



Why Syndications?

Walt & Cai

Taking it to the next level..

- When you have a full-time career, you sacrifice Time, Money, and Knowledge to gain experience.
- In time, we could probably do it alone, but we would do it faster and bigger with an experienced team.
- Syndications are usually passive investments. “You investment your money and get a return.”

Syndication is the act of aggregating the resources of others to participate in a larger real estate deal where more capital is required.



Disclaimer

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Real Estate Syndications

- Real estate syndications offer investors a way to pool their money to invest in larger, more complex real estate projects than they could afford to invest in on their own.
- This can be a great way to gain access to investment opportunities that would otherwise be unavailable, and to diversify your portfolio.

Pros of real estate syndications:

- **Access to larger, more complex deals:** Real estate syndications allow investors to pool their money to invest in larger, more complex real estate projects than they could afford to invest in on their own. This can give investors access to investment opportunities that would otherwise be unavailable.
- **Passive income:** Real estate syndications are typically passive investments, meaning that investors do not need to actively manage the properties themselves. This can be a great way to generate passive income without having to put in a lot of time or effort.
- **Professional management:** Real estate syndications are typically managed by experienced professionals who have a proven track record of success. This can give investors peace of mind knowing that their investment is in good hands.
- **Potential for high returns:** Real estate syndications have the potential to generate high returns for investors. However, it is important to note that all investments carry risk, and there is no guarantee of profit.

Cons of real estate syndications:

- **Lack of control:** As a passive investor in a real estate syndication, you have very little control over the investment. This means that you have to trust the sponsor team to make good decisions on your behalf.
- **Higher minimum investment:** Real estate syndications typically have high minimum investments, which can make them inaccessible to some investors.
- **Illiquidity:** Real estate syndications are illiquid investments, meaning that it can be difficult to sell your investment before the syndication ends.
- **Risk:** Real estate syndications are subject to the same risks as any other real estate investment, such as market fluctuations, tenant defaults, and property damage.

Things to Consider

Overall, real estate syndications can be a great way to invest in real estate, but it is important to carefully consider the pros and cons before investing. You should also make sure to do your research on the sponsor team and the investment property before investing.

Here are some additional things to keep in mind when considering a real estate syndication investment:

- **Fees:** Real estate syndications typically charge a variety of fees, such as acquisition fees, management fees, and performance fees. Be sure to understand all of the fees involved before investing. **“The Devil is in the Detail”**
- **Transparency:** The sponsor team should be transparent with investors about the investment property, the projected returns, and the risks involved. Be sure to carefully review all of the investment materials before investing. **“They will only discuss your investment”**
- **Conflicts of interest:** The sponsor team should avoid any potential conflicts of interest. For example, the sponsor team should not sell the investment property to themselves without the approval of the investors.

Our 1st Deal Experience

- A 2019 Deal



Deal Summary



\$10,825,000 purchase



\$76,232 per unit



8.0% Cap Rate (T3)



Location

Centrally located in metroplex with accessibility to large employment centers in Greater Dallas

Very close to I-635 and I-35 and located just off of Josey Lane, a major thoroughfare

Less than 15 mins from both DFW and Love Field airports and near DART light rail stop

Walking distance to elementary and high-school in a very good Carrollton-Farmers Branch ISD



Strong Demographics

\$61K Median Household Income in Farmers Branch

Diverse area with 46% Hispanic, 42% White and 6% Asian

9th fastest growing North Texas city with 22.3% population increase from 2010-2015 per the DBJ



Capex Budget

\$6K+ per unit Capex budget

Mostly exterior work to spruce up tired property, add amenities and cure deferred maintenance

