



Stonewood & Swartswood Apartments

~ Historic Newton, NJ ~
Value-Add Off-Market Urban Multi-Family
Portfolio
64 Apartment Units – Two Properties
(Studio, 1 & 2 BR)

Confidential Investment Summary

Red Knight Properties

redknightproperties.com



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THE INFORMATION CONTAINED IN THIS MEMORANDUM IS AS OF THE DATE HEREOF. NEITHER THE DELIVERY OF THIS MEMORANDUM AT ANY TIME, NOR ANY SALE MADE PURSUANT HERETO, SHALL IMPLY THAT THE INFORMATION CONTAINED IN THIS MEMORANDUM IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE SET FORTH ON THE COVER HEREOF.

THIS MEMORANDUM DOES NOT UNDERTAKE TO PROVIDE THE DETAILED DISCLOSURES REQUIRED IN CONNECTION WITH REGISTRATIONS UNDER THE SECURITIES ACT. IT IS EXPECTED THAT AN INVESTOR CONTEMPLATING AN INVESTMENT IN THE PROPOSED TRANSACTION WILL CONDUCT AN INDEPENDENT INVESTIGATION AND ANALYSIS IN THE EXERCISE OF ITS OWN DUE DILIGENCE AND THAT A DECISION TO INVEST WILL BE BASED SOLELY ON SUCH INDEPENDENT INVESTIGATION AND ANALYSIS. FOR THE AVOIDANCE OF DOUBT, THE PROPERTY DISCUSSED IN THIS MEMORANDUM IS NOT A SECURITY FOR PURPOSES OF THE INVESTMENT ADVISERS ACT OF 1940. RED KNIGHT IS NOT PROVIDING INVESTMENT ADVICE IN CONNECTION WITH THE ACQUISITION OF THE PROPERTY.

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PROSPECTIVE INVESTORS ARE NOT TO CONSTRUE THE CONTENTS OF THIS MEMORANDUM AS LEGAL, BUSINESS OR TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN ATTORNEY, BUSINESS ADVISOR AND TAX ADVISOR AS TO LEGAL, BUSINESS, TAX AND RELATED MATTERS CONCERNING THIS OFFERING. NEITHER THE REAL ESTATE INVESTMENT, NOR THE HOLDING COMPANY, NOR RED KNIGHT, IS MAKING ANY REPRESENTATION OR WARRANTIES TO ANY OFFEREE OR PURCHASER OF THE INTERESTS AND THE PROPERTY REGARDING THE LEGALITY OF AN INVESTMENT THEREIN BY SUCH OFFEREE OR PURCHASER UNDER APPROPRIATE INVESTMENT OR SIMILAR LAWS.

About Red Knight Properties

Red Knight Properties is a vertically integrated boutique multi-family and mixed-use real estate investment company with a track record of building portfolios that deliver dependable cash flow and equity upside. By pooling our capital together, along with a select group of other investors, we offer nimble capital for real estate equity investments.

Our value-add approach us to deliver strong returns to our investors. We target value-add multi-family and mixed use properties, and create significant equity by increasing cash flow and forcing appreciation through capital improvements. Our residents and tenants are the lifeblood of our assets. We strive to create vibrant communities where people are excited to live and work.

Red Knight Properties currently has 114 apartment, retail/garage units under management/ownership in Northern New Jersey across six different assets, in Morris & Sussex counties, including 51 units in Newton, NJ. Red Knight Properties also owns and manages in Orange County, New York, over the border of Sussex County, NJ.



