

THE ATELIER

*Upscale Live and
Work Spaces
Custom-built for
Artists and Artisans*



CAPSTONE PROJECT

38 Carlton Ave. Brooklyn, NY
Deal Book

*Prepared by **Dixin Wu** dw2888*

Acorn | Real Estate Development



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EXECUTIVE SUMMARY

Acorn Real Estate Development LLC. (“The Sponsor”) is pleased to present an opportunity to invest in an exciting mixed-use development project (“The Atelier”) at 38 Carlton Ave., in a rapidly gentrifying neighborhood, Fort Greene, Brooklyn. The proposed 8-story development will combine 30 luxury artistic live and work spaces with 6,000 square feet of up-scale fresh food & beverage-focused retail space.

The 7,300 square foot site is perfectly situated to attract residents and commercial tenants, given its desirable location provides easy access by private and public transportation to points in Manhattan and Brooklyn. Recent gentrification has been adding various commercial businesses and new housing developments, include Brooklyn Navy Yard and Navy Green Complex. The Atelier will serve as live and work space that can accommodate the specific demands from artists or tenants who work in design, artisanal manufacturing, technology and media industry. In reflection to market change and up-zoning uncertainties, the project will adopt fast pre-fabricated modular construction technology that gives capacity to extension and convertible spaces.

The project is expected to be fully delivered in March 2022, given a successful ULURP to seek an up zoning to R7A with M1-2 overlay. The total development budget is estimated at \$15.05 million, the development will be funded with \$9.78 million construction loan. The sponsor is currently under contract with land owner of lot 40, and intends to bring in the owners of adjacent lands to form a JV partnership. Meantime, the sponsor is seeking an equity investor to fund the rest \$ 2.8 million equity.

Sources		\$	PSF	%
JV Equity				
	JV Share			
Sponsor	10%	\$526,811	\$16	4%
Land Owners	37%	\$1,950,000	\$60	13%
Investor	53%	\$2,791,925	\$80	18%
Debt				
Construction Loan		\$9,784,925	\$302	65%
Total Sources		\$15,053,732	\$446	100%

Uses		\$	PSF	%
Land Contribution				
Land Cost (incl. fees)		\$1,989,000	\$ 61	14%
Construction Cost				
Hard Cost		\$10,414,906	\$321	69%
Soft Cost		\$ 2,291,297	\$71	15%
Financial Cost				
Financing Fees		\$97,849	\$3	1%
Interest Reserve		\$260,067	\$8	2%
Total Uses		\$15,053,732	\$446	100%

Returns Summary	IRR	MOIC	Gross Margin
Project Level			
Unlevered	13.71%	1.35x	35.12%
Levered	20.20%	1.74x	73.93%
Equity Investors	18.59%	1.67x	66.71%

INVESTMENT HIGHLIGHTS

❖ **Trustworthy General Partner**

Acorn LLC. is a renowned commercial real estate developer holding a wide range portfolio in Brooklyn. With most its members graduated from the best real estate program in the United States, Acorn has profound resources in capital market and versatile exist strategies and has delivered many successful projects and brought preferable returns to its investors.

❖ **Visionary investment**

The site is situated in the Brooklyn Tech Triangle which is in coalition of the Downtown Brooklyn, the Brooklyn Navy Yard, and the DUMBO Improvement District. The area strategic plan has been identified as a roadmap for future economic growth in NYC.

❖ **Desirable location**

Tremendous growth in employment has been seen in Brooklyn Tech Triangle, in conjunction with government incentives for relocation to Brooklyn, TAMI business has formed our strong demand drivers.

❖ **Favorable market timing**

Cap rate and vacancy have stayed tight for many years after last recession. Slower but steady pace of expansion suggests the possibility of a longer economic cycle.

❖ **Preferable risk-adjusted returns**

Investors are offered 12% preferred return, if all goes well, investor can expect 18.84% annual return in 2 years period.





PROJECT OVERVIEW



DEVELOPMENT CONCEPT-APARTMENT

Development in a rapid gentrifying neighborhood needs more expertise than in an well established area. Through a complete market research, we have positioned our project as upscale apartment to fill out the limited market for TAMU business people finding a home.

Target on specific tenants, Acorn real estate development is willing to build custom spaces suit needs for artists, artisans and start-up innovative companies. Featured with 12' clear ceiling height and abundant nature light, the custom built ateliers are able to commodate a fashionable wok and live life style.

We provide wide range of unit types vary from studio to 3 bedroom pan house well designed in modern style, well furnished , welcome young elite and families. The deliveables include polished concrete tile, granite countertop and top brand furnitures and fixtures, ready for tenants to move in.

Suiting the needs of clients is our belief and strategy to extiguish ourself from competitors, and generate prefferable returns to our investors.

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DEVELOPMENT CONCEPT-RETAIL

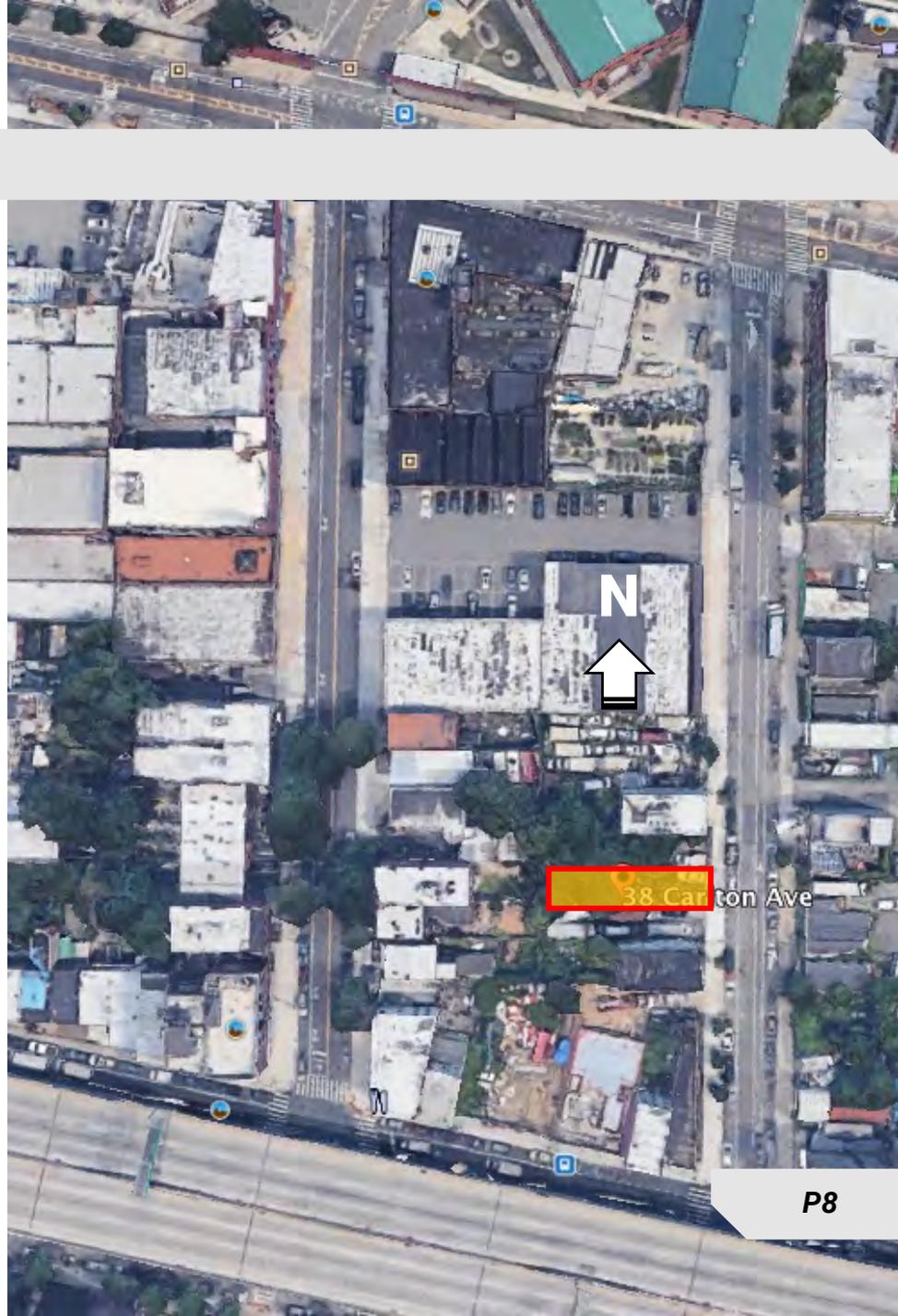


Acorn Real Estate Development proudly present an unique anchor tenant to our building. The boutique class fresh market will provide a classy vibe to commodate our upclass tenants as the best amenty providing high-quality products in an inviting atmosphere with a high level of customer service, and also can generate a steady cahs flow to the property. Under the general stress of the negative impact from ecommerce , “going to niche” becomes a solution to seek alpha returns in retail sector. Stores selling quick perishable products in daily needs still seeing a tight income growth, due to the high cost to ecommerce for delivering fresh food and a healthy life style of shopping fresh food and beverages. This tenant will occupy the space upon TOC in a built-to-suit condition by signing a pre-lease agreement with the sponsor.



