APPRAISAL OF REAL PROPERTY

Carson Terrace Senior Apartments

632 East 219th Street, Carson, Los Angeles County, CA 90745

IN AN APPRAISAL REPORT

As of August 29, 2018

Prepared For:

The Richman Group
420 31st Street, Suite B1
Newport Beach, California 92663

Client Reference: Carson Terrace Senior Apartments

Prepared By:

Cushman & Wakefield Western, Inc.
Valuation & Advisory
18111 Von Karman Ave, Suite 1000
Irvine, CA 92614
Cushman & Wakefield File ID: 18-38015-900587

Carson Terrace Senior Apartments

632 East 219th Street, Carson, Los Angeles County, CA 90745

18111 Von Karman Ave, Suite 1000
Irvine, CA 92614
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September 17, 2018

Rick Westerberg
Executive Vice President
The Richman Group
420 31st Street, Suite B1
Newport Beach, California 92663

Re: Appraisal Report

Carson Terrace Senior Apartments
632 East 219th Street,
Carson, Los Angeles County, CA 90745

Cushman & Wakefield File ID:	18-38015-900587
Client Reference:	Carson Terrace Senior Apartments

Dear Mr. Westerberg:

In fulfillment of our agreement as outlined in the Letter of Engagement copied in the Addenda, we are pleased to transmit our appraisal of the above referenced property in the following Appraisal Report dated September 17, 2018.

The subject property, Carson Terrace Senior Apartments, is an existing affordable housing complex comprised of 63 residential apartment units (62 represent affordable housing for seniors and 1 represents a manager's unit that is market rate). The subject is owned by a limited partnership which was formed to become eligible for the State of California's Qualified Allocation Plan relating to low-income housing tax credits (the "Federal Tax Credit" under Section 42 of the Internal Revenue Code of 1986). Restrictions represent 32 one-bedroom units in which eligible low-income senior tenants pay a maximum allowable rent based on 50 percent of the area median income. The remaining 30 one-bedroom units are based on restrictions where eligible low income senior tenants pay a maximum allowable rent based on 60 of the area median income. The regulatory compliance period is for 40 years and will end in 2041. The income limit and rent information is based on the 2018 Los Angeles County Median Income as reported on HUDs website.

Unit amenities at the subject project include air conditioning and a patio or balcony to each unit. Project amenities include a manager's office, community room, elevator, courtyard, common balcony, and three laundry rooms (one per floor). Parking for the project represents 50 subterranean parking spaces in a one-level garage and 13 striped parking spaces at the front of the building. The property is currently 98.4 percent occupied at an average contract rent of $829 per unit per month.

This Appraisal Report has been prepared in accordance with our interpretation of your institution's guidelines, Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), and the *Uniform Standards of Professional Appraisal Practice* (USPAP).

Based on the agreed-to Scope of Work, and as outlined in the report, we developed the following opinions of Market Value, inclusive of personal property:

Value Conclusions

Appraisal Premise	Value Scenario	Real Property Interest	Date Of Value	Value Conclusion
Market Value As-Is	RESTRICTED AS-IS	Leased Fee	August 29, 2018	$6,000,000
Insurable Value		N/A	August 29, 2018	$5,200,000

Compiled by Cushman & Wakefield Western, Inc.

The value opinions in this report are qualified by certain assumptions, limiting conditions, certifications, and definitions, as well as the following extraordinary assumptions and hypothetical conditions.

Extraordinary Assumptions

For a definition of Extraordinary Assumptions please see the Glossary of Terms & Definitions. The use of extraordinary assumptions, if any, might have affected the assignment results.

The subject is currently owned by a non-profit organization, 501(c)(3), and benefits from property tax welfare exemptions. Our valuation scenarios are based on the extraordinary assumption that the subject continues to be owned by a non-profit organization and that the current welfare tax exemptions are available to future qualified owners.

Hypothetical Conditions

For a definition of Hypothetical Conditions please see the Glossary of Terms & Definitions. The use of hypothetical conditions, if any, might have affected the assignment results.

Our appraisal includes no hypothetical conditions.

This letter is invalid as an opinion of value if detached from the report, which contains the text, exhibits, and Addenda.

Respectfully submitted,

CUSHMAN & WAKEFIELD WESTERN, INC.

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Client Satisfaction Survey

WE WANT TO HEAR FROM YOU!
VALUATION & ADVISORY

V&A National Quality Control Group values your feedback!

- What are we doing right?
- Are there areas where we could improve?
- Did our report meet your requirements?

As part of our quality monitoring campaign, your comments are critical to our efforts to continuously improve our service.

We'd appreciate your help in completing a short survey pertaining to this report and the level of service you received. Rest assured, any feedback will be treated with proper discretion and is not share with executive management. If you prefer to limit who receives the survey response, the distribution can be altered at your request.

Simply click https://www.surveymonkey.com/r/LQKCGLF?c=18-38015-900587 to respond or print out the survey in the Addenda to submit a hard copy.

Contact our Quality Control Committee with any questions or comments:

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Summary of Salient Facts and Conclusions

The subject property, Carson Terrace Senior Apartments, is an existing affordable housing complex comprised of 63 residential apartment units (62 represent affordable housing for seniors and 1 represents a manager's unit that is market rate). The subject is owned by a limited partnership which was formed to become eligible for the State of California's Qualified Allocation Plan relating to low-income housing tax credits (the "Federal Tax Credit" under Section 42 of the Internal Revenue Code of 1986). Restrictions represent 32 one-bedroom units in which eligible low-income senior tenants pay a maximum allowable rent based on 50 percent of the area median income. The remaining 30 one-bedroom units are based on restrictions where eligible low income senior tenants pay a maximum allowable rent based on 60 of the area median income. The regulatory compliance period is for 40 years and will end in 2041. The income limit and rent information is based on the 2018 Los Angeles County Median Income as reported on HUDs website.

BASIC INFORMATION		
Common Property Name:	Carson Terrace Senior Apartments	
	632 East 219th Street	
	Carson, California 90745	
Address:		
County:	Los Angeles	
Property Ownership Entity:	Carson Terrace, LP	

SITE INFORMATION		
Land Area:	**Square Feet**	**Acres**
Scattered Site Totals:	42,988	0.99
Site Shape:	Rectangular	
Site Topography:	Level at street grade	
Frontage:	Average	
Site Utility:	Average	
Flood Zone Status:		
Flood Zone:	X	
Flood Map Number:	06037C 1935F	
Flood Map Date:	September 26, 2008	

BUILDING INFORMATION	
Type of Property:	Multi-Family
Building Area	
Number of Units:	63 Units
Gross Building Area:	53,800 SF
Net Rentable Area:	37,800 SF
Land-to-Building Ratio:	0.80:1
Number of Buildings:	One
Number of Stories:	Three
Actual Age:	89 Years
Quality:	Average
Year Built:	2000
Condition:	Average
Parking:	
Number of Parking Spaces:	63
Parking Ratio (per Unit):	1.0
Parking Type:	Subterranean Garage

MUNICIPAL INFORMATION	
Assessment Information:	
Assessing Authority	Los Angeles County
Assessor's Parcel Identification	7335-011-016
Current Tax Year	2018-2019
Taxable Assessment	$12,240,000
2018/2019 Tax Liability	$99,227
Taxes per Unit	$1,575
Are taxes current?	Taxes are current
Is a grievance underway?	Not to our knowledge
Subject's assessment is	Below market level due to exemptions
Zoning Information:	
Municipality Governing Zoning	City of Carson
Current Zoning	RM-12-D
Is current use permitted?	Yes
Current Use Compliance	Pre-existing, non-complying use

HIGHEST & BEST USE

As Though Vacant:

A residential use such as townhomes or condominiums, or possibly small-lot single family development, building built to its maximum feasible building area, as demand warrants.

As Improved:

An apartment building as it is currently improved

VALUATION INDICES	Market Value
VALUE DATE	**August 29, 2018**
SALES COMPARISON APPROACH	
Indicated Value:	$6,300,000
Per Unit	$100,000
INCOME CAPITALIZATION APPROACH	
Direct Capitalization	
Net Operating Income:	$297,943
Capitalization Rate:	5.00%
Indicated Value:	$5,958,854
Indicated Value Rounded:	$6,000,000
Per Unit	$95,238
Implied Capitalization Rate:	4.97%
EXPOSURE AND MARKETING TIME	
Exposure Time:	6 Months
Marketing Time:	6 Months

UNIT MIX

No.	Plan	BR	BA	No. Units	Percent of Total	Unit (SF)	NRA (SF)
1	1BR/1BA 50% AMI	1	1.0	32	51%	600	19,200
2	1BR/1BA 60% AMI	1	1.0	30	48%	600	18,000
3	1BR/1BA Manager	1	1.0	1	2%	1,100	1,100
TOTAL/AVERAGE				**63**	**100%**	**608**	**38,300**

*All averages are weighted

Extraordinary Assumptions

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Hypothetical Conditions

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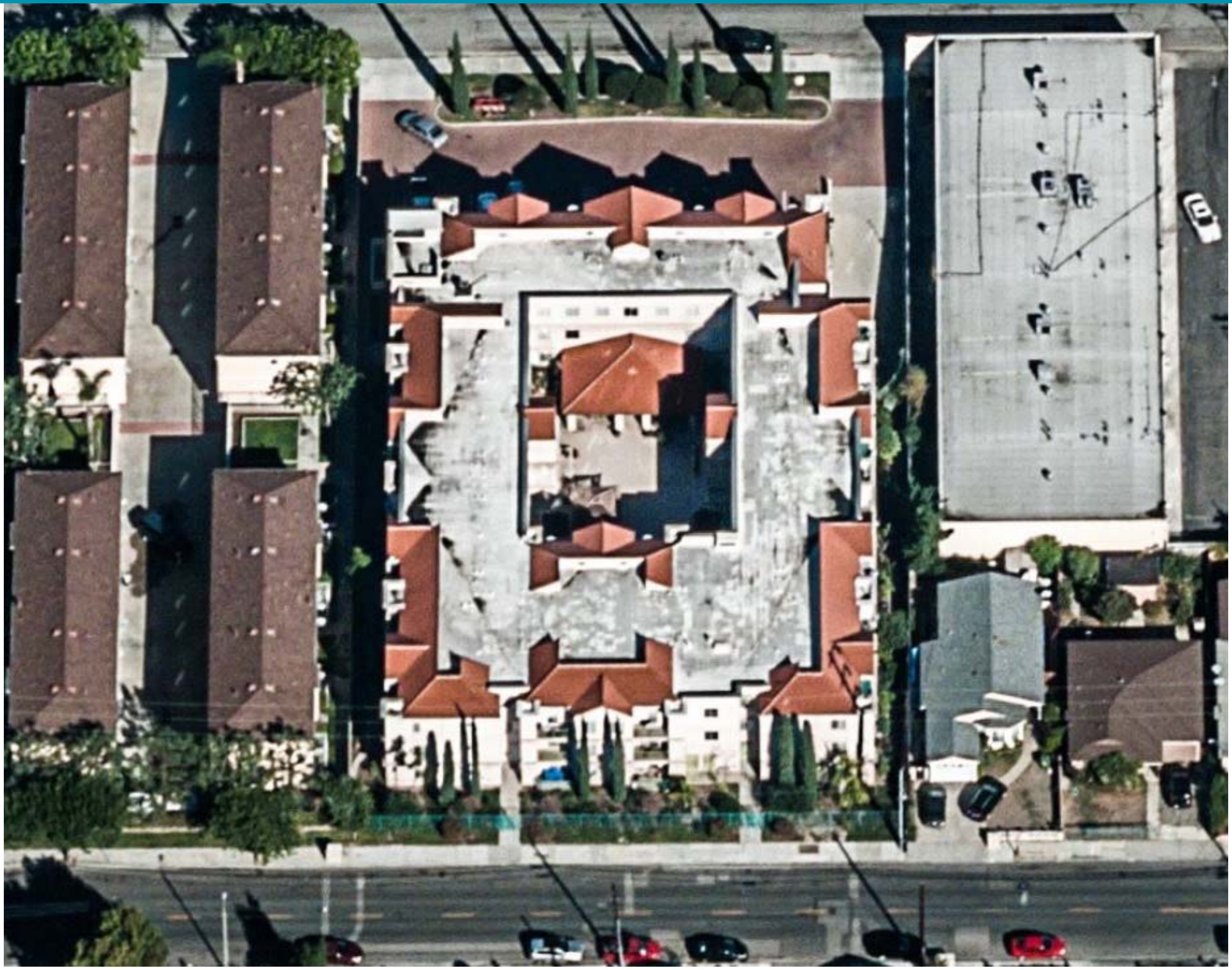
Our appraisal includes no hypothetical conditions.

Property Photographs

SUBJECT LOCATION



VIEW OFSUBJECT

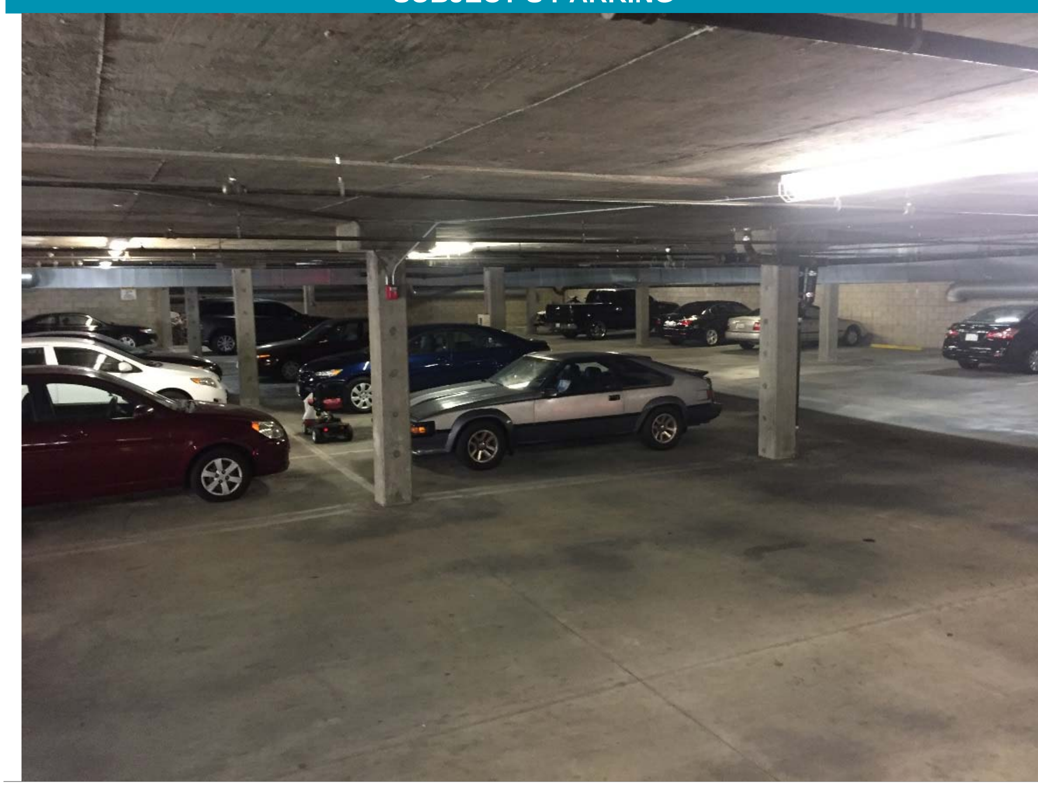
VIEW OF SUBJECT AND PARKING

VIEW OF SUBJECT AND COURTYARD

VIEW OF SUBJECT AND COURTYARD

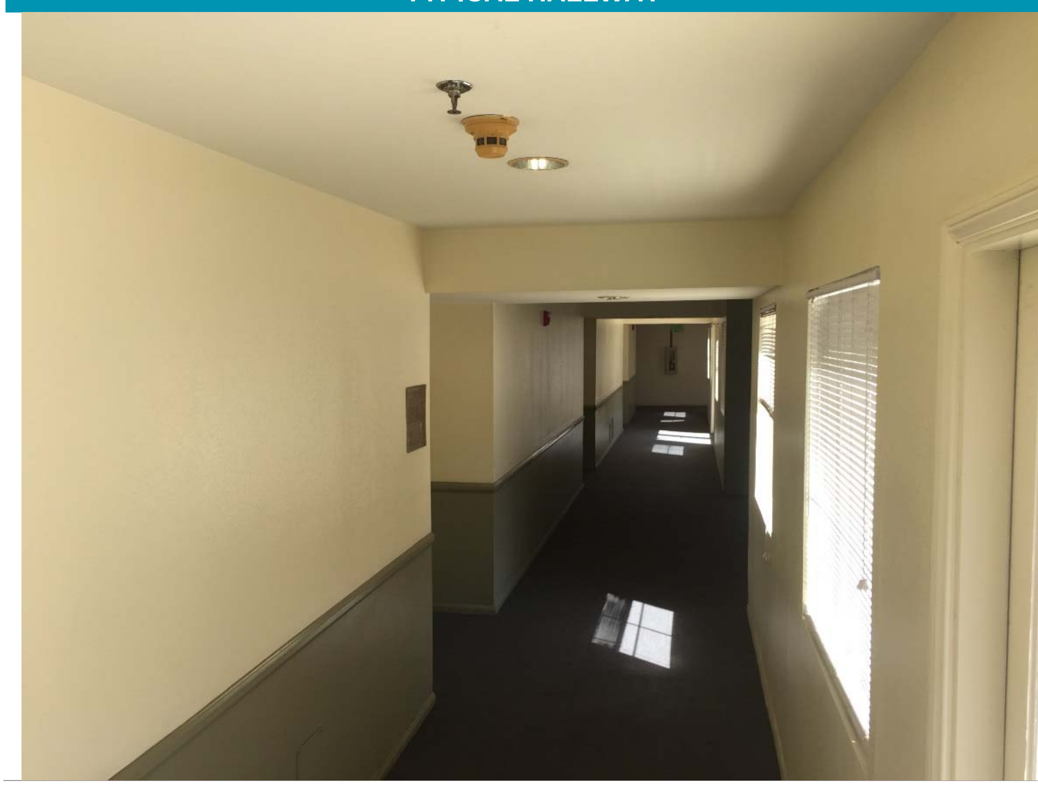
SUBJECT'S ENTRYWAY

SUBJECT'S PARKING



ELEVATOR

TYPICAL HALLWAY



VIEW OF TYPICAL UNIT

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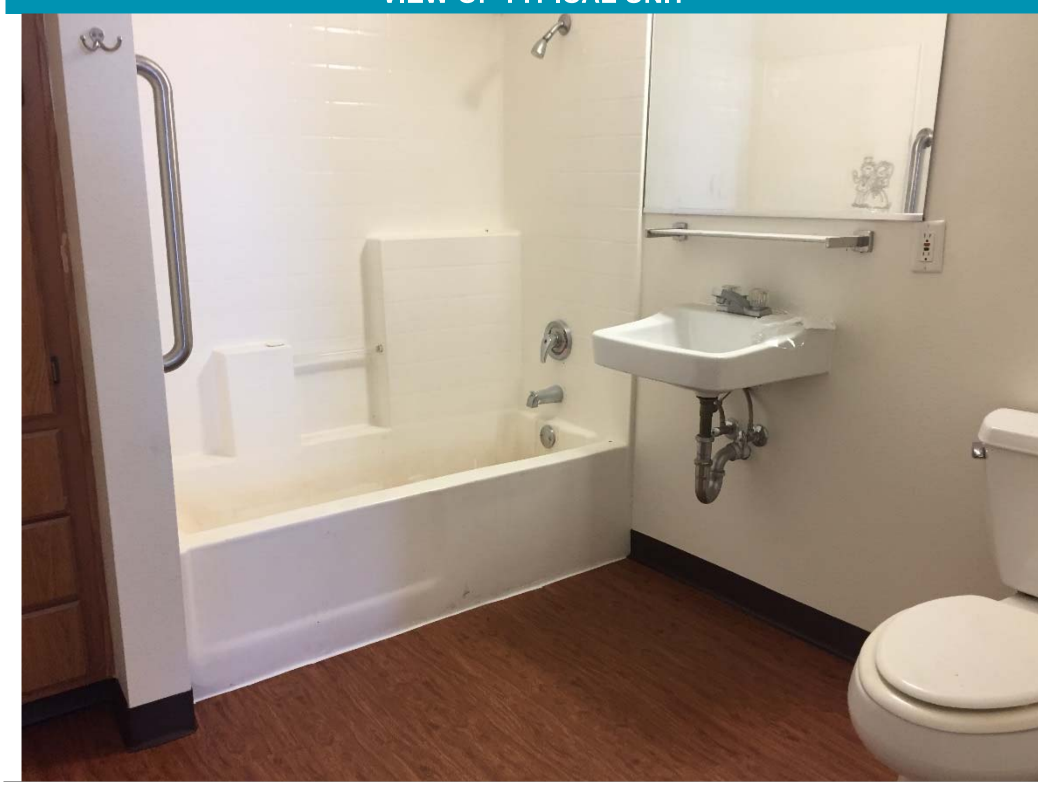
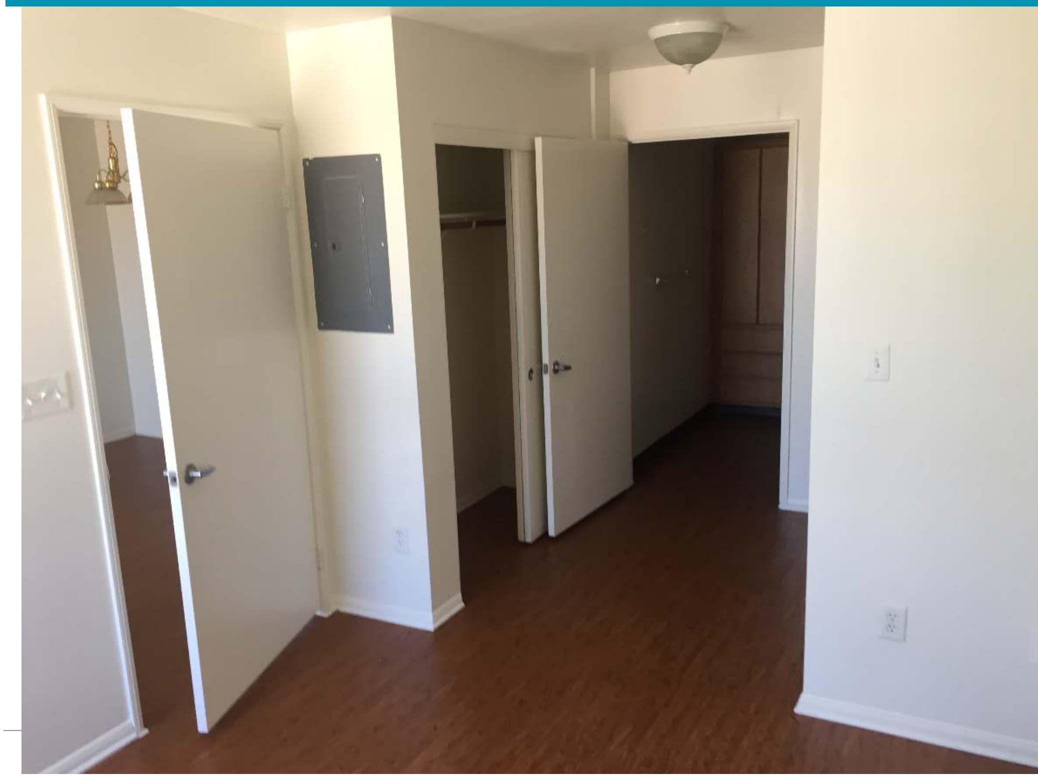


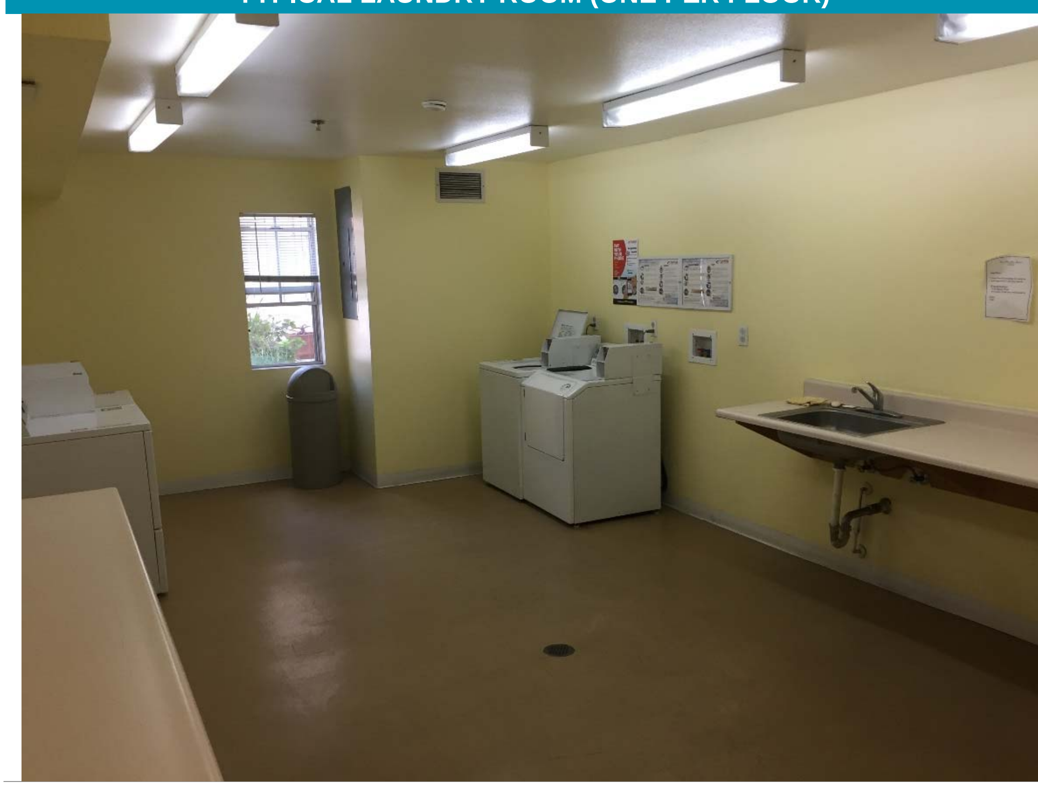
VIEW OF TYPICAL UNIT



VIEW OF TYPICAL UNIT

TYPICAL AIR CONDITIONING / HEATING UNIT (ONE PER APARTMENT)

TYPICAL LAUNDRY ROOM (ONE PER FLOOR)



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Scope of Work

Overview

Scope of work is the type and extent of research and analyses involved in an assignment. To determine the appropriate scope of work for the assignment, we considered the intended use of the appraisal, the needs of the user, the relevant characteristics of the subject property, and other pertinent factors. Our concluded scope of work is summarized below, and in some instances, additional scope details are included in the appropriate sections of the report:

Research

- We inspected the property and its environs. Physical information on the subject was obtained from the property owner's representative, public records, and/or third-party sources.
- Regional economic and demographic trends, as well as the specifics of the subject's local area were investigated. Data on the local and regional property market (supply and demand trends, rent levels, etc.) was also obtained. This process was based on interviews with regional and/or local market participants, primary research, available published data, and other various resources.
- Other relevant data was collected, verified, and analyzed. Comparable property data was obtained from various sources (public records, third-party data-reporting services, etc.) and confirmed with a party to the transaction (buyer, seller, broker, owner, tenant, etc.) wherever possible. It is, however, sometimes necessary to rely on other sources deemed reliable, such as data reporting services.

Analysis

- Based upon the subject property characteristics, prevailing market dynamics, and other information, we developed an opinion of the property's Highest and Best Use.
- We analyzed the data gathered using generally accepted appraisal methodology to arrive at a probable value indication via each applicable approach to value.
- The results of each valuation approach are considered and reconciled into a reasonable value estimate.

This report is intended to comply with the reporting requirements outlined under USPAP for an Appraisal Report. The report was also prepared to comply with the requirements of the Code of Professional Ethics of the Appraisal Institute and the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), Title XI Regulations.

Cushman & Wakefield Western, Inc. has an internal Quality Control Oversight Program. This Program mandates a "second read" of all appraisals. Assignments prepared and signed solely by designated members (MAIs) are read by another MAI who is not participating in the assignment. Assignments prepared, in whole or in part, by non-designated appraisers require MAI participation, Quality Control Oversight, and signature.

For this assignment, Quality Control Oversight was provided by Michele Kauffman, MAI. In addition to a qualitative assessment of the Appraisal Report, Michele Kauffman, MAI is also a signatory to the Appraisal Report and concurs in the value estimate(s) set forth herein.

This appraisal employs the Sales Comparison Approach and the Income Capitalization Approach. Based on our analysis and knowledge of the subject property type and relevant investor profiles, it is our opinion that these approaches would be considered applicable and/or necessary for market participants. Application of the Cost

Approach was considered; however, due to the opinions of market participants regarding its applicability for an asset such as the subject property, we elected to exclude this approach from the analysis.

Report Option Description

USPAP identifies two written report options: Appraisal Report and Restricted Appraisal Report. This document is prepared as an Appraisal Report in accordance with USPAP guidelines. The terms “describe,” summarize,” and “state” connote different levels of detail, with “describe” as the most comprehensive approach and “state” as the least detailed. As such, the following provides specific descriptions about the level of detail and explanation included within the report:

- Describes the real estate and/or personal property that is the subject of the appraisal, including physical, economic, and other characteristics that are relevant
- States the type and definition of value and its source
- Describes the Scope of Work used to develop the appraisal
- Describes the information analyzed, the appraisal methods used, and the reasoning supporting the analyses and opinions; explains the exclusion of any valuation approaches
- States the use of the property as of the valuation date
- Describes the rationale for the Highest and Best Use opinion (if included)

Identification Of Property

Common Property Name:	Carson Terrace Senior Apartments
Locations:	632 East 219th Street, Carson, Los Angeles County, California 90745
Assessor's Parcel Number(s):	7335-011-016
Legal Description:	The legal description is included in the Regulatory Agreement in the Addenda.

Property Ownership And Recent History

Current Ownership:	Carson Terrace, LP
Sale History:	The subject has been owned by Carson Terrace, LP for more than three years.
Current Disposition:	To the best of our knowledge, the property is not under contract of sale nor is it being marketed for sale.

Dates Of Inspection And Valuation

Effective Date(s) of Valuation:	
As Is:	August 29, 2018
Date of Report:	September 17, 2018
Date of Inspection:	August 29, 2018
Property Inspected by:	Dan Gabay, MAI. Michele Kauffman, MAI did not inspect the subject.

Client, Intended Use And Users Of The Appraisal

Client:	The Richman Group
Intended Use:	This appraisal is intended to provide an opinion of the Market Value of the Leased Fee interest in the property for internal review by the client.
Intended User:	The appraisal was prepared for The Richman Group (“Client”).

Extraordinary Assumptions

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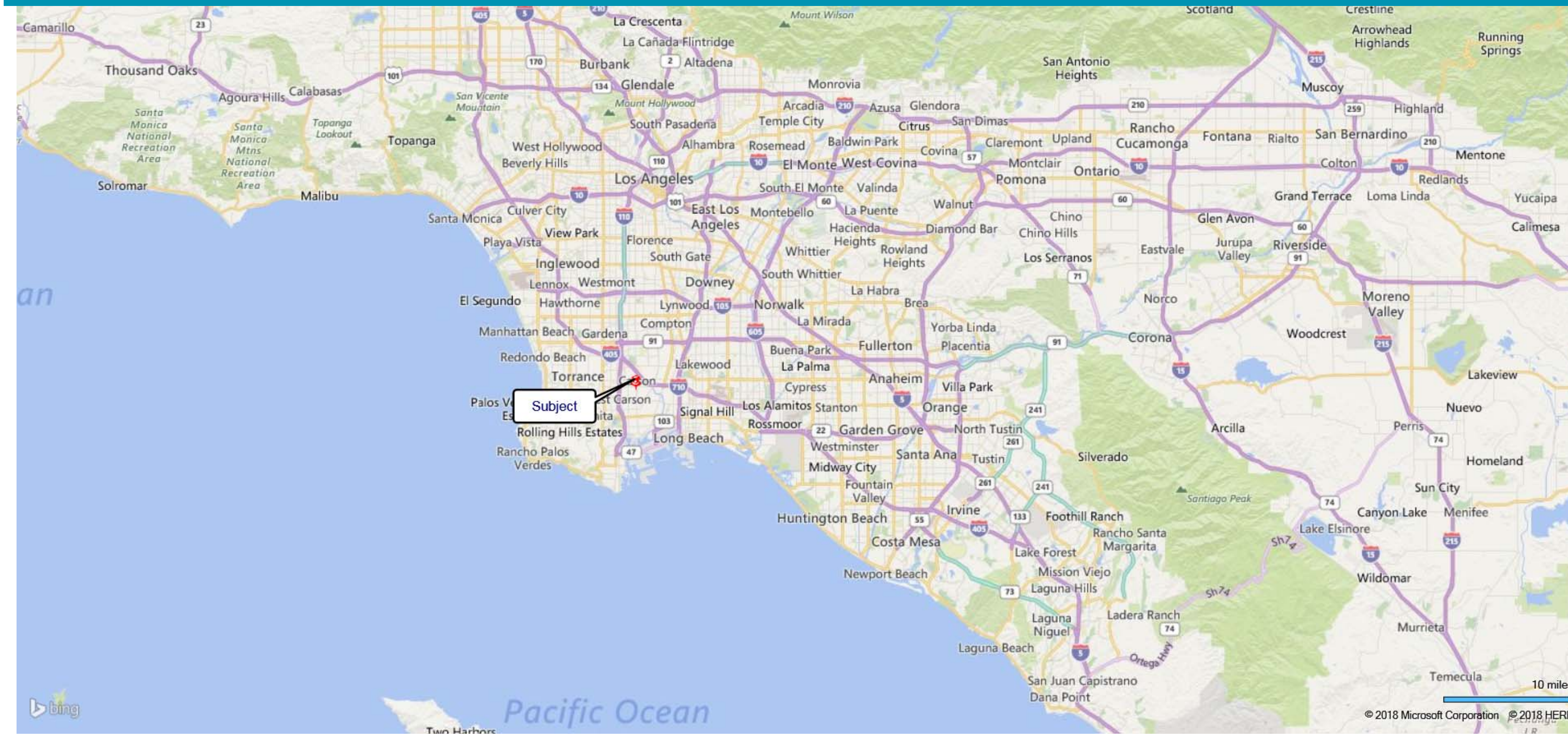
Regional Analysis

REGIONAL MAP



Los Angeles County Regional Analysis

Introduction

Market Definition

Los Angeles County is ranked amongst the largest economies in the world. According to Experian Marketing Solutions' 2017 estimates, the region has a population of nearly 10.3 million residents, making it the largest county by population in the United States. The majority of Los Angeles County is heavily urbanized and dense, averaging approximately 2,515 residents per square mile. The county encompasses a total of 4,058 square miles of land area, with approximately 70 miles of coast along the Pacific Ocean. Regions neighboring Los Angeles include Orange County to the south, San Bernardino County to the east, Ventura County to the west and Kern County to the north.

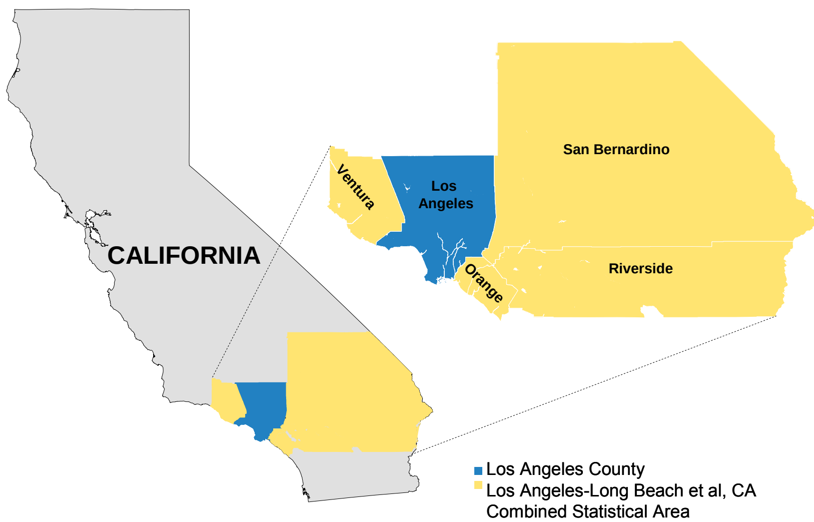
The Los Angeles-Long Beach-Anaheim Core Based Statistical Area (CBSA) is the largest of the three that comprise the Los Angeles-Long Beach Combined Statistical Area (Los Angeles CSA). The Los Angeles CSA includes the Riverside-San Bernardino-Ontario and Oxnard-Thousand Oaks-Ventura CBSAs as well. The Los Angeles-Long Beach-Anaheim CBSA is further divided into two metropolitan divisions (MD): Los Angeles-Long Beach-Glendale and Santa Ana-Anaheim-Irvine MDs. The Los Angeles-Long Beach-Glendale Metropolitan Division is synonymous with Los Angeles County, and will be the focus of the following demographic and economic overview. The City of Los Angeles is the largest incorporated area in the county, which features 88 incorporated cities.

Further considerations are as follows:

- International trade and commerce are major drivers of Los Angeles' local economy, in large part due to the strategic location, size and scope of its local economy. The Los Angeles Customs District, which includes the Ports of Long Beach and Los Angeles (Twin Ports), Port Hueneme and the Los Angeles International Airport (LAX), is the largest in the nation. Additional economic drivers in the region include entertainment, tourism, logistics and high-tech industries.
- The Los Angeles region has an extensive transportation network, equipped with multiple airports, seaports, an advanced freeway network and mass transit options for public use. In addition to the strong infrastructure of the Twin Ports and Los Angeles International Airport, there are two additional active commercial airports that service the region – Long Beach Airport and Bob Hope Airport in Burbank. Additionally, there are numerous rail freight services linking the region to the rest of the state and nation, including the Alameda Corridor, a twenty-mile freight rail expressway that connects the national rail system to the Twin Ports to facilitate the movement of goods throughout the region.

The following map depicts Los Angeles County in relation to the adjacent Orange County and Inland Empire regions:

**LOS ANGELES-LONG BEACH et al, CA
COMBINED STATISTICAL AREA (CSA)**



Source: Cushman & Wakefield Valuation & Advisory

Current Trends

After exhibiting robust growth for nearly two years, Los Angeles' regional economy has entered a mature phase of the business cycle while continuing to expand at above average rates. Although beginning to slow pace, economic expansion in the region has created substantial employment gains and income growth in recent years, matching both state and national rates. According the California Employment Development Department's (EDD) preliminary statistics, nonfarm employment in the Los Angeles-Long Beach-Glendale Metropolitan Division gained 38,100 jobs in the twelve month period ending in June 2018. The metro area's unemployment rate is at 4.8 percent as of June 2018, just 60 basis points above the state rate of 4.2 percent and 80 basis points above the national rate of 4.0 percent during the same month. Unemployment in Los Angeles County has improved over the previous year by 80 basis points, but has posted a slight uptick from the ten-year record lows of 4.0 percent reported at the start of 2017. Although gains were reported across a broad range of sectors, high-tech, finance, trade, healthcare and construction have propelled the majority of employment growth in the region. Historically, Los Angeles has been recognized as major hub for international trade, entertainment, tourism, and manufacturing. However in recent years, technology industries have exceeded the contribution that trade and the dwindling motion picture sector have made on economic growth. With the region's cyclical recovery reaching completion, expansion will continue to run its course, with the labor markets recording healthy growth alongside continued improvement of home values. The strong Westside submarket in particular continues to be a significant catalyst to the growth of the Los Angeles economy.

Further points of consideration include:

- The $2.6 billion Los Angeles Rams football stadium project, one of the largest developments underway in the region, is now nearly 40.0 percent complete as of June 2018. The development received the green-light for construction following approvals by the Federal Aviation Administration (FAA) in January 2017. Located in the city of Inglewood in close proximity to LAX, approvals for the project had been delayed for nearly one year due to concerns that the proposed location would interfere with incoming and outgoing air traffic from LAX. Proposed plans for the stadium are that the highest point would be 273 feet, creating concern of hazards for planes flying in and out of the airport at 600 to 700 feet above ground. Stadium developers have agreed to pay $29.0 million to install a secondary aircraft tracking system that will augment the existing LAX radar system to take precaution against potential conflicts. The NFL team's new stadium is on track for completion in summer 2020.
- Los Angeles International Airport (LAX) is undergoing a massive, $14.0 billion modernization project aiming to improve access to the nation's third busiest airport. The largest component includes the $5.5 billion Landside Access Modernization Program (LAMP) which will feature: an Automated People Mover (APM) connecting the airport's terminals, a transit center linking to the region's rail network, and a Consolidated Rent-a-Car center. Another major component is a $1.6 billion, 12-gate Midfield Satellite Concourse, which broke ground in early 2017 and is scheduled for completion in late 2019. A number of terminals are also under renovation, including the $1.9 billion overhaul and expansion of Terminals 2, 3, 5 and 6 by Delta Airlines, the $573.0 million renovation project of United Airlines' Terminals 7 and 8, and the $515.8 million modernization of Southwest Airlines' Terminal 1. The collective improvements will support growing air traffic volumes at LAX, which reached 70.7 million passengers year-to-date by October 2017 (4.6 percent year-over-year increase). The entirety of the projects at LAX are expected to reach completion by 2023.
- Year-end 2017 totals at the Los Angeles port amounted to 9.3 million TEUs, increasing 5.5 percent year-over-year, while the Port of Long Beach recorded annual increases of 11.4 percent with 7.5 million TEUs. By the close of second quarter 2018, the Port of Long Beach set record quarterly cargo movement with 2.1 million TEUs, while the Port of Los Angeles saw a slight decline of 2.0 percent over second quarter 2017 with 2.2 million TEUs. Twin Port officials claim the slowdown to be due to uncertainty around trade negotiations, with a similar declining trend expected for the latter half of 2018. Although trade continues to remain a strong economic driver in the region, it will become less growth catalyst in the near term as the depreciation of the dollar curbs U.S. imports and effects of the Panama Canal expansion project divert cargo to east-coast ports.
- The Los Angeles County Metropolitan Transportation Authority has signed off on a $410.0 million contract in July 2018 to begin construction on the Phase III of the Metro Purple Line extension, which will run 2.6 miles through Westwood, Century City and Beverly Hills. After being awarded a $1.6 billion contract for the construction of the second phase of the Purple Line extension, Tutor Perini Corporation was enlisted for the construction of the final leg of the project. The total budget for the extension is set at $6.3 billion, with nearly $1.5 billion granted by the U.S. Department of Transportation. Phase I of the project featuring a 3.9-mile extension from Koreatown to Beverly Hills is currently underway and slated for completion in late 2022. Phase II began construction in February 2018 and reach full completion in 2025. Phase III, which is expected to break ground in 2019, will complete the project and is expected to open in 2026.
- Westfield Century City has completed the second phase of its massive $1.0 billion renovation project in October 2017, adding nearly 422,000 square feet of leasable area to the two-story retail center's footprint for a total of 260 stores. Aside from expansion, the revamp is an attempt make the shopping mall more experiential with the addition of fine-dining restaurants, luxury fitness centers, and marketplaces, amidst the shuttering of numerous shopping centers and retailers from the increasing pressures of online sales. Westfield Century City was recently named the seventh-largest retail center in Los Angeles County at 1.3 million square feet. The Beverly Center, located on the edge of Beverly Hills and West Hollywood, is additionally undergoing a $500.0 million renovation aimed at improving the customer experience as well. Renovations at the Beverly Center are expected to reach completion by fourth quarter 2018.

