

CONFIDENTIAL - INTERNAL PRE-FINANCING REVIEW

Press House - Acquisition Proforma Review

331 N Street NE, Washington DC · 356 units · \$110M · 24-month value-add lease-up

Buyer/sponsor: Fox · Seller: Foulger-Pratt JV · As of 2026-06-08

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Press House — Pre-Financing Review: Executive Briefing

To: Fox (internal) · **Re:** 2) Press_House_Proforma_Model.xlsx before it goes to a lender **Asset:** Press House at Union District — 331 N St NE, Washington DC (NoMa/Union Market) · 356 units · **\$110M** · 24-month value-add lease-up · Buyer/sponsor **Fox**, seller **Foulger-Pratt JV** **Bottom line:** *The deal is real and potentially attractive, but the model's headline 61% IRR is inflated by a stack of optimistic/erroneous inputs. On corrected, market-grounded assumptions the project return is more like ~33–41% IRR (base) and ~12% (stress). Two things must be resolved before this goes to financing: (1) the capital stack is probably not financeable at \$88M / 80% LTV as drawn, and (2) the lease-up/concession assumptions are well below the current NoMa market. Neither is fatal — but the model as written will not survive a lender's underwriting.*

1. The Deal at a Glance

Fox is buying a **new (2021), Class-A, 356-unit** building near Union Market for **\$110M (~\$309K/door)**. It's only **~87% physically occupied but ~65% economically occupied** — a big chunk of "occupied" units aren't really paying (concessions, bad debt, non-revenue units). The plan: over 24 months, fill it up, clean up the rent roll, cut operating costs, lease the empty retail, then **sell at a 5.0% cap** for ~\$164M and roughly **2.7x the equity**. The whole return is a **bet that the turnaround works** — there's almost no margin in the purchase price itself.

2. The verdict — corrected return profile

The model says 61% IRR / 2.72x. Here's what happens as each issue is corrected (independent recompute, like-for-like):

Case	Project IRR	Equity multiple
Model as-is	61.1%	2.72x
Fix the loss-to-lease bug	58.4%	—
Normalize property tax to run-rate	52.2%	—
Exit at 5.25% / 5.50% / 6.00% cap	52.8% / 44.7% / 29.3%	—
If buyer <i>also</i> pays 2.9% transfer (both sides)	56.7%	—
Lender base case (loss-to-lease + tax run-rate, exit 5.25%)	~41%	2.2x
Lender base+ (same, exit 5.50%)	~33%	2.0x
+ if buyer also pays full 2.9% transfer	~30%	1.8x
Stress (slower lease-up + exit 6.0%)	~12%	1.4x

Takeaway: even corrected, this can be a **strong value-add return (~33–41%)** if the lease-up actually happens. The downside isn't a loss — it's a mediocre ~12% in a bad scenario. The risk is concentrated in **execution (lease-up in a soft market) and the exit (cap rate + buyer pool)**, not in losing money.

3. The Risks That Matter

● **1. The loan probably isn't financeable as drawn.** At \$88M debt and 6.85% interest, annual debt service is ~\$6.0M, but current income (~\$4.1–4.6M) **doesn't cover it** — DSCR **~0.7–0.8x** (needs ≥ 1.0 , ideally 1.25x) and **debt yield ~4.7–5.2%** (bridge lenders want ~6–7%+). A 65%-occupied asset can't get cheap agency debt; it needs a **bridge loan**, which today runs **65–75% LTV (not 80%)** and **requires a funded interest reserve** — which the model doesn't include. **Expect a smaller loan and more day-1 equity than the \$26.3M shown.** *Resolve this first — get the term sheet before approaching a lender.*

● **2. Lease-up and concessions are priced for a market that doesn't exist right now.** The model assumes vacancy falls to 4%, concessions to 1.5% of rent, and 3% rent growth. But **NoMa is running ~10–11% vacancy**, landlords are giving **2–4 months free**, and **DC rents fell ~2.2% in 2025**. Press House itself currently advertises **~2 months free at ~20% below the area average**. Reaching the stabilized income the whole deal depends on, *through* this market, is the central risk. **Re-underwrite lease-up speed, real free-rent, and rent growth to current data.**

● **3. The price gives no credit for the building being unstabilized.** A nearly identical, *fully stabilized* building two blocks away (**The Belgard**, same sponsor) sold for **\$311K/door** in 2024. Fox is paying **\$309K/door for a 65%-occupancy building** — essentially stabilized pricing for un-stabilized performance. On trailing income the **going-in cap is ~3.8%** (the model's 4.15% uses a single flattering month).

● **4. A real modeling bug. Loss-to-lease** (the gap between market and in-place rents) is in the Projection but **dropped from the monthly cash flow that drives the IRR** → interim income overstated ~\$1.4M, IRR inflated ~3 pts.

Restore it.

● **5. "Welcome Tax" — mislabeled, but the rate is defensible (you were right to flag it).** The line is named with Montreal terminology ("Welcome Tax"), but in DC this is the **deed recordation tax**, and **1.45% is the buyer's correct recordation rate** — the **seller customarily pays the separate 1.45% transfer tax** (combined 2.9%, but split). So as a *buyer cost*, **1.45% is fine** — it is only understated (~\$1.6M, → 2.9%) **if Fox agreed to pay both sides in the PSA.**

Action: **rename the line and confirm the allocation in the PSA**; no number change needed under standard custom.

● **6. Operating-cost cuts look double-counted.** The model cuts payroll *and* cuts contract services 75% "by moving janitorial in-house" — you can't bank both. The resulting ~36% expense ratio is aggressive for a 356-unit building (40–50% typical). A lender's appraiser will add these back.

