



# The Vue



## Executive Summary

Strata Capital Companies ("Strata") alongside Impex Capital Group ("ICG") is pursuing an off-market, \$8.5 million investment in The Vue, a 135-unit beach front condominium project to be built in Satellite Beach, FL. The current owner DFI Construction ("DFI") purchased the land 5+ years ago (June 2017) and completed the entitlements/infrastructure yielding a shovel ready project.

### Key Elements:

- DFI acquired the land for the Vue Project in 2017 and **went through a 5-year process to entitle and build out road, utility, and sewer infrastructure.**
- The development is **fully entitled and shovel ready to start construction immediately.**
- The current beach front **land market value is \$21.2 million.**
- The projected sellout revenue yields strong profit upside at a **conservative sales per square foot of \$495**, which is below beach front market value.
- This opportunity has tremendous profit potential **(\$100,000,000 profit)** from condominium sales in a strong market and sub-market. (see project sellout in addendum).
- **Avison Young was engaged to perform an appraisal and feasibility/absorption study** for the project which also provides a multifamily rental fallback analysis. (see market analysis in addendum).
- It's important to note that DFI is not only the General Construction Contractor on this project, but they are also a **partner in the development allowing Strata to build at 10% over cost**

## Project Overview

The Vue development project consists of three condominium towers totaling 433,695 square feet. Each building will have:

- Project aerial - [The Vue Aerial](#)
- 45 condominium units per building (135 beachfront units total in the development)
- Unobstructive beach views.
- 9 floors per building. 7 floors for residential, with the first 2 floors for parking.
- Rooftop pools.



### **Comps and Demand for New Beach Front Construction**

The vast majority of buildings along the Satellite Beach Coastline are older, dated properties in need of renovation or some element of repair. There is a need for newer, more modern construction along the coastline. Strata in conjunction with DFI are currently in the process of building a 10-unit condo project in Satellite Beach, on the coastline with beach front access. This project has achieved the following:

- 100% presales (in only 3 weeks of marketing; 9/27/21 – 10/12/21)
- Average price per square foot of \$540
- Last unit sold at \$657 per square foot, a 22% increase from the average square footage price.

The above results clearly demonstrate the need for newer construction along the coastline as well as the strength of the market.

### **The Vue Project Detail**

The following are the highlights and key information for The Vue project as follows:

- Fully permitted and shovel ready project. Construction can start immediately.
- The market land value (land, entitlements, infrastructure costs) based on a September 2022 appraisal are valued at \$21.2 million dollars.
- 3 buildings will be built totaling 433,695 square feet and comprise 135 luxury beach front condominium units for sale.
- Each building will have 45 condominium units per 9 story tower. The average unit size per condominium will be 3,200+ square feet, with a building total square footage of 144,565 square feet.
- The total construction budget cost of \$95 million or \$215 per square foot has been verified by DFI for the entire project.
- Sales per square foot of \$495 is what Strata is using in our sales projection and is at the low end of the range for this type of new construction property in the Space Coast beachfront market.
- The projected gross sellout of all the units is \$215 million and yields \$100 million profit.
- Average sale price per unit is \$1,490,826.
- The estimated construction and sellout time frame is projected to be 36 months.

### **Sales & Marketing**

Strata has engaged Legacy/Forbes Global Properties (<https://legacyfre.com/>) to run sales & marketing for the development project. Legacy has a rich and distinguished track record for sellout of condominium projects with over 5,000 units sold with a total value over \$3B. Strata and Legacy will work with well-known, respected, top performing sales firms in the market to execute a successful program for the projected sellout of The Vue and has already initiated pre-marketing conversations.

The business plan for sales and marketing involves:

- Hiring the top sales brokers in the region.
- Setting up sales centers to drive presales velocity.
- Utilizing direct targeted marketing through Customer Relationship Management systems.

Based on off-market conversations, the top sales firm in the area has tagged 113 interested clients due to the strong demand for new, beachfront condominiums in the Space Coast.

Strata is also compiling a list based on its experience with the 10-unit condo project that it sold out and conversations with local sales firms. It is anticipated that the majority of buyers will come locally from the Brevard and Orange County areas, specifically from other aging condo buildings as well as residents ready to downsize from single family homes. There is also significant interest from out of state buyers primarily from the Northeast/Midwest climates.



