EXCHANGE RIGHT

# NORTH AUSTIN APARTMENT PORTFOLIO, DST

*Value-Add Class B Multifamily Portfolio in North Austin Available for 1031 Exchange*




North Austin Apartment Portfolio DST is a 422-unit Class B Multifamily portfolio with 3 properties that is projected to provide year-1 investor cash flow of 6.25% and the potential to increase income and add value by upgrading approximately half the units.

***Strong Growth in Forecasted Investor Returns:*** Projected initial cash flow of 6.25% to investors with an expectation to grow to over 8.0% by year 10 and an average 7.0% over a 10-year hold period.[1]

***Conservative Underwriting Assumptions:*** We have forecast lower rent growth and occupancy than the property is currently achieving, and we are forecasting expenses to grow faster than revenue throughout the hold period. In addition, the underwriting assumes no increase in net operating income from the recently trailing historical financials until the start of year 3.

***Excess Upfront and Ongoing Reserves:*** We are allocating $2.5 million of upfront reserves to complete renovations, perform common-area improvements, and provide extra cushion for maintenance items and ongoing replacement reserves. We will have set aside over $1.0 million more in replacement reserves than is required by third-party reports over a 10-year period.

***Interior and Amenity Upgrade Potential:*** There is potential to renovate nearly half of the units and add or upgrade amenities including clubhouses, dog parks, grilling stations, fitness centers, etc. The prior ownership achieved double-digit rent growth in recent months with light interior renovations.

***North Austin Submarket is Strong and Growing:*** The portfolio is situated in an infill location in Austin that currently has a 2.3% vacancy rate among Class B properties and has averaged 7.7% asking rent growth over the past year and 4.2% over the past five years according to REIS 2Q 2016 report.

***Austin Market is a Top-Performing MSA:*** For overall economic performance measuring job growth, unemployment, GDP, and home prices, Austin ranked 1st overall for all MSAs when measuring the recession and recovery combined, 7th among all MSAs during the Great Recession, and 2nd during the recovery, according to the Brookings Institute.[2]

[1] The Sponsor anticipates utilizing an aggregation exit strategy that is expected to occur prior to the maturity date of the loan in 10 years. Please refer to the private placement memorandum for additional details.

[2] https://www.brookings.edu/interactives/economic-recovery-monitor-july-2015/

## OFFERING STRUCTURE

EQUITY OFFERING AMOUNT:...........$21,030,000

NON-RECOURSE DEBT:...................$23,610,000

TOTAL OFFERING PRICE:................$44,640,000

OFFERING LOAN TO VALUE (LTV):.......... 52.89%

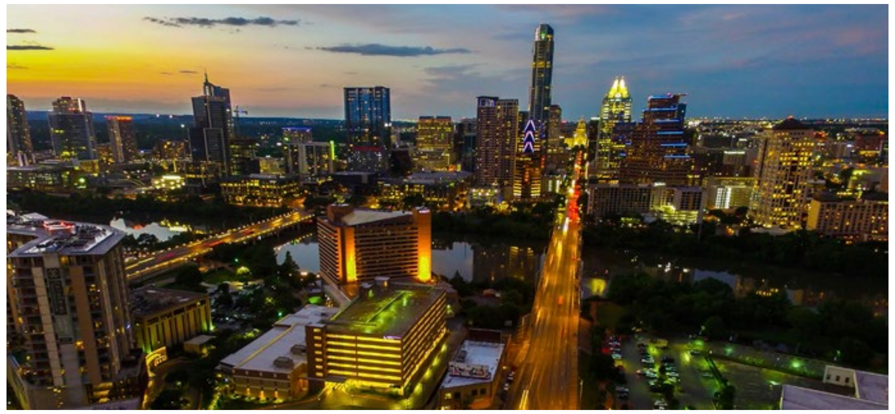
MINIMUM PURCHASE – 1031:..............$100,000

MINIMUM PURCHASE – CASH:...............$25,000

## UNDERWRITING HIGHLIGHTS

- Initial cash flow projected to be 6.25%, growing to 8.0%+ over a 10-year period and averaging 7.0% over the hold period.
- Economic occupancy underwritten at approximately 92.5% though the property was currently averaging 97.3% physical and 95.7% economic occupancy and the market occupancy for Class B is 97.7%.[1]
- Years 1 and 2 Net Operating Income (NOI) conservatively underwritten to have no growth in years 1 and 2 of operations when compared to historical financials.[2]
- Offering Loan to Value anticipated to be 52.89% with a Debt Service Coverage Ratio average of 2.79x per annum over a 10-year hold.
- 10-year operating expense growth rate average underwritten to 3.65%, outpacing underwritten EGR growth rate by a factor of 30%. NOI growth over 10-year hold period is underwritten at 1.98%.
- $2.5 million of accountable reserves are being funded by the lender and investors to execute on the property upgrades and to provide an operating reserve cushion, with over $1.0 million in excess reserves above identified replacements projected over the next 10 years:
  - $670,000 for unit interior renovations
  - $160,000 for common-area upgrades
  - $1.55 million for upfront replacement reserve funding and contingency
  - $100,000 for initial operating reserves

