

Real Estate Process (FIN:4230)
Commercial Mortgage Loan Recommendation
24-Apr-23



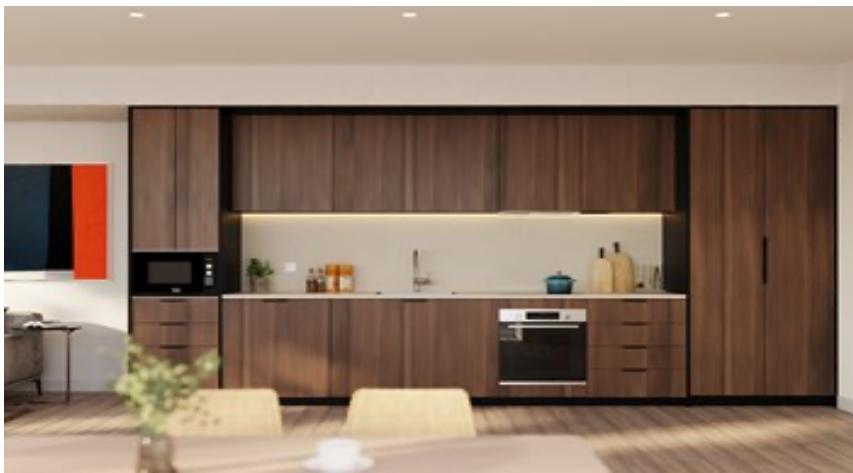
Subject Property			
Park 151 151 North First Street Cambridge, MA 02141			
source=google&utm_medium=cpc&utm_campaign=brnd&utm_content=1&gclid=Cj0KCQiwZghBhCJARIsACHHEH-QTmbada0JjtfoRUb6pd3ct46NtXSmcAdzDBRrCVdPfU			
Loan Summary			
Loan Amount:	\$125,000,000	\$267,094 / unit	Debt Service: \$8,205,733
Term:	5	Loan Constant: 6.56%	
Amortization:	30	Balloon Amount: \$114,729,505	
Property Summary		Pricing	
Property Type: Multifamily	Apartments	Gross Rate: 5.08%	
MSA: Greater Boston		Spread: 1.50%	
Units: 468		Treasury Note: 3.58%	
Additional Property Description:		Credit Metrics	
Year Built: 2024		LTV (DCF): 40.56%	
Acres: 11		DSCR: 2.31	
Buildings: 1		Going-In Debt Yield: 15.15%	
Stories: 20		Exit Debt Yield: 16.51%	
Parking Spaces: 395	0.84 / unit	Implied Cap Rate: 6.15%	
Pro Forma and Valuation		Breakeven Analysis	
Potential Rent: \$34,325,040	\$6,112.01 / unit / month	Breakeven Rent at 85% occupancy: \$895.81	
Vacancy: (\$1,716,252)	5.00%	Breakeven Occupancy at In-Place Rents: 12.46%	
EGI: \$32,608,788		Rent Comps:	
Real Estate Taxes: (\$1,185,916)			
Other Operating Expenses (\$12,598,992)			
Replacement Reserves: \$117,000			
NOI: \$18,940,880			
DCF Value \$308,220,119	\$658,590 / unit		
Discussion Points		Sale Comps	
Risks:	Higher cost of living (both housing and taxes), relatively new property that needs to fill vacant units, natural disasters, lots of comparable properties to		
Mitigants:	marketing of premium amenities to draw attention of potential tenants, subject property is new and was built to withstand harsh climatic environments		
Recommended By			
Sheridan Culp	Bradley Vaith	Danny Barrett	
(name)	(name)	(name)	
Joey Greenlee	Ryan Thill	Taka Oya	
(name)	(name)	(name)	
Exhibits (including in Appendix)			
Two 8x11 Maps	Two 8x11 Aerials with Subject Outlined	Site Plan	
Four Exterior Photos on One Page	Four Interior Photos on One Page	DCF	
Tax Assessor's Parcel Report	Property Tax Bill	WSJ Yield Curve with Rates	