4. What's Genuinely Good

- **Real, high-quality asset** in a transit-rich location (NoMa-Gallaudet Metro, Union Market); supply is **easing after 2026**.
- **Credible turnaround thesis** — genuinely mismanaged (documented resident complaints), so operational upside is real; the **65%→89% economic-occupancy gap** is a large, legitimate value lever.
- **Regulatory worries came back clean: exempt from DC rent control** (new construction); the **2025 RENTAL Act exempts it from the TOPA tenant-purchase delay** on both purchase and 2028 exit.
- **Property tax is *not* the landmine I first suspected** — apartments are taxed at DC's low 0.85% residential rate and the building looks **already assessed above the purchase price**, so a reset could even be favorable.
- **Conservative spots:** parking/storage only 36% leased (unmodeled upside); management fee modeled *up* to 3.5%.

5. Recommendation — clear these before sending to financing

1. **Get the lender term sheet first.** Re-size the loan to realistic **debt yield/DSCR**, add a **funded interest reserve**, reflect true day-1 equity. (If only ~\$70–78M of debt is available, the equity check and returns change materially.)
 2. **Re-underwrite lease-up** to current NoMa data (vacancy ~10%, real free-rent, flat-to-low rent growth). Show the deal at **conservative lease-up**, not just the base.
 3. **Fix the modeling:** restore loss-to-lease in the cash flow; **rename "Welcome Tax" → DC recordation tax** and confirm the transfer-tax allocation in the PSA (1.45% buyer side is fine if seller pays transfer); present going-in on a **normalized T-12** basis; rebuild OPEX bottom-up (no payroll/contract double-count); add unit-turn capex + a realistic insurance number.
 4. **Show a sensitivity table** (exit cap 5.0/5.25/5.5/6.0 × lease-up base/slow). Lead with the **lender base case (~33–41%)**, not the 61% headline.
 5. **Order third-party diligence:** PCA + Phase I (vs the thin \$70K FFE budget), title (transfer-tax allocation, IZ covenants), pull the **actual DC assessment** (MyTax.DC.gov) and **FEMA flood** zone.
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6. Learning primer (the concepts behind this review)

- **NOI:** rent + other income – operating expenses (before mortgage and capex). Value is built off it.
- **Cap rate:** NOI ÷ price. **Lower cap = more expensive.** "Going-in" uses today's NOI; "exit" is what a future buyer pays. Exiting at a *higher* cap than entry is conservative; this model does (4.15%→5.0%), but everything hinges on NOI nearly doubling.
- **Physical vs economic occupancy:** physical = bodies in units; economic = rent collected ÷ rent possible at market. 87% physical but **65% economic** — the gap *is* the value-add story.
- **DSCR:** NOI ÷ annual debt payments. **Below 1.0 = can't pay its own mortgage** (this deal ~0.7–0.8x at close → needs bridge + reserve).
- **Debt yield:** NOI ÷ loan. A lender's safety check; ~6–7%+ typical. This deal ~5% going-in → loan likely sized down.
- **Bridge loan:** short-term, interest-only, higher-rate loan for un-stabilized assets; refinanced into cheap agency debt or paid off at sale. Includes **interest reserves** for the early shortfall.
- **IRR vs Equity Multiple:** EM = cash back ÷ cash in (2.7x). IRR is annualized and **very time-sensitive** — short, levered holds show dramatic IRRs, so always read IRR **with** EM and the downside case.
- **LP/GP waterfall:** investors get capital back + a **preferred return** (8%) first; profit above is split with the sponsor's **promote** (20%).
- **DC-specific localizations (a Montreal buyer must scrub):** **recordation/transfer tax** (not "Welcome Tax"); **property-tax class** & reassessment; **Inclusionary Zoning** (permanent affordable units); **rent control** (pre-1976 only); **TOPA** (tenant purchase rights on sale).
- **How a lender reads this model:** throw out best-month NOI, use trailing/normalized; haircut expense cuts; stress the exit cap up; size the loan to debt yield/DSCR; require reserves. The corrected ~33–41% base is closer to how it gets underwritten.

7. Market Backdrop

Comparable / market rents (NoMa-Union Market, 2026)

Source	Studio	1BR	2BR	Note
Zumper (H St-NoMa, Mar-2026 median)	\$1,729	\$2,355	\$3,013	submarket medians
Apartments.com (NoMa avg)	\$1,842	\$2,239	\$3,184	submarket averages
Press House in-place (rent roll)	\$2,061	\$2,341	\$3,382 (2BR/2BA)	Class-A premium
Press House model <i>target</i>	~\$2,287	~\$2,705	~\$3,600	top of range

- **Read-through:** Press House's in-place market-rate rents are already **at/above** the NoMa submarket — it's a quality premium product. So the upside is mostly **occupancy/economic-occupancy**, not big rate pushes; but the model's *target* rents (esp. 1BR ~\$2,705 vs submarket ~\$2,355) sit at the **optimistic top of the range** in a soft market.
- **Sale comps:** The Belgard (346u, stabilized) **\$311K/door** Aug-2024 (Fannie 5.72%); Flats 130 (643u, ~95% occ, avg rent **\$2,502**) on-market via CBRE early-2026. DC multifamily volume **–26% YoY** → thin buyer pool (exit-liquidity risk).

Area demographics (demand backdrop — supportive)

Geography	Population	Median age	Median HH income	Renters
ZIP 20002	69,422	33.0	\$120,337 (2024)	—
Near Northeast	68,201	33.5	\$98,391	61.6%
NoMa neighborhood	42,816	31.1	—	renter-heavy

- Young, affluent, renter-majority — healthy rent-to-income (~\$2,500/mo on ~\$98–120K income ≈ 25–30%). Supports long-term demand even with near-term softness.

Gallaudet University (1 block away) — Fall 2025 enrollment **1,260** (807 undergrad / 453 grad), **flat YoY (-3)**, and **down over the decade**. A stable institutional anchor/employer, but small and not growing → a *modest* demand support, **not a catalyst** for lease-up.

