15.7% for Georgia as a whole. This sector includes employment in local, state, and federal government agencies.
2. Education and Health Services, representing 12.2% of Atlanta MSA payroll employment compared to 12.6% for Georgia as a whole. This sector includes employment in public and private schools, colleges, hospitals, and social service agencies.
3. Manufacturing, representing 6.0% of Atlanta MSA payroll employment compared to 8.7% for Georgia as a whole. This sector includes all establishments engaged in the manufacturing of durable and nondurable goods.

Major Employers

Major employers in the Atlanta MSA are shown in the following table.

Major Employers - Atlanta-Sandy Springs et al, GA	
Name	Number of Employees
1 Delta Airlines	27,000
2 Wal-Mart Stores, Inc.	26,000
3 Emory University/Emory Healthcare	23,872
4 DeKalb County Government & Schools	20,405
5 AT&T	18,000
6 Publix Supermarkets	17,765
7 Cobb County School District	14,027
8 City of Atlanta Government and Schools	13,628
9 United States Postal Service - Atlanta District	10,324
10 The Coca-Cola Company	9,000

Source: <http://metroatlantachamber.com>

Gross Domestic Product

The Atlanta MSA is the tenth largest metropolitan area economy in the nation based on Gross Domestic Product (GDP).

Economic growth, as measured by annual changes in GDP, has been similar in the Atlanta MSA and Georgia overall during the past eight years. The Atlanta MSA has grown at a 0.9% average annual rate while Georgia has grown at a 0.8% rate. As the national economy improves, the Atlanta MSA has recently performed better than Georgia. GDP for the Atlanta MSA rose by 2.9% in 2015 while Georgia's GDP rose by 2.6%.

The Atlanta MSA has a per capita GDP of \$53,216, which is 22% greater than Georgia's GDP of \$43,555. This means that Atlanta MSA industries and employers are adding relatively more value to the economy than their counterparts in Georgia.

Gross Domestic Product				
Year	(\$ Mil)		(\$ Mil)	
	Atlanta MSA	% Change	Georgia	% Change
2008	285,001		420,483	
2009	271,120	-4.9%	404,575	-3.8%
2010	272,427	0.5%	408,248	0.9%
2011	276,516	1.5%	413,457	1.3%
2012	280,911	1.6%	418,312	1.2%
2013	285,802	1.7%	422,958	1.1%
2014	295,397	3.4%	433,463	2.5%
2015	303,903	2.9%	444,908	2.6%
Compound % Chg (2008-2015)		0.9%		0.8%
GDP Per Capita 2015	\$53,216		\$43,555	

Source: Bureau of Economic Analysis and Economy.com; data released September 2016. The release of state and local GDP data has a longer lag time than national data. The data represents inflation-adjusted "real" GDP stated in 2009 dollars.

Household Income

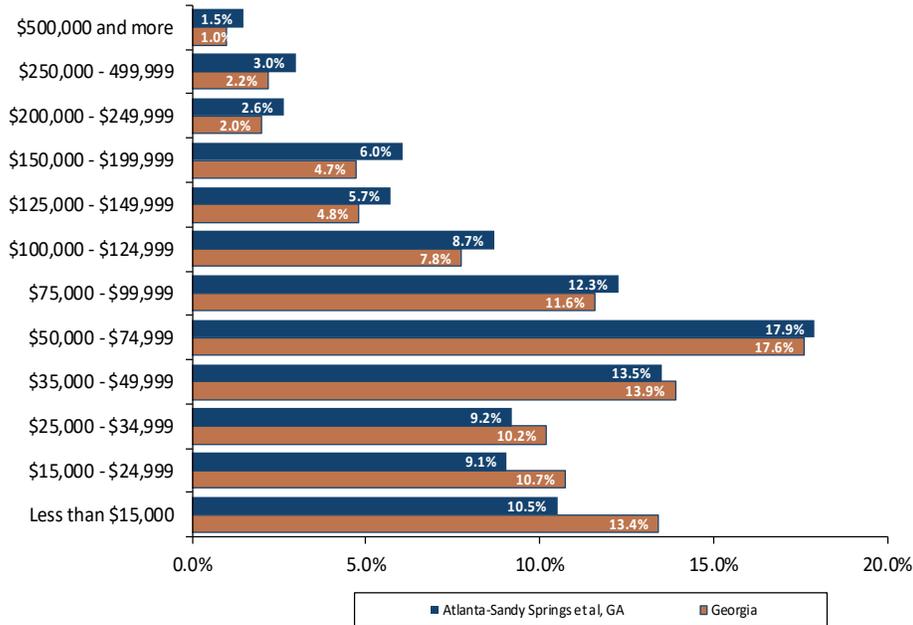
The Atlanta MSA is more affluent than Georgia. Median household income for the Atlanta MSA is \$60,749, which is 15.9% greater than the corresponding figure for Georgia.

Median Household Income - 2017	
	Median
Atlanta-Sandy Springs et al, GA	\$60,749
Georgia	\$52,421
Comparison of Atlanta-Sandy Springs et al, GA to Georgia	+ 15.9%

Source: The Nielsen Company

The following chart shows the distribution of households across twelve income levels. The Atlanta MSA has a greater concentration of households in the higher income levels than Georgia. Specifically, 40% of Atlanta MSA households are at the \$75,000 or greater levels in household income as compared to 34% of Georgia households. A lesser concentration of households is apparent in the lower income levels, as 29% of Atlanta MSA households are below the \$35,000 level in household income versus 34% of Georgia households.

Household Income Distribution - 2017

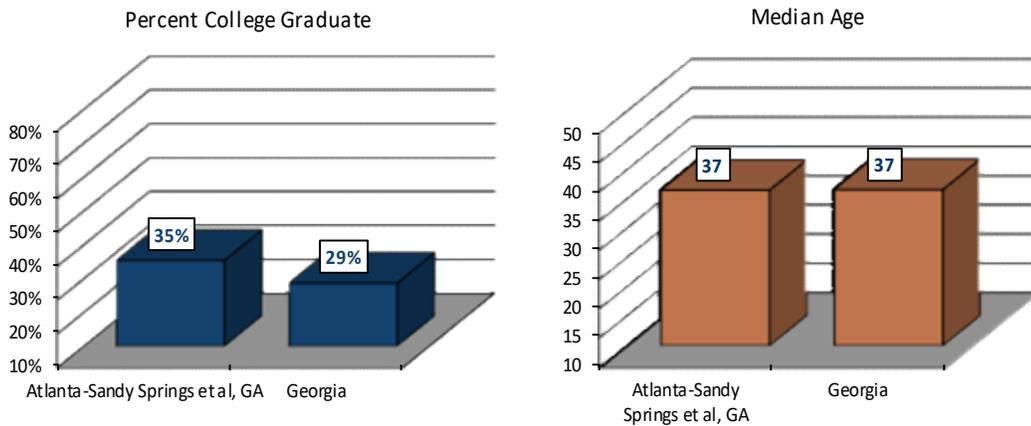


Source: The Nielsen Company

Education and Age

Residents of the Atlanta MSA have a higher level of educational attainment than those of Georgia. An estimated 35% of Atlanta MSA residents are college graduates with four-year degrees, versus 29% of Georgia residents. People in the Atlanta MSA are similar in age to their Georgia counterparts. The median age of both the Atlanta MSA and Georgia is 37 years.

Education & Age - 2017



Source: The Nielsen Company

Conclusion

The Atlanta MSA economy will benefit from a growing population base and higher income and education levels. The Atlanta MSA experienced growth in the number of jobs and has maintained a generally lower unemployment rate than Georgia over the past decade. Moreover, the Atlanta MSA gains strength from being the ninth most populous metropolitan area in the country and having both a higher rate of GDP growth and a higher level of GDP per capita than Georgia overall. We anticipate that the Atlanta MSA economy will improve and employment will grow, strengthening the demand for real estate.

Market Area Description and Analysis

Delineation of Primary Market Area

The Primary Market Area (PMA) for any form of rental real estate property is defined as the area from which a majority of the project's tenants will be drawn. According to various industry sources, the PMA of a seniors housing care facility is determined by the density of the population, the proximity of competing properties, and the ease of transit in the surrounding area. The PMA for urban facilities is generally from 5 to 10 miles, for suburban facilities 5 to 20 miles, and for small town and rural facilities 20 to 30 miles¹ as indicated in the following data.

Distance g	Distances that Residents Relocated From		
	Assisted Living	Assisted & Independent Living	CCRC
Less than 5 miles	40.00%	43.50%	52.20%
5 to 10 miles	20.40%	20.00%	16.40%
11 to 25 miles	20.00%	15.30%	13.40%
25 to 50 miles	7.30%	5.90%	6.00%
More than 50 miles	12.40%	15.30%	11.90%

A number of factors tend to define a market area. One important factor is density. In rural areas, it may be many miles between towns large enough to sustain services, and residents are accustomed to driving significant distances to access services. Conversely, in urban or suburban areas, a resident may have a choice of competing services within a short drive of his or her home and will normally select the more proximal service provider or the service provider more convenient to access. Physical barriers can also shape market areas. Rivers, lakes, streams, military bases, and major highways are all examples of barriers that can constrain market areas. Barriers can also be psychological. For example, it is common for persons who live on one side of a highway to seldom access services in a similar area on the opposite side of the same freeway, even though access is not constrained. Likewise, persons living in a given town or county are often reluctant to access services in an adjacent town or county. The location of competing facilities is also a factor to consider. In market areas served by a greater number of competing facilities, the primary drawing area for each facility tends to be smaller since residents of the market area tend to access the service provider nearest their location. Each of these factors is considered in the delineation of the subject's PMA.

1. *Assisted Living Manual* (Published by Assisted Living Federation of America) and *Integrated Senior Care: Assisted Living and Long Term Care Manual* (Published by Thompson Publishing Group). These radii are also supported by the criteria used by many national developers of seniors housing.

Physical Barriers

There are no significant physical barriers in the immediate proximity of the subject that are believed to limit the subject's market area.

Psychological Barriers

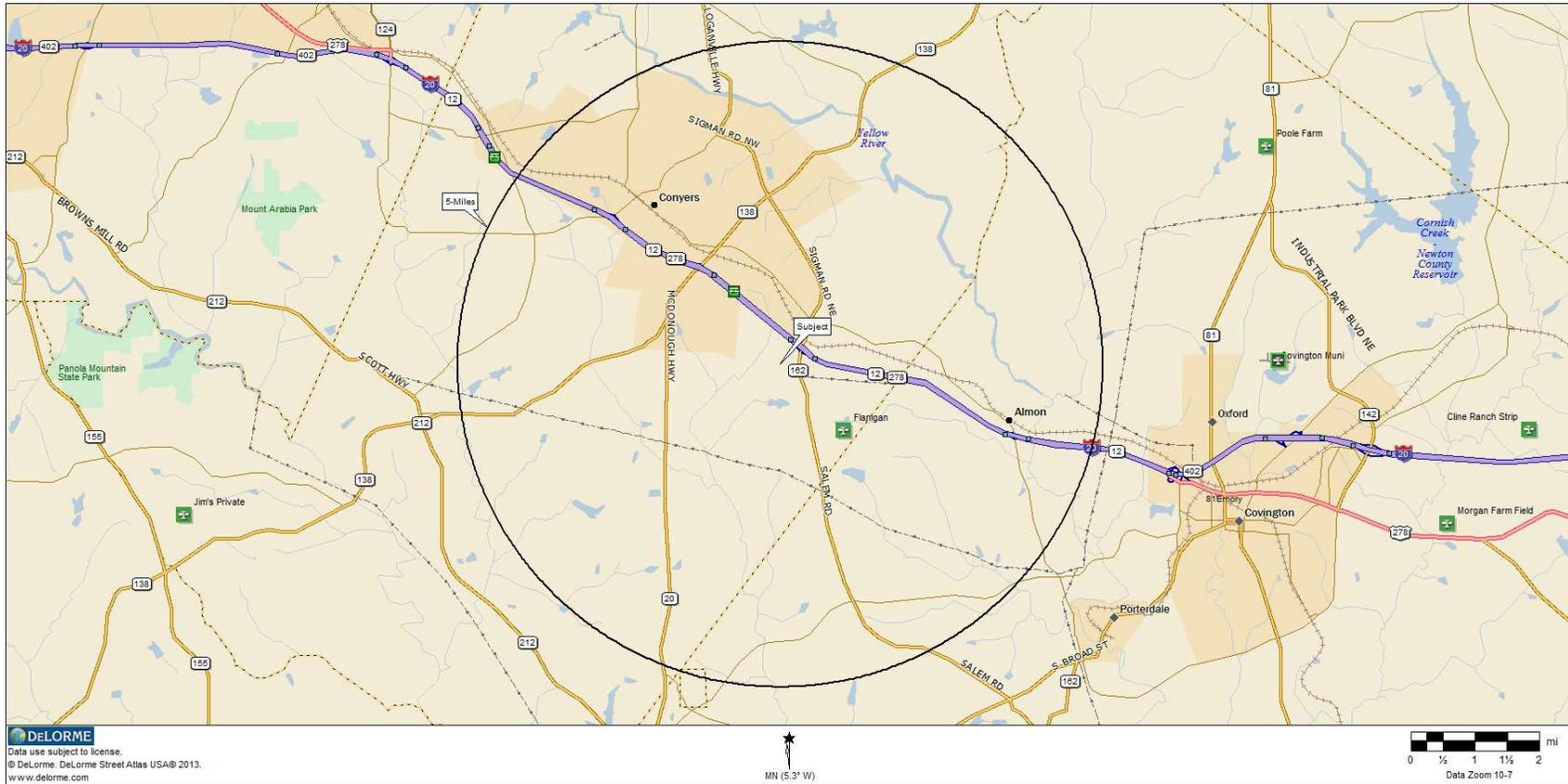
The subject's market area is not constrained by any known psychological barriers.

Location of Competing Facilities

There are competing facilities scattered throughout the area, indicating that seniors have a wide variety of facilities from which to choose. This tends to limit the size of market areas, as it is not necessary for seniors or adult children decision makers to travel far from the home to find suitable seniors housing.

Market Area Delineation Conclusion

Considering the physical and psychological barriers, population density, and the competing facilities' concentration, we have concluded that an appropriate PMA for the subject is the area within a 5 mile radius of the site. In this market, we believe that the majority of demand will come from the PMA. No measurable draw from a secondary market area is forecast.



Primary Market Area Map

Composition

The predominant land use in the market area is single-family residential. The estimated land use composition is shown in the following table.

Estimated Land Use Composition	
Property Type	% Used For Type
Single-Family Residential	35%
Multi-Family	5%
Schools, Churches, Public Buildings, Rec. Areas	10%
Retail & Personal Service	5%
Office	5%
Industrial	10%
Vacant Land	30%
Total	100%

Social Forces

An analysis of the PMA demographics relative to the U.S. will yield insight into the nature of the PMA. All of the data in this section is obtained from The Nielsen Company.

Population Growth

Population growth figures are shown below.

Population Growth							
Area	2000	2010	Annual % Change 2000-2010	2017	Annual % Change 2010-2017	2022	Annual % Change 2017-2022
PMA	56,287	81,890	3.82%	88,916	1.18%	94,683	1.26%
United States	281,421,942	308,745,538	0.93%	325,139,271	0.74%	337,393,057	0.74%

Source: The Nielsen Company

Between 2010 and 2017, PMA population growth was greater than the national average. The forecasted growth for the PMA is at a rate greater than the nation as a whole.

Household Growth

Household growth figures are shown below.

Household Growth							
Area	2000	2010	Annual % Change 2000-2010	2017	Annual % Change 2010-2017	2022	Annual % Change 2017-2022
PMA	19,863	29,098	3.89%	31,524	1.15%	33,527	1.24%
United States	105,480,131	116,716,292	1.02%	123,356,629	0.79%	128,246,828	0.78%

Source: The Nielsen Company

Between 2010 and 2017, PMA household growth was greater than the national average. The forecasted growth for the PMA is at a rate greater than the nation as a whole.

Income Levels

Pertinent income data are shown below.

Income Levels		
Area	2017 Average HH Income	2017 Median Household Income
PMA	\$63,140	\$49,573
United States	\$80,853	\$57,462

Source: The Nielsen Company

Current PMA income levels are lower than the national average.

Housing Market

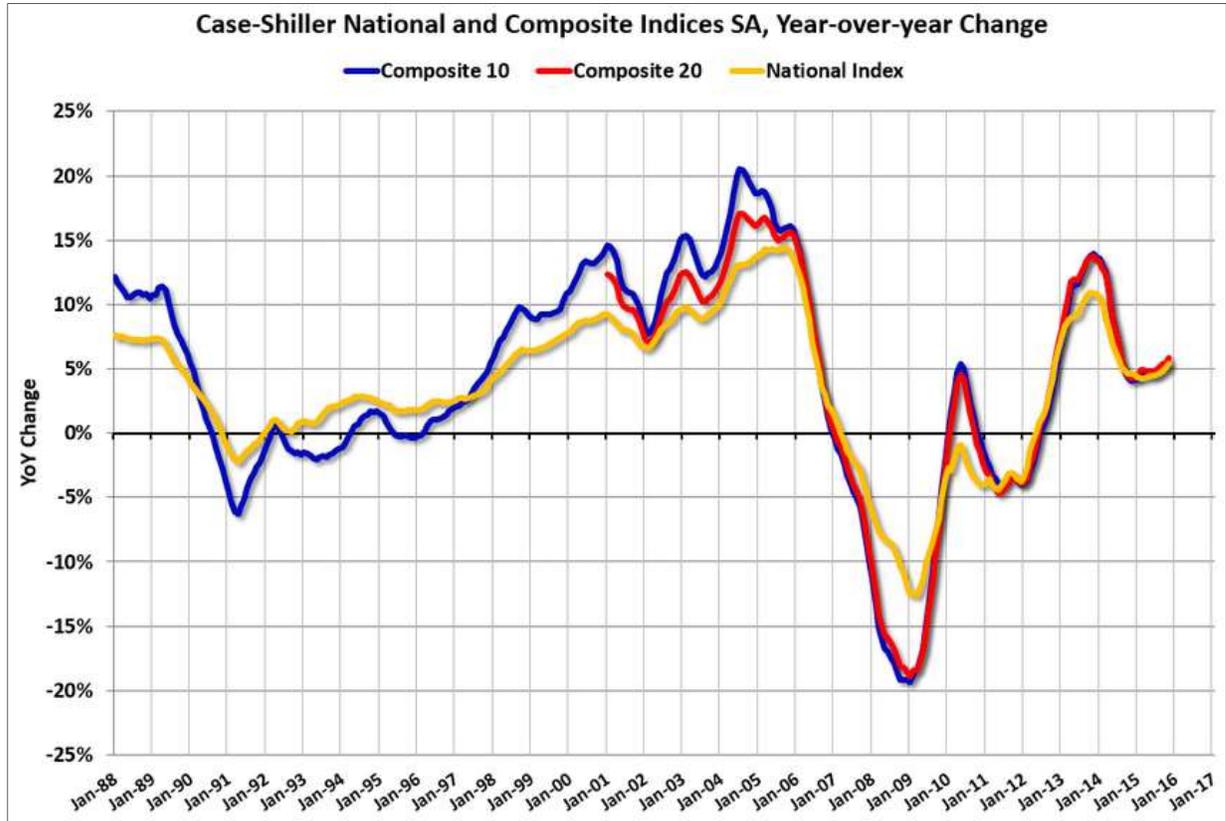
The Nielsen Company reports the housing market statistics shown below.

Housing Market Statistics		
Area	2017 Owner Occupied Housing Percent	2017 Median Housing Value
PMA	68.3%	\$140,725
United States	64.9%	\$197,980

Source: The Nielsen Company

The U.S. housing market continues to improve from the financial crisis in 2008. The next chart indicates the annual returns of the National, the 10-City Composite, and the 20-City Composite home price indices updated through December 2015. As of December 2015, the S&P/Case-Shiller U.S. National Home Price Index, covering all nine U.S. census divisions, recorded a slightly higher year-over-year gain with a 5.4% annual increase in December 2015 versus a 5.2% increase in November 2015. The 10-City Composite increased 5.1% in the year to December compared to 5.2% previously. The 20-City Composite's year-over-year gain was 5.7%, the same as November. The National Index is up 30.1% from the post-bubble low in December 2011.

The following chart shows the Composite 10 and Composite 20 are up by 5.1% and 5.7% from December 2015.²



According to the Zillow’s April 2016 Market Report, U.S. home values have appreciated faster than many experts expected, increasing approximately 5% from April 2015 with a median home value of approximately \$187,000. This is due to the current low inventory of residential homes, stronger wage growth, and continued low mortgage rates. In the short term, home values are expected to grow 2.4% over the next year through April 2017. Over a longer term, a cumulative increase in home values of nearly 18% through the end of 2019, on average. However, the pace of annual home value appreciation is expected to slow over the next five years, to a 3.1% annual growth rate through 2019.

2. Press Release, Calculated Risk Finance & Economics, March 18, 2016.



The following charts (courtesy of *zillow.com*) shows data on median sales prices and average price per square foot within the subject's market area:



As shown, median sales prices and the average sales price per square foot have generally been increasing over the past year.

The housing market in the PMA is considered to be similar to average.

Environmental Forces

The area has a level topography. Vegetation is moderate and includes native trees, shrubs and grasses. A variety of soil types are present in the area, and most are conducive to development with proper engineering.

Public Services

Street Improvements

The market area benefits from the following road infrastructure:

Interstate Highways

North-South:	None
East-West:	Interstate 20

Other Highways

North-South:	State Road 20
East-West:	State Road 138

Major City Streets

North-South:	Millstead Avenue and Irwin Bridge
East-West:	North Salem Drive

Overall, accessibility is rated good.

Police/Fire Protection

Police and fire protection is provided by Conyers and Rockdale County.

Schools

The area is within the Rockdale County School District.

Shopping

The area is adequately served by a number of shopping centers.

Medical

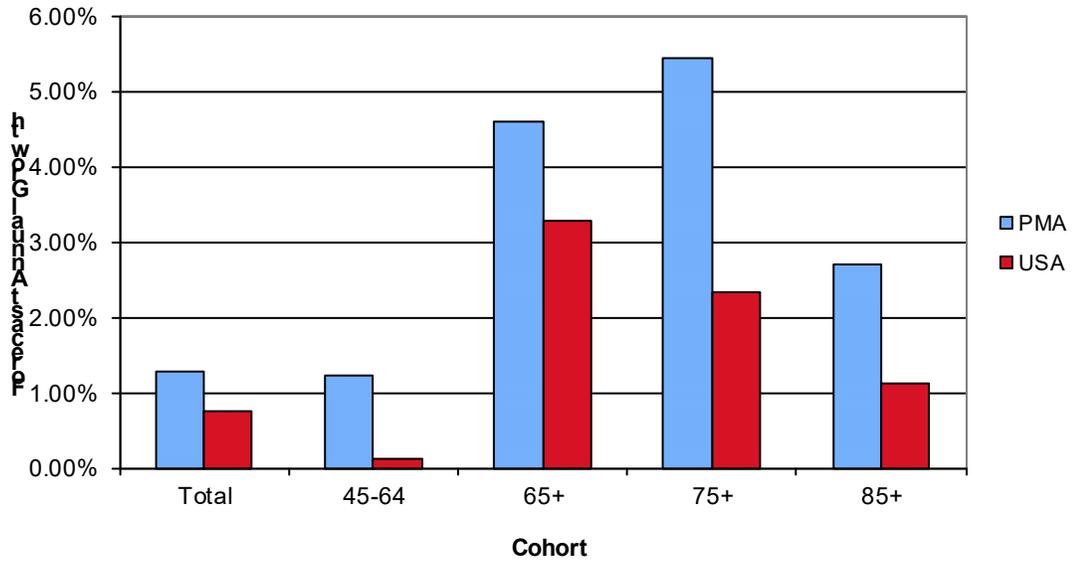
The full-service hospital nearest the subject is Rockdale Medical Center. This facility is located about four miles west of the subject.

