Union-Grove Apartments

36 Units | Methuen, MA

Confidential Investment Summary

Arrowpoint Properties, LLC
290 Merrimack St Suite 210
Lawrence, MA 01843
Main 978-207-3077

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THIS INVESTMENT IS SPECULATIVE AND SUITABLE ONLY FOR SUBSCRIBERS OF SUBSTANTIAL NET WORTH WHO ARE WILLING AND HAVE THE FINANCIAL CAPABILITY TO PURCHASE AN INVESTMENT INVOLVING CERTAIN RISKS AND WITHOUT ANY DEGREE OF LIQUIDITY AND WHICH MAY NOT PROVIDE ANY IMMEDIATE CASH RETURN.

INVESTORS SHALL HAVE THE OPPORTUNITY TO ASK QUESTIONS AND RECEIVE ANSWERS FROM MANAGEMENT OF THE COMPANY CONCERNING ANY ASPECT OF THIS INVESTMENT AND TO OBTAIN ADDITIONAL INFORMATION CONCERNING THE BUSINESS OF ARROWPOINT HOLDINGS, LLC

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This is not an offering or the solicitation of an offer. Any such offer or solicitation will only be made to investors through a confidential Private Placement Memorandum (the "Memorandum") and only in those jurisdictions where permitted by law. An investment should only be made after careful review of the Memorandum. The information herein is qualified in its entirety by the information in the Memorandum.

An investment made pursuant to the Memorandum is speculative and involves a high degree of risk, including possible loss of the entire investment. Opportunities for withdrawal, redemption and transferability of interests are limited, so investors may not have access to their invested capital when it is needed. No assurance can be given that the investment objective will be achieved or that an investor will receive a return of all or any portion of his or her investment. Investment results may vary substantially over any given time period.

EXECUTIVE SUMMARY

Union-Grove Apartments: 17-19 Grove St and 70-72 Union St Methuen (Essex County), MA 01844

The Union-Grove Apartments (the "Property") is a 36-unit apartment community built in 1970 and located in Methuen, MA (Essex County). The Property is conveniently located close to the downtown district of Methuen and just minutes to the NH border. The Property is being purchased by Arrowpoint Union-Grove, LLC (the "Company") for $3,940,000. The acquisition price includes a $50,000 credit from Seller due at closing. This will reduce the net effective purchase price to $3,890,000. The credit will be used in full toward the replacement of a retaining wall on the Property. The Company is seeking $1,200,000 in common equity that will be used to acquire, renovate and operate the Property.

The apartment complex attracts a host of middle class workers who typically have a workplace less than 20 miles from their residence. This type of tenant and property is consistent with Arrowpoint's current portfolio and one that the Company is most familiar with.

Off-Market Transaction-The Property, although listed with a real estate broker was never offered on the open market. Arrowpoint had recently sold a property with this broker that closed in December of 2017. Because of the existing relationship with the broker, Arrowpoint was afforded the opportunity to negotiate prior to other buyers viewing the Property. Arrowpoint feels they are purchasing the Property significantly below replacement cost. All of Arrowpoint's prior acquisitions have also been purchased off-market and is their preferred manner in which to acquire properties.

Value-Add Opportunity-This investment represents an excellent opportunity to create additional value through interior and exterior renovations. It is evident to Arrowpoint that the Property has been mismanaged for several years as the current owner has not made any improvements to units and has kept the rents well below market, essentially "bleeding" the Property for cash flow. Arrowpoint intends to implement its proven "value-add" strategy that will turn the Property around, increase revenues and create very attractive returns for investors.



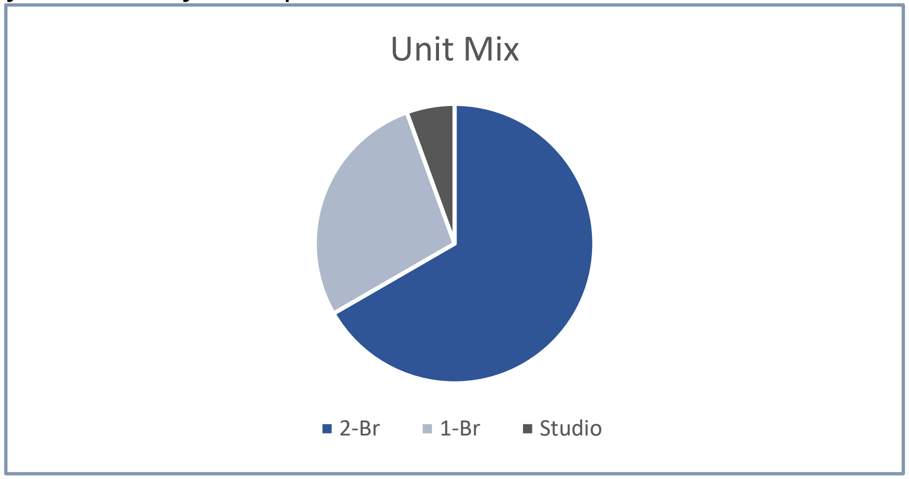
PROPERTY OVERVIEW

PROPERTY DESCRIPTION

Union-Grove Apartments is a 36 unit, garden style community with a brick exterior and asphalt shingle, hip-style roof. There are two identical buildings, each containing 18 units. The unit mix per building is twelve 2-br, five 1-br and 1-studio totaling twenty four 2-br, ten 1-br and two studios in all. There is a common laundry room (coin-operated and maintained by Macgray) in each building as the only on-site amenity. There is off-street parking for residents with approximately 1 space per unit plus some additional spaces for guest parking and second vehicles.

All of the units are identical in terms of size and layout. There are no varying sizes or floor plans which simplifies renovation plans and costs. The average size of the 2-br units is 700 square feet, average size of the 1-br units is 600 square feet and each studio averages 350 square feet.

Each unit is equipped with a gas range and through the wall air conditioner. There are no garbage disposers or dishwashers in any of the units. All units have one bathroom with a standard tub/shower set up. The current condition of the units can be classified as average to below average with a majority containing original finishes. The Property has never gone through any extensive renovation program and is in dire need of an upgrade. The heat and hot water is supplied via gas (FHW) and paid for by the landlord. There are two Weil-Mclein boilers per building, installed in 2003 and 2014. Each unit is separately metered for electric and tenant-paid. Each panel is set up for a maximum of 65 amps which is typical for this age of property. According to the owner, the roofs were replaced in 2003 with an architectural shingle that will typically have a 30-yr life span. The owner also states that all windows were replaced between 1999-2002.



