

REEP

# MULTIFAMILY REAL ESTATE INVESTMENT OPPORTUNITY

REEP3Prop

Due Diligence Questionnaire



## Due Diligence Questionnaire

<b>Sponsor:</b>	REEP Equity
<b>Issuer:</b>	REEP3Prop, LP
<b>Objective:</b>	Strong consistent cash flow, equity upside, and robust downside protection for our valued investors
<b># of Properties in the Deal</b>	3
<b>Open to</b>	Accredited & Sophisticated Investors
<b>Preferred Return, Annually</b>	7%
<b>Estimated Total Equity Needed to Close</b>	\$23M
<b>Investment Strategy</b>	Buy-REEP Advantage-Refi-Hold
<b>Hold Period</b>	3-5 Years
<b>Total Price</b>	\$45,035,000
<b>Total Rehab Budget</b>	\$3,652,000
<b>Minimum Investment:</b>	\$75,000
<b>Asset Management Fee:</b>	2%
<b>Acquisition Fee:</b>	2%
<b>Distributions:</b>	Quarterly

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### About REEP

Since 2012, REEP Equity has focused on acquiring under-performing, income-producing, multifamily investment opportunities in Texas.

The REEP Equity strategy is powered by our comprehensive management approach allowing us to deliver consistent cash flow, equity upside, and robust downside protection for our valued investors.

**Our in-house management sets us apart from the crowd.** We handle every aspect of the investment process, from asset identification to property disposition.

Our dedicated teams excel at due diligence, financing, design and rehab, operations, marketing, and property management to provide best-in class service to our trusted investors.



## INVESTMENT HIGHLIGHTS

- **152 units; 1984/1999 Build**
- **Third wealthiest zip code in the Greater Houston Area**, over 53% of the population earns over \$100,000 per year.
- **Exceptional rent growth and historical occupancy**- the property has remained 98%+ occupied for the past 5 years; the last 30 leases show 4% organic rent growth.
- **Deep value add potential**, Seller has owned the property for 30 years and 100% of the units are in classic condition, leaving the opportunity to enhance the interiors allowing for rental increases
- **Top ranked schools**, the only apartment zoned to Bear Branch Elementary School and walking distance to Creekwood Middle School
- **Supply constrained**, with only 1 property under construction within submarket
- **Unique unit diversity**, two phases built in 1984 as two-story condominiums and 1999 as flats, Oaks unique unit mix stands to benefit from attracting single tenants and families
- **Planned \$1.36M CAPEX budget** upon acquisition with plans to **renovate 100 units**



- **141 units; 1983 Build**
- **Revenue Exceptional rent growth and historical occupancy**, the property has remained 95%+ occupied for the past 3 years and the last 15 leases show \$55 rent bumps
- **Deep value add potential**, Seller has owned the property for 20 years and 100% of the units are in classic condition with a 'blank slate' opportunity to elevate the interiors to compete with nearby comps
- **Supply constrained**, with only 2 properties under construction within submarket
- **Unique unit diversity**, offers up to 3 bedroom floorplans which is rare in the submarket for this vintage
- **Excellent visibility and mobility with convenient access to FM1960** and nearly 36,000 vehicles per day
- **Planned \$1.59M CAPEX budget** acquisition with plans to **renovate 100 units**, add community amenities a part of REEP's value-add strategy



- **100 units; 1983 Build**
- **Exceptional rent growth and historical occupancy**, 16% organic Rent Growth with 95% Occupancy in the past year
- **Deep value add potential**, Seller has owned the property for 20 years and the units have received non-programmatic upgrades on turns, perfect for REEP's proven value-add strategy.
- Across the street from Westwood High School, which was **ranked #2 in the Austin Area**
- The property is surrounded by single family neighborhoods with **median home values over \$450k**
- **Over \$2.6B in transformative mixed-use development** being invested in the area to bring hospital, office, business, parks, and single family homes to Northwest Austin
- **Planned \$700k CAPEX budget** acquisition with plans to **renovate 75 units** and modernize community features

# Due Diligence Questionnaire

## About REEP

- Has REEP been in business for over 12 years?  YES  NO
- Has REEP bought, sold and managed over 5,500 units?  YES  NO
- Has REEP raised more than \$225M in equity?  YES  NO
- Has REEP lost invested principal?  YES  NO
- Has REEP bought and sold at least 10 properties?  YES  NO
- Has REEP deployed over \$27M in rehab projects?  YES  NO
- Does REEP have its own in-house management company?  YES  NO
- Does REEP have over 150 employees?  YES  NO
- Does REEP specialize in the San Antonio, Houston and Austin markets?  YES  NO
- Is the average hold time of a property 4 years?  YES  NO
- Has REEP ever had to make a capital call from their investors?  YES  NO

## REEP3PROP

- Is this a value add investment?  YES  NO
- Are the properties located in strong submarkets?  YES  NO
- Is the Going-in Cap Rate 6%+?  YES  NO
- Were all three properties built in the 1980s?  YES  NO
- Are 100% of the units unrenovated?  YES  NO
- Have any of the properties had a history of flooding?  YES  NO
- Are the properties Located near some of the most highly acclaimed schools in the area?  YES  NO
- Do the properties have convenient access to major thoroughfares?  YES  NO
- Is the average household income in the areas of the properties at over \$140,000?  YES  NO
- Have the previous owners owned the properties for more than 25 years?  YES  NO
- Are the properties located in areas that are supply-constrained?  YES  NO
- Are the properties located in areas with high crime?  YES  NO

