



AVALONBAY OLD BRIDGE PROPERTY VALUATION

REAL348 LEHIGH UNIVERSITY

EXECUTIVE SUMMARY

This report provides a detailed analysis and valuation of the apartment and townhome complex AvalonBay Old Bridge in Northern New Jersey. It will discuss a current market analysis, property and area analysis, sales comparable analysis, and a detailed financial analysis. These analyses are concluded by the final valuation of the property.

AvalonBay has leased fee interest in this property, meaning it maintains the property but relinquishes the right of occupancy to its tenants.

The team conducted three different valuation approaches to achieve a final value of AvalonBay Old Bridge at **\$108,500,000**, as of April 22, 2024. The discounted cash flow analysis is weighted at **80%** of the total, the direct capitalization analysis at **10%**, and the sales comparison analysis at **10%**. The cost of the reconstruction approach is out of scope for this analysis due to time and information constraints.

TABLE OF CONTENTS

| | |
|---|----|
| EXECUTIVE SUMMARY | 1 |
| MARKET ANALYSIS | 3 |
| U.S. Economic Outlook | 3 |
| Northern New Jersey Multifamily Market..... | 4 |
| Local Information - Old Bridge, NJ..... | 6 |
| Future Expectations for Multifamily..... | 9 |
| PROPERTY & AREA ANALYSIS | 11 |
| Property History and Location | 11 |
| Unit Descriptions and Options | 11 |
| Property Specifics | 14 |
| Specific Area Analysis..... | 15 |
| LEASE COMPARABLE ANALYSIS | 17 |
| 99Bridge Apartments | 17 |
| The Edge at Matawan..... | 18 |
| Beacon Hill Apartments..... | 19 |
| SALES COMPARISON ANALYSIS | 20 |
| Renaissance Plaza Square | 21 |
| Canter Green | 22 |
| The Parc at Princeton Junction..... | 23 |
| The Botanic | 24 |
| Sales Comparison Valuation..... | 25 |
| FINANCIAL ANALYSIS | 28 |
| Direct Capitalization | 28 |
| Discounted Cash Flow | 29 |
| Sensitivity Analysis..... | 31 |
| FINAL VALUATION | 34 |
| APPENDIX..... | 35 |
| WORKS CITED | 39 |
| ACKNOWLEDGMENTS | 42 |

MARKET ANALYSIS

U.S. ECONOMIC OUTLOOK

The U.S. real estate market is highly connected to many of the main economic indicators our country uses, such as GDP, unemployment, inflation, and interest rates. Over the past year, the U.S. economy has continued to combat the lasting effects of the COVID-19 pandemic. One such effect was the FED raising the federal funds rate to subdue the higher-than-preferred inflation rate. Since March of 2022, the FED has been consistently raising rates, peaking at 5.33%, and has remained at that level since August of 2023. Given these high rates, the cost of borrowing has increased drastically. This has led to stricter lending conditions resulting in a negative impact on the real estate market as a whole. As of March 2024, the U.S. Bureau of Labor Statistics reported that YoY CPI was 3.5%, which was higher than expected, while Core CPI YoY was 3.8%, also higher than anticipated. With this type of data, market sentiment is coming wearing of rate cuts anytime soon, even though Jerome Powell previously said three rate cuts could be expected by the end of the year. While interest rates and inflation have proved to be stubborn, the U.S. GDP and unemployment have been better than expected over the past year. In the fourth quarter of 2023, GDP increased by 3.3% on an annual basis, which exceeded expectations. The current unemployment rate also sits at 3.7%, and the U.S. economy added 2.7 million jobs throughout 2023.

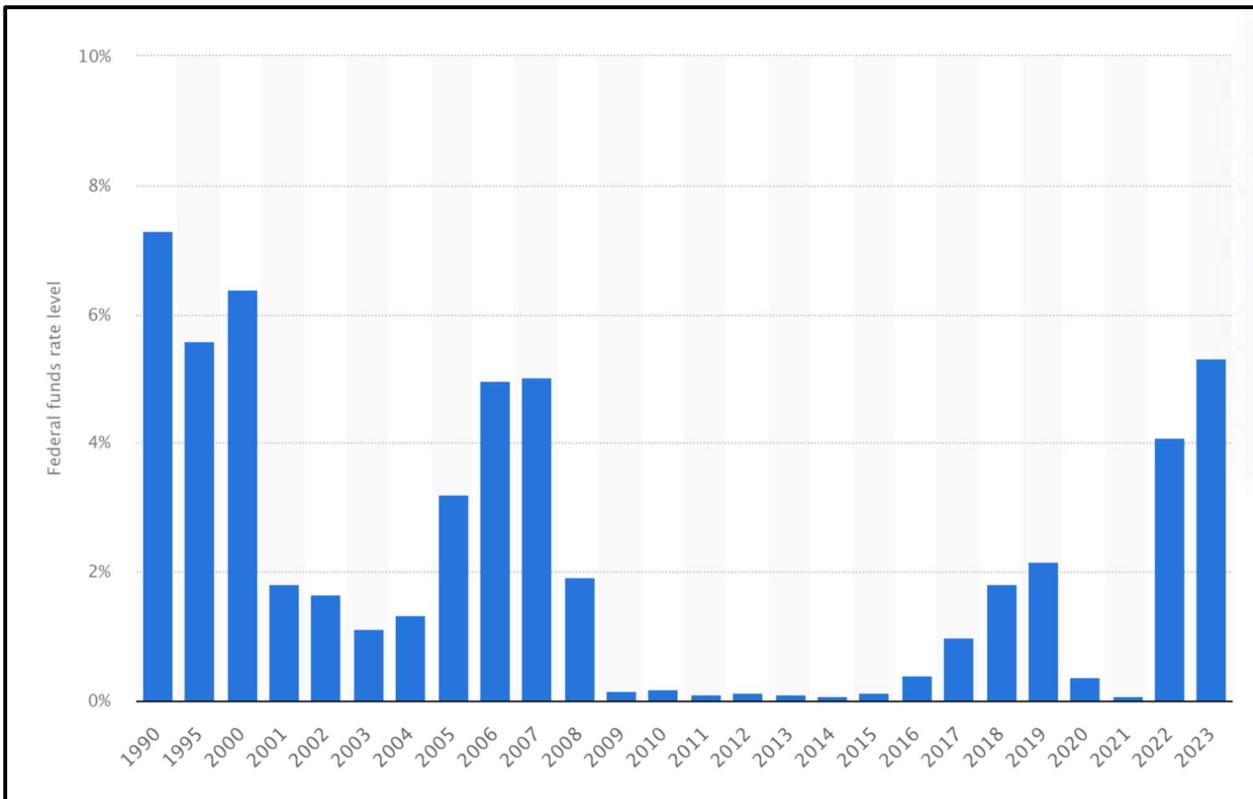


Figure 1: Federal Funds Rate

NORTHERN NEW JERSEY MULTIFAMILY MARKET

As of the first quarter of 2024, Northern New Jersey's multifamily market is characterized by strong renter demand and record levels of rental supply, contributing to average vacancy rising above 5%, a level not seen since 2020. There is an extensive constructive pipeline, with 13,000 units underway, representing 8.1% of the current inventory. Despite fears that supply may be outpacing demand, demographic trends, high mortgage rates, and rising home prices are expected to support the new supply of housing in the long run.

In 2023, the market experienced record highs in both supply and demand, resulting in a net absorption of 4,860 units, a 47% increase from 2022. However, despite this high net absorption, supply exceeded absorption by about 1,700 units, causing annual rent growth to slow from 5.9%

in 2021 down to 3.7% in 2023. Despite these challenges, Northern New Jersey remains an attractive multifamily market due to its high population density and above-average income. Furthermore, as the cost of living in New York City continues to rise and remote/hybrid work increases in popularity, more people are turning to the suburbs for more affordable housing options.

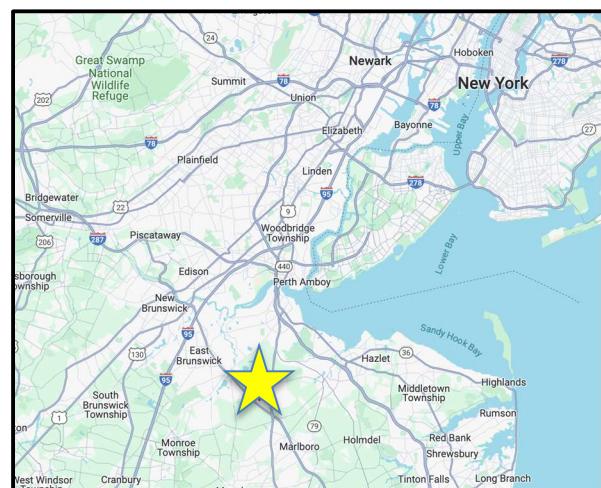
LOCAL INFORMATION - OLD BRIDGE, NJ

Overview

Old Bridge Township is located in Middlesex County, Northern New Jersey. Settled in 1663 by English, Scottish, and French settlers, the Township of Old Bridge attracts individuals and families looking to live in proximity to New York City while maintaining space to grow.

