WATTS
REALTY COMPANY

OFFERING MEMORANDUM
CONFIDENTIAL

44 UNITS · BUILT 1977 · REMODELED 2020 · JEFFERSON COUNTY, ALABAMA

HILLCREST APARTMENTS

100 Pinson Place · Birmingham, Alabama 35215

LIST PRICE	PRO FORMA CAP RATE	PRICE / UNIT
$3,200,000	**7.75%**	**$72,727**

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THE OFFERING

EXECUTIVE SUMMARY

Watts Realty Co., Inc. is pleased to present Hillcrest Apartments, a 44-unit apartment community in Jefferson County, Alabama, built in 1977 and fully remodeled in 2020, sitting on ± 4.6 acres just outside Birmingham and its surrounding municipalities. The property is offered at $3,200,000 — $72,727 per unit. Trailing net operating income is $162,974, a 5.09% going-in yield with insurance carried and the property 91% occupied. Leasing the four vacant units and moving rents toward the CoStar submarket average of $863 produces a stabilized pro forma of $247,986, a 7.75% yield, with maintenance, utilities, insurance, taxes and legal all held at their trailing actual.

LIST PRICE	UNITS	PRICE / UNIT	OCCUPANCY
$3,200,000	44	$72,727	91%
T-12 NOI	T-12 CAP RATE	PRO FORMA NOI	PRO FORMA CAP
$162,974	5.09%	$247,986	7.75%

WHY HILLCREST

- **$1.55 million invested since 2019.** $35,227 per unit against a $72,727 per-unit price — flooring, interior paint, tubs and surrounds, HVAC and water heaters, plus site drainage work in 2021. The deferred-maintenance risk that usually accompanies this basis has been funded already.
- **A clean 5.09% going in.** Trailing actuals at 91% occupancy, with insurance carried and capital items properly separated from operating expense. Leasing the four vacancies at today's in-place rents alone takes it to 5.60%. The full pro forma — market rents still below the submarket, utilities submetered and recovered, management at 5% — reaches 7.75%.
- **Sub-$73,000 per unit.** A basis well below replacement cost for a renovated two-story garden product in the Birmingham metro.
- **$145 below the submarket.** CoStar puts asking rent in the surrounding submarket at $863. Hillcrest averages $718 in place on renovated product, and the pro forma underwrites only $800.
- **Manageable scale.** 44 units suits a regional syndicator, family office, or 1031 exchange buyer seeking a single-asset acquisition with professional management available in place.

MONUMENT SIGNAGE · 100 PINSON PLACE

INVESTMENT THESIS

A RARE FIND WITH HIGH INCOME POTENTIAL

Rare find with high income potential, fully remodeled 44 unit apartment building located in Jefferson County, Alabama just outside of Birmingham & its surrounding municipalities. Hillcrest Apartments is close to key amenities including nationally known retail & restaurants as well as local entertainment favorites. This property attracts solid, hard working tenants looking for a somewhat rural area.

01 · RENOVATION COMPLETE

Ownership has put $1.55 million into Hillcrest between 2019 and 2022, with further capital invested since. A buyer inherits practically finished product rather than a construction schedule, a contingency budget, and the downtime that comes with turning units.

02 · FOUR VACANT UNITS

Four renovated two-bedrooms stand vacant — $34,400 a year of gross rent at the current in-place average, $38,400 at market. Leasing them at in-place rents alone carries the yield from 5.09% to 5.60%, before any rent increase.

03 · LOCATION WITHOUT PREMIUM

National retail, restaurants and local entertainment are within a short drive, while the setting stays quiet and semi-rural. Hillcrest also sits in unincorporated Jefferson County rather than inside a municipality — one layer of regulation and licensing instead of two.

04 · MANAGEMENT IN PLACE

Watts Realty has managed multi-family assets in Jefferson County for generations and can continue in place, giving an out-of-market buyer local operating depth from day one. Watts Realty is usually at a 1-2% premium for their in-depth services including a real human element for tenants as well as our clients alike. Local market averages could achieve 5-6% management fees for mostly automated managers with a lack of the human element.

