



558 West Broad St, Athens Georgia

Jake Bova, Aidan Erickson Mullane, Sofia Kofman, Julia Zangrilli



Contents	
1.	Thesis
2.	Property Overview
3.	Market Analysis
4.	Catalysts
5.	Risks and Exit Strategy
6.	Financials

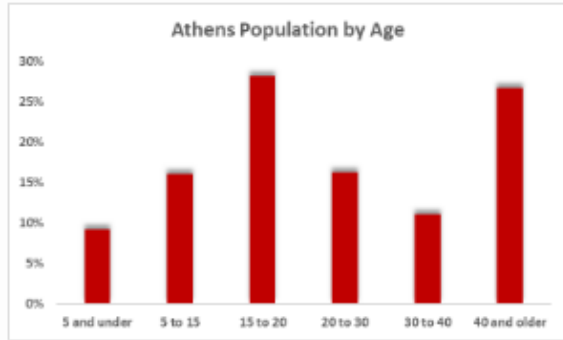
Thesis

We are bullish on the Student Housing Sector in Athens, Georgia as it offers favorable investment dynamics for the following reasons. One reason is that there is enrollment growth across select Power 5 universities which include schools within the ACC, SEC, Big 10, Big 12, and Pac 12 conferences. Talking with CRE industry professional, Chad Terc at CIBC he noted in a conference call that the number one metric CIBC looks at when they look to lend on a deal is the enrollment growth of subject universities. Additionally, speaking to Athens specifically. Only 1 in 5 students are able to live on campus in UGA, while the remaining 31,000 students need to find housing elsewhere. The Athen’s submarket offers favorable supply and demand dynamics. Additionally we believe that this asset class will present IREA with minimized risk as this subject property is basically a risk-free property income stream. With the fact that rent is guaranteed by cosigners of students, we do not foresee cash flow problems. We also see the opportunity for tenant retention through graduate student population as well as citizens of Athens who are priced out of their apartment due to rent escalations.

Property Overview

The property we chose is 558 West Broad St in Athens Georgia. It is set to be finished in 2024 as a class A building. The land has a purchase price of \$5,206,612. Estimated at, \$135,000,000 when sold after a 10-year hold, and 39% levered IRR. At 600,000 square feet, the property has 343 units and is 7 stories tall. The development will encompass a mix of 1–5 bedroom floorplans totaling 750 beds. It also includes countless amenities such as a coffee shop, pool, wellness center, resident and ground-floor study lounge, private study area, fitness center, bike storage, and a pet grooming station. It’s within a mile of UGA, UGA main Library, and the Stanford Stadium It’s also 0.5 miles away from downtown Athens offering residents access to several dining and entertainment options.

Land Loan Assumptions	
Purchase Price	\$5,206,612
Loan Value	\$ 3,123,967
GP Equity	\$ 104,132
LP Equity	\$ 1,978,512
Monthly Payment	\$20,784
Annual Payment	\$251,749.26
Exit Cap Rate	5%
Sale Price	\$ -
Equity Investment	\$ 2,082,644.63
Year of Sale	2032



Catalysts

Due to our bullish confidence in investing in the student housing sector, our number one market criteria is student enrollment. Our brand new, class A property, will add value to itself with increase in rent growth if student enrollment and demand for off campus housing continues to increase. The three main catalysts in Athens that led us to want to invest in the area is, demand for housing, decrease in vacancy rates, and average increase in rents due to positive trends in population growth and student enrollment:

Catalyst #1

Pent-up demand for in-person academic experiences, coupled with international foreign travel resuming, have prompted both domestic and international students to return to campuses. Most investors have realized that a smart real estate portfolio asset allocation strategy includes a meaningful distribution of the residential allocation toward student housing, where cap rates are measurably higher than in multifamily.

Catalyst #2

National vacancy rates dropped to 2.9% from 7.9% and off-campus occupancies only fell 3 percent during the 2020-21 academic year and have since then recovered to pre-pandemic levels.