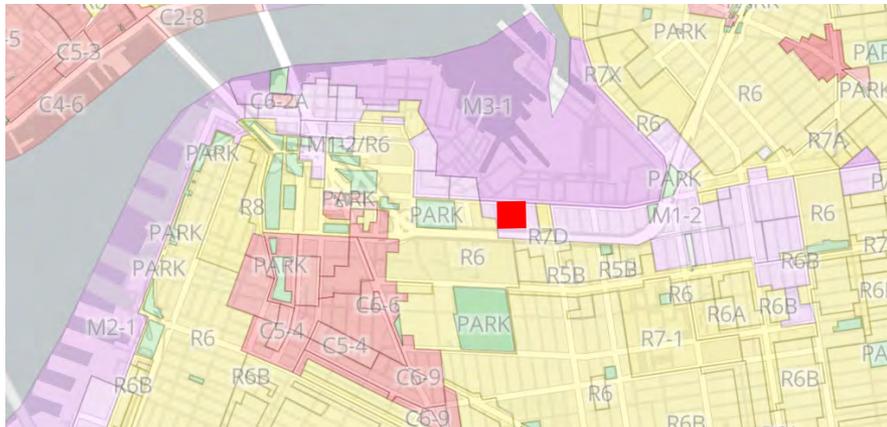
ZONING ANALYSIS





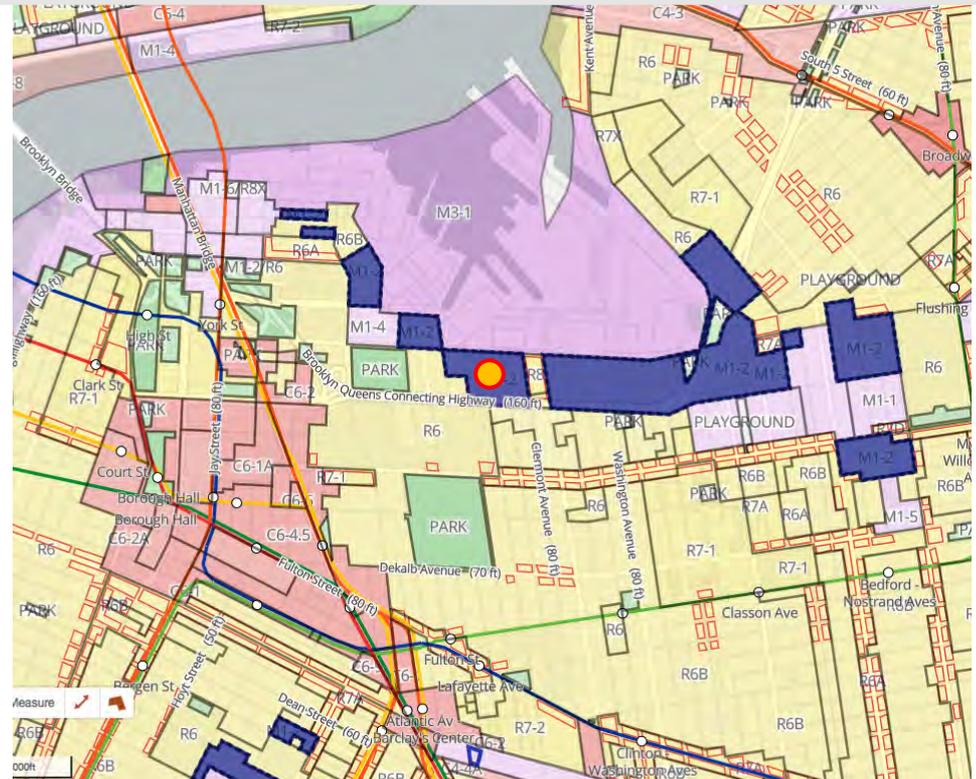
SITE OVERVIEW

38 Carlton Ave. the 2,433 square foot site, which currently contains a surface parking lot, is situated at west side of Carlton Ave. Adjacent to Brooklyn Navy Yard and 278 express way. The site is currently zoned M1-2, which permits light manufactory and community facility uses, with a maximum FAR of 2.0. The neighborhood is currently underdevelopment, most lots are occupied by single storey industrial buildings with others used as parking lots, some residential buidlings are grand-father's which were initaly built in early 20th century. The block located between M3 and R6 zone, origianlly zoned as buffer zone between heavy industry and residential area. The adjacent lands are vacant which gives possibility to do land merege and utilize the fresh zone incentive to expand the development scale. New development around neighborhood include Brooklyn Navy Yard which is a millions square feet renovating industrial compound and Wessmar Market. There are sufficient amenities around consists of grocery stores parks banks as also heath cares facilities.



DEVELOPMENT STRATEGY

The sponsor propose an land merge and rezoning approach to expand the devlopment scale. After a successful land merege, the site offers approximately 14,000 sq. ft. of ZFA (Zoning Floor Area) on an "as-of-right" basis according to its M1-2 zoning. While based on the market research, in this area, multi-family can generate more attractive returns, ARED will seek a zoning variance through the ULURP process as part of its development strategy to allow up to 22,000 sq. ft. of ZFA for residential occupancy. Located adjacent to the M3-1 zone and surrounded by R6 zone, M1 districts are often sit between M2 or M3 districts and adjacent residential or commercial districts as "buffers zone" . In 2010, Brooklyn Navy Yard underwent a "down zoning" process that turned a historical heavy industrial district into a light manufactory district, in order to stimulate the economic growth. The adaptive re-use of well-located city industrial space has been positioned as culture and creative spaces that accomodate city light manufactory and craft industry as well as artist studios and tech start-ups. The place has become desirable since many anchor tenants moved in from over crowded and expensive manhattan SOHO / Tribeca district.



In 2012, Complex Navy Green project had been rezoned upon RFP of HPD that allowed for residential occupancy in the former industrial properties in the area. The resulting high-density residential zoning designations (R8) have spurred a plethora of adaptive reuse projects in the neighborhood. While the site's current zoning does not provide for residential space, multiple precedents exist for successful ULURP variances to allow for greater ZFA (Zoning Floor Area) rights in the neighborhood. The sponsor will seek to achieve an R-7B residential zoning with a M1-2 overlay. The map above indicates the current zoning of M1-2 for the Project site. The surrounding lots have R6/R8 zoning, with the whole block on Flushing Ave. and Vanderbilt Ave. having even higher density at R8. Given the availability of precedents and existing zoning in the immediate vicinity, the sponsor is confident that the zoning variance can be achieved.

ZONING VARIANCE

Basic Information

Zoning District	M1-2/R6A
Zoning Lot Type	Interior Lot
Street Type	Narrow Street

	Section	Permitted/Required	Provided
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Permitted Uses

	Section	Permitted/Required	Provided	
Uses	ZR 32-11	Community Facility	Use Group 3-4	N/A
	ZR 32-12, 32-13	Commercial	Use Group 5-15	Office
	ZR 32-15	General Service	Use Group 16	N/A
	ZR 32-421	Manufacturing	Use Group 17	N/A
Supplemental Use Regulations		Residential	M1-2/R6	Multi-family
		Fresh Market	Fresh Zone (6,000 sq minimum required)	Fresh Market (7,200 sq)

Permitted Bulk

	Section	Permitted/Required	Provided	
Minimum Lot Size	ZR 23-32	Residential	Lot width of 18 ft, lot area of 1,700 sf	75 ft lot width, 7,299 sf lot area
Floor Area Ratio	ZR 23-153	Residential/Commercial	2.0 (14,589sf of floor area)	2.0 (14,589sf of floor area)
	ZR 33-121	Community Facility	4.8 (11,678 sf of floor area)	N/A
Open Areas	ZR 23-153	Residential lot coverage	65% max.	65% lot coverage
	ZR 23-47	Residential rear yard	30 ft deep	20 ft deep
	ZR 33-26, 33-23	Commercial rear yard	20 ft deep above ground floor	N/A
Height and Setback		Base Height	60 ft	60 ft
	ZR 35-652, 23-662	Setback	15 ft on a narrow street	15 ft
		Overall height	75 ft	75 ft
Density	ZR 23-22	21,897 sf (permitted residential floor area)*95% (efficient ratio) divided by dwelling unit factor of 650: 21,897/600=30 dwelling units		30 units

Parking and Loading

	Section	Permitted/Required	Provided	
Vehicular Parking	ZR 36-341, 36-361	Residential	30% of dwelling units (small lots), waived if less than 15 spaces: 7x30%=2 spaces, 2<15, so waived	Waived
	ZR 36-21, 36-232	Commercial	1 per 1,000 sf of floor area for uses in PRC-B Use Group 6, waived if less than 40 spaces: 4,866/1,000=5 spaces, 5<40, so waived	Waived
Bicycle Parking	ZR 36-711	Residential	1 space per 2 dwelling units, waived for less than 10 units	Waived
		Commercial	1 per 1,000 sf of floor area for uses in PRC-B Use Group 6, waived if less than 40 spaces: 4,866/1,000= 0 spaces	N/A
Loading Berths	ZR 36-62	No loading berth required for first 25,000 sf of floor area for retail uses in Use Group 6A		N/A

Streetscape

	Section	Permitted/Required	Provided	
Ground Floor Use	ZR 35-652	In order to use additional height for qualifying ground floor, ground floor on primary street frontage must contain commercial or community facility uses and be at least 13 ft tall		N/A
Street Wall Rules	ZR 37-62	Commercial frontage between 2 and 12 ft above grade must be at least 50% transparent		Retail frontage 55% transparent
	ZR 35-651	70% of the street wall must be located within 8 ft of the street line		70% is at street line
Sign	ZR 32-642	Three times the street frontage: 3x30=90 sf permitted		Surface area= 90 sf
Planting	ZR 23-03, 33-03	One tree every 25 feet of street frontage: 30/25=1 street tree		1 street tree



PRECEDENT REZONING IN BROOKLYN

307 Kent Avenue Rezoning	50 Old Fulton Rezoning	90 Sands Street	Grand Ave and Pacific St Rezoning	265 Front Street
<p>Project Brief: This is a private application by 307 Kent Associates requesting a zoning map change from M3-1 to M1-5 and extent the existing M1-4/R6A (MX-8) to facilitate the development of a new nine-story commercial building located in 307 Kent Avenue, Williamsburg, Community District 1, Brooklyn.</p>	<p>Project Brief: This is a private application by Alwest Old Fulton, LLC requesting a zoning map change from an M2-1 district to an M1-5 zoning district, to facilitate a new, 6-story commercial development located at 50 Old Fulton Street, DUMBO, Community District 2, Brooklyn.</p>	<p>Project Brief: A zoning map amendment to change an existing M1-6 district to a mixed-use MX (M1-6/R10) district, to facilitate the conversion of an existing 29-story building to a community facility use, is being sought by a private applicant at 90 Sands Street, Community District 2, Brooklyn.</p>	<p>Project Brief: This is a private application by EMP Capital requesting a zoning map amendment from M1-1 to R7D/C2-4 and a zoning text amendment to designate MIH area to facilitate a new nine-story mixed use development with 68 dwelling units and 9,000 square feet of ground floor retail in Crown Heights, CD 8, Brooklyn.</p>	<p>Project Brief: A zoning map amendment from an M1-2 to an R6A/C2-4 district, and a zoning text amendment to map MIH district to facilitate a new mixed use development of nine (9) dwelling units, is being sought by a private applicant Michael Spinard located at 265 Front Street, in Vinegar Hill neighborhood of Community District 2, Brooklyn.</p>

