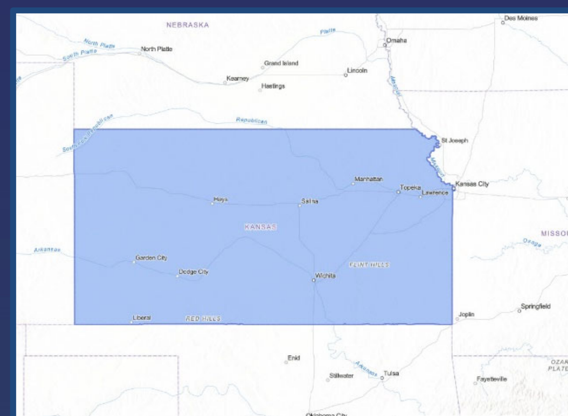
Appraisal Report

Multifamily Capitalization Rate (OAR)
Effective Gross Income Multiplier (EGIM)
State of Kansas



Kansas Department of Revenue
Angela Brown
900 Southwest Jackson, Suite 451-South
Topeka, Kansas 66612

Effective Date:
January 1, 2023

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October 12, 2022

Angela Brown
Kansas Department of Revenue
900 Southwest Jackson, Suite 451-South
Topeka, Kansas 66612

RE: Appraisal Report
Multifamily Capitalization Rate
Effective Gross Income Multiplier
State of Kansas

Dear Ms. Brown:

In accordance with your request, we have performed an appraisal of the above referenced scope of work. The appraisal report sets forth the pertinent data gathered, the techniques employed, and the reasoning leading to our value opinions. This letter of transmittal is not valid if separated from the appraisal report.

The report includes the development of an overall multifamily capitalization rate and an effective gross income multiplier (EGIM) analysis for affordable housing properties in the State of Kansas. The study will be used by the Kansas Department of Revenue and Kansas County Appraisers in the valuation of federally sponsored affordable housing projects within the State of Kansas. The analysis includes the following components:

- Capitalization rate analysis using traditional sales
- A capitalization rate analysis using the Band of Investments
- An effective gross income multiplier analysis
- A discussion of market conditions impacting overall rates

We developed our analyses, opinions, and conclusions and prepared this report in conformity with 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.

The client is the Kansas Department of Revenue. The intended user(s) in this assignment is the Kansas Department of Revenue. The report was prepared for the Kansas Department of Revenue to assist Kansas County Appraisers in the valuation of federally sponsored affordable housing projects within the State of Kansas. The report was prepared by Daniel Kann, MAI MSRE.

Neither Valbridge Property Advisors nor the appraisers herein have any present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved. The client herein and the appraisers have no relationship that would interfere with a fair reporting herein.

The acceptance of this appraisal assignment and the completion of the appraisal report submitted herewith are subject to the General Assumptions and Limiting Conditions contained in the report. The findings and conclusions are further contingent upon the following extraordinary assumptions and/or hypothetical conditions which might have affected the assignment results:

Extraordinary Assumptions:

- Properties utilized in our analysis that were not personally appraised were verified through reliable third-party data sources consisting of a Sales Validation Questionnaire, County Appraiser, Recorder of Deeds, CoStar, Real Capital Analytics, appraisers active in the State of Kansas, and the Multiple Listing Service. In addition, if historical and projected operating data was not provided for review, a reconstructed operating statement using market information was included in our analysis. A reconstructed statement reflecting the buyer's anticipated year one net income is consistent with the principal of anticipation and the direct capitalization process. If this information is found to be false our conclusions could require revision.

Hypothetical Conditions:

- There are no hypothetical conditions utilized in our analysis.

Other Conditions:

- There are no other conditions utilized in our analysis.

Please note real estate is an inefficient market with incomplete data, which results in a range of probable value. Therefore, a 25 +/- basis point difference for each concluded rate is within a typical range of reason for an affordable housing project in the State of Kansas.

In addition, the rapidly rising interest rate market has slowed investment activity is most markets. The slowdown of investment capital and rising cost of debt is putting upward pressure on returns and asset pricing. According to market participants active in the multifamily space, deals are being repriced as financing is becoming more difficult to source and investment returns are compressed. Buyers are expecting a 25 to 100 basis point increase in going-in capitalization rates by year-end 2022. According to CBRE, the top five reasons cap rates are expected to increase include:

1. Rising interest rates

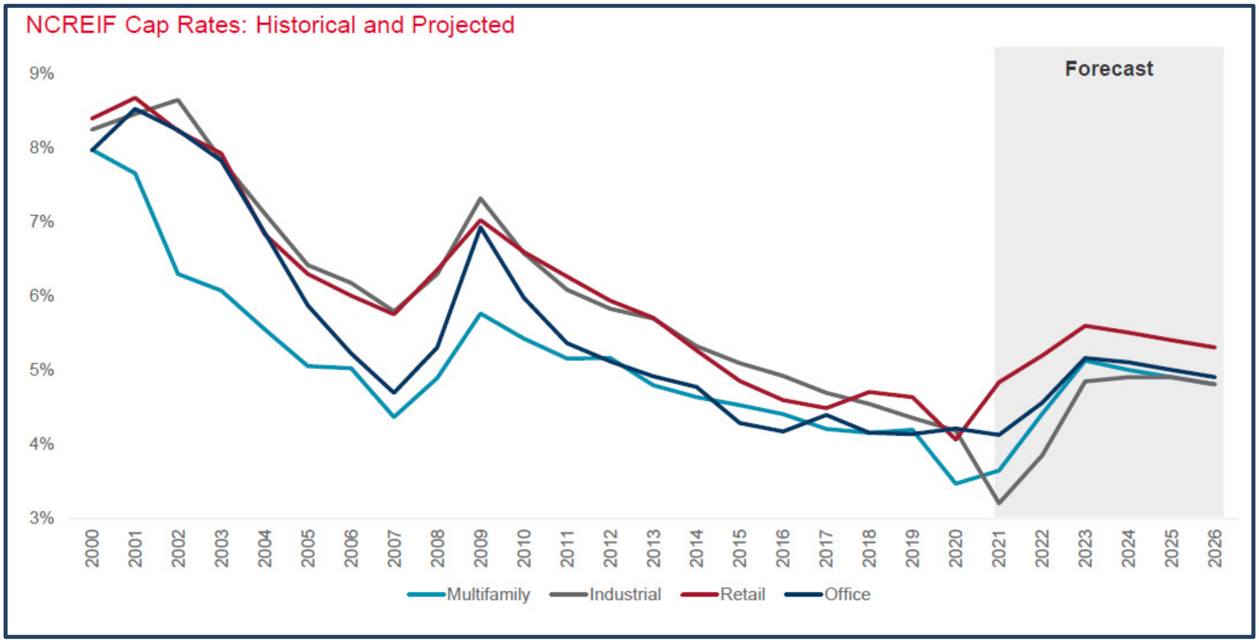
2. Higher exit cap rates

3. Weaker investment demand

4. Pricing in weaker net income growth

5. Other

In addition, Cushman & Wakefield is projecting an increase in going-in rates for all property types through 2023 with normalization occurring in 2024 and beyond.



Based on current and future interest rate trends, we have increased the baseline conclusions by 50 basis points (primary markets), 75 basis points (secondary markets), and 100 basis points (tertiary markets) to account for the increased cost of capital on January 1, 2023. Based on the analysis contained in the following report, our conclusions are summarized as follows:

	Primary Markets			Secondary Markets			Tertiary Markets		
Source	**A**	**B**	**C**	**A**	**B**	**C**	**A**	**B**	**C**
Market Extraction	5.25%	6.00%	6.75%	5.75%	6.50%	7.25%	-	7.25%	8.00%
Band of Investments	6.50%	7.25%	8.50%	7.00%	7.75%	8.50%	7.75%	8.50%	9.75%
Third Party Surveys (MKT)	5.25%	5.75%	6.75%	6.00%	6.50%	7.50%	-	-	-
Concluded Rate	**5.25%**	**6.00%**	**6.75%**	**5.75%**	**6.50%**	**7.25%**	**-**	**7.25%**	**8.00%**
Plus Rate Increase	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	-	1.00%	1.00%
Reconciled Rate 2023	**5.75%**	**6.50%**	**7.25%**	**6.50%**	**7.25%**	**8.00%**	**-**	**8.25%**	**9.00%**

*Concluded rates include a typical reserve requirement ranging from $200 to $300 per unit (varies by investment class)

*Primary - Kansas City MSA

*Secondary - Wichita, Topeka, Lawrence, and Manhattan

*Tertiary - All remaining markets

Respectfully submitted,
Valbridge Property Advisors | Kansas City

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Introduction

Client and Intended Users of the Appraisal

The client is the Kansas Department of Revenue. The intended user in this assignment is the Kansas Department of Revenue.

Intended Use of the Appraisal

The report was prepared for the Kansas Department of Revenue to assist Kansas County Appraisers in the valuation of federally sponsored affordable housing projects within the State of Kansas.

Real Estate Identification

The study relies on recent sale transactions within the State of Kansas and the Kansas City MSA (Missouri and Kansas). In addition, we have analyzed mortgage financing terms, equity capitalization rates, third-party survey data, market conditions, and effective gross income multipliers in our analysis.

Use of Real Estate as of the Effective Date of Value

As of the effective date of value, the comparable sales consist of market rate and low-income housing tax credit properties subject to a Land Use Restriction Agreement (LURA). The sales range from four to 182 units and were built from 1900 to 2021.

Use of Real Estate as Reflected in this Appraisal

As of the effective date of value, the comparable sales consist of market rate and low-income housing tax credit properties subject to a Land Use Restriction Agreement (LURA). The sales range from four to 182 units and were built from 1900 to 2021.

Abbreviated Legal Description

A legal description for each property sale is retained in the work file.

Ownership/Listings/Offers/Contracts

When available the sales history of each transaction is retained in the work file.

Type and Definition of Value

Value is based on the future benefits the buyer (market demand) anticipates receiving, which must reflect typical market operations. Real estate is an inefficient market with incomplete data, therefore, there are two values and one price for each transaction. The price of the property moves within the value range until it overlaps with the buyer's highest value and the seller's lower value.

According to *The Appraisal of Real Estate 14th Edition*,

- Market value is the most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress.

Valuation Scenarios, Property Rights Appraised, and Effective Dates of Value

The purpose of the appraisal is to develop an overall capitalization rate and an effective gross income multiplier (EGIM) for use in mass valuation of affordable housing projects in the State of Kansas. The concluded rates are based on the market value of the fee simple estate of each sale. According to *The Dictionary of Real Estate Appraisal*, the fee simple estate interest is 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.

Valuation Scenarios	Effective Date of Value
Fee Simple Market Value	January 1, 2023

We completed an appraisal inspection of several of the subject properties that were personally appraised. Additional sales were utilized in our analysis that were not appraised and inspected but verified with reliable third-party data. A comparison of the date of the report to the effective date of the appraisal indicates that our conclusions are reflective of future market conditions. The extent of the inspection is further detailed in the Scope of Work Section of this report on the following page.

Date of Report

The date of this report is October 12, 2022, which is the same as the date of the letter of transmittal.

Highest and Best Use

The highest and best use of each comparable sale is for the continued use as a multifamily property. If a property is operating below stabilized occupancy or suffers from deferred maintenance that needs to be immediately cured in order to adequately operate the property, the adjusted sales price is reflective of any additional expenditures or lost revenue to reach stabilization, which is consistent with the highest and best use of each property.

Scope of Work

The elements addressed in the Scope of Work are (1) the extent to which the subject property is identified, (2) the extent to which the subject property is inspected, (3) the type and extent of data researched, (4) the type and extent of analysis applied, (5) the type of appraisal report prepared, and (6) the inclusion or exclusion of items of non-realty in the development of the value opinion. These items are discussed as below.

Extent to Which the Property Was Identified

The three components of the property identification are summarized as follows:

- Legal Characteristics – Subject sales were legally identified via County records and information provided by the property contact (if applicable).

- Economic Characteristics - Economic characteristics of each property were identified by the Site-To-Do-Business, a subscription service for demographic data, various online databases, County Appraiser's office and online databases, the United States Department of Labor, the U.S Census Bureau, CoStar, Multiple Listing Service (MLS), in-house database, and market participants familiar with the property and surrounding submarket.

- Physical Characteristics – Several of the subject sales were personally appraised and physically identified by a personal inspection consisting of an interior and exterior tour near the date of sale. The tour consisted of a representative sampling of units and the common areas. Requested data for appraised properties included the following:

  - Architectural plans or representative floor plans
  - Title work
  - Site survey
  - Rent roll
  - Profit and loss (past three years and trailing 12-months)
  - Year one budget or pro forma
  - Loan terms
  - Itemized capital improvements
  - Confirmation of prior sales (if applicable)
  - Market rental survey
  - Phase I
  - Property condition report

  Properties utilized in our analysis that were not personally appraised were verified through reliable third-party data sources consisting of a Sales Validation Questionnaire, County Appraiser, Recorder of Deeds, CoStar, Real Capital Analytics, appraisers active in the State of

Kansas, and the Multiple Listing Service. In addition, if historical and projected operating data was not provided for review, a reconstructed operating statement using market information was included in our analysis. A reconstructed statement reflecting the buyer's anticipated year one net income is consistent with the principal of anticipation and the direct capitalization process. A stabilized, year one projection allows for an alignment of risk, buyer motivation (market demand), and consistency in the extracted data.

Type and Extent of Data Researched

We researched and analyzed: 1) market area data, 2) property-specific market data, 3) zoning and land-use data, and 4) current data on comparable listings, sales, and rentals in the competitive market area. We also interviewed property managers, lenders, and buyers and sellers who are active in the multifamily space in the State of Kansas.

Type and Extent of Analysis Applied (Methodology)

Income-producing properties are developed and purchased for investment purposes, where earning power, including an income stream and return of investment, are the most critical elements impacting value. Market value is the present value of future benefits. The forecast of income and selection of appropriate rate(s) are critical components of the valuation process. The income capitalization approach is developed by converting a projection of future income (year one) into a present value through direct or yield capitalization. The income capitalization approach is performed through the following procedure:

- Project potential gross income (PGI) – Year 1
- Project total economic loss (vacancy, collection loss, loss to lease, and incentives) – Year 1
- Project other revenue items (parking, tenant charges, utilities, etc.) – Year 1
- Project stabilized (year one) operating expenses (recurring) - Year 1
- Select and apply an overall capitalization rate to reflect the growth and volatility of the revenue stream (uncertainty and growth) – Year 1

Direct Capitalization

Direct capitalization involves the capitalization of anticipated net operating income for the following 12-months at an overall rate of return. This rate is also commonly referred to as the "going-in" capitalization rate (OAR). Using a perpetuity model such as direct capitalization is a valid method and can result in an accurate property value if stabilized income and expense data is utilized. Net operating income is considered as perpetuity although properties do not have infinite lives. Properties have limited economic value beyond 50 years unless significantly updated with capital improvements. However, the present value of those future returns is negligible and ignored in a perpetuity model. Direct capitalization does not quantify a residual or reversion value, which balances the assumption of perpetual returns.

Overall Capitalization Rate (OAR)

The following criteria are main component of an overall capitalization rate.

- Unlevered cash return (single period)

- Static – Point in time ratio
- Amount, timing, and reversion are implicit in rate
- Greater upside = Lower rate and higher present value
- Less upside = Higher rate and lower present value
- Rate reflects uncertainty and growth of cash flows (NOI) and resale value (reversion)
- Rates are property type, location, and submarket specific
- Modeled after bond and annuity market (perpetual returns)
- Requires stabilized (constant, long-term pattern) and perpetual income stream
- Cannot capitalize temporary or atypical income and expenses
- Three main components of the overall rate include:

    1. Risk free rate (10-year treasury rate most common)
    2. Risk premium (quality and durability of income stream)
    3. Minus expected appreciation (inflation or growth of cash flows and reversion)

Sources of Capitalization Rates

There are a variety of data sources that report capitalization rates. The most common data sources are market extraction (sale comparables), market participants (investors, brokers, lenders, and appraisers), third party surveys (PwC, IRR, CBRE, RERC, and RealtyRates.com), Band of Investments (mortgage-equity), and the Debt Coverage Ratio (Gettel).

Extracting a rate from the market (comparables sales) is the most reliable source since it captures the intention of an investor with actual market data. Market participants, third party surveys, Band of Investments, and Debt Coverage Ratio are considered secondary sources and are used as a test of reason or when or when there is a lack of market data to extract a rate or return. Third party surveys typically include a range of rates that include extreme outliers, which are not representative of the general market. Relying on the median rates reported in third party surveys instead of the low or high rate is a more accurate indication of the representative market.

External Obsolescence

Most LIHTC projects are built in an area where external obsolescence occurs. External obsolescence is a reduction in value, usually incurable, that is caused by negative influences outside the site. In the case of a typical tax credit project, effective rents in most market are generally inadequate to support the cost of new construction for average to good quality apartments, which is supported by the actual rents achieving a lower rate than required to entice new development and earn a return on cost.

The low-income housing tax credit (LIHTC) program is an indirect federal subsidy used to finance the construction and rehabilitation of low-income affordable rental housing. Lawmakers created the program as an incentive for private developers and investors to provide more low-income housing. Without the incentive, affordable rental projects do not generate sufficient profit to warrant the investment and risk. A comparison of actual development costs to the market value of a typical LIHTC project as a test of feasibility would deter any prudent investor from building the project. The following table reports the minimum rent level required to construct a LIHTC project in the State of Kansas based on typical market parameters.

Feasibility Rent Required for New Construction or Rehabilitation					
Data Inputs			Building size	50,000	Square feet
Construction cost	$205,000	per unit	Building size	50	Units
Land cost	$5,000	per unit	Land size	50	Units
Operating expenses	$4,500	per unit	% Building rentable		100%
Overall rate (OAR)	6.75%		Incentive		10%
Normal vacancy	5.00%				

Calculations of Required Rent	Units		Cost per unit		
Building and site improvement cost	50	X	$205,000	=	$10,250,000
Plus Profit	10.00%	X	$205,000		$1,025,000
Land cost	50	X	$5,000	=	$250,000
Total cost					**$11,525,000**
Calculation of Feasibilty Rent					
Required NOI	$11,525,000	X	6.75%	=	$777,938
Add operating expenses	$4,500	X	50	=	$225,000
Effective gross income (*EGI*)					$1,002,938
Vacancy and collection loss					$52,786
Potential gross income					$1,055,724

Calculation of Minimum Required Rent for New Construction

PGI	Divided By	# of Units
$1,055,724		50

Required Annual Rent per Unit	**$21,114**
Required Monthly Rent per Unit	**$1,760**
Required Monthly Rent per SF	**$1.76**
Current Market Rent per Unit	**$900**
Years until Market Rent equals Feasibility R	**33.85**

*Assumes rent growth of 2% per year

As shown above, the hypothetical LIHTC project requires an average rental rate of $1,760 per month to earn a sufficient return on cost. A comparison of achievable rents in most LIHTC markets ($600 to $900 per month) are considerably lower than the required rental threshold to generate a return on cost. Based on a comparison of the two rents, it is not considered financially feasible to build a LIHTC project in most markets in the State of Kansas without economic incentives.

Appraisal Conformity and Report Type

We developed our analyses, opinions, and conclusions and prepared this report in conformity with 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.

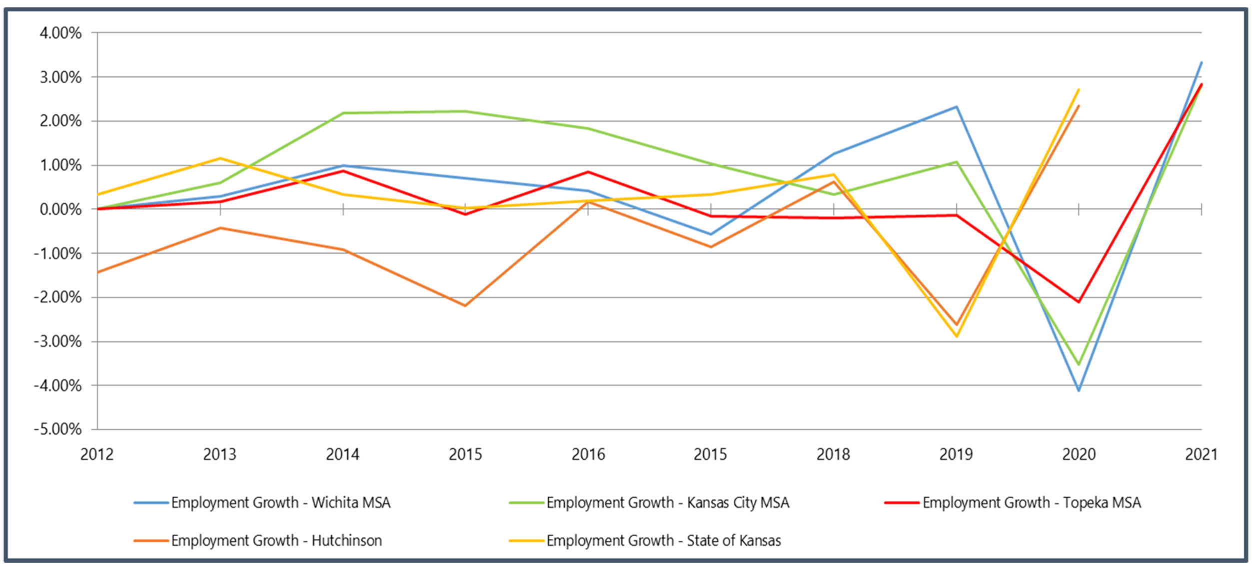
Investment and Property Classification

Economic Life

There is a strong correlation between the effective age of a property and the corresponding risk profile. Older projects have a shorter remaining economic life and generally sell for a higher capitalization rate to compensate the investor for greater cash flow disruptions due to capital improvements, repairs, and a shift in tenant base. Additionally, a property with a shorter remaining economic life must earn a greater return to fulfill the return on and of capital.

