PLEASE NOTE:

THE FOLLOWING IS A SUMMARY (EXCERPT).

CONFIDENTIAL PORTIONS HAVE BEEN OMITTED.

MARKET ANALYSIS FOR GENERAL OCCUPANCY RENTAL HOUSING
SECTION 221(d)(4) PROGRAM

PROPOSED ENCORE VILLAGE EAST
I-96 AND GRAND RIVER AVENUE
BRIGHTON & GREEN OAK TOWNSHIPS

Prepared for

Ms. Robin Watkins
Love Funding Corporation

By

TERZO & BOLOGNA, INC.

TERZO & BOLOGNA INC.
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November 16, 2016

Ms. Robin Watkins
Love Funding Corporation
1250 Connecticut Ave., Suite 100
Washington, DC 20036

RE: Section 221(d)(4) Market Analysis
Proposed Encore Village East
I-96 and Grand River Avenue
Brighton & Green Oak Townships, MI

Dear Ms. Watkins:

Pursuant to your request, we have conducted the necessary research to provide a market analysis for the proposed subject development.

The attached market study has been prepared pursuant to HUD's "Multifamily Accelerated Processing (MAP) Guide," revised January 29, 2016. The purpose of the market study is to assure that there is enough sustainable demand for additional units without adversely impacting the existing supply, so as to maintain a balanced overall market. The focus of the market study is on overall demand within a defined market area, and of the proposed project's ability to capture and sustain a share of the total incremental demand.

The market conclusions are predicated upon the conditions and limitations stated in Section 2 of this report. Specifically, the conclusions are predicated on the following extraordinary assumptions, which might have affected the assignment results. .

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OFFICES IN:
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Detroit, Michigan
Grand Rapids, Michigan

- **The conclusions derived herein for the property are based on the extraordinary assumption that the development will be consistent with representations of the project as described to Terzo & Bologna, Inc. by the developer's representatives and as described in Section 3 of this report.**

Following is the body of the pertinent issues, analyses, and conclusions. We trust you will find them self-sufficient. If, upon reviewing the information, you have questions or concerns, please feel free to call us to discuss them.

Sincerely,

Brenda D. Makarov, MAI
Certified General Appraiser - Michigan #1201003948
for Terzo & Bologna, Inc.

TABLE OF CONTENTS

PROLOGUE

REGIONAL SETTING MAP
URBAN SETTING MAP
PHOTOGRAPH OF SUBJECT

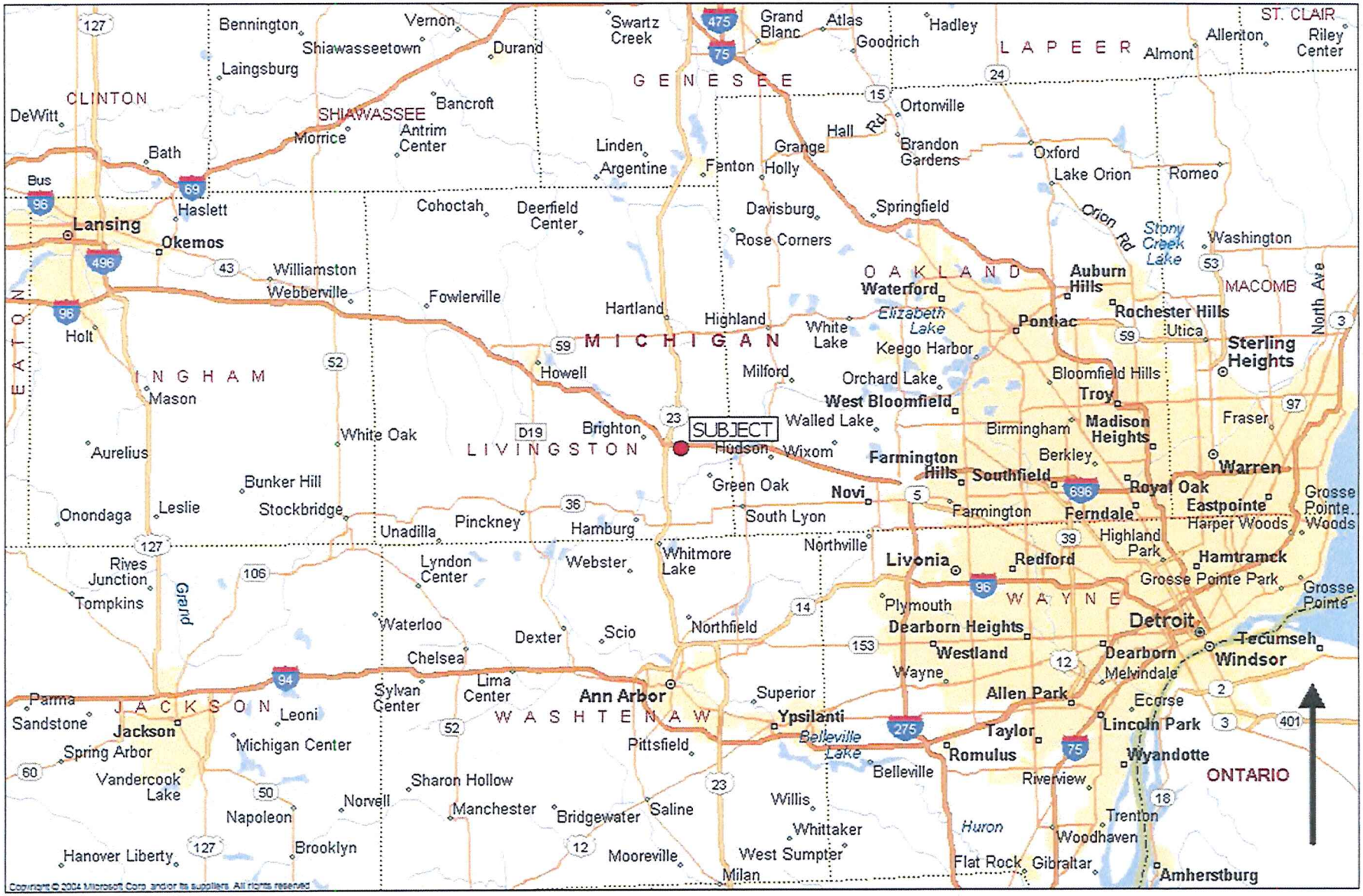
SECTIONS

1.0 EXECUTIVE SUMMARY 1
2.0 INTRODUCTION 3
SCOPE OF WORK 4
INTENDED USER AND INTENDED USE 4
ASSUMPTIONS & LIMITING CONDITIONS 5
3.0 PROJECT DESCRIPTION AND LOCATION 9
DESCRIPTION OF PROPERTY – AS COMPLETE 9
Site and Site Improvements 9
Building Components 24
Clubhouse 25
Overall Condition and Functionality of Site and Improvements 26
Remaining Useful Life 26
PROJECT LOCATION 31
STATE OF MICHIGAN 31
LIVINGSTON COUNTY 35
BRIGHTON TOWNSHIP 41
NEIGHBORHOOD 41
4.0 MARKET ANALYSIS 51
INCOME OR RENT RESTRICTIONS 51
ANTICIPATED TARGET MARKET 51
PRIMARY MARKET AREA 51
SECONDARY HOUSING MARKET AREA 52
ECONOMIC CONDITIONS OF THE PMA 53
PMA Employment Trends and Projections 53
Unemployment Rates 55
PMA HOUSING MARKET CONDITIONS 56
Single Family Residential Market Overview 56
Total PMA Apartment Supply 58
Existing Competitive Supply 58
Competitive Vacancy Analysis 82
Rent Growth 82
Unit Mix 83
Market Absorption 83
Projects Under Construction or in Planning 84
5.0 DEMAND ESTIMATE AND ANALYSIS 87
QUANTIFIED ESTIMATE OF CURRENT PENT UP DEMAND 87
QUANTIFIED ESTIMATE OF FUTURE DEMAND 87

Age Distribution 87
Population and Household Trends, Tenure Patterns 88
Analysis of Income Qualified Demand 90
CAPTURE RATE 91
PENETRATION RATE 92
DEMAND AND ABSORPTION CONCLUSIONS 92
6.0 CERTIFICATION OF THE ANALYST 94

ANNEX

LEGAL DESCRIPTION
APPRAISER LICENSE
INTRODUCTION TO TERZO & BOLOGNA, INC.
QUALIFICATIONS OF THE APPRAISERS

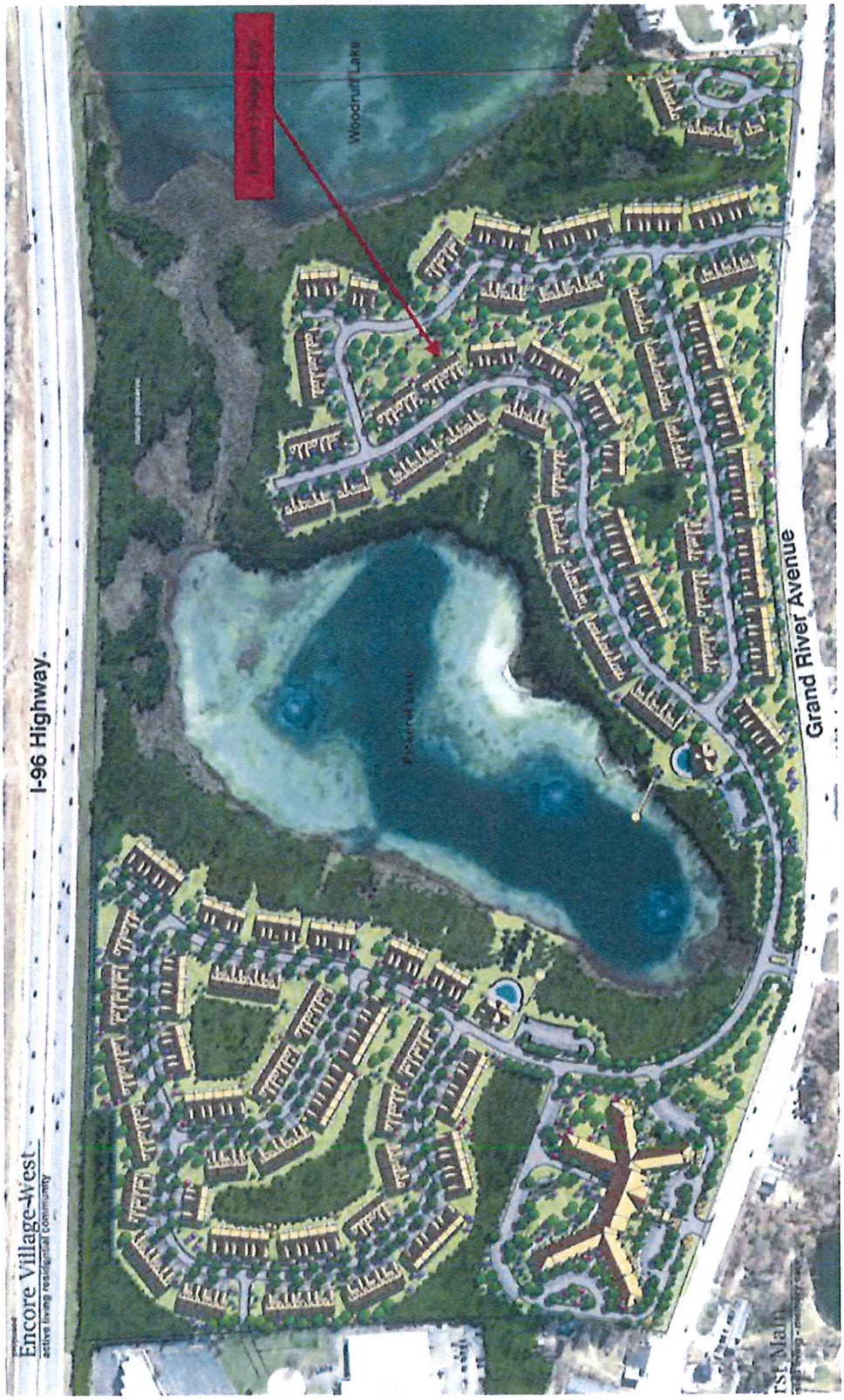


TERZO & BOLOGNA INC. Real Estate Counselors and Appraisers

REGIONAL SETTING MAP

TERZO & BOLOGNA INC. Real Estate Counselors and Appraisers

URBAN SETTING MAP



TERZO & BOLOGNA INC. Real Estate Counselors and Appraisers

PHOTOGRAPH OF SUBJECT

1.0 EXECUTIVE SUMMARY

DESCRIPTION OF PROPERTY: The subject property is comprised of an approximate 148 acre parcel of land that is to be improved with a two-phase, 393-unit conventional market rate apartment development. The proposed development will comprise 77 residential buildings in one story ranch configurations with attached, direct access two car garages. There will be five buildings with optional walk-out basements. The developer intends on setting aside a portion of the total site for senior independent living; the site area allocated to this senior-oriented development has not been allocated as of the report date. This analysis reflects only the market potential for the first phase, Encore Village East, which will comprise 217 conventional apartment units.

ASSIGNMENT: HUD Section 221(d)(4) Program
Market Analysis for General Occupancy Rental Housing

EFFECTIVE DATE OF MARKET ANALYSIS: November 1, 2016

DATE OF INSPECTION: November 1, 2016

REPORT DATE: November 16, 2016

OWNERSHIP: Manchester Brighton LLC

UNIT MIX/RENTABLE AREA/
DEVELOPER PROPOSED RENT:

DEVELOPER PROPOSED RENTS						
Number	Unit Type	NRSF	GRSF	Proposed Rent	Utility Allowance	Net Rent
127	2BR/2BA + Den, Interior	N/A	1,486	$1,750	$0	$1,750
90	2BR/2BA + Den, End Unit	N/A	1,441	$1,800	$0	$1,800

There will be no income or rent restrictions placed on the property by the use of public subsidies.

ZONING:	OS, Office Service, and proposed to be rezoned to RM-1, Residential Multiple Family
CENSUS TRACT:	7408.00
TAX PARCEL ID:	The following tax parcel numbers are for the entire development, of which the subject comprises a portion. 12-33-400-001 and -010 (Brighton Township) 16-04-200-004 (Green Oak Township)
ASSUMPTIONS AND LIMITING CONDITIONS:	See Section 2 of this appraisal for all underlying assumptions and limiting conditions affecting the value.

2.0 INTRODUCTION

The subject property is comprised of a approximately 148 acres parcel of land that is to be improved with a two-phase, 393-unit conventional market rate apartment development. The proposed development will comprise 77 residential buildings in one story ranch configurations with attached, direct access two car garages. There will be five buildings with optional walk-out basements. The developer intends on setting aside a portion of the total site for senior independent living; the site area allocated to this senior-oriented development has not been allocated as of the report date. This analysis reflects only the market potential for the first phase, Encore Village East, which will comprise 217 conventional apartment units within 45 buildings. In addition, there will be a clubhouse with fitness room, as well as outdoor pool and pool deck. The site includes all of Pickerel Lake, as well as the western portion of Woodruff Lake, both of which will provide for a highly desirable amenity.

The subject units will be ranch style in two-bedroom configurations with a den. Since the dens will have closets, many prospective residents will view this as an optional third bedroom. Given the proposed structural characteristics and unit mix in the subject, the anticipated tenant profile would include a range of two-tenant households up to smaller families with one or two children. Based on a demographic profile of luxury ranch-style apartment projects throughout the metro Detroit region, tenants in the subject should include a very high percentage of retirees and empty nesters. The development will also appeal to a wide array of working individuals with a wide range of occupations but almost all would be professionals employed in the regional market. Units will have a full amenity package with upscale finishes to include two stall attached direct access garages, full size washers and dryers, good quality maple cabinets, granite countertops, full appliance package to include dishwashers and space saver microwaves, ceramic plank flooring and crown moldings in the living areas and kitchens. The site is located in a growing mixed use neighborhood with an abundance of supportive services in close proximity. The location is highly advantageous for residential use, as there is one fully contained lake on the subject property as well as a partial second lake. The site is close to neighborhood services, and enjoys excellent highway linkages.

The subject is projected to be extremely well received. The PMA, which is delineated as Livingston County, is experiencing healthy growth with respect to population and households. Further, the ratio of renter households is showing an increasing trend. Households in the PMA show a high level of affordability for the subject at the developer's proposed rents. The existing supply is faring very well, with current PMA occupancy levels estimated at 2.4 percent. There is pent of demand of approximately 90 units in the PMA based on current market conditions. Renter households within the PMA are projected to increase by 264 annually between 2016 and 2021. When factoring in affordability, annual demand of new income-qualified renter households of 156 to 159 is projected.

There are 808 known market rate units in the pipeline in the PMA as of the report date inclusive of the subject's 217 units. New supply is not anticipated to keep up with projected demand, and therefore the market is expected to maintain occupancies in excess of 95 percent over the observation period.

Existing and forecasted market fundamentals indicate there is enough sustainable demand for the proposed supply without adversely impacting the existing PMA supply. The subject will provide a product that is in high demand, and it is expected to capture its fair share of market demand. Potential market absorption has been estimated through a quantified analysis of demographic trends as well as the experience shown by recently completed projects. An absorption rate of 13 units per month is projected, and a lease-up period of approximately 16 months is anticipated.

SCOPE OF WORK

The scope of work comprised a comprehensive data gathering and analytical process that incorporated but was not necessarily limited to the following.

