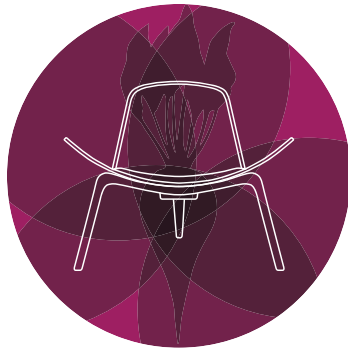


Development Business Plan
March 31, 2016



W.S. Development



FURNITURE
ROW

Prepared for:
UTAH REAL ESTATE CHALLENGE
| The University of Utah
| David Eccles School of Business

Address:
1655 East Campus Center Dr.
Salt Lake City, UT 84112

Team Members

*Team information omitted
from competition packet.*



Contents

- P.04 Introduction
- P.06 Market Overview
- P.08 Trade Area
- P.10 Site Conditions
- P.12 Retail Component
- P.16 Residential Component
- P.24 Project Costs
- P.25 Apartment Valuation
- P.26 Retail Valuation
- P.27 Project Financing
- P.28 Cash Flow
- P.29 Investment Summary

Introduction

W.S. Development

Team information omitted from competition packet.

Furniture Row

1095 East 2100 South
Salt Lake City, UT 84105

For decades the Sugar House neighborhood was known for its furniture stores. In the early 20th century there were literally dozens of them within just a few blocks. But the three most prominent ones were located at the intersection of 2100 S & 1100 E - making it known as "Furniture Row." This intersection is the site (and inspiration) of our proposed development.

Today, the site has an existing two story office building with 35,137 GLA sf that is 39% vacant. Wells Fargo (building owner) operates a branch location in the ground level corner suite (4,500 sf).

Vision:

To create a market rent mixed-use development that will promote a walkable community within the transit oriented, mixed-use town center of Sugar House.

Program:

- 18,000+ SF of ground floor retail
- 240 apartment units
- 340 parking stalls

Business Plan:

- Purchase property
- Relocate tenants
- Scrap and improve site
- Build nine story building (99 ft.) with four level parking structure

Timeline:

- Construction: 18 months
- Stabilization: 12 months

- **Parcel:** 16-20-202-008
- **Acres:** 1.22 (53,143 sf)
- **Owner:** First Security Corp. (merged into Wells Fargo, 2000)
- **Zoning:** CSHBD1 (Central Sugar House Business District)
- **Multi-family:** Permitted
- **Restaurant:** Permitted
- **Retail:** Permitted
- **Min. Yard Requirements:** None
- **Step Back Requirement:** Floors rising above 30' in height shall step back 15' in areas abutting public streets
- **Max. Height:** Residential - 105'

(21A.33.030)



Panoramic view of the intersection of 2100 South and 1100 East. Date of photograph: December 1950.

Utah State Historical Society | Shipler Commercial Photographers Collection | Mss C 275

Market Overview

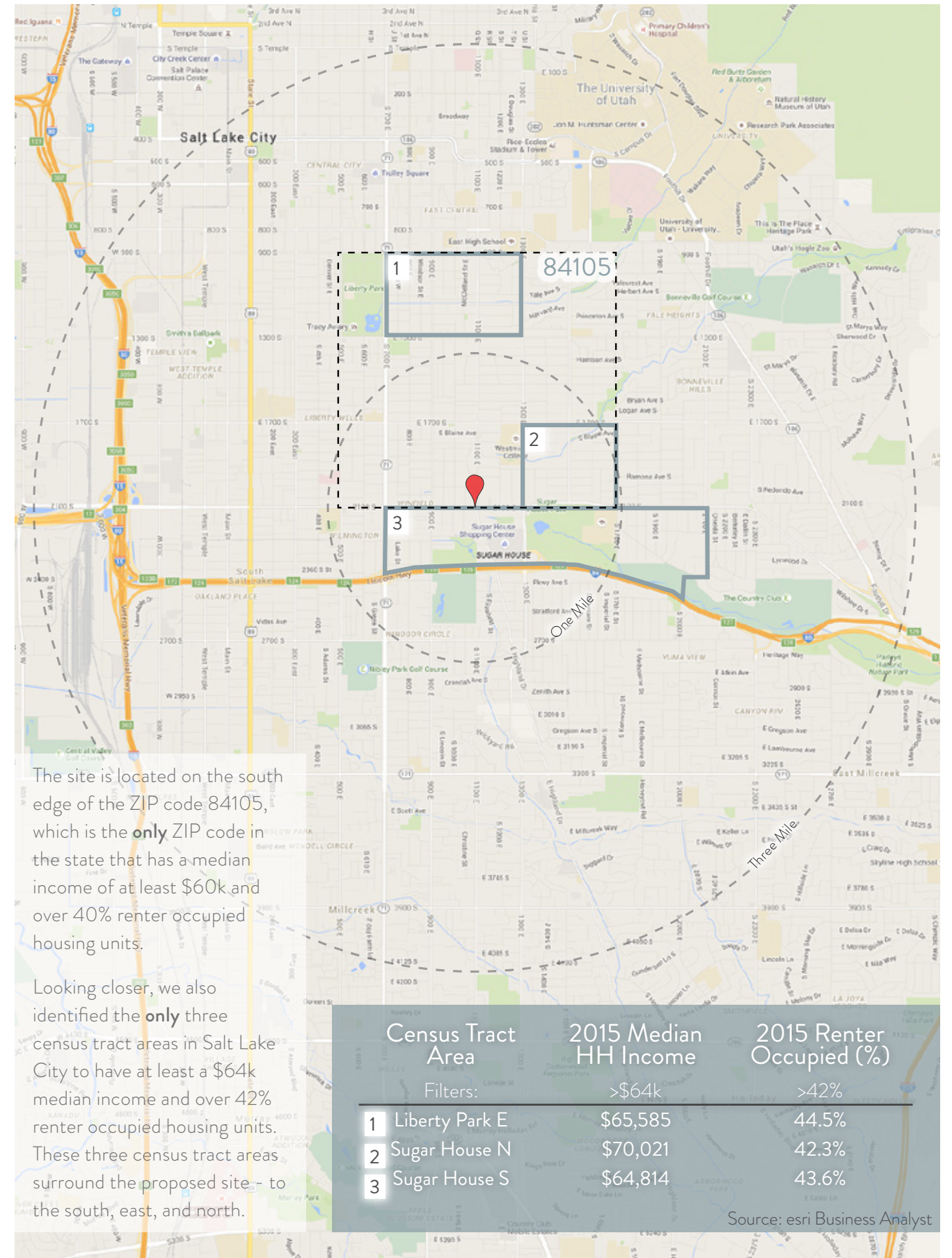
"Utah gained 43,000 jobs between December 2014 and December 2015, an increase of 3.2% (ranks 3rd); national growth over this time period was 1.9%. Utah's employment base has grown 224,000 jobs since hitting a trough at the beginning of 2010, growth of 19.1% over this time is the 2nd strongest in the nation (behind North Dakota). Utah's unemployment rate was 3.5% in December (51,000 unemployed Utahns), the same as last month and down from 3.6% last year. The US unemployment rate was 5.0% in December the same as November and down from 5.6% last year. Utah's unemployment rate is the 7th lowest in the nation."

