

THIS IS NOT AN APPRAISAL

Commercial Evaluation Report

Property located at
4505 Wooddale
Memphis, Tennessee 38118

Prepared For:
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Subject Property

Address: 4505 Wooddale, Memphis, Tennessee

Owner of Record

South Beale Group. LLC
1805 N. Carson St.
Suite 424
Carson City, Nevada 89701 1216

Scope of the Evaluation

This report is an evaluation and not an appraisal. The intended use of this report is to determine an estimate of the market value of the subject property for the benefit of the client. This evaluation report is intended solely for internal use by the client.

The significant element of this evaluation includes the following; External drive-by inspection of the subject property and immediate neighborhood, analysis of the local market data and an analysis of all data provided to the evaluator by the client resulting in an estimate of the subject market value as of the effective date of this evaluation.

Date of Evaluation

March 20, 2018

Property Description

The property is four to five miles from the Memphis Airport and the Federal Express main sort hub. Federal Express remains one of the largest employers in the metropolitan Memphis area and the subject is ideally located for employees choosing to work in this area

The subject property is located just off Winchester Road, a major east/west corridor for local traffic. Approximately one mile to the east is a large array of commercial locations including eating facilities, groceries and other amenities

The property contains 12.81 acres of land which is bisected by a Tennessee Valley Authority electrical easement on the west side of the property behind the leasing office. The parcel consists of 173 townhomes in very average condition. The data provided show that there is a 69.9% occupancy rate producing \$55,726 in monthly income.

Market Observations

The apartments in the closest proximity to the subject property: Ten Mile Creek, Woodlake, Clear brook Village, and Wingood Manor are offering one bedroom units that average \$455.00 per month and two bedroom units that average \$623 per month. These comparables are superior to the subject property and provide more security

The subject property offers one bedroom for \$399.00 and two bedroom for \$499.00.

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All but one has both washer and dryer connections with one providing a washer and dryer. All but one has fully furnished kitchen appliances. Two have pools. Lease arrangements are typically twelve months with one offering a choice of seven or twelve month lease arrangements

All comparable property's had rental office open daily Monday through Saturday from 8:00 am to 5:00 or 6:00 pm.

Value Calculations

Occupancy 69.9% x 173 units = 121 units leased

Vacancy 30.1% x 173 units = 52 units vacant

Assumptions

Data received from the client in e-mail dated 12/12/17 was utilized in the compilation of this evaluation report.

The data proved shows a 69.9% occupancy rate producing \$55,726.00 in monthly income.

The total of past due rents and collections amounts to \$58,640.14 and should be considered for any purchase but is not considered in this report.

Current Income

Income
\$626,224.00

Expense
\$530,934.00

Income over expense
\$95,290.00

Final Evaluation of Property
\$600,000.00 - \$675,000.00

Potential Income Assumptions

If fully renovated the projected monthly income would be \$82,628.00

The cost of renovation due to vandalism, water damage, etc. is estimated to be between \$7,000.00 and \$15,000.00 per unit. The unit renovation factor observed visually March 14, 2018 suggests \$9,000.00 renovation cost per unit. Accordingly, total renovation would cost; \$9,000.00 x 52 units or \$494,000.00.

Expenses assumed to increase by 10% per year during renovation period due to increased leasing activity. Renovation period estimated at twenty-four months to complete.

Potential Projected Income - 2020

Income
\$991,536.00

Expenses
\$692,429.00

Income over expense
\$299,107.00

Evaluation of Property Using Potential Income

\$2,200,000.00 to \$2,600,000.00

