APPRAISAL REPORT

THE VARSITY AT UNIVERSITY OF BALTIMORE
30 W Biddle St
Baltimore, Maryland 21201
CBRE, Inc. File No. 14-081DC-0181.1

Mr. Matthew Anzideo
Senior VP
RAIT PARTNERSHIP LP, ITS SUCCESSORS AND ASSIGNS
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Philadelphia, Pennsylvania 19104

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CBRE

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March 20, 2014

Mr. Matthew Anzideo
Senior VP
RAIT PARTNERSHIP LP, ITS SUCCESSORS AND ASSIGNS
2929 Arch Street, 17th Floor, Cira Centre
Philadelphia, Pennsylvania 19104

RE: Appraisal of The Varsity at University of Baltimore
30 W Biddle St
Baltimore, Maryland
CBRE, Inc. File No 14-081DC-0181.1

Dear Mr. Anzideo:

At your request and authorization, CBRE, Inc. has prepared an appraisal of the market value of the referenced property. Our analysis is presented in the following appraisal report.

The subject is a 323-bedroom multi-family student housing property located at 30 W Biddle St in Baltimore, Maryland. The property consists of a single, 10-story apartment building. The improvements were constructed in 2012 and are situated on a 0.37-acre site.

As the subject is not currently stabilized, we have also estimated the value at stabilization.

Based on the analysis contained in the following report, the market value of the subject is concluded as follows:

MARKET VALUE CONCLUSION

Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
As Is	Leased Fee Interest	February 26, 2014	$37,700,000
As Stabilized	Leased Fee Interest	August 26, 2014	$37,900,000

Compiled by CBRE

The value conclusion presented includes Furniture, Fixtures and Equipment (FF&E), which is concluded to have a contributory value of $440,000.

The report, in its entirety, including all assumptions and limiting conditions, is an integral part of, and inseparable from, this letter.

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The following appraisal sets forth the most pertinent data gathered, the techniques employed, and the reasoning leading to the opinion of value. The analyses, opinions and conclusions were developed based on, and this report has been prepared in conformance with, the guidelines and recommendations set forth in the Uniform Standards of Professional Appraisal Practice (USPAP), the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute. It also conforms to Title XI Regulations and the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) updated in 1994 and further updated by the Interagency Appraisal and Evaluation Guidelines promulgated in 2010.

This report is addressed to RAIT Partnership, L.P. (RAIT), such other persons as may be designated by RAIT and their respective successors and assigns. Special Conditions include (i) the Report may be relied upon by RAIT in determining whether to make a loan evidenced by a note ("the Property Note") secured by the Subject Property, (ii) the Report may be relied upon by any purchaser in determining whether to purchase the Property Note from RAIT and any rating agency rating securities issued by or representing an interest in the Mortgage Note, (iii) the Report may be referred to in and included with materials offering for sale the Property Note or an interest in the Property Note, (iv) persons who acquire the Property Note or an interest in the Property Note may rely on the Report, (v) the Report speaks only as of its date in the absence of a specific written update of the Report.

This report is for the use and benefit of, and may be relied upon by, RAIT and any of their respective affiliates, agents and advisors, the initial and subsequent holders from time to time of any debt (or any portion thereof) and/or debt securities secured, directly and indirectly, by the property which is the subject of this report, by any participation interest in any such debt (or any portion thereof), and indenture trustee, servicer or other agent acting on behalf of such holders of such debt (or any portion thereof) and/or debt securities; any rating agencies; and the institutional provider(s) from time to time of any liquidity facility or credit support for such financings, and their respective successors and assigns.

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In addition, this report or a reference to this report, may be included or quoted in any offering circular, registration statement, private placement memorandum, prospectus or sales brochure (in either electronic or hard copy format) in connection with a securitization or transaction involving such debt (or any portion thereof) and or debt securities.

It has been a pleasure to assist you in this assignment. If you have any questions concerning the analysis, or if CBRE can be of further service, please contact us.

Respectfully submitted,

CBRE - VALUATION & ADVISORY SERVICES

Philip A. Mottola
Senior Appraiser
Maryland Cert. No. 31822

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Maryland Cert. No. 11053

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Certification

We certify to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in or bias with respect to the property that is the subject of this report and have no personal interest in or bias with respect to the parties involved with this assignment.
4. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
5. 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.
6. This appraisal assignment was not based upon a requested minimum valuation, a specific valuation, or the approval of a loan.
7. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice, as well as the requirements of the State of Maryland.
8. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
9. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
10. As of the date of this report, Elizabeth Woodman Thomas, MAI, MRICS has completed the continuing education program for Designated Members of the Appraisal Institute.
11. As of the date of this report, Philip A. Mottola has completed the Standards and Ethics Education Requirement of the Appraisal Institute for Candidates for Designation.
12. Philip A. Mottola has and Elizabeth Woodman Thomas, MAI, MRICS has not made a personal inspection of the property that is the subject of this report.
13. No one provided significant real property appraisal assistance to the persons signing this report.
14. Valuation & Advisory Services operates as an independent economic entity within CBRE, Inc. Although employees of other CBRE, Inc. divisions may be contacted as a part of our routine market research investigations, absolute client confidentiality and privacy were maintained at all times with regard to this assignment without conflict of interest.
15. Philip A. Mottola and Elizabeth Woodman Thomas, MAI, MRICS have not provided any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

Philip A. Mottola
Maryland Cert. No. 31822

Elizabeth Woodman Thomas, MAI, MRICS
Maryland Cert. No. 10086

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Subject Photographs

Aerial View

CBRE

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View of the Subject

View of the Subject

© 2014 CBRE, Inc.

Subject Rear Elevation

Typical Kitchen

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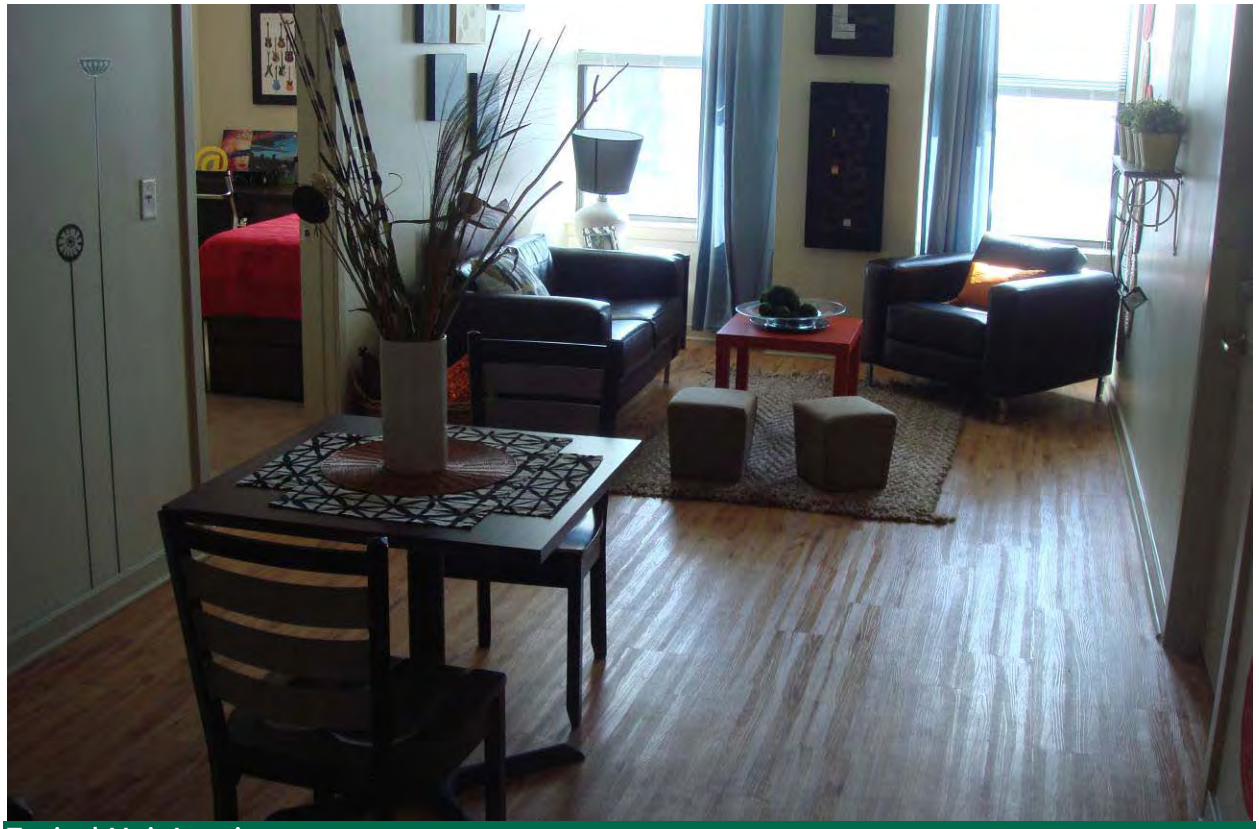

Typical Unit Interior

Typical Bedroom

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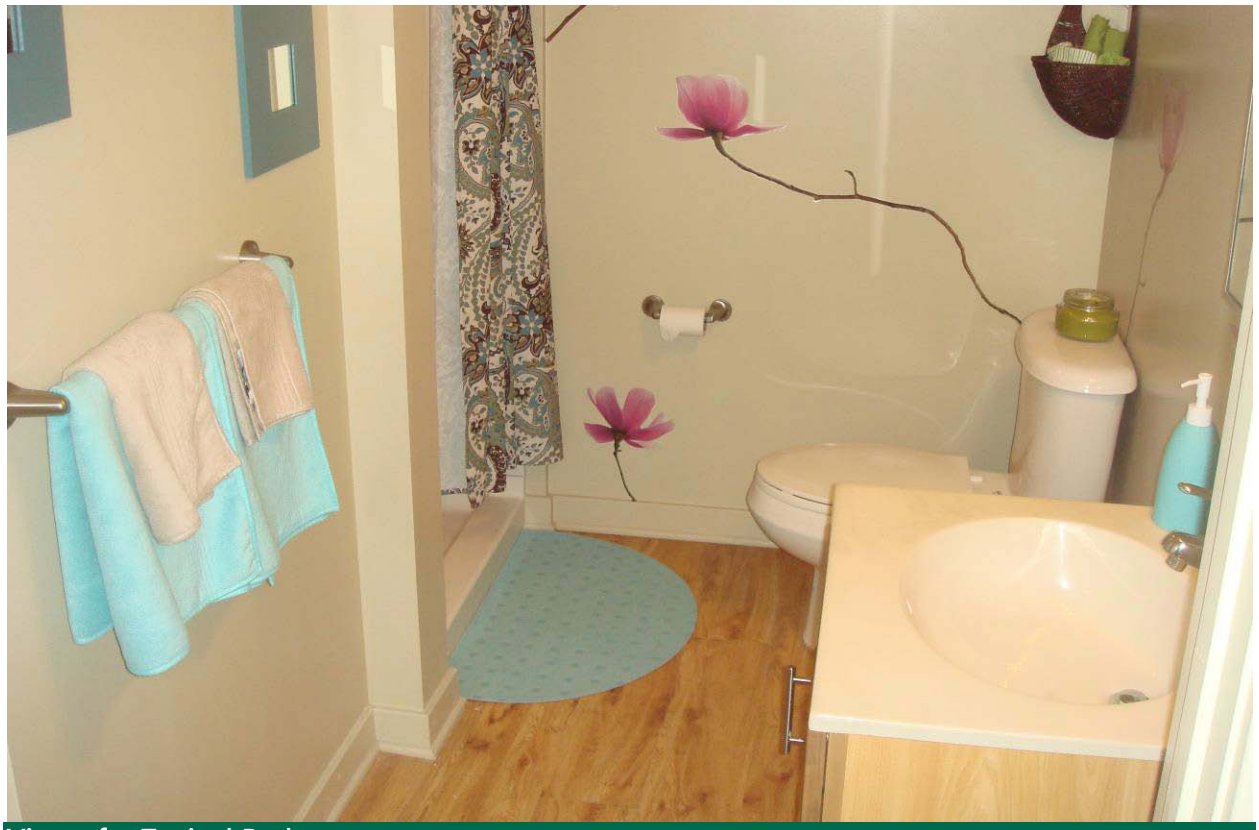
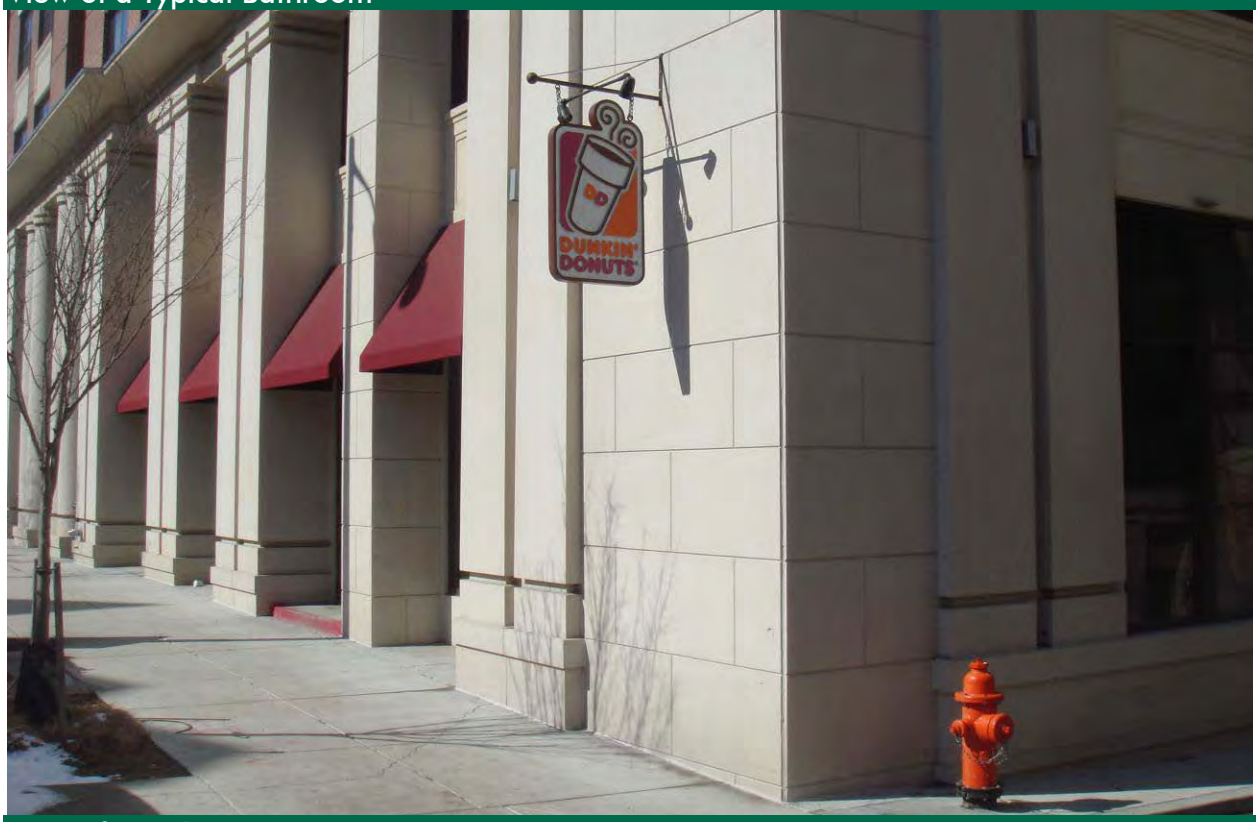


View of a Typical Bathroom



View of Retail Location

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Executive Summary

Property Name	The Varsity at University of Baltimore	
Location	30 W Biddle St, Baltimore, Maryland 21201	
Highest and Best Use		
As If Vacant	Apartment	
As Improved	Apartment	
Property Rights Appraised	Leased Fee Interest	
Land Area	0.37 AC	15,987 SF
Improvements		
Property Type	Apartment	(Multi-family Student Housing)
Number of Buildings	1	
Number of Stories	10	
Gross Building Area	129,780 SF	
Net Rentable Area	103,399 SF	
Number of Units	114	
Number of Bedrooms	323	
Average Unit Size	907 SF	
Year Built	2012	
Condition	Good	
Buyer Profile	Investor-National	
Financial Indicators		
Current Occupancy	84.5%	
Stabilized Occupancy	97.0%	
Stabilized Credit Loss	1.0%	
Overall Capitalization Rate	6.00%	

Pro Forma Operating Data	***Total***	***Per Unit***
Effective Gross Income	$3,625,530	$11,225
Operating Expenses	$1,490,312	$4,614
Expense Ratio	41.11%	
Net Operating Income	$2,135,218	$6,611

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VALUATION

		Total	*Per Unit*
Land Value		$4,000,000	$12,384
Market Value As Is On	**February 26, 2014**		
Cost Approach		$35,900,000	$111,146
Sales Comparison Approach		$37,300,000	$115,480
Income Capitalization Approach		$37,700,000	$116,718
Market Value As Stabilized On	**February 26, 2014**		
Cost Approach		$36,100,000	$111,765
Sales Comparison Approach		$37,500,000	$116,099
Income Capitalization Approach		$37,900,000	$117,337
Insurable Value		$16,900,000	$52,322

CONCLUDED MARKET VALUE

Appraisal Premise	Interest Appraised	Date of Value	Value
As Is	Leased Fee Interest	February 26, 2014	$37,700,000
As Stabilized	Leased Fee Interest	August 26, 2014	$37,900,000

Compiled by CBRE

Strengths, Weaknesses, Opportunities and Threats (SWOT)

Strengths and weaknesses are internal to the subject; opportunities and threats are external to the subject

Strengths/ Opportunities

- The subject is located within walking distance of a local university.
- The subject is new construction and is in good condition.
- Very few purpose-built student housing projects are in the immediate area.

Weaknesses/ Threats

- The subject is currently operating below stabilized occupancy.
- The subject does not include a pool.
- The subject does not include onsite parking.

Extraordinary Assumptions

An extraordinary assumption is defined as "an assumption directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal,

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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." [1]

- None noted

Hypothetical Conditions

A hypothetical condition is defined as "that which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis." [2]

- None noted

[1] Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 5th ed. (Chicago: Appraisal Institute, 2010), 73.

[2] *Dictionary of Real Estate Appraisal*, 97.

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B Improved Sale Data Sheets
C Rent Comparable Data Sheets
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E Lease-up Discount Schedule
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H Précis METRO Report - Economy.com, Inc.
I Client Contract Information
J Qualifications

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Introduction

Property Description

The subject is a 323-bedroom multi-family student housing property located at 30 W Biddle St in Baltimore, Maryland. The property consists of a single, 10-story apartment building. The improvements were constructed in 2012 and are situated on a 0.37-acre site.

Ownership and Property History

Title to the property is currently vested in the name of CS Potomac Associates LLC, who acquired title to the property from University Properties Inc. in July 2011 for $600,000, as recorded in Deed Book 13617, Page 216 of the City of Baltimore Deed Records. Discussions with an owner representative indicate that the seller, University Properties Inc., represented the UB Foundation (the endowment for the University of Baltimore). The foundation released an RFP for the subject land in 2009, and awarded the contract to CS Potomac Holdings LLC in 2010. The sales price was negotiated as part of the RFP response. Reportedly, the understanding between Potomac Holdings & UB Foundation was that the land would be developed as student housing; however there is no actual requirement (deed restriction, etc.) for the property to be operated as such. Based on the value conclusion indicated in this report, the land sale appears to be a below-market transaction.

Exposure/Marketing Time

The exposure/marketing time is a function of price, time, and use. It is not an isolated estimate of time alone. In consideration of these factors, we have analyzed the following:

EXPOSURE/MARKETING TIME DATA

Investment Type	Exposure/Mktg. (Months) Range	Average
PwC Apartment		
National Data	0.0 - 18.0	5.1
Student Housing Market Professionals	3.0 - 6.0	4.5
CBRE Exposure Time Estimate	**5 Months**	
CBRE Marketing Period Estimate	**5 Months**	

CBRE National Investor Survey & PwC Real Estate Survey

Premise of the Appraisal

The following table illustrates the various dates associated with the valuation of the subject, the valuation premise(s) and the rights appraised for each premise/date:

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PREMISE OF THE APPRAISAL		
Item	Date	Interest Appraised
Date of Report:	March 11, 2014	
Date of Inspection:	February 26, 2014	
Dates of Value		
As Is:	February 26, 2014	Leased Fee Interest
As Stabilized:	August 26, 2014	Leased Fee Interest
Compiled by CBRE		

Purpose of the Appraisal

The purpose of this appraisal is to estimate the market value of the subject property.

Definition of Value

The current economic definition of market value agreed upon by agencies that regulate federal financial institutions in the U.S. (and used herein) is as follows:

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 is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and acting in what they consider their own best interests;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. 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. [3]

Intended Use Of Report

This appraisal is to be used for internal decision making purposes, and no other use is permitted.

Intended User Of Report

This appraisal is to be used by RAIT Partnership, L.P. (RAIT), such other persons as may be designated by RAIT and their respective successors and assigns, and no other user may rely on our report unless as specifically indicated in the report.

[3] Interagency Appraisal and Evaluation Guidelines; December 10, 2010, Federal Register, Volume 75 Number 237, Page 77472.

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Special Conditions include (i) the Report may be relied upon by RAIT in determining whether to make a loan evidenced by a note ("the Property Note") secured by the Subject Property, (ii) the Report may be relied upon by any purchaser in determining whether to purchase the Property Note from RAIT and any rating agency rating securities issued by or representing an interest in the Mortgage Note, (iii) the Report may be referred to in and included with materials offering for sale the Property Note or an interest in the Property Note, (iv) persons who acquire the Property Note or an interest in the Property Note may rely on the Report, (v) the Report speaks only as of its date in the absence of a specific written update of the Report.

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> Intended Users - the intended user is the person (or entity) who the appraiser intends will use the results of the appraisal. The client may provide the appraiser with information about other potential users of the appraisal, but the appraiser ultimately determines who the appropriate users are given the appraisal problem to be solved. Identifying the intended users is necessary so that the appraiser can report the opinions and conclusions developed in the appraisal in a manner that is clear and understandable to the intended users. Parties who receive or might receive a copy of the appraisal are not necessarily intended users. The appraiser's responsibility is to the intended users identified in the report, not to all readers of the appraisal report. [4]

Scope of Work

The scope of the assignment relates to the extent and manner in which research is conducted, data is gathered and analysis is applied. CBRE, Inc. completed the following steps for this assignment:

Extent to Which the Property is Identified

The property is identified through the following sources:

---

[4] Appraisal Institute, The Appraisal of Real Estate, 14th ed. (Chicago: Appraisal Institute, 2013), 50.

CBRE

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- postal address
- assessor's records
- legal description

Extent to Which the Property is Inspected

CBRE, Inc. inspected the interior and exterior of the subject, as well as its surrounding environs on the effective date of appraisal. This inspection was considered to reflect an adequate representation of the subject property and is the basis for our findings.

Type and Extent of the Data Researched

CBRE reviewed the following:

- applicable tax data
- zoning requirements
- flood zone status
- demographics
- income and expense data
- comparable data

Type and Extent of Analysis Applied

CBRE, Inc. analyzed the data gathered through the use of appropriate and accepted appraisal methodology to arrive at a probable value indication via each applicable approach to value. The steps required to complete each approach are discussed in the methodology section.

Data Resources Utilized in the Analysis

DATA SOURCES	
Item:	*Source(s):*
Site Data	
Size	Assessment Record
Improved Data	
Net Rentable Area/Units	Rent Roll dated 1/31/2014
No. Bldgs.	Visual Observation
Parking Spaces	Visual Observation
Year Built/Developed	Assessment Record
Economic Data	
Deferred Maintenance:	Visual Observation
Building Costs:	Marshall Valuation Service and Construction Budget provided by Owner Representative
Income Data:	Operating Statements provided by Owner Representative
Expense Data:	Operating Statements provided by Owner Representative
Compiled by CBRE	

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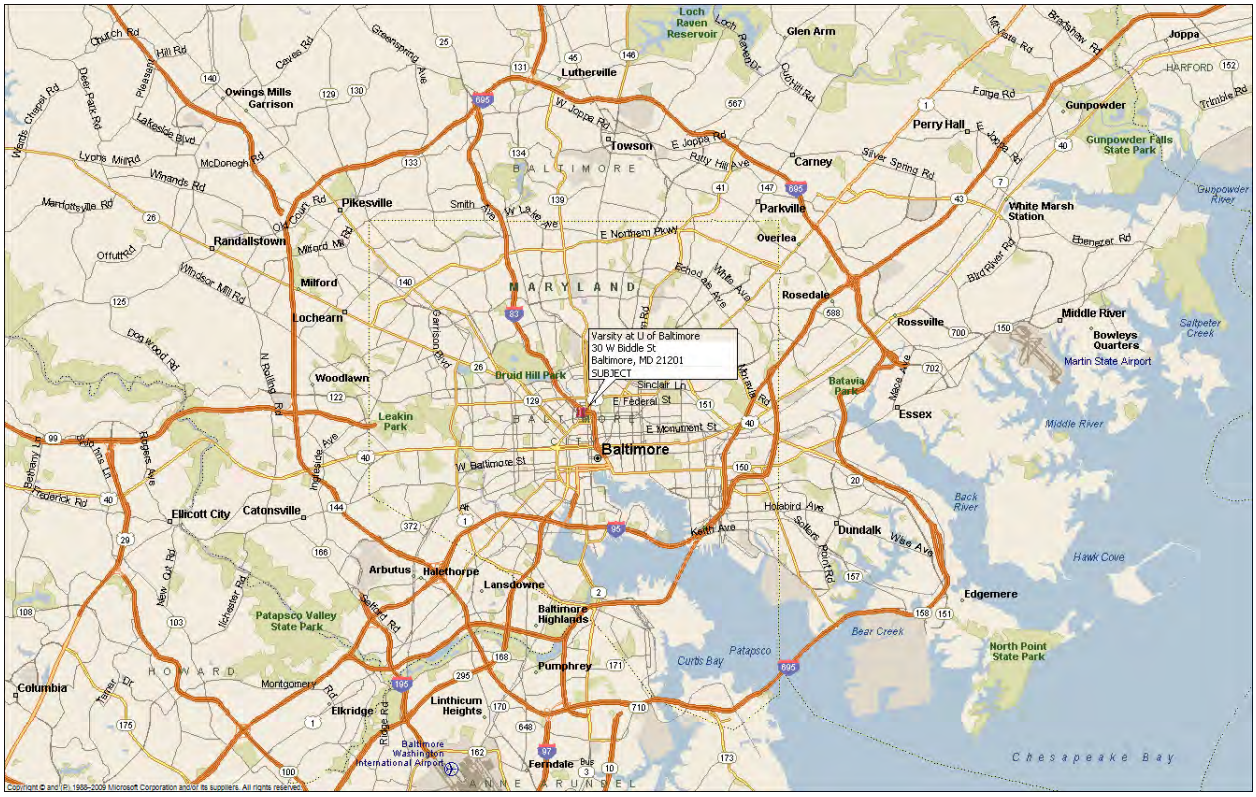
Area Analysis



Moody's Economy.com provides the following Baltimore, MD metro area economic summary as of January 2014. The full Moody's Economy.com report is presented in the Addenda.

BALTIMORE, MD - ECONOMIC ANALYSIS

Indicators	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Gross Metro Product (C$B)	122.1	124.1	125.1	123.7	128.9	131.8	136.1	141.2	146.2	151.1	154.7	157.7
% Change	*1.7*	*1.7*	*0.8*	*-1.1*	*4.2*	*2.2*	*3.3*	*3.7*	*3.5*	*3.4*	*2.4*	*1.9*
Total Employment (000)	1,306.6	1,317.3	1,313.3	1,272.5	1,272.6	1,293.3	1,317.8	1,344.1	1,375.9	1,408.7	1,436.3	1,451.8
% Change	*1.6*	*0.8*	*-0.3*	*-3.1*	*0.0*	*1.6*	*1.9*	*2.0*	*2.4*	*2.4*	*2.0*	*1.1*
Unemployment Rate	4.0	3.6	4.5	7.8	8.3	7.7	7.2	7.0	6.1	6.1	5.9	5.8
Personal Income Growth	6.8	4.7	3.3	-0.3	2.7	6.3	4.1	1.7	4.1	6.6	6.0	4.6
Population (000)	2,658.2	2,667.6	2,679.8	2,696.0	2,715.2	2,734.0	2,753.3	2,774.1	2,792.5	2,814.2	2,836.9	2,859.5
Single-Family Permits	6,339.0	4,775.0	3,131.0	3,099.0	3,554.0	3,277.0	3,895.0	4,631.0	5,614.7	7,519.2	7,192.3	6,305.5
Multifamily Permits	1,794.0	1,432.0	2,413.0	2,016.0	2,040.0	2,876.0	2,061.0	3,338.1	1,332.5	1,626.7	1,563.9	1,488.1
Existing-Home Price ($Ths)	279.0	284.7	272.4	250.8	245.1	228.6	241.7	252.3	267.0	282.3	298.0	313.2
Mortgage Originations ($Mil)	34,065.4	28,838.5	19,708.9	27,872.0	21,889.5	17,188.3	20,963.4	15,732.9	10,611.6	11,035.6	10,035.9	10,093.9
Net Migration (000)	0.4	-4.0	-0.9	3.9	7.7	8.0	9.5	10.6	8.3	11.6	12.5	12.4
Personal Bankruptcies	4,834.0	6,488.0	7,914.0	11,550.0	13,230.0	12,028.0	11,691.0	11,379.8	10,342.2	9,975.1	10,287.1	11,080.7

Source: Moody's Economy.com

Recent Performance

Baltimore's recovery is getting back on track as clarity surrounding the federal budget boosts business confidence. Tech and trade have lifted private employment well above its 2008 peak. Federal government payrolls, particularly sizable in Baltimore, declined for most of 2013 but

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have stabilized. Foreclosure rates are down, but house prices are growing more slowly than average. Despite improvement, slack in the labor market is weighing on both wages and demand for consumer services.

Federal budget

The drag from federal austerity will lift by the end of this year, removing pressure on the metro area's federal employees and contractors. Congress passed a budget in December that sets spending levels for two years and reduces sequestration in 2014. This greatly reduces the uncertainty that blighted Baltimore's recovery in 2013; budget battles eroded consumer confidence and delayed business investment. Federal contractors and agencies also trimmed payrolls as procurement spending declined. The federal government shutdown caused businesses to delay or reduce hiring while some cut payrolls.

The new federal budget will enable Baltimore to add federal jobs this year and next. It supports a shift under way in national security from conventional to cyber warfare. Fort George G. Meade-home to the U.S. Cyber Command and the National Security Agency-will expand its army of cyber warriors, who are well-educated and well-compensated. Private security companies already attracted by the metro area's enlarging cluster of cyber talent will get increased incentives this year as Maryland increases its cyber tax credit.

Travel

Less fiscal drag will help Baltimore further solidify its role as a regional hub for trade and tourism. Passenger traffic through BWI airport declined slightly in 2013, but still posted its second largest volume on record. Federal budget cuts and gridlock led government employees and contractors to travel less and many to drive instead of fly to travel destinations, according to surveys by AAA. As income growth rebounds and employees feel more secure in their jobs, they will fly more. The airport completed $100 million in renovations last summer and its two dominant airlines, Spirit and Southwest, have added more connections, including international ones. International traffic increased 20% in 2013.

Housing

Expansion at Fort Meade will act like a second, albeit smaller, round of Base Realignment and Closure, lifting household formation. This should help housing. Multifamily starts have doubled from their low in 2008 to meet demand from young people moving to Charm City, but single-family housing and construction employment remain below the prerecession trend. Rising confidence in the stronger economy will entice younger professionals to move out on their own, in turn lifting retail trade and real estate employment.

Foreclosures, which more than tripled in 2013, will slow price gains. Foreclosures were delayed by Maryland's long judicial process and moratoriums dating to the robo-signing scandal and Hurricane Sandy. More short sales limited price growth to 5% in the third quarter, half the

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national rate. However, the foreclosure inventory remains below average and the foreclosure rate has ebbed. Therefore, conditions are in place for housing to contribute more to growth in 2014.

Conclusion

Baltimore's recovery will accelerate in 2014 as the fiscal drag eases. Over the medium term, developments in cybersecurity and housing will drive above-average job and output growth. Longer term, the mature economy will track the U.S. average as mediocre demographics and high costs pose downside risk to the outlook.

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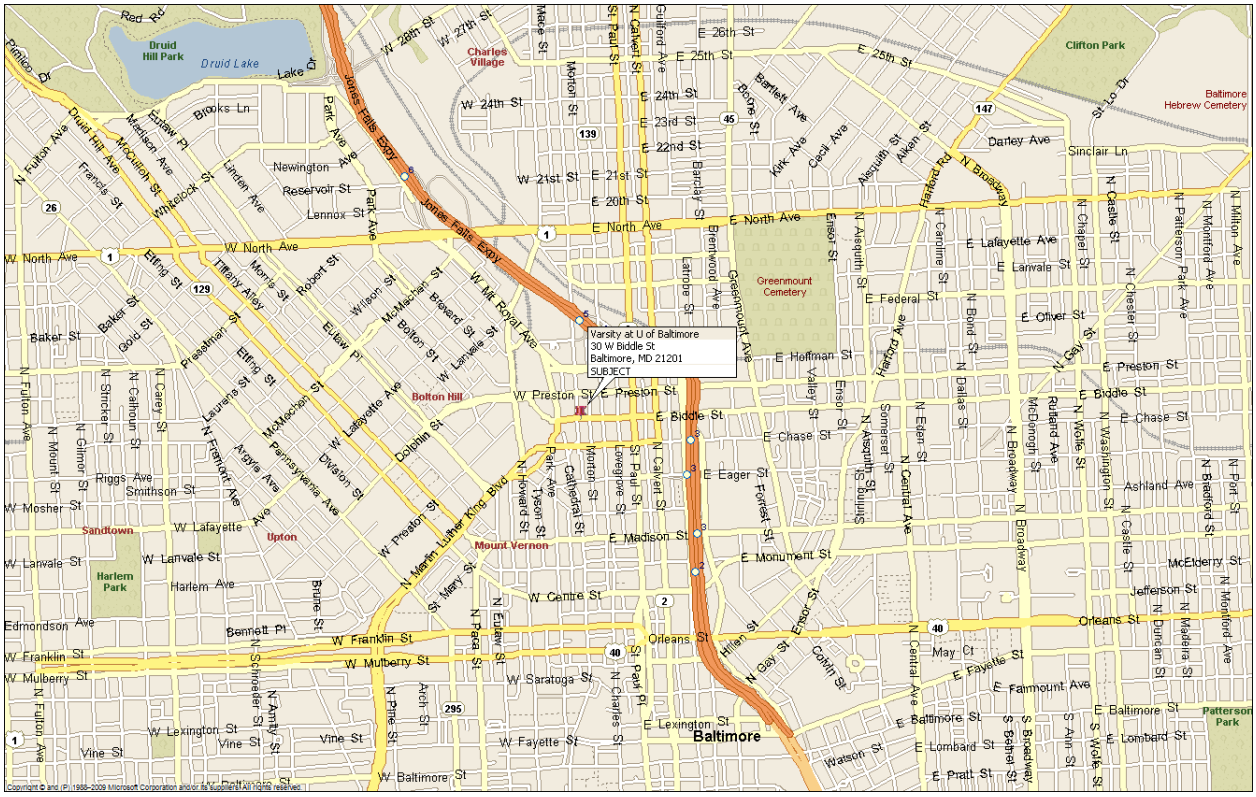
Neighborhood Analysis



Location

The subject is in the City of Baltimore and is considered an urban location. Baltimore is situated in the center of the metropolitan area, about 30 miles north of both Washington, DC, and Annapolis, the state capital. The immediate neighborhood is known as Bolton Hill, but is strongly influenced by the Mt. Vernon section, north of the Central Business District, accessed by Penn Station (AMTRAK), the Light Rail system, and the Jones Falls Expressway (I-83). The area is anchored by two universities—the University of Baltimore and the Maryland Institute, College of Art (MICA)—and includes several cultural centers, such as the Baltimore Symphony, the Lyric Opera House, and the central branch of the Enoch Pratt Free Library. State Center, with several state agencies, lies a few blocks to the southwest of the subject.

Boundaries

The neighborhood boundaries are detailed as follows:

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North:	E 25th Street
South:	W. Mulberry Street
East:	N. Broadway
West:	N. Fremont Ave.

Land Use

Land uses within the subject neighborhood consist of a mixture of institutional, commercial, office and residential development. The neighborhood is completely built-out; therefore, new development is in the form of re-development.

Mt. Vernon is a neighborhood located just to the north of downtown Baltimore. Designated a National Landmark Historic District and a city Cultural District, it is one of the city's oldest neighborhoods and originally was home to the city's most wealthy and fashionable families. Being close to downtown, Mt. Vernon is well-served by public transit. Many major bus routes head through the neighborhood on their way to the financial district. The Light Rail line runs down Howard Street on the west edge of the neighborhood, and the Metro subway runs beneath Eutaw Street a block west of that; both have stations within easy walking distance of the neighborhood. Penn Station, served by AMTRAK and MARC commuter rail, is to the north past Mount Royal Avenue and over the JFX.

Mt. Vernon is home to a mix of institutions, including the Peabody Conservatory of the Johns Hopkins University, Walters Art Museum, University of Baltimore, Maryland Historical Society, Maryland Institute College of Art, Joseph Meyerhoff Symphony Hall, Baltimore School for the Arts, Lyric Opera House, Center Stage, Enoch Pratt Free Library Central Branch, Contemporary Museum, Spotlighters Theatre, Eubie Blake National Jazz Institute, and Theatre Project. In the decades after World War II, the neighborhood has also become home to many professional service providers, including medical and legal offices, publishing firms, architectural firms, insurance and financial institutions, and fund managers. Art galleries, retail stores, hotels, and bed and breakfasts also populate the neighborhood, and Mt. Vernon has a rich nightlife, with many fine restaurants, cafes, and bars located along Charles Street and throughout the neighborhood.

Mt. Vernon is home to some of the well-preserved 19th century architecture. The centerpiece of the neighborhood is the area around the Washington Monument, where stately palatial homes face onto four small parks that radiate from the monument. Elsewhere in the neighborhood are many older apartment buildings and three- and four-story rowhouses; most of the latter were originally single-family dwellings. Though many have been renovated into multiple apartments, a growing number are being restored back to single family use.

To encourage the redevelopment of the neighborhood, the City of Baltimore has delineated portions of the neighborhood as a historic restoration tax credit area, thus, these new projects receive real estate tax credits once the development is complete. The immediate area surrounding the subject is an older area, with the residential uses being built primarily before 1939. The

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majority of the single-family residential development within a one mile radius of the subject is located in Bolton Hill, thus, the majority of development immediately impacting the immediate neighborhood is institutional.

The most notable development in the immediate vicinity, and for the subject especially, is the University of Baltimore. It was founded in 1925 by a group of Baltimore business professionals, UB sought to provide educational opportunities for working men and women. In the 1970s UB merged with Eastern College, Mt. Vernon School of Law, and Baltimore College of Commerce. In 1975, UB became an "upper division academic institution", offering only third and fourth year undergraduate and post-graduate course work. At the same time, ownership was assumed by the State of Maryland. In 1988, the state merged UB into the new statewide university system, the University of Maryland System, which was later renamed University System of Maryland. The University offers numerous undergraduate, graduate, and professional as well as several joint degree programs.

North of the subject is the Station North Arts District, often referred to as just Station North. The neighborhood is marked by a combination of artistically-leaning commercial ventures, such as theaters and museums, as well as formerly abandoned warehouses that have since been converted into loft-style living. In recent decades, the neighborhood represented a relatively impoverished area between the healthier neighborhoods of Mt. Vernon and Charles Village. However, in addition to its proximity to those neighborhoods, a number of factors made the area amenable to redevelopment and gentrification. The commercial district on Charles Street is anchored by the Charles Theatre, a popular art house multiplex, and several successful restaurants that cater to moviegoers; one block away is the Charm City Art Space which serves as a Music Venue, and Art Gallery; much of even the poorest sections of the neighborhood feature beautiful, three-story, early 20th-century rowhouses as the main housing stock; the Maryland Institute College of Art is within walking distance, which could encourage artists to settle and work there. Recently, the opening of Metro Gallery, Joe Squared Restaurant, Load of Fun Studios, and The Wind Up Space (an arts venue and bar), have expanded development and revitalization onto North Avenue.

The Baltimore city government's 2001 designation of the area as an arts district has furthered the project of transformation. The earliest and most visible signs of change were the official conversion of several industrial and warehouse buildings to mixed-use housing. The Copycat Building is probably the best known, but two other buildings—the Oliver Street Building and the Cork Factory—are also occupied. These buildings had been in use for decades as artist's studios. It is likely the city's decision to designate the Station North neighborhood for arts purposes was strongly influenced by the preexisting community of art students and artists renting lofts in the Copycat Building or the Cork Factory, which is scheduled to re-open after extensive renovations as a public design-oriented arts charter school, affiliated with MICA.

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West of Mt. Vernon is the Bolton Hill neighborhood, known for its combination of mostly three-story and four-story townhouses. Some are single-family residences and some are divided into multi-family apartments. This neighborhood mainly houses young professionals and some college and university students, usually from the Maryland Institute College of Art and University of Baltimore.

Growth Patterns

The immediate neighborhood is a mature, stable urban area, that experienced some redevelopment and gentrification in the 1960s and 1970s. A major hub of employment in the area is State Center, just south of the subject, home to several state agencies and proposed for a billion-dollar redevelopment with new homes, hotel and office uses. This proposal is many years off, however, and is subject to intense litigation by owners of competing properties in downtown Baltimore, which suffers from a high level of commercial vacancy.

The Baltimore market experienced a burst of new or renovated apartment communities during the mid-decade economic boom, and occupancies suffered during the downturn, with these projects all experiencing sub-90% occupancies and offering rental concessions of one- to three-months free rent through 2009. The apartment market has greatly improved locally, as few new projects have entered the market in the last three years, with occupancies rising near 100%, and rental concessions essentially disappearing.

Access

Accessibility to the neighborhood in general and the subject property in particular is considered excellent. I-83 and Martin Luther King Boulevard are the primary traffic routes that traverse the neighborhood. The Jones Falls Expressway (I-83) is near the subject's site with access interchanges at Mt. Royal Avenue and Charles Street. The roadway extends northward providing access to northern Baltimore County and the State of Pennsylvania. To the south, I-83 offers convenient access to both I-895 and I-95. These roads provide regional access to Washington DC to the south and New York to the north. Locally, the subject benefits from the city's road infrastructure system that is primarily based on north/south and east/west road grid system providing one-way travel through the numerous streets.

The city is well served by public transportation including the Light Rail system, the Metro subway system, the MARC (Maryland Rail Commuter), and local buses. The Light Rail is an above ground trolley system that not only provides inter-city transportation, but access northward to Hunt Valley (Baltimore County) and southward to Glen Burnie (Anne Arundel County). The Metro subway system is an eight-mile subway line that extends from the John Hopkins Hospital on Franklin Street westward to Owings Mills (Baltimore County). The MARC commuter rail provides high speed access to Washington D.C. and has a stop located at the sports stadiums in Camden Yards.

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The Cultural Center Light Rail stop is located across Howard Street from the subject property. In addition, Penn Station is two blocks east, the main train station in Baltimore, a mile and a half north of downtown and the Inner Harbor. Penn Station is served by Amtrak, MARC, and the Light Rail system. It is the eighth-busiest rail station in the United States by number of passengers served.

