Development Research Partners

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**Development Proforma Review for the Confluence Companies' project at 221 Wilcox Street, Castle Rock, CO**

Development Research Partners, Inc. (DRP) and Short Elliot Hendrickson, Inc. (SEH) has been engaged by the Castle Rock Downtown Alliance to review the development budgets and forecast operating proforma for The Confluence Companies' development project. Project information, budgets, and proformas were provided by the site owner/developer, Confluence Companies.

This development review is intended to provide a third-party, objective evaluation of market assumptions and development and operating proformas to inform public investment decision-making. This memorandum summarizes DRP and SEH's review and findings.

## SCOPE OF REVIEW

To benchmark the proposed project to the market, DRP reviewed and provided independent research regarding the following assumptions:

- Independent verification for market assumptions presented in the development proposal
- Construction costs estimates verification
- Financial gap analysis
- Market verification on commercial mortgage loan rates and terms
- Comparison with market rate investment criteria and yield indicators
- Prepare a briefing regarding research, analysis, and recommendations; and
- Potential impacts from current economic uncertainty.

## METHODOLOGY

Developers provided drawings and renderings of the finished project along with several sets of development and operating proformas. The reviewer relied upon the most recent set of proformas dated May 6th, 2022 for this analysis. The reviewers conducted independent research into market conditions and development costs to establish a market baseline for evaluating the projected project operations. The developers made themselves readily available to discuss project concepts, market positioning, costs, revenues, and other assumptions underlying their projections. Potential financial gaps are estimated by the reviewers through independent rate of return analysis targeting market-based investment expectations.

## PROJECT BASIS

- The 221 Wilcox project is assumed by the Reviewer to be a stand-alone mixed-use project, not related to other nearby projects that may or may not be owned and operated by related entities.
- The completed redevelopment project is proposed to include 28 rental apartment units (mix of 1-, 2-, and 3-bedroom), and 19,008 square feet of commercial space.
- The developer, Confluence Companies, has purchased the vacant lot addressed 221 Wilcox St. for development of a mixed-use multi-family residential project.
- The site was purchased as a vacant parcel.
- The property has utilities on site.
- The proposed development will be a mixed-use, Class A building on the .37-acre lot, a rectangular shaped parcel situated on the northeast quadrant of Block 23, at the southwest corner of Third Street and Wilcox Street in Castle Rock.
- As currently entitled the subject parcel is subject to drainage requirements considered over and above what other similar parcels may incur.
- Parking requirements and the relatively small site size necessitates providing on-site parking and off-site parking spaces for future residents, tenants and patrons. It is the Reviewer's understanding that residential on-site parking will be provided via a sub-grade parking garage. Off-site spaces are required for the commercial space and will be purchased from the Encore projects.  The cost of acquiring off-site parking is considered by the Reviewer to be a stand-alone cost of the 221 Wilcox project.

## CURRENT ECONOMIC ENVIRONMENT

Overall, today's real estate market is considered good for investors, but unpredictable given the economic headwinds being presented by inflation, interest rate, and global supply chain and political issues. Macro-economic uncertainty is the biggest risk factor to real estate development and investment today.

Interest rate hikes and tighter lending standards are a primary concern in multifamily markets. The Federal Reserve is planning three interest rates increases during 2022, which will in turn raise the commercial real estate mortgage rates and slow demand for for-sale housing. On the up side, the Fed's rate increases have already started slowing the economy and should continue to reduce inflationary pressures. Recent inflation indicators illustrate the propensity for inflation to eventually moderate, with some market observers projecting that inflation may have peaked in the second quarter 2022.

The number of new building permits issued for multi-family property is projected to slow due to higher lending rates, particularly in highly leveraged projects. It is expected the market will see up to a 20% decrease in permits in Metro Denver through 2022. However, there is notable already-permitted construction underway. Construction of already permitted units will remain high by historic standards as housing supply catches up with demand. As new supply opens in 2022, the vacancy rate should drift upwards to the 5 percent range and rental rate increases should moderate to slightly above historic patterns.