Employment Data

There is a correlation between employment growth and the supply and demand of real estate. The occupancy rate is leading indicator of the strength of a market and the interacting forces of supply and demand. Employment has an impact on the market occupancy rate which in turn influences the rental rate and volatility of the cash flows and reversion. Housing demand is traditionally generated by employment growth and household formation, which are sustainable and long-term demand drivers. Markets that experience greater employment growth and diversification have a more stable economic base and attract more investment capital. This is supported by greater capital flow to primary markets and less investment in secondary and tertiary markets. The following chart reports employment change for select cities in the State of Kansas. As shown below, larger, more urbanized cities have experienced more employment growth from 2012 to 2021, which creates greater demand for all types of space.



The following table summarizes growth rates by market and investment category.

Market	Total Employment	Annual Growth Rate (2012 - 2021)	Investment Category
Wichita MSA	304,592	0.52%	Tertiary
Topeka MSA	116,856	0.22%	Tertiary
Kansas City MSA	1,094,373	0.95%	Secondary
State of Kansas	1,447,323	0.33%	Baseline
Hutchinson	28,825	-0.59%	Tertiary

Investment Market

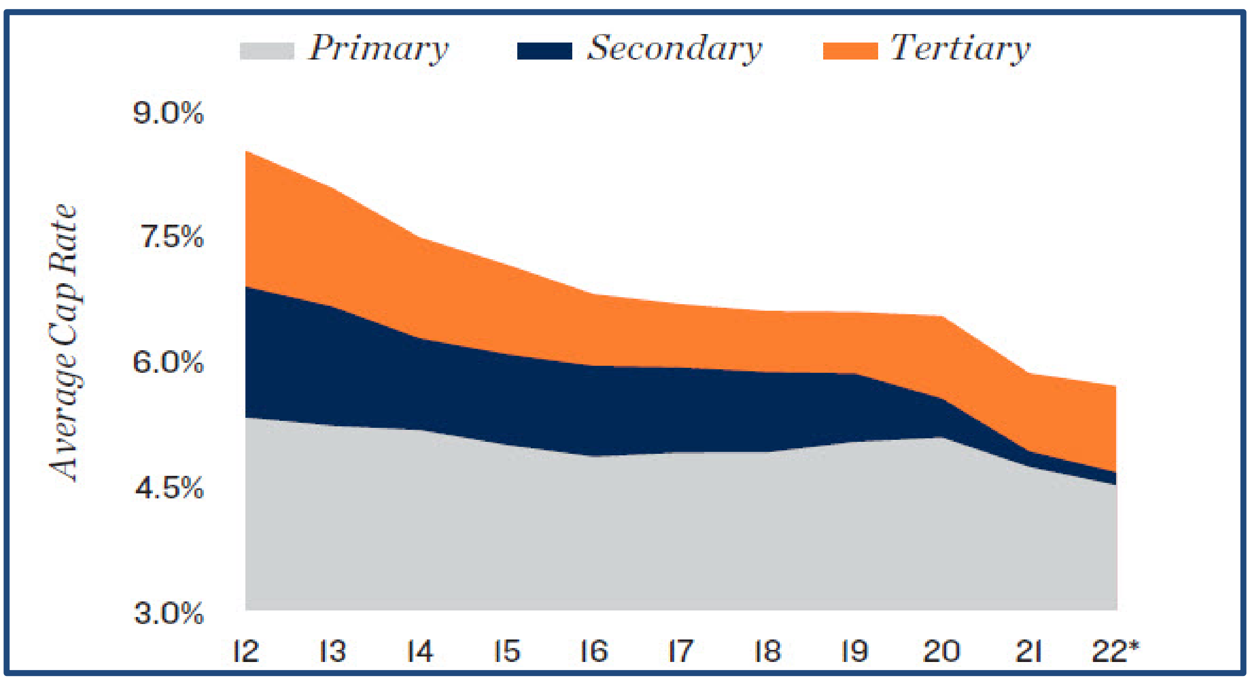
The investment market is separated into three distinct categories: primary, secondary, and tertiary. Demographic and economic characteristics such as population, employment growth, traditional and alternative economic drivers, amount of existing inventory, number of transactions, and capitalization rate analysis are key criteria in determining the classification. Although there is no concise definition or standard practice across the industry, the following briefly discusses each investment market.

- Primary (Gateway) – The largest markets with populations of more than 5 million and an established economy. Multiple trade routes, international airports, and major sports teams attract domestic and foreign capital. Investment strategies involve medium to long term appreciation and less cash flow return. Examples include New York, Los Angeles, Chicago, San Francisco, Boston, and Washington DC. Most active investors include pension funds, REITs, and foreign offices.

- Secondary – Smaller markets with populations of 1 to 5 million and a less established economic base. Investment strategies involve a cash flow and/or an appreciation specific strategy due to higher growth rates. Examples include Portland, Raleigh-Durham, Salt Lake City, Atlanta, Charlotte, Kansas City, and Nashville. Most active investors include institutions and regional or local family offices.

- Tertiary – Markets with populations of less than one million that have one or two dominate industries. Investment strategies involve cash flow or repositioning a property due to less investor demand. Examples include Omaha, Des Moines, Wichita, Sioux Falls, and Albuquerque. Most active investors include local offices.

The following chart reports historical rates from Marcus and Millichap for primary, secondary, and tertiary markets throughout the United States.



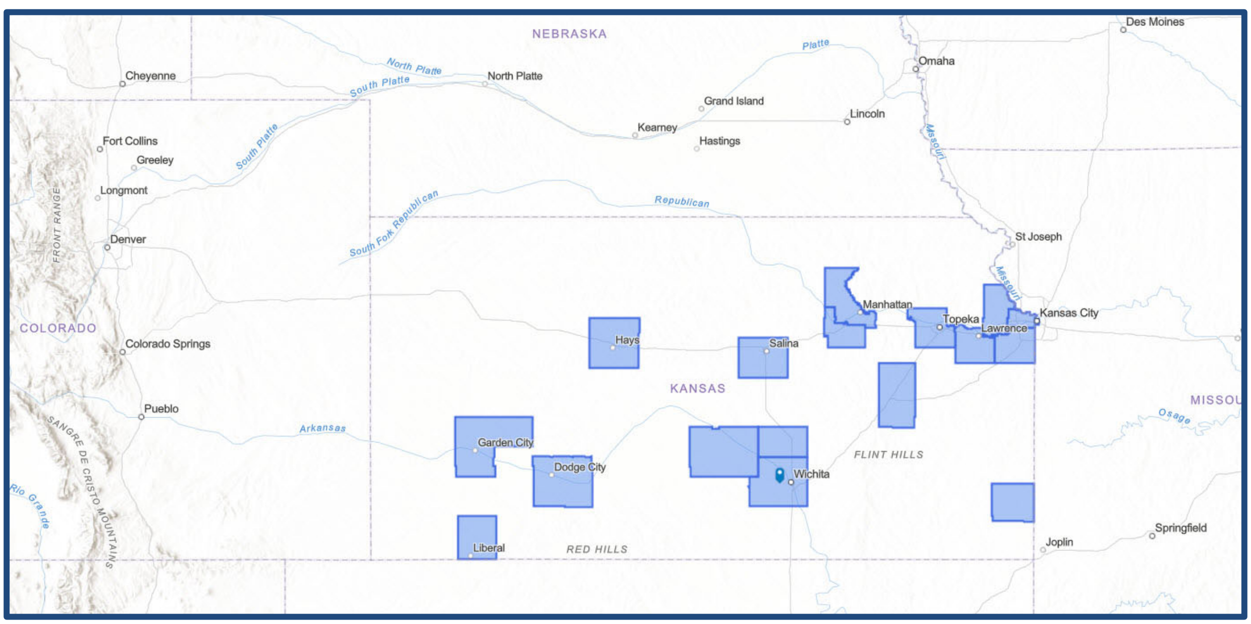
Rates are generally higher in secondary and tertiary markets due to less flow of capital and greater economic uncertainty. During growth periods the risk premium between each market class tends to compress as investors look outside primary markets in search of higher yields in secondary and tertiary markets. However, when the economy is contracting, such as the Great Recession and COVID, the spread tends to widen as investors favor the stability of larger, more diversified markets.

State of Kansas

The State of Kansas has a population of approximately 2.93 million people, which is the 34th largest state in the nation. The largest metropolitan statistical area (MSA) in the state is the Kansas City, MO-KS MSA, which contains approximately 2.23 million people. The remaining cities contain less than 500,000 people with most containing less 50,000 residents. Most population in the state is concentrated in the central and eastern portion in the Kanas City MSA, Wichita, Topeka, and Lawrence. Consequently, most apartment transactions are in these higher density areas due to increased demand and greater economic activity. By traditional standards noted above, the Kansas City MSA is considered a secondary investment market and the remaining cities are considered tertiary markets. However, for the purpose of our analysis we have categorized cities based on their size within the State of Kansas. The following is the reclassification of cities for analytical purposes:

- Primary – Kansas City MSA
- Secondary – Wichita MSA, Topeka, Lawrence, and Manhattan
- Tertiary – All remaining cities

The following map shows the location of the 15 largest cities in the state with the highest concentration of population located in the northeast portion of the state.



Investment Class

Multifamily properties are generally classified into three investment categories, Class A, B, and C.

Investment class is market specific and represents the ideal improvement for the local market. A Class A property in Dodge City will have different demand characteristics, design, and quality of construction when compared to a Class A property in Wichita. However, for the purpose of our analysis we have categorized investment class in relation to the Kansas City MSA. Although there is no concise definition or standard practice across the industry, the following briefly discusses each investment class.

Class A Space

- Highest quality space
- Recent construction (15 years or newer)
- Prime locations
- High quality construction
- Top rental rates
- Highest $ / sf
- Institutional investors
- Lowest cap rates
- Stable cash flows

Representative Class A Property (Ranch at Prairie Trace – Overland Park, Kansas)

Class B Space

- Modern (not necessarily new)

- Built 15 to 30 years
- Class C structures recently renovated
- Good locations
- Competitive rents
- Some but not all Class A amenities
- Some deferred maintenance
- Private & institutional investors
- Slightly higher cap rates

Representative Class B Property (Country Park Residences – Park City, Kansas)

Class C Space

- Lowest quality space
- Older buildings in fair condition
- 30 plus years old
- Lowest rents in submarket
- Not built to modern standards
- Often deferred maintenance
- Risker and less stable tenant base

- Private investors or investment groups
- Volatile cash flows

Representative Class C Property (Heather Ridge Apartments – Salina, Kansas)

Conclusions

Due to financial feasibility, most properties in the State of Kansas are categorized as Class B and C investment properties. Class A projects require higher rental rates and lower overall capitalization rates to achieve financial feasibility and are generally built in larger, more diversified markets or markets than benefit from proximity to a major employment base or demand driver.

Multifamily Market Conditions

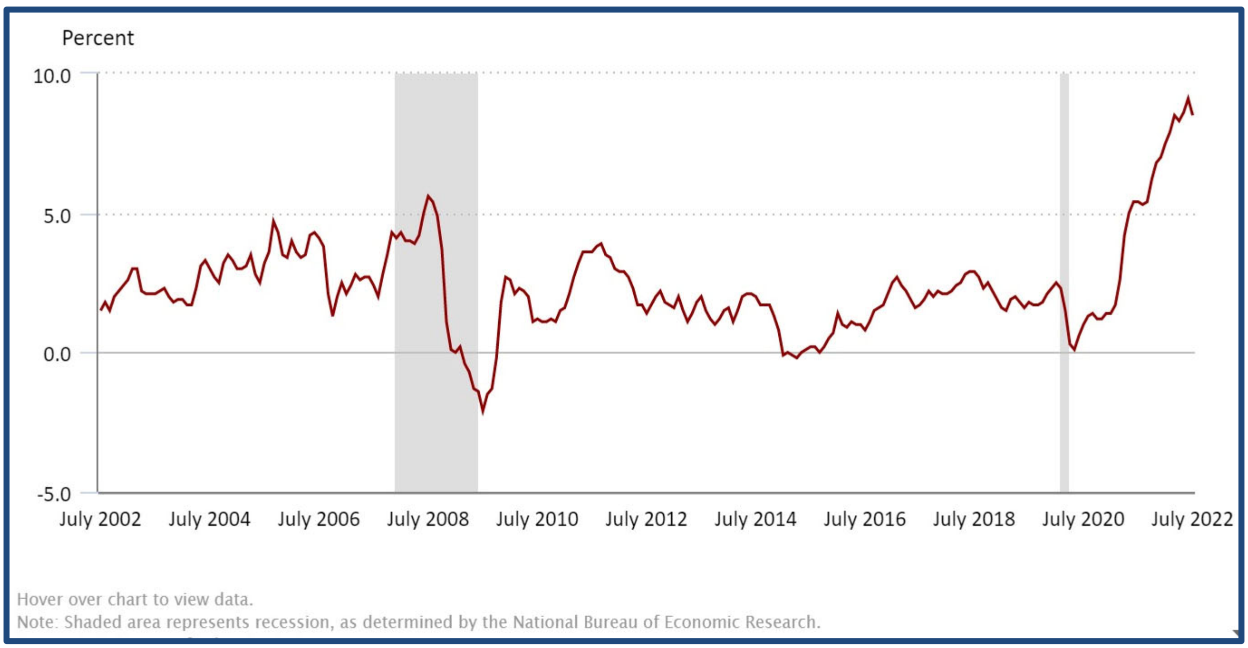
COVID-19 Pandemic

Market activity in all major property sectors in 2021 and 2022 has shown little, if any, impact from COVID-19. Most markets experienced growth, fueled by low lending rates and inflationary pressures. Demand for investment properties through the first half of 2022 is high in most markets but is expected to slow as interest rate increases make financing more challenging. Investors and owners will continue to watch federal involvement in business loans, as the government has been actively combating rising inflation in 2022. This will influence the decision of business owners to choose between buying or leasing their commercial space. Continued supply chain issues have the potential to impact both inflation and the ability to satisfy space demand. A shortage of supplies as well as labor continues to cause delays in construction across the country.

Inflation

Inflation is perhaps the biggest 2022 concern for CRE markets and investors. High inflation rates are being driven by both demand (stimulus, more businesses opening, high savings rates) and supply factors (labor shortages and supply chain disruptions). While at the highest rate in 30 years, inflation will likely stay high for the next year. The following table presents historical inflations rates:

ANNUAL CPI RATE OF CHANGE



Source: U.S. Bureau of Labor Statistics

The July 2022 CPI reading was an annual rate of 8.6%, down from the annual rate of 9.0% in June, which is a pace not seen since 1990. Because of the unique nature of the causes of this rate of inflation, the demand outlook does not point to accelerating inflation over the medium term, which is most important for the overall economic outlook and for decision makers at the Federal Reserve. Market participants anticipate that the Fed will continue to increase interest rates through 2022 to combat inflation.

Interest Rates

According to Freddie Mac, economic conditions in the second half of 2022 have weakened compared with the beginning of the year. The rapid rise of inflation, not seen in more than 40 years, is at the heart of the quickly changing economic situation. The Federal Open Market Committee (FOMC) has started to raise the Federal Funds Rate aggressively in an effort to tame inflation, leading to higher interest rates across the board and spurring volatility. Consumer confidence and sentiment have been trending down and are near historic lows. Although there are reports of job openings being pulled and offers rescinded the labor market appears strong. Economists are forecasting a slower second half of the year with a possible recession later this year or in 2023.

Interest rate increases affect capital-intensive industries like real estate. As credit becomes more expensive, investor return requirements increase, which can lead to higher capitalization rates and yield expectations. As inflation persists and the market anticipates additional rate hikes by the Fed, slower growth in CRE pricing and transactions should be expected.

In general, nominal (non-inflation adjusted) real estate returns perform well under a variety of rate environments, while inflation-adjusted real estate returns are strongest during periods of stability, according to research done by Trepp. In a March 2022 report on interest rates and commercial real estate, moderate declines, or slight increases (0 to 50 basis points) create the strongest returns, with median annual growth at 3.1%.

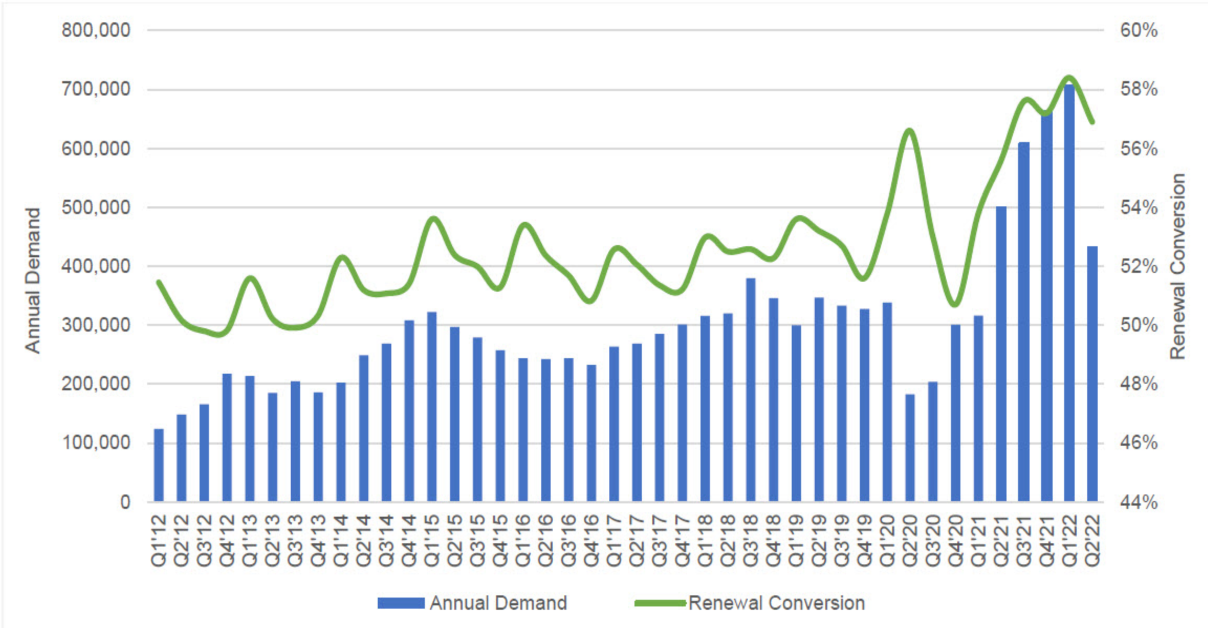
National Market

According to the *3rd Quarter 2022 National Multifamily Report* prepared by Marcus and Millichap, the multifamily sector entered 2022 in a historic position of strength. National vacancy was 120 basis points below any quarterly recording spanning 2000-2019, stimulating a competitive market among tenants, which accelerated rent growth. The average effective monthly rent in the U.S. rose nearly 16 percent in 2021, with annual jumps eclipsing 25 percent in several major Sun Belt markets. However, in the first half of 2022 — particularly in the second quarter — demand began to normalize as roughly 80,000 fewer households were created in the U.S. relative to the same six months of 2021. The cool down was prompted by economic headwinds, as well as inflationary impacts on household budgets, including adjusting for higher rent payments. Even with a slower second half, vacancy at midyear leaves ample leeway before rates in most metros approach pre-pandemic levels.

Despite the 60-basis-point rise in national apartment vacancy during the first half, approximately 20 percent fewer rentals were available at midyear across the U.S. compared to year-end 2019. These circumstances and steep barriers to homeownership support sustained momentum in the apartment sector, with the median price of a single-family home jumping by more than 30 percent over the past two years. More recently, mortgage rates have climbed to a post-Global Financial Crisis high. This is swelling the affordability gap, or the difference between an average monthly payment on a median priced home and an average rent obligation. The margin now exceeds $1,000 per month, about three times the magnitude of pre-pandemic norms, exemplifying the relational value of rentals. The cost-saving benefits, coupled with lifestyle elements, locational advantages, and flexibility, will sustain apartment demand.

This continued strength of the overall multifamily market is partially due to robust household formations. At the start of 2022, it was anticipated demand would moderate and rent growth would do the same. However, the first quarter of 2022 saw demand again at an all-time high, with annualized absorptions in excess of 700,000 units. Absorption did moderate in the second quarter, falling to about 430,000 units, but still remains historically high.

