Light Opinion of Value

Multi-Family Building
117 Franklin Place
South Bend, Indiana
Effective Date: November 27, 2025
Report Date: November 27, 2025

Prepared For:	Prepared By:
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November 27, 2025
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Attention: Nina Rosete

Dear Nina,

Re: Light Opinion of Value of Multi-Family Building
117 Franklin Street, South Bend, Indiana

Thank you for sharing all the important information pertaining to the property. Based on the information you provided, I prepared this Light Opinion of Value to give you a clear sense of the property's current market positioning and likely pricing range. The purpose of this document is simply to assist with general pricing expectations for potential sale planning.

Please note that this is not a formal appraisal and should not be used for lending or legal purposes. It is an informal, income-based pricing estimate prepared personally, and is not a Colliers work product or affiliated with Colliers in any way. The analysis is based solely on the materials provided and publicly available market context.

The following pages summarize the income and expenses, outline the valuation approach, and present a realistic pricing range based on current market expectations.

If you have any questions as you review it, I am happy to go through the details with you.

Best regards,
Matt

Table of Contents

1. Executive Summary

1. Property Summary

- **Property Type:** 8-unit Multifamily
- **Location:** 117 Franklin Street, South Bend, Indiana
- **Year Built:** Circa 1920s
- **Stories:** 2
- **Construction:** Brick/Frame

2. Unit & Rent Details

- **Unit Mix:** 8 – 1BR / 1BA units
- **Current Occupancy:** 100%
- **Average Total Rent per Unit:** approx. $883
- **Gross Monthly Income:** approx. $6,568

3. Physical Condition / Upgrade Summary

- Updated interiors
- Fresh common-area paint and carpet
- Roof improvements
- No major deferred maintenance

4. Utility & Operating Structure

- **Utilities:** Tenant-paid electric; owner covers common utilities
- **Other Income:** Pet rent, utility pack, laundry
- **Management:** Professionally managed

5. Location Highlights

- South of Downtown South Bend
- Near Memorial Hospital, Howard Park, Four Winds Field
- Approx. 3 miles from Notre Dame
- Consistent demand for 1BR workforce units

6. Tenant Profile

- Mix of professionals, young couples, and medical workers
- Zero delinquency as of 2025
- Stable, long-term tenancy

2. Income & Expense Summary

Month	Total Income	Total Operating Expenses	Net Operating Income (NOI)
January	$ 6,513	$ 1,781	$ 4,732
February	$ 6,547	$ 1,079	$ 5,468
March	$ 6,513	$ 1,490	$ 5,023
April	$ 6,513	$ 1,311	$ 5,202
May	$ 6,538	$ 1,078	$ 5,460
June	$ 6,568	$ 961	$ 5,607
July	$ 6,568	$ 1,314	$ 5,254
August	$ 6,568	$ 1,050	$ 5,518
September	$ 6,588	$ 1,006	$ 5,582
October	$ 6,588	$ 1,277	$ 5,311
November	$ 6,588	$ 1,057	$ 5,504
December	$ 6,588	$ 1,135	$ 5,453
Average	**$ 6,557**	**$ 1,212**	**$ 5,345**

2.1 Annualized Financial Summary

Annualized Financial Performance (2025 Actuals)

Metric	Amount
Total Annual Income	**$ 78,804**
Total Annual Operating Expenses	**$ 14,544**
Stabilized Net Operating Income (NOI)	**$ 64,260**
Operating Expense Ratio	18.4%
Annual NOI Margin	81.5%

2.2 Per-Unit Financial Metrics

The following metrics summarize the property's financial performance on a per-unit basis, based on the stabilized 2025 operating results:

Metric	Amount
Gross Income per Unit	$ 9,851
Operating Expenses per Unit	$ 1,818
Net Operating Income (NOI) per Unit	$ 8,033

Notes:

- Metrics are based on annualized averages from the 12-month operating period.
- Per-unit benchmarks assist investors in comparing small multifamily assets across markets and assessing income durability relative to operating costs.

3. Valuation Approach

The purpose of this Light Opinion of Value is to develop an indication of market value for 117 Franklin Street based primarily on the property's income generating capability. The analysis focuses on actual operating performance from the 2025 calendar year and applies market supported capitalization rates to the stabilized Net Operating Income (NOI).

Given the property's age, stabilized occupancy, and the availability of reliable financial data, the Income Approach, specifically the Direct Capitalization Method, is the most relevant and appropriate valuation technique for this assignment.