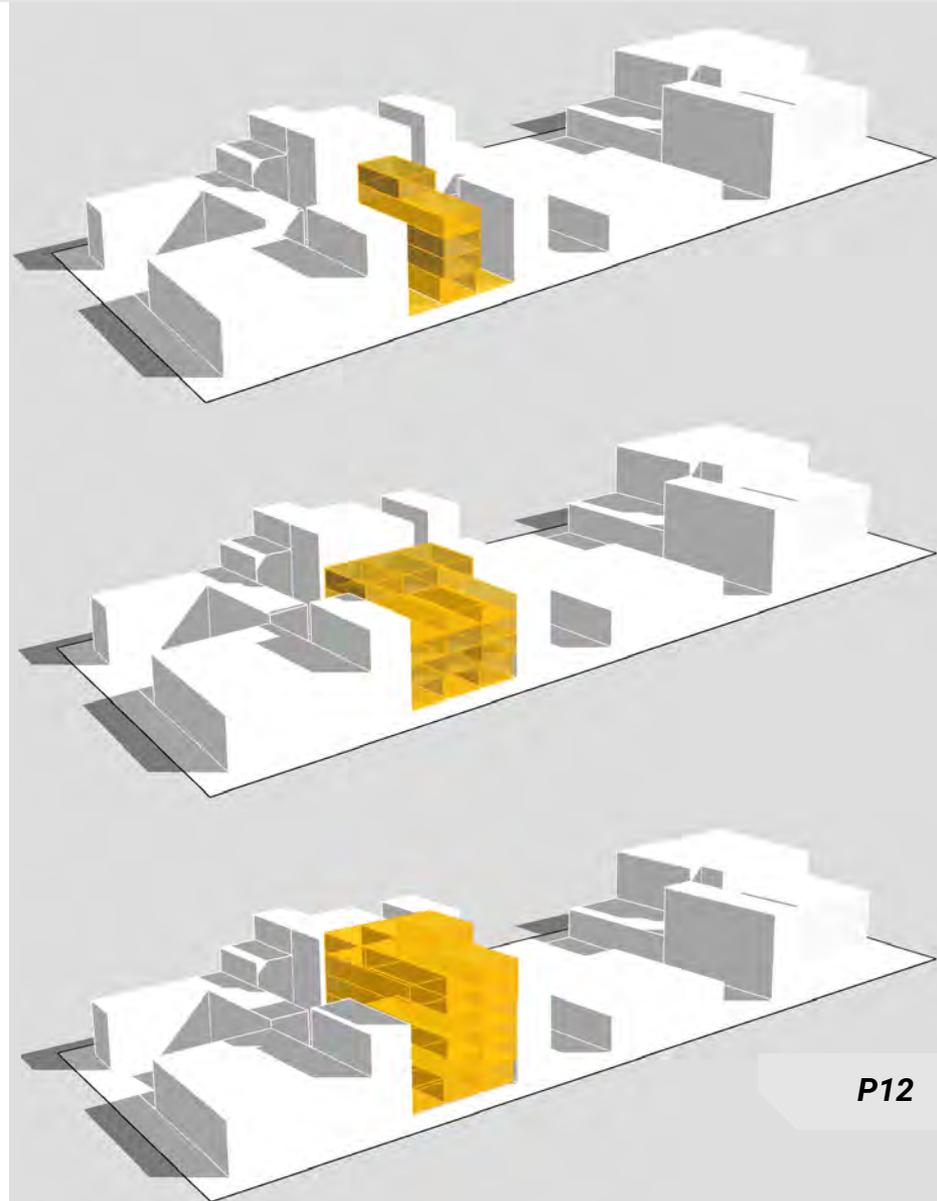


MASSING PLAN

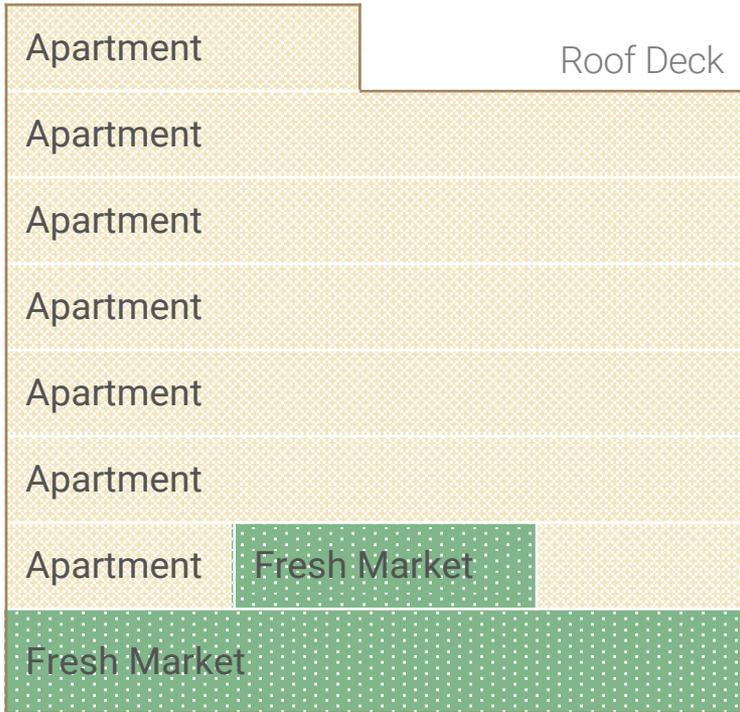
Scenario 1		As of Right	
Zoning	M1-2	Total Dev. Cost	\$ 3.31 M
FAR	2.0	Investor's Equity	\$ 29,219
Regulation	Office	Unleverd IRR	8.53%
Max Height (ft.)	60	Levered IRR	10.68%
Total ZFA	4,866	Investor's IRR	10.68%

Scenario 2		Land Merge	
Zoning	M1-2	Total Dev. Cost	\$ 9.43 M
FAR	2.0	Investor's Equity	\$ 1.16M
Regulation	Office/Retail	Unleverd IRR	10.85%
Max Height (ft.)	60	Levered IRR	15.51%
Total ZFA	14,589	Investor's IRR	15.51%

Scenario 3		Rezoning	
Zoning	M1-2/R6A	Total Dev. Cost	\$ 15.52 M
FAR	3.0	Investor's Equity	\$ 2.78M
Regulation	Resi./Retail	Unleverd IRR	13.71%
Max Height (ft.)	75	Levered IRR	20.20%
Total ZFA	21,897	Investor's IRR	18.59%



PROGRAMMING 1



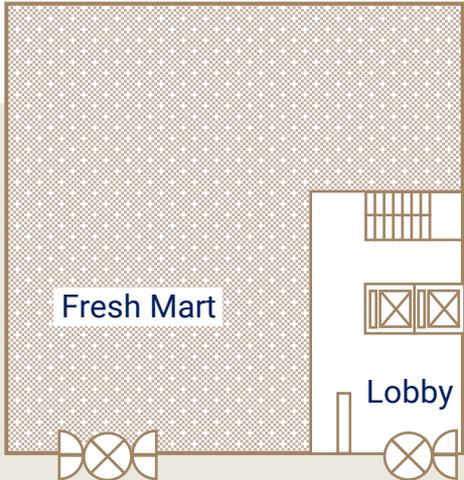
FLOORS	FLOOR HEIGHT	RSF	GSF	FLOOR AREA	
				APT.	RETAIL
Floor 8	12'	939 SF	1,043 SF	939 SF	-
Floor 7	12'	4,037 SF	4,485 SF	4,037 SF	-
Floor 6	12'	4,037 SF	4,485 SF	4,037 SF	-
Floor 5	12'	4,037 SF	4,485 SF	4,037 SF	-
Floor 4	12'	4,037 SF	4,485 SF	4,037 SF	-
Floor 3	12'	4,037 SF	4,485 SF	4,037 SF	-
Floor 2	12'	4,037 SF	4,485 SF	2,037 SF	2,000 SF
Floor 1	15'	4,037 SF	4,485 SF	-	4,037 SF

UNIT MIX	Avg. Size	# Units	Rent /Unit	Total Rent
Studio	450 SF	3	\$1,800	\$5,400
1 BR	650 SF	15	\$2,500	\$37,500
2 BR	800 SF	10	\$3,000	\$30,000
3 BR	1000 SF	2	\$3,750	\$7,500

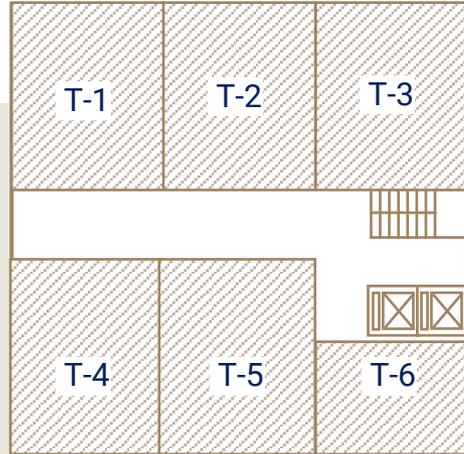
UNIT MIX	Avg. Size	Total Rent
Fresh Market	6,037 SF	\$30,185

Total Monthly Income	\$110,585
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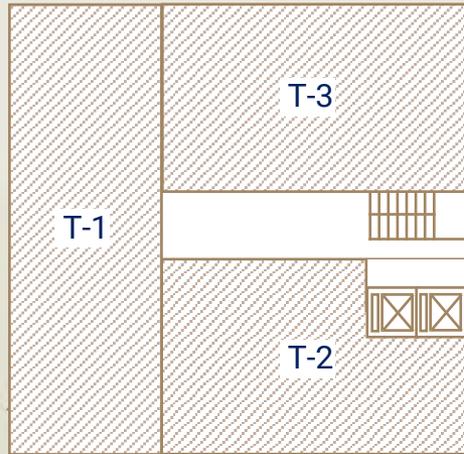
PROGRAMMING 2



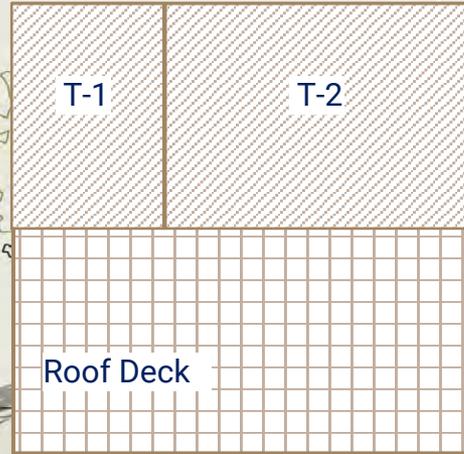
Ground Floor



Lower Floors



Higher Floors



Top Floor





Market Analysis



FORT GREENE OVERVIEW

The neighborhoods closer to the East River contain a mix of residential and commercial uses, including traditional and TAMI (tech, advertising, media and information) industry, in buildings developed during various periods in a variety of scales and styles.

Politic

Community District 2 consists of Downtown Brooklyn, the residential and mixed-use neighborhoods around the downtown core, and the industrial park in the former Brooklyn Navy Yard.

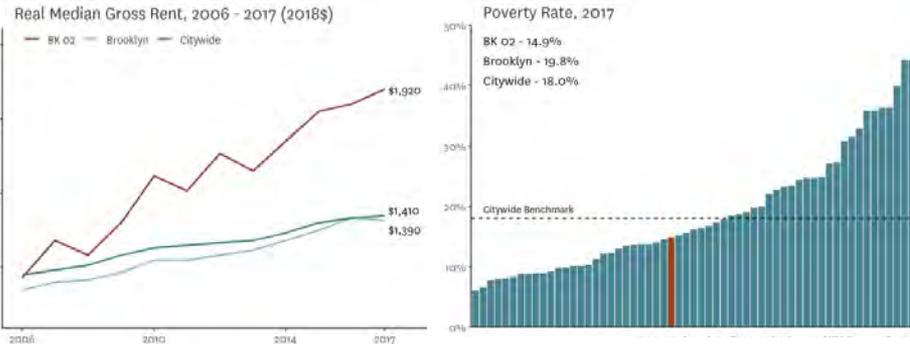
Top 3 pressing issues:

Affordable Housing/Schools/ Health Care

Economy

Median household income in 2017 was **\$94,327**, about 52% more than citywide median household income (\$62,040). The poverty rate in Fort Greene was 14.9% in 2018 compared to 17.9% citywide.