Exhibit 5: Annual Multifamily Absorptions and Renewal Rate



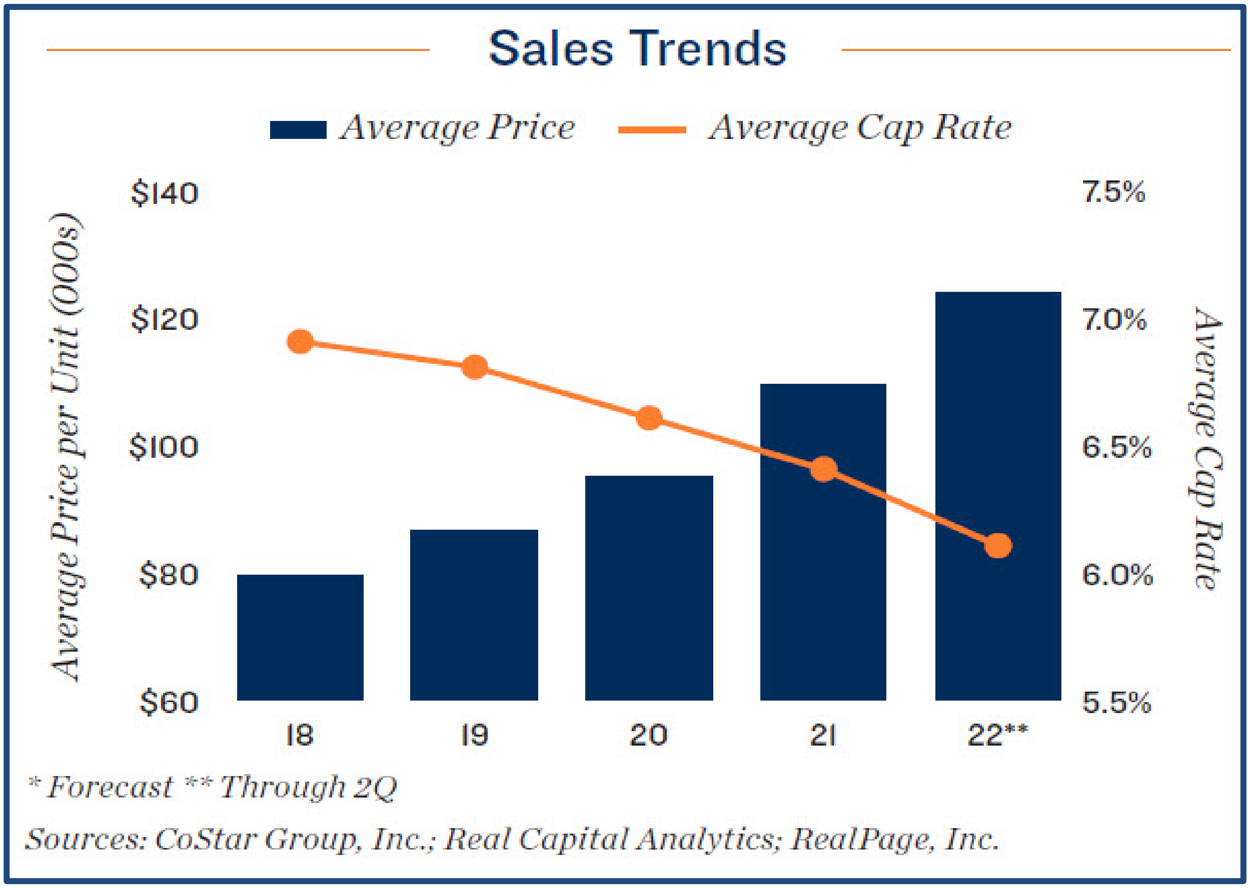
Sources: RealPage, Freddie Mac

Rapid price growth and rate compression supported by performance and stimulated by a competitive investment market amid record-breaking deal flow in recent quarters. The average price per unit climbed by about 15 percent during the 12-month period ended in June to $202,400. This annual gain was faster than any year from 2011-2021. As prices rose sharply, first-year returns contracted, reaching an average of 4.7 percent during the past year. This is down 60 basis points from the pre-pandemic measure in 2019.

Local Market

According to market participants, the multifamily real estate market in most cities in the State of Kansas has been positively impacted by COVID with pent-up demand, limited supply, and a significant amount of capital available for debt and equity investment.

According to Marcus and Millichap, rising home prices tip the scales in favor of renting. Defying the national trend, vacancy in Kansas City declined through the first half of 2022. After achieving a record low of 3.3 percent at the end of 2021, the vacancy rate dropped another 20 basis points by June, and the market is expected to retain this compacted rate throughout 2022. Renter demand is being bolstered by a widening affordability gap relative to homeownership. The disparity between the mean effective apartment rent and the typical mortgage payment on a median priced home is larger in Kansas City than any other major Midwest metro. The regionally high monthly payment on a home, paired with a tight single-family housing market, continues to prompt residents to consider the advantages of multifamily living.



The average sale price per unit in Kansas City during the trailing 12 months ended in June rose over 20 percent to $123,800. Despite increasing more than any other major Midwest market, pricing in Kansas City remains in line with the rest of the region. Meanwhile, the mean cap rate has declined 70 basis points since the end of 2019 to the low-6 percent range.

The rise in pricing coincided with improving transaction velocity, with recent deal flow driven by a surge in fourth quarter 2021 trading. During this three-month interval, a group of $20 million-plus trades closed.

Summary

Although apartment demand and rent growth are moderating from the record market conditions seen in 2021, fundamentals are expected to remain healthy for the remainder of the year, but the transaction side of the business will be subjected to more of the market's volatility. However, if the economy slows more than expected, that could start to show through in multifamily fundamentals later this year or into next. Nevertheless, the elevated rent growth so far this year will help pad any potential slowdown during the second half of the year.

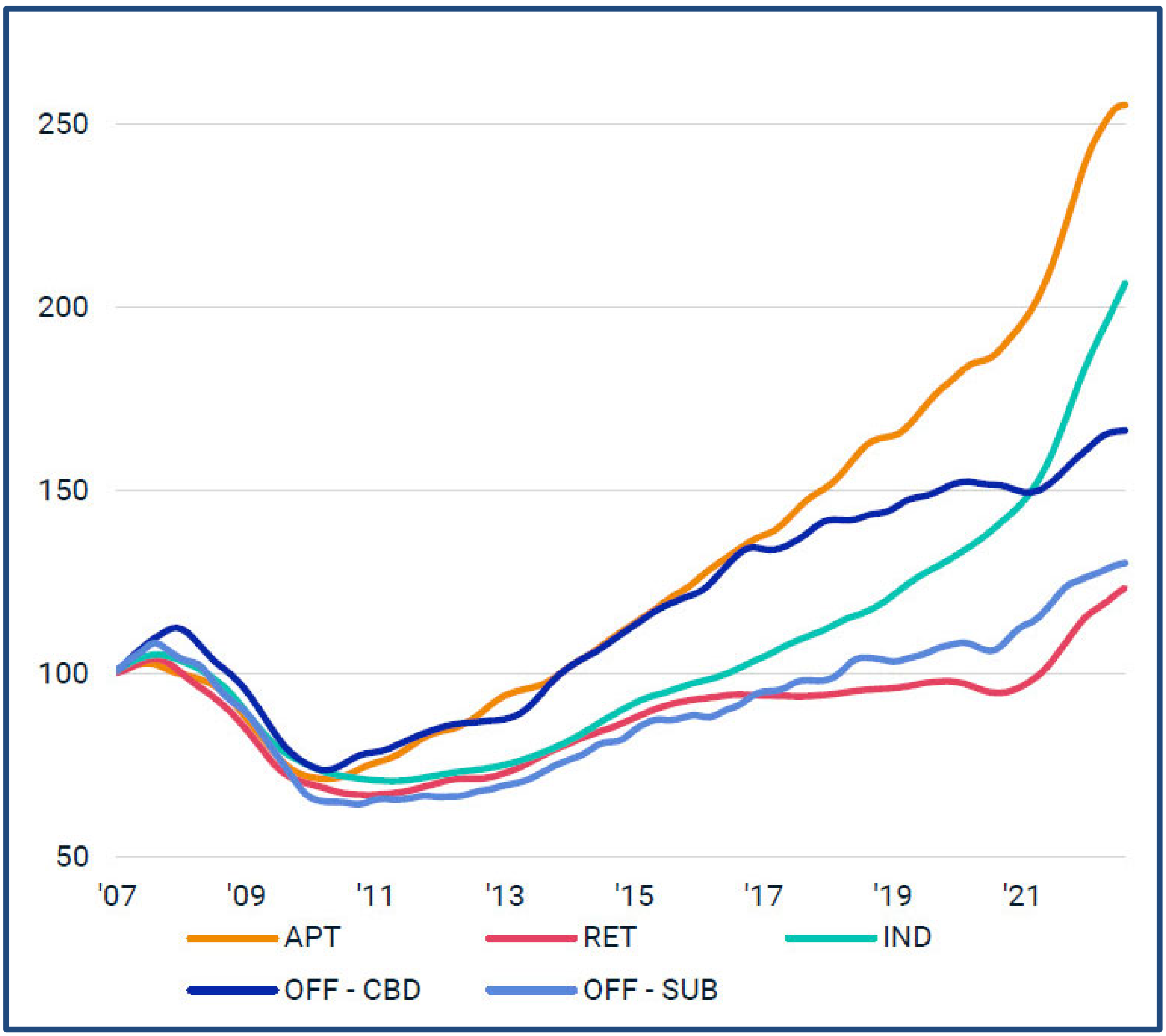
Property Price Indices

To gauge the impact of market fundamentals on asset pricing and return requirements, we have reviewed several indexes as a point of comparison. The indexes report pricing and fundamental data at the national level and provide an overall view of the current state of the industry.

Real Capital Analytics – CPPI

The RCA Commercial Property Price Indices (RCA CPPI™) are a suite of price indices developed and published by Real Capital Analytics. They are transaction-based and accurately measure commercial real estate price movements using repeat-sales regression methodology. There are currently over 350 indices which provide direct comparability across markets and property types in 15 countries.

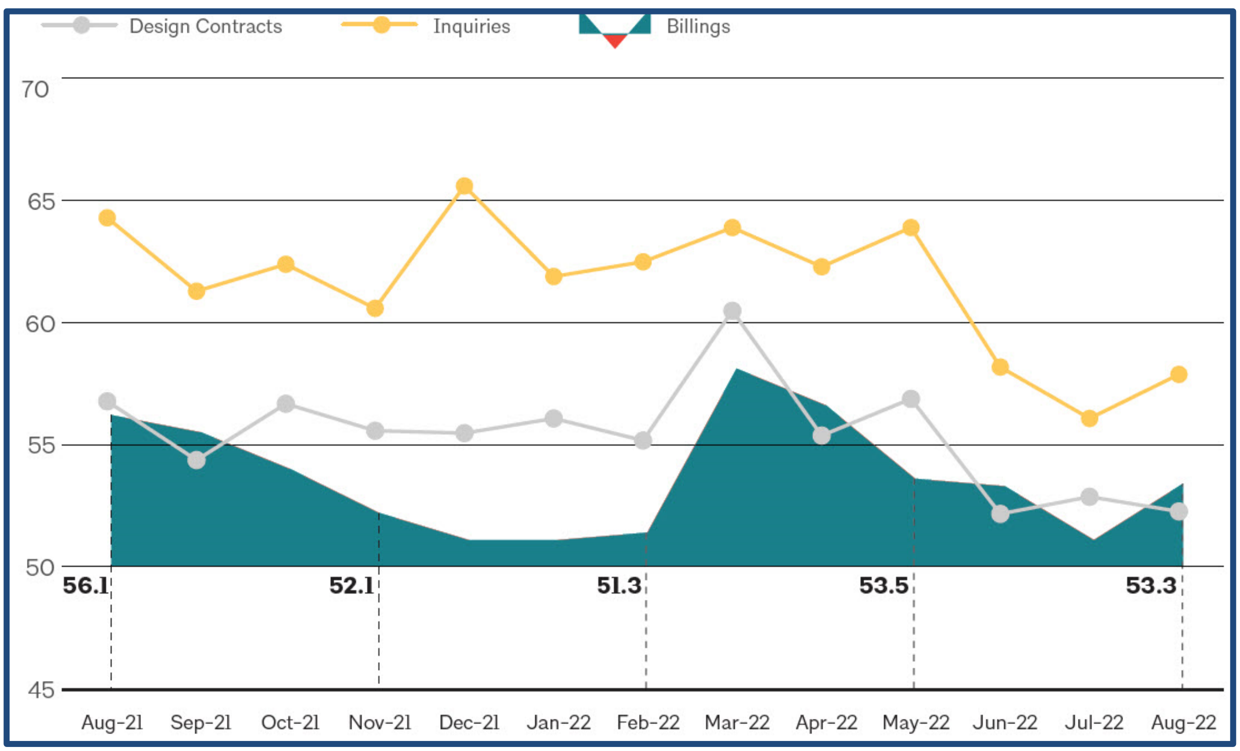
The RCA CPPI measure the actual price experience of property investors – the capital appreciation component of total return, by quantifying the change in prices based on empirical results of validated transactions.



The prices of U.S. commercial properties that sold in August continued to climb but at the slowest pace seen so far this year. The RCA CPPI National All-Property Index rose 14.0% from a year prior, down from the record high 20.0% rate seen at the start of 2022. The index rose 0.4% from July, indicating an annualized pace of growth of just 4.8%. Annual price growth for apartments decelerated for the sixth month in a row, easing to a 17.1% rate. The apartment index rose 0.1% from July, suggesting just a 1.1% annualized pace of growth.

AIA Architectural Billings Index (ABI)

The Architecture Billings Index (ABI) is a diffusion index derived from the monthly Work-on-the-Boards survey, conducted by the AIA Economics & Market Research Group. The ABI serves as a leading economic indicator that leads nonresidential construction activity by approximately 9-12 months. The survey panel asks participants whether their billings increased, decreased, or stayed the same in the month that just ended. According to the proportion of respondents choosing each option, a score is generated, which represents an index value for each month. An index score of 50 represents no change in firm billings from the previous month, a score above 50 indicates an increase in firm billings from the previous month, and a score below 50 indicates a decline in firm billings from the previous month.



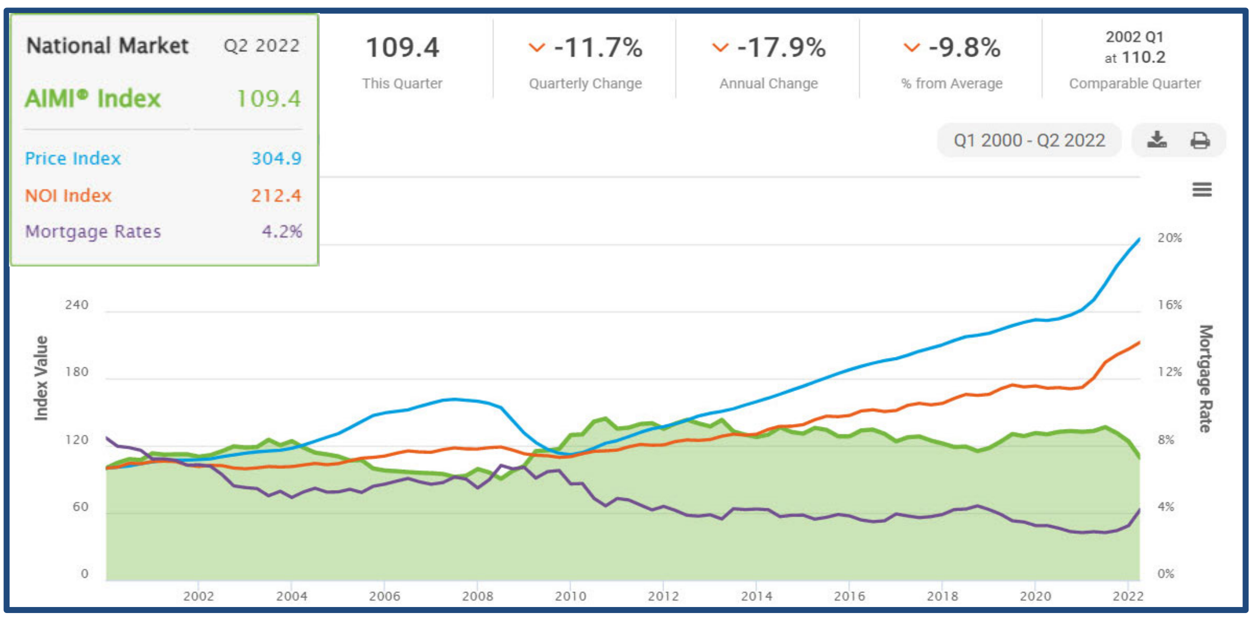
Business conditions remained generally strong at architecture firms in August. The Architecture Billings Index (ABI) score for the month ticked back up to 53.3 from 51.0 in July, as more firms reported an increase in billings. Inquiries into new projects also increased modestly in August from July, while the value of new design contracts held steady at the same rate of growth it has been at for the last two months. Many firms are still struggling to find enough employees to meet the amount of work.

However, business conditions remain mixed by region of the country. Billings softened for the third consecutive month at firms located in the Northeast in August, and have declined for all but two months of the year so far. And while billings continued to rise at firms located in the West, fewer firms reported billings growth in August than they have in several months, and the pace of growth also declined slightly at firms located in the Midwest. Business conditions held steady at firms located in the South, where they were strongest overall for the second month in a row. In addition, firms of all specializations reported an increase in billings in August, with the strongest conditions reported by firms with multifamily residential and institutional specializations.

Freddie Mac Multifamily Apartment Investment Market Index (AIMI®)

AIMI portrays how the relative value of investing in multifamily properties has changed over time. The relative value of investing is estimated by comparing the growth in net operating income (NOI) to the growth in mortgage debt service for investors. Mortgage rates and growth rates in property prices are used to determine changes in the debt service, while rental income growth (which includes changes in rent growth and vacancy rates) is used to determine changes in NOI.

Each variable affects the Index differently. If mortgage rates or property prices increase, with all else equal, AIMI's value will decrease due to the increasing cost of investing, as captured by higher debt service payments investors pay for the property. Conversely, if NOI increases, with all else equal, AIMI's value will increase due to the higher rental income investors are receiving on the property. In other words, higher mortgage rates or property prices increase the cost to the borrower, decreasing AIMI; whereas higher NOI increases the income received by the borrower, increasing AIMI. The combination of these conditions provides a simple measure of the changes in the relative value of investments.



The national Apartment Investment Market Index (AIMI or Index) as of the second quarter 2022 is 109.4. The Index decreased over the quarter (-11.7%) and over the year (-17.9%). The annual decline indicates that it may be more difficult to find attractive investment opportunities compared with the prior year.

Higher mortgage rates were the primary driver behind the annual decrease in the Index. Over the past year, mortgage rates increased by 1.31 percentage points, the highest on record going back to 2000, while property prices grew by 21.8% and NOI grew by 17.7%. Combining these changes in the Index, it suggests that investors are paying more per dollar of property income compared with one year ago. Over the past quarter, the Index decreased due to property price appreciation and substantially higher mortgage rates, which countered the effect of NOI growth. Mortgage rates increased over the quarter by 95 basis points – the highest quarterly increase going back to 2000

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Employment		Multifamily Permits		Net Operating Income		Property Price	
-11.2%	0.6%	7.5%	119.5%	0.4%	1.9%	2.8%	6.6%
Annual Growth	Historical Avg Growth	Annual Growth	Current Level to Historical Avg	Annual Growth	Historical Avg Growth	Annual Growth	Historical Avg Growth

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Green Street Commercial Property Price Index

Green Street's Commercial Property Price Index is a time series of unleveraged U.S. commercial property values that captures the prices at which commercial real estate transactions are currently being negotiated and contracted. Features that differentiate this index are its timeliness, its emphasis on high-quality properties, and its ability to capture changes in the aggregate value of the commercial property sector.

	Index Value	Change in Commercial Property Values		
		Past Month	Past 12 Mos	From Pre Covid
All Property	145.7	-1%	0%	8%
Core Sector	146.7	-2%	-1%	9%
Apartment	178.3	-1%	1%	15%
Industrial	230.8	-3%	-1%	39%
Mall	80.1	-10%	-5%	-17%
Office	107.0	0%	-4%	-9%
Strip Retail	120.7	0%	1%	7%
Health Care	147.5	0%	1%	3%
Lodging	112.0	2%	7%	3%
Manufactured Home Park	314.4	-2%	-1%	30%
Net Lease	105.0	0%	-9%	6%
Self-Storage	304.8	4%	17%	64%

The Green Street Commercial Property Price Index decreased 1.0% in August. Values for self-storage and lodging increased, while pricing of other property sectors were unchanged or declining. The all-property index is 8% above pre-COVID levels, although pricing varies significantly across property sectors (negative 17% to 64%).

"After dropping approximately 5% in the second quarter, property pricing seemed to find its footing," said Peter Rothemund, Co-Head of Strategic Research at Green Street. "But Treasury yields have increased quite a bit over the past few weeks, and that's bound to put pressure on cap rates. Property pricing looks rich when it's compared to bond yields.

