



**MOUNTAIN VALLEY** 1000 Mountain Valley Dr., Morgantown, WV 26508

**TARGETED BENEFITS**

- ▶ 7% First Year Targeted Cash-on-Cash
- ▶ 98% Current 2016/2017 Occupancy
- ▶ Tax Efficiency Through Depreciation
- ▶ Light Value Add Opportunity
- ▶ Additional Development Opportunity

*ANCHORED BY THE HISTORICAL STABILITY OF WEST VIRGINIA UNIVERSITY (FOUNDED IN 1867)*

▶ **NB MOUNTAIN VALLEY, DST**

**1031 ELIGIBLE**



*Spacious kitchens with modern appliances*





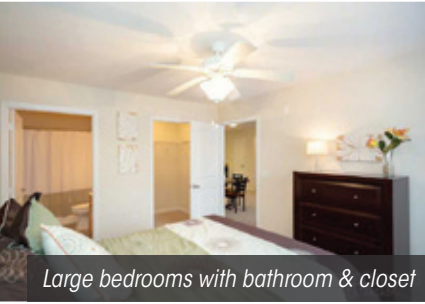
Student lounge/game room



Indoor basketball court



Open floor plans



Large bedrooms with bathroom & closet

## PROPERTY SUMMARY

Nelson Brothers believes that the Mountain Valley apartments is well located (next to transit and entertainment) and has one of the best reputations and amenities package for off-campus student housing.

Mountain Valley Apartments is a 344 unit/ 658-bedroom multi-family student housing property that consists of 14 predominantly four-story apartment buildings.

The property is in proximity to West Virginia University in Morgantown, West Virginia. It is a 6-minute bus ride to campus similar in distance to other comparable purposely built off campus student housing properties surrounding the University. The property was built in 2008 and offers a superior amenity package and has a history of high occupancy. There will also be a light value add opportunity with upgrades to communal areas including the clubhouse/game room, pool, hammock park and outdoor kitchen.

In addition to the property, this offering includes the surrounding 53 acres that has the potential to be developed into additional units and beds. The site is currently zoned medium density residential, which allows for a maximum of 16 units and 32 bedrooms per acre. It would be our goal to have this potential new development pay a rent to the DST to use the amenities and leasing office of the existing property.

### Community Amenities

- 24 Hour fitness center
- Resort Style Swimming Pool
- Game room/media lounge: Play Station/ Xbox
- 360/movies, complimentary movie checkout
- Shuttle to campus and multiple shopping, dining and entertainment locations
- Cyber café with free Wi-Fi and printing
- Outdoor picnic with charcoal grilling area
- On-site maintenance
- Leash-free bark park
- Starbucks Coffee and tea bar
- Volleyball court
- Full-sized basketball gymnasium

### Interior Features

- Refrigerator/dishwasher/ disposal/microwave
- Air conditioner
- Spacious walk in closets
- Washer/Dryer
- Private patio/balcony
- Private Bedrooms
- Private bath for every bedroom

### Occupancy

2015/2016 - 98.3%      2016/2017 - 97.9%      2017/2018 Estimate\* - 95.5%

\*CBRE appraisal estimate

## MARKET

Nelson Brothers believes there are strong market fundamentals. West Virginia University is the largest University in the state of West Virginia. The property is an opportunity for investors to have an indirect ownership stake in an asset at

a Tier 1 University, Division I Big 12 school. West Virginia University has added on average 294 students per year since 2007. Approximately 30,000 students currently attend WVU on a full-time basis, and there are less than 5,000 beds available on campus (with no on-campus living requirements) creating what we believe to be a favorable supply- demand imbalance for investors in student housing.

There are potential barriers to entry for new comers to the market. There is a limited amount of land available within the city limits for new development, restrictions within the city limits on building codes and a cap on the number of unrelated persons that can occupy a single apartment unit or house. These issues make it difficult for new developments to be constructed close to the WVU campus.

