BR DEVELOPMENT

Hidden Vine Apartment Development Proposal

Investment Presentation - April 12, 2013

Executive Summary

Investment Proposal	• BR Development proposes the Hidden Vine Apartments • Located in Murray, Utah (approximately 5425 S Vine Street) • Develop 80 unit apartment complex
Project Description	• Acquire two adjacent parcels to create a 4.02 acre site • 3.5 acres need to be scraped of vacant building and asphalt parking • Remaining acreage is currently empty land • Rezone from commercial (C-D-C) to residential (R-M-20)
Market Overview	• Utah ranked top state for Business and Careers • Vacancy rates at less than 5% and projected to stay low • Cap rates are at 6.5% due to institutional investing and low bank rates • Rental rates have grown substantially the last few years
Financial Analysis	• Land cost estimated at $18,000 per door • Return on Investment of 14.9% • Cash on Cash Levered Return of 20.9% • Profit of $11.575 million over 10-Year Horizon • Cash Multiple of 4.00x

Investment Proposal

BR Development is excited to present the Hidden Vine Apartments. It will be an 80 unit apartment complex located in Murray, Utah at 5425 S Vine street. The project will transform the current aging commercial building and asphalt parking lot into a premier apartment complex for families and individuals. Murray City has much to offer to its residents, and this site can capitalize on those lifestyle benefits and extend them to many more potential residents. It's time to make this happen.

Project Description

PROJECT PROPOSAL

The plan proposes combining two adjacent parcels located at 5403 S Vine St and 5425 S Vine St to create a total 4.02 acre project site.

3.5 ACRE PARCEL

The primary parcel, at 5425 S Vine St, is 3.5 acres. It has a 1-story commercial block building with an asphalt parking lot. It was originally the Highland Dairy processing plant. People are most familiar with the property when it was the Old Wagon Master , a country-style restaurant. It was most recently rented by iWorld Simulations, a discovery space center for kids ages 8 -15. The building is currently vacant and has been for years.

The property's long and varied past underscores the challenges the location has had as a commercial site.

O.52 ACRE PARCEL

There is an adjacent smaller parcel along the northern border on the west end. It is an empty flat 0.52 acre piece of land.

Parcel Details - 3.5 Acre	
Stories	1
Street Height	18
Perimeter	524
Total Floor Area	16,320
Year Built	1975
Effective Year Built	1980
Eff. Front (sq ft)	257
Lot Depth (sq ft)	593
Total Square Feet	152,460

Parcel Details - 0.52 Acre	
No Building	
Eff. Front (sq ft)	95
Lot Depth (sq ft)	238
Total Square Feet	22,651

Project Description: Existing Site Images

Front-view of Building

Back-view of Building

Asphalt and Building

Empty Land

Project Description: Surrounding Uses

IMMDEDIATE SURROUNDING USES

The main parcel has fallen in to disrepair. The development of an apartment complex will transform this area, putting a finishing touch on the street.

NORTH

The county has built two buildings to the north of the property. Utah Association of Counties is in one and the Environmental Health is in the other, built in 1997 and 1998.

SOUTH

Stillwater apartment complex is on the south side. It has 456 units on 15.34 acres and was built in 1985.

EAST

A storage unit facility called StoragePLUS is behind the property. It was built in 1984 and has about 450 units.

WEST

Across Vine street is the Murray City Cemetery. It sits on 28 acres.

Project Description: Rezoning

REZONING

The land is currently zoned commercial, specifically C-D-C under Murray city codes. This code does not allow for an apartment complex. Therefore the land will need to be rezoned to a residential multi-family code and the general plan amended.

As a commercial property, it is not ideally located. A map of the area shows that this specific property is on the edge of the transition between the commercial and residential areas. The commercial corridors have grown and continue to develop along State street and 900 east, leaving this property isolated. The property will not be a successful commercial site without the necessary visibility and traffic volume.

Multi-family offers the highest value for the land and is perfectly located for families and workers. Multi-family will complement the surrounding uses and add value to the neighborhood. (See more in the land value analysis.)

R-M-20

We propose R-M-20 which will permit 17 units per acre and up to 20 units per acre after density bonuses. The development is a natural extension to the apartment complex (Stillwater Apartments) to the south. It is on 15 acres and is also currently zoned R-M-20.

R-M-25

In a best-case scenario, it will also be proposed to entitle to R-M-25 which allows 22 units to 25 units per acre. This is the highest density in Murray currently. Other older projects do have higher density such as Stillwater, which has 456 units on 15 acres (30 units per acre). According to the zoning map there are a handful of projects under the R-M-25 code which include the Stoney Brook Condos, Cottonwoods at Vine Condos and Vine Gate Apartments.

Building Plan

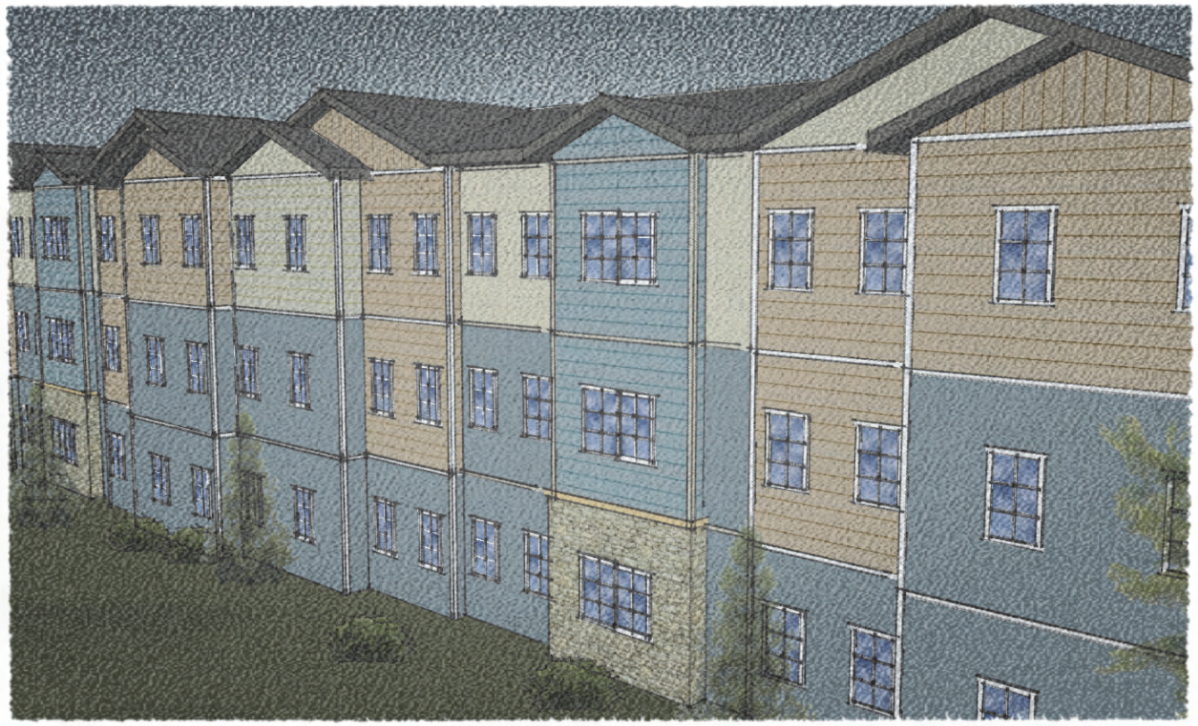
Type	Net Rentable Square Feet Units	Sq. Ft.	Total
1 Bd / 1 Ba	27	700	18,900
2 Bd / 2 Ba	53	900	47,700
Total	**80**	**833**	**66,600**

Net Rentable Area (Sq. Ft.)	66,600
Efficiency	92%
Gross Building Area (Sq. Ft.)	72,391
Clubhouse (Sq. Ft.)	3,037
Total Building Area	75,428
Gross Building Area (Sq. Ft.)	72,391
# of Floor Levels	3
Gross Building Footprint	24,130
Clubhouse (Sq. Ft.)	3,037
Total Building Footprint	27,167
Land Sq. Ft.	175,111
Total Building Area	75,428
Land Building Ratio	**2.32**