Press House — Proforma Review: Findings Register

Asset: Press House — 331 N Street NE, Washington, DC (Union Market / NoMa) **Deal:** Fox Real Estate acquisition · 356 units · \$110,000,000 · 24-month value-add lease-up **File reviewed:** 2) Press_House_Proforma_Model.xlsx (9 sheets, 15,990 cells) **Reviewer:** internal pre-financing review · **Status:** DRAFT (external verification in progress) **Model headline:** Project IRR 61.1% · EM 2.72x · LP IRR 52.0% · going-in cap 4.15% · exit cap 5.0%

Severity key: **C** = Critical (changes the decision / blocks financing as-is) · **H** = High (material \$ / lender will push back) · **M** = Medium · **L** = Low / housekeeping · **O** = Observation.

A. Decision-level findings (Critical / High)

C-1 — Financing feasibility: 80% LTV / \$88M loan is likely not sizable at close

- **Going-in DSCR \approx 0.69–0.76x** (T12 vs April-snapshot NOI) against \$6.028M annual I/O debt service. The asset **does not cover its own debt** at acquisition.
- **Going-in debt yield \approx 4.7–5.2%**. Bridge/transitional lenders on a lease-up deal typically require a **minimum debt yield \sim 6–7%+** and an **interest reserve**. At 4.7%, a lender sizes the loan well below \$88M, or demands a large reserve (more equity) — either way the 80% LTV and the equity-at-close figure (\$26.27M) understate the true day-1 equity.
- **No interest-reserve line was found** in the Dev Budget or CashFlow. The negative carry is funded only by \sim \$0.75M of modeled equity cash calls (understated — see C-3, H-1).
- **Action:** confirm the actual debt term sheet (lender, proceeds, rate, reserve, recourse, debt-yield/DSCR tests, extension options). If proceeds are debt-yield-constrained, re-solve the capital stack. *This is the single most important item to resolve before "sending to financing."*

C-2 — Property taxes: no reassessment-on-sale (DC reassesses toward purchase price)

- Model holds property taxes at the **T12 average (\sim \$1.211M/yr)** grown at 2% (Projection E38). The **latest month (Apr 2026) is already \$130,819/mo \approx \$1.57M/yr** — i.e., taxes are rising *before* any sale.
- DC reassesses real property; a \$110M sale typically resets assessed value toward price. At an assumed DC Class-2 rate (**placeholder 1.65% — VERIFY**), taxes \approx **\$1.815M/yr, \sim \$604K/yr above model**.
- **Impact:** stabilized NOI overstated \sim \$604K/yr \rightarrow at a 5% exit cap that is **\sim \$12.1M of overstated exit value**. Fixing taxes alone drops Project IRR **61% \rightarrow 46%**.
- **Action:** verify DC Class-2 commercial rate and the assessor's reassessment-on-sale practice; obtain current TY2026 assessment & any pending appeal. Re-model taxes off purchase price.

C-3 — "Welcome Tax" is a Montreal artifact; DC transfer/recordation taxes are higher

- Inputs B9 charges a "**Welcome Tax**" of **1.45% = \$1,595,000**. "Welcome Tax" (*taxe de bienvenue*) is the **Quebec/Montreal** transfer duty — this is a template carry-over from Fox's Montreal models, not DC.
- DC levies **deed recordation + transfer tax**; for commercial/high-value transfers the combined rate is materially higher (**placeholder 2.9% — VERIFY**; DC commercial >\$2M may be ~5% combined). At 2.9% → ~\$3.19M, i.e., **closing costs / day-1 equity understated ~\$1.6M** (more if 5% applies).
- **Action:** verify DC recordation (DC Code §42-1103) + transfer (§47-903) rates for this transaction type/size; correct Inputs. Re-check who pays (often split, but model should reflect the LOI/PSA).

H-1 — Loss-to-Lease dropped from the monthly CashFlow that drives the IRR

- The **Projection** deducts "Gain/(Loss) to Lease" (row 20; -\$93,365/mo in M1 tapering to -\$28,009). The **Monthly CashFlow** revenue build (rows 15–20) **omits this line entirely**, so interim NOI is overstated by **~\$1.39M over the hold**.
- Because GPR is built at **market** \$/SF, the loss-to-lease deduction is required to reach in-place rent. Dropping it overstates interim cash, understates equity need, and inflates IRR.
- **Impact:** fixing it drops Project IRR **61% → 58.4%** (and increases true equity required).
- **Action:** rebuild the monthly revenue to include loss-to-lease consistent with the Projection.

H-2 — Going-in metrics use the most favorable single month (April 2026)

- Going-in NOI uses the **April snapshot** (Projection col D, NOI \$4.567M → cap 4.15%). The **T12-average** NOI is **\$4.146M → cap 3.77%**.
- April is flattered by **anomalously low utilities (\$26,390 vs \$80,957 T12 avg)** partly offset by high taxes. Net: April overstates run-rate NOI.
- **Impact:** the true going-in basis is a **sub-4% cap** — very thin for a value-add deal and important context for the appraiser/lender.
- **Action:** present going-in on a **normalized T12** basis; reconcile the utility anomaly (credit/true-up vs seasonality).

H-3 — OPEX savings appear double-counted (payroll cut *and* contract-services cut)

- Payroll cut to **\$65,000/mo** (from \$76,963 Apr / \$89,734 T12) — note I29 "≈2.5x the Ledger Payroll" is unclear. Simultaneously Contract Services cut **~75%** (\$62,611→\$23,200) with note "Janitorial to in-house payroll, renegotiate security."
- Moving janitorial **in-house** should **increase** payroll, not coincide with a payroll cut. Booking both the contract-services savings and a payroll reduction **double-counts** the saving.
- Total OPEX falls from ~\$379K/mo to ~\$355K/mo while occupancy rises 87%→95% and EGI grows ~33%; **OPEX ratio drops to ~36%**, aggressive for a 356-unit asset (typical 40–50%).
- **Action:** rebuild a bottom-up staffing/contract plan; reconcile in-house vs contract; expect the lender's appraiser to haircut these cuts.