THE ASSET

PROPERTY OVERVIEW

PROPERTY NAME	Hillcrest Apartments
ADDRESS	100 Pinson Place
CITY / STATE / ZIP	Birmingham, AL 35215
COUNTY	Jefferson
JURISDICTION	Unincorporated Jefferson County
TOTAL UNITS	44
CURRENT OCCUPANCY	90.9% · 40 of 44
NET RENTABLE AREA	32,240 SF
AVERAGE UNIT SIZE	733 SF
CONSTRUCTION	Brick & frame, two-story
ROOF	Architectural shingle, pitched
RENOVATION STATUS	Fully remodeled 2020
YEAR BUILT	1977
SITE AREA	± 4.6 acres · two parcels
PARCEL IDS	13 00 14 2 002 001.000 13 00 14 1 000 016.000
ZONING	R-4 · main parcel C-1 · front 0.45-acre parcel
UTILITIES	All electric
PARKING	Surface

UNIT FEATURES

- New flooring throughout
- New interior paint throughout
- New tubs and tub surrounds
- New HVAC and water heaters
- Cabinets painted, some replaced; countertops replaced where needed
- Some electrical replaced
- Private entries with covered porches or balconies
- Individual exterior entry — no interior corridors

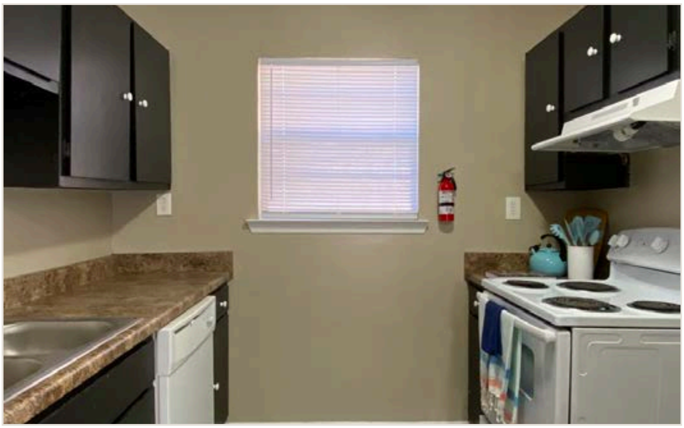
PHOTOGRAPHY

EXTERIOR & GROUNDS

PHOTOGRAPHY

REMODELED INTERIORS

The 2020 program covered flooring, interior paint, tubs and tub surrounds, HVAC and water heaters, with cabinets painted and countertops replaced where needed. Representative units shown.

