



# Verandas at Bear Creek

Houston, TX | January 2022

ACQUISITION & SALE CASE STUDY

LSCRE

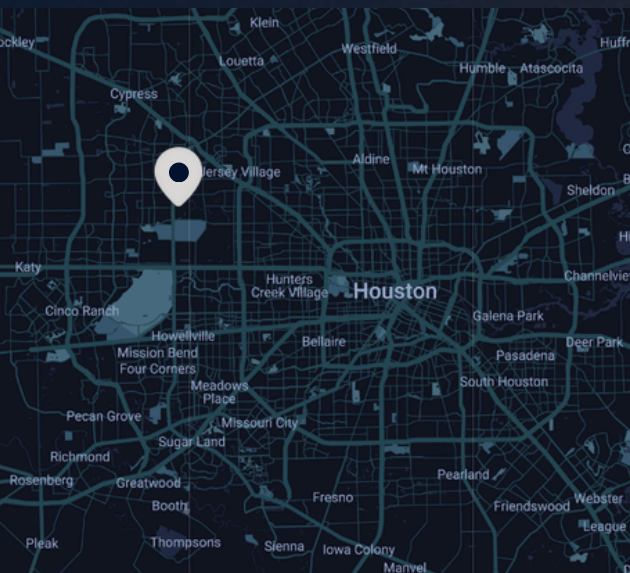
# Verandas at Bear Creek

INVESTMENT SUMMARY		RETURNS SUMMARY	PROJECTED	ACTUAL
Purchase Price	\$11,500,000	Investor AAR	17.3%	31.9%
Total Capitalization	\$12,700,000	Investor IRR	19.4%	37.0%
Acquisition Debt	\$9,300,000	Equity Multiple (net)	1.67x	2.24x
Equity Check	\$3,400,000	Hold Period (Months)	60	34

## Property Overview

**160** Units  
**1983** Vintage  
**2018** Year Acquired

Verandas at Bear Creek ("VBC") is situated in a pocket of similar vintage communities serving a largely B class tenant base, with relatively strong median incomes of around \$70,000. This pocket of communities had an average occupancy of around 93%, yet VBC was in the low 80s upon LSCRE's acquisition despite being nearly fully renovated by the seller. Prior to acquisition, the Bear Creek / Copperfield / Fairfield submarket ranked 1<sup>st</sup> of 42 total submarkets in their list of "Houston's Hottest Performing Submarkets" with annualized growth rates of 6.7% in occupancy, 5.7% in rental rates and 1.17% in absorption over the prior 3 months.



## ACQUISITION / DEAL ANALYSIS

LSCRE first began pursuing the acquisition of Verandas at Bear Creek in early 2019 when the seller engaged a local brokerage firm to market the property for sale. LSCRE participated in the bidding process, but a buyer was never chosen since no one was able to meet the seller's initial high price expectation. In February 2019, LSCRE was awarded the property for \$11,500,000 (\$71,875 per unit) and closed on the asset on June 26, 2019. We found this acquisition compelling due to its low basis and the possible upside through lease up and improved management, neither strategy being capital intensive. LSCRE planned an initial capital expenditures budget of \$500,000 (a modest \$3,125 per unit). The capex spend ended up marginally over budget at \$518,000 but the business plan proved effective as demonstrated by the speedy and successful lease up of the asset, reaching 100% occupancy in less than 12 months while raising rental rates by over \$50 (6.6% increase).

## MARKET OVERVIEW

Verandas at Bear Creek is located in the desirable Spring ISD school district in northwest Houston with convenient access to I-45, Beltway 8, George Bush Intercontinental Airport, shopping, dining and public transportation. In July 2018, the University of Houston predicted 70,000 new jobs over the subsequent year. Per Integra Realty Resources, Houston was the only market in the recovery period of its multifamily market cycle, implying decreasing vacancy rates and solid rent growth for the foreseeable future. The Willowbrook / Champions / Ella submarket had seen 6% rent growth as well as 4% occupancy growth. Jobs were growing rapidly as the Pinto Business Park (less than two miles away) opened an 855,000 square foot Amazon fulfillment center. While under contract, Coca Cola announced it would build a 1,000,000 square foot facility nearby on 110 acres.

