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# HAPPY VALLEY TOWNHOMES

## Deal Summary

**12 Townhomes in a great location in Happy Valley**
(**13,500 rentable sqft**) **3-4br /2.5ba Units**

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April, 2023

# PROPERTY PHOTOS:

# EXECUTIVE SUMMARY:

## 01 Project Overview:

- Value-add project of **12 Townhomes**
    - Total project cost = $3,445,048
    - Required Equity = $1,465,048
    - Debt = $1,990,000
- Located at 14154-14198 SE Summerfield, Happy Valley, OR
- The property is in Happy Valley, a safe growing suburb of Portland very similar to West Linn.

## 02 Financial Structure And Metrics:

- Total project budget = $3,445,048
    - $1,465,048 Equity
        - Sponsor/Manager will be investing at least $75,000, 5.12% of needed equity capital.
    - $1,990,000 acquisition debt, is guaranteed by Sponsor/Manager at a 5.45% interest rate. The loan is a 30 year fixed rate loan for five years .
    - The Sponsor has sourced the deal, placed it under contract, will qualify for a loan, manage the value add project, and oversee property management to maximize the project's value.
    - The Sponsor is planning to refinance the property at or around year 2 or 3 which will provide a capital event returning roughly 60% to 90% of original capital invested. Investors will retain their percentage ownership pro-rata.
    - Proforma returns indicate an estimated 17.19% IRR return, depending on the year of sale. Sale will depend on where market conditions are at said time.
    - Standard Equity minimum cash investment: $50,000 = 3.41% ownership
- **100% due by Mid May 2023**

## 03 Investor Benefits:

- **Lowest Possible Risk Profile:**
    - Shortly after asset acquisition we project a 3.45% cash on cash return and 7% preferred returns will be distributed quarterly as cash flow allows, if not it will be accrued and paid out first before any principal is returned on a refinance.
    - Value Add Multi-Family is one of the lowest risk asset classes as the asset is already in service
    - This Property is in an A+ location in Happy Valley Oregon a close in Suburb of Portland OR.
    - This value-add opportunity is a very light lift and improvements in property management.
    - Experienced team focused on increasing NOI and increasing property value featuring in-house property management, construction, and asset management.
    - We estimate a sale at 5 years to maximize the IRR on this particular deal.
- **Steady Simple Growth and Improvement Plan:**
    - The team has specific experience in this market and with this type of property.
    - High IRR deal due to lower rents and securing a very low purchase price.
    - Clackamas County and Happy Valley specifically is poised to experience continuous rent growth.
- **Other Investment Benefits:**
    - Provides an opportunity for diversification of investment type
    - Inflationary hedge**:** Rent and property value appreciation has exceeded inflation in the past.

- **Risk is limited to cash investment:** Managing member guarantees all debt.
- **Income Taxes:** Initial passive losses during pre-stabilization period can be used to offset passive income from other investments.
  - Cost segregation strategy will provide a passive K-1 loss between 50-75% of initial contribution.
  - Annual depreciation will create paper losses to reduce taxable income.

## 04 Preferred Return

- Investments will receive an annual preferred return of 7% and distributed quarterly unless there is a cash shortfall, then preferred returns will be accrued and paid out as cash is available.
- Priority of positive cash flow is paid to the preferred return balance until fully paid; thereafter, cash flow will be distributed on Pro Rata basis.
- Investors will receive 7% preferred returns that are paid quarterly. Proceeds in excess of 7% will be split 70% to Class A Members of their pro-rata shares and 30% to Class B Members of their pro-rata shares up to 16% IRR (as defined by the Sponsors). Proceeds above a 16% IRR will be split 50% to Class A Members of their pro-rata shares and 50% to Class B Members of their pro-rata shares.