Seniors Housing Market Demographics

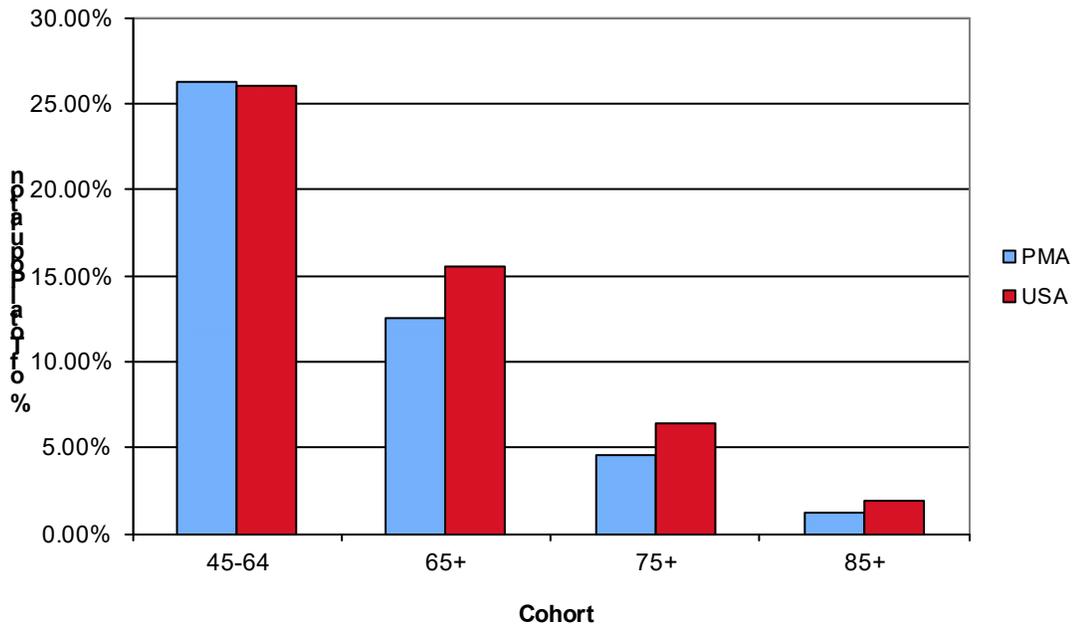
Demographics relevant to the seniors housing market are as follows:

Market Area Characteristics		
Item	PMA	USA
<i>Total Population</i>		
2017 Population	88,916	325,139,271
Forecasted 2022 Population	94,683	337,393,057
Forecasted Annual Growth, 2017-2022	1.26%	0.74%
<i>Adult Child (45-64) Population</i>		
2017 Population 45-64	23,365	84,412,696
Forecasted 2022 Population 45-64	24,843	84,889,847
Forecasted Annual Growth, 2017-2022	1.23%	0.11%
2017 Age 45-64 Pop. as % of Total Pop.	26.28%	25.96%
<i>65 Plus Population</i>		
2017 Population 65+	11,080	50,275,374
Forecasted 2022 Population 65+	13,875	59,074,889
Forecasted Annual Growth, 2017-2022	4.60%	3.28%
2017 Age 65+ Pop. as % of Total Pop.	12.46%	15.46%
<i>75 Plus Population</i>		
2017 Population 75+	4,045	20,809,231
Forecasted 2022 Population 75+	5,272	23,339,711
Forecasted Annual Growth, 2017-2022	5.44%	2.32%
2017 Age 75+ Pop. as % of Total Pop.	4.55%	6.40%
<i>85 Plus Population</i>		
2017 Population 85+	1,044	6,327,357
Forecasted 2022 Population 85+	1,194	6,688,544
Forecasted Annual Growth, 2017-2022	2.71%	1.12%
2017 Age 85+ Pop. as % of Total Pop.	1.17%	1.95%
<i>Income Levels</i>		
Median Household Income, All Ages	\$49,573	\$57,462
Median Income Level Age 65 to 74	\$45,991	\$51,066
Median Income Level Age 75 to 84	\$34,029	\$33,566
Median Income Level Age 85+	\$27,500	\$25,662
Source: The Nielsen Company		

Comparison of Growth Rate Forecasts



Comparison of Population Composition



Overall population growth is forecast to be greater than average in the PMA. Growth of persons in the “adult child” age bracket (45 to 64) is forecast to be greater than average, while the percent of total population that is within the 45 to 64 age group is greater than average. The percent of total population that is 65+ is less than average. Forecasted growth for the 65+ cohort is greater than average. The percent of total population that is 75+ is less than average. Forecasted growth for the 75+ cohort is greater than average. Lastly, the 85+ population is forecast to grow at a pace greater than the national average, while representing a less than average percent of the total population base of the PMA. Senior income levels are below average.

Conclusion

The subject’s PMA is concluded to be the area within a 5 mile radius from the site. The PMA encompasses Conyers and portions of Rockdale County. The primary land use in the area is single-family residential and the area is approximately 70% developed. The PMA is experiencing moderate population growth and has below average income levels. The area is considered to be in a stage of stability. Between 2017 and 2022, the market area is forecast to experience growth in demand for seniors housing at an average rate relative to the nation as a whole.

Site Description and Analysis

Specific site details are as follows:

Location -

Street Address:	NWQ of Flat Shoals Road SE and Iris Drive
Additional Frontage To:	None
Site Orientation:	Interior Site
Nearest Cross-Street:	Flat Shoals Road

Accessibility and Visibility -

Primary Access Via:	Iris Drive, a moderately traveled roadway with one lane extending in each direction. Iris Drive is not median divided. There is not a traffic light that facilitates access to the site.
Secondary Access Via:	None
Accessibility Rating:	Good
Visibility Rating:	Good

Physical Characteristics -

Total Site Size:	35.65 acres
ALF/MC Site Size:	3.21 acres
ILF Site Size (Phase 1):	8.07 acres
ILF Site Size (Phase 2):	9.37 acres
Age-Restricted Apt Site Size:	15.0 acres
Shape:	Irregular
Topography:	Level
Vegetation	Moderate
Excess Land Area:	None

Flood Zone Information -

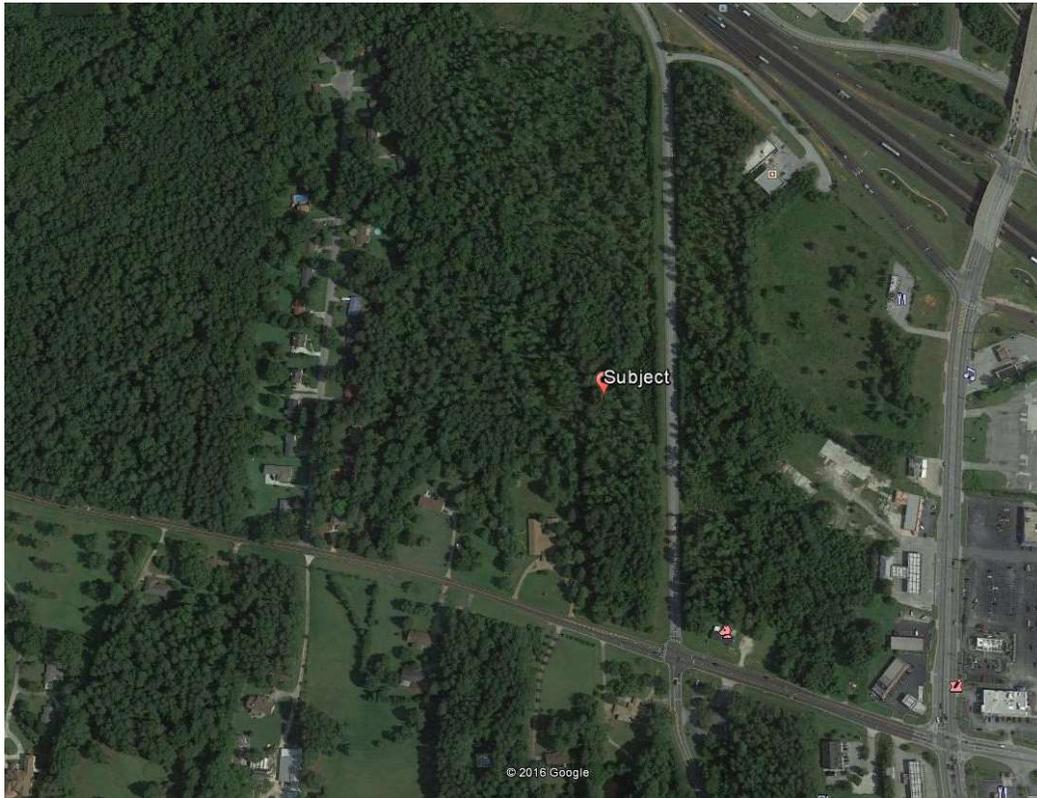
Zone:	FloodZone
Panel Number:	FloodPanelNumber
Flood Insurance:	FloodInsuranceRequired

Utility Availability -

Electricity:	Public to site
Natural Gas:	Public to site
Water:	Public to site
Sewage Treatment:	Public to site
Telephone:	Public to site

Environmental -

Phase 1 ESA:	Not provided
Known Hazards:	None observed or known



Aerial Photograph (Source: Google Earth)

Adjacent Properties -

North:	Undeveloped
East:	Retail properties
South:	Singl family dwellings
West:	Undeveloped
Nuisances or Hazards:	None known

Easements and Other Legal Constraints -

Access Easements:	None known
Encroachments:	None known
Utility Easements:	Typical for improved properties to allow for the installation and maintenance of utility lines
Other Restrictions:	None known

Conclusion

The subject's site contains a total of 35.65 acres. The shape of the site is irregular, and the topography is level. Overall, the site is considered to have good functional utility. It is physically suited for a wide range of uses and is well suited for the proposed use

A site plan of the proposed project is on the following page.

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Improvement Description and Analysis

Introduction

The following definitions of the Seniors Housing Classifications were jointly developed by the American Seniors Housing Association (ASHA) and the National Investment Center (NIC).

Active Adult Community: For-sale single-family homes, townhomes, cluster homes and condominiums with no specialized services, restricted to adults at least 55 years of age or older. Rental housing is not included in this category. Residents generally lead an independent lifestyle, and projects are not equipped to provide increased care as the individual ages. It may include amenities such as clubhouse, golf course and recreational spaces. Outdoor maintenance is normally included in the monthly homeowner's association or condominium fee.

Senior Apartment Community: Multifamily residential rental properties restricted to adults at least 55 years of age or older. These properties do not have central kitchen facilities and generally do not provide meals to residents but may offer community rooms, social activities, and other amenities.

Independent Living Facility (ILF): Age-restricted multifamily rental properties with central dining facilities that provide residents, as part of their monthly fee, access to meals and other services such as housekeeping, linen service, transportation, and social and recreational activities. Such properties do not provide, in a majority of the units, assistance with activities of daily living (ADLs) such as supervision of medication, bathing, dressing, or toileting. There are no licensed skilled nursing beds in the property.

Assisted Living Facility (ALF): State regulated rental properties that provide the same services as independent living communities listed above, but also provide, in a majority of the units, supportive care from trained employees to residents who are unable to live independently and require assistance with ADLs including management of medications, bathing, dressing, toileting, ambulating and eating. These properties may have some skilled nursing beds, but the majority of units are licensed for assisted living. Many of these properties include wings or floors dedicated to residents in need of memory care. A property that specializes in the care of residents with memory care issues should be considered an assisted living property.

Independent and Assisted Living Facility (IALF): Single communities offering both independent and assisted living within the same building or on the same campus.

Nursing Facility (NF): Licensed daily rate or rental properties that are technically referred to as skilled nursing facilities (SNF) wherein the majority of individuals require 24-hour nursing and/or medical care. In most cases, these properties are licensed for Medicaid and/or Medicare reimbursement. These properties may include a minority of assisted living and/or memory care units.

Continuing Care Retirement Communities (CCRCs): Age-restricted properties that include a combination of independent living, assisted living and skilled nursing services (or independent living and skilled nursing) available to residents all on one campus. Resident payment plans vary and include entrance fee, condo/co-op and rental programs. The majority of the units are not licensed skilled nursing beds.

The following are additional terms that are used in describing and analyzing seniors housing properties:

Licensed beds: The number of beds a facility is licensed to operate by the appropriate state licensing agency.

Living units: The number of living units, consisting of one or more rooms, designed to accommodate residents of the facility.

Medicaid: Provides health coverage for people of all ages whose incomes are low. To qualify for Medicaid, an individual, couple, or family must meet income and resource guidelines. Income includes money received each month from Social Security, employment, or other sources. Resources refer to the value of items owned such as cash and savings. Some resources, such as the family home and one car, are not counted in determining Medicaid eligibility. To qualify, individuals must be U.S. citizens, with some exceptions for certain categories of non-citizens. Medicaid pays for basic health services and for some services not covered by Medicare such as medicine, nursing home care, eye exams, glasses, transportation for medical care, and other medical services. Medicaid is funded and regulated by both federal and state governments. As a result, Medicaid rules vary from state to state.

Medicaid waiver: Under Section 1915(c) of the Social Security Act, Medicaid law authorizes the Secretary of the U.S. Department of Health and Human Services to waive certain Medicaid statutory requirements. These waivers enable states to cover a broad array of home and community-based services (HCBS) for targeted populations as an alternative to institutionalization. Waiver services may be optional state plan services which either are not covered by a particular state or which enhance the state's coverage. Waivers may also include services not covered through the state plan such as respite care, environmental modifications, or family training. Many states have waiver programs in place to provide for assisted living care.

Medicare: A federal health insurance program. Passed in 1965 as Title XVIII of the Social Security Act, Medicare was intended to pay the cost of some health care services in order to ensure access to a basic level of health care for the aged and other eligible persons. Medicare will cover the first 20 days of nursing facility care and will partially pay for the next 80 days for a total benefit not to exceed 100 days. A three-day hospital stay is required to qualify for this benefit.

Medicare Part A: Provides payment for post-hospital care in a Medicare certified nursing home. Medicare Part A may provide payment for post-hospital care in a nursing home for up to 100 days if Medicare coverage requirements (the 5 rules) are met. A resident is entitled to full coverage for the first 20 days. From the 21st day through the 100th day, Medicare pays for all covered services except a daily co-pay amount for which the resident is responsible. That means the resident has to pay the co-pay either with his or her own money or, if eligible, through Medicaid, or through private insurance (i.e. medi-gap policy). A nursing home resident will not be entitled to any Medicare Part A coverage unless he or she is admitted to a nursing home within 30 days following a 3-day hospital stay. Medicare certified nursing homes are reimbursed for providing nursing homes stays based upon the Prospective Payment System (PPS).

Medicare Part B: Seniors are required to enroll in Medicare Part B. Medicare Part B pays for doctor's services, outpatient hospital care, and some other medical services that Part A does not cover, such as the services of physical and occupational therapists, and some home health care. Part B helps pay for these covered services and supplies when they are medically necessary.

Medicare Prospective Payment System (PPS): Section 4432(a) of the Balanced Budget Act (BBA) of 1997 modified how payment is made for Medicare skilled nursing facility (SNF) services. Effective with cost reporting periods beginning on or after July 1, 1998, SNFs were no longer paid on a reasonable cost basis or through low volume prospectively determined rates, but on the basis of the PPS. The PPS rates are adjusted for case mix and geographic variation in wages and covers all costs of furnishing covered SNF services (routine, ancillary, and capital-related costs). The amount of reimbursement for each resident is based upon the Resource Utilization Groups (RUG) III case mix system.

Operating beds: The number of beds a facility actually operates. This may be less than the number of licensed beds.

Private bed: A bed situated in a room with no other beds/residents.

Private pay: Refers to a resident whose charges are funded by: personal funds, assistance from relatives or other private individuals or groups, or long term care insurance.

Resident day: A day for which services are rendered and billable, or a day for which a bed or unit is held and billed. For example, if a resident rents and occupies a unit for a full calendar year, that resident would have occupied the bed or unit for 365 resident days.

RUG-IV: RUG IV is a 66-group model for classifying nursing home residents into homogenous groups according to common health characteristics and the amount and type of resources they use. Residents are classified based on residents' clinical conditions, extent of services used, and functional status. The groups are in seven general categories (in general order of costs associated with caring for residents): rehabilitation plus extensive services, extensive services, clinically complex, special care high, special care low, behavioral symptoms and cognitive performance and reduced physical function.

Semi-private bed: A bed situated in a room with one other bed/resident.

Ward bed: A bed situated in a room with two or more other nursing beds/residents.

Unit/Bed Mix and Building Areas

The following table is a tabulation of the unit mix and building area.

Unit Mix and Building Areas							
Unit Type	Care Type	Square Feet	Number of Units	Number of Beds Per Unit	Number of Beds	Percent of Total GBA	Total Square Feet
1 Bedroom, 1 Bath	Senior Apartments	970	64	1	64	17.7%	62,080
2 Bedroom, 2 Bath	Senior Apartments	1,334	108	1	108	41.0%	144,072
2 BR/2 BA, Villa	Independent Living	1,324	33	1	33	12.4%	43,692
2 BR/2 BA, Den, Chateau	Independent Living	1,908	18	1	18	9.8%	34,344
2 BR/2 BA, Den, Chateau, Large	Independent Living	1,920	17	1	17	9.3%	32,640
Studio	Assisted living	350	20	1	20	2.0%	7,000
1 Bedroom	Assisted living	550	14	1	14	2.2%	7,700
2 Bedroom	Assisted living	700	8	1	8	1.6%	5,600
Studio	Memory Care	350	12	1	12	1.2%	4,200
Studio, Shared	Memory Care	350	6	2	12	0.6%	2,100
Totals			300	-	306	97.7%	343,428
Plus Common Areas						2.3%	8,100
Total Gross Building Area							351,528

Payor Types

The subject will be 100% private pay.

Project Amenities

Project amenities for the age-restricted (senior) apartments are as follows:

- Clubhouse/leasing office
- Swimming pool

- Tennis Courts
- 5.17-acre community park with pond. This park is considered a common area that can be used by residents of the independent living units.

Project amenities and services for the independent living units are as follows:

- Community facility
- Clubhouse
- Pool
- Bi-weekly housekeeping
- Planned activities
- Utilities included in rent
- One meal per day

Conclusion

The subject will offer independent, assisted living, memory care and age-restricted apartment with a total of 300 units and 306 operating beds. The improvements contain a total of 351,528 square feet. Its construction quality is good. The subject's amenities are considered similar to the competing properties in the market. Overall, the subject's appeal to the market is considered average.

Multifamily Market Analysis

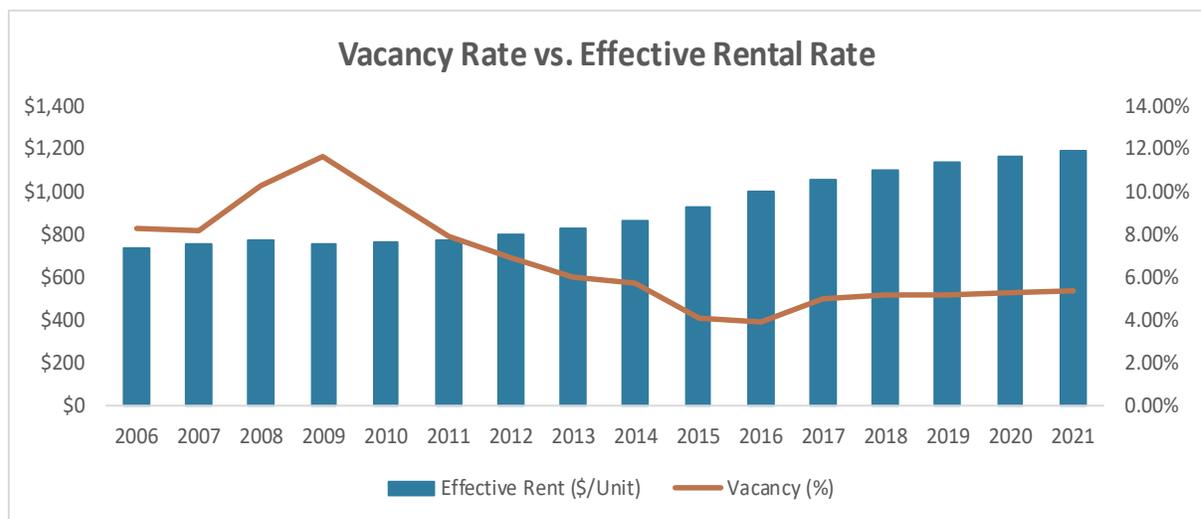
Metro Area Overview

The subject is located in the Atlanta metro area as defined by REIS. Supply and demand indicators, including inventory levels, absorption, vacancy, and rental rates for all classes of space are presented in the ensuing table.

Atlanta Multifamily Market Trends and Forecasts									
Year	Inventory (Units)	Occupied (Units)	Vacancy (Units)	Vacancy (%)	Completions (Units)	Absorption (Units)	Effective Rent (\$/Unit)	Effective Rental Rate (% Change)	Gross Revenue (\$/Unit)
2006	340,750	312,357	28,393	8.30%	4,405	-318	\$733	1.10%	\$753
2007	345,151	316,829	28,322	8.20%	5,404	4,472	\$759	3.50%	\$775
2008	351,409	315,135	36,274	10.30%	6,802	-1,694	\$769	1.30%	\$773
2009	358,087	316,542	41,545	11.60%	6,776	1,407	\$756	-1.60%	\$747
2010	362,411	327,364	35,047	9.70%	4,620	10,822	\$763	1.00%	\$764
2011	363,347	334,540	28,807	7.90%	2,151	7,176	\$775	1.60%	\$789
2012	364,293	339,315	24,978	6.90%	1,196	4,775	\$797	2.70%	\$814
2013	367,662	345,736	21,926	6.00%	3,859	6,421	\$825	3.60%	\$850
2014	372,606	351,410	21,196	5.70%	5,732	5,674	\$860	4.30%	\$887
2015	380,290	364,553	15,737	4.10%	7,724	13,143	\$929	8.00%	\$974
2016	388,774	373,778	14,996	3.90%	9,330	9,225	\$999	7.50%	\$1,048
Q1 2017	390,553	373,349	17,204	4.40%	1,779	-429	\$1,006	0.70%	\$1,050
2017	400,826	380,791	20,035	5.00%	12,052	7,013	\$1,050	5.10%	\$1,094
2018	409,443	388,212	21,231	5.20%	8,617	7,421	\$1,096	4.40%	\$1,145
2019	413,185	391,521	21,664	5.20%	3,742	3,309	\$1,132	3.30%	\$1,184
2020	415,619	393,578	22,041	5.30%	2,434	2,057	\$1,165	2.90%	\$1,215
2021	418,394	395,711	22,683	5.40%	2,775	2,133	\$1,190	2.10%	\$1,238
2006 - 2016 Average	363,162	336,142	27,020	7.51%	5,273	5,555	\$815	3.00%	\$834

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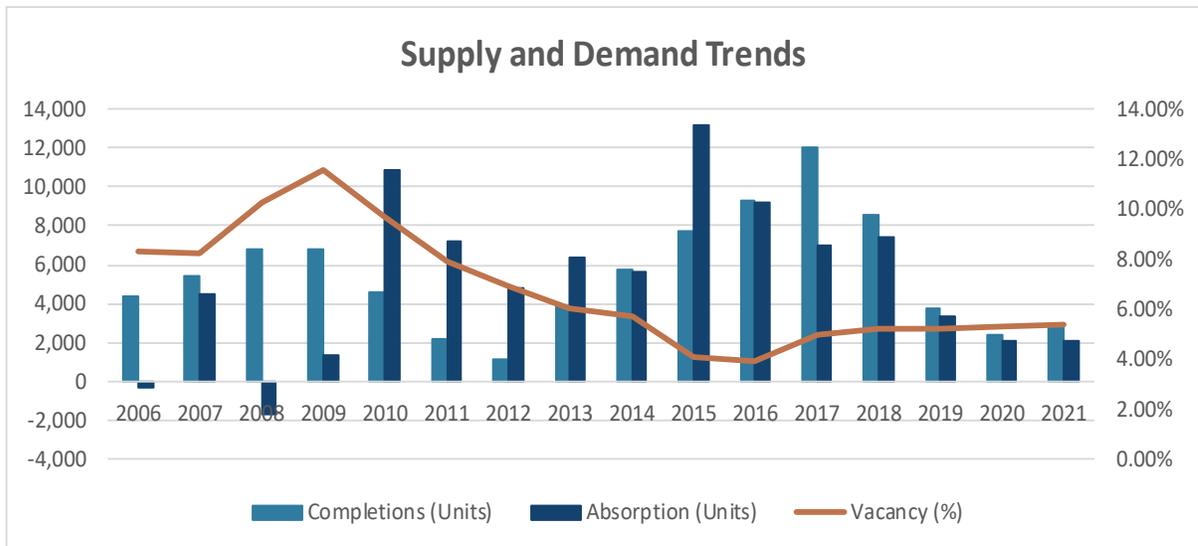
Market Trends Key Takeaways



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- The current vacancy rate in the metro area is 4.4%; the vacancy rate has decreased by 350 bps from 2011.
- Four-year forecasts project a 5.4% vacancy rate in the metro area, representing an increase of 100 bps by year end 2021.
- Effective rent averages \$1,006/Unit in the metro area; future rent values are expected to increase by 18.3% to \$1,190/Unit by year end 2021.



