

THE

PALMS APARIMENTS

MULTIFAMILY IN THE URBAN CORE









While recognized by many as the farm-to-fork capitol of America, Sacramento also features great breweries, coffee roasters, and a state-of-the-art downtown entertainment arena.

SACRAMENTO

15.3 MILLION

ANNUAL REGIONAL VISITORS

blocks from the Subject Property).

71,335

Sacramento is the Capitol of California, the sixth largest economy in the world. While perhaps not considered as

sexy as many of the tourism based cities in California such as San Francisco, Los Angeles and San Diego, being

the hub of California's governmental structure provides an incredible amount of economic stability throughout the

In a recent study completed by WalletHub for National Nutrition Month, Sacramento was ranked the 5th healthiest

Francisco, Portland, Austin, San Antonio and Seattle). Forbes magazine ranked Sacramento as the 10th healthiest

city in the United States among 100 large cities (ranking higher than the likes of Denver, Colorado Springs, San

city in the United States versus all cities. A big part of this recognition stems from the cities' proximity to the

American River. Hiking trails and white water rafting abound along the American River as well as one of Sacra-

mento's crown jewels... the 32 mile American River Bike Trail which runs entirely along the river from Beal's State

Park to Discovery Park where it conjoins with the Sacramento River to Old Sacramento on the riverfront (only 13

region. In addition, Sacramento is being increasingly recognized as an outdoor enthusiast's dream city with its

remarkably central location to Lake Tahoe, the Sierra's, Yosemite and the Coast.

DAYTIME EMPLOYEES

17,736

TOTAL DOWNTOWN RESIDENTS

140

RESTAURANTS

55

DOWNTOWN BARS

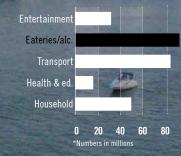
SACRAMENTO'S CITY RANKINGS

- **#1** Happiest workers in midsized cities
- #1 Most valuable minor league baseball team
- #2 Top 10 most fun, affordable U.S. cities
- #4 U.S metro clean tech index
- #4 Best cities for nerds
- #5 Citiesd with fastest tech job growth
- #10 Best cities for women in the workforce
- **#10** Best cities for coffee snobs
- **#10** Lease Stressed-out cities
- **#14** America's coolest cities
- #16 Best cities for millennials

NUMBER OF EMPLOYEES WITHIN VARYING RADIUS OF THE PROPERTY:



ANNUAL CONSUMER SPEND-ING WITHIN A ONE MILE RADIUS OF THE PROPERTY:



SACRAMENTO REGION ANNUAL SALARY BREAKDOWN:



LARGEST EMPLOYMENT Industries within 1 Mile Radius of the Property:







n:

09

THS CHY ROCKS

Sacramento boasts absolutely no shortage of top-notch restaurants, sharp local IPAs, hole-in-the-wall hidden gems, skilled baristas, electronic music street festivals, light-up party bikes, outstanding produce, and warm people.



















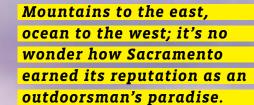












CLOSE TO EVERYTHING

2 HOURS

TO SOUTH LAKE TAHOE

2 HOURS

TO DILLON BEACH

3 NEARBY

MAJOR WINE REGIONS

Located only 85 miles east of San Francisco, Sacramento enjoys easy, unfettered access to all of the entertainment amenities provided by the robust Bay Area as well as the entire Northern California region, for about 60% of the cost.

Blessed with a consistent climate featuring over 300 days of sun on average throughout the year, the region is located at the Northern portion of the Central Valley which produces more agriculture than any other valley in the United States. If you are eating a tomato in the United States there is a 9 in 10 chance it came from the Central Valley. Lettuce, almonds, rice and mandarin oranges are close behind. This unique combination of soil, water and temperature in coordination with Sacramento's solid, highly reliable economic base to create the perfect combination of variables to truly make Sacramento the "farm-to-fork" capitol of the world. No one on earth, as a whole, eats fresher food than Sacramentans. And if you want to select the perfect wine to compliment your meal you are a mere 60 minutes from arguably the finest wine region in the world. On any given day it is actually faster (not closer) to get to downtown Nana from downtown Sacramento than downtown San Francisco.





