

CASE STUDY

REALIZED INVESTMENT QUARRY STATION APARTMENTS



20.31%

Realized Net IRR

22 mos.

Actual Hold Period

\$37MM

Purchase Price

\$49.35MM

Sales Price

This case study highlights a fully realized multifamily investment opportunity that was offered to ArborCrowd investors.

ArborCrowd is the first real estate crowdfunding platform to be launched by a real estate institution, opening an exclusive network to a new class of investors. ArborCrowd allows individuals to invest in commercial real estate opportunities that were previously only available to institutional investors.



Quarry Station Investment Summary

Investment Summary

Property Type	Multifamily
Total Initial Capitalization	\$40.81MM
ArborCrowd Equity	\$3MM
Sponsor Equity	\$5.06MM

Returns Summary

Projected Net IRR.....	16%-19%
Projected Hold Period	2-4 Years
Realized Net IRR	20.31%
Actual Hold Period	22 mos.

Deal Analysis

The property was sold in September 2019 for \$49.35 million, or \$161,274 per unit, resulting in a 22-month hold period and a net internal rate of return of over 20% for investors. An investor who made a \$25,000 investment in Quarry Station received a net distribution of \$35,225 and a net profit of \$10,225.

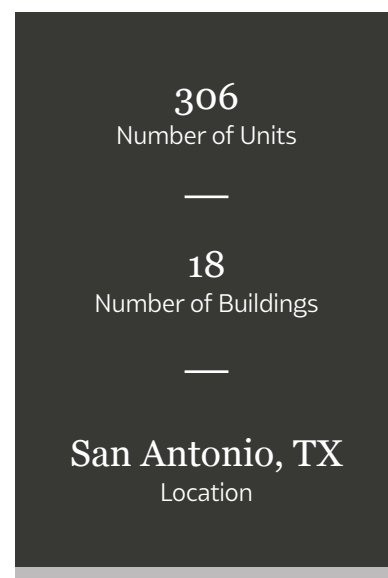
By taking a proactive and nimble approach, affiliates of Arbor Management Acquisition Company and affiliates of EBEX Holdings (collectively, the “Sponsor”) orchestrated an exit that resulted in yields exceeding initial projections. This approach included expanding the scope of renovations and dual tracking a sale of the property while also pursuing a U.S. Department of Housing and Urban Development loan that would have alleviated rising loan interest costs if a suitable buyer was not found.

The project was successful despite micro and macro-economic challenges that occurred during the hold period, including rising interest rates and a spate of newly delivered residential units that came into the market offering significant rent concessions.

Property Overview

Built in the early 1990s, the 306-unit, 18-building Quarry Station Apartments is located in Alamo Heights, an affluent neighborhood in San Antonio, TX.

- Location:** The property offers quick and efficient access to employment in Downtown San Antonio, which is approximately 5.5 miles away or a 15 to 20-minute drive by car. Quarry Station is also just 1.5 miles from the 200-store North Star Mall and also the San Antonio International Airport, which served nearly 8.5 million passengers in 2017 and accounted for nearly 100,000 jobs. Additionally, South Texas Medical Center, located 6 miles from the property, employed 30,000 people in 2017.
- Unit Mix:** The property features a mix of 1-, 2- and 3-bedroom units and was 85% occupied as of August 2017.
- Amenities:** The property offers a clubhouse, swimming pool, fitness center, business center, laundry rooms, and 507 parking spaces.



Market Overview

Upon acquisition of the property, the San Antonio Metropolitan Statistical Area (MSA) exhibited strong demand as it was the third most populated MSA in the state with approximately 2.47 million people¹. It was also expected to grow 1.7% each year from 2017 through 2022².

Additionally, the unemployment rate was tracking below 4% for nearly three years and was expected to remain below 4% through 2021². The “Alamo City” also had a diversified economy with a mix of its largest industries being defense, financial services, healthcare, tourism and logistics.

