

Fairfield Lakes Townhomes

INVESTMENT Opportunity
101-UNIT VALUE ADD
MARCH 2018

2415 Hemlock Dr,
Beavercreek, OH
45431



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**Average Annual
Return
15-17%**

**Average Cash-
On-Cash Return
9-11%**

**Investor
Preferred
Return
7%**

OPPORTUNITY OVERVIEW

**Expected Hold
Period
10 years***

**Closing Date
4/27/2018**

**Investor Equity
70%**

OPPORTUNITY SUMMARY

- Currently rents at Fairfield average \$995/month, competition charges over \$150 more for similar looking units. Raising rents to market value will increase the value of the complex by 20% without any CAPEX.
- Market rent levels of \$1200 are approximately 15% of the median household income for the area. Most financial analysts allow 33% to be financially stable. Household income can drop more than 50% and Fairfield is still considered affordable, making this property almost recession proof.
- Beaver Creek has a waiting list for “B” townhomes and there are very few “A” townhomes even available. This is a great opportunity to reposition Fairfield Lakes.
- With professional management, select interior upgrades, and more aggressive marketing, A-class rent is achievable.



REM Equity Group

is pleased to offer Fairfield Townhomes,
with 101 units across 12.6 acres.

Fairfield Lakes Townhomes is a friendly and comfortable townhome community located in the middle of an A-class area. The demand for rental townhomes is high, with very limited availability.

Number Of Buildings	16
Total Units	101
Year Built	1999-2000
Lot Size	12.6
Rentable Square feet	129,920
Two Bedroom	
Square feet	1,127
Total units	33
Three Bedroom	
Square feet	1,360
Total units	68

Roofs	Pitched Shingles
Construction	Concrete Foundation Wood Framing
Exterior	Brick/Siding
Plumbing	PVC/Copper
HVAC	Forced Air
Wiring	Copper
Parking	2 spaces per unit w/ additional guest parking
Fire Protection	Firewall Smoke Alarms