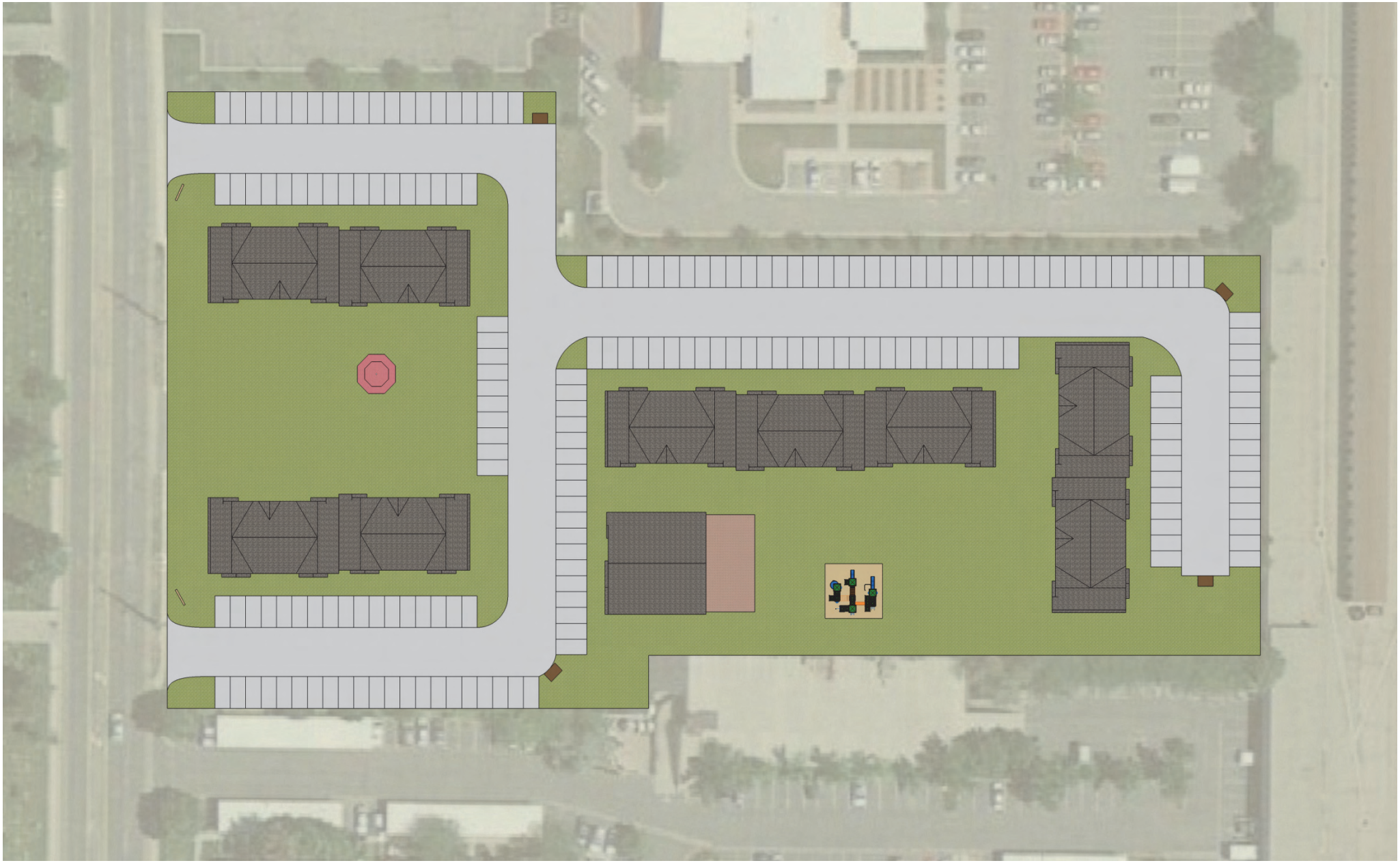
Acres	Square Feet
0.52	22,651
3.50	152,460
4.02	175,111

Size of Parking Stalls	9x18
Number of Parking Stalls	200
Sq. Ft. required for Parking Stalls	57,600
Additional Space Required	17%
Total Sq. Ft. Required	67,536

	Sq. Ft.	Sq. Yards	Percent
Total Building Footprint	27,167	3,019	16%
Parking Asphalt	67,536	7,504	39%
Subtotal	94,703	10,523	54%
Landscape	80,408	8,934	46%
Total	175,111	19,457	100%