[1] *Historicals are based on T12 results as of July 31, 2016, and market occupancy is based on REIS 2Q 2016 report.*
[2] *Historical financials are based on trailing 3-month income and trailing 12-month expense actuals as of July 31, 2016.*




| YEAR | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|---|---|---|---|---|---|---|---|---|---|
| Scheduled Gross Market Rent | $4,448,300 | $4,619,493 | $4,758,078 | $4,881,788 | $5,008,714 | $5,138,941 | $5,272,553 | $5,409,640 | $5,550,290 | $5,694,598 |
| Loss To Lease | $207,329 | $128,972 | $62,599 | $63,463 | $65,113 | $66,806 | $68,543 | $70,325 | $72,154 | $74,030 |
| **Gross Potential Rent** | **$4,240,971** | **$4,490,521** | **$4,695,479** | **$4,818,324** | **$4,943,601** | **$5,072,134** | **$5,204,010** | **$5,339,314** | **$5,478,136** | **$5,620,568** |
| Less Vacancy Factor | $127,229 | $179,621 | $234,774 | $289,099 | $296,616 | $304,328 | $312,241 | $320,359 | $328,688 | $337,234 |
| Less Concession | $10,653 | $11,280 | $11,794 | $12,103 | $12,417 | $12,740 | $13,071 | $13,411 | $13,760 | $14,118 |
| Less Bad Debt | $49,096 | $51,941 | $54,319 | $55,743 | $57,192 | $58,679 | $60,205 | $61,770 | $63,376 | $65,024 |
| Less Model/Employee Units | $30,031 | $31,766 | $33,197 | $34,067 | $34,952 | $35,861 | $36,794 | $37,750 | $38,732 | $39,739 |
| Other Revenue | $579,591 | $596,979 | $614,888 | $633,335 | $652,335 | $671,905 | $692,062 | $712,824 | $734,209 | $756,235 |
| **Effective Gross Revenue** | **$4,603,553** | **$4,812,892** | **$4,976,283** | **$5,060,648** | **$5,194,758** | **$5,332,431** | **$5,473,762** | **$5,618,848** | **$5,767,789** | **$5,920,688** |
| Operating Expenses | $1,582,725 | $1,637,984 | $1,693,377 | $1,734,378 | $1,777,990 | $1,822,700 | $1,868,535 | $1,915,523 | $1,963,693 | $2,013,075 |
| Property Taxes | $656,240 | $700,808 | $740,052 | $769,654 | $800,441 | $832,458 | $865,757 | $900,387 | $936,402 | $973,858 |
| Operating CapEx | $105,500 | $105,500 | $105,500 | $105,500 | $105,500 | $105,500 | $105,500 | $105,500 | $105,500 | $105,500 |
| **Total Operating Expenses** | **$2,344,465** | **$2,444,292** | **$2,538,930** | **$2,609,532** | **$2,683,931** | **$2,760,658** | **$2,839,791** | **$2,921,409** | **$3,005,595** | **$3,092,433** |
| **Net Operating Income** | **$2,259,088** | **$2,368,600** | **$2,437,353** | **$2,451,115** | **$2,510,827** | **$2,571,773** | **$2,633,971** | **$2,697,438** | **$2,762,194** | **$2,828,255** |
| Interest Expense | $914,428 | $914,428 | $914,428 | $916,934 | $914,428 | $914,428 | $914,428 | $916,934 | $914,428 | $914,428 |
| Asset Management Fee | $11,509 | $36,097 | $49,763 | $50,606 | $51,948 | $53,324 | $54,738 | $56,188 | $57,678 | $59,207 |
| **Free Cash Flow to Master Lease** | **$1,333,150** | **$1,418,075** | **$1,473,162** | **$1,483,575** | **$1,544,451** | **$1,604,020** | **$1,664,804** | **$1,724,316** | **$1,790,088** | **$1,854,620** |
| Base Investor Master Lease Payment | $1,104,075 | $1,104,075 | $1,104,075 | $1,104,075 | $1,104,075 | $1,104,075 | $1,104,075 | $1,104,075 | $1,104,075 | $1,104,075 |
| Est. Bonus Master Lease Payment[1] | $210,964 | $258,136 | $286,124 | $300,781 | $334,393 | $374,942 | $405,510 | $466,396 | $523,294 | $593,843 |
| **Total Estimated Investor Distributions** | **$1,315,039** | **$1,362,211** | **$1,390,199** | **$1,404,856** | **$1,438,468** | **$1,479,017** | **$1,509,585** | **$1,570,471** | **$1,627,369** | **$1,697,918** |
| **Est. Annualized Cash Flow to Investors** | **6.25%** | **6.48%** | **6.61%** | **6.68%** | **6.84%** | **7.03%** | **7.18%** | **7.47%** | **7.74%** | **8.07%** |

