

TPEG FIVE46 INVESTORS LLC INVESTMENT EXIT SUMMARY



In October 2019, TPEG partnered with S2 Capital to acquire and renovate FIVE46 Apartments (since renamed *The Julia*), a 1986-vintage, 320-unit apartment community in Mesa, Arizona. In October 2021, TPEG and S2 Capital successfully closed on the sale of the property.



72.39%
IRR*

2.86x
Equity Multiple*

24 Month
Investment Period



*Net investor returns after all fees and promotes.

INVESTMENT SUMMARY

In October of 2019, Trinity Private Equity Group (“TPEG”) partnered with S2 Capital to acquire and renovate FIVE46 Apartments (since renamed *The Julia*), a 1986-vintage, 320-unit garden-style apartment community located at 546 S. Country Club Dr, in Mesa, Arizona. At the time of the investment, the underlying thesis centered around buying the asset at an attractive cost basis relative to replacement cost in a rapidly expanding market that S2 had been active in since 2017, and the opportunity to capture additional rent upside through investment on the exterior and interiors. **Total capitalization for FIVE46 equated to roughly \$53.836 million**, funded by a \$42.000 million senior loan, \$1.100 million of TPEG mezzanine debt, \$10.200 million of TPEG equity, and approximately \$536,842 of equity provided by S2 Capital and its affiliates.

The Sponsor completed exterior renovations at the property in Q2 of 2020 which included re-painting the buildings, re-landscaping the property, installing new balcony railings, renovating the pool and pool deck, and upgrading signage. S2 paused interior renovations after ~50% of the units were upgraded to a level of finish that competes with new apartments in the Mesa submarket. Effective rents at the Property upon takeover averaged \$1,005 per unit and S2 projected to increase rents by \$242 to \$1,247 per unit over a 60-month investment horizon. As of September 2021, The Julia’s effective rents averaged \$1,236 per unit, reflecting a \$231 increase just 24 months into the investment. Further, renovated units at the Property have seen significant premiums, with average rents of \$1,727 per unit over the last 30 days. The Julia has maintained strong occupancy throughout 2021 and is currently ~98% occupied. The rapid expansion of Phoenix’s multifamily market, along with significant outperformance from S2 in terms of renovation premiums and operational efficiencies, allowed the partnership to begin equity distributions in Q2 2020. Distributions have exceeded 7.8% on an annualized basis since they began. Due, in part, to significant outperformance, TPEG and S2 elected to sell The Julia just two years into the investment period.

On October 22nd, S2 successfully closed on the sale of The Julia for \$90.150 million (\$281,719 per unit). The sale price represented an increase of ~96% relative to the original purchase price and ~67% relative to our partnership’s total basis. With a pre-tax distribution of net sales proceeds equal to approximately 269.93% of their original equity investment, TPEG equity investors realized an internal rate of return (“IRR”) of ~72.39% and a cash-on-cash return of ~2.86x over the 24-month investment horizon. Further detail on the investment return profile is included in the *Returns Summary* on the following page.



PERFORMANCE SUMMARY

The investment's 2019 Private Placement Memorandum (PPM) projected a refinance in month 26 and a sale in month 60. TPEG and S2 elected to sell the asset after 24 months of ownership due to several factors, including heightened demand (high values) for well-located multifamily assets in Phoenix and early realization of rent growth targets at the Property.

The original PPM forecasted a sale in month 60 for \$65.840 million (based on NOI of \$3.785 million and an exit cap rate of 5.75%). Despite the Property being sold 36 months earlier than anticipated, the actual sale price in month 24 (\$90.150 million) meaningfully exceeds the PPM's underwritten sale price - mainly attributable to favorable submarket/market dynamics and property performance.

Details	Underwriting	Actual	Variance
Sale Month	60	24	-36
Sale Price	\$65,840,122	\$90,150,000	+\$24,309,878
Sale Price/Door	\$205,750	\$281,719	+\$75,968
IRR	17.70%	72.39%	+54.69%
Cash-on-Cash	1.92x	2.86x	+0.94x

RETURNS SUMMARY

The figures below detail actual returns for equity and mezzanine investors over the 24-month investment period.

TPEG FIVE46 Investors: Equity Return Summary		Year 1	Year 2
Equity Investor Contribution	(10,200,000)	-	-
Preferred Return Payments (10.00%)		399,000	1,621,438
Return of Investor Capital		-	10,200,000
Split of Remaining Cash (50.00%)		-	16,993,707
Total	(10,200,000)	399,000	28,815,145
Cash Flows per \$100,000	\$ (100,000)	\$ 3,912	\$ 282,501
<i>Annual Cash Yield</i>		<i>3.91%</i>	<i>282.50%</i>
Equity Investor IRR	72.39%		
Equity Investor Cash-on-Cash	2.86x		

TPEG FIVE46 Investors: Mezzanine Return Summary		Year 1	Year 2
Mezzanine Investor Contribution	(1,100,000)	-	-
Interest Payments (10.00%)		100,884	117,007
Return of Investor Capital		-	1,100,000
Total	(1,100,000)	100,884	1,217,007
Cash Flows per \$100,000	\$ (100,000)	\$ 9,171	\$ 110,637
<i>Annual Cash Yield</i>		<i>9.17%</i>	<i>110.64%</i>
Mezzanine Investor IRR	10.36%		
Mezzanine Investor Cash-on-Cash	1.20x		

The equity and mezzanine return profiles shown in the figures above illustrate the realized, pre-tax returns that equity and mezzanine investors received throughout the entire investment (after considering fees and promotes paid to TPEG/S2). In total, TPEG equity investors realized an internal rate of return ("IRR") of ~72.39% and a cash-on-cash return of ~2.86x over the 24-month investment horizon.

In summary, an attractive cost basis, experienced Sponsor, and continued demand for Phoenix multifamily assets helped the investment outperform projections in a much shorter investment period. TPEG appreciates the continued confidence of investors and are pleased to deliver such strong investment returns to those that have supported us.