**EXECUTIVE SUMMARY**

**Sonoma Terrace Apts.**

**Anywhere, USA**

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**THIS EXECUTIVE SUMMARY IS NOT TO BE CONSTRUED AS AN OFFERING FOR INVESTMENT. RATHER, IT IS PROVIDED SOLELY FOR INFORMATIONAL PURPOSES.**

**This Executive Summary was prepared by Sonoma Terrace Apts.**

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**Sonoma Terrace Apts, LLC**

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 **S**onoma **T**errace **A**pts

# **Project Summary**

The **Sonoma Terrace Apts LLC** project is a 100 unit apartment complex in a distinguished gated community located on the Northwest side of Sometown, 4 miles from Downtown, in the prestigious Fountains Vista area. The property has been poorly managed and severely under-capitalized over the last five years. The result is an asset that offers tremendous potential for Sonoma Terrace Apts LLCand its Partners to purchase the property substantially below-market, renovate the property and re-position the asset in a thriving marketplace. The resulting re-positioning will create an asset that provides cash flow to Partners, substantial growth in equity and considerable benefits of tax deferral. The property will be purchased for **$3,200,000 or $32,000 per door**, which is an under-market value-buy in the Fountain Vista area. The property will be purchased with a bridge loan through World Capital Corporation.

# **Project Value**

The Project Value is based on two factors: 1) Recent comparable apartments sold in the immediate area and 2) current capitalization rates for apartments sold within the last 6 months. Based on comparable apartment sales, the “as-is” value of the project is conservatively between $3.5MIL and $3.7MIL upon acquisition. And once rehabbed and repositioned, the conservative value would be between **$4,900,000 to $5,100,000**.

# **Market Indicators**

Sonoma Terrace Apts is a solidly built and historical C class property located in a superior A Class area, along with the finest restaurants, shopping centers, and schools. This market area consists of mostly "A" and "B" class residential and commercial complexes. Attractive unit-mix of one, two, and three bedroom units. Current rents are $150-$300 below market rents based on a current market rent survey, giving potential to increase net operating income significantly.

With the extremely high barriers of entry for new construction in the Fountains Vista area along with the high demand for affordable housing, the Sonoma Terrace Apts project is poised for ultimate market success. Additionally, occupancy is running at nearly 100% in apartment complexes in the immediate area. With the opportunity to acquire this property at such an excellent price per door at this time, the profit potential is exceptionally strong in the short and long term.

# **Exit Strategies**

Below, is a clear, concise, and conservative exit strategy.

**Exit Strategy:** Hold as cash-flowing apartment rentals and sell when market cycle upturns – 5 to 7 years.

Sonoma Terrace Apts is in a unique and very strong cash flow position with the ability to raise rents $150-$300 per unit reflecting the current market rates, while still maintaining a competitive advantage over local competition. At the time of purchase, the capitalization rate based on actual property financials is 9.6%. After completing the improvements and implementing new property management in 18 months after acquisition, the cap rate is projected to be 6.5% which corresponds to a market value of $5,000,000. This figure is still below current market values of similar apartment complexes, meaning that there’s more room to grow. Anticipated **project profit is $2,300,000** (including annual cash flow) at sale after commissions and closing costs.

In summary, the Sonoma Terrace Apts project is clearly in demand and is designed and managed to succeed.

I invite your feedback and interest regarding this brief summary of the plan to purchase the Sonoma Terrace Apts. Please feel free to call me with any questions or to request more information.

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