

August 29, 2023

Avi Rothner  
Altitude Investments, LTD  
2201 Main Street  
Evanston, Illinois 60202

Subject: Altitude Investments - Allegria Village  
Consent to include within Quarter 2 2023 Financial Report

We hereby give our full consent to Altitude Investments, Ltd to the inclusion of our Appraisal Report dated August 18, 2023 (effective date June 30, 2023) regarding the Altitude Investments - Allegria Village.

The report, in its entirety, can be included in accordance with the Israeli Securities Law within the Quarter 2 2023 Financial Report to be published by the Company during and no later than August 31, 2023 (“the Report”) and for the Israel Securities Authority.

In addition, we hereby give our full consent to the inclusion of a copy of this letter within the Company’s Report.

We appreciate this opportunity to provide valuation services to Altitude Investments, LTD.

**JLL Value and Risk Advisory, LLC**

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Bryan Lockard". The signature is fluid and cursive, with a large initial "B" and a long horizontal stroke at the end.

Bryan J. Lockard, MRICS  
Managing Director  
Michigan Certified General Appraiser #1205075317  
Telephone: 813-387-1301  
Email: bryan.lockard@am.jll.com



# Valuation Advisory

Client: Altitude Investments, Ltd

Property: Allegria Village

Month/Year: August 18, 2023





200 E Randolph St 46<sup>th</sup> Floor  
Chicago, IL 60601

August 18, 2023

Avi Rothner  
Altitude Investments, Ltd  
2201 Main Street  
Evanston, Illinois 60202

### Allegria Village

Pursuant to your request, we have performed an appraisal of the above-referenced property. Accompanying this letter is an Appraisal Report that contains an identification of the property, factual data concerning the property and its surroundings, comparable market data, and appropriate analyses.

Allegria Village is an existing 1,053-unit/ 1,053 bed continuing care retirement community (CCRC). The facility was constructed in 1993; 1994; 1995; 1997; and 1999, is in average condition, and situated on a 35.13 acre site. The physical address is 15101 Ford Rd, Dearborn, Michigan

The subject is currently 100% leased by HFV OpCo, LLC. The 10-year, absolute net lease commenced September 30, 2021 at a base annual rental rate of \$4,249,998 with an average of 3.1% annual escalations and no options.

The following value impacting occurrences were considered:

- The tenant is behind on rent. We have considered this risk in our capitalization rate conclusions;
- Management implement a 55+ program to help drive occupancy going forward in Q1 2023;
- Contract rent increased in Year 1 from \$5,875,002 to \$6,500,001 ;
- Lease coverage decreased from 1.01 to 0.61 in Year 1 and stabilized lease coverage decreased from 1.79 to 1.38;
- The initial lease term is 10 years with no options. We have reset the lease in Year 9 to a market coverage; and
- Capitalization rate, Yield Rate and Terminal Cap Rate have increased 50 bps to 8.50%, 10.00% and 9.25% respectively.

At the request of the client, JLL has provided a retrospective value as of June 30, 2023. Our analyses and forecasts have resulted in the value conclusion(s) below:

**Value Conclusion(s)**

Scenario	Effective Date	Conclusion
Market Value of the Leased Fee Estate	June 30, 2023	\$82,000,000

The concluded market value presented above does not include the value of furniture, fixtures and equipment (FF&E), or business value.

Our valuation is based on terms of cash and a reasonable exposure time of nine months prior to the effective date of value. The estimated marketing period is twelve months. The specified assets of the business exclude certain items not normally conveyed, such as cash on hand, accounts receivable, accounts payable, management company trademarks, and proprietary management systems. Please refer to the assumptions and limiting conditions section where any extraordinary assumptions and hypothetical conditions specific to this engagement are discussed.

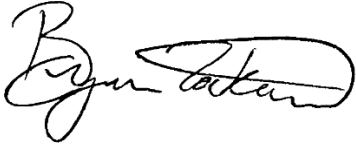
The intended use and user of our report are specifically identified in our report as agreed upon in our contract for services and/or reliance language found in the report. No other use or user of the report is permitted by any other party for any other purpose. Dissemination of this report by any party to any non-intended users does not extend reliance to any such party, and JLL will not be responsible for any unauthorized use of or reliance upon the report, its conclusions or contents (or any portion thereof).

The report, in its entirety, can be included within the Company's financial statements as of June 30, 2023 to be published by the Company no later than August 31, 2023.



We appreciate this opportunity to provide valuation services to Altitude Investments, Ltd.

**JLL Valuation and Advisory Services, LLC**

A handwritten signature in black ink, appearing to read "Bryan Lockard". The signature is fluid and cursive, with a large initial "B" and a long, sweeping underline.

Bryan J. Lockard  
Managing Director  
Michigan Certified General Appraiser #1205075317  
Telephone: 813-387-1301  
Email: [bryan.lockard@am.jll.com](mailto:bryan.lockard@am.jll.com)

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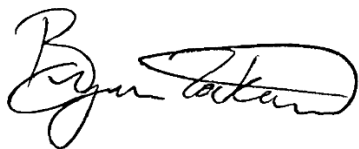
## Certification

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- The reported analyses, opinions, and conclusions developed and this report have been prepared in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
- I certify that the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- Bryan J. Lockard has not conducted an inspection of the property that is the subject of this report.
- Jim Palac assisted in the compilation and analysis of factual data used in this report. Jim Palac is an employee of JLL Valuation & Advisory Services, LLC. No other persons provided significant real property appraisal assistance to the persons signing this certification.
- Various analysts employed by JLL procured the comparable data used in this report (improved sales, land sales, rental comparables, and expense comparables). The firm continuously gathers such data.
- USPAP requires the appraiser to disclose “any services regarding the subject property performed by the appraiser, as an appraiser or in any other capacity, within the three year period immediately preceding the agreement to perform the assignment.” Pursuant to that requirement, to the best of our knowledge:

- Bryan J. Lockard has appraised this property within the past three years.
- In Michigan, appraisers are required to be licensed/certified and are regulated by the Michigan Department of Licensing and Regulatory Affairs, 611 West Ottawa, P.O. Box 30018, Lansing, Michigan 48909. The undersigned are licensed as Certified General Real Estate Appraiser.



Bryan J. Lockard  
Managing Director  
Michigan Certified General Appraiser #1205075317  
Telephone: 813-387-1301  
Email: bryan.lockard@am.jll.com

# Summary of Salient Facts and Conclusions

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<b>Name:</b>	Allegría Village
Management Company:	Sage Healthcare Partners
Property Identification:	Michigan
Purpose of the Appraisal:	To estimate the fair market value of the real estate
Assets Appraised:	Real estate
Property Rights Appraised:	Leased Fee Estate
Site Size (Acres):	35.13

## Improvement Summary -

Property Type:	Seniors Housing
Care Provided:	Continuing Care Retirement Community
Year of Construction	1993; 1994; 1995; 1997; and 1999
Construction Type	Class C & D
Gross Building Area (SF):	1,174,767
Number of Buildings:	1
Number of Stories:	1-6
Total Units/Beds:	1,053
Number of Licensed Beds:	185

## Highest & Best Use Summary -

As Vacant:	Development of a seniors housing property
As Improved:	Continued use as a seniors housing property

## Key Financial Metrics - Portfolio

Current Leased Fee Occupancy	100%
Credit Loss	None
Overall Capitalization Rate	8.50%
Yield Capitalization Rate	10.00%
Terminal Capitalization Rate	9.25%

## Tenant Operating Metrics - Portfolio

Effective Gross Income	\$41,165,257
Operating Expenses (No Rent)	\$32,173,924
Net Operating Income	\$8,991,334
Expense Ratio	78.16%

## Lease Metrics - Portfolio

Effective Gross Income	\$6,500,001
Operating Expenses	\$0
Net Operating Income	\$6,500,001
Expense Ratio	0%
Stabilized Lease Coverage	1.38
Year 1 Lease Coverage	0.61
Year 2 Lease Coverage	0.78
Year 3 Lease Coverage	0.99

Please note, senior housing single-tenant leases do not include vacancy or credit loss. The tenant operations above do not include the projected income loss in Years 1 thru 4 which is discussed later in this report.

## Value Indications

Approach to Value	Value Indication	Per Bed Indication
The Income Capitalization Approach- Yield Capitalization	\$82,000,000	\$77,873
The Sales Comparison Approach	\$79,000,000	\$75,024

## Value Conclusion(s)

Scenario	Effective Date	Conclusion
Market Value of the Leased Fee Estate	June 30, 2023	\$82,000,000

The concluded market value presented above does not include the value of the furniture, fixtures, and equipment (FF&E), or business value.

## General Information

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### Identification of the Subject

The subject is an existing continuing care retirement community located at 15101 Ford Rd, Dearborn, Wayne County, Michigan; and it is known as Allegria Village. A legal description for the subject is presented in the Addendum of this report.



**Front View of Subject**

Allegria Village is an existing 1,053-unit/ 1,053 bed continuing care retirement community (CCRC). The facility was constructed in 1993; 1994; 1995; 1997; and 1999, is in average condition, and situated on a 35.13 acre site. The physical address is 15101 Ford Rd, Dearborn, Michigan

The subject is currently 100% leased by HFV OpCo, LLC. The 10-year, absolute net lease commenced September 30, 2021 at a base annual rental rate of \$4,249,998 with an average of 3.1% annual escalations and no options.

## Purpose of the Appraisal

The purpose of this appraisal is to estimate the market value of the subject under the following scenario(s):

- Market Value of the Leased Fee Estate

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

The effective date of appraisal is June 30, 2023, and the date of the report is August 18, 2023. Altitude Investments, Ltd, future shareholders, and prospective bond holders, are the intended users of this report, subject to JLL's written consent to publication.

The intended use is to update financial reports, investors and potential investors and bond prospectuses.

## Prior Services

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

- Bryan J. Lockard has appraised this property within the past three years.

## Definition of Market Values

For purposes of this appraisal, market value and as is market value are defined as:

**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:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and acting in what they consider their own best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and

5. 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.<sup>1</sup>

**As Is Market Value:** The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal's effective date.<sup>2</sup>

## Property Rights Appraised

Definitions of the three major classes of property rights are as follows:

**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.<sup>3</sup>

**Leased fee interest:** A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship (i.e., a lease)<sup>4</sup>

**Leasehold estate:** The tenant's possessory interest created by a lease.<sup>5</sup>

The property rights valued in this appraisal are leased fee.

The subject property is currently encumbered by a related party lease. The definition of a lease is as follows:

**Lease:** A contract in which rights to use and occupy land or structures are transferred by the owner to another for a specified period of time in return for a specified rent.<sup>6</sup>

The lease terms are discussed in detail later in this report.

## Scope of Work

USPAP states:

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

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

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<sup>1</sup>. 12 C.F.R. Part 34.42(g); 55 Federal Register 34696, August 24, 1990 as amended at 57 Federal Register 12202, April 9, 1992; 59 Federal Register 29499, June 7, 1994.

<sup>2</sup>. *The Dictionary of Real Estate Appraisal* (Chicago, IL: Appraisal Institute, Sixth Edition).

<sup>3</sup>. *The Dictionary of Real Estate Appraisal* (Chicago, IL: Appraisal Institute, Sixth Edition).

<sup>4</sup>. *The Dictionary of Real Estate Appraisal* (Chicago, IL: Appraisal Institute, Sixth Edition).

<sup>5</sup>. *The Dictionary of Real Estate Appraisal* (Chicago, IL: Appraisal Institute, Sixth Edition).

<sup>6</sup>. *The Dictionary of Real Estate Appraisal* (Chicago, IL: Appraisal Institute, Sixth Edition).

3. Disclose the scope of work in the report.

### Inspection

Bryan J. Lockard did not conduct an inspection of the subject of this report. We have relied on our previous inspection on February 2, 2022. JLL has also relied on prior experience with the subject's property type, information provided by the operator and other third party sources.

### Data Collection

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

#### General Data

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

#### Specific Data

The data relating to the property being appraised and to comparable properties is referred to as specific data. We obtained specific data regarding the subject from the property owner and/or operator. Documents we have relied upon for specific data pertaining to the subject are listed in the assumptions and limiting conditions section. Additional data pertaining to the subject has been gathered from zoning maps, tax records, and other resources maintained in our library, city halls and chambers of commerce, and various State of Michigan offices.

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

#### Competitive Supply and Demand Data

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

### Approaches to Value

The three approaches to value are:

**The Income Capitalization Approach**, typically referred to as the income approach is used to value commercial and investment properties. It capitalizes an income stream into a present value. This can be accomplished using revenue multipliers or a capitalization rate applied to net operating income (NOI). The NOI is gross potential income (GPI), less vacancy,

less operating expenses, but excluding debt service or depreciation charges applied by accountants. NOI is synonymous with EBITDA. Alternatively, multiple years of NOI can be valued by a discounted cash flow analysis (DCF) model.

**The Sales Comparison Approach**, derives a value indication by comparing the subject being appraised to similar properties that have recently sold.

**The Cost Approach**, based on the principle of substitution which asserts that no prudent buyer or investor will pay more for a property than that amount for which the site could be acquired, and which improvements that have equal desirability and utility can be constructed without undue delay. It is a method of appraising property based on the depreciated reproduction or replacement cost new of improvements, plus the market value of the site.

In appraising the subject, we have applied the approaches to value as follows:

### Approaches to Value

Approach to Value	Developed	Applicability
Income Capitalization-Direct Capitalization	No	Not Applicable
Income Capitalization-Yield Capitalization	Yes	Most Applicable
Sales Comparison	Yes	Applicable, but not as relevant as income approach
Cost	No	Not Applicable

The Direct Capitalization method was not developed due to the uneven cash flow of the lease payment. The discounted cash flow analysis recognizes the changes in cash flows over the holding period of an asset and given primary weight for our value conclusion.

The cost approach was not developed. The subject is dated, with a construction of 1993; 1994; 1995; 1997; and 1999 and the cost approach is generally only reliable for new or nearly new properties.

### Report Type

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

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

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

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

## Compliance

We have developed this appraisal in compliance with:

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

## Ownership, History and Management of the Subject

USPAP Standards Rules 1-5(a) and (b) require an appraiser, when the value opinion to be developed is market value, and if such information is available to the appraiser in the normal course of business, to analyze (1) all agreements of sale, options, or listings of the subject property current as of the effective date of the appraisal and (2) all sales of the subject property that occurred within three years prior to the effective date of the appraisal. The subject's current ownership, ownership history, current status, and management are discussed below.

### Current Ownership

The subject is currently owned by Firo Property, LLC.

### Most Recent Transaction

Grantors (Seller):	Henry Ford Village Inc., a non-profit entity
Grantee:	HFV OPCO LLC
Date of Sale:	May 4, 2021
Sales Price:	\$76,300,000 in addition to 5% of the outstanding dollar amount of entrance fee deposits at closing which is currently estimated at approximately \$3,000,000.
Sale Details:	Existing improvements and land
Conditions of Sale:	Chapter 11 Bankruptcy

The most recent sale for the subject property is considered to reflect the distressed value of the bankrupted asset. Our concluded As Is value is above the recent sale price as the subject was purchased in a court mandated auction and was not openly marketed. Since the sale, a lease was put into place and operating performance has improved. Our assumptions fall within typical market parameters and are supported by market extracted data.

### Management

The subject is managed by Sage Healthcare Partners. Sage Healthcare Partners is an owner/operator of skilled nursing and seniors housing facilities across the Midwest and Northeast. Sage Healthcare Partners is well experienced with skilled nursing operations.

## Assumptions and Limiting Conditions

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

- All reports and work product we deliver to you (collectively called “report”) represents an opinion of value, based on historical information and forecasts of market conditions. Actual results may vary from those forecast in the report. There is no guaranty or warranty that the opinion of value reflects the actual value of the property.
- The conclusions stated in our report apply only as of the effective date of the appraisal, and no representation is made as to the effect of subsequent events. Assessed values may change significantly and unexpectedly over short periods. We are not liable for any conclusions in the report that may be different if there are subsequent changes in value. We are not liable for loss relating to reliance upon our report more than three months after its date.
- There may be differences between projected and actual results because events and circumstances frequently do not occur as predicted, and those differences may be material. We are not liable for any loss arising from these differences.
- We are not obligated to predict future political, economic or social trends. We assume no responsibility for economic factors that may affect or alter the opinions in the report if the economic factors were not present as of the date of the letter of transmittal accompanying the report.
- The report reflects an appraisal of the property free of any liens or encumbrances unless otherwise stated.
- We assume responsible ownership and competent property management.
- The appraisal process requires information from a wide variety of sources. We have assumed that all information furnished by others is correct and complete, up to date and can be relied upon, but no warranty is given for its accuracy. We do not accept responsibility for erroneous information provided by others. We assume that no information that has a material effect on our appraisal has been withheld.
- We assume the following, unless informed to the contrary in writing: Each property has a good and marketable title. All documentation is satisfactorily drawn and that there are no encumbrances, restrictions, easements or other adverse title conditions, which would have a material effect on the value of the interest under consideration. There is no material litigation pending involving the property. All information provided by the Client, or its agents, is correct, up to date and can be relied upon. We are not responsible for considerations requiring expertise in other fields, including but not limited to: legal descriptions, interpretation of legal documents and other legal matters, geologic considerations such as soils and seismic stability, engineering, or environmental and toxic contaminants. We recommend that you engage suitable consultants to advise you on these matters.

- We assume that all engineering studies correct. The plot plans and illustrative material in the report are included only to help the reader visualize the property.
- We assume that there are no hidden or unapparent conditions of the property, subsoil or structures that render it more or less valuable. We are not responsible for such conditions or for obtaining the engineering studies that may be required to discover them.
- We assume that the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described, and considered in the report. We have not made or requested any environmental impact studies in conjunction with the report. We reserve the right to revise or rescind any opinion of value that is based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the report assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
- Unless otherwise stated in the report, you should assume that we did not observe any hazardous materials on the property. We have no knowledge of the existence of such materials on or in the property; however, we are not qualified to detect such substances, and we are not providing environmental services. The presence of substances such as asbestos, urea-formaldehyde foam insulation and other potentially hazardous materials may affect the value of the property. Our report assumes that there is no such material on or in the property that would cause a loss in value. We do not assume responsibility for such conditions or for any expertise or engineering knowledge required to discover them. We encourage you to retain an expert in this field, if desired. We are not responsible for any such environmental conditions that exist or for any engineering or testing that might be required to discover whether such conditions exist. We are not experts in the field of environmental conditions, and the report is not an environmental assessment of the property.
- We may have reviewed available flood maps and may have noted in the report whether the property is generally located within or out of an identified Special Flood Hazard Area. However, we are not qualified to detect such areas and therefore do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of the property. Any opinion of value we include in our report assumes that floodplain and/or wetlands interpretations are accurate.
- The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of the property to determine whether it is in compliance with the ADA. We claim no expertise in ADA issues, and render no opinion regarding compliance of the property with ADA regulations.
- We assume that the property conforms to all applicable zoning and use regulations and restrictions unless we have identified, described and considered a non-conformity in the report.

- We assume that all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the opinion of value contained in the report is based.
- We assume that the use of the land and improvements is confined within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.
- We have not made any investigation of the financial standing of actual or prospective tenants unless specifically noted in the report. Where properties are valued with the benefit of leasing, we assume, unless we are informed otherwise, that the tenants are capable of meeting their financial obligations under the leases, all rent and other amounts payable under the leases have been paid when due, and that there are no undisclosed breaches of the leases.
- We did not conduct a formal survey of the property and assume no responsibility for any survey matters. The Client has supplied the spatial data, including sketches and/or surveys included in the report, and we assume that data is correct, up to date and can be relied upon.
- Unless otherwise stated, the opinion of value included in our report excludes any additional value attributable to goodwill, or to fixtures and fittings which are only of value, in situ, to the present occupier. We have made no allowance for any plant, machinery or equipment unless they form an integral part of the building and would normally be included in a sale of the building. We do not normally carry out or commission investigations into the capacity or condition of services being provided to the property. We assume that the services, and any associated controls or software, are in working order and free from defect. We also assume that the services are of sufficient capacity to meet current and future needs.
- In the case of property where construction work is in progress, such as refurbishment or repairs, or where developments are in progress, we have relied upon cost information supplied to us by the Client or its appointed experts or upon industry accepted cost guides. In the case of property where construction work is in progress, or has recently been completed, we do not make allowance for any liability already incurred, but not yet discharged, in respect of completed work, or obligations in favor of contractors, subcontractors or any members of the professional or design team. We assume the satisfactory completion of construction, repairs or alterations in a workmanlike manner.
- Any allocation in the report of value between the land and the improvements applies only under the stated program of utilization. The separate values allocated to the land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.

- The report is confidential to the party to whom it is addressed and those other intended users specified in the report for the specific purpose to which it refers. Use of the report for any other purpose or use by any party not identified as an intended user of the report without our prior written consent is prohibited, and we accept no responsibility for any use of the report in violation of the terms of this Agreement.
- We are not required to testify or provide court-related consultation or to be in attendance in court unless we have agreed to do so in writing.
- Neither the whole report, nor any part, nor reference thereto, may be published in any manner without our prior written approval.
- We may rely on, and will not verify, the accuracy and sufficiency of documents, information and assumptions provided to it by the Client or others. We will not verify documents, information and assumptions derived from industry sources or that JLL or its affiliates have prepared in the regular course of business. We are not liable for any deficiency in the report arising from the inaccuracy or insufficiency of such information, documents and assumptions. However, our report will be based on our professional evaluation of all such available sources of information.
- JLL IS NOT LIABLE TO ANY PERSON OR ENTITY FOR LOSS OF PROFITS, CONSEQUENTIAL, PUNITIVE, EXEMPLARY OR SIMILAR DAMAGES IN CONNECTION WITH THIS AGREEMENT. IN NO EVENT SHALL THE LIABILITY OF JLL AND ITS AFFILIATES IN CONNECTION WITH THIS AGREEMENT EXCEED THE FEE PAID TO JLL HEREUNDER.
- Unless expressly advised to the contrary, we assume that appropriate insurance coverage is and will continue to be available on commercially acceptable terms.
- We assume that no material changes in any applicable federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
- We may determine during the course of the assignment that additional Hypothetical Conditions and Extraordinary Assumptions may be required in order to complete the assignment. The report will be subject to those Hypothetical Conditions and Extraordinary Assumptions. Each person that is permitted to use the report agrees to be bound by all the Assumptions and Limiting Conditions and any Hypothetical Conditions and Extraordinary Assumptions stated in the report.

### Extraordinary Assumptions

USPAP defines an extraordinary assumption as “an assignment-specific assumption as of the effective date regarding uncertain information used in the analysis which, if found to be false, could alter the appraiser’s opinion of conclusions.” Our appraisal is subject to the following extraordinary assumptions:

- For purposes of this analysis, a retrospective date of value as of June 30, 2023 was provided. JLL assumes no material changes both physically and market related between the report date and date of value.

## Hypothetical Conditions

USPAP defines a hypothetical condition as “a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.” Our analysis is based upon the following hypothetical conditions:

- None

## Area Analysis

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The dynamic nature of economic relationships within a market area has a direct bearing on real estate values and the long-term quality of a real estate investment. In the market, the value of a property is not based on the price paid for it in the past or the cost of its creation, but on what buyers and sellers perceive it will provide in the future.

Consequently, the attitude of the market toward a property within a specific neighborhood or market area reflects the probable future trend of that area.

## Neighborhood Analysis

The subject is located on the norther border of Dearborn and is considered an urban location. Dearborn is bordered by Detroit to the north, south, east, and Dearborn Heights to the west. Specifically, the subject site is located south of Ford Road between Greenfield Road and Homestead Drive. The subject is located approximately 10 miles west of Detroit.

The immediate neighborhood is supportive of the subject's current use as seniors housing. There are multiple healthcare provider supportive of the subject within the subject's immediate vicinity. Access to area highways, employment centers, and shopping is good. The neighborhood is considered to be in a stage of balance having a favorable impact on the subject property.

## Conclusion

The subject contains a land area of 1,530,263 square feet. The shape of the site is rectangular and the topography is mostly level. Overall, the site is considered to have average functional utility. In general, each site is physically suited for a wide range of uses and well suited for the present use.

## Improvement Description and Analysis

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### Introduction

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

**Active Adult Community:** Age-restricted housing can be provided in a multifamily or a single-family residential setting. Often referred to as “55+” or “active adult” communities, these can be either rented or owned units or homes that regulate residency based on age. Additional amenities are typically provided through organized social activities, common spaces, and recreational options such as golf and fitness. There are wide-ranging and expanding models for these types of communities, from “low maintenance” and “empty nester” single family communities to rental senior apartments that provide amenities ranging from socialization opportunities to limited personal assistance such as transportation. These services are typically provided “A-La-Carte” giving the resident the option to customize their rental package. The typical age-restricted housing community does not provide residents access to care.

**Senior Apartments:** Market-rate units in age-restricted communities where at least 80% of the residents are age 55 or older. Although optional meal plans may be offered at these senior apartments, the base monthly fee does not include meals in a common dining facility. Therefore, “senior apartments” are different from “independent living units.”

**Independent Living (IL):** Designed for seniors who pay for some services (e.g., meals, housekeeping, transportation) as part of a monthly fee or rental rate, and who require little, if any assistance with Activities of Daily Living. Typically, independent living units are not licensed for health care — although the residents of independent living units may receive home health care services provided to them by either an outside agency or by a licensed affiliate of the property management. In order to qualify as having independent living units (rather than seniors apartments), the community must contain a common dining facility that provides at least one daily meal as part of the monthly fee.

