



TRACY CROSS & ASSOCIATES, INC.

CONFIDENTIAL DRAFT FOR DISCUSSION

***An Analysis of the Market Potential  
For Rental Apartment Development  
-- Horter Property --  
Mukwonago, Wisconsin***

**January 28, 2016**

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**INTRODUCTION**

At the request of the Village of Mukwonago, Tracy Cross & Associates, Inc. evaluated the market potential for rental apartment development in Mukwonago, Waukesha County, Wisconsin. Specifically focusing upon the *Horter* property located along the west side of Main Street, north of Bay View Road, this analysis establishes the following:

- Conclusions regarding the depth of the Mukwonago area for new construction apartment development over the next five years based upon pertinent economic, demographic, and residential trends which define the marketplace.
- Conclusions regarding the overall marketability of 120 new rental units within the subject property *as conceptualized by Ener-Con Companies, Inc.* These conclusions are based upon factors associated with location, depth of the market, and the alignment of competing communities, both existing and planned.
- Benchmark rental rate guidelines for the conceptualized community in order to maintain a competitive position in the market and achieve what one would view as an acceptable absorption rate.
- Alternative rental rate strategies and associated absorption forecasts to enable financial modeling.

***General Limiting  
Conditions***

Tracy Cross & Associates, Inc. has made extensive efforts to confirm the accuracy and timeliness of the information contained in this study. Such information was compiled from a variety of sources, including interviews with developers and their agents, government officials, and other third parties. Although Tracy Cross & Associates, Inc. believes all information in this study is correct, it does not warrant the accuracy of such information and assumes no responsibility for inaccuracies in the information provided by third parties.

**THE SUBJECT PROPERTY**

The *Horter* property consists of a five-acre assemblage located west of and contiguous to Main Street, just north of Bay View Road, in Mukwonago, Wisconsin, a third-ring suburb of Milwaukee. The site is currently occupied by Lynch's Horter Chevrolet dealership, which will be razed as a part of the development effort.



The subject property is highly visible and easily accessible given its frontage on Main Street, one of Mukwonago's primary transportation arterials. Last year, an average of 7,800 vehicles passed the site on daily basis.

The parcel is also enhanced by its alignment with Lower Phantom Lake, one of Mukwonago's major amenities. In addition to the views that will be attainable, public access to the lake is available within walking distance two blocks to the northwest at Phantom Glen Park. As such, future residents will be able to enjoy the many recreational aspects associated with this amenity, i.e. fishing and boating.

Located along the western edge of the property are rail lines utilized by the East Troy Electric Railroad. The East Troy Electric Railroad operates a museum and just over seven miles of track offering tourism excursions between East Troy in nearby Walworth County and Mukwonago on a weekly basis between May and October. Scheduled holiday events, themed rides and dinner trains are available, along with private charters within these beautifully restored street cars.



The subject property is proximate to in-place shopping facilities. Specifically, a variety of alternatives already exist along Main Street and State Route 83 within minutes of the site. For instance, within two miles to both the north and southeast, future residents will find several concentrations of major retail categories and service providers ranging from grocery, gas and convenience items to various "big box" venues such as a Home Depot and a Walmart Supercenter. In addition, situated just one-half mile to the



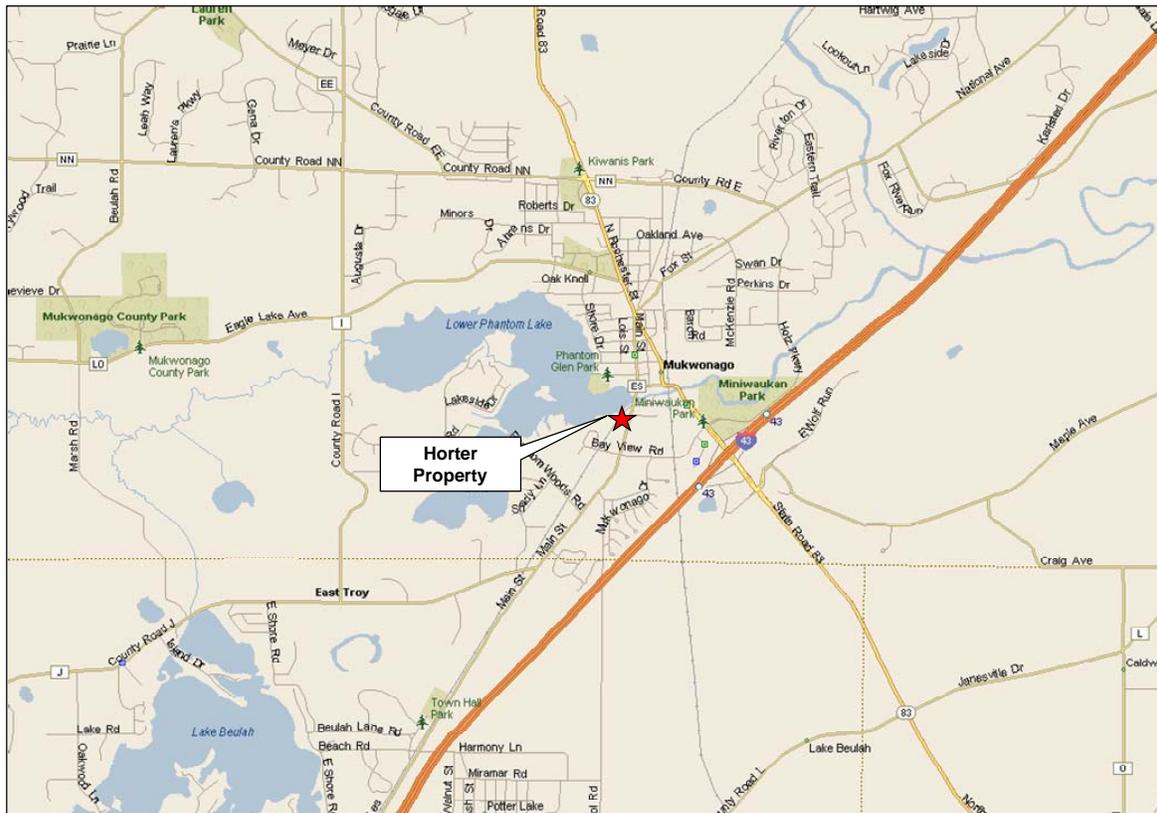
north is downtown Mukwonago, which hosts a variety of specialty boutiques, service-oriented shops and restaurants.

Apart from site’s enhancements, the Horter property is burdened by one notable diseconomy – high tension wires and towers which run parallel to the trolley tracks along the site’s western perimeter. However, while these towers are visible from all points within the property, their current spacing is such that a significant number of residents will still have unobstructed views of Lower Phantom Lake.

Overall, the village of Mukwonago can be characterized as a bedroom community serving employment concentrations primarily to the north/northeast, closer toward and within the city of Milwaukee. In 2015, the average *travel time to work* for a Mukwonago resident stood at 28 minutes. Facilitating commutation, the property is well served by one of the region’s primary expressways, Interstate 43, which is located just one-half mile to the southeast with ingress/egress provided from/to Route 83, another well-traveled roadway. With such convenient access to both I-43 and Route 83, area residents are afforded reasonable commuting times to satellite employment concentrations throughout the Milwaukee region’s western suburbs, primarily Waukesha and Brookfield where some 60,000 jobs are represented. In addition, I-43 connects with I-894 and I-94, which lead to downtown Milwaukee. Future residents will find commuting times to Waukesha-Brookfield employment centers at 20 minutes, and downtown Milwaukee at 35 minutes.



**GEOGRAPHIC DELINEATION OF THE HORTER PROPERTY  
 MUKWONAGO, WISCONSIN**



Source: Microsoft Streets & Trips and Tracy Cross & Associates, Inc.



While most Mukwonago residents commute outside municipal boundaries for work, the village does support its own economic base anchored by the Mukwonago Industrial Park and the Gateway Center retail/commercial campus, home to the D.N. Greenwald Medical Center. In addition, scattered office buildings, warehouse/distribution facilities and manufacturers can be found at various locations throughout the village. Roughly one-quarter of all Mukwonago working residents are employed locally.

The 2015 median household income in the village of Mukwonago stood at \$66,496 per year, some 23.4 percent higher than the median income noted for the entire Milwaukee-Waukesha-West Allis Metropolitan Statistical Area (MSA), which includes the four counties of Milwaukee, Waukesha, Washington and Ozaukee. In 2015, Mukwonago supported a supported a population base of 7,712 persons distributed among 3,053 households.

Beyond the store fronts and other commercial uses along Main Street and Route 83, the subject property is proximate to various residential neighborhoods. For instance, located immediately to the southwest, also aligning Lower Phantom Lake, is the Bay View Circle condominium community, which was constructed in early-to mid-1990s. Here, ranch and two-story attached resales units range in price from \$165,000 to \$240,000 for residences containing, generally, between 1,300 and 2,500 square feet of living space.



Elsewhere throughout the village, the primary housing form, both existing and new, consists of single family detached homes ranging from vintage bungalows and Victorian/Georgian-style residences near the downtown area to semi-custom/custom homes in larger-lot subdivisions. In 2015 Mukwonago was recognized by the “Niche” rating system as one of the Top 3 cities in Wisconsin to raise a family.



