82 Fox Run Lane Columbia South Carolina29210 Acquisition Proposal

15 April 2021

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Property Overview

The subject property is a class C property, consisting of 132 units that are a mix of townhouses and garden style apartments. Churchill at St. Andrews is located is located in the second largest market of South Carolina; only 8 miles from the heart of Columbia. This submarket has experienced a large inflow of residents due to its top-rated school district and large number of well-known employers. The property contains a recently refinished pool deck for its residents to enjoy, as well as a club house that the community can use. 75 of the units are 2 bedrooms, 41 are 3 bedrooms, and the remaining 16 are single bedroom garden style apartments. Laundry facilities for the property are located on site in mutual areas.

Built in 1972 covering 145,728 square feet; 82 Fox Run Ln sits a purchase price of $12,500,500. And with a 95% occupancy rate with an 8% Rent Growth YOY this property is already in a sound position but has plenty of room to excel. This is due to its favorable location, as well as Columbia's inelasticity to Covid-19 setbacks. Churchill at St. Andrews will generate a 14.72% return for the Limited Partners and a 32.35% return for the General Partners. Fundamentals can be improved through capital investments, and with that only increase the production of the property.

Thesis

Columbia has continued to increase its rank in economic gains among large cities in the US. This is driven largely by its 12% household income in 2020, which currently sits at $61,308. Columbia also has held a high employment rate for several years, with 4.2% YOY growth. 71% of the population having a college education is a large reason for this economic success. Combine that with Columbia having a higher rank in hosing affordability than the national average, and it not a surprise that the area has had continued growth.

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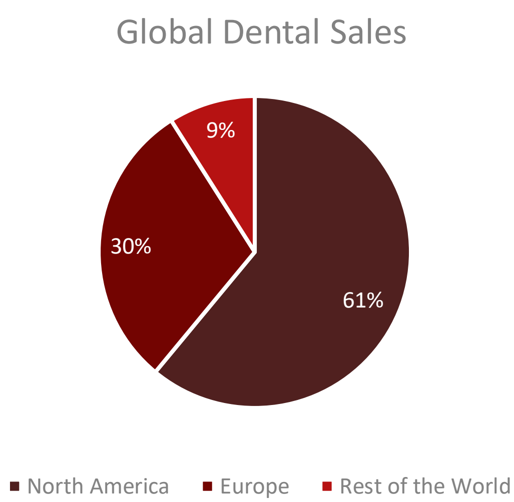
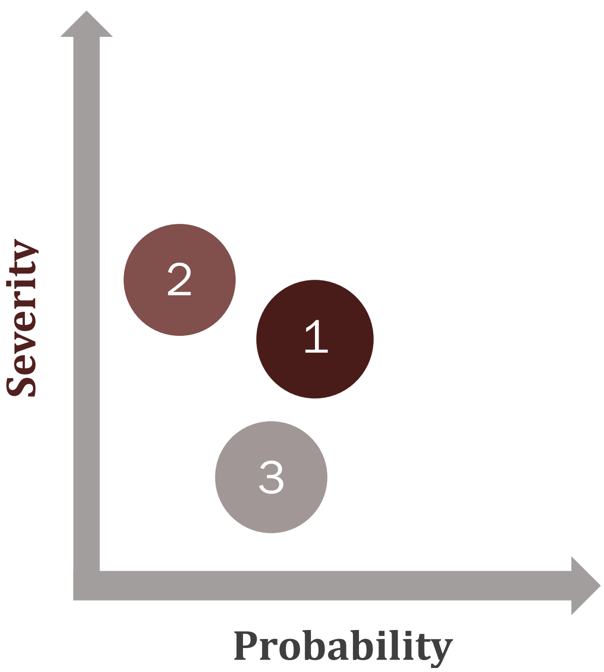


Location Overview

The success of the area largely benefits the stakeholders of Churchill at St Andrews, and its location in the Columbia submarket give it even more positive outlooks. It is located 2 miles from Columbia's largest retail hub and is located in the #1 school district in South Carolina. Outside of that the property was able to maintain a 92% occupancy during the Covid-19 pandemic. The proximity to the country's largest military base Fort Jackson is a large reason for this, and with military members BAH (Basic Allowance for Housing) investors can be certain that this is a demographic that will positively impact the properties cash flow. In addition to that, new developments in the area will not be a threat to the suburban multifamily that is Churchill at St. Andrews. 40% of new multifamily development is designated strictly for student housing, therefore not posing significant market share issues to the property in the future.

