

GOOD · 21.1% MARGIN

\$1M-\$5M PROJECT

#1 · LOT 1 ORANGE GROVE STREET, HILLSBOROUGH, NC 27278

Lot 1 Orange Grove St, Hillsborough NC — 3.63 wooded acres, R1 | MLS 10178047

LIST PRICE	\$260,000	ACREAGE	3.63 acres (Orange County, unincorporated)
MLS	10178047 (Fathom Realty NC, active 14 DOM)	ZONING	R1 — Orange County (verify min. lot size for subdivision)
UTILITIES	Public water at road; septic — 4-BR perc test on file; 2nd perc test needed for Lot 2	STRATEGY	Subdivide → 2 custom homes (2,800 SF ea) + sell
OUT-OF-POCKET CASH	\$417,690 (equity + closings + carry + listing prep)	FINANCED	\$1,002,518 construction loan (~75% of \$1,336,690 project)
MODELED	2 × 2,800 SF custom homes, \$350/SF ARV (Forrest Creek Estates comp-supported)	DAYS ON MARKET	14

PROJECT COST	GROSS REVENUE	NET PROFIT	MARGIN	MAX OFFER (20%)
\$1.41M	\$1,960,000	+\$412,592	21.1%	\$297,763

PRO FORMA

LINE	AMOUNT
Gross revenue — 2 homes × 2,800 SF × \$350/SF (Forrest Creek Estates comp-supported)	\$1,960,000
Land acquisition + closing (~2%) — Lot 1 Orange Grove St, 3.63 ac	(\$265,200)
Construction — builder cost (5,600 SF × \$111 builder grade)	(\$621,600)
Home On builder margin (20% intro rate; standard 30%)	(\$155,400)
Site development — 2× well + septic systems (incl. 20% margin)	(\$157,500)
Subdivision infrastructure — 1 new lot carved out (incl. 20% margin)	(\$43,750)
Soft costs — design/permits/survey (5% of builder cost, AT COST)	(\$31,080)

LINE	AMOUNT
Contingency (10% of builder cost, AT COST — typically returned if unused)	(\$62,160)
Construction loan closing + carry (10% APR on draws, ~14 months)	(\$73,518)
Selling costs (~7%) — paid at sale closing, not out-of-pocket	(\$137,200)
NET PROFIT TO INVESTOR	~\$412,592 · 21.1% margin · 98.8% cash-on-cash

ARV support — Hillsborough (27278) custom new construction 2026: Forrest Creek Estates 3,200 SF/\$1,150,000 (\$359/SF), 4,446 SF/\$1,635,000 (\$368/SF), 2,990 SF/\$1,250,000 (\$418/SF); mid-range custom 420 W Corbin St \$975k/3,087 SF (\$316/SF); market avg \$262/SF (Sep 2026). Modeled at \$350/SF (conservative relative to Forrest Creek). MAO \$297,763 — \$37,763 cushion below \$260k ask; at \$340/SF MAO = ~\$259k (essentially at ask).

DILIGENCE GATES

GO: Perc test on file for 4-BR; 14 DOM (fresh listing); public water at road; no wetlands flagged; corner markers already set; corner lot with easement access.

VERIFY: (1) Orange County RI minimum lot size for unimproved septic lots — confirm 1.8 ac each clears min; (2) order second soil/perc evaluation on the south half immediately — this is the single critical gate; (3) confirm road access/easement serves both lots; (4) check for Neuse buffer or FEMA zone on stream/drainage features on property; (5) survey for HOA/deed restrictions.

STOP: If 2nd perc fails or Orange County min lot size exceeds ~1.8 ac per lot, retreat to single-home scenario (MARGINAL, 9.9% margin at \$350/SF).

VERDICT

GOOD — buy at or below \$260k asking, proceed immediately to order 2nd perc test (\$500–\$1,500). If the second perc passes: 2 custom homes at 2,800 SF each return \$412,592 net profit (21.1% margin, 99% cash-on-cash) with \$417,690 out-of-pocket. The MAO at \$350/SF is \$297,763 — the current ask is \$38k below that with nearly \$100k in additional buffer before the deal turns marginal. Fallback single-home scenario (if 2nd perc fails): \$96,785 net / 9.9% margin at \$350/SF — still positive but below the 20% threshold. Hillsborough's luxury custom market (\$359–\$456/SF at Forrest Creek Estates) strongly supports the \$350/SF model for a premium wooded-lot product.