

# TKR

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Sound advice for a better future

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## **MARKET STUDY OF**

**“HENRICO ARMS APARTMENTS”  
1664 HENRICO ARMS PLACE  
VARINA, HENRICO COUNTY, VIRGINIA 23231**

## **PREPARED FOR**

**MS. ANGIE PIZZOLATO  
SILVER STREET GROUP LLC  
33 SILVER STREET  
PORTLAND, MAINE 04101**

## **DATE OF VALUATION**

**MAY 4, 2018**

## **DATE OF REPORT**

**JUNE 17, 2018**



# TONY KAMAND REALTY LLC

Real Estate Appraisers and Consultants

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\*All replies to Toms River office

June 17, 2018

Ms. Angie Pizzolato  
Silver Street Group LLC  
33 Silver Street  
Portland, Maine 04101

RE: "Henrico Arms Apartments"  
1664 Henrico Arms Place  
Varina, Henrico County, Virginia 23231

Dear Ms. Pizzolato:

As per your request, *Tony Kamand Realty LLC* has completed a market study on the above referenced property as of May 4, 2018. The purpose of this study was to analyze the demographics of the area and overall supply/demand of the market in the primary trade area.

This report is intended to comply with the reporting requirements set forth under Standards Rule 2-2 of the Uniform Standards of Professional Appraisal Practice. The report also conforms to the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA). FIRREA requires that real estate appraisals/market studies used in conjunction with federally-related transactions be performed in accordance with USPAP. The report also conforms to the requirements and guidelines of the Silver Street Group LLC.

The subject of this market study is a garden apartment complex located on the south side of Darbytown Road. The subject property is located in the Town of Varina magisterial district of Henrico County, Virginia. Varina is not a separate municipality; the subject is located in an unincorporated portion of Henrico County.

The project consists of 232 units with a mix of 72 one bedroom units, 116 two bedroom units and 44 three bedroom units. 230 units are under the project based Section 8 contract. Two of the three bedroom units are market rate. The subject property has a gross building area of 205,156 square feet and a net rentable area of 169,448 square feet. At the current time the project is 99% occupied with two vacant units. Management advised that there is a waiting list for the subject units approximately two years long that is currently closed. We were advised that the waiting list may reopen in July 2018. The project was built in 1974 and is currently in average to good condition. There was no deferred maintenance noted at the time of inspection.

The total site size is 19.584 acres, and there is adequate parking, ingress and egress. The site has 1,033.00 feet of street frontage on Darbytown Road and there is adequate visibility from the roadway. The topography of the site is level and at street grade.

This report will attempt to identify the demographics of the trade area, review the existing apartment stock available and determine the potential continued demand for the subject units.

Ms. Angie Pizzolato  
Silver Street Group LLC

Page 2

We certify that we have no present or contemplated future interest in the property and that our employment and compensation are in no way contingent upon the facts reported.

This transmittal letter must remain attached to our report, which contains our analysis plus related exhibits, in order for the value opinion set forth to be considered valid. It must be noted that only our client who has contracted us and paid for this report is permitted to use this report. This report and the data, analysis and ideas incorporated herein, as an instrument of professional services, is the property of Tony Kamand Realty LLC and is not to be used, in whole or in part for any other purpose without the written consent of Tony Kamand Realty LLC.

If there are any questions or further details that you need please do not hesitate to contact us.

Respectfully submitted,

**TONY KAMAND REALTY LLC**



Tony F. Kamand Jr., MAI  
VA Temporary Permit No. 4005018607



Jacqueline Marmur  
NJ Certified General Real Estate Appraiser, No. RG-2523

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## **ADDENDA**

- Interior Subject Photographs
- Comparable Rentals, photographs and location map
- Definitions
- Copy of Temporary Virginia License
- Qualifications

## EXTERIOR PHOTOGRAPHS OF SUBJECT PROPERTY



Exterior view of subject building facing west



Exterior view of subject buildings facing north

**EXTERIOR PHOTOGRAPHS OF SUBJECT PROPERTY (CONT.)**



Exterior view of subject buildings facing east



View of leasing office facing southeast

**EXTERIOR PHOTOGRAPHS OF SUBJECT PROPERTY (CONT.)**



View of playground facing south



View of parking area facing south

**EXTERIOR PHOTOGRAPHS OF SUBJECT PROPERTY (CONT.)**



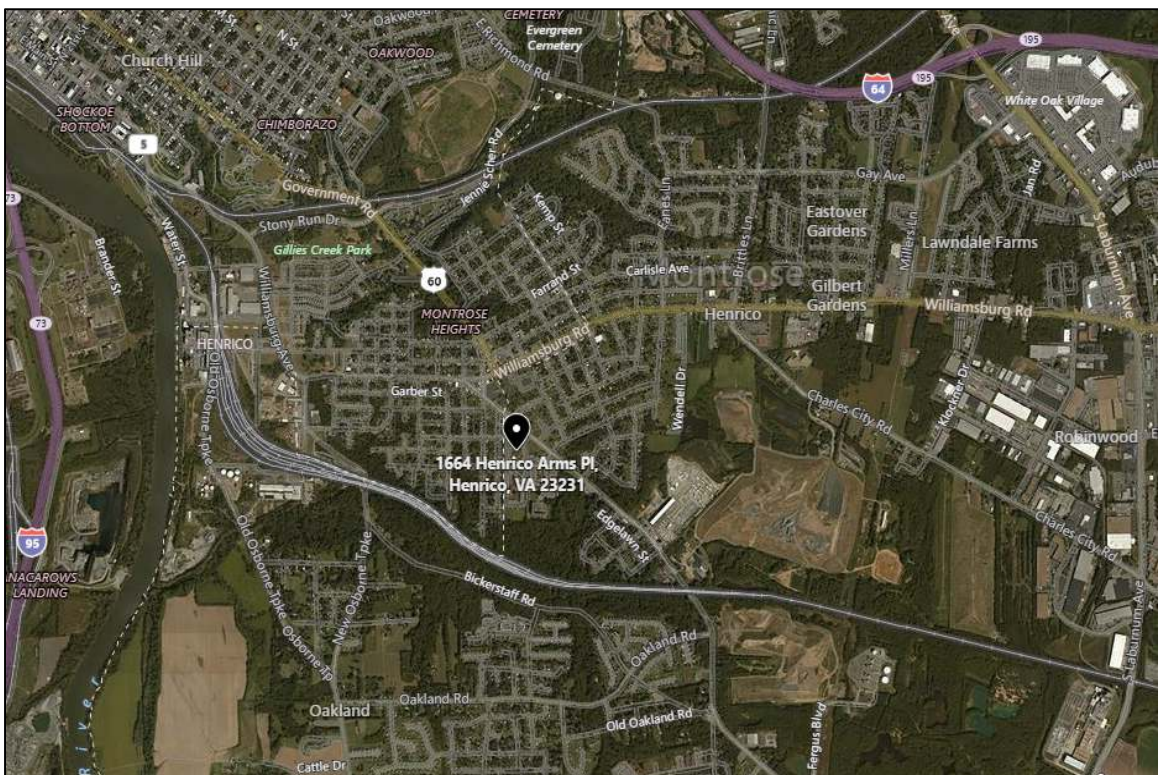
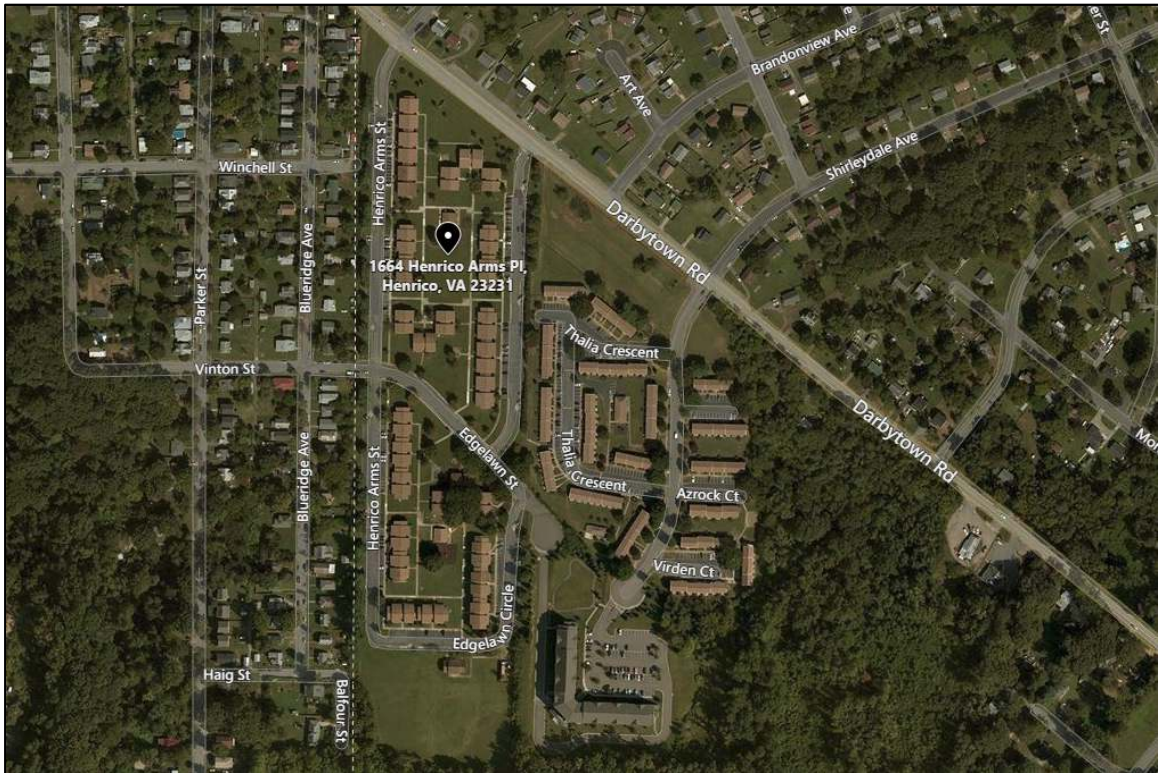
Darbytown Road facing northeast



Darbytown Road facing southwest



### AERIAL PHOTOGRAPHS

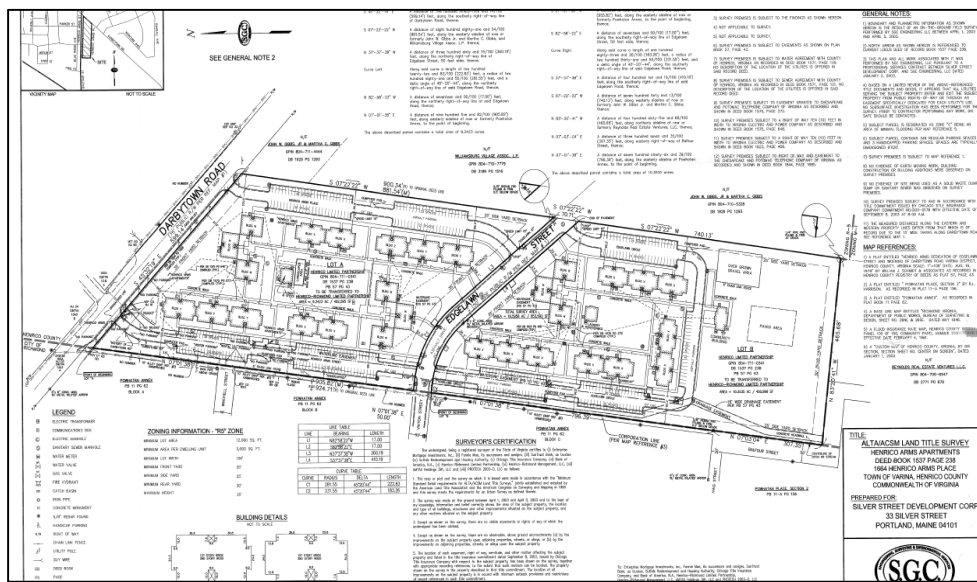


## IDENTIFICATION OF SUBJECT PROPERTY

The subject property is an existing 232 unit garden apartment complex. The unit mix is 72 one bedrooms, 116 two bedrooms and 44 three bedrooms. The units are contained within fourteen 2 story wood and masonry frame buildings. The project is known as the "Henrico Arms Apartments".

The site consists of 19.584 acres that is irregular in shape with 1,033.00 feet of street frontage on Darbytown Road. The subject property is located in the Town of Varina magisterial district of Henrico County, Virginia. Varina is not a separate municipality; the subject is located in an unincorporated portion of Henrico County. The site is level and at street grade. The subject property is located in the R-5, Residential zone.

## SURVEY OF SUBJECT



## LAYOUT OF SUBJECT PROPERTY

# of Units	Type	Rooms	Bedrooms	Baths	Est. Sq. Ft.
72	1 Bedrooms	3	1	1	593
116	2 Bedrooms	4	2	1	757
44	3 Bedrooms	5	3	1	885
<b>232</b>	<b>Total</b>	<b>900</b>	<b>436</b>	<b>232</b>	<b>169,448</b>

The subject of this appraisal is an existing garden style apartment complex located at 1664 Henrico Arms Place in Henrico County, Virginia. The project consists of 232 units, in 14 wood frame buildings. The unit mix consists of 72 one-bedroom (3-1-1), 116 two-bedroom (4-2-1) and 44 three-bedroom (5-3-1). The total building area is 205,156 square feet, with a net rentable area of 169,448 square feet. At the time of inspection, the subject property was 99% occupied with two vacant units. The subject property is under a project-based Section 8 contract. The project was built in 1974 and is currently in average to good condition. There was no deferred maintenance noted at the time of inspection.

## **PURPOSE OF THE REPORT**

The purpose of the report is to determine the continued demand of the subject property as of May 4, 2018. This report and the data, analysis and ideas incorporated herein, as an instrument of professional services, is the property of *Tony Kamand Realty LLC* and is not to be used, in whole or in part for any other purpose without the written consent of *Tony Kamand Realty LLC*.

## **SCOPE OF THE REPORT**

The scope of the report involved all the necessary research and analysis in order to prepare a *market study*. Tony F. Kamand Jr., MAI and Jackie Marmur made a physical inspection of the subject property (what was readily observable) on May 4, 2018. The effective date of this study is May 4, 2018.

Data for this report was compiled from the public records in Henrico County. We obtained information from the office of the Virginia Department of Community Affairs and the Chamber of Commerce. Information in our company files, web sites, local newspaper articles, U.S Census Data, demographic studies and regional economic news was also used. In addition, we have had conversations with other professionals knowledgeable within this market area.

In summary, the scope of this report included the collection, verification, and analysis of market data and property specific data. The data was then assembled and analyzed in order to reach our conclusions.

## **INTENDED CLIENT**

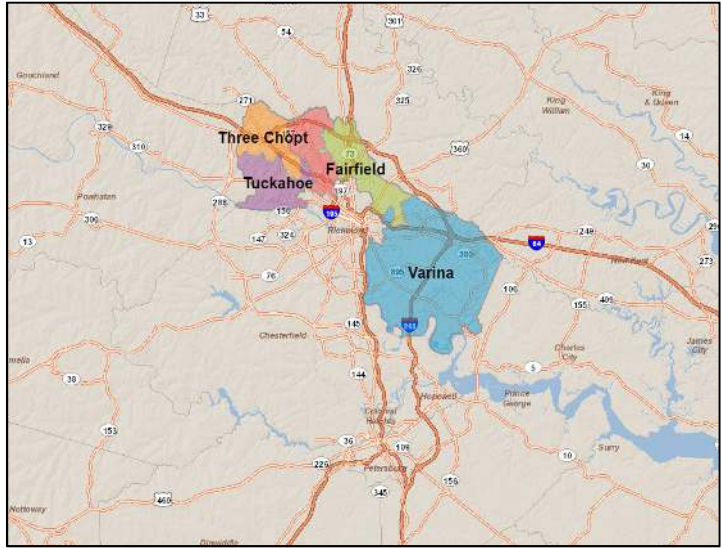
The intended client of this report is Silver Street Group LLC. This report may not be relied upon for any other purpose or by any other user in whole or in part than those expressly set forth herein.

## **INTENDED USER**

The intended user of this report is The Silver Street Group, LLC and the Virginia Housing Development Authority. This report may not be relied upon for any other purpose or by any other user in whole or in part than those expressly set forth herein.

## AREA DESCRIPTION- HENRICO COUNTY, VA

The subject property is located in Henrico County, which is in the eastern portion of the state of Virginia. The county physically covers a land area of 234 square miles and is bordered by Hanover County to the north, Richmond to the south, New Kent County to the northeast, and Goochland County to the west.



Henrico County provides a complete array of municipal services including: public school system, library, garbage removal, police, volunteer fire, and volunteer rescue services. The local educational system provides public schools from kindergarten through 12<sup>th</sup> grade.

### POPULATION

From 2010 to 2017, the population of the state grew by 6.41%. The current population of Henrico County is as follows:

#### HENRICO COUNTY POPULATION

Population	Number	Number Change	% Change
2000	262,300	-	-
2010	306,935	44,635	17.02%
2017	326,389	19,454	6.34%
2022 Estimate	340,847	14,458	4.43%

The current population of 326,389 indicates an increase of 24.43% from the 2000 census figures.

### HOUSEHOLDS AND INCOME

A review of the number of households located in Henrico County is as follows:

#### NUMBER OF HOUSEHOLDS IN HENRICO COUNTY

Households	Number	Number Change	% Change
2010	124,601	-	-
2017	131,625	7,024	5.64%
2022 Estimate	137,069	5,444	4.14%

The number of households has been steadily increasing like the population. The average household size for the county is 2.47 persons.

**HOUSEHOLDS AND INCOME (CONT.)**

The total households and income levels within Henrico County and the State are summarized as follows:

**HOUSEHOLD INCOME LEVELS AND PER CAPITA INCOME**

	HENRICO COUNTY	VIRGINIA
Total Households	131,625	3,234,614
Median Household Income	\$63,383	\$66,285
Per Capita Income	\$35,035	\$35,637

The median household income level in Henrico County is higher than the state level. The per capita income level in the town is similar to the state level. A review of household incomes in the county is as follows:

**BREAKDOWN OF HOUSEHOLD INCOME IN HENRICO COUNTY**

Household Income	Number	Percentage
Less than \$15,000	10,534	8.00%
\$15,000 - \$24,999	9,931	7.54%
\$25,000 - \$34,999	11,821	8.98%
\$35,000 - \$49,999	17,358	13.19%
\$50,000 - \$74,999	25,667	19.50%
\$75,000 - \$99,999	18,544	14.09%
\$100,000 - \$149,999	20,304	15.43%
\$150,000 - \$199,999	8,167	6.20%
\$200,000 +	<u>9,299</u>	<u>7.06%</u>
Total	131,625	100.00%

The majority of income levels in the county are in the \$50,000 to \$75,000 range. The median household income in the county is \$63,383.

**EMPLOYMENT**

An analysis of the labor force in Henrico County is summarized as follows:

**LABOR FORCE WITHIN HENRICO COUNTY**

Employed Population 16+	Number	Percentage
Management, Business	73,256	38.9%
Professional & Related	20,652	11.0%
Sales & Administration	44,198	23.5%
Services	26,873	14.3%
Farming, Fishing & Forest	482	0.3%
Construction, Extrac. & Maintenance	8,929	4.7%
Production, Transportation	<u>13,980</u>	<u>7.4%</u>
Total	188,371	100.0%

The make-up of this particular labor force is typical of most counties within the state with a high percentage of management and business people.

