

<u>Element</u>	<u>Description/Data</u>	<u>Area of Focus</u>
Gross Leasable Area (GLA)	150,000 sq ft	Total income-producing space.
Common Area Factor (CAF)	15%	Efficiency of the building (ratio of common to rentable space). Lower is generally better.
Typical Floor Plate Size	25,000 sq ft	Attractiveness to large tenants.
Parking Ratio	4.0 spaces per 1,000 sq ft GLA	Adequacy for tenants and market competitiveness.
Tenant Layout	A mix of open office, private offices, and conference rooms.	Flexibility for future tenant build-outs and leasing speed.
Base Building Systems	HVAC: Variable Air Volume (VAV); New boiler installed	Capital expenditure (CapEx) risk assessment.

<u>Element</u>	<u>Description/Data</u>	<u>Area of Focus</u>
Property Address	123 Main Street, Central Business District (CBD)	Location class and prestige.
Transportation Access	Adjacent to subway station (2-min walk); 1 mile from I-95 interchange.	Tenant demand and employee accessibility.
Key Amenities (Within 0.5 mi)	5 major restaurants, 2 gyms, 1 retail center.	Ability to attract and retain high-quality tenants.
Competitor Proximity	Three new Class A office developments within a 1-mile radius.	Assessment of supply risk and market saturation.
Zoning	C-4 (Commercial Core)	Potential for future redevelopment or change of use.

Metric	TTM Ending Q3 2025 (USD)	Calculation/Notes	Area of Focus
Gross Potential Rent (GPR)	\$8,000,000	Full occupancy at current market rates.	Maximizing top-line revenue.
Less: Vacancy & Credit Loss	(\$400,000) (5.0%)	Current physical vacancy and non-payment.	Realistic revenue projection.
Plus: Other Income	\$150,000	Parking fees, signage, antenna rental.	Ancillary revenue streams.
Gross Operating Income (GOI)	\$7,750,000	GPR - V&C + Other Income.	Total revenue generated.
Operating Expenses			Scrutinizing expense control.
Property Taxes	-\$1,500,000	Based on current assessment.	Non-controllable expense.
Utilities	-\$650,000	Historical usage.	Potential for energy savings.
Management Fees	-\$250,000	3% of GOI.	Benchmark against industry standards.
Insurance	-\$100,000	Current policy cost.	Risk mitigation cost.
Net Operating Income (NOI)	\$5,250,000	GOI - Total Operating Expenses.	The most critical operational profit metric.
Less: Capital Expenditures (CapEx) Reserve	-\$300,000	Estimate of annual long-term maintenance needs. <i>True cash flow metric.</i>	
Adjusted NOI / Cash Flow	\$4,950,000	NOI - CapEx Reserve.	Basis for valuation (Cap Rate).

Valuation Metric: Assuming a market Capitalization Rate (Cap Rate) of 6.5%.				
Indicative Property Value: $\$5,250,000 / 0.065 = \text{approx } \$80,769,230$				

<u>Tenant</u>	<u>#</u>	<u>Sq Ft Leased</u>	<u>% of GLA</u>	<u>Base Rent/Sq Ft</u>	<u>Lease Expiration Date</u>	<u>Option to Renew</u>	<u>Area of Focus</u>
Tech Corp A		50,000	33.30%	\$45.00	12/31/2026	Yes (5 yrs)	Credit Risk and Lease Concentration.
Law Firm B		30,000	20.00%	\$42.50	06/30/2028	No	Weighted Average Lease Term (WALT).
Co-Working C		20,000	13.30%	\$40.00	03/31/2027	Yes (3 yrs)	Exposure to short-term/flexible leases.
Vacant		50,000	33.30%	N/A	N/A	N/A	Leasing risk and Upside potential.
Totals		150,000	100%	N/A	N/A	N/A	WALT: 3.5 Years (based on occupied space).

