

# Development Analysis of a Flex Industrial Building Model

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**--SAMPLE--**



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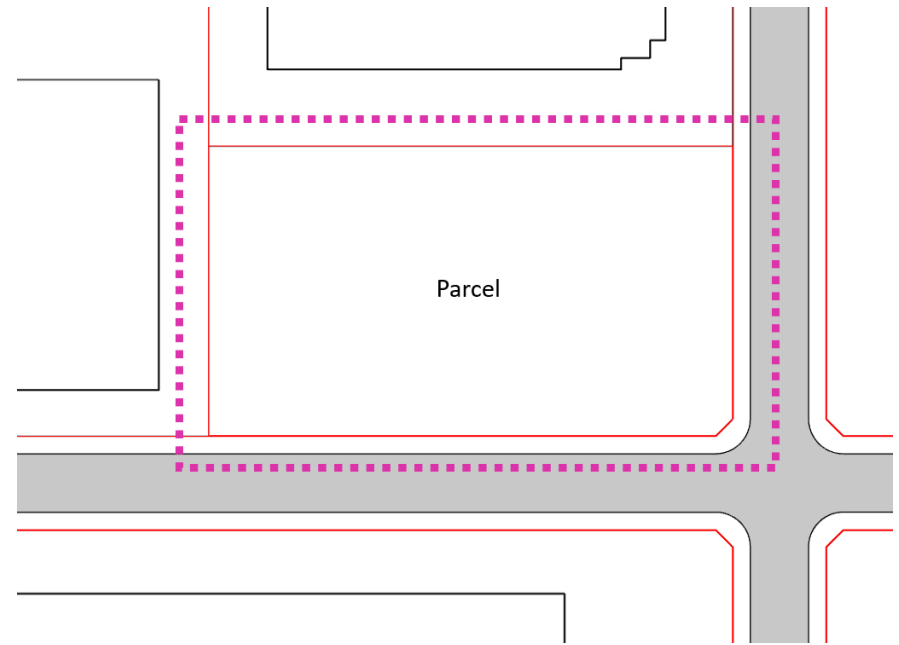
## Introduction

A flex industrial building is a versatile commercial property combining office, warehouse, research and development (R&D), or light manufacturing space under one roof.

Typically single-story with high ceilings, the facilities have easily reconfigurable layouts that provide the flexibility for varying percentages of office versus warehouse space. The buildings combine front-facing office/reception areas with rear, functional warehouse or production space.

Flex buildings often combine "curb appeal" for clients with functional space, enabling them to be located in mixed-use areas rather than strictly industrial zones.

- Spaces that can be rapidly reconfigured to blend different functions (e.g., 30% showroom, 20% office, 50% warehouse).
- Generally less expensive to lease and modify than traditional office space.
- Perfect for tenants needing 5,000–20,000 sq. ft. of versatile space.



In this model, we explore a hypothetical property in an average industrial park. The site is a corner property consisting of a 2.9-acre parcel. Industrial zoning will permit a Floor Area Ratio of 0.40, or an allowable 50,050 sf to be constructed on the lot. The proposed flex building will be 41,750 sf, therefore falling within allowable guidelines.

## Market Analysis Summary

Demand for small-bay industrial units (under 50,000 sq. ft.) is surging, with vacancies as low as 3–4% even as larger "big-box" warehouses see rising vacancies<sup>1</sup>.

Retailers often need versatile spaces that serve simultaneously as a storefront, distribution center, and small office to meet consumer demand for fast delivery. Many businesses are expanding into suburban areas to reduce overhead costs and stay closer to hybrid workforces, creating demand for regional flex campuses.

Modern tenants prioritize short-term, adaptable leases (sometimes month-to-month) over rigid, long-term contracts to scale quickly.

### Key Market Trends:

- The standard flex bay for small businesses, contractors, and tradespeople usually starts around 5,000 sf.
- The most active segment of the flex market is under 50,000 sq. ft., which is often subdivided into smaller units, providing high flexibility for last-mile logistics and local services.

- Rents for newly constructed flex spaces generally range from **\$16 to \$24** per square foot (NNN), requiring tenants to pay extra for Taxes, Insurance, and CAM (Common Area Maintenance).
- Industrial land in established parks average about **\$65,000 to \$120,000** per acre for less than 5 acres in most urban areas.

As the unit size of about 5,000 sf is common, the facility in this study will house **8** tenants. Rent will be determined as the average of the above triple net range, or **\$20 psf NNN**. Land purchase will be the averaged value of **\$92,500 per acre**.