The University of Iowa
Tippie College of Business - Department of Finance

Location				
(Describe the location including primary roadways providing access to the neighborhood, ingress and egress points, major nearby employment and retail areas, schools and hospitals, public transportation, etc.) Located right along the Charles River and in the heart of Cambridge, MA, Park 151 offers a great balance between the big-city life and cozier suburban life, with downtown Boston being just 3 miles away and world-class universities like M.I.T and Harvard within two miles of each other. Harvard and M.I.T are also the top two largest employers in Cambridge with 11,867 and 8,777 employees, respectively. There are 2 public elementary/middle and high schools located nearby, and 4 private schools ranging PreK-12th grade located nearby. Cambridge is nicknamed the "City of Squares" due to its various commercial districts named Kendall Square, Central Square and Inman Square, found in close proximity providing residents and tourists direct access to urban amenities. There are several public transit options all located within a few miles of Park 151, but Cambridge has a very good biking and walking culture with many park trails nearby. There are many restaurants and grocery stores in walking distance, as well as a few shopping centers nearby. The CHA Cambridge Hospital is located just 1.6 miles away, and the Massachusetts General Hospital is just 1.7 miles away.				
Property				
Park 151 is a 20 story multi-family building that consists of 468 apartments and was built in 2022. The apartment size ranges from a studio option to a 3 bedroom option. The community amenities offered at Park 151 include: access to extensive nearby running and bike trails, Roof garden with built-in seating and fire pit, Pet spa facilities, laundry room with commercial grade washer and dryers, private dining room with kitchen facilities, luxury package lockers and package room, dedicated residential parking garage, 3 separate lounges including a quiet lounge, flex lounge and game lounge, 5 dedicated work from home spaces and conference rooms, an open look pool deck, fitness center, bike storage, and an open-air terrace. The apartment unit amenities include a washer and dryer, as well as a deck for every individual unit. Dogs and Cats are allowed to live in apartments and they are limited to 2 per apartment with a monthly cost of \$75 to the tenant. The building also offers an option for access to an unassigned parking lot which costs the tenants \$395 yearly for a space. Trash removal costs are included in the cost of the apartment for the tenant.				
Rent Roll Summary				
(Insert a table that describes asking rents for the cross section of units as well as supports the top line in the Pro Forma.)				
unit type	# of units	price per unit	revenue	revenue per year
studio	35	3,050.00	106,750.00	1,281,000.00
1 bed	19	4,765.00	90,535.00	1,086,420.00
2 bed	392	6,330.00	2,481,360.00	29,776,320.00
3 bed	22	8,262.50	181,775.00	2,181,300.00
total	468	5,601.88	2,860,420.00	34,325,040.00
Market Fundamentals, and Rent and Sale Comps				
Rent and Sale Comps				
Address	Hanover Alewife	Hanover North Cambridge	Third Square	
Address	130 Cambridgepark Dr, Cambridge, MA 02140	50 Cambridgepark Dr, Cambridge, MA 02140	285 3rd St, Cambridge, MA 02142	
Square Feet	224,115	324,346	279,327	
Building Value	\$78,835,900	\$67,604,400	\$169,263,400	
Land Value	\$31,584,600	\$43,190,200	\$0	
Assessed Value	\$110,420,500	\$110,794,600	\$169,263,400	
Sale Price	\$9,000,000	\$25,600,000	\$0	
Year Built	2017	2022	2008	
Overall Condition	Excellent	Excellent	Excellent	
Overall Grade	Very good	Very good	Excellent	
#units	215	294	450	
Rent	Studio: \$3,027-\$3,808 1 bed: \$3,217-\$4,775 2 bed: \$3,839-\$5,795 3 bed: \$4,288-\$4,423	Studio: \$2,702-\$3,042 1 bed: \$2,815-\$3,866 2 bed: \$4,370-\$5,100 3 bed: \$6,293-\$6,938	Studio: \$2,963-\$4,198 1 bed: \$3,960-\$5,310 2 bed: \$4,775-\$7,150 3 bed: \$7,174-\$9,645	
Cambridge Market Averages				
Rent	\$3,477			
Rent Growth	2.2% YoY			
Renters/Owners	67%/33%: 30,887/16,562			
Home Value	\$775,000			
Rent Ranges	3.59%: \$1,500-\$2,000 96.3%: Over \$2,000			
Underwriting				
During our DCF valuation, we initially utilized a 3% inflation rate, as per data sourced from WorldData.info, and assumed a average 3% vacancy rate in Cambridge. However, we have reevaluated this assumption and have determined that utilizing a 5% vacancy rate would yield more accurate results. Therefore, we have made the necessary adjustments to our valuation. We estimated our operating expenses to be 35% of the projected gross revenue, and we arrived at an estimate for our real estate taxes by comparing our property to other units of similar size location in Cambridge. In our DCF valuation, we settled on a terminal cap rate of 5.30%, which is 75 bps above the market rate of 4.55%.				
Risk Evaluation				
We felt the area in Cambridge would show good borrower creditworthiness and would be able to pay back with small amount of credit risk. Therefore, we decided to have a loan term of 5 years as well as a 30 year amortization schedule because it allowed us to have payments that were high enough so that our implied cap rate would mirror the direct cap rate.. For loan sizing, we decided LTV came out to 40.56%, DSCR yr1 2.31, and with a 15.15% going in debt yield as well as a 16.51% exit debt yield. We estimated the operating hurdle to be around \$4,276,259, and breakeven point occupancy with current rent to be 12.46%. Our interest rate was based on the current treasury note which is 3.58% and then we added on our spread of 150 BPS as per the lending guidelines.				