While Mukwonago has not seen any new apartment development of scale for almost 15 years, close to 1,000 renter households are found primarily in the village’s older stock. However, located at the southeast corner of I-43 and Route 83 is the *Meadows of Mukwonago* apartment development which was constructed in 2002 as the final phase of the older Legend Meadows community. This 40-unit phase, which consists of two-story, garden-style buildings with detached garages, is 100 percent occupied. Current rent levels range from \$775 to \$910 per month for two different two bedroom one bath designs, which extend in size from 900 to 1,000 square feet.



While Mukwonago is currently void of new apartment product, less than one-half mile south of the Horter property will be Premier Real Estate Management’s new 104-unit *Premier Woods* apartment community. Phase 1, which is currently under construction, will consist of 68 total units distributed between five 12-unit buildings and one 8-unit building, both with attached single-car garages. Phase 2, in turn, will consist of two 24-unit buildings. First occupancies are expected during the summer of 2016.



**THE PROPOSED DEVELOPMENT**

Within the Horter property, the Village of Mukwonago is considering a proposal by Ener-Con Companies, Inc. to develop 120 new rental apartment units. These apartments will consist of condominium-style, flat-over-flat residences configured within four 30-unit elevator buildings with structured parking. Specifically, three residential floors will be configured over one level of above-grade podium parking with 54 enclosed spaces provided within each building, along with 14 private storage rooms of varying sizes.



As summarized in the following table, five different plan styles will be available ranging from a 980 square foot one bedroom one bath apartment to a 1,460 square foot two bedroom plus den two bath design. Overall, the community will provide 162,096 net leasable square feet among the four buildings, with the average apartment residence offering 1,351 square feet of living area.



**PROPOSED APARTMENT PRODUCT LINE  
 HORTER PROPERTY: MUKWONAGO, WISCONSIN**

Plan Designation	Number of Units Per Building	Total Units	Percent Distribution	Bedrooms	Baths	Plan Size (Sq. Ft.)	Total Net Rentable Sq. Ft.
A	3	12	10.0	1	1.0	980	11,760
B	3	12	10.0	1+Den	1.5	1,130	13,560
C	9	36	30.0	2	2.0	1,391	50,076
D	9	36	30.0	2	2.0	1,435	51,660
E	6	24	20.0	2+Den	2.0	1,460	35,040
<b>Total/Weighted Average:</b>	<b>30</b>	<b>120</b>	<b>100.0</b>	<b>—</b>	<b>—</b>	<b>1,351</b>	<b>162,096</b>

Source: Ener-Con Companies, Inc.

All apartments are expected to feature interior appointments of a higher quality than most rental communities throughout suburban Milwaukee, but commensurate with some of the newer developments. These include laminate wood flooring throughout the main living areas, stainless steel kitchen appliances, granite or quartz countertops, upgraded kitchen cabinets with soft-close drawers, full-size in-unit washers and dryers, walk-in closets in all bedrooms, ceramic tile baths, and internet and cable television connectivity. In addition, each unit on the first residential floor will include a terrace with expanded outdoor green space, afforded by the configuration of the podium parking deck below, while upper floor units will each have a balcony of functional size.

Community amenities will include extensively landscaped internal green space with an outdoor fireside lounge and grilling stations. A centrally-located clubhouse will also be provided featuring a community room with fireplace and catering kitchen and a fully-equipped fitness center. This community center will also facilitate leasing and management offices.

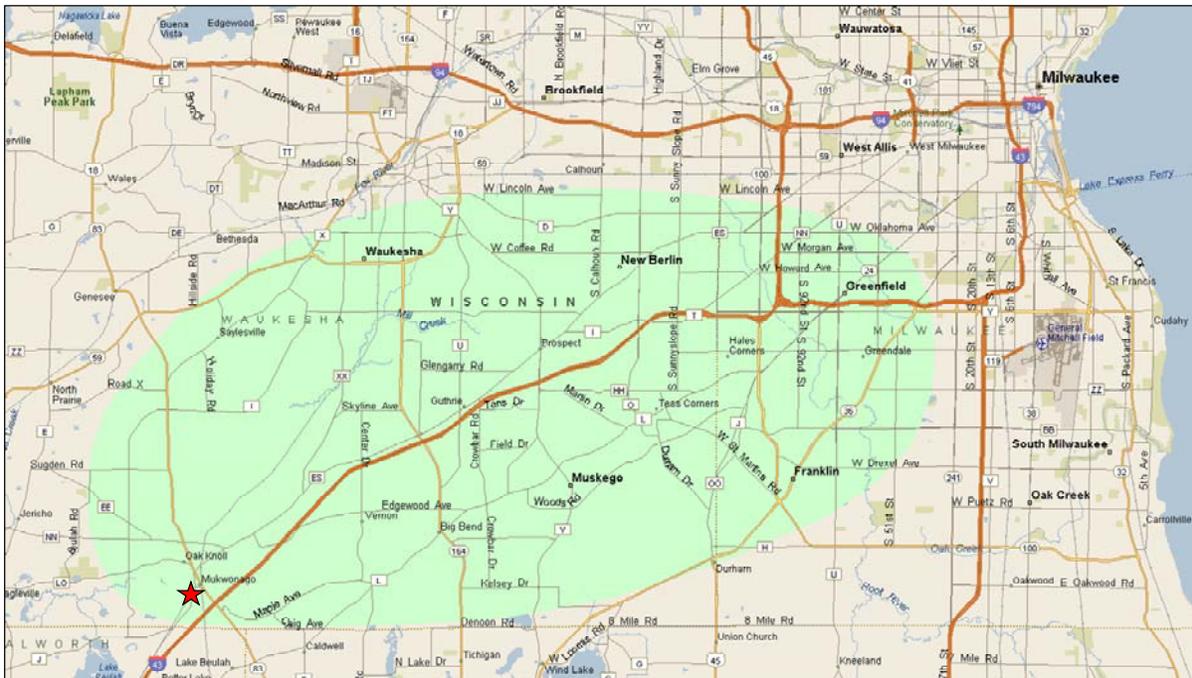


**MARKET CONDITIONS**

The proposed development will receive demand support from Mukwonago and other nearby municipalities generally aligning the Interstate 43 corridor in southwest suburban Milwaukee. Defined for the purposes of this analysis as the Mukwonago Primary Market Area (PMA), and including the municipalities of Mukwonago itself, along with Franklin, Greendale, Greenfield, Hales Corners, Muskego, New Berlin and Waukesha, this geographic area shares commonalities relative to household compositions and incomes, commutation patterns to concentrations of employment, and the alignment of rental apartment developments which will serve as sources of competition, both direct and indirect. Numerics found in these segments are summarized in the following paragraphs.



**GEOGRAPHIC DELINEATION OF MUKWONAGO PMA**



Source: Microsoft Streets & Trips and Tracy Cross & Associates, Inc.

**Population and Households**

The 2000 Census revealed that during the decade of the 1990s, the population of the Mukwonago PMA grew by 7.9 percent, or 1,573 persons yearly to a 2000 base of 213,999. Market area households, in turn, advanced by 14.7 percent during the period, averaging 1,078 new households yearly, to a 2000 base of 84,167.

Statistics from the most recent Census showed a similar, albeit more modest, rate of growth as the PMA's population base increased by 7.3 percent between 2000 and 2010, or 1,564 persons annually. Households, too, advanced more gradually during the most recent decade (11.7 percent), equal to an annual average pace of 984 new households. Several factors contributed to this moderation, including the negative impact of the national housing recession and the overall built-out nature of portions of the market, especially to the north in Greendale and Greenfield.



In the village of Mukwonago, growth in population and households has been positive in each of the last two decades, albeit more moderate during the 2000-2010 period – emulating the PMA as a whole.



**POPULATION AND HOUSEHOLD TRENDS  
 MUKWONAGO PRIMARY MARKET AREA**

Area	1990	2000	2010	Average Annual Change	
				1990 - 2000	2000 - 2010
<b>Population</b>					
<b>Mukwonago PMA</b>	<b>198,270</b>	<b>213,999</b>	<b>229,636</b>	<b>1,573</b>	<b>1,564</b>
Village of Mukwonago	4,457	6,162	7,355	171	119
Percent of PMA	2.2	2.9	3.2	16.6	19.1
<b>Households</b>					
<b>Mukwonago PMA</b>	<b>73,384</b>	<b>84,167</b>	<b>94,006</b>	<b>1,078</b>	<b>984</b>
Village of Mukwonago	1,535	2,392	2,898	86	51
Percent of PMA	2.1	2.8	3.1	7.9	5.1
<b>Renter-Occupied Households</b>					
<b>Mukwonago PMA</b>	<b>25,758</b>	<b>26,176</b>	<b>29,330</b>	<b>42</b>	<b>315</b>
<b>Percent of Total Households</b>	<b>35.1</b>	<b>31.1</b>	<b>31.2</b>	<b>—</b>	<b>—</b>
Village of Mukwonago	431	876	924	45	5
Percent of Total Households	28.1	36.6	31.9	—	—

Source: U.S. Census Bureau: Census 1990, 2000, and 2010

In 2010, the PMA was home to 29,330 renter households, 31.2 percent of all occupied housing units. Most were found in older housing stock as the availability of new product at the time was extremely limited. For example, between 2000 and 2010, only nine non-senior, market rate new apartment communities *of scale* were constructed in the entire PMA totaling just 1,061 units. These include: Overlook Lakes in Greendale, The Orchard in Greenfield, Parkside in Hales Corners, Meadows of Mukwonago in Mukwonago, The Sanctuary in New Berlin, and Glens of Waukesha, Kendal Hills, The Lodge and Wildflower Place in Waukesha. With renter household growth in the PMA totaling 3,154 between 2000 and 2010, while only 1,061 market rate units were constructed not including small-scale developments, apartment construction did not keep pace with renter household growth.

