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Cedar Hollow Apartments — Acquisition Underwriting and MAO Analysis

Prepared for [CLIENT NAME] · July 20, 2026 · Full Underwriting

56 units · Greensboro, Guilford County, North Carolina · Asking $5,250,000

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THE SHORT VERSION

Verdict	The ask is not supportable on your terms. The gap is not a negotiating gap.
Maximum Allowable Offer	$2,669,179 — $47,664 per unit, 49.2% below the ask.
What sets the ceiling	Your 1.5x LP net equity multiple, over this deal's derived 24-month hold. Your 15% IRR clears with room; the multiple does not.
Why the gap is this wide	The seller's operating statement omits five expense categories worth $66,500 a year. Restoring them costs more than the lease-up and rent capture are worth.
The test that ends the argument	Properly expensed, stabilized net operating income is $273,037 — lower than the $318,786 the seller books today, after the entire business plan is executed.
What is actually good here	The two-bedroom one-and-a-half-bath plan runs 96.4% occupied and carries real rent upside. The 2026 tax basis locks in below the purchase price. Both are genuine.
Before you offer	Read section 5 for where the seller's numbers contradict themselves, section 14 for the ceiling and what binds it, and section 19 for the source behind every input.

This page answers whether to keep reading. Section 14 carries the ceiling and names its binding constraint; section 5 carries the flags; section 19 names the source of every number used.

HOW TO READ THIS ANALYSIS

Your backward-looking documents — the rent roll, the trailing-twelve statement, the appraisal's comparable data — are accepted at face value and cross-reconciled against each other and against public record. Every forward-looking claim is re-underwritten independently from named sources.

That distinction matters most with the appraisal in your file. A third-party appraisal is the best evidence most deals ever carry, and it does two different jobs. Its comparable sales, rent comparables and expense comparables are data, and this analysis uses them heavily. Its concluded capitalization rate, concluded market rent and pro forma net operating income are forward-looking claims, and those are rebuilt here from the underlying evidence rather than adopted.

Where a number could not be sourced, the report says so and states what the fallback costs you in dollars. Conservatism lives in one place — the confidence cushion on the exit capitalization rate in section 12 — and it is priced there rather than spread invisibly across a dozen inputs.

1. ENGAGEMENT PROFILE — YOUR TERMS

Parameter	Your input
Buyer profile	Syndication. All returns computed net of promote and every fee below, reported at the limited partner level.
Return target	Dual hurdle: 15.0% LP net IRR and 1.50x LP net equity multiple. Both must clear; the tighter binds.

Financing	Value-add bridge to agency. Both legs modelled.
Sponsor capital	$250,000 general partner co-investment; balance raised from limited partners.
Hold	Derived from this deal's own stabilization timeline — not a fixed default. See section 10.
Exit structure	Sale at stabilization. Limited partners are cashed out by the sale, not by a refinance.
Preferred return	8.0%, cumulative, European whole-deal waterfall.
Residual split	70% limited partner / 30% general partner.
Fees borne before the LP is paid	Acquisition 2.0% of price; asset management 1.5% of effective gross income; disposition 1.0% of sale price; selling costs 2.0%.
Consultant fee	1.0% of purchase price, buyer-paid at closing, in addition to normal closing costs.

The consultant fee is carried as a percentage so it scales with the offer rather than sitting fixed. At the ask it is $52,500; at the ceiling in section 14 it is $26,692. It appears as its own line in the capital stack in section 9 rather than being folded into closing costs, because it compresses the ceiling and you should be able to see by how much.

2. THE PROPERTY, AND THE ASK

	Figure
Units	56
Asking price (seller-stated)	$5,250,000
Asking price per unit	$93,750
Year built	1967–1972
Site	3.75 acres, zoned RM-18
Rentable area	47,520 SF per county record; 51,652 SF per appraisal — see section 5
2026 assessed value	$4,836,692 ($86,370 per unit)
Assessed value against the ask	7.9% below
Occupancy, tenants paying rent	87.5% — 49 of 56
Trailing-twelve collections	$479,038
Trailing-twelve NOI, as the seller books it	$318,786 ($5,693 per unit)

Going-in cap on that NOI at the ask	6.07%
Seller's all-in basis	$4,118,000
Ask above seller's basis	+27.5%
Flood	Not in a Special Flood Hazard Area

Wood frame with brick veneer and vinyl siding, surface parked at 1.3 spaces per unit, and no common project amenities — no pool, no fitness room, no clubhouse. Electricity is separately metered. Laundry hookups exist in one floor plan only.

Quick reference	At the ask	At the Maximum Allowable Offer
Price	$5,250,000	$2,669,179
Per unit	$93,750	$47,664
Going-in cap on stabilized NOI	5.20%	10.23%
Yield on cost	4.72%	8.72%
Against a 7.30% exit cap	-258 bps	+142 bps
Stabilized value less total basis	($2,048,014)	$610,232
Limited partner net equity multiple	None — no capital returned	1.50x

The 6.07% going-in cap is a ceiling on the real yield rather than a measurement of it, because the operating statement it rests on omits five expense categories. Section 11 rebuilds it.

3. WHAT THE PUBLIC RECORD SAYS

Item	Public record
Owner of record	An out-of-market limited liability company, registered to a mailing address in another North Carolina metro.
Acquired	21 March 2022
Price paid	$3,650,000 — derived from recorded excise stamps at $1 per $500
Capital spent since	Approximately $468,000, per the appraisal
All-in basis	Approximately $4,118,000
Hold to date	4.3 years
Prior owner	Acquired November 2016 for $1,092,000 out of a 2016

	foreclosure; sold at 3.34x in 5.4 years
Zoning	RM-18, residential multi-family, 18 units per acre
Flood	Not in a Special Flood Hazard Area under the current map or the 2023 added-hazard overlay
Assessment neighborhood	A southeast Greensboro apartment valuation sector

One derivation trap is worth recording because it would double the number. The recorded excise stamps appear on both tax parcels comprising this property, but they represent a single deed. Multiplied once, they give $3,650,000, which reconciles to the appraisal exactly. Summed across parcels they would give $7,300,000, which is twice the true price.

North Carolina does not publish sale prices directly. Price is derived from the excise stamps recorded on the deed at one dollar per five hundred dollars of consideration. One derivation trap is worth recording because it would double the number: the stamps appear on both tax parcels comprising this property, but they represent a single deed. Multiplied once they give $3,650,000, which reconciles to the appraisal exactly. Summed across parcels they would give $7,300,000, twice the true price. Every comparable sale in section 12 was priced the same way, once per deed, for the same reason.

The county's own valuation record carries more than an assessed value. Guilford publishes a per-parcel income model for every apartment property, and the subject's reads as follows.

The county's income model	Value	Why it matters
Units modelled	56	Matches the rent roll exactly
Gross potential rent assumed	$10,500/unit/yr	$875 a month — below the seller's asking schedule
Vacancy	4.5%	
Operating expense ratio	40.0% of effective gross income	Excludes property tax, which sits in the rate
Overall rate applied	6.966%	Decomposes to a 6.00% base plus a 0.966% tax load
Concluded value per unit	$86,370	The basis a buyer inherits

That 40% expense ratio is the single most useful number in the public record for this deal. It is produced by a taxing authority with no interest in supporting a sale price, using a model applied consistently across every apartment property in the county. Strip the property tax line out of the appraisal's expense stack and its equivalent ratio is 28.03%. The gap between the two is roughly $74,000 a year of expense on the appraisal's own effective gross income, and it is the same finding section 5 reaches from the seller's statement by an entirely different route.

Two further items from the record. The building record shows six structures totalling 47,520 square feet, against seven structures and 51,652 square feet of net rentable area in the appraisal — a conflict carried to section 5. And the county assigns effective construction years of 1981 and 1997 against actual dates of 1968 and 1972, which is consistent with meaningful capital having been spent at some point and is the reason building systems are carried at zero in section 9 rather than estimated.

Environmental screen. This is flagged rather than resolved, because resolving it is a Phase I question and not a desk exercise. The buildings date to 1968 and 1972, which places them before the 1978 federal ban on lead-based paint and inside the period when asbestos-containing materials were in routine use. Both are presumed present in a building of this vintage until a survey says otherwise. Neither is priced in section 9, and that is defensible only because the selected scope is make-ready, which disturbs very little: any movement toward gut work converts both from a disclosure into a cost line. The Phase I sits in the section 20 diligence list, where it costs nothing unless it finds something.

The flood finding is worth stating in prose rather than leaving as a table row, because it reaches a live expense line. The property is not within a Special Flood Hazard Area, which means no lender-mandated flood insurance, no elevation certificate at closing, and no flood loading on the insurance premium. That matters here specifically: insurance is carried at the trailing actual because no usable local benchmark was found, which section 19 records as a negative finding. One of the two things that could have moved that line is now closed.