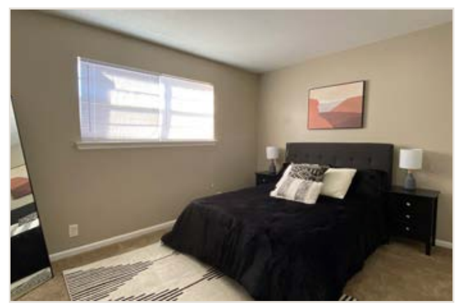


KITCHEN

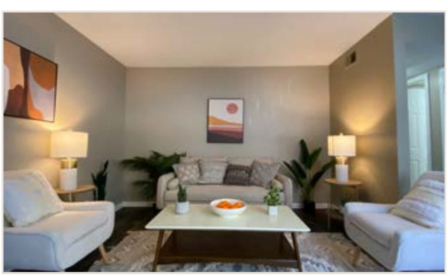
LIVING ROOM

BATH

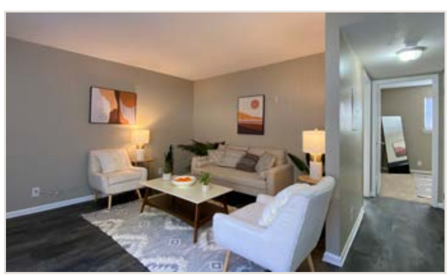
PRIMARY BEDROOM



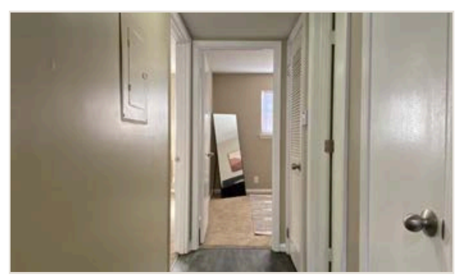
SECOND BEDROOM



LIVING AREA



DINING AREA



INTERIOR HALL

INCOME BASE

UNIT MIX

Per the rent roll dated September 11, 2026. Hillcrest is a two-bedroom community: 40 of 44 units are 2 bed / 1 bath at 733 square feet, with two one-bedrooms and two three-bedrooms. Total net rentable area is 32,240 square feet. Market rent is underwritten below the CoStar submarket average.

UNIT TYPE	UNITS	% OF TOTAL	SF	TOTAL SF	AVG IN-PLACE	RENT / SF	MARKET RENT	MONTHLY AT MARKET
2 Bed / 1 Bath	40	90.9%	733	29,320	$717	$0.98	$800	$32,000
1 Bed / 1 Bath	2	4.5%	600	1,200	$585	$0.98	$700	$1,400
3 Bed / 1 Bath	2	4.5%	860	1,720	$875	$1.02	$950	$1,900
TOTAL / AVERAGE	**44**	**100%**	**733**	**32,240**	**$718**	**$0.98**	**$802**	**$35,300**

OCCUPANCY

Occupied units	**40**
Vacant units	**4**
Physical occupancy	**90.9%**
Stabilized assumption	**95.0%**

RENT POSITION · MONTHLY

In-place rent, 40 units	**$28,720**
Gross potential at market	**$35,300**
Loss to vacancy, 4 units	**$3,200**
Loss to below-market rent, 40 units	**$3,380 · $85/unit**

Market rent is underwritten at $800 / $700 / $950 by unit type against CoStar submarket asking rent of $863. The $3,380 is the combined gap across all 40 leases, about $85 a unit — not a per-unit figure.

2 BED / 1 BATH · 733 SF · 91% OF UNITS

READ THE NUMBERS THIS WAY

Two things separate today's income from the pro forma, and neither requires capital. Four renovated two-bedrooms sit vacant — $3,200 a month, $38,400 a year, at market rent. The second is the rent itself: at $718 average in place against a CoStar submarket asking rent of $863, the pro forma underwrites $800 and still prices below the market. Marking the 40 occupied units to that figure adds $3,380 a month, or $40,560 a year.

AS OF 11 SEPTEMBER 2026

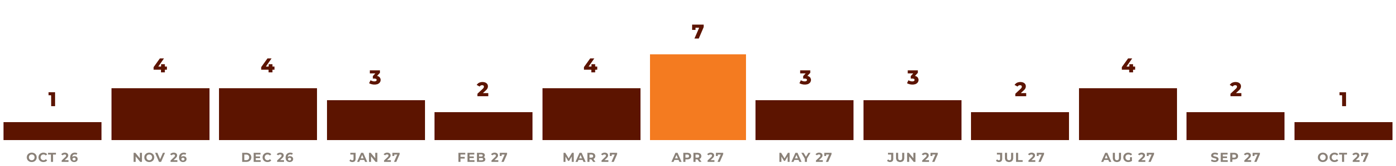
RENT ROLL

UNIT	TYPE	SF	RENT	RENT / SF	LEASE TO
101	2/1	733	**$725**	$0.99	08/31/27
102	2/1	733	VACANT	—	—
103	2/1	733	**$710**	$0.97	07/31/27
104	2/1	733	**$725**	$0.99	02/28/27
105	2/1	733	**$710**	$0.97	12/31/26
106	2/1	733	**$725**	$0.99	04/30/27
107	2/1	733	**$725**	$0.99	11/30/26
108	2/1	733	**$705**	$0.96	04/30/27
201	2/1	733	**$725**	$0.99	11/30/26
202	2/1	733	**$720**	$0.98	10/31/26
203	2/1	733	**$720**	$0.98	05/31/27
204	2/1	733	**$685**	$0.93	03/31/27
205	2/1	733	**$700**	$0.95	10/31/27
206	2/1	733	**$705**	$0.96	04/30/27
207	2/1	733	**$720**	$0.98	01/31/27
208	2/1	733	**$725**	$0.99	06/30/27
301	2/1	733	**$705**	$0.96	04/30/27
302	2/1	733	**$725**	$0.99	05/31/27
303	2/1	733	**$715**	$0.98	08/31/27
304	2/1	733	**$720**	$0.98	03/31/27
305	2/1	733	**$725**	$0.99	04/30/27
306	2/1	733	**$725**	$0.99	06/30/27