SECTION FOUR: THE SACRAMENTO RENAISSANCE

URBAN RENAISSANCE

2,000+

NEW HOUSING UNITS PLANNED

600,000+

SF OF NEW INFILL DEVELOPMENT

The word "renaissance" is often overused and inappropriate to describe economic improvement in the urban core of cities throughout the United States. That is not the case in Sacramento. Nowhere is the word "renaissance" more applicable and demonstrable than the City of Sacramento.

In 2012 the economic outlook for Downtown Sacramento, and the region as a whole, looked somewhat bleak.

The urban core was anchored by a blighted and inactivated retail mall located dead center in its retail grid. The Mall, formerly owned by Westfield, had undergone several facelifts none of which achieved the economic results envisioned. The Sacramento Kings, then owned by the Maloof Family, were threatening to leave for Seattle and the 30-year-old Sleep Train Arena located in a nearby suburb was tired and functionally obsolete.

All of this changed in 2013 when Mayor Kevin Johnson used his considerable influence with the NBA and Northern California to complete the single most meaningful and transformative economic transaction in Sacramento since it was named the Capitol. He brought in a Bay Area ownership team to purchase the Kings then worked with City Management to construct a masterful plan to build a new state-of-the-art 19,000 seat arena in place of the blighted center at the heart of the downtown grid.

The impact to Sacramento's urban core of this miraculous achievement cannot be overstated and it has truly formed the foundation for Sacramento's urban renaissance. Since the formal approval by City Council of the Cities' contribution to construct the Arena (and retain the Sacramento Kings) the floodgates have figuratively opened to the urban migration of retailers, businesses and residents. Vacancy rates in commercial properties have dropped steadily and rapidly in every urban district. Property values escalated exponentially. Blighted buildings on the J, K and L Street corridors were (or are in the process of being) activated. Over 2,000 new residential units were constructed over the next three years.

Pedestrian counts have already quadrupled since the completion of the Golden 1 Center - and it's still in its infancy.











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DEMAND FOR URBAN LIVING

According to a recent study completed by Bay Area Economics (BAE) Urban Economics in coordination with the Capitol Area Development Authority (CADA) and the City of Sacramento, only 6% of the population lives in the urban core. Estimated demand over the next decade is more than 11,700 units with a possible demand of up to 20,000 units. Current total pipeline supply is 5,664 units, and that is being very generous with submarkets like the Railyards, accounting for up to 2,000 of those units, still in need of significant infrastructure. In addition, several high-rise residential projects accounting for at least another 500 units seem, at this time, economically infeasible requiring rents of over \$4.00 per sf to warrant concrete, steel and glass construction inclusive of multi-story concrete parking structures.

Moreover, according to that same study, demand for apartment units targeting residents with median family incomes in excess of 120% over the mean is almost 2,000 units above projected supply. This does not account for the economic construction challenges mentioned above. It goes without saying the number of professional workers in the urban core of the State's Capitol is extensive. 60% of the workforce has some college education and over 1/3 of the workforce have bachelor degrees or graduate degrees. Over 38% of the workforce is millennial or Gen Y and over 39% of the workforce earns over \$50,000 annually and 25% earn \$75,000 - \$150,000+ per year.

These figures also do not account for regional migration from the Bay Area which appears increasingly imminent as housing prices in the Sacramento Region are approximately 60% of Bay Area prices in every category.

Suffice to say, the future of luxury apartments looks very, very bright in Sacramento's Urban Core and the Palms is one of Sacramento's favorite residences.

Recent studies indicate there is a shortage of highend urban apartments by over 2000 units over the next decade.













NEARBY AMENITIES

East Sacramento to the east; Downtown to the west. Tenants at 2615 H Street enjoy being centered in midtown with easy acess to every corner of the city.