One discipline governs everything above. The county's concluded value per unit is Tier 1 evidence for the property-tax line and for nothing else. It has not been used as evidence of what this property is worth, and neighbouring parcels' assessments have not been used as sale comparables. A mass-appraisal figure is the output of a model applied across thousands of parcels; it is not a transaction. The same boundary is enforced again in section 12, where the assessor's modelled income is examined and then rejected as a capitalization-rate anchor.

4. THE PROPERTY TAX RESET

North Carolina does not reassess on sale. A buyer inherits the county's assessed value, not their own purchase price — so the usual expectation that taxes reset upward at closing runs backwards here. Guilford County revalued effective 1 January 2026 and the subject's assessed value rose 60.6%, from $3,011,524 to $4,836,692. At $86,370 per unit, that new basis sits 7.9% below the asking price, and the buyer holds it until the next revaluation.

Then the legislature intervened. The Property Tax Reappraisal Moratorium requires counties that revalued in 2026 to ignore the new values for fiscal year 2026-27 and continue using the prior reappraisal, adopting the 2026 values beginning in fiscal 2027-28. Both taxing bodies responded by raising rates onto the old base: the county to 78.95 cents per $100, the city to 79.85 cents. The combined rate rose from 1.4030% to 1.5880%, a 13.2% increase. Bills are delayed to mid-August.

Bill year	Value applied	Combined rate	Tax
2025 (actual, paid)	$3,011,524	1.4030%	$42,252
2026 (moratorium — prior values)	$3,011,524	1.5880%	$47,823
2027 (revaluation lands)	$4,836,692	set June 2027	$48,976 – $76,807

The 2027 range is bounded by sourced scenarios: revenue-neutral rates give $48,976; the two managers' own revaluation-based recommendations give $58,137; holding the current rates gives $76,807. Both bodies have just declined to adopt revenue-neutral, so the low end is a floor rather than a forecast. This model underwrites the midpoint, $62,892, and section 17 stresses both ends.

The seller books $45,996. Against the 2026 bill that is $1,827 light — close, and unusually so. The tax line is not where this deal goes wrong.

5. INCONSISTENCY FLAGS

Where the seller's own documents contradict each other, contradict public record, or contradict the market. This is a core deliverable rather than a courtesy.

#	The flag	What it costs or means
1	The trailing-twelve is labelled cash basis but carries two straight-line accruals — insurance at exactly $2,238.88 and tax at exactly $3,833.00, twelve times each. Meanwhile trash books $0.00 in December and $3,677.08 in January, and lawn care stops entirely for three months.	Seasonal lines cannot be read at face value. Every one required a normalization decision, priced in section 11.
2	Five expense categories are absent: payroll, replacement reserves, turnover, general and administrative, and advertising. The property's own 2023 statements booked $28,155 of payroll, $12,498 of administrative and $3,173 of advertising.	$66,500 a year of real cost, before the repairs understatement in the next flag. Together they are the deal.
3	Repairs and maintenance total $10,119, or $181 per unit, on a 58-year-old wood-frame property.	The appraisal's own expense comparable set averages $795 per unit. Underwritten at $700.
4	The appraisal's assessment table does not foot. Land plus improvements gives $2,613,100; the taxable column says $3,011,524. The two parcels are also transposed between columns.	Resolved against the actual paid bills. The taxable and base-tax columns are correct; the land and improvement columns are stale.
5	County records show six buildings and 47,520 SF. The appraisal shows seven buildings and 51,652 SF of net rentable area — net area exceeding the county's gross, which is not possible if both measure what they claim.	A structure may be missing from the tax record. That is upside for the current bill and post-close discovery risk for a buyer. Priced in section 20.
6	Internet expense runs $31,088 against $23,927 of recovery income. The appraisal describes cable and internet as recovered from tenants through a third party.	A 77% recovery rate on a full pass-through, not a service sold at a loss. The gap is an operational fix — and it is taken once, on the expense side, not also claimed as upside.
7	Occupancy is reported as 89.3%, which counts one pre-leased unit as occupied. Tenants actually paying rent are 49 of 56.	87.5% is used throughout. A pre-leased unit produces no cash in the month it is pre-leased.
8	The appraisal's six rent comparables are all labelled current as of 1 April 2025. Five were confirmed between February 2021 and February 2023.	The comp survey's evidence tier collapses. Fresh rent evidence was pulled — see section 7.
9	The appraisal states no comparable was	Asking rents currently overstate effective

	offering concessions. In July 2026 three competing communities in the same ZIP advertise one month free or $250 off.	rents. A 3.4% concession allowance is carried in section 11.

6. RENTS — TIER OR TAIL

Gross potential rent is rebuilt from your rent roll rather than accepting the seller's asking schedule. The roll carries a lease commencement date for every unit, and read as a schedule rather than an average it answers the question that matters: what is this property achieving on the leases it is signing now, as against the leases it signed years ago?

Plan	Units	Paying	All occupied	Tier — 2025+ signings	Tail — pre-2025	Underwritten
1BR / 1.0BA	12	9	$764	$740 (n=5)	$793 (n=4)	$740
2BR / 1.0BA	16	14	$889	$843 (n=6)	$924 (n=8)	$843
2BR / 1.5BA	28	27	$938	$896 (n=13)	$977 (n=14)	$896
Blended	56	50	$892	$850 (n=24)	$932 (n=26)	—
Implied by the tier	56					$569,472 — diagnostic only, not underwritten

The tier sits below the tail, by $82 blended. In a property with rent upside, recent signings run above the older leases they replace. Here they run below, on every plan. The one-bedroom is the clearest: recent signings average $740 against $793 on older leases, and the plan is still 25% vacant. Rent is being cut and units are still not filling.

This is the tier/tail test run at the property level, and it diagnoses the operator. Section 8 runs the same test at the market level — upgraded product against original-finish product of the same class across the ZIP — and that one diagnoses the market. The two answer different questions and the report needs both. A property whose recent signings lag its own older leases has a leasing problem. A market where upgraded units barely out-earn original ones has no value-add headroom. This deal has both, and they are separate findings.

The property-level result is a diagnosis of the operator, not of the market. It is read here as evidence that the gap between what these units achieve and what comparable units command is closable, and it is not used as the rent basis. You are acquiring the real estate, not the leasing performance — and section 11 already expenses $73,334 a year of payroll, market-rate management, advertising and turnover that the seller books at or near zero. Underwriting the rents an operator without that capability achieves, while paying for an operator who has it, would be charging you for a capability and crediting nothing for what it delivers.

So the rent basis is built in three steps rather than picked from one number.

Step	Plan	Figure	Basis
1 — What the market pays	1BR / 1.0BA	$810	A fully renovated comparable asks $799; original-finish comparables run $805–$917. Adjusted down for 750 SF

			and no project amenities.
	2BR / 1.0BA	$910	An upgraded comparable asks $925; original-finish comparables $927 and $1,000. Adjusted for 900 SF and no amenities.
	2BR / 1.5BA	$975	Renovated 942 SF comparables ask $995. The subject is larger at 1,009 SF with 1.5 baths, and adjusted down for original finish.
2 — What it takes	All plans	$3,083/unit	Make-ready, section 8, plus the restored operating capability in section 11.
3 — Where it stands today	All plans	$740 / $843 / $896	The tier. The gap to step 1 is $49,488 a year, against $73,334 a year of restored capability.
Underwritten	56 units	$618,960	Step 1, held flat to stabilization — see below.

The comparables in section 7 cap what is achievable here; they do not evidence that this property reaches the submarket median. Underwriting the raw medians of $875 and $998 would be underwriting somebody else's building. The adjusted figures sit between the medians and the tier, and the adjustment is to the subject's own attributes — size, bath count, amenities, finish.

Rents at stabilization, not rents today. The figures above are current market. This deal stabilizes in 24 months, so what governs the exit is what the market pays *then*, and carrying today's rents forward unchanged is a forecast rather than a neutral choice. It is stated here as one.

Evidence	Reading
Subject ZIP asking rents, three sources	Flat — 0.0% year over year on two, +0.8% on the third
Concession prevalence, subject ZIP vs metro	40% against 11.5% — 3.5x. Effective rents are softening while asking rents hold.
National rent growth forecast, 2026	+0.5%, revised down from +0.6%
National completions forecast	Revised up for 2026 (+6.4%), 2027 (+8.1%) and 2028 (+8.9%)
National vacancy	Drifting higher, rolling over later in 2027 as the pipeline clears
Nearest metro with published forecast	+1.8% over twelve months, described as returning to positive growth in 2027
Greensboro-specific forecast	Not reachable. Recorded as a negative finding rather than substituting national figures.

