HEALTHTRUST
Seniors Housing & Healthcare Real Estate Advisory Services

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MARKET STUDY

Proposed Seniors Housing

Proposed Seniors Housing

NWC of Chicago Ave & North Harlem Ave

Chicago, Illinois 60302

HT File No. 20180076

Prepared by:
HealthTrust
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HEALTHTRUST

July 24, 2018

Mr. Jay Patel
Kaufman Jacobs
30 West Monroe Street
Chicago, IL, 60603

RE: **Market Study of**
Proposed Seniors Housing
NWC of Chicago Ave & North Harlem Ave
Chicago, Illinois 60302
HT File No. 20180076

Dear Mr. Patel:

At your request and authorization, HealthTrust, LLC, has prepared a Market Study of the subject, a proposed Assisted Living/Memory Care Residence. The analysis is relevant as to the date we last inspected the site, or March 8, 2018.

The subject is located at the northwest corner of Harlem Avenue and Chicago Avenue in the River Forest Village section of Chicago, IL. The subject is a proposed 125-unit assisted living and memory care community that will consist of 92 AL unit and 33 MC units. The project's site is approximately 1.45 acres and consists of the following seven parcels: 15-01-418-021-0000, 15-01-418-020-0000, 15-01-418-019-0000, 15-01-418-018-0000, 15-01-418-017-0000, 15-01-418-016-0000, 15-01-418-015-0000.

During the course of our investigation and analysis, we noted the following:

- We have defined the subject's primary market area (PMA) as a three-mile radius surrounding the subject. The existing supply is a mix of local, regional and national operators ranging from approximately 9 to 132 years old.

- We would also like to note that the average age of existing communities is 44 years old, some of the buildings are outdated and require extensive renovation to compete with the newer communities. The subject will benefit from being the newest community in the market.

- Independent living (IL) properties located within the PMA are approximately 96% occupied, while assisted living (AL) properties have an occupancy rate of 95% and memory care (MC) properties within the PMA have an occupancy rate of 90%. There is only one facility in the PMA that offers memory care, Belmont Village, which accounts for 48 beds. Overall, we are not aware of any proposed properties located within the subject's primary market area. Going forward we expect the subject to benefit from its location within the MSA, given the low unemployment and lack of new supply coming online, particularly within the immediate area.

Based on our finding, we conclude that there is ample demand to warrant development of the subject. Overall occupancy in the PMA is 95% for all levels of care. The IL, AL, and MC markets are all Type IV market and are under bedded according to our penetration analysis. Specifically, based on our reconciled market capture rate, the PMA suggests current unsatisfied demand of 128 units for IL, 114 units for AL, and 33 units for MC as of the date of this report. We find that over the next five years, demand will increase, with projections showing excess demand of 103 AL units and 20 MC units once the subject unit mix is included in the supply. Based on these results, we conclude that there is adequate support for the development of the subject as demand is projected to grow over five years.

The report will be used to assist with internal decision-making involving the subject. The effective date of the analysis was estimated under market conditions observed at that time. Complete descriptions of the property, together with the sources of information and the bases of our estimates, are stated in the accompanying sections of this report.

The report is a Market Study that complies with the reporting requirements set forth in Standards Rule 5-2 of the Uniform Standards of Professional Appraisal Practice and FIRREA.

This report, the final estimates of demand and the prospective analyses are intended solely for your information and assistance for the function stated above, and should not be relied upon for any other purpose. Neither our report nor any of its contents nor any reference to the appraisers or our firm, may be included or quoted in any document, offering circular or registration statement, prospectus, sales brochure, other appraisal, loan or other agreement without HealthTrust LLC's prior written approval of the form and context in which it will appear.

Respectfully submitted,

HealthTrust, LLC

HealthTrust, LLC

Certification

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

The statements of fact contained in the accompanying report are to the best of our knowledge true and correct.

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

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

Our compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute and in conformity with the 2012 Edition of the Uniform Standards of Professional Appraisal Practice.

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

David Rey Salinas, MAI, ASA has not made an inspection of the subject and has assisted with this report.. Qaboos Muthana has made an inspection of the subject and assisted with this report. No one, other than those so named in the certification pages herein, provided assistance to the undersigned with preparation of this report.

David Rey Salinas, MAI, ASA has not provided consulting or valuation services within the three years immediately preceding acceptance of this assignment.

The subject of this analysis, Proposed Seniors Housing, is located at NWC of Chicago Ave & North Harlem Ave, Chicago, Illinois 60302.

As of the date of this report, David Rey Salinas, MAI, ASA, has completed the requirements of the continuing education program of the Appraisal Institute.

x ______________________

David Rey Salinas, MAI, ASA
Certified General Real Estate Appraiser 553.002054 (IL)
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Long Beach, CA 90806
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Standard Conditions

This analysis shall be subject to standard conditions, permitted and/or limited usage, and terms of engagement, which are outlined as follows:

Market Studies are performed and written reports are prepared in accordance with the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation and with the Appraisal Institute's Standards of Professional Appraisal Practice and Code of Professional Ethics.

Unless specifically stated, the conclusion(s) contained in the report applies to the real estate only, and does not include personal property, machinery and equipment, trade fixtures, business value, goodwill or other non-realty items. The Appraisal report covering the subject is limited to surface rights only, and does not include any inherent subsurface or mineral rights. Income tax considerations have not been included or valued unless so specified in the Appraisal. We make no representations as to the value changes that may be attributed to such considerations.

The legal description used in this report is assumed to be correct and we have made no survey of the property. We assume that there are no hidden or unapparent conditions of the property, subsoil, or structures that would render it more or less valuable.

No opinion is rendered as to property title, which is assumed to be good and marketable. Unless otherwise stated, no consideration is given to liens or encumbrances against the property. Sketches, maps, photos, or other graphic aids included in this report are intended to assist the reader in ready identification and visualization of the property, and are not intended for technical purposes.

It is assumed that legal, engineering, or other professional advice, as may be required, has been or will be obtained from professional sources and that the report will not be used for guidance in legal or technical matters such as, but not limited to, the existence of encroachments, easements or other discrepancies affecting the legal description of the property. It is assumed that there are no concealed or dubious conditions of the subsoil or subsurface waters including water table and flood plain, unless otherwise noted. We further assume there are no regulations of any government entity to control or restrict the use of the property unless specifically referred to in the report. It is assumed that the property will not operate in violation of any applicable government regulations, codes, ordinances or statutes.

This report is not intended to be an engineering report. We are not qualified as structural or environmental engineers; therefore we are not qualified to judge the structural or environmental integrity of the improvements, if any. Consequently, no warranty or representations are made nor any liability assumed for the structural soundness, quality, adequacy or capacities of said improvements and utility services, including the construction materials, particularly the roof, foundations, and equipment, including the HVAC systems, if applicable. Should there be any question concerning same, it is strongly recommended that an engineering, construction and/or environmental inspection be obtained. The value estimate(s) and conclusions in this report, unless noted otherwise, is predicated on the assumptions that all improvements, equipment and building services, if any, are structurally sound and suffer no concealed or latent defects or inadequacies other than those noted in this report. We will call to your attention any apparent defects or material adverse conditions which come to our attention.

In the absence of competent technical advice to the contrary, it is assumed that the property being appraised is not adversely affected by concealed or unapparent hazards such as, but not limited to asbestos, hazardous or contaminated substances, toxic waste or radioactivity.

Information furnished by others is presumed to be reliable, and where so specified in the report, has been verified; but no responsibility, whether legal or otherwise, is assumed for its accuracy, and it cannot be guaranteed as being certain. No single item of information was completely relied upon to the exclusion of other information.

This report may contain estimates of future financial performance, estimates or opinions that represent the appraiser's view of reasonable expectations at a particular point in time, but such information, estimates or opinions are not offered as predictions or as assurances that a particular level of income or profit will be achieved, that events will occur, or that a particular price will be offered or accepted. Actual results achieved during the period covered by our prospective financial analyses will vary from those described in our report, and the variations may be material.

Any proposed construction of rehabilitation referred to in this report is assumed to be completed within a reasonable time and in a workmanlike manner according to or exceeding currently accepted standards of design and methods of construction.

Any inaccessible portions of the Property or improvements not inspected are assumed to be as reported or similar to the areas that are inspected.

It should be specifically noted by any prospective mortgagee that this report assumes that the property will be competently managed, leased, and maintained by financially sound owners over the expected period of ownership. This engagement does not entail an evaluation of management's or owner's effectiveness, nor are we responsible for future marketing efforts and other management or ownership actions upon which actual results will depend.

The Americans with Disabilities Act ("ADA") became effective January 26, 1992. We have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property.

The report, the final conclusions, estimates of future financial performance included therein, are intended for the information of the person or persons to whom they are addressed, solely for the purposes stated therein, and should not be relied upon for any other purpose. The addressee shall not distribute the report to third parties without prior permission of HealthTrust. Before such permission shall be provided, the third party shall agree to hold HealthTrust harmless relative to their use of the report. Neither our report, nor its contents, nor any reference to the appraisers or HealthTrust, may be included or quoted in any offering circular or registration statement, prospectus, sales brochure, other appraisal, loan or other agreement or document without our prior written permission. Permission will be granted only upon meeting certain conditions. Generally, HealthTrust will not agree to the use of its name as a "named expert" within the meaning of the Securities Act of 1933 and the Securities Act of 1934.

The analysis applies only to the property described and for the purpose so stated and should not be used for any other purpose. Possession of the report, or copy thereof, does not carry with it the right of publication. Any allocation of total price between land and the improvements as shown is invalidated if used separately or in conjunction with any other report.

Neither the report nor any portions thereof (especially any conclusions as to value, the identity of the appraisers or HealthTrust, or any reference to the Appraisal Institute or other recognized appraisal organization or the designations they confer) shall be disseminated to the public through public relations

Media, news media, advertising media, sales media or any other public means of communication without the prior written consent and approval of the appraisers and HealthTrust. The date(s) of the valuation to which the value estimate conclusions apply is set forth in the letter of transmittal and within the body of the report. The value is based on the purchasing power of the United States dollar as of that date.

Acceptance of and/or use of this report constitutes acceptance of all Standard Conditions.

Assignments are accepted with the understanding that there is no obligation to furnish services after completion of the original assignment. If the need for subsequent service related to an appraisal assignment (e.g., testimony, updates, conferences, reprint or copy service) is contemplated, special arrangements acceptable to HealthTrust must be made in advance.

Unless otherwise stated, no effort has been made to determine the possible effect, if any, on the subject property of energy shortage or future federal, state or local legislation, including any environmental or ecological matters or interpretations thereof.

We take no responsibility for any events, conditions or circumstances affecting the subject Property or its value, that take place subsequent to either the effective date of value cited in this report, or the date of our field inspection, whichever occurs first.

This engagement may be terminated whether by client or HealthTrust at any time upon written notice to that effect to the other parties, it being understood that, unless HealthTrust shall unilaterally terminate the engagement without the client's consent and without reasonable cause, the provisions related to the payment of fees and expenses through the date of termination will survive any termination, and it being further understood that the indemnification and hold harmless provisions shall survive any termination thereof, whether or not such termination is unilateral.

Extraordinary Assumptions

Although this analysis is not contingent upon any particular management, it does presume that the subject's management is competent and experienced with operations of an Assisted Living/Memory Care Residence.

Following our property inspection, we find that the subject site is adequate to support the proposed improvements presuming zoning will permit plans as submitted for this density. **Note current zoning does not permit senior housing uses.**

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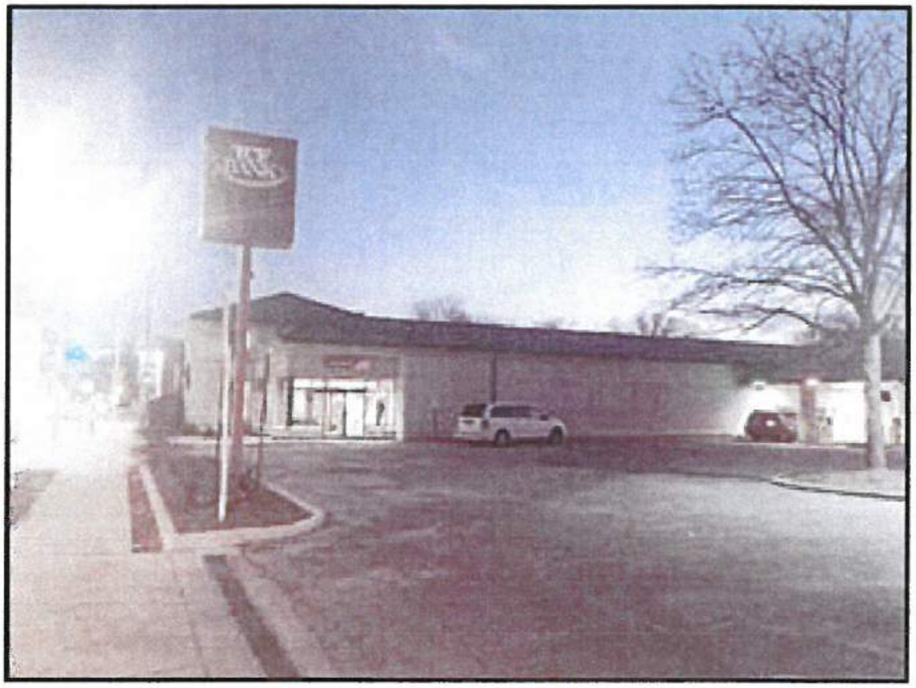
PREFACE



Proposed Seniors Housing

EXECUTIVE SUMMARY

Property Data

Name:	Proposed Seniors Housing	
Address:	NWC of Chicago Ave & North Harlem Ave Chicago, Illinois 60302	
Property Type:	Assisted Living/Memory Care Residence	
Gross Building Area (SF):	120,000	
Land Area (acres):	1.45	
Year Built:	2018	
Condition:	Excellent	
Effective Age:	0	
Total Density:	125	
	As-Is	
Unit Mix:	***No. Units***	***Set-Up Beds***
AL	92	92
ALZ - AL	33	37
Total	**125**	**129**
Parcel Number:	15-01-418-021-0000, et. al	
Assessor's Fair Market Value:	$3,471,330	
Property Taxes:	$105,006	
Zoning District:	C3: Central Commercial	
Flood Zone:	Outside	
Owner of Record:	TCF NATIONAL BANK	
Management Company:	TBD	

Glossary of Terms

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

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.

Leased Fee Estate: An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (leased fee owner) and leased fee are specified by contract terms contained within the lease.

Leasehold Estate: The interest held by the lessee (the tenant or renter) through a lease conveying the rights of use and occupancy for a stated term under certain conditions.

Total Assets of the Business (TAB): The tangible property (real property and personal property, including inventory and furniture, fixtures, and equipment) and intangible property (cash, work force, contracts, name, patent, copyrights, and other residual intangible assets, to include capitalized economic profit) of a business.

Highest and Best Use: The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible and that results in the highest value.

Insurable Value: Value used by insurance companies as the basis for insurance. Often considered to be replacement or reproduction cost less deterioration and non-insurable items. Sometimes a cash value but often entirely a cost concept (Marshall & Swift).

Investment Value: The specific value of an investment to a particular investor or class of investors based on individual investment requirements; distinguished from market value, which is impersonal and detached.

Real Property: All interests, benefits, and rights inherent in the ownership of physical real estate; the bundle of rights with which the ownership of the real estate is endowed.

Personal Property (FF&E): Identifiable portable and tangible objects that are considered by the general public to be "personal," e.g., furnishings, art work, antiques, gems and jewelry, collectibles, machinery and equipment; all property that is not classified as real estate. (USPAP, 1992 edition) Personal property includes movable items that are not permanently affixed to, and part of, the real estate.

Business Value (Intangible Property): A value of enhancement that results from items of intangible personal property such as marketing and management skill, an assembled work force, working capital, trade names, franchises, patents, trademarks, contracts, leases, and operating agreements. (going-concern value).

