

2018

Preliminary Business Plan

Preslee Apartments

2504 Ivy Brook Ct, Arlington, TX 76006
290 Units



Ken & Wind Yue
Jennifer Hong & Shuang Tai
7/2/2018

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Executive Summary

Ken & Wind Yue, and Jennifer Hong & Shuang Tai have contracted a 290-unit apartment in Arlington, Texas. This property is located in a highly desirable north Arlington submarket and stabilized with occupancy at 93%.

Preslee is a well performing Class B property. The current effective rent is in the \$1.19 per square foot range, a rate that is comparable or slightly lower than the market. A renovation plan for the non-upgraded units will be implemented (with faux wood flooring, quartz counter tops, tile backsplash, brushed nickel fixtures/lighting, thick carpet and black appliance package), rent should be pushed to around \$1.26 per square feet. The plan is to take over the property and upgrade all the units during turnover.

Price and Financing

Acquisition Price is \$26.8 Million, or \$92,413 a unit. An upgrade budget of \$826,300 will make the "All-In" price at \$27.63 Million. There will be a new Fannie Mae loan for this property. The loan amount is approximately \$19.57 Million. The mortgage will have a 12 years term, amortize over 30-year at 4.64% fixed interest rate and interest only payment for the first 4 years.

Job Growth

Dallas/Fort Worth (DFW) continues to be top ranked nationally for job production. The area supports over 3.7 million workers and has added 295,000 jobs over the past 3 years. In 2018 the workforce is estimated to grow by 94,000 jobs. The Motorplex has added 100,500 jobs in the 12 months preceding December 2017, on pace to surpass job growth projections. Current unemployment rate stands at 3.1% (Dec 2017) compared to 4.1% for the nation.

*Bureau of Labor and Statistics/Moody's Analytics

Submarket

North Arlington has been one of the top performing submarkets in all DFW with 4.8% rent growth in the past year (MPF 1Q18). Population growth within a 1-mile radius of Preslee was outstanding, increasing by 15.5% from 2010-2017. Average household income in a 1-mile radius of Preslee is over \$65,000 annually.

Underwriting Assumptions

Our underwriting assumes only a conservative increase in rent to about \$1.26 per square foot from continue renovation of the remaining classic units. The current occupancy of the property is at 93%, the renovation has been proven to command the new rent level. After the first year, our underwriting is assuming a very conservative annual rent increase of 2% going forward. Management Company has studied the property and the submarket and has projected the yearly gross income to be around \$2.988 million and expense to be around \$1.491 million at \$5,162 per unit.

Property Management Company

Wehner Multifamily LLC is selected to be the property management company. Wehner has over 140 properties under management in the Texas, Oklahoma area, with over 17,000 apartment units. Wehner specializes in class B & C apartment communities. They have experience of adding value through renovating interiors, repairing deferred maintenance and supplying competent employees.

Investment Objective and Exit Strategy

The primary investment objective is to push a performing property into its full potential via continue interior and exterior upgrades. The holding period for this property is from 5 to 6 years. Of which time, we will examine the market to see if we would sell or hold on to the property.

Sponsorship

The sponsors' real estate investment approach is to focus on a stabilized asset with one or more value-added component. A stabilized asset will provide immediate cash flow, while the value-added component will provide a substantial capital gain when a sale event occurs.

Since 2009, Ken & Wind Yue of [TwinkleStar Asset LLC](#) have sponsored over 1,000 units in the Dallas Fort Worth area and asset managed over \$90 million of real estate. Their portfolio includes a 160-unit in Fort Worth/Arlington Texas, 160-unit apartment in Denton Texas, 222-unit apartment in South West Fort Worth, a 260-unit apartment in Irving Texas and a 160-unit apartment in Bedford Texas and a 214 unit apartment in Hurst Texas. They also invested passively and are part owner in another 755 doors in the Dallas/Fort Worth, Texas & Columbus, Ohio area.