[1]Bonus Master Lease Payments are estimated payments that would be paid to investors if the property produces revenues in excess of annual effective gross revenue benchmarks. There is no guarantee that the property will produce the necessary effective gross revenue to earn bonus rent payments.

Projected base master lease cash flows are ultimately dependent on the successful operation of the property. Significant and sustained underperformance of the property could cause a delay or disruption to cash flow. The Trust is expected to be capitalized with upfront and ongoing reserves, but there is no guarantee that these reserves will be sufficient to protect investors from experiencing delays or disruptions to cash flow. Please carefully review the risks of this offering before considering an investment.

Investing in real estate in general, including this offering, involves risk. Please review the Private Placement Memorandum in its entirety, including especially the section that outlines the risks of this offering, before making any investment decision.

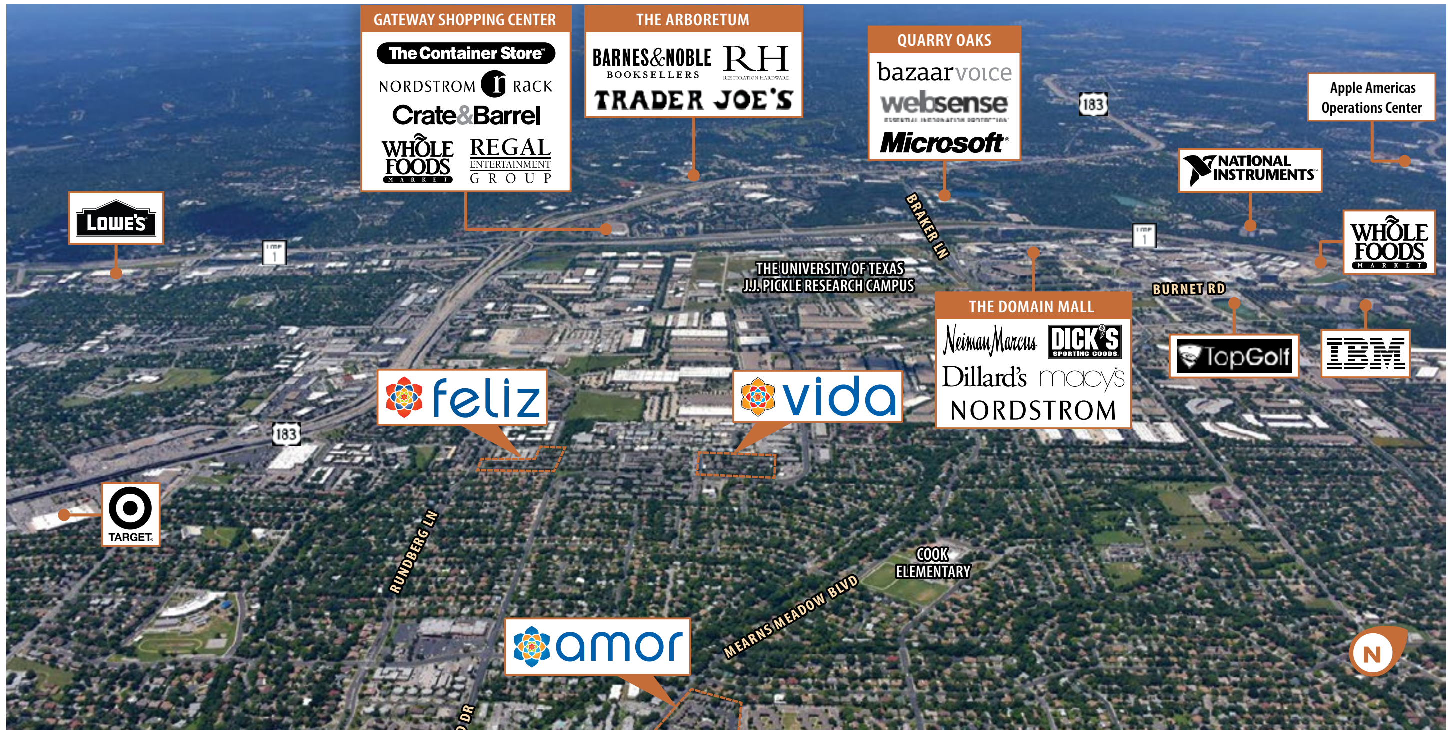
The Manager anticipates performing unit upgrades on up to approximately 193 units, representing 46% of the portfolio's total units. The properties have received renovations to certain units over the past three years, with 229 fully renovated units in the portfolio. The Manager's renovation plan includes renovating the remaining 193 units for approximately $3,500 per unit on average, representing a total of interior renovation upgrades of approximately $670,000. These upgrades, along with the updates and improvements to the common amenities of the property, are underwritten to increase rents by approximately $40–$75 per month, excluding potential organic rent growth that the properties are currently experiencing, over a three-year renovation time frame.

