

ELKSTONE CAPITAL

Leading the Herd in Real Estate Investing



Previous Projects We’ve Worked On – 95 State St SLC Utah – 28 story Class A Office Building



Viviano at Riverton – 300 + Unit BTR



Buildings F & G (650K + SF of Class A Warehouse & Logistics Space near California Ave & Bishops Storehouse in SLC Utah

PORTOFOLIO







~$140M

Portfolio Value

1,231 Doors

Under Management



PRIMARY MARKETS



- Idaho
- Utah
- Indiana
- Tennessee
- Texas



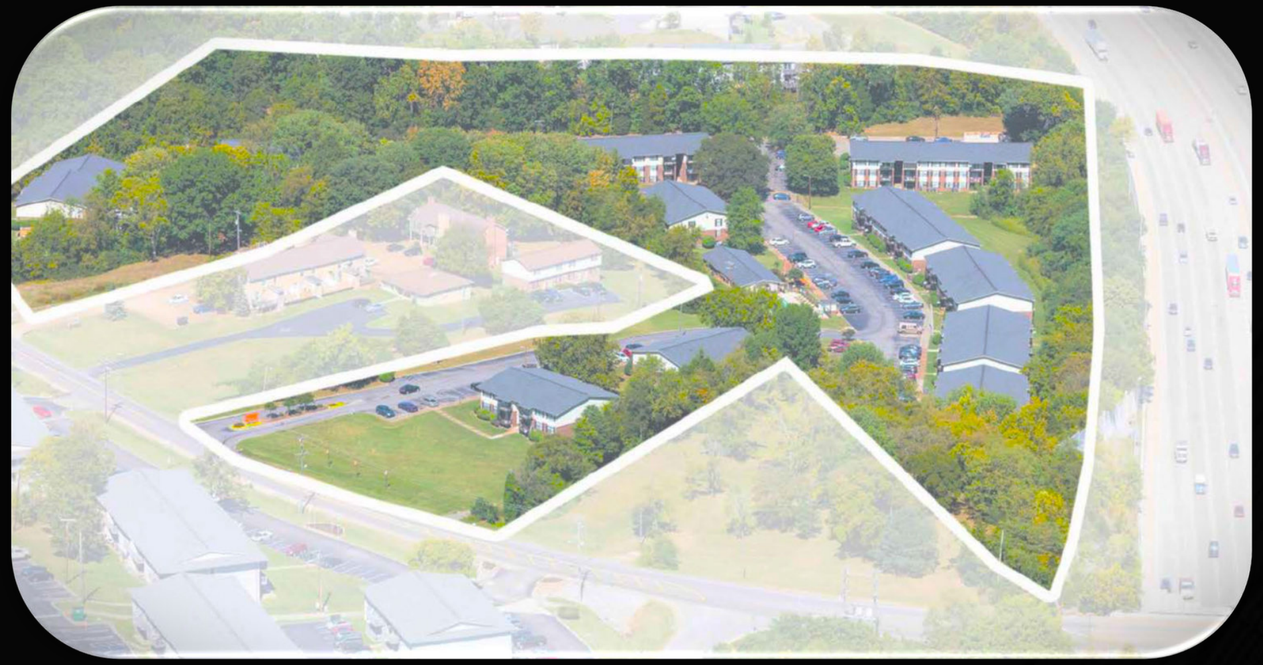




Idaho Smart Storage

2651 21st St, Heyburn, ID 83336

- Ground-Up Self Storage Development
- Land + Development Cost: ~$750K all-in
- Total Units: 135
- Pre-COVID Development
- Rezoned land for storage use
- Designed optimized site layout
- Outside rows form natural security barrier
- Smart-lock technology (mobile-enabled access)
- Strong highway visibility and signage
- High-traffic location near Walmart
- Fully stabilized in ~18 months
- Valuation at stabilization: ~$1.5M
- Doubled investor equity in < 2 years
- Operated at >100% economic occupancy
- Waitlist-driven leasing velocity
- Acquired adjacent land for expansion







Easton 714

714 Due West Ave N Nashville | Madison Submarket

- 207-Unit Class B Multifamily
- Purchase Price: $27.2M ($140K per door)
- Debt: Fannie Mae, 6% interest-only (4 years), 7-year balloon
- Location: 12 minutes from Downtown Nashville
- 180 classic units
- ~$10K per unit renovation plan
- Exterior upgrades completed:
- Parking lot resurfacing
- Package hub installation
- Clubhouse + pool renovation
- Gated access
- Security cameras
- Dog park
- Enhanced lighting
- Located in Nashville growth corridor
- Heavy lift renovation program
- Improve rents and curb appeal
- Strengthen tenant profile

Bad debt. Lots of evictions. Trying to stabilize. Operating income right is low due to a large block of units sits offline from storm repair and not generating rent. 52 Units down total. .

Do's:

Give insurance the same weight as the rest of your underwriting and confirm loss-of-rent coverage and how it pays.

Understand Coverage limits, replacement-cost terms, loss-of-rent coverage, deductibles, and the claims process.
Build a strong working relationship with your servicer early.

Keep a healthy capital cushion so the plan is not dependent on cash the property may not produce right away.

Don’ts:

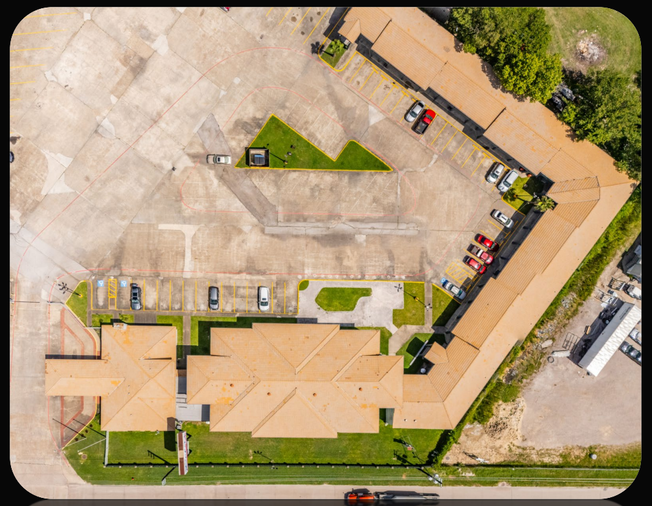
Do not underwrite insurance thin to make a deal pencil; it is the line that protects the downside.
Do not let deferred maintenance ride on older vintage, where roofs, HVAC, plumbing, and building envelope are where surprises tend to live.
Do not treat a lender or insurer as an adversary; transparency and a credible plan go a long way.

Gone well: leasing and rent performance on available units has been strong, in-place rents are above market, and demand has stayed resilient. Our relationships with the lender and insurer have held up under stress, and the restoration is progressing.

Challenging: the length of the restoration and the drag on income while a block of units is offline. That is the nature of a casualty event on an older asset, and it has been a matter of working the process patiently rather than a problem with the underlying investment.









Studios at Channelview

17011 East Freeway Service Road Channelview, TX 77530

- 109-Unit Extended Stay Repositioning
- Purchase Price: $4.75M ($44K per door)
- Going-In Cap Rate: 12.8%
- Seller Financing: 50% LTV
- Acquired: September 2024
- Off-market acquisition
- Seller had invested ~$2M upgrading to franchise-level interiors
- Burnout + capital exhaustion created opportunity
- Converting dead space (storage, laundry, boiler room)
- Adding 9 additional units (100 → 109 units)
- High basis discount
- Strong cash flow from day one
- Target 100% return of capital at 24-month refi

Gone well:

- The basis works. Starting from an existing extended stay hotel lets you rent a furnished, all-bills-paid studio for under $900 without any subsidy program.
- Pricing and lease terms. A $795 rate showed up in more renter searches, and many people who came in for it upgraded to the $895 units. Offering 3, 6 and 9-month leases brought in contractors and work crews.

