

# PENCIL THIS



*Does it pencil? Know before you offer.*

## Multifamily Acquisition Underwriting & Maximum Allowable Offer Analysis

Maplewood Gardens · Address withheld · Gulf Coast metro · 56 Units

Anonymized Sample · Full Underwriting deliverable · figures rounded

**SAMPLE — anonymized illustration of a Full Underwriting deliverable**

### How to Read This Analysis

Backward-looking facts (the rent roll, the trailing-12 operating statement, unit count and mix) are accepted at face value after cross-reconciling them against each other and the offering memorandum; where they conflict internally, that conflict is flagged. Forward-looking claims (the seller's pro forma income, projected rents, and expense cuts) are never adopted — every stabilized figure in this report is built independently from named market research, and the seller's numbers appear only as foils in the Inconsistency Flags section. Every assumption is stated and auditable, and the sensitivity section shows how the conclusion holds up when the key assumptions move against you. This analysis tells you the price at which the deal supports your stated constraints; whether to offer is your decision.

### 1. Engagement Profile — Your Terms

Parameter	Client input
Structure	All-cash purchase — no debt service, no DSCR constraint, no refinance event. The refinance-at-maturity stress in our standard methodology does not apply and is omitted.
Return target	7% unlevered yield minimum. Interpreted as stabilized net operating income ÷ total capital invested (price + closing costs + renovation budget). Note: this floor is not the binding constraint here (see Section 9), so the MAO is unchanged whether the 7% is read against purchase price only or against Year-1 income.
Cash available	~\$3,000,000 — must cover purchase price, closing costs, the full renovation/systems budget, and a working-capital reserve for the collections turnaround.
Hold intention	Long hold. Stabilization timeline is derived from the deal's own facts (Section 7); no sale-seasoning or exit-marketing time is added. The 10-year disposition in Section 10 is illustrative, for IRR context only.
Buyer profile	Solo buyer. All figures are whole-dollar cash-to-close, unlevered cash-on-cash, and yield-on-cost — no fund or syndication economics.

### 2. Subject Property & Classification

Field	Detail	Field	Detail
Property	Maplewood Gardens	Year built	1967 (one listing source shows 1963 — verify)
Address	Address withheld · Gulf Coast metro	Style	Garden; 10 bldgs / 2 stories; 3.66 ac
Units	56 × 2BR/1BA “The Park”, 910 SF (50,960 SF)	Occupancy	89.3% physical (50/56); ~79% economic
Utilities	Master gas/water + RUBS; resident electric; boiler hot water	Parking	125 spaces

Field	Detail	Field	Detail
Pricing	"Market" — no published ask; offered all-cash	Broker	On-market brokerage (seller-paid; no buyer-side fee)
Property class	C — 1967 workforce garden, ~75% of interiors lightly updated	Neighborhood class	C+ — median HH income \$53,338 @ 1 mi; renter-majority; park-, retail- and hospital-adjacent
Projected class at stabilization	C+ (operational stabilization + light cosmetic completion)	Buy-box screen	None provided — grades reported without a pass/fail screen

*The seller markets the deal all-cash and the listing brokerage is seller-paid, so there is no buyer-side fee deducted from offer room and no assumable debt or seller carry signaled — a straight all-cash purchase, which matches your structure exactly.*

### Data reconciliation

The rent roll (dated 5/27/2026), the T12 (May 2025–April 2026), and the OM tie cleanly on the backward-looking facts: 56 units, a single 2BR/1BA plan, \$1,015 market-rent schedule on every unit, \$56,840 gross potential monthly rent, and 89.29% physical occupancy. The decisive internal tell is the gap between physical and economic occupancy: the T12 shows vacancy loss of \$105,288 (15.4% of GPR), bad debt of \$40,251 (5.9%), and concessions of \$10,699 (1.6%) — roughly 79% economic occupancy against 89% physical. The rent roll confirms the mechanics: 6 vacant units, 3 units under eviction, 3 on notice to vacate, and \$15,907 sitting in collections accounts. The value lever in this deal is collections and occupancy, not rent.

