

Republic Place

5708 W. Parmer Lane
Austin, TX

Units: 290
Rentable SF: 277,022
Average Unit Size: 955
Commercial SF: 0
Date Acquired: 2/13/2018
Year Built: 2017
Occupancy 4/30/2019: 94.5%
GAV 3/31/2019 Draft Value: \$54,000,000
Value Per Unit: \$186,207
Debt Balance: \$22,258,725
NAV: \$31,741,275



Republic Place is a garden-style property made up of 13 residential buildings and one clubhouse with surface parking and a limited number of private garages. The property consists of one, two, and three bedroom units featuring 9' ceilings, granite countertops, 42" upper cabinets, stainless-steel appliances, and vinyl plank flooring. The community contains a resident lounge, kitchen, game room, and meeting room. The clubhouse also features a folding curtain-wall system which can be opened to a pool-side outdoor lounge with a fireplace.

Property Trends	Actual		FY 2019 (1) v. FY 2018		Budget	2020 Budget v. 2019 Actual	
	FY 2018	FY 2019 (1)	Variance	Variance %	FY 2020	Variance	Variance %
Occupancy	87.8%	95.6%	771 bps	7.71%	95.7%	17 bps	0.17%
NER Per Unit	\$527	\$1,381	\$854	161.91%	\$1,436	\$55	3.98%
NER Per SF	\$0.55	\$1.45	\$0.89	161.91%	\$1.50	\$0.06	3.98%
NOI (000's)	\$585	\$2,341	\$1,756	300.28%	\$2,503	\$162	6.94%

(1) FY 2019 Actual consists of July 2018 - April 2019 Actual and May 2019 - June 2019 Updated Budget.

FY 2020 BUSINESS PLAN OBJECTIVES

Revenue

- Total income is projected to increase 3.8% driven by a 2.6% increase in Gross Potential Rent and a 56% decline in Concessions. Net Effective Rents will benefit with a 4% increase over the prior fiscal year.
- Occupancy is forecasted to remain stable at 95.7%.
- While Austin continues to see new multi family deliveries, strong job and population growth and a dipersment of the projects widely across the MSA has kept supply in line with demand.

Expenses

- Total Operating Expenses are expected increase marginally by 1.1% in FY 2020 as savings in Controllable Expenses are offset by a 7.1% increase in Real Estate Taxes. Real Estate Taxes are under appeal.
- Controllable Expenses will decline 4.7% due to savings in Payroll and Maintenance as the property is now fully leased and stabilized.

Net Operating Income

- Total Income growth will offset the increase in Total Expenses leading to a 6.9% projected improvement in Net Operating Income FY 2020.

Capital Expenditures

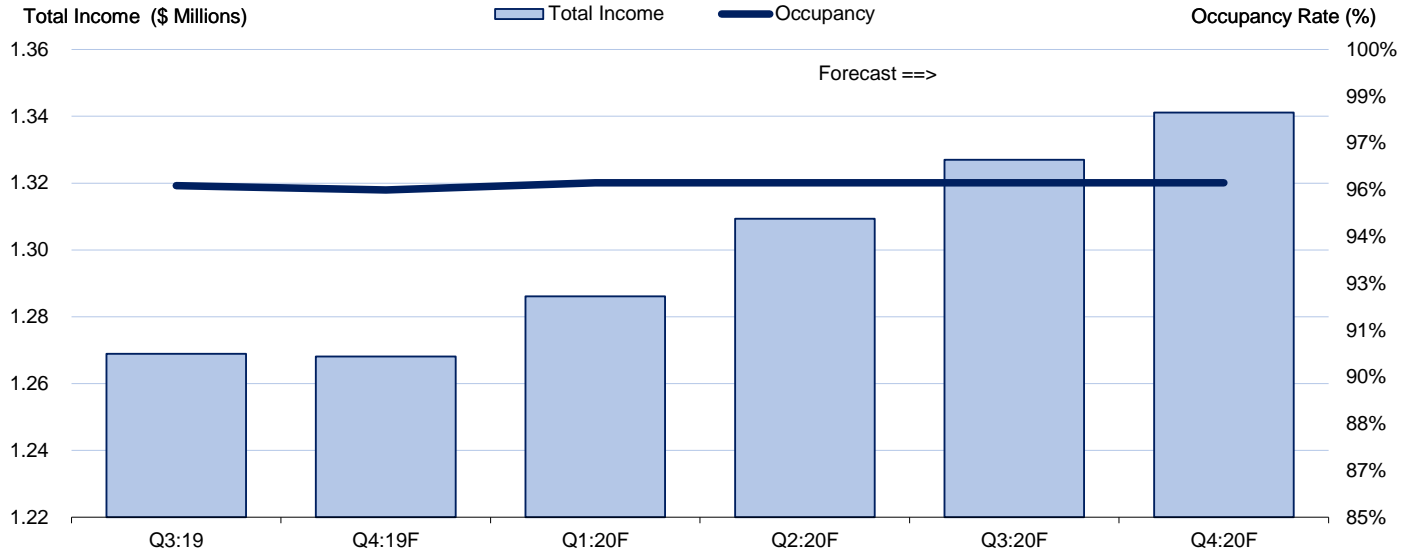
- FY 2020 Capital Expenditures total \$615k. \$130k will construct additional carports to add 60 covered parking spaces. The balance of the capital budget will cover breezway painting and resurfacing and normal mechanical replacements.