In addition, the Manager will immediately deploy approximately $160,000 to add certain common-area amenities that will increase the overall appeal of the property to residents.

These upgrades will include the following:

- Leasing center updates
- Grilling stations
- Dog park amenity expansion
- Fitness center expansion
- Addition of first-floor patios

*There is no assurance that our asset management strategy and objectives will be carried out successfully. There are material risks involved with any real estate ownership or investment, including this offering. Please carefully review "Risk Factors" in the accompanying Private Placement Memorandum for a more-thorough discussion of the risks that are particular to this offering.*






## OVERVIEW

The Austin MSA is home to over 2 million people and is one of the fastest growing MSAs in the country. Famous for its laid-back atmosphere, fierce loyalty to the local economy, and notoriety as the "Live Music Capital of the World," Austin is cited as one of the top cities to live in by many major publications. The city has earned the nickname "Silicon Hills" because it is a major employment base for technology companies such as Apple, Dell Computer, IBM, AMD, Motorola, National Instruments, and Samsung. High-tech employment has grown at triple the national pace over the past five years. In addition, the city is home to The University of Texas' flagship institution.

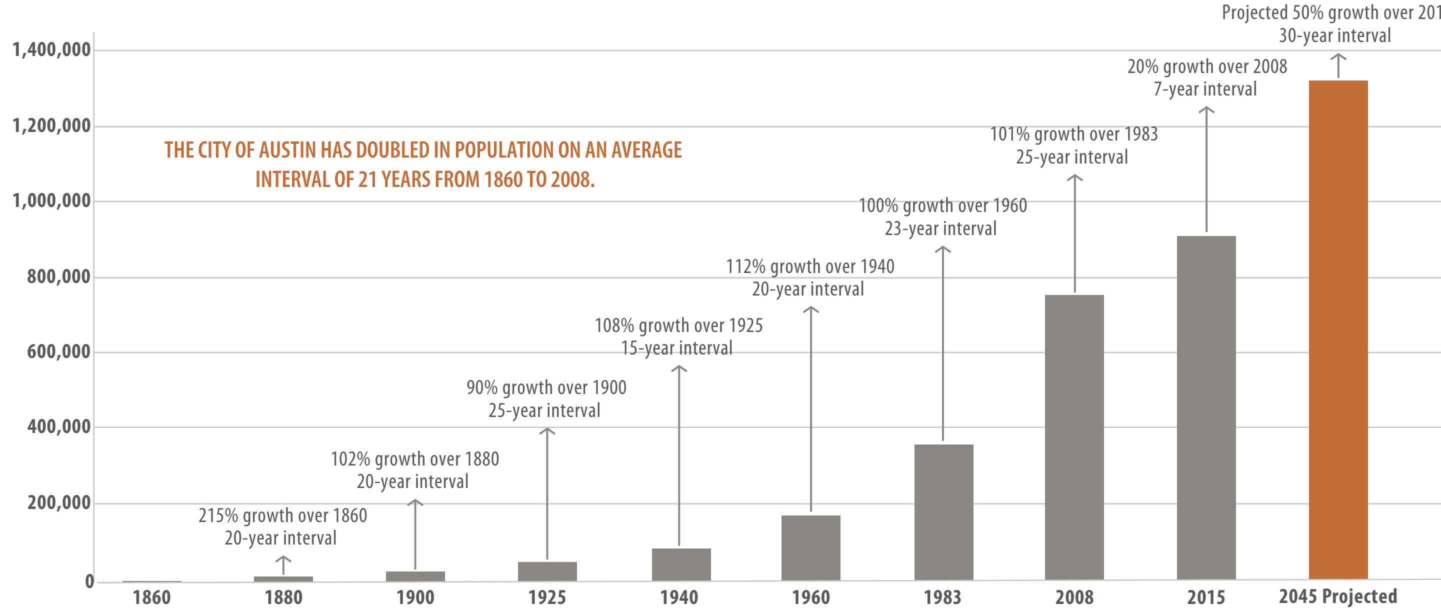
## SIGNIFICANT MARKET GROWTH

With growth at twice the national pace, the Austin MSA took the top spot on Forbes Magazine's "Fastest-Growing U.S. City" list from 2010–2014 and was 2nd on 2015's list. It is currently estimated that an average of 110 people move to the city every day. From 2016 to 2020, Austin expects an average economic growth rate of over 4%, with a population growth rate