POPULAR RESTAURANTS NEAR 2615 H STREET (NOT ALL ARE MENTIONED HERE):

Ace of Spades
Ace of Spades
Crepeville
Aioli Bodega Espanola
Amaro Italion Bistro & Bar
Art of Toys
Azul Mexican
Badlands
Bar West
Bento Box
Berwho
Block Butcher Bar
Bottle and Barlow
Broderick Midtown
Buckhorn Grill
Burgers and Brew
Cafe Bernardo
Café Bernardo's
Cantina Alley
Centro Cocina Mexicana
Crepeville
Crepville
Crepv

Crepeville
Der Biergarten
Dos Coyotes
Eatuscany Cafe
Elixir Bar & Grill
Faces
Federalist Public House
Fieldwork Brewing Co.
FishFace Poke Bar
Fit Eats
Fox & Goose Public House
Ginger Elizabeth Chocolates
Grange
Highwater
Hot Italian
I Love Teriyaki
Identity Coffee
Iron Horse Tavern
Jack's Urabn Eats

Bombay Bar & Grill Kupros Craft House Lowbrau Lucca Luna's Cafe & Juice Bar Mago's/Burgertown Make Fish Mercantile Saloon Metro Kitchen & Drinkery Mikuni Sushi Monkey Bar Mulvaney's B&L N Street Cafe Nekter Nishiki Sushi Old Soul Coffee Pachhamama Coffee Coop

Karma Brew

Paesano's Tank House BBQ Tapa the World Paragary's Pizzeria Urbano Tea Cup Cafe Portofino's Temple Coffee Press Bistro Thai Basil Pronto Pizza Thai Canteen Pushkin's Bakery The Bread Store Q Street Bar & Grill The Golden Bear The Mill Coffee House Red Rabbit The Porch Rick's Dessert Diner The Press Roxie Deli and Barbeque The Rind Saddle Rock The Waterboy Sakamoto Tres Hermanas See's Candies Uncle Vito's Pizza Shady Lady University of Beer Waffle Square Country Kitchen Yogurt a GoGo Squeeze Inn Zelda's Pizza Sun & Soil Juice Zocalo

RAILYARDS DEV. SUTTER'S LANDING **ULYSSES S. GRANT PARK** LELAND STANFORD PAR CONV. CENTER DEV. 19 J DEV. MCKINLEY PARK STATE CAPITOL MARSHALL PARK FREMONT PARK TRUITT BARK PARK



THE LOCAL A PARTMENT MARKET

DEMAND

Sacramento's strong economic momentum has continued through 2018. Apartment demand began in 2012 driven by distress in the housing market, forcing many former homeowners to become renters, in addition to a steady rebound in employment beginning that same year. The metro's vacancy recovery has not yet been burdened by large-scale supply additions, which has allowed vacancies to remain near historical lows. Greater net in-migration, particularly from the Bay Area, and solid demographics have helped boost demand. According to Apartments.com, more than 20% of year-to-date searches for Sacramento apartments came from Bay Area residents (as of May 2017). Midtown Sacramento was listed as one of their most popular search areas. Improving economic conditions have supported steady demand. Construction, Education and Health services led the way in job growth year-to-date and this trend is expected to continue in Sacramento's urban core with Kaiser expected to occupy their new 200,000 sf location at 6th and J Street as well as their new medical campus spread out over 17 acres in the Railyards over the next decade. Above-average employment growth is also expected to continue in the leisure and hospitality sector, thanks in large part to the new retail and hotels opening in relation to the Golden 1 Center development.

SUPPLY

The majority of projects underway are in the affluent suburban submarkets of Roseville/Rocklin and Elk Grove. A few developers have focused on market rate urban core properties such as 19J, a 160 unit development 6 blocks West of the Subject Property, Ice House, a 146-unit development, (occupancy October, 2017), Q19 (44 units occupancy Q2/2018), the 700 Block of K Street (136 units on K Street occupancy Q2/2018), Eviva (118-unit modular development) and the 800 Block of K Street (170 units scheduled for Q3/2019). This does not even come close to supplying the apparent demand for urban core apartments as most of these projects have waiting lists at rents above pro forma (and pro forma is over \$3 per sf). As stated earlier and pointed out in the recent study completed by Bay Area Economics, the pending demand for higher end fair market apartments is at least 2,000. Given the scarcity of available land, the emphasis at the City level for providing "low income" housing options, the increasing cost of permit fees and the ever-extending construction timelines for project completions, it appears the supply of market rate urban housing will be constrained for the foreseeable future.