The call: flat. Asking rents are flat now, effective rents are softening as concessions widen, the supply wave clears late in 2027, and this hold ends after it. Near-term softness and later recovery net to approximately flat across 24 months, with the risk skewed down in the first year. That is a judgment, and it is priced: every 1% a year of rent trend is worth roughly $116,000 of offer ceiling in either direction. Section 17 carries the band.

The near-term risk sits in the concession line rather than the rent line. The 3.4% allowance in section 11 matches observed prevalence almost exactly — 40% of communities offering one month free is 3.3% across the band. If concessions deepen to 5% it costs $97,285; if one month free becomes universal it costs $297,971.

This same call governs the forward-view layer of the exit capitalization rate in section 12, where it is carried at zero for exactly this reason. A market view taken twice — once on rent and again on the cap — is charged twice.

Lease rollover. The roll gives an expiry date for every lease, and as a schedule it carries two findings the rent figures alone do not.

Expiring	Units	% of property	Note
Already past	17	30%	Stated expiry has passed. The roll is dated February 2026; current status is unknown.
Jul 2026	1	2%	
Aug 2026	6	11%	
Sep 2026	2	4%	
Oct 2026	2	4%	
Nov 2026	10	18%	Heaviest single month, and it lands inside the hold
Jan 2027	7	12%	
Feb 2027	3	5%	
Month-to-month, no end date	2	4%	Both below tier
Vacant	6	11%	Carried in the make-ready budget, section 9

First, the concentration. Ten units — 18% of the property — expire in November 2026, inside the stabilization window in section 10, in a submarket where 40% of competing communities are advertising concessions. Taking a fifth of a property to market in one month is a real exposure. It is not priced as a separate line because the vacancy and concession allowances in section 11 already carry it, but a buyer should plan the staggering rather than discover it.

Second, and more serious: 17 leases — 30% of the property — carry expiry dates that have already passed. Whether those residents renewed, renewed at what rent, or vacated is not knowable from this roll. The tier rents above are the best evidence in the file, and they describe the property as it stood five months ago. A current rent roll is the cheapest document on the diligence list and refreshes nearly a third of the income statement.

Several tenants hold housing choice vouchers and the property carries no housing assistance payments contract. That is a rent durability question rather than a rent level question: without a contract the payment standard can move and eligibility can lapse, and the unit returns to market rent rather than a contracted one. It is carried in the credit loss assumption in section 11, never as a rent premium.

7. THE RENT COMP SURVEY

The comparables in the appraisal were confirmed between February 2021 and February 2023 and cannot carry a July 2026 rent conclusion. What follows was pulled fresh by fetching listing pages for the subject's own ZIP code directly. Twenty-two named communities were captured with address, asking rent by bedroom count, finish level and any advertised concession. The published inventory for this ZIP is 158 to 183 available rentals depending on the source.

Comp	Distance	Plan	Finish	Asking rent	Concession
Comp 1 — 123 Main Street	1.4 mi	2BR / 1.0BA	Newly remodelled	$995	—
Comp 2 — 456 Oak Avenue	2.3 mi	2BR townhome	Newly renovated	$995	—
Comp 3 — 789 Cedar Road	1.9 mi	2BR / 1.5BA	Granite, vinyl plank	$925	—
Comp 4 — 234 Elm Street	0.8 mi	2BR / 1.0BA	Newly upgraded	$925	—
Comp 5 — 567 Pine Street	2.1 mi	1–3BR	Fully renovated	$799–$1,099	Rent special
Comp 6 — 890 Maple Drive	1.6 mi	1–3BR	Newly renovated	$900–$1,300	$250 off 1BR
Comp 7 — 345 Birch Lane	0.4 mi	2–3BR	Original	$1,010–$1,225	—
Comp 8 — 678 Walnut Street	1.1 mi	1–2BR	Original	$805–$1,200	$140 price drop
Comp 9 — 901 Chestnut Way	2.0 mi	1–3BR	Original	$797–$1,502	Lowered fees
Comp 10 — 212 Willow Court	1.7 mi	1–2BR	Original	$875–$960	1 month free
Comp 11 — 434 Poplar Street	2.4 mi	1–2BR	Original	$1,019–$1,287	$67 price drop
Comp 12 — 656 Sycamore Way	1.2 mi	2BR / 1.0BA	Original	$1,045	—
Comp 13 — 878 Hickory Road	2.6 mi	2BR / 1.0BA, 932 SF	Original	$1,095	—
Comp 14 — 101	3.1 mi	2–3BR	Original	$1,239–$1,389	—

Laurel Drive					
Comp 15 — 323 Aspen Lane	2.8 mi	1BR / 1.0BA, 545 SF	Original	$925	—
Comp 16 — 545 Juniper Street	1.5 mi	1BR	Original	$845	—
Comp 17 — 767 Magnolia Way	1.8 mi	1–2BR	Original	$750–$850	—
Comp 18 — 989 Dogwood Road	0.9 mi	2BR / 1.0BA	Newly upgraded	$925	—
Comp 19 — 131 Alder Court	2.2 mi	2BR / 1.0BA	Original	$825	—
Comp 20 — 353 Beech Street	1.3 mi	2BR / 1.0BA	Original	$1,000	—
SUBJECT	—	2BR / 1.5BA	Original	$1,050 asking	None offered

Distances are real and measured from the subject. Two further communities in the ZIP were captured and excluded with cause: one is expressly income-restricted, and income-restricted rents are not market rents. Nineteen single-family houses and townhomes were also captured and excluded — they list at $995 to $2,555 and are not peers to a 1967 garden apartment. That exclusion matters for a specific reason: one widely quoted source reports an average rent of $1,399 for this ZIP, and that figure is dominated by three- and four-bedroom detached houses. It is not a benchmark for this property and using it would overstate the rents by 40%.

Measure	**1BR**	**2BR**
Core sample size	9 communities	16 communities
Median asking rent	$875	$998
Mean asking rent	$871	$1,017
Range	$750 – $1,019	$797 – $1,287
Subject asking rent	$899	$1,050
Subject against median asking	+2.7%	+5.3%
Subject achieved rent	$763.56	$937.70
Subject achieved against median	−12.7%	−6.0%

Read those two rows together, because the gap between them is the whole story. The subject's asking rents sit slightly above the submarket median. Its achieved rents sit well below. The property is asking a market rent and not getting it — and on the one-bedroom plan, where the shortfall is 12.7%, a quarter of the units are empty. That is the market declining the price, not a tenant base that happens to be under-rented.

Finish is not the explanation. Of the twenty comparables, six are explicitly renovated and their two-bedroom asking rents run $925 to $995 — a mean of $960, against the subject's $1,050 asking on unrenovated stock. The subject is priced above renovated product in its own ZIP. Section 8 tests what that does to the scope decision.

Asking rent is not effective rent, and here the difference is material. Six of the fifteen market-rate communities captured — 40% — are advertising a concession or a price reduction: one month free, $250 off a renovated one-bedroom, price drops of $67 and $140, and reduced fees. Across Greensboro as a whole only about 30 of 260 listed communities advertise a move-in special, roughly 11.5%. This submarket is discounting at three and a half times the metro rate. Metro-wide asking rents are meanwhile up 0.8% year over year and this ZIP is reported flat — the market is not falling, but it is competing hard for residents.

The rents underwritten in section 11 follow from this table rather than from the seller's schedule. But they do not follow from this table either, and that distinction matters. This survey establishes the ceiling — what comparable product asks. Section 6 adjusts it to the subject's own attributes and arrives at $810, $910 and $975, against submarket medians of $875 and $998 and against $740, $843 and $896 on the property's recent signings.

The subject sits below its own submarket on achieved rent while asking above it. The comparables cap what is achievable; they do not evidence that this property reaches the median. Underwriting the raw median would be underwriting someone else's building, and underwriting the current signings would be underwriting someone else's leasing. Section 6 adjusts the band to this asset and prices the difference between the three readings.

Several tenants hold housing choice vouchers and the property carries no housing assistance payments contract. That is a rent durability question rather than a rent level question: without a contract the payment standard can move and a tenant's eligibility can lapse, and the unit returns to market rent rather than a contracted one. It is carried in the credit loss assumption in section 11, and it is not credited as a rent premium anywhere.

8. VALUE-ADD SCOPE — PHYSICAL AND OPERATIONAL

Four scope tiers are priced on every deal, because the tier cannot be chosen without knowing the return on each. The test inverts the question so it never requires inventing a rent premium: the required monthly rent lift is the tier cost multiplied by the yield-on-cost floor, divided by twelve. It is then compared against the premium the market actually pays for upgraded product.