It is important to note that the vast majority of the beach front condominium product available in the Space Coast is 1980's/1990's vintage. Hence, there is pent up demand for new construction, ocean front condominium living in the Space Coast, creating significant interest from locals as well as people from out of state.

The list of potential buyers and people interested in the units for sale will grow exponentially during the true pre-marketing phase.

### **Market/Location**

The Vue is located in the Coastal Brevard Submarket per Co-Star, within the Melbourne FL Market. The Melbourne area is a world-renowned aerospace hub, and those employed in related high-tech, high wage jobs will continue to create demand for residential units including luxury condo, single family and multifamily moving forward as both public and private investment in the US Space Program grows exponentially.

Melbourne has several employment nodes centered on mainstay employers in the aerospace & defense sector such as:

- NASA
- The US Government
- The US Air Force
- Northrop Grumman
- Lockheed
- Space X
- Boeing
- Blue Origin
- One Web

There are many other companies tied to aerospace and exploration as well. Average salaries at these companies range between \$85,000 and \$100,000, which is significantly higher than the area's household median income of \$64k. High-wage job growth has also been supported by government military contracts awarded to well established aerospace firms. By way of example Lockheed Martin, recently relocated 300 employees to the area from California as part of its Fleet Ballistic Missile program.

The Vue property itself is located in Satellite Beach, FL, just south of Coco Beach, off of AIA Highway, a coastal residential area with water frontage along the Atlantic (a three mile stretch of top-quality living and white-sandy beaches). The Vue property is located south of Cape Canaveral and Patrick Air Force/Space Force Base, two of the most important government and private space bases in the country. This area is commonly known as the "Space Coast" given its proximity to the Kennedy Space Center and Cape Canaveral Space Force Station as well as Patrick Air Force/Space Force Base. Historically, all of NASA's launched crewed spaceflights have departed from either Kennedy Space Center or Cape Canaveral and will continue to do so. Cape Canaveral has also launched most of the unmanned military and civilian rockets in the US. Most jobs created in the area are high paying, engineering jobs centered around NASA launches, private rocket launch companies and Air and Space Force technology.

The Vue's primary market area is stable with total income per household within a 3-mile radius above per household income within the county and the central business statistical area. The area benefits from:

- High earning jobs.
- Robust job growth.
- An excellent climate attractive to colder climate primary and secondary homeowners/investors.
- Excellent highway access.
- Close proximity to excellent schools, parks, shopping centers and employment.
- Restaurants and shops line AIA Highway providing quality options and everyday conveniences for the community.
- Melbourne International Airport is just 10 minutes away.



- Orlando International Airport is located about 45 mins away.

The Vue is located on the east side of Highway A1A right on the Atlantic Ocean and will benefit from its location along a mixed-use corridor with water views. Access to the neighborhood is excellent with well-maintained roadways, causeways, and transportation networks.

Per Co-Star, the submarket is home to 2,200 multifamily units. Multifamily vacancy rates for Coastal Brevard were less than 1%, at 0.70% as of Q3 2021 as there is simply too little multifamily product in Coastal Brevard while rents expanded 9% year over year. The Melbourne, FL Market showed a vacancy of 3.98%. Cap rates for Coastal Brevard was 5.29% and 4.74% for Melbourne indicating strong housing demand in the market and a need for new construction.

Per the report, the Coastal Brevard Submarket has no new rentable units under construction. The empty pipeline will limit supply pressure and keep vacancies low, boding well for multifamily fundamentals in the near term. Vacancy rates have compressed 10% over the past year from 1.7% to .7%, remaining below the 10-year average of 2.8% and below the market average of 4%.

### **Absorption**

Based on the appraisal data, market sales volume and continually strengthening demographic trends, it is projected that the completed for-sale residential condo units would be steadily absorbed. The absorption rates from several recent developments offer support for this expectation. We estimate the most likely absorption for the project being +/- 4 units per month. This is based on the following:

- Research from several recently completed new multi-family sales in the most similar/nearby communities.
- Strata's most recent experience in Satellite Beach.
- Avison Young Report.