PROPERTY OVERVIEW

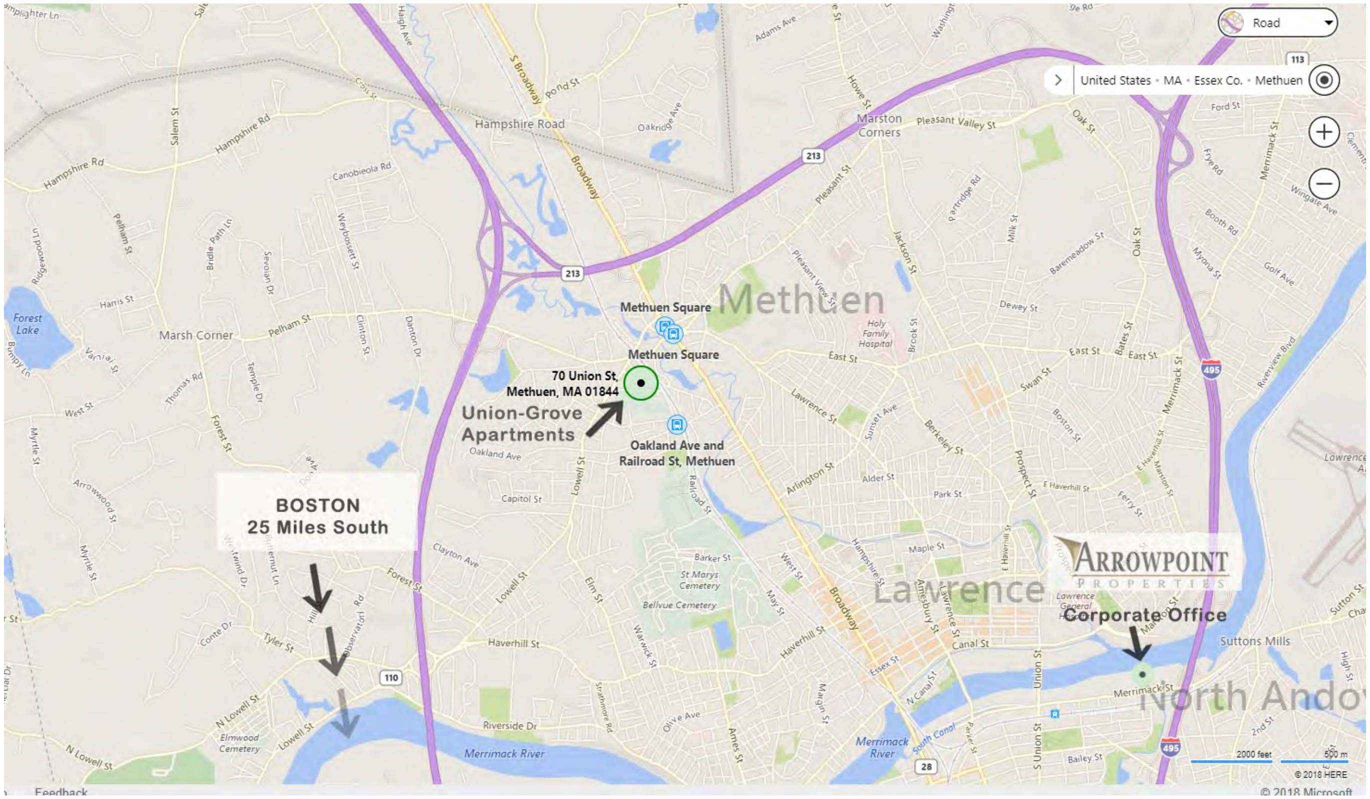
PROPERTY SUMMARY	
NUMBER OF UNITS	36
YEAR BUILT	1970
NUMBER OF BUILDINGS	2
STORIES	2.5
NET RENTABLE AREA	26,108
AVERAGE UNIT SIZE	725 SQ FT
SITE	
ADDRESS	17-19 Grove St and 70-72 Union St Methuen, MA 01844
COUNTY	Essex
LOT SIZE	.76 Acres
PROPERTY FEATURES	
CONSTRUCTION STYLE	Brick, Garden-style
WINDOW TYPE	Sliding, double pane
ROOF TYPE	Hip, architectural shingle
UTILITIES	
ELECTRICITY	Resident-Paid, National Grid provider
WATER/SEWER	Landlord-Paid, Public Town of Methuen
HVAC	Gas, FHW, Landlord-Paid, A/C units provided by Landlord
PARKING AND SECURITY	
SURFACE SPACES	36-48
SECURITY FEATURES	CCTV set up for each building

PHOTOS - EXTERIORS

PHOTOS - INTERIORS

PHOTOS - INTERIORS

PROPERTY LOCATION



Central Location

The Property is conveniently located close to the downtown district of Methuen and just a few minutes from "tax-free" shopping in New Hampshire. The city of Boston is 25 miles to the south and can be accessed by train or car (approx. 30 minutes). There is public transit also within walking distance from the Property. Area hospitals consists of Holy Family Hospital, located just 1.8 miles away as well as Lawrence General Hospital which is approximately 2.9 miles from the Property. Area shopping consists of "the Loop" which is an outdoor mall having varying restaurant options, retail stores and large anchor stores such as Home Depot and Stop & Shop. The Loop is located 2.5 miles from the Property.

Close to Corporate

Union-Grove Apartments is ideally located just 3.2 miles from Arrowpoint's corporate office. Having the Property in close proximity to the main office offers the advantage of managing the property more efficiently and with a more "hands-on" approach. All of Arrowpoint's current portfolio is located in a similar fashion so that the management and maintenance teams are utilized to their fullest potential.

PROPERTY LOCATION

Bird's Eye View

The above map shows a bird's eye view of the Property in relation to another apartment complex currently owned and operated by Arrowpoint Properties. The Property is just ¾ of a mile from Oakland Heights Apartments. The Company believes that creating economies of scale and managing properties that are in close proximity to each other offers a large advantage over other landlords. Management can effectively set the market rents the more units they absorb.