Demographics

Selected neighborhood demographics in 1-, 3-, and 5-mile radii from the subject are shown in the following table:

SELECTED NEIGHBORHOOD DEMOGRAPHICS

30 W Biddle St Baltimore, MD	1 Mile Radius	3 Mile Radius	5 Mile Radius
Population			
2018 Population	51,173	301,257	579,441
2013 Population	50,269	300,409	579,102
2010 Population	49,842	301,473	582,057
2000 Population	52,336	320,177	613,498
Annual Growth 2013 - 2018	0.36%	0.06%	0.01%
Annual Growth 2010 - 2013	0.28%	-0.12%	-0.17%
Annual Growth 2000 - 2010	-0.49%	-0.60%	-0.52%
Households			
2018 Households	22,996	125,978	233,679
2013 Households	22,212	124,681	232,463
2010 Households	21,731	124,367	232,816
2000 Households	21,285	128,040	241,139
Annual Growth 2013 - 2018	0.70%	0.21%	0.10%
Annual Growth 2010 - 2013	0.73%	0.08%	-0.05%
Annual Growth 2000 - 2010	0.21%	-0.29%	-0.35%
Income			
2013 Median HH Inc	$24,012	$35,728	$38,628
2013 Estimated Average Household Income	$42,558	$56,534	$56,319
2013 Estimated Per Capita Income	$18,805	$23,464	$22,608
Age 25+ College Graduates - 2010	11,144	58,085	93,792
Age 25+ Percent College Graduates - 2013	31.8%	28.4%	24.2%

Source: Nielsen/Claritas

Conclusion

As shown above, the population within the subject neighborhood has shown positive growth over the past few years and the neighborhood currently has a strong income demographic profile. The outlook for the neighborhood is for good performance with continued improvement over the next several years. As a result, the demand for existing developments is expected to be good.

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Generally, the neighborhood is expected to continue its current growth pattern in the foreseeable future.

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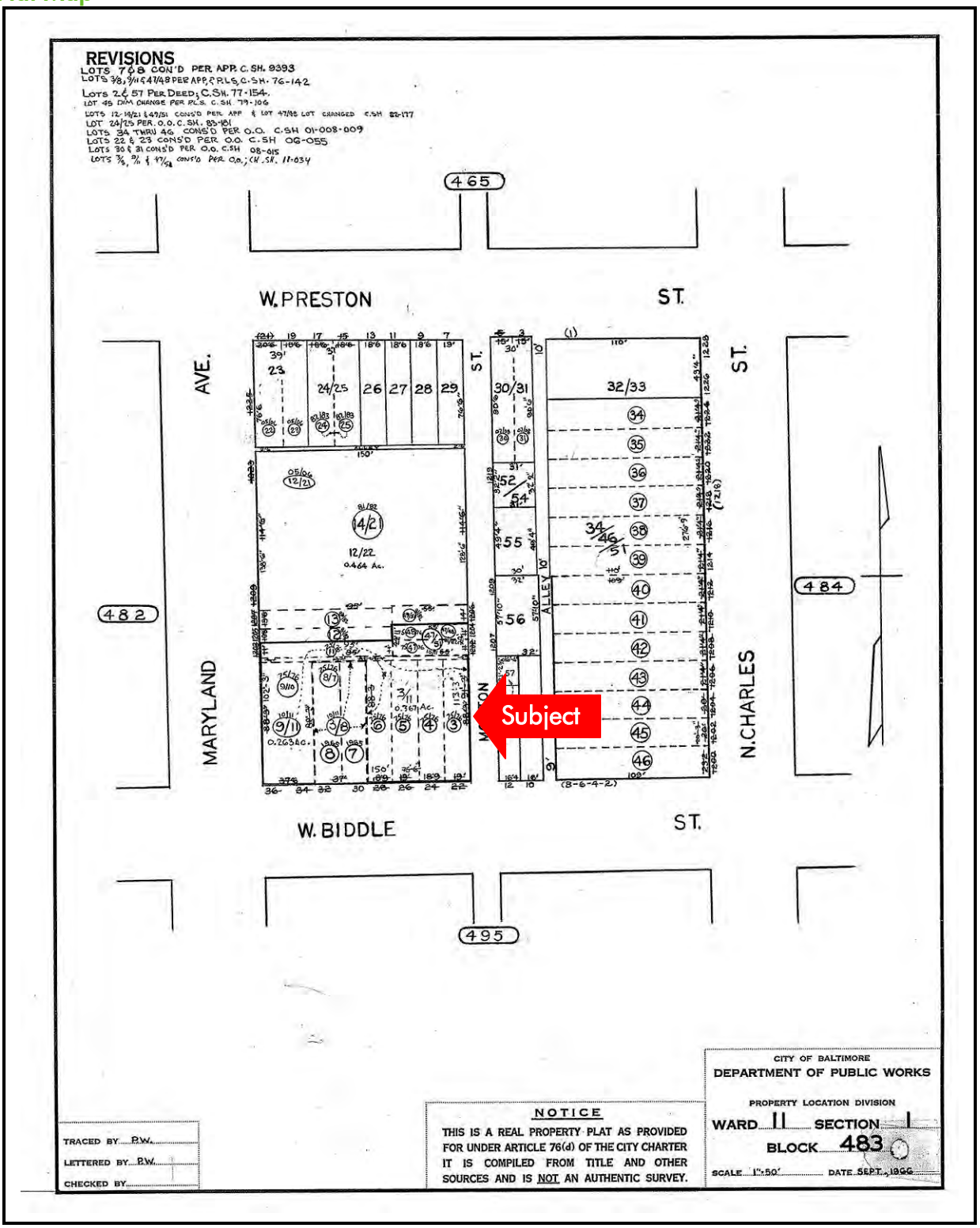
Plat Map



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Site Analysis

The following chart summarizes the salient characteristics of the subject site.

SITE SUMMARY			
Physical Description			
Gross Site Area	0.37 Acres	15,987 Sq. Ft.	
Net Site Area	0.37 Acres	15,987 Sq. Ft.	
Primary Road Frontage	W. Biddle Street		
Secondary Road Frontage	Maryland Avenue		
Additional Road Frontage	Morton Street		
Excess Land Area	None		
Surplus Land Area	None		
Shape	Irregular		
Topography	Level		
Zoning District	B-4-2 Central Commercial District		
Flood Map Panel No. & Date	2400870018E	2-Feb-12	
Flood Zone	Zone X		
Adjacent Land Uses	Commercial and residential uses		
Earthquake Zone	N/A		
Comparative Analysis	**Rating**		
Visibility	Average		
Functional Utility	Assumed adequate		
Traffic Volume	Average		
Adequacy of Utilities	Assumed adequate		
Landscaping	Average		
Drainage	Assumed adequate		
Utilities	**Adequacy**		
Water	Yes		
Sewer	Yes		
Natural Gas	Yes		
Electricity	Yes		
Telephone	Yes		
Mass Transit	Yes		
Other	**Yes**	**No**	**Unknown**
Detrimental Easements			x
Encroachments			x
Deed Restrictions			x
Reciprocal Parking Rights			x

Source: Various sources compiled by CBRE

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Ingress/Egress

Ingress and egress is available to the site via W. Biddle Street. The rear of the subject is also accessible via an alleyway that intersects with the east side of Maryland Avenue and the west side of Morton Street.

Environmental Issues

CBRE, Inc. is not qualified to detect the existence of potentially hazardous material or underground storage tanks which may be present on or near the site. The existence of hazardous materials or underground storage tanks may affect the value of the property. For this appraisal, CBRE, Inc. has specifically assumed that the property is not affected by any hazardous materials that may be present on or near the property.

Adjacent Properties

The adjacent land uses are summarized as follows:

North:	Parking Lot
South:	Row houses and Retail
East:	Row Houses
West:	Row Houses

Conclusion

The site is well located and afforded good access and visibility from roadway frontage. The size of the site is typical for the area and use, and there are no known detrimental uses in the immediate vicinity. Overall, there are no known factors which are considered to prevent the site from development to its highest and best use, as if vacant, or adverse to the existing use of the site.

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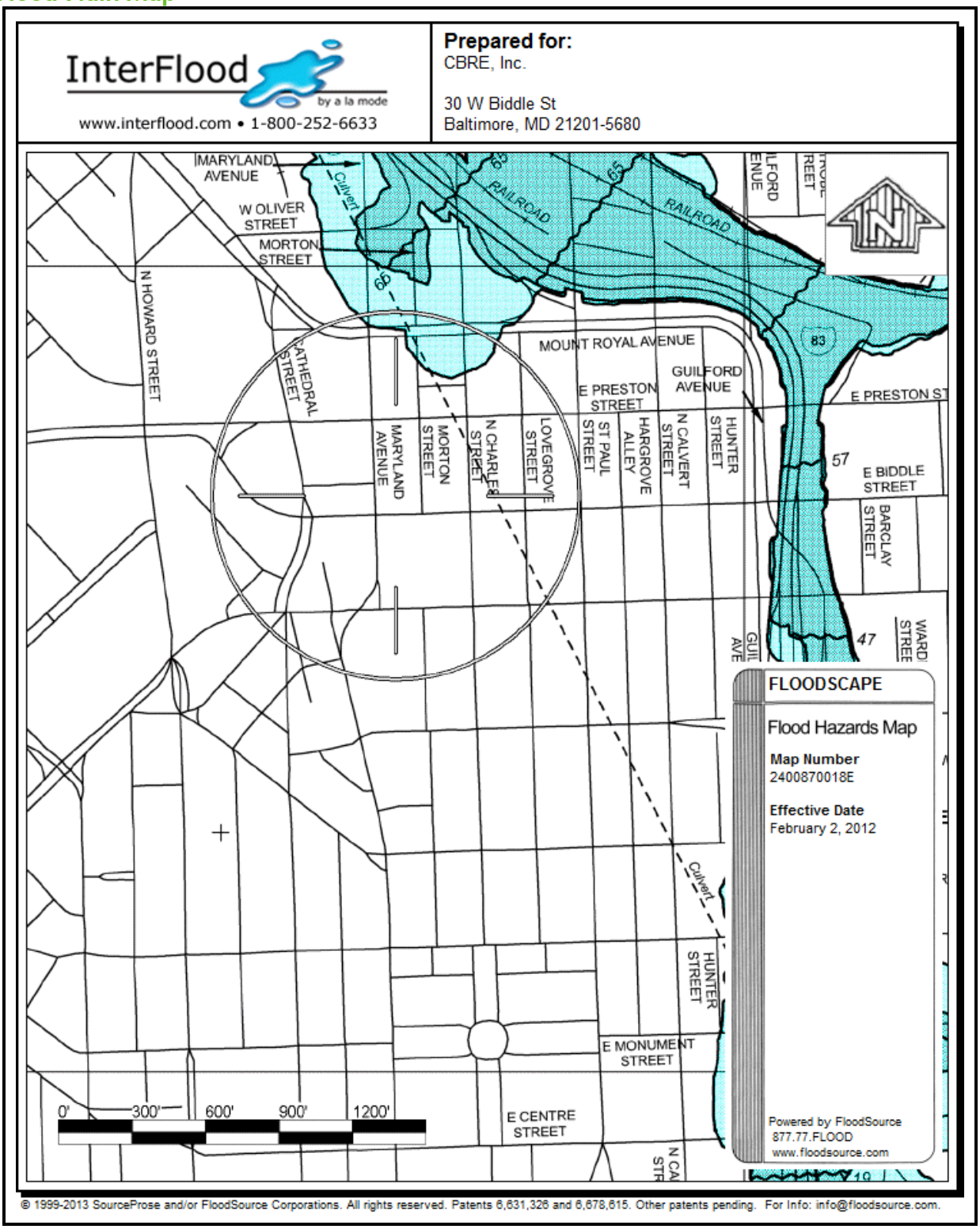
Flood Plain Map



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Improvements Layout

The Varsity at the University of Baltimore **Baltimore, MD**

Studio - 370 Square Feet

Two Bedroom/Two Bathroom - 700 Square Feet

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The Varsity at the University of Baltimore Baltimore, MD

Two Bedroom/Two Bathroom - 782 Square Feet

Four Bedroom/Two Bathroom – 1,086 Square Feet

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The Varsity at the University of Baltimore **Baltimore, MD**

Four Bedroom/Two Bathroom – 1,194 Square Feet

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The Varsity at the University of Baltimore **Baltimore, MD**

Four Bedroom/Two Bathroom – 1,321 Square Feet

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Improvements Analysis

The following chart shows a summary of the improvements.

IMPROVEMENTS SUMMARY	
Property Type	Apartment (Multi-family Student Housing)
Number of Buildings	1
Number of Stories	10
Year Built	2012
Gross Building Area	129,780 SF
Net Rentable Area	103,399 SF
Number of Student Housing Units	114
Number of Bedrooms	323
Average Unit Size	907 SF
Average SF/Bedroom	320 SF
Development Density	880.1 Units/Acre
Parking Improvements	None
Total Spaces:	0
Parking Ratio (spaces/unit)	0.00

Source: Various sources compiled by CBRE

UNIT MIX						
Unit Mix/Type	Comments	No. Bedrooms	No. Units	Percent of Total	Unit Size (SF)	NRA (SF)
Studio		19	19	5.9%	370	7,030
2BR/2BA		76	38	11.8%	741	28,158
4BR/2BA		80	20	6.2%	1,095	21,892
4BR/4BA		148	37	11.5%	1,252	46,320
Total/Average:		323	114	100.0%	907	103,399

Source: Various sources compiled by CBRE

Year Built

The subject was built in 2012.

Construction Class

Building construction class is as follows:

B - Reinforced concrete frames and concrete or masonry floors and roofs

The construction components are assumed to be in working condition and adequate for the building.

The overall quality of the facility is considered to be average for the neighborhood and age. However, CBRE, Inc. is not qualified to determine structural integrity and it is recommended that the client/reader retain the services of a qualified, independent engineer or contractor to determine the structural integrity of the improvements prior to making a business decision.

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Foundation/Floor Structure

The foundation is assumed to be of adequate load-bearing capacity to support the improvements. The floor structure is summarized as follows:

Ground Floor:	Concrete slab on compacted fill
Other Floors:	Plywood deck with light-weight concrete cover

Exterior Walls

The exterior walls are masonry. The building has double pane aluminum frame windows.

Roof Cover

The building has a green roof, which consists of a flat roof partially covered with vegetation and a growing medium, planted over a waterproof membrane.

Elevator/Stair System

Two sets of interior stairwells are located in the building, as well as two passenger elevators located in the main lobby.

HVAC

The HVAC system consists of individual heat pumps. It is assumed to be in good working order and adequate for the building.

Utilities

Each unit is individually metered for electrical usage. Current operations indicate the landlord is responsible for all utility costs, with the tenant paying a flat annual utility fee.

Security

The building is served by an electronic controlled access entry system.

Life Safety and Fire Protection

Fire protection equipment consists of sprinklers in each unit. It is assumed the improvements have adequate fire alarm systems, fire exits, fire extinguishers, fire escapes and/or other fire protection measures to meet local fire marshal requirements. CBRE, Inc. is not qualified to determine adequate levels of safety & fire protection, whereby it is recommended that the client/reader review available permits, etc. prior to making a business decision.

Project Amenities

The project amenities include a study lounge and fitness center.

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Unit Amenities

Kitchens

Each unit features a full appliance package including an electric range/oven, frost-free refrigerator with icemaker, garbage disposal, dishwasher, and built-in microwave oven. Additionally, each unit features wood cabinets with granite countertops and laminate flooring in the kitchen area. According to management, the project has experienced an adequate on-going replacement program for all kitchen appliances and no appliances are known to be inoperable.

Bathrooms

The bathrooms within each unit feature shower stalls with fiberglass surround. Additionally, each bathroom features a commode, wood cabinet with cultured marble sink, wall-mounted medicine cabinet with vanity mirror and laminate flooring.

Interior Features

Each unit includes a stacked washer/dryer. Ceilings are 8′-9′ tall.

Interior Lighting

Each unit features incandescent lighting in appropriate interior and exterior locations with fluorescent lighting in bathrooms and kitchen areas.

Patios, Balconies and Storage

Units do not include patios or balconies, and no storage is available.

Site Amenities

Parking and Drives

The project does not include on-site parking. A nearby parking garage is available for tenants at a monthly fee. The subject reportedly received an exception to the typical parking requirements due to its proximity to available nearby parking.

Landscaping

Landscaping is minimal due to the urban nature of the subject.

Functional Utility

All of the floor plans are considered to feature functional layouts and the layout of the overall project is considered functional in utility. Therefore, the unit mix is also functional and no conversion is warranted to the existing improvements.

ADA Compliance

All common areas of the property appear to have handicap accessibility and four of the project's units have been designed for handicap occupancy. The client/reader's attention is directed to the specific limiting conditions regarding ADA compliance.

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Furniture, Fixtures and Equipment

The apartment units are rented on a furnished basis and the FF&E is owned. Additionally, miscellaneous maintenance tools, pool furniture, leasing office furniture, recreational room and clubhouse furniture, and various exercise machines are examples of personal property associated with and typically included in the sale of multifamily apartment complexes. The contributory value of the FF&E is calculated within the Cost Approach section and the income derived from said FF&E is included within the Income Approach section of this report.

Environmental Issues

CBRE, Inc. is not qualified to detect the existence of any potentially hazardous materials such as lead paint, asbestos, urea formaldehyde foam insulation, or other potentially hazardous construction materials on or in the improvements. The existence of such substances may affect the value of the property. For the purpose of this assignment, we have specifically assumed there are no hazardous materials that would cause a loss in value do not affect the subject.

Deferred Maintenance

Our site visit indicated no significant items of deferred maintenance.

Economic Age and Life

CBRE, Inc.'s estimate of the subject improvements effective age and remaining economic life is depicted in the following chart:

ECONOMIC AGE AND LIFE	
Actual Age	2 Years
Effective Age	2 Years
MVS Expected Life	60 Years
Remaining Economic Life	58 Years
Accrued Physical Incurable Depreciation	3.3%
Compiled by CBRE	

The remaining economic life is based upon our on-site observations and a comparative analysis of typical life expectancies as published by Marshall and Swift, LLC, in the Marshall Valuation Service cost guide. While CBRE, Inc. did not observe anything to suggest a different economic life, a capital improvement program could extend the life expectancy.

Conclusion

The improvements are in good overall condition. Overall, there are no known factors that adversely impact the marketability of the improvements.

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Zoning

The following chart summarizes the subject's zoning requirements.

ZONING SUMMARY	
Current Zoning	B-4-2 Central Commercial District
Legally Conforming	Assumed
Uses Permitted	Office, Retail, Lab, Warehouse/storage, Hotel, Bank, Parking This is a sub-district of the B-4 zone, which was established to provide for the great variety of large retail stores, offices and related activities that are characteristic of the major business streets of the downtown area and that serve the entire metropolitan area.
Zoning Change	Not likely
Category	**Zoning Requirement**
F. A. R.	14.0 (with premiums possible for lots with setbacks)
Min. lot area	80 SF per rooming or efficiency unit in dwelling/hotel
Max. lot coverage	None
Front setback	None
Rear setback	None
Side yard setbacks	None
Height limit	None
Parking Requirement	Hotel - 1/8 rooms Office - 1/2,000 SF over 50,000 SF Retail Sales - No requirement

Source: City of Baltimore Planning & Zoning Dept.

Analysis and Conclusion

The improvements are assumed to represent a legally-conforming use. We note that the subject reportedly received an exception to the typical parking requirements due to its proximity to available nearby parking. Additional information may be obtained from the appropriate governmental authority. For purposes of this appraisal, CBRE has assumed the information obtained is correct.

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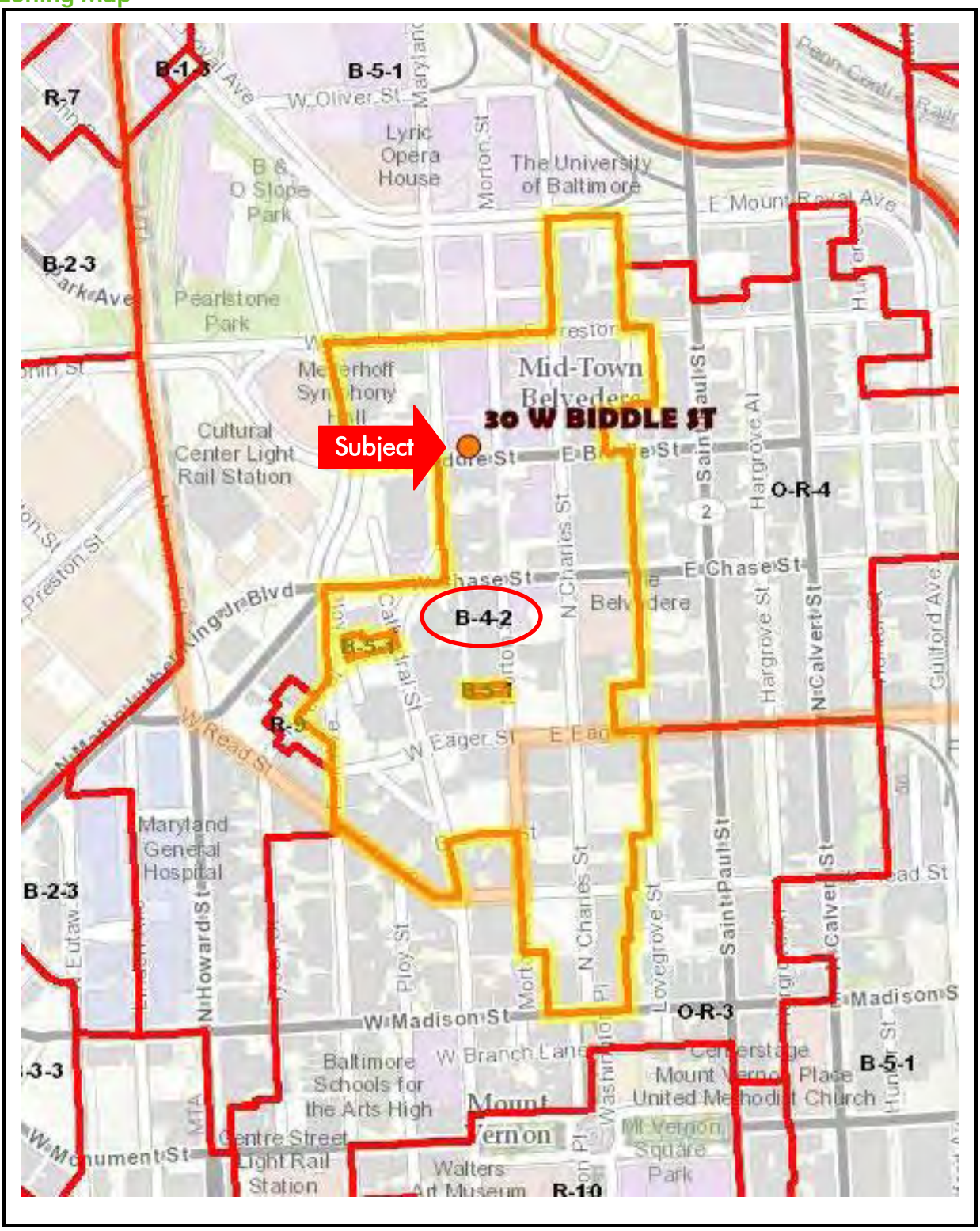
Zoning Map



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Tax and Assessment Data

The following summarizes the local assessor's estimate of the subject's market value, assessed value, and taxes, and does not include any furniture, fixtures or equipment. The estimated CBRE tax obligation is also shown.

AD VALOREM TAX INFORMATION					
Assessor's Market Value	7/12-6/13	7/13-6/14	7/14-6/15	7/15-6/16	Pro Forma
11-01-0483-003	$ 18,957,900	$ 19,467,633	$ 19,977,367	$ 20,487,100	
Subtotal	$18,957,900	$19,467,633	$19,977,367	$20,487,100	$19,807,456
Assessed Value @	100%	100%	100%	100%	100%
	$18,957,900	$19,467,633	$19,977,367	$20,487,100	$19,807,456
General Tax Rate (per $100 A.V.)	2.360000	2.360000	2.360000	2.360000	2.360000
Total Taxes	**$447,406**	**$459,436**	**$471,466**	**$483,496**	**$467,456**

Source: Assessor's Office

The subject property is located in Maryland and is assessed by the Maryland State Department of Assessment and Taxation (SDAT). This department is an independent state agency responsible for real and personal property assessment as well as the mapping of all real estate. The applicable tax rate is set by the local jurisdiction and is a combination of state, county and local rates.

Maryland's assessment system is currently based on a three-year cycle in which one-third of the taxable real estate in each county is physically inspected and reassessed each year. Assessments are based upon an estimate of ad valorem value known as full cash value. The state assessors utilize the three traditional approaches to value: the cost, sales comparison, and income capitalization approaches. To lessen the impact of any increase in full cash value, a three-year phase-in is implemented. This provides for one-third of the increase in full cash value added to the first year of the assessment cycle with the balance being added in equal installments over the next two years in the case of increases in full cash value. Decreases are implemented immediately and are not phased in.

Property owners receive an assessment notice once every three years. These notices are generally issued in December of the year that the assessor reviewed the property. The notice shows the proposed full cash value as of January 1, which is known as the date of finality. The proposed full cash value is the basis upon which assessments for the three forthcoming taxable years will be based. The fiscal year runs from July 1 through June 30 of the following year, with taxes due by September 30. According to a representative of SDAT, commercial properties remain on a fixed three-year assessment cycle, and the sale of a property or any renovations do not trigger an early re-assessment. However, properties that undergo an expansion, as determined by the permitting process, may receive an off-cycle assessment upon completion of the expansion program, and any increases in assessed value will be phased in over the remaining three-year assessment cycle.

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The current tax rate of $2.360 per $100 of assessed value for the subject includes the Baltimore City tax rate of $2.248, and the State of Maryland property tax rate of $0.112. According to local authorities, there are no delinquent property taxes encumbering the subject.

The subject property is currently in the first year of a three-year assessment cycle and is scheduled for reassessment in January 2016 for the tax year beginning the following July. The newly assessed value will be phased in over the subsequent 3-year period.

Tax Comparables

As a crosscheck to the subject's applicable real estate taxes, CBRE, Inc. has reviewed the real estate tax information according to the City of Baltimore for comparable properties in the market area. The following table summarizes the comparables employed for this analysis:

AD VALOREM TAX COMPARABLES

Comparable Rental	1214 North Charles Street	103 E. Mt. Royal Avenue	1111 Park Avenue	101 W Read Street	1201 West Mount Royal Avenue	2807 Cresmont Avenue	Subject
Year Built	1870	1888	1963	1905	2010	2005	2012
No. Units	76	120	294	95	275	26	114
Tax Year	2014	2014	2014	2014	2014	2014	2014
Assessor's Market Value	$3,093,900	$14,416,900	$11,305,400	$9,488,900	$50,030,500	$3,823,600	$19,467,633
AV Per Unit	$40,709	$120,141	$38,454	$99,883	$181,929	$147,062	$170,769

Source: Assessor's Office

The subject's current assessment falls within the range indicated by the comparables, and appears reasonable.

Tax Credit Program

Based upon our research, the subject receives real estate tax credits due to its location within an Enterprise Zone. These real estate tax credits are a result of the subject's recent redevelopment, which produces a reduction in the Baltimore City tax load. The real estate tax credits are calculated by determining the relationship between the phased-in assessed value and the base value, which was reported by a Baltimore City representative to be $879,200. Enterprise Zone credits are typically only allowed for the commercial portion of a property; however the subject has received approval to receive credits for the entire building.

The amount of the Enterprise Zone tax credit is 80% of any increases above the base value for the first five years; for the subsequent five years, the credit decreases 10% annually (70%, 60%, 50%, 40%, 30%.) After ten years of tax credit, the property is returned to the Baltimore City tax rolls at its full assessed value. The tax credit calculation for the subject is as follows:

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TAX CREDIT CALCULATION FOR SUBJECT										
Credit Year	1	2	3	4	5	6	7	8	9	10
Tax Year, Beginning	Jul-13	Jul-14	Jul-15	Jul-16	Jul-17	Jul-18	Jul-19	Jul-20	Jul-21	Jul-22
Phase In Assessment *	$19,467,633	$19,977,367	$20,487,100	$21,101,713	$21,734,764	$22,386,807	$23,058,412	$23,750,164	$24,462,669	$25,196,549
Base Assessment	$879,200	$879,200	$879,200	$879,200	$879,200	$879,200	$879,200	$879,200	$879,200	$879,200
Assessment Eligible for Enterprise Zone Credit	$18,588,433	$19,098,167	$19,607,900	$20,222,513	$20,855,564	$21,507,607	$22,179,212	$22,870,964	$23,583,469	$24,317,349
Percentage Eligible for Credit	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Enterprise Zone Credit %	80%	80%	80%	80%	80%	70%	60%	50%	40%	30%
Enterprise Zone Assessment Credit	$14,870,747	$15,278,533	$15,686,320	$16,178,010	$16,684,452	$15,055,325	$13,307,527	$11,435,482	$9,433,388	$7,295,205
Tax Rate	2.2480%	2.2480%	2.2480%	2.2480%	2.2480%	2.2480%	2.2480%	2.2480%	2.2480%	2.2480%
Enterprise Zone Tax Credit	$334,294	$343,461	$352,628	$363,682	$375,066	$338,444	$299,153	$257,070	$212,063	$163,996
Total Tax Credit Applicable to Subject	$334,294	$343,461	$352,628	$363,682	$375,066	$338,444	$299,153	$257,070	$212,063	$163,996
* Reflects estimated annual increase of:	3.0%									
Source: CBRE										

The tax credits applicable to the subject are estimated using a 3.0% growth rate in assessed value after expiration of the existing three year cycle beginning in July 2013. In July 2023, the property will return to the tax rolls at its full assessed value. The present value of the subject tax credits is calculated below:

PRESENT VALUE OF ENTERPRISE ZONE TAX CREDITS DISCOUNTED AT 6.0%			
Year	**Tax Credit**	**PV Factor**	**Present Value**
2013	$334,294	0.943396	$315,372
2014	$343,461	0.889996	$305,679
2015	$352,628	0.839619	$296,074
2016	$363,682	0.792094	$288,070
2017	$375,066	0.747258	$280,271
2018	$338,444	0.704961	$238,589
2019	$299,153	0.665057	$198,954
2020	$257,070	0.627412	$161,289
2021	$212,063	0.591898	$125,519
2022	$163,996	0.558395	$91,575
	Total		$2,301,393
	Rounded		**$2,300,000**
Source: CBRE			

Our analysis incorporates a safe discount rate of 6.0%. The calculated adjustment will be incorporated as a line item within each applicable approach in order to calculate the adjusted "as stabilized" estimate of value.

Conclusion

Based on the foregoing information, the subject's current assessment is well supported by both its historical trend and by the comparable properties shown. For purposes of this analysis, CBRE, Inc. assumes that all taxes are current. The consequences of this reassessment have been considered in the appropriate valuation sections.

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Market Analysis

The market analysis forms a basis for assessing market area boundaries, supply and demand factors, and indications of financial feasibility. The subject is in the Baltimore market and is considered a Class A student-oriented apartment community. According to the Institute of Real Estate Management (in Income/Expense Analysis: Conventional Apartments 2008), the following apartment property definitions may be applicable towards the subject:

High Rise Elevator Projects: This group is confined to elevator buildings, which are four stories or more in height.

Low-Rise Projects (under 25 units): Includes walk-up buildings and elevator buildings 3 stories or less.

Low-Rise Projects (25 units or more): Includes walk-up buildings and elevator buildings 3 stories or less.

Garden Type Projects: We consider this to be a group of low-rise apartment buildings situated on a sizable landscaped plot, under one management.

Demographic Analysis

Demand for residential properties is a direct function of demographic characteristics analyzed on the following pages.

Housing, Population and Household Formation

The following table illustrates the population and household changes for the subject neighborhood with primary focus on the 1, 3, and 5-mile radius.

POPULATION AND HOUSEHOLD PROJECTIONS

Population	1 Mile Radius	3 Mile Radius	5 Mile Radius
2018 Population	51,173	301,257	579,441
2013 Population	50,269	300,409	579,102
2010 Population	49,842	301,473	582,057
2000 Population	52,336	320,177	613,498
Annual Growth 2013 - 2018	0.36%	0.06%	0.01%
Annual Growth 2010 - 2013	0.28%	-0.12%	-0.17%
Annual Growth 2000 - 2010	-0.49%	-0.60%	-0.52%
Households			
2018 Households	22,996	125,978	233,679
2013 Households	22,212	124,681	232,463
2010 Households	21,731	124,367	232,816
2000 Households	21,285	128,040	241,139
Annual Growth 2013 - 2018	0.70%	0.21%	0.10%
Annual Growth 2010 - 2013	0.73%	0.08%	-0.05%
Annual Growth 2000 - 2010	0.21%	-0.29%	-0.35%

Source: Nielsen/Claritas

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As shown, the subject's neighborhood is experiencing moderate positive increases in both population and households.

Income Distributions

Household income available for expenditure on housing and other consumer items is a primary factor in determining the price/rent level of housing demand in a market area. In the case of this study, projections of household income, particularly for renters, identifies in gross terms the market from which the subject submarket draws. The following table illustrates estimated household income distribution for the subject neighborhood.

HOUSEHOLD INCOME DISTRIBUTION

Households by Income Distribution - 2013	1 Mile Radius	3 Mile Radius	5 Mile Radius
Less than $15K	38.40%	25.71%	22.08%
$15K - $25K	12.64%	12.80%	12.73%
$25K - $35K	9.67%	10.78%	11.48%
$35K - $50K	11.90%	12.78%	14.00%
$50K - $75K	12.24%	15.96%	17.28%
$75K - $100K	5.24%	7.74%	8.80%
$100K - $150K	5.95%	8.23%	8.44%
$150K - $250K	2.88%	3.86%	3.46%
$250K - $500K	0.75%	1.49%	1.24%
$500K or more	0.31%	0.64%	0.48%

Source: Nielsen/Claritas

The following table illustrates the median and average household income levels for the subject neighborhood.

HOUSEHOLD INCOME LEVELS

Income	1 Mile Radius	3 Mile Radius	5 Mile Radius
2013 Median HH Inc	$24,012	$35,728	$38,628
2013 Estimated Average Household Income	$42,558	$56,534	$56,319
2013 Estimated Per Capita Income	$18,805	$23,464	$22,608

Source: Nielsen/Claritas

An analysis of the income data indicates that the submarket is generally comprised of upper-middle and high-income economic cohort groups, which include the target groups to which the subject is oriented.

Employment

An employment breakdown typically indicates the working class characteristics for a given market area. The specific employment population within the indicated radii of the subject is as follows:

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EMPLOYMENT BY INDUSTRY			
Occupation	1 Mile Radius	3 Mile Radius	5 Mile Radius
Agr/Frst/Fish/Hunt/Mine	0.04%	0.10%	0.09%
Construction	2.60%	5.57%	5.65%
Total Manufacturing	5.88%	6.02%	6.00%
Wholesale Trade	0.95%	1.59%	1.80%
Retail Trade	6.09%	7.21%	8.38%
Transport/Warehse/Utils	3.72%	4.64%	5.62%
Information	3.37%	2.34%	2.13%
Fin/Insur/RE/Rent/Lse	5.16%	6.00%	6.00%
Prof/Sci/Tech/Admin	9.60%	7.36%	6.03%
Mgmt of Companies	0.00%	0.01%	0.01%
Admin/Spprt/Waste Mgmt	5.52%	5.36%	5.24%
Educational Svcs	14.08%	13.01%	12.07%
Health Care/Soc Asst	17.70%	17.04%	17.40%
Entertainment & Rec Services	2.71%	1.81%	1.57%
Accommdtn/Food Svcs	9.40%	8.27%	7.74%
Oth Svcs, Not Pub Admin	5.18%	5.12%	4.87%
Public Administration	8.00%	8.56%	9.39%

Source: Nielsen/Claritas

The previous table illustrates the employment character of the submarket, indicating a predominantly middle- to upper-income employment profile, with the majority of the population holding executive & managerial or professional specialty related jobs.

Outlook

Based on this analysis, the immediate area surrounding the subject is projected to experience moderate, positive growth relative to households and population into the near future. Given the area demographics, it appears that demand for both comparable surrounding area apartment units and the subject will continue to be favorable.

Apartment Market Trends

An overview of local market conditions is a necessary aspect of the appraisal process. The market analysis forms a basis for assessing market area boundaries, supply and demand factors, and indications of financial feasibility. In this section, CBRE discusses the status of local market conditions. REIS published the Fourth Quarter 2013 Report, which was utilized in our analysis of the subject property's submarket. We also noted the Fourth Quarter 2013 Mid-Atlantic Class-A Apartment Market Report, published by Delta Associates. Other data used in CBRE surveys was collected through conversations and meetings with property managers, leasing agents, and brokers in the immediate area and throughout Suburban Maryland and the Baltimore area.

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Economic Trends

The following trends are evident in the Baltimore area economy and the national economy:

- According to the preliminary unemployment numbers released by Bureau of Labor Statistics in December 2013, the national unemployment rate had edged down to 6.7%. In the last 12 months, the number of new jobs has increased by 2.3 million, and the unemployment rate declined from 7.9%.
- The macroeconomic sluggishness is reflected in the housing market. Home-buyer affordability remains near its 40-year zenith which is boosting home sales. But all other things in the market are not the same as the backlog of foreclosures since 2008 is still being processed, despite record levels of affordability and record low interest rates. Households remain concerned over their financial futures and are holding off on major purchases, particularly homes. Credit underwriting has returned to more traditional and sustainable practices that had been downplayed during the height of the housing boom at the middle of the last decade. While home-value appreciation is up more than 10% in many markets, many potential first-time buyers remain in rental housing due to a lack of a down-payment.
- The state of Maryland's unemployment rate is 5.7% as of December 2013, lower than the December 2012 rate of 6.6%. The Baltimore-Towson Metro Area shares this trend, with an unemployment rate of 5.9%, substantially lower over the last 12 months. Both the Baltimore Region and the State of Maryland are exhibiting unemployment rates below the national average of 6.7%.
- The United States Bureau of Economic Analysis has released its estimate for Fourth Quarter 2013 GDP; the current estimate is that GDP has increased at an annualized rate of 3.3%. The acceleration in real GDP primarily reflected greater confidence among business owners and consumers, slightly offset by the effects of the government shutdown and concerns over anticipated tapering of Treasury purchases by the Federal Reserve.
- The Baltimore metro area experienced positive economic conditions during 2013, according to a publication of Delta Associates, in consultation with Transwestern. The Baltimore metro area gained 19,500 new payroll positions during the 12 months ending October 2013, driven largely by Professional/Business Services, Education/Health, and Construction – these sectors combined brought 22,300 jobs (offsetting a loss of over 3,000 jobs each from manufacturing and state/local government). This compares to the 20-year average of 11,300 net new payroll jobs created.
- The Baltimore metro area's gross regional product (GRP) was $152.8 billion in 2012 in current year dollars, an increase of 2.1%. Federal and financial activities make up a notable portion of the economy, generating 27% and 21%, respectively of the Baltimore metro area economy.

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- As the cuts from sequestration begin to be felt by companies and consumers later this year, it is projected that 2014, on an annual basis, will add 20,000 new jobs. In the medium term 13,500 and 15,000 jobs are forecasted to be added in 2014 and 2015, respectively.

Trends in the Multi-Family Real Estate Market

The chart below summarizes key findings from the latest quarterly report from Delta Associates.

BALTIMORE CLASS A APARTMENT MARKET STATISTICS

FOURTH QUARTER 2013

	Submarket										
Market Indicators	Howard County/ Columbia	N. Anne Arundel County	Annapolis	**Subtotal Southern Suburbs**	West & NW Baltimore County	North & NE Baltimore County	Harford County	**Subtotal Northern Suburbs**	**Subtotal Baltimore Suburbs**	**Baltimore City**	**Baltimore MSA**
Number of Units Surveyed	3,215	4,912	1,423	**9,550**	4,638	2,338	1,092	**8,068**	**17,618**	**5,013**	**22,631**
Rent Levels											
Face Rent @ December 2013	$1,675	$1,675	$1,675	**$1,675**	$1,675	$1,675	$1,675	**$1,675**	**$1,675**	**$1,675**	**$1,675**
Concessions as % Face Rent	5.3%	2.7%	3.7%	**3.8%**	1.5%	2.7%	0.4%	**1.7%**	**2.9%**	**2.1%**	**2.7%**
Effective Rent @ December 2013	$1,586	$1,599	$1,677	**$1,606**	$1,389	$1,526	$1,274	**$1,413**	**$1,518**	**$1,826**	**$1,586**
Effective Rent/SF @ December 2013	$1.50	$1.57	$1.78	**$1.58**	$1.23	$1.54	$1.31	**$1.32**	**$1.46**	**$2.04**	**$1.57**
Per Year Effective Rent											
Per Annum Increase to December 2013											
Since December 2012	-6.1%	-2.0%	-3.4%	**-3.6%**	1.2%	-1.1%	6.5%	**1.3%**	**-1.4%**	**6.0%**	**0.3%**
Overall Vacancy											
Vacancy Rate @ December 2012	8.2%	8.5%	3.3%	**7.5%**	9.8%	6.3%	8.2%	**8.4%**	**7.9%**	**8.2%**	**8.0%**
Vacancy Rate @ December 2013	17.9%	15.6%	12.4%	**15.9%**	6.8%	6.6%	3.0%	**6.2%**	**11.5%**	**11.2%**	**11.4%**
Stabilized Vacancy											
Vacancy Rate @ December 2012	5.2%	3.7%	3.3%	**4.1%**	3.7%	5.9%	3.3%	**4.4%**	**4.2%**	**3.6%**	**4.1%**
Vacancy Rate @ December 2013	4.5%	6.0%	8.8%	**4.5%**	6.8%	6.5%	3.0%	**6.2%**	**6.0%**	**5.1%**	**5.8%**
Absorption Trends											
Monthly Absorption Pace Per Project for Most Recently Delivered Market-Rate Projects	22	24	16	--	13	16	21	--	--	--	--
(Year of most recently marketed project)	(2013)	(2013)	(2013)		(2012)	(2011)	(2012)				
Supply Projections											
# of Market Rate Units under Construction or Planned in the next 36-Months	3,182	1,389	474	**5,045**	967	506	188	**1,661**	**6,706**	**3,331**	**10,037**
For Comparison Since December 2012	2,600	2,449	348	**5,397**	561	39	269	**869**	**6,266**	3,059	**9,325**

Rents include/assume landlord-paid utilities

Source: Delta Associates, Inc. 4QTR 2013

- The strength of the Class A apartment market in the Baltimore area has, surprisingly, yielded few sales, as sellers have marketed a property, then taken it off the market after fielding several offers, due to a lack of meeting-of-the-minds. One prominent Harbor East property was under contract in 2012 for over $400,000/unit, but the deal fell through when the seller insisted on assumed financing. As a result, new construction is booming, whether conversions of Class C office buildings in Baltimore's CBD, or new construction in town centers like Odenton/Crofton.

- Demand for rental housing in the Baltimore is strong as supply has come into line with demand, however vacancies have risen somewhat in many submarkets due to new deliveries, resulting in flat or even lower rents from a year earlier.

- Metro-wide stabilized Class-A vacancy is up 30 basis points from last year at this time, to 5.8%. Vacancy in Baltimore's southern submarkets is up to 4.5% from 4.1% one year ago. Vacancy in Baltimore's northern submarkets is up to 6.2% from 4.4% this time last year.