3.1 Income Approach (Direct Capitalization)

The Income Approach converts the property's stabilized annual Net Operating Income (NOI) into an indication of value by applying a market supported capitalization rate. This method is particularly applicable to 117 Franklin Street because the property is fully occupied, generates consistent monthly rental income with no delinquency, and exhibits limited variability in operating expenses. This method is particularly applicable because:

- The subject is a fully occupied 8-unit multifamily property.
- The property produces predictable monthly rent collections with no delinquency.
- Ownership has maintained consistent operations, minimizing volatility in expenses.
- Investors in this segment of the South Bend market primarily price assets based on current income rather than speculative rent growth or redevelopment potential.

Using the Direct Capitalization formula: **Value = NOI / Cap Rate**

The stabilized annual NOI of $64,260 is capitalized using a rate that reflects investor expectations for small multifamily assets in Midwest secondary markets. This range is supported by CBRE's publicly available U.S. Cap Rate Survey (H1 2025), which indicates that stabilized Class B and Class C multifamily properties in secondary and tertiary markets across the Midwest typically transact at yields in the high-7% to mid-8% range[1]. This aligns with the subject's operational profile, recent improvements, and older vintage, supporting the use of an 8.0% to 8.5% capitalization rate for this analysis. The resulting value indication derived from this capitalization analysis is presented in the following section.

3.2 Approaches Considered but Not Developed

Sales Comparison Approach
The Sales Comparison Approach was considered but not developed. Although multifamily transactions occur in the South Bend area, available sales vary widely in vintage, scale, condition, and unit mix. These differences limit the reliability of direct comparisons for an older, 8-unit property such as the subject.

In this market segment, investors typically rely more on in-place income and yield metrics than on price-per-unit indicators. For these reasons, the Sales Comparison Approach was not applied.

Cost Approach
The Cost Approach was also considered but not developed. Accurately estimating depreciation for a 1920s building is highly subjective, and replacement cost analysis does not reflect how buyers price older, stabilized multifamily assets. Because this method would not provide a meaningful value indication, it was not used.

Conclusion
Given the subject's stabilized operations and investor focus on income, the Income Approach provides the most relevant and credible indication of value for this assignment.

[1] Source: CBRE Research, *U.S. Cap Rate Survey – H1 2025*. Publicly available at U.S. Cap Rate Survey H1 2025 | CBRE

3.3 Scope & Limited Conditions

This Light Opinion of Value was prepared solely for the property owner for general pricing guidance and does not constitute a formal appraisal, appraisal review, or Colliers work product. No Colliers resources, proprietary data, or internal comparable sales information were used in the development of this analysis. All information relied upon, including the rent roll, financial statements, and condition summary, was provided directly by ownership or sourced from publicly available research.

The analysis is limited in scope and is based on the Income Approach only. The Sales Comparison and Cost Approaches were considered conceptually but not developed due to their limited relevance for an older, small-scale multifamily asset and the greater reliability of income-based pricing metrics in this market segment. The conclusions presented herein assume stabilized operations as of the effective date, with no material changes to occupancy, rents, or expenses.

This document is not intended for lending, legal, or institutional underwriting purposes, and should not be distributed beyond the intended recipient.

3.4 Capitalization Rate Rationale

The selected capitalization rate range of 8.0% to 8.5% reflects investor expectations for small multifamily assets in secondary Midwest markets and is supported by publicly available market research. According to CBRE's U.S. Cap Rate Survey (H1 2025), stabilized Class B and Class C multifamily properties in secondary and tertiary markets across the United States typically transact at yields in the **high-7% to mid-8% range**, depending on age, building scale, and operational stability.

Several property-specific factors support the placement of the subject within this cap rate band:

- **Market Type:** South Bend functions as a secondary/tertiary Midwest market, where investors generally require higher yields compared to primary metros.
- **Asset Profile:** The subject is an older, Class B/C, 1920s-vintage apartment building, which naturally commands higher cap rates than newer institutional assets.
- **Building Scale:** Smaller properties such as this 8-unit building attract private investors rather than institutional buyers, contributing to higher yield expectations.
- **Operational Stability:** The property is fully occupied with no delinquency in 2025, supporting the lower end of the range.

- **Recent Improvements:** Upgrades to common areas, unit interiors, and the roof reduce near-term maintenance risk but do not materially shift the property out of its Class B/C risk category.

Considering these factors, the 8.0 to 8.5 percent range is viewed as reasonable and supportable for valuing the subject property. The resulting value indication is presented in the following section.

4. Value Indication (Direct Capitalization)

The resulting indications below show the range of value implied by applying market-supported capitalization rates to the subject's stabilized Net Operating Income. These results reflect typical investor pricing behavior for small, stabilized multifamily assets in markets comparable to South Bend.

