INVESTMENT MEMORANDUM

5035 Coliseum St, Los Angeles, CA 90016

Presented to: Professors Douglas Abbey and Chris Mahowald

GSBGEN 306: Real Estate Investment

Deal Team: Group 26 (AGANA) - Alex Nguyen-Phuc, Grace Pan (Team Leader), Allison Sheu, Nikhil Gupta, Anna Kubascek

Date: March 5th, 2026

I. Executive Summary:

ASSET TYPE	UNITS	TDC	LP EQUITY	LEVERED IRR	HOLD
Workforce MF + Costco Retail	**800**	**$477.4M**	**$78.4M**	**20.4%**	5 years

We, a family office, have the opportunity to participate as an LP investor with Thrive Living acting as sponsor for a ground-up development project. The deal offers a government-subsidized path to 800 units of workforce housing in Los Angeles anchored by the first urban Costco in the United States, structured with below-market CalHFA bond financing that generates development economics unavailable to conventional investors. **We recommend participation,** pending satisfactory answering of our diligence questions below.

We are evaluating an LP equity co-investment of $78.4M in 5035 Coliseum Street, an 800-unit, 100% workforce multifamily development anchored by a 20-year NNN lease to Costco Wholesale (S&P: AA) - the first urban mixed-use Costco in the United States. The project is located in Baldwin Village, Los Angeles, sponsored by Thrive Living, a subsidiary of Magnum Real Estate Group (MREG), and capitalized primarily with $275M in CalHFA tax-exempt recycled bonds.

The project is fully entitled under AB 2011, the first such approval in Los Angeles, and benefits from four structural cost advantages unavailable to market-rate developers: (1) welfare property tax exemption on all residential units; (2) below-market CalHFA tax-exempt bond financing; (3) a $10.6M Costco construction cost reimbursement; and (4) modular construction projected to reduce hard costs by 15 to 20% vs. conventional build. Together, these bring total development cost to $597K/unit against a California affordable replacement cost of $900K - $1.0M/unit.

5035 Coliseum represents a rare convergence of structural housing demand, first-mover entitlement advantage, and a government-engineered capital structure that most competitors cannot replicate. The returns are not accidental - they reflect a 6.5% yield on cost against an 5.5% residential exit cap, generating a ~110 bps development spread on a 74%-leveraged project backed by AA-rated retail income and HUD-indexed residential revenue.

The three most significant risks are knowable and resolvable in due diligence: revenue growth sensitivity, second bond tranche certainty, and modular construction at scale. If those risks can be mitigated with satisfactory answers, the risk-adjusted return profile ($78.4M LP equity, 20.4% IRR, 2.69x multiple, 5-year hold) is compelling for a development-stage affordable housing investment in one of the most supply-constrained metros in the country.

The development spread is the core economic engine: it compensates investors for construction and lease-up risk, while the government-subsidized capital structure provides a durable cost-of-capital advantage that cannot be replicated by market-rate developers. Note: rents in this analysis are net (NNN for retail; residential net of vacancy and operating expenses). The Investment Committee can verify ROC by dividing stabilized NOI of $31.0M by TDC of $477.4M.

Thrive Living is a Los Angeles-focused developer specializing in workforce housing developments, affiliated with Magnum Real Estate Group and active in delivering transit-oriented multifamily projects across the city. The Walker & Dunlop co-sponsorship and CalHFA relationship meaningfully de-risk the capital markets execution. The principal concern is scale: there is no evidence that Thrive or VBC has delivered a project of this complexity and size. We want to meet the project team, review the construction contract in detail, and understand the sponsor's contingency plan if VBC underperforms before committing capital.

The risk-adjusted return profile is compelling for a patient family office comfortable with development-stage risk. The deal is structurally differentiated - this is not a yield-chasing bet on a hot market, but a government-subsidized infrastructure play in a market where supply cannot meet need at any price. The risks are real, but they are the kind that good due diligence can resolve.

We recommend proceeding to due diligence with the following conditions precedent to committing capital:

1. Confirm closing certainty of $261M CalHFA bond tranche - signed term sheet and conditions precedent.
2. Validate rent growth mechanism in Costco lease - fixed bumps vs. CPI escalator; reconcile 7.5% retail growth assumption.
3. Independently verify VBC execution capacity at 800+ units - review largest completed project, performance guarantees, and completion bond.
4. Negotiate LP waterfall: minimum 8% preferred return, clear promote structure, and MREG parent completion guarantee.

II. Who We Are:

We represent the AGANA family office, managing patient, multi-generational capital generated from legacy operating businesses outside of the real estate sector. Our strategic mandate for this allocation centers on three objectives: securing true portfolio diversification through tangible asset classes, deploying capital as a single limited partner to maintain governing control, and investing in projects that provide a profound, measurable benefit to the local community. We are not beholden to venture-scale hurdle rates; rather, we target durable, infrastructure-like yields that compensate us appropriately for development-stage risk.

The development outlined in this report aligns with our family office’s goals: it diversifies our holdings into the supply-constrained Los Angeles affordable housing market, satisfies our requirement for single-LP control, and delivers a transformative community benefit by supplying hundreds of workforce housing units alongside an urban Costco to a historically underserved neighborhood.

III. Opportunity Overview:

5035 Coliseum Street is a massive, transit-oriented mixed-use development located in the Baldwin Village neighborhood of Los Angeles, situated just 0.5 miles from the Metro Expo and

K Line stations. By replacing a vacant, underutilized commercial office and former hospital site, the property offers an immediate revitalization benefit to the surrounding community[1] (which is personally recognized by the mayor, who was present at the groundbreaking ceremony[2]). Spanning a total of 1,569,386 gross square feet, the six-story structure is designed with five stories of residential housing built above a dedicated commercial podium and 4.5 levels of subterranean parking. The retail component consists of 179,500 rentable square feet fully pre-leased to Costco (S&P: AA) on a 20-year absolute-net lease, marking a landmark achievement as the first urban-infill, mixed-use Costco development in the United States. This unique structure allows Thrive to leverage Costco's commercial rent to subsidize the affordable housing, bypassing the need for highly competitive and slow-moving public subsidies like Low-Income Housing Tax Credits (LIHTC). Above the retail anchor, the residential component features approximately 377,392 rentable square feet consisting of 800 apartment units. The highly efficient unit mix is tailored to local renter demand, comprising 280 junior one-bedroom, 368 standard one-bedroom, and 152 two-bedroom floorplans.

To address the severe housing shortage in Los Angeles, the asset operates entirely as a 100% workforce housing community. Specifically, 80% of the property (640 units) is restricted to households earning up to 80% of the area median income, while the remaining 20% (160 units) is self-restricted to 50% area median income, which is expected to capture federally backed Section 8 voucher holders. The project benefits from significant regulatory and construction advantages. It is the first Los Angeles development fully entitled under the CEQA-exempt AB 2011 legislation (The Affordable Housing and High Road Jobs Act). This ministerial approval pathway is a massive competitive advantage: by exempting the project from the California Environmental Quality Act (CEQA), it completely bypasses the costly, multi-year Environmental Impact Report (EIR) processes and shields the development from the NIMBY-driven litigation that typically derails large-scale Los Angeles projects. It also utilizes an innovative modular construction method that reduces the build schedule by up to 40%.

The project's current status is the culmination of a rigorous multi-year pre-development timeline. Key historical milestones include Thrive's initial acquisition of the parcel in September 2019, the strategic purchase of an adjacent 7-acre lot in May 2022 to extinguish anti-residential deed restrictions, the execution of the Costco lease in December 2022, and securing AB 2011 and Housing Authority of the City of Los Angeles (HACLA) approvals in early 2024. As of February 2026, the physical site has been completely cleared, with demolition and grading finished, with shoring scheduled to commence. With construction officially underway since August 2025, the development is aggressively tracking toward a retail completion in September 2028, residential delivery in November 2028, and full stabilization by July 2030.

Thrive proposes that "over a 5-year hold, the Project is expected to generate a 27.9% levered IRR, a 3.05x levered equity multiple, $193.7M in profit, and a 6.6% stabilized Year 4 yield on cost."

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[1] Steven Sharp, "Costco-Anchored Development at 5035 Coliseum St. Breaks Ground," *Urbanize LA*, September 19, 2024, https://la.urbanize.city/post/costco-anchored-development-5035-coliseum-st-breaks-ground.

[2] Office of Los Angeles Mayor Karen Bass, "BREAKING THE STATUS QUO," September 18, 2024, https://mayor.lacity.gov/news/breaking-status-quo-mayor-bass-announces-thousands-jobs-and-hundreds-housing-units-south-la.

IV. Thrive Living (GP):

Thrive Living is a Los Angeles-focused multifamily developer specializing in workforce and attainable housing. The firm has concentrated its development pipeline in Los Angeles, a market experiencing one of the most severe housing affordability gaps in the United States. Thrive's model focuses on acquiring underutilized urban sites and delivering modern, amenity-rich rental communities designed for middle-income households, often located near transit corridors and employment centers. Thrive has focused on pursuing privately financed developments, enabling projects to move forward more quickly and at greater scale.

Thrive is an affiliate of Magnum Real Estate Group, a vertically integrated real estate platform that has developed approximately $5.5 billion of real estate across a variety of asset classes, including ground-up multifamily, adaptive reuse projects, student housing, retail, and community facilities.[3] This relationship provides Thrive with access to institutional development expertise, capital markets relationships, and construction capabilities that support the execution of complex urban projects.

