

Real Estate Analysis

Evaluating the Major Risk Factors of Potential Investments

Blake Lugash, Chief Executive Officer

Realty Capital Partners, LLC

Five major risks we evaluate when underwriting a new investment opportunity:

- 1. Market**
- 2. Sponsor/Developer**
- 3. Entitlement**
- 4. Financing**
- 5. Construction**

Market

Do market conditions support moving forward with the Project?

- Research market supply vs. demand dynamic
- Sub-market demographics
- Obtain comps (leasing and sales)
- Validate land purchase price (Is the land being acquired at, above or below the market price?)
- Validate projected sales price and assumptions
- Investigate and calculate project replacement cost
- Validate project operating projections (pro-forma versus actuals)

Sponsor/Developer

Is the Sponsor/Developer qualified to execute the Project?

- **Sponsor Experience**— How many years in business? Number of projects? How long have key partners been together?
- **Sponsor Reputation**—Ask around. Don't just google them.
- **Similar Project Experience**—Very important. Class A apartments versus Class C apartments. Very different management issues/risks.
- **Ability to Execute Details**— This may be the most important factor. Every property is a business with many issues/details to solve/execute.

“Bad developers can mess up great projects!”

Entitlement

Is it legally possible to execute the Project as planned?

- Verify Zoning and Permit status and Requirements
- Discretionary versus Statutory approval:
 - Discretionary: City council approval for a zoning change.
 - Council can vote it up or down with no recourse
 - Statutory: Site Plan approval from city staff
 - As long as plan meets requirements site plan must eventually be approved

Financing

Is the funding available, at reasonable terms, to acquire/build/improve the Project as contemplated?

- Is a lender onboard?
- Term sheet, loan commitment or just verbal “we like it.”
 - No matter how good your friend is, a bank won’t make a loan that does not meet their underwriting criteria
- Review Loan Terms and Documentation
- Review Lender Requirements

Construction

Can the Project be built within the budget anticipated to complete the project?

- Is Project fully designed and bid-out by a qualified contractor?
 - Are plans 100% complete, or less than that?
- Confirm Contract Type and Pricing
 - If Guaranteed Maximum Price Contract (GMP or GMAX), take note of any allowances or exclusions. “GMP” is a deceiving term.
- Research General Contractor’s Experience and financial stability

Other Considerations

- **Barriers to Entry** — Does zoning in that market area make it difficult for competitors to duplicate your building? For example, apartments in Highland Park.
- **Financial Incentives**— Any unusual incentives? Property tax abatements, opportunity zones, special financing terms, etc.
- **Capital Stack**— Is capital stack conservative? How sensitive to unexpected problems? How many layers? The more layers, the more risk.
- **Deal Structure**— How is your downside protected? (Low debt percentage, IRR lookback, IRR “waterfall” hurdles)

Case Study One: Winter Haven Apartments

Funded 2022



Investment Highlights



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Location

- Winter Haven, located in Polk County between Tampa and Orlando, is the **2nd fastest growing metro in the U.S. in the last two years and the fastest growing county in Florida.**
- Polk County's population grew 3.35%, adding 24,287 people between July 2020 and July 2021. The current population is 753,520 (U.S. Census Bureau).

Strong Demand

- Winter Haven is severely under supplied due to the recent influx of residents.
- The project is one of the few apartment properties within walking distance to downtown Winter Haven.

Financial Incentives

- The project qualifies for A Tax Abatement Program which exempts part of the increase in value of the real property from taxation. The city should reimburse 80% of the incremental taxes for years 1-5, then reimburse 70% of the projects incremental taxes for years 6-10 created by value. This Tax Program will be transferrable to the next owner when the partnership sells this project.
- The project is eligible to receive a \$1,500 per unit grant upon completion of construction for incorporating Smart Technology on the property.