National Multifamily Housing Council Quarterly Survey of Apartment Conditions

The reported index numbers are based on data compiled from quarterly surveys of NMHC members. Survey responses reflect the change, if any, from the previous quarter. The indexes are standard diffusion indexes, hence are convenient summary measures showing the prevailing direction and scope of changes. They are calculated by taking one-half the difference between positive (tighter markets, higher sales volume, equity financing more available, a better time to borrow) and negative (looser markets, lower sales volume, equity financing less available, a worse time to borrow) responses and adding 50. This produces a series bounded by 0 (if all respondents answered in the negative) and 100 (if all respondents answered in the positive).

- A Market Tightness Index reading above 50 indicates that, on balance, apartment markets around the country are getting tighter; a reading below 50 indicates that market conditions are getting looser; and a reading of 50 indicates that market conditions are unchanged.

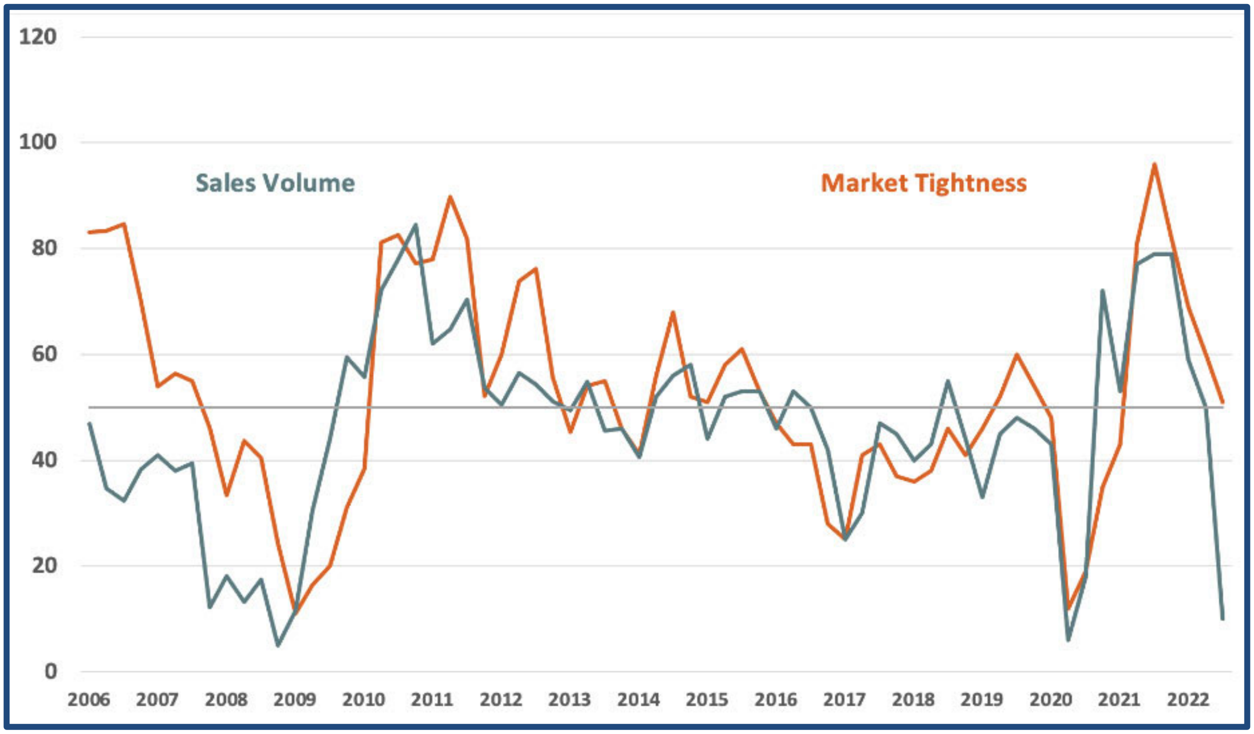
- A Sales Volume Index reading above 50 indicates that, on balance, sales volume and the country is increasing; a reading below 50 indicates that sales volume is decreasing; and a reading of 50 indicates that market conditions are unchanged.

	Market Tightness Index[1]	Sales Volume Index[2]	Equity Financing Index[3]	Debt Financing Index[4]
July 2022	51	10	18	3
April 2022	60	50	35	9
January 2022	69	59	67	36
October 2021	82	79	65	48
July 2021	96	79	69	71
April 2021	81	77	68	44
January 2021	43	53	58	49

Apartment market conditions weakened in the National Multifamily Housing Council's Quarterly Survey of Apartment Market Conditions for July 2022, as the industry responds to a rapid increase in the cost of debt. The Market Tightness (51), Sales Volume (10), Equity Financing (18,) and Debt Financing Index (3) all came in at or below the breakeven level (50). The sales volume and debt and equity indexes were the most impacted by the increase in interest rates.

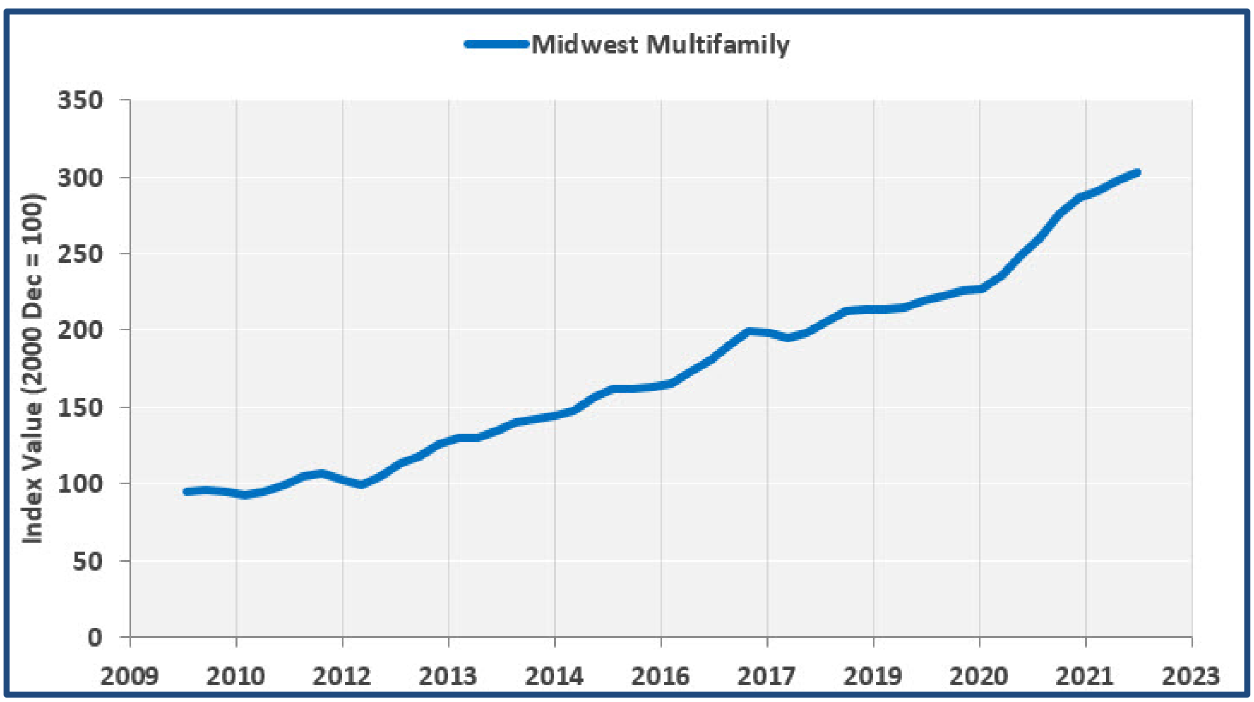
Apartment sales volume fell while both equity and debt financing became more costly, according to the National Multifamily Housing Council's Quarterly Survey of Apartment Market Conditions for July 2022. However, demand in most markets was still strong relative to supply.

"Continued interest rate hikes from the Fed have translated into higher longer-term rates and a higher cost of both debt and equity," noted NMHC's Chief Economist, Mark Obrinsky. "While these higher rates have cut into investor proceeds, many sellers are reluctant to lower prices, causing a sharp drop in sales volume."



CoStar Commercial Repeat-Sale Indices (CCRSI)

The CoStar Commercial Repeat-Sale Index was developed by using the repeat-sale regression technique, which has been increasingly accepted as a clear-cut method to meet investors' requirements. The repeat-sale analysis, based on properties that have sold more than once without any significant change in building characteristics between sales, is fundamentally comparable to stock and bond indices, which are based on stock (or bond) price changes from one period to the next.



Both of the CCRSI's two major composite indices remain at lofty levels. The value-weighted U.S. Composite Index, which puts more weight on higher-value assets common in larger markets, rose by 1.3% in August 2022, its fourth month of gains, revised data show. The index was up by 12.5% in the 12-month period that ended in August 2022 and is 34.4% higher than it was in February 2020, before the onset of the COVID-19 pandemic. At 309, the index is at an historic high.

The equal-weighted U.S. Composite Index, which weights each trade equally regardless of asset value and therefore reflects the more numerous but lower-priced property sales typical of smaller markets, edged lower by 0.8% to 315 in August 2022, its second consecutive month of decline. The index is 14.4% higher in August 2022 than it was a year earlier and is now 32.1% above its pre-pandemic level in February 2020.

Public REITs

In absence of sales data to gauge changing market conditions, the public real estate investment trust market can provide valuable guidance. A real estate investment trust (REIT) is a company that owns, operates, or finances income-generating real estate. Modeled after mutual funds, REITs pool the capital of numerous investors. Many REITs are publicly traded on major securities exchanges, and investors can buy and sell them like equities. REITs typically trade under substantial volume and are considered a highly liquid instrument. The REIT business model is to lease space and then distribute the income as dividends to shareholders. Since REITS are required to pay a minimum of 90% of taxable income in the form of shareholder dividends, they mirror private ownership of real estate.

Mid-America Apartment Communities (MAA) owns and operates 101,229 apartment units within the Midwest and Sun Belt markets. In June 2022, the market capitalization was $25.2 billion with an average rental rate of $1,529 per unit. The following table reports operating data from MAA, which shows a positive but slowing trend in operations in the first half of 2022.

	SAME STORE	FULL YEAR 2020	JAN-JUN 2021	JUL-DEC 2021	FULL YEAR 2021	JAN-JUN 2022	JUL 2022	AUG 2022	FULL YEAR 2022F
EFFECTIVE LEASES	**NEW LEASE** AVG Pricing Growth Lease Over Lease	-2.5%	4.7%	19.3%	11.8%	17.3%	17.9%	14.1%	
	RENEWAL AVG Pricing Growth Lease Over Lease	5.2%	7.5%	11.9%	9.7%	16.9%	15.3%	14.2%	
	BLENDED AVG Pricing Growth Lease Over Lease	1.3%	6.1%	15.4%	10.7%	17.1%	16.5%	14.1%	
	EFFECTIVE RENT PER UNIT[1] AVG Growth	2.6%	2.2%	8.2%	5.2%	13.3%	16.9%	17.1%	12.75%-13.75%

The following chart shows the stock price of MAA, which reflects the markets expectations of future performance and the impact of potential recession. The stock price peaked at year-end 2021 and has been declining in 2022 due to increased interest rates and less investor optimism.

National Council of Real Estate Investment Fiduciaries (NCREIF)

The NCREIF Property Index (NPI) is a quarterly, unleveraged composite total return for private commercial real estate properties held for investment purposes only. All properties in the NPI have been acquired, at least in part, on behalf of tax-exempt institutional investors and held in a fiduciary environment.

The following table reports quarterly returns for apartment properties in the Midwest.

3Q2021	4Q2021	1Q2022	2Q2022	2022 ANNUAL TOTAL
6.53%	6.82%	5.25%	3.86%	24.40%

The most recent data reports a slowdown in property returns (cash flow and capital appreciation) in the first and second quarter of 2022. Fundamentals peaked at year-end 2021 and have been slowly normalizing, which is consist with other metrics reported earlier.

Survey Conclusions

The various indices report an improving to slowing multifamily market. Fundamentals were at an all-time at the end of 2021 and the first quarter of 2022. However, the persistent increase in interest rates and high inflation has put downward pressure on rent growth and the overall economy. The following table summarizes the various sources.

Data Source	Conclusions	Trend (2021 - Q2 2022)	Trend (Q3 2022 - 2023)
Real Capital Analytics - Commercial Property Price Index (CPPI)	Upward with signs of slowing	↑	↓
AIA Architecture Billings Index (ABI)	Upward with signs of slowing	↑	↓
Freddie Mac - Multifamily Apartment Investment Index (AIMI)	Upward with signs of slowing	↑	↓
Green Street Commercial Property Price Index (CPPI)	Stable to slightly declining	↑	↓
National Multifamily Housing Council Quarterly Survey	Stable to slightly declining	↑	↓
CoStar Commercial Repeat-Sale Indices (CCRSI)	Stable to slightly declining	↑	↓
Investors Real Estate Trust (IRET)	Declining	↑	↓
NCREIF Property Index (NPI)	Upward with signs of slowing	↑	↓
Overall Trend*		↑	↓

*The overall trend was positive the first-half of the year with the second0half projected to normalize and potentially decline.

It is projected that fundamentals will continue to slow with most economists projecting a recession (mild to moderate) in 2023 and 2024. As the Fed continues to normalize inflation with interest rate increases, investor yields and asset pricing will require tempering to remain competitive.

Sales Comparison (Market Extraction)

According to *The Appraisal of Real Estate, 15th Edition,* deriving capitalization rates from comparable sales is the preferred technique when sufficient information is available. When this data is available, the choice of capitalization method (director yield) does not affect the indication of value.

Principal of Anticipation

Operating data available for comparable sales is often the trailing year (actual income), which requires adjustment for time difference to account for the principal of anticipation (forward looking). Both income and expense data (in the forecasted 12 months after the date of valuation) and the structure of expenses in terms of replacement allowances and other market variables must be similar to those of the subject property for accurate analysis.

If the market-derived capitalization rate is based on the net operating income expectancy for the first year—i.e., the 12 months after the date of sale—the capitalization rate for the subject property should be applied to its anticipated net operating income for the first year of operation, which reflects the buyer's anticipated income stream. The following example shows the calculation of market extracted rates.

Table 23.1 Derivation of Overall Capitalization Rates from Comparable Sales

	Sale A	Sale B	Sale C	Sale D
Net operating income	$35,100	$40,000	$30,500	$48,400
Price	$368,500	$425,000	$310,000	$500,000
Indicated R_0	0.0953	0.0941	0.0984	0.0968

Source: The Appraisal of Real Estate, 14th Edition

Year one capitalization rates are often 25 to 50 basis points higher than in place or actual rates to account for rent growth in an upward trending market. The following example reports overall rates for various time periods for an existing apartment project based on the appraised value.

Net Operating Income Analysis (NOI)						
	Annual Total	Per Unit	Per SF	% of EGI	% Change	OAR
Actuals 2017	$1,300,474	$5,041	$5.22	54.0%	-	4.76%
Actuals 2018	$1,344,107	$5,210	$5.40	53.5%	3.4%	4.92%
Actuals 2019	$1,460,083	$5,659	$5.87	54.6%	8.6%	5.35%
Valbridge - Year One	**$1,570,077**	**$6,086**	**$6.31**	**58.1%**	**7.5%**	**5.75%**

Data Consistency

There are numerous combinations of operating variables used to extract an overall rate from the market. Care must be taken to apply the same methodology and set of variables to the subject that was used to extract a rate from the market. If different income and expense projections are utilized in the comparables sales when compared to the subject, the properties will have differing risk profiles and investor motivations and can result in a non-market capitalization rate.

The comparable properties (sales) should have similar income-expense ratios, land value-to-building value ratios, risk characteristics, and future expectations of income and value change over a typical projection period. It is critical that the net operating income of each comparable property is calculated and estimated in the same manner that the net operating income of the subject property is estimated.

Operating Expenses (Recurring)

Operating a Section 42 property is slightly more expensive for certain categories than a market rate property due to increased management expertise and administrative overhead. Other operating categories are relatively similar to operating a market rate multifamily property. Real estate taxes depending on the level of rent restrictions can also vary between a market rate and restricted property. The most recent CohnReznick report supports an increase in management and administrative expenses for Section 42 properties. Additionally, payroll expenses are generally higher if a service coordinator is on staff. Generally, real estate taxes will be lower for Section 42 properties (all else equal) due to restricted rents, which helps offset increased expenses for other categories. The following discusses the main operating expenses that vary between a market rate and tax credit project.

- Management (Third-Party)
  The operation of a LIHTC property is heavily reliant upon the selection and retention of a knowledgeable property management company. It is a common practice to underwrite property management fees that are at market in the event a property manager needs to be removed in the event of property underperformance. Affordable Housing Investors Council (AHIC) Underwriting Guidelines recommend that a typical property management fee be underwritten between 4% and 8% of effective gross income. AHIC recommends a property management fee amount that is no more than 10% of the total net income, with a minimum of $25 to $30 per unit requirement. The specialized management expertise of a tax credit project can result in a 100 to 300 basis point increase in management expense when compared to a traditional project.

- Administrative and Marketing Expenses
  Administrative expenses in the context of LIHTC properties typically include office supplies, marketing, legal, audit, accounting/bookkeeping, compliance, marketing, and other general operating expenses. Legal and audit fees often account for the bulk of the administrative expenses for smaller projects with fewer units. Annual compliance fees are often in excess of $5,000, which is an additional $100 to $300 per unit expense when compared to a traditional project.

- Replacement Reserves (Capital Improvements)
  A capital improvement is an investment in equipment or alterations, typically short-lived items such as mechanical systems, appliances, carpeting, parking areas, etc. that is not recurring on an annual basis and increases the value or extends the economic life of the property. In contrast, a repair preserves the property but does not lengthen its economic life and is required for on-going operations. Replacement reserves are market specific and the inclusion or exclusion from the year one pro forma does not impact the value of the property but instead results in a corresponding change in the risk profile of the asset, which is reflected in the overall capitalization rate. The following table reports the impact of reserves to the overall rate.

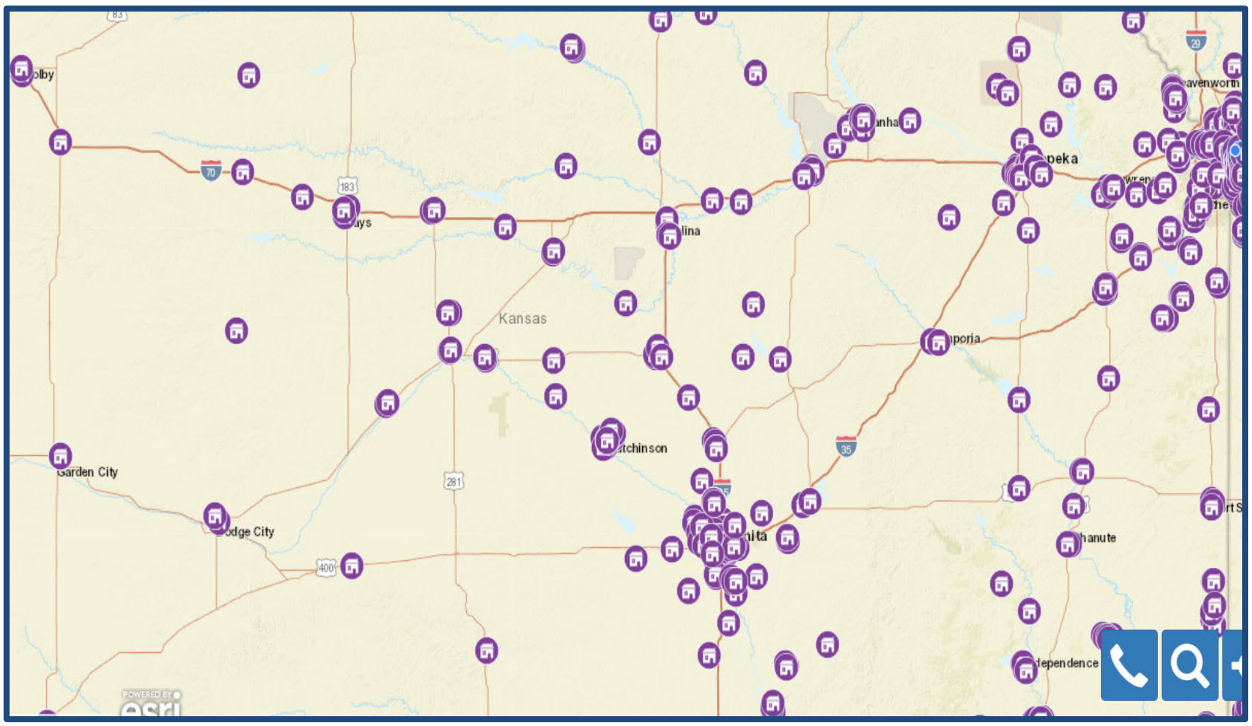
Allowance for Replacements Not Included in Operating Expenses	
Net Operating Income	$85,000
Overall Rate	0.0850
Capitalization: $85,000/0.0850	$1,000,000
Allowance for Replacements Included in Operating Expenses	
Net Operating Income	$82,500
Overall Rate	0.0825
Capitalization: $82,500/0.0825	$1,000,000

Source: The Appraisal of Real Estate, 14th Edition

Fannie Mae reports a market-oriented replacement reserve to range from $150 to $350 per unit depending on the age, quality, and amenities of the project. In addition, it is common for the housing agency to require a replacement reserve of $300 per unit with annual escalations of 3% annually during the restriction period.

