

Deer Valley Small-Bay Industrial

24420 N. 7th Ave., Phoenix, AZ 85085

<u>1. DEVELOPMENT PROGRAM</u>	
<i>Assumption</i>	<i>Value / Description</i>
Property Type	Class A small-bay industrial development
Property Address	24420 N. 7th Ave., Phoenix, AZ 85085
Parcel Number	210-08-031C
Existing Zoning	RU-43; industrial rezoning or entitlement required
Site Area	5.09 acres / approximately 221,745 SF
Rentable Area	80,000 SF
Site Coverage	Approximately 36.1%
Building Configuration	Single-story, rear-load industrial
Suite Configuration	7 suites averaging approximately 11,429 SF
Clear Height	28 feet; proposed specification
Office Finish	Approximately 10% of rentable area; proposed specification
Parking Ratio	2.0 spaces per 1,000 SF; proposed specification
Total Parking	Approximately 160 spaces
Loading	Dock-high and grade-level access; final configuration subject to design
Development Status	Hypothetical development; zoning, site design and entitlements remain subject to verification



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2. DEVELOPMENT COSTS	
<i>Assumption</i>	<i>Value / Description</i>
Land Acquisition	\$4,000,000
Land Closing Costs	1.0% of acquisition price
Hard Construction Costs	\$145 per building SF, including assumed sitework and utilities
Soft Costs	15% of hard construction costs
Construction Contingency	5% of hard construction costs
Tenant Improvements	\$10 per leased SF
Leasing Commissions	5% of contractual base rent over the initial seven-year lease term, excluding free rent
Leasing Commission Timing	Six months before each tenant's scheduled occupancy
Construction Interest	Capitalized through the applicable financing period
Loan Origination Fee	1.0% of construction loan amount
Project Cost Basis	Includes acquisition, construction, soft costs, contingency, leasing costs and financing expenses
3. DEVELOPMENT SCHEDULE AND LEASE-UP	
<i>Assumption</i>	<i>Value / Description</i>
Land Closing	Month 0 — Dec. 31, 2026
Construction Period	Months 1–15
Initial Occupancy	Month 16
Lease-Up Interval	One additional tenant per month
Initial Free Rent	Three months per tenant
First Rent Commencement	Month 19
Final Tenant Occupancy	Month 22
Final Rent Commencement	Month 25
Stabilization	Month 25; all seven suites generating contractual base rent
Investment Hold	36 months from land acquisition to disposition
Disposition Timing	Month 36, following approximately 11 full months of stabilized operations
4. LEASING AND OPERATING ASSUMPTIONS	
<i>Assumption</i>	<i>Value / Description</i>
Initial Base Rent	\$20.00 per SF annually, NNN
Annual Rent Escalations	3.00%
Initial Lease Term	Seven years
Free Rent	Three months per tenant, beginning with occupancy
Leasing Strategy	Seven equal-sized industrial suites leased sequentially
Property Taxes	\$1.65/SF annually; 3% growth
Insurance	\$0.38/SF annually; 3% growth
CAM and Management	\$1.32/SF annually; 3% growth
Total Recoverable Expenses	\$3.35/SF annually before growth
Nonrecoverable Expenses	\$0.25/SF annually; 3% growth
Replacement Reserves	\$0.15/SF annually; 3% growth, deducted below NOI
Initial Lease-Up Vacancy	Determined by individual tenant occupancy and rent commencement dates
Stabilized Physical Occupancy	100% upon completion of initial lease-up
Stabilized Vacancy and Credit Loss	5.0% of potential income beginning at stabilization
Expense Reimbursements	NNN tenant recoveries based on each tenant's proportionate share of recoverable expenses
Operating Expense Commencement	Month 16, coinciding with first tenant occupancy

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5. CONSTRUCTION FINANCING

<i>Assumption</i>	<i>Value / Description</i>
Construction Loan Sizing	60% of total development costs, including financing costs
Partnership Equity	40% of total development costs, excluding additional equity required for operating shortfalls
Debt Draw Schedule	Monthly funding according to project expenditures and equity funding requirements
Interest Rate	Projected one-month SOFR plus 350 basis points
SOFR Assumptions	Monthly forward-rate projections from the SOFR Curve worksheet
Origination Fee	1.0% of construction loan commitment
Loan Amortization	Interest-only during the development and hold period
Construction Interest	Unfunded interest capitalized into project costs
Loan Repayment	Outstanding construction loan repaid upon disposition
Permanent Financing	None; project underwritten as a merchant development and sale

