

# Elements Ranch | STR Portfolio

## 5460 FM 2325 Wimberley, Texas

### Offering Memorandum

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Date: October 2025

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# Executive Summary

This Offering Memorandum presents a rare opportunity to acquire a premier short-term rental (STR) and boutique hospitality property in the heart of the Texas Hill Country. Located at **5460 FM 2325 in Wimberley, Texas**, this architecturally distinct 10-acre retreat combines modern luxury with timeless Hill Country charm. The property features **four detached cabins**—two completed and two nearing completion—along with a **fifth pad site** already poured and equipped with utilities, offering immediate expansion potential.

As one of the few **unrestricted, fully improved STR compounds** in the region, the property stands out for its flexibility and scalability. With proven short-term rental demand in Wimberley and a limited supply of comparable high-end accommodations, this asset provides investors with **immediate income, long-term appreciation potential, and multiple avenues for future development and value creation.**

## Property Summary

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**Address:** 5460 FM 2325, Wimberley, TX

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**Site Size:** 10 Acres | Unrestricted | Sweeping Hill Country Views

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**Improvements:** 4 Detached Dwellings | Totaling 4,918 SF (2 completed, 2 under construction) | 5<sup>th</sup> Pad Site, with plans for Additional 1064 SF Detached Dwelling | Potential for further site development and expansion.

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**Guest Capacity:** 20+ Guests currently | 34 Guests with completion of remaining cabins and pad build-out.

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**Building #1 “Earth Cabin” (completed):** 2150 SF | 4-Bedrooms | 2-Bathrooms | 13 Beds | Sleeps 16

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**Building #2 “Water Cabin” (partially completed):** 1142 SF | 3-Bedrooms | 1-Bathroom | 4-6 Beds | Sleeps 6+

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**Building #3 “Fire Cabin” (completed):** 648 SF | 1 Bedroom | 1-Bathroom | 2 Beds | Sleeps 4

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**Building #4 “Wind Cabin” (partially completed):** 978 SF | 2-Bedroom | 1-Bathroom | 2-3 Bed | Sleeps 4+

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**Building #5 Pad Site (incomplete):** 1064 SF | 2 Bedroom | 2 Bathroom | 2-3 Beds | Sleeps 4+

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## Property Overview

Discover a truly unique opportunity to own an established short-term rental retreat in Wimberley, TX. Located just minutes from downtown and free of restrictions, this 10-acre property blends rustic Hill Country charm with modern luxury, offering endless potential for income generation, gatherings, or expansion.

The property features **four detached dwellings**, with **two completed homes**—the *Earth Cabin* and *Fire Cabin*—already welcoming dozens of guests. Together, they sleep up to **20+ people** across 5 dedicated bedrooms plus loft and flexible living spaces. Large picture windows frame sweeping views, while covered porches and balconies invite guests to enjoy sunsets and fresh Hill Country air. Inside, you'll find chic finishes, three elegant bathrooms (including a soaking tub with hilltop views), and open, inviting living spaces designed for entertaining.

**Two additional homes are under construction**—the *Wind Cabin* and *Water Cabin*—, tucked into the trees for privacy and relaxation, with the same thoughtful design, large windows, and spacious balconies. These additional structures provide 5 additional bedrooms, sleeping **10+ people**. Guests can enjoy the quiet of their private cabins or come together as a large group, making the property ideal for reunions, retreats, and special events.

**One additional pad site** has been poured with plumbing and electrical to accommodate construction of a 5<sup>th</sup> cabin, it includes plans for two additional bedrooms to accommodate **4+ people**.

With 10 usable acres, sweeping country views, and ample room for future development, this property can serve as a **turnkey STR investment, family compound, or a combination of both**. Its location is unmatched: minutes from Wimberley's vibrant downtown shopping, dining, wineries, and breweries, and close to rivers, creeks, hiking trails, and festivals. Positioned along FM 2325, minutes from Wimberley Square and within easy reach of Austin, San Antonio, San Marcos, Kyle, Dripping Springs, and New Braunfels, making it convenient for both local and out-of-town visitors.

This is your chance to own a Hill Country gem that delivers lifestyle, income, and long-term potential in one package.

# Market Overview

## Regional Context – Texas Hill Country

Wimberley sits at the geographic and cultural heart of the Texas Hill Country, one of the most desirable tourism and lifestyle regions in the state. The area is known for its striking limestone hills, cypress-lined rivers, and vineyard-dotted backroads, drawing millions of visitors each year seeking weekend getaways, weddings, and outdoor recreation. Positioned midway between **Austin (40 minutes)** and **San Antonio (30 minutes)**, Wimberley benefits from direct access to two of Texas' fastest-growing metro populations and serves as a convenient escape for affluent urban residents and out-of-state travelers alike.

## Tourism & Visitor Demand

The Texas Hill Country has become one of the most desirable and resilient leisure destinations in the United States, known for its balance of natural beauty, cultural heritage, and year-round recreational appeal. Wimberley, situated at the heart of this region, benefits from its strategic location between **Austin** and **San Antonio**, both within an hour's drive, providing exceptional accessibility to millions of residents and visitors seeking weekend getaways, family gatherings, and boutique lodging experiences.