UNION-GROVE
APARTMENTS
ARROWPOINT REAL ESTATE PROFILE

KEY PRINCIPALS

David R. Lamattina, President & CEO

David Lamattina, President & CEO of Arrowpoint Properties LLC has been in the business of acquiring and managing multifamily property since 2003. He is a graduate of Fairfield University with a degree in business management and marketing. He currently holds his real estate broker's license in the states of MA and NH. At Arrowpoint, David is responsible for sourcing new deals, raising investment capital and overseeing the entire Arrowpoint portfolio. Since 2009, he has acquired and sold close to 400 apartment units with an aggregate value of close to $50 million. He has grown the company at a quick pace while continuing to seek new relationships with potential investment partners.

Jay D. Goldberg, Managing Partner

Jay Goldberg is a Partner at Arrowpoint Properties, bringing extensive experience managing and investing in numerous residential and commercial properties throughout New England. Jay and partner David Lamattina have together acquired and managed hundreds of multi-family units while delivering compounded value for Arrowpoint Properties investors. Jay brings his deep relationships, market knowledge and background in leading all aspects of real estate transactions to his role at Arrowpoint Properties. He is also involved in other investment properties throughout New England in either general partner or limited partner roles. He has worked for Ernst & Young's Real Estate Consulting Transaction Group, Merchandise Mart Properties in Chicago, and holds a real estate license in the state of Massachusetts. Jay received a Bachelor of Science in Real Estate and Urban Economics from the University of Connecticut.

MULTIFAMILY STRATEGY

INVESTMENT STRATEGY

Arrowpoint's investment strategy is to acquire multifamily properties in secondary and tertiary markets below replacement cost and in growing supply-constrained communities where, over the long-term, rents are expected to increase above the rate of inflation.

The major components in which Arrowpoint looks for when purchasing these properties are:

- Must have a value-add component
- Purchase stable properties with the immediate potential for increasing rents to market rate.
- Purchase properties that our management team can instill its practices, increase the revenue stream and decrease the operating expenses.
- Must be a highly desirable asset with significant appreciation potential over a short-term period, usually 2-3 years.

Investment strategy provides asymmetric returns.

- In difficult economic times multifamily assets produce steady returns. Shelter is a necessity, and tenants can have modest/low wage jobs and still afford to pay their rent. In strong economic times, substantial appreciation can be achieved from strong rent growth.

INVESTMENT OBJECTIVE

Provide investors with superior, risk-adjusted returns using standard market leverage which is broken down as follows:

- Average annual cash yield is >10%
- Investor levered IRR is >18%
- Total investor ROI is >28%
- Deal levered IRR is >25%

VALUE-ADD APPROACH

Identify properties with below-market rents in communities with long-term fundamentals and reduce operating costs by implementing cost-saving initiatives and leveraging economies of scale. Arrowpoint typically is able to identify properties that have been mis-managed over a long period of time, leaving thousands of dollars in NOI to be created in a 2-3 year period.

FINANCE PERSPECTIVE

Arrowpoint tends to maximize value and returns by seeking the most opportune lending scenario for that particular property. Typically, interest rates are locked in for a 7 or 10 year term with the first 2-3 years being interest only. This allows Arrowpoint to conserve cash in the initial term while capital is spent improving the property and reaching its stabilization point. Once the property is stabilized and significant value is created, cash may be realized and returned to investors by way of a refinancing of the property or through an earn-out scenario.

TEAM EXPERIENCE

Arrowpoint Properties and its related entities currently own/manage 750+ apartment units and 400,000+ square feet of commercial real estate.

ALIGNMENT OF INTERESTS

The Arrowpoint team invests in every transaction on the same terms as investors, providing for a long-term alignment of interest.

BARRIERS TO ENTRY

Buying significantly below replacement cost creates a wide barrier to entry for any direct competitive supply.

SCALABLE MODEL

Arrowpoint’s investment strategy in the secondary and tertiary market of the multifamily sector is highly scalable, as Arrowpoint has successfully implemented this strategy and will continue to do so in the immediate area with similar dynamics.

CASE STUDY

WATER'S EDGE APARTMENTS - LAWRENCE, MA

Water's Edge Apartments is a 24-unit apartment complex located in Lawrence, Massachusetts. Arrowpoint acquired the property in May of 2016. Although the property was fully occupied at the time, rents were on average 30% below market and the property had been poorly managed for some time.

IMPROVEMENTS

As soon as Arrowpoint took over the property, improvements to interiors and exteriors began. Units that turned were completely gutted and renovated, resulting in new lease ups at a premium of $500 over in place rents. An average of $10,000/unit was spent on upgrades. Over the course of 18 months, Arrowpoint was able to increase the value of the property by a million dollars, resulting in an earn out from the lender and a significant portion of capital returned to investors.

INVESTMENT SNAPSHOT

Total Capitalization	$1,975,000
Investment Date	May 2016
Market Value	$2,800,000
Target IRR	24.75%
Increase in Annual Rev	$116,400
Avg. Rent Increase	$525/unit

