

REAL ESTATE FEASIBILITY STUDY

Subject Property	133 Galveston PI SW, Washington, DC 20032 Square 6239, Lot 0089
Owner	O'Rayon McKnight
Purpose	Assessment of the economic feasibility of three residential development scenarios for the subject property
Prepared By	Embolden Real Estate LLC
Date	May 7, 2026

This study was prepared by Embolden Real Estate LLC for informational purposes only. All projections are estimates based on available market data as of the date of preparation and are subject to change without notice. Embolden Real Estate LLC does not guarantee any particular development outcome.

EXECUTIVE SUMMARY

This feasibility study analyzes the economic viability of three residential development scenarios for the property located at 133 Galveston PI SW, Washington, DC (the "Property"): (A) renovation as a single-family residence with five bedrooms; (B) renovation as a two-unit building consisting of one primary unit and one accessory dwelling unit (ADU) each 3 bedrooms with a den; and (C) conversion to a four-unit residential building. The three scenarios represent a range of development programs, from the least intensive to the most intensive use of the Property.

The analysis draws on current submarket rental data, construction costs as provided by the owner's general contractor, Build King, and prevailing return thresholds for residential development. Financial performance is evaluated using multiple metrics, led by unlevered yield on cost -and each scenario is assessed against those benchmarks.

	Scenario A: Single Family (5-BR)	Scenario B: 1 Unit + 1 ADU	Scenario C: 4-Unit Building
Net Operating Income (NOI)	\$35,885	\$31,456	\$38,064
Total Development Cost (TDC)	\$1,079,764	\$1,013,984	\$844,948
Yield-on-Cost	3.3%	3.1%	4.5%
Market Benchmark	7.0%–8.0% (cap rate)	7.0%–8.0% (cap rate)	7.0%–8.0% (cap rate)
Feasibility Finding	Not feasible - deficit \$605K	Not feasible - deficit \$514K	Not feasible - deficit \$95K

Of the three scenarios analyzed, Scenario C, conversion to a four-unit residential building, produces the highest net operating income, the lowest total development cost, the smallest equity deficit, and the yield on cost nearest the market benchmark. It is consistent with the existing four-unit development pattern

on the subject block and represents the minimum program that could approach a market-standard return under current conditions.

1. PROPERTY & DEVELOPMENT CONTEXT

1.1 Property Description

Property Address	133 Galveston PI SW, Washington, DC 20032
Square / Lot	Square 6239, Lot 0089
Lot Area (sf)	~4,536 sf (0.10 acres)
Gross Building Area (sf)	2,720 sf
Year Built	1943
Construction Type	Brick
Current Zoning Classification	R-2
Acquisition Price	\$470,000 (April 2024)
Current Occupancy	Vacant - no income currently being generated

1.2 Current Economic Position

The Property was acquired in April 2024 at a purchase price of \$470,000. That acquisition cost is treated throughout this analysis as a fixed input -it represents capital already deployed and is not subject to reduction. Across all three development scenarios, the acquisition price constitutes the single largest component of total development cost and is the primary driver of the feasibility gap between projected income and required investment.

As of the date of this study, the Property is fully vacant and generating no rental income. The owner is actively carrying holding costs, including mortgage obligations, property taxes, and insurance, without any offsetting revenue. This circumstance is a relevant context for the financial analysis: the feasibility question is not solely prospective. The owner is sustaining an ongoing, documented economic burden on an asset that, under its current zoning classification, cannot generate sufficient income to support the capital invested.

1.3 Existing Development Pattern

The subject block of Galveston PI SW is characterized by small residential buildings, the majority of which contain multiple units. Confirmed sales data for 58 Galveston PI SW and 64 Galveston PI SW -both located on the same block as the subject property, reflect four-unit residential buildings constructed in 1944, consistent with the predominant building type along this street. Scenario C, which proposes conversion of the Property to a four-unit residential building, is therefore consistent with the existing scale and use pattern of the immediate block. This observation is factual in nature and does not constitute a determination of any regulatory or zoning matter, which is addressed separately by legal counsel.

2. METHODOLOGY

Embalden conducted a side-by-side financial analysis of three development scenarios. For each scenario, the analysis estimates: (i) the development program and associated costs; (ii) projected stabilized rental income based on current market conditions; (iii) estimated operating expenses and net operating income; and (iv) a suite of return and feasibility metrics described below.