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- Inventory in the metro area has increased by 7.5% from 2011, while the occupied stock has increased by 11.6%.
- Between 2011 and 2016, completions have averaged 4,999 Units annually and reached a peak of 9,330 Units in 2016.
- Between 2011 and 2016, absorption figures reached a peak of 13,143 Units in 2015 and a low of 4,775 Units in 2012.

Submarket Overview

The subject is located in the I-20 East submarket. In order to evaluate the market appeal of the subject's submarket in comparison to others in the Atlanta metro area, we compare key supply and demand indicators for all classes of space in the ensuing table.

Atlanta Multifamily Submarket Comparison						
Submarket	Inventory (Buildings)	Inventory (Units)	Asking Rent (\$/Unit)	Vacancy (%)	Free Rent (mos)	Expenses (%)
Midtown	109	21,403	\$1,592	11.10%	1.50	38.70%
Clayton/Henry	170	31,335	\$894	3.70%	1.12	37.70%
South Fulton	211	33,866	\$845	3.90%	0.66	38.50%
Marietta	156	35,894	\$1,042	4.00%	1.07	38.00%
I-20 West	46	9,044	\$881	2.80%	0.70	36.30%
South DeKalb	21	4,845	\$783	7.10%	1.24	38.00%
Central I-75 West	58	9,885	\$1,211	6.20%	0.88	37.90%
Decatur/Avondale	101	17,646	\$1,088	4.40%	1.03	38.00%
Roswell/Alpharetta	87	25,520	\$1,152	3.90%	0.88	38.30%
Sandy Spg/Dunwoody	94	25,596	\$1,213	2.40%	0.91	36.30%
South Gwinnett	118	27,845	\$968	2.90%	0.90	37.30%
Clarkston/Stn Mtn	80	16,806	\$872	2.00%	0.95	38.30%
North DeKalb	180	37,412	\$1,204	4.50%	0.79	37.70%
Smyrna	98	24,988	\$1,089	4.90%	1.01	39.70%
I-20 East	57	12,557	\$899	3.10%	0.95	34.80%
Buckhead	104	25,762	\$1,542	6.40%	1.22	38.80%
Cherokee County	29	5,322	\$1,041	4.60%	0.60	36.10%
North Gwinnett	87	24,827	\$1,087	3.90%	1.18	37.70%
Market Averages/Totals	1,806	390,553	\$1,078	4.40%	0.98	37.67%

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I-20 East Submarket Snapshot

- The submarket contains 3.2% of the metro building inventory and 3.2% of the metro unit inventory.
- The submarket's asking rent is \$899/Unit which is less than the metro average of \$1,078/Unit.
- The submarket's vacancy rate is 3.10% which is less than the metro average of 4.40%.
- Operating expenses, as a percent of potential rent revenue, average 34.8% in the submarket compared to 37.7% for the overall metro area.
- Average free rent in the subject property's submarket is less than the free rent for the metro area.

In comparison to other submarkets in the region, the I-20 East submarket is rated as follows:

Submarket Attribute Ratings

Market Size/Stature	Below Average
Market Demand	Increasing
Vacancy Trends	Decreasing
Threat of New Supply	Above Average
Rental Trends	Increasing

Submarket Analysis

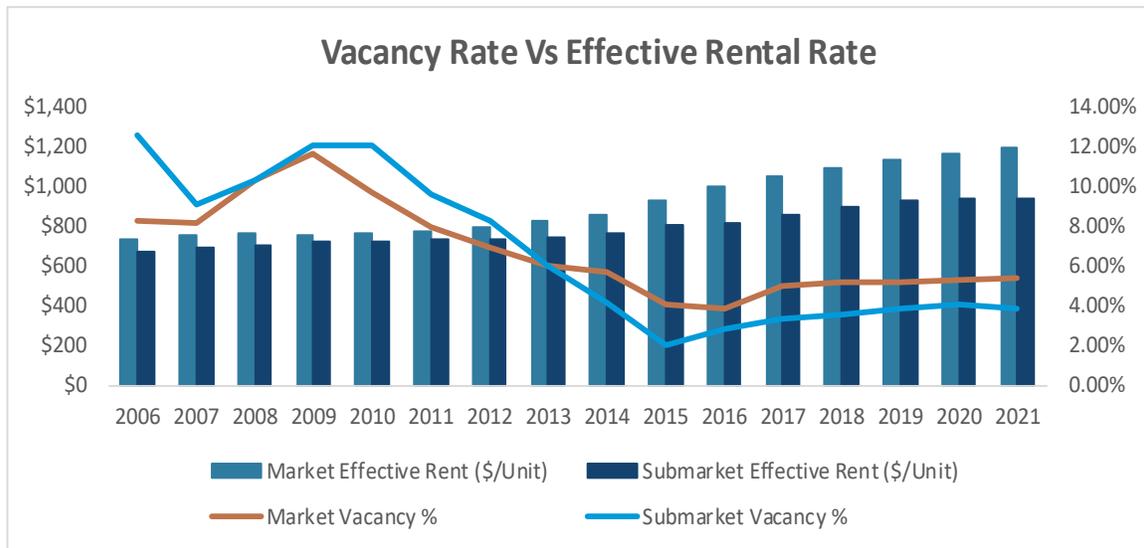
Supply and demand indicators for all classes of space in the I-20 East submarket are displayed in the following table.

I-20 East Multifamily Submarket Trends and Forecasts

Year	Inventory (Units)	Occupied (Units)	Vacancy (Units)	Vacancy (%)	Completions (Units)	Absorption (Units)	Effective Rent (\$/Unit)	Effective Rental Rate (% Change)	Gross Revenue (\$/Unit)
2006	11,936	10,432	1,504	12.60%	0	-179	\$674	-1.00%	\$667
2007	11,936	10,850	1,086	9.10%	0	418	\$689	2.20%	\$710
2008	11,936	10,707	1,229	10.30%	0	-143	\$701	1.70%	\$714
2009	12,215	10,749	1,466	12.00%	279	42	\$720	2.70%	\$711
2010	12,383	10,897	1,486	12.00%	168	148	\$728	1.10%	\$709
2011	12,383	11,194	1,189	9.60%	0	297	\$730	0.30%	\$726
2012	12,383	11,355	1,028	8.30%	0	161	\$732	0.40%	\$735
2013	12,383	11,640	743	6.00%	0	285	\$747	1.90%	\$766
2014	12,383	11,863	520	4.20%	0	223	\$766	2.60%	\$798
2015	12,557	12,302	255	2.00%	0	439	\$804	4.90%	\$854
2016	12,557	12,205	352	2.80%	0	-97	\$816	1.50%	\$860
Q1 2017	12,557	12,168	389	3.10%	0	-37	\$828	1.50%	\$871
2017	12,557	12,143	414	3.30%	0	-62	\$858	5.20%	\$901
2018	12,557	12,118	439	3.50%	0	-25	\$899	4.70%	\$941
2019	12,557	12,080	477	3.80%	0	-38	\$924	2.80%	\$963
2020	12,557	12,042	515	4.10%	0	-38	\$936	1.30%	\$975
2021	12,557	12,067	490	3.90%	0	25	\$942	0.60%	\$982
2006 - 2016 Average	12,277	11,290	987	8.08%	41	145	\$737	1.66%	\$750

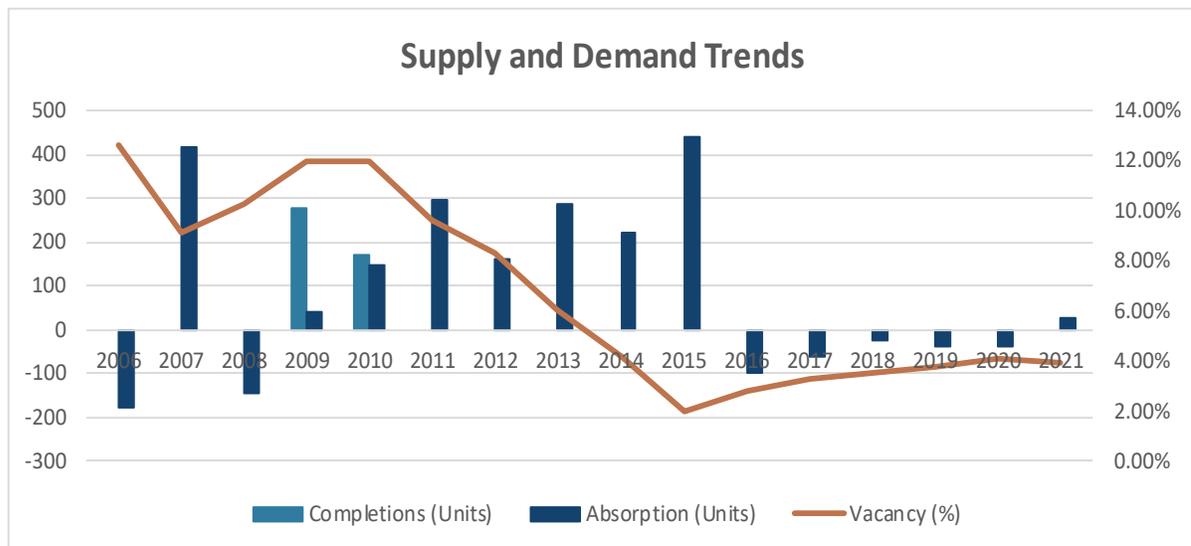
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I-20 East Submarket Multifamily Trends and Forecasts Key Takeaways



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- The current vacancy rate in the submarket is 3.1%; the vacancy rate has decreased by 650 bps from 2011.
- Four-year forecasts project a 3.90% vacancy rate in the submarket, representing an increase of 80 bps by year end 2021.
- Effective rent averages \$828/Unit in the submarket; future rent values are expected to increase by 13.8% to \$942/Unit by year end 2021.



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- The current inventory level of 12,557 Units is expected to remain constant through year end 2021.
- The inventory in the submarket has increased by 1.4% from 2011, while the occupied stock has increased by 8.7%.
- There have not been any completions in the submarket between 2011 and 2016.
- Between 2011 and 2016, absorption figures reached a peak of 439 Units in 2015 and a low of -97 Units in 2016.

I-20 East Submarket Class A Trends

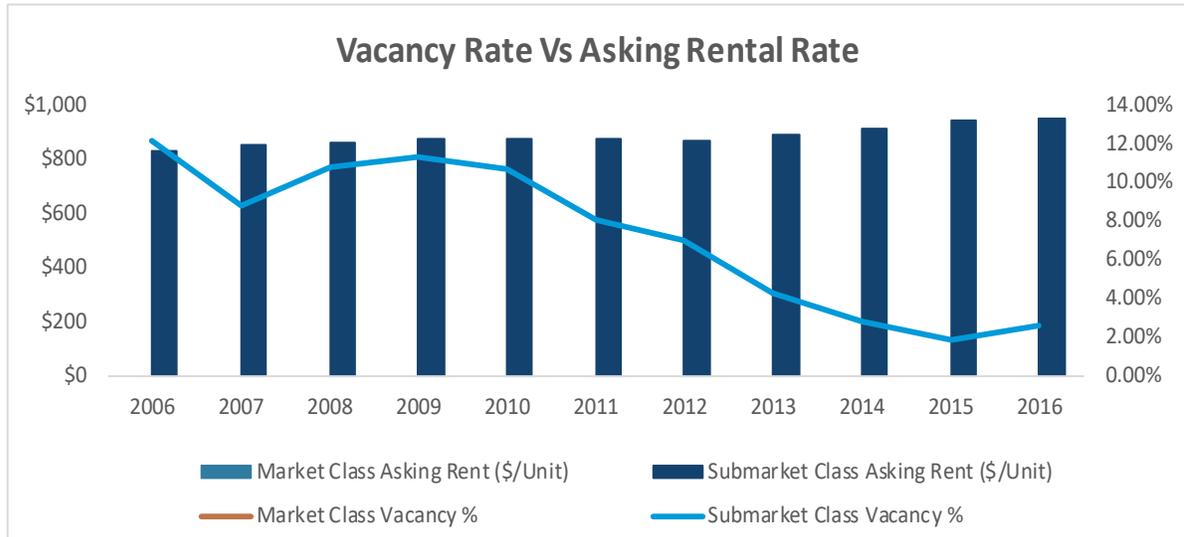
Supply and demand indicators, including inventory levels, absorption, vacancy, and rental rates for Class A space in the submarket are presented in the ensuing table.

I-20 East Multifamily Class A Submarket Trends

Year	Inventory (Units)	Occupied (Units)	Vacancy (Units)	Vacancy (%)	Completions (Units)	Absorption (Units)	Asking Rent (\$/Unit)	Asking Rental Rate (% Change)	Gross Revenue (\$/Unit)
2006	6,500	5,713	787	12.10%	0	-134	\$828	-0.20%	\$728
2007	6,500	5,927	573	8.80%	0	214	\$847	2.30%	\$772
2008	6,500	5,807	693	10.70%	0	-120	\$861	1.70%	\$769
2009	6,500	5,766	734	11.30%	0	-41	\$871	1.20%	\$773
2010	6,668	5,960	708	10.60%	168	194	\$869	-0.20%	\$777
2011	6,668	6,135	533	8.00%	0	175	\$872	0.30%	\$802
2012	6,668	6,201	467	7.00%	0	66	\$866	-0.70%	\$805
2013	6,668	6,382	286	4.30%	0	181	\$884	2.10%	\$846
2014	6,668	6,483	185	2.80%	0	101	\$909	2.80%	\$884
2015	6,668	6,548	120	1.80%	0	65	\$940	3.40%	\$923
2016	6,668	6,494	174	2.60%	0	-54	\$944	0.40%	\$919
Q1 2017	6,668	6,483	185	2.80%	0	-11	\$954	1.10%	\$928
2006 - 2016 Average	6,607	6,129	478	7.27%	15	59	\$881	1.19%	\$818

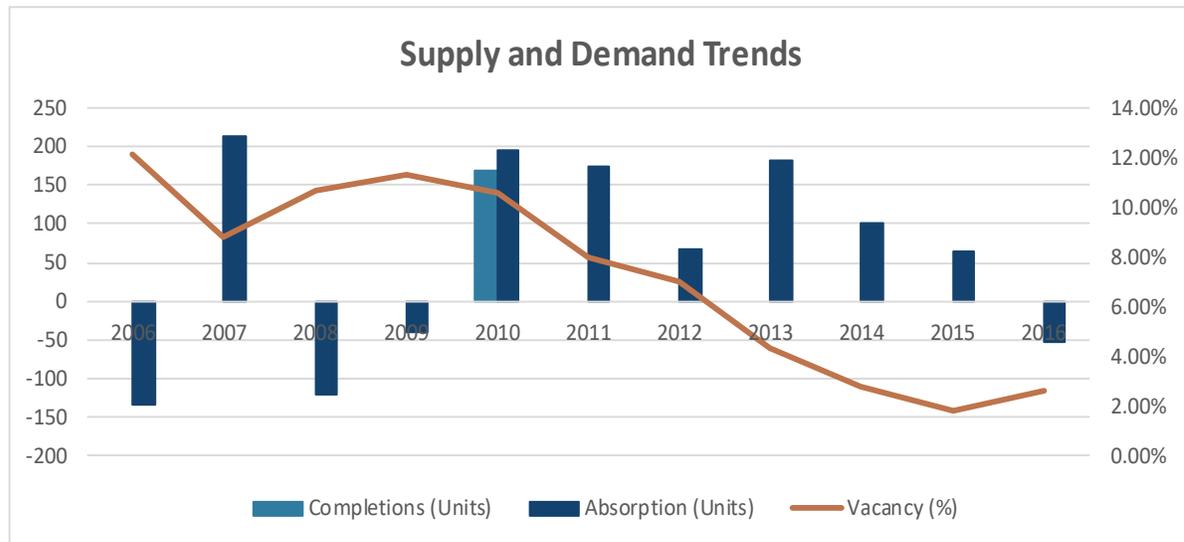
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I-20 East Submarket Class A Trends Key Takeaways



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- The current vacancy rate for Class A properties in the submarket is 2.8%; the vacancy rate has decreased by 520 bps from 2011.
- Asking rent currently averages \$954/Unit and has increased by 9.4% from 2011.



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- Class A inventory in the submarket has remained constant from 2011, while the occupied stock has increased by 5.7%.
- There have not been any Class A completions in the submarket between 2011 and 2016.



- Between 2011 and 2016, absorption figures reached a peak of 181 Units in 2013 and a low of 54 Units in 2016.
- Between 2011 and 2016, gross revenue for Class A properties in the submarket averaged \$863/Unit and has increased by 15.2%.

New and Proposed Construction

The following table summarizes properties that are under construction, planned, and/or proposed in the subject's metro area.

Atlanta Multifamily Construction by Phase and Subtype						
Multifamily Subproperty Type	Under Construction		Planned Construction		Proposed Construction	
	Properties	Units	Properties	Units	Properties	Units
Apartment	73	19,135	56	16,773	55	17,461
Condominiums	5	395	9	819	8	1,242
Subsidized/Low Income	4	503	2	160	0	0
Townhomes	14	922	13	1,233	20	1,564
Other	0	0	0	0	1	95
N/A	0	0	0	0	1	1,000
Totals	96	20,955	80	18,985	85	21,362

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Multifamily Market Construction Key Takeaways

- There are 96 properties under construction, 80 properties in the planned construction phase, and 85 properties in the proposed construction phase in the metro area.
- Apartment properties within the under construction phase have an average size of 262 units and range in size between 21 units and 438 units.
- Apartment properties within the planned construction phase have an average size of 300 units and range in size between 11 units and 850 units.
- Apartment properties within the proposed construction phase have an average size of 317 units and range in size between 18 units and 1,600 units.
- Of the 20,955 units under construction, 91.3% are Apartment properties, 1.9% are Condominium properties, and 4.4% are Townhome properties.
- Of the 18,985 units planned for construction, 88.3% are Apartment properties, 4.3% are Condominium properties, and 6.5% are Townhome properties.
- Of the 21,362 units proposed for construction, 81.7% are Apartment properties, 5.8% are Condominium properties, and 7.3% are Townhome properties.

The following table summarizes properties that are under construction, planned, and/or proposed in the subject's submarket.

I-20 East Submarket Construction by Phase and Subtype

Multifamily Subproperty Type	Under Construction		Planned Construction		Proposed Construction	
	Properties	Units	Properties	Units	Properties	Units
Apartment	0	0	1	195	1	239
Condominiums	0	0	0	0	0	0
Subsidized/Low Income	0	0	1	75	0	0
Townhomes	0	0	0	0	0	0
Other	0	0	0	0	0	0
N/A	0	0	0	0	0	0
Totals	0	0	2	270	1	239

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Comparable Property Analysis

Most relevant to the subject is the demand and supply of its comparable properties (as defined by REIS) as well as directly competing properties (i.e., peer group). A summary of the comparable and directly competing multifamily properties considered for the subject is shown in the ensuing tables.

Average Submarket Lease Terms

Submarket Free Rent	Submarket Expense Ratio
0.95	34.8

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Comparable Group Summary Stats*

	Low	Mean	Median	High
Current Asking Rent/Unit (\$)	550	888	797	1,257
Current Vacancy Rate (%)	0.0	3.4	2.6	10.1
Property Size (units)	48	231	200	733
Year Built	1972	1987	1987	1998

*Historical trends include only properties in the Comp Group that have at least five full years of history; aggregated data on rents and vacancies displayed in other tables may therefore not match precisely.

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Comparable Group Summary Stats*

	Studio	1BR	2BR	3BR
Current Asking Rent/Unit (\$)	626	796	909	1,026
Unit Size (SF)	682	716	1,079	1,326
Units	6	66	123	35
Current Asking Rent/SF	0.95	1.13	0.85	0.78

*Historical trends include only properties in the Comp Group that have at least five full years of history; aggregated data on rents and vacancies displayed in other tables may therefore not match precisely.

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Comparable Property Summary

- Average lease terms for comparable properties in the metro area consists of free rent of 0.95 months/lease and an operating expense ratio of 34.8.

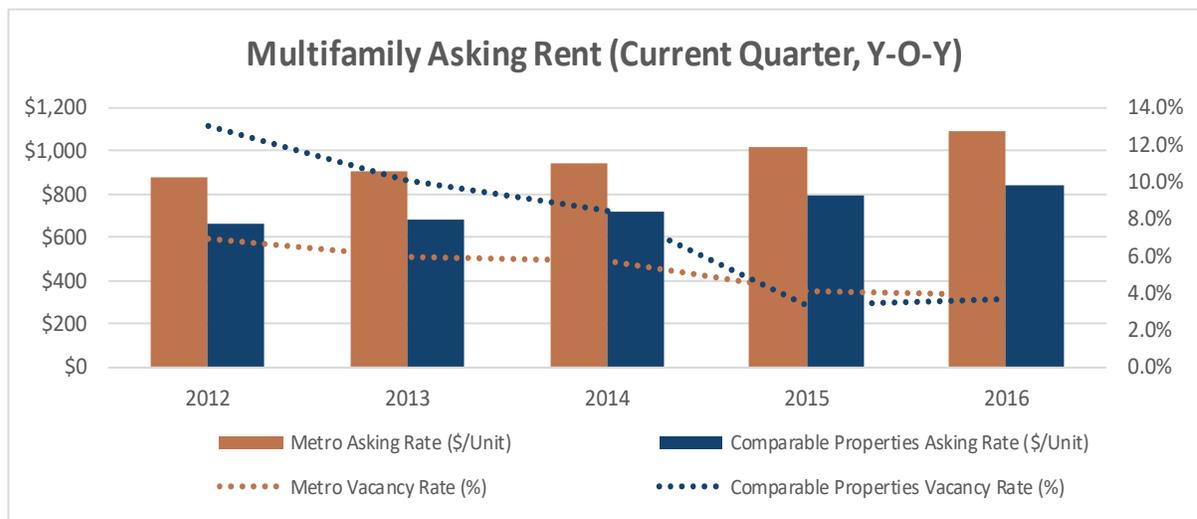
- Vacancy rates range between 0.00% and 10.10% with an average vacancy rate of 3.40% across the comparable property set.
- Asking rents range between \$550/Unit and \$1,257/Unit with an average asking rent of \$888/Unit.
- A studio, 1BR, 2BR, and 3BR command asking rents of \$626/Unit, \$796/Unit, \$909/Unit, and \$1,026/Unit respectively.
- A studio, 1BR, 2BR, and 3BR are sized 682 SF, 716 SF, 1,079 SF, and 1,326 SF respectively.
- The comparable properties in the metro area were built between 1972 and 1998.

