

St. John South Multifamily Development

UNDERWRITING ASSESSMENT



WALKER & DUNLOP®

GREYSTAR®

Return on Cost Analysis | Market Rate Development

St. John South

PROPERTY HIGHLIGHTS

| | |
|-------------------|-------------------|
| Product Type | Four-Story Gurban |
| Unit Count | 201 |
| Rent PSF | \$2.20 |
| Rent Per Unit | \$1,794 |
| Average Unit Size | 815 |
| Rentable SF | 163,904 |

LAND HIGHLIGHTS

| | |
|--------------------|-----------------|
| Acreage | 5.5 Acres |
| Total SF | 237,402 |
| Density (Per Acre) | 37 Units / Acre |
| Millage Rate | 2.096485 |

DEVELOPMENT COST ESTIMATE

| | TOTAL | PER UNIT | PSF |
|-------------------------------|---------------------|------------------|-----------------|
| Land Costs | \$600,000 | \$2,985 | \$3.66 |
| Hard Costs | \$34,332,948 | \$170,811 | \$209.47 |
| Soft Costs | \$7,065,270 | \$35,151 | \$43.11 |
| Total Development Cost | \$41,998,218 | \$208,946 | \$256.24 |

MULTIFAMILY EXIT SCENARIO

| | TOTAL | PER UNIT |
|------------------------|--------------|-----------|
| Total Development Cost | \$41,998,218 | \$208,946 |
| Stabilized NOI | \$2,450,639 | \$12,192 |
| Exit Cap Rate | 5.00% | |
| Exit Price | \$49,012,786 | \$243,845 |
| Return on Cost | 5.84% | |

| INCOME | TOTAL | PER UNIT |
|--------------------------------|--------------------|----------------|
| Gross Potential Income | \$4,327,066 | \$1,794 |
| Vacancy | (216,353) | (5.0%) |
| Non Revenue / Employee Units | (21,528) | (0.5%) |
| Concessions / Discounts | (64,906) | (1.5%) |
| Bad Debt | (4,327) | (0.1%) |
| Effective Rental Income | 4,019,952 | 20,000 |
| Other Income | 502,500 | 2,500 |
| EFFECTIVE GROSS INCOME | 4,522,452 | 22,500 |

| EXPENSES | TOTAL | PER UNIT |
|--|--------------------|-----------------|
| Payroll | 494,144 | 2,458 |
| Contract/Landscape | 60,300 | 300 |
| Electricity | 45,225 | 225 |
| Water/Sewer | 120,600 | 600 |
| Gas | 21,105 | 105 |
| Trash | 55,275 | 275 |
| Other Utility Expense | 12,663 | 63 |
| Turnover | 50,250 | 250 |
| R&M | 50,250 | 250 |
| Advertising | 80,400 | 400 |
| Administrative | 65,325 | 325 |
| Total Controllable Expenses | 1,055,537 | 5,251 |
| Management Fees | 113,061 | 2.50% |
| Real Estate Taxes (100% Hard & Land Costs) | 732,364 | 3,644 |
| Property Liability/Insurance | 130,650 | 650 |
| Total Non-Controllable Expenses | 976,075 | 4,856 |
| TOTAL EXPENSES | 2,031,612 | 10,108 |
| <i>Expense Ratio</i> | | 45% |
| NET OPERATING INCOME | \$2,490,839 | \$12,392 |
| Capital Reserves | 40,200 | 200 |
| CASH FLOW FROM OPERATIONS | \$2,450,639 | \$12,192 |

Land Costs are based on a cost of \$4 PSF. Hard Costs are for four-story gurban.

CONCLUSION: Following a comprehensive review of the St. John South 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 in Austin, Texas. Achieving a 6.50% return on cost would require rents of approximately \$2.36 per square foot, representing a 7% premium over the underwritten market rents of \$2.20 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.



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