An appraisal of Westwood Village Apartments, Madison, Wisconsin. January 1, 1981

Landmark Research, Inc.
[s.l.]: [s.n.], January 1, 1981

AN APPRAISAL OF

WESTWOOD VILLAGE APARTMENTS

MADISON, WISCONSIN

Landmark Research Inc.

AN APPRAISAL OF
WESTWOOD VILLAGE APARTMENTS
MADISON, WISCONSIN
AS OF JANUARY 1, 1981

PREPARED FOR

MR. ALEX TEMPKIN
TEMPKIN REALTY
6820 SCHROEDER ROAD
MADISON, WISCONSIN 53719

PREPARED BY

LANDMARK RESEARCH, INC.

1501 Monroe Street, Madison, Wisconsin 53711, 608-256-1090

Landmark Research Inc.

James A. Graaskamp, Ph.D., SREA, CRE
Tim Warner, MS, MAI, SREA
Jean B. Davis, MS

March 19, 1982

Mr. Alex Tempkin
Tempkin Realty
6820 Schroeder Road
Madison, Wisconsin 53719

Dear Mr. Tempkin:

We are transmitting the appraisal report that you requested on the property known as Westwood Village Apartments, located in the general vicinity of Gammon Road and north of Schroeder Road, City of Madison, County of Dane, Wisconsin.

The study and analysis of the project included investigations of its physical attributes, income and expenses of both the subject property and similar competing projects, and an in-depth analysis of comparable properties that have recently sold. This analysis was the subject of another report titled "A Study of Madison Apartment Market Transactions and a Recommended Valuation Method for Assessment Purposes."

Our valuation of the subject property was for possible assessment appeal purposes and was of the property's market value, as defined in the report. The definition of market value encompasses two parameters that are often slighted in assessment valuation: the concept of cash equivalency and the availability of mortgage financing. The latter is the lifeblood of the real estate industry and the terms and conditions of its availability significantly impacts the value of real property. The enclosed report and its analysis indicates that the market value of the subject property as of January 1, 1981, is:

FIVE MILLION DOLLARS
($5,000,000)

under the premise of cash to the seller at closing under current down payment and mortgage market conditions as of the date of valuation.

Mr. Alex Tempkin
Page Two
March 19, 1982

Your attention is called to the assumptions, limiting conditions, and controls on use that are included in the addendum of this report.

FOR LANDMARK RESEARCH, INC.

James A. Graaskamp, Ph.D., SREA, CRE

Tim Warner, MS, MAI, SREA

deb

Enclosures

TABLE OF CONTENTS

LIST OF EXHIBITS

LIST OF TABLES

I. APPRAISAL PROBLEM ASSIGNMENT

A. The Appraisal Issue

The valuation problem is the determination of the market value of the subject property for assessment purposes as of January 1, 1981. The Property Assessment Manual for Wisconsin Assessors describes the way in which an assessor should evaluate real property as follows:

> The basis for the assessor's valuation of real property is found in s. 70.32, (1) Stats., "Real Property shall be valued by the assessor in the manner specified in the Wisconsin property assessment manual under s. 73.03 (2a), Stats., from the actual view or from the best information that the assessor can practicably obtain at the full value which could ordinarily be obtained therefor at private sale." Numerous Wisconsin court cases have held that full value is equivalent to market.(1)

There arise three concepts that should then be defined in order to contrast them:

> (Nominal) Sales Price: The price at which a property is actually sold.
>
> Cash Equivalent: A price expressed in terms of cash as distinguished from a price which is expressed all or partly in terms of the face amount of notes or other securities which cannot be sold at their face amount.
>
> The cash equivalent price of a sale property may differ from its contract price and should represent the present worth at time of sale of all cash and other considerations paid for the real property as opposed to other portions of stated considerations which may be paid for services, fees and/or other non-realty items.
>
> Market Value: The most probable price in terms of money which a property should bring in a competitive and open market . . .(2)

All definitions are from the Revised Edition of Real Estate Appraisal Terminology, 1981.

Current and relative market transactions in the apartment tier of the market involve seller financing, all at below market interest rates. The first step then in comparing transactions is to convert or adjust these sales to their cash equivalent basis.

The second step is to value, by capitalization methodology, in accord with money market conditions that were prevalent at the time of the sale, each of these properties according to the conditions prevalent as of the valuation date, January 1, 1981.

Although the relevant sources and authorities that provide the conceptual basis for this methodology were discussed in Section I of the previously recited research report performed by Landmark Research, Inc., the following citations will provide an overview and summary support.

> A brief review of the definition of market value and the conditions or presumptions implicit in that definition reminds us that cash, or its equivalent, is the only acceptable measure of the market value of real estate. The standard definition of market value begins: "The highest price in terms of money . . ." Obviously, market value must be the price in terms of money, not promissory notes. This requirement becomes even more evident after examining the conditions or presumptions implicit in the market value definition.(3)

Cash Market Value:

As used here, "cash market value" contemplates a transaction in which the seller would receive all cash in exchange for a clear and merchantable title to his property. This does not mean, however, that the buyer would not pledge such title to a financial institution as security for borrowing a major part of the purchase capital. The objective of the seller is to obtain the maximum amount of cash for his property. The buyer's source of funds is of no concern to him. The fact that mortgage money is available to typical buyers not only makes the real estate market what it is but the available amount, rate and term have a significant influence on the amount of cash the seller may obtain for good title. Therefore, realistic application of the capitalization process requires provision for normal composition and sources of purchase capital.(4)

B. Definition of Value Methodology and Content of the Report

The content of the appraisal report is determined by the decision for which it will serve as a benchmark, the limiting assumptions inherent in the property, the data base, or other factors in the decision context. This appraisal is made to assist the owner in determining the overall market value of the subject property in the assessment context of cash to the seller, given terms and conditions relevant in the standard mortgage money market as of the date of valuation.

For the purpose of this appraisal, the most appropriate definition of value is that of "market value." This is in accord with the principles of assessment valuation as they must be rendered in the State of Wisconsin.

Market Value

The most probable price in terms of money which a property should bring in competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, 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 each acting in what they consider their own best interest.
3. a reasonable time is allowed for exposure in the open market.
4. payment is made in cash or its equivalent.
5. financing, if any, is on terms generally available in the community at the specified date and typical for the property type in its locale.
6. the price represents a normal consideration for the property sold unaffected by special financing amounts and/or terms, services, fees, costs, or credits incurred in the transaction.(5)

The legal interest to be appraised is the fee simple interest of the subject property.

C. Identification of the Subject Property

The properties comprise Phases I - V of an apartment project known as Westwood Village. Phases I - IV lie east of Gammon Road and north of Schroeder Road. Phase V is newly completed as of the date of the appraisal and lies west of South Gammon Road. The properties in Phases I - IV are addressed as 6702 - 6906 Schroeder Road and the properties in Phase V are addressed as 734 - 778 South Gammon Road.

The properties can be legally described as Lots 1 and 2 of Certified Survey Map (CSM) No. 1263, in the Dane County Register of Deeds Records in Vol. 5, p. 188 of the Certified Survey Maps, containing 22.8 acres; and 8.32 acres out of the SW 1/4 of Section 26, T7N, R8E.

Phase V is a portion of a larger acreage tract comprising approximately 130 acres.

FOOTNOTES

(1) Property Assessment Manual for Wisconsin Assessors, Vol. 1, p. 7-2.

(2) Byrl N. Boyce, Ed., Revised Edition of Real Estate Appraisal Terminology, American Institute of Real Estate Appraisers/Society of Real Estate Appraisers, 1981.

(3) J. Lipscomb, "Discount Rates for Cash Equivalent Analysis," The Appraisal Journal, p. 24, January 1981.

(4) L. W. Ellwood, Ellwood Tables for Real Estate Appraising and Financing, 3rd Edition, American Institute of Real Estate Appraisers, Chicago, p. 2.

(5) Boyce, pp. 160-161.

II. PROPERTY ANALYSIS

A. Site Analysis

1. Locational Setting

The subject property is located in the southwest quadrant of the City of Madison, approximately 5-1/2 miles southwest of the central city, the Square, and the State Capitol.

The grouping of land use patterns or neighborhood in which the subject is located is generally residential in character. A strong core of commercial development is located north of the West Beltline, anchored by the West Towne Mall shopping center, the newly completed Shopko, and a variety of free-standing commercial, retail, and office structures along Odana Road, including a newer K-Mart. The area south of the Beltline is generally zoned single family and multifamily residential. The current trend for this area is towards more residential development, assuming that the necessary capital is available at less than the current levels of interest rates. The southwestern edge of the City has developed rapidly during the 1970s.

South Gammon Road interconnects with the West Beltline Road half a mile north of the project. The West Beltline Road is the major state highway bypass around Madison. It connects the east-west State Highways of 12, 14, and 18 and

the north-south Highways of 51 and 151 and the Beltline connects with I-90 on the southeast periphery of Madison which links to I-94 and the Interstate system.

Directly south of the project is a 176 unit apartment project, Westridge, which has been recently purchased with a good probability of condominium conversion. South of this project is a newer multifamily development containing duplexes and four-plex condominium homes. The locational map, Exhibit A, shows the subject's location with respect to the thoroughfares, commercial, residential, and other multifamily projects in the area.

2. Physical Site Attributes

This section of the report is oriented to a careful identification of the attributes inherent in the subject site. Those pertinent characteristics include the static attributes, legal constraints, linkage attributes, and dynamic attributes.

The static attributes are those characteristics which describe the physical resources of land. They are:

Size and Shape: The subject is composed of two parcels, one of 22.8 acres lying east of South Gammon Raod and one of 8.32 acres lying west of South Gammon Road. Both sites are irregular in shape. (See Exhibits A and B.)

Reference is made to the plot plan known as Exhibit B in the Addenda for additional site dimensions.

Topography and Soil: The terrain is generally rolling for the east parcel and level to the west. Surface drainage appears to be adequate. The general soil types, as referenced from the Dane County Soil Survey of the Department of Agriculture, Table 11, Degrees and Kinds of Limitations of Soils for Town and Country Planning, are indicated to have moderate to slight limitations for various city uses including its existing use. (See Exhibit C.) With generally good drainage, its only potential problem is its moderate shrink-swell potential and lower bearing capacity. These characteristics are generally common to soils in and about this general area of the City.

Flood Hazard: The property is not situated in a designated flood hazard area as indicated by the survey provided by the U. S. Department of Housing and Urban Development.

Access: The subject site has good accessibility via South Gammon Road. South Gammon Road intersects with the West Beltline close by to the north and dead ends to the south at West Raymond Road. West Schroeder Road also

provides good accessibility and it interconnects with the Beltline at Whitney Way in a complex interchange.

3. Legal Constraints

These include specific controls such as zoning and identify external public or private controls on use or potential legislative or administrative attitudes and procedures which would impact on the owner alternatives for use.

Zoning and Site Restrictions: The subject property is in existing use and conforms to four types of zoning: R3, R4, PCD, and GDP. The necessary building permits, reviews and approvals by the city and state agencies took place before construction of the apartment structures. There are no known restrictive deed covenants affecting the property.

Easements and Encroachments: There are no apparent easements or encroachments which would adversely affect the marketability of the project.

Utility Services: The following services are available and connected to the site:

Service	Provided By
Sanitary sewer. 8-inch in North Schroeder Road connecting to a 30-inch in the greenway to the East.	City of Madison Sanitary District
Storm sewer. Concrete box.	City of Madison

Water Service. 12-inch main located in West Schroeder with on-site distribution.	City of Madison
Electricity, underground.	Madison Gas & Electric (MG&E)
Natural gas.	
Telephone	Wisconsin Telephone

4. Dynamic Attributes

Dynamic attributes have to do with the mental or emotional response which the property stimulates and how it affects the decision-making behavior.

The subject has generally good accessibility and configuration, good visibility, and generally good location within a stable area. These are all considered to be positive attributes affecting the subject property.

Negative attributes affecting the subject property are its generally rolling terrain, which drops some 40 feet from the northwest corner of the site to the Schroeder Road frontage, requiring a number of retaining walls and embankments; a somewhat plain exterior design combined with some exterior deterioration due to sun and the elements on the southerly exposures; and a less than desirable unit mix for possible condominium conversion.

5. Improvement Description

The two sites are improved with 465 units, 361 lying east of Gammon Road and 104 to the west. Phase V, lying west of Gammon, was completed in October of 1980. The original planning and site clearing for the first four phases started in 1973. The average age of these units is approximately six years.

Table 1, Building Identification, is a summary of the various buildings and types of units in the various phases. In Phases I through IV there are 361 units in 17 buildings. These units are one-bedroom and efficiency apartments. Phase V has 6 buildings with 104 units. These are primarily one- and two-bedroom units. There are 451 parking spaces on grade or 1.25 parking spaces per unit in Phases I through IV and 193 spaces or 1.85 spaces per unit in Phase V.

Building construction consists of poured concrete floors and footings, some on grade, and basement walls, wood structural framing, textured exterior siding and decorative stucco board exterior walls, and composition shingle roofing. All drives and parking areas are asphalt paved. Other improvements include a poolhouse, an in-ground pool with filter and water treatment and cleaning facilities, laundry facilities, and two fenced tennis courts.