2.1 Primary Return Metric: Yield on Cost

Yield on cost -defined as stabilized net operating income (NOI) divided by total development cost (TDC) - is a standard metric used to evaluate development feasibility for income-producing residential properties. It measures the income return generated by the total capital invested in the project and allows direct comparison across scenarios regardless of program scale or unit count.

For a development to be financially viable, yield on cost should generally exceed both the prevailing market capitalization rate (cap rate) and the cost of debt:

Relationship	Interpretation
Yield on Cost > Cap Rate	Development creates value -the stabilized asset is worth more than it costs to build. The spread between the two (the "development spread") compensates for construction risk and lease-up risk; a healthy spread is typically 100–200 basis points.
Yield on Cost < Cap Rate	Development destroys value -total cost exceeds the implied market value of the stabilized asset. The project is generally not feasible without structural changes to the program or cost structure.
Cap Rate > Interest Rate	Positive leverage -the property generates sufficient income to service debt with margin to spare.
Cap Rate < Interest Rate	Negative leverage -borrowing costs exceed the income yield of the asset; debt service erodes rather than amplifies equity returns.

2.2 Additional Metrics

In addition to yield on cost, this analysis presents the following metrics to provide a complete picture of each scenario’s financial performance:

Metric	Definition & Relevance
Equity Surplus / (Deficit) vs. Comparable Sales	Total development cost compared to estimated market value on a comparable sales basis. A deficit indicates the cost to develop exceeds what the market would pay for the finished product -a direct measure of feasibility independent of income.
Debt Service Coverage Ratio (DSCR)	NOI divided by annual debt service (principal and interest). Lenders typically require a minimum DSCR of 1.15x; below that threshold, conventional financing is generally unavailable.
Cash Flow After Debt Service	Residual income available to the equity investor after all debt obligations are met. Negative cash flow after debt service indicates the property cannot support its financing from operations.
Operating Expense Ratio	Total operating expenses as a percentage of effective gross income (EGI). Provides a measure of operational efficiency and helps identify scenarios with disproportionate cost burdens relative to income.

2.3 Data Sources

Market data was sourced from DC OTR public records and online listings. Hard construction costs are based on estimates provided directly by the owner's general contractor, Build King, for each development scenario; Embalden has relied on those figures as provided and has not independently verified them against third-party cost indices. All assumptions are documented in the exhibits appended to this report.

3. MARKET ANALYSIS

3.1 Submarket Conditions

The subject property is located in the Bellevue neighborhood of Washington, DC, within the broader Congress Heights submarket of Ward 8. The area has experienced increasing investment activity over the past several years, driven in part by the completion of the Entertainment and Sports Arena (ESA) and the ongoing redevelopment of the St. Elizabeths East campus, which is anticipated to bring significant employment, retail, and community uses to the immediate area. The property is situated within approximately two miles of the Congress Heights Metro Station (Green Line), providing direct access to downtown Washington and the broader region.

The submarket is characterized predominantly by older brick rowhouses and small multifamily buildings, many dating from the 1930s-1950s. Residential demand in the area is driven by proximity to Joint Base Anacostia-Bolling, federal employment centers, and improving retail and amenity offerings along Martin Luther King Jr. Avenue SW.

3.2 Rental Comparables

Because each development scenario produces a materially different unit type and rental profile, comparable rental data is presented separately for each scenario. Rents reflect achieved leases as of May 7, 2026.

Scenario A -Single-Family House Rentals (5-Bedroom)

Scenario A involves renovation of the Property as a single-family, five-bedroom residence for lease as a whole house. Active lease comps for 5-bedroom single-family homes in the Bellevue / Congress Heights submarket are limited. The two comparable listings identified are active as of the date of this analysis; achieved rents may differ from list prices. A downward adjustment from list price has been applied in the concluded rent to reflect this uncertainty.

Property / Address	BR	Size (sf)	Monthly Rent	Rent PSF	BA	Distance
22 Brandywine St SE, Washington DC 20032	5	2,611	\$7,500	\$2.87	4	0.5 mi
414 Chesapeake St SE, Washington DC 20032	6	1,280	\$6,250	\$4.88	2	0.4 mi

Concluded Monthly Rent -5-BR SF	Concluded Annual Rent	Concluded Rent PSF
\$4,500	\$54,000	~\$1.65

Note: Both comparable listings are active as of May 7, 2026 and reflect asking rents, not confirmed achieved rents. 414 Chesapeake (\$6,250 / 1,280 sf) is excluded from the concluded rent given its atypical bedroom density and likely above-market pricing. Concluded rent of \$4,500/mo reflects a downward adjustment from 22 Brandywine (\$7,500 / 2,611 sf) to account for listing-vs-achieved spread and the subject's unrefined condition pending renovation. Source: Zillow, retrieved May 7, 2026.