### 3. Stabilized Rent — Comp Survey & Tier Decision

**Underwritten stabilized rent: \$1,100/unit, with zero renovation premium credited.** This is not a projection of upside — it is the level the property already proves it can achieve: 12 units on the current rent roll lease at \$1,099 (all recent move-ins), while the property's own live advertising asks \$995–\$1,015 with 7 units available. The seller's rent schedule carries a single \$1,015 market rent for every unit — updated or classic — which is the property's own evidence that the ~75% of interiors already upgraded earn no premium tier.

#### Rent comparables — verified June/July 2026

Comp / source	Vintage	Beds/SF	Rent	Role
Comp A (broker comp)	1983	2BR/1,090	\$1,418	Ceiling — newer, far larger; not credited
Comp B (broker comp)	1973	2BR/1,001	\$1,271	Upper peer — larger plan
Comp C (broker comp)	1969	2BR/1,002	\$1,206	Closest vintage peer — larger plan
Comp D (broker comp)	1983	2BR/866	\$1,182	Peer — newer vintage
Comp E (broker comp)	1973	2BR/895	\$1,177	Peer
Apartments.com / CoStar — the submarket 2BR avg	—	934 SF avg	\$1,172	Submarket average (all vintages)
RentCafe / Yardi Matrix — the submarket 2BR avg	—	936 SF avg	\$1,187	Submarket average
Zumper — the submarket city median (all types)	—	—	\$1,100	Flat YoY; -2% last month
Rent.com — the submarket 2BR avg	—	—	\$1,017	Floor-side read
<b>SUBJECT — own live asking (Apartments.com / Rent.com)</b>	1967	2BR/910	<b>\$995–\$1,015</b>	<b>Market-tested; 7 units available now</b>
<b>SUBJECT — top achieved in-place (12 units)</b>	1967	2BR/910	<b>\$1,099</b>	<b>BEST anchor — proven on 2025–26 leases</b>

Comp / source	Vintage	Beds/SF	Rent	Role
⇒ Underwritten stabilized	1967	2BR/910	\$1,100	<b>SELECTED — at proven level, no premium</b>

The broker comp set skews newer (1969–1983) and larger (up to 1,090 SF), and most peers carry two baths. A 1967 single-bath 910 SF plan prices below the \$1,172–\$1,187 submarket averages; \$1,100 sits at the subject's own proven top and below the peer set — midpoint of the defensible range, not an aspiration.

### Renovation tier selection — return on cost

Per our methodology the rent is the output of a scope decision: we test four finish tiers against what this market will actually pay. The seller has already lightly updated ~75% of interiors (plus roof ~3 yrs, exterior paint, gates, parking, laundry room, major electrical/plumbing/sewer repairs) and earns no rent premium for it — so the right scope is to finish the remaining ~14 classic units to that same proven light standard, not to over-improve.

Tier	Cost/unit	Rent lift	Value @ 7.50%	Return on cost	Verdict
Minimal / cosmetic	~\$3,500	~\$25/mo	~\$3,500	1.0x	Leaves units below the proven \$1,100
<b>Light turn</b>	<b>~\$6,500</b>	<b>~\$85/mo</b>	<b>~\$12,000</b>	<b>1.8x</b>	<b>SELECTED — matches the seller's proven standard</b>
Moderate	~\$9,500	~\$95/mo	~\$13,400	1.4x	Market pays no premium above \$1,100 (single \$1,015 schedule)
Heavy / gut	~\$13,000	~\$110/mo	~\$15,500	1.2x	Over-improves a 1967 single-bath asset

Costs are built bottom-up from component pricing (LVP, RTA cabinets/reface, laminate counters, rental-grade appliance package, paint, bath refresh) and land in the same band as published multifamily renovation guides (\$5,000–\$7,000 cosmetic minimum; ~\$6,000 light / ~\$12,000 full-reno local anchors). the metro is a low-cost construction market comparable to the framework's baseline; no regional multiplier applied. Rent lift is measured against what a classic unit achieves today (~\$1,015) versus the proven updated level (\$1,100).