-Governor's Office of Management Budget, 2/1/2016

- Forbes Magazine ranked Utah the #1 Best State for Business and Careers for the 5th time in 6 years.
- CNBC ranked Utah #3 for the second time for the Best State for Doing Business in 2015.
- Utah is the #5 fastest growing job market in the U.S. according to Business Insider.

Population	2015	2020	# increase	% increase
State	2,953,329	3,174,244	220,915	7%
County	1,091,572	1,163,253	71,681	7%
City	193,956	203,178	9,222	5%
Households	2015	2020	# increase	% increase
State	941,112	1,012,606	71,494	7.60%
County	364,135	394,402	30,267	8.31%
City	78,340	85,301	6,961	8.89%
Median Income	2015	2020	# increase	% increase
State	\$59,885	\$70,471	\$10,586	18%
County	\$61,923	\$73,913	\$11,990	19%
City	\$45,449	\$53,038	\$7,589	17%
Rented Units	2015	2020	# increase	% increase
State	298,120	318,971	20,851	6.99%
County	127,518	137,646	10,128	7.94%
City	42,896	47,001	<u>4,105</u>	<u>9.57%</u>

Source: esri Business Analyst



Trade Area

The site is centrally located in the Sugar House business district. This will attract people who desire to live in one of the few urban communities in Utah - where

streetscape and connectivity shifts focus to the pedestrian. This shift of focus creates safe walkable access to parks, shopping, and entertainment. Residents will also have the opportunity to walk to work with new office space on Wilmington Ave as well as a new

seven story office building (150,000 sf) planned for Highland. Our mixed-use program will compliment the density already existing in this neighborhood as well as help support the 24-hour population that our site's zoning is designed for.

Comparable Apartments

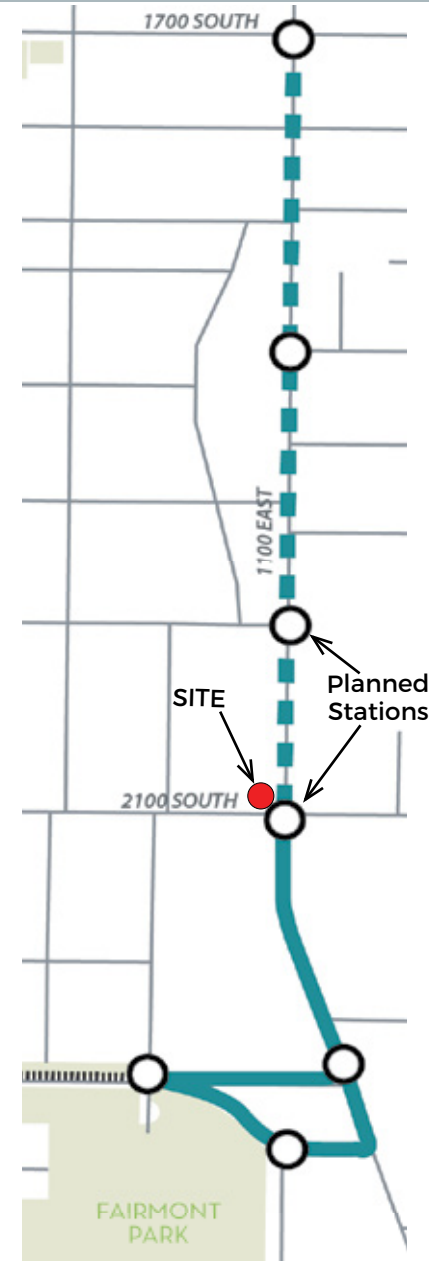
- 1 The Vue at Sugar House Crossing
- 2 Wilmington Flats
- 3 Liberty Village
- 4 Sugar House Apartments

S-Line: Phase 2

Phase 2 of the S-Line has been approved by Salt Lake City and is planned to have a station at 2100 South in the plaza of Sugar House Crossing. It will then extend north to 1700 South to service the campus of Westminster College.

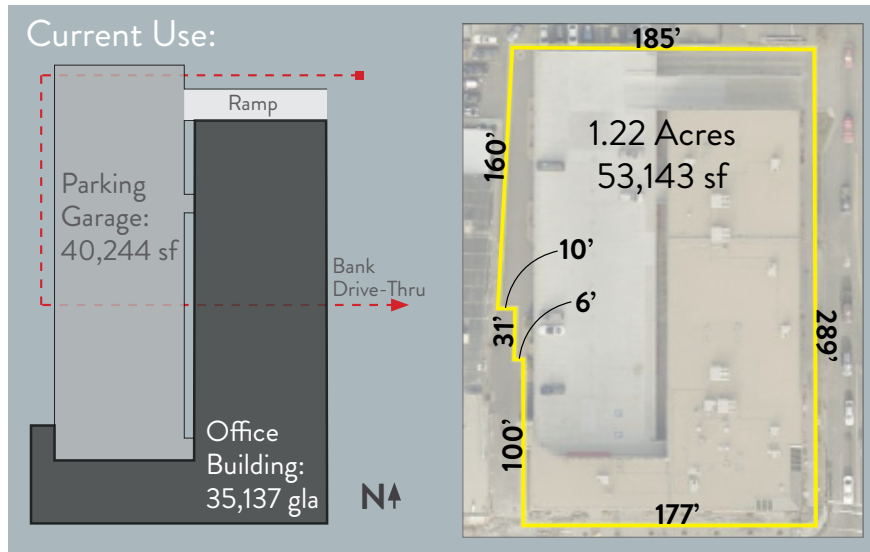


Planned Route:



Site Conditions

The property was obtained by Wells Fargo through their purchase of First Security Corp. in 2000. They initially adopted First Security's business plan to utilize the building as an owner/user for almost 200 employees. They have since attempted to lease the office space, but have failed to stabilize it due to the dated interior and lack of parking (2.1/1000 sf) - which does not meet the current min. zoning requirements. With occupancy at only 60.91%, this property is undervalued and reaching the end of its economic life. Several successful new developments in this neighborhood have demonstrated the opportunity for this property to be maximally productive at its maximum legal building envelope set by the current municipal zoning code: CSHBD1.