Scenario B -Two-Unit Rentals (3 Bedroom with Den Units)

Scenario B involves renovation of the Property as two residential units -one primary unit and one accessory dwelling unit, with 3 bedrooms and a den. 3BR and 4BR rental comps are limited in this submarket, the table below includes both 3BR and 4BR units as the best available proxies.

Property / Address	BR	Size (sf)	Monthly Rent	Rent PSF	BA	Distance
73 Forrester St SW, Apt A, Washington DC 20032	3	-	\$1,800	-	1	0.2 mi
102 Darrington St SW, Washington DC 20032	4	1,110	\$2,150	\$1.94	1	0.3 mi
4024 2nd St SW, Washington DC 20032	3	996	\$2,375	\$2.39	3	0.5 mi
120 Darrington St SW, Washington DC 20032	3	1,016	\$2,650	\$2.61	2	0.3 mi
4306 Halley Terrace Pl SE #1, Washington DC 20032	4	1,270	\$3,000	\$2.36	2	0.4 mi

Concluded Monthly Rent -4-BR Unit	Concluded Annual Rent (2 units)	Concluded Rent PSF
\$2,300	\$55,200	~\$1.69

Note: Concluded rent of \$2,300/mo reflects the midpoint of the 3–4BR comparable range (\$1,800–\$2,650). The 4BR unit at \$2,150 (102 Darrington) is the most directly comparable. Source: Zillow / Zumper, retrieved May 7, 2026.

Scenario C -Four-Unit Rentals (2-Bedroom Units)

Scenario C involves renovation of the Property to four residential units, each anticipated to be leased as a two-bedroom apartment. The following comparable rental properties were identified, including two units on the same block as the subject property. Links included for reference.

Property / Address	BR	Size (sf)	Monthly Rent	Rent PSF	BA	Distance
113 Galveston Pl SW, Apt 1, Washington DC 20032	2	700	\$1,495	\$2.14	1	Same block
113 Galveston Pl SW, Apt 2, Washington DC 20032	2	800	\$1,495	\$1.87	1	Same block
121 Galveston Pl SW, Apt 2, Washington DC 20032	2	754	\$1,525*	\$2.02	1	Same block
4731 1st St SW, Apt 303, Washington DC 20032	2	-	\$1,495	-	1	0.3 mi
713 Brandywine St, Unit 104, Washington DC 20032	2	~800	\$1,650	\$2.06	1	0.4 mi

* Rent Zestimate (Zillow automated estimate). All other rents reflect active listings, May 7, 2026.

Concluded Monthly Rent -2-BR Unit	Concluded Annual Rent (4 units)	Concluded Rent PSF
\$1,550	\$74,400	~\$2.00

Note: Concluded rent of \$1,550/mo reflects the midpoint of the comparable range (\$1,495–\$1,650), with heaviest weight given to the two same-block comps at 113 Galveston (both \$1,495/mo). Prior assumption of \$1,700/mo has been revised downward. Source: Zillow / Redfin, retrieved May 7, 2026.

3.3 Concluded Unit Mix & Income by Scenario

The table below summarizes the concluded unit mix and projected gross potential rent for each scenario based on the comparable rental data above.

Scenario	# Units	Unit Type	Est. Size / Unit (sf)	Monthly Rent / Unit	Annual GPR	Less: Vacancy (5%)
A -Single Family	1	5-BR House	~2,720	\$4,500	\$54,000	(\$2,700)
B -1 Unit + 1 ADU	2	4-BR Apt	~1,360 ea.	\$2,300	\$55,200	(\$2,760)
C -4-Unit Building	4	2-BR Apt	~680 ea.	\$1,550	\$74,400	(\$3,720)

3.4 Sales Comparables

In addition to the income analysis, this study evaluates each development scenario against comparable sales data. The sales comparison establishes an estimated market value for each finished product type and allows a direct comparison of total development cost to market value, a measure of whether the investment can be recovered through a sale, independent of the income analysis.

