32 Cummins Hwy, Roslindale, MA 02131

Pj Conzo and Kyle Marsh

CONTENTS

Introduction

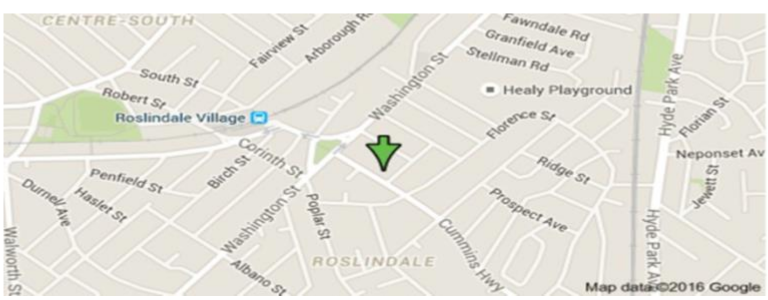
32 Cummins Hwy, Roslindale, MA 02131 is a 4 story 12,415 square foot multifamily property that is located in an updated suburban neighborhood. It is classified as Apartments - Lower Washington - Mount Hope Submarket Roslindale, MA 02131. It is comprised on 0.21 acres of land which is about 9,148 square feet of land. The property has a total of 9 units of all the same size. They are each 2 bed and 2 baths with an average of 900 square feet each. The building also has surface parking with 12 total spaces. This property was built in 2020 but construction started in December of 2018. The building is made with a wooden frame and has been individually metered. It is located in an extremely convenient place with a walk score of 96 being considered walkers paradise and a commuter rail station that is a 5 minute walk of 0.3 miles. It is classified as a Class B building. It has a vacancy of about 9% which is good to be able to test the market and attraction for each unit. There is about $2,670.44 per unit of tax per year as stated in 2021.

Thesis

We selected 32 Cummins Hwy as our investment property due to the benefits offered by the building type, market conditions, and location. To begin with, this property was constructed in 2020, which will eliminate a large portion of the inherent risks of investing in older properties. For example, buying a newer property offers lower maintenance and capital expenditure costs due to delayed physical deprecation. A newer property also lowers vacancy costs and increases demand due to the modern design and high quality of the units. By investing in a newly constructed property, the majority of risks are posed by the market rather than the property itself. Since this investment strategy places most of the risk into the market, we chose to invest in a market with a reliably high housing demand, continuous economic growth, and an area with a high supply of educated tenants. By investing in the Greater Boston Area, we are confident that vacancy rates will remain low, and market demand will remain high. We chose Rosindale as our submarket, because this location offers the benefits of the tenant base and housing market of investing in Boston, but offers a discounted price for not investing downtown. This property is a six minute walk from the Boston commuter rail, offering our tenants quality housing and easy access to transportation to their jobs. Ultimately, by investing in 32 Cummins Hwy, our thesis is that our expected return will be elevated by the benefits offered by the Boston Market and access to the nearby commuter rail, and our risk will be minimized by investing in new construction in a market with high demand.

Property Type Overview

Multifamily is a residential asset class in which multiple tenants can occupy the same development. Multifamily residential (also known as multidwelling unit or MDU) is a classification of housing where multiple separate housing units for residential inhabitants are contained within one building or several buildings within one complex. A common form is an apartment building such as 32 Cummings Hwy in Roslindale. It can be developed at a range of heights and densities, from low-rise duplexes to high-rise apartment complexes, and can be rental or ownership housing, duplexes, triplexes, fourplexes. Thus, proving that it is one of the most adaptable asset class in real estate in both its price and its size. This property should be classified as asset Class A however is classified as Class B. Besides the North End Roslindale is known for being the safest place to live near Boston. It has the lowest crime rate of all areas within a 25 minute radius to Boston. Class A is classified as properties represent the highest quality buildings in their market and area. They are properties built within the last 15 years with top amenities, high-income earning tenants and low vacancy rates. Class A buildings are the best located building in its market. They are professionally managed and have of the highest rent with little to no maintenance issues that are incurred. 32 Cummins Hwy in Roslindale matches this description in almost every way possible. It has low vacancy and is professionally managed. It is in a great location for tenants and is of the highest quality in the area. It is recently built within the last two years and thus has little to no maintenance issues. Thus this property is being undervalued for its high connectability to a Class A apartment.