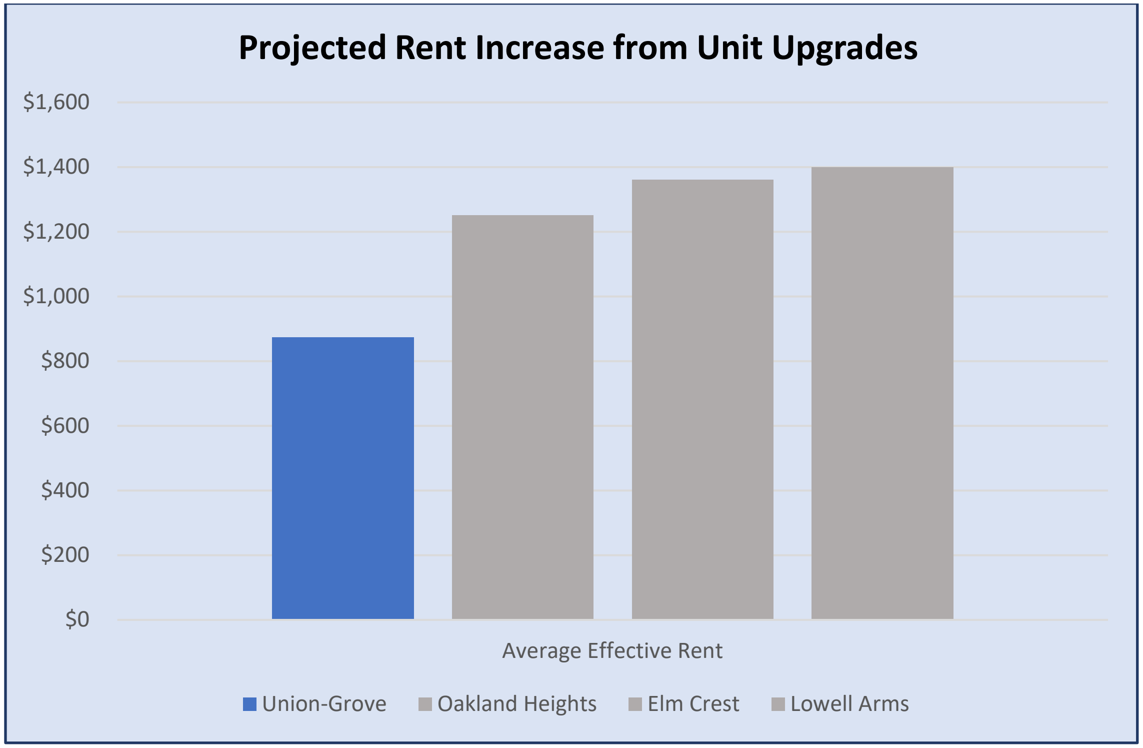
Before Reno

Post Reno

RENOVATION AND VALUE ADD PLAN

Below Market Rents

- **RENT UPSIDE**
- We believe Union-Grove will achieve $420-$515 rent premiums over current, in-place rents through our planned unit upgrades.
- Union-Grove's in-place rents trail similarly aged, upgraded apartments in its market by $500-$600. All 36 units are unrenovated which leaves significant revenue upside by repositioning the property. Our value add program involves renovating kitchens with a new appliance package, new cabinets and hardware, tile backsplash, porcelain tile flooring, new lighting and plumbing and full bathroom replacements consisting of vanities, fiberglass tub surrounds, tile flooring and new fixtures.
- The exterior which is currently in an unattractive state, will see updated landscaping, new awnings over main entrances, new shutters on building faces and a sealcoating of the parking lot.
- Common areas in each building will see a replacement of old carpeting with an updated VCT tile and baseboard. All walls, doors and trims will be painted with a modern color.



Projected Rent Premium: $420-$515

RENOVATION AND VALUE ADD PLAN

- The Company is budgeting approximately $565,00 to implement several interior and exterior upgrades to the Property. This will greatly help the Property stand out from the competition and realize planned rent increases.

Pro-Forma Projected VALUE ADD Revenue Increases Yrs. 1-3	
Total Value Add $ Rent Increase	$17,136
Avg. Monthly Rent Increase / unit	$476
Total Value Add Budget	$565,000
Total $ Revenue Increase (proj)	$205,632
% Return on Investment	36.39%
Cap Rate (proj.)	7%
Capitalized Increase Value (proj.)	$2,937,600

- Our Value Add proposal is to make interior improvement upgrades at each unit TURNOVER (lease expiration and/or new re-lease). To move the program along faster, we will encourage existing residents to move into renovated units so that we may complete the upgrades sooner. The subsequent increase in rents will immediately improve the Net Operating Income (NOI) of the Property and therefore, we believe will increase its value significantly.

PLANNED IMPROVEMENTS

- Complete Kitchen and Bathroom upgrades
  --- New Appliance Package
  --- New flooring and lighting
  --- New Kitchen cabinets
  --- New vanities and tub surrounds
  --- All new plumbing and fixtures

--- Common Area Upgrades
--- Landscaping Upgrades
--- Energy Saving Measures
--- Parking log upgrades
--- Improved Curb Appeal
--- Replace retaining wall

Existing Kitchen

Proposed Upgrade

UNION-GROVE

APARTMENTS

MARKET OVERVIEW

ABOUT THE CITY OF METHUEN

A BRIEF HISTORY

Methuen has a rich and varied past. Its history includes millionaires, factory workers, heroes and scoundrels. Its people have come from all corners of the earth. Its sons and daughters have traveled the world and been involved with world shaping events. Methuen was first settled in 1642 and was officially incorporated in 1726. Methuen was originally part of Haverhill, Massachusetts. In 1724 Stephen Barker and others in the western part of that town petitioned the General Court to grant them permission to form a new town above Hawke's Meadow Brook. Although opposed by their fellow townsmen, the petition was approved the following year (December 8, 1725), and the General Court gave them an act of incorporation under the name of Methuen. The town was named for Sir Paul Methuen, a member of the King's Privy Council and friend of acting Provincial Governor William Dummer.

Industrial growth in the 1800s influenced Methuen's development. Construction of the Methuen Cotton Mills at the Spicket River falls in the 1820s and the increased manufacture of hats and shoes in small factories along the Spicket spurred the centralization of Methuen's economic, residential and cultural activities within the area around Osgood, Broadway, Hampshire and Pleasant streets. Three wealthy and prominent families—the Nevins, the Tenneys and the Searles—played a significant role in Methuen's history and development. These families were instrumental in the founding of many of Methuen's landmarks, including the Nevins Memorial Library, the Searles building, Tenney Gatehouse, Nevins Home, Spicket Falls, and the Civil War monument between Pleasant and Charles streets.

ECONOMIC OVERVIEW

Greater Boston continues to rank as one of the top three markets nationally for institutional investors, thanks in large part to the underlying fundamentals and the dynamics of the employment market. The organic demand in Boston created by biotechnology, technology, healthcare and education industries is a strong driver that will continue to spur investments into the region. According to Forbes, Boston has one of the highest income of America's largest metro areas.

Metro Boston continues to thrive as businesses come from around the world to take advantage of the highly skilled and educated labor force. Due to its exceptional quality of life, cultural offerings, diversified employment and well-developed infrastructure, Massachusetts is considered to be one of the nation's most desirable areas to live and work. In fact, US News recently ranked Massachusetts #1 on its Best States rankings. Massachusetts was also ranked #1 in education and #2 in healthcare in the same report. Bloomberg also ranked Massachusetts #1 State for Innovators.

"Our economy is among the strongest in the nation. Over the past two years we've added 120,000 jobs. Today more people are working than at any time in the past 20 years. The companies of the future are moving to Massachusetts, bringing millions in private investment. While new companies are born here every day." - Gov. Charlie Baker

The Boston market continues to expand in the areas of education, health services, professional, scientific and business services. In addition, Boston's outstanding institutions of higher education continue to be drivers in the formation of new companies. As a testament to the growing economic base, General Electric's global headquarters will move to South Boston's Seaport. Demographics were a key factor behind GE's move to Boston as young talent is at the heart of Boston and employers want to be where the talent is.