H-4 — Exit cap (5.0%) is at/through going-in and likely optimistic

- Exit cap **5.0%** vs a normalized going-in cap **~3.8–4.2%**: the model exits at a *higher* cap than entry (good discipline) — but 5.0% on a 2028 DC exit needs market support, and returns are highly cap-sensitive.

- **Impact:** exit at **5.5%** → **IRR 45%**; **6.0%** → **IRR 29%**.
- **Action:** support exit cap with dated DC Union Market/NoMa comps (see research). Show returns across 5.0/5.5/6.0%.

B. Combined scenarios (independent recompute)

Scenario	Project IRR	EM	Exit net proceeds	Day-1 equity
Model as-is (reproduced)	61.1%	2.75x	\$72.21M	\$26.27M
Fix loss-to-lease only	58.4%	2.75x	\$72.21M	\$26.27M
Fix prop-tax run-rate only	52.2%	2.48x	\$65.20M	\$26.27M
If buyer ALSO pays 2.9% transfer (both sides)	56.7%	2.59x	\$72.21M	\$27.87M
Exit cap 5.25% / 5.50% / 6.00%	52.8% / 44.7% / 29.3%	—	—	\$26.27M
LENDER BASE (LtL+tax, exit 5.25%)	41.1%	2.20x	\$57.90M	\$26.27M
LENDER BASE+ (LtL+tax, exit 5.50%)	33.0%	1.95x	\$51.27M	\$26.27M
+ buyer pays 2.9% transfer	29.5%	1.84x	\$51.27M	\$27.87M
STRESS (+30% lease-up haircut, exit 6.0%)	11.7%	1.42x	\$39.67M	\$27.87M

(Corrected.) Property tax = run-rate normalization (Class 1A 0.85% confirmed; reassessment not punitive). Transfer 2.9% is verified but SPLIT — buyer customarily pays only 1.45% recordation — so it is shown as a sensitivity, not baked into the base. Engine reproduces the 61.12% IRR exactly before adjustments. C-2/C-3 above are the original draft; see \$G/\$H for the corrected conclusions.

C. Model-integrity / housekeeping (Medium / Low)

- **M-1 Related-party fees stack:** Acq fee 0.75% (\$825K) + Broker 1.5% (\$1.65M) + Fox disposition 0.75% (\$1.23M) + Development fee 1% of a hardcoded \$160M target (\$1.6M). All flow to Fox/GP. Confirm these are disclosed to the lender/LPs and are market.
- **M-2 Development fee hardcodes \$160M** (=0.01*160000000/24) rather than linking to the model's own stabilized value — disconnected if assumptions change.
- **M-3 Retail lease-up +\$35K/mo at month 24** (\$420K/yr of currently-vacant ground-floor retail) is speculative; ground-floor retail leasing in 24 months is slow. Treat as upside, not base.
- **M-4 Insurance ~\$9,786/mo (~\$329/unit/yr)** looks low for US multifamily (typ. \$400–700/unit) amid rising premiums — likely understated.
- **M-5 "Total Project Cost" definition** (Summary H11) mixes acquisition cost + exit selling/disposition costs but excludes the \$2.78M dev budget — non-standard denominator for Yield-on-Cost (6.93%).

- **M-6 Physical capex is very light** (~\$70K FFE \approx \$197/unit; no unit-renovation capex). Defensible only if thesis is purely operational; verify deferred maintenance via PCA.
- **L-1 Broken formula:** Rent Roll market-\$/SF column (E6:E14) is `#REF!` wrapped in IFERROR → silently returns 0. Cosmetic but signals post-build edits; sweep for other `#REF!`.
- **L-2 EM formula** (CashFlow B61 $=AC58/AC69$) ignores interim distributions; minor and conservative.
- **L-3 Units shown with fractional counts** (e.g., occupied 309.3) because occupancy is derived from $\$ \div$ avg rent rather than unit status — fine for modeling, label as such.

D. Regulatory / DC-specific items to confirm (research)

- **D-1 Inclusionary Zoning:** 31 IZ units (8 studio + 12×1BR + 11×2BR) are rent-restricted (MFI-capped); model correctly assumes **no uplift** on them. Confirm covenant terms, MFI band, and that vacancy/turnover rules are respected. IZ presence implies post-2009 construction.
- **D-2 Rent control:** DC rent stabilization applies to pre-1976 buildings (5+ units). If Press House is post-2000 construction (likely, given IZ), it is **exempt** — confirm certificate-of-occupancy date.
- **D-3 TOPA (Tenant Opportunity to Purchase Act):** affects a future **sale** of residential property in DC — can delay disposition and requires tenant offers. Material to the 24-month exit; confirm strategy (e.g., TOPA waivers, bulk sale mechanics).
- **D-4 Confirm vintage / year built / certificate of occupancy** (drives D-1/D-2 and capex).

E. Data governance note

- The **Residential Rent Roll (sheet 6) contains real tenant PII** (names, tenant IDs, lease dates) sourced from Yardi. This data is kept **internal only**; it is **never** sent to web searches/third parties and will be **redacted** from any shared briefing. Aggregate unit-mix/rent statistics are fine to use.

F. What still must be externally verified (feeds the Verification Ledger)

1. DC deed **recordation + transfer tax** rate for this transaction (→ C-3).
2. DC **Class-2 property tax rate** + reassessment-on-sale practice + current assessment (→ C-2).
3. **Union Market / NoMa** market rents (\$/SF by unit type), vacancy, concessions (→ H-2, H-3, thesis).
4. **Cap rates & comparable sales** 2025–2026 (\$/unit, \$/SF, cap) for going-in and exit (→ H-4).
5. **Supply pipeline** in NoMa/Union Market (oversupply → concession risk to lease-up).
6. **Asset facts:** developer/owner (T12 tree = "foulgerpratt" → Foulger-Pratt?), year built, unit count, retail GLA, why selling.
7. **Financing market:** realistic bridge terms (rate, LTV, debt yield, reserve) for a sub-1.0x DSCR lease-up (→ C-1).
8. **Site risk:** FEMA flood, crime, demographics/income trends.