4.1 Direct Capitalization Table

The direct capitalization results indicate a value range from approximately $754,000 to $801,000. This range captures the return expectations of investors active in the Class B/C workforce housing segment within secondary Midwest markets. Given the subject's consistent occupancy, streamlined operating profile, and modest recent improvements, the mid-point of this range provides a reasonable reflection of current market value.

Cap Rate	NOI	Indicated Value
8.00%	$ 64,260	$ 803,000
8.25%	$ 64,260	$ 778,000
8.50%	$ 64,260	$ 756,000

(Values rounded to the nearest thousand.)

4.2 Sensitivity Analysis

The sensitivity analysis below illustrates how small changes in either Net Operating Income (NOI) or capitalization rate affect the value indication. This helps demonstrate the asset's pricing volatility within a reasonable range of investor expectations.

Scenario	NOI	Cap Rate	Indicated Value
Base Case	$ 64,260	8.25%	$ 778,000
NOI + 3%	$ 66,064	8.25%	$ 802,000
Cap Rate + 25 bps	$ 64,260	8.50%	$ 756,000
Cap Rate - 25 bps	$ 64,260	8.00%	$ 803,000

(Values rounded to the nearest thousand.)

Interpretation:
A 25-basis-point shift in cap rate results in an approximate $23,000 to $25,000 change in value, while a 3% increase in NOI raises the value indication by roughly $24,000. This level of sensitivity is typical for smaller multifamily properties, where modest changes in operating performance or investor yield requirements can materially influence pricing.

5. Value Conclusion

Based on the analysis presented in this Light Opinion of Value, the stabilized Net Operating Income of the subject property and the selected capitalization rate range of 8.0 to 8.5 percent indicate a value range of approximately **$756,000 to $803,000**. The midpoint of this range, around **$775,000 to $780,000**, represents a reasonable reflection of current market value for a stabilized, well-maintained 8-unit multifamily property in the South Bend market.

Considering the property's stable operations, full occupancy, modest improvements, and the pricing behavior of investors active in comparable secondary Midwest markets, a value indication in the **mid $700,000 range** is both supportable and consistent with current market expectations.

This value conclusion is intended solely for internal planning and general pricing guidance. It is not a formal appraisal or a broker opinion of value and should not be relied upon for lending, acquisition, or disposition decisions that require USPAP compliant valuation work.

6. Pricing Guidance

Based on the indicated value range of approximately $754,000 to $801,000, the property should be positioned in the **mid- to high-$700,000s** to maximize buyer interest while supporting a strong negotiating stance.

Small multifamily investors in markets similar to South Bend typically focus on the following core priorities:

- In place cash flow stability and minimal delinquency
- Cap rate alignment with regional yield expectations
- Predictable near-term operating costs and limited capital risk
- Straightforward management requirements in smaller unit counts
- Tenant demand durability for workforce housing

The subject performs well across these categories, which supports pricing toward the upper half of the analytical value range.

Pricing Tier	Pricing Range	Pros	Cons
Aggressive Ask	$790,000 - $803,000	Maximizes upside potential, creates negotiation room, signals confidence in asset stability	May limit initial buyer pool could extend days on market
Market - Aligned Ask	**$775,000 - $785,000**	**Matches investor underwriting norms, broadest buyer engagement, supports quick and clean offers**	**Slightly less negotiation cushion**
Value-Focused Ask	$760,000 - $777,000	Attracts price-sensitive buyers quickly and may prompt multiple competing offers	Leaves value on the table if demand is strong

For a well-maintained, fully occupied property with stable NOI and modest recent upgrades, the **market-aligned range of $775,000 to $785,000** provides the best balance between pricing strength and buyer engagement.

Final Pricing Recommendation:
A pricing range of **$775,000 to $785,000 is recommended**. This range aligns with the value conclusion, reflects current investor yield expectations for stabilized workforce multifamily assets in secondary Midwest markets, and provides sufficient negotiation room while remaining attractive to qualified buyers.

7. Assumptions and Limiting Conditions

This Light Opinion of Value is for general informational and planning purposes only. It is **not** a formal appraisal, broker opinion of value, or valuation prepared under USPAP, CUSPAP, or any professional standard.
The analysis relies on financial information, rent rolls, photographs, and descriptions provided by ownership. This information is assumed to be accurate and complete; no independent verification, inspection, or due diligence was performed.

Value indications reflect market conditions as of the effective date. Real estate values may change with shifts in interest rates, operations, economic conditions, or investor sentiment. No engineering, environmental, structural, or code assessments were performed, and the property is assumed to be in average condition for its type unless otherwise noted.

This document is intended solely for the property owner and should not be distributed to or relied upon by third parties for lending, acquisition, or disposition decisions.