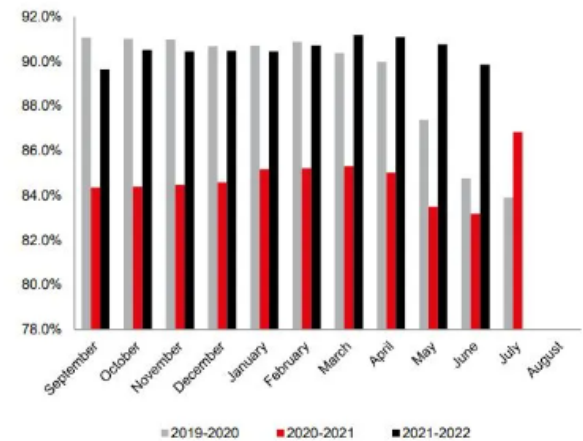
Catalyst #3

Average increase in student housing rents is currently sitting at 5.8%. UGA registered a 6.4% increase in rent rates and a 60-basis point uptick in enrollments, YOY as of December 2021. Rent growth for the coming academic year is at 5%. In the pre-pandemic year 2019, it stood at 3%.

Market Analysis

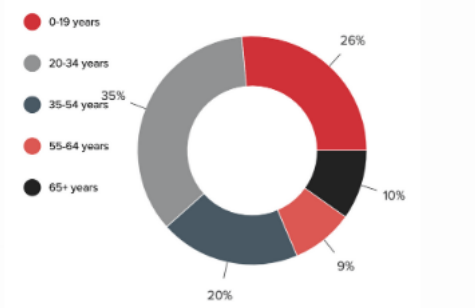
Athens has a population of about 129,640 with a medium income of \$51,227. The median age is 27 years old and the age between that of 15-20 is in the 25-30% percentile for Athens population by age, making it the highest in comparison to other age gaps as shown in the graph to the left. In addition, the University of Georgia enrollment growth year-over-year has been consistently increasing with 56,916 students enrolling in the fall of 2022, which is about 4,000 more than the fall of 2020, during the pandemic. 80% of the UGA student body lives off campus.

U.S. occupancy (%)



U.S. Occupancy. Data and chart courtesy of JLL Research

POPULATION OF ATHENS



Risks & Exit Strategies

Student housing doesn't go without its risks, and so we have compiled potential risks and our combat strategies down below:

Risk/ Strategy #1: Rising Tuition Costs

After tuition freezes and discounts at many colleges last school year due to the economic impact of the coronavirus pandemic on families across the country, tuition rates are up this year. Universities raising tuition costs every year, this upward pressure has opportunity to present downward pressure in enrollments across the country.

Risk/ Strategy #2: Ceiling for Rents

Limit on how high rents can be pushed up. Leases are only being renewed once a year in the same period as opposed to multifamily where leases are constantly being turned over.

Risk/ Strategy #3: Construction costs and delays

Our construction cost estimate for an all-in cost per unit is rough at \$150,000. Through research into renovation research case studies, as well as ground up development costs, we landed in the \$150,000 range. If supply of materials were to be impacted by supply chain distributions, then subsequently there would be upward pressures on both labor and costs of materials; hindering our ability to provide the marketed project level IRR of 18%. Construction delays, although common during the height of the pandemic, would impact our ability to produce the same level of cash flow starting in year 2025, would ultimately flow down and negatively affect our bottom line.

Risk of Online Learning

We don't foresee that online learning will be a disruptor to enrollment at residential universities—students want to be at school and not online. And we foresee the return of international students to U.S. universities, particularly starting in fall 2022.

558 West Broad Street Mitigation

Athens is primed for multifamily conversion due to unaffordability. Athens was recently rated as a 65.6 on Federal Home Affordability scale, which measures the degree to which a typical family can afford a monthly mortgage on a typical home. A score of a 100 means that a family with the area median income has exactly enough to qualify for a mortgage for a median priced home. The 65.6 score in Athens, although not favorable in terms of residents ability to pay their mortgages, some of this cohort would be potential people to be priced out of home ownership and would be forced to rent in the Athens market.

