

Staff Report for 2024 State Board of Equalization

File No.: 2024-CASS-WEST FARGO-STERLING PROPERTIES, LLLP-SADDLEBROOK

Prepared By: PROPERTY TAX DIVISION

County or City: CITY OF WEST FARGO

Appellant: STERLING PROPERTIES, LLLP

Type of Appeal: COMMERCIAL VALUE

Appeal Issue: Sterling Properties, LLLP, represented by Sam Jelleberg, is appealing the total property value of \$2,929,200 on parcel numbers 02-1400-00165-000 & 02-1400-00195-000, located at 525 1st Ave E, West Fargo, ND.

Analysis:

Summary:

Proposal for Review:



Appellant Information – State Board of Equalization

County or City: West Fargo, ND
 Appellant: Sterling Properties, LLLP
 Type of Appeal: Residential

Please complete this form in its entirety. The information provided will be taken into consideration when investigating and reaching a conclusion regarding the appeal presented. To provide ample time for investigation, all information to support the appeal (property information, pictures, income information, etc.) must be received by August 1, 2024, and is subject to open records. Please provide one questionnaire per property.

Please email or mail any supporting documentation to:
propertytax@nd.gov
 or
 The Office of State Tax Commissioner, Attn: Property Tax,
 600 E Boulevard Ave., Bismarck, ND 58505-0599

Information for Property Referenced in Appeal:

Property name	Saddlebrook
City	West Fargo
Address	525 1st Ave E
Township Name	Barnes
County	Cass
Parcel ID	02-1400-00165-000
Legal Description	Lot: 3 Block: 2 MEYERS 1ST LTS 4 & 5 AND E 10' LT 3 AND W 45' LT 6 BLK 2 **3-16-01 COMB FRM 02-1400-00160-000 & 02-1400-00170-000

Appellant Contact Information:

Appellant Name: Sam Jelleberg
Address: 4340 18th Ave S, Fargo, ND 58103
Phone Number: 701-201-0645
Email Address: SJelleberg@SRETrust.com

Answer the questions below that apply to the appeal:

Are you the owner of the property of this appeal? Yes No
(If No, please see the Consent to Release Financial Info)

Did you receive a notice of increase letter from the city/township? (choose all that apply)

- Prior to After Township/City Equalization Meeting
 Prior to After County Equalization Meeting
 No Notification Received

At which meeting(s) did you appeal your assessment? (choose all that apply)

- Township/City County N/A

****Please note NDCC § 57-13-04.3(a)(1)(2) requires appellants to appeal to the State Board of Equalization must have applied to both local and county boards.***

Has a recent appraisal been completed on the property?

- Yes (if yes, please attach) No

What grounds is your appeal based upon? Please check all that apply and provide supporting documentation for each selection.

- Factual error, that is, a data collection or clerical error.
 Equity and uniformity claim of discriminatory level of assessment.
 Belief that the valuation is inaccurate.
 Exemption, classification, or assessment limitation.

Please attach or email (propertytax@nd.gov) the following:

1. A detailed explanation of your appeal
2. Evidence to validate the assessment appealed

Appeal Process:

- 1.) Appellant notifies the Property Tax Division of intent to appeal.
- 2.) Submit this form and all applicable documentation to propertytax@nd.gov by the date specified above.
- 3.) The State Board of Equalization meets on the second Tuesday in August to examine and compare the returns of the assessment of taxable property as submitted by North Dakota counties. This is locally assessed property. The board equalizes the property so that all assessments of similar

taxable property are uniform and equal throughout the state. During this meeting, tax directors or other representatives from a county will speak, along with city representatives, and individual taxpayers.

- 4.) After the State Board meeting, your case will be assigned, and staff will reach out to schedule an onsite review of the property (when deemed applicable). While an interior inspection of the property is not required, interior reviews may affect the consideration of value. If denied an interior review, we will assess from the exterior only. Staff will not be allowed to enter the property without the owner or a representative present.
- 5.) Generally, by the first Thursday of October, the property tax division staff will present their findings to the State Board of Equalization with a recommendation. The board deliberates and votes. You can attend this meeting; however, public comments are not accepted.

Saddlebrook Apartments

Income Approach Tax Analysis

April 5, 2024

Parcel ID Number	2020 (payable 2021)		2021 (payable 2022)		2022 (payable 2023)		2023 (payable 2024)		2024 (payable 2025)	
	Assessed	Taxes								
02-1400-00165-000	1,492,400	44,764	1,492,400	45,610	1,349,900	40,364	1,464,600	41,672	2,929,200	
02-1400-00195-000	1,492,400		1,492,400		1,349,900		1,464,600			
Value	2,984,800	44,764	2,984,800	45,610	2,699,800	40,364	2,929,200	41,672	2,929,200	0
Increase >			0.0%	1.9%	-9.5%	-11.5%	8.5%	3.2%	0.0%	-100.0%
No. Units >	60									
Value Per Unit >	49,747		49,747		44,997		48,820		48,820	

<u>Determination:</u>	See word document
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Jacob Lane

April 5, 2024

Annual Statement

Period = Jan 2019-Jan 2023

Book = Accrual ; Tree = ysi_is

		EOY	EOY
		Dec 2019	Dec 2020
40002	INCOME		
40100	Gross Potential Rent	414,460.00	412,660.00
40200	Month to Month Fee	2,475.00	3,900.00
40400	Vacancy	-22,554.00	-25,124.00
40600	Rent Incentives	-7,516.83	-9,077.50
40601	Material Rent Incentives	0.00	-342.57
40995	Covid 19	0.00	-3,418.75
40999	NET COLLECTED RENT	386,864.17	378,597.18
41000	OTHER RENTAL INCOME AND FEES		
41200	Rentable Items Gross Potential Rent	13,240.00	13,200.00
41210	Rentable Items Vacancy	-1,627.00	-1,950.00
41300	Pet Rent Income	1,244.00	1,200.00
41310	Pet Fees-Nonrefundable Income	400.00	200.00
41999	TOTAL OTHER RENTAL INCOME AND FEES	13,257.00	12,650.00
42001	MISC INCOME		
42150	Application Fees	920.00	800.00
42350	Early Termination Fees	600.00	600.00
42400	Interest Income	176.13	151.66
42450	Late Fees	5,560.00	7,080.00
42500	Laundry Income	4,936.25	3,646.04
42550	NSF Fees	105.00	455.00
42600	Prelease Incentive Forfeited	455.00	300.00
42650	Revenue Sharing Income	711.76	876.42
42850	Other Income	601.49	143.89
42852	Other Income-Renters Insurance	0.00	0.00
42855	Other Income-Collections	2,916.40	2,020.63
42856	Bad Debt Expense ASC 842	-19,305.16	-240.50
42998	TOTAL MISC INCOME	-2,323.13	15,833.14
49999	TOTAL INCOME	397,798.04	407,080.32
50000	EXPENSES FROM RENTAL OPERATIONS		
50005	OWNER EXPENSES		
50010	REPAIRS AND MAINTENANCE EXPENSES		
50095	MAINTENANCE STAFF COSTS		
50100	Maintenance Staff	28,547.28	29,628.19
50145	TOTAL MAINTENANCE STAFF COSTS	28,547.28	29,628.19
50150	REPAIRS AND MAINTENANCE OTHER		

50155	Temp Agency and Non-employee	801.94	1,212.59
50160	Internal Labor-Upgrade	1,850.00	1,150.00
50170	Caretaker-Internal Labor	0.00	0.00
50200	Appliances and Laundry	6,167.62	638.28
50202	Appliances and Laundry-Upgrade	0.00	0.00
50210	Window Treatments	807.81	774.47
50212	Window Treatments-Upgrade	0.00	0.00
50220	Cooling Systems	172.28	1,889.36
50221	Cooling Systems-Projects	0.00	0.00
50230	Custodial	4,538.95	3,153.55
50231	Custodial-Projects	0.00	0.00
50232	Custodial-Contract and Caretaker	3,600.00	4,100.00
50234	Custodial-Turn Cleaning	2,975.50	1,962.00
50250	Doors	1,929.73	1,290.39
50255	Doors-Garage	281.07	217.74
50260	Electrical and Lighting	846.78	551.83
50261	Electrical and Lighting-Projects	0.00	3,148.29
50262	Electrical and Lighting-Upgrade	0.00	45.00
50280	Exterior Finishes and Foundation	98.87	86.98
50281	Exterior Finishes and Foundation-Projects	38,861.00	5,495.00
50290	Extermination	1,720.00	860.00
50300	Fire Safety	1,355.27	1,150.12
50310	Flooring	15,498.91	2,877.63
50311	Flooring-Projects	0.00	0.00
50312	Flooring-Upgrade	0.00	0.00
50330	Grounds Maintenance	2,287.74	2,635.00
50332	Grounds-Internal Labor	8.49	12.73
50350	Heating Systems	1,259.13	88.28
50351	Heating Systems-Projects	0.00	0.00
50370	Landscaping	375.00	496.43
50371	Landscaping-Projects	0.00	12,720.00
50380	Locks and Keys	707.27	498.97
50390	Millwork and Cabinets and Countertop	462.67	349.35
50392	Millwork and Cabinets and Countertop-Upgrade	0.00	281.09
50420	Painting-Interior	5,199.63	4,197.14
50421	Painting-Interior-Projects	0.00	0.00
50422	Painting-Interior-Upgrade	0.00	49.31
50430	Parking Lot	103.53	0.00
50440	Parking Lot-Sweeping and Striping	0.00	554.00
50450	Plumbing	3,201.53	2,236.65
50452	Plumbing-Upgrade	0.00	371.98
50470	Repairs and Maintenance	1,186.64	1,221.88
50471	Repairs and Maintenance-Projects	0.00	0.00
50474	COVID 19 Direct Expenses	0.00	105.67
50480	Roof	475.00	250.00
50500	Signage	92.64	38.09

50510	Snow Removal	8,989.88	2,010.67
50515	Snow Removal-Internal Labor	501.01	957.92
50520	Tubs and Surrounds	548.12	0.00
50522	Tubs and Surrounds-Upgrade	0.00	506.62
50540	Windows	0.83	56.74
50900	Resident Chargebacks	-2,370.33	-2,936.87
50990	Cleaning and Finish-Upgrade	0.00	90.95
50998	TOTAL REPAIRS AND MAINTENANCE OTHER	104,534.51	57,395.83
50999	TOTAL REPAIRS AND MAINTENANCE EXPENSES	133,081.79	87,024.02
51000	PROPERTY MANAGEMENT AND OPERATING EXPENSES		
51009	OFFICE AND ADMIN		
51095	ON-SITE STAFF COSTS		
51100	On-Site Staff Costs	30,708.00	29,356.50
51130	On-Site Staff Training and Education	9.65	0.00
51145	TOTAL ON-SITE STAFF COSTS	30,717.65	29,356.50
51146	PROPERTY MANAGEMENT EXPENSES OTHER		
51200	Advertising and Marketing	3,308.53	3,499.52
51210	Applicant Screening	1,175.00	460.75
51240	Bank Charges	74.10	52.02
51250	Collection Costs	805.59	1,972.50
51270	Customer Service Accommodation	0.00	0.00
51300	Legal Fees	104.40	19.14
51330	Model Unit and Open Unit Decor	150.77	57.57
51340	Move-In Gifts	198.62	860.15
51360	Office Equipment and Furnishings	847.29	777.01
51370	Office Rent	1,411.71	1,631.28
51375	Office Electricity	707.06	120.91
51380	Office Gas	152.42	0.00
51385	Office Water	233.56	0.00
51390	Office Telephone and Internet	190.74	190.39
51400	Office Supplies	794.00	632.61
51405	Parking	-0.03	0.00
51430	Professional Fees	0.00	0.00
51440	Property Management Fees	19,671.39	20,423.16
51460	Resident Retention	166.69	200.75
51470	Site Equipment	23.67	0.00
51996	TOTAL PROPERTY MANAGEMENT EXPENSES OTHER	30,015.51	30,897.76
51999	TOTAL PROPERTY MANAGEMENT EXPENSES	60,733.16	60,254.26
52000	UTILITIES		
52200	Electricity-Unit	3,105.51	2,211.03
52210	Electricity-House	6,327.60	7,412.09
52400	Garbage Removal	7,993.60	7,607.92
52610	Natural Gas-House	11,636.02	6,005.90
52900	Water and Sewer	13,736.00	14,587.00
52999	TOTAL UTILITIES	42,798.73	37,823.94

53000	OTHER OPERATING EXPENSES		
53100	Real Estate Taxes	33,415.74	44,764.35
53200	Property Insurance	10,998.60	9,465.23
53210	Claims Expense	877.98	328.82
53989	TOTAL OTHER OPERATING EXPENSES	45,292.32	54,558.40
53990	TOTAL PROPERTY MANAGEMENT AND OPERATING EXPENSES	148,824.21	152,636.60
53999	TOTAL OWNER EXPENSES	281,906.00	239,660.62
69990	TOTAL EXPENSES	281,906.00	239,660.62
69999	NET OPERATING INCOME	115,892.04	167,419.70
70000	FIXED EXPENSES		
70010	INTEREST EXPENSE		
70100	Interest Expense-Debt Issuance Costs	0.00	2,005.05
70300	Interest Expense-Mortgage	40,309.58	41,127.75
70600	Interest Expense-Security Deposits	78.04	83.31
70700	Interest Expense-Special Assessments	3,779.92	0.00
70999	TOTAL INTEREST	44,167.54	43,216.11
71000	OTHER FIXED EXPENSES		
71300	Depreciation	34,555.70	34,555.69
71998	TOTAL OTHER FIXED EXPENSES	34,555.70	34,555.69
71999	TOTAL FIXED EXPENSES	78,723.24	77,771.80
80000	ADMINISTRATION OF REIT		
80600	OTHER ADMINISTRATION OF REIT EXPENSES		
80650	Bank Charges	0.00	61.82
80999	TOTAL OTHER ADMINISTRATION OF REIT EXPENSES	0.00	61.82
81999	TOTAL ADMINISTRATION OF REIT	0.00	61.82
90000	OTHER INCOME AND EXPENSE		
90001	OTHER INCOME		
90800	Interest Income	19.34	0.00
90840	Other Income	0.93	0.00
90999	TOTAL OTHER INCOME	20.27	0.00
99899	TOTAL OTHER INCOME AND EXPENSE	-20.27	0.00
99900	NET INCOME	37,189.07	89,586.08

69999

53100

EOY	EOY	EOY
Dec 2021	Dec 2022	Dec 2023
415,690.00	437,540.00	469,495.00
4,181.00	2,787.00	3,475.00
-13,864.00	-12,956.00	-21,953.00
-2,243.00	-1,890.00	-1,445.00
0.00	0.00	0.00
3,418.75	0.00	0.00
407,182.75	425,481.00	449,572.00
13,200.00	13,200.00	13,335.00
-1,908.00	-1,516.00	-2,619.00
1,020.00	2,042.00	1,840.00
300.00	2,250.00	250.00
12,612.00	15,976.00	12,806.00
1,080.00	1,920.00	1,280.00
600.00	900.00	0.00
46.01	56.57	62.03
7,040.00	5,760.00	5,880.00
2,980.47	3,266.19	2,981.33
105.00	175.00	490.00
0.00	800.00	200.00
1,061.37	1,869.49	4,461.18
7.26	256.10	237.26
0.00	58.03	798.80
1,609.43	3,818.72	5,590.19
-11,741.79	-16,337.97	-9,350.33
2,787.75	2,542.13	12,630.46
422,582.50	443,999.13	475,008.46
27,148.52	30,062.42	34,046.19
27,148.52	30,062.42	34,046.19

2,039.69	1,651.94	1,307.67
14,600.00	13,725.00	0.00
6.83	-6.83	1,857.86
958.72	3,133.17	2,125.05
3,088.95	3,255.59	0.00
476.49	698.37	82.86
215.01	122.25	0.00
525.59	2,761.87	1,994.04
579.43	0.00	0.00
9,386.59	6,032.88	5,975.59
0.00	0.00	1,395.00
4,700.00	5,050.00	6,665.37
3,438.00	3,800.00	5,014.00
948.90	1,364.74	433.06
142.20	122.91	1,402.40
763.25	458.41	1,069.13
0.00	0.00	0.00
685.93	1,437.19	0.00
0.00	0.00	0.00
0.00	0.00	0.00
1,760.00	1,720.00	2,045.00
626.12	917.54	610.14
5,683.52	18,607.97	18,002.16
0.00	12,155.88	12,494.97
4,761.31	3,054.02	0.00
1,601.73	1,605.81	1,450.00
364.44	117.93	22.53
649.15	1,160.11	205.03
512.69	747.44	0.00
17.62	125.20	20.75
0.00	0.00	0.00
937.05	401.49	1,532.12
577.11	499.74	394.09
10,402.62	6,849.99	0.00
7,314.52	8,266.96	7,056.01
0.00	0.00	4,635.00
41.36	1,771.87	0.00
0.00	0.00	0.00
275.00	996.78	0.00
3,165.61	2,855.27	3,510.22
1,295.84	5,082.12	0.00
1,277.47	1,252.80	1,295.08
1,788.00	0.00	0.00
2.93	0.00	0.00
0.00	0.00	0.00
1.67	0.00	6.22

6,423.18	9,838.78	9,718.76
178.69	882.13	465.89
0.00	674.00	1,524.86
1,171.93	704.28	0.00
0.00	481.16	0.00
-1,305.00	-1,853.18	-3,432.26
5,545.32	906.42	0.00
<hr/>		
97,625.46	123,430.00	90,878.60
<hr/>		
124,773.98	153,492.42	124,924.79

29,532.12	27,344.71	33,551.23
0.00	0.00	0.00
<hr/>		
29,532.12	27,344.71	33,551.23

3,386.79	3,392.68	3,871.82
718.50	1,324.00	1,099.40
13.96	16.66	29.15
1,239.09	3,391.24	925.84
485.12	0.00	0.00
227.01	0.00	0.00
0.00	23.36	185.16
0.00	112.83	92.08
927.76	1,388.63	2,119.87
1,631.28	1,631.28	1,631.28
136.99	141.01	133.15
0.00	0.00	0.00
0.00	0.00	0.00
366.91	329.20	298.61
489.38	654.18	676.24
0.00	0.00	0.00
0.29	2,500.00	304.00
20,979.27	22,329.40	24,061.95
110.92	522.98	215.89
0.00	0.00	44.49
<hr/>		
30,713.27	37,757.45	35,688.93
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60,245.39	65,102.16	69,240.16

861.78	862.50	243.52
8,581.13	9,095.63	7,787.19
8,172.80	7,763.26	7,746.00
10,335.98	16,188.23	15,270.52
20,109.00	16,896.00	14,030.60
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48,060.69	50,805.62	45,077.83

45,609.97	40,364.00	41,672.19
12,504.44	14,385.74	22,175.05
0.00	0.00	0.00
<hr/> 58,114.41	<hr/> 54,749.74	<hr/> 63,847.24
<hr/> 166,420.49	<hr/> 170,657.52	<hr/> 178,165.23
<hr/> 291,194.47	<hr/> 324,149.94	<hr/> 303,090.02
<hr/> 291,194.47	<hr/> 324,149.94	<hr/> 303,090.02
<hr/> 131,388.03	<hr/> 119,849.19	<hr/> 171,918.44

3,609.09	2,807.07	2,005.05
41,259.46	40,506.66	38,873.08
89.89	107.88	105.68
0.00	0.00	0.00
<hr/> 44,958.44	<hr/> 43,421.61	<hr/> 40,983.81

<hr/> 34,555.70	<hr/> 34,555.69	<hr/> 34,555.70
<hr/> 34,555.70	<hr/> 34,555.69	<hr/> 34,555.70
<hr/> 79,514.14	<hr/> 77,977.30	<hr/> 75,539.51

<hr/> 0.00	<hr/> 0.00	<hr/> 0.00
<hr/> 0.00	<hr/> 0.00	<hr/> 0.00
<hr/> 0.00	<hr/> 0.00	<hr/> 0.00

0.00	0.00	0.00
<hr/> 235.60	<hr/> 0.00	<hr/> 0.00
<hr/> 235.60	<hr/> 0.00	<hr/> 0.00
<hr/> -235.60	<hr/> 0.00	<hr/> 0.00

<hr/> 52,109.49	<hr/> 41,871.89	<hr/> 96,378.93
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	2019	2020	2021	2022	2023
NOI	115,892.04	167,419.70	131,388.03	119,849.19	171,918.44
Real Estate Taxes	33,415.74	44,764.35	45,609.97	40,364.00	41,672.19
Projects Expense	38,861.00	21,363.29	2,880.12	12,903.32	18,524.97
Upgrade Expenses	1,850.00	2,494.95	41,808.27	36,908.73	0.00
NOI adding back RE taxes & Projects/upgrades	190,018.78	236,042.29	221,686.39	210,025.24	232,115.60

APPRAISAL REPORT

SUBJECT

**SADDLEBROOK APARTMENTS
525 & 607 1st Avenue East
West Fargo, North Dakota 58078**

DATE OF REPORT

November 16, 2020

Appraisal Services, Inc.

1220 MAIN AVENUE, SUITE 125
FARGO, NORTH DAKOTA 58103
PHONE: (701) 235-1189

CLIENT

Alerus Financial, N.A.
PO Box 6001
Grand Forks, North Dakota 58206-6001

EFFECTIVE DATE OF VALUE

As Is Value - October 13, 2020

PREPARED BY

Petter N. Eriksmoen, MAI

petter@asind.com

File # 20E342

Appraisal Services Inc.

Neal A. Eriksmoen, MAI
Petter N. Eriksmoen, MAI
Marit M. Eriksmoen
Alan P. Leirness, MAI, CCIM
Jeffrey M. Mangen

1220 Main Avenue, Suite 125
Fargo, ND 58103-8201
Phone (701) 235-1189
Fax (701) 235-9465

November 16, 2020

Ms. Kenzie Dorsher
Alerus Financial, N.A.
PO Box 6001
Grand Forks, North Dakota 58206-6001

Dear Ms. Dorsher:

In accordance with your request, I have completed an appraisal of the following described property.

Saddlebrook Apartments
525 & 607 1st Avenue East
West Fargo, North Dakota

This appraisal report was prepared at the request of Alerus Financial, N.A. to be used as the basis for a mortgage lending and/or credit decision. The intended users are limited to Alerus Financial, N.A., other lenders participating in the financing or other lenders assigned the report by Alerus Financial, N.A.. It is not to be relied on by any other parties for any other purpose, whatsoever.

The appraised property is a stabilized apartment project in West Fargo. Alex L. Oestreich, a Trainee Appraiser with our firm, viewed the exterior of the appraised property on October 13, 2020 and took photographs, which are documented in the attachments. An interior inspection of the property was not conducted in accordance with best social distancing guidelines and to protect the health and safety of the residents and appraisers, due to the ongoing COVID-19 pandemic. The property manager provided recent photographs of the interior. Mr. Oestreich interviewed the property manager. I reviewed the photographs taken and discussed the inspection with Mr. Oestreich, to obtain appropriate competency to complete this report. I reviewed the current rent roll and the historic income and expense data provided by the owner. These documents are included in the attachments.

I have conducted an appraisal analysis based on the Income Approach and Sales Comparison Approach. These are the primary approaches used to estimate the value of existing apartment properties in the region and they produced a credible value estimate. It is unlikely that the market would place any weight on the Cost Approach for estimating the market value of the subject due to its stabilized occupancy and demonstrated economic performance. The Cost Approach was considered to not be applicable and was omitted.

Ms. Dorsher
November 16, 2020
Page 2

Based on the appraisal analysis summarized in the attached report, it is my opinion that the market value of the fee simple interest in the appraised property, as of October 13, 2020, is:

TWO MILLION SEVEN HUNDRED THOUSAND DOLLARS
(\$2,700,000)

The appraised value includes the land, building improvements, site improvements and personal property normally associated with an apartment building. The personal property included in the value conclusion consists of the typical movable appliances (8 washers, 8 dryers, 60 ranges and 60 refrigerators) associated with an apartment property. The personal property was estimated to have a contributory value of \$36,000.

It is assumed that there are no adverse environmental conditions impacting the property. The appraiser is not an expert in determining these conditions, and other expertise should be sought, if so desired. No adverse conditions were apparent based on the property viewing.

The accompanying appraisal report contains a summary of the data, reasoning and analysis, which was used in the appraisal process to develop the appraiser's opinion of value. Additional supporting documentation, concerning the data, reasoning, and analyses, is retained in the appraiser's files. The report is considered to conform to the Uniform Standards of Professional Appraisal Practice (USPAP), the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) and the appraisal requirements of Alerus Financial, N.A..

This appraisal assignment was not based on a requested minimum valuation or specific valuation or approval of a loan. The appraised value reflects a typical exposure time period of three to six months. Due to a consideration of current market conditions, the marketing time was also estimated to be three to six months.

Please call if any further information is required.

Respectfully submitted,

APPRAISAL SERVICES INC.



tm

Petter N. Eriksmoen, MAI
ND Certified General Appraiser #CG-21517
MN Non-Resident Appraiser: Certified General License #40367366

PNE/tim

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SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

Property Name:	Saddlebrook Apartments		
Property Address:	525 & 607 1st Avenue East West Fargo, North Dakota		
Effective Value Date (As Is Value):	10/13/2020		
Date of Appraisal Report:	11/16/2020		
Property Rights Appraised:	Fee Simple		
Zoning:	R-3, Multiple Family District		
Current Use:	Multi-Family Housing		
Use Appraised in the Report:	Multi-Family Housing		
Highest and Best Use:	Multi-Family Housing		
Flood Zone:	Other Areas - Zone X		
Flood Map Number:	38017C0569G		
Tax Identification Number:	02-1400-00165-000 & 02-1400-00195-000		
MSA Number:	22020		
Census Tract Number:	38 017 738 1715 0102.03		
Year Built:	1974		
Site Size:	96,900 SF		
Gross Building Area:	44,904 SF	60 Units	748 SF/Unit
Net Building Area:	36,960 SF	On-site Parking:	29,730 SF
Parking: Exterior	60	Garages: Single	28
		Double	0

Summary of Analysis

As Is Market Value Estimate

Value Indicated by Cost Approach:	Not Applicable
Value Indicated by Income Approach:	\$2,730,000
Value Indicated by Comparable Sales Approach:	\$2,660,000

As Is Market Value Estimate

\$2,700,000

Value Conclusion includes Special Assessment Balance of	\$0
Personal Property Included in Market Value Estimate	\$36,000
(Ranges/Refrigerators: 60 Washers & Dryers: 16)	

Estimated Exposure Time Period:	Three To Six Months
Estimated Marketing Time Period:	Three To Six Months

Forecasted Gross Annual Income:	\$7,634 /Unit	\$458,040
Vacancies:	5.00%	<u>(\$22,902)</u>
Effective Gross Income (EGI):	\$7,252 /Unit	100% EGI \$435,138
Forecasted Annual Expenses:	<u>(\$3,976) /Unit</u>	55% EGI <u>(\$238,566)</u>
Forecasted Net Annual Income:	\$3,276 /Unit	45% EGI \$196,572

APPRAISAL REPORT

Overview

This is an Appraisal Report that is intended to comply with the reporting requirements set forth under Standards Rule 2 of the Uniform Standards of Professional Appraisal Practice. It relates a summary discussion of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use that is stated herein. The appraiser is not responsible for unauthorized use of this report.

