South Lamar
809 S. Lamar Boulevard
Austin, TX

Units:	340
Rentable SF:	297,500
Average Unit Size:	875
Commercial SF:	5,325
Date Acquired:	12/16/2016
Year Built:	2015
Occupancy 4/30/2019:	97.4%
GAV 3/31/2019:	$101,600,000
Value Per Unit:	$298,824
Debt Balance:	$41,942,746
NAV:	$59,657,254

Windsor South Lamar is a 340 unit mid-rise apartment building located in Austin, TX. The property was developed by Hanover and is certified Bronze by the National Green Building Standard. The property has two courtyards, one featuring a resort style swimming pool and cabanas, fitness center, resident lounge with demonstration kitchen, and an expansive dog park. The Property also includes 5.3k square feet of retail / office space.

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	94.5%	94.7%	17 bps	0.17%	95.1%	46 bps	0.46%
NER Per Unit	$1,829	$1,937	$107	5.87%	$1,994	$57	2.97%
NER Per SF	$2.09	$2.21	$0.12	5.87%	$2.28	$0.07	2.97%
NOI (000's)	$3,585	$4,228	$642	17.92%	$4,445	$217	5.14%

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

FINANCIAL VARIANCE REPORT

Revenue

- WIndsor South Lamar's strong performance continued in FY 2019 with Total Income increasing 6.4% driven by an 8.5% increase in top line rents. Concessions also declined substantially ($353k/55%) benefitting Net Effective Rents as they grew 5.9%. Occupancy was stable at 94.7%.

- Retail revenue contributed growth of 2.1% with minimal vacancy and turnover.

Expenses

- Total operating expenses declined 3.5% over FY 2018 as a 10.4% decline in Controllable Expenses more than offset Real Estate Taxes increasing 3.2%. The property's assessed value is under appeal.

- Controllable Expenses saw significant savings in locator fees ($100k/39%) as the property was able to reduce fees given strong traffic from other sources. Payroll expenses increased 5.0% which is to be expected in a labor market as tight as Austin.

Net Operating Income

- Net operating income increased by 17.9% in FY 2019 as the Total Income and Total Expense decline flowed to the bottom line.

Capital Expenditures

- FY 2019 capital projects were limited given the project's vintage and good condition. LED lighting retrofits were completed in common areas with the balance of capital expenditures typical mechanical replacments.

FY 2020 BUSINESS PLAN OBJECTIVES

Revenue

- Total income is projected to increase 3.4% as top line rent growth improves at a much slower pace (1.2%) than FY 2019. Net Effective Rents will grow 3.0% as concessions continue to decline by $101k/34%.
- Occupancy is forecasted to remain stable at 95.1%. Retail income is projected to add 2.1% revenue improvement.

Expenses

- Total Operating Expenses are expected increase a nominal 1.6% in FY 2020 as savings in Controllable Expenses will partially offset a 1.7% increase in Real Estate Taxes (under appeal). After a 5% increase in FY 2019, Payroll is projected to grow a more moderate 2.3%.

Net Operating Income

- Net operating income is expected to increase by 2.9% in FY 2020 as Total Income growth exceeds Total Expense growth.

Capital Expenditures

- Fitness center improvements (equipment replacement and finish upgrades) are budgeted at $180k. Other capital expenditures include expanding the LUXOR package delivery systemare and typical mechanical and maintenacne items.

HOLD SELL RECOMMENDATION

- We recommend holding South Lamar given its strong operating performance and location in one of the top growth markets in the US. Austin continues to benefit from strong market fundamentals including significant physical, political and regulatory supply constraints; healthy rental growth; high-income levels; and a diverse economic base.
- Austin's population and economic growth are forecasted to exceed the national averages and supply/demand for multifamily units will remain in balance.
- The property is well-located and is centered within all 3 employment nodes of Austin.

Quarterly Property Trends

Income/Occupancy (FY)

Total Income ($ Millions)   ☐ Total Income   — Occupancy   Occupancy Rate (%)

Forecast ==>
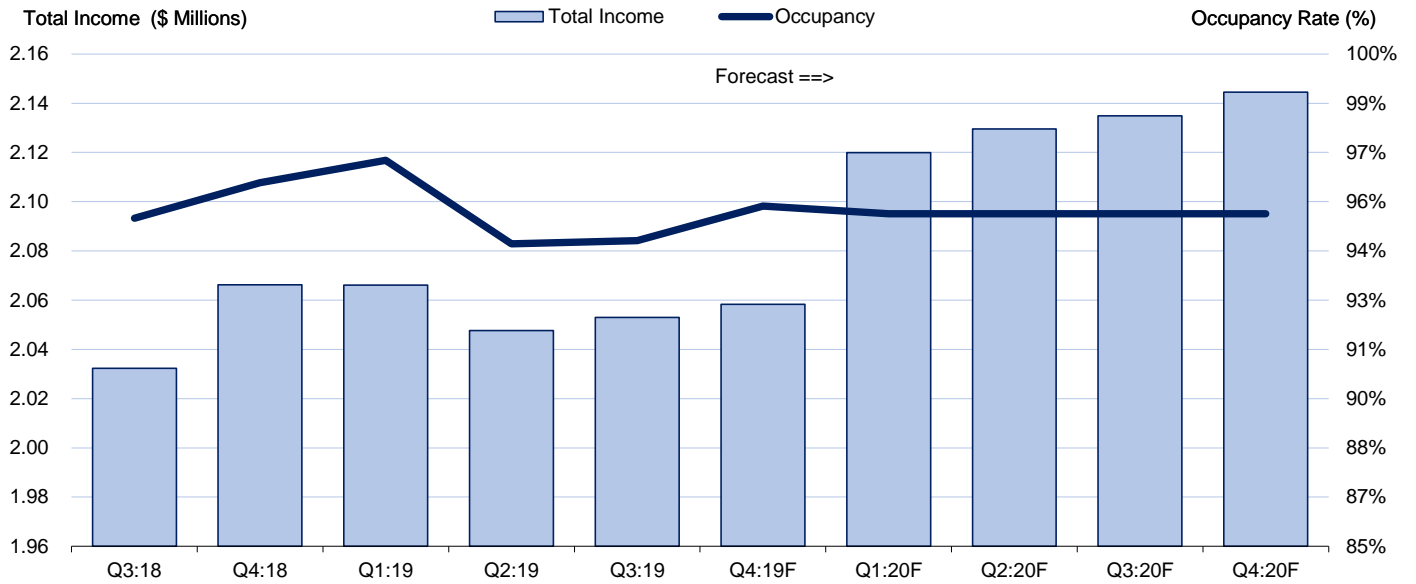
Net Effective Monthly Rent (FY)

Per Unit

Forecast ==>