Multifamily Comparable Property Performance Summary

Year	Quarter	Metro Performance*		Submarket Performance*		Comparable Properties Performance*	
		Asking Rent/Unit (\$)	Vacancy Rate (%)	Asking Rent/Unit (\$)	Vacancy Rate (%)	Asking Rent/Unit (\$)	Vacancy Rate (%)
2012	4	874	6.9	801	8.3	664	13.0
2013	4	904	6.0	815	6.0	680	10.1
2014	4	940	5.7	833	4.2	724	8.4
2015	4	1016	4.1	871	2.0	791	3.4
2016	4	1090	3.9	885	2.8	841	3.7
2016	1	1039	4.0	873	1.9	796	2.8
2016	2	1059	3.7	881	2.4	808	2.9
2016	3	1078	3.7	876	3.1	824	3.5
2016	4	1090	3.9	885	2.8	841	3.7
2017	1	1098	4.4	899	3.1	863	3.9

*Historical trends include only properties in the Comp Group that have at least five full years of history; aggregated data on rents and vacancies displayed in other tables may therefore not match precisely.

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Multifamily Comparable Properties

Property Name	County	Submarket	Size (units)	Year built	Class	Current Asking Rent	Vacancy Rate (%)
Arbor Creek Apartments	Rockdale	I-20 East	117	1973	BC	\$673	0.85%
Arbor Crossing Apartments	Dekalb	I-20 East	239	1989	A	\$926	6.28%
Ashford Brook Apartment	Rockdale	I-20 East	94	1981	BC	\$809	7.45%
Autumn Cove	Dekalb	I-20 East	48	1985	BC	\$665	2.08%
Briar Creek Apartments	Rockdale	I-20 East	160	1979	BC	\$798	3.13%
Bridlewood	Rockdale	I-20 East	200	1989	A	\$774	3.00%
Cambridge Heights	Dekalb	I-20 East	132	1989	BC	\$1,007	6.06%
Chelsea Place	Dekalb	I-20 East	173	1974	BC	\$698	2.89%
Covington Glen	Dekalb	I-20 East	254	1989	A	\$803	1.57%
East Perimeter Pointe Apartments	Dekalb	I-20 East	733	1988	BC	\$1,026	8.19%
Evans Mill Townhomes	Dekalb	I-20 East	142	1988	BC	\$718	3.52%
Friendly Hills Apartments	Dekalb	I-20 East	168	1998	BC	\$1,002	2.38%
Harvard Place Apartments	Dekalb	I-20 East	199	1986	BC	\$1,075	1.51%
Iris Glen Apartments	Rockdale	I-20 East	79	1984	BC	\$647	3.80%
Keswick Village	Rockdale	I-20 East	283	1996	A	\$937	4.24%
Lake St James	Rockdale	I-20 East	484	1998	A	\$1,257	1.45%
Meadow Crossing Apartments	Rockdale	I-20 East	182	1984	BC	\$791	1.10%
Salem Terrace Apartments	Newton	I-20 East	70	1979	BC	\$550	8.57%
Snapwoods Apartments	Dekalb	I-20 East	50	1983	BC	\$749	2.00%
Tall Oaks Apartments	Rockdale	I-20 East	172	1986	A	\$759	1.74%
Terraces At Fieldstone	Rockdale	I-20 East	315	1998	A	\$1,090	0.63%
The Reserve	Dekalb	I-20 East	252	1989	A	\$719	1.98%
The Village At Wesley Chapel	Dekalb	I-20 East	217	1972	BC	\$761	10.14%
The Park At Edinburgh	Dekalb	I-20 East	415	1979	A	\$795	2.17%
The Park At Stonehaven	Dekalb	I-20 East	434	1987	A	\$732	0.46%
Valleyfield Apartments	Dekalb	I-20 East	132	1984	BC	\$670	0.00%
Walden Brook Apartments	Dekalb	I-20 East	256	1987	A	\$983	3.13%
Windward Forest	Dekalb	I-20 East	215	1974	BC	\$857	5.12%
Woodcrest Village	Dekalb	I-20 East	343	1989	BC	\$807	1.46%
Woodland Trace Apartments	Rockdale	I-20 East	375	1987	BC	\$953	3.20%

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Summary of Competitive Properties

No.	Property Name/Address	Units	Year Built	Class	Vacancy Rate	Rent/Unit
1	Bridlewood 1150 Sigman Rd Ne Conyers	200	1989	A	3.00%	\$774
2	Keswick Village 2811 Keswick Village Ct Ne Conyers	283	1996	A	4.24%	\$937
3	Lake St James 50 Saint James Dr Conyers	484	1998	A	1.45%	\$1,257
4	Tall Oaks Apartments 355 Tall Oaks Dr Se Conyers	172	1986	A	1.74%	\$759
5	Terraces At Fieldstone 50 Loch Haven Dr Se Conyers	315	1998	A	0.63%	\$1,090

Multifamily Market Outlook and Conclusions

Relevant vacancy rate indications are summarized as follows:

Vacancy Rate Indications	
Market Segment	Vacancy Rates
Atlanta Metro Area	4.4%
I-20 East Submarket Area	3.1%
I-20 East Submarket Area Class A	2.8%
Directly Comparable Properties	3.4%
Subject Property - Projected	5.00%

Based on the key metro and submarket area trends, construction outlook, and the performance of competing properties, IRR expects the mix of property fundamentals and economic conditions in the Atlanta metro area to have a positive impact on the subject property's performance in the near-term.

Supply and Demand Analysis - Age-Restricted Apt.

Unit Mix and Unit Size – Age-Restricted

The following is the planned unit mix for the age-restricted component.

Unit Mix (Senior Apartments)			
Unit Type	No. Of Units	Pct of Total	SF/Unit
1 BR/1 BA	64	37.2%	970
2 BR/2 BA	108	62.8%	1,334
TOTAL/AVG.	172	100.0%	1,200

Elderly apartments are typically designed to accommodate the needs of senior citizens who often have diminishing physical capabilities. We have found that generally the dwelling units within elderly complexes are contained in one building or a tight clustering of buildings with access provided via elevators. Amenities are either located within the same building or adjacent to the building containing the dwelling units. One-bedroom units are the most desirable unit type due to the preponderance of one-person households.

Some of the elderly tenants may have physical limitations. This is an important consideration in the site plan layout; therefore, most properties oriented to seniors use a small number of multiple-story buildings, typically with units accessed by interior, air conditioned hallways and elevators, with many amenities on the first floor of the building and/or near to it (i.e. swimming pool, shuffleboard), to allow for easy access by elderly tenants with physical limitations.

Competitive Market Area

Demographics of Market Areas

We have analyzed demographic information for a 5-mile ring centered on the subject property. The 5-mile ring is considered to be the subject's Primary Market Area (PMA).

The data used in this analysis is from a Household Trend Report performed by The Nielsen Company, Inc. We have profiled the population growth, household growth and income characteristics of the market areas. The Nielsen Company' data is considered some of the most accurate in the industry; it reflects 2010 Census data.

Household Growth Age 55+	
	5 Mile PMA
Households 2010 Census	5,564
Households 2017 (est.)	12,661
% Change 2010 - 2017	127.5%
Households 2022 (proj.)	14,742
% Change -2017 - 2022	16.4%
Absolute Change 2017 - 2022	2,081
Average Change/Year	416

The average household size for the market areas is as follows:

Average Household Size Age 55+		
Area	2017	2022
5-mile PMA	2.82	2.83

The average household size is currently 2.82 and will increase slightly by 2022 to 2.83.

The income characteristics of the market areas are outlined in the following charts.

Average Household Income - Senior Households	
	5 Mile PMA
2017 Average HH Income	\$63,140
2022 Average HH Income	\$64,440
Growth	\$1,300
Percent Change	2.1%

Median Household Income - Senior Households	
	5 Mile PMA
2017 Average HH Income	\$49,573
2022 Average HH Income	\$50,222
Growth	\$649
Percent Change	1.3%

Household Income Distribution

The following chart summarizes the proportion of households in each annual household income level. Note that the income ranges over \$50,000 contains larger income increments than the lower categories. The majority of the PMA has household income levels of less than \$100,000.

Household Income Distribution - 2017			
	5-mile ring		
Total Households Age 55+	12,661		
Household Income	HH	Pct	Cumm. HH
Less than \$15,000	1,554	12.3%	1,554
\$15,000 to \$24,999	1,502	11.9%	3,055
\$25,000 to \$34,999	1,604	12.7%	4,659
\$35,000 to \$49,999	2,175	17.2%	6,835
\$50,000 to \$74,999	2,463	19.5%	9,298
\$75,000 to \$99,999	1,450	11.5%	10,748
\$100,000 to \$124,999	770	6.1%	11,517
\$125,000 to \$149,999	396	3.1%	11,914
\$150,000 to \$199,999	506	4.0%	12,420
\$200,000 or more	240	1.9%	12,661

Demand for Age Restricted Rental Units – Income Band Analysis for Subject Property

Competition from Market Rate Projects

The subject’s PMA has a supply of newer and older market apartment rate properties; however none are age-restricted apartment properties.

Competition from Single family and Condominium Rentals

The supply does not appear to have been significantly impacted by competition from single family or condominium homes that have entered the rental market. Since these units do not have income or rent restrictions and do not have compliance periods and could leave the supply at any time they have not been included in this analysis.



Income-Qualified Households

We have estimated the number of households within the market areas that will earn enough income to afford the subject units, but not so much as to exceed the maximum allowable income under the programs that will restrict the subject. Therefore, we estimate a lower limit of income at \$50,000 annually and the upper limit at \$150,000.

Demographic Analysis

The following chart summarizes our demographic analysis for the subject property to include Penetration Rate, Capture Rate and Remaining Potential Demand. Growth is presented later.

Income Band Analysis - 2017				
Income Band				
Minimum With 30% Rent Expenses Only			\$4,667 per month	\$56,000
Market Area	5-Mile Radius			
Total 55 and Over Households In Market Area	12,661			
	% in	Pct of	Inc.	
Household Income	Band	Households	Qual.	Cumm.
Less than \$15,000	0.0%	12.3%	0.0%	0.0%
\$15,000 to \$24,999	0.0%	11.9%	0.0%	0.0%
\$25,000 to \$34,999	0.0%	12.7%	0.0%	0.0%
\$35,000 to \$49,999	0.0%	17.2%	0.0%	0.0%
\$50,000 to \$74,999	76.0%	19.5%	14.8%	14.8%
\$75,000 to \$99,999	100.0%	11.5%	11.5%	26.2%
\$100,000 to \$124,999	100.0%	6.1%	6.1%	32.3%
\$125,000 to \$149,999	100.0%	3.1%	3.1%	35.4%
\$150,000 to \$199,999	0.0%	4.0%	0.0%	35.4%
\$200,000 or more	0.0%	1.9%	0.0%	35.4%
		100.0%		
1 Pct of Households in Income Band		35.4%		
2 Total Households 55 and Over		12,661		(Source: The Nielsen Company)
3 Age & Income Qualified Households In Income Band		4,488		(Line 1 x Line 2)
4 Propensity of Renter-Occupied Housing for Senior HH in Market Area		31.7%		(Source: The Nielsen Company)
5 Age & Income Qualified Households (Potential Demand)		1,422		(Line 3 x Line 4)
6 Existing Competitive Age restricted Supply (55+ units)		0		
7 Funded/Under Construction Units		0		
8 Add: Subject's Units		172		
9 Total Projected Supply		172		(Sum of Lines 6, 7 and 8)
10 Residual Demand		1,250		(Line 5- Line 9)
11 Indicated Penetration Rate (Supply/Demand)		12.1%		(Line 9/Line 5)
12 Indicated Subject Capture Rate		12.1%		(Line 8/Line 5)

The following chart summarizes the current supply of units (including any funded units and the subject property) in each of the areas surveyed.

5-Mile Radius	
Supply of Age Restricted Apartments	0



The subject’s Penetration Rates and Capture Rates in each of the market areas are summarized as follows.

5-Mile Radius	
Penetration Rate	12.1%
Capture Rate	12.1%

Demand from Household Growth

We have also considered projected household growth within the subject’s income band. The analysis is generally the same as that for the current population. However, we have considered the future income band based on projections of income growth.

From the number of income-qualified renter households projected for 2022, we subtracted the income-qualified renter households in 2017 to indicate the number of potential tenants for the subject based on household growth. The following analysis summarizes our calculations of potential demand from household growth within the income band.

Income Band Analysis - 2022				
Market Area	5 -Mile Radius			
Total 55 and Over Households In Market Area	14,742			
	% in			
Household Income	Income	Pct of	Inc.	
	Band	Households	Qual.	Cumm.
Less than \$15,000	0.0%	12.1%	0.0%	0.0%
\$15,000 to \$24,999	0.0%	11.8%	0.0%	0.0%
\$25,000 to \$34,999	0.0%	12.4%	0.0%	0.0%
\$35,000 to \$49,999	0.0%	17.1%	0.0%	0.0%
\$50,000 to \$74,999	76.0%	19.2%	14.6%	14.6%
\$75,000 to \$99,999	100.0%	11.5%	11.5%	26.2%
\$100,000 to \$124,999	100.0%	6.4%	6.4%	32.6%
\$125,000 to \$149,999	100.0%	3.2%	3.2%	35.8%
\$150,000 to \$199,999	0.0%	4.1%	0.0%	35.8%
\$200,000 or more	0.0%	2.2%	0.0%	35.8%
		100.0%		
Pct of Households in Income Band		35.8%		
Total Households 55 and Over		14,742		
Age & Income Restricted Households In Income Band		5,272		
Propensity of Renter-Occupied Housing for Senior HH in Market Area		31.7%		
Age & Income Qualified Households in 2022 (Potential Demand)		1,670		
Less: Age & Income Qualified Households in 2017		1,422		
Increase in Demand From HH Growth over 5 Years		248		
Annual Increase in Potential Demand		50		

This analysis indicates the following annual increases in the number of age and income-qualified renter households in the subject’s income band in each of the market areas.

5-Mile Radius	
Annual Increase in Age &Income-Qual. Renter HH	50



The annual increase in the number of age and income-qualified renter households is positive in the subject PMA.

An annual growth greater than the size of the subject property is a positive demographic factor. The higher the annual growth in age and income-qualified renter households relative to the project size, the less the project has to rely on cannibalizing tenants from existing properties. If the annual growth in income-qualified renter households is less than the project size, then the complex must rely on tenants moving from existing projects, which would lower the overall occupancy rate of the entire market and lower the expected stabilized occupancy rate of the subject property.

Conclusion of Supply and Demand Analysis

The Penetration Rates and Capture Rates indicate a need for additional age and income restricted rental housing in the PMA. A substantial Residual Demand exists within each of the market areas. The annual growth of income qualified renter households is higher than the project size, which is a positive demographic factor. Overall, the subject has a very positive demographic profile.

The subject's capture rates are relatively low and indicate that there is sufficient demand for the subject units. A high Capture Rate suggests that a property will offer too many units for the depth of the market area. When the capture rate is near 12% or lower, the project has a reasonably good chance to succeed based on achieving stabilized occupancy and rental rates. Between 5% and 10% percent, there is good chance for success.

Supply and Demand Analysis – Seniors Housing

Introduction

In this section, we will analyze supply and demand conditions.

Metro Market Supply and Demand Conditions

If your property is in a smaller metro area, it will be compared to secondary markets, which is the average for the 32nd through 100th largest CBSAs.

The NIC Map Database provides the following data for the Atlanta MSA, which includes the counties shown in the following map. It is noted that primary markets represent the average of the top 31 core-based statistical areas (CBSAs) within the United States.



An overview of the Atlanta seniors housing market is shown in the following table, comparing the MSA data to comparable data for the primary CBSA's in the NIC survey.

PROPERTY INFORMATION

Property Types ->	Majority IL		Majority AL		Majority NC	
	Metro	Primary Markets	Metro	Primary Markets	Metro	Primary Markets
Stabilized Occupancy	91.5%	91.6%	87.8%	89.4%	91.2%	87.3%
Average Monthly/Daily Rent	\$3,471	\$3,163	\$4,177	\$4,713	\$237	\$314
Median Age	14	25	18	18	43	39
Reporting Need to Upgrade(%)	No Data	No Data	No Data	No Data	No Data	No Data
Median Units/Beds Per Property	168	183	60	76	129	120
For Profit (%)	79.5%	62.6%	95.4%	89.6%	82.1%	80.4%
Property Count	44	1,424	151	3,024	95	4,055
Inventory	8,150	328,313	9,958	248,319	13,523	570,942
Independent Living Units	6,296	242,517	391	12,978	325	10,497
Assisted Living Units ¹	1,463	50,777	9,525	227,659	610	20,363
Nursing Care Beds	391	35,019	42	7,682	12,588	540,082
Penetration	5.7%	6.0%	7.0%	4.5%	9.4%	10.4%
Construction Units/Beds	1,120	12,276	1,263	21,365	252	4,036

Trends in the assisted living market over time are shown in the following table.

MAJORITY IL

METRO TRENDS

Period	Existing Inventory		Occupancy		Quarterly Supply and Demand		Under Construction Inventory		YoY Rent Growth ¹
	# Properties	# Units/Beds	All Properties	Stabilized	Absorption	Inventory Growth	# Properties	# Units/Beds	
1Q2017	44	8,150	86.7%	91.5%	75	205	7	1,120	3.3%
4Q2016	43	7,945	88.0%	92.1%	154	345	7	1,192	3.8%
3Q2016	41	7,600	89.9%	92.9%	215	332	12	1,537	4.8%
2Q2016	39	7,268	91.1%	91.4%	8	0	13	1,663	2.4%
1Q2016	39	7,268	91.0%	91.7%	-43	86	12	1,442	1.9%
2015	39	7,182	92.7%	93.7%	202	252	12	1,357	2.4%
2014	37	6,930	93.1%	94.1%	290	141	2	238	3.0%
2013	36	6,789	90.8%	92.2%	363	207	2	242	1.8%

The market average occupancy for independent living in the Atlanta MSA is 91.5% for stabilized properties, which is similar to the average occupancy of the top 31 markets.



MAJORITY AL									
METRO TRENDS									
	Existing Inventory		Occupancy		Quarterly Supply and Demand		Under Construction Inventory		
Period	# Properties	# Units/Beds	All Properties	Stabilized	Absorption	Inventory Growth	# Properties	# Units/Beds	YoY Rent Growth ¹
1Q2017	151	9,958	85.4%	87.8%	115	47	17	1,263	1.1%
4Q2016	150	9,911	84.6%	87.4%	60	145	17	1,211	2.8%
3Q2016	149	9,766	85.3%	88.2%	257	242	16	1,101	2.8%
2Q2016	147	9,524	84.8%	87.2%	99	280	17	1,235	2.5%
1Q2016	144	9,244	86.3%	88.2%	49	152	18	1,449	2.2%
2015	143	9,092	87.1%	88.5%	66	232	18	1,398	1.5%
2014	142	8,860	88.7%	90.2%	428	426	13	914	2.7%
2013	135	8,434	88.1%	90.0%	152	120	10	549	2.9%

The market average occupancy for assisted living in the Atlanta MSA is 87.8% for stabilized properties, which is similar to the average occupancy of the top 31 markets.

Delineation of the Market Area

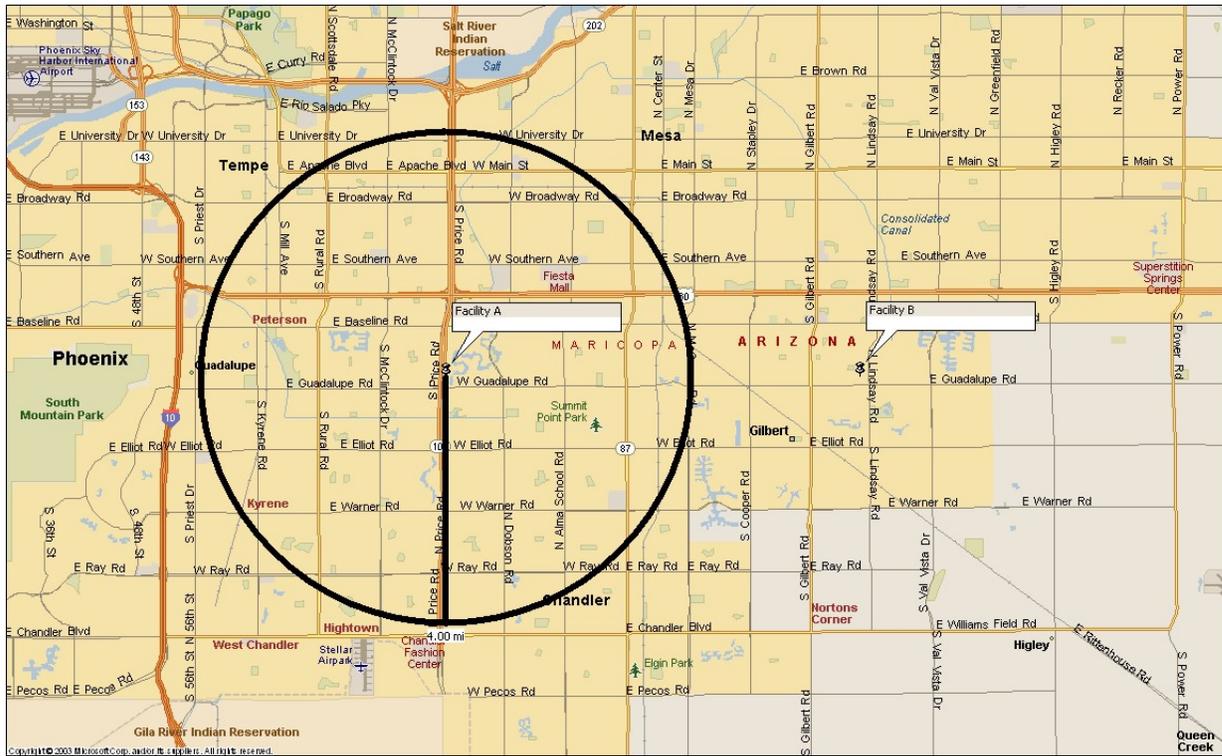
As discussed previously, we consider the subject's PMA to be the area within a 5-mile radius of the site.

Target Market

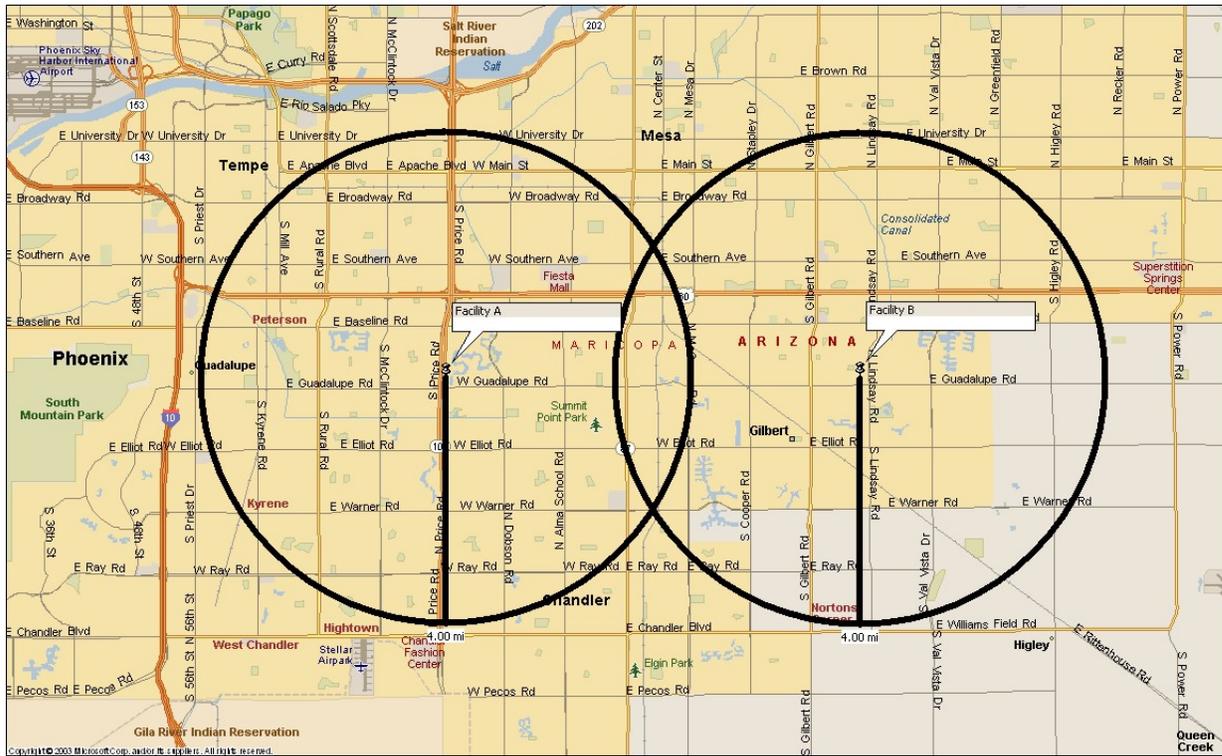
The subject's target market group consists of the age qualified population that has adequate income to live in elderly housing and adult children who are caregivers for an elderly relative. Therefore, the subject's primary target market is seniors aged 65+ with household income of \$25,000+, as well as adult children who might relocate such a person to the market.

