

6914 South Clyde

A Beautiful Courtyard Building In the Heart of South Shore

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Market Overview & Recent Press available through Marcus and Millichap offering memorandum. Copies memorandum available upon request.

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Investment Strategic Overview & Investment Overview

The logo for South Shore Developers Group (SSDG) features the letters "SSDG" in a large, white, sans-serif font against a blue rectangular background.

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South Shore Developers Group, LLC (SSDG) takes a conservative investment approach to acquiring self sustaining real estate properties that offer development opportunities. SSDG is targeting the South Shore of Chicago as an area of investment opportunity meeting this criteria. The market maturity in this neighborhood is expected to grow within the next three to four years and continue growing for years to come.

6914 South Clyde is a 53 unit residential rental property. The building is a value and growth investment opportunity, with a current yield of 5%. The property is offered at a comparably low cost of \$50,000 per unit and a cost per square foot of \$76 psf, which leaves an upside potential for a condominium conversion. The property exemplifies the investment opportunity SSDG is looking for within the South Shore neighborhood; offering a protected real estate investment with favorable returns as an operating asset. This property further enhances SSDG's position in the market as being our second acquisition within the past two years.

The following presentation is an introduction to the South Shore neighborhood and the subject property. Also presented are returns analysis on both a condominium conversion within 3 years of purchase as well as a hold and operate strategy over 7 years if the condominium conversion opportunity does not materialize.

An Initial Capital investment of \$675,000, (Class A Share), of which the SSDG, (managing member) will be contributing \$50,000, will be raised at the time purchase of the building. Ownership of the building will be through **6914 South Clyde, LLC**. Ownership will be offered pro-rata to the amount contributed. The additional funds above the amount needed for closing with the bank will be used for some immediate capital improvements and for operating contingencies. A Second Hard Money Capital Raise of \$420,000 will occur if the property is converted to condominiums.

Upon the disposition of the property all Class A Share investors will receive a 10% simple interest preferred return. All remaining profits will be distributed based on a split of 70% to the initial Class A Share investors, and 30% to SSDG. Investment returns will be the same for either the condominium scenario or the 7year hold and operate scenarios.

Location Overview



Location Details

- Building located just south of the corner of South Clyde and East 69th Street.
- Minutes from developing shopping area featuring Starbucks, Staples, Dominic's grocery store.
- Emerging area attracting first time home buyers seeking value and investment potential.
- Two golf courses within an 1/8 mile. Jackson Park Golf Club Boasts 18 Holes and a Driving Range, while a 5min walk from the building puts you on South Shore Country Club's Nine Hole Course. Both are directly on the lake and offer superb play and scenery.
- Three short blocks from the Bryn Mawr or South Shore stop on the Metra Electric Line. 12 minutes to the Loop and multiple bus services.
- Waling distance to historic Jackson Park and Japanese gardens are a dog walk away.
- Mayor Daley's bid to revitalize the South Side of Chicago, including the South Sore Cultural Center, Jackson Park & Rainbow Beach Park which offers a recently completed athletic center with indoor basketball courts, workout facilities, 12 tennis courts, 2 playgrounds, 3 baseball diamonds, 2 golf courses, community English garden, fitness trail and boat launch are significantly upgrading the South Shore neighborhood.



Property Overview

- The building is an existing cash flow-positive rental property with fifty-three (53) units and 42,000 gross SF.
- Building is currently 90% occupied and has rental rates below market.
- The current building layout includes forty-two (42) one (1) bedroom apartments & eleven (11) studio apartments. Each type of unit has a variety of floor plan layouts.
- The existing building layout provides an extraordinary potential for condo conversion.
- Currently building is cash flow positive with just under a 5% annual yield.
- The building is currently 90% occupied and rents at well below market. Current operating, maintenance and repair cost are low as all major utilities including the boiler were upgraded in 2004.
- We have identified a list of initial capital expenses that will be implemented upon purchase to increase rental rates and lower maintenance during our ownership.
- There are significant opportunities to increase the current cash flow of the building. With a plan to renovate ten (10) to twelve (12) apartments per year we will be able to bring the building up to market within five (5) years through the use of existing cash flow.
- The building has a new boiler and R&D system, new electric service and no exterior porches.
- Investors will have a significant upside returns within a three (3) to Four (4) year period, with the protection of an existing positive cash flow building.