Client

Alerus Financial, N.A.
PO Box 6001
Grand Forks, North Dakota 58206-6001

Appraiser

Petter N. Eriksmoen, MAI
Appraisal Services Inc.
1220 Main Avenue, Suite 125
Fargo, North Dakota 58103

Subject Property

The appraised property consists of two, 2.5-story apartment buildings, a central detached garage building containing a total of 28 single stalls, and paved on-site parking for 60 vehicles. The apartment buildings were constructed in 1974 and have minimal maintenance brick veneer exteriors with vinyl accents, and flat built-up composition roofs. The 607 building is pictured below facing southwest.



APPRAISAL REPORT (Cont.)

The unit mix consists of 12 Studios, 12 1-bed/1-bath units and 36 2-bed/1-bath units for a project total of 60 units. Each unit includes a range, refrigerator, dishwasher, and air conditioner. Common laundry facilities consist of four washers and four dryers located on the second and third floor of each building. Four units in each building include a deck. The units are heated by a baseboard hot water system. The owner is responsible for heat, water, sewer, and garbage expenses. The tenants pay electric expenses, including lights, cooking, and air conditioning.

The owner's rent roll relates 4 vacant units, indicating a 6.67% vacancy. The overall condition of the property was considered to be average to good based on its age. The appraised property is depicted in the diagrams and photographs included herein.

Purpose of the Appraisal

The purpose of this appraisal is to estimate the Market Value of the subject property as of the effective date of the value conclusion. Market Value is defined as follows.

"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."¹

Intended Use of Report

This appraisal report was prepared at the request of Alerus Financial, N.A. to be used as the basis for a mortgage lending and/or credit decision. The intended users are limited to Alerus Financial, N.A., other lenders participating in the financing or other lenders assigned the report by Alerus Financial, N.A.. It is not to be relied on by any other parties for any other purpose, whatsoever.

¹ Office of the Comptroller of the Currency under 12 CFR, Part 34, subpart C-appraisals, 34.42 Definitions (h).

APPRAISAL REPORT (Cont.)

Interest Valued

Three terms are helpful in clarifying the rights appraised in real property. They are fee simple, leased fee and leasehold. They are defined as:

"Fee-Simple - 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."²

"Leased Fee - The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires."³

"Leasehold - The right held by the lessee to use and occupy the real estate for a stated term and under the conditions specified in the lease."⁴

The owner's rent roll relates 4 vacant units, per the rent roll included in the attachments, reflecting approximately stabilized occupancy based on the current physical vacancy condition in the area. The tenants have short-term leases, resulting in no long-term leasehold interest in the property. The value analysis was based on market rent and a market vacancy and credit loss factor relating the fee simple interest.

Effective Date of Value

The effective date of the value conclusion is October 13, 2020, the date the property was viewed.

Date of Report

November 16, 2020

Extraordinary Assumptions and Hypothetical Conditions

An Extraordinary Assumption is defined as "an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions."⁵ Since the appraiser did not complete an interior inspection, this appraisal employs the extraordinary assumption that the condition and quality of the interior

² The Dictionary of Real Estate Appraisal, Sixth Edition, The Appraisal Institute, Illinois, 2015, Page 90

³ Ibid., Page 128

⁴ Ibid., Page 128

⁵ Uniform Standards of Professional Appraisal Practice (USPAP). 2020-2021 Edition; The Appraisal Foundation; Washington, DC; 2020. Page 4.

APPRAISAL REPORT (Cont.)

is consistent with the photographs provided. The client and intended user should be aware that the use of this extraordinary assumption may impact the assignment results if the actual physical condition and quality of the interior is not representative of the photographs provided.

A Hypothetical Condition is defined 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.”⁶ This appraisal contains no hypothetical conditions.

Scope of Work

This appraisal was prepared in conformance with the Uniform Standards of Professional Appraisal Practice (USPAP), the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) and the appraisal requirements of Alerus Financial, N.A.. The appraised property is located in West Fargo, North Dakota, where I have previously appraised numerous apartment properties. I have considerable experience appraising all types of apartments in the region. The assignment was considered within the scope of my qualifications. No additional steps were considered necessary or appropriate to comply with the competency requirements of USPAP. In preparing the appraisal:

- Alex L. Oestreich, a Trainee Appraiser (now Certified General Appraiser) with our firm, viewed the exterior of the appraised property on October 13, 2020 and took photographs, which are documented in the attachments. An interior inspection of the property was not conducted due to the ongoing COVID-19 Pandemic. The property manager provided some photographs of the interior. I reviewed the photographs taken and discussed the inspection with Mr. Oestreich, to obtain appropriate competency to complete this report. Mr. Oestreich interviewed the property manager. I reviewed the current rent roll and the historic income and expense data provided by the owner
- Investigated and verified public records for descriptive data on the subject property including, but not limited to, taxes, assessments, easements, restrictions, zoning, municipal services, and a sales history of the subject property for the past three years
- Inspected and analyzed the regional, community and neighborhood characteristics impacting the value of the appraised property
- Considered the physical, governmental, social and economic factors, which impact the value of the subject property
- Gathered information on comparable property sales, construction costs, accrued depreciation, rents, operating expenses, and capitalization rates

⁶ Ibid., Page 4

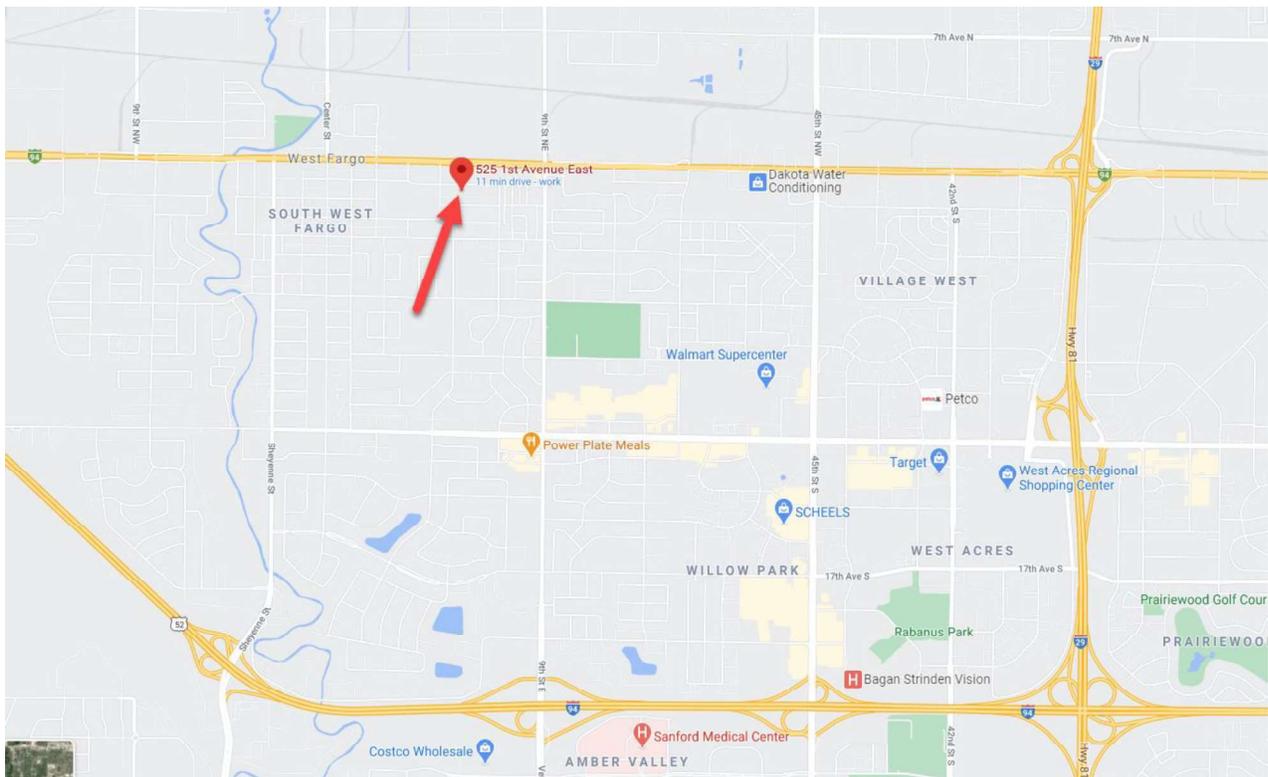
APPRAISAL REPORT (Cont.)

- Analyzed using the Income and Sales Comparison Approaches to value. The Cost Approach was considered to not be applicable due to the stabilized economic performance of the property, reconciling the approaches into a final estimate of value and summarized the analysis in an Appraisal Report in conformance with Standard 2 of USPAP.

Description of the Real Estate Appraised

Regional and Community Characteristics

The appraised property is located on the northwest side of West Fargo, North Dakota, as indicated on the city map below. West Fargo is one of the fastest growing communities in the State and part of the nucleus of a metropolitan area consisting of Fargo and West Fargo, ND, and Moorhead and Dilworth, MN. The metro area is the regional center for retail and wholesale trade, transportation, finance, industry, education, culture, medicine, entertainment, and conventions. This has resulted in the metropolitan area maintaining a stable, long-term growth rate, favorably affecting real estate values.



The general growth trend for the community is in a south/southwesterly direction. The Red River (North Dakota/Minnesota border), North Dakota State University, a regional airport and the community's industrial park restrict growth of the north portion of the community. The north side of the community is nearly fully developed. West Fargo is located immediately west of Fargo. These

APPRAISAL REPORT (Cont.)

two communities continue to grow together around the regional retail center on the southwest edge of the Fargo. Most of the new residential development is occurring on the south and southwest edges of the metro area.

The metro has maintained strong employment over the past five years, as indicated in the table that follows. However, due to the economic issues

Fargo-Moorhead MSA Population				
	1990	2000	2010	2018 (Est)
Fargo, ND	74,437	91,324	105,935	124,844
West Fargo, ND	12,390	15,534	25,927	36,566
Horace, ND	<u>664</u>	<u>1,853</u>	<u>2,432</u>	<u>2,847</u>
	87,491	108,711	134,294	164,257
Moorhead, MN	32,295	32,177	38,065	43,349
Dilworth, MN	<u>2,558</u>	<u>3,076</u>	<u>4,024</u>	<u>4,436</u>
	34,853	35,253	42,089	47,785
Metro Total	153,296	174,367	208,777	245,471

Source: U.S. Census

caused by the spread of COVID-19, beginning in mid-March, unemployment claims increased dramatically, with Cass County reporting 21,828 new initial unemployment claims (as of October 3) since March 1. This dramatic rise in unemployment was a short-term aberration as most of the

Cass County COVID-19 Unemployment Figures, as of Oct 3	
Average 2019 Employment	120,140
Initial Claims since March 1	21,828
Initial Claims week of Oct 3	170
Change from week prior	+5
Avg Continued Claims since March 1	4,739
Continued Claims week of Oct 3	1,775
Change from week prior	(186)

losses were in food service, hospitality, manufacturing, and consumer retail, that were forced to close by the Governor's order. It is notable that initial claims have slowed dramatically over the last five months of available data since the Governor's order expired at the end of April. Continued unemployment claims have been declining along with initial claims, as reflected in the following graphs. Continued claims, as of October 3, indicate about 1.47% of average 2019 employment.

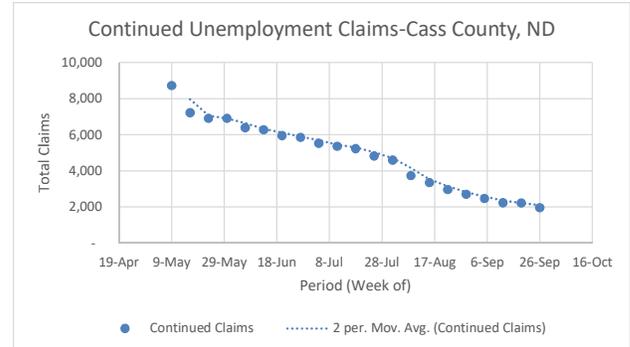
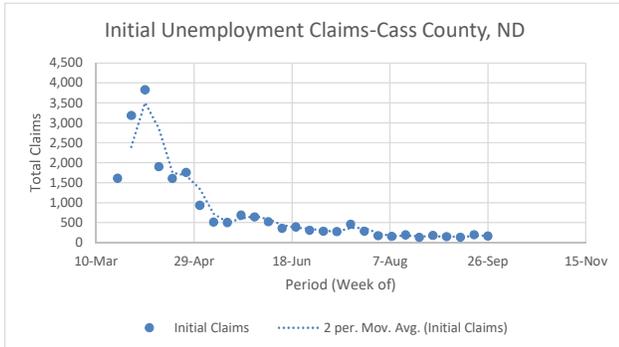
As of available figures from August, the statewide unemployment rate is estimated at 4.8%, down from 6.4% in July. The Cass County rate is 3.8%, down from 5.2% in July. This contrasts with a national unemployment rate of 8.5%, underscoring the area's ability to outperform the national economy. The Fargo-Moorhead metropolitan statistical area has an August estimated unemployment rate of 3.9%. This includes Cass County, ND and Clay County, MN, where Moorhead and Dilworth are.

The Federal government had passed a substantial stimulus package in March and the State was making it easier to collect unemployment. The ND Governor's office decision to allow an executive order that forced restaurants and bars to close for in-facility dining, and that closed fitness centers and personal services (massage, spa, nails, etc.) expired on April 30, 2020, with these businesses being allowed to reopen subject to additional restrictions to promote public safety, including a maximum of 50% occupancy restrictions on bars and restaurants. This appears to have significantly curtailed initial and continued unemployment claims as many of these were coming out of the hospitality and service sectors, evidenced by a significant drop in new and continued claims from May 1, onward.

The economic downturn in late 2008 had a limited impact on the area due to the stability of the local and regional economy, and its continued population growth. The metro area is the major population center in the region, surrounded by rich agricultural land. It is also a regional

APPRAISAL REPORT (Cont.)

distribution, education, medical and business center. Lending practices in the region are more conservative than in other parts of the nation. All these conditions have helped the local economy continue to grow, even during periodic downturns in the national economy. This bodes well for the metro area during the current COVID-19 pandemic since the area historically fares better than the national average in economic downturns and experiences strong population growth.



Year	Fargo-Moorhead MSA				ND Rate	National Rate
	Labor Force	Employed	Unemployed	Rate		
2015	130,872	127,680	3,192	2.4%	2.7%	5.3%
2016	136,112	132,597	3,515	2.6%	3.2%	4.9%
2017	138,238	134,956	3,282	2.4%	2.6%	4.4%
2018	136,717	133,384	3,333	2.4%	2.6%	3.9%
2019	138,615	135,434	3,181	2.3%	2.4%	3.7%

Source: North Dakota Job Service

The metro area is located at two intersecting interstate highways, which is one of the major factors responsible for the metropolitan area developing into a regional distribution and industrial center. The current industrial and warehouse inventory is estimated to exceed 20 million square feet and experiences a vacancy rate of about three percent. Most of the industrial space in the local market is owner-occupied. My firm is currently in the process of developing an updated industrial survey but have noted through my appraisal practice that vacancies remain relatively low, with no signs of an oversupply. Locally and nationally, industrial property markets are stronger than most other asset classes due to the continued growth of “last-mile” delivery and supply chain logistics.

The metro area is the primary business center in the region and has experienced strong office growth. The local market includes a Microsoft campus containing about 382,000 square feet. Appraisal Services Inc. is developing a bi-annual office survey for the metro area. Nominal office growth occurred in the CBD for many years, but the revitalization of this neighborhood has led to new office and retail space being developed, which has pushed vacancy figures in the neighborhood above 11%. Our firm develops bi-annual office and retail surveys for the metro area, the July 1, 2020 results of which are below.

APPRAISAL REPORT (Cont.)

All Office as of July 1, 2020									
	Downtown	North Fargo	Midtown	West Acres	South Fargo	SW Fargo	West Fargo	Moorhead	Total
Inventory (SF)	2,174,211	175,418	1,163,637	1,866,486	1,012,414	2,406,670	688,022	630,648	10,117,506
Vacant (SF)	268,066	4,190	56,629	159,675	61,993	200,699	54,019	52,422	857,693
% Vacant	12.33%	2.39%	4.87%	8.55%	6.12%	8.34%	7.85%	8.31%	8.48%

All Office Historic Vacancy									
Period	Downtown	North Fargo	Midtown	West Acres	South Fargo	SW Fargo	West Fargo	Moorhead	Total
July 1, 2019 (Q2)	12.69%	10.69%	8.39%	6.29%	17.75%	8.28%	N/A	N/A	10.14%
October 1, 2019 (Q3)	11.90%	6.35%	6.64%	8.24%	14.79%	6.66%	4.55%	7.54%	8.84%
July 1, 2020 (Q2)	12.33%	2.39%	4.87%	8.55%	6.12%	8.34%	7.85%	8.31%	8.48%

The growth of residential and commercial property in the community is reflected in the following building permit summary. West Fargo is estimated to currently reflect about 17.2% of the population in the four-city metro but captures almost 40% of new single-family growth. Its multi-family and commercial growth figures are more consistent with its pro rata population size.

METRO AREA BUILDING PERMIT SUMMARY

Year	SINGLE FAMILY			MULTIPLE FAMILY				COMMERCIAL PERMITS		
	# of Units	Total \$ Volume	% of Metro	# of Bldgs	# of Units	Total \$ Volume	% of Metro	New \$ Volume	% of Metro	Remodel \$ Volume
2015	1,176	263,072,964		46	1,252	105,696,483		112,128,499		116,586,501
2016	1,111	262,101,497		40	1,136	99,165,376		171,096,413		191,304,192
2017	883	194,889,915		16	846	76,369,598		207,275,730		112,852,074
2018	848	198,814,312		37	1,238	135,764,578		161,616,620		155,362,293
2019	<u>768</u>	<u>180,054,703</u>		<u>8</u>	<u>571</u>	<u>78,971,390</u>		<u>161,535,689</u>		<u>141,123,120</u>
20yr Avg	958	163,575,093	100.0%	39	1,001	71,841,276	100.0%	128,388,266	100.0%	90,668,661
10yr Avg	941	198,193,880	100.0%	33	1,198	98,184,236	100.0%	173,919,193	100.0%	117,177,234
5yr Avg	957	219,786,678	100.0%	29	1,009	99,193,485	100.0%	162,730,590	100.0%	143,445,636

WEST FARGO BUILDING PERMIT SUMMARY

Year	SINGLE FAMILY			MULTIPLE FAMILY				COMMERCIAL PERMITS		
	# of Units	Total \$ Volume	% of Metro	# of Bldgs	# of Units	Total \$ Volume	% of Metro	New \$ Volume	% of Metro	Remodel \$ Volume
2015	424	101,576,236	38.6%	3	42	4,759,000	4.5%	40,516,630	36.1%	29,537,812
2016	445	101,425,173	38.7%	0	0	0	0.0%	51,114,550	29.9%	12,022,550
2017	314	71,788,965	36.8%	0	0	0	0.0%	28,171,695	13.6%	7,827,227
2018	385	85,344,076	42.9%	4	139	24,417,285	18.0%	30,533,552	18.9%	14,125,043
2019	<u>312</u>	<u>74,719,705</u>	<u>41.5%</u>	<u>3</u>	<u>318</u>	<u>48,489,567</u>	<u>61.4%</u>	<u>32,527,950</u>	<u>20.1%</u>	<u>16,756,385</u>
20yr Avg	345	59,558,109	36.41%	7	146	10,894,767	15.17%	22,109,431	17.22%	10,298,667
10yr Avg	376	80,863,587	40.80%	5	180	16,360,106	16.66%	33,084,018	19.02%	14,416,776
5yr Avg	376	86,970,831	39.57%	2	100	15,533,170	15.66%	36,572,875	22.47%	16,053,803

Source: Home Builder's Association of Fargo-Moorhead

The Fargo/West Fargo growth rate has been stronger than Moorhead due to a differential in business and income expenses. The individual income tax, real estate taxes, and unemployment insurance costs in Moorhead are higher than in adjacent North Dakota, making Fargo a more favorable business environment.

APPRAISAL REPORT (Cont.)

Local higher education is a major stabilizing force for the metro area with two public universities (NDSU and MSUM), a private college (Concordia College) and several technical and vocational schools. These institutions have a combined student population exceeding 20,000. The financial impact of these institutions on the local economy is substantial.

Downtown Fargo, the metro area’s Central Business District (CBD), is a secondary commercial/residential hub in the community that had long been overshadowed by the commercial development on the community’s southwest edge, surrounding the West Acres Mall and major Interstate interchanges. However, the economic strength and density of the downtown neighborhood is increasing, due to years of substantial investment and tax incentives for development and redevelopment.

West Fargo is attempting to replicate the success of the Fargo CBD, albeit on a smaller scale, with a major redevelopment program spearheaded by Epic Companies, which purchased numerous obsolete properties and developed two multi-story, mixed-use properties housing retail, office and apartment units along Sheyenne Street, near Main Avenue.

Total taxable retail sales are another indicator of economic strength and forecasting. The table below notes a substantial drop in total sales in Fargo, stability in West Fargo and modest growth in Cass County and the State overall, suggesting that 2019 reflected continued economic strength regionally. It is important to note that this will almost certainly be interrupted by the 2020 pandemic, which has already led most economists to conclude the United State economy is in a recession.

Total Taxable Retail Sales								
Fargo			West Fargo		Cass County		State of ND	
Year	Total Sales	% Change	Total Sales	% Change	Total Sales	% Change	Total Sales	% Change
2015	\$2,738,758,575	-2.1%	\$377,463,000	1.7%	\$3,201,460,661	-1.7%	\$14,002,490,861	-19.8%
2016	\$2,578,604,632	-5.8%	\$353,797,858	-6.3%	\$2,885,116,968	-9.9%	\$12,680,168,957	-9.4%
2017	\$2,439,546,655	-5.4%	\$351,633,328	-0.6%	\$2,874,488,805	-0.4%	\$11,501,777,720	-9.3%
2018	\$2,919,224,801	19.7%	\$385,629,222	9.7%	\$2,874,488,805	0.0%	\$11,949,352,921	3.9%
2019	\$2,491,281,124	-14.7%	\$386,261,214	0.2%	\$2,967,851,483	3.2%	\$12,310,994,750	3.0%

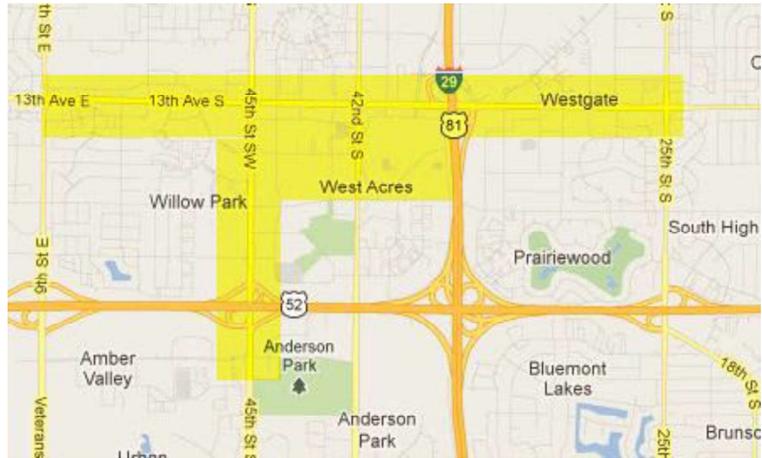
Source: Office of the North Dakota State Tax Commissioner

Two regional hospitals, the primary facilities for two regional clinics and numerous small medical and dental clinics are also considered a major stabilizing force for the local economy. In July 2017, Sanford Health opened a one million square foot, state-of-the-art regional medical center on the south side of I-94 between 45th Street South in Fargo and Veterans Boulevard in adjacent West Fargo. The total project cost was nearly \$500 million.

The retail space in the metropolitan area totals more than 10,000,000 square feet with about 80% of the square footage in the Fargo portion of the market. The major retail center is the West Acres Mall, which contains more than 800,000 square feet. This mall is in the southwest quadrant of the

APPRAISAL REPORT (Cont.)

13th Avenue/ Interstate 29 interchange. The community and regional retail center are related in yellow on the adjacent map. The primary streets of this retail center are 13th Avenue and 45th Street. This area now accounts for approximately 50% of the retail space in the metropolitan area. The area surrounding West Acres is developed with a major concentration of motel rooms, restaurants, entertainment facilities, new office growth and new apartment units. The vacancy rate for retail space in Fargo, as of July 1, 2020, is indicated in the following tables.



All Retail - Fargo as of July 1, 2020									
	Downtown	North Fargo	Midtown	West Acres	South Fargo	SW Fargo	West Fargo	Moorhead	Total
Inventory (SF)	788,644	414,185	1,007,407	3,630,479	1,124,093	1,150,344	1,465,073	1,506,809	11,087,034
Vacant (SF)	61,677	33,298	71,048	270,680	68,220	97,587	85,307	305,336	993,153
% Vacant	7.82%	8.04%	7.05%	7.46%	6.07%	8.48%	5.82%	20.26%	8.96%

All Retail Historic Vacancy									
Period	Downtown	North Fargo	Midtown	West Acres	South Fargo	SW Fargo	West Fargo	Moorhead	Total
July 1, 2019 (Q2)	8.47%	7.29%	5.24%	8.33%	4.71%	7.58%	N/A	N/A	7.32%
October 1, 2019 (Q3)	6.89%	7.31%	7.05%	7.71%	4.28%	7.22%	5.62%	18.58%	8.38%
July 1, 2020 (Q2)	7.82%	8.04%	7.05%	7.46%	6.07%	8.48%	5.82%	20.26%	8.96%

The vacancy condition was elevated between 2008-2010 because of the downturn in the national economy and the significant growth that had been occurring in the metro area. The retail market strengthened over the last decade and experienced more strong growth. The retail market is changing with more shopping online and vacancies have again started to increase. This has impacted the occupancy of the West Acres Mall with the Sear’s and Herberger’s anchor stores closing. A portion of the Sears store was re-occupied by Best Buy. West Acres is planning a multi-million-dollar restaurant addition to the remainder of the old Sear’s space with additional space to be added. The tertiary commercial neighborhoods in the metro area are the areas with elevated vacancy.

