

**DEVELOPER PROFORMA FOR OFFICE AND RETAIL DEVELOPMENT DEVELOPMENT**

(see notes re use in "Read Me First Tab")

**1.0 Underlying Assumptions**

**1.1 Development Characteristics**

Site Area:	1.000 Acres or	43,560 sq.ft.
Floor Space Ratio:	3.000 FSR	
Maximum Gross Building Area	130,680	sq.ft.
Office Building Footprint	12,000	
Number of Stories	11	stories
Building Efficiency	87	%
Total Rentable Area	113,692	sq.ft.
Office Space @	95	%, or 108,007 sq.ft.
Retail Space @	5	%, or 5,685 sq.ft.
Office Parking Rqmt, one space per	1,000	sq.ft. 113,692 sq.ft.
Retail Parking Rqmt, one space per	500	sq.ft.
Number Parking Stalls	119	

Check Site Use	
Footprint	12,000
Plaza	25,000
Parking/Load	2,000
Landscaping	4,333
Total	43,333
Site Area	43,560
(Over)/Under	227

**1.2 Assumptions Underlying Value**

Rentable Area, Office	108,007	sq.ft.
Office Rental Rate	35.00	/sq.ft.
Rentable Area, Retail	5,685	sq.ft.
Retail Rental Rate	40.00	/sq.ft.
Vacancy, Office	5.00	%
Vacancy, Retail	0.00	%
Monthly Income per Office Parking Stalls	250	per stall
Rentable Space Operating Costs per sq.ft.	18.00	/sq.ft.
Owner's Structural Reserve, % EGI	1.00	%
Parking Operating Expenses, % Gross Revenue	10.00	%
Disposition (sale) Costs, % Gross Value	3.00	%
Capitalization rate, end of lease-up	9.00	%

**1.3 Land Acquisition**

	<u>Land (SF)</u>	<u>Land Value Per</u>		
		<u>Sf Land</u>	<u>SF GBA</u>	
Cost of land	43,560	150.00	50.00	6,534,000

**1.4 Construction Cost Assumptions**

Off-site costs	200,000
Demolition and site preparation	150,000
Building Cost/sq.ft.	190.00
Parking Cost/Stall	25,000
Servicing connections	30,000
Office TI/sq.ft.	25.00
Retail TI/sq.ft.	50.00
Planning Time	6 months
Construction Time	15 months

**1.5 Financing Assumptions**

**Construction Financing**

Land Loan, Loan to Value Ratio	60.00	%
Land Loan, Interest Rate	6.50	%
Construction Loan, Loan to Cost Ratio	75.00	%
Construction Loan, Interest Rate	6.50	%

**Take out financing**

Debt Service Coverage Ratio	1.25	
Stated Annual Interest Rate	6.50	%
Amortization Period	25	years
Mortgage Constant	8.03789	
Take Out Financing Advanced	8	months after completion of construction

**Interest on Development Equity**

10.00 %

**DEVELOPER PROFORMA FOR OFFICE AND RETAIL DEVELOPMENT DEVELOPMENT****2.1 Value on Completion**

Potential Gross Income			
Office	3,780,246		
Retail	227,383		
Parking	<u>358,129</u>		
Potential Gross Income		4,365,757	
Less Vacancy		<u>189,012</u>	
Equals Effective Gross Income		4,176,745	
Less Investor's Operating Costs on Vacant Space		97,206	
Less Structural Reserve		41,767	
Less Parking Expenses		35,813	
Equals NOI		4,001,959	
Capitalization Rate		<u>9.00</u>	%
Indicated Value on Completion, Investor Holds		44,466,206	
Less Sales Costs @ 3.00 %		<u>1,333,986</u>	
Indicated Value on Completion, Investor Sells at Completion of Lease-up		43,132,220	

**2.0 Project Cost****2.1 Land Cost**

Purchase Price		6,534,000	
Property Transfer Tax		128,680	
Other Costs		<u>50,000</u>	
Total Land Acquisition Cost			6,712,680

**2.2 Construction Costs**

Offsite costs		200,000	
Demolition and site preparation		150,000	
Building		24,829,200	
Parking		2,984,405	
Servicing connections		30,000	
Tenant Improvements		2,984,405	
Contingency @ 3 %		<u>935,340</u>	
Total Construction Cost			32,113,349