TABLE 1

BUILDING IDENTIFICATION

PHASE I						
6702 - 6704	Schroeder Rd.	"c"	8	1-bedroom units (675 SF)	5,400 SF	
			16	efficiency units (350 SF)	5,600	
6706 - 6708	"	"c"	8	1-bedroom units (675 SF)	5,400	
			16	efficiency units (350 SF)	5,600	
6710 - 6712	"	"a"	16	1-bedroom units (675 SF)	10,800	
6714 - 6716	"	"c"	8	1-bedroom units (675 SF)	5,400	
			16	efficiency units (350 SF)	5,600	
6720 - 6722	"	"a"	16	1-bedroom units (675 SF)	10,800	
			104	(56 1 BR, 48 eff.)	54,600 SF	
PHASE II						
6802 - 6804	Schroeder Rd.	"a"	16	1-bedroom units (675 SF)	10,800 SF	
6806 - 6808	"	"c"	8	1-bedroom units (675 SF)	5,400	
			16	efficiency units (350 SF)	5,600	
6810	"	"b"	8	1-bedroom units (750 SF)	6,000	
			2	1-bedroom units (735 SF)	1,470	
			8	1-bedroom units (625 SF)	5,000	
			2	1-bedroom units (575 SF)	1,150	
6814 - 6816	"	"a"	16	1-bedroom units (675 SF)	10,800	
6818 - 6820	"	"a"	16	1-bedroom units (675 SF)	10,800	
			92	(76 1 BR, 16 eff.)	57,020 SF	
PHASE III						
6824	Schroeder Rd.	"b"	8	1-bedroom units (750 SF)	6,000 SF	
			2	1-bedroom units (735 SF)	1,470	
			8	1-bedroom units (625 SF)	5,000	
			2	1-bedroom units (575 SF)	1,150	
6828	"	"b"	8	1-bedroom units (750 SF)	6,000	
			2	1-bedroom units (735 SF)	1,470	
			8	1-bedroom units (625 SF)	5,000	
			2	1-bedroom units (575 SF)	1,150	
6832 - 6834	"	"d"	10	1-bedroom units (675 SF)	6,750	
			20	efficiency units (350 SF)	7,000	
6836	"	"b"	8	1-bedroom units (750 SF)	6,000	
			2	1-bedroom units (735 SF)	1,470	
			8	1-bedroom units (625 SF)	5,000	
			2	1-bedroom units (575 SF)	1,150	
			90	(70 1 BR, 20 eff.)	54,610 SF	
PHASE IV						
6840	Schroeder Rd.	"b"	8	1-bedroom units (750 SF)	6,000 SF	
			2	1-bedroom units (735 SF)	1,470	
			8	1-bedroom units (625 SF)	5,000	
			2	1-bedroom units (575 SF)	1,150	
6902	"	"f"	10	1-bedroom units (735 SF)	7,350	
			1	1-bedroom unit (635 SF)	635	
			12	1-bedroom units (625 SF)	7,500	
			2	1-bedroom units (575 SF)	1,150	
6906	"	"e"	8	1-bedroom units (750 SF)	6,000	
			2	1-bedroom units (735 SF)	1,470	
			18	1-bedroom units (625 SF)	11,250	
			2	1-bedroom units (575 SF)	1,150	
			75	(all 1 BR)	50,125 SF	

TABLE 1 (Continued)

BUILDING IDENTIFICATION

PHASE V

734 - 738	S. Gammon Rd.	"A"	8	2-bedroom units	(850 SF)	6,800
			8	1-bedroom units	(645 SF)	5,160
742 - 746	" " "	"A"	8	2-bedroom units	(850 SF)	6,800
			8	1-bedroom units	(645 SF)	5,160
750 - 754	" " "	"A"	8	2-bedroom units	(850 SF)	6,800
			8	1-bedroom units	(645 SF)	5,160
758 - 762	" " "	"B"	5	2-bedroom units	(860 SF)	4,300
			15	1-bedroom units	(655 SF)	9,825
766 - 770	" " "	"B"	5	2-bedroom units	(860 SF)	4,300
			15	1-bedroom units	(655 SF)	9,825
774 - 778	" " "	"A"	8	2-bedroom units	(850 SF)	6,800
			8	1-bedroom units	(645 SF)	5,160
			104	(42 2 BR, 62 1 BR)		76,090 SF

SUMMARY

	Total	2 BR	1 BR	Eff.	Total Apt. Units SF
PHASE I	104	--	56	48	54,600
PHASE II	92	--	76	16	57,020
PHASE III	90	--	70	20	54,610
PHASE IV	75	--	75	--	50,125
PHASE V	104	42	62	--	76,090
	465	42	339	84	292,445

Partitioning and soundproofing for each unit consists of a nominal 8-inch wall with 2 x 4 staggered studs, 1/2 inch sound board on both sides and 1-1/2 inch batt insulation. Each unit has either a patio or balcony, depending on its location at ground or higher level. Balconies have 2 x 6 decking with wood and metal rails and posts. All interior walls are painted and floors are carpeted in all rooms except the bath and the kitchen which are finished with vinyl floor covering. Storage and laundry rooms are indicated in the building plans which are reproduced in Exhibit D. There is a range, hood fan, refrigerator, and garbage disposal in each unit as well as electric baseboard heating, individual air conditioning unit and bathroom ceiling fan.

The project is in slightly below average overall condition given its age. Some exterior paint and general touchup would do much to improve the "curb appeal" of the property.

The size computations for the subject property are shown in Table 2.

TABLE 2

SIZE COMPUTATIONS

PHASES I-IV

Building Type "a" 16 1-bedroom units

16 units @ 28'2" x 24' ≅ 675 SF

Building Type "b" 20 1-bedroom units

8 units @ 30'10" x 24'5" ≅ 750 SF
2 units @ 30' x 24'6" ≅ 735 SF
8 units @ 26' x 24' ≅ 625 SF
2 units @ 24' x 24' ≅ 575 SF

Building Type "c" 8 1-bedroom units
and 16 Efficiency units

8 1-bedroom units @ 28'2" x 24' ≅ 675 SF
16 efficiency units @ 16' x 23' ≅ 368
-3.5 x 5 (patio) - 17.5 ≅ 350 SF

Building Type "d" 10 1-bedroom units
and 20 Efficiency units

Building Type "e" 30 1-bedroom units

8 units @ 30' x 25' ≅ 750 SF
2 units @ 30' x 24'6" ≅ 735 SF
18 units @ 26' x 24' ≅ 625 SF
2 units @ 24' x 24' ≅ 575 SF

Building Type "f" 25 1-bedroom units

10 units @ 30' x 24'6" ≅ 735 SF
1 unit @ 26'6" x 24' ≅ 635 SF
12 units @ 26' x 24' ≅ 625 SF
2 units @ 24' x 24' ≅ 575 SF

TABLE 2 (Continued)

SIZE COMPUTATIONS

PHASE V

Building Type "A" — 8 2-bedroom units and 8 1-bedroom units

8 2-bedroom units @	39'6"	x	25'4"	1,000.$\overline{6}$		
	-16'6"	x	7'11"	-130.6		
	-10'4"	x	2'	- 20.$\overline{6}$	≅	850 SF
8 1-bedroom units @	31'6"	x	23'4"	735		
	-20'	x	4'6"	-90	≅	645 SF

Building Type "B" — 5 2-bedroom units and 15 1-bedroom units

5 2-bedroom units @	39'6"	x	25'8"	1,013.8		
	-16'6"	x	7'11"	-130.6		
	-10'4"	x	2'	- 20.6	≅	860 SF
15 1-bedroom units @	31'6"	x	23'8"	745.5		
	-20'	x	4'6"	-90.0	≅	655 SF

III. THE USE PREMISE

Given the strong investor demand for multifamily apartment properties, and indeed almost any real estate investment, the most probable use of the property, given its physical and economic characteristics, is continued operation as a rental apartment complex for many years to come.

A valuation for assessment purposes requires that the property hypothetically sell to another as of January 1, 1981, in an arm's length transaction, given all the other terms and conditions of the definition of market value required to be used in assessment valuation.

Given the analysis of 21 sales in the Madison vicinity and over 40 sales across the state which preceded the valuation of the subject property, it is concluded that the most probable buyer for this type of property is a general partner sponsor who will syndicate in a syndication limited partnership vehicle format.

Interviews with those involved in the recent apartment transactions provided a unique opportunity to analyze not only the terms and conditions of the sale but to gain an insight into the "investor calculus" or the perceptions and attitutes of the buyers making their buy-hold-sell decision. Additionally, principals with five of the largest syndication entities in the state were interviewed. They are: Mr. Bill

Spring of Security Spring & Boe Associates; Mr. Jeff Rymaszewski, in charge of acquisitions for Real Estate Resources; Mr. Jeffrey Krilieber, formerly vice president of acquisitions for National Real Estate Investors and now a principal with Decade Investors; Mr. Peter Jungbacker, Managing General Partner of Century Capital Group; and Michael Serchen and Jerry Burke of National Development and Investment, Inc. From these interviews it was apparent that projects across the state were viewed as relatively equal. The investors were generally indifferent especially on larger projects, between the major locations within the state.

We have confirmed that the method by which a property is priced involves a general partner sponsor acquiring property that he can in turn market, in portions or units which are considered a security, to individual limited partners. The general partner provides the skill, know-how, and management ability while the limited partners provide equity contribution and in turn obtain a tax shelter, some cash flow, and appreciation potential. Apartment properties are in great demand because the generally unsophisticated real estate limited partner can identify most strongly with this type of property. Additionally, depreciation write-offs or shelters are highest for this type of investment vehicle.

Of the monies raised for investment, a certain percentage, varying from 10 to as high as almost 50 percent, will go directly to the general partner as fees for finding and putting together the partnership. The remainder goes to the equity position. Thus it is important to avoid confusion between the funding and ownership vehicle and the property. Transactions are entered into with the assumption that the seller will provide below market mortgage financing. The main yardstick for the limited partners is to obtain a rate of return that would exceed the yields on money market certificates, ranging in the vicinity of 15 to 17 percent as of the date of appraisal. Therefore, yields would have to exceed 17 percent as projected from the combination of cash dividends, tax savings, and appreciation potential. These rates of return can also be verified by reference to the January 18, 1982, Barrons, and the Questor Associates study for 1980, which reported returns of 15 to 30 percent for some 1500 publicly syndicated projects.

In summary then, the most probable use of the subject property will remain as residential multifamily with the most probable purchaser being a consortium of partners, either general or general and limited.

IV. VALUATION METHODOLOGY

There are two possible ways to predict a cash sales price. One is by hypothecating a sale using financing which assumes cash to the seller at closing. The cash received would be the combination of the equity down and the mortgage which the property would carry as provided by the lender. The second way to predict the value would be to calculate the cash equivalent of sales involving seller financing by present value discounting then inferring a value from these adjusted comparable sales. Both methods are indirect in that they reflect adjustments to raw or nominal selling prices for what is presumed to be the cash equivalent of these prices. In order to perform this second method of valuation, ten comparable sales were abstracted from a larger group of 41 sales in Madison and the southern Wisconsin area that were analyzed. Sales outside the Madison area were used for two reasons: one, the subject property comprises 465 units and there has been a general lack of transactions in the Madison area over the last several years for projects of this size, and two, generally Wisconsin investors will go throughout the southern portion of the state with no discernable difference being shown to properties in Madison when compared to other areas of the state.

Because the cash equivalency adjustment is theoretical and not supported by an analysis of market transactions and because secular changes in the money markets which occurred after the famous midnight meeting of the Federal Reserve Board in October of 1979 may have caused changes in the actions of market participants during the period analyzed, a valuation according to investment income was also performed.

V. DESCRIPTION OF APPRAISAL METHODOLOGY FOR THE ESTIMATATION OF VALUE

The preferred method of valuing a property is to estimate or predict its market value given the information furnished by past and current transactions as adjusted for other relevant differences. However, current appraisal thinking is beginning to favor far less dependence on the process of using historical comparables. This is due to the volatility of the real estate markets, the uniqueness of each property, and the inefficiencies of the real estate market. An article in Real Estate Issues, the Journal of the American Society of Real Estate Counselors, Spring/Summer, 1981, by Lloyd Hanford, had the theme that "Money and real estate markets are changing too rapidly to allow any dependence on past transactions."

We have attempted to value the subject by inference from other sales after adjusting for terms of financing using conventional cash equivalency theory. We have also valued the property using conventional financing terms. Both these methods are standard direct approaches to estimating value. However, valuation by direct comparison produced returns that were unacceptable to investors because it is a normative attempt to adjust financing terms to a cash basis. This adjustment does not appear to be valid.

In order to infer a value by this direct sales comparison method (after adjusting to cash equivalency), forty-three sales in Madison and southern Wisconsin were analyzed. Ten sales were selected on the basis of this research, with primary reliance placed on number of units because the subject has 465 units. Sales of apartments in Madison which were analyzed ranged from 96 to 288 units and other recent sales in the state which ranged up to 405 units were also utilized.

Each of the transactions is reported in Table 3 with relevant details and includes the nominal selling price and the calculation of cash equivalency. This equivalency adjustment attempts to compensate as of the date of sale for the terms and conditions of the money market at the time of sale.