FAIRFIELD LAKES TOWNHOMES

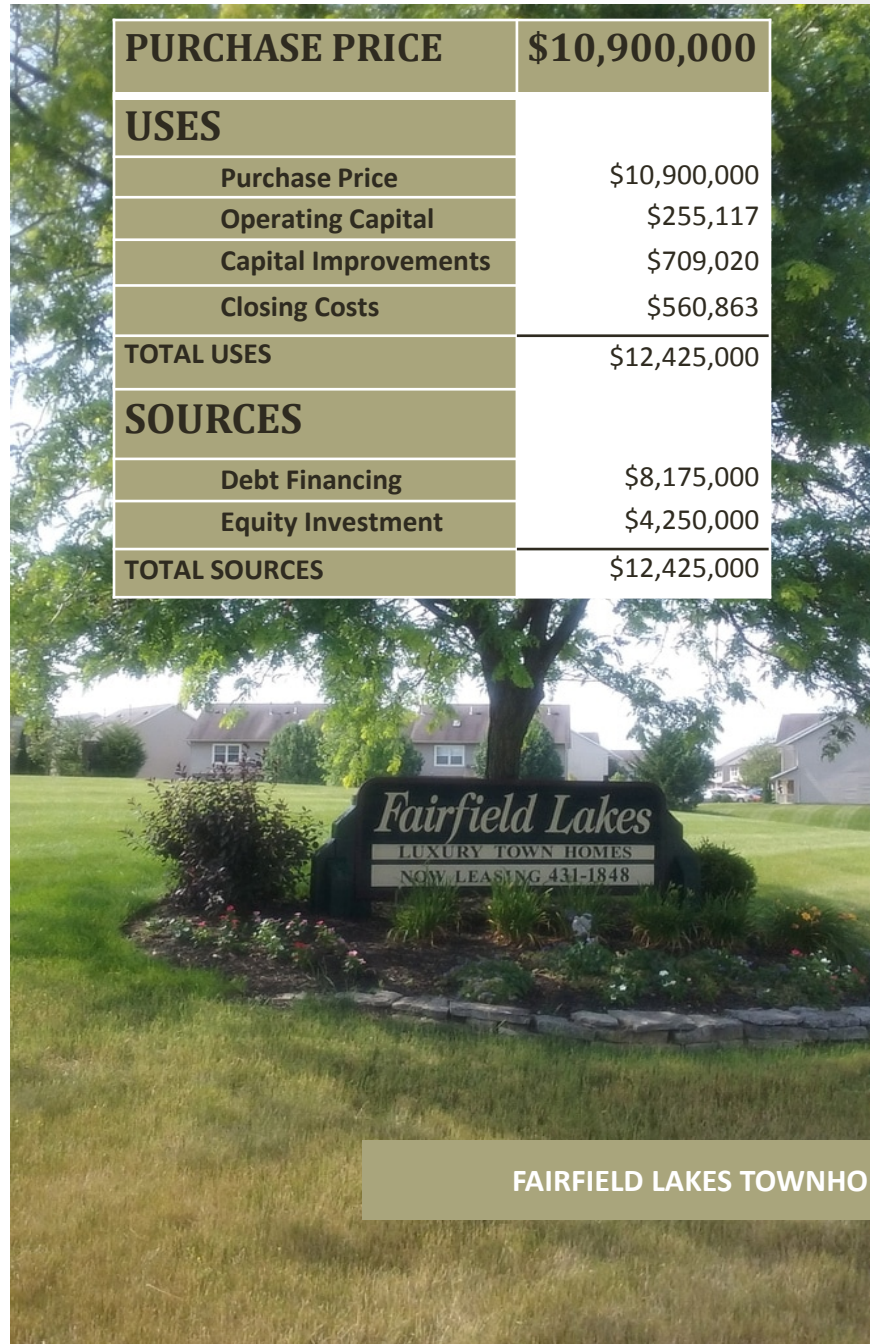
EQUITY INVESTMENT

This property provides investors the opportunity to be a part of a well maintained multi-family property with a history of strong cash flow. The current market conditions favor growth and a need for A-class housing. REM plans on capitalizing on the positive market trend by

1. Increasing rent to reflect market value
2. Establish professional management
3. Making improvements that will substantially increase income and add value over the holding period.



PURCHASE PRICE	\$10,900,000
USES	
Purchase Price	\$10,900,000
Operating Capital	\$255,117
Capital Improvements	\$709,020
Closing Costs	\$560,863
TOTAL USES	\$12,425,000
SOURCES	
Debt Financing	\$8,175,000
Equity Investment	\$4,250,000
TOTAL SOURCES	\$12,425,000



BUSINESS PLAN

FAIRFIELD TOWNHOMES REPRESENTS 3 KEY OPPORTUNITIES

EXISTING

PLANNED

BELOW MARKET RENT

INCREASE RENT TO MARKET

The current rent is \$950/2BR and \$1025/3BR. Local competitors are charging \$150-\$200 more per similar unit.



Market rent without capital improvements is \$1100/2BR and \$1300/3BR. Additional improvements to the property will make these townhomes even more desirable.

SELF-MANAGED

PROFESSIONAL MANAGEMENT

Fairfield has been a family business since 2000. In-house management has done a good job maintaining the complex but has done very little marketing.



We have identified a Third Party manager who we feel will maintain the strong operational excellence while drastically increasing the marketing reach for the property.

B CLASS

A CLASS

The interiors are the same as they were in 2000 (but looks like 90s). This needs updating. Same with signage and name.



There is a high demand for updated interiors and townhome style living. We will bring needed renovations to reposition this as the choice for higher-end townhome living. Rebranding to “The Fountains of Beavercreek”

COMMUNITY FEATURES

- Assigned Parking
- 2 Beautiful Ponds
- 24-HR, On-Call
Maintenance
- Playground
- On-site Mgt. Office
- Half-Basketball Court



UNIT FEATURES

- Front Porch
- Private Rear Patio
- Large Eat-In Kitchens
- Crown-molding Cabinetry
- Electric Appliances
- Storage Space
- Walk-in Closets
- Jacuzzi Bathtubs
- Cathedral Ceilings
- Skylights



FAIRFIELD LAKES TOWNHOMES

CAPITAL IMPROVEMENT

2 Bed - 33 Units

Upgrade/modernize lighting	33	\$350	\$11,550
Upgrade/modernize faucets	33	\$250	\$8,250
Upgrade/modernize cabinet pulls	33	\$35	\$1,155
Upgrade/modernize door knobs	33	\$100	\$3,300
New bathroom countertops - cultured marble	33	\$675	\$22,275
Fire avert / Fire suppression	33	\$100	\$3,300
New kitchen countertop - laminate (faux granite)	33	\$800	\$26,400
New appliance package - stainless steel	33	\$1,800	\$59,400
New kitchen sink	33	\$150	\$4,950
Painting	33	\$600	\$19,800
Kitchen back splash	33	\$150	\$6,500
Add kitchen crown moulding	15	\$100	\$1,500
New downstairs flooring - plank VCT (faux wood)	33	\$850	\$28,050
New Pantry	33	\$200	\$6,600
Open kitchen design	33	\$450	\$14,850