Pro Forma:

	Percentages	2022 Year 0	2023 Year 1	2024 Year 2	2025 Year 3	2026 Year 4	2027 Year 5	2028 Year 6	2029 Year 7	2030 Year 8	2031 Year 9	2032 Year 10
Rent Income:												
Potential Gross Income			\$0.00	\$0.00	\$8,250,432.00	\$8,497,944.96	\$8,752,883.31	\$9,015,469.81	\$9,285,933.90	\$9,564,511.92	\$9,851,447.28	\$10,146,990.70
Vacancy	5%		\$0.00	\$0.00	\$412,521.60	\$424,897.25	\$437,644.17	\$450,773.49	\$464,296.70	\$478,225.60	\$492,572.36	\$507,349.53
Credit Loss	2%		\$0.00	\$0.00	\$165,008.64	\$169,958.90	\$175,057.67	\$180,309.40	\$185,718.68	\$191,290.24	\$197,028.95	\$202,939.81
Concessions & Free Rent	0%		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Net Rental Revenue			\$0.00	\$0.00	\$7,672,901.76	\$7,903,088.81	\$8,140,181.48	\$8,384,386.92	\$8,635,918.53	\$8,894,996.09	\$9,161,845.97	\$9,436,701.35
Ancillary Income:												
Operation Expense Reimbursements			\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Percentage Rent			\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Retail Income	\$17.00		\$0.00	\$0.00	\$3,060,000.00	\$3,151,800.00	\$3,246,354.00	\$3,343,744.62	\$3,444,056.96	\$3,547,378.67	\$3,653,800.03	\$3,763,414.03
Parking Income	\$20.00		\$0.00	\$0.00	\$126,000.00	\$126,000.00	\$126,000.00	\$126,000.00	\$126,000.00	\$126,000.00	\$126,000.00	\$126,000.00
Total Other Income			\$0.00	\$0.00	\$3,186,000.00	\$3,277,800.00	\$3,372,354.00	\$3,469,744.62	\$3,570,056.96	\$3,673,378.67	\$3,779,800.03	\$3,889,414.03
Effective Gross Revenue:												
Effective Gross Revenue			\$0.00	\$0.00	\$10,858,901.76	\$11,180,888.81	\$11,512,535.48	\$11,854,131.54	\$12,205,975.49	\$12,568,374.75	\$12,941,645.99	\$13,326,115.37
Operating Expenses:												
Property Taxes	20%		\$68,873.06	\$68,873.06	\$2,171,780.35	\$2,236,177.76	\$2,302,507.10	\$2,370,826.31	\$2,441,195.10	\$2,513,674.95	\$2,588,329.20	\$2,665,223.07
Insurance	7%		\$760,123.00	\$760,123.00	\$760,123.12	\$782,662.22	\$805,877.48	\$829,789.21	\$854,418.28	\$879,786.23	\$905,915.22	\$932,828.08
Repairs & Maintenance	5%		\$0.00	\$0.00	\$542,945.09	\$559,044.44	\$575,626.77	\$592,706.58	\$610,298.77	\$628,418.74	\$647,082.30	\$666,305.77
Property Management Fee	4%		\$0.00	\$0.00	\$434,356.07	\$447,235.55	\$460,501.42	\$474,165.26	\$488,239.02	\$502,734.99	\$517,665.84	\$533,044.61
Utilities			\$0.00	\$0.00	\$312,000.00	\$312,000.00	\$312,000.00	\$312,000.00	\$312,000.00	\$312,000.00	\$312,000.00	\$312,000.00
Advertising & Marketing	2%		\$0.00	\$0.00	\$217,178.04	\$223,617.78	\$230,250.71	\$237,082.63	\$244,119.51	\$251,367.50	\$258,832.92	\$266,522.31
Other Expenses	2%		\$0.00	\$0.00	\$217,178.04	\$223,617.78	\$230,250.71	\$237,082.63	\$244,119.51	\$251,367.50	\$258,832.92	\$266,522.31
Retail Expenses	40%		\$0.00	\$0.00	\$1,224,000.00	\$1,226,720.00	\$1,298,541.60	\$1,337,497.85	\$1,377,622.78	\$1,418,951.47	\$1,461,520.01	\$1,505,365.61
Total Operating Expenses			\$828,996.06	\$828,996.06	\$5,879,560.70	\$6,045,075.53	\$6,215,555.79	\$6,391,150.46	\$6,572,012.98	\$6,758,301.37	\$6,950,178.41	\$7,147,811.76
Net Operating Income:												
Net Operating Income			-\$828,996.06	-\$828,996.06	\$4,979,341.06	\$5,135,813.29	\$5,296,979.69	\$5,462,981.08	\$5,633,962.51	\$5,810,073.38	\$5,991,467.59	\$6,178,303.61

