CONFIDENTIAL INVESTOR ANALYSIS

# 180 Rochester Street

Eastside Costa Mesa | Four-Unit Investment Property

## INVESTOR FINANCIAL ANALYSIS

**OFFERING PRICE**

**$2,995,000**

| 4 | $151,020 | $95,602 | 3.19% |
|---|---|---|---|
| UNITS | ANNUAL BASE RENT | NORMALIZED NOI | PRO FORMA CAP RATE |


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The Pirritano Group | Real Estate | Remodel | Design


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LOCATION | CONDITION | RENT DURABILITY | LONG-TERM UPSIDE

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INVESTMENT SUMMARY

# Investment Thesis

| $2,995,000 | $748,750 | $901 | 19.83x |
|---|---|---|---|
| OFFERING PRICE | PRICE PER UNIT | PRICE PER SF | CURRENT GRM |

**A premium, fully occupied Eastside fourplex for investors prioritizing location, asset quality and long-term capital preservation over immediate high yield.**

## Why the asset is differentiated

- Four uniform two-bedroom, one-bath residences serving a broad renter pool.
- Design-forward renovations and limited near-term capital needs support tenant retention and leasing velocity.
- Nine onsite parking spaces provide an uncommon operational advantage for a four-unit infill asset.
- Separate utility metering and established professional management improve predictability.
- Eastside Costa Mesa location near the 17th Street corridor, Newport Beach and major employment centers.
- Current occupancy is 100%, with three units already establishing a $3,200 monthly benchmark.
- Unit D is only $215 per month below parity, creating a modest and understandable growth path.
- Small multifamily scarcity and residential-scale financing broaden the potential buyer pool.

## Investor fit

Best suited for: a 1031-exchange buyer, high-equity private investor or long-term Orange County owner seeking a scarce, turnkey asset with durable renter demand.

Not primarily suited for: a buyer requiring a high going-in yield or aggressive leverage-driven cash flow. The investment case is based on quality, scarcity, income durability and long-term appreciation.

VERIFIED RENT ROLL

# Current Income Profile

| Unit | Configuration | Monthly Rent | Annual Rent | Position |
|---|---|---|---|---|
| A | 2 bed / 1 bath | $3,200 | $38,400 | Current benchmark |
| B | 2 bed / 1 bath | $3,200 | $38,400 | Current benchmark |
| C | 2 bed / 1 bath | $3,200 | $38,400 | Current benchmark |
| D | 2 bed / 1 bath | $2,985 | $35,820 | $215/month below parity |
| **Total** | **4 units** | **$12,585** | **$151,020** | **Currently fully occupied** |

| $12,585 | $3,146 | 100% | $215 |
|---|---|---|---|
| MONTHLY BASE RENT | AVERAGE PER UNIT | CURRENT OCCUPANCY | UNIT D MONTHLY GAP |

## Current schedule versus trailing collections

| Measure | Annual Amount | Interpretation |
|---|---|---|
| Trailing 12-month collected base rent | $132,348 | Reflects prior vacancy and turnover |
| **Current annual scheduled base rent** | **$151,020** | **Based on the present signed rent schedule** |
| Current schedule premium to T-12 | $18,672 | 14.1% above trailing collections |

**The rent-growth case is modest: moving Unit D to $3,200 adds $2,580 annually. Reaching a $3,300 average adds $7,380 annually, only 4.9% above current scheduled rent.**

Investor diligence: Verify all leases, deposits, renewal dates, payment ledgers and the reason for each historical vacancy. Current scheduled rent should be presented separately from trailing cash collections.