3 Bed - 68 Units

Upgrade/modernize lighting	66	\$360	\$23,760
Upgrade/modernize faucets	66	\$250	\$16,500
Upgrade/modernize cabinet pulls	66	\$30	\$1,980
Upgrade/modernize door knobs	66	\$150	\$9,900
New bathroom countertops - cultured marble	66	\$800	\$52,800
Fire avert / Fire suppression	66	\$100	\$6,600
New kitchen countertop - laminate (faux granite)	66	\$900	\$59,400
New appliance package - stainless steel	66	\$1,800	\$118,800
New kitchen sink	66	\$150	\$9,900
Kitchen back splash	66	\$150	\$9,900
Painting	66	\$600	\$39,600
Add kitchen crown moulding	30	\$100	\$3,000
New downstairs flooring - plank VCT (faux wood)	66	\$850	\$56,100
New Pantry	66	\$200	\$13,200
Open kitchen design	66	\$450	\$29,700

Exterior

New signage	1	\$20,000	\$20,000
Additional landscaping	1	\$20,000	\$20,000

Total		\$7,020	\$709,020
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*Suggested kitchen renovations will include appliance package, faux granite counter tops, faucet, cabinet pulls, lighting and flooring

Dayton, OH- Beavercreek Submarket

REGIONAL ACCESSIBILITY

- Fairfield Commons Mall - 2 miles
- Wright Patterson Air Force Base - 6 miles
- Wright State University - 3 miles
- Clark State Community College - 1 mile
- Ervin J. Nutter Center - 3 miles
- Schuster Performing Arts Center – 9 miles
- Greene Shopping Complex featuring upscale shopping and dining- 6 miles
- 1-675 - 2 miles
- 1-35 - 5 miles
- 1-70 - 12 miles
- James M. Cox Dayton International Airport - 20 miles

DEMOGRAPHICS

- 1 Mile Radius - Employment Density - "Above Average" (Experian)
- 21.6% population growth since 2000 with additional projected 3.5% growth in 2017 (clrsearch.com)
- The median household income in 2016 was \$84,180 (city-data.com) and has increased by 28% since 2010 (usa.com).
- Median home value in 2016 was \$183K, a 27% increase since 2000. Mean prices for townhomes in 2016 was \$155K. (city-data.com)
- The "working population" (those adults with employment) of Beavercreek grew 1.9% from 2014 to 2015. (datausa.io)
- 46% of the Beavercreek population have a Bachelor's degree or higher (clrsearch.com)
- The current (year-to-date monthly average, 2017) unemployment in Beavercreek is 3.2%. (bestplaces.net)
- Current employment is spread over 18 different industries with 80% of jobs still spread over 17 industries. Jobs are expected to grow by 39% over the next 10 years (bestplaces.net)
- Wage growth has had a 5 year historical growth of 11% (datausa.io)



Wright-Patterson
AFB

Wright
State
University

Ervin J.
Nutter
Center



Soin Medical
Center



Fairfield
Townhomes

Fairfield
Commons
Mall



RENT COMPARABLES

2BR	PROPERTY	YEAR BUILT	# OF UNITS	DISTANCE	UNIT SIZE	RENT	RENT PSF	LEASED
	The Enclave	1989	208	0.9 mi	928	\$970	\$1.05	99%
	Promenade	2008	238	1.0 mi	1149	\$1,302	\$1.13	95%
	Mallard Landing	1992	264	1.5 mi	1000	\$1,055	\$1.06	93%
	The Lofts	2010	325	0.8 mi	1226	\$1,414	\$1.15	90%
	Ashton Brooke	2002	221	2.6 mi	1164	\$1,274	\$1.09	98%
	Emerald Lakes	1999	178	1.0 mi	900	\$974	\$1.08	82%
	AVERAGE	2000			1109	\$1,165	\$1.09	93%

	Fairfield Lakes	2000		CURRENT	1127	\$947	\$0.84	95%
	Fairfield Lakes	2000		MARKET	1127	\$1,233	\$1.09	95%

3BR	PROPERTY	YEAR BUILT	# OF UNITS	DISTANCE	UNIT SIZE	RENT	RENT PSF	LEASED
	Emerald Lakes	1999	62	1.0mi	1600	\$1,509	\$0.94	82%
	Mallard Landing	1991	36	1.5 mi	1428	\$1,400	\$0.98	93%
	Village At Stonefalls	1999	79	2.3 mi	1478	\$1,345	\$0.91	98%
	Ashton Brooke	2001	95	2.6 mi	1551	\$1,514	\$0.98	98%
	Fieldstone	2002	32	4.6 mi	1198	\$1,230	\$1.03	96%
	AVERAGE	1998			1414	\$1,385	\$0.97	96%