Below are some comparable building statistics in the market area that support our estimate:

- 951 Ocean Ave, Satellite Beach: 10 units all pre-sold, **9 of which sold out in 2 weeks of preleasing** with the 10<sup>th</sup> deliberately held back. 9 units per month.
- Oceana Oceanfront North, Satellite Beach: 51 units closed over 8 months in 2019 = **6.4 per month**.
- 2795 Ocean, Indialantic: 16 units all under contract in 2020 in 8 months.
- The Surf, Cocoa Beach: 25 units. (17 under contract in second half of 2021 - 2.83/months. The remaining in Q1 2022 - 2.67/months).

Strata engaged Avison Young to perform an independent market, absorption and appraisal study on The Vue. The Avison Young analysis indicates strong demand for:

- New beachfront condo units in the area
- New high-end homes.

Given the anticipated timeline for the development of The Vue property, there are 36 months until completion of construction, during which time the marketing and pre-selling of residences is possible. With 135 condominium units, it is projected that +/- 75% could be pre-sold by end of construction, assuming normal market conditions and pre-sales beginning in the second quarter of the analysis. This represents a modest rate of approximately 2.8 units per month under contract between the date of value and the completion of construction. The remaining 25% would be absorbed over a 12-month period after completion of construction. Based on Strata's local market knowledge, successful sellout of its current condo project, and sales & marketing relationships with top market participants, The Vue is well positioned to achieve 5 units per month over 3 years.

### **Zoning**

The Vue property is zoned RM-3, Residential Mixed use which permits duplex, multifamily, condos, resort dwelling rental. Highest and best use of the site as if vacant is to develop a multifamily apartment or



condominium building.

### **Market Outlook**

Strong economic growth and a drastically improving public health situation helped boost multifamily fundamentals over the first three quarters of 2021 in the Melbourne, FL market area. In fact, multifamily demand has grown at a significantly faster pace during the last two years in the market than at any point in the previous decade. For perspective, annual net absorption in Melbourne averaged just over 200 units for the period from 2012 to 2018, then increased to over 600 units in 2019. Following the initial lockdown period early in the pandemic, the absorption of apartments in Melbourne increased significantly, growing to an annual total of just under 2,100 units by the end of 2020. Trailing 12-month performance as of 22Q1 has also been strong with approximately 680 units absorbed as Melbourne is well positioned to benefit from recent national net migration trends. Also, due in part to its more affordable real estate climate than neighboring Orlando (also one of the top, fastest growing economic areas in the US), the area was recently ranked as one of the nation's 10 most undervalued housing markets by the National Association of Realtors. It also ranked No. 4 on U.S. News & World Report's recent ranking of the top places to retire in the U.S.

There have also been several significant new business announcements in Melbourne over the past year. Perhaps the most noteworthy of which involves Terran Orbital Corp's plans to invest \$300 million in a satellite manufacturing facility that will create 2,100 high-wage jobs. Headquartered in Boca Raton, Florida, and Torino, Italy, Terran Orbital will create the jobs by the end of 2025. The new facility will be constructed at Cape Canaveral Spaceport and the first phase will include 660,000 square feet of space with plans to build 1,000 satellites each year.

Additionally, E-commerce giant Amazon has been rapidly expanding its footprint across the state of Florida, and the Melbourne area is home to new projects. The company is constructing a delivery station in Melbourne on a 65-acre site situated at West Eau Gallie Boulevard and Sarno Road, and recently completed construction on a 201,475-square foot last-mile distribution center on 28.2 acres at 3655 Grissom Pkwy.

GenH2, currently based out of Exploration Park at Kennedy Space Center, is preparing a \$35 million headquarters campus in Titusville on the former site of an automotive property. Site plans call for the redevelopment of an existing building into 60,000 square feet of lab and offices, 100,000 square feet of manufacturing area, and an observation deck for demonstrations and rocket launches.

Also, The Melbourne Orlando International Airport (MLB) is underway on a terminal renovation and expansion project that includes \$72 million in upgrades, including the addition of 86,000 square feet of new facilities.

