

# J.D. Bols & Associates

Real Estate

April 6, 2020

To Whom it May Concern

Re: Opinion of Value- Crane Manor- 178 Units  
2271 Airways  
Memphis, TN

I have been asked to conduct a valuation of the Crane Manor apartment complex at the above noted address. The property is situated on a busy commercial thoroughfare not far from the Memphis Depot which is a large industrial park. Furthermore, it is approximately five minutes from Memphis International Airport and fifteen minutes from downtown Memphis.

The property consists of approximately 150,010sf of improvements configured as:

16 junior one bedrooms  
64 deluxe one bedrooms  
28 two bedroom one baths  
60 two bedroom/ two baths  
10 two bedroom and two bath townhomes

The units are separately metered for electric and the units are all electric. The owner pays the water while the tenants pay the trash through their utility bill.

The property is currently about 33% rented with about 120 units that require some level of renovation. According to the current owner these units need \$5,000-\$10,000 in repairs per unit. This is based on his experience with renovating about 60 units. Most of this work encompasses new flooring, new

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interior paint, appliances, new HVAC, new plumbing fixtures, new lighting fixtures, refinishing tubs, new shower tile, new toilets, new bathroom vanities and kitchen cabinetry. The current owner estimates it would take about \$1,000,000 to bring these units back to rent ready condition.

We cannot come up with a market value based on the current financials as the property is only 33% occupied. It would be more accurate to estimate the finished value of the building and then subtract the costs of achieving that value. First, we must look at the projected gross income. Below are the estimates of what each unit would rent for (or are renting for)

16-Junior One Bedrooms- \$420/mth (\$6,720)  
64-Deluxe One bedrooms- \$449/mth (\$28,736)  
28-Two Bedroom/ One bath- \$519/mth (\$14,532)  
60-Two bedroom/ two bath- \$559/mth (\$33,540)  
10-Two bedroom/ two bath townhome- \$629/mth (\$6,290)

Though there is an old and very dilapidated laundry facility on the property some units do come equipped with washing machine hookups. In addition, there is a laundromat across the street. The current owner does not believe the building would need central laundry facilities so no income is projected for that.

Based on the numbers above we come up with a total of \$89,818 in monthly income and \$1,077,520 in yearly projected income. We then take out the market rate of vacancy of 5% (source: Greater Memphis Apartment Association) leaving us \$1,023,925. We then need to subtract the expenses of the property which are projected as the following:

Advertising: \$4,000  
Landscaping: \$15,000  
Payroll: \$75,000 (onsite manager and maintenance)  
Off Site Management; \$24,000  
Property Taxes: \$56,000  
Repairs: \$75,000  
Utilities: \$75,000 (Water and electricity)

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Office: \$2,400

Miscellaneous: \$10,000

Total: \$336,400

Therefore, we come up with a projected net income of \$687,525. In the Memphis marketplace we see stabilized properties, of similar quality, sell for between 9-10% cap rates. Using a 10% cap rate we come up with a finished value of \$6,875,250.

Now we need to work back to an “as-is” or today’s value. The cost of the renovation is estimated at \$1,000,000. It would be prudent to add a 20% factor for extras and overruns that can come up during the course of construction. In addition, for the time, effort and risk to capital the new owner must capture a developer profit which I estimate to be at least \$1,500,000. Given these numbers we come up with a residual or net value of the building today of about \$4,175,000. This number could be tempered a bit by the sales comparables which appear to be around \$23,000/unit for similar properties. Nonetheless, this value appears to be justified.

If you have further questions or need clarification, please do not hesitate to contact me.

Sincerely,

JD Bols

JD Bols & Associates

*Disclaimer: The analysis contained in here is my opinion based on the information provided to me. Any potential buyer should not rely on this Opinion of Value and should conduct their own investigation. I do not guarantee or warranty this analysis or information contained herein.*

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