According to Census estimates provided by Nielsen Solution Center (through its evaluation of the Census Bureau’s annual American Community surveys), household growth in the PMA over the next five years will fall below that experienced during the last two decades, but exceed estimated household additions noted during the recessionary-impacted 2010-2015 period. During the 2015-2020 timeframe, 3,280 new households are expected to be added, or 656 per year. Most of this household growth will likely occur in the central and southern portions of the PMA where more land is available for development.





**HOUSEHOLD GROWTH PROJECTIONS  
 MUKWONAGO PRIMARY MARKET AREA**

Area	2010	2015 (Estimate)	2020 (Forecast)	Average Annual Change	
				2010 - 2015	2015 - 2020
<b>Mukwonago PMA</b>	<b>94,006</b>	<b>96,707</b>	<b>99,989</b>	<b>540</b>	<b>656</b>
Village of Mukwonago	2,898	3,053	3,356	31	61
Percent of PMA	3.1	3.2	3.4	5.7	9.3

Sources: U.S. Census Bureau, Nielsen Solution Center; and Tracy Cross & Associates, Inc.

**Household  
 Composition**

The current composition of area households lends support to the development of apartments in Mukwonago. As highlighted in the following text table, 64.8 percent of all households in the PMA maintain a household size of two persons or less, with 29.6 percent representing persons living alone. In Mukwonago itself, 59.0 percent of all households are represented by one- and two-person households.



**COMPOSITION OF AREA HOUSEHOLDS:  
 MUKWONAGO PRIMARY MARKET AREA - 2015**

Attribute	Muskego Primary Market Area	Village of Mukwonago
<b>Total Households</b>	<b>96,707</b>	<b>3,053</b>
1-Person Household	28,622	793
2-Person Household	34,034	1,006
3-Person Household	14,960	534
4-Person Household	12,025	463
5-Person Household	4,760	175
6 or More Person Household	2,306	82
<b>1 Person Households</b>		
Percent	29.6	26.0
Number	28,622	793
<b>2 Person Households</b>		
Percent	35.2	33.0
Number	34,034	1,006

Source: Nielsen Solution Center; 2015 Demographic Snapshot

**Age and Income**

Households in the Mukwonago Primary Market Area support higher incomes than the region as a whole as evidenced by an estimated 2015 median income of \$64,308, a level 19.3 percent higher than the \$53,899 median noted for the entire four-county Milwaukee-Waukesha-West Allis MSA.

As shown on **Exhibit 1**, and most germane to the potential for new apartment development is the fact that almost one-third of PMA households under 25 and





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 HOUSEHOLDERS BY AGE AND INCOME: 2015  
 -- MUKWONAGO PRIMARY MARKET AREA --

Income Range 2014	Number of Households by Age of Householder							
	Total Households	Under 25	25 - 34	35 - 44	45 - 54	55 - 64	65 - 74	75 and Over
<b>Mukwonago PMA</b>								
Under \$15,000	7,619	842	842	662	938	1,311	1,034	1,990
15,000 - 24,999	8,627	248	781	626	778	1,122	1,824	3,248
25,000 - 34,999	8,331	299	1,264	1,086	1,009	1,255	1,494	1,924
35,000 - 49,999	12,817	542	1,845	1,735	1,832	2,202	2,465	2,196
50,000 - 74,999	19,149	395	3,058	3,055	3,741	4,214	2,969	1,717
75,000 - 99,999	13,813	252	2,467	2,871	2,828	2,953	1,657	785
100,000 - 124,999	10,180	85	1,540	2,111	2,638	2,473	948	385
125,000 - 149,999	6,135	5	873	1,264	1,749	1,691	382	171
150,000 - 199,999	5,830	7	663	1,336	1,751	1,613	335	125
200,000 and Over	4,206	26	356	829	1,413	1,277	224	81
<b>Total</b>	<b>96,707</b>	<b>2,701</b>	<b>13,689</b>	<b>15,575</b>	<b>18,677</b>	<b>20,111</b>	<b>13,332</b>	<b>12,622</b>
<b>Median</b>	<b>\$64,308</b>	<b>\$33,712</b>	<b>\$67,270</b>	<b>\$80,429</b>	<b>\$84,198</b>	<b>\$74,712</b>	<b>\$49,081</b>	<b>\$30,687</b>
<b>Households with Incomes of ...</b>								
\$35,000 or More	72,130	1,312	10,802	13,201	15,952	16,423	8,980	5,460
Percent	74.6	48.6	78.9	84.8	85.4	81.7	67.4	43.3
\$50,000 or More	59,313	770	8,957	11,466	14,120	14,221	6,515	3,264
Percent	61.3	28.5	65.4	73.6	75.6	70.7	48.9	25.9
<b>Village of Mukwonago</b>								
Under \$15,000	203	9	21	18	44	42	34	35
15,000 - 24,999	201	5	8	9	21	23	62	73
25,000 - 34,999	288	48	40	36	41	36	44	43
35,000 - 49,999	463	9	56	65	105	90	81	57
50,000 - 74,999	563	11	72	94	145	109	88	44
75,000 - 99,999	501	14	78	97	136	100	53	23
100,000 - 124,999	368	0	74	113	87	53	31	10
125,000 - 149,999	229	0	37	66	62	40	17	7
150,000 - 199,999	147	0	25	47	38	23	12	2
200,000 and Over	90	1	7	13	39	26	1	3
<b>Total</b>	<b>3,053</b>	<b>97</b>	<b>418</b>	<b>558</b>	<b>718</b>	<b>542</b>	<b>423</b>	<b>297</b>
<b>Median</b>	<b>\$66,496</b>	<b>\$32,188</b>	<b>\$78,846</b>	<b>\$89,691</b>	<b>\$75,551</b>	<b>\$68,349</b>	<b>\$48,241</b>	<b>\$34,740</b>
<b>Households with Incomes of ...</b>								
\$35,000 or More	2,361	35	349	495	612	441	283	146
Percent	77.3	36.1	83.5	88.7	85.2	81.4	66.9	49.2
\$50,000 or More	1,898	26	293	430	507	351	202	89
Percent	62.2	26.8	70.1	77.1	70.6	64.8	47.8	30.0

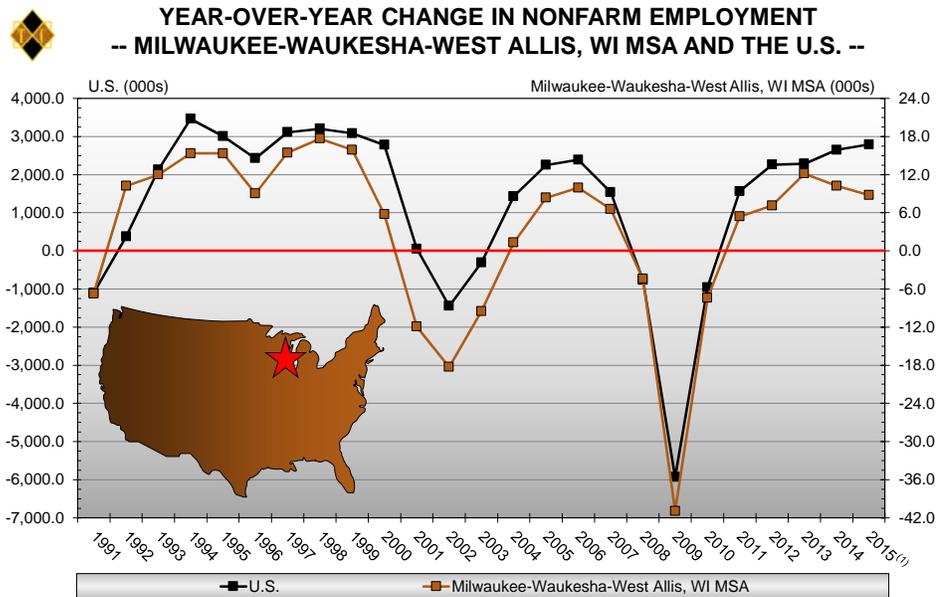
Sources: U.S. Bureau of the Census; Nielsen Solution Center; and Tracy Cross & Associates, Inc.

close to two-thirds aged 25-34 earn \$50,000 or more per annum. These two age groupings of Millennials represent significant components of rental demand. Additionally, a full 70.0 percent of all households aged 55-64 earn \$50,000 or more annually, with this segment, too, representative of rental consideration.

**Employment**

Mukwonago is reasonably convenient to sources of employment, not only within the PMA itself, but, given easy access to Interstate 43, and its connection with Interstates 894 and 94, employment sources throughout most of the metropolitan area with the largest concentrations found in downtown Milwaukee located within a 35-minute commute.

