CLASS A APARTMENT MARKET ANALYSIS
SAINT CHARLES, KANE COUNTY, ILLINOIS

Prepared For:	Executive Capital c/o Mr. Jeff Ratzer Vice President Big Rock Executive Center 47W210 Route 30 Big Rock, IL 60511
Prepared By:	Joseph J. Blake and Associates, Inc. 10 South LaSalle Street, Suite 1140 Chicago, Illinois 60603
Date of Appraisal:	February 25, 2017

March 20, 2017

Executive Capital
c/o Mr. Jeff Ratzer
Vice President
Big Rock Executive Center
47W210 Route 30
Big Rock, IL 60511

Re: Apartment Market Analysis
Saint Charles, Kane County, IL

Dear Mr. Ratzer:

At your request, we have prepared a preliminary market analysis to evaluate the potential demand for Class A apartments in St. Charles, IL.

The analysis centers around a proposed apartment development site zoned BR-Regional Business and part of PUD 47 (see Extraordinary Assumptions). It consists of 20.48 acres of vacant land. The property is along Bricher Road on the south. It is just west of Randall Road and one-half mile west of Randall Road and Lincoln Highway. The land which is under purchase contract, is a part of a larger, 32-acre property that will be replatted. The property sale and price are contingent on the property being rezoned to RM3 to allow for a proposed 250+ unit Class A apartment property.

The subject does not have existing improvements in place and is currently farmland. The proposed improvements, to be known as Prairie Winds, will consist of 250 apartment units. There will be 50 1BR/1BA units, 150 2BR/2BA units and 50 3BR/2BA units. The 1BR units will be 875 SF, the 2BR units will be 1,072 SF to 1,362 SF and the 3BR units will be 1,559 SF. The proposed rental rate for the 1BR units is projected to be $1,350 to $1,450, increasing to $1,750 to $1,850 for the 2BR units and $2,100 to $2,200 for the 3BR units. No utilities are included in the proposed rental rates.

Each of the units will include a 1 or 2 car direct access garage. They will have a stainless steel appliance package, including a double door refrigerator with icemaker, front load washer and dryer as well as granite counters in the bathroom and kitchen with a marble shower surround. The units will include fireplaces and a patio/balcony. The property will include an 8,000 SF clubhouse with a commercial quality fitness center, indoor pool, internet café with juice bar, game room, meeting room, outdoor pool with outside kitchen, fire pit, hot tub, walking trail, playground and dog park. Construction is projected to commence in June 2017 and be completed by September 2018.

We have performed our services and prepared this report in accordance with applicable, generally accepted appraisal practices including the uniform standards of professional appraisal practice as well as the ethics and standards of the professional practice of the appraisal institute we invite your attention to the ensuing market analysis. We make no other warranties, either expressed or implied, as to the character and nature of such services and product.

We invite your attention to the ensuing consulting report. If you have any questions about this consulting report, please contact us at your earliest convenience.

Respectfully submitted,

JOSEPH J. BLAKE AND ASSOCIATES, INC.

Michael J. Maglocci, MAI
Managing Partner
Illinois Certified General Real Estate Appraiser No. 553.000119; Expires 09/30/17

Jaime M. Scheetz
Senior Appraiser
Illinois Certified General Real Estate Appraiser No. 553.002450; Expires 09/30/17

CERTIFICATION

I, Jaime M. Scheetz, certify that:

-- I have made a personal inspection of the property that is the subject of this report.

I, Michael J. Maglocci, MAI, certify that:

-- I have not made a personal inspection of the property that is the subject of this report.

We, Jaime M. Scheetz and Michael J. Maglocci, MAI, certify that to the best of our knowledge and belief:

-- the statements of fact contained in this report are true and correct.

-- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, conclusions, and recommendations.

-- we have no (or the specified) present or prospective interest in the property that is the subject of this report, and we have no (or the specified) personal interest with respect to the parties involved.

-- we have no bias with respect to any property that is the subject of this report or to the parties involved with this assignment.

-- our engagement in this assignment was not contingent upon developing or reporting predetermined results.

-- our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal consulting assignment.

-- we have performed an appraisal of the subject site but have not performed a previous appraisal consulting assignment or service involving the subject within the three years prior to this assignment.

-- the reported analyses, opinions, and conclusions were developed, and this report bas been prepared, in conformity with the requirements of the *Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute.*

-- the reported analyses, opinions, and conclusions were developed, and this report bas been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice.*

-- the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

-- as of this date, Michael J. Maglocci has completed the continuing education program of the Appraisal Institute.

JOSEPH J. BLAKE AND ASSOCIATES, INC.

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Managing Partner
Illinois Certified General Real Estate Appraiser No. 553.000119; Expires 09/30/17

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The Consulting Report is subject to underlying assumptions and limiting conditions qualifying the information contained in the Analysis as follows:

The consulting analysis applies only to the property specifically identified and described in the Analysis.

No responsibility beyond reasonableness is assumed for matters of a legal nature, whether existing or pending.

Disclosure of the contents of the Consulting Report will be governed by the By-Laws and Regulations of the Appraisal Institute and the Uniform Standards of the Appraisal Foundation.

The Consultants are not engineers, and any references to physical property characteristics in terms of quality, condition, cost, suitability, soil conditions, flood risk, obsolescence, etc., will be strictly related to their economic impact on the property. No liability is assumed for any engineering-related issues.

Unless otherwise stated in the analysis, the existence of hazardous material, which may or may not be present on the property, will not be observed by the Consultant. The Consultant has no knowledge of the existence of such materials on or in the property. The Consultant, however, is not qualified to detect such substances. The presence of substances, such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the consulting conclusion. 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.

Possession of the analysis or a copy thereof does not imply right of publication, nor use for any purpose by any other than the person to whom it is addressed, without the written consent of the authors.

The liability of Joseph J. Blake and Associates, Inc. employees is limited to the client only and only up to the amount of the fee actually received for the assignment. No third parties (other than Executive Capital) may rely upon the analysis for any purpose whatsoever, including the provision of financing for the acquisition or improvement of the subject property without prior written consent of Joseph J. Blake and Associates, Inc. The Consulting Report is prepared specifically for our client, to whom the analysis is addressed. Third parties, who desire us to prepare an analysis of the subject properties for their use, should contact Joseph J. Blake and Associates, Inc. at 10 South LaSalle Street, Suite 1140, Chicago, Illinois 60603.

The Americans with Disabilities Act (“ADA”) became effective January 26, 1992. We have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements for the ADA, could reveal that the property is not in compliance with one or more of the requirements of the act. If so, this fact could have a negative effect upon the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible non-compliance with the requirements of ADA.

Extraordinary Assumptions

We assume all information obtained from the client, Kane County, the village of St. Charles and other outside sources such as ESRI is accurate and reliable.

SITE PLAN

EXECUTIVE CAPITAL- PRAIRIE WINDS						2016518
SITE METRIC / UNIT TABULATION						2/5/17
UNIT NAME	UNIT TYPE	RENTABLE AREA (NET)	UNIT COUNT	PERCENT	TOTAL RENTABLE AREA	OVERALL UNIT MIX
A2	1BR/1BA	865	50	20.0%	43,250	20.0%
B1U	2BR/2BA	1,072	25	10.0%	26,800	60.0%
B1L	2BR/2BA	1,137	25	10.0%	28,425	
B2U	2BR/2BA	1,267	50	20.0%	63,350	
B4L	2BR/2BA	1,362	25	10.0%	34,050	
B4U	2BR/2BA	1,362	25	10.0%	34,050	
C1L	3BR/2BA	1,559	25	10.0%	38,975	20.0%
C1U	3BR/2BA	1,559	25	10.0%	38,975	
TOTALS			250	100.0%	307,875	100.0%

* NET AREA IS COMPUTED TO INCLUDE SQUARE FOOTAGE FROM EXTERIOR FACE OF ALL EXTERIOR FRAME WALLS THAT ENCLOSE A/C SPACE.
IT DOES NOT INCLUDE PATIOS, BALCONIES, PATIO/BALCONY STORAGE

PROJECT DATA

TOTAL RENTABLE AREA:	307,875
TOTAL RESIDENTIAL GROSS AREA:	84,851
EFFICIENCY:	362.8%
UNIT AVERAGE NET SF :	1,231.50 S.F.
SITE ACREAGE:	20.5 ACRES
DENSITY:	(12.20) UNITS/ACRE
PARKING:	
PROVIDED	517 TOTAL SPACES
	300 GARAGE SPACES
	85 SURFACE SPACES
	132 DRIVEWAY PK SPACES
	4 ACCESSIBLE SPACES
	2.07 SPACES/UNIT

PRARIE WINDS DEVELOPMENT
EXECUTIVE CAPITAL
HPA. TBD

ST. CHARLES, IL

PRAIRIE WINDS SITE PLAN

02.22.2017

HUMPHREYS & PARTNERS URBAN ARCHITECTURE, L.P.
DALLAS•NEW YORK•CHICAGO•NEW ORLEANS•ORLANDO•EDMONTON•SAN RAMON
NEWPORT BEACH•SCOTTSDALE•TORONTO•CHENNAI•DUBAI•HANOI•MONTEVIDEO

RENDERINGS OF THE SUBJECT

PURPOSE, CLIENT, INTENDED USER AND USE OF THE APPRAISAL

The purpose of this preliminary market study is to ascertain the potential demand for Class A apartments in the market area surrounding the proposed subject development site on Bricher Rd., in St. Charles, IL. It is not intended as a financial feasibility analysis or market value appraisal. The intended use of this appraisal report is to assist the client and sole intended user, Executive Capital, with preliminary development decisions regarding the subject site.

EFFECTIVE DATE OF EVALUATION /INSPECTION/ANALYSIS/REPORT

The market study with its analysis and conclusions is specifically applicable to the effective date of evaluation: February 25, 2017. The date of the analysis is February 25, 2017. The subject site was last inspected February 25, 2017. The date of this report is March 20, 2017.

THE SCOPE OF WORK

Client and Intended User:	Executive Capital
Use of the Consulting Report:	This report is prepared for exclusive use by the addressee for internal analysis and planning purposes.
Purpose of the Consulting Report:	Inspect the site and the proposed neighborhood, survey the competitive rental apartment developments and provide conclusions regarding the potential qualified demand for proposed Class A apartments in the primary and secondary market areas around the proposed subject.
Sources of Data/Extent of Research:	Inspection of the site, visual inspection of the immediate neighborhood, examination of ESRI demographic data, survey of competing rental buildings in the market and examination of in house new apartment absorption trends in suburban Chicago.

AREA ANALYSIS

The proposed development subject site is in Saint Charles, Kane County, IL. Due to its effect on the subject market, a description of the Chicago metropolitan area is provided. The Chicago-Naperville-Joliet, IL-IN-WI Metropolitan Statistical Area (MSA), the third largest MSA in the United States, is at the western foot of Lake Michigan.

The area analysis on the following pages is reprinted with permission from *Moody's* Economy.com.

