

Marcus & Millichap



..... OFFERING MEMORANDUM
C o u r t A p a r t m e n t s
..... 18 Unit Value-Add Property in Durham, NC



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COURT APARTMENTS

TABLE OF CONTENTS

6

SECTION 1: EXECUTIVE SUMMARY

Offering Summary • Investment Overview •
Offering Highlights • Location Highlights

14

SECTION 2: MARKET SUMMARY

Economic Drivers • Area Attractions • Opportunity
Zone • Development Projects • Demographics

32

SECTION 3: PROPERTY SUMMARY

The Property • Investment Highlights • Unit
Amenities • Images • Local & Regional Maps

44

SECTION 4: COMPARABLE PROPERTIES

Rent Comparables • Map • Sale Comparables • Map

62

SECTION 5: FINANCIAL ANALYSIS

Pricing Detail • Rent Roll Summary • Rent Roll Detail • Operating
Statement • Cash Flow Statement • Growth Rates • Operating Data



EXECUTIVE SUMMARY

- Offering Summary
- Investment Overview
- Offering Highlights
- Location Highlights

Marcus & Millichap

Court Apartments

414 Raynor Street, Durham, NC, 27703

Marcus & Millichap is pleased to present the exclusive offering memorandum for the Court Apartments located in the East Durham neighborhood of Durham, NC.

SUBJECT PROPERTY

The Court Apartments Offering provides an investor the opportunity to acquire a stabilized, market rate apartment asset with upside potential. The subject property was constructed in 1971 and is situated on a +/- .91 acre site in one of the country's most prominent, high-tech research and development regions. The property is comprised of five buildings with a total of eighteen (18) +/- 720 sqft two-bedroom one-bathroom units, and an on site coin operated laundry facility.

LOCATION

The Court Apartments can be accessed by I-85, I-40, NC147 and US 70 West, the main thoroughfares connecting Durham to the Triangle Region. This property's prime location enjoys the benefits of an array of recreational activities, outdoor attractions, savory restaurants and a prosperous growing community. Duke University, with approximately 16,000 enrolled students, is located 3.6 miles from the subject property. The Durham economy is majorly supported by Duke University and Health Systems with nearly 35,000 employees. Other employers in Durham include IBM, Durham Public Schools, GlaxoSmithKline, Blue Cross Blue Shield of NC, Durham City Government, Fidelity Investments, Research Triangle Institute, Veteran Affairs Medical Center and U.S. Environmental Protection Agency.



OFFERING SUMMARY

Court Apartments

 Total Price
\$1,500,000.00

 18 Total Units

Address	414 Raynor St, Durham, NC
Gross Square Feet	12,960 SF
Number of Buildings	5
Number of Stories	2
Year Built	1971
Lot Size	0.91 Acres
Pin	0831-12-75-7242
Parking	2 per Unit
Utilities: Electric	Tenant Paid
Utilities: Water	Owner Paid
HVAC	PTAC / Electric Baseboard Heaters
Parking Surface	Asphalt

OFFERING HIGHLIGHTS

COURT APARTMENTS

414 Raynor Street, Durham, NC 27703

OFFERING PRICE	UNITS	PRICE PER UNIT
\$1,500,000	18	\$83,333

VITAL DATA

Price	\$1,500,000
Price/Unit	\$83,333
Price/SqFt	\$115.74
Year Built	1971
Lot Size	0.91 Acres

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Court Apartments **10** EXECUTIVE SUMMARY

OFFERING HIGHLIGHTS



Excellent Location in NC's Research Triangle Region



Market Rate Asset Consisting of 18 Two-Bedroom Units



11 Miles from Raleigh-Durham International Airport



Consistent Historical Occupancy with Significant Value-Add Potential



Convenient to Local Economic Drivers and Lifestyle Amenities





DINING: Bel Gusto, Black Twig Cider House, Nosh, Smashburger, Another Broken Egg Cafe, Noodles and Company, Chipotle, Enzo's Pizza Company, Panera Bread, Dunkin Donuts, Mediterra Grill, Firehouse Subs, Ruby Tuesday, Subway, Salcedo's Pizza, Jimmy Johns, Greek Cuisine, Esmerelda's Cafe, Cajun Cafe, Chopsticks, Baja Shack, Juju Asian Tapas + Bar, Burger Beach, Alpaca

LEISURE: Durham Bulls Athletic Park, Durham Performing Arts Center, Northgate Stadium 10, Phoenix theatres 10, Full Frame Theater, The Carolina Theatre, Motorco Music Hall, Clouds Brewing, Fullsteam Brewery, Durty Bull Brewing Company, Sky Zone, Washington Duke Inn & Golf Club, Massage Envy

SHOPPING: Northgate Mall, Whole Foods, Harris Teeter

FITNESS: Total Fitness Studio, A.B. Fitness, Duke Health and Fitness Center, Prime Athletic Training & Fitness Institute, Pure Barre

BIKE SCORE 36

Court Apartments **13** EXECUTIVE SUMMARY



MARKET SUMMARY

Economic Drivers

Area Attractions

Development Projects

Demographics



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DURHAM NORTH CAROLINA

POPULATION
267,743

City Of DURHAM "City of Medicine"

Duke University Hospital & Medical Center

Duke Children's Hospital & McGovern-Davison Health Center

Duke Regional Hospital

Durham Veterans Administration (VA) Medical Center

Lenox Baker Children's Hospital

North Carolina Specialty Hospital

- Home to 300 Medical and Health Related Companies with a Combined Payroll Exceeding \$1.5 Billion Annually.
- Nearly 1 in 3 people in Durham have a health related career.
- Over 6,000 nurses and 3,700 licensed physicians and interns.
- Recognized as one of the top 10 US hospitals according to U.S. News and World Report.
- One of Three U.S. hospitals to be recognized by the American Hospital Association for leadership and innovation in quality, safety and commitment to patient care.

Research Triangle Park

- Includes Duke University in Durham, University of North Carolina in Chapel Hill and North Carolina State University in Raleigh.
- Largest science park in the country and one of the largest in the world.
- Houses approximately 200 global companies including IBM, Syngenta Biotechnology, RTI International, BASF and Cisco.
- 7,000 Acres with 22.5 million sf of built space.
- 50,000+ high tech employees.
- 80% of employees work for multinational companies.
- Combined annual payroll of \$2.9 billion.
- Park Center, a 12 acre mixed use development, in Research Triangle Park will complement the suburban office space with completion expected in 2020.



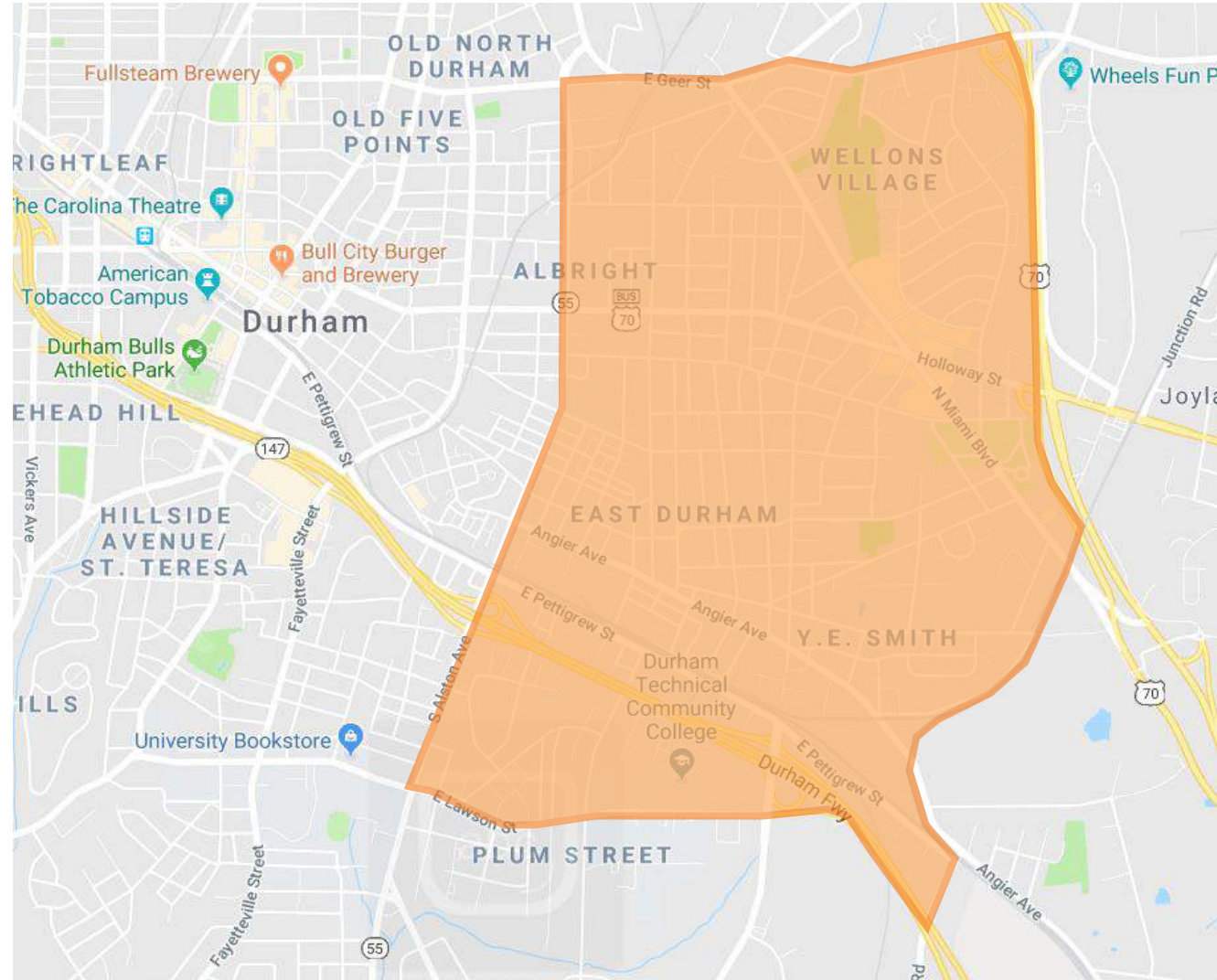
EAST DURHAM - RARITY OF OFFERING

30
Multifamily
Properties in
East Durham

13
Multifamily
Properties
18 Units or
Greater

4
Multifamily
Properties 18
Units or Great-
er that Sold in
Last 10 Years

The Court Apartments represent a rare opportunity for investors to acquire a multifamily opportunity in East Durham mostly comprised of smaller apartment buildings.

