

# 2650 Old Norcross, LLC

AVAILABLE FOR §1031 EXCHANGE & LLC INVESTMENT



Information about the property contained in this material must be read in conjunction with the Confidential Private Placement Memorandum, which contains additional important risk disclosures and more specific information about the property. This is neither an offer to sell nor a solicitation of an offer to buy an LLC interest in this property. Offers are made solely pursuant to the Confidential Private Placement Memorandum. Prospective investors should consult their own tax advisors to evaluate the tax consequences of an investment. The information in this material is current as of September 18, 2008.

THIS INVESTMENT IS SPECULATIVE AND INVOLVES A HIGH DEGREE OF RISK.



## Property Summary

2650 Old Norcross is a 250-unit garden-style apartment community in the Atlanta suburb of Lawrenceville, Georgia. Situated on nearly 36 landscaped acres, the approximately 329,000-square-foot property consists of 17 residential buildings, and a separate building for the clubhouse and leasing center. Built in 2002, 2650 Old Norcross features numerous community amenities, including controlled access gates, business center with Internet, fitness center, two lighted tennis courts, a one-mile paved walking trail, picnic area, children's playground, and car care center. The property offers spacious floor plans and an average unit size of approximately 1,314 square feet. Individual amenities include home security systems, washer/dryer connections, and balconies or patios. Tenants at 2650 Old Norcross enjoy ample parking with 543 open surface spaces. The property is currently 92 percent occupied.

<b>Address</b>	2650 Old Norcross Road Lawrenceville, GA 30044
<b>Building Type</b>	Multifamily
<b>Year Built</b>	2002
<b>Total Square Foot</b>	328,558
<b>Number of Units</b>	250
<b>Percentage Occupied</b>	92%

## Property Amenities

- Controlled access gates
- Well appointed and furnished clubhouse with leasing office and resident business center with internet access
- Fitness center (with TV and stereo)
- Swimming pool with large sundeck and internet access
- Two lighted tennis courts
- One-mile paved walking/jogging trail
- Laundry facility
- Courtyard/picnic area
- Children's playground
- Car care center with vacuum
- Sprinklered buildings
- Spacious landscaped common areas
- Central mail station
- Central trash compactor

<i>Unit Type</i>	<i>Unit Size in SQ. FT.</i>	<i>Number of Units</i>	<i>Average Market Rent Per Unit</i>
1BR / 1BA	970	73	\$920
2BR / 2BA	1,338	45	\$1,068
2BR / 2BA	1,369	66	\$1,058
3BR / 2BA	1,624	66	\$1,225
<b>Total/Average</b>	<b>1,314</b>	<b>250</b>	<b>\$1,064</b>

## ■ Location Information<sup>1</sup>

2650 Old Norcross is located in the South Gwinnett submarket, of Atlanta, Georgia. Founded in 1837, Atlanta is the capital and most populous city in the state of Georgia. In the last decade, Atlanta has experienced unprecedented growth. A good measure of growth is the ever-changing downtown skyline, along with skyscrapers constructed in the Midtown, Buckhead, and outer perimeter (fringing I-285) business districts. Atlanta ranks fifth in the number of Fortune 500 companies headquartered in its metropolitan area.

1. <http://money.cnn.com/magazines/fortune/fortune500/2008/cities/>
2. Reis - Atlanta Apartment 2Q 2008 Sub Trend Futures
3. [www.census.gov/popest/metro/files/2007/CBSA-EST2007-alldata.csv](http://www.census.gov/popest/metro/files/2007/CBSA-EST2007-alldata.csv)
4. U.S. Department of Labor, Bureau of Labor Statistics.

## ■ Apartment Market<sup>2</sup>

- According to Reis, the property is located in the South Gwinnett submarket of Atlanta, Georgia. The vacancy rate for the submarket has remained lower than the rate for the overall Atlanta market at 7.6 percent compared to 8.5% as of the second quarter of 2008.
- Reis also predicts that the average annual rental growth rate will be 2.6 percent for the next five years. According to REIS the submarket includes 27,240 units and no new units are forecast to be completed until 2010.

## ■ Economic Trends

- According to U.S. Census Bureau estimates, the Atlanta-Sandy Springs-Marietta Metropolitan Statistical Area (Atlanta MSA) is the ninth largest metropolitan area in the country with a population estimated at 5,278,904 in 2007. Since 2000 the population of the Atlanta MSA has increased by approximately 3 percent per year on average, according to Census Bureau Estimates released in 2008.<sup>3</sup>
- A distinct fact about Atlanta is its diversity; no one sector controls more than 30 percent of the economy. Major industries in the area include government, professional and business services, leisure and hospitality, manufacturing, and trade, transportation and utilities.<sup>4</sup>
- Among the 2008 list of Fortune 500 companies, 10 are headquartered in the Atlanta metropolitan area. Among the Fortune 1000 companies, 22 are headquartered in Atlanta.<sup>1</sup>

*See the confidential private placement memorandum for more information about this specific market. Opinions and estimates contained herein constitute the judgment of the source or the sponsor and are subject to change without notice, as are statements of market trends, which are based on current market conditions. We believe the information provided herein is reliable, but do not warrant its accuracy or completeness.*



## ■ Business Plan

- Preserve the capital investment.
- Realize income through the acquisition, operation and sale of the property.
- Make monthly distributions, which may be partially tax-deferred as a result of depreciation and amortization expenses.
- Within approximately five years, profitably sell the property based on the value added through effective management and operation of the property.
- There is no guarantee that the business plan will be successfully executed, that the property's value will be enhanced, or that the property will be sold within the planned time period.