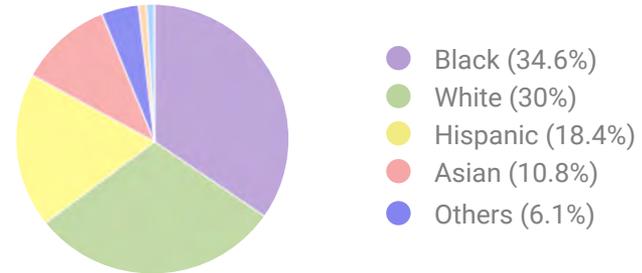
The Median gross housing rent was \$1,920, rental vacancy rate was 2.5%. There were 655 property sales, sales price increased by 4% in 2018.



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Demographic

In 2018, there were about 135,444 people in Fort Greene, 9.0% of the population identified as Asian in 2017, 25.8% identified as black, 14.9% identified as Hispanic, and 47.2% identified as white. There were **35,578 persons in a square mile** in 2018.



Transportation

Fort Greene is served by just about every major subway line, with major stops at DeKalb Avenue (**B, D, N, Q, R trains**) Lafayette Avenue (**A and C trains**), Fulton Street (G trains) and the Atlantic Avenue – Barclays Center (**2, 3, 4 5, B, D, N, Q, R trains**). Addition to that, there are more than **12 bus lines** pass through Fort Greene. The mean commute time to work is **35.3 minutes**.

Amenity

There are plenty of public amenities in Fort Greene, with Fort Greene Park and the Brooklyn Hospital Center as representatives. However, public education is facing challenges due to increasing population of household with school aging children.



DEMAND DRIVERS

Brooklyn Tech Triangle is the fastest growing hub of technology. Which has burgeoned into an entire innovation coastline, radiating from the waterfront and encompassing the borough and all of New York City. The area has increasingly become an attractive place for TAMI business and start-ups that fosters the innovation economy's growth and bolsters its strong demands to real estate market.

Education Institutions

- Pratt Institution
- New York City College of Technology
- NYU-Poly Incubator

TAMI Business

- DCM Fabrication
- BaubleBar
- Artopia
- 2U
- Barronarts
- Wasserman
- East river Studio
- Time Inc.
- Catbird
- Bjarke Engels Group

Public Sector

- NYC Housing Authority

Innovation Companies	Of firms say half their employees live in Brooklyn	Residents in 1-mile radius
1,350	77%	127,100
Economic output	Jobs over the next 2 years	Sf of additional space needed to meet demand
\$5.3B	18,000	22M



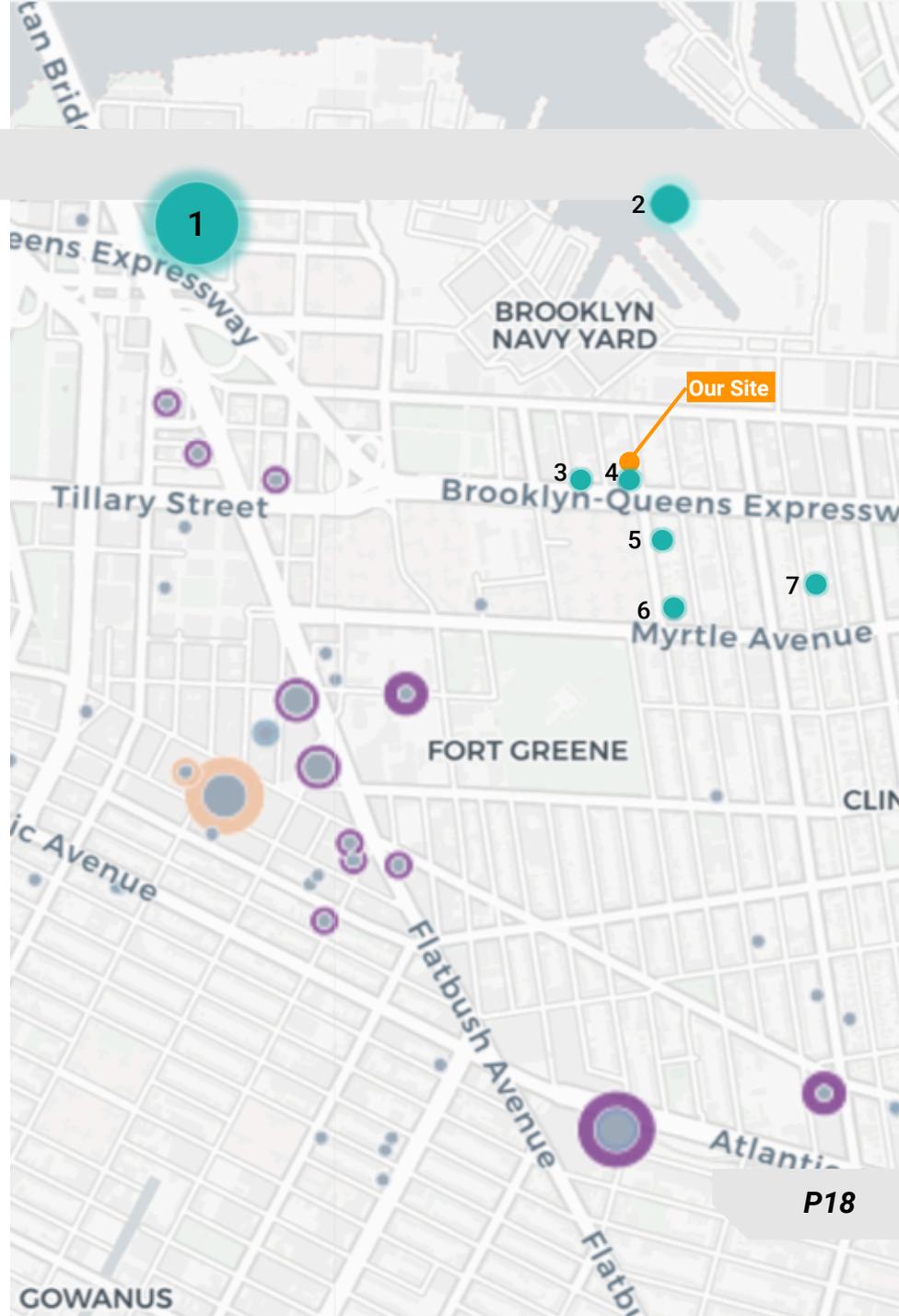
DEVELOPMENT PIPELINE

After years of oversupply, Brooklyn real estate market, which has seen a record influx of new rentals in recent years, is starting to stabilize. The number of new units becoming available started to slow down last year, and this year has seen a sharp decline. However, the competition is still stiff. More than 5,000 new market-rate Brooklyn rental units are in development pipeline, permitted constructions are about 70s in 1-mile radius distance from our site, the total square feet under construction seen over 6 million. Although demands are still strong, it is calling for cautious and smart development strategies to catch a high penetration rate in such hot market.

Active Permits	Total Square Footage	Proposed Dwelling Units
70	6,883,091	5,160

#	Property	Type	Scale (SF)	Units	Story	Contractor
1	85 Jay Street	Residential	1,213,756	732	17	CHESAKL ENTERPRISES INC
2	63 Flushing Ave.	Office	608,856	NA	12	WDF INC
3	115 Park Ave.	Residential	4,227	9	4	BMIR GROUP LLC
4	141 park Ave.	Office	7,016	NA	3	JABBIE INDUSTRIES INCORP*
5	85 carlton Ave.	Residential	7,262	7	4	BLUE DREAM BUILDERS INC
6	137 Carlton Ave.	Residential	10,181	6	5	VILLANO CONSTRUCTION LLC
7	123 Clinton Ave.	Residential	11,260	9	4	PARK PREMIUM ENTERPRISES

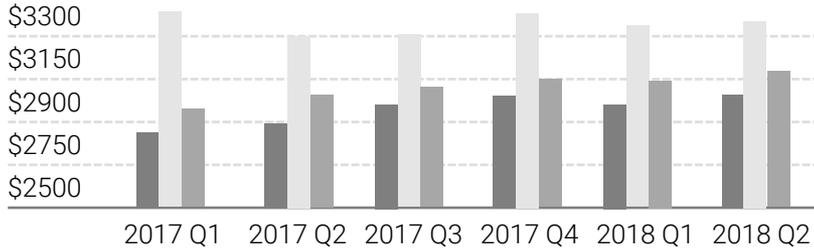
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RESIDENTIAL MARKET

Upscale Apartment Gross Rent

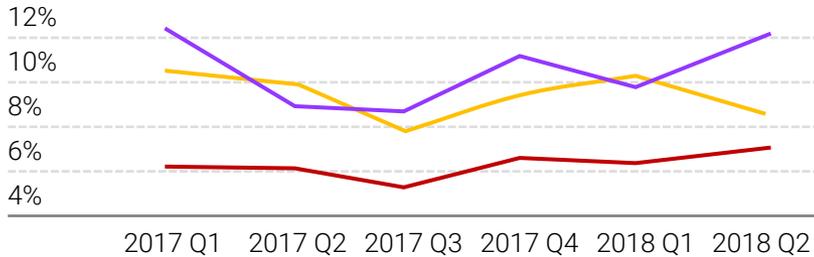
■ Brooklyn ■ Manhattan ■ Fort Greene



The average gross rent per unit in Fort Greene seeing a steady growth in the past 6 quarters and has surpassed Brooklyn average in Q2 2017, suggests a faster gentrification pace. Compared to Manhattan average, there is still a gap on which we interpret as opportunity that motivate people to relocate in Fort Greene given the vicinity to Manhattan.

Upscale Apartment Vacancy Rate

■ Brooklyn ■ Manhattan ■ Fort Greene



Vacancy staggering around between 8% and 10% in Fort Greene, mostly due to the supply from new developments, new supply takes time time to be fully occupied, this vacancy rate is normal in a rapid growth area, and also suggests a healthy market. The gap between Fort Greene and Manhattan is closing, this is another fact that represent a relocation trends to Fort Greene.