Financial Projections



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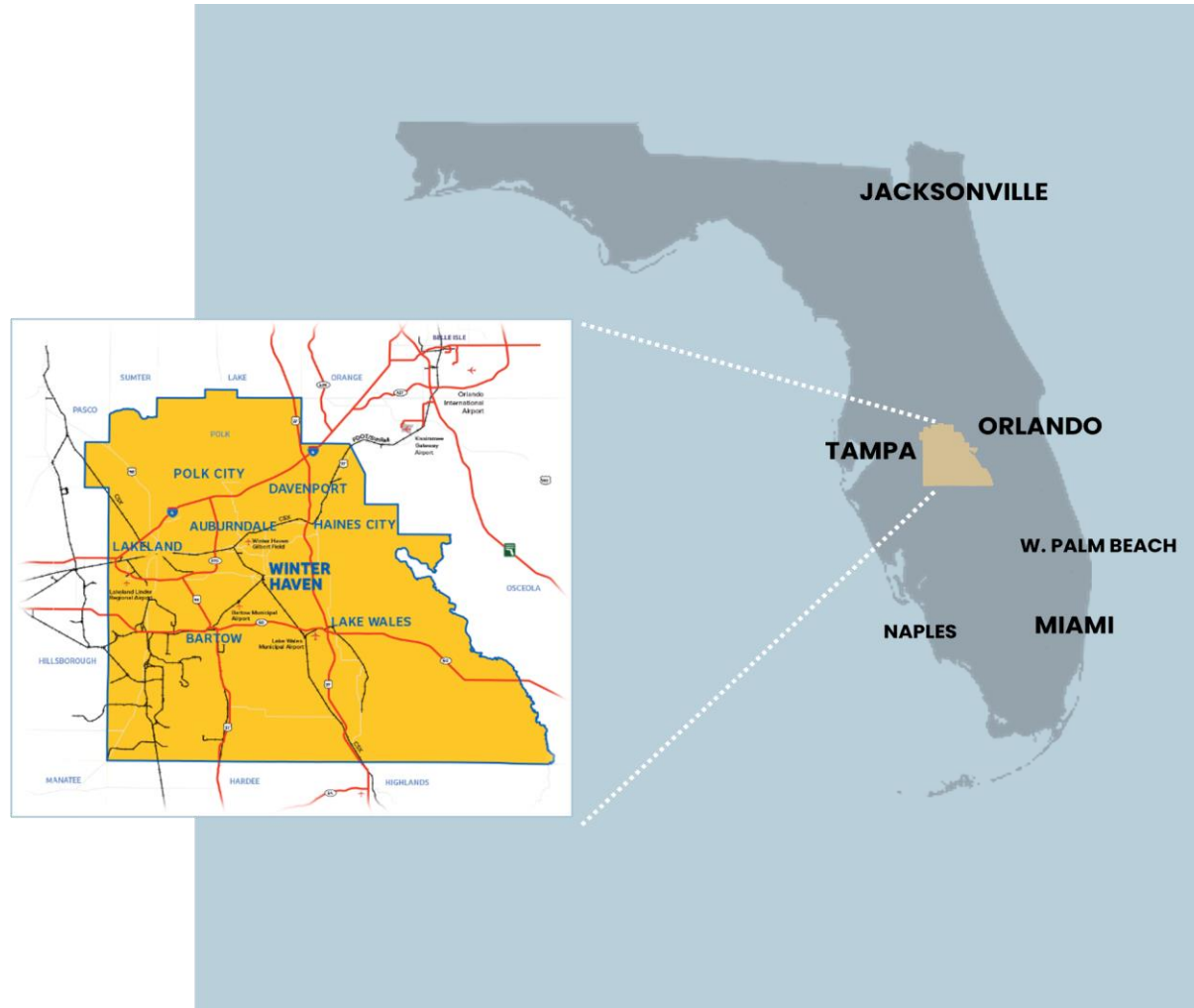
Estimated Returns

Estimated Holding Period:	4 Years
Projected Equity Multiple:	1.95x
Projected Internal Rate of Return:	18.21%
Projected Return on \$100,000 investment:	\$195,017

Location



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Case Study One: Winter Haven Apartments

Location Overview | Rent Comparables



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	Class	Name	Units	Unit Breakdown	Unit Type	Avg. Rent/Monthly	S/PSF	SF
1	A	Winter Haven Gardens	211	185	1-bd	\$1,150	\$2.46	468
				35	2-bd	\$1,450	\$2.32	624
2	A	Haven at Deer Lake	368	68	Studio	\$1,429	\$2.89	450
				184	1-bd	\$1,510	\$2.37	636
				116	2-bd	\$1,702	\$1.84	871
4	B	Briarcrest	461	376	1-bd	\$1,100	\$1.31	837
5	B	Barrington	72	56	1-bd	\$1,150	\$1.46	790
				16	2-bd	\$1,300	\$1.31	990
6	B-	Landings	65	50	1-bd	\$839	\$1.46	576
				15	2-bd	\$940	\$1.09	864
7	B-	Georgetown Apartments	94	47	1-bd	\$675	\$1.51	448
				47	2-bd	\$775	\$1.32	585