Single-Family Sales Comparables (Scenario A Reference)

The following comparable sales reflect five-bedroom single-family properties sold in the subject submarket. All three are confirmed sales.

Property / Address	BR	Size (sf)	Sale Price	Price PSF	Date	Distance
100 Danbury St SW, Washington DC 20032	5	3,041	\$449,900	\$148	Aug 2023	0.3 mi
116 Yuma St SE, Washington DC 20032	5	1,898	\$437,500	\$230	Sep 2023	0.4 mi
3930 1st St SW, Washington DC 20032	5	1,778	\$511,000	\$287	Jun 2025	0.3 mi

Concluded Value -5-BR SF	Price PSF	Value vs. TDC
~\$460,000–\$490,000	~\$169–\$180	(604,764)

Note: Concluded value of \$460K–\$490K reflects the three comparable sales (\$437,500–\$511,000), with the June 2025 sale (3930 1st St SW) given greatest weight as the most recent transaction. The subject property at 2,720 sf falls between the three comps in size; the concluded range reflects a size-adjusted midpoint. Source: Zillow, retrieved May 7, 2026.

Small Multifamily Sales Comparables (Scenarios B & C Reference)

The following comparable sales reflect 2-4 unit residential properties in the subject submarket and provide a market value reference for Scenarios B and C.

Property / Address	Units	Size (sf)	Sale Price	Price / Unit	Sale Date	Distance
58 Galveston Pl SW, Washington DC 20032	4	2,800	\$899,000	\$224,750	Sep 2024	Same block
64 Galveston Pl SW, Washington DC 20032	4	2,800	\$620,000	\$155,000	Apr 2025	Same block

Note: 58 Galveston (renovated, 3BR/2BR unit mix) represents the high end of the comparable range; 64 Galveston (as-is, 1BR unit mix) represents the low end. The subject property, assuming renovation to a 2BR unit mix under Scenario C, is estimated to support a concluded value in the range of \$720,000–\$780,000, reflecting an adjustment for unit mix and condition relative to both comparables. Source: Bright MLS / Zillow (retrieved May 7, 2026).

	Scenario B (1 Unit + 1 ADU)	Scenario C (4 Units)
Concluded Market Value	See Section 3.4a	~\$720,000–\$780,000

3.5 Equity Position vs. Sales Comparables

The table below compares the concluded market value (on a comparable sales basis) to the total development cost for each scenario. A negative figure indicates that the total development cost exceeds the estimated market value of the finished product, meaning the investment cannot be recovered through a sale at current market conditions, independent of any income analysis.

	Scenario A: SF (5-BR)	Scenario B: 1 Unit + 1 ADU	Scenario C: 4-Unit Building
Concluded Market Value (Sales Comps)	\$475,000	\$500,000	\$750,000
Total Development Cost (TDC)	\$1,079,764	\$1,013,984	\$844,948
Equity Surplus / (Deficit)	(\$604,764)	(\$513,984)	(\$94,948)
Acquisition Cost as % of TDC	43.5%	46.4%	55.6%

The acquisition cost of \$470,000 - a fixed, sunk investment - is identified separately as a percentage of total development cost in each scenario to illustrate its structural weight on the overall feasibility position. Across all three scenarios, the acquisition price alone represents the single largest cost component and is the primary driver of the equity deficit.

3.6 Vacancy & Operating Expense Assumptions

Assumption	Scenario A (5-BR SF)	Scenario B (1 Unit + 1 ADU)	Scenario C (4 Units)
Vacancy & Credit Loss	5.0% / \$2,700	5.0% / \$2,760	5.0% / \$3,720
Real Estate Taxes (annual)	\$4,038	\$7,838	\$12,375
Insurance	\$3,000	\$5,000	\$7,000
Property Management (6% EGI)	\$3,078	\$3,146	\$4,241
Utilities (common / owner)	\$1,500	\$2,000	\$3,000
Maintenance & Repairs	\$3,000	\$2,400	\$4,800
Miscellaneous / Admin	\$800	\$600	\$1,200
Total Operating Expenses	\$15,416	\$20,984	\$32,616
Operating Expense Ratio	30.0%	40.0%	46.1%

3.7 Market Return Benchmarks & Feasibility Assessment

The following benchmarks are used to evaluate the financial performance of each development scenario:

Metric	Range	Source / Basis
Yield on Cost (projected)	3.1% – 4.5%	Derived from pro forma analysis based on Build King construction estimates and submarket rental data
Prevailing Cap Rate - Small Multifamily (DC)	7.0% – 8.0%	Submarket-adjusted; see note. CBRE Q1 2025: C-class DC multifamily 5.38%; adjusted upward for Congress Heights submarket risk premium
Construction / Permanent Financing Rate	6.0% – 9.0%	Prevailing lender quotes for small residential development, Washington DC, 2024–2025
Development Spread (Yield on Cost minus Cap Rate)	(2.5%) – (4.7%)	Calculated; negative across the three scenarios

The prevailing capitalization rate for small multifamily properties in Washington, DC broadly reflects institutional-grade assets in higher-demand submarkets. According to CBRE's Q1 2025 market report, C-class multifamily cap rates in the Washington, DC metro averaged 5.38%. The Congress Heights / Bellevue submarket commands a risk premium above that benchmark, reflecting higher vacancy risk, a lower-income renter base, reduced asset liquidity, and greater management intensity relative to submarkets such as Northwest DC, Capitol Hill, or Columbia Heights -where comparable assets trade at 4.5%–5.5%. Applying a submarket risk premium of 150–250 basis points above the C-class DC average produces an estimated prevailing cap rate range of 7.0%–8.0% for small multifamily assets in this submarket. This range is further supported by the implied cap rates derived from comparable sales on the same block -58 Galveston Pl SW and 64 Galveston Pl SW -which produce implied cap rates of approximately 6.0%–6.5% on stabilized income assumptions, consistent with the lower bound of the submarket range. Source: CBRE Q1 2025 U.S. Cap Rate Survey; Embolden submarket analysis, May 2026.

A development spread of zero or better yield-on-cost equal to or exceeding the prevailing cap rate -is the minimum threshold for a financially viable development. A positive spread of 100–200 basis points above the cap rate is generally required to compensate for construction risk, entitlement risk, and lease-up risk. The table above shows that the projected yield on cost for this Property falls below the prevailing cap rate under all scenarios, producing a negative development spread across the full range. This indicates that at current construction costs, financing rates, and rental income levels, no development scenario generates a return sufficient to justify the capital required -and that the \$470,000 acquisition cost, as a fixed sunk investment, is a primary structural contributor to that outcome.

3.8 Scenario-Specific Feasibility Assessment

Scenario	Feasibility Assessment
A - Single Family (5-BR)	Scenario A carries the highest total development cost of the three programs at \$1,079,764 - driven by \$399,785 in hard construction costs against a single income stream from one household. At a projected yield on cost of 3.3%, Scenario A falls approximately 370 basis points below the submarket cap rate floor of 7.0%, producing the largest negative development spread of the three scenarios. The equity deficit relative to comparable single-family sales (\$475,000 concluded value) is \$604,764. Scenario A does not generate a financially viable return under current market conditions.
B - 1 Unit + 1 ADU	Scenario B adds a second income stream through the ADU, with total development cost of \$1,013,984 - the second highest of the three programs. Hard construction costs of \$339,985 represent a meaningful investment relative to the incremental income gained over Scenario A. The resulting yield on cost of 3.1%

	remains well below the submarket cap rate floor of 7.0%, with an equity deficit of \$513,984 against a concluded market value of \$500,000. While Scenario B improves modestly on Scenario A's yield, it requires the second-highest capital outlay and does not generate a financially viable return.
C - 4-Unit Building	Scenario C produces the highest gross income of the three scenarios and, of the three, comes closest to the lower bound of the prevailing cap rate range. Notably, Scenario C is consistent with the existing residential development pattern on the subject block - confirmed sales at 58 Galveston PI SW and 64 Galveston PI SW reflect four-unit buildings constructed in 1944, the same building type proposed under this scenario. Those same sales (\$899,000, Sep 2024 and \$620,000, Apr 2025) suggest a concluded market value for a renovated 4-unit property at this location in the range of \$720,000–\$780,000. Against a projected total development cost that includes the \$470,000 acquisition price, this scenario still results in an equity deficit. However, it produces the least adverse financial outcome of the three programs analyzed and represents the minimum development program that could approach, though not achieve, a market-standard return.