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Comparable Property

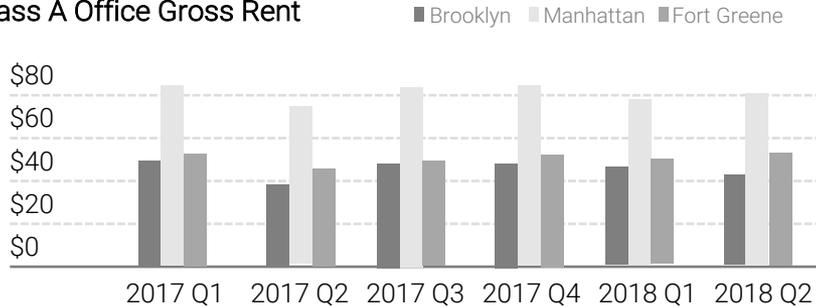


ACTIVE LISTINGS (1)		PAST SALES (46)		PAST RENTALS (30)		ALL BUILDINGS (21)		Filter units	
Date	Unit	Rent	Beds	Baths	ft ²	Floorpla			
09/16/2019	#11F - 8 VANDERBILT AVE	\$2,800	1 bed	1 bath	0 ft ²				
07/23/2019	#12K - 8 VANDERBILT AVE	\$2,800	1 bed	1 bath	730 ft ²				
06/13/2019	#12A - 8 VANDERBILT AVE	\$3,850	2 beds	2 baths	1,097 ft ²				
04/16/2019	#12A - 8 VANDERBILT AVE	\$3,900	2 beds	2 baths	1,097 ft ²				
02/01/2019	#11J - 8 VANDERBILT AVE	\$2,350	1 bed	1 bath	762 ft ²				
01/11/2019	#11K - 8 VANDERBILT AVE	\$3,500	2 beds	2 baths	1,035 ft ²				
01/07/2019	#9K - 8 VANDERBILT AVE	\$3,500	2 beds	2 baths	1,035 ft ²				
09/25/2018	Unknown - 20 VANDERBILT AVENUE	\$6,995	4 beds	2+ baths	3,060 ft ²				
04/15/2018	#11J - 8 VANDERBILT AVE	\$2,450	1 bed	1 bath	0 ft ²				
03/06/2018	#9K - 8 VANDERBILT AVE	\$3,500	2 beds	2 baths	1,035 ft ²				
01/08/2018	#11D - 8 VANDERBILT AVE	\$2,450	1 bed	1 bath	762 ft ²				
12/01/2017	#11D - 8 VANDERBILT AVE	\$2,600	1 bed	1 bath	762 ft ²				
11/08/2017	#11K - 8 VANDERBILT AVE	\$3,350	2 beds	2 baths	1,035 ft ²				
10/11/2017	#8K - 8 VANDERBILT AVE	\$3,500	2 beds	2 baths	1,035 ft ²				
08/08/2017	Unknown - 24 VANDERBILT AVENUE	\$7,500	3 beds	2.5 baths	0 ft ²				

Source: www.Streeteasy.com

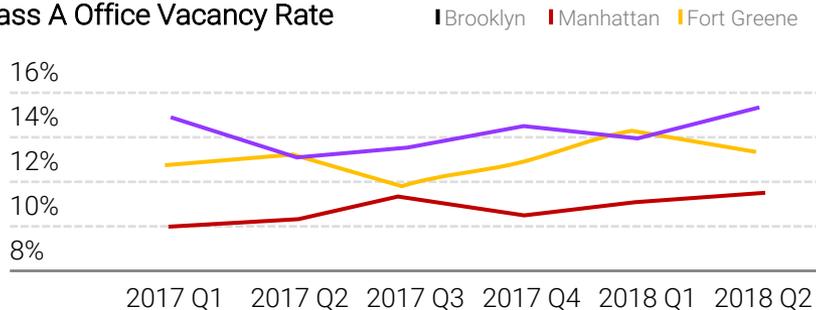
OFFICE MARKET

Class A Office Gross Rent



The gross base rent in Fort Greene stayed above \$40 per square feet, because the base rent concern the property owners the most. Owners may make concession on TI and reimburses to keep the base rent stay steady. Although individual property may vary a lot, we can still see the slight up trend of about 0.5% quarter growth, and the outpace Brooklyn general.

Class A Office Vacancy Rate



Office vacancy has recovered from last global financial crisis, benefits from high demands in core and core-plus area. Compared to Mahanttan, Brooklyn has less supply limitations, development activities are thriving due to low WACC, consequently large new supply amount need time to be digested by the market. Due to lower rental cost and increasing population, Fort Greene has evidently higher absorption rate .

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Comparable Property

Brooklyn Navy Yard - Building 77 - Space Availability ☆

63 Flushing Avenue, Brooklyn, NY 11205

FOR LEASE \$30 - \$35/Sqft/Year

Office / Creative Office / 82,501 Sqft

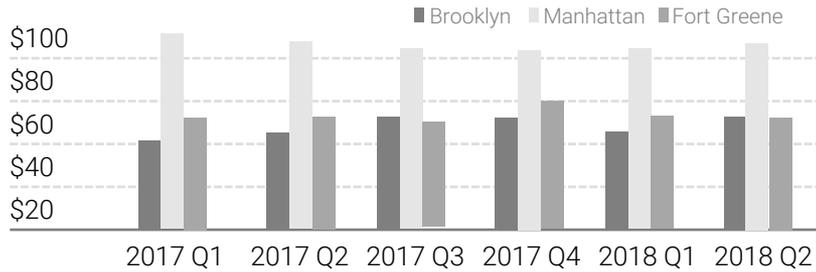


DETAILS	AVAILABILITY	NEARBY LISTINGS	DEMOGRAPHICS
Price \$30 - \$35/Sqft/Year	Property Type Office - Creative Office	Building Class A	Year Built 2017
City Brooklyn	Property Size 1,000,000 Sqft	AVAILABILITY	
Suite Name	Space Type	Lease Rate	Space Available
Suite 103	Street Retail	\$30/Sqft/Year	6,850 Sqft
Suite 1502	Creative Office	\$35/Sqft/Year	35,000 Sqft
Suite 1601	Interior Retail	Contact for pricing	8,098 Sqft
Suite 1501	Creative Office	\$35/Sqft/Year	32,553 Sqft

Source: www.CommercialCafe.com

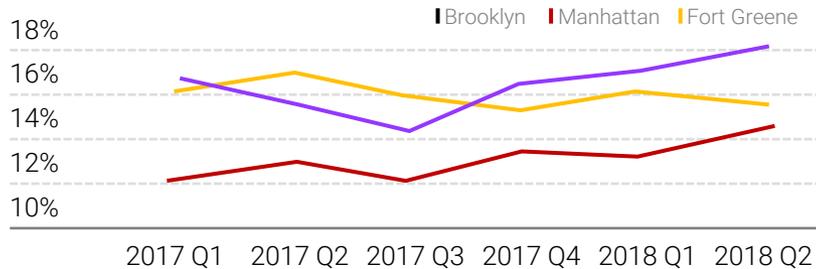
COMMUNITY RETAIL MARKET

Community Retail Market Gross Rent



Retail market in general is under impact from ecommerce, however community retails still seeing a steady trend. This type retail such as grocery stores and famercies serve daily needs and plays a unexpendable role in community life. Occupying the most valuable street front space, the rent revenue contribute a significant part to a property's NOI.

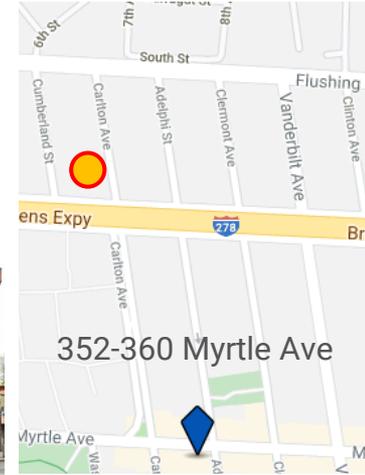
Community Retail Market Vacancy Rate



Vacancy rate of retail is higher than office, because of retail is more sensitive to tenant's performance. Only Fort Greene is seeing a vacancy decline, mostly due to the zoning limitation. The sponsor propose to take first comer's benefit in rezoning and take the fresh market incentives to build a high-end market. Going to niche market strategy also will let the project outperform the retail market in general.

Acorn | Real Estate Development

Comparable Property



ALL AVAILABLE SPACES(4)

SPACE	SIZE	TERM	RATE	SPACE USE	CONDITION	AVAILABLE
1st Fl-Ste 352	900 SF	Negotiable	\$86.67 /SF/YR	Retail	N/A	Now
1st Fl-Ste 354-A	1,000 SF	Negotiable	\$84.00 /SF/YR	Retail	N/A	Now
1st Fl-Ste 150 Adelphi St	1,400 SF	Negotiable	\$111.43 /SF/YR	Retail	Partial Build-Out	Now
1st Fl-Ste 354-B	1,000 SF	Negotiable	\$84.00 /SF/YR	Restaurant	Full Build-Out	Now

PROPERTY FACTS FOR 352-360 MYRTLE AVE, BROOKLYN, NY 11205

Rental Rate	\$84.00 - \$111.43 /SF/YR	Property Subtype	Apartment
Total Space Available	4,300 SF	Apartment Style	Mid Rise
No. Units	29	Building Size	32,245 SF
Max. Contiguous	2,000 SF	Year Built	1905
Property Type	Multifamily		

Listing ID: 14104439 Date Created: 6/4/2019 Last Updated: 4/8/2020

FEATURES AND AMENITIES

- On-Site Retail

Source: www.loopnet.com



FINANCIAL ANALYSIS



KEY ASSUMPTIONS

Land Costs

Land owners contribute lands at total value of \$1,950,000 exchange for equity in JV partnership.

Development Budget

Total development budget of \$15.05 million. Preliminary hard cost budgets is based on per square feet estimates per RS Means and adjusted to reflect the adoption of modular construction technology.

Cash Reserves

Interests accrued during construction and lease-up period are included as reserves in the total uses in debt sheet. TI/LC & Capital expenditure are financed by operating cash flow, deficiencies are funded by future debts.

Debt Financing

- **Construction Loan** proceeds of \$9.78 million at a blended 65% LTC (including \$250K of interest reserve) priced at 7% fixed APR and 1% closing fee.
- Due to uncertainty on duration of lease-up period, **Bridge Loan** assumes the outstanding balance of construction loan upon TOC has been acquired, and being charged at 10% fixed APR and 1% closing fee (extension fee if same lender).
- Upon fully occupied, **Permanent Loan** takes out bridge loan. The underwritten loan amount is based on 60% LTV (stabilized valuation formed on next year projected NOI and 5.5% cap rate)

Equity Capitalization

Total equity capitalization of \$5.27 million. The sponsor contributes \$527K (10%), Land owners to contribute \$1.95 million (37%), investors to contribute \$2.79million (53%).

Distribution Waterfall

Current operating cash flow used to pay monthly debt services, and sales proceeds used to pay down loan principal. Thereafter:

All partners to receive distributions pari-passu up to a preferred return of 12.0%

- The sponsor receives 20% promote over the preferred return
- The sponsor receives 30% promote over an 18% return hurdle

Schedule

12 months of predevelopment to accommodate ULURP process, after which there is 15 months construction, followed by 6 months lease-up. Assuming 1 year holding period after stabilization.

Rental Revenue

Base Rent

- Class A Office average gross base rent of \$45 PSF
- Upscale apartment average gross base rent of \$45 PSF
- Retail average gross base rent of \$60 PSF

All reflect comparable market activities in Fort Greene. Assuming a 2% rent escalation respect to CPI growth.

