

Project Representation

OSRG has extensive experience in representing builders and developers on for sale projects in and around the Metro Richmond area. Our team has a combined 45 years experience selling new homes, townhouses and condominium projects.

Our team not only brings knowledge of the sales process, but also the development and construction process. This knowledge is applied in staging models, décor, pricing, reviewing plans and layouts and making suggestions to make the product more marketable. Likewise, our knowledge of the construction process gives us the ability to answer questions about feasibility of modifications and setting realistic expectations about completion times and modification costs. Our developers and builders rely heavily upon our team to answer these questions in the field so that the contracts offered are realistic and the sales process is smoother.

It is our promise to you that the agents of OSRG are:

- Present for all showings to give specific and accurate feedback about the buyer's reaction to their project. This feedback is paramount in developing the strategy that will enable the product to be absorbed quickly and for the best price.
- Knowledgeable of the competitive marketplace so that the buyers and their agents understand the strengths of your project and the weaknesses of your competitors.
- Knowledgeable about the current mortgage market and products so that creative use of concessions and contract structures can be used to aid in qualification of potential buyers.
- Available by phone and flexible with their schedule so that inquiries by the agent community and the public are addressed promptly.
- Ethical and professional to represent your project as it should be represented.
- Diligent in providing weekly updates as to activity levels and marketplace changes.

Ashley Terrace – A Case Study

In 2005, an offering package was circulated for a 176 unit apartment complex in central Henrico County off Chamberlayne Avenue just north of the City of Richmond. The apartment complex was visited by nearly every ownership group in the Metro area and received no offers.

OSRG took a development group to the property and immediately saw the potential to convert the project from apartment ownership to a condominium structure to fill the affordable housing need in Henrico County.

OSRG was tasked with the following:

- develop a marketing plan
- develop a conversion plan
- manage the leases to create vacancy for the conversion in way to minimally impact NOI
- structure the ownership in the most tax favorable manner



ASHLEY TERRACE

The following recommendations were suggested:

The Marketing Plan - A plan was developed that focused the following:

- Education the Realtor community to look for condominiums in zone 32. The agent community is accustomed to searching condominiums/townhouses in zones 10, 20, 22 and 34 north of the river and for affordable single family housing in 30 and 32, but not affordable condominiums. In effect, the marketing plan had to change the way the agent community searched.
- Educating the tenants on the benefits of home ownership.
- Raising awareness of the project itself as a value-oriented homeownership opportunity in Henrico County

The Conversion Plan – OSRG suggested a phased conversion plan that incorporated 6 phases over the course of 5-7 years for the following reasons:

- This strategy allowed the developers to continue to operate the remaining phases as apartments and continue to receive income on the property to carry acquisition and renovation debt.
- It allowed Fannie Mae and Freddy Mac warrantability requirements to more easily be met.
- It prevented the developers from putting undue pressure on themselves by experiencing high vacancy and multiple availabilities.
- By phasing the project, the developer was able to maintain an apartment tax assessment and not a condominium value.



Lease Management – We explored the current leases and suggested a lease expiration structure to minimize vacancy in the following manner:

- We examined each phase and began to manage the leases to expire at a rate allowing 30 days for renovation to have vacancy occur in the peak months of April through September. This often occurred 18 – 24 months in advance.
- We designated certain units and certain long term tenants as “investor sale targets” and provided incentive for those tenants to extend their leases and/or relocate within the complex
- We matched the lease expirations to the historical absorption rates for the sub market.

Tax Structures – In order to minimize taxable income, we recommended a multiple LLC strategy that isolated the dealer property from the long term gain property for the following reasons:

- By maintaining the undeveloped property as apartments under one tax parcel, the developers have the option of multiple exit strategies including a 1031 tax deferred exchange or an inter-partnership buy- out with long term gain treatment of the undeveloped units.
- The developer was also able to assign a greater portion of basis to the condominium units to minimize the current tax exposure on the individual unit sales.

As of March 2008, the project is approaching the closing of Phase II with 60 sales. The developers have all recovered any initial cash investment and current NOI has supported a cash-out refinance over and above the initial outlay. The NOI still covers the monthly debt obligation and renovations are done out of current cash flows.