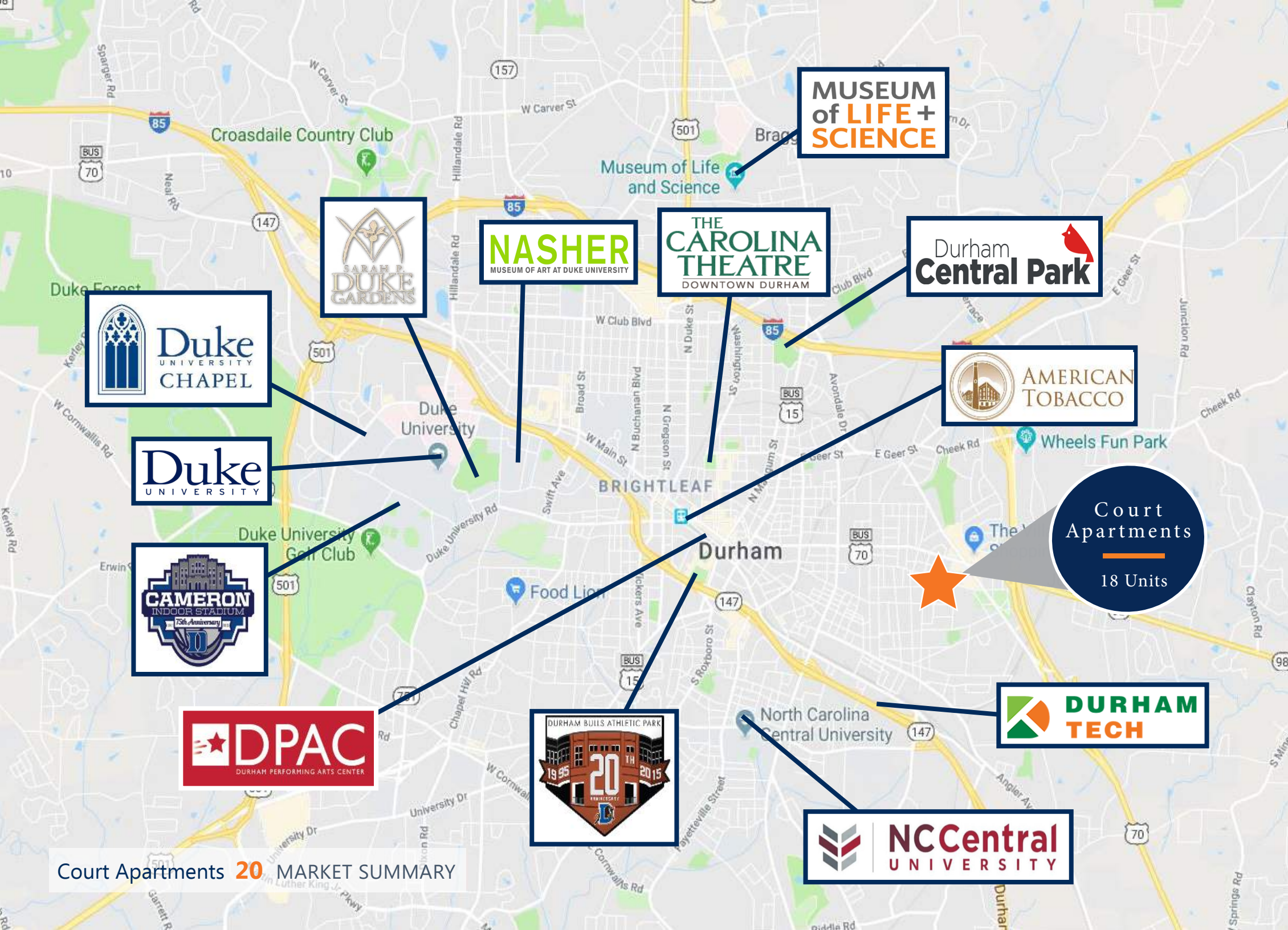


ACCESSIBILITY TO MULTIPLE EMPLOYMENT CENTERS

The property's central location as well as its immediate access to I-85 enables residents to quickly access many major employment centers within 30 miles throughout the Triangle Region. The property's ability to provide convenient access to a broad variety of services expands the potential renter pool, promotes above average rent growth, and drives high occupancy levels.

COMPANY	SECTOR	EMPLOYEES	DISTANCE
Duke University & Health System	Health Care	38,591	5.0 Miles
State of North Carolina	Government	24,083	-
Wake County Public Schools System	Education	19,845	-
Wal-Mart	Service	16,135	-
IBM Corporation	Service	10,000	4.0 Miles
WakeMed Health & Hospitals	Health Care	9,105	29 Miles
North Carolina State University	Education	9,069	20.9 Miles
Target	Service	8,000	-
UNC Rex Healthcare	Health Care	7,400	16.9 Miles
SAS Institute, Inc.	Technology	5,632	15.4 Miles
Cisco Systems, Inc.	Technology	5,000	10.1 Miles
Harris Teeter	Service	5,000	-
Blue Cross Blue Shield of NC	Insurance	4,700	7.0 Miles
NC Dept. of Health & Human Services	Government	3,800	6.9 Miles
Fidelity Investments	Finance	3,700	8.9 Miles
GlaxoSmithKline	Health Care	3,000	2.1 Miles





Court Apartments 20 MARKET SUMMARY



DURHAM ATTRACTIONS

EVENTS & LEISURE

- ▶ Carolina Theater
- ▶ Carolina Ballet
- ▶ Durham Performing Arts Center
- ▶ American Tobacco
- ▶ AMF Durham Lanes
- ▶ Duke University Chapel
- ▶ Golden Belt
- ▶ Durham Central Park
- ▶ Museum of Life & Science
- ▶ Sarah P. Duke Gardens
- ▶ Brightleaf Square
- ▶ Bull City Craft
- ▶ DefyGravity
- ▶ Durham Arts Council Clay Studio
- ▶ Durham Skate Park

PARKS & RECREATION

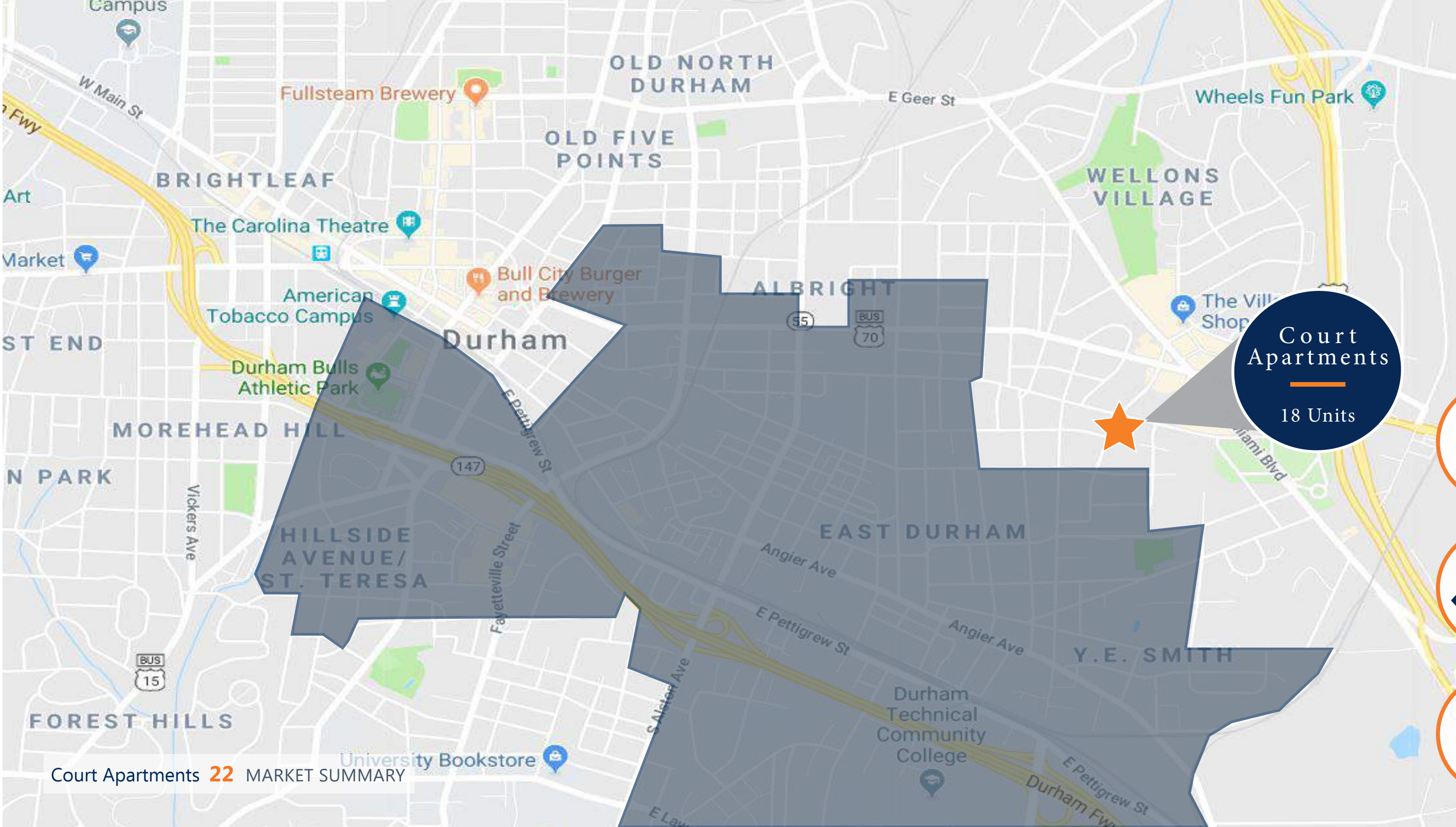
- ▶ Eno River State Park
- ▶ West Point on the Eno
- ▶ American Village Park
- ▶ Little River Regional Park & Natural Area
- ▶ Farmers' Market

SPORTS

- ▶ Durham Bulls
- ▶ Carolina Mudcats
- ▶ Carolina Hurricanes
- ▶ Duke Blue Devils Football
- ▶ Duke Blue Devils Basketball

JOB MARKET

- ▶ Duke University & Health System
- ▶ International Business Machines
- ▶ Durham Public Schools
- ▶ Horizon Blue Cross Blue Shield
- ▶ Fidelity Investments
- ▶ Research Triangle Institute



OPPORTUNITY ZONES

The Tax Cuts and Jobs Act:
Economic Incentive to Encourage Long Term Development by Changing the Way Capital Gains are Taxed

New Development is Incentivized in the Submarket → Jobs

Court Apartments
—
18 Units



Temporary Tax Deferral for Capital Gains Reinvested in an Opportunity Zone.



Step-Up in Basis for Capital Gains Reinvested in an Opportunity Zone.



Permanent Exclusion from Taxable Income of Long-Term Capital Gains; Investor Holds Property for 10 Years, Excluded from Paying Taxes on ALL Capital Gains Accrued After Investing in the Zone.

DUKE UNIVERSITY

Ranked 8th in U.S. News Best Colleges 2019 Edition of Best Colleges National Universities

- One of the most Prestigious Private Universities in the World.
- 15,892 Current Students.
- 8:1 Student Faculty Ratio.
- 50% of Undergraduates Participate in Faculty Research.
- 52% of Student Population is Female.
- 70% of Classes have Fewer than 19 Students.
- 97% Freshman Retention Rate.
- 200+ Domestic and International Learning Opportunities.
- 11% of Applicants Admitted.
- Duke Basketball is 4th in All Time Wins of any NCAA Basketball Program.

Court Apartments **24** MARKET SUMMARY



3.6 Miles from
Duke University



DURHAM, NC

Culinary Destination

“Tastiest Town in the South”
-Southern Living Magazine

- Alpaca Peruvian Charcoal Chicken
- Amerian Meltdown
- Bar Virgile
- Blu Seafood and Bar
- Blue City Burger and Grill
- Chez Moi
- Chirba Chirba Dumpling
- Cosmic Cantina
- Dashi
- Gocciolina
- Guglhupf Cafe & Biergarten
- Loaf
- Mateo Bar de Tapas
- Mrtro 8 Steakhouse
- Parizade
- Piedmont Restaurant
- Pizzeria Toro
- Rue Cler Express
- Super Taqueria
- Toast
- Tonali
- Twisted Noodles



DUKE UNIVERSITY ENGINEERING AND PHYSICS BUILDING

- \$100 Million 85,000 square foot building with construction expected to conclude in 2020.
- 25,000 sf classrooms and labs, 150 seat auditorium, 40,000 sf for engineering research and 15,000 sf physics research.
- This development will integrate engineering and physics students and professors to study society's challenges including economical solar energy and engineering better medicines.

ONE CITY CENTER

- 27 Story Mixed Use High Rise Tower will be the tallest building in Durham.
- \$88 Million development project features 30 condos, 109 luxury apartments, 4 floors of Class A office and retail space and 2 stories of parking. Condos are going for between \$630,000 and \$1.8 million.

