iintoo

Apex on the Highline — Aurora, CO

Invest in a value-add multifamily asset in one of Colorado's hottest markets

Acquisition and upgrade of a currently income-generating multifamily asset in Aurora, CO, with intent to sell the property within 36 months from the closing date. The asset is close to Denver's primary employment hubs and entertainment centers, and the Sponsor sees significant value-add potential in this well-maintained, conveniently located asset.

Property Details

Property Type	Multifamily
Asset Class	B
Number of Units	138 Units (avg. 841 SQF/unit)
Year Built	1984
Project Type	Value-add

Property Address

15597 E Ford Circle,
Aurora, CO 80017

Target Closing Date

July 2021

Investment Type	Financing Type	Estimated NOI Generated to Equity Investors
Multifamily	Equity	5.26% (Avg. per year, Net of all fees)
Estimated Holding Period	Minimum Investment	
36 Months	$25,000	Please note: Per FINRA Rule 2210, we are no longer permitted to enclose IRR estimates, as of July 2020.*

Investment Highlights

1. Value-Add Opportunity

The Sponsor intends to substantially renovate the property's units at an average of $10.4K per unit and further upgrade exteriors and communal amenities. The Sponsor believes these renovations will allow the asset to compete both with higher rents at newer properties in the deal submarket as well as exit sale prices. The asset's average post-renovation rent is projected to be $1,459 an increase of an average of $135 as of March 2021.

2. Experienced Local Sponsor

The Sponsor has a strong track record completing similar projects across the southwestern US, and this is our second deal with the Sponsor. While distributions for our first deal with the Sponsor (Hidden Chalet, Salt Lake City, UT) were withheld due to COVID-19, we are looking at a pending exit approximately 18 months ahead of schedule, with an early exit slated to be completed in the next month or so and possibly yielding an 11.85% annual return to iintoo equity investors as the negotiated payout.

3. Strong COVID Performance

The asset's performance has been strong over the past year, with only minimal tenant concessions required during the pandemic, according to Sponsor. This success is largely due to the asset's relative affordability, large floor plans, low-density layout, and central location among the Denver metro area's primary employment hubs. Occupancy rate stood at 94.9% as of April 2021 and collection rate stood at 98.9% as of March 2021.

4. Supply-Constrained Market

There is a chronic shortage of both single-family housing and multifamily rental properties in Aurora, and with the average asking rent in Aurora is ~ 12% below the Denver–Aurora–Lakewood metro area average[1], the city continues to see significant in-migration and upwards rent price pressure.

[1] Source: CoStar, "Aurora-Denver Multifamily Submarket Report"

* The indicative performance notifications herein above were determined based on the following stipulations: **an investment's Estimated Net Operating Income (NOI) amount that is generated to Equity Investors is determined by deducting fees and expenses from the current rent roll and other cashflows.** We confirm these numbers by comparison with comps received from appraisers. The performance notifications are hypothetical based on the methodology herein above indicated and the actual performance of an investment as stated will vary over time and might not be attained. **The project's detailed operational figures are provided in the expanded financials, which are available in the document center.**

All financial estimates are calculated based on the total capital iintoo equity investors contribute and are net of all fees.

Property Details

Property Details

Apex on the Highline is a value-add multifamily complex located in Aurora, CO. The property offers spacious, low-density living and is comprised of 138 spacious units spread out across eight buildings. Additionally, the current owner has spent significant capex on leasing office and clubhouse renovations, new roofs, and interior unit renovations. Tenant amenities include both indoor and outdoor pools, clubhouse & gym, grilling areas, and a tennis court.

Asset Location

The Property is centrally located between several of Denver's largest employment hubs, including the Fitzsimons Life Sciences District (10 min.), Denver Tech Center (15 min.), and Downtown Denver (30 min.), and is less than half an hour's drive away from Denver International Airport. Additionally, the property is ~1 mile from the RTD Light Rail Aurora Metro Center Station, 5 -20 minutes away from multiple major retailers and recreational centers and is located on the West Toll Gate Creek Trail which connects to the High Line.

Value-Add Plan

The Sponsor's proposed renovation plan will focus on upgrading ~62% of the property's units to provide a more modern aesthetic as well as exterior and common area upgrades to enhance curb appeal. This renovation plan is expected to begin in September 2021 and be completed by September 2023.