NORMALIZED UNDERWRITING

# Year 1 Pro Forma

| Income | Calculation | Annual Amount |
|---|---|---|
| Gross scheduled rent | $12,585 x 12 | $151,020 |
| Utility reimbursements | $65 x 12 | $780 |
| **Gross operating income (GOI)** | **Before vacancy** | **$151,800** |
| Less: vacancy and credit loss | 3.0% of base rent | ($4,531) |
| **Effective gross income** | **GOI less vacancy** | **$147,269** |

| Operating Expense | Basis | Annual Amount |
|---|---|---|
| Property taxes | Approx. 1.1% of purchase price | $32,945 |
| Property management | 5% of collected base rent | $7,324 |
| Insurance | Placeholder pending current quote | $5,000 |
| Repairs and maintenance | Normalized allowance | $3,000 |
| Landscaping | Historical run rate | $1,200 |
| Pest / termite service | Historical run rate | $948 |
| Common utilities | Normalized allowance | $750 |
| Fire, licensing and administration | Normalized allowance | $500 |
| **Total operating expenses** | **Before reserves and debt service** | **$51,667** |

| $95,602 | 3.19% | 64.9% | $23,900 |
|---|---|---|---|
| NORMALIZED NOI | PRO FORMA CAP RATE | NOI MARGIN ON EGI | NOI PER UNIT |

Definition: NOI equals effective gross income less normal operating expenses, including property taxes and insurance. It excludes financing, depreciation, income taxes, owner distributions and capital expenditures. A separate $3,000 replacement reserve would reduce cash flow after reserves to approximately $92,602.

MANAGEMENT RECORDS

# Operating History & Normalization

| Period / Presentation | Operating Income | Operating Expense | Reported NOI |
|---|---|---|---|
| 2025 property-manager statement | $130,756.67 | $11,808.24 | $118,948.43 |
| 2026 YTD through August | $86,298.33 | $16,861.00 | $69,437.33 |
| **2026 YTD excluding remediation** | **$86,298.33** | **$8,811.00** | **$77,487.33** |
| 2024 to July 2026 combined | $314,065.00 | $36,273.39 | $277,791.61 |

## Required normalization

| Item | Treatment | Investor Interpretation |
|---|---|---|
| 2025 security clearing: ($5,390) | Exclude from operating income | Deposit accounting, not rent loss |
| 2025 appliance purchases: $1,069 | Treat as capital expenditure | Not a recurring NOI expense |
| 2026 remediation: $8,050 | Treat as nonrecurring if resolved | Document completion, invoices and warranty |
| **Property taxes and insurance** | **Add to investor expenses** | **Omitted from management statements** |
| Owner distributions / prepaid rent | Exclude from NOI | Cash-account activity, not operations |

**The management-company NOI is useful evidence of low day-to-day operating costs, but it is not the cap-rate NOI. Investor underwriting must include post-sale property taxes, insurance and a vacancy allowance.**

2025 adjusted property-level margin: Adding back security-clearing activity and appliance capital expenditures produces approximately $125,407 before owner-paid property taxes and insurance. This is not a published cap-rate figure; it is a bridge between the manager's books and normalized investor underwriting.

RENT GROWTH

# Upside Scenarios

| Scenario | Monthly Rent | Base Rent | Normalized NOI | Cap Rate | Value at 19.0x GRM |
|---|---|---|---|---|---|
| Current schedule | $12,585 | $151,020 | $95,602 | 3.19% | $2,869,380 |
| Unit D at $3,200 | $12,800 | $153,600 | $97,979 | 3.27% | $2,918,400 |
| **$3,300 average** | **$13,200** | **$158,400** | **$102,403** | **3.42%** | **$3,009,600** |

| +$2,580 | +$7,380 | +$6,801 | $3.010M |
|---|---|---|---|
| ANNUAL RENT AT D PARITY | ANNUAL RENT AT $3,300 AVG. | NOI GAIN AT $3,300 AVG. | VALUE AT 19X STABILIZED RENT |

## Upside pathways

- Bring Unit D from $2,985 to the existing $3,200 benchmark at the next lawful opportunity.
- Preserve design quality and responsive management to support renewal and tenant retention.
- Capture annual rent growth through lease turnover without relying on a major repositioning program.
- Maintain clean leases, utility-reimbursement documentation and a complete rent ledger.
- Investigate additional-unit or ADU potential only through professional site and code review.
- Retain flexibility for a long-term exit to another private-capital or 1031-exchange buyer.