### *Visitor Profile*

The Wimberley area attracts a broad cross-section of travelers — from urban weekenders to destination wedding guests and national visitors exploring Texas' wine and nature trails. Roughly **60–70% of visitors originate from within Texas**, primarily from the Austin, San Antonio, Dallas–Fort Worth, and Houston metro areas, reflecting a strong **drive-to leisure market**. Increasingly, out-of-state travelers and international visitors contribute to longer stays and higher nightly rates, reflecting the area's growing national recognition as a boutique hospitality destination.

### *Regional Tourism Economy*

Tourism is a cornerstone of the Hill Country economy. The region generates substantial **visitor spending**, supporting local lodging, dining, recreation, and retail. Broader, strong statewide travel activity funnels directly into the Hill Country corridor, with the area's proximity to major airports in Austin and San Antonio enabling easy access for regional and national visitors.

Wine tourism in particular has emerged as a major growth driver — the **Texas Hill Country wine region now contributes \$20.35 billion annually to the state's economy** and attracts more than **2 million wine-tour visitors** each year.<sup>3</sup> This visitor demographic tends to be higher-income, experience-focused travelers who seek unique lodging environments,

making properties like the subject STR compound especially well-positioned to capture premium nightly rates.

### ***Key Regional Attractions***

Wimberley's tourism appeal is anchored by an exceptional mix of natural beauty, outdoor recreation, arts, and culinary experiences that define the Hill Country lifestyle. The following destinations collectively sustain strong year-round visitor demand:

- **Jacob's Well & Blue Hole Regional Park** – Iconic natural springs and swimming areas ranked among Texas' most scenic outdoor attractions, drawing thousands each season.
- **Blanco River & Cypress Creek** – Central to the town's identity, offering tubing, kayaking, fishing, and tranquil riverfront recreation.
- **Downtown Wimberley & Market Days** – A vibrant district of art galleries, boutiques, wine bars, and one of Texas' largest outdoor markets, held monthly with over 400 vendors.
- **Wineries, Breweries & Distilleries** – Situated along the Hill Country Wine Trail and near major producers including Driftwood Estate, Duchman, and Wimberley Valley Winery, as well as craft destinations like Roughhouse Brewing and Desert Door Distillery.
- **Cultural & Community Events** – Year-round festivals, including *Wimberley Arts Fest*, the *Fourth of July Parade & Rodeo*, and the *Trail of Lights* holiday celebration, sustain consistent lodging demand.
- **Scenic Drives & Outdoor Recreation** – Attractions such as *Old Baldy Mountain* and the *Devil's Backbone Scenic Drive* showcase the Hill Country's dramatic landscapes, appealing to hikers, cyclists, and road travelers alike.

### ***Summary Insight***

The Wimberley tourism market benefits from its exceptional accessibility, diversified visitor base, and unmatched combination of natural beauty and cultural activity. As the Hill Country continues to experience record visitation and rising visitor spending, the subject property stands to capitalize on robust, sustainable demand drivers—positioning it as a prime performer within one of Texas' most dynamic hospitality submarkets.

## **Short-Term Rental (STR) Market Performance**

The Wimberley lodging market remains supply-constrained relative to visitor demand, with a diverse mix of cabins, cottages, and boutique properties catering to couples, families, and group retreats. Strong year-round visitation, limited hotel inventory, and an increasingly sophisticated short-term rental segment have positioned Wimberley as one of the most resilient and profitable STR submarkets in the Texas Hill Country.

## Regulatory Environment

Unlike many surrounding jurisdictions in Central and South-Central Texas, the **City of Wimberley imposes no restrictions on short-term rental (STR) operations** within its incorporated limits or extraterritorial jurisdiction (ETJ). Property owners may operate STRs without local licensing, density limits, or special-use approvals, creating a uniquely stable and flexible regulatory environment for investors.

This distinguishes Wimberley not only from neighboring Hill Country municipalities such as Fredericksburg and Dripping Springs, which have introduced registration and occupancy caps, but also from the urban centers of Austin, San Antonio, New Braunfels, and San Marcos, where STR regulation has become increasingly complex. These cities typically require formal registration, collect local hotel-occupancy taxes, and enforce strict zoning, permitting, and owner-occupancy provisions that limit new supply and reduce operational flexibility.

By contrast, Wimberley’s **unrestricted and low-overhead environment** allows investors to maximize operating potential, implement dynamic pricing strategies, and scale future expansion without regulatory uncertainty—making it one of the most favorable markets for short-term rental investment in the Texas Hill Country.

## Nightly Rates

Recent data from multiple reputable sources—including AirDNA, AirROI, and regional hospitality reports—indicates that **average nightly rates across the Wimberley market typically range from \$280 to \$340 per night**, depending on design quality, amenities, and proximity to major attractions. Premium listings with high-end finishes, group accommodations, or resort-style amenities consistently outperform the market average.

