

INVESTMENT OFFERING MEMORANDUM

1412 & 1418 Armstrong Avenue Knoxville, Tennessee 37917

12-UNIT MULTI-FAMILY PORTFOLIO

Long-Term & Mid-Term Furnished Rentals | Old North Knoxville | RN-4 Zoned

Asking Price	Total Units	Cap Rate (Base)	Cap Rate (Managed)
\$1,799,950	12	7.80%	6.71%

Cap rates shown reflect conservative (base) 1418 rent scenario, self-managed and professionally managed. See Section 3 for full dual-scenario analysis.

Exclusively Presented By:

Christy CJ Pace | Pace Probit Asset Management

112 Glenhigh Court, Suite 3 | Knoxville, TN 37934 | (865) 388-7131 | cjpace@ppamrealestate.com

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SECTION 1: PROPERTY OVERVIEW

Property Address	1412 & 1418 Armstrong Avenue NE, Knoxville, TN 37917 (One Deeded Lot)
County / PIN	Knox County PIN: 081LE027
Total Units	12 Units Across Two Buildings
1412 Armstrong	8 × 1BR / 1BA Unfurnished — Long-Term Rentals (Water/Sewer Included in Rent)
1418 Armstrong	2 × 3BR / 1.5BA Furnished + 2 × 1BR / 1BA Furnished — 30-Day+ Minimum
Total Sq Ft	Approx. 8,514 SF (per Tax Records) \$211.41 / SF at Asking Price
Lot Dimensions	119.71 × 185.01 ft
Year Built	1920 Condition B (Solid / Updated)
Zoning	RN-4 — Short-Term Rentals NOT permitted; 30-day minimum lease required for all units
Sub-Type	House Converted / Multi-Family Portfolio
Construction	Block, Frame, Frame-Brick Shingle Roof Aluminum / Fiber Cement Siding
Ownership Status	REO / Foreclosure-Acquired — Full Roster Cleared; Lease-Up Underway
Property Taxes	\$15,580 / year (\$9,054 City + \$6,527 County)
Utilities	Owner pays water/sewer for all units + common electric/gas at 1418. Tenants pay in-unit electric & gas at 1412.
Listing Broker	Christy CJ Pace, Pace Probity Asset Management (865) 388-7131
MLS #	1326887 Original List Price: \$1,849,950 Current Ask: \$1,799,950

Location Highlights

- Dead-end street in Old North Knoxville — one of the city's most sought-after in-town neighborhoods
- Minutes from downtown Knoxville, University of Tennessee, Fort Sanders hospitals, and Market Square
- Strong demand from UT staff/students, traveling nurses (UT Medical Center, Tennova nearby), contractors, and relocating professionals
- On-site laundry facility (coin-op machines leased; income renegotiable by new owner)
- Off-street parking lot plus on-street parking; individual HVAC in most units

Recent Capital Improvements Completed Since Acquisition

- Roof replacement over Units 7 & 8 + exterior stair handrail — completed February 2026 (\$10,250 total)
- 165-foot sewer line replacement with 3 cleanouts serving Units 5 & 6 — completed August 2025 (\$12,500)
- Category 3 sewer backup: mitigation & remediation — Units 5 & 6 (Southeast Restoration Group, \$11,686); followed by partial reconstruction of both units (Property Masters Inc., \$14,561) — two separate scopes, both complete
- New oven/range appliances installed in Units 2 & 4 (September 2025)
- Emergency keyless lockset replacement — Unit 4 secured post-foreclosure (December 2025)
- Multiple plumbing service calls completed across the portfolio

SECTION 2: UNIT MIX & RENT SCHEDULE

1412 Armstrong Avenue — 8 × 1BR/1BA Long-Term Unfurnished Units

Water and sewer are included in rent. Tenants pay electric, gas, and all other utilities. Individual HVAC in each unit. This positions 1412 units competitively at the Knoxville 1BR market average (\$1,249/mo per RentCafe, Feb 2026) while the water-included feature aids leasing velocity.