  The management change. Since New Earth took over, the on-site manager leases 4-5 units a week. July delinquency was only $400.
- Momentum now. As of the September, 79 units leased, a record 6 leases in one week, and the refi process started with American Bank.
- Valuation / Pro Forma. We are hitting our Pro Forma rents and are below budget on expenses – on track for our valuation target.
- Life-safety work. The sprinkler job was done relatively fast, but did sit at 90% for some time waiting for county to do fire alarm upgrades

Challenging:

- Lease-up is taking slightly longer than planned. The target was 95% by Oct 2026; It’s about 75% leased where it has been for 12 months.
- Collections and evictions. After the holidays there were 10 delinquencies and 6 evictions in January. One week, 10 new leases netted only 5 after evictions went through.
- Resident quality. Leases tied to unlawful activity had to be ended, and outside truck parking was cut off. Tighter screening improved quality but stalled occupancy near 65% in March.
- The refinance has slipped a few months, and investors have been told to anticipate about 6 months later than anticipated.

Do’s & Don’ts

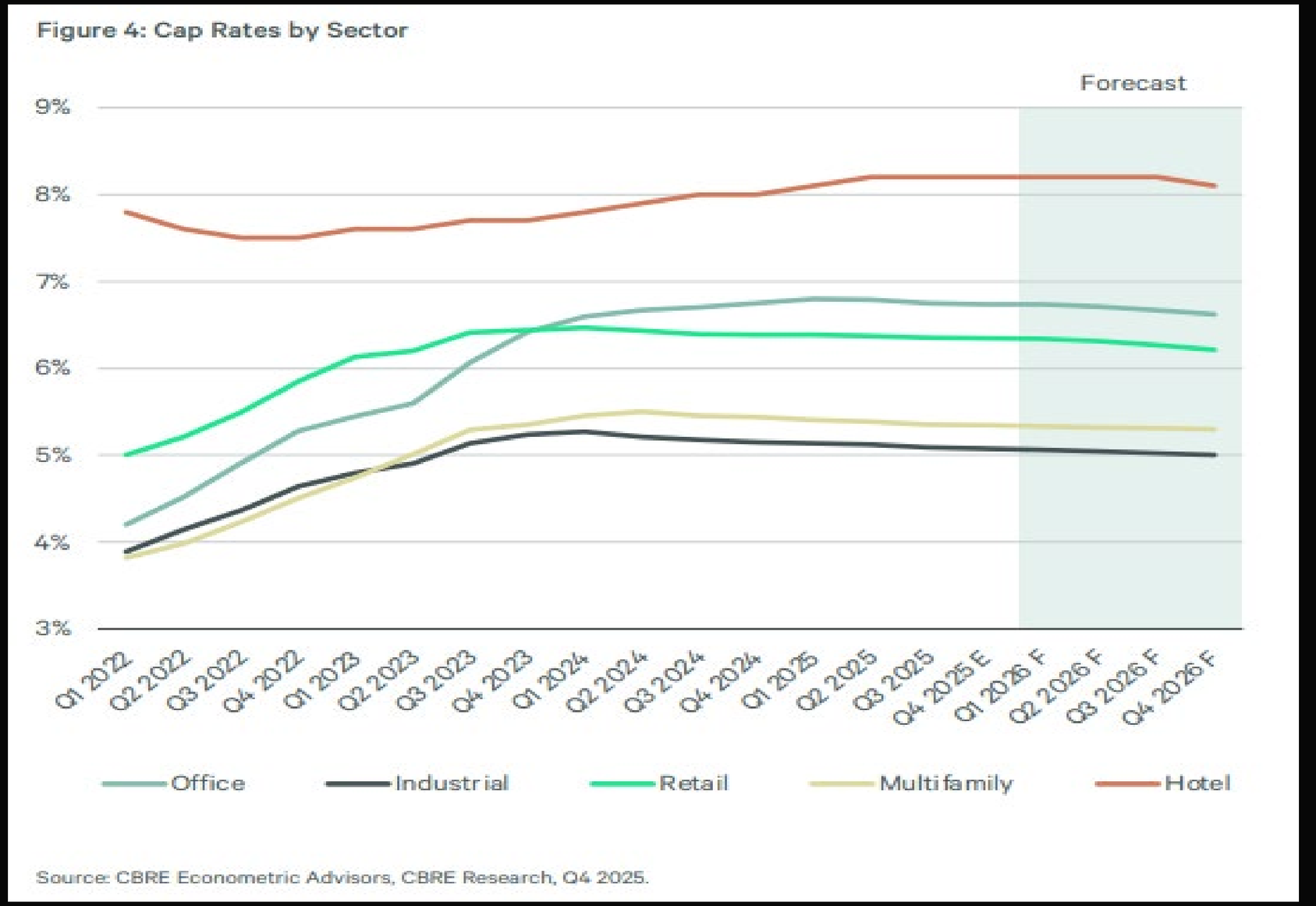
- Underwrite the all-in cost per finished unit, not just basis. Hold real reserves. Don’t build a deal that needs a perfect refi to work. And the deal isn’t finished when construction is, it's when it's leased up and studios/micro units have higher turnover so the right incentives need to be in place for the leasing team, and you must get creative with the length of leases offered (and how they stagger).
- Focus hard on lease up. Each $900 lease adds about $155K of value at a 7% cap
- Don’t keep problematic tenants just to fill the space. They will ding the quality and culture of the community. Remove immediately.
- Don’t try to cut management costs by hiring less experienced, in house PMs. Hire professional, quality PMs who can get the lease up done.

HOTEL CONVERSION ARBITRAGE



Two properties - same <u>exact buildings</u> and same <u>net incomes</u> which is worth more?

Hotels trade at higher cap rates than Apartments *(lower multiples)*



Cap Rate Formula

NOI ÷ Purchase Price = cap rate

NOI ÷ Cap Rate = Purchase Price

CAP RATE ARBITRAGE BROKEN DOWN

Hotels trade at higher cap rates than Apartments (lower multiples)

$1M NOI ÷ 11% cap rate = $9M

$1M NOI ÷ 6% cap rate = $16.6M

- Buy Hotels in the $40-70K a door range that aren’t making money as hotels
  - extended stay brands that already have kitchenettes work well (lower capex)
- Convert them to apartments
  - Bones of the building are good - much cheaper than replacement costs to build new
  - Income is now valued at a lower cap rate/higher multiple
  - Lease up and stabilize the building to 90% + occupancy
  - cash out refinance, continue to increase NOI, and hold into the future

THE HOTEL CONVERSION STRATEGY

Convert Hotels to Apartments

WHY MULTIFAMILY?

Limited Supply

Class C buildings are the least economical to build

Occupied

Class C buildings have historically experienced low vacancy

Durable Demand

Class C housing is in demand during all economic environments

Stable Income

Tenants sign long term leases

WHY CONVERT HOTELS?

Designed for Living



Hospitality properties are designed for living and can be refurbished to become apartments for long term housing

Great Locations



Hospitality properties are regularly in excellent, central, locations

Competitively Priced



Hotels trade at significantly lower valuations than multifamily properties, allowing us to purchase them at attractive prices

Business Plan & Thesis

1. We don’t take entitlement risk – we only close after we’ve overcome zoning and regulatory hurdles.

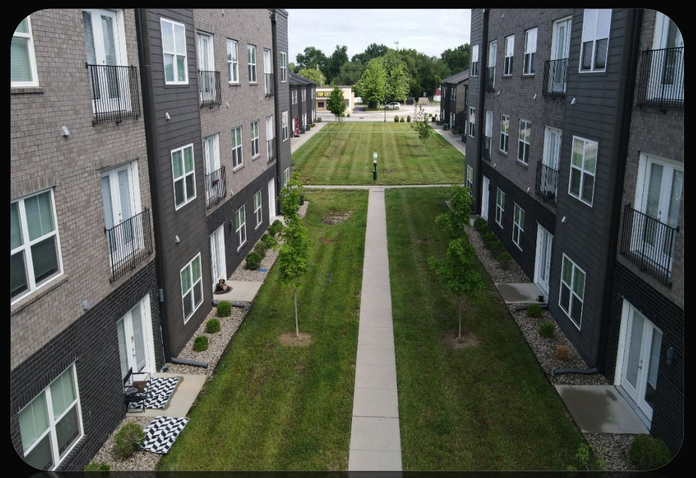
2. We only convert hotels & we only convert to multifamily – we are laser focused.