Supply chain issues are highlighted by the rising cost of building materials. According to the *Mortenson Cost Index* "*construction costs have increased 2.3% nationally and 3.2% in Denver for the first quarter of 2022. Currently, the fastest rising prices are for lumber, steel, conduit, and plywood. Many economists believe that inflationary pressures and supply chain shortages will begin to moderate towards the end of 2022.*" The U.S. economy is currently running at a torrid pace and many market watchers believe that inflation and interest rates will slow towards a long-term equilibrium rate.

Multi-family investors are less concerned with economic conditions as low-home ownership and affordability usually imply high demand for rental units. Rental rate increases are likely to moderate as average annual apartment rents in metro Denver rose 14.4% year-over-year first quarter 2022, higher than the 9.1% gain in overall consumer inflation measured in March, according to a survey from the University of Denver and the Apartment Association of Metro Denver. Rental rate increases should also fall to long-term growth trends as supply chain and inflation issues resolve over the near-term. Assuming global conflicts resolve themselves in a favorable way, global supply impacts from the Covid Pandemic are expected to resolve themselves as the pandemic resolves.

To account for current economic conditions over a 10-year proforma, the Reviewers have estimated growth in rental rates and operating expenses to be 10% in year one, 6% in year two, and 3% years three through 10.

## PROJECT ASSUMPTIONS

The Reviewers have evaluated this proposed development from the perspective of an open market. This analysis assumes that all units, both residential and commercial, are designed to be rented and leased. The developer has indicated that the commercial space may be sold. However, this analysis is not intended to evaluate this property from the developer's position, but from the perspective of the open market pursuing the greatest returns on investment. We believe that the open market would lease this space due to its propensity to generate a higher net-operating-income (NOI). Therefore, the proposed development is assumed to lease its commercial space at rates consistent with their quality and market.

The following chart compares the as-proposed development proforma assumptions with DRP's market-derived assumptions.

| **Assumptions:** | **As-Proposed** | **Market-Estimate**[1] | **Comments** |
|---|---|---|---|
| **Mix** | | | The Reviewers assume residential units are rentals and commercial space is leased. The Reviewers assume commercial space will be leased to maximize NOI. |
| Residential Units | 28 | - | |
| Commercial Retail | 9,008 sf | - | |
| Commercial Office | 10,000 sf | - | |
| **Apartment Rental Rates/month** | Weighted Average rent for each unit type per proforma | Estimates based on a survey of market reports and local rent comp analysis | The developer's projected rents are generally at the higher end of the market spectrum. The proposed units tend to be larger than comparable properties. Market trends indicate that rents are expected to increase significantly over the next three years. While estimated at the higher range, the proposed rents are not unreasonable market expectations. |
| 1-Bedroom | $1,950 | $1,700 - $2,000 | |
| 2-Bedroom | $2,500 | $2,050 – $2,450 | |
| 3-Bedroom | $3,000 | $2,550 – $2,900 | |

