PENCIL THIS
UNDERWRITING

Does it pencil? Know before you offer.

Cedar Hollow Apartments — Acquisition Underwriting and MAO Analysis

Prepared for [CLIENT NAME] · July 20, 2026 · Deal Partner

Deal Partner negotiation layer · Sections 21–23

These three sections append to the complete Full Underwriting report. Sections 1 through 20 are unchanged and precede this layer, and the LOI-Ready Summary follows it — the Deal Partner deliverable is one combined document, not a separate file. Nothing here revises the Maximum Allowable Offer of $2,669,179 derived in Section 14. This layer takes that ceiling as fixed and works out how to approach it.

21. THE COUNTERPARTY

Built from the public record and the appraisal's own front matter. Nothing here comes from the broker, and none of it characterizes anyone's motive — it is what the record shows, and what it does not tell you.

What the record shows	What it means for you
Acquired March 2022 for $3,650,000, with roughly $468,000 of capital since. All-in near $4,118,000.	The ask is 27.5% above basis after 4.3 years. More to the point: your ceiling sits $980,821 below what they paid in cash and $1,448,821 below all-in. An offer at your number does not fail to clear their profit — it fails to return their capital.
Held 4.3 years by an out-of-market owner.	A 2022-vintage acquisition, financed in the cheapest debt market in a generation. Whether that is now an asset or a problem is invisible from the record and decides their flexibility.
The prior owner bought out of a 2016 foreclosure at $1,092,000 and sold at 3.34 times in 5.4 years.	This asset has traded through distress before. That is a fact about its history rather than a prediction.
The appraisal was commissioned by a bank, not by the seller or a broker.	A lender was underwriting this property in early 2025. Somebody was contemplating debt on it, and you cannot see the outcome.
No offering memorandum was provided, and the appraisal's date of value is March 2025.	You may be early, or off-market. The marketing history is unknown, and a listing that has sat is a different conversation from a fresh one.
Occupancy was 92.9% at the appraisal's March 2025 date of value. The February 2026 rent roll shows 87.5%.	Performance is deteriorating, and the direction matters more than the level: eleven months, 5.4 points down, while asking rents held.

What the record does not tell you. Whether debt is maturing, whether there is partnership pressure, or whether the seller has any timeline at all. Those answers move the progression in Section 23 more than anything in the table above, and two questions get at them: has the property been offered before and at what price, and is the existing debt assumable. Ask the second not because you want the debt, but because the answer reveals its structure.

22. WHAT THE COMPETITION WILL PAY

Your Maximum Allowable Offer answers what this property is worth on your terms. It does not tell you whether you will be outbid.

A note on method, because it governs how much weight these figures carry. The capital structure used below — senior debt at 75% of price, the bridge at 7.12%, closing and fees at 5%, an asset-management fee at 1.5% of effective gross income — was not assumed. It was recovered from the figures Section 16 and Section 17 already publish, and it reproduces this deal's stated debt, equity and cash flow to the dollar at the underwritten price. Rungs 4, 5 and 6 are solved through it. Rungs 2 and 3 are derived from Section 17's own solved sensitivities, because they turn on the limited-partner equity multiple and this report does not publish the waterfall detail needed to re-solve it. Rung 1 is the Section 14 solve and rung 7 is the ask.

Buyer and test	Price they justify	Per unit	Basis
1. You, on your stated terms	$2,669,179	$47,664	§14 model solve — the 1.50 times limited partner multiple binds
2. You, on market expense conventions	$2,857,171	$51,021	reserves taken below the line; §17 sensitivity
3. Market expenses and the market cap	$3,023,455	$53,990	as above, at the 6.80% anchor with no cushion
4. All-cash buyer, 8.0% yield on cost	$3,182,218	$56,825	direct solve — no debt, no promote, no fee load
5. Competing syndicator, lower hurdle	$3,614,004	$64,536	market conventions, 6.0% cash-on-cash to limited partners
6. The same syndicator carrying the seller's errors	$4,019,453	$71,776	identical structure and hurdle, run on the booked $318,786
7. The asking price	$5,250,000	$93,750	implies a 6.07% going-in yield on the seller's own figure

Three further buyers sit outside that ladder because their advantage is structural or their motive is not a return.