In conclusion, the Fargo Metropolitan Area is the major regional center for all types of trade and services. This status has been beneficial as indicated by the steady growth summarized herein. Economic growth typically begins with employment growth. Employment growth is related to expanding demand for office and industrial space, which in turn increases the demand for housing, education, and healthcare services. As housing and population growth occur, the demand for retail services and space increases. As demonstrated by the community and regional statistics related in

APPRAISAL REPORT (Cont.)

this section, the Fargo/Moorhead metropolitan area experiences steady growth, even during downturns in the national economy. The steady growth is expected to continue for the foreseeable future, favorably affecting most real estate values. Additional statistical information about the metro area has been included in the attachments.

Despite the strength and stability of the local/regional economy, the current uncertain economic conditions related to the COVID-19 pandemic resulted in a “pause” of a significant amount of economic activity across the metro area, United States, and the world, in the spring and early summer. This has had a short-term impact on the local and regional commercial property market, in the form of delayed closings, lesser sales volume and lesser leasing activity, as many investors are taking a “wait and see” approach to how the market will respond. However, most economic indicators for the local market suggest that recovery from this pause is well underway, unemployment is steadily dropping, apartment occupancy is strengthening, the single-family residential market is experiencing stronger new permit volume than this time last year, and most service businesses are reopened at full, or near full capacity. This affects different properties in different ways as the use of the property and its tenant make-up may be affected differently by this economic condition.

Neighborhood Description



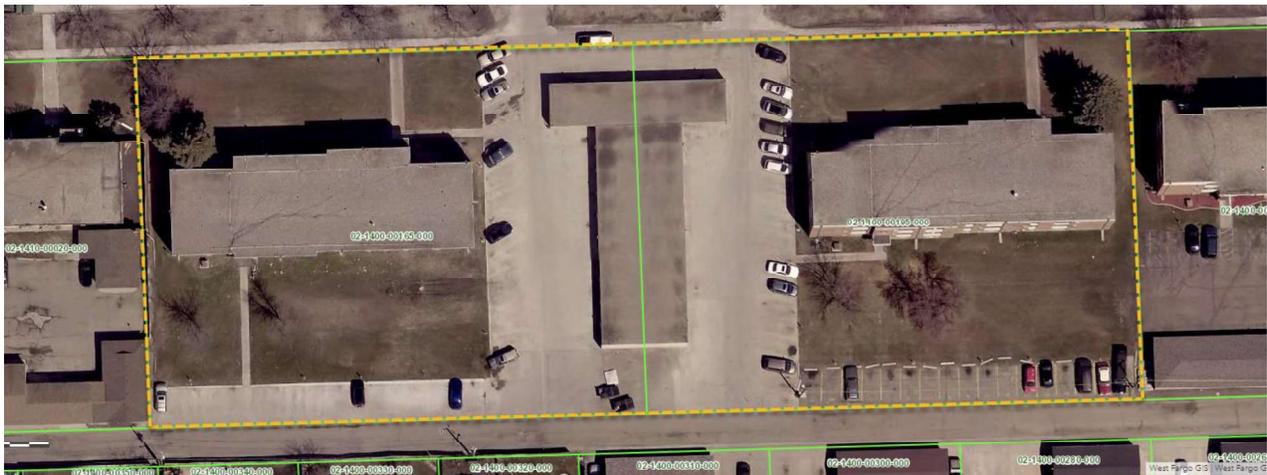
Source: Appraisal Services Inc.

APPRAISAL REPORT (Cont.)

The subject is situated along 1st Avenue East between 5th and 7th Street East. It is part of a small concentration of apartment properties that separate the commercial development bordering Main Avenue, one block north of the subject, and single-family housing to the south. There are several similarly designed apartment dwellings in the neighborhood and several duplex and four-plex style buildings. A manufactured home park is located to the southeast of 7th Street East. The location is considered suitable for apartment development with ease of access to major thoroughfares. Grade schools, middle schools and one of the high schools are within walking distance. The location of the subject, and the surrounding neighborhood, are depicted in the aerial photograph above. The neighborhood characteristics should help to maintain the value of the subject in the near-term.

Property Description

The appraised property consists of two contiguous, rectangular shaped sites, as indicated by the City of West Fargo GIS imagery below and the Plat Map included in the attachments. The north side of the site has about 510 feet of frontage on 1st Avenue East. There is a paved alley which borders the southern edge of the site. The site area is 96,900 square feet , per City records.



Source: City of West Fargo GIS

The property is located in an area designated Other Areas - Zone X, according to the Flood Insurance Rate Map (Community Panel No. 38017C0569G, dated 1/16/2015) included in the attachments. This indicates areas with reduced flood risk due to levee.

The site is zoned R-3, Multiple Family. According to the zoning ordinance, this district is "intended to apply to neighborhoods of medium to high density wherein a variety of housing types and certain educational, religious, recreational and other activities compatible with residential development are permitted." The minimum site size requirement is 1,600 square feet of site for each dwelling unit plus 200 square feet for each bedroom. This calculates to 115,200 square feet required lot size for the subject, indicating that it does not conform. It is a permitted, non-conforming use since it existed prior to the adoption of the current zoning ordinance.

APPRAISAL REPORT (Cont.)

The site is level and has adequate municipal sewer, water, and storm sewer improvements. Commercial natural gas and electrical services are available to the property. The utility services are adequate for multi-family development. The adjacent streets provide suitable access for the multi-family development of the property. Access to the property is provided by two drives from 1st Avenue East and from the paved alley which borders the southern edge of the site.

Site improvements include a “t-shaped” garage building located in the middle of the site which contains a total of 28 single stall garages. The garages are leased separately from the units for \$40 per month. The garage building has vinyl siding, metal garage doors, and a flat single membrane roof structure. Two of the units on the south side of the garage building were damaged by a fire and are in the process of being repaired by management, their total downtime has been about 3 months, as the first occurred on August 17 and will be back in service as of the transmittal date of this report. The owner indicated that total repair costs were \$6,860, which have already been invoiced, indicating that a prospective purchaser would not be required to make these payments. No deferred maintenance is included in the value conclusion.

The estimated cost to repair the damaged garages is considered nominal in relation to the overall value of the property, and their short-term lack of income generation is not considered to substantially impact the market value of the subject.

Other site improvements include concrete-surfaced sidewalks, and paved on-site parking for 60 vehicles. Between the garages and exterior parking, this is equal to 88 stalls. The on-site parking provides a parking ratio of 1.47 spaces per unit. The zoning requirement is 2 spaces per unit, or 120 spaces of on-site parking. The subject does not conform to this requirement, making it a permitted, non-conforming use since it existed prior to the adoption of the current zoning ordinance. Street parking is permitted in the neighborhood.

The appraised property is improved with two 2.5-story, wood frame walk-up apartment buildings that were constructed in 1974. They have brick veneer exteriors with vinyl siding accents. The unit mix consists of 12 Studios, 12 1-bed/1-bath units and 36 2-bed/1-bath units for a project total of 60 units. Each unit includes a range, refrigerator, dishwasher, and air conditioner. Common laundry facilities consist of four washers and four dryers located on the second and third floor of each building. Four units in each building include a deck. The units are heated by a baseboard hot water system. The owner is responsible for heat, water, sewer, and garbage expenses. The tenants pay electric expenses, including lights, cooking, and air conditioning. The notable dimensions for the property are as follows:

Lot Size:	96,900 Sq. Ft.
Paved Parking & Drives:	29,730 Sq. Ft.
Sidewalk:	1,200 Sq. Ft.
Garage Building Area:	6,560 Sq. Ft.
Gross Building Area:	44,904 Sq. Ft.

APPRAISAL REPORT (Cont.)

The overall condition of the property was considered average to good for its age. The property has been adequately maintained and experienced some updating. The owner reported that all the windows in the building were replaced in 2015. The interior photographs provided indicate that common and in-unit flooring appears to be in good condition. Appliances, flooring, and finishes are repaired/replaced as needed. The condition of the exterior is depicted in the photographs included in the attachments. The effective age of the property was estimated to be about 25 years. The typical life for these improvements was estimated to be about 55 years. The remaining economic life was estimated to be about 30 years.

The Legal Description for the appraised parcel is Lots 4 & along with the East 10 feet of Lot 3 and the West 45 feet of Lot 6 and Lots 7 & 8 along with the East 55 feet of Lot 6, Block 2, Meyer's 1st Addition to the City of West Fargo, Cass County, North Dakota. The Tax Parcel Identification Numbers for the appraised parcels are 02-1400-00165-000 & 02-1400-00195-000. The cumulative assessment and tax information for the appraised property is as follows:

True & Full Value:	Land	\$242,200
	Improvements	<u>\$2,742,600</u>
	Total	\$2,984,800
Taxes:	General Real Estate Tax*	\$32,876.36
	Annual Specials Payment	\$0.00
	Annual Drain Payment	<u>\$2,183.20</u>
	Total	\$35,059.56
Unpaid Balance of Special Assessments:		\$0.00
Work-In-Progress Special Assessments:		\$0.00

*North Dakota allows a five percent reduction in general taxes if paid by the 15th of February in the year they are due.

Ownership History

According to public records, the property is owned by INREIT Properties, LLLP, which has owned the property since 2008. There have been no other more recent sales of the appraised property nor is it currently listed for sale.

Highest and Best Use

The determination of highest and best use is a result of the appraiser's judgment and analytical skill. It represents an opinion, rather than a fact that is found. The highest and best use analysis is based on the following definition: "The reasonably probable use of property that results in the

APPRAISAL REPORT (Cont.)

highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity."⁷

Legal Permissibility – The appraised site is zoned R-3, Multiple Family District. According to the zoning ordinance, this district is "intended to apply to neighborhoods of medium to high density wherein a variety of housing types and certain educational, religious, recreational and other activities compatible with residential development are permitted." Per the current zoning ordinance, the subject site is smaller than required to support 60 apartment units and its on-site parking ratio does not conform to zoning. The subject was developed years before the current iteration of the zoning ordinance was certified, making it a permitted non-conforming use. This is typical of much of the older apartment facilities in the community and region.

Physical Possibility – The location is suitable for apartment use as indicated by the substantial amount of other single and multi-family housing in the immediate neighborhood. The existence of the improvements and the continued stabilized operation of the facility in *as is* condition indicates its physical possibility. The use conforms to the character and surrounding development of the neighborhood. Its use as an apartment project is functionally appropriate.

Financial Feasibility – The historic income and expense data, and the following valuation analysis provide support for the conclusion that the current use is financially viable and likely to continue.

Maximum Productivity – The current use is a permitted, non-conforming one. It is not financially feasible that the property would be purchased and converted to an alternative use, as multi-family development is the most profitable development type allowed on the site, indicating that the current use reflects maximum productivity. It is my opinion that the highest and best use is the current use, as a market-rate apartment project.

Summary of Valuation and Analysis

The appraisal of real estate typically includes the three approaches to value (Cost, Income Capitalization and Sales Comparison), which are reconciled into a final value conclusion. Some of the approaches may not be applicable to every valuation assignment.

The Cost Approach estimates the cost to replace the property and adjusts the cost for depreciation and obsolescence impacting the property. It is most reliable when dealing with new construction that fulfills the highest and best use of the site. The subject is a 46-year old apartment project that has experienced updating and has a stabilized income stream. It is unlikely that the market would place any weight on the Cost Approach to estimate the market value of the subject due to its age, condition and demonstrated economic performance. The Cost Approach was considered to not be applicable and was omitted. The Income and Sales Comparison Approaches are the primary

⁷ The Dictionary of Real Estate Appraisal, Sixth Edition, The Appraisal Institute, Illinois, 2015, Page 109

APPRAISAL REPORT (Cont.)

approaches used to value existing apartment properties. They provided a credible basis for the market value estimate in this report.

Income Capitalization Approach

The Income Capitalization Approach provides an indication of value based on the income potential of the appraised property. It is one of the primary methods used to value apartment properties. Several techniques are available to convert the income to be derived from the property into a value estimate. The technique that is typically applied to apartment properties is the direct capitalization of the anticipated net operating income (NOI) derived from the property. This technique converts the NOI into a value indication using the following calculation: $\text{NOI} / \text{Overall Rate} = \text{Value}$.

The rate used in direct capitalization is based on the prevailing relationship of the NOI to the selling prices for comparable properties. It is referred to as the overall rate and is abstracted from the market via the following calculation: $\text{NOI} / \text{Sale Price} = \text{Overall Rate}$. NOI is the annual income remaining after deducting all fixed and operating expenses and reserves for replacements, but excluding financial charges, such as recapture or debt service. It is obtained by constructing the likely income statement from the property reflecting the rent and expenses that would be incurred under prudent operation of the property.

The current rent roll for the subject property is related in the *Scheduled Rents* column of the Monthly Rent Schedule table on the following page. The actual rent roll has been included in the attachments. The rent roll was the starting point for estimating the market rent for the subject units.

The owner's rent roll relates 4 vacant units, indicating a 6.67% vacancy. The owner's historic income and expense data indicates the following vacancy conditions for the past three years; 2017-6%, 2018-9%, 2019-5%. The subject's rents reflect some variance, which is typical for most apartment properties. This may be related to difference in condition or amenities of individual units, the unit location in the building, or the move-in date. The local rental market had been experiencing an elevated vacancy condition, which appears to be abating. According to the historic data, the 2019 rental incentives were \$7,517, down from the 2018 rental incentives of \$15,874. This decrease in rental incentives coincides with the decreasing vacancy condition in the metro area over the past two years and reflects about 2% of 2019 EGI.

The studio units in the subject reflect a monthly base rent range of \$415 to \$510, clustering at \$490 to \$495 per month. I have forecast market rent for these units at \$490 per month. The one-bedroom units base rent ranges from \$475 to \$620, clustering around \$525 to \$560. I have utilized \$550 as market rent for these units. The two-bedroom unit range in size from 690 to 720 square feet and reflect a base rental range of \$545 to \$680. I have reconciled to a forecast of \$640 per unit, based on the current achieved rents and comparable data.

APPRAISAL REPORT (Cont.)

Comparable rental data from the community is summarized in the Comparable Rental Data table following the current scheduled rent summary. This information provided support for my conclusion of the subject's market rent forecasts, reflected in the *Economic Rents* column of the Monthly Rent Schedule table on the following page. This column provided the basis for the income forecast for the appraised property.

MONTHLY RENT SCHEDULE - SUBJECT PROPERTY

Unit Descrip	No. of Units	Unit Rm Count			Total Rooms	Unit Size	Vacant Units	Scheduled Rents		Economic Rents		Sq. Ft.
		Tot.	BR	Bath				Unfurn	Total	Unfurn	Total	
Studio	2	2	0	1	4	350		\$415	\$830	\$490	\$980	\$1.40
Studio	2	2	0	1	4	350		\$430	\$860	\$490	\$980	\$1.40
Studio	2	2	0	1	4	350		\$445	\$890	\$490	\$980	\$1.40
Studio	1	2	0	1	2	350		\$470	\$470	\$490	\$490	\$1.40
Studio	2	2	0	1	4	350	1	\$490	\$980	\$490	\$980	\$1.40
Studio	2	2	0	1	4	350		\$495	\$990	\$490	\$980	\$1.40
Studio	1	2	0	1	2	350		\$510	\$510	\$490	\$490	\$1.40
One-Bed	1	3	1	1	3	630		\$475	\$475	\$550	\$550	\$0.87
One-Bed	2	3	1	1	6	630		\$525	\$1,050	\$550	\$1,100	\$0.87
One-Bed	2	3	1	1	6	630		\$540	\$1,080	\$550	\$1,100	\$0.87
One-Bed	1	3	1	1	3	630		\$515	\$515	\$550	\$550	\$0.87
One-Bed	1	3	1	1	3	630		\$555	\$555	\$550	\$550	\$0.87
One-Bed	2	3	1	1	6	630	1	\$560	\$1,120	\$550	\$1,100	\$0.87
One-Bed	1	3	1	1	3	630		\$495	\$495	\$550	\$550	\$0.87
One-Bed	1	3	1	1	3	630		\$590	\$590	\$550	\$550	\$0.87
One-Bed	1	3	1	1	3	630		\$620	\$620	\$640	\$640	\$1.02
Two-Bed	1	5	2	2	5	690		\$580	\$580	\$640	\$640	\$0.93
Two-Bed	1	4	2	1	4	690		\$585	\$585	\$640	\$640	\$0.93
Two-Bed	1	5	2	2	5	690		\$600	\$600	\$640	\$640	\$0.93
Two-Bed	1	5	2	2	5	690		\$605	\$605	\$640	\$640	\$0.93
Two-Bed	1	5	2	2	5	690		\$590	\$590	\$640	\$640	\$0.93
Two-Bed	1	5	2	2	5	690		\$610	\$610	\$640	\$640	\$0.93
Two-Bed	3	5	2	2	15	690		\$615	\$1,845	\$640	\$1,920	\$0.93
Two-Bed	2	5	2	2	10	690		\$620	\$1,240	\$640	\$1,280	\$0.93
Two-Bed	1	5	2	2	5	690	1	\$585	\$585	\$640	\$640	\$0.93
Two-Bed	3	5	2	2	15	690	1	\$625	\$1,875	\$640	\$1,920	\$0.93
Two-Bed	1	5	2	2	5	690		\$630	\$630	\$640	\$640	\$0.93
Two-Bed	1	5	2	2	5	690		\$600	\$600	\$640	\$640	\$0.93
Two-Bed	2	5	2	2	10	690		\$640	\$1,280	\$640	\$1,280	\$0.93
Two-Bed	1	5	2	2	5	690		\$645	\$645	\$640	\$640	\$0.93
Two-Bed	1	5	2	2	5	690		\$610	\$610	\$640	\$640	\$0.93
Two-Bed	1	5	2	2	5	690		\$655	\$655	\$640	\$640	\$0.93
Two-Bed	1	5	2	2	5	690		\$660	\$660	\$640	\$640	\$0.93
Two-Bed	1	5	2	2	5	690		\$625	\$625	\$640	\$640	\$0.93
Two-Bed	1	5	2	2	5	720		\$625	\$625	\$640	\$640	\$0.89
Two-Bed	1	5	2	2	5	720		\$630	\$630	\$640	\$640	\$0.89
Two-Bed	1	5	2	2	5	720		\$615	\$615	\$640	\$640	\$0.89
Two-Bed	1	5	2	2	5	720		\$665	\$665	\$640	\$640	\$0.89
Two-Bed	1	5	2	2	5	720		\$640	\$640	\$640	\$640	\$0.89
Two-Bed	1	5	2	2	5	720		\$545	\$545	\$640	\$640	\$0.89
Two-Bed	1	5	2	2	5	720		\$605	\$605	\$640	\$640	\$0.89
Two-Bed	1	5	2	1	5	720		\$615	\$615	\$640	\$640	\$0.89
Two-Bed	1	5	2	2	5	720		\$680	\$680	\$640	\$640	\$0.89
Two-Bed	1	5	2	2	5	720		\$610	\$610	\$640	\$640	\$0.89
Two-Bed	<u>2</u>	<u>5</u>	<u>2</u>	<u>2</u>	<u>10</u>	<u>720</u>		<u>\$650</u>	<u>\$1,300</u>	<u>\$640</u>	<u>\$1,280</u>	<u>\$0.89</u>
	60				239		4		\$34,380		\$35,610	

OTHER MONTHLY INCOME

Parking Income	28 Sgl @	\$40.00 /month	\$0	\$1,120
Laundry Income	60 Units @	\$8.00 /unit	\$411	\$480
Other Income	60 Units @	\$16.00 /unit	<u>\$2,109</u>	<u>\$960</u>
Total Gross Monthly Income			\$36,900	\$38,170
Total Gross Potential Annual Income			\$442,799	\$458,040

APPRAISAL REPORT (Cont.)

COMPARABLE RENTAL DATA																
Property	Year Built	Monthly Rent Rate/Unit Size/Rent Per SF (Paint to Paint)						Amenities Included in Rent								
		Efficiency		1-Bedroom		2-Bedroom		Units	Heat	Garage	Balcony	DW	A/C	Micro	W/D	Elev
		Rent / Size	\$/sf	Rent / Size	\$/sf	Rent / Size	\$/sf									
Subject Saddlebrook Apartments 525 & 607 1st Avenue East	1974	\$490 / 350	\$1.40	\$550 / 630	\$0.87	\$640 / 690	\$0.93	60	Yes	No	Some	Yes	Wall	No	No	No
						\$640 / 720	\$0.89									
1. Whisperwood Apts 212 1st Ave E, WF	1984	N/A		\$495 / 550	\$0.90	\$625 / 840	\$0.74 *	14	No	Yes	Some*	Yes	Upper	No	lookup	No
				\$495 / 588	\$0.84	\$625 / 850	\$0.74 *									
				\$495 / 630	\$0.79											
2. Cedarwood Apts 101 5th St E, WF	1974	N/A		\$495 / 414	\$1.20	\$495 / 570	\$0.87	18	Yes	No	Yes	No	Yes	No		No
				\$525 / 414	\$1.27	\$575 / 647	\$0.89 *				*Balcony					
						\$595 / 718	\$0.83									
3. Crestwood Apts 424-430 & 524-530 6th St E, WF	1972	N/A		N/A		\$575 / 800	\$0.72	36	Yes	Yes	No	Yes	Yes	Yes	No	No
						\$585 / 830	\$0.70									
4. Redgate I 102 7th St E, WF	1977	N/A		\$500 / 470	\$1.06	\$630 / 640	\$0.98	18	Yes	No	Some	No	Yes	No		No
				\$550 / 470	\$1.17	\$600 / 680	\$0.88 *				*Balcony					
						\$600 / 740	\$0.81									
5. Redgate II 619 1st Ave E, WF	1977	N/A		\$500 / 470	\$1.06	\$630 / 640	\$0.98	18	Yes	No	Some	No	Yes	No		No
				\$550 / 470	\$1.17	\$600 / 680	\$0.88 *				*Balcony					
						\$600 / 740	\$0.81									
6. Great Lakes Properties 906 10th Ave W	1978	\$395 / 340	\$1.16	# \$470 / 560	\$0.84	N/A		12	Yes	No	No	No	Yes	No	No	No
											#-studio unit w/ kitchen & 3/4-bath					

Rental housing typically produces additional income, such as garage income, income from common laundry facilities and miscellaneous income associated with money management, security deposit forfeitures and vending. There are 28 single-stall garages on-site which are leased separately from the units for \$40 per month. This monthly rent amount is in line with competitive properties in the community and it was utilized in my *garage* income forecast.

Common laundry facilities consist of four washers and four dryers located on the second and third floor of each building. The *laundry* income forecast of \$8.00 per unit per month, prior to vacancy and credit loss, was used herein, based on the historic performance of the property.

The income attributable to miscellaneous income sources, such as money management, security deposit forfeitures, pet fees, and vending machines, was based on the historic *miscellaneous* income data from the subject and the comparable data on the following page. A *miscellaneous* income forecast of \$16.00 per unit per month, prior to vacancy and credit losses, was used herein. My *other* income forecast is less than the owner's historic figures because I have broken out the *garage* income separately.

The potential gross income for the subject was forecasted at \$458,040. The income forecast is based on a market vacancy and credit loss factor, which was estimated to be 5.00%. This vacancy estimate considers the location, condition, and amenities of the subject, and the elevated vacancy condition in the metro area, related in the vacancy survey included in the attachments. The results of the June 2020 apartment vacancy survey indicate about

	Units	Vacant	%
Downtown	1429	136	9.52%
North Fargo	3526	410	11.63%
South Fargo 1	4933	293	5.94%
South Fargo 2	1805	150	8.31%
South Fargo 3	1290	55	4.26%
South Fargo 4	5871	341	5.81%
South Fargo 5	6828	333	4.88%
West Fargo	4266	152	3.56%
Moorhead	4984	452	9.07%
Dilworth	211	9	4.27%
Total Fargo	25682	1718	6.69%
Total Metro	35143	2331	6.63%

APPRAISAL REPORT (Cont.)

a 3.6% vacancy condition in West Fargo. The overall vacancy condition in the metro area is about 6.6%. My estimated vacancy condition of 5.00% is in line with the current metro-wide vacancy, reflecting the fact that the subject is inferior to the competitive market standard and should reflect a vacancy above the current market average. This is in line with the subject's vacancy for the past three years (5% to 9%). The effective gross income was estimated to be \$435,138, as related in the Income Approach Summary calculations that follow. This is reasonably in line with the subject's 2019 EGI of \$417,103.

Historic income and expense information for the subject has been included in the attachments and summarized in the table below. The historic income and expense information provided the primary basis for stabilized expense forecast in the Income Approach Summary that follows on page 23. The subject's historic expense data indicated an expense range of \$3,716 to \$4,735 per unit, with an average of \$4,233 per unit. The historic expenses include some major maintenance and replacements, which would not be considered a typical annual property expense. For reference, the 2019 "replacements" expense was \$60,990, or \$1,017 per unit. The 2018 "replacements" expense was \$45,012, or \$750 per unit. Both these annual expenses far exceed a typical stabilized year to year expense.