Furthermore, Ken & Wind had bought and sold over 70 single-family houses in the last 5 years. The 105-unit apartment Ken & Wind sponsored was sold early last year. The passive investors received an over 120% return on capital in a period just slightly over 2 years. The 188-unit apartment Ken & Wind sponsored was sold in September last year. The passive investors received a close to 150% return on capital in about 2 years.



Principal, Ken C. Yue has a background in engineering. Ken worked successfully on some of the most complicated computer software projects in the defense and telecommunication industry. Ken has used his problem-solving skills to build a \$100 MM apartment portfolio. Furthermore, Ken has a Master of Science Degree from Georgia Institute of Technology and a Bachelor of Science, graduated Cum Laude from Clemson University.



Principal, Wind S. Yue has a background in Sales. While in Hong Kong, Wind started out as a sale representative for AXA Insurance Company in Hong Kong. In a relatively short period of time, Wind had worked her way to become the youngest Sale Director AXA has. In 2004, Wind won the Sale Director of year Award for her outstanding leadership and sale skills. Wind managed multi-million-dollar accounts and supervised over 100 sales agents. Wind has used her leadership and organization skill to raise more than \$20 MM of equity.



Principal, Jennifer Hong started investing in real estate since 2003, initially in single family residences then to multifamily buildings. Her multifamily investments now include 8 apartment complexes in the Dallas/Fort Worth area, co-owning more than 1300 units. She is also a Texas licensed real estate broker and runs a brokerage firm American Propertunity, LLC. Jennifer also has more than 10 years of real property management experiences. Before devoting full time to real estate management and investment, she had been an Engineer with Lucent (then Avaya) for more than 15 years.



Principal, Shuang Tai's backgrounds have been focused in real estate investing and engineering. She has owned and managed single-family houses since 2009. Shuang also invested in eight multifamily apartment complexes and is part owner in more than 1300 units in the Dallas/Fort Worth Metroplex. Prior to becoming full-time in real estate, Shuang was a principal engineer in the telecommunications industry. She has two Master of Science degrees, one in Mathematics and the other in Business Administration.



Property and Rehab Overview

Preslee is a 290-unit community built in 1981 and spreads across 11 acres. It features 20 residential and 1 leasing office buildings with 540 parking spaces. All the buildings have recently been painted and are comprised of brick and hardie-board exteriors, with pitched roofs that were all replaced in 2016. Preslee also features an excellent amenity package that includes a renovated clubhouse, fitness room, resident lounge/business center, and resort style swimming pool.

The table below represents the units mix; current rents and projected new market rents (Pro forma). The new market rents reflect the upgrades that we are going to implement on the property.