approaching 3%. Over the past decade, the Austin metro population has expanded by 36.8%, the fastest pace in the state, adding more than 500,000 new residents. This growth is expected to continue in Austin as the especially well-educated work force, high concentration of tech business, and steady population growth may combine to yield above-average performance.

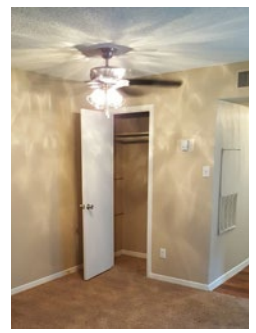
## STRONG MULTIFAMILY SUBMARKET

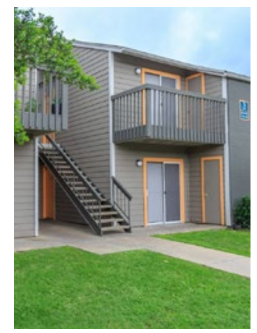
The properties are located in the North Austin submarket. The submarket is currently at a 2.3% vacancy rate among Class B properties and has averaged 7.7% asking rent growth over the past year and 4.2% over the past five years according to REIS 2Q 2016 report. The multifamily product in the surrounding area has experienced tremendous value-add investment in recent years. This has significantly strengthened the quality of surrounding assets and the renter pool in the area.

## CITY OF AUSTIN HISTORICAL POPULATION GROWTH



PROPERTY DETAILS



1236 Mearns Meadow Blvd., Austin, Texas

## PROPERTY SUMMARY

| | |
|---|---|
| Year Built | 1984 |
| No. of Buildings | 132 units |
| Net Rentable Area | 76,880 sq ft |
| Avg. SqFt/Unit | 582 sq ft |
| Occupancy/Leased | 98% |
| Land Area | 3.9 acres |
| Density | 33.8 units/acre |

## DEMOGRAPHIC SUMMARY

| | 1 MILE | 3 MILE | 5 MILE |
|---|---|---|---|
| 2016 Population | 35,138 | 150,127 | 331,447 |
| Owner Occupied | 23.70% | 28.70% | 33.50% |
| Renter Occupied | 64.30% | 60.80% | 57.70% |
| 2016 Avg. HH Income | $52,564 | $66,974 | $76,617 |
| Med. Home Value | $149,160 | $184,918 | $232,316 |
| MSA Population | 2,000,860 | | |

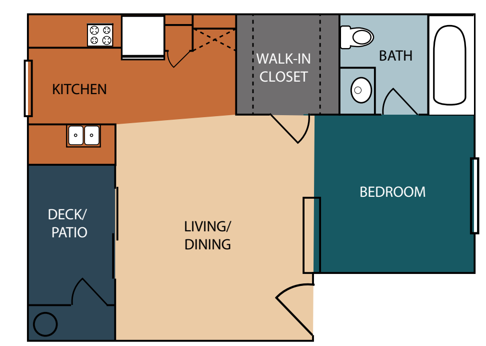
## COMMUNITY AMENITIES

- Leasing Office
- Swimming Pool
- Laundry Facilities
- Gated Community
- Walking Distance to Adjacent Quail Creek Park & North Austin YMCA