- The inspection of the property comprised conducting a brief inspection of the site to broadly determine the type of cover, topography, and determine obvious development issues.
- Inspections of the PMA, neighborhood and comparable properties.
- Obtain property data from the client, contact sources, and governmental representatives.
- Review legal restrictions relating to the subject as imposed by zoning or disclosed easements, leases, or other documents in place that may affect the subject.
- Obtain market and transaction data from brokers, other appraisers, secondary data sources, and in-house files. Data sources utilized for this valuation are assumed to be reliable and are accepted as such in the analysis. When possible or deemed appropriate or necessary, first-hand verification of data for accuracy was conducted.
- Write report in compliance with HUD's "Multifamily Accelerated Processing (MAP) Guide," revised January 29, 2016.

Additional items that are relevant to the scope of work will be found in other portions of the text, where they reference specific procedures or issues.

INTENDED USER AND INTENDED USE

The report has been prepared for Love Funding Corporation and the Department of Housing and Urban Development (HUD). There are no other intended users of this report. The report is to be used by the client and HUD as part of the

evaluation for collateral and security for a long-term mortgage. It is not intended for any other use.

ASSUMPTIONS & LIMITING CONDITIONS

The market value is predicated on the following hypothetical conditions and/or extraordinary assumptions, which might have affected the assignment results.

> **The conclusions derived herein for the property are based on the extraordinary assumption that the development will be consistent with representations of the project as described to Terzo & Bologna, Inc. by the developer's representatives and as described in Section 3 of this report.**

This report has been made with the following general assumptions:

1. No responsibility is assumed for the legal description, legal matters, or title considerations. Title to the property is assumed to be clear and marketable, and it is assumed that there are no recorded or unrecorded matters or exceptions to title that would adversely affect marketability or market value.

2. Unless otherwise stated, no consideration is given to liens or encumbrances against the property.

3. Responsible ownership and competent property management are assumed. An analysis of owner or management effectiveness and current or anticipated actions that will affect property operations is beyond the scope of this report.

4. The information furnished by others is assumed to be reliable. However, no warranty is given for its accuracy.

5. All engineering is assumed to be correct. The plans and other illustrative material in this report are included only to assist the reader in visualizing the property and are not intended for technical purposes.

6. It is assumed that there are no hidden or unapparent conditions of the land or of the improvements that render the property more or less valuable. No responsibility is assumed for such conditions or for arranging any engineering studies that may be required to discover them.

7. Building and site inspections that have been completed as part of the appraisal process by Terzo & Bologna, Inc. are directed to broadly determining the quality of materials and finishes so that the subject property can be compared to other properties. This report therefore makes no representations as to the engineering aspects of the site improvements and

buildings or of the adequacy of structural components, or electrical, HVAC, and plumbing systems, which are assumed to be in operational order.

8. It is assumed that there is and will be full compliance with all applicable federal, state, and local environmental regulations and laws.

9. Except as noted, no evidence of hazardous material, which may or may not be present on the property, was observed upon inspection. Except as noted, Terzo & Bologna, Inc., has no knowledge of the existence of such materials on or in the property and it is assumed that the property is free of such materials. Terzo & Bologna, Inc., however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client (or any reader of this report who is contemplating some financial commitment to the property) is urged to retain an expert in this field, if desired.

10. Except as noted, it is assumed that the property is and will be in compliance with all current applicable zoning, building use regulations, and codes.

11. 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 or will be obtained or renewed for any use on which the value estimate contained in this report is based.

12. No survey of the boundaries of the property was undertaken. It is assumed that the utilization of the land and improvements will be within the boundaries or property lines of the property described and that there will be no encroachment or trespass.

13. Proposed improvements are assumed to have been completed unless otherwise stipulated. Any construction is assumed to conform to the building plans referenced in the report.

14. It is assumed that the reader or user of this report has been provided with copies of applicable building plans or underlying leases.

15. The presence of flood plain or wetland areas could affect the value of the property. It is assumed that wetland areas are not present or are minimal unless otherwise stated. Terzo & Bologna, Inc. is not qualified to detect such areas.

The report has been made with the following general limiting conditions:

1. Without the express written consent of Terzo & Bologna, Inc., neither the name of the appraiser, nor the report, nor any material contained in the report may be included in any prospectus or used in private offering memoranda, or representations in connection with the sale of securities or participation interests to the public. Terzo & Bologna, Inc. reserves the right to deny such consent.

2. Without the express written consent of Terzo & Bologna, Inc., neither the report nor any part of it may be submitted to the Securities and Exchange Commission or to any state securities regulatory agency. Terzo & Bologna, Inc. reserves the right to deny such consent.

3. Neither all nor any part of the contents of this report, especially any conclusions as to value, the identity of Terzo & Bologna, Inc., any of its staff, or any reference to the Appraisal Institute or the MAI designation, shall be quoted or disseminated to the public through advertising, public relations media, news media, sales media, or other public means of communication without the prior written consent and approval of Terzo & Bologna, Inc., which consent Terzo & Bologna, Inc. reserves the right to deny. Further, neither the appraiser, nor Terzo & Bologna, Inc., assumes obligation, liability or accountability to any third party.

4. This report shall be considered only in its entirety. No part of this report shall be used separately or taken out of context.

5. The value estimates provided apply to the entire property under its reported highest and best use unless stated otherwise herein. Any pro ration or division of the total into fractional interests will invalidate the value estimate, unless such pro ration or division of interests has been set forth in the report.

6. Possession of this report, or a copy thereof, does not carry with it the right of publication.

7. Terzo & Bologna, Inc. or any of its staff, by reason of this report, is not required to give further consultation, testimony, or be in attendance in court or other hearing with reference to the property unless written contractual arrangements have been made relative to such additional employment.

8. The forecasts, projections, or operating estimates contained herein are based upon current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These market conditions and forecasts are subject to material changes because of unusual or unforeseen circumstances. The estimates and opinions within the report are not, therefore, predictions or assurances as to the achievement of a particular

income or profit, or that particular events will occur or that a particular price will be offered or accepted.

9. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. Terzo & Bologna, Inc. has not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since Terzo & Bologna, Inc. has no direct evidence relating to this issue, it did not consider possible noncompliance with the requirements of ADA in estimating the value of the property.

10. Acceptance and/or use of this report constitutes full acceptance of the General Assumptions and Limiting Conditions as well as the Special Assumptions set forth in this report. Neither Terzo & Bologna, Inc. nor its staff assumes responsibility for any situation arising from the client's failure to become familiar with and understand these assumptions and limiting conditions.

3.0 PROJECT DESCRIPTION AND LOCATION

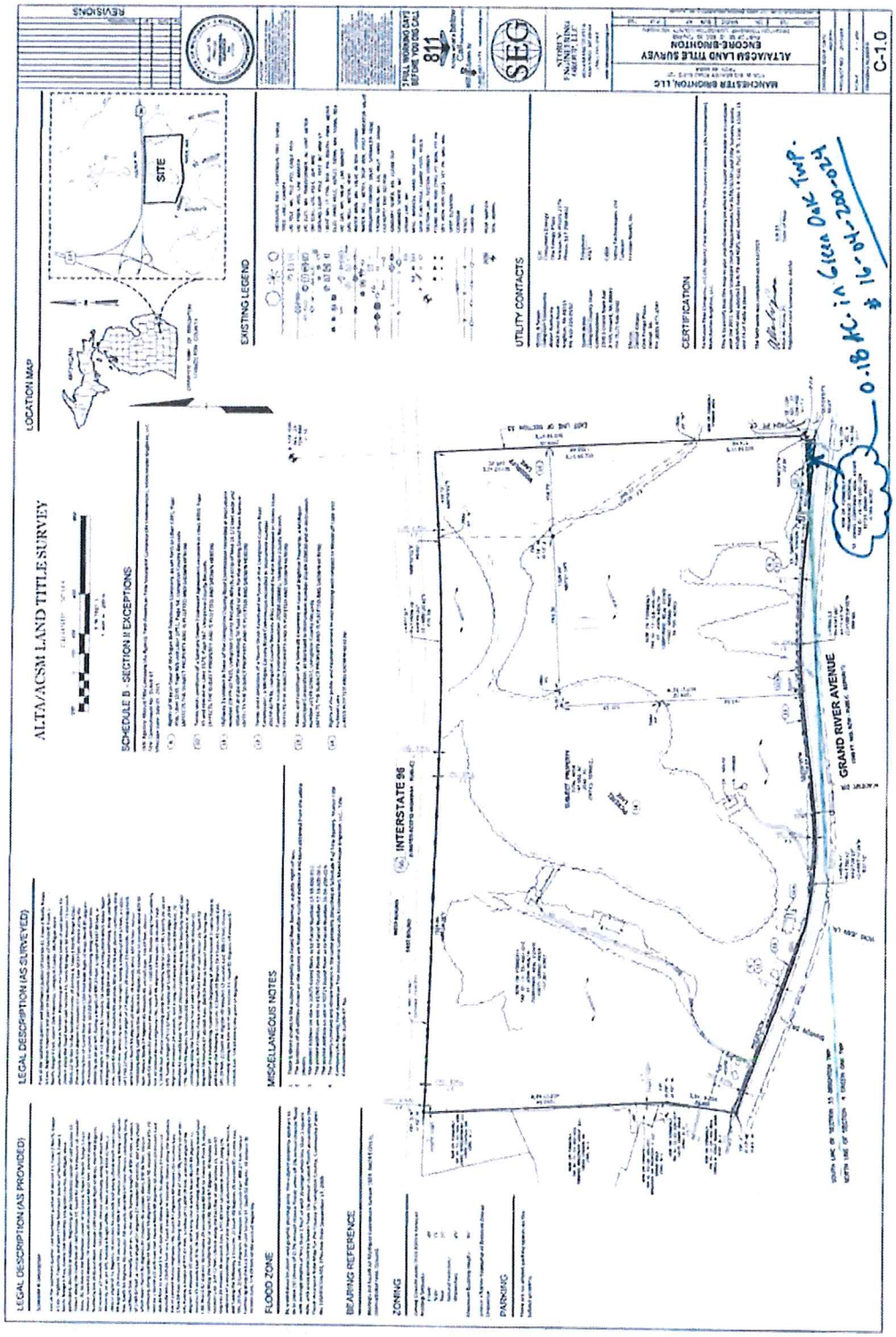
DESCRIPTION OF PROPERTY – AS COMPLETE

The following is a description of the property as completed based on building plans by Alexander V. Bogaerts & Associates, identified as project number #1627, last revised on July 27, 2016 and representations of proposed finishes as described to Terzo & Bologna, Inc. by the developer's representatives.

Site and Site Improvements

Site Size:	Approximately 148 acres, of which the subject comprises a portion
Configuration:	Slightly irregular
Topography:	Relatively flat terrain on western portion and a southeast sloping terrain on the eastern portion
Visibility from Major Thoroughfares:	Extensive frontage along Grand River Avenue as well as I-96
Wetlands:	The site incorporates all of Pickerel Lake and the eastern section of Woodruff Lake. In addition, there are several wetland areas, illustrated on the site plan exhibits, that will be preserved.
Drainage:	Run-off to on-site lakes
Environmental Issues:	None according to a Phase I Environmental Site Assessment prepared by McDowell & Associates, dated September 9, 2015 and identified as job #15-15436. An environmentally acceptable site is presumed.
FEMA Flood Hazard Rating:	Zone X; FEMA map by Interflood #26093C 0363D, dated September 17, 2008
Ingress and Egress:	Access will be gained from three curb cuts to the subject portion of the development. Ingress and egress appear adequate for proposed use.
Access to Public Transportation:	Livingston Essential Transportation Service (L.E.T.S.) was established in October 1977 to meet Livingston County's public transportation needs. L.E.T.S. provides dial-a-ride service to any destination countywide and regional medical service to Ingham, Oakland, Genesee, and Washtenaw counties.

Apparent Easements or Encroachments:	No unusual easements or encroachments were observed upon inspection.
Utilities:	Natural gas, electricity, private water wells, septic sewer. Reportedly municipal water is available at Grand River Avenue.
Improvements to Site:	In its as-is condition, there is cyclone fencing along perimeter; there are multiple vacant structures related to former use as a retreat center
Natural Features Protection:	In an effort to maintain existing slopes on the site along with some of the natural drainage patterns, building sites have been situated atop the slopes on more level ground. The site also allows for the potential of walkout basements and utilizes retaining walls to limit grading disturbance. Some preventative soil erosion measures that will be taken include silt fence and the installation of a construction fence along the perimeter of preserved woodlands which will encompass many of the natural features and will ensure no disturbance occurs. Mechanical pre-treatment units will also be used to remove sediments, free oils, and grease from the stormwater before it is discharged into the lake.
Functional Utility of Site:	The site has no unusual physical characteristics that would restrict development.



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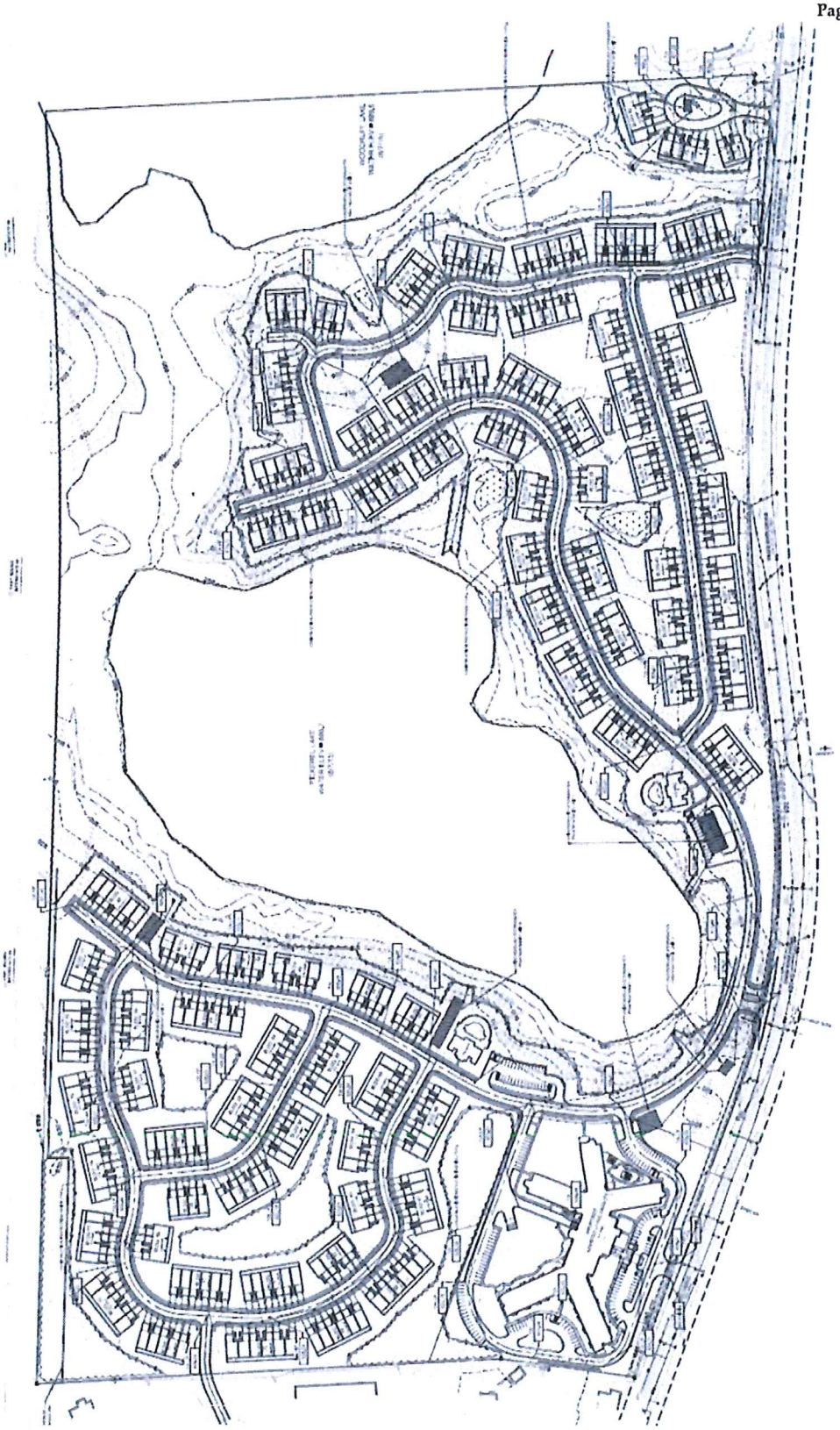
SITE PLAN/SURVEY