| | | | |
|---|---|---|---|
| **Absorption** | 12-month Absorption | 12-month Absorption | The property is estimated to be fully stabilized after 18 months with stabilized occupancy in Year 3. |
| **Stabilized Vacancy** | 5% Stabilized Vacancy | 5% Stabilized Vacancy<br>+ 1% credit Loss | Stabilized vacancy assumptions apply proforma year 3 |
| **Residential Operating Expenses***<br>Per Unit | $7,153 | Market Range: $5,500 - $6,500<br>Review Assumption: $6,500 | Operating expense estimates for the residential units are high compared to other similar properties. The Reviewers applied a lower cost than the developer's proforma. |
| **Growth Rate**<br>(Yr 1, Yr 2, Yr 3-10)<br>Revenue<br>Expenses | <br><br>3%<br>2% | <br><br>10%, 6%, 3%<br>10%, 6%, 3% | An inflationary environment is expected for the next 2-3 years. Project Yr 1 and Yr 2 applied rates account for short term inflation impacts, then settle into a long-term equilibrium rate. |
| **Commercial Office Leasing Rates (per square foot)** | $25.00 psf | $29.00 psf | There is 10,000 square feet of commercial office space proposed to be built. Reviewer's estimate based on a comparison of commercial office space leases and expenses in the market area. Assumes Full-Service leases. |
| **Commercial Office Operating Expenses**<br>Per Square Foot | $11.37 psf | $9.00 psf | Operating expenses based on comparable properties. |
| **Io is about 40%, consistent with the market.Commercial Retail Leasing Rates (per-square-foot)** | $30.00 psf | $25.00 psf | There is 9,008 square feet of commercial retail space proposed to be built. Assumes NNN leases. |
| **Commercial Retail Operating Expenses**<br>Per Square Foot | $11.37 psf | $9.00 psf | Operating expenses based on comparable properties. |

| | | | |
|---|---|---|---|
| **Debt** | | | |
| Loan: Value Ratio | 75% | 75% - 80% | Financing terms are consistent with the market given lender relationships and project nuances. |
| Interest Rate | 6.0% | 6.0% | |
| Amortization | 30 years | 20 – 30 years | |
| **Capitalization Rates** | | | Economic and market conditions over the past few have led to the compression of rates of return. There are more investors seeking apartment properties and this competition has led to the reduction in required rates of return. |
| Stabilized – Apartment | 4.5% | 3.75% | |
| Stabilized – Retail | 7.5% | 7.0% | |
| Stabilized – Office | 7.5% | | |
| Liquidated - Apartment | 5.0% | 5.0% | The going-in (stabilized) cap rate used in the Review reflect these lowered expectations in the market. Typically, exit cap rates (at asset liquidation) are 75 to 150 basis points higher than going-in rates, which the reviewers used in their independent analysis. |
| Liquidated – Retail | 8.0% | 8.0% | |
| Liquidated – Office | 8.0% | | |
| Blended Rates | | | |
| Stabilized – | -- | 4.75% | |
| Liquidated – | -- | 5.5% | |
| **Target Yield** | | | |
| Yield Rate (IRR, unleveraged) | na | 6.0% - 8.0% | Market-based target yield rates are used to estimate the financial gap |
| Return on Cost | na | 5.0% - 5.5% | |
| **Development Costs** | $26,898,391 | $24,500,000 | The Reviewer's estimated development cost is based on the project concept as understood by the Reviewer using cost guide approximations. The Developer's estimated development costs are within 9% of the Reviewer's estimate and considered reasonable. |

*1. Source: RERC; Realtyrates.com; RS Means; Zillow; CBRE; DMCAR; NAR, Commercial Real Estate Finance Co. of America, CommercialLoanDirect.com, Integra Realty Resources, Hoyt Advisory Services; NMHC/NAA; U.S. Census Bureau; RealPage, fixr.com, Statista: Denver, Fannie Mae, EV Studio, ARGUS College, Development Research Partners*

## ESTIMATED FEASIBILITY GAP

Based on investor surveys and market data reviewed by DRP and SEH, the following target rates are used to proxy investment hurdle rates of return. In other words, it is assumed the cash flow projections must yield rates within the following ranges to be considered attractive to the market. Return On Investment (ROI) estimates are based upon stabilization, the first year of full occupancy and operations, in proforma year 3.

| ROI Indicator | Description | Market Target |
|---|---|---|
| Return-on-Cost | Net Operating Income before debt service as % of equity | 5.0% to 5.5% |
| Internal Rate of Return (IRR, unleveraged) | Annual revenue and asset sale over 10 years as return on development costs | 6.0% to 8.0% |

The following sensitivity analysis illustrates the application of total GAP funding against construction cost during the first year of construction.

| ROI Indicator | Market Target | GAP Funding Year 1 | | |
|---|---|---|---|---|
| **Estimated Gap** | | **$5,500,000** | **$6,000,000** | **$6,500,000** |
| Return-on-Cost | 5.0% to 5.5% | 4.9% | 5.0% | 5.1% |
| Internal Rate of Return (IRR) | 6.0% to 8.0% | 5.9% | 6.2% | 6.6% |

The development project as proposed indicates a **financial gap ranging from $5.5 to $6.5 million.** The sensitivity analysis reveals that the project will begin to achieve market target rates for “return-on-cost” and unlevered IRR with $6.0 million in gap financing.

