

Grigsby Place  
1625 Grigsby Ave  
Dallas, TX 75204



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This pro-forma is not an offer to sell the property, but a solicitation of interest.

Dear Prospective Investors,

Asante Investments LLC would like to thank you for showing interest in the Grigsby Place. The property at 1625 Grigsby Ave is a well maintained class C low-rise apartment complex in growing East Central Dallas/Lower Greenville Avenue submarket of Dallas, Texas. The property has close proximity to numerous entertainment and shopping venues as well as close proximity to central business district of Downtown Dallas.

The property is an ideal value added opportunity as current in-place rents are below the competitive set in the area. Comparable 1BR/1BA are achieving average rents of \$795/unit (\$1.46/SF), which is currently 25.21% above the property in-place average rents of \$652/unit (\$1.17/SF).

Built in 1986, this apartment complex consists of 20 units comprise of (16) 1 BR/BA and (4) efficiency apartment units. The property has two stories with parking, landscaping, and a gated entrance. The sponsor, Asante Investments LLC plans to conduct further renovations upon acquisition to reposition the class C low-rise multi-family apartment complex to a class B multifamily apartment complex.

Thank you for taking the time to consider the property as a potential investment opportunity. If you are interested in investing, Asante Investments LLC can be reached by email at [Terryasante27@yahoo.com](mailto:Terryasante27@yahoo.com).

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## Transaction Overview

Transaction Overview								
Sources	At Closing			Fully Funded		Total		
Asante Investments LLC	\$324,262	\$16,213	100%	\$0	-	\$324,262	\$16,213	100%
Total Equity	\$324,262	\$16,213	22%	\$0	-	\$324,262	\$16,213	22%
Senior Lender	\$1,120,667	\$56,033	78%	\$0	-	\$1,120,667	\$56,033	78%
Prorations/ Adjustments	\$ -	\$0	0%	\$0	-	\$0	\$0	0%
<b>Total Sources</b>	<b>\$1,444,929</b>	<b>\$72,246</b>	<b>100%</b>	<b>\$0</b>	<b>-</b>	<b>\$1,444,929</b>	<b>\$72,246</b>	<b>100%</b>
Uses	At Closing			Fully Funded		Total		
Purchase Price	\$1,400,833	\$70,042	96.9%	\$0	-	\$1,400,833	\$70,042	96.9%
Title/Escrow	\$0	\$0	0.0%	\$0	-	\$0	\$ -	0.0%
Tax Impound	\$0	\$0	0.0%	\$0	-	\$0	\$ -	0.0%
Insurance Premium	\$3,720	\$186	0.3%	\$0	-	\$3,720	\$186	0.3%
Environmental	\$0	\$0	0.0%	\$0	-	\$0	\$ -	0.0%
Due Diligence	\$1,000	\$50	0.1%	\$0	-	\$1,000	\$50	0.1%
3rd Party Reports	\$2,591	\$130	0.2%	\$0	-	\$2,591	\$130	0.2%
Legal	\$9,360	\$468	0.6%	\$0	-	\$9,360	\$468	0.6%
Working Capital	\$20,000	\$1,000	1.4%	\$0	-	\$20,000	\$1,000	1.4%
Acquisition Fee	\$7,004	\$350	0.5%	\$0	-	\$7,004	\$350	0.5%
Survey	\$420	\$21	0.0%	\$0	-	\$420	\$21	0.0%
Equity Fee	\$0	\$0	0.0%	\$0	-	\$0	\$ -	0.0%
Miscellaneous	\$0	\$0	0.0%	\$0	-	\$0	\$ -	0.0%
Prorated Payables	\$0	\$0	0.0%	\$0	-	\$0	\$ -	0.0%
<b>Total Uses</b>	<b>\$1,444,929</b>	<b>\$72,246</b>	<b>100.0%</b>	<b>\$0</b>	<b>-</b>	<b>\$1,444,929</b>	<b>\$72,246</b>	<b>100.0%</b>

## Investment Overview

The Grigsby Place is a 20-Unit Class C garden-low rise multi-family apartment complex located in the Knox/Henderson submarket of Dallas, Texas. The acquisition of the multi-family apartment complex is an ideal candidate for a value-added opportunity due to the below market rents and a need of a light interior/exterior renovation to increase the appeal of the Property. The Property occupancy is currently 50.1% (see rent roll on page 9) with an average effective rent of \$652 (\$1.17/SF). The business plan is to purchase the asset for \$1,400,833 (\$70,042/unit) and (i) invest approximately \$145,000 (\$7,250/unit) over 24 to 36 months to facilitate unit upgrades and exterior property improvements/deferred maintenance (ii) raise rents to market on newly renovated units (based on comparable rents in the market, the property rents are approximately 13.29% below market), (iii) continue turning over the existing rent roll and (iv) employ a flexible hold strategy over a 3 to 5 year hold period. The Sponsor, Asante Investments LLC projects a stabilized return on cost of 8.73% in year 5 and a sale of the assets at a weighted average 6.25% cap rate. The levered cash on cash returns throughout the hold period ranges from 11% to 19%.

