

**Integra Realty Resources**  
**Seniors Housing & Health Care Specialty Practice**

**Market Study Report of:**

**Proposed Jacoby Park AL and MC**

NWQ Jacoby Drive/Bay Creek Road

Loganville, Georgia 30052

Latitude: 33.840277, Longitude: -83.893176

**Prepared for:**

Mr. Furman L. Clarke

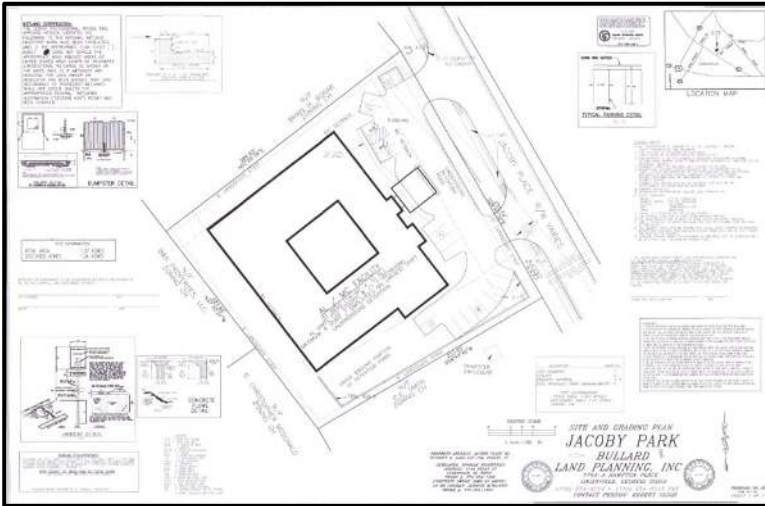
15 Mount Moriah Road

Covington, GA 30014

**Integra Realty Resources File Number:**

File Number: 148-2020-0422





**Proposed Jacoby Park AL and MC**  
 NWQ Jacoby Drive/Bay Creek Road  
 Loganville , Georgia



July 31, 2020

Mr. Furman L. Clarke  
15 Mount Moriah Road  
Covington, GA 30014

Subject: Proposed Jacoby Park AL and MC  
NWQ Jacoby Drive/Bay Creek Road  
Loganville, Georgia 3005230052

Pursuant to your request, we have completed a market study of the above-referenced property. Accompanying this letter is a report that contains a detailed identification of the property, factual data concerning the property and its surroundings, comparable market data, and appropriate analyses and conclusions. Please note that Integra Realty Resources is not part of the development team, owner of the subject, nor affiliated with any member of the development team engaged in the continued operations of the existing improvements and the proposed improvements. This report has been prepared in conformance with the Code of Ethics and Standards of Professional Practice of the Appraisal Institute. Further, the report is intended to comply with the Uniform Standards of Professional Appraisal Practice.

The scope of the market study will include the following:

- Area description
- Primary market area (PMA) description,
- Site and property analysis,
- Description of assisted living and memory care supply in PMA,
- Supply and demand analysis and conclusion of unmet demand for assisted living and memory care,
- Occupancy survey of assisted living and memory care supply,
- Pipeline survey in the PMA was conducted,
- Rent and occupancy survey of primary competitors,
- Available rental rate analysis and forecast,
- Ancillary rate forecast,
- Absorption analysis and forecast,
- No inspection of the market and subject was made.

The subject property is proposed for the development of an assisted living and memory care development that is planned to include a 50 unit/50 bed assisted living and memory care beds in a freestanding two story building. The subject site is located at the northwest quadrant of Jacoby Drive and Bay Creek Road, in Loganville. As the site is currently vacant land, a situs address has not been designated, however, we have used latitude and longitude 33.840277, -83.893176, which is a centrally located point in the subject site in order to designate the site location for the purposes of this report.

## **RECOMMENDATION**

We have projected that the planned improvements will be completed in 2021. According to the NIC MAP® Data Service Intra-Quarterly Snapshot May 2020, the stabilized occupancy rate for majority assisted living properties fell 260 basis points to 85.2% for the NIC MAP® primary markets on a 3-month rolling basis to May 2020 from March 2020. The June 2020 NIC MAP® Data Service Intra-Quarterly Snapshot indicated a further decline of 3.2% for assisted living, however, the sharpest declines occurred in April and the declines have lessened in each subsequent month. We believe that the lower than average occupancy levels are a product of safety measures put in place to slow the spread of Covid-19 at both the community level and at individual facilities. Both the national seniors housing market and the seniors housing market within the PMA should normalize by the time the proposed subject property is developed. As communities continue to re-open, we believe that occupancy levels should begin to stabilize and the current lower than average occupancy conditions will have a minimal impact on the subject property at the time of opening.

Our analysis shows that the assisted living and memory care assisted living markets are undersupplied in the current year, with assisted living undersupply forecast to be 192 beds in 2020, 210 beds in 2021, and 141 beds in 2022. Given the assisted living growth rate of 3.9% per year, the undersupply condition will remain with the planned additions to supply (including the planned subject) within the PMA over the next two years. Additionally, the average age of assisted living facilities within the subject PMA is 15 years and we believe any new product to the market will be well received.

Given the current supply and demand for memory care in the subject PMA, the market is forecasted to continue to be undersupplied during the next ten years, with levels of undersupply forecasted to be 72 beds in 2020, 79 beds in 2021, and 24 beds in 2022. Additionally, the average age of assisted living memory care facilities within the subject PMA is 15 years and we believe any new product to the market will be well received

The PMA is a growing market, with low barriers to entry. Based on current supply and demand characteristics, the development of the subject property will not meaningfully impact the undersupply condition in the year of completion. Market conditions are expected to remain strong, with assisted living and memory care demand forecast to grow at 3.9% per year. The undersupply in the current year, the average age of facilities within the PMA, and the high growth rate in the market indicates there is likely pent up demand in the market and the subject property has an opportunity to lease-up units at an above average absorption rate in the assisted living and memory care assisted living markets. Furthermore, given the supply and demand conditions in the subject PMA, new projects that are proposed and in the pre-planning process should be monitored closely for future competition.

We appreciate this opportunity to provide our valuation services to Mr. Furman L. Clarke.

**Integra Realty Resources Seniors Housing & Health Care Specialty Practice**



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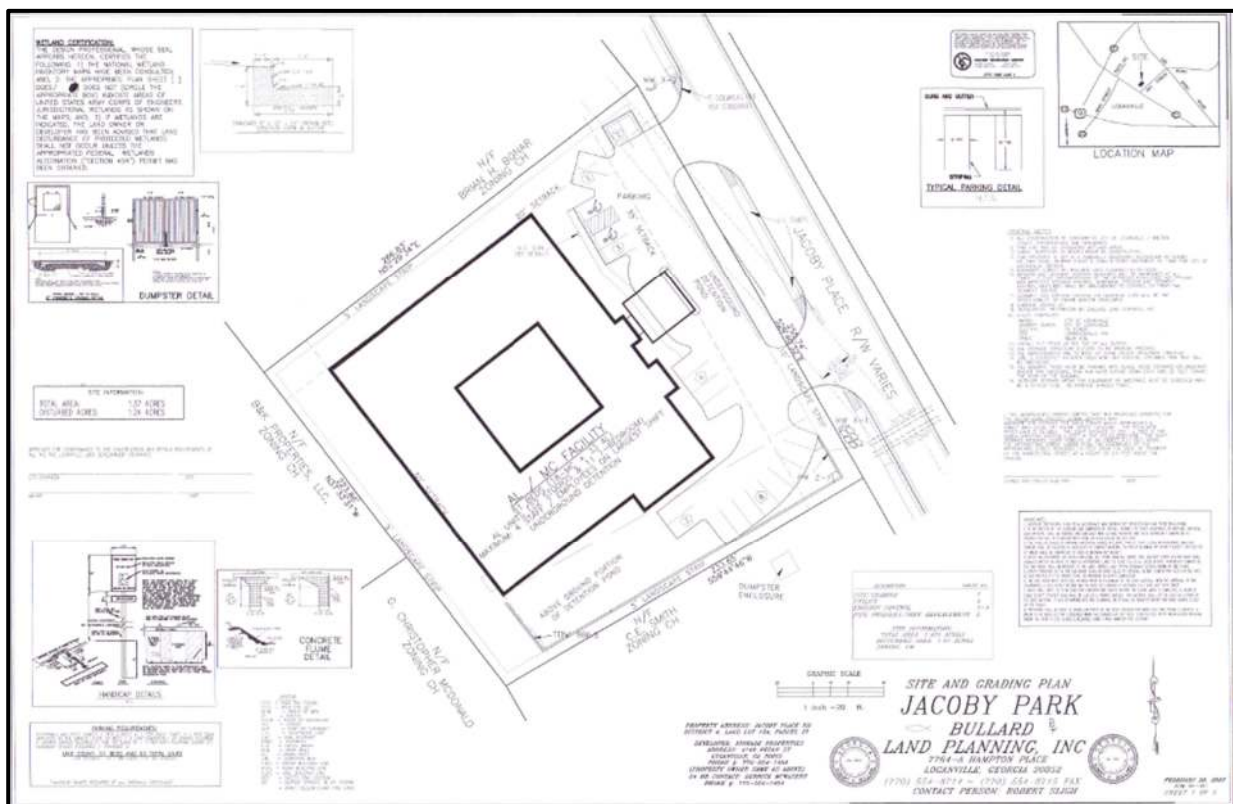
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# Conclusions and Recommendations

## Identification of the Subject

The subject is an existing seniors housing facility located at NWQ Jacoby Drive/Bay Creek Road, Loganville, Walton County, Georgia, and it will be known as Proposed Jacoby Park AL and MC. A legal description for the subject is presented in Addendum A.

The subject property is proposed for the development of an assisted living and memory care development that is planned to include a 50 unit/50 bed assisted living and memory care beds in a freestanding two story building. The subject site is located at the northwest quadrant of Jacoby Drive and Bay Creek Road, in Loganville. As the site is currently vacant land, a situs address has not been designated, however, we have used latitude and longitude 33.840277, -83.893176, which is a centrally located point in the subject site in order to designate the site location for the purposes of this report. The tentative subject site plans, elevation drawing, and area map of the subject property are as follows:



Subject Site Plan



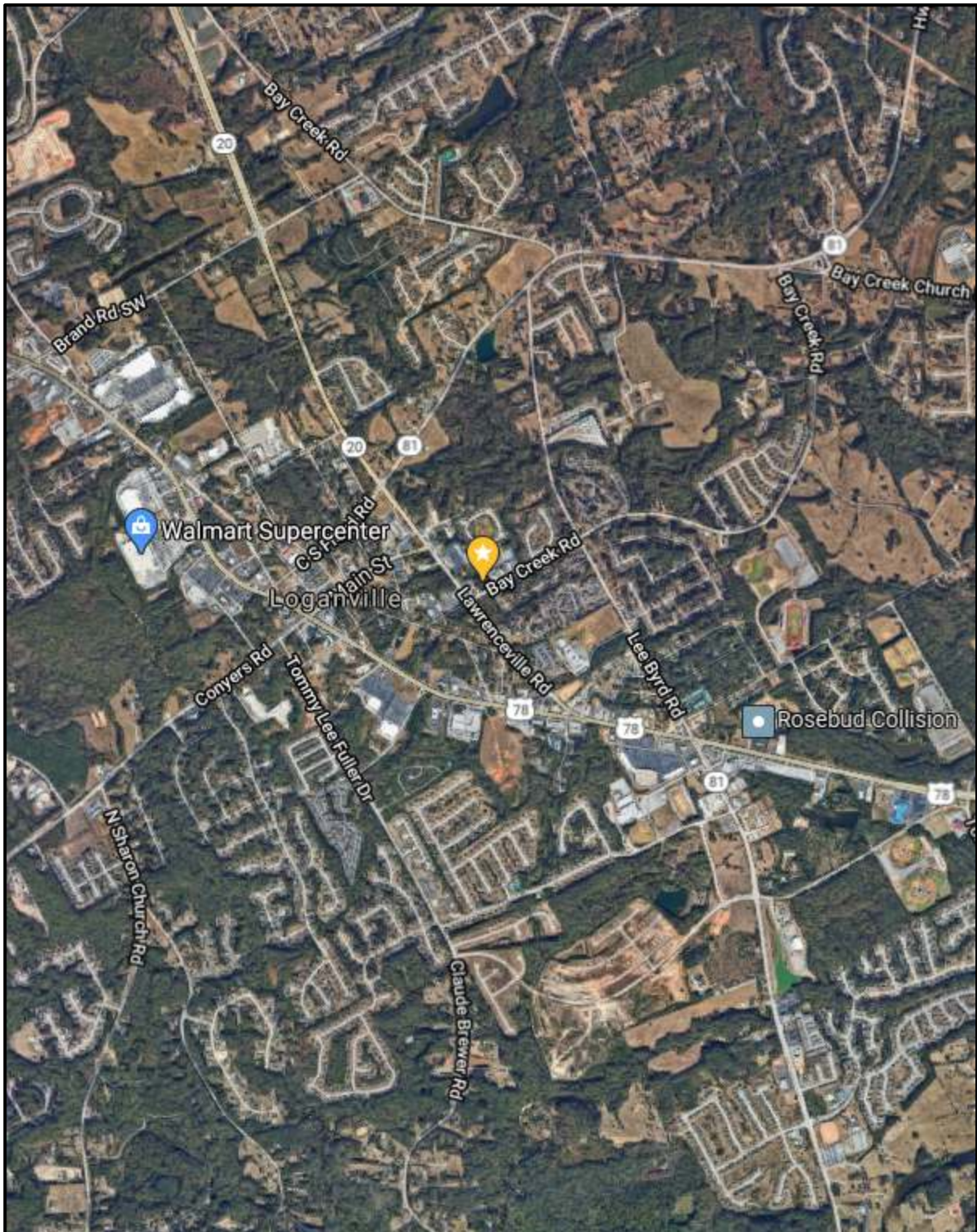


**Subject Front Elevation Rendering**



**Aerial Map (Walton County GIS)**





Area Map (Source: Google Maps)

## Strengths, Weaknesses, Opportunities, Threats (SWOT Analysis)

### Strengths:

- **Location:** The subject is located approximately three-tenths of a mile northeast of US Highway 78, which provides the subject with an efficient transportation system to Atlanta (which is located approximately 27 miles southwest of the subject) and outlying suburb communities. The subject is also located approximately 7.6 miles east of Emory Healthcare Hospital, 7.8 miles east of Eastside Medical Center, and 8.7 miles west of Piedmont Walton Hospital. The subject's location will give it a competitive advantage over competing facilities.
- **Income:** Income levels for all seniors age groups within the subject PMA are above the national averages. Income levels for the total population are also above the national averages.
- **Population Growth:** The total population within the subject PMA is forecast to experience population growth of 2.05% over the next five years, which is above the national growth rate forecast of 0.68%.
- **Condition/Design:** The proposed subject property will have a modern, functional design with amenities comparable to or superior to the competing facilities in the market.
- **Market Demand:** Our analysis shows that the assisted living and memory care assisted living markets are undersupplied in the current year, with assisted living undersupply forecasted to be 192 beds in 2020, 210 beds in 2021, and 141 beds in 2022. Additionally, memory care is forecast to include levels of undersupply of 72 beds in 2020, 79 beds in 2021, and 24 beds in 2022.
- **Care offered:** The subject will offer assisted living and memory care. This will allow its residents to age in place within the facility

### Weaknesses

- **Threat of New Competition:** The subject is located in a market with low barriers to entry. It is likely that additional facilities may be developed within the area based upon current supply and demand conditions.

### Opportunities

- **Age of Supply within PMA:** The average age of assisted living and memory care supply within the PMA is 15 years. We believe that the quality, design, and condition of the proposed subject property, as well as the good location, will make the property well received by potential residents within the PMA.
- **Growth Rate:** The annual growth rate within the subject PMA for assisted living is 3.9% per year over the next five years.

**Threats:**

- The impact of COVID-19 on economic conditions is considered throughout this market study. The Market Analysis section looks at the best available empirical data while the valuation sections turn to parallels with prior recessions along with real time data sources that provide guidance on input metrics applied within the various approaches.

**Unit Mix and Achievable Rental Rate Analysis**

The following is a tabulation of the assisted living and memory care unit/bed mix and building area based on the developer's projections. Additionally, we were not provided with unit sizes and have relied on our research of newer facilities within the greater Atlanta area to forecast the unit sizes for the subject.

<b>Developer's/IRR Forecasted Preliminary Unit Mix and Building Areas</b>							
<b>Unit Type</b>	<b>Care Type</b>	<b>Square Feet</b>	<b>Number of Units</b>	<b>Number of Beds Per Unit</b>	<b>Number of Beds</b>	<b>Percent of Total GBA</b>	<b>Total Square Feet</b>
Studio	Assisted Living	450	22	1	22	24.7%	9,900
One Bedroom	Assisted Living	550	11	1	11	15.1%	6,050
Studio	Memory Care	325	17	1	17	13.8%	5,525
<b>Totals</b>			<b>50</b>	<b>-</b>	<b>50</b>	<b>53.5%</b>	<b>21,475</b>
<b>Plus Common Areas</b>						<b>46.5%</b>	<b>18,645</b>
<b>Total Gross Building Area</b>							<b>40,120</b>

As a check, we have compared the subject's projected unit/bed mix with several newer properties that have been developed in the greater Houston metro area. These facilities are listed in the table below:

Summary of Unit Mixes and Unit Sizes																											
Location Year Built	Atlanta Metro 2016			Atlanta Metro 2017/2019			Atlanta Metro 2017/2019			Atlanta Metro 2018			Atlanta Metro 2017			Atlanta Metro 2019			Atlanta Metro 2019			Atlanta Metro 2020			Market Derived Forecasted Unit Mix 2022		
AL	Units/ Size Beds %/Total			Units/ Size Beds %/Total			Units/ Size Beds %/Total			Units/ Size Beds %/Total			Units/ Size Beds %/Total			Units/ Size Beds %/Total			Units/ Size Beds %/Total			Units/ Size Beds %/Total			Units/ Size Beds %/Total		
Studio	400	32	48%	399	15	27%	0	0	0%	450	8	9%	454	4	5%	578	19	20%				620	6	8%	484		20%
1 Bedroom	485	20	30%	466	24	44%	399	15	27%	575	24	26%	525	68	92%	629	75	78%				665	57	80%	535		54%
Total AL		67	100%		55	100%		55	100%		92	100%		74	100%		96	100%		0	0%		71	100%			
Memory Care	Units/ Size Beds %/Total			Units/ Size Beds %/Total			Units/ Size Beds %/Total			Units/ Size Beds %/Total			Units/ Size Beds %/Total			Units/ Size Beds %/Total			Units/ Size Beds %/Total			Units/ Size Beds %/Total			Units/ Size Beds %/Total		
Private Studio	341	17	81%	291	28	90%	295	29	83%	340	18	100%	343	25	100%	313	33	100%				355	28	100%	325		93%
Shared Studio	561	4	19%	668	3	10%	668	6	17%	0	0	0%	0	0	0%										632		15%
Total MC		21	100%		31	100%		35	100%		18	100%		25	100%		33	100%		0	0%		28	100%			
Total Units		88			226			252			110			99			199			208			270				

As can be seen in the preceding table, for the assisted living market segment, the average studio unit size is 484 square feet, and the average one bedroom unit size is 535 square feet. Of those properties that include a studio unit types, this unit accounts for approximately 20% of the units and of the properties that include a one bedroom unit type, this unit accounts for approximately 54% of the total units. It should be noted that the percentages can be skewed due to the fact that not all of the properties include all of the unit types.

Lastly, for the memory care assisted living market segment, the average private studio unit size is 325 square feet, while the average semi-private studio unit size is 632 square feet. Of those properties that include a private studio unit type, this unit accounts for an average of approximately 93% of the total units, of those properties that include a semi-private studio unit type, this unit accounts for approximately 15% of the total units. It should be noted that the percentages can be skewed due to the fact that not all of the properties include all of the unit types.

The table above indicates that the trend of unit mix and unit size is toward larger units, with the one bedroom unit taking market share from studio units in the assisted living market segment. Based on the configuration and unit mix/unit sizes of newly developed facilities within the greater Atlanta metro area, we believe that the subject's projected unit/bed mix and projected unit sizes are reasonable and similar to competing properties within the market.

We were provided with approximate building sizes for the subject that total 145,876 square feet. In the table below, the projected subject's functional utility is detailed when compared against the median facility size data from the State of Senior Housing. The projected building size and our projected unit mix and unit sizes indicate that the functional utility of the subject is reasonable.

<b>Subject's Functional Utility</b>	
Median Number of Units/Beds (126 units for IL ; 141 units for IALF; 138 units for IALF/ALZ; 52 units for AL; 90 units for AL/ALZ; 56 units; and 291 units for t	Larger than Typical
Median Common Area Percentage (28% for IL; 35% for IALF; 37% for IALF/ALZ; 42% for AL; 45% for AL/ALZ; 54% Memory Care and 28% for CCRC)	Greater than Typical
Unit Layout	Good
Common Area Layout	Good
Overall Functional Utility	Good
Medians from <i>State of Seniors Housing 2019</i>	



Based on the above information, the following is a tabulation of our forecasted unit/bed mix and building area.

Developer's/IRR Forecasted Preliminary Unit Mix and Building Areas							
Unit Type	Care Type	Square Feet	Number of Units	Number of Beds Per Unit	Number of Beds	Percent of Total GBA	Total Square Feet
Studio	Assisted Living	450	22	1	22	24.7%	9,900
One Bedrom	Assisted Living	550	11	1	11	15.1%	6,050
Studio	Memory Care	325	17	1	17	13.8%	5,525
<b>Totals</b>			<b>50</b>	<b>-</b>	<b>50</b>	<b>53.5%</b>	<b>21,475</b>
<b>Plus Common Areas</b>						<b>46.5%</b>	<b>18,645</b>
<b>Total Gross Building Area</b>							<b>40,120</b>

The following table concludes the market rates for the proposed subject property.

Estimate of Achievable Rental Rates						
Unit/Bed Type	Care Type	Square Feet	Number of Units/Beds	Monthly Rent	Rent Per Square Foot	Monthly Gross Potential Income
Studio	Assisted Living	450	22	\$3,700	\$8.22	\$81,400
One Bedrom	Assisted Living	550	11	\$4,600	\$8.36	\$50,600
Studio	Memory Care	325	17	\$6,200	\$19.08	\$105,400
<b>Totals</b>			<b>50</b>			<b>\$237,400</b>

A complete income pro forma can be found in the achievable rent rate section of the report. We are projecting the subject will reach a stabilized occupancy of 93% within 12 months of opening.

## General Information

### Purpose of the Market Study

The purpose of this market study is to determine if there is sufficient market demand for the proposed seniors housing facility and to determine the achievable market rental reports for the subject property.

### Intended Use(s) and User(s)

Mr. Furman L. Clarke engaged IRR to prepare this appraisal and is also the intended user of this report. The intended use is to assist the client with their due diligence for potentially developing the subject as a seniors housing property.

### Pertinent Dates

Dates pertinent to this assignment are as follows:

Pertinent Dates	
Item	Date
Report Date	July 31, 2020
Effective Date	July 31, 2020

### Prior Services

USPAP 2020-2021 requires the appraiser to disclose “any services regarding the subject property performed by the appraiser within the three-year period immediately preceding acceptance of the assignment, as an appraiser or in any other capacity.” Pursuant to that requirement, to the best of our knowledge, we:

- Have not performed any services in connection with the subject property within the three-year period immediately preceding acceptance of this assignment, either as an appraiser or in any other capacity.

### Scope of Work

USPAP 2020-2021 states:

For each appraisal and appraisal review assignment, an appraiser must:

1. Identify the problem to be solved;
2. Determine and perform the scope of work necessary to develop credible assignment results; and
3. Disclose the scope of work in the report.

Pursuant to that requirement, the steps in the appraisal process are as follows:

The scope of the market study will include the following:

- Area description
- Primary market area (PMA) description,
- Site and property analysis,
- Description of assisted living and memory care supply in PMA,
- Supply and demand analysis and conclusion of unmet demand for assisted living and memory care,
- Occupancy survey of assisted living and memory care supply,
- Pipeline survey in the PMA was conducted,
- Rent and occupancy survey of primary competitors,
- Available rental rate analysis and forecast,
- Ancillary rate forecast,
- Absorption analysis and forecast,
- No inspection of the market and subject was made.

## **Inspection**

Stephen P. Palinkas has not conducted an inspection of the subject.

## **Data Collection**

Three types of data are normally gathered while completing an appraisal: general, specific, and competitive supply and demand.

### **General Data**

General data concerns the social, economic, governmental, and environmental forces that impact property values. This data is found in the area description and analysis, and the neighborhood description and analysis sections of this report. We have gathered the general data from a variety of sources and publications, which are noted in the analyses. In addition, the general data concerning the neighborhood is based upon observations made during our inspection of the neighborhood.

### **Specific Data**

The data relating to the property being appraised and comparable properties is referred to as specific data. Documents we have relied upon for specific data pertaining to the subject are listed in the general assumptions section. Additional data pertaining to the subject has been gathered from zoning maps, tax records, and other resources maintained in our library, city halls, chambers of commerce, Walton County, and various state of Georgia offices.

The specific comparable data has been gathered from market participants. The extent of the comparable market data collection process varies for each type of comparable data. Refer to discussions preceding the presentation of data in the approaches to value for descriptions of the data sources consulted and the search criteria.

## Competitive Supply and Demand Data

An analysis of seniors housing supply and demand conditions is included in this report.

## Report Type

Standards Rule 2-2 of the Uniform Standards of Professional Appraisal Practice sets forth two reporting options, as follows:

**Appraisal Report:** should summarize all pertinent data considered and summarize all analyses developed in arriving at the conclusion of value.

**Restricted Report:** merely states the major conclusions without discussion of the data considered and the analyses conducted.

This report is intended to comply with the requirements for an Appraisal Report.

## Compliance

We have developed this appraisal in compliance with:

- The requirements of the Code of Ethics and the Standards of Professional Practice of the Appraisal Institute;
- The Uniform Standards of Professional Appraisal Practice promulgated by the Appraisal Foundation;

## Competency

With over 50 offices nationwide, Integra Realty Resources is America's largest commercial valuation and counseling firm. From 2002 through 2019, the practice completed in excess of 10,000 assignments related to seniors housing and health care properties. Assignments have been completed in all 50 states, the District of Columbia, and Canada. Most involved the valuation of going concerns. The firm maintains an extensive library of seniors housing and health care industry publications, and the firm and its staff have the knowledge, experience, and resources necessary to evaluate seniors housing and health care properties of all types.

## Economic Analysis

The reader is reminded that the demographics presented on this and the following pages were gathered during the period that preceded the COVID-19 pandemic and imminent recession. The data provides useful information for purposes of considering the population and economy of the local area under stabilized market conditions. However, job losses, unemployment (overall and in different sectors), impaired commerce, and reduced income levels will result in demographic statistics after February 2020 that do not follow the stabilized trend that would have been expected based only on a review of data through 2019 and the first few weeks of 2020.

### Walton County Area Analysis

Walton County is located in north central Georgia approximately 20 miles southwest of Oxford. It is 326 square miles in size and has a population density of 294 persons per square mile.

#### Population

Walton County has an estimated 2020 population of 95,819, which represents an average annual 1.4% increase over the 2010 census of 83,768. Walton County added an average of 1,205 residents per year over the 2010-2020 period, and its annual growth rate exceeded the United States rate of 0.7%.

Looking forward, Walton County's population is projected to increase at a 1.3% annual rate from 2020-2025, equivalent to the addition of an average of 1,275 residents per year. Walton County's growth rate is expected to exceed that of the United States, which is projected to be 0.6%.

Population Trends					
	Population			Compound Ann. % Chng	
	2010 Census	2020 Estimate	2025 Projection	2010 - 2020	2020 - 2025
Walton County	83,768	95,819	102,196	1.4%	1.3%
Georgia	9,687,653	10,677,163	11,204,361	1.0%	1.0%
United States	308,745,538	330,342,293	341,132,738	0.7%	0.6%

Source: Environics Analytics

#### Employment

Total employment in Walton County was estimated at 23,415 jobs as of September 2019. Between year-end 2009 and 2019, employment rose by 5,699 jobs, equivalent to a 32.2% increase over the entire period. There were gains in employment in ten out of the past ten years, as the national economy expanded following the downturn of 2007-2009. Walton County's rate of employment growth over the last decade surpassed that of the United States, which experienced an increase in employment of 15.8% or 20,244,084 jobs over this period.

A comparison of unemployment rates is another way of gauging an area's economic health. Over the past decade, the Walton County unemployment rate has been generally higher than that of the United



States, with an average unemployment rate of 6.9% in comparison to a 6.5% rate for the United States. A higher unemployment rate is a negative indicator.

Recent data shows that the Walton County unemployment rate is 8.1% in comparison to a 13.0% rate for the United States, a positive sign that is consistent with the fact that Walton County has outperformed the United States in the rate of job growth over the past two years.

<b>Employment Trends</b>						
Year	Total Employment (Year End)				Unemployment Rate (Ann. Avg.)	
	Walton County	% Change	United States	% Change	Walton County	United States
2009	17,716		128,312,441		10.4%	9.3%
2010	17,889	1.0%	129,471,802	0.9%	10.7%	9.6%
2011	18,494	3.4%	131,286,178	1.4%	10.4%	9.0%
2012	18,564	0.4%	133,785,010	1.9%	9.1%	8.1%
2013	19,246	3.7%	136,171,103	1.8%	7.8%	7.4%
2014	19,980	3.8%	139,266,474	2.3%	6.4%	6.2%
2015	20,969	4.9%	141,976,263	1.9%	5.4%	5.3%
2016	22,479	7.2%	143,798,095	1.3%	4.9%	4.9%
2017	22,893	1.8%	145,941,717	1.5%	4.3%	4.4%
2018	23,256	1.6%	148,129,195	1.5%	3.6%	3.9%
2019*	23,415	0.7%	148,556,525	0.3%	3.1%	3.7%
Overall Change 2009-2019	5,699	32.2%	20,244,084	15.8%		
Avg Unemp. Rate 2009-2019					6.9%	6.5%
Unemployment Rate - May 2020					8.1%	13.0%

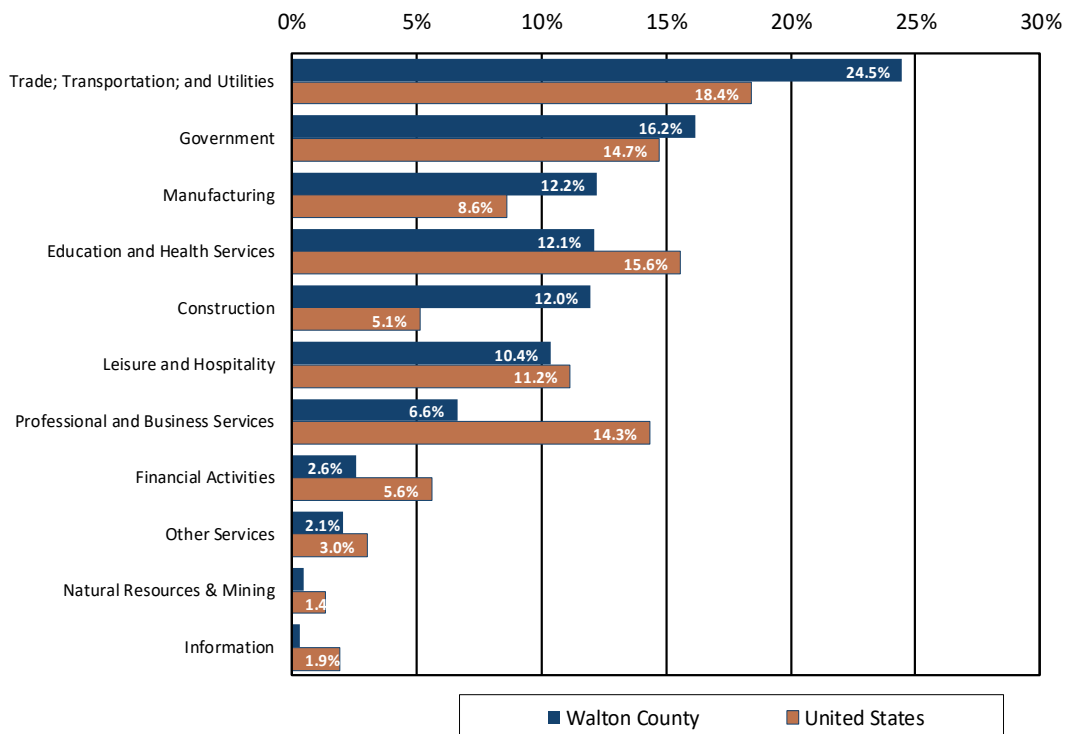
\*Total employment data is as of September 2019; unemployment rate data reflects the average of 12 months of 2019.

Source: U.S. Bureau of Labor Statistics and Moody's Analytics. Employment figures are from the Quarterly Census of Employment and Wages (QCEW). Unemployment rates are from the Current Population Survey (CPS). The figures are not seasonally adjusted.

## Employment Sectors

The composition of the Walton County job market is depicted in the following chart, along with that of the United States. Total employment for both areas is broken down by major employment sector, and the sectors are ranked from largest to smallest based on the percentage of Walton County jobs in each category.

### Employment Sectors - 2019



Source: U.S. Bureau of Labor Statistics and Moody's Analytics

Walton County has greater concentrations than the United States in the following employment sectors:

1. Trade; Transportation; and Utilities, representing 24.5% of Walton County payroll employment compared to 18.4% for the United States as a whole. This sector includes jobs in retail trade, wholesale trade, trucking, warehousing, and electric, gas, and water utilities.
2. Government, representing 16.2% of Walton County payroll employment compared to 14.7% for the United States as a whole. This sector includes employment in local, state, and federal government agencies.
3. Manufacturing, representing 12.2% of Walton County payroll employment compared to 8.6% for the United States as a whole. This sector includes all establishments engaged in the manufacturing of durable and nondurable goods.
4. Construction, representing 12.0% of Walton County payroll employment compared to 5.1% for the United States as a whole. This sector includes construction of buildings, roads, and utility systems.

Walton County is underrepresented in the following sectors:

1. Education and Health Services, representing 12.1% of Walton County payroll employment compared to 15.6% for the United States as a whole. This sector includes employment in public and private schools, colleges, hospitals, and social service agencies.
2. Leisure and Hospitality, representing 10.4% of Walton County payroll employment compared to 11.2% for the United States as a whole. This sector includes employment in hotels, restaurants, recreation facilities, and arts and cultural institutions.
3. Professional and Business Services, representing 6.6% of Walton County payroll employment compared to 14.3% for the United States as a whole. This sector includes legal, accounting, and engineering firms, as well as management of holding companies.
4. Financial Activities, representing 2.6% of Walton County payroll employment compared to 5.6% for the United States as a whole. Banking, insurance, and investment firms are included in this sector, as are real estate owners, managers, and brokers.

### Major Employers

Major employers in Walton County are shown in the following table.

Major Employers - Walton County		
	Name	Number of Employees
1	Walton County School District	2,072
2	Takeda	1,200
3	Hitachi Automotive Systems Americas, Inc.	900
4	Walmart Distribution Center 6055	840
5	Walton County Government	777
6	Piedmont Walton	410
7	Walmart Store - Monroe	360
8	Walmart Store - Loganville	350
9	Leggett & Platt	350
10	Elite Storage	320

Source: <http://www.choosewalton.com/major-employers.html>

### Gross Domestic Product

Gross Domestic Product (GDP) is a measure of economic activity based on the total value of goods and services produced in a defined geographic area, and annual changes in Gross Domestic Product (GDP) are a gauge of economic growth.

Economic growth, as measured by annual changes in GDP, has been considerably higher in Walton County than the United States overall during the past eight years. Walton County has grown at a 3.5% average annual rate while the United States has grown at a 2.4% rate. However, Walton County has recently underperformed the United States. GDP for Walton County rose by 2.8% in 2018 while the United States GDP rose by 2.9%.

Walton County has a per capita GDP of \$24,657, which is 57% less than the United States GDP of \$56,968. This means that Walton County industries and employers are adding relatively less value to the economy than their counterparts in the United States.

<b>Gross Domestic Product</b>				
Year	(\$,000s) Walton County	% Change	(\$,000s) United States	% Change
2011	1,817,068		15,840,664,000	
2012	1,784,739	-1.8%	16,197,007,000	2.2%
2013	1,780,747	-0.2%	16,495,369,000	1.8%
2014	1,850,304	3.9%	16,912,038,000	2.5%
2015	1,977,836	6.9%	17,403,843,000	2.9%
2016	2,155,338	9.0%	17,688,890,000	1.6%
2017	2,242,354	4.0%	18,108,082,000	2.4%
2018	2,305,512	2.8%	18,638,164,000	2.9%
Compound % Chg (2011-2018)		3.5%		2.4%
GDP Per Capita 2018	\$24,657		\$56,968	

Source: U.S. Bureau of Economic Analysis and Moody's Analytics; data released December 2019. The release of state and local GDP data has a longer lag time than national data. The data represents inflation-adjusted "real" GDP stated in 2012 dollars.

## Household Income

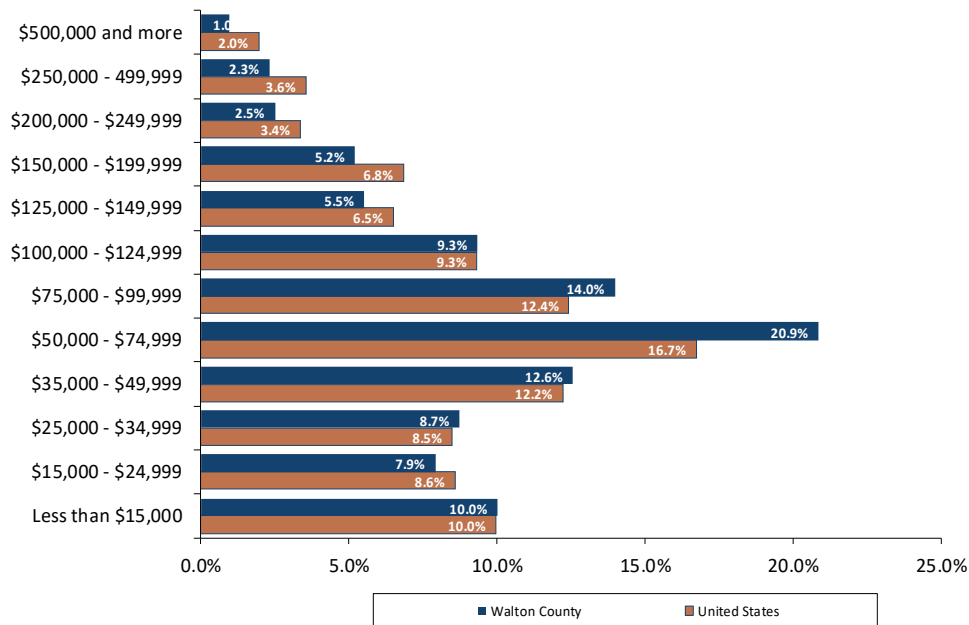
Walton County has a lower level of household income than the United States. Median household income for Walton County is \$62,323, which is 4.5% less than the corresponding figure for the United States.

<b>Median Household Income - 2020</b>	
	Median
Walton County	\$62,323
United States	\$65,228
Comparison of Walton County to United States	- 4.5%

Source: EnviroNics Analytics

The following chart shows the distribution of households across twelve income levels. Walton County has a greater concentration of households in the middle income levels than the United States. Specifically, 33% of Walton County households are between the \$35,000 - \$75,000 levels in household income as compared to 29% of United States households. A lesser concentration of households is apparent in the higher income levels, as 40% of Walton County households are at the \$75,000 or greater levels in household income versus 44% of United States households.

## Household Income Distribution - 2020

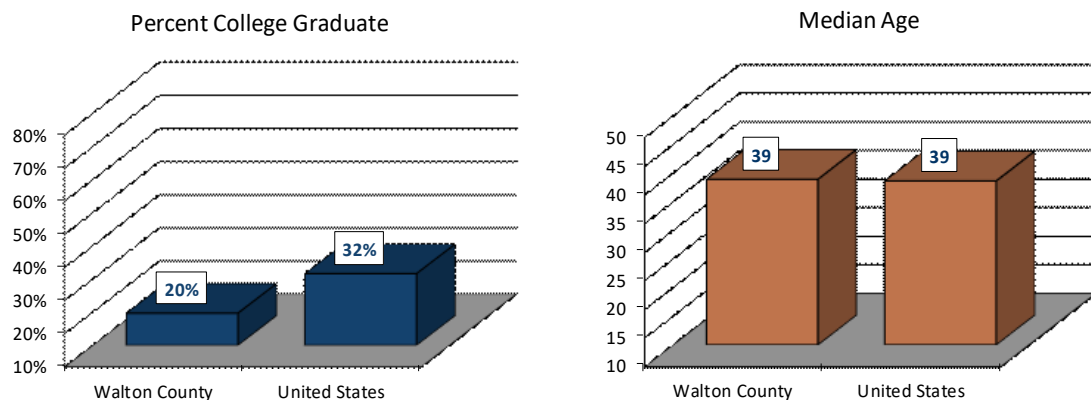


Source: Environics Analytics

## Education and Age

Residents of Walton County have a lower level of educational attainment than those of the United States. An estimated 20% of Walton County residents are college graduates with four-year degrees, versus 32% of United States residents. People in Walton County are similar in age to their United States counterparts. The median age of both Walton County and the United States is 39 years.