Location

Middlesex county is 36 miles from Manhattan and 64 miles from Philadelphia. It is also surrounded by several major highways such as the Garden State Parkway, State Routes 9, 18, 34, and 35. Along with the close highways, the Township is also served by railroad with service into New York City, Newark, Boston,



Philadelphia, and Washington DC. Several bus services provide transportation from Old Bridge to the surrounding areas.

Demographics

In 2020, the census found that the population of Old Bridge was 66,876 and expected to grow by 1.3% annually. Current estimates put the population at 67,738 people. Old Bridge attracts young professionals and families looking for a dense suburban feel: proximity to work and social spaces while having more room at a lower price than nearby Manhattan. The median household income in 2022 was \$98,961, compared to the national average of \$74,580. In Old Bridge, there are an average of 2.61 people per household. On top of this, 58.4% of the population of Old Bridge

is between the ages of 18 and 65. Combining these two pieces of information indicates that the population of Old Bridge is mainly made up of young professionals who live by themselves and their families. Old Bridge attracts families due to its excellent school system, which is ranked very highly. Understanding the demographics of the Township will help in understanding the housing needs of the inhabitants.

Housing Market

Almost 70% of residents in Old Bridge own their own homes, which is over double the percentage of renters. The number of buyers in Old Bridge is very high compared to the U.S. average. The U.S. Census also found that 93.6% of residents in Old Bridge have lived in the same home for over a year. This has resulted in a housing market that is described as cold to warm. Furthermore, the average 30-year fixed mortgage has hovered around 7% for the past year, making non-assumable home purchases unattractive at the moment. *Figure 2* below shows recent mortgage rates.

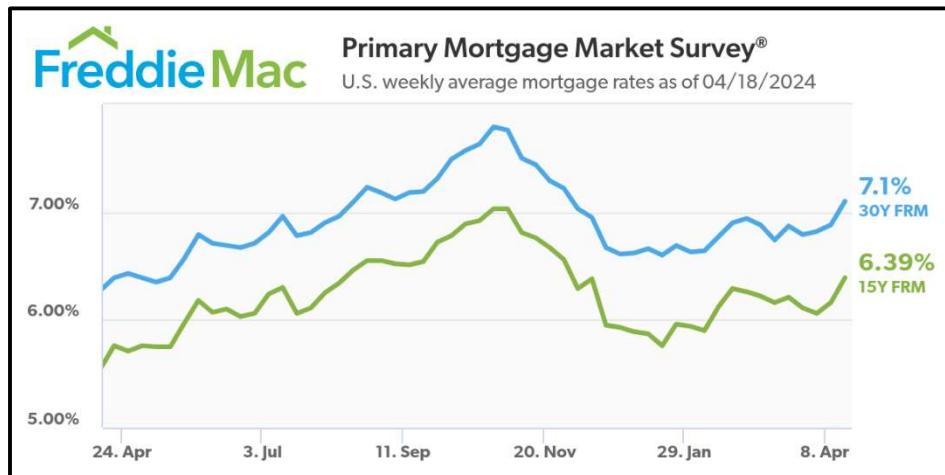


Figure 2: Average Weekly Mortgage Rates

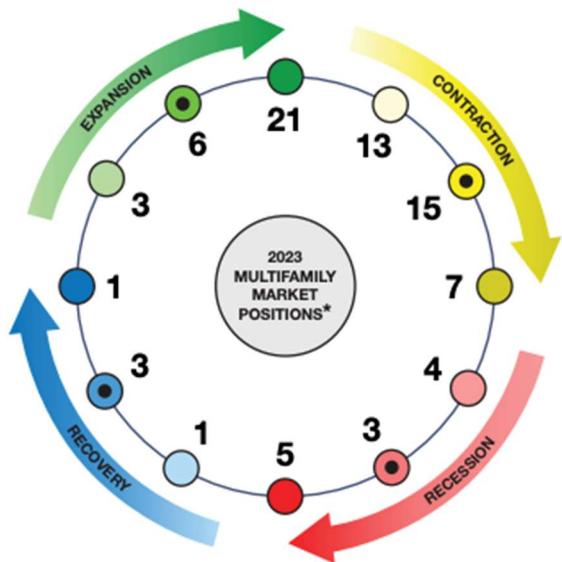
In 2023, 26 homes were sold in Old Bridge Township, which was an increase from 20 homes in 2022. The median price per home also grew 31.6% from 2022 to 2023, with the median price for all home types being \$572,450. Due to the median price of a home, the percentage of residents who own their homes, and the increase in homes sold, it can be deduced that in the Township of Old Bridge, residents value ownership heavily compared to renting.

Although the rental market in Old Bridge is significantly smaller than the owning market, it represents a lucrative market for investors due to its growth potential. The median rent in Old Bridge in 2024 is expected to be \$2,895. It is 45% higher than the national median, which is a positive sign for future investors. The price range for rentals in this area is very large, between \$1,530 and \$4,935 for all bedrooms and property types. Given the proximity to Manhattan and the average number of people per household, it can be assumed that the majority of renters in Old Bridge are young professionals without children. Understanding the demographics of the people renting compared to the people who own will allow landlords to better understand the needs of the renters. For example, young professionals require high-speed internet and close access to transportation to work.

FUTURE EXPECTATIONS FOR MULTIFAMILY

As the multifamily market has seen significant growth over the years, this has impacted the growth of specific communities. Gaining traction in the next decade and for the unforeseeable future, Build-To-Rent options are skyrocketing. Detached single-family residential or attached-townhouse style units increased in popularity after the pandemic as residents were more cautious of their living spaces due to the work-from-home movement. This trend is expected to continue to grow among investors and renters in the upcoming years.

As shown in the Real Estate Barometer published by PwC, U.S. Multifamily is expected to consist mainly of contraction markets from 2023-2026. This, however, can differ greatly by region. In our targeted region of Northern New Jersey, the multifamily market is estimated to fall



*Number of MSAs in position in 2023

Forecast - 4 PwC REAL ESTATE BAROMETER U.S. Multifamily Market Forecasts

NORTHEAST REGION

| MSA Name | 2023 | 2024 | 2025 | 2026 |
|---------------------|------|------|------|------|
| Boston | ● | ● | ● | ● |
| Buffalo | ● | ● | ● | ● |
| Central New Jersey | ● | ● | ● | ● |
| Fairfield County | ● | ● | ● | ● |
| Hartford | ● | ● | ● | ● |
| Long Island | ● | ● | ● | ● |
| New Haven | ● | ● | ● | ● |
| New York | ● | ● | ● | ● |
| Northern New Jersey | ● | ● | ● | ● |
| Philadelphia | ● | ● | ● | ● |
| Pittsburgh | ● | ● | ● | ● |
| Providence | ● | ● | ● | ● |
| Rochester | ● | ● | ● | ● |
| Syracuse | ● | ● | ● | ● |
| Westchester | ● | ● | ● | ● |

under recession until 2025, to a steady recovery afterwards. This means the current market is less than ideal, with a positive outlook for the near future. Operating expenses and effective rents are also at the forefront of stabilizing, further supporting this hypothesis.

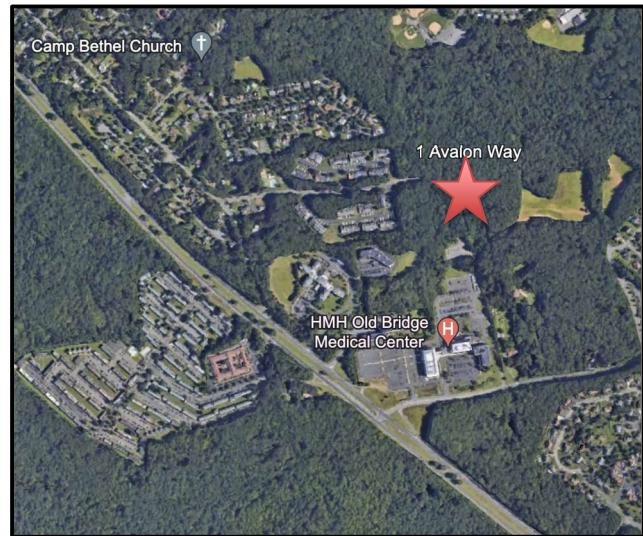
The outlook for multifamily is also influenced by institutional investors. These institutions, like Blackstone, are currently buying single-family homes with the expectation of leasing them, which takes more market share away from the multifamily market and developers like AvalonBay. In Q1 2022, investors' purchases of single-family homes averaged 28% per month of all total sales, which is up from roughly 16% in previous years. MetLife investment management estimates that institutional investors may control 40% of the single-family rental market by 2030. 400,000 new units were completed in 2023, and net absorption was roughly half. Over 800,000 units are under construction as of Q4 2023. Additionally, the Yardi Matrix forecasts 1.5mm new units delivered by 2025, and these supply volumes are currently outrunning demand trends.