**LAND USES AND HOUSING**

A review of the housing in the county by type is as follows:

**HENRICO COUNTY – HOUSING UNITS BY TYPE**

Unit Type	Number	Percentage
1 Unit Attached	12,914	9.56%
1 Unit Detached	86,104	63.72%
2 Units	1,532	1.13%
3 or 4 Units	6,060	4.48%
5 to 9 Units	8,372	6.20%
10 to 19 Units	10,976	8.12%
20 or More Units	8,525	6.31%
Other	654	0.48%

Most of the housing in the county consists of single family detached dwellings. A review of owner occupied property values in the county is as follows:

**OWNER OCCUPIED PROPERTY VALUES IN HENRICO COUNTY**

Property Value	Number	Percentage
Under \$50,000	2,016	2.56%
\$50,000 to \$99,999	3,811	4.85%
\$100,000 to \$149,999	12,448	15.84%
\$150,000 to \$199,999	16,935	21.54%
\$200,000 to \$299,999	20,782	26.44%
\$300,000 to \$499,999	16,133	20.52%
\$500,000 to \$999,999	5,769	7.34%
\$1,000,000 or more	712	0.91%

Most of the homes in the county are in the \$150,000 to \$500,000 range. The median owner occupied property value for Henrico County is \$216,400. A review of the properties in the county by year built is as follows:

**HOUSING UNITS BY YEAR BUILT**

Year Built	Number	Percentage
Built 2014 or later	518	0.38%
Built 2000 to 2013	23,977	17.74%
Built 1990 to 1999	23,816	17.62%
Built 1980 to 1989	24,367	18.03%
Built 1970 to 1979	19,512	14.44%
Built 1960 to 1969	14,409	10.66%
Built 1950 to 1959	18,231	13.49%
Built 1940 to 1949	6,519	4.82%
Built 1939 or Earlier	3,788	2.80%

Most of the housing stock in the county was built between 1980 and 2000.

## **TRANSPORTATION**

Henrico County is one of only two counties in Virginia that maintains its own roads, with the other being Arlington County. The major roadways that intersect through the county include: I-64, I-95, I-195, I-295, US 1, US 33, US 60, US 250, US 301, and US 360.

Henrico County is the site of Richmond International Airport. Additionally, Henrico hosts an Amtrak rail passenger station. Greater Richmond Transit Company, an FTA-funded public service company that is owned equally by the City of Richmond and neighboring Chesterfield County, provides bus transportation throughout the county.

## **CONCLUSIONS**

Henrico County has experienced good population growth over the past decade and it is expected that this will continue in the near future. There were no adverse conditions noted that would have a negative effect on the value of the subject property. Property maintenance in the area is average and future marketability should remain satisfactory.

## **NEIGHBORHOOD DESCRIPTION – VARINA**

The subject property is located in the section of Henrico County known as Varina. Varina is not a separate municipality; rather, it is a former unincorporated community and current magisterial district. Varina is the easternmost district in Henrico County. Varina was the county seat of Henrico County until 1752, when it was moved to Richmond City.

Varina has a rich history, which includes being the home of Highland Springs, one of Richmond's first streetcar suburbs and Sandston, a former military plant. From the 1800s to the 1960s, Varina became known as the dairy capital of Virginia, although there are no dairy farms left in the district today. Today, Varina is a mostly suburban area, with large developments such as Nelson Estates and Richmond Heights. The rural setting is appealing to many homebuyers in the region.

The future of the neighborhood should remain satisfactory. An October 5, 2017 article appearing on NBC 29 states that Facebook has plans to build a \$750 million, 970,000 square foot data center in the White Oak Technology Park, located approximately 11 miles east of the subject property in Sandston. The data center is projected to be complete in 2019 and will bring 100 jobs to the area.

**IMMEDIATE NEIGHBORHOOD**

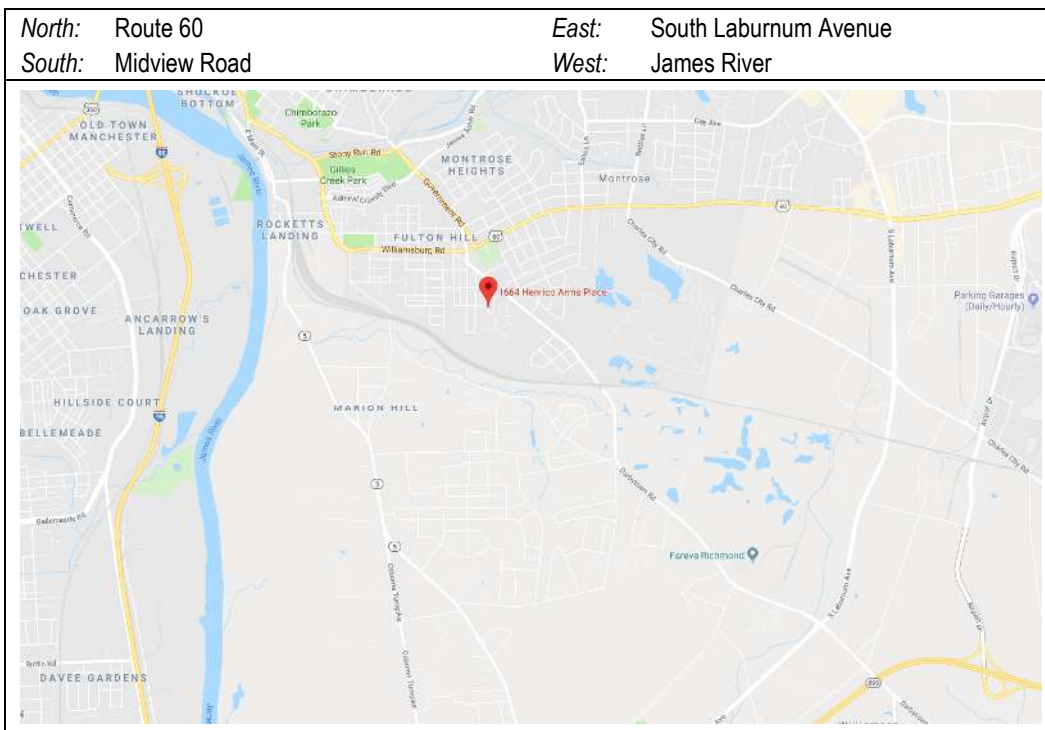
Within a community, there is a marked tendency toward the grouping of land uses. The areas devoted to these various uses are termed "physical neighborhoods". Neighborhood use in this context is further defined as follows:

*"A portion of a larger community, or an entire community, in which there is a homogenous grouping of inhabitants, buildings or business enterprises. Inhabitants of a neighborhood usually have a more than casual community of interests and a similarity of economic level or cultural background. Neighborhood boundaries may consist of well defined, natural or man-made barriers or they may be, more or less, well defined by distinct change in land use or in the character of the inhabitants."*

Neighborhoods typically evolve through four distinct stages, which are as follows:

Growth	A period in which the area gains acceptance
Stability	A period of equilibrium
Decline	A period of slowing demand
Revitalization	A period of renewal, redevelopment, modernization and increasing demand

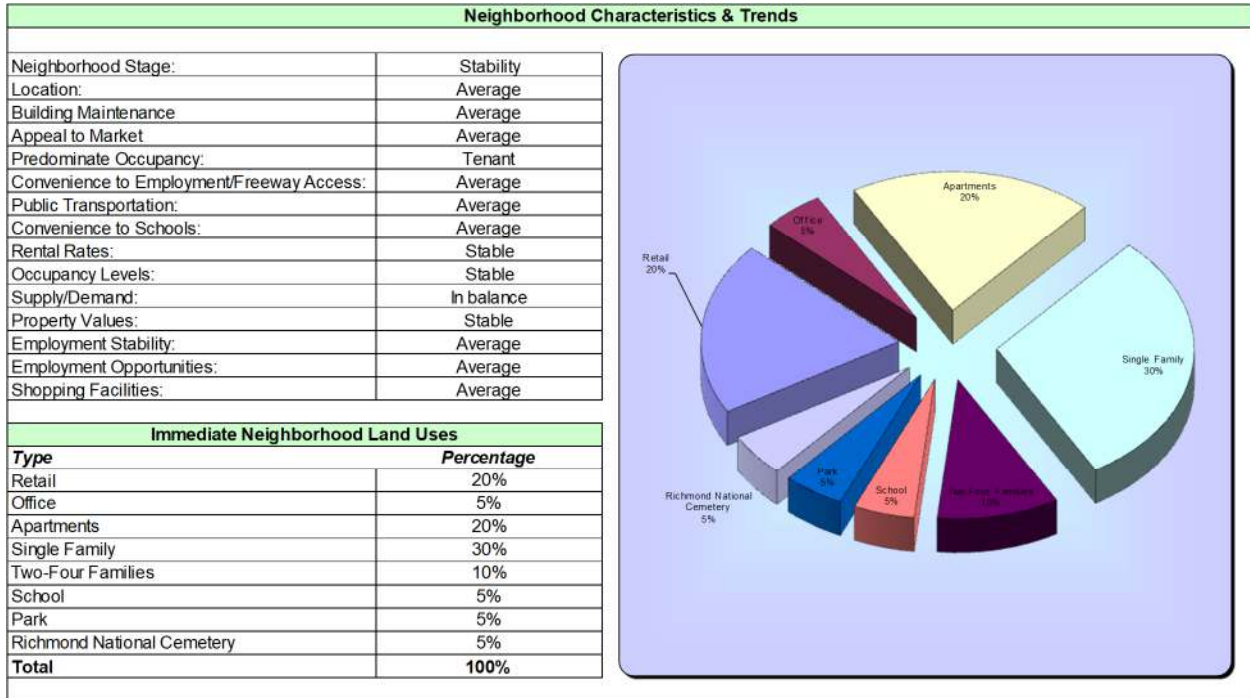
In review of the subject's area the boundaries of the subject's immediate neighborhood can be delineated as follows.





**IMMEDIATE NEIGHBORHOOD (CONT.)**

Based on our observation of the composition of the subjects immediate neighborhood it is as follows:



The subject property is located off of Darbytown Road, which is a main secondary roadway running mostly northwest-southeast from Charles City Road to Williamsburg Road (Route 60). The subject property is located just south of Route 60, which runs in an east-west direction and provides access to Richmond City.

Darbytown Road is improved mostly with residential and small commercial uses in the area of the subject property. The immediate neighborhood has a variety of commercial users including fast food, gas stations, office space and small retail strip centers. The immediate neighborhood consists of retail (Family Dollar, Ellis Automotive Services, Grab N Go Convenience Store, Shell) office, industrial, apartments (Williamsburg Village, Wynwood Apartments), two-four families, schools, parks, single families and the Richmond National Cemetery. The predominate use in the neighborhood is single families.

Properties near the subject appear to be approximately 20 to 75+ years old and in average condition. Occupancy levels in the neighborhood appear adequate (90%+). Change in current land use is unlikely. Property compatibility is good with no adverse effects.

The neighborhood has average access to employment centers. The subject property is located just south of Route 60, which provides connections to Richmond City. The subject property is also located in close proximity to Route 64, which runs northwest-southeast through Virginia, and Interstate 95, which is a main north-south highway running through the eastern United States.

Property maintenance in the neighborhood is average. There were no adverse conditions noted in the immediate neighborhood that would have a negative effect on the value of the subject property. The future marketability of the neighborhood should remain satisfactory.

**PHOTOGRAPHS OF SUBJECT PROPERTY NEIGHBORHOOD**



View of gas station in subject neighborhood



View of retail use in subject neighborhood



View of retail use in subject neighborhood



View of retail use in subject neighborhood



View of office in subject neighborhood

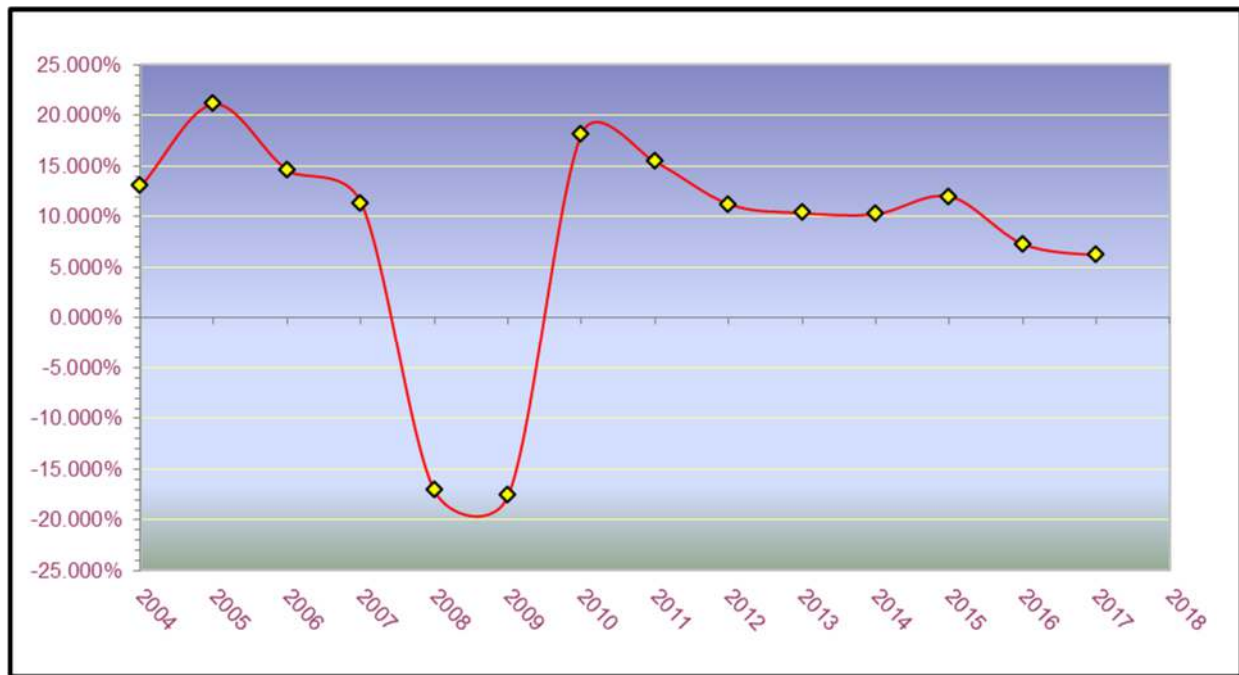


View of strip center in subject neighborhood

## NATIONAL APARTMENT MARKET

Multifamily rental housing is an attractive opportunity for investors. Apartments account for approximately one-fourth of the nation's stock of income property. Direct investments in multi-family rental housing have historically provided competitive returns relative to the other major property types - office, retail, and industrial.

### MULTI-FAMILY TOTAL ANNUAL RETURN



Source: NCREIF

By late 2003 returns for apartment properties (as well as demand) had increased, mainly due to the potential for condominium conversion. However, that market peaked in 2005-2006 and a decline was noted until 2009 when supply and demand started to get back into balance. The market saw a strong and noticeable increase in returns up to 2010-2011 when once again the apartment market began to level off. However, as of late demand has heated up and returns will continue to increase going forward into the near future.

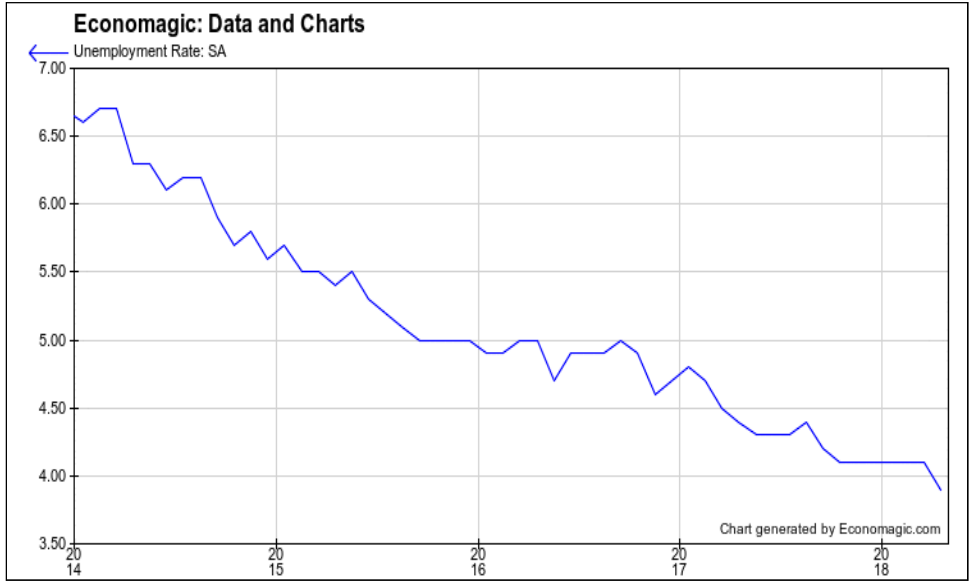
What has helped the market is that population of the United States over the last decade grew by 32.7 million people. Not all of these people will need housing but a more relevant measure of potential demand for apartments is household growth. The U.S. currently has roughly 118 million households. Annual household growth over the decade is forecasted to average 0.75% to 1.0%. This alone should generate new demand for 1.1 million housing units per year. While, some of this demand will go to single family homes, condominiums and other types of housing the foundation for new or future demand looks good. In addition, the Millennium” generation now shows a preference towards rental housing due to job demand and mobility.

The unemployment rate hit an all-time low in the fall of 2006 and was fairly stable until 2008, when it has started to increase upward dramatically due to a worldwide recession. It peaked at a high in the fall of 2009 and has been declining ever since.

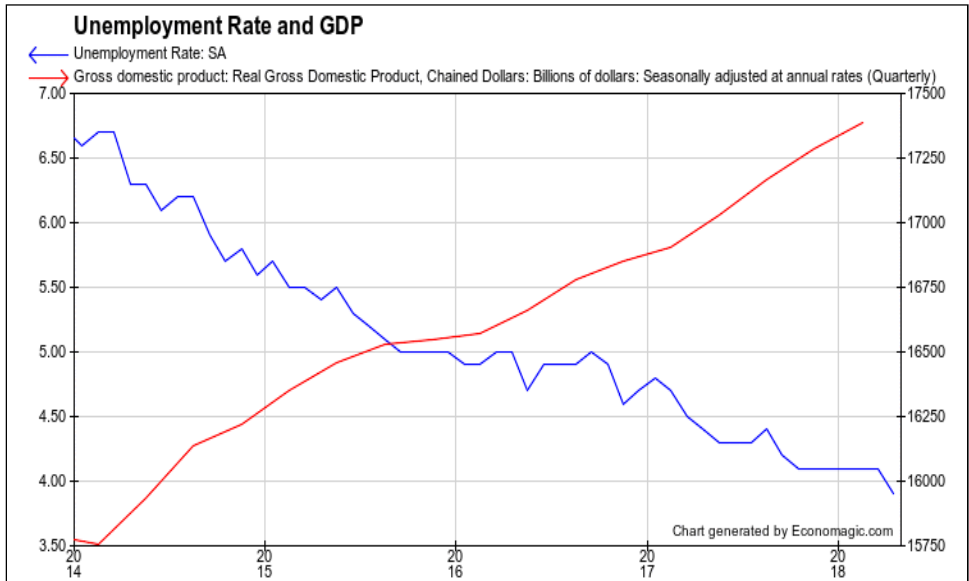
## NATIONAL APARTMENT MARKET (CONT.)

A review of total employment (seasonally adjusted) over the past few years is as follows:

### UNITED STATES UNEMPLOYMENT RATE (SEASONALLY ADJUSTED)



The unemployment rate has dropped dramatically over the past few years. In addition, over the past few years the Gross Domestic Product (GDP) has increased which indicates that companies are operating efficiently and are producing and expanding. However, we expect that overall the Gross Domestic Product (GDP) may flatten in the near future and the unemployment rate should also stabilize around current numbers. A review of the unemployment rate and GDP is as follows:



## NATIONAL APARTMENT MARKET (CONT.)

A review of the percentage of apartment households in the country is as follows:

### APARTMENT HOUSEHOLDS AS A SHARE OF ALL HOUSEHOLDS (%)

Region		Metropolitan Area	
Northeast	18.9	Central city	27.4
Midwest	11.9	Suburbs	12.4
South	12.3	Non-metro	6.0
West	18.6		

Source: U.S. Census

Much of the new construction is concentrated in higher end apartment complexes and senior housing. Luxury units continue to be developed for lifestyle renters (married, childless professionals and affluent singles). While adult retirement and assisted living communities are expanding to serve the aging population.

In a recent National Housing Survey by Fannie Mae, 41% of renters say they rent "as a matter of choice" and not out of necessity. There are an increasing number of household's who now prefer apartment living, even though they could afford to buy a home. As life gets more hectic, commutes get longer, and as the age and composition of our population changes, many households are deciding that apartment living is a preferred lifestyle.