## Education &amp; Age - 2020



Source: Environics Analytics

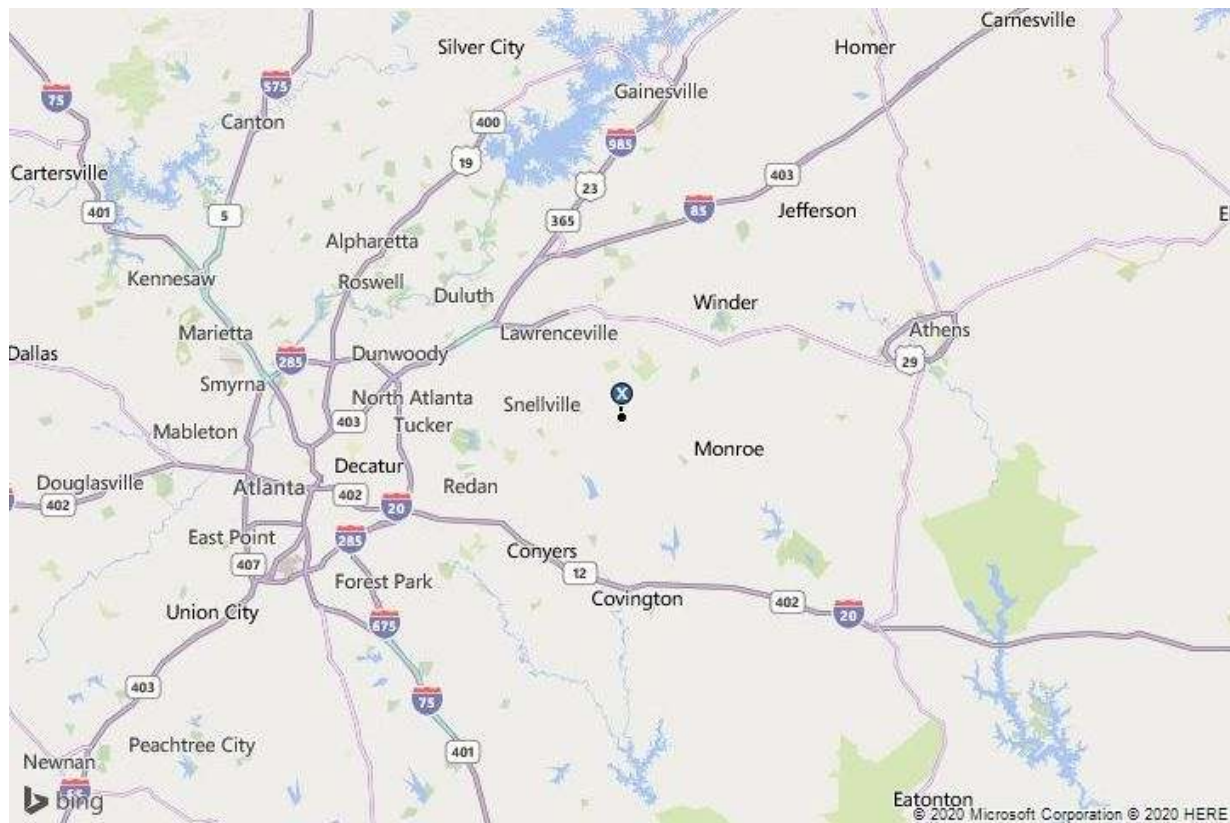


## Conclusion

The Walton County economy will be affected by a growing population base and lower income and education levels. Walton County experienced growth in the number of jobs over the past decade, and it is reasonable to assume that employment growth will occur in the future. We anticipate that the Walton County economy will improve and employment will grow, strengthening the demand for real estate.

As previously referenced, COVID-19 has pushed the economy at all levels into a recession which has yet to be statistically proven or definitively quantified. Therefore, the statistical summary of the region provided above must be considered in light of the fact that economic indicators available in the near future will show a substantial contraction of economic activity beginning in the first quarter of 2020. This issue is discussed more fully after the Market Analysis section of this report.

## Area Map



## Market Area Analysis

### Delineation of Primary Market Area

The Primary Market Area (PMA) for any form of rental real estate property is defined as the area from which a majority of the project's tenants will be drawn. According to various industry sources, the PMA of a seniors housing care facility is determined by the density of the population, the proximity of competing properties, and the ease of transit in the surrounding area. The PMA for urban facilities is generally from 5 to 10 miles, for suburban facilities 5 to 20 miles, and for small town and rural facilities 20 to 30 miles<sup>1</sup> as indicated in the following data.

Distances that Residents Relocated from			
Distance	Assisted Living	Assisted & Independent Living	CCRC
Less than 5 miles	40.00%	43.50%	52.20%
5 to 10 miles	20.40%	20.00%	16.40%
11 to 25 miles	20.00%	15.30%	13.40%
25 to 50 miles	7.30%	5.90%	6.00%
More than 50 miles	12.40%	15.30%	11.90%

A number of factors tend to define a market area. One important factor is density. In rural areas, it may be many miles between towns large enough to sustain services, and residents are accustomed to driving significant distances to access services. Conversely, in urban or suburban areas, a resident may have a choice of competing services within a short drive of his or her home and will normally select the more proximal service provider or the service provider more convenient to access. Physical barriers can also shape market areas. Rivers, lakes, streams, military bases, and major highways are all examples of barriers that can constrain market areas. Barriers can also be psychological. For example, it is common for persons who live on one side of a highway to seldom access services in a similar area on the opposite side of the same highway, even though access is not constrained. Likewise, persons living in a given town or county are often reluctant to access services in an adjacent town or county. The location of competing facilities is also a factor to consider. In market areas served by a greater number of competing facilities, the primary drawing area for each facility tends to be smaller since residents of the market area tend to access the service provider nearest their location. Each of these factors is considered in the delineation of the subject's PMA.

<sup>1</sup>. *Assisted Living Manual* (Published by Assisted Living Federation of America) and *Integrated Senior Care: Assisted Living and Long Term Care Manual* (Published by Thompson Publishing Group). These radii are also supported by the criteria used by many national developers of seniors housing.

**Physical Barriers**

There are no significant physical barriers in the immediate proximity of the subject that are believed to limit the subject's market area.

**Psychological Barriers**

The subject's market area is not constrained by any known psychological barriers.

**Location of Competing Facilities**

There are competing facilities scattered throughout the area, indicating that seniors have a wide variety of facilities from which to choose. This tends to limit the size of market areas, as it is not necessary for seniors or adult children decision makers to travel far from the home to find suitable seniors housing.

**Market Area Delineation Conclusion**

Considering the physical and psychological barriers, population density, and the competing facilities' concentration, we have concluded that an appropriate PMA for the subject is the area within a 6 mile radius of the site. In this market, we believe that the majority of demand will come from the PMA. No measurable draw from a secondary market area is forecast.

## Composition

The predominant land use in the market area is vacant land. The estimated land use composition is shown in the following table:

Estimated Land Use Composition	
Property Type	% Used For Type
Single-Family Residential	20%
Multi-Family	5%
Schools, Churches, Public Buildings, Rec. Areas	5%
Retail & Personal Service	10%
Office	5%
Industrial	5%
Vacant Land	50%
Total	100%

## Social Forces

An analysis of the PMA demographics relative to the U.S. will yield insight into the nature of the PMA. All of the data in this section is obtained from Environics Analytics (EA).

## Population Growth

Population growth figures are shown below:

Population Growth							
Area	2000	2010	Annual % Change 2000-2010	2020	Annual % Change 2010-2020	2025	Annual % Change 2020-2025
PMA	47,901	82,910	5.64%	101,548	2.05%	109,670	1.55%
United States	281,421,942	308,745,538	0.93%	330,342,293	0.68%	341,132,738	0.64%

Source: Environics Analytics

Between 2010 and 2020, PMA population growth was greater than the national average. The forecasted growth for the PMA is at a rate greater than the nation as a whole.

## Household Growth

Household growth figures are shown below:

Household Growth							
Area	2000	2010	Annual % Change 2000-2010	2020	Annual % Change 2010-2020	2025	Annual % Change 2020-2025
PMA	15,990	27,570	5.60%	33,066	1.83%	35,519	1.44%
United States	105,480,131	116,716,292	1.02%	125,476,002	0.73%	129,798,868	0.68%

Source: Environics Analytics

Between 2010 and 2020, PMA household growth was greater than the national average. The forecasted growth for the PMA is at a rate greater than the nation as a whole.

### Income Levels

Pertinent income data are shown below.

Income Levels		
Area	2020 Average HH Income	2020 Median Household Income
PMA	\$94,881	\$78,810
United States	\$93,707	\$65,228
Source: Environics Analytics		

Current PMA income levels are higher than the national average.

### Housing Market

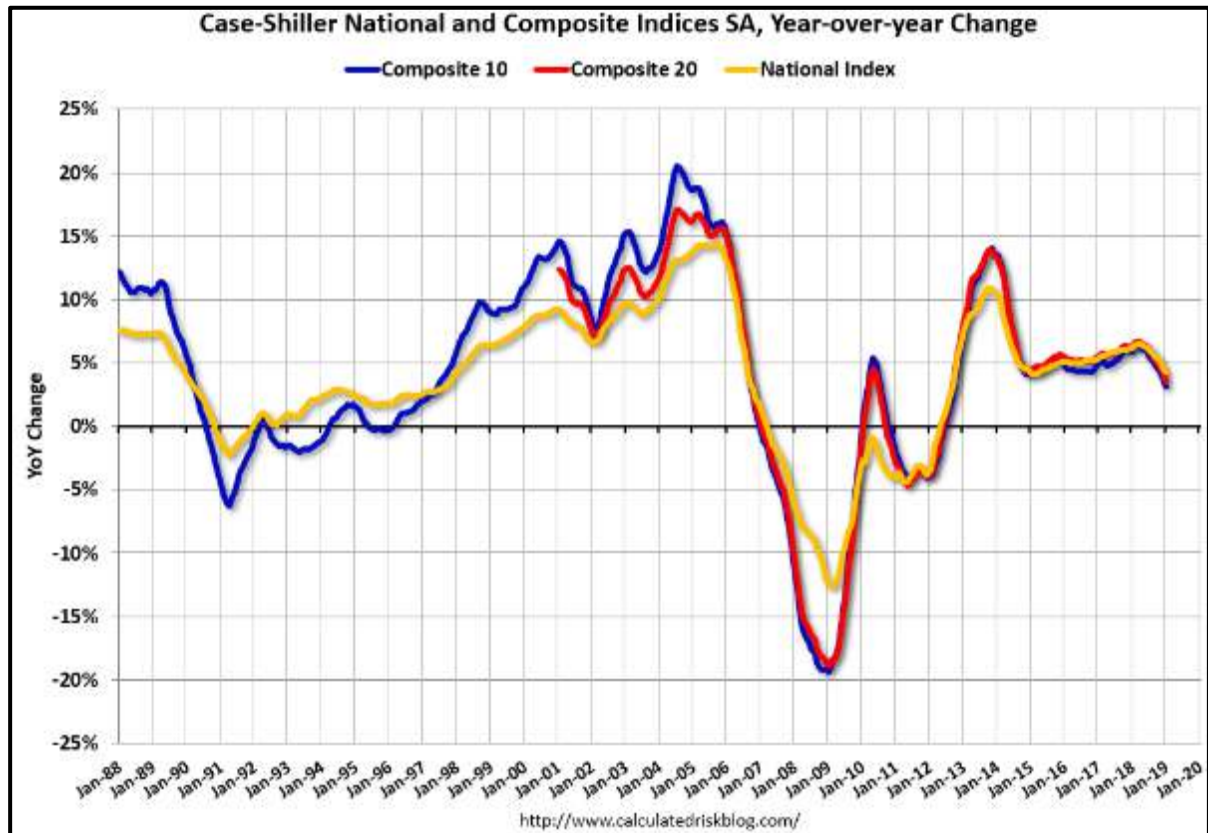
Environics Analytics (EA) reports the housing market statistics shown below:

Housing Market Statistics		
Area	2020 Owner Occupied Housing Percent	2020 Median Housing Value
PMA	85.9%	\$229,042
United States	65.1%	\$240,158
Source: Environics Analytics		

The next chart indicates the annual returns of the National, the 10-City Composite, and the 20-City Composite home price indices updated through January 2019. As of January 2019, the S&P/Case-Shiller U.S. National Home Price Index, covering all nine U.S. census divisions, recorded a slightly higher year-over-year gain with a 4.3% annual increase in January 2019 versus a 4.6% decrease from December 2019. The 10-City Composite increased 3.6% in the year to December compared to 4.1% previously. The 20-City Composite's year-over-year gain was 10.5%, the same as December.



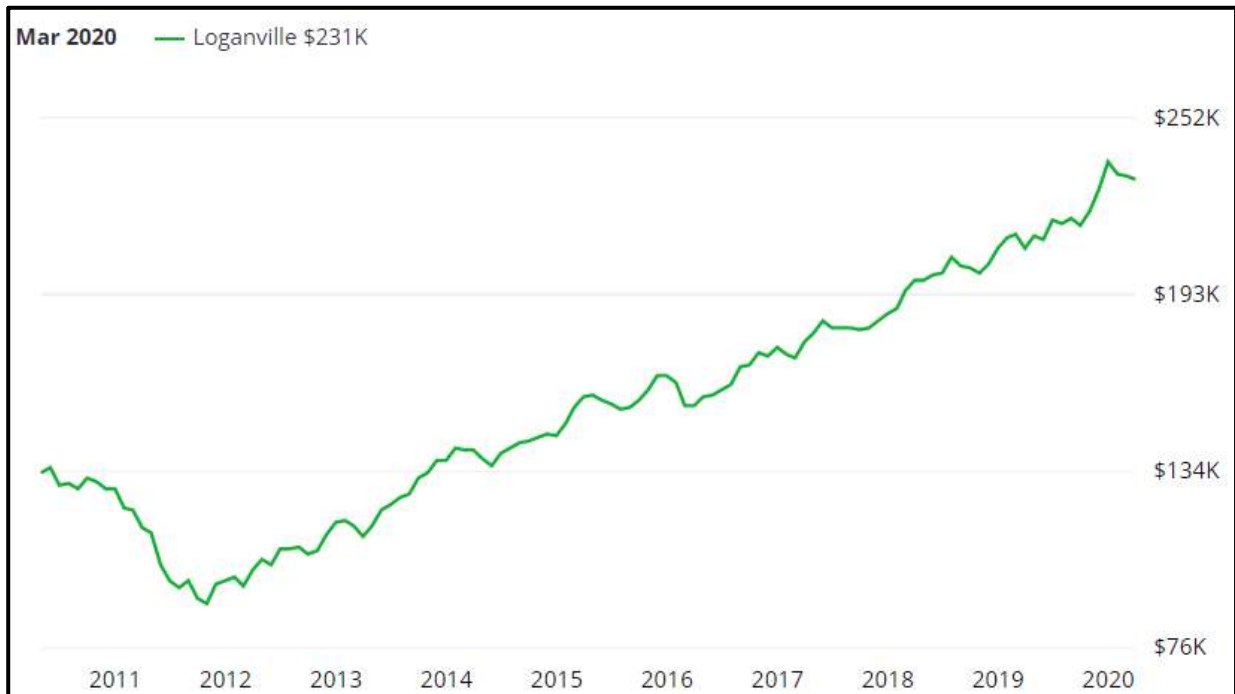
The following chart shows the Composite 10 and Composite 20 are up by 4.3% and 3.6% from December 2018.<sup>2</sup>



According to the Zillow's April 2019 Market Report, U.S. home values have appreciated 6.1% over the past year with a median home value of approximately \$226,800. In the short term, home values are expected to grow 2.8% over the next year through April 2020. Over a longer term, a cumulative increase in home values of nearly 18% through the end of 2019, on average.

2. Press Release, Calculated Risk Finance & Economics, March 26, 2019.

The following charts (courtesy of *Zillow.com*) shows data on the median sale price in the subject's market area:



As shown, the median sale price has generally been increasing over the past year.

The housing market in the PMA is considered to be healthier than average.

### Environmental Forces

The area has a rolling topography. Vegetation is moderate and includes native trees, shrubs and grasses. A variety of soil types are present in the area, and most are conducive to development with proper engineering.

## Public Services

### Street Improvements

The market area benefits from the following road infrastructure:

#### Interstate Highways

North-South:	None
East-West:	None

#### Other Highways

North-South:	US Highway 78 (Atlanta Highway)
East-West:	US Highway 78 (Atlanta Highway)

#### Major City Streets

North-South:	Conyers Road, CS Floyd Road (Highway 81), Tommy Lee Fuller Drive
East-West:	Lawrenceville Road/Loganville Hwy SW, Bay Creek Road

Overall, accessibility is rated as good.

### Police/Fire Protection

Police and fire protection is provided by the City of Loganville.

### Schools

The area is within the Walton County School District.

### Shopping

The area is adequately served by a number of shopping and retail centers.

### Medical

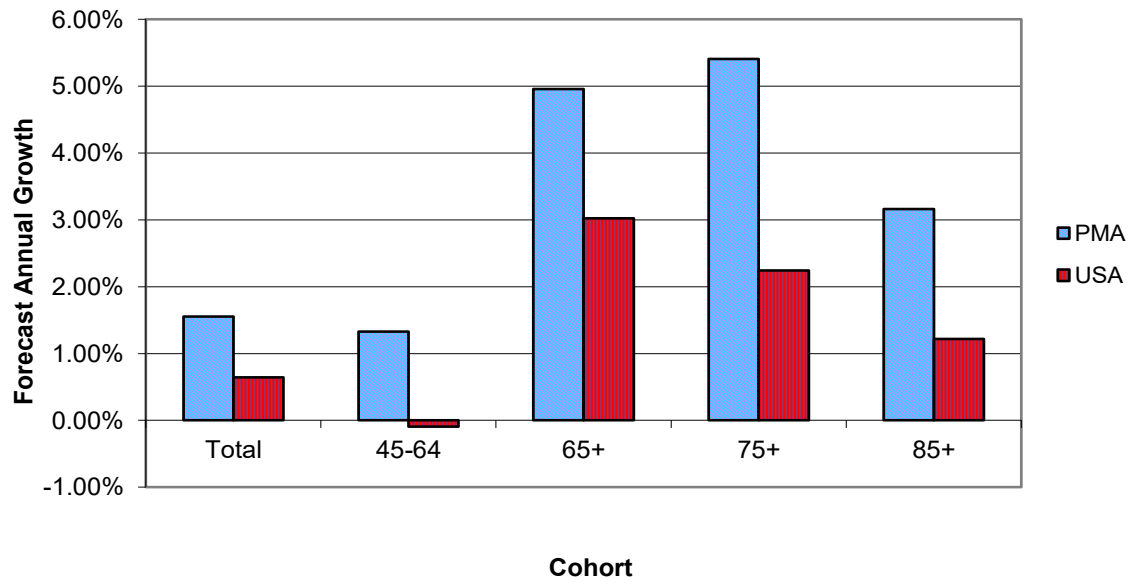
The subject is also located approximately 7.6 miles east of Emory Healthcare Hospital, 7.8 miles east of Eastside Medical Center, and 8.7 miles west of Piedmont Walton Hospital.

## Seniors Housing Market Demographics

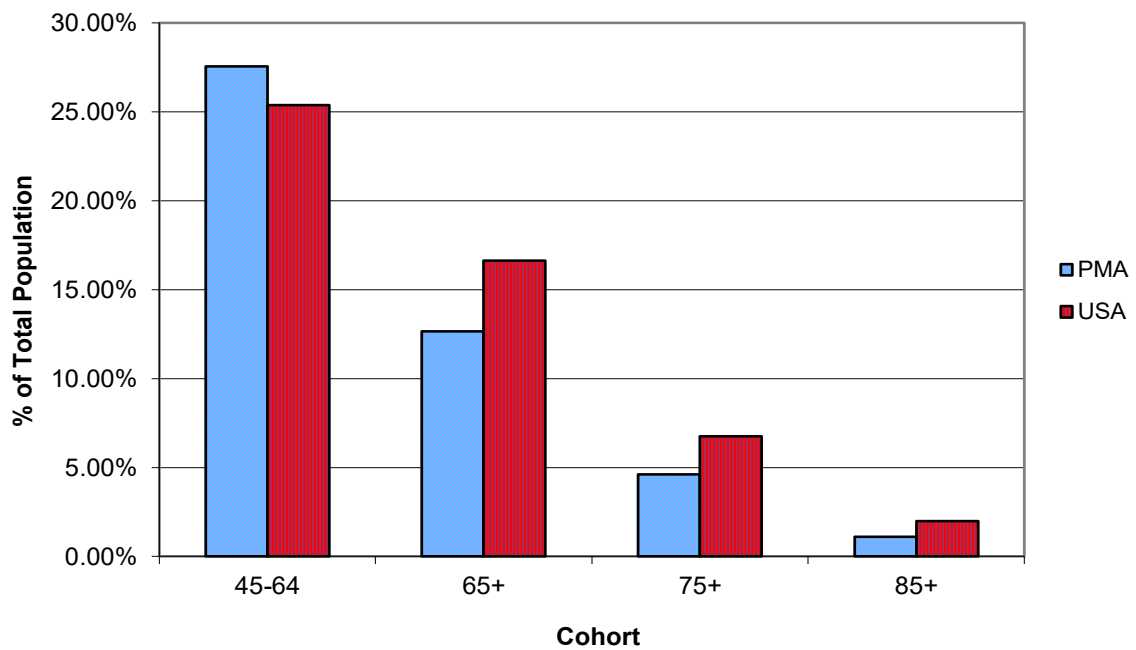
Demographics relevant to the seniors housing market are as follows:

Market Area Characteristics		
Item	PMA	USA
<b>Total Population</b>		
2020 Population	101,548	330,342,293
Forecasted 2025 Population	109,670	341,132,738
Forecasted Annual Growth, 2020-2025	1.55%	0.64%
<b>Adult Child (45-64) Population</b>		
2020 Population 45-64	27,978	83,868,948
Forecasted 2025 Population 45-64	29,889	83,481,915
Forecasted Annual Growth, 2020-2025	1.33%	-0.09%
2020 Age 45-64 Pop. as % of Total Pop.	27.55%	25.39%
<b>65 Plus Population</b>		
2020 Population 65+	12,850	54,964,989
Forecasted 2025 Population 65+	16,367	63,790,899
Forecasted Annual Growth, 2020-2025	4.96%	3.02%
2020 Age 65+ Pop. as % of Total Pop.	12.65%	16.64%
<b>75 Plus Population</b>		
2020 Population 75+	4,690	22,290,329
Forecasted 2025 Population 75+	6,103	24,905,226
Forecasted Annual Growth, 2020-2025	5.41%	2.24%
2020 Age 75+ Pop. as % of Total Pop.	4.62%	6.75%
<b>85 Plus Population</b>		
2020 Population 85+	1,129	6,584,557
Forecasted 2025 Population 85+	1,319	6,994,842
Forecasted Annual Growth, 2020-2025	3.16%	1.22%
2020 Age 85+ Pop. as % of Total Pop.	1.11%	1.99%
<b>Income Levels</b>		
Median Household Income, All Ages	\$78,810	\$65,228
Median Income Level Age 65 to 74	\$64,975	\$56,972
Median Income Level Age 75 to 84	\$49,669	\$40,083
Median Income Level Age 85+	\$39,265	\$30,242
Source: Envirionics Analytics		

### Comparison of Growth Rate Forecasts



### Comparison of Population Composition

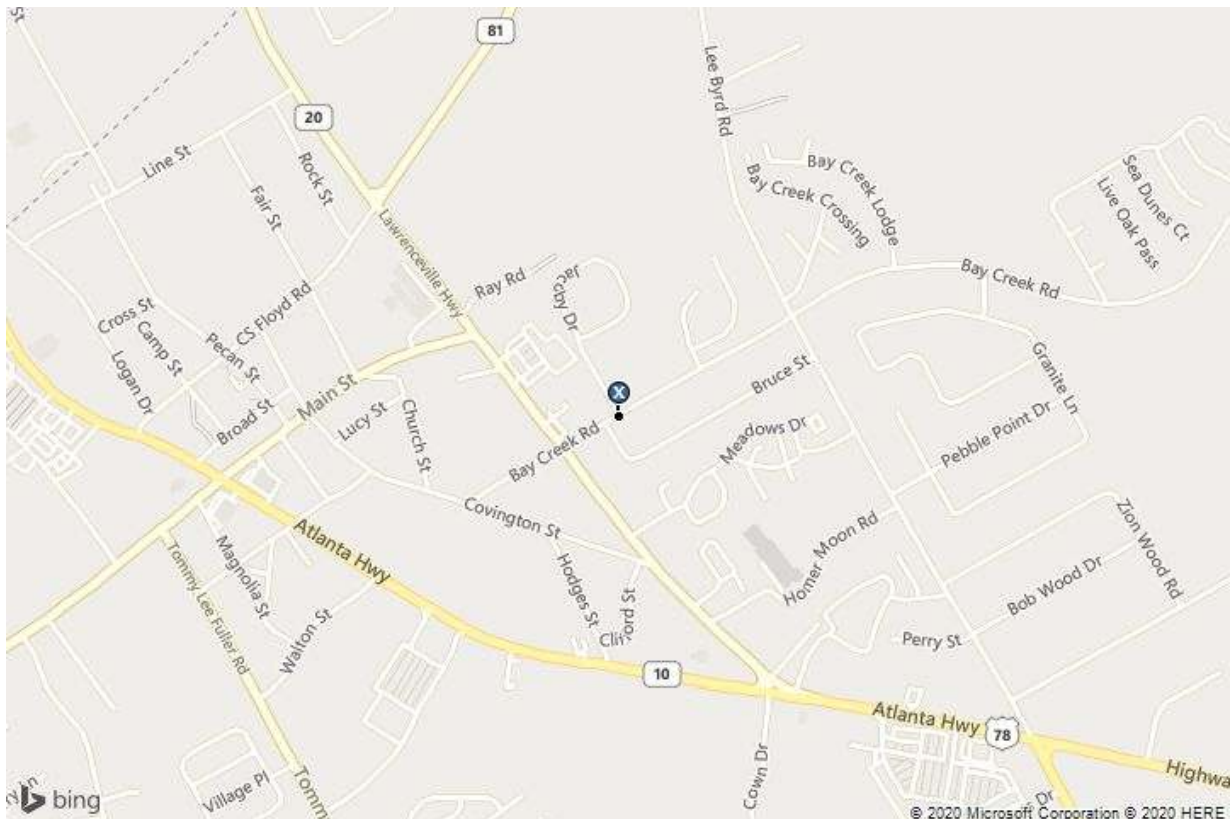


Overall population growth is forecast to be greater than average in the PMA. Growth of persons in the “adult child” age bracket (45 to 64) is forecast to be greater than average, while the percent of total population that is within the 45 to 64 age group is greater than average. The percent of total population that is 65+ is less than average. Forecasted growth for the 65+ cohort is greater than average. The percent of total population that is 75+ is less than average. Forecasted growth for the 75+ cohort is greater than average. Lastly, the 85+ population is forecast to grow at a pace greater than the national average, while representing a less than average percent of the total population base of the PMA. Senior income levels are above average.

## Conclusion

The subject’s PMA is concluded to be the area within a 6 mile radius from the site. The PMA encompasses Loganville and portions of Grayson, Snellville, Monroe, and Lilburn. The primary land use in the area is vacant land and the area is approximately 50% developed. The PMA is experiencing below average population growth and has above average income levels. The area is considered to be in a stage of stability. Between 2020 and 2025, the market area is forecast to experience growth in demand for seniors housing at an average to above average rate relative to the nation as a whole.

## Surrounding Area Map



# Supply and Demand Analysis

## Introduction

In this section, we will analyze supply and demand conditions.

## Metro Market Supply and Demand Conditions

The NIC Map Database provides the following data for the Atlanta MSA, which includes the counties shown in the following map. It is noted that primary markets represent the average of the top 31 core-based statistical areas (CBSAs) within the United States.



An overview of the Atlanta seniors housing market is shown in the following table, comparing the MSA data to comparable data for the primary CBSA's in the NIC survey ending Q2 2020.

PROPERTY INFORMATION						
Property Types ->	Majority IL		Majority AL		Majority NC	
	Metro	Primary Markets	Metro	Primary Markets	Metro	Primary Markets
Stabilized Occupancy	87.0%	88.9%	79.1%	84.6%	85.7%	80.4%
Average Monthly/Daily Rent	\$3,882	\$3,512	\$4,604	\$5,263	\$267	\$346
Median Age	13	24	21	20	46	41
Reporting Need to Upgrade(%)	11.4%	8.8%	6.8%	9.8%	7.8%	12.2%
Median Units/Beds Per Property	170	186	62	78	128	120
For Profit (%)	85.5%	64.4%	95.7%	91.0%	82.3%	80.9%
Property Count	55	1,433	187	3,669	96	4,094
Inventory	10,167	337,927	13,307	310,431	13,617	576,393
Independent Living Units	7,588	248,876	826	18,022	330	11,165
Assisted Living Units <sup>1</sup>	2,176	55,794	12,481	284,756	644	22,235
Nursing Care Beds	403	33,257	0	7,653	12,643	542,993
Penetration	6.4%	5.7%	8.3%	5.3%	8.5%	9.8%
Construction Units/Beds	1,531	19,587	1,182	20,563	352	2,681



Trends in the assisted living market over time are shown in the following table.

MAJORITY AL									
METRO TRENDS									
	Existing Inventory		Occupancy		Quarterly Supply and Demand		Under Construction Inventory		
Period	# Properties	# Units/Beds	All Properties	Stabilized	Absorption	Inventory Growth	# Properties	# Units/Beds	YoY Rent Growth <sup>1</sup>
2Q2020	187	13,307	77.0%	79.1%	-494	-6	12	1,182	-.2%
1Q2020	187	13,313	80.7%	84.3%	324	319	10	968	.4%
4Q2019	185	12,994	80.2%	84.0%	157	288	12	1,031	1.7%
3Q2019	183	12,706	80.8%	84.4%	169	246	14	1,301	1.7%
2Q2019	181	12,460	81.0%	84.9%	180	390	16	1,241	2.2%
1Q2019	178	12,070	82.1%	85.4%	54	18	18	1,554	2.7%
2018	177	12,052	81.8%	85.4%	593	838	16	1,456	2.2%
2017	169	11,214	82.6%	86.5%	559	857	19	1,791	.8%
2016	155	10,357	84.1%	86.9%	330	723	22	1,552	4.3%

The NIC survey divides the market into submarkets by constituent county, the data for which is shown in the table below.

MAJORITY AL									
Submarket	Stabilized Occupancy	YoY Rent Growth	AL Average Rent per Unit	MC Rent per Unit	Construction vs. Inventory	Inventory	Penetration	Yearly Absorption	Yearly Inventory Growth
Carroll	87.0%	2.3%	\$3,882	Protected	0.0%	362	9.2%	-21	7
Cherokee	73.9%	4.0%	\$4,654	\$5,229	0.0%	1,072	15.8%	-4	-3
Clayton	Protected	Protected	Protected	Protected	0.0%	177	3.4%	Protected	0
Cobb	78.5%	1.0%	\$4,845	\$5,271	11.9%	2,481	12.2%	99	218
DeKalb	84.9%	1.4%	\$5,086	\$6,041	0.0%	1,350	6.1%	120	214
Fayette	71.9%	-3.2%	\$4,716	\$5,197	0.0%	531	12.0%	34	36
Forsyth	71.9%	-1.3%	\$4,202	\$5,202	24.5%	841	14.4%	-99	-3
Fulton	77.2%	-2.5%	\$4,553	\$5,601	17.5%	2,542	7.7%	-56	9
Gwinnett	81.2%	-.9%	\$4,662	\$5,227	6.2%	1,624	10.2%	-2	65
Walton	Protected	Protected	Protected	Protected	0.0%	431	13.0%	Protected	0

For stabilized properties that are mostly assisted living in the Atlanta area, the average occupancy rate is 79.1%. Walton County does not include any occupancy data. Additionally, the occupancy rate for the properties surveyed within the subject PMA is 81% for assisted living and 78% for memory care, while the occupancy of the stabilized rent comparables that provided information is 76%. As detailed throughout this report, the stabilized occupancy levels are below average due to Covid-19. During our survey of facilities within the subject PMA, 7 facilities were able to provide information on changes from pre-Covid-19 levels to current occupancy levels. These facilities indicated decreases in occupancy levels ranging from 0% to 35%, with an average decrease of 8.57%. Additionally, we believe that the lower than average occupancy levels are a product of safety measures put in place to slow the spread of Covid-19 at both the community level and at individual facilities. Both the national assisted living market and the assisted living market within the PMA should normalize by the time the proposed subject property is developed. As communities continue to re-open, we believe that occupancy levels will begin to stabilize and the current lower than average occupancy conditions will have a minimal impact on the subject property at the time of opening.

## Delineation of the Market Area

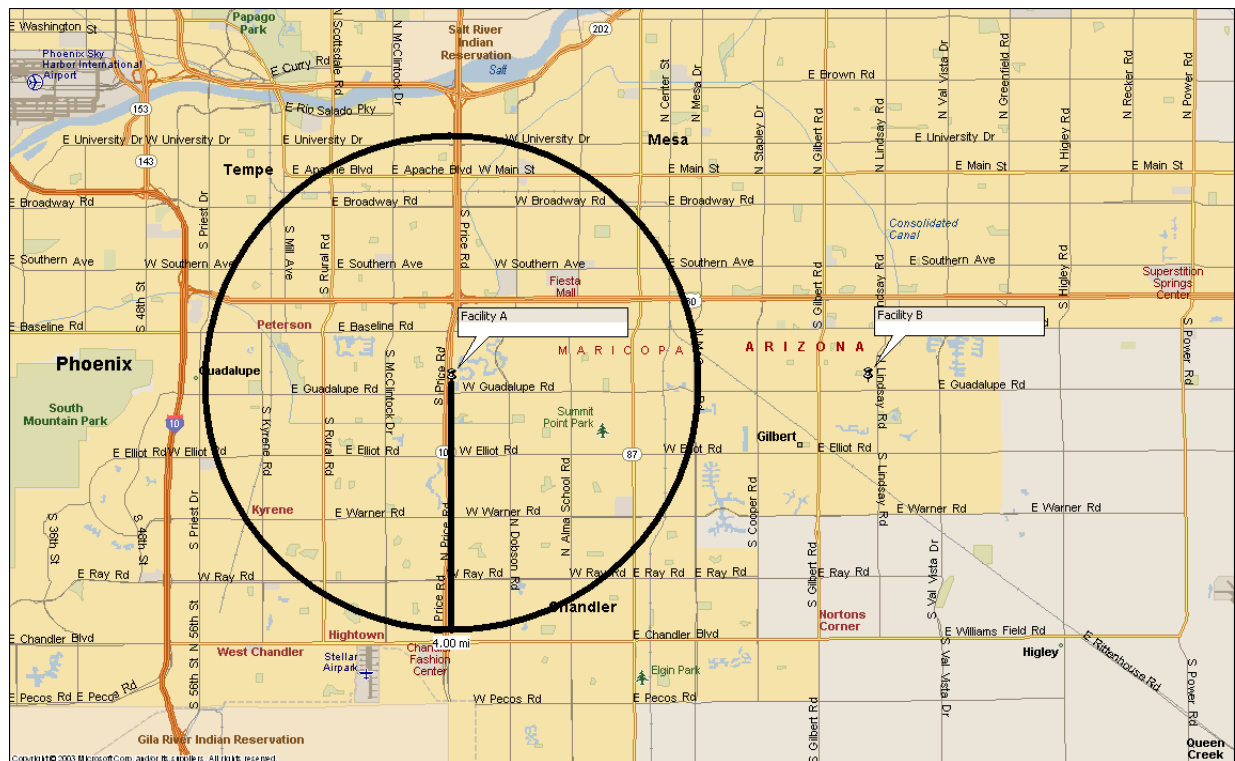
As discussed previously, we consider the subject's PMA to be the area within a 6-mile radius of the site.

## Target Market

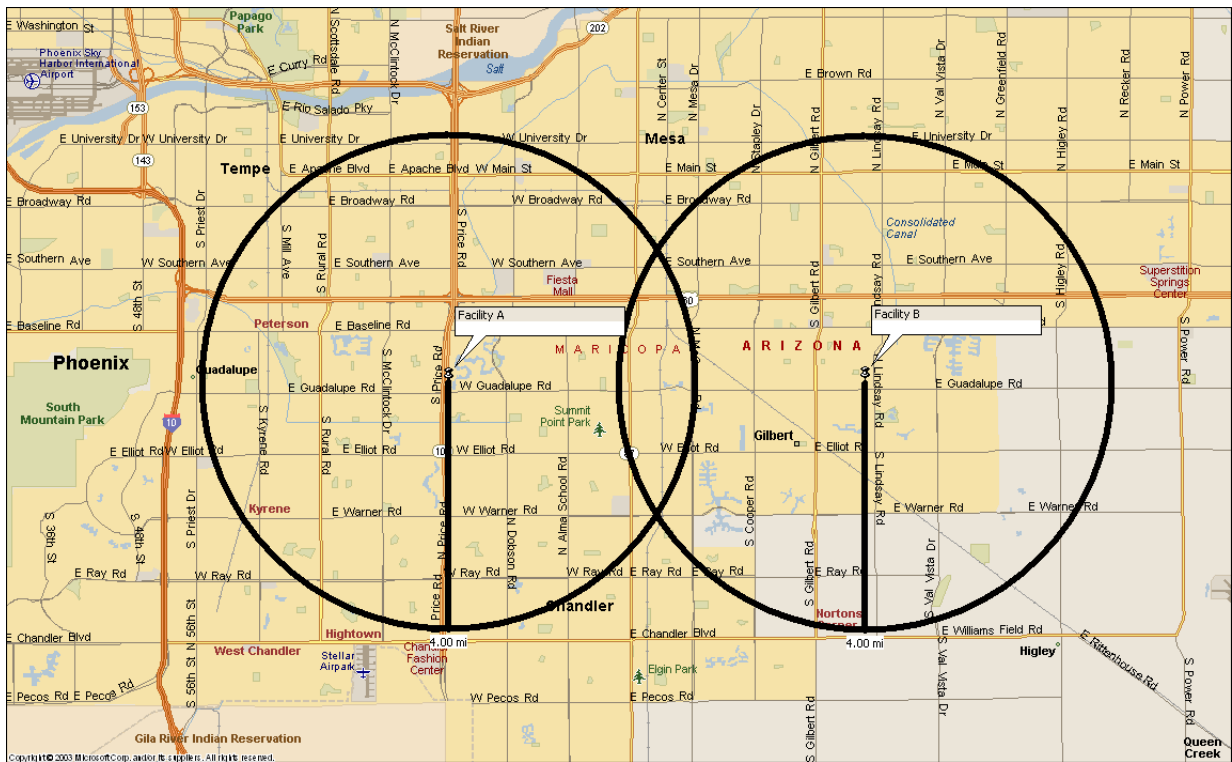
The subject's target market group consists of the age qualified population that has adequate income to live in elderly housing and adult children who are caregivers for an elderly relative. Therefore, the subject's primary target market is seniors aged 75+ with household income of \$35,000+, as well as adult children who might relocate such a person to the market.

## Methodology for Quantifying Supply

In the case of facilities located some distance from the subject, we have allocated only a portion of the units based upon the estimated percent the market area for each competing facility overlaps the PMA. For example, the map below shows two fictional facilities, A and B, along with the concluded market area for Facility A.



Facility B is not within the market area for Facility A. However, Facility B's market area does overlap some of the market area for Facility A, as shown below:



Our methodology for estimating supply considers Facility B as being partially competitive with Facility A. We base the degree of its competitiveness upon the percentage of the subject's market area, Facility A in this example, that is overlapped by the estimated market area for Facility B. The percent of overlap is mathematically calculated using a formula that factors in the size of the market area and the distance between each comparable and the subject.

For example, if Facility B has 100 beds and the market area for Facility B overlaps Facility A's market area by 20%, then 20 of Facility B's beds are considered competitive. This same procedure is used to estimate competitive supply for each facility in and around the subject's market area.

### Assisted Living Supply Analysis

We will now focus upon the assisted living segment of the market. Bed licenses are granted based upon double occupancy in many rooms. In practice, a lesser number of rooms are typically occupied by more than one person. For this reason, we will analyze operating beds as opposed to licensed beds. For purposes of this report, a facility's operating beds are considered the optimal number of persons that the facility is designed to accommodate at one time. This figure is generally equal to or greater than the number of units and equal to or less than the number of licensed beds. Our analysis also disregards small board and care facilities in and around the market area, although we know such facilities to be present. Board and care facilities generally have less than 25 licensed beds, are operated by "mom and pop" type operators, and offer accommodations and services of lesser quality. For consistency, such facilities are also excluded from the penetration rates utilized in the demand analysis.

## Existing Supply of Assisted Living

The following table is a list of the assisted living facilities serving the subject's market area.