4. FINANCIAL ANALYSIS

The full financial analysis for each development scenario is presented in Exhibit B -Real Estate Pro Forma, attached to this study. The pro forma includes, for each scenario: total development cost (acquisition, hard costs, soft costs, contingency, and carrying costs); projected stabilized income (gross potential rent, vacancy, and effective gross income); operating expenses; net operating income; debt service coverage ratio; yield on cost; and equity position relative to comparable sales.

Hard costs for each scenario are based on estimates provided by the owner's general contractor, Build King (Scenario A: April 6, 2026; Scenario B: May 6, 2026; Scenario C: April 6, 2026), and are used as provided. Soft costs and carrying cost assumptions reflect Embolden's professional judgment based on the scope and complexity of each program and estimates provided by the owner.

In each scenario, the \$470,000 acquisition price -a fixed, sunk cost -represents the floor on which all other development costs are layered. It is not reducible and is not a function of the development program chosen. This structural feature of the analysis means that total development cost is elevated across all three scenarios relative to what a ground-up or unencumbered analysis might reflect.

The key output metrics derived from the pro forma yield-on-cost, equity surplus/(deficit), NOI, and DSCR -are summarized in the Conclusions section below and in the Executive Summary. The Proforma - Exhibit B provides the full details underlying those figures.

5. CONCLUSIONS

Embolden's analysis of the three development scenarios produces the following findings:

Scenario	Finding
Scenario A: Single Family (5-BR)	Projected NOI of \$35,885 against a total development cost of \$1,079,764 produces an unlevered yield on cost of 3.3% - approximately 370 basis points below the submarket cap rate floor of 7.0%. The concluded market value on a comparable sales basis (\$475,000) is \$604,764 below total development cost, resulting in a significant equity deficit. Scenario A does not generate a financially viable return under current market conditions.
Scenario B: 1 Unit + 1 ADU	Projected NOI of \$31,456 against a total development cost of \$1,013,984 - the second highest of the three programs - produces an unlevered yield on cost of 3.1%, well below the submarket cap rate floor of 7.0%. Hard construction costs of \$339,985 represent a significant capital commitment relative to the incremental income gained over Scenario A. The equity deficit relative to comparable sales (\$500,000

	concluded value) is \$513,984. Scenario B does not generate a financially viable return under current market conditions.
Scenario C: 4-Unit Building	Projected NOI of \$38,064 against a total development cost of \$844,948 produces an unlevered yield on cost of 4.5% - the highest of the three scenarios, and 250 basis points below the submarket cap rate floor of 7.0%. Scenario C is consistent with the existing four-unit residential development pattern on the subject block, as evidenced by confirmed sales at 58 Galveston Pl SW (four-unit, built 1944) and 64 Galveston Pl SW (four-unit, built 1944). The concluded market value on a comparable sales basis (\$750,000) reflects an equity deficit of \$94,948, the smallest of the three programs by a significant margin. While Scenario C does not achieve a market-standard return, it produces the least adverse financial outcome relative to the capital committed.

Across all three scenarios, the unlevered yield on cost falls materially below the prevailing submarket capitalization rate range of 7.0%–8.0%, producing a negative development spread. The \$470,000 acquisition price -a fixed, sunk cost representing the single largest component of total development cost across all three programs -is the primary structural driver of this gap. The property is currently vacant and generating no income, and the owner is sustaining ongoing carrying costs without offsetting revenue.

Of the three programs analyzed, Scenario C - conversion to a four-unit residential building -produces the highest net operating income, the lowest total development cost, the smallest equity deficit, and the yield on cost closest to the market benchmark. It represents the minimum development program that could approach, though not achieve under current conditions, a financially viable return on the capital invested in this property.

EXHIBIT A: GENERAL CONTRACTOR CONSTRUCTION ESTIMATES

The following construction cost estimates were prepared by Build King, the owner's general contractor, and are incorporated by reference into the financial analysis presented in this study. Embolden Real Estate LLC has relied on these estimates as provided and has not independently verified them against third-party cost indices.

Exhibit	Description	General Contractor	Estimate Date
A-1	Scenario A -Single-Family Renovation (5-Bedroom)	Build King	April 6, 2026
A-2	Scenario B -Two-Unit Conversion (1 Unit + 1 ADU)	Build King	May 6, 2026
A-3	Scenario C -Four-Unit Conversion	Build King	April 6, 2026

EXHIBIT B: REAL ESTATE PRO FORMA

The real estate pro forma supporting the financial analysis in Section 4 of this study is attached as Exhibit B. The pro forma presents, for each of the three development scenarios, the full build-up of total development cost, projected stabilized income and expenses, net operating income, debt service coverage, yield on cost, and equity position relative to comparable sales.