Research reveals that despite the nation's historically high homeownership rate, the number of apartment renters has grown in the highest-income groups. For the past few years, households making \$50,000 or more have been the fastest growing segment of the apartment market. These households are part of a growing number who now choose to rent an apartment for lifestyle and not economic reasons. For many of these households, apartments offer hassle-free living in superior locations near jobs, entertainment and shopping. They also make it easier for households to move from one job to another without incurring the cost of selling a house.

The makeup of the American population is changing, and some of these changes are helping apartment demand. Two of the fastest growing age groups over the next 10 years (people in their mid-20's and empty nesters in their 50's) are two of the groups most likely to select apartment living. After more than two decades of declining in number, the population in the traditional renting years (age 20-29) is expected to increase.

The second demographic factor at work is the shakeup in what constitutes the "typical household." Traditionally, that was a married couple with children. However, these households have been declining in number since 1970, and now account for just one quarter of all households. In their place are a growing number of non-traditional households who are more likely to choose apartment living - childless couples, people who live alone and non-family/non-related households. The Census Bureau is projecting a boom in the population groups most likely to choose an apartment; young adults, one-person households and married couples without children.

## NATIONAL APARTMENT MARKET (CONT.)

Today's apartments are larger with numerous amenities. A single call to the on-site concierge can arrange babysitting, housekeeping, pet care, grocery shopping or a night on the town. The luxury/upscale or lifestyle apartment market is the fastest growing segment.

### APARTMENT HOUSEHOLD INCOMES FASTEST GROWTH RECORDED IN UPSCALE MARKET

<b>Income</b>	<b>Number (000's)</b>	<b>% Change from 2015</b>
<\$20,000	5,763	-1.90%
\$20,000-\$49,999	6,449	-1.04%
\$50,000+	6,647	5.69%

Source: NMHC tabulations of data from the U.S. Census Bureau's Current Population

This segment (luxury) of the market is expected to continue especially in the urban areas of the country. Tenant characteristics for different apartment segments are as follows:

### RESIDENT CHARACTERISTICS IN THE THREE MARKETS FOR MULTIFAMILY RENTAL HOUSING

	Affordable Market		Middle Market	Lifestyle Market	All Apartments Households
	Total	Federally Assisted			
Share of all apartment households (%)	49	19	37	14	100
<i>Age of householder</i>					
Median	41	44	33	38	37
Mean	47	49	38	42	43
%<30	26	21	39	20	30
%65+	23	31	8	10	16
<i>Household Size</i>					
Mean	2.1	2.3	2.2	1.4	2.0
% 1 person	50	43	31	65	46
% 4+ person	17	19	14	0	5
% with 1 or more children	35	50	31	0	29
<i>Household income (\$)</i>					
Mean	11,795	10,944	42,752	62,382	29,603
Median	10,444	7,608	32,100	48,928	21,000

Source: U.S. Census

As the previous table shows, the affordable market is almost 50% of the renting households in this country. This segment of the market remains strong. The luxury market makes up about 14% of the market. The median household income in the affordable market is \$10,444, while in the lifestyle or luxury market it is \$48,928.

## NATIONAL APARTMENT MARKET (CONT.)

New interest in smart growth is making it easier to get new apartment construction approved. Suburban jurisdictions hoping to address voter concerns about traffic and pollution realize that apartments use existing infrastructure more efficiently than detached housing and that apartments can help create the pedestrian-friendly neighborhoods that voters claim to want.

Urban areas realize that the lifestyle renter market is a key market to target in trying to recruit middle and upper income households to return downtown, and they are doing their part to facilitate new construction of high quality apartments. As the chart below shows most people in urban areas are renters.

### RENTERS VS. OWNERS IN LARGE CITIES

Cities	Population	Total Occupied Housing Units	Total Occupied Apartments	Apartments as a Percent of All Housing
New York, NY	8,426,473	3,422,225	1,556,161	45%
Los Angeles, CA	3,900,794	1,436,543	562,060	39%
Chicago, IL	2,717,534	1,192,544	306,150	26%
Houston, TX	2,217,706	927,107	318,888	34%
Philadelphia, PA	1,555,702	670,229	89,829	13%
Phoenix, AZ	1,514,208	598,236	114,237	19%
San Antonio, TX	1,413,881	535,145	116,723	22%
San Diego, CA	1,359,791	522,410	141,922	27%
Dallas, TX	1,260,688	533,556	191,200	36%
San Jose, CA	1,000,860	325,256	68,004	21%

Source: NMHC tabulations of 2016 American Community Survey, 1-Year Estimates. Updated 11/2017.

In lower-tier to mid-tier apartment properties, renovation offers an opportunistic investment. Lack of affordable, or at least reasonable, rental communities to meet the changing demand from demographic and ethnic shifts plagues many areas. As immigrant populations become more affluent and welfare-to-work programs encourage employment, a new segment of the population is looking for clean, safe, affordable housing with moderate amenities.

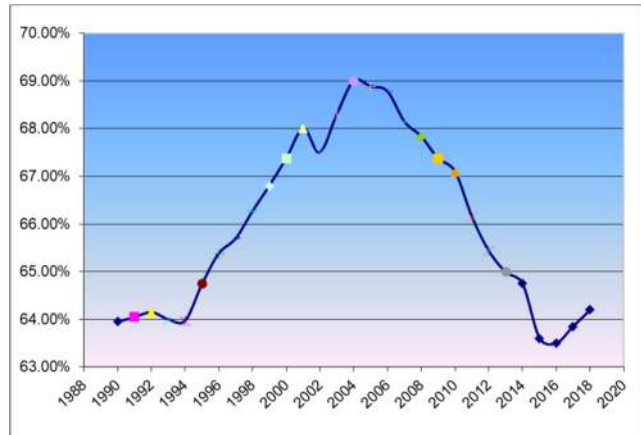
In many urban areas new apartment development is not always possible, but major rehabilitation of the existing, aging apartment stock does. Developers of these properties are finding that once the project is complete, the complex fills rapidly, vacancy rates remain low and the ability to substantially increase rents is present.

Employment growth is critical to the increase for apartment demand. The unemployment rate has been decreasing as of late. The increasing employment level may cause some workers to look into purchasing a single family home. However, many workers have been somewhat scared off due to the slew of foreclosures over the past few years that were the result of a volatile market and aggressive lending practices. In addition, many workers now feel they need the mobility that they get by rental housing because of changing job demands.

Rising home ownership (due to low interest rates) had drained away apartment demand. From 1994 home ownership in the United States began to increase sharply peaking at 69% in 2005. However, this trend is reversing rapidly and is expected to decrease in the near future.

## NATIONAL APARTMENT MARKET (CONT.)

About two-thirds of all households are homeowners and a 1% increase in homeownership rates would cause a 3% decline in rental demand, all other things being equal. The 4% increase in homeownership rate since 1995 to 2005 had essentially decreased rental demand by 12%. A review of historical homeownership rates in the United States (from U.S. Census) is shown to the right.



Demand for home ownership has decreased significantly since the peak in the market in 2006. At the same time rental demand for apartments has increased. Overall apartment vacancy rates for the nation have been decreasing over the past few years and it appears that vacancy rates should continue to decrease over the next few years. According to U.S. Census Bureau the average vacancy rate in the country over the past several years is decreasing and is shown in the graph to the right.



As vacancy rates have decreased and demand for apartments has increased, apartment capitalization rates have continued to decrease over the past several years. The chart to the right illustrates the mean cap rate trends over the past five years.



The long-term outlook for the apartment market is good as household growth is forecasted to be strong, but additional job growth is also needed. The affordable housing market and the “lifestyle renter” (baby boomers) are aging will continue to drive the market. The “lifestyle renter” enjoys the hassle-free lifestyle that apartments can offer. Both of these segments of the market will drive the majority of the future demand. Overall, the foundation of the apartment market is strong and should continue into the near future.



## MARKET ANALYSIS – VIRGINIA HOUSING MARKET

### VIRGINIA HOUSING MARKET

Virginia’s economy continues to struggle somewhat, along with the national economy. Inflation is in check, but rising costs have hurt consumers and businesses. Nationally, total employment did increase slightly (1.4%) over the past year. All sectors of the economy have been positively affected.

The economy of Virginia is diverse, with many sources of income. These include military installations, defense contractors, and components of the government sector. Although these sectors have been affected over the past several years, it appears that it was affected to a slightly lesser extent. Many businesses in all sectors of our state economy are cautious and not in an expansion mode at this time. The unemployment rate for the state has hovered in the 3 to 4% range over the past year.

Globalization, deregulation, and accelerating technological change have been the predominant force in the world economy. Virginia has seen employment losses in farming, mining, information technology and military sectors. However, transportation and warehousing, finance and insurance, real estate, administrative, education, healthcare, arts and entertainment, accommodation and other services have grown in recent years. The breakdown of growth by sector is presented as follows:

### VIRGINIA’S SHIFT IN EMPLOYMENT

**Table 1: Virginia Employment Growth, 2010-2016**

Major Industry	Employment				Actual Growth		Standardized		
	2010		2016		Percent	Net	Growth <sup>2</sup>		Employment <sup>3</sup>
	Level	Share <sup>1</sup>	Level	Share <sup>1</sup>			Percent	Net	
Farm Employment	53,861	1.1	51,631	1.0	-4.14	-2,230	0.30	163	54,024
Forestry, Fishing, and Related Activities	12,127	0.3	13,646	0.3	12.53	1,519	7.12	863	12,990
Mining	14,898	0.3	12,712	0.2	-14.67	-2,186	11.71	1,745	16,643
Utilities	11,512	0.2	11,822	0.2	2.69	310	3.97	457	11,969
Construction	272,255	5.7	275,540	5.4	1.21	3,285	14.81	40,329	312,584
Manufacturing	240,145	5.1	246,519	4.8	2.65	6,374	8.27	19,858	260,003
Wholesale Trade	120,401	2.5	131,265	2.6	9.02	10,864	15.14	18,224	138,625
Retail Trade	470,526	9.9	504,711	9.8	7.27	34,185	10.22	48,105	518,631
Transportation and Warehousing	131,524	2.8	173,407	3.4	31.84	41,883	30.97	40,729	172,253
Information	90,247	1.9	82,570	1.6	-8.51	-7,677	4.20	3,789	94,036
Finance and Insurance	191,916	4.0	213,286	4.2	11.14	21,370	7.27	13,956	205,872
Real Estate and Rental and Leasing	205,640	4.3	230,075	4.5	11.88	24,435	16.71	34,371	240,011
Professional, Scientific, and Technical Services	508,425	10.7	551,430	10.7	8.46	43,005	16.64	84,612	593,037
Management of Companies and Enterprises	76,410	1.6	77,186	1.5	1.02	776	23.76	18,158	94,568
Administrative and Waste Services	266,542	5.6	298,282	5.8	11.91	31,740	14.19	37,810	304,352
Educational Services	96,045	2.0	108,598	2.1	13.07	12,553	15.32	14,717	110,762
Health Care and Social Assistance	431,981	9.1	493,870	9.6	14.33	61,889	14.95	64,592	496,573
Arts, Entertainment, and Recreation	92,293	1.9	104,828	2.0	13.58	12,535	14.12	13,031	105,324
Accommodation and Food Services	313,884	6.6	367,780	7.2	17.17	53,896	20.27	63,621	377,505
Other Services (except Public Administration)	272,571	5.7	313,291	6.1	14.94	40,720	16.44	44,809	317,380
Federal Civilian	191,161	4.0	198,064	3.9	3.61	6,903	-6.03	-11,526	179,635
Military	152,360	3.2	138,123	2.7	-9.34	-14,237	-8.24	-12,552	139,808
State Government	156,204	3.3	163,350	3.2	4.57	7,146	0.15	236	156,440
Local Government	374,582	7.9	374,453	7.3	-0.03	-129	-0.17	-631	373,951
<b>Total Employment</b>	<b>4,747,510</b>	<b>100.0</b>	<b>5,136,439</b>	<b>100.0</b>	<b>8.19</b>	<b>388,929</b>	<b>11.36</b>	<b>539,467</b>	<b>5,286,977</b>

1 Share: The percentage share of total employment by industry.  
 2 Standardized Growth: at the same rate as its counterpart at the national level had each industry grown.  
 3 Standardized Employment, 2016: The 2016 level of employment in each industry had it grown at the same rate as its counterparts at the national level since 2010.

Note: Percent growth figures may not add due to rounding by a factor of ± 0.01%

Source: Calculations by the Virginia Regional Economic Analysis Project (VA-REAP) with data provided by the U.S. Department of Commerce, Bureau of Economic Analysis

## VIRGINIA HOUSING MARKET (CONT.)

On the positive side, median home prices have increased over the past few years as the market seems to have stabilized from the previous decline. Residential construction in the state has increased over the past few years. A review of building permits for apartments (5 or more units) in the state has been as follows:

### VIRGINIA PERMITS (5 OR MORE UNITS)

Year	# of Total Units	Percentage of Change
2005	10,423	-
2006	7,644	-26.66%
2007	6,694	-12.43%
2008	7,154	6.87%
2009	4,770	-33.32%
2010	4,544	-4.74%
2011	7,491	64.85%
2012	9,259	23.60%
2013	10,779	16.42%
2014	9,522	-11.66%
2015	8,349	-12.32%
2016	9,012	7.94%
2017	10,729	19.05%

Source: Census.gov

New residential permits of five-or-more units have averaged 8,182 per year since 2005. Apartment construction in the state peaked in 2005 and declined sharply in 2006 and again in 2009. In 2011, there was a significant increase which has since leveled off in recent years.

More than half of the state's housing stock can be classified as old since it was built before 1982. About 22% of the housing units were built before 1960 and 8% before 1940.

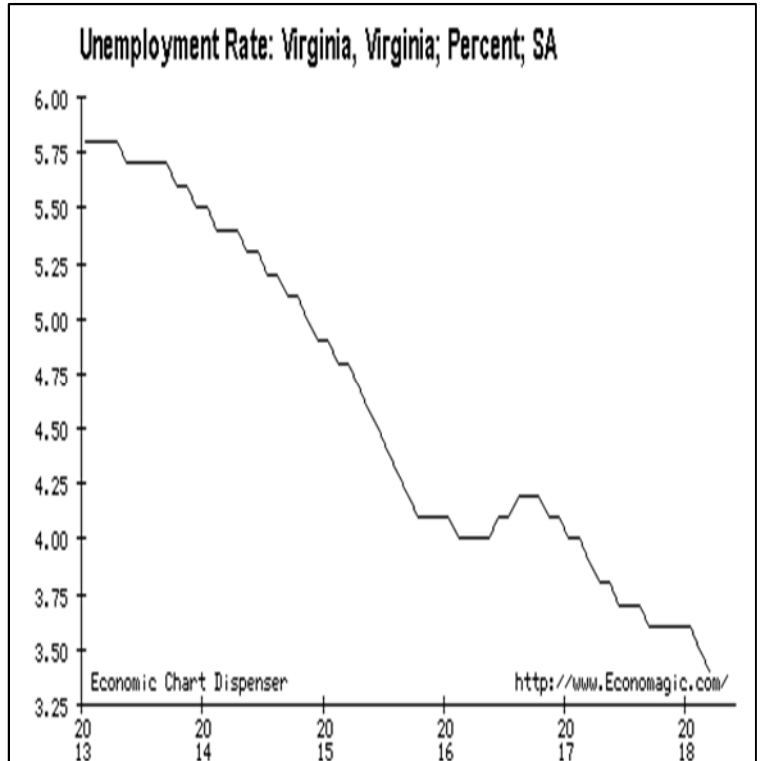
Although Virginia's economy was on a somewhat roller coaster ride, slipping in and out of a recession it appears that we are heading out of a deep recession. The real estate and housing market throughout the state was good, but peaked and decline over the past few years. However, the market appears to have started to improve and leading the way is multi-family.

### VIRGINIA HOUSING MARKET (CONT.)

A review of unemployment rates in the state is shown to the right (data up to May 2018). Unemployment rates in the state had been high since 2008, but over the past several years have declined sharply.

Looking into the future, economists have stated that Virginia as well as the national economy is improving, however very slowly. It is expected that demand for all property types will slowly improve. We were entrenched in a worldwide recession in 2007-2010 and it appears that it is over, but the feeling of a full recovery may take some time.

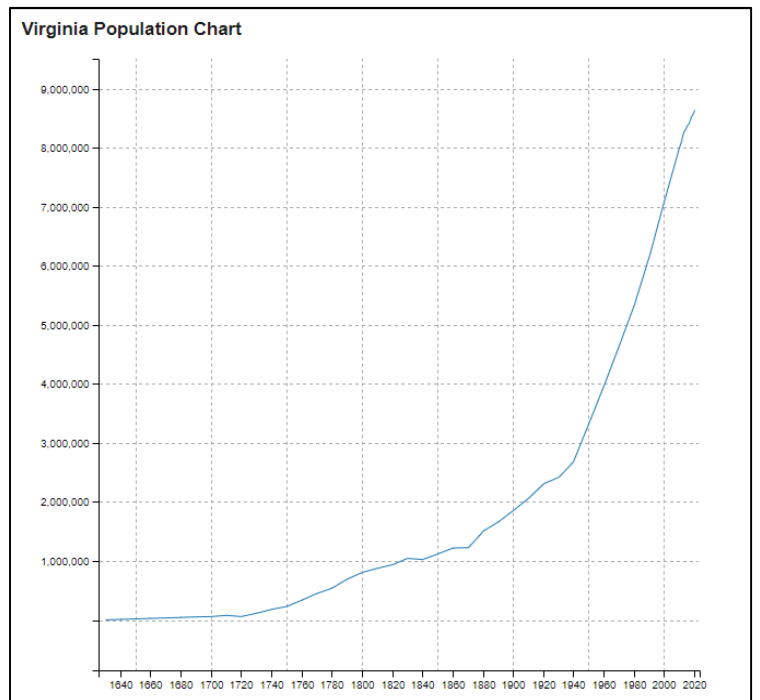
Despite low single-family home affordability throughout the region, new home sales had affected rental demand in the state. Virginia is not known as a particularly affordable single-family housing market, but as new home sales slowed in the current market the demand for rentals has increased.



The state population has grown over the past decade. It is also expected that there will be household growth within the state over the next five years (data from U.S. Census).

With the growth in the number of households (projected to be about to 3.4 million in 2022) over the next few years we should see an increase in demand for housing.

Due to the region’s slowing real estate market, national recession and increases in home foreclosures demand for apartments should strengthen; forcing vacancies lower and rents higher. The long term outlook for the Virginia market is good as household growth is forecasted to continue to increase. The affordable housing market will drive a portion of the Virginia market while the remainder of the market will benefit from good fundamentals that are already in place.