Existing Supply of Assisted Living						
Property Name	Year Built	Type	Number of Assisted Living Beds	Miles From Subject	Percent of Beds Considered Competitive	Number of Competitive Beds
The Retreat at Loganville 580 Tommy Lee Fuller Dr, Loganville, GA	1994	IALF/MC	123	1.0	81%	99
Magnolia Senior Living Center 89 Ozora Road, Loganville, GA	2014	ALF/MC	51	3.8	43%	22
Benton House of Grayson 2270 Loganville Hwy, Grayson, GA	2016	ALF/MC	59	4.8	34%	20
Dogwood Forest of Grayson 1754 Grayson Hwy, Grayson, GA	2017	ALF/MC	99	5.9	25%	25
Scepter Health & Rehab of Snellville 3000 Lenora Church Rd, Snellville, GA	1985	CCRC	53	6.6	20%	11
Eastside Gardens 2078 Scenic Hwy N, Snellville, GA	1997	ALF/MC	52	7.3	16%	8
Sunrise of Webb Gin 1375 Webb Gin House Rd, Lawrenceville, GA	2008	ALF/MC	75	7.5	15%	11
The Sheridan at Eastside 1900 Tree Ln, Snellville, GA	2020	IALF/MC	92	7.7	14%	13
Silverleaf Of Snellville 2106 McGee Rd SW, Snellville, GA	2001	ALF D/MC	42	8.1	12%	5
Great Oaks Assisted Living 920 Highway 138 NW, Monroe, GA	2002	ALF/MC	140	9.2	7%	10
Ashton Senior Living 1155 Lawrenceville Hwy, Lawrenceville, GA	1996	IALF	70	10.0	4%	3
Hope Assisted Living & Memory 1200 Winder Hwy, Dacula, GA	2011	ALF D/MC	64	10.0	4%	3
The Landing of Winder 901 Haymon Morris Rd, Winder, GA	2020	ALF D/MC	48	10.0	4%	2
Gateway Gardens at Winder 138 Gateway Lane, Bethlehem, GA	2017	ALF	37	11.4	1%	1
Garden Plaza at Lawrenceville 230 Collins Industrial Way, Lawrenceville, GA	1998	CCRC	71	11.5	1%	1
Sunrise of Five Forks 3997 Five Forks Trickum Rd SW, Lilburn, GA	2003	ALF/MC	69	11.5	1%	1
<b>Total Number of Existing Competitive Beds</b>						<b>235</b>
<b>Type Key</b>						
NC = Nursing center						
NC/ALF = Nursing center with assisted living.						
NC/MC = Nursing center with specialized memory care beds						
ALF = Free-standing assisted living facility						
ALF/MC = Free-standing assisted living facility with dedicated memory care wing						
ALF D/MC = Free-standing assisted living facility - 100% memory care dedicated						
ILF = Independent Living Facility						
IALF = Independent and assisted living facility						
IALF/MC = Independent and assisted living facility with dedicated memory care wing						
CCRC = Continuing care retirement community						

## Occupancy of Competitive Supply

The occupancy and waiting list status of the competitive supply of assisted living are as follows:

Occupancy of Competitive Assisted Living		
Property Name	Current Occupancy %	Waiting List Status
The Retreat at Loganville 580 Tommy Lee Fuller Dr, Loganville, GA	82%	No
Benton House of Grayson 2270 Loganville Hwy, Grayson, GA	87%	No
Dogwood Forest of Grayson 1754 Grayson Hwy, Grayson, GA	83%	No
Eastside Gardens 2078 Scenic Hwy N, Snellville, GA	81%	No
Silverleaf Of Snellville 2106 McGee Rd SW, Snellville, GA	60%	No
Ashton Senior Living 1155 Lawrenceville Hwy, Lawrenceville, GA	91%	No
Hope Assisted Living & Memory 1200 Winder Hwy, Dacula, GA	50%	No
The Landing of Winder 901 Haymon Morris Rd, Winder, GA	27%	No
Garden Plaza at Lawrenceville 230 Collins Industrial Way, Lawrenceville, GA	61%	No

As detailed throughout this report, the stabilized occupancy levels are below average due to Covid-19. During our survey of facilities within the subject PMA, 7 facilities were able to provide information on changes from pre-Covid-19 levels to current occupancy levels. These facilities indicated decreases in occupancy levels ranging from 0% to 35%, with an average decrease of 8.57%. Additionally, we believe that the lower than average occupancy levels are a product of safety measures put in place to slow the spread of Covid-19 at both the community level and at individual facilities. Both the national assisted living market and the assisted living market within the PMA should normalize by the time the proposed subject property is developed. As communities continue to re-open, we believe that occupancy levels will begin to stabilize and the current lower than average occupancy conditions will have a minimal impact on the subject property at the time of opening.

Based upon the reported occupancy levels, the weighted average occupancy for competitive beds is as follows:

Weighted Average Occupancy of Competitive Assisted Living			
Property Name	Number of Competitive Beds	Current Occupancy %	Number of Occupied Beds
The Retreat at Loganville 580 Tommy Lee Fuller Dr, Loganville, GA	99	82%	81
Benton House of Grayson 2270 Loganville Hwy, Grayson, GA	20	87%	17
Dogwood Forest of Grayson 1754 Grayson Hwy, Grayson, GA	25	83%	21
Eastside Gardens 2078 Scenic Hwy N, Snellville, GA	8	81%	6
Silverleaf Of Snellville 2106 McGee Rd SW, Snellville, GA	5	60%	3
Ashton Senior Living 1155 Lawrenceville Hwy, Lawrenceville, GA	3	91%	3
Hope Assisted Living & Memory 1200 Winder Hwy, Dacula, GA	3	50%	2
The Landing of Winder 901 Haymon Morris Rd, Winder, GA	2	27%	1
Garden Plaza at Lawrenceville 230 Collins Industrial Way, Lawrenceville, GA	1	61%	1
TOTALS	166	-	134
WEIGHTED AVERAGE OCCUPANCY		81%	-

### Assisted Living Under Construction or Proposed

Our research revealed the following competitive projects under construction or proposed:

*(Subject)* – The subject developer has preliminarily planned the development of a 50 unit/50 bed assisted living and memory care facility that will include 33 beds dedicated to assisted living residents and 17 beds that will be dedicated to memory care residents. The facility is in the planning stages and a start and completion date have not yet been scheduled, however, we have made the assumption that the subject will be completed within 24 months.

*Celebration Village* – This planned seniors housing development is proposed for the development of a 258-unit independent living, assisted living, and memory care development that will also include 90 active adult homes and will be known as Celebration Village. The seniors housing portion of the facility will include 162 independent living units, 67 assisted living units/75 assisted living beds, and 29 memory care units/38 memory care beds. A planned opening date has been tentatively scheduled for 2022, however, for purposes of this analysis, we have assumed this property will open within 24 months.

*The Villas at Crestview* – This planned seniors housing development was approved by the Snellville City Council in July 2017. The facility, which will be located on approximately 24.73 acres and is proposed for the development of a mixed-use seniors housing development including 225 independent living units, 55 assisted living units, 24 memory care units, and 85 single-family townhomes for residents 55 and older. Additionally, the development will include retail and restaurant space, as well as medical office space. The Villas at Crestview is planned for completion within the next two years.



In our supply forecast, we will only include those facilities likely to be complete within the coming 24 months. These facilities are set forth in the following table.

Supply of Assisted Living Under Construction or Proposed					
Property Name	Current Status	Number of Assisted Living Beds	Miles From Subject	Percent of Beds Considered Competitive	Number of Competitive Beds
Relevant Supply Likely to be Complete Within 12 Months					0
Subject NWQ Jacoby Dr/Bay Creek Rd, Loganville, GA	Planning	50	0.0	100%	50
Villas at Crestview 1672 Athens Highway, Snellville, GA	Pre-planning	79	5.4	28%	22
Celebration Village 1181 Webb Gin House Rd, Lawrenceville, GA	Under Construction	96	7.4	15%	15
Relevant Supply Likely to be Complete Within 24 Months					87

### Memory Care Supply Analysis

We will now focus upon the memory care segment of the assisted living market. Alzheimer's disease is a progressive, degenerative disease that attacks the brain and results in impaired memory, thinking, and behavior. It was first described by Dr. Alois Alzheimer in 1906 and has since been diagnosed in millions of people. The exact causes have yet to be discovered. Memory care is an umbrella term used to describe the loss of cognitive or intellectual function. Many conditions can cause memory care issues. Issues related to depression, drug interaction, thyroid, and other problems may be reversible if detected early. Several other diseases also cause memory care issues, such as Parkinson's, Creutzfeldt-Jakob, Huntington's, and Multi-Infarct or vascular disease, caused by multiple strokes in the brain.

The following statistics from the National Alzheimer's Association's *2019 Alzheimer's Disease Facts and Figures* report delineate the strong need for facilities that care for persons with memory care issues:

- Alzheimer's is a progressive, degenerative disease of the brain and the most common form of memory care disease.
- An estimated 5.8 million Americans of all ages have Alzheimer's in 2019. This figure includes 5.7 million people aged 65 and older and 200,000 individuals under age 65 who have younger-onset memory care issues.
- One in 10 people aged 65 and older (10%) has Alzheimer's.
- Of those with Alzheimer's, an estimated 3% are under age 65, 16% are 65 to 74, 45% are 75 to 84, and 36% are 85 and older.
- More women than men have memory care issues. Approximately 60% of all Americans living with Alzheimer's are women. Of the 5.8 million people over age 65 with Alzheimer's in the United States, 3.5 million are women and 2.1 million are men. Based on estimates from ADAMS, 16% of women aged 71 and older have memory care issues compared with 11% of men.
- The number of Americans surviving into their 80s and 90s and beyond is expected to grow dramatically due to advances in medicine and medical technology, as well as social and environmental conditions. Additionally, a very large segment of the American population – the baby boom generation – is reaching retirement age.



- By 2030, the segment of the U.S. population aged 65 years and older is expected to double, and the estimated 74 million older Americans will make up approximately 20% of the total population (up from 16% in 2016). As the number of older Americans grows rapidly, so too will the numbers of new and existing cases of memory care issues.
- By 2030, the number of people aged 65 and older with Alzheimer's disease is estimated to be over 8.4 million. This is a 44.8% increase from the 5.8 million aged 65 and older currently affected in 2019.
- By 2050, the number of people aged 65 and older with Alzheimer's disease will increase from 5.8 million to a projected 13.8 million, barring the development of medical breakthroughs to prevent or more effectively treat the disease.

In the past, most persons with memory care issues have been cared for in the home by informal caregivers (friends or relatives) or through home health care agencies or other providers. With the continuing increase in two-income households and the recognition that caring for a person with memory care issues can be physically and mentally taxing, many informal caregivers are seeking options outside the home. This led to growth in the number of facilities providing specialized care for persons with memory care issues.

Facilities providing specialized care for persons with memory care issues generally follow one of two models: the nursing care model or the assisted living model. Generally, the nursing care model can be characterized as being for patients who have relatively extensive health care needs in addition to requiring care for memory care issues. The nursing care model is a type of care subject to greater regulation than assisted living care. Staffing requirements for nursing care are typically greater, and the associated costs for care are higher. As many persons with memory care issues are otherwise healthy, the assisted living model is the leading model for the care of persons with memory care issues.

## Existing Supply of Memory Care

The existing supply of memory care within the PMA is as follows.

Existing Supply of Memory Care						
Property Name	Year Built	Type	Number of Memory Care Beds	Miles From Subject	Percent of Beds Considered Competitive	Number of Competitive Beds
The Retreat at Loganville 580 Tommy Lee Fuller Dr, Loganville, GA	1994	IALF/MC	43	1.0	81%	35
Magnolia Senior Living Center 89 Ozora Road, Loganville, GA	2014	ALF/MC	12	3.8	43%	5
Benton House of Grayson 2270 Loganville Hwy, Grayson, GA	2016	ALF/MC	14	4.8	34%	5
Dogwood Forest of Grayson 1754 Grayson Hwy, Grayson, GA	2017	ALF/MC	25	5.9	25%	6
Scepter Health & Rehab of Snellville 3000 Lenora Church Rd, Snellville, GA	1985	CCRC	8	6.6	20%	2
Eastside Gardens 2078 Scenic Hwy N, Snellville, GA	1997	ALF/MC	10	7.3	16%	2
Sunrise of Webb Gin 1375 Webb Gin House Rd, Lawrenceville, GA	2008	ALF/MC	25	7.5	15%	4
The Sheridan at Eastside 1900 Tree Ln, Snellville, GA	2020	IALF/MC	32	7.7	14%	4
Silverleaf Of Snellville 2106 McGee Rd SW, Snellville, GA	2001	ALF D/MC	42	8.1	12%	5
Great Oaks Assisted Living 920 Highway 138 NW, Monroe, GA	2002	ALF/MC	55	9.2	7%	4
Hope Assisted Living & Memory 1200 Winder Hwy, Dacula, GA	2011	ALF D/MC	64	10.0	4%	3
The Landing of Winder 901 Haymon Morris Rd, Winder, GA	2020	ALF D/MC	16	10.0	4%	1
Sunrise of Five Forks 3997 Five Forks Trickum Rd SW, Lilburn, GA	2003	ALF/MC	17	11.5	1%	1
<b>Total Number of Existing Competitive Beds</b>						<b>77</b>
<b>Type Key</b>						
NC = Nursing center						
NC/ALF = Nursing center with assisted living.						
NC/MC = Nursing center with specialized memory care beds						
ALF = Free-standing assisted living facility						
ALF/MC = Free-standing assisted living facility with dedicated memory care wing						
ALF D/MC = Free-standing assisted living facility - 100% memory care dedicated						
ILF = Independent Living Facility						
IALF = Independent and assisted living facility						
IALF/MC = Independent and assisted living facility with dedicated memory care wing						
CCRC = Continuing care retirement community						

## Occupancy of Competitive Supply

The occupancy and waiting list status of the competitive supply of memory care is as follows:

Occupancy of Competitive Memory Care		
Property Name	Current Occupancy %	Waiting List Status
The Retreat at Loganville 580 Tommy Lee Fuller Dr, Loganville, GA	82%	No
Benton House of Grayson 2270 Loganville Hwy, Grayson, GA	87%	No
Dogwood Forest of Grayson 1754 Grayson Hwy, Grayson, GA	83%	No
Eastside Gardens 2078 Scenic Hwy N, Snellville, GA	81%	No
Silverleaf Of Snellville 2106 McGee Rd SW, Snellville, GA	60%	No
Hope Assisted Living & Memory 1200 Winder Hwy, Dacula, GA	50%	No
The Landing of Winder 901 Haymon Morris Rd, Winder, GA	27%	No

Based upon the reported occupancy levels, the weighted average occupancy for competitive beds is as follows:

Weighted Average Occupancy of Competitive Memory Care			
Property Name	Number of Competitive Beds	Current Occupancy %	Number of Occupied Beds
The Retreat at Loganville 580 Tommy Lee Fuller Dr, Loganville, GA	35	82%	29
Benton House of Grayson 2270 Loganville Hwy, Grayson, GA	5	87%	4
Dogwood Forest of Grayson 1754 Grayson Hwy, Grayson, GA	6	83%	5
Eastside Gardens 2078 Scenic Hwy N, Snellville, GA	2	81%	2
Silverleaf Of Snellville 2106 McGee Rd SW, Snellville, GA	5	60%	3
Hope Assisted Living & Memory 1200 Winder Hwy, Dacula, GA	3	50%	2
The Landing of Winder 901 Haymon Morris Rd, Winder, GA	1	27%	0
TOTALS	57	-	44
WEIGHTED AVERAGE OCCUPANCY		78%	-

## Memory Care Under Construction or Proposed

Our research revealed the following competitive projects under construction or proposed:

*(Subject)* – The subject developer has preliminarily planned the development of a 50 unit/50 bed assisted living and memory care facility that will include 33 beds dedicated to assisted living residents and 17 beds that will be dedicated to memory care residents. The facility is in the planning stages and a start and completion date have not yet been scheduled, however, we have made the assumption that the subject will be completed within 24 months.

*Celebration Village* – This planned seniors housing development is proposed for the development of a 258-unit independent living, assisted living, and memory care development that will also include 90 active adult homes and will be known as Celebration Village. The seniors housing portion of the facility will include 162 independent living units, 67 assisted living units/75 assisted living beds, and 29 memory care units/38 memory care beds. A planned opening date has been tentatively scheduled for 2022, however, for purposes of this analysis, we have assumed this property will open within 24 months.

*The Villas at Crestview* – This planned seniors housing development was approved by the Snellville City Council in July 2017. The facility, which will be located on approximately 24.73 acres and is proposed for the development of a mixed-use seniors housing development including 225 independent living units, 55 assisted living units, 24 memory care units, and 85 single-family townhomes for residents 55 and older. Additionally, the development will include retail and restaurant space, as well as medical office space. The Villas at Crestview is planned for completion within the next two years.

In our supply forecast, we will only include those facilities likely to be complete within the coming 24 months. These facilities are set forth in the following table.

Supply of Memory Care Under Construction or Proposed					
Property Name	Current Status	Number of Memory Care Beds	Miles From Subject	Percent of Beds Considered Competitive	Number of Competitive Beds
Relevant Supply Likely to be Complete Within 12 Months					0
Subject NWQ Jacoby Dr/Bay Creek Rd, Loganville, GA	Planning	50	0.0	100%	50
Villas at Crestview 1672 Athens Highway, Snellville, GA	Pre-planning	24	5.4	28%	7
Celebration Village 1181 Webb Gin House Rd, Lawrenceville, GA	Under Construction	29	7.4	15%	4
Relevant Supply Likely to be Complete Within 24 Months					61

## **Barriers to Entry**

The subject is in a market with limited barriers to entry. Vacant sites are available and zoning and building permits are easily obtained. Thus, it is likely that future competition will be developed as warranted by demand.

## **Seniors Housing Demand Analysis**

We will now analyze demand for seniors housing. Our analysis will show demand estimates for the current year, each year for the following four, and 10 years from the current year.

The demand estimates will be based upon the quantity of four potential target groups who are likely users of seniors housing. Analysis of these four target groups will provide four separate indications of demand for seniors housing. We will then consider each one of them to derive our demand conclusions, much as the three approaches to value in an appraisal are reconciled into a single value estimate. The target groups are as follows:

### **Target Group 1**

Although the vast majority of persons entering seniors housing are age 80 and over, some persons between the ages of 65 and 80 elect to live in seniors housing. Therefore, the broadest potential target group for seniors housing is persons age 65 and over. The number of persons age 65+ is often considered in bed need methodologies which are adopted by various state licensing agencies.

### **Target Group 2**

The next potential target group typically examined in evaluating demand for seniors housing is the number of households headed by an individual age 75 and over. The vast majority of seniors housing residents fall into the 75+ range.

### **Target Group 3**

The next target group consists of the age qualified population that has adequate income to live in seniors housing. Many operators consider \$35,000 to be the minimum qualifying income. Although research has shown that many seniors with lesser income levels can afford to reside in seniors housing due to having income from other sources or assets to spend down, \$35,000 is widely considered a benchmark for the private pay market. Due to the location of the subject, this target group consists of the number of households with a household income of \$35,000+ headed by an individual age 75+. Therefore, this target group has been utilized in this analysis.

### **Target Group 4**

This group consists of a group referred to in the industry as adult children. Children and/or other relatives of seniors generally play a significant role in the placement of a senior in a seniors housing facility. Market areas where there are large concentrations of persons in the 45 to 64 age group can often support a significantly larger supply of seniors housing than would be indicated through analysis of seniors already residing in the area. This is because in-migration of seniors into markets with large adult child populations is common, as the elderly are often relocated to a facility near the home of their adult children or other relative. Many operators of seniors housing have recognized the importance of the adult child market. Thus, this target group is the number of persons in the age 45 to 64 age bracket.

### Income and ADL Qualification

Some in the industry apply additional qualifications to further refine the potential target market before applying a penetration rate. These further qualifications might include quantification of seniors likely to require assistance with ADLs and quantification of seniors by living arrangements, restricting the market to those living alone under the assumption that few seniors living with spouses will choose seniors housing. However, there are no reliable local sources to accurately estimate these factors in a given market area, typically leading to the use of national statistics. These further qualifications tend to complicate the application and derivation of penetration rates, and are a futile exercise since the same national data is typically applied to each market area. For this reason, we will not attempt to further qualify the potential market.

### Discussion of Achievable Penetration Rates

There are no industry standard definitions for penetration or capture rates. For purposes of this analysis, a penetration rate is considered to be the number of beds or units of a specific type that should be demanded at market equilibrium within a given market area, divided by the quantity of persons or households of a specific type in the same market area. For example, if 100 beds of assisted living should be demanded, and there are 1,000 persons age 65+ that reside in the PMA, the indicated penetration rate is 10%.

In order to determine appropriate penetration rates, we consulted national demand estimates provided in *The Case for Investing in Seniors Housing and Long Term Care Properties with Updated Projections*. We have also relied upon actual penetration rates being realized based upon data from NIC Map.

The penetration rates are based upon demand for public and private pay. The inclusion of public pay demand significantly impacts the nursing facility sector and has a lesser but still notable impact upon the other two sectors. It is important to note that in states where Medicaid waivers and/or other public pay alternatives are not available, these penetration rates may not be realized. These demand estimates, derived from the most complete and authoritative study of national demand in existence, will be used as the basis for estimating demand in the subject's market area.

IRR has been evaluating seniors housing facilities since the mid-1980s. Over the years, we have worked with many of the most prolific developers of seniors housing in the nation including Sunrise Senior Living, Holiday Retirement, Senior Resource Group, Emeritus, and Capital Senior Living. Most of the successful developers and operators of private pay seniors housing target the adult child population (persons age 45 to 64). In our tours of literally hundreds of facilities nationally, we always ask the source of residents and how often the decision is made by an adult child caregiver. In most instances, the adult child caregiver is noted as being the primary decision maker, and in many markets, more than 50% of the residents are brought in from outside the PMA by adult child caregivers that live in the PMA. Thus, in our analysis, the adult child market (Target Group 4) is given considerable weight.

We have also field tested the penetration rates, used herein, in the preparation of more than 3,000 market studies and appraisals of seniors housing assets prepared over the past 10+ years. We have found these penetration rates to be excellent predictors of actual market conditions. In other words, when our demand analysis indicated there to be an undersupply, we typically found high market occupancy levels indicating unmet demand. Alternatively, when our demand model showed an oversupply, we have typically seen low market occupancy levels.

## Demand Estimates

The following table shows the estimated number of persons or households in each target group for a number of time periods, and the indicated demand for each period based upon the penetration rates previously discussed.

Demand For Assisted Living							
Target Group 1 - Persons Age 65+							
Item	Year						
	2020	2021	2022	2023	2024	2025	2030
A. PMA Persons Age 65+	12,850	13,553	14,257	14,960	15,664	16,367	20,847
B. Achievable Penetration Rate	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
C. Indicated Market Area Demand (A X B)	259	274	288	302	316	330	421
Target Group 2 - Households Age 75+							
Item	Year						
	2020	2021	2022	2023	2024	2025	2030
A. PMA HHs Age 75+	2,622	2,755	2,887	3,020	3,152	3,285	4,116
B. Achievable Penetration Rate	6.4%	6.4%	6.4%	6.4%	6.4%	6.4%	6.4%
C. Indicated Market Area Demand (A X B)	167	175	184	192	201	209	262
Target Group 3 - Households Age 75+ With Income \$35,000+							
Item	Year						
	2020	2021	2022	2023	2024	2025	2030
A. PMA HHs Age 75+ W/Inc. \$35,000+	1,691	1,804	1,918	2,031	2,145	2,258	3,015
B. Achievable Penetration Rate	21.6%	21.6%	21.6%	21.6%	21.6%	21.6%	21.6%
C. Indicated Market Area Demand (A X B)	364	389	413	438	462	487	650
Target Group 4 - Persons Age 45-64 (Adult Children)							
Item	Year						
	2020	2021	2022	2023	2024	2025	2030
A. PMA Persons Age 45-64	27,978	28,360	28,742	29,125	29,507	29,889	31,931
B. Achievable Penetration Rate	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%
C. Indicated Market Area Demand (A X B)	319	323	328	332	336	341	364
Demand Conclusions							
Item	Year						
	2020	2021	2022	2023	2024	2025	2030
Indicated Demand	342	356	370	385	399	414	507
Adjustment for Local Market Conditions	25%	25%	25%	25%	25%	25%	25%
Concluded Demand	427	445	463	481	499	517	634

The demand indication for each target group is independent of the other three demand indications. In this case, our final demand conclusions are weighted 50% to Target Group 3 - age and income qualified seniors, and 50% to Target Group 4 - adult children. These two indications of demand are the best indicators of demand for private pay seniors housing. This demand conclusion was reached as the population percentages in the subject PMA are similar to those of the nation as a whole within the adult child cohort and the seniors age cohorts.

The assisted living market was adjusted upward for local market conditions as the penetration rate in the Atlanta metro market is 56.6% higher than the penetration rate for comparable primary markets, while the penetration rate for Walton county is 145.3% higher than the penetration rate for comparable primary markets. We have made a 25% upward adjustment based on the aforementioned penetration rate data as well as the fact that the assisted living supply in the subject's primary market has an average age of 20 years and any new product to the market will likely be well received.



## Comparison of Supply and Demand

The following table summarizes our conclusions of supply and demand for assisted living.

Comparison of Supply and Demand For Assisted Living							
Item	Year						
	2020	2021	2022	2023	2024	2025	2030
A. Indicated Demand	427	445	463	481	499	517	634
B. Less Existing Supply	235	235	235	322	322	322	322
C. Existing Unmet Demand or Oversupply	192	210	228	159	177	195	312
D. Additions/Subtractions to Supply	0	0	87	N.A.	N.A.	N.A.	N.A.
E. Unmet Demand After Additions	192	210	141	159	177	195	312

Our analysis shows that the PMA has an under-supply of assisted living in the current year, with unmet demand for 192 beds indicated. There are three known projects (including the subject) under construction or in the planning stages that are forecast to be added to the supply over the next 24 months. Of the competitive pipeline there will be an unmet demand of 210 beds in 2020 and 141 beds in 2021 after all proposed projects are delivered. The PMA is growing and the demand model shows demand increasing at a rate of 3.9% over the next five years.

As noted previously, demand for memory care is a subset of overall assisted living demand. Memory care facilities are normally licensed the same as standard assisted living facilities. Furthermore, it is relatively easy for facilities to begin or cease providing specialized memory care since the physical plant requirements are not significantly different and the license is not different. We have previously determined demand for all assisted living, including memory care.

As of the 1st quarter of 2020, NIC MAP reported that there were 418,104 assisted living units and 142,055 memory care units in the nation. Thus, the combined assisted living supply count inclusive of memory care was 560,159 units. The memory care assisted living supply figure in turn equated to 25% of the total assisted living supply. Also, memory care is currently the fastest growing segment of age-qualified housing.

However, we believe this provides just a starting point, and, in fact, understates potential demand for memory care for several reasons. Firstly, memory care units are much more likely to be semi-private than traditional assisted living, and the statistics noted above are based upon units, not beds. Therefore, the quantity of memory care units above has a much higher level of double occupancy, thus the demand on a bed, rather than unit basis, would be much higher as a percent of total demand. Furthermore, many residents of traditional assisted living have mild to moderate memory care issues and would be better suited for residency in a memory care facility, but the supply of memory care units is lacking in many markets.

According to the Alzheimer's Association, there are approximately 476,000 people age 65 or older that developed Alzheimer's disease in the United States in 2016. Also, the Alzheimer's Association provided the following data regarding projected change by state for those residents with Alzheimer's disease.

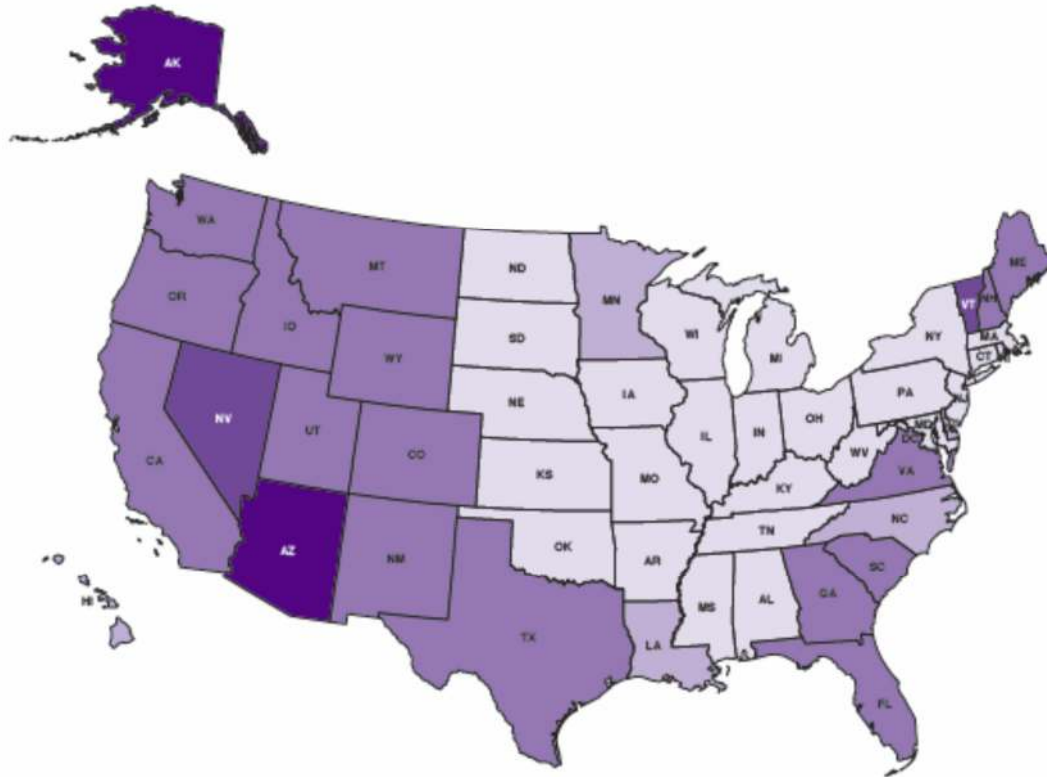
Projections of Total Numbers of Americans Age 65 and Older with Alzheimer's Dementia by State

State	Projected Number with Alzheimer's (in thousands)		Percentage Increase	State	Projected Number with Alzheimer's (in thousands)		Percentage Increase
	2019	2025			2019	2025	
Alabama	94	110	17.0	Montana	21	27	28.6
Alaska	8	11	37.5	Nebraska	34	40	17.6
Arizona	140	200	42.9	Nevada	47	64	36.2
Arkansas	57	67	17.5	New Hampshire	25	32	28.0
California	670	840	25.4	New Jersey	180	210	16.7
Colorado	73	92	26.0	New Mexico	41	53	29.3
Connecticut	78	91	16.7	New York	400	460	15.0
Delaware	19	23	21.1	North Carolina	170	210	23.5
District of Columbia	8.9	9	1.1	North Dakota	14	16	14.3
Florida	560	720	28.6	Ohio	220	250	13.6
Georgia	150	190	26.7	Oklahoma	65	76	16.9
Hawaii	29	35	20.7	Oregon	67	84	25.4
Idaho	26	33	26.9	Pennsylvania	280	320	14.3
Illinois	230	260	13.0	Rhode Island	23	27	17.4
Indiana	110	130	18.2	South Carolina	92	120	30.4
Iowa	65	73	12.3	South Dakota	17	20	17.6
Kansas	54	62	14.8	Tennessee	120	140	16.7
Kentucky	73	86	17.8	Texas	390	490	25.6
Louisiana	89	110	23.6	Utah	33	42	27.3
Maine	28	35	25.0	Vermont	13	17	30.8
Maryland	110	130	18.2	Virginia	150	190	26.7
Massachusetts	130	150	15.4	Washington	110	140	27.3
Michigan	190	220	15.8	West Virginia	38	44	15.8
Minnesota	97	120	23.7	Wisconsin	110	130	18.2
Mississippi	55	65	18.2	Wyoming	10	13	30.0
Missouri	110	130	18.2				

Created from data provided to the Alzheimer's Association by Weuve et al.<sup>A7,185</sup>

Projected Increases Between 2019 and 2025 in Alzheimer's Dementia Prevalence by State

12.3% - 18.4%    18.5% - 24.5%    24.6% - 30.7%    30.8% - 36.8%    36.9% - 42.9%



Change from 2019 to 2025 for Washington, D.C.: 1.1%

Created from data provided to the Alzheimer's Association by Weuve et al.<sup>A2385</sup>

As shown in the figures above, between 2019 and 2025, every state and region across the country is expected to experience double-digit percentage increases in the numbers of people with Alzheimer's due to increases in the proportion of the population 65 and older.

Major operators of memory care facilities such as Brookdale, Capital Senior Living, and Benchmark believe that demand for memory care is as high as 38% of total assisted living demand. Based upon this, we will estimate demand for memory care at 35% of total assisted living demand.

The following table summarizes our conclusions of supply and demand for memory care.

Comparison of Supply and Demand For Memory Care							
Item	Year						
	2020	2021	2022	2023	2024	2025	2030
A. Indicated Demand	149	156	162	168	175	181	222
B. Less Existing Supply	77	77	77	138	138	138	138
C. Existing Unmet Demand or Oversupply	72	79	85	30	37	43	84
D. Additions/Subtractions to Supply	0	0	61	N.A.	N.A.	N.A.	N.A.
E. Unmet Demand After Additions	72	79	24	30	37	43	84

Our analysis shows that the PMA has an under-supply of memory care in the current year, with unmet demand for 72 beds indicated. There are three known projects (including the subject) in the planning stages that are forecast to be added to the supply over the next 24 months. Of the competitive pipeline there will be an unmet demand of 79 beds in 2020 and 24 beds in 2021 after all proposed projects are delivered. The PMA is growing and the demand model shows demand increasing at a rate of 3.9% over the next five years.

### **Supply and Demand Conclusion**

The PMA is a growing market, with low barriers to entry. Based on current supply and demand characteristics, the development of the subject property will not meaningfully impact the undersupply condition in the year of completion. Market conditions are expected to remain strong, assisted living and memory care demand forecast to grow at 3.9% per year. The undersupply in the current year, the average age of facilities within the PMA, and the high growth rate in the market indicates there is likely pent up demand in the market and the subject property has an opportunity to lease-up units at an above average absorption rate in the assisted living and memory care markets. Furthermore, given the supply and demand conditions in the subject PMA, new projects that are proposed and in the pre-planning process should be monitored closely for future competition.

### COVID-19 Impact on Current Valuations

The best measure of any impact on values due to COVID-19 would be in direct transaction indicators that are objectively verified and clearly show data points, current pricing discovery, and the ability to measure movement in values from a prior baseline; and to understand direction in overall values. This would include sales transactions, leasing activity, vacancy rates, and/or cap rates that have visibly moved off of early Q1 2020 levels (baseline), or form a conclusive basis for new pricing. However, given the unique nature and recency of this event, minimal activity is evident from which to draw benchmark comparisons based on transactional data.

In the absence of transaction data, there is empirical data in the market that can be gleaned and assist in estimating the valuation metrics and assessing their reliability in estimating current value. In this initial phase of the pandemic, early emerging trends include:

- Market confidence (fundamental economic fear)
- Expectations of impaired property/operating performance
- Re-pricing risk (debt and equity)
- Liquidity duration
- Impaired market and pricing activity

All or some of the above may be shorter-term issues, but others may linger and have a lasting impact on valuations in the commercial real estate (CRE) sector along a continuum of time.

At this juncture, the global question facing market participants is: “How long does this crisis last and how deep will its impact become?” At a minimum, Q2 2020 economic performance will be dismal based on most economic forecasts. Shelter-in-Place and Stay-at-Home Executive Orders for most of the U.S. states now run through April 30, at a minimum.

As of April 1, market confidence was moderate (for the moment) but uncertain in its moderate conviction. Many governments are inducing incentives to support their national economies. On March 27, 2020, the U.S. Congress approved a \$2 Trillion stimulus package intended to support payrolls and create economic “breathing room.” The length of the current social-distancing measures likely impacts future operating performance.

One of the unknowns is, “How long can the world stay shut down, with everyone staying in their home?” There remains hope the onset of summer will slow the virus transmission; there is active concern for healthcare workers and their families, and concern for our own families. A psychologically important factor affecting market confidence is the shocking rate of supply disruption at all levels, particularly in medical supplies and protective equipment; all the more alarming to a U.S. population accustomed to everything on demand.

Based on discussions and interviews with a wide range of market participants, a variety of factors and concerns are prevalent in the market that will likely have a negative impact broadly on CRE values, depending on property type and region. Essential Service Providers will be less impacted (distribution

facilities, medical facilities, grocery service) as the performance of these sectors is expected to continue.

However, the broader market will experience myriad issues based on survey respondents including:

**Uncertainty**

- Restricted access to capital
- Unemployment concerns (increasing to 15% in Q2)
- GDP decline (-30% in Q2)
- Duration of crisis

**Lender Concerns**

- DSCR are impacted based on changes in rental revenue and collections
- Loan covenants could trigger due to changes in near-term value
- Borrowers are concerned about their tenants' ability to pay rent
- Borrowers are concerned about their ability to keep their loans current
- Lenders are also concerned about the need for loan modifications or work outs

**Publicly Traded Securities**

- Stock indexes are down approximately 25% to 30%
- REIT pricing down approximately 25%
- Crude oil down approximately 40%

**Return Requirements**

- Interest rates may stay in the 4%- 4.5% range, despite the Federal Reserve's reduction efforts. Banks have to tightly manage their capital reserves and ratios and therefore are requiring higher spreads for current risk profile
- Durability of Cash Flow forces (new) equity investors to reprice risk. Standby (available, uncommitted) equity now has to be patient until a clearer "path forward" emerges
- Impact on cap rates would be upward

Each of the above observations provides empirical evidence that the market has shifted downward and real estate values will likewise be impacted, but to what degree is not certain.

Few experts or economists at this point are willing to state a threshold duration at which point everything will return to normal quickly, versus a duration of limited economic activity that spirals into worldwide recession. At the moment, the prevailing hope throughout the world is that science miraculously manufactures a cure, while in the meantime, social activity has ceased.

**Integra Current Valuation Framework (April 1 – present)**

The preceding property market analysis focuses on recent historic trends before the physical and social impacts of the COVID-19 pandemic were revealed in the U.S. in early March 2020. The property market analysis was current through Q4-2019 with trends and indications for solid growth by most all market indicators. Many current market participants believe the CRE markets will return to trend – the lingering question, “How long will it take?” remains uncertain.

What we do know with reasonable certainty:

- At a minimum, Q2 economic performance will be dismal.
- Shelter-in-Place and Stay-at-Home executive orders will have a profound impact on GDP with rising unemployment damaging forward economic performance for three, if not six months at a minimum.
- The Federal Reserve’s attempt to lower nominal rates was thwarted by lenders setting floors on spreads. Congress subsequently approved a \$2 Trillion stimulus package on Friday, March 27, 2020. This could provide some economic relief, but businesses, owners, investors, and bankers need to support payroll retention and an aggressive program of economic goodwill throughout all sectors of the economy.

Everything forward beyond those three known factors remains subject to considerable risk/uncertainty.

The current macro-framework to sustain through this pandemic is to take 2007 “Blend and Extend” methods, and enhance them. Be wary of repricing assets too quickly (downward), lest all asset prices collapse. A market equilibrium in transaction pricing will need to be reset over the coming 60 days, therefore do not delay in providing banking liquidity, and direct incentives to support a transaction reset. Do not backstop transaction repricing for too long because artificial pricing support could become unsustainable, prolonging economic recovery.

Our current surveys of market participants (March 11 – March 30, 2020) indicates a focus in the following areas impacting value:

- Impacts could (should) vary by property type, class, and location
- Cost of capital (both debt and equity) is increasing, but at different rates for different asset classes
- Declines in property operations/forecasts (NOI) vary in duration based on property type, class; location; and tenant durability under potential recessionary pressures
- Increases in cap rates (and normalized yields) will vary by property type, class and location as will the underlying assumptions on stabilized or periodic cash flow
- Marketing times for most assets will increase, but the next 45 days will be uncertain on outright marketability regardless of price. This so far has not yet occurred, although deals and listings have slowed dramatically in these first few weeks. To a large extent, deal flow has

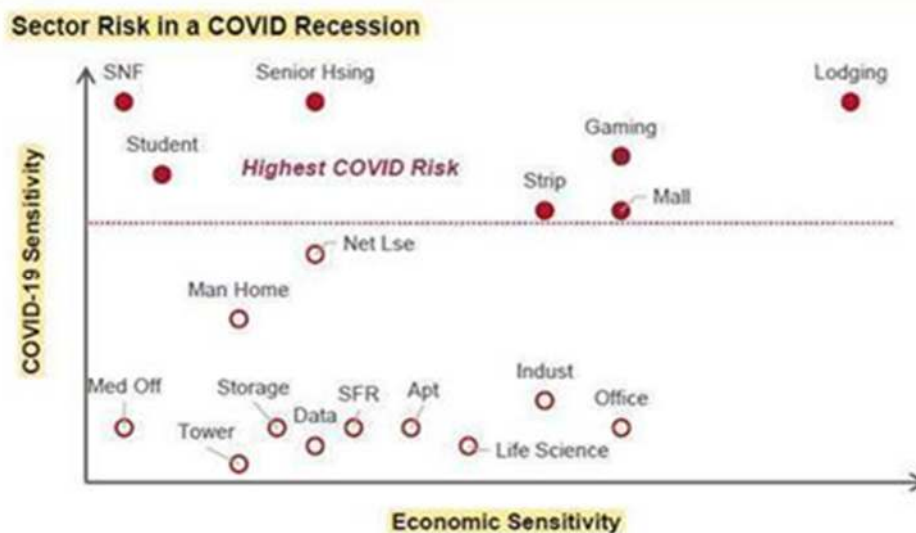


halted based on the sheer physical constraints imposed on property showings/due diligence, etc. under current distancing restrictions.

- Market sentiment in the coming 14 - 30 days regarding healthcare performance/business performance/employment security/physical security will affect market investment expectations, yields, and the temperament for risk.

### Impact by Property Type, Class & Location

Below is a graph prepared by Greenstreet Advisors plotting the sensitivity (and risk) associated with various property types with the negative impact on value being greater for those assets with greater sensitivity. Those assets relating to essential business operations (grocery, medical, distribution) are less affected than for example lodging and malls where social distancing is more difficult.