	Fairfield Lakes	2000		CURRENT	1360	\$1,050	\$0.75	95%
	Fairfield Lakes	2000		MARKET	1360	\$1,315	\$0.97	95%



FAIRFIELD LAKES TOWNHOMES

5 Year Projected P & L

Revenue	Year 1	Year 2	Year 3	Year 4	Year 5
2 Bed / 2 Bath	\$430,056	\$485,100	\$514,800	\$530,244	\$546,151
3 Bed / 2 Bath	\$955,944	\$1,081,200	\$1,142,400	\$1,176,672	\$1,211,972
Gross Potential Rent	\$1,386,000	\$1,566,300	\$1,657,200	\$1,706,916	\$1,758,123
Vacancy/Collection Loss	15.00%	15.00%	8.00%	8.00%	8.00%
Total Revenue	\$1,178,100	\$1,331,355	\$1,524,624	\$1,570,363	\$1,617,474
Expenses					
Advertising	\$15,000	\$15,000	\$15,450	\$15,913	\$16,390
Admin Expense	\$5,000	\$5,000	\$5,150	\$5,304	\$5,463
Payroll	\$150,000	\$150,000	\$100,000	\$103,000	\$106,090
Insurance	\$28,000	\$28,000	\$28,840	\$29,705	\$30,596
Pest Control	\$1,000	\$1,000	\$1,030	\$1,060	\$1,092
Landscaping	\$20,000	\$20,000	\$20,600	\$21,218	\$21,854
Trash Removal	\$11,000	\$11,000	\$11,330	\$11,669	\$12,020
R&M	\$70,700	\$70,700	\$72,821	\$75,005	\$77,255
Make Ready	\$35,350	\$35,350	\$36,410	\$37,502	\$38,627
Snow Removal	\$4,000	\$4,000	\$4,120	\$4,243	\$4,370
Taxes	\$135,000	\$145,000	\$185,000	\$190,550	\$196,267
Utilities*	\$10,000	\$10,000	\$10,300	\$10,609	\$10,927
Management Fees (3rd Party)	\$47,124	\$53,254	\$60,985	\$62,815	\$64,699
CAPEX Reserve	\$65,650	\$65,650	\$65,650	\$65,650	\$65,650
Total Expenses	\$597,824	\$613,954	\$617,686	\$634,248	\$651,305
Net Operating Income	\$580,276	\$717,401	\$906,938	\$936,115	\$966,168
Debt Service	\$371,963	\$371,963	\$371,963	\$487,621	\$615,635
Cash Available for Distribution	\$208,313	\$345,438	\$534,975	\$448,494	\$350,533

*Utilities are fully sub-metered throughout

Pro Forma Assumptions

INCOME

Gross Scheduled Rent: Based on occupied units at leased rent and vacant units at market rent from the most recent roll. Average turn is 4-5 units per month. We are allowing 3 years to bring rents up to market across the entire complex. Afterwards we assumed annual 3% increases.

ECONOMIC LOSS

Loss-to-Lease: Represents the difference between market and contract/actual rents. Year 1 Loss-to-Lease is projected at 2.0%.

Vacancy: Pro forma vacancy loss is projected at 12% based on the historical performance of the property plus added vacancy due to renovations. Average historical vacancy in the immediate area is closer to 5% and we believe this is achievable with pro-active management and better marketing.

Collection Loss: Collection loss is projected at 1%, based on the historical performance of the property and market comparables.

EXPENSES

Advertising: Includes advertising, leasing costs, resident retention and other marketing expenses. Based on our analysis, current owner is overpaying and getting little result. We believe we will get better results on less dollars based on a more aggressive leasing strategy rather than just waiting for the phone to ring.

Administrative: Includes computer maintenance & supplies, evictions, telephone, answering service, website & support, office equipment, training & travel, and other office expenses. Pro forma expense of \$5,000 per unit is based on the historical average.

Payroll: Year 1 & 2 payroll is \$50K higher than stabilized due to added labor for CAPEX renovations. Stabilized expense is projected at \$990 per unit and has been increased over historical average to allow for (1) full time leasing agent, (1) full time maintenance and (1) part-time maintenance.

Insurance: While we believe there may be room for insurance savings, we decided to use a rough quote number received during due diligence.

Pest Control: Pro forma expense of \$1,000 is based on our prior experience and not the historical performance of the property.