## 4. In-Place Operations (T12: May 2025 – April 2026)

Metric	As reported	Underwritten (in-place)	Note
Effective gross income	\$591,208	\$591,208	Owner GL, accepted at face value
Physical / economic occupancy	89.3% / ~79%	89.3% / ~79%	Gap = vacancy 15.4% + bad debt 5.9% + concessions 1.6%
Operating expenses	\$398,696 (67.4%)	\$398,696	Includes heavy make-ready \$31.4k during owner's turn program
Property taxes (paid)	\$74,658	see §8	Implies ~\$3.28M assessment at the 2.28% unexempted the ZIP rate
Insurance	\$77,992 (\$1,393/u)	\$78,000	Held at actual — Gulf Coast market level
T12 operating NOI	\$192,512	\$192,512	Mortgage interest (\$96,625), capex (\$173,182) and asset-mgmt fee properly excluded as non-operating
In-place NOI, your cost basis	—	~\$195,000	T12 income; taxes reset to purchase basis (-\$14k), management to the 6% floor (+\$11k)

We did NOT adopt the OM's "current underwriting" NOI of \$235,738 — it substitutes market-expense assumptions (insurance cut to \$56k, R&M to \$550/unit) for the seller's own actuals. The T12 actual operating result is \$192,512.

## 5. Inconsistency Flags (Seller Data)

Every place the seller's own numbers are internally inconsistent or off-market. These are your leverage points in the seller conversation.

Item	Seller figure	Market / correct	Underwriting adjustment
OM pro forma NOI	\$376,926 (+96% over T12)	Built bottom-up: \$291,500 stabilized at the MAO tax basis	Rejected the seller forward figure entirely
OM "current underwriting" NOI	\$235,738	T12 actual operating NOI \$192,512	Did not adopt — OM swaps actuals for cheaper "market" expenses
Pro forma rents	+\$125/unit (+12.3%) to ~\$1,140	Own live asking \$995–\$1,015; top achieved \$1,099	Underwrote \$1,100 — the proven level, no premium
Insurance	\$56,000 (\$1,000/u)	T12 actual \$77,992 (\$1,393/u), coastal market	Reversed the cut; held \$78,000, grown 4%/yr
Repairs & maintenance	\$550/unit (+\$600/u contract svcs)	NAA/IREM/BOMA 2024 same-store R&M \$1,098/unit; pre-1980 vintage runs above	Underwrote \$1,100/unit R&M incl. make-ready
Management fee	4.0% of EGI	56-unit third-party size floor 6%; the metro market 4–7%	Underwrote 6.0% of EGI
Vacancy / bad debt (pro forma)	6.0% vacancy / 3.5% bad debt	T12 actual 15.4% / 5.9%	Underwrote 8% / 3% / 1% — a funded turnaround, not the OM's costless jump
Property taxes	\$86,470 "current tax"	T12 shows \$74,658 paid — the two imply conflicting assessments (~\$3.79M vs ~\$3.28M)	Verify the the county appraisal district account in DD; underwrote purchase-price basis with a protest, stressed at \$86,470
"~75% of interiors upgraded" as upside	Implies a renovation premium	Seller's own schedule carries ONE \$1,015 market rent for every unit	Zero renovation premium credited — that capex is sunk
OM comp set	Peers at \$1,177–\$1,418	1969–83 vintage, mostly larger and/or 2-bath plans	Used as ceiling context only; subject anchored to its own achieved rents

## 6. Business-Plan Capital (All-In)

CapEx item	Cost	Basis / note
Interior unit turns (~14 classic units)	\$91,000	14 × \$6,500 light turn — brings classics to the proven standard
Building systems — AC	\$89,600	~50% of units on original AC per the OM → ~28 systems @ ~\$3,200
Exterior / common-area floor	\$28,000	\$500/unit takeover floor: re-key & access reset, ownership signage, curb/common touch-ups, punch list (roof, paint, gates, parking, laundry already done by seller)
Contingency (~10%)	\$20,860	10% of interior + systems + exterior hard costs
<b>Total business-plan capital</b>	<b>\$229,460</b>	<b>\$4,098/unit blended, all-in across all 56 units (\$6,500 per renovated unit)</b>

Routine long-life replacement (roof/plumbing life-cycle) is carried separately in the \$300/unit/yr operating reserve and is not double-counted here. Open capital question for diligence: the property runs central boiler hot water on a 1967 plant — get the boiler age and condition inspected; it is not in this budget.