**Assisted Living (AL):** Designed for frail seniors who need assistance with Activities of Daily Living (bathing, eating, dressing, toilet, transfer in/out of bed, etc.) but do not require continuous skilled nursing care. These beds can be offered in a separate wing, separate floor, or separate building and typically have state licensure requirements for the delivery of assisted living services.

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

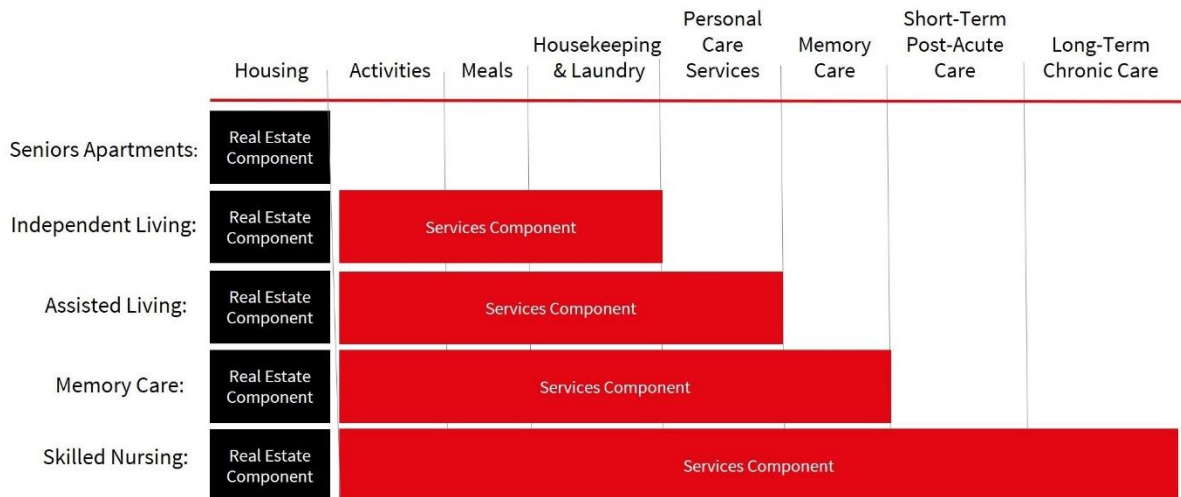
**Nursing Care (NC) or Skilled Nursing Facility (SNF):** Licensed daily rate or rental properties that are technically referred to as skilled nursing facilities (SNF) where the majority of individuals require 24-hour nursing and/or medical care. In most cases, these properties are licensed for Medicaid and/or Medicare reimbursement. These properties may include a minority of assisted living and/or Alzheimer’s/dementia units.

**Continuing Care Retirement Communities (CCRCs):** feature a combination of independent living units and skilled nursing beds, as well as properties that [must] comprise both independent living units and nursing care beds but may also include some assisted living beds and/or memory care beds. CCRC is also referred to as “Life Plan Community,” (LPCs).

Further, the below graph and discussion outline the range of services offered across different property types according to the *NIC Investment guide 5<sup>th</sup> Edition*. Besides housing (shelter and amenities), seniors housing and care properties offer residents myriad services:

- Hospitality Services: meals, transportation, housekeeping, entertainment, and concierge services
- Care Services: assistance with bathing, grooming, dressing, eating, medication management, and other activities of daily living (ADLs)
- Medical Services: skilled nursing, rehab therapy, and chronic care

The care and medical service mix at the property increases with the residents’ needs. Independent living typically serves the most able residents and offers primarily hospitality services. Nursing care on the other hand, serves residents with the greatest medical needs and, accordingly, has the most intensive services.



A continuing trend in seniors housing and care has been the rising acuity levels of residents upon initial move-in across the care segments. As a result, independent living and assisted living operators

often care for residents who already have some ADL needs. In addition, skilled nursing operators increasingly are serving residents in need of short-term rehabilitation services or those with high-acuity medical care needs who were previously served for a more extended period of time in an acute care hospital, a long-term acute care hospital, or an in-patient rehabilitation facility. Some independent living and assisted living operators now provide home healthcare, therapy, and other services to residents in order to better meet the needs of residents in their properties. Others allow residents independently to engage third-party service providers to meet care needs that could not otherwise be accommodated in their properties either by the decision of the operator or by the state regulatory framework.

## Unit/Bed Mix and Building Areas

The following is a tabulation of the subject's unit/bed mix.

### Unit Mix

Unit Type	Unit Square		Beds Per Unit	Total Beds
	Feet	Number of Units		
Nursing - Private	275	89	1	89
MC Assisted - Private Studio	500	30	1	30
Assisted - Private Studio	500	66	1	66
Independent - Studio	535	56	1	56
Independent - 1 Bedroom	793	472	1	472
Independent - 2 Bedroom	1086	340	1	340
<b>Totals</b>	<b>N.A.</b>	<b>1,053</b>	<b>N.A.</b>	<b>1,053</b>

The subject is licensed for 185 beds and operates with 1053 beds as shown above.

## Summary of Construction Components

A summary of the improvements follows.

## Size and Shape

Gross Building Area (SF):	1,174,767
Basement:	A continuous basement level runs beneath most of the residential structures, community buildings and ALF/HRC building. No basement level at the medical center, pool, maintenance structure, or gatehouse
Stories:	1-6
Building Shape:	Mostly rectangular

## Age and Life

Year Built:	1993; 1994; 1995; 1997; and 1999
Last Renovation:	1969
Chronological Age (Years):	30
Effective Age (Years):	25
Total Economic Life (Years):	60
Remaining Economic Life:	35

## Living Unit Finish and Mechanicals

Floor Surfaces:	Carpet and tile
Bathrooms:	One bathroom per unit with sink, toilet and walk-in shower
Kitchen:	Full kitchens, kitchenettes or no kitchen areas
Closets:	One per bedroom

## Common Area Finish and Mechanicals

Common Area Room Types:	Offices, lounge areas, activity room, commercial kitchen, beauty salon, dining room and library
Floor Surfaces:	Carpet and vinyl
Elevators:	18

## Safety and Health Care

Fire Protection:	Fire sprinkler system with alarms
Memory Care Security:	Thirty units are “secure” to prevent residents with memory care issues from wandering outside of the building or designated exterior areas. Doors are equipped with keypads for entry and exit.

## Other Improvements

Other Structures:	Additional improvements consist of a gatehouse with secure entrance, full perimeter fencing, asphalt and concrete parking surfaces, concrete, asphalt, and brick paver sidewalks/ patios, indoor swimming pool, medical center, courtyard with walking trails, a pond, gazebos, putting green, bocce ball court, covered car ports (60) and well-maintained landscaping features
Parking Spaces (#):	925 spaces including 60 reserved carports and 32 handicap spaces
Signage:	Monument sign at front of site

## Ratings

Construction Quality:	Good
Layout:	Average
Unit\Bed Configuration:	Average
Overall Condition:	Average

JLL assumes that the subject is up to code for fire, plumbing and electrical systems are typical for the property type, that there is adequate landscaping and the subject contains typical FF&E items.

## Amenities

The subject’s amenities include:

- Dining area
- Lobby
- Lounges
- TV viewing areas
- Courtyard
- Therapy room

## Effective Age and Remaining Economic Life

According to Marshall & Swift the life expectancy for a Class C & D, good quality facility of the subject's use is 60 years. To support this, we can look to the implied life assigned to buildings involved in recent transactions. We conducted valuations of several large portfolios of seniors housing facilities, including a mix of nursing facilities and assisted living. Important statistics are as follows:

- Portfolio A had 261 assets in operation. The average age was 36 years. Of the total 261 assets, 22% were already 40 years old. The entire portfolio was leased to an operator for a term of 20 years, implying a life of at least 56 years (36-year average + 20-year lease).
- Portfolio B had 336 assets with an average age of 24 years. The portfolio was leased for a maximum term of 22 years, implying a life of at least 46 years.
- Portfolio C had 19 assets with an average age of 45 years. The portfolio was leased for a maximum term of 20 years, implying a life of at least 65 years.

In addition, barriers to entry can limit competition and serve to extend the economic life of a building. A significant barrier to entry in the nursing facility sector is CON requirements. The subject is located in a state with CON requirements, which will likely result in the subject having a longer than typical economic life.

Based upon the preceding, we conclude the total economic life of the subject to be 60 years. The subject was built in 1993; 1994; 1995; 1997; and 1999, thus the actual chronological age is 30 years. The subject has been routinely updated. The level of maintenance received appears to have been average.

We have concluded the effective age of the subject to be 25 years. Therefore, the concluded remaining economic life of the subject is 35 years (60 years less 25 years).

## Functional Utility and Functional Obsolescence

The subject has average functional utility. Like many facilities of its age, the subject has shared bathrooms and a large number of semi-private beds. This is common in the market and has no negative impact upon the subject operationally. However, newer facilities tend to have more private rooms and bathrooms. The impact of this will be considered in selecting the appropriate capitalization rate for the subject.

## Deferred Maintenance / Capital Expenditures

No items of deferred maintenance were reported.

Based on discussions with management, no items of deferred maintenance, and further, we understand the property is well-maintained with a regular capital expenditure program.

## Conclusion

The subject operates with 1053 beds. The subject was built in 1993; 1994; 1995; 1997; and 1999 (renovated 1969) and contains in aggregate contains 1,174,767 square feet. Overall construction quality is rated as good and condition is average.

## Ad Valorem Tax Analysis

### Current Taxes

For purposes of forecasting taxes for that period, subject taxes for the most recent year are summarized below. JLL ad valorem tax conclusions are as follows:

#### Ad Valorem Tax Analysis

Parcel Number	Land	Building	Total	State Equalized Value	JLL Conclusion
32 10 181 01 001 00	\$6,160,628	\$23,074,537	\$31,250,730	\$46,885,400	\$46,885,400
Total Assessor Market Value	\$6,160,628	\$23,074,537	\$31,250,730	\$46,885,400	\$46,885,400
Assessment Ratio			50%	50%	50%
Total Taxable Value			\$15,625,365	\$23,442,700	\$23,442,700
Effective Tax Rate per \$1,000			64.91	64.91	64.91
Total Real Estate Taxes			\$1,014,242	\$1,521,666	\$1,521,666
Admin Fee (1%)			\$10,142	\$15,217	\$15,217
<b>Total Taxes</b>			<b>\$1,024,385</b>	<b>\$1,536,882</b>	<b>\$1,536,882</b>

The assessor's estimate of market value is shown above. The subject's account number is 32 10 181 01 001 00. In this jurisdiction, property is assessed at 50% of the assessor's estimated market value and is reassessed on an annual basis. However, there is annual valuations performed and the sale of the subject would be considered in the property class assessments of all properties in the subject's class and could have an impact on the subject, but cannot be "spot" assessed and needs to be uniform. In Michigan taxes are paid of the taxable value of the property which increases every year based of the current assessment. Generally the assessed value is higher than the taxable value as the rate of increase in the taxable value is capped at the lower of 5% or the current rate of inflation. However, upon sale of a properties and reassessment these caps do not apply and will be reset to the assessed value with a new cycle to start with the new ownership. This could result in a high increase in taxes as the assessment and taxable value will once again be equal. JLL has concluded to the "State Equalized Value" above.

### Total Taxes

Total real estate taxes that will be payable in the 12 month period following the date of valuation are \$1,536,882, based upon a total taxable value of \$23,442,700 or \$29,678 per bed. This is supported by current assessor methodology.

## Regulatory Overview

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### Zoning

According to the City of Dearborn, the subject is currently zoned RE (Multiple Family Residential District).

JLL does not represent to be zoning experts and it is recommended the local planning and zoning department be contacted for additional details.

### Deed Restrictions

We have assumed that the subject is not affected by any adverse deed restrictions. However, this is a legal matter, and an attorney should be consulted for verification of this assumption.

### Michigan Nursing Facility Licensing

The state of Michigan licenses and regulates nursing facilities. The following summarizes license requirements:

## CCRC State Regulations

STATE	Michigan
CLASSIFICATION	Low: Title 13, CHP. 130 §§554.801 et seq. MI Administrative Code R. 554.1 et seq.
DEFINITION	
a. For life	Y
b. 1 year	Y
c. Entrance fee required	Y
e. Health/ health-related services	Y
f. Personal care	Y
APPLICATION	
a. Disclosure statement	Y
b. Financials	Y
d. Actuarial study	Y; unless waived
ESCROW OF FEES	
a. Required	Y; based on occupancy
b. Basis for release	
i. Presales	
ii. Funds	
ii. Construction	
iv. Financing	
ADDITIONAL PRESALES	
RESERVES	
c. Operating costs	
DISCLOSURE TO RESIDENTS	
a. Financial report	Y; before signing & annually upon request
b. Public inspection of filings	Y
CONTRACT TERMS	
a. Submit form	Y
b. Detailed contents	Y
c. Rescission period	7 days (full refund);
d. Refunds in general	Y
e. Required amortization of refund	1.5% per month
f. Full refund if res. dies before occupanc	Less costs
ADVERTISING	
b. Sponsor liability	
RESIDENT'S RIGHT TO ORGANIZE	
LIENS	
AGENCY	Department of Licensing & Regulatory Affairs

## Potential Changes in the Regulatory Environment

We are not aware of any pending changes in the regulatory environment in the state of Michigan that would negatively impact the subject.

## Conclusion

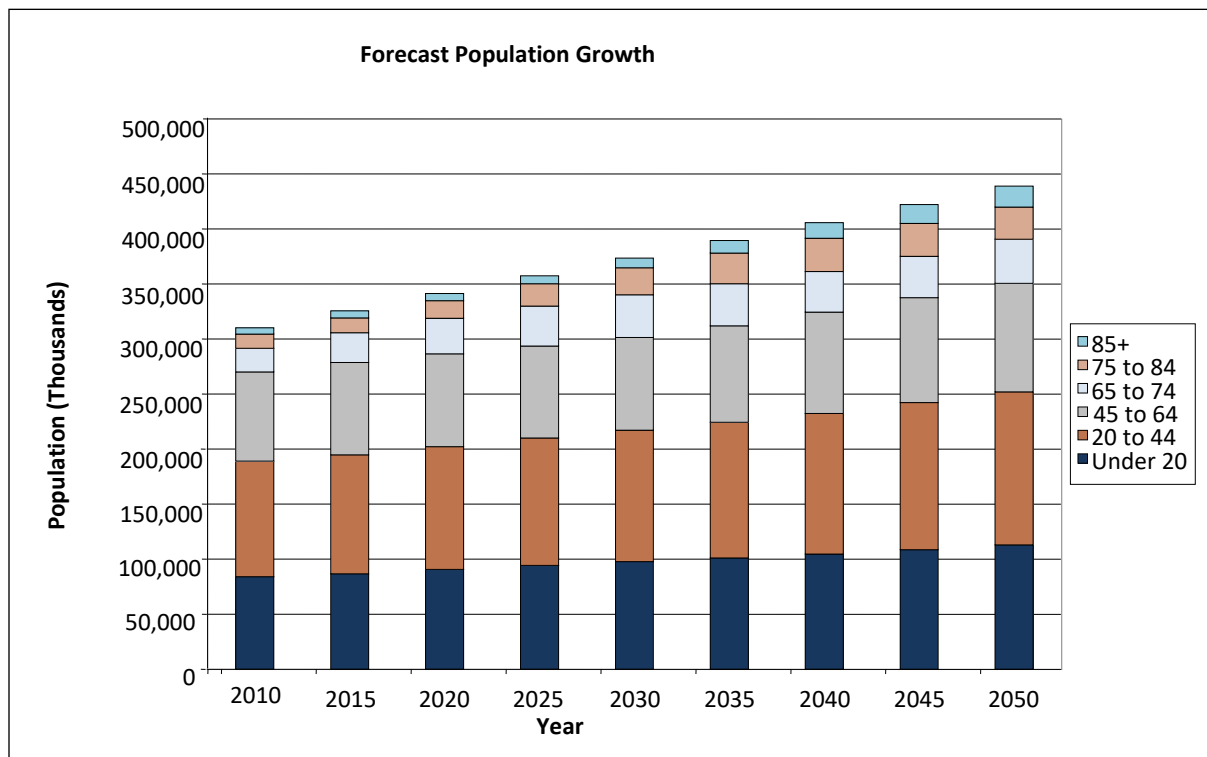
The subject is licensed for 185 licensed beds. The number of operating beds is 1053 beds. The license is currently in good standing. We are not aware of any changes in the regulatory environment that would negatively impact the subject.

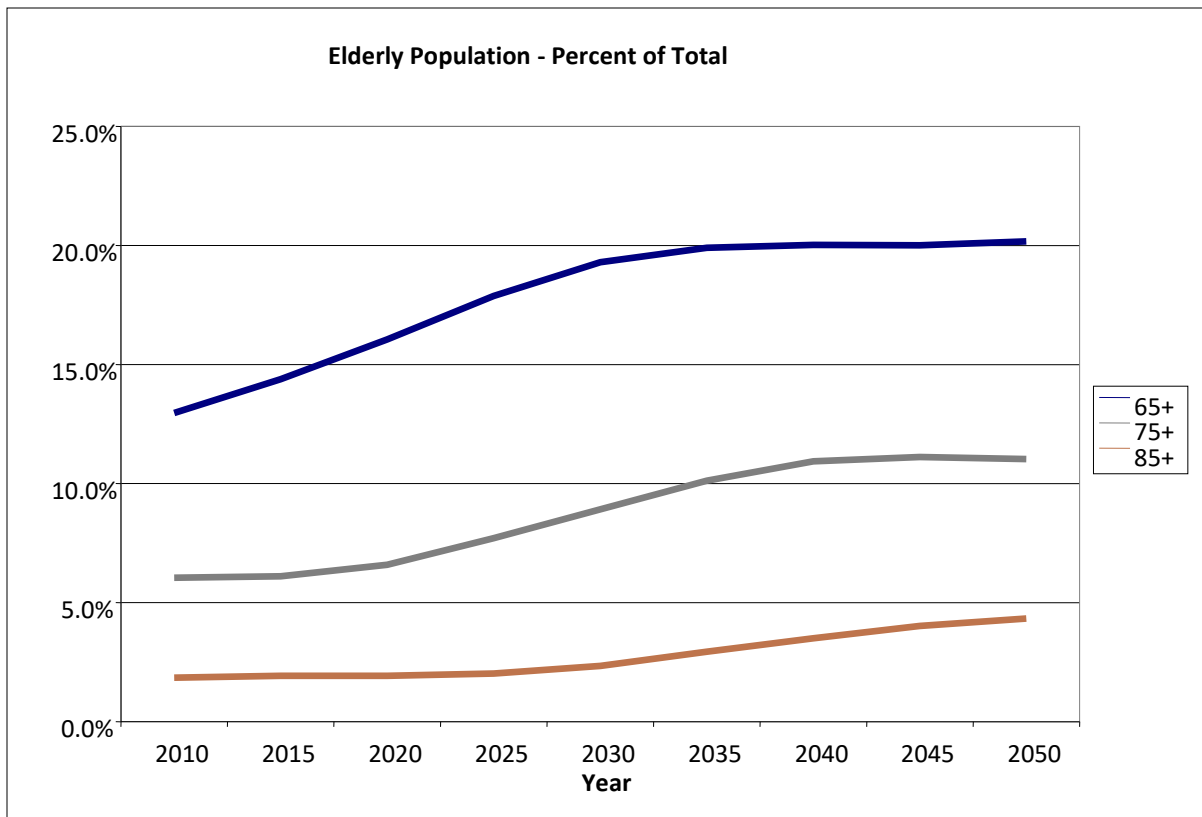
## Seniors Housing Market Analysis

### Aging Trends

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

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





## Other Factors Leading to Increased Demand

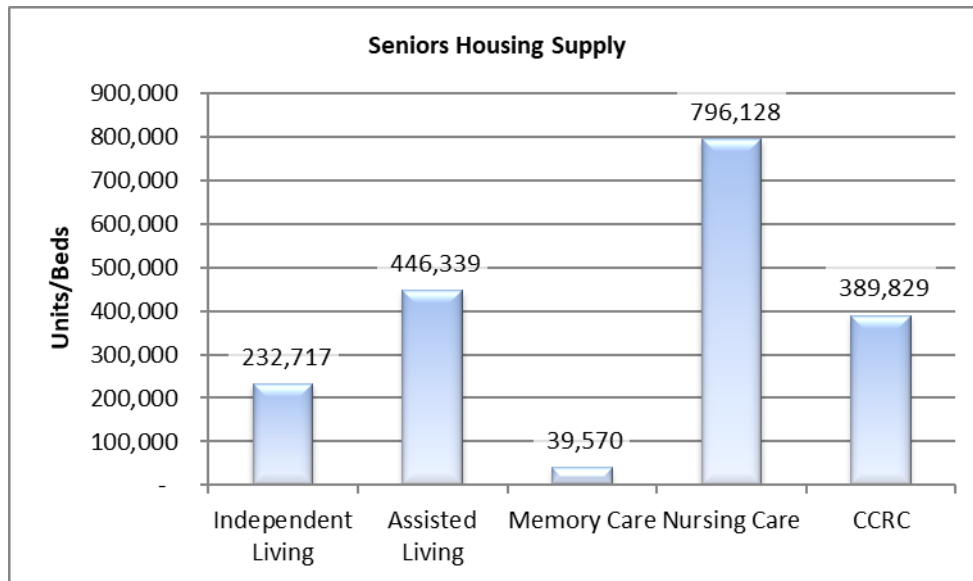
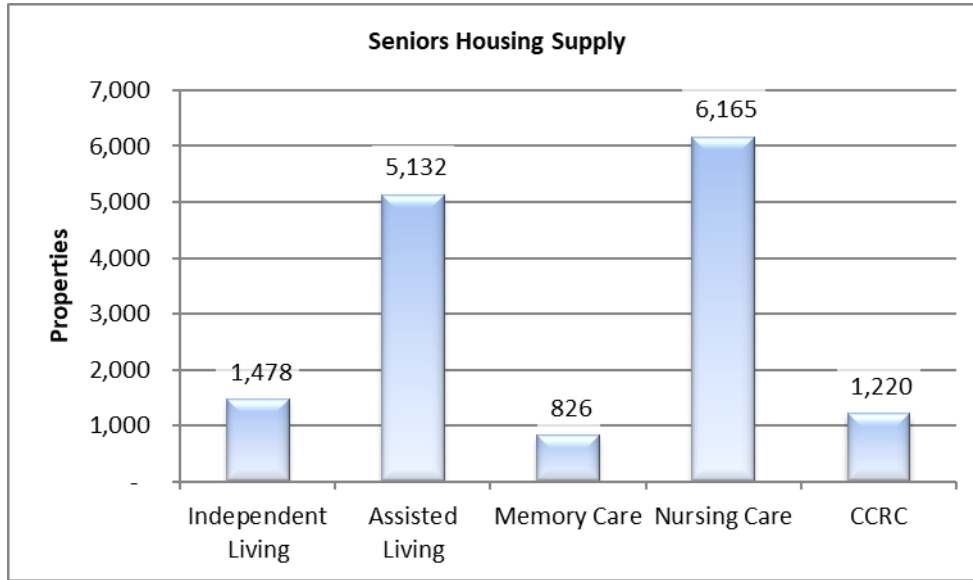
In addition to demographic trends, the following factors are leading to increasing demand for seniors housing and long-term care:

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

## National Senior Housing Supply Trends

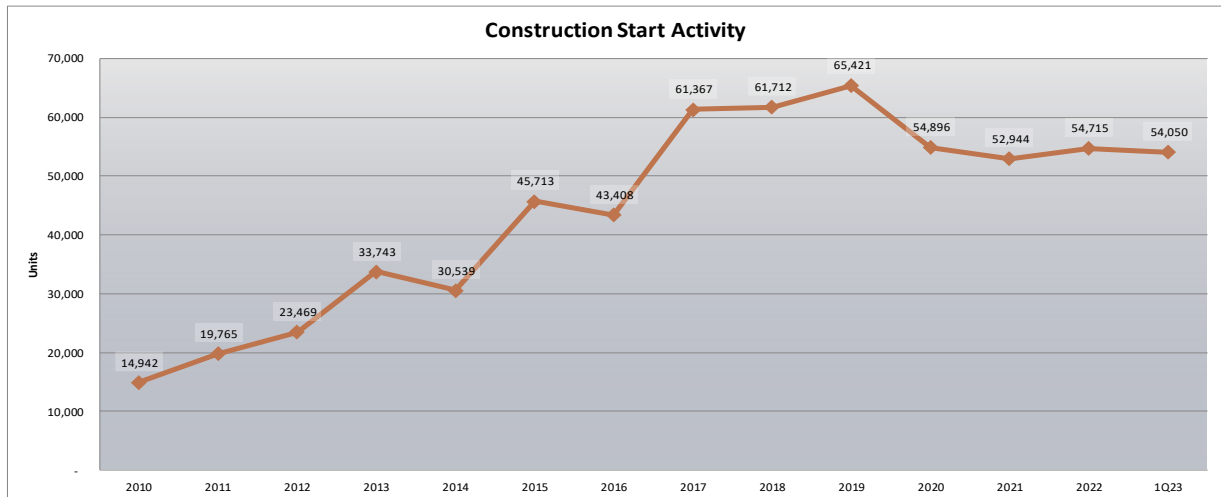
Senior apartments and independent living supply is typically expressed in terms of units, while assisted living and nursing supply is expressed in terms of beds. NIC MAP Construction Monitor

estimated there were 14,902 seniors housing properties consisting of 1,916,482 units/beds in the primary and secondary markets of the U.S. as of the 1st quarter 2023, as shown below.