Unit	Type	Bath	Current Status	Pro Forma Rent	Incl.	Prior Rent Range
1412-1	1BR/1BA	1	Vacant	\$1,250/mo	Water/Sewer	\$1,100–\$1,200
1412-2	1BR/1BA	1	Vacant	\$1,250/mo	Water/Sewer	\$1,100–\$1,200
1412-3	1BR/1BA	1	Vacant	\$1,250/mo	Water/Sewer	\$1,100–\$1,200
1412-4	1BR/1BA	1	Vacant	\$1,250/mo	Water/Sewer	\$1,100–\$1,200
1412-5	1BR/1BA	1	Occupied — Relocation Assistance in Progress*	\$1,250/mo	Water/Sewer	\$1,100
1412-6	1BR/1BA	1	Vacant	\$1,250/mo	Water/Sewer	\$1,100
1412-7	1BR/1BA	1	Vacant	\$1,250/mo	Water/Sewer	\$1,100
1412-8	1BR/1BA	1	Occupied — Paying	\$1,250/mo	Water/Sewer	\$1,150–\$1,200

* Unit 5: Relocation assistance in progress; unit expected to be available for re-leasing. Unit 8: Active paying tenant at \$1,150/mo — new lease at \$1,250 upon renewal. All other 1412 units are currently vacant and available for leasing.

1418 Armstrong Avenue — 4 Furnished Mid-Term Units (30-Day+ Minimum, All Utilities Included)

All 1418 units are currently vacant and fully furnished. The table below presents both a Conservative and Upside rent scenario. Conservative rents reflect stabilized 30-day fixed-rate leasing at market-supportable levels. Upside rents reflect premium demand conditions, superior furnishings, or optimized tenant targeting.

Unit	Type	Bath	Status	Conservative	Upside	Notes
1418-1	3BR/1.5BA	1.5	Vacant	\$2,200/mo	\$2,550/mo	Shared HVAC thermostat w/ Unit 2
1418-2	3BR/1.5BA	1.5	Vacant	\$2,200/mo	\$2,550/mo	Shared HVAC thermostat w/ Unit 1
1418-5	1BR/1BA	1	Vacant	\$1,650/mo	\$1,950/mo	Private HVAC
1418-6	1BR/1BA	1	Vacant	\$1,650/mo	\$1,950/mo	Private HVAC

Conservative rents are underwritten based on Knoxville mid-term market comparables (30-day fixed lease). Upside rents reflect the original listing pro forma levels, achievable under strong demand or premium presentation. All 1418 units operate under 30-day minimum lease agreements per RN-4 zoning. Shared HVAC thermostat condition (Units 1 & 2) must be disclosed to tenants.

Value-Add Strategy: By-the-Room Leasing for 3BR Units (1418-1 & 1418-2)

The two 3BR/1.5BA furnished units at 1418 present a significant income optimization opportunity: leasing each of the three bedrooms individually under separate 30-day minimum lease agreements. This structure is fully compliant with RN-4 zoning — each occupant executes their own independent 30-day+ lease for their room with shared access to common areas (kitchen, living room, bath). This model is a standard approach for traveling nurses, per-diem contractors, and university-adjacent professional housing.

Leasing Model	Rent / Unit / Mo.	Annual (Both Units)	Notes
Whole-Unit Lease — Conservative	\$2,200	\$52,800	Base pro forma underwrite
Whole-Unit Lease — Upside	\$2,550	\$61,200	Premium demand / furnishings scenario
By-the-Room @ \$900/room × 3 rooms	\$2,700	\$64,800	Each room: own 30-day+ lease
By-the-Room @ \$1,000/room × 3 rooms	\$3,000	\$72,000	Near UT Medical / hospital demand

By-the-room leasing on the two 3BR units alone can generate \$64,800–\$72,000 annually vs. \$52,800 on a conservative whole-unit basis — a \$12,000–\$19,200 annual premium. Per-room furnished rates in Knoxville currently range \$800–\$1,100/month on Furnished Finder and Travel Nurse Housing platforms. Shared HVAC thermostat condition must be disclosed to all room tenants. Each occupant should execute an independent 30-day minimum lease for their specific room.