Within Los Angeles, Thrive has emerged as one of the more active private developers focused on attainable housing delivery. The company's recent pipeline includes several significant projects across the city that have similarities to 5035 Coliseum, including the 290-unit affordable housing development at 1141 N. Vermont Avenue in East Hollywood and the 376-unit mixed-use workforce housing project at 1457 N. Main Street near Downtown Los Angeles. Thrive has also completed projects such as 740 Alvarado, an 80-unit workforce housing community near MacArthur Park, and has invested in developments like 4252 Crenshaw, a transit-oriented community along the Crenshaw corridor.[4] These projects share several common features, including transit-oriented locations, high-quality amenities, modular construction techniques to reduce cost and timelines, and a mix of rent-restricted and workforce housing units.

Importantly, Thrive operates with a deeply local orientation. The firm emphasizes partnerships with neighborhood leaders, community organizations, and local hiring initiatives as part of its development approach. This "local rather than tourist" positioning appears to have helped Thrive establish credibility with municipal stakeholders and neighborhood groups in a development environment where entitlement risk and community opposition can be significant barriers to execution.

While we have not previously partnered with Thrive, our preliminary assessment is that the firm represents a compelling local sponsor should we seek to invest in this market. Thrive combines experience in developing in this market, strong familiarity with the city's entitlement and community engagement processes, and a clear strategic focus on addressing housing affordability. Given the regulatory complexity and local stakeholder dynamics associated with development in Los Angeles, partnering with a developer that is embedded in the local ecosystem may materially reduce execution risk for institutional capital entering the market.

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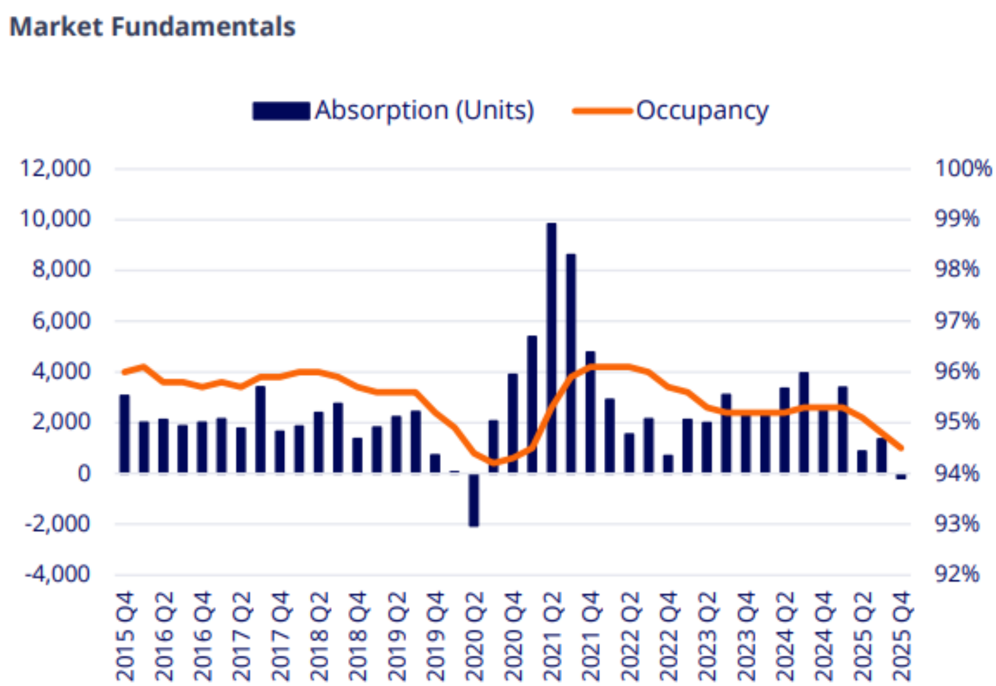
[3] Thrive Living, "About," Thrive Living website, accessed March 4, 2026, https://thrive-living.com/about/
[4] Thrive Living, "Properties," Thrive Living website, accessed March 4, 2026, https://thrive-living.com/properties/

V. Market Analysis:

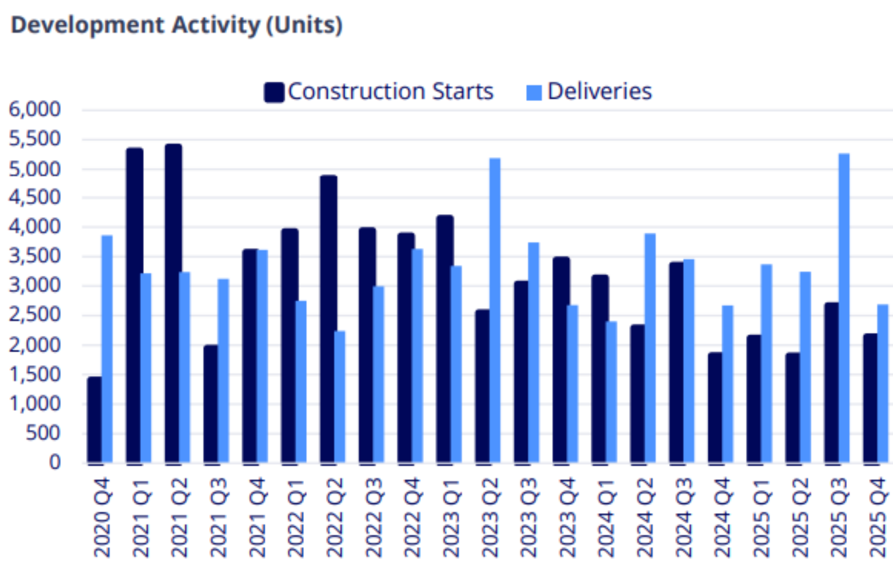
Los Angeles Overview
Los Angeles County is the most populous county in the United States, home to 9.78 million residents in 2025. The county's GDP exceeds $790 billion, credited to the entertainment and digital media industries, aerospace and defense, and international trade flowing through the Port of Los Angeles and Port of Long Beach.

The multifamily market in Los Angeles demonstrates bifurcated supply and demand dynamics. On the one hand, the market is showing oversupply, with vacancy rates up to 5.7%, highest this decade excluding 2020 pandemic anomalies. This is largely driven however by luxury assets being built in Koreatown and Downtown Los Angeles. Amongst high-end assets, vacancy rates were up to 9.9% in 2025, constraining rent growth.[5]



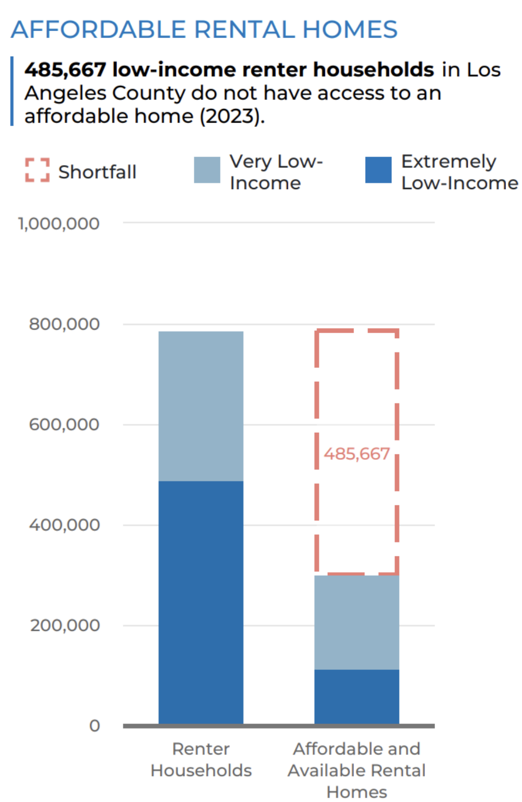
Absorption spiked dramatically in 2021 (demand catching up post-COVID), then normalized. But from 2022 onward, as all those deliveries arrived, absorption has been modest and occupancy has drifted down from ~97% to ~94% - the market absorbed supply, but not without some occupancy pressure[6]. This statistic is to provide context to the overall LA market, not specifically for affordable housing.

[5] Matthews Real Estate Investment Services, "Los Angeles, CA Multifamily Market Report Q4 2025," December 23, 2025, https://www.matthews.com/market_insights/los-angeles-ca-multifamily-market-report-q4-2025.
[6] Colliers Q4 2025 Multi-Family Report for Los Angeles.



There has been a decline in construction starts. Construction starts peaked around 2021 - 2022 at ~5,000 - 5,500 units per quarter, then fell sharply through 2024 - 2025 to ~1,750 - 2,000 units. Deliveries, meanwhile, stayed elevated through mid-2025 (peaking ~5,000+ units in 2025 Q3) - that's the lagged pipeline from those earlier starts finally hitting the market.[7] The gap between starts and deliveries is now closing and inverting, meaning the future supply pipeline is thinning out considerably.

However, Los Angeles is simultaneously seeing undersupply in affordable housing units: every 8 years, the Regional Housing Needs Allocation process determines the number of needed affordable housing units that must come on the market to meet demand. They estimated in their current plan that the city needed to add 456,643 units by 2029, and 184,721 must be affordable



[7] Colliers Q4 2025 Multi-Family Report for Los Angeles.

housing (50-80% AMI).[8] Yet of the 17,217 homes permitted in 2024, only 3,000 were affordable housing units, roughly 13% of annual need.[9] 5035 Coliseum on its own represents 26% of permitted homes being delivered.