### Investment Highlights

- East Central Dallas Submarket is an improving area with numerous attractions to include Dallas Art Museum, wide array of eateries and shopping venues to fit any budget
- the Property is minutes away from central business district of Downtown Dallas
- Post renovation pro-forma Rents are projected to grow at a CAGR of 4.38% to \$808/unit (\$1.45/SF) by year five
- The average in-place rent at the Property is \$652/unit (\$1.17/SF) which is currently 22.01% below the comparable rental set average in-place rent \$752/unit (\$1.46/unit)
- Attractive leverage (e.g. going-in cap rate vs. financing cost spread of ~ 320 bps) resulting in average levered cash on cash yields of approximately 14.0%

## Property Description

Built in 1989, the Grigsby Place is a 20-unit class C garden low-rise apartment complex spread across 20,844 rentable square feet among six, two-story buildings. The unit mix consists of (16) 1 BR/BA and (4) efficiency apartment units and has average unit size of 557 SF. The unit features at the property include a washer and dryer, storage, patio, cable ready, fire place, wooden cabinets, granite countertops, ceramic tile flooring in the kitchen and living room, a gated entry, and a fenced yard. The Property is located in the East Central Dallas submarket of Knox Henderson, a cultural center with close proximity to major employment centers, public transportation, and a plethora of attractions in the Dallas/Fort Worth Metroplex. Depending on the area of east Dallas one lives in, downtown Dallas can be as little as 10 minutes away, which makes it especially convenient for those who live in the city. The central business district is an eye view from the property that brings added attractiveness to the property.

Grigsby Place Property Description	
Property Address	1625 Grigsby Avenue Dallas, TX 75204
Property Type	Garden Low-Rise
Year Built	1986
Building Class	Class C
Rentable SF	20,844
Total Units	1BR/BA - 16 Units 1BR/1BA (Efficiency) - 4 Units
Average Unit Size	557 SF
Average In-Place Rental Rate	\$658/unit
Average Year-One Pro-Forma Rent	\$635/Unit
Average Year One Pro Forma Rent PSF	\$1.23/SF
Total Parking Spaces	25
Construction Type	Concrete masonry unit and wood-frame construction, exterior wall structure is wood frame with brick veneer and vinly siding
Stories	2
Unit Amenities	Unit amenities include a washer and dryer, storage, cable ready, wooden cabinets, granite countertops, ceramic tile flooring in the kitchen and living room
Property Amenities	Gated Entry, Patio, Fenced Yard

## Renovation/Business Plan

Asante Investments LLC will invest \$145,000 (\$7,250/unit) primarily to update property interiors and exteriors as well as address deferred maintenance. The Sponsor business plan is to elevate rents at the subject property by repositioning and renovating the asset to a stabilized class B garden low-rise apartment complex by renovating units to similar standards as its competitive set. The interior renovation will include granite kitchen and bathroom counters, wood vinyl flooring and new appliances that will range from \$3,000-\$7,500 depending of existing condition of unit, age, and condition of any prior renovations. The exterior renovation will focus on upgrading the appearance of exterior color scheme as well as improving the curb appeal through extensive landscaping.

