

Value-Add Apartment Opportunity – Charles In Charge Apartments

Investment Description

Name: Charles in Charge Apartments

Address: 555 Main St, Anytown, Any State, 00000

Property: 17, 3-story buildings on 19.5 acres with 412 surface parking stalls

Analysis Begin Date: January 2020

Sale Date: 12 months following completion of renovation

Investment Cash Flows

Purchase: \$36 million with 0.5% closing costs in time zero

Renovation: \$12,000/unit hard costs forecast straight-line over 24 months; \$2,500 soft costs forecast straight-line over 24 months

Financing Costs: 1.0% of senior loan amount and 2.0% of mezzanine loan in time zero

Capital Stack:

- 1st to fund: Senior Loan – 70% of purchase price (30-yr amortization, fixed rate of 4.50%)
- 2nd to fund: GP (10% of equity) and LP (90% of equity) Equity, pari passu
- 3rd to fund: Mezz Loan – 10% of total project cost before financing (interest-only, fixed rate of 6.5%)
- Both loans co-terminus with analysis length, assuming 'Sale' following completion of renovation

Operating Cash Flows

Growth rates: Income and expense growth at 2.0%

Roll-to-market: Begin roll in month 3 and complete roll in month 39

Unit Mix:

Type	Units	SF	% Renovated	In-Place Rent	Market Rent
Studio	60	600	0%	900	1150
1 Bed / 1 Bath	150	750	0%	1200	1500
2 Bed / 2 Bath	40	950	0%	1500	1900

Concessions: None

Non-Revenue (Model) Units: None

Other Income:

- RUBS none currently, \$30/unit/month upon renovation
- Misc. Income: \$25/unit/month currently, \$35/unit/month after renovation
- Parking Income: none

Vacancy: 5% current and after

Operating Expenses:

- R&M: \$300/unit/yr
- Payroll: \$1100/unit/yr
- Admin: \$250/unit/yr
- Marketing: \$300/unit/yr
- Utilities: \$800/unit/yr
- Contract services: \$150/unit/yr
- Make ready cost: \$200/unit/yr
- Management fee: 3.00%
- Insurance: \$175/unit/yr
- RE Tax: Solve for 1.25% mill rate

Capital reserve: \$200/unit/yr

Reversion Cash Flow

Market Cap Rate: 5.50% today, 6.00% at sale

Selling costs: 2.0%