Modeling a Quick Ground-Up Development Opportunity Using the A.CRE Apartment Development Model

Assumptions (This is a hypothetical deal used for demonstration purposes only)

Investment Description Assumptions

- Crawford Apartments
- 555 Main Street, Any Town, Any County Any State, 00000, USA
- Analysis begin – 1/1/2019
- Land area – 2.3 acres
- Buildings – 1
- Avg. # of Stories – 5
- Gross buildable area – 298,500 SF
- Structured parking spaces – 310
- Surface parking spaces – 35

Development Period Cash Flow Assumptions

- **Timing assumptions**
  - Land costs in month 0
  - Hard costs s-curve with start in month 1 and end in month 21; FF&E start in 18 and end in 21
  - Soft costs straight-line with start in month 1 and end in month 21
- **Land Costs**
  - Land costs – TBD
  - Closing costs – 1.5% of land cost
  - Demolition and grading - $500,000
- **Hard Costs**
  - Direct building cost - $130/GSF
  - FF&E - $750,000
  - GC Fee – 3.5% of direct building costs
  - Hard cost contingency – 5%
- **Soft Costs**
  - Architecture & Engineering - $1,750,000
  - Surveys & Studies/Predevelopment - $200,000
  - Insurance, Bonds & Misc. Taxes - $625,000
  - Marketing - $565,000
  - Municipal Fees & Permits - $530,000
  - Developer Fee - 3% of Total Project Cost
  - CM Fee - 0.25% of Total Hard Costs
  - Developer Pre-Construction Cost - $80,000
  - General & Administrative - $325,000
  - Capitalized Real Estate Taxes - $1,090,000

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o Soft Cost Contingency - 5%
- **Carry Costs**
  o Loan, equity placement, and lender fees - $850,000
- **Debt**
  o LTC – 60%
  o Avg. construction loan interest rate – 5.25%

Operating Period Cash Flow Assumptions

- Operation begin – month 22
- Annual income growth rate – 2.5% (Begin month 1)
- Annual expense growth rate – 2.0% (Begin month 1)
- Property tax phase in – 50% year 1, 100% year 2
- % Pre-leased – 15%
- Lease-up Pace – 22 units/mo
- Lease contract length – 12 months
- Unit Mix

Unit Type	Units	% of Total	Sq. Ft.	Rent	Per Sq. Ft.	Total Sq. Ft.	Total Rent
S1 - Studio	20 units	7.0%	580	$1,425	$2.46	11,600	$28,500
A1 - 1 Bed/1 Bath	23 units	8.0%	652	$1,445	$2.22	14,996	$33,235
A2 - 1 Bed/1 Bath	58 units	20.2%	694	$1,595	$2.30	40,252	$92,510
A3 - 1 Bed/1 Bath	44 units	15.3%	775	$1,695	$2.19	34,100	$74,580
A4 - 1 Bed/1 Bath	12 units	4.2%	814	$1,750	$2.15	9,768	$21,000
A5 - 1 Bed/1 Bath	17 units	5.9%	850	$1,810	$2.13	14,450	$30,770
A6 - 1 Bed/1 Bath	15 units	5.2%	878	$1,895	$2.16	13,170	$28,425
B1 - 2 Bed/2 Bath	15 units	5.2%	1,170	$2,250	$1.92	17,550	$33,750
B2 - 2 Bed/2 Bath	30 units	10.5%	1,258	$2,395	$1.90	37,740	$71,850
B3 - 2 Bed/2 Bath	15 units	5.2%	1,315	$2,625	$2.00	19,725	$39,375
B4 - 2 Bed/2 Bath	10 units	3.5%	1,446	$2,890	$2.00	14,460	$28,900
B5 - 2 Bed/2 Bath	5 units	1.7%	1,493	$3,040	$2.04	7,465	$15,200
B6 - 2 Bed/2 Bath	5 units	1.7%	1,560	$3,295	$2.11	7,800	$16,475
B7 - 2 Bed/2 Bath	6 units	2.1%	1,655	$3,500	$2.11	9,930	$21,000
C1 - 3 Bed/2 Bath	5 units	1.7%	1,725	$3,640	$2.11	8,625	$18,200
C2 - 3 Bed/2.5 Bath	7 units	2.4%	1,945	$4,120	$2.12	13,615	$28,840

- Other Income
  o RUBS - $50/unit/mo
  o Other Income - $75/unit/mo
  o Cable Income (Net of Expenses) - $30/unit/mo
  o Parking Income - $100/structured parking space/mo
  o Storage Income - $40/month x 80 storage units
- General Vacancy – 5%
- Expenses
  o Payroll - $1,200/unit/yr
  o Marketing - $250/unit/yr
  o General & Administrative - $200/unit/yr
  o Repairs & Maintenance - $550/unit/yr
  o Contract Services - $150/unit/yr

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- o Utilities - $900/unit/yr
- o Make Ready (Turnover) Cost - $250/unit/yr
- o Property Management Fee – 3% of EGR
- o Real Estate Taxes – 2.00% of stabilized value
- o Insurance - $225/unit/yr
- o Capital Reserves - $200/unit/yr

Reversion (Sale) Cash Flow Assumptions

- Sale month – 3 months following stabilization
- Market cap rate today – 5.50%
- Cap rate at sale – 5.50%
- Selling costs – 1.5%

Returns Assumptions

- Include Dev. Fee in Returns? - Yes
- GP Name – A.CRE Advisors
- LP Name – Pension 4 Life
- GP share of equity – 10%
- Promote structure
    - o 90/10 to an 8% IRR
    - o 80/20 to a 12% IRR
    - o 70/30 to a 15% IRR
    - o 60/40 thereafter

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