

Aspirational Competitive Value

Sketchbook



Community Vibrancy “Floats” on Sea of Capital

- **Red-Lining and Access to Capital**
 - Starved specific neighborhoods of capital that would keep them vibrant
- **Two-fold Results**
 - Depressed prices of assets that might attempt to trade
 - Decreased the number of transactions and total economic volume
- **Outcomes**
 - Inactive markets & illiquidity of assets
 - Depressed economic volumes
 - Difficult to determine safety of capital recovery
 - Difficult to justify new investments/construction/renovation
 - Inability to sustain neighborhood vibrancy

The Appraisal Component

- Appraisers are part of the current loan underwriting paradigm
 - They are the “boots on the ground” observing current physical/pricing conditions
 - Those prices become part of an LTV formula
 - LTV becomes a major component of borrower/collateral underwriting for loan approval
- Appraising & Inactive Markets
 - Inactive markets have fewer transactions to form a reliable opinion
 - Appraisers face risks when venturing outside traditional appraisal constraints often established by GSEs or the AMC's that interpret those guidelines
- Appraisers are being criticized for simply reporting the facts caused by structural problems in the market that are legacy conditions

Going Forward

- Past structural problems can't be undone
- The need for a new approach in reactivating systemically disadvantaged areas
- New perspective on valuation methods & techniques may be helpful
- Options
 - Cost Approach
 - AVMs
 - Other alternatives

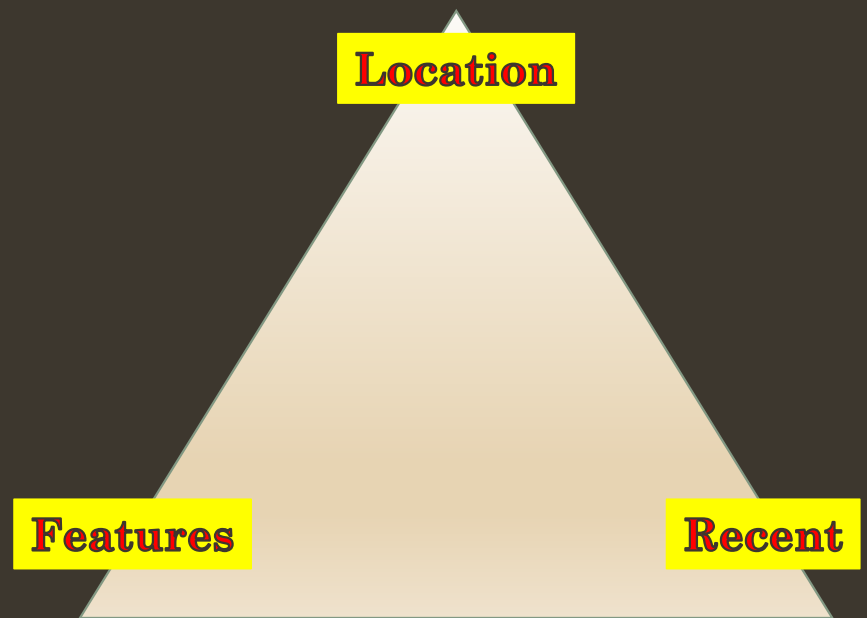
Markets Not Well Served

- Industrialized housing model
 - FICO score driven – captures the fat part of bell curve (typically suburban)
 - LTV models – favor to most active neighborhoods (typically suburban)
 - Collateral underwriting rules – geared to most active market areas (typically suburban)
- Creates problems
 - Structurally/systemically
 - Inactive & disadvantaged neighborhoods
- Homeowners in disadvantaged areas have dreams too
 - Home purchase,
 - Purchase/rehab,
 - Rehab
- IS THERE AN ALTERNATIVE TO STANDARD INDUSTRIAL FINANCE?