## 05 Project Timeline:

01 **Initial Paperwork and Funding**
Early May 2023

02 **Purchase Property**
Early June 2023

03 **Value-Add Plan**
June 2023 -December 2024

04 **Project Stabilization**
Expected 1st quarter of 2025

05 **Possible Refinance:**
Late 2025 or Early to Mid 2026

06 **Sale**
Projected between 2026-2030

## 06 Operations:

- Distributions will be reviewed and issued at the sole discretion of the Sponsor / Managing Member.
- Cashflow is projected to improve over time with increased rents and turning over tenants..
- Refinance or Sale will be based on Market Conditions

## 07 Refinance:

- Upon stabilization, Sponsors will review the opportunity to refinance the property. Funds disbursed from the refinance shall first pay any accrued preferred returns. Then any proceeds from the refinance shall reduce the Class A member's initial capital contributions.
- The number of unit shares will remain the same, but the value of the shares will be reduced pro-rata by the amount of money distributed from the return capital from the refinance.
- Preferred returns will be based upon the new capital amount after the refinance.

## 08 Sale:

- A sale is anticipated to occur within 3-7 years after initial investment when market timing and maximum return opportunities present themselves.
- ***Projected value - year 5 stabilized occupancy, based on an assumed CAP rate of 5.5% = $4,824,115***
- ***Projected value - year 10 stabilized occupancy, based on an assumed CAP rate of 5.5% = $5,676,736***
- *Investors Initial Investment Amount* will be tracked; all cashflow received by investors, other than the Preferred Return, will be credited to its *Initial Investment Amount* until the *Initial Investment Amount* is returned in full.  If this has not been achieved by the time of sale, the remainder of the *Initial Investment Amount* will be paid in full as priority at time of sale. Then, funds will be distributed on a Pro Rata interest basis.

## 09 Internal Rate of Return:

- Internal rate of return (IRR) is a metric used in capital budgeting to estimate the profitability of potential investments. The internal rate of return is a discount rate that makes the net present value (NPV) of all cash flows from a particular project equal to zero.
- IRR is sometimes referred to as "economic rate of return" or "discounted cash flow rate of return." The use of "internal" refers to the omission of external factors, such as the cost of capital or inflation, from the calculation.
- At the completion of the Townhomes at Summerfield Investment, the estimated IRR of this project is **approximately 17.19%** assuming a sale at 5 years with a cap rate sale of 5.5%.

*(See Financial Tables on next page)*

# FINANCIAL TABLES:

The table below represents a hypothetical sale and timeline at year 5.

| SALE IRR CALCULATION | Preferred Return | Capital Events | Expected Class A Cashflows |
|---|---|---|---|
| Equity investment | -$1,465,048 | | |
| Year 1 | $48,290 | | $48,290 |
| Year 2 | $58,950 | | $58,950 |
| Year 3 | $92,183 | | $1,237,428 |
| Refinance Capital Event | | $1,145,245 | |
| Year 4 | $45,464 | | $45,464 |
| Year 5 | $107,546 | | $1,415,004 |
| Asset Sale Capital Event | | $1,307,458 | |
| IRR | | | 17.19% |

Tables below represent hypothetical sales at year 3, 4, 5, & 10 of investment with Internal Rate of Return.

| SALE IRR CALCULATION | Year 2 | Year 3 | Year 5 | Year7 |
|---|---|---|---|---|
| Equity investment | -$1,465,0480 | -$1,465,048 | -$1,465,040 | -$1,465,048 |
| Year 1 | $48,290 | $48,290 | $48,290 | $48,290 |
| Year 2 | $156,817 | $58,950 | $58,950 | $58,950 |
| Year 3 | | $200,420 | $92,183 | $92,183 |
| Year 4 | | | $45,464 | $45,464 |
| Year 5 | | | $1,415,004 | $53,520 |
| Year 6 | | | | $62,300 |
| Year 7 | | | | $1,675,785 |
| IRR | 11.73% | 17.10% | 17.19% | 16.19% |

# FREQUENTLY ASKED QUESTIONS

### How long will the value-add project take?

The value-add project is mainly composed of implementing RUBS and sending rent increases as the property has be mismanaged by the current property management company. Rent increases and RUBS will be implemented within six months of purchase.