6. STABILIZATION AND DISPOSITION

<i>Assumption</i>	<i>Value / Description</i>
Target Stabilization	Month 25
Exit Timing	Month 36
Exit Valuation	Forward 12-month NOI capitalized at the selected exit capitalization rate
Exit Capitalization Rate	5.75%
Stabilized Vacancy and Credit Loss	5.0% economic allowance applied beginning at stabilization
Sale Costs	1.5% of gross disposition price
Loan Payoff	Outstanding construction loan balance repaid from disposition proceeds
Return Calculation	Monthly project cash flows measured using actual dates and XIRR

7. JOINT VENTURE AND EQUITY WATERFALL

<i>Assumption</i>	<i>Value / Description</i>
Partnership Structure	90% limited partner (LP) / 10% general partner (GP) equity contributions
Distribution Method	Whole-project waterfall with cumulative return thresholds
Preferred Return	8.0% annual effective return, calculated using actual dates
Tier 1 — Capital and Preferred Return	90% LP / 10% GP until required capital and accrued preferred returns are satisfied
Tier 2 — GP Catch-Up	100% GP distributions until the GP receives 20% of cumulative preferred-return and catch-up profits
Tier 3 — First Promote	80% LP / 20% GP until the LP achieves a 15% IRR
Tier 4 — Second Promote	70% LP / 30% GP until the LP achieves a 20% IRR
Tier 5 — Residual Promote	60% LP / 40% GP on all remaining distributable cash
Hurdle Measurement	15% and 20% hurdles measured against the LP's cumulative dated cash flows
Promote Mechanics	Higher-tier distribution splits apply only to incremental cash flow after the applicable hurdle is satisfied
Return Metrics	LP, GP and partnership IRR, equity multiple and aggregate profit

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Deer Valley Industrial Project - Cash Flow and Returns									
Req. Equity	8,669,271	Yield on Cost (before debt)		8.0%	GP IRR	46.60%	LP IRR	20.61%	
Net Profit	6,890,963	Dev. Spread		228 bp	GP Emx	2.90	GP Emx	1.67	
Analysis Start	1/1/2027					Address	24420 N. 7th Ave.		
Operation Start	Month 16					City	Phoenix, AZ 85085		
Stabilization	Month 25					Land Size (SF)		221,745 SF	
Sale Month	Month 36					Building SF		80,000 SF	
Investment Cash Flows			Start	End			/SF	Amount	
Project Cost			Month 0	Month 15					
Land Purchase Price			Month 0	Month 0			50.00	4,000,000	
Land Closing Costs			Month 0	Month 0			0.50	40,000	
Hard Costs			Month 1	Month 15			145.00	11,600,000	
Soft Costs (15%)			Month 1	Month 15			21.75	1,740,000	
Contingency (5%)			Month 1	Month 15		TI per SF	7.25	580,000	
Tenant Improvements (1)			Month 16	Month 16		10.00	1.43	114,286	
Tenant Improvements (2)			Month 17	Month 17			1.43	114,286	
Tenant Improvements (3)			Month 18	Month 18			1.43	114,286	
Tenant Improvements (4)			Month 19	Month 19			1.43	114,286	
Tenant Improvements (5)			Month 20	Month 20			1.43	114,286	
Tenant Improvements (6)			Month 21	Month 21			1.43	114,286	
Tenant Improvements (7)			Month 22	Month 22		LC %	1.43	114,286	
Leasing Commissions (1)			Month 10	Month 10		5.00%	1.06	84,714	
Leasing Commissions (2)			Month 11	Month 11			1.06	84,714	
Leasing Commissions (3)			Month 12	Month 12			1.06	84,714	
Leasing Commissions (4)			Month 13	Month 13			1.06	84,714	
Leasing Commissions (5)			Month 14	Month 14			1.06	84,714	
Leasing Commissions (6)			Month 15	Month 15			1.06	84,714	
Leasing Commissions (7)			Month 16	Month 16			1.06	84,714	
Total Project Cost (before debt)			Month 0	Month 22			241.91	19,352,997	
Construction Interest						Fee	25.64	2,051,337	
Financing Fees						1.00%	1.62	129,201	
Total Project Cost (after debt)			Month 0	Month 22			269.17	21,533,535	
Sources and Uses (before Op. Shortfall)				% of Total			/SF	Amount	
Equity				40%			107.67	8,613,414	
Debt				60%			161.50	12,920,121	
Total Sources								21,533,535	
Beg. Loan Balance									
End Loan Balance									
Interest Due									
SOFR									
Rate								3.50%	