## New Development

According to *NIC Map Construction Monitor* for the 1st quarter of 2023, national construction start activity (not including senior apartments) was as follows.

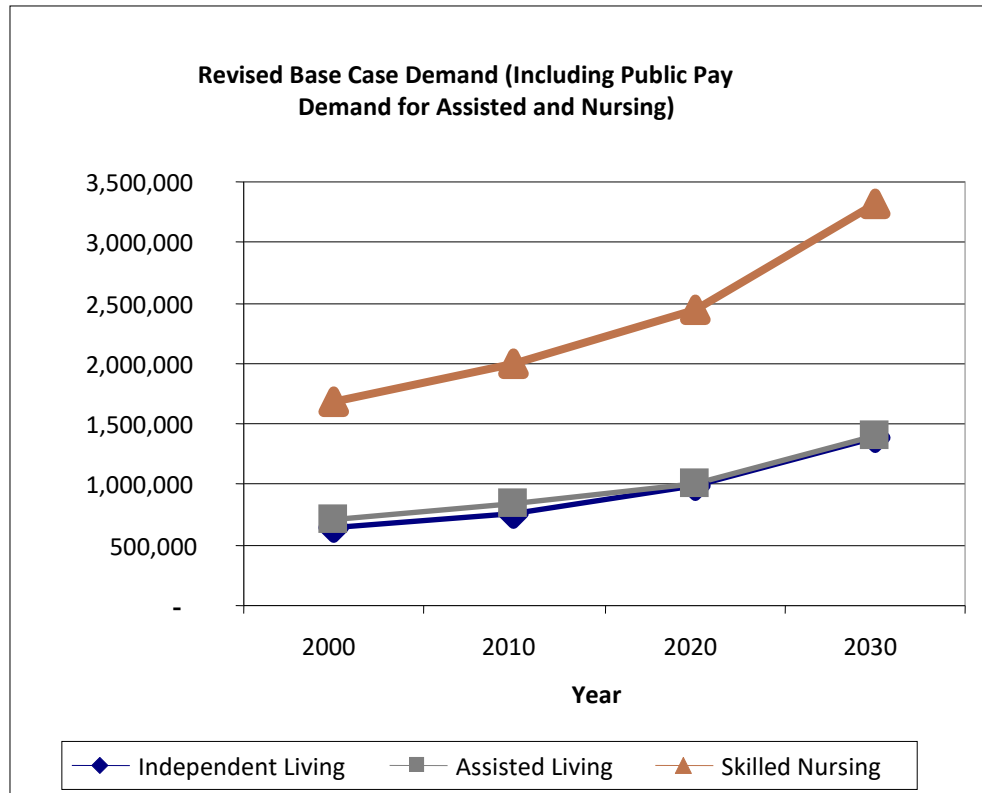


There were 497 seniors housing properties under construction as of the 1st quarter of 2023. The majority of the construction was within new properties with construction in these properties totaling 44,687 units spread across 336 properties. In addition, there were also 161 existing properties undergoing expansions totaling 9,363 units.

## National Demand Trends

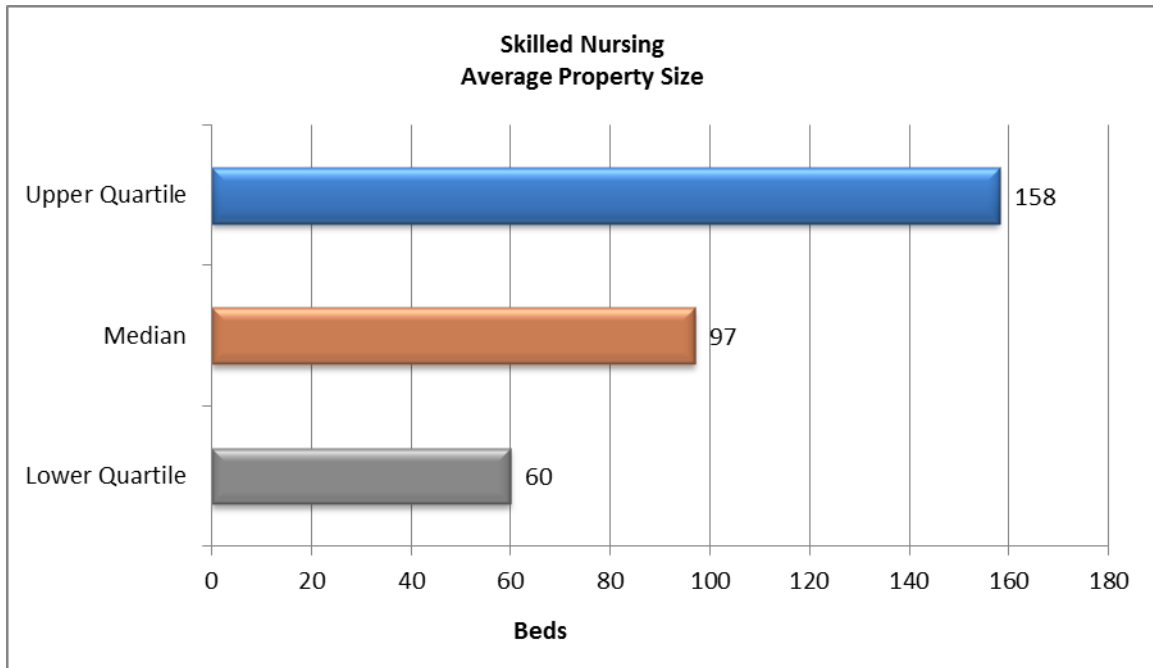
As noted previously, demographic trends will lead to growing demand for seniors housing over the coming years. Most industry analysts agree that the level of assisted and independent living units that are supportable is not yet known. As the public becomes more educated as to seniors housing options,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

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



### Property Size - Skilled Nursing

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



Source: *The State of Seniors Housing 2012*, ASHA

## Occupancy

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

## Performance by Region Current Quarter vs. One Year Ago

	Occupancy (%)		Stabilized Occupancy (%)		Annual Rent Growth (%)		Annual Inventory Growth (%)		Annual Absorption (%)	
	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23
<b>Independent Living<sup>1</sup></b>	<b>83.7%</b>	<b>85.9%</b>	<b>85.1%</b>	<b>86.9%</b>	<b>3.1%</b>	<b>4.9%</b>	<b>1.3%</b>	<b>1.5%</b>	<b>3.5%</b>	<b>4.1%</b>
East North Central	82.2%	84.4%	83.4%	85.3%	2.1%	4.1%	1.6%	1.1%	1.5%	3.9%
Mid-Atlantic	85.8%	88.0%	87.5%	89.4%	2.3%	4.9%	1.3%	3.5%	4.5%	6.0%
Mountain	81.7%	83.3%	83.3%	85.0%	3.9%	5.9%	1.1%	2.3%	5.2%	4.3%
Northeast	86.9%	88.5%	88.1%	89.2%	3.3%	4.3%	0.2%	1.4%	2.2%	3.3%
Pacific	84.9%	86.5%	86.5%	88.0%	4.0%	6.5%	2.1%	1.1%	2.6%	2.9%
Southeast	81.7%	84.4%	82.8%	85.2%	3.0%	4.8%	1.5%	0.5%	3.7%	3.8%
Southwest	81.3%	84.3%	82.3%	85.3%	3.3%	5.5%	1.0%	1.4%	6.3%	5.2%
West North Central	83.7%	85.5%	85.6%	86.7%	3.1%	4.2%	2.0%	1.6%	4.9%	3.8%
<b>Assisted Living<sup>1</sup></b>	<b>78.0%</b>	<b>81.8%</b>	<b>79.9%</b>	<b>83.1%</b>	<b>4.6%</b>	<b>5.9%</b>	<b>1.9%</b>	<b>1.3%</b>	<b>7.3%</b>	<b>6.3%</b>
East North Central	76.6%	80.3%	78.1%	81.7%	3.7%	5.5%	1.7%	2.4%	5.3%	7.3%
Mid-Atlantic	76.6%	80.0%	78.1%	81.7%	4.2%	4.7%	1.8%	1.6%	8.9%	6.1%
Mountain	78.3%	82.6%	79.6%	83.4%	3.7%	6.3%	0.7%	1.0%	8.4%	6.6%
Northeast	78.8%	82.4%	81.3%	83.9%	4.7%	5.5%	1.9%	0.7%	7.2%	5.3%
Pacific	78.8%	81.8%	80.9%	83.1%	5.8%	7.1%	1.8%	1.6%	5.7%	5.6%
Southeast	77.3%	82.6%	79.7%	83.8%	3.9%	5.1%	3.7%	0.2%	8.8%	7.1%
Southwest	77.3%	81.3%	78.3%	82.5%	3.5%	5.3%	-0.3%	1.1%	7.5%	6.3%
West North Central	80.0%	83.2%	82.1%	84.5%	6.5%	8.1%	3.1%	2.7%	9.3%	6.8%
<b>Nursing Care<sup>1</sup></b>	<b>77.8%</b>	<b>81.3%</b>	<b>77.8%</b>	<b>81.4%</b>	<b>2.7%</b>	<b>4.0%</b>	<b>-1.1%</b>	<b>-0.9%</b>	<b>3.9%</b>	<b>3.6%</b>
East North Central	75.1%	78.0%	75.1%	78.0%	2.9%	4.2%	-0.9%	-1.1%	1.7%	2.8%
Mid-Atlantic	80.1%	84.7%	80.1%	84.7%	3.5%	4.3%	-0.8%	-0.4%	3.8%	5.4%
Mountain	77.6%	79.9%	77.8%	80.3%	2.2%	3.9%	-1.0%	-0.9%	3.3%	2.0%
Northeast	81.7%	84.7%	81.8%	84.7%	2.0%	2.9%	-1.3%	-1.0%	4.7%	2.6%
Pacific	80.8%	85.9%	80.8%	85.9%	4.6%	5.2%	-0.5%	-0.5%	4.6%	5.8%
Southeast	78.8%	83.8%	79.0%	83.9%	2.1%	4.4%	-0.3%	-0.5%	4.5%	5.9%
Southwest	67.3%	70.5%	67.4%	70.5%	2.2%	3.4%	-1.3%	-1.1%	5.6%	3.7%
West North Central	73.8%	76.1%	73.7%	76.0%	2.6%	6.6%	-2.6%	-1.5%	1.7%	1.5%
<b>CCRCs<sup>1</sup></b>	<b>85.5%</b>	<b>87.5%</b>	<b>85.7%</b>	<b>87.6%</b>	<b>3.2%</b>	<b>4.5%</b>	<b>0.1%</b>	<b>0.3%</b>	<b>1.5%</b>	<b>2.7%</b>
East North Central	83.1%	85.6%	83.1%	85.6%	2.4%	3.8%	-0.1%	-0.1%	-1.3%	2.9%
Mid-Atlantic	88.5%	90.4%	89.0%	90.4%	1.9%	4.7%	-0.1%	1.8%	2.4%	3.9%
Mountain	84.4%	86.2%	84.9%	86.2%	3.4%	6.2%	1.6%	1.2%	3.4%	3.4%
Northeast	88.2%	89.9%	88.2%	89.9%	3.4%	3.6%	-0.7%	0.2%	1.4%	2.2%
Pacific	88.4%	89.4%	88.4%	89.4%	5.1%	6.6%	-0.2%	0.1%	0.9%	1.2%
Southeast	83.3%	85.2%	83.6%	85.3%	2.8%	4.9%	0.8%	-0.9%	1.4%	1.3%
Southwest	81.2%	85.3%	81.6%	85.3%	4.3%	4.7%	0.3%	0.3%	5.8%	5.3%
West North Central	82.6%	84.5%	82.7%	84.5%	4.3%	3.1%	0.8%	0.5%	3.3%	2.8%

1. Represents aggregate property type data for all markets.

The preceding table represents aggregate property type data collected from the NICMAP 99 markets (primary and secondary market aggregate), as shown below:

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

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

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

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

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

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

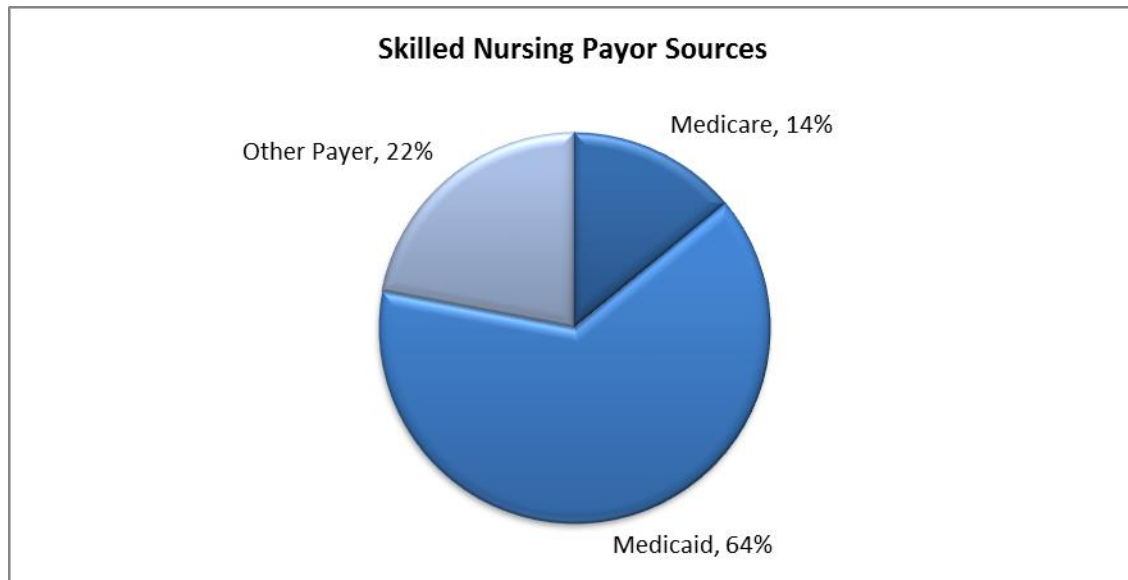
**Southwest:** Includes Austin, TX; Baton Rouge, LA; Dallas, TX; El Paso, TX; Houston, TX; Little Rock, AR; McAllen, TX; New Orleans, LA; Oklahoma City, OK; San Antonio, TX; and Tulsa, OK.

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

## Payment Types

### Skilled Nursing

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



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

### Medicaid

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

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

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

Among the large for-profit nursing facility companies, Medicaid typically comprises 65% to 70% of the resident census and typically generates around 45% of revenue for nursing facilities. According to AHCA, the average Medicaid rate for nursing home care was projected to be \$182.59 in 2013. Higher Medicare payments subsidize lower Medicaid payments in nursing facilities.

During an economic downturn, demand for Medicaid rises as more people fall into poverty or lose their employer sponsored coverage and become uninsured. At the same time, state revenues decline, affecting states' ability to balance their budgets and fund programs such as Medicaid. As a result, states must grapple with increasing pressures to limit program spending in Medicaid and manage the increase of newly eligible enrollees in the program.

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

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

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

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

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

## Medicare

Medicare reimbursement for nursing facilities consists of two parts:

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

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

### Fiscal Year Beginning October 1, 2018

In 2018, CMS proposed an increase to the FY 2019 rates of 2.4%, as mandated by the Bipartisan Budget Act of 2018. It was reported that without this legislation, the update would have been 1.9%. According to a report by Reed Smith, LLP, the update is reduced by 2% for nursing facilities that do not submit the required quality data under the new Quality Reporting Program, or QRP. No additional QRP measures are currently proposed, rather, the CMS is in favor of potentially removing some prior measures after a cost benefit analysis. As part of the announcements, the CMS is proposing a new rate structure for Medicare payments, based on resident needs rather than therapy needs. In short, the proposed PDPM would identify and adjust the following five case-mix components to characterize a resident’s care: Physical Therapy (PT), Occupational Therapy (OT), Speech-Language Pathology, Non-Therapy Ancillary (NTA), and Nursing. Within these components, the patient is assigned to one of 10 clinical categories based on their primary diagnosis (determined by ICD-10 codes recorded in MDS

item I8000). CMS would apply variable per diem payment adjustments to account for changes in resource use over the course of a stay for the PT, OT, and NTA components. The sum of each of five components would be combined with the non-case-mix component to determine the full SNF PPS per diem rate for that resident. CMS implemented the PDPM effective October 1, 2019, or FY 2020.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed by Congress signed into law by President Trump on March 27th, 2020. This over \$2 trillion economic relief package delivers commitment to protecting the American people from the public health and economic impacts of COVID-19. The CARES Act provides fast and direct economic assistance for American workers, families, and small businesses, and preserve jobs for our American industries.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 does two things. First, it temporarily suspends the Medicare sequester from taking effect between May 1, 2020 and December 31, 2020. However, this has recently been extended through December 31, 2021. This means that Medicare plans and providers would receive an increase in payment rates of approximately 2.0% more than what they otherwise would have received during this time. Second, it extended the mandatory sequester for one additional year. This means that mandatory spending for all non-exempt programs, including Medicare and non-Medicare, will be reduced through 2030.

In September 2021, the U.S. Department of Health and Human Services (HHS), through the Health Resources and Services Administration (HRSA) made \$25.5 billion in new funding available for health care providers affected by the COVID-19 pandemic. This funding included \$8.5 billion in American Rescue Plan (ARP) resources for providers who serve rural Medicaid, Children's Health Insurance Program (CHIP), or Medicare patients, and an additional \$17 billion for Provider Relief Fund (PRF) Phase 4 for a broad range of providers who can document revenue loss and expenses associated with the pandemic. PRF Phase 4 payments were based on providers' lost revenues and expenditures between July 1, 2020, and March 31, 2021. Phase 4 has reimbursed smaller providers who have low margins in rural or isolated communities.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 has done two things. First, it temporarily suspended the Medicare sequester from May 1, 2020 through March 31, 2022. It should be noted that this has been extended several times during the pandemic. This means that Medicare plans and providers would receive an increase in payment rates of approximately 2.0% more than what they otherwise would have received during this time. Second, it extended the mandatory sequester through March 31, 2022. This means that mandatory spending for all nonexempt programs, including Medicare and non-Medicare, will be reduced through 2030.

## Conclusion

Based on influential overall market and submarket area trends, construction outlook, and the performance of competing properties, JLL expects the mix of property fundamentals and economic conditions in the seniors housing segment to have a negative impact on the subject property's performance in the near-term due to the economic uncertainties surrounding COVID-19.

Across the seniors housing and care sector, operators have transitioned from “emergency response mode” and are actively in “recovery mode” with absorption rates and rent growth being reported at all-time highs. While employing a gained understanding of the additional operational burdens, staffing shortages advance once again as the top concern for maintaining healthy operations and providing the necessary services and care.

In the short-term, federal stimulus programs have provided much needed relief. The \$2.2 trillion CARES Act included \$100 billion for qualified healthcare providers. The Department of Health & Human Services (HHS) distributed nearly \$4.9 billion to nursing homes impacted by COVID-19. Coronavirus Stimulus Bill includes \$200 million for nursing homes infection-control efforts, with industry lobbyists working for additional government relief.

For the long term, curtailed construction caused by this pandemic only magnifies the long-term supply shortage. Medium and long-term investment remains bullish as experts prepare for the “silver tsunami”, with the leading-edge baby boomer now within a ten-year investment cycle of occupancy. Considering global economic impact of COVID-19, the need to serve the middle-income population will continue to grow.

## Highest and Best Use Analysis

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Highest and best use is shaped and determined by forces within the market such as supply and demand. The four criteria used in evaluating the highest and best use of a property are:

- Legally permissible
- Physically possible
- Financially feasible
- Maximally productive

The four criteria are applied in sequential order. A property often will have numerous uses that are legally permissible, but the test of physical possibility may remove some options from consideration, fewer still may meet the test of financial feasibility, and only a single use is maximally productive.

### Highest and Best Use of the Land as Though Vacant

The analysis of the highest and best use of the land as though vacant assumes that the property being appraised is vacant or can be made vacant by demolishing any improvements. This determination is crucial to determine the value of the site as though vacant and is also used in examining improvements and their conformance to the highest and best use of the site.

#### Legally Permissible

Private restrictions, zoning, building codes, historical district regulations, and environmental regulations must all be considered in determining the legally permissible uses of a site. Potential changes in these restrictions must also be addressed.

The subject's current zoning is considered to be legally conforming. Seniors housing is a permitted use. There are no known zoning changes pending or contemplated.

#### Physically Possible

The physical characteristics of the subject site were discussed in detail in the site analysis section. The site is functional in size and shape and is serviced by standard municipal utilities. The site has average accessibility and average visibility. Overall functional utility is considered to be average. The site is suitable for a broad range of uses, including seniors housing.

#### Financially Feasible

An analysis of local market conditions provides an indication of the financial feasibility of a given use. The market analysis presented earlier in this report assessed the local market and indicated that there is demand for the subject. Further, the income and expense analysis that follows reveals the subject is forecasted to produce a positive return. Therefore, development of a seniors housing facility is a financially feasible use.

### Maximally Productive

The final test of highest and best use of the site as though vacant is whether the use is maximally productive, yielding the highest land value. Analysis of physically possible, legally permissible, and financially feasible uses indicates that the maximally productive use of the site as though vacant is for development of a seniors housing facility. While there are potentially other feasible uses, this use is believed to provide the highest net return to the site.

### Highest and Best Use of the Property as Improved

This analysis considers the subject as improved.

### Legally Permissible

The current use is a legal use. Other legal uses of the improvements would be multi-family.

### Physically Possible

The physical characteristics of the subject improvements were discussed in detail in the Improvement Description and Analysis section of this report. Overall, the current layout and position of the improvements are considered functional. Since seniors housing facilities are specialized facilities, there are no other physically possible uses of the structure that would not require substantial reconstruction or demolition.

### Financially Feasible

Operation of the subject as a seniors housing facility is a financially feasible use, yielding a positive value.

### Maximally Productive

The maximally productive use of the subject as improved is for continued use as a seniors housing facility. The subject is valued based upon this use as a skilled nursing facility. The most likely potential purchaser is a REIT, investor, or seniors housing owner/operator.

## Income Capitalization Approach

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

The direct capitalization method is a method that converts an income estimate for a single year into an estimate of value through the application of a capitalization rate. An overall capitalization rate ( $R_0$ ) is normally used. The  $R_0$  reflects the relationship between a single year's income and value. The most common way to estimate overall capitalization rates is via analysis of comparable sales. The direct capitalization method is developed in four basic steps:

- Analyze the market and contractual income of the subject.
- From available market data, estimate a proper allowance for vacancy and credit loss forecast to occur during the projected period of ownership.
- Estimate and project anticipated fixed and operating expenses to be incurred by the real estate.
- Select and apply an appropriate capitalization rate.

Please note, the subject is encumbered by a lease and therefore a capitalization rate is applied to the lease payment.

