



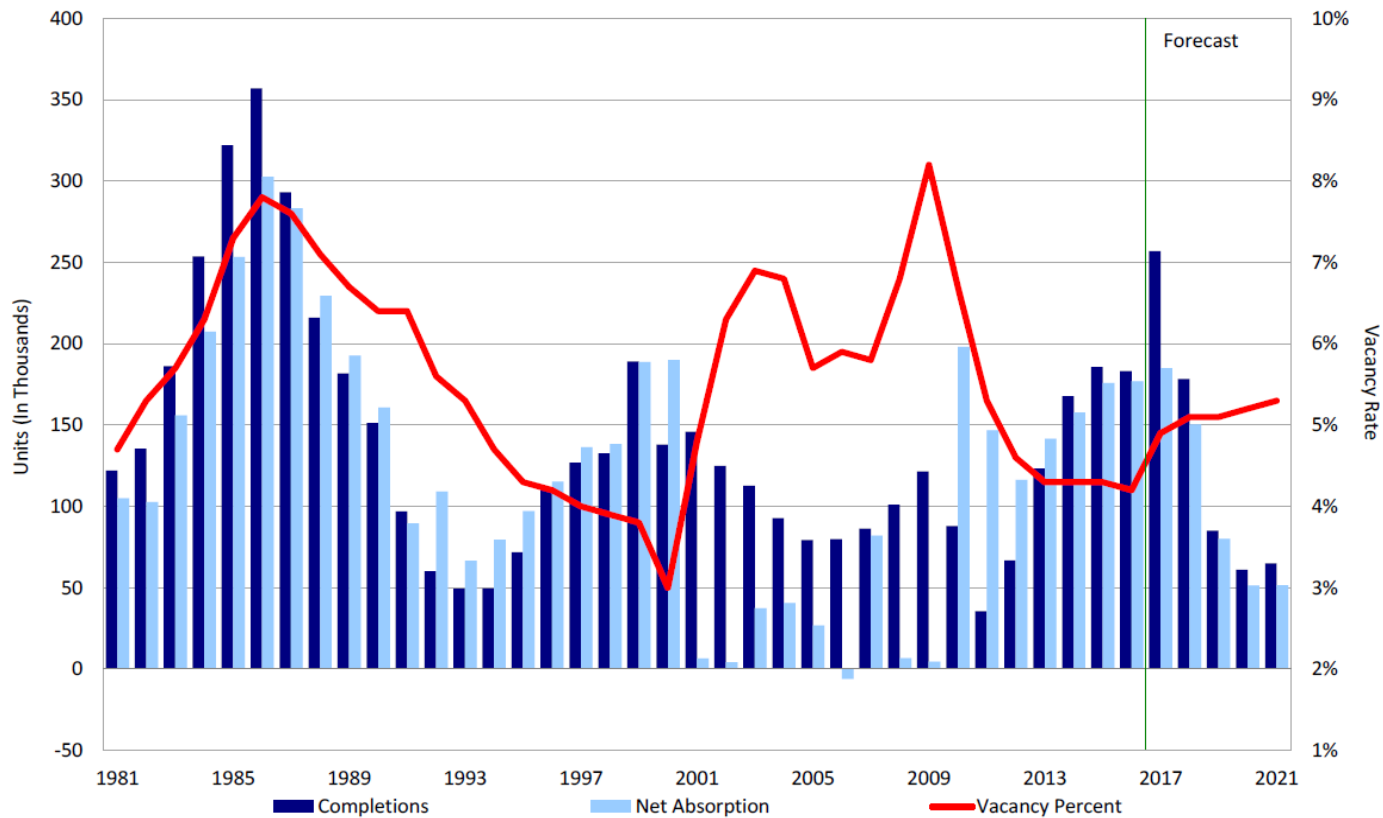
STONECUTTER
CAPITAL MANAGEMENT LLC

U.S. MULTIFAMILY MARKET OVERVIEW