- In recent years, Los Angeles has become the fifth-largest market in the United States for venture capital investment, leading to the successive growth of Silicon Beach as a major startup ecosystem. First quarter 2018 marked one of Los Angeles' strongest quarters in terms of start-up funding, totaling $1.9 billion across 101 deals, according to Amplify.LA. Of these deals, seed-stage funding was provided to 23 Los Angeles startups totaling $52.9 million, up 2.5 percent year-over-year. The average deal size in Los Angeles, however, is particularly larger than the national average at $2.3 million versus $2.0 million. In addition, Los Angeles was ranked on of the top 25 global cities for tech innovation according to CB Information Services Inc.
- In June 2018, The Walt Disney Co. reached a second agreement with 21st Century Fox for the acquisition of its movie and television assets at a higher price of $71.3 billion. This comes after initial agreements announced in December 2017 at a purchase price of $52.4 billion. The Burbank-based entertainment giant, which is the largest Fortune 500 firm in Los Angeles County, will gain control of Fox's movie and television studios, cable channels and the Sky television service in Europe. As part of the acquisition, Disney will also gain controlling interest in the firm's stake of Hulu streaming services. The acquisition, expected to close by mid-2019, will bolster Disney's sports portfolio, enhancing the direct consumer offerings that the entertainment industry believes will become increasingly important in the coming years. Economic forecasts do not call for layoffs from the potential synergies of Disney and Fox.
- A surge in online television streaming and digital media is spurring a wave of large-scale office deals in Los Angeles, as companies such as Netflix, Amazon, Apple, Facebook and Google are absorbing increasing space to manage production demands. Office space occupied by the entertainment industry in the Los Angeles market has climbed significantly since the start of this phenomenon and the type of space media companies are seeking to lease has evolved from small offices to giant production facilities for content-producing firms, comparable to traditional Hollywood studios. This trend reaches from Downtown Los Angeles and Hollywood to the Silicon Beach areas of Playa Vista and Venice, and is expected to help drive down office vacancy rates in Los Angeles County in the near term.
- As of June 2018, the California's Film & Television Tax Credit 2.0 program has been extended an additional five years through 2025. The program will provide for $330 million in tax credits annually. Initially signed in 2014, the state's original five-year, $1.6 billion production incentive program intends to retain and attract production jobs and economic activity across the state. The program has been slow to further encourage increased, on-location filming in the state. As of second quarter 2018, on-location filming has declined 5.2 percent over the previous year to 8,978 shoot days (SD), according to Film L.A. Tax credit-eligible feature films contributed only 136 on-location SDs, or 11.3 percent of the 1,184 SDs in the features shot in Los Angeles. Despite declining year-over-year figures, production counts in the region are nearly 10.0 percent over five years prior bringing steady employment for the area's entertainment sector.

Demographic Trends

Demographic Characteristics

The median age in Los Angeles is 36.0 years, 2.0 years younger than the national median age of 38.0 years. The region additionally outperforms the nation in terms of affluence and education attainment, with an average annual household income of $90,205 and 30.1 percent holding Bachelor's degrees or higher (60 basis points higher than the national average). The greater percentage of highly educated individuals indicates that the region has relatively high demand for more experienced and academically advanced professionals. Such in-demand employment sectors include the professional & business services, financial activities, education & healthcare, and information technology sectors, most of which require postsecondary degrees. The highly educated population in the Los Angeles region also coincides with the larger percentage of households with income levels above $100,000. A total of 27.5 percent of households in Los Angeles County have an income level above $100,000, 3.3 percentage points greater than that of the national average.

Further considerations are as follows:

- According to Experian Marketing Solutions, the median household income in Los Angeles County is estimated to be $59,287, about 5.3 percent higher than the national median household income of $56,286. Through 2022, this is expected to grow 3.3 percent annually, exceeding the national growth average by 30 basis points.
- There is high demand for workers with developed skill sets in sectors such as finance, education, and information technology that require postsecondary degrees. Firms in these sectors are additionally required to pay employees increased wages due to the above average cost of living in Los Angeles County.
- The varying level of education across the region indicates that there is a demand for workers with highly developed skill sets in manual labor sectors in Los Angeles County as well. Examples are transportation, manufacturing, and construction, which do not require a postsecondary degree.

The following table highlights and compares the most recent demographic characteristics for Los Angeles County and the United States:

Demographic Characteristics
Los Angeles County vs. United States
2017 Estimates

Characteristic	Los Angeles County	United States
Median Age (years)	36.0	38.0
Average Annual Household Income	$90,205	$81,217
Median Annual Household Income	$59,287	$56,286
Households by Annual Income Level:		
<$25,000	22.1%	22.2%
$25,000 to $49,999	21.4%	22.8%
$50,000 to $74,999	17.0%	18.2%
$75,000 to $99,999	12.0%	12.6%
$100,000 plus	27.5%	24.3%
Education Breakdown:		
< High School	23.1%	13.6%
High School Graduate	20.7%	27.9%
College < Bachelor Degree	26.2%	29.0%
Bachelor Degree	19.7%	18.4%
Advanced Degree	10.4%	11.0%

Source: © 2017 Experian Marketing Solutions, Inc. •All rights reserved•
Cushman & Wakefield Valuation & Advisory

Population

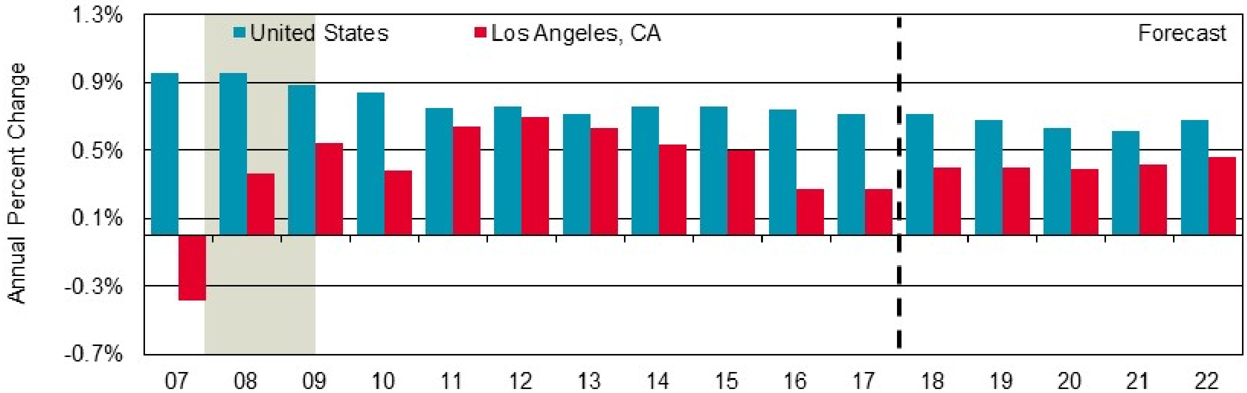
According to Experian Marketing Solutions' 2017 estimates, the Los Angeles-Long Beach-Glendale MD is home to a population of 10.3 million individuals. Along with being the largest county by population in the United States, the Los Angeles region has higher population density than most states in the nation. Since 2007, the region's population expansion has remained below 1.0 percent, with growth hindered by the high cost of living, business costs, and rising home values. Population growth in Los Angeles has also historically fallen short of national averages, as the favorable climate and diverse economy make southern California a highly desired location with limited capacity for further growth. Despite the high cost of living, at 126.0 percent compared to the national base cost of 100.0 percent according to Moody's Analytics, the region's impressive demographics with above average educational attainment provide a young and highly skilled employment base to support high-wage jobs. Additionally, the flourishing technology and innovation landscape in Los Angeles has augmented the region's economic drivers and will further continue to support increasing population trends in the region. Growth, however, is expected to occur at a slower rate relative to the nation, primarily due to a lack of available land for new housing development.

Further considerations are as follows:

- Los Angeles grew at an average annual rate of 0.5 percent between 2007 and 2017. Over the corresponding period of time, the national population exceeded this with 0.8 percent annual growth.
- Los Angeles County's population is expected to grow at an average annual rate of 0.4 percent between 2018 and 2022, slightly below the nation's projected rate of 0.6 percent over the same period.

The following graph compares population growth within the Los Angeles region and the United States:

POPULATION GROWTH BY YEAR
Los Angeles County vs. United States, 2007-2022



Source: Data Courtesy of Moody's Analytics and Cushman & Wakefield Valuation & Advisory
Note: Shaded bars indicate periods of recession

Of the four metro areas comprising the Los Angeles Combined Statistical Area, the Los Angeles-Long Beach-Glendale MD experienced the slowest rate of population growth during the ten-year period ending in December 2017. Population growth in Los Angeles, however, is projected to increase steadily through the next five-years, but its growth rate is forecasted to still lag behind that of the other metro areas. Some key factors that continue to suppress population growth in the Los Angeles region include the high cost of living, the moderate economic recovery, lack of available land for development, and the reset from a high unemployment rate.

The following table details the population trends within the Los Angeles region and the United States:

Annualized Population Growth By CBSA Los Angeles-Long Beach-Glendale MD 2007-2022						
Population (000's)	**2007**	**2017**	**Forecast 2018**	**Forecast 2022**	**Compound Annual Growth Rate 07-17**	**Compound Annual Growth Rate 18-22**
United States	301,231.2	325,719.2	328,034.9	336,614.5	0.8%	0.6%
Los Angeles-Riverside-Orange County, CA CSA	17,499.4	18,772.6	18,838.7	19,100.9	0.7%	0.3%
Los Angeles-Long Beach-Santa Ana CBSA	12,632.0	13,363.0	13,410.2	13,610.4	0.6%	0.4%
Los Angeles-Long Beach-Glendale MD	**9,700.4**	**10,177.5**	**10,218.1**	**10,388.5**	**0.5%**	**0.4%**
Santa Ana-Anaheim-Irvine MD	2,931.6	3,185.5	3,192.1	3,221.9	0.8%	0.2%
Riverside-San Bernardino-Ontario CBSA	4,067.3	4,554.5	4,569.1	4,613.5	1.1%	0.2%
Oxnard-Thousand Oaks-Ventura CBSA	800.0	855.1	859.4	876.9	0.7%	0.5%

Source: Data Courtesy of Moody's Analytics, Cushman & Wakefield Valuation & Advisory

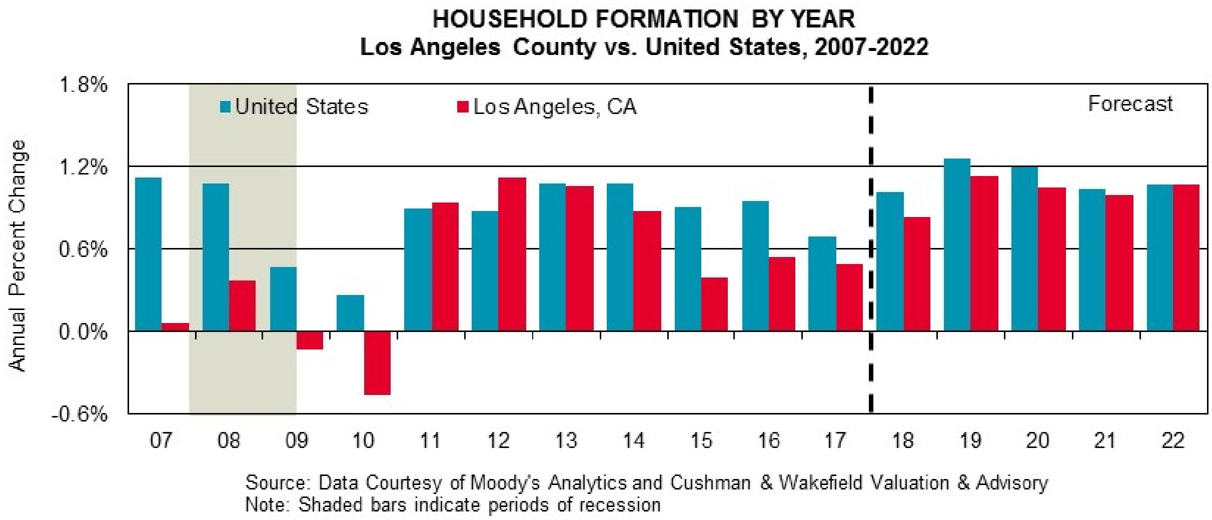
Households

Between 2007 and 2017, household formation trends in Los Angeles averaged 0.5 percent, trailing the national growth rate. Household formation trends in Los Angeles appear to mirror overall population gains, similar to the growth performance of the United States. Over the past decade, growth of households occurred alongside the recovery of the housing market, steadily increasing in income levels, and the millennial generation entering the first time home buyers' market. As of June 2018, the California Association of Realtors reported a 10.8 percent decline in single-family home sales in Los Angeles County year-over-year. Subsequently, the median home sale price has increased 6.9 percent over the previous year to $586,090, while interest rates have hiked to the highest levels seen in the past decade at 5.0 percent as of July 2018. Single-family permits in the region have, however, increased steadily since 2011, and are projected to continue an upward trend into the near term. While there was just a slight population increase in 2017, there was considerable household formation growth (0.7 percent) compared to the prior year, which is expected to continue to rise above population growth levels over the next five-year period. This increasing trend in household formation can be attributed to various sociological factors such as increasing divorce rates, young professionals postponing marriage, student debt repayment, and relatively high cost of living.

Further considerations are as follows:

- According to Moody's Analytics, single-family permits in Los Angeles County are expected to jump 9.3 percent by year-end 2018 over year-end totals of the previous year. Permits are projected to trend upward through 2022, with a compound annual growth rate (CAGR) of 6.7 percent over the next five years.
- The projected household compound annual growth rate for the next five years through 2022 in Los Angeles is forecasted to be 1.1 percent, on par with the expected national average growth rate.

The following graph details household formation in the Los Angeles region and the United States:



Economic Trends

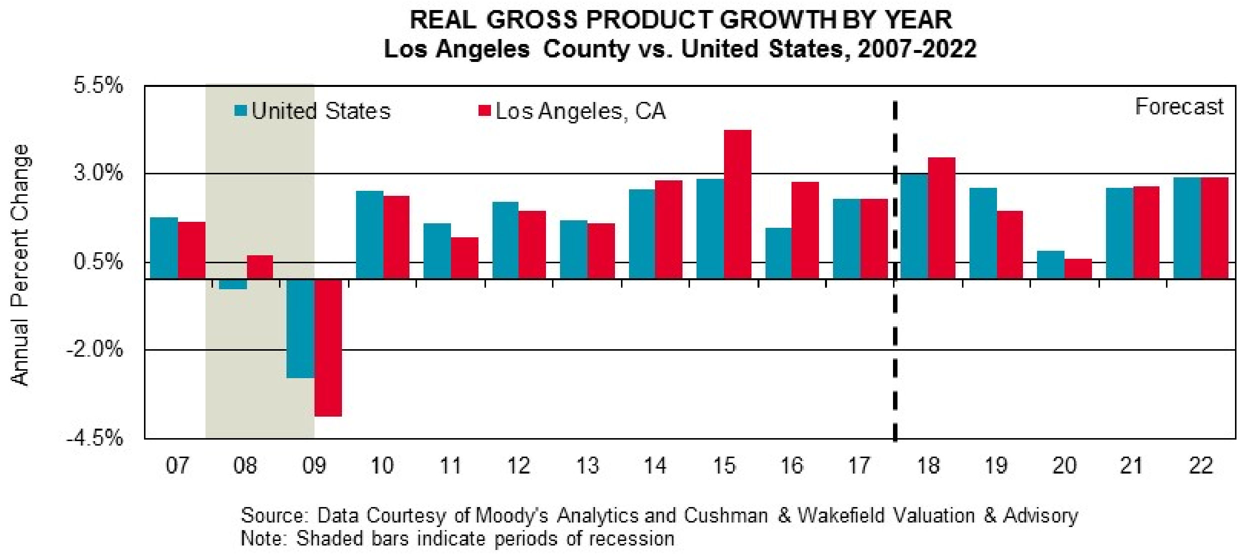
Gross Metro Product

A large share of the region's GMP output is produced by high-value industries including the technology, trade and manufacturing sectors. Historically, Los Angeles' GMP growth trends have closely followed that of the United States, exceeding national averages in recent years. The most recent recession had a significant negative impact on the regional economy of Los Angeles, as the gross metro product contracted 3.9 percent in 2009, nearly 1.0 percent below the decline the nation recorded during the same period. Since the recession, conditions have improved significantly, with the Los Angeles metro area's gross metro product growth rate surpassing the national averages at year-end 2017. As the region's economy continues to expand, GMP growth in Los Angeles is forecasted keep pace with the nation through 2022, with peak growth of 2.9 percent by year-end 2022. Income growth in the market has contributed to the expansion of the Los Angeles area's consumer spending and overall economy over the past decade, and the trend is expected to continue in the near term.

Some notable considerations include:

- Over the ten-year period from 2007 to 2017, Los Angeles' average annual GMP growth rate of 1.6 percent was 20 basis points higher than the national average growth rate of 1.4 percent over the same period.
- Through 2022, the average annual GMP growth rate in Los Angeles is projected to further accelerate to 2.0 percent, just 20 basis points shy of the projected growth rate for the nation's GDP over the same period. As indicated by its relative growth in GMP, the Los Angeles area is poised for a sustainable, long-term rate of growth. The expanding technology sector, as well as the strengthening of the construction sector will propel growth in the Los Angeles region.

The following graph details gross metro product within the Los Angeles region compared to the United States:



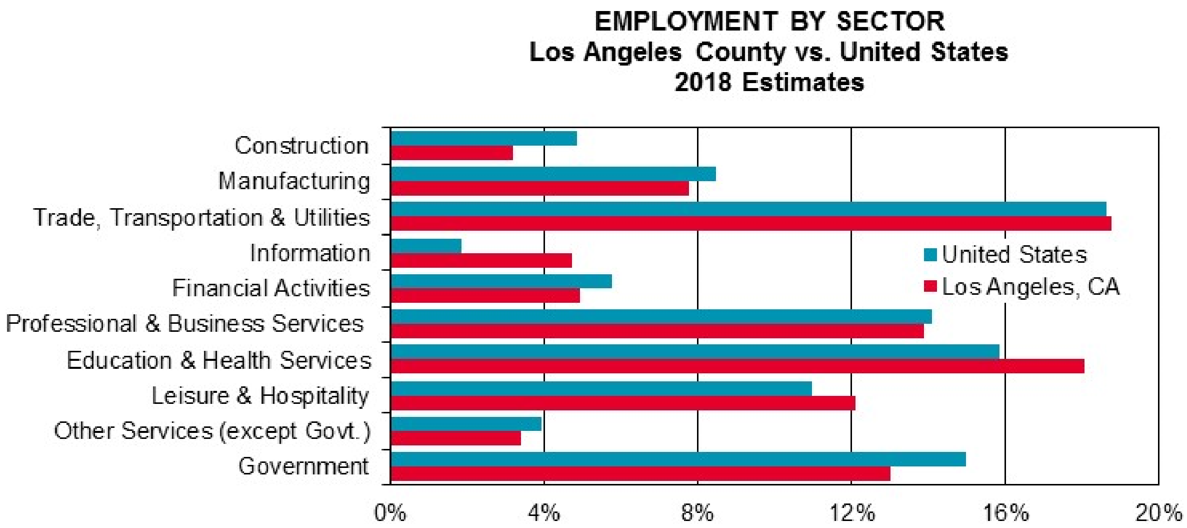
Employment Distribution

Los Angeles' economic base is comprised of a diverse array of employment sectors, similar to that of the United States, contributing to the significant employment gains over the metro's economic expansion. Due to the influence of the Twin Ports, employment in the region relies heavily upon international trade as it relates to port activity. Additionally, Los Angeles' status as an entertainment hub has historically made the industry a vital component of employment and the regional economy overall. Shifting public demands and changing technologies, however, continue to affect the entertainment industry, leading to the decline of the motion picture segment and the predominance of television and commercial production. Despite state efforts to provide film production tax credit incentives, employment in the sector continues to suffer. The region's traditional economic drivers have been unable to match the profound effect the technology sector has had on the labor market in recent years, which has contributed largely to propelling employment and income growth. The continued strength of Silicon Beach will support employment and income stability in the region, while sectors such as construction and healthcare will additionally promote growth and fare well for the local economy.

Further considerations are as follows:

- Los Angeles' industry mix is heavily weighted in the trade, transportation & utilities, education & health services and professional & business services sectors, holding employment shares of 18.8 percent, 18.1 percent, and 13.9 percent, respectively.
- Compared to the United States, Los Angeles is more heavily weighted in the information, education & health services and leisure & hospitality sectors. The metro's employment base is relatively underweighted in the government, construction, and manufacturing sectors compared to the nation, although the sectors hold significant shares in the region.
- The technology scene in West Los Angeles, now regarded as Silicon Beach for its significant tech startup presence, has had significant influence on job growth in the region and has contributed to improvements to the national economy. Tech companies such as Snap Inc., Tinder, Hulu and TrueCar have chosen to remain in Los Angeles, rather than relocating to the more technology-centric Silicon Valley, influencing the region's employment distribution.

The following chart compares employment by sector between the Los Angeles region and the United States:



Source: Data Courtesy of Moody's Analytics and Cushman & Wakefield Valuation & Advisory

Major Employers

Los Angeles County's list of major employers reflects the region's relative strengths in its leading sectors, including education, healthcare, trade, and high-tech sectors. The trade, transportation & utilities and education & health services sectors account for the largest share of total nonfarm employment, as over half of the region's largest employers fall into these segments. Despite the large geographic footprint and size of the economy, the Los Angeles area is home to relatively few of the nation's Fortune 500 corporations, with a total of 13 companies. As of 2018, The Walt Disney Company is the largest Fortune 500 company in Los Angeles County, ranked 55th in the nation with 13,000 local employees. Prior to the acquisition by AT&T, DirecTV, headquartered in El Segundo, was ranked 98th among the largest Fortune 500 corporations. The lack of Fortune 500 companies in the desirable area of Los Angeles can be attributed to the high cost of living and business operations.

Additional considerations regarding Los Angeles' major employers include:

- The top three employers in Los Angeles County fall into the education & health services sector, indicative of segments significant impact on regional employment. Historically, the education & health sector was relatively underrepresented compared to the United States, but in recent years the sector has begun outperforming the national average. University of California Los Angeles, which operates a leading health system, is the region's top employer with 46,220 employees. Following is Kaiser Permanente which employs 36,468 individuals. In addition, University of Southern California is the third largest employer and employs 20,163 individuals.
- Two of the top ten employers in the region fall into the aerospace and defense sector, including Northrop Grumman Corp. and Boeing Co., with 16,600 and 13,294 employees, respectively. This reflects the strengthening of the industry in the region in recent years, in which significant growth has primarily been seen in the South Bay and Westside areas where numerous firms in the sector are based.

The following table lists the largest employers in Los Angeles County according to number of employees:

Largest Employers Los Angeles County, CA		
Company	No. of Employees	Business Type
University of California, Los Angeles	46,220	Education
Kaiser Permanente	36,468	Healthcare
University of Southern California	20,163	Education
Northrop Grumman Corp.	16,600	Aerospace & Defense
Providence Health Systems	15,255	Healthcare
Target Brands Inc.	15,000	Retail
The Kroger Co.	14,970	Retail
The Boeing Co.	13,294	Aerospace & Defense
The Walt Disney Co.	13,000	Entertainment
Albertsons/Vons/Pavilions	13,000	Retail

Source: Los Angeles Business Journal 2017, Los Angeles City Controller 2017, City of Glendale and Cushman & Wakefield Valuation & Advisory

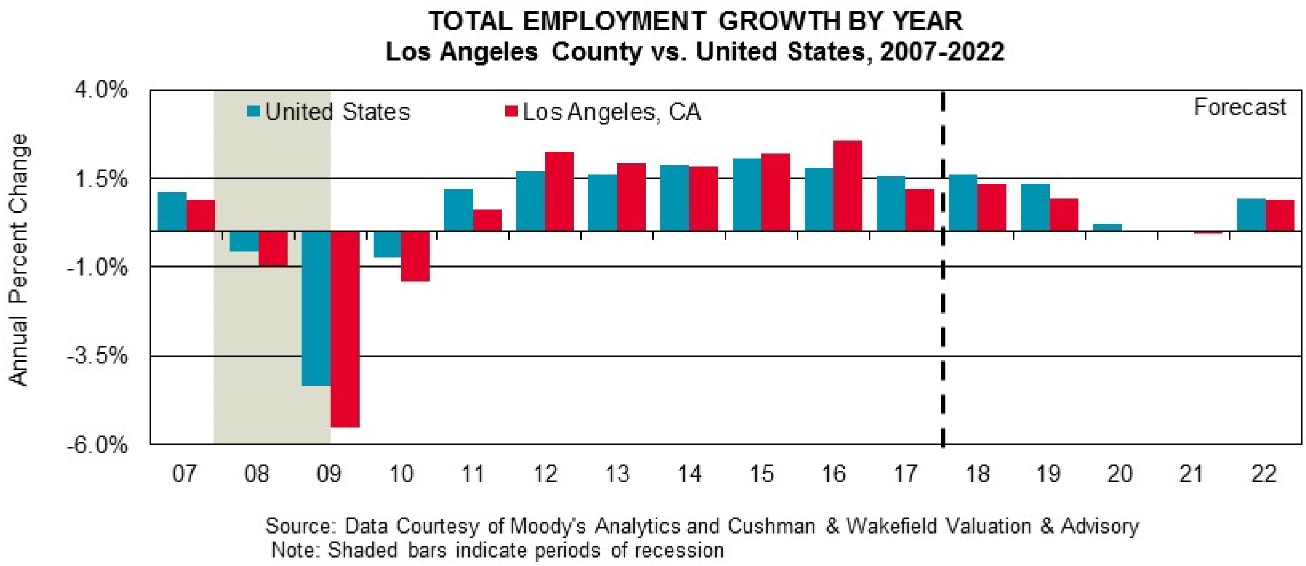
Employment Growth

Over the past decade, total nonfarm employment in Los Angeles averaged 0.4 percent growth annually, as significant losses were reported during the period of the last recession. Employment growth in Los Angeles has historically trailed the national average, but in recent years regional job growth has accelerated to exceed statewide and national rates, enabling substantial income growth as well. The prior year particularly market significant growth, adding 70,000 nonfarm jobs by year-end 2016, with the primary drivers being the technology, trade, healthcare, and construction sectors. Los Angeles' historic growth drivers, including trade, entertainment and tourism, have not been able to keep up with the impact tech has left on employment gains. As cyclical recovery has begun to slow and the regional economy reaches near full employment, nonfarm job growth in Los Angeles has since slowed over the first half of 2018, adding 38,100 jobs as of June 2018 for total annual growth of 0.8 percent. Total nonfarm payroll growth is forecasted remain at a similar pace through year-end 2018 at 1.2 percent, and the compound annual growth rate is projected to follow the nation closely at 0.5 percent over the five-year period ending in 2022.

Additional notable considerations are as follows:

- Between 2007 and 2017, Los Angeles' annual employment growth average of 0.4 percent fell short of the nation's annual growth rate of 0.6 percent by 20 basis points for the same period, as the region was relatively slow in recovering from the last economic downturn. The leisure & hospitality and education & health services sectors reported the largest gains, growing 2.8 percent and 2.5 percent, respectively, while the manufacturing and construction sectors contracted 2.6 percent and 1.3 percent, respectively.
- Looking forward to the forecasted period through 2022, Los Angeles' projected average employment growth of 0.5 percent is expected trail the national projected average by a slight 10 basis points over the corresponding period. Growth will be supported by payroll expansion in the construction (1.3 percent), education & health services (1.1 percent), professional & business services (0.9 percent) and leisure & hospitality (0.8 percent) sectors. In contrast, the manufacturing sector is projected to report the largest contraction of 1.3 percent over this period.

The following graph compares employment growth per year for the Los Angeles region and the United States:



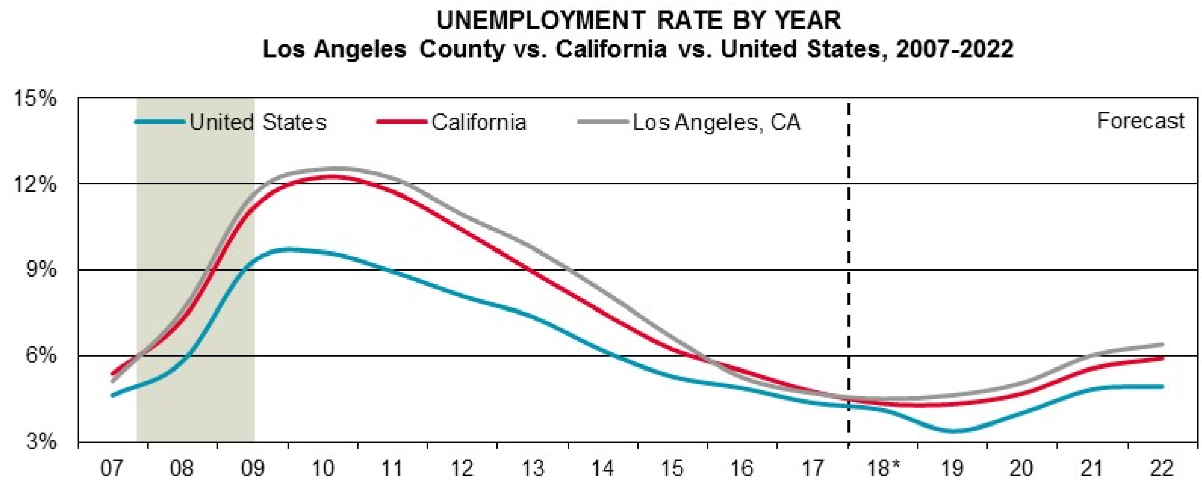
Unemployment

According to the California Employment Development Department's June 2018 preliminary figures, the Los Angeles-Long Beach-Glendale MD recorded an unemployment rate of 4.8 percent, which represents approximately 247,200 unemployed individuals. The unemployment rate is on par with the unemployment rate reported in June 2017 and improved by 8.4 percentage points since the peak of unemployment of 13.2 percent in July 2010. According to the Bureau of Labor Statistics' June 2018 figures, the region's unemployment rate trended above the state of California's average, recorded at 4.2 percent, while a 80 basis points above the national rate of 4.0 percent reported during the same month. Through the near term, unemployment in Los Angeles is expected to remain at relatively low levels but lift upward, trending slightly above state and national rates as these averages improve. Improvements to Los Angeles' regional economy are expected to continue facilitating job growth, however payroll expansion will occur at a slower pace as the region reaches near full employment.

Some notable points concerning the region's unemployment situation are as follows:

- Between 2007 and 2017, unemployment in Los Angeles averaged 8.6 percent, approximately 30 basis points above the state's average and 1.8 percentage points higher than the national average of 6.8 percent for the same time period. The outlook for the near term ending in 2022 is expected be less favorable for Los Angeles than the national projections.
- Looking forward, Moody's Analytics forecasts that slowdowns in employment growth will impact the unemployment rate in Los Angeles. Through 2022, the unemployment rate is expected to remain stable in the 4.5 to 6.5 percent range, averaging to 5.3 percent over the five-year period, while the national rate is expected to average nearly 4.2 percent over the same period of time.

The graph below compares unemployment rates for the Los Angeles region, California and the United States:



Source: Data Courtesy of Moody's and Cushman & Wakefield Valuation & Advisory
Note: Shaded bars indicate periods of recession
*First Quarter 2018

Conclusion

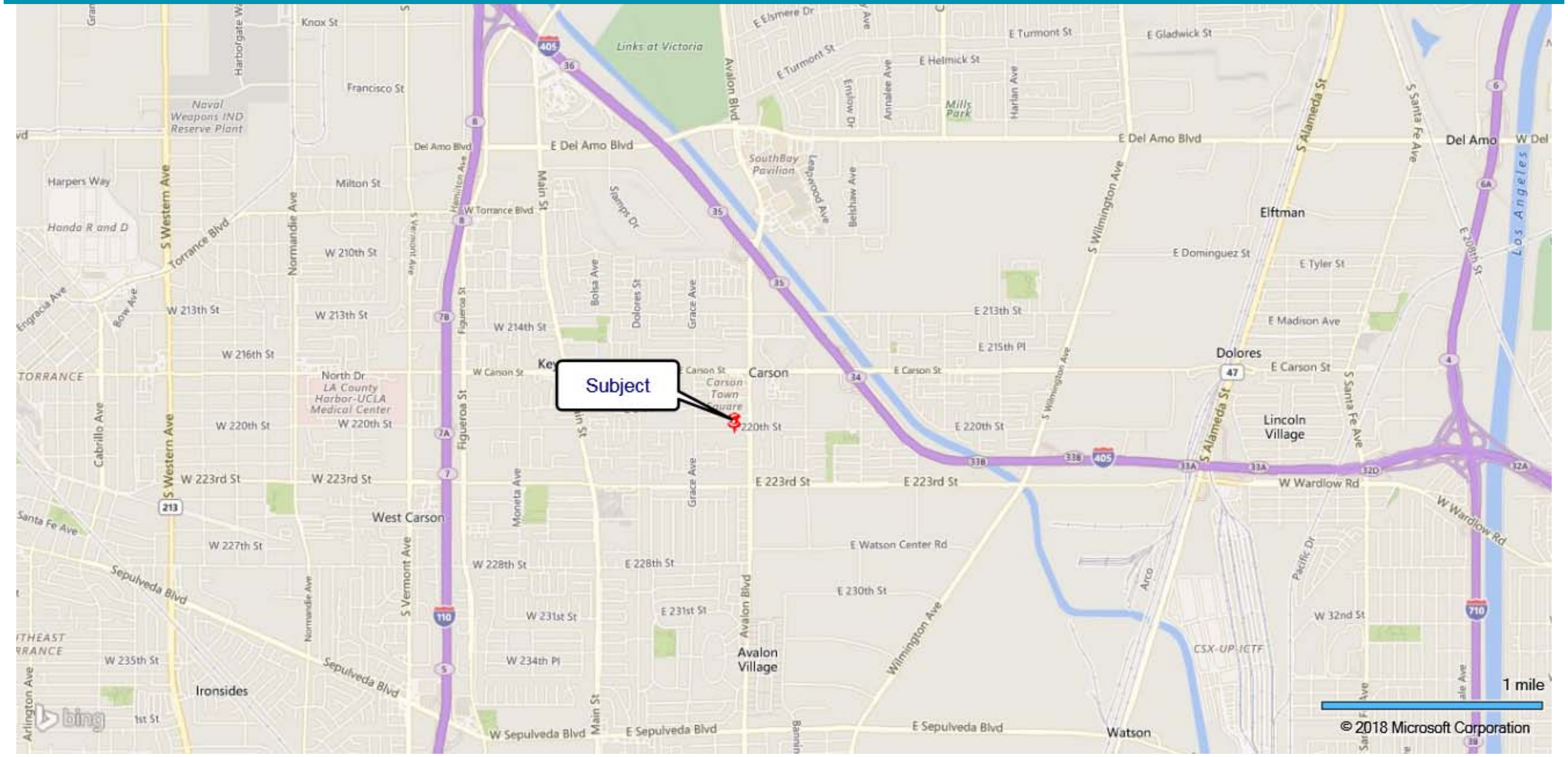
The Los Angeles region's impressive demographics and high-wage employment growth have supported economic expansion following the last economic recession. Although entering late expansion, the region continues to outperform the nation in terms of employment and income growth. The region's diversified employment base will continue to compare favorably with the United States, although job growth will slow relative to the nation as the economy reaches full employment. The majority of employment growth will be driven by the highly skilled technology sector, with the trade, healthcare and construction sectors continuing to support the region's economic expansion. Relatively high business and living costs may dampen the region's population and household growth, but forecasts are optimistic that the region's well-educated, affluent population will be able to mitigate these high costs. Los Angeles is expected to continue as an above-average performer moving forward, keeping near the pace of the national and state growth in the near term.

Additional considerations are as follows:

- Growth of jobs requiring high-skill and educational levels will be the driving force behind the region's improving labor market and above-average personal and household income growth in the near-term. Projected growth in Los Angeles will be driven by the education & health services and professional & business services sectors, with the later largely based on performance of the region's high-tech industries.
- Long-term economic growth in Los Angeles is largely tied to its two major shipping ports, as they present greater access to global economies. Ongoing infrastructure improvements to the ports are expected to result in Los Angeles capturing a greater share of west coast shipping traffic. However, the aftermath of the Panama Canal expansion project may result in the loss of market share to southern and eastern U.S. ports, creating further the challenges ahead for the Twin Ports.
- The lack of affordable housing limits migration to the region, and the high cost of business operations have caused businesses to locate elsewhere. Nevertheless, Los Angeles provides a broad array of economic drivers from trade and tourism, to technology, entertainment, and consumer goods, all of which provide an established foundation for future growth of the regional economy.

Local Area Analysis

LOCAL AREA MAP



Location Overview

The subject property is located in the City of Carson, which is situated in the South Bay industrial submarket of Los Angeles County. It is located one mile north of Interstate 405, 1.5 miles west of Interstate 710 and five miles south of State Highway 91. The property is also nine miles east of the Pacific Ocean, five miles north of Long Beach Harbor and 13 miles from downtown Los Angeles. The city of Compton is to the east and north, while the city of Long Beach lies to the southeast and Wilmington is south. The unincorporated area of Rosewood is to the north, while Torrance and Gardena are to the west. Carson is a young city that was incorporated in 1968, and encompasses 19 square miles.

Carson is considered an employment center to cities in Los Angeles County and Orange County. The city's economy is diverse. The employment base is diverse and includes both skilled and highly educated workers. The largest employers include Prime Wheel Corporation, See's Candy Shop, Inc., and Arconic.

Neighborhood Analysis

The subject property is located in the northwestern section of Carson within one of the city's primary industrial areas that blends into neighboring Compton and Rancho Dominguez. This industrial district is generally formed by the 91 Freeway to the south, West Greenleaf Boulevard to the north, South Alameda Street to the east and Avalon Boulevard to the west. This area of Carson is bounded by industrial and residential areas of the cities of Compton and Rancho Dominguez; most of the residential areas consist of older single and multi-family developments.

The area of Carson/Compton/Rancho Dominguez is considered a core industrial location within the South Bay due to its extensive transportation network, and its proximity to the Ports and LAX. The area is well served by several miles of freeway and primary/secondary highways, part of one of the largest freeway systems in the world, connecting all parts of the Greater Los Angeles Area. The Alameda Corridor runs through the area, and is passageway of 25 percent of all US waterborne international trade. The area is surrounded by five freeways: the Century/Glenn Anderson Freeway (Interstate 105) which extends westerly from LAX to the 605 Freeway; the Harbor Freeway (Interstate 110) which extends northerly from Long Beach up to Interstate 210; the Long Beach Freeway (Interstate 710) which extends northerly from Long Beach to the 10 Freeway; the San Diego Freeway (Interstate 405) which extends northerly from Orange County throughout Los Angeles County; and, the Artesia Freeway (State Highway 91), which extends easterly from the 405 Freeway through Los Angeles, Orange and Riverside Counties. Additional freeways within close proximity include: Interstate 5 which provides access throughout California, and Interstate 605. These arteries comprise critical east-west and north-south corridors for pure trucking operations and intermodal connections when combined with area air and rail transport.

Nearby and Adjacent Uses

The subject is located among an area dominated by residential uses. The subject is bordered by the following land uses.

North: Residential uses (apartments) and commercial uses (an auto-service related commercial building) are to the north of the subject with primarily residential uses beyond.

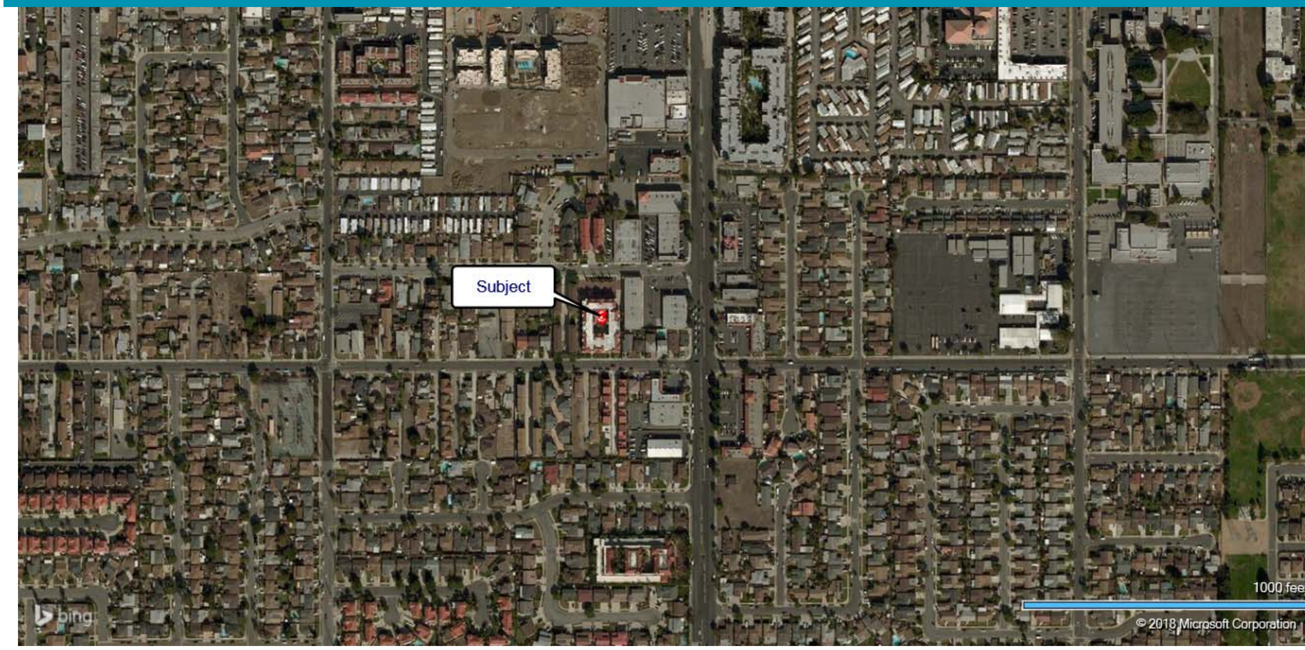
South: To the south of the subject are residential uses primarily comprised of multifamily buildings.

East: To the southeast of the subject are residential buildings and commercial buildings (one-level warehouse) to the northeast of the subject.

West: To the west of the subject are residential uses.

Overall, the subject's immediate surroundings provide an accessible, well-planned setting for the subject property.

SUBJECT NEIGHBORHOOD



In the subject’s immediate vicinity, there are generally residential uses with commercial uses located along arterial routes. Overall, the subject’s immediate surroundings provide an accessible, well planned industrial setting for the subject property.