1969-built with Individual HVACs (no chiller!) that were all replaced in 2014

Roofs were replaced in 2014 and have 10-15 years of life remaining



Long Term Debt

Assuming a non-recourse Fannie Mae loan at 73% LTV

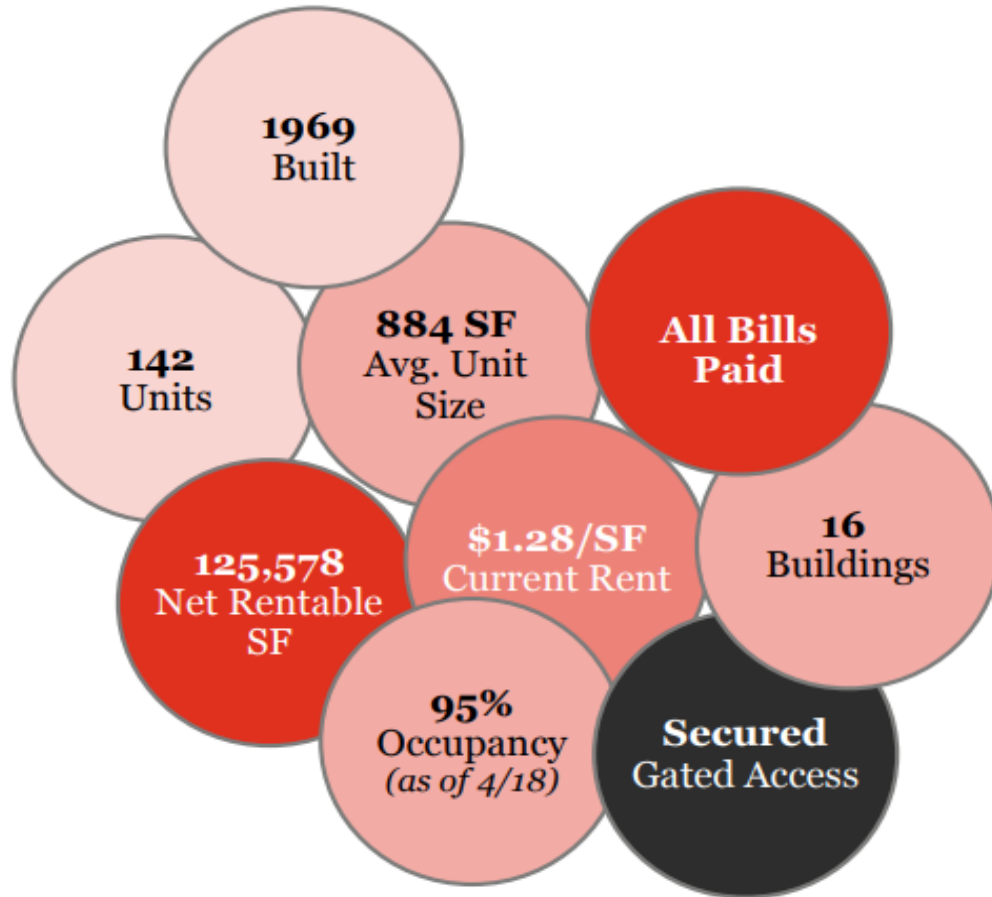
9-year term remaining on a 30 amortization

4.82% fixed interest rate throughout term

Ability to get supplemental loan in next 2 years which would further boost returns.

What we liked about it

Villa Gardens is a 142-unit Class C multi-family property with great physical attributes:



- Over \$700k of rehab since 2015 that mostly was spent on interiors
- Healthy rehab budget of \$850K+ that is mostly allocated to exterior curb appeal and amenities improvements
- Very large interior unit sizes
- Brick Veneer with recent hardi-plank siding installed

Dallas Overview

Dallas is the 4th largest MSA in the USA. Population of 7.3 million. It has been the fastest growing metro since 2010 growing at the rate of 12.9%/year. The population growth has been driven by low cost of living combined with diverse employment opportunities:



Estimated **360 people moving to DFW every day** and continued trend expected



\$24 billion of construction in 2017. Projecting 6% growth in construction project volume in 2018.



