

COLONY HOUSE
MULTIFAMILY COMMUNITY FOR SALE

FORT WALTON BEACH, FLORIDA

INVESTMENT OPPORTUNITY

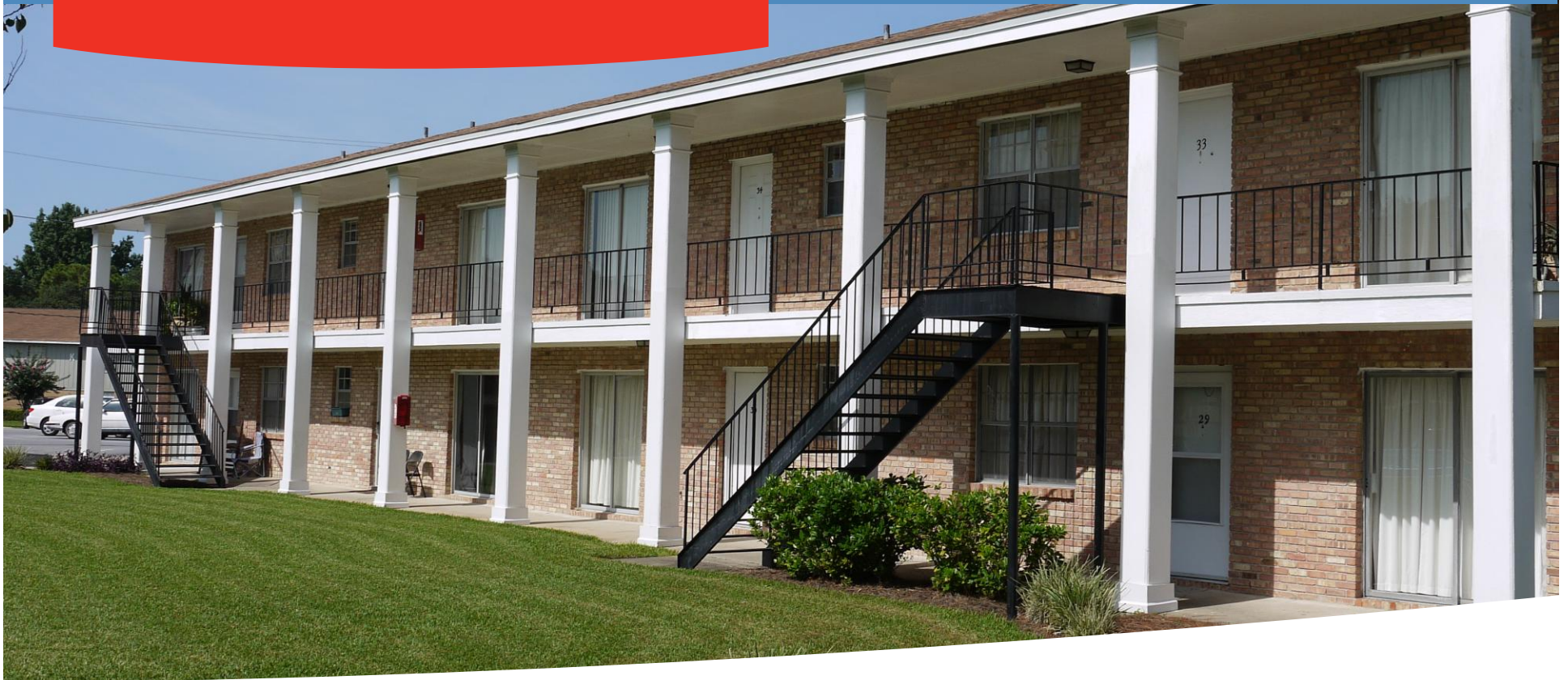


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Exclusively presented by:

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CONFIDENTIALITY STATEMENT

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EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

THE OFFERING

Cushman & Wakefield is pleased to present the exclusive listing of Colony House located in a quiet residential neighborhood in Fort Walton Beach, Florida. Colony House was built in four phases between 1966 and 1979 by the current owner. The manager has been with the property for over 40 years. The property has been scrupulously maintained and well managed. Over 60% of the residents are employed by the military.

COLONY HOUSE	
ADDRESS	941 Pocahontas Drive Fort Walton Beach, FL 32547
COUNTY	Okaloosa County
ACREAGE	6.11 acres
YEAR BUILT	1966, 1967, 1972, 1979
UNITS	139
TOTAL SQUARE FEET	110,978 sq ft.



EXECUTIVE SUMMARY

KEY OBSERVATIONS

Colony House is convenient to several important military bases: Eglin Air Force Base (largest air force base in the world), Hurlburt Field (headquarters of the Air Force's Special Operations Command), Duke Field (919 special Operations Wing), US Coast Guard Station Destin (search and rescue), and NAS Whiting Field (naval aviation training). Just off the Eglin Parkway, Colony House is ten minutes from Eglin AFB.

Colony House is a value-add opportunity for the investor. A program to standardize and upgrade unit interiors will support future rent growth. Each phase of the property has distinct cabinetry and finishes, and subsequent replacements further add to the diversity of interiors. Conversion to a RUBS system would generate additional revenue from recovery of utility expenses.

Salient features of the opportunity:

- Continuous ownership and management
- Value-add opportunity
- Desirable single-family neighborhood
- Favorable demographics with average household income of \$64,000 in a five mile radius
- 10 minutes to both Eglin AFB and the world famous gulf beaches
- Less than 1.4 miles to Publix, Winn Dixie, CVS, and Walmart Super Center
- Oversized, resort swimming pool (formerly neighborhood pool)

Colony House is being offered free and clear (no existing debt to be assumed) with an asking price of **\$9,900,000**.

We will be conducting property tours on scheduled dates listed on our website.

Kindly schedule all property tours through Cushman & Wakefield by calling Summerlin at 813-204-5337 or email summerlin.gillam@cushwake.com.