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Operating Cash Flows	First Occupancy after Completion	Lease-up Interval	Free Rent	Rent/SF/YR	Rent Inc.		
	<u>1 Month</u>	<u>1 Month</u>	<u>3 Months</u>	<u>\$20.00</u>	<u>3.00%</u>		
Revenue	SF	Lease Start	Rent Start	Rent/SF/YR	Rent Increase	<u>\$/SF</u>	<u>Amount</u>
Tenant #1	11,429	Month 16	Month 19	\$20.00	3.00%	\$2.86	\$228,571
Tenant #2	11,429	Month 17	Month 20	\$20.00	3.00%	\$2.86	\$228,571
Tenant #3	11,429	Month 18	Month 21	\$20.00	3.00%	\$2.86	\$228,571
Tenant #4	11,429	Month 19	Month 22	\$20.00	3.00%	\$2.86	\$228,571
Tenant #5	11,429	Month 20	Month 23	\$20.00	3.00%	\$2.86	\$228,571
Tenant #6	11,429	Month 21	Month 24	\$20.00	3.00%	\$2.86	\$228,571
Tenant #7	<u>11,429</u>	<u>Month 22</u>	<u>Month 25</u>	<u>\$20.00</u>	<u>3.00%</u>	\$2.86	<u>\$228,571</u>
Total Potential Rent	80,000	Month 16	Month 25	\$20.00		\$20.00	\$1,600,000
Tenant #1 Recoveries	% of Expenses	14%				\$0.48	\$38,286
Tenant #2 Recoveries	% of Expenses	14%				\$0.48	\$38,286
Tenant #3 Recoveries	% of Expenses	14%				\$0.48	\$38,286
Tenant #4 Recoveries	% of Expenses	14%				\$0.48	\$38,286
Tenant #5 Recoveries	% of Expenses	14%				\$0.48	\$38,286
Tenant #6 Recoveries	% of Expenses	14%				\$0.48	\$38,286
Tenant #7 Recoveries	% of Expenses	14%				\$0.48	\$38,286
Total Other Income						\$3.35	\$268,000
Total Potential Income						\$23.35	\$1,868,000
Vacancy and Credit Loss					5.00%	\$1.17	\$93,400.00
Effective Gross Income						\$22.18	\$1,774,600
Operating Expenses	<u>Start</u>		<u>Growth</u>				
Property Taxes	Month 16		3.00%			\$1.65	\$132,000
Insurance	Month 16		3.00%			\$0.38	\$30,400
CAM & Management	Month 16		3.00%			\$1.32	\$105,600
Non-Recoverable Expenses	Month 16		3.00%			<u>\$0.25</u>	<u>\$20,000</u>
Total Operating Expenses						\$3.60	\$288,000
Net Operating Income						\$18.58	\$1,486,600
Replacement Reserve	Month 16		3.00%			<u>\$0.15</u>	<u>\$12,000</u>
Cash Flow from Operation						\$18.43	\$1,474,600

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Reversion Cash Flows		Sale Month	Sale NOI (FL-12)	Exit Cap			
		Month 36	1,553,908	5.75%			
Sales price						/SF	Amount
Selling Cost					1.50%	(5.07)	(405,367)
Total Proceeds from Sale						332.74	26,619,119
Loan Payoff						(161.50)	(12,920,121)
Net Proceeds						171.24	13,698,998
Unlevered Cash Flow							9,071,500
IRR							17.35%
Emx							1.47
Levered Cash Flow							6,890,963
IRR							23.70%
Emx							1.79

Partnership Cash Flow and Returns							
		% of Equity	Amount		IRR	Emx	Profit
LP		90%	7,802,344		20.61%	1.67	5,247,316
GP		10%	866,927		46.60%	2.90	1,643,646
Total		100%	8,669,271		23.70%	1.79	6,890,963
Hurdle		LP	GP				
8%		90%	10%				
GP Catch-Up		0%	100%				
15%		80%	20%				
20%		70%	30%				
20%+		60%	40%				