Walk Times



- Amenities within 1.5 miles:**
- 16 Beauty Salons & Spa's
 - 4 Bookstores and Libraries
 - 5 Specialty Coffee/Tea
 - Over 26 restaurants and eateries
 - 9 Banks
 - 10 Fitness Centers
 - 5 Art Galleries
 - 7 Groceries and Pharmacies
 - 5 Pet Care Locations
 - 2 Accessible Parks
 - Over 48 Shops
 - 2 Post Offices

South



West



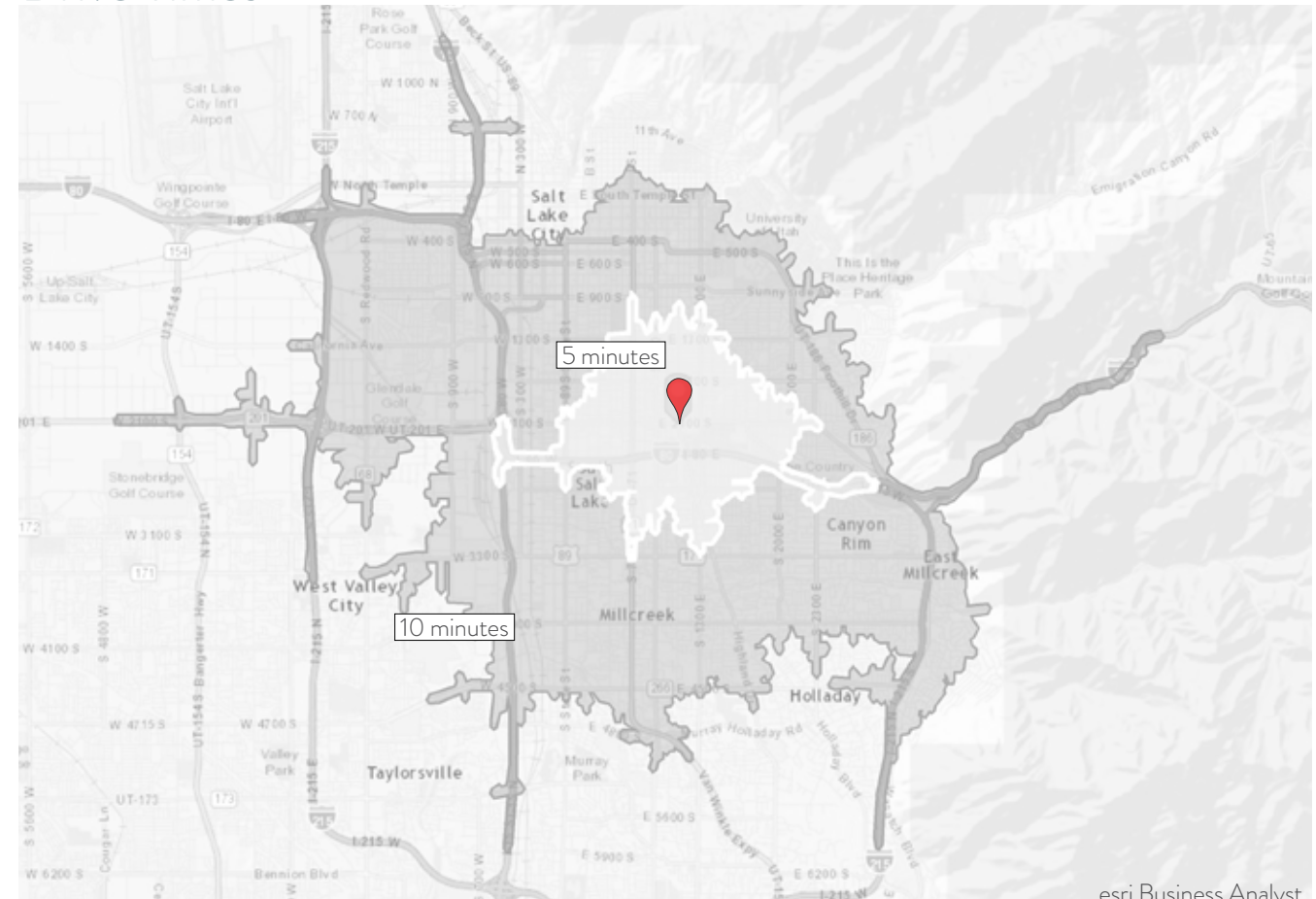
North



East



Drive Times



Retail

Vacancy Rate

Q4 2015 Market Reports Salt Lake County	Vacancy
CBC Advisors (Coldwell Banker Commercial)	6.01%
Cushman & Wakefield Commerce	5.80%
Newmark Grubb ACRES	7.41%
CB Richard Ellis	4.90%
Average:	6.03%

We gathered the 2015 Year-End Market Reports from the four largest commercial real estate brokerages and averaged their numbers together. All reports showed the trend of vacancy rates continuing to decline.

Lease Comps

Retail Tenant	Address	Date	SF	Rate	Term
1. Mattress Firm	1137 E 2100 S	4/6/2015	4,850	\$41.24	180
2. See's Candies	2107 S 700 E	8/25/2014	3,000	\$38.50	84
3. Wasatch Brew Pub	2110 E Highland Dr	1/30/2014	5,192	\$35.00	120
4. Vitamin Shoppe	1010 E 2100 S	6/4/2015	3,000	\$34.25	120
5. Mellow Mushroom Pizza	1080 E 2100 S	4/1/2014	5,843	\$34.00	180
6. Cold Stone Creamery	2110 E Highland Dr	2/23/2015	1,386	\$33.50	60
7. Lunchbox	1102 E 2100 S	11/21/2014	1,244	\$32.08	60
			3,139	\$34.84	110

Expense Comps

Retail Center	Address	CAM psf
1. McClelland Street	2100 S McClelland St	\$6.50
2. Commons at Sugarhouse	1102 East 2100 South	\$7.00
3. Sugar House Center	2300 South 1300 East	\$5.54
4. Brickyard Plaza	3200 South 1300 East	\$5.00
5. Wilmington Gardens	1201 East Wilmington Ave	\$8.23
6. Plaza 7-21	2100 South 700 East	\$5.88
	Average:	\$6.36

The majority of operating expenses will be paid by the tenants through CAM charges which are typical in triple net leases. These charges include property taxes, insurance, common area maintenance, and administrative fees.



View from directly above the site looking Southeast toward Millcreek.

Street Level Requirements:

"The first floor or street level space of all buildings within (CSHBD) shall be required to provide uses consisting of residential, retail goods establishments, retail service establishments, public service portions of businesses, restaurants, taverns/brewpubs, social clubs, art galleries, theaters or performing art facilities." -21A.26.060

Retail Proposal



Commercial/Retail	
Suite A	4,608
Suite B	4,525
Suite C	4,532
Suite D	2,622
Suite E	1,311
Suite F	1,311
# of Suites	6
Avg. SF	3,152
Total Buildout	18,909 SF
Avg. Lease Rate	\$32.00 NNN
CAM Charges	\$6.03
Stalls/1,000 sf	4.0
Total Stalls	76
Stall SF	350

We plan to re-tenant Wells Fargo as the anchor tenant in Suite A - the corner suite where they are currently operating. We feel that it will be in their best interest to maintain what has become a marquee location in addition to a build-to-suit opportunity. Wells Fargo has seven locations within a 2-mile radius of this site and we feel that this will allow them to easily mitigate down-time during construction. However, we have planned lease concessions of 12 months free rent and additional T.I.'s to further incentivize them to stay if necessary.