Overall, the area housing market is exhibiting strong occupancy levels and stable to increasing rental rates\*

\*CBRE appraisal report 2017

## STUDENT HOUSING

Interest in student housing has continued to grow steadily as more investors look towards less traditional asset classes within commercial real estate. For three years transaction volume has set records growing from \$3.5 Billion in 2014, \$6 Billion in 2016 and \$10 Billion in 2016\*. The increased attention has come from the sector offering less rental growth volatility and recession resistant hedge to conventional apartments. Meanwhile, strong levels of US college enrollment and the underfunded university budgets to finance new dormitory developments are creating investment opportunities.

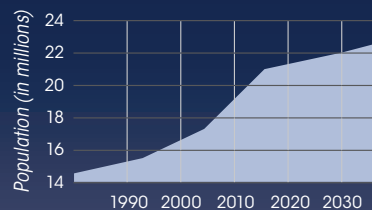
Nelson Brothers believes that a flagship Division I school such as West Virginia University, near a large metropolitan city (Pittsburgh) will stay in high demand over the next decade.

Source: \*<http://www.nreionline.com/student-housing/student-housing-sales-outperform-rest-market>

### SUMMARY OF COMPARABLE APARTMENT RENTALS

PROPERTY	ADDRESS	OCC.
Domain at Town Centre	5000 Domain Drive, Morgantown, WV	92%
Campus Evolution Villages	1000 District Drive, Morgantown, WV	72%
The Ridge	350 Wedgewood Dr., Morgantown, WV	93%
West Run Apts.	500 Koehler Dr., Morgantown, WV	74%
Copper Beach	200 Tupelo Dr., Morgantown, WV	97%
The Lofts	5000 Station St., Morgantown, WV	96%
Mountain Valley Apartments	1000 Mountain Valley Dr., Morgantown, WV	97%

## U.S. COLLEGE ENROLLMENT POPULATION GROWTH



• College enrollment over the past few decades shows almost no correlation to the economy.

• Student enrollment expected to grow 13% over the next 10 years

Source: National Center of Education Statistics



## TARGET STRATEGY

The investment strategy for Nelson Brothers is to seek properties with a sustainable competitive advantage that can leverage the historical stability of the University in a premium location. The goal is to produce a balance of potential benefits to investors which include: high stable occupancy, monthly cash flow, tax efficiency through depreciation and capital appreciation. Nelson Brothers believes that Mountain Valley apartments is well positioned to capture the growing post graduate student enrollment, as well as, undergraduate in a market that offers minimal on campus housing options

## OFFERING DETAILS

<b>1st Year Targeted Cash-on-Cash</b>	7.0%
<b>Total Offering Price</b>	\$38,751,419
<b>Investor Equity</b>	\$14,958,419
<b>Total Loan Amount</b>	\$23,793,000
<b>Loan-to-Value</b>	61.4%
<b>Minimum Investment</b>	\$50,000

## PROPERTY PROFILE

	Avg. Sq. Ft.	Total Units	Total Beds	Avg. Mo. Market Rent/Bed
One Bedroom	626	112	112	\$862
Two Bedroom	1,030	150	300	\$597
Three Bedroom	1,233	82	246	\$512
Total/Avg.	947	344	658	\$611

## LOAN DETAILS

Term 30: years. Interest Only: 5 years. Type: Fixed. Interest Rate: 4.30%. Amortization: 30 years.

**WHILE THE PROPERTY IS FURTHER FROM CAMPUS, NELSON BROTHERS BELIEVES IT IS WELL POSITIONED TO FOCUS ON THE PROFESSIONAL STUDENT/INTERNATIONAL STUDENT NICHE MARKET.**

- For the professional/international market that prefers modern fully amenitized apartment homes, there are currently only six modern off campus apartment living options with dedicated marketing efforts. The other options are through private landlords offering older single homes/duplexes
- Mountain Valley only currently competes against two other properties in which each unit mix has a 1:1 private bedroom to private bathroom (which NB believes is the most popular vs. shared) \* source CBRE appraisal report. Also see 7 reasons brochure for more information.
- Currently there is no requirement that undergrads live on campus, and recently, University owned housing close to campus has had difficulty leasing up. <http://www.wvgazette.com/news-education/20160528/wvu-having-trouble-filling-apartment-rooms>
- NB believes the professional/international student market prefer the amenities package, high level of service and quieter location from the rowdy streets of downtown which Mountain Valley can offer.
- All these points are reflected in a strong historical occupancy averaging 97.23 percent over the last three years

