



**Saratoga
Capital Partners**

River Crossing and Arborgate

South Charlotte, NC

Property Investment Analysis

12/10/2021

Scenario:

Purchase of Two Adjacent Multifamily Properties in South Charlotte, NC

Eliminate steep Loss to Lease

River Crossing and Arborgate

South Charlotte, NC

Purchase Summary

River Crossing	2001	132
Arborgate	1984	152
Residential Units at Property		284
Purchase Price	\$204,225	\$58,000,000
Square Footage at Property		260,051
Purchase Price/ SF		\$ 223.03
Purchase Price/ Unit		\$ 204,225
Closing Costs		\$ 2,190,654
Funding of Cap Ex & Op Acct		\$ 3,340,108
Total Consideration		\$ 63,530,762
Total Consideration per unit		\$ 223,700

Sources and Uses at Closing

Sources	Per Unit		
Senior Loan	\$ 140,099	63%	\$ 39,788,000
Equity	\$ 83,601	37%	23,742,762
Total Sources	\$ 223,700	100%	\$ 63,530,762
Uses			
Purchase Price	\$ 204,225	91%	\$ 58,000,000
Closing Costs	7,714	3%	2,190,654
Capital Costs Funded	11,422	5%	3,243,800
Operating Accounts	339	0%	96,308
Total Uses	223,700	100%	\$ 63,530,762

J/V Structure

Preferred Return (on all capital)	7%
All cash flow after a 7% Return	
<i>Investor</i>	70%
<i>Sponsor</i>	30%
Investor Group Contribution	70%
Sponsor Group Contribution	30%

Exit Summary

Year of Exit	5
Selling Costs	1.5%
Terminal Cap Rate	4.75%
Gross Sale Per Unit	\$ 307,117
Gross Sale Price psf	\$ 335.40
Gross Sale	\$ 87,221,221
Less Closing Costs	\$ (1,308,318)
Less Mtg Balance	\$ (39,788,000)
Net Proceeds From Sale	\$ 46,124,903

Debt Overview

First Mortgage	\$ 39,788,000
LTV	68.60%
Loan Term	120 Mo
Anticipated Closing Date	12/1/2021
I/O Period	60.00
Spread	1.66%
Index (10 Year T + 19bps cushion)	1.640%
Total Fixed Rate	3.300%
Amortization	30 yrs.
Origination Fee	0.50%

Investor Level Return Summary - 5yr Hold

IRR (5 Year Hold)	16.19%
Equity Multiple	1.98x

Deal Level Return Summary - 5yr Hold

IRR (5 Year Hold)	19.36%
Equity Multiple	2.25x

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Acquisition Closing Costs
 Assumes a 12/2021 Close

All in Project Cost Tabulation

Purchase Price	58,000,000	Purchase price (all in)	58,000,000
Closing Costs		Closing Costs	2,190,654
Transaction Fee	1,160,000	Capital Expenditure Account	3,243,800
Lender Fee	198,940	Operating Account	96,308
Buyer Legal	130,000	Total project cost:	63,530,762
Financing Fee (Mortgage Broker)	298,410		
Lender legal	40,000		
Cost Segregation Study	7,000		
Application Fees	12,500		
Title Insurance, Exam and Policy & Related Costs	25,000		
3rd party reports	28,000		
Tax escrow funding (4 mos reserve)	96,130		
Insurance payment at closing	134,900		
Insurance escrow funding (2mos reserve)	22,483		
Miscellaneous costs	37,291		
	2,190,654		

Capital Improvement Program

Sources		Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
Capital Expenditure Funding at Closing	\$ 3,243,800	\$ 1,785,400	\$ 1,058,400	\$ 200,000	\$ 200,000	\$ -
Operating Cash Flow/Refi Proceeds	-	-	-	-	-	-
Funded from Cash Flow	-	-	-	-	-	-
Total Sources	\$ 3,243,800	\$ 1,785,400	\$ 1,058,400	\$ 200,000	\$ 200,000	\$ -

Uses	Quantity	Cost	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
Unit Upgrades for Premium	128	\$8,000	\$ 1,022,400	\$ 511,200	\$ 511,200	\$ -	\$ -
Amenities/Curb Appeal			175,000	175,000			
General Deferred			1,123,000	375,000	348,000	200,000	200,000
General Interior Improvements	85	\$3,600	306,400	153,200	153,200	-	-
Stab Lock Panel Replacement			150,000	150,000			
Low Flow Toilets			200,000	200,000			
Gates			175,000	175,000			
Construction Management Fee			92,000	46,000	46,000		
Total Uses			\$ 3,243,800	\$ 1,785,400	\$ 1,058,400	\$ 200,000	\$ 200,000