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

Life Estate: Total rights of use, occupancy, and control, limited to the lifetime of a designated party, often known as the life tenant.

Ad Valorem Tax: A real estate tax based on the assessed value of the property, which is not necessarily equivalent to market value.

Appraisal Foundation: (Condensed) Not-for-profit educational foundation, organized in 1987 to foster appraisal professionalism through the establishment of uniform standards of appraisal practice and qualifications for the state certification and licensing of appraisers. The Foundation's is responsible for appointing members to the two independent boards, The Appraisal Standards Board (ASB) and the Appraisers Qualification Board (AQB). The ASB promulgates standards found in USPAP while the AQB establishes minimum experience, education, and examination criteria for state licensing of appraisers and recommends such criteria for state licensing boards. These boards operate under the authority (through the enactment of FIRREA) of Congress, which delegated responsibility to these boards which are monitored by the Appraisal Subcommittee.

Operating Expense Ratio (OER): The ratio of total operating expenses (TOE) to effective gross income (TOE/EGI); the complement of the net income ratio (NIR), i.e., 1 - NIR.

Common Area Maintenance (CAM): The expense of operating and maintaining common areas; may or may not include management charges and usually does not include capital expenditures on tenant improvements or other improvements to the property. See also common area.

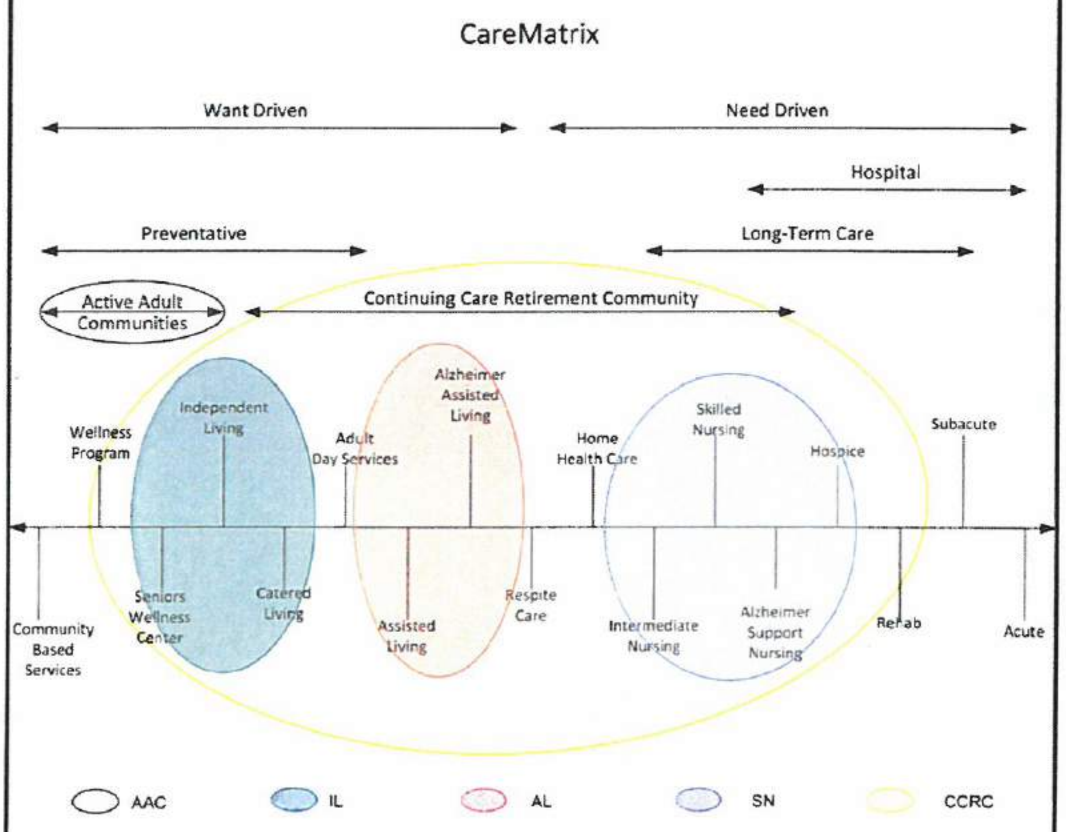
Gross Building Area (GBA): The total floor area of a building, including below-grade space but excluding unenclosed areas, measured from the exterior of the walls. Gross building area for office buildings is computed by measuring to the outside finished surface of permanent outer building walls without any deductions. All enclosed floors of the building including basements, mechanical equipment floors, penthouses, and the like are included in the measurement. Parking spaces and parking garages are excluded.

Financial Institutions Reform, Recovery and Enforcement Act (FIRREA): (Condensed) Legislation enacted in 1989 to bail out the savings and loan industry; FIRREA created the Office of Thrift Supervision (OTS) under the Treasury Department. As part of this act, the OTS was charged with creating the Appraisal Subcommittee to implement Title XI of FIRREA mandating state certification of appraisers who perform assignments for Federal Financial Institutions Regulatory Agencies.

Uniform Standards of Professional Practice (USPAP): Current standards of the appraisal profession, developed for appraisers, and the users of appraisal services, by the Appraisal Standards Board, of the Appraisal Foundation. The Uniform Standards set forth the procedures to be followed in developing an appraisal, analysis, or opinion and the manner in which an appraisal, analysis, or opinion is communicated. They are endorsed by the Appraisal Institute and by other professional organizations.

Seniors Housing and Health Care Industry Overview

The subject of this analysis is a seniors housing/ health care property. The health care and seniors housing industry can generally be segregated into five separate and distinct levels. These levels range, in order of intensity from lowest to highest, from a seniors apartment (i.e., age-restricted) to independent living community, assisted living residence, skilled nursing facility to, ultimately, an acute care (hospital). The following overview is intended to provide a brief overview of this market sector summary.



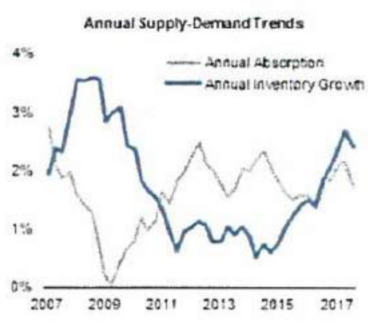
Source: Adapted from Greystone

Senior Apartments: This product type includes all age-restricted apartments where at least 80% of the residents are 55 years of age or older. Physically, the properties are like traditional apartments with a clubhouse, perhaps exercise facilities, covered or garage parking, and a swimming pool. No services are offered for meals or housekeeping, but social activities are typically available. The resident profile includes an active adult who is typically retired and has no need for assistance with activities of daily living or instrumental activities of daily living. Units typically include a full kitchen, washer and dryer hook-ups, balconies or patios, window treatments and floor covering.

The *NIC/American Seniors Housing Association's Seniors Housing Construction Trends Report 2013* indicates that the number of properties under construction as of March 31, 2013 totaled 180 with 12,949 units, down slightly from the prior year. Only 11% of these units under construction were market rate projects with the remainder being affordable housing or HUD 202 deals. However, while the over number of projects under development was less than the prior year, market rate projects represented a greater proportion of those deals. We note that the 2014 edition of this report ceased covering senior apartments.

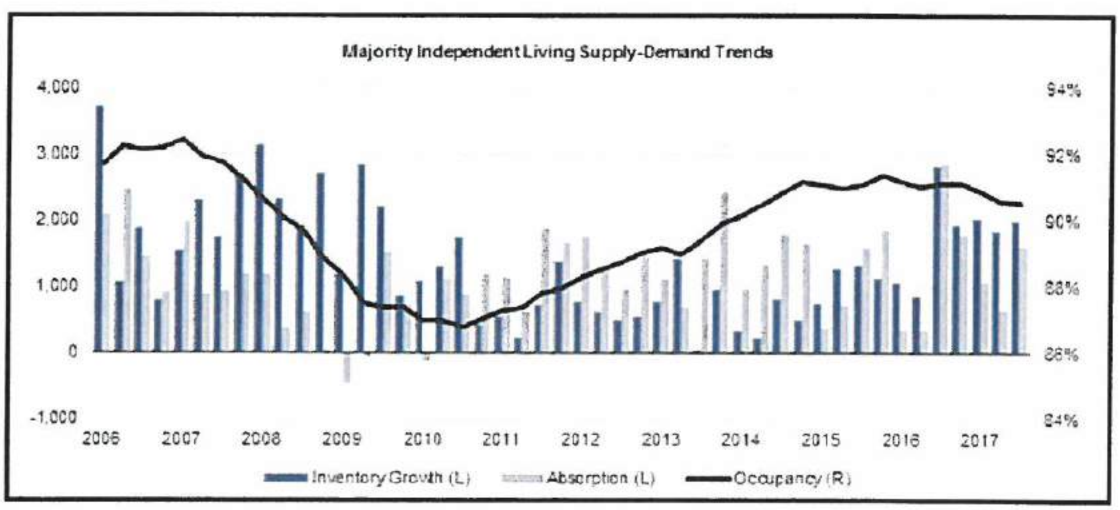
Independent Living Communities: Independent living communities (ILCs) were the largest response the market provided in the 1980s to increasing demand for senior accommodations. These projects, typically ranging in size from 150 units to 300 units, are designed in similar fashion (operationally) to an apartment complex, in that units often contain separate bedrooms and cooking facilities. Also provided in the development is a commons area that includes a kitchen and dining room(s) that offers up to three meals per day. Services typically included are weekly housekeeping and linen service, maintenance of grounds, activities, etc.

Residents who locate in an independent living community must be physically and mentally capable of performing all the activities of daily living (ADL). Development of these types of communities, given their large scale, prompted entries into the industry by both local and national firms. However, by the very nature of the communities (independent), residents can relocate if personal preferences or needs change. Unlike other forms of seniors housing, ILCs are less-need-driven with lifestyle and social considerations prompting the residency decision for most seniors.



According the NIC MAP's 3rd Quarter 2017 *Monitor*, occupancy decreased 10 basis points to 90.5% from the prior quarter but remains 370 basis points above the cyclical low it established during the third quarter of 2010. Construction activity represented 3.9% of existing inventory, relatively flat since the first quarter of 2017. During the quarter, absorption totaled 1,630 units, a rate of 0.5% with annual absorption as of the third quarter 2017 at 1.5%, down 50 basis points from the prior quarter's pace. Rent growth also slowed to 2.5%, down 90 basis points from the prior quarter and 170 basis points from a year ago.

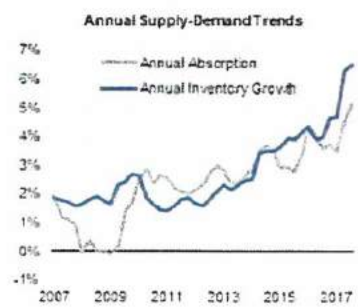
Further, NIC MAP reports the following supply and demand trends for Majority Independent Living Communities:



Assisted Living Residences: The second level of seniors housing is the assisted living residence. Assisted living becomes necessary when a resident is no longer capable of performing all the activities of daily living (ADLs). ALRs vary in the intensity of personal care services provided, from the resident who is mentally competent but physically frail, to the resident who is both mentally disoriented and physically frail. Residents suffering from Alzheimer's or some other form of dementia typify the higher intensity level.

Assisted living residences have emerged as one of the growth sectors in the senior housing and health care market in the late 1980s. Assisted living residences are designed to provide a level of care that is roughly between that of independent living and skilled nursing. Residents live in a residential apartment, but all instrumental activities of daily living (e.g., cooking, cleaning, driving) are provided and typically at least three or more ADLs such as grooming, bathing, dressing, and toileting are provided.

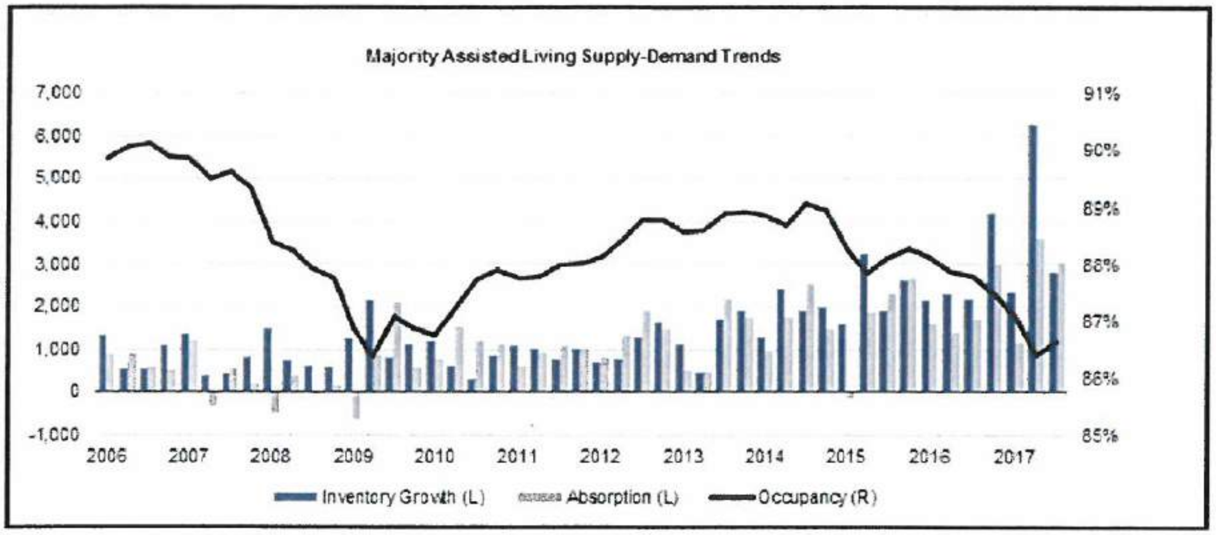
Many of these communities have a distinct section for Memory Care where there is a higher ratio of staffing, a wanderguard system and other amenities specifically designed to improve the quality of life for these seniors. From a licensure standpoint, most states require little additional documentation or certification for a property to advertise this specialty unit.



Finally, many states have Medicaid reimbursement for stays at assisted living residences. This appears to be the final level of support needed to legitimize assisted living as a niche in the industry, and allow for institutional investment over the near term as opposed to the distant future.

According the NIC MAP's NIC MAP's 3rd Quarter 2017 *Monitor*, occupancy was 86.6%, up 10 basis points from that reported in the prior quarter but down 120 basis points from a year ago. Inventory growth continues to out-pace absorption with 22,627 units under construction, or 8.8% of total inventory. Occupied units increased by 3,054 during the quarter with annual absorption at 5.1%, up 150 basis points from a year prior. We find anecdotally development is not evenly distributed. The NIC MAP *Market Performance Report* reports that for Q3 2017, performance varies as seen, but is typically down:

The annual rate growth remains above inflation at 3.3% and is 20 basis points below the prior quarter's pace. NIC MAP indicated the following supply and demand trends for Majority Assisted Living Communities:

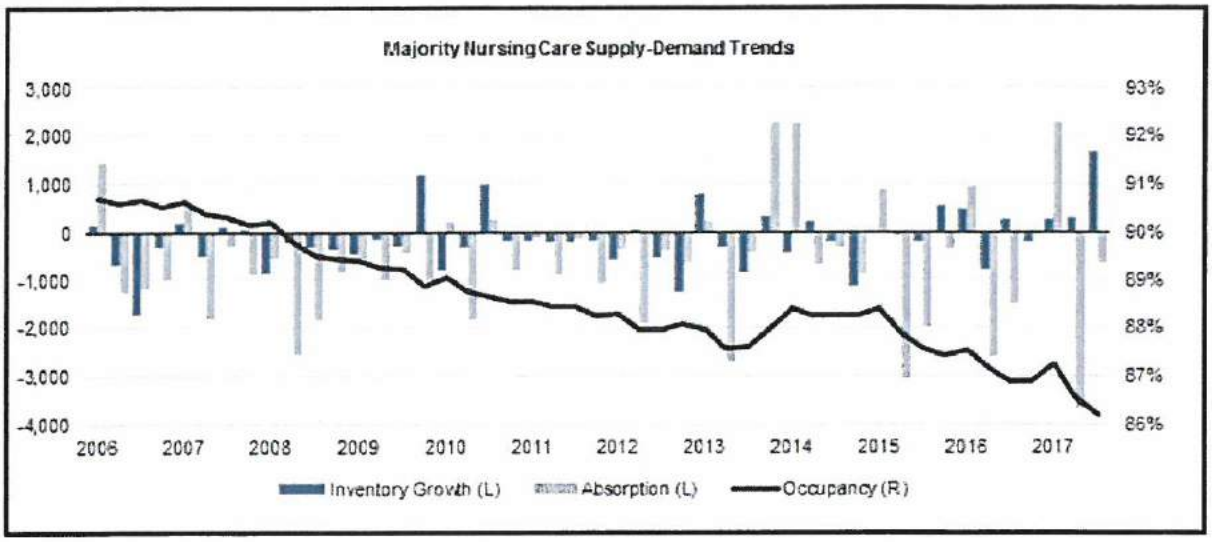


Skilled Nursing Facilities: Skilled nursing facilities are the oldest property type in the healthcare/seniors housing industry. They are, operationally, one step below hospitals. Physically, skilled nursing facilities contain smaller rooms and typically house residents on a semi-private basis, although the trend is moving towards private rooms, particularly for the more lucrative short-term rehab care. The rooms, from an appearance standpoint, are like a hospital room and do not contain cooking facilities.