Property Photos



Interior Photos





Exterior Photos



Rent Roll

1625 Grigsby Avenue Rent Roll as of 8/22/2016

Apt #	Tenants Name	Bdr / Bath	Sq. Feet Approx	Rent	Rent/SF	Occupancy Date	Lease Expiration	Date last rent increase	Remodel	Notes
101	Alvarenga	1/1	505.00	\$632.50	\$1.25	#####	6/30/2017	7/1/2016	Y (Entire unit)	Renewing
102	Villasana	1/1	570.00	\$700.00	\$1.23	11/15/2015	10/31/2016	11/15/2015	Y (Entire unit)	
103	Dimas	1/1	570.00	\$750.00	\$1.32	5/5/2016	4/30/2017	5/5/2016	Y (Entire unit)	
104	Tang	1/1	570.00	\$675.00	\$1.18	7/1/2016	6/30/2017	6/15/2016	Partial	Working w/ DHA to increase rent
105	Harnden	1/1	570.00	\$660.00	\$1.16	6/1/2016	5/30/2017	6/1/2016	Y (Entire unit)	Renewed
106	Martinez	1/1	505.00	\$551.25	\$1.09	1/1/2016	12/31/2016	1/1/2016	Y (Entire unit)	
107	Dawson	1/1	570.00	\$656.25	\$1.15	12/1/2015	11/30/2016	12/1/2015	Y (Entire unit)	Month to month
108	Ramirez	1/1	570.00	\$725.00	\$1.27	2/5/2016	1/31/2017	2/5/2015	Y (Entire unit)	
109	Cervantes	1/1	570.00	\$693.00	\$1.22	7/1/2016	6/30/2017	7/1/2016	Y (Entire unit)	Renewed
110	Casas	1/1	570.00	\$700.00	\$1.23	11/1/2015	10/31/2016	11/1/2015	Y (Entire unit)	November move in (PAID)
201	Medina	1/1	505.00	\$625.00	\$1.24	6/1/2015	11/30/2016	6/1/2015	Y (Entire unit)	Efficiency Sized Unit
202	Nghi	1/1	570.00	\$589.00	\$1.03	7/1/2016	6/30/2017	7/1/2015	Partial	Renewed
203	Howard	1/1	570.00	\$675.00	\$1.18	5/24/2015	10/31/2016	5/24/2015	Y (Entire unit)	
204	Jones	1/1	570.00	\$700.00	\$1.23	9/25/2015	9/30/2016	9/25/2015	Y (Entire unit)	
205	Wilkes	1/1	570.00	\$577.50	\$1.01	7/1/2015	6/30/2016	7/1/2016	Partial	Renewed
206	Castillo	1/1	505.00	\$700.00	\$1.39	7/1/2016	6/30/2017	7/1/2016	Y (Entire unit)	
207	Atienza	1/1	570.00	\$660.00	\$1.16	7/1/2016	6/30/2017	11/1/2014	Y (Entire unit)	
208	Haynes	1/1	570.00	\$693.00	\$1.22	7/1/2016	6/30/2017	7/1/2015	Y (Entire unit)	Renewed
209	Stewart	1/1	570.00	\$500.00	\$0.88	1/1/2013	12/31/2016	1/1/2013	Partial	On site manager (Rent Discount)
210	Phoung	1/1	570.00	\$577.50	\$1.01	7/1/2015	6/30/2016	7/1/2015	Partial	Month to month

## Current P&L

<b>Ordinary Income/Expense</b>	
<b>Income</b>	
Rental Income	156,480.00
Utility Partnership Agreement	15.00
<b>Total Income</b>	<b>156,495.00</b>
<b>Expense</b>	
Insurance Expense	5,566.52
Professional Fees	9,611.02
Repairs and Maintenance	13,167.63
Taxes - Property	19,523.30
Utilities	9,721.46
<b>Total Expense</b>	<b>57,589.93</b>

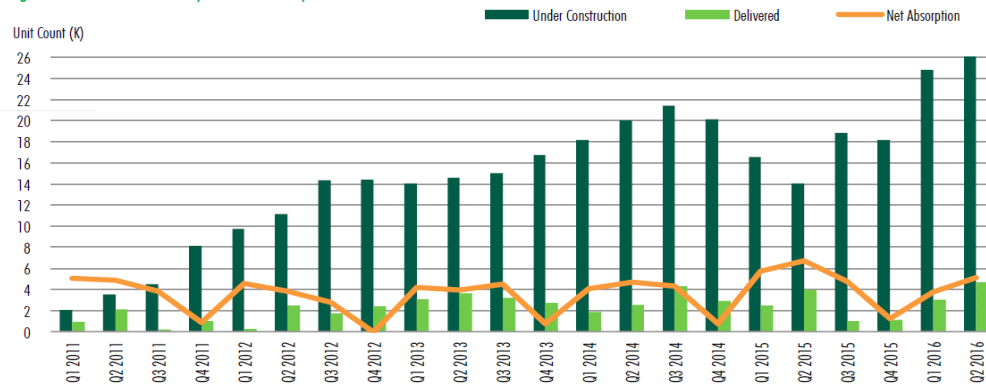
<b>Net Ordinary Income</b>	<b>98,905.07</b>
<b>Other Income/Expense</b>	
<b>Other Income</b>	
Income-Other	4,944.66
Call Fees Income	270.00
Misc. Income	53.59
<b>Total Other Income</b>	<b>5,268.25</b>
<b>Other Expense</b>	
Referral Commission	400.00
<b>Total Other Expense</b>	<b>400.00</b>
<b>Net Other Income</b>	<b>4,868.25</b>
<b>Net Income</b>	<b>103,773.32</b>