SECTION 3: STABILIZED PRO FORMA — DUAL SCENARIO ANALYSIS

Two income scenarios are presented for the 1418 furnished units. The 1412 long-term rent (\$1,250/mo, water included) is consistent across both scenarios. All other underwriting assumptions are held constant.

Gross Potential Rent Comparison

Unit Group	Units	Mo. Rent	Conservative Annual	Upside Annual
1412 — 1BR Unfurnished (Water Incl.)	8	\$1,250	\$120,000	\$120,000
1418 — 3BR Furnished (30-Day+)	2	\$2,200 / \$2,550	\$52,800	\$61,200
1418 — 1BR Furnished (30-Day+)	2	\$1,650 / \$1,950	\$39,600	\$46,800
GROSS POTENTIAL RENT (GPR)	12	—	\$212,400	\$228,000
Less Vacancy (7%)			(\$14,868)	(\$15,960)
EFFECTIVE GROSS INCOME (EGI)			\$197,532	\$212,040

Full NOI & Cap Rate Analysis

Expense / Metric	Conservative Self-Mgd	Conservative Managed	Upside Self-Mgd
EGI	\$197,532	\$197,532	\$212,040
Property Taxes	(\$15,580)	(\$15,580)	(\$15,580)
Insurance (Est.)	(\$8,500)	(\$8,500)	(\$8,500)
Utilities — Water/Sewer/Common	(\$10,200)	(\$10,200)	(\$10,200)
Repairs & Maintenance (Stabilized)†	(\$7,200)	(\$7,200)	(\$7,200)
Landscaping & Grounds	(\$3,600)	(\$3,600)	(\$3,600)
Advertising & Leasing	(\$2,400)	(\$2,400)	(\$2,400)
Accounting / Admin	(\$2,400)	(\$2,400)	(\$2,400)
Reserves for Replacement‡	(\$7,200)	(\$7,200)	(\$7,200)
Mgmt. Fee (10% of EGI)§	\$0	(\$19,753)	\$0
TOTAL OPERATING EXPENSES	(\$57,080)	(\$76,833)	(\$57,080)
NOI	\$140,452	\$120,699	\$154,960
CAP RATE on \$1,799,950	7.80%	6.71%	8.61%

Conservative scenario uses \$2,200/3BR and \$1,650/1BR for 1418 units. Upside scenario uses \$2,550/3BR and \$1,950/1BR. The Upside Managed scenario (not shown) yields a cap rate of approximately 7.06%. Insurance underwritten at \$8,500/year; actual range estimated at \$7,500–\$10,000. Reserves at \$600/unit/year. All figures are pro forma estimates — buyer to verify independently.

By-the-Room Value-Add: Impact on NOI

If an investor elects by-the-room leasing for both 3BR units at 1418 (3 rooms × \$900/room × 2 units), gross income from those two units alone increases from \$52,800 (conservative) to \$64,800 — adding approximately \$11,136 in additional NOI annually (after vacancy). At the asking price, that incremental income improvement adds approximately 62 basis points of cap rate.

SECTION 4: ACTUAL EXPENSES SINCE ACQUISITION

The following represents all documented expenses paid since foreclosure acquisition. Capital improvements are separated from recurring operating costs. KUB utility deposits and connection charges have been excluded and are confirmed NOT included in the invoiced amounts below.

