Dear Investment Committee Members,

Santa Fe Ranch is a 357-unit multi-family opportunity in Irving, Texas. It has a unit mix of 7 different property layouts, averaging 985 sqft per unit, and sits on 24.53 acres. Has many high end amenities including a very large pool, a basketball court, and a gym. It’s targeting a 25-34 demographic of higher educated, single, white-collar workers. It looks to be in good condition, without any apparent red-flag concerns over deferred maintenance.

Assuming a rent growth rate of 5%, an ‘other income’ growth rate of 2%, a 5% expense growth rate, and an optimistic 3% exit cap rate, I do not believe we should purchase this deal at a 4% going in cap rate. Under these assumptions, it doesn’t meet our criteria with a return of 11% unlevered IRR. While I believe their rent is properly priced in consideration to local comps, I do not believe that their proposed value-add strategy will create as much additional value as they suggest. While they believe that an apartment that receives all of their proposed high-end upgrades will increase in value by $430, I believe it’s more realistically $290. In Irving, there are many 2 bed 2 bath homes with similar amenities, in a similar condition for $1500-$1600. Currently Santa Fe Ranch charges $1414 - $1551 for a 2/2 depending on the square footage, which is competitive in the market. Charging an additional $430 will border 2K in rent, something that only the lakeside luxury apartments of Lake Carolyn of Irvine have been able to collect.

While the city of Irving has received a large population boom recently with an expansion in job opportunities, its location is surrounded by commercial and next to a busy street. The view of Walmart’s and Sam’s club’s parking lot is mostly covered by trees, but the noise poses a concern. In addition, it’s close proximity to the DFW international airport could also create further noise from air traffic.

Despite these concerns, I believe Irving, Texas is an excellent location for opportunity and that this project could be a successful one if we were able to purchase it for 71 mil or less at a 4.75% going in cap rate.

Sincerely,

Adrian Silich