## Dallas Overall Market Overview

### Supply/Demand

- Per CBRE DFW Multifamily Q2 2016 report multifamily pipeline swelled to a new record in the 2Q 2016 to over 27,869 units, the highest level recorded by CBRE's tracking of the metroplex market as it remains a compelling one for multifamily developers
- Over the remainder of 2016, more than 16,300 apartments are expected to be completed, one quarter of which are slated for the neighboring submarkets of Richardson and Plano/Allen/McKinney
- The rising job growth is causing an influx of apartment units to come online in the overall Dallas submarket. The US Bureau reports that 7,397 multifamily housing permits were issued in DFW thus far in 2016, a slight increase of 561 permits from the same time period last year. In 2Q 2016, there were 7,512 new unit starts, adjusting the total number of units under construction to 27,689 units
- Urban areas such as Downtown Dallas/West End/Deep Elum/Uptown and Downtown Ft Worth/TCU are experiencing extensive construction activity. 65% of the Uptown/Downtown construction consists of high rise or high rise conversion projects expected to come online in 2017

Figure 6: Construction Activity and Net Absorption



Source: Apartment Data Service, Q2 2016.  
CBRE Research, Q2 2016.

### Employment

- Employment and job growth is driving effective rents to higher levels in the DFW area. Companies in the metroplex added 120,800 workers to the payrolls during that time. Leading the way was trade, transportation, and utilities sector, which added 32,500 jobs, -translating into a 4.5% annual gain. In second place, was the distribution center employment, which created 2,000 newly jobs among Amazon fulfillment center in Dallas, Haslet, and Coppell and the first of 500 jobs filled by the new Ultra Beauty logistics center in Dallas.
- The Dallas-Fort Worth-Arlington metro area held its position as one of the brightest economic centers in the country in the first half of 2016. Companies in the Metroplex hired 120,800 workers, translating into a 3.6% year-over-year increase. The trade, transportation and utilities sector was the leader in job growth, with 36,800 newly created jobs, translating into a 5.1% increase.
- Texas unemployment rate as of September 2016 is 4.8% which is lower than the unemployment rates in the major gateway multifamily markets such as New York (5.0%), California (5.5%), Illinois (5.5%), and District of Columbia (6.1%)

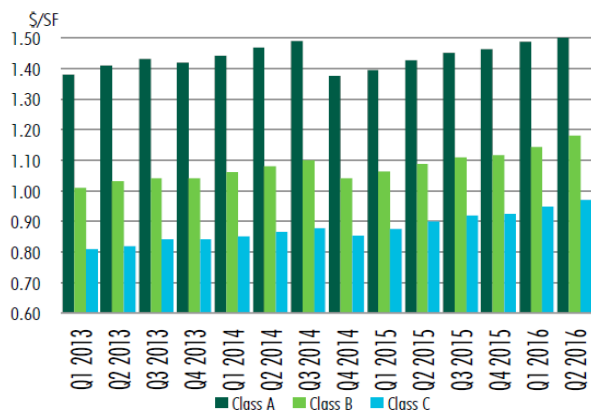
## Household Growth and Homeownership

- During the last four quarters, the population rose 2.0 percent, ending at mid-year with 144,600, while the number of households increased by 61,000, translating into a 6.4% increase during the same period
- The increased cost of home ownership is delaying homeownership for individuals who lack the necessary equity (down payment) or household income. Per Berkadia 2Q 2016 DFW Multifamily report, the average mortgage payment exceeded the average rent by \$211 per month in the metro area, making apartment living the more affordable option for many households.
- Escalating home prices is driving demand for apartment complexes as occupancy remained above the 90% threshold according to the CBRE 2Q 2016 DFW Multifamily report
- The median home price grew 6.3% in the last 12 months to \$220,000 while home sales climbed 3.1 percent from the previous year. In the same period, median annual household income inched up slightly to \$61,000 annually

## Rents and Vacancy

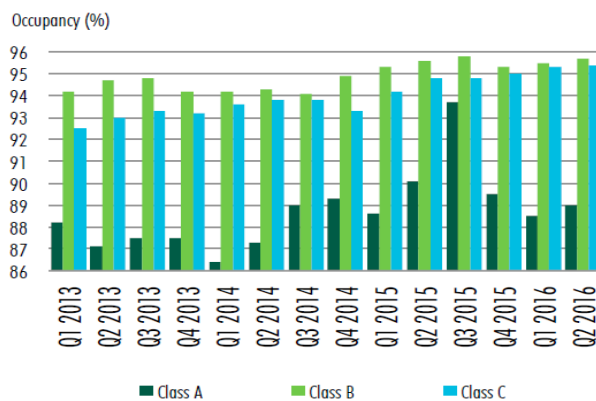
- Solid job growth coupled with a growing population are driving average effective rents to higher levels in the DFW Metroplex. Per CBRE DFW Multifamily 2Q 2016 report, class A rents increased \$0.03 per sq.ft to \$ 1.51 per sq.ft, which is 21.9% higher than class B and 36% higher than class C
- DFW area registered strong rent increases during the T-12 period. In Dallas, the average effective rent inched up 7.4%, to \$1,055 per month while apartments in Fort Worth rented about \$130 less per month after rising 7.3% from the prior year
- Occupancy remained strong across the board for all classes of apartment buildings. Class A, Class B, and Class C occupancy rates for Q2 2016 was approximately 89%, 95.5%, 95.2%, respectively