While one cannot discount the effect that the most recent recession had on the Milwaukee region’s economy, and giving full consideration to the fact that Milwaukee continues to lag behind the nation as a whole, employment growth throughout the four-county area has been on the positive side for more than four years running. After losing 6.1 percent of its total nonagricultural wage and salary employed workforce from 2007 through 2010, the metropolitan area saw its job rosters grow by 34,900 workers during the subsequent 2011-2014 period, averaging almost 9,000 annually. Most recently, employment gains region-wide during the January-November 2015 period totaled another 8,600 year-over-year.



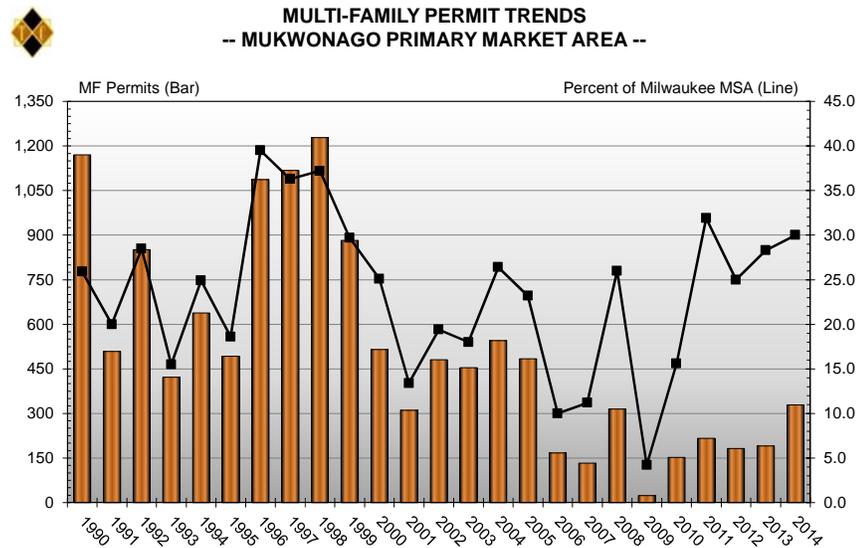
<sup>(1)</sup> January-November 2015, year-over-year.  
 Source: U.S. Department of Labor, Bureau of Labor Statistics

**Residential Building Activity**

During 1990-2014 period, the Mukwonago PMA authorized an average of 1,182 residential building permits per year ranging from a recessionary-impacted low of 177 in 2009 to a high of 2,132 in 1998 when land was more readily available for most forms of residential development.



In just the multi-family sector, the Mukwonago PMA has issued an average of 516 permits yearly since 1990 distributed between a variety of condominium and apartment developments (both market rate and affordable). As delineated in **Exhibit 2** and graphically depicted in the following illustration, multi-family construction was much stronger during the 1990-2005 timeframe when market conditions in the attached for sale sector were more favorable and when land availability was more adequate.



Source: U.S. Bureau of the Census: C-40 Construction Reports

During the past five years, multi-family authorization levels have been below trend averaging just 214 units annually reflecting the collapse of the condominium market along with only marginal new construction in the market rate rental sector.

**Regional Apartment Trends**

According to Reis, Inc., among all asset classifications of apartments throughout the two core counties of the Milwaukee region, i.e. Milwaukee and Waukesha, a vacancy rate of just 3.1 percent was reported at the close of the 3rd Quarter 2015, reflecting *tight market conditions*. In a normal or *balanced* market, vacancies of 5.0 to 6.0 percent are typically required for filtering, or movement between developments. This 3<sup>rd</sup> Quarter 2015 vacancy rate is down from the 3.2 percent level posted during the 2<sup>nd</sup> Quarter 2015, and further below the 3.5 percent vacancy factor noted one year ago.

Since 1989, and with the exception of selected periods, annual net rental absorption in the two core counties of the Milwaukee region has been positive. For example, during the eleven-year period from 1990 through 2000, Milwaukee and Waukesha counties saw their occupied apartment stock *among all asset classifications* increase by a total of 19,191 units, or an annual average advance of 1,745. And, while the 2001-2009 period saw net absorption drop into negative territory due to a dramatic increase in home ownership, coupled with a fair amount of rental-to-condominium conversion activity, recent indicators point to a reversal



**MULTI-FAMILY BUILDING PERMIT TRENDS:**

**MUKWONAGO PRIMARY MARKET AREA**

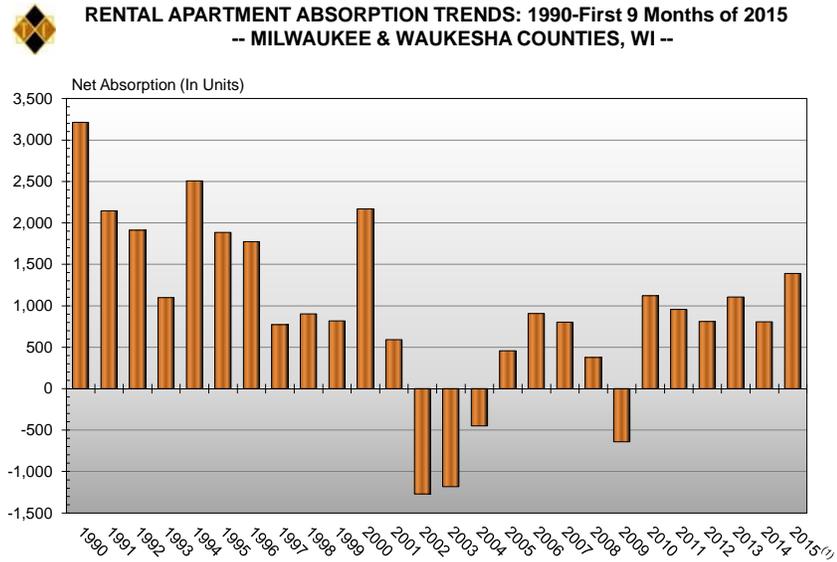
1990 - 2014



Year	Total Multi-Family Permits		
	Milwaukee- Waukesha- West Allis MSA	Mukwonago PMA	
		Number	Percent of MSA
1990	4,513	1,170	25.9
1991	2,547	509	20.0
1992	2,986	851	28.5
1993	2,725	422	15.5
1994	2,559	638	24.9
1995	2,644	493	18.6
1996	2,753	1,087	39.5
1997	3,078	1,118	36.3
1998	3,297	1,228	37.2
1999	2,973	882	29.7
2000	2,050	515	25.1
2001	2,315	310	13.4
2002	2,480	481	19.4
2003	2,528	454	18.0
2004	2,062	545	26.4
2005	2,083	484	23.2
2006	1,666	167	10.0
2007	1,184	133	11.2
2008	1,210	315	26.0
2009	552	23	4.2
2010	974	152	15.6
2011	678	216	31.9
2012	729	182	25.0
2013	674	191	28.3
2014	1,098	329	30.0
<b>Averages</b>			
1990 - 2014	2,094	516	24.6
1990 - 1999	3,008	840	27.9
2000 - 2008	1,953	378	19.4
2010 - 2014	831	214	25.8

Source: U.S. Department of Commerce, Bureau of the Census: *C-40 Construction Reports*

of this trend. In the last six years, net rental absorption in the two counties has averaged 1,032 units annually.



(1) Seasonally adjusted and annualized: First 9 Months 2015.  
 Source: Reis, Inc.

**The Local Apartment Market**

There are 26 rental apartment developments of scale, i.e. 20 units or more, in the Mukwonago PMA that have been constructed since 1990, most of which are located north/northeast of Mukwonago generally aligning the I-43 corridor leading to Milwaukee. Among these, just 57 units out of 2,887 total are currently unoccupied, translating to a vacancy rate of 2.0 percent – again reflecting *tight market conditions*. In fact, excluding the one community currently undergoing its initial absorption period, which is the 22-unit Ridge View development in Waukesha, the average vacancy rate falls to 1.9 percent. At the time of our recent survey, 12 developments were reporting occupancy levels of 100.0 percent including Meadows of Mukwonago.

At Ridge View, which, again, is the only development in the PMA currently undergoing its initial lease-up period, an average absorption rate of 4.8 units monthly is currently being achieved.

The average posted base rent level among the 26 identified developments, not including premiums, currently stands at \$1,140 monthly which includes a typical 1,087 square foot apartment. This translates to a value ratio of \$1.05 per square foot (see **Exhibit 3**). The average effective rent in the market is virtually the same as only one development is currently offer some form of incentive at this time, and on selected units only. In the past 12 months, rents have increased by 4.8 percent on average with virtually no impact on occupancy levels.