A. Capital Improvements & One-Time Repairs

Description	Vendor	Date	Amount
Roof Replacement — Units 7 & 8 + Stair Handrail (final)	Kristy Del Signore / D&D Construction	Feb 2026	\$10,250.00
Roof Work — 30% Initial Draw	Kristy Del Signore	Jan 2026	\$3,075.00
Emergency Temporary Roof Tarp (pre-replacement)	Fair Lawn Care	Dec 2025	\$650.20
Sewer Line Replacement 165 ft, 3 cleanouts — Units 5 & 6	Taylor Plumbing of East TN	Aug 2025	\$12,500.00
Water Damage Mitigation & Remediation — Units 5 & 6 (Cat. 3 sewer backup; tear-out, drying, antimicrobial)	Southeast Restoration Group	Sep 2025	\$11,686.03
Unit 5 Partial Reconstruction (floors, subfloor, drywall, vanity, toilet, paint — post-remediation)	Property Masters Inc.	Oct 2025	\$10,615.75
Unit 6 Partial Reconstruction (bath, hall, closet — post-remediation)	Property Masters Inc.	Oct 2025	\$3,945.50
Plumbing Diagnostic & Service Call — 1418 Unit 1	Taylor Plumbing of East TN	Jul 2025	\$249.00
Appliances — Oven/Range replacements, Units 2 & 4	Lowe's	Sep 2025	\$1,398.03
Emergency Lockset Replacement — Unit 4	Fair Lawn Care	Dec 2025	\$608.41
Laundry Systems — One-Time Lease Continuation Payment	Pace Probity / Laundry Co.	Dec 2025	\$1,053.60
CAPITAL IMPROVEMENTS TOTAL			\$56,031.52

B. KUB Utility Expenses — Armstrong Ave Only (Vacant-Unit Transition Period)

⚠ IMPORTANT — WHY THESE UTILITY BILLS ARE TEMPORARILY ELEVATED

The utility bills below reflect a transitional vacancy period following REO acquisition, not stabilized operating costs. Because all vacant units are currently in the owner's name, the owner is temporarily paying electric and gas on 10 unoccupied units. Once units lease up:

- 1412 Units 1, 2, 3, 4, 6, 7 (vacant) — owner currently paying electric + gas. Upon occupancy, each tenant takes over their own electric and gas meter. Owner retains only water/sewer.
- 1418 Units 1, 2, 5, 6 (vacant) — owner paying electric and water. Upon occupancy on 30-day leases, all utilities remain owner-paid and are factored into the all-inclusive mid-term rent.
- KUB deposits (\$300) and connection charges (\$35) have been identified in the billing detail and are EXCLUDED from all expense figures below — confirmed not included in invoiced amounts.

See the Stabilized vs. Actual Utility Comparison table below for the difference between current inflated bills and expected stabilized costs.

B1. Armstrong Ave Utility Invoices — Confirmed Line-Item Detail

Period	Invoice #	Description	Armstrong Only	Verification
Sep 2025	(Direct pay)	KUB — Armstrong Ave accounts	\$824.35	Armstrong-only invoice
Nov 2025	Inv. #1495	KUB — Armstrong Ave accounts	\$735.83	Armstrong-only invoice
Dec 2025	Inv. #1529	KUB — Armstrong Ave accounts	\$717.82	Matches Armstrong line item
Jan 2026	Inv. #1548	KUB — Elec/Gas/Water, Dec 7–Jan 7	\$1,270.83	Armstrong-only; winter high
Feb 2026	Inv. #1585	KUB — Armstrong Ave accounts	\$1,286.04	Confirmed by owner
CONFIRMED ARMSTRONG UTILITY TOTAL			\$4,834.87	All invoices confirmed

311 Silver Pl charges appear on the same KUB account (#5756031933) but are a separate managed property and are fully excluded from all Armstrong Ave figures above. KUB residential deposits (\$300) and connection charges (\$35) identified in billing detail are excluded.

B2. Stabilized vs. Current Utility Cost Comparison

The December 2025 KUB bill (\$717.82) is the best available stabilized proxy — it covers a period when four 1412 units were occupied and tenants were paying their own electric and gas. The table below uses actual December line-item data to show what the owner genuinely retains at stabilization vs. the current elevated bills caused by 10 vacant units in the owner's name.