Suites B & C will be on either side of Wells Fargo and will operate as sit-down restaurants. Suite E will be located along 100 East and is planned to be used as a quick service restaurant (QSR). The last two suites are the smallest spaces and will be located at the northern end of the property along 1100 East. These are planned to be flexible spaces that can be used for soft goods, services, or office space. The ground level will also incorporate a leasing/administrative office with space for mail boxes for the tenants living above.

Site Plan



Sustainable SITES Initiative

1. Hydrology

Systems will be used to direct stormwater runoff to new surface treatment areas such as rain gardens in the common areas - rather than routing it directly to a storm drain.

2. Soils

Methods will be developed to retain topsoil, prevent erosion, and repair the soil horizon where it is needed.

3. Vegetation

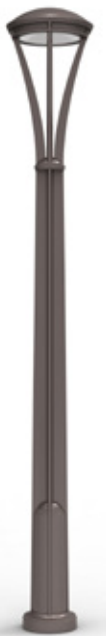
Native trees, shrubs, and ground covers will be used to create comfort as well as help create a sense of place that establishes the parameters of the district.

4. Materials

Where possible, materials will be purchased from local suppliers and will preferably be manufactured in a sustainable manner.

5. Human Health & Well-Being

The design is aimed towards encouraging users to have a social interaction in a comfortable environment as they experience the project's amenities.



Apartments

Market Analysis

The three main factors that influence demand in the multihousing market are vacancy, construction, and rental rates. This section will illustrate the appropriate data to represent each factor's impact on the site.

Salt Lake County | Vacancy Rates

Year	East	West	Overall
2010	6.0%	6.3%	6.2%
2011	5.1%	5.3%	5.2%
2012	4.6%	5.3%	5.0%
2013	4.8%	5.4%	5.1%
2014	4.6%	5.9%	4.9%

Source: Equimark

Salt Lake City | Vacancy Rate

4Q 2015	3Q 2015	YTD
4.3%	3.9%	4.0%

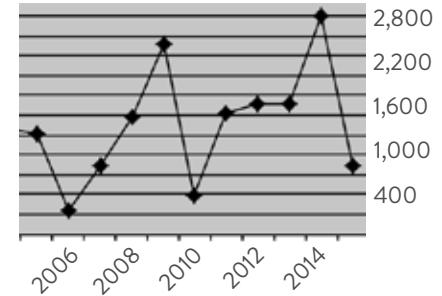
Prepared By Reis, Inc. (12/31/2015)

	Project Name	Address	Units
Under Construction	Liberty Crest	150 South 200 East	177
	Alta Gateway	200 South 500 West	264
	LIHTC "bond" project	255 South State St	180
	The Bonneville	252 South 500 East	158
	360 Apartments	360 South 400 West	151
	9th East Lofts	444 South 900 East	68
	Prana Townhomes	255 West 800 South	21
	Ball Park Apartments	1370 S West Temple	61
	Enclave	1400 South 300 West	210
	Taylor Gardens	1790 S West Temple	112
Ready to Start	Element 31	3130 South 1243 East	206
	Liberty Boulevard	750 East 400 South	266
	616 Lofts	616 S State St	274
	Central 9th Studios	928 S Washington St	29
	Tenfifteen	1015 South 200 West	54
Planning	Ritz Bowling Site	2265 S State St	300
	Liberty Square	600 East 500 South	138
	Granary Place	258 West 700 South	134
	Central Ninth	968 S Washington St	43
	Liberty Crossing	2210 S State St	163
	Sugarmont*	Sugarmont & McClelland	433
	Zellerbach Site	2255 South 300 East	175
Liberty Place*	700 E Wilmington Pl	200	

Pipeline

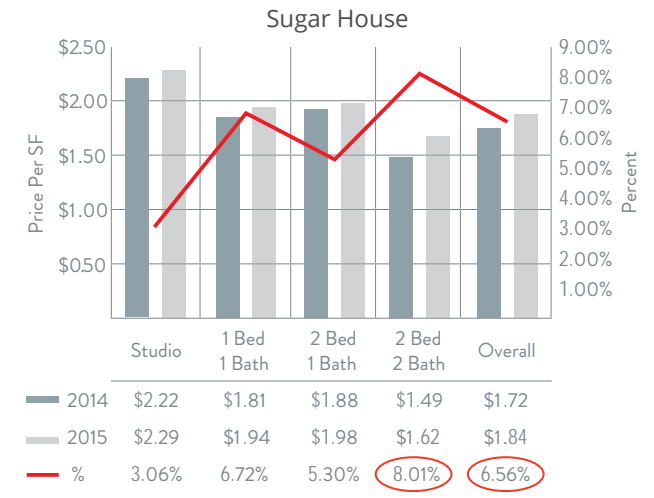
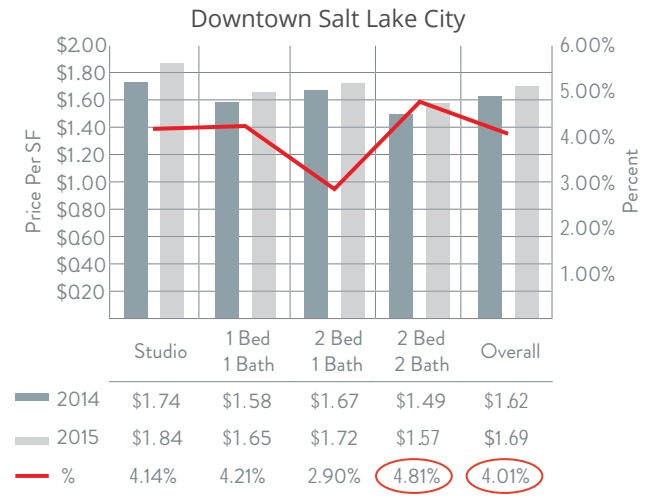
The table to the right represents the current pipeline for all projects located within our market area. Of the entire list, only two of the projects are located within one mile of our site (marked with a red asterisk). These two projects are still in their planning stages and are not ready to start construction yet. Combined, the two projects are planned to deliver 633 new units.

Salt Lake County Construction Permits



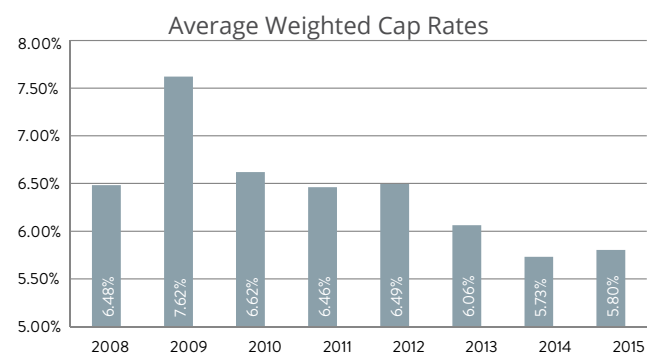
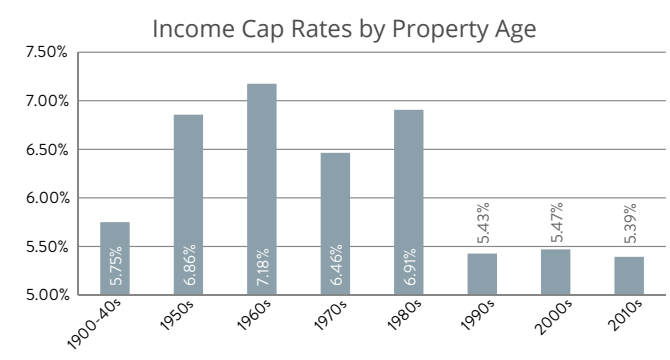
Source: Commerce