MARKET COMPARABLES

| e Palms Renta | al Comparables | | | | | | | | | |
|-----------------|----------------|-------|------|----|-----------|----|-------------|-----------|------------|---|
| Address | Unit Type | Units | SF | | Rent | | Rent/Sq. Ft | Occupancy | Year Built | Notes |
| 2400 Q Street | Studio | 6 | 620 | \$ | 1,295.00 | | 2.09 | | | Wall to Ceiling Windows |
| The Q | 1Bdr 1 Bath | 18 | 775 | \$ | 1,545.00 | \$ | 1.99 | 93% | 1967 | Stainless Steel Appliances |
| | 2Bdr 1 Bath | 3 | 1000 | \$ | 1,935.00 | \$ | 1.94 | 3070 | 1507 | Onsite Laundry |
| Total | | 27 | | | | | | | | Quartz Countertops |
| 0504 !! 0: | - · · · | | | | | | | | | |
| 2501 H Street | Studio | 6 | 450 | \$ | 1,215.00 | | 2.70 | | | Central HVAC |
| The Elan | 1Bdr 1 Bath | 3 | 600 | \$ | 1,316.00 | | 2.19 | 93% | 1960 | Stainless Steel Appliances |
| | 2Bdr 1 Bath | 18 | 750 | \$ | 1,520.00 | \$ | 2.03 | | | Onsite Laundry |
| Total | | 27 | | | | | | | | Balconies |
| 1715 N Street | 1Bdr 1 Bath | 16 | 600 | \$ | 1,350.00 | \$ | 2.25 | | | Wall HVAC |
| Nantasket Place | 2Bdr 1 Bath | 4 | 800 | \$ | 1.650.00 | * | 2.0625 | 98% | 1957 | Pool |
| Total | ZDui 1 Datii | 20 | 000 | ۳ | 1,000.00 | | 2.0023 | 3070 | 1507 | |
| 10131 | | 20 | | | | | | | | Basement Storage |
| 2124 P Street | Studio | 2 | 450 | \$ | 1,200.00 | \$ | 2.67 | | | Stainless Steel Appliances |
| | 1Bdr 1 Bath | 6 | 515 | \$ | 1395-1500 | \$ | 2.71 - 2.91 | 100% | 1930 | Quartz CounterTops/ Hardwood Floors |
| Total | | 8 | | | | | | | | Mini-Split HVAC/ Heat |
| | | | | | | | | | | |
| 1814 V Street | 1Bdr 1 Bath | 8 | 600 | \$ | 1,295.00 | | 2.16 | | | Original Interiors |
| | 2Bdr 1 Bath | 6 | 800 | \$ | 1,400.00 | \$ | 1.75 | 100% | 1981 | Central HVAC |
| Total | | 14 | | | | | | | | Fireplace |
| 1014 II Camp of | 1Bdr 1 Bath | 6 | 510 | | 1.375.00 | • | 2.70 | | | W. H. IIVAO |
| 1214 U Street | | | | \$ | , | | | 100% | 1962 | Wall HVAC |
| | 2Bdr 1 Bath | 2 | 650 | \$ | 1,500.00 | \$ | 2.31 | 100% | 1962 | Laundry OnSite |
| Total | | 8 | | | | | | | | RUBS: \$35 monthly |
| 2122 S Street | 1Bdr 1 Bath | 2 | 600 | \$ | 1.425.00 | \$ | 2.38 | | | Central HVAC |
| | 2Bdr 1 Bath | 4 | 900 | \$ | 1,650.00 | | 1.83 | 200/ | | Quartz CounterTops/ Wood laminate Floor |
| | 3Bdr 2 Bath | 1 | 1100 | \$ | 1,800.00 | | 1.64 | 93% | Unknown | Laundry OnSite |
| Total | Jan 2 Datii | 7 | 1100 | Ψ | 1,000.00 | Ψ | 1.04 | | | Gated Entrances |
| | | | | | | | | | | |
| 1409 T Street | 1 Bdr 1 Bath | 24 | 550 | \$ | 1,450.00 | \$ | 2.64 | | | Stainless Steel Appliances |
| The Huntington | | | | | | | | 98% | 1955 | Quartz Countertops |
| Total | | 24 | | | | | | | | Pool |







SECTION SEVEN: ECONOMICS

ECONOMICS

SUMMARY

The Property is being offered for sale for \$2,980,000 representing a 4.45% Capitalization Rate on actual Net Operating Income inclusive of pro-forma income from two current units under renovation and property taxes. In the last two years, ownership began exterior renovations they have also refurbished each individual apartment as renters vacated, and there are currently two units under remodel and ownership will guarantee these rents at \$1290 for up to 60 days post-close.