### Cost of Capital/Liquidity

The cost of capital, both for debt and equity, had been at near historic lows pre crisis. Borrowers had a myriad of options from a variety of capital sources. As the crisis began to unfold in early 2020, treasury rates were moving down as the Fed sought to keep the market liquid. When it became clear the global crisis had landed in the United States, the Fed moved rates to near zero. Many lending institutions instituted floors (spreads widened) because the fixed costs of doing a deal had to be covered.

As lenders are coming to grips with the severity of the economic outlook, many have pulled back from the market altogether while others reacted by raising interest rates, lowering loan to values, or a combination of both. There are clearly some lenders who are “out” while others remain in the market. There are fewer options in the market and those options are more expensive today than 30 days ago. The rise in cost varies notably by property type with agency lenders and HUD determined to provide liquidity to the multi-family market while at the other end of the spectrum, financing a hotel is challenging, and financing is nonexistent. Assets focused on essential business operations (e.g., grocery or last mile industrial) remain in favor as do net leased assets with recession-resistant business profiles.

Equity is less clear at the moment. While large pools of capital were being raised through 2019 and into Q1 2020, the strategy has suddenly shifted. Equity is available, and deals are finalizing that were contracted pre-COVID-19, on the strength of the equity sponsor, but deal flow will likely pause for 15-30 days as equity repricing occurs. This will coincide (hopefully) with an abatement (or clarity) in the world's critical health status by May 1, 2020.

### **Declines in Property Operations/Forecasts**

The lodging, retail, student housing, and senior sectors are generally viewed as expecting to suffer the greatest. Once again, this varies by location and type. Restaurant retail is generally viewed as having greatest risk but is expected to rebound quickly as pent-up demand explodes when everyone can leave their home. Grocery retail is currently performing well with big box stores setting record sales per square foot.

Radical changes in the employment picture will begin to affect the housing sector, both single-family and apartments. Apartments will not be immune or "safe" from lost rent, varying by type and location depending on the tenant base employment and its ability to weather a 6 to 12-month contraction.

There is an expectation in the market that, for many retail centers, tenants will not be paying rent. Without customers, particularly in states with stay-at-home orders, there simply is no revenue available. Tenants and owners alike are reviewing force majeure clauses in their leases.

Rent projections are being held flat in modeling cash flows going forward with the length of time dependent on the asset type.

Depending upon whether values are based on yield capitalization (DCF) or direct capitalization, care must be given to provide "stabilized" forecasts to capitalize; and to normalize yield levels for projecting variable year yield cap.

### **Premiums on Capitalization Rates**

While many deals have fallen out of contract, other deals are still closing. Some are closing at their pre-crisis contract price levels while many deals are being re-traded in the market with discounts influenced by property type, location, and buyer/seller motivations.

As the transaction market solidifies, the impact on capitalization rates will become clearer. Some market participants believe the answer to market value lies in the capitalization rates while others believe rates are not moving but net operating income in the short run is being impacted. Once again, the answers vary by property type and location.

Clearly, the cost of capital (debt and equity) has increased. Valuation theory suggests via band of investment analysis that as interest rates and cash on cash equity rates increase, capitalization rates increase. A 100 basis point upward movement in interest rates for example, combined with a modest rise in equity returns, can move capitalization rates up over 100 basis points. We temper this analysis however with the understanding that it is difficult to settle on the inputs given the wide range of data in the market. In addition, care must be taken not to "double hit" the analysis by modeling

significantly lower net income, via lower performance projections, and at the same time raising the return requirements.

### Normalization of Yields

All yield capitalization is based on forward forecasting of property performance to generate a current cash flow, and future forecasted reversion. Therefore, the timeframe for the market to reach a point of pricing transparency to “return to par” is the critical assumption in the yield cap.

The longer or less likely the assumptions are, the higher the near-term yields. Valuation theory and past downward economic cycles suggest a shortening of the holding period and a normalization of “overall yield” applied over the shorter holding period.

As the transaction market solidifies, the impact on investment rates and relationship of assumption risk to market risk will become clearer.

### Marketing and Exposure Time

At the present time, there is consensus of declining market demand in CRE transactions, due to market conditions ensuing from COVID-19. It is natural to assume that exposure time on properties either for sale or lease, will likely be extended. Comparing pre-COVID-19 exposure periods (perhaps the best) to the banking crisis of 2008/2009 (perhaps the worst) can glean some differences that could extrapolate to exposure time going forward, i.e. from peak to trough.

Sector	Months on Market March 2008-09	Months on Market March 2018-19	Change in Months	% Change Peak to Trough
Office	29.6	14.8	14.8	100%
Retail	15	11.4	3.6	32%
Industrial	19.6	6.7	12.9	192%
Average	21.4	11.0	10.4	95%

Source: Costar – data presented in Months

Days on the market increased substantially in the last economic crisis of 2008-2009, with an average of 21 months on market for major property classes. For the trailing 12 months preceding the COVID-19 crisis, days on market were 11 months.

Based on this historical perspective, marketing time could potentially double from current levels. This must be tempered, recognizing that the depth and duration of this current economic crisis is tied to a health crisis and may have a conclusion more closely tied to its resolution.

### General Public Market Sentiment

General public market sentiment is a changing rollercoaster with each passing day. Right now, sentiment is cautious and trying not to overreact, but provide some relief, negotiate in good faith; try and be humane and understand the entire world is in this together. Some countries take two weeks off each year for holiday, and their entire economy doesn't fall apart. The world is not going to take another four-week vacation from large components of consumer-facing and public activities.

Most humans are sequestered in their homes with limited social contact, with reasoned concerns for the health and safety of our families and friends, all the while consuming worldwide coverage and analysis of atypical death rates from an infectious virus not seen in over 100 years.

Market sentiment more than likely gets worse in the coming weeks before it gets better, absent the announcement of a miracle cure/treatment during that time.

### **Conclusion**

This heightened uncertainty forms the basis of defined risk. According to the NIC MAP® Data Service Intra-Quarterly Snapshot May 2020, the stabilized occupancy rate for majority Independent living properties fell 190 basis points to 89.5%, while majority assisted living properties fell 260 basis points to 85.2% for the NIC MAP® primary markets on a 3 month rolling basis to May 2020 from March 2020. The June 2020 NIC MAP® Data Service Intra-Quarterly Snapshot indicated a further decline of 2.4% for independent living properties and an additional 3.2% for assisted living. The sharpest declines occurred in April and the declines have lessened in each subsequent month. We believe that the lower than average occupancy levels are a product of safety measures put in place to slow the spread of Covid-19 at both the community level and at individual facilities. Both the national seniors housing market and the seniors housing market within the PMA should normalize by the time the proposed subject property is developed. As communities continue to re-open, we believe that occupancy levels should begin to stabilize and the current lower than average occupancy conditions will have a minimal impact on the subject property at the time of opening.

## Property Analysis

### Land Description and Analysis

Specific site details are as follows:

#### Location -

Street Address:	NWQ Jacoby Drive/Bay Creek Road
Additional Frontage To:	None
Site Orientation:	Interior Site
Nearest Cross-Street:	Bay Creek Road, approximately one-tenth of a mile southeast

#### Accessibility and Visibility -

Primary Access Via:	Jacoby Drive, a moderately traveled roadway with one lane extending in each direction. Jacoby Drive is not median divided. There is not a traffic light that facilitates access to the site.
Secondary Access Via:	None
Accessibility Rating:	Average
Visibility Rating:	Average

#### Physical Characteristics -

Site Size:	1.37 acres
Shape:	Mostly rectangular
Topography:	Mostly level
Vegetation	Moderate
Excess Land Area:	None

#### Flood Zone Information -

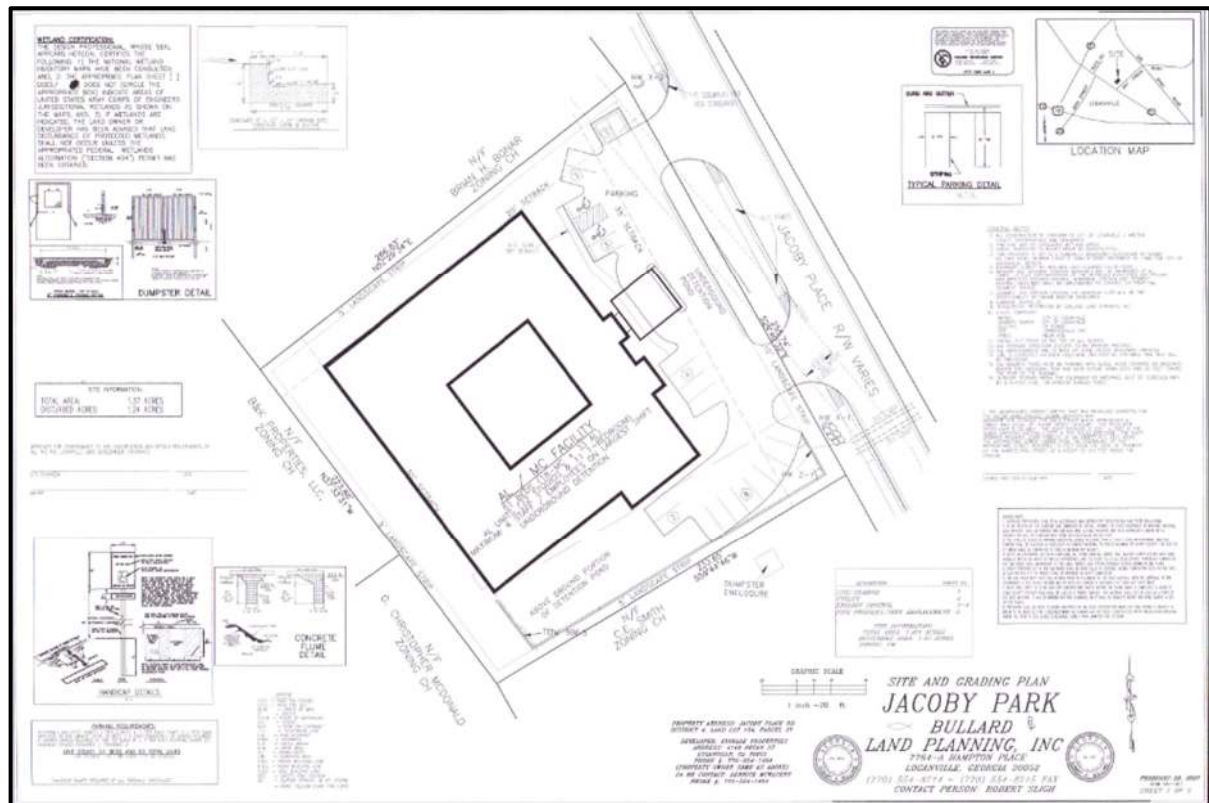
Zone:	Zone X
Panel Number:	13297C0085E, effective date December 8, 2016
Flood Insurance:	No

#### Utility Availability -

Electricity:	Public to site
Natural Gas:	Public to site
Water:	Public to site
Sewage Treatment:	Public to site
Telephone:	Public to site

#### Environmental -

Phase 1 ESA:	Not provided
Known Hazards:	None observed or known
Earthquake Zone:	Not within earthquake zone



Site Plan

**Adjacent Properties -**

North:	Commercial
East:	Self Storage/Commercial
South:	Vacant Land/Commercial
West:	Commercial
Nuisances or Hazards:	None known

**Easements and Other Legal Constraints -**

Access Easements:	None known
Encroachments:	None known
Utility Easements:	Typical for improved properties to allow for the installation and maintenance of utility lines
Other Restrictions:	None known

**Conclusion**

The subject's site contains a total of 1.37 acres. The shape of the site is mostly rectangular, and the topography is mostly level. Overall, the site is considered to have good functional utility. It is physically suited for a wide range of uses and is well suited for the proposed use.

## Improvements Description and Analysis

### Introduction

The following definitions of the Seniors Housing Classifications were jointly developed by the American Seniors Housing Association (ASHA) and the National Investment Center (NIC).

**Active Adult Community:** For-sale single-family homes, townhomes, cluster homes, and condominiums with no specialized services, restricted to adults at least 55 years of age or older. Rental housing is not included in this category. Residents generally lead an independent lifestyle, the facilities are not equipped to provide increased care as the individual ages. It may include amenities such as clubhouse, golf course and recreational spaces. Outdoor maintenance is normally included in the monthly homeowner's association or condominium fee.

**Senior Apartment Community:** Multifamily residential rental properties restricted to adults at least 55 years of age or older. These properties do not have central kitchen facilities and generally do not provide meals to residents but may offer community rooms, social activities, and other amenities.

**Independent Living Facility (ILF):** Age-restricted multifamily rental properties with central dining facilities. ILFs provide residents, as part of their monthly fee, access to meals and other services such as housekeeping, linen service, transportation, and social and recreational activities. Such properties do not provide, in a majority of the units, assistance with activities of daily living (ADLs) such as supervision of medication, bathing, dressing, or toileting. There are no licensed skilled nursing beds in the facility.

**Assisted Living Facility (ALF):** State regulated rental properties that provide the same services as independent living communities listed above. ALFs also provide, in a majority of the units, supportive care from trained employees to residents who are unable to live independently and require assistance with ADLs, including management of medications, bathing, dressing, toileting, ambulating, and eating. These properties may have some skilled nursing beds, but the majority of units are licensed for assisted living. Many of these properties include wings or floors dedicated to residents in need of memory care. A property that specializes in the care of residents with memory care issues should be considered an assisted living facility.

**Independent and Assisted Living Facility (IALF):** Single communities offering both independent and assisted living services within the same building or on the same campus.

**Skilled Nursing Facility (SNF):** Licensed daily rate, wherein the majority of individuals require 24-hour nursing and/or medical care. In most cases, these properties are licensed for Medicaid and/or Medicare reimbursement. These properties may include a minority of assisted living and/or memory care units.

**Continuing Care Retirement Communities (CCRCs):** Age-restricted properties that include a combination of independent living, assisted living and skilled nursing services (or independent living and skilled nursing) available to residents all on one campus. Resident payment plans vary and include entrance fee, condo/co-op and rental programs. The majority of the units are not licensed skilled nursing beds.

The following are additional terms that are used in describing and analyzing seniors housing properties:

**Licensed beds:** The number of beds a facility is licensed to operate by the appropriate state licensing agency.

**Living units:** The number of living units, consisting of one or more rooms, designed to accommodate residents of the facility.

**Medicaid:** Provides health coverage for people of all ages whose incomes are low. To qualify for Medicaid, an individual, couple, or family must meet income and resource guidelines. Income includes money received each month from Social Security, employment, or other sources. Resources refer to the value of items owned such as cash and savings. Some resources, such as the family home and one car, are not counted in determining Medicaid eligibility. To qualify, individuals must be U.S. citizens, with some exceptions for certain categories of non-citizens. Medicaid pays for basic health services and for some services not covered by Medicare such as medicine, nursing facility care, eye exams, glasses, transportation for medical care, and other medical services. Medicaid is funded and regulated by both federal and state governments. As a result, Medicaid rules vary from state to state.

**Medicaid waiver:** Under Section 1915(c) of the Social Security Act, Medicaid law authorizes the Secretary of the U.S. Department of Health and Human Services to waive certain Medicaid statutory requirements. These waivers enable states to cover a broad array of home and community-based services (HCBS) for targeted populations as an alternative to institutionalization. Waiver services may be optional state plan services which either are not covered by a particular state or which enhance the state's coverage. Waivers may also include services not covered through the state plan such as respite care, environmental modifications, or family training. Many states have waiver programs in place to provide for assisted living care.



**Medicare:** A federal health insurance program, passed in 1965 as Title XVIII of the Social Security Act, Medicare was intended to pay the cost of some health care services in order to ensure access to a basic level of health care for the aged and other eligible persons. Medicare will cover the first 20 days of nursing facility care, and will partially pay for the next 80 days, for a total benefit not to exceed 100 days. A three-day hospital stay is required to qualify for this benefit.

**Medicare Part A:** Provides payment for post-hospital care in a Medicare certified nursing facility. Medicare Part A may provide payment for post-hospital care in a nursing facility for up to 100 days if Medicare coverage requirements, or “the 5 rules”, are met. A resident is entitled to full coverage for the first 20 days; from the 21<sup>st</sup> day through the 100<sup>th</sup> day, Medicare pays for all covered services except a daily co pay amount for which the resident is responsible. That means the resident has to pay the co pay either with his or her own money or, if eligible, through Medicaid or private insurance (i.e. medi-gap policy). A nursing facility resident will not be entitled to any Medicare Part A coverage unless he or she is admitted to a nursing facility within 30 days following a 3-day hospital stay. Medicare certified nursing facilities are reimbursed for providing nursing facilities stays based upon the Prospective Payment System (PPS).

**Medicare Part B:** Seniors are required to enroll in Medicare Part B. Medicare, which pays for doctors’ services, outpatient hospital care, and some other medical services that Part A does not cover, such as the services of physical and occupational therapists, and some home health care. Part B helps pay for these covered services and supplies when they are medically necessary.

**Medicare Prospective Payment System (PPS):** Section 4432(a) of the Balanced Budget Act (BBA) of 1997 modified how payment is made for Medicare skilled nursing facility (SNF) services. Effective with cost reporting periods beginning on or after July 1, 1998, SNFs were no longer paid on a reasonable cost basis or through low volume prospectively determined rates, but on the basis of the PPS. The PPS rates are adjusted for case mix and geographic variation in wages and covers all costs of covered SNF services, such as routine, ancillary, and capital-related costs. The amount of reimbursement for each resident is based upon the Resource Utilization Groups (RUG) IV case mix system.

**Operating beds:** The number of beds a facility actually operates. This may be less than the number of licensed beds.

**Private bed:** A bed situated in a room with no other beds/residents.

**Private pay:** Refers to a resident whose charges are funded by personal funds, assistance from relatives or other private individuals or groups, or long-term care insurance.

**Resident day:** A day for which services are rendered and billable, or a day for which a bed or unit is held and billed. For example, if a resident rents and occupies a unit for a full calendar year, that resident would have occupied the bed or unit for 365 resident days.

**RUG-IV:** RUG IV is a 66-group model for classifying nursing facility residents into homogenous groups according to common health characteristics and the amount and type of resources they use. Residents are classified based on residents' clinical conditions, extent of services used, and functional status. The groups are in seven general categories (in general order of costs associated with caring for residents): rehabilitation plus extensive services, extensive services, clinically complex, special care high, special care low, behavioral symptoms, cognitive performance, and reduced physical function.

**Semi-private bed:** A bed situated in a room with one other bed/resident.

**Ward bed:** A bed situated in a room with two or more other nursing beds/residents.

### Unit/Bed Mix and Building Areas

The following is a tabulation of the assisted living and memory care unit/bed mix and building area based on the developer's projections. Additionally, we were not provided with unit sizes and have relied on our research of newer facilities within the greater Atlanta area to forecast the unit sizes for the subject.

Developer's/IRR Forecasted Preliminary Unit Mix and Building Areas							
Unit Type	Care Type	Square Feet	Number of Units	Number of Beds Per Unit	Number of Beds	Percent of Total GBA	Total Square Feet
Studio	Assisted Living	450	22	1	22	24.7%	9,900
One Bedroom	Assisted Living	550	11	1	11	15.1%	6,050
Studio	Memory Care	325	17	1	17	13.8%	5,525
<b>Totals</b>			<b>50</b>	<b>-</b>	<b>50</b>	<b>53.5%</b>	<b>21,475</b>
<b>Plus Common Areas</b>						<b>46.5%</b>	<b>18,645</b>
<b>Total Gross Building Area</b>							<b>40,120</b>

As a check, we have compared the subject's projected unit/bed mix with several newer properties that have been developed in the greater Houston metro area. These facilities are listed in the table below:

Summary of Unit Mixes and Unit Sizes																											
Location Year Built	Atlanta Metro 2016			Atlanta Metro 2017/2019			Atlanta Metro 2017/2019			Atlanta Metro 2018			Atlanta Metro 2017			Atlanta Metro 2019			Atlanta Metro 2019			Atlanta Metro 2020			Market Derived Forecasted Unit Mix 2022		
AL	Units/ Size Beds %/Total			Units/ Size Beds %/Total			Units/ Size Beds %/Total			Units/ Size Beds %/Total			Units/ Size Beds %/Total			Units/ Size Beds %/Total			Units/ Size Beds %/Total			Units/ Size Beds %/Total			Units/ Size Beds %/Total		
Studio	400	32	48%	399	15	27%	0	0	0%	450	8	9%	454	4	5%	578	19	20%				620	6	8%	484		20%
1 Bedroom	485	20	30%	466	24	44%	399	15	27%	575	24	26%	525	68	92%	629	75	78%				665	57	80%	535		54%
Total AL		67	100%		55	100%		55	100%		92	100%		74	100%		96	100%		0	0%		71	100%			
Memory Care	Units/ Size Beds %/Total			Units/ Size Beds %/Total			Units/ Size Beds %/Total			Units/ Size Beds %/Total			Units/ Size Beds %/Total			Units/ Size Beds %/Total			Units/ Size Beds %/Total			Units/ Size Beds %/Total			Units/ Size Beds %/Total		
Private Studio	341	17	81%	291	28	90%	295	29	83%	340	18	100%	343	25	100%	313	33	100%				355	28	100%	325		93%
Shared Studio	561	4	19%	668	3	10%	668	6	17%	0	0	0%	0	0	0%										632		15%
Total MC		21	100%		31	100%		35	100%		18	100%		25	100%		33	100%		0	0%		28	100%			
Total Units		88			226			252			110			99			199			208			270				

As can be seen in the preceding table, for the assisted living market segment, the average studio unit size is 484 square feet, and the average one bedroom unit size is 535 square feet. Of those properties that include a studio unit types, this unit accounts for approximately 20% of the units and of the properties that include a one bedroom unit type, this unit accounts for approximately 54% of the total units. It should be noted that the percentages can be skewed due to the fact that not all of the properties include all of the unit types.

Lastly, for the memory care assisted living market segment, the average private studio unit size is 325 square feet, while the average semi-private studio unit size is 632 square feet. Of those properties that include a private studio unit type, this unit accounts for an average of approximately 93% of the total units, of those properties that include a semi-private studio unit type, this unit accounts for approximately 15% of the total units. It should be noted that the percentages can be skewed due to the fact that not all of the properties include all of the unit types.

The table above indicates that the trend of unit mix and unit size is toward larger units, with the one bedroom unit taking market share from studio units in the assisted living market segment. Based on the configuration and unit mix/unit sizes of newly developed facilities within the greater Atlanta metro area, we believe that the subject's projected unit/bed mix and projected unit sizes are reasonable and similar to competing properties within the market.

We were provided with approximate building sizes for the subject that total 145,876 square feet. In the table below, the projected subject's functional utility is detailed when compared against the median facility size data from the State of Senior Housing. The projected building size and our projected unit mix and unit sizes indicate that the functional utility of the subject is reasonable.

Subject's Functional Utility	
Median Number of Units/Beds (126 units for IL ; 141 units for IALF; 138 units for IALF/ALZ; 52 units for AL; 90 units for AL/ALZ; 56 units; and 291 units for )	Larger than Typical
Median Common Area Percentage (28% for IL; 35% for IALF; 37% for IALF/ALZ; 42% for AL; 45% for AL/ALZ; 54% Memory Care and 28% for CCRC)	Greater than Typical
Unit Layout	Good
Common Area Layout	Good
Overall Functional Utility	Good
Medians from State of Seniors Housing 2019	

Based on the above information, the following is a tabulation of our forecasted unit/bed mix and building area.

Developer's/IRR Forecasted Preliminary Unit Mix and Building Areas							
Unit Type	Care Type	Square Feet	Number of Units	Number of Beds Per Unit	Number of Beds	Percent of Total GBA	Total Square Feet
Studio	Assisted Living	450	22	1	22	24.7%	9,900
One Bedroom	Assisted Living	550	11	1	11	15.1%	6,050
Studio	Memory Care	325	17	1	17	13.8%	5,525
<b>Totals</b>			<b>50</b>	<b>-</b>	<b>50</b>	<b>53.5%</b>	<b>21,475</b>
Plus Common Areas						<b>46.5%</b>	<b>18,645</b>
<b>Total Gross Building Area</b>							<b>40,120</b>

The following table concludes the market rates for the proposed subject property.

Estimate of Achievable Rental Rates						
Unit/Bed Type	Care Type	Square Feet	Number of Units/Beds	Monthly Rent	Rent Per Square Foot	Monthly Gross Potential Income
Studio	Assisted Living	450	22	\$3,700	\$8.22	\$81,400
One Bedroom	Assisted Living	550	11	\$4,600	\$8.36	\$50,600
Studio	Memory Care	325	17	\$6,200	\$19.08	\$105,400
<b>Totals</b>			<b>50</b>			<b>\$237,400</b>

A complete income pro forma can be found in the achievable rent rate section of the report. We are projecting the subject will reach a stabilized occupancy of 93% within 12 months of opening.

We are projecting the subject could be licensed for 55 assisted living beds. Our forecasts will be based upon the bed mix shown above, as this mix most accurately reflects the composition of beds with which the subject actually operates.

As shown in the preceding table, we have forecast that the subject will be configured for 50 units and 50 primary beds. However, we have also forecast that the subject will be occupied by second persons who are related to the primary occupant of some units. Thus, our forecast of total operating beds is based upon 5 second persons, as shown below:

Calculation of Operating Beds	
Number of Beds Configured for Specific Private or Semi-Private Occupancy	50
Plus Forecasted Net Number of Second Persons in Unspecified Units	5
Total Number of Operating Beds	55

### Payor Types

The subject will likely be 100% private pay, accepting no Medicaid or Medicare reimbursement.

### Commercial Space

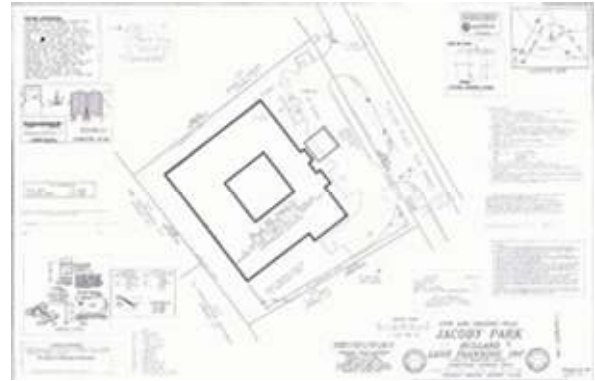
The subject is forecast to include commercial income from a beauty salon, a therapy provider, and the leasing of medical space, as is typical of facilities in the subject area. Our forecast of commercial income is as follows.

### Conclusion

The subject will offer assisted living and memory care assisted living, with a total of 50 units and 55 operating beds (including second persons). The improvements will contain a total of 40,120 square feet. Its construction quality will be rated as good. The subject's amenities will be considered above average when compared to the competing properties in the market. Overall, the subject's appeal to the market will be considered above average.



Subject Front Elevation Rendering



Site Plan



Aerial Map



Plat Map

# Market Rent Analysis

## Income Capitalization Approach

The income capitalization approach is based upon the premise that the present value of a property is based upon the present worth of future benefits. There are two primary methods that are normally utilized in developing the income capitalization approach – the yield capitalization method and the direct capitalization method. Development of the direct capitalization method is presented below.

## Pricing Structures

There are a number of ways in which to price seniors housing services. A brief description of the pricing structures follows:

- **A-La-Carte:** Residents are charged a base rate for all basic services. Additional services are charged on an individual need.
- **Tiered Rate:** Residents are charged a flat rate for services or a per diem rate based upon their care level. Typically, a need assessment of each resident is performed to determine the care level required for the individual and the amount of staff assistance needed. This structure has been widely accepted by assisted living providers.
- **Flat Rate:** Residents are charged a flat fee based on the unit that they occupy.
- **Extensive Agreement:** Residents are charged one flat fee regardless of care level – either congregate care, assisted living, or nursing. This is normally found in older life care communities or continuing care retirement communities (CCRCs).

The majority of the assisted living facilities in the subject PMA include tiered rate pricing for assisted living residents and a mix of tiered rate pricing and all-inclusive pricing for memory care residents. We have projected that the subject will include tiered rate pricing for the assisted living component of the subject and all-inclusive pricing for the memory care component of the subject property. This pricing structure is consistent with the pricing structure that the developer of the planned subject property typically uses.

Base level services include:

- Housekeeping, linen changes, and laundry weekly
- Three meals per day - limited special diets
- All utilities except telephone and cable
- Full activities program
- Scheduled transportation



## Market Rent Analysis

The following is a tabulation of the unit/bed mix and building area that is based on the developer's preliminary plans and our forecasted unit mix and building sizes based on newer properties in the area.

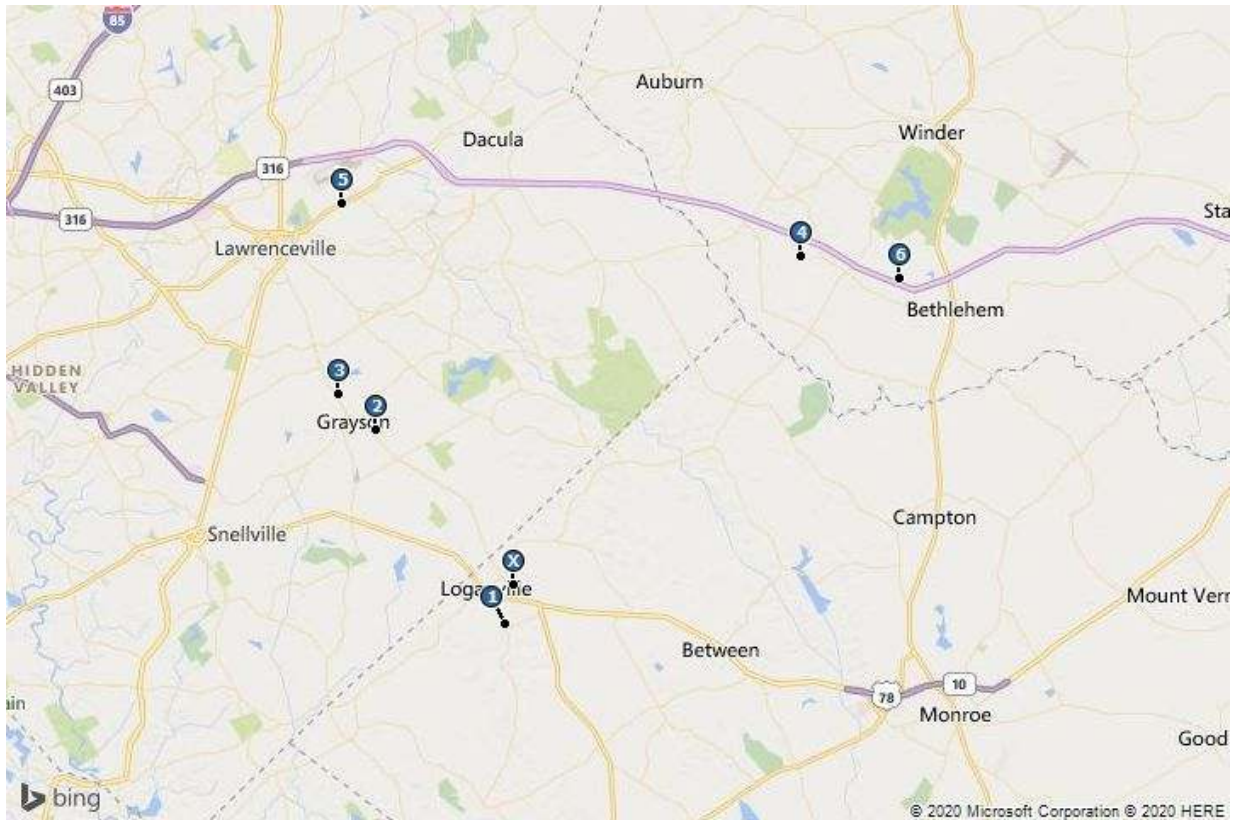
Developer's/IRR Forecasted Preliminary Unit Mix and Building Areas							
Unit Type	Care Type	Square Feet	Number of Units	Number of Beds Per Unit	Number of Beds	Percent of Total GBA	Total Square Feet
Studio	Assisted Living	450	22	1	22	24.7%	9,900
One Bedroom	Assisted Living	550	11	1	11	15.1%	6,050
Studio	Memory Care	325	17	1	17	13.8%	5,525
<b>Totals</b>			<b>50</b>	<b>-</b>	<b>50</b>	<b>53.5%</b>	<b>21,475</b>
<b>Plus Common Areas</b>						<b>46.5%</b>	<b>18,645</b>
<b>Total Gross Building Area</b>							<b>40,120</b>

## Market Rent Survey

We have surveyed six facilities that are comparable to the subject. Detailed comparable profiles are included in the addenda of this report. They are as follows:

Summary of Rental Comparables						
Element of Comparison	Comparable Number					
	1	2	3	4	5	6
Property Name	The Retreat at Loganville	Benton House of Grayson	Dogwood Forest of Grayson	The Landing of Winder	Hope Center for Memory Care	Gateway Gardens at Winder
Address	580 Tommy Lee Fuller Drive, Loganville, GA	2270 Loganville Highway, Grayson, GA	1754 Grayson Highway, Grayson, GA	901 Haymon Morris Road, Winder, GA	1200 Winder Highway, Dacula, GA	138 Gateway Lane, Bethlehem, GA
Levels of Care IL = Independent Living AL = Assisted Living NC = Nursing Care MC = Memory Care	IL, AL, MC	AL, MC	AL, MC	AL, MC	MC	AL, MC
Range of Monthly Rental Rates (Assisted Living)	\$2,254-\$3,250	\$3,300-\$4,550	\$5,150-\$5,795	\$4,150	N/A	\$3,295-\$3,795
Range of Monthly Rental Rates (Memory Care)	\$4,195	\$4,050-\$5,250	\$6,750-\$6,995	\$5,650	\$4,753-\$5,728	\$3,995-\$5,995
Facility Occupancy	82%	87%	84%	27% (In Lease-up)	50%	Would Not Disclose
Year Built (Original)	1993	2016	2017	2020	2010	2016
Miles from Subject	1.0	4.8	5.9	10.0	10.0	11.4

## Comparable Rentals Map





Rent Survey 1  
The Retreat at Loganville



Rent Survey 2  
Benton House of Grayson



Rent Survey 3  
Dogwood Forest of Grayson



Rent Survey 4  
The Landing of Winder



Rent Survey 5  
Hope Center for Memory Care



Rent Survey 6  
Gateway Gardens at Winder

**Adjustment for Concessions**

We found no concessions offered in the market, so no adjustments are required.

**Adjustment for Entrance Fees**

None of the comparables charge significant upfront entrance fees, of \$10,000 or more, so no adjustments are required.

**Adjustment for Size and/or Type**

We have made adjustments to the independent living and assisted living units as necessary using 25% of the median unadjusted rents, resulting in adjustments ranging from \$0.79 to \$2.83 per square foot.

**Adjustment for Levels of Care**

As previously detailed, we have projected that the subject will include tiered rate pricing for assisted living residents and all-inclusive pricing for memory care assisted living residents. Comparable 4 includes all-inclusive pricing for their assisted living residents, therefore, we have made a downward adjustment of \$500 to account for the higher level of base care when compared to the subject's proposed base rate. Additionally, comparables 2 and 6 include tiered pricing for their memory care residents, therefore, we have made an upward adjustment of \$1,000 to account for the lower level of base care when compared to the subject's proposed base rate.

**Adjustment for Utilities**

The subject and comparables offer similar utilities in their monthly rates. No adjustments are made.

**Adjustment for Meals**

The subject and comparables will include similar meals in their base rates, which will include 3 meals a day for the assisted living and memory care residents and will not include any meals in the base rate for the independent living residents. No adjustments are made for assisted living and memory care units, however, comparables 3 and 4 include 3 meals daily in monthly pricing and have been adjusted downward by \$450.

**Adjustment for Housekeeping**

The comparables and subject all provide weekly housekeeping in the base rates. No adjustments are needed.

**Adjustment for Parking**

The comparables all include open surface parking in the base rates. Carports and garages, when available, are rented for additional charges. No adjustments are needed.

**Adjustment for Location**

The subject and the comparables are all located in similar areas. No adjustments are needed.

**Adjustment for Age/Quality/Condition**

The proposed subject will be new and will be in good to excellent overall condition. Comparables 1 and 5 have been adjust upward by 20% and 10%, respectively. To account for their inferior age/quality/condition characteristics when compared to the proposed subject property.

### Summary of Adjustments

Adjustment grids for each subject unit type follow. In the grids, each subject unit is compared to the most similar unit for each comparable.

Rental Comparable Adjustment Table For Assisted Living Studio 450 SF						
Item	Comparable Number					
	1	2	3	4	5	6
Comparable Name	The Retreat at Loganville	Benton House of Grayson	Dogwood Forest of Grayson	The Landing of Winder	Hope Center for Memory Care	Gateway Gardens at Winder
Unit Type	Studio	Studio	Studio	-	-	Studio
Size (Square Feet)	450	330	454	-	-	450
Monthly Rent	\$2,254	\$3,300	\$3,995	-	-	\$3,795
Adjustment for Concessions	-	-	-	-	-	-
Adjustment for Entrance Fees	-	-	-	-	-	-
Adjustment for Size/Type	-	-	-	-	-	-
Adjustment for Levels of Care	(\$500)	-	-	-	-	-
Adjustment for Utilities	-	-	-	-	-	-
Adjustment for Meals	-	-	-	-	-	-
Adjustment for Housekeeping	-	-	-	-	-	-
Adjustment for Parking	-	-	-	-	-	-
Adjustment for Location	-	-	-	-	-	-
Adjustment for Quality/Condition	\$451	-	-	-	-	-
Adjusted Monthly Rent	\$2,205	\$3,300	\$3,995	-	-	\$3,795
Adjusted Rent Per SF	\$4.90	\$10.00	\$8.80	-	-	\$8.43
Average Adjusted Rent	\$3,324					
Average Adjusted Rent Per SF	\$8.03					
Integra Market Rent Conclusion	<b>\$3,700</b>					
Integra Market Rent Conclusion Per SF	<b>\$8.22</b>					

The comparables' adjusted rental rates range between \$2,205 and \$3,995 per month, with a mean of \$3,324 per month. The subject is forecast to have 22 of this unit type. Considering the adjusted rents, we will utilize a market rent of \$3,700 in our forecast, which is in-line with comparables 2, 3, and 6.

Rental Comparable Adjustment Table For Assisted Living One Bedroom 550 SF						
Item	Comparable Number					
	1	2	3	4	5	6
Comparable Name	The Retreat at Loganville	Benton House of Grayson	Dogwood Forest of Grayson	The Landing of Winder	Hope Center for Memory Care	Gateway Gardens at Winder
Unit Type	One Bedroom	One Bedroom	One Bedroom	One Bedroom	-	-
Size (Square Feet)	550	552	559	550	-	-
Monthly Rent	\$3,250	\$4,550	\$5,150	\$4,150	-	-
Adjustment for Concessions	-	-	-	-	-	-
Adjustment for Entrance Fees	-	-	-	-	-	-
Adjustment for Size/Type	-	-	-	-	-	-
Adjustment for Levels of Care	(\$500)	-	-	-	-	-
Adjustment for Utilities	-	-	-	-	-	-
Adjustment for Meals	-	-	-	-	-	-
Adjustment for Housekeeping	-	-	-	-	-	-
Adjustment for Parking	-	-	-	-	-	-
Adjustment for Location	-	-	-	-	-	-
Adjustment for Quality/Condition	\$650	-	-	-	-	-
Adjusted Monthly Rent	\$3,400	\$4,550	\$5,150	\$4,150	-	-
Adjusted Rent Per SF	\$6.18	\$8.24	\$9.21	\$7.55	-	-
Average Adjusted Rent	\$4,313					
Average Adjusted Rent Per SF	\$7.80					
Integra Market Rent Conclusion	<b>\$4,600</b>					
Integra Market Rent Conclusion Per SF	<b>\$8.36</b>					

The comparables' adjusted rental rates range between \$3,400 and \$5,150 per month, with a mean of \$4,313 per month. The subject is forecast to have 11 of this unit type. Considering the adjusted rents, we will utilize a market rent of \$4,600 in our forecast, which is in-line with comparables 2, 3, and 4.

Rental Comparable Adjustment Table For Memory Care Studio 325 SF						
Item	Comparable Number					
	1	2	3	4	5	6
Comparable Name	The Retreat at Loganville	Benton House of Grayson	Dogwood Forest of Grayson	The Landing of Winder	Hope Center for Memory Care	Gateway Gardens at Winder
Unit Type	Studio Private	Studio Private	Studio Private	Studio Private	Studio Private	Studio Private
Size (Square Feet)	325	330	343	325	320	325
Monthly Rent	\$4,195	\$5,250	\$6,750	\$5,650	\$4,753	\$5,995
Adjustment for Concessions	-	-	-	-	-	-
Adjustment for Entrance Fees	-	-	-	-	-	-
Adjustment for Size/Type	-	-	-	-	-	-
Adjustment for Levels of Care	-	\$1,000	-	\$1,000	-	-
Adjustment for Utilities	-	-	-	-	-	-
Adjustment for Meals	-	-	-	-	-	-
Adjustment for Housekeeping	-	-	-	-	-	-
Adjustment for Parking	-	-	-	-	-	-
Adjustment for Location	-	-	-	-	-	-
Adjustment for Quality/Condition	\$839	-	-	-	\$475	-
Adjusted Monthly Rent	\$5,034	\$6,250	\$6,750	\$6,650	\$5,228	\$5,995
Adjusted Rent Per SF	\$15.49	\$18.94	\$19.68	\$20.46	\$16.34	\$18.45
Average Adjusted Rent	\$5,985					
Average Adjusted Rent Per SF	\$18.23					
Integra Market Rent Conclusion	\$6,200					
Integra Market Rent Conclusion Per SF	\$19.08					

The comparables' adjusted rental rates range between \$5,034 and \$6,750 per month, with a mean of \$5,985 per month. The subject is forecast to have 17 of this unit type. Considering the adjusted rents, we will utilize a market rent of \$6,200 in our forecast, which is in-line with comparables 2, 3, 4, 5, and 6.