## GAP FUNDING ANALYSIS

The proposed development has unique challenges that were considered in this analysis. This section will provide an explanation of these challenges and how they were considered by the analysis when estimating potential funding gaps.

### *Rental Rates and Expenses*

The development has an average asking rent that is at or exceeds rental ranges of similar properties throughout the market area. However, the development's asking rents are validated. A market study was performed as part of this analysis that found similar properties with similar asking rents exhibiting extremely low vacancy rates. Rental forecasts also indicate that asking rents are projected to increase over the next three years throughout the market area, bringing the range more in line with the developer's asking rent. The proposed rental units are also of a higher finish and larger square footage than comparable properties, which also indicates that they can command a rent rate at the upper end of the market spectrum. The project's location to Riverwalk is also a contributing factor to its higher asking rents.

The developer's pro forma indicated an estimated expense per apartment unit that was significantly higher than the market comparables. The developer indicated that expenses per unit, including taxes, amounted to $7,153. After reviewing the expenses per unit in comparable properties, including Riverwalk, the Reviewer determined that a more reasonable expense per unit equates to $6,500. This results in a operating expense ratio of about 40%, typical of multi-family properties.

### *Stormwater Drainage and Retention Systems*

The Town of Castlerock required the developer to include stormwater drainage and retention improvements to the area as part of their development costs. This requirement forced the development to design its underground parking to allow space for a drainage system to be installed. The costs of these stormwater system improvements were included in this analysis and contributed to the funding gap. However, to meet City parking requirements, the developer also faces an additional cost to purchase offsite parking, $1,140,480, is also explicitly included.

### *Site Preparation*

The site of this proposed development is currently vacant, but that is the direct result of the developer purchasing and readying the site for the development. The estimated costs to purchase the parcel, demolish the existing building, and prepare the site for the proposed development is $2,400,000. This cost was then adjusted by the Reviewer by the land's current market value to determine the premium the developer paid to prepare the site for new development. The premium was the net difference the developer incurred to ready the site for development, or $1,916,000. These costs were included in the gap funding analysis.

### *Commercial Condominiums and Development Risk*

A unique part of this development as proposed is the sale of its commercial condominiums. The developer indicated that it intends to sell the 19,008 square feet of commercial space as three commercial condominiums. The reviewers concluded that leasing this commercial space would provide a greater net operating income to the property and considered this as leased space in their review.

***Development Risk***

Project proformas are projections and always carry market and other risks impacting costs, operations, and return on investment. In reviewing this project the following risks are summarized amongst other potential risks:

- Rental rate projections may be higher than can be realized;
- Potential Rent Concessions as a deduction to asking rents may become more common in the market;
- Public participation by the Town of Castle Rock and its Downtown Development Authority may be limited; and
- Current economic uncertainty as previously described.

## IN SUMMARY

221 Wilcox's is well located at the center of Castle Rock's downtown and in a housing market that has seen growth and vitality. The project is designed to provide a unique property focusing on premium renters that will add residential density to the downtown area and increase supply within the Town's mixed-use market.

The estimated cost of this development is validated by this analysis and in line with market norms. The asking rents are at the upper end of the market spectrum but are validated by a strong rental market and low vacancy rates within the area. Market trends indicate that asking rents are projected to increase rapidly over the next two years, bringing the development's asking rents more in line with the market average.