A. Cash Equivalency

In order to make the cash equivalency adjustment, the theory necessitates that the appraiser or assessor take six steps to adjust a raw sales price to its cash equivalent. They are:

1. Identify any noncash components of the consideration for the property. These may include new or assumed notes, stocks, bonds, and personal and real property.

WISCONSIN APARTMENT TRANSACTIONS

	Cash Equivalent Price (CEP)	Nominal Selling Price (NSP)	Down Payment (DP)	Actual Gross Income (AGI)	Actual Net Income (ANI)	Number of Units (UNITS)	Gross Leaseable Area (GLA)	Rate (RATE)	Date Code (DC)
1. Alhambra Apartments	2,247,212	2,300,000	300,000	368,640	202,752	96	88,600	10.3	37
2. Nakoma Heights	3,145,703	3,450,000	500,000	513,240	246,458	168	141,800	12.0	26
3. Rimrock Hills	2,484,387	2,550,000	600,000	430,800	253,310	140	131,000	10.3	26
4. Westridge	4,552,277	5,325,000	1,000,000	623,750	374,250	176	156,000	15.0	8
5. The Villa Phase I	1,888,787	2,500,000	150,000	433,560*	255,380*	176	132,100	15.0	22
6. The Villa Phases II - VII	5,169,988	5,583,621	775,000	797,376	478,426	288	207,800	10.6	42
7. Canterbury Apts.	2,238,125	2,750,000	450,000	300,432	162,208	136	117,185	15.0	20
8. Dutchman's Creek	5,582,026	6,500,000	1,250,000	906,455	464,808	405	223,630	14.5	26
9. Shagbark	3,752,143	4,960,000	1,500,000	784,000	454,800	256	175,040	17.0	12
10. Foxcroft	3,471,229	4,447,000	500,000	782,820	374,815	287	199,474	18.0	2

*Reflects land lease expense.

TABLE 3

2. Ascertain the face value of any new loan or the balance owing on any assumed loan, look up the market price of any stocks or bonds, and ascertain the price of any tangible property as of the date of the sale.
3. Determine the terms of the notes or contract of sale--the rate of interest, the amount and timing of payments, and if the loan is fully amortized by periodic payments or if a balloon payment is required.
4. Determine the terms and conditions of the typical loan available for the type of property in question as of the date of the sale: the market rate of interest, the ratio of loan to value, the amortization method, the timing of payments, and the period of repayment. In the case of new financing, it should be determined whether or not the seller paid any points.
5. When necessary, adjust the face value of the newly drawn note, contract, or remaining balance of an assumed loan to its cash equivalent. This can be a simple matter of deducting the seller's points from a new loan or a more complicated calculation

involving calculating the present-worth of future payments.

6. Add the cash value of the noncash components of the consideration to all cash payments (cash down and prepaid interest). The addition of these two components equals the cash sale price of the sold property. The appraiser then can make any other necessary adjustments to the cash sales price, such as the time adjustment.

B. Market Comparison Approach

After making the cash equivalent adjustment, the unit mix for each project was used to calculate the total number of rooms for each project. For the room count each of the various types of units were considered to have a given number of rooms according to the following scale:

Unit Type	Number of Rooms
Efficiency	1.5
2 Bedroom	2.5
2 Bedroom (with 2 baths)	4
3 Bedroom	5

Thus, if a project consisted of ten 1-bedroom units and ten 3-bedroom units, it would have a total of 75 rooms in the project ([(10 x 2.5) + (10 x 5)] = 25 + 50 = 75). Once the total number of rooms for each project was obtained, the cash

equivalent price for each of the ten comparable projects was divided by the total number of rooms in each project to obtain the cash equivalent price per room. (See Table 4.) The resulting cash equivalent price per room values ranged from $3,689 per room to $7,025 per room with the mean being $5,428 and the standard deviation being $994.

Table 4 shows that the subject property has a much greater percentage of its units in efficiencies than do the other ten projects. Since efficiencies are more difficult to rent in the suburban market than are the larger one- and two-bedroom units, it was judged best to use a cash equivalent price per room somewhat less than the mean. Thus, a cash equivalent price per room of $4,931 (this represents the mean less one-half of one standard deviation or 5428 - (.5)(994) = 5428 - 497 = 4931) was used. Multiplying $4,931 by the 1121 total rooms in the subject property indicates a value of $5,527,651, or approximately $5,500,000, rounded, using the market comparison approach.

C. Income Approach

Another method of valuation could be based on an analysis of the subject's income, given the investment income producing nature of the subject property.

To value the subject property using this approach, we must derive an estimate of income. In our analysis of the sales

MARKET COMPARISON APPROACH
CASH EQUIVALENT PRICE PER ROOM

	(1) Project Name	(2) Type of Unit	(3) Number of Units	(4) Percentage of Total Units	(5) Number of Rooms Per Unit #	(6) Total Rooms (Col. 3 x Col. 5)	(7) Cash Equivalent Price	(8) Cash Equivalent Price Per Room (Col. 7 ÷ Col. 6)
1.	Alhambra Apartments	1 BR	48	50%	2.5	120		
		3 BR, 1.5 B	48	50	5	240		
			96	100%		360	$2,247,212	$6,242
2.	Nakoma Heights	1 BR, 1 B	56	33	2.5	140		
		2 BR, 1 B	98	59	3.5	343		
		2 BR, 2 B	14	8	4	56		
			168	100		539	3,145,703	5,836
3.	Rimrock Hills	1 BR, 1 B	40	29	2.5	100		
		2 BR, 1 B	84	60	3.5	294		
		3 BR, 1.5 B	16	11	5	80		
			140	100		474	2,484,387	5,241
4.	Westridge	1 BR, 1 B	16	9	2.5	40		
		2 BR, 1 B	128	73	3.5	448		
		3 BR, 2 B	32	18	5	160		
			176	100		648	4,552,277	7,025
5.	The Villa Phase I	1 BR, 1 B	104	59	2.5	260		
		2 BR, 1 B	72	41	3.5	252		
			176	100		512	1,888,787	3,689
6.	The Villa Phases II - VII	Eff.	32	11	1.5	48		
		1 BR, 1 B	136	47	2.5	340		
		2 BR, 1 B	120	42	3.5	420		
			288	100		808	5,169,988	6,399

TABLE 4

TABLE 4 (Continued)

	(1) Project Name	(2) Type of Unit	(3) Number of Units	(4) Percentage of Total Units	(5) Number of Rooms Per Unit *	(6) Total Rooms (Col. 3 x Col. 5)	(7) Cash Equivalent Price	(8) Cash Equivalent Price Per Room (Col. 7 ÷ Col. 6)
7.	Canterbury Apartments	1 BR	48	35	2.5	120		
		2 BR	88	65	3.5	308		
			136	100		428	2,238,125	5,229
8.	Dutchman's Creek	1 BR	277	68	2.5	693		
		2 BR	128	32	3.5	448		
			405	100		1,141	5,582,026	4,892
9.	Shagbark	Eff.	8	3	1.5	12		
		1 BR	184	72	2.5	460		
		2 BR	64	25	3.5	224		
			256	100		696	3,752,143	5,391
10.	Foxcroft	Eff.	4	1	1.5	6		
		1 BR	197	69	2.5	493		
		2 BR	86	30	3.5	301		
			287	100		800	3,471,229	4,339

Mean Cash Equivalent Price Per Room = $5,428
Standard Deviation for Cash Equivalent Price Per Room = 994

Subject Property	Eff.	84	18	1.5	126
	1 BR	339	73	2.5	848
	2 BR	42	9	3.5	147
		465	100		1,121

* Efficiency = 1.5 rooms
1 Bedroom = 2.5 rooms
2 Bedroom = 3.5 rooms (2 Bedroom, 2 Bath = 4 rooms)
3 Bedroom = 5 rooms

transactions, the projects' income was used to value and price properties. One of the greatest surprises encountered in the analysis was the degree of correlation among various market participants on their estimates of gross income, expenses, property tax ratios, total expense ratios, and the like. This would also seem to lend credence to the concept that value can be estimated from income.

To estimate income for the subject property, the following analysis was performed. Table 5 shows the rental analysis comparison of projects in competition with Westwood. Five competing projects, all nearby, were analyzed. Given the subject's average rental, it is slightly above the market for competing rental properties. This is unusual as it is less desirable than its competition. It appears that the subject's rental rates as of the valuation date were at market or "economic" levels.

In like fashion, a comparison of expenses with the national average and a projection of expenses for the subject was done as displayed in Table 6. Amounts of increases from the previous year's actual statements are shown. These projections were based on an investigation which included discussions with vendors of the particular service and with apartment owners in the Madison area. The subject property has had some additional income and expense due to the rental of furniture. This was

TABLE 5

RENTAL COMPARISON OF COMPETING PROJECTS WITH WESTWOOD

WESTWOOD VILLAGE (Rents as of December, 1980 and January, 1981)

No. of Units	Type	Rent	Median Square Feet	Cents per Square Foot	
Phase I-IV					
84	Eff. units	$180	350	.51	181,440
277	1 BR units	$205	675	.30	681,420
Phase V					
62	1 BR units	$225	650	.35	167,400
42	2 BR units	$270	855	.32	136,080
					$1,166,340

THREE FOUNTAINS

40	Eff. units	$225	485	.46	Heat included
300	1 BR units	$273-278	719-743	.38	Tenant pays elec.
108	2 BR units	$315-321	890-959	.35	for lights &
136	2 BR 2 B	$332-337	969-1,051	.34	appliances only

$200 deposit, 1 year lease

LAMPLIGHTER

24	1 BR units	$275	750	.37	Heat not included
24	2 BR 2 B	$360	1,100	.33	

1 month security deposit, 1 year lease

WESTRIDGE

16	1 BR units	$255	628	.41	Heat not included
128	2 BR units	$295	854	.35	
32	3 BR 2 B	$350	1,145	.31	

$200 deposit, 1 year lease

THE WILLOWS (Rents as of 6/1/81)

32	Eff. units	$223	400	.56	Heat not included
136	1 BR units	$250-285	675	.41	in lower rents
120	2 BR units	$295-330	860	.37	

$150 deposit, 6 month lease

GREENBRIAR - elevator building

1 BR units	$277-289	624	.46	
1 BR units	$265-277	624	.43	
2 BR 1½ B	$338-350	972	.35	
2 BR 1½ B	$325-338	972	.34	

$200 deposit, 1 year lease

A COMPARISON OF EXPENSES
CALENDAR 1980
WESTWOOD VILLAGE
(292,585 Square Feet)

1979 National Median[4]		Westwood Village Phases I - IV 361 Units[2]	Westwood Village Phase V 104 Units[3]	Expense Per SF	Total 465 Units
.24	Management[1]	$34,458	$10,026	.15	44,484
.15	Maintenance	21,590	6,232	.10	27,822
.07 (other)	Rental Agent's Payroll	8,392	2,423	.04	10,815
	All Payroll Taxes	5,293	1,528	.02	6,821
.28	Real Estate Taxes	100,268	28,031	.44	128,299
(other tax)	Personal Property Taxes (includes stoves & refrigerators)	2,771	122	.01	2,893
.18	General Repairs	22,504	6,496	.10	29,000
.02	Supplies & Materials	17,072	4,928	.08	22,000
	Trash Collection	5,118	2,552	.03	7,670
	Snow Removal	2,239	680	.01	2,919
.07	Insurance	9,942	2,610	.04	12,552
.09	Fuel (Gas) Regional=.03 (CA only) Electricity - CA =.05	35,792	8,018	.15	43,810
	Water =.03	11,706	2,622	.05	14,328
	Replacement and Reserve[1]	16,855	5,031	.07	21,886
.17	Other Payroll & Recreation Amenities				
	Total Expenses	$294,000	$81,298		375,298

[1]Projected from similar projects - Common Area (CA) + apts; CA only = .04

[2]Comprised of 277 1BR units ($225) Current rents
84 Eff. units ($200) Current rents

[3]Comprised of 62 1BR units ($260)
42 2 BR units ($295)

[4]For Garden Apartment (unfurnished)

Expense ratio is 36 percent of Actual Effective Gross Revenues and 32 percent Gross Potential Revenues. Nationally expenses total $1.52 per square foot compared to the subject's $1.28.

TABLE 6

excluded from the income and expense analysis as it was not applicable to the value of the real estate. A description of various expense items follows in the tabular presentations. Vacancy and collections losses are based on current and previous experience. The subject property has a high vacancy rate in Phases I through IV. A weighted average vacancy rate of Phases I-IV and Phase V was estimated, given the subject's history and the general trends of rates in the area. A weighted average vacancy rate of 11.5 percent was utilized.

Management fees in Madison typically range from 4 to 5-1/2 percent for this type of project. This fee covers the management and leasing of the project, on-site administration supervision, making various collections and expense payments, handling the inherent daily problems of operating an apartment project, and longer range strategic planning. Given the subject's size and current vacancy problem, a management concern would typically charge 5 percent of collected income as estimated and confirmed with Dan Shaw of Shaw Management. Maintenance amounts were estimated from the previous years' expenditures after conferring with Jack Epstein, the project manager for the subject property. Payroll taxes, general repairs, supplies, maintenance, trash collection, and snow removal were estimated from last year's expenses and quotes from other vendors of these services in the Madison area.