DURHAM COUNTY LIBRARY RENOVATION

- The energy efficient building will feature a comprehensive technology center, business training, networking opportunities, cultural education, additional public computers and collaboration areas and a vibrant outdoor plaza activity area.
- \$47 Million investment expected to be finished by mid2019.

DURHAM POLICE DEPARTMENT HEADQUARTES COMPLEX

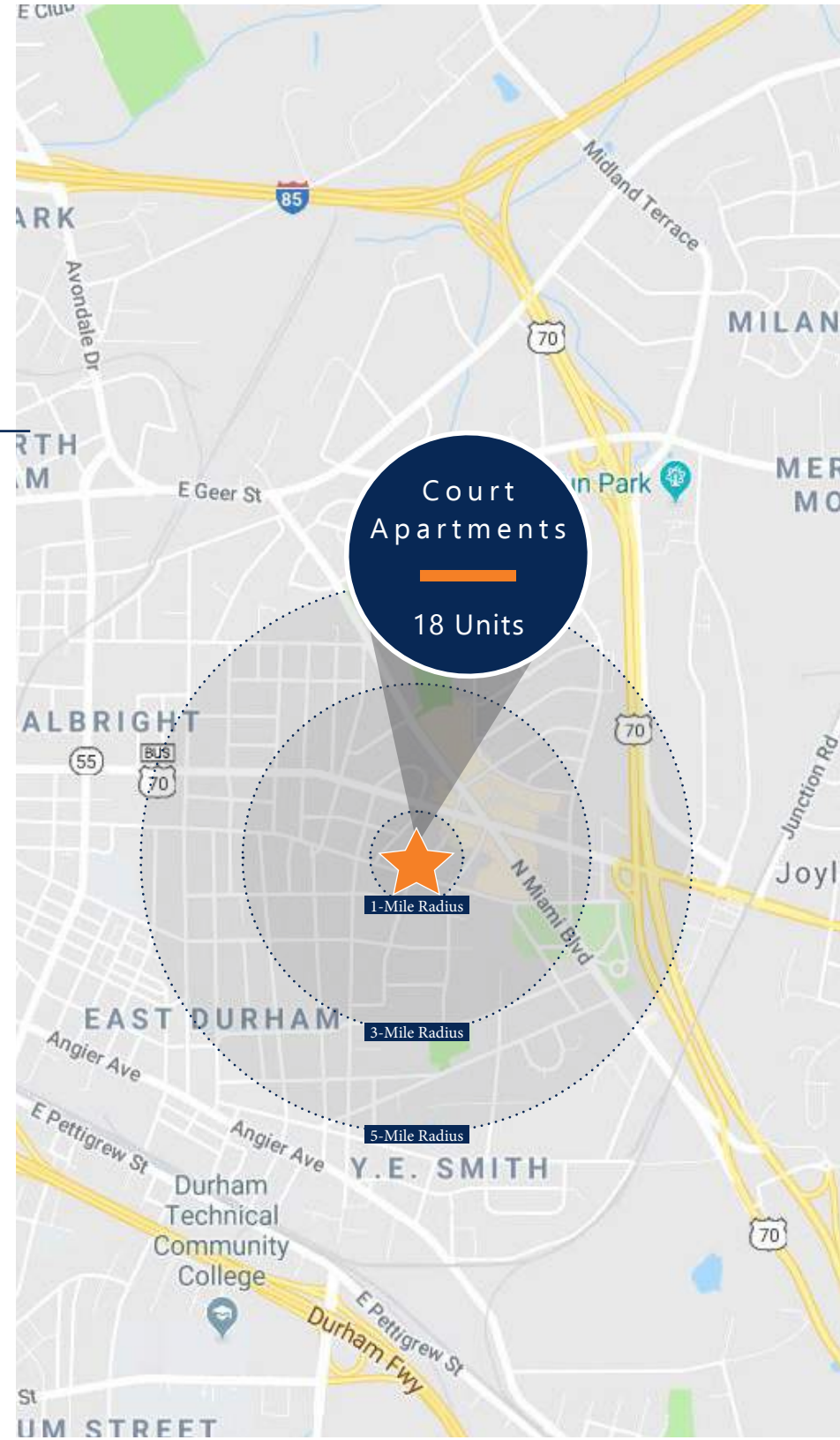
- 4.5 Acre site consolidated police functions and provides a parking deck, forensic services unit, district 5 and durham emergency communications center.
- \$71.5 Million development opened October 2018 housing 298 police staff and 82 emergency communications staff with staff anticipated to grow in size.

EAST DURHAM RENOVATION PROJECT

- \$10.2 Million development revitalizing 43,000 sqft of commercial space into a daycare, home for new businesses, and will incorporate the East Durham Children's Initiative.



DEMOGRAPHICS // Court Apartments



POPULATION	1 Mile	3 Miles	5 Miles
2022 Projection			
Total Population	13,014	67,745	161,439
2017 Estimate			
Total Population	12,462	65,233	156,032
2010 Census			
Total Population	10,346	56,277	139,423
2000 Census			
Total Population	10,031	53,359	133,047
Daytime Population			
2017 Estimate	36,383	122,949	230,248
HOUSEHOLDS	1 Mile	3 Miles	5 Miles
2021 Projection			
Total Households	4,839	28,544	63,351
2016 Estimate			
Total Households	4,593	27,283	62,398
Average (Mean) Household Size	2.00	2.14	2.31
2010 Census			
Total Households	3,865	23,620	55,969
2000 Census			
Total Households	3,610	21,994	52,596
Growth 2015-2020	5.36%	4.62%	4.73%
HOUSING UNITS	1 Mile	3 Miles	5 Miles
Occupied Units			
2021 Projection	4,839	28,544	63,351
2016 Estimate	4,914	29,212	67,923
Owner Occupied	527	10,475	25,663
Renter Occupied	4,066	16,808	36,735
Vacant	321	1,929	5,525
Persons In Units			
2016 Estimate Total Occupied Units	4,593	27,283	62,398
1 Person Units	43.41%	38.14%	34.79%
2 Person Units	32.03%	34.06%	32.40%
3 Person Units	12.67%	13.11%	14.67%
4 Person Units	7.27%	8.76%	10.00%
5 Person Units	3.03%	3.57%	4.62%
6+ Person Units	1.55%	2.35%	3.52%

HOUSEHOLDS BY INCOME	1 Mile	3 Miles	5 Miles
2016 Estimate			
\$200,000 or More	2.41%	5.48%	4.89%
\$150,000 - \$199,000	1.48%	4.38%	3.62%
\$100,000 - \$149,000	3.25%	9.06%	9.07%
\$75,000 - \$99,999	4.62%	8.67%	8.68%
\$50,000 - \$74,999	10.93%	14.14%	14.31%
\$35,000 - \$49,999	15.18%	13.98%	14.03%
\$25,000 - \$34,999	16.67%	12.73%	12.74%
\$15,000 - \$24,999	16.25%	13.29%	14.00%
Under \$15,000	29.21%	18.27%	18.66%
Average Household Income	\$42,379	\$70,448	\$67,725
Median Household Income	\$28,184	\$41,460	\$40,042
Per Capita Income	\$16,790	\$30,819	\$28,050
POPULATION PROFILE	1 Mile	3 Miles	5 Miles
Population By Age			
2017 Estimate Total Population	12,462	65,233	156,032
Under 20	21.35%	23.00%	25.38%
20 to 34 Years	54.30%	31.93%	27.73%
35 to 39 Years	5.71%	6.95%	6.92%
40 to 49 Years	6.63%	11.12%	11.96%
50 to 64 Years	8.08%	15.66%	16.75%
Age 65+	3.93%	11.32%	11.28%
Median Age	24.37	32.16	33.10
Population 25+ by Education Level			
2016 Estimate Population Age 25+	5,970	42,353	101,866
Elementary (0-8)	11.33%	5.31%	6.49%
Some High School (9-11)	11.14%	7.06%	9.09%
High School Graduate (12)	14.66%	15.84%	19.09%
Some College (13-15)	16.37%	16.08%	17.04%
Associate Degree Only	5.47%	4.83%	5.49%
Bachelors Degree Only	20.75%	24.24%	21.23%
Graduate Degree	19.27%	25.45%	19.90%
Population by Gender			
2016 Estimate Total Population	12,462	65,233	156,032
Male Population	52.60%	49.40%	48.42%



PROPERTY SUMMARY

The Property

Investment Highlights

Images

Local & Regional Maps

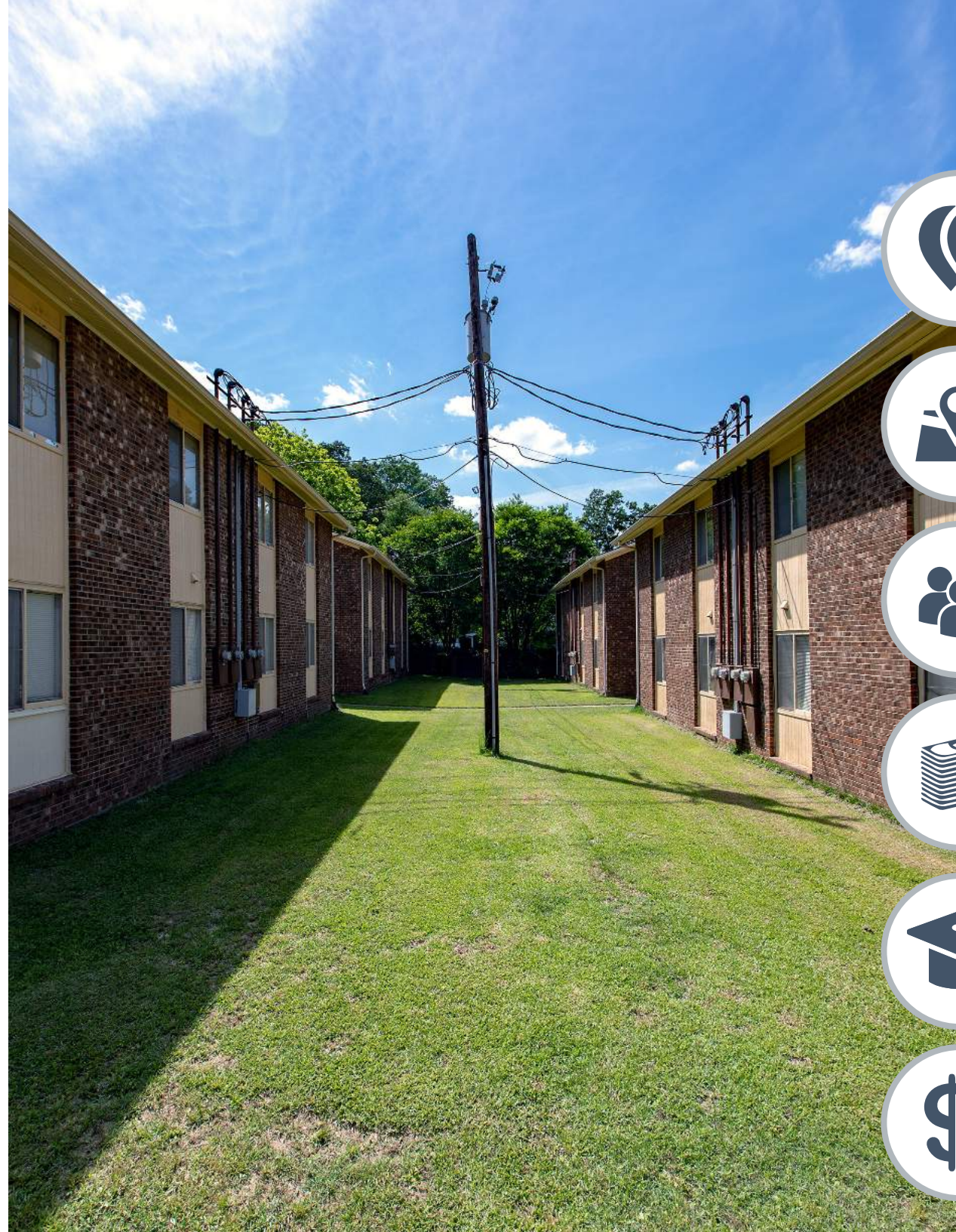
Marcus & Millichap

PROPERTY DESCRIPTION

Marcus & Millichap is pleased to offer on an exclusive basis, Court Apartments, an 18-unit market rate multifamily asset resting on +/- .91 acres located in the Durham, NC submarket. This property's irreplaceable location in one of the country's most prominent, high-tech research and development regions affords residents an array of recreational activities, outdoor attractions, savory restaurants, and a prosperous growing community. Due to the area's shortage in two bedroom units and the asset's proximity to North Carolina Central University, as well as other local drivers, this unit mix caters well to the demographic composition of the submarket.