EXCELLENT EMPLOYMENT TRENDS

- Over the last 5 years, Massachusetts has added over 300,000 new jobs-an average of 61,051 new jobs per year.
- July 2017 marked the 87th straight month for job gains in Massachusetts (year over year) dating back to 2010.
- The Massachusetts unemployment rate was at 3.5% for year ending 2017. Last year's unemployment was the lowest it has been in 15 years.

MASSACHUSETTS JOB GAINS YEAR-OVER-YEAR

2017:	+ 63,000 jobs
2016:	+ 59,800 jobs
2015:	+ 67,500 jobs
2014:	+ 67,500 jobs
2013:	+ 55,400 jobs
5-Year Total:	+ 313,200 jobs
5-Year Average:	+ 62,640 jobs/year

The city has been named one of the Best Places for Business in the U.S. by Forbes magazine and the leading state for capital investment by the Beacon Hill Institute's State Competitive Index.

Forbes magazine has also named Boston one of the "Top Cities for Job Growth", which is due to the strong education and healthcare sectors, a multitude of colleges and universities, and a highly educated workforce.

MAJOR LOCAL EMPLOYERS

Holy Family Hospital
A STEWARD FAMILY HOSPITAL
3D SYSTEMS
new balance
Lawrence General Hospital
Columbia Gas of Massachusetts
A NiSource Company
Raytheon
PHILIPS
casa systems

DEMOGRAPHICS	Methuen	5 Mile	10 Mile	15 Mile
Population	50,800	216,238	436,735	880,492
Households	18,653	78,074	158,375	318,903
Avg. HH Income	$87,441	$82,278	$99,884	$104,687
Median Age	40	37	40	41
White Collar	63%	58%	63%	65%
Blue Collar	21%	22%	19%	19%
Services	16%	20%	18%	16%
Jobs	22,518	115,365	213,536	420,844

EXCELLENT HIGHWAY & TRANSIT ACCESS

Union Square offers a convenient location with excellent access to highway and MBTA transit. The complex is situated just off of Lowell St (Rt. 113), which connects to I-93 (exit 46) just 1.5 miles from the property.

I-93 provides residents connections and access to I-495 in less than 10 minutes and Downtown Boston and Logan Airport in 45 minutes. There are MBTA bus stops within walking distance and MBTA commuter rail service in Lawrence is 3.3 miles away.

Riverwalk Lawrence, home to Arrowpoint Corporate, is a 5 million square foot mixed-use development along the Merrimack River. Home to over 4,500 employees, the series of rehabilitated mill buildings are home to major employers such as Aztec Technologies, Cube 3 Studio, Delphi Technology Solutions, GenCon Construction, Global Connector Technology (GCT), Merrimack Valley Federal Credit Union, Mill City Insurance, OBP Medical, Steward Holy Family, Kronos Health, Pentucket Medical, and many more. Additionally, a number of residents at Union-Grove work just 2.9 miles away at Lawrence General Hospital, which is a major employer in the market.

With over 210,000 jobs within 10 miles and over 420,000 jobs within 15 miles of Union-Grove, residents have easy access to a wide network of local employers. With excellent highway and nearby transit access, residents also have easy access throughout Boston, Cambridge and Southern New Hampshire.

RETAIL AMENITIES

Residents are just 2.3 miles from major retailers at the Loop (www.attheloop.com) and along Pleasant Valley Street. The Loop is a 500,000 sf open-air retail plaza, with retailers along this one mile stretch including Starbucks, Stop & Shop, Market Basket, Target, Walmart, AMC Theaters, Home Depot, Not Your Average Joe's, Olive Garden, Fridays, Margarita's, and more. There are also a number of other local retail and dining amenities throughout the city of Methuen as well as at Riverwalk Lawrence (www.riverwalkmills.com).

Additionally, residents are less than 10 minutes from tax-free shopping in Salem, NH. Along with the Loop, this 5 million sf of shopping and dining amenities offers residents everything they need and desire.