HOLD SELL RECOMMENDATION

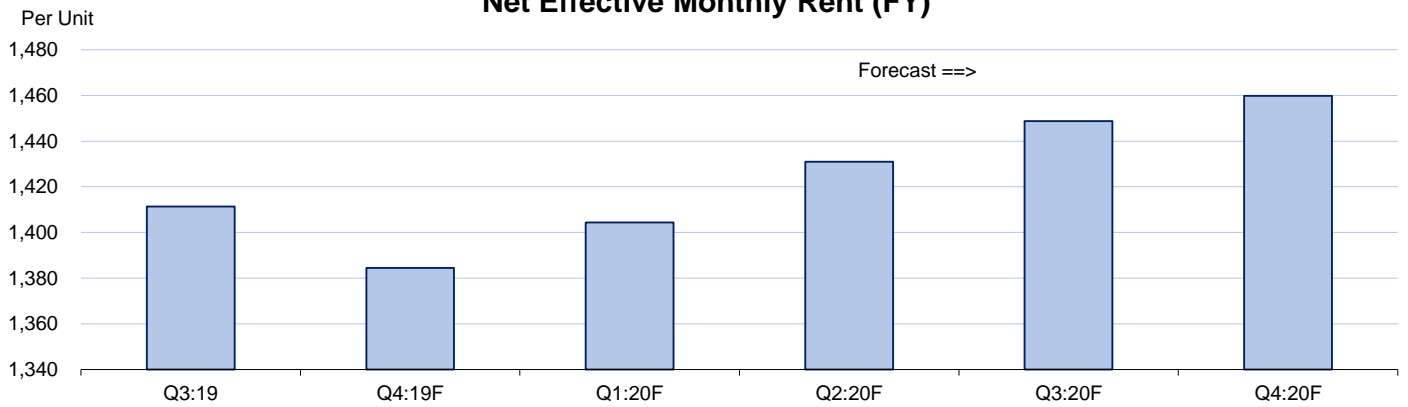
- We recommend holding Republic Place because given it's prime Northwest Austin location near Apple's expanding campus and other growing employers.
- The property continues to perform well with strong rent and NOI growth

Quarterly Property Trends

Income/Occupancy (FY)



Net Effective Monthly Rent (FY)