Exterior & Common Area Renovations ($853,000 CAPEX)

- New exterior paint job
- Modernization/overhaul of indoor and outdoor pool areas
- Addition of a basketball court and activated courtyard area with fire pit, seating, BBQ areas, games and activities
- Addition of package lockers
- New marquee signage and door numbers
- Landscaping upgrades with focus on leasing path, frontage and Trail entrance
- Conversion of the tennis court to a half court basketball court with new lighting
- Convert remainder of tennis court to activated courtyard area with turf, string lights, seating, fire pits, and games
- Build out stairs connecting the pool and courtyard area
- Modern pool furniture that ties into project design
- Introduce string lights at both indoor and outdoor pool for optimal nighttime setting

Interior Renovations ($905,000 CAPEX)

- Resurfaced countertops in kitchen and bathrooms
- New flooring in common areas and bedrooms
- New appliance package
- White shaker cabinet replacements with new pulls
- Light grey paint job
- Updated plumbing and lighting fixtures
- Frame in bathroom mirror
- Tub/shower resurfacing
- Addition of washer/dryers in 28 remaining units

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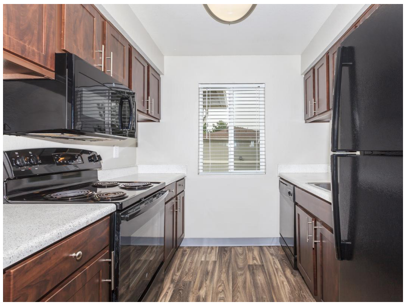
Property Images

Property Exteriors


Amenities



Interiors


Sponsor Details

DB Capital Management

Expertise

DB Capital is California-based multifamily investment group that targets value-add and core-plus multifamily investments in submarkets with an educated, stable workforce and high proximity to major employment hubs. The group has its own property management subsidiary, Skyline Management Group, that directly oversees much of their portfolio. Furthermore, the company's organizational structure and investment strategy focuses on fewer markets with a localized presence in order to improve the company's ability to identify and pursue local opportunities.

Sponsor Track Record

	Property Name	Date Acquired	Holding Period (Years)	Sale Date	# Units	Purchase Price ($)	Equity ($)	Sale Price Market V ($)
Exited	1634 Arapahoe St, CA	01/05/2015	4	07/01/2019	9	860,000	265,000	1,250,000
	1850 11th St, CA	18/11/2015	1	20/11/2016	6	1,927,000	2,627,000	4,195,000
	Edgewood Park, SLC	06/09/2018	2	05/08/2020	64	11,000,000	2,530,000	15,625,000
	Century Apartments	28/11/2018	2	15/03/2021	30	3,900,000	2,245,500	7,100,000
	Chateau de Ville, SLC	11/04/2019	2	15/05/2021	27	4,600,000	221,670	7,500,000
	Avenue East, SLC	09/08/2019	1	30/10/2020	17	2,325,000	1,222,542	4,275,000
Active	112 N Normandine, CA	12/06/2012	10	N/A	12	1,220,000	580,000	
	925 N Curson Ave, CA	10/07/2015	7	N/A	10	2,625,000	561,400	
	7511 Lexington Ave, CA	14/01/2016	7	N/A	15	4,250,000	2,150,000	
	2428 Kansas Ave, CA	17/02/2016	7	N/A	7	2,063,000	1,273,000	
	2515 Kansas Ave, CA	15/02/2016	7	N/A	8	3,750,000	3,750,000	
	Venice Apts, CA	09/02/2018	5	N/A	13	4,025,000	2,450,000	
	Fit Street, CA	24/04/2018	5	N/A	10	2,267,500	1,024,940	
	Mueller Place, TX	31/07/2018	3	N/A	86	8,375,000	4,152,236	
	Red Oak, TX	31/10/2018	3	N/A	24	2,158,000	768,270	
	Morton Meadows, SLC	02/07/2019	5	N/A	32	3,600,000	1,250,000	
	Tempo West Apartments, OR	22/07/2019	2	N/A	59	10,750,000	3,500,000	
	Lamar Station, TX	11/10/2019	7	N/A	192	28,800,000	11,100,000	
	Terra at Murray Hill, OR	06/12/2019	7	N/A	137	34,100,000	13,300,000	
	Hidden Chalet & Haven Gardens, UT —— iintoo deal	13/02/2020	3	N/A	59	6,700,000	2,200,000	
	Red Owl Apartments, CO	05/10/2020	7	N/A	46	16,200,000	7,200,000	
	Union Square Apartments, UT	23/12/2020	10	N/A	139	16,000,000	5,100,000	
	NW Austin Portfoliom TX	28/01/2021	5	N/A	422	49,800,000	16,400,000	
	Spring Hollow, UT	01/06/2021	3	N/A	88	12,250,000	5,200,000	

Market Overview

Denver

In 2020, U.S. News & World Report ranked Denver the #2 best place to live in the U.S., in terms of quality of life and employment prospects.[1] Additionally, the Wall Street Journal & Moody's Analytics ranked Denver the #3 labor market in the U.S., and multiple global corporations like Google, Oracle, and Charles Schwab have a significant physical presence and employee footprint in the city.[2]

As a result, Denver has seen an influx of both population and investment in recent years, and from 2011 through 2019, rent growth in Denver has ranged from 2.1% to 9.5%.[3] While rent levels were relatively static from March 2020-March 2021, strong rent growth is expected through the remainder of 2021 and beyond as the city shakes off the effects of COVID-19 and continues on its course of sustained growth.[4] As a result, CBRE forecasts Denver's rent growth to hover around 1.1% in 2021 before reaching 10.5% in 2022 and 2.9% in 2023, primarily due to a return to pre-pandemic employment levels, recent economic stimulus, and slower multifamily construction permitting.