## TARGETED PRO FORMA ANALYSIS

(Master Lease Structure)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Total Operating Income</b>	4,693,423	4,784,898	4,878,179	4,973,302	5,070,302	5,169,218	5,270,087	5,372,948	5,477,841	5,584,807
<b>Total Expenses</b>	2,152,670	2,502,107	2,552,285	2,603,554	2,655,940	2,709,468	2,764,163	2,820,052	2,877,161	2,935,518
<b>Expense Ratio</b>	45.9%	52.3%	52.3%	52.4%	52.4%	52.4%	52.5%	52.5%	52.5%	52.6%
<b>NOI</b>	2,540,753	2,282,791	2,325,894	2,369,747	2,414,362	2,459,749	2,505,924	2,552,896	2,600,680	2,649,288
<b>Debt Service</b>	(1,023,099)	(1,023,099)	(1,023,099)	(1,023,099)	(1,023,099)	(1,412,937)	(1,412,937)	(1,412,937)	(1,412,937)	(1,412,937)
<b>Cash Flow After Debt Service</b>	1,517,654	1,259,692	1,302,795	1,346,648	1,391,263	1,046,812	1,092,986	1,139,959	1,187,743	1,236,351
<b>Distributions %</b>	7.00%	7.00%	7.20%	7.20%	7.30%	6.10%	6.20%	6.20%	6.30%	6.80%
<b>Distribution Amount</b>	1,047,089	1,047,089	1,077,006	1,077,006	1,091,965	912,464	927,422	927,422	942,380	1,017,172

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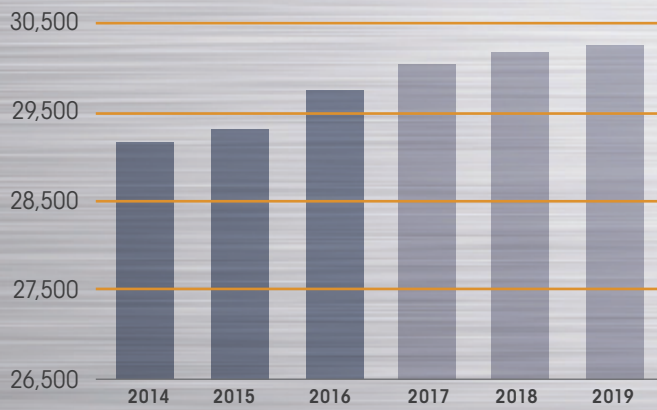
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- Founded in 1867 – WVU is the flagship institution of higher education West Virginia and is responsible for 53% of the state’s college graduates\*
- Current enrollment is approximately 29,175 students and approximately 75% of WVU students live in off-campus housing
- WVU employs 8,400 staff and faculty members and they generate over \$127 million annually in sponsored and research grants
- The National Law Journal named the WVU College of Law a “Go-To” law school



## WEST VIRGINIA UNIVERSITY ENROLLMENT HISTORY



source: axiometrics




### Enrollment, quality of students continues to increase at WVU

May 22, 2016, by E. Gordon Gee

- First Time freshman applications to WVU has increased by 30.5 percent from 2015
- The number of admitted students has increased by 25 percent from 2015
- The number of international students has increased by 33 percent from 2015
- Total enrollment for the Morgantown campus has increased by nearly 2.5 percent between 2007-15

read full article: <http://presidentgee.wvu.edu/speeches/enrollment-quality-of-students-continues-to-increase-at-wvu>



## ABOUT NELSON BROTHERS

### Current Management Portfolio At-A-Glance:

Founded in 2007, Nelson Brothers specializes in what the firm considers to be well-positioned student housing properties.

Headquartered in Orange County, CA, Nelson Brothers manages over \$500 million in real estate with more than 100 employees.

The current portfolio-wide occupancy is over 98% as of January 2017.



STUDENT HOUSING AND ASSISTED LIVING INVESTMENTS

16B Journey | Aliso Viejo, CA 92656  
(800) 580-1031



Nelson Brothers recently purchased and renovated 16-B Journey, a 10,000 sf office building in Aliso Viejo (South Orange County) to serve as company headquarters.