**2.3 Development Costs**

A/E (architects+engineers)	4.00 %	1,284,534	
Other consultants (plan., traffic, testing, soils, enviro, etc.)	1.00	321,133	
Const.+ Development Proj. Mgmt.	2.00 %	997,221	
Legal, survey and accounting		50,000	
Financing Fees (% Construction Costs)	0.50 %	249,305	
Lease Commission (% 1st year NOI)	20.00 %	835,349	
Insurance		100,000	
Research and Appraisal		40,000	
Development and Building Permit Fees		100,000	
Rezoning		125,000	
Marketing and promotion		250,000	
Utilities and operating costs during construction		15,000	
DCC's per Sq.Ft.	1.80	235,224	
Amenity Costs per Sq.Ft.	2.80	365,904	
Taxes During Construction @ 24.600 tax rate		388,446	
Overhead	2.00 %	997,221	
Miscellaneous development costs	0.00 %	0	
Contingency	10.00 %	<u>635,434</u>	
Total Development Costs			6,989,772

**2.4 Interest**

Interest Cost, Equity Investment	Included? Y/N	y	1,585,738	
Interest Cost, Land Financing			632,670	
Interest Cost, Construction Financing			<u>1,826,849</u>	
Total Interest Cost				4,045,257

**2.5 Total Project Costs**

49,861,059

**DEVELOPER PROFORMA FOR OFFICE AND RETAIL DEVELOPMENT DEVELOPMENT**

**3.0 Short Term Yield Indicators**

**3.1 Profit on Sale of Project at Completion of Construction**

	<u>Profit on Costs</u>	<u>Profit on Equity</u>	<u>Cost</u>	<u>Equity %</u>	<u>Equity \$'s</u>
Value at completion	43,132,220	Equity - Land	6,712,680	40	2,685,072
Project Costs	49,861,059	Equity - Construction	43,148,379	25	<u>10,787,095</u>
Profit - \$'s	(6,728,839)	Total Equity			13,472,167
Profit - %	-13.50 %	Profit-\$'s			(6,728,839)
		Profit-% to Equity Investment			-49.95 %

**3.2 NOI/Project Cost**

NOI	4,001,959
Project Cost	49,861,059
NOI/Cost (%)	8.03 %

**3.3 Cash on Cash, investor holds**

Project Cost	49,861,059
Take Out Financing	<u>39,830,959</u>
Equity	10,030,100
Net income	4,001,959
Less mortgage payments	<u>3,201,567</u>
Cash flow	800,392
Cash flow/equity (%)	7.98 %

**4.0 Project Viability, Discounted Cash Flow, All Cash Equity (Unleveraged)**

<b>4.1 Cash Flow</b>	<u>Year 0</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>	<u>Year 9</u>	<u>Year 10</u>	<u>Year 11</u>	<u>Year 12</u>	<u>Year 13</u>	<u>Year 14</u>
Net Revenues	0	2,161,050	3,889,890	4,105,995	4,105,995	4,105,995	4,215,442	4,315,442	4,315,442	4,315,442	4,315,442	4,435,573	4,535,573	4,535,573	4,535,573
Capital Costs	<u>(53,833,567)</u>	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash Flow	(53,833,567)	2,161,050	3,889,890	4,105,995	4,105,995	4,105,995	4,215,442	4,315,442	4,315,442	4,315,442	4,315,442	4,435,573	4,535,573	4,535,573	4,535,573
	<u>Disc. Rate</u>														
<b>4.2 Net Present Value</b>	10.00%	(11,387,485)													
<b>4.3 Simple Internal Rate of Return</b>		7.91%													