brick
house
TAVERN+TAP

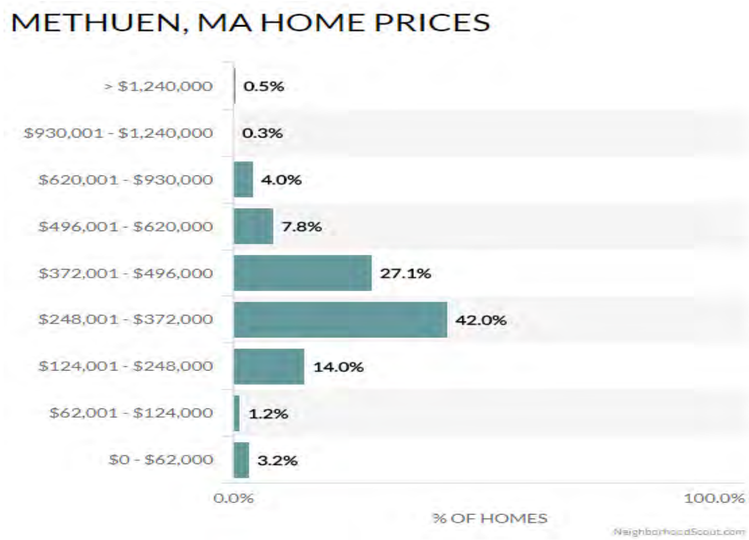

TARGET
PHARMACY

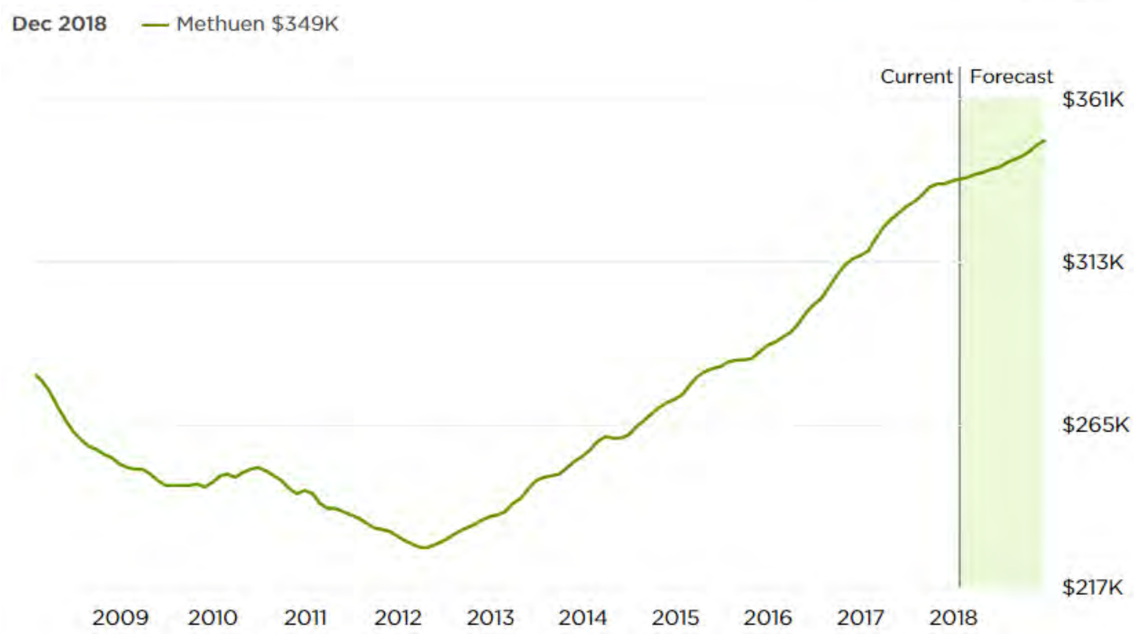

STARBUCKS COFFEE
STARBUCKS COFFEE


LOEWS THEATRES
LOEWS THEATRES

METHUEN HOUSING MARKET

The median home value in Methuen is $337,300. Methuen home values have gone up 6.9% over the past year and is predicted they will rise 3.6% within the next year. The median list price per square foot in Methuen is $210, which is lower than the Boston Metro average of $263. The median price of homes currently listed in Methuen is $359,900 while the median price of homes that sold is $350,800.





COMPETETIVE APARTMENT MARKET

The North Shore – Merrimack River Valley Apartment Submarket had a vacancy rate for 2017 of just 4.4% and an average rent of $1,858 per month across all classes. Signifying the strength of the submarket, rents have grown at an average of 3.2% per year since 2012, as vacancy throughout the submarket has remained stable, averaging 4.1% over the same period. The submarket is projected to continue its strong growth with vacancy projected to average just 4.4% over the next five years, with rent growth projected at an average of 3.2% per year over the same time period.

Union-Grove vs. The Market	2017 Vac	Current Rent
Merrimack Valley Sub-Market*	4.4%	$1,858
Union-Grove Apts**	1.95%	$873