In addition, it appears there is still room for upward mobility on the rents as fully remodeled units may well achieve \$1,400 per month. There are also 5 unreserved parking spaces included with the Property that are currently made available to all tenants, free of charge, on a first come, first serve basis. In many other typical apartment scenarios in the urban core, owners make these spaces available to residents on a reserve basis for \$75 per month. The result would be an increase in Net Operating Income (NOI) of \$3540 annually. The scarcity of free street parking surrounding the Property makes this a realistic revenue objective.

Lastly, ownership is not yet collecting utility reimbursements from any of the tenants. RUBs are commonplace at virtually all comparable apartment projects and therefore also seem achievable over the course a 12 – 24 month period. A \$50 for the one-bedrooms and \$75 for the two-bedroom per month utility reimbursement would also increase NOI by \$8,100 annually.

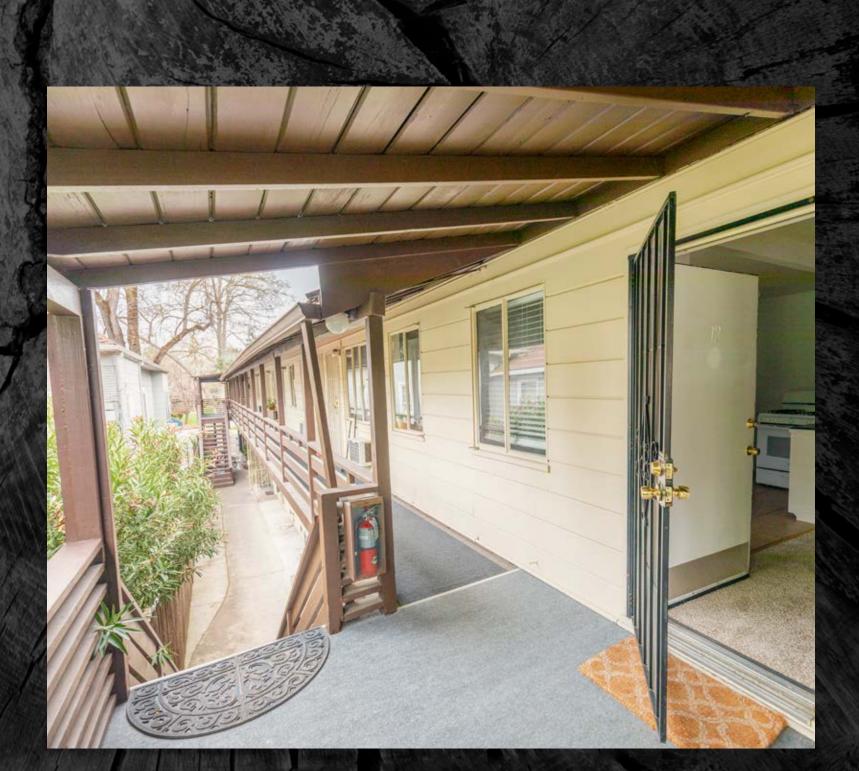
The Property is being sold "as-is, where-is".

Within this brochure prospective investors shall find:

- 10 Year Pro Forma Cash Flow
- Assumptions to the Pro Forma Cash Flow model

Offerors shall also receive electronically:

- Detailed current residential rent roll
- Operating Statement
- Property Due Diligence