For this study. It is assumed that the industrial park site location falls within an eligible census tract to obtain New Market Tax Credit (NMTC) financing.

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<sup>1</sup> PersonalWarehouse.com

## Development Program

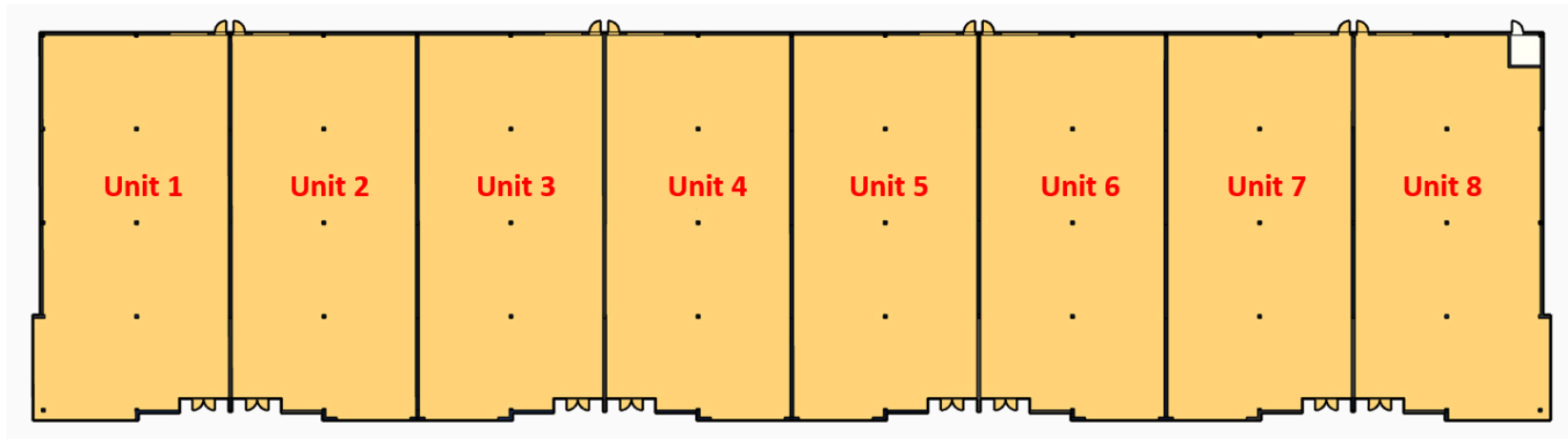
The project consists of **8** flex unit tenant spaces. Each unit has an entry door in glass facade facing the parking area, and a rear door and roll up garage door facing the delivery area. Units **1** and **8** are corner units with a little larger floor area. Note: Unit 8 has a cut-out for a small utility room.

Units **2** through **7** are mirror images of the same floor plan. Total rentable floor area for this model is **40,210 sf**, as shown (right):

Tenant Unit	RSF
1	5,125
2	5,005
3	5,005
4	5,005
5	5,005
6	5,005
7	5,005
8	5,055
<b>Total Rentable SF</b>	<b>40,210</b>

Each unit would be supplied with electrical and plumbing stub outs allowing for individual location of bathrooms, water services, etc. All units would also be provided with a hybrid wet/dry sprinkler system.