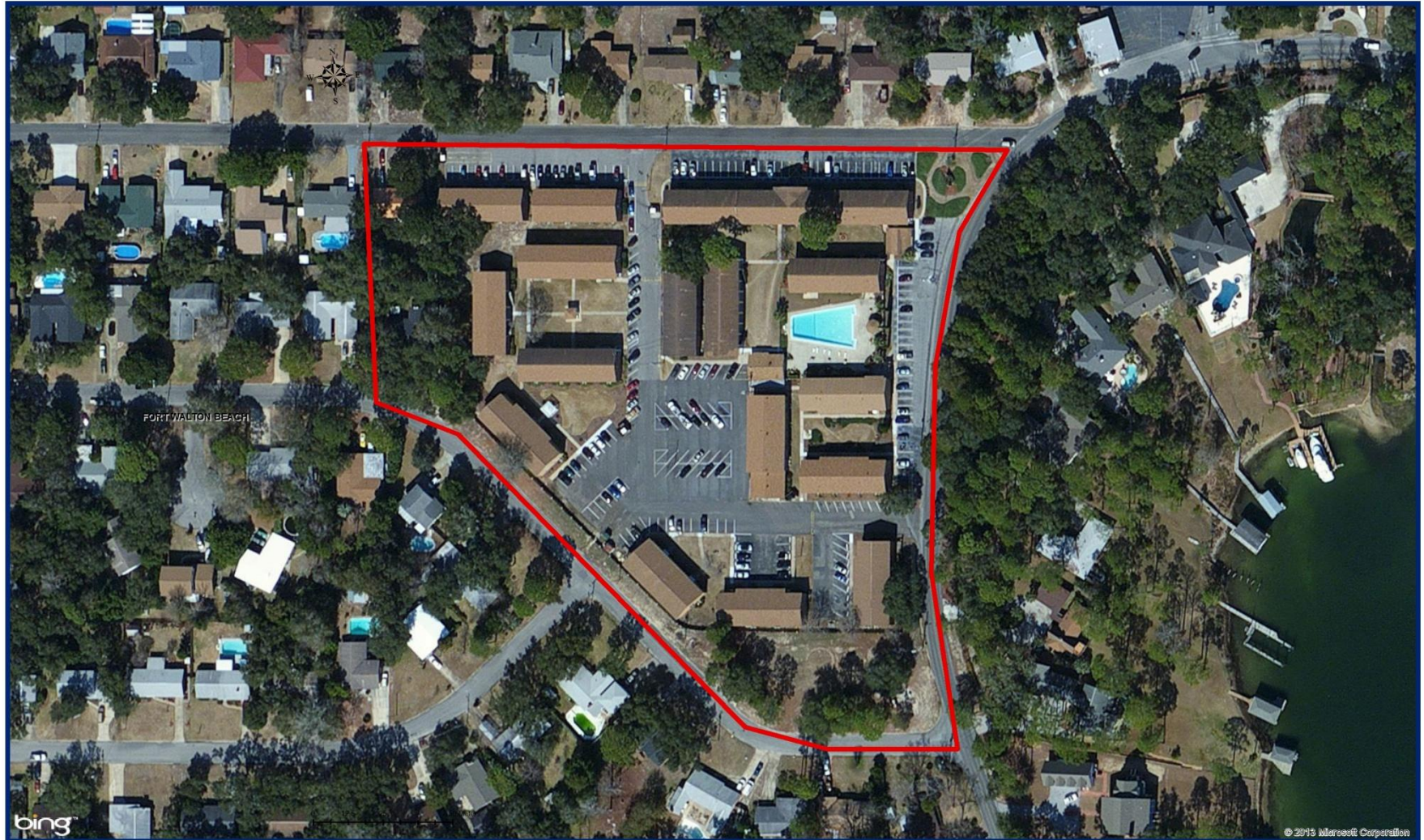
MARKET SNAPSHOT

- Eglin Air Force Base:** The region is home to Eglin Air Force Base Hurlburt Field, and Duke Field (together, the Eglin Complex) Eglin is the largest air force base in the world employing more than 8,500 military and approximately 4,500 civilians, with an additional 2,200 jobs due to move to Eglin under the 2005 Base Realignment and Closure Commission (BRAC). As a result of the BRAC's decision to send the Joint Strike Fighter and the 7th Special Forces Group (Airborne) to Eglin Air Force Base, there is demand for nearly 1,200 additional workers in the professional and technical sector and 106 in finance and insurance. The overall defense economic impact in Okaloosa County is more than \$6 Billion annually.
- Industry/Tourism:** The coastal communities in Okaloosa County are popular vacation destinations with white sand beaches, world-class golf courses and resorts, and outstanding shopping and restaurants. According to the Okaloosa County Economic Development Council, 82.3 million people visited Florida during 2010 with 10% of those visiting Northwest Florida's Emerald Coast.
- Technology, Defense and Aerospace:** The region features a significant concentration of high-tech employment, particularly in the aviation, aerospace, and defense industries. Major Okaloosa County employers include Lockheed Martin, InDyne, Inc., DRS Defense Solutions, and L3 Communications.
- Transportation:** Northwest Florida Regional Airport, Interstate 10, and the Bob Sikes Industrial Airpark are part of a unique transportation infrastructure that is ideally suited for business and industry.
- Demographics:** This affluent coastal region, where the population has more than doubled since 1990, is filled with upscale golf course communities. Within a five-mile radius of Colony House, the average household income exceeds \$64,000.



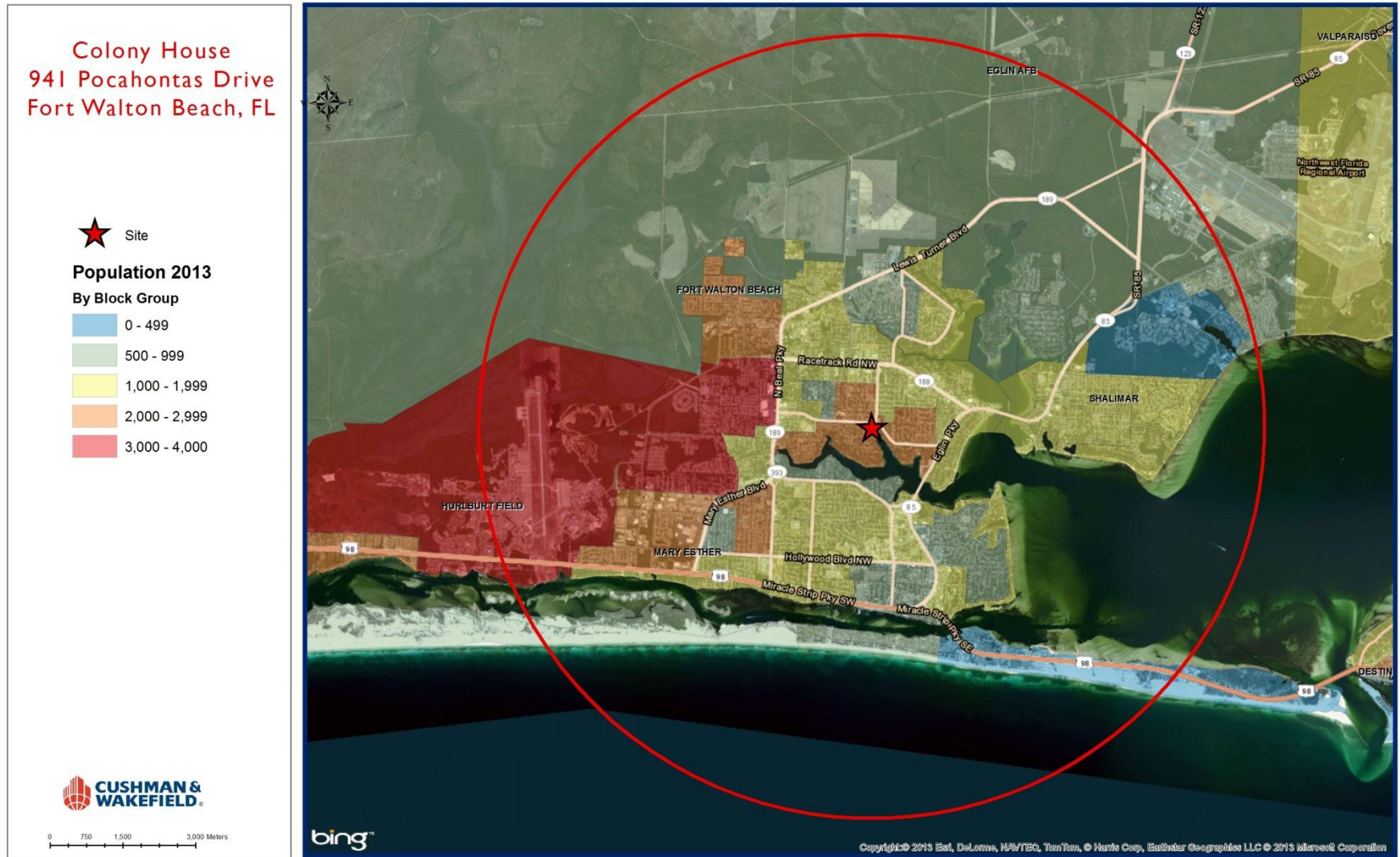
AERIAL

Colony House, 941 Pocahontas Drive, Fort Walton Beach, FL



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POPULATION DENSITY





PROPERTY DESCRIPTION

PROPERTY DESCRIPTION

PROPERTY OVERVIEW

UNIT MIX			
UNITS	TYPE	AVG SF	TOTAL SF
1	1 BR / 1 BA	594	594
4	1 BR / 1 BA	602	2,408
34	1 BR / 1 BA	700	23,800
16	1 BR / 1 BA	808	12,928
56	2 BR / 1 BA	838	46,928
13	2 BR / 2 BA	838	10,894
14	2 BR / 2 BA	854	11,956
1	3 BR / 2 BA	1,470	1,470
139		798	110,978