Arborgate	152
River Crossing	132

Income	Arborgate				River Crossing				COMBINED				Yr 1 Proforma
	Trailing 12 9/2021		Operating Assumptions		Trailing 12 9/2021		Operating Assumptions		Combined T12		Operating Assumptoins		
Gross Potential Rent				\$ 1,982,172				\$ 1,971,765				\$ 3,953,936	\$ 4,278,832
Vacancy			4.00%	(79,287)			4.00%	(78,871)		4.00%	(158,157)		(171,153)
Collection Loss			1.00%	(19,822)			1.00%	(19,718)		1.00%	(39,539)		(42,788)
Concessions/Model Units/Other										0.00%	-		-
Net Effective Rent	\$ 1,936,747	5.00%		\$ 1,883,063	\$ 1,911,647	5.00%		\$ 1,873,176	\$ 3,848,394	5.00%		\$ 3,756,239	\$ 4,064,891
Utility Income (Water/Sewer)	70,480			70,480	62,204			62,204	132,684			132,684	136,664
Other Income	59,825			59,825	61,467			61,467	121,292			121,292	124,930
Effective Gross Income	\$ 2,067,052			\$ 2,013,368	\$ 2,035,317			\$ 1,996,847	\$ 4,102,369			\$ 4,010,215	\$ 4,326,486
Operating Expenses	\$/unit	T12	\$/unit	Budget	\$/unit	T12 (T10 Ann)	\$/unit	Budget	\$/unit	Combined T12	\$/unit	Budget	
Payroll	1,234	187,530	1,250	\$ 190,000	1,206	159,159	1,250	\$ 165,000	1,221	346,689	1,250	\$ 355,000	\$ 363,875
Water/Sewer	704	107,034	704	107,034	711	93,878	711	93,878	707	200,912	707	200,912	\$ 205,935
Electricity and Trash	207	31,405	207	31,405	122	16,131	122	16,131	167	47,535	167	47,535	48,724
Total Utilities	911	138,438	911	138,438	833	110,009	833	110,009	875	248,447	875	248,447	254,658
R&M, Contract Services, Turns, Etc.	1,229	186,873	800	\$ 121,600	917	121,032	800	\$ 105,600	1,084	307,905	800	\$ 227,200	232,880
Advertising	-	-	150	\$ 22,800	-	-	150	\$ 19,800	-	-	150	\$ 42,600	43,665
Insurance	335	50,975	350	\$ 53,200	356	46,965	350	\$ 46,200	345	97,940	350	\$ 99,400	134,900
Admin	102	15,489	250	\$ 38,000	885	116,809	250	\$ 33,000	466	132,298	250	\$ 71,000	72,775
Taxes	963	146,369	972	147,677	1,059	139,826	1,066	140,712	1,008	286,195	1,015	288,390	295,599
Property Management	544	82,682	530	80,535	617	81,413	605	79,874	578	164,095	565	160,409	173,059
Replacement Res.	250	38,000	250	38,000	250	33,000	250	33,000	250	71,000	250	71,000	71,000
Total Expense	\$ 5,568	\$ 846,356	\$ 5,462	\$ 830,250	\$ 6,123	\$ 808,213	\$ 5,555	\$ 733,195	\$ 5,826	\$ 1,654,569	\$ 5,505	\$ 1,563,445	\$ 1,642,412
Net Operating Income		\$ 1,220,696		\$ 1,183,118		\$ 1,227,104		\$ 1,263,652		\$ 2,447,800		\$ 2,446,770	\$ 2,684,073