UNIT	TYPE	SF	RENT	RENT / SF	LEASE TO
307	2/1	733	**$725**	$0.99	03/31/27
308	2/1	733	**$700**	$0.95	09/30/27
401	2/1	733	**$705**	$0.96	04/30/27
402	2/1	733	**$715**	$0.98	08/31/27
403	2/1	733	**$725**	$0.99	09/30/27
404	2/1	733	**$720**	$0.98	07/31/27
405	2/1	733	**$720**	$0.98	08/31/27
406	2/1	733	VACANT	—	—
407	2/1	733	**$725**	$0.99	03/31/27
408	2/1	733	**$710**	$0.97	05/31/27
501	2/1	733	**$705**	$0.96	04/30/27
502	2/1	733	**$725**	$0.99	01/31/27
503	2/1	733	**$710**	$0.97	01/31/27
504	2/1	733	**$725**	$0.99	11/30/26
505	2/1	733	VACANT	—	—
506	2/1	733	**$725**	$0.99	12/31/26
507	2/1	733	VACANT	—	—
508	2/1	733	**$725**	$0.99	12/31/26
601	1/1	600	**$600**	$1.00	02/28/27
602	3/1	860	**$850**	$0.99	12/31/26
603	1/1	600	**$570**	$0.95	11/30/26
604	3/1	860	**$900**	$1.05	06/30/27

OCCUPIED / TOTAL	NET RENTABLE SF	MONTHLY RENT	AVG IN-PLACE RENT	SECURITY DEPOSITS
40 / 44	**32,240**	**$28,720**	**$718**	**$27,325**

LEASE EXPIRATION SCHEDULE · 40 LEASES



FINANCIALS

T-12 ACTUAL & PRO FORMA

	T-12 ACTUAL	PRO FORMA
INCOME		
Gross potential rent	—	$423,600
Vacancy & credit loss	—	($21,180)
Rental income collected	**$330,807**	**$402,420**
Utility reimbursement [1]	$27,354	$44,241
Delinquency recovery	$4,500	$4,500
Security deposit forfeitures	$4,471	$4,300
Effective gross income	**$367,132**	**$455,461**
OPERATING EXPENSES		
Maintenance & repairs	$58,060	$58,060
Utilities — water, electric, refuse	$50,087	$50,087
Management fees [2]	$27,268	$22,773
Insurance	$26,808	$26,808
Property taxes	$20,878	$20,878
Legal & professional	$10,629	$10,629
Advertising [3]	$6,788	$3,600
Lease fees	$3,640	$3,640
Replacement reserves — $250 / unit	—	$11,000
Total operating expenses	**$204,158**	**$207,475**
NET OPERATING INCOME	**$162,974**	**$247,986**
Expense ratio	55.6%	45.6%
Capitalization rate on $3,200,000	**5.09%**	**7.75%**

Maintenance and repairs, utilities, insurance, property taxes, legal and lease fees are all held at their exact trailing actual. No rent growth beyond the market rents established from CoStar data is assumed.

[1] Utility reimbursement rises to 100% of water and refuse expense ($44,241) from the trailing 55% recovery. This requires the buyer to invest capital in unit submeters installed and billed through a utility-billing specialist. Electricity remains house-metered for common areas and is not reimbursed.

[2] Management at 5% of effective gross income rather than the trailing 7.4%, reflecting a technology-forward manager delivering online leasing, payments and maintenance intake in place of a full human-service model. A buyer who self-manages recovers the fee entirely.

[3] Advertising at $3,600 against a trailing $6,788, achieved by dropping premium Zillow syndication in favor of standard listing distribution.

