

Offering Memorandum

Pine Grove Apartment Complex

1418 Lynn Street, Thibodaux, Louisiana 70301



Pine Grove Apartments

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Investment Opportunity Available

Pine Grove Apartments

23 Units | \$799,000 | Thibodaux, LA

Table of Contents

4 Section 1
Property Information

8 Section 2
Location Information

13 Section 3
Financial Analysis

Section 1

PROPERTY
INFORMATION



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Property Overview

Pine Grove Apartment Complex is a 23 unit multifamily property located in Thibodaux, Louisiana. Pine Grove presents a value-add opportunity for investors. Currently, the property is about 35% occupied and is in need of a reasonable capital injection to get the property back up and running in full capacity. In our opinion, the property needs about \$77,000 to achieve stabilization.

A unique aspect of the property is that it was, at one point, a house. One of the previous owners decided to convert the large house into 16 apartment units which resulted in the property having multiple different unit floor plans. This gives the property a unique feel, as most of the units are completely different from one another. One of the previous owners then decided to build seven additional units and a laundry room at the rear of the property -- bringing the total unit count to 23.

Pine Grove offers a variety of unit types. The property offers studios, 1 bedroom and 2 bedroom units with an average unit size of 726 SF.

Pine Grove offers residents a quiet, convenient location in Thibodaux, along with unique floor plans, on site laundry and ample designated parking. The property is individually metered for electricity which tenants are responsible for. The property pays for water/sewer, trash and pest control. Tenants are responsible for their own communication lines. Standard units come equipped with the following appliances: stove top, oven, sink and refrigerator. The units are equipped with either central air/hear or PTAC window units.

Location Summary

Pine Grove Apartments are located in Thibodaux, Louisiana -- a quiet college town, but the largest city in the heart of Cajun Country aka Lafourche Parish. Thibodaux is in south Louisiana on Louisiana Highway LA-1 on the banks of historic Bayou Lafourche.

Property Highlights

- 23 Total Units (Studio, 1BR & 2BR Units)
- Priced Below Appraised Value
- Average Market Occupancy of 97%
- Onsite Laundry Facility (operated by CoinMach)
- Ample, Designated Parking
- Large Onsite Storage Room
- Quiet, Convenient Location
- Appealing Common Areas
- Units Individually Metered for Electricity
- Mix Between Metal & Shingle Roofs

Property Photos



Apartment Market Survey



January 2019 Market Survey

| # | Property Name | Leased | Avg/SF | Units | Yr Built | Rents | Amenities |
|---|------------------|--------|--------|-------|----------|--------------|--------------------------------------|
| 1 | Rienzi Terrace | 100% | \$0.78 | 64 | Unknown | \$600-\$800 | 2 Pools, Coin Laundry |
| 2 | Plantation Trace | 92% | \$0.90 | 100 | 1974 | \$555-\$650 | Pool, Coin Laundry, 24hr Maintenance |
| 3 | Colonial Estates | 98% | \$0.97 | 108 | 1973 | \$685-\$785 | Pool, Coin Laundry, 24hr Maintenance |
| 4 | Chateau Audubon | 100% | \$0.92 | 96 | Unknown | \$995-\$1200 | Assigned Parking |