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Property Financial Highlights

- Purchase price per square foot is equal to \$76 per Square Foot.
- Price per Unit is approximately \$49,000
- Current Effective Gross Income is \$366,144 which is approximately \$575.69 per unit per month .
- Market Rents are currently at \$625.00 a month per for a one bedroom unit within the neighborhood. The building is an approximately \$50 per unit below market.
- NOI yield is currently just under 5%
- NOI before debt service and reoccurring cap x is \$185,032
- Anticipated Yr 1 NCF return before capital improvements is 4.81%
- Current Building Sale Price is a 7.55 CAP Rate

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Year 1 Financial Proforma



Assumptions

Unit #	53
Retail SF	-
Total SF	32,120
Recurring Cap X / unit	\$800

Investment Summary

Purchase Price	\$ 2,450,000.00
Initial Cap X & Operating Capital	\$ 185,000.00
Total	\$2,635,000

Item

		<u>Total</u>
Gross Rental Income (GRI)		366,144
Vacancy	8%	29,292
Net Rental Income (NRI)		336,852
Expenses (assumptions)		
Taxes		29,180
Water/Sewer		4,916
Insurance		10,330
R&M		9,825
Mgmt Cost	6%	20,211
Gas		44,116
Trash		3,579
Electric		2,966
Janitor		9,600
Cleaning		9,743
Exterminating		1,554
Advertising		3,400
Legal		2,400
Total Expenses		<u>151,820</u>

Debt Summary - Purchase

LTV		80%
Loan Amount	\$	1,960,000.00
Equity Req.	\$	675,000.00
Debt Equity Req. Only	\$	490,000.00
Interest Rate		6.75%
Amort		30
Constant		7.78%

NCF Available for Debt Service	\$185,032
Debt Service	<u>\$ 152,550</u>
Cash Flow after Debt Service	<u>32,482</u>

Year 3 Condominium Conversion Investment Returns Analysis



Total Equity Required	\$ 1,094,618
Class A Equity Investors Acquisition Group	\$ 675,000
Hard Money Conversion Investor	\$ 419,618
Sale Proceeds	\$ 7,750,398
Operating Cash flow from Yrs1 - 3	\$ 14,040
Bank Debt Pay Back	\$ (4,698,872)
Repayment of Equity	\$ (1,094,618)
Net Profits Available for Distribution	\$ 1,970,947
Class A Equity Acquisition Investors Pref Rtn	\$ 270,000
Hard Money Conversion Investors Pref Rtn (HM @ 1	\$ 62,943
Profits Available for Distribution	\$ 1,638,005
Class A Profits Acquisition Investor Rtn	\$ 1,146,603
Class B Profits Developer Rtn	\$ 491,401
Acquisition Investor Total Cash Return	1,416,603
Cash on Cash %	209.9%
Annualized % Return per Yr.	52.5%
Hard Money Conversion Investor Total Cash Ret	62,943
Cash on Cash %	15.0%
Annualized % Return per Yr.	15.0%

This scenario is assuming raising the conversion equity through a hard money lender at 15% per year return. We have broken up the two groups as The Acquisition Investor Group & Conversion Investor (HM) Hard Money. The following Summary Assumes selling at an average of \$262/sqft.

RETURNS ASSUMPTIONS

Contributors	Equity Input	Equity Payout (Pref Rtrn + Final Payout)	% Rtrn on Equity	Annualized Return
Acquisition Investor Group	\$ 675,000	\$ 1,416,603	209.9%	52.5%
Conversion Investor (HM)	\$ 419,618	\$ 62,943	15.0%	15.0%

7 Yr Hold & Sale Scenario Investment Returns Analysis



7 year Sale Scenario

Total Equity Required	\$ 675,000
Class A Equity Investors	\$ 675,000
Sale Proceeds	\$ 3,497,500
Operating Cash flow from Yrs1 - 7	\$ 300,511
Bank Debt Pay Back	\$ (1,786,087)
Repayment of Equity	\$ (675,000)
Net Profits Available for Distribution	\$ 1,336,924
Class A Equity Investor Pref Rtn	\$ 472,500
Profits Available for Distribution	\$ 864,424
Class A Profits Investor Rtn	\$ 605,097
Class B Profits Developer Rtn	\$ 259,327