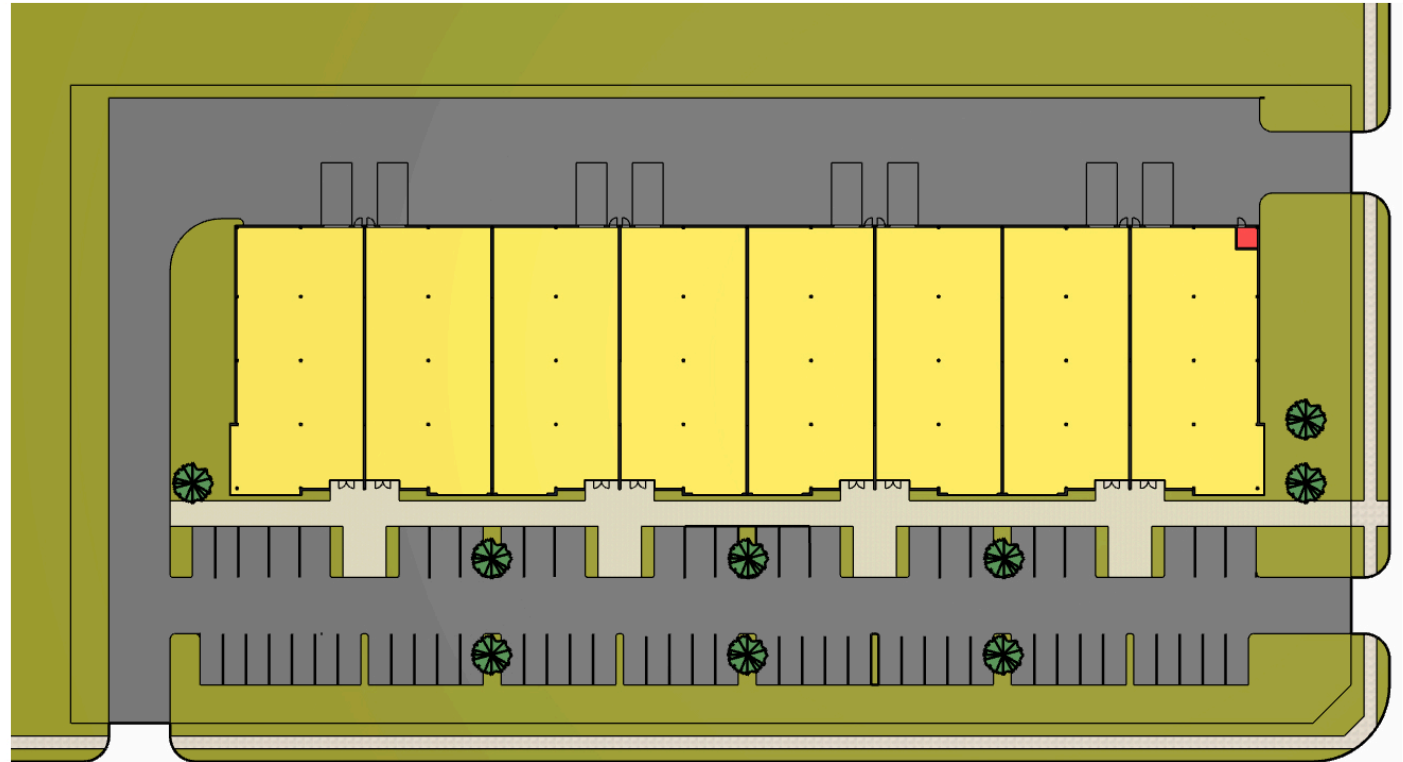
Ceiling height throughout the facility would be **22 ft.**



## Site Plan

The site plan provides parking for **68** cars and **8** medium-sized truck bays. The building is set back from the front and side property lines.

Total building footprint is **41,750 sf**, with overall impervious coverage at **81 percent**. All as-of-right zoning measures are



# Visualization



View from Entry

## Visualization



View from Street

### Visualization



View from Real Loading Area

### Visualization



Aerial view

## Project Costs

Overall site acquisition costs are **\$271,000**, inclusive of titles and escrow payments. Hard costs for the base building shell construction are based on **\$86.25 psf.**, excluding general contractor overhead. Building hard costs are **\$3.468 million**.

Site grading of the lot and construction of on- and off- site improvements total **\$607,500**. Total hard costs including a **5%** contingency allowance equals **\$4.279 million**.

Soft costs including architectural/engineering design, general contractor overhead, developers fee (**\$427,900**) and all associated fees total **\$1.570 million**. Included in the soft costs are the municipality’s Development Impact Fees of **\$83,500**.

In aggregate, the Total Project cost is **\$6.120 million**, or **\$150.52 psf.**

Sample Flex Industrial Bldg. - Operating expenses	
Expenses - Fixed	Annual Cost
Maintenance/Replacement Reserves	\$15,000
Property Management	\$30,000
Marketing/Advertising	\$10,000
<b>Totals</b>	<b>\$55,000</b>
Expenses - Variable - Based on Occupancy	Annual Cost
Water/Sewer	\$6,000
Site Lighting, electrical	\$9,600
Trash services	\$4,800
Insurance	\$15,000
Property Taxes*	\$61,200
<b>Totals</b>	<b>\$96,600</b>