The property is centrally located between US-70 and Durham Freeway providing access to the primary commercial and employment drivers of the area including Duke University, North Carolina Central University, IBM, Durham Public Schools, GlaxoSmithKline, Blue Cross Blue Shield of NC, Durham City Government, Fidelity Investments, Research Triangle Institute, Veteran Affairs Medical Center, US Environmental Protection Agency, and many more. Residents with school aged children have access to 54 elementary, middle, high, and technical schools serving the community. The property is located two blocks from N Miami Blvd with numerous retail and restaurant locations for residents to enjoy.

With strong occupancy history, and rents that are 30%-40% below current sub-market levels for two-bedroom units, this is a compelling opportunity to acquire a well-positioned multifamily investment property with significant value add potential in one of our country's most dynamic markets.



INVESTMENT HIGHLIGHTS

18 Unit Apartment Complex in the East Durham NC Submarket

Unique, Courtyard Style Setting

Highly Favorable Location in one of the Country's Most Prominent, High-Tech Research and Development Regions

Strong Performing Asset with Historically High Occupancy

Durham Ranked 10th on Best Place to Live in the U.S. in 2019 by U.S. News & World Report

2.0 Miles from North Carolina Central University (8,207 Enrolled Students)

8.0 Miles from Chapel Hill and 21.0 Miles from Raleigh



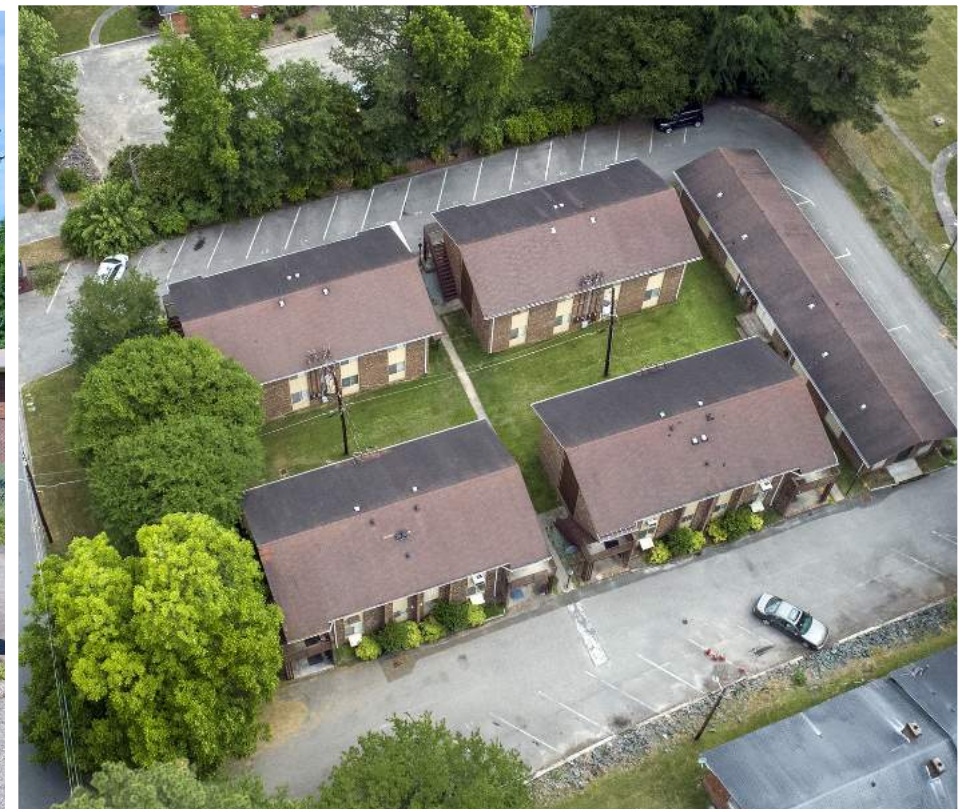