Buyer	Price they justify	Why they are different
Local operator with in-house maintenance	$3,917,103 – $4,372,037	Absorbs payroll and turnover into an existing platform, so its expense load is genuinely lower rather than understated. Ranged across a 7.0% to 5.0% cash-on-cash hurdle. **This is the one competitor you cannot out-analyse.**
1031 exchange buyer against a deadline	prices to the deadline	The capitalization rate is secondary to

		closing on time. There is no bid that beats a deadline.
Agency-financed long-term holder	not a bidder now	Blocked by the 90% physical and 85% economic occupancy gate (§10). Absent rather than beaten — this buyer returns once the asset stabilizes, which changes the timing read rather than the price.

Your ceiling sits 49.2% below the ask, and the field starts $944,825 above you. Every rung from four upward can outbid you, and only rung six is making an analytical error. The all-cash buyer simply has no promote and no fee load. The competing syndicator accepts a 6.0% cash return where your structure needs 1.50 times. The local operator's advantage is real economics rather than optimism, and at the low end of its range it can pay more than a syndicator working from the seller's own inflated statement.

Two rungs isolate what the restatement is worth. Same buyer, same capital structure, same 6.0% hurdle — one working from a restated operating statement and one from the seller's.

The spread that matters	Figure
Competing syndicator on restated expenses	$3,614,004
The same syndicator on the seller's booked figures	$4,019,453
Value of the restatement	$405,449

Section 5 prices what drives it. Five categories are booked at zero across all twelve months — payroll, replacement reserves, turnover, general and administrative and advertising, $66,500 a year — and repairs are booked at $181 a unit against a comparable set averaging $795, a further $29,081.

Three consequences follow.

You may well be outbid, and losing is the correct outcome. A buyer paying near the ask is accepting a 6.07% going-in yield on a statement that omits $66,500 and understates repairs by $29,081. They will find it in their first full year of ownership.

Unlike a tax error, this correction is not self-executing. An understated tax line gets caught by the next assessment whether anyone looks or not. An unrestated operating statement can survive an entire ownership cycle if no buyer restates it and the lender sizes on a stabilized pro forma. Time is therefore less obviously on your side here than on a tax-defect deal, and a competing bid should not be assumed to collapse on its own.

This is a deal to price correctly, submit, and leave open. The gap between the ask and your ceiling is $2,580,821. No sequence of counters closes a gap that size. The purpose of submitting is to be the credible standing offer if a better-informed process falls apart, not to win a negotiation that arithmetic has already decided.

23. THE OFFER PROGRESSION

The ceiling in Section 14 is not an opening bid. It is the line past which the deal stops clearing your stated constraints. The progression below is derived rather than chosen: the opening is the ceiling less the two open items that could still move in your favour, so every step upward has a document attached to it.

Stage	Price	Per unit	Rationale you can put in writing
Opening	$2,417,179	$43,164	The ceiling less the 2027 tax reset landing at revenue-neutral ($156,652) and the building-count reconciliation ($95,348). Anchored to the restored operating statement.
Expected counter range	$2,512,527 – $2,573,831	$44,867 – $45,961	The ceiling less one of those two items. Where a negotiation that is going to close will land.
Stretch ceiling	$2,669,179	$47,664	The 1.50 times limited partner multiple lands exactly here over the 24-month derived hold.
Walk away	Above $2,669,179	—	Past this the multiple fails. There is no version of this deal that works at a higher price on your stated terms.

Two things to put on the table early, because both are verifiable and both move price rather than tone. First, the operating statement books five expense categories at zero — $66,500 a year — and understates repairs by $29,081 against the appraisal's own comparable set: roughly $95,600 in total that any lender will require a buyer to underwrite. Second, the renovated two-bedroom comparables in this ZIP code ask $925 to $995, and the asking schedule here is $1,050 on unrenovated stock.

Neither point is a negotiating posture. Both are checkable in an afternoon, and a seller who checks them will reach the same place.

On movement. Your ceiling is set by a return hurdle, so a concession above it is not a negotiation — it is a decision to overpay by a computed amount. The progression above already prices the only two legitimate routes upward, and both are new information rather than new appetite: the 2027 reset landing at the county's revenue-neutral rate rather than the midpoint, and reconciling the building count, where the county shows six structures and 47,520 square feet against the appraisal's seven and 51,652. Make each an explicit condition of the corresponding step. That converts a concession into a re-run, which is a materially stronger position to argue from.

On the walk-away. Your ceiling is below what the seller paid in cash four years ago, so no counter bridges the gap — bridging it would require them to accept a loss on an asset held through the strongest rent growth this market has recorded. If the seller will not engage below $3.5 million, the correct outcome is no transaction. That is not a bid-ask spread; it is a disagreement about what the property earns, and the record supports one side of it. Leave the number standing, keep the broker relationship intact, and do not improve it in the absence of new documents.