**5.0 Project Cash Flow, Leveraged Equity (equity and construction financing)**

**5.1 Revenues**

Annual escalation, gross revenue	1 % per annum														
	<u>Year 0</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>	<u>Year 9</u>	<u>Year 10</u>	<u>Year 11</u>	<u>Year 12</u>	<u>Year 13</u>	<u>Year 14</u>
Gross revenue potential, 100% occupancy	0	4,365,757	4,365,757	4,365,757	4,365,757	4,365,757	4,588,455	4,588,455	4,588,455	4,588,455	4,588,455	4,822,512	4,822,512	4,822,512	4,822,512
Less vacancy - %	0	50%	10%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
- \$	0	<u>2,182,879</u>	<u>436,576</u>	<u>218,288</u>	<u>218,288</u>	<u>218,288</u>	<u>229,423</u>	<u>229,423</u>	<u>229,423</u>	<u>229,423</u>	<u>229,423</u>	<u>241,126</u>	<u>241,126</u>	<u>241,126</u>	<u>241,126</u>
Equals effective gross income	0	2,182,879	3,929,182	4,147,470	4,147,470	4,147,470	4,359,032	4,359,032	4,359,032	4,359,032	4,359,032	4,581,387	4,581,387	4,581,387	4,581,387
Investor's Operating Costs (structural reserve)	0	<u>21,829</u>	<u>39,292</u>	<u>41,475</u>	<u>41,475</u>	<u>41,475</u>	<u>43,590</u>	<u>43,590</u>	<u>43,590</u>	<u>43,590</u>	<u>43,590</u>	<u>45,814</u>	<u>45,814</u>	<u>45,814</u>	<u>45,814</u>
Net Operating Income	0	2,161,050	3,889,890	4,105,995	4,105,995	4,105,995	4,315,442	4,315,442	4,315,442	4,315,442	4,315,442	4,535,573	4,535,573	4,535,573	4,535,573
Sale of Property @ Year 30, cap rate (%) =	9.00	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total revenues	0	2,161,050	3,889,890	4,105,995	4,105,995	4,105,995	4,315,442	4,315,442	4,315,442	4,315,442	4,315,442	4,535,573	4,535,573	4,535,573	4,535,573

**5.2 Other Expenditures**

Equity Investment	10,030,100	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Mortgage payments (not automated)		3,201,567	3,201,567	3,201,567	3,201,567	3,201,567	3,201,567	3,201,567	3,201,567	3,201,567	3,201,567	3,201,567	3,201,567	3,201,567	3,201,567
Additional tenant improvements (at 5 year lease renewals)		0	0	0	0	0	<u>100,000</u>	0	0	0	0	<u>100,000</u>	0	0	0
Total other expenditures	10,030,100	3,201,567	3,201,567	3,201,567	3,201,567	3,201,567	3,301,567	3,201,567	3,201,567	3,201,567	3,201,567	3,301,567	3,201,567	3,201,567	3,201,567

<b>5.3 Total Cash Flow</b>	(10,030,100)	(1,040,517)	688,323	904,428	904,428	904,428	1,013,875	1,113,875	1,113,875	1,113,875	1,113,875	1,234,006	1,334,006	1,334,006	1,334,006
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**5.4 Net Present Value**

Discount rate	10.00 %
Net present value	3,355,231

**5.5 Internal Rate of Return**

11.81%

**DEVELOPER PROFORMA FOR OFFICE AND RE**

**3.0 Short Term Yield Indicators**

**3.1 Profit on Sale of Project at Completion of Co**

Value at completion  
Project Costs  
Profit - \$'s  
Profit - %

**3.2 NOI/Project Cost**

NOI  
Project Cost  
NOI/Cost (%)

**3.3 Cash on Cash, investor holds**

Project Cost  
Take Out Financing  
Equity  
  
Net income  
Less mortgage payments  
Cash flow  
  
Cash flow/equity (%)

**4.0 Project Viability, Discounted Cash Flow, All**

<b>4.1 Cash Flow</b>	<b>Year 15</b>	<b>Year 16</b>	<b>Year 17</b>	<b>Year 18</b>	<b>Year 19</b>	<b>Year 20</b>	<b>Year 21</b>	<b>Year 22</b>	<b>Year 23</b>	<b>Year 24</b>	<b>Year 25</b>	<b>Year 26</b>	<b>Year 27</b>	<b>Year 28</b>	<b>Year 29</b>	<b>Year 30</b>
Net Revenues	4,535,573	4,666,933	4,766,933	4,766,933	4,766,933	4,766,933	4,910,094	5,010,094	5,010,094	5,010,094	5,010,094	5,165,659	5,265,659	5,265,659	5,265,659	60,847,617
Capital Costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash Flow	4,535,573	4,666,933	4,766,933	4,766,933	4,766,933	4,766,933	4,910,094	5,010,094	5,010,094	5,010,094	5,010,094	5,165,659	5,265,659	5,265,659	5,265,659	60,847,617