River Crossing and Arborgate

South Charlotte, NC

Pro-forma Cash Flow

Years	In Place	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6
Gross Potential Rent	\$ 3,953,936	\$ 4,278,832	\$ 4,878,640	\$ 5,293,848	\$ 5,538,088	\$ 5,795,676	\$ 6,075,132
Vacancy	\$ (158,157)	\$ (171,153)	\$ (195,146)	\$ (211,754)	\$ (221,524)	\$ (231,827)	\$ (243,005)
Collection Loss	\$ (39,539)	\$ (42,788)	\$ (48,786)	\$ (52,938)	\$ (55,381)	\$ (57,957)	\$ (60,751)
Net Effective Rent	\$ 3,756,239	\$ 4,064,891	\$ 4,634,708	\$ 5,029,156	\$ 5,261,184	\$ 5,505,892	\$ 5,771,376
Water/Utility Billbacks	\$ 132,684	\$ 136,664	\$ 140,035	\$ 143,536	\$ 147,125	\$ 150,803	\$ 154,573
Other Income	\$ 121,292	\$ 124,930	\$ 128,678	\$ 132,539	\$ 136,515	\$ 140,610	\$ 144,829
Effective Gross Income	\$ 4,010,215	\$ 4,326,486	\$ 4,903,422	\$ 5,305,231	\$ 5,544,823	\$ 5,797,306	\$ 6,070,777
EGI/Month	\$ 334,185	\$ 360,540	\$ 408,619	\$ 442,103	\$ 462,069	\$ 483,109	\$ 505,898
Growth		7.89%	13.33%	8.19%	4.52%	4.55%	4.72%
Operating Expenses	\$/Unit						
Payroll	\$1,250.00	\$ 355,000	\$ 363,875	\$ 372,972	\$ 382,296	\$ 391,854	\$ 401,650
Water/Sewer	\$707.44	200,912	205,935	164,748	168,866	173,088	181,851
Electricity and Trash	\$167.38	47,535	48,724	49,942	51,191	52,470	53,782
Total Utilities	\$874.81	248,447	254,658	214,690	220,057	225,558	231,197
R&M, Contract Services, Turns, Etc.	\$800.00	227,200	232,880	238,702	244,670	250,786	257,056
Advertising	\$150.00	42,600	43,665	33,665	34,507	35,369	36,254
Insurance	\$350.00	99,400	134,900	102,240	104,796	107,416	110,101
Admin	\$250.00	71,000	72,775	74,594	76,459	78,371	80,330
Taxes	\$1,015.46	288,390	295,599	480,284	492,291	504,598	517,213
Property Management	\$564.82	160,409	173,059	196,137	212,209	221,793	231,892
Replacement Res.	\$250.00	71,000	71,000	71,000	71,000	71,000	71,000
Total Operating Expenses	1,563,445	1,642,412	1,784,283	1,838,284	1,886,745	1,936,693	1,927,769
<i>Operating Expenses Per Unit</i>	5,505	5,783	6,283	6,473	6,643	6,819	6,788
Net Operating Income	\$ 2,446,770	\$ 2,684,073	\$ 3,119,139	\$ 3,466,946	\$ 3,658,078	\$ 3,860,613	\$ 4,143,008
<i>NOI Growth</i>		10%	16%	11%	6%	6%	7%
Sources and Uses of Capital (Deal Level)		Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6
Sources of Capital							
Net Operating Gains		\$ 2,684,073	\$ 3,119,139	\$ 3,466,946	\$ 3,658,078	\$ 3,860,613	\$ -
Sr. Loan Funding Proceeds		\$ 39,788,000	\$ -	\$ -	\$ -	\$ -	\$ -
Equity Contributions		\$ 23,742,762	\$ -	\$ -	\$ -	\$ -	\$ -
Distribution of Holdbacks & Escrows		\$ -	\$ 1,273,400	\$ 200,000	\$ 200,000	\$ -	\$ -
Return of Op. Acct. Balance - INCLUDES SWEPT 10%		\$ -	\$ -	\$ -	\$ -	\$ 96,308	\$ -
Proceeds from Refinance/Sale		\$ -	\$ -	\$ -	\$ -	\$ 87,221,221	\$ -
Total Sources of Capital		\$ 66,214,836	\$ 4,392,539	\$ 3,666,946	\$ 3,858,078	\$ 91,178,142	\$ -
Uses of Capital							
Property Purchase Price		\$ 58,000,000	\$ -	\$ -	\$ -	\$ -	\$ -
Funding of Opex Acct.		\$ 96,308	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Service		\$ 1,313,004	\$ 1,313,004	\$ 1,313,004	\$ 1,313,004	\$ 1,313,004	\$ -
Capital Costs		\$ 1,785,400	\$ 1,058,400	\$ 200,000	\$ 200,000	\$ -	\$ -
Asset Mgmt Fee (1.0%)		\$ 43,265	\$ 49,034	\$ 53,052	\$ 55,448	\$ 57,973	\$ -
Partnership Expenses		\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ -
Tax return Prep/Audit		\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ -
Closing Costs		\$ 2,190,654	\$ -	\$ -	\$ -	\$ 1,308,318	\$ -
Equity Holdback		\$ 1,273,400	\$ 200,000	\$ 200,000	\$ -	\$ -	\$ -
Loan Prepayment - Estimate		\$ -	\$ -	\$ -	\$ -	\$ 2,586,220	\$ -
Retirement & Penalties		\$ -	\$ -	\$ -	\$ -	\$ 39,788,000	\$ -
Total Uses of Capital		\$ 64,721,031	\$ 2,639,438	\$ 1,785,056	\$ 1,587,452	\$ 45,072,515	\$ -
Available Cash Flow		\$ 1,493,804	\$ 1,753,100	\$ 1,881,890	\$ 2,270,626	\$ 46,105,626	\$ -
Cash Flow - Return on Investment		6.29%	7.38%	7.93%	9.56%	10.81%	