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- Concessions in the Baltimore metro area as of December 2013 have edged downward to 2.7% from 2.8% as of December 2012.
- Average effective rents in the metro area are $1,586 ($1.57 per SF). Rent increases in the Baltimore metro area were modest over the year since December 2012 – as declines in the southern suburbs dragged down the positive growth in Baltimore City and Harford County. Chiefly, Howard County/Columbia experienced a substantial rent decrease of 6.1%.
- Effective rents in the southern suburbs declined 3.6% over the past 12 months, while the northern suburbs increased by 1.3% during the same period – overall, Baltimore suburbs surveyed reported a 1.4% decrease in effective rents. The Baltimore City submarket, however, saw a 6.0% increase.
- The supply pipeline metro-wide is more robust than the end of 2012 – up by nearly 1,000 units for a total of 10,037 deliveries within the next 36 months. These counts exclude Baltimore's southern most suburbs – Anne Arundel and Howard Counties – whose units are counted in the Washington Metro pipeline and do not count for attrition.
- Lease-up pace for the five actively marketing projects in the Baltimore area currently averages 18 units per month per project. Projects that have recently stabilized have average lease-up paces of 13 and 9 units per month at low-rise and high-rise properties, respectively.
- The pipeline has once again increased by the Fourth Quarter of 2013 after reviving in 2011 and 2012. As a result, Delta projects that the 36-month supply will exceed the number of units that will be absorbed in the Baltimore area by the end of their 36-month forecast period. Baltimore's supply/demand relationship (which is far more stable than in Washington to the southwest) indicates that occupancy will increase slightly and rent growth is likely to continue at a flat to even declining pace over the next 24 months.
- The conversion boom of downtown Baltimore's Class C office buildings to apartments continues, with The Equitable and The Lenor apartments joining dozens of CBD properties that have been converted over the last five years. The largest planned yet—at 10 Light Street—promises to deliver nearly 400 units in what was for many years Baltimore's tallest office tower. The effect on downtown's office vacancy, which has lingered near 20% since the beginning of the Great Recession, has started to edge downward, and full service rents have started to rise again, according to Jones Lang LaSalle.

Baltimore Apartment Market

Historical apartment market statistics for the Baltimore Metro area are as follows:

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APARTMENT MARKET STATISTICS (All Properties)
BALTIMORE METRO AREA

Year	Inventory (Units)	Completions	Vacancy Rate	Net Absorption	Asking Rent $/Unit	Asking Rent % Change	Effective Rent $/Unit
1991	123,361	2,454	6.2%	604	$551	2.6%	$526
1992	124,237	876	5.7%	1,468	$557	1.1%	$525
1993	125,313	1,076	6.2%	412	$566	1.6%	$544
1994	125,881	568	5.4%	1,541	$575	1.6%	$558
1995	126,395	514	4.7%	1,367	$585	1.7%	$574
1996	127,531	1,136	4.4%	1,520	$605	3.4%	$596
1997	127,833	302	4.2%	465	$616	1.8%	$610
1998	128,401	568	4.0%	834	$631	2.4%	$626
1999	129,928	1,527	2.5%	3,384	$661	4.8%	$656
2000	131,448	1,520	1.7%	2,528	$705	6.7%	$701
2001	131,983	535	2.6%	-611	$746	5.8%	$730
2002	133,751	1,768	4.1%	-301	$778	4.3%	$754
2003	134,986	1,399	4.9%	65	$808	3.9%	$778
2004	135,883	897	4.8%	1,065	$848	5.0%	$815
2005	135,937	1,153	4.4%	548	$882	4.0%	$850
2006	137,146	1,697	5.8%	-740	$917	4.0%	$881
2007	139,242	1,949	4.9%	3,226	$961	4.8%	$927
2008	140,186	992	5.7%	-267	$979	1.9%	$944
2009	141,270	1,084	6.0%	656	$981	0.2%	$946
2010	142,573	1,303	5.0%	2,601	$1,003	2.2%	$969
2011	143,133	560	4.1%	1,781	$1,025	2.2%	$993
2012	145,162	1,941	3.8%	2,308	$1,070	4.3%	$1,043
2013	147,567	1,786	3.7%	2,218	$1,098	2.5%	$1,073
4Q 2013	147,567	437	3.7%	352	$1,098	2.0%	$1,073
2014 Estimated	149,339	1,772	3.2%	2,564	$1,132	3.1%	$1,106
2015 Estimated	151,019	1,680	3.3%	1,447	$1,162	2.7%	$1,135
2016 Estimated	152,267	1,248	3.5%	937	$1,193	2.7%	$1,162
2017 Estimated	153,465	1,198	3.6%	930	$1,221	2.3%	$1,188
2018 Estimated	154,582	1,117	3.8%	866	$1,246	2.0%	$1,213

Source: Reis, 4th Quarter 2013

Rent growth in the Fourth Quarter 2013 reflected a slight increase on a per unit basis, and, since 1991 to the Fourth Quarter 2013, rental rates have shown an average annual increase of 3.2% annually. REIS are forecasting growth at 3.1% for 2014, with increasingly slowing growth thereafter, of approximately 2.7% to 2.0% per year.

Vacancy rates range from 1.70% to 6.20% from 1991 to the Fourth Quarter 2013 and average 4.5% during the same time period. From 2014 through 2018, vacancy rates are expected to rise from 3.2% to 3.8%. It is noted that REIS expects that vacancy rates peaked in 2009 at 6.0%, trended downward in 2010 through 2012, and will continue downward in 2014.

Net absorption ranges from a negative 740 units in 2006 to a high of 3,384 units in 1999, and 2014 is forecast to deliver a high number of units (2,564). Overall absorption was positive in 2010 at 2,601 units, 1,781 units in 2011, 2,308 units in 2012, but slowed somewhat to 2,218 units in 2013. Absorption is expected to remain positive from 2014 through 2018 at the upper end of the historic range, but slowing. Overall, we expect the population growth to support a positive trend; however, we also recognize the market will experience swings based on economic conditions and development trends.

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Baltimore City Submarket

Baltimore City has two primary markets that Delta Associates classifies as the Downtown market and the Fells Point/Inner Harbor market. Delta Associates details both markets individually and then collectively considers Baltimore City. The following chart summarizes key market statistics related to Baltimore City:

BALTIMORE CITY CLASS A SUBMARKET MARKET STATISTICS

FOURTH QUARTER 2013

	Submarket		
Market Indicators	Downtown	Fells Point/Inner Harbor	**Baltimore City**
Number of Units Surveyed	3,162	1,851	**5,013**
Rent Levels			
Face Rent @ December 2013	$1,658	$2,222	**1,866**
Concessions as % Face Rent	2.4%	1.8%	**2.1%**
Effective Rent @ December 2013	$1,618	$2,182	**$1,826**
Effective Rent/SF @ December 2013	$1.89	$2.28	**$2.04**
Per Year Effective Rent Increase to December 2013			
Since December 2012	6.3%	5.6%	**6.0%**
Overall Vacancy			
Vacancy Rate @ December 2012	9.2%	5.4%	**8.2%**
Vacancy Rate @ December 2013	6.2%	19.8%	**11.2%**
Stabilized Vacancy			
Vacancy Rate @ December 2012	2.7%	2.7%	**2.7%**
Vacancy Rate @ December 2013	5.2%	4.8%	**5.1%**
Absorption Trends			
Monthly Absorption Pace Per Project for Most Recently Delivered Market-Rate Projects	9	17	--
(Year of most recently marketed project)	(2013)	(2013)	
Supply Projections			
Construction or Planned in the next 36-Months	2,364	967	**3,331**

Source: Delta Associates, Inc. 4QTR 2013

Rental rates within Baltimore City range from $1,618 per unit within the Downtown market and $2,222 per unit within the Fells Point/Inner Harbor market. The stabilized vacancy rate for the entire Baltimore City Class A product is 5.1%, which represents a rise from December 2012

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(2.7%). It is noted that concessions range from 1.8% to 2.4% with the average concession being 2.1% for Baltimore City. Rents have stabilized over the past year with an overall increase of 6.0%. Overall, the current market conditions set Baltimore City apart from its suburbs, performing much better and are expected to continue to remain stable throughout 2014, though increases to the pipeline portend a potential oversupply in 2015 and 2016.

Recently Completed Construction Inventory (All Property Types)

New construction has spread across multiple submarkets within the Baltimore region. A chart summarizing recently completed construction inventory for all property types is illustrating as follows:

RECENTLY COMPLETED APARTMENT PROJECTS
BALTIMORE METRO AREA

Property Name	Secondary Type	City	Submarket	Est. Comp Year	Size (Units)	% of Total
Towson Promenade	Apartment	Towson	Towson/Timonium/Hunt Valley	2010	397	5.1%
The Fitzgerald At UB Midtown	Apartment	Baltimore	Central Baltimore City	2010	275	3.6%
Penniman Park	Apartment	Elkridge	Columbia/Howard County	2010	186	2.4%
Hopewell Point Ph II	Condominiums	Essex	Dundalk/Essex/Rosedale	2010	48	0.6%
Elms At Stoney Run Ph II	Apartment	Hanover	Glen Burnie/Harundale/Odenton	2010	106	1.4%
The Palisades Of Towson	Apartment	Towson	Towson/Timonium/Hunt Valley	2010	357	4.6%
McHenry Row	Apartment	Baltimore	Central Baltimore City	2011	250	3.2%
The Arbors At Baltimore Crossroads	Apartment	White Marsh	Dundalk/Essex/Rosedale	2011	365	4.7%
Town Center At Arundel Preserve	Apartment	Hanover	Glen Burnie/Harundale/Odenton	2011	242	3.1%
Reserve At Stoney Creek Ph I	Apartment	Pasadena	Glen Burnie/Harundale/Odenton	2011	88	1.1%
Harper House Redevelopment	Apartment	Columbia	Columbia/Howard County	2011	100	1.3%
Mission Place Townhomes	Townhomes	Jessup	Columbia/Howard County	2011	104	1.3%
Mission Place Apartments	Apartment	Jessup	Columbia/Howard County	2011	262	3.4%
1111 Light Street	Apartment	Baltimore	Central Baltimore City	2012	93	1.2%
1901 South Charles Apartments	Apartment	Baltimore	Central Baltimore City	2012	193	2.5%
Enclave At Emerson Apartments	Apartment	Laurel	Columbia/Howard County	2012	164	2.1%
Guilford Gardens	Apartment	Columbia	Columbia/Howard County	2012	169	2.2%
Orchard Meadows At Northridge Ph Ii	Apartment	Ellicott City	Columbia/Howard County	2012	144	1.9%
Quarry Lake Bldg Iv	Condominiums	Pikesville	Pikesville/Randallstown/Owings Mills	2012	45	0.6%
Union Mill Apartments	Apartment	Baltimore	Central Baltimore City	2012	56	0.7%
Uplands Redevelopment Ph I	Apartment	Baltimore	Woodlawn/Catonsville	2012	215	2.8%
The View At Mill Run	Apartment	Owings Mills	Pikesville/Randallstown/Owings Mills	2012	375	4.9%
Village Of Odenton Station Apartments	Apartment	Odenton	Glen Burnie/Harundale/Odenton	2012	235	3.0%
Quarry Lake Bldg V	Condominiums	Pikesville	Pikesville/Randallstown/Owings Mills	2012	45	0.6%
Reserve At Riverside Ph I	Apartment	Belcamp	Harford County	2012	212	2.7%
The Arbors At Baltimore Crossroads	Apartment	White Marsh	Dundalk/Essex/Rosedale	2012	365	4.7%
The Palisades At Arundel Preserve	Apartment	Hanover	Glen Burnie/Harundale/Odenton	2013	330	4.3%
The Haven At Odenton Gateway	Apartment	Odenton	Glen Burnie/Harundale/Odenton	2013	235	3.0%
The Hanover	Apartment	Baltimore	Central Baltimore City	2013	440	5.7%
Union Wharf	Apartment	Baltimore	Central Baltimore City	2013	281	3.6%
Mill No. 1	Apartment	Baltimore	Central Baltimore City	2013	93	1.2%
Beacon At Waugh Chapel Towne Centre-Ph I	Apartment	Gambrills	Glen Burnie/Harundale/Odenton	2013	149	1.9%
300 Cathedral Street	Apartment	Baltimore	Central Baltimore City	2013	59	0.8%
521 Saint Paul Place	Apartment	Baltimore	Central Baltimore City	2013	69	0.9%
Serentiy Place At Dorsey Ridge Ph I	Apartment	Odenton	Glen Burnie/Harundale/Odenton	2013	252	3.3%
Pikeswood Park Apartments	Apartment	Randallstown	Pikesville/Randallstown/Owings Mills	2013	140	1.8%
The Groveton	Apartment	Randallstown	Pikesville/Randallstown/Owings Mills	2013	226	2.9%
The Gunther At Brewers Hill	Apartment	Baltimore	Central Baltimore City	2013	160	2.1%
The Patterson	Apartment	Baltimore	Central Baltimore City	2013	140	1.8%
Fells Point Station	Apartment	Baltimore	Central Baltimore City	2014	47	0.6%
TOTAL					7,712	

Source: Reis, 4th Quarter 2013

Central Baltimore City includes the recently completed Union Wharf and The Hanover Apartments, and over 7,700 new units delivered in the region since 2010, about 15% of which were built in the Columbia/Howard County submarket, and 25% in downtown Baltimore. The inventory considers all property classes and multifamily property types as the market study does not delineate between property class types, delivering 2,311 units in 2012, and 2,574 in 2013), including condominiums and townhouse units. The market has absorbed the new inventory, however, some concessions have been seen during lease-up until the new product is absorbed.

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Under Construction Inventory

UNDER CONSTRUCTION APARTMENT STATISTICS
BALTIMORE METRO AREA

Property Name	Secondary Type	City	Submarket	Est. Comp Year	Size SF/Units	% of Total
Jefferson Square At Washington Hill Ph I	Apartment	Baltimore	Central Baltimore City	2014	304	7.2%
301 N Charles Apartments	Apartment	Baltimore	Central Baltimore City	2014	92	2.2%
Marketplace At Fells Point	Apartment	Baltimore	Central Baltimore City	2014	159	3.8%
114 Lexington Street	Apartment	Baltimore	Central Baltimore City	2014	104	2.5%
Algonquin Apartments	Apartment	Baltimore	Central Baltimore City	2014	56	1.3%
Hochschild Kohn Apartments	Apartment	Baltimore	Central Baltimore City	2014	171	4.1%
2 East Wells	Apartment	Baltimore	Central Baltimore City	2014	153	3.6%
Annapolis Towne Centre Apartments	Apartment	Annapolis	Annapolis	2014	215	5.1%
Guilford Gardens	Apartment	Columbia	Columbia/Howard County	2012	269	6.4%
The Metropolitan Downtown Columbia Ph. I	Apartment	Columbia	Columbia/Howard County	2014	380	9.0%
Flats 170 At Academy Yards	Apartment	Odenton	Glen Burnie/Harundale/Odenton	2013	369	8.8%
The Arcadian	Apartment	Gambrills	Glen Burnie/Harundale/Odenton	2013	298	7.1%
Village South At Waugh Chapel Ph I	Apartment	Gambrills	Glen Burnie/Harundale/Odenton	--	298	7.1%
The Marley Meadow Apartments	Apartment	Glen Burnie	Glen Burnie/Harundale/Odenton	2013	36	0.9%
Beechtree Estates	Townhomes	Aberdeen	Harford County	2013	768	18.3%
Hollywoods	Townhomes	Aberdeen	Harford County	--	89	2.1%
Metro Centre At Owings Mills Bldg 1&2	Apartment	Owings Mills	Pikesville/Randallstown/Owings Mills	2013	240	5.7%
Towson Green	Townhomes	Towson	Towson/Timonium/Hunt Valley	2013	121	2.9%
Patapsco Overlook	Condominiums	Catonsville	Woodlawn/Catonsville	2013	80	1.9%
TOTAL					4,202	

Source: Reis, 4th Quarter 2013

The largest group of the properties under construction until recently by far was the Central Baltimore City submarket—about a quarter of the total, with just over 1,000 units. Collectively now, the Odenton and Columbia submarkets contain over a third of the total of the under-construction inventory with over 1,600 units, chiefly due to their location in the I-95 corridor. High growth areas such as these however risk concessions and higher vacancy levels.

Planned and Proposed Activity

Approximately 110 projects are either planned or proposed within the Baltimore metro, with about a quarter each of all planned/proposed units in the Central Baltimore City and the Columbia/Howard County submarkets. Another 20% are planned in the Glen Burnie/ Odenton submarket. The following chart shows the distribution of planned and proposed projects in the Baltimore Metro area:

PLANNED AND PROPOSED APARTMENT PROJECTS
BALTIMORE METRO AREA

Submarket	No. Units	% of Total
Annapolis/Crofton	1,188	5.2%
Central Baltimore City	5,454	24.1%
Columbia/Howard County	5,469	24.2%
Dundalk/Essex/Rosedale	708	3.1%
Glen Burnie/Harundale/Odenton	4,772	21.1%
Harford County	777	3.4%
Parkville/Carney/White Marsh	0	0.0%
Pikesville/Randallstown/Owings Mills	1,832	8.1%
Towson/Timonium/Hunt Valley	2,377	10.5%
Woodlawn/Catonsville	68	0.3%
Total	**22,645**	

Source: REIS,

The following chart shows planned and proposed projects in the subject's submarket.

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PLANNED AND PROPOSED APARTMENT PROJECTS
CENTRAL BALTIMORE CITY SUBMARKET

Property Name	Secondary Type	Submarket	Size SF/Units	% of Total	Status
Crown Cork Apartments	Apartment	Central Baltimore City	213	3.0%	Proposed
1 Light Street	Apartment	Central Baltimore City	264	3.8%	Proposed
3600 Dillon St	Apartment	Central Baltimore City	76	1.1%	Proposed
600 North Howard St	Apartment	Central Baltimore City	76	1.1%	Proposed
Algonquin Apartments	Apartment	Central Baltimore City	56	0.8%	Proposed
Cardinal Gibbons Redevelopment	Apartment	Central Baltimore City	68	1.0%	Proposed
Cardinal Gibbons Redevelopment	Apartment	Central Baltimore City	100	1.4%	Proposed
Flour House	Apartment	Central Baltimore City	202	2.9%	Proposed
Jefferson Square At Washington Hill Ph Ii	Apartment	Central Baltimore City	210	3.0%	Proposed
Jonestown Redevelopment	Apartment	Central Baltimore City	107	1.5%	Proposed
Lanvale Apartments	Apartment	Central Baltimore City	86	1.2%	Proposed
Locust Point Apartments	Apartment	Central Baltimore City	200	2.9%	Proposed
Mechanic Theatre Apartments Ph I	Apartment	Central Baltimore City	306	4.4%	Proposed
Mechanic Theatre Apartments Ph Ii	Apartment	Central Baltimore City	170	2.4%	Proposed
O'Donnell Heights Redvelopment Ph Ii	Townhomes	Central Baltimore City	185	2.6%	Proposed
Riverside Lofts	Apartment	Central Baltimore City	120	1.7%	Proposed
Woodlawn	Townhomes	Central Baltimore City	175	2.5%	Proposed
	Apartment	Central Baltimore City	224	3.2%	Proposed
25Th Street Station Apartments	Apartment	Central Baltimore City	70	1.0%	Planned
Canton Crossing Condos	Condominiums	Central Baltimore City	500	7.1%	Planned
Cityscape	Apartment	Central Baltimore City	291	4.2%	Planned
East Avenue Residential	Apartment	Central Baltimore City	57	0.8%	Planned
Former News American Building	Condominiums	Central Baltimore City	300	4.3%	Planned
Greektown Residences Ph Ii	Townhomes	Central Baltimore City	235	3.4%	Planned
Hochschild Kohn Apartments	Apartment	Central Baltimore City	171	2.4%	Planned
Jefferson Square At Washington Hill Ph I	Apartment	Central Baltimore City	304	4.3%	Planned
Lexington Building Apartments	Apartment	Central Baltimore City	104	1.5%	Planned
Lexington Square Apartments	Apartment	Central Baltimore City	300	4.3%	Planned
Silo Point Townhomes	Townhomes	Central Baltimore City	54	0.8%	Planned
Skyview Townhomes	Townhomes	Central Baltimore City	40	0.6%	Planned
Ten Light Street Apartments	Apartment	Central Baltimore City	445	6.3%	Planned
The Patterson	Apartment	Central Baltimore City	131	1.9%	Planned
The Pinnacle	Condominiums	Central Baltimore City	47	0.7%	Planned
The Rotunda (Apartments)	Apartment	Central Baltimore City	302	4.3%	Planned
The Rotunda (Condominiums)	Condominiums	Central Baltimore City	100	1.4%	Planned
Westport Waterfront Apartments Ph I	Apartment	Central Baltimore City	200	2.9%	Planned
Westport Waterfront Townhomes Ph I	Townhomes	Central Baltimore City	77	1.1%	Planned
	Apartment	Central Baltimore City	226	3.2%	Planned
Total			**7,012**		

Source: REIS, 4th Quarter 2013

If the projects being considered occur, these markets can expect additional concessions until the market has time to absorb the new product.

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Rent Growth

Rental rates have increases slowed over the past 12 months. The Baltimore MSA saw a 2.2% increase in the average rental rate per unit in 2010 and 2011, quickening to 4.3% in 2012, and slowing down to 1.0% this year. It is forecast to rise between 2.3% to 3.0% per year as the pipeline of new projects widens with new deliveries after a three-year lull. Below is a table illustrating the most recent market forecast performed by CBRE Econometric Advisors.

BALTIMORE MULTIHOUSING MARKET TRENDS: FORECAST

	Year	Total Employment (Jobs x 1000)	Population (x 1000)	Personal Income ($ billions)	Stock (Units)	Completions (Units)	Net Absorption (Units)	Vacancy Rate (Avg %)	Same-Store Rent Index (Avg $/Unit)	Rent Inflation (Avg %)
	2007	1,319	2,673	145.2	186,372	1,419	-1,474	4.6	1,034.28	2.0
	2008	1,303	2,687	146.3	187,698	1,326	-2,306	6.1	1,057.03	2.2
	2009	1,267	2,706	144.1	188,740	1,042	2,069	6.3	1,046.41	-1.0
	2010	1,281	2,725	148.0	189,406	666	3,410	4.7	1,079.11	3.1
	2011	1,303	2,743	151.1	190,672	1,266	1,794	4.3	1,122.88	4.1
	2012	1,331	2,759	153.7	192,891	2,219	2,140	4.4	1,155.46	2.9
	2013	1,335	2,769	151.8	195,643	2,752	1,822	4.5	1,177.59	1.9
Forecast	2014	1,358	2,781	156.9	198,536	2,893	1,761	4.7	1,205.09	2.3
	2015	1,372	2,793	161.0	200,561	2,025	1,893	4.8	1,232.12	2.2
	2016	1,385	2,805	164.5	202,374	1,814	1,818	4.8	1,265.70	2.7
	2017	1,396	2,817	167.6	204,136	1,762	1,731	4.8	1,300.44	2.7
	2018	1,406	2,829	170.7	205,884	1,748	1,587	4.8	1,334.17	2.6
	2019	1,415	2,841	174.1	207,608	1,725	1,574	4.8	1,366.24	2.4

Source: *CBRE EA - Baseline Winter 2013 Outlook data as of 4Q-2013*

This most recent forecast indicates that rental rates will continue to exhibit growth this year, and for the upcoming five years.

Conclusion

The Baltimore metro apartment market continues to enjoy healthy occupancy levels and low concessions; however, vacancy has crept upward in many submarkets that saw very tight levels and sharply rising rents seen in 2012 and 2013. Despite the recent trends in absorption and expansion of the supply pipeline, the local market area should maintain a stabilized occupancy position. The addition of new product to the market will create downward pressure on occupancy and on owners' ability to obtain the effective rental increases of the past several years. While job growth has been positive, it is below the long-term average and, along with uncertainty from spending cuts to regional government agencies and institutions that rely on federal funding, will continue to drag recovery and growth in demand. However, the long-term projection for the Baltimore metro apartment market is for continued growth.

Student Housing Submarket

Overview

Over the past decade, the student housing industry has experienced significant growth, fueled in large part by the demographic trends supporting it. The adjacent chart illustrates the population growth projections according to the National Multi-Housing Council (NHMC). These "Echo Boomers" are defined as the children of the Baby Boom generation, 15-24 years in age or of

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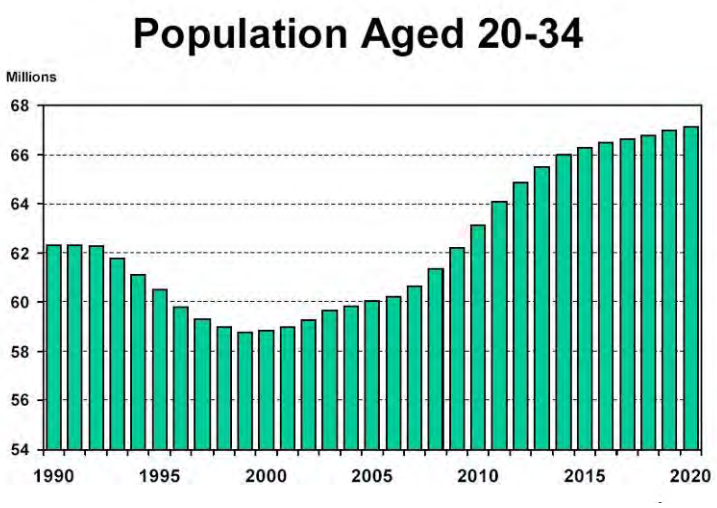
college age. This Echo Boomer segment of the population is experiencing a significant spike, peaking around 2011-2013 as more and more children chose to attend college. University enrollments across the nation have experienced marked growth following this population segment since the early 2000's. In addition, more students are choosing to stay in college to pursue additional or advanced degrees due to the depressed job market, and individuals are returning to college for retraining and or higher degrees.



Along with this growth, many universities have outgrown their existing on-campus housing facilities. At the same time, many on-campus housing facilities have become functionally obsolete, offering small shared bedrooms, common bathrooms and few amenities. As student populations have grown, specialized student housing developers have stepped in and built off-campus housing alternatives with many offering leasing by-the-bedroom formats, luxury amenities specifically tailored to student needs, roommate matching and individual leases backed by parental guarantees in slightly modified garden style apartment communities. Today, these communities are purpose-built specifically to meet the demands of today's students, in many cases offering private bedrooms and private bathrooms, wireless high speed internet access throughout the property, computer labs, tanning booths, movie theatres, large resort style swimming pools and hot tubs, and many more common area amenities.

Student housing is one of the only cyclical marketing assets in commercial real estate. This is due to the timing created by the typical nine or ten month University calendar. Student properties follow a very cyclical leasing season that hinges on the start of the fall school academic year. The tenant turnover window for student properties is extremely short; typically about two weeks in total just before the Fall move-in date. After this point, it is very unlikely that a property will sign any additional leases for the next twelve months, unless a student starts in January for the Spring semester. Occasionally some projects will offer short term leases, including spring semester leases with a premium monthly up-charge if offered at all by the management company. These properties will see some minor fluctuation in occupancy at the end of the calendar year. The softest student markets offer nine month leases and see a dramatic drop off in occupancy during summer months. The vast majority of student operators nationwide offer only twelve month lease terms in order to avoid the economic losses that come with short term (nine month-academic year) leasing.

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Strong markets will usually begin their leasing season for the following school year during the early winter months, sometimes signing leases ten to eleven months in advance of lease commencement. The majority of many student housing leasing seasons begin around February and can last through the end of the University calendar year in May, while the softest markets will often continue leasing all the way through the summer or until the start of the school year.

Student housing sales typically occur year-round, however the ideal student housing sales time frame is from the early summer to the end of each calendar year. Assuming an asset shows enough leasing velocity by early summer, investors will underwrite the property taking into account the upcoming fall rent roll. This gives current ownership the potential benefit of higher pricing based on improved rent growth for the upcoming school year. This assumes that they will close on the transaction after the start of the school year. This enables the student buyer to accurately forecast the upcoming months of income through the end of the student lease term in late summer. Once school has started, most investors will underwrite based on only the income that is in place for the remainder of the school academic year.

Some of the key differences from traditional multi-family apartment assets include the following items. Typically student housing capitalization rates are 50 to 100 basis points above a similar conventional multi-family asset in the same market area. Lease terms are typically 12 months, with occasional 6 or 9 month leases in softer markets or in older properties with occupancy concerns. One of the primary attractions for renters is connected with the parental guarantees, which allow parents to only be responsible for their students rent, and not any delinquent rent of roommates. Fully furnished units and roommate matching are common and partial or all-inclusive utility packages are seen in many markets. In some markets with older University dorm product, developers have built modern student dorm projects better suited to the current needs of University students with larger and more private accommodations with on-site cafeterias and modern amenities. All leases end and begin on the same day for each tenant and this is tied to the start of the University calendar each year.

Location and access to a local bus system or other public transportation is a critical factor for success. The supply and quality of on-campus housing is also an important factor of success, along with the residency requirements at the individual University and the potential for change in these policies and any new construction planned by the University. Two other important factors of success are the level of growth in enrollment and the percentage of commuter students living at home with parents along with the level of off-campus student housing competition at the current time and planned for the future. The level of barriers to entry of new product are also vital concerns for any student housing developer or owner.

From 2000 to 2010, the industry has seen a consolidation, with several public REITs forming and acquiring large portfolios of student housing. Similarly, the capital markets focused more on the segment and both investment and development of the product type increased. By-the-bed student housing saw its peak in investment and development from 2005-2007, fueled in part by

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the easy access to construction and acquisition financing. Unfortunately, the student housing niche is not immune to the credit constraints experienced by the rest of the commercial real estate market. In the current economic environment, the industry has experienced a significant slow-down in new development which has only been seen in the best of markets. Student housing brokers cite that there is a healthy amount of investment capital earmarked for student housing waiting patiently on the sidelines. As the national financial market stabilizes, the brokers expect to see an increase in investment activity. Some of this will be centered on existing distressed product, and by class A product in the best markets and large growing Universities.

Supply

Although the vast majority of area projects are leased by the student population and are oriented to student occupancy, only a minority fill the criteria of 'student housing.' The specific qualifications for our definition of student housing include design considerations, exclusive student tenancy, lease basis of individual bedrooms (rather than by units), and an above-standard amenity level. The properties filling these criteria in the local market include the subject and all of those properties identified in the competitive set.

Today, most students grow up with their own bedroom and many times with their own bathroom. When parents and students visit on campus housing, they find old buildings made of cinder block with little or no privacy. These aging facilities with deferred maintenance cannot meet the demands of this generation. Although universities have begun to renovate their housing facilities, they cannot meet the immediate needs of today's college students. Funding these renovations has been an obstacle for universities due to the recent decreases in state and federal funding of universities. Because on campus housing is suffering from aged facilities and deferred maintenance on campus occupancy rates now average approximately 90% nationwide.

Properties that are above ten years of age generally have few on-site amenities and lack conveniences that are typical in new properties, in response to current demand trends. New market properties are being built to include business centers, elaborate fitness facilities, controlled access, in-unit security systems, and high-speed internet access. Student housing incorporates some or all of these amenities plus many offer private baths with each bedroom. In both the short and long term, newer, higher quality complexes will continue take majority market share to the detriment of the older properties, especially those properties that lack timely maintenance and suitable management. Throughout the area, the majority of multifamily housing is over ten years old. The older properties have few on-site amenities and lack modern conveniences that are becoming standard.

With rising costs and aged facilities, on campus housing has lost most upper-class students to off campus apartment communities. These communities offer the amenities that today's students demand, including cable and computer connections, higher electrical capacity, exercise equipment, carpeting, no required meal plan, and private bedrooms. Nevertheless, many off-campus apartment communities have also aged, creating a need for a new product.

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Demand

During the past ten years, multi-family developers identified a niche in providing new, high quality student housing for college students. They concluded that the existing housing stock serving many major colleges and universities was inadequate, old and overpriced. Several factors were identified which contributed to this situation:

- The student housing market was largely ignored by private developers during the past 20-30 years
- The tightening budgets of most U.S. colleges and universities, and the on-campus availability of university owned land, do not allow for the expansion of student housing.
- Baby-boomer parents and grandparents are providing students with sufficient funding to support a more comfortable living arrangement.

In the few instances where a private development group has recognized this opportunity, the results have been very successful. Because most campuses have not seen new construction in the past 5-10 years, the absorption and retention rate of these properties is significantly higher than traditional university related apartment projects. Project and unit amenities are designed to promote effective time management and tools necessary to compete in the competitive college environment, while also providing for recreational time activities on the housing site. These tools include internet access in every bedroom and living area, direct access to university shuttle bus stops, individual bedrooms for each student, and a comfortable and safe living environment. These unit types are typically two, three and four bedroom units which lease on a per bedroom/student basis which individual leases to each student/tenant.

Few students prefer dormitory housing. Dorms do not offer the privacy or amenities found in most apartment communities. Most of the dorms have communal restrooms and baths; many do not have individual in-room sinks; and some dorms do not have air conditioning. On a cost basis, the dorms are significantly cheaper than most apartments in our survey of private student housing. One of the cost advantages of dorm residence is a per-semester lease term. Market properties require a 12-month lease, which typically begins in mid August or the first of September. Also, dorm rent includes utilities, which are generally not included in market properties.

According to most university housing directors at universities, price is not a factor that constrains most students. Students and their parents are willing and able to pay more than dorm cost for rent and utilities – typically 40% to 50% more to live off campus. Students indicate in surveys a desire for fewer rules and less supervision. A recent survey of college freshmen reported 93% didn't share a bedroom while living at home – shared bedrooms having been more commonplace in previous generations, in those generations when the university's dorms were constructed. General perceptions among freshmen are that dormitories are lacking in cleanliness and privacy.

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Enrollment Trends

More Americans than ever before believe that getting a college degree is vitally important to their future prosperity, and as a result, the nation is setting enrollment records. For the 2007/08 academic year, 18.248 million Americans were enrolled college, according to a survey published by the U.S. Department of Education with data provided by the U.S. Department of Commerce and the Bureau of the Census. National college enrollment increased by 14% between 1987 to 1997 and 26% from 1997 to 2007 with enrollment increasing 3,700,000 during the past ten years or approximately 2.5% per year.

Much of the growth between 1997 and 2007 was in full-time enrollment; the number of full-time students rose 34%, while the number of part-time students rose 15%. During the same time period, the number of females rose 29%, compared to an increase of 22% in the number of males. Enrollment increases can be affected both by population growth and by rising rates of enrollment. Between 1997 and 2007, the number of 18- to 24-year-olds increased from 25.5 million to 29.5 million, an increase of 16%, and the percentage of 18- to 24-year-olds enrolled in college remained relatively stable (37% in 1997 and 39% in 2007). In addition to the enrollment in accredited 2-year colleges, 4-year colleges, and universities, about 447,000 students attended non-degree-granting, Title IV eligible, postsecondary institutions in Fall 2006.

The number of young students has been growing more rapidly than the number of older students, but this pattern is expected to shift. Between 1995 and 2006, the enrollment of students under age 25 increased by 33%. Enrollment of people 25 and over rose by 13% during the same period. From 2006 to 2017, The National Center for Education Statistics projects a rise of 10 percent in enrollments of people under 25, and a rise of 19 percent in enrollments of people 25 and over.

Enrollment trends have differed at the undergraduate, graduate, and first-professional levels. Undergraduate enrollment generally increased during the 1970s, but dipped from 10.8 million to 10.6 million between 1983 and 1985. From 1985 to 1992, undergraduate enrollment

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increased each year, rising 18% before declining 2% and stabilizing between 1993 and 1996. Undergraduate enrollment rose 25% between 1997 and 2007. Graduate enrollment had been steady at about 1.3 million in the late 1970s and early 1980s, but rose about 67% between 1985 and 2007. After rising 60% between 1970 and 1980, enrollment in first-professional programs stabilized in the 1980s. First-professional enrollment began rising again in the 1990s and showed an increase of 18% between 1997 and 2007.

Between 2009 and 2018, college enrollment is projected to increase by 8.3%, or 19.037 million to 20.620 million. In California, educators describe the current surge in additional students as a "tidal wave". The state of Florida predicts 50,000 additional students from 2005 to 2010. Texas estimates that 100,000 additional students will seek to gain a higher education between 2005 and 2010. States like North Carolina, New York, Virginia, Arizona, and Georgia are also reflecting enrollment pressures in projections of campus housing shortages that suggest college campuses are rapidly filling up.

Industry Conclusions

With a strong amount of recent construction and three new projects including the subject planned for new delivery, there is not an overabundance of student housing in the metro area but the area is becoming more competitive for residents. As enrollment continues increasing in the metro area over the next several years and the university continues building, demand should remain strong for quality off-campus student housing. The market should be able to absorb a moderate increase in supply without an effective increase in the vacancy rate. Considering current stable economic conditions, demand for superior quality properties should continue, though older properties are likely to face an increasingly competitive environment.

University of Baltimore

The University of Baltimore (UB) was founded as a private institution in 1925 by a group of Baltimore civic leaders who wanted to provide low-cost, part-time evening study in business and law for working adults. Its first site was at the southeast corner of St. Paul and Mt. Vernon Place with a class of 62 law students and 114 business students.

UB became a state institution in 1975 and then part of the University System of Maryland in 1988. The University System of Maryland (USM) is comprised of 12 Maryland institutions of higher education, including the following:

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UNIVERSITY SYSTEM OF MARYLAND Member Institutions	
University	Enrollment (2012/13)
Bowie State University	5,561
Coppin State University	3,383
Frostburg State University	5,474
Salisbury University	8,649
Towson University	22,499
University of Baltimore	6,558
University of Maryland, Baltimore	2,553
University of Maryland, Baltimore County	13,960
University of Maryland, College Park	37,272
University of Maryland Eastern Shore	4,042
University of Maryland University College	54,393
University of Maryland Center for Environmental Science	90
Total Students	164,434

UB is the 7th largest university in USM based on overall enrollment, and now offers undergraduate, graduate, and professional programs in business, law, public affairs, and applied arts and sciences. The university is actively involved with its surrounding communities through its legal clinics and its centers, including the Schaefer Center for Public Policy; the Sayra and Neil Meyerhoff Center for Families, Children and the Courts; and the Center for Entrepreneurship and Innovation. Each of its four schools—the Merrick School of Business, the Yale Gordon College of Arts and Sciences, the College of Public Affairs, and the School of Law—plays a vital role in the progress of the city and of the state.

Enrollment Forecast

The following chart indicates current and forecasted enrollment:

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UNIVERSITY OF BALTIMORE ENROLLMENT							
	Actual 2012	Fcst 2013	Fcst 2014	Fcst 2015	Fcst 2016	Fcst 2017	Fcst 2018
Full Time Undergraduate Students	2,012	2,053	2,076	2,108	2,151	2,174	2,232
Part Time Undergraduate Students	1,414	1,447	1,547	1,607	1,644	1,688	1,742
TOTAL Undergraduate Students	3,426	3,500	3,623	3,715	3,795	3,862	3,974
% Undergraduate Students	52.2%	52.0%	52.4%	52.8%	53.0%	53.3%	53.9%
Full Time Graduate & Professional Students	1,446	1,479	1,491	1,501	1,535	1,548	1,545
Part Time Graduate & Professional Students	1,686	1,748	1,796	1,823	1,836	1,842	1,858
TOTAL Graduate Students	3,132	3,227	3,287	3,324	3,371	3,390	3,403
% Graduate Students	47.8%	48.0%	47.6%	47.2%	47.0%	46.7%	46.1%
Total Students	6,558	6,727	6,910	7,039	7,166	7,252	7,377
Total Full Time Students	3,458	3,532	3,567	3,609	3,686	3,722	3,777
% Full Time Students	52.7%	52.5%	51.6%	51.3%	51.4%	51.3%	51.2%
% Increase FT Undergraduates	--	2.0%	1.1%	1.5%	2.0%	1.1%	2.7%
% Increase Total FT Students	--	2.1%	1.0%	1.2%	2.1%	1.0%	1.5%
% Increase Total Students	--	2.6%	2.7%	1.9%	1.8%	1.2%	1.7%
Source: Enrollment Projections, Maryland Higher Education Commission							

As indicated above, full-time students represent just over 50% of the student population at UB, with full-time undergraduate enrollment projected to increase at between 1.1% and 2.7% per year over the next 5 years. In order to keep up with current growth projections, the UB campus is effectively doubling the size of its infrastructure by investing over $250 million of external funding, including $90 million in state capital funding, $30 million in general fundraising, $125 million in grant dollars, and $100 million in public-private partnership deals.

Housing

On-campus housing is not offered at UB, so housing options consist exclusively of off-campus apartments. Several options in the immediate area include the following:

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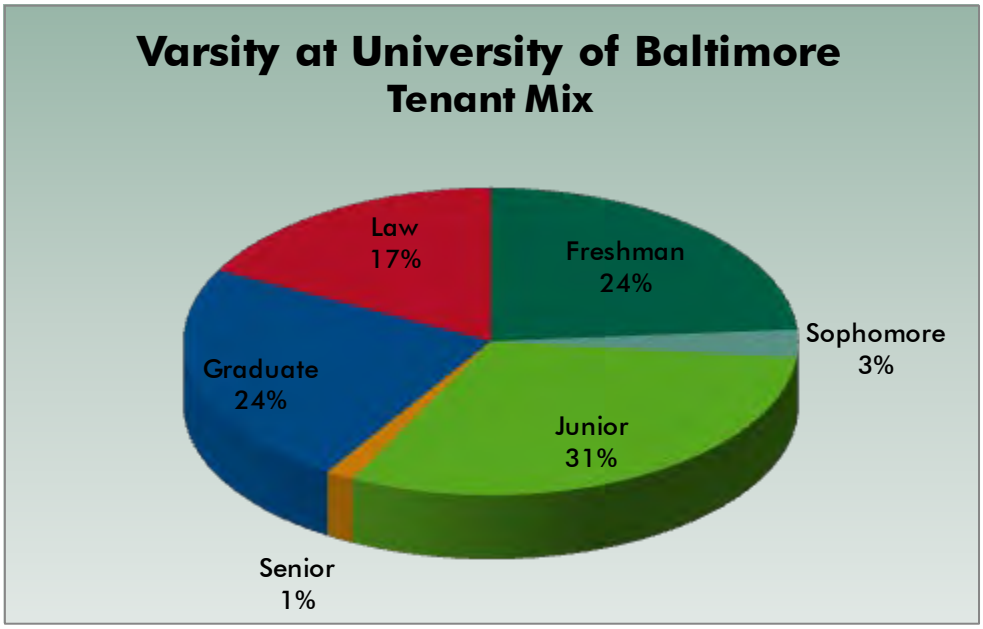
EXISTING OFF CAMPUS STUDENT HOUSING PROJECTS							
Project	Studio	1BR	2BR	3BR	4BR	Total Units	Total Beds
The Fitzgerald	30	155	90			275	365
The Mount Royal	2	83	19	16		120	171
Horizon House	148	73				221	221
Cresmont Lofts					26	26	104
The Professional Arts Building	14	49	32			95	127
Queen Anne Belvedere	2	44	30			76	106
Sutton Place Apartments	45	191	58			294	352
1201 North Charles		15	14			29	43
1010 St. Paul Regency	113	18	18			149	167
Symphony Center			136			136	272
Henderson House	2	83	35			120	155
The Varsity	19		38		57	114	323
Total Existing Supply	**375**	**711**	**470**	**16**	**83**	**1,655**	**2,406**

Source: Various Sources compiled by CBRE

The majority of housing options consist of traditional apartment communities that rent on a unit basis. The exceptions are Cresmont Lofts and The Varsity (subject), which are purpose-built student housing projects that rent on a bedroom basis.