PROPERTY & AREA ANALYSIS

PROPERTY HISTORY AND LOCATION

The subject property's address is 1 Avalon Way, Old Bridge, NJ. The property is in a newly developed area close to State Routes 18 and 9. The suburban area immediately surrounding Avalon Old Bridge consists of trees, industrial parks, housing complexes, and a hospital.

There is no significant property history on this land. The land that became 1 Avalon Way was purchased for development in 2019. The image on the left shows the area in 2015, four years before anything was done to the land. To develop the land the trees had to be removed, but there is no indication that there were existing structures or infrastructure on the property.



UNIT DESCRIPTIONS AND OPTIONS

Avalon Old Bridge provides a wide variety of spaces for tenants to choose from including both townhouses and apartments ranging from one to three bedrooms. Within the complex, there are currently 62 1-bedroom units, 94 2-bedroom units, 9 3-bedroom units, 33 2-bedroom townhouses, and 16 3-bedroom townhouses. All units share very similar, and up to date, designs. The standard design includes hardwood floors, white finishes for the walls and kitchen cabinets,

granite countertops, and state-of-the-art kitchen appliances. Of course, depending on the size of the unit, there will be different dimensions for the different rooms, but the overall design of all the units is the same. The units range from an average of 863 to 1,367 square feet for the apartments, while the townhouses range anywhere from 1,553 to 1,614 square feet. *Figure 3* shows the floor plan for a typical 2-bed townhome, and *Figure 4* shows a 3-bed apartment. Furthermore, all units include a balcony, which will also range in size depending on the overall size of the unit. There is plenty of available parking on the premises for tenants to use, and the townhouse units come with their own attached garage.



Figure 3: 2-bed Townhome Floorplan



Figure 4: 3-bed Apartment Floorplan

AvalonBay uses a dynamic pricing model to price its units. This model uses a machine learning algorithm that adjusts the price of a unit to reflect current demand, competition, and a variety of other externalities. A one-bed, one-bath unit ranges from roughly \$2,800 to \$3,200 a month. A two-bed, two-bath unit will cost roughly \$3,250 to \$3,600 a month. A 3 bed, 2 bath unit will cost roughly \$3,900 a month. A 2 bed, 2 ½ bath townhouse will cost roughly \$3,800 a

month. Lastly, a 3 bed, 2 ½ bedroom townhouse will cost about \$4,900. This information is consolidated in *Figure 5* below.

| Units | Average SF | Asking Rent (avg) | Asking Rent/SF |
|--------------------|-------------------|--------------------------|-----------------------|
| 1 Bed, 1 Bath | 863 sqft | \$2,800 | \$3.24 |
| 2 Bed, 2 Bath | 1,278 sqft | \$3,250 | \$2.58 |
| 3 Bed, 2 Bath | 1,367 sqft | \$3,900 | \$2.85 |
| 2 Bed, 2.5 Bath TH | 1,553 sqft | \$3,800 | \$2.45 |
| 3 Bed, 2.5 Bath TH | 1,614 sqft | \$4,900 | \$3.04 |
| Average | 1,229 sqft | \$3,400 | \$2.85 |

Figure 5: AvalonBay Old Bridge Rent Breakdown

PROPERTY SPECIFICS

Avalon Old Bridge is considered a Class A property and offers an extensive array of amenities to enhance the living experience of its residents, catering to both their comfort and convenience. One of the standout features of this community is its pet-friendly policy, not only allowing pets but also providing them with clean spaces to stay and play. This is highlighted through their Wag the Pet Program, which focuses on maintaining cleanliness and safety in pet areas, including pet stations placed around the community.



For residents who prioritize fitness and wellness, Avalon Old Bridge does not disappoint with AVALON FIT. This program includes a 24-hour fitness center, equipped with a wide range of cardio and strength training equipment, ensuring that residents can work at their own schedule and fitness level. The dedicated stretching area, alongside a serene yoga studio, offers a perfect



space for mindfulness and flexibility exercises. They also have on-demand fitness classes which range from high-intensity strength sessions to calm and relaxing yoga classes. Mixing relaxation and fitness, Avalon Old Bridge also has a swimming

pool, offering residents a place to relax with the family or engage in low-impact fitness activities.

Aside from these programs, Avalon Old Bridge also offers a wide range of shared spaces and amenities for the residents to enjoy. These include a barbecue area for social gatherings, a lounge for relaxing, and a playground for children to play. The community is also smoke-free, further promoting health and well-being for all. No matter what one's interests or needs are, at AvalonBay Old Bridge there is truly something for everyone.

SPECIFIC AREA ANALYSIS

Old Bridge is located in north-central New Jersey, roughly an hour outside New York City and Philadelphia. According to Business View Magazine, the township boasts a beautiful rural landscape while also providing urban amenities. In addition to the scenery, Old Bridge is a great place to live and raise a family in the newly developing housing market. It was voted the 15th safest small city in America by Front Point Home Security. This area is also located between many different types of attractions. Town Square Publications lists some of these attractions, including the expansive Cheesequake State Park. Other attractions include Six Flags, the Jersey Shore, The American Dream Mall, MetLife Stadium, and the Prudential Center. This area offers many recreational activities for all different types of people.

Local Employers

Old Bridge is in proximity to many different employers. There are a plethora of corporate offices including those of Johnson & Johnson and Prudential, two multinational companies both employing tens of thousands of people. The area also includes a very diversified array of medical centers, with 12 different hospitals within 20 miles. Many of these local hospitals and medical centers are part of Hackensack Meridian Health Network, which employs roughly 36,000 people around the U.S. Within 20 miles of Old Bridge are 19 colleges and universities, including Rutgers,

Princeton, and the New Jersey Institute of Technology. In addition to local employers, many community members commute to New York City and Philadelphia. This metropolitan area has employment opportunities for any background in any degree.



Campito | DeBlase | Fisher | Gerazounis | McCall 16

LEASE COMPARABLE ANALYSIS

The following properties are being considered to gauge local competition in the rental space. These three properties are considered primary competitors as they include similar amenities, design, and unit mix. They are all located within the locale of the subject property.

99BRIDGE APARTMENTS

The 99Bridge Apartments are a short five-minute drive away from the subject property at 67 Old Amboy Rd, Old Bridge, NJ. Recently completed in 2021, this property is considered Class A. Its unit mix consists of 45 one-bed units, 71 two-



bed units, and 34 three-bed units, for a total of 150 units. In addition to the amenities Avalon offers, this property has conference rooms and a business center. *Figure 6* shows the breakdown of the asking rents for 99Bridge.

| <i>Figure 6</i> | Units | Average SF | Asking Rent | Asking Rent/SF |
|-----------------|----------------|-------------------|----------------|----------------|
| | 1 Bed, 1 Bath | 762 sqft | \$2,409 | \$3.16 |
| | 2 Bed, 2 Bath | 1,157 sqft | \$2,893 | \$2.50 |
| | 3 Bed, 2 Bath | 1,402 sqft | \$3,682 | \$2.63 |
| | Average | 1,094 sqft | \$2,927 | \$2.68 |

THE EDGE AT MATAWAN

The Edge is located 6.5 miles (\approx 15-minute drive) away from Old Bridge at 249 Broad St, Matawan, NJ. The property consists of 131 Units, with 58 one-bed, one-bath and 73 two-bed, two-bath units. This property was completed in 2017 and is considered Class A. The property offers an abundance of amenities that include a 24-hour fitness center, game room, business center, and many more. *Figure 7* shows the breakdown of the asking rents for The Edge.



| <i>Figure 7</i> | Units | Average SF | Asking Rent | Asking Rent/SF |
|-----------------|----------------|-------------------|--------------------|-----------------------|
| | 1 Bed, 1 Bath | 1,016 sqft | \$2,456 | \$2.42 |
| | 2 Bed, 2 Bath | 1,326 sqft | \$2,841 | \$2.14 |
| | Average | 1,186 sqft | \$2,647 | \$2.25 |

BEACON HILL APARTMENTS

The Beacon Hill Apartments are a complex of 285 units, with 12 one-bed, 260 two-bed, and 13 three-bed units. Construction of this property was completed in January 2024, and is considered Class B.



