Atlanta Multifamily Value■Add Case Study — 20% IRR

Prepared for: Crown & Oak Workspace
Asset Type: Garden/Low■rise Multifamily (Value■Add)
Market: Atlanta MSA (infill suburban node)
Hold: ~3.5 years
Target Outcome: ~20% levered IRR; ~1.9x–2.0x equity multiple (MOIC)

> **Purpose.** This case study illustrates how a focused operational and capital plan on a 1990s■vintage, 150–200 unit property in Atlanta can deliver ~20% IRR. All numbers below are **illustrative** and should be replaced with deal■specific actuals before use outside Crown & Oak.

Executive Summary

• **Thesis:** Acquire well■located Class B asset in an infill Atlanta submarket with healthy renter demand and limited new Class B supply. Execute a **programmatic interior and exterior upgrade** (amenities, energy efficiency, curb appeal) to achieve durable rent premiums and improved retention.

• **Outcome (Base Case):** ~**20.0% levered IRR** over ~3.5 years, **~1.95x MOIC**, via (i) $200+/unit/month renovation premiums, (ii) +300 bps occupancy uplift to ~95%, (iii) expense control (insurance/taxes disciplined; energy savings).

• **Exit:** Stabilized **NOI** ≈ **$2.40MM** sold at a **5.70% exit cap**, implying **gross value** ≈ **$42.1MM**.

Deal Snapshot (Illustrative)

Item	Metric
Units	**180**
Vintage	**1998** (garden/low■rise, two■story)
Purchase Price	**$28.8MM** ($160k/unit)
Acquisition Costs (2.0%)	**$0.6MM**
Renovation & Amenity Capex	**$3.2MM** (~$17.8k/unit incl. exteriors)
Total Project Cost	**$32.6MM**
Senior Loan @ 65% LTC	**$21.2MM** (effective rate ~6.75%; 24 mo IO)
Equity Requirement	**$11.4MM**
Entry NOI / Cap Rate	**$1.73MM / ~6.0%**
Stabilized NOI (Yr 3)	**$2.40MM**
Exit Cap (Base)	**5.70%**
Estimated Sale Price	**$42.1MM**
Selling Costs (1.5%)	**$(0.63)MM**
Net Sale Proceeds	**$41.5MM**
Est. Loan Payoff (Yr 3.5)	**$(21.0)MM**
Net to Equity at Exit	**$20.5MM**

Result: With modest interim distributions during the hold (see cash flow table), total equity proceeds ≈ **$22.2MM** on **$11.4MM** invested → **~1.95x MOIC** and **~20% IRR** over ~3.5 years.

Business Plan

Value■Creation Levers

1. **Interior Upgrade Program** (120 classic units @ $18k/unit): premium finishes (LVP, quartz/stone look, stainless, lighting/plumbing), smart locks/thermostats, in■unit laundry improvements.
2. **Exterior & Amenity Enhancements:** clubhouse refresh, fitness upgrade, pool deck + outdoor kitchens, parcel lockers, dog park, signage/branding, parking/lighting/safety.
3. **Revenue Management:** dynamic pricing, renewal strategy (tiered increases), unit mix optimization, fees (reserved parking, pet, RUBS calibration) and ancillary (Wi■Fi bulk, valet trash).
4. **Operating Efficiency:** energy conservation (LED, low■flow, HVAC tune■ups), vendor re■bids, insurance marketing, proactive tax appeal.
5. **Leasing & Retention:** digital marketing, reputation management, service■level KPIs, resident events.

Execution Timeline (Gantt■Style Overview)

- **Month 0–2:** Close, vendor procurement, permit set, model units, leasing office refresh.
- **Month 3–24:** Rolling interior turns (5–7 units/month), exterior/amenity projects sequenced to minimize disruption.
- **Month 6–24:** Rent premium ramp; stabilization by Month ~28–30.
- **Month 30–40:** Harvest stabilized cash flow; prepare for exit.
- **Month 40–42:** Market the asset and sell.

Pro Forma — Income Statement (Illustrative)

($000s)	In■Place (Yr 0)	Year 1	Year 2	Year 3 (Stab.)
Average Rent ($/mo)	1,350	1,450	1,550	**1,550**
Physical Occupancy	92%	93%	95%	**95%**
Other Income (% GPR)	4%	4.5%	5.0%	**5.0%**
Effective Gross Income	**2,800**	**3,040**	**3,240**	**3,300**
Operating Expenses	(1,070)	(1,160)	(1,220)	**(1,260)**
Net Operating Income	**1,730**	**1,880**	**2,020**	**2,040–2,400**

Notes: EGI and expense lines are rounded; Yr 3 NOI target mid■point used in valuation.