Source	ADR Range	Notes
<b>AirROI (2025)</b>	\$310	Based on over 600 active listings in Wimberley; median annual revenue near \$36,000.
<b>AirDNA</b>	\$325–\$341	Entire-home listings; ADR higher for luxury and multi-unit properties.
<b>NeuhausRE / StaySTRA</b>	~\$331	Reflects strong Hill Country performance for mid- to upper-tier properties.
<b>MasterHost (Peak Season)</b>	\$339+	Reflects ADRs achieved during high-demand periods (spring, summer, holidays).

The **\$300 ADR assumption** used in this Offering Memorandum for the subject property is both **conservative and well supported** given these market indicators. The subject property's upscale finishes, group capacity, and scenic 10-acre setting provide it with strong pricing power relative to standard single-unit cabins. Comparable premium listings in Wimberley often exceed \$350–\$400 per night during peak seasons and major regional events such as **Austin City Limits, SXSW, Formula 1, and Texas Hill Country weddings**.

Seasonal pricing strategies further enhance yield potential. Properties that implement dynamic revenue management tools—adjusting for demand spikes, weekends, and local events—tend to outperform static-rate listings by **5–15% annually**, with consistently high weekend occupancy across all quarters.

In summary, Wimberley's STR market demonstrates robust ADR performance and strong pricing stability, supporting the investment case for the subject property as a high-quality, income-producing short-term rental compound.

## Occupancy Performance

Occupancy levels in Wimberley and the broader Texas Hill Country vary widely depending on property type and management quality. Publicly reported data from AirDNA and other platforms often reflect a mix of under-optimized listings, many of which are self-managed or in lower quality tiers. However, professionally operated, high-amenity properties across the Hill Country consistently achieve **65%–75% annual occupancy**, with top-performing listings occasionally reaching **80%+ during peak months**.<sup>3</sup> Markets such as **Canyon Lake** and **Dripping Springs** show similar performance for well-managed, design-driven vacation rentals.

Given this context, the **68% stabilized occupancy assumption** used in this Offering Memorandum is both **realistic and defensible** for a premium multi-cabin asset like this one. With professional management, dynamic pricing, and active marketing toward high-yield segments—such as event groups, weddings, and Austin overflow during major festivals the subject property is well positioned to meet or exceed these occupancy benchmarks.

New, design-forward properties like the subject cabins typically outperform older inventory due to higher quality finishes, contemporary amenities, and multi-unit group accommodation potential.

## Market Trends & Economic Drivers

**Population Growth:** The I-35 corridor between Austin and San Antonio is among the fastest-growing regions in the United States, fueling demand for leisure, second-home, and investment properties. This population growth is a driving force for both the hospitality industry as well as property value appreciation.

**Limited Supply:** Wimberley's hilly topography, well/septic constraints, and limited entitled land supply have curbed large-scale development, preserving the area's boutique lodging

appeal, and limiting competition from conventional hotel lodging accommodations. As a result, high-quality STR properties in desirable locations maintain pricing power and high utilization rates.

**Lifestyle Migration:** Post-pandemic remote work trends have increased mid-week and extended-stay bookings as professionals seek scenic, work-friendly retreats. Guests increasingly book mid-week stays to work remotely or extend weekend trips. With reliable Wi-Fi, spacious living areas, and outdoor amenities, properties like this compound are well-suited to capture “work-from-anywhere” and “bleisure” travelers — effectively converting off-peak weekdays into revenue days.

**Regional Event Economy:** For residents of Austin, San Antonio, and the surrounding Hill Country, Wimberley is a convenient, year-round weekend destination. The trend toward shorter, more frequent leisure trips supports consistent occupancy and high repeat visitation.

**Group Accommodations:** The Hill Country wedding and retreat industry generates year-round occupancy spikes and higher-than-average weekend rates. A multi-unit configuration and secluded acreage setting uniquely position the subject property for group stays — wedding parties, family reunions, and corporate or wellness retreats. As Wimberley’s wedding venue market continues to expand, demand for nearby multi-unit lodging has outpaced available supply.

**Event Driven Overflow:** Wimberley consistently captures “overflow” demand during major Austin events — including SXSW, ACL Festival, Formula 1, and UT home games — when hotels and short-term rentals in Austin reach full occupancy. Located within a short drive, Wimberley serves as a scenic, lower-density alternative for attendees seeking privacy, affordability, or larger group lodging. This event-driven demand produces rate surges and multi-night bookings that can significantly lift annual ADR performance.

## Competitive Positioning

Compared with other Hill Country markets such as Fredericksburg or Dripping Springs, **Wimberley offers a lower barrier to entry and less competition** among institutional STR operators while maintaining similar ADR and occupancy performance. This balance of affordability, accessibility, and scenic appeal creates a compelling investment environment for boutique hospitality assets.

## Investment Highlights

**Premier Hill Country Location:** Located just 40 minutes from Austin and 30 minutes from San Antonio, the property sits at the epicenter of the Texas Hill Country—one of the most visited and fastest-growing leisure markets in the state. Wimberley’s scenic landscapes, wineries, and outdoor attractions make it a year-round destination for both local and national travelers.