## Due Diligence Questionnaire

### Investment Details

- |   |   |                             |
|---|---|-----------------------------|
| Will the sponsorship team be investing approximately 5-7% of the required equity?         | <input checked="" type="checkbox"/> YES | <input type="checkbox"/> NO |
| Will this be fixed-rate agency financing with full-term interest only?                    | <input checked="" type="checkbox"/> YES | <input type="checkbox"/> NO |
| Is investment ownership held at the holding company level (top)?                          | <input checked="" type="checkbox"/> YES | <input type="checkbox"/> NO |
| When cash flow accumulates will distributions happen quarterly?                           | <input checked="" type="checkbox"/> YES | <input type="checkbox"/> NO |
| Will each property have its own loan allowing for different exit strategies?              | <input checked="" type="checkbox"/> YES | <input type="checkbox"/> NO |
| Will each property generate tax benefits from depreciation, including bonus depreciation? | <input checked="" type="checkbox"/> YES | <input type="checkbox"/> NO |
| Is the hold time 3-5 years?   | <input checked="" type="checkbox"/> YES | <input type="checkbox"/> NO |
| Will Fannie Mae be the agency financing?  | <input checked="" type="checkbox"/> YES | <input type="checkbox"/> NO |
| Can I redirect funds from my IRA to the investment?                                       | <input checked="" type="checkbox"/> YES | <input type="checkbox"/> NO |
| Will I receive monthly updates on the performance of my investment?                       | <input checked="" type="checkbox"/> YES | <input type="checkbox"/> NO |

## Questions Asked by Savvy Investors

### Q: What is the team's investment thesis and philosophy?

A: We acquire value-add investment opportunities in high-growth markets of Texas, specifically San Antonio, Houston, and Austin. Our in-house management company, REEP Residential, adds value both through the physical interior and exterior renovation, achieving higher rental rates, as well as providing operational efficiencies through controlling expenses.

### Q: What is the debt structure in this deal?

A: For each property, we will obtain a fixed-rate Agency loan at 5.8% (interest rate subject to change depending on rate lock). The loans are a 7-year term with full-term interest-only (I/O) payments.

### Q: What are the fees to be paid to the sponsorship team?

A: We have a 2% acquisition fee and a 2% asset management fee. In the event of a refinance or supplemental loan, there will be a 0.50% Capital Transaction Fee. There are no disposition fees.

### Q: What is the return structure for investors?

A: We have three investment classes, each with different investment minimums. All three classes will benefit from a 7% annual preferred return and are paid pari passu, or with the same preference. The only difference, besides returns, is the split between excess cash flow and net sales proceeds.

### Q: When can investors anticipate their first distributions from this project?

A: Distributions will start after the first full quarter of operations for all three properties. However, the preferred return will begin accruing upon the closing of the final property in this three-property portfolio offering.

**Q: How often will the property updates and financials be provided to investors?**

A: Investors will receive monthly reports, including the financials (T12, Rent Roll, and Balance Sheet) for each property within REEP3Prop.

**Q: What are the risks the team has identified in executing this project and the strategies developed to mitigate them?**

A: The biggest risk we see in today's environment is rising interest rates. To mitigate these risks, we take several precautions such as buying an interest rate cap and underwriting to the maximum interest rate. For this offering, our risk is mitigated by obtaining a fixed-rate interest-only loan at 5.8%.

**Q: What is the debt leverage on this property and the debt service coverage ratio (DSCR)?**

A: 61-64% LTC, and our debt coverage ratios broken down by year are in the table below

**Q: What is the current occupancy and the breakeven occupancy to service the debt?**

A: Current Occupancy of the three properties is: Sunrise at 95%, Oaks at 100%, and Meadows at 93%. The breakeven occupancy for the three properties (on average) is below:

INVESTMENT METRICS	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Debt Coverage Ratio	1.86	2.03	2.16	2.26	2.35
Break Even Occupancy	71%	68%	66%	65%	64%

DISPOSITION CAP RATE SENSITIVITY ANALYSIS	CLASS A TOTAL RETURN	CLASS A AVG. ANNUAL RETURN	CLASS B TOTAL RETURN	CLASS B AVG. ANNUAL RETURN	CLASS C TOTAL RETURN	CLASS C AVG. ANNUAL RETURN
5.00%	113%	23%	120%	24%	128%	26%
5.25%	102%	20%	108%	22%	115%	23%
5.50%	91%	18%	97%	19%	103%	21%
5.75%	81%	16%	87%	17%	92%	18%
6.00%	74%	15%	80%	16%	85%	17%

**Q: Will investors benefit from depreciation/cost segregation by investing in this project?**

A: Yes! All Limited Partners of this deal will benefit from a cost segregation study. The Bonus Depreciation will be applied to their annual K1, starting with the 2024 Tax Year.

**Q: Will K1s be provided? When can investors expect to receive their K1s?**

A: Yes; Annual K1's are sent out no later than March 15th each year.

**Q: Which funds or accounts are accepted?**

A: We are accepting both cash and IRA funds in this deal, with a minimum investment of \$75,000. Investments above \$75,000 are accepted in \$1,000 increments.

**Q: Do investors need to be accredited to invest? What is the process to do so?**

A: No, this is a 506(B) Offering in which we are accepting both accredited and sophisticated (non-accredited) investors. Investors will self-certify their accreditation status within the subscription documents. No third-party verification is required.

**Q: Who should investors reach out to if they need to make any changes to their bank/ACH or address?**

A: Investors can log into their portal here: [reepequity.investnext.com](https://reepequity.investnext.com)  
Or reach out to the Investor Relations Team at [invest@reepequity.com](mailto:invest@reepequity.com)