35% home price increase in last 5 years



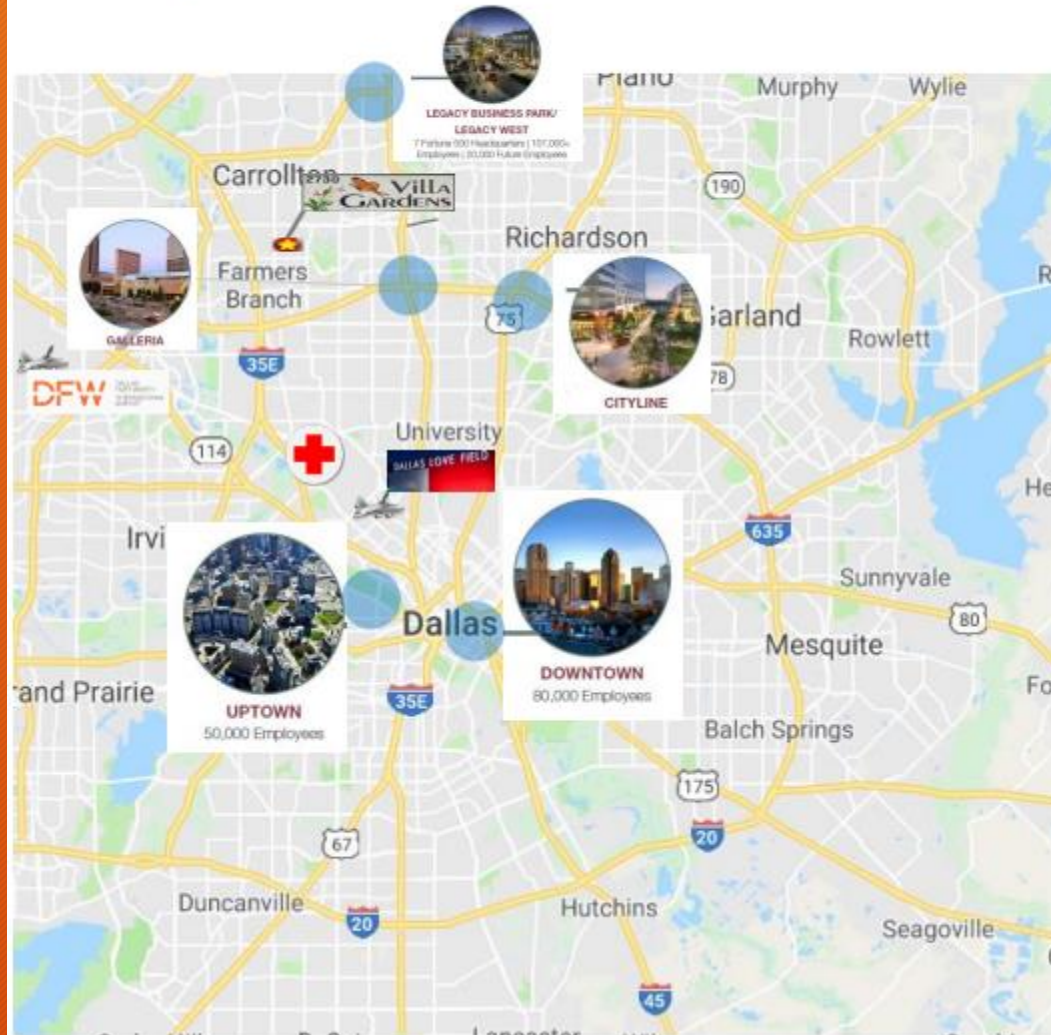
42 of Forbes 1000 companies have HQ's in Dallas



3% job growth in 2017 (100k+ jobs created) with 85k+ forecasted for 2018. Job growth has nearly doubled the national average.



Farmers Branch Overview



Farmers Branch is a **dynamic powerhouse business center** in North Dallas, centrally located in the Metroplex.