Demand Forecast

Based on the current rent roll, a summary of the current tenant mix at the subject is indicated in the chart below:



As indicated, undergraduate tenants represent 59% of the current tenants, while graduate and law students make up 41%. This data indicates that although undergraduates make up the

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majority of the tenant base, students in graduate programs also provide a substantial portion of the tenant base.

Utilizing the above projections, the following table indicates the demand projection for off-campus housing and the subject's required market penetration rate for the upcoming school year:

HOUSING DEMAND AND MARKET PENETRATION					
	Fall 2014	Fall 2015	Fall 2016	Fall 2017	Fall 2018
Undergraduate Student	3,623	3,715	3,795	3,862	3,974
Graduate/Law Students	3,287	3,324	3,371	3,390	3,403
Total Enrollment	6,910	7,039	7,166	7,252	7,377
Subject Beds	323	323	323	323	323
Subject's Market Penetration Rate	**4.67%**	**4.59%**	**4.51%**	**4.45%**	**4.38%**
Various Sources Compiled by CBRE					

Considering the extremely limited supply of purpose-built student housing in the area, the above penetration rate appears reasonable and achievable.

Competitive Properties

Comparable properties were surveyed in order to identify the current occupancy within the competitive market. The comparable data is summarized in the following table:

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SUMMARY OF COMPARABLE APARTMENT RENTALS			
Comp. No.	Name	Location	Occupancy
1	Queen Anne Belvedere	1214 North Charles Street, Baltimore, MD	98%
2	The Mount Royal	103 E. Mt. Royal Avenue, Baltimore, MD	95%
3	Sutton Place Apartments	1111 Park Avenue, Baltimore, MD	90%
4	Professional Arts Building	101 W Read Street, Baltimore, MD	98%
5	The Fitzgerald at UB Midtown	1201 West Mount Royal Avenue, Baltimore, MD	91%
6	Cresmont Loft Apartments	2807 Cresmont Avenue, Baltimore, MD	100%
Subject	The Varsity at University of Baltimore	30 W Biddle St, Baltimore, Maryland	85%
Compiled by CBRE			

Comparable properties indicated occupancy rates of between 90% and 100%, all are currently in average to good condition. Properties that focus almost exclusively on student housing, including Comparables 1 and 6, are achieving the highest occupancy levels.

Subject Analysis

Absorption

The subject was built in 2012 as a student housing complex, and reportedly began pre-leasing in May 2012 for the upcoming school year beginning in September 2012. The property reportedly achieved full occupancy by November 2012, indicating an absorption pace in excess of 50 bedrooms per month. As pre-leasing is ongoing at the subject for next school year, we project that the subject will achieve full occupancy by September 2014. However, as student housing projects tend to achieve minimal leasing outside of the typical leasing season, our estimate assumes the subject will remain at its current occupancy through August 2014.

We note that the subject's current occupancy is due to a higher than normal amount of evictions caused by accounting policies that erroneously delayed delinquency notifications. Management has reportedly instituted new lease policies to resolve this issue.

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Occupancy

Based on the foregoing analysis, CBRE, Inc.'s conclusion of stabilized occupancy for the subject is illustrated in the following table. This estimate considers both the physical and economic factors of the market.

OCCUPANCY CONCLUSIONS	
Baltimore Area	94.9%
Student Housing Properties	98%-100%
Rent Comparables	92.8%
Subject's Current Occupancy	84.5%
Subject's Stabilized Occupancy	97.0%
Lease-up Period	6 Months
Compiled by CBRE	

Our concluded stabilized occupancy is consistent with other student housing projects in the area.

Conclusion

The area apartment market and the local submarket are exhibiting strong occupancy levels and upward trending rental rates, while maintaining favorable absorption in recent years. Considering the recent trends in absorption and the prospects for new construction, the local market area should maintain a stabilized occupancy position. The addition of new product to the market may create minor downward pressure on occupancy and on owners' ability to obtain the effective rental increases of the past several years. However, the long-term projection for the subject submarket is for continued growth.

With respect to the subject in particular, we believe the subject is reasonably well located for an apartment project. It is in reasonable proximity to both employment centers and major roadways, and the surrounding apartment developments are experiencing average to above average levels of demand. Based upon our analysis, the subject should continue to enjoy good market acceptance.

Cost to Achieve Stabilized Operations

The cost estimates employed for this approach are reflective of a property operating at a stabilized level. A stabilized occupancy for the subject has been estimated to be 97.0% while the subject is currently operating at 84.5%. Consequently, an adjustment is warranted. Utilizing the previously-discussed lease-up period of 6 months, a lease-up discount of ($240,000) was calculated. The lease-up discount analysis is included in the addenda.

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Highest and Best Use

In appraisal practice, the concept of highest and best use represents the premise upon which value is based. The four criteria the highest and best use must meet are:

- legally permissible;
- physically possible;
- financially feasible; and
- maximally productive.

The highest and best use analysis of the subject is discussed on the following pages.

As Vacant

Legally Permissible

The legally permissible uses were discussed in the Site Analysis and Zoning Sections.

Physically Possible

The subject is adequately served by utilities, and has an adequate shape and size, sufficient access, etc., to be a separately developable site. There are no known physical reasons why the subject site would not support any legally probable development (i.e. it appears adequate for development). Existing structures on similar sites provides additional evidence for the physical possibility of development.

Financially Feasible

The determination of financial feasibility is dependent primarily on the relationship of supply and demand for the legally probable land uses versus the cost to create the uses. As discussed in the market analysis, the subject apartment market is generally stabilized, and properties focused on student housing are achieving some of the higher occupancy levels. Development of new apartment properties has occurred in the past few years, and there are a number of proposed or under construction apartment projects in the competitive market. These factors indicate that it would be financially feasible to complete a new apartment project if the site acquisition cost was low enough to provide an adequate developer's profit.

Maximally Productive - Conclusion

The final test of highest and best use of the site as if vacant is that the use be maximally productive, yielding the highest return to the land. Based on the information contained in the market and neighborhood analysis, combined with the subject site's proximity to a local university, we conclude that the highest and best use of the subject as if vacant would be the development of a student housing property. Our analysis of the subject and its respective market characteristics indicate the most likely buyer, as if vacant, would be an investor (land speculation) or a developer.

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As Improved

Legally Permissible

The site has been improved with a student-housing development that appears to be a legal, conforming use.

Physically Possible

The layout and positioning of the improvements are considered most functional for a student housing use. While it would be physically possible for a wide variety of uses, based on the legal restrictions and the design of the improvements, the continued use of the property for student housing users would be the most functional use.

Financially Feasible

Financial feasibility is based on the amount of rent which can be generated, less operating expenses required to generate that income; if a residual amount existing, then the land is being put to a productive use. Based upon the income capitalization approach conclusion, the subject is producing a positive net cash flow and continued utilization of the improvements for student housing purposes is considered financially feasible. Further, the value of the improvements detailed clearly exceeds the underlying land value.

Maximally Productive - Conclusion

As shown in the applicable valuation sections, buildings that are similar to the subject have been acquired or continue to be used for student housing. None of the comparable buildings have been acquired for conversion to an alternative use.

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Appraisal Methodology

In appraisal practice, an approach to value is included or omitted based on its applicability to the property type being valued and the quality and quantity of information available.

Cost Approach

The cost approach is based on the proposition that the 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 that represent the highest and best use of the land, or when it is improved with relatively unique or specialized improvements for which there exist few sales or leases of comparable properties.

Sales Comparison Approach

The sales comparison approach utilizes sales of comparable properties, adjusted for differences, to indicate a value for the subject. Valuation is typically accomplished using physical units of comparison such as price per square foot, price per unit, price per floor, etc., or economic units of comparison such as gross rent multiplier. Adjustments are applied to the physical units of comparison derived from the comparable sale. The unit of comparison chosen for the subject is then used to yield a total value. Economic units of comparison are not adjusted, but rather analyzed as to relevant differences, with the final estimate derived based on the general comparisons.

Income Capitalization Approach

The income capitalization approach reflects the subject's income-producing capabilities. This approach is based on the assumption that value is created by the expectation of benefits to be derived in the future. Specifically estimated is the amount an investor would be willing to pay to receive an income stream plus reversion value from a property over a period of time. The two common valuation techniques associated with the income capitalization approach are direct capitalization and the discounted cash flow (DCF) analysis.

Methodology Applicable to the Subject

In valuing the subject, all three approaches are applicable and have been utilized.

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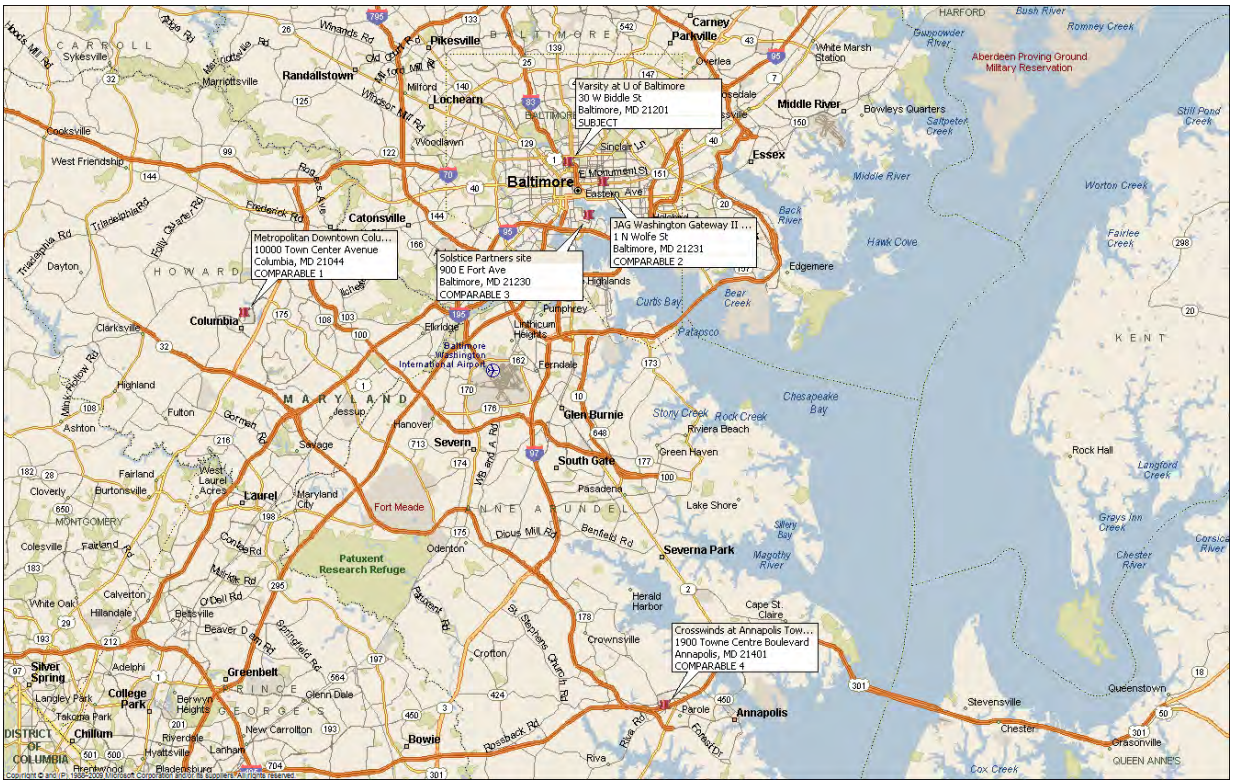
Land Value

The following map and table summarize the comparable data used in the valuation of the subject site. A detailed description of each transaction is included in the addenda.



SUMMARY OF COMPARABLE LAND SALES

No.	Property Location	Transaction Type	Transaction Date	Proposed Use	Actual Sale Price	Adjusted Sale Price [1]	Size (Acres)	Density (UPA)	Allowable Units	Price Per Bldg Unit
1	10000 Town Center Avenue, Columbia, MD	Sale	Jul-13	Multi-family	$20,300,000	$20,300,000	4.78	79.50	380	$53,421
2	1 North Wolfe Street, Baltimore, MD	Sale	Mar-13	Apartment	$6,250,000	$6,250,000	2.55	78.43	200	$31,250
3	900 East Fort Avenue, Baltimore, MD	Sale	Jun-12	Class A apartments	$3,500,000	$7,000,000	2.66	75.19	200	$35,000
4	1900 Towne Centre Boulevard, Annapolis, MD	Sale	Mar-12	Multi-family (mid-rise)	$7,500,000	$7,500,000	1.82	118.42	215	$34,884
Subject	30 W Biddle St, Baltimore, Maryland	---	---	Apartment	---	---	0.37	310.63	114.00	---

[1] Adjusted sale price for cash equivalency and/or development costs (where applicable)
Compiled by CBRE

The sales utilized represent the best data available for comparison with the subject. They were selected from our research of comparable land sales within the general market area and were chosen based upon their date of sale, location, and use.

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Discussion/Analysis of Land Sales

Land Sale One

This comparable represents 4.78 acres at 10000 Town Center Avenue. The site has a rectangular shape with level, at street grade topography and exhibits frontage along Broken Land Parkway and Town Center Avenue. At the time of the sale, the property was vacant land. The site is zoned NT, and the proposed use is for multi-family. All utilities were available to the site. The property sold in July 2013 for $20,300,000, or $53,421 per proposed unit ($4,246,862 per acre). A total of 380 units are proposed, for an overall density of 79.5 units per acre.

The upward adjustment for size reflects this comparable's inferior feature with respect to the lower price per unit typically paid for a larger number of units. A downward adjustment was applied to this comparable for its superior frontage attribute when compared to the subject, based upon its direct access to a large shopping mall. The adjustment for location was warranted due to the superior demographic characteristics of the surrounding area. Therefore, a downward adjustment was judged proper for this comparable. With respect to zoning/density, this comparable was considered superior in this aspect and received a downward adjustment because of the lower costs associated with a lower density development. An adjustment for parking was considered appropriate for this comparable given the requirement to construct parking. Because of this inferior trait, an upward adjustment was considered appropriate. The downward adjustment for retail was considered reasonable due to the higher income from the retail space. Overall, this comparable was deemed superior in comparison to the subject and a downward net adjustment was warranted to the sales price indicator.

Land Sale Two

This comparable represents 2.55 acres at 1 North Wolfe Street. The site has a rectangular shape with generally level topography and exhibits frontage along N. Wolfe Street and E. Baltimore Street. At the time of the sale, the property was vacant. The site is zoned R-8, and the proposed use is for apartments. All utilities were available to the site. The property sold in March 2013 for $6,250,000, or $31,250 per proposed unit ($2,447,142 per acre). A total of 200 units are proposed, for an overall density of 78.43 units per acre.

The upward market conditions (time) adjustment reflects the improved market conditions since the date of sale. With respect to zoning/density, this comparable was considered superior in this aspect and received a downward adjustment because of the lower costs associated with a lower density development. An adjustment for parking was considered appropriate for this comparable given the requirement to construct parking. Because of this inferior trait, an upward adjustment was considered appropriate. Overall, this comparable was deemed inferior in comparison to the subject and an upward net adjustment was warranted to the sales price indicator.

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Land Sale Three

This comparable represents 2.66 acres at 900 East Fort Avenue. The site has a triangular shape with level, at street grade topography. At the time of the sale, the property was vacant land. The site is zoned M-3, and the proposed use is for apartments. All utilities were available to the site. The property sold in June 2012 for $7,000,000, or $35,000 per proposed unit ($2,622,214 per acre). A total of 200 units are proposed, for an overall density of 75.19 units per acre. The difference between the Actual Sale Price and Adjusted Sale Price reflects an adjustment of $3,500,000 for development/capital costs.

The upward market conditions (time) adjustment reflects the improved market conditions since the date of sale. The adjustment for location was warranted due to the superior demographic characteristics of the surrounding area. Therefore, a downward adjustment was judged proper for this comparable. With respect to zoning/density, this comparable was considered superior in this aspect and received a downward adjustment because of the lower costs associated with a lower density development. An adjustment for parking was considered appropriate for this comparable given the requirement to construct parking. Because of this inferior trait, an upward adjustment was considered appropriate. The downward adjustment for retail was considered reasonable due to the higher income from the retail space. Overall, this comparable was deemed superior in comparison to the subject and a downward net adjustment was warranted to the sales price indicator.

Land Sale Four

This comparable represents 1.82 acres at 1900 Towne Centre Boulevard. The site has an irregular shape with level, at street grade topography and exhibits frontage along Forest Drive and Towne Centre Boulevard. At the time of the sale, the property was parking lot. The site is zoned Town Center, and the proposed use is for multi-family. All utilities were available to the site. The property sold in March 2012 for $7,500,000, or $34,884 per proposed unit ($4,131,093 per acre). A total of 215 units are proposed, for an overall density of 118.42 units per acre.

The upward market conditions (time) adjustment reflects the improved market conditions since the date of sale. The adjustment for location was warranted due to the superior demographic characteristics of the surrounding area. Therefore, a downward adjustment was judged proper for this comparable. With respect to zoning/density, this comparable was considered superior in this aspect and received a downward adjustment because of the lower costs associated with a lower density development. An adjustment for parking was considered appropriate for this comparable given the requirement to construct parking. Because of this inferior trait, an upward adjustment was considered appropriate. Overall, this comparable was deemed superior in comparison to the subject and a downward net adjustment was warranted to the sales price indicator.

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Summary of Adjustments

Based on our comparative analysis, the following chart summarizes the adjustments warranted to each comparable.

LAND SALES ADJUSTMENT GRID

Comparable Number	1	2	3	4	Subject
Transaction Type	Sale	Sale	Sale	Sale	---
Transaction Date	Jul-13	Mar-13	Jun-12	Mar-12	---
Proposed Use	Multi-family	Apartment	Class A apartments	Multi-family (mid-rise)	Apartment
Actual Sale Price	$20,300,000	$6,250,000	$3,500,000	$7,500,000	---
Adjusted Sale Price [1]	$20,300,000	$6,250,000	$7,000,000	$7,500,000	---
Size (Acres)	4.78	2.55	2.66	1.82	0.37
Size (SF)	208,217	111,252	116,283	79,083	15,987
Density (UPA)	79.50	78.43	75.19	118.42	310.63
Allowable Units	380	200	200	215	114
Price Per Unit	$53,421	$31,250	$35,000	$34,884	---
Price ($ Per Unit)	$53,421	$31,250	$35,000	$34,884	
Property Rights Conveyed	0%	0%	0%	0%	
Financing Terms [1]	0%	0%	0%	0%	
Conditions of Sale	0%	0%	0%	0%	
Market Conditions (Time)	0%	5%	10%	10%	
Subtotal	$53,421	$32,813	$38,500	$38,372	
Size	5%	0%	0%	0%	
Shape	0%	0%	0%	0%	
Corner	0%	0%	0%	0%	
Frontage	-10%	0%	0%	0%	
Topography	0%	0%	0%	0%	
Location	-15%	0%	-10%	-15%	
Zoning/Density	-10%	-10%	-10%	-10%	
Parking	15%	15%	15%	15%	
Retail	-10%	0%	-5%	0%	
Total Other Adjustments	-25%	5%	-10%	-10%	
Value Indication for Subject	**$40,066**	**$34,453**	**$34,650**	**$34,535**	
Absolute Adjustment	*65%*	*30%*	*50%*	*50%*	

[1] Adjusted sale price for cash equivalency and/or development costs (where applicable)

Compiled by CBRE

Conclusion

Based on the preceding analysis, Comparable 2 was given greatest weight due to its close proximity to the subject. Comparables 1, 3, and 4 were given secondary weight. The following table presents the valuation conclusion:

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CONCLUDED LAND VALUE				
$ Per Unit		Subject Units		Total
$34,000	x	114	=	$3,876,000
$36,000	x	114	=	$4,104,000
Indicated Value:				**$4,000,000**
		(Rounded $ Per Unit)		$35,088
Compiled by CBRE				

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Cost Approach

In estimating the replacement cost new for the subject, the following methods/data sources have been utilized (where available):

- the comparative unit method, utilizing the Marshall Valuation Service (MVS) cost guide, published by Marshall and Swift, LLC;
- the subject's budgeted construction costs; and
- budgeted construction cost figures available for comparable properties.

Marshall Valuation Service

Direct Cost

Salient details regarding the direct costs are summarized in the Cost Approach Conclusion at the end of this section. The MVS cost estimates include the following:

1. average architect's and engineer's fees for plans, plan check, building permits and survey(s) to establish building line;
2. normal interest in building funds during the period of construction plus a processing fee or service charge;
3. materials, sales taxes on materials, and labor costs;
4. normal site preparation including finish grading and excavation for foundation and backfill;
5. utilities from structure to lot line figured for typical setback;
6. contractor's overhead and profit, including job supervision, workmen's compensation, fire and liability insurance, unemployment insurance, equipment, temporary facilities, security, etc.;
7. site improvements (included as lump sum additions); and
8. initial tenant improvement costs are included in MVS cost estimate. However, additional lease-up costs such as advertising, marketing and leasing commissions are not included.

Base building costs (direct costs) are adjusted to reflect the physical characteristics of the subject. Making these adjustments, including the appropriate local and current cost multipliers, the direct building cost is indicated.

Additions

Items not included in the direct building cost estimate include parking and walks, signage, landscaping, and miscellaneous site improvements. The cost for these items is estimated separately using the segregated cost sections of the MVS cost guide.

Indirect Cost Items

Several indirect cost items are not included in the direct building cost figures derived through the MVS cost guide. These items include developer overhead (general and administrative costs), property taxes, legal and insurance costs, local development fees and contingencies, lease-up and marketing costs and miscellaneous costs. The concluded indirect cost allowance is 25.0%.

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MVS Conclusion

The concluded direct and indirect building cost estimates obtained via the MVS cost guide are illustrated as follows:

MARSHALL VALUATION SERVICE COST SCHEDULE			
Primary Building Type:	Apartment (Student)	Height per Story:	9'
Effective Age:	2 YRS	Number of Buildings:	1
Condition:	Good	Gross Building Area:	129,780 SF
Exterior Wall:	Masonry	Net Rentable Area:	103,399 SF
Number of Beds:	323	Average Unit Size:	907 SF
Number of Stories:	10	Average Floor Area:	12,978 SF

MVS Sec/Page		11/18/B
Quality/Bldg. Class		Average/B
Building Component		High-rise Apt
Component Sq. Ft.		129,780 SF
Base Square Foot Cost		$125.47
Square Foot Refinements		
Heating and Cooling		$0.00
Sprinklers		$2.45
Other		$0.00
Other		$0.00
Subtotal		$127.92
Height and Size Refinements		
Number of Stories Multiplier		1.035
Height per Story Multiplier		1.000
Floor Area Multiplier		1.000
Subtotal		$132.39
Cost Multipliers		
Current Cost Multiplier		1.07
Local Multiplier		1.02
Final Square Foot Cost		**$144.49**
Base Component Cost		**$18,752,257**
Base Building Cost	*(via Marshall Valuation Service cost data)*	$18,752,257
Additions		
Signage, Landscaping & Misc. Site Improvements (not included above)		$20,000
Parking/Walks (not included above)		$10,000
Appliances @ $4,715 per unit		$537,510
Direct Building Cost		$19,319,767
Indirect Costs	25.0% of Direct Building Cost	$4,829,942
Direct and Indirect Building Cost		$24,149,709
Rounded		$24,150,000

Compiled by CBRE

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Actual/Budget Comparable Construction Costs

The subject's budgeted construction costs are illustrated in the following table, along with comparable cost information for comparable properties. A detailed breakdown of the subject's cost estimate has been included in the Addenda. The Cost Adjustment line item reflects the cost to construct structured parking at Comparable 1, which is lacking at the subject and at Comparable 2.

CONSTRUCTION COSTS

Comparable:	1	2	Subject
Property Type	Student Housing	Student Housing	Student Housing
Cost Data Based Upon…	Budget	Budget	Budget
Size (SF):	420,595	229,534	129,780
Cost Component			
Direct Cost	$50,195,500	$37,758,656	$19,061,447
Indirect Cost	$12,807,512	$8,753,888	$4,739,553
Total Direct, Indirect & Lease-up	$63,003,012	$46,512,544	$23,801,000
Cost Adjustment (Parking)	($3,675,000)	$0	$0
Total Adjusted Costs	$59,328,012	$46,512,544	$23,801,000
Rounded			$23,801,000
Cost Per Bedroom	$65,847	$89,966	$73,687

Compiled by CBRE

Direct and Indirect Cost Conclusion

The indicated direct and indirect building costs for the subject are illustrated as follows:

DIRECT AND INDIRECT COST CONCLUSION

Source	Subject Estimate	Per Bedroom
MVS Cost Guide	$24,150,000	$74,768
Cost Comparables (Avg.)	n/a	$77,907
Subject's Budget Cost Est.	$23,801,000	$73,687
CBRE Estimate	**$24,386,500**	**$75,500**

Compiled by CBRE

The estimates derived via MVS represent replacement cost while the subject's budgeted figures represent reproduction costs. The subject's budgeted cost is reasonably consistent with the MVS cost guide and the cost comparables. Our conclusion gives equal weight to these estimates.

Entrepreneurial Profit

Entrepreneurial profit represents the return to the developer, and is separate from contractor's overhead and profit. The concluded entrepreneurial profit is 25.0%.

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Accrued Depreciation

There are essentially three sources of accrued depreciation:

1. physical deterioration, both curable and incurable;
2. functional obsolescence, both curable and incurable; and
3. external obsolescence.

Physical Deterioration

The following chart provides a summary of the remaining economic life.

ECONOMIC AGE AND LIFE	
Actual Age	2 Years
Effective Age	2 Years
MVS Expected Life	60 Years
Remaining Economic Life	58 Years
Accrued Physical Incurable Depreciation	3.3%
Compiled by CBRE	

Functional Obsolescence

Based on a review of the design and layout of the improvements, no forms of curable functional obsolescence were noted. Because replacement cost considers the construction of the subject improvements utilizing modern materials and current standards, design and layout, functional incurable obsolescence is not applicable.

External Obsolescence

Based on a review of the local market and neighborhood, no forms of external obsolescence affect the subject.

Furniture, Fixtures and Equipment

As previously noted, the apartments are leased on a furnished basis and the FF&E is owned. Hence the values cited in this report include FF&E value, whereby the concluded contributory value is shown as follows:

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FF&E VALUE ESTIMATE	
Unit Appliances @ $4,715/Unit	$537,510
Less: Salvage Value @ 10%	-$53,751
Depreciable Cost	$483,759
Effective Age	2 Years
MVS Expected Life	10 Years
Remaining Economic Life	8 Years
Accrued Physical Incurable Depreciation	20.0%
Depreciated Cost	$387,007
Plus: Salvage Value @ 10%	$53,751
FF&E Market Value	$440,758
Rounded	**$440,000**
Compiled by CBRE	

Cost Approach Conclusion

The value estimate is calculated as follows.

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COST APPROACH CONCLUSION

Primary Building Type:	Apartment (Student)	Height per Story:	9'
Effective Age:	2 YRS	Number of Buildings:	1
Condition:	Good	Gross Building Area:	129,780 SF
Exterior Wall:	Masonry	Net Rentable Area:	103,399 SF
Number of Beds:	323	Average Unit Size:	320 SF
Number of Stories:	10	Average Floor Area:	12,978 SF

Direct and Indirect Building Cost			$24,386,500
Entrepreneurial Profit	25.0% of Total Building Cost		$6,096,625
Replacement Cost New			$30,483,125
Accrued Depreciation			
Incurable Physical Deterioration	3.3% of Replacement Cost New less Curable Physical Deterioration	($1,092,771)	
Functional Obsolescence		$0	
External Obsolescence		$0	
Total Accrued Depreciation	3.6% of Replacement Cost New		($1,092,771)
Contributory Value of FF&E			$440,000
Depreciated Replacement Cost			$29,830,354
Land Value			$4,000,000
Indicated Stabilized Value w/out Tax Credit			**$33,830,354**
Rounded			**$33,800,000**
Tax Credit Value			$2,300,000
Indicated Stabilized Value with Tax Credit			**$36,100,000**
Lease-Up Discount			($240,000)
Indicated As Is Value			**$35,860,000**
Rounded			**$35,900,000**
Value Per Bedroom			**$111,146**

Compiled by CBRE

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Insurable Value

Insurable value is defined as follows:

1. the value of an asset or asset group that is covered by an insurance policy; can be estimated by deducting costs of noninsurable items (e.g., land value) from market value.
2. value used by insurance companies as the basis for insurance. Often considered to be replacement or reproduction cost plus allowances for debris removal or demolition less deterioration and noninsurable items. Sometimes cash value or market value, but often entirely a cost concept. [5]
3. a type of value for insurance purposes. [6]

CBRE, Inc. has followed traditional appraisal standards to develop a reasonable calculation based upon industry practices and industry-accepted publications such as the Marshall Valuation Service. The methodology employed is a derivation of the cost approach and is not reliable for insurable value estimates. Actual construction costs and related estimates can vary greatly from this estimate.

The insurable value estimate presented herein is intended to reflect the value of the destructible portions of the subject, based on the replacement of physical items that are subject to loss from hazards (excluding indestructible items such as basement excavation, foundation, site work, land value and indirect costs). In the case of the subject, this estimate is based upon the base building costs (direct costs) as obtained via the Marshall Valuation Service handbook, with appropriate deductions.

This analysis should not be relied upon to determine proper insurance coverage as only consultants considered experts in cost estimation and insurance underwriting are qualified to provide an insurable value. It is provided to aid the client/reader/user as part of their overall decision making process and no representations or warranties are made by CBRE, Inc. regarding the accuracy of this estimate and it is strongly recommended that other sources be utilized to develop any estimate of insurable value.

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[5] Marshall & Swift/Boeckh, LLC, *Marshall Valuation Service*, (Los Angeles: Marshall & Swift/Boeckh, LLC, 2010), Sec 3, p 2.

[6] Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 5th ed. (Chicago: Appraisal Institute, 2010), 102.

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INSURABLE VALUE

Primary Building Type:	Apartment (Student)	Height per Story:	9'
Effective Age:	2 YRS	Number of Buildings:	1
Condition:	Good	Gross Building Area:	129,780 SF
Exterior Wall:	Masonry	Net Rentable Area:	103,399 SF
Number of Stories:	10	Average Floor Area:	12,978 SF

MVS Sec/Page		11/18/B
Quality/Bldg. Class		Average/B
Building Component		High-rise Apt
Component Sq. Ft.		129,780 SF
Base Square Foot Cost		$125.47
Square Foot Refinements		
Heating and Cooling		
Sprinklers		$2.45
Subtotal		$127.92
Height and Size Refinements		
Number of Stories Multiplier		1.035
Height per Story Multiplier		1.000
Floor Area Multiplier		1.000
Subtotal		$132.39
Cost Multipliers		
Current Cost Multiplier		1.07
Local Multiplier		1.02
Final Square Foot Cost		**$144.49**
Base Component Cost		**$18,752,257**
Base Building Cost	*(via Marshall Valuation Service cost data)*	$18,752,257
Insurable Exclusions	10.0% of Total Building Cost	($1,875,226)
Indicated Insurable Value		**$16,877,031**
Rounded		**$16,900,000**
Value Per SF		**$163.44**

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Sales Comparison Approach

The following map and table summarize the comparable data used in the valuation of the subject. A detailed description of each transaction is included in the addenda.

SUMMARY OF COMPARABLE APARTMENT SALES

No.	Name	Transaction Type	Transaction Date	Year Built	No. Units	Avg. Unit Size	Bedrooms Per Unit	No. Bedrooms	Actual Sale Price	Adjusted Sale Price [1]	Price Per Bedroom	Occ.	NOI Per Bedroom	OAR
1	The Lodges of East Lansing II, 2721 Hannah Blvd., Meridian Twp, MI	Sale	Jul-13	2013	144	997	2.54	366	$32,300,000	$32,300,000	$88,251	90%	$5,569	6.31%
2	The District on 5th, 550 N. 5th Avenue, Tucson, AZ	Sale	Oct-12	2012	206	1,202	3.67	756	$66,441,667	$66,000,000	$87,302	100%	$5,535	6.34%
3	909 Broad Street Apartments, 909 East Broad Street, Athens, GA	Sale	May-12	2008	211	1,012	1.82	383	$34,675,000	$34,675,000	$90,535	97%	$5,432	6.00%
4	The Varsity at College Park, 8150 Baltimore Avenue, College Park, MD	Sale	Dec-11	2011	259	1,319	3.48	901	$96,600,000	$121,500,000	$134,850	91%	$7,565	5.61%
5	3949 Lindell, 3949 Lindell Boulevard, St. Louis, MO	Sale	Dec-11	2008	197	894	1.3	256	$28,450,000	$28,450,000	$111,133	89%	$6,668	6.00%
Subj. Pro Forma	The Varsity at University of Baltimore, 30 W Biddle St, Baltimore, Maryland	---	---	2012	114	907	2.83	323	---	---	---	97%	$6,611	---

[1] Adjusted sale price for cash equivalency, lease-up and/or deferred maintenance (where applicable)
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The sales utilized represent the best data available for comparison with the subject. They were selected from our research of comparable improved sales within the national student-housing market area and were chosen based upon their date of sale, location, age, condition and quality.

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Student Housing Adjustment Basis

The adjustments for a student housing and/or lease by the bed/bedroom property are complex because of the unique physical characteristics of this product type. The following factors are considered in the selection of adjustments for this product type.

- The age/quality/condition adjustment is similar to the adjustment process as seen in traditional apartment projects.
- The location factor has several components to be considered in this product type. First, is the fact that a wider geographic range of improved sales is usually required for true student apartment sales. The second location factor is the consideration of market conditions in the comparable region, with special attention to the level of competition in the area and the probability of new entrants in the area. The third factor is the enrollment trends and enrollment growth possibilities projected in the comparable market area.
- Campus proximity involves the proximity of the comparable to the University and the proximity to bus stops and the level of bus service available to the nearby campus.
- The level of amenities is seen as a strong absorption and retention factor for this type of properties which are typically 100% occupied by University students. Most modern student housing projects have extensive swimming pools and spas, recreation rooms, study rooms, computer rooms, basketball/tennis courts, and BBQ grills. Most of the student properties built in the past five years have all or most of these project amenities.
- The bed count per unit factor is related to the economic difference due to the unit mix level in a particular apartment project. A typical student complex will have a variety of unit types, however some have only one or two units types. This is a very important factor to consider since the rent level in one bedroom units can vary significantly on a per bed basis. For example, a project may have an approximate rent level for one bedrooms of $500 to $550 per bed, two bedroom units at $450 to $500 per bed, three bedrooms at $400 to $450 per bed, and four bedrooms at $350 to $400 per bed. This rent differential is essentially a price for privacy and is at a higher cost for each level of unit privacy, i.e. as a bed count gets smaller in a unit the price per bed increases substantially.

Discussion/Analysis of Improved Sales

Improved Sale One

This comparable represents a multifamily student housing property consisting of 366 bedrooms and is situated on a 9.06-acre parcel at 2721 Hannah Blvd., Meridian Twp, MI. The improvements were originally constructed in 2013 and were considered in new condition at the time of sale. The exterior walls depict masonry construction components. The average unit size was 997 square feet and project amenities included a heated outdoor pool, fitness center with sauna/tanning beds, volleyball courts, bocce ball, an outdoor plaza with a fountain, fireplaces,

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and gas grills, and clubhouse. The property sold in July 2013 for $32,300,000, or $88,251 per bedroom. Pro Forma net operating income at the time of sale was $2,039,224, or $5,569 per bedroom, for an overall capitalization rate of 6.31%. Occupancy at the time of sale was 90%.

The upward adjustment for location reflects this comparable's inferior feature with respect to its location in a smaller metropolitan area. An upward adjustment was applied to this comparable for its inferior campus proximity attribute when compared to the subject, based upon its further distance to campus. The adjustment for project amenities was warranted due to its superior amenity package. Therefore, a downward adjustment was judged proper for this comparable. With respect to parking, this comparable was considered superior in this aspect and received a downward adjustment because of the availability of onsite parking. Overall, this comparable was deemed inferior in comparison to the subject and an upward net adjustment was warranted to the sales price indicator.

Improved Sale Two

This comparable represents a multifamily student housing property consisting of 756 bedrooms and is situated on a 3.48-acre parcel at 550 N. 5th Avenue, Tucson, AZ. The improvements were originally constructed in 2012 and were considered in new condition at the time of sale. The exterior walls depict masonry construction components. The average unit size was 1,202 square feet and project amenities included a pool, fitness center, clubhouse, business center, movie theater, tanning beds, garage parking, and in-unit washer/dryer. The property sold in October 2012 for $66,000,000, or $87,302 per bedroom. Pro Forma net operating income at the time of sale was $4,185,825, or $5,535 per bedroom, for an overall capitalization rate of 6.34%. Occupancy at the time of sale was 100%. The difference between the Actual Sale Price and Adjusted Sale Price reflects a downward adjustment of $441,667 for the value of the two single-family residences located on the site.

The upward market conditions (time) adjustment reflects the improved market conditions since the date of sale. The upward adjustment for location reflects this comparable's inferior feature with respect to its location in a smaller metropolitan area. Upon comparison with the subject, this comparable was considered inferior in terms of project size and received an upward adjustment for this characteristic due to the lower price per bedroom typically paid for a larger number of bedrooms. An upward adjustment was applied to this comparable for its inferior campus proximity attribute when compared to the subject, based upon its further distance to campus. An adjustment for bedroom density was considered appropriate for this comparable given the lower income associated with a higher bed-count per unit. Because of this inferior trait, an upward adjustment was considered appropriate. The adjustment for project amenities was warranted due to its superior amenity package. Therefore, a downward adjustment was judged proper for this comparable. With respect to parking, this comparable was considered superior in this aspect and received a downward adjustment because of the availability of onsite parking. Overall, this

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comparable was deemed inferior in comparison to the subject and an upward net adjustment was warranted to the sales price indicator.

Improved Sale Three

This comparable represents a multifamily student housing property consisting of 383 bedrooms and is situated on a 2.93-acre parcel at 909 East Broad Street, Athens, GA. The improvements were originally constructed in 2008 and were considered in good condition at the time of sale. The exterior walls depict other construction components. The average unit size was 1,012 square feet and project amenities included a swimming pool, structured parking, fitness center, computer lab, and study area. The property sold in May 2012 for $34,675,000, or $90,535 per bedroom. Existing net operating income at the time of sale was $2,081,265, or $5,432 per bedroom, for an overall capitalization rate of 6%. Occupancy at the time of sale was 97%.

The upward market conditions (time) adjustment reflects the improved market conditions since the date of sale. The upward adjustment for location reflects this comparable's inferior feature with respect to its location in a smaller metropolitan area. An adjustment for bedroom density was considered appropriate for this comparable given the higher income associated with a lower bed-count per unit. Because of this superior trait, a downward adjustment was considered appropriate. The adjustment for project amenities was warranted due to its superior amenity package. Therefore, a downward adjustment was judged proper for this comparable. With respect to parking, this comparable was considered superior in this aspect and received a downward adjustment because of the availability of onsite parking. Overall, this comparable was deemed inferior in comparison to the subject and an upward net adjustment was warranted to the sales price indicator.

Improved Sale Four

This comparable represents a multifamily student housing property consisting of 901 bedrooms and is situated on a 3.53-acre parcel at 8150 Baltimore Avenue, College Park, MD. The improvements were originally constructed in 2011 and were considered in good condition at the time of sale. The exterior walls depict brick veneer construction components. The average unit size was 1,319 square feet and project amenities included outdoor terraces, fitness center, conference rooms, study rooms, party room, multiple lounges, 24-hour security, on-site retail, an outdoor park, and a campus shuttle service. The property sold in December 2011 for $121,500,000, or $134,850 per bedroom. Pro Forma net operating income at the time of sale was $6,820,171, or $7,565 per bedroom, for an overall capitalization rate of 5.61%. Occupancy at the time of sale was 91%. The difference between the Actual Sale Price and Adjusted Sale Price reflects an adjustment of $24,900,000 for development/capital costs.

The upward market conditions (time) adjustment reflects the improved market conditions since the date of sale. The downward adjustment for location reflects this comparable's superior feature with respect to its location in a larger metropolitan area. Upon comparison with the subject, this comparable was considered inferior in terms of project size and received an upward adjustment

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for this characteristic due to the lower price per bedroom typically paid for a larger number of bedrooms. An upward adjustment was applied to this comparable for its inferior campus proximity attribute when compared to the subject, based upon its further distance to campus. An adjustment for bedroom density was considered appropriate for this comparable given the lower income associated with a higher bed-count per unit. Because of this inferior trait, an upward adjustment was considered appropriate. With respect to parking, this comparable was considered superior in this aspect and received a downward adjustment because of the availability of onsite parking. An adjustment for retail was considered appropriate for this comparable given the higher income associated with a higher percentage of retail space. Because of this superior trait, a downward adjustment was considered appropriate. Overall, this comparable was deemed superior in comparison to the subject and a downward net adjustment was warranted to the sales price indicator.

Improved Sale Five

This comparable represents a multi-family mid/high rise-style, multifamily property consisting of 256 bedrooms and is situated on a 2.89-acre parcel at 3949 Lindell Boulevard, St. Louis, MO. The improvements were originally constructed in 2008 and were considered in good condition at the time of sale. The exterior walls depict masonry construction components. The average unit size was 894 square feet and project amenities included a parking garage, retail space, pool, and leasing office. The property sold in December 2011 for $28,450,000, or $111,133 per bedroom. Existing net operating income at the time of sale was $1,706,325, or $6,668 per bedroom, for an overall capitalization rate of 6.0%. Occupancy at the time of sale was 89%.

The upward market conditions (time) adjustment reflects the improved market conditions since the date of sale. The upward adjustment for location reflects this comparable's inferior feature with respect to its location in a smaller metropolitan area. An upward adjustment was applied to this comparable for its inferior campus proximity attribute when compared to the subject, based upon its further distance to campus. An adjustment for bedroom density was considered appropriate for this comparable given the higher income associated with a lower bed-count per unit. Because of this superior trait, a downward adjustment was considered appropriate. The adjustment for project amenities was warranted due to its superior amenity package. Therefore, a downward adjustment was judged proper for this comparable. With respect to parking, this comparable was considered superior in this aspect and received a downward adjustment because of the availability of onsite parking. An adjustment for retail was considered appropriate for this comparable given the higher income associated with a higher percentage of retail space. Because of this superior trait, a downward adjustment was considered appropriate. Overall, this comparable was deemed superior in comparison to the subject and a downward net adjustment was warranted to the sales price indicator.

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Summary of Adjustments

Based on our comparative analysis, the following chart summarizes the adjustments warranted to each comparable.