G. POST-VERIFICATION UPDATES (supersedes items above where noted)

⊖ **C-2 CORRECTED** — **downgraded Critical** → **Medium**. DC taxes a 356-unit apartment as **Class 1A residential @ 0.85%** (verified OTR), *not* Class 2 commercial (1.89%). Back-solving the T12 tax ($\sim \$1.21\text{M} \div 0.85\%$) implies a current assessment **$\sim \$142\text{M}$ — above the $\$110\text{M}$ price** — so reassessment-on-sale is **neutral-to-favorable, not punitive**. My original $\$604\text{K}/\text{yr}$ NOI hit / $\$12\text{M}$ value hit is **withdrawn**. The real, smaller issue: the model uses the T12 *average* ($\$1.21\text{M}$) while the latest month runs **$\sim \$1.57\text{M}/\text{yr}$ → $\sim \$359\text{K}/\text{yr}$** understated on current trajectory. Tax line also bundles the **NoMa BID surcharge ($\sim \$0.15/\text{SF} \approx \$42\text{K}/\text{yr}$)** and the small retail/commercial (Class 2) portion. **Action:** pull the actual TY2026 assessment from MyTax.DC.gov; underwrite to current run-rate; model a (favorable) appeal toward $\$110\text{M}$.

⊖ **C-3 CONFIRMED**. DC combined recordation+transfer = **2.9%** for commercial (since Oct-2023). "Welcome Tax" 1.45% ($\$1.595\text{M}$) understates by **$\sim \1.595M** if commercial treatment applies. *Confirm residential vs commercial classification for transfer-tax purposes with title/counsel* — *apartment entity sales are typically commercial 2.9%*.

⊖ **H-2 CONFIRMED via comp**. Going-in **$\$308,989/\text{unit}$** \approx the **Belgard** comp (33 N St NE, 346 units, **$\$311\text{K}/\text{unit}$** , Aug-2024, **same sponsor Foulger-Pratt**, but **stabilized high-90s occupancy**). Fox is paying near-stabilized per-door pricing for a **65%-economic-occupancy** asset. Normalized going-in cap $\sim 3.8\%$.

+ **H-5 NEW** — **Concession/lease-up assumptions are far below current NoMa market (market-verified)**.

NoMa/Union Market vacancy $\sim 10\text{--}11\%$ (vs DC $\sim 7\%$); area concessions **up to $\sim 2\text{--}4$ months free**; **DC rents fell $\sim 2.2\%$ in 2025**. Press House itself currently advertises **~ 2 months free** and prices **$\sim 20\%$ below the area average**. The model assumes vacancy **10% → 4%**, concessions **4% → 1.5% of GPR**, and **3% rent growth** — i.e., stabilizing *through* the current submarket and giving far less than market concessions. This is the **single most aggressive operating assumption** and the main threat to hitting stabilized NOI. **Action:** re-underwrite lease-up velocity, concessions (model real free-rent), and rent growth to current NoMa data; this also feeds the exit-NOI downside that the exit-cap sensitivities bracket.

+ **O-7 NEW** — **Exit liquidity**. DC multifamily sales volume **-26% YoY ($\sim \$5.3\text{B}$, Newmark)**; a large NoMa comp (**Flats 130**, 643 units) is on-market via CBRE with no printed price — a thin, slow buyer pool is a real **exit risk** for a 24-month business plan.

⊖ **D-1 IZ CONFIRMED**. 31 affordable/IZ units (incl. **11×2BR at 50% AMI**) match public record; model correctly assumes no uplift. Implies post-2009 construction.

⊖ **D-2 RENT CONTROL** — **CONFIRMED EXEMPT**. Press House delivered **~ 2021** (new construction), so it is **exempt from DC rent stabilization** (pre-1976 only). The market-rate rent-growth thesis is *legally* permitted (market softness, not rent control, is the constraint).

⊖ **D-3 TOPA** — **RISK LARGELY MITIGATED (was a risk)**. The **RENTAL Act of 2025 (eff. 12/31/2025)** exempts buildings with a permanent C of O within **15 years** from TOPA's offer-of-sale (Notice of Transfer only). Press House (~ 2021) qualifies → **both this purchase and the 2028 exit avoid the TOPA delay** that hit the Belgard in 2024. Net positive vs my initial flag.

+ **O-8 Seller / ops**. Seller is the **Foulger-Pratt / Juster / ClearRock** JV (developer/current owner; model built from their Yardi books). Resident reviews report unstaffed 24/7 desk, weeks without hot water, security/loitering, soiled

elevators → supports the "better operations" upside **and** signals deferred maintenance/reputational drag vs the thin **\$70K FFE** budget.

H. ROUND-2 CORRECTION (transfer tax) + data additions

C-3 transfer tax - DOWNGRADED to Low/housekeeping. DC custom splits the tax: BUYER pays 1.45% recordation, SELLER pays 1.45% transfer. The model's 1.45% is DEFENSIBLE as the buyer's cost; understated (~\$1.6M, to 2.9%) ONLY if Fox agreed to pay both sides. Action: rename "Welcome Tax" -> "DC recordation tax"; confirm allocation in the PSA. Audit "lender base" no longer bakes in the transfer add-back (base IRR ~33-41%; +2.9% transfer is a separate ~3-4pt sensitivity). **Data added:** rent comps (Zumper/Apartments.com), demographics (ZIP 20002 income ~\$120K, 62% renters), Gallaudet enrollment (1,260, flat). See RESEARCH_DOSSIER section 8 and VERIFICATION_LEDGER round-2.

