

SAMPLE UNDERWRITING REPORT

48-Unit Multifamily Acquisition

Investment summary, financing, returns and risks. All figures are invented for this sample.

Purchase price	In-place NOI	Going-in cap	Levered IRR (5-yr)	Equity multiple
\$6,240,000	\$412,300	6.6%	12.1%	1.69x

1. Recommendation summary

The property can be acquired for \$6,240,000 (\$130,000 per unit) at a 6.6% going-in cap rate on in-place NOI of \$412,300. With 65% senior debt at 6.5% fixed, the deal covers its debt payments 1.34x in year one and returns a 12.1% levered IRR and a 1.69x equity multiple over a five-year hold in the base case. The base case assumes 3% annual NOI growth and a 6.9% exit cap rate, which is 29 basis points wider than the going-in cap rate.

The result is acceptable but not wide. Returns depend mostly on NOI growth and the exit cap rate (section 5), so the next diligence steps focus on proving rents and expenses.

2. Sources and uses

Uses	Amount	Sources	Amount
Purchase price	\$6,240,000	Senior loan (65% LTV)	\$4,056,000
Closing costs (2%)	\$124,800	Equity	\$2,308,800
Total uses	\$6,364,800	Total sources	\$6,364,800

3. Operating statement (in-place, annual)

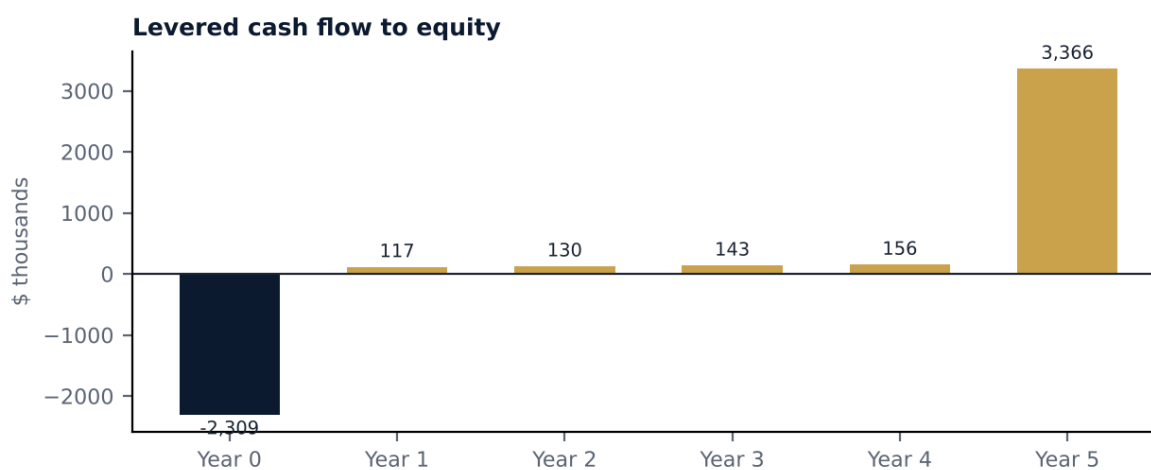
Line item	Annual	Per unit	% of EGI
Gross potential rent	\$802,080	\$16,710	102.1%
Less: vacancy and credit loss	(\$48,125)	(\$1,003)	(6.1%)
Plus: other income	\$31,680	\$660	4.0%
Effective gross income (EGI)	\$785,635	\$16,367	100.0%
Property taxes	\$76,800	\$1,600	9.8%
Insurance	\$31,200	\$650	4.0%
Utilities (common area and water/sewer)	\$52,800	\$1,100	6.7%
Repairs and maintenance	\$43,200	\$900	5.5%
Payroll (on-site)	\$57,600	\$1,200	7.3%
Marketing and administrative	\$19,200	\$400	2.4%
Contract services	\$21,600	\$450	2.7%
Management fee (4% of EGI)	\$31,425	\$655	4.0%
Turnover and make-ready	\$39,510	\$823	5.0%
Total operating expenses	\$373,335	\$7,778	47.5%
Net operating income (NOI)	\$412,300	\$8,590	52.5%

Operating expense ratio: 47.5% of EGI. Expenses are modeled from per-unit benchmarks and should be replaced with trailing-12 actuals in diligence.

4. Financing and cash flow

Loan of \$4,056,000 at 6.5% fixed on a 30-year amortization costs \$307,640 per year in debt service. The in-place debt service coverage ratio (DSCR) is 1.34x and the debt yield is 10.2%. The loan balance at the end of year five is \$3,796,861.

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
NOI		\$424,669	\$437,409	\$450,532	\$464,048	\$477,969
Debt service		(\$307,640)	(\$307,640)	(\$307,640)	(\$307,640)	(\$307,640)
Cash flow after debt service		\$117,029	\$129,769	\$142,891	\$156,407	\$170,329
Net sale proceeds						\$3,195,339
Levered cash flow	(\$2,308,800)	\$117,029	\$129,769	\$142,891	\$156,407	\$3,365,668



Sale at the end of year five: exit NOI of \$492,308 at a 6.9% cap rate gives a gross price of \$7,134,899. After 2% sale costs and loan payoff, net proceeds are \$3,195,339.

5. Sensitivity

The grid shows how the levered IRR changes with the exit cap rate and annual NOI growth. The base case is outlined in gold.

Levered IRR sensitivity (5-year hold)					
Exit cap rate	6.4%	9.3%	12.3%	15.2%	17.9%
	6.9%	5.9%	9.1%	12.1%	15.0%
	7.4%	2.5%	5.9%	9.1%	12.1%
	7.9%	(0.9%)	2.8%	6.1%	9.3%
		1%	2%	3%	4%
Annual NOI growth					

6. Equity waterfall

Distributions are split by investor (LP) IRR hurdles of 8%, 12% and 16%. In the base case the LP earns a 11.7% net IRR and a 1.67x multiple, and the sponsor (GP) earns \$63,156 of promote. In the upside case every tier is reached.

Tier	Hurdle (LP IRR)	LP share	GP share
1 Return of capital and preferred return	to 8%	100%	0%
2	8% to 12%	90%	10%
3	12% to 16%	80%	20%
4	above 16%	70%	30%

7. Key risks and what to check next

Exit cap rate. Each 50 basis points on the exit cap rate moves the IRR by roughly 3 percentage points. Check recent sales of similar assets.

Rents and NOI growth. The base case assumes 3% yearly growth. Verify in-place rents against the rent roll and market comps.

Expenses. Taxes and insurance can reset after a sale. Confirm the reassessment and quote insurance before closing.

Debt. A fixed rate protects payments, but the 1.34x coverage leaves limited room if NOI falls.

Capital needs. No capital expenditure or reserves are in the sample returns. Add a property condition report and a reserve line.

8. Assumptions

Five-year hold. Closing costs 2% of price. Sale costs 2%. NOI grows at a single rate from the in-place figure. No income tax, no reserves, all equity from the LP. The accompanying Excel model reproduces every number in this report and lets you change any input.