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Land Comps (Within 3 miles)			
Address	625 E Pinnacle Peak Rd	Price/AC	\$1,340,426
Land AC	4.70	Sale Date	3/25/2026
Price	\$6,300,000	Zoning	I-1
Address	13th Ave & Happy Valley	Price/AC	\$811,321
Land AC	3.18	Sale Date	3/13/2026
Price	\$2,580,000	Zoning	CP/GCP
Address	2117 W Whispering Wind Dr	Price/AC	\$1,081,678
Land AC	4.53	Sale Date	4/10/2026
Price	\$4,900,000	Zoning	CPBP
Address	N Third Ave	Price/AC	\$638,000
Land AC	10	Sale Date	7/15/2025
Price	\$6,380,000	Zoning	A-1
Address	24425 11th Ave	Price/AC	\$833,333
Land AC	7.5	Sale Date	12/1/2025
Price	\$6,250,000	Zoning	I-2
Address	1017 W Happy Valley Rd	Price/AC	\$1,133,144
Land AC	3.53	Sale Date	9/15/2025
Price	\$4,000,000	Zoning	RU-43
Address	2101 W Pinnacle Peak Rd	Price/AC	\$958,882
Land AC	6.08	Sale Date	12/18/2025
Price	\$5,830,000	Zoning	A-1
Average AC	5.65	Average Price/AC	\$970,969

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Rent Comps (Within 3 Miles)			
Address	1 East Deer Valley	Lease Term	8 Years
Year Built	2017	Sign Date	6/23/2025
Clear Height	20	Leased SF	9,800
New/Renewal	New	Rent/SF/Year	\$21.84
NNN/Gross	MG	Tenant	Auto IQ
Address	1350 W Rose Garden Ln	Lease Term	5 Years
Year Built	2024	Sign Date	5/8/2026
Clear Height	28	Leased SF	9,757
New/Renewal	New	Rent/SF/Year	\$19.92
NNN/Gross	NNN	Type	Trusval Technology
Address	2639 W Lone Cactus Dr	Lease Term	-
Year Built	1980	Sign Date	7/16/2025
Clear Height	19	Leased SF	22,322
New/Renewal	New	Rent/SF/Year	\$19.80
NNN/Gross	NNN	Type	-
Address	909 W Pinnacle Peak Rd	Lease Term	-
Year Built	2017	Sign Date	12/3/2025
Clear Height	32	Leased SF	8,091
New/Renewal	New	Rent/SF/Year	\$18.60
NNN/Gross	NNN	Type	-
Address	2453 W Parkside Ln	Lease Term	-
Year Built	2022	Sign Date	1/2/2025
Clear Height	22	Leased SF	10,554
New/Renewal	New	Rent/SF/Year	\$18.00
NNN/Gross	NNN	Type	Pancake Now
Average Year Built	2012	Average SF	12,105
Average Clear Height	24	Average Rent	\$19.63

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Sale Comps			
Address	23869 N 19th Ave	Price	\$22,210,000
Year Built	2024	Price/SF	\$324
Building SF	68,459	# of Tenants	1
Occupancy %	100%	Sale Date	12/9/2025
Address	8700 N 91st Ave	Price	\$20,750,000
Year Built	2024	Price/SF	\$275
Building SF	75,549	Type	3
Occupancy %	100%	Sale Date	5/1/2026
Address	3755 W Van Buren	Price	\$25,000,000
Year Built	2024	Price/SF	\$251
Building SF	99,498	# of Tenants	1
Occupancy %	100%	Sale Date	5/15/2025
Address	4350 W Lower Buck	Price	\$15,790,000
Year Built	2019	Price/SF	\$191
Building SF	82,578	# of Tenants	2
Occupancy %	100%	Sale Date	12/17/2025
Address	250 E Elliot Rd	Price	\$17,940,000
Year Built	2023	Price/SF	\$302
Building SF	59,346	# of Tenants	2
Occupancy %	100%	Sale Date	7/28/2026
Average Building SF	77,086	Average Price	\$20,338,000
Average Occupancy	100%	Average Price/SF	\$269