KITCHEE GAMMI
PROPERTIES, LLC

Investment Overview

22 Apr 2026

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Property Valuation & Investment Overview
RE: 1727 E Superior Street, Duluth, MN 55812
Main Victorian 4-Plex | Carriage House | Workshop | Adjacent Buildable Lot

To Len Sarvela,

It is my pleasure to present a truly unique high-yield asset located in the heart of Duluth's historic East End/Endion neighborhood. 1727 E Superior Street represents more than just a multi-family residence; it is a multi-layered real estate portfolio contained within a single offering. Combining Victorian architectural character with modern rental stability and future development potential, this property is positioned for both immediate cash flow and long-term equity growth.

Asset Composition
This offering consists of five distinct value-driving components:

- The Victorian 4-Plex: A well-maintained multi-unit residence featuring high-demand historic finishes and strong occupancy history.
- The Carriage House: A fully detached 5th unit located above the garage, providing a "tiny home" or private apartment feel that commands a rental premium.
- The Workshop & Garage: A rare two-stall heated garage and dedicated shop space—an essential amenity in the Duluth market that significantly reduces tenant turnover.
- Adjacent Buildable Lot: A buildable parcel providing immediate "highest and best use" potential for an additional multi-family build or a high-end duplex.
- "Off-street" parking: Avoiding weekly on-street parking in the east end combined with snow emergency routes is a luxury tenants have with "personal" parking spaces for each unit.

Financial Performance Summary
The property is currently performing at a high level, with a gross monthly income that outperforms standard 4-plex comps in the area.

Financial Metric Value

Financial Metric	Value
Gross Monthly Income	$5,210
Gross Annual Income	$62,520
Estimated Net Operating Income (NOI)-	$40,638
Market Cap Evaluation	6.5-7.5%

Market Valuation
Based on a combined approach of Income Capitalization (the value of the 5-unit cash flow) and Comparable Land Sales (the value of the buildable lot), the total market value is estimated as follows:

- Income-Producing Assets (Units 1-4): $615,000
- Developmental Land + Garage/Shop (Adjacent Lot): $95,000
- Total Combined Market Value: $710,000

Investment Potential
Beyond the current $62,520 annual revenue, there is significant "upside" for a strategic buyer. The shop space offers potential for additional utility or storage rental income, and the buildable lot represents a rare opportunity to double the door count on a single city block. In a 2026 market defined by low inventory and high rental demand near the Lakewalk and medical district, this property stands as a premier acquisition.

Pro Forma Income Statement
Property: 1727 E Superior St, Duluth, MN 55812
Analysis Period: 2026 Calendar Year

I. Gross Scheduled Income (GSI)

Revenue Source	Monthly	Annual
Total Rental Income (4Units)	$5,210	$62,520
Projected Garage/Shop Revenue	$250	$3000
Gross Potential Income	$5460	$65,520
Vacancy Allowance (3% Mrkt Avg)	($164)	($1,965)
Effective Gross Income (EGI)	$5296	$63,555

II. Estimated Operating Expenses
Values based on 2026 St. Louis County tax estimates and regional utility rates.

Expense Item	Annual Cost	Notes
Property Taxes	$4732	Actual 2025 Taxes for both Lots
Property Insurance	$3800	Multi-unit commercial fire/liability
Utilities (Water/Sewer/Gas)	$6600	Comfort Systems 2026 rates
Electricity (Common Area/Garage)	$1400	Minnesota Power (Avg $115/mo)
Repairs & Maintenance	$4500	~$900/unit annual reserve
Snow Removal & Lawn Care	$1800	Pro contract DLH standard
Total Operating Expenses	$22,832	35.9 % Expense Ratio

III. Net Operating Income (NOI)

Metric	Calculation	Total
Effective Gross Income	$63,555	
Less Operating Expenses	($22,832)	
ANNUAL NET OPERATING INCOME		$40,723

Investment Performance Indicators
Current Cap Rate (Buildings Only): 6.1%
Based on a building-only valuation of $615,000. This is a very competitive return for a turn-key East End property.

Strategic Value Notes for Lighthouse Center for Vital Living:

- The Buildable Lot: This Pro Forma excludes the value of the adjacent lot. A buyer can develop that land to add another 2–4 doors, which would theoretically double the NOI while sharing the same fixed costs (snow removal, management).
- Utility Pass-Through: If the units are not currently sub-metered for water/gas, a buyer could implement a RUBS (Ratio Utility Billing System) to pass approximately $5,000 of the utility expense back to tenants, immediately raising the Cap Rate to nearly 7%.
- The Shop: The $3,000 projected annual shop revenue is conservative. In a city where indoor workspace is rare, this could easily be marketed to a small contractor or hobbyist for more.

SALE PRICE: $TBD

Sincerely,

Kitchee Gammi Properties, LLC