With the lack of housing supply, positive job growth as well as demand and rent growth indicators surging, investors' confidence in the area's multifamily residential sector continues to surge. Multifamily fundamentals in the Submarket indicate the Submarket has been aided by a decrease in inventory, compressing vacancy rates over the past year. With vacancy rates compressing, quarterly growth in 2021 Q3 reached 3.3%, pushing annual growth to 9.0%.

Looking ahead to the near-term, given the area's strong multifamily supply and demand fundamentals, it is likely that demand will continue to pick up with rents and prices accelerating further. Furthermore, an almost empty supply pipeline will allow for further vacancy rate compression. With fundamentals improving, values will likely continue to expand.

### **Project Financing:**

Strata has received several term sheets from national lenders to provide construction financing. Preliminary debt leverage terms provide up to 75% loan-to-cost (LTC). Given the significant land value that will be contributed to the capital stack, the sponsorship group is in a favorable position to negotiate terms which will maximize project returns.

### **Overview: Strata Capital Companies**

Strata Capital Companies is a fully integrated real estate company with extensive experience and capabilities in real estate:

- Acquisition and development
- Repositioning
- Asset management



- Off-market deal sourcing
- Financing of multifamily, condos, and other rental property.

The principals have combined 60+ years of experience with a deep track record of successful real estate transactions including:

- Acquisition and management of 650+ multifamily units located in Texas, Arizona, and Colorado
- Current development projects include:
  - Boutique 10-unit beach front condominium (presold) in Satellite Beach, FL
  - Mixed-use residential property consisting of 49 market rental units and 10,000 SF of ground retail located in Connecticut
  - Master plan joint venture Build-to-Rent community with amenities totaling over 1,900 homes in Texas
- The Members have owned and co-invested in 30,000 multifamily units nationally consisting of market rate and affordable housing
- The Members have developed over 5,000 units in the southeastern US

**Overview: DFI**

DFI is a third-generation development/design/build firm located in Palm Bay, FL. Established in 1987, DFI is a market leader in east central Florida region offering its customers a team of over seventy-five full-time employees to ensure consistent performance and sensitive customer service. DFI offers a suite of services as a licensed General Contractor including:

- Design build
- Project management
- Structural steel fabrication
- Site development
- Concrete work
- Architecture & design
- Cost estimating & value engineering

DFI has completed over 2,000 development projects in 36 states over 33 years. DFI uses a unique business model that puts it firmly in control of its operations and has a pool of tradesmen who are employed by the company, allowing DFI to limit subcontracting and save on middleman markup. The company also owns, maintains, and operates millions of dollars’ worth of construction equipment from cranes to welding units.

**Development Track Record: Existing and Completed Condo Developments**

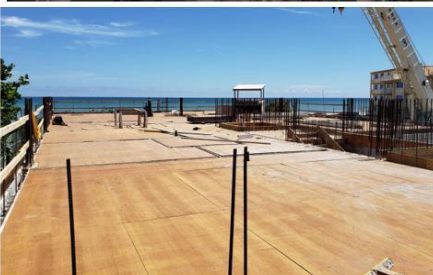
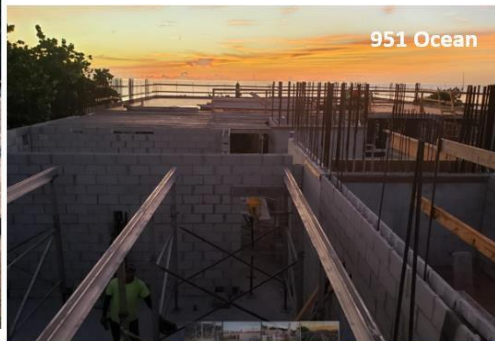
Below are select recent developments that provide a breath of Sponsor’s residential pipeline in the subject’s market demonstrating experience completing high-end residential projects.