## MARKET ANALYSIS - SUBJECTS TRADE AREA

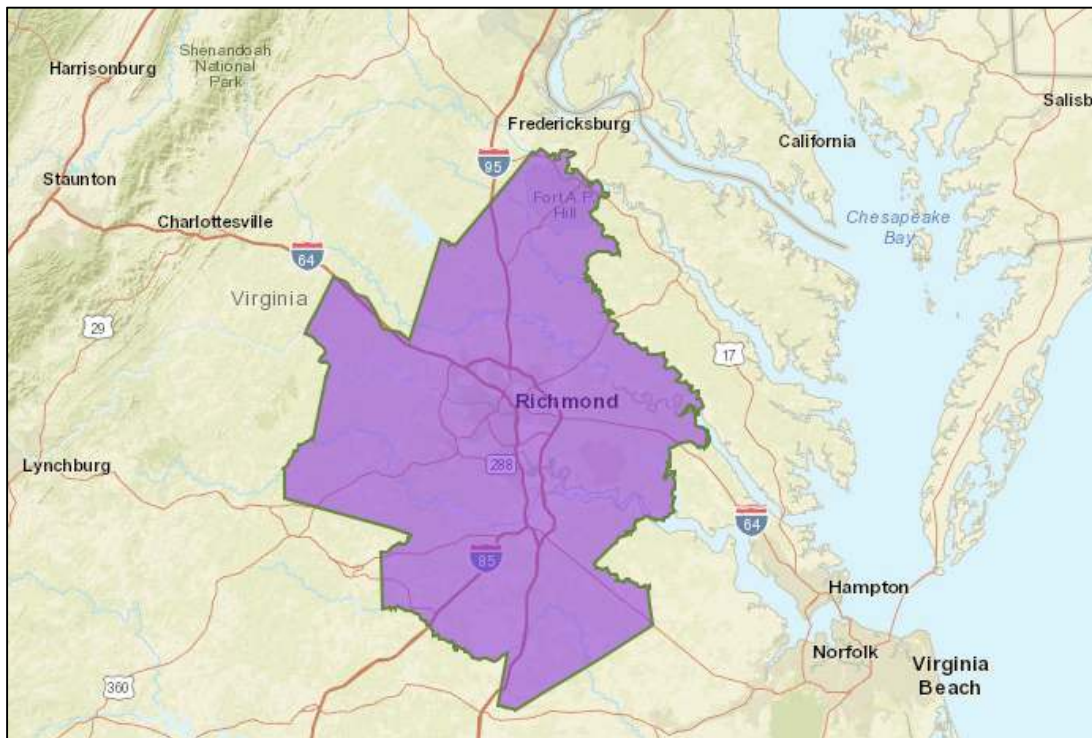
A trade area or market area is defined as the geographic area within lives the majority of the residents/tenants that will provide a main source of revenue for the apartments. Trade areas are typically divided into primary, secondary and tertiary (fringe) zones. A trade area can be influenced by many interrelated factors. These factors include location, socio-economic composition and demographic characteristics (tenure, income, rent levels, etc.), transportation, employment and the location of comparable and/or potential competitors. Infrastructure also shapes the trade area, as natural boundaries may limit travel to a particular area. In addition, market perceptions can influence the actual delineation of the trade area as social stigmas often exist in which residents from one side of a market area may not move to a nearby neighborhood, regardless of housing opportunities.

In analyzing the subject site and the surrounding market area we have estimated that the subject property will draw its residents from the Richmond Metropolitan Statistical Area (MSA). This includes the towns of Hopewell, Chester, Sutherland, Ford, Petersburg, Manquin, East Highland Park, New Kent and Moseley. The basic boundaries of the subject trade area are defined as follows:

To the North:	King George County
To the South:	Brunswick County
To the East:	James City County
To the West:	Prince Edward, Cumberland and Fluvanna Counties

The primary trade area is illustrated as follows:

### TRADE AREA MAP HENRICO ARMS APARTMENTS



We have summarized the demographics of the primary trade area on the following pages.

**POPULATION**

A review of the trade area population is as follows:

**POPULATION - PRIMARY TRADE AREA**

	2010 CENSUS	2017 POPULATION	2022 POPULATION
Primary Market	1,208,101	1,293,876	1,368,338
Percent of Change	-	7.10%	5.75%

The primary trade area population has increased over the past decade and is still expected to increase in the near future. We have also reviewed the age of the population in the primary trade area. This was as follows:

**PRIMARY TRADE AREA – AGE BREAKDOWN OF POPULATION**

Population by Age	2017	
	Number	Percent
0 - 4	72,867	5.6%
5 - 9	78,327	6.1%
10 - 14	81,362	6.3%
15 - 19	83,449	6.4%
20 - 24	89,978	7.0%
25 - 34	176,472	13.6%
35 - 44	164,185	12.7%
45 - 54	176,711	13.7%
55 - 64	175,166	13.5%
65 - 74	118,658	9.2%
75 - 84	52,780	4.1%
85+	23,921	1.8%

The median age in the primary trade area 38.9 years. In the primary trade area, the senior population consists of 195,359 persons or 15.1% of the population. This is a moderate portion of the population.

**HOUSEHOLDS**

A household consist of all people who occupy a housing unit. A household includes the related family members and all unrelated people, if any who share the housing unit. A review of the number of households in the trade area is as follows:

**HOUSEHOLDS - PRIMARY TRADE AREA**

	2010 CENSUS	2017 HOUSEHOLDS	2022 HOUSEHOLDS
Primary Market	468,524	500,088	527,867
Percent of Change	-	6.74%	5.55%

The current average household size in the trade area is 2.52 persons. The number of households in the trade area is increasing at a slower rate than the population. This would tend to indicate that the trade area household size is increasing. The number of households in the trade area increased by 6.74% since the 2010 Census. It is expected that the number of households will increase by 5.55% over the next 5 years. A review of household size in the trade area is as follows:

**HOUSEHOLD SIZE - PRIMARY TRADE AREA**

2010 Households by Size			
Total			468,524
1 Person Household			26.7%
2 Person Household			33.4%
3 Person Household			17.4%
4 Person Household			13.7%
5 Person Household			5.7%
6 Person Household			2.1%
7 + Person Household			1.1%

**INCOME**

A review of income levels within the primary trade area is as follows:

**INCOME LEVELS - PRIMARY TRADE AREA**

	INCOME
Per Capita	\$32,093
Average Household Income	\$81,693
Median Household Income	\$60,462

A household consist of all people who occupy a housing unit. A household includes the related family members and all unrelated people, if any who share the housing unit. The term "family" refers to a group of two or more people related by birth, marriage, or adoption who reside together.

**INCOME (CONT.)**

A breakdown of household income within the trade area revealed the following:

**PRIMARY TRADE AREA - HOUSEHOLD INCOME LEVELS**

Households by Income	2017	
	Number	Percent
<\$ 15,000	50,457	10.1%
\$15,000 - \$24,999	40,818	8.2%
\$25,000 - \$34,999	45,411	9.1%
\$35,000 - \$49,999	66,221	13.2%
\$50,000 - \$74,999	91,608	18.3%
\$75,000 - \$99,999	67,609	13.5%
\$100,000 - \$149,999	77,606	15.5%
\$150,000 - \$199,999	30,464	6.1%
\$200,000+	29,884	6.0%

Income is a key characteristic in analyzing housing markets. As the previous chart shows about 10% of the households in the primary trade area have income levels below \$15,000.

**SUMMARY OF TYPICAL HOUSEHOLD IN TRADE AREA**

Average Household Size	2.52 person
Median Household Income	\$60,462
Median Age	38.9 years
Percent of HH that are Renters	32.9%

**HOUSING UNITS**

According to the *ESRI Demographic Service*, the primary trade area contains a total number of housing units as follows:

**PRIMARY TRADE AREA – TOTAL HOUSING UNITS**

Total Housing Units	541,700
---------------------	---------

The total housing units in the primary trade area should remain relatively stable as the area is fully developed. Any new units will be via redevelopment of either existing housing stock or the conversion of other types of buildings (i.e. industrial, commercial, etc.).

**TENURE**

A review of housing units by tenure is as follows:

**TENURE OF HOUSING UNITS IN TRADE AREA**

CATEGORY	NUMBER	PERCENTAGE
Owner Occupied	322,312	59.5%
Renter Occupied	177,678	32.8%
Vacant	41,711	7.7%

The majority of housing in the trade area is owner occupied.

**SCHOOLING**

Virginia has been participating in the Partnership for Assessment of Readiness for College and Careers (PARCC) assessments in reading and mathematics since 2015. A review of the 2016-2017 PARCC Assessment Performance Results Summary for Richmond County is presented as follows:

2016-2017 Division Subject-Area Pass Rates by Student Subgroup (8/15/2017)					
Div Name	Subject	Subgroup	2014-2015 Pass Rate	2015-2016 Pass Rate	2016-2017 Pass Rate
Richmond County	English: Reading	All Students	79	78	80
Richmond County	English: Writing	All Students	81	74	64
Richmond County	History & Social Sciences	All Students	84	85	86
Richmond County	Mathematics	All Students	83	83	86
Richmond County	Science	All Students	74	84	81

The above table illustrates that students in Richmond County had PARCC test results that have been fairly consistent over the past several years. Student scores in science increased over the past few years, while writing scores decreased over the past few years. It should be noted that PARCC testing has been controversial since its implementation, with many officials critical of results.

A review of the graduation rate in Richmond County is presented below.

Division Number	Division	Subgroup	Cohort	Advanced Studies Diploma	Standard Diploma	Modified Standard Diploma	Special Diploma	General Achievement Diploma	Virginia On-Time Graduation Rate	GED	Certificate of Completion	Cohort Completion Rate	Total Completers	Still Enrolled	Dropouts	Dropout Rate	Long Term Absence
079	Richmond County	All Students	109	56	43	0	<	0	94.5	0	0	94.5	103	0	<	5.5	0

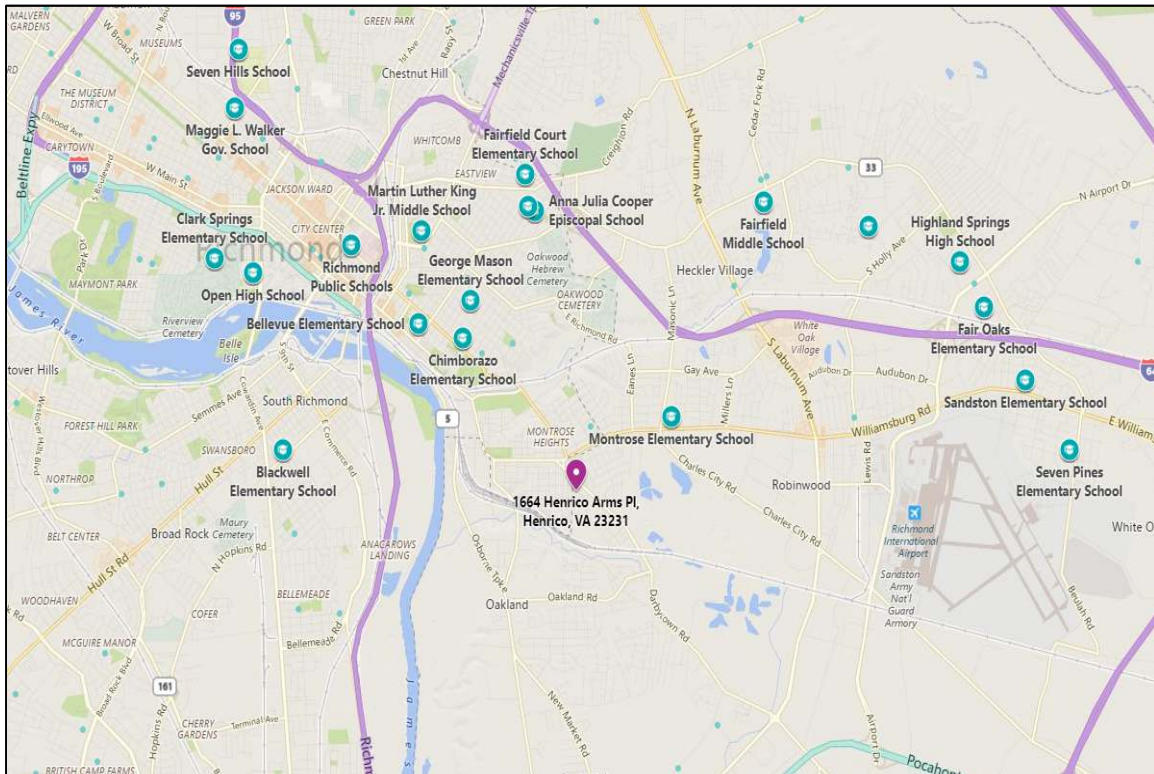
The graduation rate for 2017 is 94.5%, with a dropout rate of 5.5%.

Schools play a large part in parents' choice on where to live. Generally, districts with better performing schools tend to be more attractive to potential renters. The County has had steady PARCC scores, however, given the controversial nature of the test, it's impact is still largely unknown.

The subject property is located approximately one mile southeast of Fulton Elementary school, located on Union Street. Montrose Elementary School is located approximately one mile northeast of the subject property, on Brittles Lane. Varina High School is located to the south of the subject, on Messer Road. The subject property does offer an on-site after school program, as well as summer programs and activities on-site. A map of the subject property and surrounding schools is presented on the following page.



### SCHOOLING (CONT.)

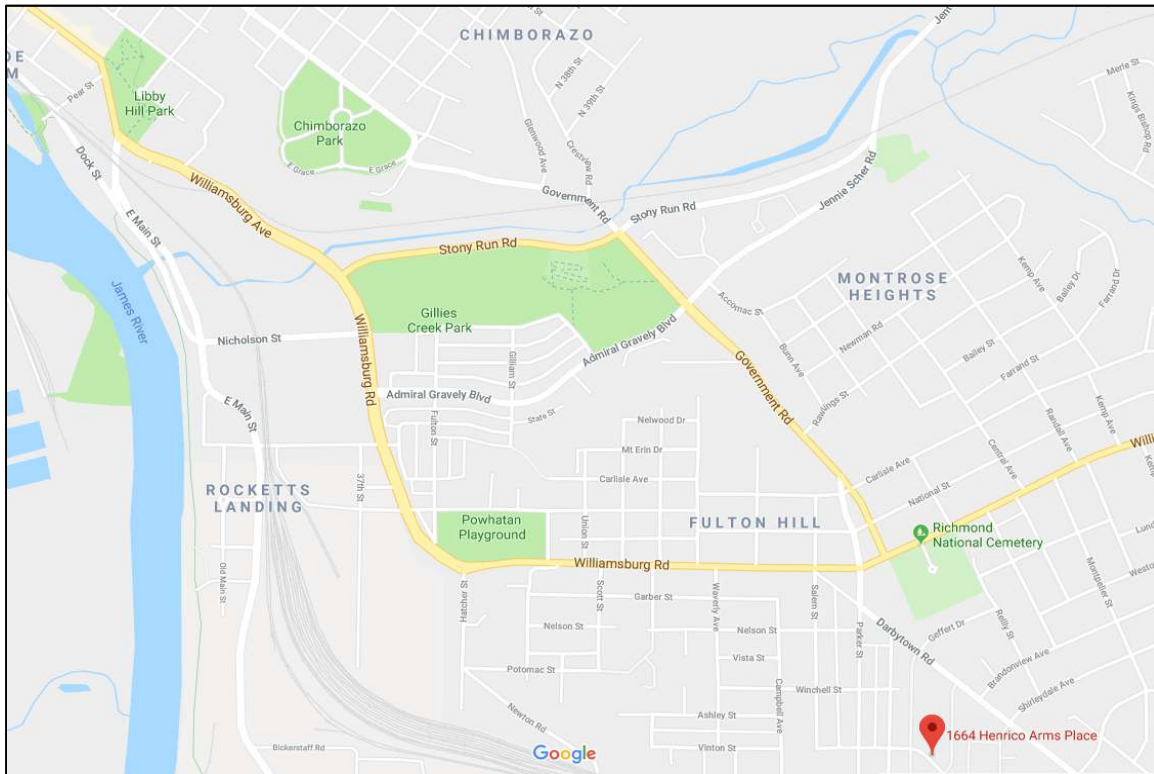


### RECREATION

The subject property is located on Darbytown Road, approximately 4 miles southeast of downtown Richmond. The main downtown includes such landmarks as the Virginia State Capitol house, the Library of Virginia, various state offices and the Governor’s mansion. Additionally, downtown Richmond is home to Virginia Commonwealth University Medical Center and the Greater Richmond Convention Center.

There are many small parks and recreation areas scattered throughout the subject neighborhood. The subject property is located just southeast of Powhatan Playground, Gillies Creek Park and Disc Golf Course and Chimborazo Park. A map of the subject property and surrounding parks is presented below.

**RECREATION (CONT.)**



**PUBLIC TRANSPORTATION**

The subject’s location on Darbytown Road is residential in nature. The Darbytown Road bus line makes a stop in the subject complex and provides residents access to Downtown Richmond. This line also provides access to shopping and office facilities along Williamsburg Road. The subject property is also located approximately five miles east of the Richmond International Airport.

**SHOPPING/MEDICAL FACILITIES**

The subject property is centrally located to a large amount of shopping and office uses. The subject is located approximately one half mile south of Williamsburg Road, which is a main local roadway containing neighborhood retail uses. These include Family Dollar, fast food restaurants, offices and mom and pop retail stores. A Food Lion grocery store is located approximately one and a half miles northeast of the subject property on Charles City Road. Bon Secours Richmond Community Hospital is located approximately 2.8 miles north of the subject property on Nine Mile Road (Route 33).

**CRIME**

A review of crime rates by year for Richmond City is presented as follows:

Crime rates in Richmond by year														
Type	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Murders</b> (per 100,000)	77 (37.8)	93 (46.5)	93 (47.3)	84 (43.0)	76 (38.8)	51 (26.6)	31 (15.5)	37 (18.2)	41 (19.9)	36 (17.4)	42 (20.2)	37 (17.4)	41 (18.9)	43 (19.5)
<b>Rapes</b> (per 100,000)	118 (57.9)	98 (49.0)	101 (51.4)	80 (41.0)	76 (38.8)	53 (27.6)	53 (26.5)	35 (17.2)	40 (19.4)	44 (21.3)	38 (18.3)	43 (20.2)	39 (18.0)	60 (27.2)
<b>Robberies</b> (per 100,000)	1,289 (632.5)	1,174 (587.1)	1,343 (682.9)	1,196 (612.5)	987 (504.3)	973 (507.3)	779 (390.1)	850 (418.2)	735 (357.0)	676 (327.1)	633 (304.6)	624 (293.2)	569 (262.5)	489 (221.5)
<b>Assaults</b> (per 100,000)	1,122 (550.5)	1,109 (554.6)	1,163 (591.4)	1,025 (524.9)	902 (460.9)	760 (396.3)	725 (363.1)	709 (348.9)	690 (335.1)	672 (325.2)	635 (305.6)	623 (292.7)	605 (279.1)	547 (247.7)
<b>Burglaries</b> (per 100,000)	2,966 (1,455.4)	2,816 (1,408.2)	2,731 (1,388.6)	2,529 (1,295.1)	2,284 (1,167.0)	1,857 (968.3)	1,787 (895.0)	1,555 (765.1)	1,783 (866.0)	1,886 (912.6)	2,030 (976.9)	1,817 (853.7)	1,685 (777.4)	1,605 (726.9)
<b>Thefts</b> (per 100,000)	9,926 (4,870.5)	N/A	7,982 (4,058.6)	8,168 (4,182.9)	6,351 (3,245.1)	5,816 (3,032.6)	5,331 (2,669.9)	5,822 (2,864.7)	5,918 (2,874.4)	5,833 (2,822.6)	6,138 (2,953.8)	5,949 (2,795.2)	5,969 (2,753.9)	6,171 (2,794.8)
<b>Auto thefts</b> (per 100,000)	2,504 (1,228.7)	2,711 (1,355.7)	2,376 (1,208.1)	2,201 (1,127.2)	1,457 (744.5)	1,293 (674.2)	1,030 (515.8)	972 (478.3)	866 (420.6)	928 (449.1)	935 (450.0)	938 (440.7)	734 (338.6)	872 (394.9)
<b>Arson</b> (per 100,000)	191 (93.7)	86 (43.0)	94 (47.8)	83 (42.5)	70 (35.8)	49 (25.5)	51 (25.5)	60 (29.5)	43 (20.9)	58 (28.1)	50 (24.1)	50 (23.5)	44 (20.3)	53 (24.0)
<b>City-data.com crime index</b> (higher means more crime, U.S. average = 283.6)	796.2	804.1	794.5	755.7	623.3	549.8	452.7	451.8	438.7	427.8	430.1	404.3	378.5	370.9

Source: City-data

Richmond’s crime rate, as computed by City-data, has fallen over the past few years. The crime rate was at a high of 804.1 in 2003, and has fallen through 2015, when it was at a low of 370.9. It appears that theft and rape have increased, while assaults, robberies and burglaries have fallen.

**EMPLOYMENT**

A review of the top 10 employers in the Richmond area is as follows:

Rank 2016	Private Employers
1	Capital One Financial Corp.
2	VCU Health System
3	HCA Inc.
4	Bon Secours Richmond
5	Walmart
6	Dominion Energy
7	Food Lion
8	SunTrust Banks Inc.
9	Altria Group Inc.
10	Amazon.com

Source: hanovervirginia.com

**EMPLOYMENT (CONT.)**

A review of the unemployment rate for the Richmond MSA over the past five years is as follows:



Unemployment in the subject’s area was at a high in 2013 and has fallen over the past five years. Currently, the unemployment rate is in the 3% range. As previously mentioned, Facebook has planned a data center in the subject area, and the area is expected to continue to perform well in the future.