Capital expenditures and reserves, as well as other payroll and recreational amenities contracts, were estimated based on similar project experience that we are familiar with or have analyzed in the Madison area and national experience as reflected in published apartment operating cost studies. Real estate tax estimates were based on the perception of individual investors, who generally envision that they should run between 10 and 12 percent of gross income in making their purchase calculations. Utility expenses for water, gas, and electricity were based on discussions with Paul Vander Blooman of Madison Gas and Electric. Natural gas rates are expected to double by 1985. Electrical rates were expected to range from one to two percent below the inflation rate over the next five years. Water was expected to increase between 12 and 13 percent next year with an average increase of between 10 and 11 percent a year over the next five years.

Now total expenses can be subtracted from effective gross revenue and net income derived. Table 7 displays the subject's income statement.

From this net income estimate, both down payment and the value of debt can now be calculated because the value of an income producing property is the sum of the value of these debt and equity positions.

TABLE 7

WESTWOOD VILLAGE PRO FORMA FOR 1981

Gross Potential Revenues	
Rentals[1]	$1,166,340
Other[2]	11,246
Subtotal	1,177,586
Vacancy and Credit Loss[3]	135,422
Effective Gross Revenue	1,042,164
Estimated Operating Expenses	
Management[4]	57,288
Maintenance[5]	31,786
Payroll and Payroll Taxes[6]	19,929
General Repairs[7]	32,770
Supplies and Materials[7]	24,860
Trash Collection[8]	8,590
Snow Removal[9]	3,212
Insurance[7]	14,182
Utilities[10]	66,859
Capital Expenditures or Reserves[9]	24,075
Real Estate Taxes[11]	129,464
Other Payroll, Contracts, and Recreational Amenitites[12]	14,622
TOTAL EXPENSES	$427,637
NET INCOME BEFORE DEBT SERVICE	$718,117

[1] Market (economic) estimated as of January 1, 1981.

[2] Laundry rental income projected from 1980 actual of $10,413 plus 8% or $11,246

[3] Weighted average based on 1980 experience of 11.5%, based on
Phase V 76,090 square feet at 1% vacancy
Phases I-IV 216,355 square feet at 15% vacancy
292,445

[4] Operational management and leasing administration based on 5% of effective gross revenue

[5] Previous year's actual increased by 14%

[6] Rental agent and payroll taxes from previous year increased by 13%

[7] Previous year increased by 13%

[8] Previous year increased by 12%

[9] Previous year increased by 10%

[10] Previous year increased by 15%. Gas hot water heat, common area and vacant apartment electric heat and water

[11] 10% of gross income

[12] Based on national studies and other similar projects in the Madison area at 5 cents per foot

NET INCOME BEFORE DEBT SERVICE IS
52 PERCENT OF GROSS POTENTIAL INCOME

The value of the debt is most easily calculated by the formula:

Value of Debt = NOI/(DCR)(f).

In this case as throughout our analysis, we will use a 1.20 percent debt coverage ratio (DCR). A debt coverage ratio is the amount that the net operating income exceeds debt service. The mortgage constant (f) for a 17 percent mortgage for 25 years is .17254. This rate can be verified as typical for January 1, 1981, from a number of sources such as the Citicorp Benchmark Report.

Estimating the equity involves capitalizaton of the income remaining after debt service. As Table 8 shows, the value of the debt can be calculated by taking the projected net income and dividing it by the amount of debt that it would support at 17 percent. We have used a debt coverage ratio common to the marketplace and applied by lenders when calculating the amount of loan. To obtain the downpayment or equity necessary involves calculating the amount to be applied towards debt service and subtracting this from the net operating income. Then the remaining cash flow can be capitalized at a rate prevalent to the marketplace. A 5 percent return to equity was selected for two reasons. First, it reflects a generous position. Cash returns for all sales studied ranged from slight negative cash flows to approximately 10 percent. Secondly, all the properties

TABLE 8

ESTIMATING CASH EQUIVALENT PRICE
BY INCOME METHOD

A. Value of Debt that can be Carried by the Subject Property as of Valuation Date

Value of Debt = Income/(Debt Coverage Ratio)(Constant)

$$= \frac{\$614,527}{(1.20)(.17254)}$$

$$= \$2,968,041$$

B. Cash Downpayment of Present Worth of Equity

Value of Equity = (Income - Debt Service)/Cash on Cash

where Debt Service = Income/Debt Coverage Ratio

$614,527/1.20	= $512,106
$614,527 - $512,106	= $102,421
$102,421/.05	= $2,048,421

C. Estimate of Cash Equivalency Price

Value =	Debt	$2,968,041
	Equity +	2,048,420
	Total	$5,006,460
	Rounded	$5,000,000

in the 41 sales analyzed represented syndications which had front-end loads representing compensation to the broker-dealer, general partner, and other partnership acquisition costs and fees. A positive cash flow is diluted by this front-end load. In this case, for example, a 5 percent cash flow would approximate a 3 percent rate of return if a 25 percent load occurred. Since front-end loads range from 10 to over 45 percent, some semblance of positive cash flow is necessary in order to produce a positive cash flow based upon a fully diluted equity. As Table 8 shows, the value for the subject property using this method would be approximately $5,000,000.

The two methods of valuation employed have produced a range from $5,000,000 to $5,500,000. In an attempt to resolve this disparity, these value indications were analyzed to solve for their resulting yields. As discussed previously, an apartment project is typically bought by a general partner sponsor to market to limited partners. Our investigations and the sources cited previously indicate that returns as of the valution date must exceed those available on money market certificates which ranged from 15 to 17 percent.

Exhibits E and F test values of $5,000,000 and $5,500,000 to solve for yield.

The five million dollar value was tested assumming a $4,550,000 mortgage using a zero or cash break even with 100

percent of the income going to debt cover. A five year holding period was utilized with net incomes increasing at five percent a year--in line with general trends which reflect 7 percent increases in gross income and 9 percent increases in expenses--and resale values based on the same ratio or capitalization rate of first year income to acquisition price and last year income. It produced before and after tax rates of return of 16.9 and 18.4.

The 5.5 million dollar value was tested on an all cash basis with all of the other assumptions being held constant. This possible value produced rates of returns of 14.1 percent before taxes and 9.1 percent after taxes, which were unacceptable rates.

The five million dollar value was first calculated with a 17 percent mortgage and then tested or confirmed with a 13.5 percent nominal amount mortgage at cash break even (1.00 debt coverage) and equity participation to the lender of 25 percent of the cash flow and 50 percent of the resale profits. This arrangement would also produce acceptable rates of return to the mortgage investor of 17 to 18 percent.

VI. SUMMARY

The subject property was initially valued by two methods. The first value indication was derived from a market comparison approach using cash equivalent price per room. Another value indication was derived from an analysis of revenues and expenses. This is a method employed by general partner sponsors who essentially make the market for apartment properties in the current marketplace. The two methods produce two separate indications of value of some disparity. The first method values the property at $5,500,000 and the second at $5,000,000. An analysis was then necessary to confirm a final estimate of value. Since no true cash sales were encountered in our analysis, a final analysis was necessary to see what property value produces acceptable yields for the subject property. The rates of return produced by the 5.5 million dollar value were 14.1 percent before taxes and 9.1 percent after taxes. These rates are below the range of acceptable rates. The rates of return produced by the five million dollar value were 16.9 percent before taxes and 18.4 percent after taxes. This is just within the range of acceptable rates. Since the investor could have earned from 15 to 17 percent on money market certificates as of the valuation date, rates of return on the subject property must exceed money market rates.

We should also mention that we are aware of confidential negotiations taking place in the Madison area for an all-cash sale which represents a discount of approximately 40 percent from the current assessed value. Such a discount would be in line with the value estimate placed on the subject property.

It is then our opinion that the most probable cash selling price of the subject property, given a continuation of use as an apartment project as of January 1, 1981, is:

FIVE MILLION DOLLARS

($5,000,000)

CERTIFICATE OF APPRAISAL

We hereby certify that we have no interest, present or contemplated, in the property and that neither the employment to make the appraisal nor the compensation is contingent on the value of the property. We certify that we have personally inspected the property and that according to our knowledge and belief, all statements and information in the report are true and correct, subject to the underlying assumptions and limiting conditions.

Based upon the information and subject to the limiting conditions contained in this report, it is our opinion that the Market Value, as defined herein, of Westwood Village, as of January 1, 1981, is:

FIVE MILLION DOLLARS

($5,000,000)

James A. Graaskamp, Ph.D., SREA, CRE

March 19, 1982
Date

CERTIFICATE OF APPRAISER

The undersigned does hereby certify that except as otherwise noted in this report:

We have no present or contemplated future interest in the real estate that is the subject of this report.

We have no personal interest or bias with respect to the subject matter of this report or the parties involved.

Neither our employment to make this report nor our compensation for it is contingent upon the value or findings reported.

To the best of our knowledge and belief the statements of fact contained in this report, upon which the analyses, opinions, and conclusions expressed herein are based, are true and correct.

This report sets forth all of the limiting conditions, imposed by the terms of our assignment or by the undersigned, affecting the analyses, opinions and conclusions contained in this report.

This report has been made in conformity with and is subject to the requirements of the Codes of Professional Ethics and Standards of Professional Practice of the American Institute of Real Estate Appraisers and of the Society of Real Estate Appraisers.

No one other than the undersigned prepared the analyses, opinions, and conclusions concerning real estate that are set forth in this report.

The American Institute of Real Estate Appraisers conducts a voluntary program of continuing education for its designated members. MAIs and RMs who meet the minimum standards of this program are awarded periodic educational certification. Tim Warner is certified under this program through December 31, 1983.

The value of Westwood Village, as previously defined, is estimated to be:

FIVE MILLION DOLLARS

($5,000,000)

Tim Warner, MS, MAI, SREA

STATEMENT OF LIMITING CONDITIONS

1. Contributions of Other Professionals

   - The appraiser did not conduct any engineering analysis of the structure components or of the site, of costs to replace, or of other engineering factors.

   - Rental income and statements are the opinion of the appraiser after a review of the rent schedule, the national rental market, and accounting statements furnished by the owner and his accounting department.

   - Sketches in this report are included to assist the reader in visualizing the property. These drawings are for illustrative purposes only and do not represent an actual survey of the property.

   - The appraiser assumes no responsibility for matters which are legal in nature nor is any attempt made to render an opinion on the title. The property has been appraised as if title to the subject property were in fee simple.

2. Facts and Forecasts Under Condition of Uncertainty

   - Information furnished by others in this report, while believed to be reliable, is in no sense guaranteed by this appraiser.

   - All information furnished regarding property sales and rentals, financing, or projections of income is from sources deemed reliable. No warranty or representation is made regarding the accuracy thereof, and it is submitted subject to errors, omissions, change of price, rental or other conditions, prior sale, lease, financing, or withdrawal without notice.

3. Controls on Use of Appraisal

   - Values for various components of the subject parcel and improvements as contained within the report are valid only when making a summation and are not to be used independently for any purpose and must be considered invalid if so used.

STATEMENT OF LIMITING CONDITIONS, continued

- Possession of this report or any copy thereof does not carry with it the right of publication nor may the same be used for any other purpose by anyone without the previous written consent of the appraiser or the applicant and, in any event, only in its entirety.

- Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or other media without the written consent and approval of the author, particularly regarding the valuation conclusions, and the identity of the appraiser, or of the firm with which he is connected or any of his associates.

- This report is not to be used in connection with a real estate "securities offering" and is invalid if so used without the previous knowledge or written consent of the appraiser, as explicitly demonstrated by a "summary of independent real estate appraiser's report," which shall be attached and made a part of our report.

- In those instances where explicit written consent has been given to refer within a prospectus to certain specified conclusions or facts, it shall be done so only within the format of the "summary of independent real estate appraiser's report" which is to be reproduced in its entirety, without any deletions, material or immaterial, for such consent to be valid. In addition, we reserve the right to review all of the material in the prospectus at the time of registration, in order to assure we are in agreement with reference to the property, evaluation and the context thereof. From time to time, this may involve additional compensation which has not been included in the quotation for the appraisal or evaluation analysis.

J A M E S A. G R A A S K A M P

PROFESSIONAL DESIGNATIONS

SREA, Senior Real Estate Analyst, Society of Real Estate Appraisers

CRE, Counselor of Real Estate, American Society of Real Estate Counselors

CPCU, Certified Property Casualty Underwriter, College of Property Underwriters

EDUCATION

Ph.D., Urban Land Economics and Risk Management - University of Wisconsin
Master of Business Administration Security Analysis - Marquette University
Bachelor of Arts - Rollins College

ACADEMIC HONORS

Chairman, Department of Real Estate and Urban Land Economics, School of Business, University of Wisconsin
Urban Land Institute Research Fellow
University of Wisconsin Fellow, Omicron Delta Kappa
Lambda Alpha - Ely Chapter
Beta Gamma Sigma, William Kiekhofer Teaching Award (1966)

PROFESSIONAL EXPERIENCE

Dr. Graaskamp is the President and founder of Landmark Research, Inc., which was established in 1968. He is also co-founder of a general contracting firm, a land development company and a farm investment corporation. He is formerly a member of the Board of Directors and treasurer of the Wisconsin Housing Finance Agency. He is currently a member of the Board and Executive Committee of First Asset Realty Advisors, a subsidiary of First Bank Minneapolis. He is the co-designer and instructor of the EDUCARE teaching program for computer applications in the real estate industry. His work includes substantial and varied consulting and valuation assignments to include investment counseling to insurance companies and banks, court testimony as expert witness and the market/financial analysis of various projects, both nationally and locally, and for private and corporate investors and municipalities.