Capital Investments & Demographics

Capital Investments will add significant value to the property. Deferred maintenance, an update to each units' interior cosmetics, and installing in-unit washer and dryer will improve the target rent rate of all units. The estimated capital improvement is $7,500 per unit. Tenants are already required to pay for their electric and water/sewer, while the property takes care of expenses including trash removal and cable/internet. This is a basic division of costs, so improving the outlook of each unit will be a plus to potential tenants. The additions that can be made to the communal aspects of the property will also produce influential results. An investment for an upgrade to the clubhouse will be a large attraction to future tenants. Taking the initiative to acquire a school bus pickup area at the property will also be a huge factor to potential tenants. Aside from improvements: continuing to keep up with technological progress will be vital to maintaining excellent tenants. Including smart home features in the units and property as a whole will make it stand out among the rest. All of these investments into the property will be pivotal to creating a higher IRR and toward acquiring the most financially safe tenants



Risks

1. <u>An over investment in capital improvements could diminish accessibility</u>
   As mentioned previously; Columbia's housing affordability was ranked better than the national average. Even though improvements will in essence raise rents and produce greater profits. There is a risk in overperforming improvements that create a property that is out of financial reach for its target group of tenants.

2. <u>Long-term effects of Covid have yet to be fully felt</u>
   The property was able to maintain a 92% occupancy during the heart of the pandemic, but it is not known if there is more to come. Economic effects from the past year have still not settled, and in result there is a risk that the property could be in the middle of a very unhealthy economic situation.

3. <u>An economic downturn could place harm on the retail industry and school system</u>
   Two pillars of Churchill at St. Andrews benefits, but could bring a crushing blow to the property if something that gave it a large portion of its attraction were diminished from the equation.

Model Assumptions

A number of assumptions were made when we underwrote this investment. We used $12,500,500 as the purchase price, which is what it was listed at. As well as a Loan to Value ratio of 65%. Additionally a 25 year amortization period was assumed. In terms of equity, we assumed a GP contribution of 5% and an LP contribution of 95%. We used an LP promote of 70% and a GP promote of 30%. The limited partners preferred return is 8%. We assumed an exit cap rate of 6%, which is right around the average cap rate in Columbia. We assumed a 2% credit loss and a 5% vacancy since the building is 95% occupied. We are charging rent of $0.71 psf/month, which is very affordable for the area. Under these assumptions, we found that the property value will increase by $5,884,836 when the disposition happens in 2027.

Sources and Uses

IREA Given Guidelines	
LTV	65%
Annual Interest Rate	4%
Amortization Period	25
Prepyment Penalty	3%
LP Preferred Return	8%
GP Contribution	5%
LP Contribution	95%
GP Promote	30%
LP Promote	70%

Individual Group Assumptions		
Purchase Price	$	12,550,000.00
Loan Value	$	8,157,500.00
GP Equity	$	219,625.00
LP Equity	$	4,172,875.00
Annual Payment	$	494,948.44
Exit Cap Rate		6.00%
Sale Price	$	-

Pro Forma

	2021 Year 0	2022 Year 1	2023 Year 2	2024 Year 3	2025 Year 4	2026 Year 5	2027 Year 6
Potential Gross Income		$ 1,241,960	$ 1,341,317	$ 1,448,623	$ 1,564,512	$ 1,689,673	$ 1,824,847
Vacancy		$ (62,098.02)	$ (67,065.86)	$ (72,431.13)	$ (78,225.62)	$ (84,483.67)	$ (91,242.36)
Credit Loss		$ (24,839.21)	$ (26,826.34)	$ (28,972.45)	$ (31,290.25)	$ (33,793.47)	$ (36,496.95)
Effective Gross Income		$ 1,155,023	$ 1,247,425	$ 1,347,219	$ 1,454,997	$ 1,571,396	$ 1,697,108
Expense Reimbursements							
Total Operating Revenue		$ 1,155,023	$ 1,247,425	$ 1,347,219	$ 1,454,997	$ 1,571,396	$ 1,697,108
Operating Expenses		$ (404,258.11)	$ (436,598.76)	$ (471,526.66)	$ (509,248.79)	$ (549,988.70)	$ (593,987.79)
Net Operating Income		$ 750,765	$ 810,826	$ 875,692	$ 945,748	$ 1,021,408	$ 1,103,120
Debt Service		$ (494,948)	$ (494,948)	$ (494,948)	$ (494,948)	$ (494,948)	$ (494,948)
Capital Expenditures	$ (1,185,749.22)						
Leasing Commissions		$ (74,518)	$ (80,479)	$ (86,917)	$ (93,871)	$ (101,380)	$ (109,491)
Management Fee		$ (92,401.85)	$ (99,794.00)	$ (107,777.52)	$ (116,399.72)	$ (125,711.70)	$ (135,768.64)
Reversion Sale Price		$ 13,513,771.11	$ 14,594,872.80	$ 15,762,462.63	$ 17,023,459.64	$ 18,385,336.41	$ -
Property Before Tax Cash Flow from Operations		$ 328,029	$ 314,675	$ 300,254	$ 284,678	$ 267,856	$ 249,689
Property Before Tax Cash Flow	$(13,735,749.22)	$ 13,841,800	$ 14,909,548	$ 16,062,716	$ 17,308,138	$ 18,653,193	$ 249,689