Roughly a 15-minute drive from Old Bridge. *Figure 8* shows the breakdown of the property's asking rents. On average, a unit in this complex is around 1,018 square feet, has an asking rent of \$2,510 per month, and the asking rent per square foot runs around \$2.47. Apartment and communal amenities are quite like the subject property, which include built-in pantries and islands, oversized windows, and luxury plank flooring. Some of the notable communal amenities are a large community room with a fireplace, a fitness center, an outdoor swimming pool, and firepits.

| <i>Figure 8</i> | Units | Average SF | Asking Rent | Asking Rent/SF |
|------------------------|-------------------|----------------|---------------|----------------|
| 1 Bed, 1 Bath | 691 sqft | \$1,770 | \$2.56 | |
| 2 Bed, 1 Bath | 883 sqft | \$2,247 | \$2.54 | |
| 2 Bed, 2 Bath | 1,171 sqft | \$3,025 | \$2.58 | |
| 2 Bed, 2 Bath (w/ den) | 1,264 sqft | \$3,175 | \$2.51 | |
| 3 Bed, 1 Bath | 1,082 sqft | \$2,540 | \$2.35 | |
| Average | 1,018 sqft | \$2,944 | \$2.52 | |

SALES COMPARISON ANALYSIS

Similar to the lease comparable analysis, this section will look at recently sold properties that are like the subject property. Each property is weighed according to its likeness to the subject. The comparative factors which were considered include but are not limited to the following.



LOCATION

Properties located as close as possible to the subject are more favorable.



BUILDING QUALITY

Class A comparables were used for this analysis.



UNIT SIZE

Adjusted to reflect the subject's unit size more accurately.



VACANCY

Vacancy under normalized market conditions.



CAP RATE

Properties sold at a cap rate as similar as possible to the current rate.

RENAISSANCE PLAZA SQUARE

Renaissance Plaza Square is located at 1 Richmond St, New Brunswick, NJ, which is roughly 9 miles north of AvalonBay Old Bridge. The site contains 415 units, which is much larger than the 214 units that AvalonBay Old Bridge has. The average unit size at Renaissance is 988 square feet, slightly smaller than the average size of 1,196 of an Old Bridge Unit. The property was built in 2004 and last sold in March of 2022, which makes Renaissance 16 years older than Old Bridge. Renovations of the entire property started in 2021 and are continuing. Although Renaissance is considerably older than Old Bridge, it is considered a Class A property due to these renovations and amenities.



Further numbers tell us that the property last sold for \$173,450,000 and had a cap rate of 4.36%. The average unit price is roughly \$417,852 and the price per square foot is \$384.41. Given this property's proximity to Old Bridge, its quality, and the numerous amenities offered, we believe Renaissance Plaza Square stands as a strong comparison for Old Bridge and will be a strong comparison in our valuation.

CANTER GREEN

Canter Green is located at 1255 Magie Ave, Union, NJ, which is roughly 20 miles north of AvalonBay Old Bridge. The property contains 153 units, which is smaller than the size of Old Bridge's complex. The site was



constructed in 2021 and sold in 2022, making it very similar to Old Bridge as they were both built within the last five years. The average unit size at Canter Green is 993 square feet, which is smaller than the average size of 1,196 for Old Bridge. Given its age and quality, Canter Green is considered a Class A multifamily property, the same grade as Old Bridge. Further numbers tell us that its last sale price was \$63,100,000 and has a cap rate of 4.85%. The price per unit is roughly \$412,418, and the price per square foot sits at \$512.18. Canter Green and AvalonBay also share the characteristic of car dependency, and therefore may attract similar types of renters. The quality and age of Canter Green make the property a solid comparison to Old Bridge. Still, the location of the property and its proximity to New York City affect its valuation, and adjustments will need to be made to account for this.

THE PARC AT PRINCETON JUNCTION

The Parc at Princeton Junction is located at 3000 Goldfinch Blvd in Princeton New Jersey, about 23 miles away from AvalonBay Old Bridge. This property was sold in August of 2021 for \$92.15 million, or a per unit cost of \$397,198. The Parc is a Class A Property built in 2018 with 232 one and two bedroom apartments. AvalonBay and the Parc have similar unit amenities, such as stainless steel



appliances and balconies. The properties have similar community amenities, such as a pool, a game room, and a fitness center. Both the Parc and AvalonBay have low walking scores, which means that their tenants are car dependent. Adjustments will need to be made to accommodate for the location and unit mix. Overall, this property serves as a good comparison to AvalonBay Old Bridge.

THE BOTANIC

The Botanic Apartments are located at 36 Washington Ave in Carteret, New Jersey, approximately 30 miles north of AvalonBay Old Bridge. This property was sold in August of 2022 for \$87.5 million, or a per-unit cost of \$361,570. The



Botanic has 242 one and two-bedroom apartments. Although the unit mix of the Botanic is different from that of AvalonBay, this property is comparable due to several reasons. First, both properties are Class A and were built after 2020. Each apartment contains similar amenities, such as high-end modern finishes and an in-unit washer/dryer. Both properties have community amenities such as a fitness center and shared courtyards. The Botanic is closer to Manhattan and has a higher walking and transit score than AvalonBay, potentially increasing its valuation. However, at the time of sale the Botanic had a vacancy rate of 15.7% compared to the 5% rate of Old Bridge. The vacancy rate has since decreased, but the sale price of the Botanic was negatively impacted by the original vacancy rate. Overall, the Botanic serves as a relatively decent comparison to AvalonBay Old Bridge.

SALES COMPARISON VALUATION

Based on the sales comparison approach, AvalonBay Old Bridge is valued at **\$106,500,000**. The sales comparison approach presented a challenge due to the unique unit mix of AvalonBay Old Bridge. The subject property has apartments and townhomes, which made it difficult to find comparables with a similar unit mix. Townhomes demand a higher rent than apartments, leading to the subject property having a significantly higher average rent per unit than the comparables. AvalonBay Old Bridge had an average rent per unit of \$3,377 compared to \$2,757 of the comparable properties. To properly account for this difference in rent, we used a correction factor to adjust each subject property's price per unit. This correction factor was the average rent of AvalonBay Old Bridge divided by the average rent for the comparable property. Then, we multiplied the comparable property price per unit by the correction factor to attain an adjusted price per unit. We then proceeded with the typical sales comparison approach by multiplying the adjusted price per unit for each comparable property by the number of AvalonBay Old Bridge units (214). Finally, we assigned relative weights to each comparable and found our final value based on the average. *Figure 9* below breaks down the calculation.

| Property | Correction Factor Based on Subject Property Average Rent (\$3,377 / Comparable Average Rent) | | | | | | Weight | Final Value |
|----------------------------|---|----------------------------|-------------------------------------|---|---------------|--------|----------------------|-------------|
| | Average Rent | Sales Price per Unit | Adjusted Sales Price per Unit | Adjusted Sales Price per Unit * 214 Units | Weight | | | |
| Renaissance Plaza Square | \$2,897 | 1.17 | \$417,952 | \$487,202 | \$104,261,158 | 10.00% | \$10,426,116 | |
| Canter Green | \$2,800 | 1.21 | \$412,418 | \$497,406 | \$106,444,869 | 35.00% | \$37,255,704 | |
| Parc at Princeton Junction | \$2,486 | 1.36 | \$397,198 | \$539,557 | \$115,465,187 | 35.00% | \$40,412,816 | |
| The Botanic | \$2,845 | 1.19 | \$361,570 | \$429,182 | \$91,844,943 | 20.00% | \$18,368,989 | |
| | | | | | 100.00% | | \$106,463,624 | |

Figure 9: Sales Comparison Value Calculation

The primary considerations we considered when assigning weights to each property were location, unit size, amenities, building quality, and year built. The two best comparables to Avalon Old Bridge were Parc at Princeton Junction and Canter Green, each weighed at **35%**. Compared to Avalon Old Bridge, the Parc at Princeton Junction had the closest average unit size, very similar amenities, and high-quality finishes, and was built only two years earlier. Canter Green was also a great comparison because it was built a year after Old Bridge, only 20 miles away, with similar amenities and finishes. The next closest was the Botanic, with a weight of **20%**. This property was very similar to Old Bridge regarding unit size, proximity, year built, and amenities. It differed in that it is a slightly different property type being a midrise 6-story apartment building which is why we dropped its weight. Of the four comparables, the least similar was Renaissance Plaza Square with a weight of **10%**. This is because the property was built in 2004, has twice the number of units as Old Bridge, and 150,000 more square feet. Furthermore, the quality of the units is not at the same level as the subject, and it has a high vacancy rate of 15%.

| Property | AvalonBay Old Bridge (Subject) | Renaissance Plaza Square | Canter Green | Parc at Princeton Junction | The Botanic |
|----------------------------|---|-------------------------------------|---------------------------|---|-----------------------------------|
| Address: | 1 Avalon Bay, Old Bridge, NJ | 1 Richmond St, New Brunswick, NJ | 1255 Magie Ave, Union, NJ | 3000 Goldfinch Blvd, Princeton, NJ | 36 Airport Rd, Lakewood, NJ 08701 |
| Sales Price: | - | \$173.5 mm | \$63.1 mm | \$92.2 mm | \$87.5 mm |
| Cap Rate: | - | 4.36% | 4.85% | 4.08% | 6% |
| Price / Unit: | - | \$417,952 | \$412,418 | \$397,198 | \$361,570 |
| Number of Units: | 214 | 415 | 153 | 232 | 242 |
| Distance (mi): | - | 9 | 20 | 23 | 30 |
| Unit Size (avg sf): | 1,196 | 988 | 993 | 994 | 966 |
| Rent / Unit: | \$3,377 | \$2,897 | \$2,800 | \$2,486 | \$2,845 |
| Year Built: | 2020 | 2004 | 2021 | 2018 | 2022 |
| Price / SF: | - | \$384.41 | N/A | \$236.48 | \$240.38 |
| Sales Date: | - | Mar 2022 | Oct 2022 | Aug 2021 | Aug 2022 |
| GBA (SF): | 294,141 | 451,215 | N/A | 389,675 | 364,000 |
| Class: | A | A | A | A | A |
| Vacancy Rate: | 5% | 15% | 5.2% | 4.5% | 6% |

Figure 10: Comparable Properties

FINANCIAL ANALYSIS

DIRECT CAPITALIZATION

The value of Avalon Old Bridge using the Direct Capitalization approach is **\$106,300,000**.