HISTORIC INCOME AND EXPENSE SUMMARY

	2019 12 Months			2018 12 Months			2017 12 Months		
		% EGI	/Unit		% EGI	/Unit		% EGI	/Unit
Gross Income									
Rent Receipts	\$386,864	92.8%	\$6,448	\$365,732	92.5%	\$6,096	\$384,202	93.3%	\$6,403
Laundry	\$4,936	1.2%	\$82	\$6,023	1.5%	\$100	\$7,506	1.8%	\$125
Interest	\$0	0.0%	\$0	\$0	0.0%	\$0	\$0	0.0%	\$0
Miscellaneous	<u>\$25,303</u>	<u>6.1%</u>	<u>\$422</u>	<u>\$23,491</u>	<u>5.9%</u>	<u>\$392</u>	<u>\$20,098</u>	<u>4.9%</u>	<u>\$335</u>
Effective Gross Income	\$417,103	100.0%	\$6,952	\$395,246	100.0%	\$6,587	\$411,805	100.0%	\$6,863
Less Expenses									
Real Estate Taxes	\$33,416	8.0%	\$557	\$30,422	7.7%	\$507	\$29,613	7.2%	\$494
Insurance	\$10,999	2.6%	\$183	\$8,928	2.3%	\$149	\$6,506	1.6%	\$108
Electricity/Gas	\$21,929	5.3%	\$365	\$19,752	5.0%	\$329	\$16,673	4.0%	\$278
Water/Sewer/Trash	\$21,963	5.3%	\$366	\$22,132	5.6%	\$369	\$21,694	5.3%	\$362
Pest Control	\$1,720	0.4%	\$29	\$4,800	1.2%	\$80	\$3,455	0.8%	\$58
Maintenance/Repairs	\$12,870	3.1%	\$214	\$10,520	2.7%	\$175	\$16,202	3.9%	\$270
Paint/Decorate	\$5,200	1.2%	\$87	\$8,718	2.2%	\$145	\$7,784	1.9%	\$130
Cleaning	\$12,964	3.1%	\$216	\$10,236	2.6%	\$171	\$15,301	3.7%	\$255
Snow Remove/Lawn/Parking	\$12,257	2.9%	\$204	\$9,231	2.3%	\$154	\$5,610	1.4%	\$94
Management	\$19,671	4.7%	\$328	\$19,545	4.9%	\$326	\$20,453	5.0%	\$341
Office Staff	\$30,708	7.4%	\$512	\$29,057	7.4%	\$484	\$29,254	7.1%	\$488
Other Salary-Maint	\$28,547	6.8%	\$476	\$25,935	6.6%	\$432	\$24,845	6.0%	\$414
Advertising	\$3,401	0.8%	\$57	\$3,460	0.9%	\$58	\$3,952	1.0%	\$66
Telephone/Internet Office	\$191	0.0%	\$3	\$242	0.1%	\$4	\$136	0.0%	\$2
Legal & Acct	\$982	0.2%	\$16	\$60	0.0%	\$1	\$0	0.0%	\$0
Office/Admin	\$6,292	1.5%	\$105	\$6,888	1.7%	\$115	\$4,666	1.1%	\$78
Replacements	<u>\$60,990</u>	<u>14.6%</u>	<u>\$1,017</u>	<u>\$45,012</u>	<u>11.4%</u>	<u>\$750</u>	<u>\$16,846</u>	<u>4.1%</u>	<u>\$281</u>
Total Expenses	<u>(\$284,100)</u>	<u>-68.1%</u>	<u>(\$4,735)</u>	<u>(\$254,940)</u>	<u>-64.5%</u>	<u>(\$4,249)</u>	<u>(\$222,989)</u>	<u>-54.1%</u>	<u>(\$3,716)</u>
Net Operating Income	\$133,003	31.9%	\$2,217	\$140,306	35.5%	\$2,338	\$188,816	45.9%	\$3,147

Comparable expense information is included in the Comparable Expense Summary table below, providing additional support for the expense estimates. The expense comps indicate an expense

APPRAISAL REPORT (Cont.)

range of \$3,927 to \$4,363 per unit, with an average of \$4,172 per unit. Some of the expense comps also reflected properties that were performing some level of major maintenance, which was given consideration in this forecast.

The stabilized expense forecast for the appraised property is related in the center of the following Comparable Expense Summary table and in the Income Approach Summary on page 23. The forecast stabilized expense level for the appraised property is equal to \$3,976 per unit. This expense estimate is in line with the subject's 2017 expense level of \$3,716 per unit, considered a reliable indication of stabilized operation for the subject. The subject's 2017 expense level is a good indication of the stabilized expenses for the property because it did not include excessive maintenance or replacements. It is noteworthy that the subject's True & Full Value assessment was increased significantly in 2020. The combined True & Full Value of the property in 2020 is \$2,984,800. In 2019, the combined True & Full Value was \$2,191,000. This increase will result in a substantially higher annual general tax bill for property going forward.

COMPARABLE EXPENSE SUMMARY

	SUBJECT		Comparables									
			West Fargo	West Fargo	West Fargo	Fargo	Fargo	Fargo				
Number Of Units:	60	60	36	18	36	24	42	18				
GBA/Unit:	748	748	768	1,103	960	1,036	666	1,083				
Heat Provided:	Yes	Yes	Yes	No	Yes	No	Yes	No				
Style:	Walk-up	Walk-up	Walk-up	Walk-Up	Walk-Up	Walk-Up	Walk-Up	Walk-Up	Walk Up			
Age:	1974	1974	1974	1969	1972	1976	1976	1988				
Income/Expense Year:	2019		Appraiser's Forecast									
	Per Unit		Per Unit		Per Unit							
Rental Income	\$386,864	\$6,448	\$405,954	\$6,766	\$5,917	\$5,378	\$6,861	\$5,786	\$5,898	\$6,270		
Garage Income	\$0	\$0	\$12,768	\$213	\$237	\$0	\$2	\$0	\$0	\$0		
Laundry Income	\$4,936	\$82	\$5,472	\$91	\$141	\$120	\$163	\$130	\$94	\$69		
Other Income	<u>\$25,303</u>	<u>\$422</u>	<u>\$10,944</u>	<u>\$182</u>	<u>\$13</u>	<u>\$96</u>	<u>\$140</u>	<u>\$17</u>	<u>\$224</u>	<u>\$81</u>		
Effective Gross Income	\$417,103	\$6,952	\$435,138	\$7,252	\$6,308	\$5,594	\$7,166	\$5,933	\$6,216	\$6,420		
Less Expenses											Average	
Real Estate Taxes	\$33,416	\$557	\$44,729	\$745	\$687	\$509	\$496	\$704	\$499	\$604	\$583	
Special Assessments	\$0	\$0	\$0	\$0		\$0	\$0	\$0		\$0	\$0	
Insurance	\$10,999	\$183	\$11,100	\$185	\$135	\$177	\$165	\$348	\$116	\$444	\$231	
Electricity/Gas	\$21,929	\$365	\$21,900	\$365	\$339	\$580	\$423	\$442	\$202	\$91	\$346	
Water,Sewer,Trash	\$21,963	\$366	\$21,900	\$365	\$399	\$386	\$378	\$212	\$291	\$341	\$335	
Maintenance/Repairs	\$14,590	\$243	\$24,000	\$400	\$1,197	\$866	\$625	\$537	\$126	\$862	\$702	
Paint/Decorate	\$5,200	\$87	\$7,800	\$130	\$180	\$130	\$98	\$64	\$124	\$199	\$133	
Cleaning	\$12,964	\$216	\$6,000	\$100	\$38	\$29	\$21	\$48	\$196		\$66	
Supplies	\$0	\$0	\$0	\$0	\$53					\$3	\$28	
Parking/Snow/Lawn	\$12,257	\$204	\$9,000	\$150	\$155	\$119	\$64	\$111	\$166	\$171	\$131	
Management	\$19,671	\$328	\$21,757	\$363	\$371	\$280	\$196	\$296	\$373	\$324	\$307	
Resident Manager	\$30,708	\$512	\$21,600	\$360	\$106	\$348	\$333	\$198	\$520	\$177	\$280	
Other Salary-Maint.	\$28,547	\$476	\$25,500	\$425		\$170			\$538		\$354	
Advertising	\$3,401	\$57	\$3,600	\$60	\$3	\$46	\$21	\$26	\$284	\$42	\$70	
Telephone	\$191	\$3	\$180	\$3	\$70						\$0	
Legal & Accounting	\$982	\$16	\$1,500	\$25	\$13	\$81	\$107		\$6	\$264	\$94	
Office/Administration	\$6,292	\$105	\$6,000	\$100		\$37	\$6		\$318	\$45	\$102	
Miscellaneous	\$0	\$0	\$0	\$0					\$6	\$1	\$4	
Replacements Allowanc	<u>\$60,990</u>	<u>\$1,017</u>	<u>\$12,000</u>	<u>\$200</u>	<u>\$500</u>	<u>\$406</u>	<u>\$994</u>	<u>\$1,377</u>	<u>\$409</u>	<u>\$590</u>	<u>\$713</u>	
Total Expenses	<u>(\$284,100)</u>	<u>(\$4,735)</u>	<u>(\$238,565)</u>	<u>(\$3,976)</u>	<u>(\$4,246)</u>	<u>(\$4,164)</u>	<u>(\$3,927)</u>	<u>(\$4,363)</u>	<u>(\$4,174)</u>	<u>(\$4,158)</u>	<u>(\$4,172)</u>	
Net Operating Income	\$133,003	\$2,217	\$196,573	\$3,276	\$2,062	\$1,430	\$3,239	\$1,570	\$2,042	\$2,262		

APPRAISAL REPORT (Cont.)

The stabilized expense estimate includes an allowance for replacements expense forecast of \$200 per unit, which relates an allowance for the periodic replacements of building components that wear out more rapidly than the building itself and must be replaced during the building's economic life, which are typically the responsibility of the property owner. Examples include appliances, floor covering, roof covering, heating systems, and water heaters. The stabilized expense forecast is well supported by the enclosed expense data. The stabilized net operating income forecast for the subject is \$196,572.

The final item required for the direct capitalization process is to select the appropriate overall rate (OAR). The sales in the Sales Comparison Approach had adequate income information available for abstracting market-based overall rates. This data is summarized in the overall rate table below. The abstracted overall rates were adjusted to reflect an allowance for replacements included in the subject's net operating income forecast. The reserve expenditures/allowance for the individual sales are listed on the comparable sale documentation in the attachments. The unadjusted overall rates would tend to understate the value of the appraised property, since most expenses statement do not include this expense item.

	Units	OAR	Adj OAR	Exp %	Heat Paid
Sale 1	16	7.65%	7.05%	61.35%	Yes
Sale 2	36	7.66%	7.73%	51.55%	Yes
Sale 3	18	7.39%	7.45%	50.53%	No
Sale 4	17	7.24%	7.34%	49.04%	Yes
Sale 5	66	7.41%	7.47%	48.93%	Yes
Average		7.47%	7.41%	52.28%	
Subject	60			54.83%	Yes

The adjusted overall rate (Adj OAR) column in the following overall rate table, reflects an overall rate range of 7.05% to 7.73% after recalculating the net operating income of the comparable sales to reflect the same level of reserves for replacements (\$200 per unit) included in the subject's expense forecast. The overall rate average is 7.41%.

Data was reviewed from the Situs RERC quarterly survey of commercial real estate investor sentiment. Specifically, I reviewed Midwest regional investor criteria for third-tier investment properties, as of available 2nd Quarter 2020 data. Situs RERC qualifies *third tier* as "older properties with functional inadequacies and/or in marginal locations." The subject has an appropriate location in an established residential neighborhood, has been well maintained and is part of the FM metro, which has a strong, stabilized apartment market.

This data shows apartment Going-In Cap Rates (OARs) at 6.5% to 9.5% and averaging 8.1%. This has tempered from Q1 2020 data showing a range of 6.3% to 9.5% and averaging 7.7%. It is notable that this survey data was developed following the onset of the COVID-19 pandemic and real estate investor sentiment across the country reflected in this report indicates significantly more

APPRAISAL REPORT (Cont.)

conservative investor sentiment than the previous quarter. However, as I have noted, the FM metro area historically performs significantly better than the more volatile markets in the country and weathered the 2008-2009 recession with unemployment and real estate value losses well below the national average. During the current pandemic, the local area's unemployment and economic activity indicators significantly outperform the national average. For these reasons, it is my opinion that the subject reflects superior investment characteristics to the average Midwest benchmark above and that the subject's OAR should be reflected within the range. The known, historic stability of the local market provides a stronger than average investment risk perspective to most investors, *especially* during a period of economic uncertainty.

INCOME APPROACH SUMMARY

Forecast Potential Gross Annual Income (PGI)						
				\$35,610		
Monthly Apartment Rental Income (Economic Rents)						
Parking Income	28	Sgl @	\$40.00 /Unit =		\$1,120	
Laundry Income	60	Units @	\$8.00 /Unit =		\$480	
Other Income	60	Units @	\$16.00 /Unit =		<u>\$960</u>	
			Monthly Subtotal	\$38,170 X 12 Mo. =	\$458,040	
Less Forecasted Vacancy & Collection Loss				5.00%	<u>(\$22,902)</u>	
Effective Gross Annual Income (EGI)					\$435,138	
Less Forecasted Annual Expenses and Replacement Reserves						
Fixed Expenses						
Real Estate Taxes			\$745 /Unit		\$44,729	
Insurance			\$185 /Unit		\$11,100	
Operational Expenses						
Electricity/Gas			\$365 /Unit		\$21,900	
Water/Sewer/Trash			\$365 /Unit		\$21,900	
Building Maintenance/Repairs			\$400 /Unit		\$24,000	
Painting/Decorating			\$130 /Unit		\$7,800	
Cleaning Expense			\$100 /Unit		\$6,000	
Snow Removal/Lawn Care			\$150 /Unit		\$9,000	
Nonresident Management			5.00% of EGI		\$21,757	
Resident Manager			\$30 /Unit/Mo		\$21,600	
Other Salary-Maint.			\$425 /Unit		\$25,500	
Payroll Taxes			\$0 /Unit		\$0	
Advertising			\$60 /Unit		\$3,600	
Telephone			\$3 /Unit		\$180	
Legal & Accounting			\$25 /Unit		\$1,500	
Office/Administration			\$100 /Unit		\$6,000	
Miscellaneous			\$0 /Unit		\$0	
Replacement Allowance						
Floor & Window Coverings			\$100 /Unit		\$6,000	
Ranges & Refrigerators			\$25 /Unit		\$1,500	
Dishwashers & Disposals			\$25 /Unit		\$1,500	
Heating & AC Units			\$25 /Unit		\$1,500	
Roof			\$25 /Unit		\$1,500	
Other			<u>\$0 /Unit</u>		<u>\$0</u>	
Total Expenses and Reserves			\$3,976 /Unit		<u>(\$238,566)</u>	
Net Annual Income From Real Property (NOI)					\$196,572	
Capitalization Process	Value =	<u>Income</u>	<u>\$196,572</u>	\$2,730,162	Rounded	\$2,730,000
		Rate	7.20%			

APPRAISAL REPORT (Cont.)

Analysis of overall rate data from local sales indicates that as age increases and property condition declines, the overall rate tends to increase. Based on the overall average to good condition of the appraised property, and the overall rate data related above, it is my opinion that the appropriate overall rate for capitalizing the subject's net operating income is 7.20%. The indicated value from the Income Capitalization Approach is \$2,730,000.

Sales Comparison Approach

The Sales Comparison Approach is based on comparative indicators that are abstracted from sales of similar properties and applied to the appraised property. It requires an ample amount of sales information to provide a reliable estimate of value.

Five local sales were found that bracket most of the characteristics of the subject, including its age, condition, design, and amenities. The comparable sales are documented in the attachments and related to the appraised property in the comparable sales grid on the following page.

Sale 1 is the sale of a 16-unit apartment building in North Fargo near the Mickelson Park. The building was built in 1964 and has a 2.5-story, walk-up design. The unit mix includes efficiency, one, two, and three-bedroom units. Amenities include wall air conditioning, dishwashers, common laundry, owner-paid heat, and hot water, and 10 single garage stalls which are leased separately from the units. The property was considered in average condition; the buyer received a \$48,000 repair credit at the time of closing. This property has a slightly smaller gross building area per unit size than the subject.

Sale 2 is a 2019 sale of two 2.5-story walk-up apartment buildings in a stable apartment neighborhood developed in the 1970s and 1980s. This property was constructed in two phases between 1970 and 1978, making it comparable to the subject's age and design. This property consists of just two 1-bedroom units and 34 2-bedroom units. Amenities include wall air conditioning, common laundry, owner-paid heat, and owner-paid hot water. This property has 15 single garages and 50 exterior on-site parking spaces. The units do not have dishwashers, but do have balconies, and this property has a comparable gross building area per unit size to the subject.

Sale 3 is a 2018 sale of an 18-unit apartment property located in a stable multi-family neighborhood in South Fargo. This property was constructed in 1977 and has a 2.5-story walk-up design. This property consists of a mix of 1-bedroom and 2-bedroom units. Amenities include wall air conditioning, common laundry, tenant-paid heat, and owner-paid hot water, much like the subject. This property has 12 single garages and 20 exterior on-site parking spaces. The units also have dishwashers. This property has a superior gross building area per unit size as compared to the subject.

Sale 4 is a building near the NDSU campus that generally serves student tenancy. It has some single

APPRAISAL REPORT (Cont.)

garage stalls and exterior parking. It also has owner paid heat, like the subject. It reflects a modestly smaller GBA per unit with lesser amenities, and is comprised mostly of one-bedroom units.

Sale 5 is the 2017 sale of a 66-unit apartment project in South Fargo. The property contains three 18-plexes and a 12-plex on nonadjacent sites. The buildings are 2.5-story walkups. The unit mix includes three efficiency units, 27 one-bedroom/one-bathroom units, and 36 two-bedroom/one-bathroom units. Amenities include owner paid heat and hot water, wall air conditioners, and common laundry facilities. Some of the units have dishwashers and some have balconies. There is a total of 43 garages on-site. This property has a larger gross building area per unit size as the subject. It was considered in average to good condition at the time of sale, with an adjusted price per unit in line with what the subject would be.

COMPARABLE SALES GRID

Subject	Sale 1 - A19106FG			Sale 2 - A19102FG			Sale 3 - A18107FG			Sale 4 - A18108FG			Sale 5 - A17117FG											
Address	525 & 607 1st Avenue East			902 Oak St N			111 18th St/1819 2nd Ave			1112 Westrac Drive			808 College St N			1843 & 1909 13.5 St S, 1350								
City/State	West Fargo, North Dakota			Fargo, ND			Fargo, ND			Fargo, ND			Fargo, ND			Fargo, ND								
Lot Size	96,900 SF			21,000 SF			59,186 SF			33,438 SF			27,750 SF			106,863 SF								
Number of Units	60 Units			16 Units			36 Units			18 Units			17 Units			66 Units								
Year Built	1974			1964			1970/1978			1977			1965			1962, 1963								
Brief Description of Improvements	Two 2.5-Story wood frame brick veneer walkup apt bldg			2.5-Story wood frame, brick veneer walk-up apt			Two 2.5-Story wood frame, brick veneer walk-up apt			2.5-Story wood frame, brick veneer walk-up apt bldg			2.5-Story wood frame, brick veneer walk-up apt bldg			Three 18-plex & a 12-plex wood frame walkup bldgs								
Quality	Average			Average			Average			Average			Average			Average								
Condition	Average To Good			Average			Average			Average			Average			Ave-Good								
Rec. Facilities	Balconies			None			Balconies			None			None			Balconies								
Parking	28 Sgl, 0 DbL, 60 Ext			10 Sgl, 20 Ext			50 Ext, 15 Sgl			20 Ext, 12 Sgl			17 Ext, 6 Sgl			43 Sgl, 57 Ext								
Tenant Appeal	Average			Average			Average			Average			Average			Average								
GBA	44,904 SF			9,960 SF			27,216 SF			17,550 SF			10,800 SF			66,692 SF								
GBA/Unit	748 SF			623 SF			756 SF			975 SF			635 SF			1,010 SF								
	Number of Units		Room Count		Number of Units		Room Count		Number of Units		Room Count		Number of Units		Room Count		Number of Units		Room Count					
Unit	12	2	0	1	4	2	0	1	2	3	1	1	6	3	1	1	11	3	1	1	3	2	0	1
Breakdown	12	3	1	1	6	3	1	1	34	4	2	1	12	4	2	1	6	4	2	1	27	3	1	1
	36	5	2	2	5	4	2	1													36	4	2	1
					1	5	3	2																
Number of rooms	240			51			142			66			57			231								
Owner's Utilities	Swr, Wtr, Gbg, Heat			Swr, Wtr, Gbg, Heat			Swr, Wtr, Gbg, Heat			Swr, Wtr, Gbg			Swr, Wtr, Gbg, Heat			Swr, Wtr, Gbg, Heat								
Data Source	Owner			Records/Buyer			Records/Buyer			Records/Buyer			Records/Buyer			Records/Seller								
Price				\$535,952			\$1,453,616			\$780,180			\$850,160			\$2,883,541								
Sale/List/Off				Sale			Listed 1 Week			Sale			Sale			Sale								
Date Of Sale				6/7/2019			4/24/2019			8/27/2018			8/27/2018			12/1/2017								
Terms				Conventional			Conventional			Conventional			Conventional			REIT Stock								
Effective Gross Income (EGI)	\$435,138	Forecast		\$97,800			\$231,793			\$117,532			\$122,400			\$421,900								
Effective Gross Income Multiplier (EGIM)				5.48			6.27			6.64			6.95			6.83								
Net Operating Income (NOI)	\$196,572	Forecast		\$41,000			\$111,404			\$57,691			\$61,521			Reconstructed		\$213,800		Reconstructed				
NOI/Unit	\$3,276				\$2,563			\$3,095			\$3,205			\$3,619			\$3,239							
Expense Percent	54.83%	Forecast		58.08%			51.94%			50.91%			49.74%			49.32%								
Reserves in Expenses/Unit	\$200				\$0			\$225			\$225			\$250			\$225							
Overall Rate (OAR)				7.65%			7.66%			7.39%			7.24%			7.41%								
Price/Room				\$10,509			\$10,237			\$11,821			\$14,915			\$12,483								
Price/SF				\$53.81			\$53.41			\$44.45			\$78.72			\$43.24								
Price/Unit				\$33,497			\$40,378			\$43,343			\$50,009			\$43,690								
Adjustment for Subject's Reserves Level (per unit)				\$200			(\$25)			(\$25)			(\$50)			(\$25)								
Total Adjustment to Net Operating Income				\$3,200			(\$900)			(\$450)			(\$850)			(\$1,650)								
Adjusted Net Operating Income				\$37,800			\$112,304			\$58,141			\$62,371			\$215,450								
Recalculated Expense Ratio Adjusted with \$200/unit Reserves				61.35%			51.55%			50.53%			49.04%			48.93%								
Recalculated OAR Adjusted for \$200/unit Reserves Level				7.05%			7.73%			7.45%			7.34%			7.47%								
Adjusted NOI per Unit				\$2,363			\$3,120			\$3,230			\$3,669			\$3,264								
Subject's NOI per Unit				\$3,276			\$3,276			\$3,276			\$3,276			\$3,276								
Differential (Diff.)				38.67%			5.01%			1.42%			-10.71%			0.36%								
Diff. applied to Price per Unit				\$46,449			\$42,403			\$43,960			\$44,654			\$43,845								

Eff GIM - \$435,138 X 6.10 = \$2,654,342
 Price/Unit - \$44,300 X 60 = \$2,658,000
 Average \$2,656,171

Indicated Value by the Comparable Sales Approach \$2,660,000

APPRAISAL REPORT (Cont.)

The sales information demonstrates that there is a direct relationship between the value per unit and net income per unit. As the net income per unit increases, the value per unit also increases. The primary adjustments in the comparable sales grid have been based on the relationship of the Net Operating Income per unit produced by the individual properties to the Net Operating Income per unit produced by the subject. This “per unit” adjustment relates all the differences between the subject property and the individual comparable sale.

The adjustment process provided a per unit value range of \$42,403 to \$46,449. The average of this range was \$44,262. The sales bracketed the characteristics of the subject and were similar in age, amenities, construction quality, and location as the subject. Based on the comparable sales, it is my opinion that the value indication from the “lump sum” adjustment process is \$44,300 per unit, or \$2,658,000.

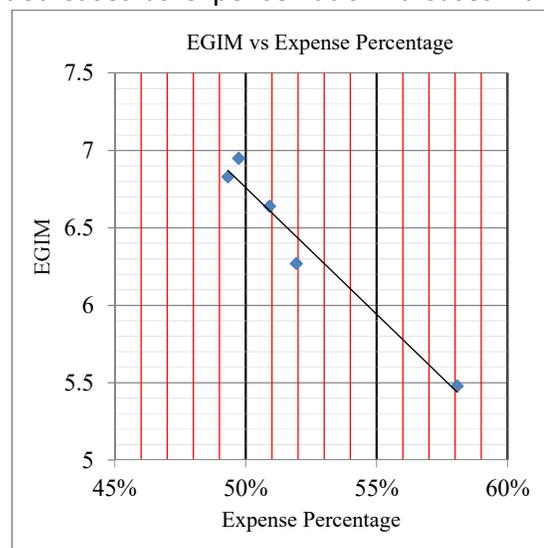
The comparative indicators also included the Effective Gross Income Multiplier (EGIM). This indicator reflects the relationship of the total annual collected rents (Effective Gross Income, or EGI) to the sale price, as related in the following formula: $\text{Sale Price}/\text{EGI}=\text{EGIM}$.

The enclosed sales indicate an EGIM range of 5.48 to 6.95, with an average of 6.43. The EGIM is sensitive to expense ratios, as indicated by the adjacent EGIM graph, relating the data from the comparable sales. They demonstrate that the EGIM decreases as expense ratio increases. It is noteworthy that there is no measurable EGIM difference between properties with owner-paid heat and properties with tenant-paid heat.

The forecast expense ratio for the subject falls within the range indicated by the comparable sales. Based on the subject’s forecasted expense ratio of 54.83 percent, its age and its condition, an EGIM of 6.10 was considered appropriate for the subject. The resulting value indication from applying a 6.10 EGIM to the subject’s forecasted Effective Gross Income of \$435,138 is \$2,654,342.

The comparative indicators abstracted from the comparable sales also included the price per room and the price per square foot. These indicators have little significance to the market and were not applied to the appraised property.

The lump sum value indication (\$2,658,000) and EGIM value indication (\$2,654,342) formed a narrow range of value. The average of the value indications from the selected comparative indicators was \$2,656,171. Based on the enclosed comparable sales and the current condition of



APPRAISAL REPORT (Cont.)

the property, it is my opinion that the indicated value via the Sales Comparison Approach is \$2,660,000.

Reconciliation and Value Conclusion

Indications of the market value for the appraised property have been presented in this report by utilizing Income and Sales Comparison Approaches. The results of these approaches are indicated as follows:

Value by the Cost Approach	Not Applicable
Value by the Income Approach	\$2,730,000
Value by the Sales Comparison Approach	\$2,660,000

The Cost Approach is applicable to valuing new or proposed construction. It is unlikely that the market would place much weight on the Cost Approach for estimating the market value of the subject since it has reached stabilized occupancy and would require subjective adjustments for depreciation (physical deterioration and obsolescence). The Cost Approach was considered to not be applicable and was omitted.

The Income Capitalization Approach relates the value of the property as an investment. It is one of the primary approaches used by the market in valuing apartment properties. The quality and quantity of supportive information for this approach was considered the strongest, resulting in a reliable indication of value. Most weight was placed on the Income Approach in the final reconciliation.

The Sales Comparison Approach included comparable sales from the community that bracketed most of the characteristics of the appraised property. The Sales Comparison Approach produced a reliable value indication, which was supportive of the Income Approach value indication.