Special Hazards or Adverse Influences

We observed no detrimental influences in the local market area, such as landfills, flood areas, noisy or air polluting industrial plants, or chemical factories.

Land Use Changes

We are not aware of any proposed or pending land use changes in the local area that would negatively impact the subject property.

Access

Local area accessibility is generally good, relying on the following transportation arteries:

Local:	East Carson Street and East 223rd Street are the nearest primary East-West thoroughfares in the subject’s immediate area. North Avalon Boulevard, South Main Street and Wilmington Avenue serve as the primary North-South thoroughfares.
Regional:	Interstate I-405 is located less than one mile northeast of the subject property and Interstate I-110 is within one mile to the west. These freeways provide access to the local Interstate system that runs throughout the Southern California.

Conclusion

Carson is considered a core industrial location in Los Angeles County. The city has a desirable South Bay industrial location, and it is considered a top choice industrial location for industrial product. The area has a strategic advantage to industrial users due to its proximity to the Ports of Los Angeles and Long Beach, downtown Los Angeles and major arteries leading through and out of the Southern California region. Overall, Carson provides the subject property with a good “macro” location within the County of Los Angeles

The subject’s locational influences on value are considered to be most supportive of land uses which conform to the local area’s industrial nature. The lack of finished sites still available in the area indicates that the area is built-up and mature, with very limited opportunities for new construction. The subject's location is considered average but desirable for an industrial user. As the area is in its stable phase of the life cycle, the subject is expected to maintain its value in the foreseeable future subject to the real estate market cycle trends. And finally, despite the presence of some negative factors, the city, county and state influences on the subject property’s value are positive overall.

Apartment Market Analysis

Overview

A variety of factors influence the performance of a property in the market. In this section we provide an in-depth analysis of both the market in which the subject property competes and its position within that market.

- We begin our analysis with a discussion of current market statistics such as supply, absorption, vacancy, effective rental rates and new and proposed construction.
- Next we provide analysis of competing local properties to determine the competitive inventory, occupancy rates, rent levels and concessions that might impact the market.
- We finish our analysis with an examination of the underlying demographic indices. Comparisons are made to larger study areas such as the CBSA, state and U.S. as a whole in order to place the historical and prospective performance of the subject trade area in context.

Los Angeles Apartment Market Overview

Introduction

Data for the analysis of the Los Angeles Apartment market is provided by Reis, Inc., a leading provider of multifamily and commercial real estate market information since 1980. Their proprietary database includes trends, forecasts, news and analyses for approximately 200,000 multifamily and commercial properties in 232 metropolitan markets (4 property types multiplied by 58 metropolitan areas) and roughly 2,500 submarkets.

Current and historical figures are compiled by highly qualified industry analysts. Surveyors, as they are called, are responsible for gathering information on property availabilities, rents and lease terms, etc. by directly contacting owners, managers and leasing agents. Projected data is calculated using a suite of economic forecasting models developed by The Economic Research Group, a team led by Ph.D. economists.

Reis’ data are released on a quarterly basis, and is widely recognized as a fundamental tool for appraisers throughout the country.

Submarket Snapshot

As of second quarter 2018 the Los Angeles Apartment market contains 800,298 rental units in 14,755 buildings, located in thirty-seven submarkets. Hollywood/Silver Lake is the largest submarket, with 7.0 percent of the region’s total inventory. Tujunga/La Crescenta/Montrose is the smallest submarket, comprising 0.7 percent of total inventory.

The subject is located in the Carson/San Pedro/E Torrance/Lomita submarket near the southernmost portion of Los Angeles County.

The following table presents the geographic distribution of inventory in the area, along with other statistical information for the most recent quarter.

Geographic Distribution of Inventory

Submarket	No. Bldgs	Inventory (Units)	% Total	Vacancy Rate (%)	Free Rent (Months)	Asking Rent ($/Month)
Chatsworth/Canoga Park	282	18,029	2.3%	2.7	0.5	$1,580
Granada Hills/Northridge/Reseda	220	16,541	2.1%	2.0	0.2	$1,628
Panorama Hills/San Fernando/Pacoima	345	19,403	2.4%	1.1	0.3	$1,356
Woodland Hills/Tarzana/101 West	146	20,462	2.6%	3.6	0.2	$1,964
Van Nuys/North Hollywood	627	28,411	3.6%	1.9	0.4	$1,443
Sherman Oaks/Studio City/N Hollywood	876	45,946	5.7%	3.0	0.6	$1,880
Burbank/North Glendale	473	18,624	2.3%	4.4	0.4	$1,934
Tujunga/La Crescenta/Montrose	140	5,448	0.7%	2.2	0.1	$1,611
Santa Clarita Valley/Canyon Country	72	16,244	2.0%	2.7	0.4	$1,767
Palmdale/Lancaster	98	13,822	1.7%	3.7	0.6	$1,262
Pasadena	328	20,541	2.6%	4.9	0.4	$1,973
South Glendale/Highland Park	764	25,506	3.2%	4.4	0.6	$1,841
Downtown	89	16,399	2.0%	7.5	0.9	$2,682
Hollywood/Silver Lake	1128	55,644	7.0%	4.6	0.8	$2,307
Wilshire/Westlake	730	48,314	6.0%	5.0	0.6	$1,664
Beverly Hills/W Hollywood/Park La Brea	565	42,510	5.3%	2.6	0.3	$2,720
West La/Westwood/Brentwood	780	36,955	4.6%	3.3	0.5	$2,929
Mar Vista/Palms/Culver City	722	28,493	3.6%	2.5	0.3	$2,193
Santa Monica	374	19,225	2.4%	3.9	0.6	$3,044
Marina Del Rey/Venice/Westchester	190	29,798	3.7%	5.1	0.6	$3,310
Mid-City/West Adams/Pico Heights	391	15,800	2.0%	2.5	0.6	$1,385
Inglewood/Crenshaw	421	20,488	2.6%	2.0	0.5	$1,439
South/Central La	497	14,065	1.8%	1.0	0.2	$1,110
Hawthorne/North Torrance	431	16,786	2.1%	0.9	0.3	$1,296
El Segundo/Hermosa Beach/Redondo Beach	403	18,406	2.3%	4.6	0.2	$2,200
West Torrance/Ranchos Palos Verdes	136	9,995	1.2%	2.4	0.2	$1,838
Carson/San Pedro/E Torrance/Lomita	344	16,807	2.1%	3.0	0.3	$1,512
West Long Beach/Signal Hill	562	16,571	2.1%	5.5	0.9	$2,179
East Long Beach/Los Altos	550	18,551	2.3%	3.1	0.4	$1,625
N Long Beach/Lakewood/Artesia	169	12,541	1.6%	4.7	0.7	$1,490
Paramount/Downey/Bellflower/Norwalk	442	22,836	2.9%	1.7	0.4	$1,470
Whittier	204	9,478	1.2%	2.2	0.7	$1,354
East La/Alhambra/Montebello/Pico Rivera	439	24,722	3.1%	2.8	0.2	$1,449
Arcadia/Duarte/El Monte	394	14,400	1.8%	2.9	0.1	$1,515
Azusa/Covina/Glendora	214	16,035	2.0%	3.3	0.5	$1,455
Claremont/Pomona/La Verne	135	14,288	1.8%	2.9	0.5	$1,604
West Covina/La Puente/Rowland Heights	74	12,214	1.5%	1.9	0.4	$1,672
Market Total	**14,755**	**800,298**	**100.0%**	**3.4**	**0.4**	**$1,940**

Source:

As of second quarter 2018, the overall vacancy rate for the region was 3.4 percent. The subject's Downtown has the highest vacancy rate of 7.5 percent, while Hawthorne/North Torrance has the lowest vacancy rate of 0.9 percent.

The average quoted rental rate for all types of space within the region is $1,940 per month. Marina Del Rey/Venice/Westchester has the highest average rent of $3,310 per month. Conversely, the lowest rents are achieved in South/Central La at $1,110 per month. The subject's Carson/San Pedro/E Torrance/Lomita submarket has an average asking rental rate of $1,512 per month. In addition, free rent concessions are prevalent within the market and range from 0.1 to 0.9 months.

Supply Analysis

Vacancy Rates

The vacancy rate for the Los Angeles region currently stands at 4.5 percent for second quarter 2018, which is above year-end 2017. Reis projects that vacancy rates will increase to 4.5 through 2022.

The subject submarket is outperforming the market as a whole, with a current vacancy rate of 3.0 percent. Vacancy rates are projected to increase over the next few years from 2.9 in 2018 to 3.0 in 2022.

The following table presents historical vacancy for the region and subject submarket.

Historical and Projected Vacancy Rates

	Los Angeles			Carson/San Pedro/E Torrance/Lomita		
Year	**Class A**	**Class B/C**	**Total**	**Class A**	**Class B/C**	**Total**
2013	4.8	2.5	3.2	7.5	3.7	4.4
2014	5.2	2.2	3.2	3.9	3.3	3.4
2015	5.5	2.2	3.3	5.1	2.8	3.3
2016	5.3	2.4	3.3	3.0	2.9	2.9
2017	5.4	2.2	3.3	4.1	2.6	2.9
2Q18	5.8	2.1	3.4	4.7	2.6	3.0
2018	---	---	3.6	---	---	2.9
2019	---	---	4.2	---	---	3.9
2020	---	---	4.3	---	---	3.4
2021	---	---	4.4	---	---	3.0
2022	---	---	4.5	---	---	3.0

Source: Reis, Inc.
Note: Reis does not differentiate between space that is available directly from the landlord or as a sublease. Any space that is available immediately for leasing (i.e. within 30 days) is considered vacant by Reis' standards.

As shown, Class A properties within the region are experiencing higher vacancies than the market as a whole at 5.8 percent, and Class B/C properties are experiencing lower vacancies of 2.1 percent. Within the Carson/San Pedro/E Torrance/Lomita submarket, Class A properties are experiencing higher vacancies than Class B/C properties. Average vacancy for Class B/C properties in the submarket is approximately 9.2 percent as of second quarter 2018.

Construction Completions

The Los Angeles Apartment market experienced an annual average of 30,542 units completed between 2013 and 2017 or an average of 6,108 units per year. Over the next five years, Reis projects that an additional 34,828 units will be added to the Los Angeles market.

Between 2013 and 2017, the Carson/San Pedro/E Torrance/Lomita submarket experienced new construction of 596 units, or an average of 119 units per year. This accounts for approximately 2.0 percent of the region’s total completions. Over the next five years, Reis projects that an additional 732 units will be added to the Carson/San Pedro/E Torrance/Lomita submarket.

The following table presents historical inventory for the region and subject submarket, as well as future projections.

Historical & Projected Inventory (Units)					
	Los Angeles		Carson/San Pedro/E Torrance/Lomita		
Year	Inventory	Completions	Inventory	Completions	% Total
2013	771,561	4,440	16,360	149	3.4%
2014	777,186	5,625	16,360	0	0.0%
2015	784,066	6,880	16,605	245	3.6%
2016	791,504	7,438	16,605	0	0.0%
2017	797,663	6,159	16,807	202	3.3%
2Q18	800,298	1,440	16,807	0	0.0%
2018	808,825	11,162	16,807	0	0.0%
2019	820,544	11,719	17,164	357	3.0%
2020	824,726	4,182	17,539	375	9.0%
2021	828,836	4,110	17,539	0	0.0%
2022	832,491	3,655	17,539	0	0.0%
2013-2017					
Total Completions		**30,542**		**596**	**2.0%**
Annual Average		**6,108**		**119**	

Source: Reis, Inc.

Demand Analysis

Rental Rates

As shown in the following chart, average asking rents for the region have been trending upward, from an average of $1,525 per month in 2013 to an average of $1,886 per month in 2017, indicating a compound average growth rate (CAGR) of 5.5 percent. As of second quarter 2018, average asking rents increased to $1,940 per month. Over the past few years, concessions have been rising and currently stand at 4.1 percent of face rents. Over the next five years, average asking rents are expected to increase from $1,984 per month in 2018 to $2,214 per month in 2022.

Average asking rental rates in the Carson/San Pedro/E Torrance/Lomita submarket ranged from an average of $1,218 per month in 2013 to an average of $1,504 per month in 2017, demonstrating a CAGR of 5.4 percent. As of second quarter 2018, average rents increased to $1,512 per month. Over the next five years, average asking rents are projected to increase from $1,525 per month in 2018 to $1,679 per month in 2022. Concessions currently stand at 2.4 percent of face rents.

The following table presents historical and projected average asking rental rates for the region and submarket.

Historical and Projected Average Asking Rental Rates												
	Los Angeles						Carson/San Pedro/E Torrance/Lomita					
	Asking Rent $/Month				%	Concessions	Asking Rent $/Month				%	Concessions
Year	Class A	Class B/C	Total	Eff Rent	Change	% Face Rent	Class A	Class B/C	Total	Eff Rent	Change	% Face Rent
2013	$2,013	$1,296	$1,525	$1,489	3.0	2.4	$1,880	$1,065	$1,218	$1,194	2.7	2.0
2014	$2,081	$1,329	$1,573	$1,536	3.2	2.4	$1,826	$1,071	$1,213	$1,194	0.0	1.6
2015	$2,235	$1,422	$1,690	$1,646	7.2	2.6	$1,998	$1,147	$1,317	$1,292	8.2	1.9
2016	$2,350	$1,498	$1,784	$1,730	5.1	3.0	$2,061	$1,206	$1,377	$1,352	4.6	1.8
2017	$2,480	$1,579	$1,886	$1,811	4.7	4.0	$2,282	$1,298	$1,504	$1,469	8.7	2.3
2Q18	$2,546	$1,624	$1,940	$1,861	1.6	4.1	$2,215	$1,325	$1,512	$1,475	0.4	2.4
2018	---	---	$1,984	$1,899	4.9	4.3	---	---	$1,525	$1,487	1.2	2.5
2019	---	---	$2,060	$1,966	3.5	4.6	---	---	$1,567	$1,517	2.0	3.2
2020	---	---	$2,114	$2,014	2.4	4.7	---	---	$1,606	$1,555	2.5	3.2
2021	---	---	$2,164	$2,058	2.2	4.9	---	---	$1,646	$1,592	2.4	3.3
2022	---	---	$2,214	$2,101	2.1	5.1	---	---	$1,679	$1,623	1.9	3.3
CAGR	**5.35%**	**5.06%**	**5.46%**	**5.02%**			**4.96%**	**5.07%**	**5.41%**	**5.32%**		

Absorption

Absorption measures change in the level of occupied space in a geographic region over a specific period of time. Absorption is not a measure of leasing activity. It reflects increasing, stable or decreasing demand for space. If the level of occupied space increases from one period to the next, demand has increased. If no change has occurred, demand is stable. If the level of occupied space is lower, demand has decreased. All things being equal, positive absorption lowers vacancy rates and negative absorption increases vacancy rates. A newly constructed building that enters the marketplace vacant will adversely affect the vacancy rate but have no bearing on absorption since it has not altered the level of occupancy.

Over the past few years, new construction within the region has outpaced absorption levels. As shown in the following table, an annual average of 30,542 new units were completed in the Los Angeles region between 2013 and 2017, while 29,534 new units were absorbed. As of second quarter 2018, a total of 1,440 new units were completed, while 1,286 new units were absorbed. This resulted in a rise in vacancy from 3.3 percent in 2017 to the current vacancy rate of 4.5 percent. Over the next five years, Reis projects that construction figures will outpace absorption (new construction will total 34,828 units, and absorption will total 23,535 units).

New construction within the Carson/San Pedro/E Torrance/Lomita submarket has trailed absorption levels. Between 2013 and 2017, a total of 596 new units were completed, while 716 new units were absorbed. Over the next five years, Reis projects that 732 units will be added to the market, while 702 will be absorbed.

The following table presents historical and projected absorption levels for the region and subject submarket.

Historical and Projected Net Absorption (units)

	Los Angeles				Carson/San Pedro/E Torrance/Lomita			
Year	Class A	Class B/C	Total	Completions	Class A	Class B/C	Total	Completions
2013	3,297	1,796	5,093	4,440	88	(52)	36	149
2014	4,312	1,424	5,736	5,625	110	53	163	0
2015	5,458	487	5,945	6,880	195	64	259	245
2016	7,598	(830)	6,768	7,438	69	(8)	61	0
2017	5,355	637	5,992	6,159	159	38	197	202
2Q18	658	628	1,286	1,440	(17)	16	(1)	0
2018	---	---	8,931	11,162	---	---	0	0
2019	---	---	6,104	11,719	---	---	181	357
2020	---	---	2,982	4,182	---	---	440	375
2021	---	---	3,215	4,110	---	---	81	0
2022	---	---	2,303	3,655	---	---	0	0
2013-2017								
Total Absorption	**26,020**	**3,514**	**29,534**	**30,542**	**621**	**95**	**716**	**596**
Annual Average	**5,204**	**703**	**5,907**	**6,108**	**124**	**19**	**143**	**119**

Source: Reis, Inc.

New Construction Activity

According to Reis, 10,857 units were completed within the Los Angeles region over the past few years in a total of 90 projects. There are currently 27,133 units under construction within 160 projects. An additional 60,896 units are planned within 303 projects for potential delivery in the next few years, along with 330 proposed buildings which would add another 64,856 units. Tables summarizing the new and proposed construction activity for the region have been included within the Addenda.

Affordable Housing Statistics – City of Carson

The following table summarizes statistics provided by CoStar Group for all affordable rental properties within the city of Carson as of YTD 2Q2018. As indicated within this table, the current vacancy rate is 1.6 percent, which is below the historical 5-year average of 2.9 percent. Affordable inventory within the city has increased over the previous 5-years from 712 units to 737 units.

Leasing Units	Survey	5-Year Avg
Vacant Units	12	21
Vacancy Rate	1.6%	2.9%
12 Mo. Absorption Units	2	30

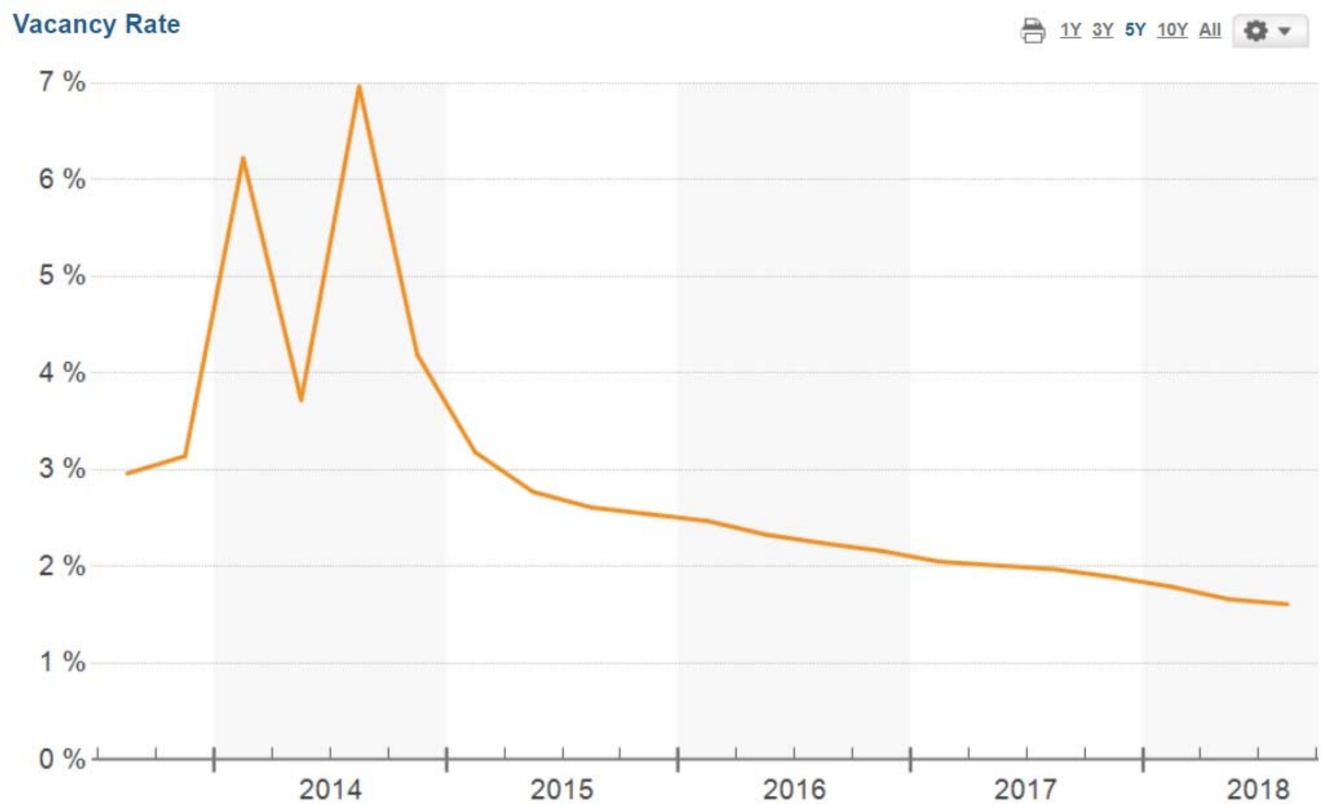
Rents	Survey	5-Year Avg
Studio Asking Rent	-	-
1 Bed Asking Rent	$948	$928
2 Bed Asking Rent	$986	$1,008
3+ Bed Asking Rent	$1,215	$1,202
Concessions	0.3%	0.3%

Inventory in Units	Survey	5-Year Avg
Existing Units	737	712
12 Mo. Const. Starts	51	33
Under Construction	51	22
12 Mo. Deliveries	0	29

Sales	Past Year	5-Year Avg
Sale Price Per Unit	-	-
Asking Price Per Unit	-	-
Sales Volume (Mil.)	-	-
Cap Rate	-	-

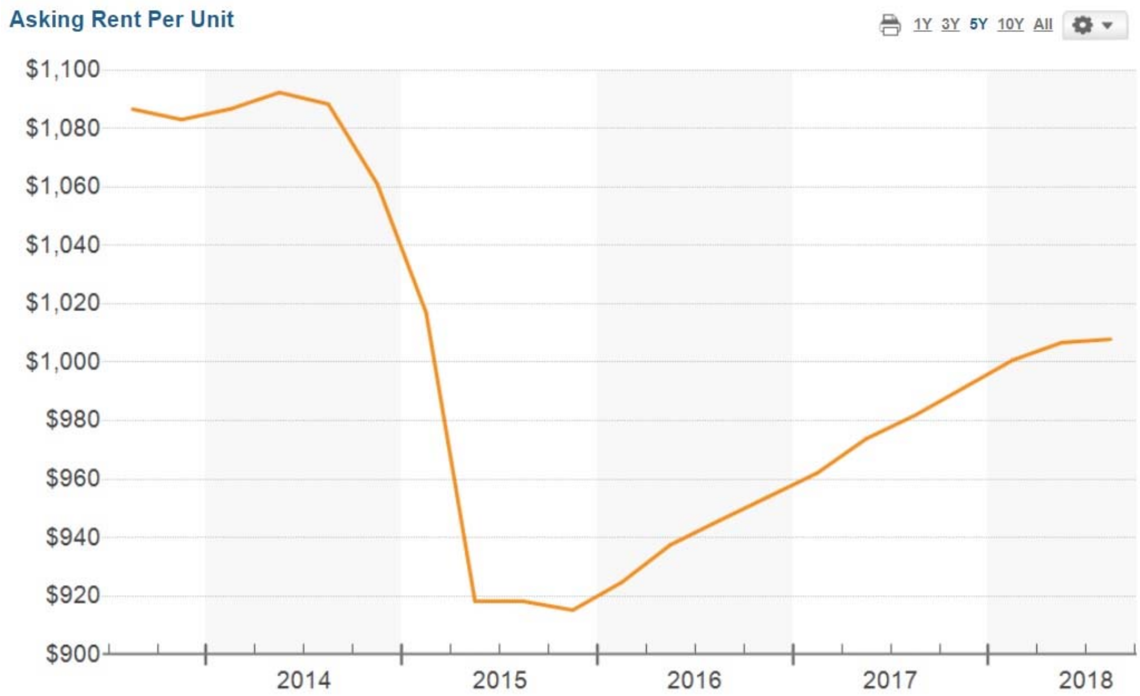
The following tables provide a visual aid with regards to the five year historical trends for affordable housing vacancy, rents, new construction and absorption within these submarkets:

Vacancy



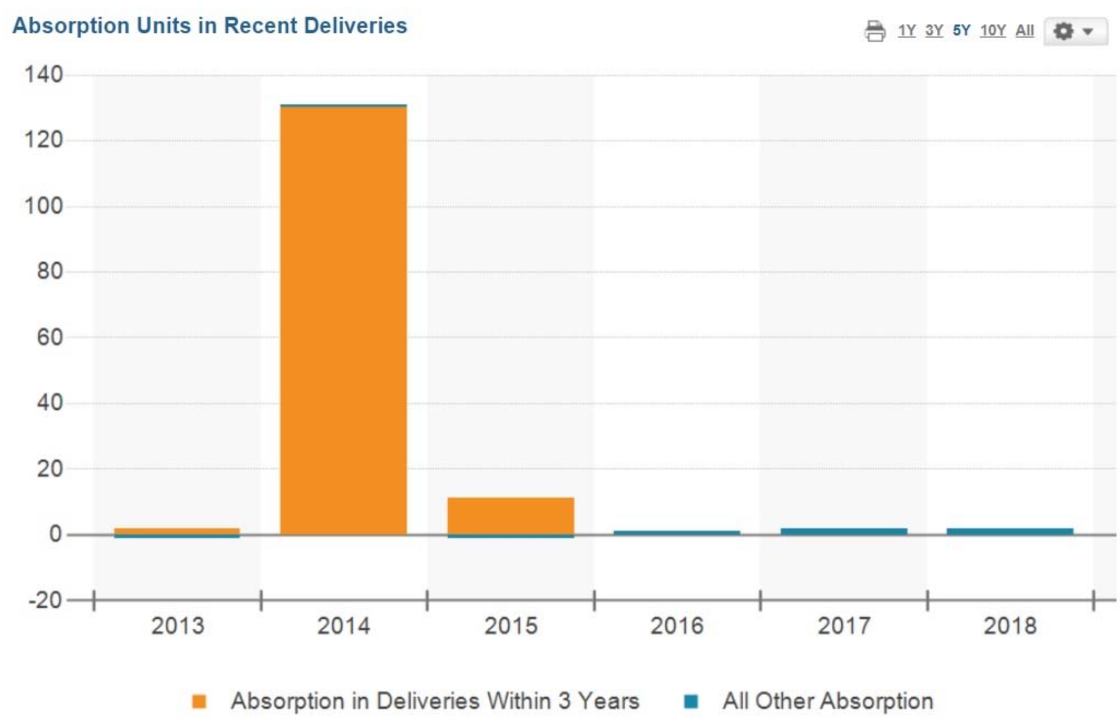
Vacancy rates spiked in 2014 as ~130 affordable housing units were delivered to the market.

Asking Rents



Asking rents declined from 2014 to 2015 as one new project was delivered to the market in 2014.

New Construction / Absorption / Vacancy



Approximately 130 units were absorbed into the market in 2014 as one new project was delivered.

Competitive Properties Overview – Market Rate

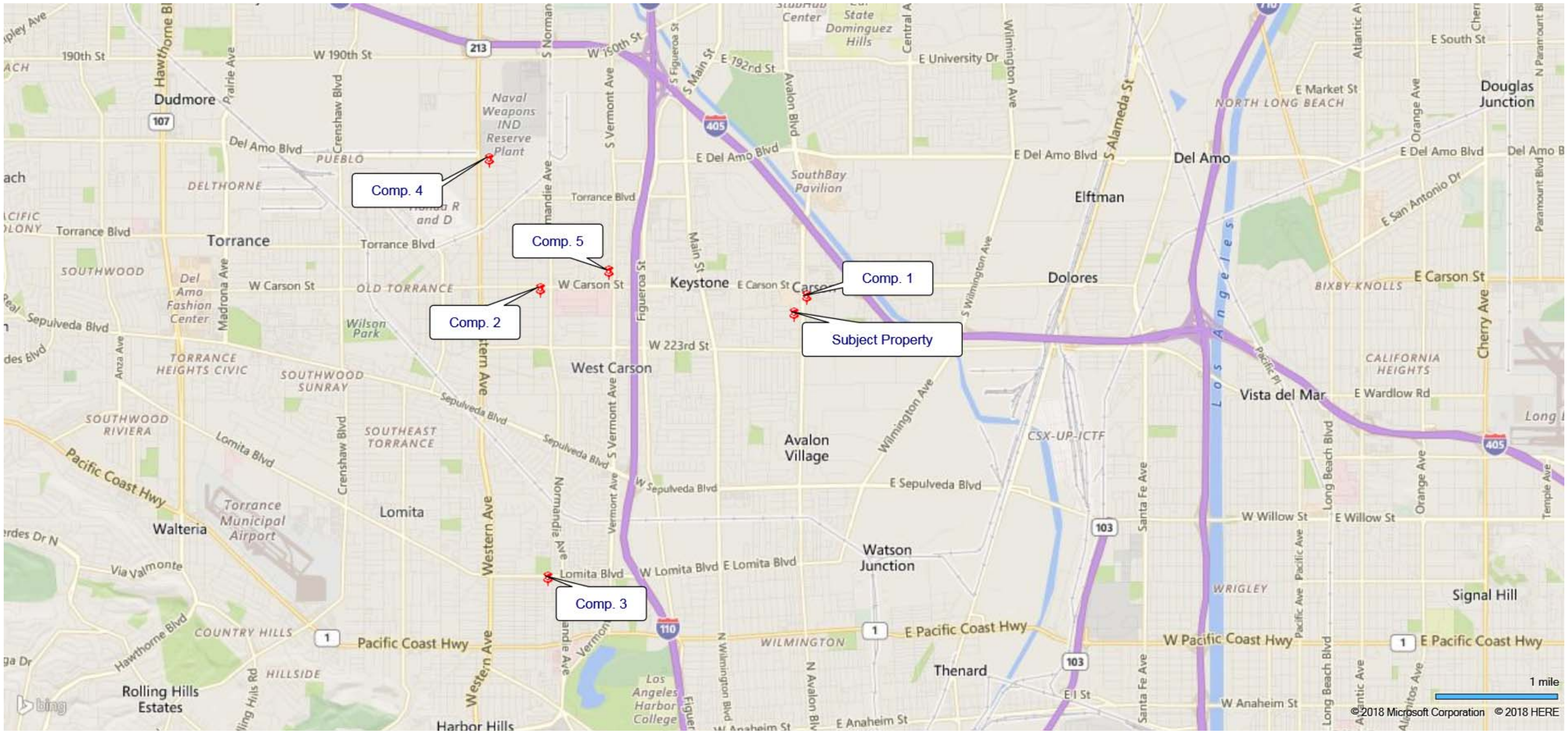
In order to examine the subject property in its proper context, an examination of the subject's most direct market rate and affordable competition is necessary. Consideration is also given to the potential for new competition via proposed complexes. The competitive market rate and affordable properties are presented on the following pages.

COMPETITIVE APARTMENT PROJECTS - MARKET RATE

PROPERTY INFORMATION									QUOTED MONTHLY RENT & CONCESSIONS					
No.	PROPERTY NAME ADDRESS, CITY, STATE	NUMBER OF UNITS	NET BUILDING AREA	AVERAGE UNIT SIZE	YEAR BUILT	NUMBER OF BUILDINGS	NUMBER OF STORIES	OCCUPANCY RATE (%)	BEDS/ BATHS	UNIT SIZE (SF) Ave.	QUOTED RENT PER MONTH Ave.	QUOTED RENT $/SF/MONTH Ave.	RENT INCLUSIONS	CONCESSIONS
1	Renaissance at City Center 21800 Avalon Blvd Carson, CA	133	11,305	85	2013	1	4	94.7%	Studio 1BR/1BA 2BR/1BA 3BR/2BA	 654 979 1,323	 $2,291 $2,820 $3,494	 $3.50 $2.88 $2.64	Water, sewer, trash and heat	No concessions
2	1326 W. Carson St 1326 W Carson St Torrance, CA	32	33,364	1,043	1990	1	2	93.8%	Studio 1BR/1BA 2BR/1BA 3BR/2BA	500 650 800	$898 $1,122 $1,635	$1.80 $1.73 $2.04	Water, sewer and trash	No concessions
3	Frampton Apartments 25004 Frampton Ave Harbor City, CA	68	8,322	122	1986	1	3	98.5%	Studio 1BR/1BA 2BR/2BA	 700 900	 $979 $1,523	 $1.40 $1.69	Water, sewer and trash	No concessions
4	Harvard Villa Apartments 20341 Harvard Blvd Torrance, CA	64	8,554	134	1985	1	2	98.4%	Studio 1BR/1BA 2BR/1BA 3BR/2BA	750 600 720	 $1,602 $2,030	 $2.67 $2.82	Water, sewer and trash	No concessions
5	Torrance Courtyard Apartments 21501 S Vermont Ave Torrance, CA	42	19,266	459	1986	1	4	97.6%	Studio 1BR/1BA 2BR/2BA 3BR/2BA	 662 900 1,100	 $1,258 $1,673 $1,783	 $1.90 $1.86 $1.62	Water, sewer and trash	No concessions
STATISTICS (Excluding Subject)														
	Low:	32	8,322	85	1985	1	2	93.8%						
	High:	133	33,364	1,043	2013	1	4	98.5%						
	Average:	68	16,162	368	1992	1	3	96.6%						
	Totals:	339	80,811											

Compiled by Cushman & Wakefield Western, Inc.

COMPARABLE MARKET RENTAL LOCATION MAP



COMPARABLE RENT NO. 1

Property:	Renaissance at City Center
Address:	21800 Avalon Blvd
City, State:	Carson, CA

PROPERTY INFORMATION

Property Sub-Type:	Garden/Low Rise	Number of Buildings:	1
Number of Units:	133	Number of Stories:	4
Net Building Area:	11,305		
Average Unit Size:	85		
Year Built:	2013	Occupancy Rate:	94.7%

UNIT AMENITIES

Unit amenities include Air Conditioning, Balcony, Business Center, Cable Ready, Cardio Machines, Clubhouse, Conference Room, Controlled Access, Den, Dining Room, Dishwasher, Disposal, Elevator, Fitness Center, Fitness Programs, Free Weights, Gameroom

QUOTED MONTHLY RENT & CONCESSIONS

BEDS/ BATHS	(SF) Ave.	PER MONTH Ave.	$/SF/MONTH Ave.
Studio			
1BR/1BA	654	$2,291	$3.50
2BR/1BA	979	$2,820	$2.88
3BR/2BA	1,323	$3,494	$2.64

Rent Inclusions:	Water, sewer, trash and heat
Concessions:	No concessions
Comments:	New construction of a mixed-use project with ground floor retail. Rental rates represent the very upper end of the local market.

COMPARABLE RENT NO. 2

Property: 1326 W. Carson St

Address: 1326 W Carson St

City, State: Torrance, CA

PROPERTY INFORMATION

Property Sub-Type:	Garden/Low Rise	Number of Buildings:	1
Number of Units:	32	Number of Stories:	2
Net Building Area:	33,364		
Average Unit Size:	1,043		
Year Built:	1990	Occupancy Rate:	93.8%

PROPERTY AMENITIES

Project amenities include: Ground level parking.

UNIT AMENITIES

Unit amenities include Balcony, Courtyard, Gated

QUOTED MONTHLY RENT & CONCESSIONS

BEDS/ BATHS	(SF) Ave.	PER MONTH Ave.	$/SF/MONTH Ave.
Studio	500	$898	$1.80
1BR/1BA	650	$1,122	$1.73
2BR/1BA	800	$1,635	$2.04
3BR/2BA			

Rent Inclusions: Water, sewer and trash

Concessions: No concessions

COMPARABLE RENT NO. 3

Property: Frampton Apartments

Address: 25004 Frampton Ave

City, State: Harbor City, CA

PROPERTY INFORMATION

Property Sub-Type:	Garden/Low Rise	Number of Buildings:	1
Number of Units:	68	Number of Stories:	3
Net Building Area:	8,322		
Average Unit Size:	122		
Year Built:	1986	Occupancy Rate:	98.5%

UNIT AMENITIES

Unit amenities include Heating, Kitchen, Laundry Service, Oven, Pool

QUOTED MONTHLY RENT & CONCESSIONS

BEDS/ BATHS	(SF) Ave.	PER MONTH Ave.	$/SF/MONTH Ave.
Studio			
1BR/1BA	700	$979	$1.40
2BR/2BA	900	$1,523	$1.69

Rent Inclusions: Water, sewer and trash

Concessions: No concessions

COMPARABLE RENT NO. 4

Property: Harvard Villa Apartments

Address: 20341 Harvard Blvd

City, State: Torrance, CA

PROPERTY INFORMATION

Property Sub-Type:	Garden/Low Rise	Number of Buildings:	1
Number of Units:	64	Number of Stories:	2
Net Building Area:	8,554		
Average Unit Size:	134		
Year Built:	1985	Occupancy Rate:	98.4%

UNIT AMENITIES

Unit amenities include Barbecue Area, Cable Ready, Carpet, Ceiling Fans, Disposal, Gated, Hardwood Floors, Laundry Facilities, Maintenance on site, Playground, Property Manager on Site, Smoke Free

QUOTED MONTHLY RENT & CONCESSIONS

BEDS/ BATHS	(SF) Ave.	PER MONTH Ave.	$/SF/MONTH Ave.
Studio	750		
1BR/1BA	600	$1,602	$2.67
2BR/1BA	720	$2,030	$2.82
3BR/2BA			

Rent Inclusions: Water, sewer and trash

Concessions: No concessions

COMPARABLE RENT NO. 5

Property:	Torrance Courtyard Apartments
Address:	21501 S Vermont Ave
City, State:	Torrance, CA

PROPERTY INFORMATION

Property Sub-Type:	Garden/Low Rise	Number of Buildings:	1
Number of Units:	42	Number of Stories:	4
Net Building Area:	19,266		
Average Unit Size:	459		
Year Built:	1986	Occupancy Rate:	97.6%

UNIT AMENITIES

Unit amenities include Carpet, Courtyard, Dishwasher, Heating, Kitchen, Laundry Facilities, Oven, Range, Recycling

QUOTED MONTHLY RENT & CONCESSIONS

BEDS/ BATHS	(SF) Ave.	PER MONTH Ave.	$/SF/MONTH Ave.
Studio			
1BR/1BA	662	$1,258	$1.90
2BR/2BA	900	$1,673	$1.86
3BR/2BA	1,100	$1,783	$1.62

Rent Inclusions:	Water, sewer and trash
Concessions:	No concessions

Affordable Competitive Properties Overview

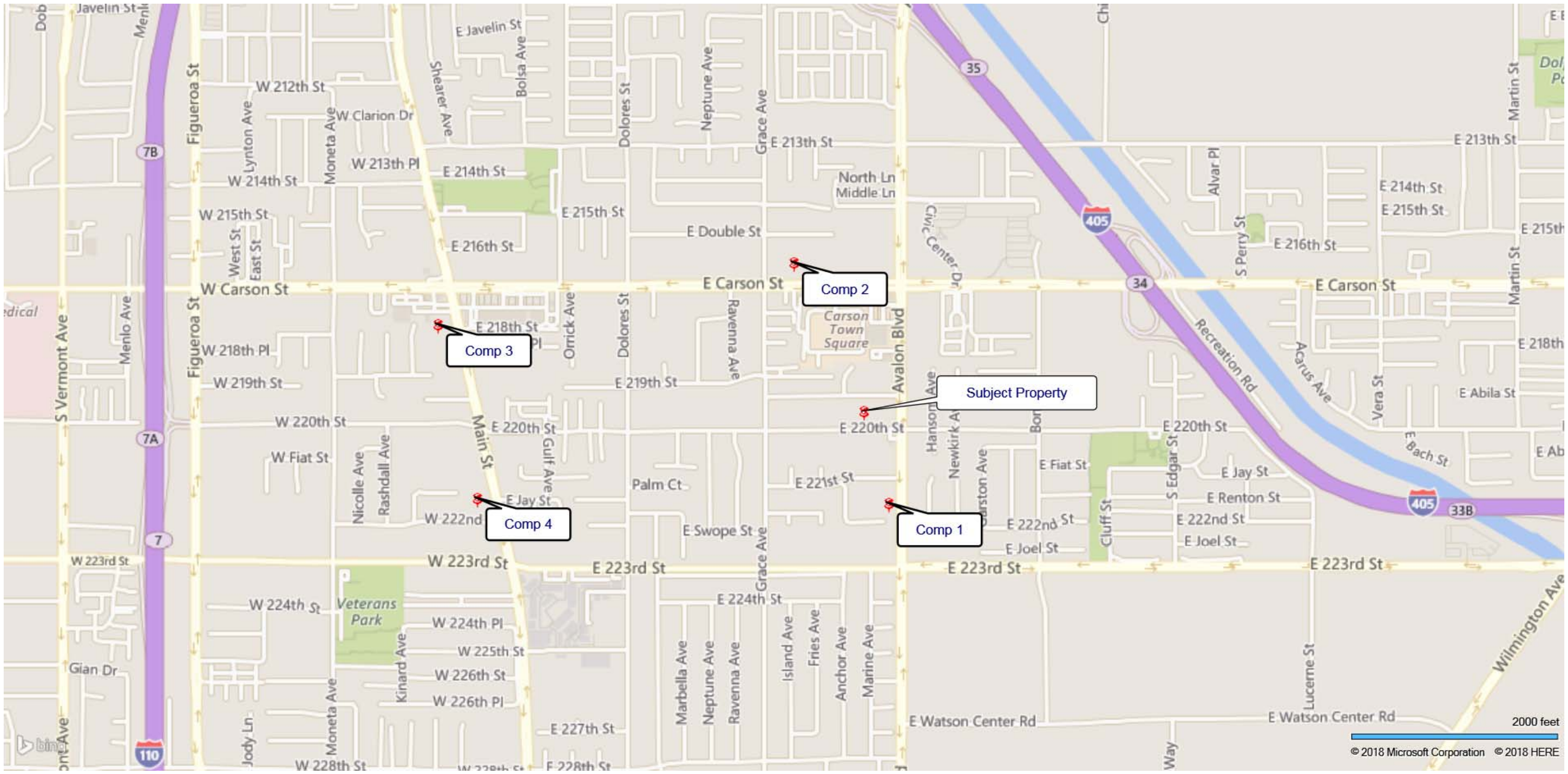
In order to examine the subject property in its proper context, an examination of the subject's most direct competition is necessary. Consideration is also given to the potential for new competition via proposed complexes. The affordable competitive properties are presented on the following table. A discussion of each follows the table.