## 7. Stabilization Timeline (Derived)

Track	Driver	Duration
Renovation	~14 classic units ÷ ~3/month (1 crew, light cosmetic), run concurrently with leasing	~5 months
Mark-to-market	Actual lease expirations: all 50 leases roll by April 2027; median expiry November 2026	~12 months
Collections / occupancy recovery	~79% → 88% economic: clear 3 evictions + 3 notices, re-tenant 6 vacants, cut bad debt 5.9% → 3% — BINDING TRACK	~12–15 months
Seasoning / exit	None — long hold; no sale or refinance event	—
<b>Stabilization</b>	<b>Tracks run in parallel; binding = collections/occupancy recovery</b>	<b>~15 months</b>

## 8. Stabilized Operations (Today's Dollars, at the MAO)

Line	Stabilized	Basis
Gross potential rent	\$739,200	\$1,100 × 56 × 12
Economic occupancy	88.0%	Components: physical vacancy 8% + bad debt 3% + concessions 1% — researched vs metro 92.2% stabilized occupancy with Class C running below average
Net rental income	\$650,496	GPR × 88%
Other income incl. RUBS	\$77,700	T12 actual (\$1,387/unit) held ~flat — RUBS fully in place for water, gas, trash, pest, electric
<b>Effective gross income</b>	<b>\$728,196</b>	
Property taxes	\$60,550	2.28% unexempted the ZIP stack × purchase price (protest-supported by the arm's-length sale) — stressed in §11
Insurance	\$78,000	T12 actual; coastal Gulf market
Management fee (6.0%)	\$43,690	56-unit size floor; the metro third-party range 4–7%
Payroll & benefits	\$48,000	T12 actual (\$857/unit)
Utilities (net of RUBS income)	\$61,400	T12 actual — master gas/water/boiler
Contract services (landscape/trash/pest/patrol)	\$34,300	T12 actual
R&M incl. make-ready	\$61,600	\$1,100/unit — NAA/IREM/BOMA 2024 anchor \$1,098 same-store; pre-1980 vintage multiplier offset by documented recent capital work and ~75% updated interiors
G&A + marketing	\$32,400	T12 actual ex-management fee
Replacement reserves	\$16,800	\$300/unit/yr — pre-1985 vintage
<b>Total operating expenses</b>	<b>\$436,740 (60.0%)</b>	<b>Above our 35–55% review band — flagged and explained below</b>
<b>Stabilized NOI (today)</b>	<b>\$291,500</b>	<b>Net of reserves</b>

Expense-ratio flag: 60% of EGI trips our normalization tripwire. It is real, not a broken normalization — taxes + coastal insurance alone are ~19% of EGI, RUBS grosses up both income and utility expense, and a 56-unit asset carries full fixed costs with no scale. The OM's own "current underwriting" runs 61.7%. Thin operating leverage is a feature of this asset.

**Market trend & rent growth — 2.0%/yr underwritten**

the metro metro asking rents were down 1.2% year-over-year in January 2026 with stabilized occupancy at 92.2% (Yardi Matrix), but the market inflected: rents gained 1.0% to open 2026 and supply is falling ~8% year-over-year toward the lowest deliveries since 2013 (Northmarq Q1-2026; Marcus & Millichap 2026 forecast). CoStar's Q1-2026 regional read shows the southeast metro region — which includes the submarket — as the only metro region with a year-over-year rent increase, and the OM documents only 81 units in the the submarket pipeline (~90% below the 2022 peak). RealPage-based forecasts have the metro leading major-metro rent growth (potentially >4.9%) into 2027, while Yardi's national path is 0.5% (2026) / 1.0% (2027) / 2.3% (2028) and Class C product runs below market average. We underwrite a conservative 2.0%/yr — below the recovery forecasts, above the 2026 soft read — and sensitize 1–3% in Section 11. Expenses grow 2.5%/yr and insurance 4.0%/yr in the multi-year model.