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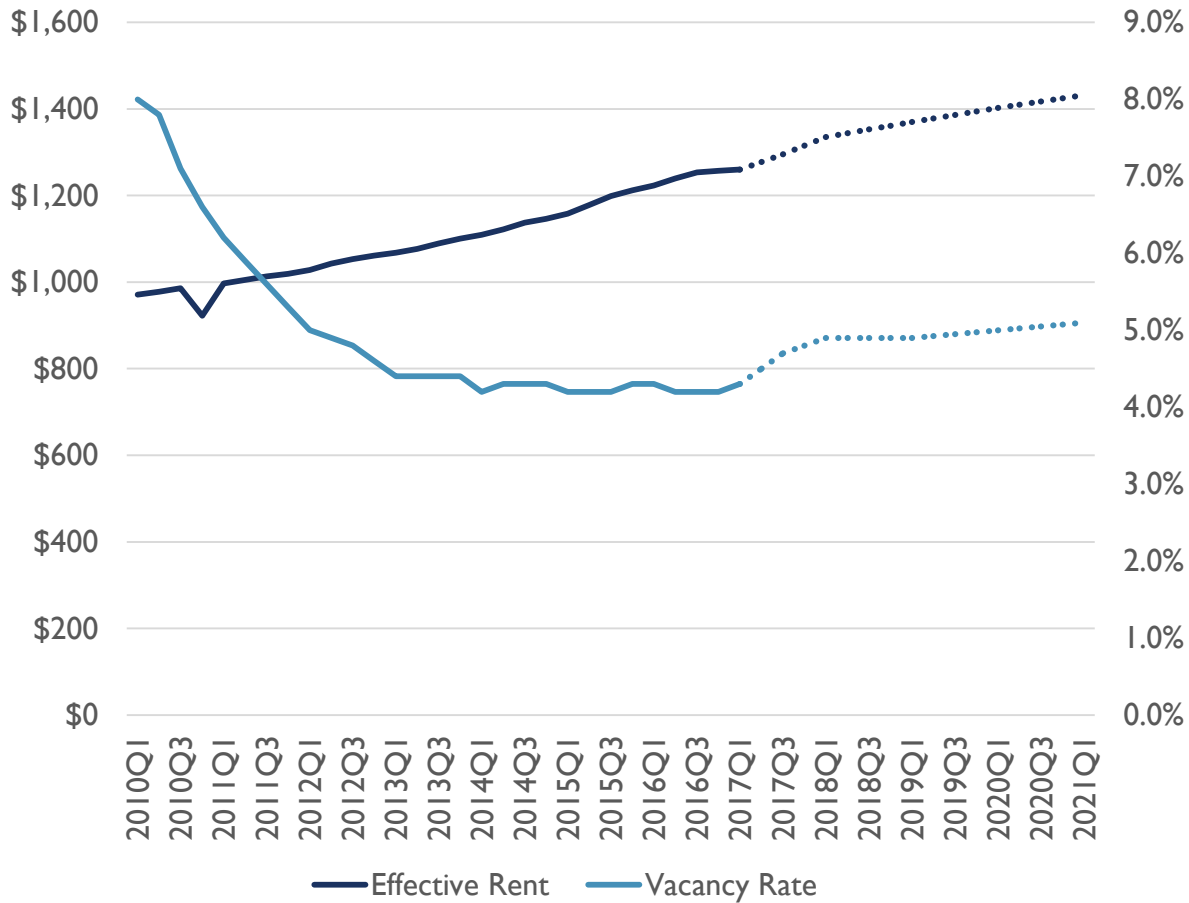
WHERE WE HAVE BEEN AND WHERE WE ARE GOING...