Aurora

Aurora lies ~8 miles east of Denver and is the third largest city in Colorado. The city's six largest private-sector employers are in healthcare and aerospace engineering industries, which were less adversely affected by the pandemic than many other industries. Additionally, Buckley Air Force Base, which is located in the area, employs approximately 12,000 workers and provides a solid backbone for local housing demand.[5]

At ~$1,390/month, the average asking rent in Aurora is roughly 12% below the Denver–Aurora–Lakewood metro area average.[5] As a result, Aurora apartments have been a beneficiary of stronger suburban demand since COVID-19 struck Colorado, as more people shift to working from home and seek out more spacious housing options. Additionally, Aurora's apartment vacancies have remained below the metro average during the pandemic due to limited supply constraints, in terms of both affordable houses and rental options.

The effects of COVID-19 and the U.S.' favorable mortgage interest rates have further encouraged an influx of new homebuyers into Aurora, and the price increases triggered by this intra-state migratory shift is expected to hinder the bottom half of Aurora home seekers for years to come. [6] This continued demand for housing options has in turn bolstered local rent levels, and after Aurora's annual rent growth turned slightly negative in Q2 2020 for the first time since 2010, annual gains have improved to 3.1% in Q1 2021, making Aurora one of the rent growth leaders in the Denver region.[5]

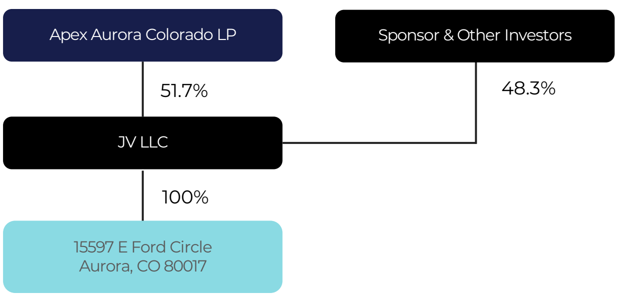
[1] Source: U.S. News & World Report, "150 Best Places to Live in the U.S. in 2020-21"
[2] Source: The Wall Street Journal, "Austin, Nashville Rank at Top of Hottest U.S. Job Markets"
[3] Source: CBRE, "Q3 2020 Denver Apartment Outlook"
[4] Source: The Denver Post, "Denver Rent Increases Expected to Accelerate in the Months Ahead"
[5] Source: CoStar, "Aurora-Denver Multifamily Submarket Report"
[6] Source: Sentinel Colorado, "SOLD OUT: Home prices and buyer anxiety are through the roof in the Aurora region"

Estimated Cash Distributions

Ongoing cash distributions and distributions from sale or refinance

To any of the Sponsor's overrun loan or interest on the overrun loan; to repay capital contributions of iintoo and the Sponsor pari passu; to pay iintoo and sponsor their preferred returns (11%), pro rata to hurdle IRR 15.61% to the Sponsor (61.2%) and iintoo (38.8%); then any remainder to the Sponsor (87.07%) and iintoo (12.93%). For more details, please see formation agreement page 6.

Legal Structure



Ownership

The iintoo investor entity is expected to hold a 51.7% stake in the special purpose entity that own the asset. Ownership of the asset is via a two-tiered designated SPV held by investors.

The principal of the Sponsor provides a personal undertaking of the obligations of the Sponsor under the JV agreement. iintoo will oversee and monitor the project until its completion and provide investors with quarterly progress reports. See Private Placement Memorandum for further details.

Deal Structure

iintoo Debt* $ 1,700,000	**Deal Initiation Costs** $ 128,000	**Total Targeted Capital Raise** $ 1,828,000
iintoo Equity $ 3,300,000	**Deal Initiation Costs** $ 449,000	**Total Targeted Capital Raise** $ 3,749,000
Sponsor & Other Equity Investors $ 4,664,414		**Total Capital** $ 5,577,000

*Raised by overseas investors

Buyout

Starting at 18 months until 30 months from the project start date, the Sponsor is entitled to a buyout right that should amount to a cash sum that represents a return equal to the projected IRR of 15.42% plus 7% of iintoo's capital contribution.