### Income and Expense Analysis – Tenant Operations

This appraisal analyzes and reports the leased fee position of the property owner. The subject is encumbered by a lease agreement, which is discussed in detail later in this report. As part of this analysis, the tenant net operating income is analyzed for lease coverage conclusions. The income and expenses provided to us are summarized in the following tables:

**Historical Income and Expenses**  
**Shown in Dollars and Per Resident Day**

Item	Year to Date Annualized				Year to Date Annualized		Budget For Trailing-12	
	Ending 12/31/2021		Year Ending 12/31/2022		Ending 4/30/2023		Months Ending 7/31/2026	
	\$	PRD	\$	PRD	\$	PRD	\$	PRD
<b>Income -</b>								
Room & Board -								
Independent Living	\$15,882,050	\$95.07	\$15,759,649	\$89.92	\$14,812,253	\$87.83	\$22,645,911	\$101.71
Assisted Living	\$3,957,666	\$225.87	\$4,076,334	\$174.37	\$4,528,594	\$186.69	\$6,321,085	\$187.49
Private Pay Nursing	\$2,303,865	\$530.01	\$2,272,014	\$418.80	\$1,761,245	\$441.00	\$2,437,295	\$483.54
Ins./Managed Care Nursing	\$3,076,338	\$521.48	\$3,591,767	\$505.74	\$4,590,732	\$557.55	\$4,572,899	\$454.84
Medicaid Nursing	\$432,812	\$296.35	\$911,936	\$236.13	\$1,029,707	\$231.24	\$795,465	\$329.24
Medicare Nursing	\$2,615,716	\$593.77	\$3,776,617	\$550.05	\$2,799,256	\$556.75	\$5,184,834	\$508.80
VA/Hospice Nursing	\$5,853	\$0.00	\$157,980	\$196.01	\$372,661	\$255.25	\$38,548	\$175.22
<b>Total Room &amp; Board</b>	<b>\$28,274,300</b>	<b>\$140.88</b>	<b>\$30,546,298</b>	<b>\$137.16</b>	<b>\$29,894,449</b>	<b>\$138.35</b>	<b>\$41,996,037</b>	<b>\$147.73</b>
<b>Therapy &amp; Other -</b>								
Therapy & Ancillary Income	\$976,898	\$4.87	\$49,008	\$0.22	\$129,208	\$0.60	\$1,967,891	\$6.92
Other Income	\$512,751	\$2.55	\$793,437	\$3.56	\$2,012,346	\$9.31	\$1,033,090	\$3.63
<b>Total Therapy &amp; Other Income</b>	<b>\$1,489,649</b>	<b>\$7.42</b>	<b>\$842,445</b>	<b>\$3.78</b>	<b>\$2,141,554</b>	<b>\$9.91</b>	<b>\$3,000,981</b>	<b>\$10.56</b>
<b>Income Summary -</b>								
Total Room & Board Income	\$28,274,300	\$140.88	\$30,546,298	\$137.16	\$29,894,449	\$138.35	\$41,996,037	\$147.73
Total Therapy & Other Income	\$1,489,649	\$7.42	\$842,445	\$3.78	\$2,141,554	\$9.91	\$3,000,981	\$10.56
Prior Period Adjustments	\$0	\$0.00	\$0	\$0.00	\$0	\$0.00	\$0	\$0.00
Contractual Adjustments	\$0	\$0.00	\$0	\$0.00	\$0	\$0.00	\$0	\$0.00
<b>Total Income</b>	<b>\$29,763,949</b>	<b>\$148.31</b>	<b>\$31,388,744</b>	<b>\$140.94</b>	<b>\$32,036,003</b>	<b>\$148.26</b>	<b>\$44,997,018</b>	<b>\$158.28</b>
<b>Expenses -</b>								
Nursing	\$4,386,188	\$21.86	\$7,056,827	\$31.69	\$6,909,386	\$31.98	\$6,159,821	\$21.67
Contract Nursing	\$0	\$0.00	\$675,276	\$3.03	\$31,983	\$0.15	\$0	\$0.00
Dietary	\$3,887,892	\$19.37	\$4,671,361	\$20.98	\$5,054,564	\$23.39	\$5,083,623	\$17.88
Therapy and Ancillary	\$643,433	\$3.21	\$840,717	\$3.78	\$807,920	\$3.74	\$1,276,163	\$4.49
Admin & General	\$2,383,326	\$11.88	\$3,633,388	\$16.31	\$3,986,864	\$18.45	\$4,267,926	\$15.01
Housekeeping and Laundry	\$837,858	\$4.17	\$770,195	\$3.46	\$878,877	\$4.07	\$1,281,210	\$4.51
Activities and Recreation	\$392,815	\$1.96	\$891,737	\$4.00	\$1,029,270	\$4.76	\$594,308	\$2.09
Repairs and Maintenance	\$2,400,585	\$11.96	\$4,269,941	\$19.17	\$2,424,888	\$11.22	\$2,951,517	\$10.38
Utilities	\$991,911	\$4.94	\$0	\$0.00	\$1,819,585	\$8.42	\$1,619,826	\$5.70
Bad Debt	\$360,989	\$1.80	\$468,791	\$2.10	\$435,521	\$2.02	\$671,846	\$2.36
Real Estate Taxes	\$397,409	\$1.98	\$548,610	\$2.46	\$1,112,459	\$5.15	\$2,143,026	\$7.54
PL/GL Insurance	\$280,625	\$1.40	\$1,014,546	\$4.56	\$1,240,805	\$5.74	\$429,175	\$1.51
Workers Compensation	\$137,101	\$0.68	\$0	\$0.00	\$113,098	\$0.52	\$134,643	\$0.47
Other Insurance	\$0	\$0.00	\$0	\$0.00	\$0	\$0.00	\$0	\$0.00
Provider Bed Tax	\$211,256	\$1.05	\$179,759	\$0.81	\$274,012	\$1.27	\$291,369	\$1.02
Uncateg. Salary & Benefits	\$6,067,265	\$30.23	\$1,880,602	\$8.44	\$2,845,459	\$13.17	\$2,078,362	\$7.31
Management Fee	\$211,529	\$1.05	\$1,584,987	\$7.12	\$1,575,777	\$7.29	\$2,239,816	\$7.88
Reserves for Replacements	\$0	\$0.00	\$0	\$0.00	\$0	\$0.00	\$0	\$0.00
<b>Total Expenses</b>	<b>\$23,590,181</b>	<b>\$117.54</b>	<b>\$28,486,738</b>	<b>\$127.91</b>	<b>\$30,540,468</b>	<b>\$141.34</b>	<b>\$31,222,633</b>	<b>\$109.83</b>
<b>Net Operating Inc.</b>	<b>\$6,173,768</b>	<b>\$30.76</b>	<b>\$2,902,006</b>	<b>\$13.03</b>	<b>\$1,495,534</b>	<b>\$6.92</b>	<b>\$13,774,386</b>	<b>\$48.45</b>

## Historical Income and Expenses

### Shown in Dollars and % of Total Revenue

Item	Year to Date Annualized				Year to Date Annualized		Budget For Trailing-12	
	Ending 12/31/2021		Year Ending 12/31/2022		Ending 4/30/2023		Months Ending 7/31/2026	
	\$	%	\$	%	\$	%	\$	%
<b>Income -</b>								
Room & Board -								
Independent Living	\$15,882,050	53.36%	\$15,759,649	50.21%	\$14,812,253	46.24%	\$22,645,911	50.33%
Assisted Living	\$3,957,666	13.30%	\$4,076,334	12.99%	\$4,528,594	14.14%	\$6,321,085	14.05%
Private Pay Nursing	\$2,303,865	7.74%	\$2,272,014	7.24%	\$1,761,245	5.50%	\$2,437,295	5.42%
Ins./Managed Care Nursing	\$3,076,338	10.34%	\$3,591,767	11.44%	\$4,590,732	14.33%	\$4,572,899	10.16%
Medicaid Nursing	\$432,812	1.45%	\$911,936	2.91%	\$1,029,707	3.21%	\$795,465	1.77%
Medicare Nursing	\$2,615,716	8.79%	\$3,776,617	12.03%	\$2,799,256	8.74%	\$5,184,834	11.52%
VA/Hospice Nursing	\$5,853	0.02%	\$157,980	0.50%	\$372,661	1.16%	\$38,548	0.09%
<b>Total Room &amp; Board</b>	<b>\$28,274,300</b>	<b>95.00%</b>	<b>\$30,546,298</b>	<b>97.32%</b>	<b>\$29,894,449</b>	<b>93.32%</b>	<b>\$41,996,037</b>	<b>93.33%</b>
<b>Therapy &amp; Other -</b>								
Therapy & Ancillary Income	\$976,898	3.28%	\$49,008	0.16%	\$129,208	0.40%	\$1,967,891	4.37%
Other Income	\$512,751	1.72%	\$793,437	2.53%	\$2,012,346	6.28%	\$1,033,090	2.30%
<b>Total Therapy &amp; Other Income</b>	<b>\$1,489,649</b>	<b>5.00%</b>	<b>\$842,445</b>	<b>2.68%</b>	<b>\$2,141,554</b>	<b>6.68%</b>	<b>\$3,000,981</b>	<b>6.67%</b>
<b>Income Summary -</b>								
Total Room & Board Income	\$28,274,300	95.00%	\$30,546,298	97.32%	\$29,894,449	93.32%	\$41,996,037	93.33%
Total Therapy & Other Income	\$1,489,649	5.00%	\$842,445	2.68%	\$2,141,554	6.68%	\$3,000,981	6.67%
Prior Period Adjustments	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%
Contractual Adjustments	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%
<b>Total Income</b>	<b>\$29,763,949</b>	<b>100.00%</b>	<b>\$31,388,744</b>	<b>100.00%</b>	<b>\$32,036,003</b>	<b>100.00%</b>	<b>\$44,997,018</b>	<b>100.00%</b>
<b>Expenses -</b>								
Nursing	\$4,386,188	14.74%	\$7,056,827	22.48%	\$6,909,386	21.57%	\$6,159,821	13.69%
Contract Nursing	\$0	0.00%	\$675,276	2.15%	\$31,983	0.10%	\$0	0.00%
Dietary	\$3,887,892	13.06%	\$4,671,361	14.88%	\$5,054,564	15.78%	\$5,083,623	11.30%
Therapy and Ancillary	\$643,433	2.16%	\$840,717	2.68%	\$807,920	2.52%	\$1,276,163	2.84%
Admin & General	\$2,383,326	8.01%	\$3,633,388	11.58%	\$3,986,864	12.44%	\$4,267,926	9.48%
Housekeeping and Laundry	\$837,858	2.82%	\$770,195	2.45%	\$878,877	2.74%	\$1,281,210	2.85%
Activities and Recreation	\$392,815	1.32%	\$891,737	2.84%	\$1,029,270	3.21%	\$594,308	1.32%
Repairs and Maintenance	\$2,400,585	8.07%	\$4,269,941	13.60%	\$2,424,888	7.57%	\$2,951,517	6.56%
Utilities	\$991,911	3.33%	\$0	0.00%	\$1,819,585	5.68%	\$1,619,826	3.60%
Bad Debt	\$360,989	1.21%	\$468,791	1.49%	\$435,521	1.36%	\$671,846	1.49%
Real Estate Taxes	\$397,409	1.34%	\$548,610	1.75%	\$1,112,459	3.47%	\$2,143,026	4.76%
PL/GL Insurance	\$280,625	0.94%	\$1,014,546	3.23%	\$1,240,805	3.87%	\$429,175	0.95%
Workers Compensation	\$137,101	0.46%	\$0	0.00%	\$113,098	0.35%	\$134,643	0.30%
Other Insurance	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%
Provider Bed Tax	\$211,256	0.71%	\$179,759	0.57%	\$274,012	0.86%	\$291,369	0.65%
Uncateg. Salary & Benefits	\$6,067,265	20.38%	\$1,880,602	5.99%	\$2,845,459	8.88%	\$2,078,362	4.62%
Management Fee	\$211,529	0.71%	\$1,584,987	5.05%	\$1,575,777	4.92%	\$2,239,816	4.98%
Reserves for Replacements	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%
<b>Total Expenses</b>	<b>\$23,590,181</b>	<b>79.26%</b>	<b>\$28,486,738</b>	<b>90.75%</b>	<b>\$30,540,468</b>	<b>95.33%</b>	<b>\$31,222,633</b>	<b>69.39%</b>
<b>Net Operating Inc.</b>	<b>\$6,173,768</b>	<b>20.74%</b>	<b>\$2,902,006</b>	<b>9.25%</b>	<b>\$1,495,534</b>	<b>4.67%</b>	<b>\$13,774,386</b>	<b>30.61%</b>

Important items relating to the financials are as follows:

- Any costs associated with mortgage financing, including principal and interest expenses and closing fees, have been excluded;
- Depreciation expenses have been excluded;
- Contractual adjustments, if any, have been netted against income for the appropriate payer source; and

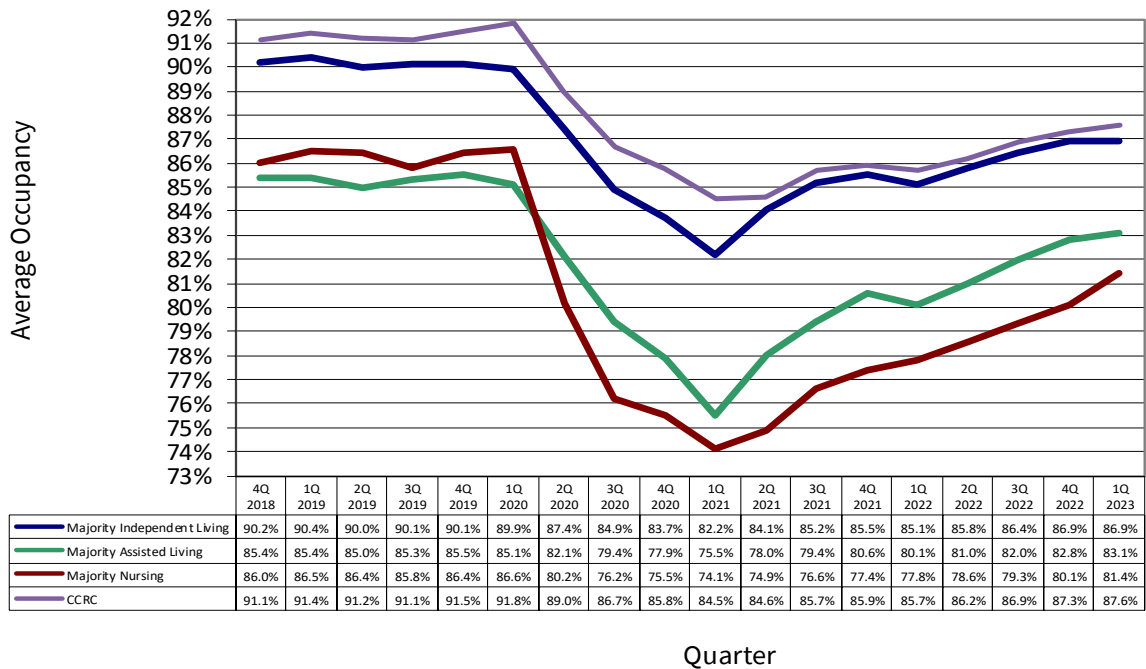
- Partial year data has been annualized.
- The COVID-19 stimulus was not included within the historical data.
- The COVID-19 expenses were detailed and were not included within the historical data.

## Projected Census and Occupancy for the Subject

### National Occupancy Data

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

### Occupancy Levels - NIC MAP 99 Markets



As can be seen in the chart above, occupancy decreased across the board in the second quarter of 2020, which at the time reflected the reluctance of potential residents to move into seniors housing during the pandemic, but did not reflect the underlying market conditions that are expected over the long term. Occupancy finally began to trend upward in the second quarter of 2021, and this trend is continuing as the market recovers.

Based on key findings from NIC Map Data for 1Q2023:

- Overall seniors housing occupancy grew to 85.1%;
- Nursing care occupancy averaged 81.4%, a 730 basis point increase from 1Q21.

### Historical Data

Historical occupancy has been as follows:

## Payor Mix and Projected Resident Day Occupancy

Payor Source	Year to Date Annualized				Year to Date Annualized		Budget For Trailing-12	
	Ending 12/31/2021	Year Ending 12/31/2022		Ending 4/30/2023	Months Ending 7/31/2026			
	Days	%	Days	%	Days	%	Days	%
Independent Living	167,058	83.2%	175,268	78.7%	168,654	78.1%	222,650	78.3%
Assisted Living	17,522	8.7%	23,377	10.5%	24,257	11.2%	33,714	11.9%
Private Pay Nursing	4,347	2.2%	5,425	2.4%	3,994	1.8%	5,041	1.8%
Ins./Managed Care Nursing	5,899	2.9%	7,102	3.2%	8,234	3.8%	10,054	3.5%
Medicaid Nursing	1,460	0.7%	3,862	1.7%	4,453	2.1%	2,416	0.8%
Medicare Nursing	4,405	2.2%	6,866	3.1%	5,028	2.3%	10,190	3.6%
VA/Hospice Nursing	0	0.0%	806	0.4%	1,460	0.7%	220	0.1%
<b>Total</b>	<b>200,692</b>	<b>100.0%</b>	<b>222,706</b>	<b>100.0%</b>	<b>216,080</b>	<b>100.0%</b>	<b>284,284</b>	<b>100.0%</b>
Available (Operating) Beds	1,053		1,053		1,053		1,053	
Available Res. Days	385,398		384,345		384,345		384,345	
Occupancy Rate	52.1%		57.9%		56.2%		74.0%	

The current census is 594, equating to occupancy of 56.4% (based upon 1053 operating beds). The subject was 74% occupied in 2019. The occupancy for the subject has been impacted by COVID-19. The income loss will be deducted as typical lease-up costs detailed later in this report. The current management took over in May 2021 for the previous non-profit operator.

## Tenant Occupancy Conclusion

Considering the subject's historical occupancy levels, and the subject's overall market appeal, occupancy is forecast at 72.0%. The stabilized occupancy forecast is based upon anticipated physical occupancy.

## Tenant Payor Mix

In terms of payor mix, the subject's historical mix has been as follows:

### Payor Mix

Item	Year to Date Annualized		Year to Date Annualized		Budget For Trailing-12 Months		Expense				Expense Comp	JLL Pro Forma
	Ending 12/31/2021	Year Ending 12/31/2022	Ending 12/31/2022	Ending 4/30/2023	Ending 7/31/2026	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Average		
Independent Living	83.2%	78.7%	78.1%	78.3%	78.3%	56.3%	29.0%	59.9%	45.8%	47.8%	78.0%	
Assisted Living	8.7%	10.5%	11.2%	11.9%	11.9%	20.8%	27.7%	30.4%	22.4%	25.3%	11.5%	
Private Pay Nursing	2.2%	2.4%	1.8%	1.8%	1.8%	0.8%	16.9%	2.9%	9.2%	7.5%	2.0%	
Ins./Managed Care Nursing	2.9%	3.2%	3.8%	3.5%	3.5%	4.5%	6.1%	2.5%	6.8%	5.0%	3.5%	
Medicaid Nursing	0.7%	1.7%	2.1%	0.8%	0.8%	11.0%	6.6%	0.0%	9.9%	6.9%	2.0%	
Medicare Nursing	2.2%	3.1%	2.3%	3.6%	3.6%	6.6%	13.4%	4.2%	5.9%	7.5%	2.5%	
VA/Hospice Nursing	0.0%	0.4%	0.7%	0.1%	0.1%	0.0%	0.2%	0.0%	0.0%	0.0%	0.5%	

## Tenant Effective Gross Income

Using the concluded rates, occupancy, and payor mix, total effective gross income for the subject is as follows:

## Pro Forma Effective Gross Income

Payor Type	%	Gross Potential Resident Days for Payor (Rounded)	Net Resident Days for Payor (Rounded)	Daily Rate	Annual Gross Potential Income	Annual Effective Gross Income
Independent Living	78.0%	299,789	215,848	\$88.00	\$26,381,432	\$18,994,624
Assisted Living	11.5%	44,200	31,824	\$187.00	\$8,265,400	\$5,951,088
Private Pay Nursing	2.0%	7,687	5,535	\$442.00	\$3,397,654	\$2,446,470
Ins./Managed Care Nursing	3.5%	13,452	9,685	\$558.00	\$7,506,216	\$5,404,230
Medicaid Nursing	2.0%	7,687	5,535	\$233.09	\$1,791,771	\$1,290,159
Medicare Nursing	2.5%	9,609	6,918	\$577.20	\$5,546,315	\$3,993,070
VA/Hospice Nursing	0.5%	1,922	1,384	\$250.00	\$480,500	\$346,000
<b>Totals</b>	<b>100.0%</b>	<b>384,346</b>	<b>276,729</b>		<b>\$53,369,287</b>	<b>\$38,425,640</b>
Therapy & Ancillary Income			276,729	\$0.60		\$166,037
Other Income			276,729	\$9.30		\$2,573,580
Prior Period Adjustments			276,729	\$0.00		\$0
Contractual Adjustments			276,729	\$0.00		\$0
<b>Total Effective Gross Income</b>						<b>\$41,165,257</b>

Our estimate is compared to the subject's historical results below:

### Total Effective Gross Income

Item	Year to Date Annualized		Year to Date Annualized		Budget For Trailing-12 Months					JLL Pro Forma
	Ending 12/31/2021	Year Ending 12/31/2022	Ending 4/30/2023	Ending 7/31/2026	Expense Comparable 1	Expense Comparable 2	Expense Comparable 3	Expense Comparable 4	Expense Average	
Income in \$	\$29,763,949	\$31,388,744	\$32,036,003	\$44,997,018	\$24,522,915	\$10,692,750	\$16,087,393	\$12,561,954	\$15,966,253	\$41,165,257
Income PRD	\$148.31	\$140.94	\$148.26	\$158.28	\$245.28	\$268.91	\$193.57	\$166.63	\$218.60	\$148.76
Income %	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Based on the current financials, occupancy and revenue have been impacted by COVID-19. The occupancy for the subject has been impacted by COVID-19 due to less move-ins. The current management took over in May 2021 for the previous non-profit operator.

The JLL Conclusion considers historical and current indications, however most weight is placed on stabilized operations and current reimbursement indications. Most notably, JLL conclusions placed significant weight on the following changes:

- Current independent living reimbursement based on recent indications;
- Current Medicaid Reimbursement with the addition of the real estate tax passthrough; and
- Stabilized occupancy levels as supported by market and pre COVID-19 trends.

## Tenant Operating Expenses

We will now forecast operating expenses for the subject on a stabilized basis.

Labor and supply costs are expected to increase in the short-term due to the COVID-19 situation. We have discussed these increased costs with the operator which are considered to be atypical and have reconciled in line with the expense comparables.

### Income and Expense Comparables

In forecasting income and expenses, we will rely upon the subject's figures. We will also rely upon expense data derived from four Income and Expense Comparables. The expense data has been trended to the current year at an annual rate of 3.00% per year. The expense comparables are profiled as follows (with trended financial data shown):

## Income and Expense Comparables

Item	Comparable Number			
	1	2	3	4
City	Philadelphia	Louisville	Tucson	Warren
State	Pennsylvania	Kentucky	Arizona	OH
Operating Beds	462	123	281	257
Potential Res. Days	168,630	44,895	102,565	93,805
Actual Res. Days	99,980	39,763	83,111	75,388
Occupancy %	59.3%	88.6%	81.0%	80.4%
Payor Mix%				
Independent Living	56.3%	29.0%	59.9%	45.8%
Assisted Living	20.8%	27.7%	30.4%	22.4%
Private Pay Nursing	0.8%	16.9%	2.9%	9.2%
Ins./Managed Care Nursing	4.5%	6.1%	2.5%	6.8%
Medicaid Nursing	11.0%	6.6%	0.0%	9.9%
Medicare Nursing	6.6%	13.4%	4.2%	5.9%
VA/Hospice Nursing	0.0%	0.2%	0.0%	0.0%

ITEM	\$	PRD	%	\$	PRD	%	\$	PRD	%	\$	PRD	%
<b>Income -</b>												
<b>Room &amp; Board -</b>												
Independent Living	\$8,185,480	\$145.32	33.4%	\$1,185,118	\$102.63	11.1%	\$5,787,843	\$116.33	36.0%	\$1,602,541	\$46.37	12.8%
Assisted Living	\$4,390,385	\$211.06	17.9%	\$1,742,164	\$157.99	16.3%	\$4,978,194	\$196.74	30.9%	\$2,317,432	\$137.16	18.4%
Private Pay Nursing	\$449,154	\$557.26	1.8%	\$2,252,025	\$334.86	21.1%	\$802,509	\$328.49	5.0%	\$2,139,230	\$309.18	17.0%
Ins./Managed Care Nursing	\$1,899,463	\$423.23	7.7%	\$1,157,479	\$475.61	10.8%	\$811,804	\$389.73	5.0%	\$2,139,009	\$418.02	17.0%
Medicaid Nursing	\$2,435,523	\$222.06	9.9%	\$563,185	\$214.40	5.3%	\$0	\$0.00	0.0%	\$1,747,003	\$234.97	13.9%
Medicare Nursing	\$4,441,276	\$673.94	18.1%	\$3,052,572	\$571.81	28.5%	\$1,938,362	\$549.11	12.0%	\$2,254,760	\$505.32	17.9%
VA/Hospice Nursing	\$5,229	\$0.00	0.0%	\$10,437	\$161.40	0.1%	\$0	\$0.00	0.0%	\$0	\$0.00	0.0%
<b>Total Room &amp; Board</b>	<b>\$21,806,509</b>	<b>\$218.11</b>	<b>88.9%</b>	<b>\$9,962,979</b>	<b>\$250.56</b>	<b>93.2%</b>	<b>\$14,318,712</b>	<b>\$172.28</b>	<b>89.0%</b>	<b>\$12,199,975</b>	<b>\$161.83</b>	<b>97.1%</b>
<b>Therapy &amp; Other -</b>												
Therapy & Ancillary Income	\$862,404	\$8.63	3.5%	\$652,029	\$16.40	6.1%	\$1,636,911	\$19.70	10.2%	\$41,069	\$0.54	0.3%
Other Income	\$1,854,002	\$18.54	7.6%	\$77,742	\$1.96	0.7%	\$131,770	\$1.59	0.8%	\$363,594	\$4.82	2.9%
<b>Total Therapy &amp; Other Income</b>	<b>\$2,716,406</b>	<b>\$27.17</b>	<b>11.1%</b>	<b>\$729,771</b>	<b>\$18.35</b>	<b>6.8%</b>	<b>\$1,768,680</b>	<b>\$21.28</b>	<b>11.0%</b>	<b>\$404,663</b>	<b>\$5.37</b>	<b>3.2%</b>
<b>Income Summary -</b>												
<b>Total Room &amp; Board Income</b>	<b>\$21,806,509</b>	<b>\$218.11</b>	<b>88.9%</b>	<b>\$9,962,979</b>	<b>\$250.56</b>	<b>93.2%</b>	<b>\$14,318,712</b>	<b>\$172.28</b>	<b>89.0%</b>	<b>\$12,199,975</b>	<b>\$161.83</b>	<b>97.1%</b>
<b>Total Therapy &amp; Other Income</b>	<b>\$2,716,406</b>	<b>\$27.17</b>	<b>11.1%</b>	<b>\$729,771</b>	<b>\$18.35</b>	<b>6.8%</b>	<b>\$1,768,680</b>	<b>\$21.28</b>	<b>11.0%</b>	<b>\$404,663</b>	<b>\$5.37</b>	<b>3.2%</b>
Prior Period Adjustments	\$0	\$0.00	0.0%	\$0	\$0.00	0.0%	\$0	\$0.00	0.0%	-\$42,683	-\$0.57	-0.3%
Contractual Adjustments	\$0	\$0.00	0.0%	\$0	\$0.00	0.0%	\$0	\$0.00	0.0%	\$0	\$0.00	0.0%
<b>Total Income</b>	<b>\$24,522,915</b>	<b>\$245.28</b>	<b>100.0%</b>	<b>\$10,692,750</b>	<b>\$268.91</b>	<b>100.0%</b>	<b>\$16,087,393</b>	<b>\$193.57</b>	<b>100.0%</b>	<b>\$12,561,954</b>	<b>\$166.63</b>	<b>100.0%</b>
<b>Expenses -</b>												
Nursing	\$4,642,277	\$46.43	18.9%	\$2,881,334	\$72.46	26.9%	\$2,448,598	\$29.46	15.2%	\$4,803,274	\$63.71	38.2%
Contract Nursing	\$0	\$0.00	0.0%	\$0	\$0.00	0.0%	\$0	\$0.00	0.0%	\$0	\$0.00	0.0%
Dietary	\$2,914,690	\$29.15	11.9%	\$753,580	\$18.95	7.0%	\$1,503,184	\$18.09	9.3%	\$1,245,693	\$16.52	9.9%
Therapy and Ancillary	\$1,775,363	\$17.76	7.2%	\$1,662,021	\$41.80	15.5%	\$369,606	\$4.45	2.3%	\$0	\$0.00	0.0%
Admin & General	\$2,175,490	\$21.76	8.9%	\$913,623	\$22.98	8.5%	\$2,991,817	\$36.00	18.6%	\$1,100,732	\$14.60	8.8%
Housekeeping and Laundry	\$1,658,884	\$16.59	6.8%	\$283,856	\$7.14	2.7%	\$369,100	\$4.44	2.3%	\$279,295	\$3.70	2.2%
Activities and Recreation	\$323,264	\$3.23	1.3%	\$253,245	\$6.37	2.4%	\$320,557	\$3.86	2.0%	\$262,561	\$3.48	2.1%
Repairs and Maintenance	\$1,138,362	\$11.39	4.6%	\$321,859	\$8.09	3.0%	\$467,043	\$5.62	2.9%	\$452,207	\$6.00	3.6%
Utilities	\$960,078	\$9.60	3.9%	\$279,277	\$7.02	2.6%	\$713,104	\$8.58	4.4%	\$315,007	\$4.18	2.5%
Bad Debt	\$68,625	\$0.69	0.3%	\$116,484	\$2.93	1.1%	\$44,556	\$0.54	0.3%	\$8,597	\$0.11	0.1%
Real Estate Taxes	\$972,641	\$9.73	4.0%	\$156,822	\$3.94	1.5%	\$259,849	\$3.13	1.6%	\$230,885	\$3.06	1.8%
PL/GL Insurance	\$667,416	\$6.68	2.7%	\$145,920	\$3.67	1.4%	\$301,646	\$3.63	1.9%	\$104,055	\$1.38	0.8%
Workers Compensation	\$300,486	\$3.01	1.2%	\$58,427	\$1.47	0.5%	\$61,462	\$0.74	0.4%	\$0	\$0.00	0.0%
Other Insurance	\$0	\$0.00	0.0%	\$0	\$0.00	0.0%	\$0	\$0.00	0.0%	\$0	\$0.00	0.0%
Provider Bed Tax	\$130,915	\$1.31	0.5%	\$133,656	\$3.36	1.2%	\$0	\$0.00	0.0%	\$0	\$0.00	0.0%
Uncateg. Salary & Benefits	\$2,975,660	\$29.76	12.1%	\$309,260	\$7.78	2.9%	\$1,977,904	\$23.80	12.3%	\$0	\$0.00	0.0%
Management Fee	\$985,437	\$9.86	4.0%	\$459,857	\$11.56	4.3%	\$150,394	\$1.81	0.9%	\$708,659	\$9.40	5.6%
Reserves for Replacements	\$0	\$0.00	0.0%	\$0	\$0.00	0.0%	\$0	\$0.00	0.0%	\$0	\$0.00	0.0%
<b>Total Expenses</b>	<b>\$21,689,587</b>	<b>\$216.94</b>	<b>88.4%</b>	<b>\$8,729,220</b>	<b>\$219.53</b>	<b>81.6%</b>	<b>\$11,978,820</b>	<b>\$144.13</b>	<b>74.5%</b>	<b>\$9,510,965</b>	<b>\$126.16</b>	<b>75.7%</b>