1: U.S. Census Bureau
2: Moody's Analytics



South Texas Medical Center



Downtown San Antonio



Business Plan

The property was purchased in June 2017 for \$37 million, resulting in a basis of \$120,915 per unit, which was relatively low for the product. Due to years of mismanagement and neglect, the property desperately needed institutional oversight and expense controls.

The business plan called for increasing effective rents, and ultimately the value of the property, by improving the appeal of the units and instituting efficient management of the property.

- **Value-Add:** The business plan focused on a repositioning strategy to simultaneously improve the poorly managed operations of the property, and to perform significant property upgrades and neglected repairs.
- **New Property Management:** Property management was replaced with United Apartment Group, which managed more than 29,000 units across the country and is the largest property manager in San Antonio.
- **Proof of Concept:** The upgrades included a full gut renovation of various units as a proof of concept of revenue potential for a future buyer.



Business Plan Execution

The Sponsor immediately embarked on improving the condition of the property and elevating its perception in the market.

- Property Improvements:** The Sponsor determined that an expansion to the scope of the renovation work would make the property more competitive with newly built properties in the market. Upgrades on roughly 160 units and gut renovations of approximately 35 units were completed. Individual unit upgrades included the installation of granite counter tops, new fixtures, luxury lighting, new cabinetry, vinyl flooring and stainless-steel appliances. Additionally, property-wide improvements included a new clubhouse, upgraded fitness center, new security gates and foundation repairs.
- New Brand:** The property was rebranded to Quarry Station Apartments from Crescent at Alamo Heights. The name change combined with the property improvements helped to enhance the negative perception of the property in the marketplace.
- Rental Increase:** The net effective rental income increased during the hold period by 17% and the average rent rose to over \$1,200 per unit.

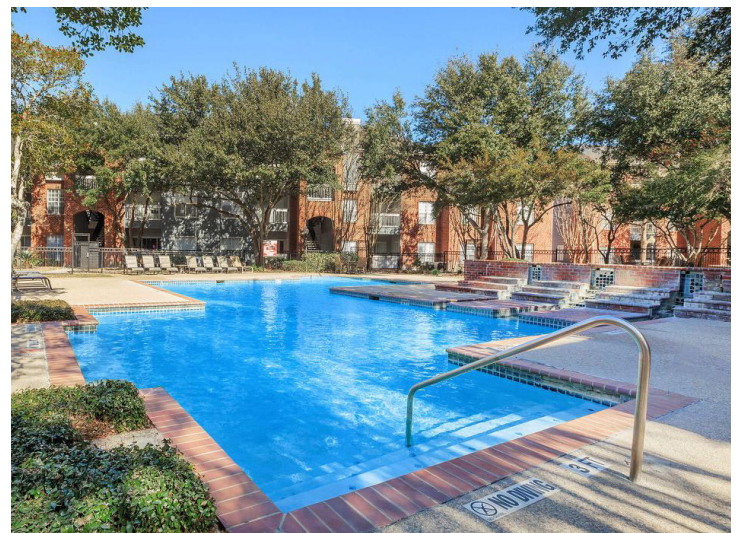
Renovation Highlights

New Clubhouse

Upgraded Fitness Center

New Security Gates

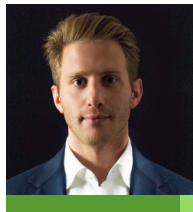
Foundation Repairs



About ArborCrowd

ArborCrowd is the first real estate crowdfunding platform to be launched by a real estate institution, opening an exclusive network to a new class of investors.

As part of The Arbor Family of Companies, which includes Arbor Realty Trust (NYSE: ABR), a leading publicly traded commercial mortgage real estate investment trust (REIT), and real estate private equity firm Arbor Management Acquisition Company, ArborCrowd is backed by more than 30 years of leadership experience.



Adam Kaufman
Co-Founder & COO



Questions?

If you have any questions about this case study, please email **InvestorRelations@ArborCrowd.com** or call **844-365-1200**, and an ArborCrowd team member will promptly return your inquiry.

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