Executive Summary – Bulverde Oaks

In today’s economy every dollar earned should be invested carefully and properly. Many choose to forgo any type of investment due to the erratic and at times dismal performances the different markets seem to be producing. This, in turn, does not help anyone during the “recovery” phase we have been thrust into. Banks are fearful to lend to promising entrepreneurs and an effect of that is no new business is being created to stimulate the economy. In an effort to create growth in the economy, and most importantly in our pockets, we as an LLC will pursue an opportunity to invest in the real estate market. Although this sector of the economy seems to have been hit the hardest during this recession, all our research shows a steady market and, in the recent past, some growth in the real estate development field.

The majority of the growth and stability seems to be occurring in the multifamily residential sector of the real estate market. Although at times the growth may not seem very substantial, compared to the quantitative and qualitative information gathered for the market as a whole, the multifamily sector seems to be the right choice for our level of experience and knowledge.

The site chosen to be the future site of our development project is located in the Bulverde Oaks master planned multi-use property, Tract #8, in the North Central sector of San Antonio, which lies East of Bulverde Road and just North of Loop 1604. Features include attractive landscape with mature oak and vegetation that give it that "Hill Country" feel. Our team believes this area has class “A” development potential. The infrastructure in the area is well suited for the size/scope of our project as well.

In our heads, our vision is almost a reality, but the true test is if what we envision will look as good on paper. Thus a feasibility study was conducted and the results were disappointing to say the least. We ran a number of different scenarios from the original to determine if we could somehow create a more profitable situation. In the first, we raised rental rates and added garages to create extra revenue. Our after tax IRR increased but was still far from what is deemed feasible. For the second, we decided to lower our vacancy and collection rates in hopes of reaching a level of cash flows which would make this development feasible. Although this adjustment increased our after tax IRR, it failed to raise it to the desired level we felt our project needed in order to be successful. The lack of financing options and high construction costs were factors we believe contributed to our low cash flows. A lack of knowledge and experience in handling a project of this size could have also played a role.

In the end, our project was not as profitable as we would have hoped and did not reach a level of profitability required to label this project feasible. With the experience and knowledge gained through this process we are confident that we can create and manage a successful development in the future.