



Las Mariposas Apartments

November 30, 2021



Agenda

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Property Overview

2

Asset Class Overview

3

Location & Demographics

4

Value Add Strategy

5

Thesis

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Risks

7

Model Assumptions & Financials

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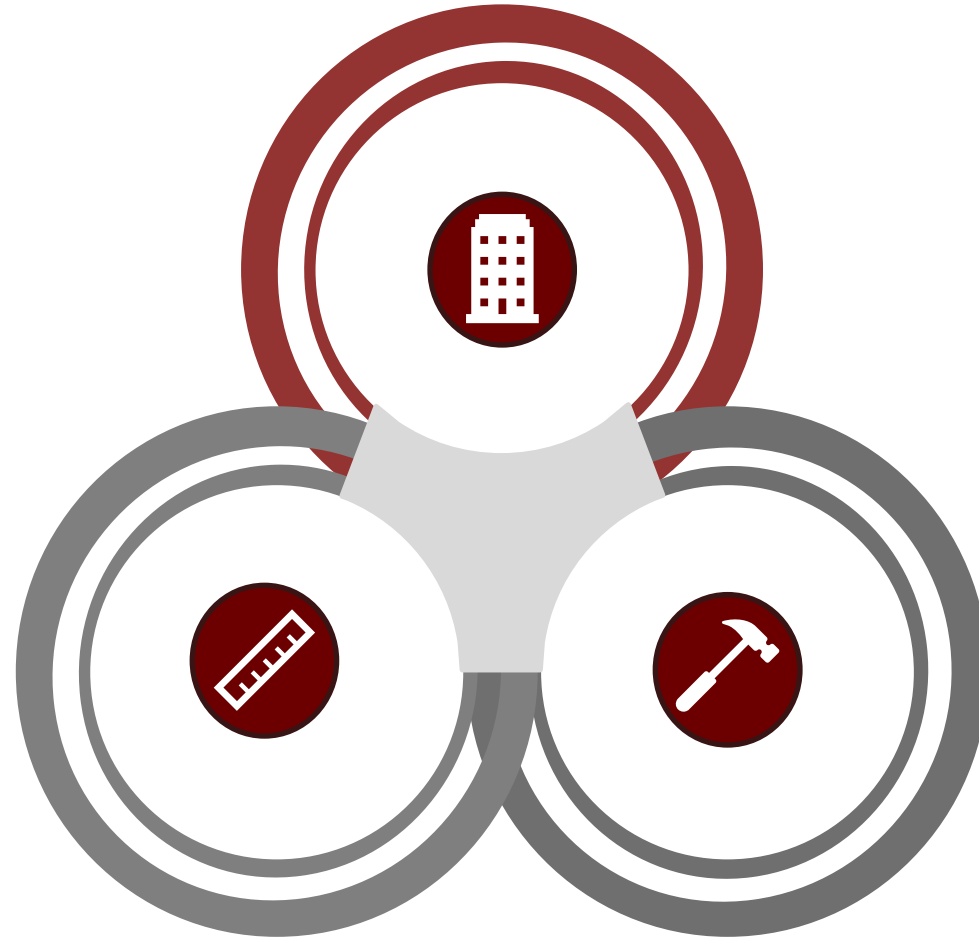
Risks

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Model Assumptions & Financials

