



 **BLUEROCK**<sup>TM</sup>

Available for §1031 Exchange

## BR Riverside, DST

100 MAGNOLIA STREET, JACKSONVILLE, FLORIDA 32204



Jacksonville, Florida

**The Brooklyn Riverside** (the “Property”) represents an opportunity to invest in a Class A apartment community in a major economic metro in the largest city in North Florida. The investment opportunity seeks to provide current cash flow with upside from growth in market rents, and professional property management capitalizing on the Property’s Class A downtown location.

There is no guarantee investors will receive distributions or the return of their capital. See the “Risk Factors” section in the Confidential Private Placement Memorandum (the “Memorandum”). The results shown may not occur, and your performance could vary significantly.

**FOR ACCREDITED INVESTOR USE ONLY** | *This is neither an offer to sell nor a solicitation of an offer to buy any securities, which can be made only by the Memorandum. This material must be reviewed in conjunction with the Memorandum to fully understand all of the implications and risks of the offering of securities to which it relates. A copy of the Memorandum must be made available to you in connection with this offering. Prospective investors should carefully read the Memorandum and review any additional information they desire prior to making an investment and should be able to bear the complete loss of their investment.*



Modern Exterior Construction

## Key Investment Considerations

BR RIVERSIDE, DST

### Immediate Value Creation

as the Property was purchased in its final lease-up stage at an approximate \$1.8 million discount to stabilized value potentially allowing for instant value creation (Property 94% leased as of June 2016);

### One of Only Two

newly-constructed Class A, urban-style projects in the downtown area; located within walking distance of downtown Jacksonville and its 50,000+ jobs and major city attractions;

### Projected Growth

with the population of Jacksonville expected to significantly outpace the national average by more than two times over the next five years, creating outsized demand;

### An Affluent Resident Base

with an average household income of \$83,700, more than five times the average rent at the Property; and

### Strong Multifamily Market

with the Jacksonville market maintaining above 93% apartment occupancy. Effective rents grew by over 3% in 2015 and REIS projects over 3% effective rent growth in 2016 as well.



*Pictured: (Top to bottom)*

Brooklyn Station on Riverside has highly-trafficked restaurant, office and retail space in the Jacksonville area.

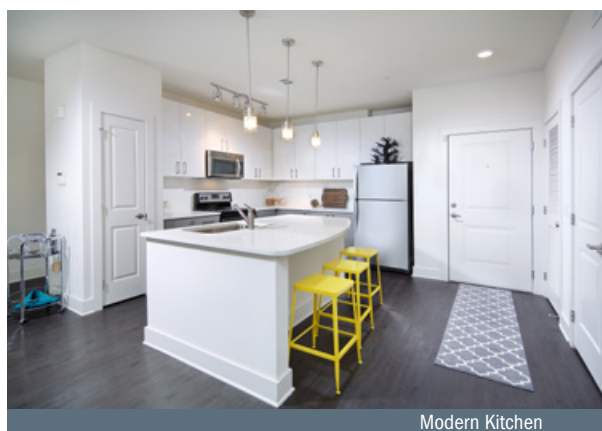
Downtown Jacksonville is the historic core and central business district of Jacksonville, Florida.

**Note:** Investors are not purchasing interests in either of the properties shown above.

## Financing and Master Lease Overview



Clubhouse



Modern Kitchen

### The Master Lease

BR Riverside, DST (the “Trust”) leased the Property to an affiliate of Bluerock, BR Riverside Leasco, LLC, a newly-formed Delaware limited liability company (the “Master Tenant”), under a 10-year master lease agreement (the “Master Lease”). The Master Tenant sub-leases the Property to the residential tenants (the “Residents”) who occupy the apartment units. The purpose of the Master Lease is to permit the Master Tenant to operate the Property on behalf of the Trust and to enable actions to be taken with respect to the Property that the Trust would be unable to take due to tax law related restrictions, including but not limited to, a restriction against re-leasing the Property.

As part of the Master Lease, the Trust will receive Base Rent, Additional Rent, and Supplemental Rent from the Property’s gross revenues as described in the Master Lease.\*

### Financing

The Property’s acquisition will be financed, in part, from a loan in the principal amount of \$37,680,000 (the “Loan”). Other key loan terms are summarized below:

- ▼ Underwritten by Fannie Mae, 10-year term, 5-years interest only, 30-year amortization thereafter
- ▼ 3.83% fixed interest rate
- ▼ Non-Recourse to investors
- ▼ Financing is assumable upon sale, if applicable

## Investment Overview

### Highlights

Minimum 1031 Investment: (0.84202% interest)	<b>\$225,000</b>
Assumed Debt (0.84202% interest):	\$317,272
Projected Syndicated Price: includes approx. \$150,000 in Supplemental Trust Reserves	\$64,134,298
Projected Equity Offering Amount:	\$26,454,298
Projected Loan Amount:	\$37,680,000
Projected Loan Terms:	58.51% Loan-to-Capitalization; 10-Year Term; 3.83% Fixed Interest Rate
Projected Purchase Price per Unit: <sup>1</sup>	\$203,199
Projected Hold Period:	Approx. 7-10 Years
Projected Current Cash Flow: 5.75% annual rate, Additional Rent portion paid monthly*	



Unique Architectural Elements

(1) Figure rounded and represents initial Trust purchase price, offering fees and expenses, excluding Loan Escrow and Supplemental Trust Reserves.