Figure 4: Avg. Rent, Monthly by Class



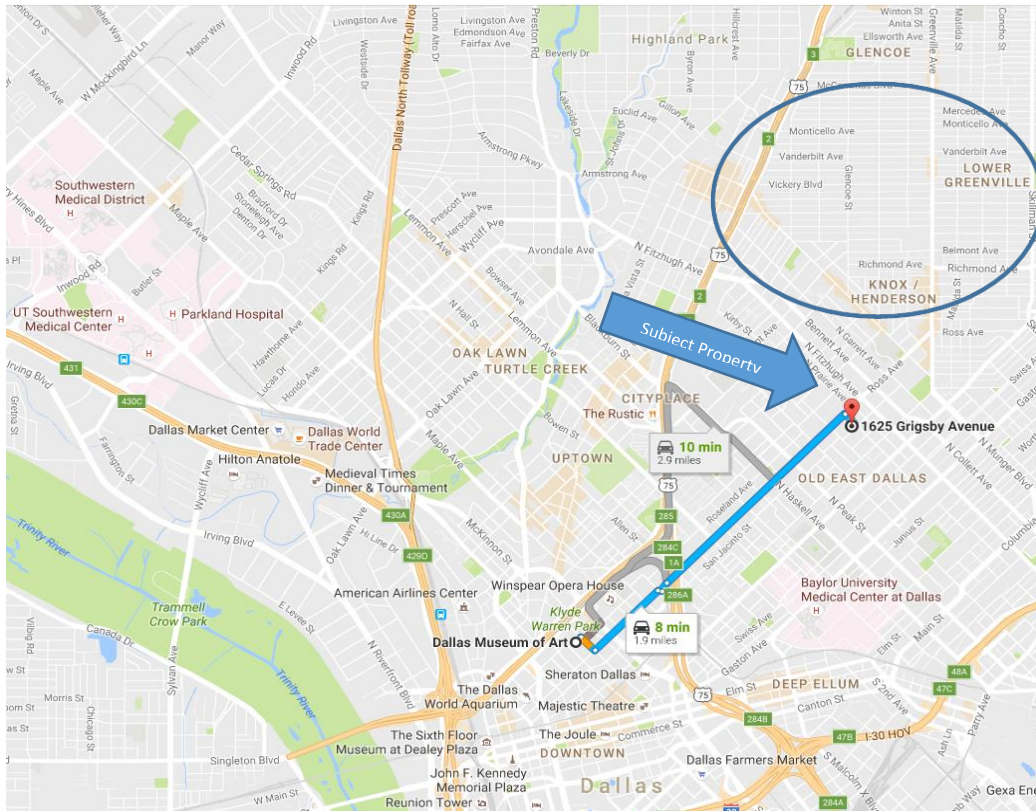
Source: Apartment Data Service, Q2 2016.  
CBRE Research, Q2 2016.

Figure 5: Occupancy by Class



Source: Apartment Data Service, Q2 2016.  
CBRE Research, Q2 2016.

## Submarket Overview – East Central Dallas/Lower Greenville Ave



The Property is located in the Knox/Henderson neighborhood, which is encompassed by East Central Dallas/Lower Greenville submarket of Dallas, Texas. A hippy and trendy cultural center, the Knox/Henderson Neighborhood is filled with historic homes, trendy retail outlets, variety of eateries, and public transportation (two-minute walk from the property), along with close proximity to the central business district of Downtown Dallas (ten-minute drive time from the property).

### Supply/Demand

- The total unit count in the East Central Dallas/Lower Greenville Avenue submarket as of Q2 2016 was 5,508 with net absorption of 103 units and 974 units under construction units. No newly constructed units were delivered online as of Q2 2016

### Rents and vacancy

- The average rent/SF for the East Central Dallas/Lower Greenville Submarket is \$1.44/SF, which is significantly below the property average rent/SF of \$1.17/SF
- Per CBRE 2Q 2016 DFW multifamily market report, the occupancy rate for East Central Dallas/Lower Greenville Submarket at 94.9% as of Q2 2016

### Transportation

- Major interstate highways are in close proximity from the Property to include US-75 N (ten-minute drive time), interstate 30 (ten-minute drive time), interstate 45 (eleven-minute drive time), and interstate 35 (ten-minute drive time)

## Shopping

- The Knox-Henderson neighborhood offers a wide array of dining options to suit all tastes and budgets. The Porch is where you go for epic burgers, Café Madrid is the hot spot for Spanish tapas, and Tei Tei Robata dishes up tasty sushi. Three of Dallas best restaurants are located in this growing submarket- Hibiscus-an upscale eatery, Gemma- a California style restaurant serving new American bites, and Abacus- a classy, sophisticated restaurant with an open kitchen