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South Charlotte, NC

Capital Contribution			
Total LP Equity		\$	23,742,762
LP	70%	\$	16,619,934
GP	30%	\$	7,122,829
Min Preferred Return		7%	\$ 1,661,993
Post-Pref Split			
LP	70%		
GP	30%		

Cash Activity Summary	Closing	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
Cash at Acquisition	(23,742,762)	-	-	-	-	-
Refi Loan Proceeds		-	-	-	-	-
Loan Payoff at Refi/Sale (Inc Prepay)		-	-	-	-	(42,374,220)
Closing Costs		-	-	-	-	(1,308,318)
Net Refi Proceeds Distributed (see Debt 2 Tab)		-	-	-	-	-
Proceeds from Disposition		-	-	-	-	87,221,221
Net Cash Flow From Capital Events		-	-	-	-	43,538,683
Partnership Operating Cash Flow		1,493,804	1,753,100	1,881,890	2,270,626	2,566,943
Total Cash Flow for Distribution	(23,742,762)	1,493,804	1,753,100	1,881,890	2,270,626	46,105,626
Equity Investment	(23,742,762)	(23,742,762)	(23,742,762)	(23,742,762)	(23,742,762)	(23,742,762)
Cash on Cash Original Equity Balance		6.29%	7.38%	7.93%	9.56%	10.81%

Cash Flow Waterfall		Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
Excess Operating Cash Flow for Distribution		1,493,804	1,753,100	1,881,890	2,270,626	2,566,943
Min LP Pref Payment	6.985%	1,493,804	1,753,100	1,739,075	1,661,993	1,661,993
Pref Calculation		-	-	-	-	-
LP	70%	1,045,663	1,227,170	1,217,353	1,163,395	1,163,395
GP	30%	448,141	525,930	521,723	498,598	498,598
Pref Payment Due		1,661,993.35	1,661,993.35	1,661,993.35	1,661,993.35	1,661,993.35
Cumulative Pref Payment		1,661,993.35	3,323,986.70	4,985,980.05	6,647,973.40	8,309,966.75
IRR Pref Calculation	6.98%	-\$23,742,762	1,493,804.50	1,753,100.42	1,739,075.13	1,661,993.35

Excess Cash for Distribution		-	-	142,815	608,633	904,950
LP	70%	-	-	99,971	426,043	633,465
LP	70%	-	-	69,979	298,230	443,426
GP	30%	-	-	29,991	127,813	190,040
GP	30%	-	-	42,845	182,590	271,485

Capital Transaction Waterfall		Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
Proceeds from Capital Events		-	-	-	-	43,538,682.75
Return of Equity		-	-	-	-	23,742,762.15
LP	70%	-	-	-	-	16,619,933.51
GP	30%	-	-	-	-	7,122,828.65
Excess Cash for Distribution		-	-	-	-	19,795,920.60
LP	70%	-	-	-	-	13,857,144.42
LP	70%	-	-	-	-	9,700,001.09
GP	30%	-	-	-	-	4,157,143.33
GP	30%	-	-	-	-	5,938,776.18

Entity Cash Flow & IRR Analysis							
IRR		Cash In	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
19.36%	Partnership	(23,742,762)	1,493,804	1,753,100	1,881,890	2,270,626	46,105,626
16.19%	LP	(16,619,934)	1,045,663	1,227,170	1,287,332	1,461,625	27,926,755
16.19%	GP	(7,122,829)	448,141	525,930	551,714	626,411	11,968,609
	GP Post Pref Split		-	-	42,845	182,590	6,210,261
10.86%	Unlevered	(63,530,762)	2,684,073	3,119,139	3,466,946	3,658,078	89,773,515