\* There is no guarantee investors will receive distributions or their return of capital. See “Risk Factors” and “Master Lease” sections in the Memorandum. Pursuant to the Master Lease, the projected current cash flow is comprised of: (i) Additional Rent, if attained, of 5.5% per annum paid on a monthly basis; and (ii) Supplemental Rent, if attained (projected at 0.25% in year 1), paid on an annual basis. The results shown may not occur, and your performance could vary significantly.

## Property Summary

The Property features high-quality construction and a modern living space in one and two bedroom apartment homes. Located on approximately 8.15 acres approximately one mile from downtown Jacksonville, residents enjoy proximity to the convention center, baseball grounds, Everbank Field, and Veterans Memorial Arena.

- **Year Build:** 2015
- **Class:** A
- **Buildings:** 7
- **Acres:** approximately 8.15
- **Number of Units:** 310
- **Total Square Feet:** 259,723



Pool with Dual Aqua Decks



Fitness Center - Yoga Space

## Modern Unit Amenities

- waterwave granite or white quartz countertops
- vinyl plank flooring
- undermount single basin kitchen sinks
- high gloss cabinetry
- imported Italian cabinets
- tile backsplash in kitchens
- stainless steel appliance
- walk-in closets
- private balconies
- washers and dryers in all units
- Jacksonville skyline and river views available

## Abundant Community Amenities

- modern pool with dual aqua decks
- fire pit & gas grilling stations
- outdoor living room
- regulation sized bocce court
- clubhouse with full service kitchen
- double-sided gas fireplace
- TV and billiards bar lounge
- 2-story fitness center with cardio, cross-fit and yoga space
- private conference room with audio-visual capabilities
- on-site event stylist with monthly socials
- private study lounge
- wireless internet
- valet trash service
- on-site dry cleaning
- private and garage parking available



Clubhouse



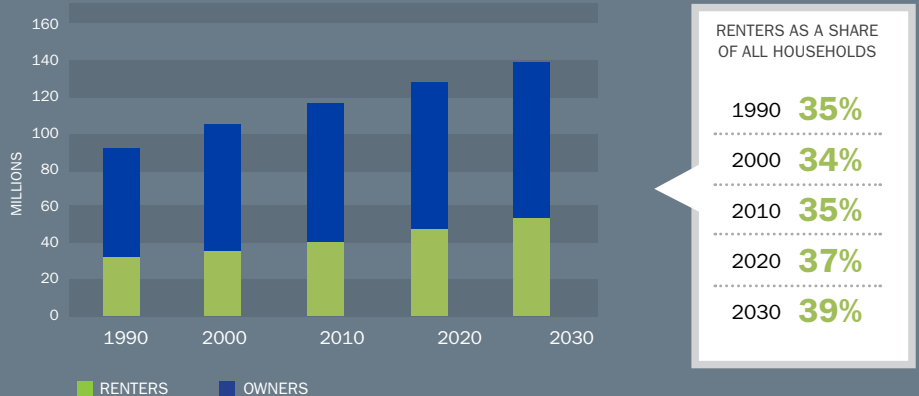
Modern Exterior Construction

## Why Apartments?

Nationwide, the apartment market has been a top performer driven by the growth of Echo Boomers (those born between 1980 and 2000) and aided by the lowest home ownership rate in 20 years.\*

The majority (59%) of the 22 million new households that will form between 2010 and 2030 will rent, while just 41% will buy their homes. This change will create a surge in rental demand from now until 2030.