Multi Family

- Class C
- Suburbs of Fort-Worth
- Built in 1970



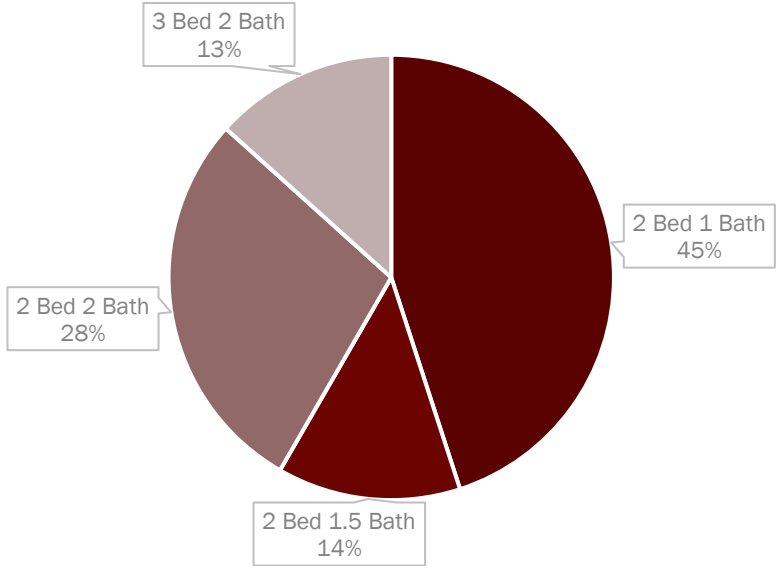
Size

- 7.87 Acres
- 30 Buildings 180 Units
- 333 Parking Spots

Previous Renovations

- Exterior Renovated
- 10 Interior Units renovated
- 170 Untouched Units

Unit Mix			
Beds	Baths	Avg SF	# Units
2	1	896	81
2	1.5	1,083	24
2	2	1,040	51
3	2	1,265	24