Minutes from major freeways – I35, 635, DNT, 190 and both major airports (DFW & DAL)

Easy access to **diverse employment centers**

Population growth of 20% since 2000

Superior Public Safety Leads to a **Low Crime Rate**

As the **oldest settlement** in Dallas County, Farmers Branch is a community that is steeped in Texas heritage with very deep roots

Submarket – High Traffic Volume & Surrounding Amenities



AREA MAP

Farmers Branch Demographics



Population

32,211



Median Home Price

\$152,000



Race

41% White
45% Hispanic
6% Asians
8% Other



Median Income

\$61,000
(\$49K in 1-mile radius)



Median Age

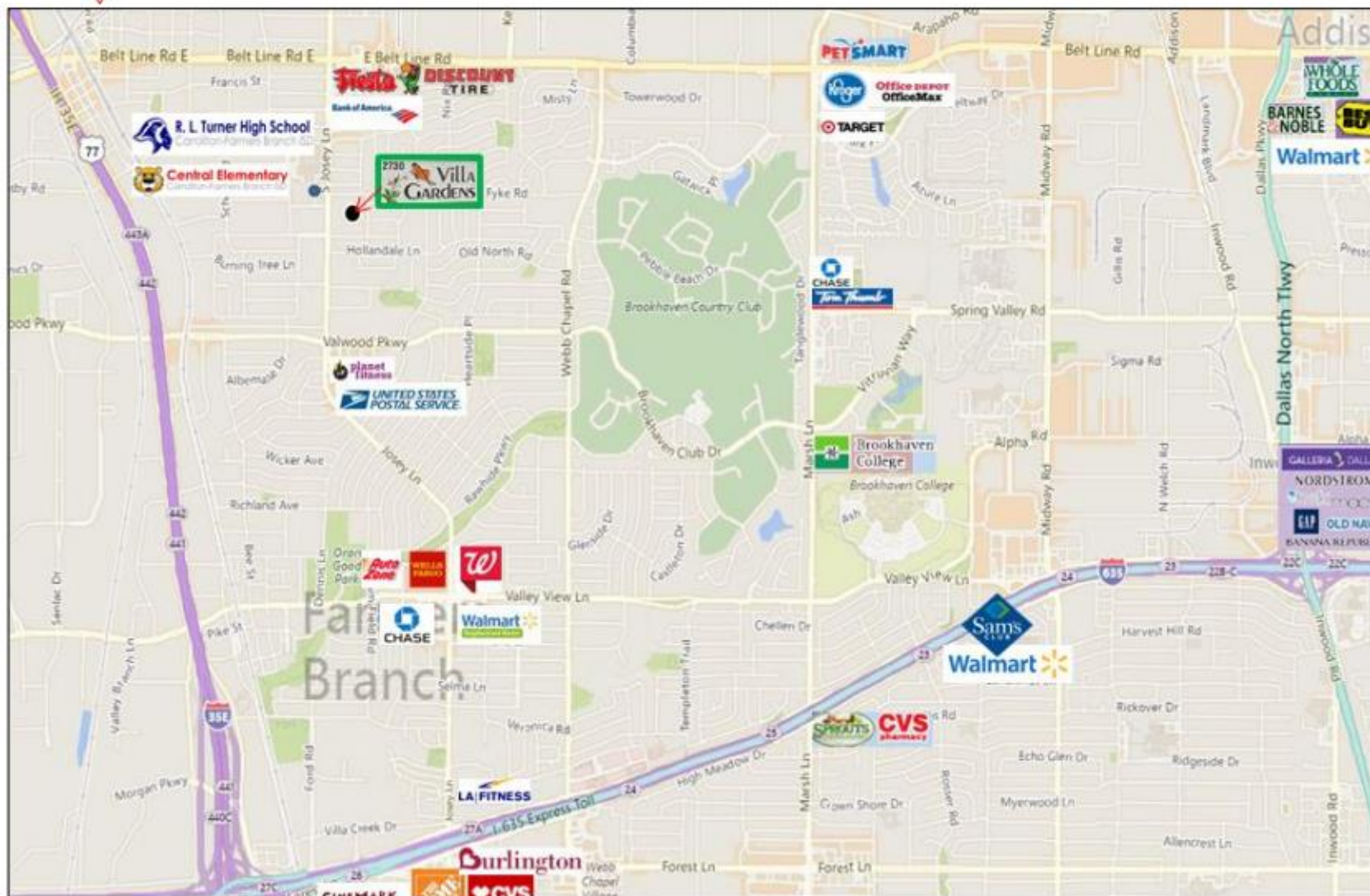
35.9 yrs.