Based on the appraisal analysis summarized herein, it is my opinion that the market value of the fee simple interest in the appraised property, as of October 13, 2020, was:

TWO MILLION SEVEN HUNDRED THOUSAND DOLLARS
(\$2,700,000)

The value conclusion includes the land, building, site improvements and the personal property normally associated with an apartment building. The personal property is the movable appliances, which includes 8 washers, 8 dryers, 60 ranges and 60 refrigerators. The personal property was estimated to have a market value of about \$36,000.

APPRAISAL REPORT (Cont.)

It is assumed that there are no adverse environmental conditions impacting the property. The appraiser is not an expert in determining the presence of adverse environmental conditions and other expertise should be sought, if so desired.

Two additional estimations are required in the appraisal process. These include the estimate of the typical market exposure time and the typical marketing time. Market exposure time is that period that the property is exposed to the market, prior to the date of the appraisal, which results in a sale at the appraised value. Marketing time is the period after the date of appraisal, which is required to affect a sale at the appraised value.

The comparable sales information is usually the basis for the best indication of the appropriate market exposure time. The enclosed sales primarily related transactions in which knowledgeable buyers and sellers came together without typical market exposure. This is typical in the local market as many of the apartment owners, investors, and managers have professional relationships and continually negotiate for properties. Most actively listed apartment properties in the metro area sell in a short period, between 3 and 6 months, though some may be listed for as long as a year. Sales exceeding one year tend to indicate properties that are initially overpriced.

It is noteworthy that market exposure time is a process. It requires the listing of the property, exposure of the property to the market, negotiations of the sale between the buyer and the seller, due diligence of the buyer and additional time to obtain financing. The COVID-19 pandemic has led to short term economic disruptions throughout the region; however, as current employment and economic data shows, the region is largely recovering and commercial property values do not appear to show much change from the beginning of the year, prior to the onset of the pandemic. The subject has not suffered from atypical delinquency and is operating at stabilized occupancy. It reflects a facility consistent with the competitive market standard in its submarket (location/price point) in terms of its condition, quality and amenities and would likely experience strong demand if listed for sale. The regional commercial property market historically outperforms national economic downturns due to its diversified economy and continued population growth.

Considering this process and the characteristics of the appraised property, it is my opinion that the typical market exposure time period reflected by the value conclusion herein is three to six months. Due to the stability of the local market, it is my opinion that the typical marketing time period would also be three to six months, based on the value conclusion.

Assumptions and Limiting Conditions

1. This is an Appraisal Report that is intended to comply with the reporting requirements set forth under Standards Rule 2 of the Uniform Standards of Professional Appraisal Practice. It provides a summary of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The depth of discussion

APPRAISAL REPORT (Cont.)

contained in this report is specific to the needs of the client and for the intended use. The appraiser is not responsible for unauthorized use of this report.

2. No responsibility is assumed by the appraiser for matters that are legal in nature. The title is assumed to be good and marketable and the legal description, as furnished to me by others, is assumed to be true and correct.
3. The property is appraised as if free and clear of any or all liens and encumbrances unless otherwise stated in this report.
4. Responsible ownership and competent property management are assumed unless otherwise stated in this report.
5. The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.
6. All engineering is assumed to be correct. Any plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.
7. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
8. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in this report.
9. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless non-conformity has been identified, defined, and considered in the appraisal report.
10. It is assumed that all required licenses, certificates of occupancy, consents or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimates in this report are based.
11. Any sketch in this report may show approximate dimensions and is included to assist the reader in visualizing the property. Maps and exhibits found in this report are provided for reader reference purposes only. No guarantee as to accuracy is expressed or implied unless otherwise stated in this report. No survey has been made for the purpose of this report.

APPRAISAL REPORT (Cont.)

12. It is assumed that the utilization of the land and improvements is confined within the boundaries or property lines of the property described and that there are no encroachments or trespasses unless otherwise stated in this report.
13. The appraiser is not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraiser that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation or other potentially hazardous materials may affect the value of the property. The appraiser's value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value, unless otherwise stated in this report. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraiser's descriptions and resulting comments are the result of the routine observations made during the appraisal process.
14. Unless otherwise stated in this report, the subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of the Americans with Disabilities Act. The presence of architectural and communications barriers that are structural in nature that would restrict access by disabled individuals may adversely affect the property's value, marketability, or utility.
15. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
16. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with proper written qualification and only in its entirety.
17. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news sales, or other media without the prior written consent and approval of the appraiser.
18. Since the appraiser did not complete an interior inspection, this appraisal employs the extraordinary assumption that the condition and quality of the interior is consistent with the photographs provided. The client and intended user should be aware that the use of

APPRAISAL REPORT (Cont.)

this extraordinary assumption may impact the assignment results if the actual physical condition and quality of the interior is not representative of the photographs provided.

Certification

I certify that, to the best of my 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 is my personal, impartial, and unbiased professional analyses, opinions and conclusions.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of 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.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice and in accordance with the Code of Professional Ethics of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, I, Petter N. Eriksmoen, have completed the Standards and Ethics Education Requirements for Designated Members of the Appraisal Institute.

APPRAISAL REPORT (Cont.)

- As of the date of this report, I, Petter N. Eriksmoen, have completed the continuing education program for Designated Members of the Appraisal Institute.
- Alex L. Oestreich provided significant real property appraisal assistance to the person signing this certification.
- The appraisal assignment was not based on a requested minimum valuation or specific valuation or approval of a loan.
- Alex L. Oestreich, a Trainee Appraiser with our firm, viewed the exterior of the appraised property on October 13, 2020 and took photographs, which are documented in the attachments. An interior inspection of the property was not conducted due to the ongoing COVID-19 Pandemic. The property manager provided some photographs of the interior. I reviewed the photographs taken and discussed the inspection with Mr. Oestreich, to obtain appropriate competency to complete this report. Mr. Oestreich interviewed the property manager. I reviewed the current rent roll and the historic income and expense data provided by the owner;

Saddlebrook Apartments
525 & 607 1st Avenue East
West Fargo, North Dakota

APPRAISAL SERVICES INC.



tm

Petter N. Eriksmoen, MAI
ND Certified General Appraiser #CG-21517
MN Non-Resident Appraiser: Certified General License #40367366

ATTACHMENTS

PHOTOGRAPHS OF SUBJECT PROPERTY

SUBJECT PHOTOGRAPHS



607 Building Facing Southwest



Garages



525 Building Facing Southwest



Backside of 525 Building



Garages



Parking and Drives on South Side

SUBJECT PHOTOGRAPHS



Parking and Drives on South Side



Garages



Backside of 607 Building



Typical Balcony



Typical Kitchen



Living Room

SUBJECT PHOTOGRAPHS



Bathroom



Bedroom



Bathroom/Closet



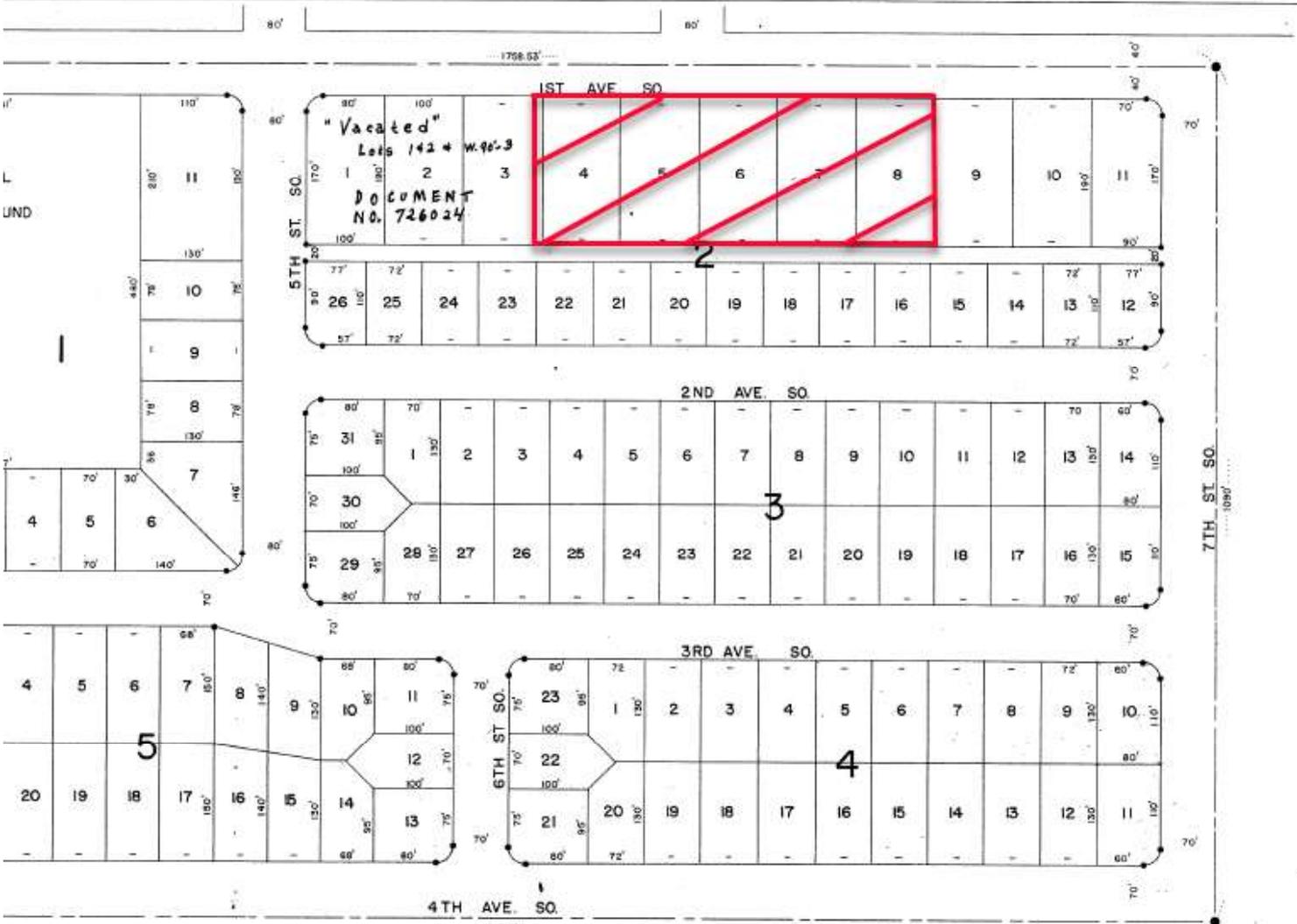
Kitchen

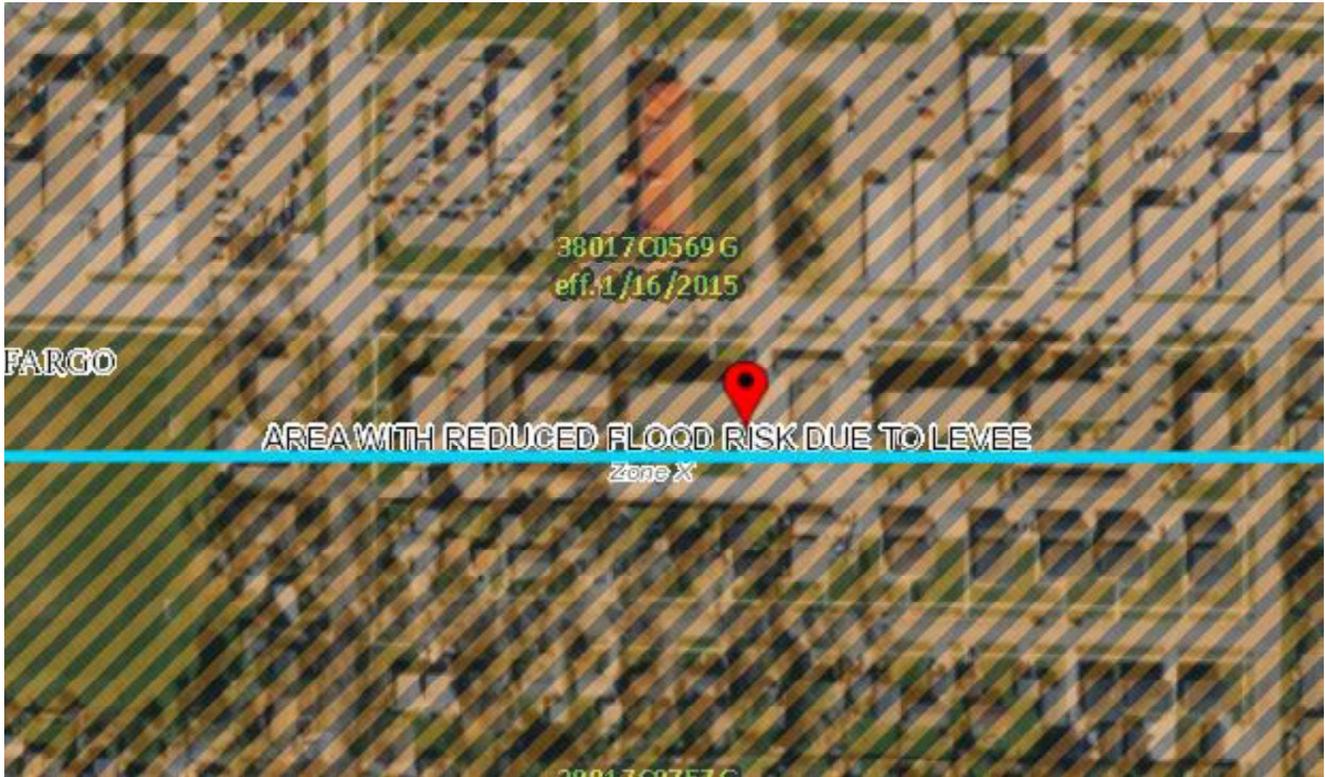


Bedrooms



Kitchen





<p>PIN</p> <ul style="list-style-type: none"> Approximate location based on user input and does not represent an authoritative property location 	<p>SPECIAL FLOOD HAZARD AREAS</p> <ul style="list-style-type: none"> Without Base Flood Elevation (BFE) <i>Zone A, V, A99</i> With BFE or Depth Regulatory Floodway <i>Zone AE, AO, AH, VE, AR</i> 	<ul style="list-style-type: none"> Cross Sections with 1% Annual Chance Water Surface Elevation 20.2 Cross Sections with 1% Annual Chance Water Surface Elevation 17.5 Coastal Transect Base Flood Elevation Line (BFE) Limit of Study Jurisdiction Boundary Coastal Transect Baseline Profile Baseline Hydrographic Feature
<p>MAP PANELS</p> <ul style="list-style-type: none"> Selected FloodMap Boundary Digital Data Available No Digital Data Available Unmapped 	<p>OTHER AREAS OF FLOOD HAZARD</p> <ul style="list-style-type: none"> 0.2% Annual Chance Flood Hazard, Areas of 1% annual chance flood with average depth less than one foot or with drainage areas of less than one square mile <i>Zone X</i> Future Conditions 1% Annual Chance Flood Hazard <i>Zone X</i> Area with Reduced Flood Risk due to Levee. See Notes. <i>Zone X</i> Area with Flood Risk due to Levee <i>Zone D</i> 	<p>OTHER FEATURES</p> <ul style="list-style-type: none"> Channel, Culvert, or Storm Sewer Levee, Dike, or Floodwall
<p>OTHER AREAS</p> <ul style="list-style-type: none"> Area of Minimal Flood Hazard <i>Zone X</i> Effective LOMRs Area of Undetermined Flood Hazard <i>Zone D</i> Otherwise Protected Area Coastal Barrier Resource System Area 		

Calculations Worksheet

Saddlebrook Apartments

Paved Parking		Asphalt Paving and Drives				On-Site Sidewalk/Concrete									
A	B	C	A*B*C	A	B	C	A*B*C	A	B	C	A*B*C				
a	100.0	100.0	1	10,000.0	a		1	0.0	a	28.0	4.0	2	224.0		
b	80.0	16.0	1	1,280.0	b		1	0.0	b	5.0	4.0	3	60.0		
c	5.0	25.0	1	125.0	c		1	0.0	c	50.0	4.0	1	200.0		
d	8.0	18.0	1	144.0	d		1	0.0	d	36.0	4.0	1	144.0		
e	6.0	12.0	1	72.0	e		1	0.0	e	5.0	3.5	2	35.0		
f	24.5	76.0	1	1,862.0	f		1	0.0	f	110.0	3.5	1	385.0		
g	60.0	120.0	1	7,200.0	g		1	0.0	g			1	0.0		
h	10.0	18.0	1	180.0	h		1	0.0	Total On-Site Sidewalk			1,048.0			
i	172.0	24.5	1	4,214.0	i		1	0.0	a	4.5	387.00	1	1,741.5		
j	5.0	22.0	1	110.0	j		1	0.0	b			1	0.0		
k	16.0	105.0	1	1,680.0	k		1	0.0	c			1	0.0		
l			1	0.0	l		1	0.0	d			1	0.0		
m			1	0.0	m		1	0.0	e			1	0.0		
n			1	0.0	n		1	0.0	f			1	0.0		
o			1	0.0	o		1	0.0	g			1	0.0		
Subtotal Concrete				26,867.0	SF	Total Asphalt				0.0	LF	Off-Site Sidewalk		1,741.5	SF
Total Concrete Rounded				26,870	SF	Total Asphalt Rounded				0	LF	Total Sidewalk		2,790.0	SF
												Rounded	2,790	SF	
Off-Site Drives					Building Size					Other		Garages			
A	B	C	A*B*C	A	B	C	A*B*C	A	B	C	A*B*C				
a		1	0.0	a	69.00	60.50	10	41,745.00	a	22.0	170.0	1	3,740.0		
b		1	0.0	b			1	0.00	b	22.0	195.0	1	4,290.0		
c		1	0.0	c			1	0.00	c	22.0	121.0	1	2,662.0		
d		1	0.0	d			1	0.0	d			1	0.0		
e		1	0.0	e			1	0.0	e			1	0.0		
Off-Site Drives				0.0	f		1	0.0	Total Garages			10,692.0	SF		
Gross Site Area					g		1	0.0	Rounded				10,692	SF	
A	B	C	A*B*C	h	Balconies/Patios										
a		1	0.0	i			1	0.0	a	4.0	8.0	20	640.0		
b		1	0.0	j			1	0.0	b			1	0.0		
c		1	0.0	k			1	0.0	c			1	0.0		
d		1	0.0	l			1	0.0	d			1	0.0		
e		1	0.0	m			1	0.0	e			1	0.0		
Calculated Site Size				0.0	Total Bldg Area			41,745.00	SF			1	0.0		
City Size				96,900	SF	Rounded		41,745	SF	Total Balconies			640.0	SF	
Survey					GBA/Unit			696.0	Rounded				640	SF	
Density (Units/Acre)				27.0	Building Footprint Calculations				On-Site Parking						
Site Size Used In Report				96,900		69.00	60.50	5	20,872.5	Basement Parking		0	0		
Less							1	0.0	Sgl Garages		28	28			
							1	0.0	Dbl Garages		0	0			
Building Footprint				20,873			1	0.0	Exterior Parking		60	60			
Garage Footprint				10,692			1	0.0	Total			88			
Paved Parking				26,870			1	0.0	SF	Parking Ratio			1.47	/Unit	
Concrete Curb (LF*2/LF)				0			1	0.0							
On-site Sidewalk				1,048	Total			20,872.5							
Landscaping				37,417	Number of Units			60							
Rounded				37,420											

INCOME CAPITALIZATION APPROACH ATTACHMENTS

Rent Roll with Lease Charges

Saddlebrook (pgsadd01)

As Of = 09/01/2020

Month Year = 09/2020

Unit	Unit Type	Unit Sq Ft	Resident	Name	Market Charge Rent Code	Amount	Resident Deposit	Other Move In Deposit	Lease Expiration	Move Out	Balance
Current/Notice/Vacant Residents											
01-01	CDL2CXX A	900.00	10365310	Garret Gallant	585.00 rent	585.00	300.00	0.00	03/11/2020	03/31/2021	-88.00
					garage	40.00					
					Total	625.00					
01-02A	CDL2CXX A	900.00	t0067221	Barb Blumer	605.00 garage	40.00	166.99	0.00	11/01/1987	07/31/2021	0.00
					rent	610.00					
					Total	650.00					
01-02B	CDL0CSX A	350.00	10339103	Taylor Beckwith	425.00 rent	430.00	250.00	0.00	09/21/2017	10/31/2020	479.00
					Total	430.00					
01-03	CDL2CXX A	900.00	VACANT	VACANT	625.00	0.00	0.00	0.00			0.00
					Total	0.00					
01-04	CDL1CXX A	700.00	VACANT	VACANT	560.00	0.00	0.00	0.00			0.00
					Total	0.00					
01-05	CDL1CXX A	700.00	t0315636	Sharmon Dolechek	570.00 rent	232.00	300.00	0.00	09/01/2015	08/31/2021	-168.00
					rentsub	338.00					
					Total	570.00					
01-06	CDL2CXX A	900.00	10298300	Curtis Rosenberg	630.00 rent	640.00	300.00	0.00	06/27/2014	08/31/2021	0.00
					Total	640.00					
01-07A	CDL2CXX A	900.00	t0366124	Kelly Krack	585.00 rent	585.00	300.00	0.00	04/16/2020	04/30/2021	0.00
					Total	585.00					
01-07B	CDL0CSX A	350.00	10334394	Edward Dabura	490.00 rent	490.00	250.00	0.00	04/28/2017	05/31/2021	340.00
					Total	490.00					
01-08	CDL2CXX A	900.00	t0353569	Roger Kling	600.00 rent	600.00	300.00	0.00	12/10/2018	01/31/2021	0.00
					garage	40.00					

Rent Roll with Lease Charges

Saddlebrook (pgsadd01)

As Of = 09/01/2020

Month Year = 09/2020

Unit	Unit Type	Unit Sq Ft	Resident Name	Market Charge Rent Code	Amount	Resident Deposit	Other Move In Deposit	Lease Expiration	Move Out	Balance
Total					640.00					
01-09	CDL2CXX B	900.00	10067268 Jeanne Gilge	625.00 rent	217.00	250.00	0.00	08/07/2008	02/28/2021	-25.00
				rentsub	403.00					
Total					620.00					
01-10A	CDL2CXX A	900.00	10268972 Sandra Wilson	600.00 rent	182.00	300.00	0.00	10/27/2011	12/31/2020	-7.00
				rentsub	418.00					
Total					600.00					
01-10B	CDL0CSX A	350.00	10368563 Gerald Lura	415.00 rent	415.00	250.00	0.00	07/15/2020	07/31/2021	22.00
				garage	40.00					
Total					455.00					
01-11	CDL2CXX A	900.00	10360521 Clyde Johnson	610.00 rent	272.00	300.00	0.00	08/28/2019	08/31/2021	-2.00
				rentsub	343.00					
Total					615.00					
01-12	CDL1CXX A	700.00	10291418 David Warm	540.00 rent	540.00	250.00	0.00	12/01/2013	11/30/2020	-592.33
Total					540.00					
01-13	CDL1CXX A	700.00	10349160 Brian Louiseau	590.00 rent	590.00	300.00	0.00	08/02/2018	08/31/2021	-40.00
Total					590.00					
01-14	CDL2CXX A	900.00	10341317 Paul Berkness	610.00 garage	40.00	300.00	0.00	11/10/2017	01/31/2020	765.00
				rent	610.00					
				rentmtm	75.00					
Total					725.00					
01-15A	CDL2CXX B	900.00	10067252 Robert Barr Jr.	615.00 petrent	20.00	250.00	0.00	08/17/2007	08/31/2013	755.00
				rent	545.00					
				rentmtm	75.00					
				garage	40.00					
Total					680.00					

Rent Roll with Lease Charges

Saddlebrook (pgsadd01)

As Of = 09/01/2020

Month Year = 09/2020

Unit	Unit Type	Unit Sq Ft	Resident	Name	Market Charge Rent Code	Amount	Resident Deposit	Other Move In Deposit	Lease Expiration	Move Out	Balance
01-15B	CDL0CXX A	350.00	VACANT	VACANT	490.00	0.00	0.00	0.00			0.00
					Total	0.00					
01-16	CDL2CXX A	900.00	t0361011	Ali Noor	645.00 rent	645.00	300.00	0.00	09/28/2019	09/30/2020	0.00
					Total	645.00					
01-17	CDL2CXX B	900.00	t0366555	Sarah Morris	615.00 rent	615.00	500.00	0.00	06/01/2020	05/31/2021	0.00
					Total	615.00					
01-18A	CDL2CXX A	900.00	t0067229	Ken Geiszler	615.00 garage	40.00	250.00	0.00	06/01/2003	11/30/2020	0.00
					garage	40.00					
					rent	615.00					
					Total	695.00					
01-18B	CDL0CSX A	350.00	t0362922	Kayla Biwer	430.00 rent	430.00	250.00	0.00	11/15/2019	11/30/2020	1,150.00
					petrent	20.00					
					Total	450.00					
01-19	CDL2CXX A	900.00	t0270768	Mohamoud Erbob	615.00 garage	40.00	300.00	0.00	01/25/2012	01/31/2021	-90.00
					garage	40.00					
					rent	605.00					
					Total	685.00					
01-20	CDL1CXX A	700.00	t0363500	Brandon Grawe	525.00 rent	525.00	300.00	0.00	12/17/2019	12/31/2020	-98.65
					Total	525.00					
01-21	CDL1CXX A	700.00	t0279436	Benjamin Tretter	550.00 rent	555.00	250.00	0.00	11/01/2012	10/31/2020	0.00
					Total	555.00					
01-22	CDL2CXX A	900.00	t0286022	Warren Eastley	615.00 garage	40.00	300.00	0.00	07/01/2013	12/31/2020	0.00
					rent	625.00					
					Total	665.00					

Rent Roll with Lease Charges

Saddlebrook (pgsadd01)

