

Springbrook Apartments

533 & 539 CAINE ST. | WHITEWATER, WI | 53190



40 Unit Apartment Complex | University of Wisconsin Whitewater

Offering Summary

Asking Price	\$4,800,000
Number of Units	40
Price Per Unit	\$114,000
Beds	90
Price Per Bed	\$50,666
Cap Rate	7.47%
Year Built	2009
Terms	Cash

* Included in price is adjacent parcel approved for 24 additional units valued at \$240,000.

Investment Highlights

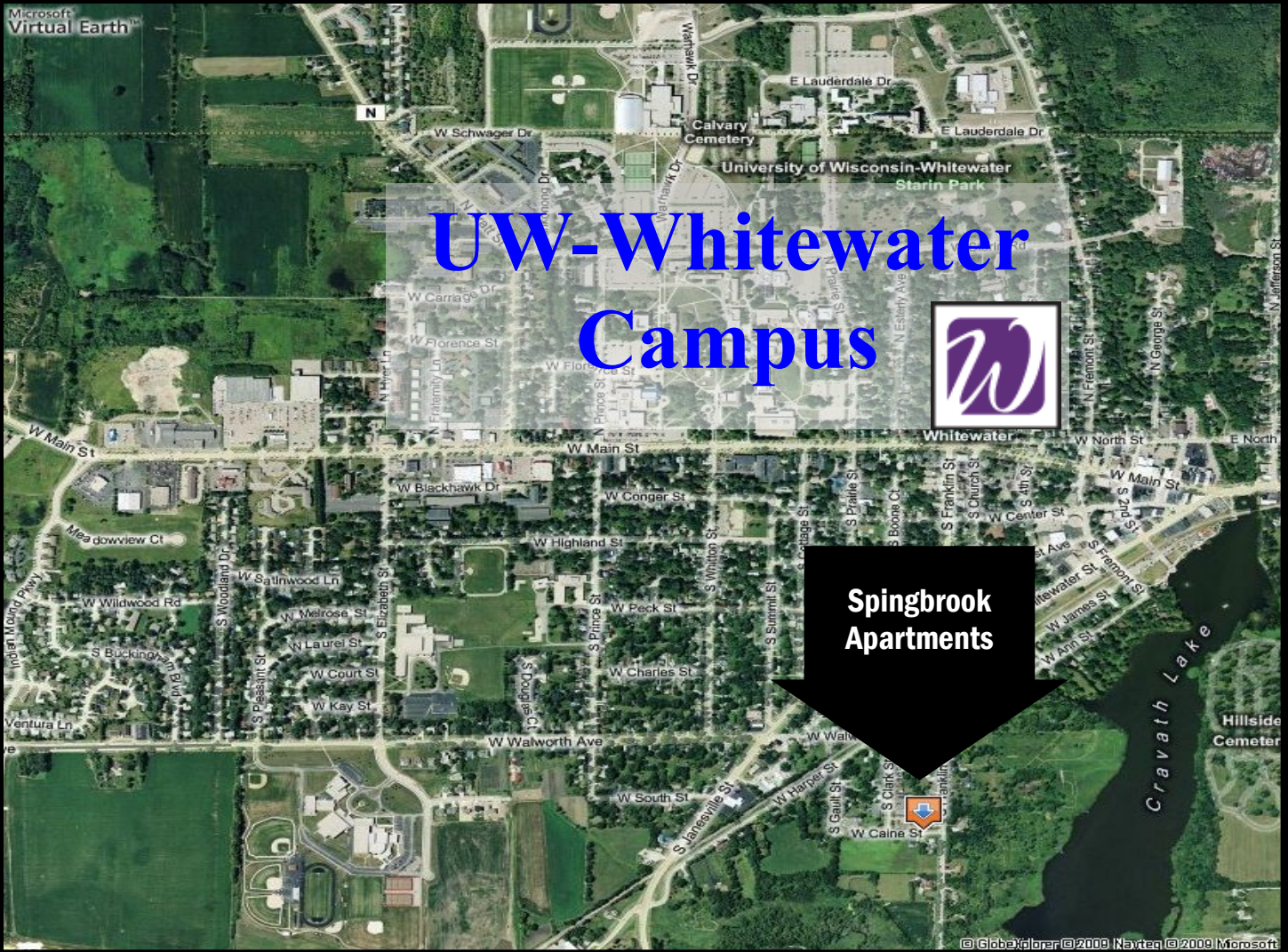
- Minutes from the University of Wisconsin Whitewater campus
- Elevators & Underground Heated Parking
- Adjacent parcel approved for additional 24 units
- 1 BR, 2 & 3 BR units with a variety of floor plans
- Fitness Center
- In Unit Washers & Dryers