PROPERTY AMENITIES

UNIT	COMMUNITY
<ul style="list-style-type: none"> • Drapes • Ceiling fans • Ceramic tile • Dishwasher • Garbage disposal 	<ul style="list-style-type: none"> • Swimming pool • Car wash area • Picnic areas • 2 gazebos • Pergola



GENERAL DESCRIPTION	
Name:	Colony House
Property Address:	941 Pocahontas Drive Fort Walton Beach, FL 32547
County:	Okaloosa
Submarket:	Fort Walton Beach
Built:	Buildings A, B and C (apartments #1 – 36) – 1966 Buildings D, E, F, G, H and I (apartments #37 – 84) – 1967 Buildings J, K, L and M (apartments #108 – 139) – 1978-1979 Buildings N, O and P (apartments #85 – 107) – 1972
Land Area:	6.11 acres
Zoning:	Residential / multifamily
Units:	139 units
Density:	23 units per acre
Leasable Area:	110,978 square feet
Average Unit Size:	798 square feet
Parking Spaces:	192 surface spaces
2012 Millage Rate:	12.9859
Schools:	Wright Elementary School Pryor Middle School Choctawhatchee High School



STRUCTURAL OVERVIEW

Type of Construction:	Wood frame
Number of Buildings:	16 apartment buildings 1 laundry facility <u>1 office</u> 18 total buildings
Number of Stories:	2
Foundation:	Concrete slab
Exterior Walls:	Brick and wood siding
Roofs:	GAF 25 year – 3 tab shingles Find roof breakdown under Exhibits
Balcony / Patio:	6 units have a balcony / patio with sliding glass doors
Windows:	Aluminum single pane
Elevators / Stairs:	Iron with concrete treads
Ceilings:	All floors – 8 Feet
Pool:	89,000 gallon Gunite plaster pool Resurface in 2011
Laundry Facility:	1 facility with 10 washers and 5 dryers Coin operated 9 top load washers - \$1.25 per load 1 front load washer - \$1.75 per load 5 – 30 lb. double stacked gas dryers (10 total) - \$.25 for 12 minutes
Utility Recovery:	Utilities included in rent – water, sewer, garbage, pest control The property does not collect utility reimbursements
Utility Providers:	Electricity – Gulf Power Cable – Cox Communications Telephone – Century Link or Cox Communications Water / sewer – Okaloosa County Water & Sewer Trash removal – Waste Management Pest control – Truly Nolan
On-site Employees:	1 Manager 1 Leasing Consultant 2 Maintenance Tech 1 Groundskeeper 1 Housekeeper



INTERIOR DETAIL

Floor Covering:	Foyer – ceramic tile Kitchens – ceramic tile Bathrooms – ceramic tile All other Rooms – carpet
Floor Systems:	Concrete / wood
Interior Finish:	Drywall with latex paint
Kitchens:	Cabinetry – wood, composite, Formica Counter tops – Formica Lighting – fluorescent / incandescent
Appliances:	Ranges - GE, Hotpoint, Whirlpool, Roper, Tappan, Westinghouse, Frigidaire Dishwashers – Hotpoint, Frigidaire, Roper, GE, Tappan, Amana Garbage Disposal – HD Supply, GE, Badger, Insinkerator, Disposall
Bathrooms:	Some units have medicine cabinets Tubs – porcelain over steel
Sinks:	Kitchens – single and double stainless steel Bathrooms – ceramic, porcelain and steel, cultured marble
Window Treatments:	1" blinds or drapes

MECHANICAL DETAIL

Electrical:	Copper and aluminum
Plumbing:	Copper
Water Heater:	Various brands / all 30 gallon
HVAC:	Various brands Electric air handlers in all units Condensers are located outside on the ground
Life Safety:	Hardwire smoke detectors with some battery backups No monitored intrusion alarm No fire sprinklers
Irrigation:	Sprinklers, 2 wells



KITCHEN CABINETS AND APPLIANCES



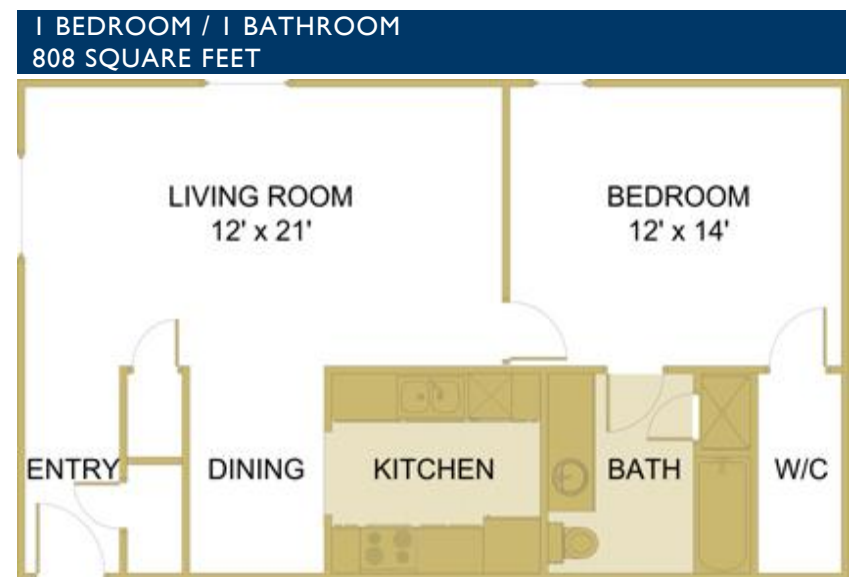
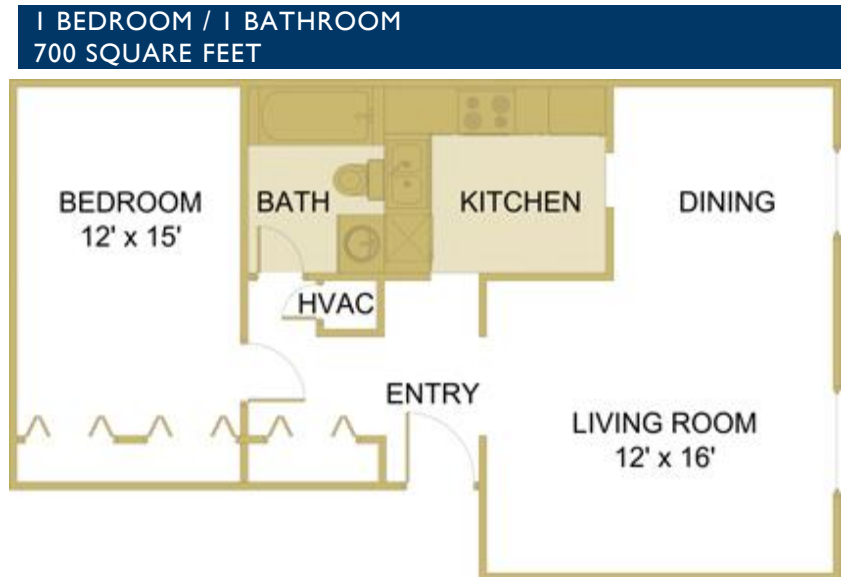
CAPITAL IMPROVEMENTS (LAST 3 YEARS)