Methodology for Quantifying Supply

In the case of facilities located some distance from the subject, we have allocated only a portion of the units based upon the estimated percent the market area for each competing facility overlaps the PMA. For example, the map below shows two fictional facilities, A and B, along with the concluded market area for Facility A.



Facility B is not within the market area for Facility A. However, Facility B’s market area does overlap some of the market area for Facility A, as shown below:



Our methodology for estimating supply considers Facility B in the example above as being partially competitive with Facility A. We base the degree of it is competitiveness upon the percentage of the subject’s market area (Facility A in this example) that is overlapped by the estimated market area for Facility B. The percent of overlap is mathematically calculated using a formula that factors in the size of the market area and the distance between each comparable and the subject.

For example, if Facility B has 100 beds and the market area for Facility B overlaps Facility A’s market area by 20%, then 20 of Facility B’s beds are considered competitive. This same procedure is used to estimate competitive supply for each facility in and surrounding the subject’s market area.

Assisted Living Supply Analysis

We will now focus upon the assisted living segment of the market. Bed licenses are granted based upon double occupancy in many rooms. In practice, a lesser number of rooms are typically occupied by more than one person. For this reason, we will analyze operating beds as opposed to licensed beds. For purposes of this report, a facility’s operating beds are considered the optimal number of persons that the facility is designed to accommodate at one time. This figure is generally equal to or greater than the number of units and equal to or less than the number of licensed beds. Our analysis also disregards small board and care facilities in and around the market area, although we know such facilities to be present. Board and care facilities generally have less than 25 licensed beds, are operated by “mom and pop” type operators, and offer accommodations and services of lesser quality. For consistency, such facilities are also excluded from the penetration rates utilized in the demand analysis.



Existing Supply of Assisted Living

The following table is a list of the assisted living facilities serving the subject's market area.

Existing Supply of Assisted Living					
Property Name	Type	Number of Assisted Living Beds	Miles From Subject	Percent of Beds Considered Competitive	Number of Competitive Beds
Remington House 1508 Renaissance Dr, Conyers, GA	IALF	68	3.3	41%	28
Morningside of Conyers 1352 Wellbrook Circle, Conyers, GA	ALF/MC	49	3.3	41%	20
Bristol Village 1358 Manchester Dr NE, Conyers, GA	ALF D/MC	75	3.4	41%	30
Merryvale Assisted Living 11980 Hwy 142, Oxford, GA	ALF/MC	78	8.3	4%	3
Benton House of Covnington 7155 Dearling Road, Covington, GA	ALF/MC	72	9.5	1%	1
Total Number of Existing Competitive Beds					82
Type Key					
NC = Nursing center					
NC/ALF = Nursing center with assisted living.					
NC/MC = Nursing center with specialized memory care beds					
ALF = Free-standing assisted living facility					
ALF/MC = Free-standing assisted living facility with dedicated memory care wing					
ALF D/MC = Free-standing assisted living facility - 100% memory care dedicated					
ILF = Independent Living Facility					
IALF = Independent and assisted living facility					
IALF/MC = Independent and assisted living facility with dedicated memory care wing					
CCRC = Continuing care retirement community					

Occupancy of Competitive Supply

The occupancy and waiting list status of the competitive supply of assisted living are as follows:

Occupancy of Competitive Assisted Living		
Property Name	Current Occupancy %	Waiting List Status
Remington House 1508 Renaissance Dr, Conyers, GA	97%	No
Morningside of Conyers 1352 Wellbrook Circle, Conyers, GA	92%	No
Bristol Village 1358 Manchester Dr NE, Conyers, GA	80%	No
Merryvale Assisted Living 11980 Hwy 142, Oxford, GA	94%	No
Benton House of Covnington 7155 Dearling Road, Covington, GA	90%	No

Based upon the reported occupancy levels, the weighted average occupancy for competitive beds is as follows:

Weighted Average Occupancy of Competitive Assisted Living			
Property Name	Number of Competitive Beds	Current Occupancy %	Number of Occupied Beds
Remington House 1508 Renaissance Dr, Conyers, GA	28	97%	27
Morningside of Conyers 1352 Wellbrook Circle, Conyers, GA	20	92%	18
Bristol Village 1358 Manchester Dr NE, Conyers, GA	30	80%	24
Merryvale Assisted Living 11980 Hwy 142, Oxford, GA	3	94%	3
Benton House of Covnington 7155 Dearling Road, Covington, GA	1	90%	1
TOTALS	82	-	73
WEIGHTED AVERAGE OCCUPANCY		89%	-

Assisted Living Under Construction or Proposed

Our research revealed the following competitive projects under construction or proposed:

In our supply forecast, we will only include those facilities likely to be complete within the coming 24 months. These facilities are set forth in the following table.

Supply of Assisted Living Under Construction or Proposed					
Property Name	Current Status	Number of Assisted Living Beds	Miles From Subject	Percent of Beds Considered Competitive	Number of Competitive Beds
Relevant Supply Likely to be Complete Within 12 Months					0
Subject					
NWQ of Flat Shoals Rd, Iris Dr, Conyers, GA	Planned	66	0.0	100%	66
Oaks at Ashton Hills					
NWC of C.R. 142/Deering St, Covington	Planned	88	9.0	2%	2
Relevant Supply Likely to be Complete Within 24 Months					68

Memory Care Supply Analysis

We will now focus upon the memory care segment of the assisted living market. Alzheimer's disease is a progressive, degenerative disease that attacks the brain and results in impaired memory, thinking, and behavior. It was first described by Dr. Alois Alzheimer in 1906 and has since been diagnosed in millions of people. The exact causes have yet to be discovered. Memory care is an umbrella term used to describe the loss of cognitive or intellectual function. Many conditions can cause memory care issues. Issues related to depression, drug interaction, thyroid, and other problems may be reversible if detected early. Several other diseases also cause memory care issues, such as Parkinson's, Creutzfeldt-Jakob, Huntington's, and Multi-Infarct or vascular disease, caused by multiple strokes in the brain.

The following statistics from the National Alzheimer's Association's *2016 Alzheimer's Disease Facts and Figures* report delineate the strong need for facilities that care for persons with memory care issues:

- Alzheimer's is a progressive, degenerative disease of the brain and the most common form of memory care disease.
- An estimated 5.4 million Americans of all ages have Alzheimer's in 2016. This figure includes 5.2 million people aged 65 and older and 200,000 individuals under age 65 who have younger-onset memory care issues.
- One in nine people aged 65 and older (11%) has Alzheimer's.
- Of those with Alzheimer's, an estimated 4% are under age 65, 15% are 65 to 74, 44% are 75 to 84, and 37% are 85 and older.
- More women than men have memory care issues. Almost two-thirds of all Americans living with Alzheimer's are women. Of the 5.2 million people over age 65 with Alzheimer's in the United States, 3.3 million are women and 1.9 million are men. Based on estimates from ADAMS, 16% of women aged 71 and older have memory care issues compared with 11% of men.
- The number of Americans surviving into their 80s and 90s and beyond is expected to grow dramatically due to advances in medicine and medical technology, as well as social and

environmental conditions. Additionally, a very large segment of the American population – the baby boom generation – is reaching retirement age.

- By 2030, the segment of the U.S. population aged 65 years and older is expected to double, and the estimated 74 million older Americans will make up approximately 20% of the total population (up from 14% in 2012). As the number of older Americans grows rapidly, so too will the numbers of new and existing cases of memory care issues.
- In 2000, there were an estimated 411,000 new (incident) cases of Alzheimer’s disease. For 2010, that number was estimated to be 454,000 (a 10% increase); by 2030, it is projected to be 615,000 (50% increase from 2000); and by 2050, 959,000 (130% increase from 2000).
- By 2025, the number of people aged 65 and older with Alzheimer’s disease is estimated to be over 7.1 million. This is a 40% increase from the 5.2 million aged 65 and older currently affected in 2016.
- By 2050, the number of people aged 65 and older with Alzheimer’s disease may triple, from 5.2 million to a projected 13.8 million, barring the development of medical breakthroughs to prevent or more effectively treat the disease.

In the past, most persons with memory care issues have been cared for in the home by informal caregivers (friends or relatives) or through home health care agencies or other providers. With the continuing increase in two-income households and the recognition that caring for a person with memory care issues can be physically and mentally taxing, many informal caregivers are seeking options outside the home. This led to growth in the number of facilities providing specialized care for persons with memory care issues.

Facilities providing specialized care for persons with memory care issues generally follow one of two models: the nursing care model or the assisted living model. Generally, the nursing care model can be characterized as being for patients who have relatively extensive health care needs in addition to requiring care for memory care issues. The nursing care model is a type of care subject to greater regulation than assisted living care. Staffing requirements for nursing care are typically greater, and the associated costs for care are higher. As many persons with memory care issues are otherwise healthy, the assisted living model is the leading model for the care of persons with memory care issues.

Existing Supply of Memory Care

The existing supply of memory care within the PMA is as follows.

Existing Supply of Memory Care					
Property Name	Type	Number of Memory Care Beds	Miles From Subject	Percent of Beds Considered Competitive	Number of Competitive Beds
Morningside of Conyers 1352 Wellbrook Circle, Conyers, GA	ALF/MC	49	3.3	41%	20
Bristol Village 1358 Manchester Dr NE, Conyers, GA	ALF D/MC	75	3.4	41%	30
Merryvale Assisted Living 11980 Hwy 142, Oxford, GA	ALF/MC	78	8.3	4%	3
Benton House of Covnington 7155 Dearling Road, Covington, GA	ALF/MC	72	9.5	1%	1
Total Number of Existing Competitive Beds					54

Type Key

NC = Nursing center

NC/ALF = Nursing center with assisted living.

NC/MC = Nursing center with specialized memory care beds

ALF = Free-standing assisted living facility

ALF/MC = Free-standing assisted living facility with dedicated memory care wing

ALF D/MC = Free-standing assisted living facility - 100% memory care dedicated

ILF = Independent Living Facility

IALF = Independent and assisted living facility

IALF/MC = Independent and assisted living facility with dedicated memory care wing

CCRC = Continuing care retirement community

Occupancy of Competitive Supply

The occupancy and waiting list status of the competitive supply of memory care is as follows:

Occupancy of Competitive Memory Care		
Property Name	Current Occupancy %	Waiting List Status
Morningside of Conyers 1352 Wellbrook Circle, Conyers, GA	94%	Yes
Bristol Village 1358 Manchester Dr NE, Conyers, GA	80%	No
Merryvale Assisted Living 11980 Hwy 142, Oxford, GA	94%	No
Benton House of Covnington 7155 Dearling Road, Covington, GA	90%	No



Based upon the reported occupancy levels, the weighted average occupancy for competitive beds is as follows:

Weighted Average Occupancy of Competitive Memory Care			
Property Name	Number of Competitive Beds	Current Occupancy %	Number of Occupied Beds
Morningside of Conyers 1352 Wellbrook Circle, Conyers, GA	20	94%	19
Bristol Village 1358 Manchester Dr NE, Conyers, GA	30	80%	24
Merryvale Assisted Living 11980 Hwy 142, Oxford, GA	3	94%	3
Benton House of Covington 7155 Dearling Road, Covington, GA	1	90%	1
TOTALS	54	-	47
WEIGHTED AVERAGE OCCUPANCY		86%	-

Memory Care Under Construction or Proposed

Our research revealed the following competitive projects under construction or proposed:

In our supply forecast, we will only include those facilities likely to be complete within the coming 24 months. These facilities are set forth in the following table.

Supply of Memory Care Under Construction or Proposed					
Property Name	Current Status	Number of Memory Care Beds	Miles From Subject	Percent of Beds Considered Competitive	Number of Competitive Beds
Relevant Supply Likely to be Complete Within 12 Months					0
Subject					
NWQ of Flat Shoals Rd, Iris Dr, Conyers, GA	Planned	24	0.0	100%	24
Royal Hall Senior Living					
NWC of CR 142/Deering St, Covington, GA	Planned	32	9.0	2%	1
Relevant Supply Likely to be Complete Within 24 Months					25

Independent Living Supply Analysis

We will now focus upon the independent living segment of the market. In this analysis, the focus is upon living units, which can accommodate one to two persons.

Existing Supply of Independent Living

The following table is a list of independent living facilities serving the market area.

Existing Supply of Independent Living					
Property Name	Type	Number of Independent Living Units	Miles From Subject	Percent of Units Considered Competitive	Number of Competitive Units
Remington House 1508 Renaissance Dr, Conyers, GA	IALF	100	3.3	41%	41
Total Number of Existing Competitive Units					41
Type Key					
NC = Nursing center					
NC/ALF = Nursing center with assisted living.					
NC/MC = Nursing center with specialized memory care beds					
ALF = Free-standing assisted living facility					
ALF/MC = Free-standing assisted living facility with dedicated memory care wing					
ALF D/MC = Free-standing assisted living facility - 100% memory care dedicated					
ILF = Independent Living Facility					
IALF = Independent and assisted living facility					
IALF/MC = Independent and assisted living facility with dedicated memory care wing					
CCRC = Continuing care retirement community					

Occupancy of Competitive Supply

The occupancy and waiting list status of the competitive supply of independent living is as follows:

Occupancy of Competitive Independent Living		
Property Name	Current Occupancy %	Waiting List Status
Remington House 1508 Renaissance Dr, Conyers, GA	100%	Yes

Based upon the reported occupancy levels, the weighted average occupancy for competitive units is as follows:

Weighted Average Occupancy of Competitive Independent Living			
Property Name	Number of Competitive Units	Current Occupancy %	Number of Occupied Units
Remington House 1508 Renaissance Dr, Conyers, GA	41	100%	41
TOTALS	41	-	41
WEIGHTED AVERAGE OCCUPANCY		100%	-



Independent Living Under Construction or Proposed

Our research revealed the following competitive projects under construction or proposed:

The subject is the only planned IL in the county. Royal Oaks was a planned IALF located in Covington; however the development is now assisted living and memory care only.

In our supply forecast, we will only include those facilities likely to be complete within the coming 24 months. These facilities are set forth in the following table.

Supply of Independent Living Under Construction or Proposed					
Property Name	Current Status	Number of Independent Living Units	Miles From Subject	Percent of Units Considered Competitive	Number of Competitive Units
Relevant Supply Likely to be Complete Within 12 Months					0
Subject					
NWQof Flat Shoals Rd, Iris Dr, Conyers, GA	Planned	68	0.0	100%	68
Relevant Supply Likely to be Complete Within 24 Months					68

Barriers to Entry

The subject is in a market with limited barriers to entry. Vacant sites are available and zoning and building permits are easily obtained. Thus, it is likely that future competition will be developed as warranted by demand.

Seniors Housing Demand Analysis

We will now analyze demand for seniors housing. Our analysis will show demand estimates for the current year, each year for the following four, and 10 years from the current year.

The demand estimates will be based upon the quantity of four potential target groups who are likely users of seniors housing. Analysis of these four target groups will provide four separate indications of demand for seniors housing. We will then consider each one of them to derive our demand conclusions, much as the three approaches to value in an appraisal are reconciled into a single value estimate. The target groups are as follows:

Target Group 1

Although the vast majority of persons entering seniors housing are age 80 and over, some persons between the ages of 65 and 80 elect to live in seniors housing. Therefore, the broadest potential target group for seniors housing is persons age 65 and over. The number of persons age 65 plus is often considered in bed need methodologies adopted by various state licensing agencies.

Target Group 2

The next potential target group typically examined in evaluating demand for seniors housing is the number of households headed by a householder age 75 and over. The vast majority of seniors housing residents fall into the 75+ range.

Target Group 3

The next target group consists of the age qualified population that has adequate income to live in elderly housing. Many operators consider \$25,000 to be the minimum qualifying income. Although research has shown that many seniors with lesser income levels can afford to reside in seniors housing due to having income from other sources or assets to spend down, \$25,000 is widely considered a benchmark for the private pay market. Thus, this target group consists of the number of households with household income of \$25,000+ headed by a householder age 75+.

Target Group 4

This group consists of a group referred to in the industry as adult children. Children and/or other relatives of seniors generally play a significant role in the placement of a senior in a seniors housing facility. Market areas where there are large concentrations of persons in the 45 to 64 age group can often support a significantly larger supply of seniors housing than would be indicated through analysis of seniors already residing in the area. This is because in-migration of seniors into markets with large adult child populations is common, as the elderly are often relocated to a facility near the home of their adult children or other relative. Many operators of seniors housing have recognized the importance of the adult child market. Thus, this target group is the number of persons in the age 45 to 64 age bracket.

Income and ADL Qualification

Some in the industry apply additional qualifications to further refine the potential target market before applying a penetration rate. These further qualifications might include quantification of seniors likely to require assistance with ADLs and quantification of seniors by living arrangements (restricting the market to those living alone under the assumption that few seniors living with spouses will choose seniors housing). However, there are no reliable local sources to accurately estimate these factors in a given market area, typically leading to the use of national statistics. These further qualifications tend to complicate the application and derivation of penetration rates and are a futile exercise since the same national data are typically applied to each market area. For this reason, we will not attempt to further qualify the potential market.

Discussion of Achievable Penetration Rates

There are no industry standard definitions for penetration or capture rates. For purposes of this analysis, a penetration rate is considered to be the number of beds or units of a specific type that should be demanded at market equilibrium within a given market area, divided by the quantity of persons or households of a specific type in the same market area. For example, if 100 beds of assisted living should be demanded, and there are 1,000 persons age 65+ that reside in the PMA, the indicated penetration rate is 10%.

In order to determine appropriate penetration rates, we consulted national demand estimates provided in *The Case for Investing in Seniors Housing and Long Term Care Properties with Updated Projections*. We have also relied upon actual penetration rates being realized based upon data from NIC Map.

The penetration rates are based upon demand for public and private pay. The inclusion of public pay demand significantly impacts the nursing home sector and has a lesser but still notable impact upon the other two sectors. It is important to note that in states where Medicaid waivers and/or other public pay alternatives are not available, these penetration rates may not be realized. These demand estimates, derived from the most complete and authoritative study of national demand in existence, will be used as the basis for estimating demand in the subject's market area.

IRR has been evaluating seniors housing facilities since the mid-1980s. Over the years, we have worked with many of the most prolific developers of seniors housing in the nation including Sunrise Senior Living, Holiday Retirement, Senior Resource Group, Emeritus and Capital Senior Living. Most of the successful developers and operators of private pay seniors housing target the adult child population (persons age 45 to 64). In our tours of literally hundreds of facilities nationally, we always ask the source of residents and how often the decision is made by an adult child caregiver. In most instances, the adult child caregiver is noted as being the primary decision maker, and in many markets, more than 50% of the residents are brought in from outside the PMA by adult child caregivers that live in the PMA. Thus, in our analysis, the adult child market (Target Group 4) is given considerable weight.

We have also field tested the penetration rates used herein in the preparation of more than 3,000 market studies and appraisals of seniors housing assets prepared over the past 10+ years. We have found these penetration rates to be excellent predictors of actual market conditions. In other words, when our demand analysis indicated there to be an undersupply, we typically found high market occupancy levels indicating unmet demand. Alternatively, when our demand model showed an oversupply, we have typically seen low market occupancy levels.

Demand Estimates

The following table shows the estimated number of persons or households in each target group for a number of time periods, and the indicated demand for each period based upon the penetration rates previously discussed.

Demand For Assisted Living							
Target Group 1 - Persons Age 65+							
Item	Year						
	2017	2018	2019	2020	2021	2022	2027
A. PMA Persons Age 65+	11,080	11,639	12,198	12,757	13,316	13,875	17,374
B. Achievable Penetration Rate	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
C. Indicated Market Area Demand (A X B)	224	235	246	257	269	280	351
Target Group 2 - Households Age 75+							
Item	Year						
	2017	2018	2019	2020	2021	2022	2027
A. PMA HHS Age 75+	2,372	2,498	2,624	2,750	2,876	3,002	3,801
B. Achievable Penetration Rate	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%
C. Indicated Market Area Demand (A X B)	157	166	174	182	191	199	252
Target Group 3 - Households Age 75+ With Income \$25,000+							
Item	Year						
	2017	2018	2019	2020	2021	2022	2027
A. PMA HHS Age 75+ W/Inc. \$25,000+	1,496	1,579	1,661	1,744	1,826	1,908	2,435
B. Achievable Penetration Rate	14.8%	14.8%	14.8%	14.8%	14.8%	14.8%	14.8%
C. Indicated Market Area Demand (A X B)	221	233	245	257	269	282	359
Target Group 4 - Persons Age 45-64 (Adult Children)							
Item	Year						
	2017	2018	2019	2020	2021	2022	2027
A. PMA Persons Age 45-64	23,365	23,660	23,956	24,252	24,547	24,843	26,415
B. Achievable Penetration Rate	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%
C. Indicated Market Area Demand (A X B)	266	270	273	276	280	283	301
Demand Conclusions							
Item	Year						
	2017	2018	2019	2020	2021	2022	2027
Indicated Demand	244	251	259	267	275	282	330
Adjustment for Local Market Conditions	0%	0%	0%	0%	0%	0%	0%
Concluded Demand	244	251	259	267	275	282	330

The demand indication for each target group is independent of the other three demand indications. In this case, our final demand conclusions is weighted 50% to Target Group 3 - age and income qualified seniors, and 50% to Target Group 4 - adult children. These two indications of demand are the best indicators of demand for private pay seniors housing.

Demand For Independent Living

Target Group 1 - Persons Age 65+

Item	Year						
	2017	2018	2019	2020	2021	2022	2027
A. PMA Persons Age 65+	11,080	11,639	12,198	12,757	13,316	13,875	17,374
B. Achievable Penetration Rate	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%
C. Indicated Market Area Demand (A X B)	313	329	345	361	377	392	491

Target Group 2 - Households Age 75+

Item	Year						
	2017	2018	2019	2020	2021	2022	2027
A. PMA HHs Age 75+	2,372	2,498	2,624	2,750	2,876	3,002	3,801
B. Achievable Penetration Rate	9.3%	9.3%	9.3%	9.3%	9.3%	9.3%	9.3%
C. Indicated Market Area Demand (A X B)	220	232	244	255	267	279	353

Target Group 3 - Households Age 75+ With Income \$25,000+

Item	Year						
	2017	2018	2019	2020	2021	2022	2027
A. PMA HHs Age 75+ W/Inc. \$25,000+	1,496	1,579	1,661	1,744	1,826	1,908	2,435
B. Achievable Penetration Rate	20.7%	20.7%	20.7%	20.7%	20.7%	20.7%	20.7%
C. Indicated Market Area Demand (A X B)	309	326	343	361	378	395	503

Target Group 4 - Persons Age 45-64 (Adult Children)

Item	Year						
	2017	2018	2019	2020	2021	2022	2027
A. PMA Persons Age 45-64	23,365	23,660	23,956	24,252	24,547	24,843	26,415
B. Achievable Penetration Rate	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%
C. Indicated Market Area Demand (A X B)	373	378	383	387	392	397	422

Demand Conclusions

Item	Year						
	2017	2018	2019	2020	2021	2022	2027
Indicated Demand	341	352	363	374	385	396	463
Adjustment for Local Market Conditions	0%	0%	0%	0%	0%	0%	0%
Concluded Demand	341	352	363	374	385	396	463

The demand indication for each target group is independent of the other three demand indications. In this case, our final demand conclusions is weighted 50% to Target Group 3 (age and income qualified seniors) and 50% to Target Group 4 (adult children). These two indications of demand are the best indicators of demand for private pay seniors housing.