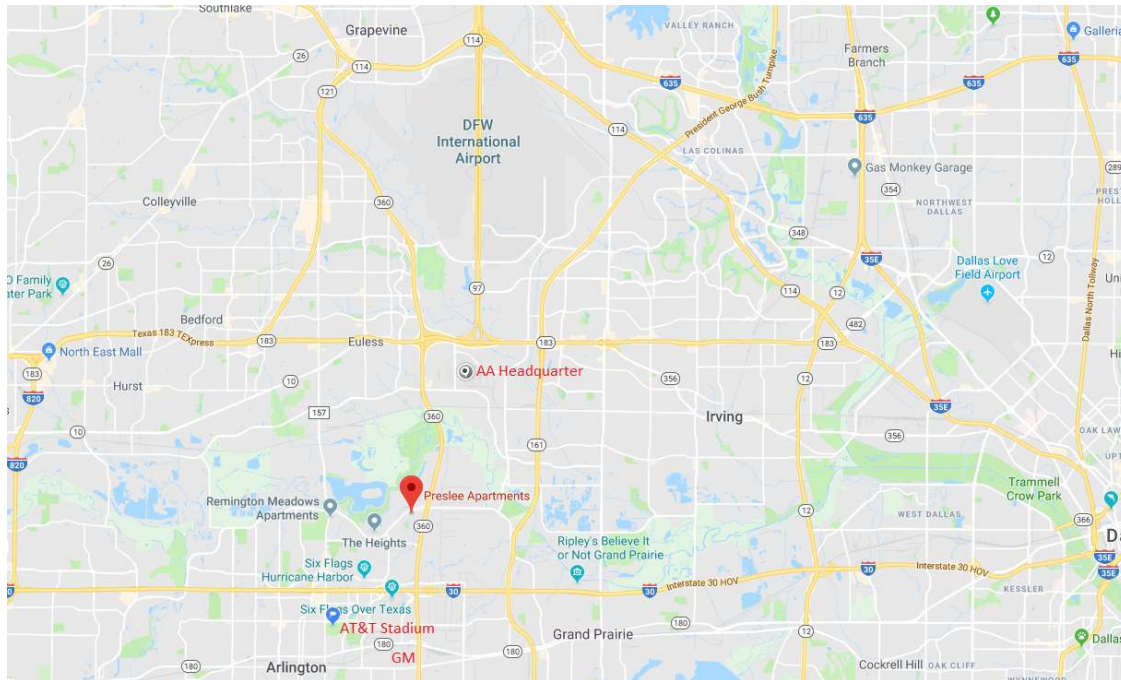
Unit Mix Floor Plan	# of units	Current Rent/Month	Ff2	\$/Ft2	Proforma Rent/Month	Rent/Ft2
1/1	18	\$630	524	\$1.20	\$725	\$1.38
1/1	30	\$700	524	\$1.34	\$725	\$1.38
1/1	31	\$735	634	\$1.16	\$850	\$1.34
1/1	49	\$820	634	\$1.29	\$850	\$1.34
1/1	41	\$800	730	\$1.10	\$895	\$1.23
1/1	71	\$895	730	\$1.23	\$895	\$1.23
1/1.5	5	\$900	850	\$1.06	\$1,015	\$1.19
1/1.5	13	\$985	850	\$1.16	\$1,015	\$1.19
2/2	13	\$1,120	1065	\$1.05	\$1,225	\$1.15
2/2	19	\$1,200	1065	\$1.13	\$1,225	\$1.15
Total	290	\$246,315	207,012	\$1.19	\$260,510	\$1.26

Annual Rent	
Current	\$2,955,780
Proforma	\$3,126,120

Location Analysis

Preslee is located in North Arlington at the intersection of Highway 360 (166,000 vpd) and NE Green Oaks Blvd (33,000 vpd), within walking distance of the Ellis Elementary School. The direct access to Highway 360, allows for convenient access to I-30, the main artery connection Dallas to Fort Worth and serving over 180,000 vehicles per day. Fortune 500 company General Motors has aggressively expanded its footprint in Arlington and just recently added 50 acres across from its current Arlington Assembly Plant. The current plant, which recently underwent a \$1.3 billion expansion, is less than 4 miles south of Preslee via SH-360. Additionally, the Property is located less than 3 miles from the largest entertainment district in the metroplex, comprised of AT&T Stadium, Globe Life Park, Six Flags over Texas, Hurricane Harbor and the newly proposed Arlington Live! Development. Other major employers located less than 10 miles from the

Property include: AMR Corporation, the parent company of American Airlines, who employ over 5,000 employees, and the DFW Airport, which has an annual economic impact of over \$5 billion and employs over 60,000 people.



Upgrade Plans

The plan is to upgrade the interior for all the remaining classic units and improve operational execution. The interior upgrade package includes vinyl plank flooring, new carpet, two toned paint, quartz counter tops, brushed nickel fixtures/lighting and black appliance package. For electrical, GFCI outlets will be installed for wet areas. There is also a tentative plan to convert the townhome style one-bedroom units to two-bedroom units.