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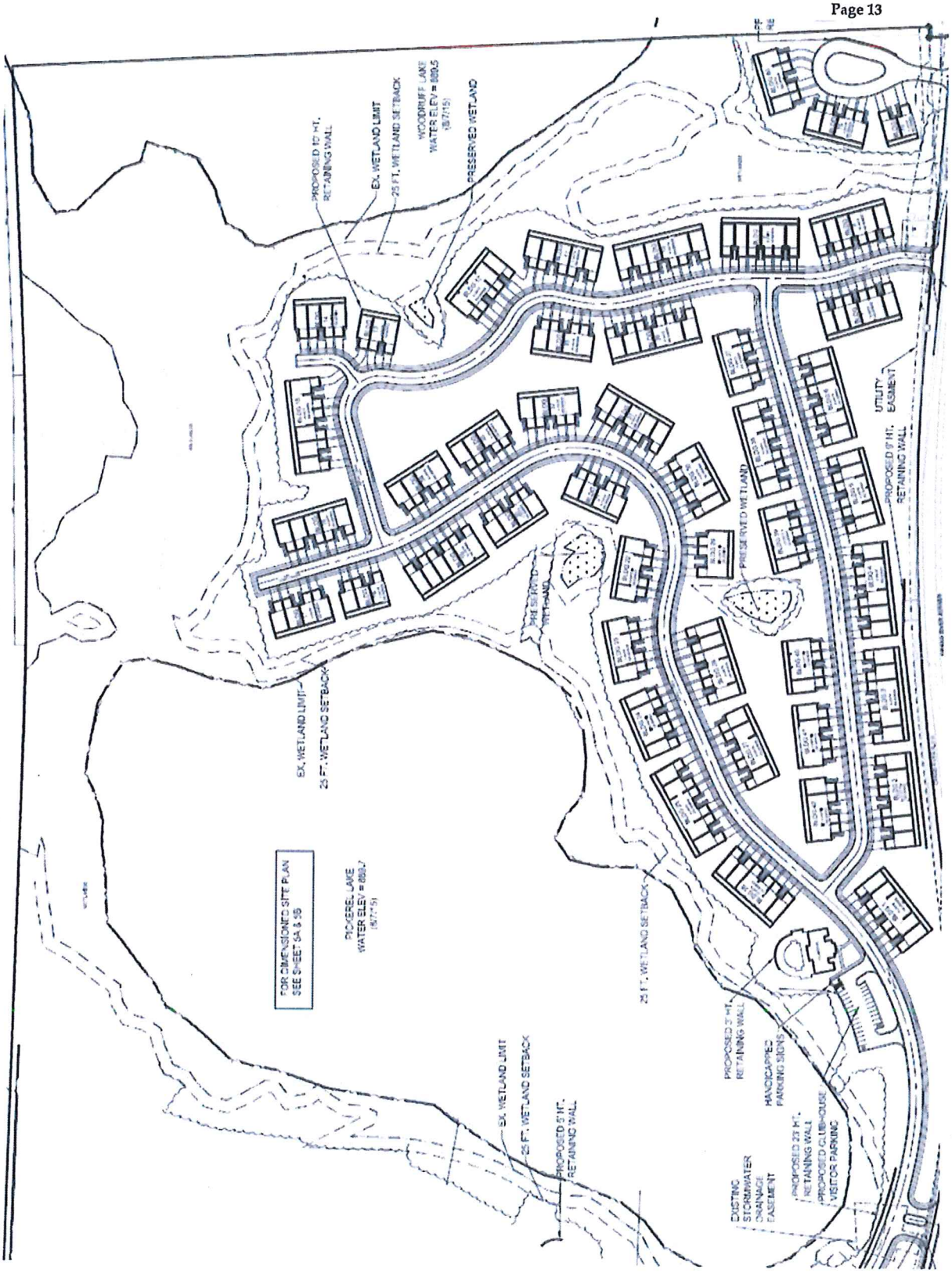

SITE PLAN/SURVEY

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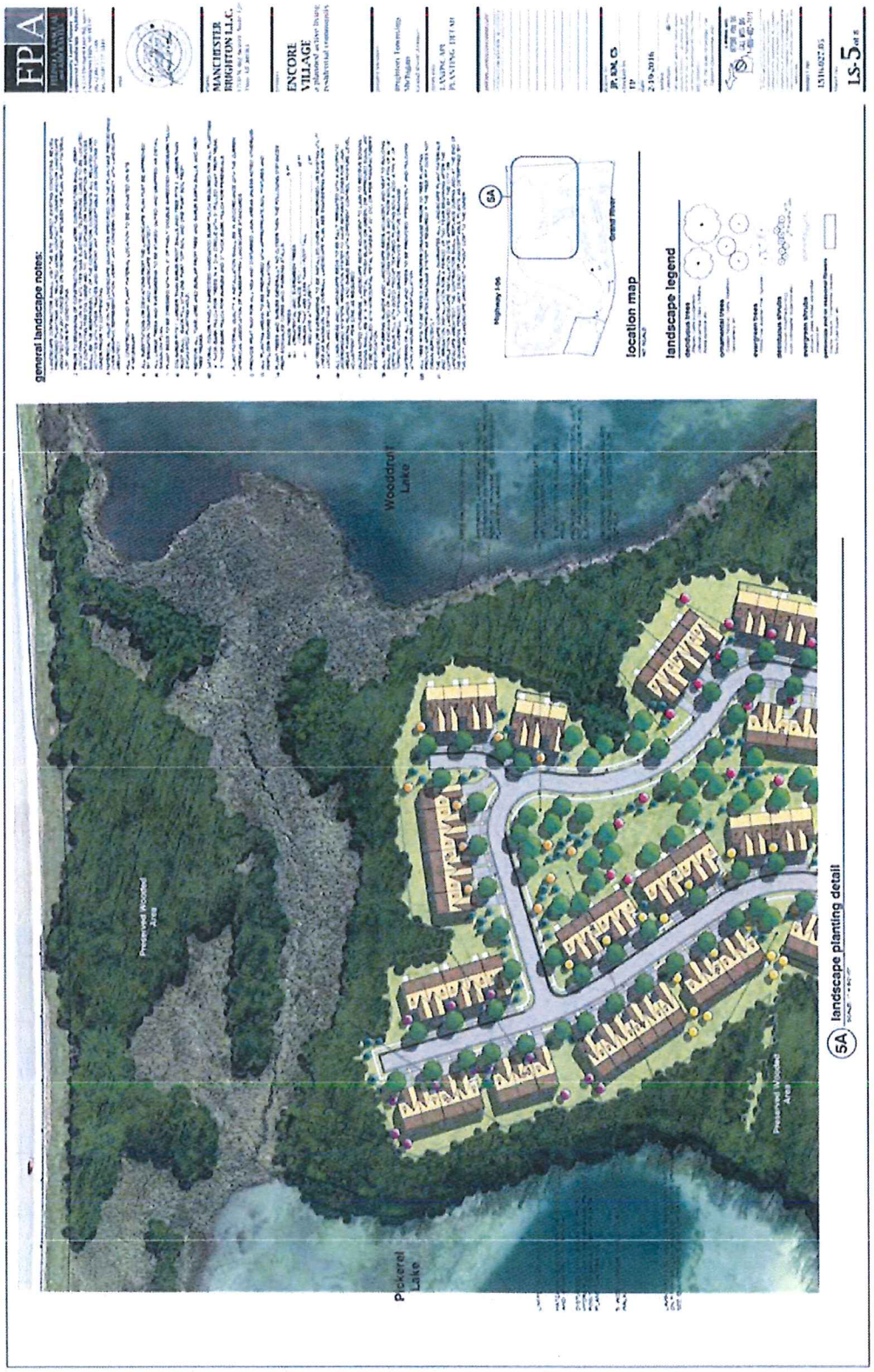

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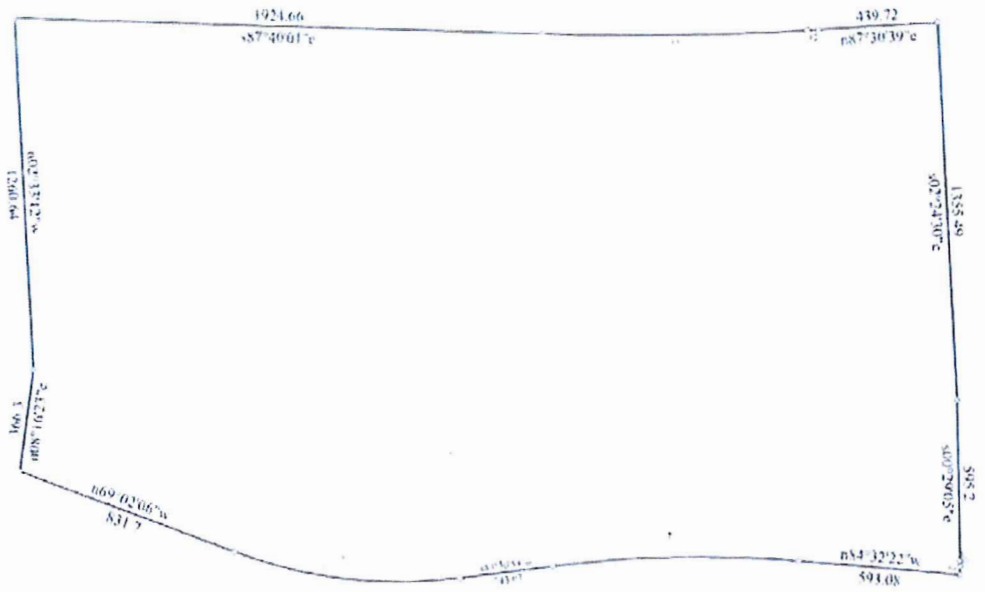

Title: Encore Village East and West		Date: 11-08-2016
Scale: 1 inch = 530 feet	File:	

Tract 1: 148.046 Acres: 6448883 Sq Feet. Closure = n42.1759e 28.39 Feet: Precision =1/371 Perimeter = 10542 Feet

001=s87.1458w 22.36
002=s02.2630e 48.02
003=n84.3222w 593.08
004 Lt R=4348.01, Arc=906.51, Delta=11.5644
Brg=s89.2916w, Chd=904.87
005=s83.3054w 343.07
006 Rt R=1749.87, Arc=868.35, Delta=27.2500
Brg=n82.4535w, Chd=830.36
007=n69.0206w 831.7
008=n08.1623e 366.3
009=n02.3312w 1260.64
010=s87.4001e 1924.66
011 Lt R=11609.18, Arc=927.97, Delta=04.4950
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012=n87.3039e 40
013=n87.3039e 439.72
014=s02.2430e 1355.49
015=s00.2905e 595.2

TOTAL SITE SKETCH

InterFlood by a la mode

Prepared for: Terzo and Bologna inc
10941 Grand River Rd
Brighton, MI 48116-9612

MAP DATA

FEMA Special Flood Hazard Area: **No**
Map Number: **26093C0363D**
Zone: **X**
Map Date: **September 17, 2008**
FIPS: **26093**

MAP LEGEND

Powered by CoreLogic

- Areas inundated by 500-year flooding
- Areas inundated by 100-year flooding
- Velocity Hazard
- Protected Areas
- Floodway
- Subject Area

FLOOD HAZARD MAP

McDowell & Associates
Job Number: 15-15436

Site Sketch

AERIAL VIEW OF SITE

View of Grand River Avenue Frontage

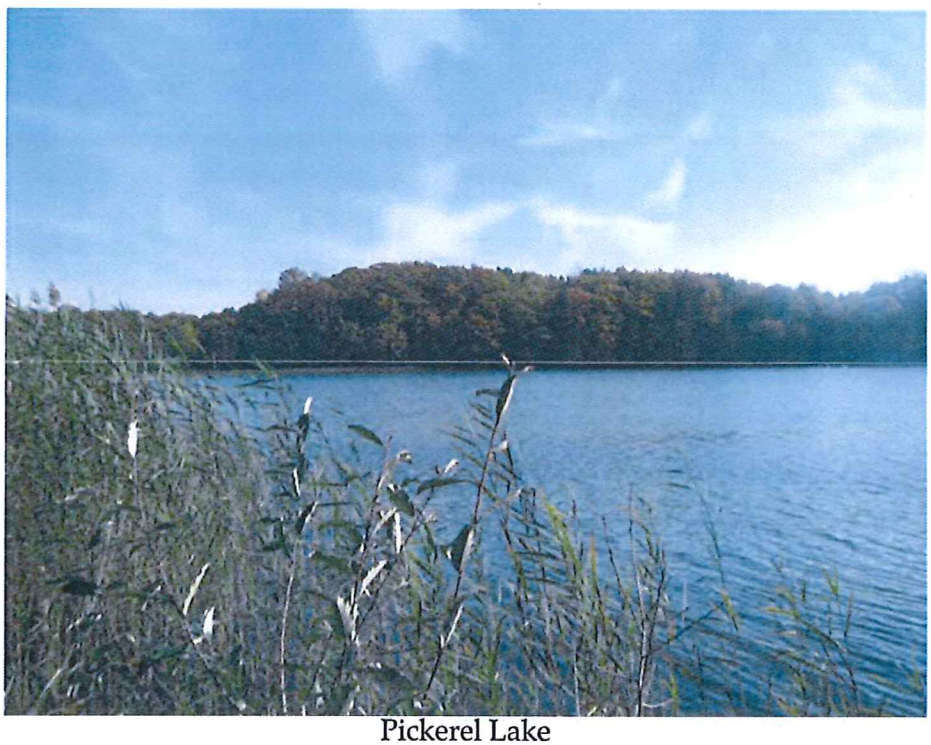
Typical Topography and Cover

Typical Topography and Cover

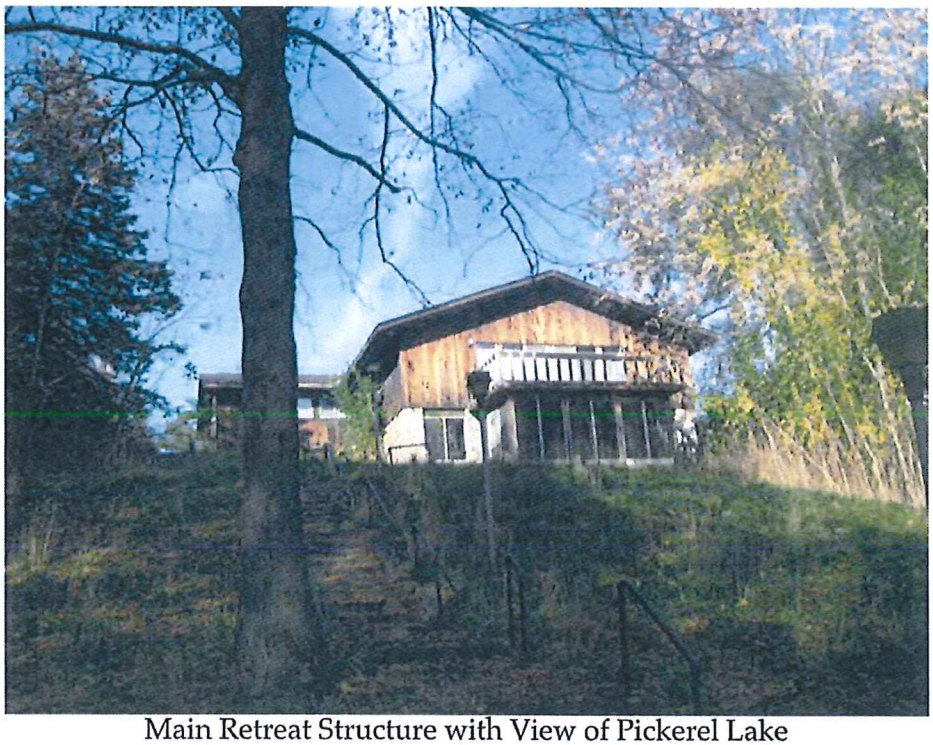
Typical Topography and Cover

Typical Topography and Cover

Pickerel Lake



Pickerel Lake



Main Retreat Structure with View of Pickerel Lake

Main Retreat Structure with View of Pickerel Lake

View of Westerly Portion of Woodruff Lake

Building Components

Property Overview - As Proposed

Number of Buildings: 45 residential buildings plus a clubhouse
Stories One
Year Built: Proposed
Unit Mix/Rentable SF:

#Units	Unit Type	Sq.Ft.	Total SF
127	2BR/2Ba+Den Interior	1,486	188,722
90	2BR/2Ba+Den End	1,441	129,690
217	Total		318,412

Utilities by Tenant: Heat, hot water, unit electric, and cold water and sewer
Utilities by Owner: Trash removal
Common Amenities: Preservation and open space areas, clubhouse with pool, viewsheds of two lakes plus lake access, preserved wetland areas, walking paths, dog park, gas fire circle

Typical Building

Style: Ranch with 2-car attached garage. Some of the buildings will have the potential for walk-out basements.
Foundation: Slab on grade
Support Structure: Wood frame
Roof Type: Gable
Roof Cover: Composition shingle
Facade: Vinyl siding and stone facade
Fenestration: Insulated glass in single hung vinyl windows with screens
Plumbing: Copper supply; PVC drain lines
Electric Service: 150 amp breakers for each apartment
Water Heaters: 40 gallon gas-fired tank for each unit
HVAC: Forced air heating and cooling – individual to each unit
Layout: Units will have private exterior entry via a pedestrian access door as well as direct access from attached garage. All living areas will be on one level unless the optional walk-out basements are added to the units with walk-out capabilities.
Parking: Two garage spaces per unit plus two driveway surface spaces per unit. In addition, there will

be 28 clubhouse/visitor parking spaces for a total of 896 spaces, or 4.13 spaces per unit.

Typical Apartment

Wall/Ceiling Finishes:	Painted drywall
Floor Finishes:	Living areas will have hardwood floors, with ceramic tile flooring in the kitchens, baths, and foyers. Bedrooms will be carpeted and laundry areas will have resilient tile flooring.
Kitchen:	Good quality oak or maple cabinets, granite countertops, double compartment stainless steel sinks, pantry, stainless steel appliances, good quality brushed nickel fixtures, and good quality residential grade incandescent lighting fixtures
Full Bath:	Ceramic tile flooring, wood vanity base with porcelain sink and granite countertops, wall mounted mirror, recessed medicine cabinet, broadway lighting, enameled steel tub with ceramic tile surround in main bath and ceramic tile stand up shower with glass door in master bath
Hardware Quality:	Good quality residential grade
Appliances:	Self-cleaning range Frost-free refrigerator with ice maker Space saver microwave Disposal Built in energy saver dishwasher Exhaust hood Full size washer and dryer
Other Features:	All units will have an attached direct access side-by-side two car garage All units will have crown moldings and intrusion alarms (tenants will pay the cost of monitoring) 11' ceilings in the family room and 9' ceilings in all other areas 6 panel hollow core wood interior doors Window treatments 90 end units with additional windows either in the master bedroom or dining area

Clubhouse

The clubhouse will accommodate leasing offices, gathering space, kitchen, fitness room, men's and women's locker rooms, and will house the pool equipment.