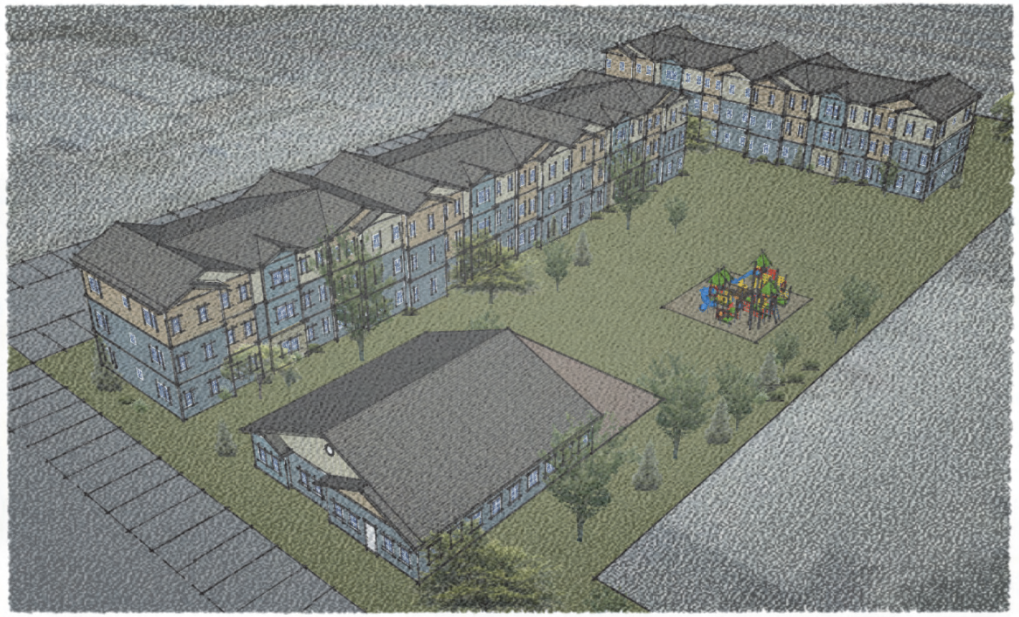


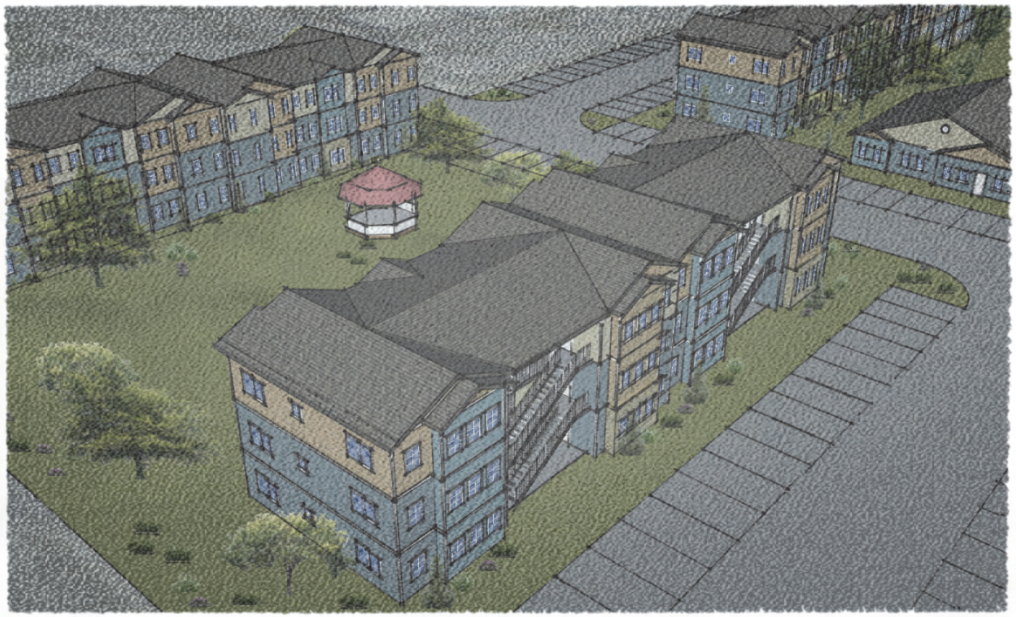
Site Plan: 2D Overview

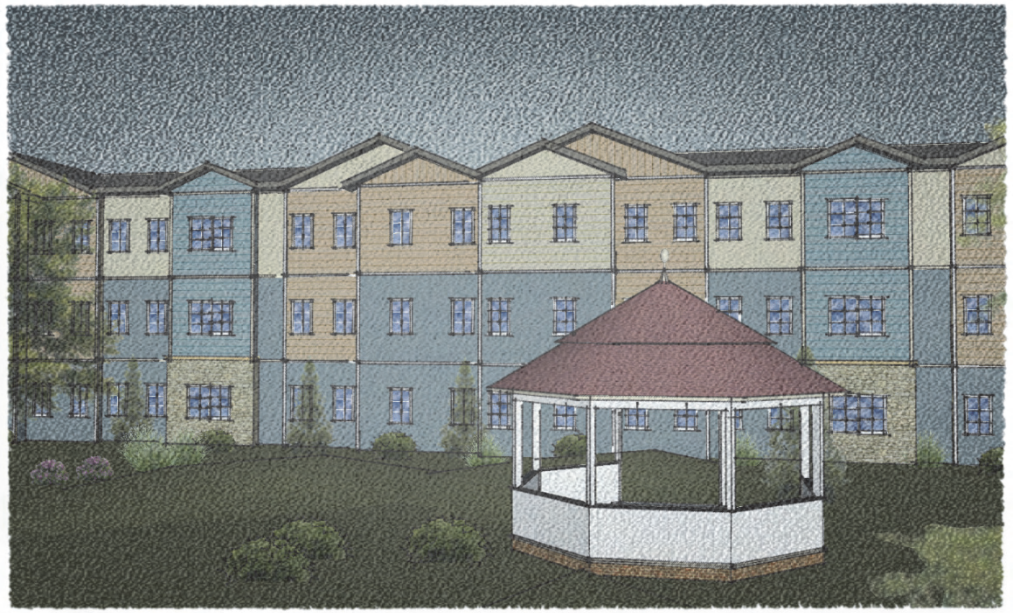


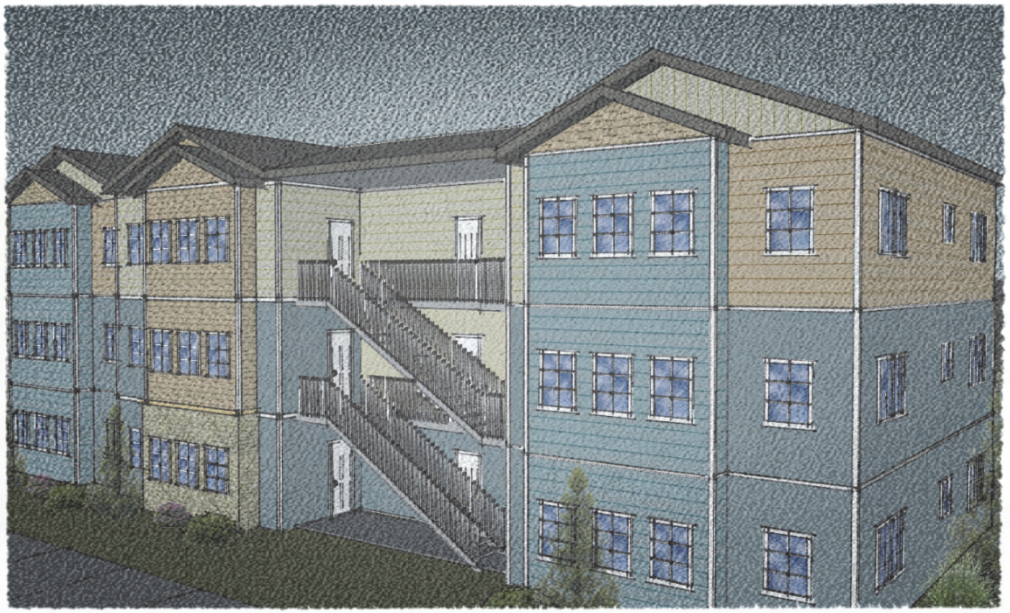
Site Plan: 3D Overview

Renderings

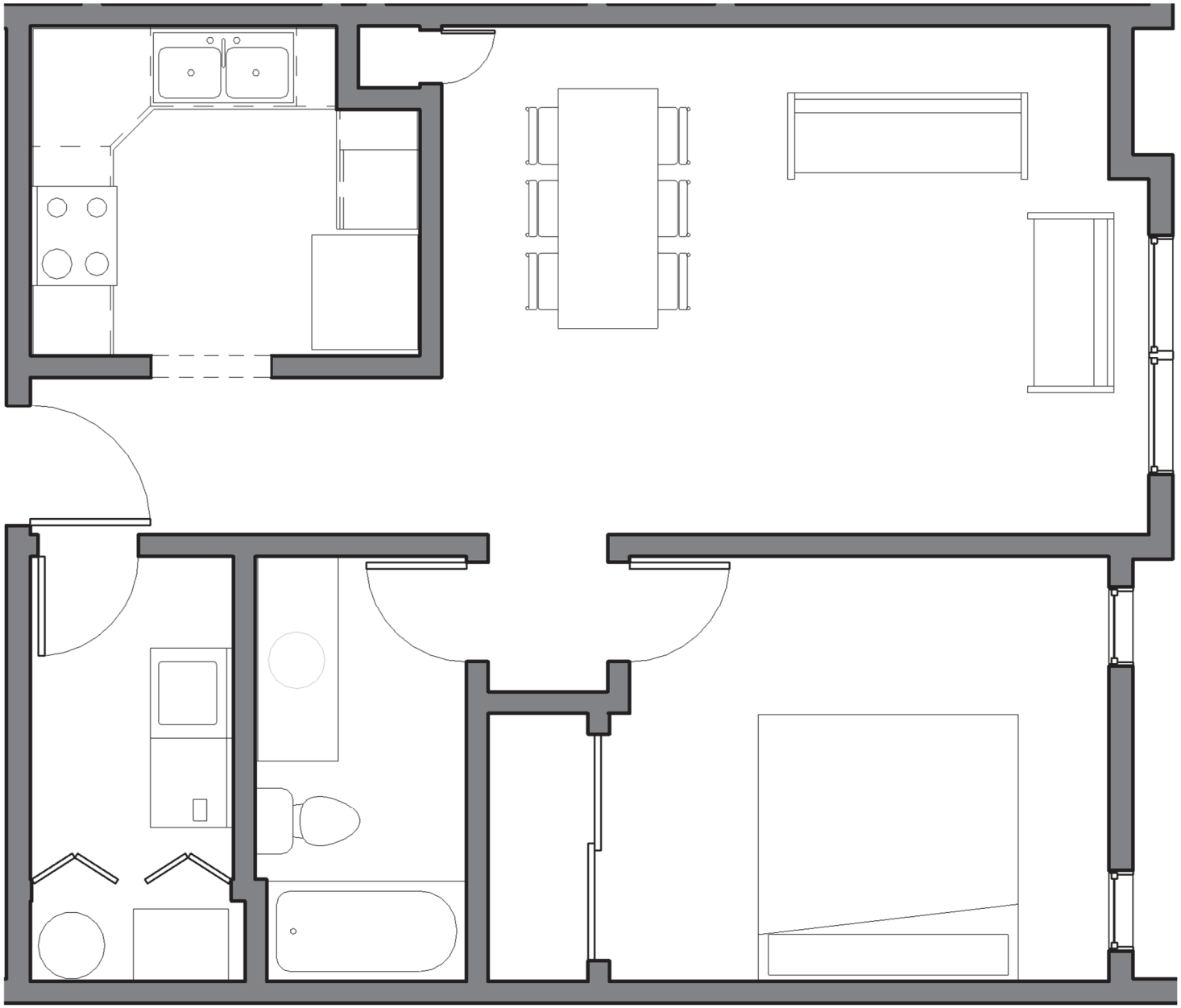




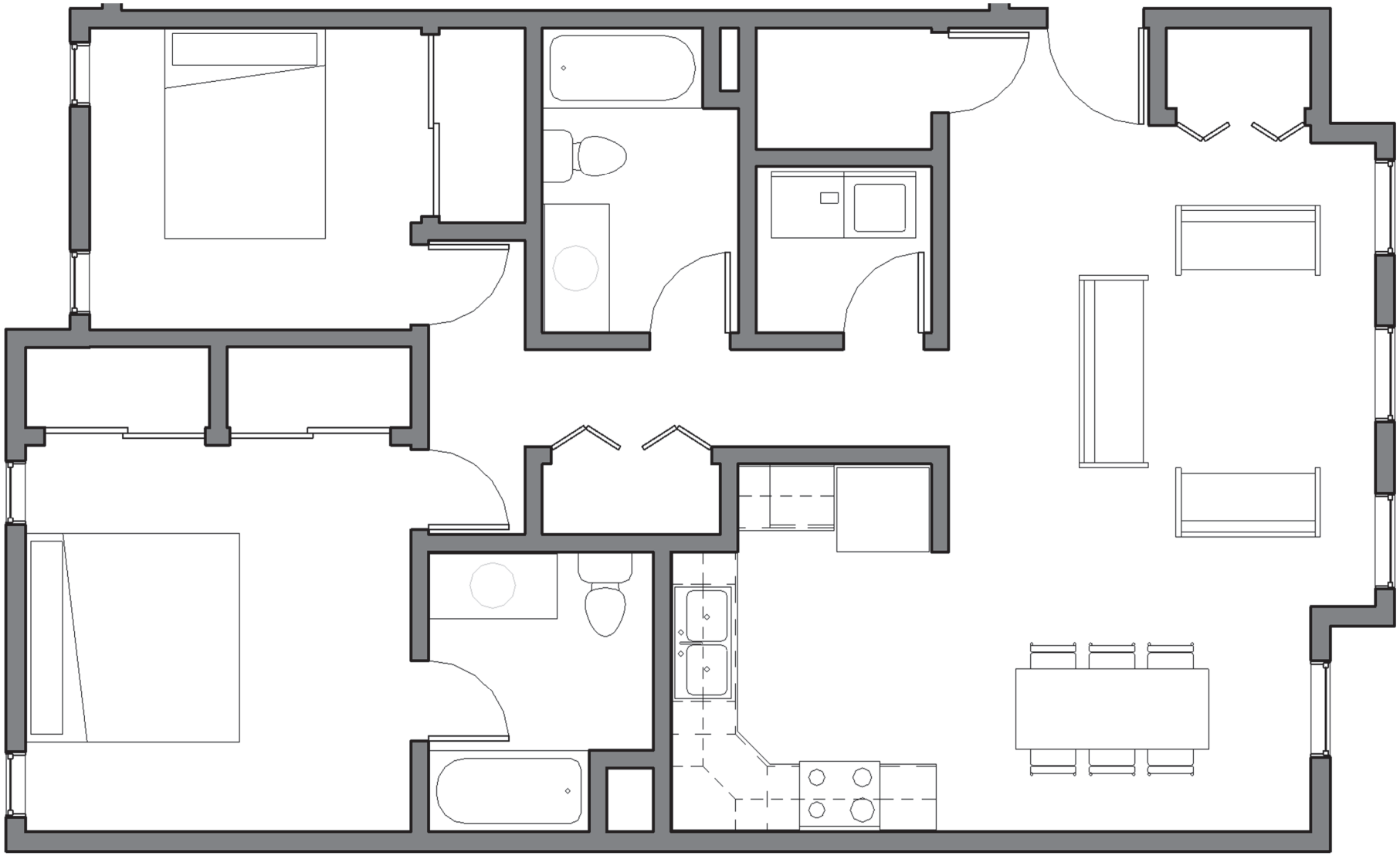




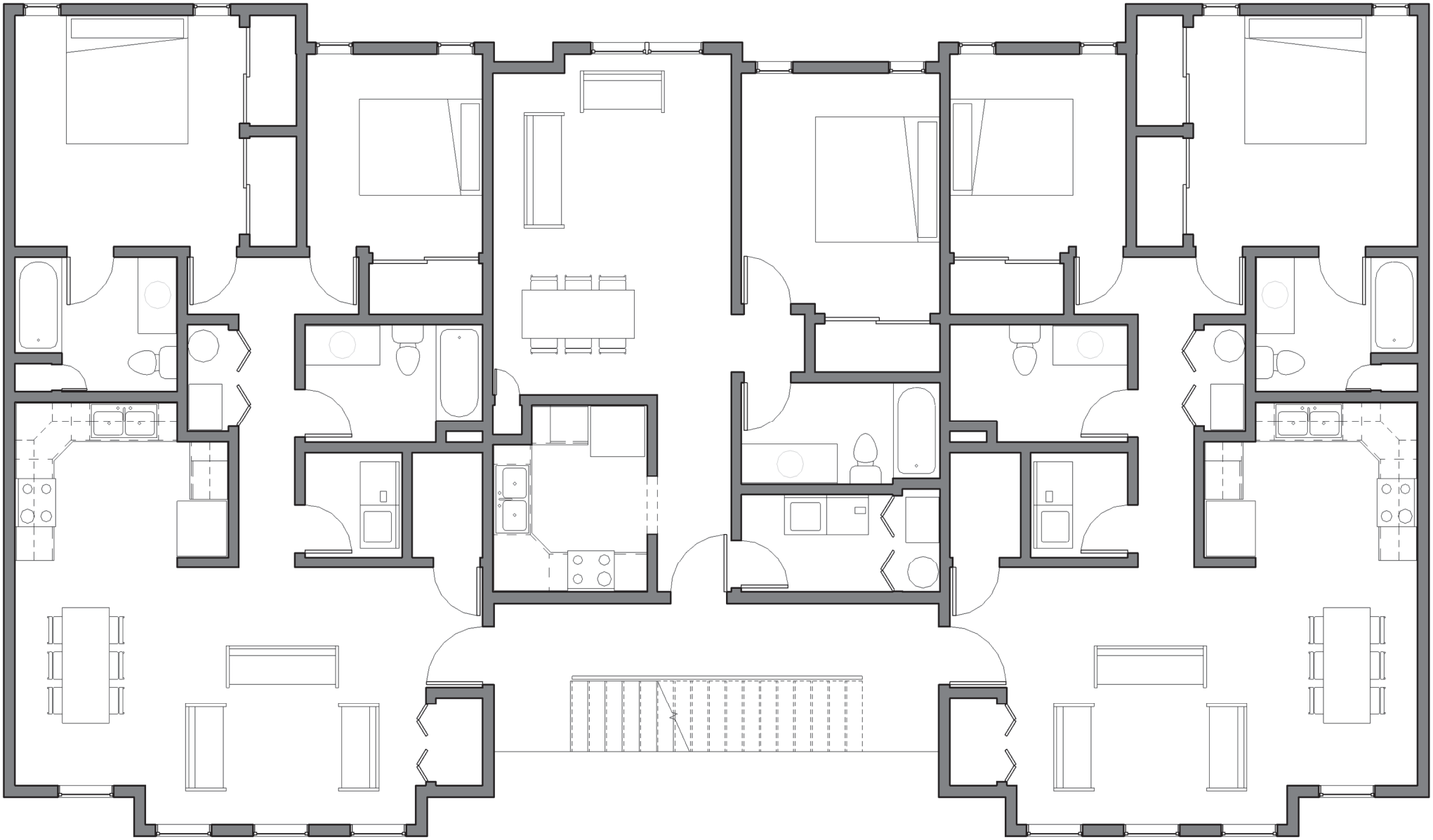
Floor Plan: 1 Bedroom / 1 Bath



Floor Plan: 2 Bedroom / 2 Bath



Floor Plan: Combined



Market Overview: Work & Transportation

NEIGHBORHOOD ANALYSIS

In evaluating the site's location, we performed a neighborhood analysis to determine benefits and advantages of the area. Overall value is shaped by access to work, general transportation, shopping districts, schools, and other miscellaneous attractions.

ACCESS TO WORK

The project is on Vine street, a two-lane street with medium traffic count. Going north, Vine street connects you to 5300 south which quickly brings you to the I-15 5300 S on-ramp, providing renters quick access to downtown or Utah county. Other major streets such as State Street or Van Winkle Expressway provide more options to travel to other areas of the valley.

TRANSPORTATION

UTA bus routes are accessible from the property but the most important transportation item is the TRAX/FRONTRUNNER station at 5200 S and 300 W. These line will continue to expand out across the Salt Lake and Utah valley creating long-term sustainable value to the tenants of the property.

FRONTRUNNER

Market Overview: Shopping, Medical, Schools

SHOPPING

In addition to the great location for transportation, the property is minutes away from superb shopping and food at Fashion Place Mall. And just as close are other shopping districts with stores such as Walmart, Fresh Market, Sports Authority, Best Buy and Barnes & Noble. Let's not forget there is a Costco less than five minutes away!