2010:	<ul style="list-style-type: none"> 8 air conditioners 6 heaters 1 water heater 4 dishwashers 4 electric ranges 4 range hoods 4 refrigerators 9 garbage disposals 15 carpet replacements Painted exterior of buildings G, H and I All metal stairs and railing painted Added bathroom to pool area
2011:	<ul style="list-style-type: none"> 8 air conditioners 7 heaters 2 water heater 4 dishwashers 8 electric ranges 8 range hoods 5 refrigerators 10 garbage disposals 10 carpet replacements 1 set of kitchen cabinets 2 coin operated washers Resurfaced swimming pool Resurfaced parking lot along Pocahontas Drive Painted exterior of buildings J, K and L New electric meter boxes and disconnects in building O

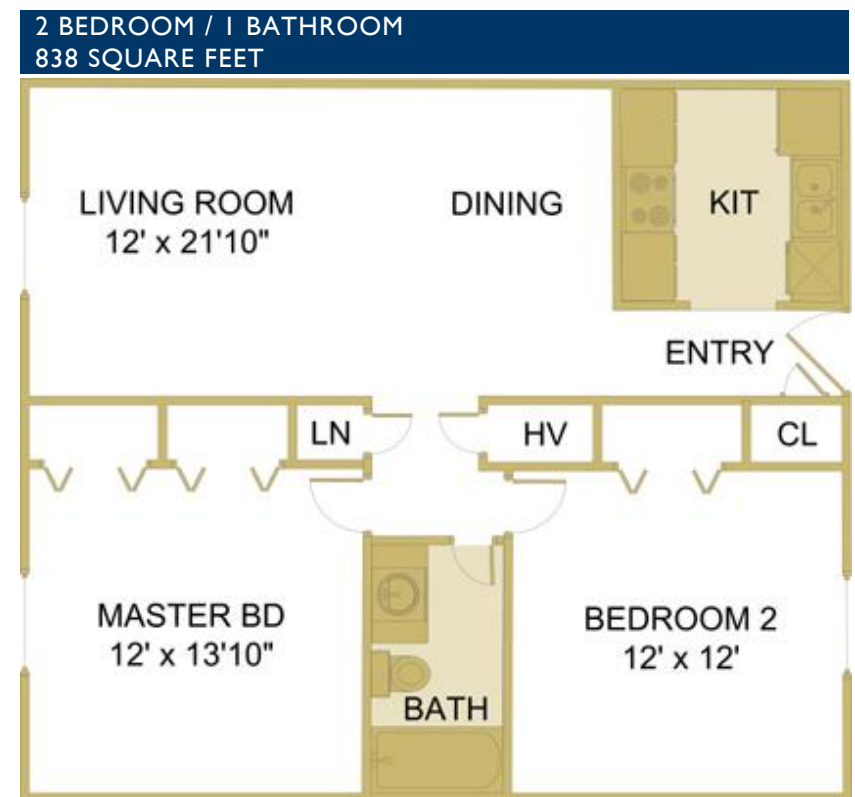
CAPITAL IMPROVEMENTS (LAST 3 YEARS)

2012:	<ul style="list-style-type: none"> 4 air conditioners 6 heaters 4 water heater 9 dishwashers 6 electric ranges 6 range hoods 5 refrigerators 9 garbage disposals 11 carpet replacements New roof on building C 1 set of kitchen cabinets 5 coin operated washers New roof on building D Painted exterior on buildings M, N and P New electric meter boxes and disconnects in building D
2013:	<ul style="list-style-type: none"> 1 air conditioners 2 heaters 4 water heater 3 dishwashers 3 electric ranges 2 range hoods 3 refrigerators 5 garbage disposals 9 carpet replacements New roof on building C