Comparison of Supply and Demand

The following table summarizes our conclusions of supply and demand for assisted living.

Comparison of Supply and Demand For Assisted Living							
Item	Year						
	2017	2018	2019	2020	2021	2022	2027
A. Indicated Demand	244	251	259	267	275	282	330
B. Less Existing Supply	82	82	82	150	150	150	150
C. Existing Unmet Demand or Oversupply	162	169	177	117	125	132	180
D. Additions/Subtractions to Supply	0	0	68	N.A.	N.A.	N.A.	N.A.
E. Unmet Demand After Additions	162	169	109	117	125	132	180

Our analysis shows that the PMA has an undersupply of assisted living in the current year. This is supported by the higher occupancy levels of existing stabilized facilities in the PMA. There is sufficient unmet demand to support the subject property.

As noted previously, demand for memory care is a subset of overall assisted living demand. Memory care facilities are normally licensed the same as standard assisted living facilities. Furthermore, it is relatively easy for facilities to begin or cease providing specialized memory care since the physical plant requirements are not significantly different and the license is not different. We have previously determined demand for all assisted living, including memory care.

As of the 3rd quarter of 2016, NIC MAP reported that there were 378,473 assisted living units and 109,510 memory care units in the top 141 metro markets. Thus, the combined assisted living supply count inclusive of memory care was 487,983 units. The memory care assisted living supply figure in turn equated to 22.44% of the total assisted living supply. The average occupancy was 89.7% for assisted living and 85.8% for memory care, indicating that demand between the two segments is near a balanced level. Also, memory care is currently the fastest growing segment of age-qualified housing.

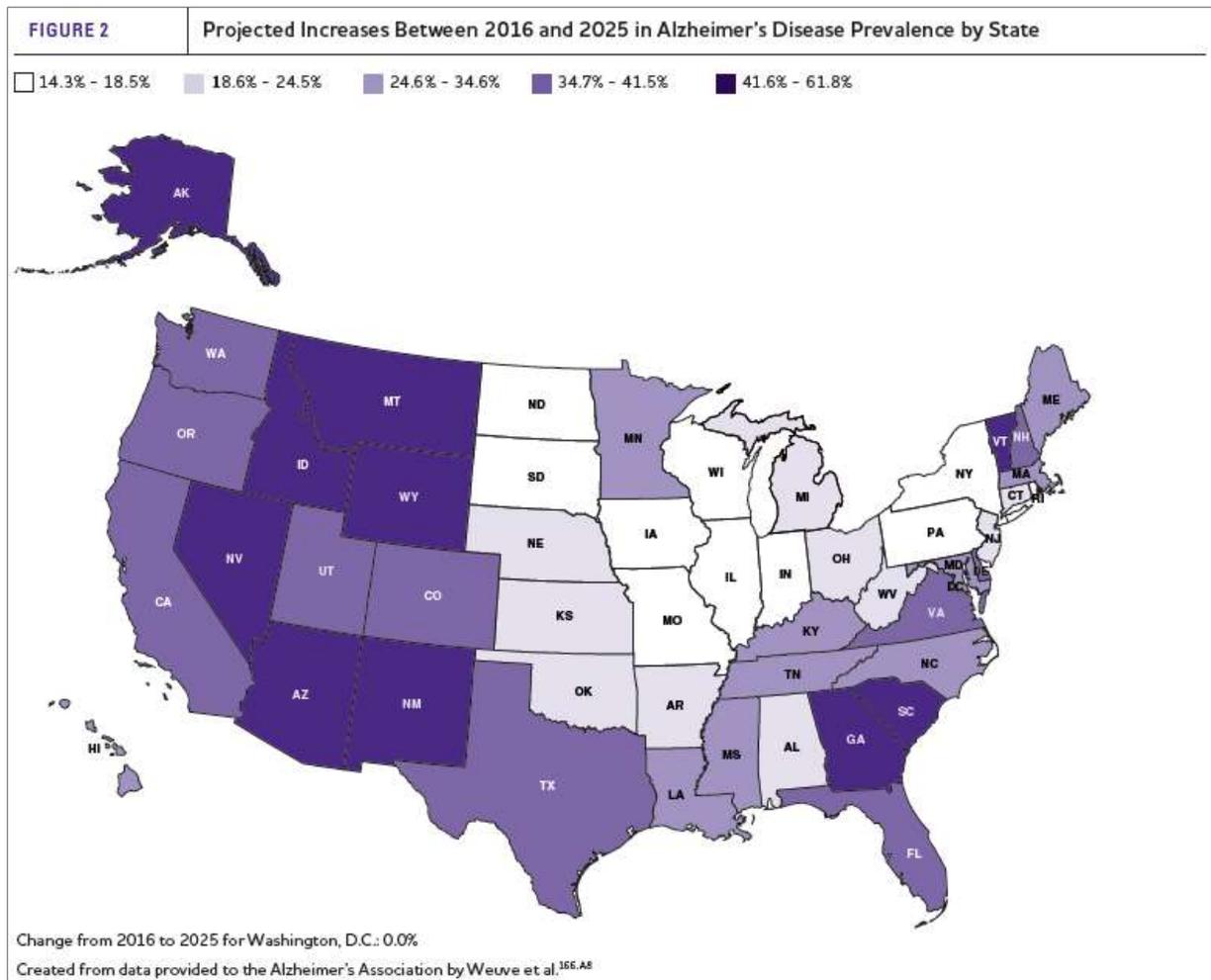
However, we believe this provides just a starting point, and, in fact, understates potential demand for memory care for several reasons. Firstly, memory care units are much more likely to be semi-private than traditional assisted living, and the statistics noted above are based upon units, not beds. Therefore, the quantity of memory care units above has a much higher level of double occupancy, thus the demand on a bed, rather than unit basis, would be much higher as a percent of total demand. Furthermore, many residents of traditional assisted living have mild to moderate memory care issues and would be better suited for residency in a memory care facility, but the supply of memory care units is lacking in many markets.

According to the Alzheimer's Association, there are approximately 476,000 people age 65 or older that developed Alzheimer's disease in the United States in 2016. Also, the Alzheimer's Association provided the following data regarding projected change by state for those residents with Alzheimer's disease.

State	Projected Number with Alzheimer's (in thousands)		Percentage Change 2016-2025	State	Projected Number with Alzheimer's (in thousands)		Percentage Change 2016-2025
	2016	2025			2016	2025	
Alabama	89	110	23.6	Montana	19	27	42.1
Alaska	6.8	11	61.8	Nebraska	33	40	21.2
Arizona	130	200	53.8	Nevada	41	64	56.1
Arkansas	54	67	24.1	New Hampshire	23	32	39.1
California	610	840	37.7	New Jersey	170	210	23.5
Colorado	67	92	37.3	New Mexico	37	53	43.2
Connecticut	74	91	23.0	New York	390	460	17.9
Delaware	17	23	35.3	North Carolina	160	210	31.3
District of Columbia	9.0	9.0	0.0	North Dakota	14	16	14.3
Florida	510	720	41.2	Ohio	210	250	19.0
Georgia	130	190	46.2	Oklahoma	62	76	22.6
Hawaii	26	35	34.6	Oregon	62	84	35.5
Idaho	23	33	43.5	Pennsylvania	270	320	18.5
Illinois	220	260	18.2	Rhode Island	23	27	17.4
Indiana	110	130	18.2	South Carolina	84	120	42.9
Iowa	63	73	15.9	South Dakota	17	20	17.6
Kansas	51	62	21.6	Tennessee	110	140	27.3
Kentucky	69	86	24.6	Texas	350	490	40.0
Louisiana	84	110	31.0	Utah	30	42	40.0
Maine	26	35	34.6	Vermont	12	17	41.7
Maryland	100	130	30.0	Virginia	140	190	35.7
Massachusetts	120	150	25.0	Washington	100	140	40.0
Michigan	180	220	22.2	West Virginia	37	44	18.9
Minnesota	91	120	31.9	Wisconsin	110	130	18.2
Mississippi	52	65	25.0	Wyoming	9.1	13	42.9
Missouri	110	130	18.2				

Created from data provided to the Alzheimer's Association by Weuve et al.^{166, A8}





As shown in the figures above, between 2016 and 2025, every state and region across the country is expected to experience double-digit percentage increases in the numbers of people with Alzheimer's due to increases in the proportion of the population 65 and older.

Major operators of memory care facilities such as Brookdale, Capital Senior Living, and Benchmark believe that demand for memory care is as high as 38% of total assisted living demand. Based upon this, we will estimate demand for memory care at 35% of total assisted living demand.

The following table summarizes our conclusions of supply and demand for memory care.

Comparison of Supply and Demand For Memory Care							
Item	Year						
	2017	2018	2019	2020	2021	2022	2027
A. Indicated Demand	85	88	91	93	96	99	116
B. Less Existing Supply	54	54	54	79	79	79	79
C. Existing Unmet Demand or Oversupply	31	34	37	14	17	20	37
D. Additions/Subtractions to Supply	0	0	25	N.A.	N.A.	N.A.	N.A.
E. Unmet Demand After Additions	31	34	12	14	17	20	37

Our analysis shows that the PMA has an under-supply of memory care in the current year. This is supported by the market occupancy levels of the stabilized facilities in the PMA. There is sufficient unmet demand to support the subject.

The following table summarizes our conclusions of supply and demand for independent living:

Comparison of Supply and Demand For Independent Living							
Item	Year						
	2017	2018	2019	2020	2021	2022	2027
A. Indicated Demand	341	352	363	374	385	396	463
B. Less Existing Supply	41	41	41	109	109	109	109
C. Existing Unmet Demand or Oversupply	300	311	322	265	276	287	354
D. Additions/Subtractions to Supply	0	0	68	N.A.	N.A.	N.A.	N.A.
E. Unmet Demand After Additions	300	311	254	265	276	287	354

Our analysis shows that the PMA has an under-supply of independent living in the current year. This is supported by the higher occupancy levels of existing facilities in the PMA. There is sufficient market demand for the proposed subject property.

Supply and Demand Conclusion

The PMA is a growing market with again in place and adult child type characteristics. There are low barriers to entry in this market. Our analysis shows that the assisted living, memory care and independent living markets are under-supplied. This is supported by our occupancy survey supports this conclusion. Demand in the PMA is growing at an average rate of 3.0% per year. There is sufficient unmet demand for the proposed subject property.

Rental Rate Analysis

The following section forecasts the market rental rates for the proposed subject property.

Pricing Structures

There are a number of ways in which to price senior living services. A brief description of the pricing structures follows:

- **A-La-Carte:** Residents are charged a base rate for all basic services. Additional services are charged on an individual need.
- **Tiered Rate:** Residents are charged a flat rate for services or a per diem rate based upon their care level. Typically, a need assessment of each resident is performed to determine the care level required for the individual and the amount of staff assistance needed. This structure has been widely accepted by assisted living providers.
- **Flat Rate:** Residents are charged a flat fee based on the unit that they occupy.
- **Extensive Agreement:** Residents are charged one flat fee regardless of care level (congregate care, assisted living or nursing). This is normally found in older life care communities or continuing care retirement communities (CCRCs).

The subject is expected to have a tiered rate pricing for its assisted living component and a flat rate pricing for the memory care component.

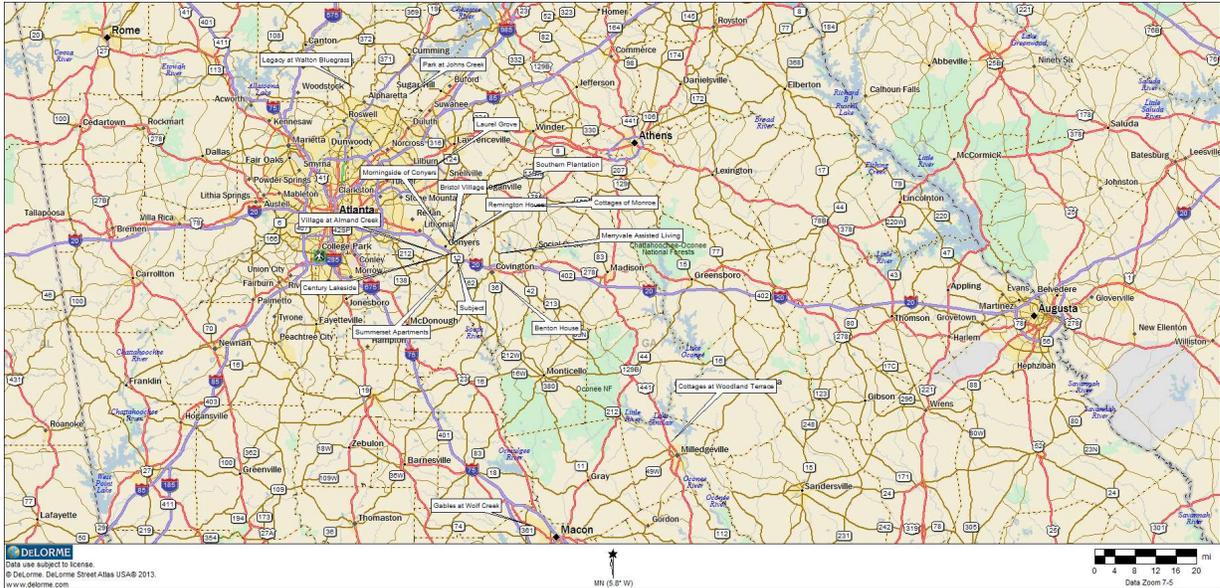
Market Rent Analysis

The following is the unit mix for the proposed subject property.

Unit Mix and Building Areas							
Unit Type	Care Type	Square Feet	Number of Units	Number of Beds Per Unit	Number of Beds	Percent of Total GBA	Total Square Feet
1 Bedroom, 1 Bath	Senior Apartments	970	64	1	64	17.7%	62,080
2 Bedroom, 2 Bath	Senior Apartments	1,334	108	1	108	41.0%	144,072
2 BR/2 BA, Villa	Independent Living	1,324	33	1	33	12.4%	43,692
2 BR/2 BA, Den, Chateau	Independent Living	1,908	18	1	18	9.8%	34,344
2 BR/2 BA, Den, Chateau, Large	Independent Living	1,920	17	1	17	9.3%	32,640
Studio	Assisted living	350	20	1	20	2.0%	7,000
1 Bedroom	Assisted living	550	14	1	14	2.2%	7,700
2 Bedroom	Assisted living	700	8	1	8	1.6%	5,600
Studio	Memory Care	350	12	1	12	1.2%	4,200
Studio, Shared	Memory Care	350	6	2	12	0.6%	2,100
Totals			300	-	306	97.7%	343,428
Plus Common Areas						2.3%	8,100
Total Gross Building Area							351,528

Market Rent Survey

We have surveyed six age-restricted, independent living and assisted living/memory care facilities that are comparable to the subject. They are as follows:



Rent Comparable Location Map

Summary of Rental Comparables - Age-Restricted Apartments

Element of Comparison	Comparable Number					
	1	2	3	4	5	6
Property Name	Legacy at Walton Bluegrass	Village at Almand Creek	Overture Barrett	Summerset	Century Lakeside	Park at Johns Creek
Address	1625 Oak Farm Dr, Alpharetta, GA	1825 Parker Rd, Conyers, GA	1490 Ernest Barrett Parkway, Kennesaw, GA	50 Green Leaf Dr, Conyers, GA	1200 Peaks Landing, Conyers, GA	4345 Alta Dr, Suwanee, GA
Levels of Care IL = Independent Living AL = Assisted Living NC = Nursing Care MC = Memory Care	Age-Restricted Apartment	Apartment	Age-Restricted Apartment	Apartment	Apartment	Age-Restricted Apartment
Range of Monthly Rental Rates	\$1,173 to \$1,772	\$1,118 to \$1,391	\$1,850 to \$3,130	\$785 to \$1,275	\$850 to \$1,025	\$1,215 to \$1,830
Facility Occupancy	94%	96%	N/A	97%	92%	97%
Year Built (Original)	2016	2002	U/C	1999	2000/2008	2004
Miles from Subject	Outside PMA	2.4	Outside PMA	1.9	1.4	Outside PMA

Note that Comparables 1, 3 and 6 is located outside the subject’s market area and are not directly competitive with the subject. These are included because they are age-restricted apartment properties. Comparables 2, 4 and 5 are conventional apartment properties that are located in the subject PMA.



Summary of Rental Comparables - Independent Living						
Element of Comparison	Comparable Number					
	1	2	3	4	5	6
Property Name	Remington House	Gables at Wolf Creek	Laurel Grove	The Cottages at Woodland Terrace	The Cottages of Monroe	Southern Plantation
Address	1508 Renaissance Dr, Conyers, GA	5228 Forsyth Rd, Macon, GA	2899 Five Forks Trickum Rd, Lawrenceville, GA	1010 Fernwood Drive, Milledgeville, GA	601 Breedlove Dr, Monroe, GA	580 Tommy Lee Fuller Dr, Loganville, GA
Levels of Care IL = Independent Living AL = Assisted Living NC = Nursing Care MC = Memory Care	IL, AL	Age-Restricted	IL	Age-Restricted	Age-Restricted	IL
Range of Monthly Rental Rates	\$1,500 to \$4,095	\$1,850 to \$2,400	\$2,514 to \$3,277	\$1,727 to \$2,095	\$1,945 to \$2,061	\$1,850 to \$2,400
Facility Occupancy	97%	100%	92%	84%	100%	100%
Year Built (Original)	1998	1993	2007	2004	2002	1993
Miles from Subject	3.3	Outside PMA	Outside PMA	Outside PMA	Outside PMA	Outside PMA

Note that Comparables 2-6 is located outside the subject’s market area and are not directly competitive with the subject. Comparables 2, 4 and 5 are age-restricted apartments but are used in this analysis since they are villas/cottages.

Summary of Rental Comparables - Assisted Living/Memory Care					
Element of Comparison	Comparable Number				
	1	2	3	4	5
Property Name	Remington House	Bristol Village	Morningside of Conyers	Merryvale Assisted Living	Benton House of Covington
Address	1508 Renaissance Dr, Conyers, GA	1358 Manchester Dr, NE, Conyers, GA	1352 Wellbrook Circle, NE, Conyers, GA	11980 Hwy 192, Oxford, GA	7155 Dearing Road, Covington, GA
Levels of Care IL = Independent Living AL = Assisted Living NC = Nursing Care MC = Memory Care	IL, AL	MC	AL, MC	AL, MC	AL, MC
Range of Monthly Rental Rates	\$1,500 to \$4,095	\$2,500 to \$3,500	\$2,600 to \$3,600	\$1,727 to \$2,095	\$3,500 to \$4,800
Facility Occupancy	97%	80%	92%	94%	90%
Year Built (Original)	1998	1996/2015	1989	1996	2009
Miles from Subject	3.3	3.4	3.3	8.3	9.5

Adjustment for Concessions

We found no concessions offered in the market, so no adjustments are required.



Adjustment for Entrance Fees

None of the comparables charge significant upfront entrance fees (\$10,000 or more), so no adjustments are required.

Adjustment for Size and/or Type

Upward and downward adjustments are based on a factor of 25% of the approximate average per foot rent of the comparables for each unit type.

Adjustment for Services

The conventional apartments are adjusted upward by \$300 to reflect the added services and amenities for the subject's age-restricted apartment units. Independent Living Comparables 2, 4 and 5 are adjusted upward by \$750 to reflect an independent living equivalent rent.

Adjustment for Utilities

The subject and comparables are considered to provide similar utilities in their rents. No adjustments are required.

Adjustment for Meals

For the independent living analysis, Comparables 2, 4 and 5 are adjusted upward for their inferior amount of meals compared to the subject. Downward adjustments are made to Comparables 1 and 3.

Adjustment for Housekeeping

The comparables and subject all provide weekly housekeeping in the base rates and do not require adjustment.

Adjustment for Parking

Independent Living Comparables 1, 3 and 6 are adjusted upward by \$100 for their lack of a garage.

Adjustment for Location

Apartment Comparables 1, 3 and 6 are adjusted downward by 10% for their superior locations.

Adjustment for Age/Quality/Condition

Apartment Comparables 2, 4 and 5 are adjusted upward by 10% for their inferior condition. Apartment Comparable 3 is adjusted downward by 10% for its superior quality. Independent living comparables are adjusted upward by 10% for their inferior condition.

Summary of Adjustments

Adjustment grids for each subject unit type follow. In the grids, each subject unit is compared to the most similar unit for each comparable.

Rental Comparable Adjustment Table For Senior Apartments 1 Bedroom, 1 Bath 970 SF						
Item	Comparable Number					
	1	2	3	4	5	6
Comparable Name	Legacy at Walton Bluegrass	Village at Almand Creek	Overture Barrett	Summerset	Century Lakeside	Park at Johns Creek
Unit Type	1 Bedroom	1 Bedroom	1 Bedroom	1 Bedroom	1 Bedroom	1 Bedroom
Size (Square Feet)	937	970	942	722	856	822
Monthly Rent	\$1,381	\$1,020	\$2,150	\$875	\$850	\$1,430
Adjustment for Concessions	-	-	-	-	-	-
Adjustment for Unit Type	-	-	-	-	-	-
Adjustment for Size	\$14	\$0	\$12	\$109	\$50	\$65
Adjustment for Services	-	\$300	-	\$300	\$300	-
Adjustment for Utilities	-	-	-	-	-	-
Adjustment for Meals	-	-	-	-	-	-
Adjustment for Housekeeping	-	-	-	-	-	-
Adjustment for Parking	-	-	-	-	-	-
Adjustment for Location	(\$138)	-	(\$215)	-	-	(\$143)
Adjustment for Quality/Condition	-	\$102	(\$215)	\$88	\$85	-
Adjusted Monthly Rent	\$1,257	\$1,422	\$1,732	\$1,371	\$1,285	\$1,352
Adjusted Rent Per SF	\$1.34	\$1.47	\$1.84	\$1.90	\$1.50	\$1.64
Average Adjusted Rent	\$1,403					
Average Adjusted Rent Per SF	\$1.62					
Integra Market Rent Conclusion	\$1,400					
Integra Market Rent Conclusion Per SF	\$1.44					

The comparables' adjusted rental rates range between \$1,257 and \$1,732 per month, with a mean of \$1,403 per month. The subject will have 64 of this unit type. Considering the adjusted rents, we will utilize a market rent of \$1,400 in our forecast.