### What's the anticipated time period from the time I invest until a sale is achieved?

We anticipate a sale or major capital event to occur between 3-7 years from the time of investment. Various determining factors include the current cap rates, lending environment and occupancy levels; sale or refinance timeframe solely depends on the current market conditions. Managing members are motivated to accomplish a successful sale or refinance since they will be investors as well.

### What state will the LLC be formed?

Oregon

### When will I start seeing distributions?

The project currently cash flows and preferred return distributions will begin upon asset acquisition. A 7% preferred return will be distributed quarterly as cash flow allows. Quarterly reports will also be shared to investors with every contribution. Year one cash flow is projected to be 3.5% with the remaining to be accrued.

### Who are the Operators?

AJ and Chris Shepard have been managing properties since 2006 and performing multifamily value-add projects since 2014. They are experts in both investment and residential real estate transactions. They pride themselves as leaders in the local real estate market and property management community.

### How many of these projects have you completed?

Uptown Syndication has executed five (6) multifamily value-add syndication acquisitions since 2020. As well, Chris and AJ Shepard currently own 350 units in Portland and Uptown Properties manages 700 units.

### What is the estimated time needed to achieve stabilized occupancy of 90-95%?

The property is already stabilized. All we need to do is implement our value add plan by sending out rent increases and RUBS notices.