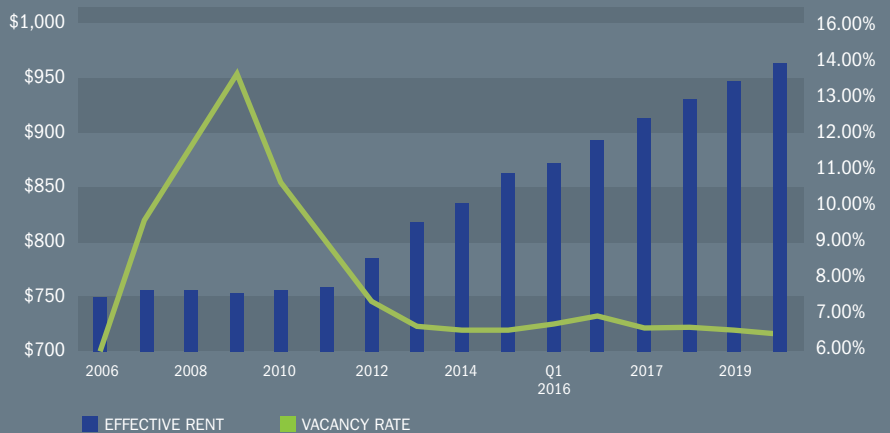
### Number of Owners & Renters Over Time



Source: Decennial Censuses and Urban Institute projections, June 2015

Consistent with this national trend, the Jacksonville Metropolitan Statistical Area (“Jacksonville Metro”) apartment market is very robust with a low 6.7% vacancy rate. Rental rates have risen steadily since 2010 and REIS Inc. forecasts sustained rent increases of 11% through 2020 driven by low vacancy rates.

### Jacksonville Apartment Market Trends



Source: REIS, Inc. Q1 2016 Jacksonville MetroTrend Futures

\*State of the Nation's Housing  
Joint Center for Housing Studies, Harvard

## Regional Overview

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The Property is located in Jacksonville, Florida in the Jacksonville Metro in the northeast corner of Florida, centered on the banks of the St. Johns River, and is approximately one mile east from Downtown Jacksonville. The Jacksonville Metro is comprised of approximately 1.6 million residents. The State of Florida recently passed New York as the third largest state in the U.S. with a population reaching nearly 20 million. (U.S. Census Bureau)

The Jacksonville Metro area's population grew by 5.1% from 2010-2014 and is projected to grow by an additional 10% by 2020 (Appraisal/Economy.com)

### Jacksonville Metro Facts

- 1.6 million residents, nearly 900,000 in Duval County (Property is located in Duval County)
- 4.4% unemployment rate, lower than the State of Florida and the U.S.
- 640,000 total employment and projected to grow over 2.5% annually through 2018
- Home to three Fortune 500 company headquarters and more than 80 national or divisional headquarters
- The State of Florida attracted a record 97.3 million visitors in 2014 (Tampa Bay Times, February 2015)
- 12 of America's top 50 2014-2019 projected fastest growing metros are located in the State of Florida

**According to the Appraisal**, the Jacksonville economy is pushing ahead thanks to strong service growth and the improving housing market<sup>1</sup>. The unemployment rate has dropped to its lowest level since 2008, and the tighter labor market is leading to bigger paychecks. Average weekly wages have increased by 3.8% over the last year, which is substantially faster than the statewide and national rates. The housing market is on fire. According to the Florida Association of Realtors, single-family home sales swelled by 30% year over year in the third quarter, the speediest growth rate in the state. The median sale price surged by 31%, Florida's second-fastest increase.

The Appraisal concludes that Jacksonville is on track for a sustained recovery. In the near term, new residents will be drawn to the city's healthy job market, and this growth will fuel construction demand. Despite ongoing cuts in military spending, Jacksonville's skilled workforce will enable the area to outperform the U.S. in the longer term.



**Pictured Above:** The Jacksonville skyline along the St. Johns River, and an aerial view of the Property (inset)

**Note:** Investors are not purchasing interests in some of the pictured properties.

<sup>1</sup> An appraisal for the property prepared by Southeast Realty Consultants dated April 29, 2016 (The "Appraisal")



Aerial View of Property



Pictured from top: Fresh Market Retail Center and EverBank Headquarters

## Local Overview

According to the Appraisal, the Property's neighborhood has an extensive level of infill commercial and retail development. Located adjacent to the Property is a Fresh Market retail center that also includes several smaller retail/restaurant-related tenants. A CVS is proposed for development adjacent to this site. Also located within close proximity is Downtown Jacksonville that features numerous high-rise office buildings and employers including Wells Fargo, Bank of America, EverBank, Prudential, Baptist Health and Haskell. The Jacksonville downtown market area employs over 50,000 employees, many of which have salaries that are well above the average for the Jacksonville market area. Future development is primarily restricted to sites that will require demolition of existing improvements in order to construct new commercial buildings.

## About Bluerock Real Estate, LLC

Bluerock is a private equity real estate investment firm based in New York, NY whose senior management team has an average of over 25 years investing experience and has helped launch several leading real estate private and public company platforms. Bluerock has acquired/developed more than 80 real estate properties, including 48 apartment properties of more than 10,000 apartment units, representing approximately 12 million combined square feet across 14 states and \$2+ billion in acquisition value. As of June 2016, 20 properties and three programs sponsored by Bluerock have gone full cycle from acquisition to sale.