APARTMENT SALES ADJUSTMENT GRID

Comparable Number	1	2	3	4	5	Subj. Pro Forma
Transaction Type	Sale	Sale	Sale	Sale	Sale	---
Transaction Date	Jul-13	Oct-12	May-12	Dec-11	Dec-11	---
Year Built	2013	2012	2008	2011	2008	2012
No. Units	144	206	211	259	197	323
Avg. Unit Size	997	1,202	1,012	1,319	894	907
Bedrooms Per Unit	2.54	3.67	1.82	3.48	1.30	2.83
No. Bedrooms	366	756	383	901	256	323
Actual Sale Price	$32,300,000	$66,441,667	$34,675,000	$96,600,000	$28,450,000	---
Adjusted Sale Price [1]	$32,300,000	$66,000,000	$34,675,000	$121,500,000	$28,450,000	---
Price Per Bedroom	$88,251	$87,302	$90,535	$134,850	$111,133	---
Occupancy	90%	100%	97%	91%	89%	97%
NOI Per Bedroom	$5,569	$5,535	$5,432	$7,565	$6,668	$6,611
OAR	6.31%	6.34%	6.00%	5.61%	6.00%	---
Adj. Price Per Bedroom	$88,251	$87,302	$90,535	$134,850	$111,133	
Property Rights Conveyed	0%	0%	0%	0%	0%	
Financing Terms [1]	0%	0%	0%	0%	0%	
Conditions of Sale	0%	0%	0%	0%	0%	
Market Conditions (Time)	0%	5%	10%	10%	10%	
Subtotal - Price Per Bedroom	$88,251	$91,667	$99,589	$148,335	$122,246	
Location	20%	15%	25%	-10%	10%	
Project Size	0%	5%	0%	5%	0%	
Age/Condition	0%	0%	0%	0%	0%	
Campus Proximity	5%	5%	0%	5%	5%	
Bedroom Density	0%	5%	-5%	5%	-5%	
Project Amenities	-5%	-5%	-5%	0%	-5%	
Parking	-5%	-5%	-5%	-5%	-5%	
Retail	0%	0%	0%	-25%	-10%	
Total Other Adjustments	15%	20%	10%	-25%	-10%	
Indicated Value Per Bedroom	**$101,489**	**$110,000**	**$109,548**	**$111,251**	**$110,021**	
Absolute Adjustment	*35%*	*45%*	*50%*	*65%*	*50%*	

[1] Adjusted for cash equivalency, lease-up and/or deferred maintenance (where applicable)
Compiled by CBRE

Overall, Comparables 1, 3, 4, and 5 were given greater consideration because of their location in the eastern United States, with Comparable 4 receiving greatest weight due to its close proximity to the subject.

Sales Comparison Approach Conclusion

The following table presents the estimated value for the subject as indicated by the sales comparison approach.

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SALES COMPARISON APPROACH

Total Bedrooms	X	Value Per Bedroom	=	Value
323	X	$108,000	=	$34,884,000
323	X	$110,000	=	$35,530,000

VALUE CONCLUSION

Indicated Stabilized Value w/out Tax Credit	**$35,200,000**
Tax Credit Value	$2,300,000
Indicated Stabilized Value with Tax Credit	**$37,500,000**
Lease-Up Discount	($240,000)
Indicated As Is Value	**$37,260,000**
Rounded	**$37,300,000**
Value Per Bedroom	**$115,480**

Compiled by CBRE

We note that the subject was reportedly listed for sale in late 2012. We were provided with 3 offers received as part of the listing as follows:

VARSITY AT UNIVERSITY OF BALTIMORE

Recent Offers from Late 2012 Timeframe

Offer No.	Date of Offer	Price	Price/Bed
1	November 9, 2012	$37,500,000	$116,099
2	November 27, 2012	$36,000,000	$111,455
3	December 4, 2012	$37,500,000	$116,099

Compiled by CBRE

The offers received are consistent with the value conclusion.

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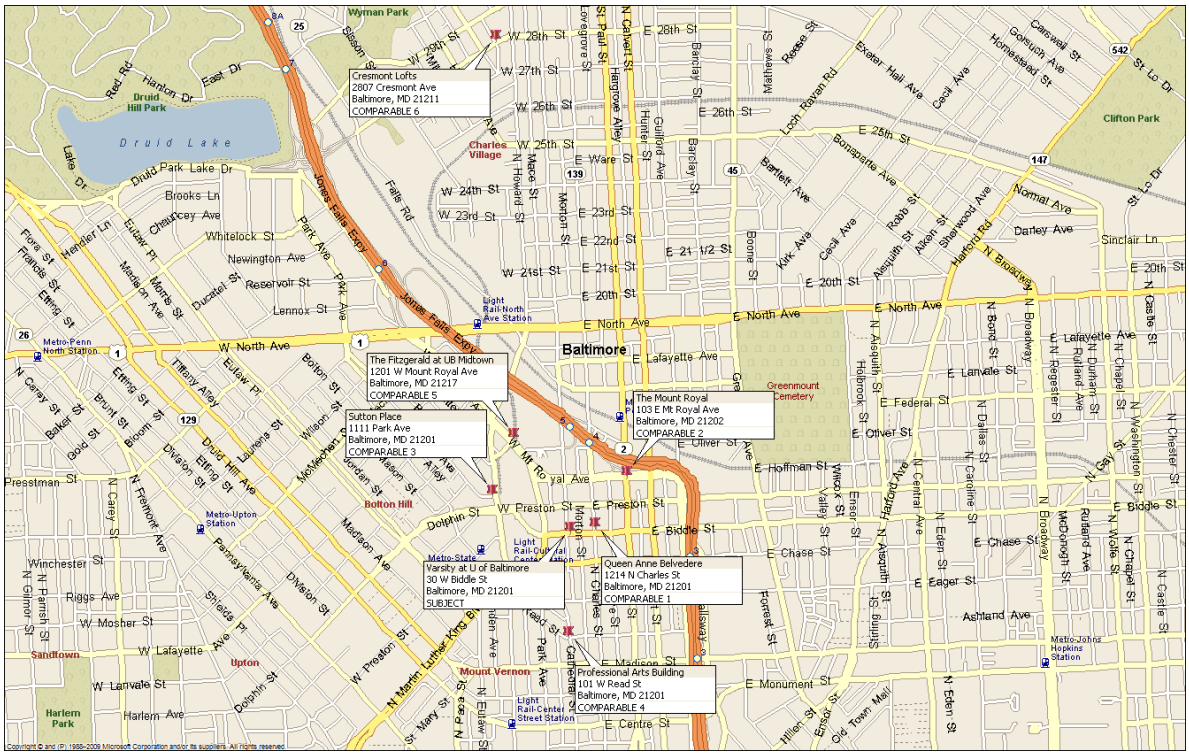
Income Capitalization Approach

The following map and table summarize the primary comparable data used in the valuation of the subject. A detailed description of each transaction is included in the addenda.



SUMMARY OF COMPARABLE APARTMENT RENTALS

Comp. No.	Property Name	Location	Year Built	Occ.	No. Units	No. Bedrooms	Avg. Rent Per Bed
1	Queen Anne Belvedere	1214 North Charles Street, Baltimore, MD	1870	98%	76	106	$905
2	The Mount Royal	103 E. Mt. Royal Avenue, Baltimore, MD	1888	95%	120	171	$1,019
3	Sutton Place Apartments	1111 Park Avenue, Baltimore, MD	1963	90%	294	352	$1,011
4	Professional Arts Building	101 W Read Street, Baltimore, MD	1905	98%	95	144	$969
5	The Fitzgerald at UB Midtown	1201 West Mount Royal Avenue, Baltimore, MD	2010	91%	275	365	$1,431
6	Cresmont Loft Apartments	2807 Cresmont Avenue, Baltimore, MD	2005	100%	26	104	$775
Subj.	The Varsity at University of Baltimore	30 W Biddle St, Baltimore, Maryland	2012	85%	114	323	---

Compiled by CBRE

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The rentals utilized represent the best data available for comparison with the subject. They were selected from our research within the general market area. These comparables were chosen based upon their location, age, condition and quality.

Discussion/Analysis of Rent Comparables

Rent Comparable One

This comparable represents the Queen Anne Belvedere apartments, a 106-bedroom multi-family walk-up property at 1214 North Charles Street, Baltimore, MD. The improvements were originally constructed in 1870, renovated in 2001, and were considered to be in average condition at the time of our research. The structure's exterior depicts brick construction components and the average unit size is 840 square feet. Project amenities include laundry facilities, controlled access entry, and a courtyard. According to the unit mix and asking rates for this property, the average base rental rate is $1.50 per square foot monthly ($905/bed) based on typical lease terms of 12 months. No rent premiums were reported. Utilities included with the rent consist of water, sewer, and trash, and no concessions are currently offered. The property is currently 100% leased.

As compared to the subject, this project was viewed as inferior with respect to age, condition, design appeal and project amenities, while regarded as similar in terms of location and quality of construction. Overall, this comparable is inferior to the subject and we expect the subject to achieve rental rates that are above this project on a monthly basis.

Rent Comparable Two

This comparable represents The Mount Royal apartments, a 171-bedroom multi-family mid/high rise property at 103 E. Mt. Royal Avenue, Baltimore, MD. The improvements were originally constructed in 1888, renovated in 1986, and were considered to be in average condition at the time of our research. The structure's exterior depicts masonry construction components and the average unit size is 867 square feet. Project amenities include a card coded access, 54 on-site parking spaces and 19 garage spaces. According to the unit mix and asking rates for this property, the average base rental rate is $1.67 per square foot monthly ($1,019/bed) based on typical lease terms of 12 months. Rent premiums were reported for renovations. Utilities included with the rent consist of trash, and no concessions are currently offered. The property is currently 95% leased.

As compared to the subject, this project was viewed as inferior with respect to age, condition and project amenities, while regarded as similar in terms of location, design appeal and quality of construction. Overall, this comparable is inferior to the subject and we expect the subject to achieve rental rates that are above this project on a monthly basis.

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Rent Comparable Three

This comparable represents the Sutton Place Apartments, a 352-bedroom multi-family mid/high rise property at 1111 Park Avenue, Baltimore, MD. The improvements were originally constructed in 1963, renovated in 2006, and were considered to be in average condition at the time of our research. The structure's exterior depicts brick construction components and the average unit size is 710 square feet. Project amenities include a fitness center, pool, laundry facility, garages/covered parking, retail on the 1st floor and leasing office.. According to the unit mix and asking rates for this property, the average base rental rate is $1.70 per square foot monthly ($1,011/bed) based on typical lease terms of 12 months. Rent premiums were reported for renovations. No utilities are included in the rental rate, and no concessions are currently offered. The property is currently 90% leased.

As compared to the subject, this project was viewed as inferior with respect to age, condition and design appeal, while regarded as similar in terms of location and quality of construction, and superior in terms of project amenities. Overall, this comparable is inferior to the subject and we expect the subject to achieve rental rates that are above this project on a monthly basis.

Rent Comparable Four

This comparable represents the Professional Arts Building apartments, a 144-bedroom multi-family mid/high rise property at 101 W Read Street, Baltimore, MD. The improvements were originally constructed in 1905, renovated in 2009, and were considered to be in good condition at the time of our research. The structure's exterior depicts masonry construction components and the average unit size is square feet. Project amenities include a business center, fitness center, community room, and controlled access entry. According to the unit mix and asking rates for this property, the average base rental rate is $1.73 per square foot monthly ($969/bed) based on typical lease terms of 12 months. Rent premiums were reported for floor level and renovations. Utilities included with the rent consist of trash, and no concessions are currently offered. The property is currently 98% leased.

As compared to the subject, this project was viewed as inferior with respect to age, while regarded as similar in terms of location, condition, design appeal, quality of construction and project amenities. Overall, this comparable is similar to the subject and we expect the subject to achieve rental rates that are similar to this project on a monthly basis.

Rent Comparable Five

This comparable represents The Fitzgerald at UB Midtown apartments, a 365-bedroom multi-family mid/high rise property at 1201 West Mount Royal Avenue, Baltimore, MD. The improvements were originally constructed in 2010 and were considered to be in excellent condition at the time of our research. The structure's exterior depicts metal construction components and the average unit size is 877 square feet. Project amenities include a swimming pool, clubhouse, fitness center, yoga room, conference room, billiard room and controlled access. According to the unit mix and asking rates for this property, the average base rental rate

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is $2.16 per square foot monthly ($1,431/bed) based on typical lease terms of 12 months. Rent premiums were reported for floor level and balcony. Utilities included with the rent consist of trash removal, and no concessions are currently offered. The property is currently 91% leased.

As compared to the subject, this project was regarded as similar in terms of location, age, condition and quality of construction, and superior in terms of design appeal and project amenities. Overall, this comparable is superior to the subject and we expect the subject to achieve rental rates that are below this project on a monthly basis.

Rent Comparable Six

This comparable represents the Cresmont Loft Apartments, a 104-bedroom multi-family student property at 2807 Cresmont Avenue, Baltimore, MD. The improvements were originally constructed in 2005 and were considered to be in average condition at the time of our research. The structure's exterior depicts masonry construction components and the average unit size is 1,600 square feet. Project amenities include a fitness center, elevator, secured lobby & building access, community room, study room, bicycle storage, and on-site parking. According to the unit mix and asking rates for this property, the average base rental rate is $1.93 per square foot monthly ($775/bed) based on typical lease terms of 12 months. Rent premiums of $20 per month were reported for floor level. All utilities are included with the rent and no concessions are currently offered. The property is currently 100% leased.

As compared to the subject, this project was viewed as inferior with respect to age, while regarded as similar in terms of location, condition, design appeal, quality of construction and project amenities. Overall, this comparable is similar to the subject and we expect the subject to achieve rental rates that are similar to this project on a monthly basis.

Subject Rental Information

The following table shows the subject's unit mix and rental rates.

SUBJECT RENTAL INFORMATION

Type	No. of Units	No. of Bedrooms	Unit Size (SF)	Bedroom Occ.	Avg. Recent Lease Rate	Quoted $/Bed
Studio	19	19	370 SF	100%	$1,123	$1,198
2BR/2BA	38	76	741 SF	97%	$1,017	$1,000
4BR/2BA	20	80	1,095 SF	73%	$864	$870
4BR/4BA	37	148	1,252 SF	82%	$922	$950
Total/Average:	114	323	907 SF	85%	-----	$957

Compiled by CBRE

According to on-site management, the rental rates have remained generally stable over the last three to four months, and no concessions are currently offered. Each tenant pays an annual utility fee of $350 ($29.17/month) to cover all utility expenses. As this is a mandatory fee, we

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have included it in the above rental rates. Hence, all utilities are included in the above rental rates.

Additionally, some of the subject units vary slightly based on size; however a weighted average size and asking rate have been utilized in the above table.

Market Rent Estimate

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.

Rental Adjustments

Several comparable properties offer differing levels of utilities and/or furnishings in their rental rates, as indicated below:

COMPARABLE RENT INCLUSIONS					
Comparable	Water/Sewer	Heat	Electric	Cable/Internet	Furniture
Queen Anne Belvedere	Y	--	--	--	--
The Mount Royal	--	--	--	--	--
Sutton Place Apartments	--	--	--	--	--
Professional Arts Building	--	--	--	--	--
The Fitzgerald at UB Midtown	--	--	--	--	--
Cresmont Loft Apartments	Y	Y	Y	Y	--
Subject	**Y**	**Y**	**Y**	**Y**	**Y**
Compiled by CBRE					

The subject's rental rates include all utilities and furniture. In order to provide a meaningful comparison between properties, adjustments are required to account for these differences. In order to develop adjustments for comparable properties, we collected the following utility cost information from the US Housing and Urban Development:

TYPICAL UTILITY COSTS	
	Average Cost per Bedroom
Heat/AC	$23
Electric	$35
Water/Sewer	$28
Cable/Internet	$30
Source: HUD	

Utilizing the costs in the above table, adjustments have been calculated for each comparable property, as indicated below:

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COMPARABLE UTILITY ADJUSTMENTS	
Comparable	Average Cost per Bedroom
Queen Anne Belvedere	$88
The Mount Royal	$116
Sutton Place Apartments	$116
Professional Arts Building	$116
The Fitzgerald at UB Midtown	$116
Cresmont Loft Apartments	$0
Compiled by CBRE	

In addition, we have collected the following furniture rental information from a supplier in the local area:

TYPICAL FURNITURE RATES						
	Rate	Studio	1BR	2BR	3BR	4BR
Living Room	$100	$100	$100	$100	$100	$100
Dining Room	$75	$0	$0	$75	$75	$75
Bedroom	$60	$60	$60	$120	$180	$240
Total	**$270**	**$160**	**$160**	**$295**	**$355**	**$415**
Total/Bedroom		**$160**	**$160**	**$148**	**$118**	**$104**
Source: Furniture Rental Company						

Comparable rental rates in each of the following sections have been adjusted to account for differences in utilities and furniture. The following is a discussion of each unit type.

Studio Units

SUMMARY OF COMPARABLE RENTALS STUDIO UNITS				
			Rental Rates	
Comparable	**Plan Type**	**Size**	**$/Mo.**	**$/Bed**
Queen Anne Belvedere	Efficiency	468 SF	$1,118	$1,118
Sutton Place Apartments	Studio	442 SF	$1,236	$1,236
Sutton Place Apartments	Studio	546 SF	$1,293	$1,293
Professional Arts Building	Studio	514 SF	$1,392	$1,392
The Mount Royal	Studio	550 SF	$1,451	$1,451
Subject (Quoted Rent)	***Studio***	***370 SF***	***$1,198***	***$1,198***
Subject (Concluded Mkt.)	***Studio***	***370 SF***	***$1,085***	***$1,085***
The Fitzgerald at UB Midtown	Studio	569 SF	$1,925	$1,925
Compiled by CBRE				

The subject's quoted rental rates are within the range indicated by the comparables. An analysis of the most recent leases for this unit type is as follows:

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RECENT LEASE SUMMARY - STUDIO (370 SF)					
Date	Size (SF)	Asking Rate	Lease Rate	Difference ($)	Difference (%)
8/10/2013	370	$1,198	$1,242	$44	3.7%
8/10/2013	370	$1,198	$1,227	$29	2.4%
8/10/2013	370	$1,198	$1,227	$29	2.4%
8/10/2013	370	$1,198	$1,227	$29	2.4%
8/10/2013	370	$1,198	$1,227	$29	2.4%
8/10/2013	370	$1,198	$1,227	$29	2.4%
8/10/2013	370	$1,198	$877	-$321	-26.8%
8/10/2013	370	$1,198	$877	-$321	-26.8%
8/1/2013	370	$1,198	$1,072	-$126	-10.5%
8/1/2013	370	$1,198	$1,032	-$166	-13.9%
Average Recent Lease Rate			$1,123		-6.2%
Average In-Place			$999		-16.6%
Compiled by CBRE					

The subject's most recent leases have been signed at an average rental rate below the subject's quoted rates. Additionally, the average in-place rental rates are also below the quoted rates. Our concluded rental rate gives greater weight to recent leases as they provide an indication of the most recent market conditions. Considering the available data, monthly market rent for the subject beds is estimated at $1,085.

Two-Bedroom Units

SUMMARY OF COMPARABLE RENTALS TWO BEDROOM UNITS				
			Rental Rates	
Comparable	**Plan Type**	**Size**	**$/Mo.**	**$/Bed**
Queen Anne Belvedere	2BR/1BA/Study	1,304 SF	$1,558	$779
Queen Anne Belvedere	2BR/2BA/Study	1,175 SF	$1,566	$783
Queen Anne Belvedere	2BR/1BA (CH)	821 SF	$1,601	$801
Sutton Place Apartments	2 BR/1 BA	940 SF	$1,649	$825
Sutton Place Apartments	2 BR/2 BA	1,045 SF	$1,666	$833
Professional Arts Building	2BR/1BA	948 SF	$1,810	$905
The Mount Royal	2BR/2BA	1,030 SF	$1,884	$942
The Mount Royal	2BR/2BA	1,070 SF	$1,914	$957
Queen Anne Belvedere	2BR/2BA	1,218 SF	$1,944	$972
Queen Anne Belvedere	2BR/1.5BA	1,187 SF	$1,936	$968
Professional Arts Building	2BR/2BA	1,027 SF	$2,087	$1,044
Subject (Quoted Rent)	***2BR/2BA***	***741 SF***	***$2,000***	***$1,000***
Subject (Concluded Mkt.)	***2BR/2BA***	***741 SF***	***$2,020***	***$1,010***
The Fitzgerald at UB Midtown	2BR/2BA	1,094 SF	$2,379	$1,190
The Fitzgerald at UB Midtown	2BR/2BA Den	1,338 SF	$2,721	$1,361
Compiled by CBRE				

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The subject's quoted rental rates are within the range indicated by the comparables. An analysis of the most recent leases for this unit type is as follows:

RECENT LEASE SUMMARY - 2BR/2BA (371 SF)					
Date	Size (SF)	Asking Rate	Lease Rate	Difference ($)	Differenc e (%)
8/10/2014	371	$1,000	$992	-$9	-0.9%
1/1/2014	371	$1,000	$1,090	$89	8.9%
1/1/2014	371	$1,000	$973	-$27	-2.7%
1/1/2014	371	$1,000	$973	-$27	-2.7%
1/1/2014	371	$1,000	$977	-$24	-2.4%
8/10/2013	371	$1,000	$1,042	$41	4.1%
8/10/2013	371	$1,000	$1,042	$41	4.1%
8/10/2013	371	$1,000	$1,042	$41	4.1%
8/10/2013	371	$1,000	$1,022	$21	2.1%
8/10/2013	371	$1,000	$1,022	$21	2.1%
Average Recent Lease Rate		$1,000	$1,017		1.7%
Average In-Place			$994		-0.6%
Compiled by CBRE					

The subject's most recent leases have been signed at an average rental rate above the subject's quoted rates, while the average in-place rental rates are below the quoted rates. Our concluded rental rate gives greater weight to recent leases as they provide an indication of the most recent market conditions. Considering the available data, monthly market rent for the subject units is estimated at $1,010.

Four-Bedroom Units

SUMMARY OF COMPARABLE RENTALS FOUR-BEDROOM UNITS				
			Rental Rates	
Comparable	**Plan Type**	**Size**	**$/Mo.**	**$/Bed**
Cresmont Loft Apartments	4BR/2BA	1,600 SF	$3,204	$801
Subject (Quoted Rent)	***4BR/2BA***	***1,095 SF***	***$3,480***	***$870***
Subject (Concluded Mkt.)	***4BR/2BA***	***1,095 SF***	***$3,460***	***$865***
Subject (Quoted Rent)	***4BR/4BA***	***1,252 SF***	***$3,800***	***$950***
Subject (Concluded Mkt.)	***4BR/4BA***	***1,252 SF***	***$3,720***	***$930***
Compiled by CBRE				

There are few competing four-bedroom units in the local market area, and the subject's asking rates are above the rates at this comparable. An analysis of the most recent leases for the subject's 4BR/2BA units is as follows:

CBRE

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RECENT LEASE SUMMARY - 4BR/2BA (274 SF)					
Date	Size (SF)	Asking Rate	Lease Rate	Difference ($)	Difference (%)
1/1/2014	274	$870	$875	$4	0.5%
1/1/2014	274	$870	$823	-$47	-5.4%
1/1/2014	274	$870	$785	-$86	-9.9%
1/1/2014	274	$870	$765	-$106	-12.2%
9/1/2013	274	$870	$892	$21	2.4%
9/1/2013	274	$870	$872	$1	0.1%
8/23/2013	274	$870	$872	$1	0.1%
8/10/2013	274	$870	$922	$51	5.9%
8/10/2013	274	$870	$922	$51	5.9%
8/10/2013	274	$870	$912	$41	4.7%
Average Recent Lease Rate		$870	$864		-0.8%
Average In-Place			$867		-0.4%
Compiled by CBRE					

The subject's in-place rental rates and most recent leases have been signed at an average rental rate that is reasonably close to the subject's quoted rates. Our concluded rental rate is consistent with the current asking rates. Considering the available data, monthly market rent for the subject units is estimated at $865.

An analysis of the most recent leases for the subject's 4BR/4BA units is as follows:

RECENT LEASE SUMMARY - 4BR/4BA (313 SF)					
Date	Size (SF)	Asking Rate	Lease Rate	Difference ($)	Difference (%)
8/1/2014	313	$950	$992	$42	4.4%
1/1/2014	313	$950	$950	$0	0.0%
1/1/2014	313	$950	$950	$0	0.0%
1/1/2014	313	$950	$964	$14	1.4%
1/1/2014	313	$950	$964	$14	1.4%
1/1/2014	313	$950	$934	-$16	-1.7%
1/1/2014	313	$950	$922	-$28	-2.9%
1/1/2014	313	$950	$875	-$75	-7.9%
1/1/2014	313	$950	$834	-$116	-12.3%
1/1/2014	313	$950	$834	-$116	-12.3%
Average Recent Lease Rate		$950	$922		-3.0%
Average In-Place			$946		-0.5%
Compiled by CBRE					

The subject's most recent leases have been signed at an average rental rate below the subject's quoted rates. Additionally, the average in-place rental rates are also below the quoted rates. Our concluded rental rate gives greater weight to recent leases as they provide an indication of the most recent market conditions. Considering the available data, monthly market rent for the subject units is estimated at $930.

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Market Rent Conclusions

The following chart shows the market rent conclusions for the subject:

MARKET RENT CONCLUSIONS

No. Units	No. Bedrooms	Unit Type	Unit Size	Total SF	Monthly Rent $/Bed	Monthly Rent $/SF	Monthly Rent PRI	Annual Rent $/Bed	Annual Rent $/SF	Annual Total
19	19	Studio	370 SF	7,030 SF	$1,085	$2.93	$20,615	$13,020	$35.19	$247,380
38	76	2BR/2BA	741 SF	28,158 SF	$1,010	$2.73	$76,760	$12,120	$32.71	$921,120
20	80	4BR/2BA	1,095 SF	21,892 SF	$865	$3.16	$69,200	$10,380	$37.93	$830,400
37	148	4BR/4BA	1,252 SF	46,320 SF	$930	$2.97	$137,640	$11,160	$35.66	$1,651,680
114	323		907 SF	103,399 SF	$942	$2.94	$304,215	$11,302	$35.31	$3,650,580

Compiled by CBRE

Rent Adjustments

Rent adjustments are sometimes necessary to account for differences in rental rates applicable to different units within similar floor plans due to items such as location within the property, view, and level of amenities. These rental adjustments may be in the form of rent premiums or rent discounts.

As noted, some of the subject units vary slightly based on size; however a weighted average size and asking rate have been utilized. Thus, no rent adjustments are required.

Rent Roll Analysis

The rent roll analysis serves as a crosscheck to the estimate of market rent for the subject. The collections shown on the rent roll include rent premiums and/or discounts.

RENT ROLL ANALYSIS

Revenue Component	Total Monthly Rent	Total Annual Rent
273 Occupied Bedrooms at Contract Rates	$258,196	$3,098,355
50 Vacant Beds at Market Rates	$45,230	$542,760
323 Total Bedrooms @ Contract Rent	$303,426	$3,641,115
323 Total Bedrooms @ Market Rent	$304,215	$3,650,580
Indicated Loss-to-Lease		0.3%

Compiled by CBRE

The variation between the total annual rent reflected in the rent roll analysis and the market rent conclusion is due to a small number of in-place leases that are below current market rates.

Potential Rental Income Conclusion

Within this analysis, potential rental income is estimated based upon the forward looking market rental rates over the next twelve months.

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POTENTIAL RENTAL INCOME		
Year	Total	% Change
2013	$3,607,214	---
2014 Budget	$3,700,354	3%
CBRE Estimate	**$3,650,580**	**-1%**
Compiled by CBRE		

Our pro forma estimate is above the most recent operating period due to expected rent growth. Our estimate is below the budget due to lower concluded market rental rates.

Operating History

The following table presents available operating data for the subject.

OPERATING HISTORY						
Year-Occupancy	2013	85.4%	2014 Budget	95.2%	CBRE Estimate	96.0%
	Total	$/Bedroom	Total	$/Bedroom	Total [2]	$/Bedroom
Income						
Net Rental Income	$3,607,214	$11,168	$ 3,700,354	$11,456	$3,650,580	$11,302
Vacant Space at Market Rents	(526,414)	(1,630)	(179,365)	(555)	(109,517)	(339)
Concessions	(250)	(1)	-	-	-	-
Bad Debt	(177,075)	(548)	-	-	(36,506)	(113)
Other Income	71,871	223	84,088	260	83,980	260
Net Retail Income	30,492	94	9,900	31	36,993	115
Effective Gross Income	$3,005,839	$9,306	$3,614,977	$11,192	$3,625,530	$11,225
Expenses						
Real Estate Taxes	$293,721	$909	$113,120	$350	$467,456	$1,447
Property Insurance	37,103	115	37,103	115	37,145	115
Utilities	258,932	802	258,932	802	266,475	825
Administrative & General	89,694	278	89,694	278	83,980	260
Repairs & Maintenance	96,795	300	96,795	300	161,500	500
Security	24,365	75	24,365	75	48,450	150
Management Fee [1]	-	-	144,599	448	108,766	337
Payroll	226,574	701	226,574	701	193,800	600
Non-Revenue Units	99,876	309	-	-	64,600	200
Advertising & Leasing	24,746	77	24,746	77	25,840	80
Reserves for Replacement	-	-	-	-	32,300	100
Operating Expenses	$1,151,807	$3,566	$1,015,928	$3,145	$1,490,312	$4,614
Net Operating Income	**$1,854,032**	**$5,740**	**$2,599,049**	**$8,047**	**$2,135,218**	**$6,611**
[1] (Mgmt. typically analyzed as a % of EGI)	*0.0%*		*4.0%*		*3.0%*	
Source: Operating statements						

Loss to Lease

Within the local market, buyers and sellers typically recognize a reduction in potential rental income due to the difference between market and contract rental rates. In this market, lease rates are typically flat and are anticipated to roll to market at the beginning of the new lease cycle. Based upon the difference between market rent and contract rent, the subject's current loss to lease is relatively small, and we assume no loss to lease for the pro forma.

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Rent Concessions

Rent concessions are currently not prevalent in the local market nor are they present at the subject. As such, we have assumed no concessions for the subject pro forma.

Vacancy

The subject's vacancy is detailed as follows:

VACANCY		
Year	Total	% PGI
2013	$526,414	15%
2014 Budget	$179,365	5%
Current	-----	15%
CBRE Estimate	**$109,517**	**3%**
Compiled by CBRE		

The subject's estimated stabilized occupancy rate was previously discussed in the market analysis.

Credit Loss

The credit loss estimate is an allowance for nonpayment of rent or other income. The subject's credit loss is detailed as follows:

CREDIT LOSS	
Year	% PGI
2013	4.9%
2014 Budget	0.0%
CBRE Estimate	**1.0%**
Compiled by CBRE	

The subject reportedly experienced a higher level of credit loss in the most recent period due to accounting policies that erroneously delayed delinquency notifications. Management has reportedly instituted new lease policies to minimize ongoing credit loss.

Other Income

Other income is supplemental to that derived from leasing of the improvements. This includes categories such as forfeited deposits, vending machines, late charges, etc. The subject's income is detailed as follows:

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OTHER INCOME		
Year	Total	$/Bedroom
2013	$71,871	$223
2014 Budget	$84,088	$260
Expense Comparable 1	N/A	$209
Expense Comparable 2	N/A	$314
Expense Comparable 3	N/A	$184
CBRE Estimate	**$83,980**	**$260**
Compiled by CBRE		

The primary source of other income is lease processing fees and late fees. The subject's historical and budgeted amounts are within the range of the comparables and appear reasonable. Our estimate is based on the budget.

Net Retail Income

The subject includes 1,224 square feet of street-level retail space. As the income from this source is small compared to the apartment income, but is likely to continue in perpetuity, our analysis includes the retail income in the Direct Capitalization. The following lease has been signed at the subject:

LEASE SUMMARY										
					Rental Rate					
Tenant	New/ Renewal	Term (Mo.)	Commence Date	Size (SF)	$/SF/Yr.	$/Yr.	Escalations	Free Rent (Months)	Expense Reimb.	Option Periods
Actual Leases										
Dunkin Donuts	New	120	Sep-12	1,224	$25.33	$31,000	15%/5Yrs	12	NNN	4 x 5 Yrs
Compiled by CBRE										

Comparable Retail Rents

The following retail lease data was compiled from the retail component of mixed-use buildings in Baltimore:

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SUMMARY OF COMPARABLE RETAIL RENTALS						
Comp. No.	Property Name and Location	Lease Area (SF)	Lease Date	Lease Term	Base Rent	Escalations
1	Twelve 09 North Charles Retail 1209 North Charles, Baltimore, MD	3,065	Apr-12	10.0 Yrs.	$20.00 PSF	Flat
		883	Apr-12	10.0 Yrs.	$33.00 PSF	3% per year
		2,000	Dec-11	10.0 Yrs.	$25.00 PSF	Flat
2	400 Block of West Baltimore Street 413-426 West Baltimore Street, Baltimore, MD	3,155	Dec-12	10.0 Yrs.	$30.00 PSF	12% in year 6
		1,116	Sep-12	10.0 Yrs.	$36.00 PSF	12.5% in year 5
		2,415	Feb-12	10.0 Yrs.	$39.00 PSF	Flat
		4,671	Oct-11	10.0 Yrs.	$23.00 PSF	10%/5 yrs
Subj.	The Varsity at University of Baltimore 30 W Biddle St, Baltimore, Maryland				---	
Compiled by CBRE						

Rental rates for recent retail leases in the local area falls in a range of $20.00 to $39.00 per square foot on a NNN basis with varying degrees of escalations. These comparables provide support for the subject's in-place rental rates.

Reimbursement Income

The subject is expected to lease space on a NNN basis, whereby the tenant reimburses the landlord for a pro rata share of expenses. Our estimate is based on a pro rata share of reimbursable expenses associated with the subject's retail space, including taxes, insurance, CAM, and an administration fee, as indicated:

RETAIL ANALYSIS			
Expenses (Pro Rata Share*)		$/SF/Year	Total
Taxes		$3.67	$4,488
Insurance		$0.29	$357
Common Area Maintenance		$3.79	$4,634
Admin Fee	15%	$0.51	$626
Total Expenses		$8.25	$10,104
* Retail represents 0.96% of building			
Complied by CBRE			

Net Retail Income

Based on our analysis, the retail income net of vacancy is calculated as follows:

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NET RETAIL INCOME		
	Market Rent (PSF of Retail)	Total Rent
Retail Income	$25.33	$31,000
Reimbursement Income	$8.25	$10,104
Total		$41,104
less Vacancy @ 10%		($4,110)
Net Retail Income		$36,993
Complied by CBRE		

Effective Gross Income

The subject's effective gross income is detailed as follows:

EFFECTIVE GROSS INCOME		
Year	Total	% Change
2013	$3,005,839	---
2014 Budget	$3,614,977	20%
CBRE Estimate	**$3,625,530**	**0%**
Compiled by CBRE		

Our pro forma estimate is above the most recent operating period due to our projection of the property operating at stabilized occupancy. Our estimate is reasonably close to the budget.

Operating Expense Analysis

Expense Comparables

The following chart summarizes expenses obtained from recognized industry publications and/or comparable properties.

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EXPENSE COMPARABLES				
Comparable Number	1	2	3	Subject
Location	College Park	Hyattsville	College Park	
No. Beds	1,056	910	517	323
Expense Year	2011	2011	2012	Pro Forma
Revenues	$/Bedroom	$/Bedroom	$/Bedroom	$/Bedroom
Effective Gross Income	$10,943	$8,757	$10,972	$11,225
Expenses				
Real Estate Taxes	$1,440	$1,468	$1,242	$1,447
Property Insurance	72	89	152	115
Utilities	1,356	1,000	976	825
Administrative & General	237	221	252	260
Repairs & Maintenance	602	1,161	635	500
Security	332	265	294	150
Management Fee [1]	325	318	321	337
Payroll	485	601	505	600
Non-Revenue Units	118	222	199	200
Advertising & Leasing	219	62	218	80
Reserves for Replacement	-	-	-	100
Operating Expenses	$5,185	$5,406	$4,794	$4,614
Operating Expense Ratio	47.4%	61.7%	43.7%	41.1%
[1] *(Mgmt. typically analyzed as a % of EGI)*	*3.0%*	*3.6%*	*2.9%*	*3.0%*

Compiled by CBRE

A discussion of each expense category is presented on the following pages.

Real Estate Taxes

The comparable data and projections for the subject are summarized as follows:

REAL ESTATE TAXES		
Year	Total	$/Bedroom
2013	$293,721	$909
2014 Budget	$113,120	$350
Expense Comparable 1	N/A	$1,440
Expense Comparable 2	N/A	$1,468
Expense Comparable 3	N/A	$1,242
CBRE Estimate	**$467,456**	**$1,447**

Compiled by CBRE

The subject's taxes were previously discussed in the Tax and Assessment Data section of this report. Our estimate is based on the current property assessment and tax rate. Enterprise tax credits associated with the subject have been valued separately and will be added to the overall value indication in each approach.

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Property Insurance

Property insurance expenses typically include fire and extended coverage and owner's liability coverage. The comparable data and projections for the subject are summarized as follows:

PROPERTY INSURANCE		
Year	Total	$/Bedroom
2013	$37,103	$115
2014 Budget	$37,103	$115
Expense Comparable 1	N/A	$72
Expense Comparable 2	N/A	$89
Expense Comparable 3	N/A	$152
CBRE Estimate	**$37,145**	**$115**
Compiled by CBRE		

The most recent full year and budget fall within the range indicated by the comparables. Our estimate is based on the budget.

Utilities

The comparable data and projections for the subject are summarized as follows:

UTILITIES		
Year	Total	$/Bedroom
2013	$258,932	$802
2014 Budget	$258,932	$802
Expense Comparable 1	N/A	$1,356
Expense Comparable 2	N/A	$1,000
Expense Comparable 3	N/A	$976
CBRE Estimate	**$266,475**	**$825**
Compiled by CBRE		

Utility expenses are typically property specific, and comparables offer a minimal indication of an appropriate level. We have found the best indication of this expense is the subject's recent historical amounts. Our estimate is based on the historical amount with a small increase.

Administrative & General

Administrative expenses typically include legal costs, accounting, items which are not provided by off-site management, telephone, supplies, furniture, and temporary help. The comparable data and projections for the subject are summarized as follows:

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ADMINISTRATIVE & GENERAL		
Year	Total	$/Bedroom
2013	$89,694	$278
2014 Budget	$89,694	$278
Expense Comparable 1	N/A	$237
Expense Comparable 2	N/A	$221
Expense Comparable 3	N/A	$252
CBRE Estimate	**$83,980**	**$260**
Compiled by CBRE		

The most recent full year and budget fall just above the range indicated by the comparables. Our estimate is below the budget and is more consistent with the comparables.

Repairs & Maintenance

This expense category includes the cost of routine repairs to the apartments units. The comparable data and projections for the subject are summarized as follows:

REPAIRS & MAINTENANCE		
Year	Total	$/Bedroom
2013	$96,795	$300
2014 Budget	$96,795	$300
Expense Comparable 1	N/A	$602
Expense Comparable 2	N/A	$1,161
Expense Comparable 3	N/A	$635
CBRE Estimate	**$161,500**	**$500**
Compiled by CBRE		

The subject's recent historical and budgeted amounts are below the range indicated by comparable properties of similar age. Our estimate indicates an increase to be more consistent with comparable properties.

Security

The subject includes various security contracts for resident safety. The comparable data and projections for the subject are summarized as follows:

SECURITY		
Year	Total	$/Bedroom
2013	$24,365	$75
2014 Budget	$24,365	$75
Expense Comparable 1	N/A	$332
Expense Comparable 2	N/A	$265
Expense Comparable 3	N/A	$294
CBRE Estimate	**$48,450**	**$150**
Compiled by CBRE		

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Student housing properties located in urban areas tend to require a higher degree of security than other types of multifamily properties. Our estimate assumes an increase in this expense to be more consistent with comparable properties.

Management Fee

Management expenses are typically negotiated as a percentage of collected revenues (i.e., effective gross income). The comparable data and projections for the subject are summarized as follows:

MANAGEMENT FEE		
Year	Total	% EGI
2013	N/A	N/A
2014 Budget	$144,599	4.0%
CBRE Estimate	**$108,766**	**3.0%**
Compiled by CBRE		

Professional management fees in the local market range from 3.0% to 5.0%. Given the subject's size and the competitiveness of the local market area, we believe an appropriate management expense for the subject would be towards the lower end of the range.

Payroll

Payroll expenses typically include all payroll and payroll related items for all directly employed administrative personnel. Not included are the salaries or fees for off-site management firm personnel and services. The comparable data and projections for the subject are summarized as follows:

PAYROLL		
Year	Total	$/Bedroom
2013	$226,574	$701
2014 Budget	$226,574	$701
Expense Comparable 1	N/A	$485
Expense Comparable 2	N/A	$601
Expense Comparable 3	N/A	$505
CBRE Estimate	**$193,800**	**$600**
Compiled by CBRE		

The subject's recent historical and budgeted amounts are above the range indicated by the comparables. Our estimate assumes a decline in this expense to be more consistent with comparable properties.

Employee Apartments (Non-Revenue Units)

Apartment properties typically include units that are non-revenue producing. These may include model units, employee units, or others. The comparable data and projections for the subject are summarized as follows:

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NON-REVENUE UNITS		
Year	Total	$/Bedroom
2013	$99,876	$309
2014 Budget	$0	$0
Expense Comparable 1	N/A	$118
Expense Comparable 2	N/A	$222
Expense Comparable 3	N/A	$199
CBRE Estimate	**$64,600**	**$200**
Compiled by CBRE		

The subject reportedly includes 1 4BR/4BA model unit, and provides several discounted bedrooms to employees. The most recent operating period is above the comparable range; however no budget was provided. Our estimate is based on the comparable range as this range indicates typical operating parameters for similar properties.

Advertising & Leasing

This expense category accounts for placement of advertising, commissions, signage, brochures, and newsletters. The comparable data and projections for the subject are summarized as follows:

ADVERTISING & LEASING		
Year	Total	$/Bedroom
2013	$24,746	$77
2014 Budget	$24,746	$77
Expense Comparable 1	N/A	$219
Expense Comparable 2	N/A	$62
Expense Comparable 3	N/A	$218
CBRE Estimate	**$25,840**	**$80**
Compiled by CBRE		

The subject's recent historical and budgeted amounts are at the lower end of the comparable range. As the local area does not include a large quantity of student housing projects, our estimate gives greatest weight to the budget.

Reserves for Replacement

Reserves for replacement have been estimated based on discussions with knowledgeable market participants who indicate a range from $75 to $150 per bed for comparable properties. The subject did not provide historical Reserves; therefore our estimate of $100 per bed is just below the midpoint indicated by local market professionals. This appears reasonable given the age of the subject and the competitiveness of the local market.

Operating Expense Conclusion

The subject's expense is detailed as follows:

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OPERATING EXPENSES		
Year	Total	$/Bedroom
2013	$1,151,807	$3,566
2014 Budget	$1,015,928	$3,145
Expense Comparable 1	N/A	$5,185
Expense Comparable 2	N/A	$5,406
Expense Comparable 3	N/A	$4,794
CBRE Estimate	**$1,490,312**	**$4,614**
Compiled by CBRE		

The subject's per unit operating expense pro forma is below the total per unit operating expenses indicated by the expense comparables, largely due to our inclusion of replacement reserves. Our estimate is above the historical and budgeted amounts as our estimate excludes the tax abatement, which has been discussed elsewhere.

Net Operating Income Conclusion

The comparable data and projections for the subject are summarized as follows:

NET OPERATING INCOME		
Year	Total	$/Bedroom
2013	$1,854,032	$5,740
2014 Budget	$2,599,049	$8,047
CBRE Estimate	**$2,135,218**	**$6,611**
Compiled by CBRE		

Our pro forma estimate is based on the property operating at stabilized occupancy, and is therefore above the historical amount. Our estimate is below the budget as it excludes the effect of the tax abatement, which has been discussed elsewhere.