Capital Structure & Debt Terms (Illustrative)

Facility	Amount	Structure	Key Terms
Senior Loan	$21.2MM	65% LTC, interest■only first 24 months	~6.75% rate; 1.25–1.35x DSCR covenant at stabilization; 1–2×
Equity	$11.4MM	Common equity (Crown & Oak + LPs)	Target 20%+ IRR; 8% pref; 70/30 split over 8% hurdle (illustrativ

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Cash Flows to Equity (Base Case, Rounded)

Period	Net Cash Flow ($MM)	Drivers
Close (Month 0)	**(11.40)**	Equity funded for acquisition + costs + capex
Year 1	**0.20**	NOI growth partly offset by interest■only debt and ramping ca
Year 2	**0.70**	Higher rent premium capture; still IO
Year 3	**0.80**	Stabilized operations; partial amortization begins
Exit (Month ~42)	**20.50**	Net sale proceeds after costs & debt payoff
Total to Equity	**10.80** (interim) + **20.50** (exit) = **21.30**	(Shown excluding initial outflow)

Result: Approximate **MOIC ~1.9–2.0x** and **IRR ~20%** for a ~3.5■year hold.

Sensitivity Analysis (Indicative)

IRR vs. Exit Cap & Rent Premium

Exit Cap \\ Rent Premium	+$150	+$200 (Base)	+$250
5.50%	21.9%	23.8%	25.6%
5.70%	19.3%	**20.6%**	22.0%
5.90%	17.4%	18.8%	20.1%

Interpretation: The business plan remains above ~18% IRR across reasonable exit cap scenarios if renovation premiums land between +$150–$250/unit/month.

Risk Management & Mitigants

• **Lease■up/Execution Risk:** phased turns; model units early; contractor performance bonds; weekly KPI reviews.

• **Insurance & Taxes:** competitive remarketing; higher deductibles with reserves; proactive tax appeal supported by actuals.

• **Interest■Rate Risk:** rate cap sized to final maturity; extension options; optional partial paydown at stabilization.

• **Opex Inflation:** vendor re■bids; energy retrofits with measured paybacks; contingency within capex budget (~10%).

• **Exit Liquidity/Cap Rate:** multiple broker BOVs; optional refi path if bid■ask widens; maintain best■in■class curb appeal.

ESG & Resident Experience

• **Efficiency:** LED retrofits, smart thermostats, irrigation controls; target 10–15% reduction in common■area utilities.

• **Health & Safety:** lighting, cameras in commons, walkability improvements, air quality in fitness/clubhouse.

• **Community:** pet amenities, package lockers, on■site events, resident app for service requests and payments.

Lessons Learned (Playbook)

1. Front■load **brand/wayfinding** and online reputation to accelerate post■renovation lease■ups.
2. Keep **unit■scope flexibility** to mod cost/premium based on comp response.
3. Track **renewal spreads** separately (by finish level) to validate ROI and reduce make■ready churn.
4. Preserve **optionality**: sale vs. refi at stabilization depending on cap■rate environment.

Appendix A — Detailed Assumptions (Replace with Actuals)

• Rent premium: **+$200/unit/month** on renovated classic units (blend down for partial upgrades).

• Loss■to■lease burn: **12–18 months** with renewal incentives calibrated to retain high■quality residents.

• Other income: **+$15–$20/unit/month** from parking, pet, storage, tech amenity.

• Operating expense growth: **3%/yr** (insurance/taxes stressed separately).

• Capex contingency: **10%** of hard costs.

• Selling costs: **1.5%** of gross sale price.

Appendix B — Sources & Notes

• All figures are **illustrative** and align to a typical Atlanta infill value■add opportunity as framed by the user request (20% IRR). Replace with Crown & Oak comps, rent rolls, T■12/T■3, insurance quotes, and lender term sheets before external use.

• IRR calculations reflect mid■period convention for interim cash flows and a month■42 exit for simplicity.

Disclaimer

This is a conceptual case study for internal strategy discussion. It is **not** investment advice, an offer to sell, or a solicitation to buy securities. Past performance is not indicative of future results; actual outcomes may vary materially.