\*Estimated at 1.0% of Project Value

Sample Flex Industrial Bldg.- Project Costs			
		Total	Per Sf
<b>Land Costs</b>			
Land Acquisition		\$265,700	\$6.36
Title and Escrow		\$5,300	\$0.13
<b>Subtotal Land Costs</b>		<b>\$271,000</b>	<b>\$6.49</b>
<b>Hard Construction Costs</b>			
<b>Base Building Shell</b>		<b>\$3,468,100</b>	<b>\$86.25</b>
<b>Site Improvements</b>			
Grading		\$45,400	\$1.09
Paving		\$113,800	\$2.73
Curbing		\$8,700	\$0.21
Sidewalks		\$20,800	\$0.50
Onsite Surface Improvements (estimated)		\$200,000	\$4.79
Offsite Improvements (estimated)		\$100,000	\$2.40
Site Lighting		\$31,100	\$0.74
Landscaping		\$37,700	\$0.90
Signage, misc.(estimated)		\$50,000	\$1.20
<b>Subtotal Site Improvements</b>		<b>\$607,500</b>	<b>\$13.35</b>
Hard Costs Contingency	5% of hard costs	\$203,800	\$4.88
<b>Subtotal Hard Costs</b>		<b>\$4,279,400</b>	<b>\$106.43</b>

Sample Flex Industrial Bldg.- Project Costs – Cont'd.			
		Total	Per Sf
<b>Soft Construction Costs</b>			
Site testing (estimated)		\$5,000	\$0.12
Arch'l/Civil Engineering/Planning/Legal	7% of hard costs	\$299,600	\$7.18
Insurance	0.25% of hard costs	\$10,700	\$0.26
General Contractor Overhead, Profit & Bonding		\$641,900	\$15.37
Developer's Fee		\$427,900	\$10.25
Permit Fees		\$21,400	\$0.51
Misc. Inspection Fees (estimated)		\$5,000	\$0.12
Development Impact fees		\$83,500	\$2.00
Soft Costs Contingency		\$74,800	\$1.79
<b>Subtotal Soft Costs</b>		<b>\$1,569,800</b>	<b>\$37.60</b>
<b>Total Project Costs</b>		<b>\$6,120,200</b>	<b>\$150.52</b>

## Development Financing

The project financing assumptions and overall summaries are shown in this table. All costs have been escalated at **2.5%** from the base year. The base year unit rent will be **\$20 per sf** NNN annually, with tenant rent escalation set at **3.5%**. Stabilized occupancy levels will be set at **88%** (7 tenants). The Capitalization rate for this project type is **5.5%**.

New Market Tax Credits (NMTC) are a key component to the capital stack. In this arrangement, there are essentially three loans:

1. Bridge Loan

The Bridge loan covers purchase of the land and engagement of architectural/engineering support needed to prepare the property to “shovel-ready” condition. For this study, the bridge loan is established at **65%** loan-to-value requiring **\$250,100** in investor equity, including finance fees and interest. The Total Bridge Loan is **\$395,900**.

2. NMTC Equity Loan (“B”)

The “B” loan is provided by the local Community Development Entity (CDE) which generates **39%** income

Sample Flex Industrial Bldg. - Assumptions			
Annual Rent Schedule			
Type of Unit	Square Feet	Rent per Unit	Total Rent
Tenant space 1	5,125	\$20.00	\$102,500
Tenant space 2	5,005	\$20.00	\$100,100
Tenant space 3	5,005	\$20.00	\$100,100
Tenant space 4	5,005	\$20.00	\$100,100
Tenant space 5	5,005	\$20.00	\$100,100
Tenant space 6	5,005	\$20.00	\$100,100
Tenant space 7	5,005	\$20.00	\$100,100
Tenant space 8	5,055	\$20.00	\$101,100
<b>Totals</b>	<b>40,210</b>		<b>\$804,200</b>
Assumptions			
Land Acquisition Cost			\$265,700
Title & escrow			\$5,300
Inflation rate			2.5%
Annual Rent scalation factor			3.5%
Stabilized occupancy Rate (7 tenants)			88%
Capitalization rate			5.5%
Realtor Commission			3%
Reserves, Fee, Others Percentage			5%
Bridge Loan (LTV)			65%
Bridge Loan Interest rate			7.0%
Bridge Loan term yrs.			2
New Market Tax Credit Loan Rate (Loan A-Leveraged)			6.25%
New Market Tax Credit Loan Rate (Loan B-Equity)			0.75%
New Market Tax Credit Loan term yrs.			7

tax credits that are then sold to the financial markets. The allocation amount is determined by the Construction cost plus reserves minus the land cost, or **\$6.155 million**. The tax credits generated (39%) result in a value of **\$2.401 million**, which are priced at **\$0.80** per \$1.00, or an equity total of **\$1.920 million**. This equity amount is delivered to the development as a cash payment prior to any construction. Proceeds from the B loan is then used to pay off the Bridge Loan in the first operating year. CDE & Transaction fees of **\$338,500 (5%)** are paid during the 7-year period. The B Loan includes a small interest charge (**0.75%**).