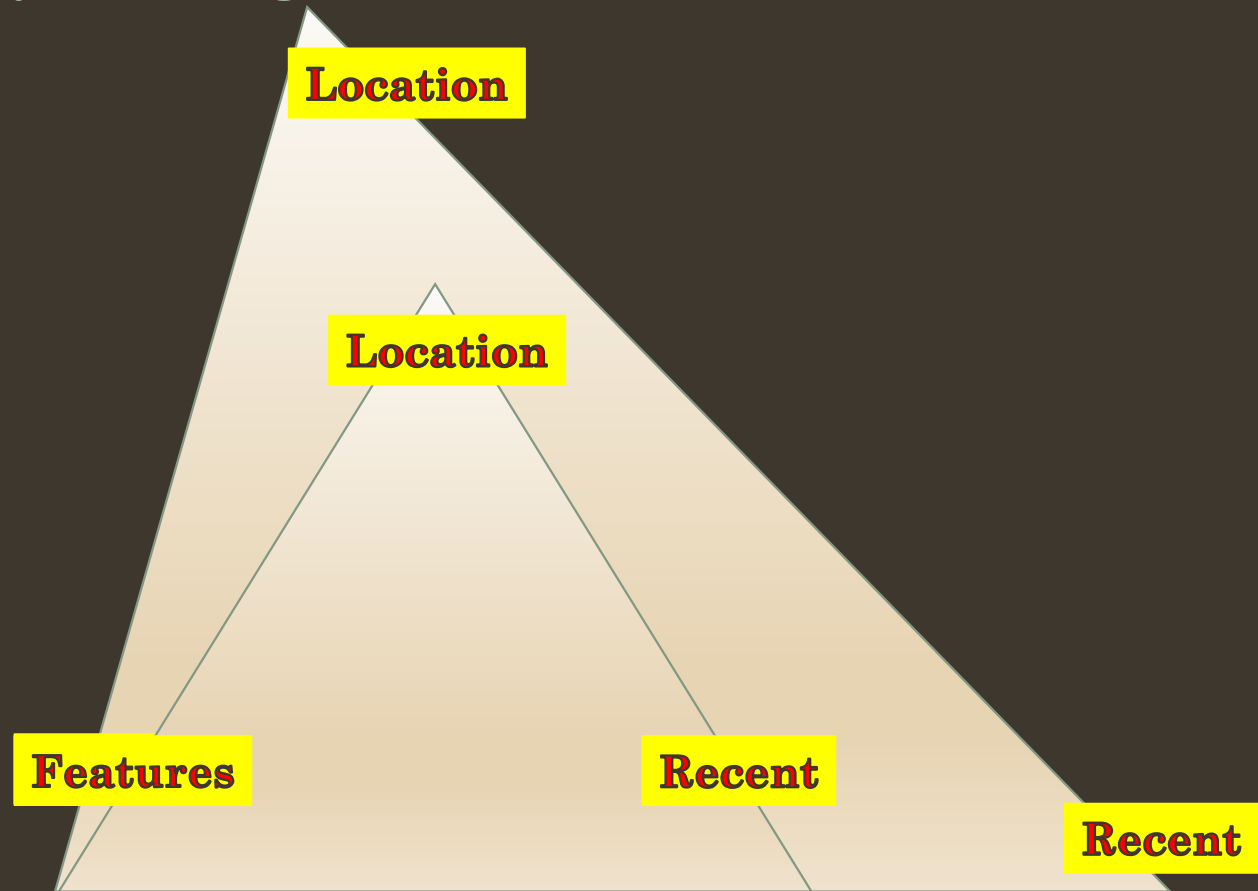
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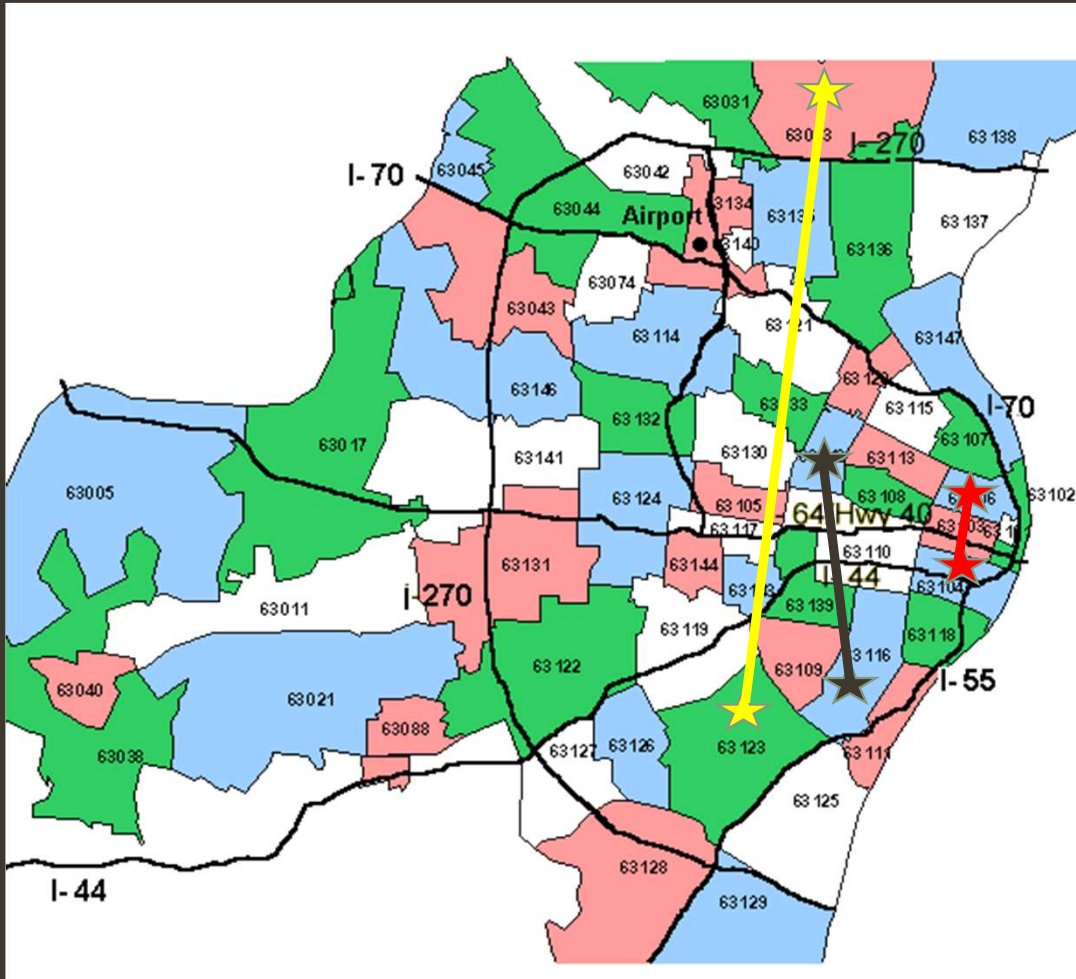
- Risk Capital wants to be deployed
- Needs a paradigm shift to assist
- Wants the today's truth + tomorrow's promise
- ACV can provide both
- Appraisers are best positioned to provide
- Current technologies can be leveraged