Section 2

LOCATION
INFORMATION



Investment Opportunity Available

Pine Grove Apartments

23 Units | \$799,000 | Thibodaux, LA

Thibodaux, Louisiana

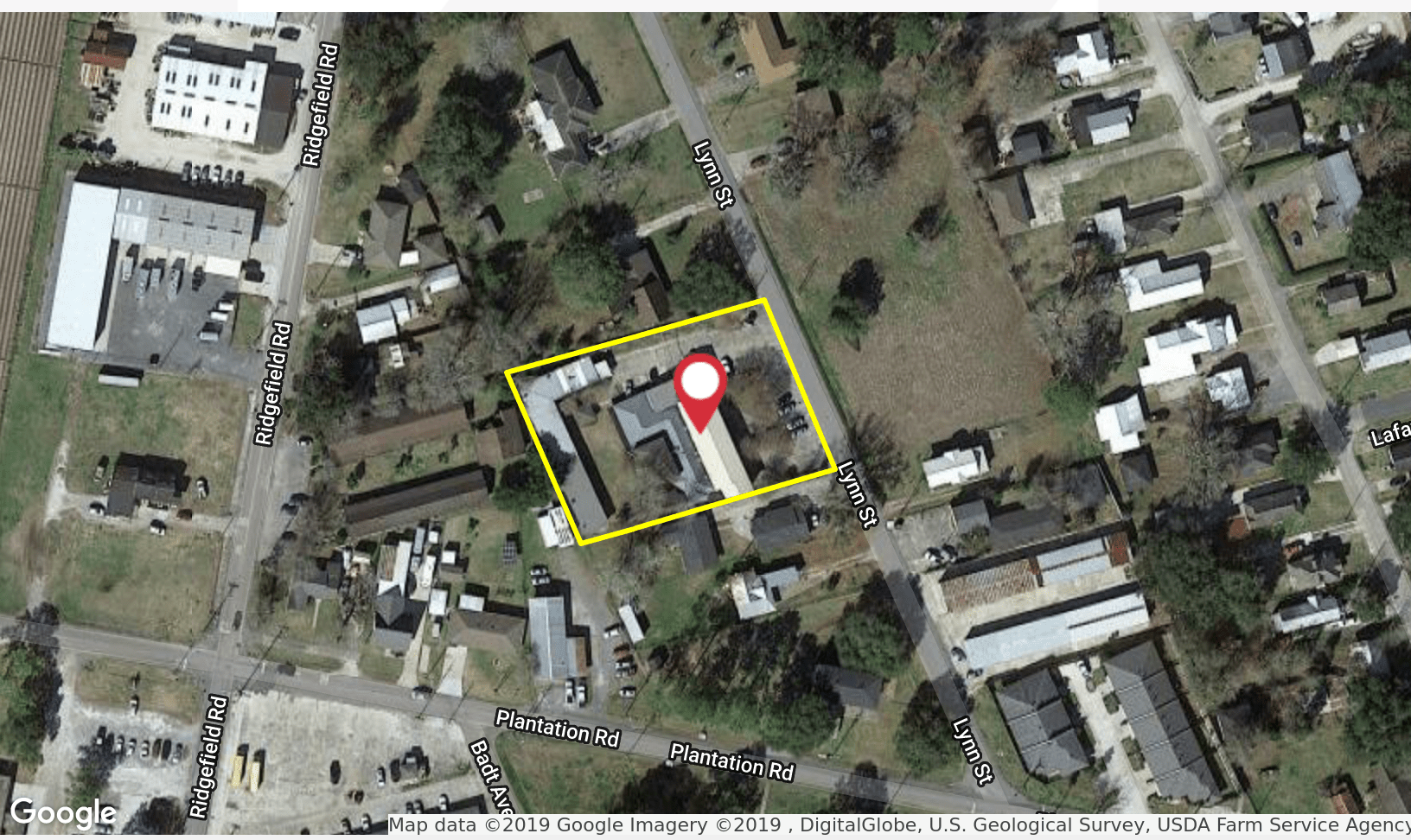
Thibodaux, a quiet college town, is the largest city in the heart of Cajun Country, aka Lafourche Parish, in south Louisiana. The allure of Louisiana's Cajun culture is everywhere in Lafourche Parish and Thibodaux. Lafourche Parish is north and east of Terrebonne Parish and is the closer of the two to New Orleans (55 miles) and Baton Rouge (65 miles) and is equidistant to Lafayette (90 miles). In 2018, the total population of Thibodaux was around 14,566 residents, and offers a suburban feel with 53% of residents owning homes and the other 47% renting property.

For the surrounding community of Thibodaux, the nearby schools are above average and there are multiple public schools grades PK-12, within a 2 mile radius of the subject property. Thibodaux is also home to Nicholls State University -- a higher education institution noted as "Harvard on the Bayou". It has enrollment of over 7,000 student and employs over 650 people. It is recognized as providing exceptional education in a number of fields.

There are multiple grocery stores within a 3 miles radius of the property, such as Rouse's Market and Walmart Neighborhood Market. Less than half a mile from the property is the Lafourche Parish Sheriff Law Enforcement complex. Within a 5 minute drive time, and less than a 20 minute walk from the property is a shopping center with tenants such as Family Dollar, a dry cleaner, and a furniture and appliance store. The Canal Boulevard and Bayou Road intersection is less than 1.5 miles northeast of Pine Grove Apartments. At this intersection, retailers include Rouse's Market, Walgreens, CVS, Plaza del Rienzi Shopping Center, with plenty of options for food and shopping. The Thibodaux Regional Medical Center is located 2.6 miles east of Pine Grove Apartments and Nicholls State University is approximately 2.5 miles northeast of the apartments.



