

St. John North Multifamily Development

UNDERWRITING ASSESSMENT



WALKER & DUNLOP®

GREYSTAR®

Return on Cost Analysis | Market Rate Development

St. John North

PROPERTY HIGHLIGHTS

Product Type	Four-Story Gurban
Unit Count	325
Rent PSF	\$2.35
Rent Per Unit	\$1,727
Average Unit Size	736
Rentable SF	239,321

LAND HIGHLIGHTS

Acreage	13.6 Acres
Total SF	592,416
Density (Per Acre)	24 Units / Acre
Millage Rate	2.096485

DEVELOPMENT COST ESTIMATE

	TOTAL	PER UNIT	PSF
Land Costs	\$10,400,000	\$32,000	\$43.46
Hard Costs	\$55,514,084	\$170,813	\$231.96
Soft Costs	\$13,820,072	\$42,523	\$57.75
Total Development Cost	\$79,734,156	\$245,336	\$333.17

MULTIFAMILY EXIT SCENARIO

	TOTAL	PER UNIT
Total Development Cost	\$79,734,156	\$245,336
Stabilized NOI	\$3,713,296	\$11,426
Exit Cap Rate	5.00%	
Exit Price	\$74,265,923	\$228,511
Return on Cost	4.66%	

CONCLUSION: Following a comprehensive review of the St. John North Development, Walker & Dunlop concludes that a market-rate development is not financially feasible under current market conditions, given prevailing rent levels and investor return requirements. Achieving a 6.50% return on cost would require rents of approximately \$2.91 per square foot, representing a 24% premium over the underwritten market rents of \$2.35 per square foot.

Walker & Dunlop further concludes that implementation of the PFC Section 303.0421(b)(6)(A)(ii) of the Texas Local Government Code would materially improve project feasibility and enable the development to proceed.

INCOME	TOTAL	PER UNIT
Gross Potential Income	\$6,734,493	\$1,727
Vacancy	(336,725)	(5.0%)
Non Revenue / Employee Units	(20,722)	(0.3%)
Concessions / Discounts	(101,017)	(1.5%)
Bad Debt	(6,734)	(0.1%)
Effective Rental Income	6,269,295	19,290
Other Income	812,500	2,500
EFFECTIVE GROSS INCOME	7,081,795	21,790

EXPENSES	TOTAL	PER UNIT
Payroll	625,600	1,925
Contract/Landscape	97,500	300
Electricity	73,125	225
Water/Sewer	195,000	600
Gas	34,125	105
Trash	89,375	275
Other Utility Expense	20,475	63
Turnover	81,250	250
R&M	81,250	250
Advertising	130,000	400
Administrative	105,625	325
Total Controllable Expenses	1,533,325	4,718
Management Fees	177,045	2.50%
Real Estate Taxes (100% Hard & Land Costs)	1,381,879	4,252
Property Liability/Insurance	211,250	650
Total Non-Controllable Expenses	1,770,174	5,447
TOTAL EXPENSES	3,303,499	10,165
<i>Expense Ratio</i>		47%
NET OPERATING INCOME	\$3,778,296	\$11,626
Capital Reserves	65,000	200
CASH FLOW FROM OPERATIONS	\$3,713,296	\$11,426

Land Costs are based on a cost of \$43 PSF. Hard Costs are for four-story gurban product.



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