3. Leveraged Loan (“A”)

The “A” loan is a standard bank financing (**6.25%**) for the remaining development amount after the NMTC equity is determined. The key factor is that this debt can only charge interest costs to the project for the first **7 years**. Payments of any principal during this period is prohibited. Additionally, the development entity must remain in place for the full 7 years or recapture of tax credits by the IRS will ensue.

Sample Flex Industrial Bldg. Assumptions – Cont’d.	
Assumptions	
New Market Tax Credit rate	39%
New Market Tax Credit pricing	80%
CDE & Transaction Fees	6%
Permanent Finance Interest rate	5.75%
Finance origination fee rate	2.0%
Accruing Proceeds Interest Rate	4%
Investor annual equity interest rate	5%
Net Present Value Discount Rate	6.5%

## Predevelopment & New Market Tax Credits Calculation

Sample Flex Industrial Bldg. - PreDevelopment & New Market Tax Credits Calculation					
	Project Data	Investor Equity	Bridge Financing	NMTC Financing	Permanent Financing
<b>Land Purchase</b>	<b>\$271,000</b>	<b>\$10,000</b>	<b>\$261,000</b>		
<b>Subtotal Soft costs</b>	<b>\$1,569,800</b>	<b>\$15,000</b>	<b>\$1,554,800</b>		
<b>Subtotal Hard Costs</b>	<b>\$4,279,400</b>		<b>\$4,279,400</b>		
<b>Total Development Cost</b>	<b>\$6,120,200</b>	<b>\$25,000</b>	<b>\$6,095,200</b>		
Reserves, Fee, Others	\$306,000	\$306,000			
<b>Total Project Cost</b>	<b>\$6,426,200</b>	<b>\$356,000</b>			
<b>Bridge Loan (Land, A/E, Permits)</b>					
Bridge Loan LTV	65%				
Bridge Loan subtotal	\$388,100		\$388,100		
Bridge Loan Equity	\$208,900	\$208,900			
Financing Fees - Bridge Loan	\$7,800		\$7,800		
Interest on Bridge Loan	\$41,200	\$41,200			
<b>Bridge Loan Total</b>	<b>\$395,900</b>	<b>\$250,100</b>	<b>\$395,900</b>		
<b>New Market Tax Credit Allocation</b>					
New Market Tax Credit rate	39%			39%	
NMTC Pricing	80%			80%	
<b>NMTC Generated</b>	<b>\$2,400,500</b>			\$2,400,500	
<b>Loan A - Leveraged Loan Amount</b>	<b>\$4,234,800</b>			\$4,234,800	
<b>Loan B - NMTC Equity</b>	<b>\$1,920,400</b>			\$1,920,400	
<b>CDE &amp; Transaction Fees</b>	<b>(\$338,500)</b>			(\$338,500)	
<b>NMTC Total</b>	<b>\$5,816,700</b>			<b>\$5,816,700</b>	

Sample Flex Industrial Bldg. - PreDevelopment & New Market Tax Credits Calculation – Cont’d.					
	Project Data	Investor Equity	Bridge Financing	NMTC Financing	Permanent Financing
<b>Permanent Loan</b>	<b>\$4,234,800</b>				\$4,234,800
Permanent Loan LTV	100%				
Financing Fees - Permanent Loan	\$84,700				\$84,700
Permanent Loan Total	\$4,319,500				\$4,319,500
Permanent Loan Debt Service					\$305,500
<b>Toal Investor Equity</b>		<b>\$606,100</b>			

