

Pro Forma Overview Memorandum

Ironpoint Commerce Park · 151,600 SF / 10-Suite Small-Bay Industrial Park (1998 vintage; mark-to-market lease rollover program) · [Market, ST]

To:	Ironpoint Industrial Partners, LLC (Client)	Reference:	FCO-IND-001
From:	Fernandes & Company	Engagement:	Internal Decision-Making Pro Forma · Industrial Value-Add
Re:	Model structure, mechanics & sample-deal results	Date:	[Month D, YYYY]

Purpose & What This Template Is

This memorandum accompanies **Ironpoint Industrial ValueAdd ProForma SAMPLE.xlsx**, Fernandes & Company's internal decision-making pro forma template for **value-add industrial acquisitions of 10,000–250,000 SF** (small-bay through mid-size multi-tenant assets). It is the template we use to decide whether a deal is worth pursuing before any external package is produced: one Inputs tab and a suite-level Rent Roll drive a 132-month engine, three scenario cases, a full LP/GP waterfall, live sensitivity data tables, and a one-page dashboard.

The workbook ships loaded with a fictional sample deal — Ironpoint Commerce Park, a 151,600 SF, 10-suite small-bay park bought below market rents with one vacant spec suite — so every mechanism can be seen working. Swap the Rent Roll and Inputs for a real deal and the entire model, waterfall, sensitivities and dashboard re-run. A companion Assumptions Memorandum lists every assumption behind the sample figures.

Model Architecture (nine tabs)

Tab	What it does
Cover	Engagement framing and a how-this-model-works guide for anyone opening it cold.
Dashboard	Key outputs for the active scenario, three-scenario comparison (live data table), seven charts, model integrity checks.
Inputs	The single input tab: scenario selector, acquisition & capital program, debt (senior / refi / mezz), waterfall, scenario grids, operating expenses.
Rent Roll	Suite-by-suite lease inputs: SF, lease end, in-place NNN rent, escalations, market rent, renewal probability; EV TI/LC per rollover; WALT, mark-to-market and rollover profile.
Annual CF	Fiscal-year rollup with KPIs (economic occupancy, contract vs. market PSF, expense ratio, NOI PSF, DSCR, debt yield) and unlevered / levered returns.
Monthly CF	The 132-month engine: suite-level revenue, recoveries, expenses, TI/LC, capital program, all three loans, levered cash flow.
Debt	Sources & uses, senior sizing tests (LTC / DSCR / debt yield), the refinance module, annual debt schedule, covenant test, exit LTV.
Waterfall	Annual European (whole-fund) waterfall: pref, two IRR hurdles, residual split; LP / GP cash flows, promote, integrity check.
Sensitivity	Six live Excel data tables plus override driver cells; red/green shading vs. pref and covenant.

Read-through. Convention throughout: blue on yellow = input, black = formula, green = cross-tab link, gold = key output. Nothing outside Inputs and the Rent Roll needs to be touched; every other tab is formula-driven, so the model recalculates end-to-end when an input changes.

How the Engine Works

Revenue is lease-driven, not unit-driven. Each suite carries its in-place NNN rent, escalating on the anniversary of closing, until lease end. At expiry the model applies an **expected-value rollover**: the tenant renews with probability p (renewal TI/LC, no downtime) or vacates (scenario downtime months, then market rent with new-lease TI/LC); the two outcomes are probability-weighted into one deterministic cash flow, so results move smoothly instead of jumping on binary renew/vacate switches. Vacant-at-close suites are the same mechanism with $p = 0$. Market rents grow on the scenario grid; a general vacancy & collection allowance covers later-term rollovers and credit loss on top of the explicit first-generation downtime.

NNN recoveries. Taxes, insurance and CAM lines each carry a recoverable %; tenants reimburse the pool pro rata on occupied SF at a slippage factor. The management fee is excluded from the pool (conservative). TI & leasing commissions are real cash below NOI at each rollover — they hit unlevered cash flow but not the exit-NOI valuation, which is standard buyer convention.

Capital program. The base-building budget (roof, truck court, LED, dock packages, spec-suite shell, deferred maintenance) plus a scenario contingency is equity-funded into a reserve at closing and drawn over the program months, so sources & uses are fixed on day one and no mid-hold capital calls are modeled.

Debt. A fixed-rate senior acquisition loan is sized on LTC with an IO period, then tested against DSCR and debt-yield covenants. An optional mezzanine tranche toggles on/off. The **refinance module** retires the senior (and mezz) at a chosen month, sized at the lower of LTV on appraised value (forward-12 NOI at exit cap + spread) and a minimum debt yield — and it executes only when proceeds cover the payoff (**no cash-in refi**): if the sized loan falls short, the acquisition loan simply runs to exit and amortizes after IO. Net refinance proceeds flow through the waterfall like any other distribution.

