

CASE STUDY

**GEORGETOWN APARTMENTS
GALVESTON, IN
26 UNITS**





INTRODUCTION:

- » This property was acquired in October 2022. It was the third property we acquired under the FTD umbrella. The property was in a small town outside of Kokomo, Indiana, which was a hotbed for job growth due to a new battery plant being built.
- » We purchased it on-market from a broker and took advantage of the seller lowering their expectations of the sale price. It consisted of 25 apartments, 3 garages, and 1 single-family house. The seller had his own management company, contract services, and maintenance team, so the expenses were light in their financials.

HIGH-LEVEL BUSINESS PLAN SUMMARY:

- » Soft value-add renovations, starting with flooring, paint, light fixtures, and vanities and cabinets if needed.
- » Evict the handful of delinquent tenants and lease to new tenants at market rate.
- » Sell off the single-family house to recoup some of our basis and provide a strong return.
- » Our goal was to refinance the property after stabilizing it between years 2 and 3, pulling out most of our original capital while maintaining strong cash flow for years to come.

OBSTACLES ENCOUNTERED | LESSONS LEARNED:

- » **Appraisal Means Everything:** The longer we do this, the more we realize this is the crux of putting together good debt. As part of our lending terms, we were supposed to get a construction line of credit. The appraisal came in right at what we purchased it for, and we couldn't get the line of credit, leaving our reserves light.
- » **Expect the Worse, Hope for the Best:** We knew we were going to turn 5-6 units in the first few months; however, over the course of the first 18 months, we turned 22 out of the 25. This, along with having to do a roof and other capital expenditure items, left our reserves depleted and pushing back investor distributions. We were able to secure a private loan from one of FTD's Managing Partners, along with going back to the bank and getting a new appraisal, which allowed us to access a \$120K line of credit.
- » **Focus or Lack Thereof from 3rd Party Management:** The first 11 months of our ownership of the property, we used third-party management. The lack of focus was evident in the rent roll, leasing, and upkeep of the property, which set us back significantly. Once we brought this under our in-house management company (Thrive Property Group), we were able to right the ship. However, some damage had already been done.

WHY DID WE SELL?

- » The obstacles mainly, along with wanting to take advantage of the job growth in the market and provide a solid exit amongst the bumps in the road. Repurposing those funds into our next deal (Clear Creek Apartments)



OVERALL: WOULD WE DO THIS DEAL AGAIN?

» Yes, however, without third-party management, more reserves, and a secondary appraisal with a larger line of credit, this was still a deal with above-average returns.





FINANCIAL RESULTS:

PHASE 1 – 25 UNIT APARTMENT SALE

- » **Purchase Price (October 2022):**
\$1,450,000 (\$58,000 Per Unit)
- » **Sale Price (August 2024):**
\$1,850,000 (\$74,000 Per Unit)
- » **Hold Time: 22 Months**
- » **Invested Capital: \$307,500**
- » **Return of Capital & Cash: \$397,996**
- » **Equity Multiple: 1.24X**
- » **XIRR: 12.57%**
- » **Average Annualized Return: 12.50%**



FINANCIAL RESULTS:

EXPECTED PHASE 2 – SINGLE FAMILY HOUSE SALE

- » After selling the apartments, we now own the single-family house debt-free with a lease-to-own contract.
- » Collecting rent for up to 18 more months, with the tenant set to purchase.
- » Sale Price: \$135,000
- » Proceeds to be distributed upon sale, and a full case study will be re-released.