**Market Area Occupancy**

As noted in the supply and demand analysis, the subject's PMA has a weighted average occupancy shown below:

<b>Weighted Average Occupancy of Competitive Assisted Living</b>			
<b>Property Name</b>	<b>Number of Competitive Beds</b>	<b>Current Occupancy %</b>	<b>Number of Occupied Beds</b>
The Retreat at Loganville 580 Tommy Lee Fuller Dr, Loganville, GA	99	82%	81
Benton House of Grayson 2270 Loganville Hwy, Grayson, GA	20	87%	17
Dogwood Forest of Grayson 1754 Grayson Hwy, Grayson, GA	25	83%	21
Eastside Gardens 2078 Scenic Hwy N, Snellville, GA	8	81%	6
Silverleaf Of Snellville 2106 McGee Rd SW, Snellville, GA	5	60%	3
Ashton Senior Living 1155 Lawrenceville Hwy, Lawrenceville, GA	3	91%	3
Hope Assisted Living & Memory 1200 Winder Hwy, Dacula, GA	3	50%	2
The Landing of Winder 901 Haymon Morris Rd, Winder, GA	2	27%	1
Garden Plaza at Lawrenceville 230 Collins Industrial Way, Lawrenceville, GA	1	61%	1
<b>TOTALS</b>	<b>166</b>	<b>-</b>	<b>134</b>
<b>WEIGHTED AVERAGE OCCUPANCY</b>		<b>81%</b>	<b>-</b>

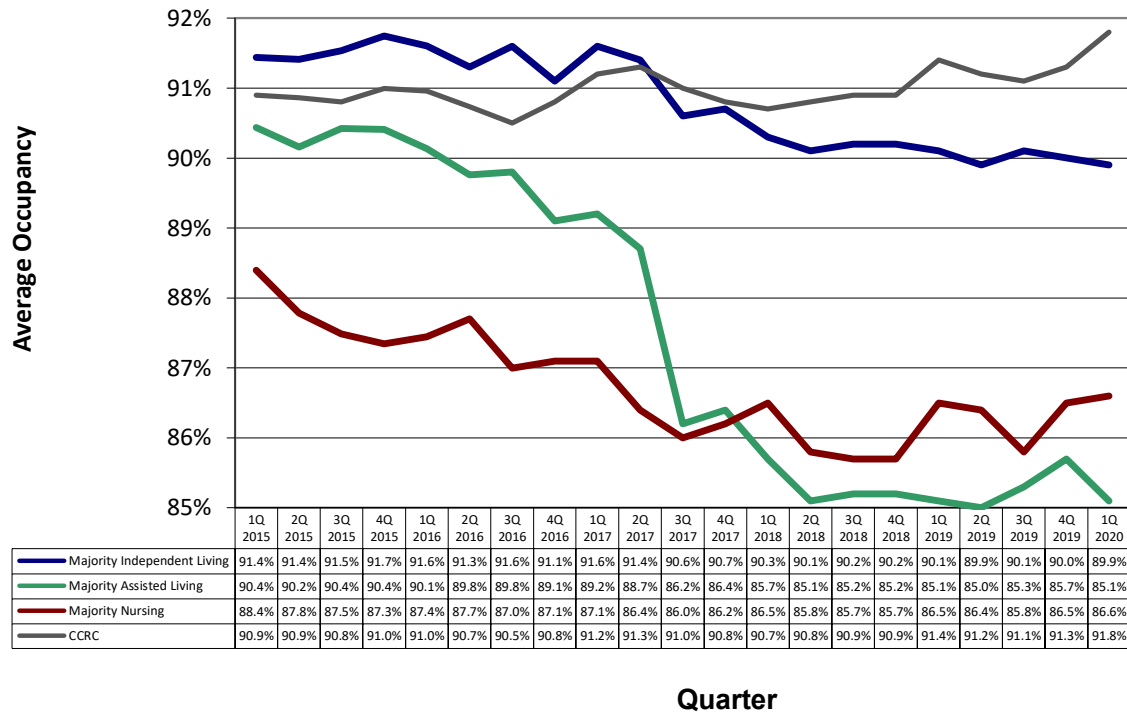
<b>Weighted Average Occupancy of Competitive Memory Care</b>			
<b>Property Name</b>	<b>Number of Competitive Beds</b>	<b>Current Occupancy %</b>	<b>Number of Occupied Beds</b>
The Retreat at Loganville 580 Tommy Lee Fuller Dr, Loganville, GA	35	82%	29
Benton House of Grayson 2270 Loganville Hwy, Grayson, GA	5	87%	4
Dogwood Forest of Grayson 1754 Grayson Hwy, Grayson, GA	6	83%	5
Eastside Gardens 2078 Scenic Hwy N, Snellville, GA	2	81%	2
Silverleaf Of Snellville 2106 McGee Rd SW, Snellville, GA	5	60%	3
Hope Assisted Living & Memory 1200 Winder Hwy, Dacula, GA	3	50%	2
The Landing of Winder 901 Haymon Morris Rd, Winder, GA	1	27%	0
<b>TOTALS</b>	<b>57</b>	<b>-</b>	<b>44</b>
<b>WEIGHTED AVERAGE OCCUPANCY</b>		<b>78%</b>	<b>-</b>



### National Occupancy Data

NIC MAP reports the following occupancy levels for the recent past in 99 primary and secondary markets. These are indicative of national trends.

#### Occupancy Levels - NIC MAP 99 Markets



### Forecasted Stabilized Occupancy

For stabilized properties that are mostly independent living in the Atlanta area, the average occupancy rate is 81.7%. In addition, for Walton County (the subject's county), independent living occupancy is 83.1%. For stabilized properties that are mostly assisted living in the Atlanta area, the average occupancy rate is 78.5%. In addition, for Walton County (the subject's county), assisted living occupancy is 73.1%, while the average occupancy of the stabilized rent comparables is 87%. As detailed throughout this report, the stabilized occupancy levels are below average due to Covid-19. During our survey of facilities within the subject PMA, 10 facilities were able to provide information on changes from pre-Covid-19 levels to current occupancy levels. These facilities indicated decreases in occupancy levels ranging from 0% to 32%, with an average decrease of 9.1%. Additionally, we believe that the lower than average occupancy levels are a product of safety measures put in place to slow the spread of Covid-19 at both the community level and at individual facilities. Both the national assisted living market and the assisted living market within the PMA should normalize by the time the proposed subject property is developed. As communities continue to re-open, we believe that occupancy levels will begin to stabilize and the current lower than average occupancy conditions will have a minimal impact on the subject property at the time of opening. This is also supported by the annual growth rate over the next five years within the subject PMA, which is 3.5% per year for independent living and 3.9% per year for assisted living.

Considering all the preceding factors, our stabilized occupancy conclusion is 93.0%. Thus, our forecast of resident days is as follows:

Calculation of Forecasted Resident Days								
Operating Beds	X	Days In A Year	=	Potential Resident Days	X	Forecasted Occupancy	=	Forecasted Resident Days
55	X	365	=	20,075	X	93.0%	=	18,670

### Income and Expense Comparables

In forecasting income and expenses, we will rely upon expense data derived from income and expense comparables. Each is similar to the subject in location, design, and rate structure. The data for the income and expense comparables has been trended to the current year at an annual rate of 2.5% per year. The averages present consist of those numbers greater than zero. The comparables are profiled as follows:

Income and Expense Comparables				
Item	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Year Built/Year Renovated	2018	2018	2014	2009
Units	32	132	55	67
Beds	32	138	64	78
IL Beds	0	0	0	0
AL Beds	18	90	46	43
MC Beds	14	48	18	35
Average Occupancy	95.57%	94.17%	92.19%	89.74%

### Concessions/Loss to Leases

A concession/loss to lease forecast of 1.0% is used in our analysis.

### Additional Meals/Care Income

#### Meals

We have forecast that the subject will provide three meals per day for assisted living and memory care residents. No adjustments have been made.

### Additional Care/Level of Care Income

The subject is forecast to include additional levels of care for assisted living and all-inclusive care for memory care residents. We have included income for additional levels of care for the assisted living portion of the subject based on similar facilities within the subject's market and income and expense comparables.

Calculation of Additional Meals/Care Income						
Number of Operating Beds						33
Calculation of Higher Level of Care Income	Medication Management	Base Level	Level 2	Level 3	Level 4	Total
Estimated Number of Beds at Each Level	20	10	10	8	5	33
Additional Monthly Fee Per Bed	\$150	\$0	\$600	\$1,200	\$1,800	-
Monthly Higher Level of Care Income	\$3,000	\$0	\$6,000	\$9,600	\$9,000	\$27,600
Gross Potential Level of Care Income						\$331,200
Forecasted Occupancy						93.0%
Net Annual Higher Level of Care Income						\$308,016
Plus Annual Additional Meals Income						\$0
Net Annual Additional Meals/Care Income						\$308,016

The total number of beds used for the calculation excludes memory care beds and second persons.

Our forecast of \$16.50 prd is reasonable based upon the income and expense comparables.

Additional Meals/Care Comparison						
Item	Income & Expense Comparables					IRR Pro Forma
	1	2	3	4	Average	
Resident Days	11,163	47,433	21,535	25,550	26,420	18,670
Additional Meals/Care Income	\$939,294	\$693,346	\$366,836	\$640,454	\$659,983	\$308,016
Additional Meals/Care Income PRD	\$84.14	\$14.62	\$17.03	\$25.07	\$35.22	\$16.50

### Commercial Income

We have forecast the subject to include commercial income from a beauty salon and a therapy provider, which is typical for facilities in the subject PMA. The income and expense comparables have grouped commercial income with other income and we have also included our forecast of commercial income in other income section of this report. Our forecast of commercial income is as follows:

Commercial Income Comparison						
Item	Income & Expense Comparables					IRR Pro Forma
	1	2	3	4	Average	
Resident Days	11,163	47,433	21,535	25,550	26,420	18,670
Commercial Income	\$0	\$0	\$15,017	\$0	\$15,017	\$0
Commercial Income PRD	\$0.00	\$0.00	\$0.70	\$0.00	\$0.70	\$0.00

### Parking Income

The subject will have no sources of parking income so none is forecast.

### Assessment/Community Fee

The following table summarizes the policy of the subject and comparables in the subject's market area.

Summary of Assessment/Community Fees	
Property Name	Amount
Subject - Proposed Jacoby Park AL and MC	TBD
The Retreat at Loganville	\$2,000
Benton House of Grayson	\$2,500
Dogwood Forest of Grayson	\$3,000
The Landing of Winder	\$2,500
Hope Center for Memory Care	\$2,000
Gateway Gardens at Winder	\$1,500
Integra Fee Conclusion	\$2,500

Based upon this data, a community fee of \$2,500 is forecast for the subject. We considered Turnover rate data from The State of Seniors Housing 2019 is as follows:

Annual Resident Turnover Rates			
Community Type	Lower Quartile	Median	Upper Quartile
Independent Living	18.6%	32.2%	50.1%
Independent/Assisted	25.9%	42.3%	63.5%
IALF/MC	28.7%	43.6%	63.5%
Assisted Living	34.4%	53.5%	82.6%
Assisted Living/MC	36.0%	52.5%	75.6%
Memory Care	44.4%	72.5%	115.2%
CCRCs	9.4%	16.8%	36.9%
Source: <i>State of Seniors Housing 2019</i>			

The following table summarizes our anticipated income from assessment/entry fees for the subject property on a stabilized basis. The turnover rate is based upon the data from *The State of Seniors Housing 2019*.

Calculation of Assessment/Community Fee Income								
Beds/Units (Second Person Beds Excluded)	X	Annual Turnover Rate	=	Annual Turnover of Beds	X	Assessment/Community Fee Per Unit/Bed	=	Net Annual Assessment/Community Fee Income
50	X	50%	=	25	X	\$2,500	=	\$62,500

The total number of beds used for the calculation excludes Second Person beds. Our forecast of \$3.35 prd is reasonable based on .

Entrance/Community Fee Income Comparison						
Item	Income & Expense Comparables					IRR Pro Forma
	1	2	3	4	Average	
Resident Days	11,163	47,433	21,535	25,550	26,420	18,670
Entrance/Community Fee Income	\$0	\$258,176	\$92,071	\$94,397	\$148,215	\$62,500
Entrance/Community Fee Income PRD	\$0.00	\$5.44	\$4.28	\$3.69	\$4.47	\$3.35

### Second Person Charges

The facility will charge a second person fee for occupancy of a unit by a second person related to the primary occupant. Second person charges for the comparables are as follows:

Summary of Second Person Fees	
Property Name	Type
	Assisted Living
Subject - Proposed Jacoby Park AL and MC	TBD
The Retreat at Loganville	\$1,500
Benton House of Grayson	\$800
Dogwood Forest of Grayson	\$1,050
The Landing of Winder	\$1,800
Hope Center for Memory Care	N/A
Gateway Gardens at Winder	\$1,000
Integra Second Person Fee Conclusion	\$1,000

We have forecast that the subject will include second persons in approximately 10% of the units, which equates to 20 persons paying second person fees.

Calculation of Second Persons Income									
Type	Number of Second Persons	X	Monthly Fee For Second Persons	=	Net Monthly Second Persons Income	X	Number of Months	=	Net Annual Second Persons Income
Assisted Living	5	X	\$1,000	=	\$5,000	X	12	=	\$60,000
TOTAL	5				\$5,000				\$60,000

Based on the income and expense comparables, our conclusion \$3.21 prd is deemed reasonable.

Second Persons Income Comparison						
Item	Income & Expense Comparables					IRR Pro Forma
	1	2	3	4	Average	
Resident Days	11,163	47,433	21,535	25,550	26,420	18,670
Second Persons Income	\$0	\$0	\$39,264	\$37,231	\$38,247	\$60,000
Second Persons Income PRD	\$0.00	\$0.00	\$1.82	\$1.46	\$1.64	\$3.21

### Other Income

In addition to the foregoing, the subject is expected to realize other income from ancillary sources such as late fees, insufficient funds, forfeited deposits, vending, guest meals, cleaning fees, tray service, unscheduled transportation for residents, etc. The following table shows other income for the subject and the income and expense comparables.

Other Income Comparison						
Item	Income & Expense Comparables					IRR Pro Forma
	1	2	3	4	Average	
Resident Days	11,163	47,433	21,535	25,550	26,420	18,670
Other Income	\$4	\$128,409	\$15,785	\$34,779	\$44,744	\$0
Other Income PRD	\$0.00	\$2.71	\$0.73	\$1.36	\$1.20	\$0.00

Other income is forecast at \$0. As the data is based upon reported actual income, after vacancy, the other income is not subject to vacancy and collection losses.

## Estimate of Effective Gross Income

Utilizing the preceding estimates, total effective gross income for the subject is now calculated:

Estimate of Achievable Rental Rates						
Unit/Bed Type	Care Type	Square Feet	Number of Units/Beds	Monthly Rent	Rent Per Square Foot	Monthly Gross Potential Income
Studio	Assisted Living	450	22	\$3,700	\$8.22	\$81,400
One Bedrom	Assisted Living	550	11	\$4,600	\$8.36	\$50,600
Studio	Memory Care	325	17	\$6,200	\$19.08	\$105,400
<b>Totals</b>			<b>50</b>			<b>\$237,400</b>
<b>Annual Gross Potential Unit Rental Income</b>						<b>\$2,848,800</b>
<b>Less Vacancy and Collection Losses</b>					<b>7.0%</b>	<b>(\$199,416)</b>
<b>Rental Income Net of Vacancy and Collection Losses</b>						<b>\$2,649,384</b>
<b>Less Concessions/Loss to Leases</b>					<b>1.0%</b>	<b>(\$26,494)</b>
<b>Effective Gross Rental Income</b>						<b>\$2,622,890</b>
<b>Plus Additional Meals/Care Income</b>						<b>\$308,016</b>
<b>Plus Commercial Income</b>						<b>\$0</b>
<b>Plus Parking Income</b>						<b>\$0</b>
<b>Plus Entrance/Community Fee Income</b>						<b>\$62,500</b>
<b>Plus Second Persons</b>						<b>\$60,000</b>
<b>Plus Other Income</b>						<b>\$0</b>
<b>Total Effective Gross Income</b>						<b>\$3,053,406</b>

The preceding estimate is in current, untrended dollars and is based upon stabilized operations for the 12 months following the date of value. In the following table, the subject's income conclusions are compared to actual realized income (trended) for similar income and expense comparables.

Income Comparison						
Item	Income & Expense Comparables					IRR Pro Forma
	1	2	3	4	Average	
Resident Days	11,163	47,433	21,535	25,550	26,420	18,670
Rental Income	\$1,191,227	\$7,259,951	\$2,468,154	\$3,454,347	\$3,593,420	\$2,848,800
Less Vacancy & Coll Loss	\$0	\$0	\$0	\$0	\$0	(\$199,416)
Less Conc./Loss to Leases	\$0	\$0	(\$110,826)	(\$114,531)	(\$112,678)	(\$26,494)
Additional Meals/Care	\$939,294	\$693,346	\$366,836	\$640,454	\$659,983	\$308,016
Commercial	\$0	\$0	\$15,017	\$0	\$15,017	\$0
Parking	\$0	\$0	\$0	\$0	\$0	\$0
Entrance/Community Fees	\$0	\$258,176	\$92,071	\$94,397	\$148,215	\$62,500
Second Persons	\$0	\$0	\$39,264	\$37,231	\$38,247	\$60,000
Other Income	\$4	\$128,409	\$15,785	\$34,779	\$44,744	\$0
Total Income	\$2,130,525	\$8,339,883	\$2,886,300	\$4,146,677	\$4,375,846	\$3,053,406
Rental Income PRD	\$106.71	\$153.06	\$114.61	\$135.20	\$127.39	\$152.59
Less Vacancy & Coll Loss PRD	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$10.68)
Less Conc./Loss to Leases PRD	\$0.00	\$0.00	(\$5.15)	(\$4.48)	(\$4.81)	(\$1.42)
Additional Meals/Care PRD	\$84.14	\$14.62	\$17.03	\$25.07	\$35.22	\$16.50
Commercial PRD	\$0.00	\$0.00	\$0.70	\$0.00	\$0.70	\$0.00
Parking PRD	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Entrance/Community Fees PRD	\$0.00	\$5.44	\$4.28	\$3.69	\$4.47	\$3.35
Second Persons PRD	\$0.00	\$0.00	\$1.82	\$1.46	\$1.64	\$3.21
Other Income PRD	\$0.00	\$2.71	\$0.73	\$1.36	\$1.20	\$0.00
Total Income PRD	\$190.86	\$175.82	\$134.03	\$162.30	\$165.75	\$163.55
Rental Income %	55.9%	87.1%	85.5%	83.3%	77.9%	93.3%
Less Vacancy & Coll Loss %	0.0%	0.0%	0.0%	0.0%	0.0%	-6.5%
Less Conc./Loss to Leases %	0.0%	0.0%	-3.8%	-2.8%	-3.3%	-0.9%
Additional Meals/Care %	44.1%	8.3%	12.7%	15.4%	20.1%	10.1%
Commercial %	0.0%	0.0%	0.5%	0.0%	0.5%	0.0%
Parking %	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Entrance/Community Fees %	0.0%	3.1%	3.2%	2.3%	2.9%	2.0%
Second Persons %	0.0%	0.0%	1.4%	0.9%	1.1%	2.0%
Other Income %	0.0%	1.5%	0.5%	0.8%	0.7%	0.0%
Total Income %	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

The subject's forecasted total income per resident day falls within the range of the expense comparables.



## Absorption Analysis

In this section, we will estimate the subject's absorption during the lease-up period needed for the subject to reach the forecast stabilized occupancy level.

### Current Status

As of the effective date of this analysis, the subject is proposed.

### Absorption

The following are absorption comparables from the Atlanta Metro Market.

- Holbrook of Decatur is an independent living, assisted living, and memory care assisted living facility that was opened in July 2019 and includes a total of 71 independent living units, 96 assisted living units, and 33 memory care units. The facility was 36% occupied as of December 31, 2019, which indicates a net absorption rate of approximately 12 units per month.
- Holbrook of Acworth is an independent living facility that was opened in October 2019 and includes a total of 208 independent living units. The facility was 16% occupied as of December 31, 2019, which indicates a net absorption rate of approximately 11 units per month.
- Watercrest of Newnan is an assisted living and memory care facility that opened in May 2019 and includes a total of 107 assisted living units, with 32 units being dedicated to memory care residents. The facility was 40% occupied as of July 15, 2019, which indicates a net absorption rate of approximately 17.12 assisted living units per month and 5.12 memory care units per month.
- Benton House of Grayson, a 58 unit assisted living facility with a memory care component opened in May 2016 and reached a stabilized occupancy within approximately seven months of opening. Based on the number of units/beds and its lease up period, the average net absorption was 8.29 units/beds per month.
- Dogwood Forest of Grayson is a 99 unit, assisted living facility with a memory care component that will open in July 2017. Based on pre-leasing of 50%, the property manager indicated that the facility was forecast to reach stabilized occupancy in the latter part of 2017. Based on its number of units not pre-leased, its average net absorption would be approximately 8.25 units/beds per month.
- Arbor Terrace of Johns Creek is a 100 unit/bed assisted living facility with a memory care component that opened in November 2015. It reached 78% occupancy within ten months of opening. This equates to an average net absorption rate of 7.8 units per month.
- Westminster Memory Care is a 42 unit memory care facility that was opened in May 2017 and as of August 2017 the facility included a 40% occupancy rate. This equates to an average net absorption rate of 5.6 units per month.
- The Georgian Lakeside is a 95 unit assisted living and memory care facility that was opened in July 2016. The facility reached 80% occupancy by May 2017 and included a net absorption rate of 7.6 units per month for assisted living and 1.7 units per month for memory care.

- Thrive Assisted Living at Athens is a 92 unit assisted living and memory care facility that was completed in August 2016 and was 93% occupied in February 2017, indicating an average net absorption rate of 9.3 units per month for assisted living and 2.85 units per month for memory care.
- Linwood Estates Gracious Retirement Living is an independent living facility that includes 137 units that had approximately 55 units pre-leased, indicating a 40% pre-leasing rate at the time of opening.
- Celebration Village Forsyth is a 189 unit (Phase 1) independent living, assisted living, and memory care facility that opened in November 2017. As of November 2018, the facility included an occupancy of 91.7% for independent living villas, 72.7% for concierge independent living, 22.2% for assisted living, and 22.6% for memory care, indicating an absorption rate of 4.58 units per month for independent living villas, 2.67 units per month for concierge independent living, 1.0 units per month for assisted living, and 0.58 units per month for memory care. Overall, the facility has an absorption rate of 8.8 units per month.
- Celebration Village Acworth is a 154 unit (Phase 1) independent living, assisted living, and memory care facility that opened in September 2017. As of November 2018, the facility included an occupancy of 100% for independent living villas, 88.6% for concierge independent living, 67.3% for assisted living, and 38.7% for memory care, indicating an absorption rate of over 1.71 units per month for independent living villas, 2.78 units per month for concierge independent living, 2.64 units per month for assisted living, and 0.85 units per month for memory care. Overall, the facility has an absorption rate of 8.0 units per month.

Based upon this data and considering the prevailing market occupancy level, we are forecasting that the subject will require an additional 12 months to reach the forecasted stabilized occupancy level. The indicated lease-up pace is as follows:

Lease-Up Forecast	
Total Operating Beds	55
Times Forecasted Stabilized Occupancy	93.0%
Beds Occupied at Stabilization	51
Less Current Number Occupied	6
Beds To Be Rented to Reach Stabilization	46
Forecasted Absorption Period (Months)	12
Forecasted Net Absorption Per Month (Beds)	4

## Certification

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

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. Have not performed any services in connection with the subject property within the three-year period immediately preceding acceptance of this assignment, either as an appraiser or in any other capacity.
5. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice as well as applicable state appraisal regulations.
9. 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.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. Stephen P. Palinkas has not personally inspected the subject.
12. John F. Thigpen, MAI of Integra Realty Resources Tampa Bay reviewed the report. No other persons provided significant real property appraisal assistance to the person(s) signing this certification.
13. We have experience in appraising properties similar to the subject and are in compliance with the Competency Rule of USPAP.



Stephen P. Palinkas  
Senior Analyst  
Georgia Certified General Real Property Appraiser #386548  
Telephone: 813-287-1000, Ext. 125  
Email: spalinkas@irr.com

## Assumptions and Limiting Conditions

The use of this report is subject to the following assumptions and limiting conditions:

### General Assumptions

- No responsibility is assumed for the legal description or for matters including legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
- There are no existing judgments or pending or threatened litigation that could affect the value of the property.
- The property is appraised free and clear of any and all liens or encumbrances unless otherwise stated.
- Responsible ownership and competent property management are assumed.
- The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.
- All engineering is assumed to be correct. The plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.
- It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
- It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered in this appraisal report.
- It is assumed that the subject is in compliance with all applicable zoning and use regulations and restrictions unless nonconformity has been stated, defined, and considered in this appraisal report.
- It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government, or private entity, or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
- It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in this report.
- The presence of hazardous materials such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials could impact the value of the property. We assume no responsibility for any existing conditions or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if so desired.

- We have relied upon the following documents for factual information pertaining to the subject:
  - Preliminary site plan, building renderings, and unit mixes
- No significant changes will occur in regulations impacting the subject, unless specifically noted and addressed in this report.

### **General Limiting Conditions**

- The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
- Possession of this report, or a copy thereof, does not carry with it the right of publication.
- We are not required to give further consultation, testimony, or be in attendance in court with reference to the property in question unless arrangements have been previously made.
- The going concern value conclusions include real estate, FF&E, and business value. Refer to the summary of facts, assumptions, and conclusions for a value allocation. However, our valuation specifically excludes items not normally transferred between buyer and seller, specifically: cash, working capital, accounts receivable, and accounts payable.
- Note that any allocation value provided is based upon the continuation of the business enterprise. Were the business to cease operations, values of the individual components would likely be something different than the value allocated to the components based upon the continuation of the business operation.
- The conclusions stated in our appraisal apply only as of the effective date of the appraisal, and no representation is made as to the effect of subsequent events.
- The current purchasing power of the dollar is the basis for the value stated in our appraisal; we have assumed that no extreme fluctuations in economic cycles will occur.
- The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. We are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment.
- Any prospective value estimates presented in this report are estimates and forecasts, which are prospective in nature and subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraph, several events may occur that could substantially alter the outcome of our estimates including, but not limited to, changes in the economy, interest rates, capitalization rates, consumers' behaviors, investors, lenders, fire and other physical destruction, changes in title, or conveyances of easements and deed restrictions. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.

- No changes in any federal, state, or local laws, regulations, or codes including, without limitation, the Internal Revenue Code are anticipated.
- The analyses contained in the report necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business, economic conditions, the absence of material changes in the competitive environment, and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analyses will vary from our estimates, and the variations may be material.
- No opinion is expressed as to the value of subsurface oil, gas, or mineral rights, if any, and we have assumed that the property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our appraisal.
- We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic considerations such as soils and seismic stability, and civil, mechanical, electrical, structural, and other engineering and environmental matters.
- Neither all nor any part of the contents of this report, especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute, shall be disseminated through advertising media, public relations media, news media, or any other means of communication (including, without limitation: prospectuses, private offering memoranda, and other offering material provided to prospective investors) without the prior written consent of the person(s) signing the report.
- Information, estimates, and opinions contained in the report, obtained from third-party sources are assumed to be reliable and have generally not been independently verified.
- The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of any property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. In as much as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, we cannot comment on compliance to ADA. Given that compliance can change with each owner's financial ability to cure non-accessibility, the value of the subject does not consider possible non-compliance. A specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.
- The appraisal report is prepared for the exclusive benefit of the client, its subsidiaries, and/or its affiliates. It may not be used or relied upon by any other party. All parties who use or rely upon any information in this report without our written consent do so at their own risk.
- No studies have been provided to us indicating the presence or absence of hazardous materials on the subject property or in the improvements, and our valuation is predicated upon the assumption that the subject property is free and clear of any environmental hazards including, without limitation, hazardous wastes, toxic substances, or mold. No representations or warranties are made regarding the environmental condition of the subject property, and

the person signing the report shall not be responsible for any such environmental conditions that do exist, or for any engineering or testing that might be required to discover whether such conditions exist. As we are not experts in the field of environmental conditions, the appraisal report cannot be considered as an environmental assessment of the subject property.

- We may have reviewed available flood maps and may have noted in the appraisal report whether the subject property is located in an identified Special Flood Hazard Area. We are not qualified to detect such areas; therefore, we do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of the property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.
- We are neither building nor environmental inspectors, and we do not guarantee that the subject property is free of defects or environmental problems. The client is urged to retain experts in this area and to have an environmental site assessment conducted.
- The appraisal report and value conclusion for an appraisal assumes the satisfactory completion of any construction, repairs, or alterations required in a workmanlike manner.
- The use of the appraisal report by anyone other than the client is prohibited except as otherwise provided. Accordingly, the appraisal report is addressed to and shall be solely for the client's use and benefit unless we provide our prior written consent. We expressly reserve the unrestricted right to withhold our consent to your disclosure of the appraisal report (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties.

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#### **Extraordinary Assumptions and Hypothetical Conditions**

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The value conclusions are subject to the following extraordinary assumptions. An extraordinary assumption is an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

- 1 The proposed subject buildings, unit mix, and unit sizes have not been finalized yet. The number of units, unit mix and unit sizes in this report are based on projected figures from the developer and comparable properties within the market. The conclusions of this report may change if a different unit mix and unit count is analyzed.

The value conclusions are based on the following hypothetical conditions. A hypothetical condition is a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

- 1 None

The use of any extraordinary assumption or hypothetical condition may have affected the assignment results.

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## **Addendum A**

### **Appraiser Qualifications**

# Stephen P. Palinkas

## Experience

Stephen Palinkas is a Senior Analyst for Integra Realty Resources Tampa Bay and has over 15 years of commercial real estate experience. He has performed commercial real estate valuations on numerous property types throughout Florida, the Tampa Bay area and surrounding counties, including, but not limited to: owner operated and corporate triple net leased gas stations/convenience stores, car washes, auto service facilities, single and multi-retail buildings, fast food restaurants, single and multi-tenant industrial buildings, warehouses, commercial buildings, and vacant land.

Since May 2017, Steve has been a part of the Seniors Housing Specialty Practice. He has particular expertise related to a wide variety of seniors housing and health care properties, including nursing homes, assisted living facilities, independent living facilities, CCRC's, residential treatment facilities and medical office buildings. He is also actively involved in the valuation of multi-family assets for HUD financing programs and provides market study and appraisal reports for public agencies such as Fannie Mae, Freddie Mac, and HUD.

## Licenses

Florida, Certified General Real Property Appraiser, RZ4008, Expires November 2020

Georgia, Certified General Real Property Appraiser, 386548, Expires May 2021

Texas, Certified General Real Estate Appraiser, TX 1380913 G, Expires August 2021

Illinois, Certified General Real Estate Appraiser, 553.002732, Expires September 2021

Alabama, Certified General Real Property Appraiser, G01421, Expires September 2021

Florida, Florida Real Estate Sales Associate, SL3295030

## Education

B.S. Marketing – University of South Florida

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**386548**

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Real Estate Commission  
Suite 1000 - International Tower  
229 Peachtree Street, N.E.  
Atlanta, GA 30309-1605



LYNN DEMPSEY  
Real Estate Commissioner

1626577712647025

STEPHEN PATRICK PALINKAS

# 386548  
Status ACTIVE

END OF RENEWAL  
05/31/2021

CERTIFIED GENERAL REAL PROPERTY  
APPRAISER

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Real Estate Commission  
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LYNN DEMPSEY  
Real Estate Commissioner

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## About IRR

Integra Realty Resources, Inc. (IRR) provides world-class commercial real estate valuation, counseling, and advisory services. Routinely ranked among leading property valuation and consulting firms, we are now the largest independent firm in our industry in the United States, with local offices coast to coast and in the Caribbean.

IRR offices are led by MAI-designated Senior Managing Directors, industry leaders who have over 25 years, on average, of commercial real estate experience in their local markets. This experience, coupled with our understanding of how national trends affect the local markets, empowers our clients with the unique knowledge, access, and historical perspective they need to make the most informed decisions.

Many of the nation's top financial institutions, developers, corporations, law firms, and government agencies rely on our professional real estate opinions to best understand the value, use, and feasibility of real estate in their market.

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## **Addendum B**

### **Definitions**

# Definitions

The source of the following definitions is the Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015), unless otherwise noted.

## **Amenity**

A tangible or intangible benefit of real estate that enhances its attractiveness or increases the satisfaction of the user. Natural amenities may include a pleasant location near water or a scenic view of the surrounding area; man-made amenities include swimming pools, tennis courts, community buildings, and other recreational facilities.

## **As Is Market Value**

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date.

## **Class of Apartment Property**

For the purposes of comparison, apartment properties are grouped into three classes: Class A, B and C. These classes represent a subjective quality rating of buildings, which indicates the competitive ability of each building to attract similar types of tenants. Combinations of factors such as rent, building finishes, system standards and efficiency, building amenities, location/accessibility, and market perception are used as relative measures.

Class A apartment properties are the most prestigious properties competing for the premier apartment tenants, with rents above average for the area. Buildings have high-quality standard finishes, architectural appeal, state-of-the-art systems, exceptional accessibility, and a definite market presence.

Class B apartment properties compete for a wide range of users, with rents in the average range for the area. Class B buildings do not compete with Class A buildings at the same price. Building finishes are fair to good for the area, and systems are adequate.

Class C apartment properties compete for tenants requiring functional space at rents below the average for the area. Class C buildings are generally older, and are lower in quality and condition.

*(Source: Integra Realty Resources)*

## **Deferred Maintenance**

Items of wear and tear on a property that should be fixed now to protect the value or income-producing ability of the property, such as a broken window, a dead tree, a leak in the roof, or a faulty roof that must be completely replaced. These items are almost always curable.

## **Depreciation**

A loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date.

**Discounted Cash Flow (DCF) Analysis**

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

**Disposition Value**

The most probable price that a specified interest in property should bring under the following conditions:

1. Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. An adequate marketing effort will be made during the exposure time.
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms.

**Effective Date**

1. The date on which the appraisal or review opinion applies.
2. In a lease document, the date upon which the lease goes into effect.

**Entrepreneurial Profit**

1. A market-derived figure that represents the amount an entrepreneur receives for his or her contribution to a project and risk; the difference between the total cost of a property (cost of development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. An entrepreneur is motivated by the prospect of future value enhancement (i.e., the entrepreneurial incentive). An entrepreneur who successfully creates value through new development, expansion, renovation, or an innovative change of use is rewarded by entrepreneurial profit. Entrepreneurs may also fail and suffer losses.
2. In economics, the actual return on successful management practices, often identified with coordination, the fourth factor of production following land, labor, and capital; also called entrepreneurial return or entrepreneurial reward.

### **Excess Land; Surplus Land**

**Excess Land:** Land that is not needed to serve or support the existing improvement. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land has the potential to be sold separately and is valued separately.

**Surplus Land:** Land that is not currently needed to support the existing use but cannot be separated from the property and sold off for another use. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel.

### **Exposure Time**

1. The time a property remains on the market.
2. The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market.

### **Fee Simple Estate**

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

### **Floor Area Ratio (FAR)**

The relationship between the above-ground floor area of a building, as described by the zoning or building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area.

### **Gross Building Area (GBA)**

Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above-grade area. This includes mezzanines and basements if and when typically included in the market area of the type of property involved.

### **Highest and Best Use**

1. The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.
2. The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (ISV)
3. [The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions)



**Investment Value**

1. The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market.
2. The value of an asset to the owner or a prospective owner for individual investment or operational objectives.

**Lease**

A contract in which rights to use and occupy land, space, or structures are transferred by the owner to another for a specified period of time in return for a specified rent.

**Leased Fee Interest**

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

**Leasehold Interest**

The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.

**Liquidation Value**

The most probable price that a specified interest in real property should bring under the following conditions:

1. Consummation of a sale within a short time period.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under extreme compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. A normal marketing effort is not possible due to the brief exposure time.
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms.

**Marketing Time**

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal.

**Market Rent**

The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the lease agreement, including the rental adjustment and revaluation, permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements.

**Market Value**

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

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

*(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[g]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)*

**Multifamily Property Type**

Residential structure containing five or more dwelling units with common areas and facilities. *(Source: Appraisal Institute Commercial Data Standards and Glossary of Terms, Chicago, Illinois, 2004 [Appraisal Institute])*

**Multifamily Classifications**

**Garden/Low Rise Apartments:** A multifamily development of two- or three-story, walk-up structures built in a garden-like setting; customarily a suburban or rural-urban fringe development. *(Source: Appraisal Institute)*

**Mid/High-Rise Apartment Building:** A multifamily building with four or more stories, typically elevator-served. *(Source: Appraisal Institute)*

**Prospective Opinion of Value**

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

**Rentable Floor Area (RFA)**

Rentable area shall be computed by measuring inside finish of permanent outer building walls or from the glass line where at least 50% of the outer building wall is glass. Rentable area shall also include all area within outside walls less stairs, elevator shafts, flues, pipe shafts, vertical ducts, air conditioning rooms, fan rooms, janitor closets, electrical closets, balconies and such other rooms not actually available to the tenant for his furnishings and personnel and their enclosing walls. No deductions shall be made for columns and projections unnecessary to the building. *(Source: Income/Expense Analysis, 2016 Edition – Conventional Apartments, Institute of Real Estate Management, Chicago, Illinois)*

**Replacement Cost**

The estimated cost to construct, at current prices as of a specific date, a substitute for the building or other improvements, using modern materials and current standards, design and layout.

**Reproduction Cost**

The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all the deficiencies, superadequacies, and obsolescence of the subject building.

**Room Count**

A unit of comparison used primarily in residential appraisal. No national standard exists on what constitutes a room. The generally accepted method is to consider as separate rooms only those rooms that are effectively divided and to exclude bathrooms.

**Stabilized Income**

1. An estimate of income, either current or forecasted, that presumes the property is at stabilized occupancy.
2. The forecast of the subject property's yearly average income (or average-equivalent income) expected for the economic life of the subject property.
3. Projected income that is subject to change but has been adjusted to reflect an equivalent, stable annual income.

**Stabilized Occupancy**

1. The occupancy of a property that would be expected at a particular point in time, considering its relative competitive strength and supply and demand conditions at the time, and presuming it is priced at market rent and has had reasonable market exposure. A property is at stabilized occupancy when it is capturing its appropriate share of market demand.
2. An expression of the average or typical occupancy that would be expected for a property over a specified projection period or over its economic life.

## **Addendum C**

### **Comparable Data**

## **Rent Surveys**

# Senior Housing Rent Survey Profile

## Location and Property Information

Property Name:	The Retreat at Loganville
Facility Type:	Independent, Assisted and Memory Care Facility
Address:	580 Tommy Lee Fuller Dr.
City/State/Zip:	Loganville, Georgia 30052
County:	Walton
MSA:	Atlanta-Sandy Springs-Roswell, GA
IRR Event ID:	2478402



## Property Data

Year Built/Renovated:	1993/
<b>Project Amenities:</b>	
Activity room(s), Barber/Beauty shop(s), Chapel, Library(s), Game/Billiards, Exercise facility(s)	
<b>Unit Amenities:</b>	
Emergency pull cords, Fire/Smoke Detectors, Controlled HVAC, Kitchenettes, Window Treatments	

## Care Types and Occupancy

Care Type	# Units	# Beds	Occ.
Independent Living	83	N/A	N/A
Assisted Living	79	N/A	N/A
Memory Care	43	N/A	N/A
Total	205	N/A	82%

## Survey Data

Date of Survey:	07/16/20
Data Source:	470-567-7729, Barrett Burns

## Unit Mix / Rents

Unit Type	# Units	SF	Plan	Rent/Service Fee	Entry Fee	% RF
<b><u>Independent Living</u></b>						
1/1 Cottage			Monthly	\$1,995		
2/1 Cottage			Monthly	\$2,600		
<b><u>Assisted Living</u></b>						
Studio Priv.			Monthly	\$2,254		
1/1 Priv.			Monthly	\$3,250		
<b><u>Memory Care</u></b>						
Studio Priv.				\$4,195		

# Senior Housing Rent Survey Profile

## Concessions / Other Changes

Community Fee:	\$2,000
IL 2nd Occ. Fee Monthly:	\$1,500
AL 2nd Occ. Fee Monthly:	\$1,500
Meals:	2 meals a day for independent living 3 meals a day for assisted living and memory care
Care:	all inclusive of care

## Comments

The Retreat at Loganville charges a non-refundable \$2,000 community fee and 2nd person fee is \$1,500. The community reported occupancy at 82%. Due to pandemic Covid 19, occupancy is down.

The Retreat at Loganville formerly Southern Plantation is a independent living and assisted living consisting of 201-units, of which 43 units are dedicated to memory care. The property was constructed in 1983 and renovated in 2012.