Location Maps



1700 City Farm Drive
Baton Rouge, LA 70806
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Flood Map



Source: LSU Ag Center Flood Maps

Section 3

FINANCIAL ANALYSIS



Investment Opportunity Available

Pine Grove Apartments

23 Units | \$799,000 | Thibodaux, LA



Operation Suggestions

Pine Grove is an excellent opportunity for a value-add play. We feel that with approximately \$77,000, the property can achieve stabilization. The \$77,000 should go towards the following:

- Turning all units into rentable condition, Unit 15 needs to be completely renovated. This unit is already down to the studs.
- Turning Unit 3 into a temporary leasing office/club house. This unit is a 2BR/1BA unit with approximately 1,653 SF. It is located in the center of the front building and has a very unique layout. It would be ideal for a leasing office during the lease up period.
- Clean up the exterior

In addition to the \$77,000, we budget \$30,000 as lease up reserves to account for the lost rent while work at the property is being done. The \$77,000 and \$30,000 should be a part of the next owners initial equity raise for the property. The work is relatively minor and should be able to be completed within three months' time, in our opinion.

Once the needed work is complete, we project the average rent per unit to be approximately \$575/month. This seems low mainly due to the number of one bedroom units at the property. The projects rents per unit type are as follows:

- Studios (2 units) - \$513/month
- 1 Bedrooms (12 units) - \$558/month
- 2 Bedrooms (9 units) - \$698/month

A suggestion we have for the next owner is to try to attract college students from Nichols to live at the property. Renaming the property and adding amenities such as game areas, BBQ areas and offering a student friendly atmosphere should be able to attract students to the property. Not to mention, the relatively low rents and close proximity to Nichols State -- 2 miles and about a 7 minute drive.

Financing & Game Plan

A local lender should be willing to lend on this deal. With the property being about 35% occupied, they will most likely require a larger down payment than if the property was stabilized. In our underwriting, we project a buyer can obtain a 65% LTV with a 5 year term, 20 year AM period and a 6% interest rate. The repair reserves and lease up reserves should be held outside of the loan, but if a buyer is able to lump this into their loan -- even better. The next owner should do all repairs, turns needed, stabilize the property, then either refinance or sell. This will depend on the next owners hold strategy should they choose to refinance and hold or sell.

Opportunity

Pine Grove is a prime opportunity for value add driven buyers in a market with strong fundamentals and a strong market occupancy of 97% for product types similar to Pine Grove. The acquisition of Pine Grove offers the next owner the opportunity to fix and flip or fix, refinance and hold. Either scenario should produce a positive outcome for the next owner. If you like the multifamily product type and aren't afraid of a little work -- Pine Grove is an excellent opportunity to consider for your next acquisition.

Investment Opportunity Available

Pine Grove Apartments

23 Units | \$799,000 | Thibodaux, LA

| Unit Type | Count | Size (SF) | Rent | Rent/SF | Monthly Rent | Annual Rent |
|------------------------|-----------|------------------|-------------------|------------------|-----------------|------------------|
| Studio | 1 | 640 | \$500 | \$0.78 | \$500 | \$6,000 |
| Studio | 1 | 702 | \$525 | \$0.75 | \$525 | \$6,300 |
| 1BR/1BA | 1 | 494 | \$525 | \$1.06 | \$525 | \$6,300 |
| 1BR/1BA | 5 | 512 | \$530 | \$1.04 | \$2,650 | \$31,800 |
| 1BR/1BA | 1 | 616 | \$540 | \$0.88 | \$540 | \$6,480 |
| 1BR/1BA | 1 | 676 | \$550 | \$0.81 | \$540 | \$6,600 |
| 1BR/1BA | 1 | 721 | \$560 | \$0.78 | \$560 | \$6,720 |
| 1BR/1BA BOR | 1 | 738 | \$575 | \$0.78 | \$575 | \$6,900 |
| 1BR/1BA | 1 | 780 | \$625 | \$0.80 | \$625 | \$7,500 |
| 1BR/1BA | 1 | 800 | \$650 | \$0.81 | \$650 | \$7,800 |
| 1BR/1BA | 1 | 968 | \$675 | \$0.70 | \$675 | \$8,100 |
| 2BR/1BA | 1 | 613 | \$690 | \$1.13 | \$690 | \$8,280 |
| 2BR/1BA | 1 | 674 | \$690 | \$1.02 | \$690 | \$8,280 |
| 2BR/1BA | 1 | 683 | \$690 | \$1.01 | \$690 | \$8,280 |
| 2BR/1BA | 1 | 697 | \$690 | \$0.99 | \$690 | \$8,280 |
| 2BR/1BA | 1 | 700 | \$700 | \$1.00 | \$700 | \$8,400 |
| 2BR/1BA | 1 | 1,236 | \$725 | \$0.59 | \$725 | \$8,700 |
| 2BR/2BA L | 1 | 1,653 | \$775 | \$0.47 | \$775 | \$9,300 |
| 2BR/2BA | 1 | 718 | \$750 | \$1.04 | \$750 | \$9,000 |
| Totals/Averages | 23 | 16,669 SF | \$630(AVG) | \$0.86/SF | \$14,085 | \$169,020 |