Sample financials were provided by AvalonBay to assist with this analysis. The annual rental revenue for the 214-unit complex is \$8,672,000. A 5% standard vacancy allowance is used to estimate the costs of the property not being fully leased. In addition, Avalon charges fees for extra optional amenities such as pet fees and parking fees. In total, other revenues total \$505,000 per year. Total yearly revenue equates to \$8,742,000, including vacancy estimates and additional revenue.

The lease structure for this property is exclusively Triple Net. Lessors are responsible for all utilities and a yearly CAM fee is charged to each lease. Operating expenses are estimates provided by AvalonBay, with its annual total being \$2,700,000. Net income for this property is estimated to be \$6,060,000. See *Exhibit 4* in the appendix for a detailed income statement.

The cap rate in Northern New Jersey was sourced from the Northern New Jersey Multifamily Market Report from Marcus & Millichap. The cap rate used for this analysis is 5.7%.

DISCOUNTED CASH FLOW

Using a 10-year discounted cash flow analysis, AvalonBay Old Bridge is valued at **\$109,000,000**. The model included various estimates for market factors such as inflation, vacancy, cap rate, and discount rate. It also included property-specific estimates of rent growth and renewal probabilities.

INFLATION

The estimates for inflation used are a combination of standards used by industry professionals in DCF analysis and current market trends. The general rate of inflation is estimated to be 3% for all years, which represents a typical rate in a stabilized market. While inflation never stays constant and the Federal Reserve aims for a rate of 2%, recent inflation under what the FED believes to be a stabilizing economy varies around 3%. Additionally, the average inflation rate in the U.S. since 1914 is 3%. The expense inflation rate is estimated at 2.5%, which is an industry standard sourced while speaking with professionals in the industry.

RENT GROWTH

Rental growth is determined by AvalonBay. The model includes new tenants' rent as 3% higher than the existing rent. The new tenant rental growth rate typically keeps up with general inflation, and re-leasing tenants' rental growth beats inflation. A rent increase that beats the market inflation for existing tenants should incentivize them to move, however, re-leasing is typically less costly and less hassle for the tenant. This trend is not sustainable in the model, however. The model adjusts this number to reflect the market inflation as demand equates with supply in the next few years. To account for this, the model includes a 5% rent increase for existing tenants for 2024 and 2025 and a 3% increase for the years thereafter.

VACANCY

The vacancy rate is estimated to be 5%, as provided by AvalonBay, which is an industry-standard assumption. For this analysis, we considered possible changes to this estimate. The current market trend of rising supply contributed to an increased vacancy during the first few years of this analysis, so an adjustment of 1.5% was used to account for the increased construction in 2024 and 2025. The years post-2025 assume a 5% rate. This represents a stabilized market where the supply of rentals and demand are in equilibrium. An article posted by CoStar Analytics states a 14% increase in “rural multifamily” inventory since 2019, which outpaced the growth posted across the state. Another article posted by the same author, Mateusz Wnek, shows a demand deficit in Middlesex County of nearly 600 units as of December 2023. *Figure 11* shows the demand shortfall in Northern New Jersey.

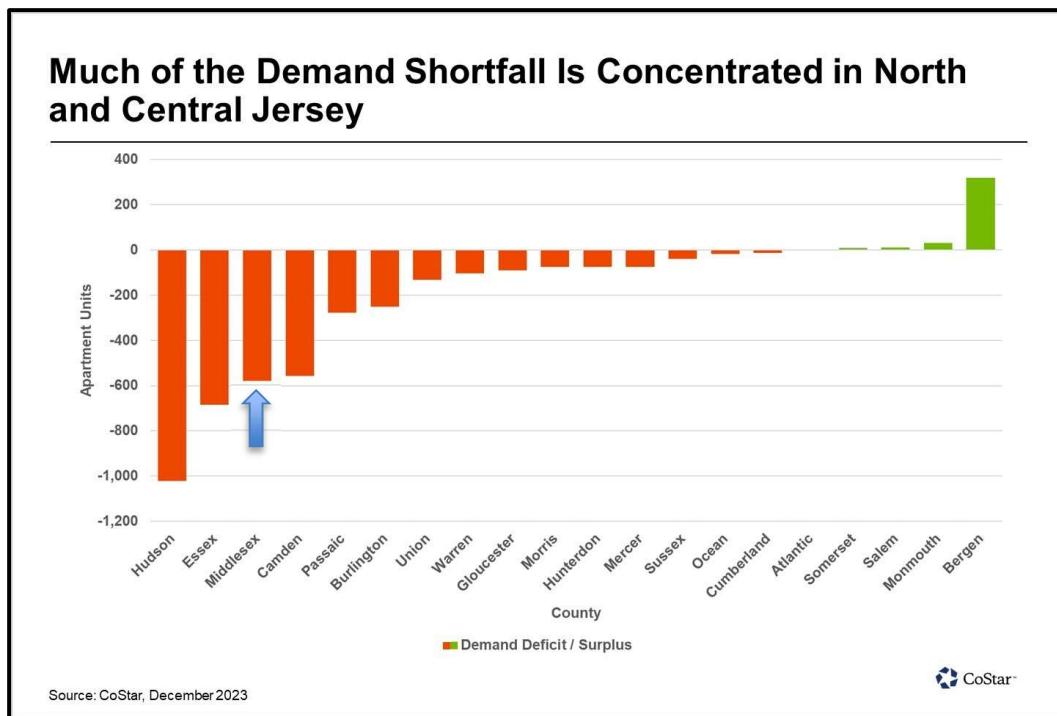


Figure 11: Demand Figures, Northern New Jersey

RENEWAL PROBABILITY

The probability of tenants renewing is an estimate from AvalonBay, at 50% across all units.

Tenants in larger units are more likely to re-lease because they are typically leased by families who tend to settle down longer than those in one bedroom units. The estimate for two and three-bedroom townhomes is 60% and 65%, respectively.

DISCOUNT RATE

The discount rate we used for the DCF model is 7.2%. This rate represents a basis of the current cap rate of 5.7% and an increase of 150 basis points as an industry standard adjustment to account for future income growth and additional risk. This rate is also consistent with the Integra Realty Resources 2024 Commercial Real Estate Trends Report, which estimates the rate to be between 7% and 7.25% for class A properties in Northern New Jersey.

SENSITIVITY ANALYSIS

For our sensitivity analysis, we set out to find the best, worst, and most likely scenarios given different driving variables within our discounted cash flow. Many of our assumptions are baseline for the 10-year holding period and are unlikely to change, so we wanted to focus on the inputs that are most likely to be variable throughout the holding period. Given this, we felt it would be best to focus on:

- Going out cap rate
- Vacancy Rate (First 2 Years)
- Expense Inflation
- Renewal Inflation (First 2 Years)
- Discount Rate

Given current market conditions and what we know of the near future, we felt that some of the drivers will be more variable for the next couple of years because we have more confidence in what the market will look like. Considering the unknown for years 3-10, we decided to establish just a baseline steady rate for these remaining years. Beginning with the going-out cap rate, our most likely estimation is that it'll be 6.35%, which comes from adding 50bps to the going-in cap rate of 5.85%. For the best and worst scenarios, we felt we wanted to subtract 20 bps from the most likely case to land on 6.15% for the best case, and then add 25bps for the worst case scenario.

For the Vacancy Rate over the next two years, we felt that given the current climate of multifamily within the U.S. but more specifically the Northern New Jersey area, the rate will be roughly 6.5% given the amount of new supply that will be hitting the market. For the rest of our holding period, we believe the market will normalize and it will go back to 5%, but for these two years, it's highly likely that the vacancy rate will jump. For our best-case scenario, we could see Old Bridge being so highly sought after that the new supply will not affect the vacancy rate and it will stay at 5%. For our worst-case scenario, we set the vacancy rate at 8%, which would be the result of a drastic reaction to the new supply and would leave Old Bridge seeking new renters.