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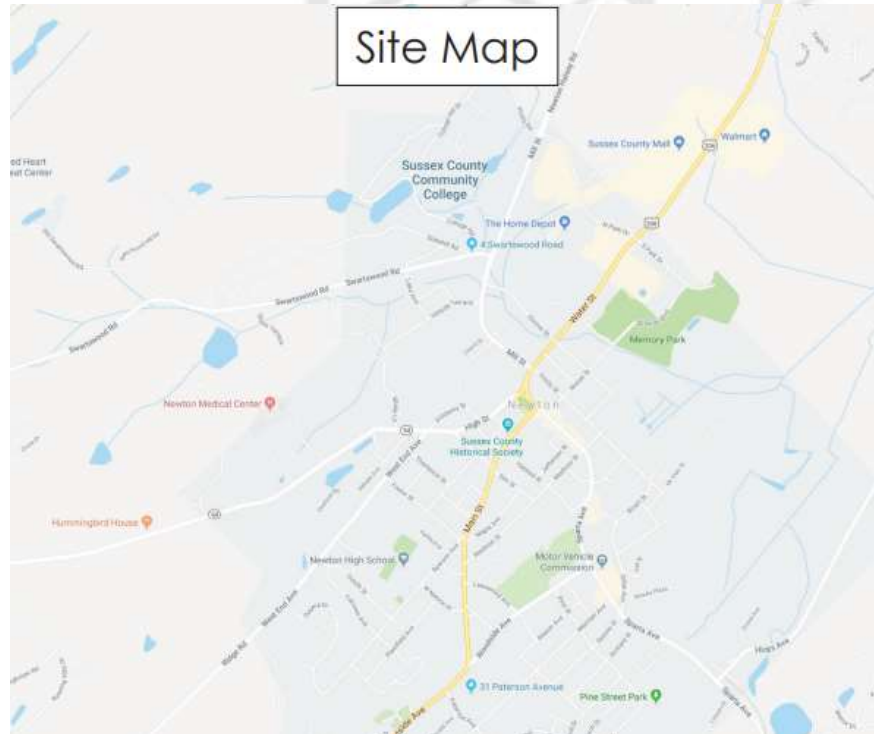
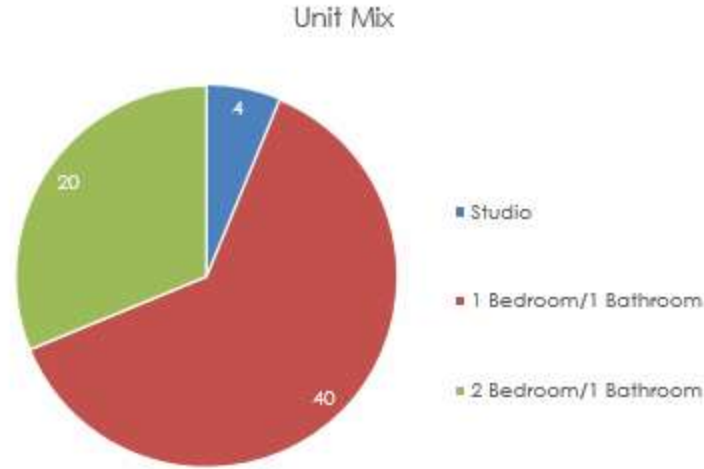


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1. Executive Summary

Red Knight Properties is currently under contract and is seeking to partner with additional equity investors for an off-market value add multi-family opportunity to acquire a 100% fee simple ownership interest in Stonewood & Swartswood Apartments, in a revitalizing, walkable (80% WalkScore) and transit-oriented historic area of Northern New Jersey, Newton, (Exit 34B, Route 80 – ~60 miles to Midtown New York City, with no rent control, significant in-place rental upside as well as benefiting from the already existing economies of scale and infrastructure Red Knight Properties has in Newton through its other apartment complex holdings. Red Knight Properties currently owns 64 Mill Street & 10-16 Hillside Terrace (51 Class-C market rate -1B-3BR units + 33 garages) they acquired in December, 2019, both within walking distance of Stonewood and Swartswood Apartments.

The Portfolio consists of a combined 64-unit diversified 97% occupied (subject to DD) Class C apartment portfolio comprised of two separate parcels (32 + 32 units), 1.8 miles (5 minute drive) from each other and boasts a variety of apartment offerings between ~490-1,000sqft (4 Studios, 40 1BD/BA, 20 2BD/1BA).