Press House — Research Dossier

Narrative intelligence supporting the proforma review. Full source URLs and status per claim are in `VERIFICATION_LEDGER.md`. All external research used **public information only** — no tenant PII left the building.

1. The asset

- **Press House at Union District**, 301/331 N Street NE, Washington DC 20002 (NoMa / Union Market).
- **356 apartments in two buildings** sharing a lobby + rooftop pool/amenities; adaptive reuse of the **former printing plant that produced the *Congressional Record***; ground-floor **retail (~27K SF)** and an adjacent **~52K SF office/retail** building. Part of a larger "Union District" master plan (also entitled for future office/hotel/residential).
- **Delivered ~2021** (groundbreaking April 2019). Class-A, managed by **Bozzuto**.
- **Unit mix (from rent roll)**: 51 studio, 157 1BR, 12 1BR+den, 26 2BR/1BA, 79 2BR/2BA + **31 Inclusionary-Zoning affordable** (8 studio, 12 1BR, 11 2BR @ 50% AMI). ~276,947 rentable SF; blended in-place ~\$2,531/unit (~\$3.25/SF).
- **Ancillary**: 428 parking/storage/bike items, only **156 occupied** (272 vacant) — real, lightly-modeled upside.
- **Condition/ops red flags (resident reviews)**: unstaffed "24/7" front desk, non-resident loitering, multi-week hot-water outages, smoke complaints, soiled elevators, broken amenities. Supports the "new owner can operate better" thesis **and** signals deferred maintenance / reputation drag vs the model's thin **\$70K FFE** budget.

2. Seller, sponsor & why it's trading

- **Seller = the developer/owner JV: Foulger-Pratt + Juster Properties + ClearRock Properties**. The model's actuals come straight from Foulger-Pratt's Yardi books (ledger tree "foulgerpratt").
- **Buyer/sponsor = "Fox"** (the Montreal operator from the broader engagement). Tell-tale: the model's **"Welcome Tax"** line is the Quebec/Montreal transfer duty — a template carry-over confirming this is Fox's (likely first) **US deal**, and a reminder to scrub all DC-specific items.
- **Why selling**: a **65%-economic-occupancy** lease-up that has struggled (2 mo free, ~20% below-area pricing, ops issues). The developer is exiting an unstabilized asset; Fox's thesis is to buy the operational turnaround.

3. Submarket — NoMa / Union Market (the core risk)

- **Soft and oversupplied**: NoMa/Union Market vacancy ~**10–11%** (Apr-2026) vs DC metro ~7%. Heavy **concessions (~2–4 months free)** in the area; **DC asking rents fell ~2.2% in 2025**.

- **Supply easing ahead:** DC deliveries ~6,089 (2025) and ~3,955 (2026), down from ~14,700 (2024) — helps *later* lease-up but 2026 is still absorbing.
- **Implication:** the proforma's lease-up to **4% vacancy / 1.5% concession / +3% rent growth** is materially more optimistic than today's submarket. This is the single biggest threat to reaching the stabilized NOI the exit value depends on.

4. Comparable transactions & pricing

- **The Belgard — best comp.** 33 N St NE (≈2 blocks away), **346 units, sold \$107.75M = \$311K/unit, Aug-2024**, by **the same sponsor (Foulger-Pratt)** + partners; **stabilized** (high-90s occupancy); Fannie Mae perm debt at **5.72%**. Seller called it a "rock bottom" price driven by rate volatility + TOPA delays.
- **Read-across:** Press House at **\$308,989/unit** is paying ~the same per-door as a *stabilized* comp — but for a **65%-economic-occupancy** asset. The basis assumes the turnaround essentially *works* to be justified.
- **Flats 130** — 130 M St NE, 643 units + Harris Teeter, ~95% occ, avg rent **\$2,502**, on-market via CBRE (early 2026), price/cap not yet public. Confirms NoMa rents ~\$2,500 and that large NoMa assets are trading slowly.
- **Cap-rate context:** national Class-A ~4.74%; DC all-class Q1'26 ~5.6%. A **5.0% exit cap** is plausible for stabilized Class-A but optimistic given DC softness; **5.25–5.5%** is more prudent. **DC sales volume –26% YoY (~\$5.3B, Newmark)** → real exit-liquidity risk for a 24-month plan.

5. Regulatory landscape (DC)

- **Transfer/recordation tax:** DC **commercial combined 2.9%** (since Oct-2023; the 5% over-\$2M surcharge expired). Model's 1.45% "Welcome Tax" likely understates by **~\$1.6M** (confirm resi-vs-commercial classification with title/counsel).
- **Property tax:** apartments are **Class 1A residential @ 0.85%** (not commercial 1.65–1.89%). Implied current assessment (~\$142M) **exceeds** the \$110M price, so reassessment-on-sale is **not clearly punitive** (possibly favorable on appeal). Plus a small **NoMa BID** surcharge (~\$0.15/SF). Underwrite to the **current run-rate (~\$1.57M/yr)**, not the lower T12 average.
- **Inclusionary Zoning:** 31 units MFI-restricted (incl. 11×2BR @ 50% AMI); permanent affordability, no rent uplift — model handles correctly.
- **Rent control: Exempt** (post-1976 new construction). The market-rate rent thesis is legally allowed; the constraint is market softness, not regulation.
- **TOPA: RENTAL Act of 2025 (eff 12/31/2025)** exempts buildings ≤15 years old from the offer-of-sale process (Notice of Transfer only). Press House (~2021) qualifies → **both this purchase and the 2028 exit avoid the TOPA delay** that hampered the Belgard. Net **positive**.