Comparability Triangle

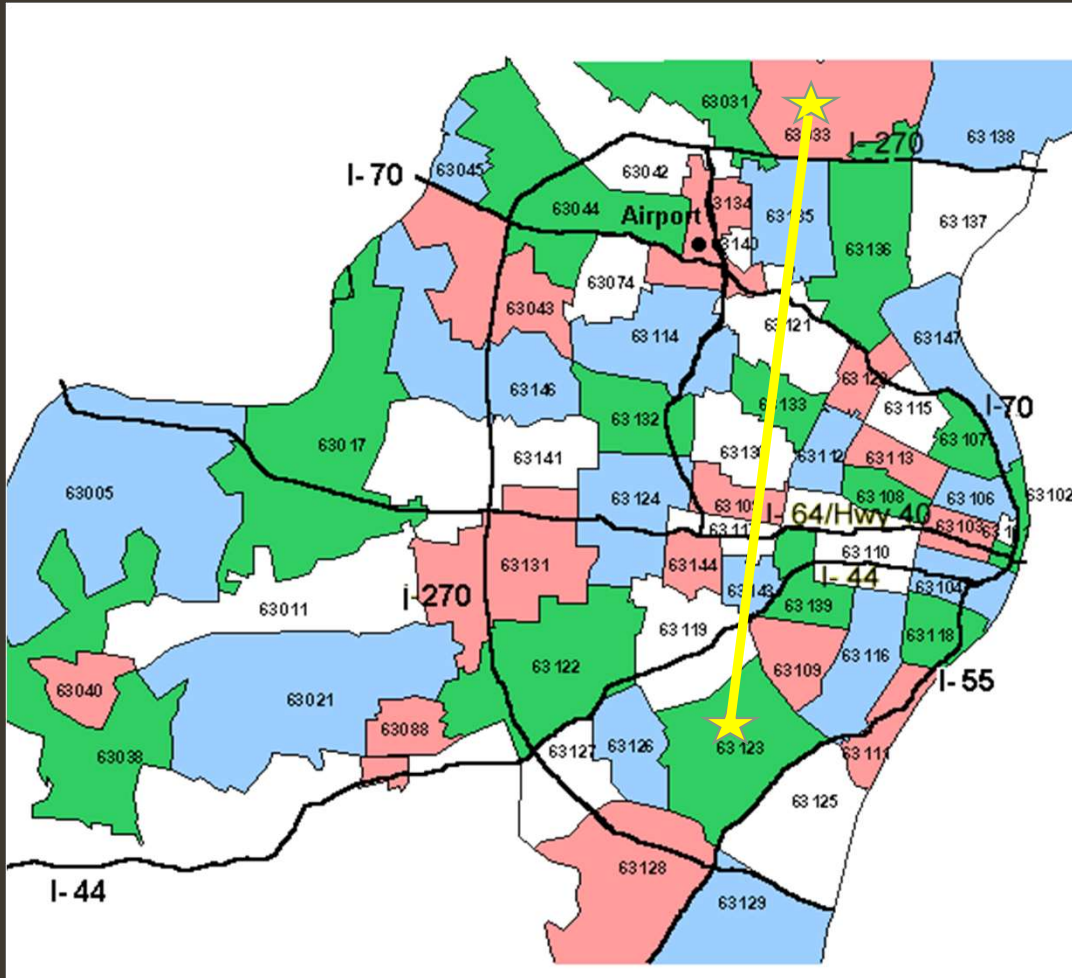


Comparability Triangle