**AFFORDABLE HOUSING**

The subject is a HUD project based Section 8 complex. Management reports there is a waiting list of over two years for the units that is currently closed. Management stated they anticipate the waiting list will reopen in July 2018.

We spoke with other property managers and there is good demand for affordable housing in the area. There appears that there will be a continued need for affordable housing for this immediate market area. Affordable housing is a problem in the state and county. The tables below illustrate the market rent of a typical apartment, the income needed and the hourly wage to afford in the state, county and subjects primary trade area.

**TYPICAL FAIR MARKET RENTS FOR VA AND THE RICHMOND MSA**

Location	Studio	One Bedroom	Two Bedroom	Three Bedroom
Virginia	\$975	\$1,027	\$1,211	\$1,623
Richmond MSA	\$830	\$871	\$1,005	\$1,332

\*Typical FMR from National Low Income Housing Coalition (NLIHC)

We have analyzed the local market area to determine market rent for each unit type in the subject property. Our analysis is presented as follows:

**SUMMARY OF MARKET BASED RENTALS - ONE BEDROOM UNITS**

Rent Comparability Grid												
Subject		Unit Type →		One Bedroom				Subject's FHA #:				
Henrico Arms 1664 Henrico Arms Place Henrico		10 Shawn Court Henrico		4123 East Wood Harbor Court Henrico		4431 Lakefield Mews Drive Henrico		509 Beal Street Henrico		3500 Kings Drive Henrico		
Data on Subject		Comp #1		Comp #2		Comp #3		Comp #4		Comp #5		
Rents Charged		Data	S Adj	Data	S Adj	Data	S Adj	Data	S Adj	Data	S Adj	
1	S Last Rent / Restricted?	\$695		\$850		\$890		\$765		\$730		
2	Date Last Leased (mo/yr)	May-18		May-18		May-18		May-18		May-18		
3	Rent Concessions	N		N		N		N		N		
4	Occupancy for Unit Type	95%		96%		95%		99%		99%		
5	Effective Rent & Rent/ sq. ft	\$695	1.16	\$850	1.16	\$890	1.13	\$765	1.14	\$730	1.08	
<i>In Parts B thru E, adjust only for differences the subject's market values.</i>												
B.	Design, Location, Condition	Data	S Adj	Data	S Adj	Data	S Adj	Data	S Adj	Data	S Adj	
6	Structure / Stories	WU/2	WU/2	WU/3		WU/2		WU/2		WU/3		
7	Yr. Built/Yr. Renovated	1974/2004	1979	\$7	1988	\$9	1989	\$9	1969	\$8	1982	\$7
8	Condition /Street Appeal	A/G	A		A		A		A		A	
9	Neighborhood	A			A				A			
10	Same Market? Miles to Subj		Y/5.7	\$15	Y/2.9	\$20	Y/2.5	\$20	Y/6.1	\$15	Y/2.8	\$20
C.	Unit Equipment/ Amenities	Data	S Adj	Data	S Adj	Data	S Adj	Data	S Adj	Data	S Adj	
11	# Bedrooms	1	1		1		1		1		1	
12	# Baths	1	1		1		1		1		1	
13	Unit Interior Sq. Ft.	593	598		735	(\$71)	790	(\$99)	672	(\$40)	675	(\$41)
14	Balcony/ Patio	N	N		Y	(\$5)	Y	(\$5)	N		Y	(\$5)
15	AC: Central/ Wall	C	C		C		C		C		C	
16	Range/ refrigerator	RF	RF		RF		RF		RF		RF	
17	Microwave/ Dishwasher	N	D	(\$5)	D	(\$5)	MD	(\$10)	D	(\$5)	D	(\$5)
18	Washer/Dryer	L	L		L HU		L HU		WD	(\$10)	L	
19	Floor Coverings	VC	C		C		C		HW	(\$5)	C	
20	Window Coverings	B	B		B		B		B		B	
21	Cable/ Satellite/Internet	CI	CI		CI		CI		CI		CI	
22	Special Features	N	N		N		N		N		N	
23												
D	Site Equipment/ Amenities	Data	S Adj	Data	S Adj	Data	S Adj	Data	S Adj	Data	S Adj	
24	Parking (S Fee)	L	L		L		L		L		L	
25	Extra Storage	N	N		Y	(\$5)	N		N		Y	(\$5)
26	Security	Y	N	\$10	N	\$10	N	\$10	N	\$10	N	\$10
27	Clubhouse/ Meeting Rooms	MR	N	\$10	C		MR		N	\$10	N	
28	Pool/ Recreation Areas	R	PR	(\$10)	PE	(\$20)	PR	(\$10)	PR	(\$10)	R	
29	Business Center	B	N	\$5	N	\$5	N	\$5	N	\$5	N	\$5
30	Service Coordination	N	N		N		N		N		N	
31	Non-shelter Services	N	N		N		N		N		N	
32	Neighborhood Networks	Y	N	\$40	N	\$40	N	\$40	N	\$40	N	\$40
E.	Utilities	Data	S Adj	Data	S Adj	Data	S Adj	Data	S Adj	Data	S Adj	
33	Heat (in rent?/ type)	Y/Gas	N/Elec.	\$25	N/Gas	\$12	N/Elec.	\$25	N/Gas	\$12	N/Elec.	\$25
34	Cooling (in rent?/ type)	Y	N	\$7	N	\$7	N	\$7	N	\$7	N	\$7
35	Cooking (in rent?/ type)	Y/Gas	N/Elec.	\$4	N/Gas	\$2	N/Elec.	\$4	N/Gas	\$4	N/Elec.	\$4
36	Hot Water (in rent?/ type)	Y/Gas	N/Elec.	\$13	N/Gas	\$6	N/Elec.	\$13	N/Gas	\$13	N/Elec.	\$13
37	Other Electric	Y	N	\$15	N	\$15	N	\$15	N	\$15	N	\$15
38	Cold Water/ Sewer	Y	Y		N/Y	\$22	N/N	\$49	N/Y	\$22	Y	
39	Trash/Recycling	Y	Y		Y		Y		Y		Y	
F.	Adjustments Recap	Pos	Neg		Pos	Neg		Pos	Neg		Pos	Neg
40	# Adjustments B to D	6	2		5	5	4	6	5	5	4	
41	Sum Adjustments B to D	\$87	(\$15)		\$84	(\$106)		\$88	(\$70)		\$82	(\$56)
42	Sum Utility Adjustments	\$64			\$64			\$73			\$64	
	Net	Gross		Net	Gross		Net	Gross		Net	Gross	
43	Net/ Gross Adjustments B to E	\$136	\$166		\$42	\$254		\$74	\$321		\$92	\$202
G.	Adjusted & Market Rents	Adj. Rent		Adj. Rent		Adj. Rent		Adj. Rent		Adj. Rent		
44	Adjusted Rent (5+ 43)	\$831		\$892		\$964		\$857		\$820		
45	Adj Rent/Last rent		120%		105%		108%		112%		112%	
46	Estimated Market Rent	\$915	\$1.54	← Estimated Market Rent/ Sq. Ft								
Appraiser's Signature		Date		Attached are explanations of:				a. why & how each adjustment was made b. how market rent was derived from adjusted rents c. how this analysis was used for a similar unit type				
		5/4/2018										

**SUMMARY OF MARKET BASED RENTALS – TWO BEDROOM**

Rent Comparability Grid											
Subject		Unit Type →		Two Bedroom				Subject's FHA #:			
Subject		Comp #1		Comp #2		Comp #3		Comp #4		Comp #6	
Henrico Arms 1664 Henrico Arms Place Richmond Henrico		Cedarwood Manor 10 Shawn Court Henrico		Laurel Pines 4123 East Wood Harbor Court Henrico		Lakefield Mews 4431 Lakefield Mews Drive Henrico		Highland Woods 509 Beal Street Henrico		Villas at Oakland Chase 6416 Oak Front Court Henrico	
Rents Charged		Data	S Adj	Data	S Adj	Data	S Adj	Data	S Adj	Data	S Adj
1	\$ Last Rent / Restricted?	\$760		\$1,000		\$1,040		\$895		\$975	
2	Date Last Leased (mo/yr)	May-18		May-18		May-18		May-18		May-18	
3	Rent Concessions	N		N		N		N		N	
4	Occupancy for Unit Type	95%		96%		95%		96%		97%	
5	Effective Rent & Rent/ sq. ft	\$760	0.93	\$1,000	1.04	\$1,040	1.22	\$895	0.98	\$975	0.98
In Parts B thru E, adjust only for differences the subject's market values.											
B. Design, Location, Condition		Data	S Adj	Data	S Adj	Data	S Adj	Data	S Adj	Data	S Adj
6	Structure / Stories	WU/2	WU/2	WU/3		WU/2		WU/2		WU/3	
7	Yr. Built/Yr. Renovated	1974/2004	1979	1988	\$10	1989	\$10	1969	\$9	2006	
8	Condition /Street Appeal	A/G	A	A		A		A		A/G	
9	Neighborhood	A	A	A		A		A		A	
10	Same Market? Miles to Subj	Y/5.7	\$15	Y/2.9	\$20	Y/2.5	\$20	Y/6.1	\$15	Y/1.9	
C. Unit Equipment/ Amenities		Data	S Adj	Data	S Adj	Data	S Adj	Data	S Adj	Data	S Adj
11	# Bedrooms	2	2	2		2		2		2	
12	# Baths	1	1	2	(\$25)	1		1		2	(\$25)
13	Unit Interior Sq. Ft.	757	\$17	960	(\$102)	852	(\$48)	910	(\$77)	1000	(\$122)
14	Balcony/ Patio	N	N	Y	(\$5)	Y	(\$5)	N		Y	(\$5)
15	AC: Central/ Wall	C	C	C		C		C		C	
16	Range/ refrigerator	RF	RF	RF		RF		RF		RF	
17	Microwave/ Dishwasher	N	D	D	(\$5)	MD	(\$10)	D	(\$5)	MD	(\$10)
18	Washer /Dryer	L	L	L HU		L HU		WD	(\$10)	L HU	
19	Floor Coverings	VC	C	C		C		HW	(\$5)	C	
20	Window Coverings	B	B	B		B		B		B	
21	Cable/ Satellite/Internet	CI	CI	CI		CI		CI		CI	
22	Special Features	N	N	N		N		N		N	
D. Site Equipment/ Amenities		Data	S Adj	Data	S Adj	Data	S Adj	Data	S Adj	Data	S Adj
24	Parking ( \$ Fee)	L	L	L		L		L		L	
25	Extra Storage	N	N	Y	(\$5)	N		N		Y	(\$5)
26	Security	Y	N	\$10		N	\$10	N	\$10	N	\$10
27	Clubhouse/ Meeting Rooms	MR	N	C		MR		N	\$10	C	
28	Pool/ Recreation Areas	R	PR	PE	(\$20)	PR	(\$10)	PR	(\$10)	PE	(\$20)
29	Business Center	B	N	\$5		N	\$5	N	\$5	Y	
30	Service Coordination	N	N	N		N		N		N	
31	Non-shelter Services	N	N	N		N		N		N	
32	Neighborhood Networks	Y	N	\$40		N	\$40	N	\$40	N	\$40
E. Utilities		Data	S Adj	Data	S Adj	Data	S Adj	Data	S Adj	Data	S Adj
33	Heat (in rent?/ type)	Y/Gas	N/Elec.	\$32		N/Gas	\$15	N/Elec.	\$32	N/Gas	\$15
34	Cooling (in rent?/ type)	Y	N	\$9		N	\$9	N	\$9	N	\$9
35	Cooking (in rent?/ type)	Y/Gas	N/Elec.	\$5		N/Gas	\$3	N/Elec.	\$5	N/Gas	\$3
36	Hot Water (in rent?/ type)	Y/Gas	N/Elec.	\$16		N/Gas	\$7	N/Elec.	\$16	N/Gas	\$7
37	Other Electric	Y	N	\$19		N	\$19	N	\$19	N	\$19
38	Cold Water/ Sewer	Y	Y	N/Y	\$29	N/N	\$63	N/Y	\$29	N/N	\$63
39	Trash /Recycling	Y	Y	Y		Y		Y		Y	
F. Adjustments Recap		Pos	Neg	Pos	Neg	Pos	Neg	Pos	Neg	Pos	Neg
40	# Adjustments B to D	6	3	5	6	5	4	6	5	2	6
41	Sum Adjustments B to D	\$88	(\$45)	\$85	(\$162)	\$85	(\$73)	\$89	(\$107)	\$50	(\$187)
42	Sum Utility Adjustments	\$81		\$82		\$144		\$82		\$144	
Net/ Gross Adjustments B to E		Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross
43		\$124	\$214	\$6	\$329	\$157	\$302	\$65	\$278	\$8	\$381
G. Adjusted & Market Rents		Adj. Rent		Adj. Rent		Adj. Rent		Adj. Rent		Adj. Rent	
44	Adjusted Rent (5+ 43)	\$884		\$1,006		\$1,197		\$960		\$983	
45	Adj Rent/Last rent		116%		101%		115%		107%		101%
46	Estimated Market Rent	\$1,050	\$1.39	← Estimated Market Rent/ Sq. Ft.							
Appraiser's Signature		Date		Attached are explanations of:				a. why & how each adjustment was made b. how market rent was derived from adjusted rents c. how this analysis was used for a similar unit type			
Grid was prepared:		<input type="checkbox"/> Manually <input checked="" type="checkbox"/> Using HUD's Excel form		form HUD-92273-S8 (04/2002)							

**SUMMARY OF MARKET BASED RENTALS – THREE BEDROOM**

Rent Comparability Grid												Unit Type → Three Bedroom		Subject's FHA #:	
Subject		Data	Comp #1		Comp #2		Comp #3		Comp #4		Comp #6				
Henrico Arms 1664 Henrico Arms Place Richmond Henrico		on Subject	Cedarwood Manor 10 Shawn Court Henrico		Laurel Pines 4123 East Wood Harbor Court Henrico		Lakefield Mews 4431 Lakefield Mews Drive Henrico		Highland Woods 509 Beal Street Henrico		Villas at Oakland Chase 6416 Oak Front Court Henrico				
Rents Charged			Data	S Adj	Data	S Adj	Data	S Adj	Data	S Adj	Data	S Adj			
1	\$ Last Rent / Restricted?		\$1,015		\$1,190		\$1,220		\$1,030		\$1,250				
2	Date Last Leased (mo/yr)		May-18		May-18		May-18		May-18		May-18				
3	Rent Concessions		N		N		N		N		N				
4	Occupancy for Unit Type		95%		96%		95%		96%		97%				
5	Effective Rent & Rent / sq. ft		\$1,015	1.24	\$1,190	1.05	\$1,220	0.91	\$1,030	0.95	\$1,250	1.04			
<i>In Parts B thru E, adjust only for differences the subject's market values.</i>															
B. Design, Location, Condition			Data	S Adj	Data	S Adj	Data	S Adj	Data	S Adj	Data	S Adj			
6	Structure / Stories	WU/2	WU/2		WU/3		WU/2		WU/2		WU/3				
7	Yr. Built/Yr. Renovated	1974/2004	1979	\$10	1988	\$11	1989	\$12	1969	\$10	2006				
8	Condition /Street Appeal	A/G	A		A		A		A		A/G				
9	Neighborhood	A	A		A		A		A		A				
10	Same Market? Miles to Subj		Y/5.7	\$15	Y/2.9	\$20	Y/2.5	\$20	Y/6.1	\$15	Y/1.9				
C. Unit Equipment/ Amenities			Data	S Adj	Data	S Adj	Data	S Adj	Data	S Adj	Data	S Adj			
11	# Bedrooms	3	3		3		3		3		3				
12	# Baths	1	2	(\$25)	2	(\$25)	2	(\$25)	1.5	(\$15)	2	(\$25)			
13	Unit Interior Sq. Ft.	885	817	\$34	1131	(\$123)	1334	(\$225)	1085	(\$100)	1200	(\$158)			
14	Balcony/ Patio	N	N		Y	(\$5)	Y	(\$5)	N		Y	(\$5)			
15	AC: Central/ Wall	C	C		C		C		C		C				
16	Range/ refrigerator	RF	RF		RF		RF		RF		RF				
17	Microwave/ Dishwasher	N	D	(\$5)	D	(\$5)	MD	(\$10)	D	(\$5)	MD	(\$10)			
18	Washer/Dryer	L	L		L HU		L HU		WD	(\$10)	L HU				
19	Floor Coverings	VC	C		C		C		HW	(\$5)	C				
20	Window Coverings	B	B		B		B		B		B				
21	Cable/ Satellite/Internet	CI	CI		CI		CI		CI		CI				
22	Special Features	N	N		N		N		N		N				
D. Site Equipment/ Amenities			Data	S Adj	Data	S Adj	Data	S Adj	Data	S Adj	Data	S Adj			
24	Parking (\$ Fee)	L	L		L		L		L		L				
25	Extra Storage	N	N		Y	(\$5)	N		N		Y	(\$5)			
26	Security	Y	N	\$10	N	\$10	N	\$10	N	\$10	N	\$10			
27	Clubhouse/ Meeting Rooms	MR	N	\$10	C		MR		N	\$10	C				
28	Pool/ Recreation Areas	R	PR	(\$10)	PE	(\$20)	PR	(\$10)	PR	(\$10)	PE	(\$20)			
29	Business Center	B	N	\$5	N	\$5	N	\$5	N	\$5	Y				
30	Service Coordination	N	N		N		N		N		N				
31	Non-shelter Services	N	N		N		N		N		N				
32	Neighborhood Networks	Y	N	\$40	N	\$40	N	\$40	N	\$40	N	\$40			
E. Utilities			Data	S Adj	Data	S Adj	Data	S Adj	Data	S Adj	Data	S Adj			
33	Heat (in rent?/ type)	Y/Gas	N/Elec.	\$40	N/Gas	\$19	N/Elec.	\$40	N/Gas	\$19	N/Elec.	\$40			
34	Cooling (in rent?/ type)	Y	N	\$11	N	\$11	N	\$11	N	\$11	N	\$11			
35	Cooking (in rent?/ type)	Y/Gas	N/Elec.	\$6	N/Gas	\$3	N/Elec.	\$6	N/Gas	\$3	N/Elec.	\$6			
36	Hot Water (in rent?/ type)	Y/Gas	N/Elec.	\$20	N/Gas	\$9	N/Elec.	\$20	N/Gas	\$9	N/Elec.	\$20			
37	Other Electric	Y	N	\$23	N	\$23	N	\$23	N	\$23	N	\$23			
38	Cold Water/ Sewer	Y	Y		N/Y	\$35	N/N	\$77	N/Y	\$35	N/N	\$77			
39	Trash/ Recycling	Y	Y		Y		Y		Y		Y				
F. Adjustments Recap			Pos	Neg	Pos	Neg	Pos	Neg	Pos	Neg	Pos	Neg			
40	# Adjustments B to D		7	3	5	6	5	5	6	6	2	6			
41	Sum Adjustments B to D		\$124	(\$40)	\$86	(\$183)	\$87	(\$275)	\$90	(\$145)	\$50	(\$223)			
42	Sum Utility Adjustments		\$100		\$100		\$177		\$100		\$177				
			Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross			
43	Net/ Gross Adjustments B to E		\$184	\$264	\$3	\$369	(\$11)	\$539	\$45	\$335	\$5	\$450			
G. Adjusted & Market Rents			Adj. Rent		Adj. Rent		Adj. Rent		Adj. Rent		Adj. Rent				
44	Adjusted Rent (5+ 43)		\$1,199		\$1,193		\$1,210		\$1,075		\$1,255				
45	Adj Rent/Last rent			118%		100%		99%		104%		100%			
46	Estimated Market Rent	\$1,200	\$1.36	← Estimated Market Rent/ Sq. Ft											
Appraiser's Signature		Date	Attached are explanations of:				a. why & how each adjustment was made b. how market rent was derived from adjusted rents c. how this analysis was used for a similar unit type								
		5/4/2018													
			Grid was prepared: <input type="checkbox"/> Manually <input checked="" type="checkbox"/> Using HUD's Excel form				form HUD-92273-88 (04/2002)								

An adjustment of \$0.50 per square foot was applied for differences in square footage. Additional adjustments were applied for market area, condition, bathrooms, kitchen amenities, laundry, floor covering, project amenities, and utilities. The subject property offers an after school program, as well as organized activities and summer programs. Babysitters can typically charge \$8-\$10 per hour for after school care. Although not all residents will take advantage of this service, this is an attractive amenity for the subject. Therefore, a larger than typical adjustment was warranted for the subject's neighborhood networks.