Rehab Budget (Prelim)

Rehab Budget	Total	Per Unit
Interior (108 Units):	\$540,000	\$5,000
Vinyl Plank Flooring & new Carpet		
New Black Appliances		
Two Toned paint		
New Quartz Countertop		
Fixtures with brush nickel finish		
Plumbing	\$14,800	
HVAC	\$85,000	
Electrical	\$110,000	
Exterior Carpentry	\$26,500	
Parking Lot (concrete repair, striping)	\$28,000	
Boiler Maintenance	\$22,000	
Total:	\$826,300	



Competitive Overview

Data was compiled in a market survey of several properties in the same submarket in North Arlington, TX with comparable rental units to Preslee. All properties are within 2 miles radius of Preslee. The current rents of Preslee are comparable or a little bit lower than some of our competitors in terms of dollar per square foot.

address	Property	Rent/Month	size	rent/sf
2504 Ivy Brook t	Preslee Apartments	1981		
Arlington, TX 76006	1 Bed/ 1 Bath	\$630.00	524	\$1.20
(817)640-9155	1 Bed/ 1 Bath (R)	\$700.00	524	\$1.34
290 units 93.3% Occupied	1 Bed/ 1 Bath	\$735.00	634	\$1.16
	1 Bed/ 1 Bath (R)	\$820.00	634	\$1.29
	1 Bed/ 1 Bath	\$800.00	730	\$1.10
	1 Bed/ 1 Bath (R)	\$895.00	730	\$1.23
	1 bed / 1,5 Bath	\$900.00	850	\$1.06
	1 Bed/ 1.5 Bath (R)	\$985.00	850	\$1.16
	2 bed/ 2 Bath	\$1,120.00	1065	\$1.05
	2 Bed/ 2 Bath (R)	\$1,200.00	1065	\$1.13
address	Property	Rent/Month	size	rent/sf
2624 Southern Hills Blvd	Mark at 2600	1986		
Arlington, TX 76006	1 Bed/ 1 Bath	\$910.00	718	\$1.27
(817)640-1102	1 Bed/ 1 Bath	\$1,000.00	732	\$1.37
250 units 84% Occupied	2 Bed/ 1 Bath	\$1,050.00	858	\$1.22
	2 Bed/ 2 Bath	\$1,215.00	998	\$1.22
address	Property	Rent/Month	size	rent/sf
2506 N Forty Cir	Misty Hollow	1980		
Arlington, TX 76006	1 Bed/ 1 Bath	\$680.00	532	\$1.28
(817)385-5804	1 Bed/ 1 Bath	\$765.00	700	\$1.09
176 units 93% Occupied	2 Bed/ 1 Bath	\$870.00	900	\$0.97
	2 Bed/ 2 Bath	\$995.00	1100	\$0.90
address	Property	Rent/Month	size	rent/sf
2606 Holly Brook Ln	Cedar Bend Apartments	1983		
Arlington, TX 76006	1 Bed/ 1 Bath	\$766.00	600	\$1.28
(817)640-3069	1 Bed/ 1 Bath	\$820.00	730	\$1.12
222 Units 98% Occupied	1 Bed/ 1 Bath	\$931.00	800	\$1.16
	2 Bed/ 2 Bath	\$1,052.00	1065	\$0.99

Financial Projections

Source & Uses

Sources & Uses		
Sources		
Loan Amount		\$19,566,290
Equity from Borrower		\$9,000,000
Total Source		\$28,566,290
Uses		
Purchase Price		\$26,800,000
Rehab Budget		\$826,300
DM Origination Fee	0.50%	\$134,000
Mortgage Broker's Fee	0.50%	\$134,000
Repair Inspection Fee		\$8,700
Loan application Fee		\$18,100
Lender Legal (Prelim)		\$12,500
Purchaser Legal (Prelim)		\$20,000
Title/Recording	0.10%	\$26,800
Interim Interest (Prelim)		\$10,000
Insurance Escrow (Prelim)		\$70,000
Acquisition Fee	1.00%	\$268,000
Working Capital (Prelim)		\$237,890
Total Uses		\$28,566,290

Projected Income

	Budget	Per Unit	Per Foot
Gross Scheduled	\$3,126,120	\$10,779	\$1.26
LTL	(\$234,459)	-7.50%	
Employee units/models	(\$6,252)	-0.20%	
Concessions	0	0.00%	
Write offs	(\$25,009)	-0.80%	
Vacancy	(\$187,567)	-6.00%	
Total Rental Income	\$2,672,833	-14.50%	
Administration Fee			
Laundry			
Utilities	\$171,600		
Other	\$143,970		
Total Other	\$315,570		
Total Income	\$2,988,403		

