PENCIL THIS UNDERWRITING

Does it pencil? Know before you offer.

Cedar Hollow Apartments — Quick Screen

Prepared for [CLIENT NAME] · July 20, 2026 · Quick Screen

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

WHAT THIS IS, AND WHAT IT IS NOT

This is a screening-grade first pass, and it is labelled that way deliberately. It reads your rent roll and trailing-twelve statement, applies a single rule-of-thumb expense normalization, and values the result against one market cap source to produce a Screening Valuation — a seller-oriented, first-pass read on what the asset looks like it is worth.

The Screening Valuation is not an offer price. This tier does not produce a Maximum Allowable Offer and it never will: a defensible offer ceiling requires a comp survey, a scope decision, a stabilization timeline and a multi-year model, and those are the Full Underwriting's work. There is no rent comp survey here, no renovation scoping, no sensitivity and no financing model.

This screen is solved on in-place economics. Return targets that depend on an exit event — an internal rate of return, an equity multiple — and syndicated structures are not modelled at this tier. If a Full Underwriting is run on this deal, its working figures will differ from these. That is expected and correct: the two tiers are underwritten at different depths from different evidence, and the shallower pass showing you what it cannot see is the point.

1. THE IN-PLACE SNAPSHOT

Line	Figure	Source
Units	56	Rent roll
Occupied and paying at the roll date	49 of 56 — 87.5%	Rent roll
Occupancy on the seller's convention	89.3%	Counts one pre-leased unit as occupied
Total operating income, trailing twelve	$518,181	Seller's T-12, accepted at face value
Seller's operating expense	$199,395	Seller's T-12
Seller's stated net operating income	$318,786 — $5,693 per unit	Computed from the above
Seller's implied capitalization rate on the ask	6.07%	$318,786 ÷ $5,250,000

The vacancy is not spread evenly across the property — it concentrates in the smaller floor plans. A screen notes that; it does not price it.

2. THE EXPENSE-RATIO FLOOR TEST

One normalization is applied at this tier: operating expenses are taken as the greater of the seller's stated figure or 50% of income. It exists to catch a seller booking expenses too low, and it is deliberately blunt.

Test	Result
Seller's stated expense ratio	38.5% of total operating income
Screening floor	50.0%
Outcome	Fails the floor by 11.5 percentage points
Screening operating expense	$259,091
Screening net operating income	$259,091 — $4,627 per unit

A trailing-twelve showing a 38.5% expense ratio on a 1967-vintage garden property with no on-site staff is not a well-run asset. It is an incomplete statement. Six lines drive the failure, and each is checkable against the seller's own documents.

Line the seller books at zero or near zero	What it costs a buyer
Payroll — $0 across all twelve months	The property's own 2023 statements booked $28,155
Replacement reserves — $0	$300 per unit per year is standard for pre-1985 vintage
Turnover — the account exists and is empty	Units do not turn for free
General and administrative — $0	2023 booked $12,498
Advertising and marketing — $0	2023 booked $3,173
Repairs and maintenance — $10,119, or $181 per unit	A 58-year-old wood-frame property does not run on $181 a unit

The floor is a screening device, not a measurement. It is a blunt correction for a statement that cannot be right, applied precisely because a screen has no room to rebuild the expense stack line by line. The gamed lines are named here but not separately re-floored — the 50% rule does the aggregate math, and stacking a per-line normalization on top of it would double-count. A Full Underwriting rebuilds the stack from evidence and prices each line.

3. THE MARKET ANCHOR

Single source, as the tier specifies: closed apartment sales recorded in Guilford County. Screened to the subject's own county, the verified capitalization rates on those sales average 6.80%. That is the anchor used here.

It carries no confidence cushion, no adjustment layers and no exit construction. All three belong to the Full Underwriting's cap stack, and their absence is why this figure is a screening anchor rather than an exit rate.

4. THE SCREENING VALUATION

	Amount	Per unit
Screening net operating income	$259,091	$4,627
Market anchor, single source	6.80%	—
Screening Valuation	**$3,810,155**	**$68,038**
Asking price	$5,250,000	$93,750
Ask above the Screening Valuation	$1,439,845	+37.8%

This is a screening figure on the seller's own income and one cap source. It is not your offer price. The Full Underwriting normalizes every expense line from named comps, builds the exit cap from an evidence stack, and applies the basis floor — and on a deal carrying the flags this screen already sees, the defensible ceiling typically lands well below this figure.

Read the gap, not the precision. A Screening Valuation carries a wide error band by construction: one cap source, one expense rule, no comp verification.

5. THE SCREENING READ

Question	Screening answer
Where does the ask sit?	$1,439,845 above the Screening Valuation — 37.8% above a figure already built on the seller's own income.
What yield is the ask asking you to accept?	6.07% on the seller's stated net operating income, or 4.94% once the expense floor is applied — against a 6.80% county anchor. The normalized figure sits 186 basis points inside the anchor.
Is the gap coming from the income?	No. Total operating income is taken from the seller's own trailing twelve at face value and is not adjusted here.
Is the gap coming from the expenses?	Yes. Six categories are absent or nominal, and the 50% floor is what closes them in aggregate.
What does the public record add?	The property last traded in March 2022 for $3,650,000, with roughly $468,000 of capital reported since — an all-in basis near $4,118,000. The ask sits about 27% above that after a four-year hold.
What would change this read?	A full-year accrual statement, a bindable insurance quote, and the 2027 property tax reset. North Carolina revalued in 2026 and the treatment is unusual this year; this screen uses the seller's tax figure untested.

WHAT THE FULL UNDERWRITING ADDS

This screen reads the seller's own statement against one market source. It cannot tell you whether the rents on the roll are achievable — that needs a comp survey with named sources, distances and finish tiers. It cannot tell you what the property tax line actually becomes. It cannot tell you what capital the business plan requires or whether any of it earns a return. And it cannot tell you your offer ceiling: the Maximum Allowable Offer is the Full Underwriting's exclusive payoff, solved against your financing, your return targets and your hold.

The screen runs high and soft by design — seller income, a rule-of-thumb floor, one cap source. The Full runs low and defensible: every line researched from named comps, an evidence-built cap stack, and the basis floor that produces the true ceiling. Those two passes will not agree, and that is the point rather than a problem.

Your $150 credits in full toward a Full Underwriting on this deal ordered within 14 days — $200 to upgrade.