Sources of Funds	Value	Rationale	Notes
Senior Debt (Loan)	\$50,000,000	60% Loan-to-Value (LTV) at 7.0% interest.	Leverage risk and cost of capital.
Equity Investment	\$35,000,000	Investment Banker's/Client's contribution.	Required equity check and equity return calculation.
TOTAL SOURCES	\$85,000,000		

<u>Purpose</u>	 <u>Approx Cost</u>	<u>Eval Method</u>	<u>Notes</u>
Property Purchase Price	\$80,770,000	Based on the 6.5% Cap Rate valuation.	Core transaction cost.
Closing Costs (Title, Legal, etc.)	\$1,500,000	Approx. 1.8% of purchase price.	Transaction friction.
Initial CapEx/Leasing Commission Budget	\$2,730,000	For tenant improvements (TIs) and leasing commissions (LCs) for the 33% vacant space.	Value-add component/Capital needed post-closing.
TOTAL USES	\$85,000,000		

<u>Component</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5 (Sale)</u>	<u>Area of Focus</u>
Net Operating Income (NOI)	\$5,250,000	\$5,460,000	\$5,680,000	\$5,900,000	\$6,130,000	Assumes 4% NOI Growth per year.
Less: Non-Recurring CapEx	-\$1,000,000	-\$300,000	-\$300,000	-\$300,000	-\$300,000	Year 1 includes a major lobby renovation/TI costs for new tenants.
Unlevered Cash Flow (UCF)	\$4,250,000	\$5,160,000	\$5,380,000	\$5,600,000	\$5,830,000	Total property-level cash available.
Plus: Sale Proceeds	-	-	-	-	\$95,840,000	Terminal Value calculation (Year 6 NOI \times Exit Cap Rate).
Total Unlevered Cash Flow	\$4,250,000	\$5,160,000	\$5,380,000	\$5,600,000	\$101,670,000	Basis for calculating Unlevered IRR/NPV.
Less: Initial Investment (Year 0)	-\$80,770,000					The property purchase price.
Discount Rate (WACC)	9.00%					Weighted Average Cost of Capital used to find NPV.
Unlevered NPV	\$11,250,000					Since NPV is positive, the investment is accretive (value-creating).
Unlevered IRR	12.50%					The total return generated by the asset itself.

Capital Investment Due Diligence Data

Levered Cash Flow Projections

<u>Component</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5 (Sale)</u>	<u>Area of Focus</u>
UCF (from discounted cash flow)	\$4,250,000		\$5,160,000	\$5,380,000	\$5,600,000	\$5,830,000 Starting point for equity cash flow.
Less: Annual Debt Service	-\$3,500,000		-\$3,500,000	-\$3,500,000	-\$3,500,000	Assumes interest-only loan for simplicity (7.0% of \$50M).
Levered Cash Flow (LCF)	\$750,000		\$1,660,000	\$1,880,000	\$2,100,000	The actual cash distributed to equity investors.
Plus: Net Sale Proceeds	-	-	-	-	\$45,840,000	Sale Proceeds (\$95.8M) less Principal Repayment (\$50M).
Total Levered Cash Flow	\$750,000		\$1,660,000	\$1,880,000	\$2,100,000	\$48,170,000 The stream of cash flows for the investor.
Less: Initial Equity Investment (Year 0)	-\$35,000,000					The initial cash input by the investor.
Equity Discount Rate (Hurdle Rate)	12.00%					The minimum acceptable return for the investor.
Levered NPV	\$4,670,000					The value created for the equity investor.
Levered IRR	17.20%					The most critical metric – the actual annual return to the investor.
Equity Multiple	1.60x	(Total LCF / Initial Equity)				
For every \$1 invested, \$1.60 is returned.						

Metric	Value	Interpretation
Stabilized Cap Rate	6.50%	The current cash yield on the asset.
Going-In Cap Rate	6.50%	(Year 1 NOI / Purchase Price).
Yield on Cost	7.60%	(Year 5 NOI / Total Cost basis). Shows the return potential after stabilization/CapEx.
Unlevered IRR	12.50%	The property's return, regardless of financing.
Levered IRR	17.20%	The investor's actual return, significantly boosted by leverage (positive "Leverage Effect").
Equity Multiple	1.60x	A high-level measure of profit (1.6x means \$600k profit for every \$1M invested).