## 9. Maximum Allowable Offer — Binding Constraint Named

**MAO ≈ \$2,655,000 (\$47,400/unit), constrained by your ~\$3.0M available cash — not by your 7% yield floor.**

Constraint solved independently	Max price	Read
Cash available: \$3.0M ≥ price + 1.5% closing + \$229,460 capex + \$75,000 working-capital reserve	\$2,655,000	<b>BINDING — the walk-away ceiling</b>
7% stabilized yield on total cost	\$3,580,000	Not binding — \$925k of headroom
At the MAO of \$2,655,000	Value	Per unit
Purchase price	\$2,655,000	\$47,411
Closing costs (~1.5%, all-cash: title, legal, inspections)	\$39,800	\$711
Business-plan capital	\$229,460	\$4,098
<b>Total capitalization</b>	<b>\$2,924,300</b>	<b>\$52,220</b>
Working-capital reserve (evictions, re-tenanting carry)	\$75,000	\$1,339
<b>Total cash required</b>	<b>\$2,999,300</b>	<b>\$53,559</b>
Stabilized yield on total cost	9.97%	vs your 7.0% floor
Year-1 unlevered cash-on-cash (ramp)	~6.7–8.0%	In-place floor ~\$195k NOI; crosses 7% within Year 1
Going-in cap on T12 operating NOI	7.25%	\$192,512 ÷ \$2,655,000

### Where that price sits against the market — feasibility read

- **In-place value:** T12 operating NOI of \$192,512 at the researched 7.50% cap ≈ \$2.57M (\$45.8k/unit). Your MAO is essentially in-place value plus a modest credit for the turnaround you must execute and fund.
- **As-stabilized value:** ~\$3.60M (\$64.3k/unit) — stabilized NOI capitalized at 7.50% with taxes at that basis. Your MAO is ~26% below it.
- **Feasibility flag:** a gap of 25–30% below likely pricing expectations is where our methodology says pass or watch. There is no published ask, but a seller marketing “market, all cash” behind a \$376,926 pro forma is anchored well above \$3M. This prices as a WATCH: the offer is fully defensible on the seller's own T12 (a 7.25% going-in cap on actual operating NOI is fair for a 1967 single-bath C asset), but it needs a genuinely motivated seller. Do not chase above \$2,655,000 — above that, the deal stops fitting your cash without financing, which is not your stated structure.

*Context on the yield headroom: if you ever chose to relax the all-cash/cash-cap constraint, the 7% yield floor alone would support up to ~\$3.58M — the deal economics are not the limiter; your capital structure is. That is a fact of the analysis, not a recommendation.*

## 10. Ten-Year Hold Projection (Unlevered)

Monthly engine: economic occupancy ramps 79% → 88% over months 1–15, rents mark to \$1,100 as the 50 in-place leases roll (all expire by April 2027), capital spent in Year 1. Rents +2.0%/yr and expenses +2.5%/yr (insurance

+4.0%/yr) from stabilization. The Year-10 sale at a 7.50% cap less 2% costs is illustrative only — you stated a long hold; the IRR is shown so you can see what the basis buys you.

Year	NOI	Cash-on-cash (on \$2.924M)	Note
1	\$233,300	8.0%	Ramp year — in-place floor ~\$195k; turn + evictions funded from the \$75k reserve
2	\$290,400	9.9%	First full stabilized year
3	\$294,100	10.1%	
4	\$296,800	10.2%	
5	\$299,400	10.2%	
6	\$301,900	10.3%	
7	\$304,400	10.4%	
8	\$306,800	10.5%	
9	\$309,100	10.6%	
10	\$311,400	10.6%	Illustrative sale: \$4.15M (7.50% on Yr-11 NOI, -2%)

**Ten-year unlevered IRR at the MAO: ~12.4%.** Roughly 10 points of durable cash yield plus modest growth — the return profile of a basis play, not a value-creation bet. The margin of safety is the entry price, not the pro forma.

## 11. Sensitivity & Stress

No refinance event exists in your structure, so the refinance-at-maturity stress in our methodology does not apply and is omitted. Because the MAO is cash-bound, it does not move with the cap rate or rent growth — what moves is your margin above the 7% floor and the illustrative IRR.