NATIONAL APARTMENT MARKET SUPPLY & DEMAND TRENDS



MULTIFAMILY RENTAL RATE AND VACANCY TRENDS

NATIONAL RENTS & VACANCY RATES



Source: REIS

CASH FLOW GETTING MORE EXPENSIVE SINCE 2010

NATIONAL APARTMENT MARKET CAP RATE TRENDS, 2012Q1 – 2017Q1

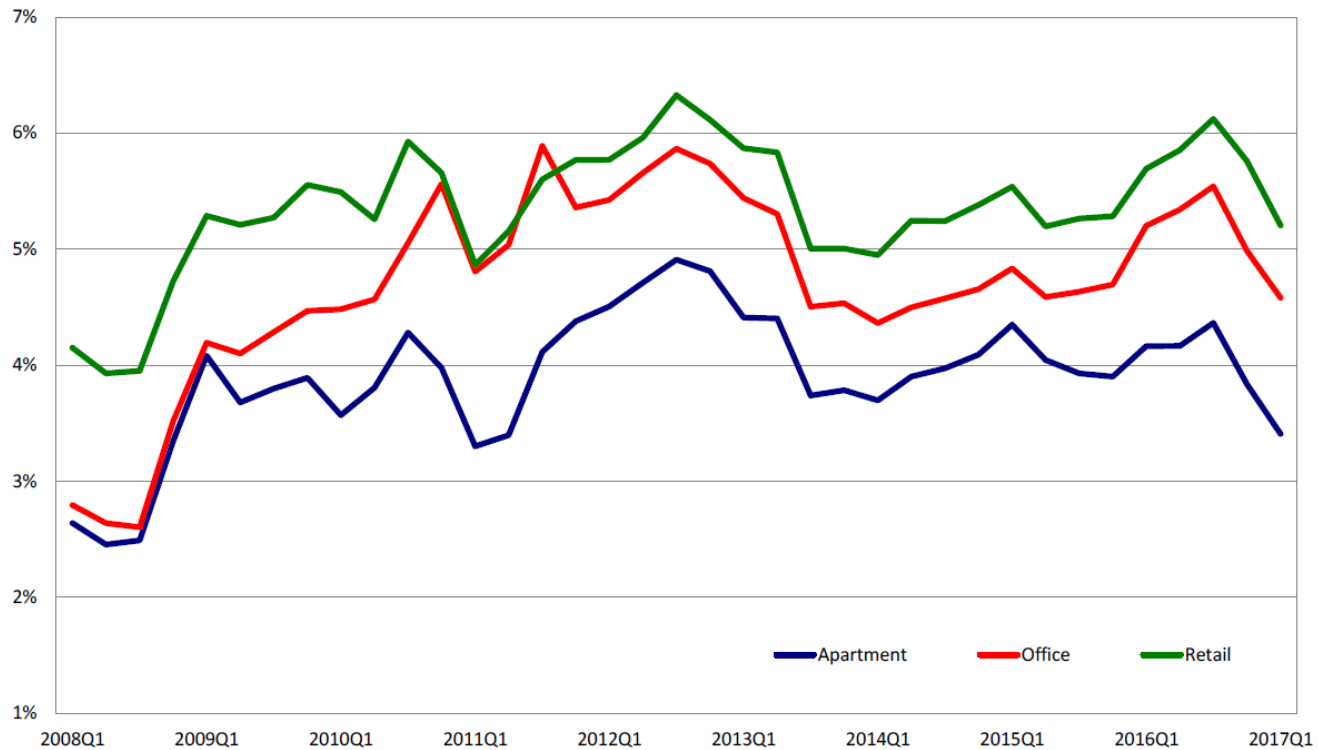
Treasuries and Multifamily Cap Rates



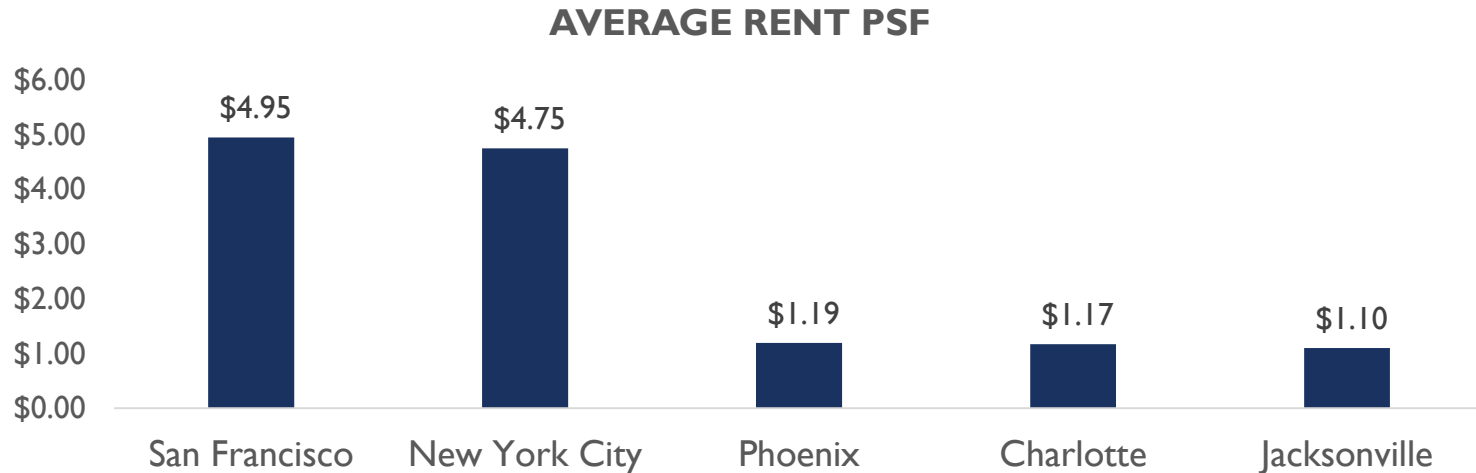
Source: Real Capital Analytics, and Federal Reserve, Selected Interest Rates H.15, per Moody's Analytics

MULTIFAMILY VS. OTHER PROPERTY TYPES

CAP RATE SPREADS AGAINST 10-YR TREASURY RATE (2008Q1 – 2017Q1)