Sales Proceeds

Sales to occur at year 4 (1 year after stabilization), with \$ 19 million sales price valued by next operating NOI and 5.5% exit cap rate. Next buyer's unlevered return of 7.78% is estimated on a 5 years holding period.

Scenario Selection

Unsuccessful land merger to trigger **Scenario 1**. Unsuccessful ULURP to trigger **Scenario 2**. We assume everything goes well, and choose **Scenario 3** to generate the financial report.

DEVELOPMENT BUDGET

Scenario Selection	3			
Scenario	Rezoning			
Development Budget	% of Cost	\$/GSF	Total	
Land Costs				
Land Price		13%	\$80	\$1,950,000
Closing Costs (Taxes, Fees)	2%	0%	\$2	\$39,000
Total Land Costs		13%	\$61	\$1,989,000
Construction Cost				
Hard Costs				
Construction				
Sitework		1%	\$6	\$150,000
Foundation		6%	\$37	\$899,847
Shell		21%	\$133	\$3,236,139
Interiors		11%	\$69	\$1,667,537
Equipment		2%	\$12	\$280,025
Services		19%	\$116	\$2,822,891
Total Construction		60%	\$373	\$9,056,440
GC Fee	5%	3%	\$19	\$452,822
Construction/Inflation Contingency	10%	6%	\$37	\$905,644
Total Hard Costs		69%	\$321	\$10,414,906
Soft Costs				
A&E/ Consultants	5%	3%	\$21	\$520,745
Permits, Bonds & Fees	5%	3%	\$21	\$520,745
Marketing	1%	1%	\$4	\$104,149
Taxes	1%	1%	\$4	\$104,149
G&A, Overhead	2%	1%	\$9	\$208,298
Development Fee	4%	3%	\$17	\$416,596
Soft Cost Contingency	2%	1%	\$6	\$156,224
Environmental Reserve	3%	2%	\$11	\$260,373
Total Soft Costs	22%	15%	\$71	\$2,291,279
Total Construction Costs		84%	\$392	\$12,706,185
Financing Costs				
Financing Fees	1.0%	1%	\$3	\$97,849
Capitalized Interest Reserve		2%	\$8	\$260,697
Total Financing Costs		2%	\$11	\$358,546
Total Development Costs		100%	\$464	\$15,053,732
<i>Total Development Costs Less Land Costs</i>				\$403

1		2		3				
As of right		Land Merge		Rezoning				
\$/GSF	Total	\$/GSF	Total	\$/GSF	Total			
	\$120	\$650,000	\$80	\$1,950,000	\$80	\$1,950,000		
2.00%	\$2	\$13,000	2.00%	\$2	\$39,000	2.00%	\$2	\$39,000
	\$123	\$663,000	\$82	\$1,989,000	\$61	\$1,989,000		
	\$9	\$50,000	\$6	\$150,000	\$6	\$150,000		
	\$9	\$49,626	\$4	\$88,178	\$37	\$899,847		
	\$57	\$307,905	\$95	\$2,312,923	\$133	\$3,236,139		
	\$68	\$368,659	\$37	\$893,750	\$69	\$1,667,537		
	\$8	\$44,800	\$7	\$160,000	\$12	\$280,025		
	\$40	\$218,142	\$76	\$1,835,728	\$116	\$2,822,891		
	\$192	\$1,039,132	\$224	\$5,440,578	\$373	\$9,056,440		
5%	\$10	\$51,957	5%	\$11	\$272,029	5%	\$19	\$452,822
10%	\$19	\$103,913	10%	\$22	\$544,058	10%	\$37	\$905,644
	\$221	\$1,195,002	\$258	\$6,256,665	\$321	\$10,414,906		
5%	\$11	\$59,750	5%	\$13	\$312,833	5%	\$21	\$520,745
5%	\$11	\$59,750	5%	\$13	\$312,833	5%	\$21	\$520,745
1%	\$2	\$11,950	1%	\$3	\$62,567	1%	\$4	\$104,149
1%	\$2	\$11,950	1%	\$3	\$62,567	1%	\$4	\$104,149
2%	\$4	\$23,900	2%	\$5	\$125,133	2%	\$9	\$208,298
4%	\$9	\$47,800	4%	\$10	\$250,267	4%	\$17	\$416,596
1.5%	\$3	\$17,925	1.5%	\$4	\$93,850	1.5%	\$6	\$156,224
2.5%	\$6	\$29,875	2.5%	\$6	\$156,417	2.5%	\$11	\$260,373
22%	\$49	\$262,900	22%	\$57	\$1,376,466	22%	\$71	\$2,291,279
GSF	5,401 SF		GSF	24,294 SF		GSF	32,438 SF	

CAPITALIZATION

Development	% of Total	Amount	\$/GSF
Sources			
Equity			
JV Equity	<i>JV Share</i>		
Sponsor (GP)	10%	4%	\$526,881
Land Owner (LP)	37%	13%	\$1,950,000
Investors (LP)	53%	19%	\$2,791,925
Total Equity	35%	\$5,268,806	\$162
Debt			
Construction Loan		\$9,784,925	\$302
Total Debt	65%	\$9,784,925	\$302
Total Sources	100%	\$15,053,732	\$464
Uses			
Land Cost			
Land Price	13%	\$1,950,000	\$60
Closing Costs (Taxes, Fees)	0%	\$39,000	\$1
Total Land cost	13%	\$1,989,000	\$61
Construction Cost			
Hard Cost	69%	\$10,414,906	\$321
Soft Cost	15%	\$2,291,279	\$71
Total Construction Cost	84%	\$12,706,185	\$392
Financial Cost			
Financing Fees	1%	\$97,849	\$3
Capitalized Interest Reserv	2%	\$260,697	\$8
Total Financial Cost	2%	\$358,546	\$11
Total Uses	100%	\$15,053,732	\$464
Construction Loan Terms			
Loan to Cost			65%
Interest Rate (IO/Fixed)			7.00%
Financing Fees			1%
Loan Amount		\$9,784,925	
Capital Structure			
Debt	65%	\$9,784,925	
JV Equity	35%	\$5,268,806	
Total Costs	100%	\$15,053,732	

Lease-up	% of Total	Amount	\$/GSF
Sources			
Equity			
	0%	\$0	\$0
Debt			
Bridge Loan	100%	\$10,678,394	\$329
Total Debt	100%	\$10,678,394	\$329
Total Sources	100%	\$10,678,394	\$329
Uses			
Exist Loan Payback			
Construction Loan Repaym	92%	\$9,784,925	\$302
Total Payback Costs	92%	\$9,784,925	\$302
TI/LC & CapEx. Reserve			
TI/LC Reserve	2%	\$262,202	\$8
CapEx. Reserve	0%	\$7,003	\$0
Total TI/LC Reserve	2%	\$269,205	\$8
Operation Deficiency			
Operation Deficiency	0%	\$0	\$0
Total Operation Deficiency	0%	\$0	\$0
Financing Cost			
Financing Fee	1%	\$106,784	\$3
Capitalized Interest Reserv	5%	\$517,480	\$16
Total Financing Costs	6%	\$624,264	\$19
Total Uses	100%	\$10,678,394	\$329
Bridge Loan Terms			
Loan to Cost			67%
Interest Rate (IO/Fixed)			10.00%
Financing Fees			1%
Loan Amount		\$10,678,394	
Capital Structure			
Debt	67%	\$10,678,394	
JV Equity	33%	\$5,268,806	
Total Costs	100%	\$15,947,200	

Capital Structure			
Debt	60%	\$11,876,955	
JV Equity	40%	\$7,777,850	
Valuation	100%	\$19,654,804	

Stabilization	% of Total	Amount	\$/GSF
Sources			
Equity			
	0%	\$0	\$0
Debt			
Permanent Loan	100%	\$11,876,955	\$366
Total Debt	100%	\$11,876,955	\$366
Total Sources	100%	\$11,876,955	\$366
Uses			
Exist Loan Payback			
Bridge Loan Repayment	90%	\$10,678,394	\$329
Total Payback Costs	90%	\$10,678,394	\$329
TI/LC & CapEx. Reserve			
TI/LC Reserve	0%	\$55,976	\$2
CapEx. Reserve	0%	\$21,523	\$1
Total Construction Cost	1%	\$77,499	\$2
Operation Deficiency			
Operation Deficiency	0%	\$0	\$0
Total Operation Deficiency	0%	\$0	\$0
Financing Costs			
Financing Fee	1%	\$118,770	\$4
Total Financing Costs	1%	\$118,770	\$4
Cash Out			
	8%	\$1,002,292	\$31
Total Uses	100%	\$11,876,955	\$366
Permanent Loan Terms			
	DY	DSCR	LTV
	9.10%	1.20 X	60.43%
Loan to Value			60.43%
Interest Rate (Fixed)			6.50%
Amortization			30 Years
Financing Fees			1%
Monthly Payment			\$75,070
Stabilized Valuation			
Next Year NOI			\$1,081,014
Stabilized Cap Rate			5.50%
Stabilized Valuation			\$19,654,804
Loan Amount Underwriting			
LTV		70%	\$13,758,363
DSCR		1.20 X	\$11,876,955
DY		8.50%	\$12,717,814
Loan Amount			\$11,876,955