Location Overview | Sales Comparables



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	Name	Address	Year Built	Renovated	Units	Vacancy	Sale Date	Price	Price/Unit
*	Winter Haven Gardens	1 150 3rd St SW, Winter Haven, FL		2022	211		2026	\$42,227,434	\$200,130
1	The Retreat at Lakeland	5115 N Socrum Loop Rd., Lakeland, FL	1988	1995	464	3.5%	Sep-21	\$75,488,857	\$162,692
2	Halston Four Corners	1000 Ketner St., Davenport, FL	2009	2015	270	1.5%	Oct-21	\$64,869,200	\$240,256
3	Sunset Lakes	1545 Kennedy Blvd., Lakeland, FL	1998	2000	176	0.0%	Dec- 21	\$32,200,000	\$182,955
	Averages				303			\$57,519,352	\$195,301

Project Overview | Property Exterior



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Before



After

Project Overview | Unit interior



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Before



After

Project Overview | The Pool



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Before



After

Project Overview | The Gym



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Before



After

Case Study Two: The Grove Built to Rent (BTR) *Funded 2023*



Investment Highlights



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Location/ High Growth Market

- Rogers is a well-positioned suburb located north of Fayetteville and is close to Bentonville, the home of Walmart's world headquarters. In the last 13 years, the Roger's population has grown by 34%.
- Walmart has made substantial investments to enhance the appeal of Bentonville/Rogers. has significantly contributed to the growth of the area.

Experienced Developer

- The developer focuses on developing multifamily and single family properties within the Northwest Arkansas submarket. He has successfully completed over 15 residential projects in Northwest Arkansas.

Land Appreciation

- The developer acquired the property two years ago at a low price of \$4.20 per land foot. Since then, the project's land has significantly appreciated. A neighboring site, owned by SJC Ventures, is currently being marketed for sale at \$11.00 per land foot.

Construction Timeline

- The Developer has already purchased the land and started infrastructure construction.
- The investment time frame has been significantly reduced by approximately six months.

Financial Projections



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Estimated Returns

Estimated Holding Period:	3 Years
Projected Equity Multiple:	1.9x
Projected Internal Rate of Return:	21.3%
Projected Return on \$100,000 investment:	\$189,766

Location



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10-Minute Retail:

- P.F. CHANG'S
- drybar
- RUTH'S CHRIS STEAK HOUSE
- Target
- ULTA
- THE FRESH MARKET
- TOPGOLF
- WHOLE FOODS MARKET
- POTTERY BARN
- KENDRA SCOTT
- WILLIAMS SONOMA
- Chuy's
- BEST BUY

1-Minute Retail:

- OLD CHICAGO PIZZA + TAPROOM
- Starbucks
- Hissho SUSHI
- Walgreens
- Moe's
- SMOOTHIE KING
- GUSANO'S
- China Cafe
- crumbl
- W



Location: Rogers' Housing Market



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\$1,250,000 4 bd | 4 ba | 3,943 sqft