# Business Plan / Value-Add

Most buyers seek stabilized value-add assets, rather than mostly-renovated assets with non-stabilized operations, which show a less straightforward path to value creation than simple interior renovations.

Deals under 90% occupancy are not eligible for permanent agency debt, requiring a bridge loan with a higher interest rate and shorter term than permanent financing.

Confident that we could execute the business plan, we pursued a bridge loan execution with a plan to refinance the debt quickly post-stabilization.



## EXTERIOR / AMENITIES

- ✓ LSCRE added perimeter fencing, as demanded by the residents to improve safety and enhance image / perception of the community.
- ✓ Upgraded amenities: poolside barbeque grilling and picnic station, repainted stair railings, restriped parking lot, siding repairs
- ✓ Clubhouse renovated by adding a business center for residents and building a 24-hour access door to the fitness center, while keeping the leasing center secure and only accessible during business hours.
- ✓ Improved security by installing LED exterior lighting to deter illicit activity at night

## OPERATIONS

- ✓ Increased resident retention with raffles, events, amenities.
- ✓ Drove leasing + reduced eviction costs with reduced security deposit via Rhino.
- ✓ Occupancy brought to 90% by June 2019 while simultaneously raising rents almost 20%.

## UNIT UPGRADES

- ✓ Washers / Dryers installed in 30 units to maximize Verandas at Bear Creek's edge of in-unit laundry compared with other properties in the area
- ✓ Interior renovations also included backsplashes in all kitchens throughout the property



# Asset Management / Performance

VBC's operational performance has been roughly 5% below underwriting projections (based on net operating income), which can at least partially be attributed to the negative impact to rent collections associated with the coronavirus pandemic. LSCRE's management team handled the coronavirus pandemic extremely well and the resident base worked with staff on payment plans to maintain occupancy and mitigate collection loss.

VERANDAS AT BEAR CREEK: RENT ANALYSIS				
Unit Type	Square Feet	Rent (going-in)	Rent (achieved)	% Increase
Studio	535	\$730	\$781	+7.0%
1x1	645	\$830	\$865	+4.2%
1x1	664	\$855	\$879	+2.8%
2x1	748	\$945	\$985	+4.2%
2x2	864	\$1,045	\$1,085	+3.8%



## REFINANCE / EXIT

Verandas at Bear Creek has been a tremendous success for LSCRE cash-out refinance on October 9, 2020 at an appraised value of \$14,700,000 (\$91,875 per unit), returning 36% of investor's original capital. LSCRE's acquisition underwriting assumed a sale in five years (July 2024) for \$14,284,728 (\$89,280 per unit) using a very conservative 6.5% terminal capitalization rate. On April 27, 2022, LSCRE closed on the sale of the property for \$17,500,000 (\$109,375 per unit), which delivered a 30.6% IRR for investors and a 1.97x equity multiple over a 34-month hold. The investment's actual performance and execution is a strong example of LSCRE's ability to under-promise and overdeliver.



# About LSCRE

Founded in 2018, LSCRE has helped thousands of investors build long-term wealth through over \$750 million of multifamily investments in Texas.

We're multifamily investing experts – this is all we do. Our mission is to help you sleep well at night, knowing your capital is working hard in high-quality properties located in stable, growing markets, delivering consistent monthly distributions and long-term appreciation.


We've delivered 32% average annual returns on sold assets and currently manage a portfolio of over 5,000 apartment homes. Through our vertically integrated operations – including in-house property, asset, and construction management – we offer greater transparency, better execution, and risk under control.

We also provide the opportunity to 1031 exchange upon sale, enabling investors to maximize depreciation benefits, compound wealth, and avoid the headaches of re-investment decisions and timing risk.

Most of all, we're built on service. Our goal is to give you peace of mind through proactive communication, clear reporting, and an unwavering commitment to your success – so you can invest confidently with us for life.

For further information about LSCRE, or our investment opportunities, please contact us.

 [ir@lscres.com](mailto:ir@lscres.com)

 (917) 765-3160

 [www.lscres.com](http://www.lscres.com)

 1 World Trade Center, Suite 47A, New York, New York, 10007