Employment

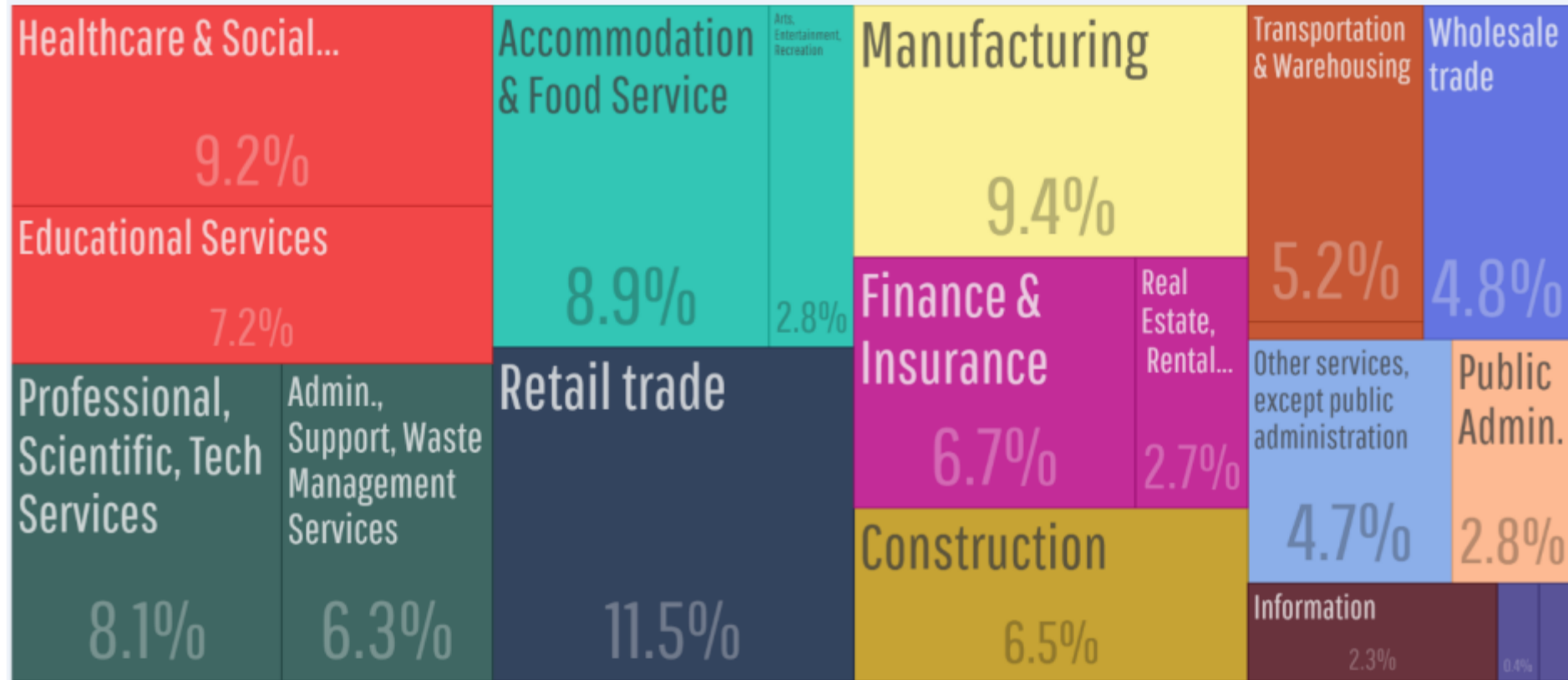
17K jobs
(growing at 5.18%)

Property Location Overview



Diverse Area Employment

Employment is spread across many industries in Farmers Branch:

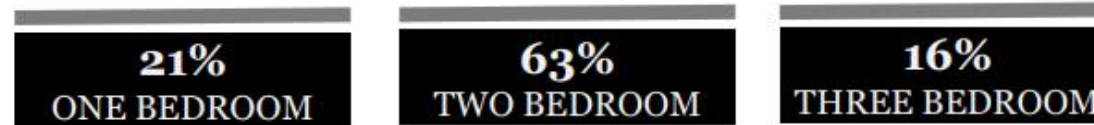


UNIT MIX - More about the property

**FANTASTIC
UNIT MIX!**

Units	Type	Unit SF	Current Rents	Rent / Sq Ft
1	Efficiency	400	\$860	\$2.15
1	1 BED / 1 BATH	600	\$885	\$1.48
20	1 BED / 1 BATH	654	\$960	\$1.47
8	1 BED / 1 BATH	652	\$960	\$1.47
58	2 BED / 1.5 BATH	858	\$1,100	\$1.28
22	2 BED / 2 BATH	912	\$1,184	\$1.30
10	2 BED / 2 BATH	935	\$1,184	\$1.27
22	3 BED / 2 BATH	1232	\$1,360	\$1.10
142		125,578	\$160,233	\$1.28

**LARGE FLOOR
PLANS!**



Current Interior Program:

- 90% of units have vinyl plank or tile flooring currently, which significantly reduces future upgrade / make-ready costs
- 60% of units have upgraded fixtures (fans, lights, hardware, etc.)
- 10% of units have undergone full upgrade with kitchen backsplash, black appliances, etc.

Property Exterior



Exterior Features:

- *Brick Veneer & Wood frame*
- *Concrete Slab Foundation*
- *Hardi-plank siding*
- *TPO Flat Roof (replaced in 2014)*
- *Individual HVAC (all replaced in 2014)*
- *Hot Water Boilers (2)*
- *233 parking spots (1.64 per unit)*