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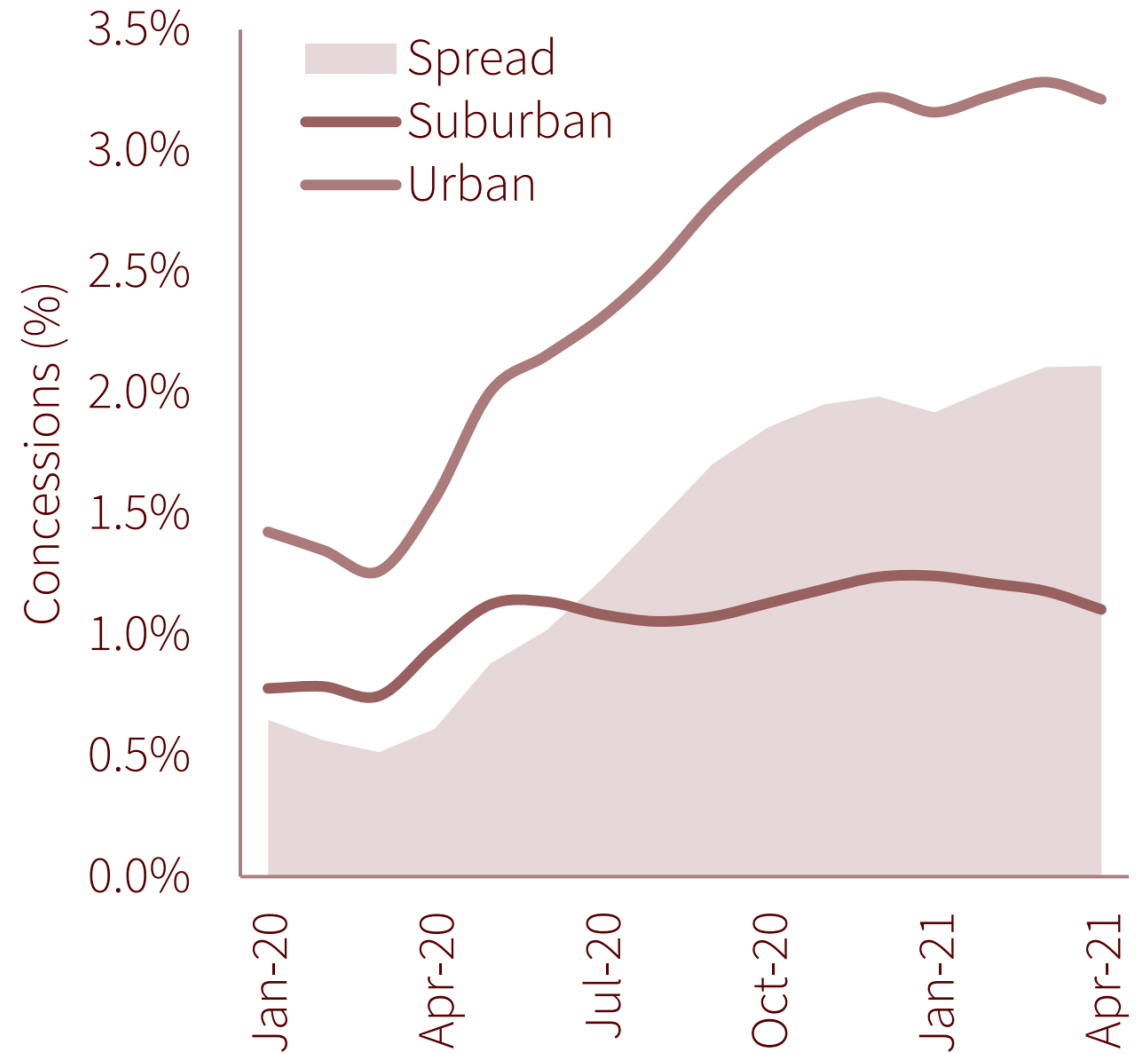
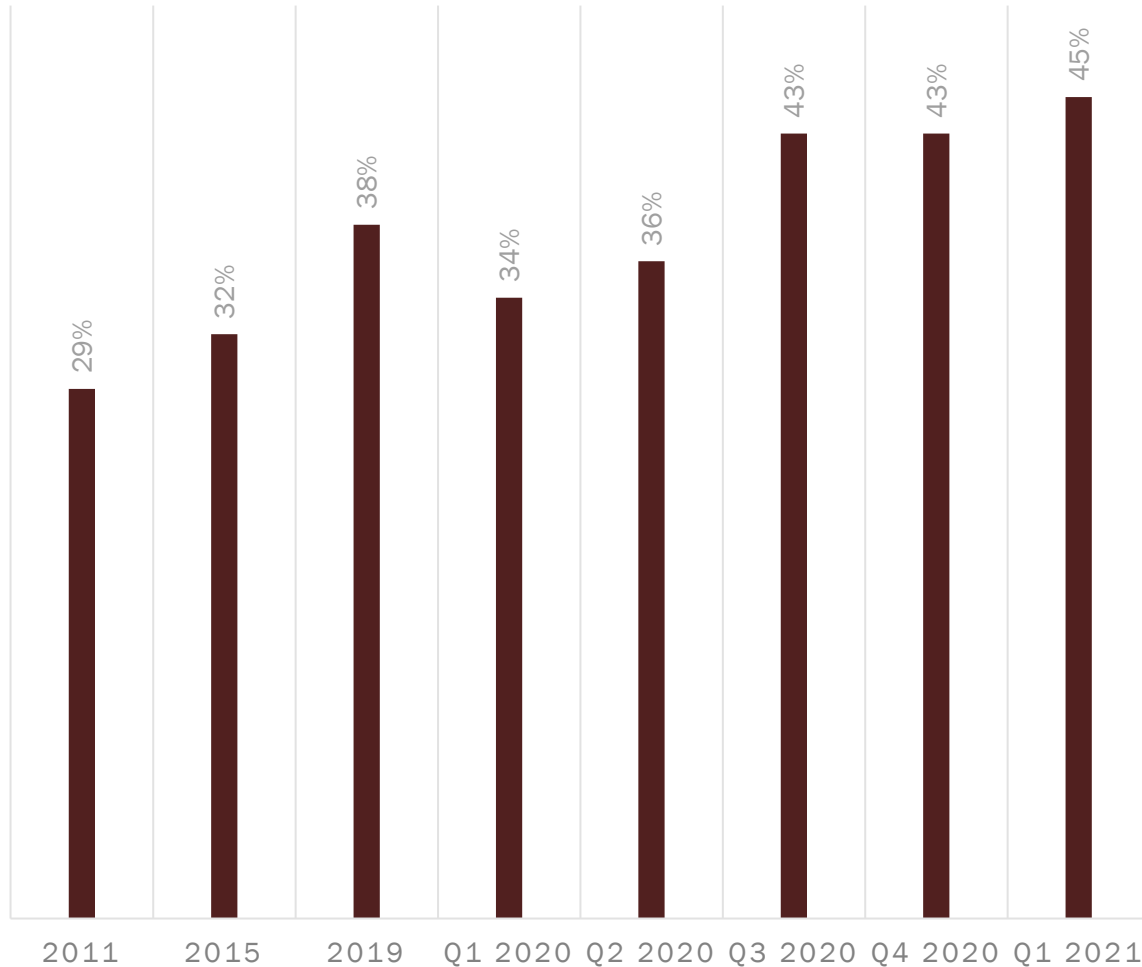
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Risks

