9401-9409 Goldenrod Road, Tampa FL

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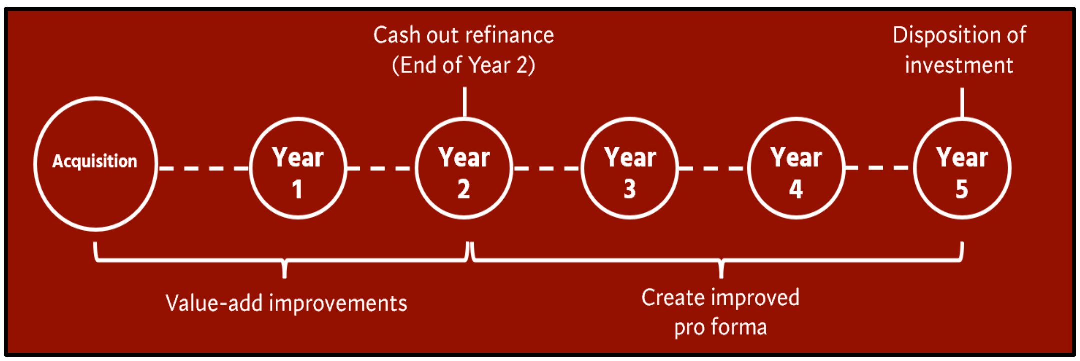
Thesis

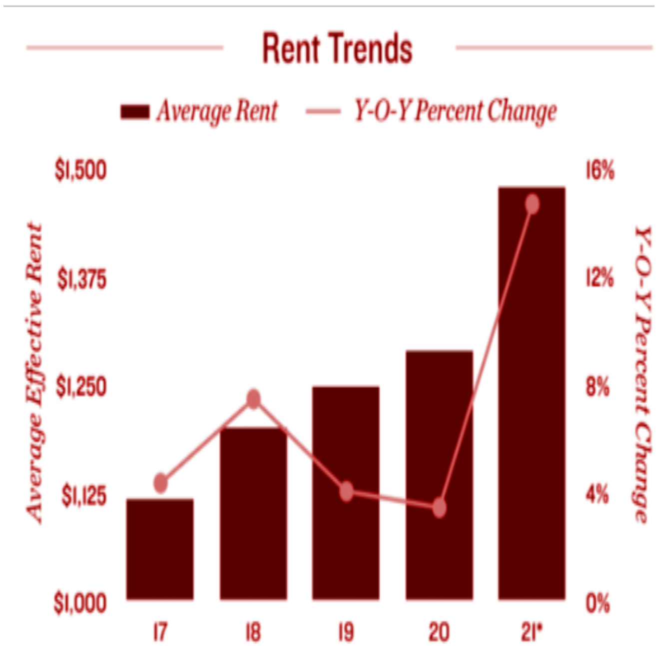
Our thesis is to take a value-add strategy on a financially distressed property in a market with high rent growth. Our goal is to renovate, refinance, and sell over a five-year hold term, and drive profit from our value-add renovations.



Acquisition Costs		
Purchase Price		$2,300,000
Loan Balance		$1,868,750
GP Equity	$	100,625
LP Equity	$	905,625
Total Equity	$	1,006,250
Closing Costs	$	115,000
Capital Improvements	$	460,000
Total Acquisition Cost	$	2,875,000

Property Overview

The property we chose is 9401-9409 Goldenrod Road, Tampa FL. It has a purchase price of $2,300,000. Estimated, $690,000 in capital improvements and 26.3% levered IRR. The property is 17.7 miles away from Tampa International Airport, 0.3 miles away from US-301 highway and 2.6 miles away from the closest elementary school. Our investment timeline is a structured 2 year hold for value-add improvements and refinance at year 3 and sell at year 5. Improvements would include interior and exterior painting, landscaping, new modern tiles, updated air conditioning, new bathrooms, new kitchen appliances, fresh pain, and new light fixtures.