MEDICAL

Intermountain Medical Center (IMC) was recently built right next to Costco. The renters will have extremely close access to medical care.

SCHOOLS

The site is in the Murray school district. For renters with young families, Woodstock Elementary, Hillcrest Junior High, and Murray High School are close.

Market Overview: Recreation

RECREATION ACTIVITIES

There are many recreational amenities in the area. Murray City Park, which is 63.4 acres, is down the street. This includes an outdoor pool facility, a community recreation facility called the Park Center, an amphitheater, pavilions and picnic spots, outdoor playing fields, and many walking and biking paths. Also nearby is The Mick Riley golf course, which has 9 regulation play holes and 9 holes of par 3 play on 130 acres. These are only a sampling of Murray City's parks and recreational amenities.

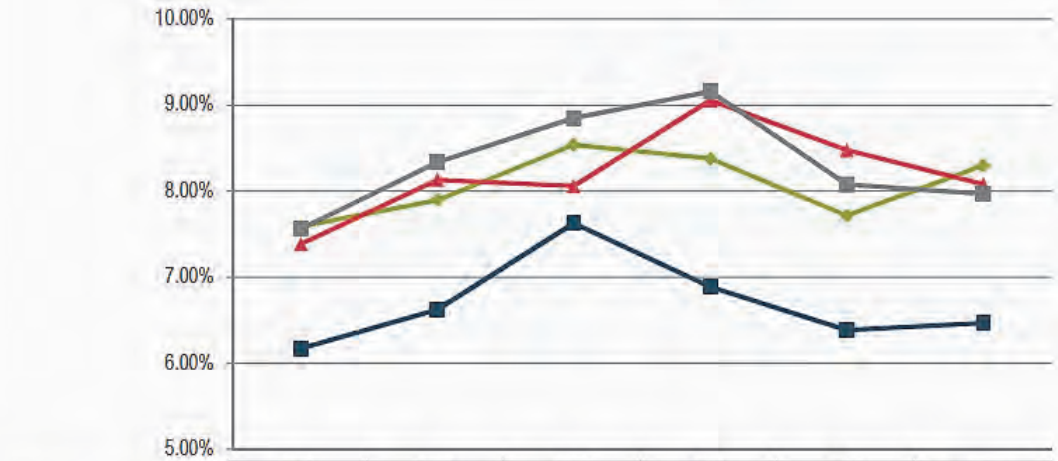
Other close private facilities include 24 Fitness, The Sports Mall on 900 East, or Gold's Gym on Van Winkle Expressway and 5600 S.

Market Overview: Area Map

Market Overview: Economic & Cap Rates

GENERAL MARKET CONDITIONS

Utah continues to outperform other states as a center for business and economic growth. It was ranked by Forbes Magazine for the 3rd year in a row as #1 Best State for Business and Careers and CNBC ranked Utah #2 For the Best State for Doing Business. The state is also in the top 10% for the lowest unemployment rate at around 5.2% compared to the national average of about 7.9%. This is in part due to the many businesses that continue to expand or relocate to Utah.