MOODY'S ANALYTICS

CHICAGO-NAPERVILLE-ARLINGTON HEIGHTS IL

Data Buffet® MSA code: IUSA_DMCHI

ECONOMIC DRIVERS

FINANCIAL CENTER · LOGISTICS · TOURIST DESTINATION

EMPLOYMENT GROWTH RANK

2015-2017	2015-2020
251 4th quintile	260 4th quintile

Best=1, Worst=408

RELATIVE COSTS

LIVING	BUSINESS
98%	99%

U.S.=100%

VITALITY

RELATIVE	RANK
93%	224

U.S.=100% · Best=1, Worst=401

BUSINESS CYCLE STATUS

Expansion

» RECOVERY «

At Risk

Moderating Recession

In Recession

STRENGTHS & WEAKNESSES

STRENGTHS

- Major business, distribution, transportation and financial center.
- Huge talent pool; strong roster of well-regarded educational institutions.
- Budding high-tech center in River North neighborhood.

WEAKNESSES

- State and local budgetary pressures.
- Below-average population growth.
- High crime rate.

FORECAST RISKS

SHORT TERM ↓ · LONG TERM ↓

RISK EXPOSURE 2016-2021: 268 4th quintile (Highest=1, Lowest=407)

UPSIDE

- More firms seek headquarters downtown.
- Retail bounces back with even more gusto.
- Support from housing is greater.

DOWNSIDE

- City of Chicago's budget troubles worsen.
- Apartment glut develops.
- High crime rate deters would-be in-migrants.
- More convention business is siphoned off to other cities.

MOODY'S RATING

A2 COUNTY AS OF JUN 03, 2016

ANALYSIS

Recent Performance. The Chicago-Naperville-Arlington Heights economy is making some progress, but fiscal headwinds, manufacturing weakness and population losses are sapping its momentum. Job growth has softened markedly since midyear, and the performance gap with the nation has widened. Service industries are responsible for all net new jobs in the past six months, with professional/business services mounting a respectable rebound after stumbling earlier in the year. Comebacks are few and far between, but other bright spots exist. Although housing has not healed as much as it has elsewhere, single-family house price growth is on the upswing, according to the Case-Shiller index.

Visitors. Leisure/hospitality will contribute an outsize share of the projected rise in employment over the next several years. Tourism is helping: The summer season brought with it an influx of visitors to the city's hotels, restaurants, recreation facilities and entertainment venues. Leisure/hospitality is on track to create one-third of all net new jobs in the Windy City in 2016 and almost one in five next year.

Thanks in part to increasing passenger traffic, Chicago O'Hare Airport's construction program is in the midst of a resurgence. The city this year announced a new $1.3 billion investment at O'Hare, including a new international runway and other airfield projects. Major airlines have agreed to build up to nine new gates, and there are plans to revamp Terminal 2. Improved on-time performance and expanded capacity would buoy tourism and job growth in transportation. Given CHI's demographic challenges, this would be a welcome development.

Manufacturing. A meaningful pickup in factory payrolls is not in the cards for the Windy City. Fabricated metal and food processing, CHI's two largest manufacturing industries, have been stable this year, but machinery producers are struggling with weak business investment. The slide in machinery manufacturing payrolls has dragged CHI factory employment to a new low. Leading indicators merit cautious optimism that a turn in the inventory cycle will help keep losses in check in the near term. The private workweek has stopped declining and firms that provide temporary help have added to payrolls since March, both good signs for manufacturing. Longer term, however, factories will lose prominence as more producers automate processes, cut costs, and relocate outside the U.S.

Public finances. Repeated credit downgrades will harm the economic climate in the Midwest's largest metro area. Illinois remains mired in a budget impasse that has resulted in only a temporary spending plan to fund operations through December. The fiscal crisis is bearing down on the City of Chicago in particular, where shaky state and local finances threaten public sector payrolls, especially in education. Moody's Investors Service in September dropped the Chicago Public Schools further into junk and maintained a negative outlook. The downgrade reflects the district's reliance on expensive short-term borrowing and its deepening structural deficit. Over the next four years, Chicagoans will be hit with more than $755 million in tax and fee increases to pay into the city's underfunded pension systems. One silver lining is that the district averted a looming teacher strike after reaching a tentative four-year deal with union leaders.

Chicago-Naperville-Arlington Heights will carry the state's load, but the near-term forecast is more pessimistic. Job gains in private services will be minimal, with some added lift from construction. CHI is well-positioned for long-term success thanks to its talent pool, institutions and infrastructure, but poor fiscal conditions are a significant challenge.

Sarah Crane 1-866-275-3266
October 2016 help@economy.com

2010	2011	2012	2013	2014	2015	INDICATORS	2016	2017	2018	2019	2020	2021
397.0	403.2	412.5	411.4	416.8	427.8	Gross metro product (C09$ bil)	433.6	444.3	455.1	464.0	470.3	477.7
0.4	1.6	2.3	-0.3	1.3	2.6	% change	1.4	2.5	2.4	2.0	1.4	1.6
3,367.7	3,414.2	3,466.3	3,524.2	3,583.6	3,652.2	Total employment (ths)	3,701.9	3,744.5	3,785.9	3,827.4	3,851.2	3,859.7
-1.0	1.4	1.5	1.7	1.7	1.9	% change	1.4	1.2	1.1	1.1	0.6	0.2
10.6	10.1	9.4	9.3	7.2	5.9	Unemployment rate (%)	5.7	4.7	4.3	4.1	4.1	4.5
2.1	4.7	5.4	1.6	4.9	4.2	Personal income growth (%)	3.7	5.4	5.3	4.9	4.0	3.7
58.1	58.0	58.8	60.1	61.2	62.5	Median household income ($ ths)	65.7	68.1	70.6	73.0	75.1	77.1
7,270.9	7,295.4	7,319.2	7,339.9	7,347.3	7,340.5	Population (ths)	7,350.7	7,361.9	7,372.4	7,382.3	7,390.5	7,398.9
0.4	0.3	0.3	0.3	0.1	-0.1	% change	0.1	0.2	0.1	0.1	0.1	0.1
-17.8	-19.3	-19.3	-16.8	-31.4	-39.4	Net migration (ths)	-28.0	-27.2	-28.0	-28.7	-30.2	-29.8
2,169	2,427	3,120	4,090	4,435	4,467	Single-family permits (#)	3,906	7,376	11,098	12,743	11,838	11,710
2,369	2,855	3,127	3,782	6,879	7,129	Multifamily permits (#)	7,882	7,303	9,368	9,815	9,036	9,201
162.8	152.4	148.1	150.6	158.4	165.7	FHFA house price (1995Q1=100)	171.9	179.7	185.5	189.1	193.8	199.9

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PRÉCIS® U.S. METRO MIDWEST » Chicago-Naperville-Arlington Heights IL

ECONOMIC HEALTH CHECK

3-MO MA

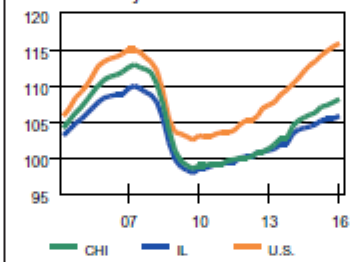
	Apr 16	May 16	Jun 16	Jul 16	Aug 16	Sep 16
Employment, change, ths	7.4	6.8	4.2	2.3	1.0	1.6
Unemployment rate, %	6.3	6.3	6.2	5.9	5.6	5.4
Labor force participation rate, %	66.4	66.7	66.9	66.8	66.6	66.4
Employment-to-population ratio, %	62.3	62.5	62.7	62.8	62.8	62.8
Average weekly hours, #	34.1	34.4	34.4	34.4	34.3	34.4
Industrial production, 2007=100	102.2	102.0	102.3	102.6	102.7	102.8
Residential permits, single-family, #	4,485	4,357	4,195	4,176	4,583	4,700
Residential permits, multifamily, #	8,598	7,422	4,342	8,266	8,260	10,365

Better than prior 3-mo MA | Unchanged from prior 3-mo MA | Worse than prior 3-mo MA

Sources: BLS, Census Bureau, Moody's Analytics

BUSINESS CYCLE INDEX

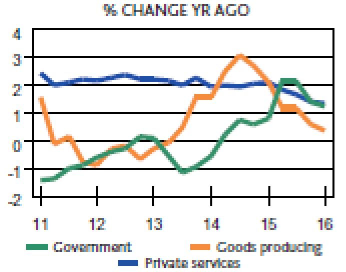
JAN 2002=100



Source: Moody's Analytics

CURRENT EMPLOYMENT TRENDS

% CHANGE YR AGO



Sources: BLS, Moody's Analytics

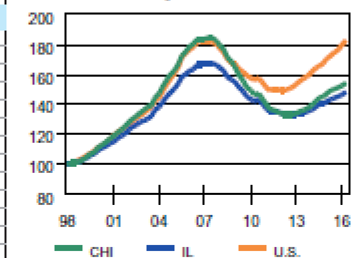
% CHANGE YR AGO, 3-MO MA

	Jan 16	May 16	Sep 16
Total	1.6	1.6	1.2
Mining	6.5	0.1	-2.8
Construction	4.2	3.3	4.4
Manufacturing	-0.3	-0.5	-1.3
Trade	0.9	1.0	0.1
Trans/Utilities	0.6	0.4	-0.2
Information	2.7	0.3	-1.3
Financial Activities	1.2	0.3	-1.0
Prof & Business Svcs.	0.1	1.5	1.8
Edu & Health Svcs.	2.4	2.0	1.2
Leisure & Hospitality	5.1	4.8	4.6
Other Services	0.8	0.8	2.7
Government	2.2	1.7	1.2

Sources: BLS, Moody's Analytics

HOUSE PRICE

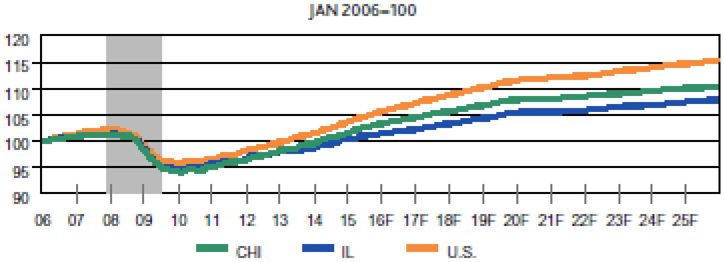
1998Q1=100, NSA



Sources: FHFA, Moody's Analytics

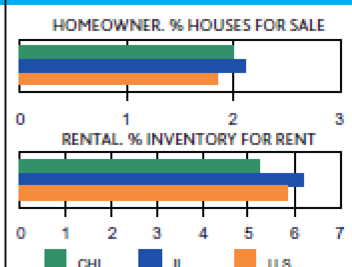
RELATIVE EMPLOYMENT PERFORMANCE

JAN 2006=100



Sources: BLS, Moody's Analytics

VACANCY RATES



Sources: Census Bureau, ACS, Moody's Analytics, 2015

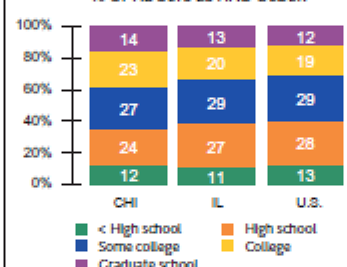
BUSINESS COSTS

U.S.=100

Source: Moody's Analytics

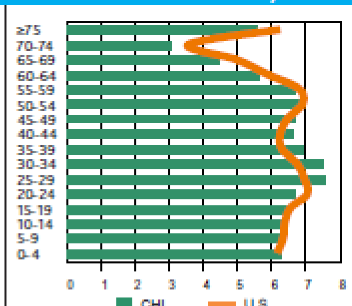
EDUCATIONAL ATTAINMENT

% OF ADULTS 25 AND OLDER



Sources: Census Bureau, Moody's Analytics, 2015

POPULATION BY AGE, %



Sources: Census Bureau, Moody's Analytics, 2015

PRÉCIS® U.S. METRO MIDWEST » Chicago-Naperville-Arlington Heights IL

EMPLOYMENT & INDUSTRY

TOP EMPLOYERS

Advocate Health Care System	18,556
University of Chicago	16,025
JPMorgan Chase & Co.	15,015
Northwestern Memorial Healthcare	14,550
Walgreen Co.	14,528
United Continental Holdings Inc.	14,000
AT&T	13,000
Presence Health	11,279
Chicago Transit Authority	11,031
University of Illinois	10,100
Abbott Laboratories	10,000
Jewel-Osco Stores	9,572
Northwestern University	9,265
Health Care Service Corp.	9,000
American Airlines	8,700
Rush University Medical Center	7,765
Allstate Insurance Co.	7,759
Wal-Mart Stores Inc.	7,620
Archdiocese of Chicago	7,376
Exelon Corp.	7,052