Submarket Lease Rates: Class A



- Sugar House had a larger annual rate increase than Downtown
- 2bd/2ba units are in high demand - especially in Sugar House

Salt Lake County Cap Rates



ARA, A Newmark Company
"2016 Multihousing Kickoff Report"
-Greg Ratliff & Mark Jensen

2015 Utah Apartment Transactions

Units Sold	Transactions	Average Sale Price	Cap Rate
6,253	53	\$13,341,015	5.71%

Cushman & Wakefield | Commerce
"2015 Year End-Market Review"

Apartment Comparables



The Vue at Sugar House Crossing
 2120 East Highland Dr
 Year Built: 2014 211 Units
 2.29 Acres 87.3 DU/acre

Occupancy: 94%	Avg SF	Avg Rent	Avg psf	Survey Date:
11% Studio	612 sf	\$1,250	\$2.04	3/24/2016
47% 1 bd / 1 ba	749 sf	\$1,545	\$2.06	
38% 2 bd / 2 ba	1,077 sf	\$2,125	\$1.97	
4% 3 bd / 2 ba	1,458 sf	\$2,900	\$1.99	
Total Avg:	887 sf	\$1,854	\$2.01	

Parking: \$75 Commercial/Retail: 49,951 sf
 TV/Internet: \$109 Parking Garage: Yes | 388 stalls
 Water/sewer/trash: Reimbursed Public Access
 Pet Fee: \$35



Wilmington Flats
 2101 East Wilmington Ave
 Year Built: 2015 105 Units
 2.09 Acres 50.2 DU/acre

Occupancy: 100%	Avg SF	Avg Rent	Avg psf	Survey Date:
5% Studio	532 sf	\$991	\$1.86	3/21/2016
42% 1 bd / 1 ba	727 sf	\$1,323	\$1.82	
53% 2 bd / 2 ba	963 sf	\$1,720	\$1.79	
Total Avg:	842 sf	\$1,517	\$1.80	*(market rate)

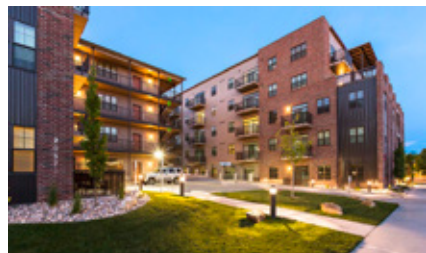
*21 affordable units at 80% AMI
 Parking: \$50 Commercial/Retail: 89,930 sf
 TV/Internet: \$100 Parking Garage: Yes | 164 stalls
 Water/sewer/trash: Reimbursed Residents Only
 Pet Fee: \$35



Liberty Village
 2150 South McClelland St
 Year Built: 2015 171 Units
 1.52 Acres 112.5 DU/acre

Occupancy: 100%	Avg SF	Avg Rent	Avg psf	Survey Date:
4% Studio	526 sf	\$941	\$1.79	3/21/2016
50% 1 bd / 1 ba	668 sf	\$1,079	\$1.61	
46% 2 bd / 2 ba	988 sf	\$1,575	\$1.59	
Total Avg:	804 sf	\$1,122	\$1.66	*(market rate)

*35 affordable units at 50% AMI
 Parking: \$50 Commercial/Retail: No
 TV/Internet: not required Parking Garage: Yes | 237 stalls
 Water/sewer/trash: Reimbursed Residents Only
 Pet Fee: No Pets



Sugar House Apartments
 2057 South 1200 East
 Year Built: 2013 70 Units
 0.87 Acres 80.5 DU/acre

Occupancy: 96%	Avg SF	Avg Rent	Avg psf	Survey Date:
1% Studio	405 sf	\$1,000	\$2.47	3/24/2016
67% 1 bd / 1 ba	795 sf	\$1,5317	\$1.91	
31% 2 bd / 2 ba	1,071 sf	\$1,850	\$1.87	
Total Avg:	876 sf	\$1,630	\$1.86	

Parking: \$50 Commercial/Retail: No
 TV/Internet: \$109 Parking Garage: Yes
 Water/sewer/trash: Reimbursed Residents Only
 Pet Fee: \$35

Expense Comparables

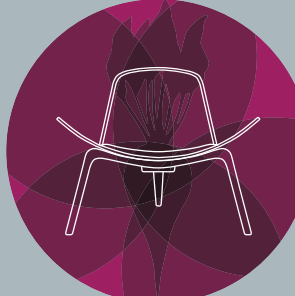
Property Name	City	Built	Units	\$/Unit
1. Wilmington Flats	Salt Lake City	2015	105	\$5,578
2. Village on Main	Bountiful	2008	192	\$5,273
3. Crossing at Daybreak	So. Jordan	2011	315	\$5,377
4. Cityscape Apartments	Salt Lake	2013	122	\$5,250
5. Park Lane Village	Farmington	2012	324	\$5,511
6. Broadway Place Apts	Salt Lake	2012	73	\$4,563
Avg:				\$5,259



Significant Transactions

Property Name	City	Built	Date	Units	Price/Unit	Cap
1. Village on Main	Bountiful	2008	10/15	192	\$165K	5.03%
2. Crossing at Daybreak	So. Jordan	2011	5/15	315	\$178K	5.23%
3. Emigration Court	Salt Lake	2006	1/15	239	\$199K	5.00%
4. Cityscape Apartments	Salt Lake	2013	11/14	122	\$250K	5.36%
5. Park Lane Village	Farmington	2012	9/14	324	\$156K	5.26%
6. Broadway Place Apts	Salt Lake	2012	9/13	73	\$175K	5.80%

Low: **5.00%**
 High: **5.80%**
 Avg: **5.28%**



Apartment Proposal

FURNITURE ROW

Apts	Units	SF	PSF	\$/unit
Studio	15	513	\$1.87	\$ 959
10%	10	566	1.85	\$1,047
1bd/1ba	55	722	1.81	\$1,307
48%	60	786	1.77	\$1,391
2bd/2ba	45	984	1.71	\$1,683
42%	55	1043	1.70	\$1,773
Total:	240	841	\$1.75	\$1,473

Furniture Row will maximize its 105' height limit with 9-stories. This will allow for a ground level commercial floor to be at 15' with the remaining 8 residential stories above to be at 10.5'. The building will have large common area balconies on the 5th floor offering a unique experience with beautiful views.