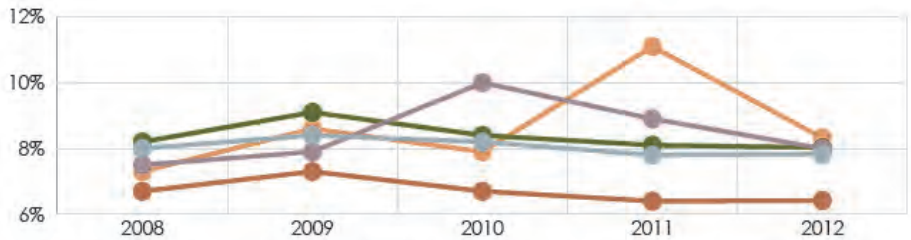
	2007	2008	2009	2010	2011	2012
Industrial	7.59%	7.90%	8.54%	8.38%	7.72%	8.30%
Multifamily	6.17%	6.62%	7.63%	6.89%	6.38%	6.47%
Office	7.39%	8.13%	8.06%	9.05%	8.48%	8.08%
Retail	7.56%	8.34%	8.85%	9.16%	8.08%	7.97%

Source: NAI West 2012 Year End Market Report

CAPITILIZATION RATES

The multi-family sector has seen a lot of activity the last few years. Industry reports show that the strong demand by institutional and national buyers has pushed the cap rates lower over the last few years. Cap rates are currently around 6.4 - 6.5%. The market remains strong, being considered a solid asset investment.

A recent appraisal on a comparable property reported cap rates ranging from 5.8 to 6.7%.



	2008	2009	2010	2011	2012
Apartment	6.7%	7.3%	6.7%	6.4%	6.4%
Industrial	8.0%	8.4%	8.2%	7.8%	7.8%
Office	7.5%	7.9%	10.0%	8.9%	8.0%
Retail	8.2%	9.1%	8.4%	8.1%	8.0%
Others*	7.3%	8.6%	7.9%	11.1%	8.3%

* Other includes storage units, mobile homes, hotel and motel.

Source: Cushman & Wakefield 4Q 2012 Report

Market Overview: Vacancy Rates

VACANCY RATES

Vacancy rates have been steadily declining across the nation, hovering around 4.6%. In July 2012 vacancy rates in Salt Lake County were at 3.8% compared to 5.2% a year earlier. For properties with less than 100 units, this rate falls to 3.4%. Also, for properties East of I-15, overall vacancy rate is at 3.0%.

According the Hendricks 2013 market report, vacancy rates have dropped 1% to 3.8% for the overall market. In the Murray submarket, rates fell from 4.0% to 3.1%. Stillwater apartments currently has 3% vacancy.

The Murray submarket has a reported 2.7% vacancy per Reis, Inc.

See Appendix A for more information.

"A relative balance of apartment supply and demand is the emerging trend. It occurs at a time of low vacancy: Reis expects rates to remain below 4.0% for an extended period while the market refrains from overbuilding. Rent growth at about 4.0% is anticipated for 2013. Larger gains could follow."

Source: REIS Salt Lake City Report

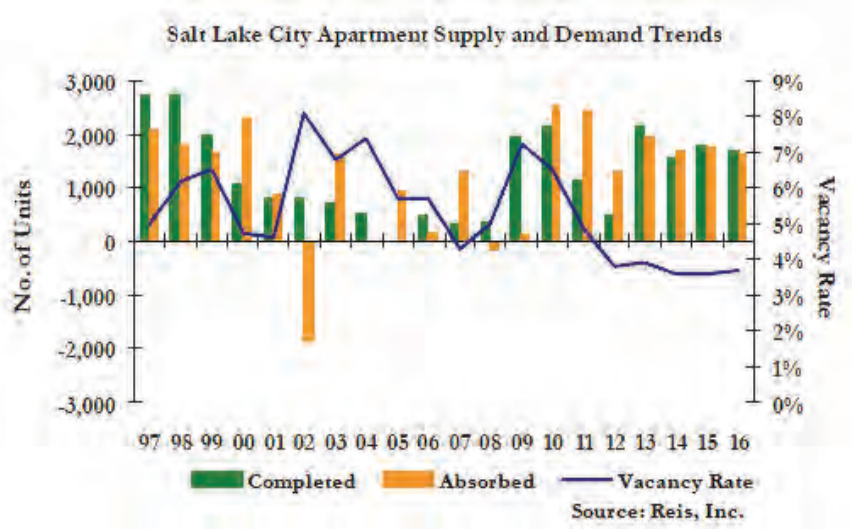
100+ UNITS	VACANCY		AVERAGE RENT INCREASE		AVERAGE RENT	
SUBMARKETS	2012	2011	2012	2011	2012	2011
Central Salt Lake City	3.0%	4.6%	2.9%	3.5%	$849	$825
South Salt Lake / Cottonwood	3.7%	5.6%	2.7%	1.2%	$695	$677
Murray	3.1%	4.0%	3.3%	1.2%	$809	$783
Midvale / Sandy	4.1%	4.5%	3.2%	0.0%	$859	$832
West Jordan	5.9%	8.7%	1.5%	3.4%	$920	$906
Southwest Salt Lake City	4.7%	6.7%	3.2%	0.7%	$715	$693
West Valley City	4.8%	5.3%	1.1%	1.9%	$706	$698
Northwest Salt Lake / Airport	2.6%	3.3%	0.8%	0.2%	$648	$643
Davis County	3.5%	4.3%	2.7%	0.4%	$730	$711
Weber County	3.6%	4.9%	2.1%	1.5%	$686	$672
TOTALS	3.8%	4.8%	2.5%	2.4%	$784	$765

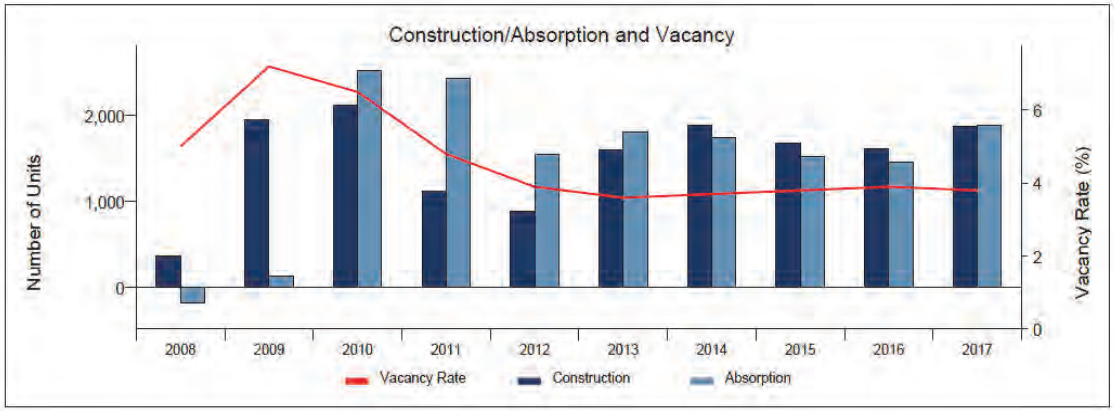
Market Overview: Supply & Demand

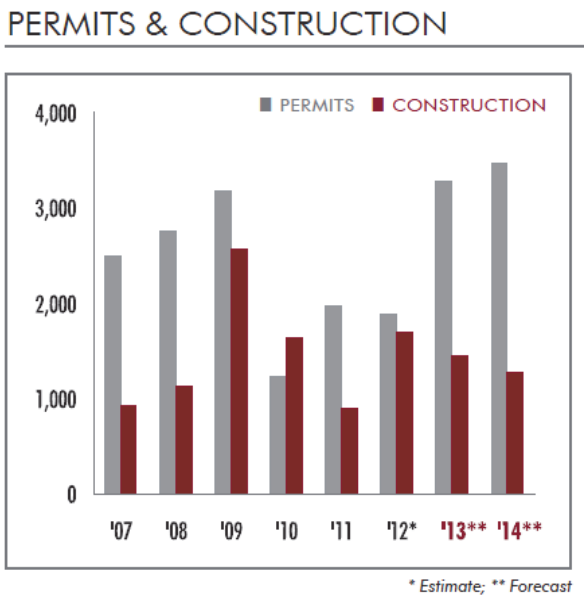
INVENTORY & CONSTRUCTION

In 2011 about 1,600 new apartment units received permits in Salt Lake County. This increased rental inventory by 1.4% in the county. Population has been increasing at 1.35% annually since year 2000, though in 2011 it increased by 1.2%. While some have feared that there is over-building in apartments, vacancy rates have fallen, overall rents have increased, and there have been sharp decreases in concessions. These facts suggest tightening inventory compared to apartment demand.

In 2012, the apartment market has evened out with supply and demand. The market has absorbed the completed units from the downturn such that, over a 5-year annualized period, the market has stabilized.