# Senior Housing Rent Survey Profile

## Location and Property Information

Property Name: Benton House of Grayson

Facility Type: Assisted Living & Memory Care Facility

Address: 2270 Loganville Hwy.

City/State/Zip: Grayson, Georgia 30017

County: Gwinnett

MSA: Atlanta-Sandy Springs-Roswell, GA

IRR Event ID: 2478408



## Property Data

Year Built/Renovated: 2016/  
Property Condition: Average  
Construction Quality: Average  
No. of Buildings/Stories: 1/1

### Project Amenities:

Activity room(s), Barber/Beauty shop(s), Game room(s), Lounge(s), Therapy room(s), Arts/Crafts, Dining room(s)

### Unit Amenities:

Emergency pull cords, Fire/Smoke Detectors, Controlled HVAC

## Survey Data

Date of Survey: 07/16/20  
Data Source: 770-682-7777, Charlene

## Care Types and Occupancy

Care Type	# Units	# Beds	Occ.
Assisted Living	45	N/A	N/A
Memory Care	14	N/A	N/A
Total	59	N/A	87%

## Unit Mix / Rents

Unit Type	# Units	SF	Plan	Rent/Service Fee	Entry Fee	% RF
<b>Assisted Living</b>						
Studio Priv.	4	330	Monthly	\$3,300		
Studio Priv.	8	400	Monthly	\$3,550		
Comments: Delux						
1/1 Priv.	17	378	Monthly	\$4,350		
1/1 Priv.	16	552	Monthly	\$4,550		



# Senior Housing Rent Survey Profile

## Unit Mix / Rents (Cont'd)

Unit Type	# Units	SF	Plan	Rent/Service Fee	Entry Fee	% RF
<b>Memory Care</b>						
Studio SP			Monthly	\$4,050		
Studio Priv.	14	330	Monthly	\$5,250		

## Services & Utilities Included in Rent

Care Type	Utilities	Housekeeping	Meals per Day	Care
Assisted Living	All but tel	Weekly	3	Base + levels
Memory Care	All but tel	Weekly	3	Base + levels

## Concessions / Other Changes

Community Fee:	\$2,500
AL 2nd Occ. Fee Monthly:	\$800
Meals:	3 meals a day
Care:	Assisted Living and Memory
	Care Levels of Care:
	Level 1: \$900
	Level 2: \$1,800

## Comments

Benton House of Grayson charges non-refundable \$2,500 community fee. The levels of care for both assisted living and memory care are \$30/day for level 1 and \$60/day for level 2. The community director reported 87% occupancy at the time of survey. Average occupancy runs around 93%, due to pandemic Covid 19, occupancy is slightly down.

Benton House of Grayson is an assisted living and memory care facility with 59 units. The community is located on the east side of Loganville Highway, 3 miles north of US Highway 78.

# Senior Housing Rent Survey Profile

## Location and Property Information

Property Name: Dogwood Forest of Grayson

Facility Type: Assisted Living & Memory Care Facility

Address: 1754 Grayson Hwy.

City/State/Zip: Grayson, Georgia 30017

County: Gwinnett

MSA: Atlanta

IRR Event ID: 2478745



## Property Data

Year Built/Renovated: 2017/

Property Condition: Good

Construction Quality: Good

No. of Buildings/Stories: 1/2

### Project Amenities:

Activity room(s), Barber/Beauty shop(s), Computer lounge(s), Exercise facility(s), Garden(s), Movie theater(s), Walking trail(s), Arts/Crafts, Dining room(s), Spa/Whirlpool

### Unit Amenities:

Crown molding, Emergency pull cords, Fireplaces, Granite countertops, Kitchenettes, Patio/balconies, Fire/Smoke Detectors, Controlled HVAC, Window Treatments, Private Baths

## Care Types and Occupancy

Care Type	# Units	# Beds	Occ.
Assisted Living	74	N/A	N/A
Memory Care	25	N/A	N/A
Total	99	N/A	84%

## Survey Data

Date of Survey: 07/17/20

Data Source: 678-496-2319, Bill

## Unit Mix / Rents

Unit Type	# Units	SF	Plan	Rent/Service Fee	Entry Fee	% RF
<b>Assisted Living</b>						
Studio Priv.	4	454	Monthly	\$3,995		
1/1 Priv.	33	494	Monthly	\$4,695		
1/1 Priv.	9	514	Monthly	\$4,695		

# Senior Housing Rent Survey Profile

## Unit Mix / Rents (Cont'd)

Unit Type	# Units	SF	Plan	Rent/Service Fee	Entry Fee	% RF
<b><u>Assisted Living</u></b>						
1/1 Priv.	26	559	Monthly	\$5,150		
2/2 Priv.	2	752	Monthly	\$5,795		
<b><u>Memory Care</u></b>						
Studio Priv.	15	343	Monthly	\$6,750		
Studio SP	10	343	Monthly	\$6,995		
Comments: Companion Suite						

## Services & Utilities Included in Rent

Care Type	Utilities	Housekeeping	Meals per Day	Care
Assisted Living	All but tel	Weekly	3	Base + a-la-carte
Memory Care	All but tel	Weekly	3	All-inclusive

## Concessions / Other Changes

Community Fee:	\$3,000
AL 2nd Occ. Fee Monthly:	\$1,050
Meals:	3 meals per day are included.
Care:	AL: Care rates cap at \$2,100/month MC: Inclusive of all care

## Comments

Dogwood Forest at Grayson charges a non-refundable \$3,000 community fee. The assisted living care fees are charged on an a-la carte basis with a cap of \$2,100/month. Memory care rates are inclusive of all care. The community reported 83% occupancy at the time of survey. Average occupancy is %92, due to pandemic Covid-19 occupancy is slightly down. The community/entry fee is non-refundable.

Dogwood Forest at Grayson is an assisted living and memory care facility with 99 units, of which, 25 are dedicated to memory care. Property is located at the northeast corner of Grayson Highway and Sawyer Farm Drive. The facility was originally constructed in 2017.

# Senior Housing Rent Survey Profile

## Location and Property Information

Property Name: The Landing of Winder

Facility Type: Assisted Living & Memory Care Facility

Address: 901 Haymon Morris Rd.

City/State/Zip: Winder, Georgia 30680

County: Barrow

MSA: Atlanta-Sandy Springs-Roswell, GA

IRR Event ID: 2478433



## Property Data

Year Built/Renovated: 2020/

### Project Amenities:

Activity room(s), Chapel, Dining room(s), Exercise facility(s), Garden(s), Movie theater(s)

### Unit Amenities:

Controlled HVAC, Emergency pull cords, Fire/Smoke Detectors, Private Baths, Window Treatments

## Survey Data

Date of Survey: 07/16/20

Data Source: 706-705-1450, Kristen

## Care Types and Occupancy

Care Type	# Units	# Beds	Occ.
Assisted Living	32	N/A	N/A
Memory Care	16	N/A	N/A
Total	48	N/A	27%

## Unit Mix / Rents

Unit Type	# Units	SF	Plan	Rent/Service Fee	Entry Fee	% RF
<b><u>Assisted Living</u></b>						
1/1 Priv.			Monthly	\$4,150		
<b><u>Memory Care</u></b>						
Studio Priv.			Monthly	\$5,650		

# Senior Housing Rent Survey Profile

## Services & Utilities Included in Rent

Care Type	Utilities	Housekeeping	Meals per Day	Care
Assisted Living	All but tel	Weekly	3	Base + levels
Memory Care	All but tel	Weekly	3	Base + levels

## Concessions / Other Changes

Community Fee:	\$2,500
AL 2nd Occ. Fee Monthly:	\$1,800
Meals:	3 meals a day
Care:	Assisted living 4 levels of care Level 1: \$350 Level 2: \$550 Level 3: \$750 Level 4: \$950  Memory care 2 levels of care Level 1: \$575 Level 2: \$975

## Comments

The Landing of Winder charges a non-refundable \$2,500 community fee and 2nd person fee is \$1,800. The community reported occupancy at 27%. Due to pandemic Covid 19, occupancy is down and the facility has only been open for 2 months.

The Landing of Winder is a assisted living facility consisting of 48-units, of which 16 units are dedicated to memory care. The property was constructed in 2020, opened May 2020.

# Senior Housing Rent Survey Profile

## Location and Property Information

Property Name: Hope Center for Memory Care  
Facility Type: Memory Care Facility  
Address: 1200 Winder Hwy.  
City/State/Zip: Dacula, Georgia 30019  
County: Gwinnett  
  
IRR Event ID: 2478831



## Property Data

Year Built/Renovated: 2010/  
Property Condition: Average  
Construction Quality: Average  
No. of Buildings/Stories: 1/1

### Project Amenities:

Activity room(s), Barber/Beauty shop(s), Exercise facility(s), Lounge(s), Dining room(s), Therapy room(s)

### Unit Amenities:

Emergency pull cords, Controlled HVAC, Fire/Smoke Detectors, Private Baths

## Care Types and Occupancy

Care Type	# Units	# Beds	Occ.
Memory Care	64	N/A	N/A
Total	64	N/A	50%

## Survey Data

Date of Survey: 07/17/20  
Data Source: 770-963-4673, Shanika

## Unit Mix / Rents

Unit Type	# Units	SF	Plan	Rent/Service Fee	Entry Fee	% RF
<b>Memory Care</b>						
Studio Priv.		320	Monthly	\$4,753		
Studio SP		448	Monthly	\$5,728		

## Services & Utilities Included in Rent

Care Type	Utilities	Housekeeping	Meals per Day	Care
Memory Care	All but cable/tel	Weekly	3	All-inclusive

# Senior Housing Rent Survey Profile

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## Concessions / Other Changes

---

Community Fee:	\$2,000
Meals:	3 meals a day are included
Care:	Inclusive of all care

## Comments

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Hope Assisted Living & Memory Care Center is an all inclusive community that charges a \$2,000 non-refundable community fee. The community reported a 50.00% occupancy, which is average for this facility, released at the time of survey. The community/entry fee is non-refundable.

Hope Center for Memory Care has 64-units memory care units. The improvements include a single-story brick building that was constructed in 2010 and remains in average physical condition. It is situated on a 3.5-acre site and located on the east side of Cedars Road South East.



# Senior Housing Rent Survey Profile

## Location and Property Information

Property Name: Gateway Gardens at Winder  
Facility Type: Assisted Living & Memory Care Facility  
Address: 138 Gateway Ln.  
City/State/Zip: Bethlehem, Georgia 30620  
County: Barrow  
MSA: Atlanta-Sandy Springs-Roswell, GA  
IRR Event ID: 2478828



## Property Data

Year Built/Renovated: 2016/  
No. of Buildings/Stories: 1/1  
**Project Amenities:**  
Arts/Crafts, Dining room(s), Exercise facility(s), Library(s)

**Unit Amenities:**  
Controlled HVAC, Emergency pull cords, Window Treatments

## Care Types and Occupancy

Care Type	# Units	# Beds	Occ.
Assisted Living	27	N/A	N/A
Memory Care	10	N/A	N/A
Total	37	N/A	N/A

## Survey Data

Date of Survey: 07/17/20  
Data Source: 678-963-5828, Heather

## Unit Mix / Rents

Unit Type	# Units	SF	Plan	Rent/Service Fee	Entry Fee	% RF
<b><u>Assisted Living</u></b>						
Studio Priv.			Monthly	\$3,295		
Studio Priv.			Monthly	\$3,795		
Comments: Deluxe						
<b><u>Memory Care</u></b>						
Studio Priv.			Monthly	\$4,995		
Studio Priv.			Monthly	\$5,995		
Comments: Deluxe						
Studio SP			Monthly	\$3,995		



# Senior Housing Rent Survey Profile

## Unit Mix / Rents (Cont'd)

Unit Type	# Units	SF	Plan	Rent/Service Fee	Entry Fee	% RF
<u>Memory Care</u>						

## Services & Utilities Included in Rent

Care Type	Utilities	Housekeeping	Meals per Day	Care
Assisted Living	All but tel	Weekly	3	See Comments
Memory Care	All but tel	Weekly	3	See Comments

## Concessions / Other Changes

Community Fee:	\$1,500
AL 2nd Occ. Fee Monthly:	\$1,000
Meals:	3 meals a day are included
Care:	Assisted living is on a point system at \$7.00 per point. For example, Medication Management is 20 points, or \$140 per month. Memory care is all inclusive of care.

## Comments

Gateway Gardens at Winder charges a non-refundable \$1,500 community fee. Assisted living is on a point system for \$7.00 per point. Medication Management is 20 points or \$140. Memory care is all inclusive of care. Occupancy was not obtained at the time of survey.

Gateway Gardens at Winder is an assisted living and memory care facility with 37 units, of which, 10 are dedicated to memory care. The facility was originally constructed in 2016.

## **Addendum D**

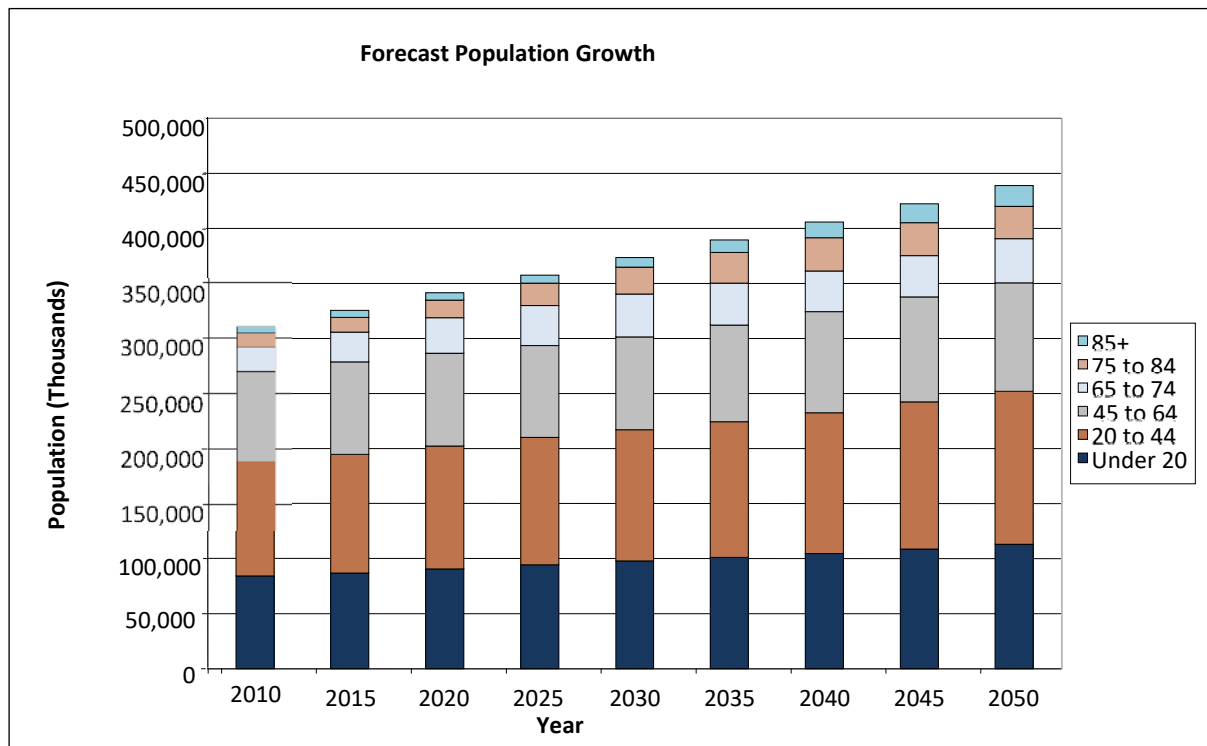
### **Senior Housing Market Analysis**

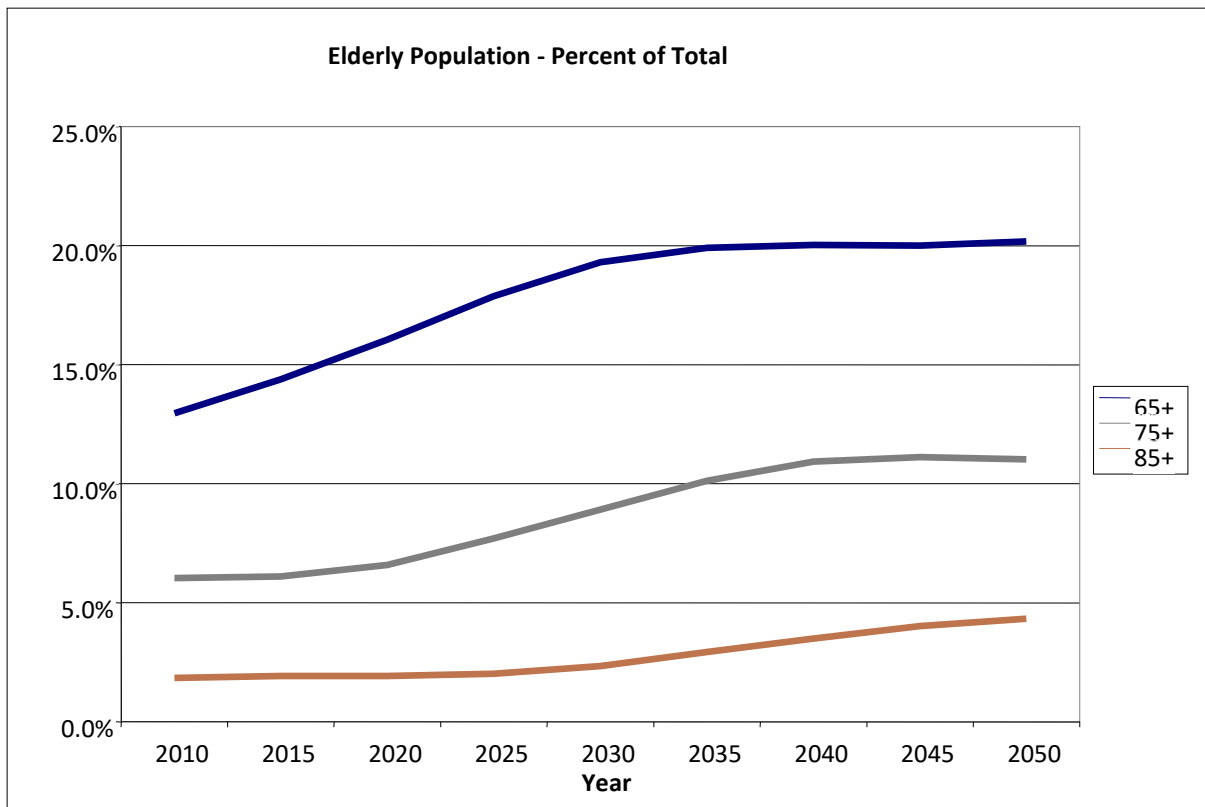
## Senior Housing Market Analysis

### Aging Trends

There is no denying that the demographic trends impacting the seniors housing sector are positive. As of the 2010 Census, there were 40.3 million elderly Americans (those aged 65 and older), making up nearly 13% of the total population. The elderly population is expected to almost double by the year 2030 to 72 million, to make up 19% of the total population. The 2010 Census also indicated that there were 5.5 million Americans aged 85 and older, almost 2% of the total population. This population is expected to almost double by 2030 and become 2.3% of the total population. In 2050, as many as one in five Americans could be elderly.

Much of the forecast growth will occur between 2010 and 2030, due to the Baby Boomer generation entering their elderly years. This is most apparent when comparing growth rates. Between 2010 and 2030, the overall U.S. population is forecast to grow at an annual pace of 0.9% per year. Remarkably, growth in all three seniors sectors is much stronger: 3.0% per year for the 65+ population, 2.9% per year for the 75+ population, and 2.1% per year for the 85+ population. These strong rates of growth will lead to growing demand for seniors housing.





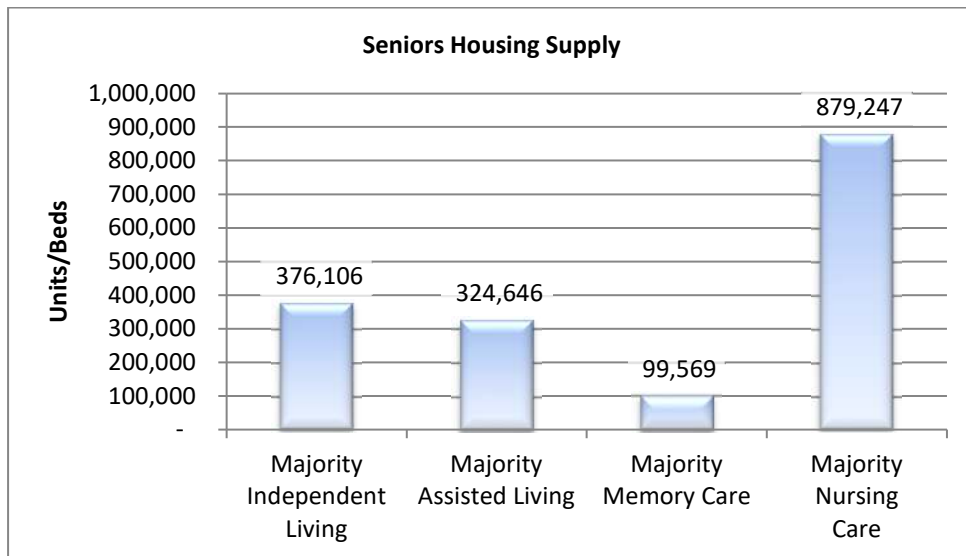
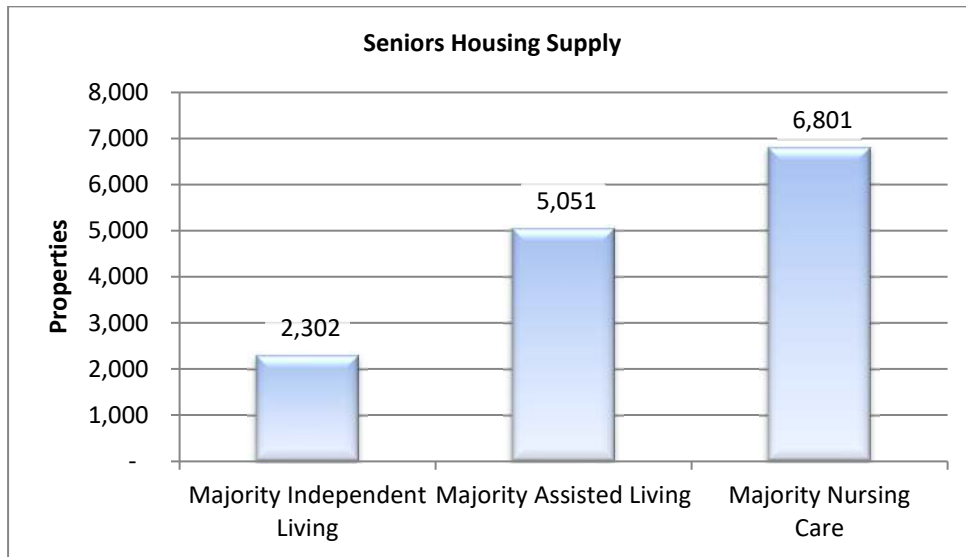
### Other Factors Leading to Increased Demand

In addition to demographic trends, the following factors are leading to increasing demand for seniors housing and long-term care:

- Need for assistance with ADLs. According to census figures, about 6.5 million seniors need assistance with ADLs. As the number of seniors continues to increase, that number is expected to double by 2020.
- More elderly living alone. Women continue to outlive men, and the likelihood that either men or women will live alone increases with age. Societal factors, such as rising divorce rates and the growing numbers of people choosing not to marry, also contribute to this trend.
- Changes in the role of women. Women have traditionally been the primary caregivers of older people. However, the number of women in the work force grew from 20.5% in 1915 to more than 58% in 2010. With this change, fewer women are serving as caregivers, creating the need for the elderly to seek assistance outside the home.

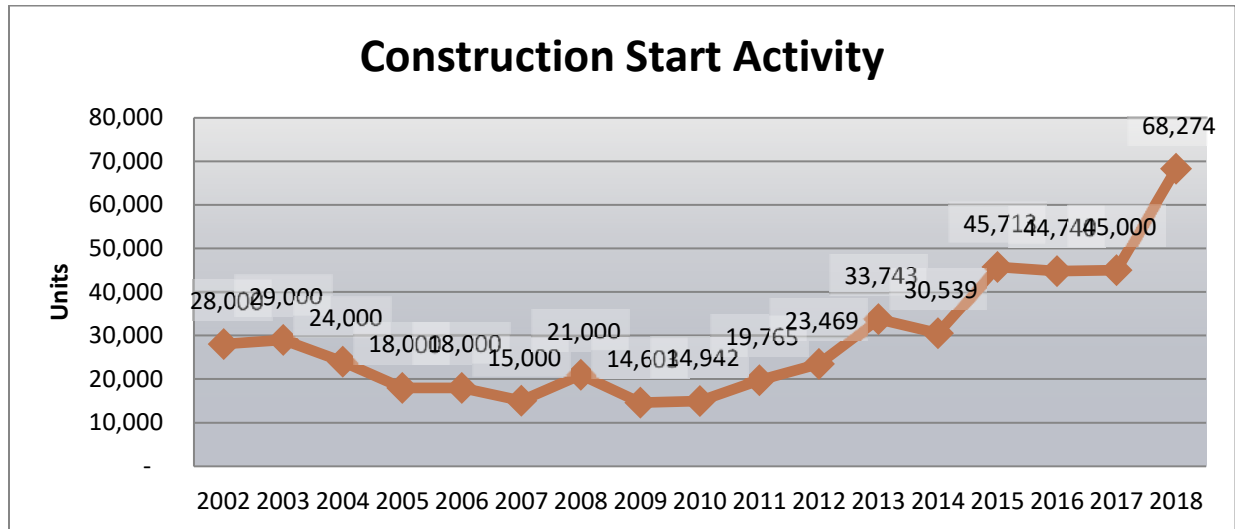
### National Senior Housing Supply Trends

Senior apartments and independent living supply is typically expressed in terms of units, while assisted and nursing supply is expressed in terms of beds. *NIC MAP Construction Monitor* estimated there were 1,856,242 units/beds in the U.S. as of the 3rd quarter 2019, as shown below.



## New Development

According to *NIC Map Construction Monitor* for the 3rd quarter of 2019, national construction start activity (not including senior apartments) was as follows.

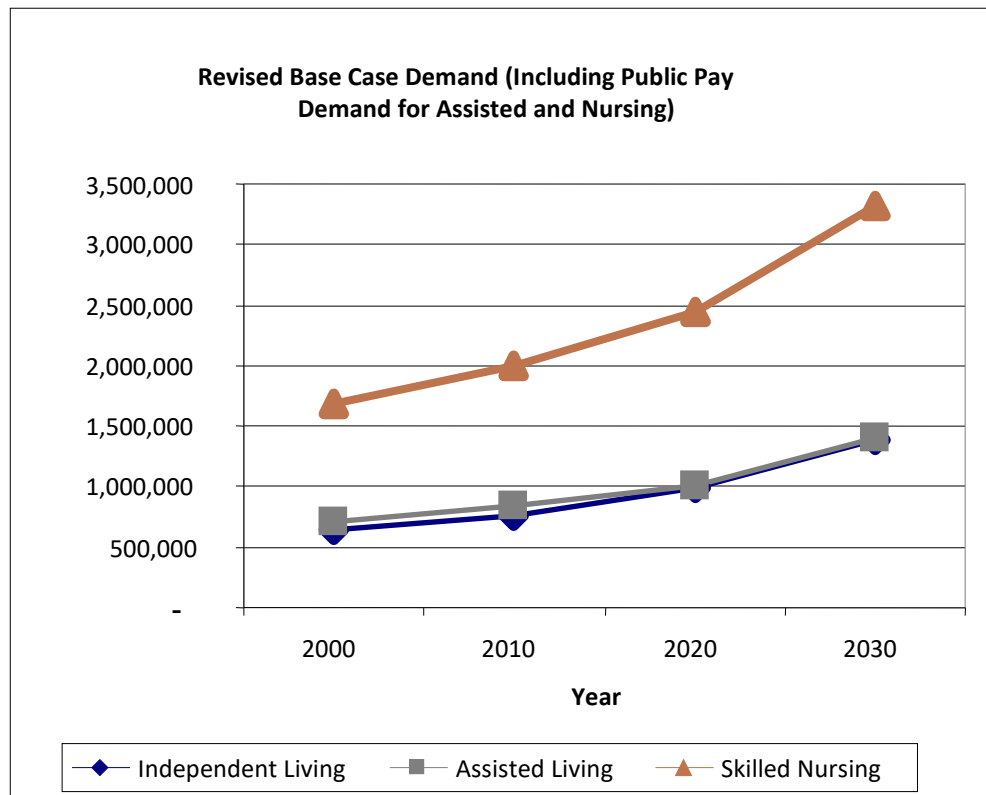


There were 614 seniors housing and skilled care properties under construction as of the 3rd quarter of 2019. The majority of the construction in seniors housing was within new properties, with construction in these properties totaling 53,164 units spread across 394 properties. In addition, there were also 150 existing properties undergoing expansions, totaling 8,359 units. For majority nursing care properties, 73 properties are undergoing construction, with 20 new properties and 3,052 units and 53 existing properties adding 2,355 expansion units.

## National Demand Trends

As noted previously, demographic trends will lead to growing demand for seniors housing over the coming years. Most industry analysts agree that the level of assisted and independent living units that are supportable is not yet known. As the public becomes more educated as to seniors housing options, an increasing percentage of seniors may elect to occupy some form of seniors housing.

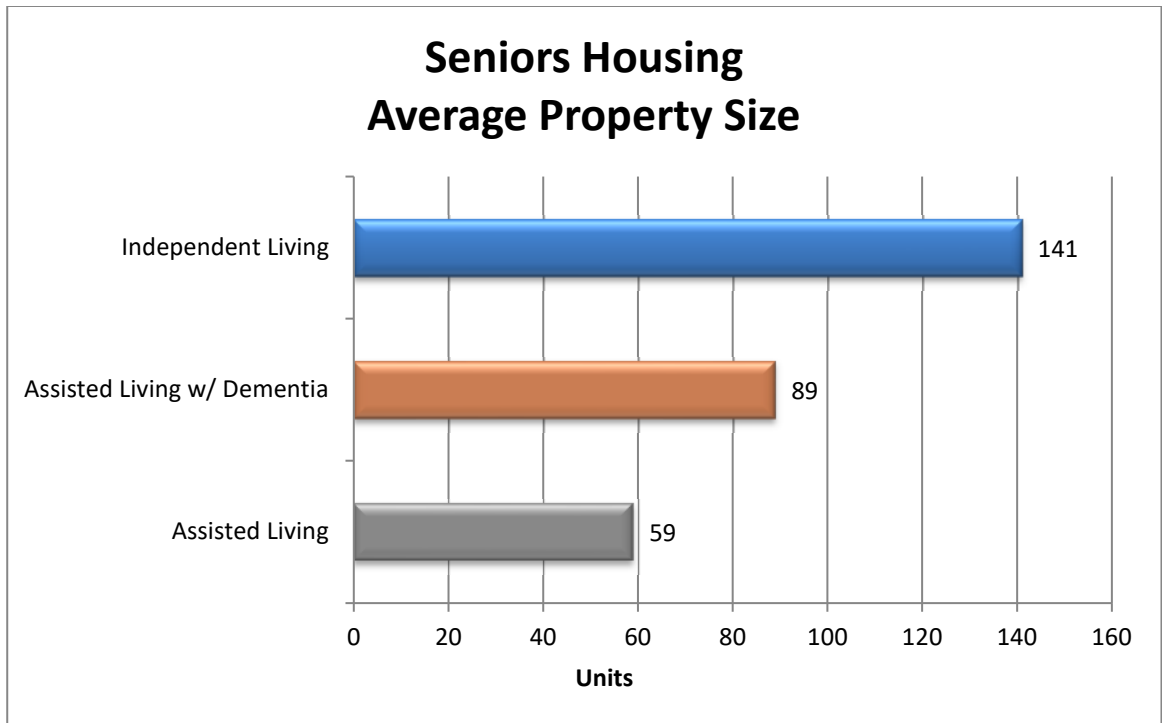
To date the most comprehensive estimate of demand for seniors housing was published in *The Case for Investing in Seniors Housing and Long Term Care Properties with Updated Projections*. The study, conducted by NIC in partnership with Price Waterhouse, LLP, produced the following base case estimates of effective demand for seniors housing.



## Property Size

### Seniors Housing

Seniors housing refers to independent living and assisted living communities. Independent living communities are typically larger than assisted living or nursing care facilities with a median of 146 units. Many operators believe that a minimum size of about 80 units is required to operate profitably, but many communities are substantially larger. Assisted living communities are typically smaller than independent living communities with a median of 64 units for assisted living and 90 units for assisted/memory care. Many operators believe that a minimum size of about 60 units is required to operate profitably, but there are some smaller models that have proven to be successful.

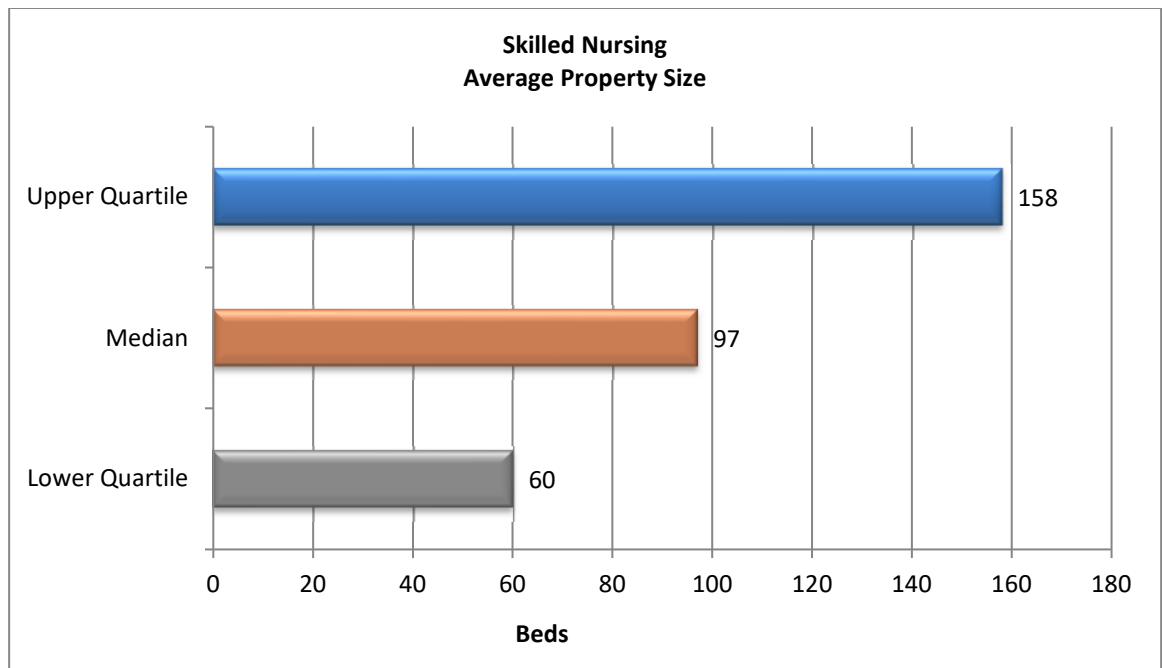


Source: *The State of Seniors Housing 2018* ASHA

#### **Skilled Nursing**

Nursing facilities provide various levels of health care service on a 24-hour basis in addition to shelter, dietary, housekeeping, laundry, and social needs. Skilled care is a level of nursing and supportive care provided by licensed nurses to patients who need 24-hour nursing services on an extended basis. The upper quartile of beds is 158, and the lower quartile of beds is 60. Also, the median number of beds is 97. It is noted that the 2012 data is the most recent available.



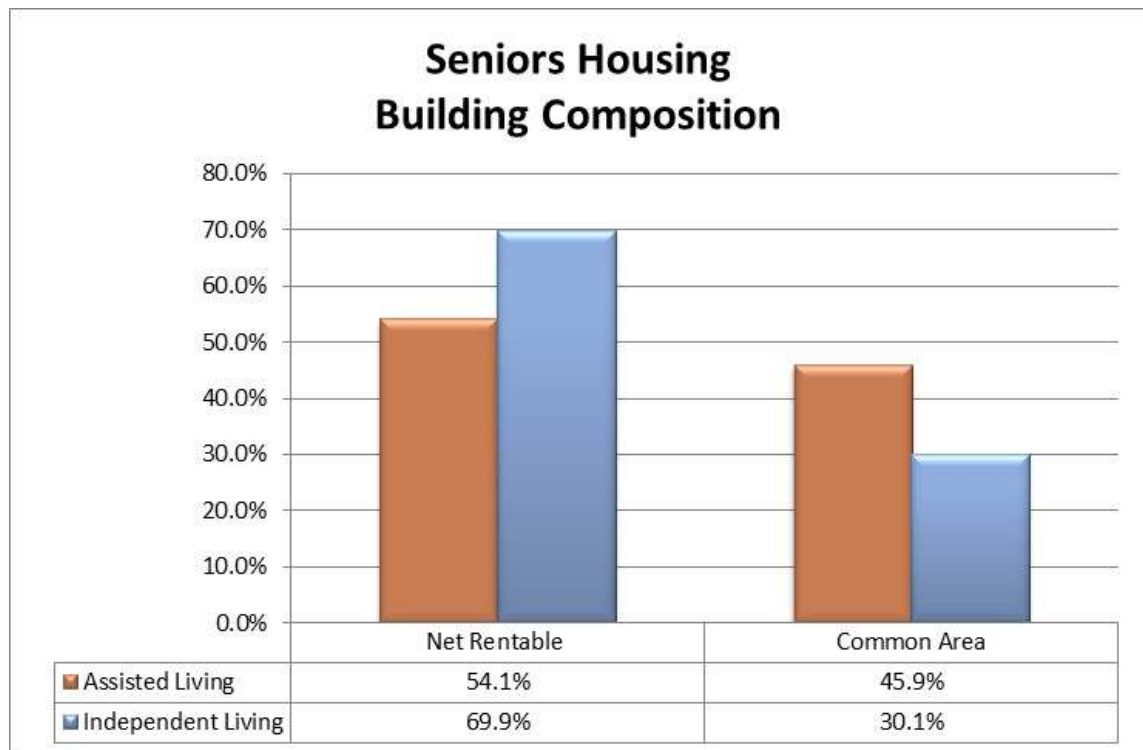


Source: *The State of Seniors Housing 2018*, ASHA

## Building Composition

### Seniors Housing

Independent living communities normally have a higher ratio of rentable area to total area than assisted living or nursing care facilities. This is partially due to the larger size of living units, and partially due to lower common area requirements for uses such as therapy and common area bathing facilities. Assisted living communities normally have a lower ratio of rentable area to total area than independent living facilities. This is partially due to the smaller size of living units; however, assisted living facilities usually have a larger common area, in proportion to the total area of the building, than independent living facilities.

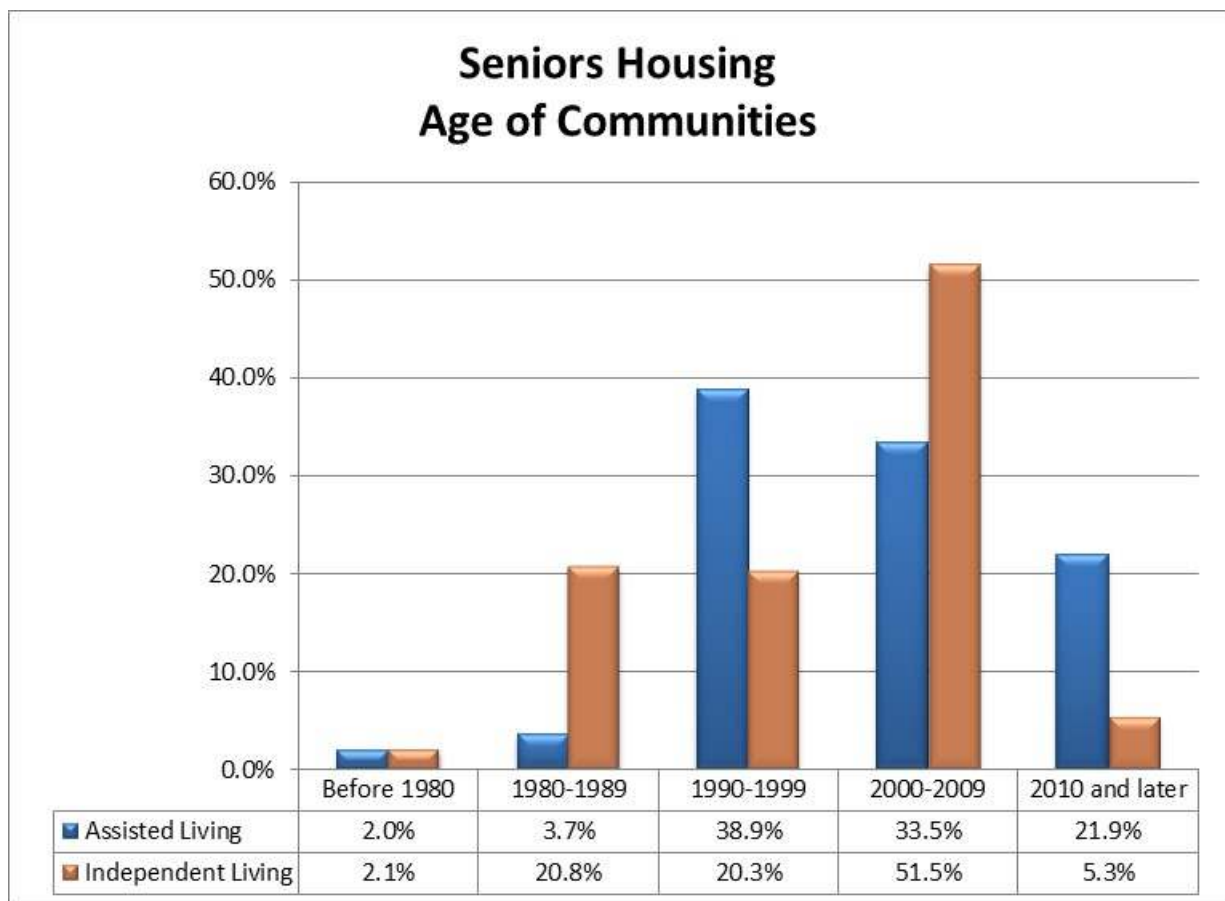


Source: *The State of Seniors Housing 2018*, ASHA

## Community Age

### Seniors Housing

The majority of independent living communities now in existence were developed between 1980 and 1999 (43.2%), with another large share of the total developed since 2000 (56.8%). This is in contrast to nursing care, which has experienced relatively constant development for a number of decades, and assisted living, most of which (55.4%) was developed since 2000, with 56.8% developed in the 1990s.