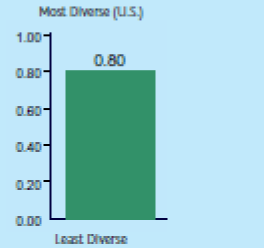
Source: Crain's Chicago, 2015

PUBLIC

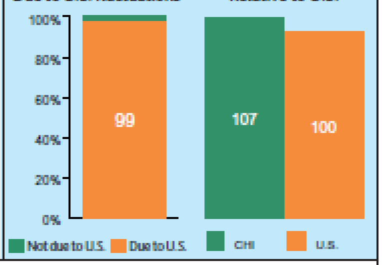
Federal	44,603
State	41,623
Local	335,452

2015

INDUSTRIAL DIVERSITY



EMPLOYMENT VOLATILITY



MIGRATION FLOWS

INTO CHICAGO IL

	Number of Migrants
Elgin IL	16,332
Lake County IL	13,469
Gary IN	6,089
New York NY	4,000
Los Angeles CA	2,112
Milwaukee WI	2,034
Phoenix AZ	2,011
Rockford IL	1,890
Minneapolis MN	1,731
Atlanta GA	1,625
Total in-migration	*136,797*

FROM CHICAGO IL

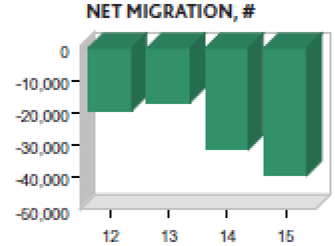
Elgin IL	20,218
Lake County IL	16,136
Gary IN	9,410
Austin TX	4,158
Phoenix AZ	4,156
New York NY	3,610
Houston TX	3,418
Los Angeles CA	3,338
Atlanta GA	3,325
Dallas TX	3,198
Total out-migration	*190,766*
Net migration	-53,969

COMPARATIVE EMPLOYMENT AND INCOME

Sector	% of Total Employment CHI	IL	U.S.	Average Annual Earnings CHI	IL	U.S.
Mining	0.0%	0.2%	0.5%	$63,215	$46,418	$120,418
Construction	3.4%	3.6%	4.5%	$79,015	$67,485	$61,574
Manufacturing	7.7%	9.8%	8.7%	$83,464	$88,212	$79,044
Durable	*57.8%*	*60.0%*	*63.0%*	*nd*	*$83,886*	*$80,519*
Nondurable	*42.2%*	*40.0%*	*37.0%*	*nd*	*$94,731*	*$76,577*
Transportation/Utilities	5.1%	4.8%	3.8%	$65,417	$69,232	$65,923
Wholesale Trade	5.3%	5.1%	4.1%	$99,229	$92,270	$82,045
Retail Trade	9.7%	10.3%	11.0%	$34,365	$33,679	$33,469
Information	2.0%	1.7%	1.9%	$106,131	$85,340	$107,082
Financial Activities	6.9%	6.4%	5.7%	$71,054	$58,799	$52,630
Prof. and Bus. Services	18.5%	15.4%	13.9%	$79,893	$72,446	$65,291
Educ. and Health Services	15.7%	15.1%	15.5%	$53,907	$52,214	$52,394
Leisure and Hosp. Services	9.8%	9.7%	10.7%	$29,705	$28,189	$26,315
Other Services	4.4%	4.2%	4.0%	$41,384	$39,303	$35,748
Government	11.5%	13.9%	15.5%	$81,933	$75,695	$73,979

Sources: Percent of total employment — BLS, Moody's Analytics, 2015, Average annual earnings — BEA, Moody's Analytics, 2014

NET MIGRATION,

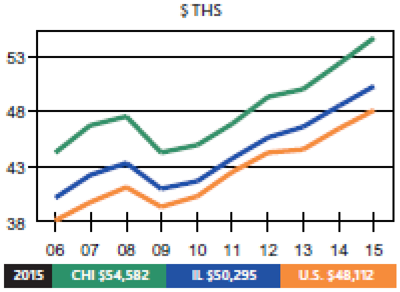


	2012	2013	2014	2015
Domestic	-40,413	-40,504	-59,170	-67,203
Foreign	21,123	23,668	27,711	27,840
Total	-19,290	-16,836	-31,459	-39,363

Sources: IRS (top), 2014, Census Bureau, Moody's Analytics

PER CAPITA INCOME

$ THS



Sources: BEA, Moody's Analytics

HIGH-TECH EMPLOYMENT

	Ths	% of total
CHI	180.9	5.0
U.S.	6,767.6	4.8

HOUSING-RELATED EMPLOYMENT

	Ths	% of total
CHI	317.2	8.7
U.S.	13,151.2	9.3

Source: Moody's Analytics, 2015

LEADING INDUSTRIES BY WAGE TIER

	NAICS	Industry	Location Quotient	Employees (ths)
HIGH	5511	Management of companies & enterprises	1.3	72.6
	5415	Computer systems design & related srvcs.	1.4	63.8
	5416	Mgmnt., scientific & technical consult. srvcs.	1.9	58.1
	5221	Depository credit intermediation	1.3	54.0
MID	GVL	Local Government	0.9	332.5
	6221	General medical and surgical hospitals	1.2	130.9
	6113	Colleges, universities & prof. schools	1.6	68.5
	GVS	State Government	0.3	41.7
LOW	7225	Restaurants and other eating places	0.9	223.1
	5613	Employment services	1.7	149.4
	4451	Grocery stores	1.0	63.5
	5617	Services to buildings and dwellings	1.1	54.9

Source: Moody's Analytics, 2015

Demographic data within one-, five- and ten-miles of the subject is summarized below.

Demographic and Income Comparison Profile

Subject
Bricher Rd, St Charles, Illinois, 60134
Ring Bands: 0-1, 1-5, 5-10 mile radii

Prepared by Esri
Latitude: 41.89778
Longitude: -88.33659

	0 - 1 mile	1 - 5 mile	5 - 10 mile
Census 2010 Summary			
Population	10,692	93,545	335,097
Households	4,142	33,227	109,511
Families	2,982	25,025	83,264
Average Household Size	2.48	2.78	3.02
Owner Occupied Housing Units	3,073	27,094	86,045
Renter Occupied Housing Units	1,069	6,133	23,466
Median Age	38.5	40.1	34.5
2016 Summary			
Population	10,846	96,204	346,062
Households	4,163	33,712	112,365
Families	2,967	25,227	84,728
Average Household Size	2.50	2.82	3.04
Owner Occupied Housing Units	2,951	26,811	85,987
Renter Occupied Housing Units	1,212	6,901	26,378
Median Age	39.1	40.8	35.3
Median Household Income	$83,460	$101,384	$76,377
Average Household Income	$106,747	$128,478	$96,458
2021 Summary			
Population	11,048	97,967	354,351
Households	4,222	34,082	114,666
Families	2,992	25,398	86,081
Average Household Size	2.52	2.84	3.05
Owner Occupied Housing Units	2,980	27,044	87,391
Renter Occupied Housing Units	1,242	7,038	27,275
Median Age	39.8	41.6	36.5
Median Household Income	$96,312	$109,603	$83,277
Average Household Income	$116,160	$138,359	$103,778
Trends: 2016-2021 Annual Rate			
Population	0.37%	0.36%	0.47%
Households	0.28%	0.22%	0.41%
Families	0.17%	0.14%	0.32%
Owner Households	0.20%	0.17%	0.32%
Median Household Income	2.91%	1.57%	1.74%

Demographic and Income Comparison Profile

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	0 - 1 mile		1 - 5 mile		5 - 10 mile	
2016 Households by Income	**Number**	**Percent**	**Number**	**Percent**	**Number**	**Percent**
<$15,000	231	5.5%	1,499	4.4%	6,901	6.1%
$15,000 - $24,999	255	6.1%	1,537	4.6%	7,114	6.3%
$25,000 - $34,999	298	7.2%	1,831	5.4%	8,685	7.7%
$35,000 - $49,999	435	10.4%	2,716	8.1%	13,168	11.7%
$50,000 - $74,999	647	15.5%	4,877	14.5%	19,155	17.0%
$75,000 - $99,999	535	12.9%	4,081	12.1%	15,807	14.1%
$100,000 - $149,999	822	19.7%	7,219	21.4%	22,234	19.8%
$150,000 - $199,999	526	12.6%	4,647	13.8%	10,809	9.6%
$200,000+	414	9.9%	5,304	15.7%	8,489	7.6%
Median Household Income	$83,460		$101,384		$76,377	
Average Household Income	$106,747		$128,478		$96,458	
Per Capita Income	$39,585		$45,797		$31,809	
2021 Households by Income	**Number**	**Percent**	**Number**	**Percent**	**Number**	**Percent**
<$15,000	230	5.4%	1,446	4.2%	6,979	6.1%
$15,000 - $24,999	231	5.5%	1,312	3.8%	6,590	5.7%
$25,000 - $34,999	416	9.9%	2,480	7.3%	12,269	10.7%
$35,000 - $49,999	262	6.2%	1,878	5.5%	8,677	7.6%
$50,000 - $74,999	517	12.2%	3,800	11.1%	16,584	14.5%
$75,000 - $99,999	516	12.2%	3,864	11.3%	15,696	13.7%
$100,000 - $149,999	951	22.5%	8,176	24.0%	25,508	22.2%
$150,000 - $199,999	648	15.3%	5,462	16.0%	13,075	11.4%
$200,000+	451	10.7%	5,664	16.6%	9,285	8.1%
Median Household Income	$96,312		$109,603		$83,277	
Average Household Income	$116,160		$138,359		$103,778	
Per Capita Income	$42,632		$48,942		$34,061	

esri

Demographic and Income Comparison Profile

Subject
Bricher Rd, St Charles, Illinois, 60134
Ring Bands: 0-1, 1-5, 5-10 mile radii