**AFFORDABLE HOUSING (CONT.)**

**CONCLUSIONS**

The tenants would not pay for any utilities in addition to their rent. Our concluded market rents for the subject are as follows:

**CONCLUDED MARKET RENTS**

# of Units	Unit Type	Rooms	Est. Sq. Ft.	Monthly Rent	Rent/Sq. Ft.	Rent/Room
72	1 BR	3	593	\$915	\$1.54	\$305
116	2 BR	4	757	\$1,050	\$1.39	\$263
44	3 BR	5	885	\$1,200	\$1.36	\$240

We have reviewed the income needed to afford market based apartments in the trade area as follows:

**PRIMARY TRADE AREA – MARKET BASED APARTMENTS**

	Type	Market Rent*	Income Needed to Afford	Hourly Wage Needed to Afford
Primary Trade Area	1 BR	\$915	\$36,600	\$17.60
	2 BR	\$1,050	\$42,000	\$20.19
	3 BR	\$1,200	\$48,000	\$23.08

\*Based on conclusion of Market Rent

**PRIMARY TRADE AREA HOUSEHOLDS UNABLE TO AFFORD AN APARTMENT**

Unit Type	Estimated Percentage Unable to Afford	Number of Households Unable to Afford
1 Bedroom	27.53%	137,686
2 Bedroom	33.33%	166,686
3 Bedroom	39.93%	199,686

The previous tables reflect market rents in the primary trade area. There is a sizable amount of households who cannot afford to rent a market based apartment in this area. In our primary trade area, about 27% of the households are unable to afford the market rent on a one bedroom apartment, about 33% cannot afford the market rent on a two bedroom apartment and about 39% cannot afford the market rent on a three bedroom apartment. This is a sizable amount and there definitely is a need for affordable housing units in the primary trade area.

Per the Virginia Housing Development Authority, median household income level for the Richmond MSA is \$78,700. The LIHTC income limits are as follows:





## **AFFORDABLE HOUSING (CONT.)**

There is a total of about 6,422 low-moderate income rental units in the immediate area that would be competitive with the subject property. Per an article appearing in *The Richmond Sun* dated May 4, 2018, Community Housing Development Corporation broke ground recently on a 42 unit multifamily affordable complex between Grove and Chesley Avenues in Richmond, called Heritage Point.

*The Richmond Times-Dispatch* reported on May 24, 2018 that rents in portions of Richmond have risen more than 30% since 2012. The article points to a growing population and states that rents are likely to increase even further as demand continues to increase. Kathryn Howell, of VCU states that there is a planned redevelopment around the Richmond Coliseum, with affordable housing as a priority. However, she states the language in the proposal is very vague and does not have a defined number of units. Richmond Redevelopment and Housing Authority did recently receive nearly \$11 million through HUD's Public Housing Capital Fund, part of a \$43 million sum for use in the state of Virginia.

Given the foregoing demographic information, there is a need for additional affordable housing in the area. A high percentage of the population in this area are renters and most of the current housing stock is older. Per property management, there is a 2 year wait list for the subject's units. As new projects come on line, management will have to be diligent and aggressive in marketing the subject property in order to compete with this new construction.

## **SUMMARY OF LIHTC PROJECTS**

Apartments at Kingsridge, Kingsridge Road, Richmond – 72 unit project. Units are a mix of 2 bedroom/2 bath and 3 bedroom/2 bath. Rents start at \$690 for a two bedroom and \$795 for a three bedroom. Project is currently under construction. All apartments will have washer and dryer connections. Project is slated to be completed in October 2018.

Ashland Woods, 1100 W Omni Terrace, Ashland – Property has 150 townhouse style 2 and 3 bedroom units. Rents for the two bedroom are \$905 per month and the three bedrooms are \$1,008 per month. Property has a pool, playground and tennis court. There are laundry facilities and kitchens have dishwashers.

Audubon Village, 4901 Wood Thursh Circle, Richmond – 160 unit project consisting of 2 and 3 bedroom units. Project has pool, fitness center, playground, business center, clubhouse and laundry rooms. Units have patios/balconies, dishwashers and washer/dryer hookups.

Beaverdam Creek, 7264 Cold Harbor Road, Mechanicsville – This project is an affordable housing community with 120 units. Property has 2 and 3 bedroom units. Each unit has two full baths. Parking is available. Two bedroom rents are reported to be \$977 per month and three bedroom rents are reported to be \$1,126 per month. Property has a pool, fitness center, playground and clubhouse. Units have dishwashers.

Broadwater I, 15419 Broadwater Way, Chester, VA – 150 unit LIHTC project with three and four bedroom units. Management reported that rent for the three bedroom, 2.5 bath unit is \$1,125 per month and rent for the 4 bedroom, 2.5 bath unit is \$1,263 per month. There are no 4 bedroom units currently available.

## **AFFORDABLE HOUSING COMPETITION (CONT.)**

### **SUMMARY OF LIHTC PROJECTS (CONT.)**

Brook Creek Crossings, 700 Colton Creek Road, Midlothian – 70 unit LIHTC project. The project has 1, 2, 3 and 4 bedroom units. Built in 2014, the project has a business center, clubhouse, pool, fitness center and playground. One bedroom units are reportedly \$520, two bedroom two bath units are reportedly \$800 and three bedroom two bath units are reportedly \$895.

Chickahominy Bluff, 7800 Sporting Lane, Mechanicsville –120 unit LIHTC project. The project has 2 and 3 bedroom units. Built in 1996 they have a clubhouse, pool, fitness center, laundry facilities, playground, dishwasher, central heat & air. The studio units are 715 square feet and had a LIHTC rent of \$760 per month. The 2 bedroom, 2 bath units are 1,000 square feet and had a rent of \$972 per month. The 3 bedroom, 2 bath units are 1,320 square feet and had a rent of \$1,121.

Colonial Ridge Apartments, 15101 Lorimer Road, Colonial Heights –This property is comprised of 192 units. The remaining 100 units are from the neighboring complex called The Glen at Colonia Heights. The property was recently renovated and 2018 planned renovations include a pool, clubhouse, business center, fitness center, playground, basketball court and bark park. There are 2 and 3 bedroom units in this complex and each unit has washers and dryers.

Coventry Gardens, 211 Newbridge Circle, Richmond – 102 unit LIHTC apartment complex. 2 bedroom, 1 bath units are 850 square feet and 3 bedroom, 1 bath units are 950 square feet. Property was built in 1970, renovated in 2010 and has hardwood floors and laundry facilities.

Creekpointe, 14600 Creekpointe Circle, Midlothian - 214 unit LIHTC project. The project has 2 and 3 bedroom units. Built in 2003 they have on-site parking. Rents are \$950 for the 2 bedroom, 2 bath unit and \$1,060 for the 3 bedroom, 2 bath unit.

Glenns at Millers Lane, 4700 Millers Lane Richmond – 144 unit LIHTC project. The project has 2 and 3 bedroom units. Built in 2000 they have a pool, playground and laundry room. Rent for the 2 bedroom 2 bath unit is reportedly \$930 per month. Rent for the 3 bedroom 2 bath unit is reportedly \$1,050 per month.

Glenwood Farms, 3753 Bolling Road, Richmond – 294 unit LIHTC project. The project has 1, 2 and 3 bedroom units. Built in 1948 they have a playground, day care and laundry room.

Newbridge Village, 313 Newbridge Road, Richmond – 152 unit project. This project has a project-based Section 8 contract and is part of the LIHTC program with restricted rents. The project has 1, 2 and 3 bedroom units. Built in 1982 they have on-site parking and a pool. One bedroom units are 700 square feet, 2 bedroom 1 bath units are 800 square feet and 3 bedroom 1 bath units are 950 square feet.

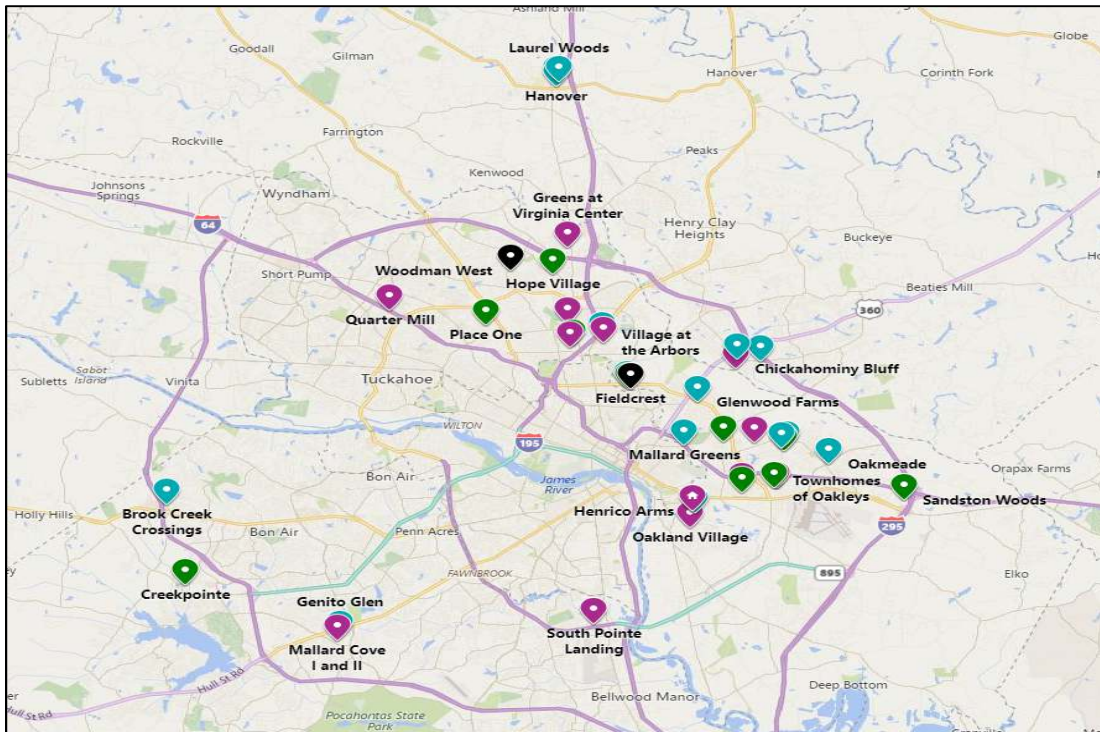
Quarter Mill, 3000 Quarter Creek Lane, Richmond – 266 unit LIHTC project. The project has 1 and 2 bedroom units. Built in 1991 they have on-site parking, dishwashers, washers and dryers in the units, storage units, pool, playground and tennis court. One bedroom units are 664 square feet and rent starts at \$795 per month. Two bedroom units are 957 square feet and the rent starts at \$910 per month.

**AFFORDABLE HOUSING COMPETITION (CONT.)**

**SUMMARY OF LIHTC PROJECTS (CONT.)**

Williamsburg Village, 1634A Thalia Crescent – 140 unit LIHTC project. The project has 1, 2 and 3 bedroom units. Built in 1972 they have on-site parking, laundry facilities, multi-use room, business center and playground. One bedroom units are 792 square feet, two bedroom units are 860 square feet and three bedroom units are 1,100 square feet.

A map of the subject and competing properties is presented as follows:



The market penetration level of the project was analyzed as follows:

	Households		Saturation Rates		
			Without Subject 6,422 Apt. Units	With Subject 6,654 Apt. Units	Subject Only 232 Apt. Units
<b>2010 Households</b>					
Total	468,524	-	1.37%	1.42%	0.05%
Income Qualified	93,705	20%	6.85%	7.10%	0.25%
<b>2017 Households</b>					
Total	500,088	-	1.28%	1.33%	0.05%
Income Qualified	100,018	20%	6.42%	6.65%	0.23%
<b>2022 Households</b>					
Total	527,867	-	1.22%	1.26%	0.04%
Income Qualified	105,573	20%	6.08%	6.30%	0.22%

The saturation rate reflects 6.65% which is considered reasonable.

**AFFORDABLE HOUSING (CONT.)**

We have also further analyzed the trade areas based on the VHDA guidelines. There are 500,088 total households in the immediate trade area and this is expected to grow by 27,779 households over the next five years. The number of renter households in the trade area is 130,800. The total estimated qualifying households in the 40% AMI is 37,432, 50% of AMI is 51,550, 60% of AMI is 66,355, market rate is 100,185 and the subject project is 31,584.

We have utilized demographic data from ESRI. Based on this data, the number of households is expected to increase and the City is expected to gain households with incomes over \$100,000. In the trade area, about 27 to 39% of the households are unable to afford the market rent (depending on unit type). Households who pay more than 30% percent of their gross income are rent overburdened. In Virginia, a household making less than \$3,000 a month (\$36,000 per year) would be considered overburdened. About 27% of the households in the trade area are overburdened. Although, we do not have data we have estimated that about 1% of the demand will come from households that currently live in substandard housing.

There are currently 195,359 elderly persons (over 65 years) in the trade area. This represents 15.1% of the population. Since the project will be newly renovated and some seniors will likely sell their home as they retire in order to have a carefree and no maintenance lifestyle we have also estimated a 5% demand from elderly households.

The subject project consists of 232 units and based on the existing tenants we estimated that about 180 to 190 tenants will be retained after the renovations. The current supply of units in this market is 6,422. Our analysis of the net demand was limited to the following:

<b>Income Restrictions</b>					
	<b>Up to 40%</b>	<b>Up to 50%</b>	<b>Up to 60%</b>	<b>Market Rate</b>	<b>Project Total</b>
New Rental Households	0	0	0	27,779	0
Existing Rental Households - Overburdened	10,107	13,919	17,916	27,050	8,528
Existing Households - Substandard Housing	374	516	664	1,002	316
Elderly Households - Likely to Convert to Rental Housing	1,872	2,578	3,318	5,009	1,579
Existing Qualifying Tenants - To Remain After Renovation	161	170	175	140	232
<b>Total Demand</b>	<b>12,514</b>	<b>17,182</b>	<b>22,072</b>	<b>60,980</b>	<b>10,655</b>
Supply (includes directly comparable vacant units completed or in pipeline in PMA)	6,422	6,422	6,422	6,422	6,422
<b>Net Demand</b>	<b>6,092</b>	<b>10,760</b>	<b>15,650</b>	<b>54,558</b>	<b>4,233</b>
Proposed Units	0	0	0	0	0
<b>Capture Rate</b>	<b>3.81%</b>	<b>2.16%</b>	<b>1.48%</b>	<b>0.43%</b>	<b>5.48%</b>
Absorption Period - Months	-	-	-	-	23

## **CONCLUSIONS**

A review of the subject's strengths and weaknesses is as follows:

### **Strengths**

- Subject property is centrally located in close proximity to downtown Richmond, shopping, medical centers, schools and recreational facilities
- Subject property has good access to public transportation; there is a bus stop within the subject complex
- Units are of adequate size and design to attract potential renters
- Subject property offers after school care and activities. This is an amenity not seen in much of the competition in the area
- There is good demand for subsidized housing in this market, with an estimated 27% of households overburdened. Wait list is estimated by management to be approximately 2 years long, and is currently closed.

### **Weaknesses**

- There is currently a push to build more affordable housing in the area. The subject property will have to maintain aggressive management and adequate maintenance to compete with newly constructed properties.

Overall, the subject property's location near downtown Richmond makes it attractive to potential renters. The subject property is located just east of the main City center and has good access to public transportation into the city. There is good demand for housing in the immediate area, and based on demographic information, there should be continued demand for affordable housing in the subject's market area for the foreseeable future. With competent management and aggressive marketing, we feel the subject should continue to perform well in the market.

## CERTIFICATION

Tony F. Kamand Jr., MAI and Jacqueline Marmur certify to the best of their knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and our personal, impartial, unbiased professional analyses, opinions and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest with respect to the parties involved.
4. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. We will maintain confidentiality and privacy of customer/client information obtained during the course of this assignment.
6. Our engagement in this assignment was 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 use of this appraisal.
7. Our compensation for the preparation of this report is not in any way contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, or a minimum valuation, the attainment of a stipulated result, the approval of a loan, or the occurrence of a subsequent event.
8. Our analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute and the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation.
9. We have made a personal inspection of the property that is the subject of this report.
10. No one provided significant professional assistance to the undersigned in the preparation of the analyses, conclusions and opinions concerning real estate that are set forth in this appraisal report. Tony Kamand Jr., MAI takes full responsibility for any assistance relied upon by a professional who did co-sign this report.
11. We comply with the Competency Provision in USPAP as adopted in FIRREA and have sufficient education and experience to perform the appraisal of the subject property.
12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
13. It should be noted that we have performed an appraisal on the subject property on September 20, 2016.
14. The undersigned will be responsive to any inquiries during any review process that are part of this assignment. In addition, if contacted by the client's loan production staff (if applicable) we will immediately direct the inquiry to the client's appraiser or their designee of said inquiry.
15. As of the date of this report, Tony F. Kamand Jr. has completed the requirements under the continuing education program of the Appraisal Institute, and is currently a state certified general real estate appraiser in the state in which the subject of this report is located.



Tony F. Kamand Jr., MAI  
VA Temporary Permit No. 4005018607



Jacqueline Marmur  
NJ Certified General Real Estate Appraiser, No. RG-2523

## UNDERLYING ASSUMPTIONS AND LIMITING CONDITIONS

This specific appraisal report is subject to the following underlying assumptions and limiting conditions:

1. No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
2. There are no existing judgments or pending or threatened litigation, which could affect the value of the property.
3. The property is appraised free and clear of any liens and encumbrances unless otherwise stated.
4. Responsible ownership and competent property management are assumed.
5. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.
6. All engineering studies are assumed to be correct. Any illustrative material in this report is included only to help the reader visualize the property.
7. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.
8. It is assumed that the property is in full compliance with all federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described, and considered in the appraisal report.
9. It is assumed that the property conforms to all applicable zoning and use regulations and restrictions unless nonconformity has been identified, described and considered in the appraisal report.
10. It is assumed that all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
11. It is assumed that the use of the land and improvements is confined within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.
12. Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, and other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.
13. Any allocation of the total value estimated in this report between the land and the improvements applies only under the stated program of utilization. The separate values allocated to the land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
14. An appraisal is inherently subjective and represents only an estimate of a property's fair market value.
15. No environmental impact studies were conducted in conjunction with this appraisal, and our value opinions are subject to revision based upon any such studies. If any environmental impact statement is required by law, the appraisal assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
16. Any income and expense estimates contained in this appraisal are used only for the purpose of estimating current fair market value and do not constitute predictions of future operating results.
17. Possession of this report, or a copy thereof, does not carry with it the right of publication.