The development has unique costs associated with stormwater improvements, offsite parking requirements, and commercial space. These additional risks increase the need for fiscal assistance on the part of the DDA if it supports this project as proposed.

The fact that Riverwalk, Encore, and other pioneering housing projects within the area have been largely successful, indicates that there is significant demand for this type of mixed-use development. The pioneering developments that have come before 221 Wilcox have, in effect, created a market that is likely to favor the development as proposed and absorb its residential units quickly.

In conclusion, it is the reviewer's opinion that a feasibility gap does exist for the development as proposed, in the range of:

**$5,500,000 to $6,500,000**

**Scenario:**

Project 221 Wilcox As Proposed, analyzed with market assumptions

## PROJECT SUMMARY

| **Property Summary** | | **Construction Loan Summary** | |
|---|---|---|---|
| No. Units | 28 +Office+Retail | Loan : Cost Ratio | 75% |
| Rentable SF | 50,992 | Contruction Loan Term (mos) | 36 |
| Total Development Cost | $26,898,391 | Construction Interest Rate | 5.00% |
| Development Cost per Gross Square Foot | $458 | Construction Loan Amount | $20,173,793 |
| Construction Equity | $6,724,598 | Construct Loan Per RSF | $395.63 |
| ConstructionDebt | $20,173,793 | | |
| | | **Perm Loan Summary** | |
| | | Perm Loan : Value Ratio | 75% |
| **Proforma** | | Perm Loan Amount | $16,578,602 |
| Year Stabilized | 3 | Perm Loan Ammortization (yrs) | 30 |
| Stabilized NOI | $1,049,978 | Perm Interest Rate | 6.00% |
| Stabilized Cap Rate | 4.75% | Perm Loan Yearly Payment | $1,192,765 |
| Stabilized Proforma Value | $22,104,803 | Perm Term | 10 |
| Stabilized Value Per RSF | $433 | Perm Loan Balance | $13,873,923 |
| Value upon Completion | $7,049,970 | Loan Fees/Closing Costs | 2.0% |
| Reversion Cap Rate | 5.49% | | |
| Growth Rate | 3.00% | | |

| | | | | |
|---|---|---|---|---|
| **GAP FUNDING - applied to contruction equity** | $6,000,000 | **Feasibility Indicators (10 yr hold)** | | Market Target Rate |
| | | Cost/Value* | 106.3% | |
| | | Return on Cost* | $\boxed{5.0\%}$ | 5.0% to 5.5% |
| | | IRR on Project (unleveraged) | $\boxed{6.2\%}$ | 6.0% to 8.0% |