Republic Place

Budget Statement of Income and Cash Flow

290 units

Austin, TX

	Q1 FY 2019	Q2 FY 2019	Q3 FY 2019	Q4 FY 2019	FY 2019 Total
	Budget	Budget	Budget	Budget	Budget
NET POTENTIAL RENT	1,215,958	1,220,919	1,222,840	1,224,613	4,884,330
Vacancy	(54,592)	(56,845)	(60,695)	(55,143)	(227,274)
Staff Occupied	(10,053)	(10,093)	(10,116)	(10,128)	(40,390)
Model Expense	(5,864)	(5,888)	(5,901)	(5,908)	(23,561)
Down Units	0	0	0	0	0
APARTMENT RENTAL INCOME	1,145,449	1,148,094	1,146,128	1,153,434	4,593,105
Rent Concessions	(75,336)	(34,496)	(20,064)	(20,064)	(149,960)
Bad Debts	(1,621)	(1,221)	(1,223)	(1,225)	(5,289)
NET APARTMENT RENTAL INCOME	1,068,492	1,112,377	1,124,841	1,132,145	4,437,855
Other Rental Income	97,351	107,620	113,492	132,504	450,966
Corporate Operations	2,300	3,450	3,450	3,450	12,650
Commercial Income	0	0	0	0	0
Other Income	0	0	0	0	0
TOTAL INCOME	1,168,143	1,223,447	1,241,783	1,268,099	4,901,472
CONTROLLABLE EXPENSES					
General & Administrative	22,623	21,162	19,162	18,897	81,845
Marketing & Advertising	40,627	38,192	36,137	29,897	144,853
Maintenance	69,736	69,761	73,386	68,236	281,119
Payroll	120,153	120,153	124,293	124,961	489,561
TOTAL CONTROLLABLE EXPENSES	253,139	249,268	252,979	241,991	997,377
CONTROLLABLE INCOME	915,003	974,178	988,805	1,026,108	3,904,095
Real Estate Taxes	292,581	292,581	307,980	309,005	1,202,147
Insurance	15,587	15,587	15,587	15,587	62,350
Utilities	62,438	61,188	64,795	66,599	255,019
Other Fees and Taxes	6,000	6,000	6,000	6,000	24,000
Management Fees	38,572	40,408	41,014	41,882	161,876
TOTAL OPERATING EXPENSES	668,317	665,033	688,355	681,064	2,702,768
Operating Expense Ratio	57.2%	54.4%	55.4%	53.7%	55.1%
NET OPERATING INCOME	499,825	558,414	553,429	587,035	2,198,703
Legal	1,250	1,250	1,250	1,250	5,000
Audit	2,289	2,289	2,289	2,289	9,156
Other Ownership Costs	48,397	20,274	22,274	20,274	111,219
Financial Costs	140,639	212,111	207,500	209,806	770,056
Loss (Gain) from Casualty	0	0	0	0	0
Capital Expenditures	117,450	134,150	64,850	46,150	362,600
Rehab Expenditures	0	0	0	0	0
Broker Commissions	0	0	0	0	0
Asset Management Fee	45,663	45,663	45,663	45,663	182,653
Reserve for Replacement	0	0	0	0	0
NET CASH FLOW	144,137	142,677	209,603	261,603	758,020
Average Net Effective Rent	1,311/unit	1,364/unit	1,383/unit	1,385/unit	1,360/unit
Physical Occupancy Includes Staff and Model	95.5%	95.3%	95.0%	95.5%	95.3%

CAPITAL EXPENDITURES \$100,000 AND GREATER FY2020

PROPERTY NAME: Republic Place

LOCATION: Austin, TX

Budget Timing	Project	Total Budget	Budget Detail	
August 2019	Common Area Improvements	\$130,000	New Car Ports	\$130,000

Multifamily Metro Trends Q4

Austin-Round Rock, TX Metropolitan Statistical Area

Analysis and Commentary

Rank of 34 Apartment Mkts # 1
 5-Yr F Rnt % # 1
 NCREIF Mkt Cap # 11
 5-Yr NCREIF Rets # 23

Metro Highlights

Economic Outlook:

Austin-Round Rock's economy has accelerated in recent months, and job growth has been twice the national average over the past year. Most major industries have shared in the gains, with construction leading the way. However, federal and state payrolls have been flat, as workers left to take higher-paying jobs in the private sector. The unemployment rate has stabilized below 3%, below the national average, and the labor force is still growing strongly (Moody's Analytics Precis)

Strengths:

Strong population growth supports demographically driven consumer demand. Well-educated labor force attracts high-value-added tech businesses.