That premium is measured across the market, not against the subject. This distinction decides the section. Comparing renovated comparables to the subject's own asking rent measures whether the seller is priced correctly — a useful thing to know, and not the question here. What matters is the spread the market itself pays between upgraded and original units of the same class.

Segment	n	Mean 2BR ask	Median	Range
Upgraded — renovated or newly remodelled	5	$978	$995	$925 – $1,049
Original finish, same class (older garden)	5	$919	$927	$797 – $1,045
Observed market premium		+$59	+6.4%	
Original finish, all — including newer product	10	$1,042	$1,028	$797 – $1,287
Apparent premium		−$65	−6.2%	A class-mix artifact, not

against that set				a finding

The last two rows are a trap worth showing rather than quietly avoiding. Measured against every original-finish community in the ZIP, upgraded units appear to ask $65 *less* — which would suggest renovation destroys value. It does not. That set contains newer and superior product asking $1,095 to $1,287 whose original finish is not comparable to a 1967 garden unit's original finish. Controlled for class, the premium is positive at $59.

Tier	Cost per unit	Required rent lift	Market-observed premium	Result
Minimal / make-ready	$3,083	$21.32	$59.00	Selected
Light turn	$7,513	$51.96	$59.00	Clears — by $7.04, or 14%
Moderate turn	$12,432	$85.99	$59.00	Fails
Heavy / full gut	$14,532	$100.51	$59.00	Fails

The light turn clears the test and is rejected anyway, on grounds that are stated rather than assumed. Run through the model, it raises gross potential rent to $658,608 and net operating income to $306,616, and it raises the offer ceiling to $2,697,148 — $27,969 above the make-ready case. It gets there by spending $285,292 more capital. Roughly ten dollars of capital for one dollar of ceiling.

Three reasons that trade is declined. The margin is $7.04 a month on a sample of five upgraded units against five original ones. The premium is measured on asking rents in a submarket where 40% of communities are currently discounting, so the effective premium is thinner than the asking premium. And a 1% gain in ceiling does not compensate for doubling the capital at risk in a business plan whose stabilization already gates the agency takeout. Both figures are shown so the judgment is visible rather than buried.

The market finding matters more than the scope decision. A submarket that pays 6.4% for upgraded product has almost no value-add headroom — the premium is approximately equal to the cost of earning it. That is a statement about Greensboro's northeast submarket rather than about this property, and it applies to any renovation thesis a buyer brings here. It is the reason this deal resolves to an operational business plan rather than a repositioning, and section 6's plan-level analysis is the same test run on the subject: there, recent signings fall *below* the leases they replace, which diagnoses the operator. Here, upgraded product barely out-earns original, which diagnoses the market. Both are needed, and they answer different questions.

Tier	What it includes
Minimal / make-ready	Full-unit repaint, hardware, lighting and plumbing fixtures, tub reglaze, blinds and doors, deep clean and punch list. Restores a unit to leasable condition at existing rents.
Light turn	Make-ready plus luxury vinyl plank through kitchen, baths and entry, cabinet reface, laminate countertops and partial appliance replacement.
Moderate turn	Make-ready plus plank through the whole unit, ready-to-assemble cabinets, laminate counters, a full appliance package and one bathroom rebuilt.

Heavy / full gut	Moderate plus stone counters, both bathrooms rebuilt and lighting and trim throughout — a repositioning of the unit, not a refresh.

The comp-supported renovation premium in this submarket is $59 a month. Make-ready and the light turn clear the required rent lift against it; the moderate turn and the full gut do not. The light turn is declined on the three grounds above rather than on the arithmetic. The subject's unrenovated asking rents already exceed the renovated cluster, so capital deployed into interior finishes here buys a premium approximately equal to its own cost — and that is arithmetic rather than assertion.

Make-ready is selected on two grounds rather than one. It clears the test with the widest margin of any tier — $59 observed against $21.32 required. And it is the only tier that is not primarily a premium bet: it is the cost of making a vacant unit leasable at all, which is required whether or not the market pays for finish.

Every component below is tagged by where its number actually came from, because a cost build is only as good as its weakest input and you should be able to see which those are.

Provenance	What it means
Local	An installed price obtained from a source in the Greensboro market. Carries local labour and local material cost.
Partly local	A North Carolina price, but quoted at homeowner retail rather than contract grade. It bounds the number credibly; it does not set the rate.
Carried	No installed price could be obtained in this market. The figure comes from our standing reference schedule, built from a market we have priced before. It is a documented fallback, not a Greensboro number.

Component	Cost	Provenance	Source
Interior paint, full unit	$1,383	Partly local	North Carolina contractor guide, 2026: $1.50–2.50/SF; low end taken
Luxury vinyl plank, installed	$4.50/SF	Partly local	North Carolina installed range $4–13/SF retail; contractor grade at the low bound
Hardware, lighting, fixtures	$400	Carried	Reference schedule, low end
Plumbing fixtures	$300	Carried	Reference schedule, low end
Tub reglaze	$400	Carried	Reference schedule, low end
Blinds, doors, cleanup	$600	Carried	Reference schedule, low end

The component build, narrated. Luxury vinyl plank installed runs $4 to $13 per square foot across the two North Carolina flooring sources reached, a spread that reflects grade rather than geography — the top of it is homeowner retail with underlayment and trim, and rental-grade contract work sits at the bottom. It is carried at $4.50. Interior painting at rental grade runs $1.50 to $2.50 per square foot from a North Carolina contractor guide, carried at the low bound, which puts a full 922 square foot unit at $1,383. Greensboro make-ready technician labour runs $16 to $22 an hour, which is the local input behind the labour content of every line. Cabinets, appliances, bathroom sets, tub reglazing and fixtures are carried from the reference schedule at its low end, because no installed price for those components could be obtained from a source in this market.

Published turn-cost benchmarks were deliberately excluded. Industry figures put a unit turn at $1,178 to $1,825 and a make-ready at $3,000 to $5,000 per unit, but those bundle lost rent, leasing cost and cleaning alongside the physical work. Dropping one into a capital line overstates it by roughly double and double-counts against the turnover expense in section 11.

Two components are partly local and six are carried. In dollar terms, $1,383 of the $3,083 per-unit make-ready is priced against a North Carolina source and $1,700 — 55% — is carried. That is the honest state of the evidence and it has two separate consequences, which are worth keeping apart.

On tier selection the effect is nil. Make-ready is selected on $59 of observed market premium against $21.32 required, and component cost would have to rise more than 170% before that margin closed. The tiers above it move the wrong way as cost rises, so no plausible movement in component cost changes which tier is selected.

On the offer ceiling the effect is not nil, and it runs against you. Both components we were able to price locally came in above the reference schedule, not below — North Carolina interior painting quotes at $1.50 to $2.50 per square foot against roughly $1.32 implied by the schedule, and North Carolina flooring at $4 to $13 per square foot against $4.50. If the six carried components follow the same pattern, the capital line is understated and the ceiling in section 14 is correspondingly overstated: by $19,901 if they run 15% high, $39,802 at 30%, and $66,337 at 50%.

No uplift has been applied. We have no Greensboro installed price for cabinets, appliances or bathroom sets, and applying a percentage adjustment to a number we could not source would be inventing an input and presenting it as researched. Conservatism in this model lives in one place — the confidence cushion in section 12 — and adding a second, invisible cushion here would be exactly the stacking that discipline exists to prevent. The exposure is disclosed with its dollar cost instead, and a firm contractor bid retires it entirely.

Published turnover benchmarks of $1,178 to $1,825 per turn, and $3,000 to $5,000 per unit, were deliberately excluded. Those figures bundle lost rent and leasing cost, and dropping one into a capital line overstates it by roughly double.

Plan	Units	In-place → target	Tier	$/unit	Basis
1BR / 1.0BA	12	$740 held	Make-ready	$3,083	At tier (section 6). No premium available above tier.
2BR / 1.0BA	16	$843 held	Make-ready	$3,083	At tier. Renovated comparables ask below the subject.
2BR / 1.5BA	28	$896 held	Make-ready	$3,083	At tier. 96.4% occupied — condition is not the constraint.
All units	56	No rent lift underwritten	Make-ready	$3,083	$172,648 interior total

No plan carries a finish premium in the underwritten rents. The market pays $59 for upgraded product, and buying it costs approximately $59 — so the premium is available and not worth purchasing. The rents in section 6 are original-finish market rents, and the make-ready line is what makes a vacant unit leasable at them.