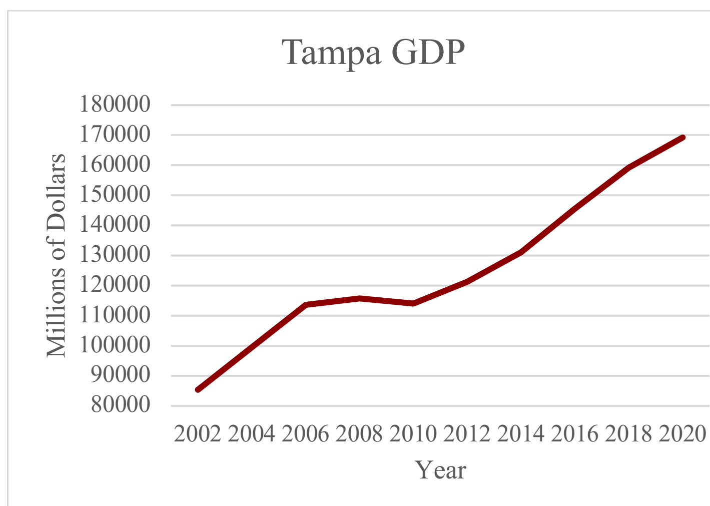


Market Analysis

Tampa has a current population of 407,104 with a relatively young median age of 35.7. The average income in Tampa is $87,818, roughly. Tampa has access to education with some of the top public schools in the state. As for employers, over the past several years, the area has taken a deep dive into the tech industry, forming start up tech companies across the region which have created a plethora of new jobs. Additionally, Tampa has saw a boost in demand during the first half of 2021 which resulted in vacancy falling to 3 percent, the lowest rate in the past twenty years. The combination of falling vacancy and an influx of high-end apartments delivering in 2021 will push the average effective rent to $1,475 per month. Transaction activity was up around 20% year over year in June 2021. As for the future, the strong rent and population growth as well as low vacancies should increase buyer interest. Multifamily suburban properties cap rates are currently hovering between 4.10% and 5.50%. Supply in the metro increased by 2.4% year over year in June, surpassing the previous 12-month period's pace of 16%.

Catalysts

The three main catalysts in Tampa that led us to want to invest there are economic growth, rent increase, loose restrictions. Tampa has seen many new employers enter the city, as well as a low unemployment rate, and a 50% increase in GDP from 2010 to 2020. Also, the city saw a 26.3% year over year rent increase in 2021, with 5% employment growth, and a 3% vacancy rate. Lastly, Tampa has no covid restrictions, no income tax, a business-friendly environment, and a low cost of living. All these factors have led to population growth in Tampa, making it a great place to invest.



Risks & Exit Strategies

Due to the nature of our investment strategy, there a variety of risks that we have implemented exit strategies to prepare for. To begin with, the first risk we face is rent deceleration. The value-add strategy relies on a strong NOI on the sale date to turn a profit, and a drop in market rent serves as a strong risk. To face this, we would renovate then sell the property directly after without financing. This raises PGI to current rent without exposing the property to subsequent rent decision. The returns would include an entity level IRR of 15%, GP IRR of 25% and LP IRR of 14%. The next largest risk we face is rising interest rates. Our exist strategy to address this is to renovate without financing. The reasoning behind this is that if the interest rates rise to a point where refinancing is not an option, the GP's can hold the property after renovations. The entity level IRR would be 7%, GP IRR, 7% and LP IRR, 7%. The last exit strategy would be to extend the hold term due to unexpected renovation costs. Reasoning behind this is that unexpected renovation costs and delays can be addressed by extending investment timeline. Ultimately, there a variety of market risks inherent in the value-add strategy but by preparing respective exit strategies we can mitigate risk and, in some cases, still turn a profit for investors.