MULTIFAMILY MARKET DIFFERENTIATION

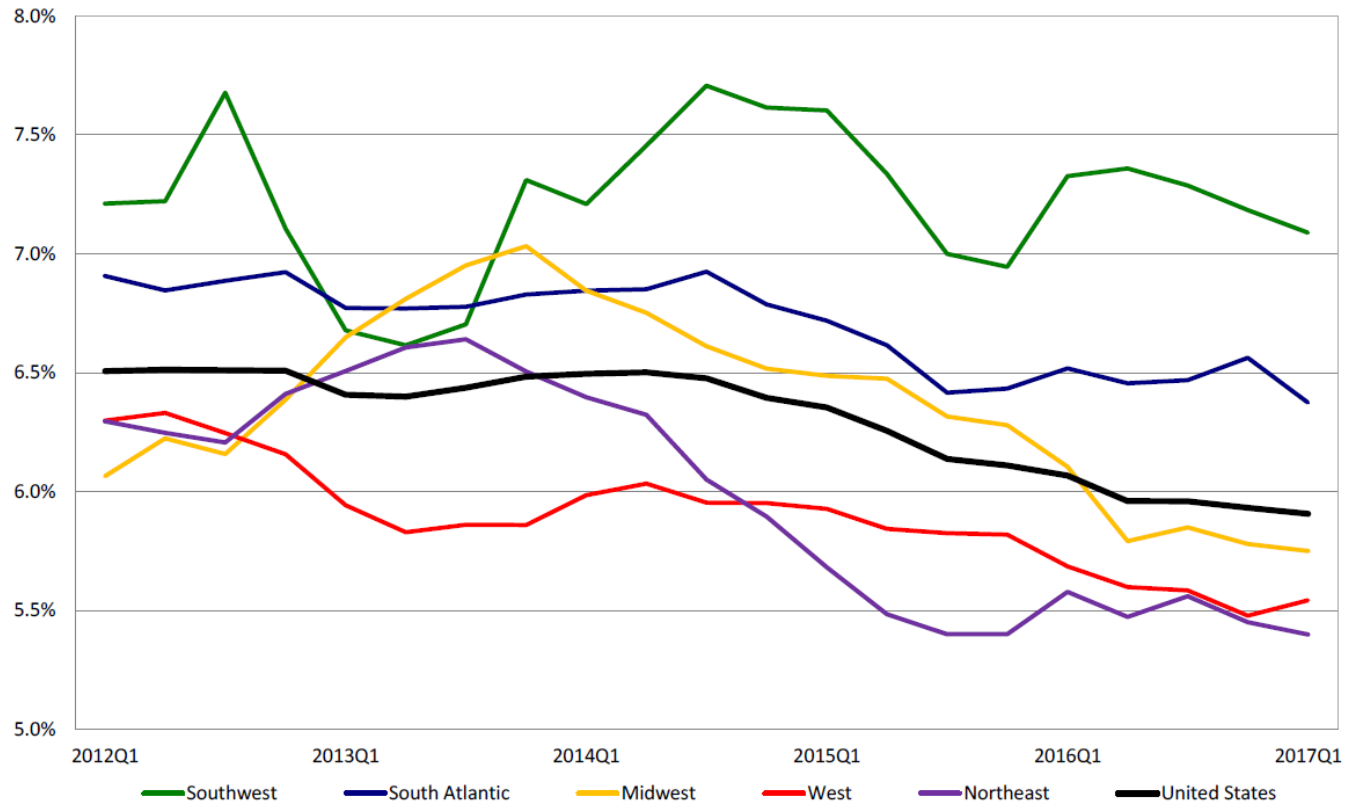


Approx. Cap Rates	4%	4%	5%	5%	6%
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- Investor Demand remains strong for Multifamily investments
- Home ownership rate - Peaked at 69% and is now at 63.5%
- Debt markets for multifamily investments are active and strong
- Cap rates have been declining for the last 3 years and vary considerably between markets.