As Of = 09/01/2020

Month Year = 09/2020

Unit	Unit Type	Unit Sq Ft	Resident	Name	Market Charge Rent Code	Amount	Resident Deposit	Other Move In Deposit	Lease Expiration	Move Out	Balance
01-23A	CDL2CXX B	900.00	t0321149	Sherzad Kakey	635.00 garage	35.00	300.00	0.00	04/15/2016	05/31/2021	-40.00
					rent	640.00					
					Total	675.00					
01-23B	CDL0CXX A	350.00	t0324543	Jordan Dahl	495.00 rent	495.00	250.00	0.00	06/14/2016	10/31/2019	715.00
					rentmtm	75.00					
					Total	570.00					
01-24	CDL2CXX C	900.00	t0366142	Macie Mosher	620.00 rent	620.00	300.00	0.00	05/01/2020	04/30/2021	-790.00
					Total	620.00					
02-01	CDL2CXX A	900.00	t0367220	Silvia Hernandez	605.00 rent	605.00	300.00	0.00	07/10/2020	01/31/2021	-310.00
					Total	605.00					
02-02A	CDL2CXX A	900.00	t0352996	Samantha Johnson	610.00 rent	610.00	300.00	0.00	12/15/2018	12/31/2020	-115.00
					Total	610.00					
02-02B	CDL0CSX A	350.00	t0362232	Amanda Jorgenson	415.00 rent	415.00	450.00	0.00	10/26/2019	10/31/2020	475.00
					petrent	20.00					
					Total	435.00					
02-03	CDL2CXX A	900.00	t0336875	Donald Rausch	590.00 petrent	20.00	300.00	0.00	07/28/2017	07/31/2021	0.00
					rent	590.00					
					Total	610.00					
02-04	CDL1CXX A	700.00	t0363905	Daniel Ringdahl	525.00 rent	525.00	300.00	0.00	01/16/2020	01/31/2021	1,283.00
					incent	-50.00					
					Total	475.00					
02-05	CDL1CXX A	700.00	t0364330	Caroline Ngwenya	525.00 rent	525.00	500.00	0.00	02/27/2020	02/28/2021	0.00
					Total	525.00					

Rent Roll with Lease Charges

Saddlebrook (pgsadd01)

As Of = 09/01/2020

Month Year = 09/2020

Unit	Unit Type	Unit Resident Sq Ft	Name	Market Charge Rent Code	Amount	Resident Deposit	Other Move In Deposit	Lease Expiration	Move Out	Balance
02-06	CDL2CXX A	900.00 t0352844	Angelica Salazar	610.00 rent	615.00	300.00	0.00 10/29/2018	10/31/2020		654.00
				Total	615.00					
02-07A	CDL2CXX A	900.00 t0363590	Matthew Peters	630.00 rent	630.00	300.00	0.00 02/24/2020	05/31/2021		0.00
				Total	630.00					
02-07B	CDL0CXX B	350.00 t0361944	Brandon Anderson	495.00 rent	495.00	450.00	0.00 10/05/2019	10/31/2020		1,785.00
				Total	495.00					
02-08	CDL2CXX A	900.00 t0067251	Bonnie Dronen	600.00 rent	580.00	250.00	0.00 08/15/2007	08/31/2021		0.00
				Total	580.00					
02-09	CDL2CXX D	900.00 t0361782	Heather Cincurak	680.00 rent	680.00	350.00	0.00 10/01/2019	09/30/2020		-31.00
				garage	40.00					
				Total	720.00					
02-10A	CDL2CXX A	900.00 t0327233	Kenneth Kappel	615.00 garage	40.00	300.00	0.00 09/06/2016	03/31/2020		494.00
				rent	539.00					
				rentsub	76.00					
				Total	655.00					
02-10B	CDL0CSX A	350.00 t0067227	Lynn Wetzel	440.00 garage	40.00	200.00	0.00 09/01/2002	11/30/2020		0.00
				rent	445.00					
				Total	485.00					
02-11	CDL2CXX A	900.00 VACANT	VACANT	650.00	0.00	0.00	0.00			0.00
				Total	0.00					
02-12	CDL1CXX A	700.00 t0360572	Austin Swenson	555.00 rent	560.00	300.00	0.00 08/15/2019	08/31/2021		-20.00
				Total	560.00					
02-13	CDL1CXX A	700.00 t0364498	Aliana Weightman	540.00 rent	540.00	500.00	0.00 02/19/2020	02/28/2021		0.00
				Total	540.00					

Rent Roll with Lease Charges

Saddlebrook (pgsadd01)

As Of = 09/01/2020

Month Year = 09/2020

Unit	Unit Type	Unit Sq Ft	Resident	Name	Market Charge Rent Code	Amount	Resident Deposit	Other Move In Deposit	Lease Expiration	Move Out	Balance
02-14	CDL2CXX A	900.00	10353550	Shari LeNoue	650.00 rent	650.00	300.00	0.00	12/06/2018	09/30/2019	0.00
					rentmtm	75.00					
					Total	725.00					
02-15A	CDL2CXX D	900.00	10359154	Sedia Harris	660.00 rent	660.00	350.00	0.00	08/01/2019	07/31/2021	0.00
					Total	660.00					
02-15B	CDL0CXX B	350.00	10369208	Hunter Stoltman	510.00 rent	510.00	300.00	0.00	08/15/2020	08/31/2021	0.00
					Total	510.00					
02-16	CDL2CXX C	900.00	10367527	Taylor Rehovsky	625.00 rent	625.00	300.00	0.00	06/01/2020	06/30/2021	250.00
					Total	625.00					
02-17	CDL2CXX B	900.00	10352399	Nathan Nelson	625.00 rent	630.00	300.00	0.00	10/09/2018	10/31/2020	91.00
					Total	630.00					
02-18A	CDL2CXX A	900.00	10360684	Edward Sellman	635.00 rent	294.00	300.00	0.00	08/30/2019	08/31/2021	-62.00
					rentsub	346.00					
					Total	640.00					
02-18B	CDL0CSX A	350.00	10365373	Kalis Martin	415.00 rent	415.00	450.00	0.00	03/16/2020	03/31/2021	534.00
					Total	415.00					
02-19	CDL2CXX C	900.00	10352662	Shane Chapman	660.00 rent	665.00	350.00	0.00	11/01/2018	10/31/2020	772.00
					Total	665.00					
02-20	CDL1CXX A	350.00	10067222	Mark Ellenson	515.00 garage	30.00	176.09	0.00	02/01/1993	11/30/2020	-5.00
					rent	515.00					
					Total	545.00					
02-21	CDL1CXX A	600.00	10320205	Ann Hagerman	575.00 garage	40.00	300.00	0.00	03/01/2016	08/31/2021	-150.00
					rent	580.00					

Rent Roll with Lease Charges

Saddlebrook (pgsadd01)

As Of = 09/01/2020

Month Year = 09/2020

Unit	Unit Type	Unit Sq Ft	Resident	Name	Market Charge Rent Code	Amount	Resident Deposit	Other Move In Deposit	Lease Expiration	Move Out	Balance
					Total	620.00					
02-22	CDL2CXX A	900.00	10366100	Morgan Moravitz	625.00 rent	625.00	300.00	0.00	04/25/2020	04/30/2021	-376.58
					Total	625.00					
02-23A	CDL2CXX D	900.00	10366077	Jodi Peterson	625.00 rent	625.00	300.00	0.00	04/14/2020	04/30/2021	-570.00
					Total	625.00					
02-23B	CDL0CXX A	350.00	10364376	Tan Nguyen	470.00 rent	470.00	250.00	0.00	02/08/2020	02/28/2021	0.00
					Total	470.00					
02-24	CDL2CXX A	900.00	10335725	Jasmina Jaha	615.00 petrent	20.00	300.00	0.00	06/15/2017	01/31/2021	0.00
					rent	615.00					
					Total	635.00					
Future Residents/Applicants											
01-04	CDL1CXX A	700.00	10369095	Nicholas Grossman	560.00	0.00	0.00	0.00			325.00
					Total	0.00					
Total		Saddlebrook(pgsadd01)			34,420.00	33,085.00	17,043.08	0.00			7,308.44

Summary Groups	Square Footage	Market Rent	Lease Charges	Security Deposit	Other Deposits	# Of Units	% Unit Occupancy	% Sqft Occupied	Balance
Current/Notice/Vacant Residents	44,550.00	34,420.00	33,085.00	17,043.08	0.00	60.00	93.33	93.60	6,983.44
Future Residents/Applicants	700.00	560.00	0.00	0.00	0.00	1.00	93.33	93.60	325.00
Occupied Units	41,700.00	32,095.00				56	93.33	93.60	
Total Non Rev Units	0.00	0.00				0	0.00	0.00	
Total Vacant Units	2,850.00	2,325.00				4	6.66	6.39	
Totals:	44,550.00	34,420.00	33,085.00	17,043.08	0.00	60	100.00	100.00	7,308.44

**Summary of Charges by Charge Code
(Current/Notice Residents Only)**

Charge Code	Amount
rent	30,146.00

Rent Roll with Lease Charges

Saddlebrook (pgsadd01)

As Of = 09/01/2020

Month Year = 09/2020

Unit	Unit Type	Unit Sq Ft	Resident Name	Market Charge Rent Code	Amount	Resident Deposit	Other Move In Deposit	Lease Expiration	Move Out	Balance
garage		665.00								
rentsub		1,924.00								
rentmtm		300.00								
petrent		100.00								
incent		-50.00								
Total		33,085.00								

Annual Statement

Period = Jan 2017-Dec 2019

Book = GAAP ; Tree = ysi_is

		EOY Dec 2017	EOY Dec 2018	EOY Dec 2019
40002	INCOME			
40100	Gross Potential Rent	408,610.00	414,260.00	414,460.00
40200	Month to Month Fee	3,675.00	3,735.00	2,475.00
40400	Vacancy	-23,338.00	-36,389.00	-22,554.00
40500	Delinquent Rent	-1,892.18	0.00	0.00
40600	Rent Incentives	-2,853.00	-15,874.00	-7,516.83
40999	NET COLLECTED RENT	384,201.82	365,732.00	386,864.17
41000	OTHER RENTAL INCOME AND FEES			
41200	Rentable Items Gross Potential Rent	12,960.00	12,577.00	13,240.00
41210	Rentable Items Vacancy	-95.00	-614.00	-1,627.00
41220	Rentable Items Delinquent Rent	-705.72	578.00	0.00
41300	Pet Rent Income	1,327.00	1,323.00	1,244.00
41310	Pet Fees-Nonrefundable Income	0.00	200.00	400.00
41999	TOTAL OTHER RENTAL INCOME AND FEES	13,486.28	14,064.00	13,257.00
42001	MISC INCOME			
42150	Application Fees	950.00	1,195.00	920.00
42350	Early Termination Fees	115.40	600.00	600.00
42400	Interest Income	0.00	144.58	176.13
42450	Late Fees	4,726.24	5,670.00	5,560.00
42500	Laundry Income	7,505.50	6,022.50	4,936.25
42550	NSF Fees	105.00	70.00	105.00
42600	Prelease Incentive Forfeited	-201.17	50.00	455.00
42650	Revenue Sharing Income	835.94	688.60	711.76
42850	Other Income	80.24	1,009.27	601.49
42855	Other Income-Collections	0.00	0.00	2,916.40
42856	Bad Debt Expense ASC 842	0.00	0.00	-19,305.16
42998	TOTAL MISC INCOME	14,117.15	15,449.95	-2,323.13
49999	TOTAL INCOME	411,805.25	395,245.95	397,798.04
50000	EXPENSES FROM RENTAL OPERATIONS			
50005	OWNER EXPENSES			
50010	REPAIRS AND MAINTENANCE EXPENSES			
50095	MAINTENANCE STAFF COSTS			
50100	Maintenance Staff	24,845.62	25,934.66	28,547.28
50145	TOTAL MAINTENANCE STAFF COSTS	24,845.62	25,934.66	28,547.28
50150	REPAIRS AND MAINTENANCE OTHER			
50155	Temp Agency and Non-employee	73.13	556.20	801.94
50160	Internal Labor-Upgrade	0.00	0.00	1,850.00
50170	Caretaker-Internal Labor	2,576.25	115.11	0.00
50180	Turn Cleaning-Internal Labor	237.55	56.28	0.00
50200	Appliances and Laundry	3,941.91	2,164.87	6,167.62
50210	Window Treatments	0.00	1,597.91	807.81
50211	Window Treatments-Projects	1,232.74	0.00	0.00
50220	Cooling Systems	671.51	3,931.62	172.28
50230	Custodial	6,978.84	3,366.64	4,538.95
50232	Custodial-Contract and Caretaker	0.00	4,010.21	3,600.00
50234	Custodial-Turn Cleaning	0.00	2,687.50	2,975.50
50240	Decks and Railings	0.00	236.67	0.00
50250	Doors	0.00	2,525.04	1,929.73
50255	Doors-Garage	0.00	22.48	281.07

Annual Statement

Period = Jan 2017-Dec 2019

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		EOY Dec 2017	EOY Dec 2018	EOY Dec 2019
50260	Electrical and Lighting	687.25	1,111.64	846.78
50280	Exterior Finishes and Foundation	0.00	1,011.42	98.87
50281	Exterior Finishes and Foundation-Projects	0.00	2,980.00	38,861.00
50290	Extermination	3,454.96	4,800.00	1,720.00
50300	Fire Safety	979.60	345.50	1,355.27
50310	Flooring	11,670.92	12,160.28	15,498.91
50312	Flooring-Upgrade	0.00	790.40	0.00
50330	Grounds Maintenance	2,418.17	2,481.55	2,287.74
50332	Grounds-Internal Labor	0.00	2.23	8.49
50350	Heating Systems	337.19	1,290.46	1,259.13
50370	Landscaping	0.00	38.21	375.00
50380	Locks and Keys	0.00	489.95	707.27
50390	Millwork and Cabinets and Countertop	0.00	0.19	462.67
50392	Millwork and Cabinets and Countertop-Upgrade	0.00	20.44	0.00
50400	Painting-Exterior	1,032.44	0.00	0.00
50410	Painting-Internal Labor	820.75	0.00	0.00
50420	Painting-Interior	5,930.93	8,598.00	5,199.63
50422	Painting-Interior-Upgrade	0.00	120.00	0.00
50430	Parking Lot	0.00	0.00	103.53
50440	Parking Lot-Sweeping and Striping	240.00	240.00	0.00
50450	Plumbing	9,688.01	-4,277.98	3,201.53
50452	Plumbing-Upgrade	0.00	183.86	0.00
50470	Repairs and Maintenance	3,836.46	3,170.02	1,186.64
50471	Repairs and Maintenance-Projects	0.00	24,278.65	0.00
50480	Roof	2.41	3.70	475.00
50500	Signage	0.00	0.00	92.64
50510	Snow Removal	2,704.10	6,229.14	8,989.88
50515	Snow Removal-Internal Labor	248.20	90.24	501.01
50520	Tubs and Surrounds	0.00	1,170.72	548.12
50540	Windows	0.00	324.54	0.83
50900	Resident Chargebacks	-3,272.02	-3,455.25	-2,370.33
50990	Cleaning and Finish-Upgrade	5,508.24	0.00	0.00
50998	TOTAL REPAIRS AND MAINTENANCE OTHER	61,999.54	85,468.44	104,534.51
50999	TOTAL REPAIRS AND MAINTENANCE EXPENSES	86,845.16	111,403.10	133,081.79
51000	PROPERTY MANAGEMENT AND OPERATING EXPENSES			
51009	OFFICE AND ADMIN			
51095	ON-SITE STAFF COSTS			
51100	On-Site Staff Costs	29,253.60	29,057.46	30,708.00
51130	On-Site Staff Training and Education	0.00	0.00	9.65
51145	TOTAL ON-SITE STAFF COSTS	29,253.60	29,057.46	30,717.65
51146	PROPERTY MANAGEMENT EXPENSES OTHER			
51200	Advertising and Marketing	3,951.88	3,460.20	3,308.53
51210	Applicant Screening	1,542.55	1,471.78	1,175.00
51230	Bad Debt Expense	0.00	18,358.69	0.00
51240	Bank Charges	93.51	88.82	74.10
51250	Collection Costs	553.91	1,334.82	805.59
51270	Customer Service Accommodation	0.00	65.00	0.00
51300	Legal Fees	0.00	59.62	104.40
51330	Model Unit and Open Unit Decor	0.00	161.05	150.77
51340	Move-In Gifts	0.00	246.58	198.62
51360	Office Equipment and Furnishings	734.21	734.56	847.29
51370	Office Rent	1,109.12	1,117.15	1,411.71
51375	Office Electricity	0.00	946.78	707.06

Annual Statement

Period = Jan 2017-Dec 2019

Book = GAAP ; Tree = ysi_is

		EOY Dec 2017	EOY Dec 2018	EOY Dec 2019
51380	Office Gas	0.00	194.43	152.42
51385	Office Water	0.00	302.74	233.56
51390	Office Telephone and Internet	136.45	242.11	190.74
51400	Office Supplies	497.83	980.52	794.00
51405	Parking	0.00	150.00	-0.03
51430	Professional Fees	61.53	14.52	0.00
51440	Property Management Fees	20,453.15	19,545.01	19,671.39
51460	Resident Retention	0.00	117.32	166.69
51470	Site Equipment	0.00	0.00	23.67
51996	TOTAL PROPERTY MANAGEMENT EXPENSES OTHER	29,134.14	49,591.70	30,015.51
51999	TOTAL PROPERTY MANAGEMENT EXPENSES	58,387.74	78,649.16	60,733.16
52000	UTILITIES			
52200	Electricity-Unit	1,393.87	1,983.99	3,105.51
52210	Electricity-House	6,013.06	6,777.08	6,327.60
52400	Garbage Removal	9,589.76	9,541.60	7,993.60
52610	Natural Gas-House	9,265.78	9,849.95	11,636.02
52900	Water and Sewer	12,104.00	12,288.00	13,736.00
52999	TOTAL UTILITIES	38,366.47	40,440.62	42,798.73
53000	OTHER OPERATING EXPENSES			
53100	Real Estate Taxes	29,613.20	30,422.40	33,415.74
53200	Property Insurance	6,505.52	8,927.97	10,998.60
53210	Claims Expense	0.00	0.00	877.98
53989	TOTAL OTHER OPERATING EXPENSES	36,118.72	39,350.37	45,292.32
53990	TOTAL PROPERTY MANAGEMENT AND OPERATING EXPENSES	132,872.93	158,440.15	148,824.21
53999	TOTAL OWNER EXPENSES	219,718.09	269,843.25	281,906.00
69990	TOTAL EXPENSES	219,718.09	269,843.25	281,906.00
69999	NET OPERATING INCOME	192,087.16	125,402.70	115,892.04
70000	FIXED EXPENSES			
70010	INTEREST EXPENSE			
70300	Interest Expense-Mortgage	40,856.87	39,432.40	40,309.58
70600	Interest Expense-Security Deposits	66.09	317.06	78.04
70700	Interest Expense-Special Assessments	0.00	0.00	3,779.92
70999	TOTAL INTEREST	40,922.96	39,749.46	44,167.54
71000	OTHER FIXED EXPENSES			
71300	Depreciation	42,725.34	34,457.78	34,555.70
71998	TOTAL OTHER FIXED EXPENSES	42,725.34	34,457.78	34,555.70
71999	TOTAL FIXED EXPENSES	83,648.30	74,207.24	78,723.24
90000	OTHER INCOME AND EXPENSE			
90001	OTHER INCOME			
90800	Interest Income	86.78	0.00	19.34
90840	Other Income	0.00	1,114.15	0.93
90999	TOTAL OTHER INCOME	86.78	1,114.15	20.27
99899	TOTAL OTHER INCOME AND EXPENSE	-86.78	-1,114.15	-20.27
99900	NET INCOME	108,525.64	52,309.61	37,189.07

QUARTERLY MULTI-FAMILY VACANCY AND CONSTRUCTION
- FARGO-MOORHEAD METROPOLITAN AREA -
Conducted by Appraisal Services Inc. – June 1, 2020

The June survey received responses from 62 of the 64 managers and owners surveyed, capturing 35,143 units. Our figures show that 96 new units came online over the last quarter, leaving 595 units still under construction.

The data shows a significant drop (-1.87%) in metro-wide vacancy, from 8.5% in March to 6.63% as of June 1. The Fargo rate dropped from 9.05% in March to 6.69% as of June 1, a difference of 2.36%. The last time a drop in vacancy of this magnitude occurred was 12 years ago in the fall of 2008. The drop in vacancy appears largely due to strengthening demand coupled with a continued low volume of new units coming online. We continue to see a decrease in new rental incentives and rents are beginning to show some growth suggesting the oversupplied condition of the market is abating.

Survey Area	Units Surveyed	Percent Vacant				Average Annual Vacancy			
		6/20	6/19	6/18	6/17	2019	2018	2017	2016
North Fargo	3,526	11.63	11.63	11.59	7.39	11.6	10.4	7.9	6.1
Downtown Fargo	1,429	9.52	8.82	8.67	7.26	10.5	8.4	8.9	
S Fgo Area 1	4,933	5.94	6.76	7.17	6.91	7.5	8.5	7.3	4.9
S Fgo Area 2	1,805	8.31	9.13	8.98	8.53	9.9	9.5	7.9	4.5
S Fgo Area 3	1,290	4.26	5.86	9.19	7.09	7.6	8.7	6.6	6.4
S Fgo Area 4	5,871	5.81	6.59	8.00	6.56	7.5	9.3	7.4	6.7
S Fgo Area 5	<u>6,828</u>	<u>4.88</u>	<u>9.68</u>	<u>10.05</u>	<u>12.47</u>	<u>9.3</u>	<u>11.2</u>	<u>13.3</u>	<u>12.3</u>
Total Fargo	25,682	6.69	8.45	8.96	8.39	8.9	9.7	9.0	7.1
West Fargo, ND	4,266	3.56	5.18	7.02	8.28	6.3	8.1	9.6	10.1
Moorhead, MN	4,984	9.07	7.72	9.66	8.46	8.2	9.2	9.1	7.4
Dilworth, MN	<u>211</u>	<u>4.27</u>	<u>2.76</u>	<u>9.27</u>	<u>1.18</u>	<u>5.2</u>	<u>7.6</u>	<u>4.6</u>	<u>11.7</u>
Overall	35,143	6.63	7.93	8.81	8.35	8.5	9.4	9.1	7.5

The table at right shows the last four quarters of vacancy percentage changes. North Fargo and Downtown continue to have the highest vacancy rate, though Downtown saw a 1.4% drop this last quarter along with every other segment in Fargo. Moorhead was the only other market segment that saw an increase in physical vacancy, up about 0.7%. South Fargo Area 5 led all portions of the metro with a surprising drop of 4.15%.

West Fargo continues to show the strongest average occupancy now below 4%, exhibiting some pent-up demand. There are currently 233 units under construction in West Fargo, 36 of which should open in Q3.

New openings were relatively limited this quarter. South Fargo 5 had just 28 new units opening, with North Fargo adding another 16. accounting for the only new units in the Fargo market. Moorhead opened no new units. In Fargo, 321 units remain under construction, with 125 in South Fargo Area 5, 92 under construction Downtown, and 104 in North Fargo. Moorhead has 41 under construction, as of June 1, 2020.

Survey Area	Percent Vacant			
	6/20	3/20	12/19	9/19
North Fargo	11.63	11.48	11.48	13.26
DT Fargo	9.52	10.95	11.86	13.80
S Fgo 1	5.94	7.56	8.07	7.50
S Fgo 2	8.31	9.74	10.73	10.45
S Fgo 3	4.26	7.40	7.49	10.23
S Fgo 4	5.81	8.33	8.13	6.43
<u>S Fgo 5</u>	<u>4.88</u>	<u>9.03</u>	<u>8.07</u>	<u>9.19</u>
Total Fargo	6.69	9.05	8.97	9.33
West Fargo	3.56	5.33	6.34	5.38
Moorhead	9.07	8.34	7.85	8.55
Dilworth	<u>4.27</u>	<u>5.35</u>	<u>5.53</u>	<u>5.53</u>
Total	6.63	8.50	8.49	8.74

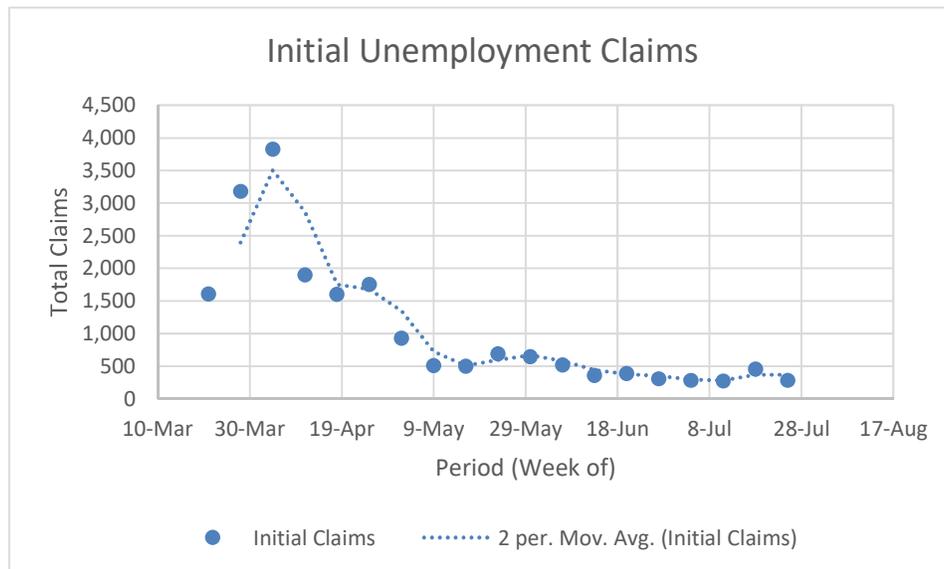
With the onset of the COVID-19 situation beginning in March and a dramatic rise in initial unemployment claims related to the economic impact of job losses brought on by business closures, social distancing and a Minnesota stay-at-home order, there was concern of a rent delinquency problem in the multi-family property market. This largely appears not to have been borne out.

The graph below shows initial weekly unemployment claims dating back to March 21, with a two-week moving average trendline (this information is provided by the ND Job Service Labor and Unemployment Survey). It shows that initial unemployment claims spiked in March-April, abating in May, and remaining low since.

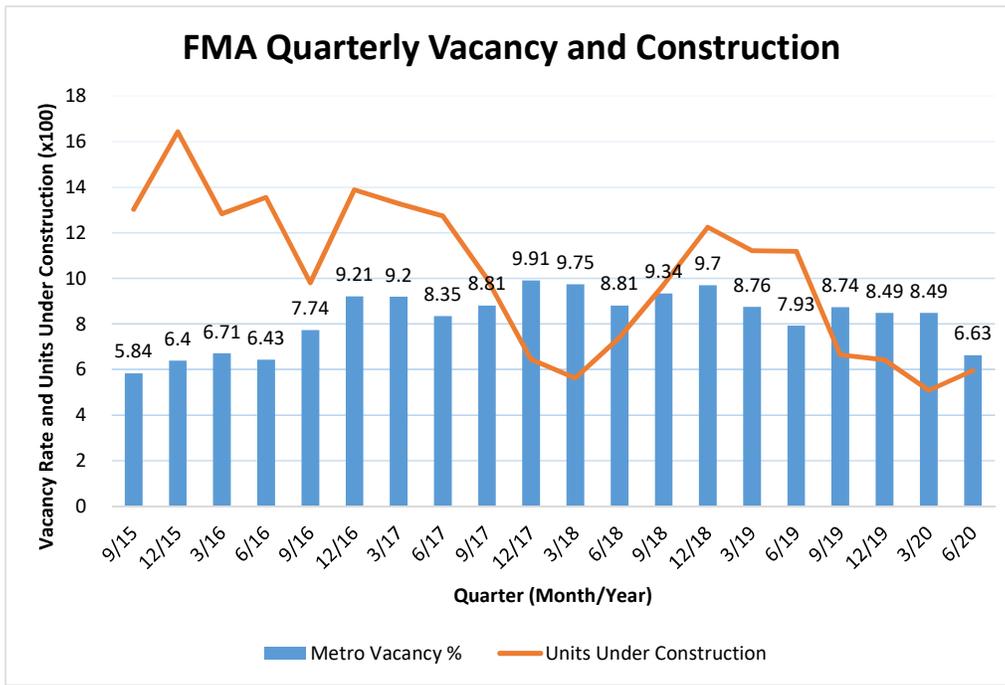
The adjacent table shows a summary of employment statistics, including weekly continued claims, which reflects the number of people who have already filed an initial claim and who have experienced a week of unemployment. This figure has also continued to drop and currently reflects about 4.0% of 2019 average employment, while nationally continued claims represent about 10% of average 2019 employment. This is to be expected as the FM metro historically endures adverse economic cycles stronger than the national average.