Located in the Research Triangle Region



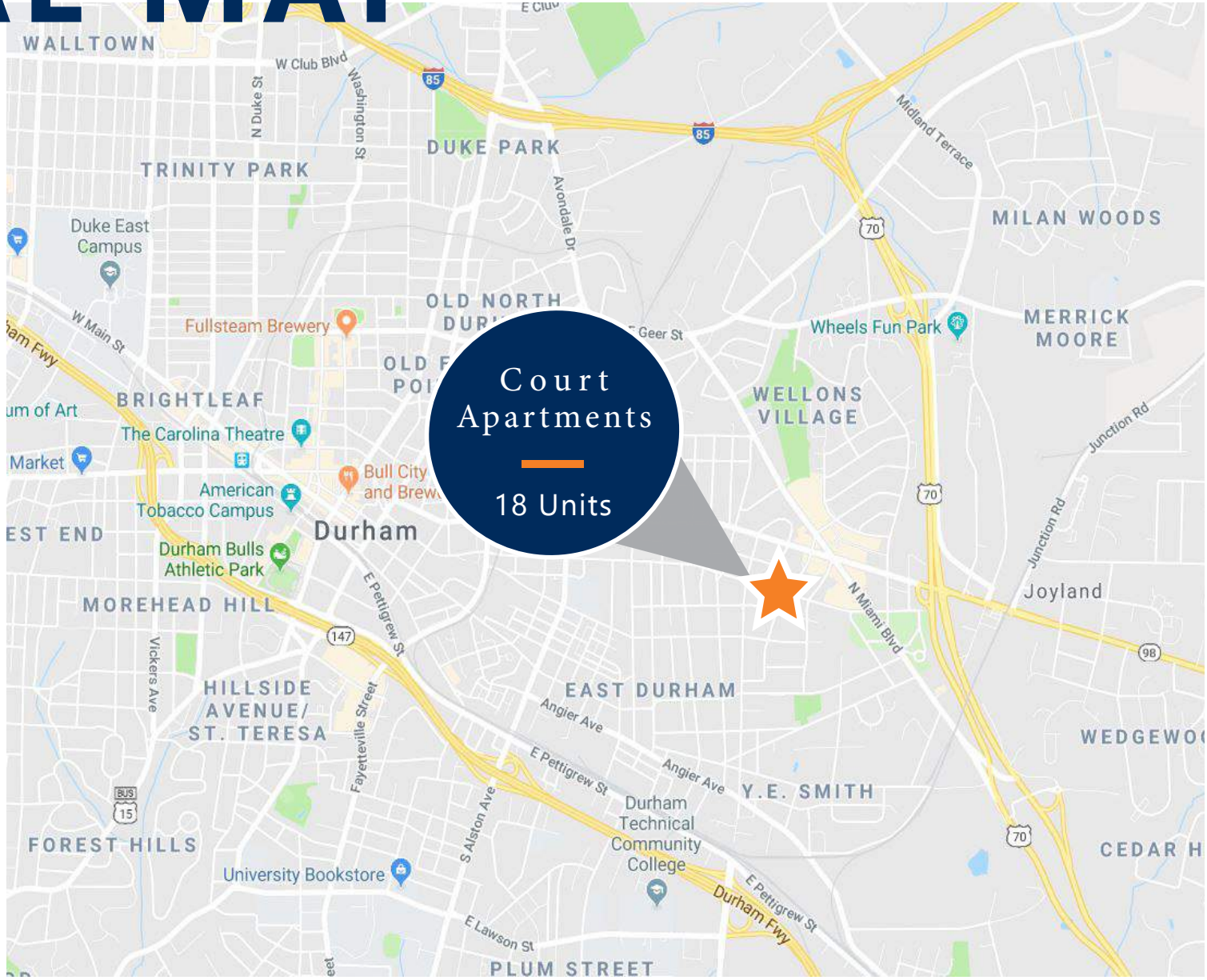
2.0 Miles from Downtown Durham



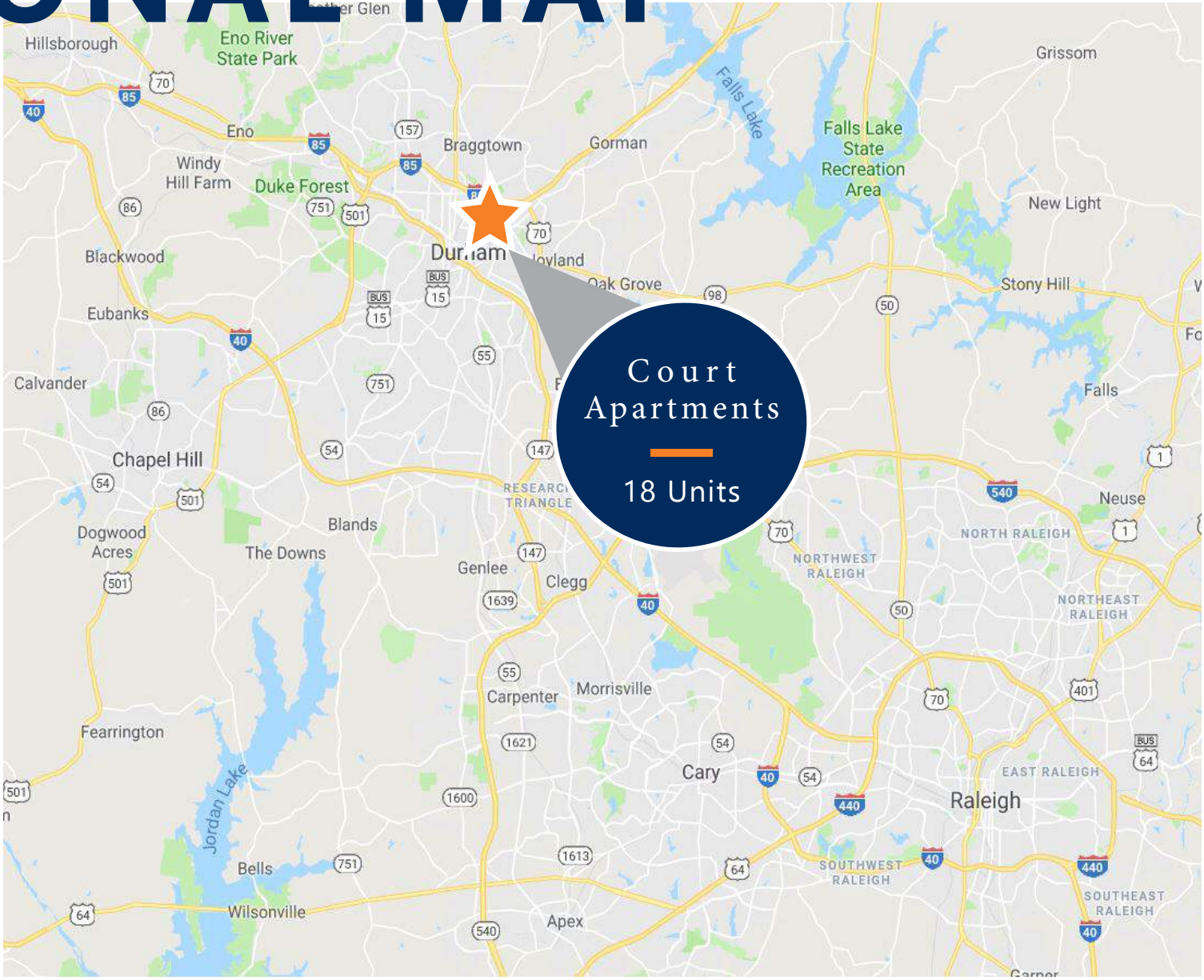


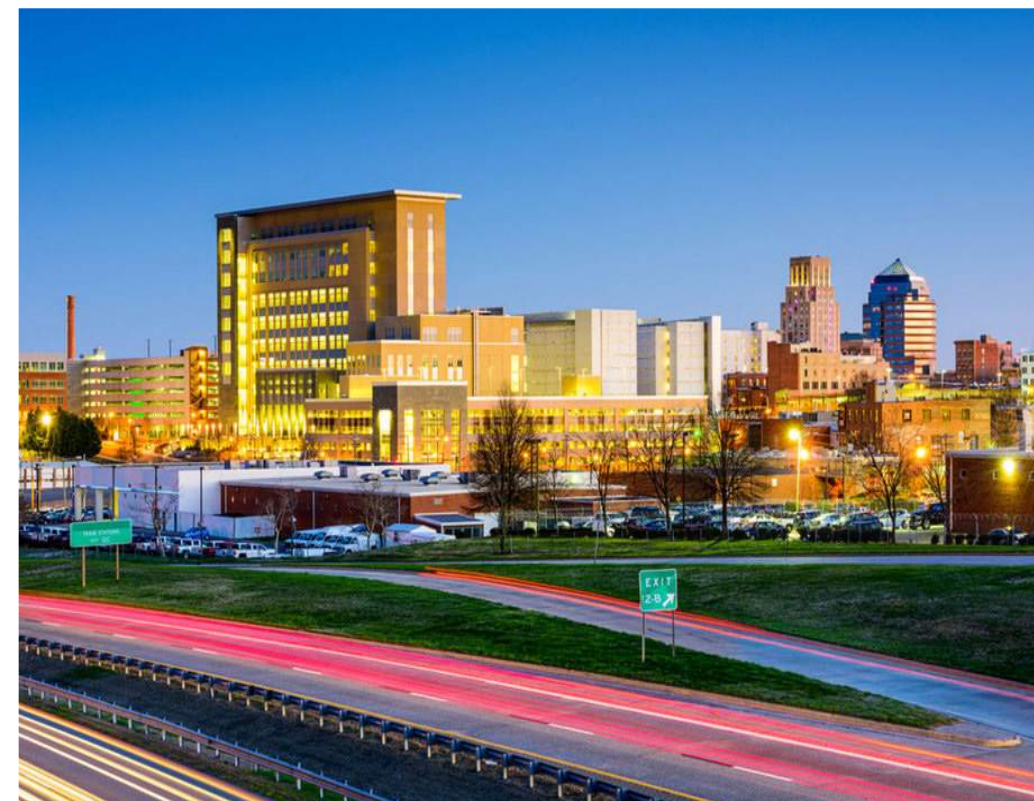
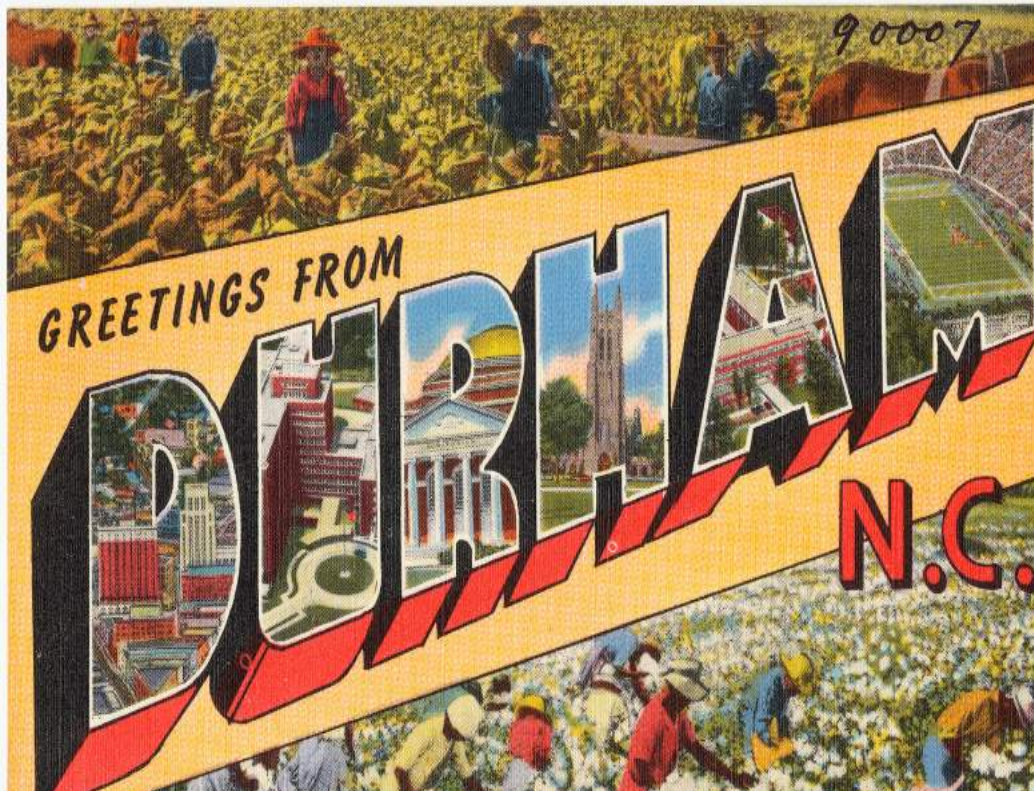


LOCAL MAP



REGIONAL MAP





A large background image of a baseball stadium during a game. The field is green, and the stands are filled with spectators. The text "COMPARABLE PROPERTIES" is overlaid at the top in a large, dark blue font. Below it, a horizontal line of orange dots separates the text "Rent Comparables Map" and "Sale Comparables Map", both in a dark blue font. At the bottom, the name "Marcus & Millichap" is written in a white, serif font with a thin white underline.

COMPARABLE PROPERTIES

Rent Comparables

Map

Sale Comparables

Map

Marcus & Millichap

RENT COMPARABLES | Court Apartments

PROPERTIES	UNITS	2 BED AVG SQFT	2 BED AVG RENT	RENT/SF	YEAR BUILT	OCCUPANCY	PROXIMITY
★ COURT APARTMENTS 414 Raynor Street Durham, NC 27703	18	720	\$583	\$0.81	1971	100%	
1 CROSSROADS APARTMENTS 219 S Alston Avenue Durham, NC 27701	55	800	\$625	\$0.78	1973	96%	1.2 Miles
2 JUNIPER SQUARE APARTMENTS 1325 Juniper Street Durham, NC 27701	44	850	\$700	\$0.82	1983	97%	0.9 Miles
3 HAYTI LANE 1 Hayti Lane Durham, NC 27701	19	970	\$1,005	\$1.04	1986	95%	1.9 Miles
4 CLEVELAND RIDGE APARTMENTS 206 Gray Avenue Durham, NC 27701	32	750	\$875	\$1.17	1990	100%	1.8 Miles
5 630 Middle Street Durham, NC 27703	4	750	\$800	\$1.07	1985	75%	1.6 Miles
6 910 Calvin Street Durham, NC 27701	8	750	\$856	\$1.14	1971	100%	0.9 Miles