### Cash Flows

Sample Flex Industrial Bldg. - Cash Flows											
Period (Yr.)	Constr.	Operating Yr. 1	Operating Yr. 2	Operating Yr. 3	Operating Yr. 4	Operating Yr. 5	Operating Yr. 6	Operating Yr. 7	Operating Yr. 8	Operating Yr. 9	Operating Yr. 10
Occupancy		50%	63%	75%	88%	88%	88%	88%	88%	88%	88%
<b>Gross Operating Income</b>		<b>\$804,200</b>	<b>\$832,300</b>	<b>\$861,400</b>	<b>\$891,500</b>	<b>\$922,700</b>	<b>\$955,000</b>	<b>\$988,400</b>	<b>\$1,023,000</b>	<b>\$1,058,800</b>	<b>\$1,095,900</b>
Less: Vacancies & Credit Losses		(\$402,100)	(\$312,100)	(\$215,400)	(\$111,400)	(\$115,300)	(\$119,400)	(\$123,600)	(\$127,900)	(\$132,400)	(\$137,000)
Less: Operating Expenses - Fixed		(\$55,000)	(\$56,400)	(\$57,800)	(\$59,200)	(\$60,700)	(\$62,200)	(\$63,800)	(\$65,400)	(\$67,000)	(\$68,700)
Less: Operating Expenses - Variable		(\$48,300)	(\$37,100)	(\$25,400)	(\$13,000)	(\$13,300)	(\$13,700)	(\$14,000)	(\$14,400)	(\$14,700)	(\$15,100)
Less: Realtor Commission		(\$24,100)	(\$3,100)	(\$3,200)	(\$3,300)	\$0	\$0	\$0	\$0	\$0	\$0
<b>Net Operating Income</b>		<b>\$274,700</b>	<b>\$423,600</b>	<b>\$559,600</b>	<b>\$704,600</b>	<b>\$733,400</b>	<b>\$759,700</b>	<b>\$787,000</b>	<b>\$815,300</b>	<b>\$844,700</b>	<b>\$875,100</b>
NMTC Loan A Debt Service		(\$264,700)	(\$264,700)	(\$264,700)	(\$264,700)	(\$264,700)	(\$264,700)	(\$264,700)	\$0	\$0	\$0
NMTC Loan B Debt Service		(\$14,400)	(\$14,400)	(\$14,400)	(\$14,400)	(\$14,400)	(\$14,400)	(\$14,400)	\$0	\$0	\$0
Permanent financing Debt Service		\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$305,500)	(\$305,500)	(\$305,500)
<b>Development Spend</b>	<i>(\$6,120,200)</i>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Bridge loan	<i>\$395,900</i>	(\$395,900)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Leveraged Loan (A)	<i>\$4,234,800</i>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
NMTC Equity Loan (B)	<i>\$1,920,400</i>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Investor Equity	<i>\$606,100</i>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CDE & Transaction Fees		(\$48,400)	(\$48,400)	(\$48,400)	(\$48,400)	(\$48,400)	(\$48,400)	(\$48,400)	\$0	\$0	\$0
Less: Investor equity interest paymemts		(\$30,300)	(\$30,300)	(\$30,300)	(\$30,300)	(\$30,300)	(\$30,300)	(\$30,300)	(\$30,300)	(\$30,300)	(\$30,300)
<b>Net Annual Proceeds</b>		<b>(\$479,000)</b>	<b>\$65,800</b>	<b>\$201,800</b>	<b>\$346,800</b>	<b>\$375,600</b>	<b>\$401,900</b>	<b>\$429,200</b>	<b>\$479,500</b>	<b>\$508,900</b>	<b>\$539,300</b>
<b>Net Annual Proceeds Running (w/int.)</b>	<b>\$1,037,000</b>	<b>\$599,500</b>	<b>\$689,300</b>	<b>\$918,700</b>	<b>\$1,302,200</b>	<b>\$1,729,900</b>	<b>\$2,201,000</b>	<b>\$2,718,200</b>	<b>\$3,306,400</b>	<b>\$3,947,600</b>	<b>\$4,644,800</b>
<b>Fair Market Value (FMV)</b>									<b>\$8,718,200</b>	<b>\$9,252,700</b>	<b>\$9,805,500</b>
Less: Realtor Commission		<b>Required 7-yr Hold</b>							(\$252,500)	(\$270,900)	(\$290,000)
Permanent Loan balance									(\$4,262,400)	(\$4,202,000)	(\$4,138,100)
Less: Investor equity (w/inflation)	<i>(\$606,100)</i>	(\$621,300)	(\$636,800)	(\$652,700)	(\$669,000)	(\$685,700)	(\$702,800)	(\$720,400)	(\$738,400)	(\$756,900)	(\$775,800)
<b>Total Cash after Sale</b>									<b>\$6,762,300</b>	<b>\$7,963,800</b>	<b>\$9,242,200</b>
<b>Multiple on Invested Equity (ROE)</b>									<b>11.16</b>	<b>13.14</b>	<b>15.25</b>