Baldwin Village Submarket

5035 Coliseum is located in Baldwin Village, within the broader Greater Culver City submarket. This area is undergoing a meaningful income and demographic transformation: median household income was $71,067 in 2023 - up 98.2% since 2011. Yet this sits lower than median HH income in LA County ($90,112) and neighboring Culver City ($122,396).[10] Renter rate in Baldwin Village is 59% - pointing at a deep pool of potential tenants who qualify for 80% AMI housing. This illustrates the importance of 5035 Coliseum's positioning as an affordable housing complex at the intersection of a lower income renter base, and a high-income trade area (Culver City).

At the same time that Baldwin Village represents a deep pool of potential tenants, very few income restricted units have been delivered in the neighborhood - only 7 deed-restricted 30% AMI units in 2025[11]. Three other developments are in the pipeline for the neighborhood[12] [13] [14] , with 5035 Coliseum representing 77% of units in the 50-80% AMI band. This is to emphasize that though LA County as a whole shows risk of over-supply, the context in affordable housing and particularly in Baldwin Village is the opposite.

[8] Danielle M. Mazzella, *Los Angeles County 2024 Affordable Housing Needs Report* (California Housing Partnership, May 2024), https://chpc.net/wp-content/uploads/2024/05/Los-Angeles_Housing_Report-2.pdf.

[9] David Wagner, "LA Continues to Fall Far Short of Reaching State-Mandated Housing Goals, City Report Shows," LAist, May 26, 2025, https://laist.com/news/housing-homelessness/los-angeles-city-housing-state-goals-annual-progress-report-rhna-2024

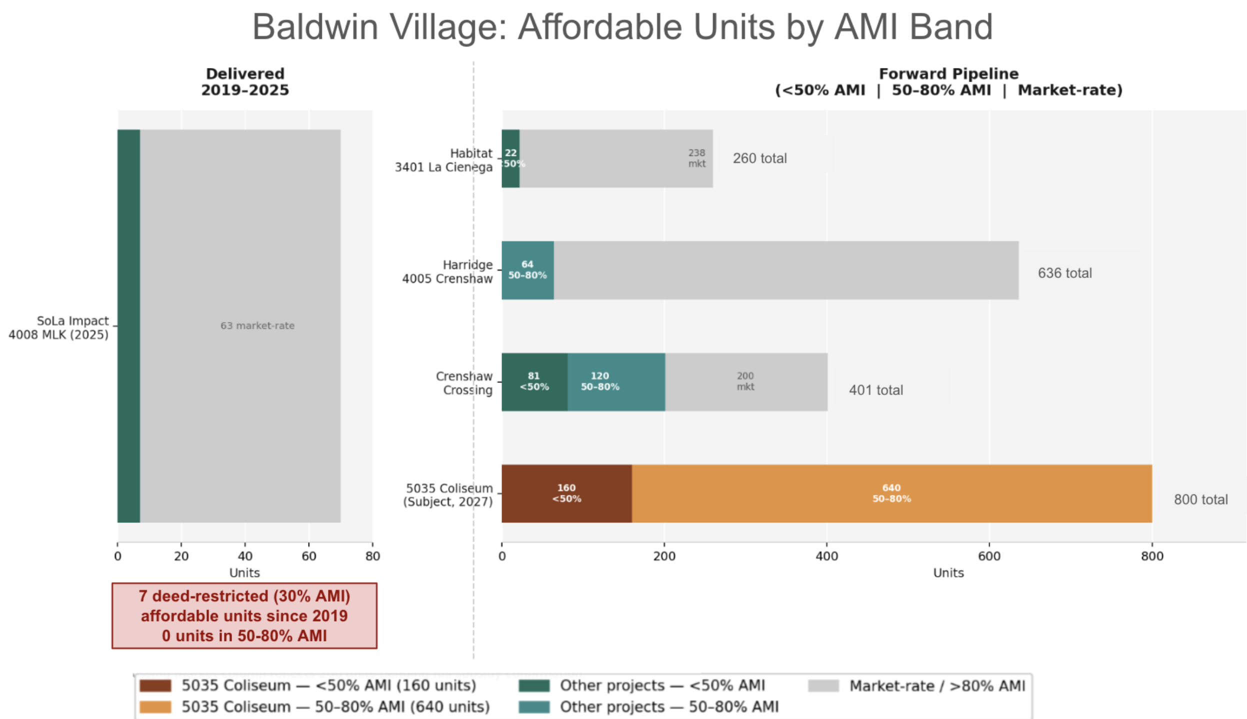
[10] U.S. Census Bureau, ACS 2019-2023.

[11] Steven Sharp, "Rendering vs. Reality: Mixed-use building at 4008 MLK Boulevard," *Urbanize LA*, September 26, 2025, https://la.urbanize.city/post/rendering-vs-reality-mixed-use-building-4008-mlk-boulevard.

[12] Steven Sharp, "Crenshaw Crossing Project to Add More Affordable Housing," *Urbanize LA*, October 28, 2020, https://la.urbanize.city/post/crenshaw-crossing-project-add-more-affordable-housing.

[13] Trevor Bach, "Harridge Plans More Than 600 Apartments as Part of South LA Mall Revival," *The Real Deal*, September 20, 2023, https://therealdeal.com/la/2023/09/20/harridge-wants-600-apartments-at-baldwin-hills-crenshaw-plaza/.

[14] Steven Sharp, "Habitat Development Unwrapped at 3401 S. La Cienega Boulevard," *Urbanize LA*, April 21, 2025, https://la.urbanize.city/post/habitat-development-unwrapped-3401-s-la-cienega-boulevard.



Location wise, 3035 Coliseum additionally sits at a strong location at the intersection of the Metro E Line and K Line, with proximity to the 110 and to key corridors like La Cienega Blvd and Exhibition Blvd. Los Angeles's "28 by '28" infrastructure plan will upgrade transit corridors and adjacent zones in preparation for the 2028 Olympics. Therefore, even if this development isn't actively benefiting from the metro (0.5 miles away) at the moment, the value of this proximity will increase significantly in the near future.

Rent Assessment

5035 Coliseum operates under an income-restricted rent framework, with rents governed by HUD's annual Area Median Income (AMI) determinations rather than open market supply and demand. This distinction is important: AMI-capped rents have historically tracked upward with local wage growth and federal cost-of-living adjustments, exhibiting a more predictable growth trajectory relative to Class A market-rate apartments.

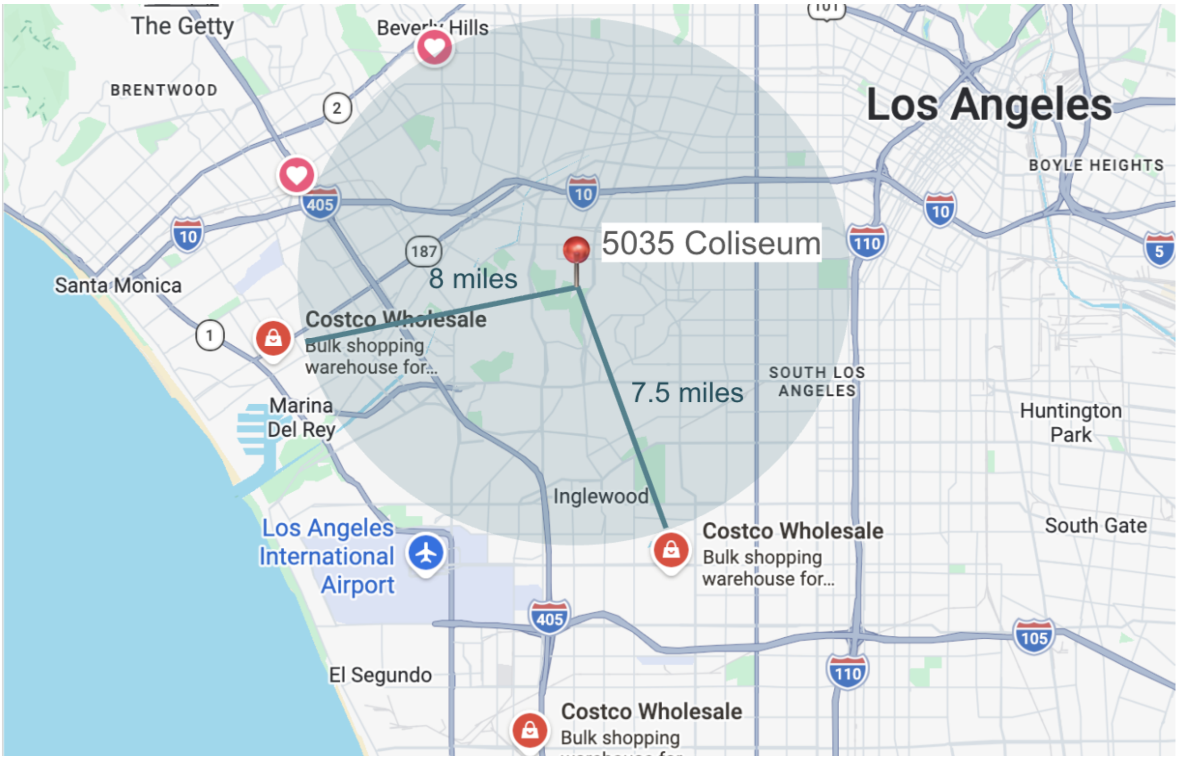
Unit Type	2021 Rent	2025 Rent	5-Year CAGR (2021 - 2025)	10-Year CAGR (2015 - 2025)
Studio / Jr. 1-Bed (80% AMI)	**$1,656**	**$2,121**	**6.14%**	**5.94%**

1-Bedroom (80% AMI)	**$1,893**	**$2,424**	**6.15%**	**6.01%**
2-Bedroom (80% AMI)	**$2,129**	**$2,726**	**6.15%**	**5.94%**
3-Bedroom (80% AMI)	**$2,365**	**$3,029**	**6.15%**	**5.95%**

This consistent ~6% annual growth rate over both five- and ten-year periods reflects a structural, policy-driven mechanism rather than cyclical market pricing. The OM projects 5.0% annual rent growth in the residential underwriting, which represents a slight discount to the realized 6.1 - 6.15% CAGR - a conservatively defensible assumption. The income thresholds that determine AMI rent ceilings have grown at an equivalent pace, rising from $66,250 (1-person, 80% AMI) in 2021 to $84,850 in 2025 - a 6.15% CAGR. The 4-person household limit increased from $94,600 to $121,150 over the same period. This income growth, driven by regional wage appreciation in the LA metro, directly supports the income levels needed for tenants to afford the Project's rents, reinforcing the quality and stability of the renter pool.