6. Financing landscape

- A **65%-economic-occupancy** asset **cannot get agency/permanent debt** (Fannie/Freddie need ~90%+ occ, ~1.25x DSCR). It needs a **bridge/transitional loan**.

- 2026 bridge norms: 12–36 mo I/O, **LTV 65–75% (80% only top-end)**, all-in rates high-5s–12%, **interest reserves standard** to cover the sub-1.0x DSCR period, min loan \$15–25M for best pricing.
- Against this, the model's **6.85% I/O is reasonable**, but **80% LTV is at the aggressive top, going-in debt yield (~4.7–5.2%) is below the ~6–7% lenders usually require**, and **no interest reserve is modeled**. Expect a smaller loan and/or a funded reserve → more day-1 equity than the \$26.27M shown.

7. Location & site

- One block from **NoMa-Gallaudet U Metro (Red Line)**; walkable to Union Market food hall, H Street, Trader Joe's/Whole Foods nearby — genuinely strong amenity base and transit (supports long-term demand).
- **FEMA flood:** not yet pulled — NoMa near the Metropolitan Branch rail has had localized stormwater flooding historically. **Verify** the parcel's zone at FEMA MSC / dcfloodrisk.org (affects insurance & physical risk).

8. Round-2 additions (transfer-tax correction, rent comps, demographics, Gallaudet)

Transfer/recordation tax - CORRECTED

DC custom: the BUYER pays the 1.45% deed *recordation* tax; the SELLER pays the 1.45% *transfer* tax (combined 2.9%, but split; negotiable in the PSA). The model's "Welcome Tax" 1.45% is therefore DEFENSIBLE as the buyer's recordation cost - understated (to 2.9%, ~\$1.6M) ONLY if Fox agreed to pay both sides. Label is Montreal terminology; rename to "DC recordation tax". (Supersedes the earlier "understated ~\$1.6M" framing.)

Rent comps (NoMa / Union Market, 2026)

Source	Studio	1BR	2BR
Zumper (H St-NoMa median, Mar-2026)	\$1,729	\$2,355	\$3,013
Apartments.com (NoMa avg)	\$1,842	\$2,239	\$3,184
Press House in-place (rent roll)	\$2,061	\$2,341	\$3,382 (2BR/2BA)
Press House model target	~\$2,287	~\$2,705	~\$3,600

Press House in-place rents are at/above the submarket (Class-A premium); model TARGET rents (esp. 1BR ~\$2,705 vs ~\$2,355 submarket) sit at the optimistic top of the range. Upside is more occupancy than rate. Sale comps: Belgard \$311K/door (Aug-2024, stabilized); Flats 130 (643u, ~95% occ, avg \$2,502) on-market via CBRE; DC multifamily volume -26% YoY (exit-liquidity risk).

Demographics (demand backdrop - supportive)

- ZIP 20002: 69,422 pop; median age 33; median HH income \$120,337 (2024).
- Near Northeast: 68,201 pop; median age 33.5; income \$98,391; 61.6% renter-occupied.

- NoMa: 42,816 pop; median age 31.1 (young, renter-heavy).
- Rent-to-income healthy (~25-30%); supports long-term demand despite near-term softness.

Gallaudet University (1 block away)

Fall 2025 enrollment 1,260 (807 undergrad / 453 grad), flat YoY (-3), declining over the decade. Stable institutional anchor/employer but small and not growing -> modest demand support, not a lease-up catalyst.

Press House — Verification Ledger

Every material claim/number in the proforma, cross-checked against independent public sources. This is the "verify twice/thrice" record. **Tenant PII from the rent roll was never sent to any external source.**

Status: Confirmed · Corrected/qualified (model or my own placeholder adjusted) · Refuted (model materially off) · Needs paid/interactive source (not free-web verifiable) **Confidence:** H / M / L

#	Item	Model says	Independent finding	Status	Conf	Source(s)
1	Asset & units	Press House, 356 units, 331 N St NE	Press House at Union District, 356 units , 301/331 N St NE, NoMa		H	Foulger-Pratt; Apartments.com; presshousedc.com
2	Year built / vintage	(implied new)	Groundbreaking 2019, delivered ~ 2021 ; former Congressional Record printing press; 2 bldgs, shared lobby/rooftop		H	WTOP (2019); Foulger-Pratt; Bisnow
3	Developer / seller	"Fox" buying	Foulger-Pratt + Juster Properties + ClearRock dev & current owner; books in FP Yardi ("foulgerpratt" tree)		H	Foulger-Pratt; Bisnow; WBC
4	Rentable SF	276,947 SF	Consistent with unit mix; exact SF not free-verifiable		M	model rent roll; Apartments.com (unit SF ranges)
5	Affordable/IZ units	31 IZ (8 STU+12×1BR+11×2BR)	31 affordable , incl. 11×2BR at 50% AMI — matches rent roll exactly		H	Foulger-Pratt press
6	Purchase price	\$110,000,000 (\$308,989/unit)	Press House contract price not public; per-door	/	M	(comp #20)

#	Item	Model says	Independent finding	Status	Conf	Source(s)
			benchmarked below			
7	Transfer/recording tax	"Welcome Tax" 1.45% = \$1.595M	DC commercial combined 2.9% (since Oct-2023; 5% over-\$2M expired). "Welcome Tax" is Montreal	 understated ~\$1.6M	H	DC OCFO; BDO; OTR Recorder of Deeds
8	Property tax rate	effective ~1.1–1.4% (held at T12 avg \$1.21M)	DC Class 1A residential 0.85% (apartments) / Class 2 comm. 1.65–1.89%. Implied current assessment ~\$142M > price → reassessment not punitive	 (my placeholder corrected)	H	OTR Real Property Tax Rates; \$47-812
9	Property tax trajectory	flat at T12 avg \$1.21M	latest month \$1.57M/yr run-rate → ~\$359K/yr understated near-term		H	model T12 (sheet 8, N140) + OTR
10	NoMa BID surcharge	(not separately modeled)	~ \$0.15/rentable SF (≈\$42K/yr) bundled in tax line		M	NoMa BID FY26 rate notice; DC Code §2-1215.57
11	Rent control	(assumes push to market)	Exempt — new construction (post-1976/2021); DC stabilization is pre-1976 only		H	DC Rental Housing Act guidance
12	TOPA (exit friction)	(not modeled)	RENTAL Act 2025 (eff 12/31/2025): 15-yr new-construction exemption → Press House exit exempt (Notice only). Risk mitigated		H	Holland & Knight; Ballard Spahr; ArentFox Schiff