*Stabilized Year

## OPERATING PROFORMA

| **Proforma Year** | | **CONSTRUCT** | **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** | **10** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Investment** | | | | | | | | | | | | |
| Construction Equity | | (6,724,598) | | | | | | | | | | |
| Construction Debt | | (20,173,793) | | | | | | | | | | |
| **Construction Cost** | | **(26,898,391)** | | | | | | | | | | |
| | | | | | | | | | | | | |
| **Operating Income** | | | | | | | | | | | | |
| Net Income from Property Operations | | $0 | $334,874 | $958,222 | $1,049,978 | $1,115,038 | $1,143,863 | $1,160,062 | $1,218,432 | $1,249,930 | $1,267,631 | $1,331,414 |
| *GAP Funding* | | *$6,000,000* | *$0* | *$0* | *$0* | *$0* | *$0* | *$0* | *$0* | *$0* | *$0* | *$0* |
| **NOI** | | **$6,000,000** | **$334,874** | **$958,222** | **$1,049,978** | **$1,115,038** | **$1,143,863** | **$1,160,062** | **$1,218,432** | **$1,249,930** | **$1,267,631** | **$1,331,414** |
| | | | | | | | | | | | | |
| (less) Construction Loan Interest Payment | | | ($1,008,690) | ($1,008,690) | | | | | | | | |
| (less) Perm Loan Payments | | | ($1,192,765) | ($1,192,765) | ($1,192,765) | ($1,192,765) | ($1,192,765) | ($1,192,765) | ($1,192,765) | ($1,192,765) | ($1,192,765) | ($1,192,765) |
| **Operating Cash Flow** | | **$6,000,000** | **($1,866,581)** | **($1,243,232)** | **($142,787)** | **($77,727)** | **($48,902)** | **($32,703)** | **$25,667** | **$57,165** | **$74,866** | **$138,649** |
| | | | | | | | | | | | | |
| Refinance/Gross Reversion Proceeds | | | | | | | | | | | | $24,875,487 |
| (less) Closing Costs | 2.00% | | | | | | | | | | | ($497,510) |
| (less) Loan Balance | | | | | | | | | | | | ($13,873,923) |
| **Net Refi/Reversion Proceeds** | | | | | | | | | | | | **$10,504,054** |
| | | | | | | | | | | | | |
| **Unleveraged Cash Flow (NET OF CONST GAP FUNDING)** | | **($20,898,391)** | **$334,874** | **$958,222** | **$1,049,978** | **$1,115,038** | **$1,143,863** | **$1,160,062** | **$1,218,432** | **$1,249,930** | **$1,267,631** | **$25,709,391** |
| **Leveraged Cash Flow (NET OF CONST GAP FUNDING)** | | **($724,598)** | **($1,866,581)** | **($1,243,232)** | **($142,787)** | **($77,727)** | **($48,902)** | **($32,703)** | **$25,667** | **$57,165** | **$74,866** | **$10,642,702** |
| **Rates of Return Analysis** | | | | | | | | | | | | |
| IRR on Project (unleveraged) | | 6.24% | | | | | | | | | | |
| IRR on Equity (leveraged) | | 11.68% | | | | | | | | | | |
| Return on Cost | | | 1.24% | 3.56% | 5.02% | 4.15% | 4.25% | 4.31% | 4.53% | 4.65% | 4.71% | 4.95% |

## NOI Projections

| COMMERCIAL RETAIL SPACE | | |
|---|---|---|
| Rentable Square Feet | 9,008 | |
| Current Market Rent | $25.00 | NNN |
| Operating/Mgmt/CAM Expenses | $9.00 | |
| Growth Rate | 3.00% | |
| Avg Lease Terms (yrs) | 3 | |
| Market Rent Escalations | each lease rollover | |
| Vacancy | 5.00% | |
| Economic Loss (vacancy, credit) | 1.00% | |

| RESIDENTIAL SPACE | |
|---|---|
| Units | 28 |
| Current Market Rent/mo | $2,050 |
| Expenses/Unit | $6,500 |
| Growth Rate | 3.00% |
| Vacancy | 5.00% |
| Economic Loss (vacancy, credit) | 1.00% |
| Planned Replacements/Unit | $500 |
| Other Income (% Rental Income) | 10.00% |

| COMMERCIAL OFFICE SPACE | | |
|---|---|---|
| Rentable Square Feet | 10,000 | |
| Current Market Rent | $29.00 | Gross |
| Operating/Mgmt/CAM Expenses | $9.00 | |
| Growth Rate | 3.00% | |
| Avg Lease Terms (yrs) | 3 | |
| Market Rent Escalations | each lease rollover | |
| Stabilized Vacancy | 5.00% | |
| Economic Loss (vacancy, credit) | 1.00% | |

