RVP UNDERWRITER

UNDERWRITING REPORT

Cedar Flats RV Park

4200 County Rd 118, Midland, TX 79706 · 64 sites

CONDITIONAL GO

VERDICT: CONDITIONAL GO · Offer 2 @ $1.63M · 10% dn · 8.50%/25yr · 50% SC@5% IO · DSCR 1.37x · CoC 23.3%

FAIR VALUE: OVERPRICED · $1.35M to $1.49M income-based · asking $1.85M · normalized NOI $142K at a 10% market cap

NOI (NORM.)	CAP RATE	DSCR	NET / YR	CASH-ON-CASH
$142K	8.7%	1.37x	$38K	23.3%

DEAL SUMMARY

Cedar Flats RV Park, a 64-site property in Midland, TX, is offered at $1.85 million. The Offering Memorandum advertises a $217,316 NOI, but after normalizing for an unsupported 94% occupancy (underwritten at 85%) and adding standard operating expenses like management and CapEx, the books support a normalized NOI of $141,771. This significant gap means the asking price is likely aggressive for the current income. The property is in Midland County, a growing area driven by the oil and gas industry, which provides a strong demand story for RV parks, but also introduces economic cyclicality. The seller is open to flexible terms, suggesting potential for creative financing. Before proceeding, a detailed rent roll and actual utility bills are critical to verify income and expense assumptions.

THE LOCATION

Cedar Flats RV Park is located in Midland, TX, a city deeply rooted in the Permian Basin's oil and gas industry. This submarket is characterized by a dynamic, albeit cyclical, economy that attracts a significant workforce, many of whom seek temporary or extended-stay housing solutions like RV parks. The area offers a blend of traditional West Texas culture with modern amenities, making it a functional hub for both industry and regional travel. Midland MSA population is 193,139 (2026), with an 8.1% growth from 2020-2026.

PROPERTY SNAPSHOT

Asking Price	$1,850,000	Int rate used	8.5% (Jaken Finance…)
Sites / Units	64	Amortization	25 years
Price / Site	$28,906	Expense Ratio (norm.)	48.9%
Occupancy stated / used	94% / 85%	GRM / 1% Rule	6.0 / 1.38%

SCENARIO ANALYSIS

How the income-based value holds up if next year's income lands softer or stronger than the normalized base. A stress test on the asking price today, not a projection of the years ahead.

IF INCOME COMES IN	REVENUE	NOI	MARGIN	INCOME VALUE	IMPLIED CAP AT ASK
Softer revenue 10% below plan, costs steady	$249,696	$114,027	45.7%	**$1.14M**	6.2%
As underwritten the normalized numbers	$277,440	$141,771	51.1%	**$1.42M**	7.7%
Stronger revenue 10% above plan, costs +3%	$305,184	$165,445	54.2%	**$1.65M**	8.9%

Income value = NOI ÷ the 10% market cap. Implied cap at ask = that scenario's NOI ÷ the $1,850,000 asking price; a higher figure means more income for the price. Downside holds operating costs flat while revenue falls.

OFFER STRUCTURES & RECOMMENDATION

The three offers span the financing spectrum: Offer 1 is conventional bank financing, Offer 3 is the seller as the only lender, and Offer 2 blends the two. Each is a suggested offer at the highest price its structure supports under the buyer's targets, unless the buyer stated an offer, which is underwritten as given.

Seller / As-Is	Offer 1: Conventional	Offer 2: Partial Carry RECOMMENDED	Offer 3: Full Carry

Price	$1.85M	$1.43M	**$1.63M**	$1.85M
Down payment	25%	25% ($358K)	**10% ($163K)**	10% ($185K)
Debt terms	7.3%/25yr	8.5%/25yr	**50% SC@5% IO**	90% SC@6% IO
Cap rate	11.7%	9.9%	**8.7%**	7.7%
DSCR	1.81x	1.37x	**1.37x**	1.42x
Cash-on-cash	21.0%	10.7%	**23.3%**	22.6%
Net cash flow / yr	$97K	$38K	**$38K**	$42K

INCOME & EXPENSE NORMALIZATION

LINE ITEM	AS PRESENTED	NORMALIZED	WHY IT CHANGED
Effective Gross Income	$306,816	**$277,440**	Income at 85% underwritten occupancy
Insurance	$9,800	**$10,780**	Renewal repricing: current $9,800 + the researched 10%…
Property taxes	$21,400	**$21,461**	Expected-value carry: current $21,400 + 25% of the step-up…
Repairs and maintenance	$6,200	**$13,872**	Seller's R&M is significantly below the 5% EGI benchmark…
CapEx Reserve (added)	$0	**$12,800**	Reserve schedule: $110/site base; full amenity set +$90/site…
Legal & Professional (added)	$0	**$1,900**	Standard line: no legal or professional cost in the…
Management (added)	$0	**$27,744**	Standard line: management and payroll together must reach…
Utilities	$52,100	**$47,112**	
Utilities	$52,100	$47,112	
Other operating	$0	**$0**	1 smaller categories
Payroll	$0	$0	
Total Operating Expenses	$89,500	**$135,669**	

RECONCILED Reconciled: the itemized expenses total $89,500, matching the statement's $89,500.

