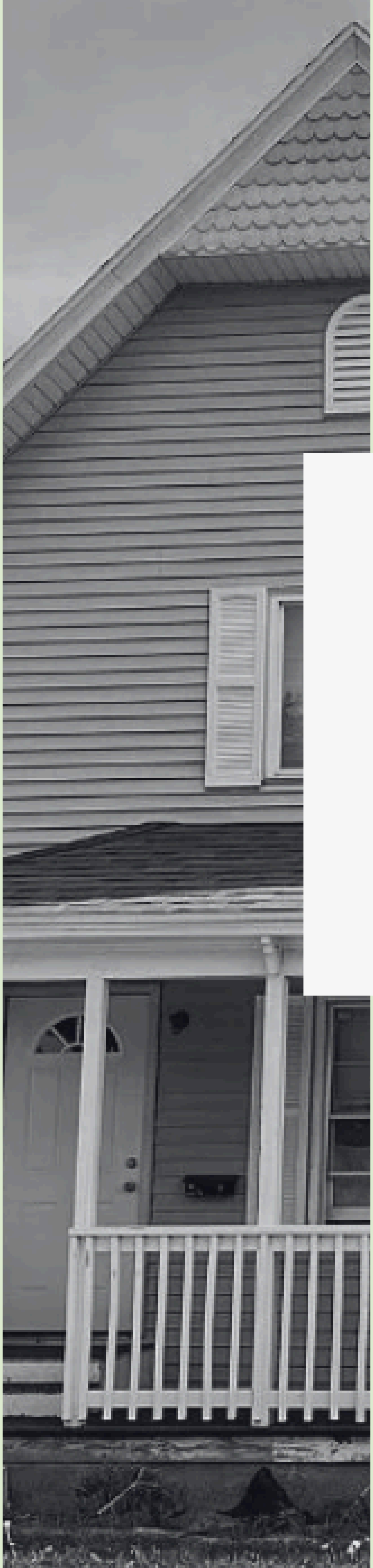

MULTI FAMILY INVESTMENT PROPERTY

1ST QUARTER

Real Estate Investment Pitch

PREPARED BY

Reed Foster

Executive Summary

Address: 1213 11th St, Marion, IA 52302

Purchase Price: $185,000

Total Capital Required:

- Down Payment: $37,000 (20% of purchase price)
- Closing Costs: $2,000
- Total Capital Required: $39,000

Projected Returns:

- **Cash-on-Cash (COC) Return:**
  - Year 1: 4.56% ($1,777 annual cash flow ÷ $39,000)
  - Year 5 (with Unit 2 rent at $900/month post-2026): 6.97% ($2,717 annual cash flow ÷ $39,000, assuming $900 × 12 = $10,800 for Unit 2, increasing NOI to $15,557)
- **Internal Rate of Return (IRR):**
  - Cash Flows:
    - Year 1: $1,777
    - Year 2: $1,777
    - Year 3: $2,717 (post-rent increase)
    - Year 4: $2,717
    - Year 5: $2,717 + $58,602 (net proceeds from sale: $214,470 - $12,868 selling costs - $143,000 remaining mortgage balance)
  - IRR: ~8.5% (calculated using a financial IRR formula, approximating based on cash flows)
- **Equity Multiple:**
  - Total Cash In: $39,000
  - Total Cash Out: $1,777 × 2 + $2,717 × 3 + $58,602 = $70,301
  - Equity Multiple: $70,301 ÷ $39,000 = 1.80x

Executive Summary

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Hold Period:

5 years (2025–2030)

Quick Investment Highlights:

- Turnkey Property: Recent upgrades (new roof 2022, updated flooring/paint) minimize immediate maintenance costs, with only minor siding cleaning needed.
- Value-Add Potential: Opportunity to increase Unit 2 rent from $725 to $900/month post-July 2026, boosting cash flow and returns (COC from 4.56% to 6.97%).
- Strong Rental Demand: Stable leases through 2026 (Unit 1: April 2026, Unit 2: July 2026) and consistent garage rentals ($260/month) in Marion, IA, a growing market.
- Positive Cash Flow: $148/month in Year 1, increasing to $226/month post-rent increase, providing steady income.
- Tenant-Paid Utilities: Reduces operating expenses, enhancing NOI ($14,617 in Year 1).

Property Overview

A property overview summarizes a real estate asset's key details, including its type, unit mix, square footage, year built or renovated, and current occupancy and rent. It provides a quick snapshot to help investors assess the property's characteristics and income potential.