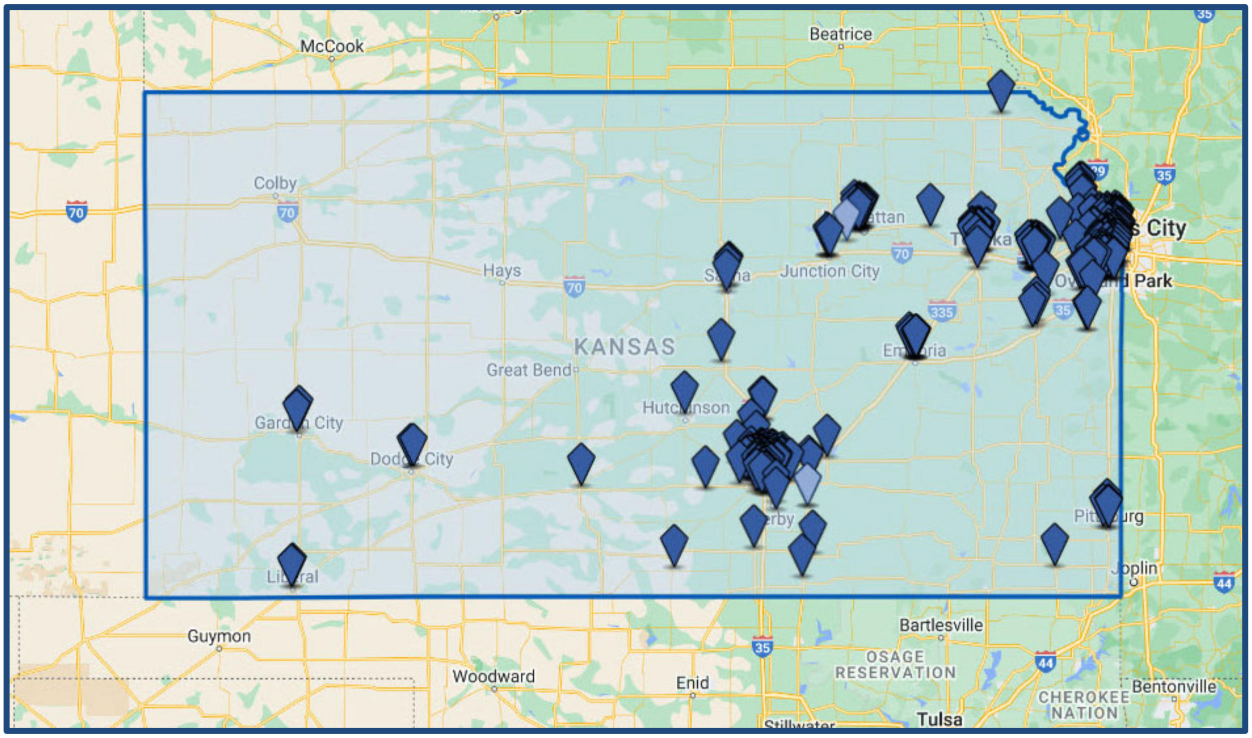
Existing LIHTC Projects

Most existing LIHTC projects are in urbanized areas (Kansas City, Wichita, and Topeka) with fewer projects in outlying communities. Due to a higher concentration of supply in the Kansas City MSA and Wichita MSA, the sale comparables are largely located in cities with increased population density. The following map shows the location of existing LIHTC projects in the State of Kansas, according to HUD.



Comparable Sales (Traditional Projects)

According to CoStar Analytics and a Sales Study from 14 counties in the State of Kansas, most sales activity is occurring in the Kansas City MSA and Wichita MSA, which contain the most existing supply and population density. The following map shows multifamily sales transactions from 2021 to current according to CoStar Analytics.



Methodology

The sales comparison approach is most applicable in an active market in which several similar properties have recently sold. The appraiser gathers data on sales of comparable properties and analyzes the nature and conditions of each sale, making market derived adjustments for dissimilar characteristics. Typically, a common denominator, or unit of comparison is found such as price per square foot, price per unit, or gross income multiplier. Under typical operations, few LIHTC properties sell, which precludes a reliable analysis by the sales comparison approach. Most sales transactions have been sales of partnerships or partial interests in the partnership that own these projects, however, there are few sales consisting of open market transactions wherein the actual real estate was sold. While it is legally permissible for a property owner to sell a LIHTC property during the restriction period, difficulties in evaluating the differences between the LURAs present formidable obstacles to performing a credible sales comparison approach. For these reasons, the sales comparison approach was performed for the "fee simple" value based on market rents. The following table summarizes the sales data utilized in our analysis.

Variable	Primary	Secondary	Tertiary	Total	Class A	Class B	Class C
Sales	130	32	20	182	31	48	103
Median Year Built	1967	1978	1985	1970	2017	1968	1965
Median Units	24	69	8	23	208	18	18
Median Unit Price	$109,657	$64,740	$61,021	$95,000	$247,219	$126,131	$69,700
Median OAR (OAR)	6.00%	6.60%	7.10%	6.10%	4.64%	5.96%	6.69%
Operating Expense Ratio (OER)	42.30%	46.80%	42.30%	43.50%	39.68%	38.56%	45.03%
Median EGIM	9.78	7.60	7.71	9.11	12.25	10.44	8.09

The data indicates a lower capitalization rate, higher EGIM, and lower operating expense ratio for Class A properties when compared to Class B and Class C properties, which is consistent with valuation theory. Most recent sales activity has been focused on value-add acquisitions of Class B and C properties. The buyer of these assets plan to reposition an aging property with interior and exterior improvements to enhance the overall yield. The investment strategy has created increased demand for older assets, smaller projects, and properties in infill locations, which primarily consist of apartment projects (4 to 24 units).

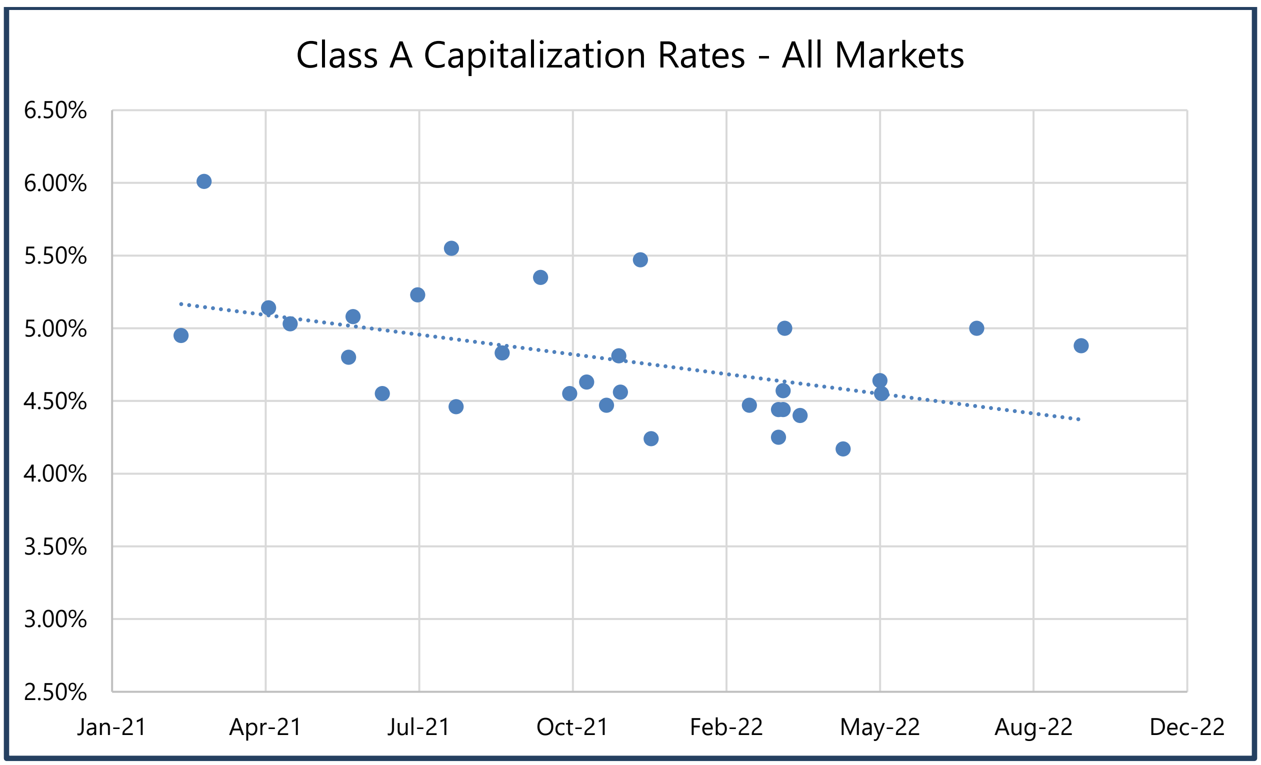
The following table summarizes the capitalization rate data used in our analysis.

	Primary Markets			Secondary Markets			Tertiary Markets		
	A	B	C	A	B	C	A	B	C
Range	4.20% - 6.00%	4.85% - 6.65%	5.50% - 8.00%	5.25% - 5.50%	5.85% - 6.50%	5.65% - 8.20%	-	6.30% - 6.90%	6.75% - 7.90%
Average	4.76%	5.83%	6.52%	6.13%	6.13%	6.79%	-	6.57%	7.16%
Median	4.63%	5.88%	6.53%	5.18%	6.02%	6.72%	-	6.55%	7.09%
Trend	↓	↓	↓	↓	↓	↓	↓	↓	↓

*Primary - Kansas City MSA
*Secondary - Wichita, Topeka, Lawrence, and Manhattan
*Tertiary - All remaining markets

Class A Investment Properties

The following chart reports overall capitalization rates for Class A properties in the State of Kansas.

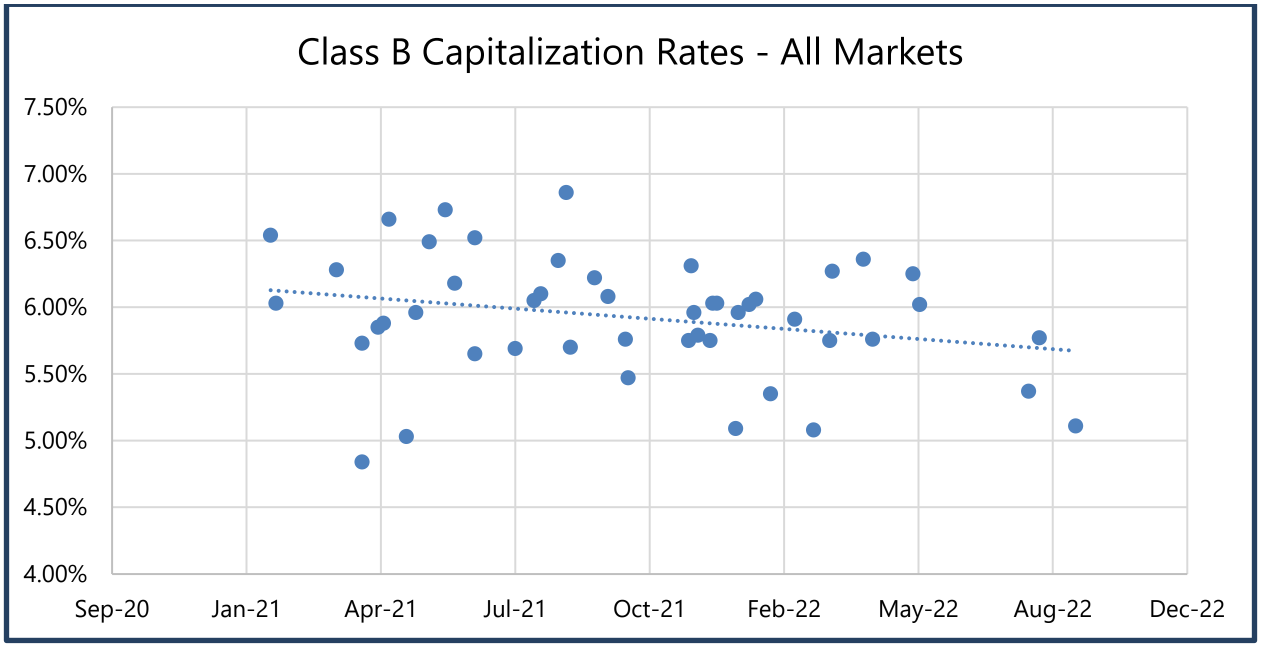


Class A rates report a general range of 4.50% to 5.25% depending on the investment market. The following table reports capitalization rates for Class A investment properties in the State of Kansas.

Median	Average	Average Spread (Basis Points)
4.64%	4.79%	75

Class B Investment Properties

The following chart reports overall capitalization rates for Class B properties in the State of Kansas.

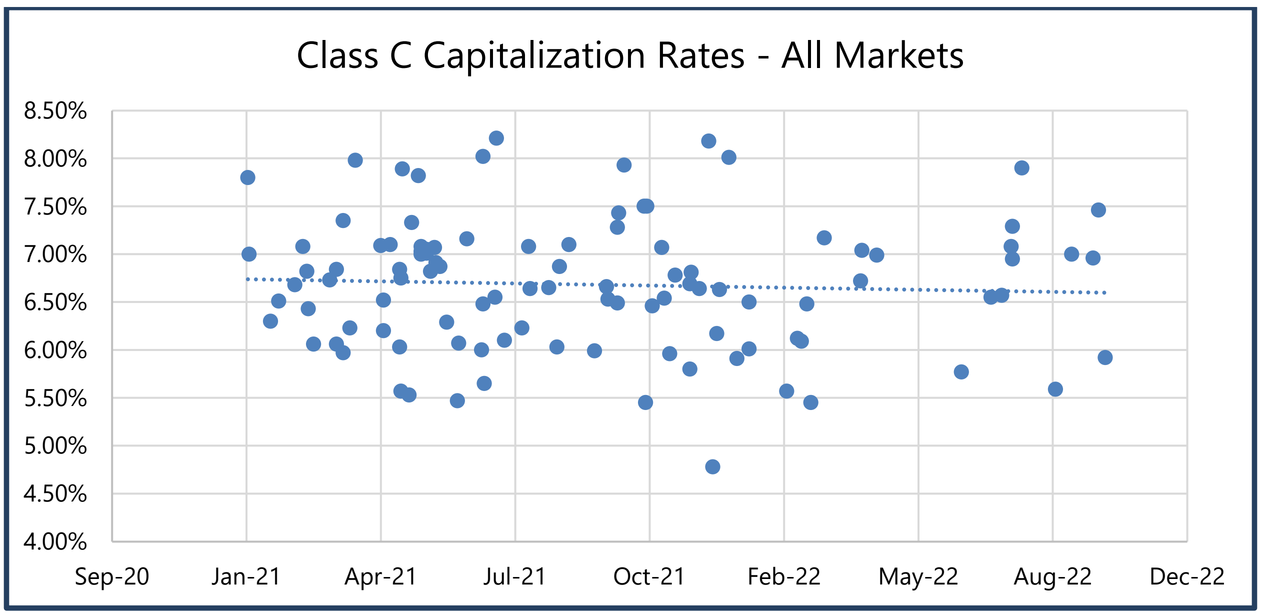


Class B rates report a general range of 5.25% to 6.25% depending on the investment market. The following table reports capitalization rates for Class B investment properties in the State of Kansas.

Median	Average	Average Spread (Basis Points)
5.96%	5.93%	100

Class C Investment Properties

The following chart reports overall capitalization rates for Class C properties in the State of Kansas.



Class C rates report a median range of 6.25% to 7.50% depending on the investment market. The following table reports capitalization rates for Class C investment properties in the State of Kansas.

Median	Average	Average Spread (Basis Points)
6.69%	6.68%	125

Concluded Market Extracted Rates (Market Rate Projects)

The following table reports the market going-in capitalization rates for primary markets, which includes market-oriented replacement reserves and stabilized, year-one operating data.

	Primary Markets - Market Rate		
Capitalization Rate	**A**	**B**	**C**
Range	4.50% - 5.00%	5.00% - 5.75%	5.75% - 6.50%
Midpoint	4.75%	5.50%	6.25%

*Primary - Kansas City MSA

The following table reports the market going-in capitalization rates for secondary markets

	Secondary Markets - Market Rate		
Capitalization Rate	**A**	**B**	**C**
Range	5.50% - 6.00%	6.00% - 6.75%	6.75% - 7.50%
Midpoint	5.75%	6.50%	7.00%

*Secondary - Wichita, Topeka, Lawrence, and Manhattan

The following table reports the market going-in capitalization rates for tertiary markets

	Tertiary Markets - Market Rate		
Capitalization Rate	**A**	**B**	**C**
Range	-	6.50% - 7.00%	7.00% - 8.00%
Midpoint	-	6.75%	7.50%

*Tertiary - All remaining markets

Restricted OAR Profile

Capitalization rates for restricted properties often vary from capitalization rates for market rate properties. According to Peter S. Eckert & Company, Inc. the prevailing custom in the marketplace is to add 25, 50, or 100 basis points to the conventional rate to reflect the LIHTC encumbrance, depending upon the variable characteristics of each property. Projects with greater income restrictions (40%, 50%, and 60% AMI) or a lower rent advantage when compared to market rate housing tend to have a higher spread to compensate for less upside. The most common income restriction in the State of Kansas is 60% AMI with income and rent restrictions tied to the federal maximum allowable restrictions according to HUD. Therefore, we have adjusted the market rate capitalization rate upward 50 basis points to the account for a typical LIHTC encumbrance (60% AMI). If a project is encumbered with greater income restrictions or an atypical replacement reserve requirement a higher risk premium would be warranted due to a more narrowly defined target market.

The following summarizes the risk factor analysis of LIHTC properties compared to conventional (market rate) apartments from the *Valuation Techniques for Affordable Housing* published by the Appraisal Institute.

Subject Risk Analysis

Category		Subject	
1. Market Area Characteristics	**Yes**	**No**	**Risk**
High income growth in the local market = less risk			
High number of cost-burdened households = less risk			
High housing cost market = less risk			
High barriers for development = less risk			
Superior schools, access, employment, shopping = less risk			
2. Overall Risk Levels (Rent Advantage / Disadvantage)	**Yes**	**No**	
Project Based Section 8 = less risk			
Maximum rent < market			
3. Quality and Durability of Income	**Yes**	**No**	
Income at 40% of average median income = significantly more risk			
Income at 50% of average median income = more risk			
Income at 60% of average median income = slightly more risk			
4. Expenses	**Yes**	**No**	
Ability to control expenses			
Expense risk (utility payment)			
5. Site and Area Characteristics	**Yes**	**No**	
Neighborhood in stable stage = moderate risk			
6. Physical Characteristics	**Yes**	**No**	
Comparable design/materials/date of construction = similar risk			
7. Locational Characteristics	**Yes**	**No**	
Comparable, access, employment, shopping = similar risk			
8. Program Structure	**Yes**	**No**	
Illiquidity, difficulty in sellling = greater risk			
Long-term income restrictions = greater risk			
Debt structure and type of non-recourse debt availibilty = greater risk			
Anticipation of strong housing market when unrestricted			

Source: Valuation Techniques for Affordable Housing (Appraisal Institute)

The following table reports various risk characteristics to consider in supporting a project level overall rate of return. Properties and markets with increased economic growth and income growth have greater investor demand and a lower overall rate of return.

Investment Class	Tenant Profile	Market Size	GDP Growth Rate	Employment Growth Rate	Historical Rent Growth	Income Volatility	Reversionary Risk
A,B,C	Market /LIHTC	P,S,T	Low, Mod, High	Low, Mod, High	Low, Mod, High	Low, Mod, High	Less, More

Concluded LIHTC Rates

The following table reports the concluded LIHTC capitalization rates for primary markets after an upward adjustment of 50 basis points to reflect a typical restricted operation.

	Primary Markets - LIHTC		
Capitalization Rate	**A**	**B**	**C**
Range	5.00% - 5.50%	5.50% - 6.25%	6.25% - 7.00%
Midpoint	5.25%	6.00%	6.75%

*Primary - Kansas City MSA

The following table reports the adjusted LIHTC capitalization rates for secondary markets

	Secondary Markets - LIHTC		
Capitalization Rate	**A**	**B**	**C**
Range	5.50% - 6.00%	6.00% -6.75%	6.75% - 7.50%
Midpoint	5.75%	6.50%	7.25%

*Secondary - Wichita, Topeka, Lawrence, and Manhattan

The following table reports the adjusted LIHTC capitalization rates for tertiary markets

	Tertiary Markets - LIHTC		
Capitalization Rate	**A**	**B**	**C**
Range	-	7.00% - 7.50%	7.50% - 8.50
Midpoint	-	7.25%	8.00%

*Tertiary - All remaining markets

Affordable Housing Sales

Under typical operations few LIHTC properties sell. Most sales transactions have been sales of partnerships or partial interests in the partnership that own these projects, however, there are few sales consisting of open market transactions wherein the actual real estate was sold. Most sales of LIHTC projects are assets exiting the tax credit program due to the expiration of the LURA or through the Qualified Contract Process (QCP) and reflect potential upside as a market rate project.