Exhibit	Description	File Name
B	Real Estate Pro Forma -Scenarios A, B, and C	<i>Feasibility_ProForma_FINAL.xlsx</i>

FEASIBILITY STUDY - ANALYSIS ASSUMPTIONS

133 Galveston PI SW, Washington, DC 20032 | Square 6239, Lot 0089 | Zoning: R-2 | Acquired April 2024 | Date of Analysis: May 7, 2026

Assumption - Scenario A (Single Family, 5-BR)	Input	Assumption - Scenario B (1 Unit + 1 ADU)	Input	Assumption - Scenario C (4-Unit Building)	Input
PROPERTY INFORMATION					
Living Area (sf - pricing basis)	2720	Living Area (sf - pricing basis)	2720	Living Area (sf - pricing basis)	2720
Land Area (sf)	4,536	Land Area (sf)	4,536	Land Area (sf)	4,536
Year Built	1943	Year Built	1943	Year Built	1943
ACQUISITION					
Acquisition Price	\$470,000	Acquisition Price	\$470,000	Acquisition Price	\$470,000
Acquisition Date	Apr 25, 2024	Acquisition Date	Apr 25, 2024	Acquisition Date	Apr 25, 2024
DCR	1.18	DCR	1.18	DCR	1.18
Interest Rate	7.0%	Interest Rate	7.0%	Interest Rate	7.0%
Loan Term (years)	30	Loan Term (years)	30	Loan Term (years)	30
DEVELOPMENT COSTS					
Hard Costs - Construction / Renovation	\$399,785.17	Hard Costs - Construction / Renovation	\$339,985.17	Hard Costs - Construction / Renovation	\$186,316.00
Soft Costs (Arch, Permits, Legal, BZA)	\$100,000	Soft Costs (Arch, Permits, Legal, BZA)	\$100,000	Soft Costs (Arch, Permits, Legal)	\$100,000
Contingency (% of Hard + Soft)	10.0%	Contingency (% of Hard + Soft)	10.0%	Contingency (% of Hard + Soft)	10.0%
Carrying Costs During Construction	\$60,000	Carrying Costs During Construction	\$60,000	Carrying Costs During Construction	\$60,000
PROJECTED INCOME					
Scenario A - 1 Unit (Single Family 5bd)		Scenario B - 1 Unit + 1 ADU (1 Unit + 1 ADU)		Scenario C - 4 Units	
Unit 1 - Monthly Rent (SF 5bd)	\$4,500	Unit 1 - Monthly Rent - 3bd	\$2,300	Unit 1 - Monthly Rent - 2bd	\$1,550
Unit 2 - Monthly Rent (N/A)	\$0	Unit 2 - Monthly Rent - 3bd	\$2,300	Unit 2 - Monthly Rent - 2bd	\$1,550
Unit 3 - Monthly Rent (N/A)	-	Unit 3 - Monthly Rent (N/A)	-	Unit 3 - Monthly Rent - 2bd	\$1,550
Unit 4 - Monthly Rent (N/A)	-	Unit 4 - Monthly Rent (N/A)	-	Unit 4 - Monthly Rent - 2bd	\$1,550
Vacancy Rate	5.0%	Vacancy Rate	5.0%	Vacancy Rate	5.0%
OPERATING EXPENSES (ANNUAL)					
Property Taxes	\$4,038	Property Taxes	\$7,838	Property Taxes	\$12,375
Insurance	\$3,000	Insurance	\$3,500	Insurance	\$4,500
Property Management (6% of EGI)	6.0%	Property Management (6% of EGI)	6.0%	Property Management (6% of EGI)	6.0%
Utilities (common / owner-paid)	\$1,500	Utilities (common / owner-paid)	\$2,000	Utilities (common / owner-paid)	\$3,000
Maintenance & Repairs Reserve	\$3,000	Maintenance & Repairs Reserve	\$2,400	Maintenance & Repairs Reserve	\$4,800
Miscellaneous / Admin	\$800	Miscellaneous / Admin	\$600	Miscellaneous / Admin	\$1,200
SALES COMPARABLES (Concluded Value - Scenario Reference)			SALES COMPARABLES		
Comp Sales Value - As-Is / By-Right	\$475,000	Comp Sales Value - As-Is / By-Right	\$500,000	Comp Sales Value - As-Is / By-Right	\$750,000