Market Overview: Rental Rates

Rental Rates

Unit Type	Overall Rent	East I-15	Less than 100	Built After Year 2000	Average
1 Bd / 1 Ba	$709	$721	$635	$816	$720
2 Bd / 1 Ba	$759	$745	$706	$852	$766
2 Bd / 1.5 Ba	$851	$858	$827	$919	$864
2 Bd / 2 Ba	$943	$971	$948	$986	$962

Rental Rates per Sq. Ft.

Unit Type	Overall Rent PSF	East I-15	Less than 100	Built After Year 2000	Average
1 Bd / 1 Ba	1.05	1.07	0.92	1.09	1.03
2 Bd / 1 Ba	0.83	0.81	0.79	0.88	0.83
2 Bd / 1.5 Ba	0.88	0.90	0.80	0.92	0.87
2 Bd / 2 Ba	0.93	0.99	0.81	0.95	0.92
Overall	0.94	0.96	0.79	0.96	0.91
Vacancy	3.8%	3.0%	3.4%	3.5%	3.43%
Rent	$814	$814	$758	$968	$839

Average Rental Rate Growth

Unit Type	2006	2007	2008	2009	2010	2011	2012	Change 2011 to 2012
Studio	$440	$496	$558	$504	$480	$515	$538	4.50%
One Bedroom	$570	$644	$703	$654	$629	$659	$709	7.60%
Two Bedroom One Bath	$626	$695	$760	$723	$706	$725	$759	4.70%
Two Bedroom Two Bath	$758	$842	$915	$834	$816	$862	$943	9.40%
Three Bedroom	$865	$950	$1,066	$1,000	$956	$1,025	$1,051	2.50%
Overall	$652	$728	$793	$740	$720	$754	$814	8.00%

Source: Cushman & Wakefield Summer 2012 Report

Evidence of the tightening rental market can also be seen by the strong increase in rent rates. Rental rates grew by **8%** in 2012. The largest increase came from 2bd / 2 ba apartments at 9.4% and then 7.6% from 1 bd apartments. The rates grew by 4.7% in 2011.

For 2013, revenues are forecasted to grow by 5%.

Other reports forecast market revenues to grow by 4% for the next year and continue to grow at a steady rate for the foreseeable future.

Asking Rent by Age

Year Built	Rent
Before 1970	$642
1970-1979	$712
1980-1989	$722
1990-1999	$898
2000-2009	$916
After 2009	$988
All	$788

As of 12/31/12

Market Overview: Rental Rates

Rental rates from a handful of similar properties were compiled to help determine the overall market trends.

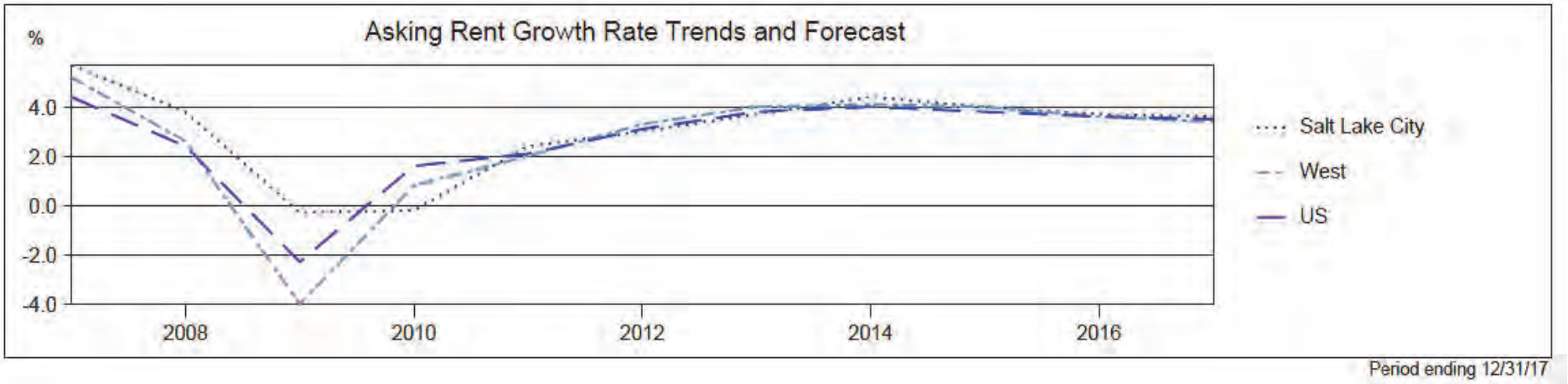
Stillwater will be the direct competitor. The units are older but the complex is in the process of renovating their units.

Lionsgate and Birkhill on Main are two new apartment projects built close to the 4500 S Trax station. They both completed phases in 2012.

The Hidden Vine rental rates were determined by first, evaluating the competitive rental rates and second, discussing the market with two rental market professionals.

Rental Rates as of 4/1/2013

Bed/Bath	Property	Area (Sq. Ft.)	Price Range		Rent per Sq. Ft.	
			Min	Max	Min	Max
1B / 1B	Stillwater	582	$634	$838	$1.09	$1.44
	Stillwater	650	$702	$843	$1.08	$1.30
	Vine Gate	616	$680	$695	$1.10	$1.13
	Clover Creek	750	$749	$759	$1.00	$1.01
	James Pointe	616	$679	$869	$1.10	$1.41
	James Pointe	668	$714	$891	$1.07	$1.33
	Lionsgate	693	$820	$820	$1.18	$1.18
	Birkhill on Main	664	$849	$849	$1.28	$1.28
	Average	**655**	**$728**	**$821**	**$1.11**	**$1.25**
2B / 2B	James Pointe	898	$754	$933	$0.84	$1.04
	Stillwater	852	$739	$967	$0.87	$1.13
	Lionsgate	847	$949	$949	$1.12	$1.12
	Birkhill	1,119	$1,249	$1,249	$1.12	$1.12
	Average	**929**	**$923**	**$1,025**	**$0.99**	**$1.10**



Financial Analysis: Net Operating Income

Unit Mix and Market Rent Analysis					
Type	Units	Lease Rate	Monthly	Yearly	$ per Sq. Ft.
1 Bd / 1 Ba	27	799	21,573	258,876	1.14
2 Bd / 2 Ba	53	999	52,947	635,364	1.11
Total	**80**	**$932**	**$74,520**	**$894,240**	**1.12**

See Next Page for Explanation of Assumptions

Stabilized Pro Forma Net Operating Income							
		Monthly	Per Unit	Yearly	Per Unit	% of EGI	% of PGI
Potential Gross Income		74,520	932	894,240	11,178	88.5%	100.0%
Concessions at	1.0%	(745)	(9)	(8,942)	(112)	(0.9%)	(1.0%)
Vacancy Loss at	5.0%	(3,726)	(47)	(44,712)	(559)	(4.4%)	(5.0%)
Other Income		14,182	177	170,180	2,127	16.8%	19.0%
Effective Gross Income		84,230	1,053	1,010,766	12,635	100.0%	113.0%
Operating Expenses at	$4,000.00	(26,667)	(333)	(320,000)	(4,000)	(31.7%)	(35.8%)
Management Fee at	3.0%	(2,527)	(32)	(30,323)	(379)	(3.0%)	(3.4%)
Insurance	$175	(1,167)	(15)	(14,000)	(175)	(1.4%)	(1.6%)
Taxes	$500	(3,333)	(42)	(40,000)	(500)	(4.0%)	(4.5%)
Total Expenses		(33,694)	(421)	(404,323)	(5,054)	(40.0%)	(45.2%)
Net Operating Income		**$50,537**	**$632**	**$606,443**	**$7,581**	60.0%	67.8%
Capital Reserves	($25)	($2,000)	($25)	($24,000)	($300)	(2.4%)	(2.7%)

Financial Analysis: Net Operating Income

CONCESSIONS

A base estimate of 0.5 to 1.5% is normal in the industry.

VACANCY LOSS

A professional rental manager from a multi-national management company stated she uses 4%. Another source recommended 6% for budgeting purposes.

A range of 4 - 6% is also in line with the industry market reports over the long-term. See page 20.

OTHER INCOME

Multiple discussions took place with industry professionals as well as first-hand market research at apartment complexes in the area, especially Stillwater. See page 26.

OPERATING EXPENSES

Initially general estimates were made at 35% for operating expenses. One developer recommended $4,000 per door. A close comp property currently spends $4,500 per door. The professional rental manager provided a range of $1,600 to $4,000 per door.

MANAGEMENT FEE

An industry standard estimate.

INSURANCE

Cost estimated between $150 to $200 per unit per year.

TAXES

Taxes estimated to be $500 per unit per year.

TOTAL EXPENSES

The close comp property currently operates at 39.5% of EGI per year including capital reserves. Industry averages around 42.5% per REIS report for the Salt Lake City area. Murray has a reported 43%.

CAPITAL RESERVES

Reserves range between $200 and $500 per unit per year but most professionals provided a range between $200 and $300. Conventional Financing currently requires $250/unit/year.

Since the property is new, no capital expenditures are expected but nonetheless planned for over the forecasted investment period.