Source: Axiometrics
***Owner provided*

RENTAL COMPS

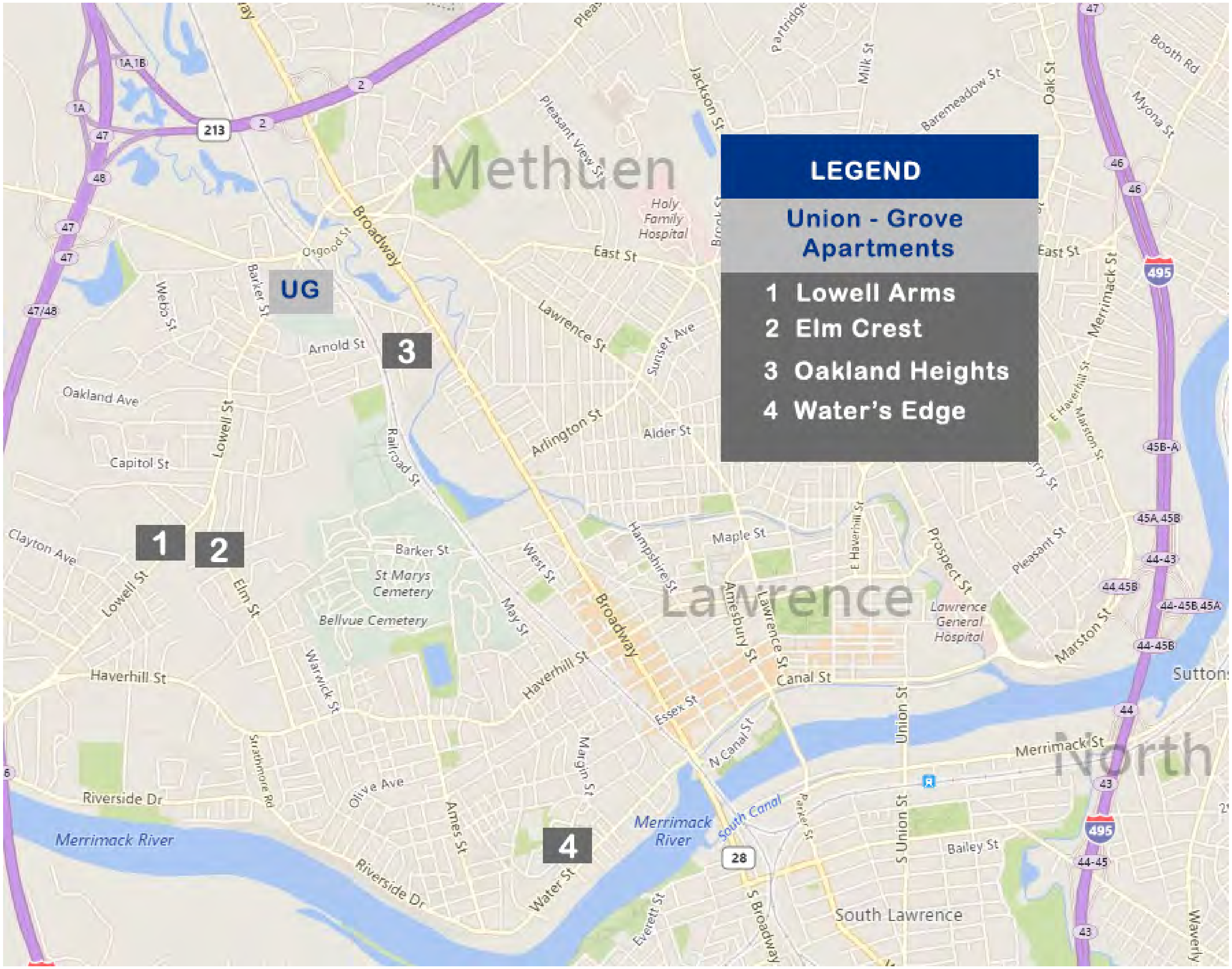
ONE BEDROOM

Property Name	Location	# of Units	Style	Avg. Size	Year Built	Avg. Rate	PSF
Union-Grove	Methuen, MA	10/36	Garden, Class“C”	600 sf	1970	$830	$1.38
Lowell Arms	Methuen, MA	22/48	Garden, Class”C”	650 sf	1969	$1,295	$1.99
Elm Crest	Methuen, MA	30/92	Garden, Class”C”	650 sf	1970	$1,250	$1.92
Oakland Heights	Methuen, MA	11/24	Garden, Class”C”	625 sf	1968	$1,100	$1.76
Water’s Edge	Lawrence, MA	11/24	Garden, Class”C”	625 sf	1972	$1,100	$1.76
Total/Avg.				**647 sf**		**$1,115**	

TWO BEDROOM

Property Name	Location	# of Units	Style	Avg. Size	Year Built	Avg. Rate	PSF
Union-Grove	Methuen, MA	24/36	Garden, Class“C”	700 sf	1970	$910	$1.30
Lowell Arms	Methuen, MA	24/48	Garden, Class”C”	725 sf	1969	$1,475	$2.03
Elm Crest	Methuen, MA	32/92	Garden, Class”C”	735 sf	1970	$1,470	$2.00
Oakland Heights	Methuen, MA	12/24	Garden, Class”C”	725 sf	1968	$1,300	$1.79
Water’s Edge	Lawrence, MA	12/24	Garden, Class”C”	725 sf	1972	$1,300	$1.79
Total/Avg.				**722 sf**		**$1,291**	

COMPARABLE RENTS MAP



UNION-GROVE UNIT MIX

			Effective Rent		Market Rent		Market w/Planned Upgrades	
Unit Type	Units	SF	Rent	PSF	Rent	PSF	Rent	PSF
Studio	2	350	$650	$1.85	$925	$2.64	$1,050	$3
1 Bed/1 Bath	10	600	$830	$1.38	$1,050	$1.75	$1,225	$2.04
2 Bed/1Bath	24	700	$910	$1.30	$1,250	$1.78	$1,425	$2.03
Total/Avg.	**36**	**652**	**$873**	**$1.34**	**$1,176**	**$1.80**	**$1,349**	**$2.07**

- **Current In-Place Rents are on average 35% below competing properties in the area**
- **We are projecting and additional 15% increase over market for upgraded units**

SALES COMPARABLES

UNION-GROVE APARTMENTS
17-19 Grove St & 70-72 Union St
Methuen, MA 01844

Built:	1972
Units:	36
Price/Unit:	$108,055
Closing Date:	3/30/2018

COLONIAL VILLAGE
1 Independence Drive
Methuen, MA 01844

Built:	1970
Units:	148
Price/Unit:	$157,432
Closing Date:	9/1/2017
Distance from Subject:	3.8 miles

HIGHLAND ESTATES
9 Highland Ave
Pelham, NH 03076

Built:	1970
Units:	48
Price/Unit:	$109,375
Closing Date:	12/1/2017
Distance from Subject:	8.3 miles

CHURCH HILL ESTATES
148 Willard St
Lowell, MA 01850

Built:	**1968**
Units:	**24**
Price/Unit:	**$116,666**
Closing Date:	**7/19/2017**
Distance from Subject:	**8 miles**

WILDER APARTMENT
393 Wilder St
Lowell, MA 01851

Built:	**1960**
Units:	**17**
Price/Unit:	**$105,529**
Closing Date:	**5/1/2017**
Distance from Subject:	**11.3 miles**

BERKELEY APARTMENTS
131-135 Berkeley St
Lawrence, MA 01841

Built:	**1970**
Units:	**10**
Price/Unit:	**$129,353**
Closing Date:	**7/21/2017**
Distance from Subject:	**1.7 miles**


UNION-GROVE
APARTMENTS
FINANCIAL ANALYSIS

FINANCIAL ASSUMPTIONS

USES OF CAPITAL	AMOUNT
Purchase Price	$ 3,940,000
Capital Repair Budget	$ 565,000
Earn Out Proceeds Escrowed	$ 490,000
Closing Costs & Escrows	$ 66,500
Acquisition Fee	$ 75,000
Legal Fees	$ 3,500
Working Capital & Reserves	$ 70,000
Total Uses of Capital	**$ 5,210,000**

GENERAL ASSUMPTIONS	
Total Units	36
Purchase Price/Unit	$ 108,055
Purchase Price/Per SF	$ 110,000
Cap Rate – End Yr 1	5.80%
Exit Cap Rate	7.0%
Sales Cost	2.50%
Exit Price	$ 5,886,036
Exit Price/Unit	$ 163,501

SOURCES OF CAPITAL	AMORT.	RATE	% EQUITY	% CAPITAL	AMOUNT
DEBT					
Senior –After Earn Out	30 Years	4.50%		77%	$ 4,010,000
Total Debt				**77%**	**$ 4,010,000**
EQUITY					
Investors			79.17%	18.2%	$ 950,000
Arrowpoint Holdings			20.83%	4.8%	$ 250,000
Total Equity			**100%**	**23%**	**$ 1,200,000**
Total Sources of Capital				**100%**	**$ 5,210,000**

CASH FLOW ASSUMPTIONS	
Rental Rate ($/SF w/Upgrades)	$ 1.93
Average Increase over Market	$ 172
Average Rent Growth – YOY	2.0%
Physical Vacancy – Avg 5 Yrs.	5.8%
Bad Debts	.50%
OpEx Increase	3.0%
Loss to Lease – Avg 5 Yrs.	4.95%
NOI Margin	82.25%