The Stonewood Apartments 32-unit parcel on 31 Paterson Place consists of three fully rented two-story, brick, garden-style buildings. The unit mix for the complex consists of 4 Studios, 16 1BD/1BA & 12 2BD/1BA, plus a laundry room. The current landlord is responsible for gas baseboard heat, hot water & water/sewer in the entire complex. Tenants are responsible for their electric units. Red Knight is seeking to pass the heat expense along to the tenants moving forward. There are new roofs on the entire complex and semi-private entrances for each unit. However, approximately 80% of the interior apartments have not been renovated and the exterior suffers from exterior deferred maintenance/unimpressive landscaping. As a result, the current landlord has not and has not been able to raise rent significantly in years.

The Swartswood Apartments 32-unit parcel on 2A Swartswood Road consists of 6 fully rented two-story, brick, garden-style buildings. The unit mix for the complex is 24 1BD/1BA & 8 2BR/1BA, plus two laundry rooms. Approximately 69% (22 out of 32) of these apartments have been renovated with cherry wood cabinets and stainless steel appliances. All of the hallways have recently been refinished, all roofs have been replaced including the boilers and hot water heaters with on-demand, tank-less systems. There is gas heat, hot water & electric paid by the tenant. The current landlord supplies gas for laundry and electric for laundry and common area lighting. The current landlord also pays for the superintendent's utilities. Once the remaining 10 units are renovated, rents will be mark-to-marketed at minimum on-par with the other renovated units on the campus.

The median 2019 household income is \$72,451, (\$92,822 within 5 miles), with 56% of renter-occupied housing within the town of Newton. Within a mile radius of the property, there are 735 business with a daytime populated employment base of 8,857 as of 2019, and is only growing with ThorLabs 160,000sqft office/lab space (500+ new jobs), with expansion plans for a third campus of 400,000sqft off office/lab (3,500+ new jobs), Sussex Technology School (300+ FT Students), NJ Transit Line extension, and many more expansion plans for the town and surrounding towns (Pace Glass, Andover, 1,000+ jobs). Lastly, there is a limited supply of new market rate apartment construction which in turn produces an upward pressure on rental rates for the existing apartment communities.

Both Swartswood & Stonewood Apartments are the one of the only walkable larger-scale (over 30 unit) market rate Class C apartment complex walkable within .25 & 1.8 miles, respectively, to the Town Center of Newton, which is the Sussex County Seat and major employment and transportation hub for the region. Major local employers include but are not limited to: ThorLabs, Newton Medical Center (Atlantic Health), Pace Glass, Ames Rubber Corp, Shop Rite, Mountain Creek Resort, Selective Insurance Group, Inc, Audi of Newton, Sussex County Community College, Walmart, Weis Markets, BMW of Newton, etc.

The downtown Newton neighborhood is a desirable retail and residential location with shopping, restaurants and public transportation within walking distance. There is a direct Lakeland Bus Line to Port Authority in New York City and Skylands Connect local bus stop 2 blocks away from the portfolio. Lastly, Newton is the crossroads for a number of thoroughfares including U.S. Route 206, New Jersey Route 94, County Route 519 and County Route 616.

Each parcel has been self-managed and mis-managed during the seller's period of ownership. There are significant upside in the in-place rental rates by completing kitchen and bath renovations started by current ownership on Swartswood, as well as addressing deferred maintenance and renovating majority of the units on Stonewood. As a result, all of the properties will benefit tremendously from the significant planned capital investments and from professional management by Red Knight Properties.

2. The Transaction

Stonewood & Swartwood Apartments is under contract to Red Knight Properties for a purchase price of \$7,300,000 (\$114,063/unit), which equates to a 6.75% (@ 97% quoted occupancy) capitalization rate with an in-place net operating income Red Knight projects of \$493,749 (**based on each seller's financial statements and subject to due diligence**). Red Knight has projected higher expenses throughout and unit turnover during the first year while our capital improvement plan takes place and bring the existing tenants to market rents.