SECTION SEVEN: ECONOMICS

PRO FORMA CASH FLOW

| 10 YEAR PROFORMA - INVESTMENT ANAL | YSIS | | | | | | | | |
|---|------|----------------|-----------------|----|--------------|----|--------------|-----------------|----|
| Analysis Period | | At Acquisition | Year 1 | | Year 2 | | Year 3 | Year 4 | |
| For the Year Beginning | | April 1 2019 | April 1 2020 | | April 1 2021 | | April 1 2022 | April 1 2023 | |
| INCOME: | | | | | | | | | |
| Base Rental Income - Residential | | \$183,540 | \$222,720 | | \$228,288 | | \$233,995 | \$239,845 | |
| Reimbursement Income - Residential | | | \$8,100 | | \$8,303 | | \$8,510 | \$8,723 | |
| Parking Income - Residential | | \$960 | \$4,500 | | \$4,613 | | \$4,501 | \$4,614 | |
| Laundry Income - Residential | | \$2,400 | \$2,640 | | \$2,706 | | \$2,774 | \$2,843 | |
| Total Gross Income | | \$186,900 | \$237,960 | | \$243,909 | | \$249,780 | \$256,024 | |
| VACANCY: | | | | | | | | | |
| Vacancy - Residential - 3.0% | | | (\$7,139) | | (\$7,317) | | (\$7,493) | (\$7,681) | |
| OPERATING EXPENSE: | | | | | | | | | |
| Electricity | | (\$776) | (\$795) | | (\$815) | | (\$836) | (\$857) | |
| Gas | | (\$2,915) | (\$2.988) | | (\$3,063) | | (\$3,139) | (\$3,218) | |
| Sewer / Water | | (\$900) | (\$923) | | (\$946) | | (\$969) | (\$993) | |
| Trash | | (\$1,658) | (\$1,699) | | (\$1,742) | | (\$1,785) | (\$1,830) | |
| Landscaping | | (\$600) | (\$615) | | (\$630) | | (\$646) | (\$662) | |
| General Administrative | | (\$300) | (\$308) | | (\$315) | | (\$323) | (\$331) | |
| Management | | (\$7,342) | (\$7,525) | | (\$7,713) | | (\$7,906) | (\$8,104) | |
| Insurance | | (\$3,400) | (\$3,485) | | (\$3,572) | | (\$3,661) | (\$3,753) | |
| Property Taxes | | (\$33,659) | (\$34,500) | | (\$35,363) | | (\$36,247) | (\$37,153) | |
| Repairs & Maintenance / Reserves | | (\$2,600) | (\$2,665) | | (\$2,732) | | (\$2,800) | (\$2,870) | |
| Total Operating Expense | | (\$54,150) | (\$55,503) | | (\$56,891) | | (\$58,313) | (\$59,771) | |
| Net Operating Income | \$ | 132,750 | \$ 182,457 | \$ | 187,018 | \$ | 191,467 | \$ 196,253 | \$ |
| ' ' | · | | , | Ċ | | Ċ | | , | |
| Purchase Price | \$ | 2,980,000 | \$ 2,980,000 | \$ | 2,980,000 | \$ | 2,980,000 | \$ 2,980,000 | \$ |
| Cap Rate | | 4.45% | 6.12% | | 6.28% | | 6.43% | 6.59% | |
| Equity @ 35% | \$ | 1,043,000 | \$ 1,073,570 | \$ | 1,105,688 | \$ | 1,139,365 | \$ 1,174,677 | \$ |
| Debt Service (30 yr Am/4.75% Int) | \$ | (121,252) | \$ (121,252) | \$ | (121,252) | \$ | (121,252) | \$ (121,252) | \$ |
| Equity Contribution | \$ | 30,570 | \$ 32,118 | \$ | 33,677 | \$ | 35,312 | \$ 37,026 | \$ |
| Net Income Less Debt Service plus Equity Contribution | \$ | 42,068 | \$ 93,323 | \$ | 99,443 | \$ | 105,527 | \$ 112,027 | \$ |
| Cash on Cash Return | | 4.03% | 8.69% | | 8.99% | | 9.26% | 9.54% | |