Bucket	Item	Treatment
Physical	Make-ready on all 56 units	Capitalized, section 9
Physical	Exterior, signage, access reset, punch list	Capitalized, section 9
Physical	Building systems	Carried at zero. Priced as diligence exposure, section 20.
Operational	Lease seven vacant units	In the stabilization timeline, section 10
Operational	Restore payroll, general and administrative, advertising	Expensed, section 11 — a cost, not a gain
Operational	Utility recovery running at 77% of a full pass-through	Taken once on the expense side; not claimed as upside
Operational	Stagger the November 2026 rollover concentration	Carried in the vacancy allowance, section 11

The operational half of the scope is where the value is: lease seven vacant units, capture the collectable portion of the mark-to-market, and fix a utility recovery running at 77% of a full pass-through. None of that requires construction risk.

9. BUSINESS-PLAN CAPITAL

Category	Amount	Per unit
Interior make-ready, 56 units	$172,648	$3,083
Exterior and common area	$28,000	$500
Building systems	$0	$0
Contingency at 10%	$20,065	$358
Construction management at 5%	$10,032	$179
Total business-plan capital	$230,745	$4,120
Working capital reserve	$150,000	$2,679

Building systems are carried at zero deliberately rather than by omission: ownership reports roughly $468,000 of capital spent since 2022, and the county's records assign effective years of 1981 and 1997 against actual construction dates of 1968 and 1972. A capital-needs assessment is priced in section 20 to test that, and it is the single largest thing this analysis cannot see.

The exterior line is the standing floor — signage, re-keying and access reset, common-area and curb touch-ups, and a punch list. Routine roof and system life-cycle replacement is carried in the reserve in section 11 rather than here, to avoid counting it twice.

10. STABILIZATION TIMELINE

The hold is derived from this deal's own timeline rather than set at a default. The agency takeout gates it: the small-balance programme requires 90% physical and 85% economic occupancy sustained for the 90 days preceding closing. The property is at 87.5% physical and roughly 76% economic today, so the refinance is not available and the timeline is what earns it.

Phase	Months	What happens
Make-ready	0–3	Seven vacant units turned and placed on market.
Lease-up	3–9	Physical occupancy carried through the 90% agency threshold.
Mark-to-market roll	3–15	Leases roll to comp-supported rents as they expire.
Seasoning	15–21	Ninety days of sustained performance to satisfy the economic occupancy test.
Sale	21–24	Marketing and closing.
Derived hold	24 months	Consistent with a syndication exiting at stabilization.

11. STABILIZED OPERATIONS

Line	Amount	Per unit	Note
Gross potential rent	$618,960	$11,053	Comp-adjusted market, flat to stabilization, section 6
Vacancy at 5.5%	($34,043)		Class C submarket
Concessions at 3.4%	($21,045)		Matches observed prevalence, section 6
Credit loss at 1.0%	($6,190)		Voucher durability without a contract
Other income	$39,143	$699	Trailing-twelve actual
Effective gross income	$596,826	$10,658	

Property tax	($62,892)	$1,123	2027 midpoint, section 4
Insurance	($27,000)	$482	Trailing-twelve actual
Management at 6.0% of EGI	($35,810)	$639	Actual runs 6.29% of collections
Payroll	($26,000)	$464	Seller books zero; 2023 booked $28,155
Repairs and maintenance	($39,200)	$700	Seller books $181/unit; comp set averages $795
Turnover	($11,200)	$200	Seller books zero
Utilities	($48,000)	$857	Water rose 167% across the trailing twelve
Internet	($31,088)	$555	Recovered at 77% in other income
Landscaping	($10,000)	$179	Seller books nine months of twelve
General and administrative	($9,500)	$170	Seller books zero
Advertising	($3,000)	$54	Seller books zero
Legal and professional	($1,200)	$21	
Pest control	($2,100)	$38	
Replacement reserves	($16,800)	$300	$300/unit, pre-1985 vintage
Total operating expense	($323,789)	$5,782	54.3% of EGI
Stabilized net operating income	$273,037	$4,876	

The expense ratio is 54.3%, or 43.2% excluding property tax. Guilford County's assessor independently models this property's operating expenses at 40.0% of effective gross income excluding tax. Two models built by different parties for different purposes land three points apart, which is close corroboration.

The finding that decides this deal sits in that table. Stabilized net operating income is $273,037. The seller's trailing-twelve net operating income, as booked, is $318,786. After the entire business plan is executed — seven units leased, rents marked to market, recoveries fixed — the property earns $45,749 less than the seller shows today, because restoring the omitted expense lines costs more than the upside is worth.

12. THE EXIT CAP — THE STACK

The exit capitalization rate is built from a documented stack rather than adopted from an index or from the appraisal's conclusion. It is a stabilized rate by construction: the value created by de-risking the asset is credited in the net operating income, never a second time in the cap.

Layer	Basis points	Evidence
Anchor — closed sales, subject's county	6.80%	Seven verified closed apartment sales in Guilford County with confirmed capitalization rates. Mean 6.8043%, median 6.73%.
Adjustment layers	0	The anchor is county-matched and the asset is typical of it. No layer is added that the anchor does not already capture.
Forward view	0	A choice, not a default. Section 6 calls the rent trend flat to stabilization on documented evidence. That is the same market judgment, and taking it here as well would charge you twice for one view.
Confidence cushion	+50	Tier 2. The verified caps are real but 17 months stale, the sample is seven, and five of the seven are properties of 18 units or fewer.
Exit capitalization rate	7.30%	

The cushion is the only place conservatism lives in this model, and it is priced: 50 basis points costs $275,017 of stabilized value and $166,284 of offer ceiling. If the comp evidence were current rather than 17 months old, the cushion would narrow and the ceiling would rise. That is what the evidence tier is worth in dollars.

The appraisal concluded 7.00%. That figure sits at the seventieth percentile of its own comparable set and above the mean and median of every screen of it. Its comparables are used here; its conclusion is not.

The anchor is not adopted from the appraisal. Its ten comparable sales were transcribed as data and re-screened, and the screens are shown so the arithmetic can be checked rather than trusted.

Screen	n	Mean	Median
All ten comparables as presented	10	6.83%	6.87%
Guilford County only — the subject's own county	7	6.80%	6.73%
Vintage matched, built 1960–1979	4	6.95%	6.72%
Size matched, 28–112 units	3	6.52%	6.55%
Appraisal's concluded rate	—	7.00%	70th percentile of its own set

The Guilford screen sums 6.44 plus 6.00 plus 8.37 plus 5.97 plus 7.00 plus 7.12 plus 6.73, which is 47.63 across seven sales, or 6.8043%. That is the anchor. The appraisal's concluded 7.00% sits above the mean and median of every screen except the vintage cut, and above five of its own ten comparables.

One characteristic of that comparable set has to be disclosed because it runs against the client. Five of the seven Guilford sales are properties of eighteen units or fewer — four units, eight, fourteen, eighteen and four. Only two are near institutional scale, at one hundred and one hundred thirty units, and those two trade at 6.00% and 6.73%, averaging 6.365%. Smaller properties generally trade at wider rates than larger ones, which means an anchor built mostly from four- and fourteen-unit sales is, if anything, conservative for a 56-unit asset. No adjustment is taken for it, because two observations are not evidence. The effect runs in your favour and is left on the table rather than credited.

Three of the appraisal's comparables were located independently in the county sales record at identical prices and dates. Its comparable data verifies against public record, which is precisely why the data is used here and the conclusion is not.

Two sources were examined and rejected rather than blended in. The county assessor publishes a modelled net operating income for every apartment parcel; dividing it by actual sale prices across thirty sales returns implied rates from 2.13% to 9.89%. That dispersion is the mass-appraisal model showing through rather than market variation, and it cannot anchor anything. Separately, the reachable metropolitan brokerage reports for this market are either two years stale or quote national Class C figures roughly 140 basis points below what local closed sales actually show. Averaging those into a rate built from verified local sales would be a category error.

A wider county pull supports the anchor from a second direction. One hundred six apartment sales recorded in Guilford County since 2023 were retrieved, deduplicated to ninety-six deeds and priced from excise stamps. Two of them are the same asset trading twice, and paired sales are the cleanest evidence a market produces.

Paired sale	Then	Now	Change
57 units, built 1974, in the subject's own county assessment sector	$128,070/unit (Jun 2022)	$73,684/unit (Sep 2024)	−42.5% in 27 months
51 units, built 1973	$45,098/unit (Sep 2020)	$95,500/unit (Oct 2025)	+111.8% in 61 months

They point in opposite directions and both are real. The first is a 2022-peak retrace; the second is a five-year hold through the same cycle. Together they say the 2022 peak is gone and the 2024–25 floor has firmed, which is a more useful reading than either alone.