FROM T-12 TO PRO FORMA

Recapture trailing vacancy loss	+$13,833
Lease 4 vacant units at market	+$38,400
Mark 40 occupied rents to market	+$40,560
Stabilized vacancy allowance at 5%	−$21,180
Utility reimbursement to 100%	+$16,887
Other income to run-rate	−$171
Management fee to 5% of EGI	+$4,495
Advertising without premium syndication	+$3,188
Replacement reserves introduced	−$11,000
NET CHANGE	**+$85,012**

PER UNIT · 44 DOORS

	T-12	PRO FORMA
Effective gross income	$8,344	$10,351
Operating expenses	$4,640	$4,715
Net operating income	$3,704	$5,636
Purchase price		$72,727

FINANCIALS

PRO FORMA ASSUMPTIONS

Every line below is drawn from the September 2026 rent roll, the trailing twelve-month cash-flow statement, or CoStar submarket data. Six of the sixteen assumptions are simply the trailing actual, unchanged.

ASSUMPTION	VALUE	BASIS
Market rent — 2 bed	$800	733 SF at $1.09 per foot. CoStar reports $863 average asking rent for the surrounding submarket in the trailing quarter; $800 underwrites a discount to that.
Market rent — 1 bed	$700	600 SF at $1.17 per foot, scaled from the two-bedroom.
Market rent — 3 bed	$950	860 SF at $1.10 per foot. Unit 604 is already in place at $900.
Gross potential rent	$423,600	All 44 units at market rent, twelve months.
Vacancy & credit loss	5.0%	Against 9.1% physical vacancy today. Renovated units require no downtime to lease.
Utility reimbursement	$44,241	100% recovery of water expense, against a trailing 55%. Requires buyer capital for unit submeters installed and billed through a utility-billing specialist.
Other income	$8,800	Delinquency recovery and deposit forfeitures at trailing run-rate.
Maintenance & repairs	$58,060	Held at trailing actual — $1,320 per unit. Capital items have been reclassified out of the operating statement, so this is a true recurring figure. You may find more efficiencies here base on ownership style.
Utilities	$50,087	Held at trailing actual. Water of $30,714 includes a January spike; normalizing it is upside not taken here that you could find more income as well.
Management fee	5.0%	$22,773 of effective gross income, against a trailing 7.4%. Reflects a technology only manager — online leasing, payments and maintenance intake rather than technology-forward with full human-service model. Self-managing recovers the fee entirely - even more income found.
Insurance	$26,808	Trailing actual, carried in both columns.
Property taxes	$20,878	Held at the trailing assessment. Model reassessment on sale.
Legal & professional	$10,629	Held at trailing actual, with no assumption that eviction activity falls.
Advertising	$3,600	Trailing $6,788 reflects premium Zillow syndication. Standard listing distribution carries the property at roughly $300 a month.
Lease fees	$3,640	Held at trailing actual, with no assumption that leasing cost falls at stabilization.
Replacement reserves	$11,000	$250 per unit, introduced. The trailing statement carries no reserve.

T-12 ACTUAL	LEASE-UP ONLY	PRO FORMA
$162,974	**$179,202**	**$247,986**
5.09% · as operated, 90.9% occupied	5.60% · 4 units at in-place rent	7.75% · stabilized, submetered, 5% fee

The middle column isolates the lease-up: the four vacant two-bedrooms filled at the $717 in-place average rather than at market, a 5% vacancy allowance, utility reimbursement left at the trailing $27,354, the 7.4% trailing management fee, every expense line at its trailing actual, and the $11,000 reserve added. It is the floor a buyer should underwrite, and it is reached without touching a single occupied lease. The pro forma then adds the move to $800 market rent, 100% water and refuse recovery through submetering, a 5% management fee and standard listing distribution.

BUSINESS PLAN

VALUE-ADD PLAN

The capital-intensive work has been done. What remains is operational, and it runs in the order below. Every step is reflected in the pro forma on the preceding pages except the two called out as unclaimed: re-bidding insurance and contract services, and standardizing ancillary fees.