The central question becomes: will the 800 units at 3035 Coliseum lease? Due to the supply context outlined above, we believe demand will be strong and lease up risk is moderate-to-low due to pre-leasing. Of the 800 units, 160 (20%) are pre-leased to Section 8 voucher holders, representing a reliable, federally subsidized income stream not subject to the greater LA rental market. The additional units will be rented over a 20-month lease up period, beginning November 2028.

What about Costco Retail?
Costco's membership base skews toward middle- and upper-middle-income households, with median Costco shopper household income at $100,000-$125,000. While this is slightly higher than the average Baldwin Village resident, the store will pull buyers from more than the immediate neighborhood. When considering the catchment area, a 6-7 mile trade area (equivalent to a 15 minute drive) in urban Los Angeles encompasses a massive and economically diverse population including Culver City, West Adams, Inglewood and even West Los Angeles. The nearest Costco for these populations is in Marina Del Ray or Inglewood, outside of the 6-7 mile radius of 5035 Coliseum.



Of consideration are two additional grocery stores that sit near 5035 Coliseum: Ralphs and Superior Grocers. Ralphs and Superior Grocers serve a different shopping occasion: high frequency, small basket shopping for weekly groceries. Superior Grocers additionally focuses on Hispanic and international food products. In contrast, Costco plays in bulk: lower frequency, high basket size, annual membership. Costco is in fact complementary to these other grocery stores, while its apparel, electronics, pharmacy and eyecare services do not compete at all. Proximity to metro lines and key car transportation corridors supports our thesis that this Costco will succeed in this location.

Thrive Living also purchased the parcel of land where Ralphs sits in order to remove deed restrictions that may have blocked residential development, a proactive assembly of a multi-parcel site that allows for future optionality should Ralphs decide to terminate its lease. This not only gives Thrive some potential visibility into retail adjacent to Costco, but shows thoughtful management of entitlement risk.

Finally, Costco and Thrive Living's commitment to workforce development in Baldwin Village deserves explicit consideration in this analysis. Costco expects to create 290 permanent, full-time jobs averaging $30/hour, representing a meaningful wage injection in the neighborhood where median income is below the city average. Costco has additionally committed to local hire and job training programs, which has implications beyond financial underwriting. First, this will generate enormous community goodwill and reduce opposition or development approvals. Second, Costco employees become natural prospective tenants, creating an organic pipeline to residential units.

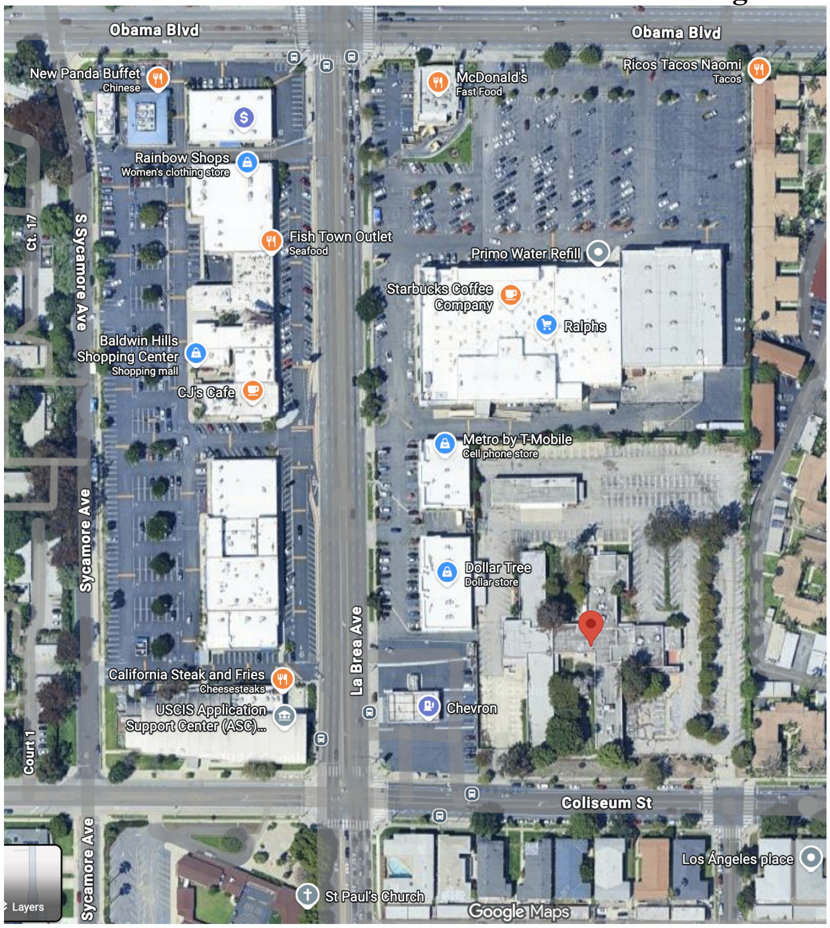
VI. Property Evaluation:

The quality of 5035 Coliseum is defined by its hybrid positioning: it has elements of a high quality physical asset as well as the durable, recession-resistant cash flow profile of an institutional-grade workforce housing development. Additionally, the asset's risk profile is uniquely mitigated by overwhelming local community support, a rarity for LA mega-developments. Local leaders, including the Crenshaw Manor Community Association, have publicly embraced the project as "truly a game changer," and Mayor Karen Bass highlighted its potential to make a "generational impact" by bringing fresh food, pharmacy services, and high-paying jobs to an underserved area without gentrification-driven displacement.[15] Physically, the project delivers a living standard comparable to market-rate luxury products, featuring modern finishes such as quartz countertops, stainless steel appliances, and in-unit washers and dryers in all units. This physical excellence is complemented by a robust, "live-work-play" amenity package including a rooftop pool, fitness center, lounges, and dedicated co-working areas. While the project utilizes an innovative modular construction method to reduce the schedule by up to 40% and costs by approximately 20%, the building maintains high architectural integrity and design quality equivalent to traditional stick-built developments.

All units feature quartz countertops, dishwashers, and washer/dryer

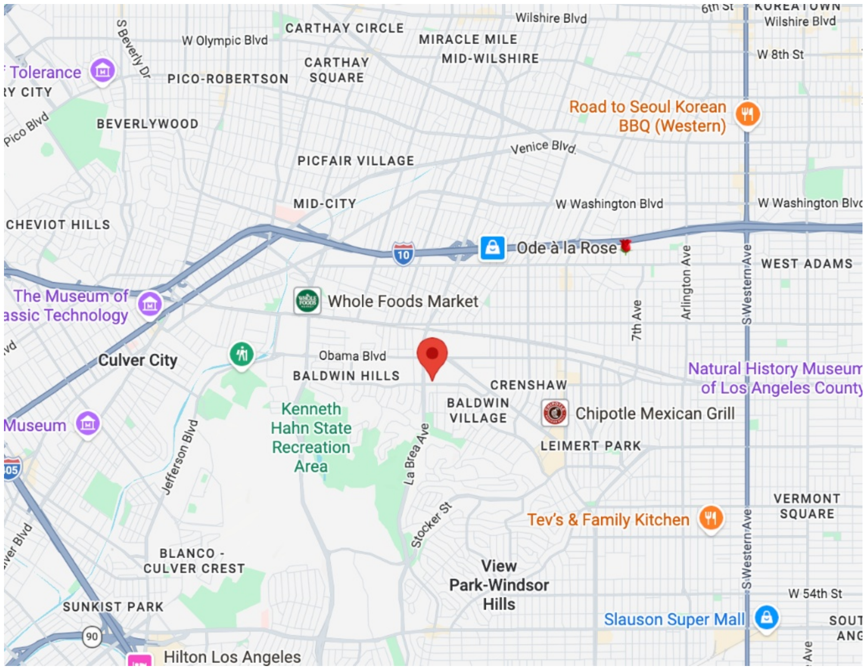
[15] Steven Sharp, "Rumor Confirmed: Big Costco-Anchored Development Coming to 5035 W Coliseum Street," *Urbanize LA*, January 12, 2023, https://la.urbanize.city/post/costco-anchored-development-5035-coliseum-st-breaks-ground.

Micro-location: immediate retail and commercial integration



Neighborhood context: surrounding community and civic amenities

Macro-location: regional connectivity and freeway access



The site of 5035 Coliseum presents a highly compelling urban infill opportunity, driven by unparalleled walkability to daily-needs retail and strong neighborhood anchors. As illustrated by the site maps, the property sits just east of the highly trafficked La Brea Avenue arterial and is directly integrated into an established commercial footprint: a retail plaza featuring a Ralphs grocery store, Starbucks, and Dollar Tree.