Scenarios and sensitivities. The selector on Inputs (1 = Average, 2 = Best, 3 = Worst) switches every scenario-driven input at once: vacancy by year, market rent growth, downtime, vacant-suite lease-up, exit cap, contingency, inflation and other income. The Sensitivity tab runs six real Excel data tables (exit cap $\times$ hold, market rent $\times$ vacancy, price $\times$ senior rate for LP IRR, minimum DSCR and LP multiple) on top of whichever scenario is active.

Sample Deal Results — Base Case (Average scenario)

Metric	Value	Metric	Value
Purchase price / PSF	\$16,400,000 / \$108.18	Levered IRR / multiple	13.4% / 1.81×
Total capitalization / equity	\$19,165,040 / \$7,261,040	LP IRR / multiple / profit	12.7% / 1.76× / \$4,943,690
Capital program (incl. contingency)	\$1,936,000	GP IRR / promote	19.0% / \$350,472
Mark-to-market on occupied suites	16.0%	Unlevered IRR / multiple	9.4% / 1.52×
WALT at close	3.4 yrs	Going-in cap / stabilized YoC	5.92% / 6.38%

Senior loan (62.5% LTC, IO 36 mo)	\$11,904,000	Min DSCR / covenant	1.52× / PASS
Refinance (mo 36, executed)	\$12,518,000 · net \$488,820	Exit value (yr 5, 6.00% cap) / PSF	\$23,722,809 / \$156.48

Read-through. The sample buys \$108.18 PSF at a 5.92% going-in cap on 90.5% occupancy and ~16% below-market rents with a 3.4-year WALT. Value is created by rolling ten leases to market over years 1–6, leasing the spec suite, and a \$1,936,000 base-building program — contract rent climbs from \$8.16 to \$9.26 PSF by year 3 while NNN recoveries hold the expense ratio near 30.9%. The refinance at month 36 returns \$488,820 of equity; the exit prices the forward-12 NOI at 6.00%. Year-1 cash-on-cash is thin (0.8%) — vacancy, first rolls and TI/LC land early, which is why the working-capital reserve exists; cash-on-cash normalizes to ~4.6% by year 3 and the deal is back-weighted to the refi and exit.

Scenario Range

Scenario	Unlev. IRR	Lev. IRR	LP IRR	LP mult.	Min DSCR	Covenant	Net refi proceeds	Exit value
Average (Base) vac 3.0% → 2.0% · rent gr. 3.25% → 2.75% · downtime 6 mo · exit 6.00%	9.4%	13.4%	12.7%	1.76×	1.52×	PASS	\$488,820	\$23,722,809
Best (Upside) vac 2.0% → 1.5% · rent gr. 4.0% → 3.0% · downtime 4 mo · exit 5.75%	11.1%	17.2%	15.5%	1.93×	1.47×	PASS	\$1,372,450	\$25,458,876
Worst (Downside) vac 5.0% → 3.0% · rent gr. 2.0% → 1.75% · downtime 9 mo · exit 6.50%	6.7%	6.9%	6.9%	1.38×	1.40×	PASS	—	\$20,866,888

Read-through. The spread is governed by the exit cap and the rent ramp, with leverage amplifying both directions. In the Worst case the refinance sizes below the senior payoff and is **skipped** under the no-cash-in rule — the acquisition loan amortizes from month 37 and minimum DSCR tightens to 1.40× but still passes the 1.20× covenant at this moderate leverage; the downside shows up in returns (LP 6.9%, 1.38×) rather than solvency. The promote washes out entirely below the pref — the GP earns co-invest only in the Worst case. That asymmetry (base 12.7% vs. worst 6.9%) is the honest picture an investment decision should price.

How to Drive It

Set the scenario at Inputs!C6 and everything follows. Edit suite-level lease terms on the Rent Roll (SF, lease ends, in-place rents, market rents, renewal probabilities) and deal-level terms on Inputs. Toggle the refinance and mezzanine on or off in their Inputs sections. The Sensitivity tables and the Dashboard scenario comparison are real Excel data tables: if Excel's calculation mode is 'Automatic except data tables', press F9 to refresh them. The Dashboard's Model Integrity panel (sources = uses, waterfall ties, input ranges, sizing tests, debt repaid at exit, refi sizing) should read all-OK before any output is relied on; the Rent Roll's lease-data check guards the suite table. Template ranges: 10,000–250,000 SF total, 3–10 year hold, ten suite slots (set unused slots' SF only after consolidating — the checks expect ten populated rows).

Basis of Presentation

Basis of presentation. All assumptions and inputs reflected in the accompanying model and in this memorandum were provided by the Client. Fernandes & Company has modeled those inputs as provided and has **not** independently verified, re-underwritten, audited, or reviewed source documents to confirm them. This engagement does not include market research, rent or sales comparable analysis, capital-program scoping or cost estimating, property condition or environmental review, feasibility, or lease/document review. Any placeholder Fernandes & Company proposed for a missing input is not an independently researched market assumption and remains the Client's to approve. The figures herein are the Client's inputs and the arithmetic that follows from them; they are not a Fernandes & Company opinion of value, a forecast, or investment advice. This document is a SAMPLE prepared to illustrate deliverable format and depth; every input is an illustrative placeholder.