LIHTC Sales and Listings

As a test of reason, we have included a current LIHTC listing and a recent sale of a tax credit property.

Primary Market – Class C Investment

Northwoods Apartments is located at 3400 Northwest 69th Terrace in Kansas City, Missouri. The property contains 101 units of mixed income tenants (Section 42 and Section 8). The project was placed in service in 2003 and is eligible for removal in December 2033. The asking price $4,800,000 or $47,524 per unit, which represents a 6.25% capitalization rate based on year one projections.

PRICE:	$4,800,000
NUMBER OF UNITS:	101
BUILDING SIZE:	83,734 SF
PROPERTY TYPE:	Multifamily
TOTAL LOT SIZE:	6.19 Acres
YEAR BUILT:	1970

Primary Market – Class B Investment

The Cottages of Belton and Cottages of Kansas City East contain 180 total units. The project are located in eastern Kansas City, Missouri and Belton, Missouri. The combined asset was reportedly purchased for $12,240,00 or $68,000 per unit, which represents a 6.73% capitalization rate based on year one projections.

16889 Cottages St - Cottages of Belton

Apartments - Outlying Cass County Submarket
Belton, MO 64012

72	72,096	1996	$841	$0.90
Units	SF GBA	Built	Asking Rent/Unit	Asking Rent/SF

Summary | Units | Lease | Comps | Sale | Tenant | Analytics | Loan | Financials | Changes | Demographics | Public Record | Contacts | Images | Map | My Data | News

Building

Type	3 Star Garden Apartments		
Location	Suburban		
Units	72	Year Built	1996
Avg Unit Size	930 SF	Class	B
Stories	1		

Unit Mix »

Beds	Units	Avg SF	Asking Rent/Unit	Asking Rent/SF	Concessions
1	16	730	$744	$1.02	0.3%
2	40	960	$857	$0.89	0.2%
3	16	1,054	$898	$0.85	0.3%
Totals	72	930	$841	$0.90	0.2%

Updated September 24, 2022

Primary Market – Class C Investment

Fairfax Bluffs contains 254 units and is located in Kansas City, Kansas. The project was placed in service in 2007 and is eligible for removal in December 2037. The sales price in July 2021 was reportedly $8,600,000 or $33,858 per unit, which represents a 6.27% capitalization rate based on year one projections.

Conclusions

The listing and past sales support the rates from market extraction, band of investments, and third-party surveys and are consistent with risk adjusted returns for multifamily investments. Capitalization rates for LIHTC projects in the Kansas City MSA generally range from 6.00% to 7.00% based on year one income and future growth potential.

Effective Gross Income Multiplier (EGIM)

Linear Regression Analysis

An investor is acquiring a future income stream; therefore, a comparison of economic characteristics is a better indicator of value when comparables sales are lacking. We have considered and analyzed the income earning capacity (effective gross income per unit) in comparison to the stabilized, year one effective income per unit of several recent sales in the State of Kansas. This methodology best reflects the markets perception indicating value is directly related to the income generating capacity of the property, assuming risk is held constant. Income multipliers are mathematically related to direct capitalization because rates are the reciprocals of multipliers or factors. The following are important considerations to consider when selecting an income multiplier:

- Sales must be similar in physical, locational, and investment characteristics
- Sales must have similar income characteristics (investment and property class, ancillary items, and economic loss)
- Extracted multipliers must be applied to the subject in a similar manner as extracted
- Avoid reliance on an average EGIM unless the sales are overall similar to the subject
- A range of multipliers is reasonable and reflects varying risk profiles and growth expectations of the sales. A higher EGIM reflects less uncertainty and more income growth potential, which is the equivalent of a lower overall capitalization rate.
- Effective income multipliers are less sensitive to input variables than potential income multipliers due to more of the 'how much" and "when" explicit in the calculated income instead of the multiplier.

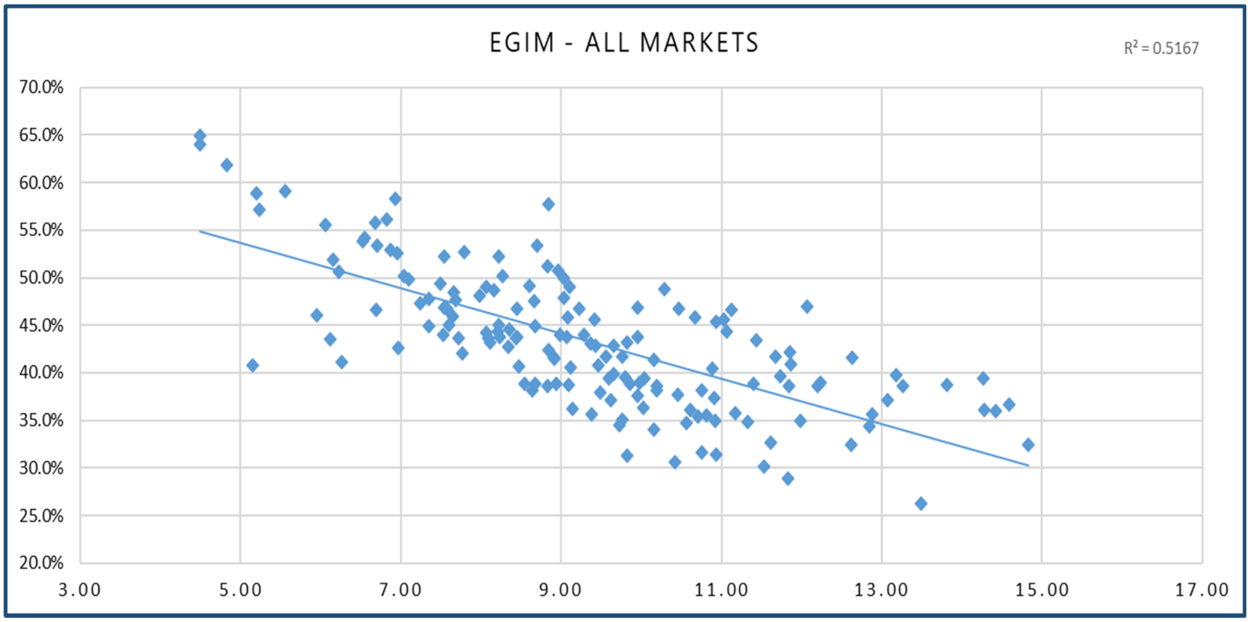
The following example shows the potential and effective gross income calculations. As shown below, the EGIM is generally higher than the PGIM to account for less income and a static sales price.

$$\text{Potential Gross Income Multiplier} = \frac{\text{Sale Price}}{\text{Potential Gross Income}}$$
$$= \frac{\$368{,}500}{\$85{,}106}$$
$$= 4.33 \text{ (rounded)}$$

$$\text{Effective Gross Income Multiplier} = \frac{\text{Sale Price}}{\text{Effective Gross Income}}$$
$$= \frac{\$368{,}500}{\$80{,}000}$$
$$= 4.61 \text{ (rounded)}$$

Effective Gross Income Multiplier (EGIM)

We have evaluated the sales using the effective gross income multiplier (EGIM) as a unit of comparison. The EGIM is the ratio developed by dividing the sale price by the projected year one effective gross income based on a stabilized, year one operation. The following chart reports the EGIM for the dataset consisting of 161 sales in the State of Kansas and Kansas City MSA. The sales reflect stabilized operations including a typical replacement reserve requirement ranging from $200 to $300 per unit.



Older properties and LIHTC assets typically have a higher operating expense ratio (OER) resulting in less net operating income, a lower per unit value, and a lower EGIM. As a property ages, the production of net income declines in relation to operating expenses due to increased maintenance costs, the inability to continue to grow rents at or above the rate of inflation, a shift in the tenant base to "renters by circumstance," and large capital outlays due to needed updates. This is shown in the previous chart using linear regression, which indicates that properties with a higher OER have a lower EGIM.

Reliability

The coefficient of determination (R_2) is a dependent variable's percentage of variation explained by one or more related independent variables (income earning capacity per unit and per unit value). The coefficient of determination tells how well the data fits the model (the goodness of fit). The standard R_2 scale is measure from 0 to 1.00 with 1.00 the highest indicator of correlation. If the R_2 is 0.50 (50%), it means that half of the correlation can be explained by the independent variable. A value of 1.00 is a perfect correlation (fit) and a value greater than 0.70 indicates a highly significant relationship and reliability of data

Coefficient of Determination (R_2)			
EGIM Dataset	EGIM Primary	EGIM Secondary	EGIM Tertiary
0.5167	0.4596	0.3717	0.8931

The correlation of EGIM to operating expense ratios for the dataset varies by market size and ranges from 0.37 (less reliable) to 0.89 (highly reliable). The variance in data is due to a high concentration of value-add acquisitions in primary and secondary markets. This indicates an EGIM multiplier is a less reliable tool when analyzing value-add transactions due to numerous factors impacting the future rents, operating expenses, and level of planned updates. However, in all cases properties with a lower EGIM are associated with increased operating expenses and a higher expense ratio. The following table reports a hypothetical value of a multifamily property using the EGIM.

	Primary Market		Secondary Market		Tertiary Market	
OER	35.0%	55.0%	35.0%	55.0%	35.0%	55.0%
EGIM	14.00	7.50	12.00	7.00	10.00	6.00
Effective Income	$100,000	$100,000	$100,000	$100,000	$100,000	$100,000
Property Value	**$1,400,000**	**$750,000**	**$1,200,000**	**$700,000**	**$1,000,000**	**$600,000**

Using the linear regression model reported in each investment market, the data indicates a lower multiplier (higher capitalization rate) in secondary and tertiary markets when compared to a primary market due to less investor demand and future growth potential. The following table reports the pricing spread for the hypothetical property based on market size.

Primary Market		Secondary Market		Tertiary Market		
Value	Spread	Value	Spread Primary	Value	Spread Primary	Spread Secondary
$1,400,000	-	$1,200,000	($200,000)	$1,000,000	($400,000)	($200,000)

The following table reports concluded EGIMs for each market and investment class.

Operating Expense Ratio	Primary Markets	Secondary Markets	Tertiary Markets
30%	14.00	12.00	11.00
35%	13.00	11.00	10.00
40%	12.00	10.00	9.00
45%	11.00	9.00	8.00
50%	10.00	8.00	7.00
55%	9.00	7.00	6.00
60%	8.00	6.00	5.00
65%	7.00	5.00	4.00
70%	6.00	4.00	3.00
Range	**5.50 - 15.00**	**5.00 -11.00**	**4.50 - 10.00**

*Primary - Kansas City MSA

*Secondary - Wichita, Topeka, Lawrence, and Manhattan

*Tertiary - All remaining markets

Please note the EGIM analysis is less reliable if there are atypical income streams, expense reimbursements, and varying project sizes. The EGIM is most applicable when applied to a standard property in a typical market and provides a reliable test of reason.

Band of Investments (BOI)

Overview

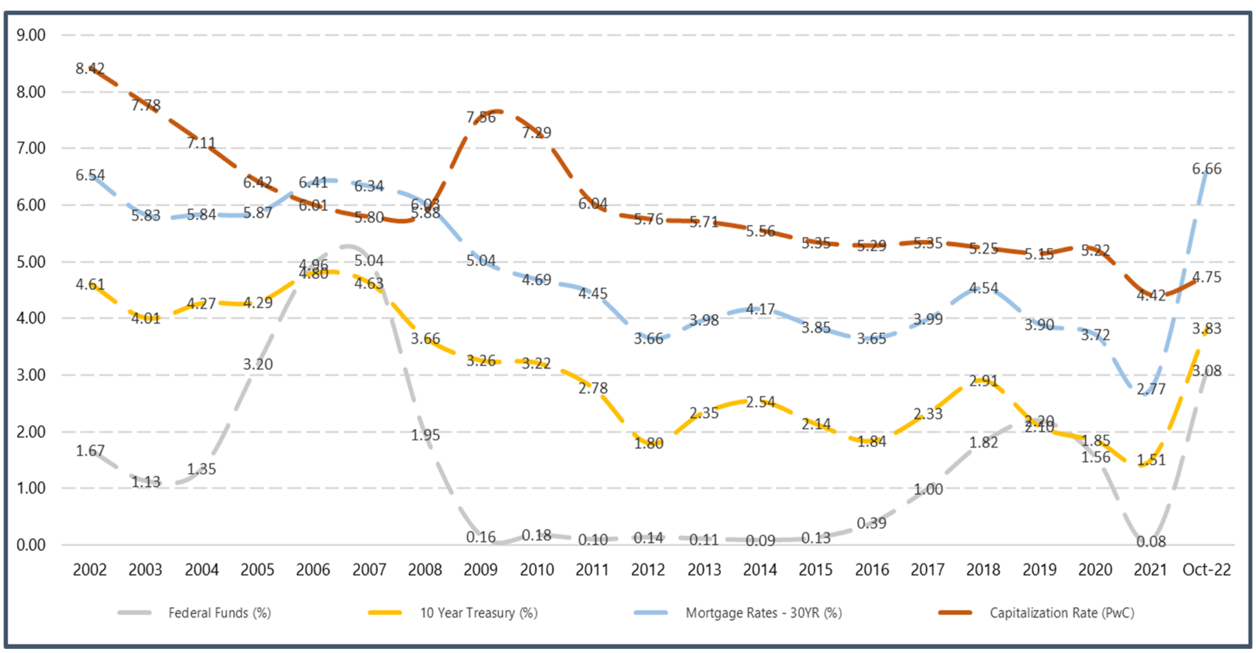
Most properties are purchased with debt and equity capital; therefore, the overall capitalization rate must satisfy the market return requirements of both investment positions. Lenders must anticipate receiving a competitive interest rate commensurate with the perceived risk of the investment and equity investors must anticipate receiving a competitive equity return commensurate with the perceived risk. Therefore, the overall capitalization rate is a weighted average cost of capital that satisfies both the mortgage and equity component. The two main components of the band of investments are the mortgage capitalization rate and the equity capitalization rate.

- Mortgage capitalization rate is a function of the interest rate, the frequency of amortization (e.g., annual, monthly), and the amortization term of the loan. The rate is the payment to amortize $1 based on the loan terms or the annual debt service relative to the loan balance.

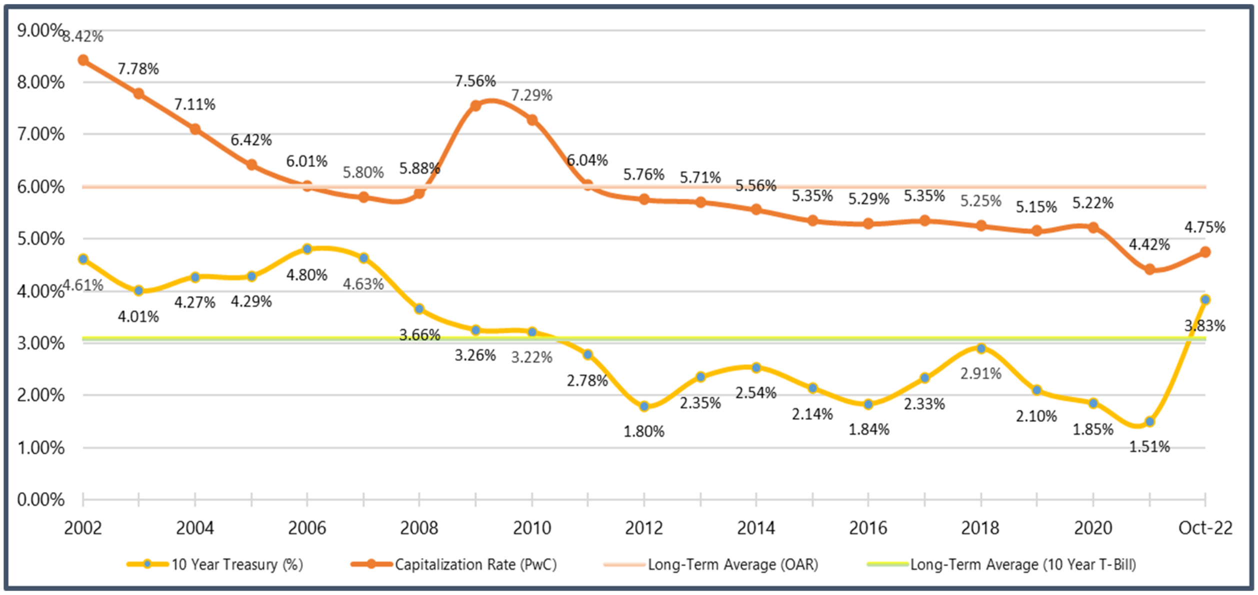
- Equity capitalization rate is the anticipated cash flow to the equity investor for the first year of the projection period divided by the initial equity investment.

Ten Year Treasury and Mortgage Rates

There is a positive although not direct relationship between capitalization rates and interest rates. According to TH Real Estate, the correlation between capitalization rates and ten-year treasury yields since 2000 has been 0.55 (not a perfect 1.00). Aside from changes in interest rates, capitalization rates are also influenced by capital flow, returns for alternative investments, future expectations of income growth, inflation, and perceived uncertainty. Since treasury rates influence mortgage rates, and mortgage rates have a positive but not direct impact on capitalization rates, we have analyzed past and current trends. We have also included the federal funds rates in our analysis since it controls short term lending rates, which in turn impacts ten-year treasury rates.



The previous chart shows trends for various data points. Until COVID-19, there was a correlation between short-term lending rates, the 10-year treasury, and mortgage rate with all three metrics increasing at a near consistent rate through 2019. However, capitalization rates for institutional properties have not increased at the same level as short and long-term lending rates due to investor's perception of risk. Apartments are currently considered a safe and favorable investment among market participants, which has resulted in increased capital flow to assets located primary, secondary, and some tertiary markets. The following chart shows the spread (risk premium) between overall rates for institutional apartment properties, according to PwC.



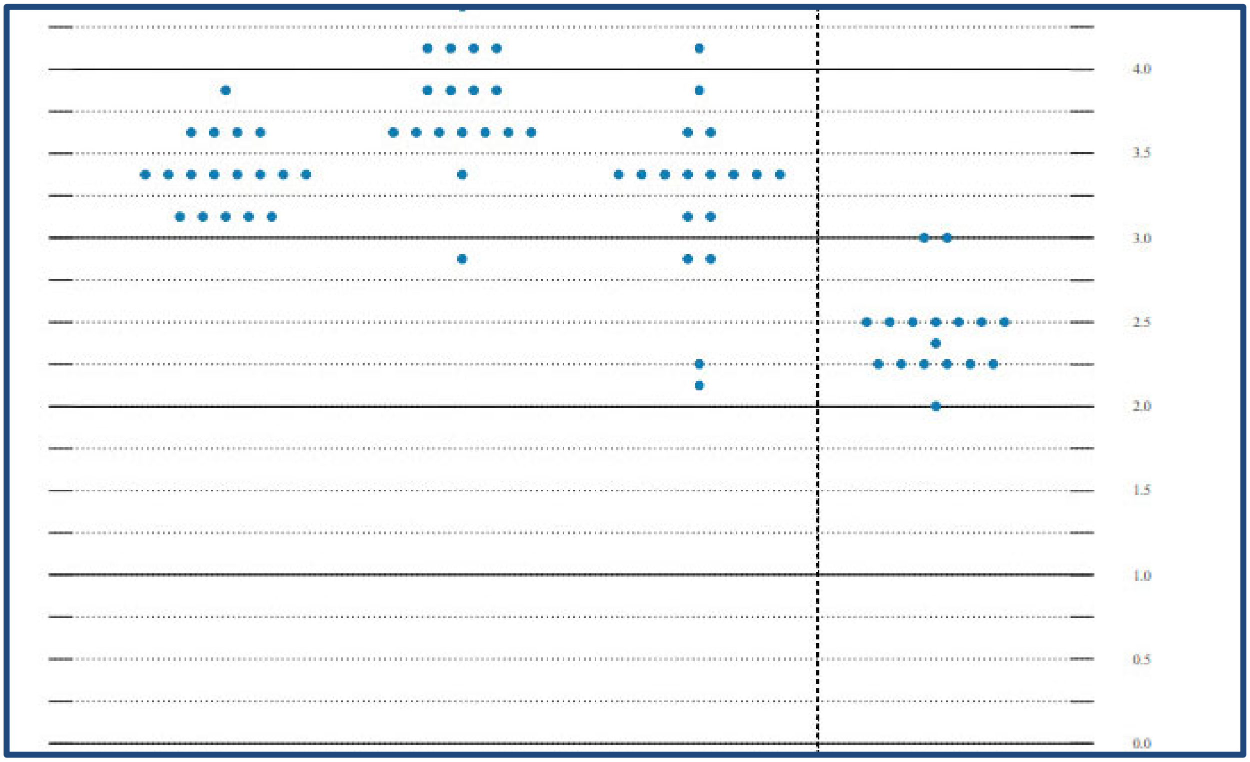
Historically, spreads have generally ranged between 200 and 400 basis points above the ten-year rate to reflect increased risk and a liquidity premium for investing in real estate. From 2002 to current, the average spread has been 310 basis points with a current spread of 292 basis points. The risk premium widened in 2020 due to COVID-19 but has narrowed considerably due to a rapid rise in the federal funds rate.