Landscaping: Pro forma expense of \$20,000 is based on the historical performance of the property.

Trash: Pro forma expense of \$11,000 is based on the historical performance of the property.

Repairs & Maintenance: Includes expenses associated with the repairs and maintenance of the interior and exterior of the property and projected at \$700 per unit based on the historical performance of the property.

Make Ready: Includes the expenses associated with making a vacant unit ready for the next move-in and is projected at \$350 per unit, in-line with historical performance.

Snow Removal: While this number can vary widely based on weather conditions, there is a flat fee per plow contract in place and we took the average of the past few years to project \$4,000.

Taxes: The amount represented is based on a continuation of the existing real estate tax rate. Real estate taxes are re-assessed every three years and the next re-assessment is in 2020, with payment in 2021. The re-assessed value is based on information we received from a local tax appraiser.

Utilities: Includes electricity for vacant units and common areas, gas, water and sewer. Pro forma expense is based on a 54% increase over the trailing 12 months' expense due to increased usage during renovations.

Management Fee: Management fee is projected at 4% of the Effective Gross Income based on discussions with a local 3rd party property manager, Simply Management.

Capital Reserves: Capital reserves are projected at \$650 per unit. While this is on the high end of the usual range, we would rather be more conservative in this estimate.

FEES. We like to keep it simple. Projected returns already factor in our fees. We charge a one-time 3% acquisition fee and a quarterly 2% asset management fee (based on revenue collected). Our deals have no construction management fees, no disposition fees, no refinance fees, and no loan guarantee fees.

5 Year Projected Returns



						Sale*		
	1	2	3	4	5	Return \$	Return %	
Investment Account Balance	\$100,000	\$100,000	\$100,000	\$68,323	\$68,323			
Property Distributions	\$6,000	\$7,400	\$9,900	\$12,100	\$9,800	\$45,200		
Cash on Cash Returns	6.0%	7.4%	9.9%	12.1%	9.8%			
Net Proceeds/Profits from Sale					\$43,321	\$43,321		
Return of Initial Investment (Refi)			\$31,677		\$68,323			
Ending Investment Account Balance	\$100,000	\$100,000	\$68,323	\$68,323	\$0			
Total Return on Investment	\$6,000	\$7,400	\$9,900	\$12,100	\$53,121	\$88,521	88.5%	
Average Annual Return							18%	
Equity Multiple							1.89	
IRR							17%	
Average Cash on Cash Return							9%	

*We anticipate a long-term hold (10+ years) but are using a 5-year sale for example purposes. Hold period depends on the market and the final decision about when to sell will be reviewed on a yearly basis in consideration of market and property performance. 10-year hold returns 11% average COC. Returns in excess of 17% IRR will be split 50/50. Distributions will be paid quarterly.

PROJECT SPONSORS



Rod Khleif is a passionate real estate investor who has personally owned and managed over 2,000 apartments and homes. Rod is the host of the number one real estate podcast on iTunes - “Lifetime Cash Flow through Real Estate Investing”. Rod spends much of his time as a mentor and coach to rising stars in the real estate business. As an accomplished entrepreneur, Rod has built several successful multi-million dollar businesses. As CEO at REM, Khleif uses his expertise to guide the firm in identifying and acquiring undervalued apartment complexes. Khleif specializes in implementing efficient management and communication to ensure profitability.



Robert Ritzenthaler has been involved in completing over \$100 million of commercial and multi-family real estate transactions from New York to Florida over the last 17 years. During that same time Robert was instrumental in building a commercial construction company and property management business to further monetize the portfolio investments that were made. Robert has also spent time on Wall Street helping raise capital and launching a \$72 million technology hedge fund. He has guided equity partners on over a dozen acquisitions ranging from real estate to manufacturing and has been responsible for raising capital for these projects and completing due diligence.



REM Equity Group



REM Equity group is a real estate investment company focused on generating capital gains, passive income, and long-term equity appreciation for its investors and owners through the purchase and leverage of undervalued real estate investments.

We specialize in creating wealth for our investors while utilizing our creative skills to renew and reposition commercial real estate diligently and with integrity. REM has over 80 years of combined experience in property management, syndication, acquisition/disposition, and construction/renovation.

The company focuses on the acquisition of multi-family residential properties. REM is part of a network of private investors with the core focus of acquiring, repositioning and holding commercial real estate. This network's collective real estate holdings exceed \$200 million in properties across all sectors. They include retail strip centers, regional power centers, multi family properties, warehouses, storage facilities, and office buildings.



THANK YOU



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