Type:
- Duplex (2 units)

Unit Mix:
- Unit 1: 2 bed/1 bath
- Unit 2: 1 bed/1 bath

Square Footage:
- Total: 1,800 sq ft (estimated)
- Unit 1: ~900 sq ft
- Unit 2: ~900 sq ft

Year Built / Renovated:
- Year Built: 1970 (estimated)
- Year Renovated: 2022 (new roof, updated flooring, and paint)

Current Occupancy & Rent:
- Unit 1: Occupied, $1,035/month (lease through April 2026)
- Unit 2: Occupied, $725/month (lease through July 2026)
- Garages (4): Occupied, $65/month each ($260/month total, month-to-month)

Market Overview

A market overview provides a detailed analysis of the real estate market surrounding a specific property, highlighting factors that influence its investment potential. It typically includes a neighborhood summary, rental demand and trends, comparable rents, and local economic drivers such as employers, schools, and transit options. This information helps investors assess the property’s viability and market competitiveness.

Neighborhood Summary:
Marion, IA (52302), a suburban community near Cedar Rapids, offers affordable living with a median home value of $258,487 and a low 5.3% vacancy rate in the Marion West neighborhood. The area features a mix of single-family homes and small apartments, with many residences built between 1970–1999, providing a stable, family-friendly environment.

Rental Demand & Trends:
Marion’s rental market is stable with a 5.3% vacancy rate and high occupancy (93.3% nationally in 2025), supported by the duplex’s fixed leases (Unit 1 through April 2026, Unit 2 through July 2026). Despite a 3% rent decrease from 2022–2023, demand remains strong due to rising home prices, with tenant-paid utilities and month-to-month garage rentals ($260/month) enhancing income potential.

Comparable Rents:
The duplex’s rents are competitive: Unit 1 (2 bed/1 bath, $1,035/month) aligns with Marion’s 2-bedroom average (~$1,250), while Unit 2 (1 bed/1 bath, $725/month) is ~35% below the 1-bedroom average ($1,115), indicating room for increases. Garage rentals ($65/month each) add a unique income stream with no direct comparables.

Local Economic Drivers:
Proximity to Cedar Rapids employers like Collins Aerospace, Transamerica, and Mercy Medical Center, along with the strong Linn-Mar Community School District, drives rental demand. Marion’s access to I-380, WeGo bus routes, and rideshare services supports connectivity, while a 3.9% unemployment rate and 4.42% annual home price growth bolster economic stability.

Investment Strategy

Strategy:

- Buy & Hold with Value-Add: Hold for stable cash flow ($148/month, 4.56% COC) and increase rents for higher returns (6.97% COC post-rent hike).

Planned Renovations:

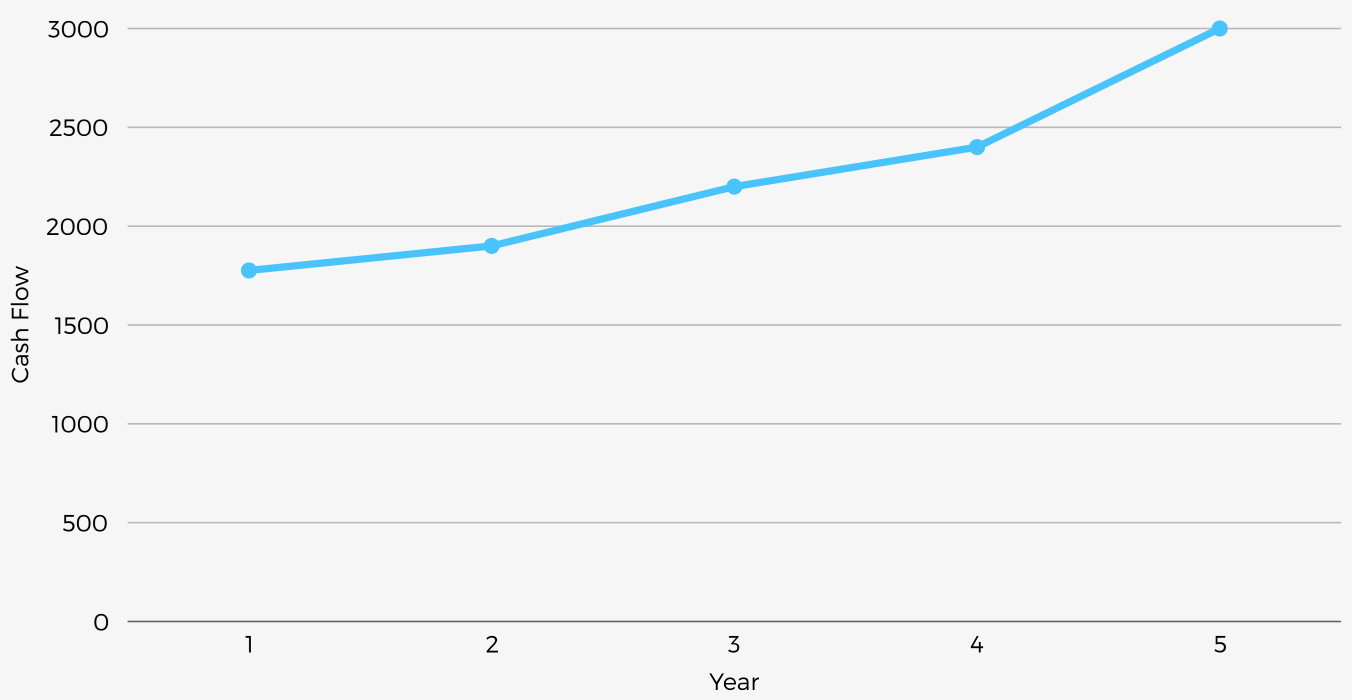
- Minor siding cleaning ($500–$1,000, within $1,850/year maintenance budget).
- No major upgrades needed (2022 renovations: roof, flooring, paint).