Court Apartments **46** COMPARABLE PROPERTIES

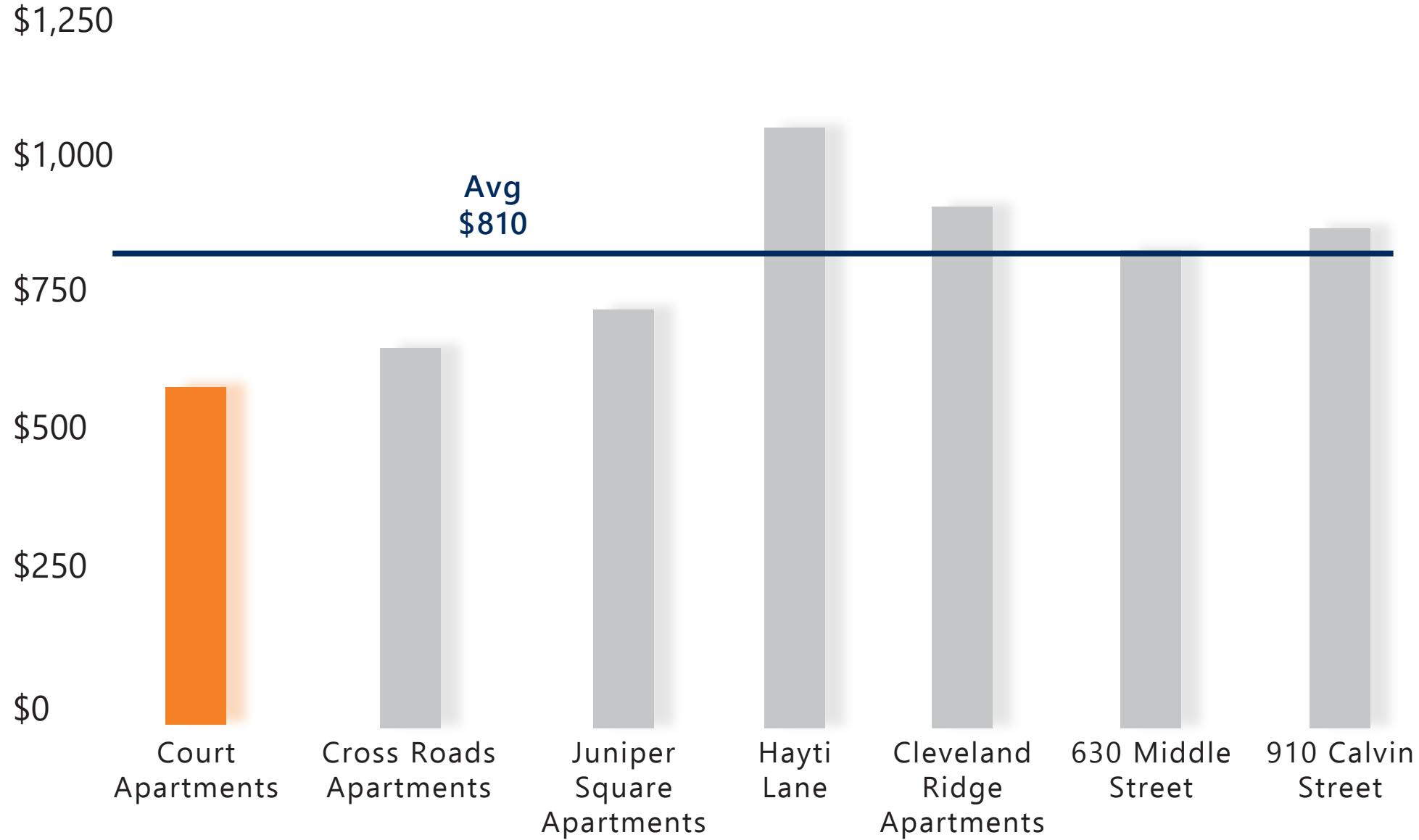
Subject Property

414 Raynor Street, Durham, NC 27703

unit type	units	sf	rent
2 bed 1 bath	18	720	\$583



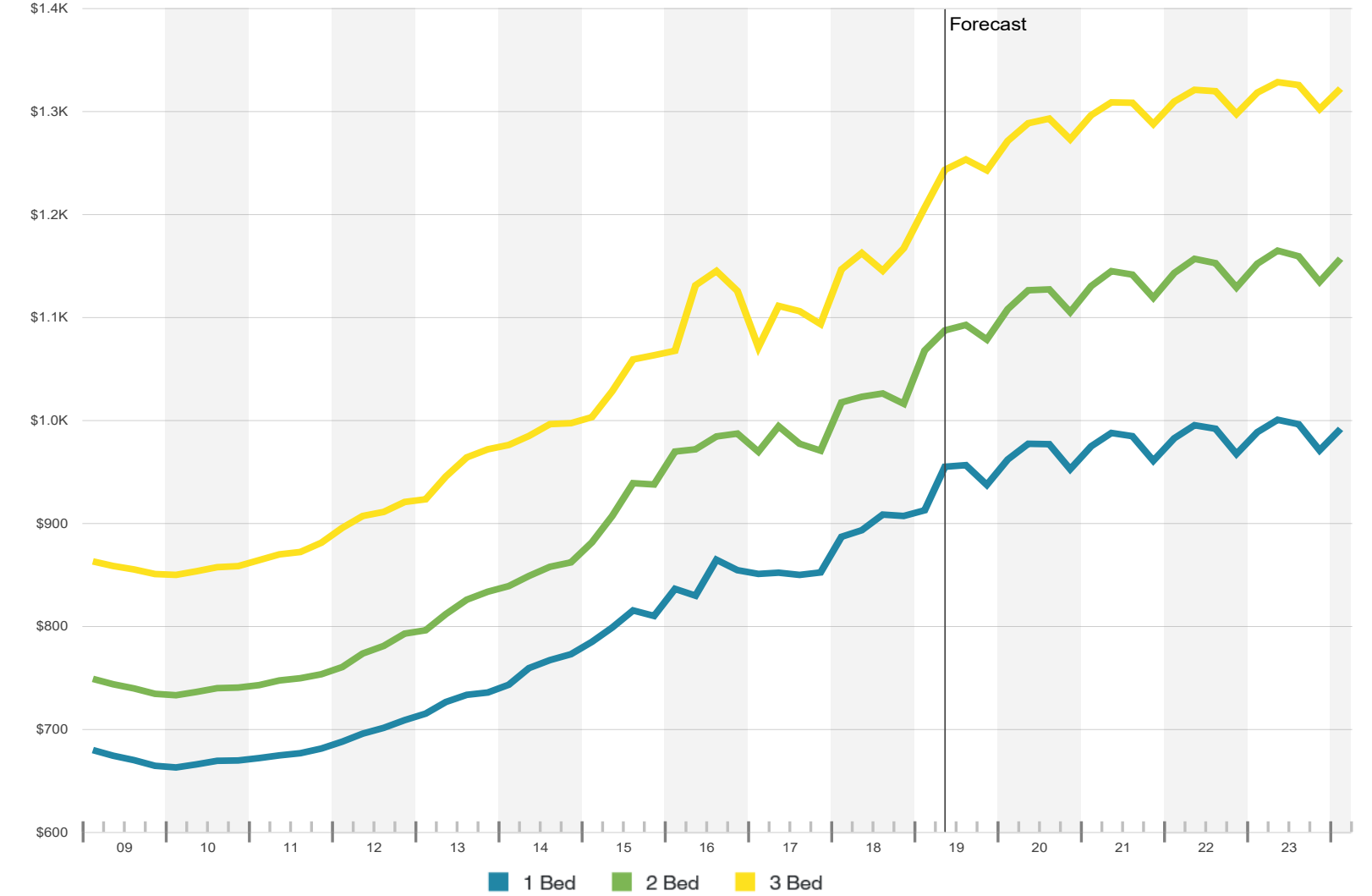
Two Bedroom Rent Summary:



Court Apartments **48** COMPARABLE PROPERTIES

EAST DURHAM Multifamily Market

Market Rent Per Unit By Bedroom



Rents Increased 4.7% in the Past Year with the Strongest Growth in Lower and Mid-End Communities. Two Bedroom Market Average of +/- \$1,075 per Month.

Court Apartments **49** COMPARABLE PROPERTIES



Court Apartments

414 Raynor St, Durham, NC 27703



Subject Property



UNIT TYPE	UNITS	SQFT	RENT	RENT/SQFT
2 Bed 1 Bath	18	720	\$583	\$0.81

18 Total Units | **1971** Year Built | **100%** Occupied

AMENITIES: Carpeting, Off Street Parking, and Cable Ready.

1

Cross Roads Apartments

219 S Alston Ave, Durham, NC 27701



1.2 Miles to Subject Property



UNIT TYPE	UNITS	SQFT	RENT	RENT/SQFT
2 Bed 1 Bath	55	800	\$625	\$0.78

55 Total Units | **1973** Year Built | **96%** Occupied

AMENITIES: Carpeting, Baseboard Heating, Off Street Parking, and Cable Ready.

2

Juniper Square Apartments

1325 Juniper St, Durham, NC 27701



0.9 Miles to Subject Property



UNIT TYPE	UNITS	SQFT	RENT	RENT/SQFT
2 Bed 1 Bath	44	850	\$700	\$0.82

44 Total Units | **1983** Year Built | **97%** Occupied

AMENITIES: Carpeting, Central A/C, W&D Hookups, Off Street Parking, and Cable Ready.

3

Hayti Lane

1 Hayti Ln, Durham, NC 27701



1.9 Miles to Subject Property



UNIT TYPE	UNITS	SQFT	RENT	RENT/SQFT
2 Bed 1.5 Bath	19	970	\$1,005	\$1.04

19 Total Units | **1986** Year Built | **95%** Occupied

AMENITIES: Dishwasher, Central A/C, W&D Hookups, Private Deck, and Cable Ready.

4

Cleveland Ridge Apartments

206 Gray Ave, Durham, NC 27701



1.8 Miles to Subject Property



UNIT TYPE	UNITS	SQFT	RENT	RENT/SQFT
2 Bed 1 Bath	16	750	\$875	\$1.17

32 Total Units | **1990** Year Built | **100%** Occupied

AMENITIES: Hardwood Flooring, Pet Friendly Units, Laundry Facility, Matching Appliances, and Recently Renovated.

5

630 Middle Street

630 Middle St, Durham, NC 27703



1.6 Miles to Subject Property



UNIT TYPE	UNITS	SQFT	RENT	RENT/SQFT
2 Bed 1 Bath	4	750	\$800	\$1.07

4 Total Units | **1985** Year Built | **75%** Occupied

AMENITIES: Off Street Parking, Hardwood Flooring, Tile, Matching Appliances, Built In Microwave, and Cable Ready.

6 910 Calvin Street 910 Calvin St, Durham, NC 27701

0.9 Miles to Subject Property



UNIT TYPE	UNITS	SQFT	RENT	RENT/SQFT
2 Bed 1 Bath	8	750	\$856	\$1.14

8 Total Units | 1971 Year Built | 100% Occupied
AMENITIES: In Unit W&D, Laminate Wood Flooring, Carpeting, and Spacious Closets.

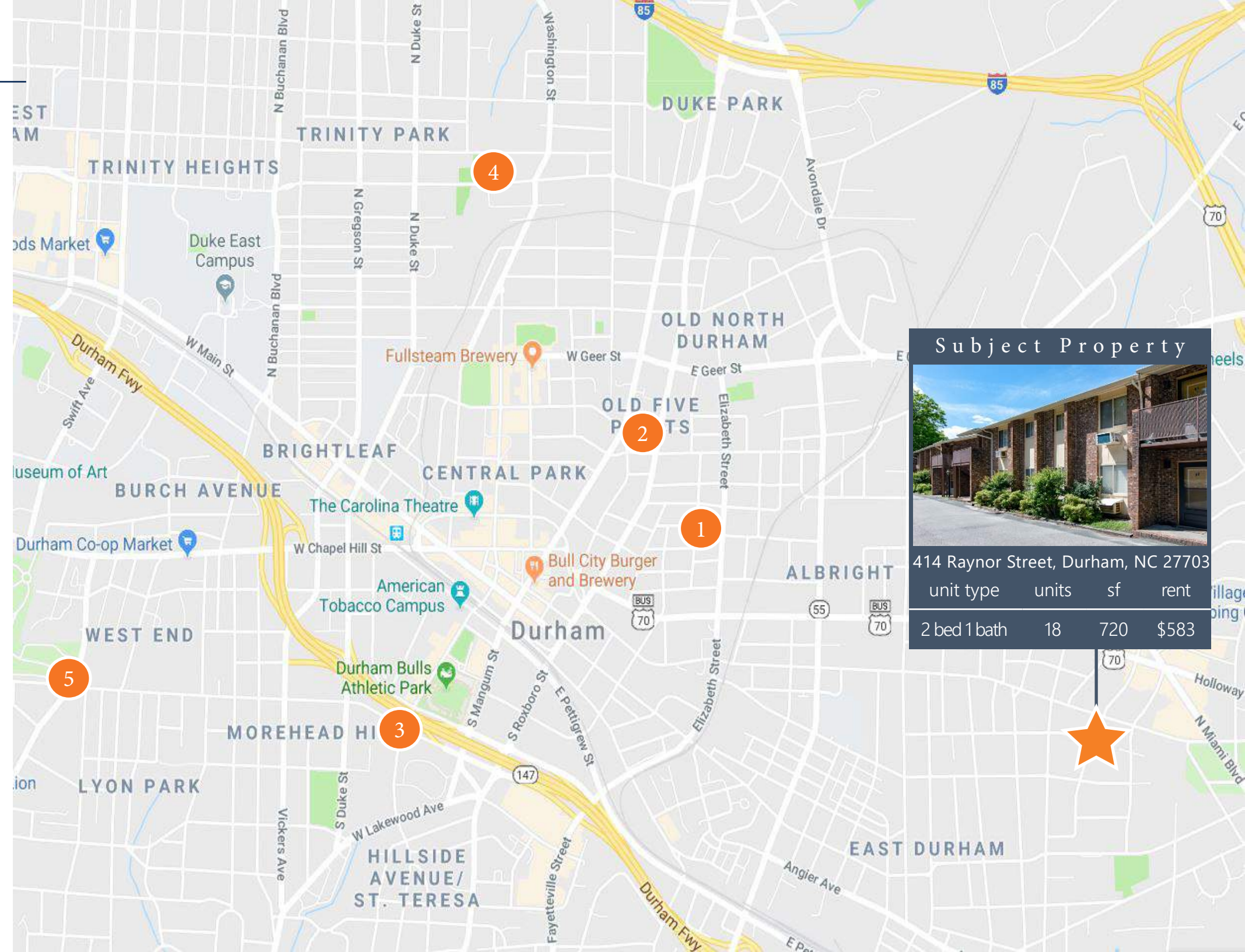


SALE COMPARABLES | Court Apartments

PROPERTIES	UNITS	YEAR BUILT	GROSS SQFT	PRICE	PRICE/ UNIT	PRICE/ SQFT	COE
★ COURT APARTMENTS 414 Raynor Street Durham, NC 27703	18	1971	12,960	\$1,500,000	\$83,333	\$115.74	-
1 DURHAM DUPLEXES 506 Gurley Street Durham, NC 27701	8	1984	6,200	\$745,000	\$93,125	\$130.54	2/27/2017
2 CLEVELAND RIDGE APARTMENTS 206 Gray Avenue Durham, NC 27701	32	1990	32,966	\$2,500,000	\$78,125	\$75.84	2/15/2017
3 WILLOW TERRACE APARTMENTS 901 S Duke Street Durham, NC 27707	16	1981	15,806	\$1,675,000	\$104,688	\$105.97	12/11/2017
4 604 W Markham Avenue Durham, NC 27701	4	1976	2,414	\$325,000	\$81,250	\$134.63	4/17/2017
5 GARDEN TERRACE APARTMENTS 1973 House Avenue Durham, NC 27707	55	1964	51,000	\$5,150,000	\$93,636	\$103.00	5/10/2019



