

Monte Carlo Apartments

Upgrades and Amenities Create New Value



Asset Valuation Summary

Purchase Date: June 2015

Sale Date: March 2019

Equity: \$8,200,000

Equity Multiple: 1.7x

NOI at Purchase: \$2,122,235

NOI at Sale: \$3,260,833

Average Rent: \$825

Average Rent: \$925

Acquisition

- Sourced off-market through an existing broker relationship.
- Purchased below market based on seller's need to liquidate due to upcoming fund life expiration.
- Seller had spent approximately \$7,500,000 on interior and exterior improvements since acquiring the asset, including upgrading 58% of the units.
- Sound submarket fundamentals and strong in-place cash flow.
- Opportunity to improve operations through reduced expenses and increased asking rates.

Transformation

- Conversion of interior aluminum wiring to Alumiconn retrofit favored by insurance carriers.
- LED light upgrade on all exterior lights to reduce energy consumption, resulting in a 36% reduction in common area electricity costs.
- Replacement of four boilers with high-efficiency tankless boilers, reducing energy consumption by 32%.
- Installing high-grade, double-paned vinyl windows throughout property, resulting in reduced energy costs and increased overall curb appeal.
- Upgrades to rear clubhouse amenities, including remodeled gym.
- Portion of property leased to a day-care facility as well as to an after-school program open to residents and neighbors.

Realization

- Regional buyer focused on Houston market who self-manages and is backed by institutional equity.
- Buyer has experience in submarket and owns other properties with similar unit count.
- Rental rates increased by 12%.
- NOI increased by 53.65%.
- Equity Multiple: 1.7x in 3.7 years.
- Gross IRR: 16.55%.
- Net IRR: 14.59%.