Sample Flex Industrial Bldg. - Cash Flows – Cont'd.										
Period (Yr.)	Operating Yr. 11	Operating Yr. 12	Operating Yr. 13	Operating Yr. 14	Operating Yr. 15	Operating Yr. 16	Operating Yr. 17	Operating Yr. 18	Operating Yr. 19	Operating Yr. 20
Occupancy	88%	88%	88%	88%	88%	88%	88%	88%	88%	88%
<b>Gross Operating Income</b>	<b>\$1,134,300</b>	<b>\$1,174,000</b>	<b>\$1,215,100</b>	<b>\$1,257,600</b>	<b>\$1,301,600</b>	<b>\$1,347,200</b>	<b>\$1,394,400</b>	<b>\$1,443,200</b>	<b>\$1,493,700</b>	<b>\$1,546,000</b>
Less: Vacancies & Credit Losses	(\$141,800)	(\$146,800)	(\$151,900)	(\$157,200)	(\$162,700)	(\$168,400)	(\$174,300)	(\$180,400)	(\$186,700)	(\$193,300)
Less: Operating Expenses - Fixed	(\$70,400)	(\$72,200)	(\$74,000)	(\$75,900)	(\$77,800)	(\$79,700)	(\$81,700)	(\$83,700)	(\$85,800)	(\$87,900)
Less: Operating Expenses - Variable	(\$15,500)	(\$15,800)	(\$16,200)	(\$16,600)	(\$17,100)	(\$17,500)	(\$17,900)	(\$18,400)	(\$18,800)	(\$19,300)
Less: Realtor Commission										
<b>Net Operating Income</b>	<b>\$906,600</b>	<b>\$939,200</b>	<b>\$973,000</b>	<b>\$1,007,900</b>	<b>\$1,044,000</b>	<b>\$1,081,600</b>	<b>\$1,120,500</b>	<b>\$1,160,700</b>	<b>\$1,202,400</b>	<b>\$1,245,500</b>
NMTC Loan A Debt Service	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
NMTC Loan B Debt Service	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Permanent financing Debt Service	(\$305,500)	(\$305,500)	(\$305,500)	(\$305,500)	(\$305,500)	(\$305,500)	(\$305,500)	(\$305,500)	(\$305,500)	(\$305,500)
<b>Development Spend</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Bridge loan	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Leveraged Loan (A)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
NMTC Equity Loan (B)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Investor Equity	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CDE & Transaction Fees	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Less: Investor equity interest payments	(\$30,300)	(\$30,300)	(\$30,300)	(\$30,300)	(\$30,300)	(\$30,300)	(\$30,300)	(\$30,300)	(\$30,300)	(\$30,300)
<b>Net Annual Proceeds</b>	<b>\$570,800</b>	<b>\$603,400</b>	<b>\$637,200</b>	<b>\$672,100</b>	<b>\$708,200</b>	<b>\$745,800</b>	<b>\$784,700</b>	<b>\$824,900</b>	<b>\$866,600</b>	<b>\$909,700</b>
<b>Net Annual Proceeds Running (w/int.)</b>	<b>\$5,401,400</b>	<b>\$6,220,900</b>	<b>\$7,106,900</b>	<b>\$8,063,300</b>	<b>\$9,094,000</b>	<b>\$10,203,600</b>	<b>\$11,396,400</b>	<b>\$12,677,200</b>	<b>\$14,050,900</b>	<b>\$15,522,600</b>
<b>Fair Market Value (FMV)</b>	<b>\$10,378,200</b>	<b>\$10,970,900</b>	<b>\$11,585,500</b>	<b>\$12,220,000</b>	<b>\$12,876,400</b>	<b>\$13,560,000</b>	<b>\$14,267,300</b>	<b>\$14,998,200</b>	<b>\$15,756,400</b>	<b>\$16,540,000</b>
Less: Realtor Commission	(\$311,300)	(\$329,100)	(\$347,600)	(\$366,600)	(\$386,300)	(\$406,800)	(\$428,000)	(\$449,900)	(\$472,700)	(\$496,200)
Permanent Loan balance	(\$4,070,500)	(\$3,999,100)	(\$3,923,500)	(\$3,843,600)	(\$3,759,100)	(\$3,669,800)	(\$3,575,300)	(\$3,475,400)	(\$3,369,700)	(\$3,257,900)
Less: Investor equity (w/inflation)	(\$795,200)	(\$815,100)	(\$835,500)	(\$856,400)	(\$877,800)	(\$899,700)	(\$922,200)	(\$945,300)	(\$968,900)	(\$993,100)
<b>Total Cash after Sale</b>	<b>\$10,602,600</b>	<b>\$12,048,500</b>	<b>\$13,585,800</b>	<b>\$15,216,700</b>	<b>\$16,947,200</b>	<b>\$18,787,300</b>	<b>\$20,738,200</b>	<b>\$22,804,800</b>	<b>\$24,996,000</b>	<b>\$27,315,400</b>
<b>Multiple on Invested Equity (ROE)</b>	<b>17.49</b>	<b>19.88</b>	<b>22.42</b>	<b>25.11</b>	<b>27.96</b>	<b>31.00</b>	<b>34.22</b>	<b>37.63</b>	<b>41.24</b>	<b>45.07</b>