CAP RATES VARY BY REGION

APARTMENT CAP RATES BY REGION CAP RATE TRENDS, 2012Q1 – 2017Q1

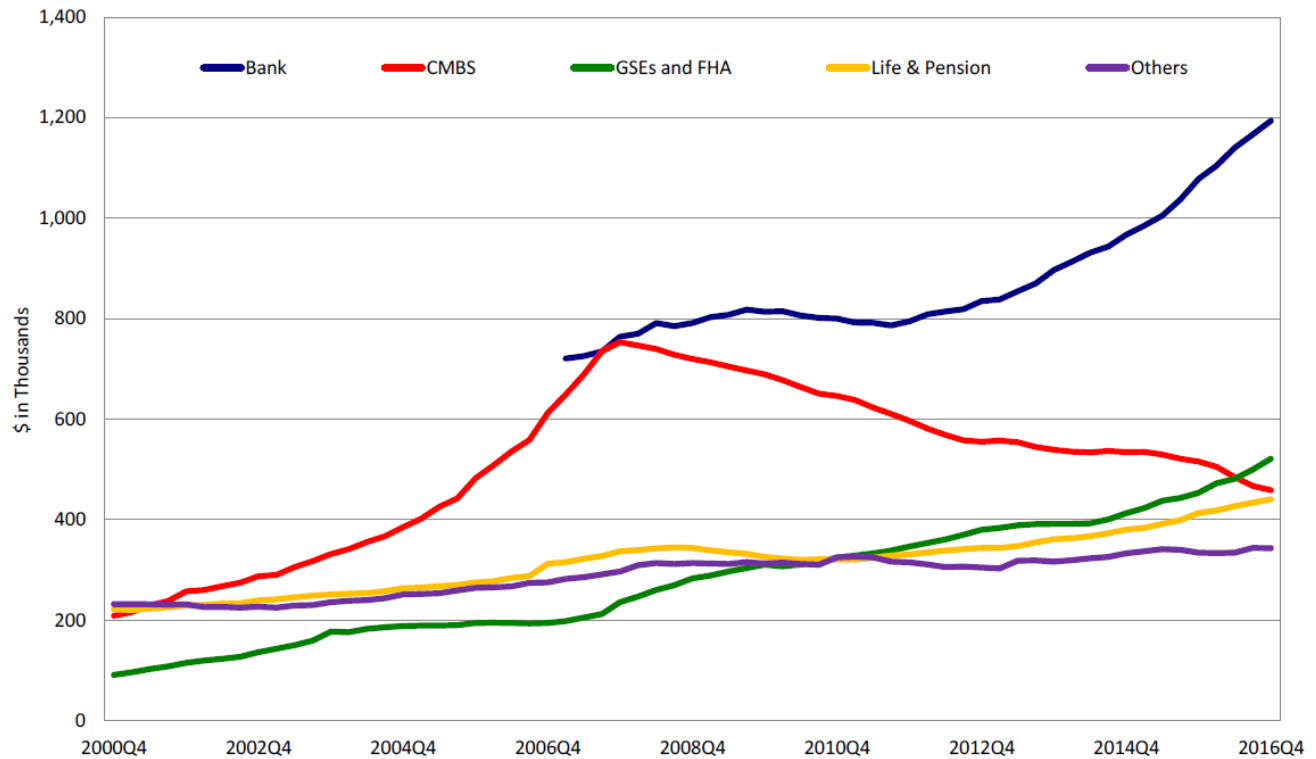


VALUE-ADD MULTIFAMILY VS. OTHER REAL ESTATE INVESTMENTS

	Multifamily	Office	Retail	Industrial
Vacancy – 12/16	4.2%	15.8%	9.9%	10.9%
Typical Lease Terms	1 year	3-10 years	3-10 years	3-10 years
Number of Tenants	100 +	Varies	Varies	Very few
Financing Sources	Banks, CMBS, Life Cos, GSEs	Same but no GSEs	Same but no GSEs	Same but no GSEs
Investor Desirability	Strong	Varies	Varies	Strong
Investor Concerns	New supply in certain markets	Telecommuting, Higher density, expensive leasing costs	E-commerce	New supply

DEBT MARKETS

COMMERCIAL/MULTIFAMILY DEBT OUTSTANDING 2005 – 2016



TYPICAL MULTIFAMILY RETURN PROFILES & DEAL STRUCTURE

Typical Return Profiles	Core	Core-Plus	Value Add
Year 1 unlevered return	3.5%-4.5%	4.75%-5.25%	5%-6.25%
Year 3 unlevered return	3.7%-4.8%	5.0%-5.5%	7%-8%
Year 1 levered return	3.5%-6%	5.5%-7.5%	8%-11%
5-year target IRR	8-10%	9-15%	15-18%

Private Real Estate Deal Attributes

- Up front fee structures vary widely