Operationally, these facilities differ from independent and assisted living residences in that a significant portion of their income is derived from government sources rather than the residents. In fact, Medicare and Medicaid, combined, paid about 56% of the $157 billion expended for skilled nursing care in 2015. Thus, changes in reimbursement can have a material impact on a facility's profitability. In aggregate, nursing home care represented about 13.0% of the national CMS budget (Medicaid, CHIP and Medicare programs), and down from the 13.5% level it represented in 2014.

Although increasingly, long-term care residents are being treated in community (ALR) and residential (home health) settings, nursing homes will continue to be of need to persons requiring 24-hour skilled care. As such, nursing homes are focusing on short-term rehab and redesigning their plants to allow for more private rooms, increased therapy space and common areas that appeal to residents who expect short stays. Hence, the acuity of the nursing home resident is expected to increase in coming years.

The NIC MAP Construction Monitor indicates that there 5,444 Nursing Care Beds under construction in the 99 largest MSAs, as of the 3rd quarter of 2017. Oftentimes, new skilled nursing projects are being developed with a continuum of care that includes assisted living or memory care units. American Health Care Association (AHCA) estimates the total certified bed count in the US at 1.7 million as of mid-2015. According to NIC MAP's *Construction Monitor*, among the 99 largest MSAs, skilled nursing indicated a relatively stable pipeline of construction starts as a percentage of inventory; however, we note that many properties appear to be replacement facilities as AHCA reports little growth and, in fact, a slight decline in total beds. Supply and demand trends are summarized as follows:



Acute Care Hospitals: The final care level offered is the acute care environment, or hospital. This is the segment of the market with which the public is most familiar, generally from personal experience. A hospital often represents the last step in the life cycle, and is totally separate and distinct from seniors housing and the three care levels discussed previously. Also, there is little exhibited interrelationship in the relative demand and supply characteristics of acute care hospitals with the remaining elements of the seniors housing market.

Other Product Types: In addition to the four levels described, numerous hybrids or variations occur. For instance, a typical Continuing Care Retirement Community (CCRC) offers services beginning at the independent living level progressing to assisted living and ultimately skilled nursing. CCRCs are often endowment or buy-in situations where a large entry fee is charged to the new resident in exchange for lower monthly service fees for the balance of their residency at the community. Many variations exist on refund policies of this entry fee ranging from 0% to 90% and higher. Most communities amortize the non-refundable fees over four to eight years. Given the orientation of the consumer to either rental or endowment, CCRCs are generally separate and distinct from direct competition with rental communities.

Summary: This review of seniors housing services is intentionally brief and is designed to acquaint the reader with the general differences in product types and services available to the retiree consumer. These services and products are differentiated by price and need level.

Capital resources are available to well-managed communities and established operators with the less experienced developer/operators relying on personal relationships with local lenders. Anecdotally, construction lending is becoming more difficult to obtain as an increasing number of operators and investors are concerned about potential over-supply in some markets.

The most recent quarterly update from NIC MAP suggests the following trends in the 31 largest MSAs in Seniors Housing (Independent and Assisted Living) and Majority Nursing Care:

	Existing Inventory		Occupancy		Supply and Demand		Under Construction		Annual Rent Growth
	# Properties	# Units	All	Stabilized	Absorption	Inventory Growth	# Properties	# Units	
3Q17	4,585	588,463	88.8%	90.3%	4,684	4,817	327	35,682	2.7%
2Q17	4,543	583,646	88.8%	90.3%	4,298	8,124	340	35,547	3.4%
1Q17	4,448	575,522	89.3%	90.7%	2,282	4,373	355	36,366	3.4%
4Q16	4,412	571,149	89.5%	90.9%	4,765	6,124	376	37,269	3.7%
3Q16	4,371	565,025	89.7%	90.9%	4,591	5,003	392	38,704	3.8%
2Q16	4,337	560,022	89.7%	90.7%	1,722	3,171	383	37,670	3.2%
1Q16	4,306	556,851	89.9%	90.9%	1,920	3,208	382	36,196	3.2%
2015	4,284	553,643	90.0%	91.1%	4,526	3,718	374	34,566	2.8%
2014	4,165	539,864	90.2%	91.2%	3,111	2,468	301	25,148	2.5%
2013	4,076	530,419	89.5%	90.4%	4,180	2,865	249	19,515	1.7%
2012	4,004	522,027	88.9%	89.7%	2,907	2,156	189	13,945	2.2%
2011	3,944	515,244	88.0%	89.0%	2,670	2,398	151	11,581	1.8%
2010	3,893	508,539	87.4%	88.5%	2,294	1,274	140	10,574	1.1%

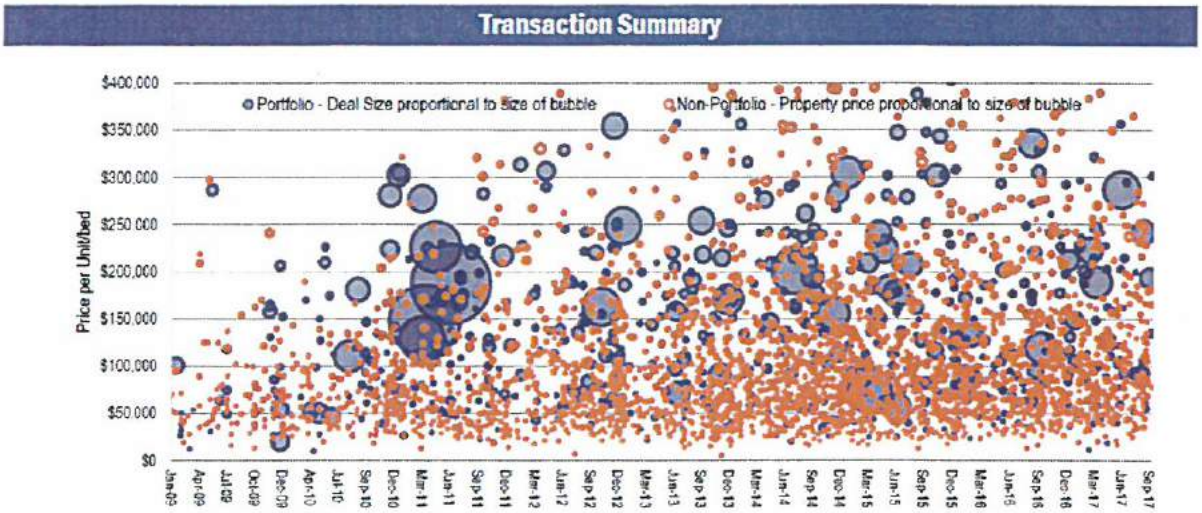
Majority Nursing Care									
	Existing Inventory		Occupancy		Supply and Demand		Under Construction		Annual Rent Growth
	# Properties	# Units	All	Stabilized	Absorption	Inventory Growth	# Properties	# Units	
3Q17	4,073	572,669	86.2%	86.4%	-634	1,660	53	4,757	2.5%
2Q17	4,058	571,009	86.6%	86.7%	-3,678	285	57	4,874	2.7%
1Q17	4,054	570,724	87.3%	87.4%	2,267	249	59	4,980	2.8%
4Q16	4,047	570,475	86.9%	87.1%	-78	-209	62	5,084	2.6%
3Q16	4,046	570,684	86.9%	87.0%	-1,508	261	67	5,413	2.9%
2Q16	4,043	570,423	87.2%	87.4%	-2,594	-780	71	5,520	2.8%
1Q16	4,047	571,203	87.5%	87.7%	961	484	72	5,469	2.9%
2015	4,040	570,719	87.4%	87.6%	-362	531	72	5,201	3.2%
2014	4,033	570,476	88.3%	88.4%	-883	-1,135	64	5,183	2.8%
2013	4,036	572,045	88.0%	88.1%	2,277	342	52	4,625	2.8%
2012	4,033	572,082	88.1%	88.3%	-633	-1,255	67	5,904	2.9%
2011	4,036	574,443	88.3%	88.5%	-1,090	-167	59	5,357	3.3%
2010	4,042	575,176	88.5%	88.8%	-774	-171	46	4,024	3.1%

At present, the overall development interest remains high. While many experienced operators continue to build and lease-up, newer entrants to the industry are finding it difficult to obtain construction financing as well as management and department heads once the property opens. For stabilized assets, financing options include agency lending (Fannie, Freddie and HUD), commercial banks, and REITs, particularly for those operators who already have established relationships.

In terms of sales, activity slowed in 2016, largely continuing into 2018, for a variety of reasons, including:

- Lack of institutional grade, seniors housing product available
- Concerns about over-building in some pockets of the country
- REITs largely sitting on the sidelines
- Spread between replacement cost and sale prices

As a result, most deals are smaller – a single property or fewer than 10 – with the greatest competition for Class A properties built in the last 10 years, with a continuum of care, in major metropolitan markets. The increased competition is emanating from private equity and pension funds in conjunction with the large cap REITs and traditional strategic buyers. According to NIC MAP's 3rd Quarter 2017 *Transaction Report*, activity over the last several years can be characterized as shown:



Overall, we find the following themes going forward in the seniors housing industry:

- Financing: Availability of financing will be key to continued M&A activity as well as new construction. The HUD LEAN program in fiscal 2017 level issued firm commitments of $3.7 billion; while less than 10% of that volume involved new construction, other program changes have shortened the "seasoning" time needed to bring a deal to HUD. Fannie and Freddie have continued to grow. Freddie exceeded the $47 billion in 2015 with 740 loans representing $6.9 billion to the seniors housing industry since the program started in 1998. Healthcare REITs will continue to maintain a presence as capital providers through sale/leaseback transactions and RIDEA (REIT Investment Diversification and Empowerment ACT) structures. Nonetheless, the Fed is expected to continue to modestly raise rates over the next 12 months, with the near-term impact expected to be modest as we continue to maintain historically low rates.

- Buyers: Compared to 2015, when the Big 3 (Ventas, Welltower and HCP), non-traded REITs (NorthStar, CNL, Griffin and ARC), and the SNF REITS (Omega and CCP) dominated sales activity, public buyers have largely been on the sidelines to date in 2017 comprising only 31% of the transactions in 2017 compared to over 50% of the volume between 2013 and 2015. While pension funds, private equity, insurance companies and operators remain active, the quality of available product has declined and competition only remains stiff for the rare Class-A assets that come on the market. Nonetheless, as illustrated in the *NIC Investment Guide*, the consistently higher returns in this sector is attracting interest from groups who have largely invested outside of it:

- New Supply: As construction starts convert into new units, most markets are witnessing strong fill rates as demand has been pent up due to little development during the recession. However, with many markets at risk of being over-built, we have begun to see in 2017 occupancy and rate growth challenges and expect increasing challenges in 2018. In addition to the strain that the over 50,000 units under construction will place on the market, we are hearing increased concerns from operators and developers that a shortage of managerial staff at the property and departmental levels may also cause disruptions in the market, as properties compete for staff as well as residents.

- Cost of Capital: With the anticipation of increasing interest rates and new supply concerns, the large cap REITs, and the Big-3 especially, have seen an erosion of their cost of capital via lower share prices. This is meaningful insomuch as the Big-3, all being $30+ billion enterprises are largely viewed as the exit for many of the private and non-traded funds. While there remains a strong appetite among the smaller buyers in the market, an increasing cost of capital environment should result in the bottoming, if not a modest uptick, in cap rates in the space.

- Regulations/Government: States have largely cured much of the shortfalls that have plagued budgets following the recession and currently there is limited downside risk for skilled nursing Medicaid rates. However, there is an increasing trend of states converting to Managed Care programs, which do not reflect outright cuts, do present continued operational scrutiny. In terms of Medicare, the outlook is relatively stable, though new reimbursement methodologies that emphasize outcomes and performance are being implemented. Moreover, many of the larger operators are under Federal scrutiny with respect to Medicare coding. Operational competence will continue to be valued given the ever-increasing regulatory headwinds.

Overall the fundamentals of the industry are good for the long-term, with positive demographic shifts and strong operational track records. However, headwinds are evident in the short-term, including interest rate increases, an influx of new supply and staffing challenges. From a valuation perspective, we expect a stabilization of cap rates and valuations from record highs.

INTRODUCTION

Legal Description: The subject's legal descriptions were not provided and the site was identified by address. We presume these descriptions are correct and assume no liability for them.

Purpose and Intended Use of the Analysis: To estimate the market demand of the subject property. The intended use of this analysis is to assist with internal decision-making involving the subject. The intended users are representatives of the client.

Scope of Work

General Property Scope: Standards Rule 5-2 of USPAP requires that each written real property analysis report must describe the extent of the process of collecting, confirming and reporting data.

Based on the identified objective of the analysis, we have inspected the subject, its neighborhood, and the general market area on March 8, 2018. As part of the analysis, we have examined:

- Supply and demand in each property's market
- Development trends
- Current demographic data and projected changes over the next five years
- Legislative environment

We have surveyed the most comparable properties in this market area to assess typical demand and rates in the PMA. As the subject is an income-producing property type that is typically bought by investors, we have spent the most time, effort and original research on verifying rent comparables, identifying trends that may impact the subject's operations.

Lastly, as a part of this process we have obtained and verified data with local market participants (owners and operators of comparable properties), state regulatory agencies as well as local governing officials.

This report is a written record of our conclusions and opinions, containing the most pertinent market data used and a discussion of the reasoning underlying our estimates.

Effective Dates of Analysis

Qaboos Muthana physically inspected the subject site on March 8, 2018. The effective date of this report is March 8, 2018. The analysis is based upon market conditions observed at that time.

DESCRIPTIVE DATA

Site Description

We have made a visual inspection of the subject property. Where applicable, we have supplanted our analysis with information provided by the subject's management and/or the client. As previously noted, we are not experts in the presence of hazardous substances or the structural integrity of the site or improvements. Based on our inspection of the property, the subject's site characteristics are as follows:

SITE DESCRIPTION			
Access		**General**	
Primary Frontage:	Harlem Avenue	Site size:	1.45 acres
Type:	2 way, 2 lanes each way	Source:	Public Records
Median Divided:	No	Shape:	Regular
Accessibility	Average	Topography:	Level
Visibility	Good		
Exposure	Average	**Other Site Improvements**	
		Paved Drives:	Yes
Facilitating Entry to Site		Walkways:	Yes
Turn Lane:	No	Landscaping:	Yes
Stop Sign:	No	Signage:	Yes
Traffic Light:	Yes	Ancillary Buildings:	No
		Retention Ponds or areas:	No
Easements			
Right of Way:	N/A		
Utility:	N/A	**Parking**	
Ingress/Egress:	N/A	Open Parking spaces:	38
Drainage:	N/A	Covered Parking spaces:	0
Other (specify):	N/A	Garage spaces:	0
		Handicap spaces:	2
Utility Services		Total	40
Electric:	Yes		
Gas:	Yes	**Soil**	
Water:	Public	Drainage:	Adequate
Sewer:	Public	Soil Conditions:	Normal
Telephone	Yes	Above-Ground Storage Tanks:	No
Cable:	Yes	Underground Storage Tanks:	No
		Hazardous Substances:	No
Flood Zone		Costs to cure:	$0
Flood Plain:	Outside		
Designation:	X	**Seismic**	
Community Panel:	17031C0395J	Zone:	0
Date:	August 19, 2008		

We were not provided with title or a survey detailing the presence of easements on the subject site. We assume that typical easements exist and are unaware of any restraints that would hinder development of the subject if vacant.