3. We want to provide the best priced B/C class unit in the markets where we operate.

4. We can obtain temporary certificate of occupancy (TCO) to increase lease up speed.









Gateway Crossing

830 Eastern Blvd | Clarksville, IN

- 160-Unit Class A Multifamily | Louisville MSA
- Purchase Price: $23M ($144K per door)
- Year Built: 2021
- Plus: 5,400 SF office building on site
- Location: 15 minutes from downtown Louisville
- Assumed a $14M loan at 3.53% fixed, 7 years remaining
- Added $4M supplemental financing
- 10-year property tax abatement
- Class A, turnkey asset
- In-place attractive debt in a high-rate environment
- Growing Louisville MSA (3.5% rent growth 2023, 4.5% 2024)
- Same property Mgmt. as sister property 183-unit Heritage Square
- PMR our PM manages 9K units in this MSA
- Economies of scale
- Portfolio exit potential by selling both assets together

Gateway Crossing



- **Acquired:** October 2025
- **Status:** Performing
- **First Distribution:** Q4 2025
- **Projected IRR:** 15%+
- **Revenue:** increased 21.50% from $2,171,427 to $2,638,210

NOI at the property has increased from about $1.4M in Q4 of 2025 to now $1.7M in Q4 of 2026. That $300K NOI increase at a 6% cap rate which is the cap rate we bought Gateway at, equates to a new valuation of $28M. This means on paper; we've been able to increase the value by $5M in around 12 months.

- Not every deal is like this.
- We got lucky to buy it right when all the oversupply was finishing absorbing.
- We knew rents were about $80 too low.
- We knew that we could justify increasing the rents a bit if we put in a children's playground, outdoor barbecues and a dog area which all look great and fit perfectly
- We knew concessions were still elevated when we bought it.
- We knew there was a vacant commercial office space on the site that we could hire a local broker to lease to drive additional NOI
- We knew we were buying at an incredible basis. $143K a door for Class A MF.
- Focus hard on renewals. It's a lot cheaper to renew a tenant than sign a new one
- Develop a gameplan early for winter month exposure – Separate than Gateway, but we owned a property with 33% of the leases expiring in Oct-December, which is traditionally a slower leasing period. To combat this, we proactively offered 6-month leases at little to no increase or 12-month leases at higher rates. We're seeing ~80% retention on the leases and pushing expirations to months that we anticipate higher traffic/rents
- Budget for operational CapEx – unfortunately not all capital expenditures will result in rent bumps. We are going to spend ~$20,000 building a maintenance shed at Gateway. While this is necessary spend, we will not see considerable return from this spend.
- Verify tenant quality yourself – We required the sellers to provide income data for each tenant, and we found some discrepancies. Ultimately, we were able to get this fixed, but missing could result in excessive evictions throughout the first year.


WHAT HE THINKS MIGHT BE HAPPENING...
DECLINING PERFORMANCE
CONSTRUCTION PROBLEMS
HIGHER COSTS
VACANCIES
THE REALITY...
THE DEAL IS ACTUALLY FINE.
ON TRACK
High Occupancy (96%)
Rents on Plan
Normal Operations
Budget on Track
Healthy Cash Flow
RIVERDALE APARTMENTS
Inbox
No new messages
You're all caught up.
Inbox
No new updates
Nothing new.
LP INVESTOR
RETURNS
DISTRIBUTIONS
COMMUNICATION
PEACE OF MIND
Questions...
How's the deal going?
Are rents holding?
Any issues?
Why no updates?
Should I be worried?
Silence is the confidence killer.
IT'S NOT ALWAYS BAD PERFORMANCE.
SOMETIMES IT'S JUST A LACK OF COMMUNICATION.

Gateway Crossing

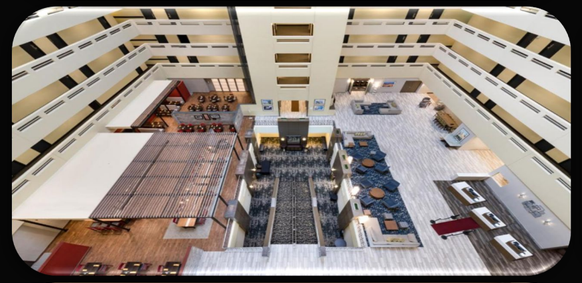
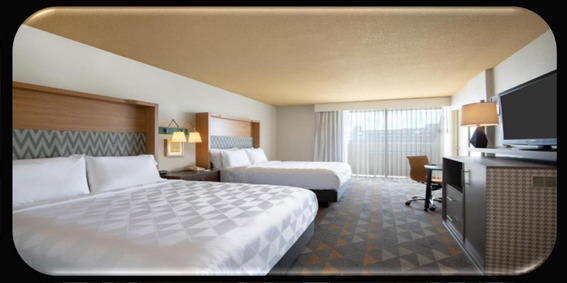


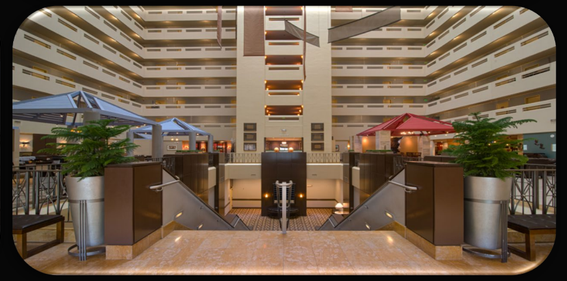
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Learning Lessons:

- Cash Flow started off slow – manage expectations for LPs – Explain Preferred Return
- Communicate consistently in the bad times and the good.
- Work with a lender you trust. Vet their underwriting. Don't use someone you just met. Lending brokers will show you what you want to see and the best terms, but when it gets to a month out from closing the proceeds can look very different. So, make sure you have a good feeling from the beginning and that you have someone that will fight for you.
- Have adequate reserves for the properties, if you can make it work have excess reserves. This can cover the capex for the property but really any operational issues that may arise, you do as much vetting as you can in DD, but surprises WILL happen. You can always distribute extra reserves back once you get a hold of the property. Generally, it takes 6 months for new ownership to really get full control of a property.
- Develop a strong and robust marketing plan, do not purely rely on the old way of doing things with a website, ILS, and meta-ads. Vet the PM company to see if they have an internal platform. Develop your own system to drive leads, now a days there is far more competition per potential tenant/lead. Once that is created, make sure you can implement it quickly at the property and it easy for them to pick up so you start getting traffic.
- In taking over any property have a plan whether big or small that you can walk in the first few weeks and show value to the tenants, i.e. new landscaping, cleaning the area, dumpster in-closures, cleaning up operations, or larger capex work. Start with giving them value and showing them, you care before increasing rents and driving the business plan
-








Denver Holiday Inn Hotel to MF Conversion

3333 Quebec St | Denver, CO

- 309-Key Hotel → 240-Unit Multifamily Conversion
- Purchase Price: $9M ($29K per key)
- Renovation Budget: $10M
- All-In Cost: ~$23M ($96K per door post-conversion)
- Asset Type: 11-story 1971 Holiday Inn
- Opportunity Zone
- $6M top-line revenue but fundamentally broken hotel economics
- Seller acquired via foreclosure and had already completed major PIP
- Bathrooms and common areas already renovated
- Bought at deep basis discount relative to replacement cost
- Partnered with Hotel Shift Capital and Voyage Capital (5 Denver hotels built)
- Relationships with city officials materially accelerated approvals
- Permitting phase reduced from ~300 days to ~90 days
- Business Plan Convert to 240 multifamily units
- Target Stabilized NOI: ~$2M
- Exit Cap: 6.5%
- Projected Stabilized Value: ~$30M
- Target 100% return of investor capital at ~30-month refi
- Located in Opportunity Zone
- Step-up in basis after 10-year hold
- No capital gains on post-investment appreciation

NEARLY A THIRD OF COLORADO HOUSEHOLDS ARE HOUSING COST-BURDENED, ACCORDING TO MILE HIGH UNITED WAY REPORT

'Colorado's Housing Affordability Crisis 2025' Report Offers Six Solutions to Statewide Crisis