For the expense inflation, much of it is based on our overall rent inflation per year. Given our rent inflation is set at 5% for renewing tenants, we felt placing expense inflation at 2.5% would be suitable considering it often is roughly half of the rent inflation. We adjusted it by 50 bps for the best and worst case, placing it at 2% for the best case and 3% for the worst case. Much of this would be based on how rent growth will fair over the next ten years, so we believe that the expense inflation will move proportionately with the rent inflation in either direction.

Renewal Inflation is another driver that is solely focused on the next two years due to the expected volatility of this variable given the state of the market. For our most likely scenario, we

have Renewal set at 5%, which is 200 bps lower than it has been in past years. This is because the overabundance of supply in the multifamily family would allow tenants to pursue other options if the renewal rate is too high for their preference. In our best-case scenario, we would keep the rate at 7%, and in our worst-case scenario, we would have to move it down to 3%, which is the rate we have for our long-term analysis.

As for the discount rate, it was best to view the incoming cap rate, which was 5.7%, and add roughly 150 bps to it to account for the risk of the property, as well as considering the desired return for the property. From this it is most likely that our discount rate would be 7.2% given these factors. For our worst case we would add more bps to the discount rate to account more for the future risk of the market which would lead to a rate of 7.6%. For the best case scenario, the discount rate would be 6.8% which would be the best for the current value of the property.

| | Best | Most Likely | Worst |
|------------------------------------|----------------------|----------------------|---------------------|
| Going Out Cap Rate | 6.15% | 6.35% | 6.6% |
| Vacancy Rate (First 2) | 5% | 6.5% | 8% |
| Expense Inflation | 2% | 2.5% | 3% |
| Renewal Inflation (First 2) | 7% | 5% | 3% |
| Discount Rate | 6.8% | 7.2% | 7.6% |
| | | | |
| Total PV | \$119,800,000 | \$109,000,000 | \$99,300,000 |
| Percent Change | 10% | - | 9% |

Figure 12: Sensitivity Analysis

FINAL VALUATION

To derive the final valuation of AvalonBay Old Bridge, we reconciled the three valuation approaches discussed throughout the report. A heavier weight was assigned to the Discounted Cash Flow approach since this is an income-generating property and our assumptions were carefully analyzed. With this, we found the weight of 80% was appropriate for the DCF method. Weights of 10% were assigned to the Direct Cap and Sales Comparison methods of valuation. We recognize their validity in calculating the final valuation, however the DCF model considers many more market factors that we believe more accurately represent the subject property's value. The final value of AvalonBay Old Bridge as of April 22, 2024, is **\$108,500,000**. Refer to *Figure 13* below to see the breakdown.

| Valuation Method | Value | Weight |
|-----------------------|----------------------|--------|
| DCF | \$109,000,000 | 80% |
| Direct Capitalization | \$106,300,000 | 10% |
| Sales Comparison | \$106,500,000 | 10% |
| Final Value | \$108,500,000 | 100% |

Figure 13: Final Valuation

APPENDIX

Exhibit 1: Cash Flow – Most Likely Case

Cash Flow - Most Likely

Avalon Old Bridge (Amounts in USD)

Jan, 2024 through Dec, 2034

| | Forecast | Forecast | Forecast |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------|---------------------|--------------------|
| | Year 1 Dec-2024 | Year 2 Dec-2025 | Year 3 Dec-2026 | Year 4 Dec-2027 | Year 5 Dec-2028 | Year 6 Dec-2029 | Year 7 Dec-2030 | Year 8 Dec-2031 | Year 9 Dec-2032 | Year 10 Dec-2033 | Year 11 Dec-2034 | Total |
| For the Years Ending | | | | | | | | | | | | |
| Multifamily Revenue | | | | | | | | | | | | |
| 1 Bed | 1,798,566 | 1,838,569 | 1,940,449 | 2,008,054 | 2,068,563 | 2,130,894 | 2,195,104 | 2,265,750 | 2,330,687 | 2,400,917 | 2,473,263 | 23,450,816 |
| 2 Bed | 3,480,444 | 3,557,106 | 3,762,541 | 3,894,319 | 4,011,148 | 4,131,483 | 4,255,427 | 4,383,090 | 4,514,583 | 4,650,020 | 4,789,521 | 45,429,683 |
| 3 Bed | 393,822 | 402,092 | 425,721 | 441,013 | 454,244 | 467,871 | 481,907 | 496,365 | 511,255 | 526,593 | 542,391 | 5,143,275 |
| 2 Bed TH | 1,406,988 | 1,438,325 | 1,522,852 | 1,576,998 | 1,624,308 | 1,673,037 | 1,723,228 | 1,774,925 | 1,828,173 | 1,883,018 | 1,939,508 | 18,391,359 |
| 3 Bed TH | 879,648 | 899,348 | 953,111 | 987,550 | 1,017,177 | 1,047,692 | 1,079,123 | 1,111,497 | 1,144,842 | 1,179,187 | 1,214,562 | 11,513,737 |
| Total Multifamily Revenue | 7,959,468 | 8,135,442 | 8,604,674 | 8,907,935 | 9,175,439 | 9,450,977 | 9,734,790 | 10,031,626 | 10,329,540 | 10,639,735 | 10,959,245 | 103,928,871 |
| Other Revenue | | | | | | | | | | | | |
| Pet Fees | 54,998 | 56,648 | 58,347 | 60,098 | 61,901 | 63,758 | 65,670 | 67,641 | 69,670 | 71,760 | 73,913 | 704,403 |
| Late Fees | 29,960 | 30,859 | 31,785 | 32,738 | 33,720 | 34,732 | 35,774 | 36,847 | 37,952 | 39,091 | 40,264 | 383,722 |
| Parking | 90,094 | 92,797 | 95,581 | 98,448 | 101,402 | 104,444 | 107,577 | 110,804 | 114,128 | 117,552 | 121,079 | 1,153,906 |
| Storage Fees | 19,902 | 20,499 | 21,114 | 21,747 | 22,400 | 23,072 | 23,764 | 24,477 | 25,211 | 25,968 | 26,747 | 254,901 |
| CAM Fees | 95,016 | 97,866 | 100,802 | 103,827 | 106,941 | 110,150 | 113,454 | 116,858 | 120,363 | 123,974 | 127,694 | 1,216,946 |
| Other Misc. Fees | 215,070 | 221,522 | 228,168 | 235,013 | 242,063 | 249,325 | 256,805 | 264,509 | 272,444 | 280,618 | 289,036 | 2,754,573 |
| Total Other Revenue | 505,040 | 520,191 | 535,797 | 551,871 | 568,427 | 585,480 | 603,044 | 621,135 | 639,770 | 658,963 | 678,732 | 6,468,449 |
| Potential Gross Revenue | 8,464,508 | 8,655,633 | 9,140,471 | 9,459,805 | 9,743,866 | 10,036,457 | 10,337,834 | 10,652,762 | 10,969,309 | 11,298,698 | 11,637,977 | 110,397,320 |
| Total Effective Revenue | 8,464,508 | 8,655,633 | 9,140,471 | 9,459,805 | 9,743,866 | 10,036,457 | 10,337,834 | 10,652,762 | 10,969,309 | 11,298,698 | 11,637,977 | 110,397,320 |
| Operating Expenses | | | | | | | | | | | | |
| Utilities | 150,000 | 153,750 | 157,594 | 161,534 | 165,572 | 169,711 | 173,954 | 178,303 | 182,760 | 187,329 | 192,013 | 1,872,520 |
| Payroll | 405,000 | 415,125 | 425,503 | 436,141 | 447,044 | 458,220 | 469,676 | 481,418 | 493,453 | 505,790 | 518,434 | 5,055,804 |
| Office Operations | 150,000 | 153,750 | 157,594 | 161,534 | 165,572 | 169,711 | 173,954 | 178,303 | 182,760 | 187,329 | 192,013 | 1,872,520 |
| Marketing | 45,000 | 46,125 | 47,278 | 48,460 | 49,672 | 50,913 | 52,186 | 53,491 | 54,828 | 56,199 | 57,604 | 561,756 |
| Landscaping | 200,000 | 205,000 | 210,125 | 215,378 | 220,763 | 226,282 | 231,939 | 237,737 | 243,681 | 249,773 | 256,017 | 2,496,693 |
| Redecorating | 45,000 | 46,125 | 47,278 | 48,460 | 49,672 | 50,913 | 52,186 | 53,491 | 54,828 | 56,199 | 57,604 | 561,756 |
| Maintenance | 235,000 | 240,875 | 246,897 | 253,069 | 259,396 | 265,881 | 272,528 | 279,341 | 286,325 | 293,483 | 300,820 | 2,933,615 |
| Taxes | 1,405,000 | 1,440,125 | 1,476,128 | 1,513,031 | 1,550,857 | 1,589,629 | 1,629,369 | 1,670,103 | 1,711,856 | 1,754,652 | 1,798,519 | 17,539,270 |
| Insurance | 50,000 | 51,250 | 52,531 | 53,845 | 55,191 | 56,570 | 57,985 | 59,434 | 60,920 | 62,443 | 64,004 | 624,173 |
| Total Operating Expenses | 2,685,000 | 2,752,125 | 2,820,928 | 2,891,451 | 2,963,738 | 3,037,831 | 3,113,777 | 3,191,621 | 3,271,412 | 3,353,197 | 3,437,027 | 33,518,107 |
| Net Operating Income | 5,779,508 | 5,903,508 | 6,319,543 | 6,568,354 | 6,780,129 | 6,998,626 | 7,224,057 | 7,461,140 | 7,697,897 | 7,945,501 | 8,200,950 | 76,879,213 |
| Cash Flow Before Debt Service | 5,779,508 | 5,903,508 | 6,319,543 | 6,568,354 | 6,780,129 | 6,998,626 | 7,224,057 | 7,461,140 | 7,697,897 | 7,945,501 | 8,200,950 | 76,879,213 |
| Cash Flow Available for Distribution | 5,779,508 | 5,903,508 | 6,319,543 | 6,568,354 | 6,780,129 | 6,998,626 | 7,224,057 | 7,461,140 | 7,697,897 | 7,945,501 | 8,200,950 | 76,879,213 |