T I M W A R N E R

PROFESSIONAL DESIGNATIONS

MAI, Member, American Institute of Real Estate Appraisers, Certificate Number 5645

SREA, Senior Real Estate Analyst, Society of Real Estate Appraisers

EDUCATION

Master of Science - Real Estate Appraisal and Investment Analysis - University of Wisconsin

Bachelor of Arts - Marquette University - Milwaukee, Wisconsin

PROFESSIONAL EDUCATION

Society of Real Estate Appraisers

Appraising Real Property	Course 101
Appraising Income Producing Property	Course 201
Special Applications of Appraisal Analysis	Course 301
Instructor's Clinic	1975

American Institute of Real Estate Appraisers

Real Estate Appraisal I	Principles
Real Estate Appraisal II	Urban Properties
Real Estate Appraisal VI	Investment Analysis
Real Estate Appraisal VII	Industrial Properties
Real Estate Appraisal VIII	Residential Properties

Contemporary Real Estate Appraisal, University of Wisconsin, 1977

PROFESSIONAL EXPERIENCE

Mr. Warner is currently associated with Landmark Research, Inc. Previously, he was associated with The Appraisal Company of Houston, Texas, and was the Manager of Appraisal Operations for Mortgage Guaranty Insurance Corporation. His experience includes appraisal, consulting, and market and financial analysis of proposed and existing projects; reuse and conversion studies; lease analysis and structuring; analysis of equity positions for financial institutions; analysis of proposed multiple land use developments for developers, investors, and financial institutions.

J E A N B. D A V I S

EDUCATION

Master of Science - Real Estate Appraisal and Investment Analysis, University of Wisconsin

Master of Arts - Elementary Education, Stanford University

Bachelor of Arts - Stanford University (with distinctions)

Additional graduate and undergraduate work at Columbia Teachers College and the University of Wisconsin

PROFESSIONAL EDUCATION

Society of Real Estate Appraisers

Appraising Real Property	Course 101
Principles of Income Property Appraising	Course 201

American Institute of Real Estate Appraisers

Residential Valuation (formerly Course VIII)

Certified as Assessor I, Department of Revenue, State of Wisconsin

PROFESSIONAL EXPERIENCE

With a significant background in education, practiced in California, Hawaii and Wisconsin, Ms. Davis is currently associated with Landmark Research, Inc. Her experience includes the appraisal and analysis of commercial and residential properties, significant involvement in municipal assessment practices, and market and survey research to determine demand potentials.

F R E D E R I C K A. R E N D A H L

EDUCATION

Bachelor of Business Administration - Real Estate and Urban Land Economics, University of Wisconsin

Master of Science (in progress) - Real Estate Appraisal and Investment Analysis, University of Wisconsin

PROFESSIONAL EDUCATION

Society of Real Estate Appraisers (SREA)

Course 101: Appraising Real Property
Course 201: Principles of Income Property Appraising
R-2 Examination

American Institute of Real Estate Appraisers (AIREA)

Course 1A: Principles of Appraising
Course 1B: Capitalization Theory and Techniques
Course 2: Urban Properties
Course 6: Introduction to Real Estate Investment Analysis

PROFESSIONAL EXPERIENCE

Mr. Rendahl is currently associated with Landmark Research, Inc. as an appraiser and consultant. He has over ten years experience in a variety of valuation, marketability, land use and project feasibility studies. He has served individual corporate, and governmental clients, concerning commercial, industrial, and residential properties throughout the United States. These services include court testimony as an expert witness. Mr. Rendahl has been a member of the Society of Real Estate Appraisers, Young Advisory Council and an instructor of the SREA's 101 and 201 courses.

Y V O N N E M. S C H E L L

EDUCATION

Master of Science - Real Estate Appraisal and Investment Analysis, University of Wisconsin - Madison

Bachelor of Business Administration - Double major in Finance and in Real Estate, Colorado State University, Fort Collins (with honors)

ACADEMIC HONORS

Beta Gamma Sigma, National Honorary Business Society

Financial Management Association, National Honorary Finance Society

University of Wisconsin Real Estate Alumni Scholarships, 1980 and 1981

PROFESSIONAL EXPERIENCE

Ms. Schell is currently associated with Landmark Research, Inc. Her experience previously includes involvement as a National Bank Trust Examiner and Commercial Examiner with the Comptroller of the Currency and subsequently as a real estate analyst and broker in Colorado with additional appraisal experience in several other states. Her experience includes the appraisal and analysis of commercial and residential income properties, also feasibility and development potential studies including market and financial analysis.

M A R T H A G. H E I S E L

EDUCATION

Bachelor of Business Administration - Real Estate and Urban Land Economics major, University of Wisconsin - Madison, Graduated with Honors

ACADEMIC HONORS

President and member of Crucible, a UW - Madison junior women's honorary organization, 1972-3

Beta Gamma Sigma, National honorary business society

Phi Kappa Phi, National honorary society

PROFESSIONAL EDUCATION

Society of Real Estate Appraisers

Appraising Real Property Course 101

Marketing Real Estate by Mortgage Equity Analysis: Course I, University of Wisconsin - Extension

Wisconsin Realtors Association

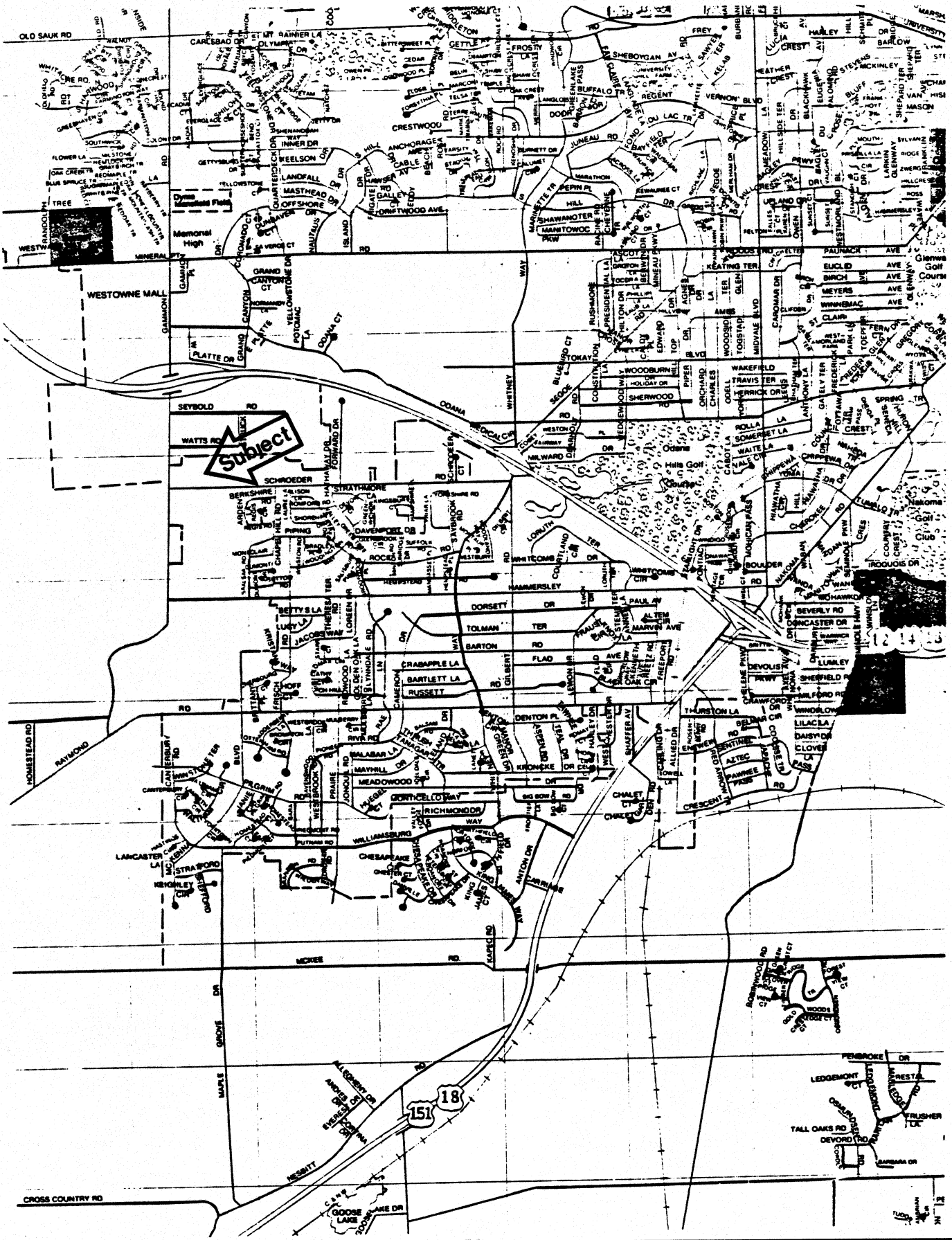
Wisconsin Realtors Institute, Courses I, II, and III
Awarded GRI "Graduate, Realtors Institute"

PROFESSIONAL EXPERIENCE

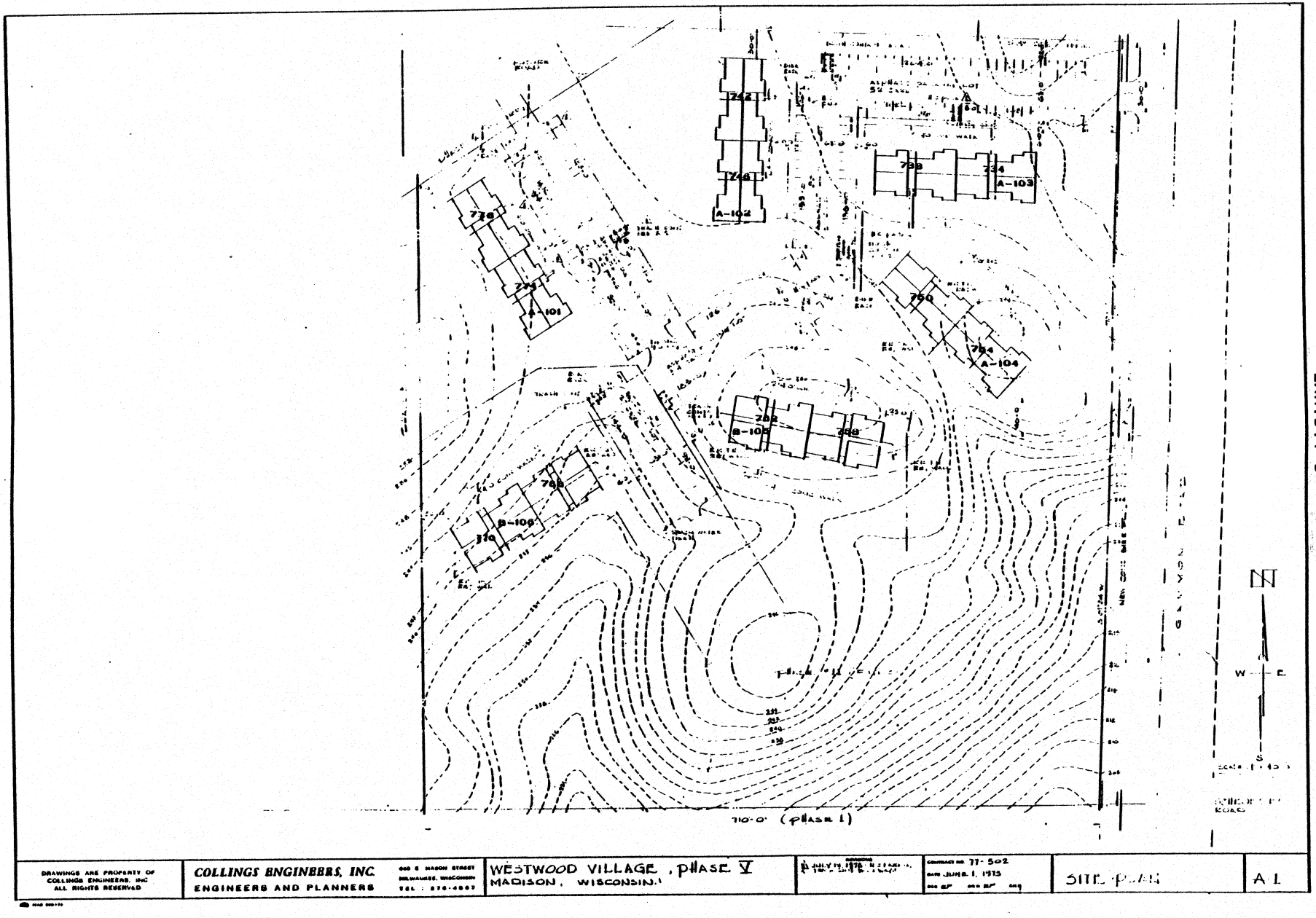
Mrs. Heisel is currently associated with Landmark Research, Inc. Previously, she was associated with Risberg Land Company and Risberg Recreational Real Estate, Inc., a recreational real estate brokerage firm, in Hayward, Wisconsin. Prior to that she was employed as a management trainee and then head of the Investment Services department at The First Trust Company of Saint Paul, in Saint Paul, Minnesota.