9 Units

2 Beds
2 Baths

900 SF

Location

Roslindale, Massachusetts is an amazing place for a multifamily home. Roslindale is just a 18 minute drive south west of Boston. It is about 8.9 miles apart of each other. The average rent in Roslindale is $1,871. When you rent in Roslindale, one can expect to pay as little as $1,530 or as much as $3,104, depending on the location and the size. The average size to rent in Boston, MA is 810 square feet and The average rent and the in Boston is $3,487. Roslindale is a short 25 minute train ride right into Boston. This neighborhood has a livability score considered exceptional. The crime rates are 47% lower than the Boston average and 45% below the national average. The 36,129 residents in this neighborhood experience the least amount of crime incidents. Violent crime is 345 while property crime is 1,062 for every 100,000 residents. In FBI records, Roslindale is safer than 78% of cities in Massachusetts. And the chances of being a victim to any crime here in this area are 1 in 72.

Model Assumptions

Our model assumptions break into three main categories; capital assumptions, market rates, and growth rates. First, the data we used to build our amortization table was pulled from market interest rates for commercial loans. Although lending details may vary from what is marketed, this data is mostly reliable for a baseline monthly payment estimate. Next, for our equity waterfall we used default rates for preferred payments, contribution, and promotes from the GP's and LP's. These assumptions are malleable, and only affect profitability of individual stakeholders rather than the property itself. Next, we used market rates for the purchase price and rental rates.

Demographics

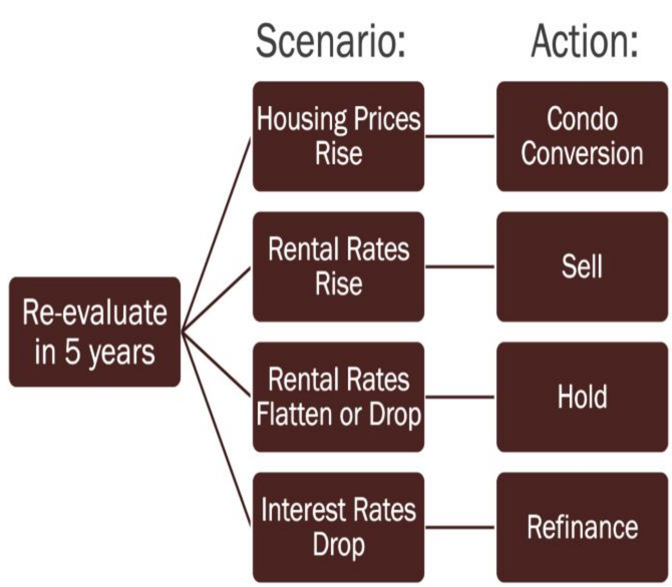
The median age in Roslindale is 38.5 years old. The male population is 46.9% to the 53.1% of women. It has a population of 20,010 people in 2020. The median household income is $80,578.00 and this is compared to Bostons $71,115.00 median income. About 18,668 people in Roslindale are White collar workers while 2,329 are Blue collar workers. There is about 14,033 total housholds in Roslindale and the average is 2 people per household. About 8,584 of these homes are family homes while 5,449 are classified as non family households. About 4,152 of the homes have children and 9,881 do not. There is only 4,221 people below poverty with 32,333 of those that are above poverty level. About 7,497 of these housholds are owner occupied and the remaining 6,536 are renter occupied. The median housing costs per month are a total of 1,706.00. As for diversity Roslindale has 48% that are self identified as White, 25.9% are self identified Hispanic, 21.0% are self identified as Black, and around 2.2% are self identified as Asian.