01 LEASE THE VACANCIES

Four renovated two-bedrooms stand vacant — $38,400 a year of gross rent at market. Move physical occupancy from 90.9% to a 95% stabilized assumption. The units show as-is, so the constraint is leasing velocity rather than capital or downtime.

TIMING
Months 1 – 9

02 GET TO MARKET RENTS

CoStar puts submarket asking rent at $863. Hillcrest averages $718 in place. Underwriting $800 leaves $3,380 a month, or $40,560 a year, to capture on renewal and turn — and still prices below the submarket. Twenty-eight of the 40 leases expire before June 2027.

TIMING
Months 1 – 24

03 MEET OR EXCEED THE EXPENSE PLAN

Trailing maintenance and repairs ran $58,060, or $1,320 per unit, with capital items properly separated out of the operating statement. The pro forma holds that figure, and utilities, insurance, taxes and legal, at their exact trailing actual. The one expense it does cut is advertising: $3,600 against $6,788, by dropping premium Zillow syndication for standard listing distribution. Re-bidding insurance and contract services at closing is further upside the pro forma does not claim.

TIMING
At closing

04 MANAGE AT 5%, OR SELF-MANAGE

The pro forma carries management at 5% of effective gross income — $22,773 against the trailing 7.4%. A technology only manager delivering online leasing, payments and maintenance intake reaches that rate. A buyer who self-manages recovers the fee entirely, worth another 71 basis points of yield. A buyer already operating in this submarket can also share on-site maintenance and leasing staff across properties.

TIMING
Month 1 onward

05 SUBMETER AND RECOVER UTILITIES

Reimbursement ran $27,354 against $44,241 of water and refuse expense — a 55% recovery. The pro forma takes it to 100%, or $44,241, which requires a modest capital investment in unit submeters installed and billed through a utility-billing specialist. That single line is worth $16,887 a year, or 53 basis points. Electricity stays house-metered. Standardized application, administration, pet and late fees are further income the pro forma does not claim.

TIMING
Months 3 – 12

NOI TODAY	NOI STABILIZED	PRO FORMA CAP RATE
$162,974	**$247,986**	**7.75%**

WORK COMPLETED

CAPITAL IMPROVEMENTS

Ownership has invested $1,550,000 in Hillcrest between 2019 and 2022 — $35,227 per unit, against a list price of $72,727 per unit. The 1977 structure has been comprehensively rebuilt in that time, and capital investment has continued since. Detailed invoices and the full capital ledger are available in due diligence.

PERIOD	SCOPE	CAPITAL INVESTED
2019 – 2020	Full remodel program — new flooring and interior paint throughout, new tubs and tub surrounds, new HVAC and water heaters, cabinets painted with some replaced, countertops replaced where needed, some electrical replaced	**$1,300,000**
2021	Exterior landscaping and water management improvements	**$100,000**
2022	New tub surrounds	**$150,000**
TOTAL CAPITAL INVESTED, 2019 – 2022		**$1,550,000**

INVESTED 2019 – 2022	PER UNIT	AS % OF LIST PRICE
$1,550,000	**$35,227**	**48%**

WHAT THAT BUYS A PURCHASER

Interiors. New flooring and full interior repaint throughout; new tubs and tub surrounds, extended again in 2022. Cabinets painted, with some replaced, and countertops replaced where needed.

Site and drainage. The 2021 program addressed exterior landscaping and water management across the ± 4.6-acre site — the kind of work that does not show in a photograph and is expensive to defer.

Mechanical. New HVAC and water heaters in 2020 in over 80% of units with some electrical replaced. Replacement & maintenance has continued unit by unit as needed.

Envelope. Pitched architectural shingle roof over brick and frame construction. The newer roofs carry 15 or more years of remaining useful life, so a buyer takes no near-term roof replacement reserve on those buildings.