AERIAL MAP

Zoning

We verified the subject's zoning designation and reviewed the corresponding zoning ordinance with the Village of River Forest. Note zoning does **not** permit seniors housing. A summary of the zoning requirements is as follows:

ZONING DESIGNATION	
Designation:	C3: Central Commercial
Zoning Authority:	Village of River Forest
Permitted Uses:	specialty retail store, office, service uses and multi-family
Maximum Height:	50 Feet
Permitted Density:	N/A
Max. Permitted FAR:	2.5
Required Parking:	Based on approval
Subject Permitted As:	conditional use

ZONING	
Designation:	R2: Single-Family Residential
Zoning Authority:	Village of River Forest
Permitted Uses:	single family dwellings and group homes with a special use
Maximum Height:	35 Feet
Permitted Density:	N/A
Max. Permitted FAR:	0.35
Required Parking:	Based on approval
Subject Permitted As:	conditional use

Assessment and Taxes

The subject property is assessed by Cook County. The subject's real estate is assessed annually, with the most recent assessment having occurred in 2017 and the next scheduled assessment for 2018. The sale of a property does not automatically trigger a reassessment the following year. In addition, arm's length transactions will not impact the subject's assessed value in subsequent years. The following table details the subject's most recent assessment and tax information:

SUMMARY OF REAL ESTATE TAXES			
Parcel ID	**Land**	**Building**	**Total**
15-01-418-021-0000	$341,400	$528,250	$869,650
15-01-418-020-0000	$341,400	$276,920	$618,320
15-01-418-019-0000	$368,000	$127,410	$495,410
15-01-418-018-0000	$368,000	$148,620	$516,620
15-01-418-017-0000	$204,700	$86,380	$291,080
15-01-418-016-0000	$204,700	$54,470	$259,170
15-01-418-015-0000	$204,700	$216,380	$421,080
Total Assessor's Implied Fair Market Value:			$3,471,330
Adjustments & Taxes:			
Exempt Value:			$0
Assessment Ratio:			10%
Taxable Value:			$347,133
Effective Tax (Millage) Rate:		30.2495	per $100
Total Ad Valorem Real Estate Taxes:			$105,006
Total Non-Ad Valorem Real Estate Taxes:			$0
Total Real Estate Taxes			$105,006
Total Taxes:			$105,006
Assessment Year			2017
Tax Year			2017
Total Taxes Per:	$840	Unit / Bed	$814

Improvement Description

We received basic information from the developer with regard to the project design outside of the proposed site. Therefore, the following descriptions represent our recommendations based on our investigation into the local market and trends we see in the region and nation.

DESCRIPTION OF IMPROVEMENTS			
Improvement Description:			
Year Built:	2018	Building Shape	regular
Year of Last Major Renovation	N/A	Basement	None
Number of Buildings	1	Balconies	No
Number of Stories	2-3	Number of Elevators	3
Nurse's Stations	0	Dining Rooms	3
Overall Condition	Excellent	Deferred Maintenance	No
Overall Quality	Excellent	Functional Obsolescence	No

Construction Details:	
Foundation Type:	Concrete slab
Structure Type:	Wood Frame
Roof Type:	Hip
Exterior Wall Finish:	Stucco
Interior Partitions - Common Areas:	Latex paint over drywall
Interior Partitions - Resident Units:	Latex paint over drywall
Ceilings - Common Areas:	Latex paint over drywall and suspended acoustical tiles
Ceilings - Resident Units:	Latex paint over drywall
Lighting - Common Areas:	Incandescent and Fluorescent
Lighting - Resident Units:	Incandescent and Fluorescent
HVAC - Common Areas:	Central
HVAC - Resident Units:	Central
Floor Coverings - Common Areas:	Carpet, wood veneer, ceramic tile and vinyl sheet
Floor Coverings - Resident Units:	Carpet and vinyl sheet
Windows:	Aluminum frame, double-hung
Sprinkler/Security System:	All units have 24-hour emergency call system with central monitoring. The building is sprinklered and contains smoke detectors.
FF&E:	This analysis includes all chattel and personal property associated with the subject's operation such as furnishings for all common and administrative areas, office equipment, kitchen and laundry equipment, maintenance equipment, and all other accessory items required for normal operation.

The following table illustrates the amenities offered by the subject. Overall, we find these to be typical within the market, and adequate given the subject's age, quality and prospective resident:

SUMMARY OF AMENITIES			
Unit Amenities:			
Balconies/porches	No	Individually controlled HVAC	Yes
Cable/satellite TV	Yes	Kitchenettes	Yes
Emergency pull-cords	Yes	Private baths	Yes
Fire/smoke detectors	Yes	Walk-in closets	Yes
Full kitchens	Yes	Washer/dryer hookups	No
High-speed internet	Yes	Washers/dryers	No
Community Amenities:			
Activity rooms	Yes	Laundry facilities	Yes
Arts & crafts rooms	No	Library	Yes
Assistance w/ ADLs	Yes	Linen Service	Yes
Bank branch	No	Lounge areas	Yes
Beauty/barber shop	Yes	Medications	Yes
Business Center	No	Pharmacy	No
Chapel	Yes	Postal services	Yes
Coffee Shop/Deli	Yes	Putting green	No
Computer room	No	Reception Area	Yes
Concierge service	Yes	Scheduled transportation	Yes
Courtyard	Yes	Security 24 hour	Yes
Covered parking	Yes	Skilled nursing care	No
Dining room - main	Yes	Social activities	Yes
Dining room - private	Yes	Spa/Whirlpool	Yes
Exercise facilities	Yes	Storage area/bin	No
Game/billiards rooms	Yes	Swimming Pool	No
Garage parking	No	Tennis courts	No
General store	No	Theater/Auditorium	Yes
Golf course	No	Therapy Room	No
Guest Accommodations	Yes	Utilities	Yes
Health center	Yes	Walking/nature trails	No
Housekeeping	Yes	Wanderer Mgt. System	Yes
Ice cream parlor	No	Woodworking shop	No

Based on our analysis of the market, the subject density should proximate a total of 125units, indicating the following unit sizes and mix:

UNIT MIX			
Type of Unit	**No. of Units**	**Size (sf)**	**Net Rentable Area**
Assisted Living			
Studio	13	350 - 500	5,525
1-Bedroom	69	450 - 650	37,950
2-Bedroom	10	600 - 800	7,000
Memory Care			
Studio	29	250 - 500	10,875
Semi-Private	4	400 - 500	1,800
Total	125		63,150

Compared to the overall industry the ratio of net rentable area is similar to that of AL/MC communities in general, while the gross building area (GBA) per unit is higher relative to the industry.

SUMMARY OF IMPROVEMENTS				
Level of Care:	**No. of Units**	**No. SU Beds**	**No. Lic Beds**	**2016 State of Seniors Housing Average No. Of Units**
AL	92	92	102	
ALZ - AL	33	37	37	
Total	**125**	**129**	**139**	92

Building Efficiency:	**Subject**	**2016 State of Seniors Housing Median Indications**		
		IL	**AL/MC**	**CCRC**
Gross Building Area (GBA):	120,000	100,930	56,916	339,768
Ratio of Net Rentable Area	52.6%	67.6%	50.6%	73.5%
GBA/Unit	960	893	647	897
GBA/Bed	930	N/A	N/A	N/A

Following our property inspection, we find that the subject site is adequate to support the proposed improvements presuming zoning will permit plans as submitted for this density. Furthermore, we believe that being the newest community in the market will give the subject a competitive advantage with its more desirable amenities and location than the competition.

DEVELOPMENT COMPARABLES	1		2		3		4		5		Overall		Subject	
Name	Clarendale		Cedarbrook of Northville		Proposed Senior Housing		Artis Senior Living, Lakeview		Lombard Place				Proposed Seniors Housing	
City, State	Algonquin, IL		Plymouth, MI		East Lansing, MI		Chicago, IL		Lombard, IL				Chicago, Illinois	
Year Built	2016		2018		2016		Proposed		2015				2018/N/A	
Model	Rental		Rental		Rental		Rental		Rental				Rental	
Total Density	186		180		224		136		93		819		125	
IL Units	76		96		96		0		0		268		0	
AL Units	56		43		80		40		62		281		92	
MC Units	54		41		48		96		31		270		33	
GBA	203,182		223,107		250,000		99,056		81,600		856,945		120,000	
GBA/Unit	1,092		1,239		1,116		728		877		1,046		960	
AL Unit Mix	Units	%	Units	%	Units	%	Units	%	Units	%	Units	%	Units	%
Studio	26	46%	23	53%	10	13%	12	30%	36	60%	107	38%	13	14%
One-Bedroom	28	50%	12	28%	65	81%	24	60%	20	33%	149	53%	69	75%
Two-Bedroom	2	4%	8	19%	5	6%	4	10%	4	7%	23	8%	10	11%
AL Unit Sizes	Min	Max	Min	Max	Min	Max	Min	Max	Min	Max	Min	Max	Min	Max
Studio	458	458	378	507	450	450	252	272	312	398	252	507	350	500
One-Bedroom	502	661	497	506	500	700	269	467	462	462	269	700	450	650
Two-Bedroom	853	853	704	709	750	800	674	674	564	564	564	853	600	800
MC Unit Mix	Units	%	Units	%	Units	%	Units	%	Units	%	Units	%	Units	%
Studio	51	100%	27	100%	40	100%	96	100%	31	100%	245	100%	29	88%
MC Unit Sizes	Min	Max	Min	Max	Min	Max	Min	Max	Min	Max	Min	Max	Min	Max
Studio	516	574	338	507	250	250	204	254	312	398	204	574	250	500
NRA %	63%		64%		43%		37%		43%		54%		53%	

The overall unit mix indicated by the comparables is similar to that of the broader market. Further, the subject's proposed unit sizes fall within the comparable range. With regard to the unit mix, given the subject's location, we find the predominance of studio units to be minimal for independent living, though appropriately higher for the assisted living wing which is more centered on care as opposed to hospitality. Studio units promote residents to utilize socialization within common areas and allow for easier movement within the unit.

Americans With Disabilities Act: The Americans With Disabilities Act sets strict and specific standards for handicapped access to and within most commercial and industrial buildings. Determination of compliance with these standards is beyond appraisal expertise and, therefore, has not been attempted by the appraisers. For purposes of this analysis, we are assuming the improvements are in compliance. We assume no responsibility for the cost of such determination, and our analysis is subject to revision if the improvements are not in compliance.

Conclusion - Subject Property Data: Following our review of the plans and our property inspection, we find that the subject site is adequate to support the improvements. Furthermore, we did not note evidence of functional obsolescence inherent in the subject's design and believe that they are functional for seniors housing and care.

MARKET ANALYSIS

The subject of this appraisal is located in Chicago in the Chicago-Naperville-Arlington Heights, IL Metropolitan Statistical Area (MSA). Appraisal theory recognizes four factors (environmental, social, economic, and governmental) that influence property values within a region, county, neighborhood or district. Accordingly, a review of each as it relates to the Chicago-Naperville-Arlington Heights, IL MSA, as well as the subject's more immediate neighborhood, is presented.

Regional Analysis

The subject's location within the Chicago-Naperville-Arlington Heights, IL MSA is as follows:

AREA MAP

Additionally, the following pages were provided by *Moody's Economy.com, Précis Metro* reports to provide a comprehensive analysis regarding current and projected economic conditions for the subject's MSA.

MOODY'S ANALYTICS

CHICAGO-NAPERVILLE-ARLINGTON HEIGHTS IL

Data Buffet® MSA code: IUSA_DMCHI

ECONOMIC DRIVERS

FINANCIAL CENTER · LOGISTICS · TOURIST DESTINATION

EMPLOYMENT GROWTH RANK

280 (4th quintile) · 293 (4th quintile)

Best=1, Worst=409

RELATIVE COSTS

98% · 103%

U.S.=100%

VITALITY

93% · 214

U.S.=100% · Best=1, Worst=402

BUSINESS CYCLE STATUS

- Expansion
- **RECOVERY**
- At Risk
- Moderating Recession
- In Recession

STRENGTHS & WEAKNESSES

STRENGTHS

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

WEAKNESSES

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

FORECAST RISKS

SHORT TERM · LONG TERM

RISK EXPOSURE 2017-2022: 371 (5th quintile) Highest=1, Lowest=402

UPSIDE

- More firms seek headquarters downtown.
- Congress passes major infrastructure bill, leading to more investment in critical transportation assets.
- Housing provides greater support.

DOWNSIDE

- City of Chicago's budget troubles worsen.
- Apartment glut develops.
- High crime rate deters would-be in-migrants.

MOODY'S RATING

A2 COUNTY AS OF JUN 03, 2016

ANALYSIS

Recent Performance. Economic metrics signal a sleepy second quarter in Chicago-Naperville-Arlington Heights. The Moody's Analytics business cycle tracker has risen less in CHI than it has in other large U.S. metro areas over the last six months. A range of private industries are struggling, and the prolonged state budget battle and out-migration are crimping government payrolls. Housing is sluggish, with weak home sales and construction and subpar price growth.

Labor force. The precipitous decline in CHI's unemployment rate should be taken with a grain of salt. The Windy City's jobless rate has plummeted to 4.2%, the lowest since records have been kept and below the national rate for the first time in a decade. The decline over the past year is larger than that in all but a handful of metro areas and divisions in the country. However, it occurred only because the labor force is contracting. Moreover, the decline in CHI's working-age population is more severe than in other parts of the country. Over the next decade, CHI will lose a larger share of working-age residents than all but a few other metro areas. Weak demographics will cap growth in consumer-driven industries and housing for years to come. Even the City of Chicago has been losing residents, with a third consecutive year of decline in 2016, exacerbating fiscal problems that are among the most severe nationwide.

Budget breakthrough. Illinois' first budget in more than two years eases the uncertainty that has long clouded CHI's outlook. Still, instability stemming from state and city fiscal crises threatens to discourage firms from locating or remaining in CHI. This is a concern, since manufacturing is already sputtering, and downstream industries such as transportation and warehousing are no longer pitching in.

The state's budget logjam finally broke with a House override of Governor Bruce Rauner's veto of the Senate budget measure. The $36 billion spending package includes a $5 billion tax hike. The two-year budget stalemate left the state with a record $15 billion of unpaid bills, ravaging entities such as universities and social service providers that rely on state aid as well as all of the local governments and political subdivisions that rely on the state. The City of Chicago's financial woes are already among the most severe in the nation. The state's fiscal quagmire has stripped all of the public universities in CHI of their investment-grade ratings and forced cost-cutting measures ranging from layoffs to postponing staff raises to delaying construction and maintenance. Although the universities are no longer at risk of losing accreditation, it will take a while for the state to catch up on all the unpaid bills once the income tax hike takes effect.

Construction. Construction is poised to play a more prominent role, thanks to more nonresidential development. Construction employs only 3.5% of CHI workers but is on track to create about 13% of net new jobs this year and next. Among other trends, a surge in headquarters relocations to downtown Chicago, low interest rates, and increased real estate values are driving new mixed-use developments. More than $20 billion of megaprojects are in downtown Chicago's pipeline. Regardless of how many make it to completion, the roster will accelerate construction job growth and boost property tax revenue.