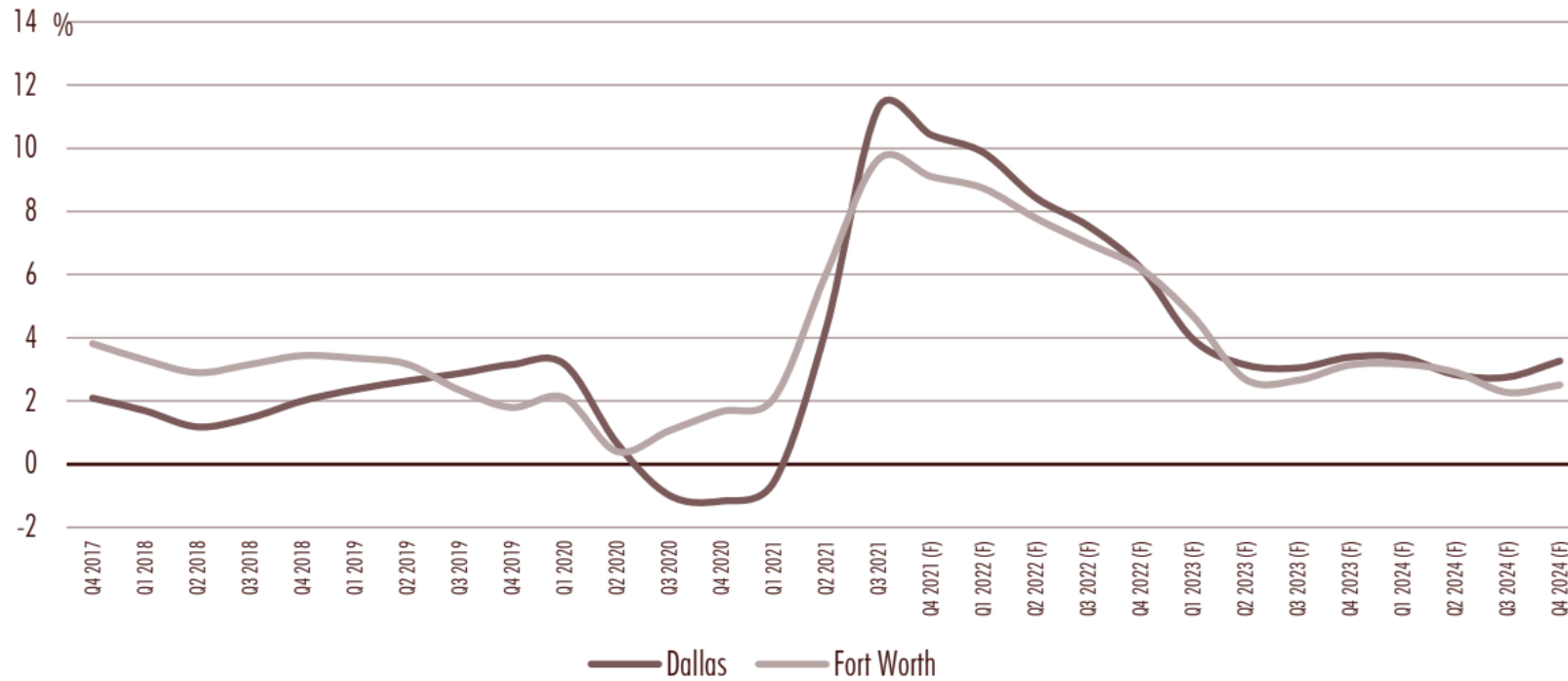
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Model Assumptions & Financials