Utility / Meter	Current Mo. (Vacant)	Stabilized Mo. (Occupied)	Annual Stabilized	Who Pays at Stabilization
1412 HM Meter — Common area elec + laundry + gas (boiler/laundry) + ALL water/sewer for 8 units	~\$507	~\$507	~\$6,084	Owner
1412 Individual Unit Elec + Gas (6 vacant units currently in owner's name)	~\$500	\$0	\$0	Tenant (each unit metered separately)
1418 Armstrong — Electric (2 meters, all 4 units)	~\$59	~\$177	~\$2,124	Owner (absorbed in all-incl. mid-term rent)
1418 Armstrong — Gas + Water/Sewer	~\$117	~\$117	~\$1,404	Owner (absorbed in all-incl. mid-term rent)
CURRENT TOTAL — Vacancy/Transition Period	~\$1,183/mo			
STABILIZED TOTAL — All Units Occupied		~\$801/mo	~\$9,612/yr	

Stabilized figures derived from December 2025 KUB bill (\$717.82 Armstrong actual) — the most representative occupied-period baseline available. 1412 HM meter covers common area electric, laundry room, and ALL water/sewer for the building. Current elevated bills (~\$1,183–\$1,270/mo) reflect owner carrying electric and gas on 1412 Units 1–4, 6, 7 (vacant) in addition to the stabilized owner-retained costs. 1418 electric shown higher at stabilization because all 4 units will be occupied and consuming. Pro forma utility budget of \$10,200/year (\$850/month) is set ~6% above the \$9,612 stabilized estimate — tight to actual data with a modest buffer for KUB rate increases and lease-turn periods. This figure is also used in the Section 3 pro forma expense table for full consistency.

C. Total Expenditures Summary

A. Capital Improvements & One-Time Repairs (see detail above)	\$56,031.52
B. Recurring Utility Payments — Armstrong Ave (all invoices confirmed)	\$4,834.87
TOTAL CONFIRMED EXPENSES SINCE ACQUISITION	\$60,866.39

SECTION 5: HISTORICAL INCOME SUMMARY

The following reflects actual rent collected at 1412 Armstrong Ave (Units 1–8) since REO acquisition. The 1418 Armstrong Ave units (furnished/mid-term) were vacant throughout this period; no prior income history is available for those units from prior ownership.

Rent Collections — 1412 Armstrong Ave Post-Acquisition

Month	Unit 5	Unit 6	Unit 7	Unit 8	Other Units	Total Collected
Sep 2025	\$1,100	\$1,100	\$1,210	\$100	\$2,600*	\$6,110
Oct 2025	\$1,100	\$1,100	\$1,210	\$1,150	—	\$4,560
Nov 2025	\$1,100	\$1,100	\$1,210	\$1,150	—	\$4,560
Dec 2025	\$1,100	\$1,100	\$1,100	\$1,150	—	\$4,450
Jan 2026	\$1,100	—	\$1,100	\$1,150	—	\$3,350
Feb 2026	\$1,100	—	\$587	\$1,150	—	\$2,837
Mar 2026	\$1,100	—	—	\$1,150	—	\$2,250

* September: Units 3 & 4 partial payments/deposits applied. Unit 6 paid \$2,200 in October covering both October and November — shown here split \$1,100/\$1,100. Unit 7 February figure is pro-rated half-month. Current in-place income: \$2,250/month (2 of 12 units).

Pre-Acquisition Tenant Register (Prior to Foreclosure — ~July 2025)

Unit	Tenant	Sec. Dep.	Util. Dep.	Total Dep.	Overdue Bal.	Final Status	Notes
1	Prior Tenant	\$1,050	\$300	\$1,350	(\$475)	Vacated	Overdue at foreclosure
2	Vacant	\$0	\$0	\$0	—	Vacant	
3	Prior Tenant	\$1,100	\$300	\$1,400	(\$1,443)	Vacated	Deposit applied to arrears
4	Prior Tenant	\$1,100	\$300	\$1,400	—	Vacated	Left Oct 2025; no Sep/Oct rent
5	Current Tenant	\$0	\$0	\$0	—	Relocation Assistance	No security deposit on file
6	Prior Tenant	\$1,100	\$300	\$1,400	\$550	Vacated	Vacated Dec 31, 2025
7	Prior Tenant	\$1,100	\$300	\$1,400	—	Vacated	Vacated Feb 2026
8	Current Tenant	\$1,100	\$300	\$1,400	—	Occupied	Active at \$1,150; renewal at \$1,250

Source: Accounting records provided by prior management (AAA Management / Chris Sibley) through approximately July 2025. All prior tenants except Unit 8 have vacated. New owner holds full rights to re-tenant all units under new lease terms.