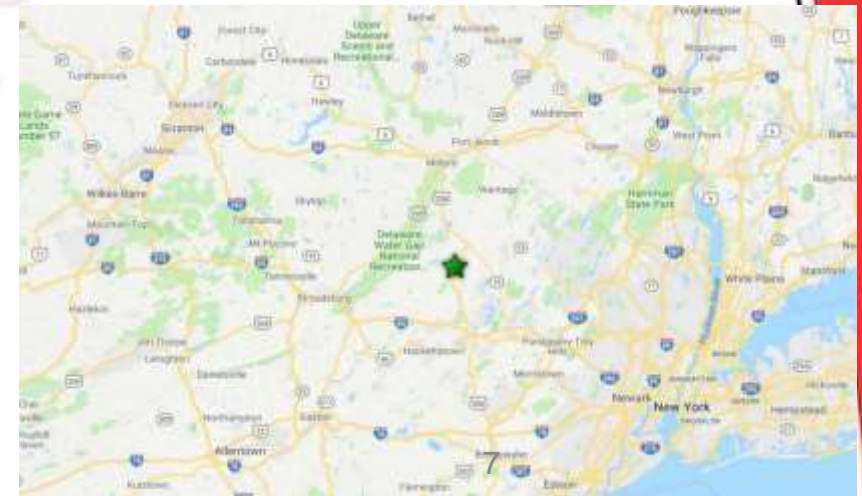
Red Knight is planning to invest approximately \$300,000 (~\$5,000/unit – subject to best general contractor's quote Red Knight has worked with), in the aggregate to upgrade the properties, with ~77% of the capital spent at Stonewood Apartments. Planned upgrades include, as appropriate, unit interiors, building exteriors, amenities and landscaping, as well as deferred maintenance such as a parking lot overlay. As the benefits of physical improvements, refreshed marketing and management by Red Knight take effect, the properties will command higher rents (current avg: ~\$1,128) than those currently achieved.

Revenues are expected to increase over the first two years of ownership. By the second year of ownership, the net operating income for the Portfolio is projected to be \$585,811, representing an ~7.7% stabilized yield-to-cost (year two (2) net operating income/initial purchase price + capital expenditures) on the all-in cost of ~\$7,620,000 million (~\$118,750/unit).

The highest per unit sale comp in Newton was The Aberlour at \$195,556/unit in late 2016, which equated to a 5% capitalization rate with limited upside. Factoring in leverage of ~20% of purchase price, the net levered IRR (Internal Rate of Return) to investors is modeled to be approximately 15% over a five-year holding period with very conservative underwriting projections.

Investment Snapshot

Purchase Price	\$7,300,000
Capital Improvement Budget*	\$300,000 (est.)
Closing Costs & Operating Capital	\$480,258
Total Capitalization	\$8,080,258
Units	64 (32, 32)
Current Occupancy (Subject to DD)	97%**



3. Investment Highlights

- ❖ **Capitalization Rate Arbitrage/Low Per Door Price:** Above market Northern New Jersey and Sussex County/Western Morris submarket going-in capitalization rate of 6.75% (subject to due diligence) at 97% occupancy on Red Knight's net operating income, and projected conservative stabilized capitalization rate of 7.25% at exit, compared to recent sale comps outlined in the sale comps section (4.5-6% capitalization rates) for traditional Class C & B apartment complexes in Newton and the Sussex County/Western Morris submarket, providing an opportunity for arbitrage post-new management and capital improvements.
- ❖ **Below Market Rents Apartments:** Rents are close to 18% below market on the apartments conservatively. Increasing the rents to market after capital improvements will greatly increase the value of the property. Newton, unlike a majority of Northern New Jersey towns, is not subject to any rent control.
- ❖ **Economies of Scale:** Given Red Knight's current ownership of Townsquare Gardens in Newton, service contracts and staffing will be dedicated towards both Townsquare Gardens & Stonewood/Swartswood. Red Knight properties will own 115 units in Newton post-acquisition.
- ❖ **Operational Upside/Efficiency:** There is currently no professional management company in-place for either complex, which creates a huge operational upside as well as cost reduction from service contracts and payroll through Red Knight Properties other holdings in Newton.
- ❖ **Strong Submarket:** Vacancy rate for the Sussex County Submarket overall is at 2.4% with 3.8% 2018 rent growth and there is no new large-scale (50+ units) multi-family inventory expected to be completed over the next 5 years. Rent growth was projected conservatively at 2.75% post-renovations in year 3.
- ❖ **Rebranding:** Red Knight Properties will rebrand the name of the complex for marketing, advertising, and to attract a higher quality tenant base.