21 W Nottingham Ln, Rogers, AR 72758



\$2,350,000 6 bd | 6 ba | 8,789 sqft

4 W Leiston Dr, Rogers, AR 72758



\$3,785,000 4 bd | 7 ba | 10,004 sqft

9 S Clubhouse Dr, Rogers, AR 72758

Location Overview | 2 Bedroom Rent Comparables



REALTY CAPITAL PARTNERS

	Name	Location	Type	Year Built	# of Units	Avg SF	Rent	Rent \$/SF	Vacancy
2 Bed	Pinnacle Heights	Rodgers	Low-Rise	2020	52	1,077	\$1,879	\$1.74	6.1%
	Stone Manor Apartments	Rodgers	Garden	2004	116	1,213	\$2,029	\$1.67	11.0%
	Promenade Commons	Rodgers	Mid-Rise	2022	46	1,131	\$1,865	\$1.65	5.3%
	The Fitzroy Grove	Rodgers	Mid-Rise	2022	114	1,212	\$1,949	\$1.61	Lease Up
	Page Living at Pinnacle Hills	Rodgers	Low-Rise	2023	72	1,181	\$1,742	\$1.48	Lease Up
	Uptown Terrace	Rodgers	Mid-Rise	2021	104	1,043	\$1,537	\$1.47	7.1%
	49 West	Rodgers	Garden	2020	168	1,042	\$1,535	\$1.47	6.2%
	Palisades at Plasant Crossing	Rodgers	Garden	2016	126	1,009	\$1,454	\$1.44	3.3%
	The Promenade at Pinnacle Hills	Rodgers	Gardem	2015	96	1,148	\$1,521	\$1.32	6.0%
	Hillcrest Village	Springdale	Townhomes	2023	47	1,341	\$1,650	\$1.23	7.1%
Buckeye Crossing Townhomes**	Bentonville	Townhomes	2018	100	1,349	\$1,602	\$1.19	3.3%	
Total/Averages		-	-	2019	1041	1,144	\$1,682	\$1.48	5.1%
The Grove		Rodgers	SF / Townhomes	2024	164	1,172	\$1,831	\$1.56	-

Location Overview | 3 Bedroom Rent Comparables



REALTY CAPITAL PARTNERS

	Name	Location	Type	Year Built	# of Units	Avg SF	Rent	Rent \$/SF	Vacancy
3 Bed	The Fitzroy Grove	Rodgers	Mid-Rise	2022	15	1,399	\$2,506	\$1.79	Lease Up
	Promenade Commons	Rodgers	Mid-Rise	2022	5	1,445	\$2,355	\$1.63	5.3%
	Uptown Terrace	Rodgers	Mid-Rise	2021	9	1,392	\$2,175	\$1.56	7.1%
	Hillcrest Village	Springdale	Townhomes	2023	110	1,452	\$2,055	\$1.42	7.1%
	Palisades at Plasant Crossing	Rodgers	Garden	2016	24	1,173	\$1,657	\$1.41	3.3%
	The Promenade at Pinnacle Hills	Rodgers	Gardem	2015	20	1,424	\$1,999	\$1.40	6.0%
	Stone Manor Apartments	Rodgers	Garden	2004	12	1,627	\$2,125	\$1.31	11.0%
	Buckeye Crossing Townhomes**	Bentonville	Townhomes	2018	52	1,440	\$1,723	\$1.20	3.3%
Total/Averages		-	-	2018	247	1,423	\$1,983	\$1.40	5.6%
The Grove		Rodgers	SF	2024	71	1,324	\$2,118	\$1.60	-

Location Overview | Sales Comparables



REALTY CAPITAL PARTNERS

Name	Location	Type	Year Built	# of Units	Avg Unit SF	Sale Date	Sale \$/Unit	Sale \$/SF
Dunn & Davis Townhomes	Benttonville	Townhome	2020	23	1115	9/2021	\$361,739	\$324
Grand Village at Clear Creek	Fayetteville	Garden	2019	124	945	7/2021	\$298,387	\$315
Parkside Row	Benttonville	Townhome	2019	22	2090	6/2020	\$278,636	\$133
Depot 16 Flats and Townhomes	Benttonville	Townhome	2019	33	630	9/2021	\$271,515	\$430
49 West	Rodgers	Garden	2020	336	925	11/2022	\$205,357	\$222
Watercolors of Centerton	Centerton	Low-Rise	2018	232	950	1/2023	\$194,698	\$205
The Maddox	Centerton	Garden	2019	199	905	6/2022	\$182,513	\$201
Parc at Rodgers***	Rodgers	Garden	2007	250	1025	9/2022	\$182,000	\$178
Palisades at Pleasant Crossing	Rodgers	Garden	2016	396	860	12/2021	\$181,187	\$210
The Meridian at Walnut Creek	Rodgers	Garden	2017	220	1220	2/2020	\$167,955	\$138
The Grove	Rodgers	SF / Townhomes	2024	235	1220	7/1/2027	\$331,040	\$272

Case Study Two: The Grove BTR

Project Overview | Superior Product



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Case Study Two: The Grove BTR

Please Call us for additional information about RCP!
469-533-4019

By Blake Lugash, Chief Executive Officer
Realty Capital Partners, LLC