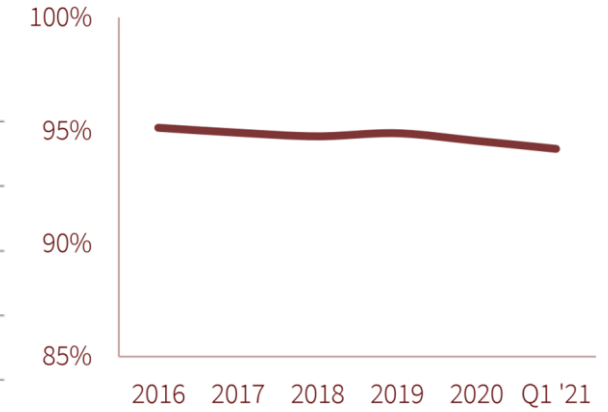
MULTIFAMILY SHARE OF TRANSACTIONS



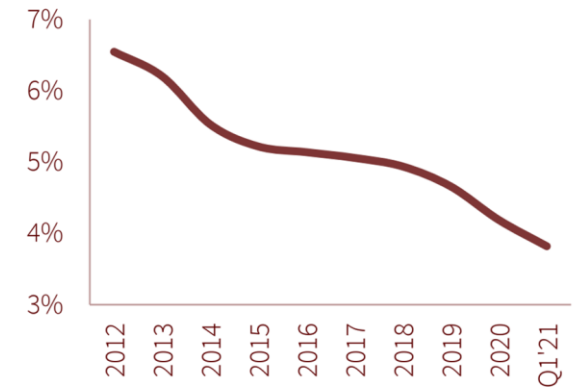
Historical & Forecasted Annual Rent Change



Occupancy



Average cap rate (%)



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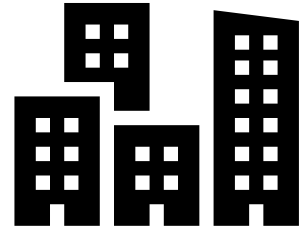
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Model Assumptions & Financials

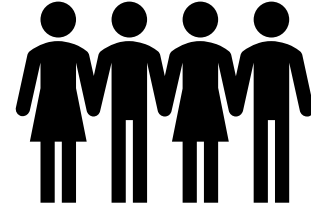


Near CBD

Amenities



Interstate



Population Growth

- +168K YOY

Employment Growth

- +39K YOY



Homeownership Rate

- -2.4% over 10 Years

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Model Assumptions & Financials

Capital Expenditures					
<u>Description</u>	<u>Past Renovation</u>	<u>Units</u>	<u>Price/Unit</u>	<u>Total Costs</u>	
Appliances	\$ 20,000	10	\$ 2,000	\$ 340,000	
Flooring	\$ 65,000	10	\$ 6,500	\$1,105,000	
Counters	\$ 18,000	10	\$ 1,800	\$ 306,000	
AC	\$ 12,000	10	\$ 1,200	\$ 204,000	
Hardware/Doors	\$ 12,750	10	\$ 1,275	\$ 216,750	
			\$ 12,775	\$2,171,750	
Pricing Cushion - 10%				\$ 217,175	
Renewal clause compensation - 10% of seller's NOI				\$ 106,831	
Total Capital Expenditures				\$2,495,756	



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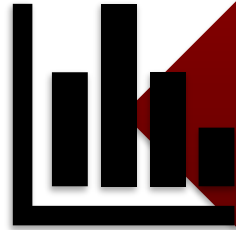
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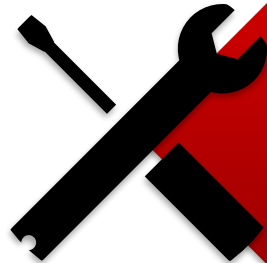
Risks

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Model Assumptions & Financials