As shown in the following text table, posted base rents for individual unit types among the 26 surveyed PMA apartment communities range from an average low of \$717 monthly for studio/convertible apartments to an average high of \$1,527 for



**COMPOSITE RENTAL SUMMARY**  
**RENTAL APARTMENT COMMUNITIES CONSTRUCTED IN 1990 OR LATER**  
**MUKWONAGO PRIMARY MARKET AREA**  
**DECEMBER 2015**



Development	Municipality	Year Built	Total Units	Number Vacant	Percent Vacant (Absorption Rate in Units)	Average Unit Size (Sq. Ft.)	Average Posted Base Monthly Rent	
							\$	\$/Sq. Ft.
Fairway Meadows	Franklin	1995	50	2	4.0	815	\$883	\$1.08
Forest View	Franklin	2014	42	0	0.0	1,341	1,370	1.02
Manchester Oaks	Franklin	1991	256	10	3.9	1,076	1,181	1.10
Overlook Lakes	Greendale	2000	152	4	2.6	1,237	1,362	1.10
Falcon Glen	Greenfield	2012	164	6	3.7	1,621	1,806	1.11
Foxwood Crossing	Greenfield	1994	72	0	0.0	1,350	1,263	0.94
The Orchard	Greenfield	2009	46	3	6.5	1,534	1,567	1.02
Ravinia	Greenfield	1991	150	1	0.7	1,092	1,228	1.12
Parkside	Hales Corners	2005	120	2	1.7	1,166	1,088	0.93
Whitnall Glen	Hales Corners	1998	42	0	0.0	1,068	1,034	0.97
Meadows of Mukwonago	Mukwonago	2002	40	0	0.0	950	853	0.90
Central Pointe	New Berlin	2015	40	1	2.5	980	1,194	1.22
Highlands of New Berlin	New Berlin	1998	158	8	5.1	1,127	1,310	1.16
The Sanctuary	New Berlin	2001	182	8	4.4	1,257	1,480	1.18
Glens of Waukesha	Waukesha	2000	72	0	0.0	1,081	1,041	0.96
Kendal Hills	Waukesha	2005	120	1	0.8	1,157	1,056	0.91
Kendal Lofts	Waukesha	2013	42	0	0.0	911	1,193	1.31
The Lodge	Waukesha	2009	248	0	0.0	1,124	1,124	1.00
Main Street Plaza	Waukesha	1998	48	3	6.3	540	744	1.38
Prairieville <sup>(1)</sup>	Waukesha	2015	22	3	13.6 (4.8/Mo.)	904	1,297	1.43
Ridge View	Waukesha	2012	30	0	0.0	858	900	1.05
River's Edge	Waukesha	1993	340	5	1.5	980	1,010	1.03
Riverwalk	Waukesha	1990	136	0	0.0	941	896	0.95
Stone Creek	Waukesha	1998	138	0	0.0	1,095	1,027	0.94
Whispering Ponds	Waukesha	1999	96	0	0.0	1,065	1,004	0.94
Wildflower Place	Waukesha	2000	81	0	0.0	948	890	0.94
<b>Total/Averages:</b>	---	---	<b>2,887 /</b> <b>2,825<sup>(2)</sup></b>	<b>57 /</b> <b>54<sup>(2)</sup></b>	<b>2.0 /</b> <b>1.9<sup>(2)</sup></b>	<b>1,087</b>	<b>\$1,140</b>	<b>\$1.05</b>

<sup>(1)</sup> Community still undergoing its initial absorption period.

<sup>(2)</sup> Excludes those programs still undergoing their initial absorption period.

three bedroom offerings. Two bedroom units, which carry an average posted base rent of \$1,348, comprise over 54.0 percent of all unit types.



**POSTED RENTS BY UNIT TYPE: MUKWONAGO PMA  
 DECEMBER 2015**

Plan Type	Number of Units	Percent of Total	Average Unit Size (Sq. Ft.)	Rent Characteristics	
				Average Monthly	\$/Sq. Ft.
Studio/Convertible	77	2.7	463	\$717	\$1.55
One Bedroom	732	25.4	848	957	1.13
One Bedroom+Den	148	5.1	1,067	1,087	1.02
Two Bedroom	1,571	54.4	1,142	1,114	0.98
Two Bedroom+Den	268	9.3	1,394	1,348	0.97
Three Bedroom	91	3.2	1,418	1,527	1.08
<b>Total / Weighted Average</b>	<b>2,887</b>	<b>100.0</b>	<b>1,087</b>	<b>\$1,140</b>	<b>\$1.05</b>

Source: Tracy Cross & Associates, Inc.

The average age of an apartment community in the Mukwonago PMA, among the 26 developments built in 1990 or later, stands at 13 years. Since 2010, only six new rental communities have been constructed totaling just 340 units. These include Forest View in Franklin, Falcon Glen in Greenfield, Central Pointe in New Berlin, and Kendal Lofts, Prairieville, Ridge View in Waukesha. Among these, an average posted base rent level of \$1,492 is reflected for a residence containing 1,310 square feet of living space. This translates to a value ratio of \$1.14 per square foot, a level close to 10 percent above the average represented among the balance of PMA competitors. Excluding the 164-unit Falcon Glen community in Greenfield, which contains an average unit size above the 1,600 square foot mark, the other five newer developments carry an average posted base rent level of \$1,199 for a 1,020 square foot apartment, or \$1.18 per square foot. Five out of the six developments constructed since 2010 have reached stabilized occupancy. These five support a vacancy rate of 2.2 percent. Prairieville, a small 22-unit development in Waukesha, which is still undergoing its initial absorption period, is leasing units at a rate of 4.8 monthly.

Among the 26 selected apartment developments in the Mukwonago PMA, all but four include one enclosed garage space in their base monthly rent. Among the other four, which include Central Pointe in New Berlin and Riverwalk, Whispering Ponds and Wildflower Place in Waukesha, enclosed parking is optional at an average of \$45 per month.

The majority of apartment communities in the Mukwonago PMA feature a patio or balcony for each unit, along with an in-unit washer and dryer. In terms of community amenities, most offer fitness centers, while many of the larger communities, i.e. 100 units or more provide a swimming pool and clubroom. With the exception of water and refuse, which is part of the base monthly rent in roughly 50 percent of the developments, tenants at the 26 developments are responsible for all utilities with few exceptions.



**Future  
 Competition**

Other than the proposed Ener-Con community in Mukwonago, five other apartment developments are in the planning pipeline or under construction throughout the PMA at this time. These include 514 additional units in Mukwonago itself -- distributed between two communities; 350 units in Greenfield; 90 in Muskego and 42 in Waukesha.



**PROPOSED APARTMENT DEVELOPMENTS  
 MUKWONAGO PRIMARY MARKET AREA**

Development Name (Status)	Location	Total Units
W. Layton Ave. (Preliminary Approval)	Greenfield	350
Fountain Park (Concept Stage)	Mukwonago	410
Premier Woods (Under Construction)	Mukwonago	68
Parkland Towne Centre (Preliminary Approval)	Muskego	90
Museum Site (Preliminary Approval)	Waukesha	42
<b>Total</b>	—	<b>960</b>

Source: Tracy Cross & Associates, Inc.

In Mukwonago, the Premier Woods development, which is under construction, is located less than one-half mile south of the Horter property. As mentioned earlier, this community will consist of 104 units upon completion. As for the 410-unit Fountain Park development, this project is only in concept stage and would require an update of the Village's comprehensive plan and land use map before moving forward to another step in the approval process.

While there are no formal proposals for the construction of new rental units within the PMA municipalities of Franklin, Greendale, Hales Corners and New Berlin, the Village of Greendale mentioned that two developments were in the "early discussion" stages, although very limited information was available. There is also one development currently on hold in Franklin that could resurface near term, adding 106 additional units to the market.

**Localized  
 Demand**

In the Mukwonago PMA, new rental housing demand is expected to average 415 units annually over the next five years — if supply is made available and appropriate rent levels are maintained on a site-by-site basis. As outlined in the following text table, this demand forecast can be substantiated using accepted methodologies of expected renter household growth, coupled with market stabilization and replacement derivatives.





**ANNUAL RENTAL HOUSING DEMAND SUMMARY  
 MUKWONAGO PRIMARY MARKET AREA  
 2015 - 2020**

Attribute	Number
Expected Annual Renter Household Growth <sup>(1)</sup>	205
Annual Vacancy Requirement to Restore Balance in the Market <sup>(2)</sup>	130
Annual Replacement Demand @ 0.25 Percent of 2015's Renter Inventory <sup>(3)</sup>	80
<b>Derived Annual Demand</b>	<b>415</b>
<p><sup>(1)</sup> Determined by applying the percentage of current renter households (31.2 percent) to Nielsen Solution Center's expected number of new annual household additions between 2015 and 2020 (i.e., 406 per year).</p> <p><sup>(2)</sup> Represents the difference (in units) between a normal 5.0 percent vacancy rate and the current 3.1 percent vacancy factor among all asset classifications of apartment developments in Milwaukee and Waukesha counties, then applied to all renter households in the Mukwonago PMA and annualized over the five-year forecast period.</p> <p><sup>(3)</sup> Represents a typical replacement percentage for relatively mature residential areas.</p>	

Sources: U.S. Census Bureau; Nielsen Solution Center; and Tracy Cross & Associates, Inc.

The 415-unit annual demand forecast compares with the 516 multi-family permits authorized yearly during the 1990-2014 period, which included both rental apartments and some condominium forms. It also compares with the 315 renter household additions recorded annually during the 2000-2010 period.

With just 960 apartment units formally in the PMA's planning pipeline or under construction at this time, it is possible that demand could exceed supply over the next five years.