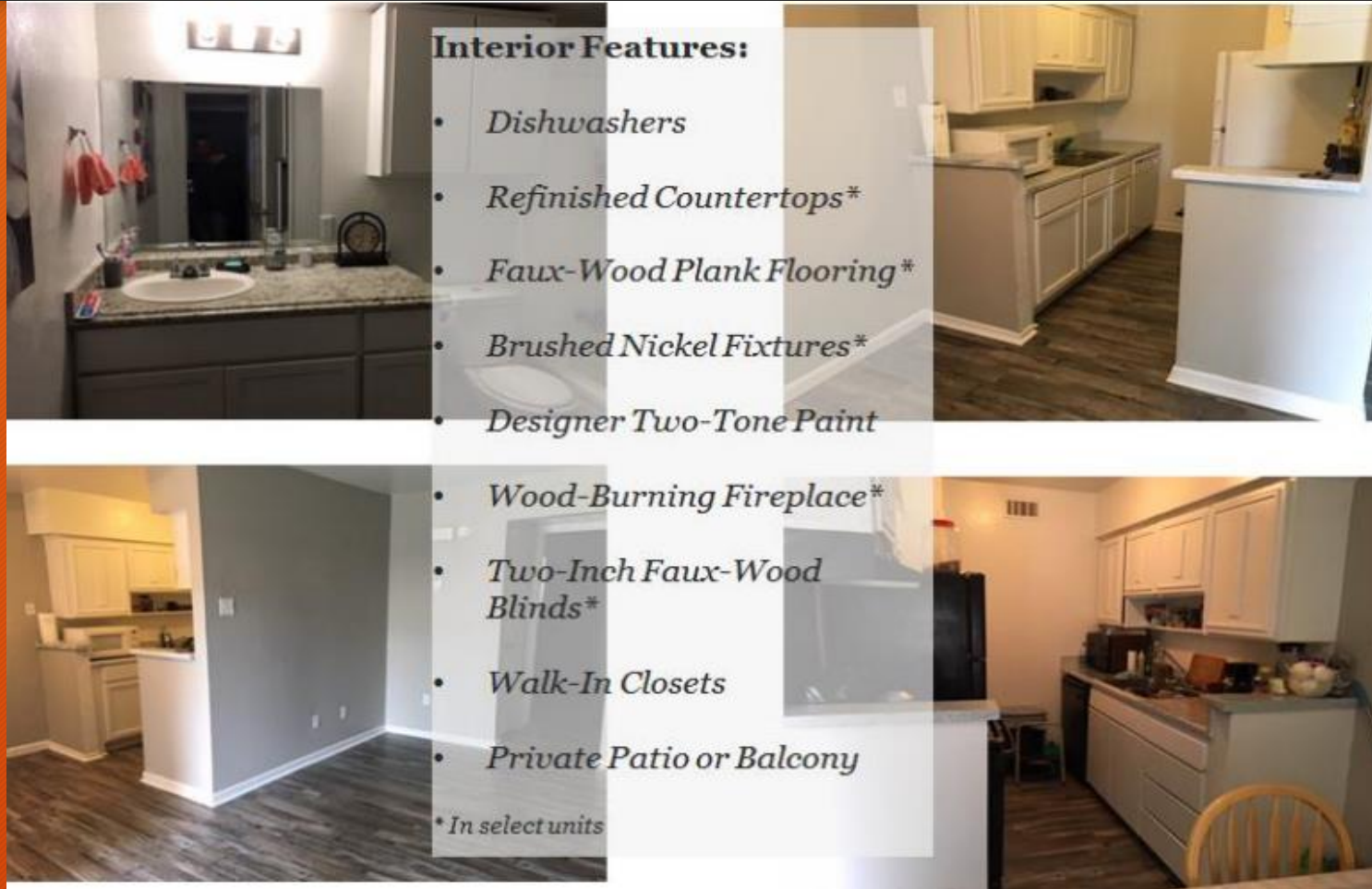
Property Amenities

Community Amenities:

- *Swimming pool*
- *2 On-Site Clothes Care Centers*
- *Controlled Access Gate*
- *Playground*
- *Open areas with grilling stations*
- *Dog Park*



Property Interior



Business Plan

- Implement Light Interior Upgrades
- Execute Heavy Exterior Renovation
- Drive Net Operating Income (NOI) Growth

We have identified 3 levers that will drive our business plan...

Villa Gardens is a great family-friendly community that stays highly occupied but is visually bland. The plan for the asset is to focus on curb appeal / exterior work coupled with a light interior upgrade program. These renovations will make the property a clean and safe community that will continue to attract a quality tenant base. This is a hybrid (yield & value-add) opportunity on a well located cash-flowing asset.



- Light interior upgrades to raise rents slightly



- Improve exterior curb appeal & amenities
- Cure deferred maintenance



- Reduce economic vacancy to market
- Implement expense reduction initiatives (e.g. Water Conservation)

Opportunities to Increase NOI

Opportunities underwritten in proforma:

- Conservative 5% rent increase post interior upgrades to be better aligned with comps*
- ~\$15,000 expense reduction for Water through conservation efforts (per SaveWaterCo assessment during due diligence)
- Extend marketing efforts slightly to reach strong tenant base and align economic vacancy with market

The following are additional opportunities that are not included in the proforma:

- Carports Revenue (significant demand per manager)
- Improve Laundry Rooms & Renegotiate Contract (contract expires in 2020)
- Valet Trash Pickup

They included a 5 year Proforma

Assumptions	T12	T3	Year 1	Year 2	Year 3	Year 4	Year 5
Market Rent Growth			3.0%	2.0%	2.0%	2.0%	2.0%
Expense Growth			2.0%	2.0%	2.0%	2.0%	2.0%
Economic Vacancy	16.3%	14.7%	15.5%	11.0%	10.0%	10.0%	10.0%

