

L&A Appraisal, Inc.

Commercial Real Estate Appraisers

APPRAISAL REPORT

Of The

Seven-building, 28-unit Apartment Complex

Located At

2024 Golf Avenue and 3110-3114 Northwestern Avenue
Racine, Racine County, Wisconsin



Pertinent dates

Effective Date	January 1, 2019 (Retrospective)
Date of the Report	July 5, 2019
Inspection Date	June 25, 2019

Prepared for

Matthew Gordon
13890 Bishops Drive, Suite 300
Brookfield, Wisconsin 53005

L&A Appraisal, Inc.

Commercial Real Estate Appraisers

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July 5, 2019

Matthew Gordon
13890 Bishops Drive, Suite 300
Brookfield, Wisconsin 53005

Re: Mgre Northwestern, LLC
2024 Golf Avenue and 3110-3114 Northwestern Avenue, Racine, Wisconsin

As requested, an appraisal report of the market value of the seven-building, 28-unit apartment complex located at 2024 Golf Avenue and 3110-3114 Northwestern Avenue, Racine, Wisconsin, has been prepared.

This report describes the method of appraisal, contains data gathered in the investigation and explains the analyses used in arriving at the value opinion. Please refer to the scope of work section to understand the complexity and important facts affecting the value opinion.

It is hereby certified that the property legally described in this report was inspected.

The purpose of this appraisal is to develop a market value opinion of the subject, in fee simple estate interest, including kitchen and laundry appliances, as of the effective date of January 1, 2019 (Retrospective). It is **One Million One Hundred Twenty Thousand Dollars (\$1,120,000)**, which includes \$14,000 of personal property.

The property is appraised as a whole, owned in fee simple estate and subject to the Contingent and Limiting Conditions outlined herein. This appraisal conforms to the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation; Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, as interpreted by the appraisers.

July 5, 2019
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It is a pleasure to serve you. If you have any questions concerning this report or if we may be of further service, please contact us.

Sincerely,



Daniel T. Wilkins
Wisconsin Certified General Appraiser #1552



Robert W. Quam, Jr., MAI
Wisconsin Certified General Appraiser #1865
(Review Appraiser)

DTW/RWQ

Enclosures

REPORT

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CERTIFICATION

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and is my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- Daniel T. Wilkins appraised the subject once in the prior three years. We have performed no other services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice* of the Appraisal Foundation.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Code of Professional Ethics and Standards of Professional Appraisal Practice* of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, Robert W. Quam, Jr., MAI has completed the requirements of the continuing education program of the Appraisal Institute.
- Daniel T. Wilkins made a personal inspection of the property that is the subject of this report. Robert W. Quam, Jr., MAI, has not made a personal inspection of the property that is the subject of this report.
- No one provided significant real property appraisal assistance to the person signing this certification.

Based upon an analysis of the market data, we have developed a market value opinion of the subject, in fee simple estate interest, as of the effective date of January 1, 2019 (Retrospective), **One Million One Hundred Twenty Thousand Dollars (\$1,120,000)**, which includes \$14,000 of personal property.



July 5, 2019

Daniel T. Wilkins
Wisconsin Certified General Appraiser #1552



July 5, 2019

Robert W. Quam, Jr., MAI
Wisconsin Certified General Appraiser #1865
(Review Appraiser)

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Address	2024 Golf Avenue and 3110-3114 Northwestern Avenue, Racine, Wisconsin	
Client (Intended User)	Matthew Gordon	
Owner of Record	Mgre Northwestern, LLC	
Intended Use of Report	Tax Assessment Challenge	
Property Rights Appraised	Fee Simple Estate	
Present Use	Seven-building, 28-unit Apartment Complex	
Site Size	43,255 SF, or 0.993 Acres	
Zoning	R4, Residential Multi-Family	
Highest and Best Use	As Improved	
Building Size	25,704 SF	
Exposure and Marketing Time	Three to Six Months	
Potential Gross Income	\$215,040	
Net Operating Income	\$94,713	
Special Conditions	None	
Value Opinions	Cost Approach	Not Applicable
	Sales Comparison Approach	\$1,160,000
	Income Approach	\$1,115,000
Market Value Opinion	\$1,120,000	
Pertinent Dates	Effective Date	January 1, 2019 (Retrospective)
	Date of the Report	July 5, 2019
	Inspection Date	June 25, 2019
Appraisers	Daniel T. Wilkins	
	Wisconsin Certified General Appraiser #1552	
	Robert W. Quam, Jr., MAI	
	Wisconsin Certified General Appraiser #1865	
	(Review Appraiser)	

IDENTIFICATION OF THE SUBJECT**Property Identification**

The subject is a seven-building, 28-unit apartment complex located at 2024 Golf Avenue and 3110-3114 Northwestern Avenue, Racine, Wisconsin.

Legal Description of the Subject

Seven legal descriptions of the subject are shown below and were obtained from the Assessor's website. They are interpreted by the appraisers and are not to be used for legal purposes.

Tax Key 20109074 (2024 Golf Ave)

BLK 10 Fox Estate Sub No 2 PT Lot 30, Beg WLN Golf Ave 190 FT S Of SLN Adams DR, W 74.15 FT, S 73.06 FT, 73.8 FT, N 73.61 FT To Pob, in the city of Racine, county of Racine, and the state of Wisconsin

Tax Key 20109069 (3110 Northwestern Ave)

BLK 10 Fox Estate Sub No 2 , PT Lot 30, Beg SW Cor, Nly 59.33 FT, Ne 81.83 FT, Sly 59.33 FT, SW 81.83 FT To Pob, Except For Street, in the city of Racine, county of Racine, and the state of Wisconsin

Tax Key 20109070 (3114 Northwestern Ave)

BLK 10 Fox Estate Sub No 2 PT Lot 30 Beg WLN Golf Ave 263.61 FT S Of SLN Adams DR, S 88.79 FT, SW 10.83 FT, NW 59.33 FT, Sly 81.83 FT, Nly 16 FT, Ne 81.33 FT, NW 37.17 FT, Ne 36.83 FT, E 73.8 FT To Pob, Except PT For Street, in the city of Racine, county of Racine, and the state of Wisconsin

Tax Key 20109071 (3118 Northwestern Ave)

BLK 10 Fox Estate Sub No 2 PT Lot 30, Beg NLN Northwestern Ave 75.33 FT FR SW Cor SD Lot, Nly 74.33 FT, Ne 81.83 FT, Sly 74.33 FT, SW 81.83 FT To Pob, Exc PT For Street, in the city of Racine, county of Racine, and the state of Wisconsin

Tax Key 20109075 (3122 Northwestern Ave)

BLK 10 Fox Estate Sub No 2 PT Lot 30, Beg NLN Northwestern Ave 149.66 FT N Of SW Cor SD Lot, Ne 81.83 FT, SW 37.17 FT, Ne 36.83 FT, Nly 73.06 FT, Wly 88.54 FT, SW 40.98 FT, Sly 61.68 FT, SW 81.83 FT, Sly 16 FT To Pob, Exc For Street, in the city of Racine, county of Racine, and the state of Wisconsin

Tax Key 20109073 (3126 Northwestern Ave)

BLK 10 Fox Estate Sub No 2 PT Lot 30, Beg NLN Northwestern Ave 165.66 FT N Of SW Cor SD Lot, Ne 81.83 FT, Nly 61.68 FT, SW 81.83 FT, Sly 61.68 FT To Pob, Except For Street, in the city of Racine, county of Racine, and the state of Wisconsin

Tax Key 20109072 (3134 Northwestern Ave)

BLK 10 Fox Estate Sub No 2 PT Lot 30, Beg NLN Northwestern Ave 227.34 FT Nly FR SW Cor SD Lot, Ne 122.81 FT, Wly 1047.31 FT, SW 51.71 FT, Wly 107.31 FT, SW 51.71FT, Sly 85.10 FT To Pob, Exc PT For Street, in the city of Racine, county of Racine, and the state of Wisconsin

SCOPE OF WORK

Purpose of the Appraisal

The purpose of this appraisal is to develop a retrospective market value opinion of the subject, in fee simple estate interest, as of the retrospective effective date of January 1, 2019.

Intended Use of the Appraisal

The intended use of the report is for a tax assessment challenge.

Intended User of the Appraisal

The intended user of the appraisal is Matthew Gordon. The owner of record is Mgre Northwestern, LLC. This report is prepared for the client's intended use only, and cannot be copied or disseminated without consent of the appraisers. It is assumed the client is familiar with the market area of the subject.

Type of Report

This is an appraisal report, as defined by USPAP. Some findings and analyses of the appraisers are summarized in this report. However, the basis of these summaries is included in the appraisers' notes.

Compliance Standards

This appraisal conforms to the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation; the Standards of Professional Practice and Code of Ethics of the Appraisal Institute, as interpreted by the appraisers.

Property Rights Appraised

This property is appraised in fee simple estate.

Inclusion of Non-Real Estate Items

No personal property, trade fixtures, business/going concern value, or other intangible items are included in the value conclusion, with the exception of kitchen and laundry appliances as described in the report.

Market Value Definition

Market value is defined by the Appraisal Institute, in *The Dictionary of Real Estate Appraisal*, Sixth Edition, 2015, published by the Appraisal Institute, as well as in 12CFR34.42(g); 55 FR 34696, August 24, 1990; as amended at 57 FR 12202, April 9, 1992; 59 FR 29499, June 7, 1994, as follows: “The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

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

Additional Terms and Definitions

Pertinent terms and definitions that may be used throughout the report are included in the addenda to this report for the reader’s reference.

Pertinent Dates

Effective Date	January 1, 2019 (Retrospective)
Date of the Report	July 5, 2019
Inspection Date	June 25, 2019

Competency

In compliance with the requirements of USPAP, the appraisers have the knowledge and experience to complete the appraisal assignment as requested. We have appraised a number of properties such as the subject’s property type in the subject’s geographical area and are qualified to appraise the subject. Please see the Qualifications of the appraisers included in the addenda of this report for additional information.

Appraisal Process

- On June 25, 2019, the interior of one unit, the common areas, and the exterior of the subject and surrounding area were inspected by Daniel T. Wilkins, with a representative of the owner. It is assumed that the other units are comparable. Robert W. Quam, Jr., MAI reviewed the report and the addenda.
- No site survey is provided to the appraisers for review. Data from the city assessor's office was relied upon for the site and building size of the subject.
- A rent roll and operating statement were provided for review and are included in the addenda of this report.
- The plat book, floodplain map, and public records, including data from the building, zoning and assessor's offices are reviewed and analyzed.
- The *PwC Real Estate Investor Survey* is used in researching capitalization rates and average marketing times of the subject's property type.
- A survey of multi-unit apartment building rentals, found in the MLS, Rent.com, and in our office files, is researched and analyzed.
- Sales of comparable improved apartment buildings for the past three years in the subject area are researched and analyzed.
- Only the sales comparison and income approaches are applied to the subject in the appraisal of the subject. The cost approach is considered but not applied.

Extraordinary Assumptions

Extraordinary assumption is defined by the *Uniform Standards of Professional Appraisal Practice (USPAP) 2018 – 2019 Edition*, published by the Appraisal Foundation as: "An assumption directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions." Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of the data used in an analysis.

This analysis uses the extraordinary assumption that the subject was in a similar condition on the effective date of value, January 1, 2019, as was observed on the date of inspection.

Hypothetical Conditions

Hypothetical condition is defined by the *Uniform Standards of Professional Appraisal Practice (USPAP) 2018 – 2019 Edition*, published by the Appraisal Foundation as: “A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.” Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

This analysis uses no hypothetical conditions.

Environmental Issues

No environmental survey is available for review. Inspection of the site revealed no apparent underground tanks, environmental hazards or toxic wastes. It is assumed that the subject site is not contaminated. It is further assumed that it is unaffected by lead-based paint hazards either on or off the site. However, the appraisers are not environmental experts. Therefore, it is assumed that no adverse environmental conditions affect the subject.

TAX AND ASSESSMENT DATA

Real Estate Taxes Seven-building, 28-unit Apartment Complex 2024 Golf Avenue and 3110-3114 Northwestern Avenue Racine, Wisconsin								
Tax Key Number	20109074	20109069	20109070	20109071	20109075	20109073	20109072	TOTAL
2018 Assessment								
Land	\$36,000	\$36,000	\$36,000	\$36,000	\$36,000	\$36,000	\$36,000	\$252,000
Improvements	\$162,000	\$162,000	\$162,000	\$162,000	\$162,000	\$162,000	\$162,000	\$1,134,000
Total	\$198,000	\$198,000	\$198,000	\$198,000	\$198,000	\$198,000	\$198,000	\$1,386,000
2018 Equalization Ratio	98.30%	98.30%	98.30%	98.30%	98.30%	98.30%	98.30%	98.30%
2018 Equalized Value	\$201,424	\$201,424	\$201,424	\$201,424	\$201,424	\$201,424	\$201,424	\$1,409,969
2018 Tax Rate	\$29.17	\$29.17	\$29.17	\$29.17	\$29.17	\$29.17	\$29.17	\$29.17
2018 Real Estate Taxes	\$5,775.03	\$5,775.03	\$5,775.03	\$5,775.03	\$5,775.03	\$5,775.03	\$5,775.03	\$40,425.21
2018 Special Assessments	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

The real estate taxes used throughout this analysis are based on the actual 2018 amount. The assessed value is higher than the value herein. A tax assessment challenge should be considered. The following chart shows the assessment per foot and per unit of apartment buildings in the subject's immediate area. The subject's assessment per foot and per unit are higher than the comparables.

Assessment Changes Post-Purchase Seven-building, 28-unit Apartment Complex 2024 Golf Avenue and 3110-3114 Northwestern Avenue Racine, Wisconsin							
Address	Building SF	Number of Units	Land Assessment	Improvement Assessment	Total Assessment	Assessment per SF	Assessment per Unit
Subject as Assessed	25,704	28	\$252,000	\$1,134,000	\$1,386,000	\$53.92	\$49,500
3214 Northwestern Ave	16,292	16	\$117,300	\$637,700	\$755,000	\$46.34	\$47,188
2516 Northwestern Ave	16,342	16	\$81,900	\$608,100	\$690,000	\$42.22	\$43,125
2420 Northwestern Ave	26,790	32	\$110,200	\$1,089,800	\$1,200,000	\$44.79	\$37,500
2400 Northwestern Ave	26,790	32	\$110,200	\$1,089,800	\$1,200,000	\$44.79	\$37,500

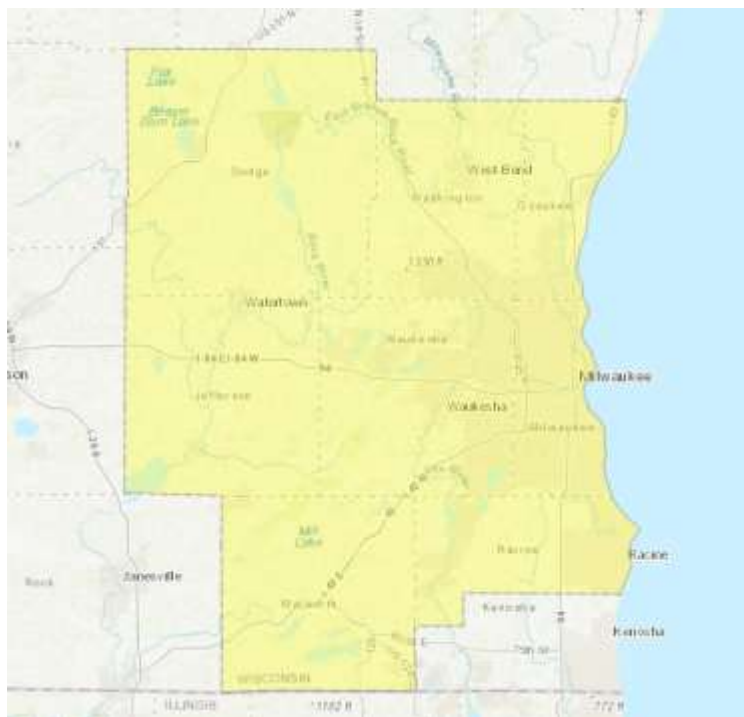
HISTORY OF THE SUBJECT

The subject transferred via warranty deed on July 20, 2018 for \$1,000,000. The grantor was G&N Partners LLC and the grantee was Mgre Northwestern, LLC.

There are no other known sales, listings, offers, contracts, or options affecting the subject at this time or in the past three years. Lease data is discussed in the income approach.

AREA ANALYSIS

Metropolitan Milwaukee is a regional area reaching into eight counties: Milwaukee, Waukesha, Ozaukee, Washington, Dodge, Jefferson, Walworth, and Racine. This area is defined by the U.S.



Census Bureau as the Milwaukee-Racine-Waukesha Combined Statistical Area (“Milwaukee CSA” or “the area”). A CSA is a U.S. Census Bureau designation for a geographical area that consists of a “two or more adjacent CBSAs that have substantial employment interchange.” The CBSA is the Census summary level representing a “metropolitan area.” The Milwaukee CSA is situated on the western shore of Lake Michigan in southeastern Wisconsin. It covers an area of approximately 3,775 square miles.