Weaknesses:

Competitive pressure of foreign high-tech manufacturing challenges local industry. Tech cycle adds to cyclical volatility of local economy. Cost of living is high for TX.

Multifamily Operating & Investment Trends:

An impressive 2018 was capped off by Apple's big announcement of 5,000 new jobs in Northwest Austin. That exuberance characterized 2018, as fundamentals recovered from near-recessionary levels and rent growth had the best improvement of any market in the country. Much of that improvement was a result of slowing deliveries, which helped market-wide fundamentals. Absorption was also strong, thanks to continued strong job growth. Austin's fundamentals have been on a wild ride in recent years. Austin has been one of the most development-heavy markets in the country this cycle. And while it's been one of the best economies in the country, supply outpaced demand to the tune of nearly 35% of the inventory delivering since 2010, the second highest in the country. As a result, vacancies ticked up nearly 4.5%, approaching 10% as recently as the end of 2017.

Drivers: High Tech, College Town, State Capital
Business Cycle Index: 176
Business Cost Index: 93 **Living Cost:** 102
Industrial Diversity: 0.81
Top Employers: Univ TX Austin, Dell, Seton Healthcare, H-E-B, St David's Healthcare, Wal-Mart, IBM Corp
Leading Industries: (Mid/High Wages): Computer systems, prof & comm equip/supply wholesalers, mgt scientific & tech consulting, architect & engineering

Population (Ths) Austin **2,192** **GID 34-Mkt Avg** **3,817**

5-Year Forecast Avg Ann Pop Gr 2.5% **1.0%**

Households (Ths) **837** **1,412**

5-Year Forecast Avg Ann HH Gr 2.5% **1.3%**

Employment (Ths) **1,081** **1,792**

Net New Jobs Trailing 12 Months 36 **37**

Net New Jobs 1-Year Forecast 26 **28**

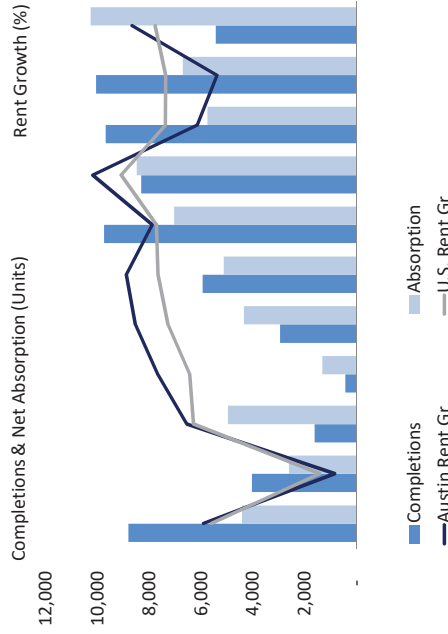
5-Year Forecast Avg Ann Empl. Gr 2.0% **0.8%**

Median Household Income (Ths) **\$78,131** **\$75,884**

Median S-F Home Price (Ths) **\$320** **\$424**

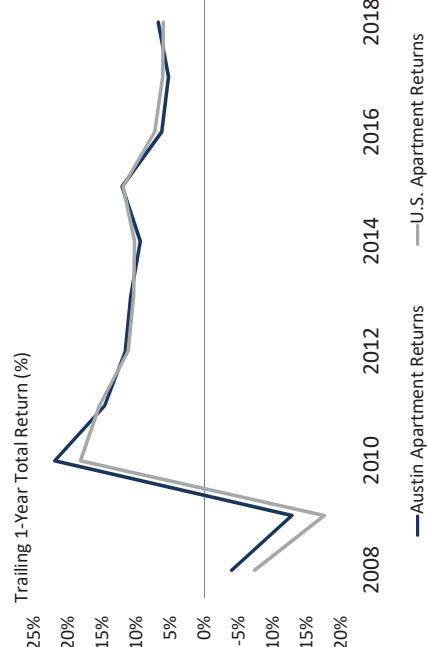
Operating Trends

	Austin	GID 34-Mkt Average
Market Inventory (Units)	211,052	309,925
Current Occupancy Rate	7.2%	5.9%
Current Rent Level	\$1,260	\$1,539
Rent Growth 2019 Forecast	3.7%	2.6%
5-Year Forecast Avg Rnt Gr 2019-2023	3.2%	1.5%
Completion Rate: 2019	2.8%	2.1%