## Demographic Analysis

Demographics Analysis for 1625 Grigsby Ave			
	1-Mile	3-Mile	5-mile
2015 Employees	16,947	282,767	458,827
2015 Total Population 20 to 24 years	9.45%	9.62%	8.63%
2015 Total Population 25 to 29 years	15.39%	14.41%	11.69%
2015 Total Population 30 to 34 years	12.03%	11.69%	9.90%
2015 White Alone	18,881	123,496	230,497
2015 Black or African American	5,129	27,450	67,441
2015 Hispanic	16,297	53,113	126,462
2015 Asian	1,480	6,868	13,688
% 2015 White Alone	55.41%	66.63%	61.00%
% 2015 Black or African American	15.05%	14.97%	17.85%
% 2015 Hispanic	47.82%	28.66%	33.47%
% 2015 Asian	4.34%	3.71%	3.62%
2015 Household Income: Median	\$ 43,880	\$ 58,564	\$ 53,370
2015 Household Income: Average	\$ 67,755	\$ 93,855	\$ 88,148
2015 Total Population	34,077	185,345	377,869
% Population Change 2010-2015	7.18%	12.56%	9.79%
% of Household Change 2010-2015	4.32%	8.37%	5.68%
% 2015 Renter Occupied Housing Units	83.03%	67.04%	62.27%

The primary demographic cohort surrounding the Property comprise of 25 to 34-year old individuals. The total population for 25 to 34 years old near the property represents 27.42% of the age group within one-mile radius, 26.10%, and 21.59% within a five-mile radius. The average household income within a one-mile, three-mile, and five-mile radius from the property is \$67,655, \$93,855, and \$88,148 respectively. Likewise, the median household income within a one-mile, three-mile radius, five-mile radius is \$43,880, \$58,564, and \$53,780, respectively. As indicated in the exhibit above, there is positive household and population growth across all radiuses near the property. While % of household change within a one-mile, three-mile, and five-mile radius from the property was 4.32%, 8.32%, and 5.68%, respectively; the % of population change within a one-mile, three-mile, and five-mile radius was 7.18%, 12.56%, and 9.79%, respectively.

## Competitive Rental Analysis



**Avg. of Subject Property**  
1/1 557sf  
\$652 | \$1.17/sf



**4628 San Jacinto St. #A**  
1/1 500sf  
**Active \$800 | \$1.60/sf**



**4928 Bryan St. #4**  
1/1 600sf  
**Leased \$800 | \$1.37/sf**



**1901 N Fitzhugh Ave. #16**  
1/1 600sf  
**Leased \$696 | \$1.16/sf**



**4535 Live Oak St. #117**  
1/1 589sf  
**Active \$885 | \$1.50/sf**



**4903 Junius St. #102**  
1/1 441sf  
**Active \$800 | \$1.81/sf**

The Property comparable rental set is based on the units in the exhibit above: 4628 San Jacinto St. (one-minute drive time), 4928 Bryan St. (two-minute drive time), 4928 Bryan St. (two-minute drive time), 1901 North Fitzhugh Avenue., (two-minute drive time), 4535 Live Oak St (two-minute drive time), and 4903 Junius St. (four-minute drive time). Competitive properties are achieving average rents of \$795/unit (\$1.46/sf), which are 22.07% above where currents are for the subject property and approximately 1% below the Sponsor stabilized asking rent in year 5 \$808/unit (\$1.45/SF). The quoted asking rents for the competitive set range from \$696/unit (\$1.16/SF) to \$885/unit (\$1.50/SF) for a 1BR/1BA. Through the planned upgrade of the Property and unit interior renovations, which will upgrade the Property to B/B- quality, in place rents will be marked to market as leases roll and units are renovated.