EXHIBIT A

LOCATION MAP



PLOT PLAN



DRAWINGS ARE PROPERTY OF COLLINGS ENGINEERS, INC ALL RIGHTS RESERVED	COLLINGS ENGINEERS, INC. ENGINEERS AND PLANNERS	600 E. MASON STREET MILWAUKEE, WISCONSIN TEL. 276-4063	WESTWOOD VILLAGE, PHASE V MADISON, WISCONSIN		CONTRACT NO. 77-502 DATE JUNE 1, 1975	SITE PLAN	A-1

Landmark Research, Inc.

EXHIBIT B

101

EXHIBIT C

SOIL SURVEY

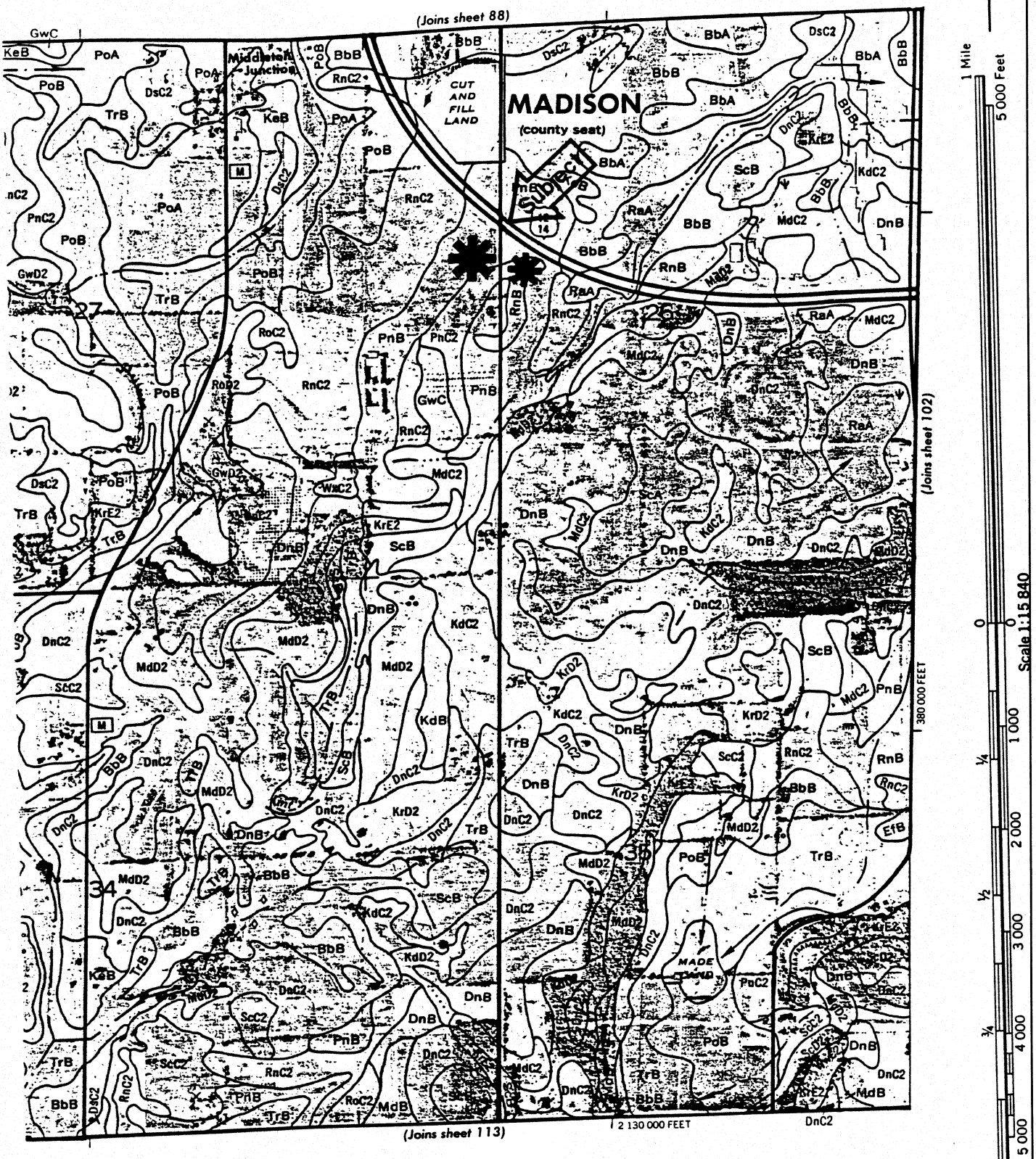


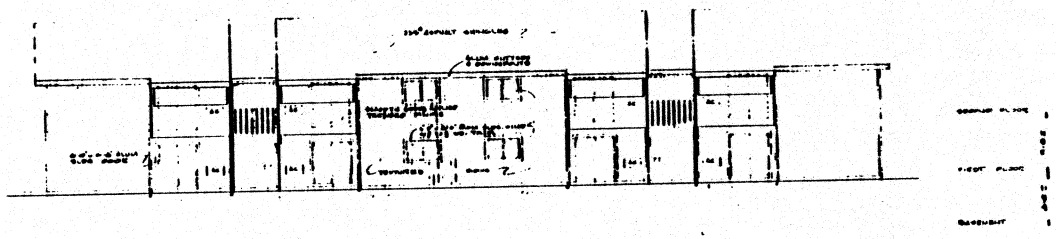
TABLE 11.—*Degree and kinds of limitations of*

Soil series and map symbols	Septic tank absorption fields	Sewage lagoons	Shallow excavations
Orion (*continued*) Os	Very severe: seasonal high water table.	Severe: seasonal high water table; subsoil is moderately slowly permeable; low stability when wet; subject to flooding.	Very severe: subject to flooding; seasonal high water table; poor stability throughout.
Otter: Ot	Very severe: subject to flooding; seasonal high water table.	Severe: subject to flooding; moderately slowly permeable; low stability where wet.	Very severe: seasonal high water table; subject to flooding; fair stability.
Palms: Pa	Very severe: seasonal high water table.	Very severe: seasonal high water table; moderately slowly permeable in substratum; subject to flooding.	Very severe: subject to flooding; seasonal high water table; substratum has poor stability.
Pecatonica: PeB	Slight	Moderate: slope; substratum has moderately rapid permeability.	Slight
PeC2	Moderate: slope	Severe: slope; substratum has moderately rapid permeability.	Moderate: slope
Plainfield: PfB	Moderate: danger of contaminating ground water.	Severe: rapidly permeable	Severe: loose sand has poor stability.
Plano: PnA, PnB	Moderate: filter fields have shorter life because of dispersion of silt.	Moderate: substratum is moderately rapidly permeable.	Slight
PnC2	Moderate: slope; filter fields have short life because of dispersion of silt.	Severe: slope; substratum is moderately rapidly permeable.	Moderate: slope
PoA, PoB	Moderate: filter fields have short life because of dispersion of silt.	Severe: substratum is rapidly permeable.	Moderate: sand and gravel in substratum have poor stability.
PoC2	Moderate: slope; filter fields have short life because of dispersion of silt.	Severe: slope; substratum is rapidly permeable.	Moderate: slope; sand and gravel in substratum have poor stability.
Port Byron: PrB, PrC	Severe: moderately slow permeability; fine soil pores clog rapidly; requires onsite investigation; seasonal high water table at a depth of 3 to 5 feet.	Moderate: silt has low clay content.	Moderate: poor stability where saturated.
Radford: RaA	Very severe: seasonal high water table; subject to flooding.	Severe: moderate permeability; receives runoff from higher areas; subject to flooding.	Very severe: fair stability; seasonal high water table; subject to flooding.
Ringwood: RnB	Slight	Severe: substratum has moderately rapid permeability.	Slight

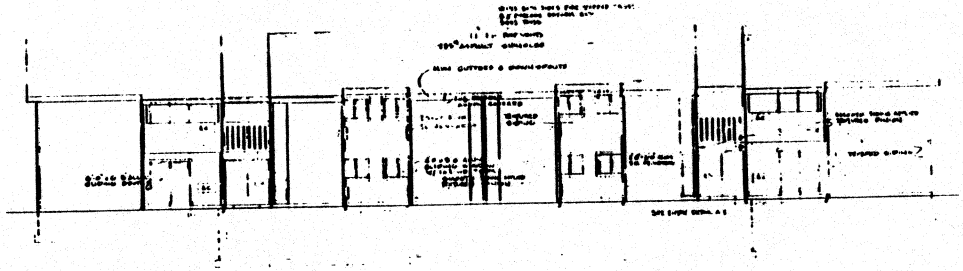
the soils for town and country planning—Continued

Dwellings with basements	Sanitary landfill [1]	Highway location	Local streets and roads
Very severe: moderate shrink-swell potential and low bearing capacity; subject to frequent flooding; seasonal high water table.	Very severe: seasonal high water table; subject to flooding.	Severe: seasonal high water table at a depth of less than 1 foot; subsoil has high frost heave potential.	Very severe: moderate compressibility and elasticity; very low bearing capacity; seasonal high water table; subject to flooding.
Very severe: low shrink-swell potential; moderate shear strength and compressibility; low bearing capacity; subject to flooding; seasonal high water table.	Very severe: subject to flooding.	Severe: subject to flooding; water table at a depth of less than 1 foot; high frost heave potential.	Very severe: high frost heave potential; very low bearing capacity; seasonal high water table; subject to severe flooding.
Very severe: seasonal high water table; subject to flooding; low bearing capacity.	Very severe: seasonal high water table.	Severe: organic material; seasonal high water table.	Very severe: seasonal high water table; subject to frost heave; low bearing capacity in loam.
Slight	Slight	Slight	Moderate: subsoil has low bearing capacity; moderate frost heave potential; erodible.
Moderate: slope	Slight	Moderate: slope; subsoil plastic in places.	Moderate: slope; subsoil has low bearing capacity; moderate frost heave potential; erodible.
Slight	Severe: danger of contaminating ground water.	Moderate: loose sand hinders hauling; subject to soil blowing.	Slight.
Slight	Slight	Moderate: subsoil has low bearing capacity.	Moderate: subsoil is thick and has moderate shrink-swell potential and low bearing capacity.
Moderate: slope	Slight	Moderate: subsoil has low bearing capacity.	Moderate: subsoil is thick and has moderate shrink-swell potential and low bearing capacity; slope.
Slight	Slight	Moderate: subsoil has low bearing capacity.	Moderate: subsoil has low bearing capacity; erodible.
Moderate: slope; erodible; liquefies and flows when wet; substratum has very high bearing capacity.	Slight	Moderate: subsoil has low bearing capacity.	Moderate: slope; subsoil has low bearing capacity; erodible.
Moderate: low bearing capacity and shear strength; moderate compressibility.	Moderate: unpaved roads are impassable where soil is saturated; slope.	Moderate: moderate frost heave potential; low bearing capacity.	Moderate: low bearing capacity; unstable where wet; erodible; moderate frost heave potential.
Very severe: subject to flooding; seasonal high water table; very low bearing capacity and shear strength; high compressibility; subject to liquefaction and piping.	Severe: seasonal high water table; subject to flooding.	Moderate: seasonal high water table at a depth of 1 to 3 feet; subsoil has high frost heave potential; low stability.	Very severe: very low bearing capacity; unstable where wet; seasonal high water table; subject to flooding.
Slight	Slight	Moderate: subsoil has low bearing capacity.	Moderate: low bearing capacity; moderate shrink-swell potential and stability; erodible.