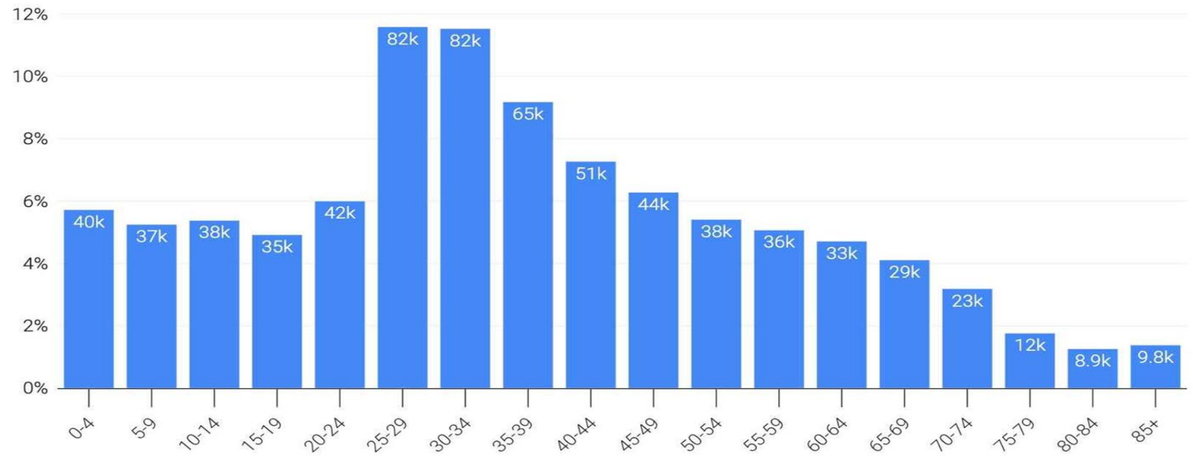
DENVER – Fifty-one percent of renters and 21% of homeowners in Colorado are cost-burdened, paying more than 30% of their income on housing, according to "Colorado's Housing Affordability Crisis 2025," a groundbreaking Mile High United Way report done in partnership with BuildStrong Foundation and McKinsey & Company.

The report details that even when considering bills passed during the 2025 state legislative session, Colorado is unable to build housing efficiently, especially units for households earning less than 50% of the area median income. Overall, the state is facing a housing shortfall of 162,000 rental units with rents below $1,100 and a shortfall of 80,000 owner-occupied homes priced between $150,000 and $500,000. For renters, that shortfall could grow to 257,000 units by 2035.



Denver, CO population by age group

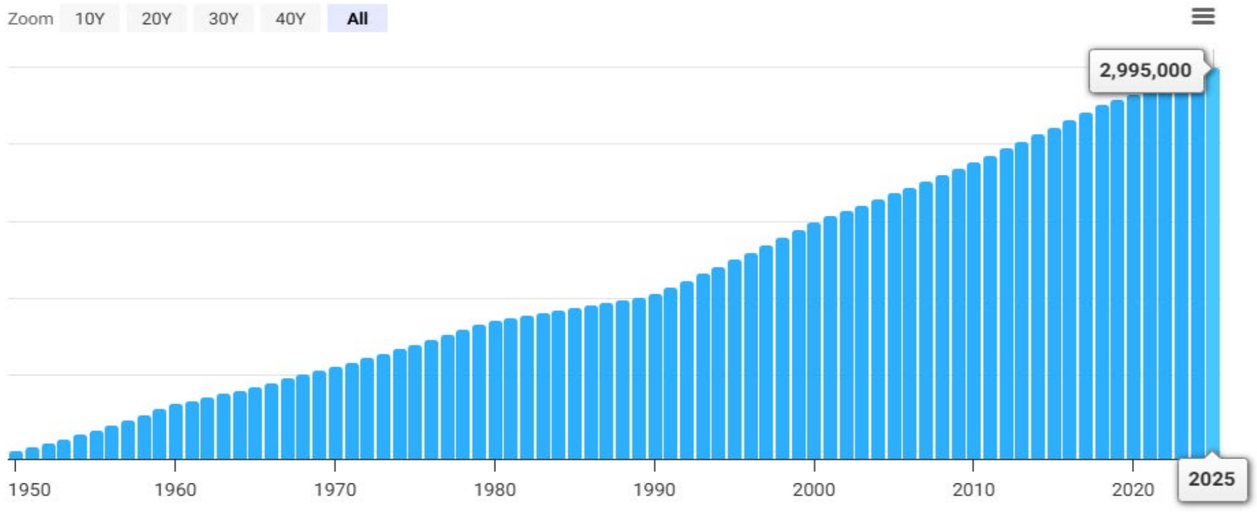
The largest age group is 25-29 years with a population of 81,917 (11.59%)



Source: U.S. Census Bureau, American Community Survey (ACS) 2017-2021 5-Year Estimates

Neilsberg

Total Population



Rental market summary

The average rent for all bedrooms and all property types in Denver, CO is **$1,952.**

Zillow

Average rent	Month-over-month change	Year-over-year change	Available rentals
$1,952	-$43	-$143	3,988

Source: Zillow Rentals data

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1. What is the average rent in Denver, CO?

The average rent in Denver, CO is **$1,952.**

2. What is the average rent for a studio apartment in Denver, CO?

The average rent for a studio apartment in Denver, CO is $1,245 per month.

3. What is the average rent for a one-bedroom apartment in Denver, CO?

The average rent for a one-bedroom apartment in Denver, CO is $1,400 per month.

BUSINESS PLAN

Months 0 – 2:

- Demolition to prepare for adding kitchens and combine rooms - targeting 240 apartments

Months 3 – 9:

- Combine 69 rooms and add kitchens
- Cabinets and flooring
- Common area renovation & new amenities
- Fire suppression installation (in interior corridors)
- Parking repair

Months 10 – 12:

- Finishing up fire suppression
- Start leasing the floors that are ready

Months 13 – 28:

- Leasing to stabilized occupancy
- Projected at 15 units/month

Month 29

- Refinance and return principal back to investors.
- Projected 97% of initial investment at Refi
- Cash out proceeds are non-taxable.

Months 30 and beyond

- Hold the property until 10 years for QOZ benefit
- Continue to improve NOI
- Find appropriate timing to exit

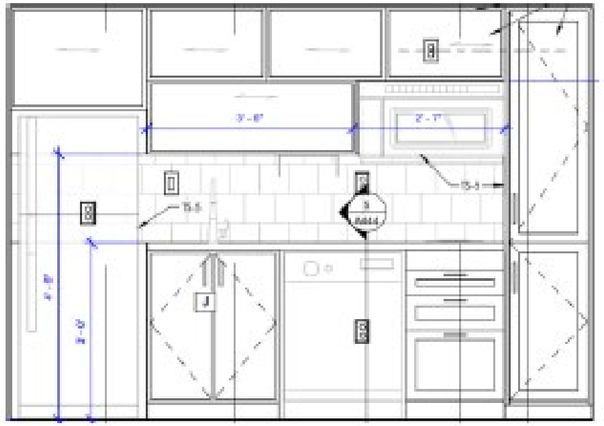
BUSINESS PLAN



Rust Scheme



Slate Scheme



DENVER NEWS

THE DENVER POST

Plans submitted to convert 11-story Holiday Inn in Denver into housing

The property at 3333 Quebec St. would be converted from a 310-room hotel into a 220-unit apartment complex, according to plans submitted to the city



A drawing of the 11-story Holiday Inn at 3333 Quebec St. The property is planned to be converted into housing. (Image from Denver public records)