COMPETITIVE APARTMENT PROJECTS - AFFORDABLE HOUSING

PROPERTY INFORMATION									QUOTED MONTHLY RENT & CONCESSIONS					
No.	PROPERTY NAME ADDRESS, CITY, STATE	NUMBER OF UNITS	NET BUILDING AREA	AVERAGE UNIT SIZE	YEAR BUILT	NUMBER OF BUILDINGS	NUMBER OF STORIES	OCCUPANCY RATE (%)	BEDS/ BATHS	UNIT SIZE (SF) Ave.	QUOTED RENT PER MONTH Ave.	QUOTED RENT $/SF/MONTH Ave.	RENT INCLUSIONS	CONCESSIONS
1	Avalon Courtyard 22121 S Avalon Blvd Carson, CA Senior Apartments Subsizied, 60% of AMGI	92	52,900	575	1995	1	2	97.8%	Studio 1BR/1BA 2BR/1BA 3BR/2BA	 575	 $731	 $1.27	Water, sewer, trash and heat	No concessions
2	Villaggio 535-545 E Carson St Carson, CA Senior Apartments Rates from 30% to 60% of AMGI	149	147,957	993	1999	1	3	100.0%	Studio 1BR/1BA 2BR/1BA 3BR/2BA	 595 897 1,119 1,406	 $1,056 $1,264 $1,454 $1,607	 $1.77 $1.41 $1.30 $1.14	Water, sewer and trash	No concessions
3	Camino Village Senior Housing 21735 Main St Carson, CA Senior Apartments Sec. 8 tenants pay 30% of their income	45	28,710	638	1992	1	3	100.0%	Studio 1BR/1BA 2BR/2BA	 638	 $1,176	 $1.84	Water, sewer and trash	No concessions
4	Carson Senior Village 22125 Main St Los Angeles, CA Senior Apartments Sec. 8	65	24,830	382	1964	1	2	96.9%	Studio 1BR/1BA 2BR/1BA 3BR/2BA	348 448	$829 $931	$2.38 $2.08	Water, sewer and trash	No concessions
STATISTICS (Excluding Subject)														
	Low:	45	24,830	382	1964	1	2	96.9%						
	High:	149	147,957	993	1999	1	3	100.0%						
	Average:	88	63,599	647	1988	1	3	98.7%						
	Totals:	351	254,397											

Compiled by Cushman & Wakefield Western, Inc.

AFFORDABLE COMPARABLE RENTAL LOCATION MAP



AFFORDABLE COMPARABLE NO. 1

Property:	Avalon Courtyard
Address:	535-545 E Carson St
City, State:	Carson, CA

PROPERTY INFORMATION

Property Sub-Type:	Garden/Low Rise	Number of Buildings:	1
Number of Units:	92	Number of Stories:	2
Year Built:	1995	Occupancy Rate:	100.0%

PROPERTY AMENITIES

Project amenities include: On-Site Laundry, Street Parking, Controlled Entry

QUOTED MONTHLY RENT

BEDS/ BATHS	(SF) Ave.	PER MONTH Ave.	$/SF/MONTH Ave.
Studio			
1BR/1BA	575	$731	$1.27
2BR/1BA			
3BR/2BA			

Rent Inclusions: Gas, Heat and Water

AFFORDABLE COMPARABLE NO. 2

Property: Villagio

Address: 535-545 E. Carson St

City, State: Carson, CA

PROPERTY INFORMATION

Property Sub-Type:	Mid/High Rise	Number of Buildings:	1
Number of Units:	146	Number of Stories:	3
Year Built:	1999	Occupancy Rate:	100.0%

PROPERTY AMENITIES

Project amenities include: On-Site Laundry, Central AC, Fitness Center, Controlled Entry, On-Site Management

QUOTED MONTHLY RENT

BEDS/ BATHS	(SF) Ave.	PER MONTH Ave.	$/SF/MONTH Ave.
Studio			
1BR/1BA	595	$1,056	$1.77
2BR/1BA	897	$1,264	$1.41
3BR/2BA	1,119	$1,454	$1.30
	1,406	$1,607	$1.14

Rent Inclusions: Gas, Heat and Water

AFFORDABLE COMPARABLE NO. 3

Property:	Camino Village Senior Housing
Address:	21735 Main St
City, State:	Carson, CA

PROPERTY INFORMATION

Property Sub-Type:	Garden/Low Rise	Number of Buildings:	1
Number of Units:	45	Number of Stories:	3
Year Built:	1992	Occupancy Rate:	100.0%

PROPERTY AMENITIES

Project amenities include: On-Site Laundry, Central AC, Management On-Site

QUOTED MONTHLY RENT

BEDS/ BATHS	(SF) Ave.	PER MONTH Ave.	$/SF/MONTH Ave.
Studio			
1BR/1BA	638	$1,176	$1.84
2BR/2BA		$2,111	

Rent Inclusions: Water and trash

AFFORDABLE COMPARABLE NO. 4

Property: Carson Senior Village

Address: 22125 Main St

City, State: Carson, CA

PROPERTY INFORMATION

Property Sub-Type:	Garden/Low Rise	Number of Buildings:	1
Number of Units:	65	Number of Stories:	2
Year Built:	1964	Occupancy Rate:	100.0%

PROPERTY AMENITIES

Project amenities include: On-Site Laundry, AC, Controlled Entry, On-Site Management

QUOTED MONTHLY RENT

BEDS/ BATHS	(SF) Ave.	PER MONTH Ave.	$/SF/MONTH Ave.
Studio	348	$829	$2.38
1BR/1BA	448	$931	$2.08
2BR/1BA			
3BR/2BA			

Rent Inclusions: Water and trash

The comparable market rate apartment projects revealed occupancy levels ranging from 93.8 percent to 98.5 percent, with an average of 96.6 percent. The affordable comparables ranged from 96.9 to 100.0 percent, with an average of 98.7 percent.

Subject Competitive Position – Market Rate

Amenities at the subject property include air conditioning and balcony / patio. Complex amenities include on-site management, community center, controlled entry/gate and laundry facilities.

To visually aid the reader in deciphering the subject's competitive position, we developed the following table, which qualitatively rates the subject and the market rate comparables for age/quality, location, unit finishes, building amenities, parking and utilities included in the rent.

Subject vs. Comparable Property Characteristics

No.	Comparable Name	Location	Quality	Condition	Amenities	Unit Finishes	Elevator	Views	Unit Washer/Dryer	Overall
1	Renaissance at City Center	Superior	Superior	Superior	Superior	Superior	Similar	Similar	Superior	Inferior
2	1326 W. Carson St	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
3	Frampton Apartments	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
4	Harvard Villa Apartments	Superior	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Superior
5	Torrance Courtyard Apartments	Superior	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Superior

In terms of competitive position, the subject is similar to the comparable properties. As such, market rent for the subject's units should fall towards the middle of the comparable range.

Interviews with on-site managers indicated rental rate increases have been occurring at most market rate complexes over the past twelve months. A comparison of the subject's quoted rents to the comparables is presented in the Income Capitalization Approach. Presently, minimal rent concessions are offered at competitive projects due to the limited availability of vacant units. Although it varies, most of the properties require tenants to pay electric while the property owner pays for gas heat, trash removal and hot water, and water/sewer service. The subject's property lease terms are consistent with the market.

Other Competition

We surveyed the local market to determine if there are other competing apartment projects not previously listed in our analysis. There are other apartment complexes located more distant from the subject property, or which have inferior or superior attributes that would preclude them from being competitive with the subject property.

Proposed Competition

Our research for this assignment included investigation of potential near-term changes in the apartment market that would impact the subject property. We are not aware of any proposed or under-construction projects within the subject's immediate market area.

Competition Summary

Overall, the properties presented represent the subject's most direct competition.

Demographic Profile

Understanding the demographics of a region helps to ascertain the underlying fundamentals of real estate supply and demand. The foundation of our analysis in the delineation of the subject's profile area may be summarized as follows:

- Highway accessibility, including area traffic patterns, and geographical constraints;

- The position and nature of the area's residential structure, including its location within a heavily developed apartment area, which adds competition for the subject and at the same time adds strength and composition to the appeal for tenants; and
- The project and unit amenity composition of the subject property as compared to its competition

Given all of the above, we believe that a primary market for the subject property would likely span an area encompassing about three miles. The subject's secondary market might span up to five miles from the site given its regional accessibility and location of competitive properties.

Based on these observations, we analyzed a primary demographic profile for the subject based upon a radius of approximately three miles from the property. To add perspective to this analysis, we segregated our survey into one, three, and five mile concentric circles with a comparison to the city, county and state. The report on the following page presents this data.

Population

Having established the subject's trade area, our analysis focuses on the trade area's population. Experian Marketing Solutions, Inc., provides historical, current and forecasted population estimates for the total area. Patterns of development density and migration are reflected in the current levels of population estimates.

Between 2000 and 2017, Experian Marketing Solutions, Inc., reports that the population within the primary trade area (3.0-mile radius) increased at a compound annual rate of 0.39 percent. This is characteristic of urban areas in this market. This trend is expected to continue into the near future albeit at a slightly slower pace. Expanding to the total trade area (5.0-mile radius), population is expected to increase 0.03 percent per annum over the next five years.

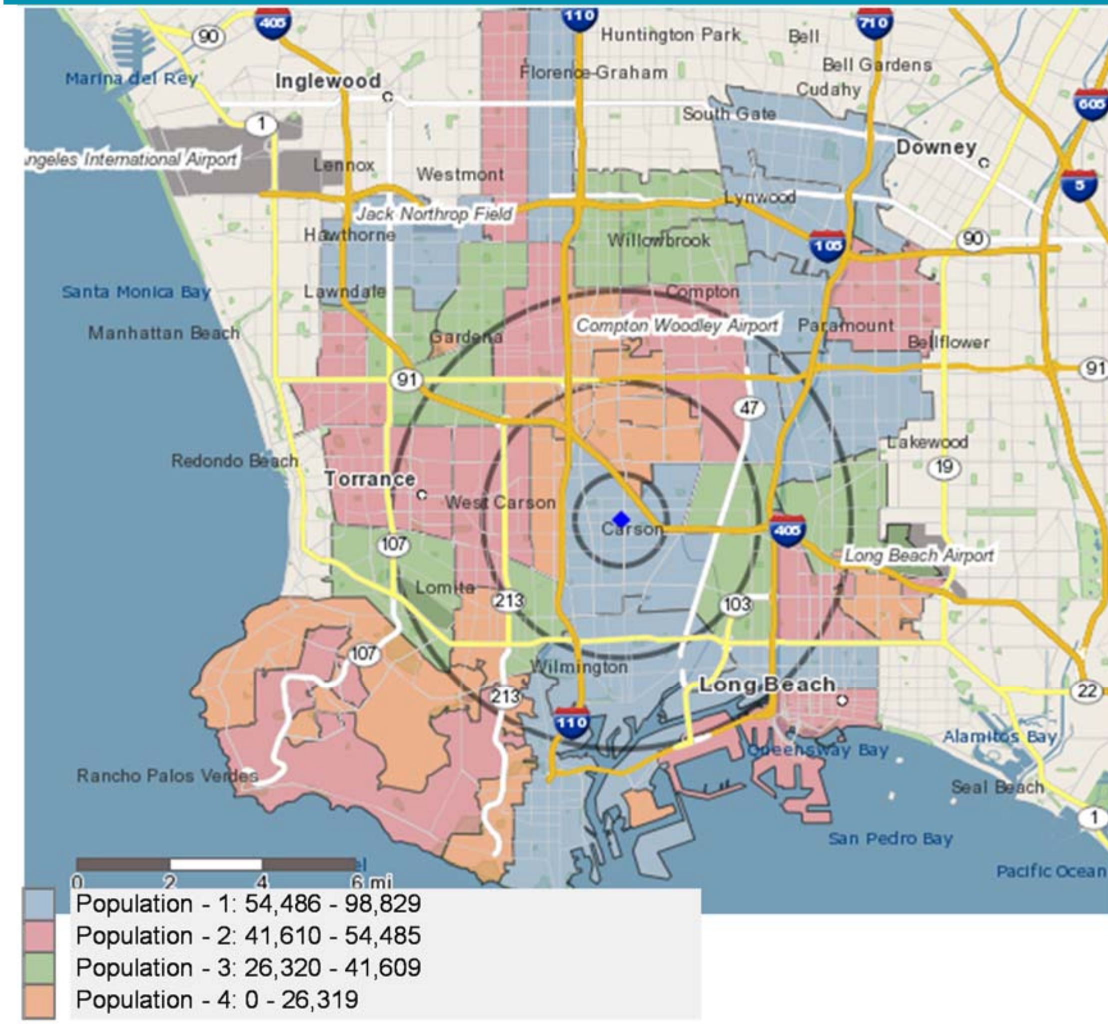
The following page contains a graphic representation of the current population distribution within the subject's region.

The graphic on the second following page illustrates projected population growth within the trade area over the next five years (2017 - 2022). The trade area is clearly characterized by various levels of growth.

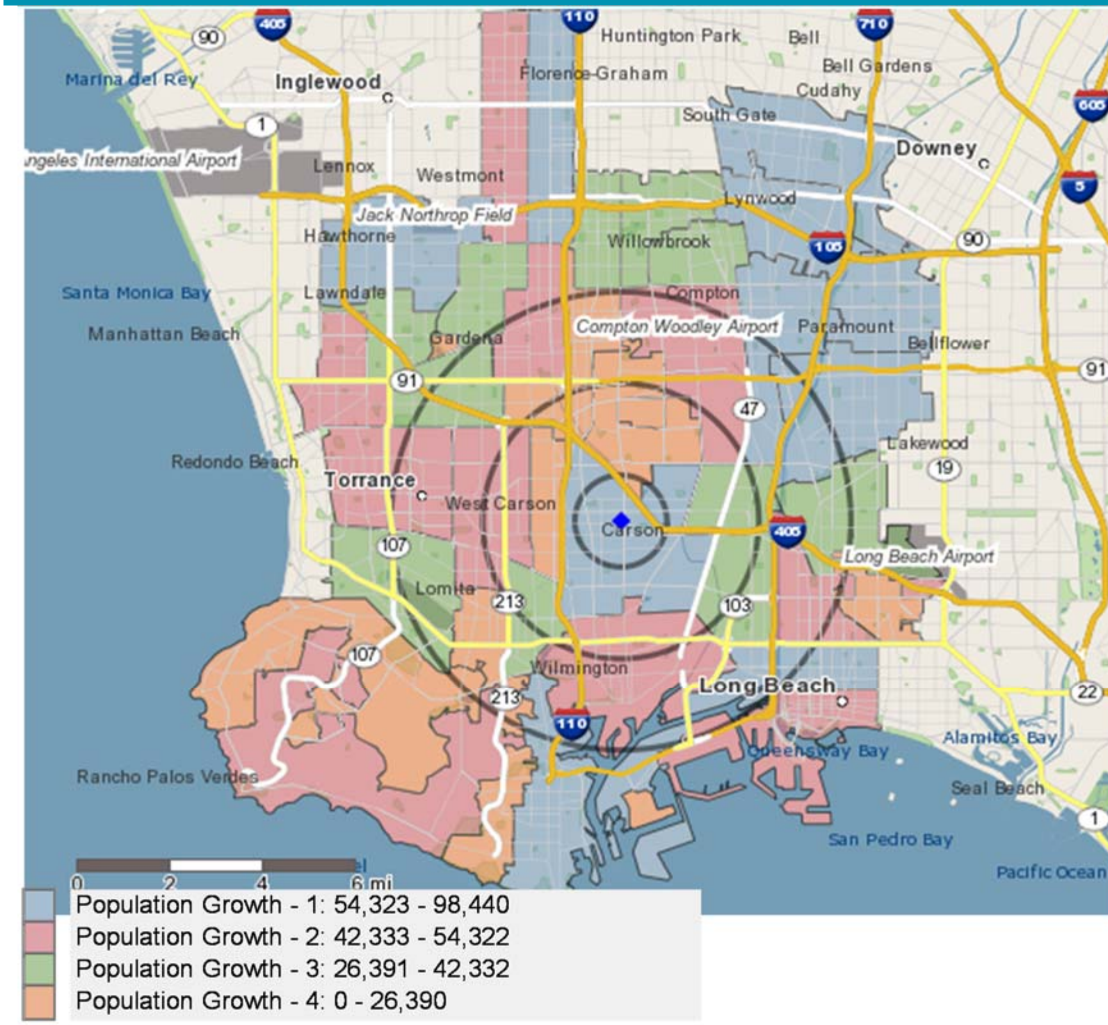
DEMOGRAPHIC SUMMARY	1.0-Mile Radius	3.0-Mile Radius	5.0-Mile Radius	City of Carson	County of Los Angeles	State of California
POPULATION STATISTICS						
2000	27,418	174,711	485,718	89,227	9,516,607	33,859,654
2017	29,925	186,608	512,987	95,103	10,200,434	39,385,493
2022	30,029	187,933	513,852	95,084	10,334,745	40,879,722
Compound Annual Change						
2000 - 2017	0.52%	0.39%	0.32%	0.38%	0.41%	0.89%
2017 - 2022	0.07%	0.14%	0.03%	0.00%	0.26%	0.75%
HOUSEHOLD STATISTICS						
2000	7,311	50,721	151,015	24,498	3,132,460	11,498,168
2017	8,147	54,623	160,712	26,591	3,410,083	13,424,160
2022	8,287	55,883	163,598	27,115	3,499,002	14,071,519
Compound Annual Change						
2000 - 2017	0.64%	0.44%	0.37%	0.48%	0.50%	0.92%
2017 - 2022	0.34%	0.46%	0.36%	0.39%	0.52%	0.95%
AVERAGE HOUSEHOLD INCOME						
2000	$56,501	$56,155	$53,970	$61,480	$61,832	$65,671
2017	$80,623	$84,925	$79,854	$90,537	$90,205	$97,218
2022	$91,188	$96,395	$91,019	$102,172	$102,689	$111,306
Compound Annual Change						
2000 - 2017	2.11%	2.46%	2.33%	2.30%	2.25%	2.33%
2017 - 2022	2.49%	2.57%	2.65%	2.45%	2.63%	2.74%
OCCUPANCY						
Owner Occupied	67.60%	63.17%	53.21%	74.67%	45.84%	54.01%
Renter Occupied	32.40%	36.83%	46.79%	25.33%	54.16%	45.99%

SOURCE:

CURRENT POPULATION MAP



POPULATION GROWTH MAP



Households

A household consists of a person or group of people occupying a single housing unit, and is not necessarily a family unit. When an individual purchases goods and services, these purchases are a reflection of the entire household's needs and decisions, making the household a critical unit to be considered when reviewing market data and forming conclusions about the trade area as it impacts the subject property.

Figures provided by Experian Marketing Solutions, Inc., indicate that the number of households has decreased at a slower rate than the decline of the population. Several changes in the way households are being formed have caused this acceleration, specifically:

- The population is living longer on average. This results in an increase of single- and two-person households;
- Higher divorce rates have resulted in an increase in single-person households; and
- Many individuals have postponed marriage, also resulting in more single-person households.

According to Experian Marketing Solutions, Inc., the Primary Trade Area grew at a compound annual rate of 0.44 percent between 2000 and 2017. Consistent with national trends the trade area is experiencing household changes at a rate that varies from population changes. That pace is expected to continue through 2022, and is estimated at 0.46 percent.

Correspondingly, a greater number of smaller households with fewer children generally indicates more disposable income. In 2000, there were 3.38 persons per household in the Primary Trade Area and by 2017, this number is estimated to have decreased to 3.35 persons. Through 2022, the average number of persons per household is forecasted to decline to 3.34 persons.

Average Household Income

A significant statistic driving the success of an apartment market is the income potential of the area's population. Income levels, either on a per capita, per family or household basis, indicate the economic level of the residents of the market area and form an important component of this total analysis.

Trade area income figures for the subject support the profile of a broad middle-income market. According to Experian Marketing Solutions, Inc., average household income within the primary trade area in 2017 was approximately $84,925, 93.80 percent of the CBSA average ($90,537) and 94.15 percent of the state average ($90,205).

Further analysis shows a relatively broad-based distribution of income, although skewed toward the lower income brackets within a one-mile radius. This information is summarized as follows:

DISTRIBUTION OF HOUSEHOLD INCOME

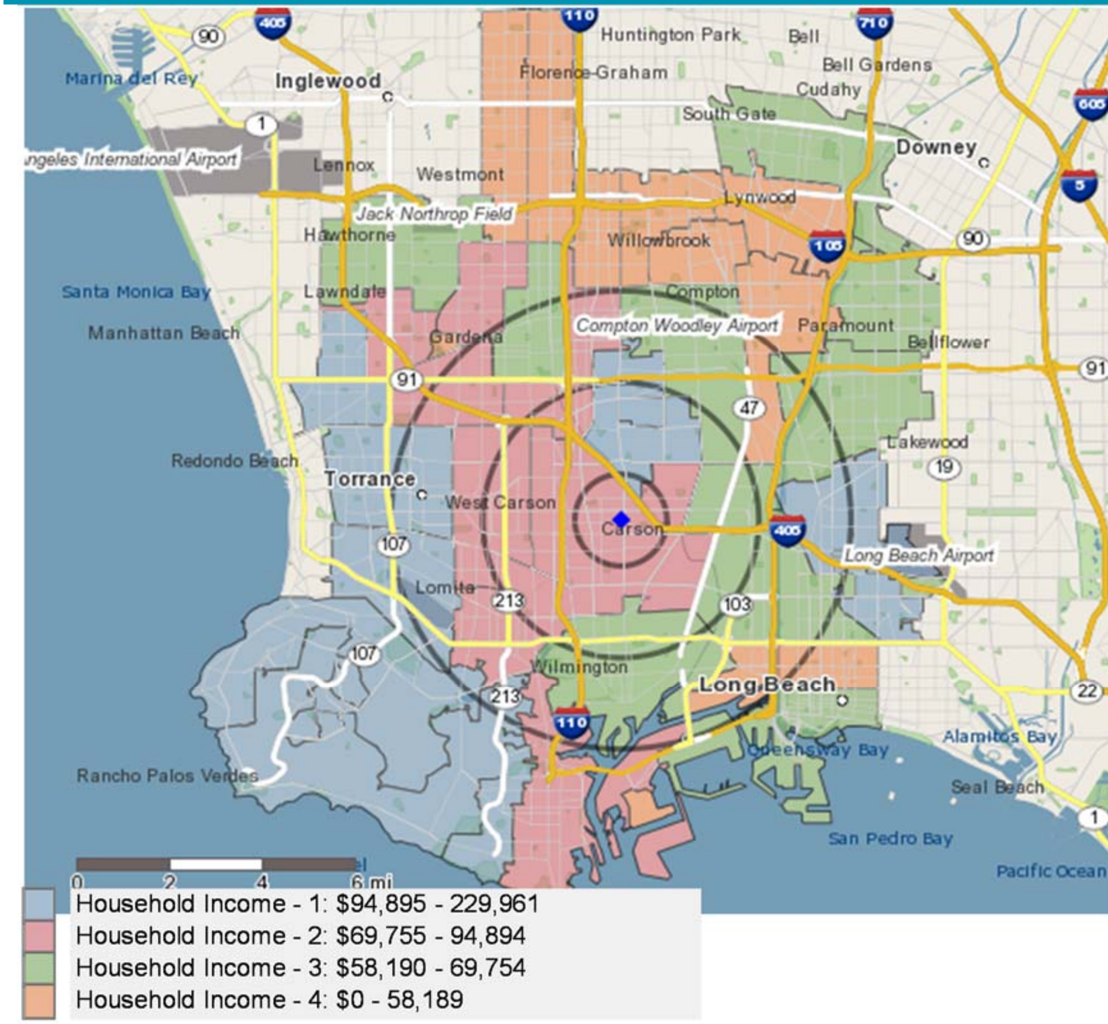
Category	1.0-Mile Radius	3.0-Mile Radius	5.0-Mile Radius	City of Carson	County of Los Angeles	State of California
$150,000 or more	8.32%	10.57%	10.20%	11.93%	13.46%	15.60%
$125,000 to $149,999	7.67%	6.55%	5.46%	7.31%	5.34%	6.17%
$100,000 to $124,999	10.79%	10.80%	9.21%	12.57%	8.71%	9.64%
$75,000 to $99,999	17.40%	14.37%	12.91%	16.40%	11.97%	12.60%
$50,000 to $74,999	21.05%	19.98%	19.20%	20.14%	17.03%	16.51%
$35,000 to $49,999	9.78%	11.30%	12.25%	10.32%	12.24%	11.58%
$25,000 to $34,999	7.83%	8.53%	9.36%	6.90%	9.18%	8.47%
$15,000 to $24,999	8.59%	9.20%	10.40%	7.35%	10.09%	9.04%
Under $15,000	8.58%	8.69%	11.02%	7.09%	11.97%	10.39%

SOURCE: © 2017 Experian Marketing Solutions, Inc. •All rights reserved

The previous chart makes it clear that the distribution of higher income level households increases as distance from the subject increases.

The following is a graphic presentation of the household income distribution throughout the trade area that clearly shows the area surrounding the subject to be characterized by lower to middle income households. Higher income areas are located within the five-mile radius.

HOUSEHOLD INCOME MAP



Housing Occupancy

As illustrated on the Demographic Summary Table presented earlier, there are 8,146 occupied housing units in the subject's one-mile radius, 54,623 occupied housing units in the primary trade area (3.0-mile), and 160,712 in the total five-mile trade area.

The depth of the rental housing market can be measured by these demographic statistics. The percentage of occupied housing units that are renter occupied is an indicator of demand within an area. Markets that have a high percentage of renter units are indicative of a more transient population. For reference, we note that the United States has 45.99 percent of its occupied housing stock occupied by renters, while the subject's county and state have 54.16 and 25.33 percent of this same stock occupied by renters. This compares to the local statistics, which reflect renter occupied ratios of 32.40 percent, 36.83 percent and 46.79 percent in the 1.0-, 3.0- and 5.0-mile trade areas, respectively.

Local Area Housing

Residential development comprises mostly older single-family detached and multi-family residences and apartment complexes within planned communities throughout the local area. Residential growth is mostly located in outlying areas of the community with greater land area available for development.

According to Experian Marketing Solutions, Inc., there are 55,262 housing units within a three-mile radius of the subject property. The median year built of the existing housing stock is 1965. The median home value within a three-mile radius of the subject property as of 2017 was $400,015. There is an average proportion of owner-occupied housing, comprising about 63 percent of total occupied housing units within a three-mile radius of the subject. The following table reflects a housing summary including the total number of housing units, median housing value and median year built in the local area, as well as the city, county and state for comparative analysis.

HOUSING SUMMARY	1.0-Mile Radius	3.0-Mile Radius	5.0-Mile Radius	City of Carson	County of Los Angeles	State of California
HOUSING STATISTICS						
2017 Est. Total Housing Units	8,178	55,262	164,063	26,755	3,510,664	14,046,046
2017 Est. Median Housing Valu	$371,257	$400,015	$419,513	$391,121	$484,260	$415,406
2017 Est. Median Year Built	1963	1965	1962	1965	1963	1974

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Conclusion

We analyzed the profile of the subject's region in order to make reasonable assumptions as to the continued performance of the property.

A regional and local overview was presented which highlighted important points about the study area. Demographic and economic data specific to the residential market were also presented. Demographic information relating to these sectors was presented and analyzed in order to determine patterns of change and growth as it impacts the subject property. The data quantifies the dimensions of the total trade area, while our comments provide qualitative insight into this market. A compilation of this data forms the basis for our projections and forecasts for the subject property. The following are our key conclusions.

- Occupancy levels for market rate properties ranged from 93.8 percent to 98.5 percent, with an average of 96.6 percent.
- Occupancy levels for the restricted rate properties ranged from 96.9 percent to 100.0 percent, with an average of 98.7 percent.

- The subject property will compete with the other affordable rental properties in the immediate area, of which there are very few options and all are well occupied.
- As such we believe the property will serve a market encompassing a radius of 5.0-miles. Over the next five years, both the population and number of households in the subject's trade area are projected to decrease. Household income levels in the area are lower than the city, county and state.
- The subject has very good accessibility via the regional Interstate network and local arterials that provide linkages throughout the Los Angeles CBSA.
- Based on our analysis we concluded that the subject is well positioned within its market area and the prospect for net appreciation in real estate values is expected to be average.

Property Analysis

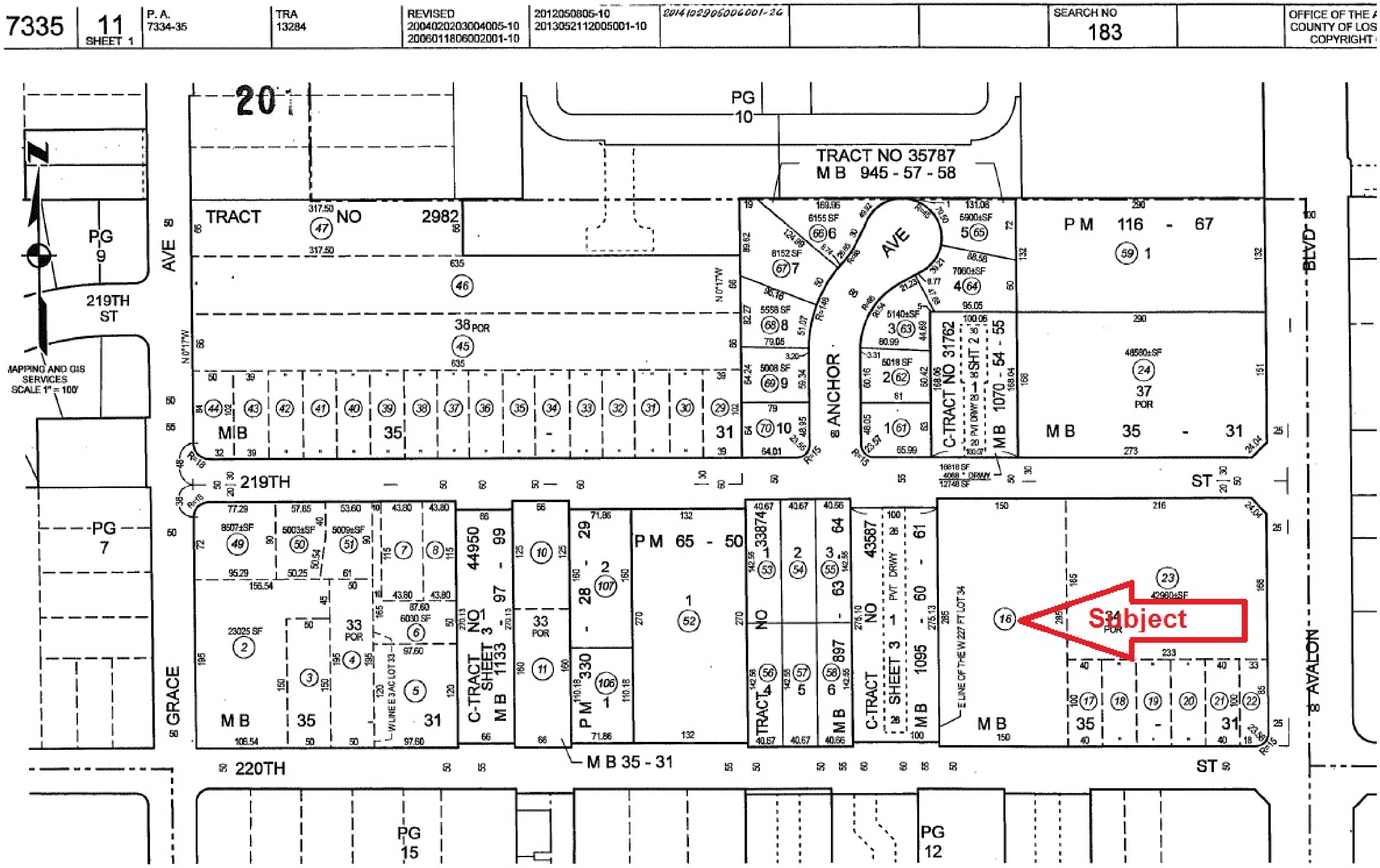
Site Description

Locations:	632 East 219th Street Carson, Los Angeles County, California 90745 The subject is located on the north side of East 219th Street west of North Avalon Boulevard.
Shape:	Rectangular
Topography:	Level at street grade
Land Area:	0.99 acres / 42,988 square feet (source: tax assessor records)
Frontage:	The subject properties have average frontage. The subject has 150 linear feet of frontage along 219th Street and 150 linear feet of frontage along 220th Street.
Access:	The subject properties have average access. Primary access is from 219th Street.
Visibility:	The subject properties have average visibility.
Soil Conditions:	We were not given a soil report to review. However, we assume that the soil's load-bearing capacity is sufficient to support existing and/or proposed structure(s). We did not observe any evidence to the contrary during our physical inspection of the property. Drainage appears to be adequate.
Utilities:	All utilities are available to the subject site.
Site Improvements:	Site improvements include curbing, signage, landscaping, yard lighting and drainage.
Land Use Restrictions:	We were not given a title report to review. We do not know of any easements, encroachments, or restrictions that would adversely affect the sites' use. However, we recommend a title search to determine whether any adverse conditions exist.

Flood Zone Description:	The subject properties are all located in flood zone X (Areas determined to be outside the 500 year flood plain) as indicated by FEMA Map 06037C 1935F, dated September 26, 2008. The flood zone determination and other related data are provided by a third party vendor deemed to be reliable. If further details are required, additional research is required that is beyond the scope of this analysis.

Wetlands:	We were not given a wetlands survey to review. If subsequent engineering data reveal the presence of regulated wetlands, it could materially affect property value. We recommend a wetlands survey by a professional engineer with expertise in this field. During our inspection we did not witness the presence of wetlands.
Hazardous Substances:	We observed no evidence of toxic or hazardous substances during our inspection of the site. However, we are not trained to perform technical environmental inspections and recommend the hiring of a professional engineer with expertise in this field.
Alquist Priolo Zone:	The site is not located in a Special Study Zone as established by California's Alquist-Priolo Geological Hazards Act. Southern California however is prone to seismic activity.
Overall Site Utility:	The subject sites are functional for their current use.
Location Rating:	Average

TAX MAP



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PG 10
PG 15
PG 12
Subject

Improvements Description

The following description of improvements is based on our physical inspection, public records, property data provided by the client. The subject's unit mix is presented in the following table:

UNIT MIX

No.	Plan	BR	BA	No. Units	Percent of Total	Unit (SF)	NRA (SF)
1	1BR/1BA 50% AMI	1	1.0	32	51%	600	19,200
2	1BR/1BA 60% AMI	1	1.0	30	48%	600	18,000
3	1BR/1BA Manager	1	1.0	1	2%	1,100	1,100
TOTAL/AVERAGE				**63**	**100%**	**608**	**38,300**

*All averages are weighted

The following description of improvements is based on our physical inspection and our discussions with the subject property owner's representative.

GENERAL DESCRIPTION	
Year Built:	2000
Number of Units:	63
Number of Buildings:	1
Number of Stories:	3
Land To Building Ratio:	0.80 to 1
Gross Building Area:	53,800 square feet (source: architectural plans provided by the borrower)
Net Rentable Area:	37,800 square feet (architectural plans provided by the borrower, please see summary page below). The net rentable area used in our analysis differs from the size reported on the rent roll (where units were reported at 900 square feet, totaling 56,700 square feet). We relied on the architectural drawings which were corroborated by the floorplan image included below, and also by owner own cursory measurements on the day of inspection.
CONSTRUCTION DETAIL	
Basic Construction:	Wood frame
Foundation:	Poured concrete slab
Framing:	Wood post and beam
Floors:	Concrete poured over a metal deck
Exterior Walls:	Masonry
Roof Type:	Flat with parapet walls

Roof Cover:	Built-up assemblies with tar and gravel cover
Windows:	Thermal windows in aluminum frames
Pedestrian Doors:	Glass and metal
MECHANICAL DETAIL	
Heat Source:	Gas
Heating System:	Radiant Heat
Cooling:	None
Plumbing:	The plumbing system is assumed to be adequate for the existing use and in compliance with local law and building codes.
Electrical Service:	Electricity for each building is obtained through power lines.
Electrical Metering:	Each unit is separately metered.
Emergency Power:	None
Fire Protection:	Not sprinklered
Security:	Exterior monitors
INTERIOR DETAIL	
Floor Covering:	Carpet & Tile
Walls:	Drywall
Ceilings:	Drywall
Lighting:	Fluorescent and Incandescent
Restrooms:	Apartment units are equipped with one full bathroom. The bathrooms consist of a shower/tub kit with wall-mounted showerhead, toilet, sink, vinyl and ceramic tile floor covering.
AMENITIES	
Project Amenities:	On-Site Management, Community Center, Controlled Entry/Gate and Laundry Facilities
Unit Amenities:	Air Conditioning and Balcony / Patio
SITE IMPROVEMENTS	
Parking:	The property contains approximately 63 subterranean garage and surface parking spaces reflecting an overall parking ratio of 1.00 spaces per unit. The parking spaces adequately support the existing users. There is also street parking in this area.
Onsite Landscaping:	The site is landscaped with a variety of trees, shrubbery and grass.

Other:	Site improvements include curbing, signage, landscaping, yard lighting and drainage.
PERSONAL PROPERTY	
	The subject property has the typical personal property associated with an apartment complex, including refrigerators, range/ovens, etc. While these and other items of personal property are associated with the operation of an apartment complex, buyers in the subject's market do not typically allocate a separate value for them in their purchase decisions.
SUMMARY	
Condition:	Average
Quality:	Average
Property Rating:	After considering all of the physical characteristics of the subject, we have concluded that this property has an overall rating that is average, when measured against other properties in this marketplace.
Roof & Mechanical Inspections:	We did not inspect the roof nor did we make a detailed inspection of the mechanical systems. The appraisers are not qualified to render an opinion regarding the adequacy or condition of these components. The client is urged to retain an expert in this field if detailed information is needed. Please refer to the Extraordinary Assumptions section of this report.
Effective Age:	25 years
Expected Economic Life:	55 years
Remaining Economic Life:	30 years
CAPITAL EXPENDITURES	
Known Costs:	There are no known costs for capital expenditures.
PHYSICAL DETERIORATION	
Cost to Cure:	Curable physical deterioration refers to those items that are economically feasible to cure as of the effective date of the appraisal. One category of physical deterioration is deferred maintenance and is measured as the cost repairing or restoring the item to new or reasonably new condition. We have not been provided with a capital expenditure plan or an engineering report that would identify specific costs required to repair deficiencies at the subject property.
FUNCTIONAL OBSOLESCENCE	
Description:	There is no apparent functional obsolescence present at the subject property.

EXTERNAL OBSOLESCENCE

Description	External obsolescence is the adverse effect on value resulting from influences outside the property. External obsolescence may be the result of market softness, proximity to environmental hazards or other undesirable conditions, spikes in construction costs, cost estimates that don't properly reflect changes in the local market, the lack of an adequate labor force, changing land use patterns, or other factors. Based on a review of the location of the subject as well as local market conditions, external obsolescence is estimated at 0.00 percent.

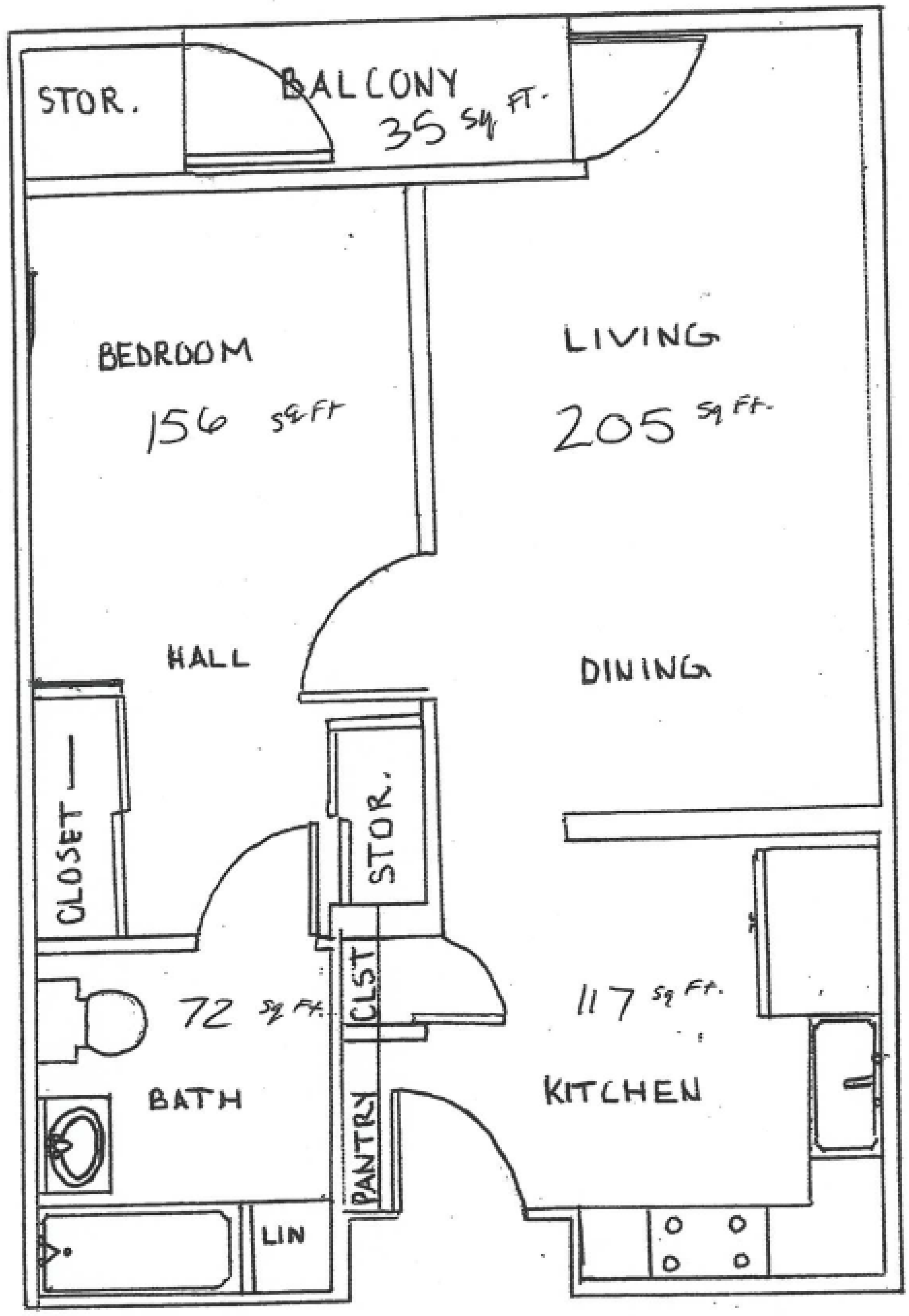
PROJECT SUMMARY FROM ARCHITECTURAL PLANS

PROJECT SUMMARY

ZONE	RM-12-D	
BUILDING CODE	1999 L.A. CO.	
CONSTRUCTION TYPE	TYPE V-1 HR, FULLY SPRINKLERED	
OCCUPANCY	R-1/A-3/S-3	
SITE AREA:	GROSS AREA - 150'- 0" X 285' - 0' = 42,750 SF - BEFORE DEDICATIONS DEDICATION ON 219TH STREET OF 10' - 0" DEDICATION ON 220TH STREET OF 5'- 0" NET SITE AREA 150'-0" X 270'-0" = 40,500 SF AFTER DEDICATIONS	
LOT COVERAGE:	18,377 SF = 45.3 % OF NET LOT AREA	
BUILDING AREA:	PARKING GARAGE LEVEL	20,141 SF
	FIRST LEVEL	18,022 SF
	SECOND LEVEL	17,889 SF
	THIRD LEVEL	17,889 SF
	TOTAL BUILDING AREA	53,800 SF
ALLOWABLE FLOOR AREA	ALLOWABLE FLOOR AREA PER T-24 TABLE 5-B 10,500 SQ. FT./FLOOR TYPE V-1 HR (ONE HOUR)	ALLOWABLE AREA INCREASES AREA SEPARATION ON TWO SIDES 50' WIDE ST. + 15' SETBACK = 65' 65'-20'=45' 45 FT. X 1 1/4% = 56.25 % 10,500 SQ. FT. X 50%=15,750 FIRE SPRINKLER ALLOWANCE 15,750 X 2 @ 1ST LEVEL =31,500 SQ. FT 31,500 X 2 @ 2ND LEVEL =63,000 SQ. FT.
	TOTAL ALLOWABLE AREA = 63,000 SQ. FT.	
USAGE OCCUPANT LOAD:	APARTMENT 1/ 300 SF	
	FIRST LEVEL	60
	SECOND LEVEL	60
	THIRD LEVEL	60
	TOTAL OCCUPANT LOAD	180
PARKING REQUIRED:	.8 SPACES PER UNIT X 63 UNITS = 50 SPACES	
PARKING PROVIDED:		63 SPACES
USABLE OPEN SPACE REQUIRED:	30 % OF NET PROJECT AREA = 5,513 SF	
USABLE OPEN SPACE PROVIDED:		13,533 SF
UNIT STATISTICS:		
UNIT SIZE:	62 UNITS AT 600 SF EACH 1 MANAGER'S UNIT AT 1,100 SF	
PRIVATE STORAGE SPACE:	200 CU FT INSIDE EACH UNIT	
PRIVATE OPEN SPACE:	40 SF OF PATIO AREA FOR GROUND FLOOR UNITS 36 SF OF BALCONY AREA FOR SECOND & THIRD FLOOR UNITS	

Source: Borrower

TYPICAL FLOORPLAN



Source: Management

Real Property Taxes and Assessments

Current Property Taxes

The subject property is located in the taxing jurisdiction of Los Angeles County, and the assessor's parcel identification per property is below:

CALIFORNIA ASSESSMENT AND TAX ANALYSIS	
Assessor's Parcel Number:	7335-011-016
Assessing Authority:	Los Angeles County
Current Tax Year:	2018-2019
Are taxes current?	Taxes are current
Is there a grievance underway?	Not to our knowledge
The subject's assessment and taxes are:	Below market level due to exemptions

ASSESSMENT INFORMATION	
	2018-2019
Assessed Value	
Land:	$3,060,000
Improvements:	9,180,000
Total:	$12,240,000

TAX LIABILITY	
Taxable Assessment	$12,240,000
Tax Rate	1.171682%
Taxes	$143,414
Special Assessments	$12,744
Tax Indication	$156,158
Less Exemptions (1)	$56,931
Total Property Taxes	$99,227
Effective Tax Rate:	0.810678%
Number of Units	63
Property Taxes per Unit	$1,575

(1) Wellfare exemption based on the number of units rented at or below income limits reported by HUD.