## Conclusions

The Cash Flow tables provide a 20-year horizon of revenue, expenses and profitability. If a sale were to be considered, it could only be scheduled after seven years when the NMTC period is “unwound”. The B Loan (equity) is forgiven, and the A loan is refinanced at a favorable rate (**5.75%**) over 30 years.

### Sale after NMTC 7-Year Hold

Equity investment is repaid at sale, with interest paid to the investor (**5%**) annually through the timeline. Unpaid equity accrues at the inflation rate (**2.5%**) and a pre-negotiated division of net sale proceeds between the developer and the equity investor would take place.

Fair Market Value (FMV) is calculated by division of Net Annual Proceeds by the Capitalization Rate (**5.5%**). A **Year 8** sale would yield an FMV of **\$8.718 million** which, when added to accrued Net Proceeds and when Realtor fees, Permanent Loan Balance, and accrued Investor equity are deducted, produce a Total Cash after Sale of **\$6.762 million**. The Multiple on Invested Equity (ROE) would be **11.16**, an outstanding return.

### Indefinite Hold

For an indefinite hold, the 20-year Net Proceeds total of **\$10.193 million** will generate a Net Present Value (NPV) of **\$4.667 million** (**6.5%** discount rate). With invested equity of **\$606,100**, the Multiple on Invested Equity will be **7.37**. Year 20 Cash-on-Hand from accruing proceeds will be **\$15.523 million**.

### Comparison to Standard Financing

If the New Market Tax Credits were not utilized and this development was conventionally financed, a 2-year interest-only construction loan and a 30-year fixed take-out loan would be employed. Required Investor equity would be **\$1.763 million** and a reasonable Multiple on Invested Equity from sale would not be achieved until year **12 (1.31)**.

The table below compares the long-term hold outcomes of both finance strategies. Clearly, the NMTC choice emerges as the obvious winner:

20-Yr. Pro Forma	NMTC Financing	Standard Financing	NMTC Advantage
<b>Net Annual Proceeds</b>	<b>\$10,193,200</b>	<b>\$8,493,100</b>	<b>20%</b>
<b>Net Annual Proceeds NPV</b>	<b>\$4,467,000</b>	<b>\$3,719,800</b>	<b>20%</b>
<b>Investment equity</b>	<b>\$606,100</b>	<b>\$1,762,700</b>	<b>66%</b>
<b>Multiple on Invested Equity</b>	<b>7.37</b>	<b>2.11</b>	<b>249%</b>
<b>Year 20 Cash-on-Hand</b>	<b>\$15,522,600</b>	<b>\$11,023,600</b>	<b>41%</b>

## About DCG Corplan

DCG Corplan Consulting LLC (DCG Corplan) is a national leader in economic development strategic planning, corporate site selection and location intelligence, and real estate development feasibility studies and market analysis. DCG Corplan's principals have counseled nearly 25% of the Fortune 500 corporations, assisted with more than 2,600 location decisions, as well as hundreds of assignments for public development agencies in the United States, Europe and the Caribbean.

The firm provides strategic guidance to public agencies with practical business attraction/retention programs and implementation. Public sector clients include regional, state, county and municipalities who seek economic development and diversification in specific industrial, commercial, trade, and tourism activities, as well as development entities who seek assistance on positioning surplus or underutilized facilities into positive cash flows.

For private sector assignments, the firm is dedicated to helping corporations or private investors improve their

bottom-line results and capitalize on growth opportunities through geographic repositioning of their capacity.

Corporate clients include major industrial and service companies for whom DCG Corplan provides guidance on expansion, consolidation, or reconfiguration of administrative, marketing, production, research, and distribution facilities, including: headquarters and field offices, manufacturing plants, data centers, laboratories, telemarketing centers, and warehouses.

The firm combines the talents of experienced professionals in the three practice areas: Economic Development, Corporate Site Selection, and Real Estate Development.

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