Chicago-Naperville-Arlington Heights is projected to stay in the slow lane in coming quarters. Job gains in private services will be minimal, with added lift from construction. Extraordinary fiscal pressures on the state and city governments present significant challenges, and CHI will underperform the nation and region in the long term.

Sarah Crane 1-866-275-3266
June 2017 help@economy.com

2011	2012	2013	2014	2015	2016	INDICATORS	2017	2018	2019	2020	2021	2022
403.1	411.2	412.0	419.2	426.7	431.9	Gross metro product (C09$ bil)	440.3	450.6	459.3	463.6	471.2	481.4
1.6	*2.0*	*0.2*	*1.8*	*1.8*	*1.2*	*% change*	*1.9*	*2.3*	*1.9*	*0.9*	*1.6*	*2.2*
3,414.4	3,465.9	3,524.1	3,583.0	3,653.7	3,712.3	Total employment (ths)	3,744.8	3,781.2	3,816.3	3,830.4	3,834.2	3,861.8
1.4	*1.5*	*1.7*	*1.7*	*2.1*	*1.5*	*% change*	*0.9*	*1.0*	*0.9*	*0.4*	*0.1*	*0.7*
10.1	9.3	9.3	7.2	6.0	5.9	Unemployment rate (%)	4.8	4.4	4.0	4.3	5.0	5.0
4.6	5.6	2.4	5.8	4.4	3.5	Personal income growth (%)	4.3	5.0	5.0	4.3	3.8	4.2
58.0	58.8	60.1	61.2	62.5	65.6	Median household income ($ ths)	68.1	70.4	72.9	75.1	77.2	79.6
7,294.2	7,315.8	7,331.9	7,335.5	7,324.0	7,304.5	Population (ths)	7,315.7	7,325.6	7,332.6	7,335.3	7,337.3	7,344.0
0.3	*0.3*	*0.2*	*0.0*	*-0.2*	*-0.3*	*% change*	*0.2*	*0.1*	*0.1*	*0.0*	*0.0*	*0.1*
-20.7	-21.4	-21.5	-37.7	-44.7	-55.3	Net migration (ths)	-24.5	-25.8	-28.8	-32.8	-33.4	-28.2
2,427	3,120	4,090	4,435	4,467	4,661	Single-family permits (#)	5,619	9,405	11,686	11,155	10,792	11,940
2,855	3,127	3,782	6,879	7,129	10,355	Multifamily permits (#)	11,112	10,791	9,876	8,755	8,461	9,337
152.3	147.9	150.3	157.8	164.8	171.1	FHFA house price (1995Q1=100)	178.7	186.6	190.8	194.7	201.1	209.1

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

ECONOMIC HEALTH CHECK

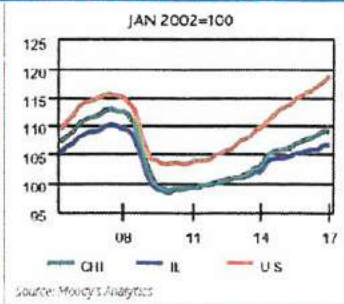
3-MO MA

	Dec 16	Jan 17	Feb 17	Mar 17	Apr 17	May 17
Employment, change, ths	0.2	0.4	1.5	2.2	1.0	-0.7
Unemployment rate, %	5.9	5.8	5.6	5.1	4.7	4.4
Labor force participation rate, %	65.9	65.8	65.7	65.5	65.2	65.0
Employment-to-population ratio, %	62.0	62.0	62.0	62.1	62.2	62.2
Average weekly hours, #	34.5	34.4	34.4	34.4	34.4	34.5
Industrial production, 2012=100	101.4	101.5	101.9	102.0	102.6	103.0
Residential permits, single-family, #	4,933	4,818	4,660	4,743	4,470	ND
Residential permits, multifamily, #	11,002	5,887	11,777	10,573	16,997	ND

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

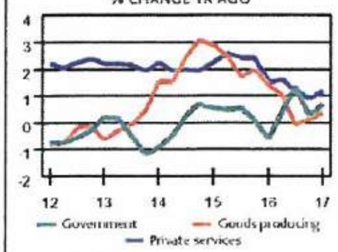
Sources: BLS, Census Bureau, Moody's Analytics

BUSINESS CYCLE INDEX



Source: Moody's Analytics

CURRENT EMPLOYMENT TRENDS



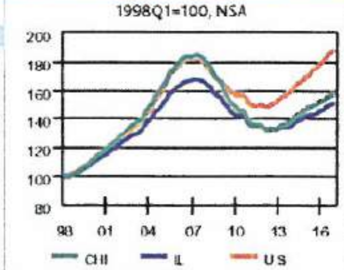
Sources: BLS, Moody's Analytics

% CHANGE YR AGO, 3-MO MA

	Sep 16	Jan 17	May 17
Total	1.4	0.9	0.7
Mining	-5.6	-8.7	-3.2
Construction	4.6	0.7	1.2
Manufacturing	-0.5	-0.7	-0.8
Trade	0.2	0.4	-0.4
Trans/Utilities	2.5	1.8	0.9
Information	-1.6	-0.3	2.3
Financial Activities	1.7	2.3	3.8
Prof & Business Svcs.	1.4	0.6	0.2
Edu & Health Svcs.	2.0	1.5	1.5
Leisure & Hospitality	4.3	2.2	1.4
Other Services	0.2	1.2	0.2
Government	0.4	1.2	0.2

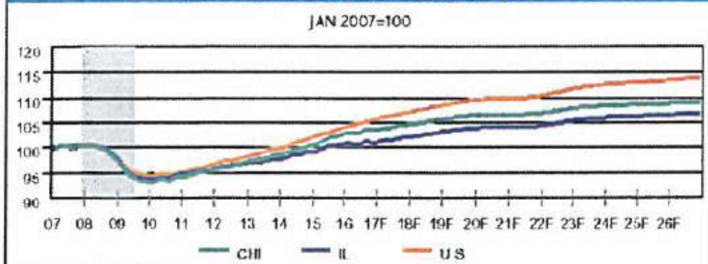
Sources: BLS, Moody's Analytics

HOUSE PRICE



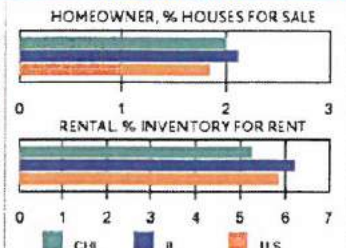
Sources: FHFA, Moody's Analytics

RELATIVE EMPLOYMENT PERFORMANCE



Sources: BLS, Moody's Analytics

VACANCY RATES

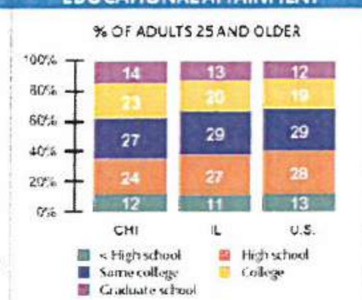


Sources: Census Bureau, ACS, Moody's Analytics, 2015

BUSINESS COSTS

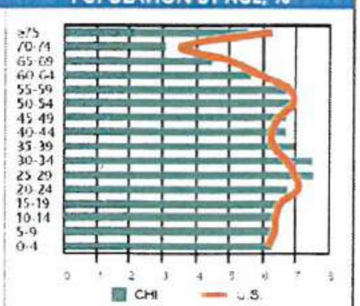
Source: Moody's Analytics

EDUCATIONAL ATTAINMENT



Sources: Census Bureau, Moody's Analytics, 2015

POPULATION BY AGE, %



Sources: Census Bureau, Moody's Analytics, 2015

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EMPLOYMENT & INDUSTRY

TOP EMPLOYERS

Advocate Health Care System	18,308
University of Chicago	16,197
Northwestern Memorial Healthcare	15,317
JPMorgan Chase & Co.	14,158
United Continental Holdings Inc.	14,000
Walgreen Co.	13,006
Health Care Service Corp.	13,006
Presence Health	10,500
Abbott Laboratories	10,000
Northwestern University	9,708
Jewel-Osco Stores	9,660
Chicago Transit Authority	9,510
University of Illinois	9,212
American Airlines	8,900
Rush University Medical Center	8,273
AT&T	8,000
Allstate Insurance Co.	7,800
Wal-Mart Stores Inc.	7,700
Employco USA Inc.	7,409
Archdiocese of Chicago	7,376

Source: Crain's Book of Lists, 2016

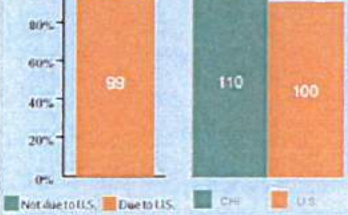
PUBLIC

Federal	44,960
State	41,405
Local	334,430

2016

INDUSTRIAL DIVERSITY

EMPLOYMENT VOLATILITY



COMPARATIVE EMPLOYMENT AND INCOME

Sector	% of Total Employment			Average Annual Earnings		
	CHI	IL	U.S.	CHI	IL	U.S.
Mining	0.0%	0.1%	0.4%	$39,376	$43,790	$110,528
Construction	3.5%	3.6%	4.7%	$73,722	$69,398	$64,354
Manufacturing	7.6%	9.5%	8.6%	$83,181	$87,861	$80,667
Durable	*57.0%*	*58.7%*	*62.5%*	*nd*	*$85,755*	*$82,450*
Nondurable	*43.0%*	*41.3%*	*37.5%*	*nd*	*$90,974*	*$77,689*
Transportation/Utilities	5.2%	4.8%	3.8%	$67,093	$68,221	$67,456
Wholesale Trade	5.2%	5.0%	4.1%	$99,102	$92,808	$82,548
Retail Trade	9.7%	10.3%	11.0%	$35,004	$34,427	$34,289
Information	1.9%	1.6%	1.9%	$98,444	$86,441	$110,216
Financial Activities	6.9%	6.4%	5.7%	$75,878	$65,238	$54,785
Prof. and Bus. Services	18.6%	15.5%	14.0%	$81,899	$74,769	$67,615
Educ. and Health Services	15.8%	15.2%	15.7%	$54,728	$53,214	$53,853
Leisure and Hosp. Services	10.0%	9.9%	10.8%	$34,141	$29,422	$27,201
Other Services	4.3%	4.2%	3.9%	$43,642	$39,877	$36,830
Government	11.3%	13.8%	15.4%	$83,479	$77,028	$75,980

Sources: Percent of total employment — BLS, Moody's Analytics, 2016; Average annual earnings — BEA, Moody's Analytics, 2015

MIGRATION FLOWS

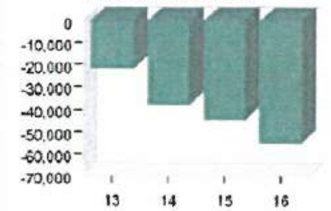
INTO CHICAGO IL

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

FROM CHICAGO IL

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

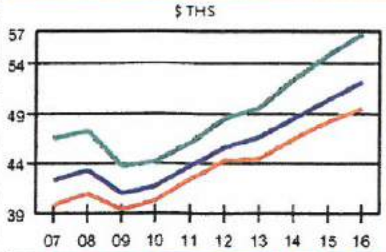
NET MIGRATION,



	2013	2014	2015	2016
Domestic	-40,777	-59,619	-67,840	-77,959
Foreign	19,228	21,938	23,139	22,691
Total	-21,549	-37,681	-44,701	-55,268

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

PER CAPITA INCOME



Sources: BEA, Moody's Analytics

HIGH-TECH EMPLOYMENT

	Ths	% of total
CHI	180.0	4.8
U.S.	6,937.1	4.8

HOUSING-RELATED EMPLOYMENT

	Ths	% of total
CHI	323.7	8.7
U.S.	13,565.7	9.4

Source: Moody's Analytics, 2016

LEADING INDUSTRIES BY WAGE TIER

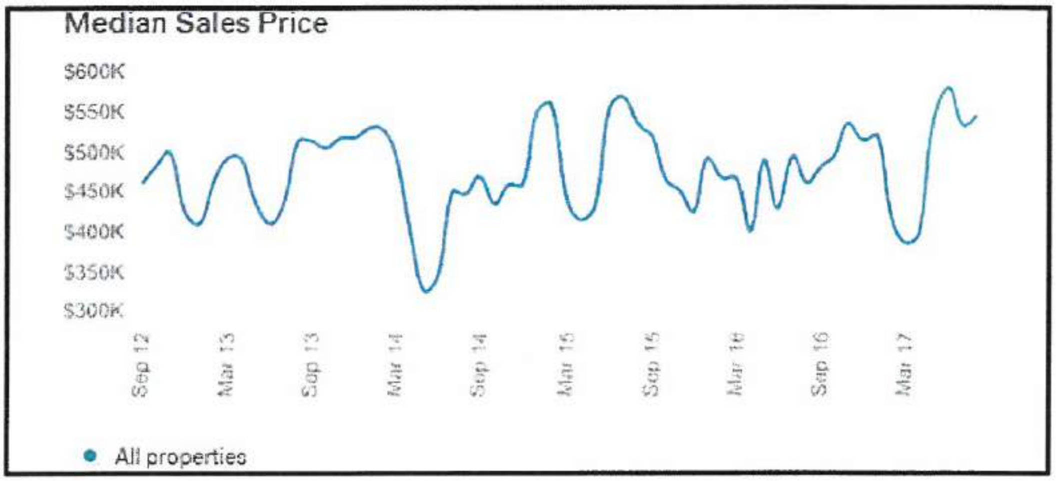
	NAICS	Industry	Location Quotient	Employees (ths)
HIGH	5511	Management of companies & enterprises	1.3	70.0
	5415	Computer systems design & related srvcs.	1.4	66.6
	5416	Mgmnt., scientific & technical consult. srvcs.	1.9	61.7
	5221	Depository credit intermediation	1.3	53.4
MID	GVL	Local Government	0.9	334.1
	6221	General medical and surgical hospitals	1.2	135.1
	6113	Colleges, universities & prof. schools	1.6	68.5
	GVS	State Government	0.3	41.4
LOW	7225	Restaurants and other eating places	0.9	237.6
	5613	Employment services	1.7	150.5
	4451	Grocery stores	1.0	65.9
	6241	Individual and family services	1.0	54.8

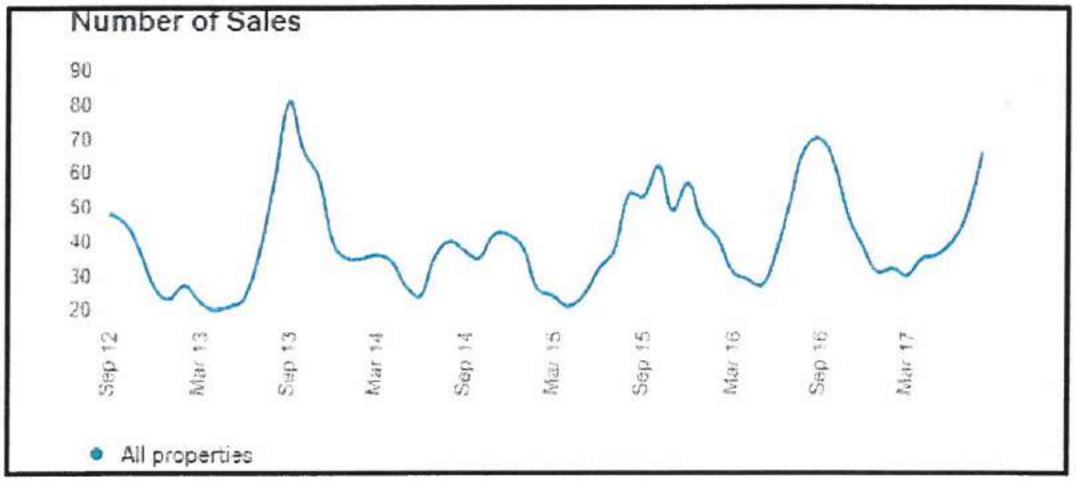
Source: Moody's Analytics, 2016

Regional Analysis Summary

Benefits of the Chicago-Naperville-Arlington Heights, IL market area include that it is a major business, distribution, and financial center, has huge talent pool, well-regarded educational institutions, and a high-tech center in the River North neighborhood. However, weaknesses of the area include state and local budgetary pressures, below-average population growth, and a high crime rate. Unemployment is expected to increase to 5.0% by 2,022, while the population is expected to increase by approximately 28,300 in the same time frame. Overall we find the MSA positively impacts the subject and note anticipated improvement in economic conditions going forward.