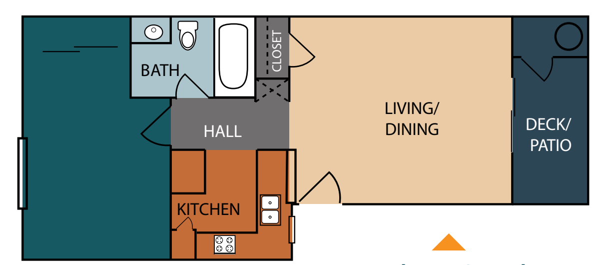
## UNIT MIX

| UNIT TYPE | # OF UNITS | UNIT SQ FT | RENT | RENT/SQ FT | MO RENT | ANNUAL RENT |
|---|---|---|---|---|---|---|
| 0 Bed / 1 Bath | 20 | 396 | $675 | $1.70 | $13,500 | $162,000 |
| 1 Bed / 1 Bath | 88 | 545 | $775 | $1.42 | $68,200 | $818,400 |
| 2 Bed / 2 Bath | 24 | 875 | $995 | $1.14 | $23,880 | $286,560 |
| **Total / Average** | **132** | **582** | **$800** | **$1.37** | **$105,580** | **$1,266,960** |

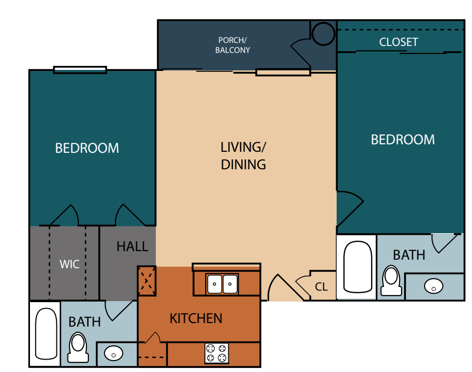
## FLOORPLANS




Efficiency
396 sq ft

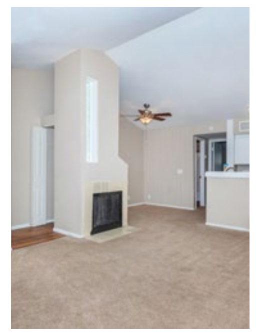


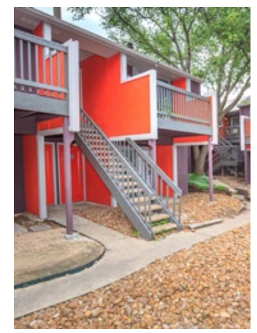

1 Bedroom/1 Bath
545 sq ft




2 Bedroom/2 Bath
875 sq ft

PROPERTY DETAILS



1804 W. Rundberg Ln., Austin, Texas

## PROPERTY SUMMARY

| | |
|---|---|
| Year Built | 1980 |
| No. of Buildings | 130 units |
| Net Rentable Area | 87,097 sq ft |
| Avg. SqFt/Unit | 670 sq ft |
| Occupancy/Leased | 95% |
| Land Area | 4.3 acres |
| Density | 30.2 units/acre |

## DEMOGRAPHIC SUMMARY

| | 1 MILE | 3 MILE | 5 MILE |
|---|---|---|---|
| 2016 Population | 25,650 | 156,286 | 335,166 |
| Owner Occupied | 21.60% | 29.60% | 34.10% |
| Renter Occupied | 65.50% | 60.70% | 57.30% |
| 2016 Avg. HH Income | $51,743 | $66,699 | $76,895 |
| Med. Home Value | $154,067 | $213,136 | $244,031 |
| MSA Population | 2,000,860 | | |

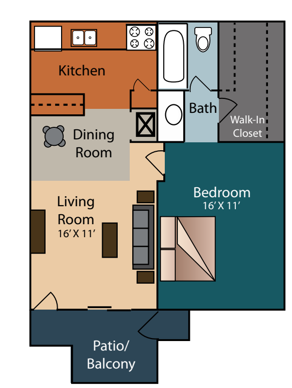
## COMMUNITY AMENITIES

- Leasing Office
- Swimming Pool
- Fitness Center
- Laundry Facilities
- Picnic Area with Barbecue Grills
- Gated Community