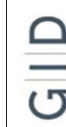
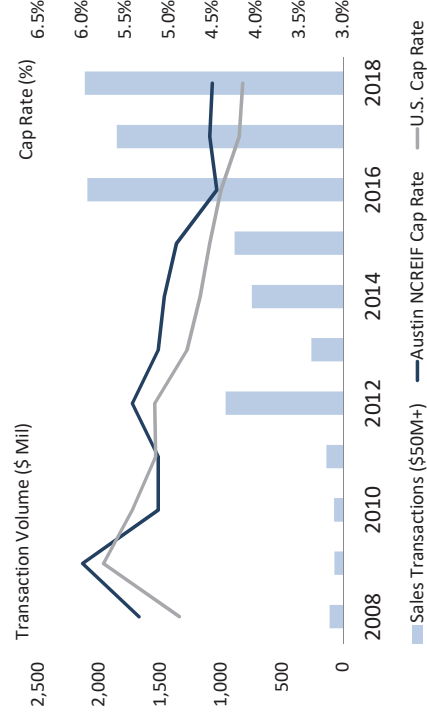
NCREIF Overview

	Austin	GID 34-Mkt Average
Total Return (Average Annual)		
1-Year	6.8%	7.4%
3-Year	6.1%	7.6%
5-Year	8.0%	9.4%
# NCREIF Apartment Properties	68	1,507
\$ Value (Millions)	\$4,622	\$141,406
\$ Value (Mil) Average Property	\$68	\$94




Capital Market Trends

	Austin	GID 34-Mkt Average
NCREIF Current Value Cap Rate	4.50%	4.09%
REIT Units (Same Store)	12,320	397,474
Transaction Volume \$50+ Million:		
2017-18 # Props	44	1,284
2017 -18 \$ Value	\$3,975	\$112,735
% of \$50M+ Transaction Volume	3.5%	



Republic Place
Austin, TX

HOLD SELL ANALYSIS ASSUMPTIONS

PROPERTY DATA						REVERSION ASSUMPTIONS					
Analysis Start Date	6/30/2019	Acquisition Date	2/13/2018			Sale Year	Yr 10.00	Sale Price Yr 10	\$66,300,205	Exit Cap Yr 10	5.25%
Year Built	2017	Acquisition Price	\$52,600,000	NOI (less reserves)	\$3,480,761	Cost of Sale: 1%	\$663,002				
Date Acquired	2/13/2018	Per Unit	\$181,379								
Units	290	Appraisal Date	6/30/2019								
Total SF	277,022	Appraisal Value	\$55,300,000								
Avg SF/unit	955	Per Unit	\$190,690								
DEBT SNAPSHOT				PERFORMANCE METRICS				METRICS			
	<u>Loan</u>	<u>Ref 1</u>	<u>Ref 2</u>	Equilibrium Value	\$55,291,000	Components of Benefit Stream		Cash Flow	27.5%	Reversion Value	72.5%
Loan Amount	\$18,112,050			Per Unit	\$190,659	Compounded Growth to Reversion		Equilibrium Value			1.83%
LTV	35.0%			Unlevered IRR	6.00%						
Interest Only	Yes			Levered IRR	7.03%						
Interest Rate	3.60%			Imputed Entry Cap	4.39%						
Prepayment	n/a			Equity Multiple	1.79x						
Refinance	n/a			Appraised Value	\$55,300,000						
				Per Unit	\$190,690						
				Unlevered IRR	6.00%						
				Levered IRR	7.03%						
				Imputed Entry Cap	4.39%						
				Equity Multiple	1.79x						
COMMENTS/SCENARIO SUMMARY											