## Tenant Paid Management Fees

Management fees are fees paid to a management company that is responsible for the operation of a nursing facility. Management company responsibilities vary from facility to facility; however, some of the typical responsibilities of management companies are financial performance, occupancy, profitability of the business, compliance with government regulations, business activities such as billing and collection of receivables, marketing, documentation, and assistance in budgeting. The management is also responsible for the maintenance and repairing of the subject property and

grounds, supervision of day-to-day operations, and providing monthly or quarterly reports on occupancy cash flow, operating expenses, and capital accounts.

*The State of Seniors Housing 2022* provided the following information pertaining to management fees:

### Management Fees (Percentage of Total Revenue)

Community Type	Minimum	Average	Maximum
Independent Living	2.4%	4.5%	6.2%
Independent/Assisted Living	3.2%	4.9%	9.5%
IL/AL/MC	3.0%	4.8%	6.6%
Assisted Living	2.0%	4.6%	8.1%
Assisted Living/Memory Care	1.2%	5.2%	10.7%
Memory Care	1.0%	4.8%	8.4%
CCRC	1.5%	4.2%	11.9%
<b>All Communities</b>	<b>1.0%</b>	<b>4.6%</b>	<b>11.9%</b>

Source: The State of Seniors Housing 2022

Typically, management fees charged by unaffiliated third party companies are in the range of 4% to 7% of EGI for seniors housing projects. Although the comparables actually reported a variety of management expenses, we have shown an expense of 5.0% so that the comparables can be compared to the subject on a consistent basis in the analysis of total expenses.

### Tenant Paid Reserves for Replacements

Realty Rates Investor Survey 3Q22 indicated the following capital expenditure/replacement reserve requirements:

#### Reserve Requirements for Health Care/Senior Housing

	Per Unit
Minimum	\$275
Maximum	\$750
Typical	\$419

Source: 3rd Quarter 2022 Realty Rates Investor Survey

Note that these are expressed as amount per unit, not beds. Based on the foregoing, reserve of \$375 per bed has been utilized.

### Total Tenant Expenses

Total forecast expenses are as follows, in comparison to the historicals and expense comparables.

## Comparison of Expenses

Item	Total Expenses	Expenses PRD	Expenses as a Percent of EGI
Year to Date Annualized Ending 12/31/2021	\$25,261,725	\$125.87	84.87%
Year Ending 12/31/2022	\$28,866,063	\$129.62	91.96%
Year to Date Annualized Ending 4/30/2023	\$30,961,366	\$143.29	96.65%
Budget For Trailing-12 Months Ending 7/31/2026	\$31,627,543	\$111.25	70.29%
<b>JLL Pro Forma</b>	<b>\$32,173,924</b>	<b>\$116.27</b>	<b>78.16%</b>
Expense Comp 1	\$22,103,546	\$221.08	90.13%
Expense Comp 2	\$8,850,125	\$222.57	82.77%
Expense Comp 3	\$12,738,171	\$153.27	79.18%
Expense Comp 4	\$9,526,779	\$126.37	75.84%

The forecast expenses are reasonable in comparison to the historicals and comparables. We have normalized contract nursing which is supported by historical levels and expense comparables. Based on discussions with management, the following expense departments were adjusted:

- Administrative: bad debt has been normalized based on market extracted data, or at approximately 1.25% to 2.00% of revenue JLL has concluded based on market extracted data.
- Management fees have been normalized based on market extracted data, or at approximately 5.00% of revenue.

## Tenant Income and Expense Pro Forma

The following table summarizes:

- Our pro forma conclusions for the current year (tenant)

## Stabilized Pro Forma

Property Name	Allegria Village
Operating Beds	1,053
Potential Resident Days:	384,345

### Forecasted Census - Net of Vacancy

Independent Living	215,848	78.0%
Assisted Living	31,824	11.5%
Private Pay Nursing	5,535	2.0%
Ins./Managed Care Nursing	9,685	3.5%
Medicaid Nursing	5,535	2.0%
Medicare Nursing	6,918	2.5%
VA/Hospice Nursing	1,384	0.5%
<b>Total</b>	<b>276,729</b>	<b>100.0%</b>
Average Daily Census	758.2	
Occupancy Rate	72.0%	

ITEM	DOLLARS	PRD	% OF REVENUE
<b>Income -</b>			
<b>Room &amp; Board -</b>			
Independent Living	\$18,994,624	\$88.00	46.1%
Assisted Living	\$5,951,088	\$187.00	14.5%
Private Pay Nursing	\$2,446,470	\$442.00	5.9%
Ins./Managed Care Nursing	\$5,404,230	\$558.00	13.1%
Medicaid Nursing	\$1,290,159	\$233.09	3.1%
Medicare Nursing	\$3,993,070	\$577.20	9.7%
VA/Hospice Nursing	\$346,000	\$250.00	0.8%
<b>Total Room &amp; Board</b>	<b>\$38,425,640</b>	<b>\$138.86</b>	<b>93.3%</b>
<b>Therapy &amp; Other -</b>			
Therapy & Ancillary Income	\$166,037	\$0.60	0.4%
Other Income	\$2,573,580	\$9.30	6.3%
<b>Total Therapy &amp; Other Income</b>	<b>\$2,739,617</b>	<b>\$9.90</b>	<b>6.7%</b>
<b>Income Summary -</b>			
Total Room & Board Income	\$38,425,640	\$138.86	93.3%
Total Therapy & Other Income	\$2,739,617	\$9.90	6.7%
Prior Period Adjustments	\$0	\$0.00	0.0%
Contractual Adjustments	\$0	\$0.00	0.0%
<b>Total Income</b>	<b>\$41,165,257</b>	<b>\$148.76</b>	<b>100.0%</b>
<b>Expenses -</b>			
Nursing	\$6,779,861	\$24.50	16.5%
Contract Nursing	\$0	\$0.00	0.0%
Dietary	\$5,091,814	\$18.40	12.4%
Therapy and Ancillary	\$899,369	\$3.25	2.2%
Admin & General	\$4,012,571	\$14.50	9.7%
Housekeeping and Laundry	\$940,879	\$3.40	2.3%
Activities and Recreation	\$1,051,570	\$3.80	2.6%
Repairs and Maintenance	\$2,490,561	\$9.00	6.1%
Utilities	\$1,660,374	\$6.00	4.0%
Bad Debt	\$617,479	\$2.23	1.5%
Real Estate Taxes	\$1,536,882	\$5.55	3.7%
PL/GL Insurance	\$1,053,000	\$3.81	2.6%
Workers Compensation	\$124,528	\$0.45	0.3%
Other Insurance	\$0	\$0.00	0.0%
Provider Bed Tax	\$625,427	\$2.26	1.5%
Uncateg. Salary & Benefits	\$2,836,472	\$10.25	6.9%
Management Fee	\$2,058,263	\$7.44	5.0%
Reserves for Replacements	\$394,875	\$1.43	1.0%
<b>Total Expenses</b>	<b>\$32,173,924</b>	<b>\$116.27</b>	<b>78.2%</b>
<b>Net Operating Inc.</b>	<b>\$8,991,334</b>	<b>\$32.49</b>	<b>21.8%</b>

The occupancy for the subject has been impacted by COVID-19 due to less move-ins. The income loss will be deducted as typical lease-up costs detailed later in this report.

Our pro forma income and expenses are contrasted with the financials and comparable data as follows:

#### Total Income and Expense Comparison

Item	Year to Date Annualized		Year to Date Annualized		Budget For Trailing-12 Months Ending	Expense Comparable 1	Expense Comparable 2	Expense Comparable 3	Expense Comparable 4	Expense Comp Average	JLL Pro Forma
	Ending 12/31/2021	Year Ending 12/31/2022	Ending 4/30/2023	Ending 7/31/2026							
Effective Gross Inc.	\$29,763,949	\$31,388,744	\$32,036,003	\$44,997,018	\$44,997,018	\$24,522,915	\$10,692,750	\$16,087,393	\$12,561,954	\$15,966,253	\$41,165,257
Expenses	\$23,590,181	\$28,486,738	\$30,540,468	\$31,222,633	\$31,222,633	\$21,689,587	\$8,729,220	\$11,978,820	\$9,510,965	\$12,977,148	\$32,173,924
Net Operating Income	\$6,173,768	\$2,902,006	\$1,495,534	\$13,774,386	\$13,774,386	\$2,833,328	\$1,963,530	\$4,108,572	\$3,050,989	\$2,989,105	\$8,991,334
Expense %	79.3%	90.8%	95.3%	69.4%		88.4%	81.6%	74.5%	75.7%	81.3%	78.2%

#### Total Income and Expense Adjusted

Item	Year to Date Annualized		Year to Date Annualized		Budget For Trailing-12 Months Ending	Expense Comparable 1	Expense Comparable 2	Expense Comparable 3	Expense Comparable 4	Expense Comp Average	JLL Pro Forma
	Ending 12/31/2021	Year Ending 12/31/2022	Ending 4/30/2023	Ending 7/31/2026							
Effective Gross Inc.	\$29,763,949	\$31,388,744	\$32,036,003	\$44,997,018	\$44,997,018	\$24,522,915	\$10,692,750	\$16,087,393	\$12,561,954	\$15,966,253	\$41,165,257
Expenses	\$23,590,181	\$28,486,738	\$30,540,468	\$31,222,633	\$31,222,633	\$21,689,587	\$8,729,220	\$11,978,820	\$9,510,965	\$12,977,148	\$32,173,924
Net Operating Income	\$6,173,768	\$2,902,006	\$1,495,534	\$13,774,386	\$13,774,386	\$2,833,328	\$1,963,530	\$4,108,572	\$3,050,989	\$2,989,105	\$8,991,334
Plus Actual Management Expense	\$211,529	\$1,584,987	\$1,575,777	\$2,239,816	\$2,239,816	\$985,437	\$459,857	\$150,394	\$708,659	\$576,087	N.A.
Plus Actual Reserves for Replacement Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	N.A.
NOI Before Actual Management Fee and Reserves for Replacements	\$6,385,297	\$4,486,993	\$3,071,311	\$16,014,201	\$16,014,201	\$3,818,765	\$2,423,387	\$4,258,966	\$3,759,648	\$3,565,192	N.A.
Less Pro Forma Management Fee %	\$1,488,197	\$1,569,437	\$1,601,800	\$2,249,851	\$2,249,851	\$1,226,146	\$534,638	\$804,370	\$628,098	\$798,313	N.A.
Less Pro Forma Reserves for Replacement Expense	\$394,875	\$394,875	\$394,875	\$394,875	\$394,875	\$173,250	\$46,125	\$105,375	\$96,375	\$105,250	N.A.
Adjusted NOI	\$4,502,224	\$2,522,681	\$1,074,636	\$13,369,476	\$13,369,476	\$2,419,369	\$1,842,625	\$3,349,222	\$3,035,176	\$2,661,629	\$8,991,334
Adjusted Expense %	84.9%	92.0%	96.6%	70.3%		90.1%	82.8%	79.2%	75.8%	83.3%	78.2%

#### Comparison of Net Operating Income

Item	Net Operating		NOI as a Percent of EGI
	Income	NOI PRD	
Year to Date Annualized Ending 12/31/2021	\$4,502,224	\$22.43	15.13%
Year Ending 12/31/2022	\$2,522,681	\$11.33	8.04%
Year to Date Annualized Ending 4/30/2023	\$1,074,636	\$4.97	3.35%
Budget For Trailing-12 Months Ending 7/31/2026	\$13,369,476	\$47.03	29.71%
<b>JLL Pro Forma</b>	<b>\$8,991,334</b>	<b>\$32.49</b>	<b>21.84%</b>
Expense Comp 1	\$2,419,369	\$24.20	9.87%
Expense Comp 2	\$1,842,625	\$46.34	17.23%
Expense Comp 3	\$3,349,222	\$40.30	20.82%
Expense Comp 4	\$3,035,176	\$40.26	24.16%

Based upon the preceding, our forecasts are reasonable and well supported. We have concluded to the recent independent living reimbursement indication and have normalized contract nursing as well as projected stabilized operations. The above net operating income reflects tenant operations and is used to calculate lease coverage in our analysis later in this report.

## Capitalization Rate

We will rely upon several methods to estimate an appropriate capitalization rate.

### JLL Seniors Housing Investor Survey Capitalization Rate Trends - 2023

The JLL Investor Survey focuses on transactional professionals who specialize in the seniors housing and care space. The sample set for this survey surpassed 125 respondents, encompassing some of the most influential leaders in the sector. The intention of this survey was to garner insights into current market sentiment from industry leaders and to provide expectations for the year ahead.

### Capitalization Rates by Investment Class

Respondents were asked to select the most appropriate capitalization rate range, applied to year 1 stabilized net operating income, inclusive of market level management fees and replacement reserves, for core or primary market locations, broken out by asset class. Capitalization rates are being compared to Fourth Quarter 2021.

Core	Class A					Class B					Class C				
	Q4 '22 Low	Q4 '22 High	Q4 '22 Avg.	Q4 2021	Change (bps)	Q4 '22 Low	Q4 '22 High	Q4 '22 Avg.	Q4 2021	Change (bps)	Q4 '22 Low	Q4 '22 High	Q4 '22 Avg.	Q4 2021	Change (bps)
Capitalization Rates (%)															
Active Adult	4.0	7.0	5.2	4.8	42.0	4.5	7.5	5.7	5.3	37.0	5.0	8.0	6.4	6.6	-20.0
Independent Living	4.5	7.0	5.9	5.5	43.8	5.0	7.5	6.4	6.1	30.0	5.0	8.5	7.0	7.4	-40.0
Assisted Living	5.0	8.0	6.5	6.1	40.0	5.5	8.5	7.2	6.8	42.0	6.0	9.5	7.8	7.9	-10.0
Memory Care	6.5	9.5	7.7	7.2	50.0	6.5	11.5	8.4	7.9	50.0	7.5	12.5	9.0	8.6	40.0
Nursing Care	9.0	14.0	11.3	10.8	50.0	9.5	14.5	12.0	11.8	20.0	9.5	14.5	12.7	12.8	-10.0
CCRC/LPC	6.0	10.5	8.1	7.2	90.0	6.5	11.0	8.6	8.1	50.0	7.0	11.0	9.2	8.7	50.0

Non-Core	Class A					Class B					Class C				
	Q4 '22 Low	Q4 '22 High	Q4 '22 Avg.	Q4 2021	Change (bps)	Q4 '22 Low	Q4 '22 High	Q4 '22 Avg.	Q4 2021	Change (bps)	Q4 '22 Low	Q4 '22 High	Q4 '22 Avg.	Q4 2021	Change (bps)
Capitalization Rates (%)															
Active Adult	4.0	7.5	5.7	5.7	0.0	4.5	7.5	6.2	6.3	-5.0	5.0	8.0	6.7	7.2	-52.0
Independent Living	5.0	8.0	6.3	6.1	20.0	5.5	8.5	6.8	6.7	10.0	6.0	8.5	7.3	8.1	-80.0
Assisted Living	5.0	9.0	7.0	6.6	40.0	6.0	9.0	7.5	7.4	10.0	6.5	9.5	8.1	8.4	-30.0
Memory Care	6.5	11.5	8.2	7.4	80.0	7.0	12.0	8.8	8.4	40.0	7.5	12.5	9.5	9.5	0.0
Nursing Care	9.0	14.5	11.8	11.2	60.0	9.5	14.5	12.3	12.4	-10.0	10.0	14.5	13.0	13.5	-50.0
CCRC/LPC	6.0	1.0	8.4	7.6	80.0	6.5	11.0	8.9	8.6	30.0	6.5	11.0	9.4	9.5	-10.0

### Spreads by Investment Class

The charts below summarize the resulting cap rate spreads in basis points between core and non-core and by investment class from Fourth Quarter 2022.

Core Investment Class	Investment Class Spreads		
	A-B	B-C	A-C
Active Adult	50	70	120
Independent Living	50	60	110
Assisted Living	70	60	130
Memory Care	70	60	130
Nursing Care	70	70	140
CCRC/LPC	50	60	110

Non-core Investment Class	Investment Class Spreads		
	A-B	B-C	A-C
Active Adult	50	50	100
Independent Living	50	50	100
Assisted Living	50	60	110
Memory Care	60	70	130
Nursing Care	50	70	120
CCRC/LPC	50	50	100

Core vs. Non Investment Class	Location Spreads		
	A	B	C
Active Adult	50	50	30
Independent Living	40	40	30
Assisted Living	50	30	30
Memory Care	50	40	50
Nursing Care	50	30	30
CCRC/LPC	30	30	20

Investor sentiment for 2023 indicates 68% of respondents anticipate an increase in capitalization rates over the next 12 months, while only 23% anticipate no change. Rising Federal Funds rates and borrowing costs have shifted the outlook for capitalization rates from the 2022 report where 91% of respondents indicated there would either be no change or a decrease in capitalization rates.

Our 2023 investor survey indicated that 44% of respondents might increase exposure to seniors housing in the next twelve months and an additional 44% would not change their current exposure, indicating optimism or at least belief in the stability of the sector. Capital markets and interest rates are a major concern over the next 12 months (as indicated by 60% of respondents), and while this uncertainty will lower sales volumes in the short-term the expected revenue growth of the seniors housing sector and anticipated 44% growth of the 75+ population in the next 10 years bodes well for its long-term stability.

## NIC Survey

The NIC and Real Capital Analytics compile statistics for seniors housing sale transactions on a quarterly basis. The most recent data is shown below:

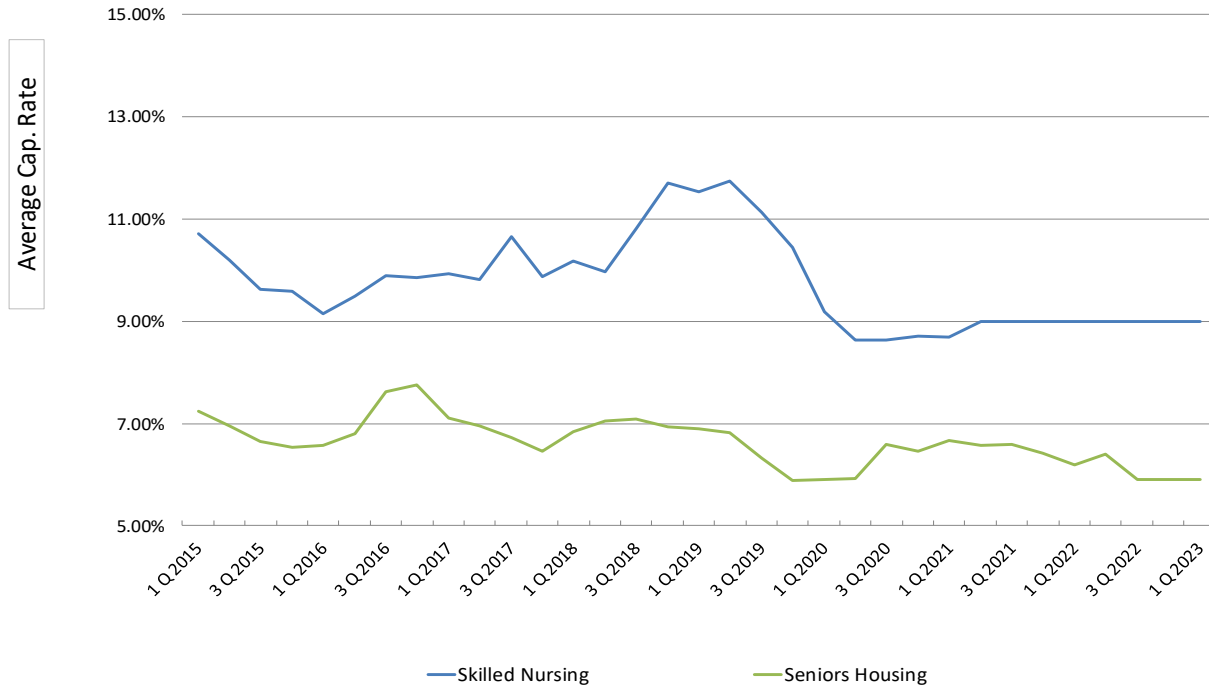
### NIC'S Capitalization Rate Survey

Property Type	2 Q 2022	3 Q 2022	4 Q 2022	1 Q 2023
Seniors Housing	6.40%	5.90%	5.90%	5.90%
Nursing Center	9.00%	9.00%	9.00%	9.00%

It is noted that NIC did not report an average cap rate for Skilled Nursing in 4Q21 through 3Q22, therefore the 3Q21 rate has been shown.

It should be noted that the seniors housing averages combine independent living and assisted living properties. The following graph shows capitalization trends since 2010 of the seniors housing and skilled nursing sectors.

### Cap Rate Comparison



The data above is not collected in a scientific manner. Every quarter participants submit capitalization rates by segment type without clearly labeling the property name and location. Thus, the cap rate may be skewed by the repetitive submission of well-known sales within the industry. The chart is reliable for determining cap rate movement within the seniors housing industry over an extended period of time.