Population

The Milwaukee CSA has a population of approximately 2.04 million based on the 2016 census estimate. The area has a median age of 40.8 years old which is slightly older than the 39.4 years old 2016 estimate for the state. The population has increased between 2010 to 2016 at a slower pace than the State of Wisconsin and the United States.

Milwaukee CSA				
Year	Population	Change	Households	Change
2005	1,925,217		Not Available	
2010	2,027,400	5.31%	875,908	
2016 est.	2,043,274	0.78%	881,994	0.69%
State of Wisconsin				
Year	Population	Change	Households	Change
2005	5,375,751		Not Available	
2010	5,691,047	5.87%	2,625,477	
2016 est.	5,778,709	1.54%	2,668,443	1.64%
United States				
Year	Population	Change	Households	Change
2005	288,378,137		Not Available	
2010	309,349,689	7.27%	131,791,065	
2016 est.	323,127,515	4.45%	135,702,775	2.97%

Education

The Milwaukee CSA has a strong education system to support the 26.7% of the population enrolled in pre-school through high school education programs, as of 2016. The largest public-school districts in the area are the Milwaukee Public Schools, the Racine Unified School District, the Waukesha School District, the West Allis/West Milwaukee School District and the West Bend School District. Large private high schools include St Anthony School of Milwaukee, Messmer Catholic Schools, Marquette University High School, University School in Milwaukee, Atlas Preparatory Academy, and Catholic Memorial High School in Waukesha.

The area also has a strong post-high school education system to support the 6.8% of the population enrolled in a college or graduate school. The Milwaukee CSA has 12 colleges and universities, four technical colleges, as well as many other specialty programs for higher learning. One of the colleges in the area is the University of Wisconsin - Milwaukee, the state's second largest college. The University of Wisconsin - Milwaukee had a fall 2017 enrollment of 25,412 students.

Forty one percent of the area's population over the age of 25 has some kind of college degree. Another 21% of the population over 25 has some college education but has not completed a degree. Both of these figures are slightly above the state average.

Housing

There is a total of 809,314 occupied dwelling units in the Milwaukee CSA, according to Wisconsin's state estimate for 2016. Of the dwellings not vacant for the 2016 estimate, 61.3% were owner-occupied and 38.7% were renter occupied. Further, the total percentage of vacant housing units in the Milwaukee CSA is 8.2%.

Households living in owner-occupied dwellings tend to be larger than those living in tenant-occupied dwellings. This is evidenced by the fact that the average household size of an owner-occupied unit is larger than the average household size of a renter-owned unit in all five counties of the Milwaukee CSA. Owner-occupied housing values in the area are high as compared to the State of Wisconsin as a whole. The median value of owner-occupied homes in the area is about \$195,500. Although home ownership rates are lower than state averages, median home value is approximately 11.6% higher than the state median.

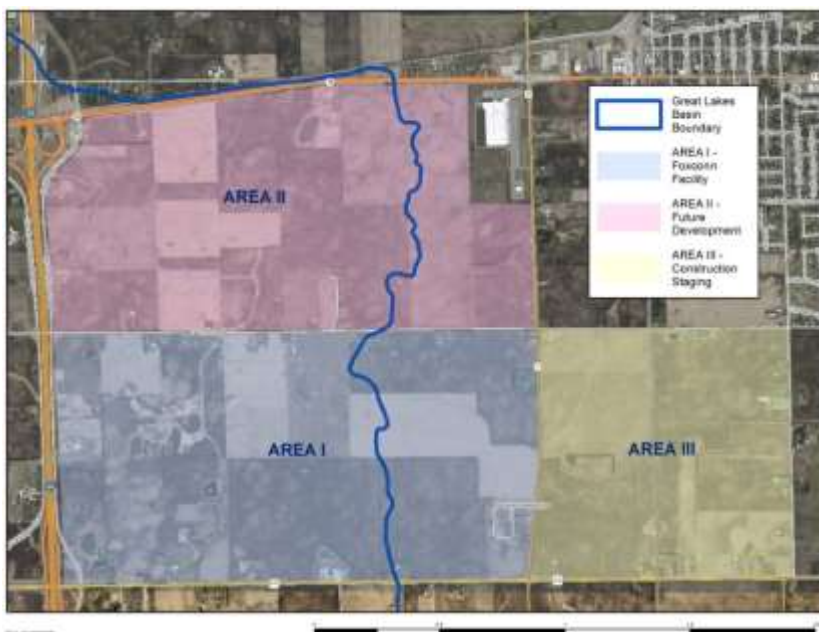
Sixty-seven percent of the homes in the area have mortgages, with a median monthly mortgage payment of \$1,481. The median amount of real estate taxes by county are as follows: Milwaukee County, \$3,840; Waukesha County, \$4,202; Washington County, \$3,517; Dodge County, \$3,066; Jefferson County, \$3,388; Walworth County, \$3,655; Racine County, \$3,581; and Ozaukee County, \$4,066. As a result of the higher property values in the area, both the percentage of dwellings with mortgages and the median monthly mortgage payment are higher for the area than for the state.

Employment and Industry

At the time of the *2016 American Community Survey*, there were approximately 1,077,627 people over the age of 16 in the labor force. Approximately 3.2% of those in the labor force were unemployed and seeking work. The median income in the Milwaukee CSA for 2016 was \$57,521, higher than the entire State of Wisconsin's median household income of \$56,811.

Major companies headquartered in the area include Froedtert Health and the Medical College of Wisconsin, Aurora Health Care, Northwestern Mutual, GE Healthcare Technologies, Ascension Healthcare, Roundy's, WEC Energy Group, Quad/Graphics, Inc., and Kohl's Department Stores. These companies and their supporting businesses, as well as the many other large and small companies operating in the area provide for stability as a business community, as well as providing employment for the population. In fact, the largest employment sectors in the Milwaukee CSA are health and educational services, manufacturing, and retail trade, in that order.

A large-scale employer (Foxconn) has announced they will construct a 22,000,000 square-foot plant worth \$10,000,000,000 to manufacture screens for electronics near the intersection of Interstate 94 and Braun Road in the Village of Mount Pleasant, Racine County, as shown in the map. This project has been approved by the individual governing bodies and construction



will begin in Summer of 2018. Development is projected to take approximately four to five years to complete. This facility will employ up to 13,000 workers once all phases are completed at an average wage of \$54,000.

Business Outlook Survey

“Most of 2017 was marked by rather unremarkable growth in the metro area,” said Bret Mayborne, the MMAC’s economic research director. “Actual results posted in 2018’s early months and expectations – particularly job expectations – expressed toward future growth suggest that the trend has strengthened.”

The following data was obtained from the *Business Outlook Survey*, conducted by the Metropolitan Milwaukee Association of Commerce (MMAC), in the second quarter of 2018 and outlines the expectations of local companies in Metropolitan Milwaukee. Seventy-one percent of businesses surveyed expect sales increases in 2018’s second quarter, 66% see profit gains, and 61% predict employment growth over year-ago levels.

	Firms Expecting a:	Employers by Size		Employers by Industry		TOTAL
		Large	Small (1)	Manuf.	Non-Manuf.	
2018 Forecast						
Change in the dollar volume of Sales (net of inflationary effects) expected by 118 Milwaukee area firms for the entire year of 2018 vs. the entire year of 2017:	RISE :	39 (75%)	54 (82%)	36 (84%)	57 (76%)	93 (79%)
	DECLINE :	1 (2%)	3 (5%)	3 (7%)	1 (1%)	4 (3%)
	NO CHANGE :	12 (23%)	9 (14%)	4 (9%)	17 (23%)	21 (18%)
Change in the dollar volume of Profits expected by 117 Milwaukee area firms for the 2nd quarter 2018 vs. 2nd quarter of 2017:	RISE :	34 (65%)	43 (66%)	29 (66%)	48 (66%)	77 (66%)
	DECLINE :	5 (10%)	5 (8%)	3 (7%)	7 (10%)	10 (9%)
	NO CHANGE :	13 (25%)	17 (26%)	12 (27%)	18 (25%)	30 (26%)
Change in the level of Total Employment expected by 117 Milwaukee area firms for the 2nd quarter 2018 vs. 2nd quarter 2017:	RISE :	28 (55%)	43 (65%)	27 (63%)	44 (59%)	71 (61%)
	DECLINE :	5 (10%)	3 (5%)	2 (5%)	6 (8%)	8 (7%)
	NO CHANGE :	18 (35%)	20 (30%)	14 (33%)	24 (32%)	38 (32%)
Change in the per person, employee Wages & Salaries expected in the next 12 months:	AVERAGE:	3.1%	4.1%	3.6%	3.7%	3.6%

*Percentages may not sum to 100 due to rounding

For further information contact: Bret J. Mayborne, Economic Research Director

Transportation

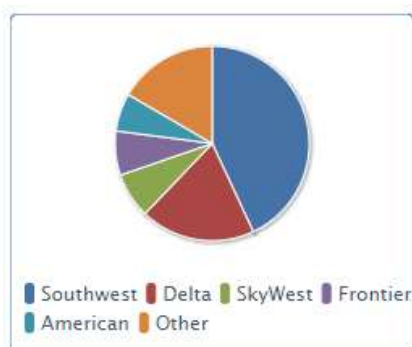
Travel is considered convenient to and from Milwaukee on land, water, and through the air.

Eighty-one percent of the population in the workforce drives alone to work, and 8.4% carpool.

Although bus lines service most areas of the Milwaukee CSA, state and country, only 2.8% of the population uses public transportation to travel to work. The remaining workers use other means of transportation, walk, or work at home.

Several major U.S. highways, many state highways, and many major county arterials make travel throughout the area convenient. Utilizing this system during non-peak travel, it is possible to reach downtown Milwaukee in approximately 20 minutes from any location with a ten-mile radius.

Despite the low percentage of commuters using public transportation, 69.4% of commuters spend less than 30 minutes traveling to work.



The main flow of air traffic is handled at General Mitchell International Airport, five miles south of downtown Milwaukee. Eleven airlines provide non-stop service to 48 cities and easy one-stop connections to 160+ cities worldwide. The 2017 volume was more than 6.9 million passengers. From March 2017 through February 2018, Southwest is the airport's largest carrier by total passengers; followed by Delta and SkyWest.

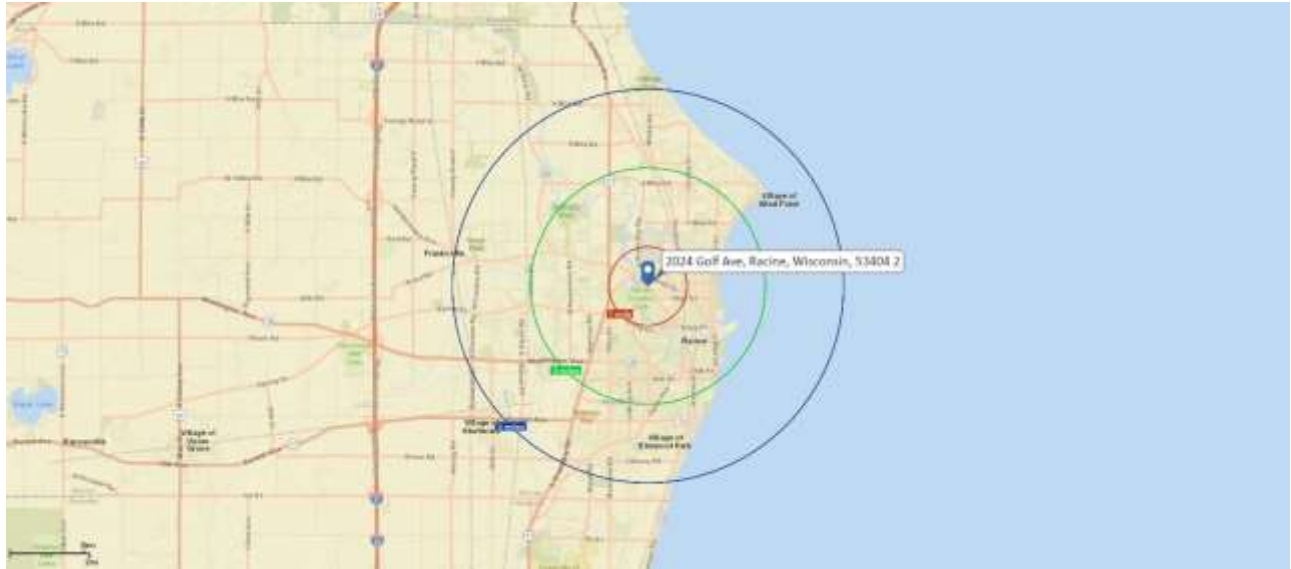
Amtrak, the nation's rail passenger carrier, serves the area. The Canadian Pacific Railway, Union Pacific Railroad, Wisconsin Central, Ltd, and Wisconsin & Southern Railroad Company provide railway freight service to the metropolitan area. Many truck lines also serve the area.

Summary

The population of the area is growing along with a strong presence of national and international companies. Property values are greater than those of the rest of the state, and housing vacancy rates are low relative to the rest of the country. The area's education system is strong, and transportation throughout the area is convenient. The area is considered stable with a good economic base and growing population.

CITY ANALYSIS

The following pages include demographic data on the one-, three-, and five-mile radii surrounding the subject. A map of the area is included below.



The subject is located in an immediate area with slight population growth from 2010 to 2018 and similar projections for 2018 to 2023. The median household income in the one-mile radius is lower than the three- and five-mile radii. Demographic details are provided on the following pages.



esri

Demographic and Income Profile

2024 Golf Ave, Racine, Wisconsin, 53404 2
 2024 Golf Ave, Racine, Wisconsin, 53404
 Ring: 1 mile radius

Prepared by Esri
 Latitude: 42.74663
 Longitude: -87.81658

Summary	Census 2010	2018	2023				
Population	8,724	8,738	8,806				
Households	3,461	3,458	3,487				
Families	2,227	2,197	2,204				
Average Household Size	2.43	2.44	2.44				
Owner Occupied Housing Units	2,123	1,959	2,017				
Renter Occupied Housing Units	1,338	1,499	1,470				
Median Age	35.5	36.7	37.3				
Trends: 2018 - 2023 Annual Rate	Area	State	National				
Population	0.16%	0.39%	0.83%				
Households	0.17%	0.43%	0.79%				
Families	0.06%	0.33%	0.71%				
Owner HHs	0.59%	0.73%	1.16%				
Median Household Income	1.47%	1.71%	2.50%				
Households by Income	2018		2023				
	Number	Percent	Number	Percent			
	<\$15,000	591	17.1%	560	16.1%		
	\$15,000 - \$24,999	471	13.6%	445	12.8%		
	\$25,000 - \$34,999	426	12.3%	429	12.3%		
	\$35,000 - \$49,999	382	11.0%	376	10.8%		
	\$50,000 - \$74,999	678	19.6%	668	19.2%		
	\$75,000 - \$99,999	454	13.1%	479	13.7%		
	\$100,000 - \$149,999	327	9.5%	368	10.6%		
	\$150,000 - \$199,999	78	2.3%	92	2.6%		
\$200,000+	52	1.5%	72	2.1%			
Median Household Income	\$43,456		\$46,734				
Average Household Income	\$56,286		\$62,038				
Per Capita Income	\$22,518		\$24,786				
Population by Age	Census 2010		2018		2023		
	Number	Percent	Number	Percent	Number	Percent	
	0 - 4	634	7.3%	591	6.8%	596	6.8%
	5 - 9	589	6.8%	563	6.4%	575	6.5%
	10 - 14	635	7.3%	539	6.2%	542	6.2%
	15 - 19	599	6.9%	576	6.6%	552	6.3%
	20 - 24	745	8.5%	742	8.5%	708	8.0%
	25 - 34	1,115	12.8%	1,174	13.4%	1,176	13.4%
	35 - 44	1,050	12.0%	1,025	11.7%	1,106	12.6%
	45 - 54	1,268	14.5%	1,068	12.2%	961	10.9%
	55 - 64	951	10.9%	1,083	12.4%	1,034	11.7%
	65 - 74	585	6.7%	764	8.7%	886	10.1%
	75 - 84	402	4.6%	429	4.9%	492	5.6%
	85+	151	1.7%	183	2.1%	178	2.0%

Data Note: Income is expressed in current dollars.

Source: U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2018 and 2023.