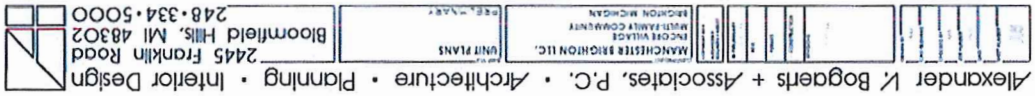
Finishes are expected to upscale and modern in keeping with the overall condition and appeal of the entire development. There will be clubhouse access to the pool and pool deck.

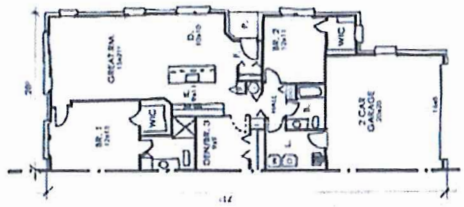
Overall Condition and Functionality of Site and Improvements

The site is well laid out, is functional, and has good utility for a multiple family development. The improvements as proposed are highly functional and will provide a desirable, modern unit that is in high demand in the marketplace. The site will benefit significantly from Pickerel and Woodruff Lakes.

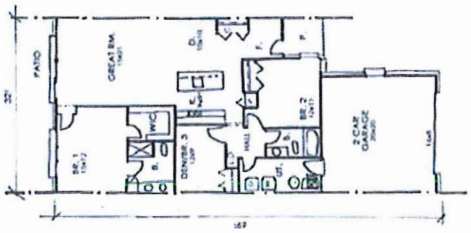
Remaining Useful Life

Remaining useful life is defined as the estimated period during which improvements will contribute to property value as of the valuation date. According to Marshall Valuation Service (MVS), Class D apartment structures of average quality are estimated to have a 50-year life expectancy. However, it is important to recognize that the economic life of improvements can be, and is, extended through regular maintenance programs and repairs/replacements of long-lived components such as roofs, building exteriors, mechanical systems, and interior build-out. These repairs and replacements occur sporadically through the life of the property as needed. Multifamily structures in the metro Detroit area are observed to have actual ages well in excess of the MVS 50-year life expectancy. Some have been observed with a 100 year actual age, particularly in the urban core; for most, however, a 75 year economic life is more realistic. Considering professional craftsmanship, a 75 year economic life would not be unreasonable presuming regular maintenance and repair programs and replacement of long lived components as necessary. The region has very strong demand for the product the subject offers, and the subject is compatible with its surrounding environment. Therefore, there are no adverse factors that would have a detrimental impact on the subject's economic life. The total economic life for a property like the subject is therefore calculated as 75 years. The subject will be new construction at the time of completion, and its remaining useful life is therefore 75 years.





FLOOR PLAN - END UNIT FOR ALL BUILDINGS
2 BEDROOM, 2 BATH, DEN
1441 SQ. FT.



FLOOR PLAN - INTERIOR UNIT FOR ALL BUILDINGS
2 BEDROOM, 2 BATH, DEN
1486 SQ. FT.

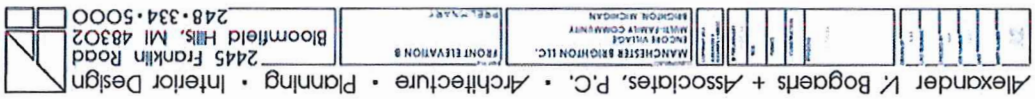
FLOOR PLANS

FRONT ELEVATION A

Alexander V. Bogaerts + Associates, P.C. • Architecture • Planning • Interior Design
2445 Franklin Road
Bloomfield Hills, MI 48302
248•334•5000

MANCHESTER BRIGHTON LLC.
ENCORE VILLAGE
MULTI-FAMILY COMMUNITY
BRIGHTON MICHIGAN

FRONT ELEVATION A



FRONT ELEVATION B

BUILDING ELEVATION

FRONT ELEVATION C

Alexander V. Bogaerts + Associates, P.C. • Architecture • Planning • Interior Design
2445 Franklin Road
Bloomfield Hills, MI 48302
248•334•5000

MANCHESTER BRIGHTON LLC.
SHORE VILLAGE
MULTI-FAMILY COMMUNITY
BRIGHTON MICHIGAN

FRONT ELEVATION C

PRELIMINARY

PROJECT LOCATION

STATE OF MICHIGAN

Michigan became a state in 1837. It is comprised of two peninsulas and borders four of the five Great Lakes. Lansing, the state capital, is located in the south central part of the Lower Peninsula. Michigan is the eighth most populous state[1]. After negligible population growth in the 1980's, the state grew by almost seven percent in the 1990's. Due to declining economic conditions, the state has experienced a slight decline in population since 2000.

Michigan has four Combined Statistical Areas (CSA's), which comprise the vast majority of the state's population. All are in the southern half of the Lower Peninsula. The Detroit-Warren-Flint CSA alone comprises over half the total state population. The remaining portions, especially the Upper Peninsula, are sparsely populated.

POPULATION TRENDS
STATE OF MICHIGAN

CSA	1990	2000	2010	Annl Change 90-00	Annl Change 00-10
Detroit-Warren-Flint	5,096,296	5,357,538	5,218,852	0.50%	-0.26%
Grand Rapids-Muskegon-Holland	1,083,340	1,254,661	1,321,557	1.48%	0.52%
Lansing-East Lansing-Owosso	501,603	519,415	534,684	0.35%	0.29%
Saginaw-Bay City-Saginaw Twp. N	323,727	320,196	307,940	-0.11%	-0.39%
Total State Population	9,294,358	9,938,444	9,883,640	0.67%	-0.06%

Source: EASIdemographics.com (1990 and 2000 data adjusted to match changed CSA definitions in 2003)

As illustrated in the chart above, even though the state experienced a decline in population from 2000 to 2010, the average rate of annual change was relatively insignificant.

Michigan has more coastline than any other state. The coastline along the northern half of the Lower Peninsula is developed in most areas and is a source of year-round tourism with beaches, ski and golf resorts, sport fishing and boating serving as the major attractions. In 2006, Michigan launched the Pure Michigan advertising campaign, leading to a significant increase in tourism. The Pure Michigan campaign proved successful and the State of Michigan currently funds the program.

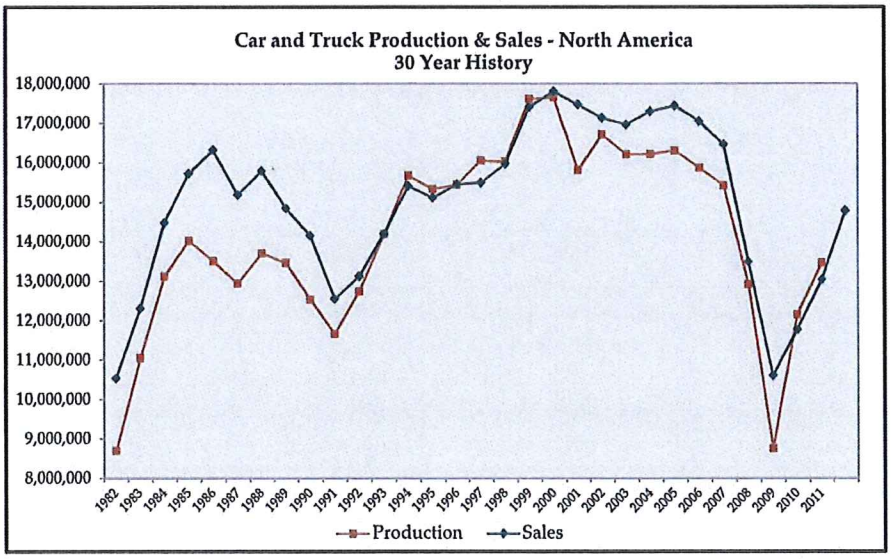
The Great Lakes play an important industrial role as well as leisure time role. The lakes connect to the St. Lawrence Seaway and provide access throughout the

[1] Source: U.S. Census Bureau, Statistical Abstract of the United States: 2012

Midwest for shipment of raw materials, primarily iron ore, coal, and stone. Moreover, Michigan is a major producer of copper, salt and iron ore.

In addition to its industrial role, the state also is a significant leader in agriculture. In 2011 Michigan harvested 985 million pounds of apples, a production value of $143.2 million. The state produces more cherries and blueberries than any other state in the nation and, in addition to these fruits, Michigan is a leading producer of other crops, such as chestnuts, dry edible beans, floriculture, and Christmas trees[2].

Michigan is home to the three largest automakers in the United States: Ford, General Motors, and Chrysler. Over the past 30 years the production and sales of cars and trucks in the United States has experienced fluctuations in the marketplace, especially during times of economic downturn. The most notable change in the market occurred during the national economic downturn. In 2009, production and sales, reached a low not seen since the early 1980's. Since that time the market has rebounded to typical levels[3].



The U.S. Energy Department provided state incentives toward the production of lithium batteries. Crain's Detroit reported that Michigan opened three plants to manufacture lithium-ion batteries and in a related article ranked Michigan 3rd in the U.S. for job growth in the high-tech workforce between 2010 and 2011. In 2011, the Department of Energy announced a new Advanced Vehicle Power Technology Alliance with the Army[4].

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[2] Source: Michigan Department of Agriculture & Rural Development (www.michigan.gov/mdard)
[3] Source: Wards Auto – PublicData (http://wardsauto.com/public-data)
[4] Source: U.S. Department of Energy (Energy.gov) and Crain's Detroit Articles

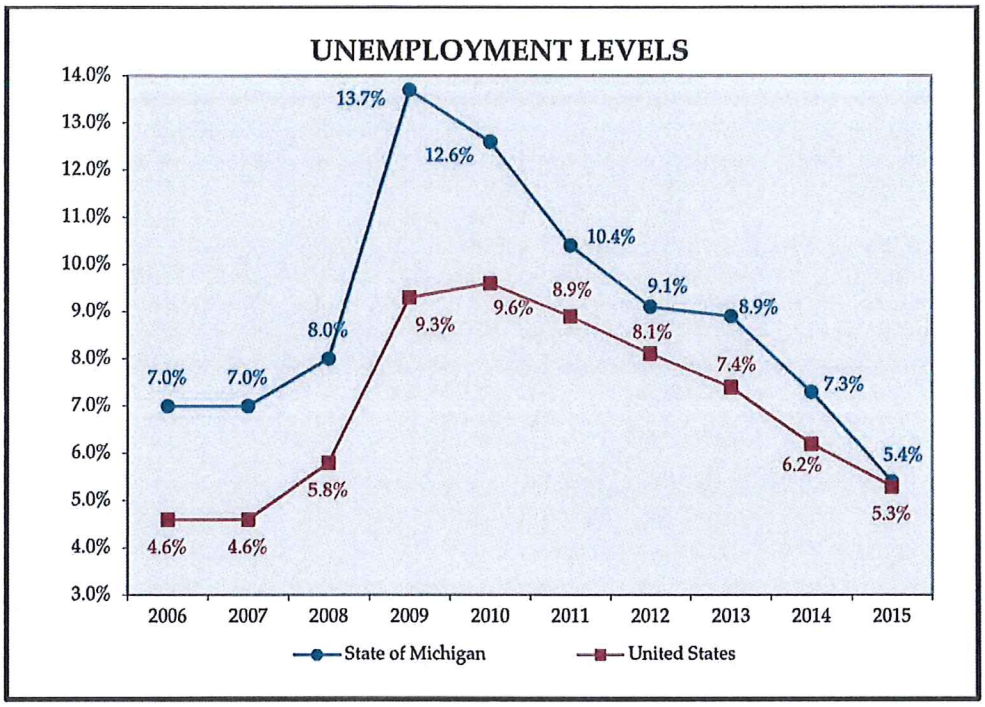
Over the years, the state has tried to diversify from reliance on the automotive sector. At the early part of the century, a 20-year program was established to promote a life-sciences corridor linking the assets of various universities at the south portion of the state. Despite the efforts, automotive related employment is still the state's primary economic stimulus.

Michigan has historically seen unemployment levels above the national average, with the exception between 1995 and 2000[5], in which the state averages were slightly below those of the nation. The state was clearly hit hard by the recent economic downturn, during which the disparity between the national average and the state's average increased dramatically in 2009. Within two years, however, the spread returned to normal.

UNEMPLOYMENT LEVELS		
Year	United States	State of Michigan
2006	4.6%	7.0%
2007	4.6%	7.0%
2008	5.8%	8.0%
2009	9.3%	13.7%
2010	9.6%	12.6%
2011	8.9%	10.4%
2012	8.1%	9.1%
2013	7.4%	8.9%
2014	6.2%	7.3%
2015	5.3%	5.4%

Sources: Mich. Dept. of Technology, Mgmt &
The data is not seasonally adjusted

[5] Source: Labor Market Information provided by Michigan Department of Technology, Management & Budget.



As a result of the market's competitiveness, Michigan's household income level has now dropped below national averages but is projected to increase at a greater over the next five years.

MEDIAN HOUSEHOLD INCOME					
	2000	2010	Avg. Annl. Change	2016	Avg. Annl. Change
United States	$42,781	$55,760	2.69%	$64,667	2.50%
State of Michigan	$45,159	$50,713	1.17%	$59,983	2.84%

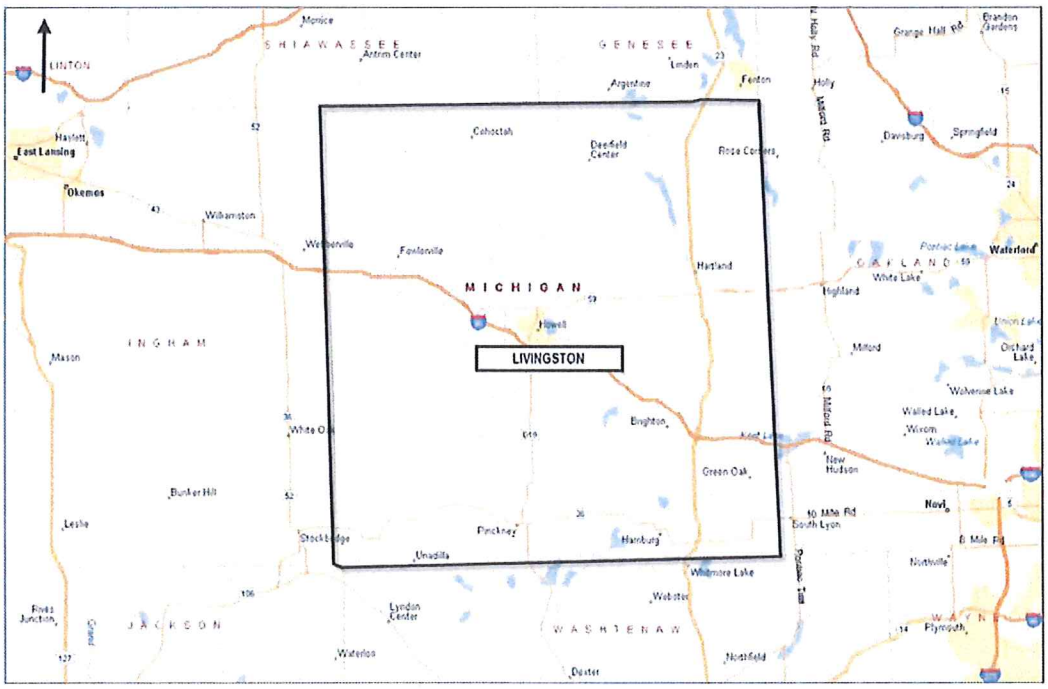
Source: EASIdemographics.com

Despite its efforts to diversify, the state is still strongly tied to the domestic automotive industry so it will continue to be adversely affected by economics of that employment sector. The peripheral benefits of that association, however, include a highly skilled labor force, and a strong investment in technology and research. These factors serve as catalysts for the area's overall economic strength and ability to adjust to adverse economic influences.

LIVINGSTON COUNTY

Overview

Livingston County is located northwest of the main tri-county area typically associated with suburban Detroit. A major hindrance to growth in the county is a lack of public water and sewers. On the other hand, the rolling and wooded countryside, the abundance of recreational areas including lakes and parks, the ease of access to major employment sectors and highway linkages have all contributed to accelerating population growth, especially by migration from older, more densely populated urban areas.



Population and Housing

From a total population perspective, Livingston County is a relatively small portion of the Detroit-Warren-Flint CSA. Through the previous decade the rate of growth being experienced by the county outpaced all others[6]. Growth trends between 2010 and 2016 remain strong.