## Financial Analysis and Valuation

### Projected Financial and Ratio Analysis

Annual Projected Cash Flow	In-Place	2017	2018	2019	2020	2021
<b>Operating Statistics</b>						
Physical Occupancy	100.00%	94.00%	96.00%	96.00%	96.00%	95.00%
Economic Occupancy	100.0%	88.9%	91.5%	89.5%	87.0%	90.5%
Market Rent	\$652	\$635	\$713	\$743	\$781	\$808
Effective Rent	\$652	\$635	\$713	\$743	\$781	\$808
Price Per SF	\$1.17	\$1.14	\$1.28	\$1.33	\$1.40	\$1.45
Gross Potential - Normal	156,480	152,475	171,183	178,316	187,439	193,845
<b>Gross Potential - Total</b>	<b>156,480</b>	<b>152,475</b>	<b>171,183</b>	<b>178,316</b>	<b>187,439</b>	<b>193,845</b>
Loss to Lease	0	(3,890)	(3,424)	(7,133)	(12,184)	(3,877)
<b>Adjusted GPR</b>	<b>156,480</b>	<b>148,585</b>	<b>167,759</b>	<b>171,183</b>	<b>175,255</b>	<b>189,968</b>
Vacancy	0	(9,148)	(6,847)	(7,133)	(7,498)	(9,692)
Credit Loss	0	(3,049)	(3,424)	(3,566)	(3,749)	(3,877)
Non-Revenue Units	0	(770)	(865)	(901)	(947)	(979)
<b>Net Rental Income</b>	<b>156,480</b>	<b>135,616</b>	<b>156,623</b>	<b>159,584</b>	<b>163,062</b>	<b>175,420</b>
Utility Income	0	0	0	0	6,799	6,930
Other Income	5,924	5,170	5,760	5,760	11,749	11,975
<b>Total Property Revenue</b>	<b>162,404</b>	<b>140,786</b>	<b>162,383</b>	<b>165,344</b>	<b>181,610</b>	<b>194,325</b>
G&A	400	7,333	8,131	8,379	8,633	8,896
Advertising/Promotion	0	0	0	0	0	0
R&M - Unit	0	0	0	0	0	0
R&M - Building	13,168	13,750	15,246	15,710	16,188	16,680
R&M - Site	0	1,879	2,084	2,147	2,212	2,280
Payroll	0	0	0	0	0	0
Utilities	9,721	7,988	8,857	9,126	9,404	9,690
Management Fees	9,611	4,224	4,872	4,960	5,448	5,830
<b>Controllable Expenses</b>	<b>32,900</b>	<b>35,174</b>	<b>39,189</b>	<b>40,322</b>	<b>41,885</b>	<b>43,375</b>
Insurance	5,567	3,667	4,066	4,189	4,317	4,448
Real Estate Tax	19,523	17,896	20,499	21,524	22,600	23,730
<b>Non-Controllable Expenses</b>	<b>25,090</b>	<b>21,563</b>	<b>24,565</b>	<b>25,713</b>	<b>26,917</b>	<b>28,178</b>
Total Property Revenue	162,404	140,786	162,383	165,344	181,610	194,325
Total Operating Expenses	57,990	56,736	63,754	66,035	68,802	71,553
<b>Net Operating Income</b>	<b>104,414</b>	<b>84,050</b>	<b>98,630</b>	<b>99,309</b>	<b>112,808</b>	<b>122,772</b>
Replacement Reserves	0	(4,583)	(5,150)	(5,305)	(5,464)	(5,628)
<b>Adjusted Net Operating Income</b>	<b>104,414</b>	<b>79,467</b>	<b>93,480</b>	<b>94,004</b>	<b>107,344</b>	<b>117,144</b>
Debt Service		44,233	52,164	54,538	54,687	54,538
<b>Levered Cash Flow</b>		<b>35,234</b>	<b>41,315</b>	<b>39,466</b>	<b>52,657</b>	<b>62,606</b>

Ratio and Financial Analysis						
	2017	2018	2019	2020	2021	
DSCR		1.80x	1.79x	1.72x	1.96x	2.15x
Cash on Cash Return		10.87%	12.7%	12.2%	16.2%	19.3%
NOI Debt Yield		7.5%	8.8%	8.9%	10.1%	11.0%
NOI/Door		\$3,973	\$4,674	\$4,700	\$5,367	\$5,857
Expenses/Door		\$2,837	\$3,188	\$3,302	\$3,440	\$3,578
NOI/SF		\$7.13	\$8.39	\$8.44	\$9.64	\$10.52
Expenses/SF		\$5.09	\$5.72	\$5.93	\$6.18	\$6.42
Operating Expense Ratio		40%	39%	40%	38%	37%
Net Operating Income Ratio		60%	61%	60%	62%	63%
Break-Even Ratio		68%	69%	70%	70%	66%

## Valuation Analysis

As-Is Valuation (Direct Cap Method)		As-Is DCF Valuation				Exit DCF Valuation				Exit Valuation (Direct Cap Method)	
In-Place NOI	84,050	Hold Period (years):			4	Hold Period (years):			4	Forward 12 NOI (Based on Exit Date)	121,622
Cap Rate	6.10%	Calculate on:	T-12 NOI			Calculate on:	T-12 NOI			Cap Rate	6.25%
Valuation	1,400,833	As-Is Date:	12/31/2016			Exit Date:	12/31/2020			Valuation	1,945,955
Valuation/Unit	70,042	Terminal NOI:	94,004			Terminal NOI:	127,472			Valuation/Unit	97,238
		Terminal Cap Rate:	6.00%			Market Cap Rate:	6.00%				
		Cost of Sale:	2.00%			Cost of Sale:	2.00%				
		Discount Rate:	8.00%			Discount Rate:	8.00%				
		Implied Cap Rate:	7.27%			Implied Cap Rate:	4.32%				
		Valuation	\$1,436,678			Valuation	\$1,841,487				
		Valuation/Unit	71,834			Valuation/Unit	92,074				1.4%
		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
NOI After Reserves	104,414	79,467	93,480	94,004	107,344	117,144	121,253	124,330	127,472	130,683	