Rent Upside Potential:

- Unit 2 ($725/month) 35% below market ($1,115); raise to $900–$1,000 post-July 2026.
- Boosts cash flow to $226–$350/month, COC to 6.97–8.60%.

Exit Strategy:

- Sell in 5 years (2030) for ~$214,470 (3% annual appreciation).
- Yields ~8.5% IRR, 1.80x Equity Multiple; or refinance in 2027–2028 to extract ~$20,000–$30,000 equity.



Major points:

- 20% down
- Buy and hold
- Renovate and increase rent

Financials

The **Financials** section summarizes the purchase price, operating costs, projected income, and key return metrics like Cap Rate, Cash-on-Cash Return, and IRR over the investment period.

Acquisition Cost
- Purchase Price: $185,000
- Closing Costs: $2,000
- Total: $187,000 (20% down: $37,000; Loan: $148,000, 6.5%, 30-year)

Renovation Budget
- Minor siding cleaning: $500–$1,000 (within $1,850/year maintenance)
- No major renovations (2022 updates: roof, flooring, paint)

Operating Expenses
- Property Taxes: $2,960/year
- Insurance: $1,662/year
- Maintenance: $1,850/year
- Vacancy (5%): $1,212/year
- Property Management (8%): $1,939/year
- Total: $9,623/year

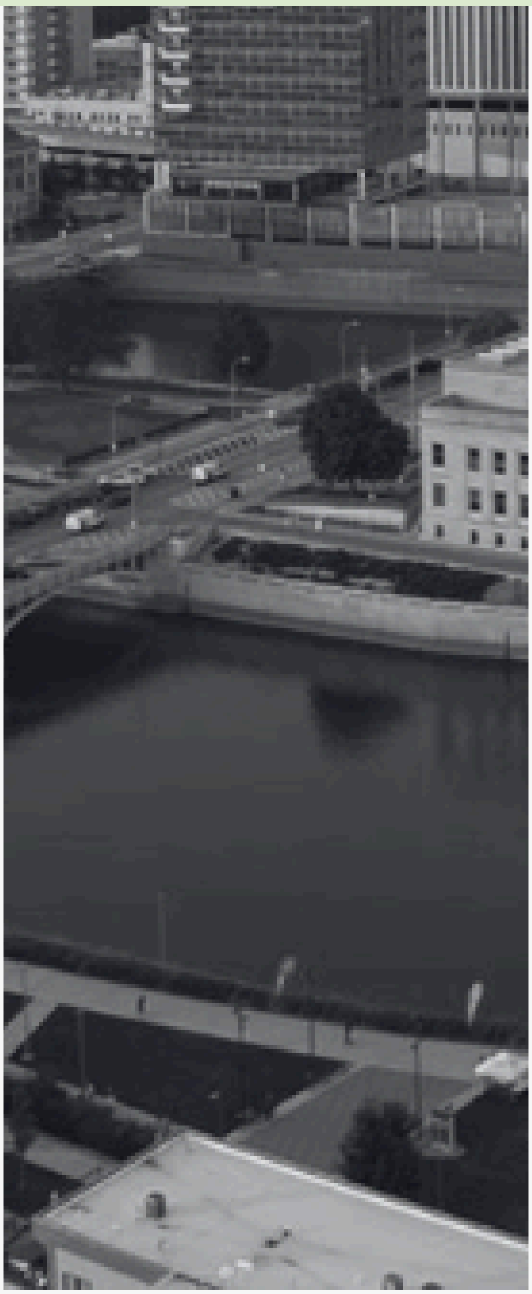
Projected Income & NOI
- Year 1:
  - Gross Income: $24,240 ($1,035 Unit 1 + $725 Unit 2 + $260 garages)
  - NOI: $14,617 ($24,240 - $9,623)
- Years 3–5 (post-July 2026, Unit 2 at $900):
  - Gross Income: $26,340 ($1,035 + $900 + $260)
  - NOI: $15,557 ($26,340 - $10,783, adjusted for 2% expense inflation)