Capital Expenses:												
Capital Expense Reserves	3%		-\$24,869.88	-\$24,869.88	\$149,380.23	\$154,074.40	\$158,909.39	\$163,889.43	\$169,018.88	\$174,302.20	\$179,744.03	\$185,349.11
Total Capital Expenses			-\$24,869.88	-\$24,869.88	\$149,380.23	\$154,074.40	\$158,909.39	\$163,889.43	\$169,018.88	\$174,302.20	\$179,744.03	\$185,349.11
Capital Reserves:												
Cash Reserves			\$4,941,809.25	\$4,941,809.25								
Cash Flow Before Debt Service:												
Cash Flow Before Debt Service			\$4,137,683.08	\$4,137,683.08	\$4,829,960.82	\$4,981,738.89	\$5,138,070.30	\$5,299,091.64	\$5,464,943.63	\$5,635,771.18	\$5,811,723.56	\$5,992,954.51
Debt Service (On Land Loan):												
Land Loan			\$251,749.26	\$251,749.26	\$251,749.26	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Debt Service (On Construction Loan):												
Construction Loan			\$3,241,350.00	\$3,241,350.00	\$3,241,350.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Debt Service (On Refinance Loan):												
Refinance Loan						\$4,776,586.47	\$4,776,586.47	\$4,776,586.47	\$4,776,586.47	\$4,776,586.47	\$4,776,586.47	\$4,776,586.47
Total Debt Service			\$3,493,099.26	\$3,493,099.26	\$3,493,099.26	\$4,776,586.47	\$4,776,586.47	\$4,776,586.47	\$4,776,586.47	\$4,776,586.47	\$4,776,586.47	\$4,776,586.47
Cash Flow After Debt Service:			\$644,583.82	\$644,583.82	\$1,336,861.56	\$205,152.42	\$361,483.82	\$522,505.17	\$688,357.16	\$859,184.71	\$1,035,137.09	\$1,216,368.03
Cash Flow after Debt Service			\$644,583.82	\$644,583.82	\$1,336,861.56	\$205,152.42	\$361,483.82	\$522,505.17	\$688,357.16	\$859,184.71	\$1,035,137.09	\$1,216,368.03
Purchase & Sale Metrics												
Unlevered Cash Flow:												
Purchase Price			-\$66,540,230.07									
Closing Costs	2%		-\$1,133,132.23									
Sale Price												\$127,387,703.37
Cost of Sale	2%											-\$2,547,754.07
Total Unlevered Cash Flow			-\$67,673,362.31	\$644,583.82	\$644,583.82	\$1,336,861.56	\$205,152.42	\$361,483.82	\$522,505.17	\$688,357.16	\$859,184.71	\$1,035,137.09
Levered Cash Flow:												
Loan Proceeds			\$49,428,966.94				\$66,391,214.08					
Loan Fees	3%		-\$1,482,869.01				-\$1,991,736.42					
Loan Payoff							-\$49,287,593.23					-\$60,680,210.67
Prepayment Penalty	3%						-\$1,478,627.80					-\$1,820,406.32
Total Levered Cash Flow			-\$19,727,264.37	\$644,583.82	\$644,583.82	\$1,336,861.56	\$13,838,409.05	\$361,483.82	\$522,505.17	\$688,357.16	\$859,184.71	\$1,035,137.09

Return Metrics	
Exit Cap Rate	4.85%
IRR	20%
Equity Multiplier	4.2x
NPV	\$19,192,545.19

Rent Roll:

Rent Accelerator	3%	Affordable Unit %	10%
Total Units	343	Affordable Units	34

Average Rent / Bed (Market)	Average Pre-Lease
\$890.00	33.50%

Greater Athens Household Median Income	AMI	% of AMI	Rent as % of Income (1 Bed)	Rent as % of Income (2 bed)
\$ 51,000.00		80%	32%	35%

Type	% of Total	# of Units	Monthly Rent									
			2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Studio	-	62	\$ -	\$ -	\$55,180	\$56,835	\$58,540	\$60,297	\$62,106	\$63,969	\$65,888	\$67,864
1 Bedroom	18%	62	\$ -	\$ -	\$55,180	\$56,835	\$58,540	\$60,297	\$62,106	\$63,969	\$65,888	\$67,864
1 Bedroom AFF 80% AMI	5%	17	\$ -	\$ -	\$18,496	\$19,051	\$19,622	\$20,211	\$20,817	\$21,442	\$22,085	\$22,748
2 Bedroom	20%	69	\$ -	\$ -	\$122,820	\$126,505	\$130,300	\$134,209	\$138,235	\$142,382	\$146,654	\$151,053
2 Bedroom AFF 80% AMI	5%	17	\$ -	\$ -	\$20,230	\$20,837	\$21,462	\$22,106	\$22,769	\$23,452	\$24,156	\$24,880
3 Bedroom	9%	31	\$ -	\$ -	\$82,770	\$85,253	\$87,811	\$90,445	\$93,158	\$95,953	\$98,832	\$101,797
4 Bedroom	15%	51	\$ -	\$ -	\$181,560	\$187,007	\$192,617	\$198,396	\$204,347	\$210,478	\$216,792	\$223,296
5 Bedroom	10%	34	\$ -	\$ -	\$151,300	\$155,839	\$160,514	\$165,330	\$170,289	\$175,398	\$180,660	\$186,080
Total Rooms		343										
Monthly Total			\$0	\$0	\$687,536	\$708,162	\$729,407	\$751,289	\$773,828	\$797,043	\$820,954	\$845,583
Yearly Total			\$0	\$0	\$8,250,432	\$8,497,945	\$8,752,883	\$9,015,470	\$9,285,934	\$9,564,512	\$9,851,447	\$10,146,991

GP Contribution	5%
LP Contribution	95%

	IRR	GP	LP
Preferred Return	10%	5%	95%
Hurdle 2	12%	15%	85%
Hurdle 3		25%	75%

Year:	0	1	2	3	4	5	6	7	8	9	10
GP Cash Flow											
Distributions	\$0	\$32,229	\$32,229	\$66,843	\$691,920	\$18,074	\$26,125	\$34,418	\$42,959	\$51,757	\$11,983,735
Contributions	-\$986,363	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Cash Flow	-\$986,363	\$32,229	\$32,229	\$66,843	\$691,920	\$18,074	\$26,125	\$34,418	\$42,959	\$51,757	\$11,983,735
LP Cash Flow											
Distributions	\$0	\$612,355	\$612,355	\$1,270,018	\$13,146,489	\$343,410	\$496,380	\$653,939	\$816,225	\$983,380	\$51,571,965
Contributions	-\$18,740,901	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Cash Flow	-\$18,740,901	\$612,355	\$612,355	\$1,270,018	\$13,146,489	\$343,410	\$496,380	\$653,939	\$816,225	\$983,380	\$51,571,965

GP IRR	33%
LP IRR	19%

Year:	0	1	2	3	4	5	6	7	8	9	10
LP Cash Flow											
Distributions	\$0	\$1,634	\$1,634	\$3,388	\$35,074	\$916	\$1,324	\$1,745	\$2,178	\$2,624	\$137,592
Contributions	-\$50,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Cash Flow	-\$50,000	\$1,634	\$1,634	\$3,388	\$35,074	\$916	\$1,324	\$1,745	\$2,178	\$2,624	\$137,592

IREA Capital as a Percentage of Total LP Equity	0.2668%
---	---------

IREA Investment	\$50,000.00
IREA IRR	19%
IREA Equity Multiple	3.8x