Rental Comparable Adjustment Table For Senior Apartments 2 Bedroom, 2 Bath 1334 SF						
Item	Comparable Number					
	1	2	3	4	5	6
Comparable Name	Legacy at Walton Bluegrass	Village at Almand Creek	Overture Barrett	Summerset	Century Lakeside	Park at Johns Creek
Unit Type	2 Bedroom	2 Bedroom	2 Bedroom	2 Bedroom	2 Bedroom	2 Bedroom
Size (Square Feet)	1,411	1,300	1,376	1,051	1,142	1,280
Monthly Rent	\$1,772	\$1,292	\$3,220	\$925	\$922	\$1,802
Adjustment for Concessions	-	-	-	-	-	-
Adjustment for Room Type	-	-	-	-	-	-
Adjustment for Size/Type	(\$29)	\$13	(\$16)	\$106	\$72	\$20
Adjustment for Services	-	\$300	-	\$300	\$300	-
Adjustment for Utilities	-	-	-	-	-	-
Adjustment for Meals	-	-	-	-	-	-
Adjustment for Housekeeping	-	-	-	-	-	-
Adjustment for Parking	-	-	-	-	-	-
Adjustment for Location	(\$177)	-	(\$322)	-	-	(\$180)
Adjustment for Quality/Condition	-	\$129	(\$322)	\$93	\$92	-
Adjusted Monthly Rent	\$1,566	\$1,734	\$2,560	\$1,424	\$1,386	\$1,642
Adjusted Rent Per SF	\$1.11	\$1.33	\$1.86	\$1.35	\$1.21	\$1.28
Average Adjusted Rent			\$1,719			
Average Adjusted Rent Per SF			\$1.36			
Integra Market Rent Conclusion			\$1,750			
Integra Market Rent Conclusion Per SF			\$1.31			

The comparables' adjusted rental rates range between \$1,386 and \$2,560 per month, with a mean of \$1,719 per month. The subject will have 108 of this unit type. Considering the adjusted rents, we will utilize a market rent of \$1,750 in our forecast.

Rental Comparable Adjustment Table For Independent Living 2 BR/2 BA, Villa 1324 SF						
Item	Comparable Number					
	1	2	3	4	5	6
Comparable Name	Remington House	Gables at Wolf Creek	Laurel Grove	The Cottages at Woodland Terrace	The Cottages of Monroe	Southern Plantation
Unit Type	2 Bedroom	2 Bedroom	2 Bedroom	2 BR/Villa	2 BR/Village	2 Bedroom
Size (Square Feet)	885	1,311	1,065	1,341	1,361	700
Monthly Rent	\$3,095	\$2,236	\$3,084	\$2,095	\$2,025	\$1,850
Adjustment for Concessions	-	-	-	-	-	-
Adjustment for Unit Type	-	-	-	-	-	-
Adjustment for Size	\$280	\$8	\$165	(\$11)	(\$24)	\$398
Adjustment for Services	-	\$600	-	\$600	\$600	-
Adjustment for Utilities	-	-	-	-	-	-
Adjustment for Meals	(\$300)	\$150	(\$300)	\$150	\$150	-
Adjustment for Housekeeping	-	-	-	-	-	-
Adjustment for Parking	\$100	-	\$100	-	-	\$100
Adjustment for Location	-	-	-	-	-	\$185
Adjustment for Quality/Condition	\$310	-	-	-	-	\$185
Adjusted Monthly Rent	\$3,484	\$2,994	\$3,049	\$2,834	\$2,751	\$2,718
Adjusted Rent Per SF	\$3.94	\$2.28	\$2.86	\$2.11	\$2.02	\$3.88
Average Adjusted Rent				\$2,972		
Average Adjusted Rent Per SF				\$2.85		
Integra Market Rent Conclusion				\$3,000		
Integra Market Rent Conclusion Per SF				\$2.27		

The comparables' adjusted rental rates range between \$2,718 and \$3,484 per month, with a mean of \$2,972 per month. The subject will have 33 of this unit type. Considering the adjusted rents, we will utilize a market rent of \$3,000 in our forecast.

Rental Comparable Adjustment Table For Independent Living 2 BR/2 BA, Den, Chateau 1908 SF						
Item	Comparable Number					
	1	2	3	4	5	6
Comparable Name	Remington House	Gables at Wolf Creek	Laurel Grove	The Cottages at Woodland Terrace	The Cottages of Monroe	Southern Plantation
Unit Type	2 Bedroom	Private	2 Bedroom	2 Bedroom	2 Bedroom	2 Bedroom
Size (Square Feet)	885	1,445	1,065	1,341	1,383	700
Monthly Rent	\$3,095	\$2,299	\$3,084	\$2,095	\$2,095	\$1,850
Adjustment for Concessions		-	-	-	-	
Adjustment for Unit Type		-	-	-	-	
Adjustment for Size	\$895	\$405	\$738	\$496	\$459	\$1,057
Adjustment for Services	-	\$600	-	\$600	\$600	-
Adjustment for Utilities	-	-	-	-	-	-
Adjustment for Meals	(\$300)	\$150	(\$300)	\$150	\$150	-
Adjustment for Housekeeping	-	-	-	-	-	-
Adjustment for Parking	\$100		\$100	-	-	\$100
Adjustment for Location	-		-	-	-	\$185
Adjustment for Quality/Condition	\$310		-	-	-	\$185
Adjusted Monthly Rent	\$4,100	\$3,454	\$3,622	\$3,341	\$3,304	\$3,377
Adjusted Rent Per SF	\$4.63	\$2.39	\$3.40	\$2.49	\$2.39	\$4.82
Average Adjusted Rent			\$3,533			
Average Adjusted Rent Per SF			\$3.35			
Integra Market Rent Conclusion			\$3,500			
Integra Market Rent Conclusion Per SF			\$1.83			

The comparables' adjusted rental rates range between \$3,304 and \$4,100 per month, with a mean of \$3,533 per month. The subject will have 18 of this unit type. Considering the adjusted rents, we will utilize a market rent of \$3,500 in our forecast.

Rental Comparable Adjustment Table For Independent Living 2 BR/2 BA, Den, Chateau, Large 1920 SF						
Item	Comparable Number					
	1	2	3	4	5	6
Comparable Name	Remington House	Gables at Wolf Creek	Laurel Grove	The Cottages at Woodland Terrace	The Cottages of Monroe	Southern Plantation
Unit Type	2 Bedroom	Semi-Private	2 Bedroom	2 Bedroom	2 Bedroom	2 Bedroom
Size (Square Feet)	885	1,445	1,065	1,341	1,383	885
Monthly Rent	\$3,095	\$2,299	\$3,084	\$2,095	\$2,095	\$3,095
Adjustment for Concessions		-	-	-	-	
Adjustment for Unit Type		-	-	-	-	
Adjustment for Size	\$906	\$416	\$748	\$507	\$470	\$906
Adjustment for Services	-	\$600	-	\$600	\$600	-
Adjustment for Utilities	-	-	-	-	-	-
Adjustment for Meals	(\$300)	\$150	(\$300)	\$150	\$150	-
Adjustment for Housekeeping	-	-	-	-	-	-
Adjustment for Parking	\$100		\$100	-	-	\$100
Adjustment for Location	-		-	-	-	\$310
Adjustment for Quality/Condition	\$310		-	-	-	\$310
Adjusted Monthly Rent	\$4,110	\$3,465	\$3,632	\$3,352	\$3,315	\$4,720
Adjusted Rent Per SF	\$4.64	\$2.40	\$3.41	\$2.50	\$2.40	\$5.33
Average Adjusted Rent			\$3,766			
Average Adjusted Rent Per SF			\$3.45			
Integra Market Rent Conclusion			\$3,525			
Integra Market Rent Conclusion Per SF			\$1.84			

The comparables' adjusted rental rates range between \$3,315 and \$4,720 per month, with a mean of \$3,766 per month. The subject will have 17 of this unit type. Considering the adjusted rents, we will utilize a market rent of \$3,525 in our forecast.

Rental Comparable Adjustment Table For Assisted living Studio 350 SF					
Item	Comparable Number				
	1	2	3	4	5
Comparable Name	Remington House	Bristol Village	Morningside of Conyers	Merryvale Assisted Living	Benton House of Covington
Unit Type	Studio	No Unit Type	No Unit Type	Studio	3 Bedroom
Size (Square Feet)	308			300	330
Monthly Rent	\$3,795			\$3,200	\$3,500
Adjustment for Concessions	-			-	-
Adjustment for Entrance Fees	-			-	-
Adjustment for Size/Type	-			-	-
Adjustment for Levels of Care	-			-	-
Adjustment for Utilities	-			-	-
Adjustment for Meals	-			-	-
Adjustment for Housekeeping	-			-	-
Adjustment for Parking	-			-	-
Adjustment for Location	-			-	-
Adjustment for Quality/Condition	-			-	-
Adjusted Monthly Rent	\$3,795			\$3,200	\$3,500
Adjusted Rent Per SF	\$12.32			\$10.67	\$10.61
Average Adjusted Rent			\$3,498		
Average Adjusted Rent Per SF			\$11.20		
Integra Market Rent Conclusion			\$3,600		
Integra Market Rent Conclusion Per SF			\$10.29		

The comparables' adjusted rental rates range between \$3,200 and \$3,795 per month, with a mean of \$3,498 per month. The subject will have 20 of this unit type. Considering the adjusted rents, we will utilize a market rent of \$3,600 in our forecast.

Rental Comparable Adjustment Table For Assisted living 1 Bedroom 550 SF					
Item	Comparable Number				
	1	2	3	4	5
Comparable Name	Remington House	Bristol Village	Morningside of Conyers	Merryvale Assisted Living	Benton House of Covington
Unit Type	1 Bedroom	No Unit type	1 Bedroom	1 Bedroom	1 Bedroom
Size (Square Feet)	675		550	600	552
Monthly Rent	\$4,095		\$3,300	\$3,800	\$4,600
Adjustment for Concessions	-		-	-	-
Adjustment for Entrance Fees	-		-	-	-
Adjustment for Size/Type	-		-	-	-
Adjustment for Levels of Care	-		-	-	-
Adjustment for Utilities	-		-	-	-
Adjustment for Meals	-		-	-	-
Adjustment for Housekeeping	-		-	-	-
Adjustment for Parking	-		-	-	-
Adjustment for Location	-		-	-	-
Adjustment for Quality/Condition	-		-	-	-
Adjusted Monthly Rent	\$4,095		\$3,300	\$3,800	\$4,600
Adjusted Rent Per SF	\$6.07		\$6.00	\$6.33	\$8.33
Average Adjusted Rent			\$3,949		
Average Adjusted Rent Per SF			\$6.68		
Integra Market Rent Conclusion			\$4,000		
Integra Market Rent Conclusion Per SF			\$7.27		

The comparables' adjusted rental rates range between \$3,300 and \$4,600 per month, with a mean of \$3,949 per month. The subject will have 14 of this unit type. Considering the adjusted rents, we will utilize a market rent of \$4,000 in our forecast.

Rental Comparable Adjustment Table For Assisted living 2 Bedroom 700 SF					
Item	Comparable Number				
	1	2	3	4	5
Comparable Name	Remington House	Bristol Village	Morningside of Conyers	Merryvale Assisted Living	Benton House of Covington
Unit Type	1 Bedroom		1 Bedroom	2 Bedroom	1 Bedroom
Size (Square Feet)	885		550	800	552
Monthly Rent	\$4,095		\$3,600	\$4,100	\$4,600
Adjustment for Concessions	-		-	-	-
Adjustment for Entrance Fees	-		-	-	-
Adjustment for Size/Type	\$400		\$400	-	\$400
Adjustment for Levels of Care	-		-	-	-
Adjustment for Utilities	-		-	-	-
Adjustment for Meals	-		-	-	-
Adjustment for Housekeeping	-		-	-	-
Adjustment for Parking	-		-	-	-
Adjustment for Location	-		-	-	-
Adjustment for Quality/Condition	-		-	-	-
Adjusted Monthly Rent	\$4,495		\$4,000	\$4,100	\$5,000
Adjusted Rent Per SF	\$5.08		\$7.27	\$5.13	\$9.06
Average Adjusted Rent			\$4,399		
Average Adjusted Rent Per SF			\$6.63		
Integra Market Rent Conclusion			\$4,400		
Integra Market Rent Conclusion Per SF			\$6.29		

The comparables' adjusted rental rates range between \$4,000 and \$5,000 per month, with a mean of \$4,399 per month. The subject will have 8 of this unit type. Considering the adjusted rents, we will utilize a market rent of \$4,400 in our forecast.

Rental Comparable Adjustment Table For Memory Care Studio 350 SF					
Item	Comparable Number				
	1	2	3	4	5
Comparable Name	Remington House	Bristol Village	Morningside of Conyers	Merryvale Assisted Living	Benton House of Covington
Unit Type		Studio	Studio	Studio	Studio
Size (Square Feet)		300	320	300	330
Monthly Rent		\$3,500	\$3,600	\$4,650	\$4,800
Adjustment for Concessions		-	-	-	-
Adjustment for Entrance Fees		-	-	-	-
Adjustment for Size/Type		-	-	-	-
Adjustment for Levels of Care		\$1,000	-	-	-
Adjustment for Utilities		-	-	-	-
Adjustment for Meals		-	-	-	-
Adjustment for Housekeeping		-	-	-	-
Adjustment for Parking		-	-	-	-
Adjustment for Location		-	-	-	-
Adjustment for Quality/Condition		-	-	-	-
Adjusted Monthly Rent		\$4,500	\$3,600	\$4,650	\$4,800
Adjusted Rent Per SF		\$15.00	\$11.25	\$15.50	\$14.55
Average Adjusted Rent			\$4,388		
Average Adjusted Rent Per SF			\$14.07		
Integra Market Rent Conclusion			\$4,700		
Integra Market Rent Conclusion Per SF			\$13.43		

The comparables' adjusted rental rates range between \$3,600 and \$4,800 per month, with a mean of \$4,388 per month. The subject will have 12 of this unit type. Considering the adjusted rents, we will utilize a market rent of \$4,700 in our forecast.

Rental Comparable Adjustment Table For Memory Care Studio, Shared 850 SF					
Item	Comparable Number				
	1	2	3	4	5
Comparable Name	Remington House	Bristol Village	Morningside of Conyers	Merryvale Assisted Living	Benton House of Covington
Unit Type		Shared	Shared	Shared	Shared
Size (Square Feet)		300	400	300	330
Monthly Rent		\$2,500	\$2,600	\$3,000	\$3,600
Adjustment for Concessions					
Adjustment for Entrance Fees					
Adjustment for Size/Type	-	-	-	-	-
Adjustment for Levels of Care		\$1,000	\$1,000		
Adjustment for Utilities					
Adjustment for Meals					
Adjustment for Housekeeping					
Adjustment for Activities					
Adjustment for Location					
Adjustment for Quality/Condition		-	-	-	-
Adjusted Monthly Rent		\$3,500	\$3,600	\$3,000	\$3,600
Adjusted Rent Per SF		\$11.67	\$9.00	\$10.00	\$10.91
Average Adjusted Rent			\$3,425		
Average Adjusted Rent Per SF			\$10.39		
Integra Market Rent Conclusion			\$3,600		
Integra Market Rent Conclusion Per SF			\$4.24		

The comparables' adjusted rental rates range between \$3,000 and \$3,600 per month, with a mean of \$3,425 per month. The subject will have 12 of this unit type. Considering the adjusted rents, we will utilize a market rent of \$3,600 in our forecast.

ASSESSMENT/COMMUNITY FEE

The following table summarizes the policy of the subject and comparables in the subject's market area.

Summary of Assessment/Community Fees - ILF	
Property Name	Amount
Subject - Shoals Creek Senior Village	N/A
Remington House	\$5,000 IL, \$3,000 AL
Gables at Wolf Creek	N/A
Laurel Grove	\$2,500
The Cottages at Woodland Terrace	N/A
The Cottages of Monroe	N/A
Southern Plantation	\$1,500
Integra Fee Conclusion	\$2,500

The following table summarizes the policy of the subject and comparables in the subject's market area for assisted living.

Summary of Assessment/Community Fees - ALF/MC	
Property Name	Amount
Subject - Shoals Creek Senior Village	N/A
Remington House	\$5,000 IL, \$3,000 AL
Bristol Village	N/A
Morningside of Conyers	\$2,500
Merryvale Assisted Living	N/A
Benton House of Covington	N/A
Integra Fee Conclusion	\$2,500

Second Person Charges

Second person charges for the comparables are as follows:

Summary of Second Person Fees	
Property Name	Type
	Independent Living
Subject - Shoals Creek Senior Village	N/A
Remington House	\$600
Gables at Wolf Creek	N/A
Laurel Grove	\$600
The Cottages at Woodland Terrace	N/A
The Cottages of Monroe	N/A
Southern Plantation	\$1,000
Integra Second Person Fee Conclusion	\$750

The concluded second person fee is \$750 per month.

Projected Market Rents

Utilizing the preceding estimates, the projected market rents are summarized in the following table.

Estimated of Market Rents						
Unit/Bed Type	Care Type	Square Feet	Number of Units/Beds	Monthly Rent	Rent Per Square Foot	Monthly Gross Potential Income
1 Bedroom, 1 Bath	Senior Apartments	970	64	\$1,400	\$1.44	\$89,600
2 Bedroom, 2 Bath	Senior Apartments	1,334	108	\$1,750	\$1.31	\$189,000
2 BR/2 BA, Villa	Independent Living	1,324	33	\$3,000	\$2.27	\$99,000
2 BR/2 BA, Den, Chateau	Independent Living	1,908	18	\$3,500	\$1.83	\$63,000
2 BR/2 BA, Den, Chateau, La	Independent Living	1,920	17	\$3,525	\$1.84	\$59,925
Studio	Assisted living	350	20	\$3,600	\$10.29	\$72,000
1 Bedroom	Assisted living	550	14	\$4,000	\$7.27	\$56,000
2 Bedroom	Assisted living	700	8	\$4,400	\$6.29	\$35,200
Studio	Memory Care	350	12	\$4,700	\$13.43	\$56,400
Studio, Shared	Memory Care	350	12	\$3,600	\$10.29	\$43,200
Totals			306			\$763,325
Annual Gross Potential Unit Rental Income						\$9,159,900

Certification

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- John F. Thigpen, MAI has made a personal inspection of the property that is the subject of this report. Bradford L. Johnson, MAI, MRICS has not made a personal inspection of the property that is the subject of this report.
- No other persons provided significant real property appraiser assistance to the persons signing this certification.
- I certify that, to the best of my knowledge and beliefs, the reported analyses, opinions, and conclusions were developed and this report has been prepared in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
- I certify that the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- USPAP 2016-17 requires the appraiser to disclose “any services regarding the subject property performed by the appraiser within the three year period immediately preceding acceptance of the assignment, as an appraiser or in any other capacity.” Pursuant to that requirement, to the best of our knowledge, we:
 - Have provided consulting services in connection with this property within the past three years.

- As of the date of this report, John F. Thigpen, MAI has completed the continuing education requirements of the Appraisal Institute. As of the date of this report, Bradford L. Johnson, MAI, MRICS has completed the continuing education requirements of the Appraisal Institute.
- Various analysts employed by Integra Realty Resources procured the comparable data used in this report.



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Managing Director
Georgia Certified General Real Property Appraiser #287684
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Email: jthigpen@irr.com



Bradford L. Johnson, MAI, MRICS
Senior Managing Director
Georgia Certified General Real Property Appraiser #3936
Telephone: 813-287-1000, ext. 121
Email: bljohnson@irr.com

Assumptions and Limiting Conditions

The use of this report is subject to the following assumptions and limiting conditions:

General Assumptions

- No responsibility is assumed for the legal description or for matters including legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
- There are no existing judgments or pending or threatened litigation that could affect the value of the property.
- The property is appraised free and clear of any and all liens or encumbrances unless otherwise stated.
- Responsible ownership and competent property management are assumed.
- The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.
- All engineering is assumed to be correct. The plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.
- It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
- It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered in this appraisal report.
- It is assumed that the subject is in compliance with all applicable zoning and use regulations and restrictions unless nonconformity has been stated, defined, and considered in this appraisal report.
- It is assumed that all required licenses, certificates of occupancy, consents or other legislative or administrative authority from any local, state, or national government, 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.
- It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in this report.
- The presence of hazardous materials such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials could impact the value of the property. We assume no responsibility for any existing conditions or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if so desired.

- We have relied upon the following documents for factual information pertaining to the subject:
 - Site Plan
- No significant changes will occur in regulations impacting the subject, unless specifically noted and addressed in this report.

General Limiting Conditions

- The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
- Possession of this report, or a copy thereof, does not carry with it the right of publication.
- We are not required to give further consultation, testimony, or be in attendance in court with reference to the property in question unless arrangements have been previously made.
- The going concern value conclusions include real estate, FF&E, and business value. Refer to the summary of facts, assumptions and conclusions for a value allocation. However, our valuation specifically excludes items not normally transferred between buyer and seller, specifically: cash, working capital, accounts receivable, and accounts payable.
- Note that any allocation value provided is based upon the continuation of the business enterprise. Were the business to cease operations, values of the individual components would likely be something different than the value allocated to the components based upon the continuation of the business operation.
- The conclusions stated in our appraisal apply only as of the effective date of the appraisal, and no representation is made as to the effect of subsequent events.
- The current purchasing power of the dollar is the basis for the value stated in our appraisal; we have assumed that no extreme fluctuations in economic cycles will occur.
- The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. We are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment.
- Any prospective value estimates presented in this report are estimates and forecasts, which are prospective in nature and subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraph, several events may occur that could substantially alter the outcome of our estimates including, but not limited to changes in the economy, interest rates, capitalization rates, consumers' behaviors, investors, lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.

- No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
- The analyses contained in the report necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will vary from our estimates, and the variations may be material.
- No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and we have assumed that the property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our appraisal.
- We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic considerations such as soils and seismic stability, and civil, mechanical, electrical, structural and other engineering and environmental matters.
- Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the person(s) signing the report.
- Information, estimates and opinions contained in the report, obtained from third-party sources are assumed to be reliable and have generally not been independently verified.
- The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of any property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. In as much as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, we cannot comment on compliance to ADA. Given that compliance can change with each owner's financial ability to cure non-accessibility, the value of the subject does not consider possible non-compliance. A specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.
- The appraisal report is prepared for the exclusive benefit of the client, its subsidiaries and/or affiliates. It may not be used or relied upon by any other party. All parties who use or rely upon any information in the report without our written consent do so at their own risk.
- No studies have been provided to us indicating the presence or absence of hazardous materials on the subject property or in the improvements, and our valuation is predicated upon the assumption that the subject property is free and clear of any environment hazards including, without limitation, hazardous wastes, toxic substances and mold. No representations or warranties are made regarding the environmental condition of the subject

property and the person signing the report shall not be responsible for any such environmental conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because we are not experts in the field of environmental conditions, the appraisal report cannot be considered as an environmental assessment of the subject property.

- We may have reviewed available flood maps and may have noted in the appraisal report whether the subject property is located in an identified Special Flood Hazard Area. We are not qualified to detect such areas; therefore we do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of the property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.
- We are not building or environmental inspectors; and we do not guarantee that the subject property is free of defects or environmental problems. The client is urged to retain experts in this area and to have an environmental site assessment conducted.
- The appraisal report and value conclusion for an appraisal assumes the satisfactory completion of any construction, repairs or alterations required in a workmanlike manner.
- The use of the appraisal report by anyone other than the client is prohibited except as otherwise provided. Accordingly, the appraisal report is addressed to and shall be solely for the client's use and benefit unless we provide our prior written consent. We expressly reserve the unrestricted right to withhold our consent to your disclosure of the appraisal report (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties.

Extraordinary Assumptions

USPAP defines an extraordinary assumption as “an assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser’s opinions or conclusions.” Our appraisal is subject to the following extraordinary assumptions:

- None

Hypothetical Conditions

USPAP defines a hypothetical condition as “a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.” Our analysis is based upon the following hypothetical conditions:

- None

Addendum A
Qualifications

John F. Thigpen, MAI

Experience

John Thigpen is a Managing Director for Integra Realty Resources Tampa Bay and is a leader of Integra's National Seniors Housing & Health Care Specialty Practice. John has been actively engaged in real estate valuation and counseling for more than 25 years. He was hired by Pardue, Heid, Church, Smith and Waller of Tampa in 1996 and has been associated with Integra Realty Resources since the Tampa office joined in 2000.