By **JESSICA ALVARADO GAMEZ** | jalvarado@denverpost.com

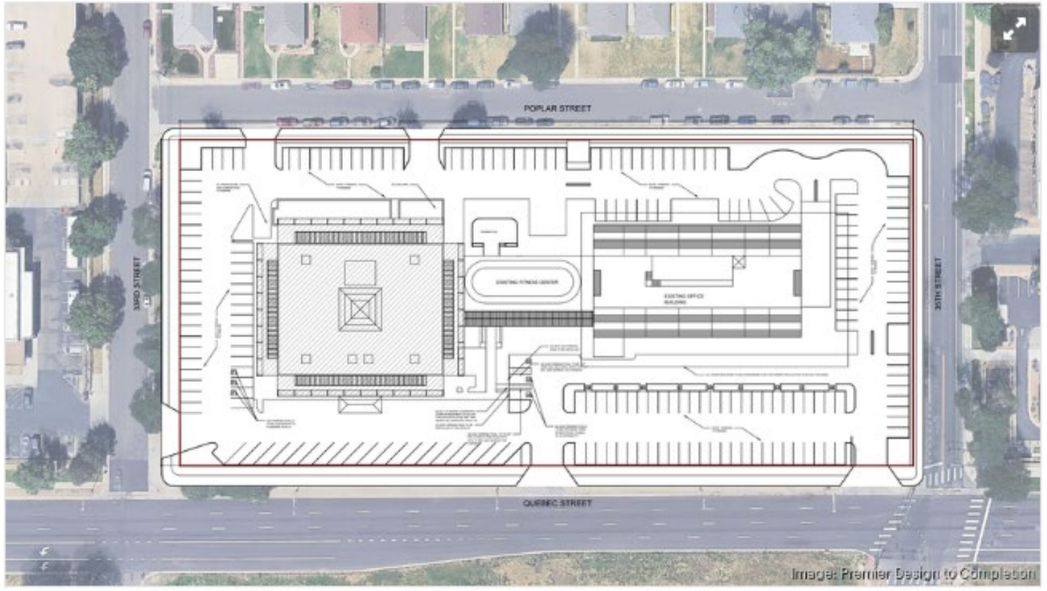
PUBLISHED: December 31, 2025 at 6:00 AM MST

DENVER NEWS

Commercial Real Estate

Holiday Inn in Denver's Park Hill could become apartments

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What is now a 1973 hotel could soon be apartments instead.
SOURCE: CITY OF DENVER



By Catie Cheshire – Reporter, Denver Business Journal
Dec 26, 2025 **Updated** Dec 26, 2025 3:45pm MST

DENVER BUSINESS JOURNAL

Instagram



developingdenver and **cityofdenver**
Chela Rivas • Let Go (Instrumental)

developingdenver 2w
Concept plans filed with the City of Denver propose converting the eleven-story Holiday Inn at 3333 Quebec Street into a 220-unit apartment building.

The hotel-to-housing conversion would repurpose an existing 310-room hotel into long-term residential use, while retaining the current structure and roughly 605 parking spaces split between garage and surface lots. Plans also show new coworking space, fitness and wellness amenities, a dog lounge, golf simulator, and outdoor areas with fire pits and grills.

The project is currently flagged as "additional information required," meaning the concept will need to be revised and resubmitted before moving forward.

267 10

January 5

Log in to like or comment.

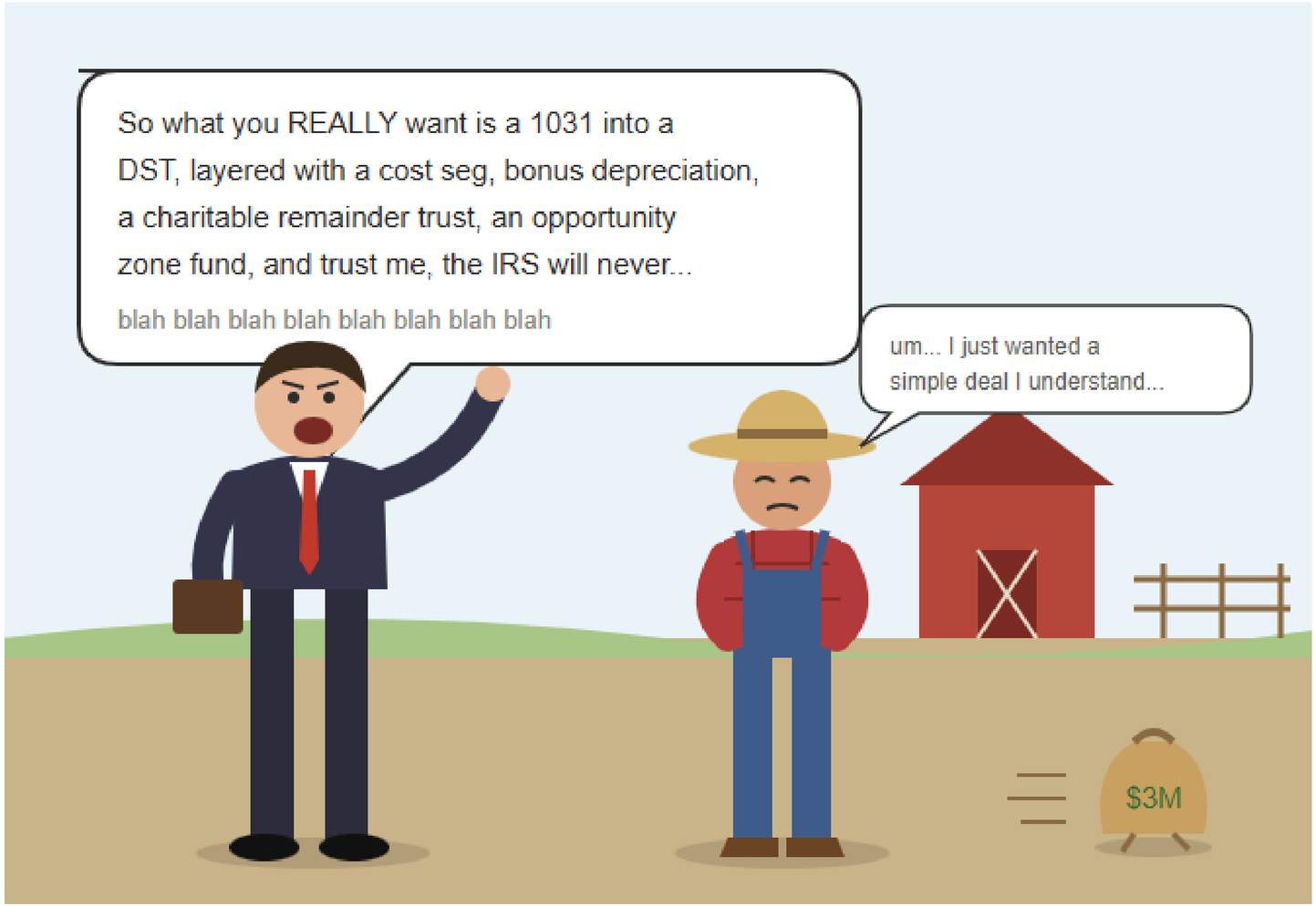
INVESTMENT DETAILS

Purchase Price	$9,000,000
Price Per Unit	$29,126
Renovation Budget	$9,900,000
Cost Per Unit	$41,250
Hard + Soft Costs	$18,900,000
Price Per Unit	$78,750
Interest / Insurance / Tax Reserves & Fees	$2,608,250 | $567k
All In Cost	$23,010,555
Entry CAP Rate	11.2%
Units(Before/After)	309/240

POST CONVERSION

Projected value at 94% occupancy	$30.8M
Projected LP Cash Out Refi Proceeds	$5,917,775
Projected value at sale(10y exit)	$40.6M
Projected Deal IRR | LP IRR	30% | 23%
Projected Deal & LP equity multiple	4.6X | 3.5X
Projected hold time	10 years
Projected disposition CAP rate	6.5%

Do What's Best For Your Investors and Protect Them









The Bend (Under Contract)

1909 Greentree Blvd Clarksville, IN

- 312 Unit – Class A Apartment Community | Built 2024
- Premium amenities – resort style pool, clubhouse, fitness center, dog park
- Purchase Price: $54M > $2M re-trade down to $52M | $167K / unit
- Buying at a deep basis discount relative to replacement cost (~ $220K / unit)\
- Well below recent sales comps ($186K-$215K+/unit).
- 6.37% in place cap rate – unheard of for Class A, new institutional product
- No Renovations Needed – in pristine condition, units furnished with laundry
- Rents currently ~$150/month below market - clear upside as we push rents
- Occupancy was 99% as of 9/26/2026 indicating rents are too low
- Raise utility recoupment fees from 65% to 90%
- Finish implementing bulk internet.
- Property tax incentive (TIF): $475K/year property tax reimbursement
- Cuts our tax bill by 50%+ and is in place through 2040
- Gives us enough time to pass this on to the next buyer with a 10-year benefit
- Minutes from River Ridge Commerce Center - a 6,000-acre employment hub
- $3.6B in annual economic impact, 21,000+ jobs
- $700M Meta data center under construction
- Only 192 units in the Clarksville Indiana in the construction pipeline
- 650 units in one submarket – better data, cost savings, and exit options
- Target Year 5 NOI: ~$3.8M (Currently just under $3M)
- Target Exit Cap: 5.6%
- Projected Exit Value : $68M ($218K / unit). Owner came to market at $64M
- $16.8M total equity - 75% committed | Closing October 2026

The Opportunity

17.08% LP IRR (Projected)	**2.06x** LP Equity Multiple
8.19% Avg. Cash-on-Cash	**8.0%** LP Preferred Return
$16.8M Offering Size	**$100,000** Min. Investment
6.36% Entry Cap Rate (Tax Adjusted)	**10%** GP Co-Invest

5 Year
Hold Period

Elkstone Capital

Register Investment

FOCUSED CAPITAL







An Investment Opportunity Backed by In-Market Scale and Below-Replacement-Cost Acquisition.