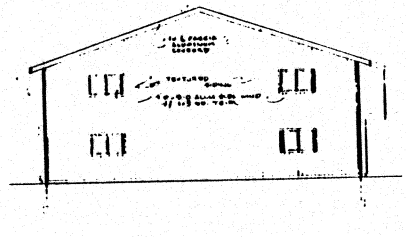
TYPICAL FLOOR PLANS, ELEVATIONS AND SITING OF WESTWOOD VILLAGE



TYPICAL ELEVATION BUILDING TYPE 'A'

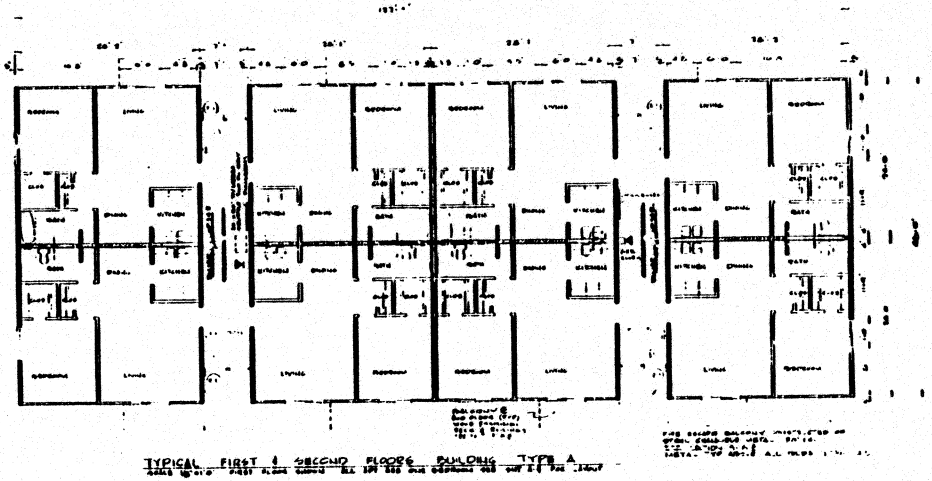


TYPICAL ELEVATION BUILDING TYPE 'C'

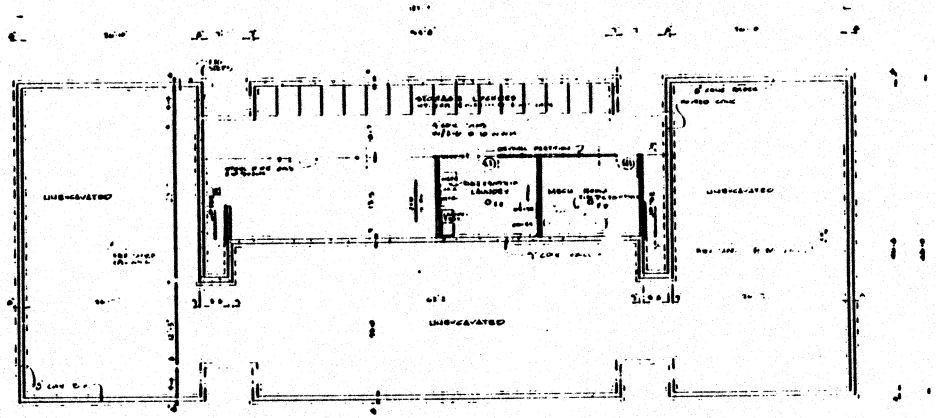


TYPICAL SIDE ELEVATION BUILDINGS TYPE 'A & C'

	COLLINGS ENGINEERS, INC. ENGINEERS AND PLANNERS 800 E. MASON STREET MILWAUKEE, WISCONSIN TEL.: 276-4007	TEMKIN PROPERTY WESTWOOD VILLAGE MADISON		CONTRACT NO 78-550 DATE MAY 11, 1979	TYPICAL ELEVATIONS	A-6

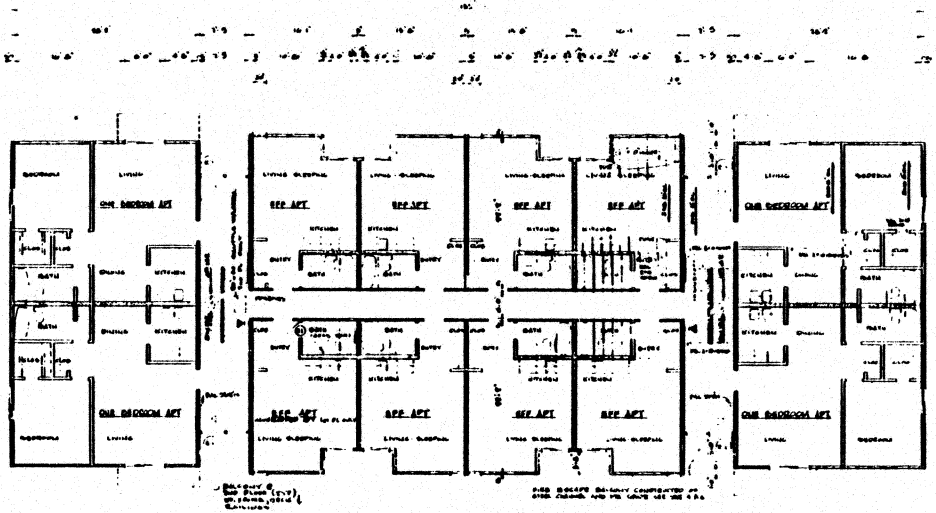


TYPICAL FIRST & SECOND FLOORS BUILDING TYPE A

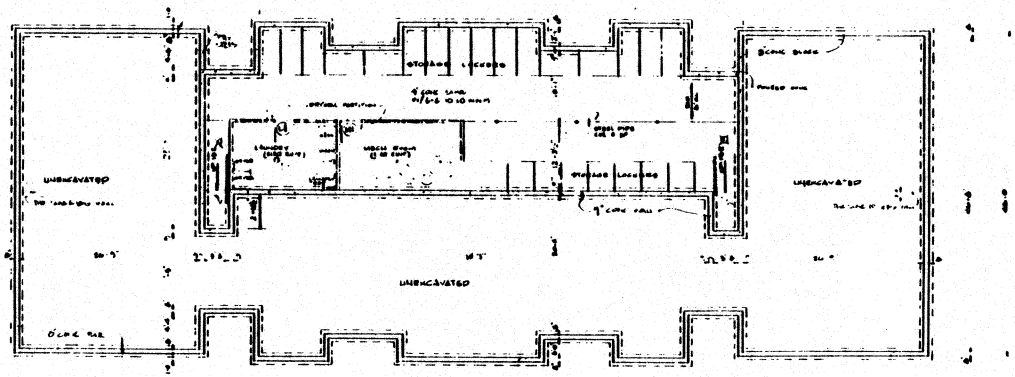


BASEMENT FLOOR PLAN BUILDING TYPE 'A'

	COLLINGS ENGINEERS, INC. ENGINEERS AND PLANNERS 000 E. MASON STREET MILWAUKEE, WISCONSIN TEL. : 000-0000	TEMKIN PROPERTY · WESTWOOD VILLAGE MILWAUKEE WISCONSIN		CONTRACT NO 72-000 DATE MAY 11, 1973 DES. J.D. DRN. J.J.D. CHK.	TYPICAL FLOOR PLAN BUILDING TYPE 'A'	A-2



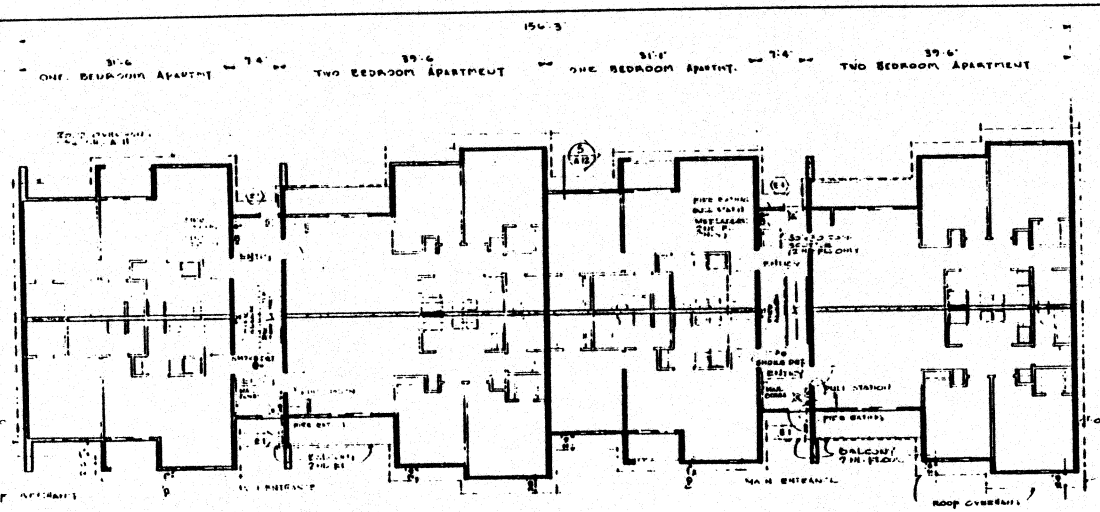
TYPICAL FIRST & SECOND FLOOR PLAN BUILDING TYPE "C"



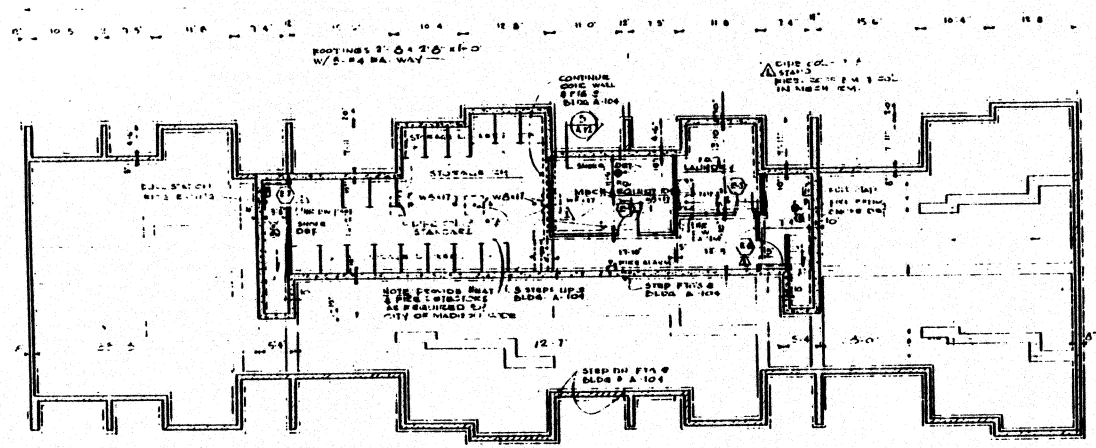
BASEMENT FLOOR PLAN BUILDING TYPE "C"

	COLLINGS ENGINEERS, INC. ENGINEERS AND PLANNERS	660 E. MASON STREET MILWAUKEE, WISCONSIN TEL.: 276-4867	TENKIN PROPERTY - WESTWOOD VILLAGE MADISON WISCONSIN	REVISIONS	CONTRACT NO 72-650 DATE MAY 11, 1972	TYPICAL FLOOR PLANS BUILDING TYPE "C"	A-3

EXHIBIT D (Continued)

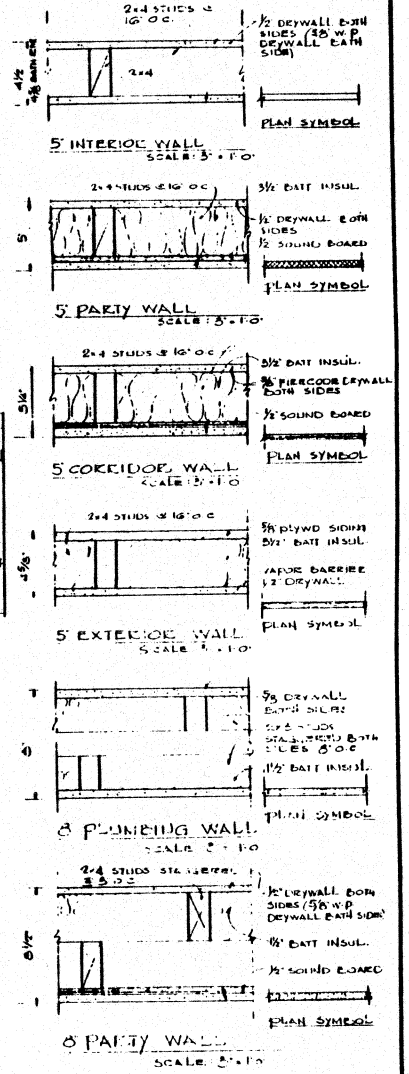


BUILDING TYPE "A"
TYPICAL FLOOR PLAN
FIRST FLOOR SHOWN, SECOND FLOOR SIMILAR
SCALE 1/8" = 1'-0"



BUILDING TYPE "A"
BASEMENT & FOUNDATION PLAN
SCALE 1/8" = 1'-0"

DESIGN CRITERIA	
WOOD	f_b = 1,200 LBS/SQ. IN.
	E = 1,500,000 LBS/SQ. IN.
CONCRETE	3,000 LBS/SQ. IN. 28 DAY
	f_c = 58 LBS/SQ. IN. BENDING
STEEL	F_y = 36,000 LBS/SQ. IN.
	f_s = 24,000 LBS/SQ. IN.
SOIL PRESSURE	3,000 PSF



COLLINGS ENGINEERS, INC.
ENGINEERS AND PLANNERS
600 E. MASON STREET
MILWAUKEE, WISCONSIN
TEL.: 276-4067

WESTWOOD VILLAGE - PHASE V
MADISON, WISCONSIN

CONTRACT NO. 77-502
DATE JUNE 1, 1978

FLOOR PLANS - BLDG. 'A'