Exit Cap Rate		**6.00%**
IRR		**104.43%**

Equity Waterfall

		2020 Year 0	2021 Year 1	2022 Year 2	2023 Year 3	2024 Year 4	2025 Year 5
Equity Level Cash Flows:							
Entity Level Operational EBTCF		$ (4,392,500)	$ 314,675	$ 300,254	$ 284,678	$ 267,856	$ 249,689
Entity Level Reversion EBTCF		$ 13,513,771	$ 14,594,873	$ 15,762,463	$ 17,023,460	$ 18,385,336	$ -
Entity Level EBTCF	166.89%	$ (9,121,271)	$ 14,909,548	$ 16,062,716	$ 17,308,138	$ 18,653,193	$ 249,689
LP Equity Capital Account:							
Beginning Equity Investment Balance		$ -	$ 4,172,875	$ 4,192,030	$ 4,225,606	$ 4,274,758	$ 4,340,732
Annual Preferred Investment		$ (4,172,875)	$ -	$ -	$ -	$ -	$ -
Preferred Return Earned		$ -	$ 333,830	$ 333,830	$ 333,830	$ 333,830	$ 333,830
Preferred Return Owed		$ -	$ 333,830	$ 333,830	$ 333,830	$ 333,830	$ 333,830
Accrued But Unpaid Preferred Return		$ -	$ 19,155	$ 33,576	$ 49,152	$ 65,974	$ 84,141
Ending Equity Investment Balance		$ 4,172,875	$ 4,192,030	$ 4,225,606	$ 4,274,758	$ 4,340,732	$ 4,424,873
GP Equity Capital Account:							
Beginning Equity Investment Balance		$ -	$ 219,625	$ 219,625	$ 219,625	$ 219,625	$ 219,625
Annual Subordinated Investment		$ (219,625)	$ -	$ -	$ -	$ -	$ -
Ending Equity Investment Balance		$ 219,625	$ 219,625	$ 219,625	$ 219,625	$ 219,625	$ 219,625
Operational Cash Flow:							
LP Level Cash Flows: 70%		$ (4,172,875)	$ 320,422	$ 310,326	$ 299,424	$ 287,648	$ 274,931
GP Level Cash Flows: 30%		$ (219,625)	$ (5,746)	$ (10,073)	$ (14,746)	$ (19,792)	$ (25,242)
Reversion Allocations:							
Sale Price							$ -
Closing Costs							$ -
Remaining Principal							$ 7,034,407
Prepayment Penalty							$ 244,725
LP Return of Equity							$ 4,424,873
GP Return of Equity							$ 219,625
Remaining Equity							$ 2,634,634
LP Additional Proceeds							$ 1,844,244
GP Additional Proceeds							$ 790,390
Reversion cash flow:							
LP Level Cash Flows:							$ 6,269,117
GP Level Cash Flows:							$ 1,010,015
Total EBTCF:	**IRR**						
LP Level Cash Flows:	14.72%	$ (4,172,875)	$ 320,422	$ 310,326	$ 299,424	$ 287,648	$ 6,544,048
GP Level Cash Flows:	32.35%	$ (219,625)	$ (5,746)	$ (10,073)	$ (14,746)	$ (19,792)	$ 984,773