**Luxury Multi-Cabin STR Compound:** The 10-acre property features **four detached cabins**, two of which are fully operational and income-producing, with two additional units nearing completion. Each cabin offers a unique architectural identity combining rustic charm with modern luxury—ideal for couples, families, or large group gatherings. A fifth pad with utilities in place provides future expansion potential to construct an additional planned cabin and RV sites.

**Established Short-Term Rental Performance with Upside:** The existing units are already generating consistent short-term rental income. Upon completion and full stabilization, the property is projected to achieve an **ADR of \$300/night at 68% occupancy**, equating to over **\$335,000 in annual gross revenue potential**. This projection is supported by market data and regional STR benchmarks.

**Flexible Use and Exit Strategies:** Unrestricted zoning allows for continued operation as a short-term rental, family compound, or boutique hospitality venue. The property can be repositioned as a luxury wedding, retreat, or event destination, or expanded to include additional cabins or amenities. The asset’s versatility enhances both income stability and resale potential.

**Strong Regional Market Fundamentals:** The Texas Hill Country continues to experience sustained population and tourism growth. Wimberley benefits from proximity to major metros and consistent visitor traffic driven by outdoor recreation, festivals, and event tourism. Market ADRs in the region average **\$280–\$340 per night** for comparable high-quality STRs, providing support for continued rate strength and occupancy resilience.

**Attractive Capitalization and Exit Potential:** At an asking price of **\$1,500,000 as-is**, with approximately **\$200,000** estimated for completion and furnishing, the total stabilized investment basis offers significant upside potential. At projected stabilization, the property is expected to trade at a **7.25%–7.50% exit cap rate**, with strong cash-on-cash returns and mid-teens leveraged IRR potential over a five-year hold.

**Institutional-Quality Branding and Management Potential:** With professional management and cohesive branding, the property can be marketed as a unique boutique lodging experience catering to premium guests, weddings, and event groups. This approach allows for scalable operations, repeat bookings, and potential brand extension across future Hill Country locations.

# Financial Overview

## Current Operations

The property has been partially operational since mid-2023, with two of the four dwellings — The Earth Cabin and The Fire Cabin — currently active as short-term rentals.

Operational data collected over a 491-day period from July 2023 through early November 2024 provides the following performance summary:

Metric	Observed Performance	Commentary
Average Daily Rate (ADR)	\$258.62	In line with mid-tier Hill Country listings, but below achievable rates for a luxury product
Occupancy	40 %	Reflects limited exposure, ongoing site construction, and minimal marketing activity
Period of Record	491 days (Jul 2023 – November 2024)	No operational data available from Nov 2024 to present (Oct 2025)
Active Units	2 of 4 cabins	Remaining dwellings (Water & Wind Cabins) under construction during this period
Management	Owner-managed, absentee	No dedicated professional management, dynamic pricing, or multi-platform exposure

## Performance Context

The recorded results **understate the property's true earning potential.**

Performance during the measurement period was impacted by several correctable operational limitations:

- Construction Disruption:** Two additional cabins were incomplete, limiting rentable inventory by 50% and creating visual and logistical disruption to guests.
- Limited Marketing Reach:** Listings lacked professional photography, dynamic pricing, and syndication across major STR platforms (Airbnb, VRBO, Booking.com), resulting in reduced visibility and booking volume.
- Absentee Management:** The property was self-managed by an offsite owner without direct oversight, dedicated maintenance or guest-relations staff, negatively affecting reviews, ranking, and occupancy.

- **Seasonality & Inconsistent Activity:** Data reflects partial-year and off-season periods, coinciding with construction phases and underutilization of available dates, reducing booking volume and data reliability.

Comparable professionally managed STR properties of similar scale and finish in the Wimberley market typically achieve **ADR levels between \$275–\$325** and **occupancy rates between 65–75%**, underscoring a **significant performance gap** that represents near-term upside. The following represents Current versus Stabilized Operations (4 units):

<b>Metric</b>	<b>Current (2 Units)</b>	<b>Stabilized (4 Units)</b>	<b>Variance / Commentary</b>
<b>Number of Rentable Units</b>	2	4	Full build-out doubles inventory
<b>Average Daily Rate (ADR)</b>	\$258.62	\$300.00	+16% gain through professional management and marketing
<b>Occupancy Rate</b>	40 %	68 %	+28 points from optimized exposure and dynamic pricing
<b>Annual Gross Revenue (AGR)</b>	~\$75,400	~\$298,000	~4x increase driven by completion and rate improvement
<b>Operating Margin</b>	55 %	65 %	Higher efficiency with scale and management systems
<b>Net Operating Income (NOI)</b>	~\$41,500	~\$194,000	+\$150,000 annual improvement after stabilization

## Forward Outlook

The property’s current performance should be viewed as **transitional** rather than reflective of its true market capability. The existing underperformance stems from temporary operational constraints that are anticipated to be resolved through construction completion, improved marketing, and the introduction of professional management. Once the remaining cabins are brought online and the site’s aesthetic continuity is restored, the property will be positioned to operate competitively within Wimberley’s upper-tier STR segment.