**Most Recent Development Projects**

| Name                              | City                | Units | Completion Date/Estimated Date |
|-----------------------------------|---------------------|-------|--------------------------------|
| Paramount Riverfront Condominiums | Melbourne, FL       | 68    | December 2020                  |
| Palm Beach Condos                 | Indialantic, FL     | 27    | August2021                     |
| Grand Oaks Condos                 | Suntree, FL         | 296   | May2021                        |
| 951Ocean Ave                      | Satellite Beach, FL | 10    | March 2023                     |



|                          |               |     |                     |
|--------------------------|---------------|-----|---------------------|
|                          |               |     |                     |
| Radisson at Coma Village | Coma Beach    | 122 | April 2024          |
|                          |               |     |                     |
| The Station              | Kissimmee, FL | 324 | Entitlement Process |





## Pictures/Renderings: The Vue







UNIT A - 3,219 SF



UNIT B - 3,282 SF



UNIT C - 3,225 SF



UNIT D - 2,926 SF



UNITE- 6,509 SF



UNITF-6,168SF



UNITG-3,132SF



## Project Sources & Uses:

| Property Description |                    |
|----------------------|--------------------|
| Property Locations   | Satellite Beach FL |
| Type                 | Condominiums       |
| Units                | 135                |
| Closing Date         | 3/28/2023          |

| Sources and Uses                   |                      |                |                  |             |
|------------------------------------|----------------------|----------------|------------------|-------------|
| Sources                            | Amount               | PSF            | Per Unit         | %           |
| Senior Loan                        | \$83,680,973         | \$193          | \$619,859        | 75%         |
| Sponsor Equity (Market Land Value) | \$21,200,000         | \$49           | \$157,037        | 19%         |
| Sponsor Cash Equity                | \$6,699,449          | \$15           | \$49,626         | 6%          |
| <b>Total Sources</b>               | <b>\$111,580,421</b> | <b>\$256.8</b> | <b>\$826,522</b> | <b>100%</b> |

| Uses                        |        | Amount               | PSF            | Per Unit         | %           |
|-----------------------------|--------|----------------------|----------------|------------------|-------------|
| Construction Cost           |        | \$92,743,985         | \$213.4        | \$686,992        | 83.1%       |
| Soft Costs                  |        | \$500,000            | \$1.2          | \$3,704          | 0.4%        |
| Aggregate Municipal Fees    |        | \$686,600            | \$1.6          | \$5,086          | 0.6%        |
| Construction Management Fee | 5.0%   | \$4,637,199          | \$10.7         | \$34,350         | 4.2%        |
| Developer Fee               | 2.0%   | \$1,854,880          | \$4.3          | \$13,740         | 1.7%        |
| Lenders Legal               |        | \$75,000             | \$0.2          | \$556            | 0.1%        |
| Borrower's Legal            |        | \$75,000             | \$0.2          | \$556            | 0.1%        |
| Lender Fee                  | 2.0%   | \$1,673,619          | \$3.9          | \$12,397         | 1.5%        |
| Syndication Legal           |        | \$25,000             | \$0.1          | \$185            | 0.0%        |
| Broker Fee - Debt           | 1.0%   | \$836,810            | \$1.9          | \$6,199          | 0.7%        |
| Third party reports         |        | \$50,000             | \$0.1          | \$370            | 0.0%        |
| Title and Survey            | 0.2%   | \$167,362            | \$0.4          | \$1,240          | 0.1%        |
| Interest Reserve            | 24 mos | 5,028,633            | \$11.6         | \$37,249         | 4.5%        |
| Sales/Marketing Budget      | 1.5%   | \$3,226,333          | \$7.4          | \$23,899         | 2.9%        |
| <b>Total Uses</b>           |        | <b>\$111,580,421</b> | <b>\$256.8</b> | <b>\$826,522</b> | <b>100%</b> |

| Finance Assumptions  |                   |           |
|----------------------|-------------------|-----------|
|                      | Construction Loan | Mezz Loan |
| Total Loan Amount    | \$83,685,316      | \$0       |
| Loan to Cost         | 75.00%            | 0.00%     |
| Current Spread       | 0.00%             | 0.00%     |
| Initial 30 mo. SOFR  | 0.00%             | 0.00%     |
| Accrued              | 10.00%            | 0.00%     |
| Total Rate           | 10.00%            | 0.00%     |
| Term (2+1)           | 3 Years           | 3 Years   |
| Interest Only Period | 3 Years           | 3 Years   |