Cash Flow Projections
- Year 1: $1,777/year ($148/month) ($14,617 NOI - $12,840 debt service)
- Years 3–5: $2,717/year ($226/month) ($15,557 NOI - $12,840 debt service)

Return Metrics
- Cap Rate: 7.90% ($14,617 ÷ $185,000)
- Cash-on-Cash (COC): 4.56% Year 1 ($1,777 ÷ $39,000); 6.97% Years 3–5 ($2,717 ÷ $39,000)
- IRR: ~8.5% (5-year hold, $214,470 sale, $58,602 net proceeds)
- Equity Multiple: 1.80x ($70,301 total cash out ÷ $39,000)
- DSCR: 1.14 Year 1 ($14,617 ÷ $12,840); 1.21 Years 3–5

Capital Structure

The Capital Structure section explains how the deal is funded, including the mix of debt and equity, and how returns are shared with investors.



Equity needed: $39,000

Debt terms: 30 years, 5.9%, $140,000 loan

Investor Returns: 4.56% ($1,777 annual cash flow ÷ $39,000)

- Singular investor

Risk & Mitigation

The **Risk & Mitigation** section highlights key investment risks and outlines strategies to reduce their impact, such as using reserves, conservative projections, and proactive management.

Vacancy Risk:

Risk: Vacancy after lease expirations (Unit 1: Apr 2026, Unit 2: Jul 2026) or loss of $260/month garage income. A 10% vacancy (~$2,424/year) could reduce cash flow to $47/month or negative.
Mitigation: Marion’s 5.3% vacancy rate supports strong demand. Renew leases early at market rates ($1,115–$1,250). Maintain garage tenants to preserve income.

Maintenance/CapEx:

Risk: Repairs beyond the $1,850/year budget (e.g., $5K HVAC) could push cash flow negative ($-573/year). “As-is” sale may conceal minor issues despite 2022 updates.
Mitigation: Set aside a $2,000 reserve (10% of income). Inspect thoroughly pre-purchase. Include siding cleaning ($500–$1,000) in maintenance budget.

Market Risk:

Risk: Rent drops (e.g., 3% in 2022–2023) or economic slowdown could limit rent growth (Unit 2 to $900) and appreciation. Rates >7.5% would cut cash flow to ~$50/month.
Mitigation: Underwrite conservatively (7% vacancy, 2% expense inflation). Lock 6.5% rate. Buy below market ($175K) for strong returns (8.35% Cap Rate, $223/month cash flow).

Mitigation Plans:

- **Reserves:** Keep $2K–$3K (1–1.5 months’ income) for vacancies/repairs.
- **Conservative Underwriting:** Use 7% vacancy and $2,500/year maintenance in projections.
- **Proactive Management:** Engage tenants for renewals, monitor market for rent adjustments post-2026.

Risk & Mitigation

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Why It Might Not Work:

- If maintenance costs exceed 2% of property value ($3,700/year), cash flow turns negative (e.g., $5,000 maintenance reduces cash flow to -$573/year).
- If vacancy exceeds 5% (e.g., 10% = $2,424/year), cash flow drops to $565/year ($47/month).
- If garage rentals (month-to-month) are inconsistent, losing $260/month reduces cash flow to -$548/year (-$46/month).
- If the purchase price exceeds $200,000, the Cap Rate drops below 7%, and cash flow may turn negative, diminishing returns.
- If interest rates rise above 7.5%, debt service increases (e.g., $1,150/month), reducing cash flow to ~$50/month.

Conclusion

OVERALL RISK RATING: MODERATE

THIS PROPERTY OFFERS A **BALANCED RISK-REWARD PROFILE**. IT'S IDEAL FOR A FIRST-TIME INVESTOR OR HOUSE HACKER SEEKING STABLE RETURNS WITH MANAGEABLE DOWNSIDE. WHILE NOT A HIGH-YIELD DEAL, IT PROVIDES **STRONG FUNDAMENTALS**, **LOW ENTRY COST**, AND **MULTIPLE EXIT STRATEGIES** (LONG-TERM RENTAL, LIVE-IN FLIP, OR REFINANCE).

Analyst Info

My Background: Reed is a graduate from the University of Iowa in Business Analytics and Information Systems. Outside of his studies and professional career, he has found enjoyment in learning how to analyze real estate markets, and is actively involved in the industry as he invests in deals for himself and wholesales properties. Reed built his real estate knowledge through personal studies, working on actual deals, and through mentors that have graciously passed down their knowledge and experience.

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