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June 9, 2021

John J. Garrahy, Esq.
John J. Garrahy Law, LLC
2088 Broad Street
Cranston, Rhode Island 02905

Re: Proposed Ten Unit Apartment Building
215 Broadway
Providence, Rhode Island

Dear Mr. Garrahy:

I have conducted an analysis of the minimum rate of return that the typical investor of apartment properties in the Broadway area would require to consider the property a reasonable real estate investment.

The subject property consists of a single parcel of land improved with a wood frame three-story mixed-use office and apartment building, containing 6,040± SF of above grade space, with an additional 2,176± SF of basement space. The property was originally built in 1887 as a single-family residence, which was converted to mixed-use office and apartment use decades ago.

The current configuration is offices on the first floor, offices and apartment on the second floor, apartments on the third floor and two basement level apartments. The current owner plans to renovate the property into 10 apartments, which, in my opinion, is the minimum number of units required to achieve a reasonable rate of return on investment for this property type in the subject market. Any fewer units would achieve a rate of return that would not attract typical investors. I have presented investor survey requirements from two national real surveys on the following pages.

INVESTOR'S SURVEYS

I have reviewed national investor surveys showing required “going is capitalization rates” for apartment properties, which reflects the typical required return for typical investors in various property types including apartments. The surveys include Real Estate Research Corporation (RERC), and RealtyRates.Com™.

Real Estate Research Corporation (RERC) publishes the results of a survey of investment criteria utilized by investors who purchase commercial properties in the regional or national market place. The data presented in the survey conducted during the 1Q2020 indicates that typical East Coast investors/developers require going-in capitalization rates ranging from 6.0% to 9.0% with an average required going rate of **7.9%** for national investment grade apartment properties.

	Office		Industrial			Retail			Apt	Student Housing	Hotel
	CBD	SUB	WHSE	R&D	FLEX	RGNL MALL	PWR CNTR	NEIGH/ COMM			
EAST INVESTMENT CRITERIA											
Pre-Tax Yield Rate (IRR) (%)											
Range	8.3 - 13.0	8.3 - 13.0	8.0 - 11.5	9.0 - 12.0	8.5 - 11.5	9.0 - 12.0	9.0 - 12.0	8.5 - 12.0	7.5 - 11.5	8.0 - 12.0	9.5 - 12.5
Average	10.1	10.3	9.2	10.1	9.8	10.7	10.4	10.2	9.0	9.4	11.1
Going-In Cap Rate (%)											
Range	6.0 - 10.0	6.5 - 12.0	5.0 - 9.5	7.0 - 10.0	6.5 - 10.5	6.5 - 11.0	7.0 - 11.0	6.5 - 11.0	6.0 - 9.0	6.5 - 9.5	7.0 - 11.0
Average	8.3	8.8	7.9	8.7	8.5	9.2	8.7	8.7	7.4	7.9	9.6
Terminal Cap Rate (%)											
Range	6.5 - 10.5	7.0 - 13.0	7.0 - 10.0	8.0 - 10.5	7.0 - 10.0	7.5 - 12.0	8.0 - 11.5	7.0 - 11.5	6.8 - 9.5	7.0 - 9.8	8.0 - 11.5
Average	8.8	9.3	8.4	9.3	8.9	9.7	9.3	9.2	7.9	8.2	10.0

According to statistics published by RealtyRates.Com™, as seen on the following page, surveyed “cap rates” for suburban apartment buildings for the 4th^t quarter 2020 ranged from 3.73% to 10.75%, with an average surveyed rate of **7.06%**.

RealtyRates.com INVESTOR SURVEY - 4th Quarter 2020*						
APARTMENTS - GARDEN/SUBURBAN TOWNHOUSE						
Item	Input					OAR
Minimum						
Spread Over 10-Year Treasury	1.36%	DCR Technique	1.10	0.036719	0.90	3.64
Debt Coverage Ratio	1.10	Band of Investment Technique				
Interest Rate	2.06%	Mortgage	90%	0.036719	0.033047	
Amortization	40	Equity	10%	0.061965	0.006197	
Mortgage Constant	0.036719	OAR				3.92
Loan-to-Value Ratio	90%	Surveyed Rates				3.73
Equity Dividend Rate	6.20%					
Maximum						
Spread Over 10-Year Treasury	5.08%	DCR Technique	1.61	0.099842	0.65	10.45
Debt Coverage Ratio	1.61	Band of Investment Technique				
Interest Rate	5.78%	Mortgage	65%	0.099842	0.064897	
Amortization	15	Equity	35%	0.137860	0.048251	
Mortgage Constant	0.099842	OAR				11.31
Loan-to-Value Ratio	65%	Surveyed Rates				10.75
Equity Dividend Rate	13.79%					
Average						
Spread Over 10-Year Treasury	3.22%	DCR Technique	1.31	0.059473	0.78	6.01
Debt Coverage Ratio	1.31	Band of Investment Technique				
Interest Rate	3.92%	Mortgage	78%	0.059473	0.046091	
Amortization	28	Equity	23%	0.096118	0.021628	
Mortgage Constant	0.059473	OAR				6.77
Loan-to-Value Ratio	78%	Surveyed Rates				7.06
Equity Dividend Rate	9.61%					

*3rd Quarter 2020 Data

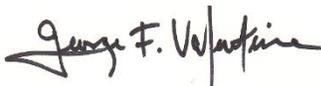
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Based on our analysis, I believe a minimum required rate of return for the typical investor of this property type would be in the **7.0% to 7.50%** range. Lower rates of returns would not be considered to be adequate and would not attract typically informed and knowledgeable investors for this property type. In order to achieve this relatively modest rate of return, the property would require 10 units, based upon current rents in the area and typical operating expenses associated with this property. Anything less would generate rates of return in the 2.5% range, based upon the owner's projections, which are in line with local rents and expenses in the Providence market. The owner's projections are presented on the following page.

Owners projections for 215 Broadway based upon a ten unit configuration.

Rental Income	\$166,800
<i>Less: Vacancy / Collection (5%)</i>	<i>\$11,676</i>
Effective Rental Income	\$155,124
EXPENSES	AMOUNT
Real Estate Taxes	\$24,355
Insurance	\$3,500
Electric and Gas	\$2,500
Water / Sewer	\$6,000
Trash Removal	\$1,300
Landscaping and Snow Removal	\$1,500
Repairs and Maintenance	\$7,756
Building Manager	\$7,756
Professional Fees	\$3,000
Reserves	\$7,756
Total Expenses	\$65,424
NET OPERATING INCOME	\$89,700
MORTGAGE PAYMENTS	\$63,819.88
YEARLY CASHFLOW	\$25,880.52
MONTHLY CASHFLOW	\$2,156.71
CASH INVESTED	\$367,982.00
CASH ON CASH RETURN	7.03%

Respectfully submitted,



George F. Valentine
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