A second path to value, independent of any capitalization rate: closed sales of Guilford County apartment properties built before 1980 and sized between 28 and 112 units, over 2024 to 2026, range from $61,184 to $110,556 per unit with a mean of $80,432. Stabilized value here is $66,790 per unit, inside that range toward the lower end. The two paths agree.

13. HOW TO READ OUR CAP RATE

A capitalization rate is an empirical ratio — price divided by net operating income — and it means nothing without the net operating income convention it was measured against. Applying a market cap rate to a conservatively normalized net operating income compounds two conservatisms and discloses only one.

There are three conventions in common use and they are not interchangeable. A broker capitalization rate is usually quoted against a trailing statement as the seller keeps it, which on this property omits five expense categories. A lender capitalization rate is quoted against an underwritten net operating income carrying reserves and market-level management. An appraisal capitalization rate is quoted against a stabilized pro forma, which may or may not carry reserves depending on the assignment. The same property, honestly analysed, produces different rates under those conventions and none of them is wrong.

The rate used here, 7.30%, is paired with a fully loaded net operating income: it carries replacement reserves at $300 per unit, full off-site management, restored payroll, and market-level repairs and maintenance. Many brokers quote capitalization rates against a net operating income carrying none of those. Against a broker-convention net operating income, the same value would be quoted at a materially tighter rate. The two are not comparable, and the difference is convention rather than disagreement.

Figure	Rate	What it describes
Broker convention — seller's trailing statement as booked	8.52%	Omits payroll, reserves, turnover, general and administrative and advertising
Lender convention — underwritten, reserves and market management	7.30%	What a lender will size debt against
Ours — fully loaded stabilized net operating income	7.30%	Carries reserves at $300/unit, restored payroll and market-level repairs

On this property the lender convention and ours coincide, because the net operating income here already carries everything a lender underwrites — replacement reserves, full off-site management, restored payroll and market-level repairs. That is deliberate: the figure in section 14 is lender-ready rather than a marketing number. Quoting one convention against another's net operating income is where the argument usually goes astray.

This matters directly when you take the number in section 14 to a broker. If the response is that your capitalization rate is too wide for the market, the first question to ask is what net operating income their rate is measured against — and specifically whether it carries replacement reserves, payroll and market-level repairs. On this property those three lines alone are roughly $72,000 a year. A rate quoted without them is describing a different asset.

14. THE MAXIMUM ALLOWABLE OFFER

MAXIMUM ALLOWABLE OFFER

$2,669,179

$47,664 per unit · 49.2% below the asking price

Four constraints are solved separately. The Maximum Allowable Offer is the lowest of them, because a ceiling is only as high as its tightest binding constraint.

Constraint	Ceiling	Per unit	Binds?
Your 15.0% LP net internal rate of return	$2,861,912	$51,106	No
Your 1.50x LP net equity multiple	$2,669,179	$47,664	Yes
Yield-on-cost basis floor	$2,824,132	$50,431	No

Stabilized value against total basis	$3,261,637	$58,244	No

The binding constraint is your 1.50x limited partner net equity multiple, over this deal's derived 24-month hold. Returning one and a half times contributed capital in two years, after promote and after every fee, is the harder of your two hurdles here — your 15% internal rate of return clears at 23.07% with room to spare.

Which hurdle binds is a function of the hold. A short hold gives the multiple less time to compound and makes it bite first; a longer hold makes time the enemy of the rate of return and flips which one governs. Two analyses of this asset naming different binding constraints are not in conflict if their holds differ.

At the Maximum Allowable Offer	Amount
Purchase price	$2,669,179
Closing costs at 2.0%	$53,384
Consultant fee at 1.0%	$26,692
Business-plan capital	$230,745
Working capital reserve	$150,000
Total all-in basis	$3,130,000
Bridge loan	$2,001,884
Total equity	$1,181,499
General partner co-investment	$250,000
Limited partner raise	$931,499
Stabilized value	$3,740,232
Yield on cost	8.72%
Exit capitalization rate	7.30%
Development spread	142 basis points

The basis test passes at this price and it is worth showing rather than asserting: stabilized value of $3,740,232 exceeds the total all-in basis of $3,130,000 by $610,232, and yield on cost of 8.72% clears the 7.30% exit capitalization rate by 142 basis points against a required 100. The 100 basis point requirement reflects an operational turnaround — leasing units, restoring staffing and expense discipline on proven product — rather than a repositioning or construction risk, and the scope in section 8 is what justifies that.

At the asking price of $5,250,000, none of it works. Stabilized value falls $2,048,014 below total basis, yield on cost is 4.72% against a 7.30% exit capitalization rate — a negative development spread — and the limited partners receive no return of capital at all. A negative spread is a hard stop rather than a footnote.

15. EXIT STRUCTURE AND THE REFINANCE

Your structure is a sale at stabilization: the limited partners are cashed out by the sale, not redeemed from refinance proceeds. That is an input to the ceiling rather than a preference. The agency loan is the permanent takeout the buyer holds to the sale, and it is modelled explicitly because whether it exists at all changes the deal.

Test	Result
Agency loan sized by 75% loan-to-value	$2,805,174
Agency loan sized by 1.25x debt service coverage	$2,805,174
Governing constraint	Loan-to-value
Bridge balance to retire at stabilization	$2,001,884
Does the takeout clear the bridge?	Yes, with $803,289 of headroom

The eligibility question matters more than the sizing. The small-balance agency programme requires 90% physical and 85% economic occupancy sustained across the 90 days before closing. The property today is 87.5% physical and approximately 76% economic. The takeout is therefore not available at acquisition and must be earned — which is precisely what sets the 24-month hold in section 10. If lease-up stalls short of either threshold, the bridge extends at cost and the exit moves.

One further eligibility item is unresolved and is priced in section 20: the programme excludes Section 8 properties. Voucher tenants without a housing assistance payments contract are not normally the target of that exclusion, but with this tenant base it should be confirmed in writing by the lender before anyone relies on the takeout.

The programme was renamed and resized in April 2026; the deal still falls inside the loan range either way.

16. THE CENTRAL CASE

Several inputs could not be resolved from evidence and were resolved conservatively. Each is listed with what it costs, because conservatism stacked invisibly across many inputs is a report defect rather than prudence.

Input	Resolved as	Direction	What it is worth
Exit capitalization rate cushion	+50 basis points	Lowers your ceiling	$166,284
2027 property tax	Midpoint of the sourced rate range	Lowers your ceiling	$156,652
Concession allowance	3.4% of gross potential rent	Lowers your ceiling	$21,045 a year
Rents	Comp-adjusted to the subject, not the raw submarket median	Lowers your ceiling	Raw medians overstate; adjusted to the asset
Rent trend to stabilization	Flat, on documented evidence	Either direction	About $116,000 per 1% a year
Repairs and maintenance	$700/unit, below the $795	Raises your ceiling	Runs in your favour

	comp average		
Renovation components	55% carried, no uplift applied	May be holding your ceiling too high	Up to $66,337 if carried lines run high
Building systems capital	Carried at zero	May be holding your ceiling too high	$135,728 at $2,000/unit if a needs assessment finds spend
Utility recovery gap	Taken once, as expense	Neutral	Not claimed a second time as upside

One row in that table runs the other way and is flagged accordingly. Every other item costs you ceiling by being cautious; the renovation component build may be granting you ceiling by being light, because 55% of it is carried from a reference schedule and both components we could price locally came in above that schedule. It is disclosed rather than adjusted, for the reason given in section 8, and a contractor bid during diligence removes the uncertainty entirely. It is priced in section 20.

Equally important is what was not done, because conservatism that stacks invisibly is a report defect rather than prudence. No layer was added to the exit capitalization rate for location or class, because section 18 already confirms the anchor's own label and charging it twice would be a double count. No adjustment was taken for the small-property bias in the comparable set even though it runs in your favour. No lease-up reserve was added on top of the working capital line. And no renovation premium was underwritten anywhere, because section 7 shows none is available — which is a finding rather than a conservatism.

The utility recovery line deserves a word. The internet pass-through recovers 77% of its cost, and closing that gap is a genuine operational fix. It is resolved conservatively once, on the expense side, and it is deliberately not then claimed a second time as value-add upside. An information gap resolves in one direction, not both.

17. CASH FLOW, SENSITIVITY AND STRESS

Year	Effective gross income	Operating expenses	Net operating income	Cash flow	Cash-on-cash	DSCR
1 — lease-up	$511,805	($265,009)	$246,796	$75,291	6.4%	1.73x
2 — stabilized	$596,826	($323,789)	$273,037	$121,550	10.3%	1.92x

Debt is interest-only across the hold at 7.12%, which is $142,534 a year. Cash-on-cash is computed on total equity of $1,181,499 at the Maximum Allowable Offer, before promote. Year 1 carries the lease-up, so it is the weaker of the two by construction.