As-Is DCF											
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023	12/31/2024	12/31/2025	
Property Cash Flow		104,414	79,467	93,480	94,004	107,344	117,144	121,253	124,330	127,472	130,683
PV of Cash Flow	308,112										
Exit NOI				94,004							
Exit Cap Rate				0							
Sale Price				1,566,735							
Closing Costs				(31,335)							
Net Sale Price				1,535,401							
PV of Sale Price	1,128,565	-	-	-	-	-	-	-	-	-	-
As-Is Value	1,436,678										

Exit DCF											
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023	12/31/2024	12/31/2025	
Property Cash Flow						117,144	121,253	124,330	127,472	130,683	
PV of Cash Flow	311,119				311,119						
Exit NOI									127,472		
Exit Cap Rate									6.00%		
Sale Price									2,124,540		
Closing Costs									(42,491)		
Net Sale Price									2,082,049		
PV of Sale Price	1,530,368				1,530,368						
Exit Value	1,841,487										

The current value of property is \$1,400,833 (\$70,042/unit) which is based on a Direct cap method assuming a 6.0% cap rate. Likewise, the current value of the property based on the DCF method is \$1,436,678 assuming a four year hold period, 8.00% discount rate, 6.00% terminal cap rate, and 2.00% cost of sale. The exit value of the property based on the direct cap method is \$1,945,955 which is based on a Forward 12 NOI (net of reserves) of \$121,622 and exit cap rate of 6.25% (Per CBRE DFW Q2 2016 Multifamily report cap rates for class C properties ranged from 6.25% to 6.75%). The exit value based of the DCF methodology is \$1,841,487 (\$92,074/unit) assuming an 8.00% discount rate, 6.00% terminal cap rate, and a 2.00% cost of sale.

## Underwriting Analysis

The investment strategy primarily consists of a value add renovation to upgrade low well-maintained class C low-rise apartment complex in order to raise rents in line with the comparables while capitalizing on anticipated upswing in market rental rates given Property proximity to downtown Dallas and numerous entertainment and shopping and venues.

### Base Case:

Purchase Price: \$1,400,833 (\$70,042/unit) or \$1,444,929 (\$72,246/unit including closing cost)

Financing: Initial funding of \$1,120,667 to finance the \$1,400,833 acquisition price plus \$44,095 (\$2,204/unit) in closing cost and future funding of \$145,000 to be advanced by month 18 of the hold period to renovate, upgrade, and reposition the Property.

Investment Period: Exit Properties within 5 years (60 months)

Market Rent Growth: 3.0% Years 1-2, 5% Year 3, 5% Year 4, 2.0% Year 5

Vacancy: 6% Year 1, 4% Year 2-3, 4% Year 4, 5% Year 5

Loss to Lease: 5% Year 1, 4.6% Year 2, 5.0% Year 3, 6.5% Year 4, 2.0% Year 5

Other Income/unit: \$25/unit Tear Year 1-3, \$51/unit Year 4, \$52.5/unit Year 5

Credit Loss: 2.0% Year 1-5

### Expense Growth:

- Admin- \$50/unit based on existing property manager estimate
- Repairs and Maintenance - \$750/unit based on historical financials
- Landscaping & Pest Control- \$90/unit based on expense comps
- Utilities-\$437/unit based on expense comps and existing and property manager projections
- Insurance- \$200/unit based on Market Comps and multiple quotes will be secured
- Professional Fees- \$350/unit based on historical financials
- Property Manager Fee- 3.0% of effective gross income, management fee to be negotiated with management company
- Operating Expenses will be grown by 3.0% from year 2 to exit

Replacement Reserve: \$250 Year 1, \$257.5 Year 2, \$265.2 Year 3, \$273.2 Year 4, \$281.4 Year 5

## Proposed Debt Terms Overview

Lender: TBD

Borrower: Grigsby Avenue LLC

Guarantor: Asante Investments LLC

Loan Amount: Initial funding of \$1,120,667 to finance the \$1,400,833 acquisition price plus \$44,095 (\$2,204/unit) in closing cost and future funding of \$145,000 to be advanced by month 18 of the hold period to renovate, upgrade, and reposition the Property

Interest Rate: 425 bps

Term: 60 months with options to extend

Amortization: Interest only during term