Proforma	T12	T3	Year 1	Year 2	Year 3	Year 4	Year 5
Gross Potential Rent	\$1,922,796	\$1,922,796	\$2,028,540	\$2,089,396	\$2,131,184	\$2,173,808	\$2,217,284
Economic Vacancy	-\$313,145	-\$282,100	-\$314,424	-\$229,834	-\$213,118	-\$217,381	-\$221,728
Net Rental Income	\$1,609,651	\$1,640,696	\$1,714,116	\$1,859,563	\$1,918,066	\$1,956,427	\$1,995,556
Other Income	\$50,743	\$50,743	\$60,000	\$61,200	\$62,424	\$63,672	\$64,946
Total Income	\$1,660,394	\$1,691,439	\$1,774,116	\$1,920,763	\$1,980,490	\$2,020,100	\$2,060,501
Total Operating Expenses	\$782,102	\$782,102	\$877,752	\$895,307	\$913,213	\$931,477	\$950,107
Total Capex Reserves	\$43,594	\$43,594	\$43,594	\$43,594	\$43,594	\$43,594	\$43,594
Total Expenses	\$825,696	\$825,696	\$921,346	\$938,901	\$956,807	\$975,071	\$993,701
Net Operating Income (NOI)	\$834,698	\$865,742	\$852,771	\$981,862	\$1,023,683	\$1,045,029	\$1,066,801

Key Metrics	T12	T3	Year 1	Year 2	Year 3	Year 4	Year 5
Cap Rate @ Purchase	7.7%	8.0%	7.9%	9.1%	9.5%	9.7%	9.9%
Operating Expenses per Unit	\$5,508	\$5,508	\$6,181	\$6,305	\$6,431	\$6,560	\$6,691
Rent per Sq/Ft	\$1.28	\$1.28	\$1.35	\$1.39	\$1.41	\$1.44	\$1.47

<i>Conservative vacancy factor to execute business plan</i>
<i>Rent & expense growth aligned to historical norms</i>
<i>Very strong going in Cap Rate for Location !! Tax Adjusted T3 Cap Rate is 7.3% !!</i>
<i>Expenses per unit conservatively increased from T12 and in-line for all bills paid property</i>

They Projected Investor Returns

All numbers below are net returns to investors – Net of Debt Service, Asset Management Fee and Sponsor Compensation

Investor Returns	Year 1	Year 2	Year 3	Year 4	Year 5
Cash-on-Cash Return	6.3%	8.8%	9.6%	10.0%	10.4%
Total Return					91.5%
Average Annualized Return					18.3%
Internal Rate of Return (IRR)					15.5%

Sample	Year 1	Year 2	Year 3	Year 4	Year 5	Year 5	Total
Investment \$	Cash-on-Cash Return					Gain on Sale	Return
\$50,000	\$3,157	\$4,397	\$4,796	\$4,999	\$5,205	\$23,173	\$45,727
\$75,000	\$4,735	\$6,595	\$7,195	\$7,498	\$7,808	\$34,760	\$68,591
\$100,000	\$6,313	\$8,794	\$9,593	\$9,998	\$10,411	\$46,347	\$91,455

Strong Cash-Flow averaging 9.0% over 5 years

7.5% reversion cap rate (current market cap is 6.25 – 6.5%)

Conservatively underwritten deal with low rent increases, healthy expense budget and well capitalized

Exit Strategy

We anticipate the business will be executed over the first 12 months post takeover. The team intends to hold the asset for 3-6 years and then sell via the following possible options (all subject to market conditions):

- Sell in 3-6 Years “Free and Clear” (If prepayment penalty can be absorbed)
- Refinance with supplemental loan after Year 2 and return some initial capital to investors
- Sell in 3-6 Years on assumption w/ supplemental (Interest rate could be attractive to future buyer)

The Result

- Our Investment was \$75,000 on 06-01-2018
- The property sold 02/08/2023 less than 5 years
- Our Return payout was \$208,522.22
- Our Investment Return Multiplier was 2.78%
- Our Annual Return 39.50%
- Plus, Tax Benefit of utilizing K1

To Date

- We are passive investors in 14 Apartment Syndications
- They are located in Blue Haired States (Fl, Tx, Az)
- 5 of those syndications have fully executed with an average annual return of 30%. The Average Investment Return Multiplier is 2.06
- The total capital purchases of all remaining 9 deals exceed \$262,000,000

The benefits outweigh the risk, and the pay offs are better than average anywhere. Syndicating truly helped us scale our business