Measure	Break-even	Underwritten	Cushion
Economic occupancy against gross potential rent	77.0%	90.1%	13.1 points
Net operating income	$142,534	$273,037	92% above break-even
Debt service coverage	1.00x	1.92x	92%

The margin is real but it is not generous during lease-up, and the break-even occupancy of 77.0% sits only three points below where the property is trading economically today.

Every figure below is solved by re-running the full model under the stated change and re-deriving the ceiling — not by applying a rule of thumb to the base case. The two tax rows are the sourced ends of the section 4 range rather than arbitrary shocks.

Stress case	Change	Effect on the ceiling
Rent trend −2.0% a year to stabilization	$594,449 GPR	Ceiling falls $231,026
Rent trend −1.0% a year	$606,643 GPR	Ceiling falls $116,096
Rent trend +1.0% a year	$631,401 GPR	Ceiling rises $117,263
Rent trend +2.0% a year	$643,966 GPR	Ceiling rises $235,693
Concessions deepen to one month free, universal	8.3% allowance	Ceiling falls $297,971
Concessions deepen to 5.0%	5.0% allowance	Ceiling falls $97,285
Rents held at the tier — no operator improvement	$569,472 GPR	Ceiling falls $466,447
2027 tax at rates held (worst sourced case)	$76,807	Ceiling falls $156,652
2027 tax at revenue-neutral (best sourced case)	$48,976	Ceiling rises $156,652
Building systems capital at $2,000/unit	+$112,000	Ceiling falls $135,728
Exit cap 25 bp wider	7.55%	Ceiling falls $74,883
Exit cap 25 bp tighter	7.05%	Ceiling rises $80,194
Lease-up 6 months slower	Hold to 30 months	Equity multiple stops binding; the rate of return binds instead

Exit cap	Yield-on-cost floor	Maximum Allowable Offer	Per unit
6.80% (anchor, no cushion)	7.80%	$2,835,463	$50,633
7.05%	8.05%	$2,749,373	$49,096
7.30% (underwritten)	8.30%	$2,669,179	$47,664
7.55%	8.55%	$2,594,296	$46,327

The rent line dominates everything else on this list, and it dominates in both directions. A two-point swing in annual rent trend moves the ceiling by roughly $233,000 either way; the worst sourced tax outcome moves it $156,652; a 25 basis point move in the exit rate moves it under $81,000. This is a rent deal, and section 6 is where it is decided.

The largest single downside on the list is the operator row. If a new operator cannot beat what current management achieves — if the tier is the market rather than a symptom — the ceiling falls $466,447. That is the central bet in this underwriting, and section 6 sets out the evidence for making it: $73,334 a year of restored leasing and operating capability against a $49,488 a year rent gap.

The lease-up row is the only stress that changes which constraint governs rather than merely how much it allows. Extending the hold to thirty months gives the equity multiple six more months to compound, at which point it stops binding and the internal rate of return becomes the governing test. A slower business plan does not produce a worse version of this answer — it produces a different one, solved against a different hurdle. That is why the hold in section 10 is derived rather than assumed.

18. PROPERTY AND NEIGHBORHOOD CLASSIFICATION

The asset and location grade is graded to data rather than to feel, because a letter grade can otherwise move a capitalization rate by a hundred basis points with nothing behind it. This section is a consistency check on the exit capitalization rate built in section 12. It cannot add a layer to that rate. It can, however, invalidate the anchor: the 6.80% anchor is drawn from Class C sales, so if the evidence below graded B the anchor would be mislabelled and section 12 would have to be rebuilt. It does not grade B.

Dimension	Evidence	Reads as
Asset — vintage and structure	1967–1972 wood frame with brick veneer, two-storey walk-up, 56 doors across three floor plans	Class C
Asset — condition	Unrenovated interiors. County assigns effective years of 1981 and 1997 against actual 1968 and 1972, and quality grades of Low and Above Average across building groups	Class C — capital has been spent, but not a repositioning
Asset — amenities	No pool, fitness room, clubhouse or laundry facility. Surface parking at 1.3 spaces per unit. Laundry hookups in one floor plan only	Class C, lower end
Location — income	ZIP median household income $47,431 against $68,642 for the county and $61,515 for the city — 69% of county	C — below-county workforce
Location — income concentration	2.4% of households above $200,000, against 9.1% countywide and 7.5% citywide	C — a thin upper tail
Location — tenure	11,148 renter-occupied apartments against 23,223 housing units, roughly 48% renter	A real and deep renter pool
Location — population trend	ZIP population 41,091 in 2000, 44,567 in 2010, an estimated 55,900 by 2024	B — the submarket is growing, not shrinking
Location — cost of living	Index 91.4 against a national 100	C — an affordable submarket

Location — crime	Less safe than both the state and the national average; regional score C+. Projected 2025 cost of crime $33.1 million, about $640 per resident and 2.5% of median household income	C — elevated against state and nation
Location — schools	Average school grade C, with 37% actual proficiency against 29% projected for the demographic	C, but outperforming expectation
Immediate land use	Established residential corridor; one income-restricted community within the competitive band	Workforce residential

The read. This is an unrenovated Class C asset in a Class C workforce location. Nothing in the evidence argues for a B grade on the asset: no amenities, original interiors, 1967 to 1972 vintage. On the location the picture is mixed but still lands at C — incomes at roughly two-thirds of the county, a thin high-income tail, and crime above both the state and national means, set against a genuinely deep renter pool and an affordable cost base.

Two dimensions deserve to be called out because they run better than the grade and are not credited anywhere in the model. Population in this ZIP has risen from 41,091 in 2000 to an estimated 55,900 in 2024 — this is a growing submarket, which is not what a Class C label usually implies. And the schools, while graded C, are outperforming what their demographics would predict. Neither of those buys a basis point in section 12. They are stated because a buyer should know which parts of the location risk are real and which are labels.

The invalidation test. The anchor in section 12 is labelled Class C and the evidence confirms the label, so the anchor stands. No layer is added on top of it: the below-county income and the elevated crime are already inside the closed sales the anchor is built from, because those sales are drawn from the same county and largely the same submarket. Charging the same fact twice — once as an anchor label and again as a layer — would be a double count. This section changes no number in this report.

Two limits on the evidence above, stated rather than buried. Population figures for this ZIP differ materially between sources, from about 50,249 to 55,900, so the direction of travel has been used rather than the level, and that direction is clearly upward. And crime indices are built by commercial vendors from federal reporting; they are reliable for comparing this ZIP to its state and to the national mean, and unreliable for block-level distinctions.

19. VALIDATION AND RESEARCH — THE INPUT LEDGER

Every numeric input in this model appears below with its source and its evidence type. The four evidence types are defined first so the column can be read without inference. A house standard used without a recorded research attempt is a build failure, not a shortcut.

Evidence type	Definition
Tier 1	Pulled directly from a primary record — a tax roll, a recorded deed, a statute, a central bank series. Re-pullable by anyone.
Tier 2	Observed in the current market from a named source — a live listing, an advertised concession, a published programme term.
Tier 3	Derived from comparable evidence rather than measured on

	the subject — an expense comparable set, an indicative lender quote.
House standard	Our own default, applied only where research was attempted and returned nothing usable. The attempt is recorded and the figure is disclosed as a fallback.

Where an input is a house standard, the research attempt column carries the query, the date and what came back. Where a figure could not be sourced at all, it is stated as such rather than filled.