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Total taxes for the property are $99,227, or $1,575 per unit. The subject's real estate taxes are below market levels due to exemptions.

The subject ownership benefits from a welfare exemption based on the non-profit status due to their non-profit status. Real estate and personal property owned by certain non-profit organizations can be exempted from local real estate taxation through a program jointly administered by the Board of Equalization and county assessors' offices in California. This Welfare Exemption is available to qualified organizations under the under Internal Revenue Code section 501(c)(3).

Zoning

General Information

The properties are zoned RM-12-D by the City of Carson. A summary of the subject's zoning is presented in the following table:

ZONING	
Municipality Governing Zoning:	City of Carson
Current Zoning:	RM-12-D
Current Use:	Government Subsidized Senior Apartments
Is current use permitted:	Yes
Permitted Uses:	The subject's zoning will allow for 12 residential units per acre.
Zoning compliance:	Pre-existing, non-complying use due due to density.

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Zoning Compliance

Property value is affected by whether or not an existing or proposed improvement complies with zoning regulations, as discussed below.

Complying Uses

An existing or proposed use that complies with zoning regulations implies that there is no legal risk and that the existing improvements could be replaced "as-of-right."

Pre-Existing, Non-Complying Uses

In many areas, existing buildings pre-date the current zoning regulations. When this is the case, it is possible for an existing building that represents a non-complying use to still be considered a legal use of the property. Whether or not the rights of continued use of the building exist depends on local laws. Local laws will also determine if the existing building may be replicated in the event of loss or damage.

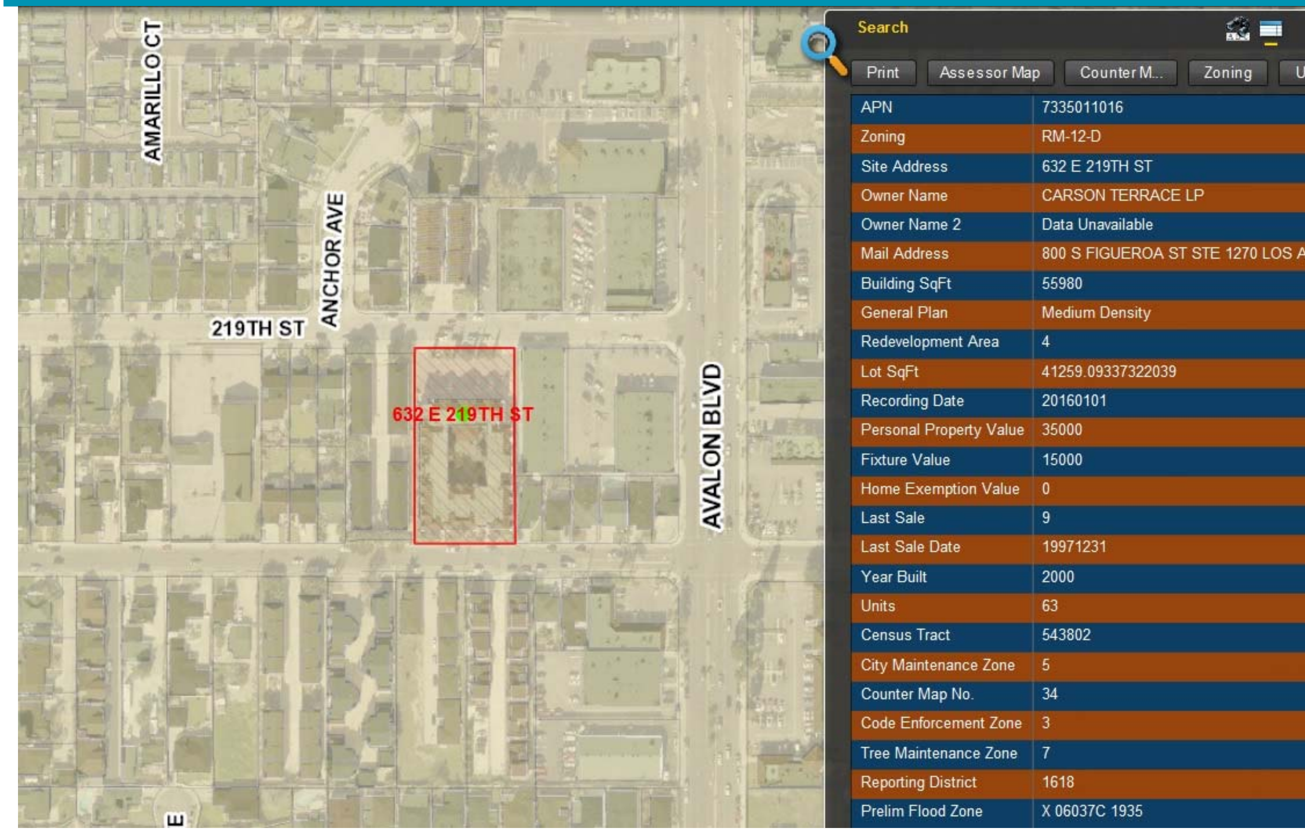
Non-Complying Uses

A proposed non-complying use to an existing building might remain legal via variance or special use permit. When appraising a property that has such a non-complying use, it is important to understand the local laws governing this use.

Other Restrictions

According to the regulatory agreement included in the Addenda, the subject is deed restricted to be used as affordable housing for seniors until 2041.

ZONING MAP



Zoning Conclusions

We analyzed the zoning requirements in relation to the subject property, and considered the compliance of the existing or proposed use. We are not experts in the interpretation of complex zoning ordinances but based on our review of public information, the subject property appears to be a pre-existing, non-complying use due to density. We spoke with the city of Carson Zoning Department who reported that the subject can be rebuilt if destroyed more than 50 percent by fire or other calamity. The zoning staff referenced Code 9182.3 Sec.C in the city's municipal code.

Detailed zoning studies are typically performed by a zoning or land use expert, including attorneys, land use planners, or architects. The depth of our study correlates directly with the scope of this assignment, and it considers all pertinent issues that have been discovered through our due diligence.

We note that this appraisal is not intended to be a detailed determination of compliance, as that determination is beyond the scope of this real estate appraisal assignment.

Valuation

Highest and Best Use

Highest and Best Use Definition

The Dictionary of Real Estate Appraisal, Sixth Edition (2015), a publication of the Appraisal Institute, defines the highest and best use as:

> The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.

To determine the highest and best use we typically evaluate the subject site under two scenarios: as though vacant land and as presently improved. In both cases, the property's highest and best use must meet the four criteria described above.

Highest and Best Use of Site as though Vacant

Legally Permissible

The zoning regulations in effect at the time of the appraisal determine the legal permissibility of a potential use of the subject site. As described in the Zoning section, the subject sites are zoned RM-12-D by the City of Carson. The subject's zoning will allow for 12 residential units per acre. We are not aware of any further legal restrictions that limit the potential uses of the subject. In addition, rezoning of the site is not likely due to the character of the area.

Physically Possible

The physical possibility of a use is dictated by the size, shape, topography, availability of utilities, and any other physical aspects of the site. The subject sites contains 0.99 acres, or 42,988 square feet. The sites are rectangular and level at street grade. They have average frontage, average access, and average visibility. The overall utility of the sites is considered to be average. All public utilities are available to the sites including public water and sewer, gas, electric and telephone. Overall, the sites are considered adequate to accommodate most permitted development possibilities.

Financially Feasible and Maximally Productive

In order to be seriously considered, a use must have the potential to provide a sufficient return to attract investment capital over alternative forms of investment. A positive net income or acceptable rate of return would indicate that a use is financially feasible. Financially feasible uses are those uses that can generate a profit over and above the cost of acquiring the site, and constructing the improvements. Of the uses that are permitted, possible, and financially feasible, the one that will result in the maximum value for the property is considered the highest and best use.

Conclusion

We considered the legal issues related to zoning and legal restrictions. We also analyzed the physical characteristics of the sites to determine what legal uses would be possible, and considered the financial feasibility of these uses to determine the use that is maximally productive. Considering the subject sites' physical characteristics and location, as well as the state of the local market, it is our opinion that the Highest and Best Use of the subject sites as though vacant is for development with a residential use such as townhomes or condominiums, or possibly small-lot single family development, building built to its maximum feasible building area, as demand warrants.

Highest and Best Use of Property as Improved

The Dictionary of Real Estate Appraisal defines highest and best use of the property as improved as:

> The use that should be made of a property as it exists. An existing improvement should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.

In analyzing the Highest and Best Use of a property as improved, it is recognized that the improvements should continue to be used until it is financially advantageous to alter physical elements of the structure or to demolish it and build a new one.

Legally Permissible

As described in the Zoning Analysis section of this report, the subject sites are zoned RM-12-D. The sites are improved with multi-family uses containing 53,800 square feet of gross building area. In the Zoning section of this appraisal, we determined that the existing improvements represent pre-existing, non-complying uses. We also determined that the existing use is a permitted use in this zone.

Physically Possible

The subject improvements were constructed in 2000 and are in average condition. We know of no current or pending municipal actions or covenants that would require a change to the current improvements.

Financially Feasible and Maximally Productive

In our opinion, the improvements contribute significantly to the value of the site. It is likely that no alternative use would result in a higher value.

Conclusion

It is our opinion that the existing improvements add value to the site as though vacant, dictating a continuation of its current use. It is our opinion that the Highest and Best Use of the subject property as improved is an apartment building as it is currently improved.

Most Likely Buyer

The subject’s size, product type and affordability restrictions make it most appealing to a regional affordable apartment investor, or affordable housing REIT. There is limited sales activity of Affordable Housing in the subject’s competitive market. A most likely buyer of the subject would be a non-profit investor who already owns or manages similar properties in Southern California.

Valuation Process

Methodology

There are three generally accepted approaches to developing an opinion of value: Cost, Sales Comparison and Income Capitalization. We considered each in this appraisal to develop an opinion of the market value of the subject property. In appraisal practice, an approach to value is included or eliminated based on its applicability to the property type being valued and the quality of information available. The reliability of each approach depends on the availability and comparability of market data as well as the motivation and thinking of purchasers.

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

We considered each approach in developing our opinion of the market value of the subject property. We discuss each approach below and conclude with a summary of their applicability to the subject property.

Cost Approach

The Cost Approach is based on the proposition that an informed purchaser would pay no more for the subject than the cost to produce a substitute property with equivalent utility. This approach is particularly applicable when the property being appraised involves relatively new improvements which represent the Highest and Best Use of the land; or when relatively unique or specialized improvements are located on the site for which there are few improved sales or leases of comparable properties.

In the Cost Approach, the appraiser forms an opinion of the cost of all improvements, depreciating them to reflect any value loss from physical, functional and external causes. Land value, entrepreneurial profit and depreciated improvement costs are then added, resulting in an opinion of value for the subject property.

Sales Comparison Approach

In the Sales Comparison Approach, sales of comparable properties are adjusted for differences to estimate a value for the subject property. A unit of comparison such as price per square foot of building area or effective gross income multiplier is typically used to value the property. When developing an opinion of land value the analysis is based on recent sales of sites of comparable zoning and utility, and the typical units of comparison are price per square foot of land, price per acre, price per unit, or price per square foot of potential building area. In each case, adjustments are applied to the unit of comparison from an analysis of comparable sales, and the adjusted unit of comparison is then used to derive an opinion of value for the subject property.

Income Capitalization Approach

In the Income Capitalization Approach the income-producing capacity of a property is estimated by using contract rents on existing leases and by estimating market rent from rental activity at competing properties for the vacant space. Deductions are then made for vacancy and collection loss and operating expenses. The resulting net operating income is divided by an overall capitalization rate to derive an opinion of value for the subject property. The capitalization rate represents the relationship between net operating income and value. This method is referred to as Direct Capitalization.

Related to the Direct Capitalization Method is the Yield Capitalization Method. In this method periodic cash flows (which consist of net operating income less capital costs) and a reversionary value are developed and discounted to a present value using an internal rate of return that is determined by analyzing current investor yield requirements for similar investments.

Summary

This appraisal employs the Sales Comparison Approach and the Income Capitalization Approach. Based on our analysis and knowledge of the subject property type and relevant investor profiles, it is our opinion that these approaches would be considered applicable and/or necessary for market participants. Application of the Cost Approach was considered; however, due to the opinions of market participants regarding its applicability for an asset such as the subject property, we elected to exclude this approach from the analysis.

Sales Comparison Approach

Methodology

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

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

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

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

We have surveyed market participants, third party databases and our own internal database during the selection of comparable sales. Our survey did not uncover larger sale transactions in terms of the number of units. We have selected the most comparable recent sales in terms of location and/or age of the improvements. The selected comparables are considered to be the best available based upon our discussions with market participants and survey of the submarket.

Comparable improved sale data sheets are presented in the Addenda of this report.

SUMMARY OF IMPROVED SALES

PROPERTY INFORMATION

No.	Property Name Address, City, State	Land (SF)	Year Built	No. of Stories	No. of Units	Average Unit Size	Quality	Cond.	Sale Date	Sale Price	$/Unit	NOI/Unit	OAR	Occup.
S	Subject Property	42,988	2000	3	63	608	Average	Average				$4,729		98%
1	Rosewood Park Senior Apartments 2230 S. Eastern Avenue Commerce, CA	92,077	1981	2	94	614	-	Good	Jun-17	$12,850,000	$136,702	-	-	-
2	Rancho Creek Apartments 28464 Felix Valdez Ave Temecula, CA	56,628	1988	2	30	833	Average	Average	May-17	$3,050,000	$101,667	$5,388	5.30%	100%
3	Claremont Villas Senior Community 100 S Indian Hill Blvd Claremont, CA	125,888	1994	2	154	518	Average	Average	May-16	$17,700,000	$114,935	$6,321	5.50%	94%
4	Bellflower Friendship Manor 62+ Community 9550 Oak St Bellflower, CA	62,125	1973	8	144	936	Average	Average	Nov-15	$19,150,000	$132,986	$6,982	5.25%	99%
5	Vista Alicante (Senior Affordable) 15811 Alicante Rd La Mirada, CA	140,254	1995	2	100	577	Average	Average	Aug-15	$14,350,000	$143,500	$6,687	4.66%	100%
	STATISTICS													
Low		56,628	1973	2	30	518			Aug-15	$3,050,000	$101,667	$5,388	4.66%	94%
High		140,254	1995	8	154	936			Jun-17	$19,150,000	$143,500	$6,982	5.50%	100%
Average		95,394	1986	3	104	696			Jul-16	$13,420,000	$125,958	$6,345	5.18%	98%

Compiled by Cushman & Wakefield Western, Inc.

IMPROVED SALE ADJUSTMENT GRID

	ECONOMIC ADJUSTMENTS (CUMULATIVE)						PROPERTY CHARACTERISTIC ADJUSTMENTS (ADDITIVE)									
No.	**$/Unit & Date**	**Property Rights Conveyed**	**Conditions of Sale**	**Financing**	**Market [1] Conditions**	**Per Unit Subtotal**	**Location**	**Num of Units (Size)**	**Age, Quality & Condition**	**Unit Mix**	**Amenities**	**Average Unit Size**	**Utility**	**Economics**	**Other**	**Adj. $/Unit**
1	**$136,702**	Leased Fee	Arm's-Length	None	Inferior	**$141,760**	Superior	Similar	Inferior	Similar	Similar	Similar	Similar	Superior	Similar	**$124,749**
	6/17	0.0%	0.0%	0.0%	3.7%	3.7%	-5.0%	0.0%	3.0%	0.0%	0.0%	0.0%	0.0%	-10.0%	0.0%	-12.0%
2	**$101,667**	Leased Fee	Arm's-Length	None	Inferior	**$105,632**	Similar	Similar	Similar	Similar	Similar	Superior	Similar	Superior	Similar	**$96,125**
	5/17	0.0%	0.0%	0.0%	3.9%	3.9%	0.0%	0.0%	0.0%	0.0%	0.0%	-6.0%	0.0%	-3.0%	0.0%	-9.0%
3	**$114,935**	Leased Fee	Arm's-Length	None	Inferior	**$122,866**	Similar	Similar	Similar	Similar	Similar	Inferior	Similar	Superior	Similar	**$116,722**
	5/16	0.0%	0.0%	0.0%	6.9%	6.9%	0.0%	0.0%	0.0%	0.0%	0.0%	3.0%	0.0%	-8.0%	0.0%	-5.0%
4	**$132,986**	Leased Fee	Arm's-Length	None	Inferior	**$144,556**	Similar	Similar	Inferior	Similar	Similar	Superior	Similar	Superior	Similar	**$122,873**
	11/15	0.0%	0.0%	0.0%	8.7%	8.7%	0.0%	0.0%	3.0%	0.0%	0.0%	-6.0%	0.0%	-12.0%	0.0%	-15.0%
5	**$143,500**	Leased Fee	Arm's-Length	None	Inferior	**$157,133**	Superior	Similar	Similar	Similar	Similar	Similar	Similar	Superior	Similar	**$109,993**
	8/15	0.0%	0.0%	0.0%	9.5%	9.5%	-20.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-10.0%	0.0%	-30.0%
	STATISTICS															
	$101,667	**- Low**													**Low -**	$96,125
	$143,500	**- High**													**High -**	$124,749
	$125,958	**- Average**													**Average -**	$114,092

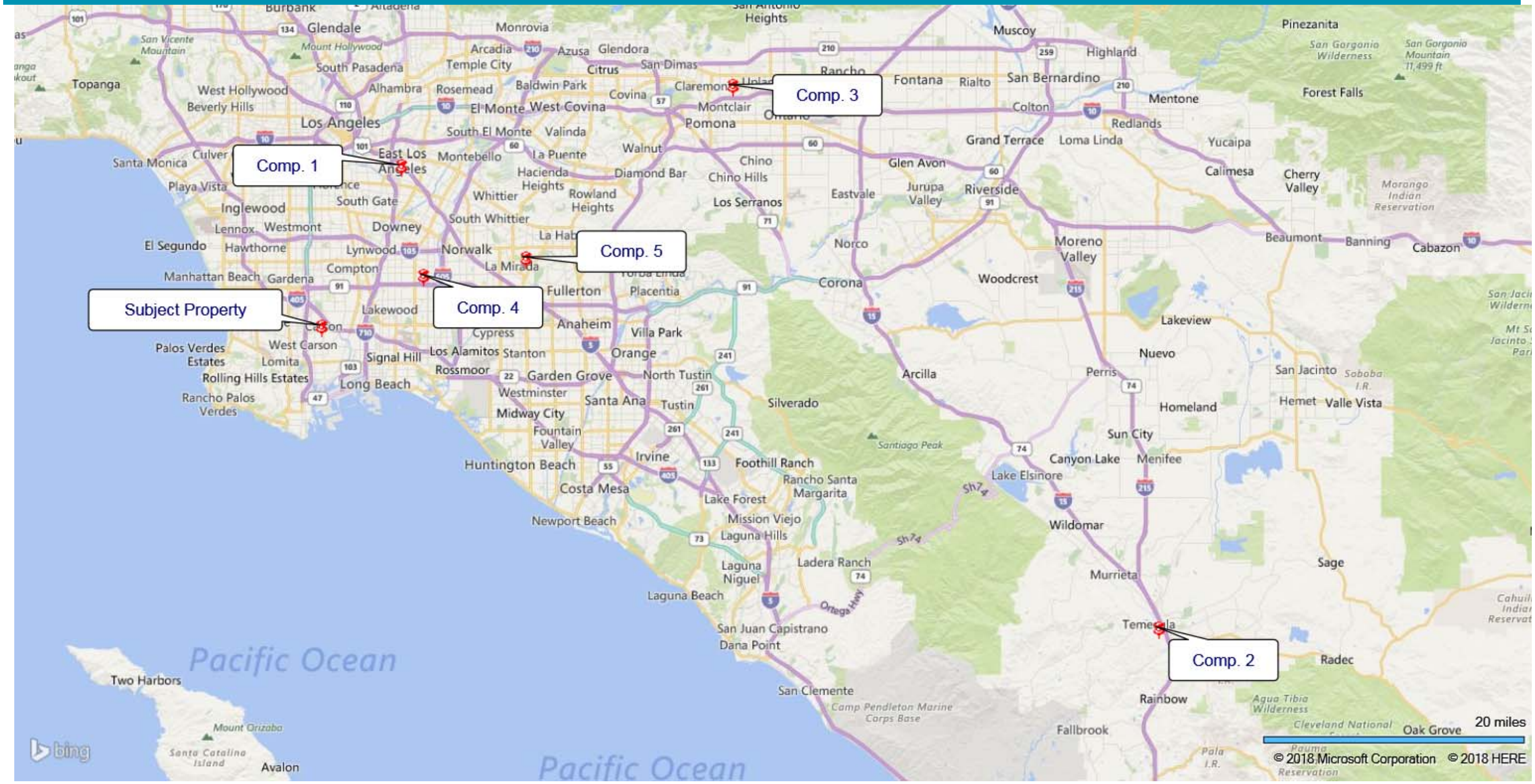
Compiled by Cushman & Wakefield Western, Inc.

[1] **Market Conditions Adjustment**

Compound annual change in market conditions: 3.00%

Date of Value (for adjustment calculations): 8/29/18

IMPROVED SALE LOCATION MAP



Percentage Adjustment Method

Adjustment Process

The sales that we used were the best available comparables to the subject property. The major points of comparison for this type of analysis include the property rights conveyed, the financial terms incorporated into the transaction, the conditions or motivations surrounding the sale, changes in market conditions since the sale, the location of the real estate, its physical traits and the economic characteristics of the property.

The first adjustment made to the market data takes into account differences between the subject property and the comparable property sales with regard to the legal interest transferred. Advantageous financing terms or atypical conditions of sale are then adjusted to reflect a normal market transaction. Next, changes in market conditions must be accounted for, thereby creating a time adjusted price. Lastly, adjustments for location, physical traits and the economic characteristics of the market data are made in order to generate the final adjusted unit rate for the subject property.

We made a downward adjustment to those comparables considered superior to the subject and an upward adjustment to those comparables considered inferior. Where expenditures upon sale exist, we included them in the sales price.

Property Rights Conveyed

The property rights conveyed in a transaction typically have an impact on the price that is paid. Acquiring the fee simple interest implies that the buyer is acquiring the full bundle of rights. Acquiring a leased fee interest typically means that the property being acquired is encumbered by at least one lease, which is a binding agreement transferring rights of use and occupancy to the tenant. A leasehold interest involves the acquisition of a lease, which conveys the rights to use and occupy the property to the buyer for a finite period of time. At the end of the lease term, there is typically no reversionary value to the leasehold interest. We are valuing the leased fee interest of the subject property, an adjustment for property rights is not required.

Conditions of Sale

Adjustments for conditions of sale usually reflect the motivations of the buyer and the seller. In many situations the conditions of sale may significantly affect transaction prices. However, all sales used in this analysis are considered to be "arm’s-length" market transactions between both knowledgeable buyers and sellers on the open market. Therefore, no adjustments are required.

Financial Terms

The financial terms of a transaction can have an impact on the sale price of a property. A buyer who purchases an asset with favorable financing might pay a higher price, as the reduced cost of debt creates a favorable debt coverage ratio. A transaction involving above-market debt will typically involve a lower purchase price tied to the lower equity returns after debt service. We analyzed all of the transactions to account for atypical financing terms. To the best of our knowledge, all of the sales used in this analysis were accomplished with cash or market-oriented financing. Therefore, no adjustments are required.

Market Conditions

The sales that are included in this analysis occurred between August 2015 and June 2017. We acknowledge that more recent sales have taken place in the subject’s market, however, the comparables utilized in this report are considered to be the best available at this time. As the market has improved over this time period, we applied an annual adjustment of 3.00 percent.

Location

An adjustment for location is required when the location characteristics of a comparable property differ from those of the subject property. We made downward adjustments to those comparables considered superior in location when compared to the subject. Conversely, upward adjustments was made to those comparables considered inferior. Overall, the subject's location is considered average within its market.

We applied a downward adjustment to comparable five for its superior location among higher average household incomes.

Physical Traits

Each property has various physical traits that determine its appeal. These traits include size, age, condition, quality and utility.

Age/Condition: Comparables one and four are older and received upward adjustments for representing inferior condition.

Average Unit Size: We applied downward adjustments to comparables two and four for having greater average unit sizes and an upward adjustment to comparable three for having a smaller average unit size.

Economic Characteristics

This adjustment is used to reflect differences in occupancy levels, operating expense ratios, tenant quality, and other items not covered under prior adjustments that would have an economic impact on the transaction.

We applied downward adjustments to comparables two, three, four and five due to their superior economics. To maintain consistency, our adjustments are based on the percentage difference between the subject's NOI per unit and the NOI per unit of each comparable. Financial data was not available for comparable one, yet the sales price per unit for this comparable reflects a sale with superior economics versus the subject. As such, we have applied a downward adjustment to comparable one. The adjustment made to comparable one is within the range of the adjustments made to the remaining data.

Other

This category accounts for any other adjustments not previously discussed. Based on our analysis of these sales, none require any additional adjustment.

Summary of Percentage Adjustment Method

Prior to adjustments, the comparable improved sales reflect unit prices ranging from $101,667 to $143,500 per unit with an average pre adjusted price of $125,958 per unit. After adjustments the comparable improved sales reflect unit prices ranging from $96,125 to $124,749 per unit with an average adjusted price of $114,092 per unit. Our conclusion is below the average of the data in light of the subject's inferior economic characteristics.

Therefore, we conclude that the indicated value by the Percentage Adjustment Method is:

PERCENT ADJUSTMENT METHOD SUMMARY	
Market Value As-Is	Per Unit
Indicated Value per Unit	$100,000
Num of Units	x 63
Indicated Value	$6,300,000
Rounded to nearest $100,000	**$6,300,000**
Per Unit	$100,000

Compiled by Cushman & Wakefield Western, Inc.

Income Capitalization Approach

Methodology

The Income Capitalization Approach is based on the principle that the value of a property is indicated by the net return to the property, or what is also known as the present worth of future benefits. The future benefits of income-producing properties, such as hotels and motels, is net income before debt service and depreciation, derived by a projection of income and expense, along with any expected reversionary proceeds from a sale.

The two most common methods of converting net income into value are direct capitalization and discounted cash flow analysis. In direct capitalization, net operating income is divided by an overall rate extracted from the market to indicate a value. In the discounted cash flow method, anticipated future net income streams and a reversionary value are discounted to provide an opinion of net present value at a chosen yield rate (internal rate of return or discount rate). In this section of the report, we have utilized the direct capitalization method to value the subject property.

Based on the market for multifamily assets in the subject's area, we have forecast future apartment revenue for the subject property, which was detailed in a previous section of this report. In this section of the report, we provide an analysis of the subject's historical performance, the performance of comparable properties, and industry averages, in order to forecast all other revenues and expenses for the subject property in its As-Is condition as of August 29, 2018.

We placed greater reliance on the Direct Capitalization Method since the property is at stabilized operations and the overall rate used is derived from recent market transactions and then compared to current survey data. It is likely that a prospective purchaser of this type of property would utilize Direct Capitalization as the primary tool in evaluating the property.

Apartment Unit Rental Income Analysis

Earlier in the report we discussed the competitive market for apartment properties in the local area. Before we revisit the competitive properties, we will discuss certain aspects of the subject property, namely its lease structure, occupancy and the quoted rent levels of its various unit types.

Lease Structure

A detailed breakdown of the apartment utilities and their administration is presented below:

Apartment Utilities - Market Rate; Affordable all included in rent			
Utility Expense	**Source**	**Administered By**	**Paid By**
Cooking	Electric	Direct Meter	Tenant
Heating	Electric	Direct Meter	Tenant
Air-Conditioning	Electric	Direct Meter	Tenant
Hot Water	Gas	Direct Meter	Landlord
Cold Water	Public	Direct Meter	Landlord
Electric (Plug Load)	Public	Direct Meter	Tenant
Sewer			Landlord
Trash Removal			Landlord

Summary of the Low Income Housing Tax Credit (LIHTC) Program

The subject represents a Low-Income Housing Tax Credit (LIHTC) project however all tax credits have expired.

The Low-Income Housing Tax Credit (LIHTC) Program was created by Congress through the Tax Reform Act of 1986 to promote the development of affordable housing for low and moderate-income households. The program replaced earlier federal tax incentives for affordable rental housing development. Rather than a direct federally appropriated subsidy, low-income housing tax credits encourage investment of private capital by providing a tax credit to offset an investor's federal income tax liability. These federal income tax credits provide the private housing development community the incentives to develop affordable housing by offsetting development acquisition, new construction, or substantial rehabilitation costs. The amount of tax credit received is based on the costs of the development and the number of qualified low-income units, and can be subtracted on a dollar-for-dollar basis from federal tax liability. The tax credit is received each year for ten years – the period the taxpayer claims the tax credit on its federal income tax return.

Housing created through the program must be affordable for low-income households. Tax credits may be used for new construction, rehabilitation, or acquisition and rehabilitation. Because of the manner in which states award credits, it is in the interest of developers to exceed minimum requirements, as most states look more favorably on development projects serving a higher percentage of income-eligible households. Section 42(m) of the Internal Revenue Code (IRC) requires the housing authority to allocate tax credits giving preference to potential developments that:

- Serve the lowest income tenants.
- Serve qualified tenants for the longest periods.
- Contribute to a concerted community revitalization development plan.
- Are intended for eventual tenant ownership.
- Are intended to serve individuals with children.
- Give preference to those on public housing waiting lists.

Expected Occupancy Per Unit

Again, the maximum lease rate for each floor plan is based on expected occupancy. The expected occupancy for a standard unit type is 1.5 persons per bedroom.

EXPECTED OCCUPANCY PER UNIT	
Unit Type	Occupancy
Studio	1.0 person
One-Bedroom	1.5 persons
Two-Bedroom	3.0 persons
Three-Bedroom	4.5 persons
Four-Bedroom	6.0 persons

The subject is comprised of all one bedroom units and therefore occupancy is calculated based on 1.5 persons per unit.

Determination of Maximum Rents for LIHTC Units

Household income limitations are based on an area median income (AMI), which is determined each year by the US Department of Housing & Urban Development (HUD). HUD adjusts the AMI annually, based on several factors including area economy and household growth. Income restrictions are determined at either the Metropolitan Statistical Area (MSA) or county level, and are based on a household containing four persons. The 2018 median gross income for the Los Angeles MSA is $69,300. Income limits reported below are per novoco.com (Novogradac

& Company is an accounting firm which provides comprehensive data for the affordable housing sector). The maximum income for a four-person household at 60 percent AMI is as follows:

2018 HUD PUBLISHED MAXIMUM INCOME LIMITS - LOS ANGELES, CA			
% Area Median Income	100%	60%	50%
Max. Income for 2-Person Household	$69,300	$58,140	$48,450

Maximum Incomes at 60% Median Income Level

Using the HUD published AMI levels, the maximum income for a four-person household is $58,140 at 60% AMI. Based on the maximum income for a four-person household, the maximum income for households ranging from one to six persons is presented in the following tables.

MAXIMUM INCOME PER HOUSEHOLD SIZE AT 60%		
Household Size	Adjustment	Max Income
2-Person Household	80%	$33,264

Maximum Rent Calculation

As previously discussed, one and three-bedroom unit types have fractional occupancies, while maximum income levels are based on whole persons. The ½ person occupancy is determined based on the average of the whole number before and after the fraction, as was previously discussed. The maximum rents are based on tenants at maximum income levels paying no more than 30% of income for housing. The maximum rent calculations for each unit type under the 60% AMI restrictions are presented in the following table.

MAXIMUM RENT CALCULATIONS @ 60% AMI								
		Maximum		Allowable		Maximum Rent w/ Utilities		
Unit Type	Occupancy	Income	×	Housing %	=	Annual	Monthly	Rnd*
One-Bedroom	1.5 persons	$31,185	×	30%	=	$9,355.50	$779.63	**$779**

*Maximum rents are rounded down to the nearest whole dollar

A tenant qualifies for an LIHTC unit only if the household income is no greater than the maximum allowed for that size household. Landlords may not charge more than the maximum level of rent determined for that unit type/household. The maximum allowable rent includes utilities and a utility allowance is therefore subtracted from the allowable rent when the tenant is responsible for utilities.

Maximum Incomes at 50% Median Income Level

Using the HUD published AMI levels, the maximum income for a four-person household is $48,450 at 50% AMI. Based on the maximum income for a four-person household, the maximum income for households ranging from one to six persons is presented in the following tables.

MAXIMUM INCOME PER HOUSEHOLD SIZE AT 50%		
Household Size	Adjustment	Max Income
2-Person Household	80%	$27,720

Maximum Rent Calculation

The maximum rent calculations for each unit type under the 50% AMI restrictions are presented in the following table.

MAXIMUM RENT CALCULATIONS @ 50% AMI								
		Maximum		Allowable		Maximum Rent w/ Utilities		
Unit Type	Occupancy	Income	x	Housing %	=	Annual	Monthly	Rnd*
One-Bedroom	1.5 persons	$25,988	x	30%	=	$7,796.25	$649.69	**$649**

*Maximum rents are rounded down to the nearest whole dollar

As previously discussed, a tenant qualifies for an LIHTC unit only if the household income is no greater than the maximum allowed for that size household. Landlords may not charge more than the maximum level of rent determined for that unit type/household. The maximum allowable rent includes utilities and a utility allowance is therefore subtracted from the allowable rent when the tenant is responsible for utilities.

Utility Allowance

Tenants pay for the electric expense and the utilities allowances are $40.00 for one bedrooms.

Maximum Rents after Utility Allowances

The maximum rents after utilities are summarized in the following table:

MAXIMUM RENTS AFTER UTILITY ALLOWANCES		
Unit Type	1-BEDROOM	
% AMI	50%	60%
Maximum Gross Rent	$908	$1,090
Less: Utility Allowance	($40)	($40)
Maximum Tenant Rent	$868	$1,050

Occupancy

The subject property contains 63 apartment units, of which 98.4 percent are occupied. The occupancy statistics, based on the rent roll dated July 31, 2018, are presented in the following table.

OCCUPANCY								
No.	**Plan**	**BR**	**BA**	**Total No. Units**	**Unit (SF)**	**Units Occupied**	**SF Occupied**	**Unit Occupancy**
1	1BR/1BA 50% AMI	1	1.0	32	600	32	19,200	100.0%
2	1BR/1BA 60% AMI	1	1.0	30	600	29	17,400	96.7%
3	1BR/1BA Manager	1	1.0	1	1,100	1	1,100	100.0%
TOTAL/AVERAGE				**63**		**62**	**37,700**	**98.4%**

Based on rent roll dated: 7/31/2018

The following table compares the subject's current and historical occupancy rates to the subject's broader market, the submarket and directly competing properties.

VACANCY ANALYSIS		
Vacancy Statistics	**Rate**	**Building Class and Market**
Current Vacancy at Subject Property	1.6%	(Based on leases in place as of appraisal date)
Regional Vacancy Statistics	2.1%	Los Angeles County, Class B/C (Reis 2Q18)
Local Vacancy Statistics	2.6%	Carson Submarket, Class B/C (Reis 2Q18)
Competitive Property Vacancy Statistics	3.4%	Market Rate - Competitive Set
Competitive Property Vacancy Statistics	1.4%	Affordable - Competitive Set

Compiled by Cushman & Wakefield Western, Inc.

Subject Quoted Rental Rates

Earlier in the report we discussed the competitive market for apartment properties in the local area. Before we revisit the competitive properties, we will discuss certain aspects of the subject property, namely the subject’s existing current rents under the existing regulatory agreement. At the subject project, 32 units are restricted at 50 percent of AMGI and 30 units are restricted at 60 percent of AMGI.

The quoted rental rates summarized below were derived from the rent roll provided. Ownership is not currently offering rental concessions.

SUBJECT PROPERTY - OWNER'S QUOTED RENTS							
No.	**Plan**	**BR**	**BA**	**Unit (SF)**	**Average Quoted Rent (Monthly)**	**Effective Monthly Rent (No Concessions)**	**Effective Monthly Quoted Rent $/SF**
1	1BR/1BA 50% AMI	1	1.0	600	$869	$869	$1.45
2	1BR/1BA 60% AMI	1	1.0	600	$1,051	$1,051	$1.75
3	1BR/1BA Manager	1	1.0	1,100	$0	$0	$0.00
Minimum				600	$0	$0	$0.00
Maximum				1,100	$1,051	$1,051	$1.75
Average				608	$942	$942	$1.55

*All averages are weighted

In order to ascertain if the subject’s quoted rents and concessions are market oriented, we will analyze rent levels at competing apartment complexes.

Establishing Market Rental Rates

In an effort to estimate the current market rent achievable for the subject's units, we surveyed several competitive apartment complexes. We discussed these complexes in greater detail in the Apartment Market Analysis of this report.

Analysis by Unit Type

In order to estimate the market rates for the various floor plans, the subject unit types have been compared with similar units in the comparable projects. The following is a discussion of each unit type.

Analysis of One Bedroom Units - Market Rate

The subject property has one bedroom units that compete in the marketplace against the various competing projects. The quoted rents, concessions and effective rents for one bedroom units in the marketplace are depicted in the following table:

COMPETITIVE RENTAL SUMMARY										
One Bedroom Units										
			Quoted Rents			Concessions			Effective Rents	
Name	BEDS/ BATHS	AVE. UNIT SIZE	Average Quoted Rent (Month)	Average Quoted Rent Per SF/Month	Average Quoted Rent Per SF/Year	No Concessions	Concessions as Annual %	Dollar Amount of Concession (Monthly)	Average Effective Rent (month)	Average Effective Rent Per SF/Month
Subject - Owner Quoted Rents	**1BR/1BA 50% AMI**	**600**	**$869**	**$1.45**	**$17.38**	**0.0**	**0.0%**	**$0**	**$869**	**$1.45**
Subject - Owner Quoted Rents	**1BR/1BA 60% AMI**	**600**	**$1,051**	**$1.75**	**$21.02**	**0.0**	**0.0%**	**$0**	**$1,051**	**$1.75**
Renaissance at City Center	1BR/1BA	654	$2,291	$3.50	$42.04	0.0	0.0%	$0	$2,291	$3.50
1326 W. Carson St	1BR/1BA	750	$1,122	$1.50	$17.95	0.0	0.0%	$0	$1,122	$1.50
Frampton Apartments	1BR/1BA	700	$979	$1.40	$16.78	0.0	0.0%	$0	$979	$1.40
Harvard Villa Apartments	1BR/1BA	600	$1,602	$2.67	$32.04	0.0	0.0%	$0	$1,602	$2.67
Torrance Courtyard Apartments	1BR/1BA	662	$1,258	$1.90	$22.80	0.0	0.0%	$0	$1,258	$1.90
Low - Market		600	$979	$1.40	$16.78	0.0	0.0%	$0	$979	$1.40
High - Market		750	$2,291	$3.50	$42.04	0.0	0.0%	$0	$2,291	$3.50
Average - Market		673	$1,450	$2.19	$26.32	0.0	0.0%	$0	$1,450	$2.19

The comparable one bedroom units range in size from 600 to 750 square feet. Quoted asking rents range from $979 to $2,291 per month. Minimal concessions are being offered in the market and as such we have not included concessions in our valuation scenarios. Renaissance at City Center represents a newly-built mixed use project with ground floor retail and the rents at this project represent the very upper end of the market. The remaining data better represent the subject and indicate whole dollar rents from $979 to $1,602 per unit per month. With the exception of Renaissance at City Center, the average of the data is $1,291 per unit per month. Our market rent conclusion for the subject is $1,250 per unit per month which equates to $2.08 per square foot per month.

Actual Rent for Occupied Units

It helps to determine how actual rents at the subject compare to quoted rents at the subject. It also aids our valuation to understand how the subject property fits into the competitive landscape. The actual rents below are based on the rent roll dated July 31, 2018.

ACTUAL RENTAL RATES ON OCCUPIED UNITS ONLY										
No.	Plan	BR	BA	Occupied Units	Unit (SF)	Occupied SF	Actual Monthly Rent	Average Monthly Tenant Rent Per Unit	Average Monthly Rent $/SF	Actual Annual Rent
1	1BR/1BA 50% AMI	1	1.0	32	600	19,200	$23,983	$749	$1.25	$287,796
2	1BR/1BA 60% AMI	1	1.0	29	600	17,400	$27,392	$945	$1.57	$328,703
3	1BR/1BA Manager	1	1.0	1	1,100	1,100	$0	$0	$0.00	$0
TOTAL/AVERAGE				**62**	**608**	**37,700**	**$51,375**	**$829**	**$1.36**	**$616,500**

Based on rent roll dated: 7/31/2018
*All averages are weighted

The subject property currently has 62 occupied units, generating a contractual monthly rent of $51,375. The actual rent from occupied units equates to $1.36 per square foot per month. The annual contractual rent from the occupied units is $616,500.