Prepared by Esri
Latitude: 41.89778
Longitude: -88.33659

	0 - 1 mile		1 - 5 mile		5 - 10 mile	
2010 Population by Age	**Number**	**Percent**	**Number**	**Percent**	**Number**	**Percent**
Age 0 - 4	623	5.8%	5,292	5.7%	25,681	7.7%
Age 5 - 9	751	7.0%	7,425	7.9%	27,073	8.1%
Age 10 - 14	843	7.9%	8,193	8.8%	26,967	8.0%
Age 15 - 19	847	7.9%	7,352	7.9%	25,138	7.5%
Age 20 - 24	599	5.6%	4,103	4.4%	19,382	5.8%
Age 25 - 34	1,179	11.0%	8,357	8.9%	45,843	13.7%
Age 35 - 44	1,537	14.4%	13,690	14.6%	50,647	15.1%
Age 45 - 54	1,743	16.3%	17,025	18.2%	50,171	15.0%
Age 55 - 64	1,309	12.2%	12,044	12.9%	35,438	10.6%
Age 65 - 74	657	6.1%	5,304	5.7%	16,871	5.0%
Age 75 - 84	401	3.7%	3,107	3.3%	8,379	2.5%
Age 85+	202	1.9%	1,653	1.8%	3,505	1.0%
2016 Population by Age	**Number**	**Percent**	**Number**	**Percent**	**Number**	**Percent**
Age 0 - 4	591	5.4%	5,106	5.3%	24,782	7.2%
Age 5 - 9	667	6.1%	6,554	6.8%	26,134	7.6%
Age 10 - 14	767	7.1%	7,929	8.2%	27,082	7.8%
Age 15 - 19	852	7.9%	7,085	7.4%	25,094	7.3%
Age 20 - 24	630	5.8%	5,062	5.3%	21,492	6.2%
Age 25 - 34	1,368	12.6%	9,743	10.1%	46,888	13.5%
Age 35 - 44	1,369	12.6%	12,194	12.7%	47,931	13.9%
Age 45 - 54	1,583	14.6%	15,584	16.2%	48,837	14.1%
Age 55 - 64	1,486	13.7%	14,118	14.7%	40,659	11.7%
Age 65 - 74	907	8.4%	7,846	8.2%	23,654	6.8%
Age 75 - 84	413	3.8%	3,187	3.3%	9,621	2.8%
Age 85+	215	2.0%	1,797	1.9%	3,886	1.1%
2021 Population by Age	**Number**	**Percent**	**Number**	**Percent**	**Number**	**Percent**
Age 0 - 4	596	5.4%	5,098	5.2%	24,789	7.0%
Age 5 - 9	633	5.7%	6,009	6.1%	24,967	7.0%
Age 10 - 14	705	6.4%	7,222	7.4%	26,580	7.5%
Age 15 - 19	801	7.3%	7,060	7.2%	25,162	7.1%
Age 20 - 24	622	5.6%	4,528	4.6%	19,744	5.6%
Age 25 - 34	1,376	12.5%	10,662	10.9%	48,196	13.6%
Age 35 - 44	1,508	13.7%	12,653	12.9%	49,796	14.1%
Age 45 - 54	1,422	12.9%	13,887	14.2%	46,345	13.1%
Age 55 - 64	1,534	13.9%	14,648	15.0%	42,825	12.1%
Age 65 - 74	1,122	10.2%	10,239	10.5%	29,223	8.2%
Age 75 - 84	507	4.6%	4,115	4.2%	12,471	3.5%
Age 85+	221	2.0%	1,845	1.9%	4,253	1.2%

Demographic and Income Comparison Profile

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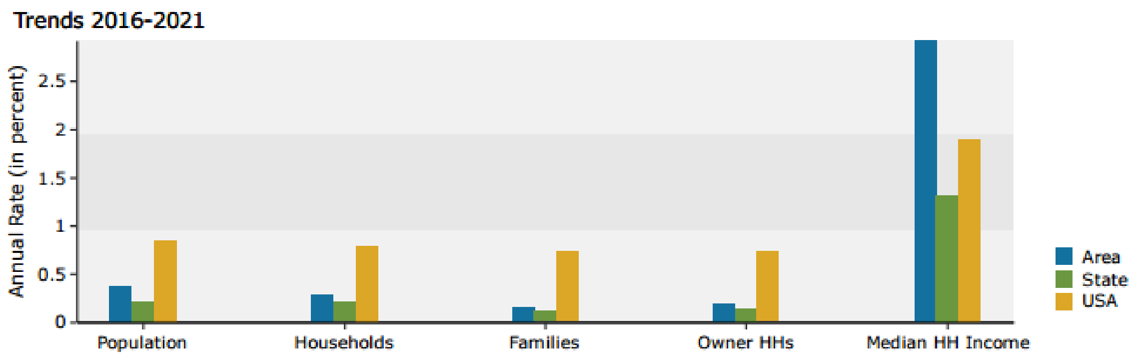
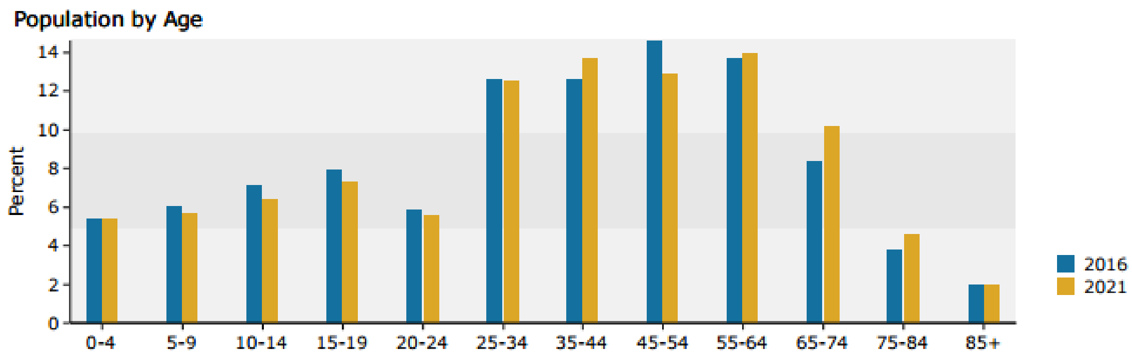
Longitude: -88.33659

0 - 1 mile





Demographic and Income Comparison Profile

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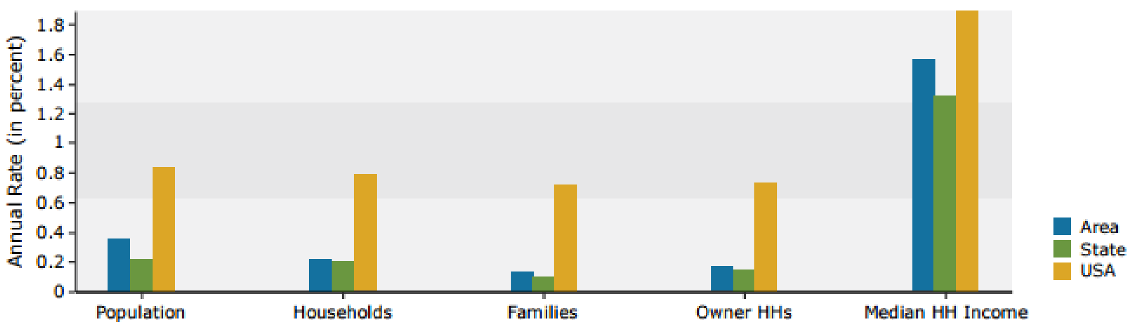
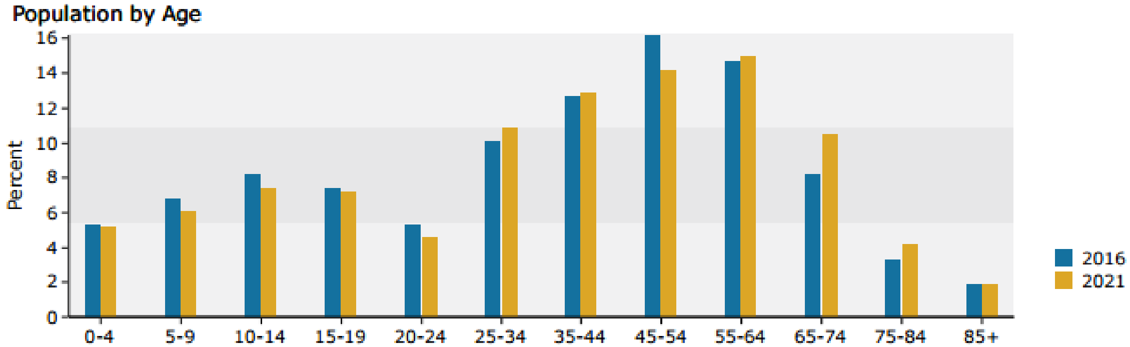
1 - 5 mile

Trends 2016-2021



Population by Age



Demographic and Income Comparison Profile

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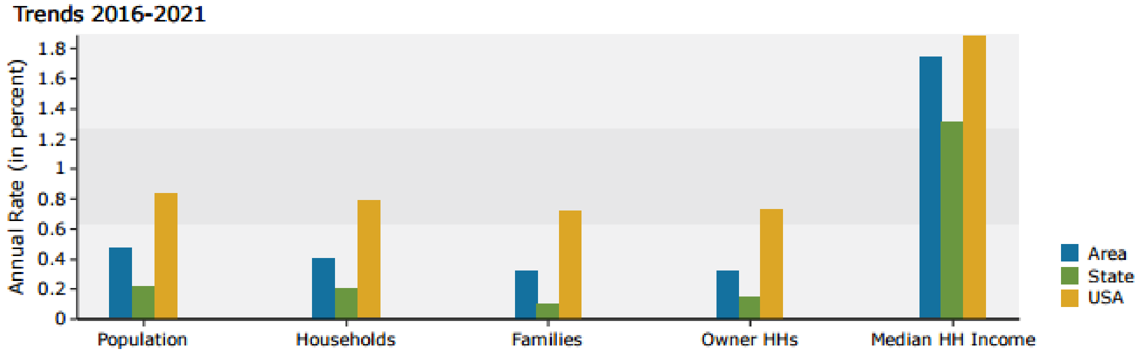
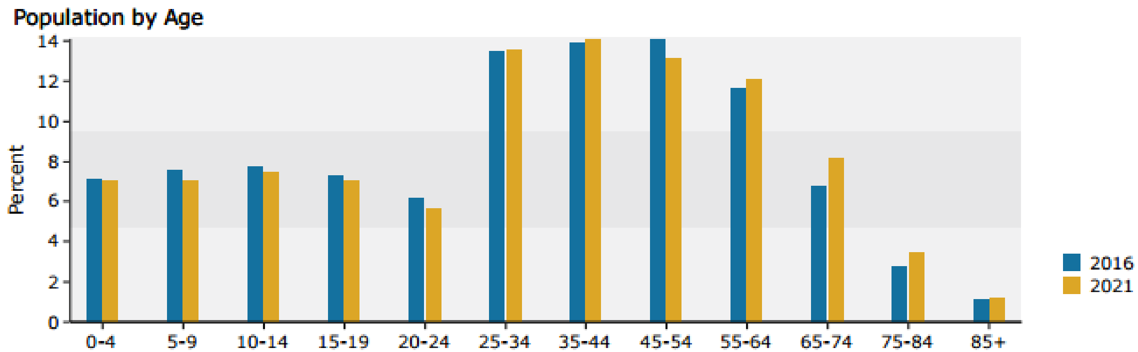
5 - 10 mile





According to the 2010 census, the population within a one-mile radius of the subject is 10,692, increasing to 93,545 in a five-mile radius and 35,097 in a ten-mile radius. According to the report, there are 4,142 households within a one-mile radius, increasing to 33,227 in a five-mile radius and 109,511 in a ten-mile radius. In 2016, the median household income in a one-mile radius was $83,460, increasing to $101,384 in a five-mile radius but decreasing to $76,377 in a ten-mile radius. There were 1,212 renter-occupied housing units within a one-mile radius of the subject in 2016, increasing to 7,038 in a five-mile radius and 27,257 in a ten-mile radius.