Risks

Risks to Thesis 1

Some risks to our thesis lie in the wait of COVID-19. If the Coronavirus was to come back and or come back strong with a different strain, then we could see similar issues as when the Coronavirus first hit. The first issue would be the implementation of eviction moratorium by the state. The eviction moratorium prohibits any action by a landlord, owner, or other person to remove or cause the removal of a covered tenant from the residential property for non-payment of rent. This would cause the possibility for rent to not be paid to us as a landlord and having tenants live and use utilities. This would leave the payments to the landlord and thus losing money per month.

Another risk we encounter is buying this property in such a hot market. If the market were to level out and or decline in the near future, we would not get the exit cap rate that we are seeking. This is because if the value of the building decreases then hence the decrease of the cap rate. To prevent these risks, we would have to hold the property for a longer period of time if this does occur.



IREA Given Guidelines	
LTV	65%
Annual Interest Rate	4.00%
Amortization Period	30
Prepyment Penalty	3%
LP Preferred Return	8%
GP Contribution	5%
LP Contribution	95%
GP Promote	30%
LP Promote	70%
Amort Years	30
Amort months	360
Monthly interest rate	0.33%
Growth Factor	1.5%

Individual Group Assumptions	
Purchase Price	$5,750,000
Loan Value	$3,737,500
GP Equity	$100,625
LP Equity	$1,911,875
Monthly Payment	$17,843
Annual Payment	$214,121
Exit Cap Rate	5%
Sale Price	$8,151,272
Operating Expense Ratio	$0

		Monthly Rent					
Bed	Unit	2021	2022	2023	2024	2025	2026
2	1	$ 3,000	$ 3,045	$ 3,091	$ 3,137	$ 3,184	$ 3,232
2	2	$ 3,000	$ 3,045	$ 3,091	$ 3,137	$ 3,184	$ 3,232
2	3	$ 3,000	$ 3,045	$ 3,091	$ 3,137	$ 3,184	$ 3,232
2	4	$ 3,000	$ 3,045	$ 3,091	$ 3,137	$ 3,184	$ 3,232
2	5	$ 3,000	$ 3,045	$ 3,091	$ 3,137	$ 3,184	$ 3,232
2	6	$ 3,000	$ 3,045	$ 3,091	$ 3,137	$ 3,184	$ 3,232
2	7	$ 3,000	$ 3,045	$ 3,091	$ 3,137	$ 3,184	$ 3,232
2	8	$ 3,000	$ 3,045	$ 3,091	$ 3,137	$ 3,184	$ 3,232
2	9	$ 3,000	$ 3,045	$ 3,091	$ 3,137	$ 3,184	$ 3,232
	Monthly Total	$ 27,000	$ 27,405	$ 27,816	$ 28,233	$ 28,657	$ 29,087
	Yearly Total	$ 324,000	$ 328,860	$ 333,793	$ 338,800	$ 343,882	$ 349,040

*all units are 2 bed 2 ba 900 SQFT

	2020 Year 0	2021 Year 1	2022 Year 2	2023 Year 3	2024 Year 4	2025 Year 5	2026 Year 6
Potential Gross Income		$ 300,000	$ 304,500	$ 309,068	$ 313,704	$ 318,409	$ 323,185
Vacancy		$ (15,000)	$ (15,225)	$ (15,453)	$ (15,685)	$ (15,920)	$ (16,159)
		5%	5%	5%	5%	5%	5%
Credit Loss		$ (6,000)	$ (6,090)	$ (6,181)	$ (6,274)	$ (6,368)	$ (6,464)
Effective Gross Income		**$ 279,000**	**$ 283,185**	**$ 287,433**	**$ 291,744**	**$ 296,120**	**$ 300,562**
Expense Reimbursements		$ -	$ -	$ -	$ -	$ -	$ -
Total Operating Revenue		$ 279,000	$ 283,185	$ 287,433	$ 291,744	$ 296,120	$ 300,562
Operating Expenses		$ (105,000)	$ (106,575)	$ (108,174)	$ (109,796)	$ (111,443)	$ (113,115)
Net Operating Income		$ 384,000	$ 389,760	$ 395,606	$ 401,540	$ 407,564	$ 413,677
Debt Service		$ (214,121)	$ (214,121)	$ (214,121)	$ (214,121)	$ (214,121)	$ (214,121)
Capital Expenditures		$ (38,400)	$ (38,976)	$ (39,561)	$ (40,154)	$ (40,756)	$ (41,368)
Leasing Commissions		$ (2,500)	$ (2,538)	$ (2,576)	$ (2,614)	$ (2,653)	$ (2,693)
Management Fee		$ (13,950)	$ (14,159)	$ (14,372)	$ (14,587)	$ (14,806)	$ (15,028)
Reversion Sale Price						$ 8,151,272	
Property Before Tax Cash Flow from Operations		$ 115,029	$ 119,966	$ 124,978	$ 130,064	$ 135,227	
Property Before Tax Cash Flow	$ (5,750,000)	$ 115,029	$ 119,966	$ 124,978	$ 130,064	$ 8,286,499	