PROFORMA							
REVENUE	%	Per Unit	Year 1	Year 2	Year 3	Year 4	Year 5
Gross Potential Rent		$14,117	$508,200	$518,364	$528,731	$539,306	$550,092
Renovation Income		$316	$11,367	$36,890	$63,430	$78,954	$80,533
Loss to Lease		($2,993)	($107,735)	($5,553)	($5,922)	($6,183)	($6,306)
Gross Potential Income		**$11,440**	**$411,832**	**$549,701**	**$586,239**	**$612,077**	**$624,319**
Vacancy Loss		($915)	($32,947)	($32,982)	($29,312)	($30,604)	($31,216)
Bad Debt	0.50%	($57)	($2,059)	($2,749)	($2,931)	($3,060)	($3,122)
Net Rental Income		**$10,467**	**$376,826**	**$513,971**	**$553,996**	**$578,413**	**$589,981**
Other Income							
Laundry Income			$7,200	$7,200	$7,200	$7,200	$7,200
Effective Gross Income			**$384,026**	**$521,171**	**$561,196**	**$585,613**	**$597,181**
OPERATING EXPENSES							
Property Insurance		$403	$14,500	$14,935	$15,383	$15,845	$16,320
Property Management Fees	8.00%	$853	$30,722	$41,694	$44,896	$46,849	$47,774
Pest Extermination		$69	$2,500	$2,575	$2,652	$2,732	$2,814
Advertising/Marketing		$21	$750	$773	$796	$820	$844
Utilities		$738	$26,578	$27,376	$28,197	$29,043	$29,914
Trash Removal		$83	$3,000	$3,090	$3,183	$3,278	$3,377
Snow Removal Contract		$111	$4,000	$4,120	$4,244	$4,371	$4,502
Landscaping/Grounds Contract		$42	$1,500	$1,545	$1,591	$1,639	$1,688
General Repairs/Maintenance		$1,067	$38,403	$41,694	$28,060	$28,902	$29,769
Turnover		$0	$0	$0	$7,200	$7,416	$7,638
Real Estate Taxes		$1,000	$36,000	$37,080	$38,192	$39,338	$40,518
Total Operating Expenses		**$4,388**	**$157,953**	**$174,880**	**$174,393**	**$180,232**	**$185,159**
Total Expenses per Unit				**$4,858**	**$4,844**	**$5,006**	**$5,143**
NOI		**$6,280**	**$226,073**	**$346,290**	**$386,803**	**$405,381**	**$412,023**
NOI per Unit				**$9,619**	**$10,745**	**$11,261**	**$11,445**
CORPORATE EXPENSES							
Accounting & Finance			$1,500.00	$1,545.00	$1,591.35	$1,639.09	$1,688.26
Legal			$3,500.00	$2,500.00	$900.00	$927.00	$954.81
Total Corporate Expenses			$5,000.00	$4,045.00	$2,491.35	$2,566.09	$2,643.07
Net Cash Flow Before Debt			$221,073	$342,245	$384,311	$402,815	$409,379
DEBT SERVICE							
Senior Loan	$2,955,000		$ (132,975)	$ (143,193)	$ (149,676)	$ -	$ -
Loan Amt after Recast	$4,010,000					$ (243,817)	$ (243,817)
Net Cash Flow After Debt			$ 88,098	$ 199,052	$ 234,635	$ 158,998	$ 165,562

FINANCIAL ANALYSIS

KEY RETURN DRIVERS

Average Total Vacancy Rate	5.8%
Exit Cap Rate	7.0%
Total Appreciation over 5 Years	49.4%
Multiple on Equity Investment	2.18x
Total Investor ROI	142%
Investor Average Annual Return on Equity	12.93%
Investor IRR	21.47%

PROPOSED LOANS

Loan Amounts	$4,010,000
Down Payment @ 25% of Purchase Price	$ 985,000
Loan Term	7 Years
Loan Interest Rate	4.50%
Amortization Term	30 Years
Principal & Interest	I/O first 3 years then converts to P&I for remaining 27 with balloon due at maturity
Maturity Date	March 1st, 2048 est.
Pre-Payment Penalty	Step Down 2,2,1,1,1

PROJECTED INVESTOR RETURN - $100,000 INVESTMENT- 5 YEAR HOLD

	Year 1	Year 2	Year 3	Year 4	Year 5	Total Return $	Return %
Beginning Investor Capital Account Bal.	$ 100,000	$ 100,000	$ 100,000	$ 59,183	$ 59,183		
Investor Cash Flow	$ 7,339	$ 11,607	$ 13,682	$ 9,271	$ 9,654	$ 51,552	
Annual Return on Equity	7.34%	11.61%	13.68%	15.67%	16.31%		12.92%
Net Proceeds/Profits from Sale					$ 67,129	$ 67,129	
Return of Investor Capital			$ 40,817		$ 59,183		
Ending Investor Capital Account Bal.	$ 100,000	$ 100,000	$ 59,183	$ 59,183	$ 0		
Total Return in Investment						$ 118,681	142%
Average Annual Gross Return							28.37%
Equity Multiple							2.18x
IRR							21.47%

FINANCIAL ANALYSIS

PROJECTED EQUITY RETURN AT EXIT (5 YRS)	
Exit Value @ 7.0% Cap Rate (on NOI of $412,023)	$ 5,886,036
Sale Price/Unit	$163,501
Loan Balance (year 5)	($ 3,877,647)
Sales Cost @ 2.50%	($ 147,151)
Return of Investor Capital (after earn out)	($ 710,000)
Total Profit (Capital Gain)	**$ 1,151,238**
Equity Partners Share – 70%	$ 805,867
Managing Partner Share – 30%	$ 345,371

PROJECTED CASH & EQUITY DURING 5 YR HOLD PERIOD	
Total Cash Flow	**$ 846,347**
Equity Partners **Cash Flow** - 70%	$ 618,872
Managers **Cash Flow** – 30%	$ 227,475
Total Profit & Cash Flow	**$ 1,997,585**
Equity Partners **Total Profit and Cash Flow**	$ 1,424,739
Managing Partners **Total Profit and Cash Flow**	$ 572,846
Equity Partners Annualized ROI	**28% +**
Equity Partners Total ROI	**142%**

OFFERING TERMS SUMMARY

CLOSING DATE	March 30, 2018
OFFERING AMOUNT	$ 1,200,000
INVESTMENT VEHICLE	Limited Liability Company
PROPERTY MANAGEMENT FEE	8.0% of Effective Gross Income
ESTIMATED RETURN OF CAPITAL VIA EARN OUT in Year 3	30% - 40% (approx. $30k-$40k on $100k investment)
MINIMUM INVESTMENT	$ 100,000
OWNERSHIP SHARE	70% to Equity Partners / 30% to Managing Partners
ELIGIBLE INVESTORS	Accredited Investors Only
IRA/401K ELIGIBLE	Yes

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