June 24, 2019

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Demographic and Income Profile

2024 Golf Ave, Racine, Wisconsin, 53404 2
 2024 Golf Ave, Racine, Wisconsin, 53404
 Ring: 3 mile radius

Prepared by Esri
 Latitude: 42.74663
 Longitude: -87.81658

Summary	Census 2010	2018	2023				
Population	86,519	87,189	88,170				
Households	34,186	34,436	34,829				
Families	21,803	21,663	21,798				
Average Household Size	2.48	2.49	2.49				
Owner Occupied Housing Units	20,955	19,638	20,238				
Renter Occupied Housing Units	13,231	14,798	14,590				
Median Age	35.3	36.8	37.4				
Trends: 2018 - 2023 Annual Rate	Area	State	National				
Population	0.22%	0.39%	0.83%				
Households	0.23%	0.43%	0.79%				
Families	0.12%	0.33%	0.71%				
Owner HHs	0.60%	0.73%	1.16%				
Median Household Income	1.17%	1.71%	2.50%				
		2018	2023				
Households by Income		Number	Percent	Number	Percent		
<\$15,000		4,611	13.4%	4,242	12.2%		
\$15,000 - \$24,999		4,034	11.7%	3,723	10.7%		
\$25,000 - \$34,999		3,867	11.2%	3,834	11.0%		
\$35,000 - \$49,999		4,854	14.1%	4,740	13.6%		
\$50,000 - \$74,999		6,542	19.0%	6,420	18.4%		
\$75,000 - \$99,999		4,120	12.0%	4,351	12.5%		
\$100,000 - \$149,999		4,067	11.8%	4,612	13.2%		
\$150,000 - \$199,999		1,271	3.7%	1,500	4.3%		
\$200,000+		1,069	3.1%	1,406	4.0%		
Median Household Income		\$49,387		\$52,352			
Average Household Income		\$65,536		\$73,407			
Per Capita Income		\$26,081		\$29,177			
		Census 2010	2018	2023			
Population by Age		Number	Percent	Number	Percent	Number	Percent
0 - 4		6,711	7.8%	6,243	7.2%	6,289	7.1%
5 - 9		6,280	7.3%	5,994	6.9%	5,937	6.7%
10 - 14		6,311	7.3%	5,838	6.7%	5,839	6.6%
15 - 19		5,934	6.9%	5,634	6.5%	5,607	6.4%
20 - 24		5,744	6.6%	6,090	7.0%	5,776	6.6%
25 - 34		11,952	13.8%	11,786	13.5%	12,022	13.6%
35 - 44		10,752	12.4%	10,696	12.3%	10,914	12.4%
45 - 54		12,454	14.4%	10,665	12.2%	10,059	11.4%
55 - 64		9,619	11.1%	11,062	12.7%	10,618	12.0%
65 - 74		5,350	6.2%	7,494	8.6%	8,714	9.9%
75 - 84		3,655	4.2%	3,698	4.2%	4,459	5.1%
85+		1,759	2.0%	1,988	2.3%	1,937	2.2%

Data Note: Income is expressed in current dollars.

Source: U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2018 and 2023.

June 24, 2019



Demographic and Income Profile

2024 Golf Ave, Racine, Wisconsin, 53404 2
 2024 Golf Ave, Racine, Wisconsin, 53404
 Ring: 5 mile radius

Prepared by Esri
 Latitude: 42.74663
 Longitude: -87.81658

Summary	Census 2010	2018	2023				
Population	127,565	128,471	129,908				
Households	50,457	50,790	51,352				
Families	33,099	32,892	33,092				
Average Household Size	2.48	2.48	2.48				
Owner Occupied Housing Units	33,235	31,398	32,275				
Renter Occupied Housing Units	17,222	19,392	19,077				
Median Age	37.3	38.7	39.3				
Trends: 2018 - 2023 Annual Rate	Area	State	National				
Population	0.22%	0.39%	0.83%				
Households	0.22%	0.43%	0.79%				
Families	0.12%	0.33%	0.71%				
Owner HHs	0.55%	0.73%	1.16%				
Median Household Income	1.24%	1.71%	2.50%				
Households by Income	2018		2023				
	Number	Percent	Number	Percent			
	<\$15,000	5,830	11.5%	5,370	10.5%		
	\$15,000 - \$24,999	5,245	10.3%	4,814	9.4%		
	\$25,000 - \$34,999	5,262	10.4%	5,148	10.0%		
	\$35,000 - \$49,999	7,029	13.8%	6,799	13.2%		
	\$50,000 - \$74,999	9,840	19.4%	9,585	18.7%		
	\$75,000 - \$99,999	6,550	12.9%	6,840	13.3%		
	\$100,000 - \$149,999	6,945	13.7%	7,787	15.2%		
	\$150,000 - \$199,999	2,218	4.4%	2,598	5.1%		
\$200,000+	1,871	3.7%	2,410	4.7%			
Median Household Income	\$53,632		\$57,049				
Average Household Income	\$71,266		\$79,624				
Per Capita Income	\$28,407		\$31,689				
Population by Age	Census 2010		2018		2023		
	Number	Percent	Number	Percent	Number	Percent	
	0 - 4	9,246	7.2%	8,558	6.7%	8,590	6.6%
	5 - 9	8,857	6.9%	8,514	6.6%	8,400	6.5%
	10 - 14	9,005	7.1%	8,482	6.6%	8,526	6.6%
	15 - 19	8,508	6.7%	7,986	6.2%	8,067	6.2%
	20 - 24	7,788	6.1%	8,164	6.4%	7,677	5.9%
	25 - 34	16,726	13.1%	16,576	12.9%	16,738	12.9%
	35 - 44	16,115	12.6%	15,790	12.3%	16,222	12.5%
	45 - 54	19,114	15.0%	16,334	12.7%	15,319	11.8%
	55 - 64	15,248	12.0%	17,298	13.5%	16,557	12.7%
	65 - 74	8,598	6.7%	11,910	9.3%	13,738	10.6%
	75 - 84	5,671	4.4%	5,845	4.5%	7,118	5.5%
	85+	2,690	2.1%	3,013	2.3%	2,957	2.3%

Data Note: Income is expressed in current dollars.

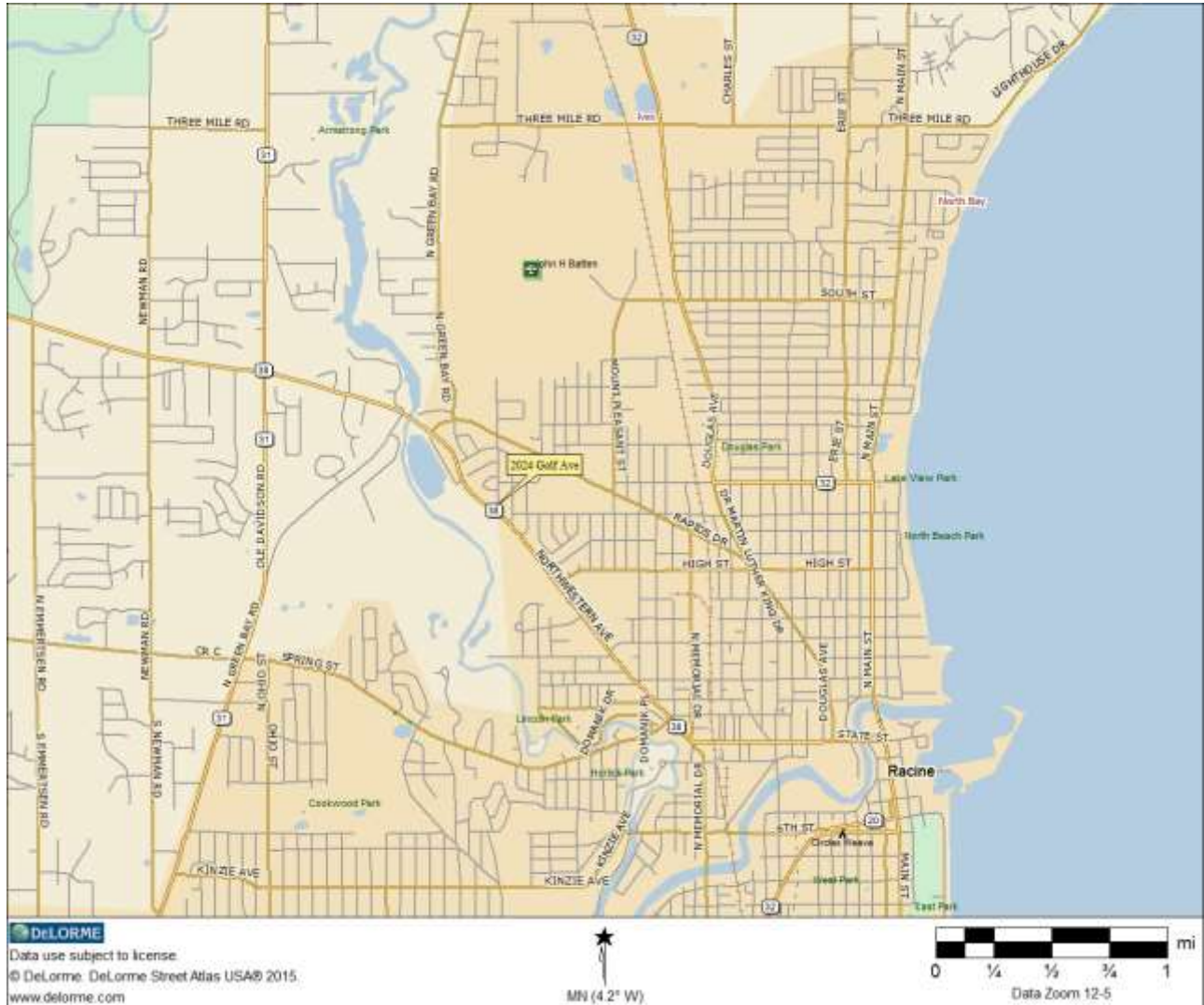
Source: U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2018 and 2023.

June 24, 2019

NEIGHBORHOOD INFLUENCES

Location

The neighborhood is located in the city of Racine.



Boundaries

Neighborhood boundaries are:

North	Three Mile Road
South	Spring Street
West	Ole Davidson Road
East	Douglas Avenue

Land Use

The majority of the market area includes average quality one- and two-family homes, multi-family properties, and scattered commercial uses. There is adequate commercial development along arterials extending throughout the neighborhood. The subject area has been consistently average for many years, and has few issues with vacancy. Neighboring uses are mostly residential along Golf Avenue and Northwestern Avenue.

Access and Linkages

The area has good freeway accessibility as well as sufficient traffic patterns. Public transportation serves the area. Availability of commercial activity is good with neighborhood needs met in the area. There is a sufficient commercial development in the area. There are all types of schools and amenities convenient throughout the neighborhood.

Conclusion

The subject neighborhood is an area of average- maintained homes. Utilities and conveniences as well as employment are adequately served. It is fully developed; turnover and collection losses are average and vacancy rates are average. Demand is average for both sales and rentals.

APARTMENT MARKET ANALYSIS

Overview

Racine Multi-Family

12 Mo. Delivered Units

0

12 Mo. Absorption Units

(67)

Vacancy Rate

6.9%

12 Mo. Asking Rent Growth

2.6%

KEY INDICATORS

Current Quarter	Units	Vacancy Rate	Asking Rent	Effective Rent	Absorption Units	Delivered Units	Under Constr Units
4 & 5 Star	0	-	\$583	\$582	0	0	0
3 Star	978	4.5%	\$910	\$903	0	0	0
1 & 2 Star	2,741	7.8%	\$724	\$714	9	0	0
Submarket	3,719	6.9%	\$776	\$767	9	0	0
Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	1.8%	9.3%	7.6%	11.9%	2004 Q4	5.1%	2018 Q2
Absorption Units	(67)	7	(8)	93	2017 Q2	(55)	2016 Q2
Delivered Units	0	1	5	36	2001 Q1	0	2019 Q1
Demolished Units	0	1	1	20	2018 Q1	0	2019 Q1
Asking Rent Growth (YOY)	2.6%	1.5%	2.3%	6.2%	2019 Q1	-2.3%	2009 Q4
Effective Rent Growth (YOY)	2.8%	1.5%	2.3%	6.0%	2019 Q1	-2.3%	2009 Q4
Sales Volume	\$26.6 M	\$6.0M	N/A	\$25.8M	2019 Q1	\$450.0K	2010 Q1