Input	Value	Evidence type	Source	Research attempt
Assessed value 2026	$4,836,692	Tier 1	County tax record	Searched 2026-07-20: parcel records. Returned 2026 revaluation values, both parcels.
Combined tax rate 2026-27	1.5880%	Tier 1	Adopted county and city budgets	Searched 2026-07-20: adopted rates. County 78.95c, city 79.85c.
Reappraisal moratorium	FY2026-27 uses prior values	Tier 1	State session law	Searched 2026-07-20: reappraisal moratorium. Signed; 2026 values apply from FY2027-28.
Seller basis	$3,650,000	Tier 1	Recorded deed and excise stamps	Searched 2026-07-20: deed record. Stamps $7,300 at $1 per $500.
Exit cap anchor	6.80%	Tier 1	Seven verified closed county sales	Searched 2026-07-20: county apartment sales. 106 records since 2023; 7 with verified caps.
Price per unit cross-check	$80,432 mean	Tier 1	Six matched closed sales	Searched 2026-07-20: pre-1980, 28-112 units. Six sales, 2024-2026.
Underwritten rents	$810 / $910 / $975	Tier 2	Comp band adjusted to subject attributes	Derived 2026-07-20 from twenty ZIP comparables adjusted for size, bath count, amenities and finish.
Current achieved rents	$740 / $843 / $896	Tier 1	Rent roll, 2025+ lease commencements	Derived 2026-07-20 from lease-level roll data. Tier n=24 of 50 occupied; tail n=26.
Rent trend to stabilization	Flat	Tier 3	Three ZIP sources, national forecasts	Searched 2026-07-21: Greensboro rent

				forecast and supply pipeline. No metro-specific forecast reachable — negative finding recorded.
Submarket rent ceiling	$875 / $998 medians	Tier 2	Twenty current listings, subject ZIP	Searched 2026-07-20: renovated and original-finish listings in ZIP. Twenty comparables with finish detail.
Concession allowance	3.4%	Tier 2	Three current advertised concessions	Searched 2026-07-20: current offers. One month free at two communities, $250 off at a third.
Bridge index	3.62%	Tier 1	Federal Reserve Bank of New York	Searched 2026-07-20: overnight index. 3.62% at 16 July 2026.
Agency rate	6.50%	Tier 3	Programme quotes	Searched 2026-07-20: small-balance pricing. Floor near 5.93%; 6.50% retained for Class C vintage.
Agency occupancy gate	90% physical / 85% economic	Tier 1	Programme term sheet	Searched 2026-07-20: programme requirements. 90-day pre-closing test confirmed.
Insurance	$27,000	Tier 3	Trailing-twelve actual	Searched 2026-07-20: market insurance costs. No usable local benchmark; actual retained.
Repairs and maintenance	$700/unit	Tier 3	Appraisal expense comparables	Searched 2026-07-20: comparable expense data. Set ranges $166-$1,359, average $795.
Replacement reserves	$300/unit	House standard	Pre-1985 vintage standard	Searched 2026-07-20: agency reserve requirements. Programme supports $200-300; $300 applied for vintage.
Management fee	6.0% of EGI	House standard	Local third-party rate	Searched 2026-07-20: local management rates. Actual runs 6.29% of collections; 6.0% applied.

Turnover	$200/unit	House standard	Reference schedule	Searched 2026-07-20: physical make-ready benchmarks. Published figures bundle lost rent; excluded.
Renovation components	$3,083/unit	Tier 3 / carried	2 partly local, 6 carried	Searched 2026-07-20: Greensboro installed component pricing. Only retail-grade NC quotes returned; 55% of the build carried from reference schedule, exposure priced in s8.
Flood status	Outside hazard area	Tier 1	County hazard layer	Searched 2026-07-20: hazard overlays. No intersection under either map.

Two negative findings are recorded rather than retried. The county assessor publishes a modelled net operating income for every apartment parcel, and dividing it by actual sale prices across thirty sales returns implied rates from 2.13% to 9.89%. That dispersion is the mass-appraisal model showing through rather than market variation, and it cannot anchor anything. Separately, the reachable metro brokerage reports for this market are either two years stale or quote national Class C figures roughly 140 basis points below what local closed sales actually show; blending them in would be a category error, so they were rejected rather than averaged.

20. DILIGENCE QUESTIONS, PRICED

These are the questions this analysis could not answer from the package, ordered by what the answer is worth to your offer ceiling. Every figure below is solved by re-running the model under the stated change — none is an estimate of what the enquiry costs to make.

Question	Ask whom	What the answer is worth
Lease files and leasing history for the one-bedroom plan. Twenty-five percent of it is vacant at an asking rent the market appears to be declining.	Broker / seller	$466,447 of ceiling. This is the central bet: whether a new operator beats what current management achieves. Section 6 sets out the evidence.
Capital needs assessment covering roofs, systems and building envelope. Section 9 carries building systems at zero on the strength of roughly $468,000 of reported prior spending.	Engineer (specialist)	$135,728 at $2,000 per unit of findings; $339,319 at $5,000. The widest band on this list.
Twelve months of utility invoices, water and sewer in particular. The water line rose 167% across the trailing twelve.	Broker / seller / utility	$135,088 if it proves to be a permanent rate rise rather than a leak. A leak is a repair; a rate increase compounds through every year of the hold.
Reconcile the building count and rentable area against the tax record.	Broker / county / site visit	Up to $95,348 in your favour if an unrecorded revenue unit exists — and

The county shows six structures and 47,520 SF; the appraisal shows seven and 51,652 SF.		post-close assessment exposure if the structure is simply off the roll.
Voucher schedule by unit, with payment standards and recertification dates. Several tenants hold vouchers and there is no assistance contract.	Broker / rent roll detail	$83,913 across the plausible credit-loss band. Tests the 1.0% assumption in section 11.
Firm contractor bid on the make-ready scope across all 56 units.	General contractor	Up to $66,337. Fifty-five percent of the per-unit cost is carried from a reference schedule, and both components priced locally came in above it.
Accrual-basis statements, or the general ledger. The statement supplied is cash basis carrying two straight-line accruals.	Broker / seller	Does not move the ceiling directly. Retires the normalization decisions behind six expense lines in section 11, several of which are currently judgment.
Written lender confirmation that voucher tenancy without an assistance contract does not trip the agency programme's Section 8 exclusion.	Agency lender	Does not move your ceiling — and may end the deal. Your exit is a sale, so the takeout prices the buyer's debt, not yours. If it is unavailable, the pool of buyers who can pay the section 12 exit cap shrinks.
Phase I environmental.	Environmental consultant	Nothing unless it finds something. Standard for the vintage and not yet reviewed by anyone in this file.

One further question outranks all of these and is already answered as far as it can be: a current rent roll. Seventeen leases — 30% of the property — carry expiry dates that have already passed, and the tier rents that set this entire underwriting are five months old. It is the cheapest document on this list and refreshes nearly a third of the income statement.

Refine or redirect. Five of these questions refine the number. The capital needs assessment, the utility invoices, the building-count reconciliation, the voucher schedule and the contractor bid each move the ceiling within a band this report has already drawn, and the deal survives any plausible answer to them. Three can redirect it instead. The lease files are the central bet rather than a price adjustment: if a new operator cannot beat what current management achieves, the value-add case is gone rather than repriced. The lender confirmation does not move the ceiling at all — it decides whether buyers exist who can pay it. And the Phase I is binary: nothing, or something that changes what the asset is. The ninth, the accrual statements, retires judgment behind six expense lines without moving the number in either direction. Spend the diligence budget on the three that can redirect before the five that only refine, because a precisely refined number on a deal that should not proceed is the more expensive mistake.

Two of the nine require a specialist; the remaining seven are answerable by asking. The first three are worth more than the rest of the list combined, and all three are obtainable before an offer rather than after.

LOI-READY SUMMARY

Term	Position
Property	Cedar Hollow Apartments — 56 units, Greensboro, Guilford County, North Carolina

Asking price	$5,250,000 ($93,750 per unit)
Maximum Allowable Offer	$2,669,179 ($47,664 per unit)
Binding constraint	1.50x limited partner net equity multiple over a 24-month derived hold
Gap to asking price	49.2% below
Stabilized net operating income	$273,037
Exit capitalization rate	7.30%
Business-plan capital	$230,745 ($4,120 per unit)
Total all-in basis at the ceiling	$3,130,000
Financing	Bridge at 7.12% floating, interest only, 24 months; agency takeout at stabilization
Diligence conditions	Capital needs assessment; lender confirmation on voucher tenancy; utility invoices; accrual statements
Closing	Subject to the above; 45-day diligence period recommended

This page is what you take to the broker. Section 14 is where the ceiling comes from, section 5 is why the gap is this wide, and section 19 is the source behind every number in it.

Three points support the price and all three are verifiable by the other side in an afternoon, which is what makes them usable in a letter of intent rather than merely in a conversation.

The point	The evidence behind it
The operating statement omits $66,500 a year of expense	Payroll, replacement reserves, turnover, general and administrative and advertising are booked at zero across all twelve months. The property's own 2023 statements booked $28,155 of payroll, $12,498 of administrative and $3,173 of advertising. The county assessor independently models expenses at 40% of effective gross income excluding tax, against 28% implied by the appraisal.
The asking rents exceed renovated product in the same ZIP code	Six renovated two-bedroom comparables in the subject's ZIP ask $925 to $995. The asking schedule here is $1,050 on unrenovated stock, and 40% of the competing communities are currently advertising a concession.
The property earns less than it appears to	Properly expensed and fully stabilized, net operating income is $273,037 — below the $318,786 the trailing twelve currently books. The business plan does not close that gap; restoring the omitted lines is larger than the lease-up and rent capture combined.

What is deliberately not in this summary: any characterization of the seller's motivation, any suggested wording for a conversation, and any figure that does not appear elsewhere in this report with a source attached. The three points above are checkable, and a seller who checks them arrives where you have.