Conclusion

The Chicago metropolitan area has had an established history of economic stability due to its accessibility to major markets, its central location, excellent transportation facilities, and diversified economic base. These features of the subject area are positive factors reinforcing the value of real estate located within the area over the long term. Projections for the area are for continued long-term economic growth. This is expected to have a supportive effect leading to increasing property values for all property types within the near future, including apartments. Its size, location, and economic diversity of the Chicago Metroplex, including St. Charles provide investors with a perceived safe harbor during downturns in the national economic cycle.

AREA ANALYSIS

Area Map

A neighborhood is defined as: "A group of complementary land uses; a congruous grouping of inhabitants, buildings, or business enterprises." [1] A neighborhood should be distinguished from a district, which is defined as "a neighborhood characterized by homogenous land use." [2] For example, predominantly residential neighborhoods typically contain some commercial properties that provide services for local residents. The boundaries of a neighborhood can be physical such as a lake, stream or major highway or they may be less easily discernible such as changes in prevailing land use or occupant characteristics.

The proposed subject development site is in Saint Charles, Illinois, which had a population of 32,974 as of the 2010 US Census. The Fox River runs through the center of town. Saint Charles is part of a tri-city area along with Geneva and Batavia, all western suburbs of similar size and relative socioeconomic condition.

The top employers for the area, according to the Saint Charles 2009 Comprehensive Annual Financing Report, are Saint Charles Community School District (1,780 employees), System Sensor (550 employees), OMRON (500 employees), Pheasant Run Resort (450 employees), City of Saint Charles (350 employees) and Saint Charles Park District (300 employees).

Saint Charles is home to the Arcada theatre, which has hosted Martin Short, Joan Rivers and Bill Cosby. Downtown Saint Charles was named one of the region's "Top 10" by the Chicago Tribune for fine dining, arts and entertainment, recreational opportunities, unique shopping and a lively nighttime personality. Family Circle named Saint Charles #1 in its 2011 Annual Survey of Best Towns and Cities for families. The survey included communities from across the country and is featured in the magazine's August 2011 issue. The communities in the magazine combine affordable housing, good neighbors, green spaces, strong public schools and giving spirits.

The Saint Charles Public Library is nationally ranked among the best libraries in the U.S. and has earned a "three star" rating in the 201 Library Journal Index. In 2008, as a part of a promotional effort by a local water gardening company, Saint Charles named itself the water garden capital of the world.

Saint Charles is home to the Q Center, a 95-acre conference site. Originally built as a Catholic Women's Liberal Arts College, St. Dominic College, it later became Arthur Andersen's Center for Professional Education. It is now used by Accenture, and hosts meetings, conferences and executive learning for Fortune 500 companies, associations and social, military, education, religious and fraternal organizations from all over the world.

Conclusion

The proposed subject site is positioned in an area that is surrounded by residential and supportive retail uses and is part of a larger farmland piece that will be sectioned off upon sale of the property and later developed. St. Charles offers an attractive environment for residents including employment centers, recreation and entertainment venues as well as a strong public school system. These factors help increase demand for housing, including Class A apartments.

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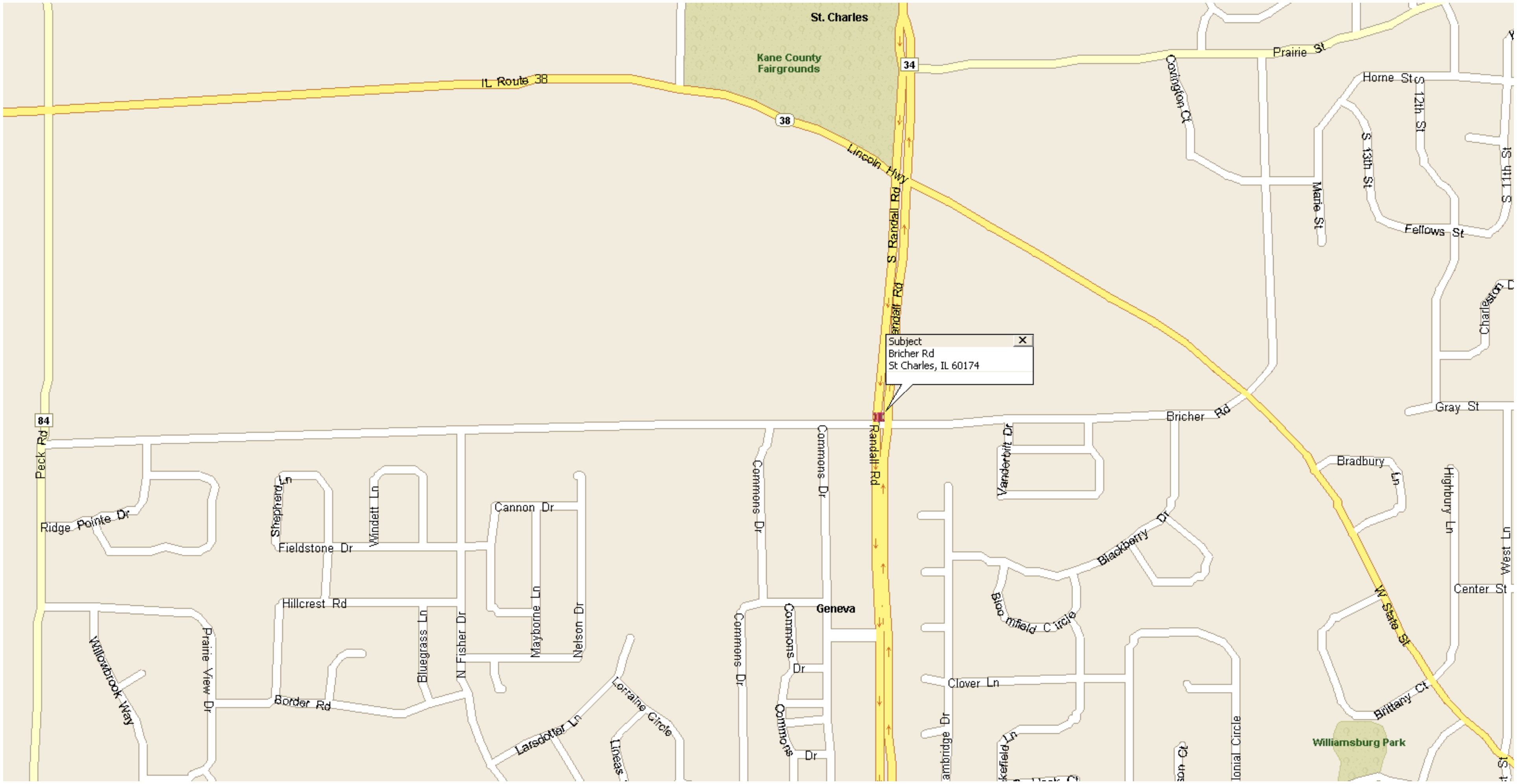
1 *The Dictionary of Real Estate Appraisal,* Fifth Edition, (Appraisal Institute 2010), Page 133.
2 *The Dictionary of Real Estate Appraisal,* Fifth Edition, (Appraisal Institute 2010), Page 60.

NEIGHBORHOOD ANALYSIS

Neighborhood Map



In this section of the report, we analyze the current conditions in the regionaland local apartment markets.

National Multi-Family Overview

According to the *PwC Real Estate Investor Survey*, 4th Quarter 2016:

> In *Emerging Trends in Real Estate®* 2017, development ranks as the second preferred investment category/strategy among Emerging Trends respondents for 2017 – ahead of opportunistic and core investments and just below value-added investments. Even though development's rating slipped this year compared to last year's report – down from 3.82 to 3.53 on a scale of 1 (abysmal) to 5 (excellent), it's a trend seen in each of the four investment strategies. Ratings declined from 0.11 (core investments) to 0.29 (development) and averaged 0.19.
>
> When looking at development prospects for each of the five major commercial real estate (CRE) sectors included in *Emerging Trends*, individual rating declines are also noted. The largest decline over the past year occurred for the retail sector, where the rating fell from 2.82 to 2.42. According to the report, a consensus is emerging that e-commerce will decrease the overall demand for retail space, but will not come anywhere near supplanting it. The key for retailers and developers will be to design spaces for successfully blending bricks and clicks.
>
> Outside of traditional CRE property sectors, *Emerging Trends* respondents felt development prospects in 2017 were strong for fulfillment assets, age-restricted housing, medical office, urban/high-street retail, and student housing, which has become a popular sector in recent years. Even though some *Emerging Trends* respondents believe that investing in student housing has largely played out with sufficient supply to meet the demand from a small high-income market, the volume of students at respected colleges and universities is expected to stay strong for the foreseeable future.
>
> Of the 78 U.S. metros included in *Emerging Trends*, the top five individual markets with regard to development prospects in the year ahead were (in order) Austin, Portland, Nashville, Raleigh/Durham, and Dallas/Fort Worth. New to this list for 2017 were both Portland and Raleigh/Durham while Boston and Charlotte were dropped from the top-five list from last year. Other cities that received strong development prospect ratings were Los Angeles, Seattle, Charlotte, Denver, and Orange County. On the other hand, cities that received poor development prospect ratings included Providence, Buffalo, Tacoma, and Hartford.
>
> On an unleveraged basis, discount rates (including developers' profit) for the national development land market range from 10.00% to 20.00% and average 16.00% this quarter. This average is 50 basis points higher than the average from both six months ago and a year ago.

The typical time that a property is on the market prior to selling ranges from 3 to 36 months and averages 16 months.

Looking ahead over the next 12 months, surveyed investors unanimously forecast property values in the national development land market to increase. Their expected appreciation rate ranges up to 10.0% and averages 5.6% – slightly below the rate six months ago (5.9%). (56)

National Market Yield Rates for Real Estate Investments National Development Land Market Fourth Quarter 2016		
	Current Quarter	Second Quarter 2016
Free & Clear Range	10.00%-20.00%	10.00%-20.00%
Average	16.00%	15.50%
Preferred Absorption	1 to 20+	1 to 20+
Change Rates		
Lot Prices	1.0% to 10.0%	0.0% to 8.0%
Development Costs	3.0% to 5.0%	1.0% to 5.0%
Marketing Period	3 to 36 months	3 to 36 months
Average	16	16

Source: PwC Real Estate Investor Survey, 4th Quarter 2016

Market Level Outlook

Freddie Mac, Multifamily Outlook 2017,

The multifamily market has enjoyed several years of rapid growth and seems poised to continue to grow in 2017, although at a more moderate pace.

- Slow-but-steady economic growth continued in 2016, which supported strong demand for multifamily rental units. Despite high levels of construction permits and starts, vacancy rates remained flat, while strong demand pushed up rents and gross-income growth above the historical norm.

- A greater amount of new supply will be delivered to the market in 2017, but most of it will be absorbed, given continued economic growth and strong multifamily fundamentals. Vacancy rates will increase slightly, but still leave room for rent and gross-income growth.

- The top 10 list of fastest growing metropolitan areas will see some jockeying for position in 2017, with smaller, more affordable markets making a showing.