Exit Cap Rate	5%
IRR	**9.12%**
NPV	$1,120,017.54

		2020 Year 0	2021 Year 1	2022 Year 2	2023 Year 3	2024 Year 4	2025 Year 5
Equity Level Cash Flows:							
Entity Level Operational EBTCF		$ (2,012,500)	$ 114,529	$ 119,459	$ 124,463	$ 129,541	$ 134,696
Entity Level Reversion EBTCF							$ 8,151,272
Entity Level EBTCF	36.07%	$ (2,012,500)	$ 114,529	$ 119,459	$ 124,463	$ 129,541	$ 8,285,968
LP Equity Capital Account:							
Beginning Equity Investment Balance		$ -	$ 1,911,875	$ 1,873,454	$ 1,839,963	$ 1,811,476	$ 1,788,067
Annual Preferred Investment		$ (1,911,875)	$ -	$ -	$ -	$ -	$ -
Preferred Return Earned		$ -	$ 152,950	$ 152,950	$ 152,950	$ 152,950	$ 152,950
Preferred Return Owed		$ -	$ 152,950	$ 152,950	$ 152,950	$ 152,950	$ 152,950
Accrued But Unpaid Preferred Return		$ -	$ (38,421)	$ (33,491)	$ (28,487)	$ (23,409)	$ -
Ending Equity Investment Balance		$ 1,911,875	$ 1,873,454	$ 1,839,963	$ 1,811,476	$ 1,788,067	$ 1,788,067
GP Equity Capital Account:							
Beginning Equity Investment Balance		$ -	$ (100,625)	$ (100,625)	$ (100,625)	$ (100,625)	$ (100,625)
Annual Subordinated Investment		$ (100,625)	$ -	$ -	$ -	$ -	$ -
Ending Equity Investment Balance		$ (100,625)	$ (100,625)	$ (100,625)	$ (100,625)	$ (100,625)	$ (100,625)
Operational Cash Flow:							
LP Level Cash Flows: 70%		$ (1,911,875)	$ 126,055	$ 129,506	$ 133,009	$ 136,564	$ 140,172
GP Level Cash Flows: 30%		$ (100,625)	$ (11,526)	$ (10,047)	$ (8,546)	$ (7,023)	$ (5,476)
Reversion Allocations:							
Sale Price							$ 8,151,272
Closing Costs							$ (489,076)
Remaining Principal							$ (3,380,476)
Prepayment Penalty							$ (112,125)
LP Return of Equity							$ (1,788,067)
GP Return of Equity							$ (100,625)
Remaining Equity							$ 2,280,903
LP Additional Proceeds							$ 1,596,632
GP Additional Proceeds							$ 684,271
Reversion cash flow:							
LP Level Cash Flows:							$ 3,384,699
GP Level Cash Flows:							$ 583,646
Total EBTCF:	**IRR**						
LP Level Cash Flows:	17.73%	$ (1,911,875)	$ 126,055	$ 129,506	$ 133,009	$ 136,564	$ 3,524,872
GP Level Cash Flows:	37.02%	$ (100,625)	$ (11,526)	$ (10,047)	$ (8,546)	$ (7,023)	$ 578,170