FLOOR PLAN

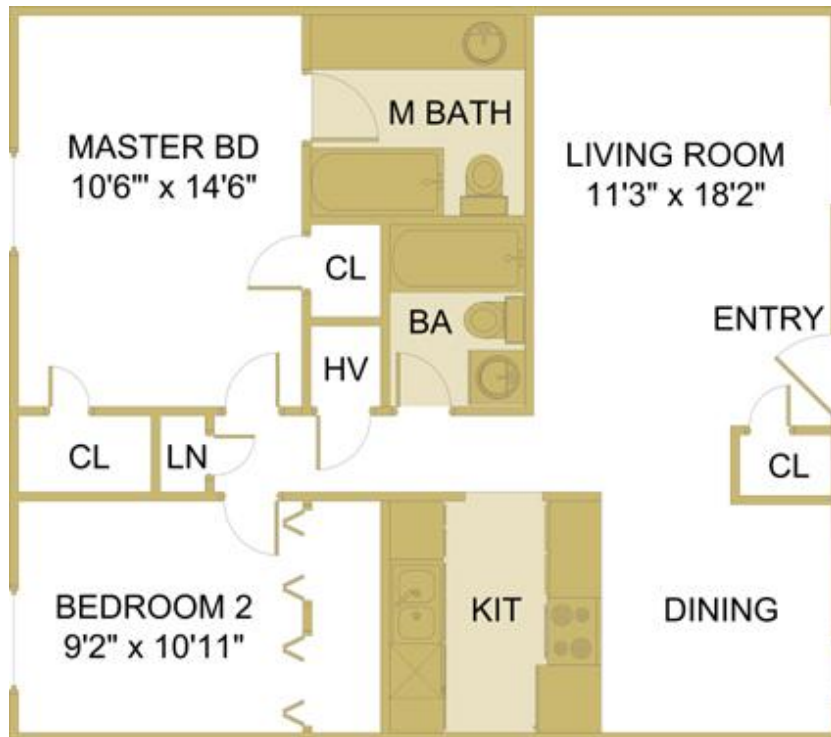


FLOOR PLAN

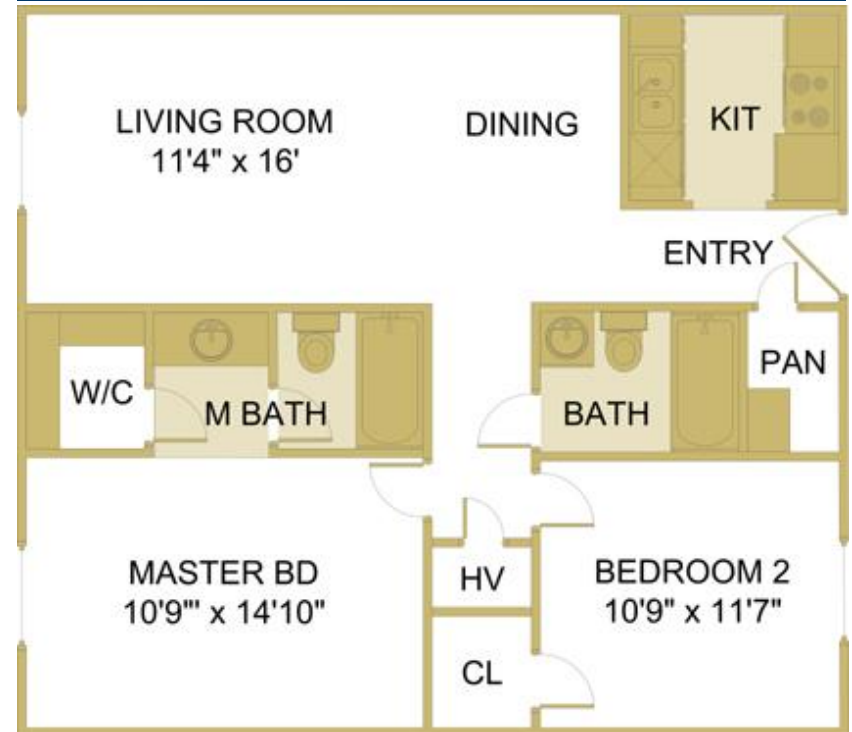


FLOOR PLAN

2 BEDROOM / 2 BATHROOM
838 SQUARE FEET



2 BEDROOM / 2 BATHROOM
854 SQUARE FEET



SITE PLAN



FINANCIAL ANALYSIS

Colony House

Fort Walton Beach, FL

PRICING SUMMARY		
Income Valuation		\$9,900,000
Per Unit (rounded)		\$71,223
PSF		\$89
Cap Rates*	Current	6.6%
Pro forma Cap Rates**	Year 1	6.6%
	Year 2	7.2%
	Year 3	7.8%
IRR (Asset)		10%
IRR (Equity)		23%

* "Current" NOI is trailing 8 months income annualized less 2012 expenses.

** Pro forma NOI includes tax adjustment for increase in assessed value.

It is not anticipated that the property will qualify for agency financing. The analysis assumes bank debt. Actual financing available will depend on several factors including interest rates, recourse and sponsor relationships with lender.

Colony House

Fort Walton Beach, FL

		CASH FLOW PROJECTION					
		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6
Income Growth Assumption:		2.0%	2.0%	2.0%	2.0%	3.0%	3.0%
Loss To Lease:		-4.3%	-4.4%	-1.0%	-1.0%	-1.5%	-1.5%
Vacancy:		-4.3%	-4.3%	-4.3%	-4.3%	-4.3%	-4.3%
Employee / Model:		-0.7%	-0.7%	-0.7%	-0.7%	-0.7%	-0.7%
Bad Debt / Write-off:		-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%
Total Economic Vacancy:			9.8%	6.4%	6.4%	6.9%	6.9%
Exp Growth Assumption:			2.0%	2.0%	2.0%	2.0%	2.0%
Income							
Value-Add Program							
Standard	1 BR	27	0	0	0	0	0
	Rent (PSF)	\$0.90	\$0.92	\$0.94	\$0.96	\$0.99	\$1.02
	2BR	56	0	0	0	0	0
	Rent (PSF)	\$0.88	\$0.90	\$0.92	\$0.93	\$0.96	\$0.99
	3BR	1	1	1	1	1	1
	Rent (PSF)	\$0.82	\$0.83	\$0.85	\$0.87	\$0.89	\$0.92
	Total	84	1	1	1	1	1
Upgraded	1 BR	28	55	55	55	55	55
	Rent (PSF)	\$1.01	\$1.03	\$1.05	\$1.07	\$1.10	\$1.13
	2BR	27	83	83	83	83	83
	Rent (PSF)	\$1.00	\$1.02	\$1.04	\$1.06	\$1.09	\$1.12
	3BR	0	0	0	0	0	0
	Rent (PSF)	\$0.82	\$0.83	\$0.85	\$0.87	\$0.89	\$0.92
	Total	55	138	138	138	138	138
Effective Rent		1,239,566	1,357,687	1,384,841	1,412,538	1,454,914	1,498,561
PSF		\$0.93	\$1.02	\$1.04	\$1.06	\$1.09	\$1.13
Per Unit		\$743	\$814	\$830	\$847	\$872	\$898
Loss to Lease		(53,123)	(59,061)	(13,577)	(13,848)	(21,188)	(21,824)
Vacancy		(12,396)	(58,186)	(59,349)	(60,536)	(62,353)	(64,223)
Employee / Model		(8,400)	(9,200)	(9,384)	(9,572)	(9,859)	(10,155)
Bad Debt / Write-off		(6,198)	(6,788)	(6,924)	(7,063)	(7,275)	(7,493)
Rental Income		1,159,449	1,224,452	1,295,606	1,321,518	1,354,239	1,394,867
Economic Occupancy		93.5%	90.2%	93.6%	93.6%	93.1%	93.1%
Other Income		35,716	36,431	37,159	37,902	39,040	40,211
Total Income		1,195,165	1,260,883	1,332,765	1,359,421	1,393,279	1,435,077
Expenses							
Total Utilities		64,941	66,240	67,565	68,916	70,294	71,700
Common Area / Grounds		8,663	8,836	9,013	9,193	9,377	9,565
Repairs & Maintenance		54,633	55,725	56,840	57,977	59,136	60,319
Payroll		152,900	155,958	159,077	162,259	165,504	168,814
General & Admin.		21,107	21,529	21,959	22,399	22,847	23,304
Total Variable Expenses		302,244	308,288	314,454	320,743	327,158	333,701
Property Taxes		95,306	97,212	99,156	101,140	103,162	105,226
Insurance		55,600	56,712	57,846	59,003	60,183	61,387
Management Fees		50,000	51,000	52,020	53,060	54,122	55,204
Total Operating Expenses		503,150	513,213	523,477	533,946	544,625	555,518
Net Operating Income		692,016	747,670	809,288	825,474	848,654	879,559

Colony House

Fort Walton Beach, FL

		CASH FLOW PROJECTION					
		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6
Net Operating Income		692,016	747,670	809,288	825,474	848,654	879,559
Acquisition							
Reserves		(34,750)	(34,750)	(34,750)	(34,750)	(34,750)	
Upfront Capex		(151,000)	(151,000)				
Residual Cap Rate						7.25%	
Residual Value						12,131,855	
Reversion Cost						(242,637)	
CF Bef. Debt	(10,051,000)	506,266	561,920	774,538	790,724	12,703,121	
IRR (Asset)	9.7%						
Sources		Uses					
Equity	\$2,626,000	Acquisition Funds					
Debt	\$7,425,000	\$9,900,000					
Total	\$10,051,000	Interior Capex (1BR units First Year)					
		\$70,000					
		\$2,500 per unit					
		Interior Capex (2BR units First Year)					
		\$81,000					
		\$3,000 per unit					
		Total					
		\$10,051,000					
Interest Rate		4.00%	(13)				
Payment (P+I)		\$425,377					
		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	
Debt (BOP)		7,425,000	7,425,000	7,425,000	7,425,000	7,425,000	
Interest Expense		(297,000)	(297,000)	(297,000)	(297,000)	(297,000)	
Principal Payment		0	0	0	0	0	
Debt (EOP)		7,425,000	7,425,000	7,425,000	7,425,000	7,425,000	
Net Cash Flow	(2,626,000)	209,266	264,920	477,538	493,724	4,981,121	
Debt Service Coverage (w Amort)		1.55	1.68	1.82	1.86	1.91	
Debt Service Coverage (Current)		1.54					
Cash on Cash		8.0%	10.1%	18.2%	18.8%		
Equity IRR	22.6%						