- Building Efficiency: **83%**
- Apt. Buildout: **201,870 sf**

Unit Amenities:

- Washer/Dryer In Unit
- High 9' Ceilings
- Patio/Balcony (Select Units)
- Walk-in Closet
- Ceiling Fan
- TV/Internet

Parking Garage:

- 1.1 stalls/unit (264 res. stalls)
- Four Levels
- Above Grade

Shared Amenities:

- Yoga/Fitness Center
- Clubroom with TV & Kitchen
- Large Outdoor Hot Tub
- (2) Outdoor Fireplaces
- (3) Common Area Balconies
- Electric Car Charging Stations
- Bike Storage & Maintenance
- Dog Washing Station
- Storage Closets

Building Design



The design of this building needed careful attention on its height, scale, and character - recognizing that these attributes are the most significant features of the Business District's image. The ultimate goal of this 9-story building was to be able to relate its mass and height to the scale of Sugar House in a way that avoided an overwhelming or dominating appearance.

This was accomplished by ensuring that building's color, detail, materials, and scale were responsive to the district's character, neighboring buildings, and most importantly - the pedestrian.

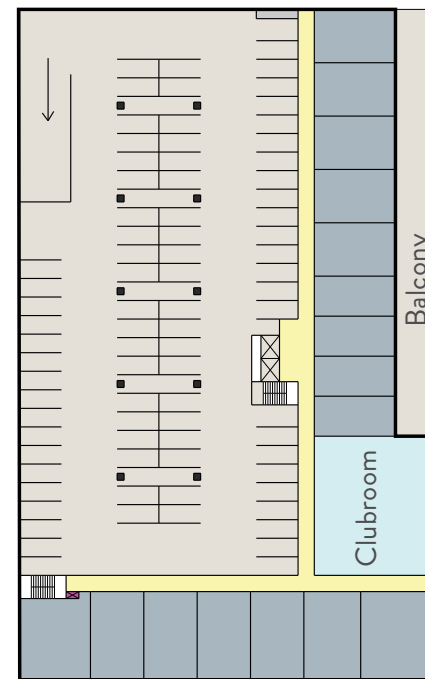
Design decisions were made utilizing the "Business District Design Guideline Handbook" which outlined best practices for the following components of the project:

- Pedestrian/Bicycle System
- Vehicular Circulation and Parking
- Town Center Scale - Mixed-Use
- Building Architecture and Siting
- Off-Site Development
- Landscape Design
- On-Site Lighting
- Signage

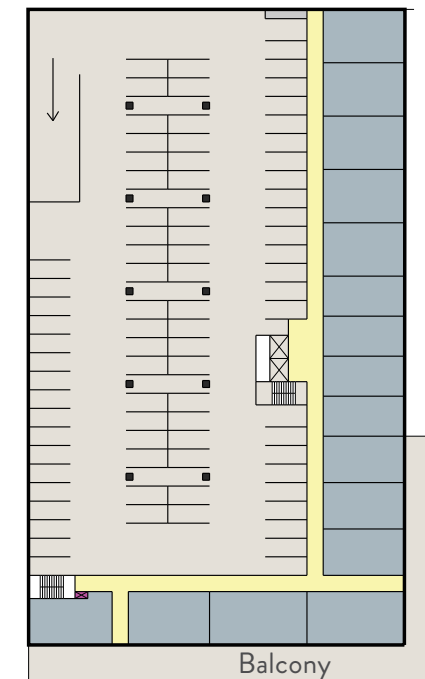
In accordance with Sugar House's Master Plan, material was chosen to, "Complement the historic architecture of Sugar House." The materials chosen from the approved list are:

- Brick
- Architectural Concrete
- Stone
- Glass

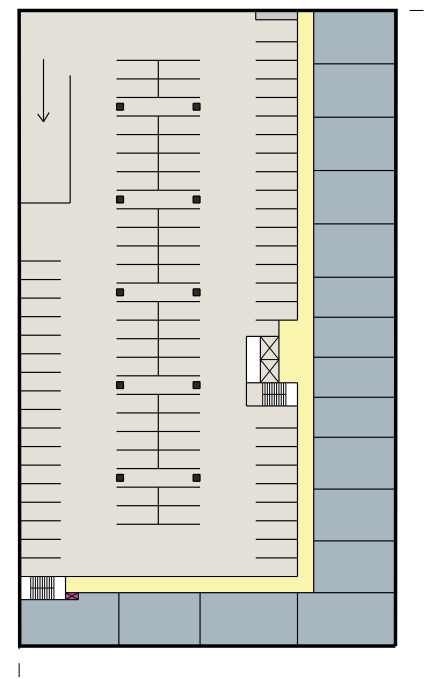
Floor Plans



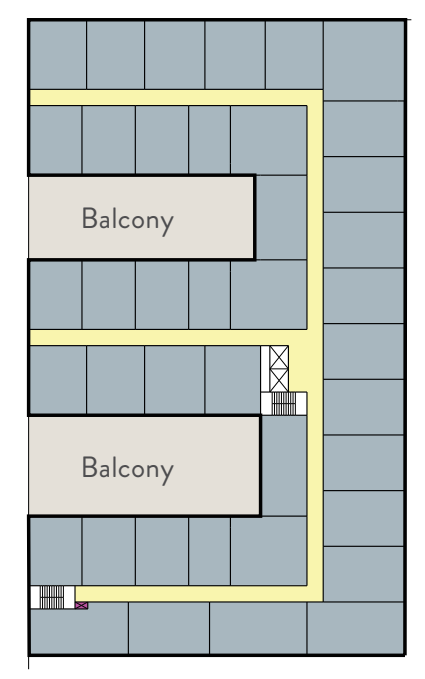
Floor 2



Floor 3



Floor 4



Floor 5-9

Common area balconies are accessible on the 2nd and 3rd floors on the East and South sides, respectively. The larger common area balconies are on the 5th floor where the fireplaces and hot tub are located. The balconies on the 5th floor represent a very unique space over - open area common space that is over 50 feet high overlooking Sugar House with scenery of sunsets and the Oquirrh Mountains to the West.

Unit Plans

Ludwig

- 1 bed
- 1 bath
- 722 sf



Eames

- 2 bed
- 2 bath
- 984 sf



Corbusier

- 1 bed
- 1 bath
- 786 sf



Noguchi

- 2 bed
- 2 bath
- 1,043 sf



Project Costs



In order to determine construction costs, we consulted with local developers/builders, reviewed published construction valuation data from industry reports (e.g. ICC, Marshal Valuation Services), and reviewed construction budgets of similar size/quality/type projects. The following table illustrates our construction costs compared side-by-side with the actual construction costs of comparable projects.