ANNUAL CASHFLOW

Year	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Month	Month 0	Month 12	Month 24	Month 36	Month 48	Month 60	Month 72	Month 84	Month 96	Month 108	Month 120
Date	30-Apr-20	30-Apr-21	30-Apr-22	30-Apr-23	30-Apr-24	30-Apr-25	30-Apr-26	30-Apr-27	30-Apr-28	30-Apr-29	30-Apr-30
Revenue											
Base Rent											
Office	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Retail	\$0	\$0	\$0	\$341,725	\$455,633	\$455,633	\$455,633	\$455,633	\$491,200	\$503,055	\$503,055
Multi-Family	\$0	\$0	\$0	\$629,452	\$1,110,154	\$1,132,357	\$1,155,004	\$1,178,104	\$1,201,666	\$1,225,699	\$1,250,213
Gross Potential Income	\$0	\$0	\$0	\$971,177	\$1,565,787	\$1,587,990	\$1,610,637	\$1,633,737	\$1,692,866	\$1,728,755	\$1,753,269
Free Rent											
Total Free Rent	\$0	\$0	\$0	(\$113,908)	\$0	\$0	\$0	\$0	(\$125,764)	\$0	\$0
Vacancy & Bad Debt Loss											
Total Rent Loss	\$0	\$0	\$0	\$60,009	\$109,605	\$111,159	\$112,745	\$114,362	\$109,697	\$121,013	\$122,729
Effective Gross Income	\$0	\$0	\$0	\$797,260	\$1,456,181	\$1,476,830	\$1,497,892	\$1,519,375	\$1,457,405	\$1,607,742	\$1,630,540
Operating Expenses											
Total Operating Expenses	\$0	\$0	\$0	\$251,070	\$313,838	\$395,816	\$399,774	\$403,772	\$407,810	\$411,888	\$416,007
Net Operating Income (Operating)	\$0	\$0	\$0	\$546,190	\$1,142,344	\$1,081,014	\$1,098,118	\$1,115,603	\$1,049,595	\$1,195,854	\$1,214,533
TI/LC & CapEx. Reserve											
Total TI/LC & CapEx. Reserve	\$0	\$0	\$0	\$398,680	\$78,823	\$78,716	\$80,200	\$81,714	\$426,316	\$85,719	\$87,329
Net Operating Income (Property)	\$0	\$0	\$0	\$147,509	\$1,063,521	\$1,002,299	\$1,017,918	\$1,033,889	\$623,279	\$1,110,135	\$1,127,205
Sales Proceeds											
Net Sales Proceeds	\$0	\$0	\$0	\$0	\$19,261,708	\$0	\$0	\$0	\$0	\$0	\$0
Capital Contributions											
Total Capital Contributions	(\$2,070,831)	(\$981,977)	(\$7,925,247)	(\$3,717,129)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Unlevered Cash Flow	(\$2,070,831)	(\$981,977)	(\$7,925,247)	(\$3,569,620)	\$20,325,229	\$0	\$0	\$0	\$0	\$0	\$0
Unlevered IRR	13.71%										
Unlevered MOIC	1.35 X										
Profit	\$5,287,606										
Gross Margin	35.12%										
Debt Schedule											
Total Debt Cash Flow	\$0	\$0	\$5,893,706	\$5,833,108	(\$12,494,907)	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)
Total Levered Cash Flow	(\$2,070,831)	(\$981,977)	(\$2,031,541)	\$2,263,488	\$7,830,322	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)
Levered IRR	20.20%										
Levered MOIC	1.74 X										
Profit	\$3,895,248										
Gross Margin	73.93%										
Next Buyer's Unlevered Cash Flow	\$0	\$0	\$0	\$0	(\$19,654,804)	\$1,081,014	\$1,098,118	\$1,115,603	\$1,049,595	\$23,278,278	\$0
IRR	7.74%										
MOIC	1.41 X										
Profit	\$7,967,805										
Gross Margin	40.54%										

CAPITAL RETURNS & SENSITIVITY ANALYSIS

Capital Returns			
Project Unlevered Return		Project Levered Return	
IRR	13.71%	IRR	20.20%
MOIC	1.35 X	MOIC	1.74 X
Profit	\$5,287,606	Profit	\$3,895,248
Gross Margin	35.12%	Gross Margin	73.93%

JV Equity Structure					
Sponsor		Land Owners		Investors	
\$526,881	10%	\$1,950,000	37%	\$2,791,925	53%
JV Partner Returns					
Sponsor		Land Owners		Investors	
IRR	32.71%	IRR	18.59%	IRR	18.59%
MOIC	2.39 X	MOIC	1.67 X	MOIC	1.67 X

Sensitivity Analysis						
Holding Period						
Project Levered Return	20.20% 1.74x	0 Years	1 Years	2 Years	3 Years	
	5.00%	36.56% 2.00x	27.64% 2.10x	23.05% 2.21x	20.27% 2.32x	
	5.25%	30.76% 1.81x	23.88% 1.91x	20.32% 2.02x	18.15% 2.12x	
Exit Cap Rate	5.50%	25.14% 1.64x	20.20% 1.74x	17.62% 1.84x	16.04% 1.94x	
	5.75%	19.66% 1.48x	16.57% 1.58x	14.94% 1.68x	13.95% 1.78x	
	6.00%	14.31% 1.34x	12.97% 1.43x	12.27% 1.53x	11.85% 1.63x	
Land Cost						
Project Levered Return	20.20% 1.74x	\$600,000	\$650,000	\$700,000	\$750,000	
	\$40.00	10.67% 1.37x	9.57% 1.33x	8.51% 1.29x	7.49% 1.25x	
	\$42.50	16.20% 1.57x	15.02% 1.54x	13.90% 1.50x	12.81% 1.46x	
Multi-Family Rent	\$45.00	21.45% 1.78x	20.20% 1.74x	19.00% 1.70x	17.84% 1.66x	
	\$47.50	26.45% 1.98x	25.12% 1.94x	23.84% 1.90x	22.62% 1.86x	
	\$50.00	31.22% 2.19x	29.81% 2.15x	28.46% 2.10x	27.17% 2.06x	
GP Promote						
Investors Return	18.59% 1.67x	15%	20.00%	25.00%	30.00%	
	10%	18.66% 1.67x	18.29% 1.65x	17.86% 1.64x	17.37% 1.61x	
	11%	18.77% 1.68x	18.44% 1.66x	18.06% 1.64x	17.63% 1.63x	
JV Preferred Return	12%	18.87% 1.68x	18.59% 1.67x	18.26% 1.65x	17.89% 1.64x	
	13%	18.98% 1.68x	18.74% 1.67x	18.47% 1.66x	18.15% 1.65x	
	14%	19.09% 1.69x	18.90% 1.68x	18.68% 1.67x	18.42% 1.66x	
	15%	19.20% 1.69x	19.06% 1.69x	18.89% 1.68x	18.70% 1.67x	

Rent Growth					
Project Levered Return	20.20% 1.74x	1.50%	2.00%	2.50%	
	\$40.00	7.63% 1.25x	9.57% 1.33x	11.50% 1.40x	
	\$42.50	13.09% 1.46x	15.02% 1.54x	16.94% 1.61x	
Multi-Family Rent	\$45.00	18.28% 1.66x	20.20% 1.74x	22.10% 1.82x	
	\$47.50	23.21% 1.86x	25.12% 1.94x	27.01% 2.02x	
	\$50.00	27.91% 2.06x	29.81% 2.15x	31.70% 2.23x	
Tenant Improvement					
Project Levered Return	20.20% 1.74x	\$25.00	\$30.00	\$35.00	
	\$55.00	17.30% 1.62x	17.10% 1.62x	16.90% 1.61x	
	\$57.50	18.86% 1.68x	18.66% 1.68x	18.46% 1.67x	
Retail Rent	\$60.00	20.39% 1.75x	20.20% 1.74x	20.00% 1.73x	
	\$62.50	21.91% 1.81x	21.71% 1.80x	21.52% 1.79x	
	\$65.00	23.40% 1.87x	23.21% 1.86x	23.02% 1.86x	

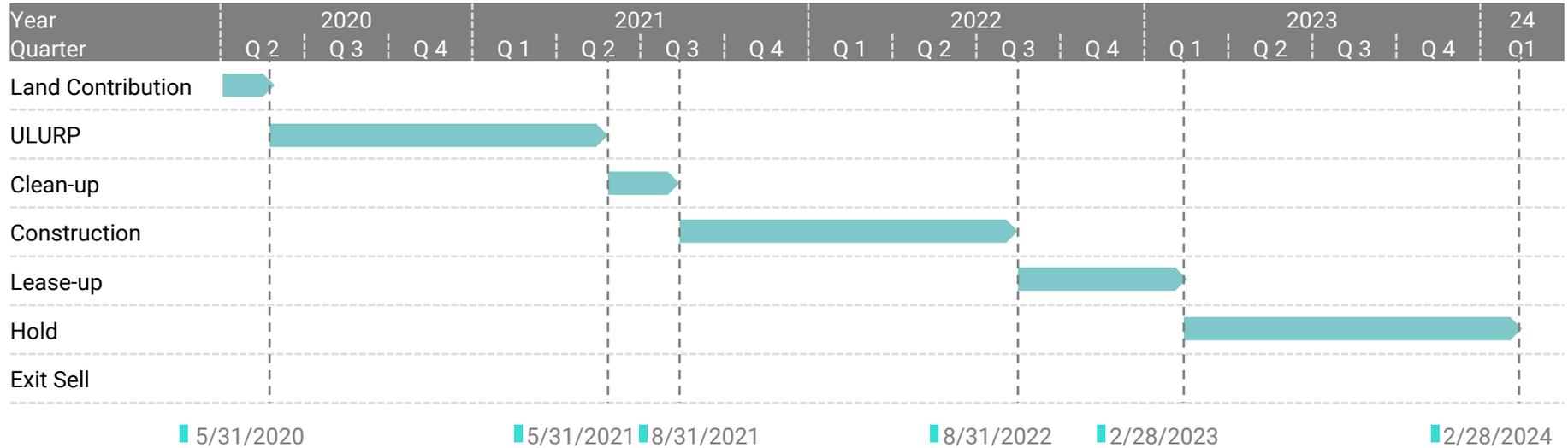
Construction Period					
Project Levered Return	20.20% 1.74x	10	12	14	
	\$364.08	25.89% 1.95x	25.67% 1.94x	24.33% 1.92x	
	\$414.08	23.65% 1.88x	23.32% 1.87x	22.55% 1.86x	
Construction Cost	\$464.08	20.89% 1.75x	20.20% 1.74x	19.89% 1.72x	
	\$514.08	19.16% 1.69x	18.86% 1.68x	17.87% 1.66x	
	\$564.08	16.89% 1.60x	15.56% 1.59x	15.36% 1.55x	
Construction Period					
Project Levered Return	20.20% 1.74x	10	12	14	
	6.00%	22.39% 1.95x	22.03% 1.94x	21.74% 1.92x	
	6.50%	21.66% 1.88x	21.51% 1.87x	21.39% 1.84x	
First Loan Interest	7.00%	20.85% 1.75x	20.20% 1.74x	19.82% 1.73x	
	7.50%	19.16% 1.70x	18.76% 1.69x	17.87% 1.71x	
	8.00%	18.88% 1.68x	18.33% 1.66x	17.36% 1.62x	
Lease-up Period					
Project Levered Return	20.20% 1.74x	5	6	7	
	9.00%	20.99% 1.79x	20.78% 1.77x	20.74% 1.75x	
	9.50%	20.56% 1.79x	20.43% 1.76x	20.39% 1.74x	
Second Loan Interest	10.00%	20.35% 1.75x	20.20% 1.74x	19.98% 1.72x	
	10.50%	20.06% 1.74x	19.91% 1.72x	19.76% 1.71x	
	11.00%	19.87% 1.72x	19.68% 1.70x	19.41% 1.69x	
	11.50%	19.69% 1.70x	19.65% 1.70x	19.29% 1.68x	



DELIVERY & EXECUTION



Project Schedule



Time Management

The development process consists of 6 milestones.

- Land contribution setup for negotiating with landowners on forming a JV partnership, this process is estimated to take up to 2 month to complete. In case the land price is over the investment hurdle, the sponsor will choose to abandon land merge and develop as-of-right
- ULURP takes 7-12 month to complete, the process is contingent on community board review, the sponsor will take fast track during this period and make design document ready.
- Clean-up & construction, the sponsor propose a quick and safe modular construction strategy, most of the building parts are pre-fabricated in factory during site preparation period, the onsite work is easier to manage respecting resemble work and is estimated to complete in 12 months.
- The sponsor will adopt multiple approaches to shorten the lease-up period, including provide considerable amount of TI and cooperating with most sourceful brokers.
- Sell upon stabilization will generate the highest return, however, considering the yield is still appreciable compared to opportunity cost, the sponsor suggest a 1 year hold period to maximum equity multiple return.