Colony House

Fort Walton Beach, FL

INCOME & EXPENSE ANALYSIS							
		2012		CURRENT Income T8 ending August 2013 Expenses 2012		PRO FORMA	
		Total	Per Unit	Total	Per Unit	Total	Per Unit
Income							
Effective Rent	(1)					\$1,239,566	\$8,918
PSF						\$0.93	
Loss To Lease						(\$53,123)	-4.3%
Vacancy	(2)					(\$12,396)	-1.0%
Employee / Model	(3)					(\$8,400)	-0.7%
Bad Debt / Write-off	(4)					(\$6,198)	-0.5%
Rental Income		\$1,109,790	\$7,984	\$1,133,319	\$8,153	\$1,159,449	\$8,341
Laundry Income	(5)	\$26,045	\$187	\$24,631	\$177	\$25,123	\$181
Misc. Other Income	(6)	\$10,182	\$73	\$10,385	\$75	\$10,593	\$76
Other Income Subtotal		\$36,227	\$261	\$35,016	\$252	\$35,716	\$257
Total Income		\$1,146,018	\$8,245	\$1,168,335	\$8,405	\$1,195,165	\$8,598
Operating Expense							
Electricity / Gas		\$17,555	\$126	\$17,555	\$126	\$17,555	\$126
Water / Sewer		\$29,264	\$211	\$29,264	\$211	\$29,264	\$211
Trash Removal		\$18,122	\$130	\$18,122	\$130	\$18,122	\$130
Total Utilities		\$64,941	\$467	\$64,941	\$467	\$64,941	\$467
Common Area / Grounds		\$8,663	\$62	\$8,663	\$62	\$8,663	\$62
Repairs & Maintenance		\$54,633	\$393	\$54,633	\$393	\$54,633	\$393
Payroll		\$201,139	\$1,447	\$201,139	\$1,447	\$152,900	\$1,100
General & Admin.		\$21,107	\$152	\$21,107	\$152	\$21,107	\$152
Total Variable Expenses	(7)	\$350,483	\$2,521	\$350,483	\$2,521	\$302,244	\$2,174
Property Taxes	(8)	\$40,304	\$290	\$40,304	\$290	\$95,306	\$686
Insurance	(9)	\$38,827	\$279	\$38,827	\$279	\$55,600	\$400
Management Fees	(10)	\$50,000	4.4%	\$50,000	4.4%	\$50,000	4.2%
Total Operating Expenses		\$479,614	\$3,450	\$479,614	\$3,450	\$503,150	\$3,620
Net Operating Income		\$666,404	\$4,794	\$688,721	\$4,955	\$692,016	\$4,979
Cap Imp/Repl Reserves	(11)	\$34,750	\$250	\$34,750	\$250	\$34,750	\$250
Net Cash Flow		\$631,654	\$4,544	\$653,971	\$4,705	\$657,266	\$4,729

Colony House

Fort Walton Beach, FL

KEY ASSUMPTIONS

Footnotes

1 Effective Rent	<p>Pro forma assumes a 2.0% increase in rents without value add premiums:</p> <p>Pro forma assumes implementation of a value add program to all units over a two year period based on the following assumptions at year one:</p> <p>Proposed Value-Add Program</p> <table><tr><td></td><td>Cost to Upgrade Per</td><td>Rent Increase Per Unit</td><td>Rent Increase PSF</td></tr><tr><td>One Bedroom</td><td>\$2,500</td><td>\$75</td><td>\$0.10</td></tr><tr><td>Two Bedrooms</td><td>\$3,000</td><td>\$100</td><td>\$0.12</td></tr></table> <table><tr><td></td><td>Current Rents</td><td>Year 1 "Standard Units"</td><td>Year 1 "Upgraded"</td></tr><tr><td>One Bedroom</td><td>\$0.89</td><td>\$0.90</td><td>\$1.01</td></tr><tr><td></td><td>\$654</td><td>\$652</td><td>\$727</td></tr><tr><td>Two Bedrooms</td><td>\$0.86</td><td>\$0.88</td><td>\$1.00</td></tr><tr><td></td><td>\$735</td><td>\$740</td><td>\$840</td></tr></table>		Cost to Upgrade Per	Rent Increase Per Unit	Rent Increase PSF	One Bedroom	\$2,500	\$75	\$0.10	Two Bedrooms	\$3,000	\$100	\$0.12		Current Rents	Year 1 "Standard Units"	Year 1 "Upgraded"	One Bedroom	\$0.89	\$0.90	\$1.01		\$654	\$652	\$727	Two Bedrooms	\$0.86	\$0.88	\$1.00		\$735	\$740	\$840
	Cost to Upgrade Per	Rent Increase Per Unit	Rent Increase PSF																														
One Bedroom	\$2,500	\$75	\$0.10																														
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Two Bedrooms	\$0.86	\$0.88	\$1.00																														
	\$735	\$740	\$840																														
2 Loss to Lease	Pro forma assumes -0.5% of annual rent growth.																																
3 Vacancy	Pro forma assumes 1.0%.																																
4 Employee / Model	Pro forma assumes 0.7% based on industry standards.																																
5 Bad Debt / Write-off	Pro forma assumes 0.5% based on industry standards.																																
6 Laundry Income	Pro forma assumes current amount increased by 2.0%.																																
7 Misc. Other Income	Pro forma assumes current amount increased by 2.0%.																																
8 Total Variable Expenses	<p>Pro forma assumes 2012 amount with the exception of payroll.</p> <p>Pro forma assumes payroll expense of \$1,100 per unit based on industry standards.</p>																																
9 Taxes	Pro forma assumes an assessed value of \$55,000 per unit x millage rate (12.9859) less 4% early payment discount.																																
10 Insurance	Pro forma assumes \$400 per unit based on industry standards.																																
11 Management Fee	<p>Pro forma assumes \$50,000 for both scenarios based on industry standards.</p> <p>\$50,000 was added to 2012 operating expenses for comparison purposes.</p>																																
12 Capital Reserves	<p>Pro forma assumes \$250 per unit.</p> <p>Historical information includes \$250 per unit reserves for comparison purposes.</p>																																
13 Acquisition Financing	<p>Interest only bank financing.</p> <p>LTV of 75% (Of acquisition price) and DSC at or above 1.25 x</p> <p>Fixed interest rate at 4.25%.</p> <p>It is not anticipated that the property will qualify for agency financing. The analysis assumes bank debt. Actual financing available will depend on several factors including interest rates, recourse and sponsor relationships with lender.</p>																																