	Comp 1		Comp 2		Comp 3		Subject	
Year Built:	2011		2011		2011		2017	
Units:	212		236		84		240	
GBA:	416,820 SF		371,692 SF		97,243 SF		380,998 SF	
Stories:	6 over 2 garage		4 over 1 garage		4 over 2 garage		6 over 2 garage	
	P/Unit	PSF	P/Unit	PSF	P/Unit	PSF	P/Unit	PSF
Hard Costs	\$181,404	\$92.26	\$156,576	\$99.42	\$79,743	\$68.88	\$185,583	\$116.90
Soft Costs	17,891	9.10	11,932	7.58	12,288	10.61	21,333	13.44
Developer Fee	3,913	1.99	5,606	3.56	7,909	6.83	7,417	4.67
Total Costs	\$203,208	\$103.35	\$174,114	\$110.55	\$99,940	\$86.33	\$214,333	\$135.01
Time Adjust	1.15		1.15		1.15			
Quality Adjust					1.15			
Total Adjust	\$233,690	\$118.86	\$200,231	\$127.13	\$132,171	\$114.17	\$214,333	\$135.01

Total Project costs are budgeted at \$55.64 million or \$146 per Gross Building Area (including under building parking). The development budget is inclusive of all hard and soft costs, including contingencies at 5.0% of hard costs and soft costs, operating reserve during lease-up, and interest reserve to cover debt service during construction and lease-up. Our developer fee is budgeted at \$1.78 million, which is 4.0% of hard costs and 3.2% of total project development costs. The developer fee is our incentive for putting the project together. This fee will be contributed as equity in the project giving us ownership interest in the project economics.

Land Costs		Soft Costs	
Land x (\$79 psf)	\$4,200,000	Impact Fees	\$960,000
P/GBA	\$11.02	Bldg. Permits	170,000
P/NRA	\$19.02	Design (Arch & Eng)	750,000
		FF&E	200,000
Hard Costs		RE Taxes & Ins.	100,000
Demolition	\$265,000	Leasing Commissions	200,000
Landscape/Hardscape	80,000	Marketing	150,000
Parking. \$17k/stall	5,944,000	Due Diligence Reports	30,000
Retail Const. \$110 psf	2,080,000	Contingency	130,000
Apt. Const. \$140psf	34,050,000	Developer Fee	1,780,000
(5%) Contingency	2,121,000	Closing, Title, Legal	100,000
Total Hard Costs:	\$44,540,000	Loan Fee (0.75%)	315,000
P/GBA	\$116.90	Operating Reserve	265,000
P/NRA	\$201.74	Interest Reserve	1,750,000
		Total Soft Costs:	\$6,900,000
		P/GBA	\$18.11
		P/NRA	\$31.25

Apt. Value

Apartment rents are based on the comparable market rental survey and concluded at an average rental rate of \$1,473 per unit/month or \$1.75 PSF.

Other revenues: (\$232/unit)

- 240 parking stalls** that will lease at a monthly fee of \$75.
- TV and internet** is mandatory at \$100/mo. Comparable projects charge between \$80-\$110/month. Our cost is estimated at \$40-50/month. We are budgeting at the high-end of the comparable range at \$50/unit in operating expenses.
- Utility Reimbursement Income** is generated from tenant obligations to reimburse the owner for water, sewer, and trash. Expense recoveries are estimated at \$50/unit/mo.
- 48 storage units** will be leased for \$50/month.
- Misc. Other Income** is generated from pet fees, vending, late fees, forfeited deposits, etc. We estimate other income at \$12 per unit/month.

Apts.	Units	SF	PSF	\$/unit	Annual
Studio	15	513	\$ 1.87	\$ 959	\$ 172,676
10%	10	566	\$ 1.85	\$ 1,047	\$ 125,652
1bd/1ba	55	722	\$ 1.81	\$ 1,307	\$ 862,501
48%	60	786	\$ 1.77	\$ 1,391	\$ 1,001,678
2bd/2ba	45	984	\$ 1.71	\$ 1,683	\$ 908,626
42%	55	1,043	\$ 1.70	\$ 1,773	\$ 1,170,246
Total:	240	841	\$ 1.75	\$ 1,473	\$ 4,241,379

	Annual	P/Unit	P/U/Mo
Parking Income	216,000	900	75
Utility Reimbursement	144,000	600	50
Telecommunications	288,000	1,200	100
Vacancy (5.0%)	244,469	1,019	85
Storage Income	28,800	120	10
Other Income	34,560	144	12
Effective Gross Income	\$4,708,270	19,618	1,635

Operating Expenses	Annual	P/Unit	P/U/Mo
Real Estate Taxes	288,000	1,200	100
Insurance	36,000	150	13
Utilities	168,000	700	58
Telecommunications	144,000	600	50
Repairs & Maintenance	120,000	500	42
Turnover	42,000	175	15
Mgmt. Fee (3.5%)	164,789	687	57
Payroll	264,000	1,100	92
Advertising	36,000	150	13
General/Administrative	36,000	150	13
Reserves	60,000	250	21
Total Operating Expenses	1,358,789	5,662	472

Net Operating Income	3,349,481	13,956	1,163
Value @ 5.50% Cap Rate	\$60,900,000	\$253,750	-

Vacancy & Collection Loss over our holding period is estimated at 5.0%. Market vacancy is currently at 4%, however given the general concerns with new supply of new units; we conclude a stabilized vacancy and collection loss slightly higher at 5.0%. NOI is estimated at \$3,349,481. Applying a going-in market cap rate of 5.5% to NOI results in an as-if stabilized value of \$60,900,000.

Operating expenses are estimated at \$5,662 per door (or \$5,062 excluding the landlord's bundled media services charge). In comparison, average expenses in the market are \$4,563 to \$5,578 for comparable projects. Expenses include a management fee at 3.5% of EGI. Replacement reserves at \$250 per door are included, consistent with underwriting guidelines for bank financing.

Retail Value



Based on our rental survey, average annual base rents are projected at \$32.00 PSF. Lease will be written as triple net (NNN) wherein all operating expenses including an administrative fee of 15% of CAM will be reimbursed by the tenants. Vacancy & credit loss is estimated at a market rate of 5% and applied to gross rents and reimbursable income. Non-reimbursable expenses include management fee (3.5% EGI) and replacement reserves (\$0.15 PSF). NOI is estimated at \$552,392. Applying a going-in market cap rate of 7.0% to NOI results in an as-if stabilized

Retail	Suite	SF	PSF	Monthly	Annual
Corner Suite	A	4,608	\$36.00	\$12,288	\$147,456
Restaurant	B	4,525	32.00	12,067	144,800
Restaurant	C	4,532	32.00	12,085	145,024
QSR	D	2,622	32.00	6,992	83,904
Suite	E	1,311	25.00	3,496	41,952
Suite	F	1,311	25.00	3,496	41,952
Total/Avg		18,909	\$32.00	\$50,431	\$605,166
			Annual	PSF	
Gross Rental Income			\$605,088	\$32.00	
Expense Reimbursements			113,927	6.03	
Vacancy & Credit Loss			35,955	1.90	
Effective Gross Income (EGI)			\$683,138	\$36.13	
Operating Expenses			Annual	PSF	
Real Estate Taxes			\$33,091	\$1.75	
Insurance			4,727	0.25	
Common Area Maint. (CAM)			66,182	3.50	
Management Fee (3.5%)			23,910	1.26	
Reserves			2,836	0.15	
Total Operating Expenses			\$130,746	\$6.91	
Net Operating Income (NOI)			\$552,392	\$29.21	
Value @ 7.0% Cap Rate			\$7,890,000	\$417.26	

Aggregate Value

The table to the right illustrates the combined operating proformas of the apartment and retail components. Combined NOI is estimated at \$3,901,873. Aggregating the individual values of the apartment (5.5% OAR) and retail (7.0%) components results in a combined value of \$68,790,000. This results in an effective blended going-in cap rate of 5.67%.