[6] Source: EasiDemographics.com

POPULATION TRENDS DETROIT-WARREN-FLINT CSA							
County	2010	2016	Change Between 10-16	Annual Change 10-16	Projected 2021	Change Between 16-21	Annual Change 16-21
Wayne	1,820,584	1,759,589	-60,995	-0.57%	1,817,104	57,515	0.65%
Oakland	1,202,362	1,245,969	43,607	0.60%	1,294,996	49,027	0.77%
Macomb	840,978	867,938	26,960	0.53%	899,770	31,832	0.72%
Genesee	425,790	411,422	-14,368	-0.57%	423,668	12,246	0.59%
Washtenaw	344,791	359,835	15,044	0.71%	375,235	15,400	0.84%
Livingston	180,967	188,319	7,352	0.67%	194,441	6,122	0.64%
St. Clair	163,040	160,457	-2,583	-0.27%	165,331	4,874	0.60%
Monroe	152,021	149,958	-2,063	-0.23%	154,615	4,657	0.61%
Lapeer	88,319	88,731	412	0.08%	91,323	2,592	0.58%
Total CSA Population	5,218,852	5,232,218	13,366	0.04%	5,416,483	184,265	0.69%

Source: EASIdemographics.com

HOUSEHOLD TRENDS DETROIT-WARREN-FLINT CSA							
County	2010	2016	Change Between 10-16	Annual Change 10-16	Projected 2021	Change Between 16-21	Annual Change 16-21
Wayne	702,749	676,910	-25,839	-0.62%	706,618	29,708	0.86%
Oakland	483,698	499,040	15,342	0.52%	523,048	24,008	0.94%
Macomb	331,667	338,862	7,195	0.36%	351,897	13,035	0.76%
Genesee	169,202	161,994	-7,208	-0.72%	167,885	5,891	0.72%
Washtenaw	137,193	141,265	4,072	0.49%	147,628	6,363	0.89%
Livingston	67,380	69,919	2,539	0.62%	73,257	3,338	0.94%
St. Clair	63,841	62,492	-1,349	-0.36%	65,094	2,602	0.82%
Monroe	58,230	57,217	-1,013	-0.29%	59,707	2,490	0.86%
Lapeer	32,776	32,870	94	0.05%	34,397	1,527	0.91%
Total CSA Households	2,046,736	2,040,569	-6,167	-0.05%	2,129,531	88,962	0.86%

Source: EASIdemographics.com

The majority of development has occurred in the communities lining the three major roadways of the county: I-96, US-23 and M-59. The increase in population and housing units increased significantly between 2000 and 2010 in comparison to the increase experienced between 2010 and 2016.[7]

Infrastructure

The growth areas have excellent highway transportation. Major freeway linkages are I-96, which runs northwest across the center of the county, and US-23, which runs north and south along the eastern edge. Secondary linkages are M-59 (Highland Road), which runs east and west through the center of the county; and Grand River Avenue, which runs parallel to I-96.

[7] Source: SEMCOG Community Profiles People – Livingston County (http://www.semcog.org/Data/Apps/comprof/people.cfm?cpid=7999)

Most air transportation for the county is provided by Detroit's major passenger airport, the Wayne County Detroit Metropolitan Airport. Secondary passenger airports are the Detroit City Airport and the Bishop International Airport southwest of Flint. Willow Run Airport, on the western edge of Wayne County, serves as a center for freight.

Municipal water and sewer service is limited. The cities of Howell and Brighton, Hartland Township and the villages of Fowlerville and Pinckney offer these utilities. Other areas of the county have limited availability. Most residential developments rely on septic systems and wells.

Economic Base

The economic base of Livingston County is well diversified. As with the scale of the population, however, employment tends to be limited and Livingston County remains for the most part, a bedroom community. Many residents commute to Detroit, Ann Arbor, or Flint for employment. As shown by the following charts depicting employment by place of residence, education/health, manufacturing, and retail trade are the dominant employment sectors.

LIVINGSTON EMPLOYMENT TOTALS			
Industry	2010	2016	Annual Change
Agriculture, Forestry, Mining	694	819	2.8%
Construction	5,717	5,986	0.8%
Manufacturing	14,944	15,437	0.5%
Wholesale Trade	2,738	2,717	-0.1%
Retail Trade	9,903	10,533	1.0%
Transportation/Warehouse/Utilities	2,966	2,967	0.0%
Information	1,529	1,514	-0.2%
F. I. R. E.	5,546	5,608	0.2%
Professional/Scientific/Mgmt/Admin	8,552	8,970	0.8%
Education/Health/Social	18,010	17,664	-0.3%
Arts/Entertnmt/Accomod/Food Service	6,631	6,883	0.6%
Other Services	4,039	4,216	0.7%
Public Administration	2,883	3,415	2.9%
Total Civilian Employment	84,152	86,729	0.5%
Government Employment	9,302	9,750	0.8%
Private Sector Employment	74,850	76,979	0.5%

Source: EASIdemographics.com

LIVINGSTON EMPLOYMENT PERCENT BY CATEGORY			
Industry	2010	2016	Total Change
Agriculture, Forestry, Mining	0.8%	0.9%	0.1%
Construction	6.8%	6.9%	0.1%
Manufacturing	17.8%	17.8%	0.0%
Wholesale Trade	3.3%	3.1%	-0.1%
Retail Trade	11.8%	12.1%	0.4%
Transportation/Warehouse/Utilities	3.5%	3.4%	-0.1%
Information	1.8%	1.7%	-0.1%
F. I. R. E.	6.6%	6.5%	-0.1%
Professional/Scientific/Mgmt/Admin	10.2%	10.3%	0.2%
Education/Health/Social	21.4%	20.4%	-1.0%
Arts/Entertnmt/Accomod/Food Service	7.9%	7.9%	0.1%
Other Services	4.8%	4.9%	0.1%
Public Administration	3.4%	3.9%	0.5%
Total Civilian Employment	100.0%	100.0%	
Government Employment	11.1%	11.2%	0.2%
Private Sector Employment	88.9%	88.8%	-0.2%

Source: EASIdemographics.com

The majority of employment in the county is small scale. A list of major employers reveals employment in auto manufacturing and insurance as significant contributors to overall employment from within the county.

LIVINGSTON COUNTY'S LARGEST EMPLOYERS		
Company	Product/Service	Employees
Magna International of America	Auto Manufacturer	727
Citizens Insurance of America	Insurance	650
State of Michigan	Government	592
Livingston Educations Service Agency	Education	590
Livingston County	Government	544
Brighton Area Schools	Education	543
Hartland Consolidated Schools	Education	538
Trinity Health Michigan	Health Care	517
Howell Public School District	Education	500
Toyoda Gosei North America	Auto Manufacturer	394

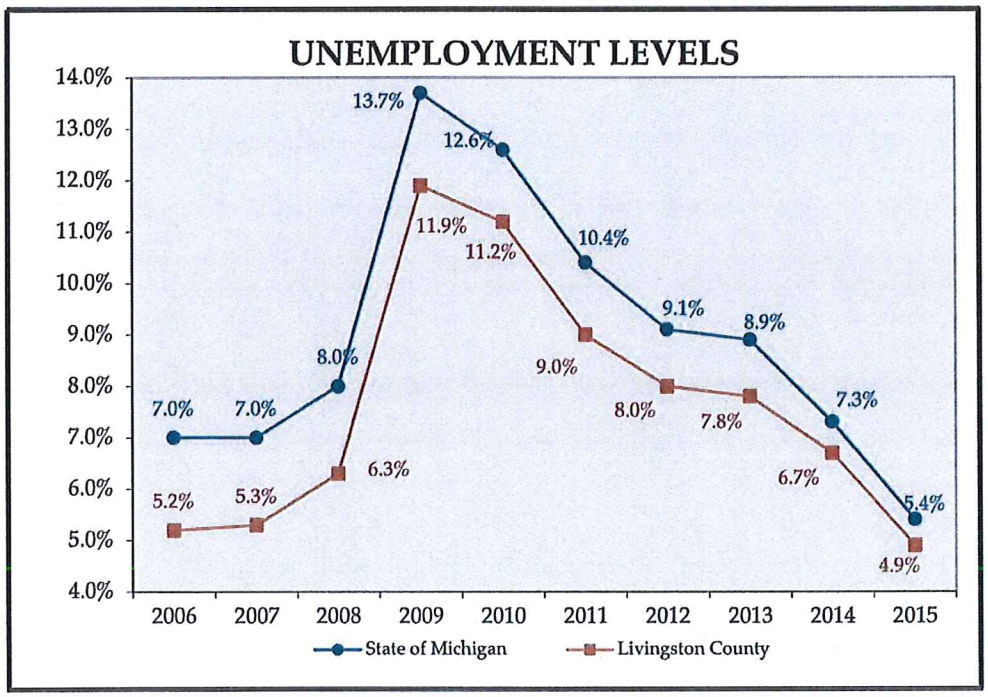
Ranked by full-time employees July 2015, as of 2015

Source: Crain's Detroit Business, 2016 Book of Lists

The economic strength of the county can also be seen in its employment record. Livingston County consistently outperforms most areas of Michigan with respect to employment percentages. Annual statistics for the state and county are summarized in the following chart.

UNEMPLOYMENT LEVELS		
Year	State of Michigan	Livingston County
2006	7.0%	5.2%
2007	7.0%	5.3%
2008	8.0%	6.3%
2009	13.7%	11.9%
2010	12.6%	11.2%
2011	10.4%	9.0%
2012	9.1%	8.0%
2013	8.9%	7.8%
2014	7.3%	6.7%
2015	5.4%	4.9%

Sources: Mich. Dept. of Labor & Economic Growth
The data are not seasonally adjusted



In addition to job stability, the county is relatively affluent. Median household incomes have been the highest in the CSA. As the following table illustrates, this trend is expected to continue.

MEDIAN HOUSEHOLD INCOME					
County	2010	2016	Avg. Annl. Change	Est. 2021	Avg. Annl. Change 16-21
Livingston	$75,404	$86,635	2.34%	$92,607	1.34%
Oakland	$69,166	$80,724	2.61%	$87,348	1.59%
Washtenaw	$62,271	$72,017	2.45%	$77,725	1.54%
Monroe	$58,568	$67,299	2.34%	$72,100	1.39%
Macomb	$57,348	$66,368	2.46%	$71,165	1.41%
Lapeer	$56,555	$64,875	2.31%	$69,412	1.36%
St. Clair	$50,221	$58,719	2.64%	$63,020	1.42%
Genesee	$45,831	$53,859	2.73%	$58,790	1.77%
Wayne	$43,336	$51,523	2.93%	$57,384	2.18%
State of Michigan	$50,707	$59,983	2.84%	$64,897	1.59%

Source: EASIdemographics.com

Social Considerations

Livingston County has had a high rate of growth as a direct result of the outward housing expansion of the Detroit area. It is primarily a bedroom community and the majority of employment is in the form of small businesses located in the major population centers. As population centers go, the strongest social forces are the communities of Brighton and Howell, which are hubs for population growth and are centers for shopping, dining, and employment. The county does not have a strong central city serving as a unifying social force. As to significant entertainment and cultural venues, however, the county relies primarily on other areas of the CSA. However, the county has an abundance of lakes, parks and nature/recreation areas, as well as over one-dozen golf courses that enhance quality of life.

Conclusion

Livingston County is a relatively small county in total population as compared to other areas of the CSA. Its population has, however, been growing at a healthy pace, enjoys reasonably stable employment and has relative affluence. Although some employment is provided within the county proper, the majority of employers tend to be small. Therefore, most residents commute to neighboring counties for work and for major social and cultural experiences.

Although slowed recently, overall, the growth experienced by the county is anticipated to regain its past levels once the Michigan economy rebounds. Long term, the county is expected to continue to enjoy its position as a stable, affluent, growing part of Southeast Michigan.

BRIGHTON TOWNSHIP

Brighton Township is a small suburban community located in eastern Livingston County. The township is located in the path of growth emanating from the Metropolitan Detroit area as well as the city of Brighton and, as such, has experienced a considerable amount of development over the last decade. Most of the growth has been in the form of high quality residential development. Due to its location, within a 30-minute drive to both Ann Arbor and the northern suburbs of Detroit, Brighton Township is perceived as a desirable residential area.

DEMOGRAPHICS							
Brighton Township	2010	Est. 2016	Change 10-16	Annual Change	Est. 2021	Change 16-21	Annual Change
Population	17,791	18,607	816	0.75%	19,208	601	0.64%
Households (HH)	6,415	6,690	275	0.70%	7,008	318	0.93%
Average Persons/HH	2.76	2.76			2.72		
Median Household Income	$96,488	$110,671	$14,183	2.31%	$118,073	$7,402	1.30%

Source: EASIdemographics.com

Within the township proper, there are few major employers. Due to the limited economic base of the township, a great deal of the population relies on nearby Ann Arbor and Metropolitan Detroit for employment. Also, residents of the township rely on employment within the city of Brighton.

Brighton Township is gradually transforming into a suburban bedroom community. Most new development in the township will be in the form of single-family residential uses, as there is limited land zoned for other uses. In light of the area's favorable demographics it can be anticipated that any new growth will be of an upscale nature. Historically, the township has had above average growth in both population and households, primarily due to its accessible location from almost every major employment center in the state of Michigan.

NEIGHBORHOOD

The subject neighborhood generally consisting of the area bounded by I-96 to the north, Grand River Avenue to the south, Pleasant Valley Road to the east, and US-23 to the west. Uses along this corridor range widely between residential, commercial, and industrial. Developments along the corridor vary substantially in age as well as maintenance levels.

To the north of the area is I-96. Beyond I-96 is a large concentration of residential development. The Island Lake State Recreation Area occupies the majority of the land to the south of the neighborhood. To the west is the city of Brighton, which is more densely developed. The areas to the east are more rural.

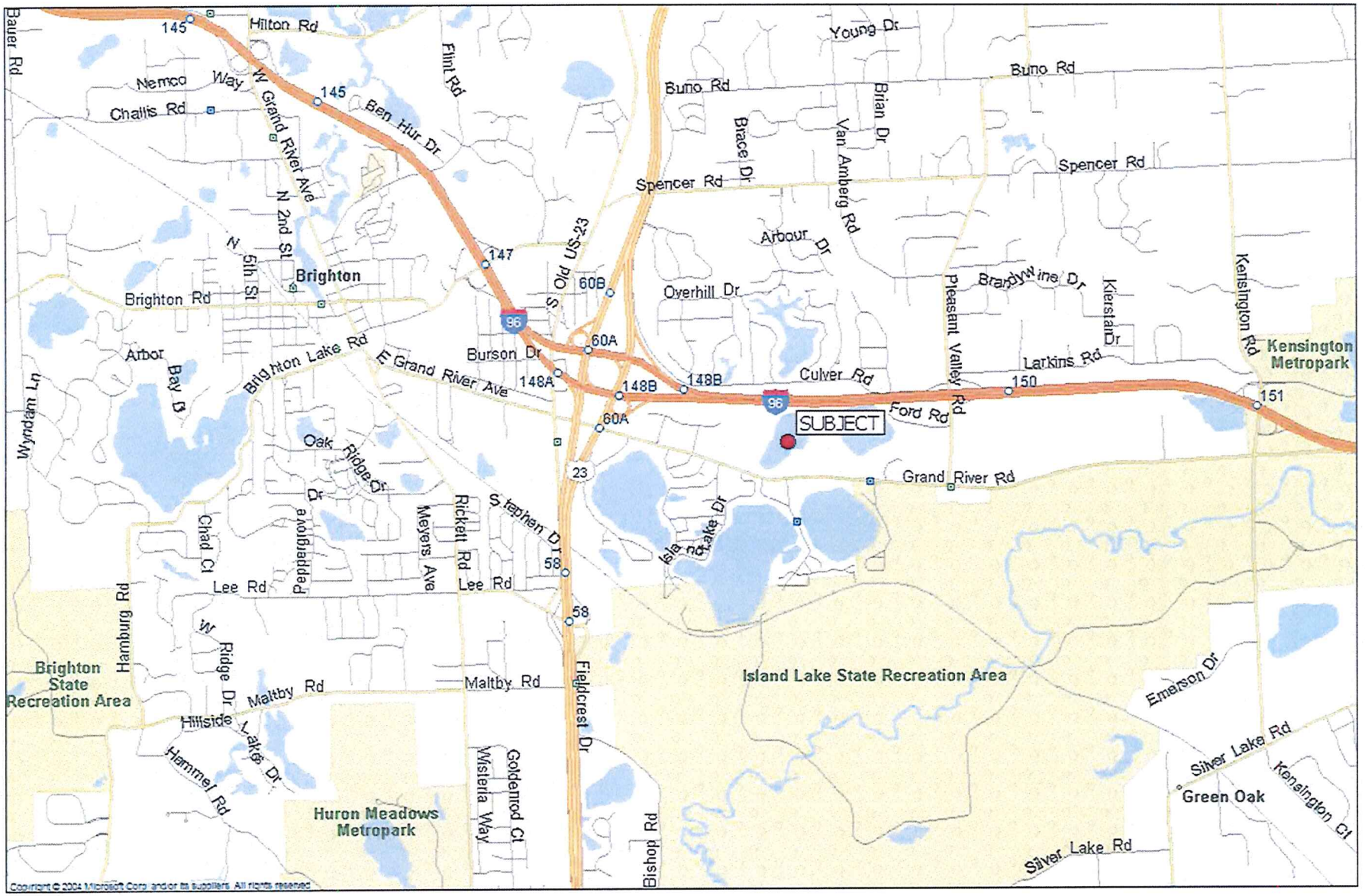
The subject property fronts Grand River Avenue, which is a major regional thoroughfare. In the immediate vicinity of the subject, it is a five lane arterial with two lanes of traffic in either direction and a center turn lane. Uses along Grand River Avenue in the immediate vicinity include office and industrial buildings as well as a large hockey arena (Kensington Valley Ice House) with a regional draw, most of which are located within the Brighton Business Park to the west of the subject. Immediately to the east of the subject is an existing condominium development along Woodruff Lake. Aside from small scale developments along Grand River, much of the land to the east of the subject is heavily wooded and undeveloped. The area along Grand River south of the subject is predominantly single family, developed along three lakes. The bulk of commercial development commences just west of US-23, with Grand River Avenue being a densely developed commercial corridor.

Overall, the neighborhood enjoys a semi-rural feel but is in close proximity to suburban conveniences including shopping, employment, and a well-developed regional freeway network. The presence of several lakes in the vicinity make it an ideal location for residential development. Continued slow growth is expected into the foreseeable future.

The following map shows the neighborhood area and the location of important neighborhood facilities.