- Back end Sponsor participation varies widely
- Quality of underwriting
- On-going investor reporting

RECENT DEAL EXAMPLE IN VALUE-ADD MULTIFAMILY

Capitalization:			<u>\$/unit</u>
Purchase Price	\$	19,900,000	\$ 65,461
Renovation Budget	\$	2,498,730	\$ 8,220
Closing Costs & Operating Reserves	\$	693,509	\$ 2,281
Acquisition Fee	\$	225,000	\$ 740
Total Cost	\$	23,317,239	\$ 76,701
Debt	\$	15,920,000	
Loan to Cost Ratio		68.3%	
Equity	\$	7,397,239	
Unlevered Yield:			
T12 Net Operating Income	\$	1,338,159	
In Place Cap Rate on Purchase Price		6.7%	
Projected Yr 3 NOI	\$	1,852,815	
Yr 3 Unlevered Yield on All in Cost		7.95%	
Financing:			
Lender		Freddie Mac	
Total Loan Amount	\$	15,920,000	
Interest Rate		1 mo Libor plus 2.28%	
Initial Term		7 years	
Prepayment		1% after 12 months	
Amortization		1 yr IO, then 30 yr schedule	
Equity:			
Sponsor Cash Equity	\$	739,724	
Investor Cash Equity	\$	6,657,515	
Minimum Investment	\$	100,000	
Preferred Return		8%	
Projected Year 1 Cash on Cash Return		10%	
Levered Net IRR to Investors		18.4%	
Multiple to Investors		1.8	