Exhibit 6: Top 10 Metros by Gross-income Growth for 2017

Metropolitan Market	2017 Annualized Growth in Gross Income	2017 Vacancy Rate
Sacramento	6.4%	2.2%
Seattle	5.9%	5.6%
Tacoma	5.8%	3.2%
Portland	4.9%	5.8%
Colorado Springs	4.7%	3.8%
Phoenix	4.5%	5.4%
Tampa	4.4%	5.2%
Chicago	4.4%	3.8%
Jacksonville	4.3%	6.9%
Los Angeles	4.2%	3.7%
United States (top 70 metros)	3.4%	5.2%

Source: Freddie Mac projections

According to the 2017 Freddie Mac report, Sacremento gains the top spot as growth expands west from the Bay Area to take advantage of affordability. The Pacific Northwest fills the next three spots. Some of the smaller markets on th list, such as Colorado Springs, Phoenix and Tampa, will see strong rent growth in 2017 because increased demand outpaces supply. **Chicago** and Jacksonville made the top 10 because of low vacancy rates with moderate-to-high rent-growth. According to the report, Chicago will be a wild card in 2017, as the city and the State of Illinois continue to work out fiscal issues. Although the impact on multifamily demand could go either way – for example, less motivation to own and less new devleopment could be offset by fewer people moving into the area – vacancy rates are expected to remain tight, boosting rental-income growth expectations.

All in all, the multifamily market outlook is positive. The underlying fundamentals that have been driving multifamily rental housing demand over the last several years will remain strong through 2017 while the market continues to moderate from the cyclical peak. Employment growth will be slower than in 2014 and 2015 but will remain above population growth in 2017. New supply will continue to be elevated in 2017, pushing vacancy rates toward historical averages. Demand will remain strong due to demographic changes and preferences for renting. Absorption of new units in some areas will take longer than in prior years, hindering landlords from increasing rents at the prior few years' rapid pace. Certain other factors could have meaningful impacts on the multifamily market this year – a rising interest-rate environment being an important one – baseline forecasts are for continued strength in the market.

Chicago Multi-Family Market

According to the Marcus and Millichap 4th Quarter 2016 Chicago Metro Area Multifamily Research Market Report:

> A deep pool of renters is helping bolster fundamentals amid a construction boom. Healthy job growth coupled with the allure of an urban lifestyle will underpin improvements in the Chicagoland apartment market this year. The local economy is registering strong gains across an array of employment sectors, highlighting the metro's economic strength and diversity. Additionally, the continued corporate migration from the suburbs to the city is bringing young professionals and high-paying job opportunities to the core. These working millennials overwhelmingly favor renting over homeownership and seek residence in city cores that offer walkability and a live-work-play lifestyle. The strength of the city apartment market will be put to the test with an unprecedented wave of construction set to come online in the next two years. The deep pool of renters will absorb most of the new space, though a rise in vacancy and concession usage may occur. The suburbs will face similar challenges as development also ramps up outside the core, albeit at a lower intensity. Suburban vacancy will remain on the decline as robust apartment demand outstrips new deliveries. Falling vacancy coupled with the surge of high-end construction hitting the market will enable another year of healthy rent growth throughout Chicagoland.
>
> Interest rates at historical lows coupled with improving property fundamentals have kept buyer demand strong for Chicagoland apartments. Deal flow is accelerating and cap rates are low, though buyers are beginning to show resistance to outsize pricing, stifled by concerns about the length of the current expansion. Seller expectations, on the other hand, continue to escalate, creating a widening disconnect between property owners and buyers. Well-priced deals will receive multiple competing offers, though many owners are unwilling to part with their properties unless stellar pricing can be achieved. As a result, a lot of investors are investigating Class C properties in the suburbs where higher yields can be found. These assets will generally change hands at cap rates in the mid-7 percent range,

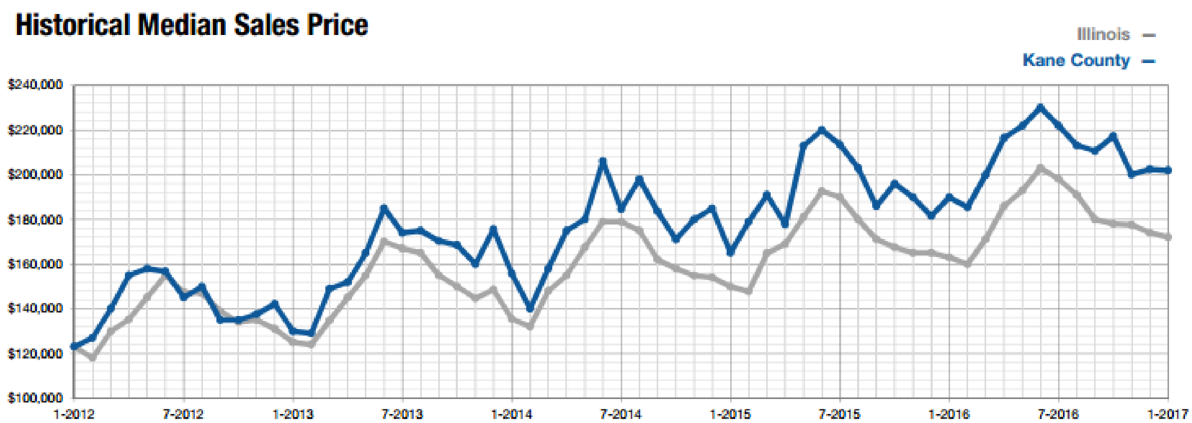
Suburban Highlights

> After sliding 80 basis points last year, the suburban vacancy rate fell 20 basis points in the past 12 months to **3.1 percent in September, the lowest level in over five years.** Central Cook County boasts the lowest vacancy among all submarkets at 1.7 percent, down 30 basis points year over year.
>
> In the last four quarters ending in September, the average effective rent jumped 5.6 percent to $1,159 per month. The most expensive apartments can be found in the Evanston/Rogers Park/Uptown submarket with tenants paying $1,502 per month on average.

Kane County Housing Market

According to the Monthly Local Market Update for January 2017 by the Illinois Realtors for Kane County, there were 371 closed sales of owner housing units in January 2016 and 400 in January 2017, an increase of 7.8%. The median sale price in January 2016 was $189,900, increasing by 6.4% in January 2017 to $202,000. The inventory of homes in January 2016 was 2,471, decreasing by 23.8% to 1,883 in January 2017. The days on the market also declined by 10.3% from 68 days to 61 days.

Of the total sales in January 2017, 313 were for single-family homes (up 6.8%) with an average price of $233,300 and 86 were for condominiums (up 10.3%) with an average price of $155,000. Below is a chart showing the historical median sales price in Kane County and Illinois since 2012.



Kane County Multi-Family Market

Absorption

According to the U.S Census Bureau July 2015 (most recent available), Kane County had a total of 184,940 housing units of which the homeownership rate was 73.6% and the renter household rate was 26.4%. Additionally, the City of Saint Charles had a total of 13,157 housing units as of April 2010 (most recent statistic available) of which the homeownership rate was 71.1% and the renter household rate was 28.9%.

Statistics	
Kane County Population total 7/2015	530,847
Number of Housing Units In Kane County	184,940
Home ownership percentage	73.6%
Propensity to Rent	**26.4%**
Number of Housing Units In Kane County	48,824
City of Saint Charles Population total 7/2015	33,460
Number of Housing Units in the City of St. Charles	13,157
Home ownership percentage	71.1%
Propensity to Rent	28.9%
Number of Housing Rental Units In the City of St. Charles	3,802

U.S. Census Bureau for 4/2015 and 7/2015

Although the survey does not give a precise number of rental units, it does note that there were 73.6% owner-occupied units in Kane County; therefore 26.4% were renter-occupied or a total of 48,824 renter occupied units in Kane County (not all of which are apartments necessarily).

As shown in the Area Analysis Section, we completed a 1, 5 and 10-mile radius search around the subject to gage the number of potential households that could make up the potential renter pool for the subject, as given the older existing supply and lack of recent new construction, the subject is likely to draw Class A apartment renters from a wider geographical area than typical. Based on the number of qualifying households and percentage of occupied households, the following table shows the estimated number of potential households from the total population.

Estimate of Households Surrounding the Subject	1-Mile Radius	5-Mile Radius	10-Mile Radius
Total Population (2016)	10,692	93,545	335,097
Total # of Households (2016)	4,142	33,227	109,511
Average Household Size	2.50	2.82	3.04

According to the HUD State of the Cities Data System (SOCDS), the following table shows the number of building permits for multi-family dwellings with 5 or more units issued in Kane County. As shown in the table, the number of permits for multi-family dwellings with 5 or more units has hovered around 100 permits per year. The SOCDS system does not track building permits within the city of St Charles.

HUD SOCDS Multi-family permits 5 or more units

	Kane County
Year	# of Building Permits Granted
2015	338
2014	120
2013	131
2012	105
2011	10
2010	22
2009	0

The subject's new construction, proposed unit and property amenities and location in St. Charles should place it at the higher end of the competitive (Class A) apartment market and will assist in a more rapid lease-up. Of course, it all depends on how the units are priced and how intensely they're marketed.

According to the US Census, the population with a propensity to rent is 26.4% in Kane County. Based on the information shown above, we have applied the average household size of 2.50, 2.82 and 3.04 to the STDB rings of 1-, 5- and 10-mile radii around the subject.

In addition, according to local statistics, the average percentage of renters (propensity to rent), at all income levels, was 26.4% as of 2015. According to ESRI data, the propensity to rent within a 1, 5, and 10-mile radius is 29.1%, 20.5% and 23.5% respectively. For purposes of this analysis, we have used a household income of $75,000/YR as the minimum threshold to afford the subject units.

	1-Mile* Radius	**5-Mile* Radius**	**10-Mile* Radius**
Total Population (*STDB 2016*)	10,846	96,204	346,862
Average Household Size	2.50	2.82	3.04
Total Qualifying Households at $75,000/YR	2,297	21,251	57,339
Times Propensity to Rent vs. Own	.291	.205	.235
= Potential Existing Income Qualified Renters	**668**	4,356	13,475
Required Capture Ratio at 250 Units	**37.4%**	5.7%	1.9%

* Source: ESRI Demographic and Income Comparison Data

The total estimated number of qualifying rental households within a 1-, 5- and 10-mile radius of the subject is shown above. Given the subject's total estimated number of 250 rental units, the subject would need to capture roughly 37.4% of the existing total potential market, within a 1-mile radius and 5.7% of the existing total potential in a 5-mile area and 1.9% of the existing potential in a 10-mile radius.

Given the potential renter households, within a 5-10-mile radius, primary and secondary market areas, the subject's 250 units would need to capture 1.9% - 5.7% of the potential existing qualified market, which is a relatively low capture rate.

However, within the qualifying rental properties, there is a supply of units that are:

1) already leased;
2) not competing directly with the subject due to inferior age/condition/amenities.

In addition, on the demand side, there is a portion of the population that is;

3) in nursing homes;
4) in assisted living facilities; and
5) not renting apartments (renting houses, manufactured housing, etc.)
6) not able to afford Class A apartments

Therefore, the portion of renters directly desiring the subject is lower than 4,356 to 13,475 households within a 5-10 mile radius, which would increase the required capture ratio on a per unit per month basis. It is noted that the subject's demand could be accelerated by the increased demand for new units with high-end amenities.

Typically, a household can afford to pay up to 33% of their household income on housing (some households are now paying up to 50% in some areas). The subject's projected rents will begin at $1,350, which indicates a required annual income of at least $48,650 [($1,350 x 12 mos. x .33)] to afford the stated rental rate.