Proxy
Neighborhoods?

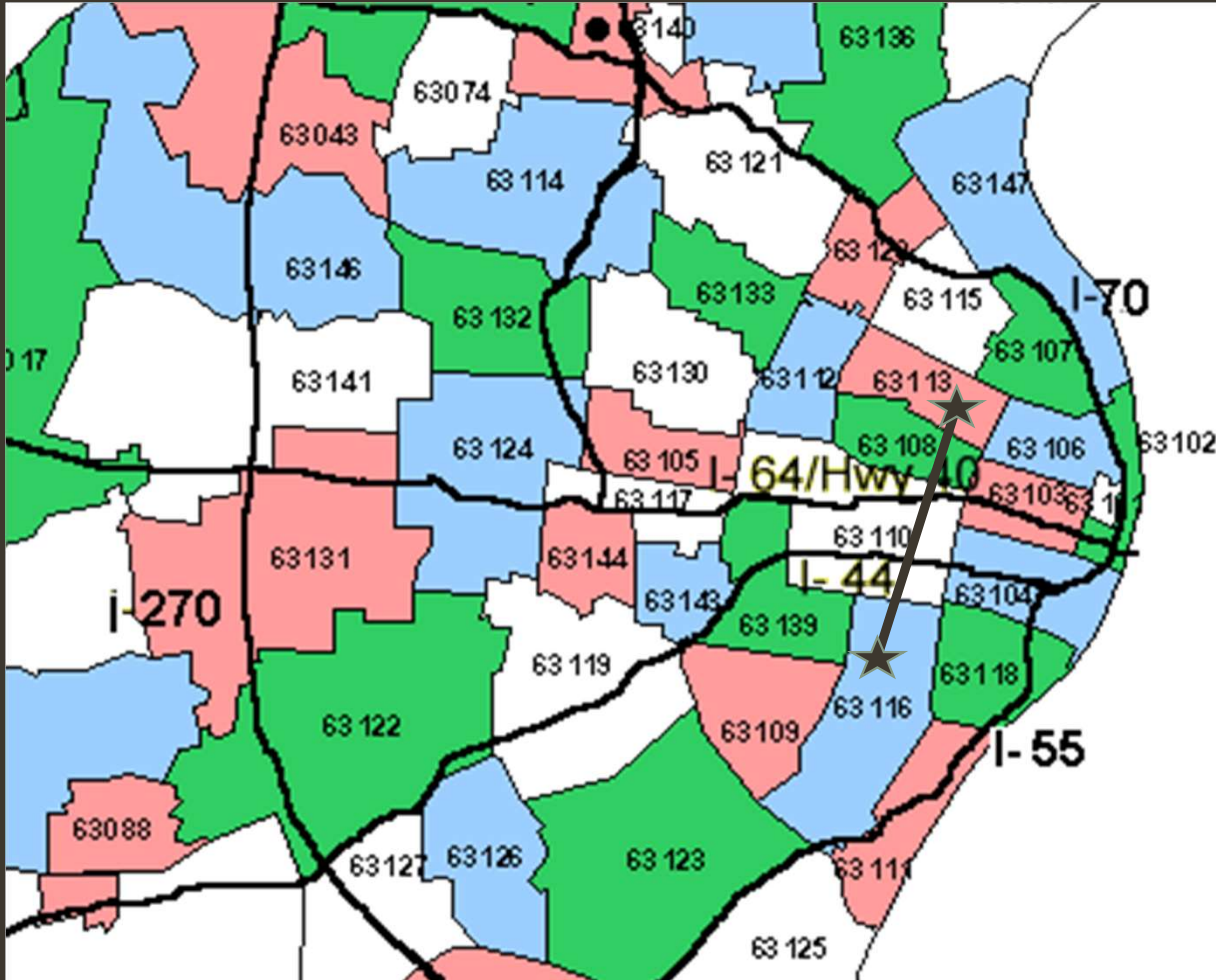


63033 v 63123

Last 12 months:

63033 – 522 sales
 \$149.5M avg sale
 1,462 sf GLA

63123 -- 849 sales
 \$199M avg sale
 1,233 sf GLA

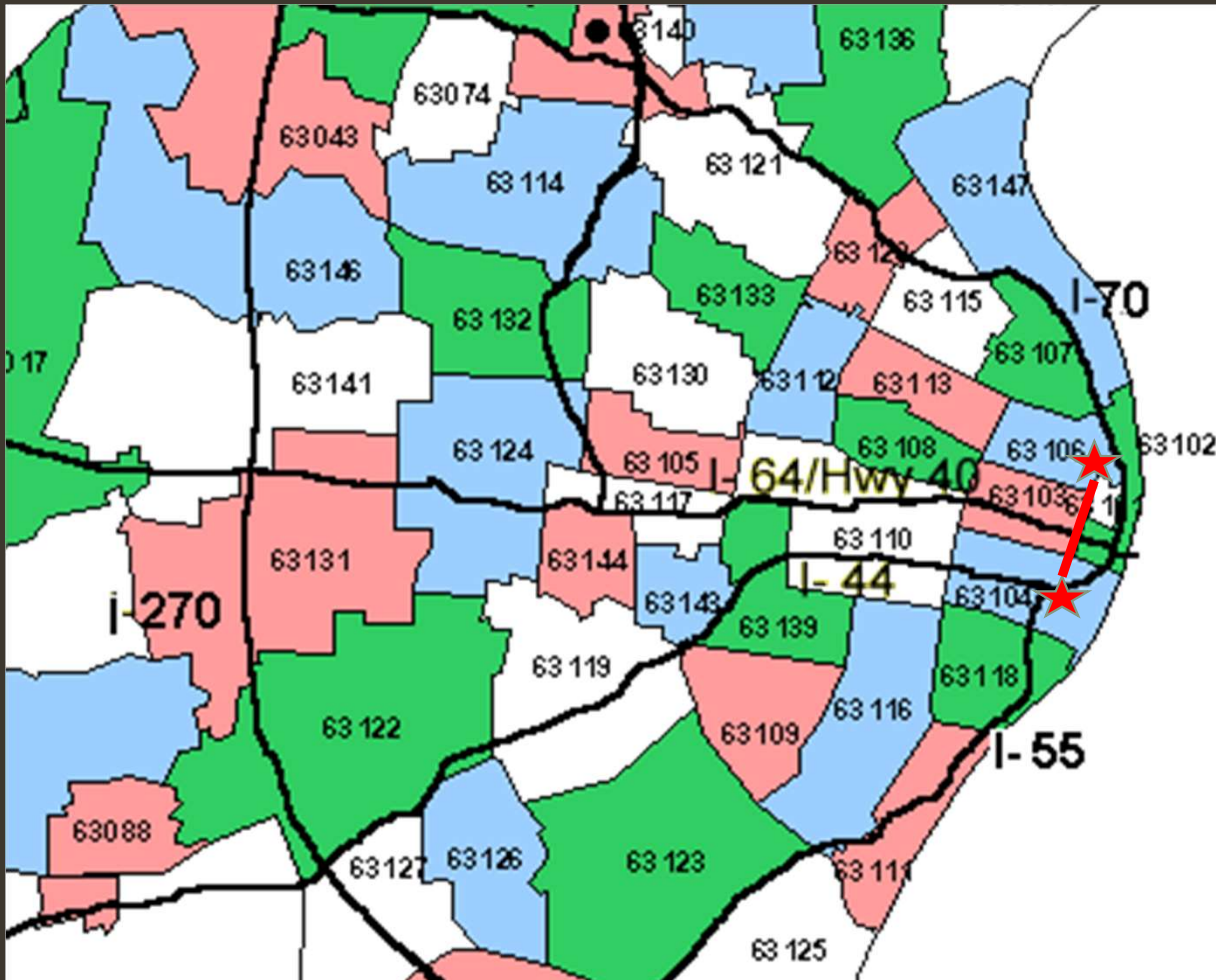


63113 v 63116

Last 12 months:

63113 – 46 sales
 \$64M avg sale
 1,768 sf GLA

63116 -- 892 sales
 \$180M avg sale
 1,287 sf GLA



63106 v 63104

Last 12 months:

63106 – 5 sales

\$132M avg sale

1,611 sf GLA

63104 -- 329 sales

\$331M avg sale

2,340 sf GLA