Furthermore, it sits directly across La Brea Avenue from the Baldwin Hills Shopping Center, providing future residents with an exceptionally convenient, service-rich environment right outside their door. Beyond immediate retail convenience, the location is deeply woven into the local community fabric. It is surrounded by established residential neighborhoods like The Village Green and Baldwin Vista, and is situated within a short walk of major civic amenities, including the sprawling Rancho Cienega Recreation Center, Jim Gillam Park, St. Paul's Presbyterian Church, and Susan Miller Dorsey Senior High School. Situated just south of Interstate 10, the property offers rapid commuter access to major Los Angeles employment and cultural hubs, including Culver City to the west and the Mid-Wilshire district to the north. It is also located just northeast of the massive Kenneth Hahn State Recreation Area, providing residents with regional-scale outdoor amenities and green space mere minutes from the site.

This powerful combination of immediate commercial access, community green spaces, and transit-oriented connectivity establishes a premier footprint that will naturally capture and sustain strong tenant demand.

VII. Financial Analysis:

Key assumption: 5% residential vacancy rate

Studio / Jr. 1-Bed Comparables

Studios/Jr. 1-Bed Lease Comps

			Studios/Jr. 1-Bedrooms				
Property	*Neighborhood*	*Comp Source*	*Rent*	*Avg. SF*	*Rent PSF*	*Include?*	*Justification*
Mikado Apartments	Downtown LA	Provided by Sponsor	$1,390	140	$9.9	No	Micro-studio in DTLA, an ultra-dense submarket
Studio House	Downtown LA	Provided by Sponsor	$1,540	190	$8.1	No	Micro-studio in DTLA, an ultra-dense submarket
Studio House	Downtown LA	Provided by Sponsor	$1,235	169	$7.3	No	Micro-studio in DTLA, an ultra-dense submarket
Studio House	Downtown LA	Provided by Sponsor	$1,225	150	$8.2	No	Micro-studio in DTLA, an ultra-dense submarket
Studio House	Downtown LA	Provided by Sponsor	$1,195	160	$7.5	No	Micro-studio in DTLA, an ultra-dense submarket
2020 Barranca St	**Lincoln Heights**	**Provided by Sponsor**	**$2,045**	**305**	**$6.7**	**Yes**	**New building in transitioning submarket**
Arrive West LA	West LA	Provided by Sponsor	$2,804	331	$8.5	No	Luxury, in premium submarket
6401 Wilshire	Beverly Grove	Provided by Sponsor	$1,995	198	$10.1	No	Micro-studio in premium submarket
Willow Santa Monica	Santa Monica	Provided by Sponsor	$2,945	364	$8.1	No	Luxury, in premium submarket
Vinz on Fairfax	**Fairfax**	**Apartments.com**	**$2,599**	**547**	**$4.8**	**Yes**	**Trendy, walkable area is similar**
Kinley West LA	**West LA**	**Apartments.com**	**$2,659**	**601**	**$4.4**	**Yes**	**Good access to corporate campuses is similar**
Cloud Nine	**Greater Crenshaw**	**Rent.com**	**$2,350**	**526**	**$4.5**	**Yes**	**New construction in the immediate submarket**
Crenshaw Lofts	**Greater Crenshaw**	**Apartments.com**	**$2,075**	**386**	**$5.4**	**Yes**	**New construction in the immediate submarket**
Coro	**Greater Crenshaw**	**Apartments.com**	**$2,050**	**433**	**$4.7**	**Yes**	**New construction in the immediate submarket**
Total | Weighted Average Value of Relevant ("Yes") Comps			**$2,296**	**466**	**$5.1**		
5035 Coliseum St.	**Greater Crenshaw**		**$2,397**	**383**	**$6.3**		
Premium/Discount to Leasing Comps			*4.4%*		*23.3%*		

1-Bed Comparables

1-Bed Lease Comps

			1 Bedroom				
Property	*Neighborhood*	*Comp Source*	*Rent*	*Avg. SF*	*Rent PSF*	*Include?*	*Team Justification*
M Lofts	**Culver City**	**Provided by Sponsor**	**$2,400**	**379**	**$6.3**	**Yes**	**Adjacent submarket with similar transit access**
Arrive West LA	West LA	Provided by Sponsor	$2,876	440	$6.5	No	Luxury, in premium submarket
Venice Wave	Venice	Provided by Sponsor	$2,950	455	$6.5	No	Luxury, in premium submarket
Mysa	Silver Lake	Provided by Sponsor	$3,900	494	$7.9	No	Luxury, in premium submarket
6401 Wilshire	Beverly Grove	Provided by Sponsor	$3,994	438	$9.1	No	Luxury, in premium submarket
6401 Wilshire	Beverly Grove	Provided by Sponsor	$4,115	438	$9.4	No	Luxury, in premium submarket
105 S. Fairfax	Beverly Grove	Provided by Sponsor	$3,480	426	$8.2	No	Luxury, in premium submarket
Sea Castle	Santa Monica	Provided by Sponsor	$3,709	510	$7.3	No	Luxury, in premium submarket
WM by CLG	**Culver City**	**Provided by Sponsor**	**$3,366**	**500**	**$6.7**	**Yes**	**Adjacent submarket with similar transit access**
1932 Hillhurst Ave* (fu	Los Feliz	Provided by Sponsor	$3,800	350	$10.9	No	Furnished rental in premium submarket
1553 Baxter St.* (furni	Silver Lake	Provided by Sponsor	$3,100	400	$7.8	No	Furnished rental in premium submarket
Vinz on Fairfax	**Fairfax**	**Apartments.com**	**$3,440**	**798**	**$4.3**	**Yes**	**Trendy, walkable like this submarket**
The Q Playa	**Playa Vista**	**Apartments.com**	**$3,527**	**713**	**$4.9**	**Yes**	**Good access to corporate campuses is similar**
Kinley West LA	**West LA**	**Apartments.com**	**$3,096**	**652**	**$4.7**	**Yes**	**Good access to corporate campuses is similar**
Cloud Nine	**Greater Crenshaw**	**Rent.com**	**$2,395**	**700**	**$3.4**	**Yes**	**New construction in the immediate submarket**
Crenshaw Lofts	**Greater Crenshaw**	**Apartments.com**	**$2,470**	**577**	**$4.3**	**Yes**	**New construction in the immediate submarket**
Haven on Orange	**Greater Crenshaw**	**Zillow.com**	**$1,629**	**390**	**$4.2**	**Yes**	**New construction in the immediate submarket**
Coro	**Greater Crenshaw**	**Apartments.com**	**$2,650**	**628**	**$4.2**	**Yes**	**New construction in the immediate submarket**
Total | Weighted Average Value of Relevant ("Yes") Comps			**$2,775**	**593**	**$4.8**		
5035 Coliseum St.	**Baldwin Hills**		**$2,397**	**452**	**$5.3**		
Discount to Leasing Comps			*-13.6%*		*10.6%*		

2-Bed Comparables

2-Bed Lease Comps

Property	Neighborhood	Comp Source	Rent	Avg. SF	Rent PSF	Include?	Justification
Venice Wave	Venice	Provided by Sponsor	$4,175	666	$6.3	No	Luxury, in premium submarket
Venice Wave	Venice	Provided by Sponsor	$4,050	651	$6.2	No	Luxury, in premium submarket
Venice Wave	Venice	Provided by Sponsor	$3,895	660	$5.9	No	Luxury, in premium submarket
Mysa	Silver Lake	Provided by Sponsor	$5,950	995	$6.0	No	Luxury, in premium submarket
630 S Cochran	Beverly Grove	Provided by Sponsor	$4,000	675	$5.9	No	Luxury, in premium submarket
Willow Santa Monica	Santa Monica	Provided by Sponsor	$7,300	886	$8.2	No	Luxury, in premium submarket
1450 Cloverfield	Santa Monica	Provided by Sponsor	$4,510	750	$6.0	No	Luxury, in premium submarket
Modera Argyle	West Hollywood	Provided by Sponsor	$3,925	712	$5.5	No	Luxury, in premium submarket
Cloud Nine	**Greater Crenshaw**	**Rent.com**	**$3,450**	**1029**	**$3.4**	**Yes**	**New construction in the immediate submarket**
Crenshaw Lofts	**Greater Crenshaw**	**Apartments.com**	**$3,015**	**759**	**$4.0**	**Yes**	**New construction in the immediate submarket**
Haven on Orange	**Greater Crenshaw**	**Zillow.com**	**$1,971**	**476**	**$4.1**	**Yes**	**New construction in the immediate submarket**
Coro	**Greater Crenshaw**	**Apartments.com**	**$3,275**	**1005**	**$3.3**	**Yes**	**New construction in the immediate submarket**
The Q Playa	**Playa Vista**	**Apartments.com**	**$4,057**	**975**	**$4.2**	**Yes**	**Good access to corporate campuses is similar**
Total | Weighted Average Value of Relevant ("Yes") Comps			**$3,154**	**848.8**	**$3.8**		
5035 Coliseum St.	**Baldwin Hills**		**$2,758**	**683**	**$4.0**		
Discount to Leasing Comps			*-12.6%*		*6.9%*		

Comparables Summary Table

Rent	**5035 Coliseum**	**Comparables**	**% Premium / (Discount)**
Studio	$2,397	$2,296	4.4%
1B	$2,397	$2,775	(13.6)%
2B	$2,758	$3,154	(12.6)%
Avg. SF			
Studio	383	466	(17.9)%
1B	452	593	(23.8)%
2B	683	849	(19.5)%
Rent / SF			
Studio	$6.3	$5.1	23.3%
1B	$5.3	$4.8	10.6%
2B	$4.0	$3.8	6.9%
Mix of Units			
Studio	35%		
1B	46%		
2B	19%		
Unit Weighted Rent Premium / (Discount %)			(7.1)%
Rent per SF Weight Premium / (Discount %)			14.3%

In their provided proposal, Thrive has benchmarked 5035 Coliseum against market-rate luxury buildings scattered across geographically distinct and superior submarkets like Downtown LA and Santa Monica. To establish a more accurate localized baseline, our analysis isolates relevant mid-rise comparables in the vicinity (and adds several properties in the same neighborhood). Considering 5035 Coliseum's mix of units (35% studio, 46% 1-bedroom, and 19% 2-bedroom), monthly rent is around 7% lower than market with rent per square foot 14% higher than market. While this premium on a per-square-foot basis suggests an aggressive valuation, it reflects a deliberate "affordability by design" strategy. By utilizing smaller, more efficient floor plans, the project provides a total monthly "check size" that remains below market competitors, recognizing that for the target renter, the absolute monthly outlay is a more critical decision factor.