COSTAR MARKET DATA · 3 SEPTEMBER 2026

RENT & SALE COMPARABLES

SUBMARKET ASKING RENT · COSTAR

QUARTER	ASKING RENT	BASIS	HILLCREST PRO FORMA
2027 Q2	$874	Forecast	$800
2027 Q1	$870	Forecast	$800
2026 Q4	$864	Forecast	$800
2026 Q3 EST	$862	Estimate	$800
2026 Q3 QTD	$863	Quarter to date	$800
2026 Q2	$863	Actual	$800
HILLCREST IN PLACE TODAY	**$718**	Average across 40 leases, rent roll dated 11 September 2026	

THE RENT ARGUMENT

CoStar shows the surrounding submarket at $863 for the trailing quarter, rising through the forecast period to $874. Hillcrest is in place at $718 — a $145 gap to the market as measured, on renovated product. The pro forma underwrites $800, capturing 57% of that gap and leaving the balance to a buyer.

SALE COMPARABLES · COSTAR T-12 DATA SET

COMPARABLE	LOCATION	UNITS	YEAR BUILT	SALE PRICE	$ / UNIT	CAP RATE	VACANCY
Pearl at Sun Valley	2301–2321 7th St NW · Center Point city limits	48	1987 · reno 2018	$3,375,000	$70,313	—	—
CoStar comp set — median	Surrounding submarket · 5.4 months since sale	40	1973	$2,580,000	$71,771	6.3%	9.9%
CoStar comp set — average	Surrounding submarket · 6.3 months since sale	88	1972	$11,249,329	$106,807	7.0%	17.7%
Hillcrest Apartments	100 Pinson Place · unincorporated Jefferson County	**44**	**1977 · reno 2020**	**$3,200,000**	**$72,727**	**7.75%** PF	**9.1%**

Hillcrest is offered at $72,727 per unit against a CoStar median of $71,771 — within 1.3% of the market clearing price, for a 1977 asset remodeled in 2020 versus a median vintage of 1973. Pearl at Sun Valley, the closest direct comparable, traded in March 2025 at $70,313 per unit renovated in 2018, inside the Center Point city limits. This upside being outside of Center Point.

On yield the comparison is favorable. The CoStar median cap rate is 6.3% and the average 7.0%; the Hillcrest pro forma is 7.75% and the going-in trailing yield is 5.09%. Median vacancy at sale across the comp set is 9.9%, in line with Hillcrest's 9.1% today — these are assets trading with lease-up still to do, which is the same position a buyer takes here.

BIRMINGHAM · JEFFERSON COUNTY

MARKET OVERVIEW

Birmingham is Alabama's largest city and the seat of Jefferson County. The Birmingham–Hoover metropolitan area holds a population of roughly 1,200,000, with about 675,000 of that in Jefferson County itself. The economy is anchored by healthcare, education, banking and insurance, engineering and construction, and distribution — a mix that has proven less cyclical than single-industry metros in the Southeast.

Hillcrest sits in northeastern Jefferson County, in unincorporated county territory outside Birmingham's dense core and outside the surrounding municipalities. The setting reads semi-rural — trees, low density, no through traffic — while national retail, restaurants and local entertainment remain a short drive away.

The property lies in Census Tract 112.09 (FIPS 01073011209), where area median income is $100,300. Against that income, rents in the $570 to $900 range place Hillcrest firmly in workforce housing — households earning well below the area median, for whom this product is the affordable option rather than a discretionary one. That is a durable demand base, and it is not being built for.

Jurisdiction matters as much as geography here. Hillcrest answers to Jefferson County rather than to a municipal government, which means one layer of regulation, licensing and code enforcement instead of two. Owners operating on both sides of these city lines consistently find the county side the more workable, and residents feel the difference in the same way.

Roughly 660 units are under construction across the market. At the rents new construction must charge to pencil at today's construction and insurance costs, none of it competes with Hillcrest. Building 44 units of two-story garden product at $800 rents is not economic, which is what protects a basis under $73,000 per unit.

MARKET AT A GLANCE

Birmingham–Hoover MSA population	**± 1,200,000**
Jefferson County population	**± 675,000**
Census tract	**112.09 · FIPS 01073011209**
Area median income	**$100,300**
Submarket asking rent · CoStar Q3 2026	**$863**
Units under construction, market-wide	**± 660**
Jurisdiction	**Unincorporated Jefferson County**

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