Capital Stack

Bank Loan	$24,800,000
Sponsor & Other Investors	$4,664,414
iintoo Debt Investors*	$ 1,700,000
iintoo Equity Investors	$3,300,000

*Raised by overseas investors

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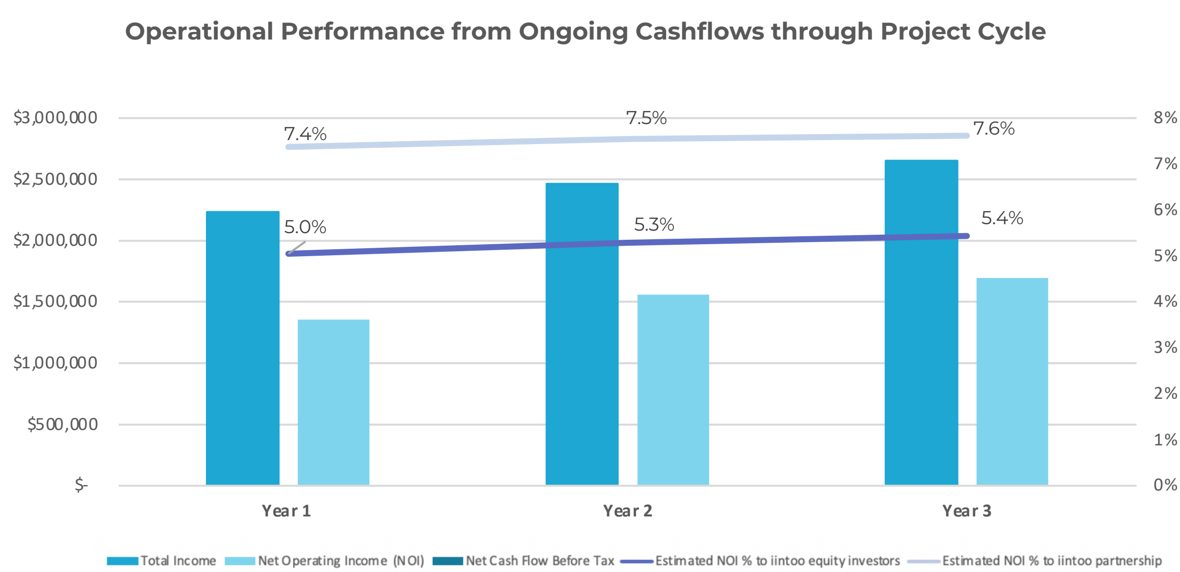
Financial Snapshot

Sources	
Bank Loan	$24,800,000
iintoo Debt Investors	$1,700,000
iintoo Equity Investors	$3,300,000
Sponsor & Other Investors	$4,664,414
Total Sources	**$34,464,414**

Uses	
Acquisition Price	$31,000,000
Capital Improvements	$1,932,800
Purchase Costs	$1,281,614
Working Capital & Other Reserves	$250,000
Total Uses	**$34,464,414**

Estimated Cashflow ($)	Year 1	Year 2	Year 3
Rental Income	2,024,797	2,243,292	2,424,255
Other Income	211,555	219,704	228,352
Total Income	**2,236,352**	**2,462,996**	**2,652,607**
Payroll	(230,000)	(236,900)	(244,007)
Property Taxes	(189,098)	(189,098)	(218,164)
Insurance	(62,100)	(63,963)	(65,882)
Repairs, Maintenance & Turnover	(62,100)	(63,963)	(65,882)
Utilities & Contract Services	(177,007)	(182,317)	(187,786)
Marketing & Administration	(62,100)	(63,963)	(65,882)
Management Fee	(61,500)	(67,732)	(72,947)
Reserve	(34,500)	(34,500)	(34,500)
Total Expenses	**(878,404)**	**(902,436)**	**(955,050)**
Net Operating Income (NOI)	**1,357,948**	**1,560,560**	**1,697,557**
Debt Service	(806,000)	(836,954)	(965,742)
Asset Management Fee	(22,364)	(24,630)	(26,526)
Other Non-Operating Expenses	(3,450)	(3,554)	(3,660)
Release of Replacement Reserves	11,500	33,500	34,500
Application of Working Capital and Other Reserves	175,000	-	-
Net Cash Flow Before Tax	712,634	728,923	736,129
Expected Cash Flow to iintoo Investors	368,690	377,117	380,845
Expected Cash Flow to iintoo - Debt Investors (9% Interest)	164,520	164,520	164,520
Partnership Costs	(13,050)	(12,300)	(10,550)
Expected Cash Flow to iintoo Equity Partnership	191,120	200,297	205,775
Expected Cash Flow to iintoo GP	1,911	2,003	2,058
Expected Cash Flow to iintoo Equity Investors	**189,209**	**198,294**	**203,717**



For a more detailed financial breakdown of this offering, please refer to the expanded financials which are available in the Document Center. Note full disclaimer below.

Disclaimer

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