The project's viability is further bolstered by the intrinsic robustness of the site, with the aforementioned exceptional transit connectivity and high-quality on-site retail: amenities that effectively bridge the gap between affordable and market-rate lifestyle expectations. Finally, to ensure our financial projections remain grounded in reality, we have revised our vacancy assumptions to align with market-rate benchmarks. By moving away from the near-zero vacancy levels typical of subsidized housing and adopting a more conservative market standard, we demonstrate that the project remains a resilient and attractive investment even under more rigorous operational conditions.

Key assumption: 5.0% retail exit cap rate

Retail Sales Comparables

Retail Sales Comparables

Property	IG Rating at Sale	Address	City	State	Sale Date	RSF	Sale Price	Cap Rate	Include?	Team Justification
Target	**S&P: A**	**3534 Peck Rd**	**El Monte**	**CA**	**On Market**	**125,974**	**$35,272,000**	**5.00%**	**Yes**	**Features an S&P: A credit rating and is located in a comparable Los Angeles County infill market.**
Target	**S&P: A**	**6865 Hollister Ave**	**Goleta**	**CA**	**On Market**	**116,612**	**$63,000,000**	**4.85%**	**Yes**	**Validates "compressed" cap rates for high-credit big-box retail in California, trading at a 4.85% cap rate. It proves that institutional buyers will pay a premium (sub-5% cap) for single-tenant assets with credit profiles similar to Target or Costco.**
Whole Foods	**S&P: AA-**	**465 S Arroyo Pkwy**	**Pasadena**	**CA**	**On Market**	**77,046**	**$75,703,000**	**5.00%**	**Yes**	**While smaller at 77,046 RSF, its AA- credit rating is the closest match to Costco's AA rating.**
Vons	S&P: BB+	600 E Broadway	Long Beach	CA	Jul-25	50,188	$26,850,000	5.55%	No	This property is less useful due to its significantly smaller footprint (50,188 SF) and a lower credit rating (BB+) compared to Costco's AA-rated paper.
Home Depot	**S&P: A**	**3500 W. McArthur Blvd**	**Santa Ana**	**CA**	**Jun-25**	**162,480**	**$49,500,000**	**5.75%**	**Yes**	**At 162,480 RSF, this is the closest comp in terms of physical scale to the 179,500 SF Costco podium. It serves as a useful "ceiling" for valuation, representing a large-format IG (S&P: A) asset in the SoCal region.**
Macy's	S&P: BB+	9339 Glades Rd	Boca Raton	FL	Jan-24	50,267	$23,500,000	-	No	graphy with very different tax scheme
Home Depot Somerville	S&P: A	75 Mystic Ave	Somerville	MA	Jul-23	157,912	$142,500,000	-	No	Different geography altogether, old
Home Depot	S&P: A	15740 Shady Grove Rd	Gaithersburg	MD	Feb-23	102,190	$55,500,000	5.34%	No	Different geography altogether, old
Target	S&P: A	2909 E Slauson Ave	Huntington Park	CA	Aug-22	56,000	$48,734,022	4.50%	No	Too old
Home Depot	S&P: A	615 Arsenal St	Watertown	MA	Jan-22	157,200	$96,250,000	-	No	Different geography altogether, old
BJ's Wholesale Club	S&P: BB+	1752 Shore Pkwy	Brooklyn	NY	Sep-19	135,753	$73,000,000	5.08%	No	Different geography altogether, old
Team's relevant ("Yes") comps | WAV						**120,528**	**$55,868,750**	**5.15%**		
Costco Valuation[(1)]						**179,497**	**$118,240,000**	**5.00%**		

The 5.0% exit cap rate applied to the Costco retail component is well-supported by current Southern California big-box retail comparables. Currently, a Whole Foods in Pasadena (S&P:

AA-) and a Target in El Monte (S&P: A) are both being marketed at a 5.0% cap rate, proving that institutional buyers have a strong appetite for single-tenant assets with high credit profiles in infill locations. Furthermore, a Target in Goleta (S&P: A) demonstrates even tighter cap rate compression, currently marketed at 4.85%. While a 162,480-square-foot Home Depot in Santa Ana traded at 5.75% in June 2025, it serves as a conservative upper boundary for large-format physical scale. Costco boasts an industry-leading S&P: AA credit rating, which is superior to all relevant comps. Combined with a brand-new 20-year absolute-net lease, pricing the asset at 5.0% feels reasonable.

Key assumption: 5.5% residential exit cap rate

A 5.5% exit cap rate for the residential multifamily component appears reasonable and slightly conservative relative to current market benchmarks and comparable submarkets. Recent data from Colliers suggests that the overall Los Angeles multifamily market is trading at approximately a 5.7% cap rate. The most relevant submarkets for this project, Hollywood / Mid-Wilshire and the Westside, are also currently transacting around 5.7%[16]. Against this backdrop, the sponsor's 5.0% exit cap assumption appears somewhat aggressive relative to current transaction evidence, while a 5.5% cap rate represents a more balanced midpoint between sponsor expectations and prevailing market conditions.

At the same time, there are structural reasons why the project could justify a modestly lower cap rate than the broader market average. Affordable and workforce housing assets typically trade at tighter cap rates than conventional market-rate multifamily because of their more stable rent flows, lower vacancy levels, and the presence of government support mechanisms such as vouchers or tax exemptions. These features reduce cash flow volatility and can make stabilized affordable housing particularly attractive to long-term institutional buyers, supporting some premium relative to general multifamily market averages.

Broker research further supports this range. Kidder's market guidance places Los Angeles multifamily cap rates roughly between 5.2% and 5.6%[17], positioning a 5.5% exit cap rate toward the conservative end of that band. In addition, cap rates in the sector have historically been lower in periods of more accommodative interest rate environments, suggesting that some compression could occur over the hold period if capital markets conditions improve. Taken together, a 5.5% cap rate appears appropriately cautious relative to the sponsor's assumption while still leaving potential valuation upside if market conditions strengthen.

[16] Colliers Los Angeles Multi-Family Report Q4 2025
[17] Kidder Los Angeles Multi-Family Report Q4 2025

Multi-Family Submarket Statistics

SUBMARKET	EXISTING INVENTORY (UNITS)	OCCUPANCY RATE	ANNUAL OCCUPANCY RATE CHANGE	AVERAGE MONTLY EFFECTIVE RENT	ANNUAL RENT CHANGE	AVERAGE EFFECTIVE RENT PER SQUARE FOOT	NEW SUPPLY (UNITS)	ABSORP (UNITS)	U/C (UNITS)	SALES VOLUME YTD	AVERAGE SALE PRICE PER UNIT	CAP RATE
Los Angeles												
Burbank / Glendale / Pasadena	74,799	95.1%	-1.3%	$2,422	0.4%	$3.00	51	-78	860	$595,657,954	$381,002	5.2%
Downtown / Central	153,725	92.6%	-0.4%	$2,108	-0.6%	$2.98	663	195	6,960	$682,343,810	$354,692	6.3%
East	71,109	95.4%	-0.8%	$2,024	0.7%	$2.55	296	-123	1,358	$616,333,947	$331,259	5.2%
North	196,784	95.2%	-1.0%	$2,149	0.1%	$2.60	221	-1	3,625	$1,056,837,949	$310,665	5.7%
South Bay	113,677	95.4%	-0.6%	$2,079	0.7%	$2.73	95	-72	3,753	$597,929,863	$326,297	5.8%
Westside	164,693	93.6%	-0.9%	$2,882	0.3%	$3.55	505	-137	7,066	$1,243,313,483	$434,003	5.7%
Hollywood / Mid-Wilshire	115,380	93.6%	-0.4%	$2,474	-0.1%	$3.23	737	49	2,500	$1,117,138,150	$377,705	5.7%
South Los Angeles	86,708	96.3%	-1.1%	$1,855	1.0%	$2.43	119	-22	598	$367,822,654	$278,306	5.9%
Market Total	**976,875**	**94.5%**	**-0.8%**	**$2,279**	**0.2%**	**$2.91**	**2,687**	**-190**	**26,720**	**$6,277,377,810**	**$352,501**	**5.7%**
Historic Comparison												
Q3 2025	974,188	94.8%	-0.5%	$2,290	0.6%	$2.93	5,264	1,357	27,261	$4,316,241,703	$357,688	5.8%
Q2 2025	968,967	95.1%	-0.1%	$2,294	0.8%	$2.93	3,243	874	29,850	$2,353,994,765	$359,051	5.7%
Q1 2025	965,798	95.3%	0.1%	$2,287	1.0%	$2.92	3,369	3,398	31,270	$1,003,424,197	$358,325	5.5%
Q4 2024	962,827	95.3%	0.1%	$2,274	1.1%	$2.91	2,674	2,619	32,513	$7,920,967,000	$355,945	5.4%
Q3 2024	960,153	95.3%	0.0%	$2,276	0.8%	$2.91	3,456	3,954	33,360	$6,228,050,001	$356,141	5.7%
Q2 2024	956,697	95.2%	-0.1%	$2,276	0.9%	$2.91	3,891	3,349	33,456	$4,750,378,050	$357,768	5.1%