Financial Analysis: Other Income

OTHER INCOME ASSUMPTIONS				
Type	**Cost**	**Monthly**	**Yearly**	**Notes**
Application Income	$35	$82	$980	Assumes 35% Turnover Rate
Internet Income	30	2,280	27,360	Assumes 95% Collection Rate
Cable TV Income	40	3,040	36,480	Assumes 95% Collection Rate
Utility Reimbursement Income	55	4,180	50,160	Assumes 95% Occupancy Rate
Water/Sewer/Trash	20	1,520	18,240	Assumes 95% Occupancy Rate
Parking Income	30	600	7,200	Assumes 20 Extra Stalls Rented Each Month
Late Fee Income	75	375	4,500	Assumes 5 Tenants Pay Late per Month
Month to Month Fee	100	300	3,600	Assumes 3 Tenants per Month
Lease Cancellation Fee	1,200	300	3,600	Assumes 3 Cancellations per Year
Service of Notice Fee	100	100	1,200	Assumes 1 Service of Notice Fee per Month
NSF Fees	25	25	300	Assumes 1 Tenant per Month
Pet Income	35	980	11,760	Assumes 35% of Residents are Pet Owners
Pet Fee Non Refundable	200	200	2,400	Assumes 1 New Pet Owner per Month
Security Deposit Retained	200	200	2,400	Average Deposit Confiscated of $200 per Month
Total Other Income		**$14,182**	**$170,180**	
Per Unit		**$177**	**$2,127**	

Financial Analysis: Budget

Acquisition Cost	$ per Sq. Ft.	$ per Unit	Total	% of Total
Land Cost (.52 Acre)	6.85	1,940	155,224	1.69%
Land Cost (3.50 Acre)	6.85	13,060	1,044,776	11.39%
Suggested Land Price	8.22	18,000	1,440,000	15.69%
Impact Fees	1.37	$3,000	240,000	2.62%
Discount of (15%) for Rezoning	(1.44)	(3,150)	(252,000)	(2.75%)
Total Land Price	**$8.15**	**$17,850**	**$1,428,000**	15.56%
Hard Costs				
Demolition of Exisiting Structure	1.30	1,177	94,120	1.03%
Site Improvement	2.00	1,688	135,072	1.47%
Landscaping	1.87	1,875	150,000	1.63%
Building at $75 Sq. Ft.	75.00	67,867	5,429,348	59.17%
Clubhouse at $50 Sq. Ft.	50.00	1,898	151,850	1.65%
Parking Carports	1.38	$1,000	100,000	1.09%
Hard Cost Contingency (3%)	2.59	2,343	187,435	2.04%
Total Hard Costs	**$82.83**	**$77,848**	**$6,247,825**	68.09%
Soft Costs				
Title & Closing Costs (3%)	0.50	450	36,000	0.39%
Soil & Environmental Testing	0.41	375	30,000	0.33%
Architect & Engineering	2.07	1,875	150,000	1.63%
Landscape Architect Fee	0.17	150	12,000	0.13%
Interior Designer Fee	0.17	150	12,000	0.13%
Permits, Review, Connections	2.76	2,500	200,000	2.18%
Legal & Accounting	0.48	438	35,000	0.38%
Taxes & Insurance	2.07	1,875	150,000	1.63%
Guaranty Fee	1.38	1,250	100,000	1.09%
Soft Cost Contingency (3%)	2.59	2,343	187,435	2.04%
Developer Fee (5%)	5.35	4,842	387,382	4.22%
Const. Loan Points & Interest Reserve	2.76	2,500	200,000	2.18%
Total Soft Costs	**$19.88**	**$18,748**	**$1,499,817**	16.35%
Total Building Costs	**$102.72**	**$96,596**	**$7,747,641**	84.44%
Total Project Costs	**$121.65**	**$114,446**	**$9,175,641**	100.00%

See Following Pages for Review of Estimates.

Financial Analysis: Acquisition Cost

HIGHEST AND BEST USE

In discussing different potential uses for the property, we considered the following options and the value each would bring to the owner:

Light Industrial – the building could be repurposed but values are around $4/sq ft

Storage Units – we could build/expand the current storage units although the city has approved some recently

Office complex – values range from $7 - $9/sq ft and there is a back office complex close by

Assessor Valuation 2012 Tax Year		
3.5 Acre Parcel	Land Value	$1,227,300
	Building Value	$1,200
	Total	$1,228,500
0.5 Acre Parcel	Land Value	$260,500
	Building Value	-
	Total	$260,500
4.02 Acre	**Total**	**$1,489,000**

Retail – values are around $8 - $10/sq ft but then visibility is an issue

With these in mind and after discussions with a couple of professional brokers, we determined that a multi-family project would provide the most value to the owners of the properties.

MULTI-FAMILY LAND VALUE

In trying to decide how much we would be willing to pay for the property, we talked to multiple developers to figure out the range of values.

One developer said current prices would be about $15,000 per door.

Another developer gave the range of $15,000 to $20,000 depending upon the property issues.

In each of these situations, these prices should be net of impact fees for the development and demolition costs.

Finally, since the property needs to be rezoned, another developer recommended discounting the price for that risk and time.

See next page for sensitivity analysis of land value.

Financial Analysis: Acquisition Cost

$ in thousands		Number of Units					
		48	60	68	80	88	100
COST PER DOOR	$15.0	$720	$900	$1,020	$1,200	$1,320	$1,500
	$16.0	$768	$960	$1,088	$1,280	$1,408	$1,600
	$17.0	$816	$1,020	$1,156	$1,360	$1,496	$1,700
	$18.0	$864	$1,080	$1,224	$1,440	$1,584	$1,800
	$19.0	$912	$1,140	$1,292	$1,520	$1,672	$1,900
	$20.0	$960	$1,200	$1,360	$1,600	$1,760	$2,000

$ per Sq Ft		Number of Units					
		48	60	68	80	88	100
COST PER DOOR	$15.0	$4.11	$5.14	$5.82	$6.85	$7.54	$8.57
	$16.0	$4.39	$5.48	$6.21	$7.31	$8.04	$9.14
	$17.0	$4.66	$5.82	$6.60	$7.77	$8.54	$9.71
	$18.0	$4.93	$6.17	$6.99	$8.22	$9.05	$10.28
	$19.0	$5.21	$6.51	$7.38	$8.68	$9.55	$10.85
	$20.0	$5.48	$6.85	$7.77	$9.14	$10.05	$11.42

Financial Analysis: Hard & Soft Costs

DEMOLTION OF EXISTING STRUCTURE

An estimate was provided by a professional estimator at a local demolition company for $94,120. Additionally, other professionals estimated a cost ranging from $90,000 to $125,000.

SITE IMPROVEMENT

A prominent paving company provided a rough estimate of $2.00 per sq. ft. on asphalt and paving costs. Estimate provided by professional site work company and through RS Means Cost data.

LANDSCAPING

Professional landscape designer provided estimate.

BUILDING AND CLUBHOUSE SQ. FT. COST

In discussions with builders and developers, building costs per sq ft were estimated in the range of $60 to $80 depending upon the overall quality of the building project.

Clubhouse costs were estimated to range between $30 to $50 per sq ft.

PARKING CARPORTS

Professional developer provided an estimate of $1,000 per carport.

HARD CONTINGENCY

Contingency is usually budgeted between 3 - 5%.

ALL SOFT COSTS

Estimates were reviewed and provided by industry professionals.

Financial Analysis: Debt

Loan Analysis

Direct-Income Capitilization Approach

Stabilized NOI	$606,443
Going-In Cap Rate	6.0%
Value	$10,107,377

Loan Terms

Interest Rate	5.00%
Term (years)	25

Loan-to-Value Ratio

Loan to Value	70%
Maximum Loan based on LTV	$7,075,164

Debt-Coverage Ratio

Monthly NOI	$47,723
Required DCR	1.3
Monthly Debt Service	$36,710
Maximum Loan based on DCR	$6,279,600

Maximum Loan (Lesser of LTV or DCR)

Principal Balance	$6,279,600
Monthly Debt Payment	($36,710)
Annual Debt Payment	($440,518.98)

Total Equity Requirements

Acquisition Price	$1,428,000
Building Costs	$7,747,641
Total Project Cost	$9,175,641
Loan Amount	($6,279,600)
Equity Required	$2,896,042

STABILIZED NOI

See page 24 for analysis.

CAP RATE

Cap rate of 6.5% used based upon prevailing market trends. See page 19 for market information.

A developer recently had one property valued at a 5.75% cap rate and recommended a going-in and terminal cap rate of 6.0% and 6.5% respectively.

LOAN TERMS (RATE, LTV)

In discussions with industry professionals, rates ranged from 3.8% to 5% on loans. Loan to Value was between 65% to 80% depending on the source of funding.

