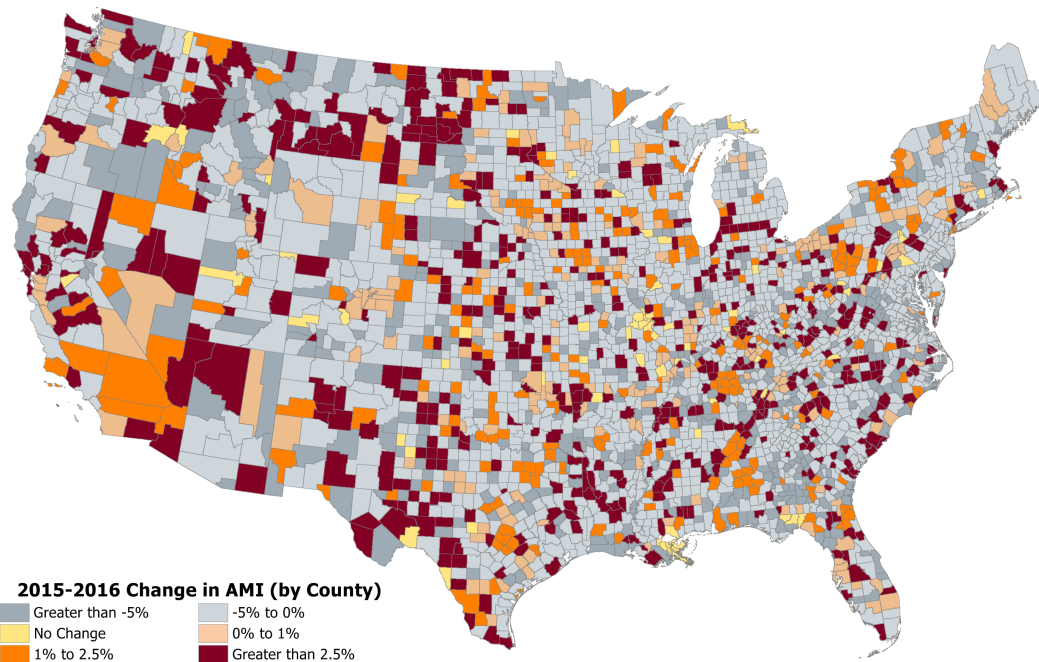


2016 Area Median Incomes are Down In a Majority of Counties

AMI Change Stats



More than 64% of all counties in the United States experienced no change or AMI decline between 2015 and 2016.

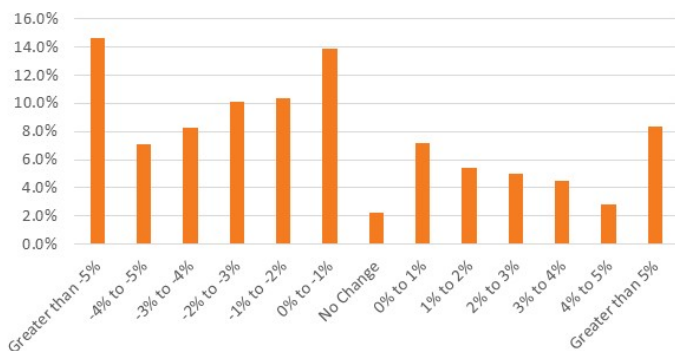
On a county-by-county basis, the median change in AMI was -1.1% in 2016.

More than 79% of all counties experienced less than 2% increase in AMI, the typical revenue inflation rate assumed

Every county in Rhode Island, Delaware and the District of Columbia reported AMI decreases between 2015 and 2016.

We were surprised at the number of counties that reported decreases in AMI in 2016, particularly given the increases to minimum wages in some markets, and the publicized nationwide increases among some of the country's largest employers like Walmart. Looking at what appears to be a bleak map above, it's important to have historical perspective. The recent recession years aside, the nominal US household income has generally steadily increased over the last 15 years. While individual properties with rents at Section 42 maximums that rely on year to year increases in AMI may feel the pinch in the near term, it has been our experience that in most markets, a 2% annual average increase in rents is a reasonable assumption.

Distribution of AMI Change - 2015 to 2016

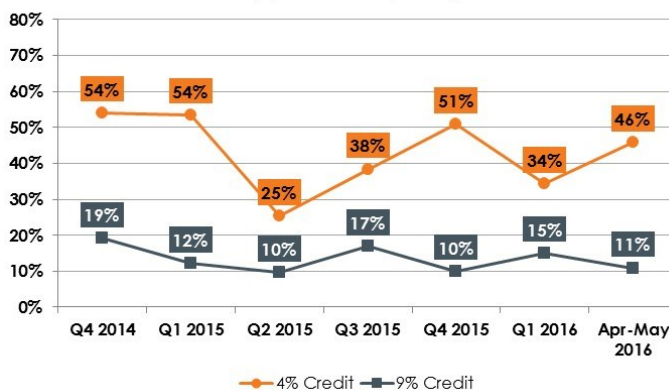


The chart above illustrates the distribution of the change in AMI between 2015 and 2016 grouped by percentage change and charted by percentage of total counties. While the median change was -1.1% , 23% of the counties experienced increases or decreases in AMI greater than 5%. While the data indicates greater than 5% change, HUD has limited the impact for tax credit compliance purposes to be 5% maximum change as the ceiling and the floor for the year.

Other Trends Moving the Market...

We compiled data from the most recent 200+ properties we have reviewed from Fund Sponsors. The following graph depicts the trend in leverage for 4% and 9% properties since Q4 2014. Increased leverage can become an issue for economic investors whose threshold for a fund investment can be 50%. Fund's with a concentration of 4% deals with high leverage may not be an option for these investors. We will continue to monitor the leverage trend.

Median Hard Debt Ratio by Credit Type (Q4 2014 - May 2016)



Note: All data was provided by HUD or fund sponsors and compiled by CohnReznick. Neither CohnReznick nor the Tax Credit Advisor takes responsibility for the accuracy of the data represented. If you have questions or suggestions about what you would like to see in future installments of Trends Moving the Market, please contact TCIS@cohnreznick.com or (617) 648-1414 to speak with a professional with CohnReznick's Tax Credit Investment Services practice. Visit CohnReznick's website at www.cohnreznick.com.