### Extraction From Comparable Sales

Recent sales of nursing facilities that will be analyzed included in the sales comparison are summarized as follows:

### Summary of Sale Comparables

Element of Comparison	Comparable Number					
	1	2	3	4	5	
Location Data	Property Name	4 Hillandale/Northwind Portfolio	Southern Illinois Portfolio	Bria of Trinity Village	Newcastle Place	Caretel Inns of America Portfolio
	City, State	Hamilton, Ohio	Quincy, Illinois	Milwaukee, Wisconsin	Mequon, Wisconsin	Woodhaven, Michigan
Sale Data	Date of Sale	May 6, 2022	September 30, 2021	November 9, 2021	July 8, 2021	May 1, 2020
	Sales Price	\$86,777,000	\$15,750,000	\$25,000,000	\$76,000,000	\$68,000,000
	Property Rights Conveyed	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
	Financing Terms	Market Terms	Market Terms	Market Terms	Market Terms	Market Terms
	Conditions of Sale	Arm's Length	Arm's Length	Arm's Length	Arm's Length	Arm's Length
Income Data	Effective Gross Income	\$44,427,083	\$15,007,435	\$14,366,229	\$22,701,848	\$47,107,408
	Expenses	(\$35,406,229)	(\$12,800,269)	(\$11,032,796)	(\$15,961,300)	(\$41,601,741)
	NOI After Reserves	\$9,020,854	\$2,207,166	\$3,333,433	\$6,740,548	\$5,505,667
	NOI Per Bed After Reserves	\$17,688	\$8,392	\$8,749	\$26,126	\$8,510
	Expense Ratio	79.7%	85.3%	76.8%	70.3%	88.3%
Occupancy at Sale	80.0%	80.6%	54.0%	91.0%	77.0%	
Physical Data	Year Built	1949	1972	1973	2003	1979
	Number of Beds	510	263	381	258	647
	Care Levels	AL, IL, MC, NC	AL, IL, NC	AL, IL, NC	AL, IL, MC, NC	AL, IL, MC, NC
	Building Area	407,304	145,203	250,100	431,604	0
Units of Comparison	Sales Price Per Bed	\$170,151	\$59,886	\$65,617	\$294,574	\$105,100
	Sales Price Per Square Foot	\$213.05	\$108.47	\$99.96	\$176.09	-
	EGIM	1.95	1.05	1.74	3.35	1.44
	Overall Cap. Rate	10.40%	14.01%	13.33%	8.87%	8.10%

The range of capitalization rates is:

### Capitalization Rates From Comparable Sales

Item	Low	Average	High
Comparable Sale OARs	8.10%	10.94%	14.01%

The comparable sale and survey data presented above represent going concern or fee simple capitalization rates and leased fee capitalization rates. It is expected that a going concern capitalization rate fall above a leased fee capitalization rate. This is due to the removal of the business value cash flow which is considered the “more risky” component. In practice, fee simple capitalization rates typically fall 100 to 400 basis points above leased fee cap rates, for properties similar to the subject.

In order to derive an appropriate capitalization rate; we considered the previously discussed sale/leasebacks. We also discussed current investor criteria with representatives of Health Care REIT, HCP, Healthcare Trust of America, Ventas REIT, and Aviv REIT. Examples of relevant transactions in support of our forecasts include:

### Leased Fee Sale Comparables

Property/Portfolio	Facility Type	Number of		State (s)	Date of Sale	Year 1 Rent	Year 1 NOI	Sales Price	Lease Coverage	
		Beds/Units							Ratio	Cap Rate
The Courtyard at Oshkosh	AL	53		WI	April-22	\$964,250	\$1,205,000	\$13,000,000	1.25	7.42%
9 SNFs	SNF	1,041		VA	December-20	\$12,000,000	-	\$156,150,000	-	7.68%
4 SNFs	SNF	578		TX	November-20	\$3,800,000	\$7,801,640	\$47,600,000	2.05	7.98%
2 SNFS	SNF	150		MT	September-20	\$1,550,000	\$2,250,360	\$15,960,000	1.45	9.71%
Formation Opis	SNF, AL	1,479		FL	April-20	\$11,808,780	\$20,217,389	-	1.71	-
Vineyards Healthcare	SNF	83		CA	March-20	\$1,007,654	\$1,455,472	-	1.44	-
Indiana SNF	SNF	130		IN	January-20	\$665,000	\$965,300	\$7,000,000	1.45	9.50%
Treviso Transitional Care	SNF	140		TX	December-19	\$1,147,500	\$2,342,700	\$13,500,000	2.04	8.50%
Victorian Post Acute	SNF	90		CA	May-19	\$1,069,178	\$2,341,065	-	2.19	-
Metron of Forest Hills	SNF	58		MI	November-18	\$394,000	\$569,852	\$4,360,000	1.45	9.04%
Carespring Portfolio	SNF, AL	1,147		OH & KY	September-18	\$16,200,000	\$23,616,895	\$183,050,000	1.46	8.85%
<b>REIT Information</b>										
NHI REIT	SNF, AL, IL	102 assets		Various	Q2-2022	\$159,928,000	\$194,516,000	-	1.22	-
Sabra REIT Skilled Nursing	SNF	30,251		Various	Q2-2022	\$278,052,000	\$500,493,600	-	1.80	-
OMEGA Healthcare Investors REIT	SNF, AL, IL	871 assets		Various	Q2-2022	\$845,712,000	\$1,148,284,000	-	1.36	-
<b>Average</b>									<b>1.61</b>	<b>8.59%</b>
Minimum									1.22	7.42%
Maximum									2.19	9.71%

Source: JLL Database, Senior Care Investor, Compiled by JLL

### Economic Trends and Influence

The Federal Reserve (Fed) actions to curb inflation have had an impact on the cost of capital, greatly impacting lending rates. Although seniors housing capitalization rates continued to compress through mid-year 2022, most seniors housing market participants believe the inflationary fighting actions taken by the Fed have started to impact market pricing and expected investor returns. The table below actions from each meeting, rate changes, target rates and the corresponding SOFR (Secured Overnight Financing Rate) rates.

#### Federal Reserve Meetings - 2022/2023

Date	Rate Change (bps)	Fed Funds Rate	SOFR
Mar-22	+25 bps	0.25% - 0.50%	0.30%
May-22	+50 bps	0.75% - 1.00%	0.79%
Jun-22	+75 bps	1.50% - 1.75%	1.45%
Jul-22	+75 bps	2.25% - 2.50%	2.28%
Sep-22	+75 bps	3.00% - 3.25%	2.99%
Nov-22	+75 bps	3.75% - 4.00%	3.80%
Dec-22	+50 bps	4.25% - 4.50%	4.32%
Feb-23	+25 bps	4.50% - 4.75%	4.55%
Mar-23	+25 bps	4.75% - 5.00%	4.80%
May-23	+25 bps	5.00% - 5.25%	5.06%
Jul-23	+25 bps	5.25% - 5.50%	5.31%

Source: FOMC

### **Short Term Trends for Seniors Housing:**

- Occupancy levels are returning to Pre-COVID levels, and are poised to continue to trend up.
- Rising labor costs and inflation have impacted margins.
- Operators are seeking to counteract expense increases via rate increases.
- Rising interest rates are creating pricing pressure as the cost of borrowing has risen sharply.
- Transaction volume has slowed due to the higher prevailing rates, restricted liquidity in the financing market and recession fears.

### **Long Term Trends for Seniors Housing:**

- We are at the leading edge of the “silver tsunami”. Between 2020 and 2040, the US Census forecasts the number of 75+ persons will increase 93% and the number of persons age 80+ will increase by 115%.
- Deliveries and construction starts are declining. Units under construction and construction starts for 3Q2022 are at 8-year lows.
- Seniors housing has proven to be a top performer during recessionary periods due to the needs-based nature of the sector.
- Significant amounts of capital are seeking deployment into seniors housing due to the sector’s long term demand trends and recession resistant nature.

We note that buyers and sellers alike are recognizing the potential increase in capitalization rates in stabilized assets compared to a year ago. It has been reported by several sources that capitalization rates are beginning to increase in some markets as a result of rising interest rates. Based on several market participant interviews there have been some recent transactions across the country that have been under contract and then re-traded at lower overall purchase prices with no material change in projected rental income or expenses. In addition, there have been several deals that have fallen out of contract due to the fact that the seller did not want to accept a re-trade on the deal. Overall, conversations with capital markets professionals indicated that capitalization rates will most likely increase in several markets.

Despite the distress the market is suffering from increased interest rates and inflation, current and future demand remains strong for seniors housing. Overall, long-term opportunities for investors are quite attractive, particularly for institutional capital looking to diversify their portfolios or hedge against oversold investment classes.

### **Capitalization Rate Conclusion**

To determine an appropriate capitalization rate for the subject, the following characteristics are considered:

## Qualitative Rating

Item	Below Average	Average	Above Average
Subject's Macro Location (Region)			X
Subject's Micro Location (Specific Location within PMA)		X	
Strength of Market		X	
Quality/Condition of Improvements		X	

Considering these factors, the subject's capitalization should fall below the average displayed by the JLL Investor Survey, below the average displayed by the NIC survey and below the average of the comparable sales. We conclude a leased fee capitalization rate of 8.50% to be appropriate for the subject.

## Income Approach – Leased Fee

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The subject is encumbered by a long-term lease. In this section, we will determine the value of the leased fee interest.

### Synopsis of Lease

Property Encumbered:	Allegria Village
Lessor:	FIRO Property, LLC and Paradox Northbrook Property, LLC
Lessee:	HFV OpCo, LLC
Commencement Date:	March 1, 2019
Date Ends:	February 28, 2029
Rental Rate:	Base rent in year one is \$6,500,001 with an average rate increase annually of 3.1%.
Expense Treatment:	Absolute net to lessor
Options:	None

Rent for the coming 12 months pursuant to the lease equates to \$6,500,001 annual rent amount. In order to determine how this compares to market rent for such a facility, we have procured lease data on a number of similar facilities. REITs and other buyers of nursing facility real estate typically determine market rent based upon a lease coverage ratio. Buyers want to see that there is sufficient coverage of NOI/EBITDA in relation to rent. At a 1.0 coverage ratio, NOI and rent would be equal. At a 0.9 coverage ratio, NOI would be less than rent. And at a 1.1 coverage ratio, NOI would exceed rent. Lessors typically seek positive coverage, meaning that EBITDAR is greater than rent, a ratio greater than 1.0. According to Health Care REIT, HCP, Healthcare Trust of America, Ventas REIT, and Aviv REIT, the typical minimum lease coverage ratio for a nursing facility at present is 1.3.

The subject rent for the current term is \$6,500,001 annually as noted above or \$541,667 per month.

Based upon our forecast of NOI, the subject's lease rate coverage ratio is 1.38 which does not include the unstabilized income loss. Including the Income Loss, the Year 1 lease coverage is 0.61 with a Year 2 coverage of 0.99. On a stabilized basis, the subject is expected to operate at a market coverage ratio, indicating the current lease rate to be at market rent. We have reset the lease in Year 9 to a market coverage of 1.40 once the initial term expires.

### Lease Coverage Analysis

As previously discussed, JLL has concluded to a tenant NOI, as supported by historical and market comparables, which is utilized for coverage indications in a lease fee analysis.

Based upon our forecast of NOI, the subject's lease rate coverage ratio is 1.38 on a stabilized basis. This is a market coverage ratio, indicating the current lease rate to be at market rent in comparison to the chart below.

#### Leased Fee Sale Comparables

Property/Portfolio	Facility Type	Number of		State (s)	Date of Sale	Year 1 Rent	Year 1 NOI	Sales Price	Lease Coverage	
		Beds/Units							Ratio	Cap Rate
The Courtyard at Oshkosh	AL	53		WI	April-22	\$964,250	\$1,205,000	\$13,000,000	1.25	7.42%
9 SNFs	SNF	1,041		VA	December-20	\$12,000,000	-	\$156,150,000	-	7.68%
4 SNFs	SNF	578		TX	November-20	\$3,800,000	\$7,801,640	\$47,600,000	2.05	7.98%
2 SNFS	SNF	150		MT	September-20	\$1,550,000	\$2,250,360	\$15,960,000	1.45	9.71%
Formation Opis	SNF, AL	1,479		FL	April-20	\$11,808,780	\$20,217,389	-	1.71	-
Vineyards Healthcare	SNF	83		CA	March-20	\$1,007,654	\$1,455,472	-	1.44	-
Indiana SNF	SNF	130		IN	January-20	\$665,000	\$965,300	\$7,000,000	1.45	9.50%
Trevisco Transitional Care	SNF	140		TX	December-19	\$1,147,500	\$2,342,700	\$13,500,000	2.04	8.50%
Victorian Post Acute	SNF	90		CA	May-19	\$1,069,178	\$2,341,065	-	2.19	-
Metron of Forest Hills	SNF	58		MI	November-18	\$394,000	\$569,852	\$4,360,000	1.45	9.04%
Carespring Portfolio	SNF, AL	1,147		OH & KY	September-18	\$16,200,000	\$23,616,895	\$183,050,000	1.46	8.85%
<b>REIT Information</b>										
NHI REIT	SNF, AL, IL	102 assets		Various	Q2-2022	\$159,928,000	\$194,516,000	-	1.22	-
Sabra REIT Skilled Nursing	SNF	30,251		Various	Q2-2022	\$278,052,000	\$500,493,600	-	1.80	-
OMEGA Healthcare Investors REIT	SNF, AL, IL	871 assets		Various	Q2-2022	\$845,712,000	\$1,148,284,000	-	1.36	-
<b>Average</b>									<b>1.61</b>	<b>8.59%</b>
<b>Minimum</b>									1.22	7.42%
<b>Maximum</b>									2.19	9.71%

Source: JLL Database, Senior Care Investor, Compiled by JLL

## Vacancy, Collection Losses, and Expenses

Seniors housing and health care property leases are normally long term in duration. Long term, absolute net leases are typically underwritten based upon no vacancy and collection loss deductions. The risk of the tenant breaking the lease, or failing to make payments as they are due, is inherent in the capitalization rate.

Investors who purchase such facilities normally forecast no vacancy or collection losses. This was confirmed with the investors noted below in the discussion of expenses. Therefore, no vacancy or collection losses are forecasted in our pro forma.

## Expenses

The lease is an absolute net lease, with the lessee responsible for the payment of all expenses associated with the property. The lessor experiences no expenses related to the operation of the facility other than the preparation of accounting records. Under such terms, it is reflective of market expectations to project no expenses in the income pro forma. Therefore, we forecast that the subject would be leased on an absolute net basis with the tenant responsible for all operating expenses. Investors active in the purchase of properties leased on an absolute net basis do not typically deduct expenses when underwriting such investments. We have confirmed this with the following market participants:

- Tom Kirby, Executive Vice President - Acquisitions and Valuations for HCP, Inc., a publicly traded REIT;
- Steven Leathers, Vice President of American Realty Capital, a REIT that invests in health care real estate;

- Mr. Robb Moss with Medical Properties Trust, a REIT that invests in health care real estate; and
- Ms. Talya Nevo-Hacohen with Sabra Health Care REIT, a REIT that invests in health care real estate.

## Stabilized Pro Forma - Leased Fee Basis

### Leased Fee Pro Forma

Item	Dollars
Gross Potential Rental Income	\$6,500,001
Less Vacancy and Collection Losses	\$0
Effective Gross Income	\$6,500,001
Less Operating Expenses	\$0
Net Operating Income	\$6,500,001

## Income Capitalization – Direct Capitalization

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Please note, the direct capitalization approach **was not** utilized in developing a market value for the subject, however was utilized in support for our yield rate conclusions as discussed later in this report. This is considered to best reflect the actions of market participants.

## Income Capitalization - Yield Capitalization

---

Yield capitalization is a method of income capitalization commonly used by institutional investors. It is most applicable for assets with variable cash flows. It is a method that converts future benefits to an indication of present value by discounting the future benefits at an appropriate yield rate. Yield capitalization is often performed through a discounted cash flow analysis (DCF). To develop a DCF, we will specify the timing, quantity, and duration of income (cash flow) and reversion, normally through projected sale of the property, to be received over a specified period of time and discount each cash flow to present value at a specified yield rate.

### Projection Period

Institutional investors surveyed by RERC, CBRE, and others normally utilize a 10 to 15 year projection period. Our forecast will be based upon a 10 year forecast. NOI is forecast for an 11<sup>th</sup> year to determine the gross reversionary sales price at the end of Year 10.

### Income and Expense Inflation

We will now forecast changes in income and expenses over the holding period.

We additionally consider the United States general inflation trends as shown below. This is considered to be relevant given the current market conditions as a result of COVID-19 and increasing inflation. It is noted that the last major decline in the United States occurred in 2009 at which time there was a -0.36% inflation rate followed by 2010 of 1.64% and 2011 of 3.16% as the economy was recovering.

## US Inflation Trends

Year	Inflation Rate
2003	2.27%
2004	2.68%
2005	3.39%
2006	3.24%
2007	2.85%
2008	3.85%
2009	-0.34%
2010	1.64%
2011	3.16%
2012	1.70%
2013	1.50%
2014	0.80%
2015	0.70%
2016	2.10%
2017	2.10%
2018	1.90%
2019	2.30%
2020	1.24%
2021	4.70%
2022	6.50%
Jan-23	6.40%
Feb-23	6.00%
Mar-23	5.00%
Apr-23	4.90%
May-23	4.00%
Jun-23	3.00%
Jul-23	3.20%

*Sources: BLS & Statisa.com*

## JLL Seniors Housing Investor Survey Revenue & Expense Trends - 2023

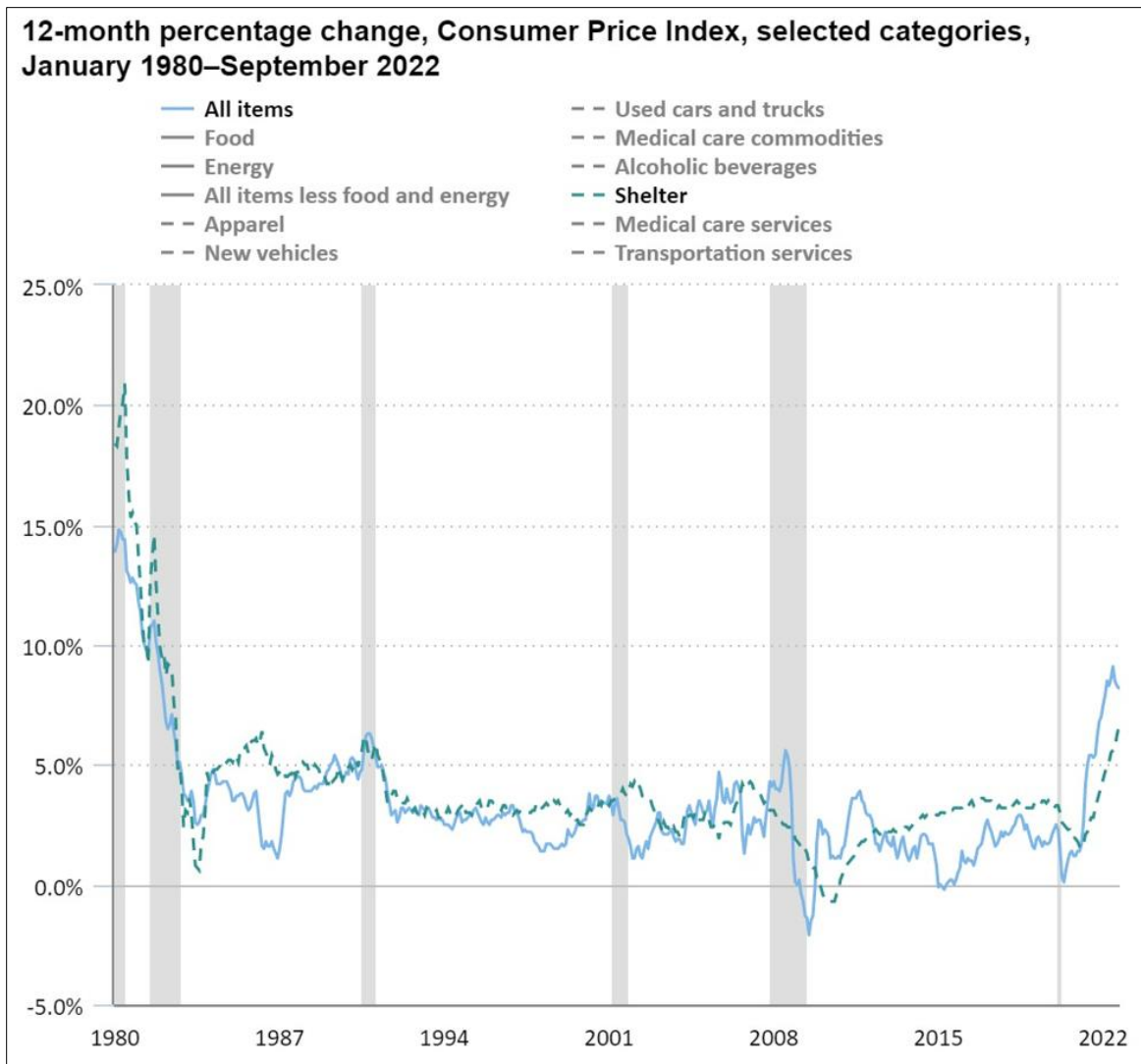
The JLL Investor Survey focuses also asked transactional professionals who specialize in the seniors housing and care space to indicate their anticipated change in revenue and expenses over the next twelve months by sector as shown below.

All Markets Revenue and expense (% change)	Revenue Growth			Expense Growth		
	Q4 '22	Q4 '22	Q4 '22	Q4 '22	Q4 '22	Q4 '22
	Low	High	Avg.	Low	High	Avg.
Active Adult	2.0	11.0	5.7	1.0	9.0	4.5
Independent Living	2.0	11.0	6.3	1.0	9.0	4.8
Assisted Living	2.0	11.0	6.8	2.0	10.0	5.4
Memory Care	1.0	11.0	6.7	1.0	11.0	5.6
Nursing Care	1.0	15.0	4.9	1.0	10.0	5.1
CCRC/LPC	2.0	11.0	5.9	1.0	9.0	5.1

The following excerpt is taken from the Board of Governors of the Federal Reserve System's October 19, 2022 Beige Book.

*National economic activity expanded modestly on net since the previous report; however, conditions varied across industries and Districts. Four Districts noted flat activity and two cited declines, with slowing or weak demand attributed to higher interest rates, inflation, and supply disruptions. Retail spending was relatively flat, reflecting lower discretionary spending, and auto dealers noted sustained sluggishness in sales stemming from limited inventories, high vehicle prices, and rising interest rates. Travel and tourist activity rose strongly, boosted by continued strength in leisure activity and a pickup in business travel. Manufacturing activity held steady or expanded in most Districts in part due to easing in supply chain disruptions, though there were a few reports of output declines. Demand for nonfinancial services rose. Activity in transportation services was mixed, as port activity increased strongly whereas reports of trucking and freight demand were mixed. Rising mortgage rates and elevated house prices further weakened single-family starts and sales, but helped buoy apartment leasing and rents, which generally remained high. Commercial real estate slowed in both construction and sales amid supply shortages and elevated construction and borrowing costs, and there were scattered reports of declining property prices. Industrial leasing remained robust, while office demand was tepid. Bankers in most reporting Districts cited declines in loan volumes, partly a result of shrinking residential real estate lending. Energy activity expanded moderately, whereas agriculture reports were mixed, as drought conditions and high input costs remained a challenge. Outlooks grew more pessimistic amidst growing concerns about weakening demand.*

The Consumer Price Index for All Urban Consumers increased 8.2 percent for the year ended September 2022, following a rise of 8.3 percent from August 2021 to August 2022. Consumer prices for all items less food and energy rose 6.6 percent over the past 12 months, the largest 12-month increase since August 1982. Prices for shelter also rose 6.6 percent from September 2021 to September 2022, accounting for over 40 percent of the total increase in all items less food and energy.



Note: shaded area represents recession, as determined by the National Bureau of Economic Research. Source: U.S. Bureau of Labor Statistics.

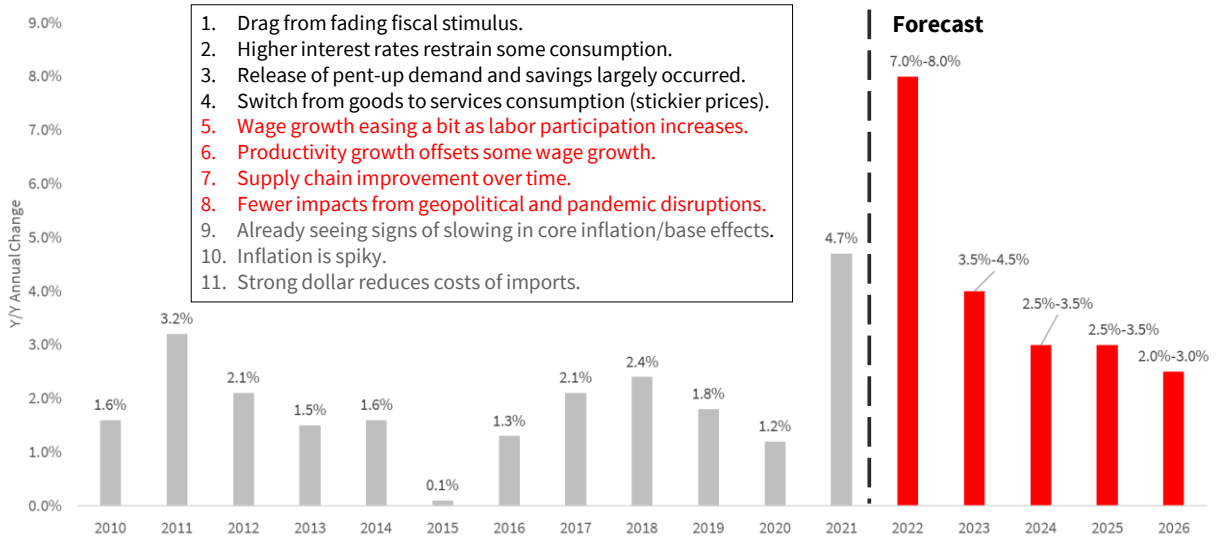
From September 2021 to September 2022, consumer prices for food increased 11.2 percent, while prices for energy rose 19.8 percent.