The current 10-Year Treasury Rate is 3.83% (October 2022). Rates have increased from 1.51% in 2021 due to economic stimulus relating to COVID-19. The Federal Open Market Committee (FOMC) has been rapidly increasing the Federal Funds rate from 0.10% in 2021 to 2.56% in September 2022 to combat inflation. Rates are projected to increase through 2023 so long as inflation remains above the long-term trend of 2.00% to 4.00%. The following table summarizes the FOMC rate predictions through 2024.

2022			2023			2024		
Decrease	No Change	Increase	Decrease	No Change	Increase	Decrease	No Change	Increase
0	0	18	1	0	16	4	0	14

Source: Federal Open Market Committee (FOMC)

The latest Fed dot plot indicates that most FOMC members forecast the federal funds rate will increase in 2023 and normalize in 2024 and 2025. The fed dot plot illustrates each FOMC member's projection for the federal funds rate midpoint over the next few years.



Source: FOMC

Loan Parameters

Developers' may claim housing tax credits directly or sell the tax credits to raise equity for the housing project. Tax credits can be claimed annually over a 10-year period by the property owner. However, most projects are built in an area with external obsolescence requiring the developer to syndicate the credits by selling the rights to the future credits in exchange for development equity.

Due to external obsolescence proposed tax credit projects are often built with substantial equity and limited debt due to the syndication of the tax credits. The tax credits are an intangible financial benefit that are valued separately from the real property and excluded from ad valorem tax purposes. A typical loan to cost (LTC) for a proposed tax credit project is 20% to 40% of the development costs due to substantial tax credit equity as part of the capital stack. Since the construction period of a tax credit project is a short-term, temporary period that is often taxed using the cost approach to value based on the percentage completed, we have excluded the contributory value of the tax credits from the deal structure in our analysis. According to market participants, current loan parameters for the real property subject to real estate taxes include the following variables.

Lender	Program	Type	LTV . LTC	Rate	Term	Amortization	DCR
Gershman Investment Corp.	FHA	LIHTC 223(f)	85%	5.00%	35	35	1.20
Gershman Investment Corp.	FHA	LIHTC 221(d)(4)	87%	5.50%	40	40	1.15
NorthMarq / Berkadia	Freddie Mac	Market Rate Refinance	55%	5.50%	7	30	1.45
NorthMarq / Berkadia	Fannie Mae	Market Rate Refinance	55%	5.50%	7	30	1.50

FHA insured loans carry the lowest interest rate and most favorable term. Small balance ($3 million or less) tax credit properties are often financed by community or regional banks and carry a slightly higher interest rate. In all scenarios, the loan to value, amortization period, and minimum debt coverage ratio are generally similar regardless of the type of financing.

Freddie Mac Structured Pass-Through Certificates (SPC)

Freddie Mac Multifamily is a leading issuer of agency-guaranteed structured multifamily securities. K-Deals are part of the company's business strategy to transfer a portion of the risk of losses away from taxpayers and to private investors who purchase the unguaranteed subordinate bonds. K Certificates typically feature a wide range of investor options with stable cash flows and structured credit enhancement. The following table reports loan terms for multifamily projects included in a June 2022 securitized loan.

Date	Amount	LTV	DCR	Type	Rate	Term
Jun-22	$1,099,000	58.15%	1.31	FIX	3.86%	240
Jun-22	$2,494,000	57.33%	1.21	FIX	3.86%	240
Jun-22	$11,948,000	63.22%	2.66	VAR	3.33%	120
Jun-22	$15,244,000	74.36%	1.95	VAR	3.28%	120
Jun-22	$3,180,000	66.12%	1.85	FIX	5.91%	87
Jun-22	$2,870,000	48.24%	1.43	VAR	3.09%	84
Jun-22	$18,743,000	49.19%	2.53	VAR	3.12%	84
Jun-22	$17,756,000	46.48%	2.53	VAR	3.12%	84
Jun-22	$9,007,000	63.43%	1.71	VAR	3.25%	120
Jun-22	$3,099,000	79.67%	1.65	FIX	4.20%	240
Jun-22	$19,071,000	68.60%	2.25	VAR	3.39%	84
Jun-22	$7,950,000	61.21%	1.94	FIX	5.88%	163
Jun-22	$11,967,000	60.81%	1.67	VAR	4.11%	83
Jun-22	$1,023,000	75.78%	1.90	FIX	3.50%	240
Jun-22	$1,482,000	72.65%	1.95	FIX	3.35%	240
Jun-22	$4,896,000	62.53%	1.86	FIX	3.90%	120
Jun-22	$2,585,000	75.47%	1.25	FIX	4.77%	60
Jun-22	$1,192,000	51.83%	1.93	FIX	4.49%	240
Jun-22	$3,770,000	69.17%	1.91	FIX	6.10%	101
Jun-22	$25,405,000	51.64%	2.90	VAR	2.86%	120
Jun-22	$7,500,000	63.56%	1.40	FIX	3.94%	84
Jun-22	$4,130,000	67.71%	1.25	FIX	4.39%	60
Jun-22	$24,820,402	84.96%	1.15	FIX	3.60%	175
Jun-22	$7,529,000	57.47%	1.65	FIX	4.60%	84
Jun-22	$1,576,000	59.03%	1.56	FIX	4.77%	120
Jun-22	$10,968,000	66.07%	2.76	VAR	2.86%	120
Jun-22	$2,700,000	68.35%	1.95	FIX	3.59%	240
Jun-22	$3,882,000	65.41%	1.67	FIX	6.23%	164
Jun-22	$10,088,000	61.11%	1.30	FIX	6.14%	72
Jun-22	$14,405,000	63.88%	1.65	FIX	4.59%	120
Jun-22	$10,200,000	53.29%	2.57	FIX	5.68%	63
Jun-22	$1,260,000	46.67%	2.00	FIX	4.59%	240

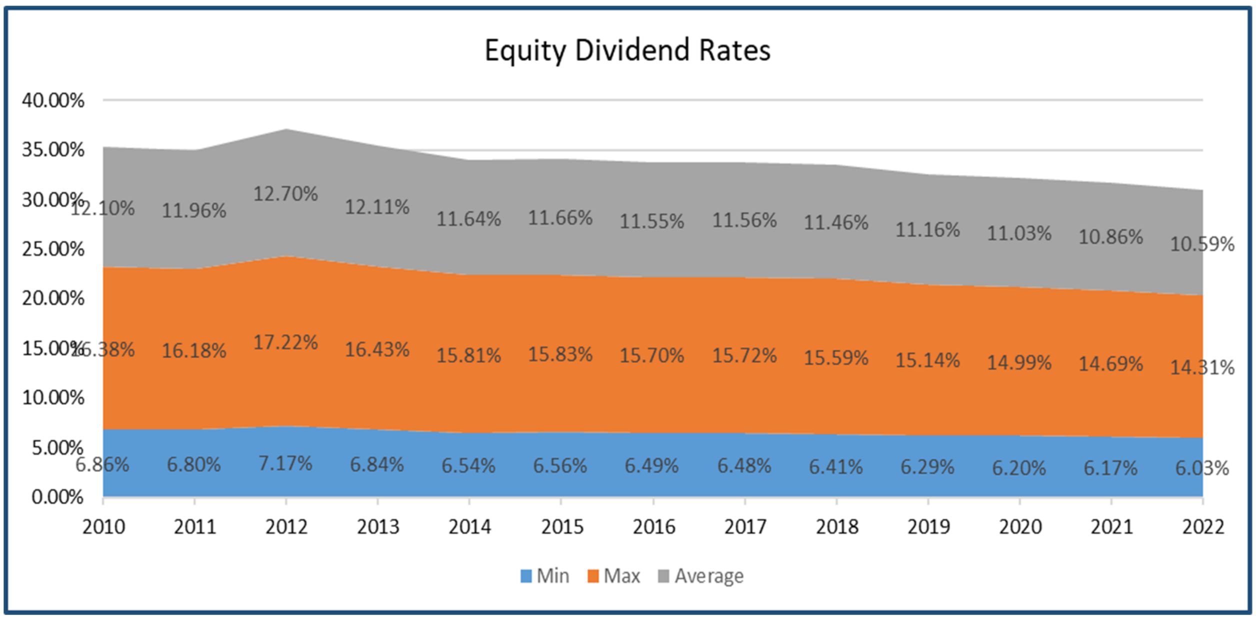
Most loans were issued with an interest rate ranging from 4.00% to 5.00, a seven to ten-year term, and a 30-year amortization. Operating metrics include a debt coverage ratio ranging from 1.30 to 1.70, and a loan to value ranging from 50% to 70%.

Based on current pricing and overall economic conditions, the following loan terms have been used in our analysis for a typical LITHC project in the State of Kansas.

Source	Loan-to-Value (LTV)	Interest Rate (I)	Term (N)	Amoritization	Debt Coverage Ratio (DCR)	Trend
Various	50% - 70%	5.00% - 6.00%	7 - 10	30	1.25 - 1.50	
Valbridge	**60%**	**5.50%**	**10**	**30**	**1.35**	

Equity Capitalization Rates (Dividend)

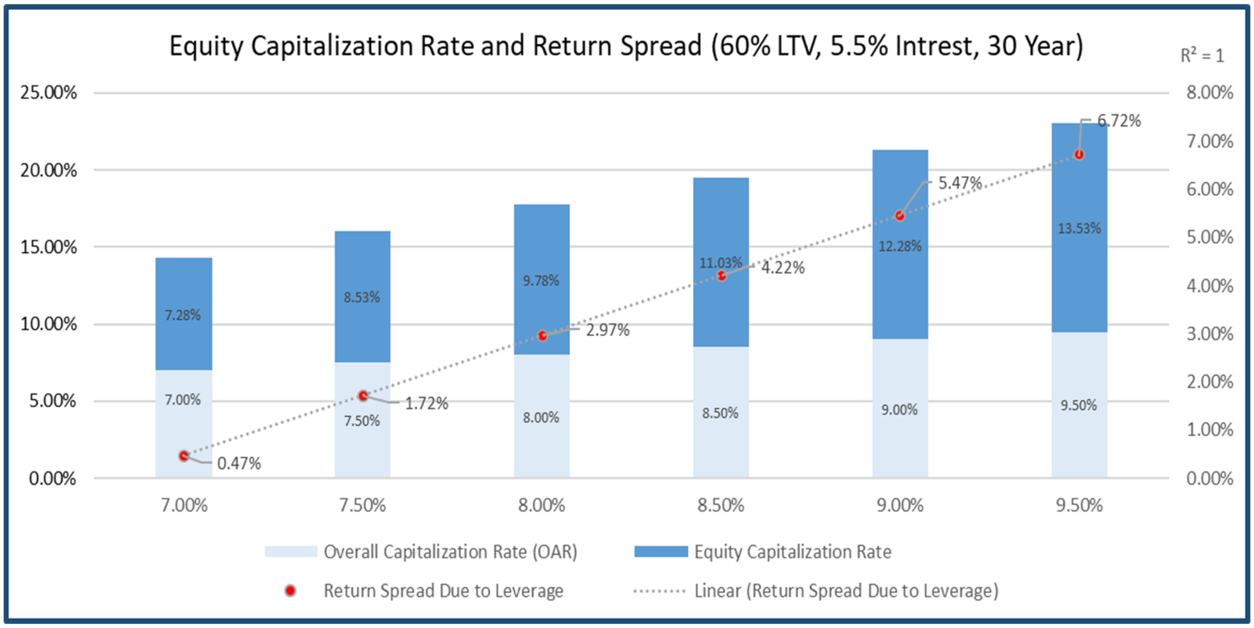
Equity dividend rates are one of the main components influencing the overall rate derived from the Band of Investments. According to RealtyRates Investor Survey, equity dividend rates for apartments range from 6.00% to 15.00% depending on the investment class and project location (primary, secondary, and tertiary). The following chart reports average equity capitalization rates for apartments in the United States.



Equity capitalization rates have been decreasing since 2012 due to favorable market conditions, compressing capitalization rates, and low-cost debt.

The equity capitalization rate is directly influenced by the cost of debt and the going-in capitalization rate (land and building). A property is considered to have positive leverage if the property rate (OAR) is greater than the mortgage capitalization rate. If the cost of debt is less than the return to the property on an unlevered basis, the use of borrowed funds will enhance the return to the equity position and create positive leverage. The greater the spread the more the equity return is enhanced due to risk.

An income stream with greater uncertainty due to an aging property, lower quality tenant base, or less favorable location is typically purchased with a higher capitalization rate resulting in greater uncertainty to the equity position. The additional risk and uncertainty results in relatively low rental rates, high operating expenses ratios, and less cash flow to service the debt component. The following chart reports the return to the equity position based on static financing and various capitalization rates.



Based on yields for alternative investments and a typical spread (risk premium) between current mortgage rates and property capitalization rates, the following equity capitalization rates have been used in our analysis.

	Primary Markets			Secondary Markets			Tertiary Markets		
	A	B	C	A	B	C	A	B	C
Equity Cap Rate	5% - 7%	7% - 9%	9% - 12%	6% - 8%	8% - 10%	10% - 12%	8% - 10%	10% - 12%	12% - 16%
Concluded Rate	**6.0%**	**8.0%**	**11.0%**	**7.0%**	**9.0%**	**11.0%**	**9.0%**	**11.0%**	**14.0%**

Band of Investments Conclusions

Based on the concluded capitalization rates from the Market Extraction Section, the following table reports the concluded rates using the Band of Investments method (rounded).

	Primary Markets			Secondary Markets			Tertiary Markets		
Component	A	B	C	A	B	C	A	B	C
Mortgage Ratio	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%
Equity Ratio	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%
Interest Rate	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
Amortization	30	30	30	30	30	30	30	30	30
Mortage Cap Rate	6.81%	6.81%	6.81%	6.81%	6.81%	6.81%	6.81%	6.81%	6.81%
Equity Cap Rate	6.00%	8.00%	11.00%	7.00%	9.00%	11.00%	9.00%	11.00%	14.00%
Mortage Rate Weighted	4.09%	4.09%	4.09%	4.09%	4.09%	4.09%	4.09%	4.09%	4.09%
Equity Rate Weighted	2.40%	3.20%	4.40%	2.80%	3.60%	4.40%	3.60%	4.40%	5.60%
Weighted Cap Rate (rd)	**6.50%**	**7.25%**	**8.50%**	**7.00%**	**7.75%**	**8.50%**	**7.75%**	**8.50%**	**9.75%**

*Primary - Kansas City MSA
*Secondary - Wichita, Topeka, Lawrence, and Manhattan
*Tertiary - All remaining markets

Third Party Surveys

Third party surveys are considered secondary sources and used as a test of reason to support market extraction or when there is a lack of market data to extract a rate or return. Third party surveys typically include a range of rates that include extreme outliers, which are not representative of the general market as a whole. Please note we have excluded the PwC and RealtyRates survey in our analysis. These surveys do not distinguish market size or property classifications resulting in less reliable data.

CBRE Capitalization Rate Survey (1st Half 2022)

CBRE prepares a semiannual North America Cap Rate Survey each year. The survey reports current cap rates for stabilized acquisitions, expected returns on cost for value-add acquisitions, cap rate trends since the previous survey, and expectations of cap rate movements over the next six months. According to the most recent survey overall rates range from 4.50% to 4.75% for Class A properties and have increased from the 2nd half of 2021. The reported rates are based on trailing 3-months income (in place) resulting in a slightly lower rate. Adjustments to the in-place rate to account for year one projections results in a rate range that is 25 to 50 basis points higher than reported below.

Midwest

	Class A Stabilized		Class A Value-add	
Market	H2 2021	H1 2022	H2 2021	H1 2022
Chicago	4% - 4.5%	4.25% - 4.75%	4% - 4.5%	4.75% - 5.25%
Cincinnati	4% - 4.5%	4.25% - 4.75%	5.5% - 6%	5.5% - 6%
Columbus	4.5% - 5%	4.5% - 4.75%	4.75% - 5.25%	4.75% - 5%
Detroit	4.25% - 5%	4.75% - 5.5%	5.25% - 6.25%	5% - 6%
Kansas City	4% - 4.5%	4.5% - 4.75%	4.25% - 4.75%	5% - 5.25%
Milwaukee	4.5% - 5%	4.5% - 5.25%	4.75% - 5.25%	4% - 4.75%
Minneapolis	4% - 4.5%	4.5% - 4.75%	4.75% - 5%	4.75% - 5.25%

Johnson County Capitalization Rate Study

Each year Keller Craig & Associates prepares a market derived capitalization rate study for the Johnson County Appraiser. According to the most recent survey overall rates are 5.00% for Class A properties, 6.25% for Class B properties, and 7.00% for Class C properties in the Kansas City MSA. The reported rates do not include replacement reserves resulting in a slightly higher rate. Adjustments to the reported rates to account for replacement reserves results in a rate range that is 25 to 50 basis points lower than reported below.

Apartments					
	Class A	Class B	Class C	Class D	Class E
Actual OAR Range	4.3% - 6.1%	4.0% - 7.3%	4.8% - 7.4%	7.2% - 7.5%	N/A
Market OAR Range	4.4% - 5.8%	4.6% - 7.8%	5.9% - 8.6%	9.7% - 10.8%	N/A
PwC Investor Survey	3.0% - 7.0%	3.0% - 7.0%	N/A	N/A	N/A
Band of Investment	4.8% - 8.3%	5.9% - 9.2%	6.0% - 11.5%	8.5% - 14.8%	8.5% - 14.8%
Conclusions	**5.00%**	**6.25%**	**7.00%**	**9.50%**	**10.50%**

Douglas County Capitalization Rate Study

Douglas County performs an in-house capitalization rate study each year that involves researching appropriate rates of return for various property types and investment classes. The 2022 Capitalization Rate Study included a survey of local appraisers, banks, analysis of recent local sales, as well as national and regional real estate investor publications. According to the most recent survey overall rates range from 5.25% to 5.75% for Class A properties, 5.75% to 6.50% for Class B properties, and 6.75% to 7.75% for Class C properties in Douglas County. The reported rates do not include replacement reserves resulting in a slightly higher rate. Adjustments to the reported rates to account for replacement reserves results in a rate range that is 25 to 50 basis points lower than reported below.

Income Use Group	Investment Class											
	A+	A	A-	B+	B	B-	C+	C	C-	D+	D	D-
Apartment	5.25%	5.50%	5.75%	5.75%	6.00%	6.50%	6.75%	7.25%	7.75%	8.00%	8.25%	8.75%
Bank	7.00%	7.25%	7.50%	7.50%	7.75%	8.00%	8.00%	8.25%	8.50%	9.00%	9.25%	9.50%
C-Store	8.00%	8.50%	9.00%	9.00%	9.50%	10.00%	10.00%	10.25%	10.50%	10.50%	10.75%	11.00%
Downtown	6.75%	7.00%	7.25%	7.25%	7.50%	7.75%	8.25%	8.50%	8.75%	8.75%	9.00%	9.25%
Fast Food	6.75%	7.00%	7.25%	7.25%	7.50%	7.75%	8.25%	8.50%	9.00%	9.50%	10.00%	10.25%
General	7.25%	7.50%	8.00%	8.25%	8.75%	9.25%	9.50%	10.00%	10.25%	10.25%	10.50%	10.75%
Hotel	9.00%	9.25%	9.50%	9.75%	10.00%	10.25%	10.25%	10.50%	11.00%	11.50%	12.00%	12.50%
Industrial	7.00%	7.25%	7.50%	7.50%	7.75%	8.00%	8.00%	8.50%	9.00%	9.50%	10.00%	10.25%
Large Retail	7.00%	7.25%	7.50%	7.75%	8.00%	8.25%	8.50%	9.00%	9.50%	9.75%	10.00%	10.50%
Medical Office	7.25%	7.50%	7.75%	7.75%	8.00%	8.25%	8.75%	9.00%	9.50%	9.75%	10.00%	10.25%
Mini-Storage	6.25%	6.50%	6.75%	7.25%	7.50%	7.75%	7.75%	8.00%	8.50%	9.00%	9.50%	10.00%
Office	7.00%	7.25%	7.50%	7.50%	7.75%	8.00%	8.00%	8.50%	9.00%	9.50%	10.00%	10.25%
Retail (Free-Standing)	6.75%	7.00%	7.25%	7.75%	8.00%	8.25%	8.75%	9.00%	9.25%	9.75%	10.00%	10.25%
Restaurant (Full-Svc)	7.75%	8.00%	8.25%	8.25%	8.50%	9.00%	9.50%	10.00%	10.25%	10.75%	11.00%	11.25%
Strip Retail	7.00%	7.25%	7.50%	7.75%	8.00%	8.25%	8.50%	9.00%	9.50%	9.75%	10.00%	10.50%

CoStar Analytics

CoStar Analytics includes information pertaining to 470,000 multifamily properties with data imported from Apartments.com, personal surveys of apartment projects, and direct feeds from various online and third-party sources. The following table reports overall rates in larger markets tracked by CoStar. As noted earlier, the size of the market and transaction volume has a direct impact on the pricing and overall rate due to varying levels of investor demand.