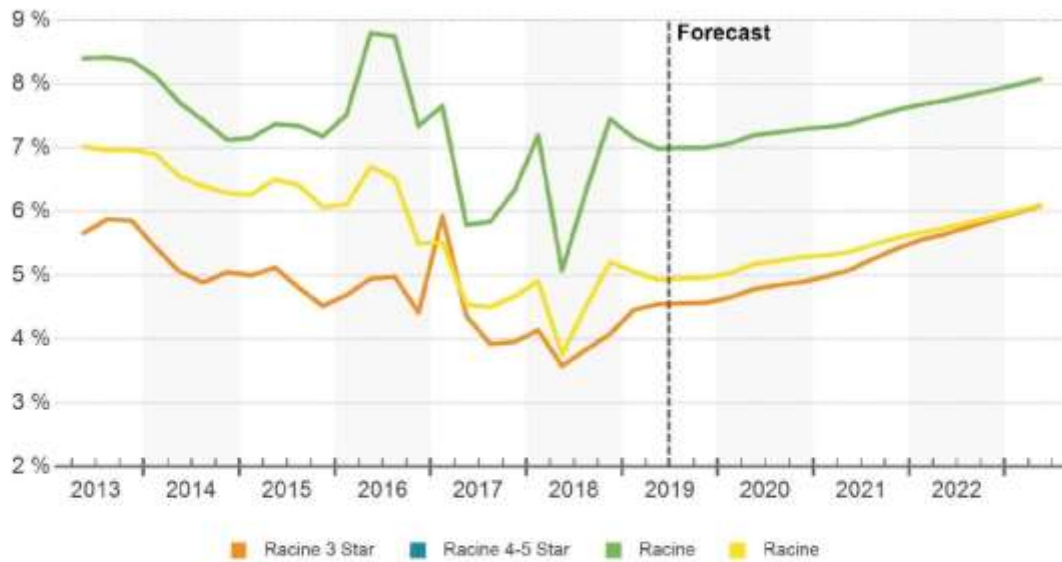
Vacancy

Racine Multi-Family

ABSORPTION, NET DELIVERIES & VACANCY



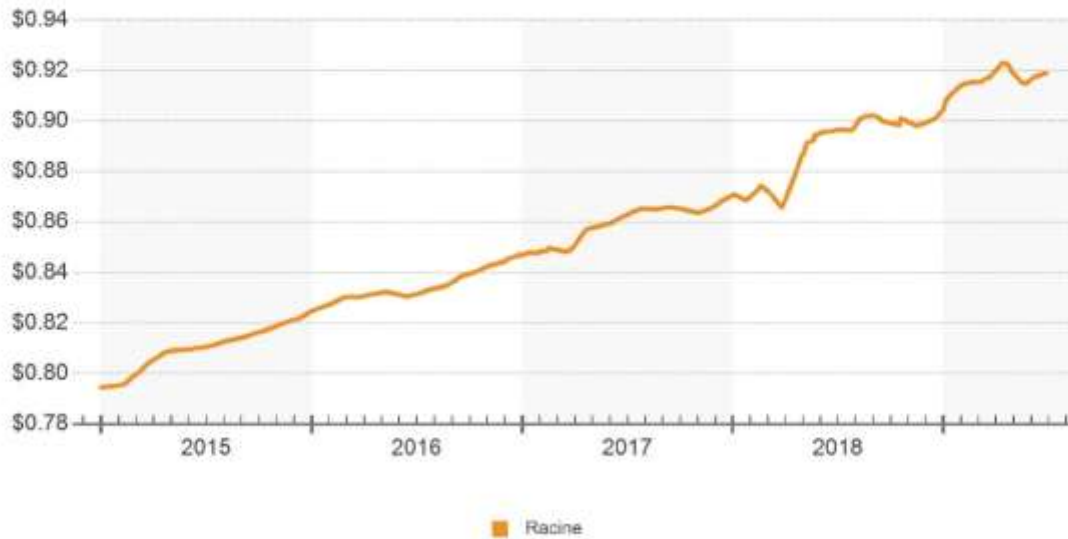
VACANCY RATE



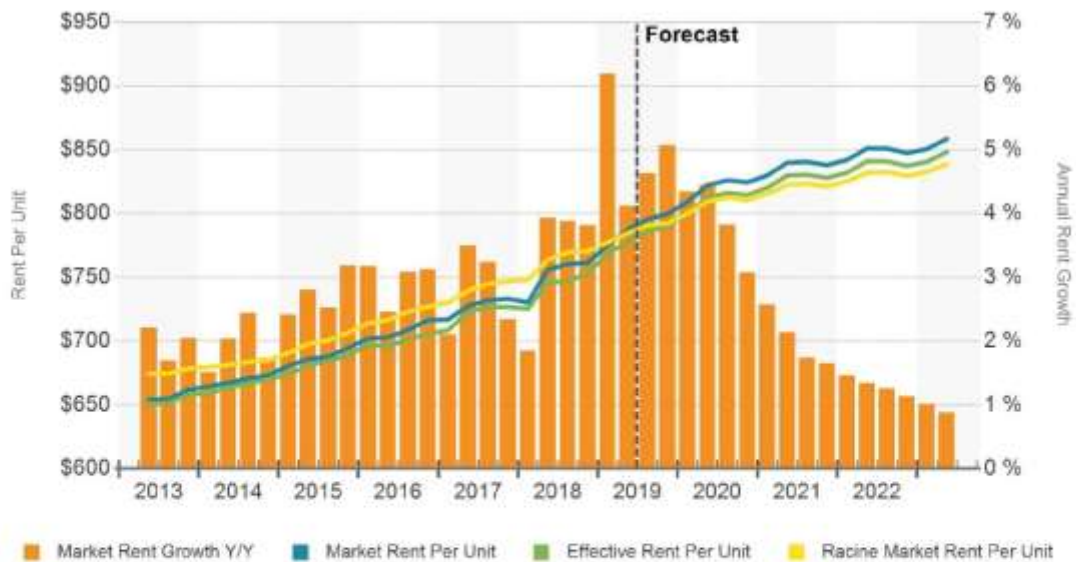
Rent

Racine Multi-Family

DAILY ASKING RENT PER SF



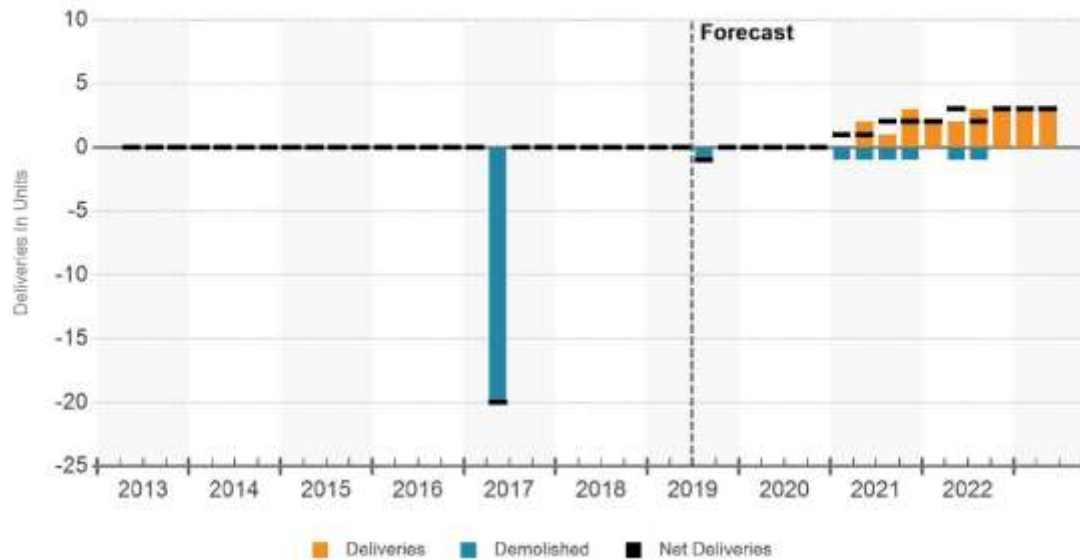
MARKET RENT PER UNIT & RENT GROWTH



Construction

Racine Multi-Family

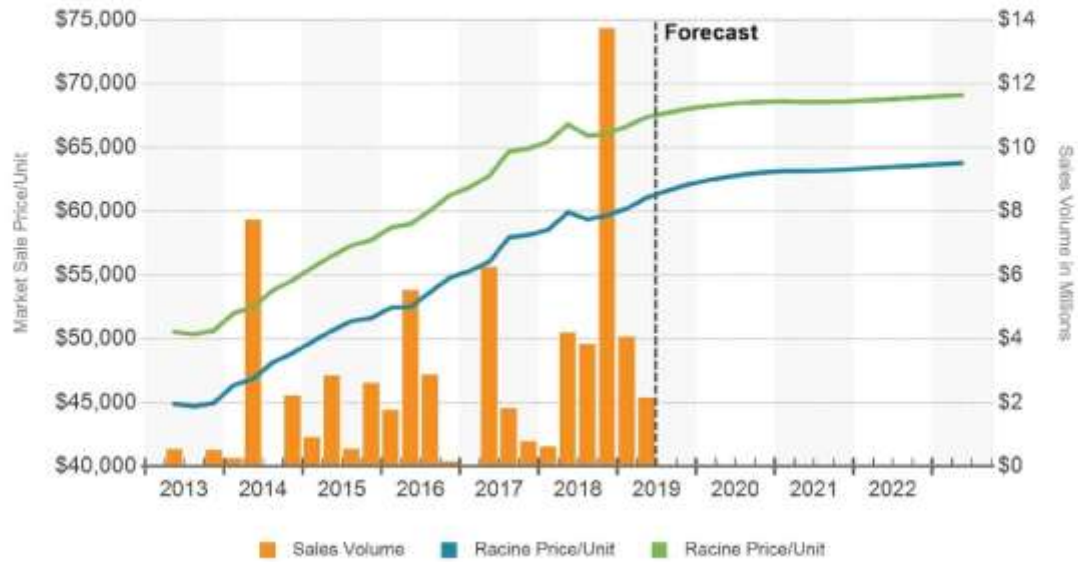
DELIVERIES & DEMOLITIONS



Sales

Racine Multi-Family

SALES VOLUME & MARKET SALE PRICE PER UNIT

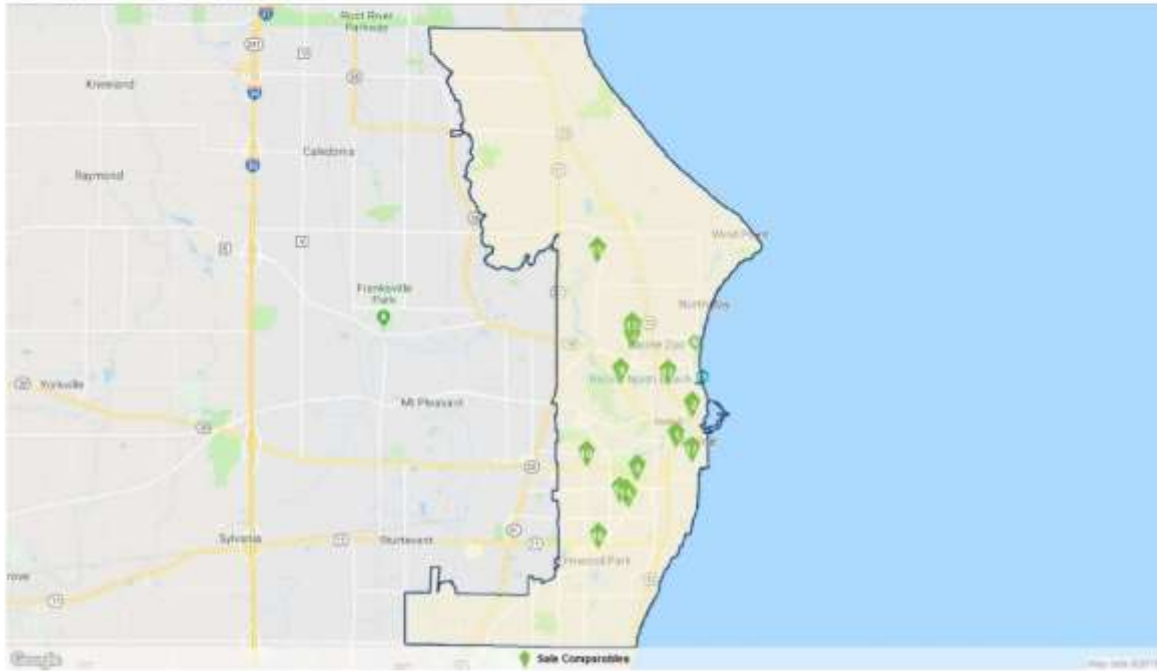


Sales Past 12 Months

Racine Multi-Family

Sale Comparables	Avg. Price/Unit (thous.)	Average Price (mil.)	Average Vacancy at Sale
28	\$46	\$1.2	6.6%

SALE COMPARABLE LOCATIONS



SALE COMPARABLES SUMMARY STATISTICS

Sales Attributes	Low	Average	Median	High
Sale Price	\$125,000	\$1,158,118	\$675,000	\$7,550,000
Price Per Unit	\$12,500	\$45,767	\$40,833	\$146,666
Cap Rate	6.0%	8.8%	7.6%	18.0%
Vacancy Rate at Sale	0%	6.6%	6.3%	20.3%
Time Since Sale in Months	1.9	7.0	7.5	12.0
Property Attributes	Low	Average	Median	High
Property Size in Units	5	25	18	100
Number of Floors	2	2	2	4
Average Unit SF	0	645	670	1,787
Year Built	1880	1940	1959	1973
Star Rating	★ ★ ★ ★ ★	★ ★ ★ ★ ★ 2.1	★ ★ ★ ★ ★	★ ★ ★ ★ ★

Sales Past 12 Months

Racine Multi-Family

RECENT SIGNIFICANT SALES

Property Name/Address	Property Information				Sale Information			
	Rating	Yr Built	Units	Vacancy	Sale Date	Price	Price/Unit	Price/SF
1 Mitchell Wagon Lofts 815 8th St	★★★★★	1890	100	4.0%	11/16/2018	\$7,550,000	\$75,500	\$48
2 Belle Harbor 134 Main St	★★★★★	1890	78	5.1%	10/4/2018	\$4,900,000	\$62,820	\$68
3 Parkview Manor Apartments 2200 Washington Ave	★★★★★	1964	53	0%	8/23/2018	\$1,577,000	\$29,754	\$33
4 Pleasant Pointe Apartments 2800 Mt Pleasant St	★★★★★	1963	32	6.3%	6/28/2018	\$1,134,958	\$35,467	\$54
5 The Georgian Manor 1911-1921 Taylor Ave	★★★★★	1927	20	5.0%	2/22/2019	\$1,100,000	\$55,000	\$36
6 Washington Highlands 2214 Washington Ave	★★★★★	1965	38	7.9%	4/29/2019	\$1,065,000	\$28,026	\$54
7 2700 Mt Pleasant St	★★★★★	1963	32	6.3%	6/28/2018	\$1,062,683	\$33,208	\$52
8 Stoneridge Apartments 2100 Romaine Ave	★★★★★	1960	32	6.3%	9/28/2018	\$900,000	\$28,125	\$42
9 2516 Northwestern Ave	★★★★★	1973	16	6.3%	2/8/2019	\$790,000	\$49,375	\$48
10 3723 Washington Ave	★★★★★	1958	5	10.0%	1/11/2019	\$733,333	\$146,666	\$115
11 1815 Thurston Ave	★★★★★	1964	16	6.3%	9/26/2018	\$675,000	\$42,187	\$49
11 1815 Thurston Ave	★★★★★	1964	16	6.3%	9/26/2018	\$675,000	\$42,187	\$49
12 Douglas Avenue Apartments 1639 Douglas Ave	★★★★★	1928	34	12.5%	1/4/2019	\$670,000	\$19,705	\$32
13 2904 Mt Pleasant St	★★★★★	1965	20	5.0%	6/28/2018	\$652,359	\$32,617	\$42
14 2419-2425 19th St	★★★★★	1947	12	0%	12/28/2018	\$519,900	\$43,325	\$46
15 4414 Kennedy Dr	★★★★★	-	8	12.5%	3/1/2019	\$492,000	\$61,500	\$53
14 2419-2425 19th St	★★★★★	1947	12	0%	12/21/2018	\$490,000	\$40,833	\$43
16 3111-3121 Wheelock Dr	★★★★★	1968	16	6.3%	4/30/2019	\$409,000	\$25,562	\$30
16 3111-3121 Wheelock Dr	★★★★★	1968	16	6.3%	4/30/2019	\$341,000	\$21,312	\$25
17 311 11th St	★★★★★	1880	5	0%	4/4/2019	\$335,000	\$67,000	\$96

Aerial Map



PROPERTY DESCRIPTION

FEMA Map Number and Date	551010227D, May 2, 2012
Flood Zone	X, Not Located in Floodplain
Zoning Classification	R4, Residential Multi-Family
Highest and Best Use	As Vacant, Multi-family Residential As Improved, current use is legally permissible, physically possible, financially feasible, and maximally productive.

Site Description	
Site Size	43,255 SF, or 0.993 Acres
Site Shape	Irregular
Topography	Mostly Level
Easements	None

Site Improvements	
Sewer/Water	Municipal
Gas/Electric	Public
Street	Asphalt Paved
Curb/Gutter/Sidewalk	Concrete
Parking	Surface
Other	Exterior Lighting, Signage, Landscaping

Subject Improvements	
Present Use	Seven-building, 28-unit Apartment Complex
Layout	28 units with LR/DR, 2 BR, Kitchen, and 1 BA
Stories	Two Stories, Unfinished Basement
Building Size	25,704 SF
Exterior Walls	Brick
Roof	Asphalt-Shingle
Windows	Vinyl & Aluminum double-hung
Floors	Carpet, Linoleum
Walls and Ceilings	Drywall
Heating and Cooling	Individual Boilers & Sleeve Air Conditioning
Plumbing	28 Kitchen Sinks, 3-fixture Bathrooms, 3-fixture Restrooms & 35 40-gallon Water Heaters
Appliances	28 Refrigerators, Stoves & Seven Washers/Dryers (owned, coin-op)
Sprinkler System	None
Extras	None

Age	Year Built	1973
	Actual Age	46 Years
	Total Economic Life	50 Years
	Less: Effective Age	<u>30 Years</u>
	Remaining Economic Life	20 Years

The effective age of a property is an age based upon the observed depreciation and obsolescence. The economic life is the period over which the improvements to a property contribute value. Therefore, remaining economic life, the difference between the economic life and the effective age, is an estimate of the period over which the improvements to a property will continue to contribute value.

Condition and Utility

The subject is an existing seven-building, 28-unit apartment complex. As of the date of inspection, overall the subject is in average condition.

The utility of the subject is average. No functional or external obsolescence is noted.

Fire Protection

The subject does not utilize a sprinkler system. It is assumed that adequate fire alarm systems, fire exits, fire extinguishers, fire escapes, and/or other fire protection measures are in place to meet local requirements.

Easements

There are no apparent easements or encroachments noted. The appraisal assumes, but does not warrant, that any easements, restrictions or encroachments that might appear against the title would have no adverse effect on the value of the subject.

Environmental Conditions

No environmental survey is available for review. Inspection of the property revealed no apparent underground tanks, environmental hazards or toxic wastes. It is assumed that the property is not contaminated. It is further assumed that it is unaffected by lead-based paint hazards either on or off the site. However, the appraisers are not environmental experts. Therefore, it is assumed that no adverse environmental conditions affect the subject.

Americans with Disabilities Act (ADA)

The property is subject to the Americans with Disabilities Act (ADA). It is not known if it meets all requirements of the ADA. Required changes to meet the ADA could influence the value. The appraisers are not experts in ADA requirements. Therefore, it is assumed that all ADA requirements are met.

ZONING ANALYSIS

The subject is zoned R4, Residential Multi-Family. The subject's zoning requirements are summarized in the table below.

Zoning Summary Seven-building, 28-unit Apartment Complex 2024 Golf Avenue and 3110-3114 Northwestern Avenue Racine, Wisconsin	
Zoning Designation	R4, Residential Multi-Family
Legally Conforming	Yes
Permitted Uses	Single-family dwellings, Multiple-family dwellings
Zoning Change	Unlikely
Category	Zoning Requirement
Lot Area	Minimum 1,500 SF/Unit (So 42,000 SF)
Lot Width	Minimum 50 feet
Front Setback	Not less than 25 feet
Side Setback	Not less than 6 feet
Rear Setback	Not less than 35 feet

The subject appears to be legally conforming to the current zoning designation.

EXPOSURE AND MARKETING TIME

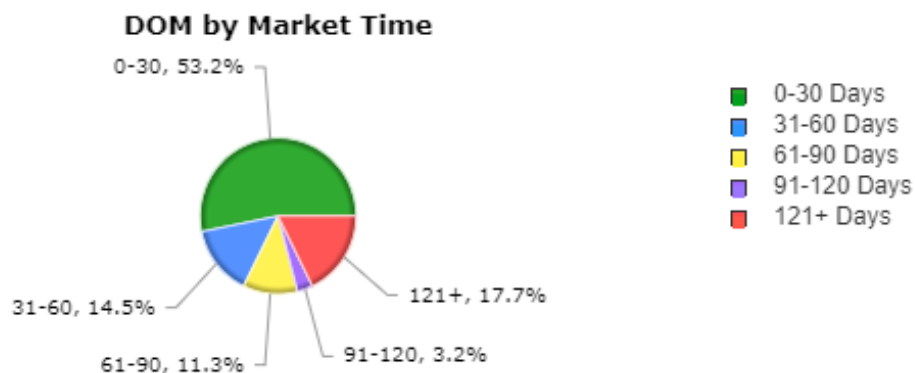
Exposure time defined by the Appraisal Institute, in *The Dictionary of Real Estate Appraisal*, Sixth Edition, 2015, published by the Appraisal Institute, as: “The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. Exposure time is a retrospective opinion based on an analysis of past events assuming a competitive and open market.”

Marketing time defined by the Appraisal Institute, in *The Dictionary of Real Estate Appraisal*, Sixth Edition, 2015, published by the Appraisal Institute, as: “An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of the appraisal.”

The PwC *Real Estate Investor Survey* for the fourth quarter 2018 specifies a range of one to nine months, and an average marketing period of 3.7 months for National Apartment transactions, down from 3.8 months one year earlier. The properties included in the survey are typically, new, well located, investment grade properties that would be attractive to national investment advisors. It is estimated that exposure and marketing time for sale for the subject, would be three to six months.