EXECUTIVE SUMMARY

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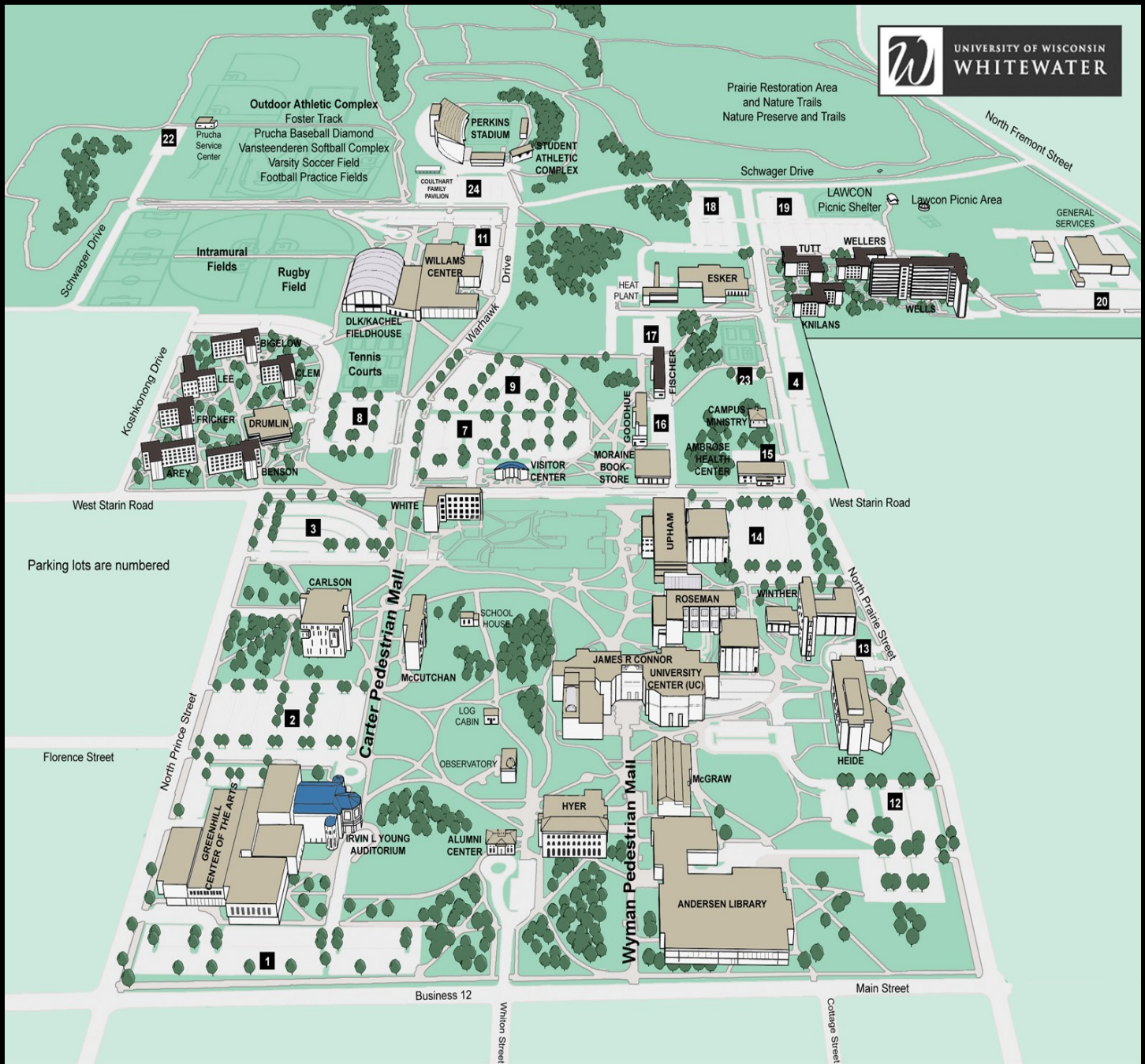
The Springbrook Apartments

Two brand new 20 unit buildings just minutes from the UW-Whitewater campus. The first building was completed in May of 09' and the second building is scheduled to be completed in September of 09'. Providing a nice mix of 1, 2, and 3 unit layouts the Springbrook Apartments capitalizes on the UW-Whitewater's recession resilient student housing market. The units offer students all the amenities of home at a very reasonable price.

Springbrook's new construction is a refreshing break from the majority of available housing opportunities for students, which have considerable wear & tear and signs of aging. The underground parking is a valuable amenity that does not go unappreciated in Wisconsin. Winter can be a challenging time for students and their transportation needs, outdoor parking results in dead batteries, cars being snowed in and no guaranteed space. That being said, underground parking is an amenity that many students are more than willing to pay for.

Other amenities include an in-building fitness center, elevators, balcony's & patios, lounge areas, professional on-site management, security locked entrance doors, additional storage and parking.





The University of Whitewater has a student population of just over 10,500 students, it is a 4 year university currently in the middle of it's 141th year of operation. The University serves as the main economic base for Whitewater and the surrounding area. The University draws many students not only from the Wisconsin area but also from Illinois, Iowa, and Minnesota.