Strong Submarket
Indicators



Effective Value Add
Strategy



Promising Financials

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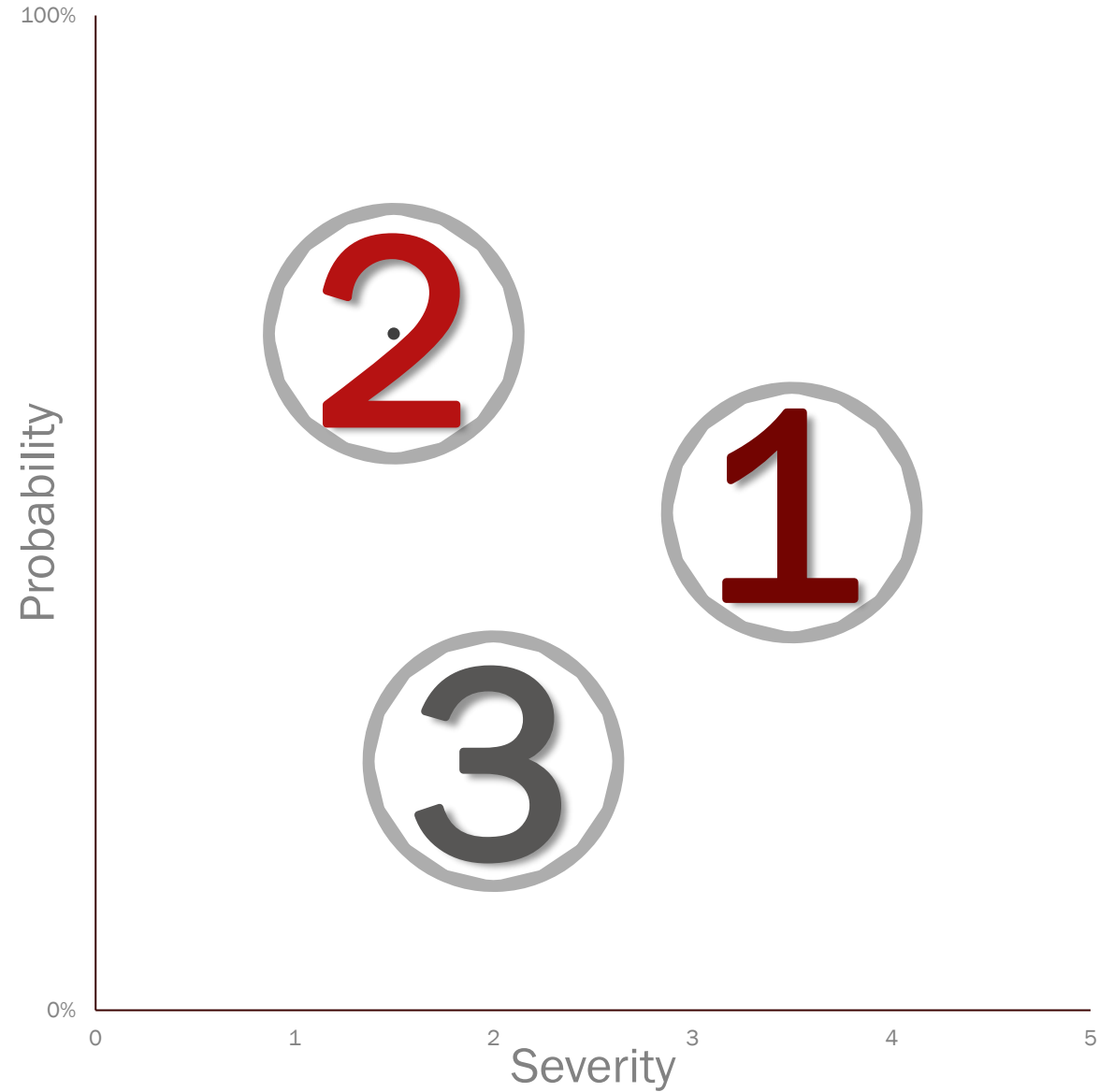
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Model Assumptions & Financials

- 1** Renovation Delays
- 2** Credit Loss
- 3** Rising Interest Rates



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Model Assumptions & Financials

Sources		Uses	
Loan	\$ 13,353,861	Property Price	\$ 20,544,402
GP Equity	\$ 484,315	Cap Ex	\$ 2,495,756
LP Equity	\$ 9,201,982	Total Cost Basis	\$ 23,040,157

Assumptions



Property Assumptions		
Total Cost Basis	\$	23,040,157
Cap Ex	\$	2,495,756
Property Price	\$	20,544,402
Going In Cap		5.2%
Equity Contribution	\$	9,686,296
GP Equity	\$	484,315
LP Equity	\$	9,201,982
Exit Cap Rate		4.5%
Sale Price	\$	35,507,414

Financing Assumptions		
LTV		65%
Loan Value	\$13,353,861	
Annual Interest Rate		3%
Amortization Period (Yrs)		25
Prepayment Penalty		3%
Monthly Payment	\$	65,076
Annual Payment	\$	780,906

Additional Assumptions		
Rent Growth		3%
Vacancy		8%
Credit Loss		3%
Operating Expenses		35%
Mangement Fee		8%