According to the ESRI report, the total number of households within a ten-mile radius is projected to grow by 5,155 in the next five years and currently over 51% of the households earn at least $75,000 (we use this conservative figure because there is no breakdown between $50,000 and $74,999 and the subject's rents will average $1,790/month). As such, at least 2,629 of the new households (5,155 x 51%) projected over the next five years within a ten-mile radius could afford the subject's average projected rent assuming income levels stay proportional and assuming no major economic downturns in the economy, or unforeseen events affecting the market. The propensity to rent within a ten-mile radius is 23.5%, indicating 617 additional potential new renters for this property type in addition to the current level of 4,356 in a 5-mile radius and 13,475 in a 10-mile radius. Of course, the advent of new Class A construction may release pent-up demand that would entice additional rental households into the market, above the project household growth rate figures above.

Absorption Construction

Confidential information in our files suggests an absorption rate range for new Chicago area suburban apartments of 7 units per month to 18.8 units per month with a central tendency in the 13-16 units per month range. At 15 units per month, the subject's absorption would be around 16 months to stabilized occupancy assuming no pre-construction leasing. Assuming some pre-construction leasing would occur (20±%), the subject could lease up in 12 1/2 months after construction completion to stabilized occupancy (95%) after construction, or by October 1, 2019 (assuming construction is complete on September 2018 and a post construction absorption rate of 15 units/MO).

Rental Comparables

The following pages summarize the rental rates and the occupancy levels of comparable properties within the area, demonstrating the high occupancies and older vintage of the immediate area's Class A rental stock.

Rent Comparable 1

NAME/LOCATION:	AMLI at St. Charles Apartments 100 Lakeside Drive St. Charles, IL 60174
NO. OF UNITS:	400
YEAR BUILT:	1999
OCCUPANCY:	99%
DESCRIPTION:	Offers one-, two- and three-bedroom apartments that feature fully equipped gourmet kitchens, full size washers and dryers, ceramic tile entries, elegant crown molding, luxurious oval soaking tubs, large walk-in closets and private patios/balconies. The community has a swimming pool, sand volleyball court, fitness center, conference/business center, multimedia center, garden, walking path, attached/detached garages and an enclosed bark park.
UTILITIES:	The units are separately metered for electricity and gas.
VERIFICATION:	Leasing office

RENT SCHEDULE:

Unit Mix	Size (SF)	$/month
One-bedroom	694 SF and 895 SF	$1,231- $1,773
Two-bedroom	993 SF to 1,145 SF	$1,483 - $1,945
Three-bedroom	1,425 SF	$2,382 - $2,407

Rent Comparable 2

NAME/LOCATION: Ashford at St. Charles Apartments
1690 Covington Court
St. Charles, IL 60174

NO. OF UNITS: 208
YEAR BUILT: 1989
OCCUPANCY: 94%

DESCRIPTION: Offers one- and two-bedroom apartments include a balcony/patio, dishwasher, disposal, large closets, modern appliances and a washer/dryer in each unit. The community amenities feature a new business center and fitness center, swimming pool and updated clubhouse.

UTILITIES: The units are separately metered for electricity and gas.

VERIFICATION: Leasing office

RENT SCHEDULE:

Unit Mix	Size (SF)	$/month
One-bedroom	830 SF	$1,135 - $1,955
Two-bedroom	875 SF - 1,115 SF	$1,270 - $2,400

Rent Comparable 3

NAME/LOCATION:	Village Reserve at Mill Creek Herrington Boulevard Geneva, IL 60134
NO. OF UNITS:	66
YEAR BUILT:	2016 and 2017
OCCUPANCY:	35%
DESCRIPTION:	Each building features a secured entry, underground heated parking, elevator access to each floor and outdoor area with a private pavilion, fire tables and grills. Each apartment has in-unit laundry, stainless steel appliances, granite countertops, laminate floors and the kitchen and bathroom and large private balconies. The new buildings are adjacent to the recreational bath. This property has over 15 miles of walking and bike paths, two on site churches, The Mill Creek Market and a local dentist, dry cleaners and dance studio. This is the third apartment community offered at Mill Creek.
ABSORPTION:	The Village Reserve at Mill Creek consists of two 33-unit buildings. The first building was completed in October 2016 and is currently at 61% occupancy. According to the leasing agent, they began marketing the property in May 2016, indicating an

absorption rate of 2 units/month. They just obtained the certificate of occupancy on March 21, 2017 for the second building and there are 3 units preleased.

UTILITIES: The units are separately metered for electricity and gas.

VERIFICATION: Leasing office

RENT SCHEDULE:

Unit Mix	Size (SF)	$/month
One-bedroom	734 SF	$1,350
Two-bedroom	934 SF - 1,229 SF	$1,550 - $1,850

Rent Comparable 4

NAME/LOCATION:	Prairie Center IL Route 38/Lincoln Highway, south of Prairie Street and east of Randall Road.
NO. OF UNITS:	609 plus 61 “affordable” units for seniors
YEAR BUILT:	Proposed on 27-acre site of St. Charles Mall
OCCUPANCY:	N/A
DESCRIPTION:	Class A Garden-style complex
ABSORPTION:	N/A
UTILITIES:	To be separately metered and paid by tenant
VERIFICATION:	This property was just approved for zoning by the city of St. Charles. It is a mixed-use development consisting of retail, apartments and affordable senior housing. The developer has given no timetable for the start of construction that we are aware of. Based on the number of existing and projected income qualified renter households over the next 5 years in a 5 to 10-mile radius, if fully built out, this project should not significantly impact the long-term viability of the proposed subject.

Subject Apartment Market Overview

The reported occupancy rates are in the upper 90's% for the first two comparables. They are older properties that have been established. Rent Comparable 3 is the Village Reserve at Mill Creek, which consists of two 33-unit buildings. The first building was completed in October 2016 and is currently at 61% occupancy. According to the leasing agent, they began marketing the property in May 2016, indicating an absorption rate of 2 units/month. They just obtained the certificate of occupancy on March 21, 2017 for the second building and there are 3 units preleased. Overall, this submarket is relatively stable, and is expected to remain that way.

The proposed complex, Prairie Winds, will consist of 250 apartment units. There will be 50 1BR/1BA units, 150 2BR/2BA units and 50 3BR/2BA units. The 1BR units will be 875 SF, the 2BR units will be 1,072 SF to 1,362 SF and the 3BR units will be 1,559 SF. The proposed rental rate for the 1BR units is $1,350 to $1,450, increasing to $1,750 to $1,850 for the 2BR units and $2,100 to $2,200 for the 3BR units.

No utilities will be included in the rental rate. Each of the units will include a 1 or 2 car direct access garage. They will have a stainless steel appliance package including a double door refrigerator with icemaker, front load washer and dryer as well as granite counters in the bathroom and kitchen with a marble shower surround. The units will include fireplaces and a patio/balcony. The property will include an 8,000 SF clubhouse with a commercial quality fitness center, indoor pool, internet café with juice bar, game room, meeting room, outdoor pool with outside kitchen, fire pit, hot tub, walking trail, playground and dog park. Construction is projected to commence in June 2017 and be completed by September 2018.

The subject's proposed asking rents are profiled in the following table.

Subject's Proposed Asking Rents

	Num. of Units	Rent Per Month (Per Buyer)
1BR/1BA	50	$1,350 - $1,450
2BR/2BA	150	$1,750 - $1,850
3BR/2BA	50	$2,100 - $2,200

The proposed subject project will be an institutional quality investment grade asset. The primary strengths of the subject will include:

- The property will be of new Class A construction.
- The property will include extensive property amenities, including a commercial quality fitness center, indoor pool, internet café with juice bar, game room, meeting room, outdoor pool with outside kitchen, fire pit, hot tub, walking trail, playground and dog park.
- The amenities to be offered within each unit should entice pent-up renter demand.
- There is a lack of similar newer Class A multi-family complexes in the area.
- Unemployment levels for St. Charles are at the national average, which are currently at recent historical lows.

Conclusion

Within a 5-10-mile radius of the subject, we conclude that there are roughly 4,356 to 13,475 existing renter households with income sufficient to afford the proposed subject units, as well as an additional 600± potential qualified rental households that may be created over the next 5 years.

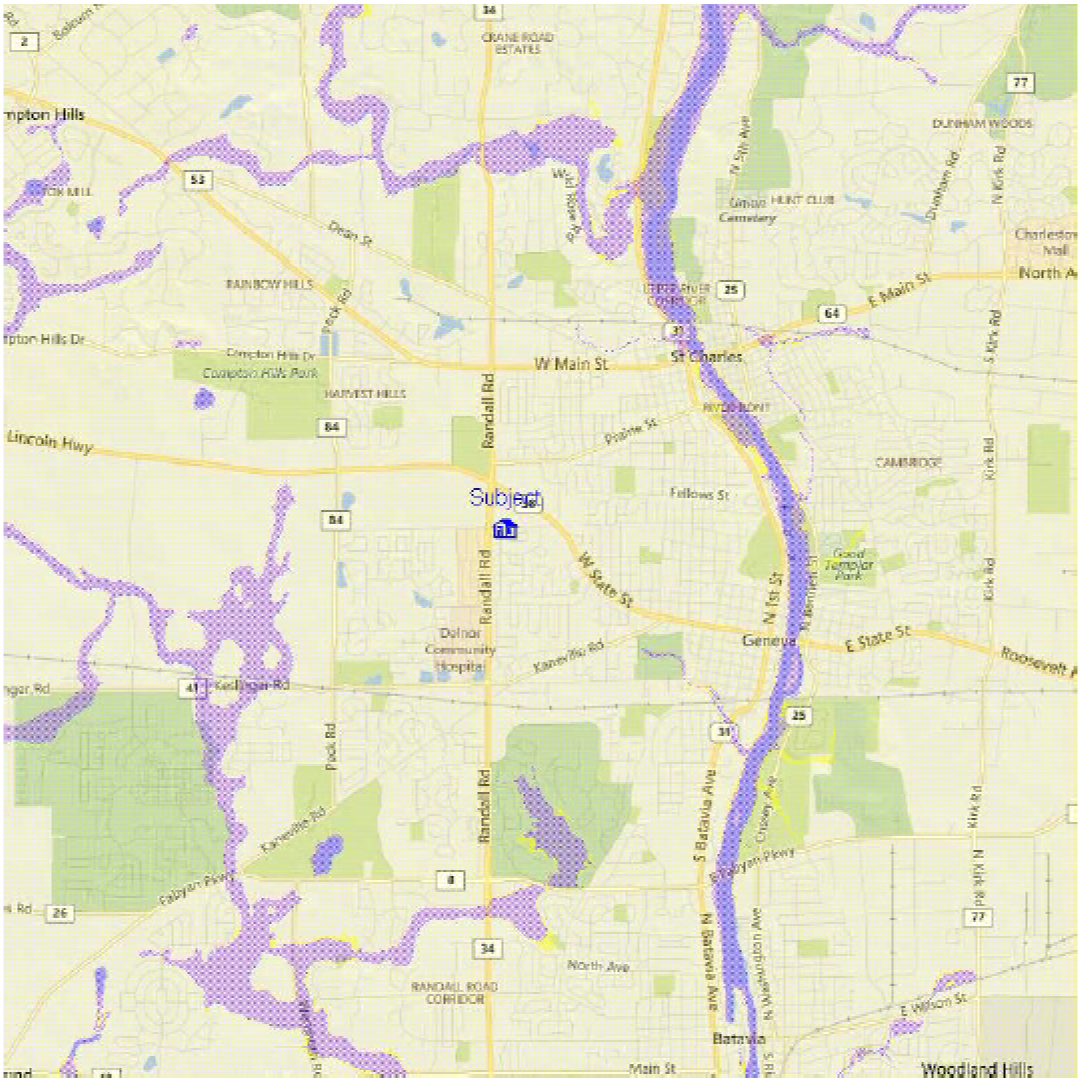
Considering the subject's physical characteristics, rental rates, and current occupancy level, we conclude that it should compete well in its submarket and it should maintain an initial occupancy at or near 95% once leased. We conclude that the construction of the subject property should not negatively affect the use and enjoyment of other properties in the immediate vicinity for the purposes already permitted, nor substantially diminish and impair property values within the neighborhood.