**The $3.01 million stabilized-value case requires only a $615 monthly increase across the property. It does not depend on an aggressive renovation or speculative expansion plan.**

Rent adjustments are subject to lease terms, required notices and applicable law. No future rent level, occupancy or valuation is guaranteed.

MARKET EVIDENCE

# Comparable Sales & Value Support

| Property | Sale Date | Units | Sale Price | $/Unit | $/SF | Relevance |
|---|---|---|---|---|---|---|
| 2048 Garden Ln | Apr 2026 | 3 | $2.855M | $952K | $851 | Eastside upper indicator |
| 375 E 21st St | Apr 2026 | 3 | $2.125M | $708K | $789 | Recent Eastside support |
| 1780 Santa Ana Ave | Feb 2026 | 3 | $2.275M | $758K | $607 | Larger two-bedroom units |
| 2121 Orange Ave | Mar 2026 | 3 | $1.980M | $660K | $955 | High land/location pricing |
| 2271 Pomona Ave | Apr 2026 | 4 | $2.400M | $600K | $727 | Best physical match; Westside |
| 122 Magnolia St | Mar 2024 | 4 | $2.039M | $510K | $829 | Renovated Eastside fourplex |
| 140 Albert Pl | Mar 2024 | 3 | $2.150M | $717K | $829 | Updated Eastside asset |
| **180 Rochester** | **Offer** | **4** | **$2.995M** | **$749K** | **$901** | **Turnkey Eastside subject** |

## Valuation reconciliation

| Method | Calculation | Indicated Value | Interpretation |
|---|---|---|---|
| Repeat-sale GRM | 18.90x x $151,020 | $2.854M | In-place-income baseline |
| Price per unit | $700K-$750K x 4 | $2.800M-$3.000M | Eastside small-asset premium |
| Price per square foot | $850-$900 x 3,325 sf | $2.826M-$2.993M | Closed-sale support |
| Stabilized rent | $3,300 avg. x 12 x 19.0x | $3.010M | Modest rent-growth case |
| **Offering price** | **Upper end of convergence** | **$2.995M** | **Premium but supportable** |

**At $2,995,000, the subject is priced above conventional fourplex yield metrics. The premium is supported by Eastside location, uniform two-bedroom units, nine parking spaces, completed improvements and a credible path to stabilized rent.**

DECISION FRAMEWORK

# Risks, Due Diligence & Conclusion

| Underwriting Issue | Investor Response / Required Verification |
|---|---|
| Low going-in cap rate | Underwrite as a premium location and capital-preservation asset, not a high-yield commodity apartment. |
| Trailing income below schedule | Reconcile signed leases and payment ledgers; document that prior vacancy and turnover are resolved. |
| Post-sale property-tax reset | Confirm the applicable tax-rate area and direct assessments; pro forma uses approximately 1.1%. |
| Insurance estimate | Replace the $5,000 placeholder with an active quote before final investment approval. |
| 2026 remediation expense | Review scope, invoices, completion evidence and any warranty or clearance documentation. |
| Legal units and expansion | Confirm four-unit legality, permits, parking/site plan and zoning. Treat ADU potential as unverified. |

## Pre-acquisition checklist

- All leases, addenda, deposits and tenant ledgers
- Current property-tax bill and tax-rate area
- Insurance declaration and buyer quote
- Utility bills and reimbursement structure
- Renovation and remediation invoices
- Property and termite inspections
- Title, legal-unit and permit verification
- Parking plan and any expansion feasibility

**Investment conclusion: $2,995,000 is a premium but defensible purchase for an investor seeking a scarce, turnkey Eastside fourplex with durable tenant appeal and modest rent upside. The return profile is driven more by location quality, income preservation and long-term appreciation than by immediate cash yield.**

Broker opinion and disclaimer: This analysis is a broker price and investment-positioning opinion, not an appraisal, tax opinion, legal opinion, accounting opinion or guarantee of performance. Rents, expenses, taxes, insurance, square footage, lot size, unit legality, permits, zoning, financing and all third-party data must be independently verified. Property-tax and insurance figures are estimates. Market conditions, financing terms, operating expenses and tenant performance may change.