Actual rents are below the owner's quoted rents as the management has not increased rents in several

Projected Affordable Rents (All Units)

Previously, we detailed maximum allowable rents per the subject's regulatory agreement which are summarized below.

CUSHMAN & WAKEFIELD - PROJECTED AFFORDABLE RENTS									
No.	**Plan**	**BR**	**BA**	**Total Units**	**Unit (SF)**	**Total SF**	**Cushman & Wakefield Affordable Rent Estimate**	**Potential Gross Rent (Before Concessions)**	**Potential Average Monthly Rent $/SF**
1	1BR/1BA 50% AMI	1	1.0	32	600	19,200	$869	$333,696	$1.45
2	1BR/1BA 60% AMI	1	1.0	30	600	18,000	$1,051	$378,360	$1.75
3	1BR/1BA Manager	1	1.0	1	1,100	1,100	$1,250	$15,000	$1.14
TOTAL/AVERAGE				**63**	**608**	**38,300**	**$962**	**$727,056**	**$1.58**

*All averages are weighted

The potential gross rental revenue for the entire property is projected to be EMPTY, which equates to an average monthly rent of $962 per unit or $1.58 per square foot per month.

Comparison of Affordable Rents to Market

Below we compare market rents to the subject's maximum allowable rents.

Market Rents versus Affordable Rents			
		As-Is (Affordable)	**Market**
Floor Plan	Units		
1BR/1BA 50% AMI	32	$869	$1,250
1BR/1BA 60% AMI	30	$1,051	$1,250
1BR/1BA Manager	1	$1,250	$1,250
Average Rent/Unit		$962	$1,250
Potential Rental Income		$727,056	$945,000

Market rents exceed affordable rents and therefore the subject will continue to be rented at levels prescribed by HUD. This situation is likely to continue for the entire project period which will end in 2031.

Loss to Lease Adjustment

The Loss to Lease adjustment is used to reflect conditions that cause a contract rent to be below market levels. The causes of Loss to Lease include rent concessions on existing and new leases, as well as, losses accruing to existing leases that are below market levels. Because the actual rents are currently 13.71 percent below the maximum allowable rents per HUD, we have applied a 7.0 percent Loss to Lease adjustment as an investor in the subject would expect to soon increase all units to maximum allowable levels.

Concessions

Rental concessions are defined as a discount or other benefit offered by a landlord to induce a prospective tenant to enter into a lease. Rental concessions are typically features of slow rental markets and tend to disappear as the market tightens. As indicated in the analysis of quoted rents and concessions for the subject and comparable properties above, where concessions exist it is necessary to deduct the concessions from the full market rents to arrive at an effective market rent. For the subject market, rental concessions have not been applied.

Revenue & Expense Analysis

We developed an opinion of the property’s annual income and operating expenses after reviewing the operating performance of several market rate projects and Low Income Housing Tax Credit projects. We analyzed each item of expense and developed an opinion regarding what an informed investor would consider typical.

The owner’s operating histories for the property, and our opinion of future income and expenses for the restricted rent and market rate scenarios are presented on the following chart, followed by an analysis of subject property’s revenue and expenses.

Cushman & Wakefield, Inc. recognizes the standards defined by the CRE Finance Council as the definitive standards by which operating expense data should be analyzed. All operating statements provided by ownership have been recast to reflect these categories, which are provided in the Glossary section of this Appraisal Report. In forecasting expenses, we relied on the owner’s historical statements and budgets and analyzed expense levels at competing properties. Our expense forecast is presented in the following table, followed by a discussion of each expense line item.

REVENUE AND EXPENSE ANALYSIS	SUBJECT PROPERTY									
	2015 Actual		2016 Actual		2017 Actual		2018 Budget		Cushman & Wakefield Forecast YEAR ONE (1)	
REVENUE	Total	Per Unit	Total	Per Unit	Total	Per Unit	Total	Per Unit	Total	Per Unit
Base Rental Revenue										
Net Tenant Rental Revenue	$387,132	$6,145	$371,768	$5,901	$381,271	$6,052	$645,540	$10,247	$0	$0
Rent Subsidies/Grants	$238,250	$3,782	$250,882	$3,982	$246,167	$3,907	$0	$0	$0	$0
Potential Rent at Affordable Maximum	$0	$0	$0	$0	$0	$0	$0	$0	$727,056	$11,541
Lease Gain/Loss (Loss to Lease)	$0	$0	$0	$0	$0	$0	$0	$0	($50,894)	($808)
Total Potential Gross Rental Revenue	$625,382	$9,927	$622,650	$9,883	$627,438	$9,959	$645,540	$10,247	$676,162	$10,733
Base Rent Adjustments										
Less: Employee Unit	($9,324)	($148)	($9,324)	($148)	($9,324)	($148)	($9,324)	($148)	($15,000)	($238)
Total Adjusted Rental Revenue	$616,058	$9,779	$613,326	$9,735	$618,114	$9,811	$636,216	$10,099	$661,162	$10,495
Other Income	$5,549	$88	$4,856	$77	$5,837	$93	$4,716	$75	$5,670	$90
POTENTIAL GROSS REVENUE	$621,607	$9,867	$618,182	$9,812	$623,951	$9,904	$640,932	$10,174	$666,832	$10,585
Vacancy (Total Income)	($44,730)	($710)	($27,439)	($436)	($15,777)	($250)	($32,280)	($512)	($20,005)	($318)
Collection Loss (Total Income)	$0	$0	$0	$0	$0	$0	$0	$0	($3,334)	($53)
Total Vacancy and Collection Loss	($44,730)	($710)	($27,439)	($436)	($15,777)	($250)	($32,280)	($512)	($23,339)	($370)
EFFECTIVE GROSS REVENUE	$576,877	$9,157	$590,743	$9,377	$608,174	$9,654	$608,652	$9,661	$643,493	$10,214
OPERATING EXPENSES										
Property Insurance	$22,272	$354	$22,111	$351	$22,703	$360	$18,792	$298	$22,050	$350
Utilities	$34,098	$541	$38,857	$617	$41,552	$660	$39,792	$632	$37,800	$600
Repairs & Maintenance	$17,967	$285	$66,305	$1,052	$51,262	$814	$56,496	$897	$53,550	$850
Management Fees	$33,728	$535	$35,216	$559	$36,456	$579	$37,368	$593	$38,610	$613
Payroll & Benefits	$73,195	$1,162	$63,322	$1,005	$91,071	$1,446	$62,568	$993	$69,300	$1,100
General & Administrative	$56,616	$899	$65,661	$1,042	$72,650	$1,153	$68,100	$1,081	$66,150	$1,050
Replacement Reserves	$6,497	$103	$10,898	$173	$10,964	$174	$0	$0	$9,450	$150
Total Operating Expenses	$244,373	$3,879	$302,370	$4,800	$326,658	$5,185	$283,116	$4,494	$296,910	$4,713
Real Estate Taxes	$11,330	$180	$11,461	$182	$55,443	$880	$10,680	$170	$48,641	$772
TOTAL EXPENSES	$255,703	$4,059	$313,831	$4,981	$382,101	$6,065	$293,796	$4,663	$345,550	$5,485
NET OPERATING INCOME	**$321,174**	**$5,098**	**$276,912**	**$4,395**	**$226,073**	**$3,588**	**$314,856**	**$4,998**	**$297,943**	**$4,729**

(1) Year One Begins: 9/01/2018

Compiled by Cushman & Wakefield Western, Inc.

Discussion of Revenue Items

The following discussions pertain primarily to the mixed income restricted rent scenarios. In general, our projections are consistent between each scenario with the exception of rents, real estate taxes, repairs and maintenance, payroll, and general and administrative expenses.

We analyzed each revenue item in making our forecast, with our conclusions summarized on the previous table. In most cases, our forecast is well supported by the historical or budget information. However, in some cases, further clarification is provided as follows:

Total Potential Gross Rental Revenue

Years	Per Unit	Totals
2015 Actual	$9,927	$625,382
2016 Actual	$9,883	$622,650
2017 Actual	$9,959	$627,438
2018 Budget	$10,247	$645,540
Cushman & Wakefield - Forecast Year 1	**$10,733**	**$676,162**

This includes the potential rental revenue from tenants. Our year one forecast is 7.8 percent above 2017 reported levels.

Vacancy and Collection Loss

Vacancy and collection loss is a function of the interrelationship between absorption, lease expiration, renewal probability, estimated downtime between leases, and a collection loss factor based on the relative stability and credit of the subject’s tenant base. Earlier in the report we discussed the vacancy rates for the market in which the subject property is located. We also discussed the subject’s occupancy level, which conversely represents its current vacancy level.

Based on the historical occupancy of the subject, the current vacancy in the market, and our perception of future market vacancy, we projected a global stabilized vacancy rate of 3.0 percent. We deducted a collection loss of 0.50 percent. After accounting for all factors, the total vacancy and collection loss is calculated as 3.50 percent. For the subject property vacancy and collection loss are applied against all income sources.

Discussion of Expenses

We analyzed each expense item in making our forecast, with our conclusions summarized on the previous table. In most cases, our forecast is well supported by the historical or budget information. Affordable expense comps are included within this analysis. However, in some cases, further clarification is provided in the following tables:

Property Insurance

Property insurance expenses include coverage for general liability and loss or damage to the property caused by fire, lightning, vandalism malicious mischief, additional perils fire, extended coverage and owner’s liability coverage. Insurance costs are modeled in-line with other comparable properties.

Years	Per Unit	Totals
2015 Actual	$354	$22,272
2016 Actual	$351	$22,111
2017 Actual	$360	$22,703
2018 Budget	$298	$18,792
Expense Comparable Low	$0	-
Expense Comparable Average	$162	-
Expense Comparable High	$299	-
Cushman & Wakefield - Forecast Year 1	**$350**	**$22,050**

Our year one forecast is above the range of the comparable data but consistent with historical levels at the subject property.

Utilities

This expense category includes expenses for fuel, gas, electricity, water and sewer, trash removal and other utilities. Utilities are generally property specific and vary considerably from property to property in the subject's market based on the utilities paid by the tenant and the owner, and the efficiency of the HVAC systems. Therefore, we considered the operating history of the subject property.

Years	Per Unit	Totals
2015 Actual	$541	$34,098
2016 Actual	$617	$38,857
2017 Actual	$660	$41,552
2018 Budget	$632	$39,792
Expense Comparable Low	$255	-
Expense Comparable Average	$716	-
Expense Comparable High	$1,350	-
Cushman & Wakefield - Forecast Year 1	**$600**	**$37,800**

Our year one forecast is consistent with historic levels at the subject property and is within the range of the comparable data.

Repairs & Maintenance

This expense category includes all expenses incurred for general repairs and maintenance, including HVAC, electrical, plumbing, safety systems, roads and grounds, and pest control/exterminating. This expense category also typically includes all outside maintenance service contracts and the cost of maintenance and repairs supplies. The subject's expense is detailed in the following table.

Years	Per Unit	Totals
2015 Actual	$285	$17,967
2016 Actual	$1,052	$66,305
2017 Actual	$814	$51,262
2018 Budget	$897	$56,496
Expense Comparable Low	$250	-
Expense Comparable Average	$653	-
Expense Comparable High	$1,394	-
Cushman & Wakefield - Forecast Year 1	**$850**	**$53,550**

Our year one forecast is consistent with historic levels at the subject property and is within the range of the comparable data.

Management Fees

Management expenses typically include the costs paid for professional management services. Management services may be contracted for or provided by the property owner.

Years	Per Unit	Totals
2015 Actual	$535	$33,728
2016 Actual	$559	$35,216
2017 Actual	$579	$36,456
2018 Budget	$593	$37,368
Expense Comparable Low	$0	-
Expense Comparable Average	$452	-
Expense Comparable High	$549	-
Cushman & Wakefield - Forecast Year 1	**$613**	**$38,610**

Management fees for this type of affordable property typically range from 5.00 to 10.0 percent of effective gross income. Management fees at the subject property ranged from 5.75 percent in 2015 to 5.90 percent in 2017. Management fees were reported at 6.05 percent in the 2018 budget. We have therefore forecast a management fee of 6.0 percent of EGI.

Payroll & Benefits

This expense category includes total payroll costs for on-site management and maintenance personnel including employee salaries, bonuses, payroll taxes, insurance and other benefits.

Years	Per Unit	Totals
2015 Actual	$1,162	$73,195
2016 Actual	$1,005	$63,322
2017 Actual	$1,446	$91,071
2018 Budget	$993	$62,568
Expense Comparable Low	$0	-
Expense Comparable Average	$692	-
Expense Comparable High	$1,024	-
Cushman & Wakefield - Forecast Year 1	**$1,100**	**$69,300**

Our concluded Payroll expense estimate is in-line with the historical operation of the subject property yet is above the range of the comparable data.

General & Administrative

This expense category includes general and administrative expenses.

Years	Per Unit	Totals
2015 Actual	$899	$56,616
2016 Actual	$1,042	$65,661
2017 Actual	$1,153	$72,650
2018 Budget	$1,081	$68,100
Expense Comparable Low	$0	-
Expense Comparable Average	$220	-
Expense Comparable High	$515	-
Cushman & Wakefield - Forecast Year 1	**$1,050**	**$66,150**

Administrative costs include social services fees, office expenses, professional fees, etc. Our forecast for this expense category is consistent with historic reporting at the subject property.

Replacement Reserves

This is an allowance that provides for the periodic replacement of building components that wear out more rapidly than the building itself and must be replaced during the building's economic life.

Years	Per Unit	Totals
2015 Actual	$103	$6,497
2016 Actual	$173	$10,898
2017 Actual	$174	$10,964
2018 Budget	$0	$0
Expense Comparable Low	$0	-
Expense Comparable Average	$74	-
Expense Comparable High	$250	-
Cushman & Wakefield - Forecast Year 1	**$150**	**$9,450**

Typical replacements for reserves range from $150 to $350 per unit and are based upon condition and age of the property, average unit size and a number of other variables that must be considered. Our forecast is in line with historic reporting at the subject property.

Real Estate Taxes

A complete discussion of taxes for the subject property is included in the Real Property Taxes and Assessments section of this report. The hypothetical market rate scenario is based upon our survey of assessment comparables. The subject's expense is detailed in the following table. Our forecast of property taxes assumes the subject is acquired by a non-profit entity.

Years	Per Unit	Totals
2015 Actual	$180	$11,330
2016 Actual	$182	$11,461
2017 Actual	$880	$55,443
2018 Budget	$170	$10,680
Expense Comparable Low	$593	-
Expense Comparable Average	$730	-
Expense Comparable High	$888	-
Cushman & Wakefield - Forecast Year 1	**$772**	**$48,641**

A discussion of property taxes can be found in the Property Tax section. Our conclusion of property taxes is an iterative process made by multiplying the effective tax rate (inclusive of tax welfare exemptions and direct assessments) by the value conclusion.

Operating Expense Conclusion

We thoroughly analyzed operating histories for the subject and expense comparables to make our projections for the restricted rent scenarios. We forecast total operating expenses for the subject property including real estate taxes to be $5,485 per unit.

The operating expense comparisons presented in the operating expense analysis table in the beginning of this section support our opinion of operating expenses for the subject property.

Years	Per Unit	Totals
2016 Actual	$4,981	$313,831
2017 Actual	$6,065	$382,101
2018 Budget	$4,663	$293,796
Expense Comparable Low	$2,651	-
Expense Comparable Average	$4,486	-
Expense Comparable High	$6,019	-
Cushman & Wakefield - Forecast Year 1	**$5,485**	**$345,550**

The operating expenses including real estate taxes projected for the subject property reflect an operating expense ratio of 0.00% of effective gross income.

In addition, many investors analyze the ratio of vacancy and collection loss against adjusted rental revenue, and also against total income. The subject's forecast ratios are presented in the following table:

REVENUE AND EXPENSE METRICS

	2015 Actual	2016 Actual	2017 Actual	2018 Budget	Cushman & Wakefield Forecast Year One (1)
	$ Per Unit	$ Per Unit	$ Per Unit	$ Per Unit	$ Per Unit
Effective Gross Income (EGI*)	$9,157	$9,377	$9,654	$9,661	$10,214
Total Expenses	$4,059	$4,981	$6,065	$4,663	$5,485
Net Operating Income (NOI*)	$5,098	$4,395	$3,588	$4,998	$4,729
	Ratio	Ratio	Ratio	Ratio	Ratio
OER* (Total Expense as % of EGI)	44.33%	53.12%	62.83%	48.27%	53.70%
Mgt. Fee (% of EGI)	5.85%	5.96%	5.99%	6.14%	6.00%
Concessions (% of Total Revenue)	0.00%	0.00%	0.00%	0.00%	0.00%
V&C* (% of Total Revenue)	7.31%	4.51%	2.57%	5.11%	3.58%
V&C+Concessions (% of Total Revenue)	7.31%	4.51%	2.57%	5.11%	3.58%

(1) Year One Begins: 9/01/2018

Compiled by Cushman & Wakefield Western, I

*EGI = Effective Gross Income OER = Operating Expense Ratio
NOI = Net Operating Income V&C = Vacancy and Collection Loss

The following table illustrates detailed expense levels for comparable affordable housing buildings.

	SUBJECT PROPERTY	COMPARABLES REVENUE AND EXPENSE ANALYSIS				
Property Type		Senior Apts - Sec. 8 Tenants	Market Rate - 62% Sec. 8 Tenants	Affordable	LIHTC - 60% AMI	
Building Size (Units)	63	152	36	150	70	Min, Max and Average
Year Built	2000	1989	1988	1963, Ren. 1997	1990	
Year Renovated	2006					
Year of Record		2015	2014	2012	2018	
Actual/Budget/Annualized		Actual - Annualized	Budget	Actual	Pro Forma	

	Cushman & Wakefield Forecast Year One (1)		Comp1		Comp2		Comp3		Comp 4		Min	Max	Average
	Per Unit	% EGI	Per Unit	% EGI	Per Unit	% EGI	Per Unit	% EGI	Per Unit	% EGI	Per Unit	Per Unit	Per Unit
EFFECTIVE GROSS REVENUE	$10,214	100.00%	$10,654	100.00%	$16,518	100.00%	$13,261	100.00%	$11,026	100.00%	$10,654	$16,518	$12,865
OPERATING EXPENSES													
Property Insurance	$350	3.43%	$0	0.00%	$175	1.06%	$173	1.30%	$299	2.71%	$0	$299	$162
Utilities	$600	5.87%	$312	2.93%	$1,350	8.17%	$946	7.13%	$255	2.32%	$255	$1,350	$716
Repairs & Maintenance	$850	8.32%	$399	3.75%	$250	1.51%	$1,394	10.51%	$568	5.15%	$250	$1,394	$653
Management Fees	$613	6.00%	$423	3.97%	$494	2.99%	$549	4.14%	$341	3.09%	$0	$549	$452
Payroll & Benefits	$1,100	10.77%	$1,024	9.61%	$800	4.84%	$840	6.33%	$104	0.94%	$0	$1,024	$692
Advertising & Marketing	$0	0.00%	$99	0.93%	$50	0.30%	$38	0.29%	$309	2.80%	$0	$309	$124
General & Administrative	$1,050	10.28%	$515	4.83%	$50	0.30%	$314	2.37%	$0	0.00%	$0	$515	$220
Other Expenses	$0	0.00%	$662	6.21%	$350	2.12%	$274	2.07%	$650	5.90%	$274	$662	$484
Replacement Reserves	$150	1.47%	$0	0.00%	$250	1.51%	$0	0.00%	$46	0.41%	$0	$250	$74
Total Operating Expenses	$4,713	46.14%	$3,434	32.23%	$3,769	22.82%	$4,528	34.15%	$2,573	23.34%	$2,573	$4,528	$3,576
Real Estate Taxes	$772	7.56%	$749	7.03%	$2,250	13.62%	$561	4.23%	$78	0.71%	$78	$2,250	$910
TOTAL EXPENSES	$5,485	53.70%	$4,183	39.26%	$6,019	36.44%	$5,089	38.38%	$2,651	24.04%	$2,651	$6,019	$4,486
NET OPERATING INCOME	**$4,729**		**$6,471**		**$10,499**		**$8,172**		**$8,375**		**$6,471**	**$10,499**	**$8,379**

(1) Fiscal Year Beginning 9/01/2018
Fiscal Year Ending: 8/31/2019
Compiled by Cushman & Wakefield Western, Inc.

Based on our analysis of the expense levels at comparable properties, we concluded that there is adequate support for our operating expense conclusions.

Income and Expense Pro Forma

The following chart summarizes our opinion of income and expenses for year one, which is the As Is analysis.

SUMMARY OF REVENUE AND EXPENSES				
Stabilized Year For Direct Capitalization:				
REVENUE	**Adjustments**	**Annual**	**$/Per Unit**	**% of EGI**
Base Rental Revenue				
Potential Rent at Affordable Maximum		$727,056	$11,541	
Lease Gain/Loss (Loss to Lease)	7.00%	($50,894)	($808)	
Total Base Rental Revenue		$676,162	$10,733	
Base Rent Adjustments				
Less: Employee Unit		($15,000)	($238)	
Total Base Rent Adjustments		$661,162	$10,495	
Other Income		$5,670	$90	
POTENTIAL GROSS REVENUE		**$666,832**	**$10,585**	
Vacancy (Total Income)	3.00%	($20,005)	($318)	
Collection Loss (Total Income)	0.50%	($3,334)	($53)	
EFFECTIVE GROSS REVENUE		**$643,493**	**$10,214**	**100.00%**
OPERATING EXPENSES				
Property Insurance		$22,050	$350	3.43%
Utilities		$37,800	$600	5.87%
Repairs & Maintenance		$53,550	$850	8.32%
Management Fees		$38,610	$613	6.00%
Payroll & Benefits		$69,300	$1,100	10.77%
General & Administrative		$66,150	$1,050	10.28%
Replacement Reserves		$9,450	$150	1.47%
Total Operating Expenses		**$296,910**	**$4,713**	**46.14%**
Real Estate Taxes		$48,641	$772	7.56%
TOTAL EXPENSES		**$345,550**	**$5,485**	**53.70%**
NET OPERATING INCOME		**$297,943**	**$4,729**	**46.30%**

Compiled by Cushman & Wakefield Western, Inc.

Investment Considerations

Overview

The U.S. economy grew sharply in the second quarter of 2018 as the effects of the tax cuts enacted at the end of 2017 were felt. Overall U.S. gross domestic product (GDP) increased at a 4.2 percent annual rate, up from 2.2 percent in the first quarter and the strongest reading since the third quarter of 2014. A healthy rebound in consumer spending drove the acceleration. Stimulated by lower taxes, stronger wage growth and a positive wealth effect, personal consumption expenditures adjusted for inflation rose by 3.8 percent in the second quarter, up substantially from 0.5 percent recorded in the first quarter. In addition, businesses, taking advantage of a more supportive tax environment continued to increase investment at a healthy pace.

Other indicators of economic performance and sentiment remain strong. Although equity markets have become more volatile as uncertainty surrounding trade policy makes investors nervous about the economic outlook, both business and consumer confidence in the current and near-term outlook for the economy remains high. The Conference Board's Consumer Confidence Index remains near the multi-decade highs recorded earlier this year and the same is reported for small business confidence. This is expected to support further growth in spending in the second half of the year.

The U.S. market added an average of 230,000 jobs per month in second quarter 2018, above the 218,000 per month in the first quarter, and strong, by any historical measure. The unemployment rate, at 4.0 percent at the end of the second quarter, fell slightly on an annual and quarterly basis. Unemployment remains at the lowest level since the early 2000s, and this labor market tightness is boosting wages. As of June, average hourly earnings had increased 2.7 percent from a year ago, roughly in line with its pace at the end of 2017. The combination of more jobs and faster wage growth will boost incomes and support continuing healthy growth in consumer spending in the second half of the year.

Notable considerations include:

- Employment in the key office-using sectors (financial, professional and business services and information) averaged 61,000 per month in second quarter 2018, up from 55,300 per month in the preceding quarter. Buoyed by strong growth in manufacturing, total employment in industrial related sectors (warehouse, transportation and manufacturing) increased by 121,100 in the second quarter, with manufacturing accounting for the bulk of this growth (+84,000). Industrial employment over the past year totaled over 450,000 jobs added, the largest 12 month increase since the mid-1990s.
- A notable feature of the second quarter was the growing shortage of workers. There have been reports of shortages of truck drivers and construction workers. As of May, the Labor Department reported there were 6.6 million job openings in the U.S. and only 6.1 million unemployed people. Undoubtedly, there are many people who are not recorded as unemployed who could come into the workforce, but we have never seen a situation where there were more jobs than unemployed since the Government began reporting this data in 2001. Of course this does mask the skills mismatch.
- U.S. commercial real estate investment activity has cooled since 2015. Investors are mindful of record-high pricing and political uncertainty, as a consequence there were year-over-year decline in sales volume for almost all property types in 2016 and 2017. However, there is an abundance of ready capital as well as willing investors, as such U.S. deal volume so far in 2018 has increased slightly over sales activity a year ago. The condition of the U.S. real estate investment market will become clearer throughout the year.

- Inflation has begun to pick up. In June, the core consumer expenditures deflator, the Federal Reserve's preferred inflation measure, was 1.9 percent above its year earlier level. While it is still below the Fed's 2.0 percent target, this measure was 1.5 percent in June 2017.
- The uptick in inflation is one reason the Federal Reserve continued to raise interest rates. The Federal Funds rate was raised once during the quarter, pushing the range for the short term interest rates to 1.75 to 2.0 percent in June. Interest rates remain low by historical standards. The current consensus is that the Fed will raise interest rates again in September and December of 2018 and will make three to four additional hikes in 2019. The healthy economy and inflationary pressures are also pushing up longer term rates, although more slowly than short-term interest rates. The 10-Year Treasury rate ended the second quarter at 2.85 percent, up from 2.74 percent at the end of the first quarter after reaching as high as 3.1 percent in mid-May.
- Uncertainty over Trump Administration policies continues to hang over the economy and could dampen the current positive outlook. Trade tensions are rising and as they have, equity markets have been flat. In addition, with midterm elections around the corner and the ongoing Mueller investigation, there are potential reasons for concern. While we remain optimistic on the U.S. economic outlook, these potentially negative developments need to be monitored closely.

Economic Conditions

At the midway point of 2018, nearly nine years into the current U.S. economic expansion cycle, it is by general consent a strong economy and getting stronger. The GDP is the primary gauge of the national economic performance, and in second quarter 2018, the U.S. GDP grew at an annual rate for the 17th consecutive quarter. Despite this, interest rates, which help determine the cost of borrowing money for investments, have lingered near historic lows since the 2008 recession. Interest rates went unchanged through to December 2015, when the Federal Reserve increased the rate for the first time in almost a decade. The initial rate hike was miniscule and the action was just the first step in what will likely be a very lengthy process of monetary policy normalization. It reflected the consensus that a solid foundation was propelling the economic expansion. Consistent with its past communications, the Federal Reserve did not immediately vote to raise the rate, rather waited for the effects of the global headwinds to dissipate before further normalization. In December 2016, the Federal Reserve raised its interest rates by a quarter of a point, to a range between 0.50 and 0.75 percent, and has since increased five more times, each by 0.25 points. The range is currently between 1.75 and 2.0 percent.

Interest rate increases historically signal a strong economy, and subsequently a strong real estate market. However, higher interest rates could constrain property deals and tighten lending standards. High interest rates can have multiple effects on the commercial real estate market, including higher capitalization rates, the potential for expensive debt and barriers to entry for borrowers. Gradual increases will continue over the next few years. In addition, the Federal Reserve indicated its intention to reduce its balance sheet by selling the long term securities acquired during the period of quantitative easing gradually in the near-term. This policy shift could boost long-term interest rates over the next several years and will bear monitoring.

The following graph displays historical and projected U.S. real GDP percent change (annualized on a quarterly basis) from first quarter 2010 through fourth quarter 2020 (red bar highlights the most recent quarter-18Q2):

Source: Historical Data Courtesy of the Bureau of Economic Analysis, Forecast Data Courtesy of Moody's Analytics

Further points regarding current economic conditions are as follows:

- The U.S. real GDP grew at a sluggish rate in the first quarter of 2017. The U.S. real GDP recovered throughout 2017, increasing at an annual rate of 3.0 percent and 2.8 percent in the following quarters. In first quarter 2018, GDP growth, at 2.2 percent was similar to the 2.3 percent growth rate recorded in the previous quarter. Second quarter growth however grew at the strongest rate in almost four years, reaching 4.2 percent. Fed officials anticipate the U.S. GDP will grow at a 2.9 percent rate in 2018.
- The yield curve has continued to flatten as the 2-year Treasury rate moved up more than 1.1 percentage points over second quarter 2017 and now sits above 2.5 percent. The 5-year and 10-year Treasury rate did experience upward movement over the same period, but growth was not as significant. The spread between 5-year and 10-year Treasury rates is the tightest it has been since August of 2007 resulting in all-in commercial real estate borrowing costs that are nearly indistinguishable at different terms.
- The University of Michigan's Index of Current Conditions stood near its highest level since mid-1999. The high level of confidence led to increased spending during the quarter.
- Commercial and multifamily mortgage loan originations grew 3.9 percent in second quarter 2018 when compared to the same period in 2017, according to the Mortgage Bankers Association's Quarterly Survey of Commercial/Multifamily Mortgage Banker.
- Commercial mortgage-backed securities (CMBS) have been spurred by slower investment sales activity and stable credit spreads. Commercial Mortgage Alert data indicates that U.S. CMBS issuance in 2017, at $87.8 billion, was 27.1 percent higher when compared to CMBS issuance in 2016. Further, through June 2018 issuance is 12.6 percent higher than the same period in 2017.
- Cushman & Wakefield Research continues to anticipate a moderate growth path for the national economy, maintaining its post-recovery average over the next year.

U.S. Real Estate Market Implications

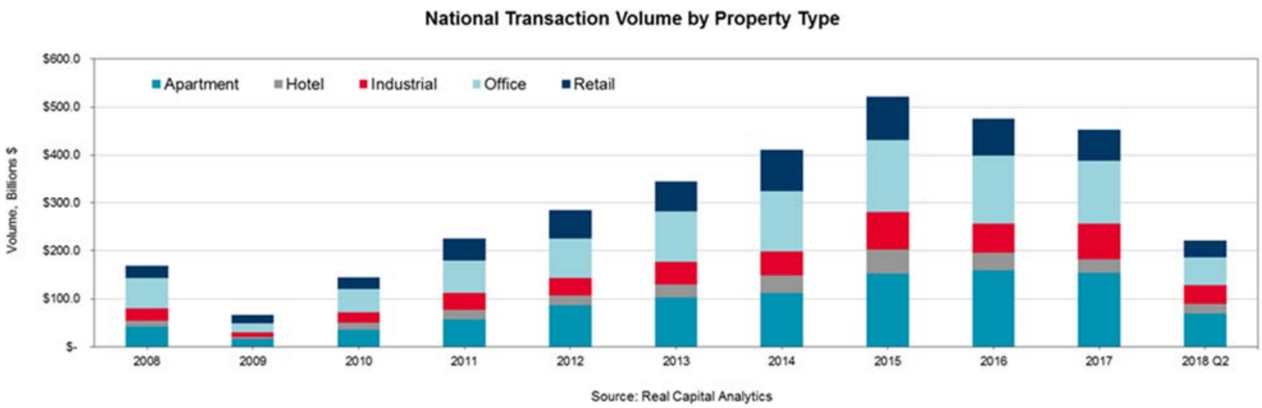
The commercial real estate market's sales volume picked up in 2011, a trend that continued through 2015. A slowdown in volume toward the end of 2014 occurred due to property prices, at an aggregate level, surpassing the 2007 peak. Despite this, transactions picked up the pace again. According to Real Capital Analytics, 31,610 commercial properties traded for a total of $521.6 billion in 2015. This level marks the second-highest investment volume behind the $539.0 billion in activity seen in 2007. In 2016, sales volume could not match the previous year's performance, declining in three of the four quarters over 2015. The drop can be in part explained by the unusual activity exhibited early in 2015, where falling cap rates and ease of finance from the CMBS market helped drive sales activity. In 2017, U.S. commercial property sales reached $453.4 billion, 4.8 percent below sales volume in 2016. The slowdown in sales volume momentum since 2015 has been notable, and it could be said that 2015 was a cyclical peak in terms of volume.

According to PricewaterhouseCoopers (PwC) Real Estate Investor Survey, most investors are satisfied with how their properties are performing and hold a positive outlook for the remainder of 2018. In addition, average cap rates for all property types decreased in 14 survey markets, held steady in 12 and increased in eight over first quarter 2018, according to the PwC Real Estate Investor Survey for second quarter 2018. Although quarterly shifts are diverse, surveyed investors expect overall cap rates to hold steady over the next six months.

Notable points for the U.S. real estate market include:

- Sales volume in the first half of 2018, at $220.9 billion, was 5.0 percent ahead of the volume set during the same period in 2017. Strong market confidence and the availability of capital should lead to improved sales activity.
- Cross-border sales volume accounted for 18.0 percent of transactions volumes in the U.S. for the first half of 2018. This share is well above the percentage over recent years; however, these figures include a handful of large corporate transactions. Excluding those, cross-border activity is down on an annual basis. Investor sentiment remains strong for U.S. assets, but it is increasingly more difficult to find the right opportunities. Politics and regulations are issues for many Chinese investors outside of certain asset classes, and hedging costs are becoming problematic for German, South Korean and Japanese investors. Higher oil prices should support more cross-border activity from the Gulf region, and tariff impacts on the U.S./Chinese relationship could encourage more Chinese capital flowing into the EU.
- Increasingly higher interest rates will create a mix of headwinds and tailwinds for commercial real estate as rising capital costs can be offset by stronger net operating income (NOI) growth.
- Participants in the PwC Real Estate Investor Survey believe that current market conditions are neutral in the national net lease market – equally favoring buyers and sellers. This sentiment has shifted from three years ago when investors unanimously viewed this market as favoring sellers. This shift is down to the uncertainty surrounding interest rates and the potential rise of debt pricing and cap rates in the future.
- Cap rates declined significantly in the National Warehouse Market, as well as the National Apartment Market in second quarter 2018, according to PwC Real Estate Investor Survey.

The following graph compares national transaction volume by property from 2008 through second quarter 2018:



Conclusion

The U.S. economy is re-accelerating at the halfway point of 2018 and is not expected to slow any time soon. Given the correlation between the economy and property markets, values are expected to climb in most markets/product types as the expansion continues. The industry has been powered by strong business investment and sustained improvements in the labor markets. Monetary policy normalization is expected to unfold at a faster pace than before as economic conditions will likely warrant more rate hikes in the next 12 to 18 months following the increases in March and June 2018.

Below are notes regarding the outlook for the U.S. national real estate market in 2018 and beyond:

- Participants in the PwC Real Estate Investor Survey hold a positive outlook for the commercial real estate industry for the near-term. Investors are mindful of record-level pricing and the potential for interest rate increases, however the market is fundamentally healthy and most assets types continue to perform well.
- As central banks gradually scale back, monetary policy still remains highly accommodative by historic standards and supports continued growth in real estate. Expansionary policy has transitioned to a growth story and modest core-inflation. The latest global economic data on trade, spending, jobs, confidence, and factory orders is mostly solid and gathering moderate speed. The IMF revised Global GDP growth forecasts upward for 2018 and 2019 to 3.9 percent.
- Consumer and business confidence are at healthy levels, supported by tight labor markets, strong financial market returns, increasing housing values, and improved access to credit.
- Investment in the majority of real estate sectors has experienced a cool down since 2015. A slowdown in sales volume and pricing may be in line with a broader return to a more sustainable investment environment.
- Overall, the U.S. economy is in its best shape for several years and is likely to remain strong throughout 2018. Barring an unexpected shock to global markets, the economy is anticipated to experience steady growth for the foreseeable future.
-

The factors listed in the following table have been considered in our valuation of this property and will have an impact on our selection of all investor rates.

INVESTMENT CONSIDERATIONS	
Real Estate Market Trends:	Real estate market trends have a significant bearing on the value of real property. The real estate market in which the subject property is located is currently improving.
Property Rating:	After considering all of the physical characteristics of the subject, we have concluded that this property has an overall rating that is average, when measured against other properties in this marketplace.
Location Rating:	After considering all of the locational aspects of the subject, including regional and local accessibility as well as overall visibility, we have concluded that the location of this property is average.
Overall Investment Appeal:	There are many factors that are considered prior to investing in this type of property. After considering all of these factors, we conclude that this property has average overall investment appeal.

Investor Survey Trends

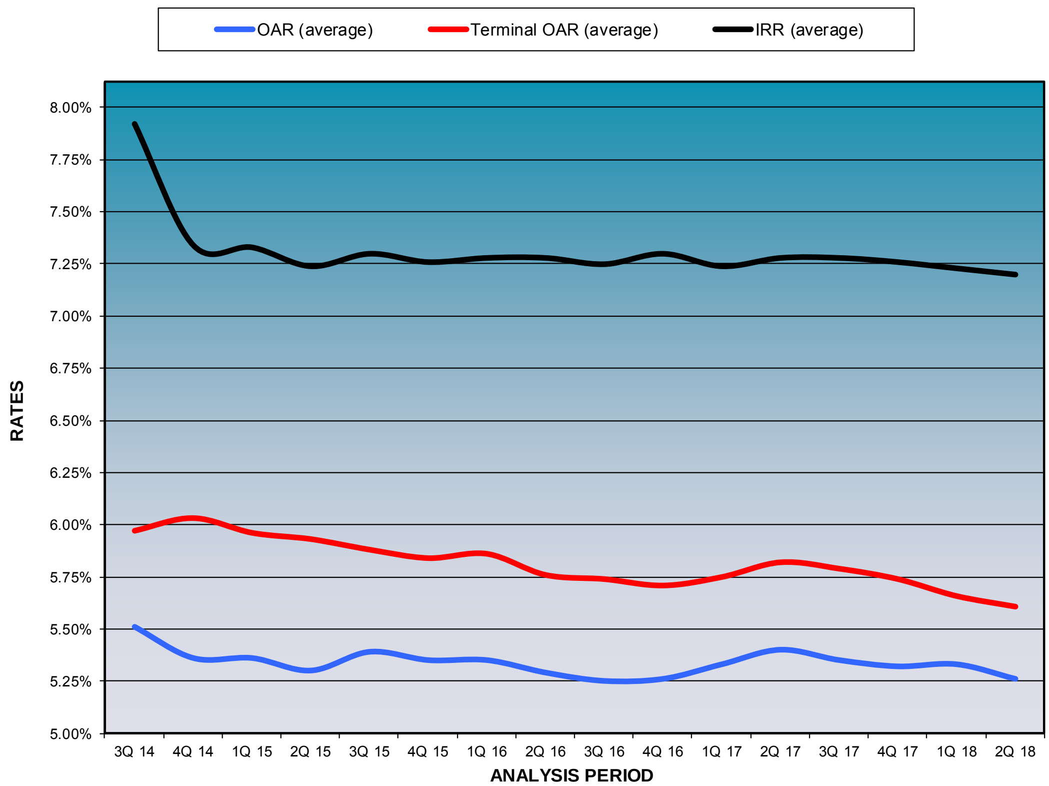
Historic trends in real estate investment help us understand the current and future direction of the market. Investors' return requirements are a benchmark by which real estate assets are bought and sold. The following graph shows the historic trends for the subject's asset class spanning a period of four years as reported in the PwC Real Estate Investor Survey published by PricewaterhouseCoopers.

INVESTOR SURVEY HISTORICAL RESULTS

Survey:	PwC	End Quarter:
Property Type:	NATIONAL APARTMENT	2Q 18

Quarter	3Q 14	4Q 14	1Q 15	2Q 15	3Q 15	4Q 15	1Q 16	2Q 16	3Q 16	4Q 16	1Q 17	2Q 17	3Q 17	4Q 17	1Q 18	2Q 18
OAR (average)	5.51%	5.36%	5.36%	5.30%	5.39%	5.35%	5.35%	5.29%	5.25%	5.26%	5.33%	5.40%	5.35%	5.32%	5.33%	5.26%
Terminal OAR (average)	5.97%	6.03%	5.96%	5.93%	5.88%	5.84%	5.86%	5.76%	5.74%	5.71%	5.75%	5.82%	5.79%	5.74%	5.66%	5.61%
IRR (average)	7.92%	7.34%	7.33%	7.24%	7.30%	7.26%	7.28%	7.28%	7.25%	7.30%	7.24%	7.28%	7.28%	7.26%	7.23%	7.20%

INVESTOR SURVEY HISTORICAL RESULTS



Source: PwC Real Estate Investor Survey

Capitalization Rate Analysis

On the following pages we discuss the process of how we determine an appropriate overall capitalization rate to apply to the subject's forecast net income.

Capitalization Rate from Comparable Sales

CAPITALIZATION RATE SUMMARY			
No.	Name and Location	Sale Date	Capitalization Rate
1	Rosewood Park Senior Apartments 2230 S. Eastern Avenue Commerce, CA	6/2017	-
2	Rancho Creek Apartments 28464 Felix Valdez Ave Temecula, CA	5/2017	5.30%
3	Claremont Villas Senior Community 100 S Indian Hill Blvd Claremont, CA	5/2016	5.50%
4	Bellflower Friendship Manor 62+ Community 9550 Oak St Bellflower, CA	11/2015	5.25%
5	Vista Alicante (Senior Affordable) 15811 Alicante Rd La Mirada, CA	8/2015	4.66%
STATISTICS			
Sample Size		5	4
Low		8/2015	4.66%
High		6/2017	5.50%
Median		5/2016	5.28%
Average		7/2016	5.18%

Compiled by Cushman & Wakefield Western, Inc.

The capitalization rates of the comparable properties range from 4.66 to 5.50 percent and average 5.18 percent. Because all of the comparable sales represented stabilized properties, we have concluded near the average of the data.

Capitalization Rate from Investor Surveys

We considered data extracted from the PwC Real Estate Investor Survey for institutional grade assets. Earlier in the report, we presented historical capitalization rates for the prior four-year period. The most recent information from this survey is listed in the following table:

CAPITALIZATION RATES			
Survey	Date	Range	Average
PwC Institutional	Second Quarter 2018	3.50% - 8.50%	5.26%
PwC Noninstitutional	Second Quarter 2018		6.56%

PwC Institutional - Refers to National Apartment market regardless of class or occupancy
PwC Noninstitutional - Reflects the average rate for this property type, adjusted by the average premium

Capitalization Rate Sustainability

Recently, the U.S. Federal Reserve has indicated their intention of tapering the quantitative easing program which has kept short- and long-term interest rates at historic lows. For real estate investors, the prospect of higher interest rates raises questions about the potential impact on capitalization rates. Intuitively, increases in benchmark rates should have an adverse effect on all yield-oriented investments. However, the link between interest and capitalization rates is generally weak in the short-term. That is, as interest rates rise, the economy is usually improving and the ability of landlords to raise rents and fill vacancies is usually improving as well. This serves to increase cash flows and put upward pressure on real estate prices (and downward pressure on capitalization rates). We expect the short-term response of capitalization rates to rising interest rates to be nominal, particularly when the Federal Reserve makes known to investors their intention of increasing benchmark rates.