Further, the following chart shows over 75% of sales over the last three years in the city of Racine were on the market for less than 90 days.

Days on Market and Sold/List Ratios by Market Time					
	0-30 Days	31-60 Days	61-90 Days	90-120 Days	121+ Days
Number of Listings	33	9	7	2	11
% of Total	53.23%	14.52%	11.29%	3.23%	17.74%
Average SP/LP	96.55	86.31	95.48	94.24	91.72
Average SP/OLP	95.80	85.96	91.79	94.24	83.39



HIGHEST AND BEST USE

Highest and best use is defined by the Appraisal Institute, in *The Dictionary of Real Estate Appraisal*, Sixth Edition, 2015, published by the Appraisal Institute, as: “1) The reasonably probable use of property, that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. 2) The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset’s existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. 3) The highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future.”

As indicated by the above definition, the highest and best use of any parcel of land relates to the needs or demands of potential users. It is a consideration which is made to determine what the maximum desirable potential of the property is or could be. Historical data relative to a site may not reflect the future potential of the property, but can act as an aid in analyzing past trends and thus help in determining the present or future usefulness of the property. Determination of the potential or future benefits from property ownership is the objective of most appraisal assignments. After the potential or the highest and best use of the property has been determined, data providing support for the valuation can be reconciled to provide the basis for a logical value conclusion.

This appraisal analysis takes into account considerations of the economic trends for the subject market area and community, the proximity of amenities, financial capabilities of the typical buyers, etc., and considers limitations of these items. In determining the highest and best use as if vacant, or as improved, there are four basic criteria. The use must be legally permissible, physically possible, financially feasible and maximally productive. Of the financially feasible uses, the maximally productive use is that which will bring the greatest value or return to the land.

Highest and Best Use, As Vacant

As stated above, this use must be legally permissible, physically possible, and financially feasible. The use that maximizes the return to the land under all of these tests will be the maximally productive, and the highest and best use as vacant.

Legally Permissible

The subject is zoned R4, Residential Multi-Family. This zoning allows most multi-family residential uses. The site appears to meet current size zoning requirements, and therefore, the site could be developed if vacant. Based upon the current zoning, surrounding land uses, and development trends occurring in the area, it is unlikely that a zone change would occur. A residential use seems to be the most likely of the permitted uses for the site.

Physically Possible

The subject site is an irregular shaped 0.993-acre parcel with frontage on Golf Avenue and Northwestern Avenue. The site includes adequate frontage, exposure, accessibility, and ingress/egress from the adjacent roadway. The size, shape and topographical features are sufficient for development of a residential use.

Public water and sewer serve the site. The assumed soil conditions do not appear to constrain development potential. Overall, the physical features are sufficient to develop the site into its allowable uses under the current zoning.

Financially Feasible

Well-maintained residential buildings in the surrounding area are commanding average rental rates. Based on the adequate occupancy rates and rental rates commanded throughout the surrounding areas, a residential use appears to be a financially feasible venture.

In analyzing the financial feasibility, the appraisers have projected the gross potential income, vacancy/credit loss and operating expenses to obtain the likely net operating income from a residential use. Based on this information, the short-term and long-term feasibility of the subject is considered good. In that regard, the appraisers have determined that a residential use is a financially feasible use for this site.

Maximally Productive

Considering a maximally productive use, a residential use maximizing the development potential of the parcel and based on that which is legally permissible and supported by the market appears reasonable.

Conclusion

Development of the site to a residential use is considered a legally permissible, physically possible, financially feasible and maximally productive use.

Highest and Best Use, As Improved

The same tests are applied to the analysis as improved - tests of legal permissibility, physical possibility, and financial feasibility. As above, the use that maximizes the return to the land under all of these tests will be the maximally productive use, and thus, the highest and best use as improved.

Legally Permissible

The subject is an existing seven-building, 28-unit apartment complex totaling 25,704 square feet. The site appears to be legally conforming and the subject use appears to be legally permissible.

Physically Possible

The subject is an irregular shaped parcel with adequate parking and frontage on and access from an adjacent roadway. Condition of the property is average and the utility of the property is average. It is unlikely that the improvements would be used for other than a multi-family residential use. The value of the improvements is greater than the value of the site, so therefore the existing improvements contribute value to the subject and should not be razed.

Financially Feasible

The rental desirability of the subject is average. Similar properties in the subject's market are commanding adequate rental rates.

Vacancy at the subject is estimated at 6.00% over the projected holding period. Because of the average rental rates and average vacancy and collection in the area, both the short-term and long-term feasibility is average.

Maximally Productive

The only use that satisfies the first three tests is the current use. Therefore, the subject meets the requirements being maximally productive.

Conclusion

The current improvements of the subject meet the criteria of all four tests above. The value of the improvements is greater than the value of the site, so therefore the existing improvements contribute value to the subject and should not be razed. Therefore, we have concluded that the existing improvements, with expansion of the existing improvements as needed meet the criteria of being the highest and best use, as improved.

VALUATION METHODOLOGY

The valuation of any parcel of real estate is derived principally through three basic approaches. They are the cost, sales comparison, and income approaches. From the indications of these analyses and the weight that is accorded to each, a value opinion is reached based upon expert judgment within the outline of the appraisal process. The methodology involving the appraisal of the subject includes the following:

Cost Approach

The cost approach is based on the recognition that market participants relate value to cost. The value of a property is the costs to develop a similar property, once the costs are adjusted for all forms of applicable depreciation.

Developing a cost approach involves four major steps.

1. Develop an opinion of the site as though vacant and available for development to its highest and best use.
2. Estimate all costs to replace or reproduce the existing improvements, including direct costs, indirect costs, and entrepreneurial incentive.
3. Estimate all forms of depreciation evident in the improvements.
4. Subtract the total estimated depreciation from the total estimated reproduction or replacement costs and add the site value opinion to derive an indication of value from the cost approach.

Sales Comparison Approach

The sales comparison approach is based upon the principle of substitution; that is, when a property is replaceable in the market, its value tends to be set at the cost of acquiring an equally desirable substitute property.

Developing a sales comparison approach involves four major steps.

1. Research the market and find information about comparable property sales.
2. Analyze the comparable sales to derive market-supported adjustments that reflect the significant differences between the sales and the subject.
3. Apply the adjustments to the comparable sale or unit prices.
4. Reconcile the adjusted sale or unit prices into an indication of value for the subject.

Income Approach

The income approach is based on the recognition that the value of a property is related to its income-generating potential. Based on the subject data, a direct capitalization approach is applicable in the valuation of the subject.

Developing an income approach involves four major steps.

1. Determine the potential gross income of a property based upon either contract rental rates or market rental rates, based upon rental rates of comparable properties.
2. Estimate the stabilized vacancy and collection loss based upon market factors and apply it to the subject's potential gross income to yield an effective gross income.
3. Analyze the property's expense and reconcile them with typical expenses of properties in the market. Deduct applicable operating expenses from the effective gross income to arrive at the net operating income of the property.
4. Estimate an appropriate capitalization rate for the subject property based upon market data, surveys, and the band-of-investment method and apply it to the net operating income to arrive at the estimated value of the subject.

Conclusion

Only the sales comparison and income approaches can be applied to the analysis of data to derive a well-supported value conclusion. The cost approach was considered but not developed, due to the difficulties in determining depreciation from all causes. Although the approaches are inter-related, the property type and use determines which approach or approaches are most appropriate. The final reconciliation considers the applicability of each approach.

COST APPROACH

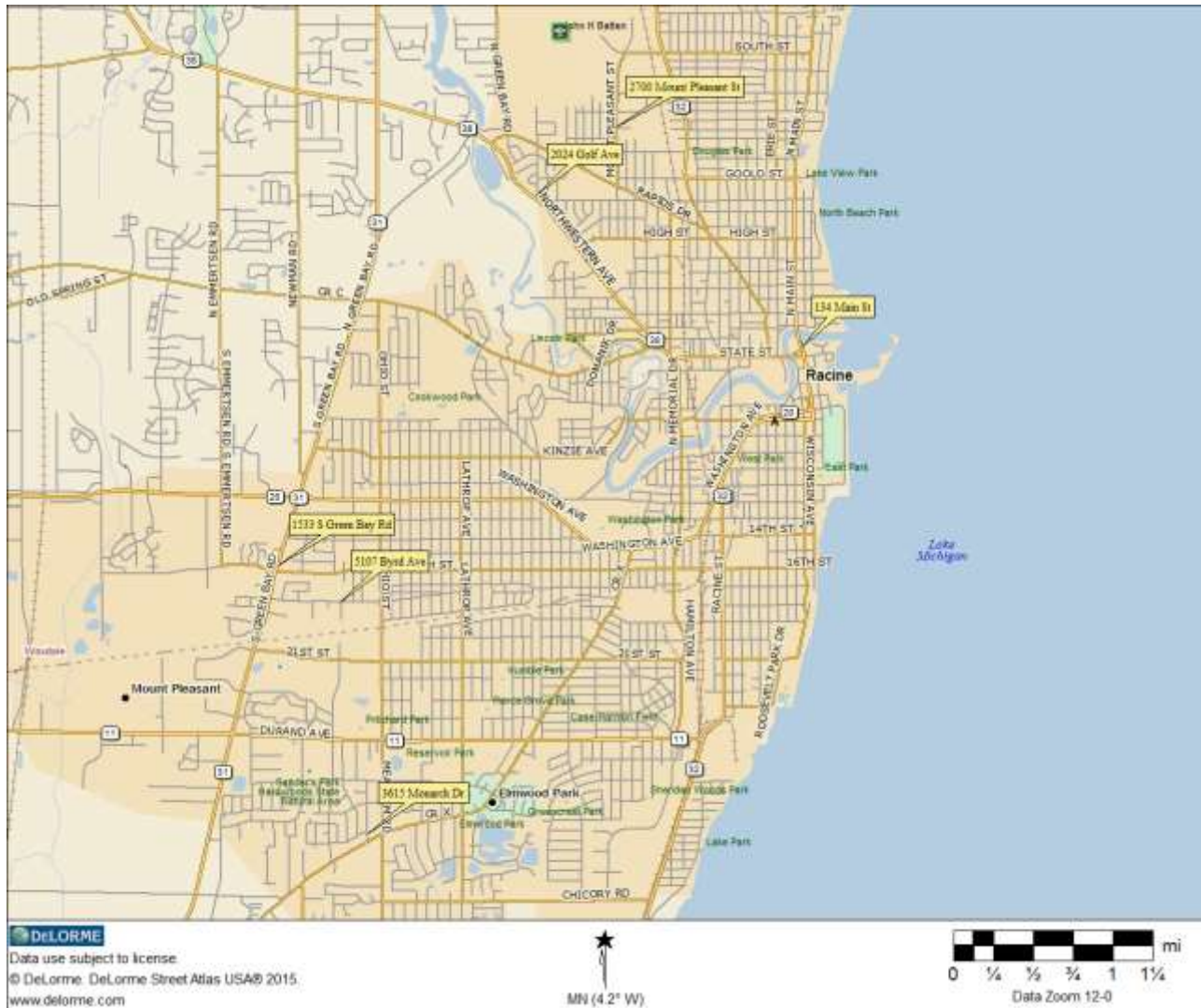
The subject is located in a mostly built-up area. There are few land sales available. Further, the buildings are 46 years old and thus replacement cost new would require considerable interpolation, making physical depreciation difficult to accurately estimate. This would require considerable subjective judgment. In addition, the cost to replace/reproduce a building like the subject, less depreciation from all causes, is not a method used by market participants as a way to establish market value. Therefore, the cost approach is not considered applicable in the appraisal of the subject and is not included herein.

It is noted that the remaining economic life of the subject could be extended with a combination of building updates, repairs and /or renovations over its physical life.

Personal property included in the valuation of the subject consists of kitchen and laundry appliances, and is estimated at \$14,000, or \$500 per unit.

SALES COMPARISON APPROACH

The sales included on the following pages are analyzed in arriving at the value opinion of the subject by the sales comparison approach.





Sale 1
134 Main Street, Racine, Wisconsin
78-unit Apartment Building
Tax ID # 00033000

Sale Date:	October 2018
Sale Price:	\$4,800,000
Grantor:	Historic Olson Bldg Loft Apts
Grantee:	Premier Belle Harbor Racine LLC
Verification:	Assessor, WIDOR

Site Size:	0.87 Acres
Building Size:	78,748 SF
Average Unit Size:	1,010 SF
Year Built:	1890
Heat:	Individual Heat
Parking:	Underground
Potential Gross Income:	\$916,872

Price/Unit:	\$61,538
Price/SF:	\$60.95
GIM:	5.24

Sale 1 was slightly superior in location than the subject. It had a much higher average unit rent, but a similar and a much smaller average unit size. Apartments have individual heat and underground parking is available to tenants. The sale was slightly superior in condition than the subject.



Sale 2
 3615 Monarch Drive, Racine, Wisconsin
 24-unit Apartment Building
 Tax ID # 24385000

Sale Date:	June 2018
Sale Price:	\$1,531,000
Grantor:	Pleasant View Apartments Llc
Grantee:	Pear Creek Properties Llc
Verification:	Assessor, WIDOR

Site Size:	1.23 Acres
Building Size:	25,410 SF
Average Unit Size:	1,059 SF
Year Built:	1965
Heat:	Common Heat
Parking:	Carport, Surface
Potential Gross Income:	\$175,440

Price/Unit:	\$63,792
Price/SF:	\$60.25
GIM:	8.73

Sale 2 was similar in location to the subject. It had a similar average unit rent, but a larger average unit size. Apartments have common heat and both carport and surface parking are available to tenants. The sale was superior in condition than the subject.



Sale 3
1533 Green Bay Road, Mount Pleasant, Wisconsin
16-unit Apartment Building
Tax ID # 151032213163000

Sale Date:	June 2018
Sale Price:	\$1,020,000
Grantor:	Aspen Apts LLC
Grantee:	Jbk Ptshp
Verification:	Assessor, WIDOR

Site Size:	1.11 Acres
Building Size:	14,624 SF
Average Unit Size:	914 SF
Year Built:	1977
Heat:	Individual Heat
Parking:	Surface
Potential Gross Income:	\$134,880

Price/Unit:	\$63,750
Price/SF:	\$69.75
GIM:	7.56

Sale 3 was similar in location to the subject. It had a higher average unit rent, but a similar average unit size. Apartments are centrally heated and surface parking is available to tenants. The sale was slightly superior in condition than the subject.



Sale 4
2700-2904 Mt Pleasant Street, Racine, Wisconsin
84-unit Apartment Building
Tax ID # 19677010, 20190001, 20190007

Sale Date:	June 2018
Sale Price:	\$2,850,000
Grantor:	Spectrum Real Estate LLC
Grantee:	Berrada Properties 1, LLC
Verification:	Appraisal
Site Size:	2.01 Acres
Building Size:	47,202 SF
Average Unit Size:	562 SF
Year Built:	1963-65
Heat:	Common & Individual Heat
Parking:	Surface
Potential Gross Income:	\$534,840
Price/Unit:	\$33,929
Price/SF:	\$60.38
GIM:	5.33

Sale 4 was similar in location to the subject. It had a lower average unit rent and a much smaller average unit size. Apartments have both common and individual and surface parking is available to tenants. The sale was slightly superior in condition than the subject.



Sale 5
5107-5215 Byrd Avenue, Racine, Wisconsin
50-unit Apartment Building
Tax ID # 22663004, 22663088

Sale Date:	August 2017
Sale Price:	\$2,000,000
Grantor:	Guardian Credit Union
Grantee:	Berrada Properties 1, LLC
Verification:	Appraisal

Site Size:	1.47 Acres
Building Size:	44,534 SF
Average Unit Size:	891 SF
Year Built:	1974-1975
Heat:	Individual Heat
Parking:	Surface
Potential Gross Income:	\$316,728

Price/Unit:	\$40,000
Price/SF:	\$44.91
GIM:	6.31

Sale 5 was similar in location to the subject. It had a lower average unit rent, but a similar average unit size. Apartments have individual heat and surface parking is available to tenants. The sale was similar in condition to the subject.