Source: The State of Seniors Housing 2018, ASHA

## Occupancy

### Seniors Housing

The table on the following page shows the 2nd Quarter 2019 occupancy performance by region compared to a year ago from the National Investment Center for Seniors Housing & Care (NIC).

Independent living occupancy among stabilized properties increased slightly from 91.3% to 91.2% from a year ago but assisted living occupancy decreased from 87.7% to 88.3%. Annual rents in independent living increased from 2.5% to 3.3% from a year ago while assisted living rent growth remained nearly the same from 2.7% to 2.6%. Year over year absorption for independent living facilities remained the same and YoY remained absorption for assisted living accelerated from 3.4% to 3.8%.

## Performance by Region

### 2Q2019

	Current Quarter vs. Prior Quarter vs. One Year Ago									
	Occupancy (%)		Stabilized Occupancy (%)		Annual Rent Growth (%)		Annual Inventory Growth (%)		Annual Absorption (%)	
	2Q18	2Q19	2Q18	2Q19	2Q18	2Q19	2Q18	2Q19	2Q18	2Q19
<b>Seniors Housing</b> <sup>1</sup>	<b>87.8</b>	<b>87.7</b>	<b>89.9</b>	<b>89.6</b>	<b>2.6</b>	<b>3.0</b>	<b>3.2</b>	<b>2.9</b>	<b>2.5</b>	<b>2.7</b>
East North Central	86.7	86.5	89.7	89.2	2.2	3.2	4.4	3.1	3.3	2.8
Mid-Atlantic	88.3	87.8	90.5	89.7	3.1	3.1	4.0	2.9	2.3	2.2
Mountain	86.6	85.7	88.9	88.9	2.9	3.8	3.3	6.4	3.7	5.3
Northeast	90.3	90.3	91.5	91.7	2.7	2.6	1.8	2.0	1.5	2.0
Pacific	90.6	89.8	91.4	91.0	4.1	3.5	1.2	1.3	1.5	0.4
Southeast	85.8	86.0	88.3	88.2	2.2	2.7	4.3	3.6	2.8	3.7
Southwest	83.1	83.8	86.2	85.7	0.7	2.6	3.5	3.2	2.7	4.0
West North Central	88.1	88.8	90.3	90.7	2.3	2.3	5.1	3.2	4.4	4.0
<b>Independent Living</b> <sup>1</sup>	<b>90.1</b>	<b>90.0</b>	<b>91.2</b>	<b>91.3</b>	<b>2.5</b>	<b>3.3</b>	<b>2.3</b>	<b>1.9</b>	<b>1.8</b>	<b>1.8</b>
East North Central	89.8	89.4	91.1	90.6	2.4	3.8	2.4	1.5	1.6	1.2
Mid-Atlantic	91.2	91.0	92.6	92.3	3.5	3.6	3.4	2.0	1.9	1.8
Mountain	89.5	88.9	90.1	91.3	2.9	3.7	1.9	4.7	2.7	4.0
Northeast	92.5	92.6	92.7	93.0	2.8	2.9	1.0	1.1	1.3	1.3
Pacific	92.5	91.8	92.7	92.6	4.0	3.4	0.7	0.5	1.6	-0.3
Southeast	88.0	88.1	89.7	90.1	1.8	3.2	3.4	2.7	1.3	2.9
Southwest	85.5	85.8	88.0	87.4	0.3	2.9	3.4	2.2	2.8	2.5
West North Central	90.2	90.6	91.0	91.6	1.9	2.6	3.7	2.4	2.7	2.9
<b>Assisted Living</b> <sup>1</sup>	<b>85.2</b>	<b>85.0</b>	<b>88.3</b>	<b>87.7</b>	<b>2.7</b>	<b>2.6</b>	<b>4.3</b>	<b>4.0</b>	<b>3.4</b>	<b>3.8</b>
East North Central	82.9	82.9	87.6	87.3	1.9	2.4	7.1	5.1	5.7	5.1
Mid-Atlantic	84.2	83.4	87.2	86.1	2.5	2.4	4.8	4.1	3.0	3.0
Mountain	83.0	82.0	87.4	85.9	2.7	3.9	4.9	8.4	5.1	7.1
Northeast	87.9	87.7	90.1	90.1	2.5	2.3	2.7	3.0	1.8	2.7
Pacific	89.0	88.2	90.3	89.7	4.2	3.5	1.7	1.9	1.4	1.0
Southeast	83.5	83.7	86.7	86.1	2.6	2.1	5.3	4.4	4.7	4.7
Southwest	79.8	81.1	83.7	83.4	1.4	2.1	3.8	4.5	2.6	6.1
West North Central	85.4	86.5	89.4	89.5	2.8	2.0	6.8	4.1	6.6	5.5
<b>Nursing Care</b> <sup>1</sup>	<b>86.0</b>	<b>86.4</b>	<b>86.2</b>	<b>86.6</b>	<b>2.5</b>	<b>2.5</b>	<b>-0.5</b>	<b>-0.3</b>	<b>-1.0</b>	<b>0.3</b>
East North Central	83.1	83.7	83.2	83.8	2.6	2.0	-0.7	-0.2	-1.1	0.4
Mid-Atlantic	87.9	88.3	88.2	88.3	2.6	2.5	-0.4	0.1	-1.4	0.5
Mountain	82.1	83.8	82.8	84.3	1.6	2.0	0.3	0.9	-0.5	2.9
Northeast	90.5	90.7	90.5	90.7	2.1	2.2	-0.7	-0.3	-0.7	-0.1
Pacific	89.3	90.5	89.4	90.6	3.5	3.8	0.0	-0.3	0.0	1.0
Southeast	88.3	88.8	88.6	89.2	2.6	2.8	-0.4	-0.1	-0.4	0.4
Southwest	75.2	74.9	75.6	75.3	2.0	2.0	-0.4	-0.5	-1.9	-0.8
West North Central	80.6	81.3	80.6	81.4	3.3	3.1	-1.3	-0.9	-2.0	0.0
<b>CCRCs</b> <sup>1</sup>	<b>91.0</b>	<b>91.2</b>	<b>91.0</b>	<b>91.4</b>	<b>3.4</b>	<b>3.6</b>	<b>1.0</b>	<b>0.8</b>	<b>0.7</b>	<b>1.1</b>
East North Central	90.2	90.3	90.3	90.3	3.2	4.7	0.2	0.6	0.4	0.7
Mid-Atlantic	92.9	92.8	93.2	92.8	4.2	3.7	1.4	1.2	0.8	1.1
Mountain	89.0	90.8	89.0	90.8	2.6	3.5	1.2	0.1	3.3	2.1
Northeast	93.2	93.5	93.2	93.5	3.7	3.3	0.7	1.0	0.9	1.4
Pacific	92.1	91.6	92.4	93.1	4.7	3.8	1.7	1.1	1.9	0.6
Southeast	89.6	89.9	89.6	89.9	2.2	3.2	0.8	0.4	-1.0	0.7
Southwest	86.0	86.5	86.0	86.5	2.4	4.3	2.0	-0.6	-0.3	0.0
West North Central	89.3	89.7	89.4	90.4	2.5	2.1	1.9	1.5	0.6	2.1

1. Represents aggregate property type data for primary and secondary markets.

The preceding table represents aggregate property type data collected from the NICMAP 140 markets (primary and secondary market aggregate), as shown below:

**East North Central:** Includes Akron, OH; Chicago, IL; Cincinnati, OH; Cleveland, OH; Columbus, OH; Dayton, OH; Detroit, MI; Grand Rapids, MI; Indianapolis, IN; Madison, WI; Milwaukee, WI; Toledo, OH; and Youngstown, OH.

**Mid-Atlantic:** Includes Baltimore, MD; Charleston, SC; Charlotte, NC; Columbia, SC; Greensboro, NC; Greenville, SC; Louisville, KY; Raleigh, NC; Richmond, VA; Virginia Beach, VA; and Washington, DC.

**Mountain:** Includes Albuquerque, NM; Boise, ID; Colorado Springs, CO; Denver, CO; Las Vegas, NV; Ogden, UT; Phoenix, AZ; Salt Lake City, UT; and Tucson, AZ.

**Northeast:** Includes Albany, NY; Allentown, PA; Boston, MA; Bridgeport, CT; Buffalo, NY; Harrisburg, PA; Hartford, CT; Lancaster, PA; New Haven, CT; New York, NY; Philadelphia, PA; Pittsburgh, PA; Portland, ME; Providence, RI; Rochester, NY; Scranton, PA; Springfield, MA; Syracuse, NY; and Worcester, MA.

**Pacific:** Includes Bakersfield, CA; Fresno, CA; Los Angeles, CA; Modesto, CA; Portland, OR; Riverside, CA; Sacramento, CA; San Diego, CA; San Francisco, CA; San Jose, CA; Seattle, WA; Stockton, CA; and Ventura, CA.

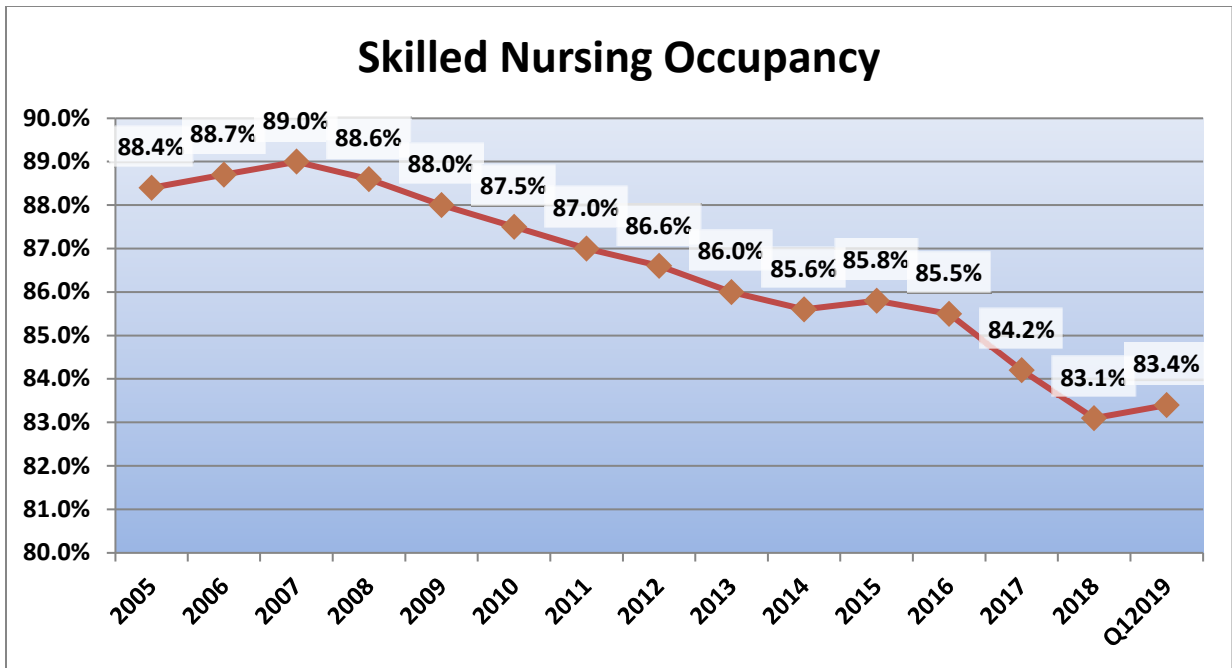
**Southeast:** Includes Atlanta, GA; Augusta, GA; Birmingham, AL; Chattanooga, TN; Daytona Beach, FL; Fort Myers, FL; Jackson, MS; Jacksonville, FL; Knoxville, TN; Lakeland, FL; Melbourne, FL; Memphis, TN; Miami, FL; Nashville, TN; Orlando, FL; Sarasota, FL; and Tampa, FL.

**Southwest:** Includes Austin, TX; Baton Rouge, LA; Dallas, TX; El Paso, TX; Houston, TX; Little Rock, AR; McAllen, TX; New Orleans, LA; Oklahoma City, OK; San Antonio, TX; and Tulsa, OK.

**West North Central:** Includes Des Moines, IA; Kansas City, MO; Minneapolis, MN; Omaha, NE; St. Louis, MO; and Wichita, KS.

### **Skilled Nursing**

The 1st Quarter 2019 NIC Map Skilled Nursing Data Report indicates that skilled nursing occupancy is currently 83.4%, an increase of 30 bps since the average occupancy for the 12 month period ending 2018.



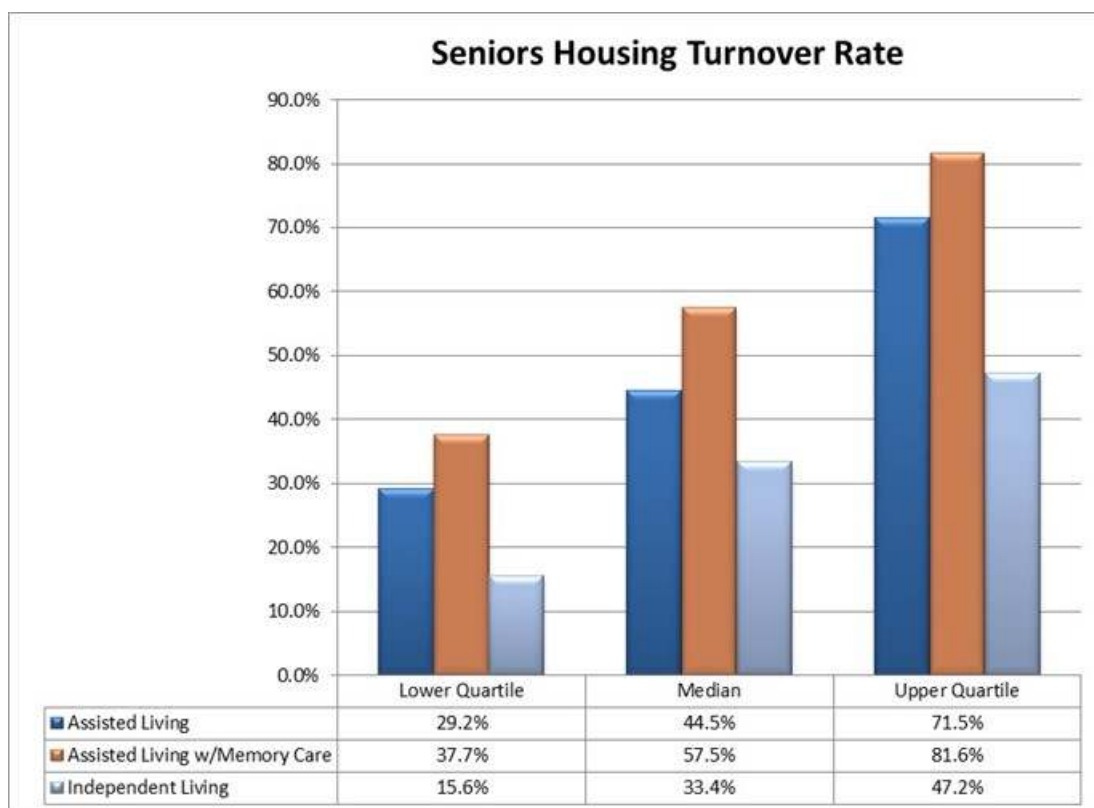
Even though there has been growth in the elderly population along with a very low rate of nursing home construction over the last 10 years, the average nursing home occupancy rate has not increased as might be expected. In December of 2001, occupancy stood at 85.9% in certified beds, at a time when there were approximately 130,000 more beds than there are today.

Demand has not increased over the past decade principally because of the growth of competitive alternatives, such as assisted living properties and home healthcare. At the present time, however, the growth of these competitive alternatives is slowing, while the growth in the elderly population is increasing.

## Resident Turnover

### Seniors Housing

Turnover in independent living is lower than for nursing care or assisted living properties probably because fewer moves are health necessitated. Turnover data reported in the *State of Seniors Housing 2018* is as follows.

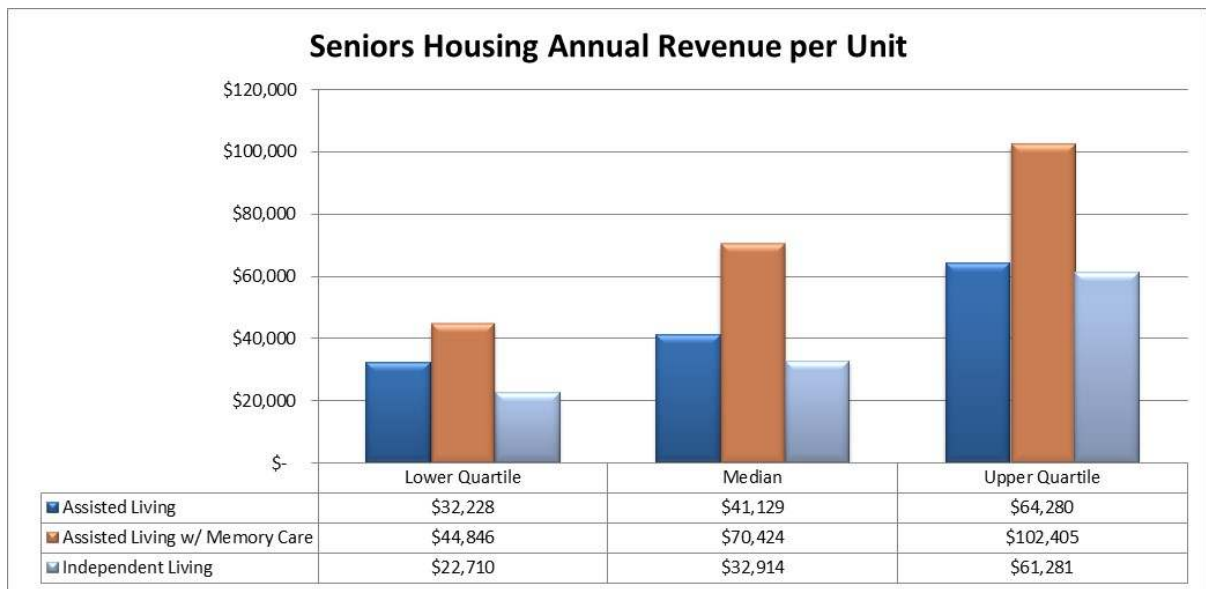


Source: *The State of Seniors Housing 2018* ASHA

## Rental Rates

### Seniors Housing

For rental communities, rents have continued to increase. Annual revenue per unit statistics is shown next.

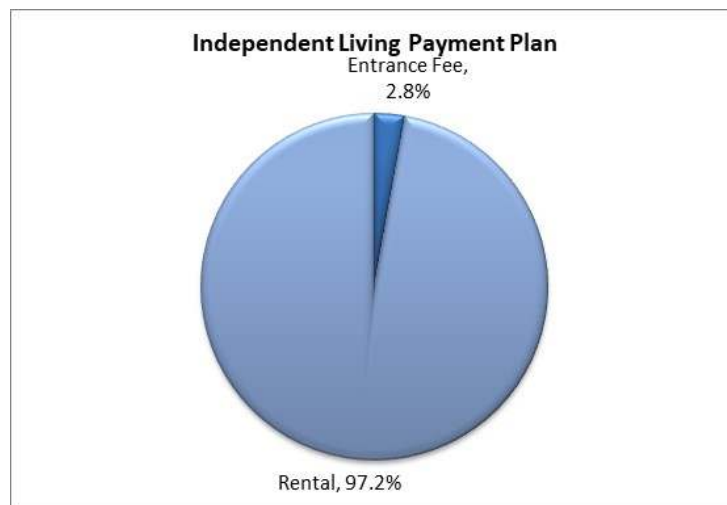


Source: *The State of Seniors Housing 2018*, ASHA

## Payment Types

### Independent Living

The vast majority of independent living units utilize a rental form of payment. However, 2.8% of the communities surveyed for the *2018 State of Seniors Housing* have an entrance fee structure. For the purposes of the survey, this sector includes only properties having an entrance fee in excess of \$20,000. This type of payment plan, common for non-profit communities, calls for the payment of an up-front entrance or endowment fee, followed by monthly maintenance fees payments. Often, the entrance fee is fully or partially refundable.



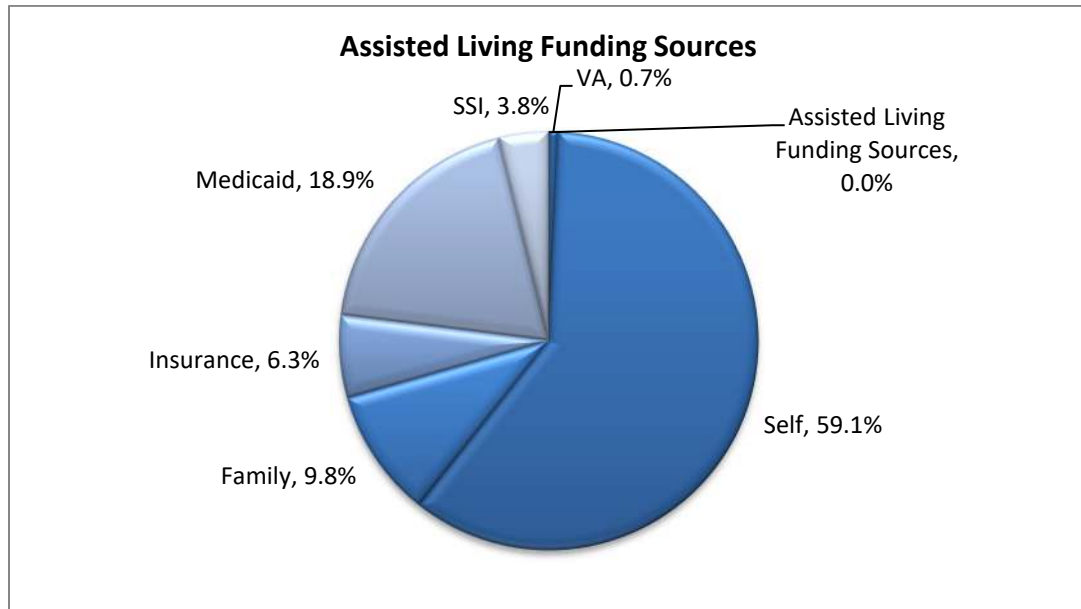
Source: *The State of Seniors Housing 2018*, ASHA



## Assisted Living

The vast majority of assisted living units utilize a rental form of payment. Of the assisted living facilities surveyed for *State of Seniors Housing 2018*, 87.9% were rental. Many rental communities do charge community or assessment fees, however, which are generally less than \$20,000 and non-refundable.

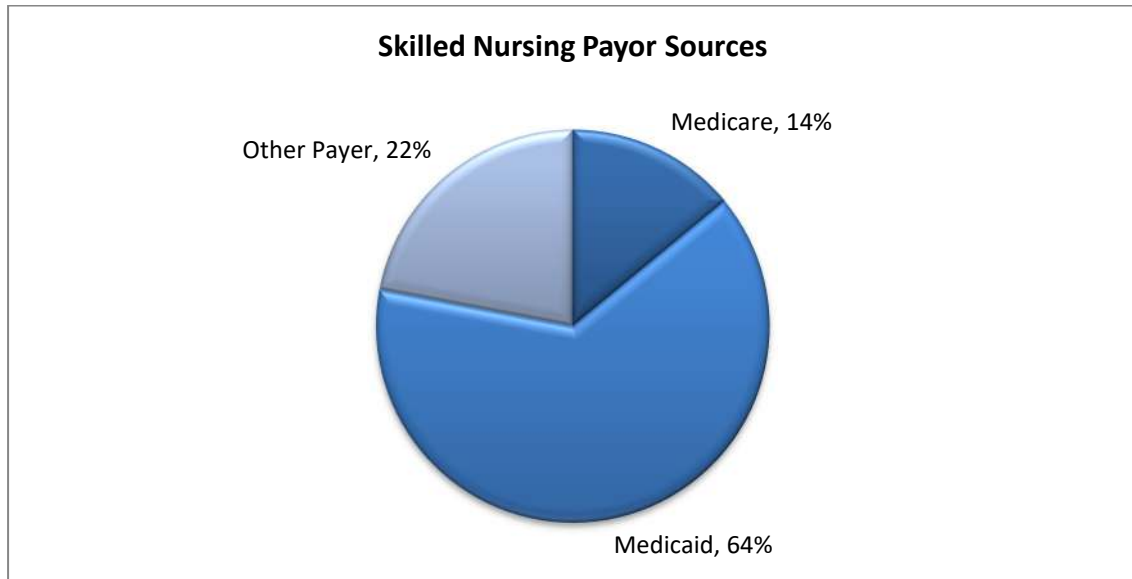
Assisted living is still a largely private-pay industry. According to the *2009 Overview of Assisted Living*, which is the most recent publication available, funding for assisted living comes from the following sources:



Only a small percent of assisted living residents pay for their care through a managed care program or with long term care insurance. However, the popularity of long term care insurance is growing, as it is now given the same preferential tax treatment as expenditures on other types of health insurance. The new tax advantages, in conjunction with a growing awareness of the need for individuals to plan for long term care expenses, have led to an increased interest and growing market for long term care insurance.

## Skilled Nursing

The majority of nursing home stays are funded by Medicare, Medicaid, or private long term care insurance.



Source: American Health Care Association, Online Survey, Certification and Reporting (OSCAR)

## Medicaid

Medicaid (Title XIX of the Social Security Act) is a joint federal and state health insurance plan for the indigent. Each state administers its own program and provides various benefit levels within broad federal guidelines. Thus, the form and manner of reimbursement vary significantly from state to state.

The Medicaid benefit payment for long-term nursing care service is the lifeblood of the nursing home industry. With some exceptions, the federal government usually provides matching funds of a minimum of 50% of the cost of a state's Medicaid program. The federal participation match rate for each state is calculated using a formula based on the state's average per capita income.

Medicaid predominantly pays nursing homes on a per diem basis, sometimes cost-based, as opposed to per discharge or per diagnosis. Generally, Medicaid per diem rates are raised by a percentage substantially less than the Consumer Price Index inflation rate. In fiscal years when a state is experiencing a budget constraint, the tendency is to allow few or no rate increases.

Among the large for-profit nursing facility companies, Medicaid typically comprises 65% to 70% of the resident census and typically generates around 45% of revenue for nursing facilities. According to AHCA, the average Medicaid rate for nursing home care was projected \$190.34 in 2015. Higher Medicare payments subsidize lower Medicaid payments in nursing facilities.

During an economic downturn, demand for Medicaid rises as more people fall into poverty or lose their employer sponsored coverage and become uninsured. At the same time, state revenues decline,

affecting states' ability to balance their budgets and fund programs such as Medicaid. As a result, states must grapple with increasing pressures to limit program spending in Medicaid and manage the increase of newly eligible enrollees in the program.

In 2002, revenues plummeted, and Medicaid spending and enrollment growth peaked resulting in state budget pressures. Every state adopted measures to control provider payments and spending for prescription drugs. These actions had immediate effects on Medicaid spending. Often as a last resort, states also turned to Medicaid benefit and eligibility cuts as well as increased co-payment requirements in an effort to control costs. Most efforts to control Medicaid long-term care spending were focused on reductions for institutional care while states continued to expand community based long-term care options.

Federal fiscal relief legislation during the last economic downturn was successful in helping to avoid deeper Medicaid cuts and preserve eligibility. In 2003, Congress passed the Jobs and Growth Tax Relief Reconciliation Act that provided \$20 billion in temporary federal fiscal relief to states, of which \$10 billion came in the form of a uniform increase in the federal matching rate (FMAP) for Medicaid expenditures. To receive the increased FMAP, states were required to maintain existing eligibility levels; thus, helping states avoid deep cuts and preserve eligibility.

In recent years, many states have established nursing facility provider tax programs. Under this program, nursing facilities are assessed an amount (within federal limits and other regulatory requirements) which can be used by the state, along with federal matching funds, to provide Medicaid rate increases to providers. Prior to fiscal year (FY) 2004, only 20 states assessed provider taxes on nursing homes. In FY 2012, more than twice as many (43 states, plus the District of Columbia) implemented nursing home tax programs. Total tax collections exceed \$5 billion. Overall, provider taxes on nursing homes generate more than \$6.0 billion in matching federal funds. In states with such programs, these taxes are used to reimburse an average of \$24 per patient day in allowable Medicaid nursing home costs.

In June 2012, the Medicaid provisions of the health care law were upheld but limited by the Supreme Court in a way that increased the possibility that not all states would choose to participate in the new version of Medicaid. Under the original health care law, the federal government would have covered all costs from the Medicaid expansion for the first three years, beginning in 2014. Afterward (between 2016 and 2020), the states would have to pay a share that would rise up to 10% of the new costs. According to the law, states that refused to participate would lose all of their existing Medicaid funds. However, the [United States Supreme Court](#) ruled in [National Federation of Independent Business v. Sebelius](#) that states do not have to agree to this expansion in order to continue to receive previously established levels of Medicaid funding, and many states have chosen to continue with pre-Affordable Care Act funding levels and eligibility standards.

Nursing home providers in most states will have to continue to rely on Medicare, other payers, and other revenue sources to help bridge the gap between Medicaid rates and the cost of caring for residents. There is no predictability or stability in many states relative to Medicaid rate increases. The length and depth of this economic downturn, the outcome of pending federal regulations and the availability of federal fiscal relief will play a large role in determining how Medicaid programs and the individuals served by the program will fare during this downturn.

## Medicare

Medicare reimbursement for nursing homes consists of two parts:

**Medicare Part A:** Provides payment for post-hospital care in a Medicare certified nursing home. Medicare Part A may provide payment for post-hospital care in a nursing home for up to 100 days if Medicare coverage requirements (the 5 rules) are met. A resident is entitled to full coverage for the first 20 days. From the 21<sup>st</sup> day through the 100<sup>th</sup> day, Medicare pays for all covered services except a daily co-pay amount for which the resident is responsible. That means the resident has to pay the co-pay either with his or her own money or, if eligible, through Medicaid, or through private insurance (i.e. medigap policy). A nursing home resident will not be entitled to any Medicare Part A coverage unless he or she is admitted to a nursing home within 30 days following a 3-day hospital stay. Medicare certified nursing homes are reimbursed for providing nursing homes stays based upon the PPS.

**Medicare Part B:** Seniors are required to enroll in Medicare Part B. Medicare Part B pays for doctor's services, outpatient hospital care, and some other medical services that Part A does not cover, such as the services of physical and occupational therapists, and some home health care. Part B helps pay for these covered services and supplies when they are medically necessary.

The Balanced Budget Act of 1997 (BBA) significantly changed the way nursing homes are reimbursed by Medicare. The changes mandated by the BBA set in motion the implementation of the PPS. The PPS was designed to keep Medicare solvent by cutting \$112 billion of expenditures between 1998 and 2003. Most providers under the previous cost-based system had incentives to spend as much as possible on ancillary therapy. Thus, Medicare expenditures were spiraling out of control as providers had recognized very favorable returns on Medicare routine costs and ancillary treatments. Expenditures for physical and occupational therapy grew 18% between 1996 and 1997, from \$6.7 billion to \$ 7.9 billion. Significant amounts of medically unnecessary treatments were dispensed under the old system.

Under PPS, providers are reimbursed a predetermined fixed rate based on a patient's acuity level, rather than on actual dollar costs. The PPS is based on a case mix patient classification system called Resource Utilization Groups (RUGs) III. RUGs III uses 53 categories to classify patients according to the resources needed to provide their care. Classification is based on residents' clinical conditions; extent of services needed, such as rehabilitation, respirator/ventilator care, or tube feedings; and functional status, such as the amount of support needed to perform daily living activities.

HCFA phased in the Medicare PPS in four years starting in July 1998. Over the four years, facilities' Medicare payments were based increasingly on a national PPS rate, while decreasing the amount that was based on their maximum allowable costs. In the fourth year, the national PPS rate took over in all cases. The PPS combines routine, ancillary, and capital costs into an all-inclusive case mix-adjusted rate; this is called consolidated billing. Patients are assessed upon admission and placed into one of the RUG categories. Patients are reassessed during their stay, and their categories usually change. Each RUG category has a corresponding per diem rate of reimbursement.

Annual updates to the PPS rates are required by the Social Security Act, as amended by the Medicare, Medicaid, and State Child Health Insurance Program (SCHIP) Balanced Budget Refinement Act of 1999 (the BBRA), the Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 (the BIPA), and the Medicare Prescription Drug Improvement and Modernization Act of 2003 (the MMA), relating to Medicare payments and consolidated billing for SNFs. These are referred to as market basket increases.

Significant changes have been as follows:

#### Fiscal Year Beginning October 1, 2002

Implementation of the PPS system resulted in cuts far deeper than intended by Congress. Thus, in 1999 and 2000, Congress temporarily restored some of the funds. However, Congress did not extend the add-ons, resulting in funding for Medicare Part A being cut by about 17%. This was partially offset by the annual market basket increase. The significant decline in rates that occurred at this time has been referred to as the Medicare cliff and has been blamed for the rash of bankruptcies in the sector that occurred over the years that followed.

#### Fiscal Year Beginning October 1, 2005

On July 28, 2005 Centers for Medicare and Medicaid Services (CMS) announced an increase in Medicare rates for skilled nursing facilities by \$20 million in 2006, an improvement over earlier forecasts that predicted no increase for long-term care providers. In the final rule, CMS introduced nine new payment categories to the current system, increasing the number of categories from 44 to 53. While these refinements triggered the elimination of temporary add-on payments as Congress directed in the BBRA, the final rule included other changes which served to at least partially balance the loss of the temporary add-on payments. CMS increased the rates for all RUG groups to reflect variations in non-therapy ancillary costs not fully captured in the RUG refinements. This adjustment increased the case mix weight that applied to both nursing and non-therapy ancillary costs, and increased aggregate payments by about 3%. This was a permanent payment increase that was integrated into the base line spending levels.

The RUG refinements were implemented on January 1, 2006, which was the second quarter of 2006. Payments for the first quarter of the fiscal year (October 1, 2005 through December 31, 2005) reflected the continuation of the temporary add-on payments. Payments for the balance of the fiscal year reflected the new policy.

#### Fiscal Year Beginning October 1, 2010

CMS approved a 1.7% market basket increase to the federal rates over the FY 2010 rates. The increase was actually calculated at 2.3% but was automatically reduced by 0.6% to reflect overpayments that were made in FY 2009. This adjustment was calculated annually to correct for assumptions made in previous fiscal years. The net increase resulted in what was estimated at the time to be a \$542 million increase in additional payments to skilled nursing facilities in FY 2011.

In addition, the conversion from RUG III to RUG IV was implemented effective October 1, 2010. As noted below, this had the unintended benefit of creating a sharp increase in average Medicare rates for many facilities.

#### Fiscal Year Beginning October 1, 2011

On July 29, 2011, CMS announced a final ruling on Medicare reimbursement rates for the fiscal year beginning October 1, 2011 (FY 2012). The ruling mandated a reduction in Medicare reimbursements of \$3.87 billion for FY 2012) or an 11.1% average decrease in the FY 2012 RUGs compared to the FY 2011 RUGs. The purpose of this decrease was to correct an unintended spike in the FY 2011 payment levels due to the implementation of RUG IV and to better align Medicare payments with costs.

#### Fiscal Year Beginning October 1, 2012

New RUG rates went into effect October 1, 2012. At that time, it was expected that these rates would be reduced by 2% as a result of sequestration on January 1, 2013. However, sequestration was delayed, and the 2% cut did not take effect until March 1, 2013.

#### Impact of Health Care Reform

In addition to the above, the U.S. Congress passed, and the president signed into law, the Patient Protection and Affordable Care Act (PPACA) in late March of 2010. The following were some of the more salient features included in the final health care reform bill, which were directly relevant to Medicare and skilled nursing facilities:

- Beginning in FY 2012 (October 1, 2011), a productivity adjustment to the SNF market basket was to be implemented, estimated to total \$14.6 billion over 10 years.
- New transparency requirements for nursing facilities were mandated.
- An Independent Medicare Advisory Board (IMAB) was to be established, composed of 15 members appointed by the President and confirmed by the Senate, for the purpose of developing and submitting proposals to Congress targeted at extending the solvency of Medicare, slowing Medicare cost-growth, in improving the quality of care for Medicare recipients.
- Medicare Part D (Medicare advantage prescription drug plans) was to employ utilization management techniques when providing medications to beneficiaries in long-term care facilities to reduce waste associated from 30-day refills.
- The maximum period for submission of Medicare claims was to be reduced to no more than 12 months.
- Medicare Parts C and D, along with Medicaid, were to be included in the Recovery Audit Contractors (RACs) Program, which collected and identified underpayments and overpayments for Medicare Parts A and B.
- A Center for Medicare and Medicaid Innovation was to be established within the CMS. The purpose of which was to research, develop, test, and expand innovative payment and delivery

arrangements to improve the quality and reduce the cost of care provided in each patient program.

- Accountable Care Organizations (ACOs) were to be established to take responsibility for the costs and quality of care received by their patient panel over time. ACOs that met quality-of-care targets and reduced the costs of their patients relative to a spending benchmark were to be rewarded with a share of the savings they achieved for the Medicare program.

The Supreme Court upheld the Affordable Care Act on June 28, 2012.

#### Fiscal Year Beginning October 1, 2013

New RUG rates went into effect October 1, 2013. SNFs received an average 1.3% rate increase, comprised of a 2.3% market based increase netted against a healthcare reform-mandated 0.5% productivity adjustment and a 0.5% forecast error adjustment due to the FY 2012 market basket exceeding the actual rate of inflation.

#### Budget Control Act

On August 2, 2011, President Obama signed into law the Budget Control Act, which increased the nation's debt ceiling. This law also created a condition that if Congress did not reach a bipartisan debt-reduction deal by January 1, 2013, it would automatically trigger a \$1.2 trillion deficit reduction over 10 years that would impact several branches of the federal government. This budget sequestration (known as the "Fiscal Cliff") would result in a two percent across-the-board Medicare payment reduction. Effective January 2, 2013, the Administration and Congress agreed to the American Taxpayer Relief Act of 2012, which precluded the nation from going over the Fiscal Cliff. However, the two percent reduction was only suspended for two months and will be implemented if Congress and the President do not come to terms on a deal to increase the nation's debt ceiling by March 1, 2013. This did not occur, and the sequestration occurred on March 1, 2013.

In December 2013, Congress was able to achieve a bipartisan federal budget compromise, which the President signed on December 26, 2013. Under this compromise, the 2.0% reduction was extended until 2023.

#### Fiscal Year Beginning October 1, 2014

New RUG rates went into effect on October 1, 2014. SNFs received an average 2.0% rate increase from payments in FY 2014, which represented a higher update factor than the 1.3% increase from the previous year. The increase was attributable to a 2.4% market basket increase netted against a healthcare reform mandated 0.4% productivity adjustment.

#### Fiscal Year Beginning October 1, 2015

New RUG rates went into effect on October 1, 2015. SNFs received an average 1.2% rate increase from payments in FY 2015, which represented a lower update factor than the 2.0% increase from the previous year. The increase was attributable to a 2.3% market basket increase netted against an error correction of 0.6% and a healthcare reform mandated 0.5% productivity adjustment.

The Bipartisan Budget Act of 2015 extended sequestration for an additional year, through 2025.

#### Fiscal Year Beginning October 1, 2016

On July 29, 2016, the Centers for Medicare & Medicaid Services (CMS) released proposed Medicare rates for nursing homes for Fiscal Year ending September 2017. Effective October 1, 2016, SNFs received an average 2.4% rate increase from payments in Fiscal Year 2016, which represented a higher update factor than the 1.2% increase from 2015. The increase is attributable to a 2.7% market basket increase netted against a healthcare reform mandated 0.3% productivity adjustment.

#### Fiscal Year Beginning October 1, 2017

The Centers for Medicare & Medicaid Services (CMS) released proposed Medicare rates for nursing homes for Fiscal Year 2018 effective October 1, 2017<sup>3</sup>. Rates increased an estimated 1.0% from FY 2017 rates. This increase is attributable to a special rule for FY 2018 pursuant to Section 411(a) of the Medicare Access and CHIP Reauthorization Act of 2015 (MACRA), which requires the market basket percentage, after application of the productivity adjustment, to be 1.0%.

It is noted that the Budget Control Act, which mandates a -2.0% adjustment is still in effect through 2025; therefore, the net effect on the Medicare rate is a 1.0% reduction.