| **YEAR** | | **Construction** | **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** | **10** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Commercial Space - Retail** | | **Year <1** | | | | | | | | | | |
| **Op Expenses/CAM psf** | | ($9.00) | ($9.90) | ($10.49) | ($10.81) | ($11.13) | ($11.47) | ($11.81) | ($12.17) | ($12.53) | ($12.91) | ($13.29) |
| **Market Rent** | *SF* | $25.00 | $27.50 | $29.15 | $30.02 | $30.93 | $31.85 | $32.81 | $33.79 | $34.81 | $35.85 | $36.93 |
| *75%* | *6,756* | *$0* | *$185,790* | *$185,790* | *$185,790* | *$208,931* | *$208,931* | *$208,931* | *$228,304* | *$228,304* | *$228,304* | *$249,474* |
| *25%* | *2,252* | *$0* | *$61,930* | *$65,646* | *$65,646* | *$65,646* | *$71,733* | *$71,733* | *$71,733* | *$78,385* | *$78,385* | *$78,385* |
| *na* | | *$0* | *$0* | *$0* | *$0* | *$0* | *$0* | *$0* | *$0* | *$0* | *$0* | *$0* |
| Potential Gross Rental Revenue | | $0 | $247,720 | $251,436 | $251,436 | $274,577 | $280,664 | $280,664 | $300,037 | $306,689 | $306,689 | $327,859 |
| **Occupancy** | | | **50.0%** | **90.0%** | **95.0%** | **95.0%** | **95.0%** | **95.0%** | **95.0%** | **95.0%** | **95.0%** | **95.0%** |
| **Effective Gross Revenue** | | | **$123,860** | **$226,292** | **$238,864** | **$260,848** | **$266,631** | **$266,631** | **$285,035** | **$291,354** | **$291,354** | **$311,466** |
| Less: Vacancy, credit Risk, leasing | 1% | 0% | ($1,239) | ($2,263) | ($2,389) | ($2,608) | ($2,666) | ($2,666) | ($2,850) | ($2,914) | ($2,914) | ($3,115) |
| Less: Operating Expenses | | $0 | ($89,179) | ($94,530) | ($97,366) | ($100,287) | ($103,295) | ($106,394) | ($109,586) | ($112,874) | ($116,260) | ($119,748) |
| Plus: Expense Reimbursements | | $0 | $44,590 | $85,077 | $92,498 | $95,272 | $98,131 | $101,075 | $104,107 | $107,230 | $110,447 | $113,760 |
| **NOI** | | **$0** | **$78,032** | **$214,576** | **$231,607** | **$253,225** | **$258,800** | **$258,645** | **$276,706** | **$282,797** | **$282,628** | **$302,364** |
| | | | | | | | | | | | | |
| **Commercial Space - Office** | | | | | | | | | | | | |
| **Op Expenses/SF** | | $9.00 | $9.90 | $10.49 | $10.81 | $11.13 | $11.47 | $11.81 | $12.17 | $12.53 | $12.91 | $13.29 |
| **Market Rent** | *SF* | $29.00 | $31.90 | $33.81 | $34.83 | $35.87 | $36.95 | $38.06 | $39.20 | $40.38 | $41.59 | $42.83 |
| *75%* | *7,500* | *$0* | *$239,250* | *$239,250* | *$239,250* | *$269,050* | *$269,050* | *$269,050* | *$293,998* | *$293,998* | *$293,998* | *$321,259* |
| *25%* | *2,500* | *$0* | *$79,750* | *$84,535* | *$84,535* | *$84,535* | *$92,374* | *$92,374* | *$92,374* | *$100,939* | *$100,939* | *$100,939* |
| *na* | | *$0* | *$0* | *$0* | *$0* | *$0* | *$0* | *$0* | *$0* | *$0* | *$0* | *$0* |
| Potential Gross Rental Revenue | | $0 | $319,000 | $323,785 | $323,785 | $353,585 | $361,423 | $361,423 | $386,371 | $394,937 | $394,937 | $422,198 |
| **Occupancy** | | | **50.0%** | **90.0%** | **95.0%** | **95.0%** | **95.0%** | **95.0%** | **95.0%** | **95.0%** | **95.0%** | **95.0%** |