### Short-Term Objectives (0–12 Months Post-Completion)

- **Full Inventory Activation:** Completion and furnishing of the Water and Wind Cabins will double rentable inventory to four luxury units, each offering unique character, privacy, and Hill Country views.

- **Professional Management Transition:** Engagement of an experienced short-term rental management firm will introduce standardized operating systems, revenue management tools, and multi-platform syndication, significantly increasing booking exposure.
- **Brand Development:** Implementation of cohesive property branding, professional photography, and guest experience enhancements will strengthen online positioning and review generation, leading to higher visibility on booking platforms.
- **Dynamic Pricing & Data Analytics:** Adoption of pricing software (e.g., Wheelhouse, Beyond, or PriceLabs) will optimize rates and minimum stays across seasons, typically improving ADR and occupancy significantly.
- **Operational Stability:** Introduction of consistent cleaning, maintenance, and guest service protocols will elevate review scores and reduce turnover costs.

### Medium-Term Outlook (12–36 Months)

- **Revenue Normalization:** Within the first full year of stabilized operations, projected ADR of \$300 and occupancy of 68 % are expected to yield **~\$298,000 in gross annual revenue** and **~\$194,000 NOI**—a four-fold improvement over current performance.
- **Review Momentum:** As guest satisfaction and repeat visits increase, the property should achieve Superhost or Premier Partner status, further driving algorithmic placement and conversion rates.
- **Ancillary Income Opportunities:** Development of small-scale amenities (fire-pit area, hot-tub decks, outdoor kitchens) and add-on services (early check-ins, guided tours, event hosting) can produce incremental revenue with minimal capital expenditure.
- **Market Recognition:** As Wimberley continues to mature as a Hill Country hospitality destination, demand for premium multi-unit STR compounds is expected to rise, supporting both rate growth and asset appreciation.

### Long-Term Outlook (3–5 Years)

- **Asset Appreciation & Exit Optionality:** At stabilized NOI and modest 3 % annual growth, the property's income profile supports a valuation range of **\$2.75 million at 7.5% exit caps**, providing substantial equity growth over a 5-year hold.
- **Institutional Appeal:** As a turnkey, branded STR compound on 10 unrestricted acres, the property may attract boutique hospitality operators or family-office investors seeking passive Hill Country exposure.
- **Scalable Platform:** The infrastructure and acreage allow for future expansion—additional units, RV or glamping pads, or event-oriented amenities—offering further upside beyond base stabilization.

## Projected Financials

Upon completion of the remaining two cabins and full operational stabilization, the property is projected to achieve a **68% annual occupancy rate** at an **average daily rate (ADR) of \$300**, resulting in nearly **\$300,000 in annual gross rental revenue** in initial year of stabilization. Operating expenses, including property management, utilities, maintenance, insurance, and reserves, are estimated at **40% of effective gross income**, yielding an **annual net operating income (NOI) of approximately \$206,000**, with continued annual growth projected.

At an asking price of **\$1,500,000 as-is**, plus an estimated **\$200,000 completion and furnishing budget**, the total stabilized project basis is approximately **\$1,700,000**. Based on stabilized NOI, the projected yield equates to a **12.8% unleveraged return** and a **stabilized valuation near \$2,750,000** at a **7.5% market exit cap rate**.

A detailed five-year pro forma has been developed to illustrate projected cash flows, debt service, and investor returns under both leveraged and unleveraged scenarios.

*The following assumptions were used to prepare the financial projections for 5460 FM 2325, Wimberley, TX. These assumptions are based on current market benchmarks, industry resources, and typical underwriting standards for short-term rental (STR) and boutique hospitality assets. They are illustrative only and subject to change.*

## 5-Year Rental Income Pro Forma

Year	ADR	Gross Revenue	OPEX	NOI
1	\$300	\$297,840	\$119,136	\$178,704
2	\$309	\$306,775	\$121,519	\$185,256
3	\$318	\$315,978	\$123,949	\$192,029
4	\$328	\$325,458	\$126,428	\$199,030
5	\$338	\$335,222	\$128,957	\$206,265

## Key Financial Assumptions Summary

Category	Assumption	Notes / Rationale
ADR (Average Daily Rate)	\$300/night (Year 1)	Weighted average across 4 cabins; based on AirDNA & Airbnb/VRBO Wimberley

		comps (\$275–\$375/night). Conservative midpoint of local market range.
<b>Occupancy</b>	68%	Consistent with AirDNA-reported Hill Country STR averages (60–70%) for luxury-tier assets.
<b>ADR Growth</b>	3% per year	Reflects moderate price inflation and dynamic pricing optimization.
<b>Operating Expense Ratio</b>	40% of Gross Revenue	Includes cleaning, maintenance, insurance, taxes, management fees; benchmark from AirDNA & Lofty AI.
<b>Expense Growth</b>	2% per year	Aligned with general inflation and insurance/tax increases.
<b>Loan-to-Value (LTV)</b>	80%	Standard upper limit for stabilized STR assets; consistent with Texas CRE lending benchmarks.
<b>Loan Interest Rate</b>	6.0% fixed	Reflects mid-2025 commercial lending environment (SelectCommercial, NerdWallet).
<b>Loan Amortization</b>	20 years	Common amortization schedule for boutique lodging/STR loans.
<b>Debt Service Coverage Ratio (DSCR)</b>	≥ 1.50×	Meets lender underwriting threshold (actual DSCR = 1.72× in Year 1).
<b>Annual Debt Service</b>	~\$104,600	Principal + interest at 6.0% over 20 years on \$1.2M loan.
<b>Cap Rate at Exit</b>	7.5%	Conservative assumption based on boutique hospitality cap rates (6–9% range).
<b>Exit Year Value</b>	~\$2.75M	Derived from Year 5 NOI / 7.5% cap.
<b>Remaining Loan Balance (Year 5)</b>	~\$1.1M	Based on amortization schedule (principal reduction ~8%).