FINANCIAL FEASIBILITY PRO FORMA

133 Galveston Place SW, Washington DC 20032 - R-2 Zone

	SCENARIO A Single Family (5-BR)	SCENARIO B 1 Unit + 1 ADU	SCENARIO C 4-Unit Building
I. TOTAL DEVELOPMENT COST			
Acquisition Price	\$470,000	\$470,000	\$470,000
Hard Costs — Construction	\$399,785	\$339,985	\$186,316
Soft Costs (Arch., Permits, Legal)	\$100,000	\$100,000	\$100,000
Contingency	\$49,979	\$43,999	\$28,632
Carrying Costs During Construction	\$60,000	\$60,000	\$60,000
TOTAL DEVELOPMENT COST	\$1,079,764	\$1,013,984	\$844,948
Cost per Unit	\$1,079,764	\$506,992	\$211,237
Cost per SF (2,720 sf basis)	\$397	\$373	\$311
II. EQUITY POSITION vs. SALES COMPARABLES			
Estimated Market Sales Value (Comp Basis)	\$475,000	\$500,000	\$750,000
Total Development Cost	\$1,079,764	\$1,013,984	\$844,948
EQUITY SURPLUS / (DEFICIT)	(\$604,764)	(\$513,984)	(\$94,948)
III. INCOME ANALYSIS (ANNUAL)			
Unit 1 — Monthly Rent	\$4,500	\$2,300	\$1,550
Unit 2 — Monthly Rent	-	\$2,300	\$1,550
Unit 3 — Monthly Rent	-	-	\$1,550
Unit 4 — Monthly Rent	-	-	\$1,550
Gross Potential Rent (Annual)	\$54,000	\$55,200	\$74,400
Less: Vacancy Allowance	(\$2,700)	(\$2,760)	(\$3,720)
EFFECTIVE GROSS INCOME (EGI)	\$51,300	\$52,440	\$70,680
Rent per Unit (monthly avg)	\$4,500	\$2,300	\$1,550
IV. OPERATING EXPENSES (ANNUAL)			
Property Taxes	\$4,038	\$7,838	\$12,375
Insurance	\$3,000	\$5,000	\$7,000
Property Management	\$3,078	\$3,146	\$4,241
Utilities (common areas / owner-paid)	\$1,500	\$2,000	\$3,000
Maintenance & Repairs Reserve	\$3,000	\$2,400	\$4,800
Miscellaneous / Admin	\$800	\$600	\$1,200
TOTAL OPERATING EXPENSES	\$15,416	\$20,984	\$32,616
Operating Expense Ratio (% of EGI)	30.0%	40.0%	46.1%
V. NET OPERATING INCOME (NOI)			
NET OPERATING INCOME (NOI)	\$35,885	\$31,456	\$38,064
NOI per Unit (annual)	\$35,885	\$15,728	\$9,516
VI. DEBT SERVICE & DSCR			
Loan Amount (based on DCR)	\$380,912	\$333,905	\$404,049
Interest Rate	7.0%	7.0%	7.0%
Annual Debt Service (P&I)	\$30,411	\$26,658	\$32,258
Monthly Payment	\$2,534	\$2,221	\$2,688
Cash Flow After Debt Service	\$5,474	\$4,798	\$5,806
DEBT SERVICE COVERAGE RATIO (DSCR)	1.18x	1.18x	1.18x
VII. YIELD-ON-COST			
YIELD-ON-COST (NOI ÷ Total Dev. Cost)	3.3%	3.1%	4.5%
Prevailing Capitalization Rate (Submarket)	7%-8%	7%-8%	7%-8%
Development Spread (Yield on Cost minus Cap Rate)	Negative	Negative	Negative
VIII. SCENARIO COMPARISON SUMMARY			
Negative Equity Position (Dev. Cost vs. Comps)	(\$604,764)	(\$513,984)	(\$94,948)
Annual NOI Shortfall vs. Debt Service	-	-	-
Additional Annual NOI vs. Scenario A (Single Fam)	—	(\$4,428)	\$2,180