## UNDERLYING ASSUMPTIONS AND LIMITING CONDITIONS

18. The appraiser, by reason of this appraisal, is not required to give further consultation or testimony or to be in attendance in court with reference to the property in question unless arrangements have been previously made.
19. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraiser.
20. Any value estimates provided in the report apply to the entire property, and any proration or division of the total into fractional interests will invalidate the value estimate, unless such proration or division of interests has been set forth in the report.
21. Any 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.
22. The forecasts, projections, or estimates contained herein are based on current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to changes with future conditions.
23. We reserve the right to require, as a condition to our rendering an opinion as to value, the engagement of professional experts in certain disciplines. The engagement of any such expert and the compensation of such expert shall be solely the responsibility of the client.
24. The value found herein is subject to these and to any other assumptions or conditions set forth in the body of this report but which may have been omitted from these Underlying Assumptions and Limiting Conditions.
25. This appraisal is made with the understanding that the subject can obtain a negative declaration from the Department of Environmental Protection pursuant to the regulations and requirements of the Environmental Cleanup Responsibility Act of 1983 (ECRA), as amended. This act requires as a pre-condition of any cessation of operation or the transfer of real property, which used or stored regulated hazardous substances, the testing, cleanup and disposal of any such material. The appraisers are not qualified to determine the existence of any such hazardous material and therefore, have expressed a value of the subject property as if free and clear of any such substances.
26. In conjunction with the preceding paragraph, the appraisers have not been apprised of, nor are they qualified to ascertain, the existence of Radon, a radioactive gas that occurs naturally in the soil of certain identified areas. This gas, in concentrated form has been shown to be detrimental and its existence would create a negative impact on value. As in the above instance, the value estimate assumes the subject is free and clear of Radon gas.
27. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the act. If so, this fact could have a negative effect upon the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible noncompliance with the requirements of the ADA in estimating the value of the subject.

The Appraisal Institute conducts a continuing education program for its designated members. Tony F. Kamand Jr., MAI is currently certified under this program.

# ADDENDA

**INTERIOR AND ADDITIONAL PHOTOGRAPHS OF SUBJECT PROPERTY**



View of typical living room



View of typical living room



View of typical living room



View of typical kitchen



View of typical kitchen



View of typical kitchen

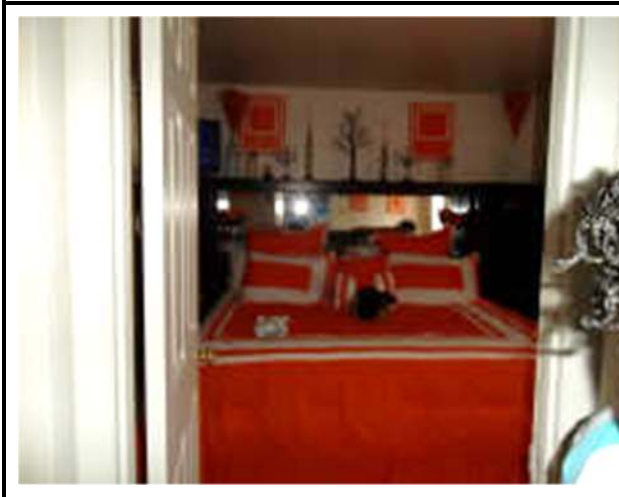
**INTERIOR AND ADDITIONAL PHOTOGRAPHS OF SUBJECT PROPERTY (CONT.)**



View of typical kitchen



View of typical bedroom



View of typical bedroom



View of typical bathroom



View of typical bathroom



View of typical bathroom

**INTERIOR AND ADDITIONAL PHOTOGRAPHS OF SUBJECT PROPERTY (CONT.)**



View of typical bathroom



View of typical hallway in unit



View of typical interior stairwell



View of management office



View of community room/day care



View of typical laundry room

## Multi-Family Lease No. 1



Property Identification					
<b>Record ID</b>	28012				
<b>Property Name</b>	Cedarwood Manor				
<b>Location</b>	10 Shawn Court, Highland Spring, Virginia 23075				
<b>County / Borough</b>	Henrico				
<b>Assessor's Parcel #</b>	827-719-2142				
<b>Owner</b>	Fairlawn Garden Association c/o MGC MTG Inc Esc Adm				
Verification					
<b>Lease Date Verification</b>	05-15-2018	<b>Confirmed By</b>	Mikey Bruno		
<b>Verification Name</b>	Amanda - Broker at Belvidere Management	<b>Phone Number</b>	804-737-6801		
<b>Occupancy</b>	95.0%				
Physical Data					
<b>Property Type</b>	Garden, Low-Rise	<b>Stories</b>	2	<b>Elevators</b>	No
<b>Total Units in Project</b>	152	<b>Year Built</b>	1979	<b>Condition</b>	Average
<b>Land Size (Acres / SF)</b>	11.061 / 481,817				
<b>Parking</b>	Lined Spaces				
Project / Unit Amenities, Kitchen Equipment & Tenant Expenses					
<i>Project Amenities</i>					
<b>Storage</b>	No	<b>Fitness</b>	No	<b>Concierge</b>	No
<b>Intercom</b>	Buzzer	<b>Community Room</b>	No	<b>Computer Center</b>	No
<b>Security Patrol</b>	No	<b>Playground / Picnic Area</b>	Yes / No	<b>Business Center</b>	No
<b>Security Cameras</b>	No	<b>Courtyard</b>	No	<b>On-Site Management</b>	No
<b>Clubhouse</b>	No	<b>Basketball Court</b>	No	<b>Tennis Cts./Ind.-Outdoor</b>	No/No
<b>No. Outdoor Pools</b>	1	<b>No. Indoor Pools</b>	0		
<b>Non-Shelter Services</b>	No	<b>Neighborhood Network</b>	No	<b>Service Coordination</b>	No
<i>Unit Amenities</i>					
<b>Balcony/Patio</b>	Yes	<b>Laundry room</b>	Yes	<b>CAC</b>	central
<b>Floor Coverings</b>	Carpet	<b>W/D Hook Ups</b>	No	<b>Fireplace</b>	No
<i>Kitchen Equipment</i>					
<b>Stove</b>	Yes	<b>Dishwasher</b>	Yes		
<b>Refrigerator</b>	Yes	<b>Microwave</b>	No		
<b>Disposal</b>	Yes				
<i>Tenant Expenses</i>					
<b>Tenant Pays Heat</b>	Yes	<u>Type</u> Electric	<b>Tenant Pays Cold Water</b>	No	
<b>Tenant Pays Cooking</b>	Yes	Electric	<b>Tenant Pays Sewer</b>	No	
<b>Tenant Pays Hot Water</b>	Yes	Electric	<b>Tenant Pays Trash</b>	No	
<b>Tenant Pays Electric</b>	Yes		<b>Tenant Pays Cable</b>	Yes	
Remarks, Unit Mix & Rentals					

Unit Description	Unit Type	Units	Unit Mix		Avg Rent/Mo	Total Rent	Rent/SF	% of Total
			Avg Unit SF	Total SF				
3-1-1	1 Bd 1.0 Ba	16	598	9,568	\$695	\$11,120	\$1.16	11%
4-1-1(w/den)	1 Bd 1.0 Ba	8	817	6,536	\$748	\$5,984	\$.92	5%
4-2-1	2 Bd 1.0 Ba	74	817	60,458	\$760	\$56,240	\$.93	49%
5-2-1(w/den)	2 Bd 1.5 Ba	14	910	12,740	\$845	\$11,830	\$.93	9%
5-3-2	3 Bd 2.0 Ba	40	1,023	40,920	\$1,015	\$40,600	\$.99	26%

## Multi-Family Lease No. 2



Property Identification					
<b>Record ID</b>	28015				
<b>Property Name</b>	Laurel Pines				
<b>Location</b>	4123 East Wood Harbor Court, Henrico County, Virginia 23231				
<b>County / Borough</b>	Henrico				
<b>Assessor's Parcel #</b>	814-716-7303				
<b>Owner</b>	Laurel Pines United LLC				
Verification					
<b>Lease Date Verification</b>	05-15-2018	<b>Confirmed By</b>	Mikey Bruno		
<b>Verification Name</b>	Tammy - Rental Agent	<b>Phone Number</b>	804-222-3482		
<b>Occupancy</b>	96.0%				
Physical Data					
<b>Property Type</b>	Multifamily	<b>Stories</b>	3	<b>Elevators</b>	No
<b>Total Units in Project</b>	120	<b>Year Built</b>	1988	<b>Condition</b>	Average
<b>Land Size (Acres / SF)</b>	6.380 / 277,913				
<b>Parking</b>	Lined Spaces				
Project / Unit Amenities, Kitchen Equipment & Tenant Expenses					
<i>Project Amenities</i>					
<b>Storage</b>	Yes	<b>Fitness</b>	Yes	<b>Concierge</b>	No
<b>Intercom</b>	Buzzer	<b>Community Room</b>	Yes	<b>Computer Center</b>	No
<b>Security Patrol</b>	No	<b>Playground / Picnic Area</b>	Yes / No	<b>Business Center</b>	No
<b>Security Cameras</b>	No	<b>Courtyard</b>	No	<b>On-Site Management</b>	Yes
<b>Clubhouse</b>	Yes	<b>Basketball Court</b>	No	<b>Tennis Cts./Ind.-Outdoor</b>	Yes/No
<b>No. Outdoor Pools</b>	1	<b>No. Indoor Pools</b>	0	<b>Service Coordination</b>	No
<b>Non-Shelter Services</b>	No	<b>Neighborhood Network</b>	No		
<i>Unit Amenities</i>					
<b>Balcony/Patio</b>	Yes	<b>Laundry room</b>	Yes	<b>CAC</b>	central
<b>Floor Coverings</b>	Carpet	<b>W/D Hook Ups</b>	Yes	<b>Fireplace</b>	No
<i>Kitchen Equipment</i>					
<b>Stove</b>	Yes	<b>Dishwasher</b>	Yes		
<b>Refrigerator</b>	Yes	<b>Microwave</b>	No		
<b>Disposal</b>	Yes				
<i>Tenant Expenses</i>					
<b>Tenant Pays Heat</b>	Yes	<u>Type</u> Gas	<b>Tenant Pays Cold Water</b>	Yes	
<b>Tenant Pays Cooking</b>	Yes	Gas	<b>Tenant Pays Sewer</b>	No	
<b>Tenant Pays Hot Water</b>	Yes	Gas	<b>Tenant Pays Trash</b>	No	
<b>Tenant Pays Electric</b>	Yes		<b>Tenant Pays Cable</b>	Yes	
Remarks, Unit Mix & Rentals					

Unit Description	Unit Type	Units	Unit Mix		Avg Rent/Mo	Total Rent	Rent/SF	% of Total
			Avg Unit SF	Total SF				
3-1-1	1 Bd 1.0 Ba	0	735	0	\$850	\$0	\$1.16	0%
3-1-1	1 Bd 1.0 Ba	0	755	0	\$860	\$0	\$1.14	0%
4-2-2	2 Bd 2.0 Ba	0	960	0	\$1,000	\$0	\$1.04	0%
6-3-2	3 Bd 2.0 Ba	0	1,131	0	\$1,190	\$0	\$1.05	0%
6-3-2	3 Bd 2.0 Ba	0	1,149	0	\$1,210	\$0	\$1.05	0%

## Multi-Family Lease No. 3



<b>Property Identification</b>					
<b>Record ID</b>	28018				
<b>Property Name</b>	Lakefield Mews				
<b>Location</b>	4431 Lakefield Mews Drive, Virginia 23231				
<b>County / Borough</b>	Henrico				
<b>Assessor's Parcel #</b>	811-717-4573 & 9163				
<b>Owner</b>	Lakefield Mews Association				
<b>Verification</b>					
<b>Lease Date Verification</b>	05-15-2018	<b>Confirmed By</b>	Mikey Bruno		
<b>Verification Name</b>	Lauren	<b>Phone Number</b>	804-222-7777		
<b>Occupancy</b>	95.0%				
<b>Physical Data</b>					
<b>Property Type</b>	Townhouse	<b>Stories</b>	2-3	<b>Elevators</b>	No
<b>Total Units in Project</b>	395	<b>Year Built</b>	1989	<b>Condition</b>	Average
<b>Land Size (Acres / SF)</b>	15.790 / 687,812				
<b>Parking</b>	Lined Spaces				
<b>Project / Unit Amenities, Kitchen Equipment &amp; Tenant Expenses</b>					
<i>Project Amenities</i>					
<b>Storage</b>	No	<b>Fitness</b>	No	<b>Concierge</b>	No
<b>Intercom</b>	Buzzer	<b>Community Room</b>	Yes	<b>Computer Center</b>	No
<b>Security Patrol</b>	No	<b>Playground / Picnic Area</b>	No / No	<b>Business Center</b>	No
<b>Security Cameras</b>	No	<b>Courtyard</b>	No	<b>On-Site Management</b>	Yes
<b>Clubhouse</b>	No	<b>Basketball Court</b>	No	<b>Tennis Cts./Ind.-Outdoor</b>	No/No
<b>No. Outdoor Pools</b>	1	<b>No. Indoor Pools</b>	0	<b>Service Coordination</b>	No
<b>Non-Shelter Services</b>	No	<b>Neighborhood Network</b>	No		
<i>Unit Amenities</i>					
<b>Balcony/Patio</b>	Yes	<b>Laundry room</b>	Yes	<b>CAC</b>	central
<b>Floor Coverings</b>	Carpet	<b>W/D Hook Ups</b>	Yes	<b>Fireplace</b>	No
<i>Kitchen Equipment</i>					
<b>Stove</b>	Yes	<b>Dishwasher</b>	Yes		
<b>Refrigerator</b>	Yes	<b>Microwave</b>	Yes		
<b>Disposal</b>	Yes				
<i>Tenant Expenses</i>					
<b>Tenant Pays Heat</b>	Yes	<i>Type</i> Electric	<b>Tenant Pays Cold Water</b>	Yes	
<b>Tenant Pays Cooking</b>	Yes	Electric	<b>Tenant Pays Sewer</b>	Yes	
<b>Tenant Pays Hot Water</b>	Yes	Electric	<b>Tenant Pays Trash</b>	No	
<b>Tenant Pays Electric</b>	Yes		<b>Tenant Pays Cable</b>	Yes	
<b>Remarks, Unit Mix &amp; Rentals</b>					

Unit Description	Unit Type	Units	Unit Mix		Avg Rent/Mo	Total Rent	Rent/SF	% of Total
			Avg Unit SF	Total SF				
3-1-1	1 Bd 1.0 Ba	0	790	0	\$890	\$0	\$1.13	0%
4-2-1	2 Bd 1.0 Ba	0	852	0	\$1,040	\$0	\$1.22	0%
5-2-2	2 Bd 1.5 Ba	0	1,154	0	\$1,100	\$0	\$.95	0%
6-3-2	3 Bd 2.0 Ba	0	1,334	0	\$1,220	\$0	\$.91	0%



## Multi-Family Lease No. 4



<b>Property Identification</b>					
<b>Record ID</b>	28019				
<b>Property Name</b>	Highland Woods				
<b>Location</b>	509 East Beal Street, Virginia 23075				
<b>County / Borough</b>	Henrico				
<b>Assessor's Parcel #</b>	822-722-3727				
<b>Owner</b>	Highland Woods LC				
<b>Verification</b>					
<b>Lease Date Verification</b>	05-15-2018	<b>Confirmed By</b>	Mikey Bruno		
<b>Verification Name</b>	Veronica, Leasing Assistant	<b>Phone Number</b>	804-737-2621		
<b>Occupancy</b>	96.0%				
<b>Physical Data</b>					
<b>Property Type</b>	Townhouse	<b>Stories</b>	2	<b>Elevators</b>	No
<b>Total Units in Project</b>	102	<b>Year Built</b>	1969	<b>Condition</b>	Average
<b>Land Size (Acres / SF)</b>	7.581 / 330,228				
<b>Parking</b>	Lined Spaces (2 per tenant)				
<b>Project / Unit Amenities, Kitchen Equipment &amp; Tenant Expenses</b>					
<i>Project Amenities</i>					
<b>Storage</b>	No	<b>Fitness</b>	No	<b>Concierge</b>	No
<b>Intercom</b>	Buzzer	<b>Community Room</b>	No	<b>Computer Center</b>	No
<b>Security Patrol</b>	No	<b>Playground / Picnic Area</b>	Yes / No	<b>Business Center</b>	No
<b>Security Cameras</b>	No	<b>Courtyard</b>	No	<b>On-Site Management</b>	No
<b>Clubhouse</b>	No	<b>Basketball Court</b>	No	<b>Tennis Cts./Ind.-Outdoor</b>	No/No
<b>No. Outdoor Pools</b>	1	<b>No. Indoor Pools</b>	0		
<b>Non-Shelter Services</b>	No	<b>Neighborhood Network</b>	No	<b>Service Coordination</b>	No
<i>Unit Amenities</i>					
<b>Balcony/Patio</b>	No	<b>Laundry room</b>	Yes	<b>CAC</b>	central
<b>Floor Coverings</b>	Hardwood	<b>W/D Hook Ups</b>	Yes	<b>Fireplace</b>	No
<b>Other</b>	Washer/dryers in the renovated units. All rents are for renovated units				
<i>Kitchen Equipment</i>					
<b>Stove</b>	Yes	<b>Dishwasher</b>	Yes		
<b>Refrigerator</b>	Yes	<b>Microwave</b>	No		
<b>Disposal</b>	Yes				
<i>Tenant Expenses</i>					
		<u>Type</u>			
<b>Tenant Pays Heat</b>	Yes	Gas	<b>Tenant Pays Cold Water</b>	Yes	
<b>Tenant Pays Cooking</b>	Yes	Gas	<b>Tenant Pays Sewer</b>	No	
<b>Tenant Pays Hot Water</b>	Yes	Gas	<b>Tenant Pays Trash</b>	No	
<b>Tenant Pays Electric</b>	Yes		<b>Tenant Pays Cable</b>	Yes	
<b>Remarks, Unit Mix &amp; Rentals</b>					

Unit Description	Unit Type	Units	Unit Mix		Avg Rent/Mo	Total Rent	Rent/SF	% of Total
			Avg Unit SF	Total SF				
3-1-1	1 Bd 1.0 Ba	12	672	8,064	\$765	\$9,180	\$1.14	12%
4-2-1	2 Bd 1.0 Ba	84	910	76,440	\$895	\$75,180	\$.98	82%
5-2-1.5 ( den)	2 Bd 1.5 Ba	6	1,024	6,144	\$1,030	\$6,180	\$1.01	6%
6-3-1.5	3 Bd 1.5 Ba		1,085	0	\$1,030	\$0	\$.95	0%

## Multi-Family Lease No. 5



<b>Property Identification</b>					
<b>Record ID</b>	28017				
<b>Property Name</b>	Honey Brook				
<b>Location</b>	3500 Kings Drive, Virginia 23231				
<b>County / Borough</b>	Henrico				
<b>Assessor's Parcel #</b>	811-718-9908				
<b>Owner</b>	TGM Honey Brook Apt. etal				
<b>Verification</b>					
<b>Lease Date Verification</b>	05-15-2018	<b>Confirmed By</b>	Mikey Bruno		
<b>Verification Name</b>	Tera, Leasing Officer	<b>Phone Number</b>	844-442-0401		
<b>Occupancy</b>	99.0%				
<b>Physical Data</b>					
<b>Property Type</b>	Garden, Low-Rise	<b>Stories</b>	2	<b>Elevators</b>	No
<b>Total Units in Project</b>	128	<b>Year Built</b>	1982	<b>Condition</b>	Average
<b>Land Size (Acres / SF)</b>	8.830 / 384,635				
<b>Parking</b>	Lined Spaces				
<b>Project / Unit Amenities, Kitchen Equipment &amp; Tenant Expenses</b>					
<i>Project Amenities</i>					
<b>Storage</b>	Yes	<b>Fitness</b>	No	<b>Concierge</b>	No
<b>Intercom</b>	Buzzer	<b>Community Room</b>	No	<b>Computer Center</b>	No
<b>Security Patrol</b>	No	<b>Playground / Picnic Area</b>	Yes / No	<b>Business Center</b>	No
<b>Security Cameras</b>	No	<b>Courtyard</b>	No	<b>On-Site Management</b>	Yes
<b>Clubhouse</b>	No	<b>Basketball Court</b>	No	<b>Tennis Cts./Ind.-Outdoor</b>	No/No
<b>No. Outdoor Pools</b>	0	<b>No. Indoor Pools</b>	0	<b>Service Coordination</b>	No
<b>Non-Shelter Services</b>	No	<b>Neighborhood Network</b>	No		
<i>Unit Amenities</i>					
<b>Balcony/Patio</b>	Yes	<b>Laundry room</b>	Yes	<b>CAC</b>	central
<b>Floor Coverings</b>	Carpet	<b>W/D Hook Ups</b>	No	<b>Fireplace</b>	No
<b>Other</b>	The first floor units have patios.				
<i>Kitchen Equipment</i>					
<b>Stove</b>	Yes	<b>Dishwasher</b>	Yes		
<b>Refrigerator</b>	Yes	<b>Microwave</b>	No		
<b>Disposal</b>	Yes				
<i>Tenant Expenses</i>					
<b>Tenant Pays Heat</b>	Yes	<i>Type</i>		<b>Tenant Pays Cold Water</b>	No
<b>Tenant Pays Cooking</b>	Yes	Electric		<b>Tenant Pays Sewer</b>	No
<b>Tenant Pays Hot Water</b>	Yes	Electric		<b>Tenant Pays Trash</b>	No
<b>Tenant Pays Electric</b>	Yes			<b>Tenant Pays Cable</b>	No
<b>Remarks, Unit Mix &amp; Rentals</b>					