Direct Capitalization

Direct capitalization is a method used to convert a single year's estimated stabilized net operating income into a value indication. The following subsections represent different techniques for deriving an overall capitalization rate.

Comparable Sales

The overall capitalization rates (OARs) confirmed for the comparable sales analyzed in the sales comparison approach are as follows:

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COMPARABLE CAPITALIZATION RATES					
Sale	Sale Date	Sale Price $/Bedroom	Occupancy	OAR Basis	OAR
1	Jul-13	$88,252	90%	Pro Forma	6.31%
2	Oct-12	$87,301	100%	Pro Forma	6.34%
3	May-12	$90,535	97%	Existing	6.00%
4	Dec-11	$134,850	91%	Pro Forma	5.61%
5	Dec-11	$111,133	89%	Existing	6.00%
Indicated OAR:			96%		**5.61%-6.34%**
Compiled by: CBRE					

The capitalization rates range from 5.61% to 6.34% for comparable student housing properties in the national market. Sales 1, 2, 3 and 5 were the most representative of the subject on a price per bedroom basis and would be expected to attract a similar investor. These comparables were given greatest weight in our OAR selection, while Sale 4 was given secondary weight.

Published Investor Surveys

The results of the most recent investor surveys are summarized in the following chart.

OVERALL CAPITALIZATION RATES		
Investment Type	OAR Range	Average
RealtyRates.com		
Apartments	4.10% - 13.43%	8.81%
Hi-Rise/Urban TH	5.14% - 13.43%	9.07%
Student Housing	4.83% - 12.95%	9.23%
	-	
PwC Apartment		
National Data	3.50% - 10.00%	5.70%
Indicated OAR:		**6.00%-6.50%**
Compiled by: CBRE		

The subject is considered to be a Class A property. Because of the subject's location in a major metropolitan area, and its good proximity to a local university, an OAR below the midpoint of the range indicated in the preceding table is considered appropriate.

Market Participants

The results of recent interviews with knowledgeable real estate professionals are summarized in the following table.

OVERALL CAPITALIZATION RATES				
Respondent	Company	OAR	Income	Date of Survey
Broker	National Brokerage Firm	6.00%-6.50%	Pro Forma	Q1 2014
Indicated OAR:				**6.00%-6.50%**
Compiled by: CBRE				

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Band of Investment

The band of the investment technique has been utilized as a crosscheck to the foregoing techniques. The Mortgage Interest Rate and the Equity Dividend Rate (EDR) are based upon current market yields for similar investments. The analysis is shown in the following table.

BAND OF INVESTMENT					
Mortgage Interest Rate	4.00%				
Mortgage Term (Amortization Period)	25 Years				
Mortgage Ratio (Loan-to-Value)	75%				
Mortgage Constant (monthly payments)	0.06334				
Equity Dividend Rate (EDR)	5%				
Mortgage Requirement	75%	x	0.06334	=	0.04751
Equity Requirement	25%	x	0.05000	=	0.01250
	100%				0.06001
Indicated OAR:					**6.00%**
Compiled by: CBRE					

Capitalization Rate Conclusion

The following chart summarizes the OAR conclusions.

OVERALL CAPITALIZATION RATE - CONCLUSION	
Source	Indicated OAR
Comparable Sales	5.61%-6.34%
Published Surveys	6.00%-6.50%
Market Participants	6.00%-6.50%
Band of Investment	6.00%
CBRE Estimate	**6.00%**
Compiled by: CBRE	

Overall, an OAR in the lower portion of the range is considered appropriate for the subject. The following were considered in our conclusion:

Strengths/Opportunities

- The subject is located within walking distance of a local university.
- The subject is new construction and is in good condition.
- Very few purpose-built student housing projects are in the immediate area.

Weaknesses/ Threats

- The subject is currently operating below stabilized occupancy.
- The subject does not include a pool.
- The subject does not include onsite parking.

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Direct Capitalization Summary

A summary of the direct capitalization is illustrated in the following chart.

DIRECT CAPITALIZATION SUMMARY

		$/Bed/Yr	Total
Income			
Potential Rental Income		$11,302	$3,650,580
Loss to Lease	0.00%	0	-
Concessions	0.00%	0	-
Adjusted Rental Income		$11,302	3,650,580
Vacancy	3.00%	(339)	(109,517)
Credit Loss	1.00%	(113.02)	(36,506)
Net Rental Income		$10,850	$3,504,557
Other Income		260	83,980
Net Retail Income		115	36,993
Effective Gross Income		$11,225	$3,625,530
Expenses			
Real Estate Taxes		$1,447	$467,456
Property Insurance		115	37,145
Utilities		825	266,475
Administrative & General		260	83,980
Repairs & Maintenance		500	161,500
Security		150	48,450
Management Fee	3.00%	337	108,766
Payroll		600	193,800
Non-Revenue Units		200	64,600
Advertising & Leasing		80	25,840
Reserves for Replacement		100	32,300
Operating Expenses		**$4,614**	**$1,490,312**
Operating Expense Ratio			41.11%
Net Operating Income		**$6,611**	**$2,135,218**
OAR			/ **6.00%**
Indicated Stabilized Value w/out Tax Credit			**$35,586,971**
Rounded			**$35,600,000**
Tax Credit Value			2,300,000
Indicated Stabilized Value with Tax Credit			**$37,900,000**
Lease-Up Discount			(240,000)
Indicated As Is Value			**$37,660,000**
Rounded			**$37,700,000**
Value Per Bedroom			**$116,718**

Compiled by CBRE

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Reconciliation of Value

The value indications from the approaches to value are summarized as follows:

SUMMARY OF VALUE CONCLUSIONS		
	As Is on February 26, 2014	As Stabilized on February 26, 2014
Land Value	$4,000,000	
Cost Approach	$35,900,000	$36,100,000
Sales Comparison Approach	$37,300,000	$37,500,000
Income Capitalization Approach	$37,700,000	$37,900,000
Reconciled Value	$37,700,000	$37,900,000
Compiled by CBRE		

The cost approach typically gives a reliable value indication when there is strong support for the replacement cost estimate and when there is minimal depreciation. Considering the limited amount of depreciation present in the property, the reliability of the cost approach is considered good. Therefore, the cost approach is considered applicable to the subject and is used primarily as a test of reasonableness against the other valuation techniques.

In the sales comparison approach, the subject is compared to similar properties that have been sold recently or for which listing prices or offers are known. The sales used in this analysis are considered comparable to the subject, and the required adjustments were based on reasonable and well-supported rationale. In addition, market participants are currently analyzing purchase prices on investment properties as they relate to available substitutes in the market. Therefore, the sales comparison approach is considered to provide a reliable value indication, but has been given secondary emphasis in the final value reconciliation.

The income capitalization approach is applicable to the subject since it is an income producing property leased in the open market. Market participants are primarily analyzing properties based on their income generating capability. Therefore, the income capitalization approach is considered a reasonable and substantiated value indicator and has been given primary emphasis in the final value estimate.

Based on the foregoing, the market value of the subject has been concluded as follows:

MARKET VALUE CONCLUSION			
Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
As Is	Leased Fee Interest	February 26, 2014	$37,700,000
As Stabilized	Leased Fee Interest	August 26, 2014	$37,900,000
Compiled by CBRE			

CBRE

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Assumptions and Limiting Conditions

1. Unless otherwise specifically noted in the body of the report, it is assumed that title to the property or properties appraised is clear and marketable and that there are no recorded or unrecorded matters or exceptions to title that would adversely affect marketability or value. CBRE, Inc. is not aware of any title defects nor has it been advised of any unless such is specifically noted in the report. CBRE, Inc., however, has not examined title and makes no representations relative to the condition thereof. Documents dealing with liens, encumbrances, easements, deed restrictions, clouds and other conditions that may affect the quality of title have not been reviewed. Insurance against financial loss resulting in claims that may arise out of defects in the subject's title should be sought from a qualified title company that issues or insures title to real property.
2. Unless otherwise specifically noted in the body of this report, it is assumed: that the existing improvements on the property or properties being appraised are structurally sound, seismically safe and code conforming; that all building systems (mechanical/electrical, HVAC, elevator, plumbing, etc.) are in good working order with no major deferred maintenance or repair required; that the roof and exterior are in good condition and free from intrusion by the elements; that the property or properties have been engineered in such a manner that the improvements, as currently constituted, conform to all applicable local, state, and federal building codes and ordinances. CBRE, Inc. professionals are not engineers and are not competent to judge matters of an engineering nature. CBRE, Inc. has not retained independent structural, mechanical, electrical, or civil engineers in connection with this appraisal and, therefore, makes no representations relative to the condition of improvements. Unless otherwise specifically noted in the body of the report: no problems were brought to the attention of CBRE, Inc. by ownership or management; CBRE, Inc. inspected less than 100% of the entire interior and exterior portions of the improvements; and CBRE, Inc. was not furnished any engineering studies by the owners or by the party requesting this appraisal. If questions in these areas are critical to the decision process of the reader, the advice of competent engineering consultants should be obtained and relied upon. It is specifically assumed that any knowledgeable and prudent purchaser would, as a precondition to closing a sale, obtain a satisfactory engineering report relative to the structural integrity of the property and the integrity of building systems. Structural problems and/or building system problems may not be visually detectable. If engineering consultants retained should report negative factors of a material nature, or if such are later discovered, relative to the condition of improvements, such information could have a substantial negative impact on the conclusions reported in this appraisal. Accordingly, if negative findings are reported by engineering consultants, CBRE, Inc. reserves the right to amend the appraisal conclusions reported herein.
3. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property was not observed by the appraisers. CBRE, Inc. has no knowledge of the existence of such materials on or in the property. CBRE, Inc., however, is not qualified to detect such substances. The presence of substances such as asbestos, urea formaldehyde foam insulation, contaminated groundwater or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.

   We have inspected, as thoroughly as possible by observation, the land; however, it was impossible to personally inspect conditions beneath the soil. Therefore, no representation is made as to these matters unless specifically considered in the appraisal.
4. All furnishings, equipment and business operations, except as specifically stated and typically considered as part of real property, have been disregarded with only real property being considered in the report unless otherwise stated. Any existing or proposed improvements, on or off-site, as well as any alterations or repairs considered, are assumed to be completed in a workmanlike manner according to standard practices based upon the information submitted to CBRE, Inc. This report may be subject to amendment upon re-inspection of the subject subsequent to repairs, modifications, alterations and completed new construction. Any estimate of Market Value is as of the date indicated; based upon the information, conditions and projected levels of operation.
5. It is assumed that all factual data furnished by the client, property owner, owner's representative, or persons designated by the client or owner to supply said data are accurate and correct unless otherwise specifically noted in the appraisal report. Unless otherwise specifically noted in the appraisal report, CBRE, Inc. has no reason to believe that any of the data furnished contain any material error. Information and data referred to in this paragraph include, without being limited to, numerical street addresses, lot and block numbers, Assessor's Parcel Numbers, land dimensions, square footage area of the land, dimensions of the improvements, gross building areas, net rentable areas, usable areas, unit count, room count, rent schedules, income data, historical operating expenses, budgets, and related data. Any material error in any of the above data could have a substantial impact

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on the conclusions reported. Thus, CBRE, Inc. reserves the right to amend conclusions reported if made aware of any such error. Accordingly, the client-addressee should carefully review all assumptions, data, relevant calculations, and conclusions within 30 days after the date of delivery of this report and should immediately notify CBRE, Inc. of any questions or errors.

6. The date of value to which any of the conclusions and opinions expressed in this report apply, is set forth in the Letter of Transmittal. Further, that the dollar amount of any value opinion herein rendered is based upon the purchasing power of the American Dollar on that date. This appraisal is based on market conditions existing as of the date of this appraisal. Under the terms of the engagement, we will have no obligation to revise this report to reflect events or conditions which occur subsequent to the date of the appraisal. However, CBRE, Inc. will be available to discuss the necessity for revision resulting from changes in economic or market factors affecting the subject.
7. CBRE, Inc. assumes no private deed restrictions, limiting the use of the subject in any way.
8. Unless otherwise noted in the body of the report, it is assumed that there are no mineral deposit or subsurface rights of value involved in this appraisal, whether they be gas, liquid, or solid. Nor are the rights associated with extraction or exploration of such elements considered unless otherwise stated in this appraisal report. Unless otherwise stated it is also assumed that there are no air or development rights of value that may be transferred.
9. CBRE, Inc. is not aware of any contemplated public initiatives, governmental development controls, or rent controls that would significantly affect the value of the subject.
10. The estimate of Market Value, which may be defined within the body of this report, is subject to change with market fluctuations over time. Market value is highly related to exposure, time promotion effort, terms, motivation, and conclusions surrounding the offering. The value estimate(s) consider the productivity and relative attractiveness of the property, both physically and economically, on the open market.
11. Any cash flows included in the analysis are forecasts of estimated future operating characteristics are predicated on the information and assumptions contained within the report. Any projections of income, expenses and economic conditions utilized in this report are not predictions of the future. Rather, they are estimates of current market expectations of future income and expenses. The achievement of the financial projections will be affected by fluctuating economic conditions and is dependent upon other future occurrences that cannot be assured. Actual results may vary from the projections considered herein. CBRE, Inc. does not warrant these forecasts will occur. Projections may be affected by circumstances beyond the current realm of knowledge or control of CBRE, Inc.
12. Unless specifically set forth in the body of the report, nothing contained herein shall be construed to represent any direct or indirect recommendation of CBRE, Inc. to buy, sell, or hold the properties at the value stated. Such decisions involve substantial investment strategy questions and must be specifically addressed in consultation form.
13. Also, unless otherwise noted in the body of this report, it is assumed that no changes in the present zoning ordinances or regulations governing use, density, or shape are being considered. The property is appraised assuming that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, nor national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report is based, unless otherwise stated.
14. This study may not be duplicated in whole or in part without the specific written consent of CBRE, Inc. nor may this report or copies hereof be transmitted to third parties without said consent, which consent CBRE, Inc. reserves the right to deny. Exempt from this restriction is duplication for the internal use of the client-addressee and/or transmission to attorneys, accountants, or advisors of the client-addressee. Also exempt from this restriction is transmission of the report to any court, governmental authority, or regulatory agency having jurisdiction over the party/parties for whom this appraisal was prepared, provided that this report and/or its contents shall not be published, in whole or in part, in any public document without the express written consent of CBRE, Inc. which consent CBRE, Inc. reserves the right to deny. Finally, this report shall not be advertised to the public or otherwise used to induce a third party to purchase the property or to make a "sale" or "offer for sale" of any "security", as such terms are defined and used in the Securities Act of 1933, as amended. Any third party, not covered by the exemptions herein, who may possess this report, is advised that they should rely on their own independently secured advice for any decision in connection with this property. CBRE, Inc. shall have no accountability or responsibility to any such third party.
15. Any value estimate provided in the report applies to the entire property, and any pro ration or division of the title into fractional interests will invalidate the value estimate, unless such pro ration or division of interests has been set forth in the report.

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16. The distribution of the total valuation in this report between land and improvements applies only under the existing program of utilization. Component values for land and/or buildings are not intended to be used in conjunction with any other property or appraisal and are invalid if so used.
17. The maps, plats, sketches, graphs, photographs and exhibits included in this report are for illustration purposes only and are to be utilized only to assist in visualizing matters discussed within this report. Except as specifically stated, data relative to size or area of the subject and comparable properties has been obtained from sources deemed accurate and reliable. None of the exhibits are to be removed, reproduced, or used apart from this report.
18. No opinion is intended to be expressed on matters which may require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate appraisers. Values and opinions expressed presume that environmental and other governmental restrictions/conditions by applicable agencies have been met, including but not limited to seismic hazards, flight patterns, decibel levels/noise envelopes, fire hazards, hillside ordinances, density, allowable uses, building codes, permits, licenses, etc. No survey, engineering study or architectural analysis has been made known to CBRE, Inc. unless otherwise stated within the body of this report. If the Consultant has not been supplied with a termite inspection, survey or occupancy permit, no responsibility or representation is assumed or made for any costs associated with obtaining same or for any deficiencies discovered before or after they are obtained. No representation or warranty is made concerning obtaining these items. CBRE, Inc. assumes no responsibility for any costs or consequences arising due to the need, or the lack of need, for flood hazard insurance. An agent for the Federal Flood Insurance Program should be contacted to determine the actual need for Flood Hazard Insurance.
19. Acceptance and/or use of this report constitutes full acceptance of the Contingent and Limiting Conditions and special assumptions set forth in this report. It is the responsibility of the Client, or client's designees, to read in full, comprehend and thus become aware of the aforementioned contingencies and limiting conditions. Neither the Appraiser nor CBRE, Inc. assumes responsibility for any situation arising out of the Client's failure to become familiar with and understand the same. The Client is advised to retain experts in areas that fall outside the scope of the real estate appraisal/consulting profession if so desired.
20. CBRE, Inc. assumes that the subject analyzed herein will be under prudent and competent management and ownership; neither inefficient or super-efficient.
21. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined and considered in the appraisal report.
22. No survey of the boundaries of the property was undertaken. All areas and dimensions furnished are presumed to be correct. It is further assumed that no encroachments to the realty exist.
23. The Americans with Disabilities Act (ADA) became effective January 26, 1992. Notwithstanding any discussion of possible readily achievable barrier removal construction items in this report, CBRE, Inc. has not made a specific compliance survey and analysis of this property to determine whether it is in conformance with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the ADA. If so, this fact could have a negative effect on the value estimated herein. Since CBRE, Inc. has no specific information relating to this issue, nor is CBRE, Inc. qualified to make such an assessment, the effect of any possible non-compliance with the requirements of the ADA was not considered in estimating the value of the subject.
24. Client shall not indemnify Appraiser or hold Appraiser harmless unless and only to the extent that the Client misrepresents, distorts, or provides incomplete or inaccurate appraisal results to others, which acts of the Client approximately result in damage to Appraiser. Notwithstanding the foregoing, Appraiser shall have no obligation under this Section with respect to any loss that is caused solely by the active negligence or willful misconduct of a Client and is not contributed to by any act or omission (including any failure to perform any duty imposed by law) by Appraiser. Client shall indemnify and hold Appraiser harmless from any claims, expenses, judgments or other items or costs arising as a result of the Client's failure or the failure of any of the Client's agents to provide a complete copy of the appraisal report to any third party. In the event of any litigation between the parties, the prevailing party to such litigation shall be entitled to recover, from the other, reasonable attorney fees and costs.

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ADDENDA

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ADDENDUM A

Land Sale Data Sheets

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LAND SALE No. 1

Metropolitan Downtown Columbia (Parcel D)

Location Data

Location:	**10000 Town Center Avenue**
	Columbia, MD 21044
County:	**Howard**
Parcel No:	**15-130164**
Atlas Ref:	

Physical Data

Type:	**Multi-Family**	
Land Area:	**Gross**	**Usable**
Acres:	**4.780**	**4.780**
Square Feet:	**208,217**	**208,217**
Topography:	**Level, At Street Grade**	
Shape:	**Rectangular**	
Utilities:	**All to site**	
Zoning:	**NT**	
Allowable Bldg Area:	**460,554 SF**	
Floor Area Ratio:	**2.21**	
No. of units:	**380**	
Max FAR:	**NA**	
Frontage:	**Broken Land Parkway - 450;Town Center Avenue - 470;Mall Ring Circle - 435;**	

Analysis

Use At Sale:	**Vacant land**
Proposed Use or Dev.	**Multi-family**
Price Per Acre:	**$4,246,862**
Price Per SF of Land:	**$97.49**
Price Per Unit:	**$53,421**
Price Per SF of Bldg:	**$44.08**

Financial Data

Transaction Type:	**Sale**
Date:	**7/2013**
Marketing Time:	**NA**
Grantor:	**Parcel D Property, LLC**
Grantee:	**Kettler**
Document No.:	
Sale Price:	**$20,300,000**
Financing:	**Market Terms**
Cash Eq.Price:	**$20,300,000**
Onsite/Offsite Costs:	
Adj. Sale Price:	**$20,300,000**
Verification:	**Buyer**

Comments

This comparable represents a proposed 380-unit multi-family mid-rise property situated on a 4.78-acre site located in Columbia Maryland, just west of the Mall in Columbia. The site is currently rough-graded and the purchase price includes grading, road infrastructure and utilities. In April 2012 the Howard County Planning Board approved the Final Development Plan (FDP) for the project, the first under the new master plan in downtown Columbia (FDP-DC-Warfield-1). The FDP allows for up to 817 residential units and more than 76,000 square feet of retail space on Parcels C and D, located adjacent to The Mall in Columbia. This comparable represents Parcel D. The proposed property consists of a single 5-6 story mid-rise wood/frame wrap-design apartment building with 13,764 square-feet of ground-level retail space and an above-grade parking structure. Ground-break is scheduled for May 2013 with the first units scheduled for delivery in September 2014 and completion scheduled for May 2015 (24 months). Kettler joined a joint venture with Howard Hughes Corporation in 2011 and will pay $20.3 million for the land. The deal closed in July 2013. A loan was secured and recorded; however, since the sale represents a joint venture, no deed will be recorded and tax records are not likely to reflect the transfer. The property was marketed and a contract was signed in Summer 2011. The project will not have an affordable housing component and the retail component represents 5-10% of the net operating income.

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LAND SALE No. 2

JAG Washington Gateway II Site

Location Data

Location:	**1 North Wolfe Street**
	Baltimore, MD 21231
County:	**Baltimore City**
Parcel No:	**06-11-1702-002**
Atlas Ref:	

Physical Data

Type:	**Multi-Family**	
Land Area:	**Gross**	**Usable**
Acres:	**2.550**	**2.550**
Square Feet:	**111,252**	**111,252**
Topography:	**Generally Level**	
Shape:	**Rectangular**	
Utilities:	**All**	
Zoning:	**R-8**	
Allowable Bldg Area:	**215,000 SF**	
Floor Area Ratio:	**1.93**	
No. of units:	**200**	
Max FAR:	**NA**	
Frontage:	**N. Wolfe Street - ;E. Baltimore Street - ;**	

Analysis

Use At Sale:	**Vacant**
Proposed Use or Dev.	**Apartment**
Price Per Acre:	**$2,447,142**
Price Per SF of Land:	**$56.17**
Price Per Unit:	**$31,250**
Price Per SF of Bldg:	**$29.07**

Financial Data

Transaction Type:	**Sale**
Date:	**3/2013**
Marketing Time:	**NA**
Grantor:	**Capital Development LLC**
Grantee:	**JAG Washington Gateway II LLC**
Document No.:	**FMC /15033/ 0046**
Sale Price:	**$6,250,000**
Financing:	**All Cash**
Cash Eq.Price:	**$6,250,000**
Onsite/Offsite Costs:	
Adj. Sale Price:	**$6,250,000**
Verification:	**Seller and buyer**

Comments

This land parcel is located at the northeast corner of North Wolfe and East Baltimore Streets in Baltimore, MD. The site is 2 blocks south of Johns Hopkins Hospital. The buyer has received site plan approval to build a 200-unit multifamily project with a multilevel above-grade concrete parking structure. Projected rents are anticipated to be approximately $2.20 per square foot.

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LAND SALE No. 3

Solstice Partners site

Location Data

Location:	**900 East Fort Avenue**
	Baltimore, MD 21230
County:	**Baltimore City**
Parcel No:	**24-09-2014a-004**
Atlas Ref:	

Physical Data

Type:	**Multi-Family**	
Land Area:	**Gross**	**Usable**
Acres:	**2.660**	**2.660**
Square Feet:	**116,283**	**116,283**
Topography:	**Level, At Street Grade**	
Shape:	**Triangular**	
Utilities:	**all**	
Zoning:	**M-3**	
Allowable Bldg Area:		
Floor Area Ratio:		
No. of units:	**200**	
Max FAR:	**NA**	
Frontage:		

Analysis

Use At Sale:	**vacant land**
Proposed Use or Dev.	**Class A apartments**
Price Per Acre:	**$2,622,214**
Price Per SF of Land:	**$60.19**
Price Per Unit:	**$35,000**
Price Per SF of Bldg:	

Financial Data

Transaction Type:	**Sale**
Date:	**6/2012**
Marketing Time:	**NA**
Grantor:	**General Electric**
Grantee:	**Solstice Partners LLC (Scott Plank)**
Document No.:	**L 14349 F 188**
Sale Price:	**$3,500,000**
Financing:	**Market Terms**
Cash Eq.Price:	**$3,500,000**
Onsite/Offsite Costs:	**$3,500,000**
Adj. Sale Price:	**$7,000,000**
Verification:	**buyer**

Comments

Sale of a former General Electric service center, cleared since 1993, across the street from the Southside Marketplace at the gateway to the Locust Point section of Baltimore, proposed for mixed-use redevelopment. The new development will include 200 apartments in an 8-story building, with harbor views, structured parking and ground floor retail, proposed by a partnership of two former Manekin principals and Scott Plank, later joined by Bozzuto Development. Solstice purchased the GE site in mid-2012 for $3.5 million, followed by a second acquisition in February 2013 of a neighboring barbecue restaurant, adding a quarter acre (to make 2.7 acres) for $1.55 million, improving access. The site was eligible for Empowerment Zone tax credits, which were grandfathered before the zone boundary shifted away from the site. While the site had been previously marketed, the buyer approached the seller directly when it was off the market.

The development still had significant environmental and approval risk to overcome--the purchase price was backed into after considering MDE required action plan compliance and rezoning hurdles, which the buyer reckoned at $1,950,000 assuming $35,000/unit for a clean approved site.

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LAND SALE No. 4

Crosswinds at Annapolis Towne Centre

Location Data

Location:	**1900 Towne Centre Boulevard**
	Annapolis, MD 21401
County:	**Anne Arundel**
Parcel No:	**02-010-90235153**
Atlas Ref:	

Physical Data

Type:	**Multi-Family**	
Land Area:	**Gross**	**Usable**
Acres:	**1.816**	**1.816**
Square Feet:	**79,083**	**79,083**
Topography:	**Level, At Street Grade**	
Shape:	**Irregular**	
Utilities:	**All to the site**	
Zoning:	**Town Center**	
Allowable Bldg Area:	**215,000 SF**	
Floor Area Ratio:	**2.72**	
No. of units:	**215**	
Max FAR:	**0.00**	
Frontage:	**Forest Drive - ;Towne Centre Boulevard - ;**	

Analysis

Use At Sale:	**Parking lot**
Proposed Use or Dev.	**Multi-family (mid-rise)**
Price Per Acre:	**$4,131,093**
Price Per SF of Land:	**$94.84**
Price Per Unit:	**$34,884**
Price Per SF of Bldg:	**$34.88**

Financial Data

Transaction Type:	**Sale**
Date:	**3/2012**
Marketing Time:	**NA**
Grantor:	**Greenberg Gibbons**
Grantee:	**Bozzuto Group**
Document No.:	**24402-0259**
Sale Price:	**$7,500,000**
Financing:	**Market Terms**
Cash Eq.Price:	**$7,500,000**
Onsite/Offsite Costs:	**$0**
Adj. Sale Price:	**$7,500,000**
Verification:	**Buyer**

Comments

This comparable represents the sale of a 1.8-acre parcel of land for development of a five-story (wrap design) wood/frame apartment community with structured parking in the Annapolis Towne Centre redevelopment, adjacent to the existing Target store. The property will include typical unit and community amenities of a suburban Class A property, integrated into the larger mixed-use project. There will not be an affordable housing component. The buyer's purchase price reflected a clean site, with all approvals and utilities in place. The contract was reportedly signed in early 2011. In the analysis we have estimated the allowable building area at 1,000 SF per unit, which is consistent with competitive projects.

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ADDENDUM B

Improved Sale Data Sheets

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APARTMENT SALE No. 1

The Lodges of East Lansing II

Location Data

Location:	**2721 Hannah Blvd.**
	Meridian Twp, MI 48823
County:	**Ingham**
Parcel No:	**33-02-02-20-327-001**
Atlas Ref:	

Physical Data

Type:	**Multi-family Student**
Land Area:	**9.060 Acres**
Grs Liv.Area	**143,547 SF**
Number of Units:	**144**
Average Unit Size:	**997 SF**
Year Built:	**2013**
No. of Stories:	**3**
Exterior:	**Masonry**
Condition:	**New**
Amenities:	**Heated outdoor pool, fitness center with sauna/tanning beds, volleyball courts, bocce ball, an outdoor plaza with a fountain, fireplaces, and gas grills, and clubhouse**

Sale Data

Transaction Type:	**Sale**
Date:	**7/2013**
Marketing Time:	**NA**
Grantor:	**EAST LANSING II LLC**
Grantee:	**ACC OP LLC**
Document No.:	
Sale Price:	**$32,300,000**
Financing:	**Not Available**
Cash Eq.Price:	**$32,300,000**
Req.Capital Cost:	**$0**
Adj. Sale Price:	**$32,300,000**
Verification:	**Developer/Seller**

Analysis

Underwriting Criteria:	**Direct Cap**
Overall Cap Rate (OAR):	**6.31%**
Projected IRR:	**0.00%**
Eff Gross Inc Mult (EGIM):	
Op Exp Ratio (OER):	**0.00%**
Price Per SF:	**$225.01**
Price Per Unit:	**$224,306**

Occupancy / Lease Data

Source:	**Seller**	
Occupancy at Sale:	**90%**	
Based On:	**Pro Forma Income**	
	Total	**Per Unit**
Potential Gross Inc:	**$0**	**$0**
Vacancy & Credit Loss:	**$0**	**$0**
Effective Gross Inc:	**$0**	**$0**
Expenses & Reserves:	**$0**	**$0**
Net Operating Inc:	**$2,039,224**	**$14,161**

Unit Mix

Unit Type	No.	SF	%
Studio	12	482	8%
1BR/1BA	39	595	27%
2 BR/2 BA	15	923	10%
3 BR/3 BA	27	1,080	19%
4 BR/4 BA	51	1,403	35%
Totals/ Avg	144		100%

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APARTMENT SALE No. 1

Comments

This comparable represents the sale of a new student housing project located at 2721 Hannah Blvd in Meridian Twp, MI. The project known as The Lodges of East Lansing II was built in 2013 and consists of 3 three-story buildings with 144 units/366 beds. At the time of sale the property nearly leaased up after construction completion. The buyer was a JV partner taking out the developer. Financials are based on the pre-construction operating budget; there was no operating history available for analysis. The transaction closed July 2013.

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APARTMENT SALE No. 2

The District on 5th

Location Data

Location:	**550 N. 5th Avenue**
	Tucson, AZ 85705
County:	**Pima**
Parcel No:	**117-04-489A**
Atlas Ref:	

Physical Data

Type:	**Multi-family Student**
Land Area:	**3.480 Acres**
Grs Liv.Area	**247,549 SF**
Number of Units:	**206**
Average Unit Size:	**1,202 SF**
Year Built:	**2012**
No. of Stories:	**5**
Exterior:	**Masonry**
Condition:	**New**
Amenities:	**Pool, fitness center, clubhouse, business center, movie theater, tanning beds, garage parking, in-unit washer/dryer, furnished units**

Sale Data

Transaction Type:	**Sale**
Date:	**10/2012**
Marketing Time:	**NA**
Grantor:	**Tucson Holding, LLC**
Grantee:	**Education Realty Trust**
Document No.:	**20122780430**
Sale Price:	**$66,441,667**
Financing:	**Cash to Seller**
Cash Eq.Price:	**$66,441,667**
Req.Capital Cost:	**($441,667)**
Adj. Sale Price:	**$66,000,000**
Verification:	**Susan Henry (Marcus & Millichap)**

Analysis

Underwriting Criteria:	
Overall Cap Rate (OAR):	**6.34%**
Projected IRR:	**0.00%**
Eff Gross Inc Mult (EGIM):	
Op Exp Ratio (OER):	**0.00%**
Price Per SF:	**$266.61**
Price Per Unit:	**$320,388**

Occupancy / Lease Data

Source:	**Broker**	
Occupancy at Sale:	**100%**	
Based On:	**Pro Forma Income**	
	Total	**Per Unit**
Potential Gross Inc:	**$0**	**$0**
Vacancy & Credit Loss:	**$0**	**$0**
Effective Gross Inc:	**$0**	**$0**
Expenses & Reserves:	**$0**	**$0**
Net Operating Inc:	**$4,185,825**	**$20,320**

Unit Mix

Unit Type	No.	SF	%
2 BD, 2 BA	7	810	3%
2 BD, 2 BA	5	842	2%
3 BD, 3 BA	40	1,078	19%
3 BD, 2 BA	4	1,106	2%
4 BD, 2 BA	45	1,198	22%
4 BD, 4 BA	83	1,295	40%
4 BD, 4 BA	20	1,300	10%
4 BD, 4 BA	2	1,365	1%
Totals/ Avg	206		100%

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APARTMENT SALE No. 2

Comments

This comparable represents a Class A+, 206-unit, 756-bedroom, mid-rise, off-campus student housing complex located in Tucson, Pima County, Arizona known as The District on 5th. The project was completed in the fall of 2012 and services the main campus of the University of Arizona (U of A), a four-year public institution. The project is approximately 0.4 miles from the U of A campus and represents the first and only complete new generation Class A+ student housing project in the market (as of the date of sale). The unit mix is comprised of two, three and four-bedroom floor plans that average 1,202-square feet. Units are leased on a per-bed basis, with joint and several liability and parental guarantees. The complex has a ratio of 3.67 beds per unit. There is also an 8-level concrete parking structure, consisting of six, above-grade and two below-grade levels. Covered parking in the garage is $50 per month. Other project amenities include a resort-style swimming pool, fitness center, individual unit security systems, tanning beds, volleyball court, clubhouse, and a media/movie theater. The transaction closed in October 2012 for $66,441,667 or $87,886 per bed. Occupancy was 100% and the pro forma OAR was reportedly 6.3%. This was an all cash sale. Conversations with the developer of this property (Nick Anderson) reflect that there were two single family residences in this transaction. There wasn't a set allocation, but the developer estimated $300,000-$500,000.

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APARTMENT SALE No. 3

909 Broad Street Apartments

Location Data

Location:	**909 East Broad Street**
	Athens, GA 30601
County:	**Clarke**
Parcel No:	**171B2 B006A**
Atlas Ref:	

Physical Data

Type:	**Multi-family Student**
Land Area:	**2.930 Acres**
Grs Liv.Area	**213,585 SF**
Number of Units:	**211**
Average Unit Size:	**1,012 SF**
Year Built:	**2008**
No. of Stories:	**5**
Exterior:	**Other**
Condition:	**Good**
Amenities:	**a swimming pool, structured parking, fitness center, computer lab, and study area**

Sale Data

Transaction Type:	**Sale**
Date:	**5/2012**
Marketing Time:	**NA**
Grantor:	**Perennial Skyline Athens**
Grantee:	**HSRE UGA 909 Broad LLC**
Document No.:	**Not Yet Available**
Sale Price:	**$34,675,000**
Financing:	**Cash to Seller**
Cash Eq.Price:	**$34,675,000**
Req.Capital Cost:	
Adj. Sale Price:	**$34,675,000**
Verification:	**Buyer**

Analysis

Underwriting Criteria:	
Overall Cap Rate (OAR):	**6.00%**
Projected IRR:	
Eff Gross Inc Mult (EGIM):	
Op Exp Ratio (OER):	
Price Per SF:	**$162.35**
Price Per Unit:	**$164,336**

Occupancy / Lease Data

Source:	**Appraiser**	
Occupancy at Sale:	**97%**	
Based On:	**Existing Income**	
	Total	**Per Unit**
Potential Gross Inc:		
Vacancy & Credit Loss:		
Effective Gross Inc:		
Expenses & Reserves:		
Net Operating Inc:	**$2,081,265**	**$9,864**

Unit Mix

Unit Type	No.	SF	%
Studio	24	623	11%
1BR/1BA	64	791	30%
2BR/1BA	25	1,048	12%
2BR/2BA	51	1,112	24%
3BR/2BA	45	1,367	21%
4BR/3BA	2	1,791	1%
Totals/ Avg	211		100%

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APARTMENT SALE No. 3

Comments

This comparable represents the sale of 909 Broad Street Apartments, a student oriented apartment development located at the corner of E. Broad Street and Willow Street, on the eastern edge of downtown Athens; approximately 0.50 miles west of campus of the University of Georgia. This project represents a Class A+ apartment complex that was developed in 2008, and contains a total of 211 units (383 beds). At the time of sale, the prior ownership was not leasing on a per bed basis; however, it was reported that the development was occupied almost entirely by students. Project amenities include a swimming pool, fitness center, parking deck and a computer lab and study area. The property also included 6,000 square feet of ground floor retail space. The property sold in May of 2012 for $34,675,000, or $164,336 per unit. The property sold based on an existing income of $2,081,265 which including a deduction of $250 per unit for reserves; indicating an overall rate of 6.00%. The property was 97% occupied at the time of sale.

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APARTMENT SALE No. 4

The Varsity at College Park

Location Data

Location:	**8150 Baltimore Avenue**
	College Park, MD 20740
County:	**Prince George's**
Parcel No:	**21-4022448**
Atlas Ref:	

Physical Data

Type:	**Multi-family Student**
Land Area:	**3.530 Acres**
Grs Liv.Area	**341,696 SF**
Number of Units:	**259**
Average Unit Size:	**1,319 SF**
Year Built:	**2011**
No. of Stories:	**7**
Exterior:	**Brick Veneer**
Condition:	**Good**
Amenities:	**outdoor terraces, fitness center, conference rooms, study rooms, party room, multiple lounges, 24 -hour security, on-site retail, an outdoor park, and a campus shuttle service**

Sale Data

Transaction Type:	**Sale**
Date:	**12/2011**
Marketing Time:	**NA**
Grantor:	**Potomac Holdings LLC**
Grantee:	**American Campus Communities**
Document No.:	**33214/ 00266**
Sale Price:	**$96,600,000**
Financing:	**Market Terms**
Cash Eq.Price:	**$96,600,000**
Req.Capital Cost:	**$24,900,000**
Adj. Sale Price:	**$121,500,000**
Verification:	**Seller, Broker**

Analysis

Underwriting Criteria:	**Direct Cap**
Overall Cap Rate (OAR):	**5.61%**
Projected IRR:	**0.00%**
Eff Gross Inc Mult (EGIM):	**10.82**
Op Exp Ratio (OER):	**39.26%**
Price Per SF:	**$355.58**
Price Per Unit:	**$469,112**

Occupancy / Lease Data

Source:	**Broker**	
Occupancy at Sale:	**91%**	
Based On:	**Pro Forma Income**	
	Total	**Per Unit**
Potential Gross Inc:	**$12,414,313**	**$47,932**
Vacancy & Credit Loss:	**$1,186,436**	**$4,581**
Effective Gross Inc:	**$11,227,877**	**$43,351**
Expenses & Reserves:	**$4,407,706**	**$17,018**
Net Operating Inc:	**$6,820,171**	**$26,333**

Unit Mix

Unit Type	No.	SF	%
1BR/1BA	15	594	6%
2BR/2BA	12	1,036	5%
3BR/3BA	66	1,178	25%
4BR/3BA	10	1,391	4%
4BR/4BA	156	1,466	60%
Totals/ Avg	259		100%

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APARTMENT SALE No. 4

Comments

This transaction represents the sale of a 79.5% interest in the subject property for $96.6MM based on a total value of $121.5 MM for the entire property. The sale price has been adjusted to reflect a 100% interest in the property. Our analysis is based on the broker-provided pro forma income at the time of sale including in-place leases for the retail space. Average rent per bed was reported as $657/month at the time of sale, and the retail space represented approximately 25% of the NOI. Vacancy deductions of 6% were included for the apartment component, and 15% for the retail component. Also included were a management fee of 3%, replacement reserves of $150 per bed, and taxes based on an in-place assessment of 65% of the sales price. The value of a 3-year tax abatement was excluded from the NOI as well as the sales price. This leads to a pro forma capitalization rate of 5.95%. The seller reportedly received multiple offers at a similar price point. The buyer (American Campus Communities) was selected for its strength in the student housing market and due to its strategic value to the seller.

Varsity at College Park is a 901-bed furnished student housing project located along the western side of Baltimore Avenue near the intersection with Berwyn House Road. The project features a seven-story building including 6 residential levels above ground floor retail space, and a podium garage with 245 spaces. Kitchens include stainless steel appliances and wood cabinets. Flooring is ceramic tile in the kitchen and bath, and carpeting in living areas. Each unit includes a washer/dryer. Units are rented on a furnished basis. The retail space was reportedly fully occupied at the time of sale at $35 to $45 per square foot on a NNN basis.

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APARTMENT SALE No. 5

3949 Lindell

Location Data

Location:	**3949 Lindell Boulevard**
	St. Louis, MO 63108
County:	**St. Louis City**
Parcel No:	**Multiple**
Atlas Ref:	

Physical Data

Type:	**Multi-family Mid/High Rise**
Land Area:	**2.890 Acres**
Grs Liv.Area	**176,078 SF**
Number of Units:	**197**
Average Unit Size:	**894 SF**
Year Built:	**2008**
No. of Stories:	**4**
Exterior:	**Masonry**
Condition:	**Good**
Amenities:	**Parking garage, 13,992SF of retail space, pool, leasing office, washer/dryer in unit**

Sale Data

Transaction Type:	**Sale**
Date:	**12/2011**
Marketing Time:	**4 months**
Grantor:	**GB St. Louis I Temp, LLC**
Grantee:	**Education Realty Operating Partnership, LP**
Document No.:	
Sale Price:	**$28,450,000**
Financing:	**Cash to Seller**
Cash Eq.Price:	**$28,450,000**
Req.Capital Cost:	**$0**
Adj. Sale Price:	**$28,450,000**
Verification:	**Sale contract, selling broker**

Analysis

Underwriting Criteria:	**Direct Cap**
Overall Cap Rate (OAR):	**6.00%**
Projected IRR:	**0.00%**
Eff Gross Inc Mult (EGIM):	**10.20**
Op Exp Ratio (OER):	**38.81%**
Price Per SF:	**$161.58**
Price Per Unit:	**$144,416**

Occupancy / Lease Data

Source:	**Appraiser**
Occupancy at Sale:	**89%**
Based On:	**Existing Income**

	Total	Per Unit
Potential Gross Inc:	**$2,788,346**	**$14,154**
Vacancy & Credit Loss:	**$0**	**$0**
Effective Gross Inc:	**$2,788,346**	**$14,154**
Expenses & Reserves:	**$1,082,021**	**$5,492**
Net Operating Inc:	**$1,706,325**	**$8,662**

Unit Mix

Unit Type	No.	SF	%
Studio	42	666	21%
1BR, 1BA	21	762	11%
1BR, 1BA	16	793	8%
1BR, 1BA	37	870	19%
1BR, 1BA	22	912	11%
2BR, 2BA	11	999	6%
2BR, 2BA	22	1,110	11%
2BR, 2BA	10	1,155	5%
2BR, 2BA	7	1,224	4%
2BR, 2BA	4	1,275	2%
2BR, 2BA	3	1,293	2%
2BR, 2BA	2	1,328	1%
Totals/ Avg	197		100%

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APARTMENT SALE No. 5

Comments

This comparable represents the sale of a 197-unit, 256-bed student housing property located along the north side of Lindell Boulevard just west of St. Louis University. Given its proximity to SLU, a large percentage of the tenants are students. In December 2011, the property sold for a consideration of $28,450,000, or $111,133 per bed. The purchaser of the property was a student housing buyer. The financials did not include replacement reserves. A $200 per unit allowance was added to the financials provided to arrive at the indicated capitalization rate of 6.00%. The capitalization rate was confirmed with the selling broker of the property. Since the sale, a large portion of the property was destroyed by fire.