| ě | Year 5 | i | Year 6 | Year 7 | i | Year 8 | i | Year 9 | i | Year 10 |
|---|--------------|----|--------------|-----------------|----|--------------|----|--------------|----|--------------|
| | April 1 2024 | | April 1 2025 | April 1 2026 | | April 1 2027 | | April 1 2028 | | April 1 2029 |
| 4 | | | | | | | | | | |
| ě | \$245,841 | | \$251,987 | \$258,287 | | \$264,744 | | \$271,363 | | \$278,147 |
| ĕ | \$8.941 | | \$9.164 | \$9,394 | | \$9.628 | | \$9,869 | | \$10,116 |
| 8 | \$4,502 | | \$4,615 | \$4,503 | | \$4,616 | | \$4,731 | | \$4,849 |
| 6 | \$2,914 | | \$2,987 | \$3,062 | | \$3,138 | | \$3,217 | | \$3,297 |
| Š | \$262,198 | | \$268,753 | \$275,245 | | \$282,126 | | \$289,179 | | \$296,409 |
| ě | | | | | | | | | | |
| S | (\$7,866) | | (\$8,063) | (\$8,257) | | (\$8,464) | | (\$8,675) | | (\$8,892) |
| Ş | | | | | | | | | | |
| ā | (\$878) | | (\$900) | (\$922) | | (\$945) | | (\$969) | | (\$993) |
| 3 | (\$3,298) | | (\$3,381) | (\$3,465) | | (\$3,552) | | (\$3,640) | | (\$3,731) |
| 9 | (\$1,018) | | (\$1,044) | (\$1,070) | | (\$1,097) | | (\$1,124) | | (\$1,152) |
| ø | (\$1,876) | | (\$1,923) | (\$1,971) | | (\$2,020) | | (\$2,071) | | (\$2,122) |
| | (\$679) | | (\$696) | (\$713) | | (\$731) | | (\$749) | | (\$768) |
| S | (\$339) | | (\$348) | (\$357) | | (\$366) | | (\$375) | | (\$384) |
| 9 | (\$8,306) | | (\$8,514) | (\$8,727) | | (\$8,945) | | (\$9,169) | | (\$9,398) |
| | (\$3,847) | | (\$3,943) | (\$4,042) | | (\$4,143) | | (\$4,246) | | (\$4,352) |
| | (\$38,082) | | (\$39,034) | (\$40,010) | | (\$41,010) | | (\$42,035) | | (\$43,086) |
| ò | (\$2,942) | | (\$3,015) | (\$3,091) | | (\$3,168) | | (\$3,247) | | (\$3,328) |
| | (\$61,265) | | (\$62,797) | (\$64,367) | | (\$65,976) | | (\$67,625) | | (\$69,316) |
| | 200,933 | \$ | 205,956 | \$ 210,878 | \$ | 216,150 | \$ | 221,554 | \$ | 227,093 |
| | 2,980,000 | \$ | 2,980,000 | \$ 2,980,000 | \$ | 2,980,000 | \$ | 2,980,000 | \$ | 2,980,000 |
| | 6.74% | | 6.91% | 7.08% | | 7.25% | | 7.43% | | 7.62% |
| | 1,211,703 | \$ | 1,250,527 | \$ 1,291,236 | \$ | 1,333,921 | \$ | 1,378,678 | \$ | 1,425,608 |
| | (121,252) | \$ | (121,252) | \$ (121,252) | \$ | (121,252) | \$ | (121,252) | \$ | (121,252) |
| | 38,824 | \$ | 40,709 | \$ 42,685 | \$ | 44,757 | \$ | 46,930 | \$ | 49,209 |
| | 118,505 | \$ | 125,413 | \$ 132,311 | \$ | 139,655 | \$ | 147,232 | \$ | 155,050 |
| | 9.78% | | 10.03% | 10.25% | | 10.47% | | 10.68% | | 10.88% |

SECTION SEVEN: ECONOMICS

THE PALMS APARTMENTS - 2615 H STREET

RENT ROLL

| Rent Roll | | | | | | |
|-----------|--------|-----|------|-------|-------------|---------------------|
| | | | | | | |
| Tenant | Unit # | Bed | Bath | SF | Lease Start | Lease Expiration |
| The Palms | | | | | | |
| | 1 | 1 | 1 | 550 | 07/01/2016 | |
| | 2 | 1 | 1 | 550 | | |
| | 3 | 1 | 1 | 550 | 04/14/2018 | 04/13/2019 |
| | 4 | 1 | 1 | 550 | 04/01/2019 | |
| | 5 | 1 | 1 | 550 | 08/15/2018 | |
| | 6 | 1 | 1 | 550 | 06/15/2018 | 06/14/2019 |
| | 7 | 1 | 1 | 550 | 05/07/2018 | 05/06/2019 |
| | 8 | 1 | 1 | 550 | 08/01/2014 | |
| | 9 | 1 | 1 | 550 | 03/25/18 | 03/24/19 |
| | 10 | 1 | 1 | 550 | 12/08/17 | 12/07/18 |
| | 11 | 1 | 1 | 550 | 12/22/2017 | 12/21/2018 |
| | 12 | 1 | 1 | 550 | 04/01/2019 | |
| | 13 | 2 | 1 | 1,000 | 11/17/2017 | 05/31/2019 |
| Total | | 14 | 13 | 7,600 | | |
| iviai | | 14 | 13 | 7,000 | | |