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Debt Terms - Combined

Loan Amount	39,788,000
Interest Rate	3.300%
Anticipated Loan Term (months)	144.00
Interest Only Term	5.00 years
Amortization	30.0 years
Amortizing Annual Debt Service	2,091,043
Interest Only Debt Service	1,313,004

Model Year	Beginning Balance	Total Int Pmts	Total Prin Pmts	Total DS Pmts	Ending Balance
1	39,788,000	1,313,004	-	1,313,004	39,788,000
2	39,788,000	1,313,004	-	1,313,004	39,788,000
3	39,788,000	1,313,004	-	1,313,004	39,788,000
4	39,788,000	1,313,004	-	1,313,004	39,788,000
5	39,788,000	1,313,004	-	1,313,004	39,788,000
6	39,788,000	1,301,128	789,916	2,091,043	38,998,084
7	38,998,084	1,274,662	816,381	2,091,043	38,181,703
8	38,181,703	1,247,311	843,733	2,091,043	37,337,970
9	37,337,970	1,219,042	872,001	2,091,043	36,465,970
10	36,465,970	1,189,827	901,216	2,091,043	35,564,753



River Crossing and Arborgate South Charlotte, NC

Closing Date	Dec-21	New Renew 40% Max
Renovation Delay (Months)	0	
Renovation Start Date	12/1/2021	
Renewal Probability	60.0%	
Weighted Avg. Rent Increase (Yrs 1-2)	17.1262%	
Unit Renovation Program?	Y	
New Lease Rent Increase		
Renewal Lease Rent Increase		
Market Rent Premium Amount	\$0.00	
Market Premium Units/ Year (Override Renewal Probability)	25.00%	
Online Units With Market Premium Increase	0	
Unit Renovations Per Month	0.00	
Downtime for each unit renovation	0.00	

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
	11.21%	10.35%	5.59%	4.51%	4.31%	4.12%
	21.55%	19.91%	6.99%	5.79%	5.54%	5.29%
	\$130.00	\$130.00	\$80.00	\$70.00	\$70.00	\$70.00
	\$250.00	\$250.00	\$100.00	\$90.00	\$90.00	\$90.00

Rents

Floor Plan	Renovation Premium	Y/N	SF	Unit Mix	Average Lease	In-place	In-Place	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
					Rent	\$PSF	Rent						
1BD	Arborgate	N	658	30	\$947	\$1.439	\$28,399	\$31,259	\$36,539	\$40,194	\$42,344	\$44,611	\$47,071
1BDR	Arborgate	N	658	2	\$931	\$1.415	\$1,862	\$2,053	\$2,405	\$2,648	\$2,792	\$2,943	\$3,107
2BD	Arborgate	N	917	118	\$1,123	\$1.226	\$132,565	\$143,815	\$164,583	\$178,959	\$187,416	\$196,335	\$206,011
2BDR	Arborgate	N	916	2	\$1,178	\$1.285	\$2,355	\$2,546	\$2,898	\$3,141	\$3,285	\$3,436	\$3,600
2BD	River Crossing	N	917	84	\$1,188	\$1.295	\$99,779	\$107,787	\$122,571	\$132,805	\$138,825	\$145,174	\$152,062
3BD	River Crossing	N	1083	48	\$1,344	\$1.241	\$64,534	\$69,110	\$77,558	\$83,406	\$86,846	\$90,474	\$94,410
Gross Potential Rent/Year							\$3,953,936	\$4,278,832	\$4,878,640	\$5,293,848	\$5,538,088	\$5,795,676	\$6,075,132
Avg / SF					\$1.27	Avg Increase		\$95.33	\$176.00	\$121.83	\$71.67	\$75.58	\$82.00
Average/Unit								\$1,255.53	\$1,431.53	\$1,553.36	\$1,625.03	\$1,700.61	\$1,782.61
Total			916	284	\$1,160.19		\$329,495	\$356,569	\$406,553	\$441,154	\$461,507	\$482,973	\$506,261
Annualized					\$13,922.31		\$3,953,936	\$4,278,832	\$4,878,640	\$5,293,848	\$5,538,088	\$5,795,676	\$6,075,132
GPR Rent Growth							8.22%	14.02%	8.51%	4.61%	4.65%	4.82%	
\$/Unit/Month Average				284			\$1,160	\$1,256	\$1,432	\$1,553	\$1,625	\$1,701	\$1,783
\$/SF/Mo Average			260,051				\$1.27	\$1.37	\$1.56	\$1.70	\$1.77	\$1.86	\$1.95