The in-state tuition at the University of Whitewater is \$5,439 per year, making the university a very economical choice for in-state residents (the nationwide average is \$5,836 per year). The neighboring University of Madison's in-state tuition is currently \$7,564 and is headed to increase next year. It's this value that we feel makes the Whitewater student housing market so stable and recession resistant.



November 2, 2009

Dear Prospective Investor,

Phase 2 of the Springbrook apartments is now complete with Tenants moving in daily. We have received dozens of rental applications with deposits within the past month and have procured a substantial list of prospective residents that will view the property within the next 10 days.

We feel strongly that this project will stabilize at a 95% occupancy rate within 5 months because of the positive experience we have had in renting phase 1 of Springbrook. We received our occupancy permit on May 1, 2009 and in just 4 months rented 17 of the 20 units at or above our projected rent schedule.

In the attached 6 year Financial Analysis based upon substantiated income and expense figures the property generates an effective cash flow of \$1,646,764.61 as a 6 year hold. The inbound cap rate is 7.47% with a 6 year end cap rate of 8.82%. The year one debt coverage ratio is 1.231 and the cash flow and principal reduction in year one is 11.35% or \$109,038.24.

Discounting the future income stream at 10.2% (three times the current 10 year T-Bill at 3.4%), the project has a net present value of \$576,818.76 and an internal rate of return of 21%.

As a value play the buildings are brand new, 2 buildings, and 40 units, with land mass conducive to another 24 unit building. Existing building 539 consists of 9 three bedroom units, 6 two bedroom units, and 5 one bedrooms units. Existing building 533 consists of 4 three bedroom units, 12 two bedroom units, and 4 one bedroom units. Amenities include: fitness center in each building, 50 underground parking stalls and ample at grade parking.

Respectfully,



David Baehr
Broker, ABR, RRS
Springbrook Apartments, LLC

Clarifications

Financing Terms:

- 80% of \$4,800,000; \$3,840,000 financed at a rate of 6.5% amortized over 30 years.
 - The monthly payment amount of principal and interest is \$24,271.41 for an annual amount of \$291,256.95.

Annual Operating Income:

- Scheduled Rental Income: see the attached rent roll. I am using a rent escalation of 3% annually and an expense escalation of 2% annually throughout the analysis. The 5 (1) bedroom apartments in phase 2 have been increased substantially in size and should rent at \$750 per month next year v. the \$500 per month currently. We had to honor leases at \$500 because we changed the plans after the leases were signed, this will equate to an increase of \$15,000 per year in income. $\$750 - \$500 = \$250$
 $\$250 \times 5 = \$1,250$ $\$1,250 \times 12 = \$15,000$
- Commercial and Misc. Income is comprised of the following items:
 - Cable television and internet, 100% of our Tenants have opted to use our available cable and internet option, the cost to the Tenant is \$50 for cable and \$40 for internet. I have used $38 \times \$90 = \$3,420$ per month.
 - Parking, 75% of our Tenants have opted to rent an additional parking stall at a rate of \$25 per month. I have used $38 \times .75 = 28.5$ $28.5 \times \$25 = \712.50 per month.
 - Storage units, 50% of our Tenants have opted to rent a storage unit at a rate of \$20 per month. I have used $38 \times .50 = 19$ $19 \times \$20 = \380 per month.
 - Coin operated washer and dryer, 5 of the 20 apartments in phase 1 do not feature in unit washer and dryer. We have experienced an income of approximately \$35 per month from these units.

Annual Operating Expenses:

- Real Estate Taxes are based on a re-assessment to \$3,000,000. The average assessment ratio is .9873 and the mil rate in the city of Whitewater is .0177203. The anticipated tax due in 2010 is \$52,485.76. The actual tax bill for 2008 is \$6,875.
- Gas & Electric costs are for the common area only; the tenants pay their own gas and electric. This is budgeted at \$200 per building per month. $2 \times \$200 = \400 per month.
- Water & Sewer is based on a rate of \$15 per month per unit, we have experienced approximately this amount for the occupied units. 38 units are used to reflect 95% occupancy. $38 \times \$15 = \570 per month.
- Lawn Care for the months of April-September The cost is broken down as such= 6 months (4 weeks per month) = 24 (\$100 per event) = \$2,400 annually.
- Snow Removal for the months of November-February. The cost is broken down as such= 4 months (4 weeks per month) = 12 (\$150 per event) = \$1,800 annually.
- Advertising is based on an expenditure of \$400 per month.
- Repairs and Maintenance are projected to cost \$1,000 per month.
- Management, the management agreement is 5% of the gross rental income.
- Insurance is based upon the actual insurance premium of \$8,000 per year thru Hausmann Johnson Insurance Company.
- Cable television, we are renting the cable plant at a rate of \$35 per unit per month, this amount includes all maintenance.
- Internet, we pay \$15 per month per unit for internet service, this amount includes all maintenance.