# HAPPY VALLEY TOWNHOME PHOTOS:

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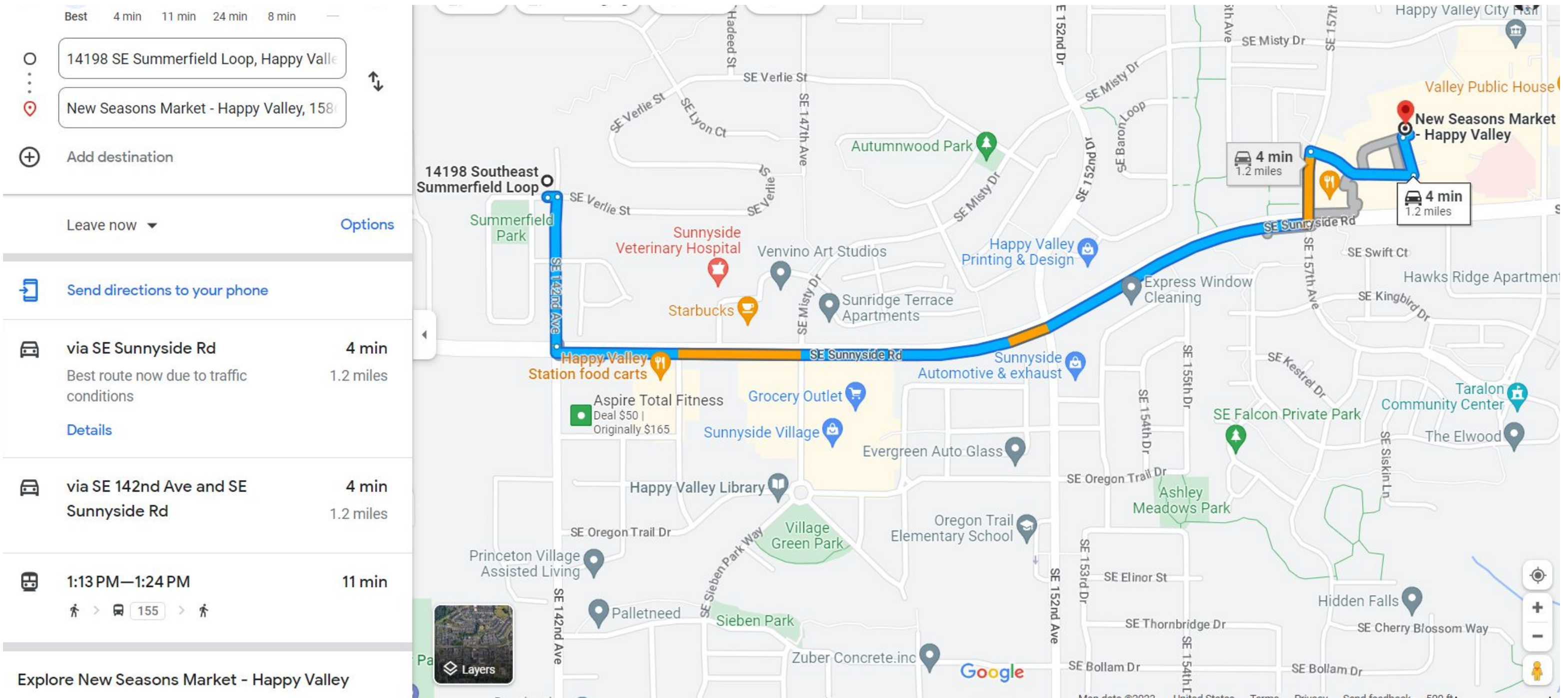
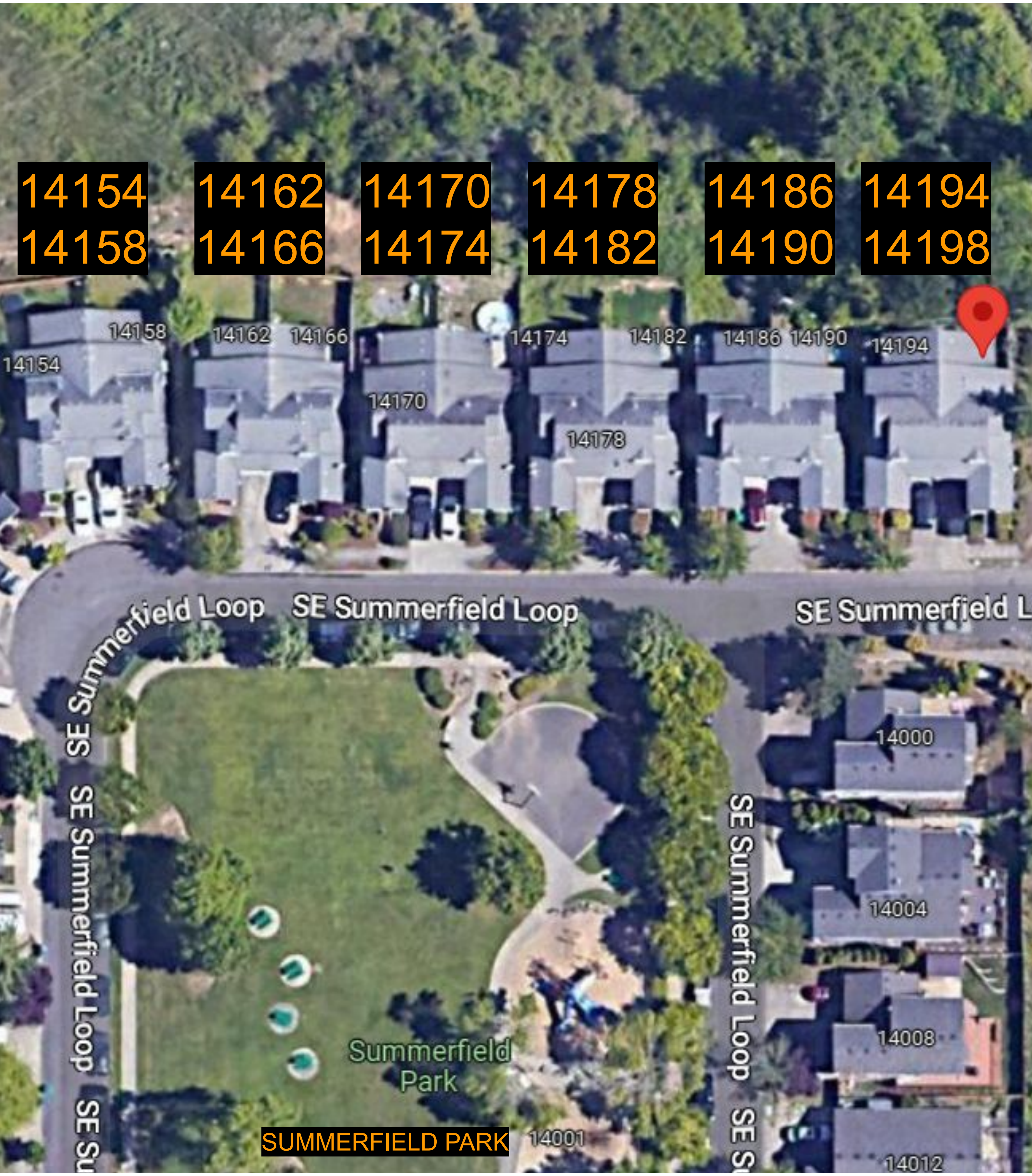
# NEARBY ATTRACTION PHOTOS:

## 1.2 Miles to New Seasons

1 Block from a Food Cart Pod, Grocery Store Across the Street, Playground Adjacent to the Property



# PROPERTY PHOTOS:



# UPTOWN SYNDICATION
## TRACK RECORD

## 4633 SW HUBER

Syndication of 12 Units – 4633 SW Huber was acquired in September 2020. Purchased for $1.7M and raised $600,000 of investor funds.

# UPTOWN SYNDICATION
# TRACK RECORD

## 6970 SW KING

Syndication of 21 Units – 6970 SW King was acquired in April 2021. Purchased for $3.45M and raised $1M of investor funds.

# UPTOWN SYNDICATION
# TRACK RECORD

## EXECUTIVE ARMS

Syndication of 25 Units – Executive Arms was acquired in June 2021. Purchased for $3.2M and raised $1.1M of investor funds.

# UPTOWN SYNDICATION
# TRACK RECORD

## TAPIOLA MANOR

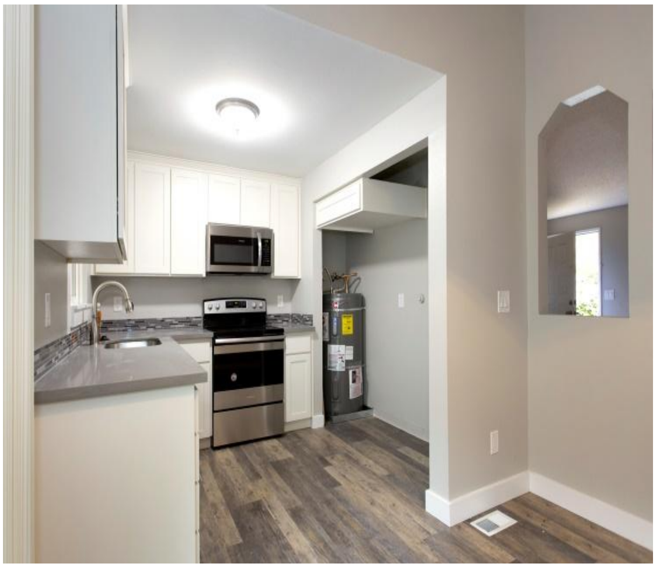
Syndication of 30 Units – Tapiola Manor was acquired in March 2022. Purchased for $6.3M and raised $2M of investor funds.

### Legal Disclaimer

The following is a preliminary summary only of select terms of a proposed offering and is not intended to be an offering memorandum or a solicitation of investment. If an offering is made, investors should review the definitive Offering Memorandum to be prepared and distributed by the project sponsor prior to making an investment decision. Further, there Can be no assurances as to the nature or extent of the actual returns to investors from the proposed project.

# UPTOWN SYNDICATION
## TRACK RECORD

## SW 68TH



Syndication of 9 Units – SW 68th was acquired in December 2019. Purchased for $1.2M and raised $400,000 of investor funds. Project is to be listed for sale for $2.3MM for a 37% IRR.

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