Unit Description	Unit Type	Units	Unit Mix		Avg Rent/Mo	Total Rent	Rent/SF	% of Total
			Avg Unit SF	Total SF				
3-1-1	1 Bd 1.0 Ba	16	675	10,800	\$730	\$11,680	\$1.08	12%
4-2-1	2 Bd 1.0 Ba	48	975	46,800	\$775	\$37,200	\$.79	38%
5-2-2	2 Bd 2.0 Ba	64	975	62,400	\$814	\$52,096	\$.83	50%

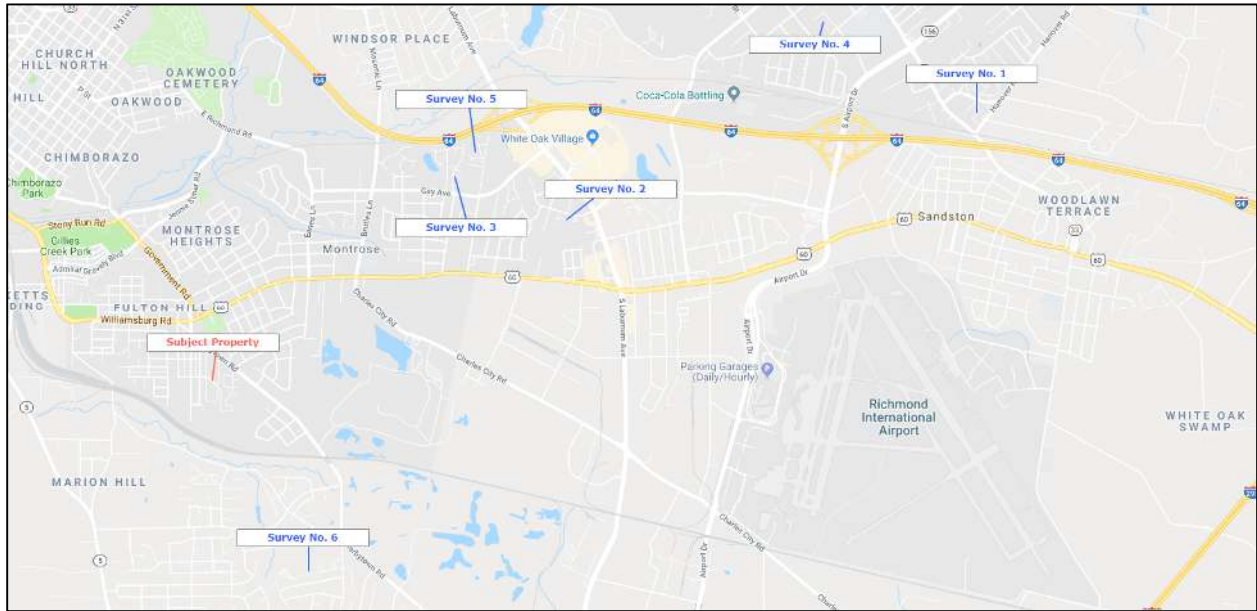
## Multi-Family Lease No. 6



Property Identification					
<b>Record ID</b>	28016				
<b>Property Name</b>	Villas at Oakland Chase				
<b>Location</b>	6416 Oak Front Court, Virginia 23231				
<b>County / Borough</b>	Henrico				
<b>Assessor's Parcel #</b>	807-705-5743				
<b>Owner</b>	Oakland Chase Associates LP c/o Bernie Grablowsky				
Verification					
<b>Lease Date Verification</b>	05-15-2018	<b>Confirmed By</b>	Mikey Bruno		
<b>Verification Name</b>	Courtney - Property manager	<b>Phone Number</b>	804-510-1825		
<b>Occupancy</b>	97.0%				
Physical Data					
<b>Property Type</b>	Multifamily	<b>Stories</b>	3	<b>Elevators</b>	No
<b>Total Units in Project</b>	180	<b>Year Built</b>	2006	<b>Condition</b>	Average Good to
<b>Land Size (Acres / SF)</b>	25.410 / 1,106,860				
<b>Parking</b>	Lined Spaces & Garages				
Project / Unit Amenities, Kitchen Equipment & Tenant Expenses					
<i>Project Amenities</i>					
<b>Storage</b>	Yes	<b>Fitness</b>	Yes	<b>Concierge</b>	No
<b>Intercom</b>	Buzzer	<b>Community Room</b>	Yes	<b>Computer Center</b>	Yes
<b>Security Patrol</b>	No	<b>Playground / Picnic Area</b>	Yes / No	<b>Business Center</b>	Yes
<b>Security Cameras</b>	No	<b>Courtyard</b>	No	<b>On-Site Management</b>	Yes
<b>Clubhouse</b>	Yes	<b>Basketball Court</b>	No	<b>Tennis Cts./Ind.-Outdoor</b>	No/No
<b>No. Outdoor Pools</b>	1	<b>No. Indoor Pools</b>	0	<b>Service Coordination</b>	No
<b>Non-Shelter Services</b>	No	<b>Neighborhood Network</b>	No		
<i>Unit Amenities</i>					
<b>Balcony/Patio</b>	Yes	<b>Laundry room</b>	No	<b>CAC</b>	central
<b>Floor Coverings</b>	Carpet	<b>W/D Hook Ups</b>	Yes	<b>Fireplace</b>	No
<i>Kitchen Equipment</i>					
<b>Stove</b>	Yes	<b>Dishwasher</b>	Yes		
<b>Refrigerator</b>	Yes	<b>Microwave</b>	Yes		
<b>Disposal</b>	Yes				
<i>Tenant Expenses</i>					
<b>Tenant Pays Heat</b>	Yes	<i>Type</i> Electric	<b>Tenant Pays Cold Water</b>	Yes	
<b>Tenant Pays Cooking</b>	Yes	Electric	<b>Tenant Pays Sewer</b>	Yes	
<b>Tenant Pays Hot Water</b>	Yes	Electric	<b>Tenant Pays Trash</b>	No	
<b>Tenant Pays Electric</b>	Yes		<b>Tenant Pays Cable</b>	Yes	
Remarks, Unit Mix & Rentals					

Unit Description	Unit Type	Units	Unit Mix		Avg Rent/Mo	Total Rent	Rent/SF	% of Total
			Avg Unit SF	Total SF				
5-2-2	2 Bd 2.0 Ba	150	1,000	150,000	\$975	\$146,250	\$ .98	83%
6-3-2	3 Bd 2.0 Ba	30	1,200	36,000	\$1,250	\$37,500	\$1.04	17%

# COMPARABLE RENTALS LOCATION MAP



# DEFINITIONS OF SOME COMMON APPRAISAL TERMINOLOGY

Source: *The Dictionary of Real Estate Appraisal*

*Absorption period* - The actual or expected period of time required from when a property is initially offered for purchase or use by its eventual users until all portions have been disposed of by sale or until stabilized occupancy has been achieved.

*Accrued depreciation* - The difference between an improvement's reproduction or replacement cost and its market value as of the date of appraisal.

*Ad valorem tax* - a real estate tax based on property value.

*Assessed value* - the value according to the tax rolls in ad valorem taxation.

*Band of investment* - A technique in which cash flow rates attributable to components of a capital investment are weighted and combined to derive a weighted average rate attributable to the total investment.

*Base rent* - the minimum rent stipulated in a lease.

*Basis point* - one one-hundredth of one percentage point.

*BOMA standard* - the standard method of floor measurement for office buildings as defined by the Building and Officers Managers Association.

*Bundle of rights theory* - the concept that compares property ownership to a bundle of sticks with each stick representing a distinct and separate right of the property owner, e.g., the right to use real estate, to sell it, to lease it, to give it away, or to choose to exercise all or none of these rights.

*Capitalization Rate* - any rate used to convert income into value.

*Cash equivalent* - a price expressed in terms of cash, as distinguished from a price expressed totally or partly in terms of the face amounts of notes or other securities that cannot be sold at their face amounts.

*Cash flow analysis* - a study of the anticipated movement of cash in or out of real estate.

*Cash on cash* - the ratio of the annual equity income to the equity investment. Also called the equity capitalization rate of equity dividend rate.

*Common Area* - The total area within a property that is not designated for sale or rental, but is available for common use by all owners, tenants or their invitee's, e.g., parking and its appurtenances, malls, sidewalks, landscaped areas, public toilets and service facilities.

*Common Area Maintenance (CAM)* - expenses of operating and maintaining common areas.

*Concession* - an inducement to a tenant to lease space, usually in the form of free rent, additional tenant improvement allowance, moving costs, etc.

*Consumer Price Index (CPI)* - a measurement of the cost of living determined by the U.S. Bureau of Labor Statistics.

*Contract rent* - the actual rental income specified in a lease.

*Debt coverage ratio* - the ratio of net operating income to annual debt service ( $DCR = NOI/IM$ ).

*Deferred maintenance* - curable, physical deterioration that should be corrected immediately, although work has not commenced.

*Development right* - the right to build on or beneath a property, subject to local zoning, building codes, etc.

*Direct capitalization* - the method used to convert an estimate of a single year's income expectancy or an average of several years' income expectancies into an indication of value in one direct step, either by dividing the income estimate by an appropriate rate or by multiplying the income estimate by an appropriate factor.

## DEFINITIONS OF SOME COMMON APPRAISAL TERMINOLOGY

*Discounted cash flow analysis* - a set of procedures in which the quantity, variability, timing, and duration of periodic income, as well as the quantity and timing of reversions, are specified and discounted to a present value or a specified yield.

*Discount rate* - a rate of return commensurate with the perceived risk used to convert future payments or receipts into present value.

*Easement* - an interest in real property that conveys use, but not ownership, of a portion of an owner's property.

*Easement appurtenant* - an easement that is attached to, benefits, and passes with the conveyance of the dominant estate.

*Economic age-life method* - the method of estimating accrued depreciation in which the ratio of a building's effective age to its total life is applied to the current cost of the improvements to obtain a lump sum deduction.

*Economic life* - the period over which improvements to real property contribute to property value.

*Effective age* - the age indicated by the condition and utility of a structure.

*Effective gross income (EGI)* - the anticipated income from all operations of real property adjusted for vacancy and collection loss.

*Effective tax rate* - the ratio between a property's annual property tax and its market value; the tax rate times the assessed value divided by the market value; the official tax rate times the assessment ratio.

*Equity capitalization (dividend) rate* - an income rate that reflects the relationship between a single's year pre-tax cash flow expectancy and the equity investment.

*Equity yield rate* - an annualized rate of return on equity capital, as distinguished from the rate of return on debt capital or interest.

*External obsolescence* - an element of accrued depreciation; a defect, usually incurable, caused by negative influences outside a site.

*Exposure time* - the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. Exposure time is always presumed to occur prior to the effective date of the appraisal.

*Extraordinary Assumptions* - an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis.

*Fee simple estate* - absolute ownership unencumbered by any other interest or estate subject to only the four powers of government.

*Functional obsolescence* - a defect caused by a defect in the structure, materials, or design.

*Hypothetical conditions* - that which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

*Internal rate of return* - a measurement of investment performance; the rate of return on capital that is generated within an investment over a period of ownership.

*Land-to-building ratio* - the proportion of land area to gross building area.

## DEFINITIONS OF SOME COMMON APPRAISAL TERMINOLOGY

*Leased fee estate* - an ownership interest held by a landlord with the right of use an occupancy conveyed by lease to others.

*Marketing time* - the time it takes an interest in real property to sell on the market sub-sequent to the date of an appraisal.

*Market rent* - the rental income that a property would most probably command in the open market.

*Net operating income* - the actual or anticipated net income remaining after deducting all operating expenses from effective gross income, but before deducting mortgage debt service and book depreciation.

*Potential gross income* - the total income attributable to real property at full occupancy before deduction for vacancy and operating expenses.

*Present value* - the value of a future payment or series of future payment discounted to the current date or to time period zero.

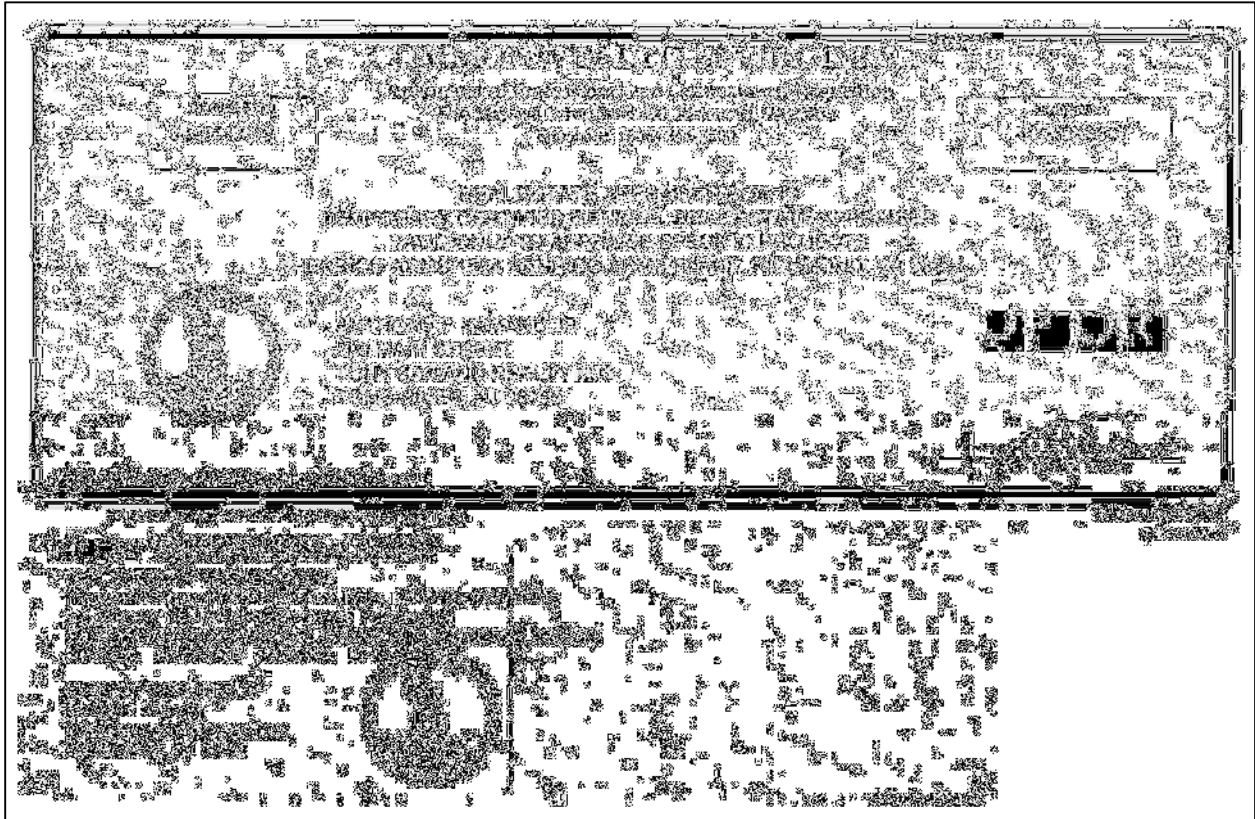
*Rentable Area* - This is the usable area of an office area, with its associated share of both floor common area and building common area added on. Rentable area is determined by multiplying the Usable area by the combined R/U ratio.

*R/U Ratio* - The combined conversion factor, obtained by multiplying the Floor R/U by the Building R/U ratios, which when applied to any Usable area, gives the Rentable area of that office or store area.

*Terminal capitalization rate* - the rate used to convert income into an indication of the anticipated value of the subject real property at the end of the holding period.

*Vacancy and collection loss* - an allowance for reduction in potential income attributable to vacancies, tenant turnover, and nonpayment of rent.

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# PROFESSIONAL QUALIFICATIONS OF

## TONY F. KAMAND JR., MAI

### REAL ESTATE VALUATION AND CONSULTING (1986 TO PRESENT)

Real estate valuation of all types of improved and unimproved real property. Properties have been located in New Jersey, New York, California, Illinois, Virginia, North Carolina, Georgia, Delaware, Maryland and Pennsylvania with extensive experience in the following properties:

Apartments	LIHTC Projects	HUD Projects
Rent Comparability Studies	Healthcare Properties	Retail Centers
Industrial	Office	Special Purpose Properties

### PROFESSIONAL LICENSES AND CERTIFICATIONS

State of New Jersey - Certified General Real Estate Appraiser - RG-00668  
State of New York - Certified General Real Estate Appraiser – 46000026069  
State of Pennsylvania - Certified General Real Estate Appraiser - GA001862  
State of Delaware - Certified General Real Estate Appraiser - 143010  
State of Maryland - Certified General Real Estate Appraiser – 27830

### PROFESSIONAL AFFILIATIONS

MAI Member of the Appraisal Institute  
Past President (2005, 2011 and 2012) - Appraisal Institute, Central New Jersey Chapter  
Past Treasurer (1995 to 2004) - Appraisal Institute, Central New Jersey Chapter

### QUALIFIED AS EXPERT WITNESS

Federal Bankruptcy Court, New Jersey Tax Court, New York Tax Court, Various County Tax Boards and Zoning Boards

### EDUCATION

Bloomfield College - B.S. in Business Administration

#### The Appraisal Institute

Real Estate Appraisal Principles	Residential Valuation
Basic Valuation	Standards of Ethics & Professional Practice
Capitalization Theory/Techniques Part A	Capitalization Theory/Techniques Part B
Case Studies in Real Estate Valuation	Report Writing in Real Estate Valuation

#### Additional Courses/Seminars

Governor's Conference - Multi-Family Housing, HUD Third Party Technical Training for MAP, The Economy and Rates, Urban Land Institute - Improving Shopping Center Performance, Real Estate Commercial Markets, Appraisal Institute - Appraising Retail Properties, Argus Real Estate Analysis Software, Numerous other seminars and courses

### REPRESENTATIVE CLIENTS

Banks, Attorneys, Developers, Government Agencies, Fortune 500 Companies, Insurance Companies and Institutional Investors.

# PROFESSIONAL QUALIFICATIONS OF

## JACQUELINE MARMUR

### REAL ESTATE VALUATION AND CONSULTING (2005 TO PRESENT)

Real estate valuation of all types of improved and unimproved real property. Properties have been located in New Jersey with experience in the following property types:

Apartments	Industrial properties	Vacant land
Free-standing retail	Condominiums	2-4 Family
Single Families	Retail Strip Center	Special purpose properties

### PROFESSIONAL LICENSES AND CERTIFICATIONS

State of New Jersey - Certified Residential Real Estate Appraiser – RA432

State of New Jersey - Certified General Real Estate Appraiser - RG-2523

### PROFESSIONAL AFFILIATIONS

Appraisal Institute, Central New Jersey Chapter

### EDUCATION

Bachelor of Science-Business Administration Concentration: Marketing

Rowan University, Glassboro, NJ

May 2002

Master of Business Administration

Rowan University, Glassboro, NJ

May 2004

The Appraisal Institute

Fundamentals Of Real Estate Appraisal

15 Hour National USPAP

Preparing A Single Family Residential Report

### REPRESENTATIVE CLIENTS

Banks, Attorneys, Developers, Government Agencies, Fortune 500 Companies, Insurance Companies and Institutional Investors.