Further, we have reviewed data provided by Trulia.com regarding trends in the River Forest residential market. Median sale prices have increased over the past five years, while the number of sales per month has shown a decreasing trend. However, over the last year, both pricing and sales have appeared to be increasing. A summary of each is as follows:





Senior Housing Regional Analysis

The National Investment Center (NIC) tracks occupancy and rate statistics for the 100 largest metropolitan areas. With regarding to seniors housing, a summary of the current market characteristics within the subject's MSA in comparison to the 31 largest areas (MAP31) and the next 69 largest metro areas (MAP 32-100) is as follows:

MARKET SUMMARY			
	Chicago, IL	Primary Markets	Secondary Markets
Majority IL			
Occupancy	90.20%	90.90%	91.00%
Units Under Construction	1,014	12,276	7,578
Construction as % of Supply	4.10%	3.70%	4.60%
Average Monthly Rate	$3,117	$3,163	$2,850
Annual Rate Growth	2.50%	3.50%	2.70%
Majority AL			
Occupancy	84.40%	87.20%	86.40%
Units Under Construction	2,443	21,365	10,236
Construction as % of Supply	16.70%	8.60%	7.10%
Average Monthly Rate	$4,739	$4,713	$4,209
Annual Rate Growth	2.30%	3.00%	2.30%
Majority NC			
Occupancy	81.90%	87.20%	86.50%
Units Under Construction	859	4,036	1,187
Construction as % of Supply	1.60%	0.70%	0.40%
Average Daily Rate	$266	$314	$291
Annual Rate Growth	3.70%	2.70%	2.90%

Source: NIC MAP Q1 2017

Key observations within the market include:

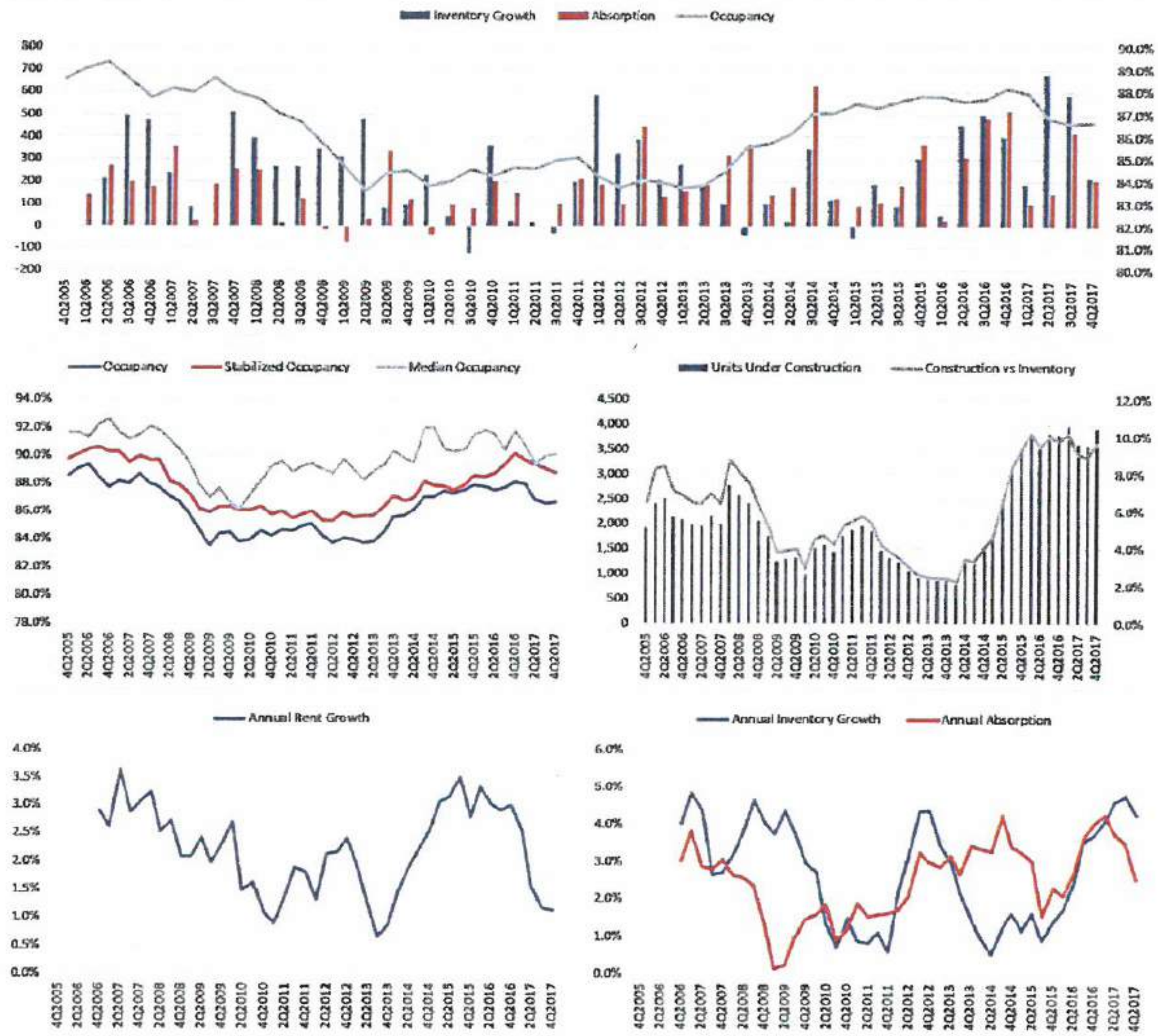
- The Chicago MSA's IL occupancy is similar to that of the national averages, while the AL occupancy is lower.

- Currently there are 1,014 IL units and 2,443 AL units under construction in the MSA, as percentage of supply that is higher than the primary market average, but similar to the secondary market average in IL. As for AL construction, its two times higher than the national averages.

- The average monthly rates for both levels are closer to the primary market average, while the annual rate growth is similar to that of the secondary market average.

Further, over the last several quarters the subject's MSA has exhibited the following:

Chicago, IL - Seniors Housing | 4Q2017



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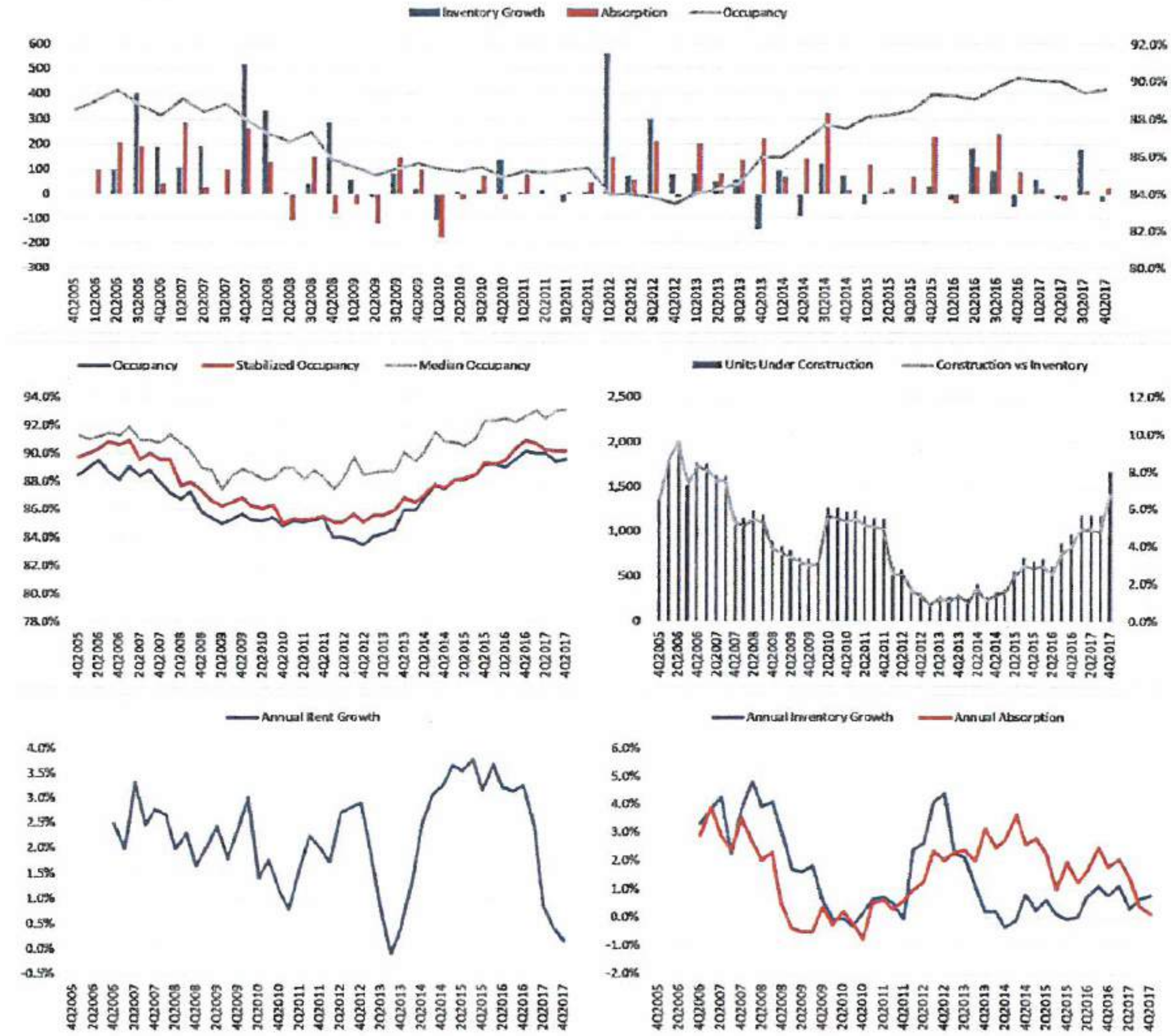
Chicago, IL - Majority IL | 4Q2017



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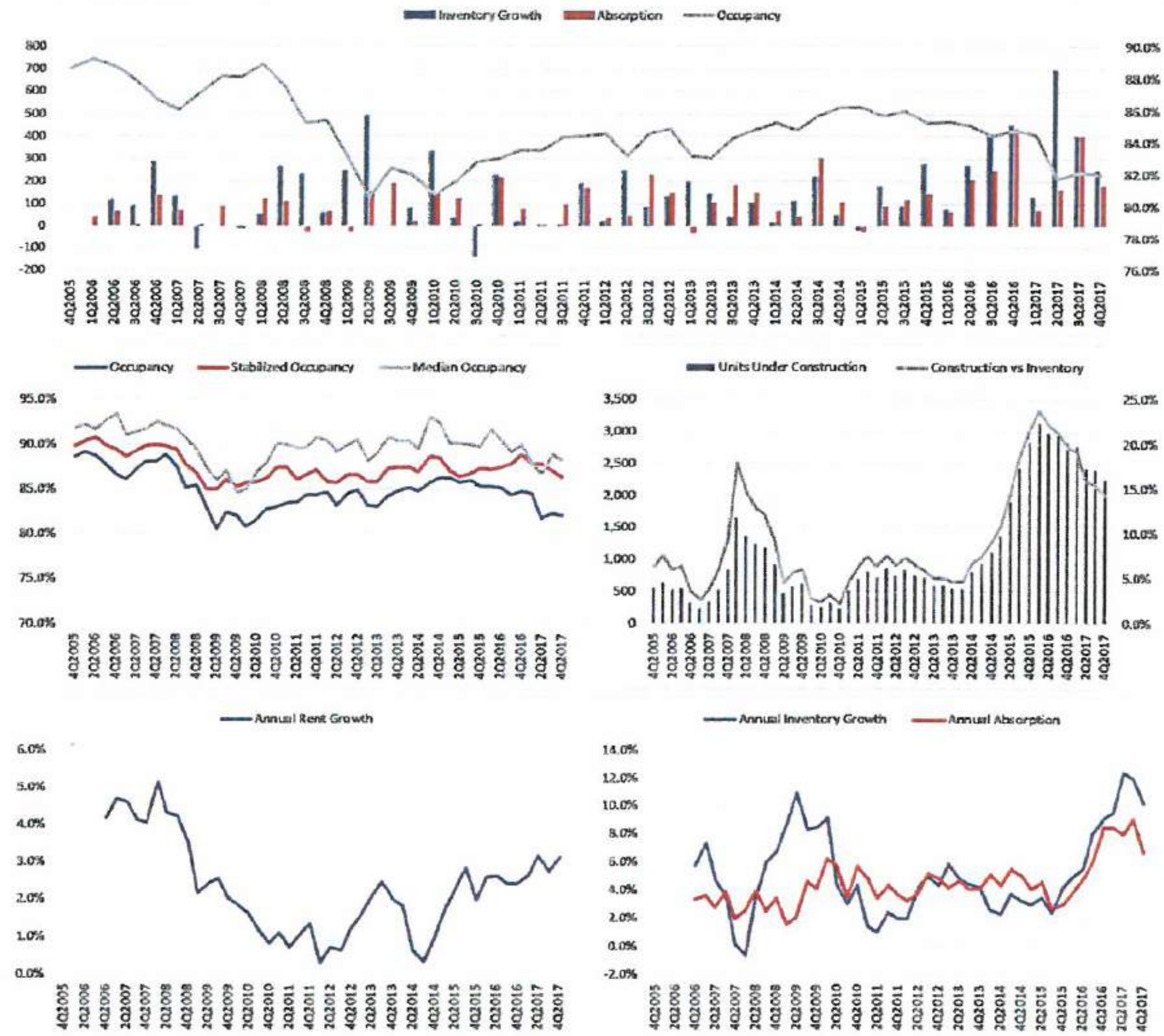
Chicago, IL - Majority AL | 4Q2017



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As seen in the foregoing occupancy and rate growth have been in increasing over the last several quarters. In terms of development pipeline, we are aware of the following properties currently under construction or in the planning phases of development:

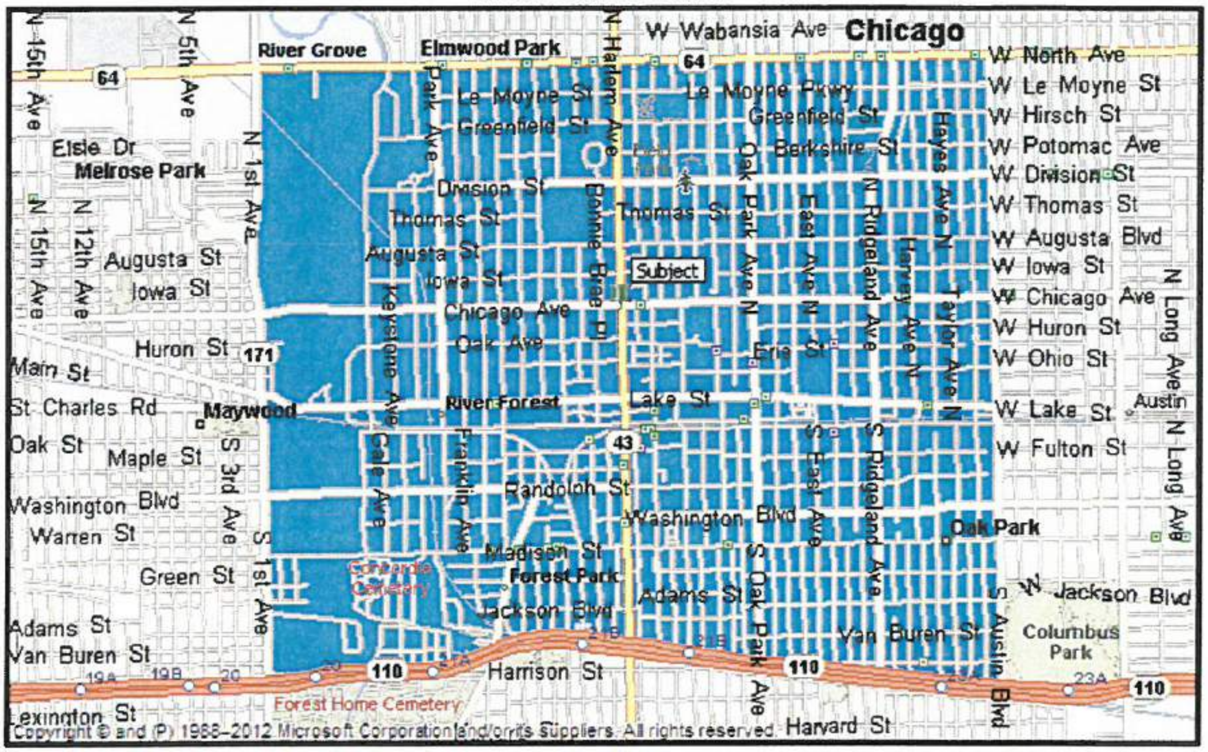
Subclass	Issue Date	Project	Address	City	State	Stage	Units	Target Start	Target Completion
Mixed Use	2/1/2016	Sterling Park Mixed-Residential Development (Master Report)	ARTHINGTON ST	Chicago	IL	Planning	1096		
Mixed Use	7/1/2017	Residential Care Facility/Office	9601 W Ogden	La Grange	IL	Planning			
Assisted Living/ALF	8/22/2017	Bright Oaks of West Dundee Assisted Living Facility	WILLOW LANE/ROUTE 31	West Dundee	IL	Underway	85	9/1/2016	9/1/2018
Assisted Living/ALF	8/23/2017	CSH Senior Assisted Living/Memory Facility	2640 FORGUE DR	Naperville	IL	Underway	94	9/1/2016	6/1/2018
Assisted Living/ALF	8/1/2017	Silverado Memory Care Facility (St Charles, IL)	4058 E MAIN ST	Saint Charles	IL	Underway	90	8/1/2017	8/1/2018
Assisted Living/ALF	8/1/2017	North Shore Assisted Living Dementia Care Facility (Phase 2)	Campus 1000 SUNSET RIDGE BLVD	Northbrook	IL	Planning	32		
Assisted Living/ALF	6/1/2017	Lee Street Assisted Living Facility Des Plaines, IL	959 LEE ST	Des Plaines	IL	Pre-Planning	63		
Assisted Living/ALF	8/1/2017	Assisted Living Facility w/Education Center (McHenry, IL)	2500 N CHAPEL HILL RD	Mchenry	IL	Planning	54		
Assisted Living/ALF	7/1/2017	Cedarhurst of Yorkville Assisted Living and Memory Care	RTE 34 and Cannonball Trail	Yorkville	IL	Underway	73	8/1/2017	8/1/2018
Assisted Living/ALF	11/1/2017	CSH - Atria Glenview Assisted Living/Memory Care Facility	4700 W LAKE AVE	Glenview	IL	Underway	83	10/1/2017	12/1/2018
Independent Living	10/1/2017	Villas at Pleasant Creek Independent Senior Living Units	e side of Rt 21 between	Gurnee	IL	Planning	86		
Assisted Living/ALF	10/30/2017	Belmont Village Senior Living (Chicago, IL)	700- 701 W FULLERTON AVE	Chicago	IL	Underway	156	9/1/2017	8/1/2019
Assisted Living/ALF	10/23/2017	Hearthstone Senior Living Center	7420 W 159TH ST	Orland Park	IL	Underway	94	4/1/2016	2/1/2018
Assisted Living/ALF	11/1/2017	Senior Assisted Living Facility (Evanston, IL)	1815 OAK AVE	Evanston	IL	Planning	163		
Independent Living	9/1/2017	Independent Senior Living Facility	1815 RIDGE AVE	Evanston	IL	Planning	163		
Assisted Living/ALF	11/1/2017	Artis Assisted Living Facility	3535 N ASHLAND AVE	Chicago	IL	Underway	136	7/1/2017	9/1/2018
Assisted Living/ALF	9/1/2017	Supportive Living Facility For Disabled Adults	west side of Hunt Club Road	Gurnee	IL	Planning	120		
Mixed Use	11/1/2017	Multi-Unit Housing Development	487 MAIN ST	West Chicago	IL	Pre-Planning			
Assisted Living/ALF	9/1/2017	Windmill Farms Senior Residential Complex	SWC Routes 126 & 71	Yorkville	IL	Pre-Planning	115		
Mixed Use	9/1/2017	Pullman Park Residential/Retail Development (Master Report)	111th & Bishop Ford	Chicago	IL	Planning			
Independent Living	11/1/2017	Congregate Care Center	12450 REGENCY PKWY	Huntley	IL	Pre-Planning	40		
Assisted Living/ALF	10/1/2017	CSH - Highland Park	Central Ave and Deerfield Rd	Highland Park	IL	Pre-Planning	63		
Assisted Living/ALF	11/1/2017	Assisted Living/Memory Care Facility (Conversion)	3405 Algonquin Road	Rolling Meadows	IL	Planning			
Assisted Living/ALF	10/1/2017	Heritage Woods Assisted Living	14415 Wallin Dr	Plainfield	IL	Planning	87		
Assisted Living/ALF	11/1/2017	Melody Living Assisted/Memory Care - Phase I & II	525 Harvest Gate	Lake In The Hills	IL	Underway	165	1/1/2018	4/1/2019
Assisted Living/ALF	11/1/2017	The Bluffs of Bartlett Senior Living Facility	W Schick Rd	Bartlett	IL	Planning	142		
Assisted Living/ALF	11/1/2017	Assisted Living Facility	Shermer & Techny Roads	Northbrook	IL	Planning	105		
Assisted Living/ALF	10/1/2017	Anthem Memory Care Facility (Oak Lawn, IL)	5701 W 101st Pl	Oak Lawn	IL	Underway	66	5/1/2017	2/1/2018

Overall, none of the properties are located within the subject's primary market area. Going forward we expect the subject to benefit from its location within the MSA, given the low unemployment and lack of new supply coming online, particularly within the immediate area.

Neighborhood Analysis

The key focus of the neighborhood analysis is not as much competition-oriented as it is physical and use oriented. More specifically, this analysis describes the area of generally homogenous uses within which the subject is located. This neighborhood is not intended to reflect the competitive neighborhood of the subject; however, it instead reflects the neighborhood in physical proximity to the subject. Our assessment of the subject neighborhood is presented as follows:

NEIGHBORHOOD MAP



NEIGHBORHOOD TRAITS

Boundaries

	Neighborhood	Abutters
North	W North Ave (Route 64)	Single Family Residences
East	S Austin Blvd	Commercial Buildings
South	Interstate 290	A Gas Station
West	S 1st Street (Route 171)	Single Family Residences

Type of Neighborhood	Residential

Composition

	Present	Prevalence
Agriculture	No	None
Community (Recreation)	Yes	Low
Hospitality	Yes	Low
Industrial	Yes	Low
Medical	Yes	Moderate
Office	Yes	Moderate
Public/Governmental	Yes	Low
Residential (Single-Family)	Yes	High
Residential (Multi-Family)	Yes	High
Retail	Yes	Moderate

Neighborhood Cycle

Demand Generators

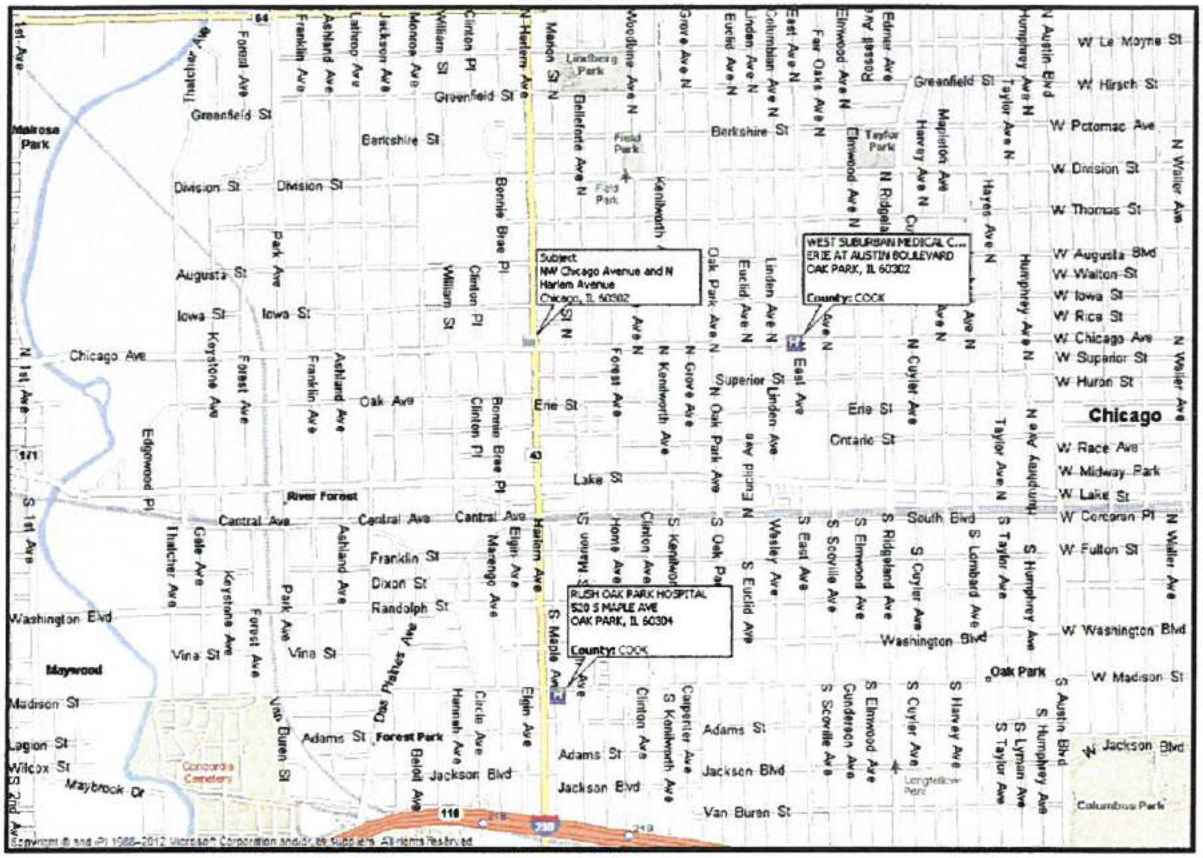
Hospital	Yes
Regional Mall	No
Churches	Yes
Seniors Housing	Yes
Adult Children Homes	Yes

Access/Influences

Local Area Access	Harlem Ave and Interstate 290
Regional Ingress/Egress	Interstate 290
Neighborhood Cycle	Stability
Neighborhood Influence	Positively impacts the subject

Proximity to hospitals is often an important consideration when selecting a seniors housing community. Nearby hospitals are identified in the following map and table:

HOSPITAL MAP



SUMMARY OF NEARBY HOSPITALS	
Hospital	**Beds**
Rush Oak Park Hospital	176
West Suburban Medical Center	224

Source: *American Hospital Directory; U. S. Hospital Directory*

COMPETITIVE MARKET ANALYSIS

Regulatory Overview

Independent Living: Typically, there are no regulations for freestanding independent living, which generally has the same requirements from a regulatory standpoint as any multifamily development. However, independent living units that are in a continuum of care that offers some level of lifecare, are often regulated by the state's Department of Insurance.

Assisted Living: State regulations vary considerably for this level of care, ranging from states that have no regulations and classify them as hotel/motel properties to states that are considering some type of CON regulations. It is probable that, in the future, as state reimbursement becomes more common, some type of barrier to entry legislation will become common.

States typically feel that use of CON or similar legislation enhances profitability in that full occupancy is more efficient than partial occupancy, and ruinous competition is a danger to the industry and quality of care overall. As the subject is located in Illinois, which has regulatory legislation, at this point it is appropriate to review this legislation and the impact it will have on the subject and residences in the market.

Illinois Assisted Living Legislation: The Illinois Department of Health regulates assisted living and shared housing establishments in the state. Assisted living licensure is new to Illinois. Prior to January 2001, a facility seeking licensure would have to be licensed as a nursing home and obtain a CON (Certificate of Need). Many facilities would contract from outside home health agencies to deliver services without violating regulations. The residents had to independently acknowledge that they need personal care services and select their own home health agency without the influence of the facility. If a "selected" home health care agency steered a resident into their care program, the facility was in violation of State law. Once a resident became unable to receive the amount of care he or she needs from a Shelter Care Facility, state regulations required that they be admitted into a nursing home.

These state regulations made it costly and difficult for national provides to operate within the state. The new regulations adopted January 1, 2001 provide relief for developers and operators within the state. The new law provides two classifications:

> *Assisted living establishment* – a home, building or residence, or any other place where sleeping accommodation are provided for at least three unrelated adults, at least 80% of whom are 55 years of age or older with a social model (where the resident's unit is his or her home) where mandatory services are provided and where units accommodate small kitchen appliances and private bathrooms.
>
> *Shared housing establishment* – a publicly or privately operating freestanding residence for 12 or fewer persons, at least 80% of whom are 55 years of age or older and who are unrelated to the owners and one manager of the residence, where services consistent with a social model are provided in addition to mandatory services and community-based residential care for persons who need assistance with activities of daily living (ADLs).

Mandatory services include:

Three daily meals
Housekeeping
Personal laundry and linen services
24-hour security
Emergency communication response system
Assistance with ADLs

In terms of physical requirements, each establishment must adhere to local building codes and residential board and care Life Safety Code. Mailboxes are to be provided for each resident and no residential units shall be below ground level. Each unit must have a lockable door, phone jack, emergency response system and natural light via a window or glass door to outside.

Any establishment offering a special dementia or Alzheimer's unit must disclose to the Department and resident as specified under the Alzheimer's Special Care Disclosure Act; ensure a resident's representative is designated for the resident; develop and implement policies that provide for continued safety for those that wander or need special assistance during evacuation; coordinate communication with resident and resident's representative; provide appropriate cognitive stimulation to maximize functioning; provide adequate number of staff; provide a minimum of 1.4 hours of services per resident per day; require more training for staff working in this unit; and encourage snacks and hydration throughout the day.

Change of Ownership

The Department has the right to suspend, revoke, limit or deny renewal of any operating certificate. Establishments have the right to contest the Department's actions, and the Department may extend the effective date of action if needed to permit relocation of the residents.

An establishment license is not transferable; if a change in ownership is contemplated; the transferee must notify the Department and apply for a new license at least 30 days prior to the final transfer. The transferor is responsible for the operation of the establishment until such time as a probationary license is issued to the transferee. Residents must be informed of the transfer as well.

Public Financing

Illinois State regulatory bodies have developed several pilot programs that offer personal care services through state and federal funding. In 1998, The Department of Public Aid implemented a "supportive living" model that targets nursing home residents who are unable to remain in their homes but do not need 24-hour care. The model is a Medicaid model and operates in converted nursing homes or other freestanding buildings. This program is consistent with the current definition of an assisted living facility developed by the federal 1915c Medicaid Home and Community Based Services Waiver program.

Another innovative pilot program is an assisted living model called a "Community Care Facility" that was engineered by the Department of Aging. The model is based on a service model and includes two assisted living sites, one in an urban setting and the other in a rural setting that will provide services. The residents are reimbursed as home care services through the Medicaid Home and Community Based Services Waiver or state funds.