Equity Return Structure		
GP Contribution		5%
LP Contribution		95%
Hurdle 1 - Pari Passu	<8% IRR	
Hurdle 2 - GP/LP Promote = 15/85	8-12% IRR	
Hurdle 3 - GP/LP Promote = 40/60	>12% IRR	

Rent Comparison

<u>Beds</u>	<u>Baths</u>	<u>Avg SF</u>	<u># Units</u>	<u>Original Rent (psf)</u>	<u>Adjusted Rent (psf)</u>
2	1	896	81	1.02	1.2
2	1.5	1,083	24	0.94	1.1
2	2	1,040	51	1.02	1.2
3	2	1,265	24	0.96	1.1

	2020 Year 0	2021 Year 1	2022 Year 2	2023 Year 3	2024 Year 4	2025 Year 5	2026 Year 6
Potential Gross Income	\$ 2,552,417	\$ 2,628,990	\$ 2,707,859	\$ 2,789,095	\$ 2,872,768	\$ 2,958,951	
Vacancy	\$ 178,669	\$ 184,029	\$ 189,550	\$ 195,237	\$ 201,094	\$ 207,127	
		7%	7%	7%	7%	7%	7%
Credit Loss	\$ 153,145	\$ 78,870	\$ 81,236	\$ 83,673	\$ 86,183	\$ 88,769	
		6%	3%	3%	3%	3%	3%
Effective Gross Income	\$ 2,220,603	\$ 2,366,091	\$ 2,437,074	\$ 2,510,186	\$ 2,585,491	\$ 2,663,056	
Expense Reimbursements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Operating Revenue	\$ 2,220,603	\$ 2,366,091	\$ 2,437,074	\$ 2,510,186	\$ 2,585,491	\$ 2,663,056	
Operating Expenses	\$ 893,346	\$ 920,146	\$ 947,751	\$ 976,183	\$ 1,005,469	\$ 1,035,633	
		35%	35%	35%	35%	35%	35%
Net Operating Income	\$ 1,327,257	\$ 1,445,944	\$ 1,489,323	\$ 1,534,002	\$ 1,580,022	\$ 1,627,423	
Debt Service	\$ 780,906	\$ 780,906	\$ 780,906	\$ 780,906	\$ 780,906	\$ 780,906	\$ 780,906
Capital Expenditures	\$ 132,726	\$ 144,594	\$ 148,932	\$ 153,400	\$ 158,002	\$ 162,742	
Leasing Commissions	\$ 1,174	\$ 1,210	\$ 1,246	\$ 1,283	\$ 1,322	\$ 1,361	
Management Fee	\$ 177,648	\$ 189,287	\$ 194,966	\$ 200,815	\$ 206,839	\$ 213,044	
Reversion Sale Price					\$ 36,164,959		
Closing Costs					\$ (2,169,898)		
Remaining Principal					\$ (11,473,205)		
Prepayment Penalty					\$ (400,616)		
Property Before Tax Cash Flow from Operations	\$ 234,802	\$ 329,947	\$ 363,272	\$ 397,598	\$ 432,953		
Property Before Tax Cash Flow	\$ (9,686,296)	\$ 234,802	\$ 329,947	\$ 363,272	\$ 397,598	\$ 22,554,193	

Exit Cap Rate	4.50%
IRR	20.52%

Waterfall



Partnership Structure Assumptions	Percent Share	Hurdles	Sponsor	LP	IRR
Sponsor Equity Share	5%	Pari Passu Preferred Return		5%	95%
LP Equity Share	95%	Hurdle 2		15%	85%
Total Equity	100%	Hurdle 3		40%	60%

Sponsor Cash Flow	Years	-	1	2	3	4	5
Distributions	\$ 3,910,219	\$ -	\$ 11,740	\$ 16,497	\$ 18,164	\$ 19,880	\$ 3,843,938
Contributions	\$ 484,315	\$ 484,315	\$ -	\$ -	\$ -	\$ -	\$ -
Net Cash Flow	\$ 3,425,904	\$ (484,315)	\$ 11,740	\$ 16,497	\$ 18,164	\$ 19,880	\$ 3,843,938
IRR	52.84%						
Equity Multiple	8.07						