Exhibit 2: Cash Flow Summary – Best Case

Cash Flow - Best

Avalon Old Bridge (Amounts in USD)

Jan, 2024 through Dec, 2034

| | Forecast | Forecast | Forecast |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------|---------------------|--------------------|
| For the Years Ending | Year 1 Dec-2024 | Year 2 Dec-2025 | Year 3 Dec-2026 | Year 4 Dec-2027 | Year 5 Dec-2028 | Year 6 Dec-2029 | Year 7 Dec-2030 | Year 8 Dec-2031 | Year 9 Dec-2032 | Year 10 Dec-2033 | Year 11 Dec-2034 | Total |
| Multifamily Revenue | | | | | | | | | | | | |
| 1 Bed | 1,827,420 | 1,877,561 | 1,969,448 | 2,047,410 | 2,109,104 | 2,172,657 | 2,238,125 | 2,310,156 | 2,376,366 | 2,447,972 | 2,521,736 | 23,897,955 |
| 2 Bed | 3,536,280 | 3,635,070 | 3,824,846 | 3,978,114 | 4,097,457 | 4,220,381 | 4,346,993 | 4,477,402 | 4,611,724 | 4,750,076 | 4,892,578 | 46,370,923 |
| 3 Bed | 400,140 | 410,944 | 433,212 | 451,346 | 464,886 | 478,833 | 493,198 | 507,994 | 523,233 | 538,930 | 555,098 | 5,257,813 |
| 2 Bed TH | 1,429,560 | 1,470,497 | 1,550,195 | 1,613,944 | 1,662,363 | 1,712,234 | 1,763,601 | 1,816,509 | 1,871,004 | 1,927,134 | 1,984,948 | 18,801,988 |
| 3 Bed TH | 893,760 | 919,828 | 971,508 | 1,012,567 | 1,042,944 | 1,074,233 | 1,106,460 | 1,139,653 | 1,173,843 | 1,209,058 | 1,245,330 | 11,789,184 |
| Total Multifamily Revenue | 8,087,160 | 8,313,900 | 8,749,209 | 9,103,381 | 9,376,754 | 9,658,337 | 9,948,376 | 10,251,714 | 10,556,170 | 10,873,171 | 11,199,691 | 106,117,862 |
| Other Revenue | | | | | | | | | | | | |
| Pet Fees | 54,998 | 56,648 | 58,347 | 60,098 | 61,901 | 63,758 | 65,670 | 67,641 | 69,670 | 71,760 | 73,913 | 704,403 |
| Late Fees | 29,960 | 30,859 | 31,785 | 32,738 | 33,720 | 34,732 | 35,774 | 36,847 | 37,952 | 39,091 | 40,264 | 383,722 |
| Parking | 90,094 | 92,797 | 95,581 | 98,448 | 101,402 | 104,444 | 107,577 | 110,804 | 114,128 | 117,552 | 121,079 | 1,153,906 |
| Storage Fees | 19,902 | 20,499 | 21,114 | 21,747 | 22,400 | 23,072 | 23,764 | 24,477 | 25,211 | 25,968 | 26,747 | 254,901 |
| CAM Fees | 95,016 | 97,866 | 100,802 | 103,827 | 106,941 | 110,150 | 113,454 | 116,858 | 120,363 | 123,974 | 127,694 | 1,216,946 |
| Other Misc. Fees | 215,070 | 221,522 | 228,168 | 235,013 | 242,063 | 249,325 | 256,805 | 264,509 | 272,444 | 280,618 | 289,036 | 2,754,573 |
| Total Other Revenue | 505,040 | 520,191 | 535,797 | 551,871 | 568,427 | 585,480 | 603,044 | 621,135 | 639,770 | 658,963 | 678,732 | 6,468,449 |
| Potential Gross Revenue | 8,592,200 | 8,834,092 | 9,285,006 | 9,655,252 | 9,945,181 | 10,243,817 | 10,551,420 | 10,872,849 | 11,195,940 | 11,532,133 | 11,878,422 | 112,586,312 |
| Total Effective Revenue | 8,592,200 | 8,834,092 | 9,285,006 | 9,655,252 | 9,945,181 | 10,243,817 | 10,551,420 | 10,872,849 | 11,195,940 | 11,532,133 | 11,878,422 | 112,586,312 |
| Operating Expenses | | | | | | | | | | | | |
| Utilities | 150,000 | 153,000 | 156,060 | 159,181 | 162,365 | 165,612 | 168,924 | 172,303 | 175,749 | 179,264 | 182,849 | 1,825,307 |
| Payroll | 405,000 | 413,100 | 421,362 | 429,789 | 438,385 | 447,153 | 456,096 | 465,218 | 474,522 | 484,012 | 493,693 | 4,928,330 |
| Office Operations | 150,000 | 153,000 | 156,060 | 159,181 | 162,365 | 165,612 | 168,924 | 172,303 | 175,749 | 179,264 | 182,849 | 1,825,307 |
| Marketing | 45,000 | 45,900 | 46,818 | 47,754 | 48,709 | 49,684 | 50,677 | 51,691 | 52,725 | 53,779 | 54,855 | 547,592 |
| Landscaping | 200,000 | 204,000 | 208,080 | 212,242 | 216,486 | 220,816 | 225,232 | 229,737 | 234,332 | 239,019 | 243,799 | 2,433,743 |
| Redecorating | 45,000 | 45,900 | 46,818 | 47,754 | 48,709 | 49,684 | 50,677 | 51,691 | 52,725 | 53,779 | 54,855 | 547,592 |
| Maintenance | 235,000 | 239,700 | 244,494 | 249,384 | 254,372 | 259,459 | 264,648 | 269,941 | 275,340 | 280,847 | 286,464 | 2,859,648 |
| Taxes | 1,405,000 | 1,433,100 | 1,461,762 | 1,490,997 | 1,520,817 | 1,551,234 | 1,582,258 | 1,613,903 | 1,646,181 | 1,679,105 | 1,712,687 | 17,097,045 |
| Insurance | 50,000 | 51,000 | 52,020 | 53,060 | 54,122 | 55,204 | 56,308 | 57,434 | 58,583 | 59,755 | 60,950 | 608,436 |
| Total Operating Expenses | 2,685,000 | 2,738,700 | 2,793,474 | 2,849,343 | 2,906,330 | 2,964,457 | 3,023,746 | 3,084,221 | 3,145,905 | 3,208,824 | 3,273,000 | 32,673,001 |
| Net Operating Income | 5,907,200 | 6,095,392 | 6,491,532 | 6,805,908 | 7,038,851 | 7,279,360 | 7,527,674 | 7,788,628 | 8,050,034 | 8,323,310 | 8,605,422 | 79,913,311 |
| Cash Flow Before Debt Service | 5,907,200 | 6,095,392 | 6,491,532 | 6,805,908 | 7,038,851 | 7,279,360 | 7,527,674 | 7,788,628 | 8,050,034 | 8,323,310 | 8,605,422 | 79,913,311 |
| Cash Flow Available for Distribution | 5,907,200 | 6,095,392 | 6,491,532 | 6,805,908 | 7,038,851 | 7,279,360 | 7,527,674 | 7,788,628 | 8,050,034 | 8,323,310 | 8,605,422 | 79,913,311 |

Exhibit 3: Cash Flow Summary – Worst Case

Cash Flow - Worst

Avalon Old Bridge (Amounts in USD)