Supportive Living Facility Program *(information taken from www.slfillinois.com)*: Illinois developed the Supportive Living Program as an alternative to nursing home care for low-income older persons and persons with disabilities under Medicaid.

By combining apartment-style housing with personal care and other services, residents can live independently and take part in decision-making. Personal choice, dignity, privacy and individuality are emphasized.

The Department of Healthcare and Family Services has obtained a "waiver" to allow payment for services that are not routinely covered by Medicaid. These include personal care, homemaking, laundry, medication supervision, social activities, recreation and 24-hour staff to meet residents' scheduled and unscheduled needs. The resident is responsible for paying the cost of room and board at the facility.

- The intent of the supportive living facility program is to save the State of Illinois money by offering an alternative long-term care setting for the low-income elderly that do not require skilled nursing care. The reimbursement rate to supportive living facilities is roughly 60% of the area's nursing facility Medicaid rates.
- The minimum supportive living facility unit sizes per regulations are 300sf for a single-occupancy unit and 450sf for a double occupancy unit.

In order to be admitted to a supportive living facility, the following criteria must be met:

- Residents must be age 22 years or over with a disability (as determined by the Social Security Administration) or elderly (age 65 years or over)
- Residents must need nursing facility level care but supportive living facility placement appropriately meets the needs of the individual.
- Private pay resident can choose to be admitted to a supportive living facility when an assessment does not justify nursing facility level of care is needed
- Residents must be without a primary or secondary diagnosis of developmental disability or serious and persistent mental illness
- The resident must not be a Illinois Department of Corrections registered sex offender

Medicaid residents of a supported living facility shall not participate in any other federal home and community-based waiver program.

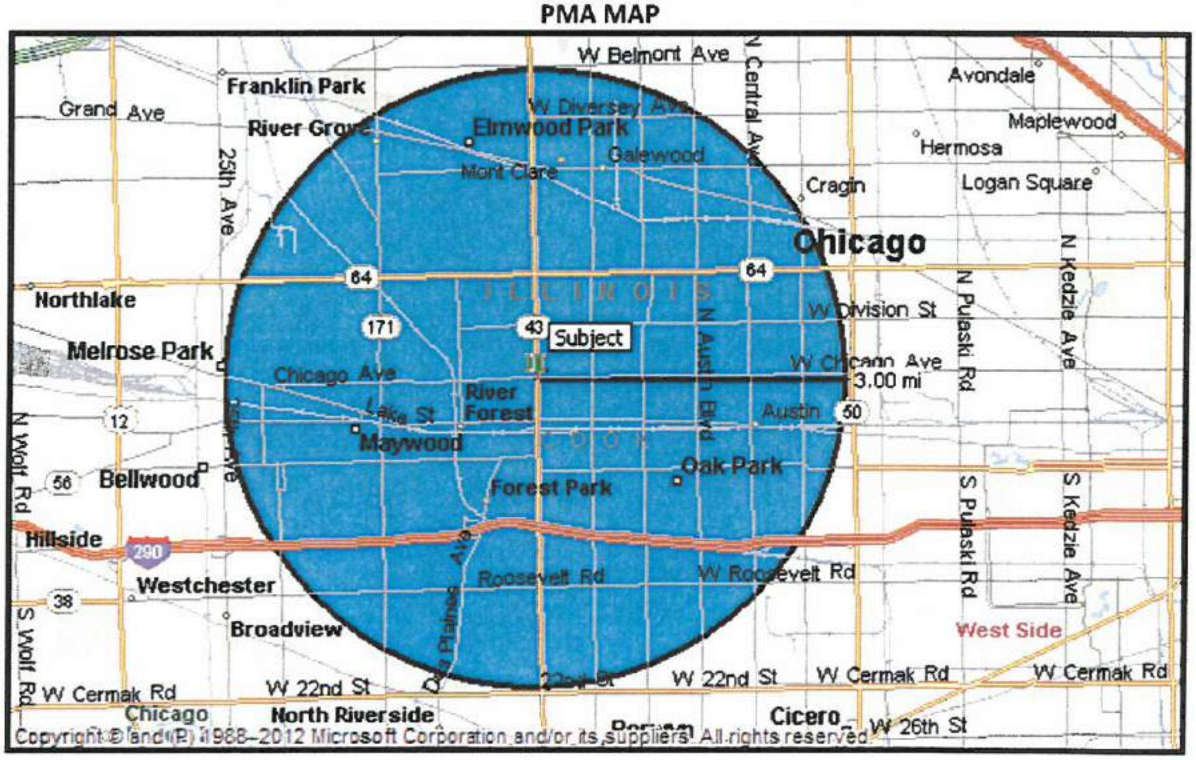
Definition of Primary Market Area

The 2009 Overview of Assisted Living completed by the Assisted Living Federation of America (ALFA) in conjunction with AAHSA, ASHA, NCAI and NIC indicates that typical assisted living residences draw 85% of their residents from within 15 miles, which shows a change from five years earlier when 73% of the demand would emanate from within a 15-mile radius.

However, we estimate that 100% of the demand for the subject's services emanate from within the PMA. We point out that while residents may reside in a community from outside the primary market, conversely residents will also leave the primary market to reside elsewhere. Thus, while we do consider the prevalence of migration in and out of the PMA within our penetration analysis, it is viewed as being anecdotal in nature and difficult to quantify. Moreover, the Claritas projections serve to estimate the future migration, as it pertains to the subject's PMA. However, as we will discuss later in the following sections, prevalence of adult children are a primary indicator of migration.

Based on our interviews with both executive directors and directors of marketing at comparable projects in the area, including the subject's operator, we have determined that the subject's primary market area (PMA) is a three-mile radius.

PMA MAP



PMA Supply Analysis

In terms of measuring the PMA supply, while we considered management's opinion of primary competition, we have only included units in the PMA that house seniors that are comparable to the subject. Consequently, we have excluded those facilities considered to be "mom and pop", generally containing less than 25 beds or operating out of a skilled nursing wing.

With regard to assisted living and memory care, we have broken out our supply estimates separately. However, we have added back the memory care supply to assisted living, noting that the former is a subset of assisted living, with those prospective residents or memory care qualifying for occupancy within a traditional assisted living environment. We estimate the total number of existing and proposed beds/units in this market as presented in the following table(s):

IL SUPPLY **Independent Living Units**	PMA	
	2018	2023
Altenheim, The	56	56
Brookdale Oak Park	143	143
Oak Park Arms Retirement Community	142	142
Subject	0	0
All Other	0	0
Total	341	341
@ 100% from PMA	341	341

AL SUPPLY **Assisted Living Beds**	PMA	
	2018	2023
Belmont Village of Oak Park	78	78
Brookdale Oak Park	36	36
Oak Park Arms Retirement Community	49	49
Victory Centre of River Woods	107	107
Victory Centre of Galewood	102	102
Subject	0	92
All Other	0	0
Total	372	464
@ 100% from PMA	372	464
Plus Memory Care	420	549

MC SUPPLY **Memory Care Beds**	PMA	
	2018	2023
Belmont Village of Oak Park	48	48
Subject	0	37
All Other	0	0
Total	48	85
@ 100% from PMA	48	85

Characteristics of Pipeline Activity

Based on our discussions with market participants and local zoning officials, we are unaware of any proposed properties being considered within the subject's PMA, with the exception of the subject itself.

Competitive Market Supply

Additionally, we have more closely examined the following properties that we, and management, have identified as being the subject's primary competition:

- Cantata / The British Home
- Oak Park Arm
- Belmont Village of Oak Park
- Victory Center of River Woods
- Concord Place
- Central Baptist Village
- Hartwell Place
- Terra Vista of Oakbrook Terrace

We find the following relationship among the subject and its primary competitors:

We have surveyed the following properties that offer services similar to the subject and note the following observations:

- The subject will be one of the newest properties in the market, and that would make it superior to other comparables in both condition and quality.
- Average occupancy in the market is 95%, this is higher than greater Chicago area average.
- In terms of rates, we expect the subject to be above the market average.

Detailed comparable write-ups of these reports can be found in the Valuation Analysis of this report. A summary of the competitive supply is as follows:

SUMMARY OF COMPETITIVE SUPPLY

Property	Cantata / The British Home	Oak Park Arm	Belmont Village of Oak Park	Victory Center of River Woods	Concord Place	Central Baptist Village	Hartwell Place	Terra Vista of Oakbrook Terrace
Location	Brookfield	Oak Park	Oak Park	Melrose Park	Northlake	Norridge	Chicago	Oakbrook Terrace
Year Opened	1920	1978	2004	2003	1974	1956	2000	2016
Quality	Above Average	Average	Good	Average	Average	Good	Above Average	Excellent
Condition	Above Average	Average	Good	Above Average	Average	Average	Above Average	Excellent
Unit/Bed Mix								
AL Units/Beds	93/93	49/49	78/78	107/125	144/148	30/30		
MC Units/Beds			48/48				28/28	103/103
Occupancy								
AL	77%	91%	90%	97%	100%	100%	--	--
MC	--	--	90%	--	--	--	100%	40%
Rate Range								
AL	$4,440 - $5,439	$3,785 - $4,680	$3,950 - $10,000	$3,280 - $3,870	$3,000 - $4,000	$5,954 - $5,954	--	--
MC	--	--	$6,900 - $9,000	--	--	--	$3,530 - $7,370	$6,475 - $6,475
Level of Care								
AL Type	Levels	Levels	Levels	All-inclusive	All-inclusive	All-inclusive	---	---
AL Range	$540 - $1,040	$200 - $700	$600 - $1,500	$ - $	-- - --	-- - --	-- - --	-- - --
MC Type	---	---	All-inclusive	---	---	---	All-inclusive	All-inclusive
MC Range	-- - --	-- - --	-- - --	-- - --	-- - --	-- - --	-- - --	-- - --

Source: HealthTrust, LLC

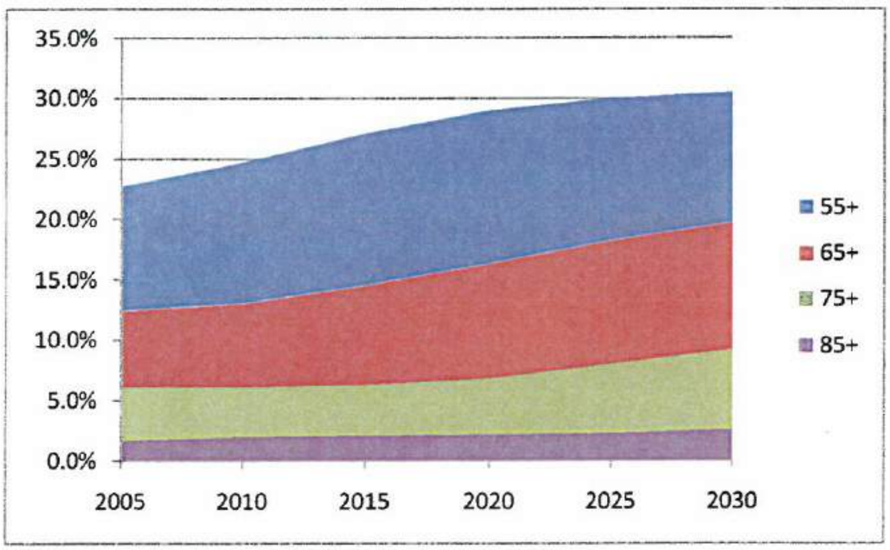
Demand Analysis

Demographic Profile

A major factor in estimating potential market demand for communities such as the subject involves an analysis of the number of residents within the primary market area that are qualified for residency in terms of age and income level. Prospective residents for a seniors housing community such as the subject are typically at least 65 years of age or older, have sufficient income to cover monthly rental fees and other living expenses. Historical and anticipated growth in the senior age groups, nationally, is presented in the following table:

PROPORTION OF TOTAL POPULATION THAT WILL BE 55+						
Age	**2005**	**2010**	**2015**	**2020**	**2025**	**2030**
55+	22.7%	24.7%	27.1%	29.0%	30.0%	30.5%
65+	12.4%	13.0%	14.5%	16.3%	18.2%	19.7%
75+	6.1%	6.1%	6.3%	6.8%	8.0%	9.2%
85+	1.7%	2.0%	2.1%	2.2%	2.3%	2.6%

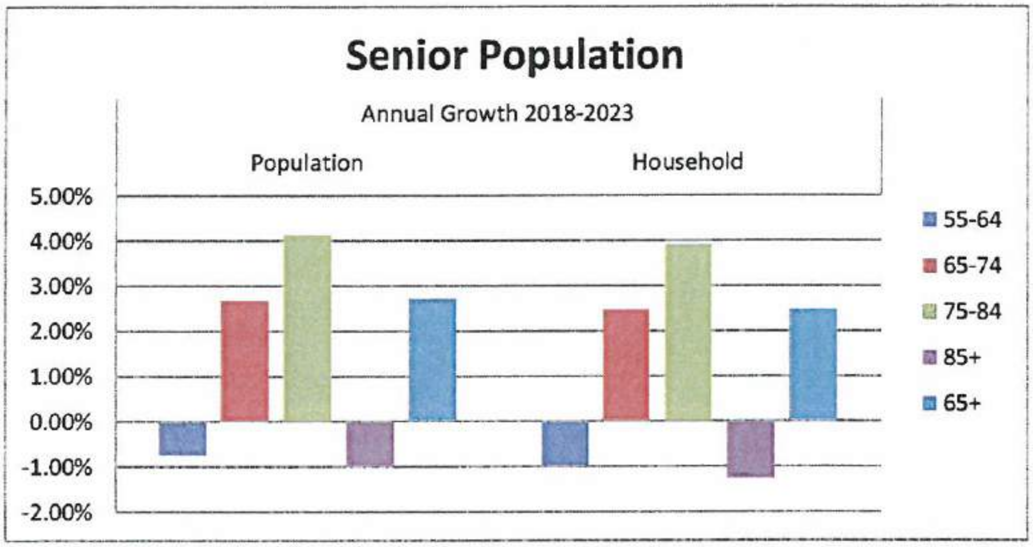
Source: US Census Bureau 2004 "US Interim Projections by Age, Sex, Race and Hispanic Origin



The elderly group age 85 and over represents the fastest-growing segment of the U.S. population. According to the US Census Bureau, there were 4.3 million seniors aged 85+ in 2000 and this segment will swell to 20.9 million by 2050. This is a key market for the seniors housing industry because 44% of those over 85 need long-term care or assistance with activities of daily living. As a result, industry analysts project strong growth in seniors housing revenue through the end of the decade and beyond.

In terms of identifying potential demand, we have begun with the examination of the number of households with persons at least 75 years of age. While we note that residents residing in senior housing communities are generally much older than 75 years of age, we have utilized this cohort as minimum standard for residency in order to better reflect potential demand source across all product types.

Please note that the senior population estimates and projections prepared by Claritas are presented in the addenda of this report. A summary of the estimated senior population and growth rates for the PMA are presented in the following chart:



Population trends within the PMA are presented in the following exhibits:

SOCIAL DEMOGRAPHIC TRENDS - PMA			
	2010	2018	2023
Total Population	813,001	798,239	790,763
Total Households	269,985	268,911	267,950
Median Age	33.73	35.70	37.25
Source: Claritas, Inc.			

The senior population, 65+, within the PMA has experienced an increasing trend over the past nine years and is expected to continue. These growth rates are indicative that health care needs within the region will increase over the next five years due to an aging senior population, as noted below.

SUMMARY OF SENIOR POPULATION TRENDS - PMA			
Age	2010	2018	2023
65-74	45,091	60,565	70,238
75-84	26,269	26,654	32,197
85+	11,282	11,375	10,678
Total	82,642	98,594	113,113
Source: Claritas, Inc.			

A further breakdown of the PMA population by age indicates that 12.4% of the total population is over the age of 65 in 2018. This percentage is expected to increase to 14.3% by the year 2022, slightly below the national average projected for that time frame. With regard to the 75+ age group, a less profound increase of 4.8% to 5.4% is expected to occur over the next five years.