**A BENCHMARK RENTAL RATE STRATEGY**

As detailed in the previous sections, the market potential for developing new construction rental units within the Horter property is viewed as favorable given the tightness of the current apartment market, adequate demographic and demand support, the lack of new rental development within Mukwonago during the last 15 years, and the number of positive attributes associated with the site's location. However, with Mukwonago situated in the far southwest portion of the PMA, farthest removed from major concentrations of employment than any of the other areas comprising the market area, and with a new apartment community already under construction just minutes from the site, the Horter development will need to be strategically positioned in terms of rents in order to attain what one would view as an acceptable absorption rate. To this end, **Exhibit 4** provides specific guidelines regarding current dollar benchmark rent levels viewed as appropriate for market entry.

At benchmark *base* rents, i.e. the second residential floor, which includes corner unit premiums, the average unit would support a *current dollar* monthly lease rate of \$1,547 for a residence containing 1,351 square feet of livable area. This translates to a value ratio of \$1.15 per square foot. Including premium estimates for floor and terraces, but not including potential view premiums, the average unit will support a rent level closer to \$1,567 per month, equal to a value ratio of \$1.16 per square foot. Please note that these rent





**BENCHMARK RENTAL RATE STRATEGY  
HORTER PROPERTY APARTMENTS  
MUKWONAGO, WISCONSIN**

**Product Line Summary**

<b>Product Form:</b>	<b>Three Residential Floors Over Structured "Podium" Parking (Elevator Building)</b>
<b>Total Units:</b>	<b>120 (Four 30-Unit Buildings)</b>
<b>Enclosed Parking:</b>	<b>216 (54 Per Building)</b>
<b>Average Plan Size (Sq. Ft.):</b>	<b>1,351</b>
<b>Average Benchmark Monthly Rent at Base:<sup>(1)</sup> Per Sq. Ft.:<sup>(1)</sup></b>	<b>\$1,547 \$1.15</b>
<b>Average Benchmark Monthly Rent:<sup>(2)</sup> Per Sq. Ft.:<sup>(2)</sup></b>	<b>\$1,567 \$1.16</b>
<b>Average Monthly Absorption (In Units):</b>	<b>4.5</b>
<b>Months to Reach Stabilized Occupancy of 95%:</b>	<b>25.2</b>



**Plan Detail**

Plan Designation	A	B	C	D (End)	E	E (End)
Number of Units	12	12	36	36	12	12
Per Floor In Each Building	1	1	3	3	1	1
Per Building	3	3	9	9	3	3
Percent Distribution	10.0	10.0	30.0	30.0	10.0	10.0
Plan Type	1BR	1BR Den	2BR	2BR	2BR Den	2BR Den
Bedroom/Bath Mix	1/1.5	1+Den/1.5	2/2.0	2/2.0	2+Den/2.0	2+Den/2.0
Unit Size (Sq. Ft.)	980	1,130	1,391	1,435	1,460	1,460
Average Benchmark Rent Per Floor						
3rd Residential Floor	\$1,205	\$1,345	\$1,580	\$1,650	\$1,650	\$1,675
2nd Residential Floor <sup>(1)</sup>	\$1,195	\$1,335	\$1,570	\$1,640	\$1,640	\$1,665
1st Residential Floor (Terrace Units)	\$1,245	\$1,385	\$1,620	\$1,690	\$1,690	\$1,715

**Features and Amenities**

**UNIT STANDARDS**

- Painted Trim
- Luxury Vinyl Plank Flooring in Living Areas
- "White" Interior Paint Finish
- Direct Wire Smoke Detectors
- Cable/Satellite Access
- Telephone Access
- High-Speed Internet Connectivity
- Air Conditioning
- Designer Door Hardware
- Designer Lighting Package
- Private Balcony/Patio
- Ceiling Fans

**CLOSETS, UTILITIES, AND STORAGE**

- Walk-In MBR Closet (Per Plan)
- Laminate Closet Shelving
- Full Size Washer/Dryer (Side-by-Side)
- Storage Area (Either In-Unit or Separate)
- Linen Closet(s)
- Programmable Thermostat

**KITCHEN FEATURES**

- Upgraded Wood Cabinetry
- Luxury Vinyl Plank Flooring
- Four Burner Gas or Electric Cooktop
- Self Clean Single Oven
- Built-In Dishwasher
- Refrigerator with Ice-Maker
- Garbage Disposal
- Microwave with Vent
- Granite/Quartz Countertops
- Double Bowl Stainless Steel Sink

**BUILDING/COMMUNITY FEATURES**

- Architecturally-enhanced Exteriors
- Secured Access Entry Per Building
- Functional Clubhouse and Community Room with Catering Kitchen
- Fitness Center in Clubhouse
- Leasing Center in Clubhouse
- Outdoor Fireside Lounge
- Outdoor Grilling Stations
- One Garage Space Included in Rent; Additional Spaces Leased Separately at \$70 Per Space

**BATH/POWDER ROOM STANDARDS**

- Ceramic Flooring
- Granite/Quartz Vanity Tops
- Upgraded Wood Cabinetry
- Ceramic Tub/Shower Surround
- Framed Glass Mirror Over Vanity

<sup>(1)</sup> Benchmark base monthly rents (2nd Residential Floor), which are presented in current dollars, include one enclosed garage space per unit and corner-unit premiums, but do not include premiums for floor, view or terrace units; nor do they include ala carte services or extra enclosed parking.

<sup>(2)</sup> Average benchmark monthly rents, which are presented in current dollars, include one enclosed garage space per unit, along with floor, terrace and corner-unit premiums, but do not include potential view premiums, nor do they include ala carte services or extra enclosed parking.

figures include one enclosed parking space per unit. However, they do not include other income-generating services that the tenant would be responsible for such as additional enclosed parking spaces, application and administrative fees, pet fees, storage space rental, or other landlord-provided services.

Please also keep in mind that because only one of the competitive apartment communities reported any type of incentive at the time of our survey, we are not suggesting any concessions at this time. However, Ener-Con should always be prepared to offer a temporary incentive (i.e., one month free rent on a 13-month lease) as the market dictates.

Also provided in Exhibit 4 are details regarding unit features and community amenities. This outline incorporates items proposed by Ener-Con, as well as other features/amenities considered appropriate based upon comparable new construction apartment alternatives in the Mukwonago PMA and elsewhere throughout suburban Milwaukee.

At benchmark rents, the Horter community would achieve an average absorption rate of 4.5 units per month during its lease-up period, reaching stabilized occupancy of 95.0 percent in approximately 24 months. Please keep in mind that absorption will be higher, say 5.5 units monthly, during the first 12 months of occupancies, before dropping to a rate of 4.0 units monthly once the initial wave of turnover begins.

## SUPPORTIVE RATIONALE

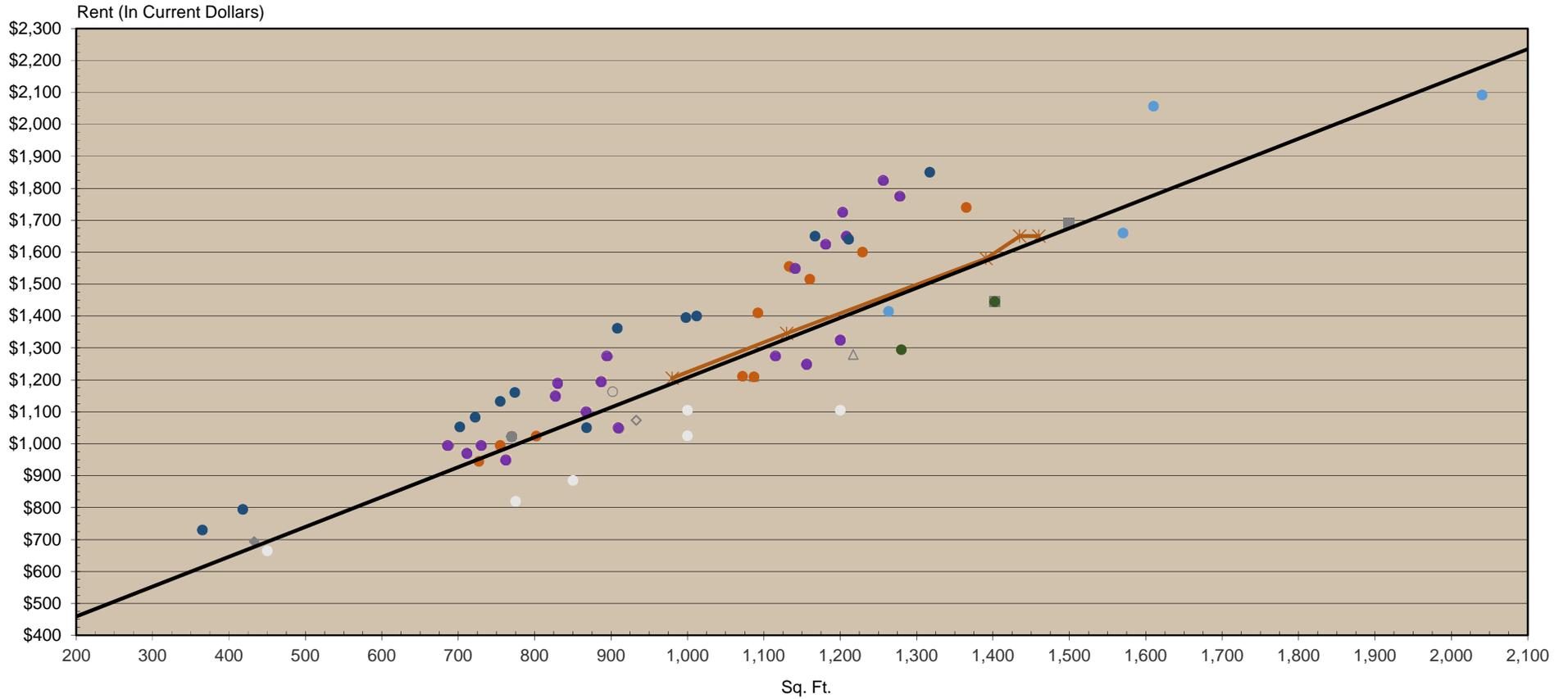
Rationale supporting the suggested rental rate strategy and forecasted rate of absorption is provided below:

- ❑ As depicted in **Exhibits 5 and 6**, benchmark *base* rents provided for the proposed apartment community (the second residential floor) will position the development *near the market average* when cast against the six newest apartment competitors in the PMA, all of which have been constructed since 2010. This value position is justified as the farther-out location of Mukwonago (relative to major concentrations of employment) will be offset by the community's higher *overall* level of features/finishes/amenities. For example, only two-thirds of the newest apartment communities in the PMA carry granite or quartz countertops and stainless steel appliances. Also, two of the communities offer no amenities, while another two only feature a fitness center. Among these six newest developments in the PMA, five have reached stabilized occupancy and currently maintain a tight vacancy rate of 2.2 percent. The other, Prairieville in Waukesha, is currently undergoing its initial lease-up period and is absorbing units at a rate of 4.8 per month. This compares with our forecast of 4.5 units monthly.
- ❑ With an average unit size of 1,351 square feet, and with 80 percent of its units consisting of two bedroom or two bedroom den alternatives, the proposed condominium-style apartments for the Horter site will deviate from the market norm given its heavier weighting toward larger units. However, one only has to look at success of several communities in the PMA that have taken a similar approach to support this initiative. For example, at Falcon Glen in Greenfield, which consists of *all two bedroom units* in the upper footage bands, these larger units have been well received with 158 out of the 164 total units currently occupied. Moreover, Falcon Glen's most recent phase of 72 units, which began leasing in December 2014, achieved stabilized occupancy by the end of November 2015, equal to an absorption rate of 5.5 units monthly. Again, this compares with our forecast of 4.5 units per month. With Falcon Glen supporting an average posted base rent level of \$1,806 monthly for an apartment containing 1,621 square feet of living space, the benchmark average for the Horter site will place the community roughly the same for comparable footage. While Falcon Glen is located some ten miles to the northeast, closer to Milwaukee, it offers a lower grade of unit features than that expected within the Horter development, i.e. laminate countertops and black-on-black base level appliances.





Rent/Value Analysis  
Selected New Construction Apartment Communities  
Mukwonago Primary Market Area  
December 2015



Program (Vacancy/Absorption)

◆ Studio	● One Bedroom Flat	○ One Bedroom+Den Flat	■ Two Bedroom Flat	□ Two Bedroom+Den Flat	▲ Three Bedroom Flat
◇ One Bedroom Loft	△ Two Bedroom Loft	● Forest View (0.0)	● Falcon Glen (3.7)	● Central Pointe (2.5)	● Kendal Lofts (0.0)
● Prairieville (4.8/Mo.)	● Ridge View (0.0)	—*— Horter Apartments	— Market Line		

Rent/value analysis uses a scatter diagram to graphically represent a set of observations found in today's marketplace, specifically the square footage of units offered and their associated rent levels. Regression analysis is then used to fit a line through the set of market observations that represent the "best fit" or average market line. This market line can then be used to predict the performance of a new, untested product line or offer explanations regarding the occupancy/absorption rates of currently available product lines.



CONFIDENTIAL DRAFT FOR DISCUSSION

Rent/Value Analysis  
 Selected New Construction Apartment Communities  
 Mukwonago Primary Market Area  
 December 2015

Plan Size (Sq. Ft.)	Average Market Rent	Program/Location	Year Built/ Renovated	Total Units	Average Plan Size (Sq. Ft.)	Average Posted Rent		Average Market Rent	Variance From Market	Vacancy Rate/ (Monthly Absorption)
						Dollars	Rent per Sq. Ft.			
200	\$454	Prairieville/Waukesha	2015	22	904	\$1,297	\$1.43	\$1,116	\$+181	(4.8/Mo.)
400	642	Kendal Lofts/Waukesha	2013	42	911	1,193	1.31	1,122	+71	0.0
500	736	<sup>(1)</sup> Central Pointe/New Berlin	2015	40	980	1,244	1.27	1,187	+57	2.5
600	830	Falcon Glen/Greenfield	2011-15	164	1,621	1,806	1.11	1,790	+16	3.7
300	548	<b>Horter Apartments/Mukwonago</b>	---	<b>120</b>	<b>1,351</b>	<b>1,547</b>	<b>1.15</b>	<b>1,536</b>	<b>+11</b>	---
700	924									
800	1,018	--- Market ---	<b>2013</b>	<b>340 / 57</b>	<b>1,308</b>	<b>1,495</b>	<b>1.14</b>	<b>1,495</b>	<b>0</b>	<b>2.2 / (4.8/Mo.)</b>
900	1,112									
1,000	1,206	Forest View/Franklin	2014	42	1,341	1,370	1.02	1,526	-156	0.0
1,100	1,300	Ridge View/Waukesha	2012	30	858	900	1.05	1,072	-172	0.0
1,200	1,394									
1,300	1,488									
1,400	1,582									
1,500	1,676									
1,600	1,770									
1,700	1,864									
1,800	1,958									
1,900	2,052									
2,000	2,146									
2,100	2,240									

Slope: \$0.94 per sq. ft.

<sup>(1)</sup> Posted rent adjusted to compensate for optional incremental parking fee; utilized for analytical purposes only.

- ❑ At Forest View in Franklin, which, too, supports a high concentration of two bedroom units and an average unit size above 1,300 square feet. Specifically, this 42-unit development, which was constructed in 2014, is currently 100 percent occupied. During its original lease-up period, Forest View achieved an average absorption rate of 3.4 units monthly, which compares with the 4.5 monthly forecast for the larger Horter property development.
  - ❑ While not constructed recently, The Sanctuary in New Berlin, lends further support to the proposed development's unit mix and benchmark rental rate structure. With a similar 80/20 split between its larger two/three bedroom apartments and its one bedroom offerings, and a range of unit sizes from 910 to 1,442 square feet of living space, this community is virtually identical to the proposed development in terms of overall mix and unit size continuum. In addition, The Sanctuary currently carries an average base rent level of \$1,480 per month for a residence containing 1,257 square feet, which places it virtually the same as the Horter community on a monthly payment basis for comparable footage. While The Sanctuary was constructed 15 years ago, its closer-in location to Milwaukee, again, offsets the element of new construction within the Horter community, hence the similar rent/value position.
  - ❑ Locally, the proposed development, at benchmark, will support a base rent level some \$320 per month higher than, say, a comparably sized unit at Meadows of Mukwonago constructed in 2002. This value differential is fully supported considering the subject property's in-town location aligning Lower Phantom Lake, together with the proposed community's higher level of features, finishes and amenities including enclosed structured parking internal to each building.
  - ❑ Located approximately 12 miles north of the subject property along Route 83, just outside the PMA, is a new rental community, Lincolnshire Place, in Waukesha County's community of Wales. Similar to Mukwonago, Wales is a third ring suburb of Milwaukee situated 35 minutes from downtown employment sources. This 100-unit development, which includes one enclosed garage space in the monthly rent of each apartment, carries an average base lease rate of \$1,226 per month for residence containing 1,057 square feet of living space. This translates to a value ratio of \$1.16 per square foot, a rate similar to the benchmark base average represented for the Horter property. Lincolnshire Place is currently absorbing units at an average pace of 4.5 units monthly, which compares with our forecast of 4.5 units per month.
- 
- ❑ In East Troy, which is also located outside of the PMA, but further removed from Milwaukee, garden-style apartments constructed roughly 10 years ago, without garages, generally support rent levels hovering near the \$1.00 per-square-foot mark. Benchmark rents for the Horter community will position the development 15.0 percent higher than these East Troy competitive counterparts, a level viewed as appropriate considering the locational and product advantages of the Ener-Con community.
  - ❑ The proposed development's lean toward larger unit sizes, which will likely result in an older household profile, i.e. between the ages of 55 and 64, can also be supported by "like" development strategies elsewhere in the Milwaukee region. In Whitefish Bay, for instance, Mandel Group recently introduced Beaumont Place, an 83-unit apartment community with a high level of standard features and finishes. This development, which contains a 24 percent representation of one bedroom and one bedroom den units and a 76 percent distribution of two bedroom, two bedroom den and three bedroom apartments, is 100 percent occupied. Beaumont Place, which has attracted a heavy concentration of empty-nester households from the North Shore area of Milwaukee, supports an average base rent level of \$2,206 for a residence containing 1,403 square feet of



livable area. This translates to a value ratio of \$1.57 per square foot, a result of the higher incomes in the Whitefish Bay area and along suburban Milwaukee's North Shore.