Colony House

Fort Walton Beach, FL

UNIT MIX AND RENT SCHEDULE

Unit mix is estimated based on information provided by owner on 8/15/2013

# OF UNITS	GENERAL TYPE	AVERAGE SF	MARKET RENT	MKT. RENT/ Sq.Ft.	TOTAL SQ.FT.	ANNUAL MARKET RENT
1	1 BR / 1 BA	594	\$645	\$1.09	594	\$7,740
4	1 BR / 1 BA	602	\$645	\$1.07	2,408	\$30,960
34	1 BR / 1 BA	700	\$655	\$0.94	23,800	\$267,240
16	1 BR / 1 BA	808	\$655	\$0.81	12,928	\$125,760
55		722	\$654	\$0.89	39,730	\$431,700
56	2 BR / 1 BA	838	\$730	\$0.87	46,928	\$490,560
13	2 BR / 1 BA	838	\$740	\$0.88	10,894	\$115,440
14	2 BR / 2 BA	854	\$750	\$0.88	11,956	\$126,000
83		841	\$735	\$0.86	69,778	\$732,000
1	3 BR / 2 BA*	1470	\$1,176	\$0.80	1,470	\$14,112
1		1,470	\$1,176	\$0.80	1,470	\$14,112
139		798	\$706	\$0.88	110,978	\$1,177,812

* Market rent for 3 BR unit estimated at .80 psf

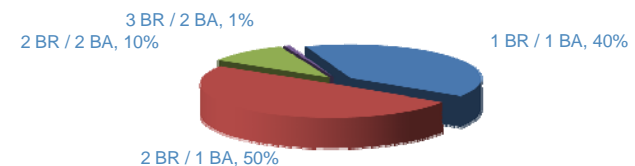
Occupancy as of 07/01/2013

Occupied	136 Units	98%
Vacant	3 Units	2%
Total	139 Units	100%

Breakdown

1 BR / 1 BA	40%
2 BR / 1 BA	50%
2 BR / 2 BA	10%
3 BR / 2 BA	1%
	100%

Unit Mix



MARKET OVERVIEW

MARKET OVERVIEW

FLORIDA OVERVIEW

Florida recently surpassed New York into the number three spot in the nation in terms of total statewide population, with a current population of nearly 19.1 million residents. Of all states with a population over 10 million, Florida had the fastest population growth over the last ten years and it was also in the top quartile of all states based upon median household income. According to the 2010 US Census, from 2000-2010 Florida's population grew by 17.6% with an increase of 2.8 million people. Florida population is currently growing at a rate of over 250,000 per year – over 700 per day!

Florida's seasonally adjusted unemployment rate in June 2013 was 7.1%, which together with May, is the lowest since September 2008 when the rate was 7.0%. The state's unemployment rate stayed the same as May 2013 and was 1.7% lower than the year-ago rate of 8.8%. Florida's statewide unemployment rate is lower than the U.S. average of 7.6% and has been steadily falling. The number of jobs in the state is up 127,200 over the previous 12 months, an increase of 1.7%. Annual job growth is forecast to surpass 200,000 by 2014.



FORT WALTON BEACH-CRESTVIEW-DESTIN MSA

EGLIN AIR FORCE BASE

Okaloosa County, along with its neighboring Santa Rosa and Walton Counties, is home to the largest Air Force Base in the world - Eglin Air Force Base. The land reservation provided by Eglin AFB encompasses three military installations; Eglin AFB, Hurlburt Field, and Duke Field, collectively known as the Eglin Complex.

The economic viability of the region depends on the military. While other economic sectors may experience temporary downturns, the region's military installations continue to be the prime generators of the economy supporting active military, civil service, military dependents, and retired and/or separated military personnel.

Seven of the ten largest defense contractors in the State of Florida have a presence in Okaloosa County. An industry cluster of these targeted businesses catering to the local military installations has developed over the years. These businesses, of which there are approximately 320 in Okaloosa, work with local suppliers to obtain the goods and services necessary to meet the needs of the military; creating jobs and sustaining the economy.

Tri-County Military Installations:

Eglin AFB, AAC, established in Okaloosa County in 1934, is responsible for development, acquisition, testing, deployment and sustainment of all air-delivered weapons.

Hurlburt Field is headquarters to AF Special Operations Command. Its mission is to support training and execution of worldwide special air operations.

Duke Field houses the 919th Special Operations Wing, the only special operations unit in the AF Reserve.

U.S. Coast Guard Station Destin, commissioned in November 1977, maintains their primary mission of Search and Rescue extending 30 miles off shore.

NAS Whiting Field, located in Santa Rosa County, trains student naval aviators in the primary and intermediate phases of fixed-wing aviation, and in the advanced phases of helicopter training.



FORT WALTON BEACH-CRESTVIEW-DESTIN MSA

EGLIN AIR FORCE BASE (CONTINUED)

The presence of the multi-service military units at Eglin results in a greater density of technology-based and defense-contracting firms creating industry clusters. These military installations provide a direct economic impact and an indirect impact with a ripple effect of military spending.

Eglin AFB is a leader in Expeditionary Combat Support with the 2nd largest deployment tasking in the Air Force and the largest deployment commitment in the Air Force Materiel Command. Eglin has the Air Force's largest transportation function in the Continental United States. Eglin also hosts the only Ground Combat Training capability in the Air Force Materiel Command – 1 of 4 in the Air Force.

In addition to the military testing, training, development and research that Eglin specializes in, Eglin is also a successful environmental conservation steward for their undeveloped land reservation. Recreational activities are permitted on the reservation where the successes of their environmental care can be seen in plant and animal life.

BRAC Impact

As a result of the 2005 BRAC Commission, the US Army 7th Special Forces Group (Airborne) moved from Ft. Bragg, NC to Eglin AFB. The influx of personnel was approximately 2,200 soldiers and 3,867 dependents in 2011. The location of the new Army post is in the north county area south of Interstate 10 west of Duke Field. The F-35 Joint Strike Fighter Initial Training Center (ITC) also opened at Eglin AFB, with 59 aircraft, 1,563 personnel and 1,714 dependents.



FORT WALTON BEACH-CRESTVIEW-DESTIN MSA

MAJOR NON-MILITARY EMPLOYERS

Okaloosa County's top employers are ExpressCare, Fort Walton Beach Medical Center, L-3 Crestview Aerospace, Okaloosa County Public Schools and Southern Restaurant Group, all employing 1000 to 5000 people. Other top employers in the MSA are DRS Training & Control Systems, (875 employees), InDyne Inc. (800 employees), ResortQuest (750 employees), Jacobs TEAS (700 employees), BAE Technical Services (700 employees), Lockheed Martin (680 employees), Tybrin Corporation (535 employees) and Boeing (530 employees). All of these companies have remained secure. The top industries for employment in the MSA are Trade, Transportation and Utilities (19.4%), Leisure and Hospitality (15.5%), Professional and Business Services (13.6%), Public Administration (12.4%) and Education and Health Services (11.2%).