EGI	\$5,391,408
Expenses	1,489,535
NOI	\$3,901,873
Aggregate Value	\$68,790,000
OAR	5.67%

Project Financing

Construction Loan Summary	
Total Equity (Invest. + Dev.)	\$13,640,000
Loan Amount	\$42,000,000
Total Project Costs	\$55,640,000
As-If Stabilized Value	\$68,790,000
LTC	75.49%
LTV	61.09%
As-If Stabilized NOI	\$3,901,801
Debt Yield (NOI / Loan)	9.29%
DSC Ratio (6.08% constant)	1.53x
Going-in Cap Rate (OAR)	5.67%

We anticipate procuring obtaining construction bank financing of \$42,000,000. The proposed loan is sized within bank underwriting guidelines, providing for an estimated LTC of 75.5%, LTV of 61.1%, debt yield of 9.29%, and a healthy DSC of 1.53x (based on mortgage constant of 6.08%). The table to the left illustrates the proposed construction

Upon stabilization we plan on obtaining non-recourse, fixed rate permanent financing through a government sponsored enterprise (GSE) such as Fannie Mae or Freddie Mac. CMBS and Life Insurance financing will also be considered as well. Current market interest rates for Permanent Loan Financing, based on a 10-year term, 30-year amortization is priced at 4.0% to 4.4%. Loan sizing parameters for a permanent loan require a 1.25x DSC based on actual debt service, not to exceed an 80% LTV. However, permanent loans that include equity cash-out require a 1.30x DSC, not to exceed 75% LTV.

Permanent (Take-Out) Loan Summary	
Year 4 NOI (stabilized year)	\$4,263,604
Value @ 6.0% OAR	\$71,060,000
Interest Rate	4.50%
Amortization	30 Yrs
Mortgage Constant	6.08%
DSC	1.30x
LTV	75.0%
Permanent Loan	\$53,300,000
Construction Loan	\$42,000,000
Surplus/Cash-Out (Perm Loan - Const Loan)	\$11,300,000

Assuming an interest rate of 4.50% indicates a mortgage constant of 6.08%. Using current GSE cash-out mortgageability guidelines of a 1.30x DCR, a 6.08% mortgage constant, and proforma stabilized NOI (yr 4) of \$4,263,604 indicates the project would qualify for permanent loan financing of \$53,300,000 (\$4,263,604 NOI ÷ 1.30x DSC ÷ 6.08% constant = \$53,940,000). However, loan would be capped at 75% LTV, which results in a slightly smaller loan amount of \$53,300,000 (\$71,060,000 value x 75% = \$53,300,000). A \$53,300,000 loan, provides for a mortgageability surplus of \$11,300,000 (\$53,300,000 perm loan - \$42,000,000 construction loan = \$11,300,000 surplus). The "Permanent (Take-Out) Loan Summary" table outlines the permanent loan sizing that we will obtain upon stabilization (yr 4).

Cash Flow

10-Year Discounted Cash Flow

	Construction Year 1	Lease-Up Year 2	Lease-Up Year 3	Stabilized Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Potential Gross Income		\$5,776,646	\$5,949,945	\$6,128,443	\$6,312,297	\$6,501,665	\$6,696,715	\$6,897,617	\$7,104,545	\$7,317,682	\$7,537,212
Vacancy & Credit Loss (5.0%)		4,621,316	1,487,486	306,422	315,615	325,083	334,836	344,881	355,227	365,884	376,861
Other Income		16,315	67,219	69,235	71,312	73,452	75,655	77,925	80,263	82,670	85,151
Effective Gross Income (EGI)		\$1,171,644	\$4,529,677	\$5,891,256	\$6,067,994	\$6,250,034	\$6,437,535	\$6,630,661	\$6,829,581	\$7,034,468	\$7,245,502
Operating Expenses		1,073,953	1,264,196	1,627,652	1,676,482	1,726,776	1,778,580	1,831,937	1,886,895	1,943,502	2,001,807
Net Operating Income (NOI)		\$97,691	\$3,265,481	\$4,263,604	\$4,391,512	\$4,523,257	\$4,658,955	\$4,798,724	\$4,942,685	\$5,090,966	\$5,243,695
Tenant Imp & Leasing Comm							189,395		200,929		
Debt Service	Int Res	Int Res	1,890,000	2,553,694	2,553,694	2,553,694	2,553,694	2,553,694	2,553,694	2,553,694	2,553,694
Before Tax Cash Flows	N/A	\$97,691	\$1,375,481	\$1,709,910	\$1,837,818	\$1,969,563	\$1,915,866	\$2,245,030	\$2,188,062	\$2,537,272	
Cash on Cash			10.1%	12.5%	13.5%	14.4%	14.0%	16.5%	16.0%	18.6%	
Sale Value (6.0% OAR)			\$71,060,000	\$73,192,000	\$75,388,000	\$77,649,000	\$79,979,000	\$82,378,000	\$84,849,000	\$87,395,000	
Less: Costs of Sale (6.0%)			4,264,000	4,392,000	4,523,000	4,659,000	4,799,000	4,943,000	5,091,000	5,244,000	
Remaining Loan Balance			42,000,000	41,322,445	40,613,763	39,872,524	39,097,233	38,286,325	37,438,164	36,551,039	
Net Sale Proceeds			\$24,796,000	\$27,477,555	\$30,251,237	\$33,117,476	\$36,082,767	\$39,148,675	\$42,319,836	\$45,599,961	
CF + Net Sale Proceeds	N/A	\$97,691	\$26,171,481	\$29,187,465	\$32,089,055	\$35,087,039	\$37,998,633	\$41,393,705	\$44,507,898	\$48,137,233	
IRR	N/A	N/A	38.9%	31.7%	28.1%	25.9%	24.2%	23.1%	22.1%	21.4%	

Proforma Assumptions:

- 3.0% annual income and expense growth rate
- Terminal (exit) cap rate of 6.0%
(33 bps higher than going-in blended cap rate of 5.67%)
- Selling cost of 6.0%



Investment Summary

Project Economics	
Cash on Cash (Year 4)	12.54%
Unlevered Cash on Cash (Yr4 NOI/Equity)	7.66%
10-year investment hold	
Levered IRR	21.36%
Unlevered IRR	6.97%
Net Sales Proceeds	\$45,600,000
Net Present Value	\$18,020,000
Discount Rate	8.00%
Terminal Value	\$87,395,000
Terminal Cap Rate	6.00%



W.S. Development
Salt Lake City, UT

In urbanization, you think big
because you are thinking decades ahead.

Kushal Pal Singh