Projected Expense

	Budget	Per Unit	Per Foot
Admin	\$60,314	\$208	\$0.29
Marketing	0	\$0	\$0
Payroll	\$264,478	\$912	\$1.28
R&M	\$48,684	\$168	\$0.24
Make Ready	\$37,580	\$130	\$0.18
Contract Services	\$54,669	\$189	\$0.26
Management Fee	\$89,652	\$309	\$0.43
Misc	\$9,600	\$33	\$0.05
Electric	\$24,000	\$83	\$0.12
Water	\$131,002	\$452	\$0.63
Insurance	\$87,000	\$300	\$0.42
Taxes	\$604,560	\$2,085	\$2.92
Others	0	\$0	\$0.00
Replacement Reserves	\$79,750	\$275	\$0.39
Total Expense	\$1,491,289	\$5,142	\$7.00

Projected Rent Increase

Unit Mix Floor Plan	# of units	Current Rent/Month	Ff2	\$/Ft2	Proforma Rent/Month	Rent/Ft2						
1/1	18	\$630	524	\$1.20	\$725	\$1.38						
1/1(R)	30	\$700	524	\$1.34	\$725	\$1.38						
1/1	31	\$735	634	\$1.16	\$850	\$1.34						
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1/1(R)	71	\$895	730	\$1.23	\$895	\$1.23						
1/1.5	5	\$900	850	\$1.06	\$1,015	\$1.19						
1/1.5(R)	13	\$985	850	\$1.16	\$1,015	\$1.19						
2/2	13	\$1,120	1065	\$1.05	\$1,225	\$1.15						
2/2(R)	19	\$1,200	1065	\$1.13	\$1,225	\$1.15						
Total	290	\$246,315	207,012	\$1.19	\$260,510	\$1.26						
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Annual Rent												
Current	\$2,955,780											
Proforma	\$3,126,120											

R - Renovated Unit



Projected Sales Event

Year Six Sale Event				
				Year 6
NET OPERATING INCOME				\$1,816,552
Reversion Value CAP Rate			5.50%	\$33,028,218
	Less Loan Balance			\$18,752,623
	Less Cost of Sale		2.50%	\$825,705
	Less IO principal			
Total Reversion Proceeds				\$13,449,890
Total 6 Years Cash Flow				\$2,906,528
Total Return				\$16,356,418
	Less Original Capital			\$9,000,000
	Less Sponsor Compensation			\$889,978
Total Return on Capital				\$6,466,440
Total Return %				71.9%
Average Annualized Return				12.0%