Cass County COVID-19 Unemployment Figures, as of July 25	
Average 2019 Employment	120,140
Initial Claims since March 1	19,901
Initial Claims week of July 25	283
Change from week prior	(174)
Avg Continued Claims since March 1	5,559
Continued Claims week of July 25	4,820
Change from week prior	(403)
Continued Claims	
Week of May 9	8,714
May 16	7,214
May 23	6,899
May 30	6,897
June 6	6,388
June 13	6,273
June 20	5,947
June 27	5,852
July 4	5,529
July 11	5,358
July 18	5,223
July 25	4,820

Although this data falls outside the date range of our 2nd Quarter survey, I thought it was important to provide given the impact the current situation has on commercial real estate, and multi-family property specifically. I surveyed several of the larger management/ownership groups that operate about 19.4% of the total surveyed units. They reported no abnormal rise in delinquency.



The following table illustrates the relationship between the metro area vacancy rate and apartment units under construction over the last five years. New completed construction averaged 1,412 units per year between 2014 and 2018 (not including 2019 figures). Approximately 988 units came online in 2019. Indications of a market oversupply are diminishing. Over 8,600 new apartment units have been constructed since 2012, with vacancy rates reaching a floor of 2.6% metro-wide in 2013.



Metro-wide, construction figures show that 988 new units came online in 2019. 232 new units have come online so far in 2020 with 595 currently under construction. This contrasts with 703 new units completed in 2018 and 1,392 in 2017.

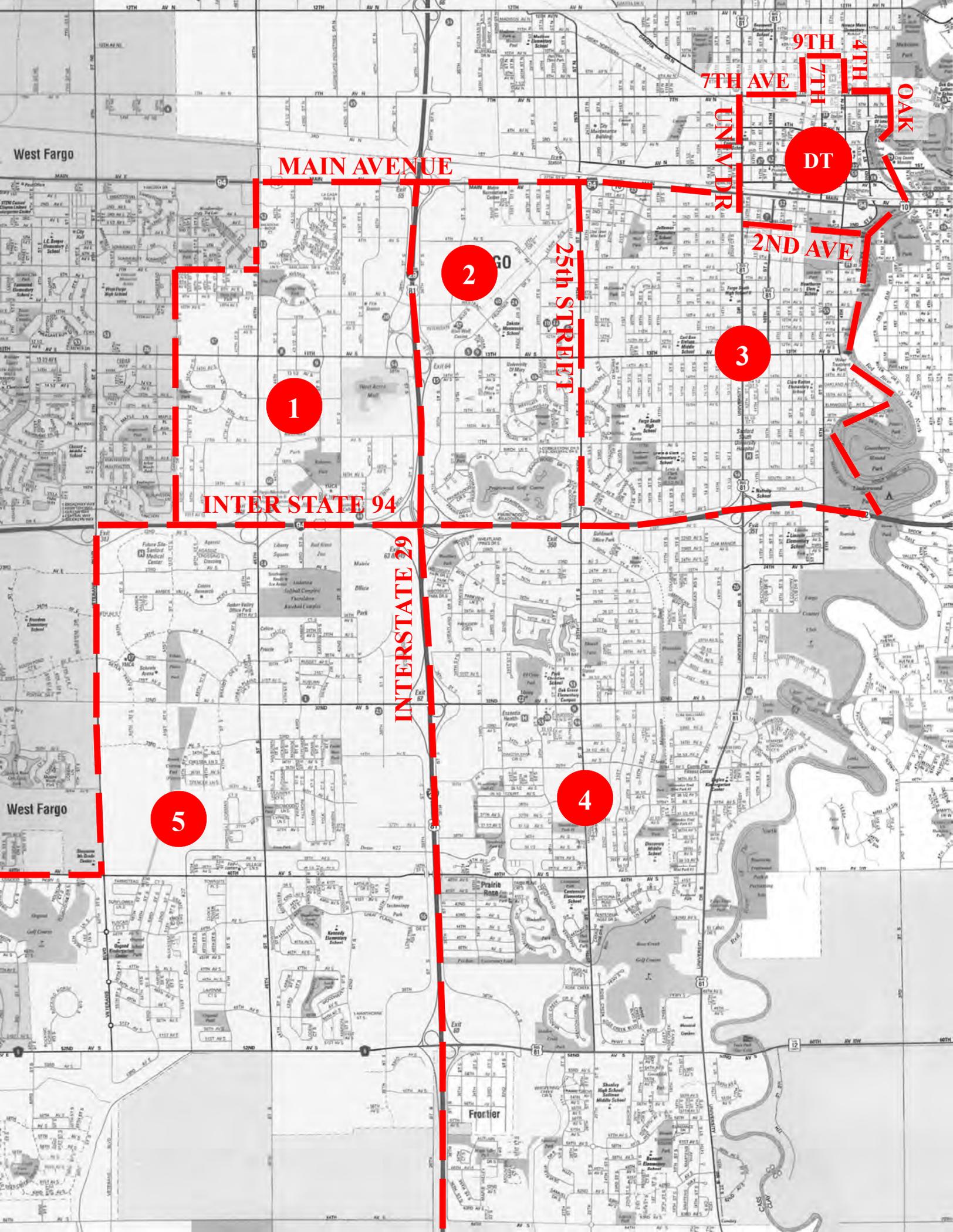
*FM Metro Multi-Family Growth						
Year		Fargo	West Fargo	Moorhead	Dilworth	Metro Total
2015	Bldg Permits	<u>933</u>	<u>191</u>	<u>302</u>	<u>0</u>	<u>1,426</u>
	Units Completed	933	191	302	0	1,426
2016	Bldg Permits	<u>811</u>	<u>183</u>	<u>318</u>	<u>0</u>	<u>1,312</u>
	Units Completed	775	183	318	0	1,276
2017	Bldg Permits	<u>587</u>	<u>46</u>	<u>45</u>	<u>0</u>	<u>678</u>
	Units Completed	587	46	45	0	678
2018	Bldg Permits	<u>856</u>	<u>155</u>	<u>197</u>	<u>0</u>	<u>1,208</u>
	Units Completed	856	155	197	0	1,208
2019	Bldg Permits	<u>172</u>	<u>233</u>	<u>8</u>	<u>0</u>	<u>413</u>
	Units Completed	0	0	0	0	0
Approx. Existing Multi-Family Total		31,701	4,075	6,172	405	42,353
5-Yr Avg Growth (2014-2018)		995	218	218	0	1,431
Completed Construction 12/19-6/20		115	52	65	0	232
Under Construction as of 6/20		321	233	41	0	595

*Multi-family building defined in this table as a building with three (3) or more single-family units, based on ACS parameters.

Thanks very much and do not hesitate to call or email with any questions or comments.

Petter N. Eriksmoen, MAI – Appraisal Services Inc.

petter@asind.com



MAIN AVENUE

INTERSTATE 94

INTERSTATE 29

25TH STREET

7TH AVE

9TH

7TH

4TH

OAK

DT

2ND AVE

1

2

3

4

5

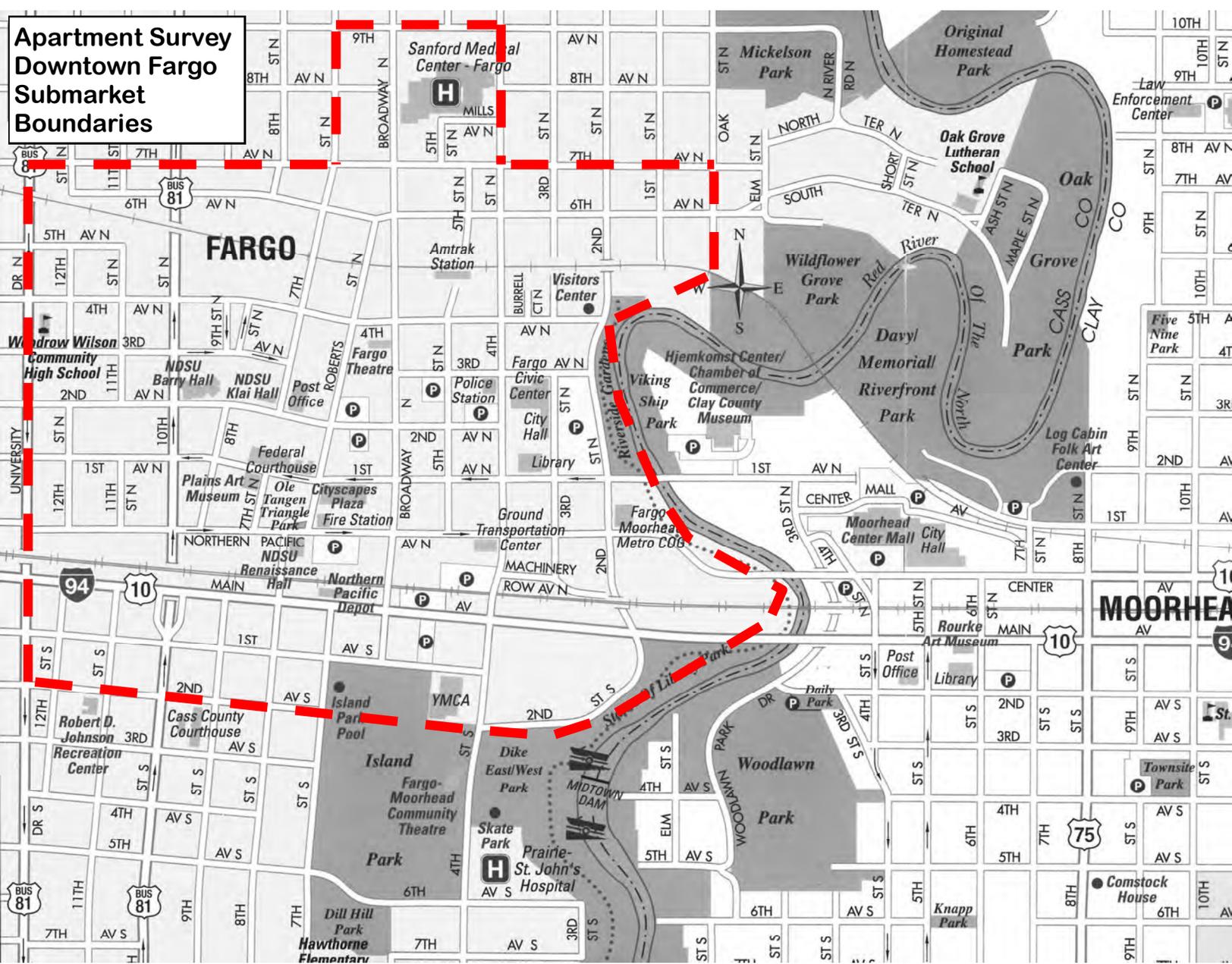
West Fargo

West Fargo

Frontier

Prairie Ridge

**Apartment Survey
Downtown Fargo
Submarket
Boundaries**

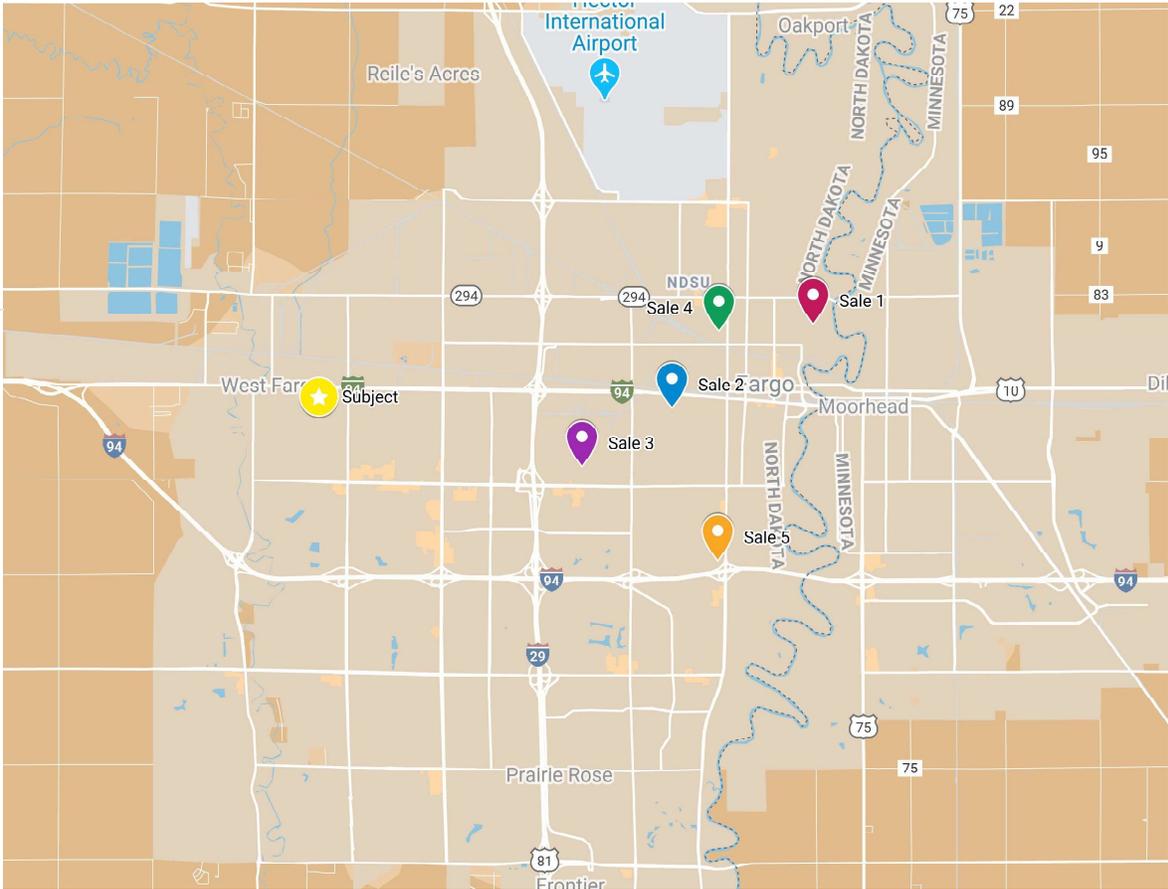


SALES COMPARISON APPROACH ATTACHMENTS

Comparable Building Sales

Saddlebrook Apartments

- ★ Subject
- 📍 Sale 1
- 📍 Sale 2
- 📍 Sale 3
- 📍 Sale 4
- 📍 Sale 5



Sale Number A19106FG



Date of Sale:	6/7/2019	Address:	902 Oak Street N
Sale Price:	\$535,952		Fargo, ND
Price/Unit:	\$33,497/unit	Units:	16
Sale Price/Room:	\$10,307/room	Rooms:	52
Price/Sq.Ft.:	\$53.81/sq. ft.	Building Size	9,960 Sq. Ft.
Eff Gross Income:	\$97,800	E.G.I.M.:	5.48
Net Income:	\$41,000	O.A.R.:	7.65%
Reserves in NI:	\$0	Expense Ratio:	58.08%
Land Size:	21,000 Sq. Ft.	Zoning:	MR-2, Med. Density Res.
Year Built:	1964	Parking:	19 Exterior; 8 Sgl
Condition:	Average	Quality:	Average
Data on Recording:	Warranty Deed# 1563726	Days on Market:	Private Sale
Grantor:	902 Oak Street, LLC	Verified To:	MME
Grantee:	C-Town, LLC	Verified By:	Records/Buyer

Legal: Lots 6 through 8, Block 5, Truesdells Addition to the City of Fargo, Cass County, North Dakota. (PID 01-3260-00560-000)

Remarks: Property is a 2.5-story, wood-frame, brick-vener apartment with concrete parking and a detached garage with 10 single stalls. Kitchens recently remodeled and have microwaves. Studio units can be combined with 2-bedroom units to form 3-bed/2-bath units.

Terms: Conventional with Gate City Bank. Sale price (\$574,000) adjusted for \$48,000 repair credit and \$9,953 unpaid special assessment balance.

UNIT MIX			
Units	Rooms	Bedrooms	Bathrooms
4	2	0	1
6	3	1	1
5	4	2	1
1	6	3	2
0	0	0	0

AMENITIES IN RENT*		
Amenity		Paid By:
Heat	HW	O
Hot Water		O
A/C	Wall	T
Laundry	Common	

AMENITIES IN RENT	
Amenity	
Dishwasher	Y
Garage	\$40
Elevator	N
Balcony	N
Pool	N

*Paid By: T=Tenant, O=Owner
 Heat Types: EBB=Electric Baseboard, HW=Hot Water, GFA=Gas Forced Air
 A/C Types: Wall=Through-the-wall or window unit, C/A=Central Air
 Laundry: Hook-Ups=WasherDryer Hook-ups in units, In Unit=Furnished Washer Dryer in units,
 Common=Laundry in building, but no private facilities

Sale Number A19102FG



Date of Sale:	4/24/2019	Address:	111 18 St S, 1819 2 Ave S
Sale Price:	\$1,453,616		Fargo, ND
Price/Unit:	\$40,378/unit	Units:	36
Sale Price/Room:	\$10,237/room	Rooms:	142
Price/Sq.Ft.:	\$53.41/sq. ft.	Building Size	27,216 Sq. Ft.

Eff Gross Income:	\$231,793	E.G.I.M.:	6.27	
Net Income:	\$111,404	Reconstructed	O.A.R.:	7.66%
Reserves in NI:	\$225	Expense Ratio:	51.94%	

Land Size:	59,186 Sq. Ft.	Zoning:	GC, General Commercial
Year Built:	1970/1978	Parking:	50 Ext; 15 Sgl
Condition:	Average	Quality:	Average

Data on Recording:	Warranty Deed #1560799	Days on Market:	1 Week
Grantor:	BMI Inc., ETAL	Verified To:	ALO
Grantee:	Jefferson Apartments III LLP	Verified By:	Buyer/Records

Legal: Part of Lot 3 and all of Lots 1, 2, and 5 through 9, Block 3, Arneson's Addition to the City of Fargo, Cass County, North Dakota.

Remarks: Property is improved with two 2.5-story, wood frame, walk-up apartment buildings with brick veneer exteriors. Buyer plans to spend \$54,000 after the sale on new windows, patio doors, and hallway carpet. Original listing price was \$1,442,000.

Terms: Conventional-BlackRidge Bank. Sale price includes unpaid special assessment balance of \$11,616.08

UNIT MIX			
Units	Rooms	Bedrooms	Bathrooms
2	3	1	1
34	4	2	1
0	0	0	0
0	0	0	0
0	0	0	0

AMENITIES IN RENT*		
Amenity		Paid By:
Heat	HW	O
Hot Water		O
A/C	Wall	T
Laundry	Common	

AMENITIES IN RENT	
Amenity	
Dishwasher	N
Garage	Y
Elevator	N
Balcony	Y
Pool	N

*Paid By: T=Tenant, O=Owner
 Heat Types: EBB=Electric Baseboard, HW=Hot Water, GFA=Gas Forced Air
 A/C Types: Wall=Through-the-wall or window unit, C/A=Central Air
 Laundry: Hook-Ups=WasherDryer Hook-ups in units, In Unit=Furnished Washer Dryer in units, Common=Laundry in building, but no private facilities

Sale Number A18107FG



Date of Sale:	8/27/2018	Address:	1112 Westrac Drive S	
Sale Price:	\$780,180		Fargo, ND	
Price/Unit:	\$43,343/unit	Units:	18	
Sale Price/Room:	\$11,821/room	Rooms:	66	
Price/Sq.Ft.:	\$44.45/sq. ft.	Building Size	17,550 Sq. Ft.	
Eff Gross Income:	\$117,532	E.G.I.M.:	6.64	
Net Income:	\$57,691	Reconstructed	O.A.R.:	7.39%
Reserves in NI:	\$225	Expense Ratio:	50.91%	
Land Size:	33,438 Sq. Ft.	Zoning:	GC, General Commercial	
Year Built:	1977	Parking:	20 Ext; 12 Sgl	
Condition:	Average	Quality:	Average	
Data on Recording:	Warranty Deed# 1545715	Days on Market:	Private Sale	
Grantor:	Builders Mgt & Investment Etal	Verified To:	MME	
Grantee:	Michael L Vipond	Verified By:	Records/Buyer	

Legal: Part of Lots 1 & 2, Block 3, Westrac 1st Addition to the City of Fargo, Cass County, North Dakota

Remarks: 2.5-story wood frame, walk-up apartment building with brick veneer exterior with painted wood and asphalt shingle accents, slider windows and flat roof. No secure entry system. Original cabinetry in most units.

Terms: Conventional-American Federal Bank
 Sale price includes unpaid special assessments of \$2,580.65

UNIT MIX			
Units	Rooms	Bedrooms	Bathrooms
6	3	1	1
12	4	2	1
0	0	0	0
0	0	0	0
0	0	0	0

AMENITIES IN RENT*		AMENITIES IN RENT	
Amenity	Paid By:	Amenity	
Heat	EBB	Dishwasher	Y
Hot Water		Garage	Y
A/C	Wall	Elevator	N
Laundry	Common	Balcony	N
		Pool	N

*Paid By: T=Tenant, O=Owner

Heat Types: EBB=Electric Baseboard, HW=Hot Water, GFA=Gas Forced Air

A/C Types: Wall=Through-the-wall or window unit, C/A=Central Air

Laundry: Hook-Ups=WasherDryer Hook-ups in units, In Unit=Furnished Washer Dryer in units,

Common=Laundry in building, but no private facilities

Sale Number A18108FG



Date of Sale:	8/27/2018	Address:	808 College Street N	
Sale Price:	\$850,160		Fargo, ND	
Price/Unit:	\$50,009/unit	Units:	17	
Sale Price/Room:	\$14,915/room	Rooms:	57	
Price/Sq.Ft.:	\$78.72/sq. ft.	Building Size	10,800 Sq. Ft.	
Eff Gross Income:	\$122,400	E.G.I.M.:	6.95	
Net Income:	\$61,521	Reconstructed	O.A.R.:	7.24%
Reserves in NI:	\$250	Expense Ratio:	49.74%	
Land Size:	27,750 Sq. Ft.	Zoning:	MR-3, Multiple Dwelling	
Year Built:	1965	Parking:	17 Ext; 6 Sgl	
Condition:	Average	Quality:	Average	
Data on Recording:	Warranty Deed #1545720	Days on Market:	Private Sale	
Grantor:	Bearjag Partnership Etal	Verified To:	MME	
Grantee:	MBDN, LLC	Verified By:	Records/Buyer	

Legal: Lots 4 through 6, South Half of Lot 7 & halv of vacated alley adjacent, Block 4, Kirkhams Addition to the City of Fargo, Cass County, North Dakota.

Remarks: The property is a 2.5-story, wood-frame, brick veneer apartment building and one detached garage building with six single stalls that lease for \$50/month. No controlled access. Owner pays for internet. Units have microwaves. 12 units have dishwashers.

Terms: Conventional-American Federal Bank
Sale price includes unpaid special assessments of \$160.73

UNIT MIX			
Units	Rooms	Bedrooms	Bathrooms
11	3	1	1
6	4	2	1
0	0	0	0
0	0	0	0
0	0	0	0

AMENITIES IN RENT*		
Amenity		Paid By:
Heat	HW	O
Hot Water		O
A/C	Wall	T
Laundry	Common	

AMENITIES IN RENT	
Amenity	
Dishwasher	12
Garage	\$50
Elevator	N
Balcony	N
Pool	N

*Paid By: T=Tenant, O=Owner
Heat Types: EBB=Electric Baseboard, HW=Hot Water, GFA=Gas Forced Air
A/C Types: Wall=Through-the-wall or window unit, C/A=Central Air
Laundry: Hook-Ups=WasherDryer Hook-ups in units, In Unit=Furnished Washer Dryer in units, Common=Laundry in building, but no private facilities

Sale Number A17117FG



Date of Sale:	12/1/2017	Address:	1843 & 1909 13.5 St S, 1350	
Sale Price:	\$2,883,541		Fargo, ND	
Price/Unit:	\$43,690/unit	Units:	66	
Sale Price/Room:	\$12,483/room	Rooms:	231	
Price/Sq.Ft.:	\$43.24/sq. ft.	Building Size	66,692 Sq. Ft.	
Eff Gross Income:	\$421,900	E.G.I.M.:	6.83	
Net Income:	\$213,800	Reconstructed	O.A.R.:	7.41%
Reserves in NI:	\$225		Expense Ratio:	49.32%
Land Size:	106,863 Sq. Ft.	Zoning:	MR-2, Multi-Family	
Year Built:	1962-63	Parking:	43 Sgl; 57 Ext	
Condition:	Ave-Good	Quality:	Average	

Data on Recording:	Warranty Deed# 1526667	Days on Market:	Private Sale
Grantor:	Birchwood Apartments	Verified To:	MME
Grantee:	Sterling Properties, LLLP	Verified By:	Records/Seller

Legal: L 24-26 & W 18' of L 1 & 2, B 2, Morton & Doty's & S 55' of L 11 & 12 & S 15' of L 13, B 8, Bohnsack's 2nd to the City of Fargo, Cass Cty, ND

Remarks: Three 18-plexes & a 12-plex on a nonadjacent site. Bldgs are 2.5-story, wood frame walkups. 12-plex has no A/Cs or dishwashers. 18-plexes have new boilers, H/Ws. Many units in 18-plexes have been extensively remodeled.

Terms: Conventional-Bell Bank. Sale was stock transfer into real estate trust. Sale price incl unpaid special assessments: \$12,176.