Improved Sales Seven-building, 28-unit Apartment Complex 2024 Golf Avenue and 3110-3114 Northwestern Avenue Racine, Wisconsin											
Subject		Sale 1		Sale 2		Sale 3		Sale 4		Sale 5	
Address	2024 Golf Avenue and 3110-3114 Northwestern Avenue Racine	134 Main St Racine	3615 Monarch Dr Racine	1533 Green Bay Rd S Mt Pleasant	2700-2904 Mt Pleasant St Racine	5107-5215 Byrd Ave Racine					
Sale Price		\$4,800,000	\$1,531,000	\$1,020,000	\$2,850,000	\$2,000,000					
Sale Date	Jan-19	Oct-18	Jun-18	Jun-18	Jun-18	Aug-17					
Location	Average	Sl. Superior	Similar	Similar	Similar	Similar					
Building Size (SF)	25,704	78,748	25,410	14,624	47,202	44,534					
Avg Unit Size	918	1,010	1,059	914	562	891					
Site Size (AC)	0.99	0.87	1.23	1.11	2.01	1.47					
No. of Units	28	78	24	16	84	50					
No. of Rooms	112	292	98	68	232	154					
No. of Bedrooms	56	136	50	32	82	76					
No. of Baths	28	98	24	16	84	50					
Heating/Cooling	Individual Heat	Individual Heat	Common Heat	Individual Heat	Common & Ind. Heat	Individual Heat					
Year Built	1973	1890	1965	1977	1963-65	1974-75					
Condition	Average	Sl. Superior	Superior	Sl. Superior	Sl. Superior	Similar					
Parking	Surface	Underground	Carport, Surface	Surface	Surface	Surface					
Construction	Brick	Brick	Brick	Brick, Wood	Brick, Vinyl	Brick					
PGI	\$215,040	\$916,872	\$175,440	\$134,880	\$534,840	\$316,728					
Avg Unit Rent	\$625	\$980	\$609	\$688	\$521	\$526					
GIM		5.24	8.73	7.56	5.33	6.31					
SP/Unit of Comparison		Price/SF	Price/Unit	Price/SF	Price/Unit	Price/SF	Price/Unit	Price/SF	Price/Unit	Price/SF	Price/Unit
		\$60.95	\$61,538	\$60.25	\$63,792	\$69.75	\$63,750	\$60.38	\$33,929	\$44.91	\$40,000
Quantitative Adjustments											
Property Rights	Fee Simple	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Conditions of Sale	Arm's Length	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Financing Terms	Typical	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Market Conditions	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Subtotal		\$60.95	\$61,538	\$60.25	\$63,792	\$69.75	\$63,750	\$60.38	\$33,929	\$44.91	\$40,000
Qualitative Adjustments											
Location		-	=	=	=	=	=	=	=	=	=
Number of Units		+	=	=	=	=	=	+	+	=	=
Unit Size		=	+	-	-	-	-	-	++	=	=
Age/Condition		-	--	--	-	-	-	-	-	=	=
Common/Separate Heat		=	+	+	+	=	=	=	=	=	=
Parking		-	-	-	-	=	=	=	=	=	=
Construction		=	=	=	=	=	=	=	=	=	=
Overall Net Adjustments		-	-	-	-	-	-	-	+	=	=
Adj SP/Unit of Comparison		Less Than	Less Than	Less Than	Less Than	Less Than	Less Than	Less Than	More Than	Similar To	Similar To
		\$60.95	\$61,538	\$60.25	\$63,792	\$69.75	\$63,750	\$60.38	\$33,929	\$44.91	\$40,000

Quantitative Adjustments

Sufficient data is available to make quantitative adjustments for the following factors.

Property Rights

All of the sales are occupied with tenants on leases of one year or less. Therefore, no property rights adjustment is necessary.

Conditions of Sale

All of the sales are arm's-length transactions. Therefore, no adjustments are necessary.

Financing Terms

All of the sales are paid for with cash or financed at market terms. Therefore, no financing terms adjustment is necessary.

Market Conditions

A market conditions adjustment is not applied as market activity has remained relatively stable over the last two years.

Qualitative Adjustments

The following factors are considered when analyzing the sales. Qualitative adjustments are made when the market evidence supports an adjustment, but sufficient data is not available to quantify that adjustment. Therefore, a comparable property with an attribute that is superior to the subject is negatively adjusted; conversely, a comparable property with an attribute that is inferior to the subject is positively adjusted.

Location

The type of property appraised, access to major thoroughfares, ingress and egress to the site, proximity to major population and commercial centers are all considered when making a location adjustment.

Sale 1 is in a superior location than the subject so a negative adjustment is applied. Sales 2, 3, 4 and 5 are in similar locations as the subject so no adjustments are applied.

Number of Units

This adjustment reflects differences in price because of the size of the subject. Larger buildings tend to sell for less per unit and per square foot than smaller ones. This is largely because the buyer of a large property requires greater capital outlay and financing, which restricts the pool of potential buyers. Conversely, smaller properties require smaller initial outlays and less financing, so the barriers to entry are lower. Therefore, the pool of potential buyers is higher, pushing prices up.

The subject contains 28 units. Sales 2, 3 and 5 have a comparable number of units as the subject so no adjustments are applied. Sales 1 and 4 have more units than the subject so positive adjustments are applied

Unit Size

Larger units generate more rent per unit than smaller ones. Therefore, larger units are more valuable than smaller ones on a per unit basis. Sales 1, 3 and 5 have similar average unit sizes to the subject so no adjustments are applied. Sale 4 has a smaller average unit size than the subject so a positive adjustment is applied. Sale 2 has a larger average unit size so a negative adjustment is applied on a per unit basis.

However, this factor, when considered on a per square foot basis, yields adjustments of the opposite direction. On a per square foot basis, larger units are worth less than smaller ones because each square foot of a larger unit generates less rent than each square foot of a smaller unit. Therefore, Sales 1, 3 and 5 received no adjustments, Sale 4 received a negative adjustment, and Sale 2 received a positive adjustment on a per square foot basis.

Age/Condition

Properties that are newer or in better condition than older properties tend to rent for more and cost less to maintain.

Sale 5 is similar in condition to the subject so no adjustment is applied. Sales 1, 2, 3 and 4 are superior in condition than the subject so negative adjustments are applied.

Heating

In buildings with common heat, owner expenditures are higher. Therefore, buildings with individual heating are superior. However, buildings with efficient common heat are considered similar to buildings with efficient heat. The subject has individual heat, which is similar to Sales 1, 3, 4 and 5 so no adjustments are applied. Sale 2 common heat so positive adjustments are applied.

Parking

The subject offers surface parking, as do Sales 3, 4 and 5 so no adjustments are applied. Sales 1 and 2 offer carport or underground parking so negative adjustments are applied.

Construction

All of the buildings are of similar quality construction. Therefore, no adjustments are necessary.

Array

The value indications derived from the comparable sales are arrayed relative to the subject. This array helps to reconcile all of the value indications into a single estimate of value for the subject property. Conclusions are made near the bottom of the range for value per square foot and below the middle of the range for value per unit. This is based on the subject's condition and average unit size and rent relative to the comparables. The array is shown below.

Array of Comparable Sales Seven-building, 28-unit Apartment Complex 2024 Golf Avenue and 3110-3114 Northwestern Avenue Racine, Wisconsin	
Sale Number	Adjusted Price Per SF
3	Less Than \$69.75
1	Less Than \$60.95
4	Less Than \$60.38
2	Less Than \$60.25
Subject	\$45.00
5	Similar To \$44.91
Sale Number	Adjusted Price Per Unit
2	Less Than \$63,792
3	Less Than \$63,750
1	Less Than \$61,538
Subject	\$40,000
5	Similar To \$40,000
4	More Than \$33,929

Gross Rent Multiplier Analysis

The value opinion is also estimated based upon a gross income multiplier analysis. The gross income multiplier is not adjusted because most factors requiring adjustments are implicitly reflected in the rents. The subject has individual heat, which is similar to four of the sales. Therefore, the indicated gross rent multiplier for the subject is 6.25 .

The opinions of value per square foot and per unit concluded above are shown in the table below. When this is applied to the subject, the opinion of value of the subject is as follows:

Sales Comparison Approach Conclusions Seven-building, 28-unit Apartment Complex 2024 Golf Avenue and 3110-3114 Northwestern Avenue Racine, Wisconsin				
Opinion of Value per SF				
Building Size (SF)	X	Opinion of Value per SF	=	Opinion of Value
25,704		\$45.00		\$1,156,680
Opinion of Value per Unit				
Number of Units	X	Opinion of Value per Unit	=	Opinion of Value
28		\$40,000		\$1,120,000
Opinion of Value Via Gross Income Multiplier				
Potential Gross Income	X	Indicated GIM	=	Opinion of Value
\$215,040		6.25		\$1,344,000
Opinion of Value by Sales Approach				\$1,160,000

The price per foot and price per unit indicators are given primary weight. The gross income multiplier indicator is given secondary consideration. Therefore, the opinion of value of the subject property including appliances, via the sales comparison approach, is **One Million One Hundred Sixty Thousand Dollars (\$1,160,000).**

INCOME APPROACH

Rental Comparables

A survey of local market rents is conducted to estimate the market rental rates of the subject.



Actual and market rents for the subject are shown in the table below.

Unit Type	Size (SF)	Actual Mo. Rent/Unit	Asking Mo. Rent/Unit	Market Mo. Rent/Unit
2 BR 1 BA	918	\$500-\$655	\$650	\$625

The following grid shows the market rental rates in the area.

Rent Comparables Seven-building, 28-unit Apartment Complex 2024 Golf Avenue and 3110-3114 Northwestern Avenue Racine, Wisconsin					
Address	Size (SF)	Style	Monthly Rent	Heat Included?	Monthly Rent Adj. for Heat
4350 Kennedy Dr, Caledonia	912	2 BR 1 BA	\$600-\$650	No	\$600-\$650
4400 Kennedy Dr, Caledonia	912	2 BR 1 BA	\$585-\$655	No	\$585-\$655
1815 Thurston Ave, Racine	900	2 BR 1 BA	\$620	Yes	\$570
2700, 2800 & 2904 Mt Pleasant St, Racine	725	2 BR 1 BA	\$575	Yes	\$525
3205 Indiana St, Racine	975	2 BR 1 BA	\$695	No	\$695

After adjustments, the comparables show a range of rents from \$525 to \$695 per month for the two-bedroom units. The concluded market rent for the subject is within the range of comparable rentals and within the range of rents currently attained. The market rent conclusions are shown below.

Market Rent Conclusions Seven-building, 28-unit Apartment Complex 2024 Golf Avenue and 3110-3114 Northwestern Avenue Racine, Wisconsin					
Style	Size (SF)	Actual Rent	Asking Rent	Comparables	Conclusion
2 BR 1 BA	918	\$500-\$655	\$650	\$525-\$695	\$625

Potential Gross Income

Rental Income

Based on the rental comparables and analysis above, the following table summarizes the market rent for the subject.

Market Rent Assumptions Seven-building, 28-unit Apartment Complex 2024 Golf Avenue and 3110-3114 Northwestern Avenue Racine, Wisconsin	
	2 BR 1 BA
Monthly Market Rent	\$625
Escalations	None
Owner Paid Utilities	Water/Sewer, Common Utilities
Tenant Paid Utilities	Unit Heat and Electricity
Lease Terms	One Year or Less
Unit Size (SF)	918
Rent/SF (Monthly)	\$0.68
Rent/SF (Annually)	\$8.17

Additional Income

The subject has coin-operating laundry on the premises. Income from laundry is estimated at \$15 per unit per month, which equates to additional income of \$420 per month or \$5,040 per year.

Summary

This table summarizes the potential gross income for the subject, showing the market rents.

Rent Roll Summary Seven-building, 28-unit Apartment Complex 2024 Golf Avenue and 3110-3114 Northwestern Avenue Racine, Wisconsin							
Unit Type	Est. Unit Size (SF) Based on Gross Building SF	Actual Mo. Rent/Unit	Asking Mo. Rent/Unit	Market Mo. Rent/Unit	# of Units	Total Income/Mo	Potential Gross Income
2 BR 1 BA	918	\$500-\$655	\$650	\$625	28	\$17,500	\$210,000
Laundry	\$15/Unit/Month	\$420				\$420	\$5,040
Total		\$17,495			28	\$17,920	\$215,040

Vacancy and Collection Loss

Current and historical vacancy rates in the neighborhood are average. At the time of inspection, the subject had one vacant unit (3.57% vacancy rate), which is lower than the average market vacancy. A vacancy rate of 6.00% is concluded, which is in line with the average market vacancy rate for the area.

Effective Gross Income

The subject's effective gross income is the income generated by the subject after the vacancy and collection loss is deducted from the potential gross income as follows.

Effective Gross Income Seven-building, 28-unit Apartment Complex 2024 Golf Avenue and 3110-3114 Northwestern Avenue Racine, Wisconsin		
Potential Gross Income		\$215,040
Vacancy and Collection Loss	6%	<u>\$12,902</u>
Effective Gross Income		\$202,138

Operating Expense Analysis

The following table shows the operating expenses used in the analysis.

Operating Expenses Seven-building, 28-unit Apartment Complex 2024 Golf Avenue and 3110-3114 Northwestern Avenue Racine, Wisconsin	
Operating Expenses	
Taxes	\$40,425
Insurance	\$10,592
Management	\$10,107
Utilities	\$17,544
On-site Manager	\$5,040
Repairs and Maintenance	\$12,852
Lawn, Snow, Trash	\$4,800
Reserves	\$4,043
Miscellaneous	<u>\$2,021</u>
Total Operating Expenses	\$107,425

Real Estate Taxes

The real estate tax expense is based on the actual 2018 amount.

Insurance

The insurance expense is based on the actual amount provided by the owner.

Management

The management expense is estimated based on 5% of the effective gross income. For this size of building, a management company will take care of advertising, leasing, accounting and the more administrative aspects of management.

Utilities

The owner pays for water/sewer and common area heat and electricity. Tenants pay for unit heat and electricity. The utility expense is based on the actual amount provided by the owner.

On-site Manager

An on-site manager is used for tasks such as collecting coins from the laundry and vending machines, showing units, handling tenants with lost keys, fixing a clogged sink, and similar tasks. The on-site manager expense is estimated at \$15 per unit per month.

Repairs/Maintenance

The annual expense for repairs/maintenance is estimated at \$0.50 per square foot of gross building area.

Lawn/Snow/Trash

The lawn, snow, and trash expense is estimated based on what similar properties incur.

Reserves

Reserves are included as a line-item adjustment as prudent investors typically establish a reserve for replacement of some short-lived items. Reserves are estimated based on 2% of the effective gross income of the subject.

Miscellaneous

Miscellaneous expenses are expenses that do not fit in any of the above categories and are estimated based on 1% of the effective gross income of the subject.

Total Concluded Operating Expenses

The total operating expenses of the subject are estimated at \$107,425. This is approximately 53.1% of the effective gross income, \$3,837 per unit, or \$4.18 per square foot of building area. The expense ratio is within the range of properties similar to the subject where the tenants pay for heat.

Net Operating Income

The table below shows the calculation of the subject's net operating income.

Net Operating Income Seven-building, 28-unit Apartment Complex 2024 Golf Avenue and 3110-3114 Northwestern Avenue Racine, Wisconsin			
Potential Gross Income			\$215,040
Vacancy and Collection Loss	6%		\$12,902
Effective Gross Income			\$202,138
Total Operating Expenses	53.1%		\$107,425
Net Operating Income			\$94,713

Capitalization Rate

In the income approach, the following methods for estimating the capitalization rate for direct capitalization are used.

Band of Investment Model

A capitalization rate is the relationship between net income and value. It is a composite of the cost of debt service and the net cash flow requirements of an equity investor. Investigation of the mortgage money market indicates that an investor in this type of property, with a good credit rating, should be able to obtain 75.00% mortgage financing at an interest rate of 4.75% and an amortization period up to 25 years.

Discussions with informed real estate personnel and mortgage lenders indicate a prospective equity dividend rate, or cash-on-cash return, of at least 14.00% is required to attract 25.0% equity capital. An equity dividend rate of 14.00% is therefore concluded to account for the average risk of the subject. On this basis, an overall capitalization rate is developed via the band of investment model as follows:

$$R_0 = (m)(R_m) + (1-m)(R_e)$$

Whereby:

m is the percentage of funds provided by the mortgage lender (the loan-to-value ratio)
 R_m is the cash return to the lender (the monthly loan constant multiplied by twelve)
 $(1-m)$ is the percentage of funds provided by the equity investor (the down payment)
 R_e is the cash return to the equity investor (the equity dividend rate)

Therefore, the band of investment model indicates a capitalization rate of 8.63%.

Band of Investment Seven-building, 28-unit Apartment Complex 2024 Golf Avenue and 3110-3114 Northwestern Avenue Racine, Wisconsin					
R_0	=	(m)	(R_m)	+	(1-m) (R_e)
R_0	=	0.7500	0.0684	+	0.2500 0.1400
R_0	=	0.0513		+	0.0350
R_0	=	0.0863			

Investor Survey

According to the *PricewaterhouseCoopers Investor Survey* (fourth quarter 2018), overall capitalization rates for the National Apartment Market range from 3.50% to 8.50%, with an average of 5.16% for institutional-grade properties. The *Realty Rates Investors Survey* indicates an overall average for apartments of 8.36%. The capitalization rate indicated by the band of investment model is between the two averages indicated by the surveys.

Capitalization Rate Conclusion

The table below summarizes the capitalization rates by the approaches discussed above.

Summary of Capitalization Rates Seven-building, 28-unit Apartment Complex 2024 Golf Avenue and 3110-3114 Northwestern Avenue Racine, Wisconsin	
Band of Investment	8.63%
PwC Institutional Grade Range	3.50% - 8.50%
PwC Institutional Grade Average	5.16%
Realty Rates Investors Average	8.36%

Based on the information above, a capitalization rate of 8.50% is concluded.