Financial Analysis: Forecasted Cash Flow

PROFORMA INPUTS ($ in thousands)					
Acquisition Price	$1,428.00	Terminal Cap Rate	6.5%	# of Units	80
Building Costs	$7,747.64	Loan Interest Rate	5.00%	Vacancy Rates	5.0%
Total Project Cost	$9,175.64	Loan Term (in years)	25	Concessions Rate	1.0%
Loan Amount	($6,279.60)	Monthly Payment	($36.71)	Management Fee	3.0%
Equity Required	$2,896.04	Annual Payment	($440.52)	Closing Costs	3.0%

OPERATING STATEMENT	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Potential Gross Income		596.2	894.2	921.1	948.7	977.2	1,006.5	1,036.7	1,067.8	1,099.8	1,132.8
Less: Concessions		(161.0)	(8.9)	(9.2)	(9.5)	(9.8)	(10.1)	(10.4)	(10.7)	(11.0)	(11.3)
Less: Vacancy Loss		(17.9)	(44.7)	(46.1)	(47.4)	(48.9)	(50.3)	(51.8)	(53.4)	(55.0)	(56.6)
Plus: Other Income		82.8	170.2	175.3	180.5	184.2	187.8	191.6	195.4	199.3	203.3
Effective Gross Income		500.1	1,010.8	1,041.1	1,072.3	1,102.7	1,133.9	1,166.1	1,199.1	1,233.1	1,268.2
Less: Management Fee		(213.3)	(30.3)	(31.2)	(32.2)	(33.1)	(34.0)	(35.0)	(36.0)	(37.0)	(38.0)
Less: Operating Expenses		(15.0)	(320.0)	(324.8)	(329.7)	(334.6)	(339.6)	(344.7)	(349.9)	(355.2)	(360.5)
Less: Other Expenses		(36.0)	(54.0)	(54.8)	(55.6)	(56.5)	(57.3)	(58.2)	(59.0)	(59.9)	(60.8)
Net Operating Income		**235.8**	**606.4**	**630.2**	**654.8**	**678.5**	**703.0**	**728.2**	**754.2**	**781.1**	**808.8**
Loan Payments		(293.7)	(440.5)	(440.5)	(440.5)	(440.5)	(440.5)	(440.5)	(440.5)	(440.5)	(440.5)
Capital Reserves		(16.0)	(24.0)	(24.0)	(24.0)	(24.0)	(24.0)	(24.0)	(24.0)	(24.0)	(24.0)
Equity Payments	(2,162.0)	(734.0)									
Net Sales											7,890.0
Net Cash Flow	**(2,162.0)**	**(807.9)**	**141.9**	**165.7**	**190.3**	**214.0**	**238.4**	**263.7**	**289.7**	**316.6**	**8,234.3**
Debt Coverage Ratio			1.38x	1.43x	1.49x	1.54x	1.60x	1.65x	1.71x	1.77x	1.84x
Rental Growth Rate				3.0%	3.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Expense Growth Rate				1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%

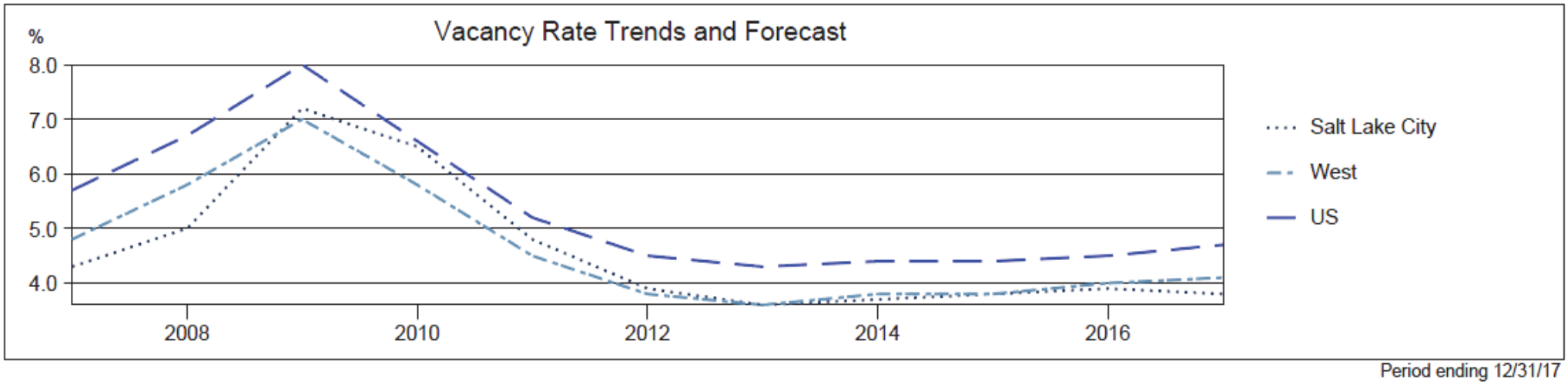
Sum of PV	**$2,720.2**
Return on Invesment (IRR)	**14.9%**
Cash on Cash (2015 NOI/ Equity)	**20.9%**
Cash on Cash (2015 NOI/ Total Project Cost)	**6.6%**
Profit	**$11,575.0**
Cash Multiple	**4.00x**

2024 Net Operating Income	**839.8**
Terminal Cap Rate	**6.5%**
Sales Price	**12,919.8**
Closing Costs at 3%	**(387.6)**
Net Sales Proceeds	**12,532.2**
Less: Remaining Loan Balance	**(4,642.2)**
Net Sales	**7,890.0**

Financial Analysis: Sensitivity

Type	Worst	Base	Best
$ per Door	$20,000	$18,000	$16,000
Concessions	1.5%	1.0%	0.5%
Vacancy Loss	6.0%	5.0%	4.0%
Operating Expenses	$4,500	$4,000	$3,800
Capital Reserves	($30)	($25)	($21)
Building Sq Ft	$80	$75	$70
Lease 1B/1B	$775	$799	$825
Lease 2B/2B	$975	$999	$1,035
Interest Rate	5.5%	5.0%	4.5%
Loan to Value	65%	70%	75%
DCR	1.35x	1.30x	1.25x
Going-In Cap Rate	6.5%	6.0%	5.75%
Terminal Cap Rate	7.0%	6.5%	6.25%
Sum of PV	$23.6	$2,720.2	$5,039.4
Return on Invesment (IRR)	7.1%	14.9%	26.4%
Cash on Cash (2015 NOI/ Equity)	12.1%	20.9%	46.6%
Cash on Cash (2015 NOI/ Total Project Cost)	5.5%	6.6%	7.7%
Profit	$7,782.8	$11,575.0	$14,730.9
Cash Multiple	1.77x	4.00x	10.31x

Appendix A



	Vacancy Rates						
	Quarterly			Annualized			
	4Q12	3Q12	YTD Avg	1 Year	3 Year	5 Year	5 Yr Forecast
Salt Lake City	3.9%	3.9%	4.1%	4.4%	5.6%	5.3%	3.8%
West	3.8%	4.0%	4.0%	4.2%	5.3%	5.3%	3.9%
United States	4.5%	4.7%	4.7%	4.8%	6.1%	6.1%	4.5%
Period Ending:	12/31/12	09/30/12	12/31/12	12/31/12	12/31/12	12/31/12	12/31/17

Appendix B

OPERATING STATEMENT 2014	May	June	July	August	September	October	November	December	Total
Potential Gross Income	$74.52	$74.5	$74.5	$74.5	$74.5	$74.5	$74.5	$74.5	$596.2
Absorption Rate	30%	45%	60%	75%	90%	94%	95%	95%	
Less: Vacancy Loss	(52.2)	(41.0)	(29.8)	(18.6)	(7.5)	(4.5)	(3.7)	(3.7)	(161.0)
Concession Rate	5%	4%	4%	4%	4%	1.0%	1.0%	1.0%	
Less: Concession Loss	(3.7)	(3.0)	(3.0)	(3.0)	(3.0)	(0.7)	(0.7)	(0.7)	(17.9)
Plus: Other Income	4.3	6.4	8.5	10.6	12.8	13.3	13.5	13.5	82.8
Effective Gross Income	22.9	36.9	50.2	63.5	76.9	82.6	83.5	83.5	500.1
Less: Operating Expenses	(26.7)	(26.7)	(26.7)	(26.7)	(26.7)	(26.7)	(26.7)	(26.7)	(213.3)
Less: Management Fees	(0.7)	(1.1)	(1.5)	(1.9)	(2.3)	(2.5)	(2.5)	(2.5)	(15.0)
Less: Insurance & Taxes	(4.5)	(4.5)	(4.5)	(4.5)	(4.5)	(4.5)	(4.5)	(4.5)	(36.0)
Net Operating Income	**($9.0)**	**$4.7**	**$17.6**	**$30.5**	**$43.4**	**$49.0**	**$49.8**	**$49.8**	**$235.8**
Loan Payments	(36.7)	(36.7)	(36.7)	(36.7)	(36.7)	(36.7)	(36.7)	(36.7)	(293.7)
Capital Reserves	(2.8)	(2.8)	(2.8)	(2.8)	(2.8)	(2.8)	(2.8)	(2.8)	(22.4)
Land Acquisition Costs									
Construction Costs									
Net Cash Flow	**($48.5)**	**($34.8)**	**($21.9)**	**($9.0)**	**$3.9**	**$9.5**	**$10.3**	**$10.3**	**($80.3)**
Debt Coverage Ratio		**0.13x**	**0.48x**	**0.83x**	**1.18x**	**1.33x**	**1.36x**	**1.36x**	

Construction is expected to take one year with the property to come on line in May 2014. An absorption schedule was forecasted for Net Income for months from May to December.