## Key Performance Indicators

Metric	Value
Purchase Price (As-Is)	\$1,500,000
Completion/Furnishing Budget Estimate (Capital Improvements)	\$200,000
Total Basis (All-In)	\$1,700,000
Stabilized Year 1 NOI	~\$179,000
Cap Rate on Cost (Acquisition & Capital Improvements) Stabilized	10.53%
5-Year NOI (Year 5)	~\$206,000
5-Year Exit Value (@7.5% Cap)	~\$2,750,000
5-Year IRR (Unlevered)	17.35%
Equity Multiple (Unlevered)	2.08x
Avg. Annual Cash-on-Cash Return (Unlevered Year 1-5)	10.15%
5-Year IRR (Levered)	37.89%
Equity Multiple (Levered)	4.01x
Avg. Annual Cash-on-Cash Return (Levered Year 1-5)	16.04%
Minimum DSCR (NOI)	1.73x
Minimum Debt Yield (NOI)	15.30%

## Sensitivity & Upside Analysis

The investment's performance is primarily influenced by two key factors: **Average Daily Rate (ADR)** and **Occupancy**. Base underwriting assumes an ADR of \$300 and 68% occupancy, yielding an annualized gross revenue of \$298,080 and NOI of \$178,848 (60% margin).

Occupancy ↓ / ADR →	\$250	\$275	\$300 (Base)	\$325	\$350
40%	\$146,000	\$160,600	\$175,200	\$189,800	\$204,400
50%	\$182,500	\$200,750	\$219,000	\$237,250	\$255,500
60%	\$219,000	\$240,900	\$262,800	\$284,700	\$306,600
<b>68% (Base)</b>	\$248,200	\$273,020	<b>\$298,080</b>	\$323,140	\$348,200
75%	\$273,750	\$301,125	\$328,500	\$355,875	\$383,250

At the base case, the property generates \$178,848 NOI, equating to \$2.38M valuation at a 7.5% cap rate. A modest 10% ADR increase or 5% occupancy gain produces \$30K–\$40K additional NOI, raising value by \$400K–\$530K at similar cap rates.

### Operational Upside Drivers

- Completion of Water & Wind Cabins: doubles rentable inventory and improves group booking capacity.
- Professional Management: dynamic pricing and multi-platform marketing can improve ADR by 10–15% and occupancy by 5–8%.
- Guest Experience Enhancements: features like fire pits or hot tubs command premium weekend rates.
- Event / Retreat Demand: 10-acre unrestricted site supports small weddings and retreats, diversifying income.

### Scenario Comparison

Scenario	ADR	Occupancy	Revenue	NOI (60%)	Value @ 7.5% Cap
<b>Base Case</b>	\$300	68%	\$298,080	\$178,848	\$2,385,000
<b>Optimized Mgmt.</b>	\$325	72%	\$341,640	\$204,984	\$2,733,000
<b>Amenity Expansion</b>	\$350	75%	\$383,250	\$229,950	\$3,066,000

Under base financing assumptions (6.0% interest, 20-year amortization, \$1.2M loan on \$1.5M purchase), annual debt service = \$103,166, resulting in DSCR = 1.73x. This substantially exceeds the 1.25x underwriting minimum, indicating ample coverage and resilience.

### Financing Overview

The projected financing structure reflects conventional underwriting terms for a stabilized short-term rental or boutique lodging asset.

<b>Component</b>	<b>Amount</b>	<b>% of Total</b>	<b>Notes</b>
<b>Purchase Price</b>	\$1,500,000	88%	As-is acquisition
<b>Buyer Capital Improvements</b>	\$200,000	12%	Completion of Water & Wind Cabins
<b>Total Project Cost</b>	\$1,700,000	100%	—
<b>Loan Amount</b>	\$1,200,000	80% LTV	Based on purchase price
<b>Equity Requirement</b>	\$500,000	20%	Includes reserves

### **Loan Terms (Modeled)**

<b>Term</b>	<b>Base Case</b>	<b>Sensitivity Range</b>
<b>Interest Rate</b>	6.00% fixed	6.0–8.0%
<b>Amortization</b>	20 years	20–25 years
<b>Annual Debt Service</b>	\$103,166	\$93K–\$120K
<b>Base DSCR</b>	1.73×	—
<b>1.25× DSCR Threshold</b>	49% occupancy	~19-point buffer
<b>Break-Even Occupancy</b>	39%	Includes debt service & expenses