Conclusion

Income Capitalization Approach Seven-building, 28-unit Apartment Complex 2024 Golf Avenue and 3110-3114 Northwestern Avenue Racine, Wisconsin				
		Amount	\$/SF (GBA)	% of EGI
Potential Gross Income		\$215,040	\$8.37	
Vacancy and Collection Loss	6.00%	\$12,902	\$0.50	
Effective Gross Income		\$202,138	\$7.86	100.0%
Expenses				
Taxes		\$40,425	\$1.57	20.0%
Insurance		\$10,592	\$0.41	5.2%
Management		\$10,107	\$0.39	5.0%
Utilities		\$17,544	\$0.68	8.7%
On-site Manager		\$5,040	\$0.20	2.5%
Repairs and Maintenance		\$12,852	\$0.50	6.4%
Lawn, Snow, Trash		\$4,800	\$0.19	2.4%
Reserves		\$4,043	\$0.16	2.0%
Miscellaneous		\$2,021	\$0.08	1.0%
Total Expenses		\$107,425	\$4.18	53.1%
Net Operating Income		\$94,713	\$3.68	46.9%
Capitalization Rate		8.50%		
Value Indicated by Income Approach		\$1,114,270		
Rounded		\$1,115,000		

The value opinion of value of the subject, including appliances, via the income approach, is **One Million One Hundred Fifteen Thousand Dollars (\$1,115,000)**.

RECONCILIATION AND MARKET VALUE OPINION

In the previous sections of this report, the subject was described and analyzed. A summary of the value indications is as follows:

Reconciliation Seven-building, 28-unit Apartment Complex 2024 Golf Avenue and 3110-3114 Northwestern Avenue Racine, Wisconsin	
Value Indicated by Cost Approach	Not Applicable
Value Indicated by Sales Comparison Approach	\$1,160,000
Value Indicated by Income Capitalization Approach	\$1,115,000
Overall Value	\$1,120,000

The subject is located in a mostly built-up area. There are few land sales available. Further, the buildings are 46 years old and thus replacement cost new would require considerable interpolation, making physical depreciation difficult to accurately estimate. This would require considerable subjective judgment. In addition, the cost to replace/reproduce a building like the subject, less depreciation from all causes, is not a method used by market participants as a way to establish market value. Therefore, the cost approach is not considered applicable in the appraisal of the subject and is not included herein.

The sales comparison approach is a reliable indicator of value. It is based on arms-length transactions that reflect all considerations of the marketplace. The subject's market is active and sales of comparable properties are available. The necessary adjustments are well-supported. Therefore, significant consideration is given the sales comparison approach in arriving at the value opinion.

The income approach uses actual and market-based rental rates, expenses, and capitalization rates; and therefore, it is considered reliable. Further, investors in this market will often analyze investment opportunities in this manner. All aspects of this approach are market-based and reliable. Therefore, the income approach is given significant consideration in arriving at the value opinion.

The income approach is given primary consideration and the sales comparison approach is given secondary consideration in arriving at the value opinion. The cost approach is considered but not applied. As a result of the analyses and conclusions of the market data, subject to the Certification, Appraisal Definitions, and Contingent and Limiting Conditions contained herein, the market value opinion of the subject, in fee simple estate interest, as of the effective date of January 1, 2019 (Retrospective), is **One Million One Hundred Twenty Thousand Dollars (\$1,120,000)**, which includes \$14,000 of personal property.

CONTINGENT AND LIMITING CONDITIONS

The certifications of the appraisers and conclusions of value contained herein are subject to the following conditions and to such other specific and limiting conditions as are set forth by the appraisers in the report.

1. This appraisal report is intended to comply with the general reporting requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice (USPAP). This report contains only a synopsis of the data, opinions and reasoning used by the appraisers in concluding the market value. Additional information is retained within the appraisers' file.
2. The appraisers assume no responsibility for legal matters affecting the property appraised or the title thereto, nor do the appraisers render any opinion as to the title, which is assumed to be good and marketable. The property is appraised as though under responsible ownership.
3. Any sketch in the report may show approximate dimensions and is included to assist the reader in visualizing the property. The appraisers have made no survey of the property.
4. The appraisers are not required to give testimony or appear in court because of having made the appraisal with reference to the property in question, unless arrangements have been previously made. Therefore, a fee of \$300.00 per hour per appraiser is to be paid by you for such appearances and the preparation necessitated thereby.
5. Any distribution of valuation in the report between land and improvements applies only under the existing program of utilization.
6. The appraisers assume there are no hidden or unapparent conditions of the property subsoil or structures that would render it more or less valuable. The appraisers assume no responsibility for such conditions, or for engineering which might be required to discover such factors.
7. Information, estimates and opinions furnished to the appraisers and contained in the report, were obtained from sources considered reliable and believed true and correct. However, the appraisers assume no responsibility for accuracy of such items furnished.
8. The Appraisal Institute governs disclosure of contents in this appraisal report by by-laws and regulations.
9. Neither all, nor any part, or copy thereof, of the report shall be used for any purposes by anyone, but the client specified, nor shall it be conveyed by anyone to the public through advertising, public relations, news, sales, or other media without written consent and approval of the appraisers.
10. Neither this report, nor portions of this report, nor any non-public information contained within this report, can be released to or used for any purpose by any persons, organizations or data collection agencies, other than the party to whom it is addressed, without the express written consent of the client and appraisers as stated herein. If such written consent has been obtained, the report may only be used in its entirety (including addenda). Possession of this report does not carry with it the right of publication.

11. On all appraisals, subject to satisfactory completion, repairs or alterations, the appraisal report and value conclusion are contingent upon completion of the improvements in a good workmanlike manner.
12. This report assumes that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in this report.
13. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless nonconformity has been stated, defined, and considered in this report.
14. It is assumed that all required licenses, certificates of occupancy, or other legislative or administrative authority from any local, state, or national governmental, private entity or organization have been or can be obtained or renewed for any use on which the value conclusions contained in this report are based.
15. It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless otherwise stated in this report.
16. The appraisers are not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraisers that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous wastes and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation or other potentially hazardous materials may affect the value of the property. Unless otherwise stated in this report, the appraisers' value conclusion is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraisers' descriptions and resulting comments are the result of a routine observation made during the appraisal process.
17. Unless otherwise stated in this report, the subject is appraised without conducting a specific compliance survey to determine if it is or is not in conformance with the requirements of the Americans with Disabilities Act (ADA). The presence of architectural and communications barriers that are structural in nature that would restrict access by disabled individuals may adversely affect the property's value, marketability, or utility.
18. For all prospective opinions of value, the appraisers cannot be held responsible for unforeseeable events that alter market conditions prior to the effective date of the appraisal.
19. This appraisal is based upon a limited visual inspection of readily accessible areas. It is not a property inspection, and should not be relied upon to identify non-apparent conditions.

EXHIBITS

EXHIBIT A - PHOTOGRAPHS



Front View of the Subject
The Camera is Facing North



Street Scene, Northwestern Avenue
The Camera is Facing Southeast



Street Scene, Northwestern Avenue
The Camera is Facing Northwest



Street Scene, Golf Avenue
The Camera is Facing North



Street Scene, Golf Avenue
The Camera is Facing South



Exterior View
Front of the Subject



Exterior View
Front of the Subject



Exterior View
Rear of the Subject



Interior View
Typical Living Room



Interior View
Typical Kitchen



Interior View
Typical Kitchen



Interior View
Typical Bedroom



Interior View
Typical Bedroom



Interior View
Typical Bathroom



Interior View
Boilers & Water Heater



Interior View
Water Heaters



Interior View
Laundry



Interior View
Sleeve Air Conditioning

EXHIBIT B - DEFINITIONS

The following terms are defined by the Appraisal Institute, in *The Dictionary of Real Estate Appraisal*, Sixth Edition, 2015, published by the Appraisal Institute.

As-Is Market Value - The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date. (Interagency Appraisal and Evaluation Guidelines)

Date of the Report – The date on which the report is transmitted to the client.

Discounted Cash Flow (DCF) Analysis - The procedure in which a discount rate is applied to a set of projected income streams and a reversion. The analyst specifies the quantity, variability, timing, and duration of the income streams and the quantity and timing of the reversion, and discounts each to its present value at a specified yield rate.

Effective Date - The date on which the appraisal or review opinion applies.

Fee Simple Estate - Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

Inspection Date - The date on which an inspection is performed; distinct from, but often the same as, the date of the value opinion.

Leased Fee Interest – The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.

Market Value of Going Concern Value - The market value of an established and operating business including the real property, personal property, financial assets, and the intangible assets of the business.

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

Retrospective Value Opinion - A value opinion effective as of a specified historical date. The term *retrospective* does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of the type of value with this term is appropriate, e.g., “retrospective market value opinion.”

Salvage Value - The price expected for a whole property (e.g., a house) or a part of a property (e.g., a plumbing fixture) that is removed from the premises usually for use elsewhere.

EXHIBIT C – RENT ROLL & OPERATING STATEMENT

Rent Roll (Itemized)

Properties: Northwestern Apartments - 3134 Northwestern Avenue Racine, WI 53404

Units: Active

GL Accounts: 4100: Rent Income, 4105: Section 8 Rent, and 4480: Pet Rent

As of: 06/24/2019

Unit	BD/BA	Status	Tenant	Rent Income	Section 8 Rent	Pet Rent	Total	Deposit	Lease To	Move-out
Northwestern Apartments - 3134 Northwestern Avenue Racine, WI 53404										
2024-1	2/1.00	Current	Kelicia Kyle	374.00	226.00	0.00	610.00	0.00		
2024-2	2/1.00	Current	Billy Jackson	625.00	0.00	0.00	625.00	625.00		
2024-3	2/1.00	Vacant-Unrented					650	0.00		
2024-4	2/1.00	Current	Michael Jackson	500.00	0.00	0.00	500.00	0.00		
3110-1	2/1.00	Current	Jackie Robinson	565.00	0.00	0.00	565.00	575.00		
3110-2	2/1.00	Current	Eddie Williams	625.00	0.00	0.00	625.00	625.00		
3110-3	2/1.00	Current	Stacy Brehm	575.00	0.00	0.00	575.00	0.00		
3110-4	2/1.00	Current	Gabriel Miller	625.00	0.00	0.00	625.00	625.00	05/31/2019	
3114-1	2/1.00	Current	Antoinette Willis	625.00	0.00	0.00	625.00	625.00		
3114-2	2/1.00	Current	Shanique Washington	625.00	0.00	0.00	625.00	625.00		
3114-3	2/1.00	Current	Joshua Hardin	525.00	0.00	0.00	525.00	0.00		
3114-4	2/1.00	Current	Kim Rice	506.00	196.00	0.00	625.00	625.00		
3118-1	2/1.00	Current	Bettie Connerline	650.00	0.00	0.00	650.00	0.00		
3118-2	2/1.00	Current	Brianna Price	650.00	0.00	0.00	650.00	650.00	09/30/2019	
3118-3	2/1.00	Current	Marvin Kyle	600.00	0.00	0.00	600.00	0.00		
3118-4	2/1.00	Current	Davin C. Poisel	650.00	0.00	0.00	650.00	650.00	09/30/2019	
3122-1	2/1.00	Current	Imelda Hernandez	625.00	0.00	25.00	650.00	625.00	11/30/2019	
3122-2	2/1.00	Current	Noel Barrios	650.00	0.00	0.00	650.00	0.00		
3122-3	2/1.00	Current	Teresa Gamino	550.00	0.00	0.00	550.00	0.00		
3122-4	2/1.00	Current	Ricardo Ocasio	630.00	0.00	25.00	655.00	630.00	09/30/2019	
3126-1	2/1.00	Notice-Unrented	Floreel Ramirez	635.00	0.00	0.00	635.00	625.00	06/30/2019	
3126-2	2/1.00	Current	Erika Thomas	0.00	635.00	0.00	635.00	625.00	05/31/2019	
3126-3	2/1.00	Current	Derek Thurman	550.00	0.00	0.00	550.00	0.00	04/30/2020	
3126-4	2/1.00	Current	Ioka Williams Mgr	225.00	0.00	0.00	225.00	575.00		

Prepared by: EAP/06/24/2019

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Rent Roll (Itemized)				Tenant	Rent Income	Section 8 Rent	Pet Rent	Total	Deposit	Lease To	Move-out
Unit	BD/BA	Status									
3134-1	2/1.00	Current		Nacajal Wright	625.00	0.00	0.00	625.00	1,250.00		
3134-2	2/1.00	Current		Carmon Olgun Soto	550.00	0.00	0.00	550.00	525.00	04/30/2020	
3134-3	2/1.00	Current		Darcus Magnis-Cruz	620.00	0.00	0.00	620.00	600.00		
3134-4	2/1.00	Notice-Unrented		Jonathan Bogert	635.00	0.00	0.00	635.00	625.00	03/31/2019	06/30/2019
28 Units		96.4% Occupied			15,063.00	987.00	50.00	16,100.00 16,750	11,705.00		
Total 28 Units		96.4% Occupied			15,063.00	987.00	50.00	16,100.00 16,750	11,705.00		

Prepared by: JRM/MS/05/19

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2024 Golf Ave, 3110,3114,3118,3122,3126,3134 Northwestern Avenue, Racine WI 53404

Aug 18 - May 19 Annualized

Income	\$ 161,075.78	\$ 193,290.94
Maintenance	\$ 16,598.82	\$ 19,918.58
Legal	\$ 1,320.00	\$ 1,584.00
Other	\$ 94.45	\$ 113.34
Repairs	\$ 1,919.35	\$ 2,303.22
Supplies	\$ 10,660.21	\$ 12,792.25
Utilities	\$ 15,144.43	\$ 17,544.43
Management	\$ 8,053.79	\$ 9,664.55
Insurance	\$ 10,592.00	\$ 10,592.00
RE Taxes	\$ 41,314.28	\$ 41,314.28
Total	\$ 105,697.33	\$ 115,826.65
NOI	\$ 55,378.45	\$ 77,464.28

Income Statement - 12 Month

Gateway Real Estate Management, LLC

Properties: Northwestern Apartments - 3134 Northwestern Avenue Racine, WI 53404

Period Range: Jul 2018 to Jun 2019

Level of Detail: Detail View

Account Name	Jul 2018	Aug 2018	Sep 2018	Oct 2018	Nov 2018	Dec 2018	Jan 2019	Feb 2019	Mar 2019	Apr 2019	May 2019	Jun 2019	Total
Operating Income & Expense													
Income													
RENTS													
Rent Income	0.00	13,395.00	13,111.33	15,474.45	14,063.00	14,756.00	14,804.00	15,101.00	14,847.00	14,793.00	14,287.00	14,388.00	159,044.78
Section 8 Rent	0.00	2,193.00	1,386.00	1,386.00	1,386.00	1,387.00	1,386.00	1,270.00	1,386.00	1,388.00	1,308.00	987.00	15,481.00
Total RENTS	0.00	15,588.00	14,497.33	16,860.45	15,449.00	16,143.00	16,190.00	16,371.00	16,233.00	16,173.00	15,575.00	15,375.00	174,505.78
Other Income													
NSF Fees Collected	0.00	50.00	50.00	0.00	0.00	0.00	0.00	50.00	50.00	0.00	50.00	50.00	300.00
Application Fee Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	20.00	0.00	20.00
Late Fee	0.00	75.00	300.00	100.00	100.00	100.00	100.00	200.00	100.00	0.00	50.00	350.00	1,475.00
Pet Rent	0.00	0.00	0.00	25.00	25.00	25.00	25.00	25.00	275.00	50.00	50.00	50.00	550.00
Total Other Income	0.00	125.00	350.00	125.00	125.00	125.00	125.00	275.00	425.00	50.00	170.00	450.00	2,345.00
Miscellaneous Income	0.00	0.00	0.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	100.00
Total Operating Income	0.00	15,713.00	14,847.33	17,085.45	15,579.00	16,308.00	16,315.00	16,646.00	16,658.00	16,223.00	15,745.00	15,825.00	176,950.78
Expense													
CLEANING AND MAINTENANCE													
Pest Control	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,500.00	0.00	1,500.00
Landscaping	0.00	0.00	450.00	360.00	360.00	0.00	0.00	0.00	0.00	0.00	0.00	450.00	1,620.00
Snow Removal	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,650.00	1,100.00	0.00	0.00	350.00	4,050.00
Fire Protection	0.00	0.00	0.00	0.00	0.00	1,052.88	0.00	0.00	0.00	0.00	0.00	0.00	1,052.88
Maintenance - Labor	0.00	240.00	2,995.00	9.00	3,754.43	0.00	2,100.00	0.00	0.00	0.00	1,086.51	0.00	9,275.94
Cleaning and Maintenance - Other	0.00	0.00	0.00	0.00	-950.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-950.00