Investor Total Cash Return	1,077,597
Cash on Cash %	160%
Annualized % Return per Yr.	22.8%

RETURNS ASSUMPTIONS

Contributors	Equity Input	Equity Payout		Annualized Return
		(Pref Rtn + Final Payout)	% Rtn on Equity	
Acquisition Investor Group	\$ 675,000	1,077,597	160%	22.8%

The following pages represents what an investment in the building would potentially look like if we sold the building after 7 years of operation

Total Return assumes sale of the building in Year 7 at a 7 CAP. Sale projection numbers are well below CURRENT replacement cost for the building. Replacement costs psf are estimated at \$150 psf (construction costs *not including land*) which equates to a per unit price of \$105,000.

7 yr Hold & Sale Cash Flow Projections & Assumptions

Years 1-7

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	Year 0	1	2	3	4	5	6	7
LEVERAGED								
Net Operating Cash Flow		\$185,032	\$198,257	\$215,601	\$223,292	\$230,928	\$238,612	\$246,239
Interest Payments		132,300	130,933	129,474	127,916	126,254	124,478	122,584
Amortization		20,250	21,617	23,076	24,634	26,297	28,072	29,967
Total Payment		152,550	152,550	152,550	152,550	152,550	152,550	152,550
Debt Outstanding	\$1,960,000	1,939,750	1,918,133	1,895,056	1,870,422	1,844,125	1,816,054	1,786,087
Net Cash Flow after Debt Service		\$32,482	\$45,707	\$63,051	\$70,742	\$78,378	\$86,062	\$93,689
<i>Debt Service Coverage Ratio</i>		1.21	1.30	1.41	1.46	1.51	1.56	1.61
NCF		32,482	45,707	63,051	70,742	78,378	86,062	93,689
Purchase Price	(2,635,000)							
Capital Expenditures		(42,400)	(42,400)	(42,400)	(10,600)	(10,600)	(10,600)	(10,600)
Debt Proceeds		-	-	-	-	-	-	-
Debt Payback		-	-	-	-	-	-	(1,786,087)
Sale Proceeds		-	-	-	-	-	-	3,497,500
Net Cash Flow after Debt	(490,000)	(9,918)	3,307	20,651	60,142	67,778	75,462	1,794,503
Annual Cash-on-Cash Return		0.0%	0.7%	4.2%	12.3%	13.8%	15.4%	17.0%

Assumptions:

Average Rental Rate increase in 1st 7 years: 3.5%

Holding Period: 7 Years

Capitalization Rate at Sale: 7.0%

Development Team



South Shore Developers Group, LLC - A Real Estate Development Group focused on returning value to its investors through the management and development of residential and commercial real estate properties throughout the City of Chicago.

SSDG currently owns and manages a building within the South Shore neighborhood located at 7763 – 7767 South Shore Drive

SSDG is comprised of the following members:

Jason Scher, Managing Member, As the Manger of South Shore Developers Group his primary function is to ensure the strategic goals and objectives of each investment are met. He brings experience as an owner of a mid-size construction company, while there Jason worked on a national level as a General Contractor and Construction Manager. He has completed projects in Chicago, New York, Philadelphia and many other secondary markets throughout the US.

Sandor Scher, Managing Member, Sandor brings experience from working on a national level as both an owner and as a developer. He has functioned as the lead developer on projects in New York and Florida markets, on residential, commercial and national retail roll out projects.

Edward Boyle, Member, Ed's formal education includes undergraduate degrees in Geochemistry, Accounting and Management, with a M.S. Degree in Business Organization and Management. Introduced to the real estate business through his family's residential construction company, Ed has since gone on to utilize his educational and practical background as an owner and developer in the development and re-development of multi-family, retail, office and industrial projects.

Ray Lastra, Member, Ray is a practicing architect with 15 years of architecture and construction management experience in Miami and Boston. He has extensive experience in both single family residential projects and high rise condominiums and commercial buildings. Ray is also experienced in creating high-end interior design within strict operating budgets.