ADDENDA

ADDENDA

STDB

You are currently logged in as: (Michael Maglocci) on 03-Mar-2017
Bricher Road, St Charles, IL
BRICHER RD, ST CHARLES, IL



MAP DATA

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Panel Date : **August 03,2009**
FIPS Code : **17089**

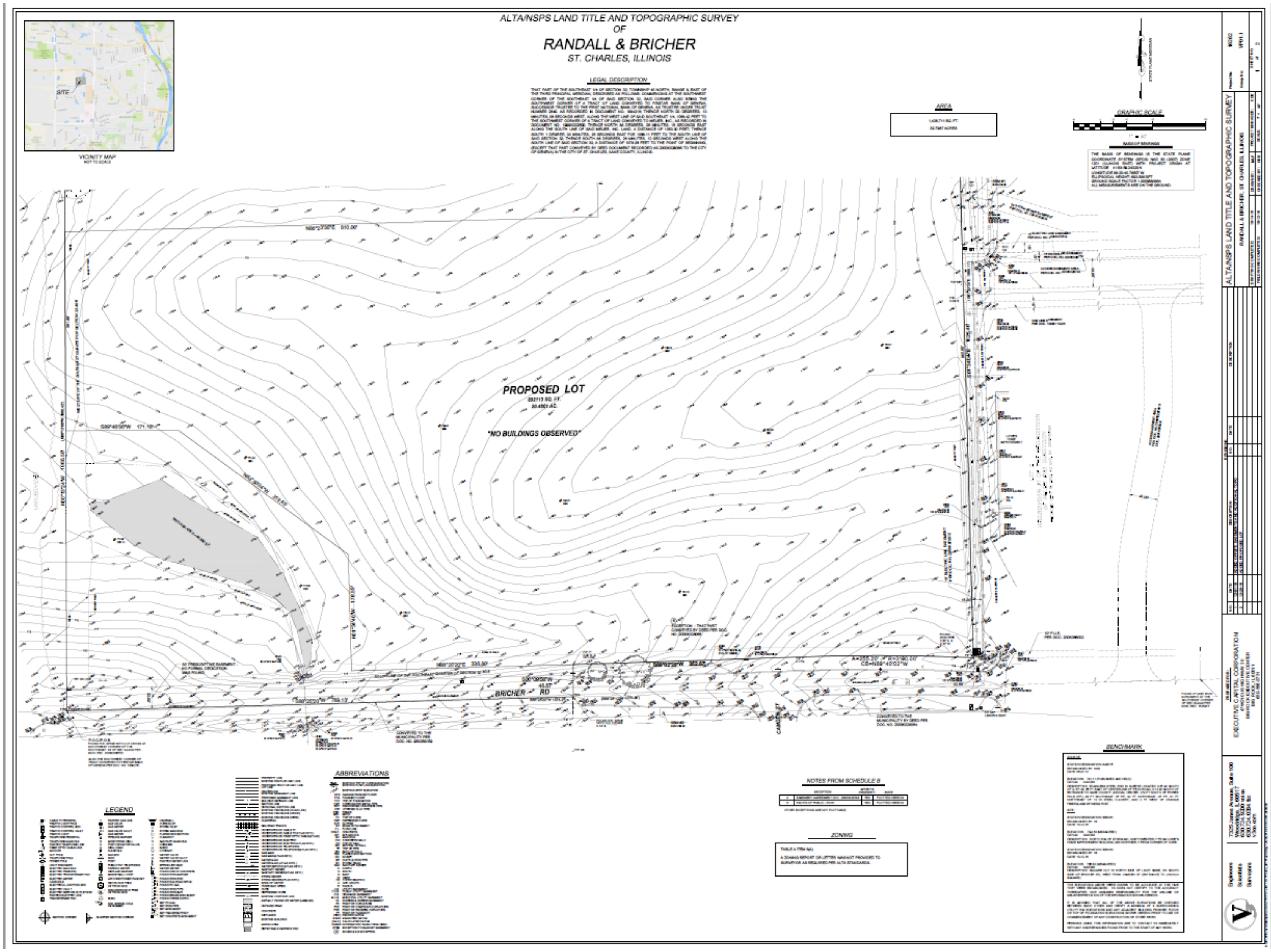
Census Tract : **8522.01**
Geo Result : **S4 - single close match, point located at the center of shape point path**

Flood

- X or C Zone
- X500 or B Zone
- A Zone
- V Zone
- D Zone
- Area Not Mapped

ADDENDA

ADDENDA



ALTA/NSPS LAND TITLE AND TOPOGRAPHIC SURVEY
OF
RANDALL & BRICHER
ST. CHARLES, ILLINOIS
LEGAL DESCRIPTION
VICINITY MAP
AREA
GRAPHIC SCALE
PROPOSED LOT
"NO BUILDINGS OBSERVED"
BRICHER RD
LEGEND
ABBREVIATIONS
NOTES FROM SCHEDULE B
ZONING
BENCHMARK
EXECUTIVE CAPITAL CORPORATION
ALTA/NSPS LAND TITLE AND TOPOGRAPHIC SURVEY

MICHAEL J. MAGLOCCI, MAI, MRICS

Mr. Maglocci holds the position of Managing Partner with the Chicago office of Joseph J. Blake and Associates, Inc., at 10 S. LaSalle Street, Suite 1140, Chicago, Illinois.

FORMAL EDUCATION

Pennsylvania State University – State College, Pennsylvania
Bachelor of Science in Business Administration
Concentration in Real Estate

REAL ESTATE AND APPRAISAL EDUCATION

Course Name	Provider
Real Estate Appraisal Principles	Appraisal Institute
Basic Valuation Procedures	Appraisal Institute
Capitalization Theory and Techniques, Part I	Appraisal Institute
Capitalization Theory and Techniques, Part II	Appraisal Institute
Capitalization Theory and Techniques, Part B	Appraisal Institute
Case Studies in Real Estate Valuation	Appraisal Institute
Standards of Professional Practice	Appraisal Institute
Residential Valuation	Appraisal Institute
Valuation Analysis and Report Writing	Appraisal Institute
Market Analysis	Appraisal Institute
Litigation Valuation	Appraisal Institute

PROFESSIONAL AFFILIATIONS

Affiliation	Number
Appraisal Institute, Designated Member	No. 7107
Royal Institution of Chartered Surveyors, Member	No. 6328662
Illinois State Certified General Real Estate Appraiser	No. 553.000119
Indiana State Certified General Real Estate Appraiser	No. CG69100363
Iowa State Certified General Real Estate Appraiser	No. 198507083
Michigan State Certified General Real Estate Appraiser	No. 1201001719
Ohio State Certified General Real Estate Appraiser	No. 384673
Pennsylvania State Certified General Real Estate Appraiser	No. GA001005-R
Wisconsin State Certified General Real Estate Appraiser	No. 114-10
Illinois Coalition of Appraisal Professionals, Founding Member and Past President	

Appraisal Institute Service	Dates
Government Relations Committee, Member	2014/2015
Chicago Chapter, President	1999
National Board of Directors, Member	Past
Region III, Chair	Past
Chicago Chapter Board of Directors, Member	Past
Non-Residential Demonstration Appraisal Reports Subcommittee, Member	Past
Regional Standards and Ethics Panel, Member	Past
Master's Degree Committee, Member	Past

APPRAISAL EXPERIENCE

Responsibilities include the appraisal of all types of investment grade and noninvestment grade real estate, including office buildings, regional malls, power centers, community centers, neighborhood centers, industrial properties and apartments, condominium complexes, residential subdivisions, hotels, cineplexes, restaurants, vacant land and special use properties, as well as providing related consulting. Mr. Maglocci has appraised and has supervised appraisals as well as prepared consulting studies of properties for a variety of public pension funds, large institutional investors, pension fund advisors, insurance companies and banks.

Mr. Maglocci has been qualified as an expert witness in Federal Bankruptcy Court in the State of Wisconsin (Milwaukee) and Illinois (Chicago) and has given oral and written testimony in each. He has also testified in the Supreme Court of New York. In addition, he has provided testimony in litigation matters, both civil and criminal.

Recent awards include:

- Appraisal Institute President's Appreciation Award (2011)
- Chicago Chapter Exceptional Leadership and Dedicated Service Award (2010)
- Appraisal Institute Region III Service Award (2009/2010)
- Heritage Award (2007)

CERTIFICATION

State of Illinois

Department of Financial and Professional Regulation

Division of Real Estate

LICENSE NO.

553.000119

The person, firm or corporation whose name appears on this certificate has complied with the provisions of the Illinois Statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below.

EXPIRES:

09/30/2017

CERTIFIED

GENERAL REAL ESTATE APPRAISER

MICHAEL J MAGLOCCI
MICHAEL MAGLOCCI
JOSEPH J BLAKE AND ASSOCIATES INC
10 SOUTH LASALLE STREET SUITE 1140
CHICAGO, IL 60603

SEAL OF THE STATE OF ILLINOIS AUG. 26TH 1818

Bryan A. Schneider

BRYAN A. SCHNEIDER
SECRETARY

The official status of this license can be verified at www.idfpr.com

9959622

JAIME SCHEETZ

Ms. Scheetz holds the position of Senior Appraiser with the Chicago office of Joseph J. Blake and Associates, Inc., at 10 S. LaSalle Street, Suite 1140, Chicago, Illinois.

FORMAL EDUCATION

University of Illinois, Champaign-Urbana
Bachelor of Science in Finance

REAL ESTATE AND APPRAISAL EDUCATION

Course Name	Provider
Real Estate Appraisal Principles	Appraisal Institute
Basic Valuation Procedures	Appraisal Institute
Capitalization Theory and Techniques, Part A	Appraisal Institute
Standards of Professional Practice	Appraisal Institute
Fundamentals of Real Estate Appraisal	Appraisal Institute
Appraising the Single Family Residence	Appraisal Institute

PROFESSIONAL AFFILIATIONS

Affiliation	Number
Illinois State Certified General Real Estate Appraiser	No. 553.002450

APPRAISAL EXPERIENCE

Variety of assignments for financial institutions and banks, including: retail, shopping centers, industrial properties, market studies, apartments, and vacant land.

CERTIFICATION

State of Illinois

Department of Financial and Professional Regulation

Division of Real Estate

LICENSE NO.

553.002450

The person, firm or corporation whose name appears on this certificate has complied with the provisions of the Illinois Statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below.

EXPIRES:

09/30/2017

CERTIFIED

GENERAL REAL ESTATE APPRAISER

JAIME M SCHEETZ
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PALOS HEIGHTS, IL 60463

Bryan A. Schneider

BRYAN A. SCHNEIDER
SECRETARY

The official status of this license can be verified at www.idfpr.com

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