Capitalization Rate Conclusion

We considered all aspects of the subject property that would influence the overall rate. Primary emphasis was placed on comparables sales, and secondary emphasis was placed on the Investor Surveys.

CAPITALIZATION RATE SUMMARY	
Comparable Sales	5.18%
PwC Institutional	5.26%
PwC Noninstitutional	6.56%
Market Participants	5.0%-5.25%
Conclusion	5.00%

Compiled by Cushman & Wakefield Western, Inc.

As such, our analysis suggests that a capitalization rate of 5.00 percent represents reasonable investor criteria under current market conditions for a market rate valuation of the subject due to its age and quality of construction, and location.

Direct Capitalization Method Conclusion

In the Direct Capitalization Method, we developed an opinion of market value by dividing year one net operating income by our selected overall capitalization rate. Our conclusion using the Direct Capitalization Method is as follows:

DIRECT CAPITALIZATION METHOD		
Market Value As-Is		
NET OPERATING INCOME	**$297,943**	**$4,729**
Sensitivity Analysis (0.25% OAR Spread)	**Value**	**$/Per Unit**
Based on Low-Range of 4.75%	$6,272,478	$99,563
Based on Most Probable Range of 5.00%	$5,958,854	$94,585
Based on High-Range of 5.25%	$5,675,099	$90,081
Indicated Value	$5,958,854	$94,585
Rounded to nearest $100,000	**$6,000,000**	**$95,238**

Compiled by Cushman & Wakefield Western, Inc.

Reconciliation and Final Value Opinion

Valuation Methodology Review and Reconciliation

This appraisal employs the Sales Comparison Approach and the Income Capitalization Approach. Based on our analysis and knowledge of the subject property type and relevant investor profiles, it is our opinion that these approaches would be considered applicable and/or necessary for market participants. Application of the Cost Approach was considered; however, due to the opinions of market participants regarding its applicability for an asset such as the subject property, we elected to exclude this approach from the analysis.

The approaches indicated the following:

FINAL VALUE RECONCILIATION		
	Market Value	**Per Unit**
Date of Value	**August 29, 2018**	
Sales Comparison Approach		
Percentage Adjustment Method	$6,300,000	$100,000
Conclusion	$6,300,000	$100,000
Income Capitalization Approach		
Direct Capitalization	$6,000,000	$95,238
Conclusion	$6,000,000	$95,238
Final Value Conclusion	**$6,000,000**	**$95,238**

Compiled by Cushman & Wakefield Western, Inc.

We gave most weight to the Income Capitalization Approach because this mirrors the methodology used by purchasers of this property type (i.e., an income-producing property). The quantity and quality of the data for the Income Capitalization Approach is considered good to very good. This includes the presence of multiple Class B/C apartment properties in the Carson area, utilized for our rental estimates, and data regarding occupancy and expenses extracted from similar properties throughout Los Angeles County within market reports. Investment rates of return used for converting net income into value were derived via extraction from recent sales of similar apartments in the area, investor surveys (national), discussions with local market participants. The value from the Income Capitalization Approach is well supported by the value indicated by the secondary approach to value – the Sales Comparison Approach. The quantity and quality of date used for this approach is good and consisted of multiple relatively recent sales of apartments with affordable housing restrictions in Los Angeles County.

Value Conclusions				
Appraisal Premise	**Value Scenario**	**Real Property Interest**	**Date Of Value**	**Value Conclusion**
Market Value As-Is	RESTRICTED AS-IS	Leased Fee	August 29, 2018	$6,000,000
Insurable Value		N/A	August 29, 2018	$5,200,000

Compiled by Cushman & Wakefield Western, Inc.

Exposure Time and Marketing Time

Based on our review of national investor surveys, discussions with market participants and information gathered during the sales verification process, a reasonable exposure time for the subject property at the value concluded within this report would have been approximately six (6) months. This assumes an active and professional marketing plan would have been employed by the current owner.

Assumptions and Limiting Conditions

"Report" means the appraisal or consulting report and conclusions stated therein, to which these Assumptions and Limiting Conditions are annexed.

"Property" means the subject of the Report.

"Cushman & Wakefield" means Cushman & Wakefield, Inc. or its subsidiary that issued the Report.

"Appraiser(s)" means the employee(s) of Cushman & Wakefield who prepared and signed the Report.

The Report has been made subject to the following assumptions and limiting conditions:

- No opinion is intended to be expressed and no responsibility is assumed for the legal description or for any matters that are legal in nature or require legal expertise or specialized knowledge beyond that of a real estate appraiser. Title to the Property is assumed to be good and marketable and the Property is assumed to be free and clear of all liens unless otherwise stated. No survey of the Property was undertaken.
- The information contained in the Report or upon which the Report is based has been gathered from sources the Appraiser assumes to be reliable and accurate. The owner of the Property may have provided some of such information. Neither the Appraiser nor Cushman & Wakefield shall be responsible for the accuracy or completeness of such information, including the correctness of estimates, opinions, dimensions, sketches, exhibits and factual matters. Any authorized user of the Report is obligated to bring to the attention of Cushman & Wakefield any inaccuracies or errors that it believes are contained in the Report.
- The opinions are only as of the date stated in the Report. Changes since that date in external and market factors or in the Property itself can significantly affect the conclusions in the Report.
- The Report is to be used in whole and not in part. No part of the Report shall be used in conjunction with any other analyses. Publication of the Report or any portion thereof without the prior written consent of Cushman & Wakefield is prohibited. Reference to the Appraisal Institute or to the MAI designation is prohibited. Except as may be otherwise stated in the letter of engagement, the Report may not be used by any person(s) other than the party(ies) to whom it is addressed or for purposes other than that for which it was prepared. No part of the Report shall be conveyed to the public through advertising, or used in any sales, promotion, offering or SEC material without Cushman & Wakefield's prior written consent. Any authorized user(s) of this Report who provides a copy to, or permits reliance thereon by, any person or entity not authorized by Cushman & Wakefield in writing to use or rely thereon, hereby agrees to indemnify and hold Cushman & Wakefield, its affiliates and their respective shareholders, directors, officers and employees, harmless from and against all damages, expenses, claims and costs, including attorneys' fees, incurred in investigating and defending any claim arising from or in any way connected to the use of, or reliance upon, the Report by any such unauthorized person(s) or entity(ies).
- Except as may be otherwise stated in the letter of engagement, the Appraiser shall not be required to give testimony in any court or administrative proceeding relating to the Property or the Appraisal.
- The Report assumes (a) responsible ownership and competent management of the Property; (b) there are no hidden or unapparent conditions of the Property, subsoil or structures that render the Property more or less valuable (no responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them); (c) full compliance with all applicable federal, state and local zoning and environmental regulations and laws, unless noncompliance is stated, defined and considered in the Report; and (d) all required licenses, certificates of occupancy and other governmental consents have been or can be obtained and renewed for any use on which the value opinion contained in the Report is based.
- The physical condition of the improvements considered by the Report is based on visual inspection by the Appraiser or other person identified in the Report. Cushman & Wakefield assumes no responsibility for the soundness of structural components or for the condition of mechanical equipment, plumbing or electrical components.
- The forecasted potential gross income referred to in the Report may be based on lease summaries provided by the owner or third parties. The Report assumes no responsibility for the authenticity or completeness of lease information provided by others. Cushman & Wakefield recommends that legal advice be obtained regarding the interpretation of lease provisions and the contractual rights of parties.

- The forecasts of income and expenses are not predictions of the future. Rather, they are the Appraiser's best opinions of current market thinking on future income and expenses. The Appraiser and Cushman & Wakefield make no warranty or representation that these forecasts will materialize. The real estate market is constantly fluctuating and changing. It is not the Appraiser's task to predict or in any way warrant the conditions of a future real estate market; the Appraiser can only reflect what the investment community, as of the date of the Report, envisages for the future in terms of rental rates, expenses, and supply and demand.
- Unless otherwise stated in the Report, the existence of potentially hazardous or toxic materials that may have been used in the construction or maintenance of the improvements or may be located at or about the Property was not considered in arriving at the opinion of value. These materials (such as formaldehyde foam insulation, asbestos insulation and other potentially hazardous materials) may adversely affect the value of the Property. The Appraisers are not qualified to detect such substances. Cushman & Wakefield recommends that an environmental expert be employed to determine the impact of these matters on the opinion of value.
- Unless otherwise stated in the Report, compliance with the requirements of the Americans with Disabilities Act of 1990 (ADA) has not been considered in arriving at the opinion of value. Failure to comply with the requirements of the ADA may adversely affect the value of the Property. Cushman & Wakefield recommends that an expert in this field be employed to determine the compliance of the Property with the requirements of the ADA and the impact of these matters on the opinion of value.
- If the Report is submitted to a lender or investor with the prior approval of Cushman & Wakefield, such party should consider this Report as only one factor, together with its independent investment considerations and underwriting criteria, in its overall investment decision. Such lender or investor is specifically cautioned to understand all Extraordinary Assumptions and Hypothetical Conditions and the Assumptions and Limiting Conditions incorporated in this Report.
- If the Report is referred to or included in any offering material or prospectus, the Report shall be deemed referred to or included for informational purposes only and Cushman & Wakefield, its employees and the Appraiser have no liability to such recipients. Cushman & Wakefield disclaims any and all liability to any party other than the party that retained Cushman & Wakefield to prepare the Report.
- Unless otherwise noted, we were not given a soil report to review. However, we assume that the soil's load-bearing capacity is sufficient to support existing and/or proposed structure(s). We did not observe any evidence to the contrary during our physical inspection of the property. Drainage appears to be adequate.
- Unless otherwise noted, we were not given a title report to review. We do not know of any easements, encroachments, or restrictions that would adversely affect the site's use. However, we recommend a title search to determine whether any adverse conditions exist.
- Unless otherwise noted, we were not given a wetlands survey to review. If subsequent engineering data reveal the presence of regulated wetlands, it could materially affect property value. We recommend a wetlands survey by a professional engineer with expertise in this field.
- Unless otherwise noted, we observed no evidence of toxic or hazardous substances during our inspection of the site. However, we are not trained to perform technical environmental inspections and recommend the hiring of a professional engineer with expertise in this field.
- Unless otherwise noted, we did not inspect the roof nor did we make a detailed inspection of the mechanical systems. The appraisers are not qualified to render an opinion regarding the adequacy or condition of these components. The client is urged to retain an expert in this field if detailed information is needed.
- By use of this Report each party that uses this Report agrees to be bound by all of the Assumptions and Limiting Conditions, Hypothetical Conditions and Extraordinary Assumptions stated herein.

Certification of Appraisal

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- Dan Gabay, MAI did make a personal inspection of the property that is the subject of this report. Michele Kauffman, MAI did not inspect the subject.
- We have not performed prior services involving the subject property within the three-year period immediately preceding the acceptance of the assignment.
- No one provided significant real property appraisal assistance to the persons signing this report.
- As of the date of this report, Dan Gabay, MAI and Michele Kauffman, MAI have completed the continuing education program for Designated Members of the Appraisal Institute.

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Addenda Contents

Addendum A:
Glossary of Terms & Definitions

The following definitions of pertinent terms are taken from *The Dictionary of Real Estate Appraisal*, Sixth Edition (2015), published by the Appraisal Institute, Chicago, IL, as well as other sources.

As Is Market Value

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date. (Proposed Interagency Appraisal and Evaluation Guidelines, OCC-4810-33-P 20%)

Band of Investment

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

Cash Equivalency

An analytical process in which the sale price of a transaction with nonmarket financing or financing with unusual conditions or incentives is converted into a price expressed in terms of cash.

Depreciation

1. In appraising, a loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date. 2. In accounting, an allowance made against the loss in value of an asset for a defined purpose and computed using a specified method.

Disposition Value

The most probable price that a specified interest in real property is likely to bring under all of the following conditions:

- Consummation of a sale will occur within a limited future marketing period specified by the client.
- The actual market conditions currently prevailing are those to which the appraised property interest is subject.
- The buyer and seller is each acting prudently and knowledgeably.
- The seller is under compulsion to sell.
- The buyer is typically motivated.
- Both parties are acting in what they consider their best interest.
- An adequate marketing effort will be made in the limited time allowed for the completion of a sale.
- Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.
- The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Note that this definition differs from the definition of market value. The most notable difference relates to the motivation of the seller. In the case of Disposition value, the seller would be acting under compulsion within a limited future marketing period.

Ellwood Formula

A yield capitalization method that provides a formulaic solution for developing a capitalization rate for various combinations of equity yields and mortgage terms. The formula is applicable only to properties with stable or stabilized income streams and properties with income streams expected to change according to the J- or K-factor pattern. The formula is
RO = [YE – M (YE + P 1/Sn¬ – RM) – ΔO 1/S n¬] / [1 + ΔI J]
where
RO = Overall Capitalization Rate
YE = Equity Yield Rate
M = Loan-to-Value Ratio
P = Percentage of Loan Paid Off
1/S n¬ = Sinking Fund Factor at the Equity Yield Rate
RM =Mortgage Capitalization Rate
ΔO = Change in Total Property Value
ΔI = Total Ratio Change in Income

J = J Factor
Also called mortgage-equity formula.

Exposure Time

1. The time a property remains on the market. 2. 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; a retrospective estimate based on an analysis of past events assuming a competitive and open market. See also marketing time.

Extraordinary Assumption

An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions.

Comment: 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 only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

Highest and Best Use

The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.

Highest and Best Use of Property as Improved

The use that should be made of a property as it exists. An existing improvement should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.

Hypothetical Conditions

A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

Comment: Hypothetical conditions are 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.

Insurable Replacement Cost/Insurable Value

A type of value for insurance purposes.

Intended Use

The use or uses of an appraiser's reported appraisal, appraisal review, or appraisal consulting assignment opinions and conclusions, as identified by the appraiser based on communication with the client at the time of the assignment.

Intended User

The client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or appraisal consulting report by the appraiser on the basis of communication with the client at the time of the assignment.

Leased Fee Interest

A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship (i.e., a lease).

Leasehold Interest

The tenant's possessory interest created by a lease. See also negative leasehold; positive leasehold.

Liquidation Value

The most probable price that a specified interest in real property is likely to bring under all of the following conditions:

- Consummation of a sale will occur within a severely limited future marketing period specified by the client.
- The actual market conditions currently prevailing are those to which the appraised property interest is subject.
- The buyer is acting prudently and knowledgeably.
- The seller is under extreme compulsion to sell.
- The buyer is typically motivated.
- The buyer is acting in what he or she considers his or her best interest.
- A limited marketing effort and time will be allowed for the completion of a sale.
- Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.
- The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Note that this definition differs from the definition of market value. The most notable difference relates to the motivation of the seller. Under market value, the seller would be acting in his or her own best interests. The seller would be acting prudently and knowledgeably, assuming the price is not affected by undue stimulus or atypical motivation. In the case of liquidation value, the seller would be acting under extreme compulsion within a severely limited future marketing period.

Market Rent

The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the lease agreement, including permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs).

Market Value

As defined in the Agencies' appraisal regulations, the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus.

Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

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

Marketing Time

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

Mortgage-Equity Analysis

Capitalization and investment analysis procedures that recognize how mortgage terms and equity requirements affect the value of income-producing property.

Operating Expenses

Other Taxes, Fees & Permits - Personal property taxes, sales taxes, utility taxes, fees and permit expenses.

Property Insurance – Coverage for loss or damage to the property caused by the perils of fire, lightning, extended coverage perils, vandalism and malicious mischief, and additional perils.

Management Fees - The sum paid for management services. Management services may be contracted for or provided by the property owner. Management expenses may include supervision, on-site offices or apartments for resident managers, telephone service, clerical help, legal or accounting services, printing and postage, and advertising. Management fees may occasionally be included among recoverable operating expenses

Total Administrative Fees – Depending on the nature of the real estate, these usually include professional fees and other general administrative expenses, such as rent of offices and the services needed to operate the property. Administrative expenses can be provided either in the following expense subcategories or in a bulk total. 1) Professional Fees – Fees paid for any professional services contracted for or incurred in property operation; or 2) Other Administrative – Any other general administrative expenses incurred in property operation.

[1] "Interagency Appraisal and Evaluation Guidelines." Federal Register 75:237 (December 10, 2010) p. 77472.

Heating Fuel - The cost of heating fuel purchased from outside producers. The cost of heat is generally a tenant expense in single-tenant, industrial or retail properties, and apartment projects with individual heating units. It is a major expense item shown in operating statements for office buildings and many apartment properties. The fuel consumed may be coal, oil, or public steam. Heating supplies, maintenance, and workers' wages are included in this expense category under certain accounting methods.

Electricity - The cost of electricity purchased from outside producers. Although the cost of electricity for leased space is frequently a tenant expense, and therefore not included in the operating expense statement, the owner may be responsible for lighting public areas and for the power needed to run elevators and other building equipment.

Gas - The cost of gas purchased from outside producers. When used for heating and air conditioning, gas can be a major expense item that is either paid by the tenant or reflected in the rent.

Water & Sewer - The cost of water consumed, including water specially treated for the circulating ice water system, or purchased for drinking purposes. The cost of water is a major consideration for industrial plants that use processes depending on water and for multifamily projects, in which the cost of sewer service usually ties to the amount of water used. It is also an important consideration for laundries, restaurants, taverns, hotels, and similar operations.

Other Utilities - The cost of other utilities purchased from outside producers.

Total Utilities - The cost of utilities net of energy sales to stores and others. Utilities are services rendered by public and private utility companies (e.g., electricity, gas, heating fuel, water/sewer and other utilities providers). Utility expenses can be provided either in expense subcategories or in a bulk total.

Repairs & Maintenance - All expenses incurred for the general repairs and maintenance of the building, including common areas and general upkeep. Repairs and maintenance expenses include elevator, HVAC, electrical and plumbing, structural/roof, and other repairs and maintenance expense items. Repairs and Maintenance expenses can be provided either in the following expense subcategories or in a bulk total. 1) Elevator - The expense of the contract and any additional expenses for elevator repairs and maintenance. This expense item may also include escalator repairs and maintenance. 2) HVAC – The expense of the contract and any additional expenses for heating, ventilation and air-conditioning systems. 3) Electrical & Plumbing - The expense of all repairs and maintenance associated with the property's electrical and plumbing systems. 4) Structural/Roof - The expense of all repairs and maintenance associated with the property's building structure and roof. 5) Pest Control – The expense of insect and rodent control. 6). Other Repairs & Maintenance - The cost of any other repairs and maintenance items not specifically included in other expense categories.

Common Area Maintenance - The common area is the total area within a property that is not designed for sale or rental, but is available for common use by all owners, tenants, or their invitees, e.g., parking and its appurtenances, malls, sidewalks, landscaped areas, recreation areas, public toilets, truck and service facilities. Common Area Maintenance (CAM) expenses can be entered in bulk or through the sub-categories. 1) Utilities – Cost of utilities that are included in CAM charges and passed through to tenants. 2) Repair & Maintenance – Cost of repair and maintenance items that are included in CAM charges and passed through to tenants. 3) Parking Lot Maintenance – Cost of parking lot maintenance items that are included in CAM charges and passed through to tenants. 4) Snow Removal – Cost of snow removal that are included in CAM charges and passed through to tenants. 5) Grounds Maintenance – Cost of ground maintenance items that are included in CAM charges and passed through to tenants. 6) Other CAM expenses are items that are included in CAM charges and passed through to tenants.

Painting & Decorating - This expense category is relevant to residential properties where the landlord is required to prepare a dwelling unit for occupancy in between tenancies.

Cleaning & Janitorial - The expenses for building cleaning and janitorial services, for both daytime and night-time cleaning and janitorial service for tenant spaces, public areas, atriums, elevators, restrooms, windows, etc. Cleaning and Janitorial expenses can be provided either in the following subcategories or entered in a bulk total. 1) Contract Services - The expense of cleaning and janitorial services contracted for with outside service providers. 2) Supplies, Materials & Misc. - The cost any cleaning materials and any other janitorial supplies required for property cleaning and janitorial services and not covered elsewhere. 3) Trash Removal - The expense of property trash and rubbish removal and related services. Sometimes this expense item includes the cost of pest control and/or snow removal .4) Other Cleaning/Janitorial - Any other cleaning and janitorial related expenses not included in other specific expense categories.

Advertising & Promotion - Expenses related to advertising, promotion, sales, and publicity and all related printing, stationary, artwork, magazine space, broadcasting, and postage related to marketing.

Professional Fees - All professional fees associated with property leasing activities including legal, accounting, data processing, and auditing costs to the extent necessary to satisfy tenant lease requirements and permanent lender requirements.

Total Payroll - The payroll expenses for all employees involved in the ongoing operation of the property, but whose salaries and wages are not included in other expense categories. Payroll expenses can be provided either in the following subcategories or entered in a bulk total. 1) Administrative Payroll - The payroll expenses for all employees involved in on-going property administration. 2) Repair & Maintenance Payroll - The expense of all employees involved in on-going repairs and maintenance of the property. 3) Cleaning Payroll - The expense of all employees involved in providing on-going cleaning and janitorial services to the property 4) Other Payroll - The expense of any other employees involved in providing services to the property not covered in other specific categories.

Security - Expenses related to the security of the Lessees and the Property. This expense item includes payroll, contract services and other security expenses not covered in other expense categories. This item also includes the expense of maintenance of security systems such as alarms and closed circuit television (CCTV), and ordinary supplies necessary to operate a security program, including batteries, control forms, access cards, and security uniforms.

Roads & Grounds - The cost of maintaining the grounds and parking areas of the property. This expense can vary widely depending on the type of property and its total area. Landscaping improvements can range from none to extensive beds, gardens and trees. In addition, hard-surfaced public parking areas with drains, lights, and marked car spaces are subject to intensive wear and can be costly to maintain.

Other Operating Expenses - Any other expenses incurred in the operation of the property not specifically covered elsewhere.

Real Estate Taxes - The tax levied on real estate (i.e., on the land, appurtenances, improvements, structures and buildings); typically by the state, county and/or municipality in which the property is located.

Prospective Opinion of Value

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

Prospective Value upon Reaching Stabilized Occupancy

The value of a property as of a point in time when all improvements have been physically constructed and the property has been leased to its optimum level of long-term occupancy. At such point, all capital outlays for tenant improvements, leasing commissions, marketing costs and other carrying charges are assumed to have been incurred.

Special, Unusual, or Extraordinary Assumptions

Before completing the acquisition of a property, a prudent purchaser in the market typically exercises due diligence by making customary enquiries about the property. It is normal for a Valuer to make assumptions as to the most likely outcome of this due diligence process and to rely on actual information regarding such matters as provided by the client. Special, unusual, or extraordinary assumptions may be any additional assumptions relating to matters covered in the due diligence process, or may relate to other issues, such as the identity of the purchaser, the physical state of the property, the presence of environmental pollutants (e.g., ground water contamination), or the ability to redevelop the property.

Addendum B:
Client Satisfaction Survey

Survey Link: https://www.surveymonkey.com/r/LQKCGLF?c=18-38015-900587
Cushman & Wakefield File ID: 18-38015-900587
Fax Option: (716) 852-0890

1. Based on the scope and complexity of the assignment, please rate the development of the appraisal relative to the adequacy and relevance of the data, the appropriateness of the techniques used, and the reasonableness of the analyses, opinions, and conclusions:

___ Excellent
___ Good
___ Average
___ Below Average
___ Poor

Comments:____

____

____

2. Please rate the appraisal report on clarity, attention to detail, and the extent to which it was presentable to your internal/external users without revisions:

___ Excellent
___ Good
___ Average
___ Below Average
___ Poor

Comments:____

____

____

3. The appraiser communicated effectively by listening to your concerns, showed a sense of urgency in responding, and provided convincing support of his/her conclusions:

___ Not Applicable

___ Excellent
___ Good
___ Average
___ Below Average
___ Poor

Comments:____

4. The report was on time as agreed, or was received within an acceptable time frame if unforeseen factors occurred after the engagement:

___ Yes
___ No

Comments:____

5. Please rate your overall satisfaction relative to cost, timing, and quality:

___ Excellent
___ Good
___ Average
___ Below Average
___ Poor

Comments:____

6. Any additional comments or suggestions you feel our National Quality Control Committee should know?

7. Would you like a representative of our National Quality Control Committee to contact you?

___ Yes
___ No

Name & Phone (if contact is desired):

____

____

Contact Information: Scott Schafer
Senior Managing Director, National Quality Control
(716) 852-7500, ext. 121

Addendum C:
Engagement Letter

Michele Kauffman, MAI
Executive Managing Director

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August 17, 2018

Rick Westberg
Executive Vice President
THE RICHMAN GROUP
420 31st Street, Suite B1
Newport Beach, California 92663

Re: **Carson Terrace Senior Apartments**
632 E. 219th Street
Carson, California 90745

Dear Mr. Westberg:

Thank you for requesting our proposal for appraisal services. This proposal letter will become, upon your acceptance, our letter of engagement to provide the services outlined herein.

TERMS OF ENGAGEMENT

I. PROBLEM IDENTIFICATION

The Parties To This Agreement:	Cushman & Wakefield Western, Inc. ("C&W") and THE RICHMAN GROUP (the "Client").
Intended Users:	The appraisal will be prepared for the Client and is intended only for the use specified below. The Client agrees that there are no other Intended Users.
Intended Use:	Internal review by the Client.
Type of Opinion and Rights Appraised:	Market Value of the Leased Fee Interest (As-Is).
Date of Value:	Date of inspection
Subject of the Assignment and Relevant Characteristics:	The property to be appraised is a senior housing facility with sixty-three (63) units. The property is located in Carson, California.
Assignment Conditions:	The assignment will not incorporate any extraordinary assumptions or hypothetical conditions.

II. ANTICIPATED SCOPE OF WORK

USPAP Compliance:	C&W will develop an appraisal in accordance with USPAP and the Code of Ethics and Certification Standards of the Appraisal Institute.
General Scope of Work:	• Property Inspection to the extent necessary to adequately identify the real estate

- Research relevant market data, in terms of quantity, quality, and geographic comparability, to the extent necessary to produce credible appraisal results
- Consider and develop those approaches relevant and applicable to the appraisal problem. Based on our discussions with the Client, we anticipate developing the following valuation approaches:
  - Sales Comparison Approach
  - Income Capitalization Approach

III. REPORTING AND DISCLOSURE

Scope of Work Disclosure: The actual Scope of Work will be reported within the report.

Reporting Option: The appraisal will be communicated in an Appraisal Report.

IV. FEE, EXPENSES AND OTHER TERMS OF ENGAGEMENT

Fee: $6,000. An updated report will be provided at $3,000, if requested within 6 months of our original date of value. If requested within 7-12 months, the update fee would be $3,900. All invoices are due upon receipt. The Client shall be solely responsible for C&W's fees and expenses hereunder. Acknowledgement of this obligation is made by the countersignature to this agreement by an authorized representative of the Client.

Additional Expenses: Fee quoted is inclusive of expenses related to the preparation of the report.

Retainer: A retainer is not required for this assignment in order to commence work.

Report Copies: The final report will be delivered in electronic format.

Start Date: The appraisal process will initiate upon receipt of signed agreement, applicable retainer, and the receipt of the property-specific data.

Acceptance Date: This proposal is subject to withdrawal if the engagement letter is not executed by the Client within four (4) business days.

Final Report Delivery: Within three (3) weeks of receipt of your written authorization to proceed, assuming prompt receipt of necessary property information. Payment of the fee shall be due and payable upon delivery of the report.

Changes to Agreement: The identity of the Client, Intended User(s) identified herein, or Intended Use identified herein; the date of value; type of value or interest appraised; or property appraised cannot be changed without a new agreement.

Prior Services Disclosure: USPAP requires disclosure of prior services performed by the individual appraiser within the three years prior to this assignment. The undersigned appraiser(s) have not provided prior services within the designated time frame.

Future Marketing Disclosure:	Unless otherwise directed, at the conclusion of this engagement, we may disclose that we have appraised the subject property in future marketing documents and materials.
Conflicts of Interest:	C&W adheres to a strict internal conflict of interest policy. If we discover in the preparation of our appraisal a conflict with this assignment we reserve the right to withdraw from the assignment without penalty.
Further Conditions of Engagement:	The Conditions of Engagement attached hereto are incorporated herein and are part of this letter of engagement.

Thank you for calling on us to render these services and we look forward to working with you.

Sincerely,
CUSHMAN & WAKEFIELD WESTERN, INC.

Michele Kauffman, MAI
Executive Managing Director

cc: Jason Rastegar

AGREED:
CLIENT: THE RICHMAN GROUP

By: Rick Westberg Date: 8/20/18

Title: Executive Vice President

E-mail Address: WestbergR@richmancapital.com

Phone Number:

CONDITIONS OF ENGAGEMENT

1) Each Intended User identified herein should consider the appraisal as only one factor together with its independent investment considerations and underwriting criteria in its overall investment decision. The appraisal cannot be used by any party or for any purpose other than the Intended User(s) identified herein for the Intended Use described herein.

2) Federal banking regulations require banks and savings and loan associations to employ appraisers where a FIRREA compliant appraisal must be used in connection with mortgage loans or other transactions involving federally regulated lending institutions, including mortgage bankers/brokers. Because of that requirement, an appraisal, if ordered independent of a financial institution or agent, may not be accepted by a federally regulated financial institution. The appraisal prepared pursuant to this Engagement will be prepared in accordance with the Uniform Standards of Professional Appraisal Practice of The Appraisal Foundation, the Standards of Professional Practice and the Code of Ethics of the Appraisal Institute.

3) The appraisal report will be subject to our standard Assumptions and Limiting Conditions, which will be incorporated into the appraisal. All users of the appraisal report are specifically cautioned to understand the standard Assumptions and Limiting Conditions as well as any Extraordinary Assumptions and Hypothetical Conditions which may be employed by the appraiser and incorporated into the appraisal.

4) C&W shall have the right to utilize its affiliates in the performance of its services, provided that they comply with the obligations of C&W pursuant to this engagement.

5) The appraisal report or our name may not be used in any offering memoranda or other investment material without the prior written consent of C&W, which may be given at the sole discretion of C&W. Any such consent, if given, shall be conditioned upon our receipt of an indemnification agreement from a party satisfactory to us and in a form satisfactory to us. Furthermore, Client agrees to pay the fees of C&W's legal counsel for the review of the material which is the subject of the requested consent. C&W disclaims any and all liability with regard to the appraisal prepared pursuant to the engagement to any party other than the Intended User(s). Under no circumstances will C&W consent to the quote, reference or inclusion of the appraisal in connection with crowd funding activities. Further, crowd funding investors are specifically excluded from any class of Intended Users.

6) In the event the Client provides a copy of the appraisal to, or permits reliance thereon by, any party not identified herein as an Intended User, Client hereby agrees to indemnify and hold C&W, its affiliates and the respective shareholders, directors, officers and employees, harmless from and against all damages, expenses, claims and costs, including attorneys' fees, incurred in investigating and defending any claim arising from or in any way connected to the use of, or reliance upon, the appraisal by any such party.

7) The balance of the fee for the appraisal will be due upon delivery of a report. Payment of the fee is not contingent on the appraised value, a loan closing, or any other prearranged condition. Additional fees will be charged on an hourly basis for any work, which exceeds the scope of this proposal, including performing additional valuation scenarios, additional research and conference calls or meetings with any party, which exceed the time allotted by C&W for an assignment of this nature. If we are requested to stop working on this assignment, for any reason, prior to our completion of the appraisal, C&W will be entitled to bill the Client for the time expended to date at C&W's hourly rates for the personnel involved.

8) If C&W or any of its affiliates or any of their respective employees receives a subpoena or other judicial command to produce documents or to provide testimony involving this assignment in connection with a lawsuit or proceeding, C&W will use reasonable efforts to notify the Client of our receipt of same. However, if C&W or any of its affiliates are not a party to these proceedings, Client agrees to compensate C&W or its affiliate for the professional time and reimburse C&W or its affiliate for the actual expense that it incurs in responding to any such subpoena or judicial command, including attorneys' fees, if any, as they are incurred. C&W or its affiliate will be compensated at the then prevailing hourly rates of the personnel responding to the subpoena or command for testimony.

9) By signing this agreement Client expressly agrees that its sole and exclusive remedy for any and all losses or damages relating to this agreement or the appraisal shall be limited to the amount of the appraisal fee paid by the Client. In the event that the Client, or any other party entitled to do so, makes a claim against C&W or any of its affiliates or any of their respective officers or employees in connection with or in any way relating to this engagement or the appraisal, the maximum damages recoverable from C&W or any of its affiliates or their respective officers or employees shall be the amount of the monies actually collected by C&W or any of its affiliates for this assignment and under no circumstances shall any claim for consequential damages be made.

10) C&W disclaims any and all liability to any party with regard to the appraisal report other than an Intended User identified herein.

11) The fees and expenses shall be due C&W as agreed in this letter. If it becomes necessary to place collection of the fees and expenses due C&W in the hands of a collection agent and/or an attorney (whether or not a legal action is filed) Client agrees to pay all fees and expenses including attorneys' fees incurred by C&W in connection with the collection or attempted collection thereof.

Addendum D:
Regulatory Agreement

#8

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Recording Requested By
and when recorded return to:

Carson Redevelopment Agency
701 East Carson Street
Carson, California 90745
Attention: City Clerk

B

Exempt from recording fees pursuant to Government Code Sec. 6103

REGULATORY AGREEMENT

THIS REGULATORY AGREEMENT (this "Agreement"), entered into as of October 1, 1998, by and between CARSON TERRACE, L.P., a California limited partnership (hereinafter "Borrower"), and the CARSON REDEVELOPMENT AGENCY, a public body, corporate and politic (hereinafter the "Agency") is made with reference to the following:

R E C I T A L S

A. Agency desires to effectuate the provisions of the Housing Element of the General Plan of the City of Carson by providing funds to expand the supply of housing affordable to Senior Citizens of very low, lower and moderate income. The proposed development is in the vital and best interests of the City of Carson, California (the "City") and the health, safety, and welfare of its residents.

B. Borrower is the owner of real property, including the land and all improvements to be constructed thereon (hereinafter collectively referred to as the "Property") located, in the City of Carson, California, described more particularly in Exhibit A attached hereto and incorporated herein by reference.

C. Borrower has applied to Agency for a loan (hereinafter the "Loan") for purchase and development of the Property and Agency has approved the Loan pursuant to the approval granted by Agency on August 5, 1997, pursuant to the terms and conditions of a Redevelopment Loan Agreement ("RLA" herein) between Borrower and Agency dated October 1, 1998. Such Loan will be evidenced and secured by a promissory note and deed of trust (the "Promissory Note" and "Deed of Trust") to be executed by Borrower in favor of Agency.

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D. As an inducement to Agency to make said Loan, Borrower has agreed to enter into this Regulatory Agreement and has consented thereby to be regulated and restricted by Agency as provided herein and in the RLA, which _inter alia_ contains on-going "use" restrictions which are incorporated herein.

NOW, THEREFORE, Agency and Borrower mutually agree as follows:

1. RECITALS. The foregoing recitals are a part of this Regulatory Agreement.

2. TERM. The term of this Regulatory Agreement shall commence on the date of recordation of this Regulatory Agreement, and shall continue in full force and effect until the 40th anniversary of the date on which the final Certificate of Occupancy is issued with respect to the improvements to be constructed on the Property pursuant to the RLA (the "Expiration Date").

3. NATURE OF COVENANTS, RESERVATIONS AND RESTRICTIONS.

a. Borrower hereby subjects the Property to the covenants, reservations and restrictions set forth in this Regulatory Agreement. Agency and Borrower hereby declare their express intent that the covenants, reservations and restrictions set forth herein shall be deemed covenants running with the land. Each and every contract, deed or other instrument hereafter executed covering or conveying the Property, or any portion thereof, shall conclusively be held to have been executed, delivered and accepted subject to such covenants, reservations and restrictions, regardless of whether such covenants, reservations and restrictions are set forth in such contract, deed or other instruments.

b. Borrower covenants by and for itself, its representatives, its successors and assigns and every successor in interest to the Property or any part thereof, that during construction of improvements and thereafter Borrower shall not use or permit the use of the Property in violation of the purposes stated hereinabove. Borrower further covenants and agrees to comply in all respects with the terms, provisions, and obligations of Borrower set forth in the RLA, which RLA and all amendments thereto are incorporated herein by this reference. Borrower further covenants and agrees for itself, and its successors and its assigns, that Borrower, such successors, and such assignees shall use the Property and every part thereof only for the construction and operation of a senior citizen housing project affordable to persons of very low, low and moderate income, as further provided in the RLA. Borrower further covenants and agrees that upon completion of the Project as described in the RLA, Borrower shall thereafter maintain the

Property (including landscaping) in the manner of first class senior citizen residential developments.

4. SUCCESSORS BOUND. This Regulatory Agreement and the covenants reservations, restrictions and agreements contained herein shall be a burden upon the Property and shall bind Borrower, its successors, its assigns, and every successor-in-interest of the Property. Borrower may not assign any of the benefits of this Regulatory Agreement, or delegate any of Borrower's obligations hereunder, voluntarily or by operation of law, without the prior written approval of Agency.

5. COVENANTS AND OBLIGATIONS.

a. Insurance. Borrower covenants to keep all improvements from time to time existing on the Property insured against perils included within the general classifications as "fire," "extended coverage," "vandalism," "malicious mischief," and "special extended peril," and all such insurance shall be evidenced by a standard fire and extended coverage insurance policy or policies in an amount not less than the full replacement cost of the improvements (not including the costs of foundation concrete and excavation that would not have to be incurred upon replacement of the improvements). In addition, Borrower shall maintain and have in full force and effect, during the term of this Regulatory Agreement, a "Broad Form Commercial General Liability" insurance policy in a combined single limit of Three Million Dollars. Such policies shall be endorsed with a standard mortgagee clause listing Agency as loss payee (in the case of the extended coverage insurance) and an additional insured (in the case of the liability insurance). A copy of any insurance binders or certificates of insurance shall be provided to Agency prior to closing and annually thereafter, at the time set for submission of the annual report by Section 10b hereof, for the term hereof. Said policies shall provide that they cannot be canceled or terminated without thirty (30) days prior written notice to Agency.

b. Compliance with Building and Health and Safety Codes. Borrower covenants that the Property shall be maintained in substantial conformance with applicable health, building, and safety codes. Borrower further covenants that any construction, renovation, repair or rehabilitation of the improvements shall be undertaken in compliance with all building codes of the City of Carson applicable at the time of such construction, renovation, repair or rehabilitation.

c. Compliance with Senior Instruments. Borrower covenants that the management, maintenance and occupancy of the Property shall be in conformance with any trust deeds, mortgages, or other loan agreement(s) (subject to giving effect to any cure periods following Borrower's default thereunder) and the expiration of any cure periods therefor, recorded in senior position to this Regulatory Agreement or specifically made superior to this Regulatory Agreement by a written instrument of Agency. Violation of any provision of any such trust deeds, mortgages or other loan agreement(s) shall constitute a violation of the provisions of this Regulatory Agreement and shall give rise to Agency's remedies under Section 11 hereof.

d. Obligation to Refrain from Discrimination. Borrower covenants that there shall be no discrimination against any person, or group of persons, on account of sex, marital status, race, color, religion, creed, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Property, or any part thereof, and Borrower (or any person or entity claiming under or through Borrower) covenants and agrees not to establish or permit any such practice or practices of discrimination with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants or sublessees of the Property or any part thereof. Borrower also agrees to refrain from any form of discrimination as set forth above pertaining to deeds, leases or contracts.

e. Form of Nondiscrimination and Non-segregation Clauses. Borrower covenants that he, his successors and assigns shall refrain from restricting the rental, sale or lease of the Property, or any portion thereof, in any deed, lease or contract, on the basis of sex, marital status, race, color, religion, creed, ancestry or national origin of any person. Any such deed, lease or contract shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

(i) In deeds: "The grantee herein covenants by and for himself, his heirs, executors, administrators and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of sex, marital status, race, color, religion, creed, national origin, or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the land herein conveyed or the improvements thereon or to be constructed thereon, nor shall the grantee himself or any person claiming under or through the grantee, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the land herein conveyed or such improvements. The foregoing covenants shall run with the land."

(ii) In leases: "The lessee herein covenants by and for himself, his heirs, executors, administrators and assigns, and all persons claiming under or through him, and this lease is made and accepted upon and subject to the following conditions:

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That there shall be no discrimination against or segregation of any person or group of persons on account of sex, marital status, race, color, religion, creed, national origin or ancestry, in the leasing, subleasing, transferring, use, or enjoyment of the land herein leased or the improvements thereon or to be constructed thereon, nor shall the lessee himself, or any person claiming under or through the lessee, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy, of tenants, lessees, sublessees, subtenants or vendees of the land herein leased or such improvements."

(iii) In contracts: "There shall be no discrimination against or segregation of, any person, or group of persons on account of sex, marital status, race, color, religion, creed, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the land or the improvements thereon or to be constructed thereon, nor shall the transferee himself or any person claiming under or through the transferee, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees of the land or such improvements."

f. <u>Duration of Covenants and Obligations</u>. The covenants and obligations contained in subsections a, b, and c of this Section 5 shall remain in effect until the expiration of the period provided for in Section 2 hereof, and the covenants against discrimination provided for in subsections d and e of this Section 5 shall remain in perpetuity.

6. <u>USE AND RENTAL OF THE PROPERTY</u>

a. <u>Uses</u>. Borrower covenants and agrees for itself, its successors, assignees, and every successor in interest that during construction and thereafter for the period set forth in Section 2 hereof, Borrower, such successors, assignees and successor(s) in interest shall devote the Property only to the uses specified in the RLA and this Regulatory Agreement.

b. <u>Rental Restrictions</u>. Developer covenants and agrees for itself, its successors, assignees, and every successor in interest, that rental of the Project shall be restricted as provided in this Section 6b for a period of forty (40) years from the date of issuance of a Certificate of Occupancy on the Project.

(i) <u>Units Restricted to Senior Citizen Rentals</u>. All (except the manager's Unit) of the Units in the Project ("rentable units") shall be rented exclusively to senior

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citizens of very low, lower, or moderate income and only such persons shall be entitled to occupy the Units.

(ii) Restrictions on Rental of Very Low/Lower Income Units. Thirty (30) of the rentable units shall be rented exclusively to senior citizens of very low, or lower income (as defined in Subsection 6b(iv)(A) and only such persons shall be entitled to occupy such Units. The maximum number of persons who may reside in a Unit is two.

(iii) Restrictions on Rental of Moderate Income Units. The remaining thirty (30) rentable Units shall be rented exclusively to senior citizens of moderate income (as defined in Subsection 6b(iv)(A)) and only such persons shall be entitled to occupy such Units. The maximum number of persons who may reside in a Unit is two.

(iv) Definitions.

(A) "Senior Citizens of very low, lower, or moderate income" means persons whose income do not exceed the amounts set forth in California Health and Safety Code Sections 50105 (very low income), 50079.5 (lower income) and 50093 (moderate income) for persons and families who have incomes not greater than the applicable percent of the area median income (adjusted for family size as appropriate for the Unit) for the very low, lower, or moderate income categories.