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ADDENDUM C

Rent Comparable Data Sheets

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APARTMENT COMPARABLE No. 1

Queen Anne Belvedere

Location Data

Location:	**1214 North Charles Street**
	Baltimore, MD 21201
County:	**Baltimore City**
Parcel No:	**11-01-0483-034, 052, 056**
Atlas Ref:	

Physical Data

Type:	**Multi-family Walk-up**
Number of Units:	**76**
Year Built	**1870, 2001 (R)**
No. of Stories	**4**
Average Unit Size:	**840 SF**
Exterior:	**Brick**
Condition:	**Average**
Amenities:	**laundry facilities, controlled access entry, and a courtyard**

Occupancy / Lease Data

Occupancy:	**98%**
Rent Premiums:	**None**
Concessions:	**None**
Typical Lease Term:	**12 months**
Utilities incl. in Rent:	**water, sewer, and trash**
Tenant Profile:	**Various**
Management Co.:	**Keyser Development**
Phone No:	**410-385-8955**
Survey Date:	**3/14**

Rent Summary

Unit Type	No.	SF	Rent	Rent Per Sq Ft
Efficiency	2	468	$870	$1.85
1BR/1BA Jr.	14	549	$960	$1.74
1BR/1BA	25	620	$1,060	$1.70
1BR/1BA/Study (CH)	2	795	$1,318	$1.65
1BR/2BA	1	1,005	$1,389	$1.38
1BR/1BA/Study	1	1,111	$1,310	$1.17
1BR/1.5BA	1	1,189	$1,486	$1.24
2BR/1BA (CH)	4	821	$1,365	$1.66
2BR/2BA/Study	3	1,175	$1,330	$1.13
2BR/1.5BA	5	1,187	$1,700	$1.43
2BR/2BA	16	1,218	$1,680	$1.37
2BR/1BA/Study	2	1,304	$1,322	$1.01
Total/Avg	76	63,857	$1,263	$1.50

Comments

This apartment complex is located on North Charles Street between West Biddle and West Preston Streets in Baltimore, MD. This 76 -unit property consists of 15 buildings on 0.6989 acres with street parking. A total of 13 buildings are located along North Charles Street, and 2 carriage house buildings containing 6 units are located at the rear of the property along the adjacent alleyway. Carriage House units are identified above as CH. No onsite parking is available. The property also includes 20,280 square feet of retail space in 8 units located along North Charles Street. Kitchen amenities include a frost-free refrigerator, electric range, dishwasher, microwave, and garbage disposal. Additional features include air-conditioning, ceiling fans, and vertical & mini-blinds. Flooring is carpeting in living areas, vinyl in the kitchens, and vinyl or ceramic in the baths. The above rental rates are based on average unit sizes and average rental rates.

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APARTMENT COMPARABLE No. 2

The Mount Royal

Location Data

Location:	**103 E. Mt. Royal Avenue**
	Baltimore, MD 21202
County:	**City of Baltimore**
Parcel No:	**11-01-0467-009**
Atlas Ref:	

Physical Data

Type:	**Multi-family Mid/High Rise**
Number of Units:	**120**
Year Built	**1888, 1986 Ren**
No. of Stories	**8**
Average Unit Size:	**867 SF**
Exterior:	**Masonry**
Condition:	**Average**
Amenities:	**a card coded access, 54 on-site parking spaces and 19 garage spaces**

Occupancy / Lease Data

Occupancy:	**95%**
Rent Premiums:	**renovations**
Concessions:	**None**
Typical Lease Term:	**12 months**
Utilities incl. in Rent:	**Trash**
Tenant Profile:	**Professsional and Hopkins medical students**
Management Co.:	**Cove Management**
Phone No:	**410-659-5810**
Survey Date:	**3/14**

Rent Summary

Unit Type	No.	SF	Rent	Rent Per Sq Ft
Studio	2	550	$1,175	$2.13
1BR/1BA	67	770	$1,323	$1.71
1BR/1BA Den	16	880	$1,453	$1.65
2BR/2BA	16	1,030	$1,620	$1.57
2BR/2BA	3	1,070	$1,650	$1.54
3BR/2BA	16	1,100	$1,820	$1.65
Total/Avg	120	104,060	$1,452	$1.67

Comments

This property (fka Henderson House) is located in the Mt. Vernon neighborhood at the corner of Mt. Royal and St. Paul Streets just south of I-83 and east of the University of Baltimore campus and one mile west of the John's Hopkins Medical Center. The complex consists of two buildings: one building is 7-stories and the 2nd building is 8-stories. Kitchens include an electric range, dishwasher, disposal and frost-free refrigerators (no microwave). Additional features include air-conditioning and mini blinds. All units have individual washers and dryers. Parking includes 54 open parking spaces at $120 per month and 19 garage spaces at $150 per month. Some units have been renovated to include stainless steel appliances, new cabinets, and new countertops. Renovated units rent for a premium of $75 for one-bedroom units, and $100 for 2 & 3-bedroom units. The above rental rates are based on average rental rates including premiums.

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APARTMENT COMPARABLE No. 3

Sutton Place Apartments

Location Data

Location:	**1111 Park Avenue**
	Baltimore, MD 21201
County:	**City of Baltimore**
Parcel No:	**11-03-0422-001**
Atlas Ref:	

Physical Data

Type:	**Multi-family Mid/High Rise**
Number of Units:	**294**
Year Built	**1963, Ren 2006**
No. of Stories	**17**
Average Unit Size:	**710 SF**
Exterior:	**Brick**
Condition:	**Average**
Amenities:	**a fitness center, pool, laundry facility, garages/covered parking, retail on the 1st floor and leasing office.**

Occupancy / Lease Data

Occupancy:	**90%**
Rent Premiums:	**renovations**
Concessions:	**none (LRO)**
Typical Lease Term:	**12 months**
Utilities incl. in Rent:	**None**
Tenant Profile:	**Varies**
Management Co.:	**Eastern Properties**
Phone No:	**410-728-8500**
Survey Date:	**3/14**

Rent Summary

Unit Type	No.	SF	Rent	Rent Per Sq Ft
Studio	23	442	$960	$2.17
Studio	22	546	$1,017	$1.86
1 BR/1 BA	102	650	$1,125	$1.73
1 BR/1 BA	89	712	$1,303	$1.83
2 BR/1 BA	34	940	$1,385	$1.47
2 BR/2 BA	24	1,045	$1,402	$1.34
Total/Avg	294	208,886	$1,211	$1.70

Comments

This property is located south of I-83 and W. Mt. Royal Avenue, on the west side of N. Howard Street in the City of Baltimore.

Kitchens include gas range, refrigerator, dishwasher, disposal, and microwave. A complete renovation was completed in early 2006 which included updated kitchens, bathrooms, new windows, new lobby, exterior paint, and new roof. In addition, individual meters were installed and all utilities are now paid by the tenant. the rates at the upper end of the range represent renovated units. Retail on the 1st floor includes a food center, hair salon, cleaners, sandwich shop and nail design. Covered parking is $125 per month and garage parking is $145 per month. Uncovered parking is $105 per month. The above rental rates are based on average rental rates including premiums for renovated units.

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APARTMENT COMPARABLE No. 4

Professional Arts Building

Location Data

Location:	**101 W Read Street**
	Baltimore, MD 21201
County:	**Baltimore City**
Parcel No:	**11-09-0515-025**
Atlas Ref:	

Physical Data

Type:	**Multi-family Mid/High Rise**
Number of Units:	**95**
Year Built	**1905, 2009 (R)**
No. of Stories	**8**
Average Unit Size:	
Exterior:	**Masonry**
Condition:	**Good**
Amenities:	**a business center, fitness center, community room, and controlled access entry**

Occupancy / Lease Data

Occupancy:	**98%**
Rent Premiums:	**floor level and renovations**
Concessions:	**None**
Typical Lease Term:	**12 months**
Utilities incl. in Rent:	**Trash**
Tenant Profile:	**Professional and student**
Management Co.:	**Eagle Point Management**
Phone No:	**410-528-4500**
Survey Date:	**3/14**

Rent Summary

Unit Type	No.	SF	Rent	Rent Per Sq Ft
Studio	14	514	$1,116	$2.17
1BR/1BA	49	891	$1,364	$1.53
2BR/1BA	8	948	$1,546	$1.63
2BR/2BA	24	1,027	$1,851	$1.80
Total/Avg	95	83,087	$1,466	$1.68

Comments

This apartment complex is located at the northeast intersection of West Read and Cathedral Streets in Baltimore, MD. Kitchen amenities include a frost-free refrigerator, electric stove, dishwasher, and a garbage disposal. All units have a washer and dryer. Additional features include air-conditioning and vertical & mini-blinds. Flooring is carpeting in living areas and ceramic tile in the kitchens and baths. Recent renovations include all new appliances and fixtures, and 2 high-speed elevators. Unit mix was not provided, so an even mix was estimated. The above rental rates are based on average rental rates including premiums.

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APARTMENT COMPARABLE No. 5

The Fitzgerald at UB Midtown

Location Data

Location:	**1201 West Mount Royal Avenue**
	Baltimore, MD 21217
County:	**Baltimore City**
Parcel No:	**11-01-0425-002**
Atlas Ref:	

Physical Data

Type:	**Multi-family Mid/High Rise**
Number of Units:	**275**
Year Built	**2010**
No. of Stories	**5**
Average Unit Size:	**877 SF**
Exterior:	**Metal**
Condition:	**Excellent**
Amenities:	**a swimming pool, clubhouse, fitness center, yoga room, conference room, billiard room and controlled access**

Occupancy / Lease Data

Occupancy:	**91%**
Rent Premiums:	**floor level and balcony**
Concessions:	**None (Yieldstar)**
Typical Lease Term:	**12 months**
Utilities incl. in Rent:	**Trash removal**
Tenant Profile:	**Students & professionals**
Management Co.:	**Bozzuto**
Phone No:	**443-552-5454**
Survey Date:	**3/14**

Rent Summary

Unit Type	No.	SF	Rent	Rent Per Sq Ft
Studio	30	569	$1,649	$2.89
1BR/1BA	136	772	$1,792	$2.32
1BR/1BA Den	19	953	$1,853	$1.94
2BR/2BA	80	1,094	$2,115	$1.93
2BR/2BA Den	10	1,338	$2,457	$1.83
Total/Avg	275	241,069	$1,899	$2.17

Comments

The Fitzgerald is located between the University of Baltimore campus and the Maryland Institute College of Art in Baltimore, MD. The property is a 275-unit market rate apartment complex with an eight-story, 1,250-space parking structure and 20,000 square feet of street-level retail (Barnes and Noble) on a 4.23 acre site.
Units have gourmet kitchens with granite countertops and complete appliance package, ceramic tile flooring in kitchen and bath, wall-to-wall carpeting in living areas, central heat and air conditioning, washer and dryer in each unit, and balcony. The above rental rates are based on average unit sizes and average rental rates including premiums for floor level ($5 per level), balcony ($25), and Juliet balcony ($15). Garage parking is $100 per month for residents.

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APARTMENT COMPARABLE No. 6

Cresmont Loft Apartments

Location Data

Location:	**2807 Cresmont Avenue**
	Baltimore, MD 21211
County:	**Baltimore City**
Parcel No:	**12-02-3650C-052**
Atlas Ref:	

Physical Data

Type:	**Multi-family Student**
Number of Units:	**26**
Year Built	**2005**
No. of Stories	**7**
Average Unit Size:	**1,600 SF**
Exterior:	**Masonry**
Condition:	**Average**
Amenities:	**a fitness center, elevator, secured lobby & building access, community room, study room, bicycle storage, and on-site parking**

Occupancy / Lease Data

Occupancy:	**100%**
Rent Premiums:	**$20 per floor & penthouse**
Concessions:	**None**
Typical Lease Term:	**12 months**
Utilities incl. in Rent:	**All**
Tenant Profile:	**Students**
Management Co.:	**WPM Real Estate Group**
Phone No:	**410-889-7800**
Survey Date:	**3/14**

Rent Summary

Unit Type	No.	SF	Rent	Rent Per Sq Ft
4BR/2BA	26	1,600	$3,100	$1.93
Total/Avg	26	41,600	$3,100	$1.94

Comments

Cresmont Loft Apartments are on the east side of Cresmont Avenue between the east and west bound 28th and 29th Streets, two blocks south of the Johns Hopkins University campus. Rentals are on a per bed basis, with each unit having a central living room, dining room and kitchen area with two bedrooms and one bath at each end of the unit. The units feature carpet in living area, vinyl tile in bathroom & kitchen; painted drywall and CB interior walls, concrete plank ceilings, individual heat pumps, washer and dryer in each unit, dishwasher, range, disposal and microwave. The units are not furnished, and furnished units are not available. The complex offers 33 parking spaces at $75 per month. Floors 2 through 7 include a balcony with French doors. The building is wired for cable and Internet access in each room. The site contains 25,788 square feet. Per confirmation, the majority of tenants are students.

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ADDENDUM D

Operating Data

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Varsity at U of B
Income and Expense

		Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	2013 T-12	1/31/2014 "As Is" Pro Forma	95% Leased Pro Forma
Income																
Residential Rent																
Potential Residential Rent	(1)	$ 288,474	$ 288,474	$ 288,474	$ 288,474	$ 288,474	$ 288,474	$ 288,474	$ 288,474	$ 288,474	$ 288,474	$ 288,474	$ 288,474	$ 3,461,688	$ 3,530,736	$ 3,587,304
Gain/(Loss) to Lease		$ 2,242	$ 2,071	$ 2,027	$ 2,062	$ 1,257	$ 13,150	$ 9,936	$ (6,701)	$ (13,319)	$ 16,958	$ 17,691	$ 20,271	$ 67,646		$ -
Lost Rent: Vacancy	(2)	$ (36,225)	$ (26,001)	$ (28,605)	$ (24,865)	$ (24,169)	$ (25,907)	$ (22,775)	$ (49,949)	$ (57,257)	$ (73,898)	$ (76,132)	$ (80,632)	$ (526,414)	$ (595,500)	$ (179,365)
Lost Rent: Team Rents		$ (5,469)	$ (5,469)	$ (6,544)	$ (6,544)	$ (6,544)	$ (6,584)	$ (7,025)	$ (3,699)	$ -	$ -	$ (3,302)	$ (3,302)	$ (54,481)		$ -
Lost Rent: Model Units		$ -	$ -	$ -	$ (3,740)	$ (3,740)	$ (4,615)	$ (5,550)	$ (5,550)	$ (5,550)	$ (5,550)	$ (5,550)	$ (5,550)	$ (45,395)		$ -
Less: Concessions - Res.		$ -	$ (50)	$ -	$ -	$ -	$ -	$ -	$ (200)	$ -	$ -	$ -	$ -	$ (250)		$ -
Other Adjustments											$ -	$ -	$ -	$ -		$ -
Total Residential Rent		$ 249,022	$ 259,025	$ 255,352	$ 255,387	$ 255,278	$ 264,518	$ 263,061	$ 222,375	$ 212,349	$ 225,984	$ 221,182	$ 219,262	$ 2,902,794	$ 2,935,236	$ 3,407,939
Residential Fees																
Administration Fees	(3)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		$ -
Lease Processing Fees	(4)	$ 2,040	$ 190	$ 570	$ 2,030	$ 2,020	$ 1,420	$ 11,630	$ 1,795	$ 430	$ (2,682)	$ 180	$ 460	$ 20,083	$ 19,668	$ 32,300
Cancel/Termination Fees	(3)	$ -	$ 600	$ 45	$ -	$ -	$ -	$ -	$ 900	$ 290	$ -	$ -	$ -	$ 1,835	$ 1,835	$ 1,835
Late Fees	(3)	$ 13,102	$ (4,585)	$ (745)	$ 3,508	$ 5,469	$ 6,020	$ 5,289	$ (62)	$ 1,425	$ (226)	$ 3,168	$ 2,917	$ 35,282	$ 35,282	$ 35,282
Resident Fines - Damages	(3)	$ -	$ -	$ -	$ -	$ -	$ 75	$ 1,075	$ -	$ -	$ 15	$ -	$ -	$ 1,165	$ 1,165	$ 1,165
Resident Chargebacks - Janitorial	(3)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Utility Reimbursements	(5)	$ 2,560	$ 320	$ 480	$ 4,480	$ 640	$ 480	$ 30,380	$ 34,880	$ (3,840)	$ 7,660	$ (320)	$ 160	$ 77,880	$ 80,000	$ 113,050
Move Out Charges	(3)	$ 160	$ -	$ (35)	$ -	$ 313	$ -	$ 1,725	$ (150)	$ 1,200	$ 4,007	$ -	$ -	$ 7,219	$ 7,219	$ 7,219
Payment Proc. Fees	(3)	$ 396	$ 381	$ 441	$ 365	$ 61	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,644	$ 1,644	$ 1,644
Waived Leasing Fees	(3)											$ -	$ -	$ -	$ -	$ -
Misc. Resident Fees	(3)	$ 2,850	$ -	$ -	$ -	$ 150	$ -	$ -	$ -	$ -	$ 320	$ -	$ -	$ 3,320	$ 3,320	$ 3,320
NSF Fees	(3)	$ 90	$ -	$ 90	$ 90	$ 45	$ 45	$ 45	$ 270	$ -	$ 135	$ 45	$ 270	$ 1,125	$ 1,125	$ 1,125
Total Residential Fees		$ 21,198	$ (3,094)	$ 847	$ 10,474	$ 8,698	$ 8,040	$ 50,144	$ 37,633	$ (495)	$ 9,228	$ 3,073	$ 3,807	$ 149,553	$ 151,258	$ 196,940
Commercial Revenue																
Potential Commercial Rent		$ -	$ -	$ 7,750	$ 2,583	$ 2,583	$ 2,583	$ 2,583	$ 2,583	$ 2,583	$ -	$ 2,583	$ 2,583	$ 28,417	$ -	$ -
Less: Concessions - Comm.		$ -	$ -	$ (7,750)	$ (2,583)	$ (2,583)	$ (2,583)	$ -	$ -	$ (5,167)	$ -	$ -	$ -	$ (20,667)	$ -	$ -
Total Commercial Revenue		$ -	$ -	$ -	$ -	$ -	$ -	$ 2,583	$ 2,583	$ (2,583)	$ -	$ 2,583	$ 2,583	$ 7,750	$ -	$ -
Comm. CAM and Fees																
CAM - Property Taxes		$ -	$ -	$ 1,035	$ 345	$ 345	$ 345	$ 345	$ 345	$ 345	$ -	$ 345	$ 345	$ 3,794	$ -	$ -
Dunkin Donuts Reimb	(6)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 438	$ 438	$ 877	$ 9,900	$ 9,900
CAM - Insurance		$ -	$ -	$ 78	$ 26	$ 26	$ 26	$ 26	$ 26	$ 26	$ -	$ 26	$ 26	$ 286	$ -	$ -
CAM - U and O		$ -	$ -	$ 13,933	$ 1,661	$ 438	$ 438	$ 438	$ 438	$ 438	$ -	$ -	$ -	$ 17,786	$ -	$ -
Total Comm. CAM and Fees		$ -	$ -	$ 15,046	$ 2,032	$ 809	$ 809	$ 809	$ 809	$ 809	$ -	$ 809	$ 809	$ 22,742	$ 9,900	$ 9,900
Other Revenue																
Vending Income	(3)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 144	$ 55	$ -	$ 199	$ 199	$ 199
Total Other Revenue		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 144	$ 55	$ -	$ 199		$ 199
Bad Debt																
Bad Debt Expense		$ -	$ -	$ -	$ (20,554)	$ (313)	$ -	$ (107,578)	$ -	$ (4,750)	$ (1,235)	$ (4,502)	$ (38,143)	$ (177,075)	$ -	$ -
Total Bad Debt		$ -	$ -	$ -	$ (20,554)	$ (313)	$ -	$ (107,578)	$ -	$ (4,750)	$ (1,235)	$ (4,502)	$ (38,143)	$ (177,075)	$ -	$ -
Revenue Adjustments																
Future Period Adjustments		$ -	$ -	$ -	$ -	$ 1,870	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,870	$ -	$ -
Prior Period Adjustments		$ (3,123)	$ (905)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (4,028)	$ -	$ -
Total Revenue Adjustments		$ (3,123)	$ (905)	$ -	$ -	$ 1,870	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (2,158)	$ -	$ -
Effective Gross Inome		**$ 267,097**	**$ 255,025**	**$ 271,244**	**$ 247,338**	**$ 266,342**	**$ 273,368**	**$ 209,019**	**$ 263,401**	**$ 205,330**	**$ 234,122**	**$ 223,199**	**$ 188,319**	**$ 2,903,804**	**$ 3,096,394**	**$ 3,614,977**
Expenses																
Administrative Expenses																
AR/AP Processing	(3)	$ 108	$ 51	$ 60	$ 43	$ 51	$ -	$ 544	$ 457	$ 45	$ 35	$ 26	$ -	$ 1,419	$ 1,419	$ 1,419
Information Systems Dues	(3)	$ -	$ -	$ -	$ -	$ 513	$ 3,161	$ 513	$ 513	$ 513	$ 945	$ 515	$ 515	$ 7,187	$ 7,187	$ 7,187
Contract Set-up Fees	(3)	$ -	$ -	$ -	$ -	$ -	$ 600	$ -	$ -	$ -	$ -	$ -	$ -	$ 600	$ 600	$ 600
ADP HR Platform Fees	(3)	$ 62	$ -	$ 395	$ 137	$ 132	$ 341	$ 366	$ 346	$ 293	$ 350	$ 379	$ 310	$ 3,111	$ 3,111	$ 3,111
Website/Email Maint.	(3)	$ -	$ -	$ -	$ -	$ -	$ -	$ 75	$ -	$ 169	$ 814	$ 3,824	$ -	$ 4,882	$ 4,882	$ 4,882
Recruiting	(3)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Pre-Employment Screening	(3)	$ -	$ 158	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 158	$ 158	$ 158
Answering Service	(3)	$ 81	$ 80	$ 102	$ 72	$ -	$ -	$ -	$ 107	$ -	$ 74	$ 72	$ 82	$ 670	$ 670	$ 670
Cell Phone Contract	(3)	$ 145	$ 103	$ 99	$ 80	$ 65	$ 50	$ -	$ -	$ -	$ -	$ -	$ -	$ 541	$ 541	$ 541
Telephone - Office	(3)	$ 1,490	$ -	$ 184	$ 449	$ -	$ 381	$ 156	$ 531	$ 296	$ 503	$ 504	$ 200	$ 4,694	$ 4,694	$ 4,694
Office Purchases	(3)	$ 552	$ 936	$ 472	$ 2,193	$ (519)	$ 2,298	$ 540	$ 1,396	$ 2,214	$ 2,834	$ 1,710	$ 2,408	$ 17,034	$ 17,034	$ 17,034
Team Training	(3)	$ 343	$ 606	$ 427	$ 697	$ 98	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,171	$ 2,171	$ 2,171
Legal Services - Property	(3)	$ -	$ -	$ -	$ -	$ -	$ 2,562	$ -	$ 447	$ 595	$ -	$ -	$ -	$ 3,604	$ 3,604	$ 3,604
Resident Screening	(3)	$ -	$ 269	$ 76	$ 107	$ -	$ 805	$ 467	$ 594	$ 398	$ 53	$ 13	$ 127	$ 2,909	$ 2,909	$ 2,909
Temporary Help - Property	(7)	$ -	$ -	$ -	$ -	$ 565	$ 3,152	$ -	$ 275	$ 138	$ 100	$ 38	$ -	$ 4,267	$ 4,267	$ 4,267
Total Administrative		$ 2,780	$ 2,203	$ 1,814	$ 3,778	$ 905	$ 13,350	$ 2,661	$ 4,665	$ 4,660	$ 5,708	$ 7,080	$ 3,642	$ 53,246	$ 53,246	$ 53,246
Payroll Expense																
Accounting Team	(3)	$ -	$ 1,156	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,156	$ 1,156	$ 1,156
Office Team	(3)	$ 3,570	$ 3,281	$ 4,627	$ 3,211	$ 2,876	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 17,565	$ 17,565	$ 17,565
Leasing Team	(3)	$ -	$ -	$ -	$ -	$ 1,440	$ 1,440	$ 2,880	$ 4,160	$ -	$ -	$ -	$ -	$ 9,920	$ 9,920	$ 9,920
Community Assistants	(3)	$ -	$ -	$ -	$ -	$ 118	$ 4,674	$ 4,794	$ 6,202	$ 5,175	$ 5,405	$ 5,483	$ 5,682	$ 37,533	$ 37,533	$ 37,533
Leasing Commissions	(3)	$ 895	$ -	$ 653	$ 285	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,833	$ 1,833	$ 1,833
Maintenance Team	(3)	$ 9,716	$ 8,690	$ 10,672	$ 6,553	$ 8,343	$ 6,383	$ 6,187	$ 9,805	$ 2,769	$ 2,769	$ 4,461	$ 4,647	$ 80,996	$ 80,996	$ 80,996

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Community Manager	(3)	$ 3,463	$ 3,463	$ 5,194	$ 3,463	$ 4,830	$ 3,846	$ 3,846	$ 5,769	$ 3,846	$ 3,846	$ 3,846	$ 3,846	$ 49,259	$ 49,259	$ 49,259
Overtime Expense	(3)	$ -	$ -	$ -	$ -	$ 54	$ 348	$ 180	$ 1,878	$ 38	$ 99	$ -	$ 71	$ 2,668	$ 2,668	$ 2,668
Team Reimbursement	(3)	$ -	$ -	$ -	$ -	$ -	$ -	$ 50	$ 50	$ -	$ -	$ -	$ -	$ 100	$ 100	$ 100
Temporary Help	(3)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 63	$ 63	$ 63	$ 63
401(k) Costs	(3)	$ 119	$ 104	$ 173	$ 114	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 510	$ 510	$ 510
Health Care Benefits	(3)	$ 1,001	$ 1,658	$ 1,167	$ 1,477	$ (1,630)	$ -	$ 300	$ 150	$ 150	$ -	$ 165	$ 165	$ 4,603	$ 4,603	$ 4,603
Workers Compensation	(3)	$ 269	$ 269	$ 269	$ 269	$ 269	$ 700	$ 594	$ 336	$ 813	$ 274	$ 795	$ 795	$ 5,653	$ 5,653	$ 5,653
Payroll Taxes	(3)	$ 1,904	$ 1,734	$ 1,845	$ 1,074	$ 1,085	$ 1,284	$ 1,337	$ 1,859	$ 534	$ 554	$ 740	$ 767	$ 14,717	$ 14,717	$ 14,717
Total Payroll Expense		$ 20,936	$ 20,354	$ 24,601	$ 16,446	$ 17,385	$ 18,676	$ 20,167	$ 30,210	$ 13,325	$ 12,948	$ 15,490	$ 16,036	$ 226,574	$ 226,574	$ 226,574
Leasing and Marketing																
Design Work	(3)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 500	$ -	$ -	$ -	$ 325	$ 825	$ 825	$ 825
Marketing Services	(3)	$ -	$ -	$ -	$ -	$ -	$ 2,684	$ -	$ 348	$ -	$ -	$ 628	$ -	$ 3,660	$ 3,660	$ 3,660
Advertisements	(3)	$ 94	$ 215	$ -	$ -	$ -	$ 94	$ 9	$ 5,042	$ -	$ -	$ -	$ -	$ 5,453	$ 5,453	$ 5,453
Resident Events	(3)	$ 206	$ 776	$ 633	$ 1,475	$ (378)	$ -	$ -	$ -	$ -	$ -	$ 747	$ 153	$ 3,611	$ 3,611	$ 3,611
Promotional Expense	(3)	$ -	$ 2,858	$ 7,616	$ 960	$ (237)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 11,197	$ 11,197	$ 11,197
Miscellaneous Marketing & Leasing	(3)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Leasing and Marketing		$ 300	$ 3,849	$ 8,249	$ 2,435	$ (616)	$ 2,778	$ 9	$ 5,890	$ -	$ -	$ 1,374	$ 478	$ 24,746	$ 24,746	$ 24,746
Insurance Expense																
Property Liability	(3)	$ 2,760	$ 2,760	$ 2,760	$ 2,760	$ 2,760	$ 2,760	$ 2,760	$ 3,035	$ 3,035	$ 5,643	$ 3,035	$ 3,035	$ 37,103	$ 37,103	$ 37,103
Total Insurance Expense		$ 2,760	$ 2,760	$ 2,760	$ 2,760	$ 2,760	$ 2,760	$ 2,760	$ 3,035	$ 3,035	$ 5,643	$ 3,035	$ 3,035	$ 37,103	$ 37,103	$ 37,103
Property Management																
Property Management Fees	(8)	$ 9,350	$ 8,780	$ 8,967	$ 8,629	$ 2,073	$ -	$ -	$ -	$ -	$ -	$ -	$ -		$ 123,856	$ 144,599
IT Management Fees	(3)	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,125	$ -	$ -	$ -	$ 5,230	$ -	$ 3,500	$ 3,500	$ 17,355	$ 17,355	$ 17,355
Total Prop. Management		$ 10,350	$ 9,780	$ 9,967	$ 9,629	$ 3,198	$ -	$ -	$ -	$ 5,230	$ -	$ 3,500	$ 3,500	$ 17,355	$ 141,211	$ 161,954
Maintenance Expenses																
Supplies - Repair	(3)	$ 1,597	$ 2,793	$ 177	$ 747	$ 11	$ 2,211	$ 2,643	$ 7,744	$ 2,937	$ 2,018	$ -	$ 698	$ 23,577	$ 23,577	$ 23,577
Supplies - Landscaping	(3)	$ 2,860	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,860	$ 2,860	$ 2,860
Service Calls	(3)	$ -	$ 762	$ 108	$ -	$ -	$ -	$ 1,190	$ 3,792	$ -	$ -	$ -	$ 1,449	$ 7,302	$ 7,302	$ 7,302
Landscaping Service	(3)	$ -	$ 93	$ 40	$ 92	$ (55)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 170	$ 170	$ 170
Property Inspections	(3)	$ -	$ 1,704	$ -	$ -	$ 492	$ -	$ -	$ 165	$ 7,041	$ 99	$ -	$ -	$ 9,501	$ 9,501	$ 9,501
Total Maintenance Expense		$ 4,457	$ 5,353	$ 326	$ 839	$ 448	$ 2,211	$ 3,833	$ 11,701	$ 9,979	$ 2,117	$ -	$ 2,147	$ 43,411	$ 43,411	$ 43,411
Service Contracts																
Security Service Contract	(3)	$ 3,417	$ (2,663)	$ 2,559	$ 2,558	$ -	$ 3,169	$ 2,558	$ 1,659	$ 5,495	$ 1,221	$ 3,782	$ 611	$ 24,365	$ 24,365	$ 24,365
Elevator Contract	(3)	$ -	$ -	$ 1,315	$ 3,483	$ -	$ 859	$ 859	$ 1,209	$ 859	$ 859	$ 1,317	$ 850	$ 11,607	$ 11,607	$ 11,607
Pest Control Contract	(3)	$ 176	$ 176	$ 176	$ 176	$ 176	$ 176	$ 176	$ 176	$ 176	$ 176	$ 176	$ 176	$ 2,112	$ 2,112	$ 2,112
Snow Removal Contract	(3)	$ 630	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 630	$ 630	$ 630
Total Service Contracts		$ 4,223	$ (2,487)	$ 4,050	$ 6,217	$ 176	$ 4,203	$ 3,593	$ 3,043	$ 6,530	$ 2,256	$ 5,275	$ 1,637	$ 38,715	$ 38,715	$ 38,715
Turnover Expenses																
Cleaning - Turnover	(3)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 10,450	$ -	$ -	$ -	$ -	$ 10,450	$ 10,450	$ 10,450
Painting - Turnover	(3)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 12,500	$ -	$ -	$ -	$ -	$ 12,500	$ 12,500	$ 12,500
Total Turnover Expenses		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 22,950	$ -	$ -	$ -	$ -	$ 22,950	$ 22,950	$ 22,950
Utilities																
Cable - Property	(3)	$ 3,440	$ 3,440	$ 3,457	$ 3,457	$ (10,473)	$ 3,457	$ 3,802	$ 6,919	$ 3,457	$ 3,457	$ 3,457	$ 3,457	$ 31,325	$ 31,325	$ 31,325
Electric - Property	(3)	$ 14,777	$ 21,925	$ 35,278	$ 10,567	$ (4,775)	$ 10,000	$ 10,231	$ 29,986	$ 15,267	$ 12,738	$ 14,951	$ 16,454	$ 187,399	$ 187,399	$ 187,399
Internet - Property	(3)	$ 3,687	$ 808	$ 3,448	$ 6,588	$ 2,640	$ 2,640	$ 2,680	$ 2,760	$ 2,873	$ 3,948	$ 3,511	$ 3,347	$ 38,928	$ 38,928	$ 38,928
Telephone - Property	(3)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 198	$ -	$ -	$ -	$ 187	$ 385	$ 385	$ 385
Waste Management	(3)	$ 1,300	$ 1,300	$ 1,275	$ 1,300	$ 1,300	$ 1,300	$ 1,300	$ 1,352	$ 1,352	$ 1,602	$ 1,352	$ 1,352	$ 16,085	$ 16,085	$ 16,085
Sewer	(3)	$ 4,060	$ 4,056	$ 4,056	$ (13,870)	$ (1,801)	$ 3,000	$ 3,000	$ 3,000	$ 3,000	$ 4,781	$ 3,000	$ (15,000)	$ 1,281	$ 1,281	$ 1,281
Miscellaneous Utilities	(3)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Utilities		$ 27,264	$ 31,528	$ 47,513	$ 8,041	$ (13,109)	$ 20,397	$ 21,013	$ 44,215	$ 25,948	$ 26,524	$ 26,271	$ 9,797	$ 275,402	$ 275,402	$ 275,402
Property Taxes																
Property Taxes - Personal	(3)	$ -	$ -	$ -	$ 600	$ -	$ -	$ -	$ -	$ -	$ -	$ 15,091	$ 3,018	$ 18,709	$ 18,709	$ 18,709
Property Taxes - Real	(10)	$ 36,566	$ 36,566	$ 36,985	$ 36,497	$ 36,601	$ 36,601	$ 10,148	$ 10,148	$ 16,909	$ 12,233	$ 12,233	$ 12,233	$ 293,721	$ 113,120	$ 113,120
Total Property Taxes		$ 36,566	$ 36,566	$ 36,985	$ 37,097	$ 36,601	$ 36,601	$ 10,148	$ 10,148	$ 16,909	$ 12,233	$ 27,324	$ 15,252	$ 312,430	$ 131,829	$ 131,829
Total Expenses		**$ 109,637**	**$ 109,906**	**$ 136,264**	**$ 87,242**	**$ 47,748**	**$ 100,977**	**$ 64,183**	**$ 135,856**	**$ 85,616**	**$ 67,429**	**$ 89,349**	**$ 55,523**	**$ 1,051,931**	**$ 995,185**	**$ 1,015,928**
Net Operating Income		**$ 157,460**	**$ 145,120**	**$ 134,980**	**$ 160,096**	**$ 218,595**	**$ 172,391**	**$ 144,836**	**$ 127,544**	**$ 119,714**	**$ 166,692**	**$ 133,851**	**$ 132,795**	**$ 1,851,874**	**$ 2,101,209**	**$ 2,599,049**
Non Operating Expenses																
Asset Management																
Asset Management Fee		$ 6,667	$ 6,667	$ 6,667	$ 6,667	$ 6,667	$ 6,667	$ 6,667	$ 6,667	$ 6,667	$ 6,667	$ 6,667	$ 6,992	$ 80,325	$ -	$ -
Set-up Management Fee		$ -	$ -	$ -	$ -	$ 4,500	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,500	$ -	$ -
Total Asset Management		$ 6,667	$ 6,667	$ 6,667	$ 6,667	$ 11,167	$ 6,667	$ 6,667	$ 6,667	$ 6,667	$ 6,667	$ 6,667	$ 6,992	$ 84,825	$ -	$ -
General and Admin.																
Bank Service Charges		$ 128	$ 21	$ 27	$ 8	$ 50	$ 135	$ -	$ -	$ 1	$ 39	$ 70	$ 122	$ 597	$ -	$ -
Accounting Management Fees		$ -	$ -	$ -	$ -	$ 2,032	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ -	$ -	$ 19,532	$ -	$ -
Team Uniforms		$ -	$ -	$ -	$ 300	$ (300)	$ 812	$ -	$ -	$ 250	$ -	$ -	$ -	$ 1,062	$ -	$ -
Credit Card Fees		$ 453	$ 754	$ 810	$ 618	$ 638	$ 153	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,425	$ -	$ -
Travel - Corporate		$ 201	$ 737	$ -	$ 1,063	$ 853	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,853	$ -	$ -
Total Gen. and Admin.		$ 782	$ 1,511	$ 837	$ 1,988	$ 3,272	$ 4,599	$ 3,500	$ 3,500	$ 3,751	$ 3,539	$ 70	$ 122	$ 27,469	$ -	$ -
Entity Expenses																
Replacement Reserve	(11)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 34,500	$ 34,500
Taxes & Licenses		$ 247	$ 247	$ 247	$ 247	$ 247	$ 247	$ 247	$ -	$ 494	$ 247	$ 247	$ 247	$ 2,965	$ 2,965	$ 2,965
Legal Services - Entity		$ -	$ -	$ -	$ 31	$ 2,938	$ 3,811	$ 31	$ -	$ 62	$ 14,489	$ 31	$ 4,012	$ 25,403	$ -	$ -
Prof. Services - Entity		$ -	$ -	$ -	$ -	$ 2,540	$ -	$ -	$ -	$ 2,019	$ 1,280	$ -	$ -	$ 5,839	$ -	$ -
Umbrella/Excess Liability		$ -	$ -	$ -	$ -	$ -	$ -	$ 4,959	$ -	$ -	$ -	$ -	$ -	$ 4,959	$ -	$ -
Misc. Entity Expense		$ -	$ -	$ 5,458	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,458	$ -	$ -

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Total Entity Expenses	$ 247	$ 247	$ 5,705	$ 278	$ 5,725	$ 4,058	$ 5,237	$ -	$ 2,574	$ 16,016	$ 278	$ 4,259	$ 44,624	$ 37,465	$ 37,465
Total Non Operating Expenses	**$ 7,696**	**$ 8,425**	**$ 13,208**	**$ 8,932**	**$ 20,163**	**$ 15,323**	**$ 15,404**	**$ 10,167**	**$ 12,992**	**$ 26,221**	**$ 7,015**	**$ 11,373**	**$ 156,918**	**$ 37,465**	**$ 37,465**
Net Income	**$ 149,764**	**$ 136,695**	**$ 121,772**	**$ 151,164**	**$ 198,431**	**$ 157,068**	**$ 129,433**	**$ 117,378**	**$ 106,722**	**$ 140,472**	**$ 126,836**	**$ 121,422**	**$ 1,694,955**	**$ 2,063,744**	**$ 2,561,584**

Notes:

(1) The As Is Pro Form figure is based on the attached rent roll. The 95% Leased Pro Forma figure is based on the attached Unit Mix.
(2) The 1/31/14 "As Is" Pro Form figure is based on the actual vacancy plus the rent from tenants under eviction, found on the attached rent roll. The 95% Leased Pro Forma figure is based on 5% of Potential Rent.
(3) The Pro Forma figures are based on the October 2012 T-12 figure.
(4) The Pro Forma figure is based on a $100 fee which is taken at lease signing.
(5) The Pro Forma Figure is based on a $350 fee which is taken at lease signing.
(6) The Pro Forma figures are based on Dunkin Donuts Pro Rate share (0.96%) of square feet times the Total Expenses.
(7) The Pro Forma figures are based on the past six months annualized expenses.
(8) The Pro Forma figures are based on 4% of Effective Gross Income.
(9) The Unit Electric Charge was a category discountinued from the previous management company
(10) The Pro Forma Real Estate Tax figures are based on the attached schedule.
(11) The Pro Forma figures are based on $300 per unit.

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ADDENDUM E

Lease-up Discount Schedule

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LEASE UP DISCOUNT SCHEDULE

Month	1	2	3	4	5	6	7	8	9	10	11	12
AS-STABILIZED												
Potential Rental Income	$304,215	$304,215	$304,215	$304,215	$304,215	$304,215	$304,215	$304,215	$304,215	$304,215	$304,215	$304,215
Loss to Lease	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Concessions	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Adjusted Rental Income	$304,215	$304,215	$304,215	$304,215	$304,215	$304,215	$304,215	$304,215	$304,215	$304,215	$304,215	$304,215
Vacancy & Credit Loss (%)	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Vacancy & Credit Loss ($)	($12,169)	($12,169)	($12,169)	($12,169)	($12,169)	($12,169)	($12,169)	($12,169)	($12,169)	($12,169)	($12,169)	($12,169)
Net Rental Income	$292,046	$292,046	$292,046	$292,046	$292,046	$292,046	$292,046	$292,046	$292,046	$292,046	$292,046	$292,046
Other Income	$10,081	$10,081	$10,081	$10,081	$10,081	$10,081	$10,081	$10,081	$10,081	$10,081	$10,081	$10,081
Effective Gross Income	$302,128	$302,128	$302,128	$302,128	$302,128	$302,128	$302,128	$302,128	$302,128	$302,128	$302,128	$302,128
Total Expenses	($124,193)	($124,193)	($124,193)	($124,193)	($124,193)	($124,193)	($124,193)	($124,193)	($124,193)	($124,193)	($124,193)	($124,193)
Net Operating Income	$177,935	$177,935	$177,935	$177,935	$177,935	$177,935	$177,935	$177,935	$177,935	$177,935	$177,935	$177,935
AS-IS												
Potential Rental Income	$304,215	$304,215	$304,215	$304,215	$304,215	$304,215	$304,215	$304,215	$304,215	$304,215	$304,215	$304,215
Loss to Lease	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Concessions	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Adjusted Rental Income	$304,215	$304,215	$304,215	$304,215	$304,215	$304,215	$304,215	$304,215	$304,215	$304,215	$304,215	$304,215
Vacancy & Credit Loss (%)	16.5%	16.5%	16.5%	16.5%	16.5%	16.5%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Vacancy & Credit Loss ($)	($50,134)	($50,134)	($50,134)	($50,134)	($50,134)	($50,134)	($12,169)	($12,169)	($12,169)	($12,169)	($12,169)	($12,169)
Net Rental Income	$254,081	$254,081	$254,081	$254,081	$254,081	$254,081	$292,046	$292,046	$292,046	$292,046	$292,046	$292,046
Other Income	$8,771	$8,771	$8,771	$8,771	$8,771	$8,771	$10,081	$10,081	$10,081	$10,081	$10,081	$10,081
Effective Gross Income	$262,851	$262,851	$262,851	$262,851	$262,851	$262,851	$302,128	$302,128	$302,128	$302,128	$302,128	$302,128
Total Expenses (30% Variable)	($119,349)	($119,349)	($119,349)	($119,349)	($119,349)	($119,349)	($124,193)	($124,193)	($124,193)	($124,193)	($124,193)	($124,193)
Net Operating Income	$143,502	$143,502	$143,502	$143,502	$143,502	$143,502	$177,935	$177,935	$177,935	$177,935	$177,935	$177,935
NOI Differential	$34,433	$34,433	$34,433	$34,433	$34,433	$34,433	$0	$0	$0	$0	$0	$0
Tenant Improvements	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Leasing Commissions	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Sub-Total	$34,433	$34,433	$34,433	$34,433	$34,433	$34,433	$0	$0	$0	$0	$0	$0
Plus: Profit @ 15.00%	$5,165	$5,165	$5,165	$5,165	$5,165	$5,165	$0	$0	$0	$0	$0	$0
Total Lease-Up Cost	$39,598	$39,598	$39,598	$39,598	$39,598	$39,598	$0	$0	$0	$0	$0	$0

Indicated Lease-Up Discount	**$237,586**
Rounded	**$240,000**
Compiled by CBRE	

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ADDENDUM F

Legal Description

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Exhibit "B"

Legal Description

BEGINNING at the northeast corner of the intersection of West Biddle Street, 66 feet wide, and Maryland Avenue, 66 feet wide; thence leaving said northeast corner and running with and binding on the easterly side of said Maryland Avenue, as now surveyed, with bearings of this description being based on the Baltimore City Survey Control System

1) North 02 degrees 53 minutes 23 seconds West 101.88 feet to a magnetic nail found; thence leaving said Right-of-Way and running reversely and binding on the sixth line of the seventh described parcel of land in a deed dated January 09, 1998 and recorded among the land records of Baltimore City in Liber P.M.B. 6986 folio 231

2) North 87 degrees 07 minutes 01 seconds East 100.00 feet to a magnetic nail found; thence running reversely and binding on the fifth line of the seventh described parcel of land in the above mentioned deed (6986/231)

3) North 02 degrees 53 minutes 43 seconds West 10.62 feet to a magnetic nail found; thence running with and binding on part of the second line of the sixth described parcel of land in the above mentioned deed (6986/231)

4) North 87 degrees 10 minutes 23 seconds East 50.00 feet to a magnetic nail found on the westerly side of Morton Street, 20 feet wide; thence running with and binding on the westerly side of said Morton Street

5) South 02 degrees 53 minutes 23 seconds East 113.00 feet to intersect the northerly side of W. Biddle Street, 66 feet wide; thence running with and binding on the northerly side of said W. Biddle Street

6) South 87 degrees 19 minutes 36 seconds West 150.00 feet the point of beginning. Containing 15,853 square feet or 0.364 of an acre more or less.