TERZO & BOLOGNA INC. Real Estate Counselors and Appraisers

NEIGHBORHOOD MAP



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NEIGHBORHOOD MAP

Westerly on Grand River

Easterly on Grand River

Office Use along Grand River

Typical Condominium Development in Neighborhood

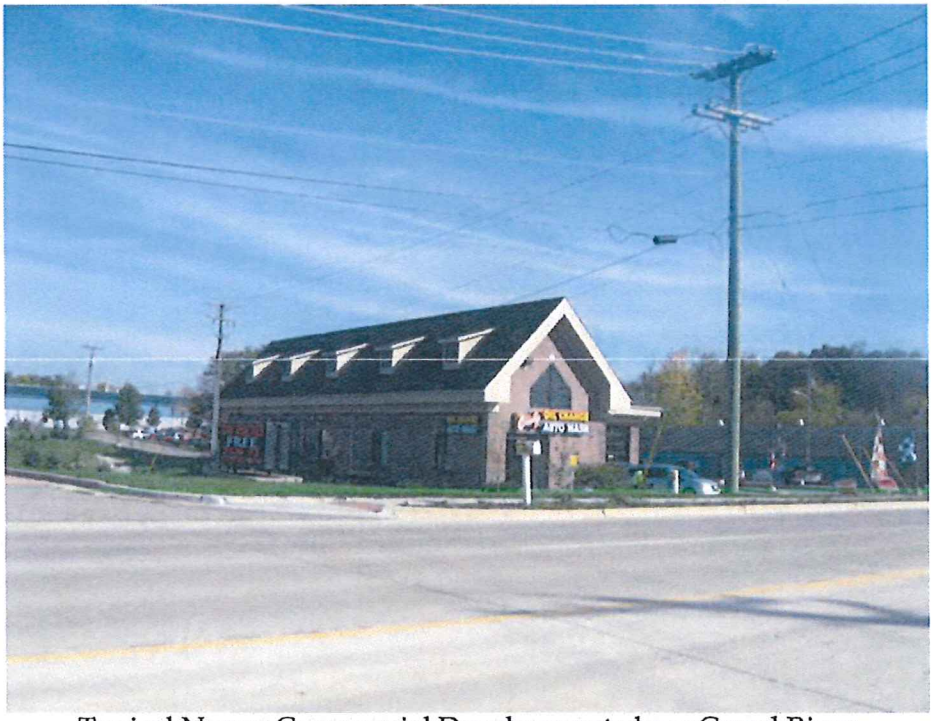
Typical Condominium Development in Neighborhood

Kensington Valley Ice House

Typical Development in Brighton Business Park

Typical Development in Brighton Business Park

Typical Older Commercial Property on Grand River



Typical Newer Commercial Development along Grand River

Typical Older Commercial Development along Grand River

Typical Older Commercial Development along Grand River

4.0 MARKET ANALYSIS

INCOME OR RENT RESTRICTIONS

There will be no income or rent restrictions on the subject property.

ANTICIPATED TARGET MARKET

Given the proposed structural characteristics and unit mix in the subject, the anticipated tenant profile would include a range of two-tenant households up to smaller families with one or two children. Based on a demographic profile of luxury ranch-style apartment projects throughout the metro Detroit region, tenants in the subject should include a very high percentage of retirees and empty nesters. The development will also appeal to a wide array of working individuals with a wide range of occupations but almost all would be professionals employed in the regional market. The presence of significant water features on the site will allow the subject to draw from an area much wider than the immediate local market.

According to an interview with Dan Burkons, vice president of investments with Marcus & Millichap Real Estate Investment Services in Cleveland and senior director within its national multi-housing group, and published at www.cleveland.com

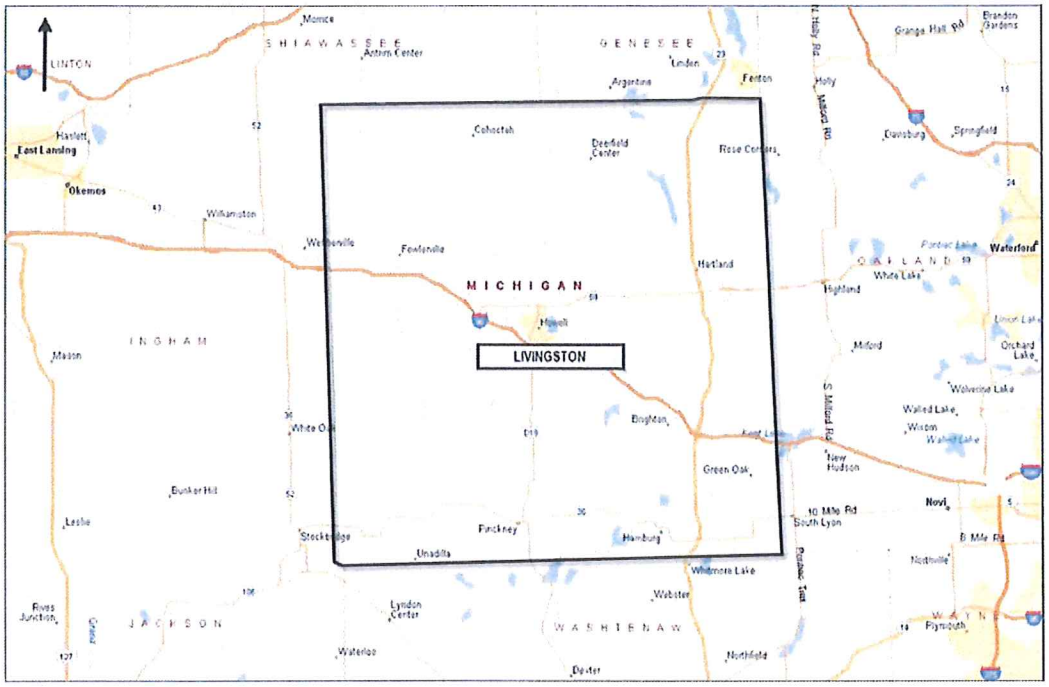
> "when you look at ranch-style, one-floor rental properties, about 80 percent of them will be occupied by individuals who are 55 or older, even if the community was not designed to be a senior community."

Although the property will not have any age restrictions, the developer does expect that, by the virtue of the construction characteristics, the 55 or older demographic will likely be the predominate tenant base. Outside of the 55 or older demographic, it is expected that leasing will come from empty nesters under 55 and established families with few children. Based on the developer's projected rents, typical household income would generally be approximately $72,000 and above.

PRIMARY MARKET AREA

The Primary Market Area (PMA) is defined as the geographic area in which units with similar characteristics are in equal competition. The subject is located in Brighton Township, near the intersection of two major regional freeways. It has excellent linkages. Because of the drawing power created by this location, the primary market area (PMA) for the subject is identified as all of Livingston County. The PMA was defined primarily after consideration of the location of existing and competing supply, but also with consideration given to the drawing power created by the location adjacent to major freeways, proximity to regional medical services, identification of major employment centers within the county,

and discussions with local managers and operators as to where demand for units is being generated. The defined PMA incorporates a full range of convenience services that would be expected by a typical resident in a property such as the subject. The following map identifies the geographic boundaries of the subject's PMA.



SECONDARY HOUSING MARKET AREA

Undoubtedly, some residents of the subject will come from outside of the PMA, including the greater Ann Arbor area to the south in Washtenaw County, the South Lyon/Wixom area to the east in Oakland County, and the greater Flint area to the north in Genesee County. Given the subject's location adjacent to major regional freeway linkages, however, these inflows would likely be offset by outflows to other adjacent competitive market areas. In any case, an analysis of the primary market area is the strongest indicator of the subject's potential demand, as sufficient demand exists to support not only the existing supply, but the subject's proposed development as well.

ECONOMIC CONDITIONS OF THE PMA

PMA Employment Trends and Projections

As the chart that follows illustrates, total civilian employment within the PMA has shown moderate growth between 2010 and 2016. A similar growth rate is projected over the next five years.

PMA EMPLOYMENT TRENDS AND PROJECTIONS					
Industry	2010	2016	Annual Change	2021	Annual Change
Agriculture, Forestry, Mining	694	819	2.8%	889	1.7%
Construction	5,717	5,986	0.8%	6,215	0.8%
Manufacturing	14,944	15,437	0.5%	15,961	0.7%
Wholesale Trade	2,738	2,717	-0.1%	2,737	0.1%
Retail Trade	9,903	10,533	1.0%	11,022	0.9%
Transportation/Warehouse/Utilities	2,966	2,967	0.0%	3,017	0.3%
Information	1,529	1,514	-0.2%	1,523	0.1%
F. I. R. E.	5,546	5,608	0.2%	5,720	0.4%
Professional/Scientific/Mgmt/Admin	8,552	8,970	0.8%	9,288	0.7%
Education/Health/Social	18,010	17,664	-0.3%	17,838	0.2%
Arts/Entertnmt/Accomod/Food Service	6,631	6,883	0.6%	7,139	0.7%
Other Services	4,039	4,216	0.7%	4,359	0.7%
Public Administration	2,883	3,415	2.9%	3,711	1.7%
Total Civilian Employment	84,152	86,729	0.5%	89,419	0.6%
Government Employment	9,302	9,750	0.8%	10,122	0.8%
Private Sector Employment	74,850	76,979	0.5%	79,297	0.6%

Source: EASIdemographics.com

The PMA's largest concentration of employment is within the education and health care sector, closely by the manufacturing sector. The retail sector also holds a significant share of employment. The PMA is experiencing growth in both the retail and manufacturing sectors, but has experienced a slight decline in employment in the education and health care sectors. Total employment has been increasing by about one-half percent, annually, on average, since 2010, and is projected to continue increase at a slightly more rapid pace of 0.6 percent over the next five years.

The largest employers in the PMA are found in the following chart.

LIVINGSTON COUNTY'S LARGEST EMPLOYERS		
Company	**Product/Service**	**Employees**
Magna Atreum	Auto Manufacturer	727
Citizens Insurance of America	Insurance	650
State of Michigan	Government	592
Livingston Educations Service Agency	Education	590
Livingston County	Government	544
Brighton Area Schools	Education	543
Hartland Consolidated Schools	Education	538
Trinity Health Michigan	Health Care	517
Howell Public School District	Education	500
Toyoda Gosei North America	Auto Manufacturer	394

Ranked by full-time employees July 2015, as of 2015
Source: Crain's Detroit Business, 2016 Book of Lists

Significant trends among the PMA's largest employers are as follows:

- Magna Atreum, acquired from Magna International by Spanish manufacturer Grupo Antolin in September 2016, plan to add 40 additional jobs at its Howell facility, where it is putting a 85,400 square foot addition on to the existing facility.

- Toyoda Gosei (TG Fluid Systems), a manufacturer of a variety of automotive and LED products, acquired a vacant manufacturing facility in Brighton in 2015 and invested $12.9 million in the facility, adding 36 new full-time employees.

- St. Jospeh Mercy Health System, part of Trinity Health, is investing $41 million to upgrade one of its hospitals in Howell and a medical center in Brighton, as well as constructing a 24-bed short stay center inside the Brighton facility.

Additional notable changes in employment in the PMA are as follows.

- The University of Michigan Health System is constructing a new, 297,000 square foot health center in Brighton, which is expected to be completed in the summer of 2018. The $175 million facility will be constructed at the southwest corner of Challis Road and Greimel Drive. Brighton Health Center South is expected to employ 52 physicians, create 550 full and part time jobs as well as 125 construction jobs.[8]

- St. John Providence Health Care is constructing a 60,000 square foot outpatient medical center in Genoa Township, between Howell and

[8] Livingston Daily, 05/19/16, Noe Hernandez, web site referenced November 9, 2016

Brighton. Completion is expected by the end of 2016. The number of expected new jobs the facility will created has not been announced.

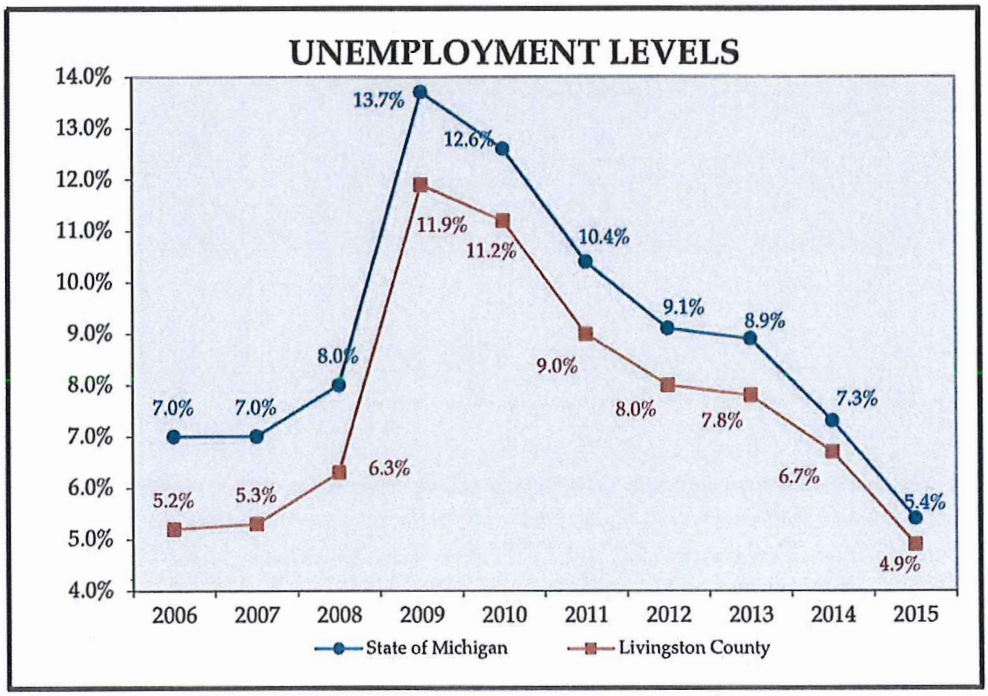
- Commercial exhaust system manufacturer Eberspacher completed a $100 million expansion in 2016, tripling the size of its Brighton facility from 110,000 square feet to more than 340,000 square feet. It plans to add 50 more employees to a workforce currently just under 400.

- Chem-Trend, a manufacturer of molding products, plans to invest $7.7 million, adding a 9,500 square foot laboratory to its nearly 80,000 square foot facility in Howell. The company employs approximately 200 in Livingston County and estimates that an additional 25 jobs will be created as a result of the expansion.

No significant layoffs or closings were uncovered.

Unemployment Rates

As with the rest of the nation, Michigan experienced the effects of an economic downturn through the latter half of 2009. The recovery has been gradual yet steady and current unemployment in the state as well as Livingston County reached a ten-year low in 2015. Year-end 2015 statistics show that the jobless rate in Livingston County has fallen to 4.9 percent while the State of Michigan's jobless rate has fallen to 5.4 percent.



As of September 2016, the jobless rate in Livingston County has fallen further to 4.2 percent, while the State of Michigan has fallen to 4.6 percent.

PMA HOUSING MARKET CONDITIONS

Single Family Residential Market Overview

The national housing market has recovered from its depressed state in 2009 and 2010 with price increases and reduced for-sale inventory. Foreclosure levels nationally have tapered off significantly. Single family construction in Livingston County has dropped but new construction is nonetheless occurring. The following chart shows an increase in building activity beginning in 2010 and continuing through the present. The 2016 data represents only a partial year.

Building Permits 2000 - 2016

Year	Single Family	Two Family	Attach Condo	Multi Family	Total Units	Total Demos	Net Total
2000	1,726	4	154	164	2,048	41	2,007
2001	1,488	0	190	292	1,970	59	1,911
2002	1,390	10	341	322	2,063	60	2,003
2003	1,462	10	309	174	1,955	67	1,888
2004	1,667	22	335	64	2,088	83	2,005
2005	1,123	10	377	16	1,526	79	1,447
2006	542	14	79	0	635	59	576
2007	263	2	81	20	366	51	315
2008	153	0	38	0	191	35	156
2009	74	4	4	0	82	33	49
2010	109	0	10	48	167	30	137
2011	164	0	8	0	172	11	161
2012	304	0	17	48	369	9	360
2013	609	0	36	47	692	23	669
2014	530	0	94	145	769	28	741
2015	574	0	34	36	644	28	616
2016	499	0	9	0	508	36	472
2000 to 2016 totals	12,677	76	2,116	1,376	16,245	732	15,513

Source SEMCOG Development
Note Permit data for most recent years may be incomplete and is updated monthly

Based on information compiled by Realcomp II Ltd., the PMA housing market has shown improved fundamentals. The number of sales has stabilized, while the average number of days on market has remained fairly steady, and the average sale price has increased as well. These statistics are illustrated in the chart that follows.

PMA Single Family Residential Market Trends

	2012	2013	2014	2015	YTD 10/2016
Annual Sales Volume	1,235	1,133	1,397	1,247	832
Average Sale Price	$166,253	$193,054	$213,836	$228,478	$248,100
Avg. Days on Market	79	67	62	58	47

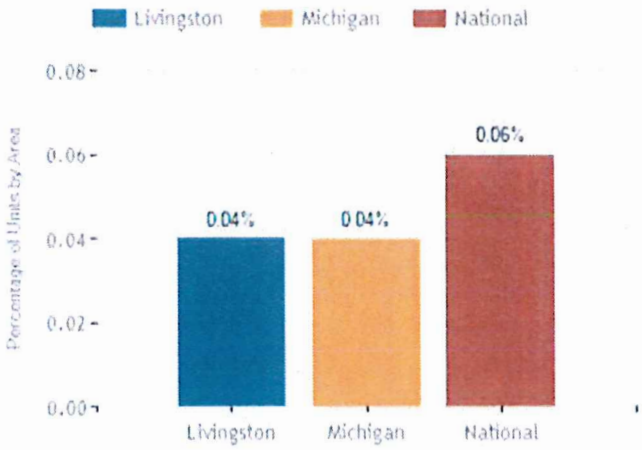
Source: RealComp II Ltd.