SECTION 6: INVESTMENT HIGHLIGHTS & DISCLOSURES

Value-Add Opportunity Summary

- Currently only 2 of 12 units occupied — immediate lease-up upside across 10 vacant units
- All major capital improvements already completed — roof, sewer, Units 5 & 6 fully restored — reducing near-term buyer capex
- 1418 furnished units command significant rent premium vs. unfurnished — \$1,650–\$2,550/unit vs. \$1,100–\$1,200 for unfurnished 1BR
- By-the-room strategy on 3BR units can generate \$12,000–\$19,200 more annually than whole-unit leasing
- Laundry income stream available for negotiation — currently \$0 income to owner; new owner can renegotiate directly with vendor
- At conservative stabilization, NOI of \$140,452 supports strong debt service on conventional financing

Market Context

- Old North Knoxville is one of the city's most desirable in-town neighborhoods with consistent rental demand
- UT Medical Center, Tennova Healthcare, and Knox County hospital network drive strong traveling nurse demand for furnished 30-day+ rentals
- University of Tennessee creates deep pool of graduate students, faculty, and visiting researchers for both 1412 and 1418 unit types
- Knoxville 1BR average rent is \$1,249/month (RentCafe, Feb 2026) — 1412 units at \$1,250 with water included are right at market
- Knoxville rental market vacancy is low; properties in Old North typically lease quickly at competitive rates

Financing Considerations

- Suitable for conventional, new loan, or cash purchase per MLS
- At \$1,799,950, price per unit is \$149,996 — competitive for the Knoxville multi-family market
- Conservative pro forma cap rate of 7.80% (self-managed) supports DSCR lending at standard leverage
- Significant lease-up upside means actual stabilized NOI will exceed current in-place income (\$2,250/mo) dramatically

Zoning & Compliance Notes

- RN-4 zoning confirmed — short-term rentals (<30 days) are NOT permitted unless owner-occupied (Type 1 STR permit, one unit only)
- All 1418 units must operate under 30-day minimum lease agreements; by-the-room leasing is permissible with individual 30-day leases per room
- Property built before 1978 — buyer to conduct lead-based paint inspection per federal disclosure requirements
- All prior tenants vacated or in process of vacating; property sold as-is with one active tenancy (Unit 8)

Important Disclosures

All financial projections contained herein are pro forma estimates provided for informational purposes only. No historical operating statements or furnished-rental income history were available from prior ownership for the 1418 units. Vacancy, rent, and expense assumptions reflect current market conditions and standard underwriting practices but may vary based on management strategy, lease-up performance, insurance costs, and future market conditions. Buyer is solely responsible for independent verification of all financial projections, zoning compliance, rental rates, insurance availability, and operating expenses. Listing broker and seller make no representations or guarantees regarding future income, expenses, or cap rates. This Offering Memorandum is confidential and intended solely for the party to whom it is addressed. It may not be reproduced or distributed without written consent of Pace Probit Asset Management.

Contact & Offer Instructions

Listing Broker

Christy CJ Pace

Company	Pace Probit Asset Management
Address	112 Glenhigh Court, Suite 3, Knoxville, TN 37934
Direct	(865) 388-7131
Office	(865) 357-1537
Email	cjpace@ppamrealestate.com
Offer Instructions	EMAIL all documents in ONE PDF package. Subject line: OFFER 1412 Armstrong Ave. No DocuLoop or transaction management links. Showings: Call BrokerBay — do not disturb tenants.
MLS #	1326887 Original List: \$1,849,950 Current Ask: \$1,799,950 120+ Days on Market