He has particular expertise related to a wide variety of seniors housing and health care properties, including nursing homes, assisted living facilities, independent living facilities, CCRC's, hospitals, ambulatory surgery center, residential treatment facilities and medical office buildings. He is also actively involved in the valuation of multi-family assets for HUD financing programs.

John performs valuations on a variety of other property types, including professional office properties, apartment complexes, single- and industrial buildings and vacant land for different uses.

He provides market study and appraisal reports for public agencies such as Fannie Mae, Freddie Mac, HUD Multifamily Accelerated Processing Program (MAP) and HUD Lean relative to multifamily and healthcare projects, as well as various other HUD reports and state and county agency reports for senior housing, healthcare and multifamily programs.

John's clients include commercial lenders, government agencies, law firms, and developers of multi-family, seniors housing and health care properties.

Professional Activities & Affiliations

Appraisal Institute, Member (MAI)

Licenses

Florida, State Certified General Appraiser, R22287, Expires November 2018
North Carolina, Certified General Real Estate Appraiser, A7380, Expires June 2017
Georgia, Certified General Real Property Appraiser, 287684, Expires May 2017
Washington, Certified General Real Estate Appraiser, 1102413, Expires May 2018
Alabama, Certified General Real Property Appraiser, G01316, Expires September 2017

Education

B.S., Finance, Florida State University
B.S., Marketing, Florida State University

APPRAISAL INSTITUTE COURSES:
Course 120 – Appraisal Procedures
Course 310 – Basic Income Capitalization
Course I410 – Standards of Professional Practice Part A
Course I420 – Standards of Professional Practice Part B
Course I430 – Standards of Professional Practice Part C
Course 509 – General Demonstration Appraisal Report Writing
Course 510 – Advanced Income Capitalization

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Mr. Bradford L. Johnson, MAI, MRICS

Experience

Brad Johnson is the Senior Managing Director and a Principal of Integra Realty Resources Tampa Bay. He is a National Practice Leader of Integra's Seniors Housing & Health Care Specialty Practice Group and directs valuation and consulting engagements related to a wide variety of seniors housing and health care properties, including portfolio assignments.

Mr. Johnson has more than 40 years of commercial real estate-related experience in consulting, valuation, brokerage and land use planning. He has supervised thousands of market analyses and valuation assignments throughout the United States, including portfolio engagements.

Mr. Johnson also has extensive experience in the analysis and valuation of conventional and affordable housing projects, such as retirement communities, condominium and rental multifamily and student housing and master planned communities. He is experienced with the various financing programs often utilized for such projects, including conventional financing, FNMA Delegated Underwriting Servicing (DUS), Freddie Mac, Low Income Housing Tax Credits (LIHTC), SAIL loans, HUD Lean and Multifamily Accelerated Processing Program (MAP), FHA and USDA Section 538 programs.

Mr. Johnson is qualified as an expert witness in Florida, Connecticut and Michigan District and Circuit Courts, as well as the United States Bankruptcy Court. He has testified at various Tax Adjustment Board hearings and in Florida Tax Appeals Court. He is a licensed Real Estate Broker in the state of Florida and is co owner of Realty Investment Advisors, LLC. He is also a licensed Certified General Real Estate Appraiser in six states: Florida, Georgia, Alabama, Pennsylvania, North Carolina, and Virginia. Mr. Johnson is a member of the Appraisal Institute (MAI), the Royal Institute of Chartered Surveyors (MRICS), Real Estate Investment Council (REIC), Commercial Real Estate Women (CREW) and is a former board member and officer of CREW and the Gulf Coast Chapter of the Appraisal Institute.

Mr. Johnson is also a regular attendee of seniors housing and healthcare conferences, including the American Seniors Housing Association (ASHA), the National Investment Center for the Senior Care Industry (NIC), Assisted Living Federation of America (ALFA) and others. He began his real estate career in the mid 70s and formed his own firm in 1981. Three years later he was recruited to open the Tampa office of Pardue, Heid, Church, Smith and Waller, which, by 1988, became the largest real estate appraisal firm in the Tampa Bay area. In 1996 he formed Realty Valuation Advisors, Inc., which became part of Integra Realty Resources in 2000.

Professional Activities & Affiliations

Appraisal Institute, Member (MAI)
Royal Institute of Chartered Surveyors, Member (MRICS)
Real Estate Investment Council, Member
Commercial Real Estate Women (CREW), Member, former board member and officer
Appraisal Institute, Florida Gulf Coast Chapter, Former board member and officer

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Mr. Bradford L. Johnson, MAI, MRICS

Licenses

Florida, State Certified General Appraiser, RZ409, Expires November 2018
Alabama, Certified General Real Property Appraiser, G01126, Expires September 2017
Georgia, Certified General Real Property Appraiser, 3936, Expires February 2018
Florida, Florida Brokerage, BK3005066, Expires September 2017

Education

B.A. and Master's Degrees, Resource Development and Land Use Planning, Michigan State University
Licensed Real Estate Broker in the State of Florida

Articles and Publications

"What Is It Worth? Valuation of Seniors Housing Properties," National Association of Senior Living
"Successful Mixed-Use Development Downtown Requires Fee on the Street," guest column in the Tampa Bay Business Journal

Qualified Before Courts & Administrative Bodies

Mr. Johnson is qualified as an expert witness in Florida, Connecticut and Michigan District and Circuit Courts and U.S. Bankruptcy Courts. He has also testified at various Tax Adjustment Board hearings and Florida Tax Appeals Court.

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John F. Thigpen, MAI

Education (Cont'd)

Course 520 – Highest and Best Use and Market Analysis
Course 530 – Advanced Sales Comparison & Costs Approaches
Course II540 – Report Writing & Valuation Analysis
Course 550 – Advanced Applications

COURSES APPROVED BY THE FLORIDA REAL ESTATE APPRAISAL BOARD:
Principles of Real Estate
Real Estate Law

CONTINUING EDUCATION SEMINARS AND OTHER COURSES:
45-Hour Salesperson Post-License Course
Florida State Law and USPAP Review
14-Hour Continuing Education Course for Real Estate Salespersons
The Comprehensive Appraisal Workshop
MAP Third Party Technical Training, U.S. Department of Housing and Urban Development (2001)

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Addendum B

Engagement Letter

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April 30, 2017

Mr. Thomas Chandler
P.O. Box 555
Fayetteville, FL 32246
PH: 770-231-0231
Chandler_Thomas@bellsouth.net

SUBJECT: Proposal/Authorization for Consulting Services
Shoals Creek Village, an age restricted apartment property at 1960 Flat Shoals Road S.E. Conyers,
Georgia 30013

Dear Mr. Chandler:

Integra Realty Resources—Tampa Bay (“IRR – Tampa Bay”), appreciates the opportunity to provide this proposal for consulting services to the undersigned (the “Client”) for the Subject Property.

It is our mutual understanding that the purpose of this market study is to assist the Client in determining market demand and rental rate analysis for the Subject Property. The market study report will be prepared in conformance with and subject to, the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute and the Uniform Standards of Professional Appraisal Practice (USPAP) developed by the Appraisal Standards Board of the Appraisal Foundation. The Ethics Rule of USPAP requires us to disclose to you any prior services we have performed regarding the Subject Property within a three-year period immediately preceding the acceptance of this assignment, either as an appraiser or in any other capacity. We represent that we have performed any services that require disclosure under this rule.

The scope of the market study will include the following:

- x Area and market area description,
- x Demand analysis for independent living and age-restricted market segments,
- x Description of independent living and age-restricted supply in PMA,
- x Supply and demand analysis for independent living and age-restricted markets,
- x Occupancy survey of supply in PMA,
- x Pipeline survey with unit mix information if available in PMA and adjacent markets,
- x Reporting of rents levels and cost of ancillary charges of primary competitors for seniors housing,

Mr. Thomas Chandler
April 30, 2017
Page 2

- x the assignment also includes supply and demand analysis for independent living and supply/demand analysis for an age restricted multi-family apartment development; and,
- x Reporting of rents levels and cost of ancillary charges of primary competitors for the two housing types.

Federal banking regulations require banks and other lending institutions to engage appraisers where FIRREA compliant market studies must be used about mortgage loans or other transactions involving federally regulated lending institutions. Given that requirement, this market study may not be accepted by a federally regulated financial institution.

Our fee for this assignment will be \$5,000, which includes out-of-pocket expenses. We will require a retainer of \$2,500 (or 50%) prior to us beginning our work with the balance due upon delivery of the report. We will provide one (1) pdf and two (2) hard copies of the report(s); however, additional copies of the report are available at an additional cost. The current minimum cost for each additional copy is \$100 per copy. The report(s) will be completed and delivered to you within three to four weeks from our receipt of this fully executed engagement letter and the information requested in Attachment II.

Additional fees will be charged on an hourly basis for any work which exceeds the scope of this proposal, including performing additional valuation scenarios, additional research and conference calls or meetings with any party which exceed the time allotted for an assignment of this nature.

To complete this assignment in the designated time, we will require as much of the available information as possible, as identified in Attachment I, within five (5) business days after the execution of this engagement letter. Any delays in the receipt of this information or in the access to the property will automatically extend the final delivery date of the report as proposed. Furthermore, the market study report and conclusions therein will be predicated upon the accuracy and completeness of the information provided by the Client and set forth in Attachment I. In the absence of some of this information, the appraisers will attempt to obtain this information from other sources and/or may require the use of Extraordinary Limiting Conditions and Assumptions within the market study report.

The market study report will be limited by our standard Assumptions and Limiting Conditions and any Extraordinary Assumptions and Limiting Conditions, which become apparent or necessary during the assignment. A copy of the standard Assumptions and Limiting Conditions is set forth in Attachment II.

In addition, this engagement letter is subject to the following terms:

1. Duration of Quote. This proposal and fees quoted are valid for a period of fourteen (14) calendar days from the date hereof. If we do not receive a signed copy of this engagement letter from you within such 14 days, the fact that we made the foregoing proposal of professional services will not preclude us from performing professional services for another client on the Subject Property.
2. Completion Date. The delivery date of the report will be 21 days from your acceptance of this engagement letter. The foregoing delivery date is contingent upon the absence of events outside our control such as illness, lack of specific necessary data and/or Acts of God, timely

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access for inspection of the Subject Property, as well as our receipt of all requested information necessary to complete the assignment.

3. Information. Both parties acknowledge that real estate market study requires current and historical market data to competently analyze the Subject Property. Accordingly, the Client agrees that: (1) the data collected by us in this assignment will remain our property, Integra and its partner companies may utilize, sell and include such data (either in the aggregate or individually), in the Integra database and for use in derivative products. The Client agrees that all data already in the public domain may be utilized on an unrestricted basis. Finally, the Client agrees that we may use commercially available as well as proprietary software programs to perform your assignment (web based and others).
4. Limitations of Liability. IRR – Tampa Bay is an independently owned and operated company. The parties hereto agree that Integra Realty Resources, Inc. (“Integra”) shall not be liable for any claim arising out of or relating to any market study report or any information or opinions contained therein as such market study report is the sole and exclusive responsibility of IRR – Tampa Bay. In addition, it is expressly agreed that in any action which may be brought against IRR – Tampa Bay and/or any of its officers, owners, managers, directors, agents, subcontractors or employees (the “Integra Parties”), arising out of, relating to, or in anyway pertaining to this engagement letter, the market study reports or any related work product, the Integra Parties shall not be responsible or liable for any incidental or consequential damages or losses, unless the market study was fraudulent or prepared with intentional misconduct. It is further expressly agreed that the collective liability of the Integra Parties in any such action shall not exceed the fees paid for the preparation of the assignment (unless the market study was fraudulent or prepared with intentional misconduct). It is expressly agreed that the fees charged herein are in reliance upon the foregoing limitations of liability.
5. Proprietary Software. Client acknowledges that Integra’s Market point, Appraisal Template and Data Point software is proprietary and confidential. Accordingly, Client agrees not to use such software other than in furtherance of the purposes of this engagement letter. Client further agrees not to make such software available for the use of any third party.
6. Fees. Unless arrangements are made otherwise, a late charge of 15% per annum, commencing thirty (30) days after the receipt of invoice will be charged on any balance not paid; however, in no event shall this delinquency rate of interest exceed the maximum rate permitted by law. The Integra Parties shall also be entitled to recover their costs (including attorneys’ fees), associated with collecting any amounts owed or otherwise relating to this engagement. Upon default by you, we shall be permitted to file a lien against the Subject Property for any amounts owed pursuant to this engagement letter.
7. Cancellation. In the event the assignment is canceled prior to completion; an invoice will be prepared reflecting the percentage of work completed as of that date. Any credits to Client will be promptly refunded or any remaining balances will be indicated on the invoice.
8. Purpose; Reliance. The purpose of the market study is to develop an opinion of the market value of the Subject Property on behalf of the Client as the intended user of the market study. The intended use of the market study is to assist the Client, as the intended user of the market

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study, in evaluating the Subject Property for internal purposes. The use of the market study by anyone other than the Client is prohibited. Accordingly, the market study report will be addressed to and shall be solely for the Client's use and benefit unless IRR - Tampa Bay provides its prior written consent. IRR - Tampa Bay expressly reserves the unrestricted right to withhold its consent to your disclosure of the market study report (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties. Stated again for clarification, unless the prior written consent of IRR - Tampa Bay is obtained, no third party may rely on the market study report (even if their reliance was foreseeable). In the event the Client provides a copy of this market study to, or permits reliance thereon by, any person or entity not authorized by IRR - Tampa Bay, the Client agrees to indemnify and hold harmless the Integra Parties from and against all damages, expenses, claims and costs, including attorneys' fees, incurred in investigating and defending any claim arising from or in any way connected to the use of, or reliance upon, the review market study by any such unauthorized person or entity. If the market study is referred to or included in any offering material or prospectus, the market study shall be deemed referred to or included for informational purposes only and the Integra Parties shall have no liability to such recipients. IRR - Tampa Bay disclaims all liability to any party other than the Client which retained IRR - Tampa Bay to prepare the market study.

9. Special Experts. Any out-of-pocket expenses incurred during this are included in the cost of this assignment. However, should the Client request the assistance of any of the Integra Parties in hiring a special expert to contribute to any assignment (including but not limited to, a surveyor, environmental consultant, land planner, architect, engineer, business, personal property, machinery and equipment appraiser, among others), the Client agrees to perform their own due diligence to qualify said special expert. The Client agrees and acknowledges it is solely responsible in paying for the services of said special expert. Furthermore, the Client acknowledges that the Integra Parties, are not responsible for the actions and findings of the special expert and agrees to hold the Integra Parties harmless from all damages that may arise out of the Client's reliance on the special expert.
10. Responding to Review. We agree to respond to your review of our report within five (5) business days of your communication to us. Correspondingly, you will have twenty-one (21) days from receipt of our report to communicate your review. We reserve the right to bill you for responding to your review beyond this time.
11. Choice of Law/Submission to Jurisdiction/Separate Legal Representation. The law of the State of Florida shall govern, construe, and enforce all the rights and duties of the parties arising from or relating in any way to the subject matter of this engagement letter. Any action commenced for enforcing the terms and provisions of this engagement letter or any accepted assignment and in any way related to the subject matter of this engagement letter shall be brought in the state in which IRR - Tampa Bay is located. In executing this engagement letter, each party agrees to submit to the personal jurisdiction of the courts of the state in which such IRR - Tampa Bay is located. In case any one or more of the provisions or parts of a provision contained in this engagement letter shall, for any reason, be held to be invalid, illegal or unenforceable in any respect in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or part of a provision of this engagement letter or any other jurisdiction, but this engagement letter shall be reformed and construed in any such jurisdiction as if such invalid or illegal or unenforceable provision or part of a provision had never been

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contained herein and such provision or part shall be reformed so that it would be valid, legal and enforceable to the maximum extent permitted in such jurisdiction. Each party acknowledges and agrees that he has been advised and encouraged to consult an attorney about this engagement letter, that he fully understands his right to discuss all aspects of this engagement letter with a private attorney, that he has carefully read and fully understands all the provisions of this engagement letter, and that he is voluntarily and knowingly entering this engagement letter.

12. Third Party Beneficiaries. Integra and each other Local Office of Integra is an intended third party beneficiary of this engagement letter.

If this proposal is acceptable, please authorize us to proceed by executing this engagement letter where noted below and returning one copy to the undersigned. Thank you for considering us for this assignment and we look forward to working with you. Please call if you wish to discuss this proposal or the assignment any further.

Sincerely,

INTEGRA REALTY RESOURCES – TAMPA BAY



John F. Thigpen, MAI
Managing Director
Georgia Real Property Appraiser 287684

Attachments

AGREED & ACCEPTED THIS 5 DAY OF May, 2017.

BY: Mr. Thomas Chandler

Thomas B Chandler
AUTHORIZED SIGNATURE

Thomas B Chandler
NAME (PRINT)

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ATTACHMENT I REQUEST FOR
INFORMATION

Please forward the following information to our office so we can provide the proposed services within the agreed upon time frame as discussed above. If you care to send the information as you gather it if you like, please forward the physical data such as the site plan, previous engineering reports and/or property reports describing the physical attributes of the property and all financial information such as rent roll and income and expense statements first as these items are the most time sensitive and should be received immediately to meet the time requirements of this assignment. If, at this time, you are certain you will not be providing any specific items noted below, please cross out the item and mark "NA" next to the item so that we will be notified that the information is not available and will not be forthcoming.

1. Information request list will be sent in a separate email, if needed.

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ATTACHMENT II
STANDARD ASSUMPTIONS & LIMITING CONDITIONS

The market study report and any work product related to the engagement will be limited by the following standard assumptions:

1. The title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions. The Subject Property is under responsible ownership and competent management and is available for its highest and best use.
2. There are no existing judgments or pending or threatened litigation that could affect the value of the Subject Property.
3. There are no hidden or undisclosed conditions of the land or of the improvements that would render the Subject Property more or less valuable. Furthermore, there is no asbestos in the Subject Property.
4. The revenue stamps placed on any deed referenced herein to indicate the sale price are in correct relation to the actual dollar amount of the transaction.
5. The Subject Property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes.
6. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

The market study report and any work product related to the engagement will be subject to the following limiting conditions, except as otherwise noted in the report:

1. A market study is inherently subjective and represents our opinion as to the value of the Subject Property appraised.
2. The conclusions stated in our market study apply only as of the effective date of the market study, and no representation is made as to the effect of subsequent events.
3. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
4. No environmental impact studies were either requested or made in conjunction with this market study, and we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the market study assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
5. Unless otherwise agreed to in writing, we are not required to give testimony, respond to any subpoena or attend any court, governmental or other hearing with reference to the Subject Property without compensation relative to such additional employment.
6. We have made no survey of the Subject Property and assume no responsibility in connection with such matters. Any sketch or survey of the Subject Property included in this report is for illustrative purposes only and should not be considered to be scaled accurately for size. The market study

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- covers the Subject Property as described in this report, and the areas and dimensions set forth are assumed to be correct.
7. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and we have assumed that the Subject Property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our market study.
 8. We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic considerations, such as soils and seismic stability, and civil, mechanical, electrical, structural and other engineering and environmental matters. Such considerations may also include determinations of compliance with zoning and other federal, state, and local laws, regulations and codes.
 9. The distribution of the total valuation in the report between land and improvements applies only under the reported highest and best use of the Subject Property. The allocations of value for land and improvements must not be used in conjunction with any other market study and are invalid if so used. The market study report shall be considered only in its entirety. No part of the market study report shall be utilized separately or out of context.
 10. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication without the prior written consent of the persons signing the report. The report may be used for investor and loan offering memorandums.
 11. Information, estimates and opinions contained in the report and obtained from third-party sources are assumed to be reliable and have not been independently verified.
 12. Any income and expense estimates contained in the market study report are used only for estimating value and do not constitute predictions of future operating results.
 13. If the Subject Property is subject to one or more leases, any estimate of residual value contained in the market study may be particularly affected by significant changes in the condition of the economy, of the real estate industry, or of the Subject Property at the time these leases expire or otherwise terminate.
 14. Unless otherwise stated in the report, no consideration has been given to personal property located on the Subject Property or to the cost of moving or relocating such personal property; only the real property has been considered.
 15. The current purchasing power of the dollar is the basis for the value stated in the market study; we have assumed that no extreme fluctuations in economic cycles will occur.
 16. The values found herein are subject to these and to any other assumptions or conditions set forth in the body of this report but which may have been omitted from this list of Assumptions and Limiting Conditions.
 17. The analyses contained in the report necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances

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may occur; therefore, actual results achieved during the period covered by our analysis will vary from our estimates, and the variations may be material.

18. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of the Subject Property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. We claim no expertise in ADA issues, and render no opinion regarding compliance of the Subject Property with ADA regulations. Since compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, a specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.
19. The market study report is prepared for the exclusive benefit of you, your subsidiaries and/or affiliates. It may not be used or relied upon by any other party. All parties who use or rely upon any information in the report without our written consent do so at their own risk.
20. No studies have been provided to us indicating the presence or absence of hazardous materials on the Subject Property or in the improvements, and our valuation is predicated upon the assumption that the Subject Property is free and clear of any environmental hazards including, without limitation, hazardous wastes, toxic substances and mold. No representations or warranties are made regarding the environmental condition of the Subject Property. IRR – Tampa Bay and/or any of its officers, owners, managers, directors, agents, subcontractors or employees (the "Integra Parties") shall not be responsible for any such environmental conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because we are not experts in the field of environmental conditions, the market study report cannot be considered as an environmental assessment of the Subject Property.
21. The persons signing the report may have reviewed available flood maps and may have noted in the market study report whether the Subject Property is in an identified Special Flood Hazard Area. However, we are not qualified to detect such areas and therefore do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of the Subject Property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.
22. We are not a building or environmental inspector. The Integra Parties do not guarantee that the Subject Property is free of defects or environmental problems. Mold may be present in the Subject Property and a professional inspection is recommended.
23. The market study report and value conclusions for a market study assumes the satisfactory completion of construction, repairs or alterations in a workmanlike manner.
24. IRR – Tampa Bay is an independently owned and operated company. The parties hereto agree that Integra Realty Resources, Inc. ("Integra") shall not be liable for any claim arising out of or relating to any market study report or any information or opinions contained therein as such market study report is the sole and exclusive responsibility of IRR – Tampa Bay. In addition, it is expressly agreed that in any action which may be brought against the Integra Parties arising out of, relating to, or in any way pertaining to the engagement letter, the market study reports or any related work product, the Integra Parties shall not be responsible or liable for any incidental or consequential damages or losses, unless the market study was fraudulent or prepared with intentional misconduct. It is further expressly agreed that the collective liability of the Integra

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Parties in any such action shall not exceed the fees paid for the preparation of the assignment (unless the market study was fraudulent or prepared with intentional misconduct). It is expressly agreed that the fees charged herein are in reliance upon the foregoing limitations of liability.

25. IRR – Tampa Bay is an independently owned and operated company, which has prepared the market study for the specific intended use stated elsewhere in the report. The use of the market study report by anyone other than the Client is prohibited except as otherwise provided. Accordingly, the market study report is addressed to and shall be solely for the Client's use and benefit unless we provide our prior written consent. We expressly reserve the unrestricted right to withhold our consent to your disclosure of the market study report or any other work product related to the engagement (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties. Stated again for clarification, unless our prior written consent is obtained, no third party may rely on the market study report (even if their reliance was foreseeable).

26. The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. The Integra Parties are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we believe, our findings are reasonable based on current market conditions, we do not represent that these estimates will be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume competent and effective management and marketing for the duration of the projected holding period of the Subject Property.

27. All prospective value opinions presented in this report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraph, several events may occur that could substantially alter the outcome of our estimates such as, but not limited to changes in the economy, interest rates, capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. It is assumed that conditions reasonably foreseeable now are consistent or similar with the future.

As will be determined during the assignment, additional extraordinary or hypothetical conditions may be required to complete the assignment. The market study shall also be subject to those assumptions.