### Market cap rate band (terminal value / IRR)

Cap rate	Illustrative Yr-10 value	10-yr unlevered IRR
7.25%	\$4,293,000	12.6%
<b>7.50% (base)</b>	<b>\$4,150,000</b>	<b>12.4%</b>
7.75%	\$4,016,000	12.2%
8.00%	\$3,891,000	11.9%

### Rent growth band (exit cap held at 7.50%)

Rent growth	Year-10 NOI	10-yr unlevered IRR
1.0%/yr	\$250,600	10.1%
<b>2.0%/yr (base)</b>	<b>\$311,400</b>	<b>12.4%</b>
3.0%/yr	\$376,500	14.4%

### Downside stresses at the MAO

Stress	Stabilized NOI	Yield on total cost
<b>Base case</b>	<b>\$291,500</b>	<b>9.97%</b>
Economic occupancy -5 pts (83% — turnaround underdelivers; applied at 5 pts because collections IS the primary lever)	\$256,700	8.8%
Tax protest fails — levy held at the OM's \$86,470	\$265,500	9.1%
Both stresses combined	\$230,700	7.9%

**Read:** at \$2,655,000 your 7% floor survives every researched stress individually and both combined. The conclusion — that this deal works at roughly in-place value and only at that level — does not flip anywhere inside the reasonable assumption set. The risk in this deal is not the underwriting; it is whether the seller will transact at the price your cash supports.

## 12. Validation & Research

Input	Value	Sources / data points	Confidence
Market cap rate	7.50%	CapRateIndex the metro all-asset TTM 6.96% (anchor; ZIP-level paywalled); Matthews/CoStar Q4-2025 the metro multifamily ~6.6% average with >80% of trades Class C; national Class C secondary band 7–9%. A 1967 single-bath 56-unit C asset trades wide of the metro MF average → 7.0–7.5% range, midpoint 7.25% + 25 bps cushion. Confirm with closed the submarket C-class sales / broker BOV in DD.	Med
Stabilized rent	\$1,100	Subject's own live asking \$995–\$1,015 (7 units available) and 12 achieved leases at \$1,099; Apartments.com/CoStar the submarket 2BR \$1,172; RentCafe/Yardi \$1,187; Zumper city median \$1,100 flat YoY; 5 broker peers \$1,177–\$1,418 (newer/larger, used as ceiling)	High
Rent growth	2.0%/yr	Yardi Matrix (metro –1.2% YoY Jan-26; national 0.5/1.0/2.3% '26–'28); Northmarq Q1-26 (+1.0%, supply –8%); M&M 2026 (lowest completions since 2013); CoStar (the southeast metro region only region positive); RealPage-based the metro >4.9% into 2027	Med
Property taxes	2.28% × price	Ownwell the county data: the ZIP unexempted effective rate ~2.27–2.28%; T12 paid \$74,658 vs OM “current” \$86,470 — conflicting implied assessments (~\$3.28M vs ~\$3.79M). Pull the county appraisal district account in DD; underwriting assumes an arm's-length-sale protest; stressed at \$86,470	Med
Insurance	\$78,000	T12 actual \$1,393/unit; coastal the metro C-class market band	High
Management fee	6.0% EGI	56-unit size floor; ClearLead 2026 national survey (larger MF 4–7%); the metro per-unit quotes \$75–\$100/unit; multifamily.loans 4–12% range	High
R&M incl. make-ready	\$1,100/unit	NAA/IREM/BOMA 2024 Income/Expense IQ same-store R&M \$1,098/unit (excl. payroll/contract svcs); pre-1980 multiplier offset by seller's documented recent capital program	Med
Renovation cost	\$6,500/unit light	Bottom-up component build; published cosmetic-minimum \$5–7k and ~\$6k light / ~\$12k full local anchors; the metro low-cost market, no regional multiplier	Med
Economic occupancy	88%	Yardi metro stabilized 92.2%; CoStar Class C negative absorption; OM 81-unit the submarket pipeline (~90% below 2022 peak); components 8/3/1	Med

*Open DD items (none moves the MAO): the county appraisal district account pull and current assessment; boiler age/condition; exact count of units on original AC; current delinquency and eviction docket detail; closed C-class sale comps or a broker BOV to confirm the cap; confirm year built (OM 1967 vs one listing source 1963).*

## 13. Key Risks

**Pricing gap / feasibility (HIGH):** The MAO (\$2.655M) is ~26% below as-stabilized value (~\$3.6M) and essentially at in-place value. The seller's pro forma anchors expectations far higher. This is a WATCH — fully defensible offer, uncertain seller.