Investment Highlights:

Downtown Newton named one of New Jersey's historic Great Places



Posted: Oct. 17, 2018 – NJ Herald

The town's Spring Street has been named one of New Jersey's "Great Places" for 2018 by a statewide association of planners.

The award, one of four Great Places selected by the New Jersey Chapter of the American Planning Association, will be formally presented at the chapter's reception dinner on Oct. 29 in South Orange.

Town Planner Jessica Caldwell said the chapter asked for nominations and she and the municipal staff put together Newton's entry in the Great Streets category.

The annual awards also include Great Downtowns, Great Public Spaces and Great Neighborhoods categories. The winners in those were, respectively: downtown Cranford, the Asbury Park Boardwalk, and the Historic Hamilton Park Neighborhood in Jersey City.

The awards program doesn't pit one municipality against another, but entries are evaluated against criteria for comprehensive planning, which means planning that has produced results and from which other towns can learn, said Charles Latini Jr., the chapter president.

"Each year we receive very worthy submissions, and this year only five were selected from the pack," he said. "This isn't a people's choice award; it's a designation from the professional planners in the state."

Caldwell said Spring Street "is actually a lot better than people think, and we have a lot more positives than people realize."

She noted there are a number of events taking place in the four blocks between Main Street and Union Place/Madison Street, ranging from various holiday parades to the fall festival.

Changes in zoning have allowed offices into the first floor of buildings along the street, rather than just retail space, and upper floors are being converted into market-value apartments.

RPM's apartment building, Newton Town Centre, was fully leased within a few months of its opening last year, and there are plans for new development.

"What's truly important for decision-makers and the communities they serve to understand is that things don't happen by accident," said Sheena Collum, the chapter's executive director. "Places worthy of being called 'great' happened because someone cared about the long game, secured the right team, welcomed community feedback, made the right investments and leveraged existing assets."

The Great Places in New Jersey program was launched in 2012. Since then 30 locations in the state have received the designation. That list can be found online at: GreatPlacesNJ.com, which has an interactive map and a history of the destinations.

4. Investment Structure

Red Knight Properties will be raising between \$1,740,000-1,940,000. The minimum investment will be \$50,000 and the projections below are based on a 5-year hold and a \$100,000 investment for illustration. Conservative projections have the initial investment almost doubling during the holding period.

Investor partners can expect a quarterly return, based on a 8% preferred return and a 70% profit split to the investors above the 8% pref. Once a 15% IRR is achieved on this investment, the profit split will be 50%/50%.

Red Knight Properties will be partnering with their preferred bridge lender (ReadyCap) through a Marcus & Millichap partnership Red Knight previously has to secure a two-year interest-only loan upon acquisition with a 80% LTV (loan-to-value) + 100% of capital expenditures being funded. Lending terms may be subject to change based on market conditions; however, Red Knight has selected this lender at the proposed underwritten terms.

Following post capital improvements and our repositioning/re-tenanting plan, Red Knight Properties will be partnering with another preferred agency lender to secure a new permanent, Fannie/Freddie long-term financing structure with an ~80% LTV (Loan-To Value). At a conservative 7.1% cap stabilized capitalization rate (comps are 4.5%-5.5% cap's) in year three (3) of the investment, investors can expect to receive approximately 50% of their initial equity contribution back.