Jan, 2024 through Dec, 2034

| | Forecast | Forecast | Forecast |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------|---------------------|--------------------|
| For the Years Ending | Year 1 Dec-2024 | Year 2 Dec-2025 | Year 3 Dec-2026 | Year 4 Dec-2027 | Year 5 Dec-2028 | Year 6 Dec-2029 | Year 7 Dec-2030 | Year 8 Dec-2031 | Year 9 Dec-2032 | Year 10 Dec-2033 | Year 11 Dec-2034 | Total |
| Multifamily Revenue | | | | | | | | | | | | |
| 1 Bed | 1,769,712 | 1,799,877 | 1,911,832 | 1,969,441 | 2,028,786 | 2,089,919 | 2,152,894 | 2,222,182 | 2,285,870 | 2,354,750 | 2,425,705 | 23,010,969 |
| 2 Bed | 3,424,608 | 3,479,802 | 3,701,073 | 3,812,105 | 3,926,468 | 4,044,262 | 4,165,590 | 4,290,557 | 4,419,274 | 4,551,852 | 4,688,408 | 44,503,999 |
| 3 Bed | 387,504 | 393,317 | 418,326 | 430,876 | 443,802 | 457,117 | 470,830 | 484,955 | 499,504 | 514,489 | 529,923 | 5,030,642 |
| 2 Bed TH | 1,384,416 | 1,406,441 | 1,495,872 | 1,540,748 | 1,586,971 | 1,634,580 | 1,683,617 | 1,734,126 | 1,786,150 | 1,839,734 | 1,894,926 | 17,987,580 |
| 3 Bed TH | 865,536 | 879,060 | 934,957 | 963,005 | 991,896 | 1,021,652 | 1,052,302 | 1,083,871 | 1,116,387 | 1,149,879 | 1,184,375 | 11,242,921 |
| Total Multifamily Revenue | 7,831,776 | 7,958,497 | 8,462,060 | 8,716,176 | 8,977,923 | 9,247,530 | 9,525,233 | 9,815,691 | 10,107,185 | 10,410,704 | 10,723,337 | 101,776,112 |
| Other Revenue | | | | | | | | | | | | |
| Pet Fees | 54,998 | 56,648 | 58,347 | 60,098 | 61,901 | 63,758 | 65,670 | 67,641 | 69,670 | 71,760 | 73,913 | 704,403 |
| Late Fees | 29,960 | 30,859 | 31,785 | 32,738 | 33,720 | 34,732 | 35,774 | 36,847 | 37,952 | 39,091 | 40,264 | 383,722 |
| Parking | 90,094 | 92,797 | 95,581 | 98,448 | 101,402 | 104,444 | 107,577 | 110,804 | 114,128 | 117,552 | 121,079 | 1,153,906 |
| Storage Fees | 19,902 | 20,499 | 21,114 | 21,747 | 22,400 | 23,072 | 23,764 | 24,477 | 25,211 | 25,968 | 26,747 | 254,901 |
| CAM Fees | 95,016 | 97,866 | 100,802 | 103,827 | 106,941 | 110,150 | 113,454 | 116,858 | 120,363 | 123,974 | 127,694 | 1,216,946 |
| Other Misc. Fees | 215,070 | 221,522 | 228,168 | 235,013 | 242,063 | 249,325 | 256,805 | 264,509 | 272,444 | 280,618 | 289,036 | 2,754,573 |
| Total Other Revenue | 505,040 | 520,191 | 535,797 | 551,871 | 568,427 | 585,480 | 603,044 | 621,135 | 639,770 | 658,963 | 678,732 | 6,468,449 |
| Potential Gross Revenue | 8,336,816 | 8,478,688 | 8,997,857 | 9,268,047 | 9,546,350 | 9,833,010 | 10,128,278 | 10,436,827 | 10,746,954 | 11,069,666 | 11,402,069 | 108,244,561 |
| Total Effective Revenue | 8,336,816 | 8,478,688 | 8,997,857 | 9,268,047 | 9,546,350 | 9,833,010 | 10,128,278 | 10,436,827 | 10,746,954 | 11,069,666 | 11,402,069 | 108,244,561 |
| Operating Expenses | | | | | | | | | | | | |
| Utilities | 150,000 | 154,500 | 159,135 | 163,909 | 168,826 | 173,891 | 179,108 | 184,481 | 190,016 | 195,716 | 201,587 | 1,921,169 |
| Payroll | 405,000 | 417,150 | 429,665 | 442,554 | 455,831 | 469,506 | 483,591 | 498,099 | 513,042 | 528,433 | 544,286 | 5,187,157 |
| Office Operations | 150,000 | 154,500 | 159,135 | 163,909 | 168,826 | 173,891 | 179,108 | 184,481 | 190,016 | 195,716 | 201,587 | 1,921,169 |
| Marketing | 45,000 | 46,350 | 47,741 | 49,173 | 50,648 | 52,167 | 53,732 | 55,344 | 57,005 | 58,715 | 60,476 | 576,351 |
| Landscape | 200,000 | 206,000 | 212,180 | 218,545 | 225,102 | 231,855 | 238,810 | 245,975 | 253,354 | 260,955 | 268,783 | 2,561,559 |
| Redecorating | 45,000 | 46,350 | 47,741 | 49,173 | 50,648 | 52,167 | 53,732 | 55,344 | 57,005 | 58,715 | 60,476 | 576,351 |
| Maintenance | 235,000 | 242,050 | 249,312 | 256,791 | 264,495 | 272,429 | 280,602 | 289,020 | 297,691 | 306,622 | 315,820 | 3,009,832 |
| Taxes | 1,405,000 | 1,447,150 | 1,490,565 | 1,535,281 | 1,581,340 | 1,628,780 | 1,677,643 | 1,727,973 | 1,779,812 | 1,833,206 | 1,888,203 | 17,994,953 |
| Insurance | 50,000 | 51,500 | 53,045 | 54,636 | 56,275 | 57,964 | 59,703 | 61,494 | 63,339 | 65,239 | 67,196 | 640,390 |
| Total Operating Expenses | 2,685,000 | 2,765,550 | 2,848,517 | 2,933,972 | 3,021,991 | 3,112,651 | 3,206,030 | 3,302,211 | 3,401,278 | 3,503,316 | 3,608,415 | 34,388,931 |
| Net Operating Income | 5,651,816 | 5,713,138 | 6,149,341 | 6,334,075 | 6,524,359 | 6,720,359 | 6,922,247 | 7,134,615 | 7,345,677 | 7,566,350 | 7,793,653 | 73,855,630 |
| Cash Flow Before Debt Service | 5,651,816 | 5,713,138 | 6,149,341 | 6,334,075 | 6,524,359 | 6,720,359 | 6,922,247 | 7,134,615 | 7,345,677 | 7,566,350 | 7,793,653 | 73,855,630 |
| Cash Flow Available for Distribution | 5,651,816 | 5,713,138 | 6,149,341 | 6,334,075 | 6,524,359 | 6,720,359 | 6,922,247 | 7,134,615 | 7,345,677 | 7,566,350 | 7,793,653 | 73,855,630 |



Exhibit 4: AvalonBay Old Bridge Income Statement

| Avalon Old Bridge | | | |
|---------------------------------|---------|--------------------|-----------------|
| | # Units | Annual \$ | Per Home |
| Average Rents | | | |
| 1 Bed | 62 | \$2,083,200 | \$2,800 |
| 2 Bed | 94 | \$3,722,400 | \$3,300 |
| 3 Bed | 9 | \$421,200 | \$3,900 |
| 2 Bed TH | 33 | \$1,504,800 | \$3,800 |
| 3 Bed TH | 16 | \$940,800 | \$4,900 |
| Total | 214 | \$8,672,400 | \$3,400 |
| Annual Financials | | | |
| Rent | | \$8,672,400 | \$40,525 |
| Vacancy | | -\$435,000 | -\$2,033 |
| Net Base Rental Revenue | | \$8,237,400 | \$38,493 |
| Pet Fees | | \$55,000 | \$257 |
| Late Fees | | \$30,000 | \$140 |
| Parking | | \$90,000 | \$421 |
| Storage Fees | | \$20,000 | \$93 |
| Common Area Fees | | \$95,000 | \$444 |
| Other Miscellaneous Income | | \$215,000 | \$1,005 |
| Total Other Rental Revenue | | \$505,000 | \$2,360 |
| TOTAL REVENUE | | \$8,742,400 | \$40,852 |
| Total Payroll | | \$405,000 | \$1,893 |
| Total Office Operations | | \$150,000 | \$701 |
| Total Marketing | | \$45,000 | \$210 |
| Total Utilities | | \$150,000 | \$701 |
| Total Landscaping | | \$200,000 | \$935 |
| Total Redecorating | | \$45,000 | \$210 |
| Total Repair & Maintenance | | \$235,000 | \$1,098 |
| Total Taxes | | \$1,405,000 | \$6,565 |
| Total Insurance | | \$50,000 | \$234 |
| TOTAL OPERATING EXPENSES | | \$2,685,000 | \$12,547 |
| NET OPERATING INCOME | | \$6,057,400 | \$28,306 |

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