SENSITIVITY ANALYSIS OF UNLEVERED RETURNS - EQUILIBRIUM VALUE AND EXIT CAP RATE

Imputed Entry Cap*	4.88%	4.75%	4.62%	4.50%	4.39%	4.28%	4.18%	4.08%	3.99%	4.39%
Exit Cap Rate	- 10.00%	- 7.50%	- 5.00%	- 2.50%	Equilibrium	+ 2.50%	+ 5.00%	+ 7.50%	+ 10.00%	Appraisal
	\$49,761,900	\$51,144,175	\$52,526,450	\$53,908,725	\$55,291,000	\$56,673,275	\$58,055,550	\$59,437,825	\$60,820,100	\$55,300,000
4.25%	9.15%	8.80%	8.45%	8.12%	7.80%	7.48%	7.18%	6.88%	6.59%	7.79%
4.50%	8.66%	8.30%	7.96%	7.62%	7.30%	6.99%	6.68%	6.39%	6.10%	7.30%
4.75%	8.19%	7.84%	7.49%	7.16%	6.84%	6.53%	6.22%	5.93%	5.64%	6.84%
5.00%	7.76%	7.41%	7.06%	6.73%	6.41%	6.09%	5.79%	5.50%	5.21%	6.40%
5.25%	7.35%	7.00%	6.65%	6.32%	6.00%	5.69%	5.38%	5.09%	4.80%	6.00%
5.50%	6.97%	6.61%	6.27%	5.94%	5.62%	5.30%	5.00%	4.71%	4.42%	5.61%
5.75%	6.61%	6.25%	5.91%	5.58%	5.25%	4.94%	4.64%	4.35%	4.06%	5.25%
6.00%	6.26%	5.91%	5.56%	5.23%	4.91%	4.60%	4.30%	4.00%	3.72%	4.91%
6.25%	5.94%	5.58%	5.24%	4.91%	4.59%	4.27%	3.97%	3.68%	3.39%	4.58%

* Imputed entry cap based on forward 12 month (year 1) NOI (less reserves).

SENSITIVITY ANALYSIS OF LEVERED RETURNS - EQUILIBRIUM VALUE AND EXIT CAP RATE

Imputed Entry Cap*	4.88%	4.75%	4.62%	4.50%	4.39%	4.28%	4.18%	4.08%	3.99%	4.39%
Exit Cap Rate	- 10.00%	- 7.50%	- 5.00%	- 2.50%	Equilibrium	+ 2.50%	+ 5.00%	+ 7.50%	+ 10.00%	Appraisal
	\$49,761,900	\$51,144,175	\$52,526,450	\$53,908,725	\$55,291,000	\$56,673,275	\$58,055,550	\$59,437,825	\$60,820,100	\$55,300,000
4.25%	11.57%	10.99%	10.45%	9.93%	9.43%	8.96%	8.51%	8.08%	7.66%	9.43%
4.50%	10.91%	10.34%	9.80%	9.28%	8.78%	8.31%	7.86%	7.43%	7.01%	8.78%
4.75%	10.30%	9.72%	9.18%	8.66%	8.17%	7.70%	7.25%	6.82%	6.40%	8.17%
5.00%	9.71%	9.14%	8.60%	8.08%	7.59%	7.12%	6.67%	6.24%	5.82%	7.58%
5.25%	9.16%	8.58%	8.04%	7.52%	7.03%	6.56%	6.11%	5.68%	5.27%	7.03%
5.50%	8.62%	8.05%	7.51%	6.99%	6.50%	6.03%	5.58%	5.15%	4.74%	6.50%
5.75%	8.11%	7.54%	7.00%	6.48%	5.99%	5.53%	5.08%	4.65%	4.24%	5.99%
6.00%	7.63%	7.05%	6.51%	6.00%	5.51%	5.04%	4.59%	4.16%	3.75%	5.50%
6.25%	7.16%	6.58%	6.04%	5.53%	5.04%	4.57%	4.12%	3.69%	3.28%	5.03%

* Imputed entry cap based on forward 12 month (year 1) NOI (less reserves).

SUMMARY OF RETURNS BY ANALYSIS TYPE

Analysis Type	Value	Sell Hold Returns		Inception to Date	
		Unlevered Return	Levered Return	Unlevered Return	Levered Return
Appraised Value	\$ 55,300,000	6.00%	7.03%		
Equilibrium Value	\$ 55,291,000	6.00%	7.03%		