## About 1031 Exchanges

Section 1031 of the Internal Revenue Code ("Section 1031") provides that, in general, no gain or loss shall be recognized on the exchange of property held for productive use in a trade or business, or for investment. A tax-deferred exchange is a method by which a property owner trades one or more relinquished properties for one or more replacement properties of "like-kind", while deferring the payment of federal income taxes and some state taxes on the transaction.

There are numerous Section 1031 rules and requirements including, but not limited to: seller cannot receive or control the net sales proceeds, replacement property must be like-kind to the relinquished property, the replacement property must be identified within 45 days from the sale of the property, the replacement property must be acquired within 180 days from the sale of the original property, and the attributed debt placed or assumed on the property must be equal or greater than the attributed debt of the relinquished property to avoid boot.

## Risk Factors

The purchase of an Interest involves a number of risks. Do not acquire an Interest if you cannot afford to lose your entire investment. Carefully consider the risks described below, as well as the other information in the Memorandum before making a decision to purchase an Interest. Consult with your legal, tax and financial advisors about an investment in an Interest. The risks described below are not the only risks that may affect an investment in an Interest. Additional risks and uncertainties that we do not presently know or have not identified may also materially and adversely affect the value of an Interest, the Property or the performance of your investment. The securities offered herein are highly speculative and involve substantial risks including, but not limited to, the following:

- this is a "best-efforts" offering with no minimum raise or minimum escrow requirements;
- the lack of liquidity of the Interests and lack of diversity of investment;
- the holding of a beneficial interest in the Trust with very limited voting rights with respect to the management or operations of the Trust or in connection with the sale of the Property;
- risks associated with owning, financing, operating and leasing a multifamily apartment complex and real estate generally in or near Jacksonville, Florida;
- risks generally incident to the ownership of real property, including changes in national and local economic conditions, changes in the investment climate for real estate investments, changes in the demand for or supply of competing properties, changes in local market conditions and neighborhood characteristics, the availability and cost of mortgage funds, the obligation to meet fixed and maturing obligations (if any), unanticipated holding costs, the availability and cost of necessary utilities and services, changes in real estate tax rates and other operating expenses, changes in governmental

rules and fiscal policies, changes in zoning and other land use regulations, environmental controls, acts of God (which may result in uninsured losses), and other factors beyond the control of the Trust;

- the Property is located in a hurricane zone, and an area susceptible to high winds, storms, and possible flooding which could result in damage to the Property;
- performance of the Master Tenant under the Master Lease. The projected cash flow is speculative and based on certain assumptions including maintaining certain occupancy levels and certain net rental rates. There is no assurance that the Property can achieve or maintain the occupancy level or rate increases anticipated. If assumptions are not correct, anticipated results will not be achieved and the rate of return may be lower than that projected;
- reliance on the Master Tenant, the Property Manager engaged by the Master Tenant and the Property Sub-Manager subcontracted by the Property Manager to manage the Property;
- risks associated with the Sponsor funding the demand note that capitalizes the Master Tenant;
- risks relating to the terms of the financing for the Property and the use of leverage which presents an additional element of risk in the event that the cash receipts from the operation of the Property are insufficient to meet the principal and interest payments on such indebtedness. In order to comply with tax requirements for Section 1031 exchanges, the Trust is not permitted to obtain new financing and Purchasers of Interests are not permitted to make additional capital contributions to the Trust. Thus, if the cash flow from the Property is insufficient to allow the Master Tenant to make the required payments under the Master Lease, including payments required to service the Loan, the Lender may foreclose on the Property and the Purchasers' equity in the Property may be reduced or lost entirely;
- acquisition of the Interests may not qualify as a Section 1031 exchange and depends on the specific facts involved, including, without limitation, the nature and use of the relinquished property and the method of its disposition, the use of a qualified intermediary and a qualified exchange escrow and the lapse of time between the sale of the relinquished property and the identification and acquisition of the replacement property and no opinion or assurance is being provided to the effect that any individual prospective Purchaser's transaction will qualify under Section 1031;
- the existence of various conflicts of interest among the Sponsor, the Trust, the Master Tenant, the Property Manager, and their affiliates;
- material tax risks, including treatment of the Interests for purposes of Section 1031 and the use of exchange funds to pay acquisition costs, which may result in taxable boot; and
- risks related to competition from properties similar to and near the Property and the possibility of environmental risks related to the Property.

See "Risk Factors" section of the Memorandum for a more detailed discussion of the risks associated with the Interests. All terms defined in the Memorandum. Securities offered to Accredited Investors only pursuant to Rule 501 of Regulation D of the Securities Act of 1933.

**For more information, contact:** Your financial advisor or Bluerock Capital Markets LLC at **877.826.BLUE (2583)**



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