UNIT MIX			
Units	Rooms	Bedrooms	Bathrooms
3	2	0	1
27	3	1	1
36	4	2	1
0	0	0	0
0	0	0	0

AMENITIES IN RENT*		
Amenity		Paid By:
Heat	HW	O
Hot Water		O
A/C	Wall	T
Laundry	Common	

AMENITIES IN RENT	
Amenity	
Dishwasher	Some
Garage	43
Elevator	N
Balcony	Some
Pool	N

*Paid By: T=Tenant, O=Owner

Heat Types: EBB=Electric Baseboard, HW=Hot Water, GFA=Gas Forced Air

A/C Types: Wall=Through-the-wall or window unit, C/A=Central Air

Laundry: Hook-Ups=WasherDryer Hook-ups in units, In Unit=Furnished Washer Dryer in units,

Common=Laundry in building, but no private facilities

COMMUNITY PROFILE

2019 Fargo-Moorhead & West Fargo Community Profile

Population

Fargo	124,662	Moorhead	43,652
West Fargo	37,058	Dilworth	4,422
Metropolitan Statistical Area (MSA)			246,145

Labor Statistics

Fargo-Moorhead MSA labor force	138,615
Unemployment rate	2.3%
National average unemployment rate	3.7%

Metropolitan Area Major Employers

<u>Employer Name & Industry</u>	<u># Employed (FTE)</u>
Sanford Health System – Healthcare Services	7,110
North Dakota State University – Education	3,500
Essentia Health – Healthcare Services	2,440
Fargo Public School District #1 – Education	1,929
Wanzek Construction – General Contractor	1,841
West Fargo Public School District #6 – Education	1,726
Fargo VA Health Care – Healthcare Services	1,186
Microsoft (Fargo location) – Computers & Software	1,092
US Bank – Business Services	1,065
City of Fargo – Government	1,014
Marvin Windows – Manufacturing	1,000
Blue Cross Blue Shield of North Dakota – Insurance	976
Moorhead Area Public Schools – Education	975
Eventide Senior Living Communities – Nursing Homes	971
Noridian Administrative Services – Insurance	910
Hornbacher’s Foods – Retail	875
Discovery Health Benefits – Insurance	750
WEX Health, Inc. – Financial Technology	750
Minnesota State University Moorhead – Education	724
John Deere Electric Solutions. – Manufacturing	684
Concordia College – Education	679
CNH America LLC – Agriculture	650
Scheel’s All Sports – Retail	647
Bell Bank – Financial	630
Forum Communications – Newspaper	571

Represents Fargo-Moorhead Chamber member firms (October 2019). Employee numbers are based on full-time equivalents.

Employment By Industry

Trade (Wholesale & Retail)	16.9%	Leisure & Hospitality	10.0%
Government	13.3%	Manufacturing	7.0%
Professional & Business	9.8%	Education & Health Services	19.3%
Mining & Construction	6.1%	Financial & Information	10.0%
Transport, Warehouse, Util	4.1%	Other Services	3.5%

Sources: U.S. Census Bureau, Fargo-Moorhead West Fargo Chamber of Commerce, North Dakota Jobs Service, Fargo-Moorhead Convention & Visitors Bureau

Points of Interest

Bonanzaville (West Fargo), Children’s Museum at Yunker Farm (Fargo), Comstock Historic House (Moorhead), FargoDome (Fargo), Heritage-Hjemkomst Interpretive Center (Moorhead), Plains Art Museum (Fargo), Planetarium (Moorhead), Red River Zoo (Fargo), Regional Science Center (Glyndon), Roger Maris Museum (Fargo), Trollwood Park (Fargo), 22 golf courses, 5 area state parks

Education

<u>Type of Educational Facility</u>	<u># of Facilities</u>	<u>Enrollment</u>
Fargo Public Schools	23	11,513
Fargo Private & Parochial Schools	9	2,100
Moorhead Public Schools	6	7,066
Moorhead Private & Parochial Schools	2	664
West Fargo Public Schools	17	11,501
Dilworth-Glyndon-Felton Public Schools	4	1,594
Higher Education –		
North Dakota State University		13,173
Minnesota State University - Moorhead		5,751
Concordia College		2,042
Minnesota State Community & Technical College		2,303
Rasmussen Business College		760
University of Mary/Fargo Center		220
North Dakota State College of Science - Fargo		378
University of Jamestown - Fargo		154

2018 College Entrance Test Scores (ACT)*

Moorhead:	19.8	Dilworth-Glyndon-Fenton:	20.5
Fargo:	20.4	West Fargo	19.8
Average Scores: North Dakota – 20.3 Minnesota – 21.3 National – 20.8			

*Minnesota provides the ACT at no cost to all high school juniors. Nearly 100% of MN juniors were tested in 2018.

Health Care

Hospitals	8	Physicians	650+
Medical Centers	4	Chiropractic Clinics/Centers	70
Dentists/Oral Surgeons	100+	Retirement/Care Facilities	24
Optometrists	30+	Clinics	33

Demographics (FM Metropolitan Statistical Area)

Female	49.8%
Male	50.2%
Median Age	32.0 years
Median Household Income	\$59,100
Population Below Poverty Level	11.2%

LETTER OF ENGAGEMENT

ALERUS

September 10, 2020

Appraisal Services
1220 Main Ave Ste 125
Fargo, ND 58103

RE: Engagement for Appraisal Services for STERLING PROPERTIES LLLP

This letter is to confirm our engagement of your services to perform an as-is market value estimate of the Multi-Family units located at (See attached spreadsheet) which are owned by STERLING PROPERTIES LLLP. This appraisal is to be a full scope of cost, income, and sales comparison approach completed under the commercial appraisal format. Our Bank's requirements are covered in the enclosed copy of the Alerus Financial, N.A. Report Requirements. You may contact me directly with any compliance or technical questions. Please contact Erica Chaffee @ 701-353-2731 to schedule an inspection and answer any question about the property that you may have.

The following is a legal description and address of the property for your use in this valuation:

PROPERTY ADDRESS: See attached spreadsheet

PROPERTY LEGAL DESCRIPTION: See attached spreadsheet

Alerus Financial N.A. would prefer electronic delivery of the completed appraisal in a PDF file format to the following email address: credit@alermail.com. If electronic delivery is not possible, please deliver or mail two copies of the report to:

Kenzie Dorsher
Alerus Financial, N.A.
PO Box 6001
Grand Forks, ND 58206-6001

Please deliver the appraisal report on or before 10/16/2020, with the quoted price of \$11,900.

Please enclose your billing for services and a copy of this engagement letter to the original copy of the appraisal report. Please indicate the property value to **Alerus Financial, N.A.** only.

If you have any delays, problems scheduling the inspections or difficulty obtaining necessary data, please feel free to contact me at any of the numbers listed below. Thank you in advance for your prompt service.

Sincerely,



Kenzie Dorsher
Credit Administrator
credit@alermail.com
701-795-3311

ALERUS

The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, or age (provided the applicant has the capacity to enter into a binding contract), because all or part of the applicant's income derives from any public assistance program, or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The Federal agency that administers compliance with this law concerning this creditor is Office of the Comptroller of the Currency, Customer Assistance Group, 1301 McKinney Street, Suite 3450, Houston, TX 77010-9050.

Enclosures

ALERUS FINANCIAL, N.A. APPRAISAL REPORT REQUIREMENTS

We ask that all appraisal reports be prepared in conformity with section 1110 of title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) and subsequent final rules that require federal financial regulatory agencies to prescribe appropriate standards for the performance of real estate appraisals in connection with federally related transactions. Those rules require the following:

- *Compliance with the USPAP.* Compliance with the Uniform Standards of Professional Appraisal Practices (USPAP), except that the departure provision of the USPAP does not apply.
- *Disclosure of Competency.* Disclosure of the appraiser's competency or of any steps taken that were necessary or appropriate to comply with the competency provision.
- *Market Value.* Definition of market value that is consistent with the definition used by the appropriate federal agencies. The definition in the USPAP will be appropriate.
- *Written Appraisal Forms.* Use of a narrative format for the appraisal or a form meeting all requirements of the USPAP such as the FNMA form.
- *Sales History.* Analysis and reporting in reasonable detail of any prior sales of the property being appraised that occurred within the following periods:
 - For one-to-four family residential property, one year.
 - For all other property, three years.
- *Revenues, Expenses, and Vacancies.* Analysis and reporting of data on current revenues, expenses, and vacancies for the property if it is and will continue to be income-producing. Current revenues are based on those revenues currently being earned on competing properties.
- *Marketing Period.* Analysis and reporting of a reasonable marketing period for the subject property, including the assumptions used.

ALERUS

- *Trend Analysis.* Analysis and reporting on current market conditions and trends that will affect projected income or the absorption period, to the extent they affect the value of the subject property.
- *Deductions and Discounts.* Analysis and reporting of appropriate deductions and discounts for any proposed construction, any completed properties that are partially leased or leased at other than market rents as of the date of the appraisal, or any tract developments with unsold units. (To conform to the USPAP, appraisals will contain an “as is” market value.)
- *Prohibited Influences* Inclusion in the certification required by the USPAP of an additional statement that the appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
- *Appraisal Report or Restricted Appraisal Report type:* Prepared in Accordance with USPAP Standards Rule 2-2(a).
- *Legal Description.* Inclusion of a legal description of the real estate being appraised, in addition to the description required by the USPAP.
- *Personal Property Fixtures, and Intangible Items.* Identification and separate value of any personal property, fixtures, or intangible items that are not real property but are included in the appraisal and discussion of the impact of their inclusion or exclusion on the estimate of market value.
- *Use of Recognized Appraisal Approaches.* Use of a reasonable valuation method that addresses the direct sales comparison, income, and cost approaches to market value, reconciles those approaches, and explains the elimination of each approach not used, unless the engagement letter limited the scope of work to a particular approach or approaches. If information required or deemed pertinent to the completion of an appraisal is unavailable, that fact should be disclosed and explained in the appraisal.

Property Name	Address	County	Legal Description	Tax IDs	Property Owner	Valuation Type
Country Club Apartments	2429 - 2449 W Country Club Dr S, Fargo, ND 58103	Cass	N 8' of Lot 17 & Lots 18 - 23, Block 2, Country Club Acres Addition to the City of Fargo, Cass County, North Dakota	01-0501-00220-000 01-0501-00190-000	Sterling Properties, LLLP	Appraisal
Saddlebrook Apartments	525 & 607 1st Ave E, West Fargo, ND 58078	Cass	Lots 4 & 5 along with the E 10' of Lot 10 and the W 45' of Lot 6, Block 2, and Lots 7 & 8 along with the E 55' of Lot 6, Block 2 of Meyer's 1st Addition to the City of West Fargo, Cass County, North Dakota	02-1400-00165-000 02-1400-00195-000	Sterling Properties, LLLP	Appraisal
Galleria Apartments	1602 35th St S, Fargo, ND 58103	Cass	Lot 2, Block 4A, a replat of Block 4, Hub Addition to the City of Fargo, Cass County, North Dakota	01-1390-00450-000	Sterling Properties, LLLP	Appraisal
Summerfield Apartments	1700 25th Ave S, Fargo, ND 58103	Cass	Lot 1, Block 4, Arrowhead Addition to the City of Fargo, Cass County, North Dakota	01-0065-00310-000	Sterling Properties, LLLP	Appraisal
Schrock Apartments	204 24th St S, Fargo, ND 58103	Cass	Lots 9 - 12, Block 12, Egbert Oneil & Haggarts Addition to the City of Fargo, Cass County, North Dakota	01-0740-00960-000	Sterling Properties, LLLP	Appraisal
Carling Manor	2560 South 17th St, Grand Forks, ND 58201	Grand Forks	Lots 3 & 4, Block A, Mikkelson-Lendeco Addition to the City of Grand Forks, Grand Forks County, North Dakota	44-2312-00035-000	Sterling Properties, LLLP	Appraisal

APPRAISER'S QUALIFICATIONS & LICENSES

QUALIFICATIONS OF PETTER N. ERIKSMOEN, MAI

EDUCATION:

Concordia College, Moorhead, MN, Bachelor of Arts, May 2010

Seminars & Workshops -

Basic Appraisal Procedures, 6/12	2016-2017 USPAP Update, 12/15
Basic Appraisal Principles, 7/12	Advanced Income Capitalization, 2/16
15-Hour USPAP Qualification, 7/12	Advanced Concepts & Case Studies 11/16
Site Valuation & Cost Approach, 9/12	Advanced Market Analysis & Highest & Best Use, 2/17
Sales Comparison Approach, 10/12	2018-2019 USPAP Update, 12/17
Income Approach/Part I, 2/13	2040 Comprehensive Plan Update, 4/19
Income Approach/Part 2, 6/13	Online Data Verification Methods, 7/19
Real Estate Finance Statistics & Valuation 2/14	Online Small Hotel/Motel Valuation 8/19
Market Analysis & Highest & Best Use, 3/14	Valuation Resources for Photovoltaic System, 8/19
Report Writing and Case Studies, 12/14	2020-2021 USPAP Update, 11/19
Quantitative Analysis, 2/15	
2014-2015 USPAP Update, 8/15	

WORK EXPERIENCE:

November 2010 through October 2011 – Non-Profit Independent Contractor

October 2011 through July 2012 – Whole Foods Market (Supervisor)

August 2012 through May 2015 – Appraisal Services Inc. (Apprentice Appraiser)

June 2015 to present – Appraisal Services Inc. (Certified General Appraiser)

EXPERIENCE SUMMARY:

Approximate number of appraisals accomplished during the last five years:

Apartments	76	Motel	12
Office	122	Restaurant/Lounge	42
Retail	76	Vacant Land	38
Warehouse/Industrial	91	Church/School	0
Mini-Storage	1	Serv.Station/Car Wash	5
Mobile Home Parks	0	Special Purpose	12
Mixed Use	55	Comparable Rent Studies	0
Subdivision Analysis	22	Other	11

MEMBERSHIPS/LICENSES:

North Dakota Certified General Appraiser Permit #CG-21517

Minnesota Non-Resident Appraiser #40367366

Designated Member – Appraisal Institute (MAI)

REFERENCES:

Kory Werlinger, Bell Bank, 3100 13th Avenue South, Fargo, ND 58103, (701) 298-7109

Tom Devorak, Bremer Bank, 1444 45th Street Southwest, Fargo, ND 58103, (701) 492-2631

STATE OF MINNESOTA



Department of Commerce

PETTER NEALSSON ERIKSMOEN
1220 MAIN AVENUE
SUITE 125
FARGO, ND 58103

The Undersigned COMMISSIONER OF COMMERCE for the State of Minnesota hereby certifies that
Petter Nealsson Eriksmoen

1220 MAIN AVENUE
SUITE 125
FARGO, ND 58103

has complied with the laws of the State of Minnesota and is hereby licensed to transact the business of
Non-Resident Appraiser : Certified General

License Number: 40367366

unless this authority is suspended, revoked, or otherwise legally terminated. This license shall be in effect
until August 31, 2021.

IN TESTIMONY WHEREOF, I have hereunto set my hand this August 27, 2019.

COMMISSIONER OF COMMERCE

Minnesota Department of Commerce

Licensing Division
85 7th Place East, Suite 500
St. Paul, MN 55101-3165
Telephone: (651) 539-1599
Email: licensing.commerce@state.mn.us
Website: commerce.state.mn.us

Notes:

- Individual Licenses Only - Continuing Education: 15 hours is required in the first renewal period, which includes a 7 hour USPAP course. 30 hours is required for each subsequent renewal period, which includes a 7 hour USPAP course.
- Appraisers: You must hold a licensed Residential, Certified Residential, or Certified General qualification in order to perform appraisals for federally-related transactions. Trainees do not qualify. For further details, please visit our website at commerce.state.mn.us.

North Dakota Real Estate Appraiser
Qualifications and Ethics Board



Petter N. Eriksmoen

Is fully qualified
in the State of North Dakota as a

CERTIFIED GENERAL APPRAISER
ND Permit Number: CG-21517

Date of Issuance: 01/07/2020
Expiration Date: 12/31/2020

Unless sooner suspended or revoked, as provided by law.

Appraiser Signature

Rent Roll

Saddlebrook (pgsadd01)

As Of = 12/31/2023

Month Year = 12/2023

Unit	Unit Type	Unit Resident	Name	Market	Actual	Resident	Other Move In	Lease	Move Out	Balance	
		Sq Ft		Rent	Rent	Deposit	Deposit	Expiration			
Current/Notice/Vacant Residents											
01-01	CDL2CXXA	900.00	t0365310	814.00	675.00	300.00	0.00	3/11/2020	4/30/2025	-1.42	
01-02A	CDL2CXXA	900.00	t0067221	814.00	675.00	166.99	0.00	11/1/1987	7/31/2024	73.94	
01-02B	CDL0CSXA	350.00	VACANT	554.00	0.00	0.00	0.00			0.00	
01-03	CDL2CXXA	900.00	t0388362	814.00	750.00	705.00	0.00	8/1/2022	7/31/2024	-763.10	
01-04	CDL1CXXA	700.00	t0378755	712.00	660.00	300.00	0.00	8/2/2021	8/31/2024	-4,660.00	
01-05	CDL1CXXA	700.00	t0386251	712.00	685.00	650.00	0.00	5/31/2022	5/31/2024	0.00	
01-06	CDL2CXXA	900.00	t0298300	814.00	750.00	300.00	0.00	6/27/2014	8/31/2024	-6.70	
01-07A	CDL2CXXA	900.00	t0366124	814.00	720.00	300.00	0.00	4/16/2020	4/30/2024	-720.00	
01-07B	CDL0CSXA	350.00	t0334394	554.00	575.00	250.00	0.00	4/28/2017	5/31/2023	4/30/2024	-68.00
01-08	CDL2CXXA	900.00	t0398437	814.00	747.00	0.00	0.00	9/2/2023	9/30/2024	0.00	
01-09	CDL2CXXB	900.00	t0067268	806.00	249.00	250.00	0.00	8/7/2008	2/28/2025	0.00	
01-10A	CDL2CXXA	900.00	t0268972	814.00	222.00	300.00	0.00	10/27/2011	12/31/2024	0.00	
01-10B	CDL0CSXA	350.00	t0400667	554.00	555.00	0.00	0.00	11/8/2023	11/30/2024	0.00	
01-11	CDL2CXXA	900.00	t0360521	814.00	314.00	300.00	0.00	8/28/2019	8/31/2024	-1,480.37	
01-12	CDL1CXXA	700.00	t0291418	712.00	605.00	250.00	0.00	12/1/2013	11/30/2024	-1,454.03	
01-13	CDL1CXXA	700.00	t0395573	712.00	660.00	660.00	0.00	6/15/2023	6/30/2024	0.00	
01-14	CDL2CXXA	900.00	t0397402	814.00	750.00	750.00	0.00	7/13/2023	1/31/2024	2/29/2024	0.00
01-15A	CDL2CXXB	900.00	t0390059	806.00	795.00	740.00	0.00	11/3/2022	10/31/2024	-530.00	
01-15B	CDL0CXXA	350.00	t0377083	619.00	595.00	450.00	0.00	5/28/2021	5/31/2024	0.00	
01-16	CDL2CXXA	900.00	t0361011	814.00	705.00	300.00	0.00	9/28/2019	9/30/2022	-40.00	
01-17	CDL2CXXB	900.00	t0402021	801.00	0.00	735.00	0.00	7/29/2023	7/31/2024	0.00	
01-18A	CDL2CXXA	900.00	t0067229	814.00	660.00	250.00	0.00	6/1/2003	11/30/2024	172.70	
01-18B	CDL0CSXA	350.00	t0387628	554.00	530.00	470.00	0.00	7/30/2022	7/31/2024	-610.00	
01-19	CDL2CXXA	900.00	t0394618	814.00	750.00	750.00	0.00	4/21/2023	4/30/2024	1/31/2024	0.00
01-20	CDL1CXXA	700.00	t0363500	712.00	595.00	300.00	0.00	12/17/2019	10/31/2024	-650.00	
01-21	CDL1CXXA	700.00	t0279436	712.00	650.00	250.00	0.00	11/1/2012	10/31/2024	0.00	
01-22	CDL2CXXA	900.00	t0286022	814.00	750.00	300.00	0.00	7/1/2013	7/31/2024	-790.00	
01-23A	CDL2CXXB	900.00	t0392076	801.00	675.00	675.00	0.00	3/3/2023	4/30/2025	-675.00	
01-23B	CDL0CSXA	350.00	t0401006	454.00	465.00	0.00	0.00	12/4/2023	1/31/2025	0.00	
01-24	CDL2CXXC	900.00	t0376838	794.00	735.00	300.00	0.00	6/19/2021	6/30/2024	-735.00	
02-01	CDL2CXXA	900.00	t0384227	814.00	700.00	645.00	0.00	3/31/2022	3/31/2024	3/30/2024	-0.28

Rent Roll

Saddlebrook (pgsadd01)

As Of = 12/31/2023

Month Year = 12/2023

Unit	Unit Type	Unit Resident	Name	Market	Actual	Resident	Other Move In	Lease	Move Out	Balance	
		Sq Ft		Rent	Rent	Deposit	Deposit	Expiration			
02-02A	CDL2CXXA	900.00	t0384725	814.00	760.00	705.00	0.00	4/6/2022	10/31/2023	0.00	
02-02B	CDL0CSXA	350.00	t0397204	514.00	490.00	490.00	0.00	7/5/2023	1/31/2024	2/29/2024	-495.00
02-03	CDL2CXXA	900.00	t0336875	814.00	750.00	300.00	0.00	7/28/2017	7/31/2024	0.00	
02-04	CDL1CXXA	700.00	t0384847	712.00	0.00	645.00	0.00	4/13/2022	4/30/2024	-57.00	
02-05	CDL1CXXA	700.00	t0364330	712.00	525.00	500.00	0.00	2/27/2020	2/28/2022	-536.00	
02-06	CDL2CXXA	900.00	t0395966	894.00	825.00	825.00	0.00	8/1/2023	7/31/2024	-887.00	
02-07A	CDL2CXXA	900.00	t0390598	814.00	730.00	700.00	0.00	11/1/2022	10/31/2024	-755.00	
02-07B	CDL0CXXB	350.00	t0389181	629.00	605.00	535.00	0.00	9/1/2022	8/31/2024	0.00	
02-08	CDL2CXXA	900.00	t0397929	814.00	745.00	0.00	0.00	8/1/2023	7/31/2024	-627.31	
02-09	CDL2CXXD	900.00	t0386874	819.00	755.00	720.00	0.00	8/1/2022	7/31/2024	-5.00	
02-10A	CDL2CXXA	900.00	t0327233	819.00	615.00	300.00	0.00	9/6/2016	3/31/2020	0.00	
02-10B	CDL0CSXA	350.00	t0067227	559.00	525.00	200.00	0.00	9/1/2002	11/30/2024	0.00	
02-11	CDL2CXXA	900.00	t0392869	819.00	740.00	740.00	0.00	3/2/2023	3/31/2024	3/30/2024	0.00
02-12	CDL1CXXA	700.00	t0372958	717.00	645.00	300.00	0.00	1/2/2021	4/30/2025	0.00	
02-13	CDL1CXXA	700.00	VACANT	717.00	0.00	0.00	0.00			0.00	
02-14	CDL2CXXA	900.00	t0394847	819.00	755.00	755.00	0.00	5/9/2023	5/31/2024	-812.23	
02-15A	CDL2CXXD	900.00	t0392589	819.00	715.00	0.00	0.00	2/4/2023	3/31/2025	0.00	
02-15B	CDL0CXXB	350.00	t0389102	634.00	625.00	585.00	0.00	9/9/2022	9/30/2024	0.00	
02-16	CDL2CXXC	900.00	t0386577	799.00	471.00	665.00	0.00	6/10/2022	7/31/2024	-258.87	
02-17	CDL2CXXB	900.00	t0396713	806.00	745.00	745.00	0.00	7/14/2023	8/31/2024	-200.00	
02-18A	CDL2CXXA	900.00	t0360684	819.00	755.00	300.00	0.00	8/30/2019	8/31/2024	-794.98	
02-18B	CDL0CSXA	350.00	t0398242	519.00	495.00	495.00	0.00	8/8/2023	8/31/2024	-495.00	
02-19	CDL2CXXC	900.00	t0398025	799.00	740.00	0.00	0.00	10/3/2023	10/31/2024	-77.00	
02-20	CDL1CXXA	350.00	t0067222	717.00	620.00	176.09	0.00	2/1/1993	11/30/2024	-650.00	
02-21	CDL1CXXA	600.00	t0320205	717.00	640.00	300.00	0.00	3/1/2016	5/31/2024	5/31/2024	-692.00
02-22	CDL2CXXA	900.00	t0398004	794.00	725.00	0.00	0.00	8/15/2023	8/31/2024	-57.00	
02-23A	CDL2CXXD	900.00	t0366077	819.00	665.00	300.00	0.00	4/14/2020	4/30/2024	-31.00	
02-23B	CDL0CXXA	350.00	VACANT	624.00	0.00	0.00	0.00			0.00	
02-24	CDL2CXXA	900.00	t0335725	849.00	770.00	300.00	0.00	6/15/2017	2/29/2024	3/30/2024	0.00
Future Residents/Applicants											
02-13	CDL1CXXA	700.00	t0401559	717.00	0.00	0.00	0.00	1/8/2024	7/31/2024	240.00	
		Total	Saddlebrook(p	44,666.00	35,628.00	23,228.08	0.00			-20,127.65	

Rent Roll

Saddlebrook (pgsadd01)

As Of = 12/31/2023

Month Year = 12/2023

Unit	Unit Type	Unit Resident	Name	Market	Actual	Resident	Other Move In	Lease	Move Out	Balance
		Sq Ft		Rent	Rent	Deposit	Deposit	Expiration		

Summary Groups	Square Footage	Market Rent	Actual Rent	Security Deposit	Other Deposits	# Of Units	% Unit Occupancy	% Sqft Occupied	Balance
Current/Notice/Vacant Residents	44,550.00	44,666.00	35,628.00	23,228.08	0.00	60	95.00	96.85	-20,367.65
Future Residents/Applicants	700.00	717.00	0.00	0.00	0.00	1			240.00
Occupied Units	43,150.00	42,771.00				57	95.00	96.85	
Total Non Rev Units	0.00	0.00				0	0.00	0.00	
Total Vacant Units	1,400.00	1,895.00				3	5.00	3.14	
Totals:	44,550.00	44,666.00	35,628.00	23,228.08	0.00	60	100.00	100.00	-20,127.65

Saddlebrook

2022 appraised value (attached) was \$2,730,000.

As secondary support, income from the property does not support valuation of property based on current market values in 2023 (attached).

Requesting \$45,500 per door assessment to reflect current market values as supported by appraisal.