| | ontract Rent | Rent / SF / Month | ı | Warket Rent | Loss to Lease | Re | eimburse ments | Р | arking Rent | Total Monthly Income |
|---|-----------------|----------------------|----|----------------|------------------|----|-------------------|----|----------------|----------------------------|
| Ø | \$ 1,000 | \$1.82 | \$ | 1,350 | (350.00) | \$ | - | | | \$1,000 |
| Š | \$ 1,175 | \$2.14 | \$ | 1,350 | (175.00) | \$ | - | | | \$1,175 |
| ğ | \$ 1,095 | \$1.99 | \$ | 1,350 | (255.00) | \$ | - | | | \$1,095 |
| ã | \$ 1,290 | \$2.35 | \$ | 1,350 | (60.00) | \$ | - | | | \$1,290 |
| | \$ 1,195 | \$2.17 | \$ | 1,350 | (155.00) | \$ | - | | | \$1,195 |
| à | \$ 1,195 | \$2.17 | \$ | 1,350 | (155.00) | \$ | - | | | \$1,195 |
| | \$ 1,175 | \$2.14 | \$ | 1,350 | (175.00) | \$ | - | | | \$1,175 |
| | \$ 1,000 | \$1.82 | \$ | 1,350 | (350.00) | \$ | - | | | \$1,000 |
| ő | \$ 1,150 | \$2.09 | \$ | 1,350 | (200.00) | \$ | - | | | \$1,150 |
| | \$ 1,150 | \$2.09 | \$ | 1,350 | (200.00) | \$ | - | | | \$1,150 |
| | \$ 1,050 | \$1.91 | \$ | 1,350 | (300.00) | \$ | - | | | \$1,050 |
| ě | \$ 1,290 | \$2.35 | \$ | 1,350 | (60.00) | \$ | - | | | \$1,290 |
| | \$ 1,530 | \$1.53 | \$ | 2,360 | (830.00) | \$ | - | | \$80 | \$1,610 |
| | \$ 15,295 | \$2.01 | | \$18,560 | (3,265.00) | \$ | - | \$ | 80 | \$15,375 |

Note 1: There are five garage parking spaces included with the Property that are currently made available to only two of the tenants, for a total collection of \$80 for all parking per month, or \$960 annually. In many other typical apartment scenarios in the urban core, owners make these spaces available to residents on a reserve basis for \$75 per month. The result would be an increase in Net Operating Income (NOI) of \$3,540 annually.

Note 2: Ownership is not yet collecting utility reimbursements from any of the tenants. RUBs are commonplace at virtually all comparable apartment projects and therefore also seem achievable over the course of a 12-24 month period. A \$50-\$75 per month utility reimbursement would also increase NOI by \$8,100 annually.

INCOME SUMMARY

Income Summary

| | Actual Monthly | | Annual | | Proforma Monthly | Annual | | |
|----------------------|-------------------|--------|---------------|----|---------------------|---------------|--|--|
| Residential: | | | | | | | | |
| Base Rental Income | \$ | 15,295 | \$ 183,540 | \$ | 18,560 | \$ 222,720 | | |
| Reimbursement Income | \$ | - | \$ - | \$ | 675 | \$ 8,100 | | |
| Parking Income | \$ | 80 | \$ 960 | \$ | 375 | \$ 4,500 | | |
| Laundry Income | \$ | 200 | \$ 2,400 | \$ | 220 | \$ 2,640 | | |
| Total Income | \$ | 15,575 | \$ 186,900 | \$ | 19,830 | \$ 237,960 | | |

FINANCING

Purchase Price:\$2,980,000Loan to value:\$1,937,000Term:30 yearsFixed Rate Term:10 yearsInterest Rate:4.75%