## Pro Forma Cash Flow & Investor Return:

| Condo Sale Assumptions    |                |
|---------------------------|----------------|
| Sale PSF                  | \$215,088,885  |
| SF                        | \$495.00       |
| Gross Sale Value          | \$215,088,885  |
| Time to Sellout           | 36 Months      |
| Cost of Sale              | 6.0%           |
| Marketing Expense         | 2.0%           |
| Entrepreneurial Incentive | 7.0%           |
| Net Sale Value            | \$ 182,825,552 |

| Condominium Schedule |                    |                       |              |                |
|----------------------|--------------------|-----------------------|--------------|----------------|
| count                | Unit               | Buyers retail price   | Buyers \$PSF | Int. Sq Ft.    |
| 6                    | 3 Br / 3 Ba        | 7,983,360             | 495          | 16,128         |
| 120                  | 3 Br / 3.5 Ba      | 180,988,830           | 495          | 365,634        |
| 9                    | 6 Br / 5.5 Ba      | 26,116,695            | 495          | 52,761         |
| <b>135</b>           | <b>Condo Units</b> | <b>\$ 215,088,885</b> | <b>495</b>   | <b>434,523</b> |
| <b>135</b>           | <b>Total</b>       | <b>\$ 215,088,885</b> | <b>495</b>   | <b>434,523</b> |

### Projected Cash Flow Summary - Annual

| Year | 0         | 1         | 2         | 3         | 4         | 5         |
|------|-----------|-----------|-----------|-----------|-----------|-----------|
| Date | 3/28/2023 | 3/28/2024 | 3/28/2025 | 3/28/2026 | 3/28/2027 | 3/28/2028 |

#### Condominium Sales

|                           |            |                     |                      |                      |            |            |
|---------------------------|------------|---------------------|----------------------|----------------------|------------|------------|
| Sale of Condos            |            | 40                  | 60                   | 35                   | 0          | 0          |
| Remaining                 |            | 95                  | 35                   | 0                    | 0          | 0          |
| Recognized Condo Sales    |            | 0                   | 0                    | 226,888,978          | 0          | 0          |
| Total Sales Cost          |            | 5,207,511           | 8,078,298            | 4,865,309            | 0          | 0          |
| Total Operating Cost      |            | 227,032             | 233,843              | 240,858              | 0          | 0          |
| Entrepreneurial Incentive |            | 2,346,695           | 2,346,695            | 2,346,695            |            |            |
| <b>Net Sales Proceeds</b> | <b>\$0</b> | <b>-\$7,781,238</b> | <b>-\$10,658,836</b> | <b>\$219,436,115</b> | <b>\$0</b> | <b>\$0</b> |

#### Construction Loan

|                                 |          |                   |                   |               |          |          |
|---------------------------------|----------|-------------------|-------------------|---------------|----------|----------|
| Beginning Balance               | -        | -                 | 42,143,565        | 88,002,833    | -        | -        |
| Draw                            | -        | 33,524,221        | 33,524,221        | 33,524,221    | -        | -        |
| Total Beginning Balance         | -        | 33,524,221        | 75,667,786        | 121,527,054   | -        | -        |
| Interest Rate                   | -        | -                 | -                 | -             | -        | -        |
| Accrued ("Reserve")             | -        | 838,106           | 1,676,211         | 2,514,317     | -        | -        |
| Repayment                       | -        | 7,781,238         | 10,658,836        | (121,527,054) | -        | -        |
| <b>Ending Beginning Balance</b> | <b>-</b> | <b>42,143,565</b> | <b>88,002,833</b> | <b>-</b>      | <b>-</b> | <b>-</b> |

#### Project Level Cash Flow

|  |                     |            |            |                     |            |            |
|--|---------------------|------------|------------|---------------------|------------|------------|
| <b>Total Net Distributions to Equity</b> | <b>(15,799,449)</b> | <b>\$0</b> | <b>\$0</b> | <b>\$97,909,061</b> | <b>\$0</b> | <b>\$0</b> |
|--|---------------------|------------|------------|---------------------|------------|------------|

#### Return Analysis at Deal Level

|                 |              |
|-----------------|--------------|
| IRR             | 83.7%        |
| Equity Multiple | 6.20x        |
| Profit          | \$82,109,612 |