Within all items less food and energy, notable consumer price increases occurred in new vehicles (9.4 percent), and used cars and trucks (7.2 percent), for the year ended September 2022. Consumer prices increased 6.5 percent in medical care services, and 14.6 percent in transportation services over this period.

Energy prices rose 34.6 percent over the past 12 months. Gasoline prices increased 48.7 percent over the span. Electricity prices rose 12.0 percent, the largest 12-month increase since the period ending August 2006. Prices for natural gas increased 30.2 percent over the last 12 months, the largest such increase since the period ending July 2008.

Lastly, the following is from JLL’s Chief Economist Ryan Severino:

### When will inflation peak? And why?



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The graph shows expectation for inflation to remain elevated well above historic norms in the range of 7.0% to 8.0% for 2022, slowing to 3.5% to 4.5% in 2023 before returning to historical levels in 2024 to 2026. Historically, the 20-year average breakeven inflation rate was 2.61% per year while between 1960 to 2021, the average inflation rate was 3.8% per year.

Based upon this data, we are forecasting inflation as follows:

### Forecast Income and Expense Change

Year	Income Change	Expense Change
1	0.00%	0.00%
2	3.00%	3.00%
3	3.00%	3.00%
4	3.00%	3.00%
5	3.00%	3.00%
6	3.00%	3.00%
7	3.00%	3.00%
8	3.00%	3.00%
9	3.00%	3.00%
10	3.00%	3.00%
11	3.00%	3.00%



## Reversion

Reversion refers to future income derived through sale of the property at the end of the specified holding period. This represents the return of capital at the end of the holding period. Reversion can be calculated a number of ways. The Korpacz survey notes that most investors calculate reversion by applying an overall capitalization rate to the NOI for the last year of analysis or for the following year. The rate is referred to as the reversion or terminal capitalization rate. Sales expenses are deducted from the projected reversion sale price to arrive at the net reversion cash flow, which is then discounted at an appropriate yield rate. The present value of this reversion is added to the present value of all the annual cash flows to yield a value indication.

The reversion capitalization rate has historically been somewhat higher than the capitalization rate that the investor would apply to current income, or the going-in capitalization rate, because of the improvement's age at the end of the holding period and the inherent risk of projecting property value several years into the future. Typically, investors have increased the going-in capitalization rate by 50 to 100 basis points in estimating a reversionary capitalization rate.

In addition, we asked this of transactional professionals in our 2023 Seniors Housing Investor Survey. The majority of respondents indicated that the typical spread between the going-in capitalization rate and the reversion rate for their underwriting purposes on a 10-year cash flow was 75 basis points.

Based upon the preceding, we will use a reversion capitalization rate of 9.25%.

JLL recently conducted a survey of anticipated costs of sale. The survey was sent to active buyers across the country. The survey revealed the following average costs of sale by anticipated selling cost:

### JLL Costs of Sale Survey

Anticipated Sales Price Range	Most Prevalent Response	Weighted Average Response
Up to \$5,000,000	4.00%	3.74%
\$5,000,000 to \$9,999,999	3.00%	3.17%
\$10,000,000 to \$14,999,999	2.00%	2.71%
\$15,000,000 to \$19,999,999	2.00%	2.42%
\$20,000,000 to \$29,999,999	2.00%	2.16%
\$30,000,000 to \$49,999,999	1.50%	1.93%
\$50,000,000 to \$74,999,999	1.00%	1.73%
\$75,000,000 to \$99,999,999	1.00%	1.56%
\$100,000,000 and over	0.50%	1.46%

In our DCF, we will use the JLL concluded costs of sale noted above for the subject's anticipated selling price. Sales expenses are estimated at 1.00% for the subject.

## Unleveraged Yield Rates - JLL Seniors Housing Investor Survey Yield Rate Trends (Spring 2022)

As the seniors housing sector grows more and more sophisticated, investors are increasingly using discounted cash flow analysis to underwrite investments. With an increase in transactional data across the industry, the percentage of survey respondents relying on the discounted cashflow analysis decreased from 69% to 54% over the past year. Respondents were also asked to indicate their minimum unlevered yield rate by both investment class and product type.

The data also shows significant spreads between classes for each property subsector are as follows:

All Markets	Class A					Class B					Class C				
	Q4 '22 Low	Q4 '22 High	Q4 '22 Avg.	Q4 2021	Change (bps)	Q4 '22 Low	Q4 '22 High	Q4 '22 Avg.	Q4 2021	Change (bps)	Q4 '22 Low	Q4 '22 High	Q4 '22 Avg.	Q4 2021	Change (bps)
Active Adult	5.0	9.0	6.5	6.3	20.0	5.5	9.5	7.1	7.2	-10.0	6.0	10.0	7.8	8.3	-50.0
Independent Living	6.0	9.5	7.5	7.2	30.0	6.0	10.0	8.0	8.1	-10.0	6.5	10.5	8.6	9.0	-40.0
Assisted Living	6.0	10.5	8.0	8.0	0.0	6.5	11.0	8.6	8.6	0.0	7.0	11.0	9.2	9.4	-20.0
Memory Care	7.5	11.5	9.3	9.2	10.0	8.0	12.0	9.8	9.8	0.0	8.5	12.0	10.5	10.7	-20.0
Nursing Care	11.0	13.5	12.2	12.9	-70.0	11.0	15.0	12.9	13.8	-90.0	12.0	18.0	14.0	14.8	-80.0
CCRC/LPC	7.0	11.5	9.2	9.3	-10.0	7.5	12.0	10.0	10.2	-20.0	8.0	13.0	10.8	11.0	-20.0

Based upon the preceding, we will select a yield rate of 10.00% for the subject. This is supported the class B range of the JLL investor Survey shown below. Lastly, in the analysis below, an implied Lease coverage ratio by year is shown to support the risk at the subject.

### Discounted Cash Flow Conclusion

The DCF schedule(s) value conclusions are included within the addenda of this report. A summary of the DCF schedules are summarized below.

The “As Is” June 30, 2023 discounted cash flow is summarized as follows:

#### Pro Forma and Ten Year Discounted Cash Flow Analysis

Item	Stabilized Pro Forma	Forecasted Year											
		1	2	3	4	5	6	7	8	9	10	11	
Income Inflation (Rent Increases)		0.0%	9.3%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.9%	3.3%	3.0%
Fee Simple NOI Inflation		0.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Expense Percentage (% of Stabilized)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<b>Rental Income</b>	<b>DOLLARS</b>												
Net Operating Income (Leased Fee)	\$6,500,001	\$6,500,001	\$7,104,999	\$7,247,100	\$7,392,042	\$7,539,883	\$7,690,681	\$7,844,494	\$8,001,384	\$8,233,995	\$8,505,447	\$8,760,610	
Net Operating Income ( Fee Simple)	\$8,991,334	\$8,991,334	\$9,261,074	\$9,538,906	\$9,825,073	\$10,119,825	\$10,423,420	\$10,736,123	\$11,058,206	\$11,389,952	\$11,731,651		
Absorption/Income Loss	\$5,043,230	\$5,043,230	\$3,721,837	\$2,363,156	\$868,098	\$0	\$0	\$0	\$0	\$0	\$0		
Lease Payment (NOI- Leased Fee)	\$6,500,001	\$6,500,001	\$7,104,999	\$7,247,100	\$7,392,042	\$7,539,883	\$7,690,681	\$7,844,494	\$8,001,384	\$8,233,995	\$8,505,447		
Lease Coverage Ratio	0.61	0.61	0.78	0.99	1.21	1.34	1.36	1.37	1.44	1.38	1.38		
<b>NPV Analysis Assumptions</b>													
Yield Rate	10.00%												
Reversion Capitalization Rate	9.25%												
Sales Expenses	1.00%												
<b>Discounting of Cash Flows</b>													
Net Operating Income	\$6,500,001	\$7,104,999	\$7,247,100	\$7,392,042	\$7,539,883	\$7,690,681	\$7,844,494	\$8,001,384	\$8,233,995	\$8,505,447			
Present Value Factor	0.909091	0.826446	0.751315	0.683013	0.620921	0.564474	0.513158	0.466507	0.424098	0.385543			
Net Present Value of Cash Flows	\$5,909,092	\$5,871,900	\$5,444,853	\$5,048,864	\$4,681,674	\$4,341,189	\$4,025,466	\$3,732,705	\$3,492,018	\$3,279,218			
<b>Discounting of Reversion</b>													
Net Operating Income, 11th Year										\$8,760,610			
Divided by Capitalization Rate										9.25%			
"Gross" Reversion										\$94,709,302			
Less Sales Expenses										(\$947,093)			
Net Reversion										\$93,762,209			
Present Value Factor										0.385543			
Net Present Value of Reversion										\$36,149,390			
<b>NPV Summary</b>													
Net Present Value of Cash Flows	\$45,826,979												
Net Present Value of Reversion	\$36,149,390												
Total Net Present Value (Rounded)	\$82,000,000												
Total As Is Value	\$82,000,000												

Please note, coverage is projected to drop to 0.61 in Year 1 and 0.99 in Year 2. The above analysis suggests a value of \$82,000,000 . As shown above, the lease coverage increase over the holding period.

### DISCOUNT CASH FLOW CONCLUSION - June 30, 2023

Yield Rate	Reversion Rate	Conclusion
10.00%	9.25%	\$82,000,000

The Capitalization rate was concluded based on a number of factors, with most weight placed on lease coverage indications. Additionally, the terminal cap rate conclusion is based on typical spreads from the JLL survey, noting 75 basis points was utilized.

### Conclusion of Discounted Cash Flow Approach

Complete emphasis has been placed on the discounted cash flow indication in concluding a market value for the subject. As a direct capitalization is typically utilized in estimating a market value for stabilized properties, the discounted cash flow analysis recognizes the changes in cash flows over the holding period of an asset. Recognizing the encumbering lease with stipulated lease payment, the DCF is considered the most applicable approach. This methodology is considered to best reflect the actions of buyers and sellers currently active in this market.

The “As Is,” or June 30, 2023 conclusions via the valuation methods employed for this approach are reconciled below:

### DISCOUNT CASH FLOW CONCLUSION - June 30, 2023

Yield Rate	Reversion Rate	Conclusion
10.00%	9.25%	\$82,000,000

### Sensitivity Analysis

As a part of the analysis, JLL has included the following sensitivity analysis based on a 50-basis point increase or decrease in the concluded discount rate. The analysis is detailed as follows:

### SENSITIVITY ANALYSIS - June 30, 2023

DCF	DCF
- 50 Bps	+ 50 Bps
\$86,900,000	\$77,600,000

As noted above, a sensitivity analysis was included. A decrease of 0.5% to the discount rate (IRR) and terminal cap rate will cause a rise in fair value of \$4,900,000 as of June 30, 2023. An increase of 0.5% to the discount rate (IRR) and terminal cap rate will cause a decline in fair value of \$4,400,000 as of June 30, 2023.

## Sales Comparison Approach

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The sales comparison approach is based primarily upon the principle of substitution, which implies that a prudent individual will pay no more for a property than it would cost the individual to purchase a comparable substitute property. The steps involved in developing the sales comparison approach are:

- Research the market to obtain information pertaining to sales, listings, and sometimes offerings of property similar to the property being appraised.
- Investigate the market data to determine if the data is factually accurate and to determine if each sale represents an arm's length transaction.
- Determine relevant units of comparison, i.e. sales price per square foot, and develop a comparative analysis for each.
- Compare the subject and comparable sales according to the elements of comparison and then adjust each sale as appropriate.
- Reconcile the multiple value indications that result from the adjustment of the comparables into a single value indication.

Units of comparison are components into which a property may be divided for purposes of comparison. All appropriate units of comparison should be analyzed for the property type being appraised and the resulting value indications reconciled to a single indicated value or value range. The sales are analyzed and adjusted for differences in elements of comparison, which are characteristics of properties that cause the prices paid for real estate to vary. The following elements of comparison are considered:

- Real property rights conveyed
- Financing terms
- Conditions of sale
- Market conditions
- Location
- Physical characteristics
- Economic characteristics
- Use
- Non-realty components of value

Sales requiring lesser degrees of adjustment are typically the most comparable and are given greater weight than sales requiring greater degrees of adjustment. However, other factors must be considered including the reliability of the sales data and the degree of support of the required adjustments. After consideration of these factors, a final point value or value range is set forth.

## Applicability to Subject

A number of factors make the application of the sales comparison approach problematic in the appraisal of a seniors housing facility. These factors include:

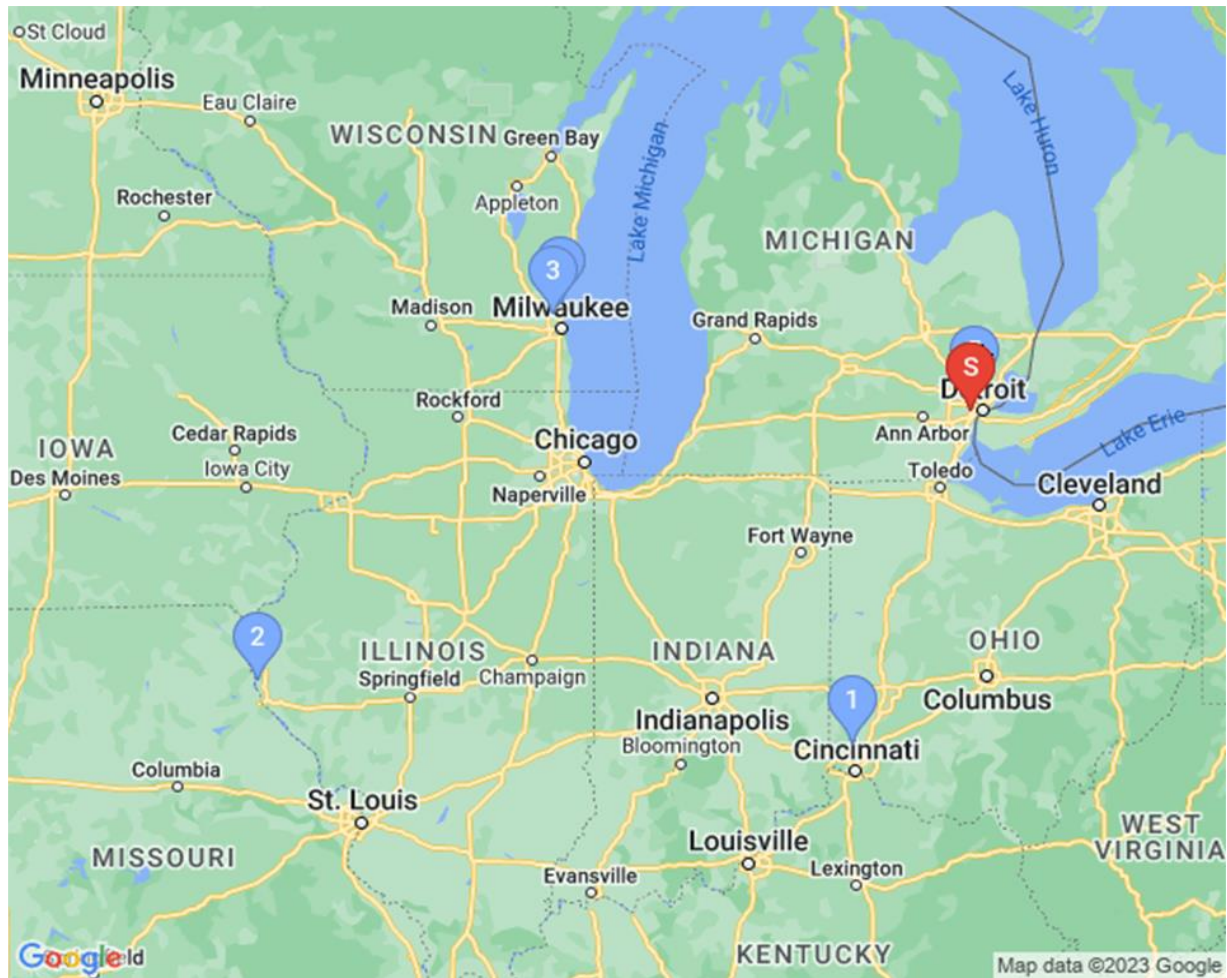
- The relative scarcity of arm's length sales
- The many variances in physical attributes from property to property
- The complex economics of retirement housing facilities

These challenges are so great that, according to *Elderly Housing, A Guide to Appraisal, Market Analysis, Development and Financing*, "value estimates using the sales comparison approach are sometimes given little or no weight in the final reconciliation of value". While the limitations are great, we have procured an adequate amount of sale data to develop the sales comparison approach in this appraisal.

## Presentation of Comparables

We will now analyze consummated sales of seniors housing properties. In addition, we have focused upon sales in the subject's market area. However, due to the limited number of sales, we found it necessary to expand our search to a larger region to procure enough sales.

The sales have been confirmed with the buyer, seller, broker, or other knowledgeable and reliable parties. The details for these comparables are referenced in the Addendum of this report. The sales we have elected to use in this analysis are as follows:



No.	Name	City/State	Mi. From		Sales Price	Price Per Bed
			Subj.	Beds		
1	4 Hillandale/Northwind Portfolio	Hamilton, OH	216.0	510	\$86,777,000	\$170,151
2	Southern Illinois Portfolio	Quincy, IL	458.0	263	\$15,750,000	\$59,886
3	Bria of Trinity Village	Milwaukee, WI	251.0	381	\$25,000,000	\$65,617
4	Newcastle Place	Mequon, WI	248.0	258	\$76,000,000	\$294,574
5	Caretel Inns of America Portfolio	Woodhaven, MI	11.0	647	\$68,000,000	\$105,100
S	Allegria Village	Dearborn, MI	--	1,053		

### Summary of Sale Comparables

Element of Comparison	Comparable Number					
	1	2	3	4	5	
Location Data	Property Name	4 Hillandale/Northwind Portfolio	Southern Illinois Portfolio	Bria of Trinity Village	Newcastle Place	Caretel Inns of America Portfolio
	City, State	Hamilton, Ohio	Quincy, Illinois	Milwaukee, Wisconsin	Mequon, Wisconsin	Woodhaven, Michigan
Sale Data	Date of Sale	May 6, 2022	September 30, 2021	November 9, 2021	July 8, 2021	May 1, 2020
	Sales Price	\$86,777,000	\$15,750,000	\$25,000,000	\$76,000,000	\$68,000,000
	Property Rights Conveyed	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
	Financing Terms	Market Terms	Market Terms	Market Terms	Market Terms	Market Terms
	Conditions of Sale	Arm's Length	Arm's Length	Arm's Length	Arm's Length	Arm's Length
Income Data	Effective Gross Income	\$44,427,083	\$15,007,435	\$14,366,229	\$22,701,848	\$47,107,408
	Expenses	(\$35,406,229)	(\$12,800,269)	(\$11,032,796)	(\$15,961,300)	(\$41,601,741)
	NOI After Reserves	\$9,020,854	\$2,207,166	\$3,333,433	\$6,740,548	\$5,505,667
	NOI Per Bed After Reserves	\$17,688	\$8,392	\$8,749	\$26,126	\$8,510
	Expense Ratio	79.7%	85.3%	76.8%	70.3%	88.3%
Occupancy at Sale	80.0%	80.6%	54.0%	91.0%	77.0%	
Physical Data	Year Built	1949	1972	1973	2003	1979
	Number of Beds	510	263	381	258	647
	Care Levels	AL, IL, MC, NC	AL, IL, NC	AL, IL, NC	AL, IL, MC, NC	AL, IL, MC, NC
	Building Area	407,304	145,203	250,100	431,604	0
Units of Comparison	Sales Price Per Bed	\$170,151	\$59,886	\$65,617	\$294,574	\$105,100
	Sales Price Per Square Foot	\$213.05	\$108.47	\$99.96	\$176.09	-
	EGIM	1.95	1.05	1.74	3.35	1.44
	Overall Cap. Rate	10.40%	14.01%	13.33%	8.87%	8.10%

### Sales Price per Bed Analysis

The first unit of comparison we will develop is the sales price per bed. The sales will be adjusted for the following elements of comparison.

#### Property Rights Conveyed

Since the subject property is under a lease fee interest and not fee simple, we have adjusted comparables 1, 2, 3, 4 and 5 downward by 5% for this element of comparison.

#### Financing Terms

The comparables sold for cash to the seller, and no adjustments are needed.

#### Conditions of Sale

It is noted that although all Comparables are portfolio sales, we have utilized them due to the portfolios containing properties sold that are similar assets. We have adjusted these sales downward by 5% due to the portfolio premium associated with the sales.

#### Occupancy at Sale

The comparables were all operating at their respective long-term stabilized occupancy levels at sale. No adjustments are needed.

#### Market Conditions

Market trends for seniors housing properties have shown modest appreciation trend that has been noted over the past several years. However, considering the current market environment, a market condition adjustment is currently warranted.

The Federal Reserve (Fed) actions to curb inflation have had an impact on the cost of capital, greatly impacting lending rates. Although seniors housing capitalization rates continued to compress through mid-year 2022, most seniors housing market participants believe the inflationary fighting actions taken by the Fed have started to impact market pricing and expected investor returns. The table below actions from each meeting, rate changes, target rates and the corresponding SOFR (Secured Overnight Financing Rate) rates.

### Federal Reserve Meetings - 2022/2023

Date	Rate Change (bps)	Fed Funds Rate	SOFR
Mar-22	+25 bps	0.25% - 0.50%	0.30%
May-22	+50 bps	0.75% - 1.00%	0.79%
Jun-22	+75 bps	1.50% - 1.75%	1.45%
Jul-22	+75 bps	2.25% - 2.50%	2.28%
Sep-22	+75 bps	3.00% - 3.25%	2.99%
Nov-22	+75 bps	3.75% - 4.00%	3.80%
Dec-22	+50 bps	4.25% - 4.50%	4.32%
Feb-23	+25 bps	4.50% - 4.75%	4.55%
Mar-23	+25 bps	4.75% - 5.00%	4.80%
May-23	+25 bps	5.00% - 5.25%	5.06%
Jul-23	+25 bps	5.25% - 5.50%	5.31%

Source: FOMC

All comparables have been adjusted downward 5% based on the current interest rate environment and its effect on CCRC pricing.

### Location

Location adjustments will be determined by comparing the median home value (as determined by Esri) within a five-mile radius of the subject property to the corresponding value for each of the comparable properties. The median home value of each property is shown in the following table.

### Median Home Sales Price by 5 Mile Ring Radius

Comparable Number	City, State	Median Sales Price
Subject	Dearborn, Michigan	\$218,676
1	Hamilton, Ohio	\$261,193
2	Quincy, Illinois	\$166,418
3	Milwaukee, Wisconsin	\$195,566
4	Mequon, Wisconsin	\$565,929
5	Woodhaven, Michigan	\$252,557

Comparable 4 has been adjusted downward by 20% due to its significantly superior location when compared to the subject property. Comparables 1 and 5 have been adjusted downward by 5% due to their slightly superior location. Comparable 3 has not been adjusted, due to its relative similarity in

location. Comparable 2 has been adjusted upward by 10% due to its inferior location when compared to the subject property.

### Physical Characteristics

The comparables vary in a number of physical characteristics in comparison to the subject. All are similar in basic design, that being seniors housing facilities with interior hallways and an extensive amount of common areas. However, there are some variances that will require adjustment:

### Age

We will base the age adjustments upon the effective age for each comparable in comparison to the subject, as shown below:

#### Age/Condition Adjustment Calculations

Element of Comparison	Comparable Number				
	1	2	3	4	5
Property Name	4 Hillandale/Northwind Portfolio	Southern Illinois Portfolio	Bria of Trinity Village	Newcastle Place	Caretel Inns of America Portfolio
Year of Sale	2022	2021	2021	2021	2020
Less Year Sale Built	1949	1972	1973	2003	1979
Age of Sale at Sale	73	49	48	18	41
Est. Effective Age of Sale	25	25	25	15	25
Subject's Effective Age	25	25	25	25	25
Variance in Effect. Age	0	0	0	(10)	0
Economic Life	60	60	60	60	60
Variance/Economic Life	0.0%	0.0%	0.0%	-16.7%	0.0%
Calculated Adjustment (% Variance Applied To Price Per Bed)	\$0	\$0	\$0	(\$49,096)	\$0

### Quality

The comparables are all modern seniors housing projects and do not require adjustment for quality.

### Economic Characteristics

In this adjustment process, economic characteristics are not considered as they should be reflected in the adjustments for location and physical characteristics. Note that following this process, we will also conduct a ranking and statistical analysis based solely upon income characteristics.

### Use/Zoning

The comparables all have the same use and are zoned to permit that use. No adjustments are required for use/zoning.

### Non-Realty Components

Each of the sales included real property, FF&E, and business value. Allocations of the contribution of each component to the sales price were not provided. We will not adjust for non-realty components in the adjustment process but will allocate the subject's value to its components in the conclusion section of this appraisal.