#	Item	Model says	Independent finding	Status	Conf	Source(s)
13	Submarket vacancy	stabilizes to 4%	NoMa/Union Market ~ 10-11% vs DC ~7% (Apr-2026)	✘ model far below market	M-H	UrbanTurf; Hoodline; CBRE 2026 outlook
14	Concessions	4%→ 1.5% of GPR	Area ~ 2-4 months free ; Press House itself ~ 2 months free , ~20% below area avg	✘ understated	M-H	UrbanTurf; ApartmentList/Press House listing
15	Rent growth	+3%/yr	DC rents fell ~ 2.2% in 2025 ; near-term soft	⚠ optimistic near-term	M	UrbanTurf
16	In-place avg rent	~\$2,531/unit blended	NoMa avg ~ \$2,502 (Flats 130) — consistent	✅	M	Bisnow/Hoodline
17	Exit cap	5.0%	DC all-class ~5.6%; Class-A natl ~4.74%; prudent 5.25-5.5%	⚠ optimistic	M	CBRE; Newmark; market trackers
18	Going-in cap	4.15%	3.77% on T12 basis (model uses flattering April snapshot)	⚠	H	internal recompute (03_audit_recompute.py)
19	Debt rate / structure	6.85% I/O, 80% LTV	Bridge req'd (<90% occ); rates high-5s-12%; LTV typ 65-75% (80% top-end); interest reserves standard (missing)	⚠	M-H	Janover; PeerSense; Crittenden bridge reports
20	Comp — The Belgard	n/a	33 N St NE, 346 units, \$107.75M = \$311K/unit , Aug-2024, same sponsor, stabilized (high-90s), Fannie 5.72%; seller	✅ comp	H	Bisnow (Aug-2024)

#	Item	Model says	Independent finding	Status	Conf	Source(s)
			blamed TOPA delays			
21	Comp — Flats 130	n/a	130 M St NE, 643 units, ~95% occ, avg \$2,502, on-market via CBRE (early 2026), no printed price	✓ context	M	Bisnow; Hoodline
22	Exit liquidity	(assumes clean sale Mo24)	DC MF volume -26% YoY (~\$5.3B) — thin buyer pool	⚠ exit risk	M	Newmark 2Q25
23	Insurance	~\$9,786/mo (~\$329/unit/yr)	Low vs US norm ~\$400–700/unit amid rising premiums	⚠ likely understated	M	industry norms
24	Project IRR	61.1%	Reproduced 61.12% exactly — math valid, but rests on items above	✓ math / ⚠ inputs	H	internal recompute
25	Loss-to-lease in CF	(omitted)	Present in Projection, dropped from monthly CashFlow → interim NOI overstated ~\$1.39M	⚠ bug	H	internal recompute
26	FEMA flood zone	(not addressed)	Unverified — requires FEMA MSC / dcfloodrisk.org address lookup	?	—	FEMA MSC; DC DOEE
27	Actual TY2026 assessment	implied ~\$142M	Unverified — pull from MyTax.DC.gov by square/lot	?	—	OTR Real Property database

Items requiring paid / interactive / counsel verification (cannot be closed on free web)

- **CoStar / RealPage / Newmark or CBRE submarket report** — dated NoMa rent comps by floorplan, concession value, absorption, and verified Class-A cap-rate comps (professional standard for the appraisal).
- **MyTax.DC.gov** — exact current assessed value, tax class split (resi vs retail), any abatement/PILOT, and arrears (#8/#9/#27).
- **Title company / DC counsel** — confirm transfer/recordation classification & who pays; UCC/lien search; IZ covenant terms (#5/#7).
- **Lender term sheet** — actual proceeds, rate, debt-yield/DSCR tests, interest reserve, recourse, extensions (#19).
- **Property Condition Assessment (PCA) + environmental Phase I** — deferred maintenance vs the \$70K FFE budget (ties to ops complaints).
- **Seller's certified T-12, current rent roll, delinquency report, and the actual PSA** — confirm the Yardi figures used and the contract price (#6).

Round-2 verification additions

#	Item	Finding	Status	Source
7b	Transfer tax allocation	DC custom: BUYER pays 1.45% recordation, SELLER pays 1.45% transfer (combined 2.9%, split). Model's 1.45% is DEFENSIBLE as buyer cost; understated only if Fox pays both sides.	Corrected (was: understated \$1.6M)	DC OCFO; ArentFox Schiff; SmartSettlements
28	NoMa rents (Zumper median, Mar-2026)	Studio \$1,729 / 1BR \$2,355 / 2BR \$3,013	Confirmed	Zumper H St-NoMa
29	NoMa rents (Apartments.com avg)	Studio \$1,842 / 1BR \$2,239 / 2BR \$3,184	Confirmed	Apartments.com
30	ZIP 20002 demographics	69,422 pop; median age 33; median HH income \$120,337 (2024)	Confirmed	unitedstateszipcodes / zipdatamaps
31	Near Northeast renters	61.6% renter-occupied; median income \$98,391	Confirmed	Point2Homes
32	Gallaudet enrollment	Fall 2025 = 1,260 (807 UG / 453 grad), flat YoY (-3), declining over decade	Confirmed	Gallaudet OIR Fall-2025 snapshot