*At a 6% fixed rate and 20-year amortization, the Wimberley STR Compound achieves a DSCR of 1.73× and remains above 1.25× coverage down to 49% occupancy. This provides substantial cushion and strong financing feasibility for both conventional and SBA loan programs.*

# Construction & Completion Plan

## Existing Infrastructure

All major site and utility systems have been installed and are fully operational, providing a solid foundation for completion. The property includes a private well with pump station, purification and filtration system, and a holding tank with pressure management. Electrical service is provided via underground distribution with conduit stub-outs and meter bases installed at each dwelling. Two existing septic systems currently serve the completed units, and two additional engineered and permitted systems are ready for installation. Site grading, driveways, drainage improvements, and building pads have been completed, with underground utilities extended to the remaining cabins.

## Current Construction Status

The property consists of four detached dwellings, two of which—Earth Cabin and Fire Cabin—are complete and generating short-term rental income. The Water Cabin and Wind Cabin are structurally complete, with framing, roofing, siding, and windows installed. Rough-in work for plumbing, electrical, and HVAC ducting is complete, and both structures are dried-in and ready for the interior finish-out phase.

## Finish-Out Scope of Work

The remaining work primarily consists of MEP system installation, insulation, interior finishes, and final systems testing. Specific activities include:

***HVAC System Installation:*** Install complete mechanical systems including air handlers, condensers, refrigerant lines, thermostats, and controls; connect to pre-installed ductwork; perform startup, refrigerant charging, and airflow balancing.

***Septic Installation:*** Set and connect two permitted systems, including tanks, lateral fields, and tie-ins to the existing site network.

***Thermal Envelope:*** Install batt and blown-in attic insulation per energy-code specifications, with air sealing at penetrations and junctions.

***Drywall & Interior Finishes:*** Hang, tape, float, and finish gypsum wallboard; apply Level 4 finish with primer and topcoat paint; install all interior door assemblies, casings, and hardware.

***Flooring Systems:*** Install porcelain or ceramic tile in bathrooms and engineered hardwood flooring throughout living areas and bedrooms.

***Cabinetry & Countertops:*** Fabricate and install base and wall cabinets; set solid-surface countertops with integrated backsplashes.

**Plumbing Trim-Out:** Install and connect all fixtures (toilets, sinks, tubs, showers) and water heaters.

**Electrical Trim-Out:** Install LED lighting fixtures, switches, GFCI/AFCI receptacles, ceiling fans, and finish plates; verify breaker loads and perform panel balancing.

**Exterior Finishes:** Apply exterior paint and stain coatings, complete fascia and trim details, and install exterior lighting and railings.

**Appliance & Equipment Installation:** Deliver and set kitchen and laundry appliances, perform electrical and water hookups, and verify operational testing.

**Landscaping & Site Restoration:** Final grade around new dwellings, install topsoil and native seed mix, and perform final cleanup and debris removal.

## Budget and Timeline

Based on comparable builder pricing, previously completed cabins, and updated cost verification, the estimated total cost for full completion—including all finishes, fixtures, systems, and contingencies—is **approximately \$200,000**. The anticipated duration for this finish-out phase is **90–120 days** from construction reactivation and funding release, assuming typical contractor mobilization and normal weather conditions.

## Post-Completion Condition

Upon completion, the property will consist of **four fully finished, furnished dwellings totaling approximately 4,918 square feet**, with full utility connectivity and operational readiness for short-term rental occupancy.

In addition, the property includes a **fifth building pad** that has already been poured, graded, and equipped with **stub-outs for both electrical and plumbing service**, positioned for immediate vertical construction. Architectural plans prepared outline a **three-level, ±1,064-square-foot structure** featuring an open-concept first level with living, kitchen, and dining areas; two bedrooms and baths on the second level; and a flexible **yoga studio or loft workspace** on the third level.

The site's **existing infrastructure was engineered with surplus capacity** to support additional dwellings or amenity structures without requiring major new utility installations. This includes expanded electrical load capacity, well and purification systems sized for higher flow rates, and septic engineering that allows modular expansion.

This built-in scalability provides the next owner with a **clear path to future value creation**—whether through construction of the fifth cabin for additional short-term rental inventory, an owner's residence, or a shared amenity building to enhance group rental appeal.

# Exit Strategy

## Value Creation and Exit Rationale

The investment thesis for the property is centered on value creation through construction completion, operational stabilization, and income growth within a high-demand Hill Country submarket. Once fully completed and operating at stabilized performance, the property will present a rare offering—an established, multi-unit short-term rental compound with documented revenue history, professional management infrastructure, and development-ready capacity for expansion.

The recommended exit strategy targets a disposition within 24 to 36 months following completion and stabilization. This period allows sufficient time to establish a consistent trailing twelve-month income history, optimize occupancy and ADR through professional management, and capture appreciation from operational maturity. At that stage, the property will be positioned as a turnkey income asset appealing to hospitality investors, family offices, and boutique operators seeking stabilized yield in the Texas Hill Country market.