The statistics shown above are signs of a strengthening residential market. Presuming a 30 year fixed rate mortgage at 4.5 percent, and a five percent down payment, a median housing payment of $1,194 per month is calculated, exclusive of property tax/insurance escrows and any PMI insurance. The relative cost of renting within the niche "luxury apartment" market will be shown to be higher. This is a trend observed nationally, however, and is not limited to the local market area.

As the following graph indicates, the Livingston County PMA has a comparable foreclosure rate to the state of Michigan average. Both are below the national average. These statistics, as provided by RealtyTrac, are summarized below.

GEOGRAPHICAL COMPARISON FOR LIVINGSTON COUNTY, MI

Total number of foreclosures broken down by type of filing.



A shadow market does exist, to some extent, within the PMA. There are a variety of single family homes and condominiums for rent. A thorough search of Realcomp revealed the following:

- 27 single family units are offered for lease in the PMA ($825 - $3,875)
- 5 condos are offered for lease in the PMA ($1,400 - $1,600)

The shadow market does not constitute significant competition to the rental market in the PMA when considering the high number of households.

Total PMA Apartment Supply

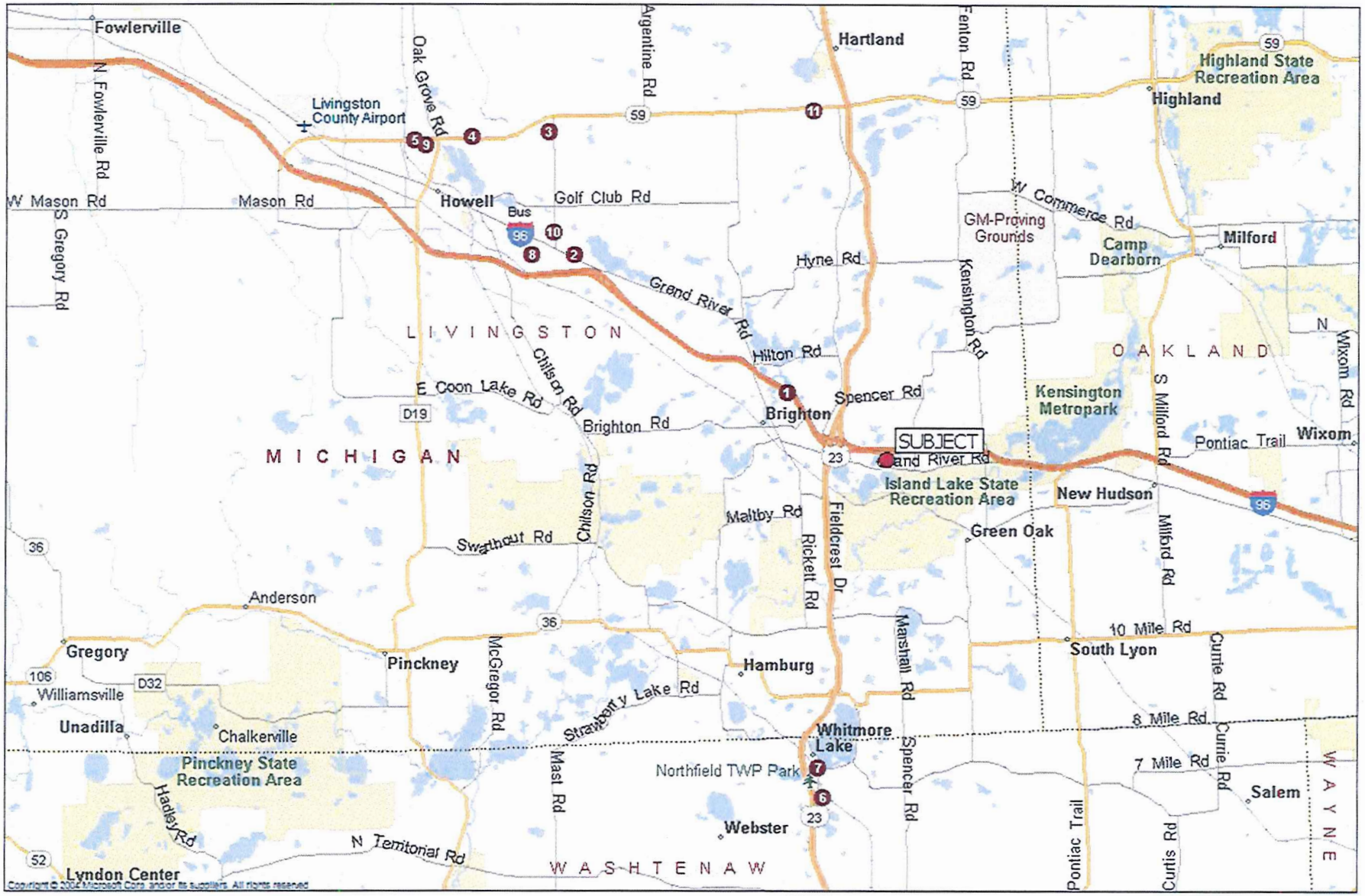
According to CoStar, a national provider of multifamily statistics, there are a total of 3,261 market rate apartment units within the PMA. The following exhibit summarizes rent and vacancy trends as reported by CoStar.

Leasing Units	Survey	5-Year Avg	Inventory in Units	Survey	5-Year Avg
Vacant Units	78	105	Existing Units	3,261	3,268
Vacancy Rate	2.4%	3.2%	12 Mo. Const. Starts	0	0
12 Mo. Absorption Units	8	10	Under Construction	0	0
			12 Mo. Deliveries	0	0
Rents	**Survey**	**5-Year Avg**			
Studio Asking Rent	$653	$595	**Sales**	**Past Year**	**5-Year Avg**
1 Bed Asking Rent	$802	$733	Sale Price Per Unit	-	$74,455
2 Bed Asking Rent	$973	$902	Asking Price Per Unit	-	$59,274
3+ Bed Asking Rent	$1,264	$1,257	Sales Volume (Mil.)	$0.0	$23
Concessions	0.3%	0.4%	Cap Rate	-	8.2%

As can be seen, the PMA is exhibiting extremely low vacancies. The inventory has remained relatively flat over the last five years, with no new construction. Rental rates are showing an increasing trend, and concessions are essentially non-existent.

Existing Competitive Supply

The subject will compete with the upper end of the supply base in the PMA – the Class A rental market – properties with large modern units with full amenity packages. The quality of the subject is superior to the bulk of the existing supply in the PMA and, as a result, many existing properties in the PMA will not directly compete with the subject. The supply base in the PMA that is directly competitive with the subject encompasses 1,885 units. Details of the subject's primary competitors, as well as a location map, is presented in detail in the following pages.



TERZO & BOLOGNA INC. Real Estate Counselors and Appraisers

COMPETITIVE PROPERTIES MAP

RECENT METRO DETROIT ABSORPTION STATISTICS				
Property	Location	Built	Units	Absorption/Mo.
Oakcliff Apartments	Ann Arbor	2016	217	19.7
Preserves Phase V	Sterling Heights	2016	52	15.6
618 S. Main	Ann Arbor	2015	164	15.0
Shelby Woods North	Shelby Township	2014	105	10.7
Enclave at Brownstone	Canton	2016	83	10.4
Ashford Apartments	Shelby Township	2012	108	10.0
Kirkway III Part I	Washington Township	2014	18	9.0
Beachcrest Phase I	Wolverine Lake	In process	108	8.2
Heron Springs	Orion Township	2014	162	6.8
Encore Townhomes Phase I	Utica	2016	80	6.7

Those properties at the low end of the range experienced construction delays that reduced the property's overall rate of absorption. Based upon the preceding, absorption of 10 to 15 units per month could be expected. This indicator must be viewed in light of demand, which is expected to be strong due to growing population. In this light, potential new supply and demand will be considered.

Projects Under Construction or in Planning

The following is a list of development projects uncovered in the PMA as of the report date.

Encore Village East and West (SUBJECT)

The subject developer is planning 393 upscale market rate units plus a senior living component on an approximate 148 acre site in Brighton Township. The site contains Pickerel Lake and a portion of Woodruff Lake, and units will have lake views and lake access. Buildings will be single story ranch design and will be all two-bedroom, two-bath plus den units. End units will benefit from additional fenestration and approximately 30 units will have walk-out basement capability. The development is pending site plan approval and is seeking HUD financing. Delivery is anticipated to occur in two phases for the apartment component, with the first phase of 217 units estimated to be delivered in 2018. The second phase will likely not be completed until 2020.

Newberry Place

Mayberry Homes is planning a mixed use planned development on 110 acres along both sides of M-59 west of Fenton/Pleasant Valley Road in Hartland Township. The proposal includes 367 new dwelling units comprised of a combination of apartments, detached condos, and single family lots along with future commercial development along the M-59 frontage. In total there are 180 market rate apartments proposed in 18, ten-unit buildings. The site is currently serviced by electric, telephone, cable, and gas. Water will be provided by an on-site municipal well. The site is located within the township's future sewer district and will be serviced by sanitary sewer. Unit mix and unit sizes have yet

to be made readily available. The project went under Planned Development Concept Review earlier in 2016 and numerous changes were requested prior to going before Planning Commission. Hartland Township indicates this project is in the very preliminary stage and will likely be several years before it is constructed. Based on this, delivery is tentatively anticipated for 2018.

Lakeshore Village Apartments Phase III

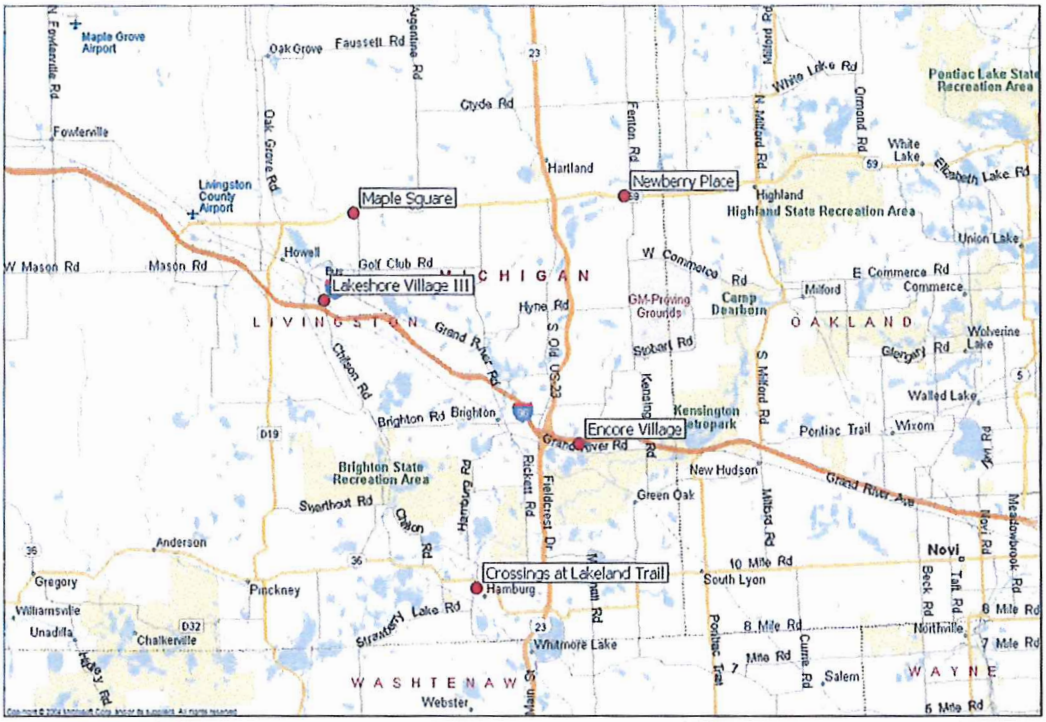
Phase III of an existing LIHTC development in Genoa Township, at the northeast corner of Chilson Road and the railroad tracks south of Grand River Avenue, being developed by Lockwood. Phase III will comprise 144 units, with 16 one-bedrooms, 84 two-bedrooms, and 44 three-bedrooms. This phase will also have income and rent restrictions under the LIHTC program. Representatives at Genoa Township indicate that permits have been obtained, but the phase has not yet broken ground as of the report date. It is expected to be completed and stabilized in 2017, prior to the subject's completion.

Crossings at Lakeland Trail

A proposed 208 unit market rate apartment community, being developed by Allen Gittlieb and Michael Parliament. The site is the shuttered Hamburg Elementary School site on M-36 near Hamburg Road in Hamburg Township. The proposed unit mix is comprised of approximately 88 one-bedrooms and 120 two-bedrooms and will feature hard surface countertops, vinyl plank flooring, and solid wood cabinetry. There will be a pool, clubhouse, trail system, and carports. The project is in planning review as of the report date. The developer anticipates to begin construction of the first approximate 100 units in April 2018, with a planned construction period of 12 months. Two additional phases are planned back to back pending successful lease-up of the first phase.

Maple Square Phase III

This development is located on the west side of Latson Road, south of M-59, in Oceola Township (Howell mailing address). A ranch-style development constructed by Redwood, Phase III proposes 27 additional units to add to the existing 121 units in Phases I and II. The units are all two-bedroom, two-bath with a den, and include an attached garage. Completion is expected to occur toward the end of 2017 and, based on the absorption experienced within previous phases, is expected to be completely stabilized prior to the subject completing construction.



Within the PMA, there are a total of 808 conventional market rate units and 144 LIHTC units planned for the near term.

SUMMARY OF PROPOSED UNITS BY YEAR OF ANTICIPATED DELIVERY					
Development	2017	2018	2019	2020	2021
Encore Village East (Subject)		217			
Encore Village West				176	
Newberry Place		180			
Lakeshore Village III (LIHTC)	144				
Crossings at Lakeland Trail			100	108	
Maple Square Phase III	27				
	171	397	100	284	0

5.0 DEMAND ESTIMATE AND ANALYSIS

QUANTIFIED ESTIMATE OF CURRENT PENT UP DEMAND

According to CoStar, a national provider of multifamily statistics, there are 3,261 existing market rate rental units within the PMA. The overall vacancy in the PMA is about 2.4 percent according to the CoStar data, indicating there are 3,183 occupied rental units in the PMA. A market with too little vacancy does not allow for movement within itself or movement in and out resulting in an environment of pent up demand. In contrast, a market with too much vacancy is oversupplied, generally having a negative impact on the market's fundamentals. The point of equilibrium where vacancy is adequate to support movement and maintain or improve upon a market's fundamentals is referred to as the frictional vacancy level. In this case, frictional vacancy is estimated at five percent. Utilizing the preceding information, an estimate of the subject PMA's current pent up demand (or excess demand) is shown in the following chart.

PMA Estimate of Current Demand	
Existing Supply of Rental Units	3,261
Vacant Rental Units	78
Total Occupied Rental Units	3,183
Gross Up for Frictional Vacancy	95%
Stabilized Demand for Rental Units	3,351
Existing Supply of Rental Units	3,261
Excess (Pent Up) Demand	90

The above illustrates that the PMA as a whole is undersupplied by an estimated 90 units. This represents an estimate of pent up demand for rental units in the PMA.

QUANTIFIED ESTIMATE OF FUTURE DEMAND

One approach to the forecast of future growth in housing demand is based on a traditional analysis of population projections, variations in household size, tenure characteristics and household income. There are numerous demographic models in these areas that are usually called upon to estimate demand. In this instance, estimates have been made available by Easy Analytic Software, Inc. (EASI), utilizing 2000 Census data. The projections are representative of the subject's PMA, previously defined as Livingston County.

Age Distribution

The PMA population shows diversification aside from a lack of population aged 18 to 34, with adequate support from all remaining age ranges.

ANALYSIS OF POPOULATION BY AGE								
			PERCENT AND NUMBER OF HOUSEHOLDS					
Age			2010		2016		2021	
0	to	17	25.5%	46,237	24.6%	46,360	24.0%	46,580
18	to	24	7.0%	12,659	6.9%	13,084	7.0%	13,700
25	to	34	9.6%	17,419	10.0%	18,769	10.5%	20,346
35	to	44	14.4%	25,984	13.5%	25,446	13.0%	25,316
45	to	54	18.1%	32,705	16.5%	31,086	14.8%	28,703
55	to	64	13.4%	24,319	14.5%	27,329	15.1%	29,392
65	and	over	12.0%	21,644	13.9%	26,245	15.6%	30,404
Population, Median Age			40.5		41.3		41.6	

Source: EASIdemographics.com

Population and Household Trends, Tenure Patterns

The current 2016 population in the PMA is estimated to be 188,319. This is an increase of 0.67 percent annually since 2010. Furthermore, data indicate that the population is anticipated to increase by 0.64 percent per year, on average, through 2021. The population in the PMA is therefore projected to continue to experience healthy growth.

Although housing demand can arise from population growth, it is also important to note trends in household formations. Average household size in the area has shown a slight increase since 2010, with a 2016 estimate of 2.68 persons per household. Household size is project ted to decrease through 2021 to 2.64 persons per household.

The percentage of renter households is estimated to be 15.9 percent for 2016, which is well below state and regional averages. The percentage of renter households has increased since the 2010 Census, and is projected to continue to increase into 2021.

An increase in households is being anticipated in the future. Household growth is projected to account for approximately 668 new households per year between 2016 and 2021. This represents a forecast rate of growth of 0.94 percent annually.

It is clear, therefore, that the PMA population is increasing, which in turn is resulting in a projected increase in households. This will create additional demand for rental housing in the immediate future. These demographic trends are illustrated in the following exhibit.