- Finally, with roughly 30,000 renter households currently represented in the Mukwonago PMA, 9,000 will move on an annual basis, i.e. a typical 30 percent turnover rate. Of these "movers," an estimated 50 percent will remain as renters in the local market representing approximately 4,500 households. As a result, the subject community will have a significant pool of prospective tenants based solely upon existing household composition. Combining this pool of existing renters with expected new renter households in the PMA, the projected absorption rate of 4.5 units per month, or 54 annually, represents just 1.1 percent of the market's annual rental demand and turnover potentials – a capture rate viewed as reasonable and highly realistic, especially considering there are close to 1,000 renter households in Mukwonago itself and no new apartment product to choose from at the present time.

**ALTERNATIVE RENT/ABSORPTION SCENARIOS**

Please note that benchmark rents were carefully established to provide for a competitive position in the marketplace based upon the proposed product line, and to achieve what one would view as an acceptable absorption rate. As these lease rates may differ from Ener-Con's financial objectives, the following table presents varying rent options, along with attendant absorption potentials, designed to enable financial modeling and aid in the ultimate positioning of the community.



**ALTERNATIVE LEASE RATE/ABSORPTION SCENARIOS (120 TOTAL UNITS)  
 HORTER PROPERTY APARTMENTS: MUKWONAGO, WISCONSIN**

Average Benchmark Monthly Rent @ 1,351 Sq. Ft. <sup>(1)</sup>		Variance From Benchmark Rents	Anticipated Monthly Absorption (In Units) @ Variance From Benchmark		Months to Stabilized Occupancy @ 95%	Average Monthly Absorption Rate
\$	\$/Sq. Ft.		1st 12 Months <sup>(2)</sup>	Thereafter		
\$1,667	\$1.23	+\$100	3.7	2.6	38.8	2.9
1,642	1.22	+75	4.1	2.9	34.3	3.3
1,617	1.20	+50	4.5	3.1	31.4	3.6
1,592	1.18	+25	5.0	3.5	27.4	4.2
<b>1,567</b>	<b>1.16</b>	<b>Benchmark</b>	<b>5.5</b>	<b>3.8</b>	<b>25.2</b>	<b>4.5</b>
1,542	1.14	-25	6.0	4.2	22.0	5.2
1,517	1.12	-50	6.5	4.6	19.8	5.8
1,492	1.10	-75	7.1	5.0	17.8	6.4
1,467	1.09	-100	7.8	5.5	15.7	7.3

<sup>(1)</sup> Average monthly rents, which are presented in current dollars, include one enclosed garage space per unit, along with estimates for floor, corner-unit and terrace premiums, but do not include potential premiums for enhanced views; nor do they include additional enclosed parking or other potential landlord-related services.

<sup>(2)</sup> Assumes 12 months of leasing/occupancies before turnover occurs. Pre-leasing efforts, which can start several months prior to initial occupancies, are factored into this forecast.

Source: Tracy Cross & Associates, Inc.



In reviewing the previous table, the Village of Mukwonago and Ener-Con are cautioned about moving rents higher than the *variance parameters* established. The reason – levels of competition will certainly increase near term, both locally and to the north/northeast, and lease rates significantly higher than the alternatives outlined above could have a profound impact on absorption and/or occupancy.





A1

CONFIDENTIAL DRAFT FOR DISCUSSION  
**INCLUSIONS/AMENITIES: SELECTED APARTMENT DEVELOPMENTS**  
**MUKWONAGO PRIMARY MARKET AREA**

Development	Total Units	Inclusions/Amenities								
		In-Unit Washer/Dryer	Fireplace	Patio/Balcony	Fitness Center	Clubroom	Swimming Pool	Grill Area	Business Center	Internet Café
Fairway Meadows	50	NA	NA	Incl	NA	NA	NA	NA	NA	NA
Forest View	42	Incl	NA	Incl	NA	NA	NA	NA	NA	NA
Manchester Oaks	256	Incl	Incl	Incl	Incl	Incl	Outdoor	NA	NA	NA
Overlook Lakes	152	Incl	Incl	Incl	NA	NA	Outdoor	NA	NA	NA
Falcon Glen	164	Incl	Incl	NA	Incl	Incl	Outdoor	NA	NA	NA
Foxwood Crossing	72	Incl	NA	Incl	NA	NA	NA	NA	NA	NA
The Orchard	46	Incl	Incl	Incl	NA	NA	NA	NA	NA	NA
Ravinia	150	Incl	NA	Incl	Incl	NA	Outdoor	NA	NA	NA
Parkside	120	Incl	NA	Incl	NA	NA	Outdoor	NA	NA	NA
Whitnall Glen	42	Incl	NA	Incl	NA	NA	Outdoor	NA	NA	NA
Meadows of Mukwonago	40	Incl	NA	Incl	NA	NA	NA	NA	NA	NA
Central Pointe	40	Incl	NA	Incl	Incl	Incl	Outdoor	Incl	NA	Incl
Highlands of New Berlin	158	Incl	Opt	Incl	Incl	Incl	Outdoor	Incl	NA	NA
The Sanctuary	182	Incl	Incl	Incl	Incl	Incl	Outdoor	NA	Incl	NA
Glens of Waukesha	72	Incl	NA	Incl	NA	NA	NA	NA	NA	NA
Kendal Hills	120	Incl	NA	Incl	Incl	Incl	Outdoor	NA	NA	NA
Kendal Lofts	42	Incl	NA	Incl	Incl	NA	NA	NA	NA	NA
The Lodge	248	Incl	NA	Some	Incl	Incl	NA	NA	NA	NA
Main Street Plaza	48	NA	NA	NA	Incl	NA	NA	NA	NA	NA
Prairieville	22	Incl	NA	Some	NA	NA	NA	NA	NA	NA
Ridge View	30	Incl	NA	Incl	Incl	NA	NA	NA	NA	NA
River's Edge	340	Opt	NA	Incl	Incl	Incl	NA	NA	NA	NA
Riverwalk	136	NA	NA	Incl	NA	Incl	NA	NA	NA	NA
Stone Creek	138	Incl	Incl	Incl	Incl	Incl	Outdoor	NA	NA	NA
Whispering Ponds	96	Incl	NA	Incl	NA	NA	NA	NA	NA	NA
Wildflower Place	81	NA	NA	Incl	NA	NA	NA	NA	NA	NA

Source: Tracy Cross &amp; Associates, Inc.



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CONFIDENTIAL DRAFT FOR DISCUSSION  
PARKING & UTILITIES: SELECTED APARTMENT DEVELOPMENTS  
MUKWONAGO PRIMARY MARKET AREA

Development	Total Units	One Enclosed Garage Space	Utilities		
			Electric	Gas	Water
Fairway Meadows	50	Incl	Tenant Pays	Tenant Pays	Incl
Forest View	42	Incl	Tenant Pays	Tenant Pays	Tenant Pays
Manchester Oaks	256	Incl	Tenant Pays	Tenant Pays	Tenant Pays
Overlook Lakes	152	Incl	Tenant Pays	Tenant Pays	Incl
Falcon Glen	164	Incl	Tenant Pays	Tenant Pays	Incl
Foxwood Crossing	72	Incl	Tenant Pays	Tenant Pays	Tenant Pays
The Orchard	46	Incl	Tenant Pays	Tenant Pays	Tenant Pays
Ravinia	150	Incl	Tenant Pays	Tenant Pays	Tenant Pays
Parkside	120	Incl	Tenant Pays	Tenant Pays	Tenant Pays
Whitnall Glen	42	Incl	Tenant Pays	Tenant Pays	Incl
Meadows of Mukwonago	40	Incl	Tenant Pays	Tenant Pays	Incl
Central Pointe	40	\$45/Mo.	Tenant Pays	Tenant Pays	Incl
Highlands of New Berlin	158	Incl	Tenant Pays	Tenant Pays	Incl
The Sanctuary	182	Incl	Tenant Pays	Tenant Pays	Tenant Pays
Glens of Waukesha	72	Incl	Tenant Pays	Tenant Pays	Incl
Kendal Hills	120	Incl	Tenant Pays	Tenant Pays	Incl
Kendal Lofts	42	Incl	Tenant Pays	Tenant Pays	Tenant Pays
The Lodge	248	Incl	Tenant Pays	Tenant Pays	Incl
Main Street Plaza	48	Incl	Tenant Pays	Incl	Incl
Prairieville	22	Incl	Tenant Pays	Tenant Pays	Incl
Ridge View	30	Incl	Tenant Pays	Tenant Pays	Incl
River's Edge	340	Incl	Tenant Pays	Incl	Incl
Riverwalk	136	\$35/Mo.	Tenant Pays	Tenant Pays	Incl
Stone Creek	138	Incl	Tenant Pays	Tenant Pays	Tenant Pays
Whispering Ponds	96	\$50/Mo.	Tenant Pays	Tenant Pays	Incl
Wildflower Place	81	\$40/Mo.	Tenant Pays	Tenant Pays	Tenant Pays

Source: Tracy Cross & Associates, Inc.