Construction Strategy

Modular Construction

Modular construction is a process in which a building is constructed off-site. Construction of modular buildings occurs simultaneously with site work, allowing projects to be completed in half the time of traditional construction. Buildings are produced in “modules” that when put together on site, reflect the identical design intent and specifications of the most sophisticated site-built facility without compromise.



GREENER.



FASTER.



SMARTER.

Reduced Construction Schedule:

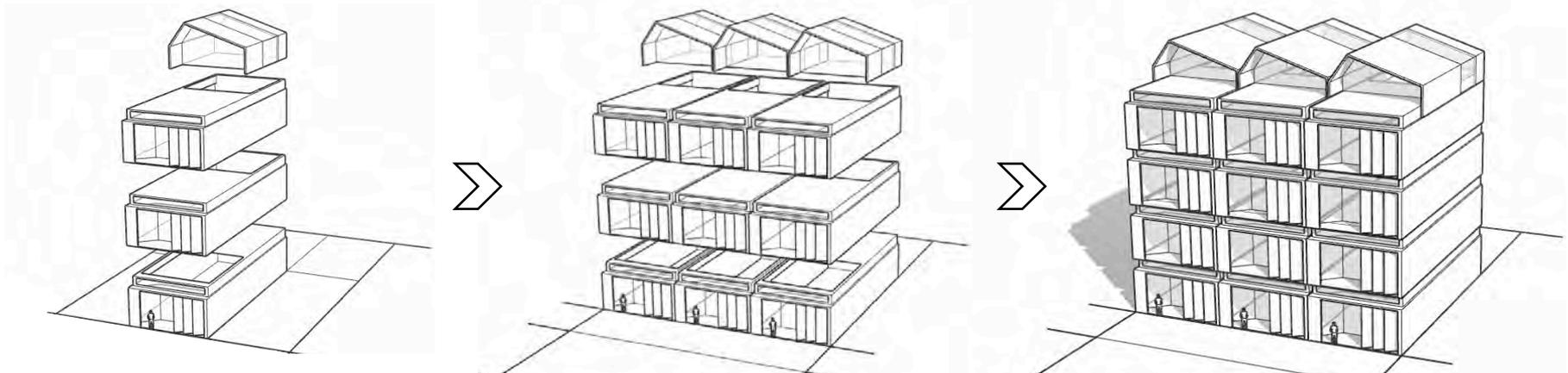
Because construction of modular buildings can occur simultaneously with the site and foundation work, projects can be completed 30% to 50% sooner than traditional construction.

Elimination of Weather Delays:

60 - 90% of the construction is completed inside a factory, which mitigates the risk of weather delays. Buildings are occupied sooner, creating a faster return on investment.

Built to Code with Quality Materials:

Modular buildings are built to meet or exceed the same building codes and standards as site-built structures, and the same architect-specified materials used in conventionally constructed buildings are used in modular construction projects – wood, concrete and steel.



Marketing Strategy

Collaborate With Local Brokers



Set Property Up To Social Medias



Create Virtual Tours



Acorn | Real Estate Development

Sponsor Local Festivals And Events



Advertising On TAMI Business Journals



Versatile market strategies help sponsor reaching tenants in a time saving way, ultimately shortening the lease up period, enhancing negotiation powers, avoiding bad debt and reaching preferable deals. Acorn development has built reliable relationship with local brokers, journalists and many other real estate business insiders. These resources will help us to positively reach our goals, and give us extra credit to deliver a succesful project.



RISKS & MITIGANTS



RISKS & MITIGANTES

Unsuccessful Land Merger

Unsuccessful land merge is contingency upon negotiation process with adjacent landowners. Although the sponsor has confidence in acquiring adjacent lands to expand development scale, if the land price is above investment hurdle, then the sponsor will abandon land merge and choose to develop as-of right. In this case, investors will be refund the unused capital and gain a 10.68% return on capital used.

Capital Returns				
Project Unlevered Return		Project Levered Return		
IRR	8.53%	IRR		10.68%
MOIC	1.16 X	MOIC		1.24 X
Profit	\$349,568	Profit		\$183,707
Gross Margin	16.21%	Gross Margin		24.34%
JV Equity Structure				
Sponsor		Land Owners		Investors
\$75,469	10%	\$650,000	86%	\$29,219
				4%
JV Partner Returns				
Sponsor		Land Owners		Investors
IRR		IRR	10.68%	IRR
MOIC		MOIC	1.24 X	MOIC
				1.24 X

Unsuccessful ULURP

Fort Greene is under fast gentrification. We have seen precedents rezonings from M1-2 to R6 to commodate the growth population. However ULURP is a complicate process, if unsuccessful ULURP occur, then we will choose to develop an office building instead of residential. Investors will be refunded unused capital, and gain 14.91% reurn on capital used.

Capital Returns				
Project Unlevered Return		Project Levered Return		
IRR	10.85%	IRR		15.51%
MOIC	1.27 X	MOIC		1.55 X
Profit	\$2,707,720	Profit		\$1,884,531
Gross Margin	27.44%	Gross Margin		54.56%
JV Equity Structure				
Sponsor		Land Owners		Investors
\$345,426	10%	\$1,950,000	56%	\$1,158,830
				34%
JV Partner Returns				
Sponsor		Land Owners		Investors
IRR		IRR	14.91%	IRR
MOIC		MOIC	1.52 X	MOIC
				1.52 X

Soft Market

Project return changing drastically with base rent and growth rate, whereas TILC and Construction costs are less sensitive. To mitigate the risk in losing rent revenue, the sposor has proposed an upscale property and given the positive market strategy to keep base rent level by increasing less sensitive costs .

Project Levered Return	20.20% 1.74x	Rent Growth			
		1.50%	2.00%	2.50%	
Multi-Family Rent	\$40.00	7.63% 1.25x	9.57% 1.33x	11.50% 1.40x	
	\$42.50	13.09% 1.46x	15.02% 1.54x	16.94% 1.61x	
	\$45.00	18.28% 1.66x	20.20% 1.74x	22.10% 1.82x	
	\$47.50	23.21% 1.86x	25.12% 1.94x	27.01% 2.02x	
	\$50.00	27.91% 2.06x	29.81% 2.15x	31.70% 2.23x	

Construction Cost & Time Overrun

Construction costs and time overrun is a most likely arise situation in traditional development. To mitigate the loss through overruns, the sponsor will adopt pre-fabricated modular construction strategy to ultimately gain control on the costs and schedule.

Project Levered Return	20.20% 1.74x	Construction Period		
		10	12	14
Construction Cost	\$364.08	25.89% 1.95x	25.67% 1.94x	24.33% 1.92x
	\$414.08	23.65% 1.88x	23.32% 1.87x	22.55% 1.86x
	\$464.08	20.89% 1.75x	20.20% 1.74x	19.89% 1.72x
	\$514.08	19.16% 1.69x	18.86% 1.68x	17.87% 1.66x
	\$564.08	16.89% 1.60x	15.56% 1.59x	15.36% 1.55x

Tough Lender

In a staggering capital market, the cost of debt is affected by many uncerties, as long as the interest accrue, the total finance cost will also increase. The sponsor's credit with lenders and strong time management skill will help to mitigate the uncertain risk.

Project Levered Return	20.20% 1.74x	Construction Period		
		10	12	14
First Loan Interest	6.00%	22.39% 1.95x	22.03% 1.94x	21.74% 1.92x
	6.50%	21.66% 1.88x	21.51% 1.87x	21.39% 1.84x
	7.00%	20.85% 1.75x	20.20% 1.74x	19.82% 1.73x
	7.50%	19.16% 1.70x	18.76% 1.69x	17.87% 1.71x
	8.00%	18.88% 1.68x	18.33% 1.66x	17.36% 1.62x

APPENDIX

❖ Visualization Sources

- Cover page Architecture firm [Steinberg Hart](#) and developer [R.W. Selby & Co](#)
- Page 5 Gensler Offices
- Page 5..... Room & Board Exhibition
- Page 7Harrods Fresh Market Hall

❖ Market Data Sources

- www.zillow.com
- www.commercialcafe.com
- www.loopnet.com

❖ Zoning Resolution Sources

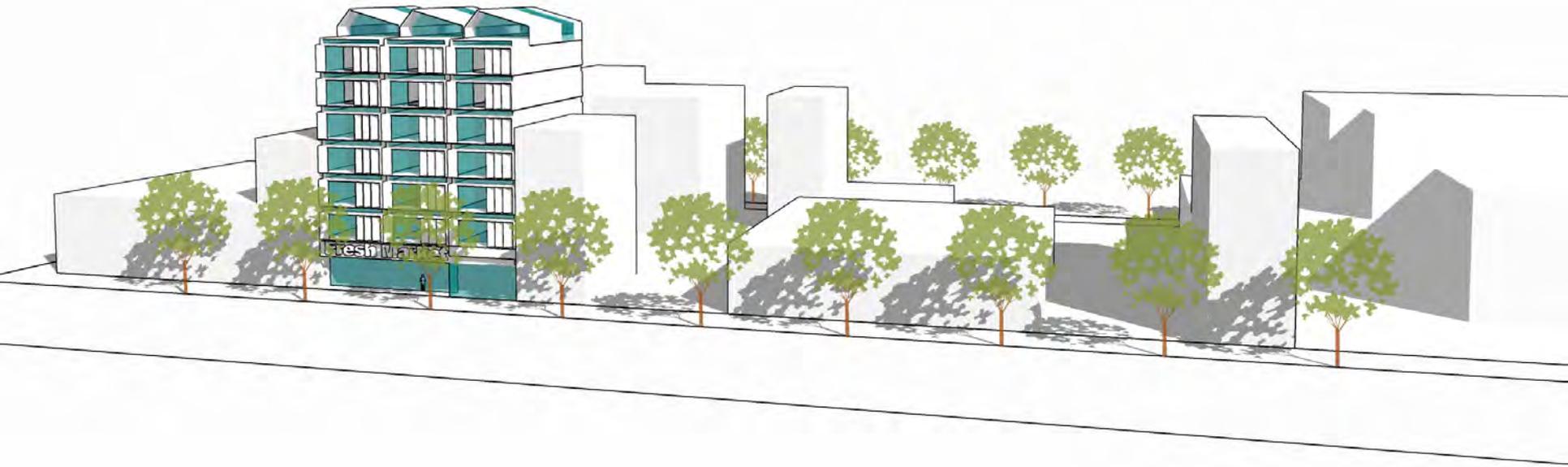
- zola.planning.nyc.gov

❖ Construction Budget Sources

- www.Rsmeans.com

❖ Capital Market Sources

- www.trepp.com



Thank You...