MARKET BREAKDOWN

	4Q25	3Q25	4Q24	YOY Change
Vacancy Rate	5.6%	5.4%	4.8%	**80 bps**
Average Asking Rents/Unit/Mo	$2,270	$2,284	$2,269	**0.0%**
Under Construction (SF)	25,367	26,294	32,104	**-21%**
Average Sales Price/Unit	$278,384	$303,532	$288,154	**-3%**
Average Cap Rate	5.6%	5.4%	5.2%	**40 bps**
	4Q25	**2025**	**2024**	**YOY Change**
Construction Deliveries (SF)	2,669	15,095	12,752	**18%**
Net Absorption (SF)	-129	5,057	13,275	**-61.9%**

AVERAGE RENT

Unit Size	Monthly Rent
Studio	$1,683
1 Bedroom	$2,061
2 Bedroom	$2,617
3 Bedroom	$3,114

Returns:

The project generates a 20.4% levered IRR and a 2.69x equity multiple on a 5-year hold under the base case, producing approximately $159.5M in net profit on $94.4M of equity invested. The stabilized yield on cost of 6.5% against a 5.5% exit cap rate implies an 18% profit margin on development cost, a healthy spread that compensates for lease-up and construction risk.

Returns are most sensitive to exit cap rate. This is characteristic of a short-hold development deal where the terminal value dominates: approximately $243.2M of net sale proceeds in Year 5 dwarfs cumulative operating cash flow of roughly $10.8M over the hold period. The DSCR ramps from 0.18x during lease-up to 1.55x at stabilization, reflecting the J-curve typical of ground-up multifamily. The project is cash-flow negative through Year 2 before turning positive in Year 3.

Sources & Uses:

Sources	$ Amount	% of Total
Debt	$353,500	74.0%
Interest Income	$15,486	3.2%
NMTC Equity	$14,000	2.9%
Sponsor (GP) Equity	$15,965	3.3%
LP Equity	$78,479	16.4%
Total Sources	**$477,430**	**100.0%**

Uses	$ Amount	% of Total
Land Value	$44,475	9.3%
Acquisition Trans. Cos	$989	0.2%
Hard Costs	$243,685	51.0%
Soft Costs	$72,793	15.2%
Financing & Closing C	$28,364	5.9%
Interest Reserve	$87,124	18.2%
Total Uses	**$477,430**	**100.0%**

The project's total capitalization is approximately $477.4M. On the sources side, the capital stack is predominantly debt-funded, with senior debt of roughly $353.5M representing approximately 74% of total sources. LP and GP equity contributions total approximately $94.4M, split 83/17 between the limited partner ($78.5M) and the sponsor ($16.0M). The structure also incorporates $14.0M in New Markets Tax Credit equity and $15.5M in interest income as supplemental funding sources.

On the uses side, hard costs represent the single largest line item at approximately $243.7M, or roughly 51% of total project costs, consistent with a ground-up development program. The interest reserve of $87.1M, accounting for approximately 18% of total uses, reflects the extended lease-up period anticipated prior to stabilization. Soft costs total $72.8M (15%), with land acquisition at $44.5M (9%), financing and closing costs at $28.4M (6%), and transaction costs of approximately $1.0M rounding out the budget. The overall leverage of approximately 74% loan-to-cost, paired with a sizeable interest reserve, is reflective of the development-stage risk profile of the project and the anticipated timeline to reach stabilized occupancy.

Projected Financials:

The early negative cash flows are largely a function of the lease up period combined with fixed debt service. Effective gross income grows rapidly from roughly $4.3M in Year 1 to $22.0M in Year 2 and $34.3M by Year 3 as the residential units are absorbed. Because debt service is fixed during this period, the property experiences negative or modest cash flow early in the hold, reflecting the typical development J curve. As revenue scales and the project approaches stabilization, operating margins expand since revenues grow faster than operating expenses.

By Year 4 the property reaches stabilized operating performance, with total NOI exceeding debt service and producing consistent positive cash flow ahead of the planned exit in Year 5. Total NOI grows from $3.7M in Year 1 to $29.4M by Year 3 and $32.2M by Year 5, demonstrating how quickly income scales once the residential component stabilizes.

Residential performance drives the majority of value creation in the project. At stabilization, residential contributes roughly 80 percent of NOI and therefore determines most of the upside in the exit valuation. The retail component plays a different role. Its approximately $5.9M of steady

NOI provides a stable income base during the lease up period and reduces downside risk while the residential units absorb.

The valuation structure also reflects this dynamic. The blended stabilized cap rate of roughly 5.4 percent produces a yield on cost of about 6.5 percent on total development cost, implying a spread of roughly 110 basis points. This spread between yield on cost and exit cap rate is a key indicator of development value creation and provides a buffer against moderate cap rate expansion at exit.

Revenue	Year 1	Year 2	Year 3	Stabilized Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Residential Income	$3,585	$18,421	$28,964	$30,747	$32,285	$33,899	$35,594	$37,373	$39,242	$41,204
Vacancy	($146)	($750)	($1,179)	($1,251)	($1,614)	($1,695)	($1,780)	($1,869)	($1,962)	($2,060)
Gross Residential Income	**$3,439**	**$17,671**	**$27,786**	**$29,496**	**$30,670**	**$32,204**	**$33,814**	**$35,505**	**$37,280**	**$39,144**
Other Income	$850	$4,278	$6,552	$6,764	$7,102	$7,457	$7,830	$8,222	$8,633	$9,065
Effective Gross Income	**$4,289**	**$21,950**	**$34,338**	**$36,260**	**$37,773**	**$39,661**	**$41,644**	**$43,727**	**$45,913**	**$48,209**
(-) Operating Expenses	($3,065)	($9,071)	($10,864)	($11,179)	($11,458)	($11,745)	($12,039)	($12,340)	($12,648)	($12,964)
Residential NOI	**$1,224**	**$12,879**	**$23,474**	**$25,081**	**$26,314**	**$27,916**	**$29,606**	**$31,387**	**$33,265**	**$35,244**
Retail NOI	**$2,463**	**$5,912**	**$5,912**	**$5,912**	**$5,912**	**$5,912**	**$5,912**	**$5,912**	**$5,912**	**$5,912**
Total NOI	**$3,688**	**$18,791**	**$29,386**	**$30,993**	**$32,226**	**$33,828**	**$35,518**	**$37,299**	**$39,177**	**$41,156**

		% of Value
Residential Valuation	$456,018	79%
Residential Cap Rate	5.5%	
Retail Valuation	$118,240	21%
Retail Cap Rate	5.0%	
Combined Valuation	**$574,258**	
Total Blended Cap Rate	5.4%	
Total Development Cost	$477,430	
Yield on Cost	**6.5%**	
Profit Margin	**20.3%**	

Levered Cash Flow	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Total NOI		$3,688	$18,791	$29,386	$30,993	$32,226					
(-) Debt Service		($20,857)	($20,857)	($20,857)	($20,857)	($20,857)					
Cash Flow Before Tax		**($17,169)**	**($2,066)**	**$8,529**	**$10,136**	**$11,369**					
Exit Assumptions											
Resi Exit Cap Rate	5.50%										
Retail Exit Cap Rate	5.00%										
Exit											
Resi NOI at Exit	$26,314										
Resi Exit Value	$478,440										
Retail NOI at Exit	$5,912										
Retail Exit Value	$118,240										
Gross Sale Proceeds	**$596,680**										
(-) Debt	($353,500)										
Net Sale Proceeds	**$243,180**										
(-) Equity Investment	($94,444)										
(+) Cash Flow Before Tax		($17,169)	($2,066)	$8,529	$10,136	$11,369					
(+) Net Sale Proceeds						$243,180					
Total Equity Cash Flow	**($94,444)**	**($17,169)**	**($2,066)**	**$8,529**	**$10,136**	**$254,550**					

Key Metrics:

Returns	Sponsor	Base	Bull	Bear
Vacancy Rate	2.0%	5.0%	2.0%	8.0%
Lease-Up (months)	20	20	14	26
Resi Exit Cap Rate	5.00%	5.50%	4.75%	5.90%
Retail Exit Cap Rate	5.00%	5.00%	5.00%	5.00%
TDC Multiplier	1.00x	1.00x	1.00x	1.10x
Levered IRR	27.9%	20.3%	29.2%	14.5%
Equity Multiple	3.05x	2.69x	3.77x	2.10x
Net Profit	$193.7	$159.5	$263.5	$102.9
Combined Valuation	$636.8	$574.3	$662.1	$530.6
Yield on Cost	6.5%	6.5%	6.6%	5.8%
Residential Exit Cap Rate	5.00%	5.50%	4.75%	6.25%
Profit Margin	29.8%	18.0%	40.0%	20.3%

Under the sponsor's underwriting assumptions, the project generates a 27.9% levered IRR and a 3.05x MOIC, producing approximately $193.7mm of net profit and a stabilized valuation of $636.8mm. These returns are primarily driven by the spread between the projected 6.5% yield on cost and a 5.0% residential exit cap rate, resulting in a development profit margin of roughly 30%.