## Summary of Adjustments

The preceding adjustments are now applied to the comparables as follows:

### Adjustment of Comparable Sales - Price Per Bed Basis

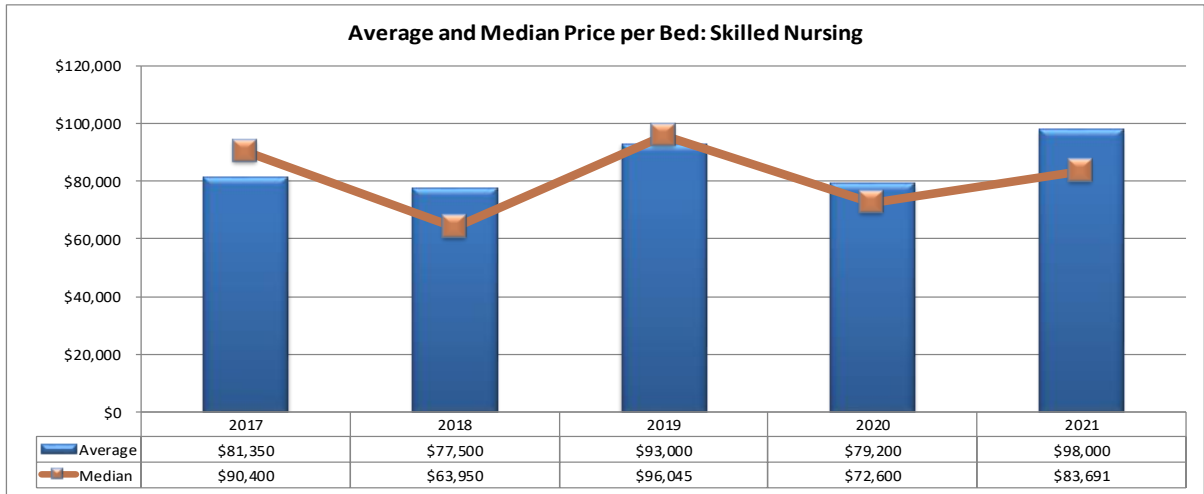
Element of Comparison	Comparable Number				
	1	2	3	4	5
Property Name	4 Hillandale/Northwind Portfolio	Southern Illinois Portfolio	Bria of Trinity Village	Newcastle Place	Caretel Inns of America Portfolio
Unadjusted Price Per Bed	\$170,151	\$59,886	\$65,617	\$294,574	\$105,100
Adjustment for Property Rights Conveyed	(\$8,508)	(\$2,994)	(\$3,281)	(\$14,729)	(\$5,255)
	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%
Adjustment for Financing Terms	\$0	\$0	\$0	\$0	\$0
	0.0%	0.0%	0.0%	0.0%	0.0%
Adjustment for Conditions of Sale	(\$8,508)	(\$2,994)	(\$3,281)	(\$14,729)	(\$5,255)
	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%
Adjustment for Market Conditions	\$0	\$0	\$0	\$0	\$0
	0.0%	0.0%	0.0%	0.0%	0.0%
Adjusted Price Per Bed Before Physical Adjustments	\$153,136	\$53,897	\$59,055	\$265,116	\$94,590
Adjustment for Location	(\$7,657)	\$5,390	\$0	(\$53,023)	(\$4,730)
	-5.0%	10.0%	0.0%	-20.0%	-5.0%
Adjustment for Age/Condition	\$0	\$0	\$0	(\$44,186)	\$0
	0.0%	0.0%	0.0%	-16.7%	0.0%
Adjustment for Quality	\$0	\$0	\$0	\$0	\$0
	0.0%	0.0%	0.0%	0.0%	0.0%
Adjustment for Economic Characteristics	\$0	\$0	\$0	\$0	\$0
	0.0%	0.0%	0.0%	0.0%	0.0%
Adjustment for Use/Zoning	\$0	\$0	\$0	\$0	\$0
	0.0%	0.0%	0.0%	0.0%	0.0%
Adjustment for Non-Realty Components	\$0	\$0	\$0	\$0	\$0
	0.0%	0.0%	0.0%	0.0%	0.0%
Final Adjusted Sales Price Per Bed	\$145,479	\$59,287	\$59,055	\$167,907	\$89,861
Low of Adjusted Prices			\$59,055		
High of Adjusted Prices			\$167,907		
Average of Adjusted Prices			\$104,318		

Based upon this analysis, a wide per bed range is indicated.

## Sales Price Trends

### Skilled Nursing

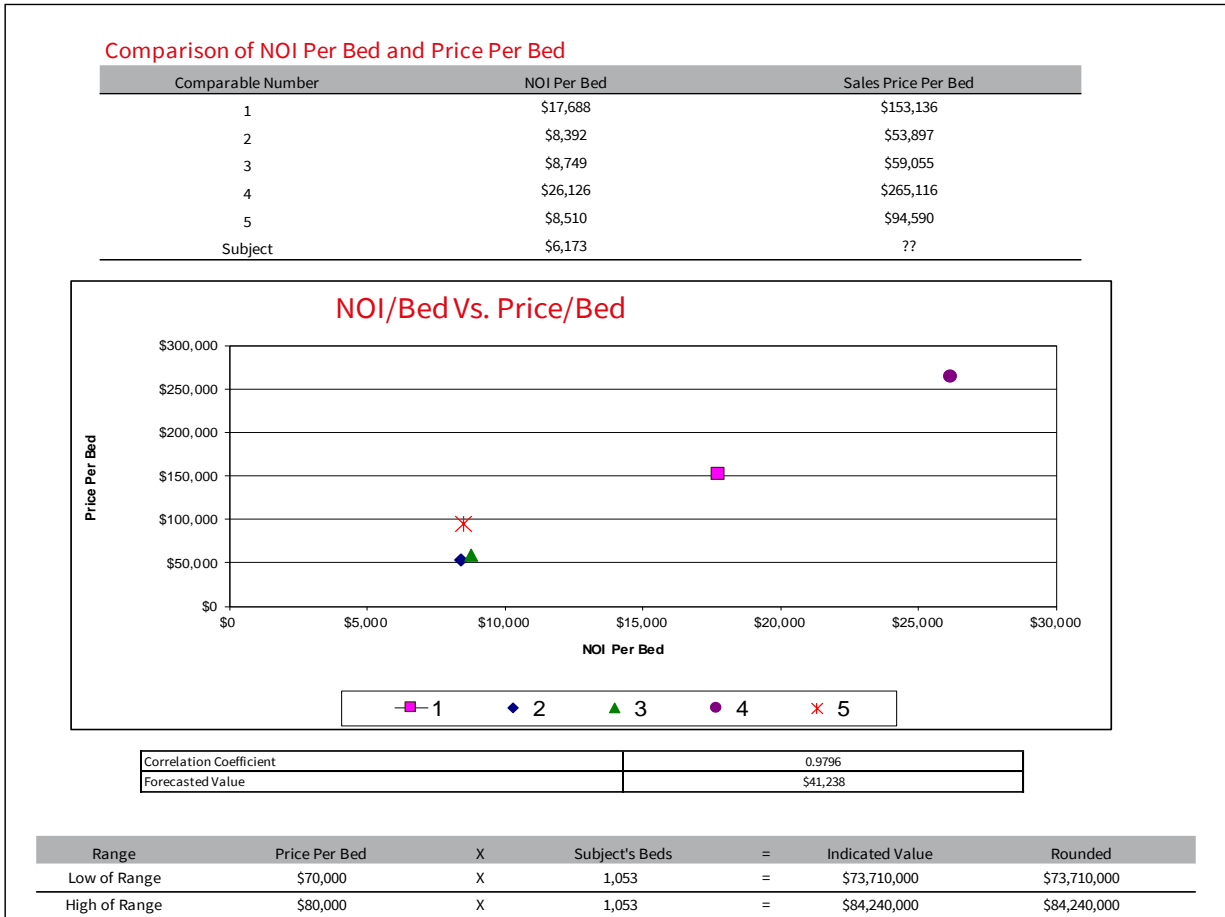
The following chart displays the average and median price per bed for skilled nursing over the last 5 years. The average price per bed paid was \$98,000 and the median price per bed was \$83,691 in 2021, which are strong increases from 2020. The number of buyers increased in 2021 while the number of facilities marketed decrease. In this case, this increased pricing for both non-stabilized and stabilized assets in 2021.



Source: The Senior Care Acquisition Report, 27th Edition - 2022

## Continuum/Graphing Analysis

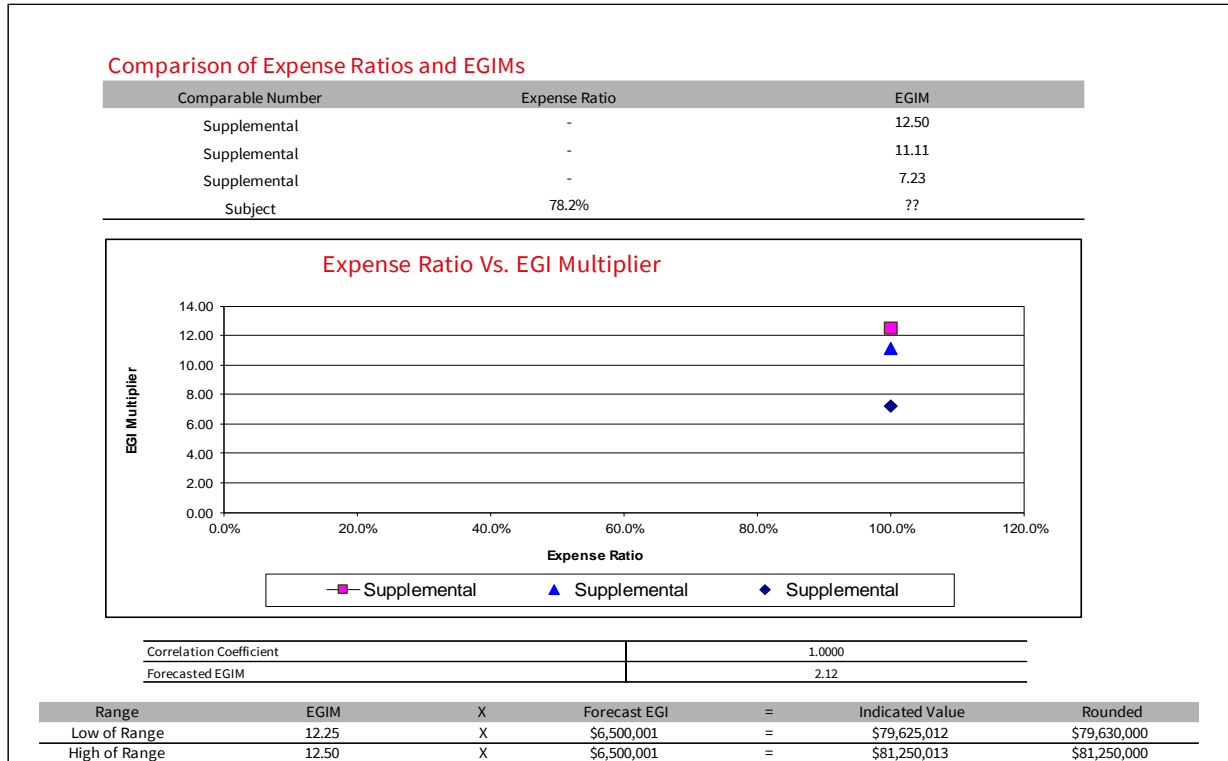
The data is not extensive enough to accurately derive adjustments for physical differences using paired sales or other quantitative adjustment techniques. Furthermore, physical differences between the comparables and the subject are abundant because the comparables vary significantly in location, size, year built, facility composition, etc. Thus, as an additional analysis (and one which is more relevant), we will analyze the relationship of price per bed and net operating income (NOI) per bed. This is a relevant measure of income-producing potential that should account for the different levels of services offered, varying locations, and differences in the physical facilities of the comparables.



The sales display a strong correlation between NOI per bed prices. Based upon this relationship and the forecasted value shown above, but also with strong consideration to the adjusted prices per bed based upon the traditional adjustment process, we selected a value range of \$70,000 to \$80,000 per bed for the subject.

## Effective Gross Income Multiplier

The effective gross income multipliers (EGIM) for the sales are as follows:



The sales display a strong correlation between expense ratios and EGIMs. Based primarily upon this relationship and the forecasted value shown above, we selected an EGIM range of 12.25 to 12.50 to apply to the subject’s pro forma EGI.

## Indicated Value via Sales Comparison

The value indications are as follows:

### Summary of Sales Comparison Approach Value Indications

Unit of Comparison	Low Of Range	High of Range
Sales Price Per Bed	\$73,710,000	\$84,240,000
EGIM	\$79,630,000	\$81,250,000
Concluded Value	\$79,000,000	
<b>Concluded As Is Value</b>	<b>\$79,000,000</b>	

In developing the sales price per bed analysis, we first adjusted the sales based solely upon differences in physical elements of comparison, such as age, location, and quality. This analysis indicates a wide range of per bed prices. This is because economics is the primary factor driving the sales prices of seniors housing properties, not physical differences. Following the physical adjustment analysis, we conducted an analysis of NOI per bed compared to sales price per bed. This comparison showed a strong correlation between the two variables. This method relies upon NOI per bed and is

closely related to the income capitalization approach. We then selected an indicated price per bed considering both methods.

The EGIM analysis is less dependent upon the accurate estimation of net operating income. An investor considering purchasing the subject might place substantial weight in an EGIM analysis, as it is a commonly used tool.

We have placed all weight on the price per bed analysis given the uneven rate increases in the beginning of the lease and conclude an indicated value of \$79,000,000 for the subject.

## Absorption and Income Loss Analysis

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

### Absorption

NIC MAP tracks move-in rates for properties in the 31 largest US markets. This data will aid in the establishment of an absorption rate for the subject.

#### National Absorption Trends (Average Units Per Month)

Quarter	Independent Living	Assisted Living	Memory Care
2Q17	4.9	2.8	1.5
3Q17	5.3	2.9	1.3
4Q17	5.0	2.7	1.3
1Q18	4.1	2.7	1.3
2Q18	4.0	2.7	1.2
3Q18	4.8	2.6	1.2
4Q18	4.5	2.7	1.3
1Q19	4.2	2.5	1.2
2Q19	4.2	2.6	1.2
3Q19	3.8	2.5	1.2
4Q19	3.8	2.5	1.1
1Q20	3.2	2.7	1.2
2Q20	2.9	2.2	0.9
3Q20	2.4	1.7	0.9
4Q20	2.5	1.6	0.9
1Q21	2.5	1.5	0.8
2Q21	2.5	1.8	0.9
3Q21	2.8	1.9	0.9
4Q21	3.2	2.1	1.0
1Q22	3.4	2.1	1.0
2Q22	3.6	2.3	1.0
3Q22	4.2	2.4	1.1
4Q22	3.5	2.3	1.1
1Q23	4.0	2.2	1.1
2Q23	3.5	2.2	1.1

Based upon this data and considering the prevailing market occupancy level, we are forecasting that the subject will require an additional 48 months to reach the forecasted stabilized occupancy level. The indicated income loss during absorption is as follows:

**Income Loss During Absorption**

Pro Forma EGI	\$41,165,257
Pro Forma Expenses at Stabilization	\$32,173,924
Pro Forma NOI	\$8,991,334
Starting Physical Occupancy Level	56%
Starting Economic Occupancy Level	78%
Total Absorption Period (Months)	48
Beginning Expenses (as a Percent of Total)	90%

Month	Forecast % of EGI Earned	Pro Forma EGI	Projected EGI	Forecast % of			Forecast Expenses	Forecast NOI	Pro Forma NOI	Income Loss (Variance Between Pro Forma NOI and Forecast NOI)
				Expenses Incurred	Pro Forma Expenses	Forecast Expenses				
1	78.3%	\$3,430,438	\$2,687,665	90.0%	2,681,160	\$2,413,044	\$274,621	\$749,278	\$474,657	
2	78.8%	\$3,430,438	\$2,703,140	90.2%	2,681,160	\$2,418,630	\$284,510	\$749,278	\$464,768	
3	79.2%	\$3,430,438	\$2,718,614	90.4%	2,681,160	\$2,424,216	\$294,398	\$749,278	\$454,880	
4	79.7%	\$3,430,438	\$2,734,089	90.6%	2,681,160	\$2,429,802	\$304,287	\$749,278	\$444,991	
5	80.2%	\$3,430,438	\$2,749,563	90.8%	2,681,160	\$2,435,387	\$314,176	\$749,278	\$435,102	
6	80.6%	\$3,430,438	\$2,765,037	91.0%	2,681,160	\$2,440,973	\$324,064	\$749,278	\$425,213	
7	81.1%	\$3,430,438	\$2,780,512	91.3%	2,681,160	\$2,446,559	\$333,953	\$749,278	\$415,325	
8	81.5%	\$3,430,438	\$2,795,986	91.5%	2,681,160	\$2,452,145	\$343,842	\$749,278	\$405,436	
9	82.0%	\$3,430,438	\$2,811,461	91.7%	2,681,160	\$2,457,730	\$353,730	\$749,278	\$395,547	
10	82.4%	\$3,430,438	\$2,826,935	91.9%	2,681,160	\$2,463,316	\$363,619	\$749,278	\$385,659	
11	82.9%	\$3,430,438	\$2,842,410	92.1%	2,681,160	\$2,468,902	\$373,508	\$749,278	\$375,770	
12	83.3%	\$3,430,438	\$2,857,884	92.3%	2,681,160	\$2,474,488	\$383,396	\$749,278	\$365,881	
13	83.8%	\$3,533,351	\$2,959,559	92.5%	2,761,595	\$2,554,475	\$405,084	\$771,756	\$366,672	
14	84.2%	\$3,533,351	\$2,975,498	92.7%	2,761,595	\$2,560,229	\$415,269	\$771,756	\$356,487	
15	84.7%	\$3,533,351	\$2,991,437	92.9%	2,761,595	\$2,565,982	\$425,454	\$771,756	\$346,302	
16	85.1%	\$3,533,351	\$3,007,375	93.1%	2,761,595	\$2,571,735	\$435,640	\$771,756	\$336,116	
17	85.6%	\$3,533,351	\$3,023,314	93.3%	2,761,595	\$2,577,489	\$445,825	\$771,756	\$325,931	
18	86.0%	\$3,533,351	\$3,039,253	93.5%	2,761,595	\$2,583,242	\$456,010	\$771,756	\$315,746	
19	86.5%	\$3,533,351	\$3,055,191	93.8%	2,761,595	\$2,588,995	\$466,196	\$771,756	\$305,560	
20	86.9%	\$3,533,351	\$3,071,130	94.0%	2,761,595	\$2,594,749	\$476,381	\$771,756	\$295,375	
21	87.4%	\$3,533,351	\$3,087,069	94.2%	2,761,595	\$2,600,502	\$486,566	\$771,756	\$285,190	
22	87.8%	\$3,533,351	\$3,103,007	94.4%	2,761,595	\$2,606,255	\$496,752	\$771,756	\$275,004	
23	88.3%	\$3,533,351	\$3,118,946	94.6%	2,761,595	\$2,612,009	\$506,937	\$771,756	\$264,819	
24	88.7%	\$3,533,351	\$3,134,885	94.8%	2,761,595	\$2,617,762	\$517,122	\$771,756	\$254,634	
25	89.2%	\$3,639,352	\$3,245,348	95.0%	2,844,443	\$2,702,221	\$543,127	\$794,909	\$251,782	
26	89.6%	\$3,639,352	\$3,261,765	95.2%	2,761,595	\$2,629,269	\$632,496	\$877,757	\$245,261	
27	90.1%	\$3,639,352	\$3,278,182	95.4%	2,761,595	\$2,635,022	\$643,160	\$877,757	\$234,597	
28	90.5%	\$3,639,352	\$3,294,598	95.6%	2,761,595	\$2,640,775	\$653,823	\$877,757	\$223,934	
29	91.0%	\$3,639,352	\$3,311,015	95.8%	2,761,595	\$2,646,529	\$664,487	\$877,757	\$213,270	
30	91.4%	\$3,639,352	\$3,327,432	96.0%	2,761,595	\$2,652,282	\$675,150	\$877,757	\$202,607	
31	91.9%	\$3,639,352	\$3,343,849	96.3%	2,761,595	\$2,658,035	\$685,814	\$877,757	\$191,943	
32	92.3%	\$3,639,352	\$3,360,266	96.5%	2,761,595	\$2,663,789	\$696,477	\$877,757	\$181,280	
33	92.8%	\$3,639,352	\$3,376,683	96.7%	2,761,595	\$2,669,542	\$707,141	\$877,757	\$170,616	
34	93.2%	\$3,639,352	\$3,393,099	96.9%	2,761,595	\$2,675,295	\$717,804	\$877,757	\$159,953	
35	93.7%	\$3,639,352	\$3,409,516	97.1%	2,761,595	\$2,681,049	\$728,468	\$877,757	\$149,289	
36	94.1%	\$3,639,352	\$3,425,933	97.3%	2,761,595	\$2,686,802	\$739,131	\$877,757	\$138,626	
37	94.6%	\$3,748,532	\$3,545,620	97.5%	2,844,443	\$2,773,332	\$772,288	\$904,089	\$131,801	
38	95.0%	\$3,748,532	\$3,562,530	97.7%	2,761,595	\$2,698,309	\$864,221	\$986,937	\$122,716	
39	95.5%	\$3,748,532	\$3,579,439	97.9%	2,761,595	\$2,704,062	\$875,377	\$986,937	\$111,560	
40	95.9%	\$3,748,532	\$3,596,348	98.1%	2,761,595	\$2,709,815	\$886,533	\$986,937	\$100,404	
41	96.4%	\$3,748,532	\$3,613,258	98.3%	2,761,595	\$2,715,569	\$897,689	\$986,937	\$89,248	
42	96.8%	\$3,748,532	\$3,630,167	98.5%	2,761,595	\$2,721,322	\$908,845	\$986,937	\$78,092	
43	97.3%	\$3,748,532	\$3,647,076	98.8%	2,761,595	\$2,727,075	\$920,001	\$986,937	\$66,936	
44	97.7%	\$3,748,532	\$3,663,986	99.0%	2,761,595	\$2,732,829	\$931,157	\$986,937	\$55,780	
45	98.2%	\$3,748,532	\$3,680,895	99.2%	2,761,595	\$2,738,582	\$942,313	\$986,937	\$44,624	
46	98.6%	\$3,748,532	\$3,697,804	99.4%	2,761,595	\$2,744,335	\$953,469	\$986,937	\$33,468	
47	99.1%	\$3,748,532	\$3,714,714	99.6%	2,761,595	\$2,750,088	\$964,625	\$986,937	\$22,312	
48	99.5%	\$3,748,532	\$3,731,623	99.8%	2,761,595	\$2,755,842	\$975,781	\$986,937	\$11,156	
Total									\$11,134,222	
<b>Total Discounted Income Loss Rounded</b>									<b>\$11,130,000</b>	

The total indicated income loss during absorption is \$11,130,000. The total income loss from Year 1 thru Year 4 have been deducted from the NOI to analyze its impact on lease coverage as previously discussed.



## Conclusion

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### Market Value of the Leased Fee Estate

The following indications of value have been developed for the subject:

#### Value Indications

Approach to Value	Value Indication	Per Bed Indication
The Income Capitalization Approach- Yield Capitalization	\$82,000,000	\$77,873
The Sales Comparison Approach	\$79,000,000	\$75,024

The discounted cash flow analysis was developed for this report. The income capitalization process is well supported and highly pertinent to the appraisal of income property such as the subject. Market rent was estimated after a review of competing local properties. Total income and expenses were estimated based upon analysis of similar income and expense comparables with consideration to the subject's historical expenses. This is the approach most utilized in the market and is considered the most relevant approach to valuing the subject.

The sales comparison approach was also developed and is relatively well supported. Market participants rely upon sales to provide general ranges for valuation purposes, but generally place much more weight on the income approach. Therefore, the sales comparison approach was utilized as a test of reasonableness only.

The cost approach was not developed in this appraisal. Buyers of senior housing properties place little credence in the cost approach. The estimation of depreciation is difficult to do with any precision, especially for older buildings. Thus, the cost approach was not developed and given little consideration.

After consideration of the reliability and relevance of each approach, the income approach – Yield Capitalization method is given primary weight, with the sales comparison approach providing added support. The indicated value is \$82,000,000.

#### Exposure Time

Our estimate of value is based upon a typical exposure time for the property type being appraised. Exposure time is assumed to precede the effective date of value. Exposure times vary widely from property to property and are dependent upon a number of factors. These can include the motivation of the owner, the price that the property is offered for sale, the effectiveness of the marketing plan, the availability of financing, etc. We surveyed active market participants, including brokers and buyers, to determine a typical marketing time for seniors housing properties.

Given the market uncertainty and volatility, exposure times are currently difficult to predict. Overall, we conclude that an exposure period of up to six months would be necessary to sell the subject.

### Marketing Time – JLL Seniors Housing Investor Survey - 2023

Exposure time is assumed to precede the date of value while marketing time is the estimated time from the date of value that would be required to sell the property. When market conditions are stable and not expected to change, exposure time and marketing time are generally the same.

Respondents were asked to indicate typical marketing time for seniors housing assets, defined as the number of months between the date a community is listed through the date of closing. Though ‘six months’ remained the highest percentage at 42% of respondents, however, the ‘nine months’ timeframe increased to 38% from 17%, surpassing the ‘less than six months’ category as the second highest evidencing market time is increasing.

All Property Types Marketing Time	Respondents %
Less than 6 months	10.0
6 months	42.0
9 months	38.0
12 months	10.0
Greater than 12 months	0.0

Based upon the current market conditions, long term demand and investment opportunity within this sector, we have estimated marketing time to be six months.

### Final Value Estimate(s)

Our analyses and forecasts result in the value conclusion(s) below, which are based upon assumptions, limiting conditions, and definitions presented in this report.

#### Value Conclusion(s)

Scenario	Effective Date	Conclusion
Market Value of the Leased Fee Estate	June 30, 2023	\$82,000,000

Our valuation of the subject is based on payment of the consideration in cash. The valuation is based upon a reasonable exposure time of six months prior to the effective date of value. The estimated marketing period is six months.