HISTORIC AND PROJECTED POPULATION AND HOUSEHOLDS LIVINGSTON COUNTY						
	2010 CENSUS		2016 Est		2021 Est	
Population	180,967		188,319		194,441	
Households (HH)	67,380		69,919		73,257	
Household Size *	2.67		2.68		2.64	
Renter Households	9,877	14.7%	11,151	15.9%	12,107	16.5%
Owner Households	57,503	85.3%	58,768	84.1%	61,150	83.5%

* HH size is average excluding population in institutions or group quarters

Source: EASIdemographics.com

"Households" are defined as occupied housing units

The changes shown by the preceding demographic data are summarized in the chart that follows, showing total and annual change, as well as percentage change and total change. It also stratifies household growth between owner households and renter households.

ANALYSIS OF HISTORIC AND PROJECTED POPULATION AND HOUSEHOLD GROWTH								
	2010 to 2016				2016 to 2021			
	Total Change/Period		Avg. Ann'l Change		Total Change/Period		Avg. Ann'l Change	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Change in Pop.	7,352	4.06%	1,225	0.67%	6,122	3.25%	1,224	0.64%
Change in HH	2,539	3.77%	423	0.62%	3,338	4.77%	668	0.94%

HISTORIC AND PROJECTED GROWTH BY HOUSEHOLD TYPE				
	2010 to 2016		2016 to 2021	
	Total Change/Period	Avg. Ann'l Change	Total Change/Period	Avg. Ann'l Change
Change in HH	2,539	423	3,338	668
Renter HH Change	1,274	212	956	191
Owner HH Change	1,265	211	2,382	476

The preceding charts show the forecast changes in households by tenure. Every market needs frictional vacancy (empty units) in order to accommodate the movement of households. The numbers are thus adjusted to reflect current and projected changes with vacancies at stabilized levels of five percent.

PROJECTED DEMAND FOR NEW HOUSING UNITS		
	Renter	
Households (Occupied)	2016	11,151
Estimated Market Vacancy	2.4%	274
Total Housing Units		11,425
Households (Occupied)	2021	12,107
Stable Market Vacancy	5.0%	637
Total Housing Unit Demand		12,744
Less Current Housing Units		11,425
Total Change in Housing Unit Demand		1,319
Annual Change in Housing Unit Demand		264

Analysis of Income Qualified Demand

By analyzing the income dynamics of the area and the affordability requirements of the subject, the change in effective demand (households that can afford the subject) can be identified. Historic and projected income stratification of households in the market area are as follows.

ANALYSIS OF HOUSEHOLDS BY ANNUAL INCOME								
			PERCENT AND NUMBER OF HOUSEHOLDS					
Household Income			2010		2016		2021	
0	to	$14,999	5.8%	3,906	5.1%	3,558	4.7%	3,477
$15,000	to	$24,999	6.6%	4,417	5.3%	3,671	4.7%	3,415
$25,000	to	$34,999	7.3%	4,892	6.2%	4,328	5.6%	4,130
$35,000	to	$49,999	11.9%	8,031	10.1%	7,067	9.3%	6,812
$50,000	to	$74,999	18.2%	12,267	16.3%	11,431	15.5%	11,357
$75,000	to	$99,999	16.2%	10,948	15.1%	10,538	14.4%	10,560
$100,000	to	$124,999	12.5%	8,396	12.9%	8,995	13.0%	9,496
$125,000	to	$149,999	7.9%	5,292	9.6%	6,727	10.6%	7,731
$150,000	to	$199,999	7.8%	5,222	9.7%	6,768	10.6%	7,797
$200,000	and	over	6.0%	4,009	9.8%	6,836	11.6%	8,482
TOTAL				67,380		69,919		73,257

Source: EASIdemographics.com

The affordability requirements are based on the following assumptions.

MONTHLY HOUSE PAYMENT ANALYSIS - RENTAL			
Minimum Base Rental Rate	$1,750		
Maximum Base Rental Rate	$1,800		
Percentage of Income to Housing Payment			30.0%
Income Needed to Qualify	$70,000	to	$72,000
% of Households Qualifiying	59.0%	to	60.3%

Utilizing these assumptions, the following chart illustrates the annual change in income-qualified demand for rental units that is projected to be generated from new household formations within the PMA.

ANALYSIS OF INCOME-QUALIFIED CHANGE IN DEMAND FOR RENTAL UNITS			
	Highest-Priced Unit		Lowest-Priced Unit
Total Annual Demand for Rental Units	264		264
Income-Qualified Households	59.0%		60.3%
Annual Income-Qualified Demand for Rental Units	**156**	**to**	**159**

This indicates total potential demand from new, income-qualified renter households of 156 to 159 units per year, or about 13 units per month, for the PMA.

CAPTURE RATE

According to the MAP Guide (Section 7.5, I, 2.a), "Capture Rate is defined as the percentage of qualified households in the PMA that the property must capture to fill the units and achieve stabilized occupancy. Qualified Household is defined as households that meet any applicable age and household size restrictions and are within any limiting income eligible band such as LIHTC Income Limits and who have sufficient minimum income to pay the proposed rent without being rent overburdened. The Capture Rate is calculated by dividing the total number of units at the property by the total number of households that meet the applicable age and any income band requirements."

Relying on current household income stratification, an average of 60 percent of the PMA households qualify for the subject based on the developer's weighted average rental rate of $1,770 per month. Utilizing these and previously presented figures, the capture rate is estimated as follows.

CAPTURE RATE	
Renter Households in the PMA	11,151
Percentage of Income Qualified HH within the PMA	60.0%
Income Qualified Renter HH within the PMA	6,691
Subject Units	217
Capture Rate	3.24%

A capture rate of eight percent or below reflects an acceptable level. The subject's capture rate is significantly below this threshold, indicating a below average level of risk.

PENETRATION RATE

According to the MAP Guide (Section 7.5, I, 2.b), "Penetration Rate is defined as the percentage of Qualified Households in the PMA that the property and similar existing and proposed competing properties must capture to fill all units and achieve stabilized occupancy. The Penetration Rate is calculated by dividing the total number of units in the competitive inventory (including the subject property and, current and proposed relevant competitive properties) by the total number of households that meet the applicable age and any income band requirements." The penetration rate, as shown in the chart that follows, indicates that existing and proposed supply will capture only 40 percent of the income-qualified renter households in the PMA.

PENETRATION RATE	
Existing Units in Competitive Inventory	1,885
Proposed and Under Construction Supply*	808
Total Existing and Proposed Competitive Units	2,693
PMA Income Qualified Renter Households	6,691
Penetration Rate	40.25%

*Excludes LIHTC and other Rent Subsidized Developments

DEMAND AND ABSORPTION CONCLUSIONS

The PMA population is growing at a moderate pace, with increasing income-qualified demand for rental units within the PMA over the next five years. Moreover, the percentage of renter households is showing an increasing trend and the market area has a high level of affordability for the proposed product.

It is concluded that there is a more than sufficient market to support the proposed subject development. The existing supply is faring very well, with current PMA occupancy levels estimated at 2.4 percent. Coupled with substantial growth in new income-qualified renter households for the PMA over the next five years, the PMA is deemed undersupplied with an estimate of pent up demand of approximately 90 units. Over the next five years, growth in renter households is projected at 264 per year. There are 952 known units in the pipeline in the PMA as of the report date inclusive of the subject's 217 units. Of these, there are 808 proposed market rate units and 144 LIHTC units. New supply is not anticipated to keep up with projected demand, and therefore the market is expected to maintain occupancies in excess of 95 percent over the observation period.

Overall, the good quality design and excellent location should allow the subject development to be well received. Not only are market fundamentals strong, but

the subject will provide a much desired product on a very desirable site in this competitive market area. Market demand generated from new household formations is forecast at levels that are supportive of the subject. Potential market absorption has been estimated through a quantified analysis of demographic trends as well as the experience shown by recently completed projects. An absorption rate of 13 units per month is projected, and a lease-up period of approximately 16 months is anticipated.

6.0 CERTIFICATION OF THE ANALYST

MARKET ANALYST'S MAP CERTIFICATION
Proposed Encore Village East
Brighton & Green Oak Townships

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

I have been employed under contract for this specific market study assignment and I have no other side deals, agreements, or financial considerations with the MAP Lender or others in connection with this transaction.

Name of Company: Terzo and & Bologna, Inc. Date: November 16, 2016

By _____
Brenda D. Makarov
Did inspect the subject property

Warning: Title 18 U.S. C. 1001, provides in part that whoever knowingly and willfully makes or uses a document containing any false, fictitious, or fraudulent statement or entry, in any manner in the jurisdiction of any department or agency of the United States, shall be fined not more than $10,000 or imprisoned for not more than five years or both.

CERTIFICATION OF THEANALYST

I certify that, to the best of my 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 my 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.
- my engagement in this assignment was not contingent upon developing or reporting predetermined results.
- my 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.
- my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice.*
- The racial/ethnic composition of the neighborhood surrounding the property in no way affected the appraisal determination.
- I have made a personal inspection of the property that is the subject of this report.
- no one provided significant real property appraisal assistance to the person signing this certification.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives, and is subject to review by governing State agencies.
- as of the date of this report, I have completed the continuing education program for Designated Members of the Appraisal Institute.
- to the best of my knowledge, neither I, nor Terzo & Bologna, Inc., has performed any services as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- in Michigan, appraisers are required to be licensed and are regulated by the Michigan Department of Licensing and Regulatory Affairs, P.O. Box 30018, Lansing, Michigan 48909.

Brenda D. Makarov, MAI
Certified General Appraiser - Michigan #1201003948

ANNEX

LEGAL DESCRIPTION
APPRAISER LICENSE
INTRODUCTION TO TERZO & BOLOGNA, INC.
QUALIFICATIONS OF THE APPRAISERS

PROPERTY DESCRIPTION

The land referred to in this report is described as follows:

Township of Brighton and Township of Green Oak

Part of the Southeast 1/4 and Southwest 1/4 of Section 33, Town 2 North, Range 6 East, Brighton Township and part of the Northeast 1/4 of Section 4, Town 1 North, Range 6 East, Green Oak Township, Livingston County, Michigan, more particularly described as follows: Beginning at the the Southeast corner of said Section 33; thence along the South line of said section 33, South 87 degrees 14 minutes 58 seconds West, 22.36 feet to the Northeast corner of Section 4, Town 1 North, Range 6 East; thence South 02 degrees 26 minutes 30 seconds East 48.02 feet; thence along the Northerly line of Grand River Avenue (100 foot wide Right of Way), North 84 degrees 32 minutes 22 seconds West, 593.08 feet; thence continuing along said North line, Westerly on an arc left, having a length of 906.51 feet, a radius of 4348.01 feet, a central angle of 11 degrees 56 minutes 44 seconds and a long chord which bears South 89 degrees 29 minutes 16 seconds West 904.87 feet; thence continuing along said North line, South 83 degrees 30 minutes 54 seconds West 343.07 feet ; thence continuing along said North line, Westerly on an arc right, having a length of 838.35 feet, a radius of 1749.87 feet, a central angle of 27 degrees 27 minutes 00 seconds, and a long chord which bears North 82 degrees 45 minutes 36 seconds West, 830.36 feet; thence continuing along said North line, North 69 degrees 02 minutes 06 seconds West, 831.70 feet to a found 1/2 inch iron rod; thence North 08 degrees 16 minutes 23 seconds East, 366.30 feet to a found 1 1/2 inch iron pipe; thence North 02 degrees 33 minutes 12 seconds West, 1260.64 feet to a found iron pipe in concrete; thence along the Southerly line of Limited Access Highway I-96, South 87 degrees 40 minutes 01 seconds East, 1924.66 feet; thence continuing along the Southerly line of said I-96, Easterly on an arc left, having a length of 977.07 feet, a radius of 11609.18 feet, a central angle of 04 degrees 49 minutes 20 seconds, and a long chord which bears North 89 degrees 55 minutes 19 seconds East, 976.78 feet; thence continuing along the Southerly line of said I-96, North 87 degrees 30 minutes 39 seconds East 40 feet to Traverse Point A; thence continuing along the Southerly line of said I-96, North 87 degrees 30 minutes 39 seconds East, 439.72 feet; thence along the East line of said Section 33, South 02 degrees 24 minutes 30 seconds East, 1355.49 feet to Traverse Point B, being the endpoint of a meandering traverse line beginning at aforementioned Traverse Point A, and having the following 2 courses: 1) South 00 degrees 29 minutes 05 seconds East, 595.20 feet, 2) South 33 degrees 34 minutes 35 seconds East, 888.22 feet; thence continuing along the East line of said Section 33, South 02 degrees 24 minutes 30 seconds East, 574.69 feet to the point of beginning.

Re: 10675, 11065 & 10723 Grand River
Tax Item No. 12-33-400-001, 12-33-400-010 and 16-04-200-024

RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
CORPORATIONS, SECURITIES & COMMERCIAL LICENSING BUREAU

M030214

CERTIFIED GENERAL APPRAISER
LICENSE

BRENDA DEANE MAKAROV
38701 SEVEN MILE RD #140
LIVONIA MI 48152

PERMANENT I.D. NO	EXPIRATION DATE	AUDIT NO	
1201003948	07/31/2017	3036210	THIS DOCUMENT IS DULY ISSUED UNDER THE LAWS OF THE STATE OF MICHIGAN

APPRAISER LICENSE

• INTRODUCTION TO TERZO & BOLOGNA, INC.

Terzo & Bologna, Inc. is a real estate consulting group with offices in Indiana and Michigan that specializes in analysis of commercial properties throughout the Midwest. The firm has a well-established reputation and is recognized for its ability to resolve complex valuation issues in an objective and impartial manner.

The primary goal of Terzo & Bologna, Inc. is to build long-term relationships by providing high quality real estate analysis that is timely and of value to its clients.

• PROBLEM SOLVING IS OUR STRENGTH

The success of any real estate analysis rests on knowledge of local markets.

No two properties are alike. Each presents its own unique challenge to analysis. Similarly, client objectives are not all alike. Some clients require analysis leading to property valuation; others require analysis directed to specific investment or disposition strategy.

The firm considers the uniqueness of each property and assignment in providing services that are responsive to the specific needs of the client. No matter how intricate the real estate problem, Terzo & Bologna, Inc. has the experience to solve it.

• STAFF APPRAISERS AND COUNSELORS

Well-educated and experienced professionals form the backbone of the firm. Staff appraisers and counselors have established backgrounds in a wide range of real estate related fields such as finance, mortgage banking, city planning, brokerage, construction management and property management. Each is involved in a continuing education program. The multiple perspectives provided by this professional diversity enhance the quality of the analysis that is provided to each client.

Services are provided in accordance with the ethics and standards established by the Appraisal Institute and the Counselors of Real Estate. Services are unbiased, knowledgeable and confidential. Professional affiliations held by individual members of the staff include:

* Appraisal Institute
* Counselors of Real Estate
* Royal Institution of Chartered Surveyors

Terzo & Bologna, Inc. has also been elected to professional membership in the National Council of Real Estate Investment Fiduciaries.

Staff members of Terzo & Bologna, Inc. are currently licensed in the following states.

Indiana
Michigan
Ohio
Kentucky
Illinois

Licensure in other states can be obtained at the client's request.

QUALIFICATIONS OF THE APPRAISER

BRENDA D. MAKAROV

Brenda D. Makarov is a principal of Terzo & Bologna, Inc. and has provided real estate appraisal and consulting services with the firm since 1993. She graduated from the University of Michigan with a Bachelor of Arts degree in 1992. Ms. Makarov has been a Certified General Real Estate Appraiser in Michigan (#1201003948) since 1995 and received her State Certified Real Estate Appraiser license in Ohio (#2009002378) in 2009.

Ms. Makarov was admitted to membership as an MAI member of the Appraisal Institute in 2001. Her involvement with the Appraisal Institute nationally includes the Leadership Development & Advisory Council as well as the National Peer Review Committee. In addition, she has served as a Region III Representative for the Great Lakes Chapter of the Appraisal Institute. Ms. Makarov has been qualified as an expert witness in the U.S. Bankruptcy Court and The Michigan Tax Tribunal. She has also served as a guest lecturer for the Southeastern Chapter Michigan Assessor's Association as well as the Detroit Metropolitan Apartment Association on several occasions.

Although experienced in a vast array of commercial product types, she is highly regarded nationally for her expertise in multi-family housing. She heads the multi-family division of Terzo & Bologna, Inc. and has provided comprehensive multi-family counseling and appraisal services since she began devoting her expertise to the multi-family sector in 1997.

Ms. Makarov has served local, national, institutional, and governmental clients and her extensive professional services include appraisal services for special assets/foreclosure, financing, estate purposes, ad valorem taxation, condemnation, bankruptcy, and asset management, as well as counseling services for acquisition/disposition and market and feasibility studies. In addition, she has provided counseling to assist in determining property rent potential, and has assisted developers with strategies to maximize development schemes and unit mix on proposed developments.

Her many years of multi-family experience have provided proficiency in every imaginable arena of this sector, including existing and proposed market-rate housing, subsidized and LIHTC properties, student housing, and senior independent living facilities. Her extensive experience makes her highly qualified to handle multi-family analyses in all forms whether Fannie Mae, Freddie Mac, HUD, institutional or traditional reporting methods are required. Ms. Makarov has considerable experience in feasibility and market studies involving complex properties, which led naturally into a specialization in urban renewal projects, appraisal of unstabilized assets, and proposed construction projects. Although her coverage area has been Midwest-oriented, she has been retained for valuation services in six states and is available for assignments throughout the U.S. as may be required by client-driven needs.