BEING all of the land described in a deed dated December 08, 1998 that was granted and conveyed by 36 West Biddle Street Limited Partnership, Frank A. Gunther, Jr. and Mary Ellen Gunther, sole surviving directors of The Albert Gunther Realty Company, and Frank A. Gunther, Jr. and Mary Ellen Gunther, sole surviving directors of Albert Gunther, Inc. to University Properties, Inc. and recorded among the Land Records of Baltimore City, Maryland in Liber F.M.C. 7965, folio 253.

Parcel I.D.:	11-01-0483-003
Property Address:	30 West Biddle Street, Baltimore, Maryland 21201-5538

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ADDENDUM G

Construction Budget

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Varsity at U of B

Project Costs

		Amount
UB Land purchase price	$	600,000
Acquisition expenses, including brokers, engineering and environmental reports, appraisals and closing costs	$	130,000
Permits, approvals & impact fees	$	600,000
Apartment buidlings hard costs, site work	$	17,394,168
Construction contingency	$	956,679
FF&E	$	710,600
Bank Fees	$	200,000
Legal	$	200,000
Interest reserve	$	572,679
Due diligence fees	$	500,000
Marketing	$	240,000
Potomac fee	$	750,000
Third party consultants, project manager, G&A	$	490,000
Architect & engineering	$	475,000
Prepaid taxes and insurance	$	90,000
Soft cost contingency	$	365,874
Working capital in excess of reserves	$	126,000
Total	**$**	**24,401,000**

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ADDENDUM H

Précis METRO Report - Economy.com, Inc.

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BALTIMORE

EMPLOYMENT GROWTH RANK (Best=1, Worst=392)

2012-2014	2012-2017
83	117
2nd quintile	2nd quintile

LIFE CYCLE PHASE
Growth/Mature

RISK EXPOSURE
2013-2018: 316 — 5th quintile (Highest=1, Lowest=384)

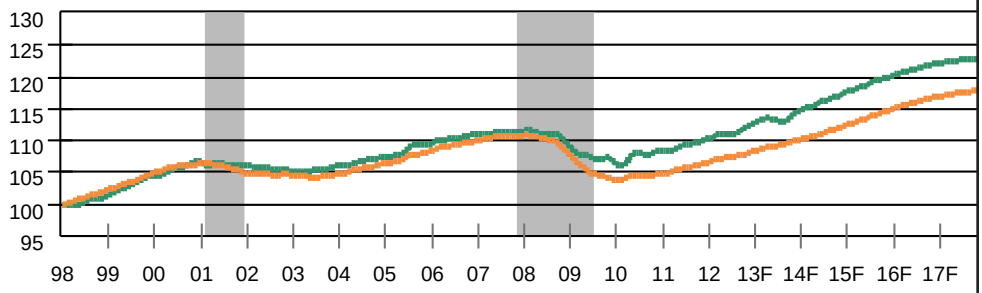
VITALITY

RELATIVE	RANK
96%	192
U.S.=100%	Best=1, Worst=384

RELATIVE COSTS U.S.=100%

LIVING	BUSINESS
112%	106%

RELATIVE EMPLOYMENT PERFORMANCE (1998=100)



Data Buffet® MSA code: *MBAL* — U.S. — BAL

2006	2007	2008	2009	2010	2011	2012	INDICATORS	2013	2014	2015	2016	2017
122.1	124.1	125.1	123.7	128.9	131.8	136.1	**Gross metro product (C$B)**	141.2	146.2	151.1	154.7	157.7
1.7	*1.7*	*0.8*	*-1.1*	*4.2*	*2.2*	*3.3*	*% change*	*3.7*	*3.5*	*3.4*	*2.4*	*1.9*
1,306.6	1,317.3	1,313.3	1,272.5	1,272.6	1,293.3	1,317.8	**Total employment (ths)**	1,344.1	1,375.9	1,408.7	1,436.3	1,451.8
1.6	*0.8*	*-0.3*	*-3.1*	*0.0*	*1.6*	*1.9*	*% change*	*2.0*	*2.4*	*2.4*	*2.0*	*1.1*
4.0	3.6	4.5	7.8	8.3	7.7	7.2	**Unemployment rate**	7.0	6.1	6.1	5.9	5.8
6.8	4.7	3.3	-0.3	2.7	6.3	4.1	**Personal income growth**	1.7	4.1	6.6	6.0	4.6
2,658.2	2,667.6	2,679.8	2,696.0	2,715.2	2,734.0	2,753.3	**Population (ths)**	2,774.1	2,792.5	2,814.2	2,836.9	2,859.5
6,339	4,775	3,131	3,099	3,554	3,277	3,895	**Single-family permits**	4,631	5,615	7,519	7,192	6,306
1,794	1,432	2,413	2,016	2,040	2,876	2,061	**Multifamily permits**	3,338	1,333	1,627	1,564	1,488
279.0	284.7	272.4	250.8	245.1	228.6	241.7	**Existing-home price ($ ths)**	252.3	267.0	282.3	298.0	313.2
34,065	28,839	19,709	27,872	21,889	17,188	20,963	**Mortgage originations ($ mil)**	15,733	10,612	11,036	10,036	10,094
0.4	-4.0	-0.9	3.9	7.7	8.0	9.5	**Net migration (ths)**	10.6	8.3	11.6	12.5	12.4
4,834	6,488	7,914	11,550	13,230	12,028	11,691	**Personal bankruptcies**	11,380	10,342	9,975	10,287	11,081

STRENGTHS & WEAKNESSES

STRENGTHS

- Hub for growing cybersecurity.
- Established and well-funded medical research centers.
- Strong transportation and distribution industries.

WEAKNESSES

- Decline in old-line manufacturing undermines growth.
- Exposure to defense spending cuts.
- Above-average living and business costs.

CURRENT EMPLOYMENT TRENDS

% CHANGE YR AGO, 3-MO MA

	Apr 13	Aug 13	Dec 13
Total	2.3	1.9	1.5
Construction	9.7	8.7	5.6
Manufacturing	-6.2	-5.9	-5.7
Trade	4.0	4.0	2.6
Trans/Utilities	0.8	-1.0	0.2
Information	-1.4	-2.3	-3.6
Financial Activities	1.9	3.1	2.3
Prof & Business Svcs.	5.2	4.6	3.7
Edu & Health Svcs.	2.4	2.4	3.8
Leisure & Hospitality	2.9	1.9	-0.1
Other Services	-0.0	-0.5	0.3
Government	-1.0	-1.7	-1.6

FORECAST RISKS

SHORT TERM ↓ | LONG TERM ↑

UPSIDE

- Future BRAC rounds bring more jobs and spending.
- Tax revenue recovery accelerates, minimizing state and local budget cuts.

DOWNSIDE

- Port of Baltimore strike further undermines shipping and transportation.
- House price correction lasts longer than expected.

ANALYSIS

Recent Performance. Baltimore's recovery is getting back on track as clarity surrounding the federal budget boosts business confidence. Tech and trade have lifted private employment well above its 2008 peak. Federal government payrolls, particularly sizable in BAL, declined for most of 2013 but have stabilized. Foreclosure rates are down, but house prices are growing more slowly than average. Despite improvement, slack in the labor market is weighing on both wages and demand for consumer services.

Federal budget. The drag from federal austerity will lift by the end of this year, removing pressure on the metro area's federal employees and contractors. Congress passed a budget in December that sets spending levels for two years and reduces sequestration in 2014. This greatly reduces the uncertainty that blighted BAL's recovery in 2013; budget battles eroded consumer confidence and delayed business investment. Federal contractors and agencies also trimmed payrolls as procurement spending declined. The federal government shutdown caused businesses to delay or reduce hiring while some cut payrolls.

The new federal budget will enable BAL to add federal jobs this year and next. It supports a shift under way in national security from conventional to cyber warfare. Fort George G. Meade—home to the U.S. Cyber Command and the National Security Agency—will expand its army of cyber warriors, who are well-educated and well-compensated. Private security companies already attracted by the metro area's enlarging cluster of cyber talent will get increased incentives this year as Maryland increases its cyber tax credit.

Travel. Less fiscal drag will help BAL further solidify its role as a regional hub for trade and tourism. Passenger traffic through BWI airport declined slightly in 2013, but still posted its second largest volume on record. Federal budget cuts and gridlock led government employees and contractors to travel less and many to drive instead of fly to travel destinations, according to surveys by AAA. As income growth rebounds and employees feel more secure in their jobs, they will fly more. The airport completed $100 million in renovations last summer and its two dominant airlines, Spirit and Southwest, have added more connections, including international ones. International traffic increased 20% in 2013.

Housing. Expansion at Fort Meade will act like a second, albeit smaller, round of Base Realignment and Closure, lifting household formation. This should help housing. Multifamily starts have doubled from their low in 2008 to meet demand from young people moving to Charm City, but single-family housing and construction employment remain below the prerecession trend. Rising confidence in the stronger economy will entice younger professionals to move out on their own, in turn lifting retail trade and real estate employment.

Foreclosures, which more than tripled in 2013, will slow price gains. Foreclosures were delayed by Maryland's long judicial process and moratoriums dating to the robo-signing scandal and Hurricane Sandy. More short sales limited price growth to 5% in the third quarter, half the national rate. However, the foreclosure inventory remains below average and the foreclosure rate has ebbed. Therefore, conditions are in place for housing to contribute more to growth in 2014.

Baltimore's recovery will accelerate in 2014 as the fiscal drag eases. Over the medium term, developments in cybersecurity and housing will drive above-average job and output growth. Longer term, the mature economy will track the U.S. average as mediocre demographics and high costs pose downside risk to the outlook.

Bradley Turner
January 2014

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EMPLOYMENT & INDUSTRY

TOP EMPLOYERS

Fort George G. Meade	56,692
Johns Hopkins University	22,000
Johns Hopkins Health System	18,090
University of Maryland	15,616
Aberdeen Proving Ground	15,582
MedStar Health	13,010
U.S. Social Security Agency	11,600
University of Maryland Medical System	8,900
Northrop Grumman Corp.	7,650
U.S. Naval Academy	7,250
Wal-Mart Stores Inc.	7,000
LifeBridge Health	6,996
Constellation Energy Group	5,245
Abacus	4,200
Giant Food Stores, LLC	4,385
T. Rowe Price Associates Inc.	3,806
Mercy Health Partners	3,738
GBMC Healthcare Inc.	3,700
Saint Agnes Hospital	3,213
Southwest Airlines	3,200

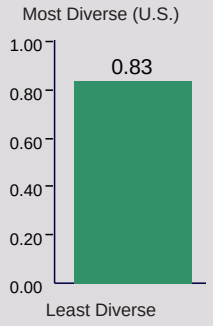
Sources: Baltimore Business Journal, 2012 Book of Lists, Guide to Military Installations, 2011, Maryland Department of Business and Economic Development, Nov. 2012, Maryland Department of Business and Economic Developement 2011

PUBLIC

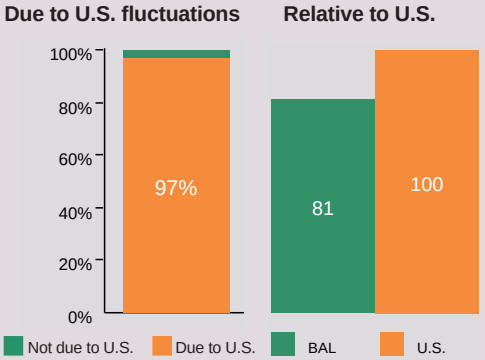
Federal	53,033
State	68,800
Local	110,726

2012

INDUSTRIAL DIVERSITY



EMPLOYMENT VOLATILITY



COMPARATIVE EMPLOYMENT AND INCOME

Sector	% of Total Employment			Average Annual Earnings		
	BAL	MD	U.S.	BAL	MD	U.S.
Mining	0.0%	0.1%	0.6%	nd	$54,820	$121,241
Construction	5.2%	5.6%	4.2%	$71,089	$68,362	$55,288
Manufacturing	4.5%	4.2%	8.9%	$87,519	$81,846	$75,242
Durable	*57.3%*	*53.0%*	*62.6%*	*nd*	*$87,276*	*$76,882*
Nondurable	*42.7%*	*47.0%*	*37.4%*	*nd*	*$75,601*	*$72,564*
Transportation/Utilities	3.4%	3.1%	3.7%	nd	$62,118	$63,045
Wholesale Trade	4.0%	3.4%	4.2%	$83,387	$80,357	$77,359
Retail Trade	10.5%	11.1%	11.1%	$33,029	$32,897	$31,495
Information	1.3%	1.5%	2.0%	$77,701	$136,687	$93,099
Financial Activities	5.6%	5.6%	5.8%	$46,621	$44,177	$47,540
Prof. and Bus. Services	15.8%	15.9%	13.4%	$66,609	$68,637	$61,311
Educ. and Health Services	18.7%	16.1%	15.4%	$55,684	$52,718	$50,524
Leisure and Hosp. Services	9.2%	9.5%	10.3%	$25,061	$24,233	$23,812
Other Services	4.1%	4.4%	4.0%	$41,142	$36,821	$33,224
Government	17.6%	19.6%	16.3%	$88,615	$91,919	$70,342

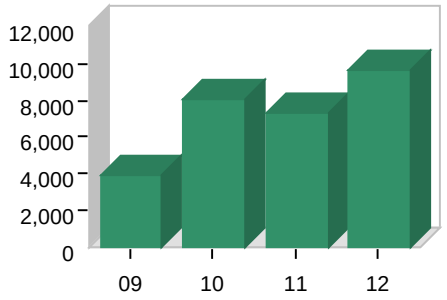
Sources: Percent of total employment — Moody's Analytics & BLS, 2012; Average annual earnings — BEA, 2011

MIGRATION FLOWS

INTO BALTIMORE, MD	NUMBER OF MIGRANTS
Washington, DC	12,888
Bethesda, MD	5,844
New York, NY	1,961
York, PA	1,561
Wilmington, DE	1,291
Philadelphia, PA	1,227
Edison, NJ	1,190
Atlanta, GA	828
Virginia Beach, VA	762
Chicago, IL	559
Total In-migration	*67,477*

FROM BALTIMORE, MD	
Washington, DC	11,370
Bethesda, MD	5,566
York, PA	2,832
New York, NY	1,650
Wilmington, DE	1,480
Philadelphia, PA	1,111
Atlanta, GA	765
Virginia Beach, VA	652
Tampa, FL	646
Hagerstown, MD	625
Total Out-migration	*67,328*
Net Migration	**149**

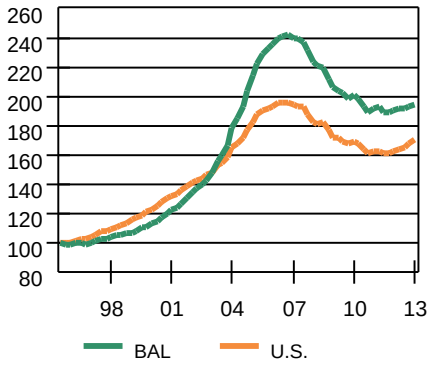
NET MIGRATION, BAL



	2009	2010	2011	2012
Domestic	-2,781	-3,443	-393	830
Foreign	6,667	11,462	7,742	8,852
Total	3,886	8,018	7,349	9,682

Sources: IRS (top), 2010; Census Bureau, 2012

HOUSE PRICES



Source: FHFA, 1996Q1=100, NSA

MOODY'S RATING

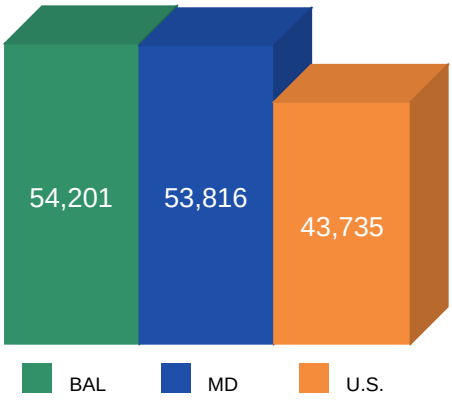
Aaa	COUNTY AS OF JAN 24, 2014

LEADING INDUSTRIES

NAICS	INDUSTRY	EMPLOYEES (000)
GVSL	State & Local Government	179.5
7225	Restaurants and other eating places	81.1
6221	General medical and surgical hospitals	66.0
GVF	Federal Government	53.0
5415	Computer systems design and related services	31.6
5613	Employment services	29.0
6113	Colleges, universities, and professional schools	27.7
ML	Military Personnel	26.9
4451	Grocery stores	26.0
2382	Building equipment contractors	24.3
6211	Offices of physicians	23.6
5617	Services to buildings and dwellings	20.7
5413	Architectural, engineering, and related services	20.5
4521	Department stores	20.2
6231	Nursing care facilities (skilled nursing facilities)	15.3
	High-tech employment	80.3
	As % of total employment	5.9

Sources: BLS, Moody's Analytics, 2012

PER CAPITA INCOME



Source: Bureau of Economic Analysis, 2012

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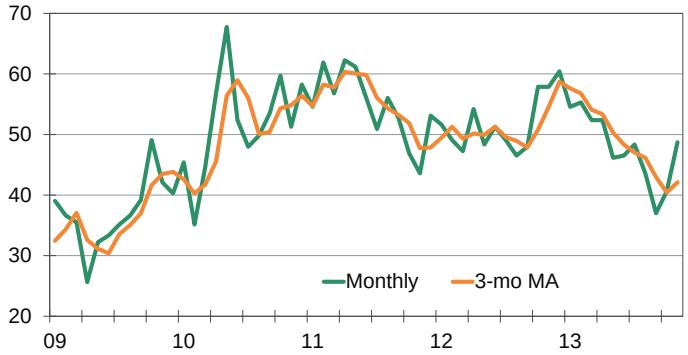
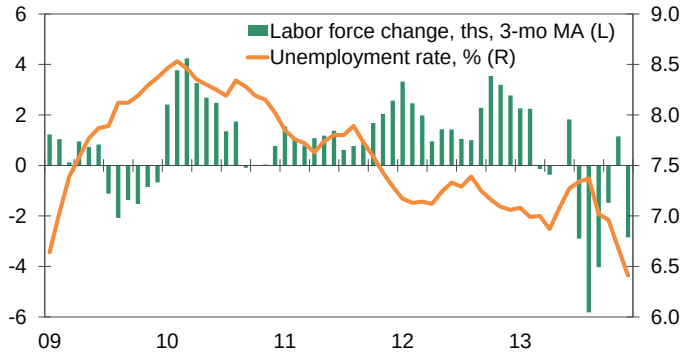
Uncertainty, Budget Cuts Dampen Hiring…

3-mo employment diffusion index, 3-digit NAICS



Sources: BLS, Moody's Analytics

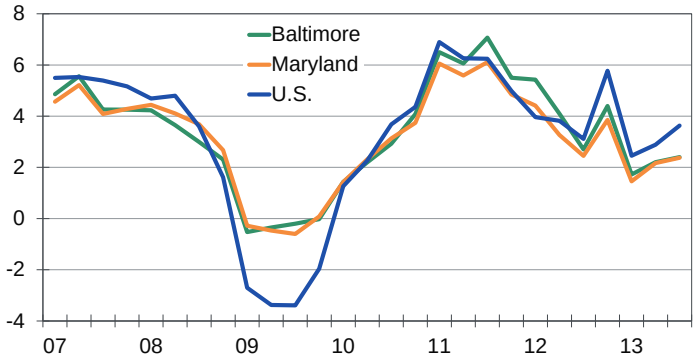
…And Deter Some Job Seekers



Sources: BLS, Moody's Analytics

Labor Market Slack Weighs on Wages…

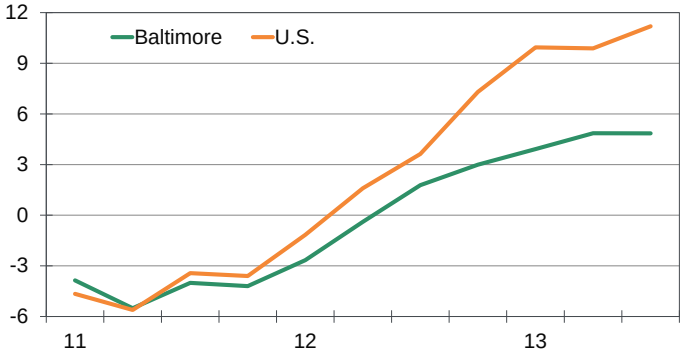
Personal income, % change yr ago



Sources: BEA, Moody's Analytics

…And House Prices

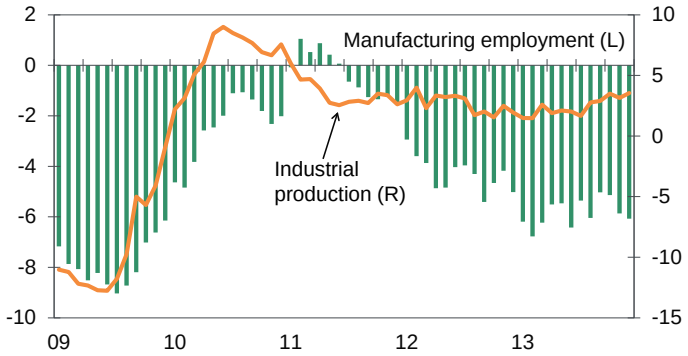
Case-Shiller® Home Price Index, % change yr ago



Sources: CoreLogic, Moody's Analytics

Gains in Production Not Turning Into Jobs

% change yr ago

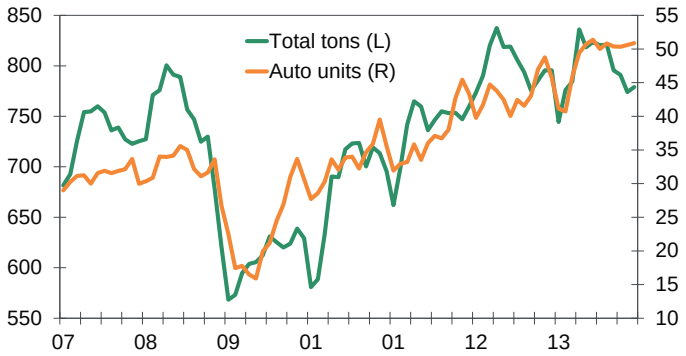


Sources: BLS, Moody's Analytics

The secular decline in manufacturing employment has not moderated, as BAL manufacturers move overseas or to other parts of the U.S. Most recently, Sun Products, which produces household goods, laid off 300 in Southeast Baltimore when it shifted operations to Kentucky. High costs are mostly to blame: Maryland has the ninth highest business costs in the nation, and tax and transportation costs have increased in BAL over the past year. Plant closures and layoffs have limited industrial production growth.

Labor Disputes Affect Nonauto Port Cargo

General cargo, MPA public terminals, 3-mo MA



Sources: Maryland Port Administration, Moody's Analytics

Port of Baltimore longshoremen violated their contract by going on strike in October, halting container traffic at the port for three days. A federal arbitrator ordered the local longshoremen's union to pay $4 million in damages, but that estimate of loss ignores downstream businesses such as trucking. The dispute remains unresolved and may hinder near-term trade and limit the port's capacity to win contracts. The timing is bad, as trade should get a lift from Europe and the widening of the Panama Canal.

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Economic & Consumer Credit Analytics

Moody's Analytics helps capital markets and credit risk management professionals worldwide respond to an evolving marketplace with confidence. Through its team of economists, Moody's Analytics is a leading independent provider of data, analysis, modeling and forecasts on national and regional economies, financial markets, and credit risk.

Moody's Analytics tracks and analyzes trends in consumer credit and spending, output and income, mortgage activity, population, central bank behavior, and prices. Our customized models, concise and timely reports, and one of the largest assembled financial, economic and demographic databases support firms and policymakers in strategic planning, product and sales forecasting, credit risk and sensitivity management, and investment research. Our customers include multinational corporations, governments at all levels, central banks and financial regulators, retailers, mutual funds, financial institutions, utilities, residential and commercial real estate firms, insurance companies, and professional investors.

Our web periodicals and special publications cover every U.S. state and metropolitan area; countries throughout Europe, Asia and the Americas; the world's major cities; and the U.S. housing market and other industries. From our offices in the U.S., the United Kingdom, the Czech Republic and Australia, we provide up-to-the-minute reporting and analysis on the world's major economies.

Moody's Analytics added Economy.com to its portfolio in 2005. Now called Economic & Consumer Credit Analytics, this arm is based in West Chester PA, a suburb of Philadelphia, with offices in London, Prague and Sydney. More information is available at www.economy.com.

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ADDENDUM I

Client Contract Information

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VALUATION & ADVISORY SERVICES

CBRE

CBRE, Inc.
3280 Peachtree Road, Suite 1400
Atlanta, GA 30305

February 14, 2014

Ronald A. Neyhart, MAI
Senior Managing Director

Matthew Anzideo
Senior Vice President
RAIT Financial Trust
Cira Centre
2929 Arch Street
17th Floor
215-243-9040
manzideo@raitft.com

RE: Assignment Agreement

The Varsity at University of Baltimore
Baltimore, MD

Dear Mr. Anzideo:

We are pleased to submit this proposal and our Terms and Conditions for this assignment.

PROPOSAL SPECIFICATIONS

Purpose:	To estimate the Market Value and insurable value of the referenced real estate
Premise:	As Is, as stabilized
Rights Appraised:	Leased Fee
Intended Use:	Internal Decision Making purposes
Intended User:	The intended user is RAIT. The report will be addressed to RAIT Partnership, L.P. its successors and/or assigns
Inspection:	CBRE will conduct a physical inspection of both the interior and exterior of the subject property, as well as its surrounding environs on the effective date of appraisal.
Valuation Approaches:	All applicable approaches to value will be considered and utilized.
Report Type:	Self-Contained
Appraisal Standards:	USPAP, FIRREA
Appraisal Fee:	$6,500
Expenses:	Fee includes all associated expenses

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Retainer:	A retainer is not required for this assignment
Payment Terms:	Final payment is due and payable upon delivery of the final report or within thirty (30) days of your receipt of the initial report, whichever is sooner. The fee is considered earned upon delivery of the initial report. We will invoice you for the assignment in its entirety at the completion of the assignment.
Delivery Instructions:	An Adobe PDF file via email will be delivered via email
Delivery Schedule:	
Preliminary Value:	NA
Draft Report:	NA
Final Report:	3 weeks
Acceptance Date:	These specifications are subject to modification if this proposal is not accepted within 1 business days from the date of this letter.

TERMS AND CONDITIONS

Reliance:

This report is addressed to RAIT Partnership, L.P. (RAIT), such other persons as may be designated by RAIT and their respective successors and assigns. Special Conditions include (i) the Report may be relied upon by RAIT in determining whether to make a loan evidenced by a note ("the Property Note") secured by the Subject Property, (ii) the Report may be relied upon by any purchaser in determining whether to purchase the Property Note from RAIT and any rating agency rating securities issued by or representing an interest in the Mortgage Note, (iii) the Report may be referred to in and included with materials offering for sale the Property Note or an interest in the Property Note, (iv) persons who acquire the Property Note or an interest in the Property Note may rely on the Report, (v) the Report speaks only as of its date in the absence of a specific written update of the Report.

This report is for the use and benefit of, and may be relied upon by, RAIT and any of their respective affiliates, agents and advisors, the initial and subsequent holders from time to time of any debt (or any portion thereof) and/or debt securities secured, directly and indirectly, by the property which is the subject of this report, by any participation interest in any such debt (or any portion thereof), and indenture trustee, servicer or other agent acting on behalf of such holders of such debt (or any portion thereof) and/or debt securities; any rating agencies; and the institutional provider(s) from time to time of any liquidity facility or credit support for such financings, and their respective successors and assigns.

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In addition, this report or a reference to this report, may be included or quoted in any offering circular, registration statement, private placement memorandum, prospectus or sales brochure (in either electronic or hard copy format) in connection with a securitization or transaction involving such debt (or any portion thereof) and or debt securities.

The attached Terms and Conditions and Specific Property Data Request are deemed a part of this agreement as though set forth in full herein.

We appreciate this opportunity to be of service to you on this assignment. If you have additional questions, please contact us.

Sincerely,

CBRE, Inc.
Valuation & Advisory Services

Ronald A. Neyhart, MAI
Senior Managing Director
As Agent for CBRE, Inc.
GA 490
T 404 812 5020
F 404 812 5051
ron.neyhart@cbre.com

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AGREED AND ACCEPTED

FOR RAIT

:

Signature	2/18/14 Date
Matthew Anzideo Name	SVP Title
2152439070 Phone Number	Fax Number
manzideo@raitft.com E-Mail Address	

CBRE

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TERMS AND CONDITIONS

1. These Terms and Conditions, between CBRE, Inc.-Appraisal Services (Appraiser) and the Client for whom the referenced appraisal service will be performed, shall be deemed a part of such Agreement as though set forth in full therein. The Agreement shall be governed by the laws of the state of the CBRE, Inc. office shown on the Agreement.
2. Client is defined as the party signing the Agreement and shall be responsible for payment of the fees stipulated in the Agreement. Payment of the appraisal fee is not contingent upon any predetermined value or on an action or event resulting from the analyses, opinions, conclusions, or use of the appraisal report.
3. Final payment is due and payable upon delivery of the final report or within thirty (30) days of your receipt of our draft report, whichever is sooner. If a draft report is requested, the fee is considered earned upon delivery of our draft report.
4. If we are requested to give court testimony, an additional fee will be charged on an hourly basis at our then-prevailing hourly rate. The hourly billings pertain to court preparation, waiting and travel time, document review and preparation (excludes appraisal report) and all meetings related to court testimony.
5. In the event Client requests additional services beyond the purpose stated in the Agreement, Client agrees to pay an additional charge for such services, plus reimbursement of expenses, whether or not the completed report has been delivered to Client at the time of the request.
6. It is understood that the Client has the right to cancel this assignment at any time prior to delivery of the completed report. In such event, the Client is obligated only for the pro rated share of the fee based upon the work completed and expenses incurred, with a minimum charge of $500.
7. Appraiser shall have the right to terminate this Agreement at any time for cause effective immediately by written notice to Client upon the occurrence of the fraud or willful misconduct of Client, its employees or agents.
8. In the event Client fails to make payments when due and payable, then from the date due and payable until paid the amount due and payable, shall bear interest at the maximum rate permitted in the state in which the office of Appraiser executing the Agreement is located. If Appraiser is required to institute legal action against Client relating to the Agreement, Appraiser shall be entitled to recover reasonable attorney's fees and costs from Client.
9. Appraiser assumes that there are no major or significant items that would require the expertise of a professional building contractor or engineer. If such items need to be considered in Appraiser's studies, such services are to be provided by others at a cost which is not a part of the fee proposal.
10. In the event of any dispute between Client and Appraiser relating to this Agreement, or Appraiser's or Client's performance hereunder, Appraiser and Client agree that such dispute shall be resolved by means of binding arbitration in accordance with the commercial arbitration rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrator(s) may be entered in any court of competent jurisdiction. Depositions may be taken and other discovery obtained during such arbitration proceedings to the same extent as authorized in civil judicial proceedings in the state where the office of Appraiser executing this Agreement is located. The arbitrator(s) shall be limited to awarding compensatory damages and shall have no authority to award punitive, exemplary or similar type damages. The prevailing party in the arbitration proceeding shall be entitled to recover from the losing party its expenses, including the costs of arbitration proceeding, and reasonable attorney's fees.
11. Client acknowledges that Appraiser is being retained hereunder as an independent contractor to perform the services described herein and nothing in this Agreement shall be deemed to create any other relationship between Client and Appraiser. This assignment shall be deemed concluded and the services hereunder completed upon delivery to Client of the appraisal report discussed herein.
12. All statements of fact in the report which are used as the basis of the Appraiser's analyses, opinions, and conclusions will be true and correct to the best of the Appraiser's knowledge and belief. Appraiser does not make any representation or warranty, express or implied, as to the accuracy or completeness of the information or the state of affairs of the Property furnished to Appraiser by Client.
13. Appraiser shall have no responsibility for legal matters, questions of survey or title, soil or subsoil conditions, engineering, or other similar technical matters. The report will not constitute a survey of the property analyzed.

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14. Client shall provide Appraiser with such materials with respect to the Assignment as are requested by Appraiser and in the possession or under the control of Client. Client shall provide Appraiser with sufficient access to the real property to be analyzed and hereby grants permission for entry, unless discussed in advance to the contrary.

15. The data gathered in the course of the Assignment (except data furnished by Client) and the report prepared pursuant to the Agreement are, and will remain, the property of Appraiser. With respect to data provided by Client, Appraiser shall not violate the confidential nature of the appraiser-client relationship by improperly disclosing any confidential information furnished to Appraiser. Notwithstanding the foregoing, Appraiser is authorized by Client to disclose all or any portion of the report and the related data to appropriate representatives of the Appraisal Institute if such disclosure is required to enable Appraiser to comply with the Bylaws and Regulations of such Institute as now or hereafter in effect.

16. Unless specifically noted in the appraisal, we will not be taking into consideration the possibility of the existence of asbestos, PCB transformers, or other toxic, hazardous, or contaminated substances and/or underground storage tanks (hazardous material), or the cost of encapsulation or removal thereof. Further, Appraiser understands that there is no major or significant deferred maintenance in the property which would require the expertise of a professional cost estimator or contractor. If such repairs are needed, the estimates are to be prepared by others, and are not a part of this fee proposal.

17. Client shall indemnify and hold Appraiser fully harmless against any loss, damages, claims, or expenses of any kind whatsoever (including costs and reasonable attorneys' fees), sustained or incurred by a third party as a result of the negligence or intentional acts or omissions of Client (including any failure to perform any duty imposed by law), and for which recovery is sought against Appraiser by that third party; however, such obligation to defend and indemnify shall not apply if the claim or cause of action is based upon or arises in any way out of an act, failure to act or representation of Appraiser. Client shall indemnify and hold Appraiser harmless from any claims, expenses, judgments or other items or costs arising as a result of the Client's failure or the failure of any of the Client's agents to provide a complete copy of the appraisal report to any third party.

18. LIMITATION OF LIABILITY. EXCEPT FOR THE HOLD HARMLESS PROVISION ABOVE, ANYTHING IN THE AGREEMENT TO THE CONTRARY NOTWITHSTANDING, UNDER NO CIRCUMSTANCES WHATSOEVER SHALL EITHER PARTY BE LIABLE TO THE OTHER FOR ANY SPECIAL, CONSEQUENTIAL, PUNITIVE, OR INCIDENTAL DAMAGES OF ANY KIND WHATSOEVER. EXCEPT FOR THE HOLD HARMLESS PROVISION ABOVE, IN NO EVENT WHATSOEVER SHALL EITHER PARTY'S TOTAL LIABILITY TO THE OTHER FOR DIRECT DAMAGES UNDER THE AGREEMENT OR ANY OTHER DAMAGES WHATSOEVER EXCEED IN THE AGGREGATE THE SUM OF Ten Thousand Dollars ($10,000)

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SPECIFIC PROPERTY DATA REQUEST

In order to complete this assignment under the terms outlined, CBRE, Inc., Valuation & Advisory Services, will require the following specific information for the property:

1. Current title report and title holder name
2. Legal description
3. Survey and/or plat map
4. Site plan for the existing development
5. Building plans and specifications, including square footage for all buildings and units
6. Current county property tax assessment or tax bill
7. Details on any sale, contract, or listing of the property within the past three years
8. Engineering studies, soil tests or environmental assessments
9. Ground lease, if applicable
10. Details regarding the development costs, including land cost, if developed within the past three years
11. Three-year and YTD property income and expenses
12. Current year property income and expense budget
13. Detailed occupancy report for the past three years and current YTD
14. Detailed current rent roll indicating any vacant units
15. Details regarding any pending changes to the rent roll, including deposits for future occupancies
16. Details regarding any concessions currently being offered or provided for all leases pending or signed over the prior 12 months
17. Details regarding all personal property, including furniture, fixtures, and equipment
18. Details regarding the historical and future replacement schedule (i.e., carpets, appliances, cabinetry, laundry facilities, HVAC, etc.)
19. Details regarding capital expenditures made within the last 12 months, or scheduled for the next 12 months
20. Marketing plan and/or local competitive study, if available
21. Any previous market/demand studies or appraisals
22. Name and telephone number of property contact for physical inspection and additional information needed during the appraisal process
23. Any other information that might be helpful in valuing this property

If any of the requested data and information is not available, CBRE, Inc., reserves the right to extend the delivery date by the amount of time it takes to receive the requested information or make other arrangements. Please have the requested information delivered to the following:

Ronald A. Neyhart, MAI
Senior Managing Director
CBRE, Inc.
Valuation & Advisory Services
3280 Peachtree Road, Suite 1100
Atlanta, GA 30305

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ADDENDUM J

Qualifications

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ELIZABETH WOODMAN THOMAS, MAI, MRICS
Director

CBRE, Inc.
Valuation & Advisory Services
1861 International Drive, Suite 300
McLean, Virginia 22102
Voice (703) 734-4792
Fax (703) 734-3012
E-Mail: Elizabeth.Thomas@cbre.com

EDUCATIONAL

Bachelor of Arts, Wellesley College, Wellesley, Massachusetts
Master of Public Policy, University of Michigan, Ann Arbor, Michigan

PROFESSIONAL

Member, Appraisal Institute (MAI), Current on Continuing Education
Member, Royal Institute of Chartered Surveyors (MRICS)
Appraisal Institute Service - General Demonstration Report Grading Panel
Member, CBRE, Inc. International Valuation Team

LICENSES/CERTIFICATIONS

Certified General Real Estate Appraiser, Comm. of Virginia (4001-005140, expiration 3/14)
Certified General Real Estate Appraiser, State of Maryland (11053, expiration 4/15)
Certified General Real Estate Appraiser, State of West Virginia (CG468, expiration 9/14)
General Appraiser – District of Columbia (GA10488, expiration 2/14)

EXPERIENCE

Over 15 years of real estate appraisal and consulting experience throughout the United States specializing in the Washington DC and Baltimore metropolitan areas.

1996 - Present	CBRE, Inc., Valuation & Advisory Services	Washington, D.C.
1995 - 1996	Delta Associates, Inc.	Washington, D.C.

Assignments span a wide variety of commercial property types, including land, suburban and downtown office buildings, retail centers, regional malls, warehouse and flex industrial buildings, self-storage facilities, mobile home parks and apartments.

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Martin O'Malley
Governor

Anthony G. Brown
Lt. Governor

Alexander M. Sanchez
Secretary

LICENSE, REGISTRATION, OR CERTIFICATION

State of Maryland

DEPARTMENT OF LABOR, LICENSING AND REGULATION

COMMISSION OF RE APPRAISERS & HOME INSPECTORS

CERTIFIES THAT

ELIZABETH WOODMAN THOMAS

VOID

IS AN AUTHORIZED CERTIFIED GENERAL

LIC. REG. CERT. NO.	EXPIRATION DATE	EFFECTIVE DATE	CATEGORY
11053	04-21-2015	04-17-2012	04

4255902

SIGNATURE OF BEARER

WHERE REQUIRED BY LAW THIS MUST BE CONSPICUOUSLY DISPLAYED IN OFFICE TO WHICH IT APPLIES

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PHILIP A. MOTTOLA
Senior Appraiser

CBRE, INC.
Valuation and Advisory Services
1861 International Drive, Suite 300
McLean, Virginia 22102
703-734-4715
E-Mail phil.mottola@cbre.com

EDUCATIONAL

Masters in Business Administration, George Washington University, Washington DC
BS Electrical Engineering, Georgia Institute of Technology, Atlanta, GA

Appraisal Education & Training

Advanced Concepts and Case Studies (Appraisal Institute)
Advanced Income Capitalization (Appraisal Institute)
Advanced Sales Comparison and Cost Approaches (Appraisal Institute)
General Market Analysis and Highest & Best Use (Appraisal Institute)
Report Writing and Valuation Analysis (Appraisal Institute)
Supporting Capitalization Rates (Appraisal Institute)
Basic Income Capitalization (Appraisal Institute)
Basic Appraisal Procedures (Appraisal Institute)
Basic Appraisal Principles (Appraisal Institute)
Business Practices and Ethics (Appraisal Institute)
15-hour USPAP

PROFESSIONAL

Candidate for Designation, Appraisal Institute #479662

LICENSES/CERTIFICATIONS

Certified General Real Estate Appraiser: Commonwealth of Virginia (4001-014158, exp 7/31/2015)
Certified General Real Estate Appraiser: District of Columbia (GA 11575, exp. 2/28/2016)
Certified General Real Estate Appraiser: State of Maryland (31822, exp. 8/21/2016)
Certified General Real Estate Appraiser: State of West Virginia (GCG449, exp. 9/30/2014)

EXPERIENCE

Assignments include multi-family properties, industrial properties, retail centers, office properties, and land. Clients include developers, individuals, and corporate property owners.

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STATE OF MARYLAND

DEPARTMENT OF LABOR, LICENSING AND REGULATION

Martin O'Malley
Governor

Anthony G. Brown
Lt. Governor

Leonard J. Howie, III
Secretary

COMMISSION OF RE APPRAISERS & HOME INSPECTORS
CERTIFIES THAT:

PHILIP A MOTTOLA

IS AN AUTHORIZED: 04- CERTIFIED GENERAL

LIC/REG/CERT	EXPIRATION	EFFECTIVE	CONTROL NO
31822	08-21-2016	08-21-2013	4443276

Signature of Bearer

Secretary DLLR

WHERE REQUIRED BY LAW THIS MUST BE CONSPICUOUSLY DISPLAYED IN OFFICE TO WHICH IT APPLIES

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