Pro Forma:

Year:		0	1	2	3	4	5
Action:		Purchase		Refinance			Sale
Cash Flow Statement	**Percentages**						
Rent Income:							
Gross Potential Rent			$191,147	$244,239	$251,566	$259,113	$266,887
General Vacancy Loss	2%		-$3,823	-$4,885	-$5,031	-$5,182	-$5,338
Credit Loss	1%		-$1,911	-$2,442	-$2,516	-$2,591	-$2,669
Concessions & Free Rent	0%		$0	$0	$0	$0	$0
Net Rental Revenue			$185,412	$236,912	$244,019	$251,340	$258,880
Effective Gross Revenue:							
Effective Gross Revenue			$185,412	$236,912	$244,019	$251,340	$258,880
Operating Expenses:							
Property Taxes	20%		$37,082	$47,382	$48,804	$50,268	$51,776
Insurance	5%		$9,271	$11,846	$12,201	$12,567	$12,944
Repairs & Maintenance	5%		$9,271	$11,846	$12,201	$12,567	$12,944
Property Management Fee	10%		$18,541	$23,691	$24,402	$25,134	$25,888
Other Expenses	5%		$9,271	$11,846	$12,201	$12,567	$12,944
Total Operating Expenses			$83,435	$106,610	$109,809	$113,103	$116,496
Net Operating Income:							
Net Operating Income:			$101,977	$130,302	$134,211	$138,237	$142,384
Capital Expenses:							
Capital Expense Reserves	5%		$9,271	$11,846	$12,201	$12,567	$12,944
Total Capital Expenses			$9,271	$11,846	$12,201	$12,567	$12,944
Cash Flow Before Debt Service:							
Cash Flow Before Debt Service			$92,706	$118,456	$122,010	$125,670	$129,440
Debt Service:							
Principal Payments			$0	$0	$34,518	$36,284	$38,140
Interest Payments			$112,125	$112,125	$101,882	$100,116	$98,260
Total Debt Service			$112,125	$112,125	$136,400	$136,400	$136,400
Cash Flow After Debt Service:							
Cash Flow After Debt Service			-$19,419	$6,331	-$14,390	-$10,730	-$6,960
Purchase & Sale Metrics							
Unlevered Cash Flow:							
Purchase Price		-$2,300,000					
Closing Costs		-$115,000					
Sale Price							$3,559,602
Cost of Sale							-$177,980
Total Unlevered Cash Flow		-$2,415,000	$92,706	$118,456	$122,010	$125,670	$3,511,062
Unlevered Cash-on-Cash Returns			3.84%	4.91%	5.05%	5.20%	5.36%
Levered Cash Flow:							
Loan Proceeds		$1,868,750		$2,117,401			
Loan Fees		-$18,688		-$21,174			
Loan Payoff				-$1,868,750			-$1,944,382
Prepayment Penalty							
Total levered Cash Flow		-$564,938	-$19,419	$233,808	-$14,390	-$10,730	$1,430,279
Levered Cash-on-Cash Returns			-3.44%	1.08%	-2.46%	-1.79%	-1.14%

Entity-Level Return Metrics		
Unlevered IRR		11.20%
Levered IRR		26.30%
Unlevered EM		1.6 x
Levered EM		2.7 x
Unlevered Cash-on-Cash		4.87%
Levered Cash-on-Cash		-1.55%
Value at Refinance	$	3,257,540
Value at Disposition	$	3,559,602

Equity Structure:			
Partnership Structure	%	Amount	% of acquisition
GP Equity Share	10%	$100,625	3.50%
LP Equity Share	90%	$905,625	31.50%
Total Equity	100%	$1,006,250	35.00%
Event	GP Promote	LP Promote	IRR Breakpoint
Preferred Return	10%	90%	8%
Hurdle 2	20%	80%	12%
Hurdle 3	30%	70%	

Returns:		
Metric:	GP:	LP:
Total Distributions	$318,937	$1,345,150
Total Contributions	$60,948	$548,529
Net Cash Flow	$257,990	$796,621
IRR	44%	23%
Equity Multiple	5.2 x	2.5 x