A more conservative base case assumes higher stabilized vacancy (5%) and a wider residential exit cap rate of 5.5%. Under these assumptions, returns decline to a 20% IRR and a 2.69x MOIC, with net profit of approximately $159.5mm and a profit margin of 18%. Returns remain strong relative to typical development hurdles, suggesting the project retains a meaningful margin of safety.

In the upside case, faster lease-up (14 months) and stronger exit pricing (4.75% exit cap) increase returns to a 29.2% IRR and a 3.77x MOIC, with net profit rising to approximately $263.5mm and valuation reaching $662.1mm. Conversely, the downside case assumes slower lease-up (26 months), higher vacancy (8%), a wider exit cap rate (5.9%), and a 10% cost overrun. Returns decline to a 14.5% IRR and a 2.10x MOIC, with net profit of $102.9mm.

Overall, the analysis suggests returns are most sensitive to exit cap rates and development costs, which materially affect the development spread between stabilized yield and exit valuation. Even under more conservative assumptions, the project continues to generate positive returns, while improved leasing performance or stronger exit pricing would provide meaningful upside.

Sensitivities:

Across both vacancy and lease up duration sensitivities, the dominant driver of returns remains the exit cap rate. Changes in vacancy or the speed of lease up affect interim NOI and the timing of stabilization, but their impact on IRR and MOIC is relatively modest compared with shifts in the exit valuation multiple implied by the cap rate.

Higher vacancy lowers stabilized NOI and slower lease up delays the point at which the property reaches full income, but these effects mainly influence early period cash flow. Because the majority of value in the model is realized at exit, the cap rate applied to stabilized NOI ultimately determines the bulk of equity returns.

As a result, both IRR and MOIC are far more sensitive to cap rate assumptions than to moderate changes in vacancy or lease up duration. Operational performance matters for achieving stabilization, but the investment outcome is primarily driven by the terminal valuation environment.

Sensitivity Analysis

Levered IRR

IRR

	Vacancy Rate						
	2.0%	**3.0%**	**4.0%**	**5.0%**	**6.0%**	**7.0%**	**8.0%**
4.25%	33%	32%	32%	31%	31%	30%	29%
4.75%	29%	28%	27%	27%	26%	25%	25%
5.00%	26%	26%	25%	25%	24%	23%	23%
5.50%	22%	22%	21%	20%	20%	19%	18%
6.00%	19%	18%	17%	17%	16%	15%	14%
6.50%	15%	14%	14%	13%	12%	11%	11%
7.00%	11%	11%	10%	9%	8%	8%	7%

MOIC

	Vacancy Rate						
	2.0%	**3.0%**	**4.0%**	**5.0%**	**6.0%**	**7.0%**	**8.0%**
4.25%	4.5x	4.4x	4.3x	4.2x	4.1x	4.0x	3.9x
4.75%	3.7x	3.6x	3.6x	3.5x	3.4x	3.3x	3.2x
5.00%	3.4x	3.3x	3.3x	3.2x	3.1x	3.0x	3.0x
5.50%	2.9x	2.8x	2.8x	2.7x	2.6x	2.5x	2.5x
6.00%	2.5x	2.4x	2.3x	2.3x	2.2x	2.1x	2.1x
6.50%	2.1x	2.0x	2.0x	1.9x	1.8x	1.8x	1.7x
7.00%	1.8x	1.7x	1.7x	1.6x	1.5x	1.5x	1.4x

IRR

		Lease-up Length (months)								
		14	**16**	**18**	**20**	**22**	**24**	**26**	**28**	**30**
	4.25%	32%	32%	31%	31%	31%	31%	31%	30%	30%
Resi	**4.75%**	27%	27%	27%	27%	26%	26%	26%	26%	26%
Cap	**5.00%**	25%	25%	25%	25%	24%	24%	24%	24%	23%
Rate	**5.50%**	21%	21%	21%	20%	20%	20%	20%	19%	19%
	6.00%	17%	17%	17%	17%	16%	16%	16%	16%	15%
	6.50%	13%	13%	13%	13%	12%	12%	12%	12%	11%
	7.00%	9%	9%	9%	9%	9%	9%	8%	8%	8%

MOIC

		Lease-up Length (months)								
		14	**16**	**18**	**20**	**22**	**24**	**26**	**28**	**30**
	4.25%	4.2x	4.2x	4.2x	4.2x	4.2x	4.2x	4.1x	4.1x	4.1x
Resi	**4.75%**	3.5x	3.5x	3.5x	3.5x	3.5x	3.5x	3.5x	3.4x	3.4x
Cap	**5.00%**	3.2x	3.2x	3.2x	3.2x	3.2x	3.2x	3.2x	3.1x	3.1x
Rate	**5.50%**	2.7x	2.7x	2.7x	2.7x	2.7x	2.7x	2.6x	2.6x	2.6x
	6.00%	2.3x	2.3x	2.3x	2.3x	2.2x	2.2x	2.2x	2.2x	2.2x
	6.50%	1.9x	1.9x	1.9x	1.9x	1.9x	1.9x	1.9x	1.8x	1.8x
	7.00%	1.6x	1.6x	1.6x	1.6x	1.6x	1.6x	1.6x	1.5x	1.5x

Debt:

The project is financed with a relatively high level of leverage during the development phase, with approximately $353.5M of total debt against $477.4M of total development cost, implying a loan-to-cost ratio of roughly 74%. On a stabilized basis, leverage appears more moderate, with a loan-to-value of approximately 58% based on projected gross proceeds of $614M. A significant portion of the financing is structured through CalHFA recycled tax-exempt bonds, which lowers the cost of debt relative to conventional construction financing and reflects the project's affordable housing component. However, borrowing costs remain meaningful in the current interest rate environment, and the project must service debt while the asset is still under construction and generating no operating income. As a result, the capital stack includes a sizable interest reserve of approximately $87M to cover debt service during the development period.

The financing also benefits from $78.5M of credit-tenant lease financing supported by Costco, whose AA credit rating provides a highly secure income stream for the retail portion of the project and helps de-risk part of the capital structure. At the same time, the staged nature of the bond financing introduces some execution risk, as the second recycled bond tranche of approximately $261M has not yet closed. Taken together, the debt structure provides relatively attractive financing terms through the tax-exempt bond program and Costco-backed retail financing, but still exposes investors to typical development-period risks related to leverage, interest carry, and the timing of capital markets execution.

VIII. Key Issues and Action Plan:

Revenue growth assumption - The model assumes 5% annual residential rent growth throughout the hold. This tracks HUD 80% AMI limit history (6.0% CAGR 2015 - 25) but is entirely dependent on HUD's annual policy decisions. At 3% growth, Year 4 NOI declines ~$2.5M and ROC falls to ~6.1%, compressing the development spread. The 7.5% retail growth assumption is entirely uncapped by Costco's NNN lease. Team needs to confirm whether the lease contains fixed bumps or CPI escalators. As a next step, we should run a downside-sensitized model capping residential rent growth at 3% and retail at the contractual minimums. If the resulting development spread compresses below 100 bps, we should consider a structural adjustment to our preferred return to absorb the risk.

Second bond tranche risk ($261M) - The critical $261M CalHFA recycled bond tranche is expected March 2026 - the most significant near-term execution risk. Only $54M has closed. Tax-exempt bond markets experienced material volatility in 2023 - 24. If the tranche is delayed or repriced by 50 bps, project economics are materially impaired and additional sponsor/LP capital may be required. This must be confirmed with certainty before committing LP capital. We should establish the successful closing of the $261M bond tranche at the underwritten interest rate as a strict condition precedent to our equity funding. We explicitly prohibit any use of our LP capital to bridge municipal bond execution risk.

Modular construction execution at scale - Thrive's prior projects are 80-111 units; this is 800 units, or a 7-10x step up. VBC (Volumetric Building Companies, PIMCO-backed) has not delivered a comparable project in LA. Any construction delay compounds against an $86.7M interest reserve already sized for a 38-month schedule. Owner's contingency of 5% ($11.2M) may be insufficient for a project of this complexity. Modular also requires tight supply chain management for factory-built modules - LA's port congestion is a latent risk. We must require a Guaranteed Maximum Price (GMP) contract with VBC, backed by parent-level completion guarantees. Furthermore, we should mandate that any cost overruns exceeding the 5% contingency be funded exclusively by GP co-invest equity before tapping additional LP capital, ensuring alignment on execution.

IX. Final Recommendation:

We recommend proceeding to due diligence, contingent on confirming the $261M bond tranche, validating the rent growth mechanism in the Costco lease, and independently verifying VBC execution capacity at 800+ units.

5035 Coliseum represents a rare convergence of structural housing demand, first-mover entitlement advantage, and a government-engineered capital structure that most competitors cannot replicate. The returns are not accidental: they reflect a 6.5% yield on cost against an 5.5% residential exit cap, generating a ~110 bps development spread on a 74%-leveraged project backed by AA-rated retail income and HUD-indexed residential revenue.

The three most significant risks - revenue growth sensitivity, second bond tranche certainty, and modular construction at scale - are knowable and resolvable in due diligence. If those risks can be mitigated with satisfactory answers, the risk-adjusted return profile ($78.4M LP equity, 20.4% IRR, 2.69x multiple, 5-year hold) is compelling for a development-stage affordable housing investment in one of the most supply-constrained metros in the country.

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