| **Effective Gross Revenue** | | | **$159,500** | **$291,407** | **$307,596** | **$335,905** | **$343,352** | **$343,352** | **$367,053** | **$375,190** | **$375,190** | **$401,089** |
| Less: Vacancy, credit Risk, leasing | 1% | 0% | ($1,595) | ($2,914) | ($3,076) | ($3,359) | ($3,434) | ($3,434) | ($3,671) | ($3,752) | ($3,752) | ($4,011) |
| Less: Operating Expenses | | $0 | ($99,000) | ($104,940) | ($108,088) | ($111,331) | ($114,671) | ($118,111) | ($121,654) | ($125,304) | ($129,063) | ($132,935) |
| **NOI** | | **$0** | **$58,905** | **$183,552** | **$196,432** | **$221,215** | **$225,248** | **$221,808** | **$241,728** | **$246,134** | **$242,375** | **$264,143** |
| | | | | | | | | | | | | |
| **Residential Units** | | | | | | | | | | | | |
| **Expenses/Unit** | | $6,500 | $7,150 | $7,579 | $7,806 | $8,041 | $8,282 | $8,530 | $8,786 | $9,050 | $9,321 | $9,601 |
| **Market Rent/month** | | $2,050 | $2,255 | $2,390 | $2,462 | $2,536 | $2,612 | $2,690 | $2,771 | $2,854 | $2,940 | $3,028 |
| **Other Income/mo** | | 10.0% | $226 | $239 | $246 | $254 | $261 | $269 | $277 | $285 | $294 | $303 |
| **Replacement Reserves** | | $500 | $515 | $530 | $546 | $563 | $580 | $597 | $615 | $633 | $652 | $672 |
| Potential Gross Rental Revenue | | 0 | $833,448 | $883,455 | $909,959 | $937,257 | $965,375 | $994,336 | $1,024,166 | $1,054,891 | $1,086,538 | $1,119,134 |
| **Occupancy** | | 0 | **50.0%** | **90.0%** | **95.0%** | **95.0%** | **95.0%** | **95.0%** | **95.0%** | **95.0%** | **95.0%** | **95.0%** |
| **Effective Gross Revenue** | | **0** | **$416,724** | **$795,109** | **$864,461** | **$890,394** | **$917,106** | **$944,619** | **$972,958** | **$1,002,147** | **$1,032,211** | **$1,063,177** |
| Less: Vacancy, credit Risk, leasing | 1% | 0 | ($4,167) | ($7,951) | ($8,645) | ($8,904) | ($9,171) | ($9,446) | ($9,730) | ($10,021) | ($10,322) | ($10,632) |
| Less: Operating Expenses | | 0 | ($200,200) | ($212,212) | ($218,578) | ($225,136) | ($231,890) | ($238,846) | ($246,012) | ($253,392) | ($260,994) | ($268,824) |
| Less: Planned Replacements | | 0 | ($14,420) | ($14,853) | ($15,298) | ($15,757) | ($16,230) | ($16,717) | ($17,218) | ($17,735) | ($18,267) | ($18,815) |
| **NOI** | | 0 | $197,937 | $560,094 | $621,939 | $640,598 | $659,816 | $679,610 | $699,998 | $720,998 | $742,628 | $764,907 |
| | | | | | | | | | | | | |
| **RESIDENTIAL + COMMERCIAL** | | | | | | | | | | | | |
| Commercial NOI - Office | | 0 | $58,905 | $183,552 | $196,432 | $221,215 | $225,248 | $221,808 | $241,728 | $246,134 | $242,375 | $264,143 |
| Commercial NOI - Retail | | 0 | $78,032 | $214,576 | $231,607 | $253,225 | $258,800 | $258,645 | $276,706 | $282,797 | $282,628 | $302,364 |
| Residential NOI | | 0 | $197,937 | $560,094 | $621,939 | $640,598 | $659,816 | $679,610 | $699,998 | $720,998 | $742,628 | $764,907 |
| **TOTAL NOI** | | **0** | **$334,874** | **$958,222** | **$1,049,978** | **$1,115,038** | **$1,143,863** | **$1,160,062** | **$1,218,432** | **$1,249,930** | **$1,267,631** | **$1,331,414** |