**Source: Enterprise Florida, Inc.*

COMPANY NAME	CITY
1000 TO 5000 EMPLOYEES	
ExpressCare	Fort Walton Beach
Fort Walton Medical Beach Center	Fort Walton Beach
L-3 Crestview Aerospace	Crestview
Okaloosa County Schools	Fort Walton Beach
Southern Restaurant Group	Destin
500 TO 999 EMPLOYEES	
Emerald Coast Television Group	Fort Walton Beach
National Electronics Corporation	Crestview
North Okaloosa Medical Center	Crestview
Northwest Florida State	Niceville
Okaloosa County Sheriff	Crestview
Sverdrup Tech	Eglin AFB
Telwares Communications	Destin
Wellness Center	Niceville
250 TO 499 EMPLOYEES	
BAE Systems Technology Solutions	Fort Walton Beach
Big Kahuna's	Destin
CDM Constructors	Fort Walton Beach
Corrections Department	Crestview
FUD Central	Destin
Manufacturing Technology Inc.	Fort Walton Beach
Northwest Florida Facilities	Fort Walton Beach

FORT WALTON BEACH-CRESTVIEW-DESTIN MSA

COMPANY EXPANSIONS

Many firms are planning expansions here, foreshadowing a strong recovery in job growth. Recent expansions include:

- DRS Training and Control Systems is currently completing a \$30 million expansion that will add an additional 150 jobs to their current workforce of 875.
- National Electronics Warranty has expanded in Crestview, adding 110 new positions.
- Qwest Air Parts has recently leased 76,227 square feet at the Bob Sikes Airport and begun construction on a 60,000 square foot parts warehouse and 32,000 square foot hangar to disassemble retired commercial airliners. The company will have 25 new employees.
- The Crestview Airpark is completing modification work requiring hangar office and warehouse space. They will be hiring 160 high wage employees.
- An existing company has started occupying their new Anchors Street facility in Fort Walton Beach, adding 42 new employees and 42,000 square feet of manufacturing space. (Company name withheld as news release is being coordinated with its company President)

Okaloosa County provides its business community with the resources and infrastructure needed to optimize business operations and promote growth and expansion. With its influx of military personnel and families, Okaloosa offers a diverse and skilled workforce. The Eglin Complex's research and development, and test and evaluation missions draw defense contracting technology and manufacturing firms into the area. As a result, Okaloosa County is the leading technology center in Northwest Florida; offering relocation incentives, low taxes and prime locations. Employment growth of over 3% from late 2010 through 2015 is expected.

**Source: Enterprise Florida, Inc.*



FORT WALTON BEACH-CRESTVIEW-DESTIN MSA

RETAIL

Uptown Station

- Tenants include over 60 specialty retail stores and signature restaurants, including; Ross, Winn-Dixie, West Marine, Five Guys Burgers & Fries,
- Radio Shack, Pet Supermarket and Buffalo Wild Wings.
- Opened in 2010

Santa Rosa Mall

- Consists of 734,000 sq. ft. of retail space
- Major anchors include Dillard's, JCPenney, Belk, Sears, Old Navy and 10-screen United Artists Cinemas, along with over 100 additional specialty retail stores and signature restaurants
- Opened in 1987

Destin Commons

- Open air retail consisting of 400,000 sq. ft. of retail space and 70,000 sq. ft. of office space.
- Major anchors include Bass Pro Shops, Belk Department Store, 14-screen RAVE Motion Pictures, Bath & Body Works, Victoria's Secret, along with over 70 additional specialty retail stores and signature restaurants
- Opened in 2003

Silver Sands Factory Stores

- Open air retail consisting of 465,000 sq. ft. of retail space, and ultimately 700,000 planned
- The nation's largest designer outlet center has over 100 designer names, including; Saks Fifth Avenue, Nike, Polo Ralph Lauren and Gap

Grand Boulevard

- Open air retail consisting of 255,000 sq. ft. of retail and dining space on 52 acres of land
- Tenants include Brooks Brothers, Tommy Bahamas', and J. Crew, along with over 20 additional specialty retail stores and signature restaurants, with Montecito 10 Cinema arriving in the summer of 2012
- Opened in 2007

HarborWalk Village

- Open air retail consisting of 200,000 sq. ft. of retail, dining, and entertainment space on 14 acres of land
- Tenants include over 40 specialty retail stores and signature restaurants.
- Opened in 2007



FORT WALTON BEACH-CRESTVIEW-DESTIN MSA

APARTMENTS

The Fort Walton Beach-Crestview-Destin MSA multifamily market can be broken down into approximately three submarkets within Okaloosa County. There are approximately 17 rental communities and 2,609 rental units within the market as reported by Rock Apartment Advisors, Inc. The latest statistics available indicate the average occupancy rate for the MSA as of July 2012 was 96.3%, an increase from 93.2% at the same time the year before. Average rents rose from \$915 to \$922 per unit year-over-year, an increase of 0.7%. Effective rent among three bedrooms grew 5.5% while one bedrooms grew by 3.2% followed by a 3.0% growth rate for two bedroom units. Rent concessions average about \$25 per month in the market and the average unit size is 921 square feet.

Development has increased in the Fort Walton Beach-Crestview-Destin MSA within the last year. 1,116 units have been added to the market since 2009, with 250 units currently under construction.

Of the 2,609 rental units in the Ft. Walton Beach-Crestview-Destin MSA, 53% have been constructed since 1990, with just over half (58%) being two bedroom apartments. Alexan Henderson Beach, a Class A property in Destin delivered 136 units in 2009 with the remaining 204 units being delivered in early 2010. This was the first apartment complex to be completed in the MSA since 2004. Three brand new apartment properties comprising 776 units were added between mid-2010 and 2012. A 250-unit class A project (Topsail Apartments) is currently under construction in Destin, with delivery expected in late 2013.

The market posted absorption of 90 units from July 2011 to July 2012. Of those 90 units, 52 were built since 1990. Product from the pre-1970's remained relatively flat, while the 1970's product saw absorption of 17 units, and 1980's product saw absorption of 21 units. The additional 1,116 units in the market have also been well received.



FT. WALTON BEACH-CRESTVIEW-DESTIN MSA MULTIFAMILY DELIVERIES

YEAR	UNITS DELIVERED
2009	136
2010	354
2011	554
2012	72
	1,116

Source: Rock Apartment Advisors, Inc.

RENT COMPARABLES

Colony House - Rent Comparables



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RENT COMPARABLES

OCCUPANCY 8/15/13

PROPERTY	OCCUPANCY
Madison Parc	100%
Cayo Grande Fort Walton	99%
Colony House	98%
Chez Elan	98%
Falcon House	91%
Golf Links	90%
Holly Sands	90%
<u>Bentley Parc</u>	<u>85%</u>
Average	94%

RENT COMPARABLES

RENT COMPARISON AFTER INTERIOR UPGRADES – ONE BEDROOM UNITS

SORTED BY AVERAGE RENT PER UNIT			
PROPERTY	AVG. SF	AVG. RENT	\$ / PSF
Chez Elan	797	\$882	\$1.11
Cayo Grande Fort Walton	689	\$797	\$1.16
Colony House	722	\$729	\$1.01
Holly Sands	576	\$699	\$1.21
Colony House	722	\$654	\$0.91
Bentley Parc	650	\$645	\$0.99
Falcon House	720	\$640	\$0.89
Golf Links	711	\$610	\$0.86

Current Market +\$75

RENT COMPARISON AFTER INTERIOR UPGRADES – TWO BEDROOM UNITS

SORTED BY AVERAGE RENT PER UNIT			
PROPERTY	AVG. SF	AVG. RENT	\$ / PSF
Chez Elan	1262	\$1,123	\$0.89
Cayo Grande Fort Walton	1007	\$976	\$0.97
Madison Parc	980	\$905	\$0.92
Colony House	841	\$835	\$0.99
Holly Sands	864	\$824	\$0.95
Bentley Parc	800	\$765	\$0.96
Falcon House	960	\$740	\$0.77
Colony House	841	\$735	\$0.87

Current Market +\$100

EXHIBITS

EXHIBITS

1. Rent Roll dated July 1, 2013
2. June 2013 Operating Statement
3. 2012 Tax Bill
4. 2012 Operating Statement
5. Market Survey (December 2012)
6. Roof Replacement Dates
7. Demographics