**4.2 Net Present Value**

**4.3 Simple Internal Rate of Return**

**5.0 Project Cash Flow, Leveraged Equity (equity)**

<b>5.1 Revenues</b>	<b>Year 15</b>	<b>Year 16</b>	<b>Year 17</b>	<b>Year 18</b>	<b>Year 19</b>	<b>Year 20</b>	<b>Year 21</b>	<b>Year 22</b>	<b>Year 23</b>	<b>Year 24</b>	<b>Year 25</b>	<b>Year 26</b>	<b>Year 27</b>	<b>Year 28</b>	<b>Year 29</b>	<b>Year 30</b>
Annual escalation, gross revenue																
Gross revenue potential, 100% occupancy	4,822,512	5,068,509	5,068,509	5,068,509	5,068,509	5,068,509	5,327,054	5,327,054	5,327,054	5,327,054	5,327,054	5,598,787	5,598,787	5,598,787	5,598,787	5,598,787
Less vacancy - %	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
- \$	<u>241,126</u>	<u>253,425</u>	<u>253,425</u>	<u>253,425</u>	<u>253,425</u>	<u>253,425</u>	<u>266,353</u>	<u>266,353</u>	<u>266,353</u>	<u>266,353</u>	<u>266,353</u>	<u>279,939</u>	<u>279,939</u>	<u>279,939</u>	<u>279,939</u>	<u>279,939</u>
Equals effective gross income	4,581,387	4,815,083	4,815,083	4,815,083	4,815,083	4,815,083	5,060,701	5,060,701	5,060,701	5,060,701	5,060,701	5,318,848	5,318,848	5,318,848	5,318,848	5,318,848
Investor's Operating Costs (structural reserve)	<u>45,814</u>	<u>48,151</u>	<u>48,151</u>	<u>48,151</u>	<u>48,151</u>	<u>48,151</u>	<u>50,607</u>	<u>50,607</u>	<u>50,607</u>	<u>50,607</u>	<u>50,607</u>	<u>53,188</u>	<u>53,188</u>	<u>53,188</u>	<u>53,188</u>	<u>53,188</u>
Net Operating Income	4,535,573	4,766,933	4,766,933	4,766,933	4,766,933	4,766,933	5,010,094	5,010,094	5,010,094	5,010,094	5,010,094	5,265,659	5,265,659	5,265,659	5,265,659	5,265,659
Sale of Property @ Year 30, cap rate (%) =	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	<u>55,581,958</u>
Total revenues	4,535,573	4,766,933	4,766,933	4,766,933	4,766,933	4,766,933	5,010,094	5,010,094	5,010,094	5,010,094	5,010,094	5,265,659	5,265,659	5,265,659	5,265,659	60,847,617

**5.2 Other Expenditures**

Equity Investment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Mortgage payments (not automated)	3,201,567	3,201,567	3,201,567	3,201,567	3,201,567	3,201,567	3,201,567	3,201,567	3,201,567	3,201,567	3,201,567	0	0	0	0	0
Additional tenant improvements (at 5 year lease rate)	0	<u>100,000</u>	0	0	0	0	<u>100,000</u>	0	0	0	0	<u>100,000</u>	0	0	0	0
Total other expenditures	3,201,567	3,301,567	3,201,567	3,201,567	3,201,567	3,201,567	3,301,567	3,201,567	3,201,567	3,201,567	3,201,567	100,000	0	0	0	0

<b>5.3 Total Cash Flow</b>	1,334,006	1,465,366	1,565,366	1,565,366	1,565,366	1,565,366	1,708,527	1,808,527	1,808,527	1,808,527	1,808,527	5,165,659	5,265,659	5,265,659	5,265,659	60,847,617
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**5.4 Net Present Value**

Discount rate  
Net present value

**5.5 Internal Rate of Return**