(B) "Area median income" shall mean the area median income for Los Angeles County as published by the Department of Housing and Community Development pursuant to California Health and Safety Code Section 50093.

(C) "Family size appropriate to the Unit" shall mean a household of two persons for a one-bedroom unit.

(D) "Affordable rent (including a reasonable utility allowance) for very low, lower, or moderate income person" means the rent determined under California Health & Safety Code Section 50053(b) based upon area median income (adjusted for family size appropriate for the Unit) for the very low, lower, or moderate income household.

(E) The terms defined in this Subsection 5.2.4 are further defined in Title 25 of the California Code of Regulations Section 6910, et seq., as from time to time amended, and any successor regulations thereto. The terms and provisions of California Health and Safety Code Sections 50093, 50105, 50079.5, and 50053 and Title 25 of the California Code of Regulations Section 6910, et seq., as amended, and any successor statutes or regulations thereto, are incorporated herein by this reference.

(F) For purposes of this Agreement "senior citizens" shall mean persons sixty-two (62) or more years of age, persons fifty-five (55) or more years of age who are residing with persons sixty-two (62) or more years of age, and handicapped persons fifty-five (55) or more years of age.

(v) Initial Rent. The initial rent for the Units of the Project shall be as follows:

(A) The initial rental rates for ten very low income units will be \$325.00 per Unit per month, for the remaining five very low income units will be \$390.00 per unit per month, and for the fifteen lower income units will be \$446.00 per month, unless such rent is lowered by agreement of the parties hereto to comply with the requirements of other financing sources contemplated and permitted by this Agreement. The determination of which of the very low income occupants shall receive the lower rental shall be based on need.

(B) The initial rental rate for each of the thirty (30) moderate income Units shall be \$600 per month.

(C) Initial Rent is based on 1997 calculation. The Initial Rents provided for herein may be increased by the lesser of (x) two percent (2%) per year or (y) the change in the Index, as that term is defined hereinbelow, between January 1, 1998, and the date the project is completed.

(vi) Annual Rent Increases. Borrower shall submit any request for an increase in the tenant portion of the rents to the staff of the Agency for review and approval (which approval shall not be unreasonably withheld or delayed) sixty (60) days prior to each yearly anniversary of the initial occupancy of the Project ("the Anniversary") and each year thereafter. The Agency shall review the Borrower's request and notify Borrower of either of the following actions within thirty (30) days after submission: (i) Borrower shall be allowed to increase the then current rental rate of the Units by 2% each year; or (ii) Annual increases in the then current rent of the Units in excess of 2% per year shall be allowed if the percentage increase in the "CPI Adjusted Rent" and the "HUD Factor Adjusted Rent" (each as defined below), divided by two, exceeds 2% per year in accordance with the following computations:

(A) As used herein, the "CPI Adjusted Rent" shall mean the then existing rent rate for any Unit, plus an amount equal to the product of (A) the then existing rent rate for such Unit, multiplied by (B) the percentage increase, if any, of the Consumer Price Index - All Items (1982-1984=100) - All Urban Consumers - Los Angeles-Anaheim-Riverside, California, as published by the United States Department of Labor, Department of Labor Statistics (the "Index"). Such percentage increase shall be determined by (i) subtracting the Index for the month which is

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15 months prior to the month in which such calculation is to be made, from the Index for the month which is three months prior to the month in which such calculation is to be made, and (ii) dividing the remainder by the Index for the month which is 15 months prior to the month in which such calculation is to be made. An example of the calculation provided for above is as follows: Assume that the rent for a Unit is to be adjusted as of April 1, 1992, and prior to April 1, 1992, the rent for such Unit was $390.00. Further assume that the Index for January, 1991 (15 months prior to the month in which such calculation is to be made) was 139.9 and the Index for January, 1992 (three months prior to the month in which such calculation is to be made) was 144.3. Based upon these assumptions the percentage increase in the Index would be calculated by (i) subtracting the Index for the month of January, 1991 from the Index for the month of January 1992 i.e. 144.3-139.9=4.4, and (ii) dividing 4.4 by 139.9=0.031. The CPI Adjusted Rent would be calculated by multiplying (A) the then existing rent rate ($390.00) by (B) the percentage increase in the Index (3.1%), and adding the result to the then effective rent rate ($390.00), i.e., $390.00 multiplied by .031=$12.09 and $12.09 + $390.00=$402.09; and

(B) As used herein, the "HUD Factor Adjusted Rent" shall mean the product of (i) the then existing rent rate for such Unit, multiplied by (ii) the Automatic Annual Adjustment Factor in effect on the date on which such calculation is to be made for the Los Angeles-Long Beach, California areas, calculated as if the rent for such apartment unit excluded the highest cost utility for such Unit. The Automatic Annual Adjustment Factor shall mean the Annual Adjustment Factors established pursuant to Section 8(c)(ii)(A) of the United States Housing Act of 1937 (42 U.S.C. 1437f(c)(ii)(A)), as published annually in the Federal Register (24 CFR 888.202). An example of the calculation provided for above is as follows: Assume that the Automatic Annual Adjustment Factor in effect on April 1, 1992 is 1.058. The HUD Factor Adjusted Rent would be calculated by multiplying (i) the then existing rent rate ($390.00) by (ii) the Automatic Annual Adjustment Factor (1.058), i.e., $390.00 multiplied by 1.058=$412.62.

Based upon the examples set forth in (A) and (B) above, the CPI Adjusted Rent ($402.09), added to the HUD Factor Adjusted Rent ($412.62), and the sum then divided by 2, equals $407.36. The increase in rent from $390.00 to $407.36 would be an increase of $17.36, which exceeds 2% of $390.00 ($7.80). Accordingly, in this example of the calculation to be used in determining annual rent increases pursuant to this Subsection 6b.(vi), Borrower would be allowed to raise the then applicable rent for the subject Unit to $407.36, despite the fact that such increase is in excess of 2%.

Notwithstanding the foregoing, Borrower may not increase the annual rent for any unit by more than six percent (6%) in any single year. Annual increases approved by the staff of the Agency may be implemented in full or in part at the Borrower's sole discretion and option. Nothing contained herein shall obligate Borrower to make annual increases in rent, to the extent that Borrower, at Borrower's sole and absolute discretion, believes that such increases may be detrimental to the operation of the Project. In the event that Borrower elects to forego all or part of a rental increase otherwise permitted hereunder, it may impose such increase in future years provided that (x) the rents as so increased would exceed the maximum permitted under the then applicable computation formula, and (y) the increase, when aggregated with any other permitted increases for the year in which imposed will not result in an increase of rental for the year in excess of six percent (6%). Permitted rent increases shall be effective on the Anniversary or on the expiration of any rental increase notice period required by law, whichever is later.

(vii) Limitation on Rent Increases. Notwithstanding the provisions of Subsection 6b(vi), any rental increase permitted by Subsection 6b(vi) shall not be made if, and to the extent, the rent to be charged any person who is in occupancy of a Unit at the time of a rent increase permitted by Subsection 6b(vi) exceeds the current affordable rent (including a reasonable allowance for utilities) that may be charged for very low, lower, or moderate income persons under Health & Safety Code Section 50053. The rental category (i.e. very low, lower, or moderate income) under which the occupant of the Unit originally qualified to rent the Unit shall govern the "affordable rent" (as defined in Subsection 6b(iv)) to be charged for rental of the Unit.

(viii) Rental Reductions. Contractual rents shall be reduced if the bases for calculation shall be reduced as the result of local survey or Federal regulation or rule.

(ix) Successor Tenants Rents. The rent for qualified successor tenants (applicants approved for occupancy) upon the vacancy of a Unit shall be equal to the rent paid for such Unit by the tenant immediately prior to the vacancy, provided, however, that if the vacant Unit is to be rented to a senior citizen in a different income category (e.g., from a lower income former tenant to a moderate income successor tenant or *vice versa*) then the rent to be paid for such Unit by the successor tenant shall be equal to the current rent being paid for Units in the same income category (i.e. very low, lower, or moderate income) at the time the vacancy is filled.

(x) Annual Report. Borrower shall submit to Agency annually, on or before June 30 of each calendar year, a report setting forth the rental rate of all Units and the income and number of known occupants of all Units. The income information required by this Section shall be supplied by the tenants of the Units in a certified statement on a form from time to time provided by the Agency.

c. Rights of Agency. The Agency shall have the continuing right during the term hereof to verify that the restrictions, limitations and requirements of this Section are being complied with and to establish and/or continue a low and moderate income (as defined in California Health and Safety Code Section 50093) housing program at the project.

7. MANAGEMENT OF THE PROPERTY

a. Operation, Maintenance and Repair. Developer shall have full responsibility for the operation and maintenance of the Improvements throughout the duration of the period provided for in Section 2 and shall perform all repairs, maintenance and replacements necessary to maintain and preserve the Improvements in a first class, safe and sanitary condition, in a manner satisfactory to the Agency and in compliance with all applicable laws. Developer's responsibilities shall include, but not limited to, hiring and discharge of employees, salary of employees, maintenance and repairs including capital expenditures, the financial operations of the Project, the rental of the apartment units and all operational, maintenance and management responsibilities of an owner of a multi-residential housing project.

Developer shall maintain the Improvements and landscaping within the public rights of way, if any, which may abut the Site throughout the term of this Agreement without expense to the Agency, and shall perform all repairs and replacements necessary to maintain and preserve said Improvements and landscaping in a first-class, decent, safe, sanitary, attractive, and healthy condition in a manner reasonably satisfactory to the Agency and in compliance with all applicable laws, and shall keep the Site free from any accumulation of debris or waste materials.

The complete work of any reconstruction or replacement shall be at least equal in value, quality and utility to the condition of the Improvements or landscaping before the event giving rise to the work.

Developer, its successors and assigns, shall, for the entire period set forth in Section 2 hereof (as such period may be extended pursuant hereto), establish and maintain an operating reserve and a reserve for replacements and there shall be allocated thereto from operating income, annually, an amount equal to five percent (5%) of the budgeted gross income of the Project, including not less than three percent (3%) to be allocated to the reserve for replacements. Disbursements may be made from such reserve accounts only to the extent that the

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normal recurring income and other funds (e.g., insurance proceeds) available from the Project are insufficient to meet operating and repair and replacement needs of the Project. The amount of the annual contribution may be varied and a maximum aggregate reserve may be established with the prior written consent of the Agency staff if it can be shown to the reasonable satisfaction of Agency staff the either the annual contribution or the aggregate amounts retained in such reserves exceeds the amounts normal in the industry for similar projects, similarly situated.

b. Leasing and Occupancy. The leasing and occupancy of the Units shall be in accordance with the approved Management Plan, attached to the RLA. Any modifications or changes to the Management Plan shall be submitted to the Executive Director of the Agency for approval. The Management Plan shall include the tenant selection criteria, procedures for tenant selection and the establishment and maintenance of waiting lists, the lease and rental agreement, a copy of the House and Ground Rules adopted for the Project and all policies and procedures to be used to ensure compliance with the age, income, and any other requirements set forth as conditions for eligibility or occupancy in the Project and shall be consistent with the terms and conditions of this Agreement. The units shall be leased under Rental Agreements substantially in the form attached to the RLA, as supplemented by the provisions and requirements of Sections 5d and 5e hereof. Any modifications or changes in the Rental Agreements shall be submitted to the Executive Director of the Agency for approval.

Agency shall review and approve all policies and procedures established for the successful management of the Project. Subject to the rights of the occupants of the Units, Agency shall have the right to perform an annual on-site inspection of the Units, common areas and grounds and to perform an annual tenant file review to ensure that Developer is managing the Project in accordance with the eligibility requirements set forth for occupancy.

c. Pre-Leasing. Developer shall perform all advertising and related pre-leasing work as set forth in the approved Management Plan.

d. Management of Project. Developer shall be completely responsible for the management, administration and operation of the Project including, but not limited to the hiring and discharge of employees, salaries and all other related project expenses, maintenance and repairs, including capital expenditures, the financial operations of the Project, the rental and re-rental of the apartment units in accordance with the occupancy requirements set forth in this Agreement and all operational, maintenance and management responsibilities of an

98 1896440

owner in a typical multi-family residential housing project operated as housing for the elderly.

e. Management Fee. Developer may employ a management company (the "Management Company") to perform certain obligations of Developer hereunder with respect to the management and operation of the Project consistent with the Management Agreement attached to the RLA and any approved amendments thereto.

As consideration for performing the management tasks described herein, Developer shall be entitled to receive six percent (6%) of monthly gross income (for this purpose any monthly subsidy provided for in the RLA shall be deemed a part of monthly gross income) derived from the operation of the Project (the "Management Fee"). The Management Fee is intended to cover all of Management Company's office overhead and administration expenses associated with the supervision and oversight of the management of the property, including without limitation, secretarial, accounting, telephone, travel, etc. However, the Management Fee does not include the costs of on-site management expenses, including the cost of an on-site property manager and on-site maintenance and other operational expenses normally associated with the property. The Management Fee may be withdrawn by Developer monthly as a cost of operation. Developer shall not be entitled to receive a management fee in excess of the percentage permitted in this Section 7e.

f. Management Agency's Failure to Perform. In the event the Management Agency appointed by Developer fails to perform the obligations imposed upon Developer by this Article 6 hereof such failure shall constitute a default under Section 11 hereof, and if Developer shall fail to cure such default as provided in Section 11, then Agency shall have the right, in addition to any other remedies of Agency, to require Developer to appoint a substitute Management Agency, reasonably acceptable to Agency.

g. Public Agency Rights of Access for Construction, Repair and Maintenance of Public Improvements and Facilities. Agency for itself and for the City and/or other public agencies at their respective sole risk and expense, reserves the right to enter the Site or any part thereof, at all reasonable times and with as little interference as possible, for the purposes of inspection, construction, reconstruction, maintenance, repair or service of any public facilities located or to be located on the Site. Any such entry shall be made only after reasonable notice to Developer. Any damages or injury to the Site or to the improvements thereon resulting from such entry shall be the responsibility of the public agency making or in whose behalf the entry is made.

8. MODIFICATION OR ELIMINATION OF COVENANTS, RESERVATIONS AND RESTRICTIONS. Agency and its successors and assigns, and Borrower and his successors and assigns shall have the right to consent and agree to changes in, or to eliminate in whole or in part, any of the covenants, reservations and restrictions contained in this Regulatory Agreement without the consent of any tenant, lessee, easement holder, licensee, mortgagee, trustee, beneficiary under a deed of trust or any other person or entity having any interest less than a fee in the Property.

9. PROHIBITED ACTS. Borrower shall not permit the use of the dwelling units at the Property for any purpose except as set forth herein. To that end, Borrower shall not permit any transient use, or permit any commercial use, of the Property except as approved by Agency in writing.

10. ACCOUNTING TO AGENCY.

a. The books and accounts of the Property shall be kept in conformity with generally accepted accounting practices.

b. Borrower shall submit to Agency annually, on or before June 30 of each calendar year, a report setting forth the rental rate of all Units and the income and number of known occupants of all Units. The income information required by this Section shall be supplied by the tenants of the Units in a certified statement on a form from time to time provided by Agency.

c. Borrower shall provide Agency an accounting report showing the rents and periods of time each unit was rented. The report shall include a reconciliation of the total subsidy drawn during the applicable period and the amount of any subsidy to be rebated for such period. The first accounting period for which a report shall be made shall end on the last day of the month in which all of the Units have been initially rented to the first occupants. An accounting shall be made to Agency within 30 days of such date. Thereafter, an annual accounting shall be made within 30-days of the yearly anniversary of the end of the month for which the first accounting report was made.

d. Borrower shall maintain a complete and accurate rent roll listing all rental units, with very low/lower income units and the moderate income Units listed separately, the names of all tenants, the dates of their tenancies and the amounts of rents charged and collected.

e. Agency, its agents and employees, shall have the right, after reasonable notice, to review and inspect, at reasonable times during business hours, the books, records and accounts of Borrower specifically regarding the Property, from and after the date of the recordation of this Regulatory Agreement and until the expiration of this Regulatory Agreement.

11. VIOLATION OF REGULATORY AGREEMENT AND/OR RLA BY BORROWER.

a. Borrower shall perform each and every obligation set forth in this Regulatory Agreement and the RLA between Borrower and Agency respecting the Property.

b. In the event of the violation by Borrower of any of the provisions of this Regulatory Agreement or, the RLA, Agency shall give written notice thereof to Borrower by registered mail addressed to Borrower at the address stated in this Regulatory Agreement, or to such other address as may have been designated by Borrower. If such violation is not cured to the satisfaction of Agency within thirty (30) days after the date such notice is received, or if such violation is a non-monetary obligation that cannot reasonably be cured within such 30 day period, then if Borrower fails to commence to cure such violation within said 30 day period and fails diligently to prosecute such cure to completion as soon as reasonably possible but, in not event, no later than six (6) months after receipt of notice of such violation, Agency may without further notice, declare in writing a default under this Regulatory Agreement effective on the date of such declaration of default, and upon any such declaration of default Agency may apply to any court, State or Federal, for specific performance of this Regulatory Agreement; for an injunction against any violation by Borrower of this Regulatory Agreement or of the RLA and for the appointment of a receiver to take over and operate the Property in accordance with the terms of this Regulatory Agreement or the RLA, or for such other relief as may be appropriate.

c. The remedies of Agency herein, or under any other instrument providing for or evidencing the financial assistance provided herein, are cumulative, and the exercise of one or more of such remedies shall not be deemed an election of all remedies and shall not preclude the exercise by Agency of any one or more of its other remedies.

d. At Borrower's request, Agency shall provide by mail copies of any notice of any violation to all other lien holders, if any, of whom Agency has written notice, at the address for notices most recently provided by Borrower or such lien holders for such notices, and such parties shall have the same right to cure Borrower's defaults hereunder on behalf of Borrower.

12. SUBORDINATION OF THIS REGULATORY AGREEMENT. In the event that any provision of this Regulatory Agreement in any way tends to contradict, modify or in any way change the terms of any senior recorded trust deeds, mortgages, or other loan

agreements encumbering the Property as permitted by the RLA, including both construction loans and long term loans, Borrower's compliance with such conflicting or contradictory terms of superior trust deeds, mortgages or loan agreements shall not be a default hereunder. Notwithstanding the foregoing, no provision hereof shall be construed as being in conflict with or contradicting a superior instrument if the obligations arising hereunder merely require a higher standard of performance than is required under a superior instrument.

13. GENERAL PROVISIONS.

a. This Regulatory Agreement represents the entire agreement of the parties hereto with respect to the subject matter hereof and may not be altered or amended except by writing executed between the parties to be charged.

b. If any term, covenant, condition or provision of this Regulatory Agreement, or the application thereof to any circumstance, shall, at any time or to any extent, be determined by a court of competent jurisdiction to be invalid or unenforceable, then the remainder of this Regulatory Agreement, or the application thereof to circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby and each term, covenant, condition and provision of this Regulatory Agreement, shall be valid and enforceable, to the fullest extent permitted by law.

c. The use of the plural in this Regulatory Agreement shall include the singular and the singular shall include the plural, and the use of one gender shall be deemed to include all genders.

d. No waiver by Agency of any breach of or default under this Regulatory Agreement shall be deemed to be a waiver of any other or subsequent breach thereof or default hereunder.

e. This Regulatory Agreement and all related documents shall be deemed to be contracts made and delivered in the State of California and shall be governed and construed and interpreted in accordance with the laws of said State. Headings and titles herein are for convenience only and shall not influence any construction or interpretation.

f. Any notice required to be given hereunder shall be given by certified or registered mail, postage prepaid, return receipt requested, at the addresses specified below, or at such other addresses as may be specified in writing by the parties hereto as follows:

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If to the Agency: CARSON REDEVELOPMENT AGENCY
701 East Carson Street
Carson, California 90745

with a copy to: RICHARDS, WATSON & GERSHON
333 South Hope Street
Thirty-Eighth Floor
Los Angeles, California 90071
Attention: Mark L. Lamken
Assistant Agency Attorney
Telephone No. (213) 626-8484

If to the Borrower: Carson Terrace, L.P.
c/o Los Angeles Housing Partnership, Inc.
515 South Figueroa Street, Suite 940
Los Angeles, California 90071

with a copy to:

Any party or copy addressee may change its address for service of notice by giving written notice thereof to the other party(ies) and copy addressee(s) in accordance herewith.

g. This Regulatory Agreement may be simultaneously executed in multiple counterparts, all of which shall constitute one and the same instrument, and each of which shall be deemed to be an original.

14. <u>RECORDING AND FILING</u>.

This Regulatory Agreement shall, at the expense of Borrower, be acknowledged by each of the parties and recorded by Agency in the Official Records of the County of Los Angeles. This Regulatory Agreement shall be indexed in the grantor index in the name of Borrower and in the grantee index in the name of Agency.

IN WITNESS WHEREOF, the parties hereto have entered into this Regulatory Agreement as of the day and year first above written.

CARSON REDEVELOPMENT AGENCY, a public body, corporate and politic

By: ______________________
Chairperson

Attest:

By: ______________________
Secretary

"Agency"

Approved as to Form:

RICHARDS, WATSON & GERSHON, a professional corporation
Agency Counsel

By: ______________________

CARSON TERRACE, L.P., a California limited partnership

By: Los Angeles Housing Partnership, Inc., a California public benefit nonprofit corporation, Partner

By: ______________________
Louis J. Bernardy
President

"Borrower"

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CONTINENTAL

OCT 16 1998

in the name of Borrower and in the grantee index in the name of Agency.

IN WITNESS WHEREOF, the parties hereto have entered into this Regulatory Agreement as of the day and year first above written.

CARSON REDEVELOPMENT AGENCY, a public body, corporate and politic

By: Kay A. Calas
Chairperson

Attest:

By: Helen H. Kawagoe (ms)
Secretary

"Agency"

CARSON TERRACE, L.P., a California limited partnership

By: Los Angeles Housing Partnership, Inc., a California public benefit nonprofit corporation, Partner

By: [signature]
Louis J. Bernardy
President

"Borrower"

Approved as to Form:

RICHARDS, WATSON & GERSHON, a professional corporation
Agency Counsel

By: [signature]

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CONTINENTAL

OCT 16 1998

STATE OF CALIFORNIA
COUNTY OF Los Angeles

On Sept. 23, 1998, before me, Linda S. Smith, a Notary Public, personally appeared Louis J. Bernardy, ~~personally known to me (or~~ proved to me on the basis of satisfactory evidence) to be the person(~~s~~) whose name(~~s~~) is/~~are~~ subscribed to the within instrument ~~and acknowledged~~ to me that he/~~she/they~~ executed the same in his/~~her/their~~ authorized capacity(~~ies~~), and that by his/~~her/their~~ signature(~~s~~) on the instrument the person(~~s~~), or the entity upon behalf of which the person(~~s~~) acted, executed the instrument.

WITNESS my hand and official seal.

Signature Linda S. Smith

LINDA S. SMITH
Commission # 1164083
Notary Public - California
Los Angeles County
My Comm. Expires Dec 5 200

(seal)

STATE OF CALIFORNIA
COUNTY OF

On ____________, 19__, before me, ____________, a Notary Public, personally appeared ____________, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature ____________

(seal)

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CONTINENTAL

OCT 16 1998

STATE OF CALIFORNIA
COUNTY OF Los Angeles

On Sept. 23, 1998, before me, Linda S. Smith, a Notary Public, personally appeared Louis J. Bernardy, ~~personally known to me (or~~ proved to me on the basis of satisfactory evidence) to be the person~~(s)~~ whose name~~(s)~~ is/~~are~~ subscribed to the within instrument and acknowledged to me that he/~~she/they~~ executed the same in his/~~her/their~~ authorized capacity~~(ies)~~, and that by his/~~her/their~~ signature~~(s)~~ on the instrument the person~~(s)~~, or the entity upon behalf of which the person~~(s)~~ acted, executed the instrument.

WITNESS my hand and official seal.

Signature Linda S. Smith

LINDA S. SMITH
Commission # 1164083
Notary Public - California
Los Angeles County
My Comm. Expires Dec 5 2001

(seal)

STATE OF CALIFORNIA
COUNTY OF

On October 1, 1998, before me, Rosemary R. Naval, a Notary Public, personally appeared Ray A. Calas, personally known to me ~~(or proved to me on the basis of satisfactory evidence)~~ to be the person~~(s)~~ whose name~~(s)~~ is/~~are~~ subscribed to the within instrument and acknowledged to me that ~~he~~/she/~~they~~ executed the same in ~~his~~/her/~~their~~ authorized capacity~~(ies)~~, and that by ~~his~~/her/~~their~~ signature~~(s)~~ on the instrument the person~~(s)~~, or the entity upon behalf of which the person~~(s)~~ acted, executed the instrument.

WITNESS my hand and official seal.

Signature Rosemary R. Naval

ROSEMARY R. NAVAL
Commission # 1165371
Notary Public - California
Los Angeles County
My Comm. Expires Dec 12 2001

(seal)

ROSEMARY R. NAVAL
Commission # 1165371
Notary Public - California
Los Angeles County
My Comm. Expires Dec 12 2001

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CONTINENTAL

OCT 16 1998

Exhibit "A"

Legal Description of the Property

That certain real property located in the City of Carson, County of Los Angeles, State of California, described as follows:

Parcel 1: The easterly 50 feet of the westerly 277 feet of Lot 34 of Tract 2982, in the City of Carson, County of Los Angeles, State of California, as per map recorded in Book 35, page 31, of Maps, in the office of the County Recorder of Los Angeles County, California.

Parcel 2: The easterly 100 feet of the westerly 377 feet of Lot 34 of Tract 2982, in the City of Carson, County of Los Angeles, State of California, as per map recorded in Book 35, page 31, of Maps, in the office of the County Recorder of Los Angeles County, California.

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Addendum E:
Comparable Improved Sale Data Sheets

Rosewood Park Senior Apartments
2230 S. Eastern Avenue
Commerce CA 90040-1441
MSA: Los Angeles-Long Beach
Los Angeles County

Submarket:	N/A
Property Type:	Multi-Family
Property Subtype:	Age Restricted
Classification:	N/A
ID:	417351
Tax Number(s):	6335-029-049

PROPERTY INFORMATION

Site Area (Acres):	2.11	Number of Units:	94
Site Area (Sq.Ft.):	92,077	Average Unit Size:	613
Gross Bldg Area:	57,680	Number of Buildings:	1
Net Bldg Area:	57,680	Number of Stories:	2
Year Built:	1981	Class:	B
Last Renovation:	N/A	Number of Parking Spaces:	60
Quality:	N/A	Parking Ratio:	0.64:1,000
Condition:	Good	Resident Type:	Subsidized
Density (Units/Acre):	N/A		

SALE INFORMATION

Status:	Recorded Sale	OAR:	N/A
Sale Date:	6/2017	NOI:	N/A
Sale Price:	$12,850,000	NOI per Sq.Ft.:	N/A
Price per Sq.Ft.:	$222.78	NOI per Unit:	N/A
Price per Unit:	$136,702	Occupancy:	N/A
Value Interest:	Leased Fee	Expense Ratio:	N/A
Grantor:	: Fairmont Management Company	EGIM:	N/A
Grantee:	Positive Investments, Inc		
Financing:	N/A		
Condition of Sale:	Arm's Length		

VERIFICATION COMMENTS

N/A

COMMENTS

Property is comprised of 72 1BR/1BA units and 22 2BR/1BA units. The buyer purchased the property to continue using as affordable apartments for seniors.

Rancho Creek Apartments
28464 Felix Valdez Ave
Temecula CA 92590
MSA: Riverside-San Bernardino
Riverside County

Submarket:	N/A
Property Type:	Multi-Family
Property Subtype:	Affordable Housing
Classification:	N/A
ID:	370668
Tax Number(s):	N/A

PROPERTY INFORMATION

Site Area (Acres):	1.30	Number of Units:	30
Site Area (Sq.Ft.):	56,628	Average Unit Size:	833
Gross Bldg Area:	25,000	Number of Buildings:	3
Net Bldg Area:	25,000	Number of Stories:	2
Year Built:	1988	Class:	C
Last Renovation:	N/A	Number of Parking Spaces:	N/A
Quality:	Average	Parking Ratio:	N/A
Condition:	Average	Resident Type:	Subsidized
Density (Units/Acre):	23.08		

SALE INFORMATION

Status:	Recorded Sale	OAR:	5.30%
Sale Date:	5/2017	NOI:	$161,650
Sale Price:	$3,050,000	NOI per Sq.Ft.:	N/A
Price per Sq.Ft.:	$122.00	NOI per Unit:	$5,388
Price per Unit:	$101,667	Occupancy:	100.00%
Value Interest:	Leased Fee	Expense Ratio:	N/A
Grantor:	Kenneth W & Betty J Follis	EGIM:	9.60
Grantee:	1717 Sunset Plaza Drive LLC		
Financing:	N/A		
Condition of Sale:	None		

VERIFICATION COMMENTS

Confirmed

COMMENTS

All 30 units were occupied at time of sale. This was an exchange for the buyer. The property is comprised of 10 1BR/1BA units and 20 2BR/1BA units.

Claremont Villas Senior Community
100 S Indian Hill Blvd
Claremont CA 91711
Los Angeles County

Submarket:	N/A
Property Type:	Multi-Family
Property Subtype:	N/A
Classification:	N/A
ID:	385225
Tax Number(s):	8313-024-022

PROPERTY INFORMATION

Site Area (Acres):	2.89	Number of Units:	154
Site Area (Sq.Ft.):	125,888	Average Unit Size:	503
Gross Bldg Area:	79,769	Number of Buildings:	5
Net Bldg Area:	79,769	Number of Stories:	2
Year Built:	1994	Class:	C
Last Renovation:	N/A	Number of Parking Spaces:	118
Quality:	Average	Parking Ratio:	0.77:1,000
Condition:	Average	Resident Type:	Subsidized
Density (Units/Acre):	53.29		

SALE INFORMATION

Status:	Recorded Sale	OAR:	5.50%
Sale Date:	5/2016	NOI:	$973,500
Sale Price:	$17,700,000	NOI per Sq.Ft.:	N/A
Price per Sq.Ft.:	$221.89	NOI per Unit:	$6,321
Price per Unit:	$114,935	Occupancy:	94.10%
Value Interest:	Leased Fee	Expense Ratio:	N/A
Grantor:	Monatiquot Village Associates, L.P.	EGIM:	10.98
Grantee:	Claremont Villas, L.P.		
Financing:	Seller Financed		
Condition of Sale:	Arm's Length		

VERIFICATION COMMENTS

Otto Ozen, The Mogharebi Group (909) 235-7886

COMMENTS

On May 26, 2016, an affiliate of Security Properties, Inc. completed the sale of 100 S. Indian Hill Boulevard, a 154-unit Senior apartment community in Claremont, California. Positive Investments, Inc. paid $17.7 million to acquire this property. Built in 1994, the improvements are well positioned on a 2.89-acre parcel, equating to a comfortable 53.3 units/acre. The property features 154-garden styles units with a well-diversified unit mix that is perfectly suited for senior tenants (24 studios, 119 1BR/1BA units, 10 2BR/1BA units and 1 3BR/1BA unit). The property features modern 1994 construction with beautifully landscaped corridors and a host of common area amenities. Claremont is located 30 miles east of Downtown Los Angeles and is best known for its historic buildings, college campuses, and tree-lined streets. Residents can easily access the 10 and 210 Freeways from Indian Hill Boulevard. These two freeways provide direct access to the 71, 57 and 60 Freeways in addition to the surrounding communities and the greater Southern California region.

The property amenities include a clubhouse, Gated entry, pool/spa, laundry facilities and BBQ area. The unit mix at this property is studio (16%), 1-bedroom (77%), 2-bedroom (6%) and 3-bedroom (1%) units

IMPROVED SALE COMPARABLE 4

Bellflower Friendship Manor 62+ Community
9550 Oak St
Bellflower CA 90706-5244
MSA: Los Angeles-Long Beach
Los Angeles County

Submarket:	N/A
Property Type:	Multi-Family
Property Subtype:	Age Restricted
Classification:	N/A
ID:	314592
Tax Number(s):	7106-002-028

PROPERTY INFORMATION

Site Area (Acres):	1.43	Number of Units:	144
Site Area (Sq.Ft.):	62,125	Average Unit Size:	1,091
Gross Bldg Area:	157,120	Number of Buildings:	1
Net Bldg Area:	157,120	Number of Stories:	8
Year Built:	1973	Class:	C
Last Renovation:	N/A	Number of Parking Spaces:	60
Quality:	Average	Parking Ratio:	0.42:1,000
Condition:	Average	Resident Type:	Subsidized
Density (Units/Acre):	N/A		

SALE INFORMATION

Status:	Recorded Sale	OAR:	5.25%
Sale Date:	11/2015	NOI:	$1,005,375
Sale Price:	$19,150,000	NOI per Sq.Ft.:	$6.40
Price per Sq.Ft.:	$121.88	NOI per Unit:	$6,982
Price per Unit:	$132,986	Occupancy:	99.00%
Value Interest:	Leased Fee	Expense Ratio:	N/A
Grantor:	Bellflower Friendship Manor	EGIM:	N/A
Grantee:	Bellflower FM Community Partners, LP		
Financing:	N/A		
Condition of Sale:	None		

VERIFICATION COMMENTS

N/A

COMMENTS

The affordable community serves seniors with limited incomes. The buyer is a company that preserves affordable housing properties. The property was fully leased at the time of sale. A 5.25% cap rate was reported. Operating expenses and taxes were approximately $4,600 per unit. The buyer financed this acquisition with multiple sources which included bond financing.

Vista Alicante (Senior Affordable)
15811 Alicante Rd
La Mirada CA 90638-3200
MSA: Los Angeles-Long Beach
Los Angeles County

Submarket:	N/A
Property Type:	Multi-Family
Property Subtype:	Age Restricted
Classification:	N/A
ID:	53772
Tax Number(s):	8037-027-054

PROPERTY INFORMATION

Site Area (Acres):	3.22	Number of Units:	100
Site Area (Sq.Ft.):	140,254	Average Unit Size:	577
Gross Bldg Area:	79,372	Number of Buildings:	N/A
Net Bldg Area:	57,720	Number of Stories:	2
Year Built:	1995	Class:	B
Last Renovation:	N/A	Number of Parking Spaces:	N/A
Quality:	Average	Parking Ratio:	N/A
Condition:	Average	Resident Type:	Subsidized
Density (Units/Acre):	32.00		

SALE INFORMATION

Status:	Recorded Sale	OAR:	4.66%
Sale Date:	8/2015	NOI:	$668,710
Sale Price:	$14,350,000	NOI per Sq.Ft.:	$8.43
Price per Sq.Ft.:	$180.79	NOI per Unit:	$6,687
Price per Unit:	$143,500	Occupancy:	100.00%
Value Interest:	Leased Fee	Expense Ratio:	N/A
Grantor:	SA Vista Alicante LP	EGIM:	N/A
Grantee:	Mariman & Company		
Financing:	N/A		
Condition of Sale:	None		

VERIFICATION COMMENTS

Naomi Puentes of QRM management (562-943-3140) confirmed the sale

COMMENTS

Property is comprised of 85 1BR/1BA units and 15 2BR/1BA units. The property was developed with tax credits yet all tax credits have expired. At the time of sale, the management reported that all units were LIHTC restricted (50 and 60 percent of AMI) and that there were 12 Section 8 tenants on the rent roll. Amenities at the project include a pool, sauna and clubhouse, yet no fitness center. The property is located along a main arterial, yet is not easily walkable to supporting services and retail. Occupancy was reported at 100 percent with multi-year waiting list. The capitalization rate of 4.66 percent represented no upside potential in rents.

Addendum F:
Qualifications of the Appraisers

Dan Gabay, MAI Senior Director

Valuation & Advisory
Practice Group Member | Multifamily
Cushman & Wakefield Western, Inc.

Professional Expertise

Mr. Gabay joined Valuation & Advisory of Cushman & Wakefield Western, Inc. in 2006. His experience includes valuation assignments covering a wide range of property types: apartments, proposed condominium developments, proposed residential subdivision developments, manufactured housing communities, industrial, self storage, commercial and vacant land.

Prior to joining Cushman & Wakefield he was employed by The Sonne Group, Inc., a full service real estate appraisal and consulting company (2004 to 2006) where he specialized in appraising proposed multifamily developments. Mr. Gabay also owned and operated a residential real estate appraisal business (1992 to 2005), specializing in single family homes and two to four unit income properties in Southern California. He began his career in real estate appraisal in 1986.

Appraisal and consulting assignments have included all major property types throughout Southern California. He has served financial institutions with experience in apartments, proposed condominium developments, commercial retail, industrial, self storage, mobile home parks and vacant land. He has analyzed fee simple, leased fee, and leasehold interests with respect to market value and prospective definitions. He has specialized experience in residential uses (proposed condominium developments, apartments, residential land and manufactured housing communities). Additionally he has been involved in the property tax appeal process for multifamily properties in Southern California.

Memberships, Licenses, Professional Affiliations and Education

- Designated Member, Appraisal Institute (MAI #13676). As of the current date, Dan Gabay, MAI has completed the requirements of the continuing education program of the Appraisal Institute.
- Certified General Real Estate Appraiser in the following state:
  - California – AG003405
- Bachelor of Science, Marylhurst University

CALIFORNIA

Business, Consumer Services & Housing Agency
BUREAU OF REAL ESTATE APPRAISERS
REAL ESTATE APPRAISER LICENSE

Daniel J. Gabay

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

"Certified General Real Estate Appraiser"

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: AG 003405

Effective Date: December 17, 2016
Date Expires: December 16, 2018

Jim Martin, Bureau Chief, BREA

3031444

CUSHMAN & WAKEFIELD

Michele L. Kauffman, MAI Executive Managing Director

Valuation & Advisory
Practice Group Leader | Multifamily
Cushman & Wakefield of Western, Inc.

Professional Expertise

Ms. Kauffman is the Southern California Regional Manager, and is a co-leader of the national Multifamily Practice Group. Based in Los Angeles, the central focus of her work is the valuation of development sites and residential and special purpose properties. Ms. Kauffman specializes in projects with unique land planning and entitlement issues. She also advises clients on highest and best use issues and prepares market studies and feasibility analysis for land investment opportunities. Since 1999, her focus has been on urban infill development in Southern California.

Central to her practice is the valuation of Low Income Housing, New Market and Historic Preservation Tax Credits, bond financed properties, affordable housing, SROs and student housing. She has a keen understanding of the public/private partnership structures that are used to facilitate urban development and has appraised leased fee and leasehold positions in multiple ground leased assets throughout Los Angeles. Ms. Kauffman has also provided consulting and/or valuation services for clients with substantial holdings including the U.S. General Services Administration, State of California, local governments, publicly traded REITs, pension funds, private partnerships, local developers and family trusts. Ms. Kauffman is qualified as an expert witness in the Los Angeles County Superior Court and in U.S. Bankruptcy Court.

Memberships, Licenses, Professional Affiliations and Education

- Designated Member, Appraisal Institute (MAI #14502). As of the current date, Michele L. Kauffman, MAI has completed the requirements of the continuing education program of the Appraisal Institute.
- Certified General Real Estate Appraiser in the following states:
  - California – AG042324
  - Hawaii – CGA 1124
- Master of Planning, University of Virginia
- Bachelor of Arts, Duquesne University

Special Awards

- Recipient, Cushman & Wakefield's Mentorship Award in Southern California, 2014
- Recipient, Frank Liantonio Award for Professional Excellence, 2007
- Ms. Kauffman was a member of Cushman & Wakefield's Top Valuation Services Team in Southern California for 2000, 2002, 2003, 2004 and 2006

CALIFORNIA

Business, Consumer Services & Housing Agency
BUREAU OF REAL ESTATE APPRAISERS
REAL ESTATE APPRAISER LICENSE

Michele L. Kauffman

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

"Certified General Real Estate Appraiser"

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: AG 042324

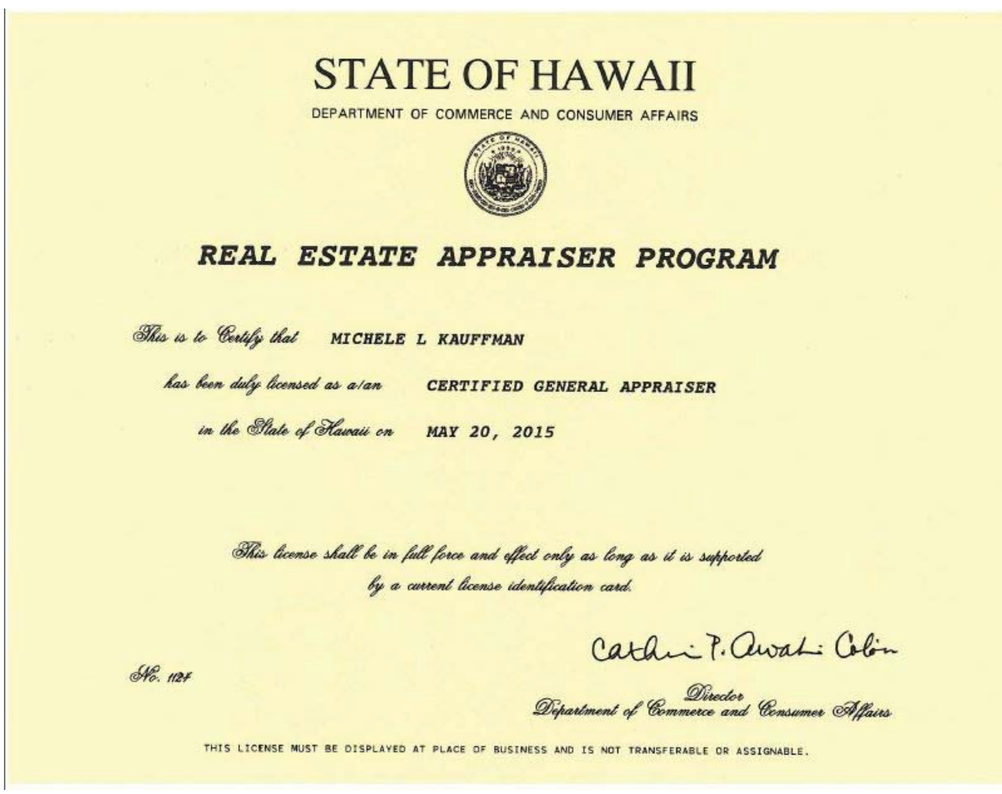
Effective Date: April 4, 2017
Date Expires: April 3, 2019

Jim Martin, Bureau Chief, BREA

3034085

THIS DOCUMENT CONTAINS A TRUE WATERMARK - HOLD UP TO LIGHT TO SEE "CHAIN LINK"

HAWAII



STATE OF HAWAII
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS

REAL ESTATE APPRAISER PROGRAM

This is to Certify that MICHELE L KAUFFMAN
has been duly licensed as a/an CERTIFIED GENERAL APPRAISER
in the State of Hawaii on MAY 20, 2015

This license shall be in full force and effect only as long as it is supported by a current license identification card.

No. 1124

Director
Department of Commerce and Consumer Affairs

THIS LICENSE MUST BE DISPLAYED AT PLACE OF BUSINESS AND IS NOT TRANSFERABLE OR ASSIGNABLE.