Court Apartments **54** COMPARABLE PROPERTIES

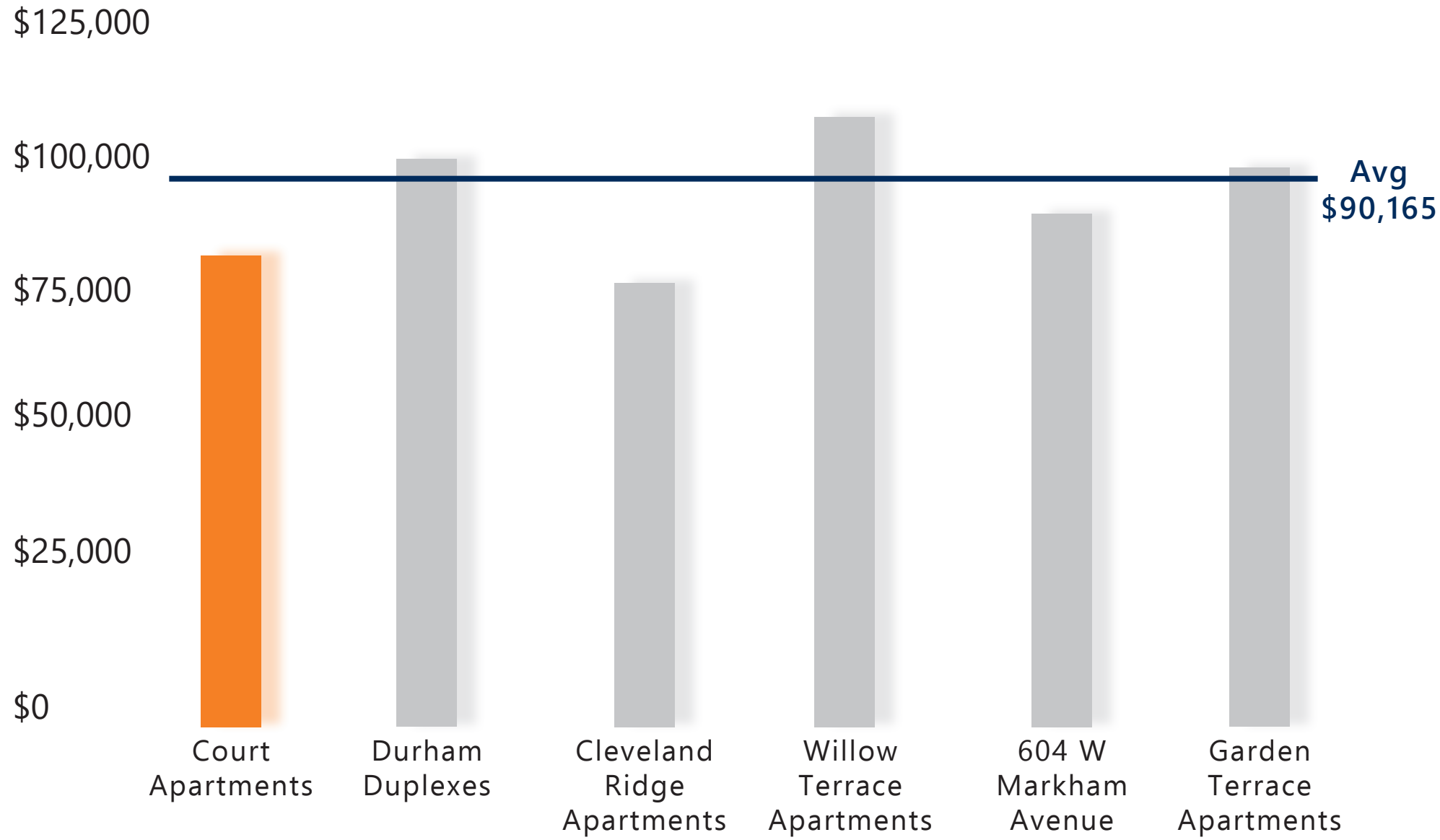


Subject Property

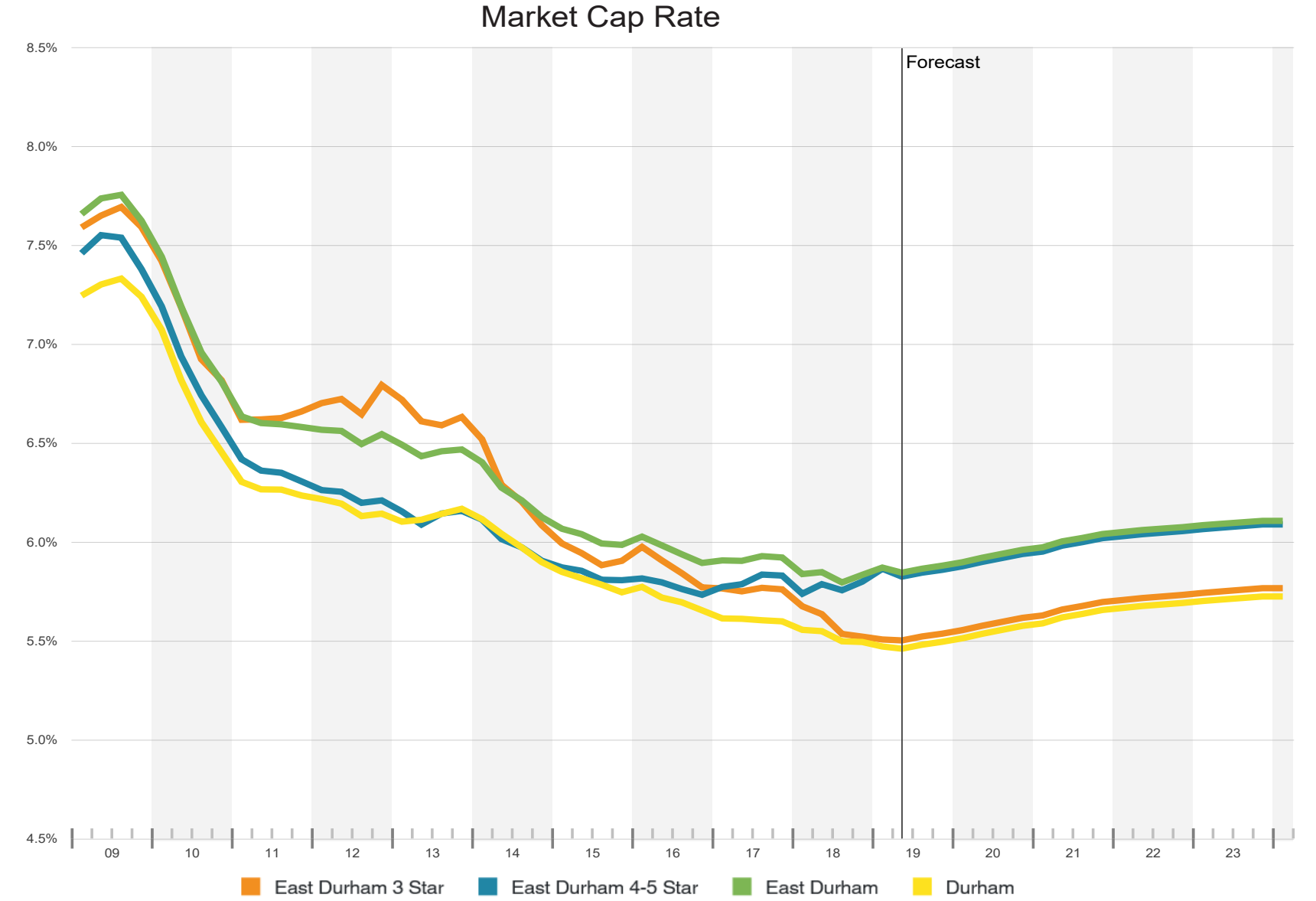
414 Raynor Street, Durham, NC 27703

unit type	units	sf	rent
2 bed 1 bath	18	720	\$583

Average Price Per Unit Summary:



EAST DURHAM Multifamily Market



East Durham Three Star Asset Market Cap Rate of 5.55%.

Court Apartments

414 Raynor St, Durham, NC 27703



Sale Date	-	Year Built	1971
Sale Price	\$1,500,000	Price/SqFt	\$115.74
Price/Unit	\$83,333	Cap Rate	4.74%
Gross SqFt	12,960 SqFt	GRM	11.92

18 2 Bed 1 Bath Units

Durham Duplexes

506 Gurley St, Durham, NC 27701



Sale Date	2/27/2017	Year Built	1984
Sale Price	\$745,000	Price/SqFt	\$130.54
Price/Unit	\$93,125	Total Units	8
Gross SqFt	6,200 SqFt		

8 2 Bed 1 Bath Units

Cleveland Ridge Apartments

206 Gray Ave, Durham, NC 27701



Sale Date	2/15/2017	Year Built	1990
Sale Price	\$2,500,000	Price/SqFt	\$75.84
Price/Unit	\$78,125	Total Units	32
Gross SqFt	32,966 SqFt		

28 2 Bed 1 Bath Units | **4** 3 Bed 1 Bath Units

Court Apartments **58** COMPARABLE PROPERTIES

Willow Terrace Apartments

901 S Duke St, Durham, NC 27707



Sale Date	12/11/2017	Year Built	1981
Sale Price	\$1,675,000	Price/SqFt	\$105.97
Price/Unit	\$104,688	Total Units	16
Gross SqFt	15,806 SqFt		

16 2 Bed 1 Bath Units

604 W Markham Ave

604 W Markham Ave, Durham, NC 27701



Sale Date	4/17/2017	Year Built	1976
Sale Price	\$325,000	Price/SqFt	\$134.63
Price/Unit	\$81,250	Total Units	4
Gross SqFt	2,414 SqFt		

4 2 Bed 1 Bath Units

Garden Terrace Apartments

1973 House Ave, Durham, NC 27707



Sale Date	5/10/2019	Year Built	1964
Sale Price	\$5,150,000	Price/SqFt	\$103.00
Price/Unit	\$93,636	Total Units	55
Gross SqFt	51,000 SqFt		

5 1 Bed 1 Bath Units | **30** 2 Bed 2 Bath Units | **20** 3 Bed 2 Bath Units

Court Apartments **59** COMPARABLE PROPERTIES

A modern glass-walled building with an outdoor seating area in the foreground.