## ■ Points to Consider

- There can be no assurances that the property manager will be able to renew expiring leases or lease vacant spaces in the property.
- Competition from apartment communities in the surrounding geographic area could impact rental rates and the ultimate value of the property.
- There is no guarantee that the property will generate cash flow.
- Although the manager has contracted to purchase the property, no assurances can be given that the company will acquire the property.
- The property may require capital improvements that could negatively affect cash flow.

## ■ Property Highlights

- As of September 16, 2008, the property was approximately 92 percent occupied and the manager believes that occupancy rates will remain high during the holding period.
- The property was completed in 2002 and is in good condition.
- The units have an average size of 1,314 square feet, larger than all competitors in the submarket.
- The manager believes that as leases renew or turn, higher rents will be achieved due to market conditions, including favorable forecasted rental growth rates and superior location within the Gwinnett County submarket.
- The property is favorably located in Atlanta, an area with a population of approximately 5.3 million:
  - Close to Interstate 85 and Highway 316;
  - Located in Gwinnett County, the second largest county in the Atlanta MSA and one of the fastest growing in the nation;
  - Gwinnett County's projected population for 2025 is 1.2 million;
  - Submarket rental growth projected by Reis to be 2.6 percent on average in the next five years;
  - No new development of multi-family properties is currently planned or underway in Lawrenceville;
  - Approximately seven miles from the Gwinnett Stadium to house the Atlanta Braves minor league baseball team. The stadium is expected to open in April 2009 and will anchor a new mixed use development with retail, office, and residential components.



## Financial Information

- **Offering Purchase Price:** \$30,285,000
- **Offering Price Per Unit:** \$121,140
- **Purchase Date:** 4th Quarter 2008
- **Offering LTV:** 54.90%
- **Offering Price Cap Rate:** 6.15%
- **1st Year Cash Flow:** 6.33%
- **Loan Terms:** The loan is assumed to have an overall fixed effective interest rate of 6.002%, a five-year term and will be interest only for the entire five years of the Loan term. **The effective interest rate of 6.002% reflects a buy down of 40 basis points by paying a fee of approximately 1.924% of the loan or \$319,800.**

Please see the confidential private placement memorandum for additional information and risk disclosures about investment in this property. This material has been prepared for informational purposes only; it is not intended to provide and should not be relied upon for accounting, legal or tax advice. Always remember that each property is unique and past performance is no guarantee of future results.

## TIC Offering

- **Offering Size:** \$13,660,000
- **Price per 1% Ownership:** \$136,600 equity and \$166,250 assumed debt
- **Minimum Investment per SPE:** 3.00% = \$409,800 equity and \$498,750 assumed debt for a total purchase price of \$908,550
- **Suitability:** Accredited investors only

## LLC Offering

- **Offering Size:** \$683,000
- **Price Per Unit:** \$5,000
- **Minimum Investment:** \$25,000
- **Suitability:** Accredited investors only



## TIC Projected Annual Cash-on-Cash Yield

<b>\$409,800 Investment Per SPE</b>					
Year 1	Year 2	Year 3	Year 4	Year 5	
6.33%	6.35%	6.82%	7.30%	7.81%	

## LLC Projected Annual Cash-on-Cash Yield

<b>\$25,000 Investment</b>					
Year 1	Year 2	Year 3	Year 4	Year 5	
6.33%	6.35%	6.82%	7.30%	7.81%	

## Projected Annualized Returns

Terminal Cap Rate	TIC Return	LLC Return
6.25%	12.85%	12.04%
6.50%	10.94%	10.43%
6.75%	9.18%	8.93%
7.00%	7.54%	7.54%
7.25%	6.02%	6.02%
<b>Terminal Cap Rate Sensitivity</b>		

These cash flow projections were created by the sponsor and are based on a number of assumptions and real estate analysis techniques. The results are necessarily hypothetical; the underlying assumptions may not be accurate, the results shown may not occur, and your performance could vary significantly. This material must be read in conjunction with the confidential private placement memorandum, which contains additional important risk disclosures and more specific information about the assumptions made.

- Interests in this property are speculative and involve a high degree of risk; investors should be able to bear the complete loss of their investment.
- SOME INTERESTS ARE SUBJECT TO RECOURSE LIABILITY, i.e., tenants-in-common will be responsible for providing any cash needed in the future in connection with the property.
- There are restrictions in transferring interests; the interests are not liquid investments.
- There are a number of significant tax risks and tax issues involved with the purchase of an interest in this property; investors should consult their own tax advisors and legal counsel.
- The direct or indirect purchase of real property involves significant risks, including market risk and risks specific to a given property.
- The purchase of real property with other investors, e.g., as a tenant-in-common, presents risks related to the relationship with those other investors.
- Investment in this property is expected to be leveraged; leverage may increase volatility and may increase the risk of investment loss.
- The manager has broad authority and discretion over the property and the terms of financing; the various fees paid to the manager and its affiliates are significant and may offset profits related to the ownership and operation of the real estate.
- Cash distributed to you may constitute a return of your own capital and may be paid from proceeds of the offering, e.g., reserves.

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\*Prior performance is not an indication of future results. The projections and the anticipated rate of return are only for TIC/1031 investors and LLC investors and are estimates based on the specific assumptions more fully described in the Private Placement Memorandum (PPM) and any supplements accompanying the PPM. There is no guarantee that the assumptions used in the projection will be achieved. Please review the entire PPM as supplemented prior to investing. This material does not constitute an offer and is authorized for use only when accompanied or preceded by a 2650 Old Norcross, LLC PPM dated September 18, 2008. Reference is made to the PPM for a statement of risks and terms of the offering. The information set forth herein is qualified in its entirety by the PPM. All potential investors must read the PPM and no person may invest without acknowledging receipt and complete review of the PPM.

## Grubb & Ellis Realty Investors, LLC

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