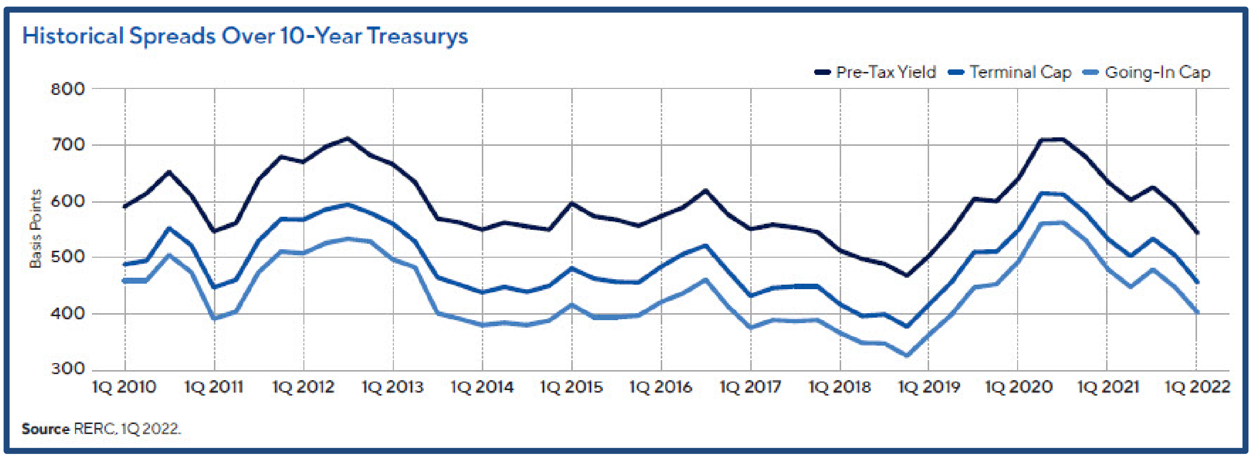
Market	Market	Sales Volume*	2010	2015	2020	YTD	2025	A	B	C	Trend
Kansas City	Primary	$800,000,000	7.3%	6.5%	5.6%	5.3%	5.4%	4.9%	5.3%	5.9%	↓
Wichita	Secondary	$100,000,000	8.7%	8.0%	6.9%	6.8%	6.9%	6.0%	6.6%	7.3%	↓
Lawrence	Secondary	$85,000,000	8.5%	7.4%	6.7%	6.6%	6.7%	6.1%	6.4%	7.1%	↓
Topeka	Secondary	$20,000,000	9.1%	8.1%	7.4%	7.1%	7.2%	6.4%	6.7%	7.7%	↓
Manhattan	Secondary	$45,000,000	8.7%	7.9%	7.2%	7.2%	7.4%	6.6%	7.4%	7.4%	↓

*Excludes smaller and non-arm's length transactions

The reported rates provide a general range but do not directly account for transactional or atypical circumstances that can impact the pricing and rate of return. Kansas City is the only primary market in our analysis and consequently contains the highest volume of transactions and investor pricing. The overall trend for all tracked markets indicates that capitalization rates have been trending downward since 2010 due to increased investor demand and yield compression for alternative investments. In addition, the rate of compression significantly increased from 2021 to YTD due to pent up investor demand from COVID.

RERC Real Estate Report (1st Quarter 2022)

Real Estate Research Corporation (RERC) was the nation's first independent real estate firm that specialized in both real estate research and analysis. The firm monitors key sectors of the economy that influence the real estate industry. Current risk premiums (spreads) have decreased in 2022 as pent-up investor demand and favorable market fundamentals continue to favor multifamily real estate.



Class A rates for the Kansas City market are reported at 5.8%. The rates reported below are an unlevered rate and include replacement reserves.

	Pre-Tax Yield (IRR) (%)			Going-In Cap Rate (%)			Terminal Cap Rate (%)			Anticipated 1-Year Growth Rate			
	RERC Estimate[2]	Midwest Region	U.S.	RERC Estimate[2]	Midwest Region	U.S.	RERC Estimate[2]	Midwest Region	U.S.	National Value	Midwest Value	National Rent	Midwest Rent
CBD	9.7	8.9	8.7	8.1	7.5	7.1	8.6	7.9	7.7	-0.1	-1.3	0.1	-1.2
Suburban	10.0	8.9	8.8	8.0	7.6	7.3	8.5	8.0	7.9	0.6	-0.2	0.7	0.1
Warehouse	8.9	7.7	7.5	6.7	6.3	6.0	7.2	6.8	6.6	5.0	4.0	4.3	3.4
R&D	9.4	8.2	8.3	7.6	7.0	6.9	8.1	7.5	7.6	2.6	2.5	2.5	2.4
Flex	9.4	8.5	8.4	7.6	7.1	6.9	8.1	7.7	7.6	3.3	2.7	3.0	2.4
Regional Mall	11.2	9.7	9.6	10.0	8.4	8.2	10.5	8.9	8.7	-2.9	-4.6	-2.1	-3.5
Power Center	9.2	8.9	8.7	8.2	8.0	7.6	8.5	8.4	8.0	-0.2	-0.9	-0.3	-1.9
Neigh/Comm	8.8	8.7	8.6	7.5	7.5	7.1	8.0	8.0	7.7	0.8	-0.7	0.6	-0.5
Apartment	8.0	7.2	6.9	5.8	5.5	5.1	6.3	6.1	5.8	4.3	2.8	4.2	3.0

Concluded Survey Rates

The following table summarizes the various sources.

Data Source	Market Size	Reserves	Class A	Class B	Class C	Trend
CBRE	Primary	Yes	4.50%	4.75%	-	
Johnson County	Primary	No	5.00%	6.25%	7.00%	
CoStar (CCRSI)	Primary	No	4.90%	5.30%	5.90%	
RERC	Primary	Yes	5.80%	-	-	
Douglas County	Secondary	No	5.50%	6.00%	7.25%	
CoStar (CCRSI)	Secondary	No	6.28%	6.78%	7.38%	

The reported rates range from 4.50% to 6.25% for Class A projects, 4.75% to 6.75% for Class B projects, and 6.00% to 7.25% for Class C projects. The concluded rates were adjusted downward 25 to 50 basis points from the reported rates to account for replacement reserves. The rates report a typical spread of 75 to 100 basis points between primary and secondary markets and 50 to 75 basis points between investment class to account for varying risk profiles and investment demand, which is consistent with other metrics reported in the study. The following table reports the concluded rates based on the survey data with adjustments for replacement reserves and the LIHTC component (50-basis points).

Overall Conclusions (Primary)*	**5.25%**	**5.75%**	**6.75%**
Overall Conclusions (Secondary)*	**6.00%**	**6.50%**	**7.50%**

*Includes replacement reserves

General Assumptions and Limiting Conditions

This appraisal is subject to the following limiting conditions:

1. The legal description – if furnished to us – is assumed to be correct.

2. No responsibility is assumed for legal matters, questions of survey or title, soil or subsoil conditions, engineering, availability or capacity of utilities, or other similar technical matters. The appraisal does not constitute a survey of the utilized properties. All existing liens and encumbrances have been disregarded and the properties are analyzed as though free and clear, under responsible ownership and competent management unless otherwise noted.

3. Unless otherwise noted, the utilized sales are assumed to be free of contamination. Valbridge Property Advisors | Kansas City will conduct no hazardous materials or contamination inspection of any kind. It is recommended that the client hire an expert if the presence of hazardous materials or contamination poses any concern.

4. The stamps and/or consideration placed on deeds used to indicate sales are in correct relationship to the actual dollar amount of the transaction.

5. Unless otherwise noted, it is assumed there are no encroachments, zoning violations or restrictions existing in the utilized sales.

6. The appraiser is not required to give testimony or attendance in court by reason of this appraisal, unless previous arrangements have been made.

7. Unless expressly specified in the engagement letter, the fee for this appraisal does not include the attendance or giving of testimony by Appraiser at any court, regulatory, or other proceedings, or any conferences or other work in preparation for such proceeding. If any partner or employee of Valbridge Property Advisors | Kansas City is asked or required to appear and/or testify at any deposition, trial, or other proceeding about the preparation, conclusions or any other aspect of this assignment, client shall compensate Appraiser for the time spent by the partner or employee in appearing and/or testifying and in preparing to testify according to the Appraiser's then current hourly rate plus reimbursement of expenses.

8. The dates of value to which the opinions expressed in this report apply are set forth in this report. We assume no responsibility for economic or physical factors occurring at some point at a later date, which may affect the opinions stated herein. The forecasts, projections, or operating estimates contained herein are based on current market conditions and anticipated short-term supply and demand factors and are subject to change with future conditions.

9. The sketches, maps, plats, and exhibits in this report are included to assist the reader in visualizing the properties. The appraiser has made no survey of the properties and assumes no responsibility in connection with such matters.

10. The information, estimates and opinions, which were obtained from sources outside of this office, are considered reliable. However, no liability for them can be assumed by the appraiser.

11. Possession of this report, or a copy thereof, does not carry with it the right of publication. Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to property value, the identity of the appraisers, professional designations, reference to any professional appraisal organization or the firm with which the appraisers are connected), shall be disseminated to the public through advertising, public relations, news, sales, or other media without prior written consent and approval.

12. No claim is intended to be expressed for matters of expertise that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers. We claim no expertise in areas such as, but not limited to, legal, survey, structural, environmental, pest control, mechanical, etc.

13. This appraisal was prepared for the sole and exclusive use of the client for the function outlined herein. Any party who is not the client or intended user identified in the appraisal or engagement letter is not entitled to rely upon the contents of the appraisal without express written consent of Valbridge Property Advisors | Kansas City and Client. The Client shall not include partners, affiliates, or relatives of the party addressed herein. The appraiser assumes no obligation, liability or accountability to any third party.

14. Distribution of this report is at the sole discretion of the client, but third-parties not listed as an intended user on the face of the appraisal or the engagement letter may not rely upon the contents of the appraisal. In no event shall client give a third-party a partial copy of the appraisal report. We will make no distribution of the report without the specific direction of the client.

15. This appraisal shall be used only for the function outlined herein, unless expressly authorized by Valbridge Property Advisors | Kansas City

16. This appraisal shall be considered in its entirety. No part thereof shall be used separately or out of context.

17. Unless otherwise noted in the body of this report, this appraisal assumes that the subject properties do not fall within the areas where mandatory flood insurance is effective. Unless otherwise noted, we have not completed nor have we contracted to have completed an investigation to identify and/or quantify the presence of non-tidal wetland conditions on the subject property. Because the appraiser is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.

18. The flood maps are not site specific. We are not qualified to confirm the location of the utilized sales in relation to flood hazard areas based on the FEMA Flood Insurance Rate Maps or other surveying techniques. It is recommended that the client obtain a confirmation of the flood zone classification from a licensed surveyor.

19. It is assumed that there are no hidden or unapparent conditions of the utilized sales, subsoil, or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

20. This appraisal does not guarantee compliance with building code and life safety code requirements of the local jurisdiction. It is assumed that all required licenses, consents, certificates of occupancy or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value conclusion contained in this report is based unless specifically stated to the contrary.

21. When possible, we have relied upon building measurements provided by the client, owner, or associated agents of these parties. In the absence of a detailed rent roll, reliable public records, or "as-built" plans provided to us, we have relied upon our own measurements of the subject improvements. We follow typical appraisal industry methods; however, we recognize that some factors may limit our ability to obtain accurate measurements including, but not limited to, property access on the day of inspection, basements, fenced/gated areas, grade elevations, greenery/shrubbery, uneven surfaces, multiple story structures, obtuse or acute wall angles, immobile obstructions, etc. Professional building area measurements of the quality, level of detail, or accuracy of professional measurement services are beyond the scope of this appraisal assignment.

22. We have attempted to reconcile sources of data discovered or provided during the appraisal process, including assessment department data. Ultimately, the measurements that are deemed by us to be the most accurate and/or reliable are used within this report. While the measurements and any accompanying sketches are considered to be reasonably accurate and reliable, we cannot guarantee their accuracy. Should the client desire a greater level of measuring detail, they are urged to retain the measurement services of a qualified professional (space planner, architect or building engineer). We reserve the right to use an alternative source of building size and amend the analysis, narrative and concluded values (at additional cost) should this alternative measurement source reflect or reveal substantial differences with the measurements used within the report.

23. In the absence of being provided with a detailed land survey, we have used assessment department data to ascertain the physical dimensions and acreage of the property. Should a survey prove this information to be inaccurate, we reserve the right to amend this appraisal (at additional cost) if substantial differences are discovered.

24. If only preliminary plans and specifications were available for use in the preparation of this appraisal, then this appraisal is subject to a review of the final plans and specifications when available (at additional cost) and we reserve the right to amend this appraisal if substantial differences are discovered.

25. Unless otherwise stated in this report, the value conclusion is predicated on the assumption that the property is free of contamination, environmental impairment, or hazardous materials. Unless otherwise stated, the existence of hazardous material was not observed by the appraiser and the appraiser has no knowledge of the existence of such materials on or in the property.

The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required for discovery. The client is urged to retain an expert in this field, if desired.

26. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. We have not made a specific compliance survey of the utilized properties to determine if they are in conformity with the various requirements of the ADA. It is possible that a compliance survey of the properties, together with an analysis of the requirements of the ADA, could reveal that the properties are not in compliance with one or more of the requirements of the Act. If so, this could have a negative effect on the conclusions. Since we have no direct evidence relating to this issue, we did not consider possible noncompliance with the requirements of ADA in developing an opinion of value.

27. This appraisal applies to the land and building improvements only. The value of trade fixtures, furnishings, and other equipment, or subsurface rights (minerals, gas, and oil) were not considered in this appraisal unless specifically stated to the contrary.

28. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated, unless specifically stated to the contrary.

29. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute prediction of future operating results. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance.

30. The data gathered in the course of this assignment (except data furnished by the Client) shall remain the property of the Appraiser. The appraiser will not violate the confidential nature of the appraiser-client relationship by improperly disclosing any confidential information furnished to the appraiser. Notwithstanding the foregoing, the Appraiser is authorized by the client to disclose all or any portion of the appraisal and related appraisal data to appropriate representatives of the Appraisal Institute if such disclosure is required to enable the appraiser to comply with the Bylaws and Regulations of such Institute now or hereafter in effect.

31. You and Valbridge Property Advisors | Kansas City both agree that any dispute over matters in excess of $5,000 will be submitted for resolution by arbitration. This includes fee disputes and any claim of malpractice. The arbitrator shall be mutually selected. If Valbridge Property Advisors | Kansas City and the client cannot agree on the arbitrator, the presiding head of the Local County Mediation & Arbitration panel shall select the arbitrator. Such arbitration shall be binding and final. In agreeing to arbitration, we both acknowledge that, by agreeing to binding arbitration, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury. In the event that the client, or any other party, makes a claim against Kansas City or any of its employees in connections with or in any way relating to this assignment, the maximum damages recoverable by such claimant shall be the amount actually received by Valbridge Property Advisors | Kansas City for this assignment, and under no circumstances shall any claim for consequential damages be made.

32. Valbridge Property Advisors | Kansas City shall have no obligation, liability, or accountability to any third party. Any party who is not the "client" or intended user identified on the face of the appraisal or in the engagement letter is not entitled to rely upon the contents of the appraisal without the express written consent of Valbridge Property Advisors | Kansas City "Client" shall not include partners, affiliates, or relatives of the party named in the engagement letter. Client shall hold Valbridge Property Advisors | Kansas City and its employees harmless in the event of any lawsuit brought by any third party, lender, partner, or part-owner in any form of ownership or any other party as a result of this assignment. The client also agrees that in case of lawsuit arising from or in any way involving these appraisal services, client will hold Valbridge Property Advisors | Kansas City harmless from and against any liability, loss, cost, or expense incurred or suffered by Valbridge Property Advisors | Kansas City in such action, regardless of its outcome.

33. The Valbridge Property Advisors office responsible for the preparation of this report is independently owned and operated by Kansas City Neither Valbridge Property Advisors, Inc., nor any of its affiliates has been engaged to provide this report. Valbridge Property Advisors, Inc. does not provide valuation services, and has taken no part in the preparation of this report.

34. If any claim is filed against any of Valbridge Property Advisors, Inc., a Florida Corporation, its affiliates, officers or employees, or the firm providing this report, in connection with, or in any way arising out of, or relating to, this report, or the engagement of the firm providing this report, then (1) under no circumstances shall such claimant be entitled to consequential, special or other damages, except only for direct compensatory damages, and (2) the maximum amount of such compensatory damages recoverable by such claimant shall be the amount actually received by the firm engaged to provide this report.

35. This report and any associated work files may be subject to evaluation by Valbridge Property Advisors, Inc., or its affiliates, for quality control purposes.

36. Acceptance and/or use of this appraisal report constitutes acceptance of the foregoing general assumptions and limiting conditions.

Certification – Daniel Kann, MAI MSRE

I certify that, to the best of my knowledge and belief:

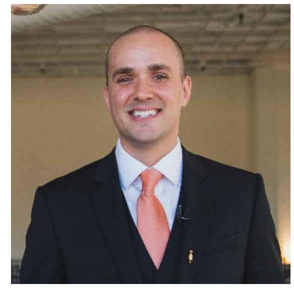
1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. The undersigned has not performed valuation services regarding the property that is the subject of this report in the prior three-year period immediately preceding acceptance of this assignment.
5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. My 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 value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
9. Daniel Kann, MAI MSRE did not personally inspect all the sales utilized in our analysis.
10. No one provided significant real property appraisal assistance to the person signing this certification.
11. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
13. As of the date of this report, the undersigned has completed the continuing education program for Designated Members of the Appraisal Institute.

Daniel Kann, MAI MSRE
Senior Managing Director
Kansas License G-2762
Date: October 12, 2022

Addenda

Qualifications

Qualifications of Daniel Kann, MAI MSRE
Senior Managing Director / Partner
Valbridge Property Advisors | Kansas City



Independent Valuations for a Variable World

State Certifications

State of Kansas
State of Missouri
State of Iowa
State of Nebraska
State of Arizona

Education

Bachelor of Arts (2005)
University of Northern Iowa
Real Estate Finance | Marketing

Master's (2016)
University of Denver
Real Estate Finance | Construction

Contact Details

913-451-1451 (O)
913-647-4094 (D)
913-529-4121 (F)

Valbridge Property Advisors
10990 Quivira Road, Suite 100
Overland Park, Kansas 66210

www.valbridge.com
DKann@Valbridge.com

Membership/Affiliations

Appraisal Institute (MAI Designation)
CCIM Candidate (CCIM Institute)
Licensed Real Estate Agent (State of Iowa)
International Right of Way Association (prior Chapter Secretary)
Adjunct Professor – Real Estate Valuation (University of Missouri Kansas City)

Appraisal Institute & Related Courses (Sample)

Real Estate Finance and Investments (University of Denver)
Real Estate Tax (University of Denver)
Residential Construction Systems (University of Denver)
Real Estate Securities and Syndications (University of Denver)
Real Estate Investments and Appraisal (University of Northern Iowa)
Apartment Appraisal and Concepts (Appraisal Institute)
Finance, Statistics and Valuation Modeling (Appraisal Institute)
Argus, Excel, and Computer Modeling (University of Denver)
Understanding Commercial Capitalization Rates (ULI)
General Market Analysis and Highest & Best Use (Appraisal Institute)
Discounted Cash Flow Model: Concepts & Issues (Appraisal Institute)
Advanced Income Capitalization (Appraisal Institute)
Forecasting Revenue (Appraisal Institute)
Advanced Sales Comparison and Cost Approaches (Appraisal Institute)
Analyzing Operating Expenses (Appraisal Institute)

Experience

Managing Director / Partner
Valbridge Property Advisors| Kansas City (2013 - Present)

Real Estate Analyst / General Certified Appraiser
Shaner Appraisals, Inc. (2007 - 2012)

I perform review, valuation, and due diligence for investors/developers, life insurance companies, lenders, REITS, and public entities. The analysis consists of property valuation (FHA, Fannie Mae, Freddie Mac, and conventional financing), market studies, feasibility studies, real estate tax analysis, right of way and easement acquisitions, and before and after analysis.

Publications

Cap Rate Variations – Valuation 2014 and CCIM March/April 2015

Assessing Market Value – CCIM Summer 2020

State of Kansas

Real Estate Appraisal Board

This is to certify that

Daniel J. Kann

has complied with the provisions of the Kansas State Certified and Licensed Real Property Appraisers Act to transact business as a

Certified General Real Property Appraiser

in the State of Kansas

License No: G-2762

Effective Date: 7/1/2022

Expiration Date: 6/30/2023

Chairman