FINANCIAL ANALYSIS

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Pricing Detail
Operating Statement
Cash Flow Statement
Growth Rates

Marcus & Millichap

The Court Apartments | Pricing Detail

PRICE			RETURNS						
		\$1,500,000		CURRENT	PRO FORMA				
Down Payment	30%	\$450,000	Cap Rate	4.74%	7.00%				
Number of Units		18	GRM Rate	11.92	8.87				
Price Per Unit		\$83,333	Cash-on-Cash	4.15%	11.68%				
Rentable SqFt		12,960	Debt Coverage Ratio	1.36	2.00				
Price Per SqFt		\$115.74							
Year Built		1971							
FINANCING			IRR YEAR						
		1st LOAN		IRR UNLEVERED	IRR LEVERED				
Loan Amount		\$1,050,000	5	11.04%	21.80%				
Loan Type		New	7	10.97%	20.81%				
Interest Type		5.00%	10	10.64%	19.17%				
Amortization		30 Years							
Year Due		2029							
			CURRENT			POTENTIAL			
UNIT TYPE	# OF UNITS	AVG SQFT	RENTAL RANGE	AVG RENT	AVG RENT/SF	MONTHLY INCOME	AVG RENT	AVG RENT/SF	MONTHLY INCOME
Two Bed One Bath	18	720	\$325-\$695	\$583	\$0.81	\$10,488	\$800	\$1.11	\$14,400
Totals/Averages	18	720		\$583	\$0.81	\$10,488	\$800	\$1.11	\$14,400
Gross Annualized Rents				\$125,852			\$172,800		

The Court Apartments | Rent Roll Detail

Unit	Unit Type	Square Feet	Current Rent	Current Rent/SF	Potential Rent	Potential Rent/SF
A1	2 Bedroom 1 Bathroom	720	\$695	\$0.97	\$800	\$1.11
A2	2 Bedroom 1 Bathroom	720	\$505	\$0.70	\$800	\$1.11
A3	2 Bedroom 1 Bathroom	720	\$695	\$0.97	\$800	\$1.11
A4	2 Bedroom 1 Bathroom	720	\$650	\$0.90	\$800	\$1.11
B1	2 Bedroom 1 Bathroom	720	\$695	\$0.97	\$800	\$1.11
B2	2 Bedroom 1 Bathroom	720	\$695	\$0.97	\$800	\$1.11
B3	2 Bedroom 1 Bathroom	720	\$440	\$0.61	\$800	\$1.11
B4	2 Bedroom 1 Bathroom	720	\$540	\$0.75	\$800	\$1.11
C1	2 Bedroom 1 Bathroom	720	\$695	\$0.97	\$800	\$1.11
C2	2 Bedroom 1 Bathroom	720	\$670	\$0.93	\$800	\$1.11
D1	2 Bedroom 1 Bathroom	720	OFFICE	\$0.00	\$800	\$1.11
D2	2 Bedroom 1 Bathroom	720	\$325	\$0.45	\$800	\$1.11
D3	2 Bedroom 1 Bathroom	720	\$540	\$0.75	\$800	\$1.11
D4	2 Bedroom 1 Bathroom	720	\$540	\$0.75	\$800	\$1.11
E1	2 Bedroom 1 Bathroom	720	\$540	\$0.75	\$800	\$1.11
E2	2 Bedroom 1 Bathroom	720	\$475	\$0.66	\$800	\$1.11
E3	2 Bedroom 1 Bathroom	720	\$510	\$0.71	\$800	\$1.11
E4	2 Bedroom 1 Bathroom	720	\$695	\$0.97	\$800	\$1.11
Total		12,960	\$9,905	\$0.76	\$14,400	\$1.11

The Court Apartments | Operating Statement

Income	Current	Year 1	Notes	Per Unit	Per SF
Gross Potential Rent	172,800	177,984		9,888	13.73
Loss / Gain to Lease	(46,948)	(8,899)	27.2% 5.0%	(494)	(0.69)
Gross Current Rent	125,852	169,085		9,394	13.05
Physical Vacancy	(6,293)	(8,454)	5.0% 5.0%	(470)	(0.65)
Non-Revenue Units	(6,996)	0	5.6% [1]	0	0.00
Total Vacancy	(\$13,289)	(\$8,454)	10.6% 5.0%	(\$470)	(\$1)
Economic Occupancy	89.44%	95.00%			
Effective Rental Income	112,563	160,631		8,924	12.39
Laundry Income	1,500	1,500		83	0.12
Total Other Income	\$1,500	\$1,500		\$83	\$0.12
Effective Gross Income	\$114,063	\$162,131		\$9,007	\$12.51

Expenses	Current	Year 1	Notes	Per Unit	Per SF
Real Estate Taxes	10,735	11,057	[2]	614	0.85
Insurance	3,327	4,050		225	0.31
Utilities - Electric	1,308	1,400	[3]	78	0.11
Utilities - Water & Sewer	7,224	7,800	[4]	433	0.60
Stormwater Utility Fees	810	810	[5]	45	0.06
Trash Removal	2,932	3,000		167	0.23
Repairs & Maintenance	5,000	9,000		500	0.69
Landscaping	2,500	2,500		139	0.19
Operating Reserves	4,500	4,500		250	0.35
Management Fee	4,563	12,970	4.0% 8.0%	721	1.00
Total Expenses	\$42,899	\$57,087		\$3,172	\$4.40
Expenses as % of EGI	37.6%	35.2%			
Net Operating Income	\$71,165	\$105,043		\$5,836	\$8.11

The Court Apartments | Cash Flow Statement

Income	Current	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Gross Potential Rent	172,800	177,984	183,324	188,823	194,488	200,323	206,332	212,522	218,898	225,465	232,229
Loss/Gain to Lease	(46,948)	(8,899)	(3,666)	(3,776)	(1,945)	(2,003)	(2,063)	(2,125)	(2,189)	(2,255)	(2,322)
Gross Current Rent	125,852	169,085	179,657	185,047	192,543	198,319	204,269	210,397	216,709	223,210	229,906
Physical Vacancy	(6,293)	(8,454)	(8,983)	(9,252)	(9,627)	(5,950)	(6,128)	(6,312)	(6,501)	(6,696)	(6,897)
Non-Revenue Units	(6,996)	0	(180)	(185)	(193)	(198)	(204)	(210)	(217)	(223)	(230)
Total Vacancy	(13,289)	(8,454)	(9,163)	(9,437)	(9,820)	(6,148)	(6,332)	(6,522)	(6,718)	(6,920)	(7,127)
Effective Rental Income	112,563	160,631	170,495	175,609	182,723	192,171	197,937	203,875	209,991	216,291	222,779
Laundry Income	1,500	1,500	1,530	1,561	1,592	1,624	1,656	1,689	1,723	1,757	1,793
Total Other Income	1,500	1,500	1,530	1,561	1,592	1,624	1,656	1,689	1,723	1,757	1,793
Effective Gross Income	114,063	162,131	172,025	177,170	184,315	193,795	199,593	205,564	211,714	218,048	224,572

Expenses	Current	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Operating Expenses	(10,432)	(14,500)	(14,935)	(15,383)	(15,845)	(16,320)	(16,809)	(17,314)	(17,833)	(18,368)	(18,919)
Real Estate Taxes	(10,735)	(11,057)	(11,278)	(11,504)	(11,734)	(11,968)	(12,208)	(12,452)	(12,701)	(12,955)	(13,214)
Insurance	(3,327)	(4,050)	(4,131)	(4,214)	(4,298)	(4,384)	(4,472)	(4,561)	(4,652)	(4,745)	(4,840)
Utilities	(9,342)	(10,010)	(10,210)	(10,414)	(10,623)	(10,835)	(11,052)	(11,273)	(11,498)	(11,728)	(11,963)
Management Fee	(4,563)	(12,970)	(13,762)	(14,174)	(14,745)	(15,504)	(15,967)	(16,445)	(16,937)	(17,444)	(17,966)
Total Expenses	(38,399)	(52,587)	(54,316)	(55,688)	(57,244)	(59,011)	(60,508)	(62,045)	(63,622)	(65,241)	(66,902)
Operating Reserves	(4,500)	(4,500)	(4,500)	(4,500)	(4,500)	(4,500)	(4,500)	(4,500)	(4,500)	(4,500)	(4,500)
Net Operating Income	71,165	105,043	113,208	116,982	122,571	130,284	134,585	139,019	143,592	148,308	153,170

[1] Unit currently dedicated as storage/office converted to market rate unit year 1.

[2] Current Tax Expense reflects forecast for 2019 based on 2019 reassessed value and current municipal/county millage rates. Year 1 tax expense increased by 3%.

[3] Electric expense includes exterior lighting and on-site laundry.

[4] Landlord pays water/sewer for entire property - \$226/month buildings D&E, \$226/month buildings A&B, \$150/month building C.

[5] Stormwater utility fees of \$67.50/month or \$810/year.

The Court Apartments | Debt Service

Purchase Price / Net Residual Value											
Purchase Price/Net Residual Value	(1,500,000)										2,188,141
Cash Flow Before Debt Financing	105,043	113,208	116,982	122,571	130,284	134,585	139,019	143,592	148,308	2,341,311	
Debt Financing											
Loan Amount	1,050,000	0	0	0	0	0	0	0	0	0	0
Loan Origination Fees	(10,500)	0	0	0	0	0	0	0	0	0	0
Closing Costs	0	0	0	0	0	0	0	0	0	0	(131,288)
Debt Service-Interest	(52,500)	(52,500)	(52,148)	(51,356)	(50,523)	(49,647)	(48,726)	(47,759)	(46,741)	(45,672)	
Debt Service-Principal	0	0	(15,491)	(16,284)	(17,117)	(17,993)	(18,913)	(19,881)	(20,898)	(21,967)	
Cash Flow After Debt Financing	(460,500)	52,543	60,708	49,342	54,932	62,645	66,945	71,380	75,953	80,668	2,142,383
Debt Coverage Ratio	2.00	2.16	1.73	1.81	1.93	1.99	2.06	2.12	2.19	2.26	
Investor Return											
IRR-Unleveraged	0.00%				11.11%	11.04%	11.00%	10.97%	10.95%	10.93%	10.64%
IRR-Leveraged	11.41%				22.41%	21.80%	21.27%	20.81%	20.40%	20.04%	19.17%
Capitalization Rate	7.00%	7.55%	7.80%	8.17%	8.69%	8.97%	9.27%	9.57%	9.89%	10.21%	

The Court Apartments | Growth Rates

Income	Year 1	2021	2022	2023	2024	2025	2026	2027	2028	2029
Gross Potential Rent	3.0%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Loss/Gain to Lease	5.0%	2.00%	2.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Physical Vacancy		5.00%	5.00%	5.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Non-Revenue Units		0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%
Total Vacancy		5.10%	5.10%	5.10%	3.10%	3.10%	3.10%	3.10%	3.10%	3.10%
Total Other Income		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Expenses	Year 1	2021	2022	2023	2024	2025	2026	2027	2028	2029
Operating Expenses		3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Real Estate Taxes		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Insurance		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Utilities		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Management Fee	8.0%									

The Court Apartments | Operating Data

Income		Current		Year 1
Gross Scheduled Rent		\$125,852		\$169,085
Less: Vacancy/Deductions	10.6%	\$13,289	5.0%	\$8,454
Total Effective Rental Income		\$112,563		\$160,631
Other Income		\$1,500		\$1,500
Effective Gross Income		\$114,063		\$162,131
Less: Expenses	37.6%	\$42,899	35.2%	\$57,087
Net Operating Income		\$71,165		\$105,043
Cash Flow		\$71,165		\$105,043
Debt Service		\$52,500		\$52,500
Net Cash Flow After Debt Service	4.15%	\$18,665	11.68%	\$52,543
Principal Reduction		\$0		\$0
Total Return	4.15%	\$18,665	11.68%	\$52,543

Expenses		Current		Year 1
Real Estate Taxes		\$10,735		\$11,057
Insurance		\$3,327		\$4,050
Utilities - Electric		\$1,308		\$1,400
Utilities - Water & Sewer		\$7,224		\$7,800
Stormwater Utility Fee		\$810		\$810
Trash Removal		\$2,932		\$3,000
Repairs & Maintenance		\$5,000		\$9,000
Landscaping		\$2,500		\$2,500
Operating Reserves		\$4,500		\$4,500
Management Fee		\$4,563		\$12,970
Total Expenses		\$42,899		\$57,087
Expenses/Unit		\$2,383		\$3,172
Expenses/SF		\$3.31		\$4.40

MARCUS & MILLICHAP CAPITAL CORPORATION CAPABILITIES

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National platform operating within the firm's brokerage offices



\$5.63 billion total national volume in 2017



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Our ability to enhance buyer pool by expanding finance options



Our ability to enhance seller control

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- Our ability to manage buyers finance expectations
- Ability to monitor and manage buyer/lender progress, insuring timely, predictable closings
- By relying on a world class set of debt/equity sources and presenting a tightly underwritten credit file

OFFERING MEMORANDUM COURT APARTMENTS



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Justin Carolina
Senior Analyst

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