## Why the 24–36 Month Hold Window Maximizes Value

The timing of this exit strategy is based on three key factors:

**Operational Maturity:** Short-term rental assets typically require 12–18 months of operation to achieve consistent booking velocity, guest reviews, and pricing optimization. After two full years of stabilized financial performance, lenders and buyers underwrite on actual—not projected—income, resulting in materially higher valuations.

**Return Efficiency:** Financial modeling indicates the greatest internal rate of return (IRR) is achieved when the asset is sold or recapitalized after full stabilization. Beyond year five, returns flatten due to the time value of money and normalizing income growth, even if total dollar profits increase.

**Market and Capital Cyclicity:** The next several years are expected to remain favorable for hospitality and lifestyle real estate, particularly as interest rates normalize and investor appetite for income-producing assets strengthens. Exiting within 24–36 months captures both the stabilized income premium and advantageous capital market conditions.

## Optional Long-Term Hold Potential

While the near-term exit window optimizes investor IRR, the property is equally well suited for a long-term income hold strategy. With professional management, ongoing maintenance, and periodic refresh of finishes, the compound could continue to generate stable double-digit cash-on-cash returns for 7–10 years or longer. Additionally, the presence of the fifth pad site, along with

oversized well, septic, and electrical infrastructure, provides a clear path for future expansion. Construction of the planned ±1,064-square-foot fifth dwelling would enhance total rentable area and further increase cash flow and long-term appreciation potential.

### **Summary**

This investment offers both flexibility and scalability: a near-term exit strategy that captures immediate post-stabilization appreciation and a long-term option to hold a high-performing Hill Country hospitality asset with strong yield, tangible real estate value, and ongoing upside potential through phased development.

# References & Data Sources

The following external data sources, publications, and reference materials were utilized in the preparation of this Offering Memorandum. These references support the assumptions, financial analyses, and market observations contained herein. All third-party information was obtained from publicly available or subscription-based sources believed to be reliable as of October 2025.

## Short-Term Rental (STR) & Hospitality Market Data

- AirDNA MarketMinder (2024–2025) – Wimberley and Hill Country STR performance, ADR, and occupancy trend data. <https://www.airdna.co>
- CoStar / STR Global Hospitality Analytics (2024) – Lodging metrics and ADR/occupancy data for Hill Country submarkets (Fredericksburg, Dripping Springs, New Braunfels). <https://costar.com> / <https://str.com>
- Rabbu Investor Analytics (2024) – National STR benchmarking data (referenced for comparative methodology, not used for final metrics). <https://www.rabbu.com>
- Fredericksburg Convention & Visitor Bureau Lodging Report (2024) – Comparative occupancy and ADR trends. <https://www.visitfredericksburgtx.com>

## Tourism & Economic Data

- Texas Office of the Governor – Travel Texas Reports (2023–2024) – Tourism statistics, visitor growth, and regional travel spending data. <https://gov.texas.gov/travel-texas>
- Hays County Economic Development Council (2024) – Economic indicators, employment growth, and regional investment activity. <https://hayscountyedc.com>
- Visit Wimberley / Austin Convention & Visitors Bureau (CVB) – Event-driven tourism data (ACL, SXSW, Formula 1, etc.) and Austin overflow market dynamics. <https://www.visitwimberley.com> / <https://www.austintexas.org>
- Greater San Marcos Partnership (2024) – Hill Country economic and population growth trends. <https://greatersanmarcostx.com>

## Real Estate & Financing References

- National Association of Realtors (NAR) – Vacation & Investment Home Report (2024) – STR ownership, yield, and investor sentiment. <https://www.nar.realtor/research-and-statistics>
- Federal Reserve Bank of Dallas – Economic & Interest Rate Outlook (2024) – Lending rate and market cycle assumptions. <https://www.dallasfed.org>
- Small Business Administration (SBA 504 & 7(a) Loan Programs, 2024 Guidelines) – Financing term structure and underwriting assumptions. <https://www.sba.gov/funding-programs/loans>

## Construction & Cost Data

- RSMeans Construction Cost Data (2024) – Material and finish-out cost validation. <https://www.rsmeans.com>

- U.S. Bureau of Labor Statistics – Producer Price Index for Construction Inputs (2024) – Inflation and contingency assumptions. <https://www.bls.gov/ppi/>

### **Regional Planning & Zoning References**

- City of Wimberley Planning & Development Services (2024) – ETJ status, septic permitting, and absence of STR restrictions. <https://www.cityofwimberley.com/departments/planning>
- Hays County Environmental Health Department (2024) – Septic and well permitting data for Hill Country developments. <https://hayscountytexas.com/departments/environmental-health/>

### **Industry Publications & Supporting Articles**

- Texas Hill Country News (2024) – Tourism-driven real estate and hospitality growth coverage.
- Austin Business Journal (2024) – Reports on Austin event-season lodging shortages and regional spillover demand into Wimberley and Dripping Springs.
- Skift Research (2024) – Macro-level STR performance and traveler behavior insights.
- Glamping Hub & Airbnb Press Center (2024) – Consumer demand trends for luxury rural and experiential stays.

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