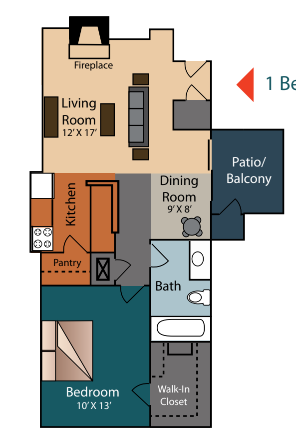
## UNIT MIX

| UNIT TYPE | # OF UNITS | UNIT SQ FT | RENT | RENT/SQ FT | MO RENT | ANNUAL RENT |
|---|---|---|---|---|---|---|
| 1 Bed / 1 Bath | 24 | 537 | $759 | $1.41 | $18,216 | $218,592 |
| 1 Bed / 1 Bath | 47 | 577 | $777 | $1.35 | $36,519 | $438,228 |
| 1 Bed / 1 Bath | 19 | 660 | $825 | $1.25 | $15,675 | $188,100 |
| 2 Bed / 1 Bath | 20 | 787 | $951 | $1.21 | $19,020 | $228,240 |
| 2 Bed / 1 Bath | 10 | 876 | $1,030 | $1.18 | $10,300 | $123,600 |
| 2 Bed / 2 Bath | 10 | 1,005 | $1,084 | $1.08 | $10,840 | $130,080 |
| **Total / Average** | **130** | **670** | **$851** | **$1.27** | **$110,570** | **$1,326,840** |

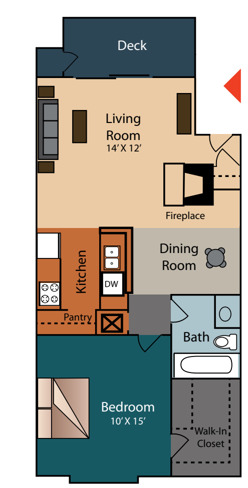
## FLOORPLANS



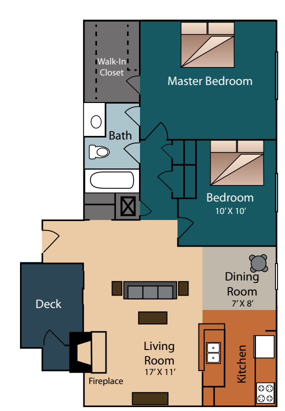
Plan A
1 Bedroom/1 Bath
537 sq ft



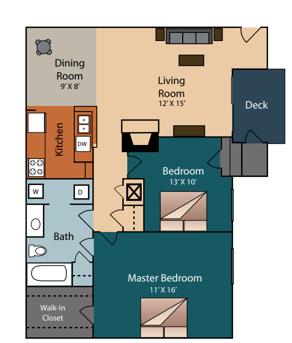
Plan B
1 Bedroom/1 Bath
577 sq ft



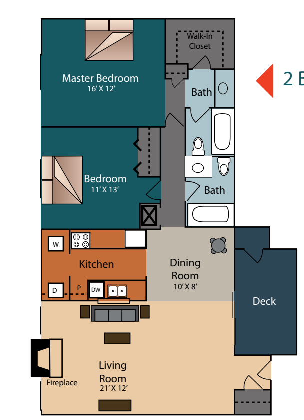
Plan C
1 Bedroom/1 Bath
660 sq ft



Plan D
2 Bedroom/1 Bath
787 sq ft

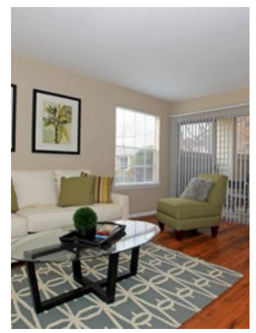


Plan E
2 Bedroom/1 Bath
876 sq ft



Plan F
2 Bedroom/2 Bath
1,005 sq ft

PROPERTY DETAILS

1735 Rutland Dr., Austin, Texas

## PROPERTY SUMMARY

| | |
|---|---|
| Year Built | 1983 |
| No. of Buildings | 160 units |
| Net Rentable Area | 110,024 sq ft |
| Avg. SqFt/Unit | 688 sq ft |
| Occupancy/Leased | 96% |
| Land Area | 6.4 acres |
| Density | 25.0 units/acre |

## DEMOGRAPHIC SUMMARY

| | 1 MILE | 3 MILE | 5 MILE |
|---|---|---|---|
| 2016 Population | 24,989 | 155,727 | 331,138 |
| Owner Occupied | 25.60% | 28.70% | 34.30% |
| Renter Occupied | 62.70% | 61.10% | 57.30% |
| 2016 Avg. HH Income | $48,629 | $63,277 | $74,464 |
| Med. Home Value | $151,956 | $205,307 | $239,245 |
| MSA Population | 2,000,860 | | |

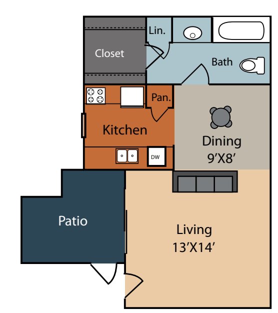
## COMMUNITY AMENITIES

- Leasing Office
- Swimming Pool
- Fitness Center
- Laundry Facilities
- Gated Community