- **Prime Acquisition Basis:** Acquiring a brand-new, 312-unit Class A multifamily asset in Clarksville, Indiana, located 8 miles (a 10-minute drive) from downtown Louisville. The entry basis represents a 24.1% discount to estimated current replacement cost.
- **Day-One Performance:** The property is 95% occupied and cash-flowing on day one; requiring no renovation program, lease-up risk, or operational repositioning. NOI was up 4% from June to July and continues to improve at the property.
- **Established Local Platform:** Managed as part of Focused and Elkstone Capital's established submarket platform alongside Gateway Crossing and Heritage Square (340+ nearby units), providing immediate operational and staffing efficiencies.
- **Contractual Tax Advantage:** The property benefits from a secured $475,000/year reduction in its property tax bill, contractually guaranteed through 2040. Every dollar saved flows directly to NOI and investor distributions.

Business Plan

Register Investment

FOCUSED CAPITAL

This plan outlines a strategic asset management approach for a newly constructed, stabilized asset. By leveraging our established 340+ unit submarket footprint and implementing targeted revenue-enhancing programs, we will drive consistent NOI growth and protect investor returns over our **5-year hold period.**

In-Market Operating Scale

Leverage shared staffing, management, and maintenance teams across nearby Gateway Crossing and Heritage Square to compress overhead on day one.

Lease Management

Maximize renewal rates and optimize pricing on new leases as local supply constrains and demand tightens.

Utility Cost Recovery

Optimize and fully implement the RUBS (Ratio Utility Billing System) program to efficiently recover resident utility expenses (water/sewer/trash).

Bulk Internet Rollout

Fully penetrate high-speed bulk internet across 100% of units, creating a premium tenant amenity and a high-margin revenue stream.

Ancillary Income Programs

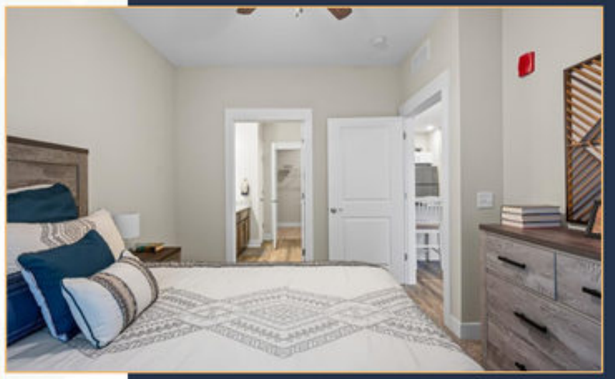
Roll out optional resident services, streamlined renter's insurance requirements, and optimized operational fees.

Tax Savings Optimization

Leverage the contractual $475,000/year property tax incentive through 2040, providing a direct, structural boost to NOI. Additionally, we currently anticipate a year 1 depreciation deduction of ~80%.







Property Overview

Unit Mix Summary

Unit Type	# Units	% of Total	Avg. SF	In-Place Rent	Market Rent	Gap
1BR / 1BA (660 SF)	84	27%	660	$1,182	$1,295	+$113
2BR / 2BA (1,005 SF)	222	71%	1,005	$1,345	$1,500	+$155
3BR / 2BA (1,300 SF)	6	2%	1,300	$1,900	$1,900	—
Total / Avg.	**312**	**100%**	**918**	**$1,312**	**$1,453**	**+$141**

Property Features

- Resort-style pool, premium fitness center, and clubhouse
- Modern open-concept floor plans; private balconies on all units
- Full appliance package; in-unit washer/dryer
- Pet-friendly community with on-site maintenance
- Adjacent to high-growth River Ridge Commerce Center employment hub
- Veteran's Crossing provides 20+ national retailers and restaurants within one walkable mile; anchored by Walmart, Target, and Sam's Club
- 10 minutes to downtown Louisville via Ohio River bridges; convenient to I-65 corridor