## **Expenses and Profit Margins**

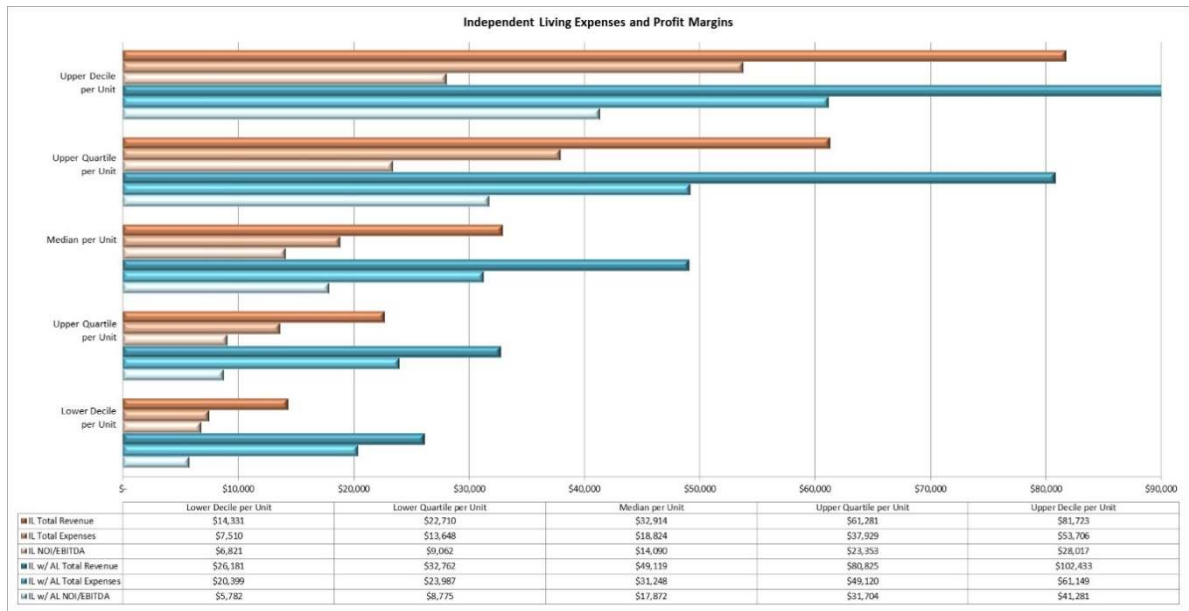
### **Independent Living**

Survey responses from *The State of Seniors Housing 2018* revealed the following for independent living facilities:

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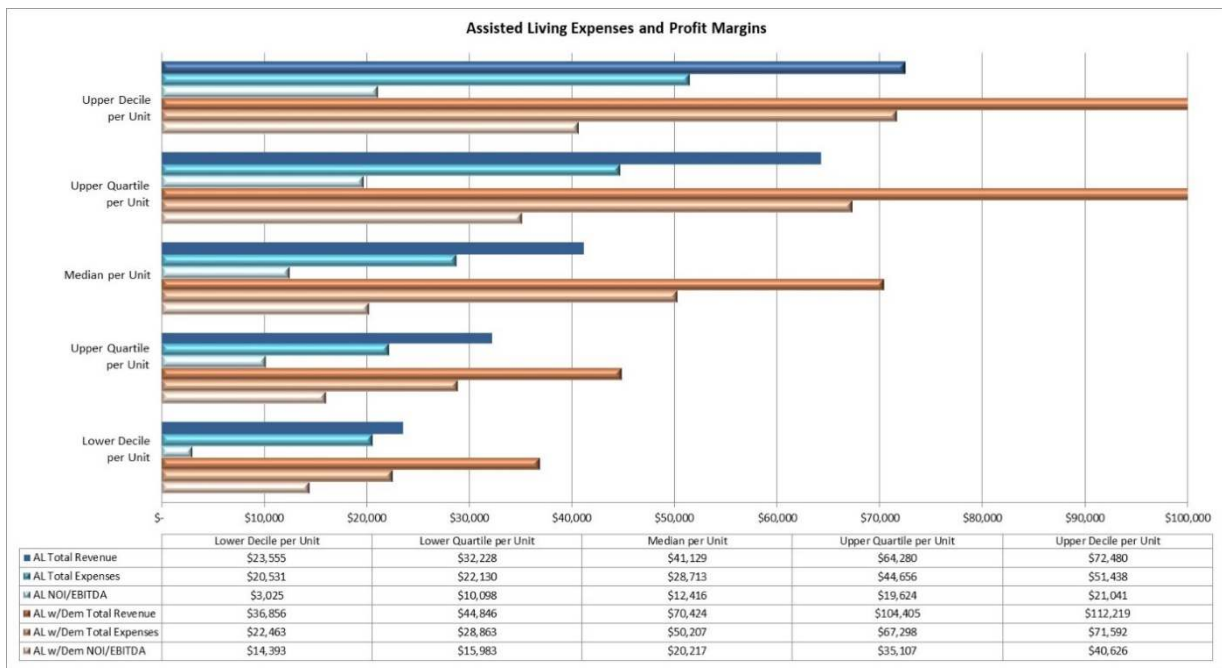
<sup>3</sup> The FY 2018 rates were released in April 2017. The SNF PPS final rates were published in the August 4, 2017 Federal Register, however a correction was issued on October 4, 2017 revising a number of errors. The correction is effective October 1, 2017 through September 31, 2018.





## Assisted Living

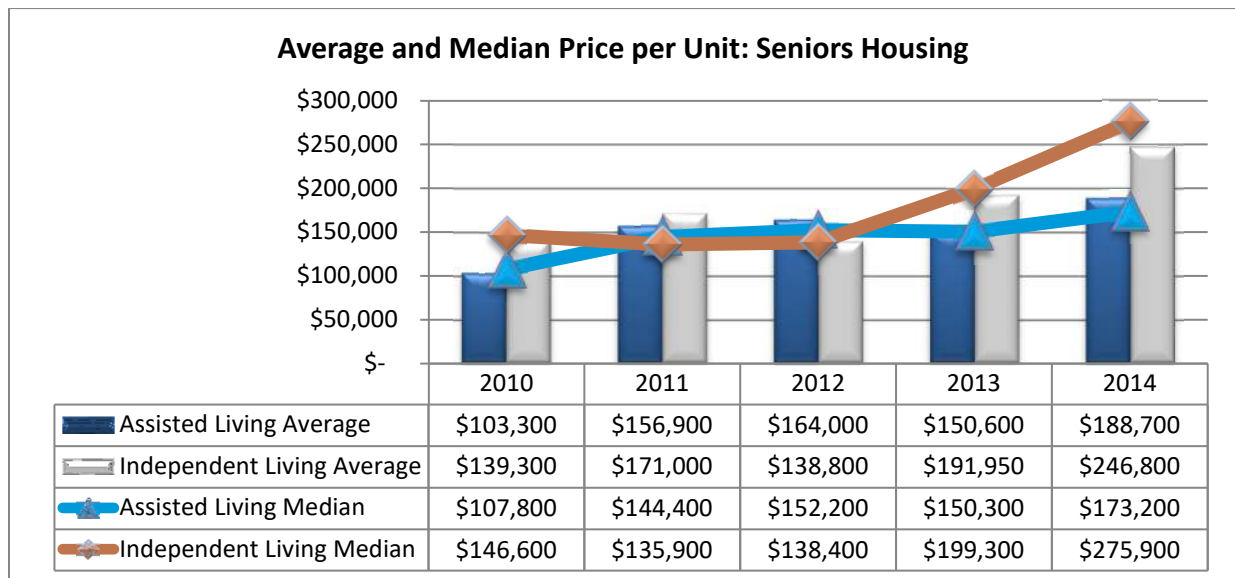
Survey responses from *The State of Seniors Housing 2018* revealed the following for assisted living facilities:



## Sales Price Trends

### Seniors Housing

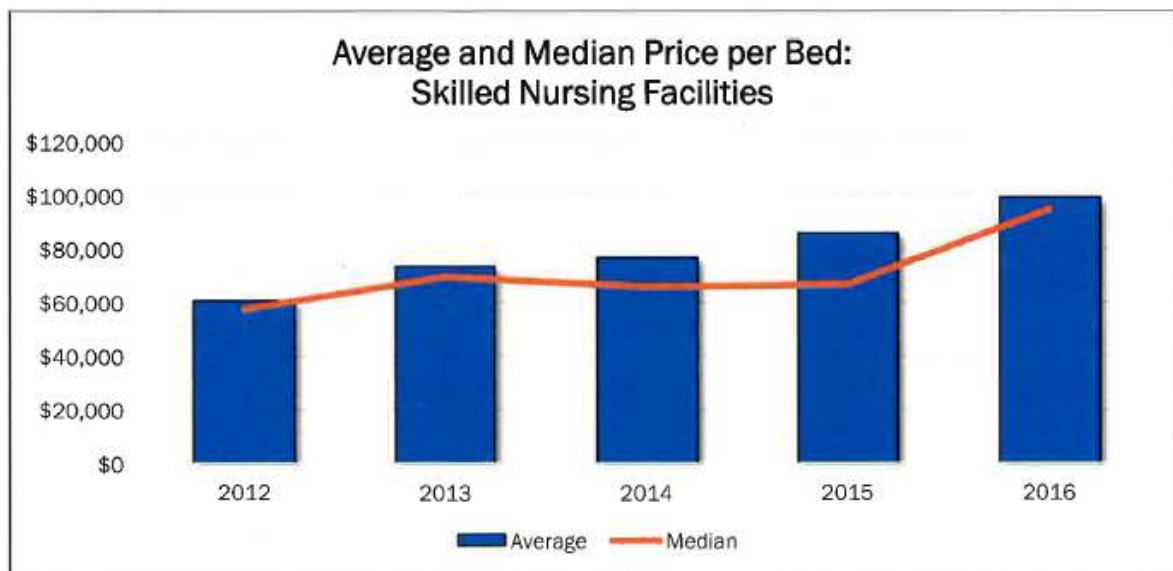
The following chart displays the average and median price per unit for both independent living and assisted living over the last 5 years. The average and median price per unit for seniors housing are as follows: \$156,800 and \$148,900 in 2012, \$164,000 and \$150,300 in 2013, \$208,200 and \$173,200 in 2014, \$189,900 and \$169,000 in 2015 and \$206,700 and \$168,900 in 2016.



Source: The Senior Care Acquisition Report Nineteenth Edition 2017, Irving Levin Associates, Inc.

### Skilled Nursing

The following chart displays the average and median price per bed for skilled nursing over the last 5 years. The average price per bed (shown in the graph below) in each of the past five years is as follows: \$60,400, \$73,300, \$76,600, \$85,900 and \$99,200. The median price per bed over the past five years (shown in the trend line) is as follows: \$57,400, \$69,300, \$65,100, \$66,500 and \$94,660.



Source: The Senior Care Acquisition Report Nineteenth Edition 2017, Irving Levin Associates, Inc.

## Conclusion

Senior housing operators are optimistic, projecting to see occupancy and rental rate growth in 2017.

The nursing care sector has been experiencing a slow decline in supply, while maintaining relatively stable occupancy levels. Demand has not increased at the same pace as the senior population due to the growth in other health care alternatives. Looking ahead, the oldest sectors of the nation's population will grow at a strong rate. This should lead to growth in demand for nursing homes, unless other health care alternatives evolve to capture the growing demand for care for the frail elderly. Medicare continues to be the most profitable form of payor. In fact, CMS acknowledges that it overpays for Medicare nursing, to help make up for the fact that Medicaid payments are generally below the actual cost of providing care to residents. Most skilled nursing operators are cautious and concerned about the long-term reimbursement given by state and federal budget deficits. However, these operators are beginning to become more proactive to reduce costs in a bundled care system. Health care reform is expected to impact the industry with increasing pressures on customer affordability and operator profitability.

The Centers for Medicare & Medicaid Services (CMS) released proposed Medicare rates for nursing homes for Fiscal Year 2018 effective October 1, 2017<sup>4</sup>. Rates increased an estimated 1.0% from FY 2017 rates. This increase is attributable to a special rule for FY 2018 pursuant to Section 411(a) of the Medicare Access and CHIP Reauthorization Act of 2015 (MACRA), which requires the market basket percentage, after application of the productivity adjustment, to be 1.0%.

<sup>4</sup> The FY 2018 rates were released in April 2017. The SNF PPS final rates were published in the August 4, 2017 Federal Register, however a correction was issued on October 4, 2017 revising a number of errors. The correction is effective October 1, 2017 through September 31, 2018.

It is noted that the Budget Control Act, which mandates a -2.0% adjustment is still in effect through 2025; therefore, the net effect on the Medicare rate is a 1.0% reduction.

Assisted living is considered needs based, and many consumers find the ability to pay for assisted living even in hard times. Looking forward, with the economy and housing market recovering, demand for assisted living will increase across the nation. New construction is increasing, especially in markets with lower barriers to entry. There is some risk of near term overbuilding, which will likely impact older assets in need of updating. Over the longer term, however, strong increases in demand will occur, leading to continued demand for assisted living assets.

With the national economy and the housing market now in recovery, the independent living market is experiencing increases in occupancy and rental rates. New construction is increasing, especially in destination markets, as potential residents are finding it easier to sell current homes. Therefore, there is some risk of near term overbuilding which will most likely impact older assets in need of updating. However, we anticipate that occupancy and rental rate increases will continue for several years. Also, the independent living sector was the first sector to benefit from the baby boom generation, which started turning 65 in 2011.

**Addendum E**

**ACHA/NCAL Guidelines**



## **Taking Reasonable Efforts to Prevent COVID-19 From Entering Your Assisted Living Community** (as of March 9, 2020)

The top priority at this point with COVID-19 is to prevent the virus from entering your assisted living community given the high case fatality rate in elderly over the age of 80 with preliminary data showing it at 15% or greater. Evaluations from prior viral epidemics that spread like COVID-19 found that actions taken early in outbreaks can significantly reduce the spread of the virus. Waiting until the virus is spreading in the community is often too late.

As such, AHCA/NCAL strongly recommends the following actions to help prevent the entry of COVID-19 into your facilities regardless of whether your surrounding community has confirmed cases.<sup>1</sup>

1. Limit entry to only individuals who need entry.
2. Restrict activities and visitors with potential for exposure.
3. Restrict individuals who have respiratory symptoms or potential COVID-19 exposure out of an abundance of caution.
4. Require all staff entering the building to wash their hands upon entry and encourage all essential visitors do so as well.
5. Set up process to allow remote communication for residents and others.

We recognize that assisted living communities are committed to providing a home-like environment for their residents, many of whom are high functioning, mostly independent individuals. In addition, assisted living settings vary in size, scope of care, and policies. In certain assisted living communities, residents are able to enter and exit the building freely and family members may have unlimited access to the community to visit at any time. We also recognize that many assisted living communities have multiple entrances without any receptionist or a receptionist at limited times, which may make it challenging to monitor entry at all entrances and at certain times of day.

However, due to the very serious impact COVID-19 will continue to have on our elderly population and those with underlying conditions, we are recommending that you evaluate your current visitation policies to determine whether some of these best practices could be implemented at your communities. Because of the diverse nature of assisted living, each community must focus on steps they are able to enact now to mitigate COVID-19 in their communities, taking into account their state regulations, local health department guidance, staffing capabilities, residents' rights and family concerns.

### **#1 Limit entry to only individuals who need entry, such as:**

- Facility employees, contractors, consultants who need to keep the operations running and assure the residents' needs are met.
- Government officials who in their capacity require entry (e.g., CDC or public health staff).

---

<sup>1</sup> These recommendations build upon what CMS and CDC currently recommend. We urge members to adopt these additional best practices when possible based on the growing data about the high mortality rate among the elderly over the age of 80 with chronic disease (estimated at 15%), who comprise the majority of our residents. Waiting until the virus starts to spread in the community, has been shown in prior viral epidemics to be too late. (Note the case fatality rate in the Kirkland, VA skilled nursing facility was over 50% based on data available on King County Health Departments website as of 3-7-20). To date, nearly all the deaths in the United States have been in individuals over the age of 70.



- Immediate families or friends who need to visit for critical or time sensitive reasons such as hospice-related visits, complete medical authorizations, etc.

*Exceptions: AHCA/NCAL's recommendation is NOT for a complete ban on all visitors. The circumstances for the reason for entry need to be taken into consideration, particularly for immediate family members (e.g. spouse or sons/daughters), but routine social visits are discouraged. The rationale should be explained, and alternative methods of communications offered. We strongly recommend that the resident (or the resident representative) be consulted to determine if a resident wants or needs a specific visitor, including immediate family members, and allow entry if they do not meet any of the screening exclusion criteria in #2 below.*

Some best practices that may be possible in your facility include:

- Post signage clearly in your facility. The CDC provides [sample signage](#) for your use to ensure that all those entering or exiting your buildings are aware of the risks associated with COVID-19 and the recommended precautions they should take.
- Notify all residents, family members and other loved ones. Ask your residents to strongly encourage their family members and friends to not visit for the time being.
- Establish specific visiting hours. Specifically, consider limiting visitors to only daytime hours (e.g., 9:00 a.m. to 7:00 p.m.) when staff can more closely monitor a visitor entrance.
- Close more than one entry point in accordance with life safety regulations. Consider having one central entry location (e.g., main entrance).
- Enact a sign-in policy to encourage all visitors to check in with staff and conduct possible screening for COVID-19.

**#2 Restrict activities or individuals with potential for exposure**, including:

- Visitors, when there are any COVID-19 confirmed cases in the surrounding community. This does not apply to workforce needed to keep the operations going and to meet resident needs.
- Other visitors for routine social visits, tours with prospective residents or their families, and outside group activities (e.g., school groups or bands, etc.) should be restricted.
- Cancel activities that take residents into the community to public places particularly with large gatherings, such as mall, movies, etc. (Note: this does NOT apply to residents who need to leave the building for medical care such as dialysis, medical visits, etc.).
- Internal group activities should be restricted, especially if: a) the facility has residents with respiratory symptoms (who should be in contact isolation per CDC guidance); b) if COVID-19 is in the surrounding community; and/or c) the ability to restrict visitors is challenging in the facility.

Facilities should also continue to use CDC recommended signage reminding people that anyone with symptoms of respiratory illness should not enter the facility, including employees, government officials and contractors.

**#3 Restrict individuals who have respiratory symptoms or potential COVID-19 exposure out of an abundance of caution**, including employees, contractors, volunteers, visitors, new admissions, government officials, and health care professionals. Post notices for individuals to assess their risk which would include any individuals with:

- Respiratory symptoms (fever, sore throat, cough and new shortness of breath); and

*[As of March 9, taking temperatures is not included in any CDC or CMS recommendations and AHCA/NCAL is not recommending taking temperatures. Extenuating circumstances should be taken into consideration, but in these cases, individuals should use gown, mask and gloves during their visit.]*

- International travel within the last 14 days to areas where COVID-19 cases have been confirmed.
- Anyone who has worked in another health care setting with confirmed COVID-19 cases (*this may change as COVID-19 spreads in your community*).

Anyone who is symptomatic for respiratory illness or has traveled within the last 14 days to areas where a COVID-19 outbreak has been confirmed, including communities in the United States that are exhibiting community spread should not enter the community (extenuating circumstances may be taken into consideration; but those individuals must wear mask, gown and gloves to reduce the risk of spreading any viruses).

**#4 Require all staff entering the building to wash their hands upon entry and encourage all essential visitors do so as well.**

- If possible, set up hand washing and/or alcohol-based hand rub (ABHR) stations immediately inside all entryways with signage reminding people to wash before entering.
- Ask each person who enters the community to immediately wash their hands or use hand sanitizer before they do anything else.
- Encourage them to wash their hands or use ABHR throughout their time in the building and in accordance with CDC recommendations. CDC recommendations include increasing the access to ABHR.
- Clean and disinfect frequently touched objects and surfaces following manufacturer's directions.
- Remind people to not shake hands or hug each other, staff or residents during this epidemic.

**#5 Set up a process to allow remote communication for residents and others.**

- Ensure emergency contact information for family members and the resident representative is up to date.
- Develop alternative means of communications for residents to visit and talk with loved ones, such as video chat, telephone, texting or social media.
- Inform residents or their representatives of these changes using clear, concise, jargon-free messages that express empathy for their situation while simply explaining the policy.
- Ensure proactive communication with residents, loved ones, contractors, volunteers, etc. to make them aware of these restrictions and to keep them up to date.
- Develop a process for family members to communicate with the facility with questions.

### **Frequently Asked Questions**

**Who should NOT enter your assisted living community?**

- Anyone who has symptoms of respiratory illness or has traveled within the last 14 days to areas where a COVID-19 outbreak has been confirmed.





- Anyone who has traveled internationally within the last 14 days to areas where COVID-19 cases have been confirmed.
- Anyone who has worked in another health care setting with confirmed COVID-19 cases (this may change as COVID-19 spreads in your community). This does not apply to workforce needed to keep the operations going and to meet resident needs.

#### **How do I inform people about entry restrictions?**

- Post signage at all entries, CDC and others have posters that you may consider using.
- Communicate with your residents and their families
- Communicate with your vendors, contractors, consultants, etc.

#### **What if a person refuses and tries to enter?**

- Explain the rationale for the restriction and need to keep all the residents safe.
- Offer them an alternate way to communicate with the person they want to see.
- Talk with the resident or person they want to see, to make sure they want to see the person and explain that person's request.
- Use best judgement and assess extenuating circumstances for entry.

### **Resources to Facilitate Communication**

AHCA/NCAL offers a number of communication resources on our coronavirus website ([www.ahcancal.org/coronavirus](http://www.ahcancal.org/coronavirus)), including:

- [Template letters for families and residents](#)
- [Template letters for employees](#)
- Template statement and talking points for [impacted](#) and [non-impacted](#) facilities
- [A guide on communication plans during an emergency](#)

AHCA/NCAL strongly recommends all long term care facilities review the [CDC guidance on COVID-19](#) by checking the CDC website frequently as guidance and recommendations are continuing to rapidly evolve.

Please email [COVID19@ahca.org](mailto:COVID19@ahca.org) with any questions.

For additional information and resources on the virus, visit our dedicated website on this issue: [www.ahcancal.org/coronavirus](http://www.ahcancal.org/coronavirus).

**Addendum F**

**Engagement Letter**

Integra Realty Resources  
Tampa Bay

550 N. Reo Street  
Suite 220  
Tampa, FL 33609

T 813-287-1000  
F 813-281-0681  
Tampabay@irr.com  
www.irr.com/tampa



July 9, 2020

Mr. Kippy Clarke / *Forrest L. Clarke*  
15 Mount Moriah Road  
Covington, GA 30014  
Cell: 706-816-5226

SUBJECT: Proposal/Authorization for Valuation and Consulting Services *12 memory care Beds*  
Market Study for a Proposed ~~50 bed Memory Care Facility~~ *33 Assisted Living Beds*  
Subject Property Address: NWQ of Jacoby Dr and Bay Creek Road, Loganville, GA 30052, *Total 50 units*  
Walton County, GA  
Parcel number: LG100-027

Dear Mr. Clarke:

Integra Realty Resources – Tampa Bay ("IRR – Tampa Bay", "we", "our" or "us"), appreciates the opportunity to provide this proposal for this assignment to the undersigned (the "Client" or "you") for the subject property.

The assignment consists of preparing a market study of the subject property. It is our mutual understanding that the purpose of the assignment is to determine if there is sufficient unmet demand in the subject PMA. The intended use is to assist the client with their due diligence for a planned seniors housing development.

The scope of the assignment is as follows:

- Area description
- Primary market area description,
- Site and property analysis,
- Description of assisted living and memory care supply in PMA,
- Supply and demand analysis and conclusion of unmet demand for assisted living and memory care,
- Occupancy survey of assisted living and memory care supply,
- Pipeline survey in PMA is conducted,
- Rent and occupancy survey of primary competitors,
- Available rental rate analysis and forecast,
- Ancillary rate forecast,
- Absorption analysis and forecast,

Mr. Kippy Clarke

July 9, 2020

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- No inspection of the market and subject is made.

The market study and pro forma analysis will be prepared in conformance with and subject to, the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute and the Uniform Standards of Professional Appraisal Practice (USPAP) developed by the Appraisal Standards Board of the Appraisal Foundation. A market study in a comprehensive report format will be provided. The Ethics Rule of USPAP requires us to disclose to you any prior services we have performed regarding the Subject Property within a three-year period immediately preceding the acceptance of this assignment, either as an appraiser or in any other capacity. We represent that we have not prepared a prior consulting assignment for this Subject Property and Client (or its affiliate) within the past three years.

Our fee for this assignment will be \$5,000, which includes out-of-pocket expenses. We will require full payment up front. We will provide a pdf copy. However, hard copies of the report are available at an additional cost. The current minimum cost for each additional copy is \$100 per copy. The report will be completed and delivered to you by July 31, 2020, assuming we receive the signed engagement letter and payment.

Additional fees will be charged on an hourly basis for any work which exceeds the scope of this proposal, including performing additional research and conference calls or meetings with any party which exceed the time allotted for an assignment of this nature.

The market study reports will be limited by our Standard Assumptions and Limiting Conditions which is set forth in Attachment I.

In addition, this engagement letter is subject to the following terms:

1. Duration of Quote. This proposal and fees quoted are valid for a period of three calendar days from the date hereof. If we do not receive a signed copy of this engagement letter from you within such 3 days, the fact that we made the foregoing proposal of professional services will not preclude us from performing professional services for another client on the Subject Property.
2. Completion Date. The delivery date of the report will July 31, 2020. The foregoing delivery date is contingent upon the absence of events outside our control such as illness, lack of specific necessary data and/or Acts of God, timely access for inspection of the Subject Property, as well as our receipt of all requested information necessary to complete the assignment.
3. Information. Both parties acknowledge that real estate market study requires current and historical market data to competently analyze the Subject Property. Accordingly, the Client agrees that: (i) the data collected by us in this assignment will remain our property; and (ii) with respect to any data provided by the Client, IRR-Tampa Bay and its partner companies may utilize, sell and include such data (either in the aggregate or individually), in the Integra database and for use in derivative products. The Client agrees that all data already in the public domain may be utilized on an unrestricted basis. Finally, the Client agrees that we may use commercially available as well as proprietary software programs to perform its assignment (web based and others).



4. Litigation. In the event one or more Integra Parties (defined below), is called upon to provide testimony or receives a subpoena concerning any suit or proceeding or otherwise becomes involved in any litigation relating to, in which the Integra Party is not a party, the Integra Parties will make every reasonable effort to assist Client and provide such testimony. Client agrees to compensate the Integra Parties at their then current rates, on an hourly basis, plus reimbursement for all expenses incurred as a result of said litigation. In addition to the foregoing, the following terms are applicable:

- Review and trial preparation (if applicable) in-office, will be billed at standard hourly rates; outside office rates may apply to conferences, depositions, and testimony.

Senior Managing Director, Bradford L. Johnson, MAI	\$400.00/hour
Managing Director, Raymond E. Veal, MAI	\$350.00/hour
Managing Director, John Thigpen, MAI	
Senior Analyst	\$250.00/hour
Analyst/Researcher	\$100.00 to 150.00/hour

- All reports for which testimony is required must be disclosed prior to report authorization.
- All fees for reports, conferences and depositions must be paid prior to hearings and trial.
- Scheduling of casework and appearances will be made with due consideration for the time of all persons involved. Every effort to comply with reasonable requests for appearances will be made. Once an appointment, deposition or appearance is scheduled, that time is set aside. Therefore, if the appearance is canceled, or the reserved time is abandoned for whatever reason, the following cancellation charges will apply:

1. More than one week	No Charge
2. 48 hours prior	[\$200.00]
3. Less than 48 hours prior	[\$250.00]
4. Stand-by Charge	[\$500.00 per day]

- Due to the difficulty associated with accurately forecasting the number of hours which may be required for the research, hearing and/or trial preparation, deposition time, client/expert conferences, etc., the Integra Parties will maintain contemporaneous time and expense records and will provide Client with invoices on a 30-day billing cycle. Client agrees to pay the Integra Parties at the time the invoice is submitted and further agrees that such payment is not contingent upon any set outcome or result of such litigation.
5. Limitations of Liability. IRR – Tampa Bay is an independently owned and operated company. The parties hereto agree that Integra Realty Resources, Inc. ("Integra") shall not be liable for any claim arising out of or relating to any market study report or any information or opinions contained therein as such market study report is the sole and exclusive responsibility of IRR – Tampa Bay. In addition, it is expressly agreed that in any action which may be brought against IRR – Tampa Bay and/or any of its officers, owners, managers, directors, agents, subcontractors or employees (the "Integra Parties"), arising out of, relating to, or in any way pertaining to this engagement letter, the market study reports or any related work product,

Mr. Kippy Clarke

July 9, 2020

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the Integra Parties shall not be responsible or liable for any incidental or consequential damages or losses, unless the market study was fraudulent or prepared with intentional misconduct. It is further expressly agreed that the collective liability of the Integra Parties in any such action shall not exceed the greater of (i) the fees paid for the preparation of the market study report (unless the market study was fraudulent or prepared with intentional misconduct), or (ii) \$250,000.00. If the market study was fraudulent or prepared with intentional misconduct, there shall be no cap on liability. It is expressly agreed that the fees charged herein are in reliance upon the foregoing limitations of liability.

6. Proprietary Software. Client acknowledges that Integra's Marketpoint, Appraisal Template and DataPoint software is proprietary and confidential. Accordingly, Client agrees not to use such software other than in furtherance of the purposes of this engagement letter. Client further agrees not to make such software available for the use of any third party other than one of its affiliates.
7. Fees. Unless arrangements are made otherwise, a late charge of 15% per annum, commencing thirty (30) days after the receipt of invoice will be charged on any balance not paid; however, in no event shall this delinquency rate of interest exceed the maximum rate permitted by law. The Integra Parties shall also be entitled to recover their costs (including attorneys' fees), associated with collecting any amounts owed or otherwise relating to this engagement. Upon default by you, we shall be permitted to file a lien against the Subject Property for any amounts owed pursuant to this engagement letter.
8. Cancellation. In the event the assignment is canceled prior to completion, an invoice will be prepared reflecting the percentage of work completed as of that date. Any credits to Client will be promptly refunded or any remaining balances will be indicated on the invoice.
9. Purpose; Reliance. The purpose of the market study is to determine if there is sufficient unmet demand to develop the Subject Property on behalf of the Client. The intended use of the market study is to assist the Client and any of its affiliates, as the intended users of the market study, in evaluating the Subject Property for valuation purposes. The use of the market study by anyone other than the Client or its affiliates is prohibited. Accordingly, the market study report will be addressed to and shall be solely for the Client's (and affiliates) use and benefit unless IRR - Tampa Bay provides its prior written consent. IRR - Tampa Bay expressly reserves the unrestricted right to withhold its consent to Client's disclosure of the market study report (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties not otherwise allowed herein. Stated again for clarification, unless the prior written consent of IRR - Tampa Bay is obtained, no third party may rely on the market study report (even if their reliance was foreseeable) other than what is granted herein. In the event the Client provides a copy of this market study to, or permits reliance thereon by, any person or entity not authorized by IRR - Tampa Bay, the Client agrees to indemnify and hold harmless the Integra Parties from and against all damages, expenses, claims and costs, including attorneys' fees, incurred in investigating and defending any claim arising from or in any way connected to the use of, or reliance upon, the review market study by any such unauthorized person or entity. If the market study is referred to or included in any offering material or prospectus, the market study shall be deemed referred to or included for informational purposes only and the Integra Parties shall have no liability to such recipients. IRR - Tampa Bay disclaims any and all liability to



any party other than the Client (or its affiliates) which retained IRR - Tampa Bay to prepare the market study. Any and all reports or written memoranda produced by IRR - Tampa Bay for the Client, pursuant to this engagement letter, shall be Client's property and shall remain confidential. No such material shall be published or shared with any third party without Client's written consent.

10. Special Experts. Any out-of-pocket expenses incurred during this assignment will be billed at cost and included on the invoice. Should the Client request the assistance of any of the Integra Parties in hiring a special expert to contribute to any assignment (including but not limited to, a surveyor, environmental consultant, land planner, architect, engineer, business, personal property, machinery and equipment appraiser, among others), the Client agrees to perform its own due diligence to qualify said special expert. The Client agrees and acknowledges it is solely responsible in paying for the services of said special expert. Furthermore, the Client acknowledges that the Integra Parties are not responsible for the actions and findings of the special expert and agrees to hold the Integra Parties harmless from any and all damages that may arise out of the Client's reliance on the special expert.
11. Responding to Review. We agree to respond to your review of our report within five (5) business days of your communication to us. Correspondingly, you will have twenty-one (21) days from receipt of our report to communicate your review. We reserve the right to bill you for responding to your review beyond this time period.
12. Choice of Law/Submission to Jurisdiction/Separate Legal Representation. The law of the State of Florida shall govern, construe, and enforce all of the rights and duties of the parties arising from or relating in any way to the subject matter of this engagement letter. Any action commenced for the purpose of enforcing the terms and provisions of this engagement letter or any accepted assignment and in any way related to the subject matter of this engagement letter shall be brought in the state in which IRR - Tampa Bay is located. In executing this engagement letter, each party agrees to submit to the personal jurisdiction of the courts of the state in which such IRR - Tampa Bay is located. In case any one or more of the provisions or parts of a provision contained in this engagement letter shall, for any reason, be held to be invalid, illegal or unenforceable in any respect in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or part of a provision of this engagement letter or any other jurisdiction, but this engagement letter shall be reformed and construed in any such jurisdiction as if such invalid or illegal or unenforceable provision or part of a provision had never been contained herein and such provision or part shall be reformed so that it would be valid, legal and enforceable to the maximum extent permitted in such jurisdiction. Each party acknowledges and agrees that they have been advised and encouraged to consult an attorney in connection with this engagement letter, that they fully understand their right to discuss all aspects of this engagement letter with a private attorney, that they have carefully read and fully understand all of the provisions of this engagement letter, and that they are voluntarily and knowingly entering into this engagement letter.
13. Third Party Beneficiaries. Integra and each other local office of Integra is an intended third-party beneficiary of this engagement letter.

Mr. Kippy Clarke  
July 9, 2020  
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If this proposal is acceptable, please authorize us to proceed by executing this engagement letter where noted below and returning one copy to the undersigned. Thank you for considering us for this assignment and we look forward to working with you. Please call if you wish to discuss this proposal or the assignment any further.

Sincerely,

INTEGRA REALTY RESOURCES – TAMPA BAY



John F. Thigpen, MAI  
Executive Director

Attachments

AGREED & ACCEPTED THIS 9 DAY OF <sup>July 9th</sup> ~~JUNE~~ 2020.

Kippy Clarke / Forman L Clarke



AUTHORIZED SIGNATURE

Forman L Clarke

PRINT



**ATTACHMENT I**  
**STANDARD ASSUMPTIONS & LIMITING CONDITIONS**

The market study report and any work product related to the engagement will be limited by the following standard assumptions:

1. The title is marketable and free and clear of all liens, encumbrances, encroachments, easements, and restrictions. The Subject Property is under responsible ownership and competent management and is available for its highest and best use.
2. There are no existing judgments or pending or threatened litigation that could affect the value of the Subject Property.
3. There are no hidden or undisclosed conditions of the land or of the improvements that would render the Subject Property more or less valuable. Furthermore, there is no asbestos in the Subject Property.
4. The revenue stamps placed on any deed referenced herein to indicate the sale price are in correct relation to the actual dollar amount of the transaction.
5. The Subject Property is in compliance with all applicable building, environmental, zoning, and other federal, state, and local laws, regulations and codes.
6. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

The market study report and any work product related to the engagement will be subject to the following limiting conditions, except as otherwise noted in the report:

1. A market study is inherently subjective and represents our opinion as to the value of the Subject Property appraised.
2. The conclusions stated in our market study apply only as of the effective date of the market study, and no representation is made as to the effect of subsequent events.
3. No changes in any federal, state, or local laws, regulations, or codes (including, without limitation, the Internal Revenue Code) are anticipated.
4. No environmental impact studies were either requested or made in conjunction with this market study, and we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the market study assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
5. Unless otherwise agreed to in writing, we are not required to give testimony, respond to any subpoena, or attend any court, governmental or other hearing with reference to the Subject Property without compensation relative to such additional employment.
6. We have made no survey of the Subject Property and assume no responsibility in connection with such matters. Any sketch or survey of the Subject Property included in the market study report is for illustrative purposes only and should not be considered to be scaled accurately for size. The market

study covers the Subject Property as described in the market study report, and the areas and dimensions set forth are assumed to be correct.

7. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and we have assumed that the Subject Property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our market study.
8. We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic considerations, such as soils and seismic stability, and civil, mechanical, electrical, structural, and other engineering and environmental matters. Such considerations may also include determinations of compliance with zoning and other federal, state, and local laws, regulations, and codes.
9. The distribution of the total valuation in the report between land and improvements applies only under the reported highest and best use of the Subject Property. The allocations of value for land and improvements must not be used in conjunction with any other market study and are invalid if so used. The market study report shall be considered only in its entirety. No part of the market study report shall be utilized separately or out of context.
10. Neither all nor any part of the contents of the market study report (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the persons signing the report.
11. Information, estimates, and opinions contained in the report and obtained from third-party sources are assumed to be reliable and have not been independently verified.
12. Any income and expense estimates contained in the market study report are used only for the purpose of estimating value and do not constitute predictions of future operating results.
13. If the Subject Property is subject to one or more leases, any estimate of residual value contained in the market study may be particularly affected by significant changes in the condition of the economy, of the real estate industry, or of the Subject Property at the time these leases expire or otherwise terminate.
14. Unless otherwise stated in the report, no consideration has been given to personal property located on the Subject Property or to the cost of moving or relocating such personal property; only the real property has been considered.
15. The current purchasing power of the dollar is the basis for the value stated in the market study; we have assumed that no extreme fluctuations in economic cycles will occur.
16. The values found herein are subject to these and to any other assumptions or conditions set forth in the body of the market study report, but which may have been omitted from this list of Standard Assumptions and Limiting Conditions.
17. The analyses contained in the report necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic conditions, the absence of material changes in the competitive environment and other matters. Some estimates or



Mr. Kippy Clarke

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assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will vary from our estimates, and the variations may be material.

18. The *Americans with Disabilities Act (ADA)* became effective January 26, 1992. We have not made a specific survey or analysis of the Subject Property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. We claim no expertise in ADA issues, and render no opinion regarding compliance of the Subject Property with ADA regulations. Inasmuch as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, a specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.
19. The market study report is prepared for the exclusive benefit of you, your subsidiaries and/or affiliates. It may not be used or relied upon by any other party. All parties who use or rely upon any information in the report without our written consent do so at their own risk.
20. No studies have been provided to us indicating the presence or absence of hazardous materials on the Subject Property or in the improvements, and our valuation is predicated upon the assumption that the Subject Property is free and clear of any environment hazards including, without limitation, hazardous wastes, toxic substances and mold. No representations or warranties are made regarding the environmental condition of the Subject Property. IRR – Tampa Bay and/or any of its officers, owners, managers, directors, agents, subcontractors or employees (the "Integra Parties") shall not be responsible for any such environmental conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because we are not experts in the field of environmental conditions, the market study report cannot be considered as an environmental assessment of the Subject Property.
21. The persons signing the report may have reviewed available flood maps and may have noted in the market study report whether the Subject Property is located in an identified Special Flood Hazard Area. However, we are not qualified to detect such areas and therefore do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of the Subject Property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.
22. We are not a building or environmental inspector. The Integra Parties do not guarantee that the Subject Property is free of defects or environmental problems. Mold may be present in the Subject Property and a professional inspection is recommended.
23. The market study report and value conclusions for a market study assumes the satisfactory completion of construction, repairs, or alterations in a workmanlike manner.
24. IRR – Tampa Bay is an independently owned and operated company. The parties hereto agree that Integra Realty Resources, Inc. ("Integra") shall not be liable for any claim arising out of or relating to any market study report or any information or opinions contained therein as such market study report is the sole and exclusive responsibility of IRR – Tampa Bay. In addition, it is expressly agreed that in any action which may be brought against the Integra Parties arising out of, relating to, or in any way pertaining to the engagement letter, the market study reports or any related work product, the Integra Parties shall not be responsible or liable for any incidental or consequential damages or losses, unless the market study was fraudulent or prepared with

intentional misconduct. It is further expressly agreed that the collective liability of the Integra Parties in any such action shall not exceed the greater of (i) the fees paid for the preparation of the market study report (unless the market study was fraudulent or prepared with intentional misconduct), or (ii) \$250,000.00. If the market study was fraudulent or prepared with intentional misconduct, there shall be no cap on liability. It is expressly agreed that the fees charged herein are in reliance upon the foregoing limitations of liability.

25. IRR – Tampa Bay is an independently owned and operated company, which has prepared the market study for the specific intended use stated elsewhere in the report. The use of the market study report by anyone other than the Client is prohibited except as otherwise provided. Accordingly, the market study report is addressed to and shall be solely for the Client's use and benefit unless we provide our prior written consent. We expressly reserve the unrestricted right to withhold our consent to your disclosure of the market study report or any other work product related to the engagement (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties. Stated again for clarification, unless our prior written consent is obtained, no third party may rely on the market study report (even if their reliance was foreseeable).
26. The conclusions of the market study report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. The Integra Parties are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we are of the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will actually be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume competent and effective management and marketing for the duration of the projected holding period of the Subject Property.
27. All prospective value opinions presented in the market study report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraph, several events may occur that could substantially alter the outcome of our estimates such as, but not limited to changes in the economy, interest rates, capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.

As will be determined during the course of the assignment, additional extraordinary or hypothetical conditions may be required in order to complete the assignment. The market study shall also be subject to those assumptions.