Prepared by: Administrator

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Income Statement - 12 Month

Account Name	Jul 2018	Aug 2018	Sep 2018	Oct 2018	Nov 2018	Dec 2018	Jan 2019	Feb 2019	Mar 2019	Apr 2019	May 2019	Jun 2019	Total
Total	0.00	246.00	2,545.00	382.00	3,564.43	1,052.88	2,100.00	2,850.00	1,100.00	0.00	2,586.51	750.00	17,348.82
CLEANING AND MAINTENANCE													
INSURANCE													
Property Insurance	10,592.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10,592.00
Total	10,592.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10,592.00
LEGAL AND OTHER PROFESSIONAL FEES													
Legal	0.00	1,320.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,320.00
Other	2,400.00	0.00	31.60	0.00	7.90	11.40	0.00	19.75	16.20	8.10	0.00	4.05	2,486.00
Total	2,400.00	1,320.00	31.60	0.00	7.90	11.40	0.00	19.75	16.20	8.10	0.00	4.05	3,916.00
TOTAL LEGAL AND OTHER PROFESSIONAL FEES													
MORTGAGE													
Mortgage Interest	0.00	0.00	3,133.33	3,127.63	3,122.31	3,115.76	3,111.20	3,105.61	3,100.00	3,094.37	3,088.71	3,083.04	31,063.16
Mortgage Principal	0.00	0.00	1,494.63	1,410.13	1,415.65	1,421.20	1,426.76	1,432.35	1,437.98	1,443.59	1,449.25	1,454.92	14,296.44
Total	0.00	0.00	4,627.96	4,537.76	4,537.96	4,537.96	4,537.96	4,537.96	4,537.98	4,537.96	4,537.96	4,537.96	46,359.60
REPAIRS													
Plumbing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,825.35	1,825.35
Repairs - Other	0.00	0.00	0.00	0.00	50.35	150.00	0.00	0.00	0.00	0.00	0.00	0.00	280.35
Total	0.00	0.00	0.00	0.00	50.35	150.00	0.00	0.00	0.00	0.00	0.00	1,825.35	1,825.70
Supplies	0.00	205.21	1,705.01	477.09	1,449.22	244.82	471.37	0.00	0.00	13.35	1,380.71	509.89	6,487.59
TAXES													
Property Tax	0.00	0.00	0.00	0.00	0.00	41,314.28	0.00	0.00	0.00	0.00	0.00	0.00	41,314.28
Total	0.00	0.00	0.00	0.00	0.00	41,314.28	0.00	0.00	0.00	0.00	0.00	0.00	41,314.28
UTILITIES													
Gas & Electric	0.00	164.80	306.13	324.76	319.54	331.81	360.46	347.46	310.06	308.19	307.81	346.08	3,443.60
Gas & Electric - Vacant	0.00	0.00	0.00	94.90	0.00	94.70	0.00	0.00	0.00	0.00	14.17	43.36	237.15
Water	0.00	0.00	1,130.00	1,808.52	0.00	1,720.50	2,002.49	0.00	918.95	1,702.58	0.00	1,061.52	10,305.24

Prepared for: 06/23/2019

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Income Statement - 12 Month

Account Name	Jul 2018	Aug 2018	Sep 2018	Oct 2018	Nov 2018	Dec 2018	Jan 2019	Feb 2019	Mar 2019	Apr 2019	May 2019	Jun 2019	Total
Garbage and Recycling	0.00	273.26	197.00	197.00	197.00	197.00	197.00	197.00	197.00	197.00	197.00	197.00	2,243.26
Telephone & Internet & Cable	0.00	89.50	40.13	50.15	45.19	45.19	48.22	48.22	45.22	45.22	45.10	21.99	524.13
Total UTILITIES	0.00	547.56	1,573.85	2,496.35	561.73	2,378.10	2,698.17	592.68	1,471.23	2,259.37	563.78	1,609.94	16,754.38
OTHER													
Office Supplies	0.00	0.00	9.60	6.00	0.00	50.00	0.00	0.00	0.00	0.00	0.00	0.00	56.00
Total OTHER	0.00	0.00	0.00	0.00	0.00	50.00	0.00	0.00	0.00	0.00	0.00	0.00	50.00
CAPITAL EXPENSES													
Appliances	0.00	0.00	0.00	524.45	1,437.57	480.31	0.00	0.00	0.00	0.00	0.00	0.00	2,502.43
Carpet & Vinyl	0.00	0.00	0.00	719.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	719.00
Water Heater	0.00	850.00	0.00	0.00	850.00	0.00	0.00	0.00	0.00	0.00	0.00	850.00	2,550.00
Total CAPITAL EXPENSES	0.00	850.00	0.00	1,243.45	2,247.57	480.31	0.00	0.00	0.00	0.00	0.00	850.00	5,771.43
Total Operating Expense	12,992.00	3,162.77	10,493.43	9,114.85	12,918.26	50,219.55	9,718.10	7,300.39	7,125.39	6,810.98	9,078.96	9,847.11	149,322.79
NOI - Net Operating Income	-12,992.00	12,550.23	4,353.56	7,970.60	2,659.74	-33,911.55	6,596.93	8,845.61	9,532.61	9,419.02	8,868.04	5,937.89	27,627.99
Total Income	0.00	15,713.00	14,847.33	17,085.45	15,079.00	16,308.00	16,315.02	16,646.00	15,658.00	16,229.00	15,745.00	15,895.00	176,950.78
Total Expense	12,550.00	3,162.77	10,493.43	9,114.85	12,919.26	50,219.55	9,718.12	7,800.39	7,125.39	6,810.98	9,078.96	9,847.11	149,322.79
Net Income	-12,992.00	12,550.23	4,353.56	7,970.60	2,659.74	-33,911.55	6,596.90	8,845.61	9,532.61	9,419.02	6,866.04	5,937.89	27,627.99

* One more water bill Approx \$1,700 to be paid

Prepared by: L&A Appraisal, Inc.

Page: 4 of 9

EXHIBIT D - FLOODPLAIN MAP



RiskMeter

2024 GOLF AVE RACINE, WI 53404

LOCATION ACCURACY: Excellent

Flood Zone Determination Report

Flood Zone Determination: **OUT**

PANEL DATE

May 02, 2012

MAP NUMBER

551010227D

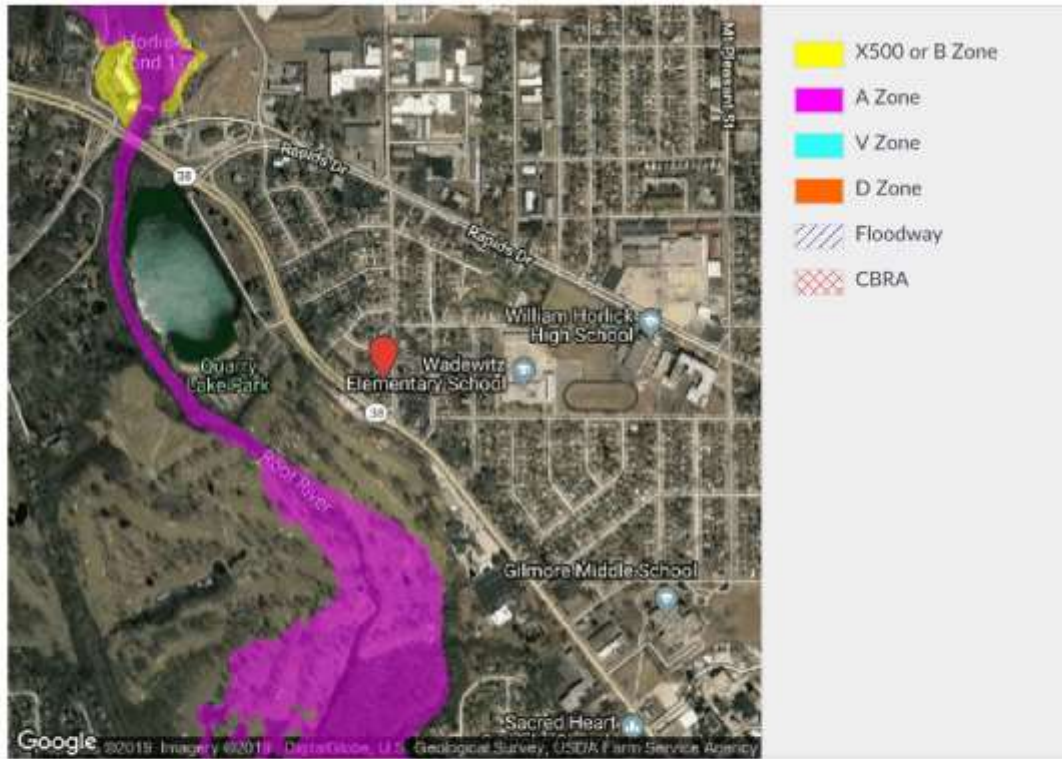


EXHIBIT E - QUALIFICATIONS AND CERTIFICATIONS

DANIEL T. WILKINS

L & A Appraisal, Inc.

6373 North Jean Nicolet Road, Suite 100
Milwaukee, Wisconsin 53217
Tel 414-732-2880, ext. 113 / Fax 414-732-2890
dan@la-appraisal.com / www.la-appraisal.com

Experience

L & A Appraisal, Inc. / Lauenstein & Associates
Wisconsin Certified General Appraiser #1552

Milwaukee, WI
5/2005-Present

Types of Properties Appraised

- Vacant Land Parcels
- Multi-family Apartments
- Rooming Houses
- Single-family Homes and Duplexes
- Partial and Complete Acquisitions
- Churches
- Bars/Lounges
- Retail
- Office
- Condominiums
- Subdivisions
- Industrial
- Mixed Use

Wilkins Properties, Inc.

Milwaukee, WI

Owner/Managing Member

12/2006-Present

Investment and Property Management

- Structuring real estate investment co-ownerships and LLCs.
- Management of leasing, maintenance, renovations, rent collection, and bill pay.
- Over 500 apartment units managed.

The Apartment Specialist, Inc.

Santa Barbara, CA

Real Estate Agent

6/2004-4/2005

- Represented buyers and sellers of commercial real estate properties in negotiating prices and terms of transactions.
- Analyzed income and expenses of individual properties in determining building values.
- Valued subject properties by using statistics of comparable sales such as cap rates and gross rent multipliers.

Education

University of Wisconsin-Madison

Madison, WI

Bachelor of Business Administration degree

9/2000-5/2004

Double Major: Real Estate and Urban Land Economics;
Finance, Investments and Banking

Qualifying Courses:

- Real Estate 306: Real Estate Process, 2002
- Real Estate 415: Real Estate Valuation, 2003
- Real Estate 312: Real Estate Law, 2003
- Real Estate 410: Real Estate Finance, 2003
- Real Estate 420: Urban Land Economics, 2003
- Real Estate 611: Residential Development, 2004
- How to Analyze and Value Income Properties
- Land and Site Valuation
- Appraising Apartments: The Basics
- 2010-2011 National USPAP Update Equivalent

Designations, Certifications, and Licenses

Wisconsin Certified General Appraiser #1552

NO. 1552 - 10

EXPIRES: 12/14/2019

**The State of Wisconsin
Department of Safety and Professional Services**

Hereby certifies that

DANIEL T WILKINS

was granted a certificate to practice as a

**CERTIFIED GENERAL APPRAISER ELIGIBLE TO APPRAISE FEDERALLY
RELATED TRANSACTIONS IS AQB COMPLIANT**

in the State of Wisconsin in accordance with Wisconsin Law

on the 2nd day of June in the year 2008.

The authority granted herein must be renewed each biennium by the granting authority.

*In witness thereof, the State of Wisconsin
Department of Safety and Professional Services
has caused this certificate to be issued under
its official seal.*



Louisa E. Gutierrez
Secretary

This certificate was printed on the 22nd day of November in the year 2017

ROBERT W. QUAM JR., MAI

L & A Appraisal, Inc.
 6373 North Jean Nicolet Road, Suite 100
 Milwaukee, Wisconsin 53217
 Tel 414-732-2880, ext. 107 / Fax 414-732-2890
Robert@la-appraisal.com / www.la-appraisal.com

Experience

L & A Appraisal, Inc. (Formerly Lauenstein & Associates) Milwaukee, WI
 President / Commercial Real Estate Appraiser 10/2009-Present
 • *Specializing in Manufacturing & Industrial-type properties*

Other types of Properties Appraised

- Vacant Land
- Multi-family
- Retail
- Office
- Mixed-use
- Special Purpose

**Qualifications, Licenses,
Positions of Leadership**

Wisconsin Certified General Appraiser (#1865-10)

Board of Directors- Wisconsin Chapter of the Appraisal Institute (2018 – Present)

Village of Wind Point Board of Trustees (2014 – 2019)

Village of Wind Point Architectural Review Board (2014 – 2019)

Village of Wind Point Plan Commission (2014 – 2019)

Education

University of Wisconsin-Madison Madison, WI
 Bachelor of Business Administration degree 9/2003-12/2007
 Double Major: Real Estate and Urban Land Economics;
 Finance, Investments, and Banking

Qualifying Courses:

- Course 306: Real Estate Process
- Course 312: Real Estate Law
- Course 365: Equity Investments
- Course 410: Real Estate Finance
- Course 415: Real Estate Valuation
- Course 420: Urban Land Economics
- Course 611: Residential Development
- Course 631: Computer Applications-Real Estate Analysis

Appraisal Institute

2011 – Present

Designated Member

Qualifying Courses:

- General Appraiser Site Valuation and Cost Approach
- Appraisal Challenges: Declining Markets and Sales Concessions
- Business Practices and Ethics
- 15 Hour National USPAP Equivalent Course
- General Appraiser Report Writing and Case Studies
- General Appraiser Sales Comparison Approach
- Advanced Market Analysis and Highest & Best Use
- Advanced Income Capitalization
- Advanced Concepts & Case Studies
- Appraising Cell Towers
- General Demonstration Report-Capstone Program
- Ted Whitmer Comprehensive Appraisal Workshop
- 7 Hour National USPAP Equivalent Course
- Online Data Verification
- Real Estate Appraiser Risk Reduction
- Review Theory-General

NO. 1865 - 10

EXPIRES: 12/14/2019

**The State of Wisconsin
Department of Safety and Professional Services**

Hereby certifies that

ROBERT W QUAM JR.

was granted a certificate to practice as a

**CERTIFIED GENERAL APPRAISER ELIGIBLE TO APPRAISE FEDERALLY
RELATED TRANSACTIONS IS AQB COMPLIANT**

in the State of Wisconsin in accordance with Wisconsin Law

on the 26th day of June in the year 2012.

The authority granted herein must be renewed each biennium by the granting authority.

*In witness thereof, the State of Wisconsin
Department of Safety and Professional Services
has caused this certificate to be issued under
its official seal.*



Louisa E. Gutierrez
Secretary

This certificate was printed on the 25th day of October in the year 2017

EXHIBIT F - ENGAGEMENT LETTER

L&A Appraisal, Inc.
Commercial Real Estate Appraisers

Robert W. Guarn Jr., MAI, President
Kelsey L. Boyko
Scott A. Chopko
Paul R. Lindstrom, MAI
Daniel T. Wilkins
www.la-appraisal.com

June 23, 2019

Matthew Gordon
13890 Bishops Drive, Suite 300
Brookfield, Wisconsin 53005
Matthew.Gordon@marcusmillichap.com

Dear Mr. Gordon:

As discussed, we propose to prepare an appraisal report as follows:

- Property: 2024 Golf Avenue and 3110-3134 Northwestern Avenue, Racine, Wisconsin
- Property type: Seven-building, 28-unit Apartment Complex
- Fee: [REDACTED]
- Intended User: Matthew Gordon
- Intended Use: Tax assessment challenge
- Date of Value: Retrospective; January 1, 2019
- Site Visit: Interior and exterior inspection
- Valuation Approach: All applicable approaches to value
- Delivery Date: Two weeks from received signed contract
- Format: Narrative appraisal report

The report will conform to the *Uniform Standards of Professional Appraisal Practice (USPAP)* of the Appraisal Foundation and the *Code of Professional Ethics and Standards of Professional Appraisal Practice* of the Appraisal Institute, as interpreted by the appraisers. We shall not provide a copy of the written Appraisal Report to, or disclose the results of the appraisal prepared in accordance with this Agreement with any party other than Client, unless Client authorizes, except as stipulated in the Confidentiality Section of the Ethics Rule of the USPAP.

We cannot agree to provide a value opinion that is contingent on a predetermined amount and cannot guarantee the outcome of the assignment in advance. Our opinion of value will be developed competently and with independence, impartiality and objectivity.

6373 N. Jean Nicolet Rd., Suite 100 • Milwaukee, WI 53217 • P (414) 732-2880 • F (414) 732-2890

Page 2

The interpretation and enforcement of this Agreement shall be governed by the laws of the state of Wisconsin, exclusive of any choice of law rules.

I hope you find this satisfactory. If so, please sign below and return via email or mail for our files. *Please provide any pertinent information you may have regarding the property.* If you have any questions, please contact us at (414) 732-2880.

Payments can be sent to:


L. & A Appraisal, Inc.
P.O. Box 81455
Racine, WI 53408

Sincerely,



Robert W. Quam, Jr., MAI
Wisconsin Certified General Appraiser #1865

RWQ/klb

 6/24/19

Authority Signature Date

Matthew Gordon

Print Name

6373 N. Jean Nicolet Rd., Suite 100 • Milwaukee, WI 53217 • P (414) 732-2880 • F (414) 732-2890