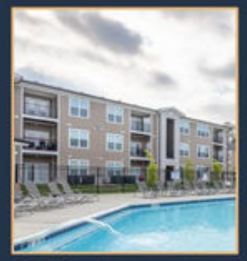


Elkstone Capital

Register Investment

FOCUSED CAPITAL

2 Bedroom Rent Comps

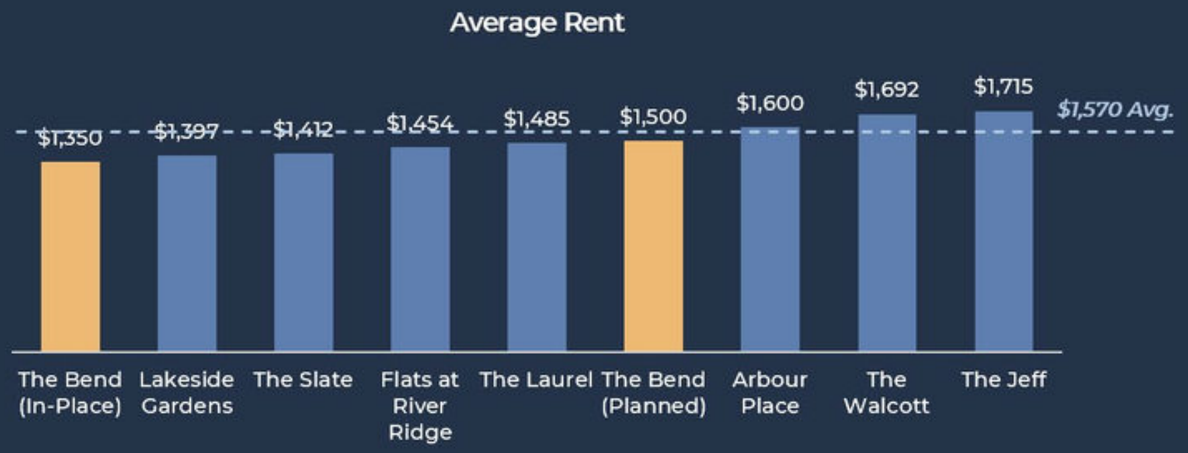



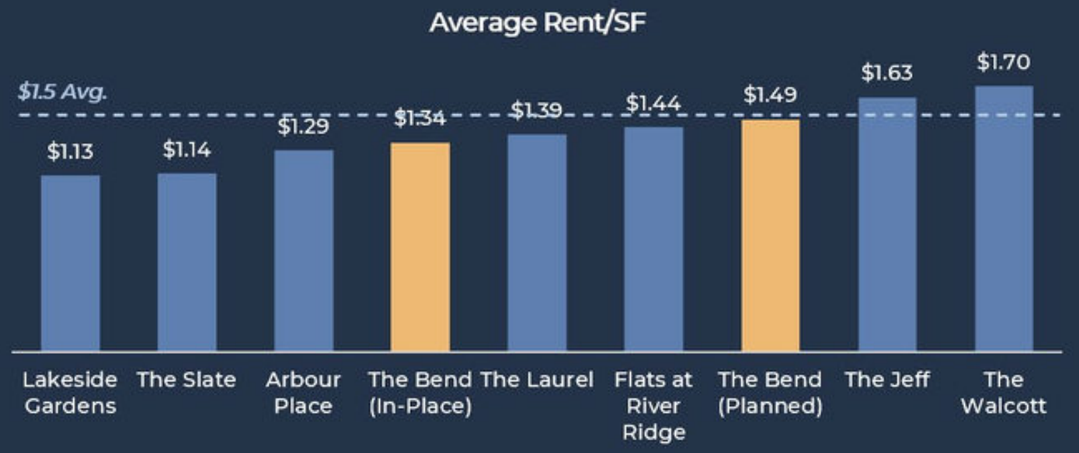






	The Bend	Lakeside Gardens	The Slate	Flats at River Ridge	The Laurel	Arbour Place	The Walcott	The Jeff
Year Built	2024	2022	2022	2024	2024	2024	2020	2023
Total Units	312	360	264	200	186	256	215	190
Est. Occupancy	95%	86%	95%	90%	92%	90%	91%	93%
Avg. Unit Size	918 SF	1,238 SF	1,243 SF	1,009 SF	1,070 SF	1,243 SF	992 SF	1,054 SF
Avg. 2BR Rent	$1,350	$1,397	$1,412	$1,454	$1,485	$1,600	$1,692	$1,715
Avg. 2BR Rent PSF	$1.34	$1.13	$1.14	$1.44	$1.39	$1.29	$1.70	$1.63

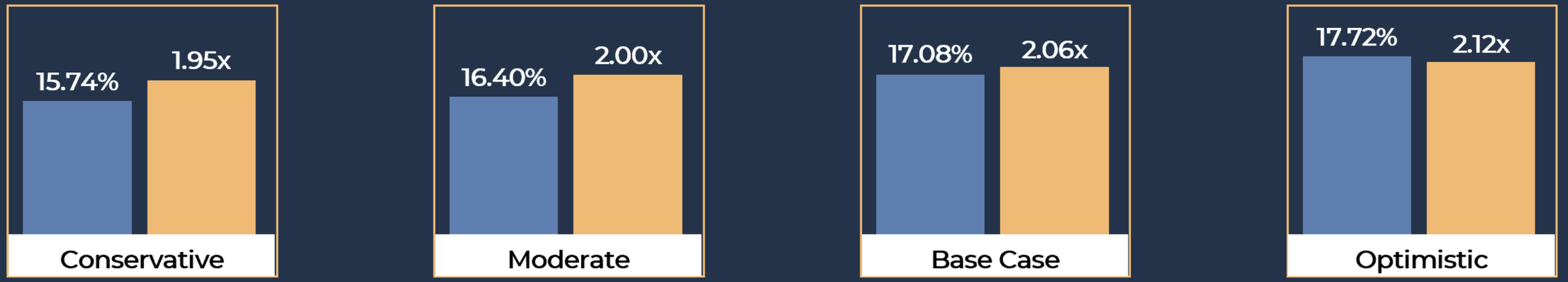




Sensitivity Analysis

The following analysis presents LP IRR outcomes across a range of exit capitalization rate assumptions, holding all other variables (rent growth, expense growth, vacancy) constant at base case. The base case assumes a 5.60% exit cap rate, consistent with current transactional activity for comparable 2024-vintage Class A multifamily in the Louisville MSA / Southern Indiana submarket.

Scenario	Exit Cap Rate	LP IRR	LP Equity Multiple	Probability
Optimistic	5.50%	17.72%	2.12x	20%
Base Case	**5.60%**	**17.06%**	**2.06x**	**60%**
Moderate	5.70%	16.40%	2.00x	15%
Conservative	5.80%	15.74%	1.95x	5%



IRR probability weights are management's assessment of relative scenario likelihood given current market conditions. The base case at 5.60% exit cap produces a 17.08% LP IRR and 2.06x equity multiple.

Sources, Uses & Assumptions

Sources & Uses

	% of Total	$	$/Unit
SOURCES			
Senior Loan	69.9%	$39,000,000	$125,000
LP Equity	30.1%	$16,803,142	$53,856.22
TOTAL SOURCES	**100%**	**$55,803,142**	**$178,856.22**
USES			
Acquisition Price	93.2%	$52,000,000	$166,666.67
Closing Costs	4.3%	$2,405,000	$7,708.33
Renovation / CapEx	0.6%	$350,000	$1,121.79
Operating Reserves	0.5%	$268,142	$859.43
Acquisition Fee (1.5%)	1.4%	$780,000	$2,500
TOTAL USES	**100%**	**$55,803,142**	**$176,856.22**

Debt Structure

Item	Detail
Loan Structure	Senior Loan — $39,000,000
LTV (Loan-to-Value)	75%
LTC (Loan-to-Cost)	~66.3%
Interest Rate	5.84%
Interest-Only Period	60 months
Amortization	30 years
DSCR (Year 1 Proforma)	1.33x

Operating Expenses

Expense Line	$/Unit/Year	Basis
Payroll	$1,100	Shared staffing with existing Louisville MSA assets
Taxes	$2,083	Full tax ~$475k/yr savings applied
Repairs & Maintenance	$400	Brand-new construction; minimal maintenance
Contract Services	$780	Landscaping, janitorial, pest control
Management Fee	3.5% of EGI	Third-party professional management
Insurance	$425	Indiana market rate
Make Ready	$250	Standard turnover allowance
Advertising & Marketing	$315	ILS listings, digital marketing
G&A	$255	Administrative and compliance
Utilities	$687	Common area only; individually billed
CapEx Reserves	$250	Lender-required annual reserve
Total Op. Expenses	**$7,125/unit/year**	**Basis**

Fee Structure

Fee	Rate
Acquisition Fee	1.5% of Purchase Price
Asset Management Fee	2.0% of Effective Gross Income
Disposition Fee	1.00%
Loan Fee	0.60%

Proforma

INCOME	T-3	$/Unit	Year 1	Year 2	Year 3	Year 4	Year 5
Gross Potential Rent (GPR)	**$4,997,880**	**$16,019**	**$5,018,837**	**$5,391,385**	**$5,707,496**	**$5,907,259**	**$6,114,013**
- General Vacancy	-$368,287	-$1,180	-$486,414	-$544,140	-$458,409	-$474,158	-$350,322
- Concessions	-$256,105	-$821	-$50,188	-$53,914	-$57,075	-$59,073	-$30,570
- Bad Debt	-$32,428	-$104	-$50,188	-$53,914	-$57,075	-$59,073	-$30,570
- Loss-to-Lease	-$86,946	-$279	-$53,751	-$107,828	-$114,150	-$118,145	-$122,280
Total Rental Revenue	$4,254,114	$13,635	$4,378,296	$4,631,589	$5,020,788	$5,196,810	$5,580,270
Utility Reimbursement (RUBS)	$172,239	$552	$192,910	$198,697	$204,658	$210,798	$217,121
Other Income	$562,458	$1,803	$600,000	$618,000	$636,540	$655,636	$675,305
Total Other Income	$734,697	$2,355	$792,910	$816,697	$841,198	$866,434	$892,427
Effective Gross Income (EGI)	**$4,988,811**	**$15,990**	**$5,171,205**	**$5,448,286**	**$5,861,986**	**$6,063,243**	**$6,472,697**
Total Operating Expenses	$2,154,623	$6,906	$2,145,136	$2,389,258	$2,469,695	$2,544,675	$2,628,979
Net Operating Income (NOI)	**$2,834,188**	**$9,084**	**$3,026,069**	**$3,059,028**	**$3,392,291**	**$3,518,569**	**$3,843,718**

About Focused and Elkstone Capital

Register Investment

This is Focused and Elkstone Capital's second Co-GP deal together. We've proven that we work well together over the 15 months, putting under contract and closing Gateway Crossing (160 units just 5 minutes from Bend) and managing the asset together on a weekly basis. Our mission is to build long-term wealth through a patient and conservative approach to multifamily real estate private equity investing. Our priority is capital preservation; delivering steady, risk-adjusted returns with a focus on consistent cash flow. Our value-add strategy enhances property value and maximizes returns while maintaining a diversified portfolio across various markets to mitigate risk. With a strong emphasis on key metrics including Internal Rate of Return, Yield on Cost, and Equity Multiple, we aim for superior performance that aligns with our investors' goals. We target strong multifamily markets within a three-hour radius of Indianapolis — acquiring assets in the 20M–50M+ range, 100+ units, 1980s vintage and newer, across value-add, development, and Core+ strategies with a 5–7-year hold period.