**Collections / economic occupancy (HIGH):** 89.3% physical vs ~79% economic; 3 evictions in process, 3 notices, 6 vacants, 5.9% bad debt, \$15.9k in collections accounts. This is the value lever AND the execution risk you must fund — hence the \$75k reserve and the –5-pt stress.

**Property tax reset (MED-HIGH):** Underwriting assumes a successful protest to the purchase basis. If the assessment holds at the OM's implied ~\$3.79M, taxes run \$86.5k and stabilized yield falls to 9.1% — still above your floor, but a \$26k/yr swing.

**1967 systems (MED):** Central boiler hot water (unbudgeted — inspect), ~50% original AC (\$89.6k budgeted), 59-year-old plumbing (seller completed major plumbing/sewer repairs; \$40k of major plumbing/electrical ran through the T12 capex). Capital-surprise risk is real on an asset this age; the \$300/unit reserve and contingency mitigate, not eliminate.

**the metro Class C softness (MED):** Metro rents -1.2% YoY with Class C absorption negative. Mitigants: the southeast metro region was the only region with a rent increase, the the submarket pipeline is 81 units, and your \$1,100 asks nothing the property doesn't already achieve.

**Coastal insurance escalation (MED):** \$1,393/unit today, grown 4%/yr in the model; a hard-market renewal would compress the (thin) margin further on a 60%-expense-ratio asset.

**Single plan / single bath (LOW-MED):** All 56 units are 2BR/1BA at 910 SF — caps achievable rent versus 2/2 peers and limits leasing flexibility; already reflected in the \$1,100 rent.

## 14. LOI-Ready Summary

Item	Position
<b>Walk-away ceiling (MAO)</b>	<b>\$2,655,000 · \$47,411/unit · all cash</b>
Binding constraint	Your ~\$3.0M available cash, after \$229,460 of business-plan capital, ~\$39,800 closing costs, and a \$75,000 working-capital reserve. Your 7% unlevered-yield floor would by itself support up to ~\$3.58M.
What the price is anchored to	A 7.25% going-in cap on the seller's own T12 operating NOI (\$192,512) — in-place value at the researched 7.50% market cap is ~\$2.57M. You are paying today's income, not the seller's projection.
Stabilized outcome at the MAO	NOI ~\$291,500 · ~10.0% yield on total cost · 88% economic occupancy · ~15-month stabilization · ~12.4% illustrative 10-yr unlevered IRR
Survives	-5 pts economic occupancy (8.8% yield) · failed tax protest (9.1%) · both combined (7.9%) · cap 7.25-8.00% · rent growth 1-3%
Defensible pushback points	(1) ~79% economic occupancy with 3 evictions and 3 notices is a collections problem the buyer funds; (2) the "75% upgraded" interiors earn zero premium on the seller's own single-rate rent schedule — sunk capex; (3) the property's own advertising asks \$995-\$1,015, not the pro forma's ~\$1,140; (4) insurance and R&M in the OM's underwriting are below the seller's own actuals and national benchmarks.
Deal strengths at the right basis	RUBS fully in place (~\$78k other income); heavy exterior/system work already done (roof ~3 yrs, paint, gates, parking, laundry, major electrical/plumbing); park-, retail- and hospital-adjacent infill with 304,000 residents in 5 miles, renter-majority; 81-unit supply pipeline; the value lever is controllable operator execution, not a rent bet.
Recommendation frame	The analysis supports an offer up to \$2,655,000; above that, your available cash breaks under the stated all-cash structure. Whether to offer — and where to open beneath the ceiling — is your call.

*Pencil This Underwriting analyses are decision-support tools based on information provided by the client. They are not investment, legal, tax, or financial advice. The client is responsible for verifying all inputs and conducting independent due diligence before making any investment decision.*