*The property is currently 35% occupied

Pro Forma Comparison

| Income | May 18-Dec 18 Annualized | | Year 1 Pro Forma | |
|---------------------------------------|--------------------------|----------------|-------------------|----------------|
| Gross Potential Rents | \$159,060 | | \$169,020 | |
| Loss/Gain to Lease | (\$780) | 0% | (\$3,380) | 2% |
| Adjusted Gross Potential Rents | \$158,280 | | \$165,640 | |
| Vacancy Loss | (\$81,702) | 52% | (\$13,522) | 8% |
| Misc. Rent Losses (Bad debt, etc.) | (\$6,168) | 4% | (\$3,380) | 2% |
| Total Rent Losses | (\$87,870) | | (\$16,902) | 10% |
| Total Rental Income | \$70,410 | | \$148,738 | |
| - | | | | |
| Late Fees | \$150 | | \$1,000 | |
| Deposit Forfeit Income | \$953 | | \$1,200 | |
| Misc. Other Income | \$537 | | \$100 | |
| Laundry Income | - | | \$2,500 | |
| Total Other Income | \$1,640 | 2% | \$4,800 | 3% |
| Total Collected Income | \$72,050 | | \$153,538 | |
| Operating Expenses | May 18-Dec 18 Annualized | | Year 1 Pro Forma | |
| Administrative | \$6,833 | \$297 | \$3,000 | \$130 |
| Management Fee | \$12,000 | 17% | \$15,354 | 10% |
| Marketing | \$242 | \$11 | \$1,000 | \$30 |
| Pest | \$75 | \$3 | \$920 | \$40 |
| Lawn | \$585 | \$25 | \$1,495 | \$65 |
| Trash | \$1,266 | \$55 | \$1,850 | \$80 |
| Repairs/Maintenance | \$9,125 | \$397 | \$6,900 | \$300 |
| Make Ready | \$11,784 | \$512 | \$6,900 | \$300 |
| Property Taxes | \$4,369 | \$190 | \$7,500 | \$326 |
| Property & Liability Insurance | \$8,747 | \$380 | \$12,500 | \$543 |
| Electricity | \$4,461 | \$194 | \$4,600 | \$200 |
| Gas | \$21 | \$1 | \$150 | \$7 |
| Water | \$3,977 | \$173 | \$6,000 | \$261 |
| Sewer | \$3,726 | \$162 | \$6,000 | \$261 |
| Total Operating Expenses | \$67,209 | \$2,922 | \$74,169 | \$3,225 |
| Capital Reserves | - | - | \$5,750 | \$250 |
| Total Operating Costs | \$67,209 | \$2,922 | \$79,919 | \$3,475 |
| Net Operating Income (NOI) | \$4,841 | | \$73,619 | |

Income

| | | |
|--------------------------------|------------------|-----|
| Gross Potential Rents | \$169,020 | |
| Gain/Loss to Lease | (\$3,380) | 2% |
| Adjusted Gross Potential Rents | \$165,640 | |
| Vacancy and Other Rent Losses | (\$16,902) | 10% |
| Total Rental Income | \$148,738 | |
| Other Income | \$4,800 | 3% |
| Total Collected Income | \$153,538 | |

Expenses

| | | |
|--------------------------------------|--------------------|--------------------------------|
| Stabilized Operating Expenses | \$74,169 | <i>48% of collected income</i> |
| <i>Per Unit</i> | <i>\$3,224.73</i> | |
| Replacement Reserve | \$5,750 | |
| <i>Per Unit</i> | <i>\$250</i> | |
| Total Operating Costs | \$79,919 | <i>52% of collected income</i> |
| <i>Per Unit</i> | <i>\$3,474.73</i> | |
| Net Operating Income | \$73,619 | |
| Cap Rate % | 8.13% | |
| Stabilized Value Rounded | \$905,521 | |
| Cap Ex Reserves | (\$77,000) | |
| Lease up Reserve | (\$30,000) | |
| Total Acquisition Reserves | (\$107,000) | |
| Stabilized Value | \$798,521 | |
| Asking Price | \$799,000 | |
| Price Per SF | \$47.93 | |
| Price Per Unit | \$34,739 | |

For more information

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