Six years cash flow projection

Six Year Cash Flow Model		Actual Trailing 12	Trailing 3	Projected Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Annual Rent Increase Years 2-5					2.0%	2.0%	2.0%	2.0%	2.0%
Annual Other Income Increase Years 2-5					2.0%	2.0%	2.0%	2.0%	2.0%
Annual Expenses Increase Years 2-5					2.0%	2.0%	2.0%	2.0%	2.0%
Gross Potential Rent		\$2,955,780	\$2,955,780	\$3,126,120	\$3,188,642	\$3,252,415	\$3,317,464	\$3,383,813	\$3,451,489
	Less Economic Vacancy	\$515,104	\$376,120	\$453,287	\$382,637	\$325,242	\$331,746	\$338,381	\$345,149
NET RENTAL INCOME (NRI)		\$2,423,133	\$2,562,116	\$2,672,833	\$2,806,005	\$2,927,174	\$2,985,717	\$3,045,432	\$3,106,340
TOTAL OTHER INCOME		\$336,669	\$336,669	\$315,570	\$321,881	\$328,319	\$334,885	\$341,583	\$348,415
EFFECTIVE GROSS INCOME (EGI)		\$2,759,801	\$2,898,785	\$2,988,403	\$3,127,887	\$3,255,493	\$3,320,603	\$3,387,015	\$3,454,755
Replacement Reserves		\$79,750	\$79,750	\$79,750	\$79,750	\$79,750	\$79,750	\$79,750	\$79,750
TOTAL OPERATING EXPENSES		\$1,468,311	\$1,468,311	\$1,491,289	\$1,519,520	\$1,548,315	\$1,577,687	\$1,607,645	\$1,638,203
NET OPERATING INCOME		\$1,291,490	\$1,430,474	\$1,497,114	\$1,608,367	\$1,707,177	\$1,742,916	\$1,779,369	\$1,816,552
	Asset Mgmt Fee to Sponsor			\$44,826	\$46,918	\$48,832	\$49,809	\$50,805	\$51,821
Cash Flow After Debt Service & Mgmt Fee		\$383,614	\$522,598	\$544,412	\$653,573	\$750,469	\$785,231	\$431,655	\$467,821
Cash Flow to Sponsor				\$108,882	\$130,715	\$150,094	\$157,046	\$86,331	\$93,564
TOTAL CASH FLOW		\$383,614	\$522,598	\$435,529	\$522,858	\$600,375	\$628,185	\$345,324	\$374,257
Cash-on-Cash Return		4.3%	5.8%	4.8%	5.8%	6.7%	7.0%	3.8%	4.2%

Projected Investor Returns

Total Return Summary for 6 years holds various cap rates

	CAP 5.25%	CAP 5.5%	CAP 5.75%
Projected Internal Rate of Return:	12.4%	10.9%	9.3%
Average Annualized Return:	14.2%	12.0%	9.9%
Total Return:	85.5%	71.9%	59.4%
<u>Projected Total Return on</u>			
<u>\$100,000 Investment (excluding return of capital):</u>	\$85,500	\$71,900	\$59,400

Projected Yearly Distribution at various cap rate

Projected Cash on Cash Distributions - \$100,000 Investment

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total Cash Flow
Return %	4.8%	5.8%	6.7%	7.0%	3.8%	4.2%	
Cash Flow	\$4,800	\$5,800	\$6,700	\$7,300	\$3,800	\$4,200	\$32,600

Projected Distributions after sale at various Cap Rate - \$100,000 Investment

	Sale @5.25%	Sale @5.5%	Sale @5.75%
Total Cash Flow	\$32,600	\$32,600	\$32,600
Return Of Capital	\$100,000	\$100,000	\$100,000
Sale Profit	\$52,900	\$39,300	\$26,800
Total Return (including Return of Capital)	\$185,500	\$171,900	\$159,400

TimeLine

Date	Comments
6/28/18	Agreement Effective Date
7/02/18	Deliver of Earnest Money
7/12/18	Due Diligent Deadline
7/27/18	PPM, Subscription available
8/10/18	Deadline for investors to wire fund
8/24/18	Closing

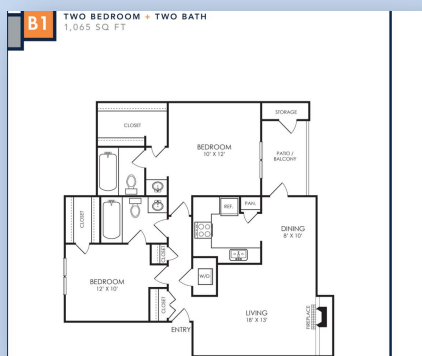
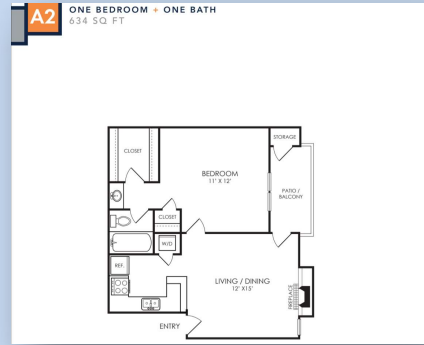


Pictures









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