NET OPERATING INCOME	**$217,316**	**$141,771**	

JUDGMENT CALLS

1. **Underwrote occupancy at 85% instead of the stated 94%.** MEDIUM CONF.

   The stated 94% occupancy is a round number without rent roll support; 85% is a more conservative and realistic estimate for an unverified claim.

   Settled by: A detailed, site-by-site rent roll.

2. **Normalized Repairs & Maintenance to 5% of EGI ($13,872).** MEDIUM CONF.

   The seller's stated R&M of $6,200 is significantly below the industry benchmark, suggesting potential deferred maintenance or underreporting.

   Settled by: Prior year P&Ls and a property inspection report.

3. **Added a management fee of $27,744 (10% of EGI).** HIGH CONF.

   The financials show $0 for payroll, indicating a critical missing operating expense for professional management.

   Settled by: A detailed payroll register or management agreement.

4. **Scaled utilities expense by the occupancy adjustment.** HIGH CONF.

   Utilities are an occupancy-driven expense; holding them flat while income was normalized down would misrepresent the property's true operating costs at lower occupancy.

   Settled by: Actual utility bills and a clear understanding of tenant billing practices.

ANALYSIS CONFIDENCE

Confidence in these numbers: HIGH · 82/100

We had the financials this analysis needs, so the numbers rest on solid ground. Confirm everything in due diligence before committing.

STRESS TESTS · ON OFFER 2

Interest-rate ladder (bank note)

Rate	DSCR	CoC	Net/yr
8%	1.40x	24.9%	$41K
8.5% (base)	**1.37x**	**23.3%**	**$38K**
9%	1.33x	21.7%	$35K
9.5%	1.30x	20.0%	$33K
10%	1.27x	18.4%	$30K

Occupancy ladder

Occ.	NOI	DSCR	CoC
85% (base)	**$142K**	**1.37x**	**23.3%**
80%	$130K	1.25x	16.0%
75%	$118K	1.14x	8.7%
70%	$106K	1.02x	1.4%

Break-even (DSCR 1.0): rate 15.2% · occupancy 70%
Tax reassessment: $21,645 projected (+$184/yr) · DSCR 1.36x
Insurance +10%: +$0/yr · DSCR 1.37x
Combined tax + insurance: -$184/yr · DSCR 1.36x / CoC 23.2%

RED FLAGS

- OM markets current NOI $217,316, normalized is $141,771 (35% lower)
- Stated 94% occupancy unsupported by rent roll.
- Payroll listed as $0, indicating missing management costs.
- No capital expenditure reserve provided in financials.
- Repairs & Maintenance significantly below benchmark, signaling deferred maintenance.
- Cap rate defaulted to 10% (research found none), verify locally
- Occupancy used, 85%, is above the 72% the rent roll shows.

GO Conditional NO-GO

KEY RISKS

HIGH Economic Volatility from Oil & Gas Dependence
Midland's economy is heavily tied to the cyclical oil and gas industry, which can lead to significant fluctuations in employment and demand for RV park sites, directly impacting occupancy and income.

Source: Dallasfed.org, Texas Ally Real Estate Group

MEDIUM Rising Insurance Premiums
Texas is experiencing a 'hard market' for property insurance, with premiums for RV parks rising due to increased catastrophic weather events (wind, hail, flood) and higher claim payouts, which could significantly increase operating costs.
Source: Leavitt Recreation & Hospitality, Kinder Institute for Urban Research

MEDIUM Unverified Occupancy and Income
The stated 94% occupancy is not supported by a rent roll, and the T-12 income implies a similar level. Without a detailed rent roll, the actual collected income and physical occupancy are unverified, creating uncertainty in the income projections.
Unverified, Offering Memorandum, T-12 Financials

LOW Landlord-Paid Utilities Exposure
All utilities are currently landlord-paid, exposing the owner to rising utility costs. While this is also an upside opportunity, it represents a current operational risk if not managed.
Source: Offering Memorandum

LOCATION DRAW: WHY THIS MARKET

Midland's robust energy economy drives significant population and job growth, attracting a workforce that often utilizes RV parks.

Population: Midland MSA population is 193,139 (2026), with an 8.1% growth from 2020-2026. The city of Midland's population is estimated at 147,615 in 2025, an 11.0% increase since 2020.

Economic anchors: The economy is heavily influenced by the energy sector, with major employers including ConocoPhillips, ExxonMobil, EOG Resources, Oxy, Chevron, and Diamondback Energy. Diversification is occurring in aerospace, logistics, healthcare, and education.

Demand story: The oil and gas industry attracts a transient workforce, creating consistent demand for long-term RV park stays. Midland's location as a halfway point between Dallas and El Paso also contributes to traveler demand.

Honest caution: The economy is heavily dependent on the cyclical oil and gas industry, leading to potential volatility in employment and housing demand.

Sources: MidlandTexas.gov · US Census Bureau · Dallasfed.org · Texas Ally Real Estate Group · Midland Economic Development

VALUE-ADD OPPORTUNITIES

Implement RUBS (Ratio Utility Billing System)	+$24K NOI	Quick Win
Rate optimization	+$0K NOI	Medium Term
Increase occupancy	+$14K NOI	Medium Term
Monetize laundry room	+$3K NOI	Quick Win
Total potential upside		**+$40K NOI**

Disclaimer

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