## UNIT MIX

| UNIT TYPE | # OF UNITS | UNIT SQ FT | RENT | RENT/SQ FT | MO RENT | ANNUAL RENT |
|---|---|---|---|---|---|---|
| 1 Bed / 1 Bath | 32 | 450 | $745 | $1.66 | $23,840 | $286,080 |
| 1 Bed / 1 Bath | 32 | 550 | $791 | $1.44 | $25,312 | $303,744 |
| 1 Bed / 1 Bath | 24 | 645 | $870 | $1.35 | $20,880 | $250,560 |
| 2 Bed / 1 Bath | 24 | 816 | $975 | $1.19 | $23,400 | $280,800 |
| 2 Bed / 1 Bath | 32 | 875 | $1,005 | $1.15 | $32,160 | $385,920 |
| 2 Bed / 2 Bath | 16 | 935 | $1,040 | $1.11 | $16,640 | $199,680 |
| **Total / Average** | **160** | **688** | **$851** | **$1.29** | **$142,232** | **$1,706,784** |

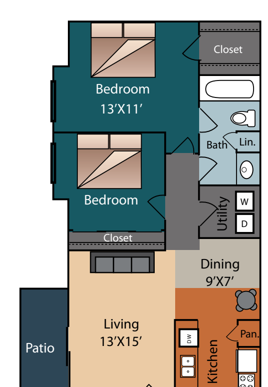
## FLOORPLANS



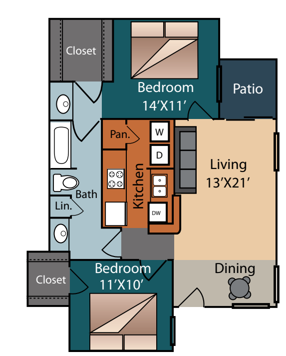

Plan E
Efficiency
450 sq ft


Plan A1
1 Bedroom/1 Bath
550 sq ft

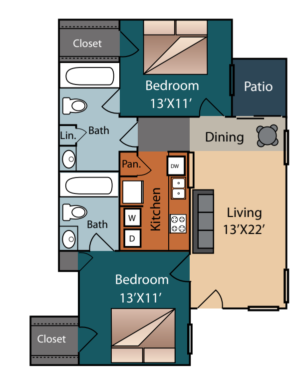

Plan A2
1 Bedroom/1 Bath
645 sq ft




Plan B1
2 Bedroom/1 Bath
816 sq ft




Plan B2
2 Bedroom/1 Bath
875 sq ft




Plan B3
2 Bedroom/2 Bath
935 sq ft

EXCHANGE RIGHT

## ExchangeRight is committed to providing 1031-exchangeable DST offerings of value-added multifamily properties and net-leased portfolios.

ExchangeRight is committed to providing 1031-exchangeable DST offerings of value-added multifamily properties and net-leased portfolios. Our multifamily platform targets Class B apartments with stable income and value-added upside potential. Our multifamily offerings feature strong cash flow, high debt coverage ratios, conservative underwriting, long-term fixed-rate financing, and the potential to enhance return with value-added strategies.

In addition to intentionally structuring offerings with an alignment of interest with investors, the principals of the company have taken a personal investment position in each DST offering that has been brought to market. Each of our DST offerings provides both 1031 and cash investors with pass-through tax deferral advantages, and all of ExchangeRight's offerings have met or exceeded their initial projections.

### ASSET MANAGER EXPERIENCE

**ExchangeRight** and its affiliates are currently managing over $600 million of assets including 22 apartment communities consisting of over 4,000 units in Alabama, Louisiana, North Carolina, South Carolina, Texas, and Georgia and 195 single-tenant retail properties located across 27 states. ExchangeRight principals have an extensive background investing in Class B multifamily over the past 15 years, taking a value-added approach through common-area and unit upgrades, hands-on management, and operating expense control to maximize cash flow and total returns.

### PROPERTY MANAGER

Since its entry into the marketplace in 1995, **United Apartment Group** has increased the number of its managed units more than twenty-five times over and watched its portfolio value of those properties approach the billion-dollar mark and over 50,000 units. Headquartered in San Antonio, TX, its steady increase in both unit occupancy and management renewal contracts is a result of executive leadership and high-quality, positive interactions with the residents under their care. Each type of community receives UAG's full complement of management services and due diligence.

### WORKING TOGETHER

ExchangeRight will work closely with United Apartment Group to ensure that all potential avenues of income and value creation are being pursued on behalf of investors in this property. Our master lease is structured to align our interests with investors', as master lease participation occurs only if we are able to control expenses and drive rents and effective gross revenues higher.