A-5

EXHIBIT E

TESTING FOR RATES OF
RETURN WITH $5,000,000 VALUE

INPUT PARAMETERS
****

```
1. ENTER PROJECT NAME ? TEMP APTS
2. ENTER PROJECTION PERIOD ?  5
3. DO YOU WANT TO ENTER EFFECTIVE GROSS REVENUE INSTEAD OF NOI? N
   TO REPEAT PREVIOUS YEARS NOI OR EGR FOR BAL OF PROJECTION ENTER 0
   N.O.I. YEAR  1? 614527
   N.O.I. YEAR  2? 645253
   N.O.I. YEAR  3? 677516
   N.O.I. YEAR  4? 711392
   N.O.I. YEAR  5? 746961
4. ACQUISITION COST: ? 5000000
5. DO YOU WANT TO USE STANDARD FINANCING? Y OR N?Y
   MTG. RATIO OR AMOUNT, INT., TERM, NO PAY/YR ? 4550000, .135, 25, 12
6. ENTER RATIO OF IMP #1/TOTAL VALUE, LIFE OF IMP #1? .88, 33
   IS THERE A SECOND IMPROVEMENT? Y OR N? N
7. DEPRECIATION METHOD, IMPROVEMENT #1 ? 1
   IS PROPERTY SUBSIDIZED HOUSING ? Y OR N ?N
   IS PROPERTY RESIDENTIAL? Y OR N? Y
8. IS OWNER A TAXABLE CORPORATION? Y OR N ?N
   THE MAXIMUM FEDERAL INDIVIDUAL ORDINARY RATE COULD BE:
           70% (PRE-1981 LAW)
           50% (1981 LAW, EFFECTIVE 1982)

           (PLUS STATE RATE)

    ENTER:
   1) EFFECTIVE ORDINARY RATE  2) EFFECTIVE ORDINARY RATE (YEAR OF SALE)
?  .55, .55
9. RESALE PRICE (NET OF SALE COSTS) ? 6077500
10. IS THERE LENDER PARTICIPATION ?Y
   ENTER % CASH THROW-OFF, % PROCEEDS BEFORE TAXES:  .25, .5
11. ENTER OWNER'S AFTER TAX REINVESTMENT RATE (%)?  8
12. ENTER OWNER'S OPPORTUNITY COST OF EQUITY FUNDS (%)?  18
```

EXHIBIT E (Continued)

AFTER TAX CASH FLOW PROJECTION
TEMP APTS
DATE 2/22/82

DATA SUMMARY
****

ACQUISTN COST: $5,000,000. MTG. AMT.: $4,550,000.
NOI 1ST YR: $614,527. MTG. INT.: 13.5%
ORG. EQUITY: $450,000. MTG. TERM: 25. YRS
CTO 1ST YEAR: $-21,915. DEBT SERVICE 1ST YEAR: $636,442.
MTG. CONST.: .13987739
IMP. #1 VALUE: $4,400,000. IMP. #1 LIFE: 33.
INC. TX RATE: 55%
SALE YR RATE: 55% OWNER: INDIVIDUAL

DEPRECIATION IMPROVEMENT #1 : STRAIGHT LINE
RESIDENTIAL PROPERTY
LENDER PARTICIPATION: CASH THROW-OFF: 25% REVERSION: 50%

NO REPRESENTATION IS MADE THAT THE ASSUMPTIONS PROVIDED BY TIM WARNER ARE PROPER OR THAT THE CURRENT TAX ESTIMATES USED IN THIS PROJECTION WILL BE ACCEPTABLE TO TAXING AUTHORITIES. NO ESTIMATE HAS BEEN MADE OF MINIMUM PREFERENCE TAX. CAPITAL LOSSES IN YEAR OF SALE ARE TREATED AS ORDINARY LOSSES (SECTION 1231 PROPERTY) AND ARE CREDITED AGAINST TAXES PAID AT A RATE EQUAL TO 50% OF THE ORDINARY RATE AT THE TIME OF SALE.
FOR THE PURPOSE OF THE MODIFIED INTERNAL RATE OF RETURN (M.I.R.R.) CALCULATION, NEGATIVE CASH IN ANY ONE PERIOD IS COVERED BY A CONTRIBUTION FROM EQUITY IN THAT PERIOD

YEAR	NOI	MTG INT & LENDERS %	TAX DEP	TAXABLE INCOME	INCOME TAX	AFTER TAX CASH FLOW
1.	614527.	612824.	133333.	-131631.	-72398.	50483.
2.	645253.	611633.	133333.	-99715.	-54844.	61452.
3.	677516.	615818.	133333.	-71637.	-39401.	70206.
4.	711392.	619849.	133333.	-41791.	-22986.	79198.
5.	746961.	623665.	133333.	-10038.	-5522.	88411.
	$3395649.	$3083790.	$666667.	$-354812.	$-195151.	$349751.

NOTE: USE MODE 'DC' FOR EACH YEAR'S BEFORE TAX CASH THROW OFF

RESALE PRICE:	$6,077,500.
LESS MORTGAGE BALANCE:	$4,392,741.
PROCEEDS BEFORE TAXES:	$1,684,759.
LESS LENDER'S %:	$842,380.
NET SALES PROCEEDS BEFORE TAXES:	$842,380.

1ST YR B4 TAX EQ DIV: -4.8700%
AVG DEBT COVER RATIO: 1.0671

RESALE PRICE:	$6,077,500.
LESS LENDER'S %:	$842,380.
NET RESALE PRICE:	$5,235,120.
LESS BASIS:	$4,333,333.
TOTAL GAIN:	$901,787.
LESS EXCESS DEPREC.:	$0.
CAPITAL GAIN:	$901,787.

CAPITAL GAINS TAX:	$198,393.
PLUS EXCESS DEP TAX:	$0.
PLUS MORTGAGE BAL:	$4,392,741.
TOTAL DEDUCTIONS FROM NET RESALE PRICE:	$4,591,134.

NET SALES PROCEEDS AFTER TAX:	$643,987.

IF PURCHASED AS ABOVE, HELD 5 YEARS & SOLD FOR $6,077,500.
THE MODIFIED I.R.R. BEFORE TAXES IS 16.9000% AND AFTER TAXES IS 18.3741%
ASSUMING AN AFTER TAX REINVESTMENT RATE OF 8%, AND AN OPPORTUNITY COST OF 18%

EXHIBIT F

TESTING FOR RATES OF RETURN WITH $5,500,000 VALUE

INPUT PARAMETERS
****

```
1. ENTER PROJECT NAME ? TEMP1
2. ENTER PROJECTION PERIOD ?  5
3. DO YOU WANT TO ENTER EFFECTIVE GROSS REVENUE INSTEAD OF NOI? N
   TO REPEAT PREVIOUS YEARS NOI OR EGR FOR BAL OF PROJECTION ENTER 0
   N.O.I. YEAR  1? 614527
   N.O.I. YEAR  2? 645253
   N.O.I. YEAR  3? 677516
   N.O.I. YEAR  4? 711392
   N.O.I. YEAR  5? 746961
4. ACQUISITION COST: ? 5500000
5. DO YOU WANT TO USE STANDARD FINANCING? Y OR N?N
   ENTER ORIGINAL MORTGAGE BALANCE:  0
   ENTER MORTGAGE TERM:  ?9

   ENTER INTEREST PAYMENTS:
INTEREST PAYMENT YEAR  1? 0
INTEREST PAYMENT YEAR  2? 0
INTEREST PAYMENT YEAR  3? 0
INTEREST PAYMENT YEAR  4? 0
INTEREST PAYMENT YEAR  5? 0

   ENTER PRINCIPAL PAYMENTS:
   PRINCIPAL PAYMENT YEAR  1? 0
   PRINCIPAL PAYMENT YEAR  2? 0
   PRINCIPAL PAYMENT YEAR  3? 0
   PRINCIPAL PAYMENT YEAR  4? 0
   PRINCIPAL PAYMENT YEAR  5? 0

6. ENTER RATIO OF IMP #1/TOTAL VALUE, LIFE OF IMP #1? .88, 33
   IS THERE A SECOND IMPROVEMENT? Y OR N? N
7. DEPRECIATION METHOD, IMPROVEMENT #1 ? 1
   IS PROPERTY SUBSIDIZED HOUSING ? Y OR N ?N
   IS PROPERTY RESIDENTIAL? Y OR N? Y
8. IS OWNER A TAXABLE CORPORATION? Y OR N ?N
   THE MAXIMUM FEDERAL INDIVIDUAL ORDINARY RATE COULD BE:
           70% (PRE-1981 LAW)
           50% (1981 LAW, EFFECTIVE 1982)

           (PLUS STATE RATE)

    ENTER:
   1) EFFECTIVE ORDINARY RATE  2) EFFECTIVE ORDINARY RATE (YEAR OF SALE)
?  .55, .55
9. RESALE PRICE (NET OF SALE COSTS) ? 6685250
10. IS THERE LENDER PARTICIPATION ?N
11. ENTER OWNER'S AFTER TAX REINVESTMENT RATE (%)?  8
12. ENTER OWNER'S AFTER TAX OPPORTUNITY COST OF EQUITY FUNDS (%)?  18
```

EXHIBIT F (Continued)

AFTER TAX CASH FLOW PROJECTION
TEMP1
DATE 3/16/82

DATA SUMMARY
****

ACQUISTN COST: $5,500,000. MTG. AMT.: $0.
NOI 1ST YR: $614,527. MTG. INT.: ALTERNATE FORMAT
ORG. EQUITY: $5,500,000. MTG. TERM: 99. YRS
CTO 1ST YEAR: $614,527. DEBT SERVICE 1ST YEAR: $0.
MTG. CONST.: ALTERNATE FORMAT
IMP. #1 VALUE: $4,840,000. IMP. #1 LIFE: 33.
INC. TX RATE: 55%
SALE YR RATE: 55% OWNER: INDIVIDUAL

DEPRECIATION IMPROVEMENT #1 : STRAIGHT LINE
RESIDENTIAL PROPERTY
LENDER PARTICIPATION: CASH THROW-OFF: NONE REVERSION: NONE

NO REPRESENTATION IS MADE THAT THE ASSUMPTIONS PROVIDED BY TIM WARNER ARE PROPER OR THAT THE CURRENT TAX ESTIMATES USED IN THIS PROJECTION WILL BE ACCEPTABLE TO TAXING AUTHORITIES. NO ESTIMATE HAS BEEN MADE OF MINIMUM PREFERENCE TAX. CAPITAL LOSSES IN YEAR OF SALE ARE TREATED AS ORDINARY LOSSES (SECTION 1231 PROPERTY) AND ARE CREDITED AGAINST TAXES PAID AT A RATE EQUAL TO 50% OF THE ORDINARY RATE AT THE TIME OF SALE.
FOR THE PURPOSE OF THE MODIFIED INTERNAL RATE OF RETURN (M.I.R.R.) CALCULATION, NEGATIVE CASH IN ANY ONE PERIOD IS COVERED BY A CONTRIBUTION FROM EQUITY IN THAT PERIOD

YEAR	NOI	MTG INT & LENDERS %	TAX DEP	TAXABLE INCOME	INCOME TAX	AFTER TAX CASH FLOW
1.	614527.	0.	146667.	467860.	257323.	357204.
2.	645253.	0.	146667.	498586.	274222.	371031.
3.	677516.	0.	146667.	530849.	291967.	385549.
4.	711392.	0.	146667.	564725.	310599.	400793.
5.	746961.	0.	146667.	600294.	330162.	416799.
	$3395649.	$0.	$733333.	$2662314.	$1464273.	$1931376.

EXHIBIT F (Continued)

RESALE PRICE:	$6,685,250.	1ST YR 84 TAX EQ DIV:	11.1732%
LESS MORTGAGE BALANCE:	$0.	AVG DEBT COVER RATIO:	.0000
PROCEEDS BEFORE TAXES:	$6,685,250.		
LESS LENDER'S %:	$0.		
NET SALES PROCEEDS BEFORE TAXES:	$6,685,250.		

RESALE PRICE:	$6,685,250.
LESS LENDER'S %:	$0.
NET RESALE PRICE:	$6,685,250.
LESS BASIS:	$4,766,667.
TOTAL GAIN:	$1,918,583.
LESS EXCESS DEPREC.:	$0.
CAPITAL GAIN:	$1,918,583.

CAPITAL GAINS TAX:	$422,088.
PLUS EXCESS DEP TAX:	$0.
PLUS MORTGAGE BAL:	$0.
TOTAL DEDUCTIONS FROM NET RESALE PRICE:	$422,088.

NET SALES PROCEEDS AFTER TAX:	$6,263,162.

IF PURCHASED AS ABOVE, HELD 5 YEARS & SOLD FOR $6,685,250.
THE MODIFIED I.R.R. BEFORE TAXES IS 14.1072% AND AFTER TAXES IS 9.1374%
ASSUMING AN AFTER TAX REINVESTMENT RATE OF 8%, AND OPPORTUNITY COST OF 18%

WESTWOOD VILLAGE PHASE I - IV
STYLE OF BUILDINGS

WESTWOOD VILLAGE PHASE I - IV
FROM SCHROEDER ROAD LOOKING NORTH

WESTWOOD RENTAL OFFICE AND MODEL APARTMENT
BUILDING AND PARKING AREA

WESTWOOD VILLAGE POOL AND TENNIS
COURTS IN THE BACKGROUND

WESTWOOD VILLAGE PHASE V
LOOKING WESTERLY

TYPICAL BUILDING IN PHASE V
WITH ADJOINING VACANT LAND

PHASE V WITH VIEW OF
PARKING AREA LOOKING WEST

VIEW OF PHASE V
SHOWING LANDSCAPING ENVIRONMENT