

Existing Multi-Family Building Acquisition Value-Add Back of the Envelope Analysis

General

Lenox Ridge		Lot Size	1.00 Acres	43,560 SF
Renovation Date	NA	Building SF	280,279 GSF	
Total Apartments	350 Units	Commercial SF	5,000 RSF	
Units To Renovate	84 Units	Current Occupancy	71.00%	

Acquisition Uses and Sources of Funds

Purchase Price		Going-in Cap Rate: 4.52%	GRM: 10.99x	Per Unit
Acquisition Costs		\$231.91 PSF	\$65,000,000	\$185,714
Renovation Costs		2.85%	\$1,852,500	
Total Uses of Funds			\$1,701,000	
			\$68,553,500	

		% Total Cost		
Equity		30.00%	Rate	\$20,566,050
<u>Senior Loan</u>	30-Year Am.	70.00%	4.00%	\$47,987,450
Total Sources of Funds	0.00 yrs I/O	100.00%		\$68,553,500

Renovation

Average Renovation Cost/Unit	\$20,000	Income Growth Rate	2.50%
Average Post-Reno. Monthly Rent Increase	\$150	Expense Growth Rate	2.50%
Construction and Post-Const. Marketing	4 Month(s)	Rent PSF	\$1.80
Payback Period for Renovations	11.1 Years	Economic Vcy.	31.62%
		Unreno. Units	42

Renovation Schedule

Units Renovated	84 done	0 to go	Year 1	Year 2
Cumulative Units Renovated	All units renovated		42	84
Renovation Income Premium Impact			50.00%	50.00%
CAGR - Income			2.50%	5.06%
CAGR - Expenses			2.50%	5.06%

Income

	T12 Values	T12		
Gross Potential Rent	5,915,250	5,915,250	6,063,131	6,214,710
Renovated Units Rent Premium			38,745	117,227
Parking and Retail Income	488,943	488,943	501,167	513,696
Other Income	102,849	102,849	105,420	108,056
Loss to Lease	(300)	(300)	(308)	(315)
Gross Potential Income	\$6,507,342		6,708,156	6,953,373
Vacancy Loss - Renovation/Down Units			(242,525)	(248,588)
Vacancy and Credit Loss	T12 Values	64.30%	28.00%	23.00%
	(4,184,467)	(4,184,467)	(1,878,284)	(1,599,276)
Effective Gross Income	\$2,322,875		4,587,347	5,105,509

OpEx, Taxes & Reserves

	T12 Values	T12	Adjustment Index	100%
Utilities	(141,007)	(141,007)	(144,532)	(148,145)
Payroll Expenses	(443,029)	(443,029)	(454,105)	(465,457)
General & Administrative	(48,363)	(48,363)	(49,572)	(50,811)
Marketing and Advertising	(15,000)	(15,000)	(15,375)	(15,759)
Contract Maintenance	(39,031)	(39,031)	(40,007)	(41,007)
Turnover Costs	(3,716)	(3,716)	(3,809)	(3,904)
Repairs and Maintenance	(19,643)	(19,643)	(20,134)	(20,637)
Insurance	(0)	(0)	0	0
Reserves	(0)	(0)	0	0
Real Estate Taxes	(810,868)	(810,868)	(831,140)	(851,918)
Management Fee	(257,840)	(257,840)	(91,747)	(102,110)
Total OpEx, Taxes & Reserves	(1,778,497)		(1,650,420)	(1,699,750)
Net Operating Income	\$544,378		2,936,926	3,405,758
Yield on Purchase Price	0.84%		4.52%	5.24%
Operating Margin		8.37%	43.78%	48.98%