LP Cash flow	Years	-	1	2	3	4	5
Distributions	\$ 19,969,593	\$ -	\$ 223,062	\$ 313,449	\$ 345,109	\$ 377,718	\$ 18,710,256
Contributions	\$ 9,201,982	\$ 9,201,982	\$ -	\$ -	\$ -	\$ -	\$ -
Net Cash Flow	\$ 10,767,612	\$ (9,201,982)	\$ 223,062	\$ 313,449	\$ 345,109	\$ 377,718	\$ 18,710,256
IRR	17.45%						
Equity Multiple	2.17						

Property Level Cash Flow		Years	-	1	2	3	4	5
Levered Cash Flow(Import From DCF)			\$ (9,686,296)	\$ 234,802	\$ 329,947	\$ 363,272	\$ 397,598	\$ 22,554,193
Levered IRR			20.52%					
Equity Multiple			2.47					
Hurdle 1 - Pari Passu Preferred Return		Years	-	1	2	3	4	5
Beginning Balance (LP Capital Account)			\$ -	\$ 9,201,982	\$ 9,715,078	\$ 10,178,835	\$ 10,648,033	\$ 11,122,158
LP Req'd Return to hit Hurdle 1	8%		\$ -	\$ 736,159	\$ 777,206	\$ 814,307	\$ 851,843	\$ 889,773
Contribution from LP	95%		\$ 9,201,982	\$ -	\$ -	\$ -	\$ -	\$ -
Distributions to LP (LP Capital Account)	95%		\$ -	\$ 223,062	\$ 313,449	\$ 345,109	\$ 377,718	\$ 12,011,931
Ending Balance (LP Capital Account)			\$ 9,201,982	\$ 9,715,078	\$ 10,178,835	\$ 10,648,033	\$ 11,122,158	\$ -
LP 8% IRR Check	8%=IRR(G33:L33)	Net CF	\$ (9,201,982)	\$ 223,062	\$ 313,449	\$ 345,109	\$ 377,718	\$ 12,011,931
Contributions from Sponsor	5%		\$ 484,315	\$ -	\$ -	\$ -	\$ -	\$ -
Distribution to Sponsor	5%		\$ -	\$ 11,740	\$ 16,497	\$ 18,164	\$ 19,880	\$ 632,207
Sponsor 8% IRR Check	8%=IRR(G37:L37)	Net CF	\$ (484,315)	\$ 11,740	\$ 16,497	\$ 18,164	\$ 19,880	\$ 632,207
Total Distributions			\$ -	\$ 234,802	\$ 329,947	\$ 363,272	\$ 397,598	\$ 12,644,138
Cash Flow Remaining			\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,910,056
Hurdle 2		Years	-	1	2	3	4	5
Beginning Balance (LP Capital Account)			\$ -	\$ 9,201,982	\$ 10,083,157	\$ 10,979,687	\$ 11,952,141	\$ 13,008,680
LP Req'd Return to hit Hurdle 2	12%		\$ -	\$ 1,104,238	\$ 1,209,979	\$ 1,317,562	\$ 1,434,257	\$ 1,561,042
Contributions from LP			\$ 9,201,982	\$ -	\$ -	\$ -	\$ -	\$ -
Prior Distributions			\$ -	\$ 223,062	\$ 313,449	\$ 345,109	\$ 377,718	\$ 12,011,931
Distributions to LP (Hurdle 2)	85%		\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,557,791
Ending Balance			\$ 9,201,982	\$ 10,083,157	\$ 10,979,687	\$ 11,952,141	\$ 13,008,680	\$ -
LP 12% IRR Check	12%=IRR(G49:L49)	Net CF	\$ (9,201,982)	\$ 223,062	\$ 313,449	\$ 345,109	\$ 377,718	\$ 14,569,721
Contributions from Sponsor			\$ 484,315	\$ -	\$ -	\$ -	\$ -	\$ -
Distributions to Sponsor	15%		\$ -	\$ -	\$ -	\$ -	\$ -	\$ 451,375
Total Distributions			\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,009,166
Cash Flow Remaining			\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,900,890
Hurdle 3								
Distributions to LP	60%		\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,140,534
Distributions to Sponsor	40%		\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,760,356
Total Distributions			\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,900,890

	IRR	Equity Multiple
Total Property	20.52%	2.5
Limited Partner	17.45%	2.2
Sponsor	52.84%	8.1

Questions?