Team



Chad Schieler
Founder & Principal



Chad Olsen
VP of Investments



Andy Kropp
Director of Asset Management



Mitchell Rice
Founder & Principal



Curtis Bedke
Investor Relations

LESSONS — THE BEND

1. Read the agreements, notices, claims, invoices, correspondence, title materials, and incentive documents yourself. Checklists and summaries identify topics; the source documents reveal obligations, inconsistencies, unresolved disputes, and liabilities that may transfer with the asset.

2. A potential vendor-fraud claim and related lien exposure were not abstract legal issues. If unresolved, they could impair title, create post-close expense, delay financing, or force the buyer to inherit a dispute that was created before ownership changed.

3. The TIF reimbursement is a major part of value: approximately $475K per year, reducing the property-tax burden by more than half and scheduled through 2040. Diligence had to confirm duration, calculation, compliance conditions, payment mechanics, transferability, and the benefit available to a future buyer.

4. The physical asset was new, occupied, and needed no renovation, but that did not make diligence less important. In a seemingly clean deal, legal structure, incentives, vendor relationships, utility programs, and closing obligations can contain more risk than the building itself.













Self Measure Your Units!

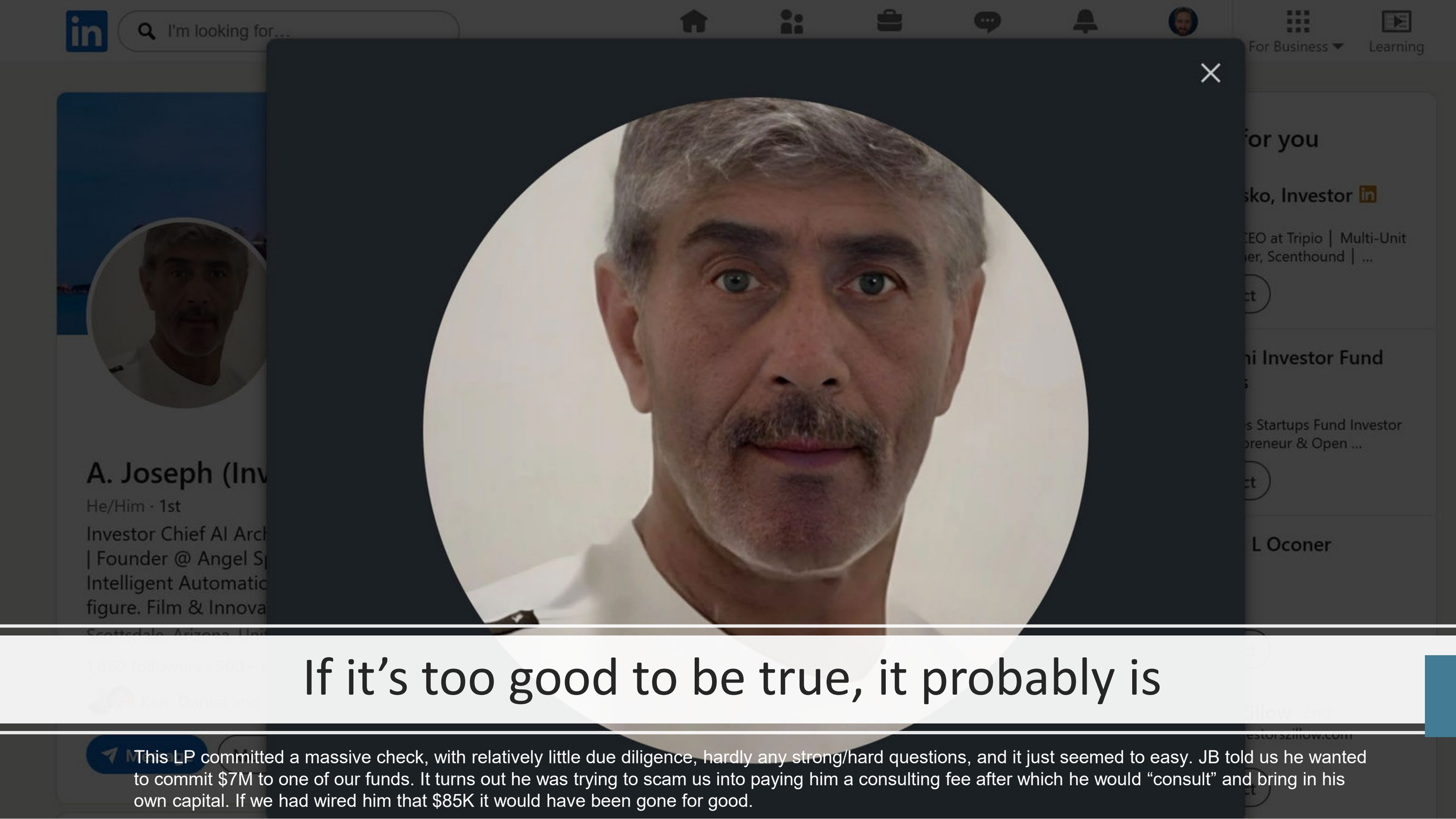
Studios units were supposed to be 480 SF. They ended up being 350 SF. About a 30% size differential. Underwrote rents lower. Asked for a $600K re-trade. Seller said no, we walked. The studios made up 90 out of the 127 units. 6 1 beds and 31 2 beds. $8.25M PP. $9M all in. We found this out two days before EMD went hard and we almost lost $150K in EMD.





Be Very Careful With Direct Lending
Hire a Personal Investigator
Pay Attention to UCC-1 Liens

Don’t just trust blindly - Trust but verify.



This LP committed a massive check, with relatively little due diligence, hardly any strong/hard questions, and it just seemed to easy. JB told us he wanted to commit $7M to one of our funds. It turns out he was trying to scam us into paying him a consulting fee after which he would “consult” and bring in his own capital. If we had wired him that $85K it would have been gone for good.

Enclave – 70 Units | $12.5M total uses | Hard costs $10M or $143K a door | Break Even Occupancy for us was ~70% while the rest of the comps in this city were 30-40% because there wasn’t much new product and those owners’ basis were much lower as they had time on their side. We didn’t want to get priced out of the market if rents softened and we were nervous they might.



Key Man Risk

Rexburg Deal – 80 Units | $11.8M PP |Seller carry at 80% LTV | 4.5% I/O 5 Year Term | We had a family office excited to do the deal and they were planning to come in all along and then changed their mind last second. Don’t put all our eggs in one basket

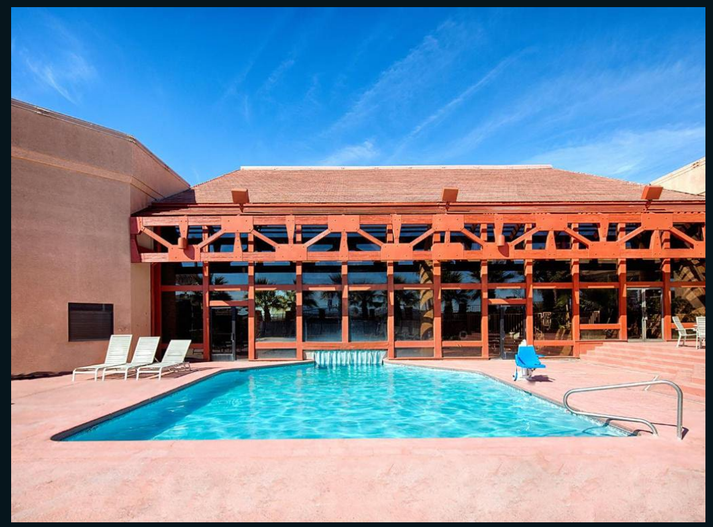


Don’t Try to Buy the Deal Before Your Under LOI

All You Need is a Back of the Napkin Analysis to Negotiate







We Wasted Months of Time on This Deal Just to Find Out We Were MILLIONS Apart from Seller in Bid Ask Spread