Number of Units		10,00%
Average Monthly Asking Rent		3.50%
Average Submarket Vacancy		4.35%
Direct Capitalization Rate		5.30%
Terminal Capitalization Rate		
Operating Expense Ratio		
Replacement Reserves (per Unit)		
Initial Loan Amount		
Interest Rate		
Amortization Schedule		
Loan Term		
Annual Debt Service		
Balloon Amount		
		\$125,000,000
		5.08%
		30
		5
		\$8,205,733
		\$114,729,505
Potential Gross Income (PGI)		
General Vacancy		
Effective Gross Income (EGI)		
Real Estate Taxes		
Other Operating Expenses		
Replacement Reserves		
Net Operating Income (NOI)		
Capital Expenditures		
Cash Flow (CF) Before Debt Service and Income Tax		
Terminal Value Estimate		
PV of Cash Flows		
Sum of PV of Cash Flows from Operations		
Sum of PV of Cash Flows from Sale		
DCF Value Estimate		
implied cap rate		
LTV (DCF)		
DSCR		
Going-in Debt Yield		
Exit Debt Yield (Year-One NOI)		
Operating Hurdle		
Break-even occupancy at current rent		
Break-even rent at 85% occupancy		

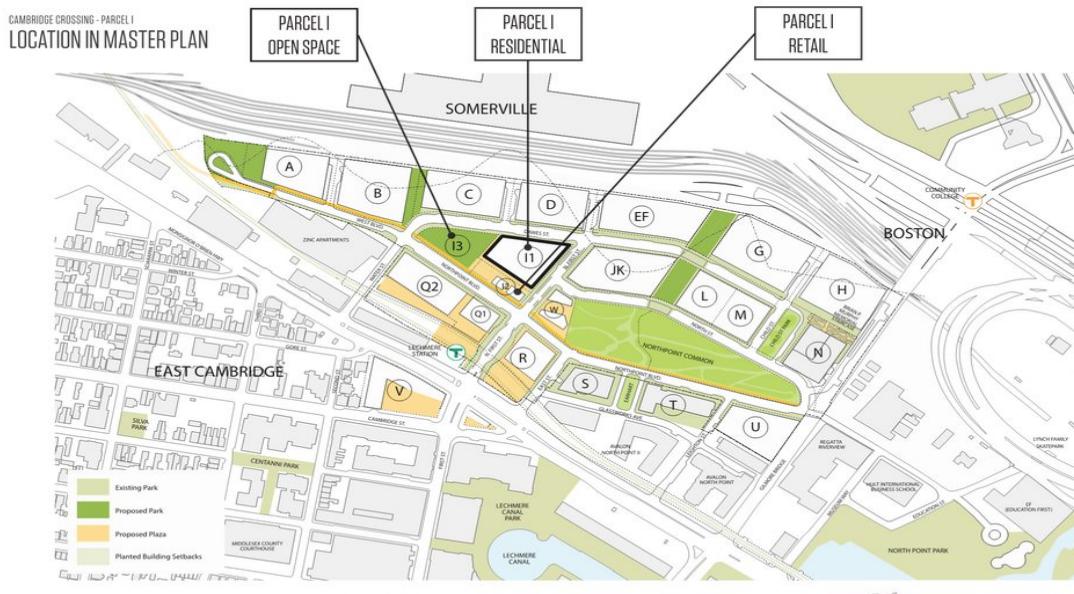
Interior Photos



Exterior Photos



Ariel Photos



CAMBRIDGE CROSSING - PARCEL I
RELATIONSHIP TO MASTER PLAN



CAMBRIDGE CROSSING - PARCEL I
SITE PLAN



2023 TAX RATE (PER THOUSAND DOLLARS VALUE)

TYPE	AMOUNT
Residential	\$10.74
Commercial, industrial, personal property	\$24.68

Yield Curve US