Investors should be prepared to leave their money in for a minimum of 5 years, even though there is a possibility to re-finance or sell, and repay the investor's principal before then. If Red Knight re-finances or sells the property at any point, investors first receive their principal back, then 70% of profits up to 14.9% IRR, and 50% thereafter.

Investor Yield Projection	
Total Equity Multiple	~1.61x
Average Cash-On-Cash	~13.00%
Internal Rate of Return (IRR)	~15%

Average cash flow yields from operations, not including any refinance or profit from sale.

Partnership Structure	
Member Preferred Return	8.0%
Members Ownership	70% to a sub 14.9% IRR 50% above 15% IRR

Member Returns Based On Specific \$ Invested

\$100,000

REFINANCE!

SALE!

	1	2	3	4	5	6	7	8	9	10	Return \$	Return %
Beginning Member Capital Account Balance	\$100,000	\$100,000	\$60,184	\$60,184	\$60,184							
% of Overall Membership Ownership for \$ Invested	5.2%	5.2%	5.2%	5.2%	5.2%							
Member Cashflow	\$6,582	\$12,256	\$11,244	\$7,616	\$8,212						\$45,911	
Cash on Cash Return	7%	12.3%	18.68%	12.65%	14%							
Average Cash on Cash Return to Date	7%	9.4%	12.51%	12.54%	12.76%							
Net Proceeds/Profits from Refinance or Sale		\$0			\$15,149						\$15,149	
Average Annual Return to Date	7%	9.4%	16.7%	16%	20%							
Return of Member Capital		\$39,816			\$60,184							
Ending Member Capital Account Balance	\$100,000	\$60,184	\$60,184	\$60,184	\$0							
Total Return on Investment	\$6,582	\$12,256	\$11,244	\$7,616	\$23,362						\$61,061	61%
Average Annual Return												15.0%
IRR												15.0%
Average Cash on Cash Return												13%

5. Financial Overview – P&L

Even though Stonewood & Swartwood Apartments are 97% occupied, subject to due diligence, we are modeling the projections at 3% initial apartment vacancy plus a 5% turnover rate on the apartments in the first year, and 5% vacancy on the apartments moving forward.

Expenses are also being underwritten at \$5,789.51 per door, which is higher than the current in-place expenses that the seller is showing moving forward.

The expense ratio moving forward may also be lower due to select bill-backs of gas/water on Stonewood Apartments. However, this additional reduction was not projected at this time.

FINANCIAL ASSUMPTIONS		Year 1	Year 2	Year 3	Year 4	Year 5
Annual Rent Escalator		0.00%	0.00%	2.75%	2.75%	2.75%
Annual Expense Escalator		2.75%	2.75%	2.75%	2.75%	2.75%
			REFINANCE!		SALE!	
INCOME		1	2	3	4	5
	Average Apartment Monthly Rent	\$1,128	\$1,299	\$1,335	\$1,372	\$1,409
Gross Potential Income		\$866,412	\$997,680.00	\$1,025,116.20	\$0.00	\$1,053,306.90
- Apartment Vacancy		(\$25,992)	3.00%	(\$49,884)	5.00%	(\$52,665)
- Unit Turnover From Reno Yr 1 (Heavily Weighted Towards Stonewood)		(\$43,321)	5.00%	\$0	0.00%	\$0
Effective Gross Income		\$797,099	\$947,796	\$973,860	\$1,000,642	\$1,028,159
Misc. Income (See "Actuals" Tab)		\$23,859	\$23,859	\$24,515	\$25,189	\$25,882
Total Net Income		\$820,958	\$971,655	\$998,376	\$1,025,831	\$1,054,041
EXPENSES						
Total Expenses		\$370,529	45%	\$385,844	40%	\$396,454
				40%	\$407,357	40%
					\$418,559	
Net Operating Income (NOI)		\$450,429	\$585,811	\$601,921	\$618,474	\$635,482

6. Key Metrics

Red Knight Properties will align its interest with limited partners and aims to contribute 10-15% of the total member capital to close required.

PURCHASE			
# Units	64		
Asking Price	\$7,300,000		
Purchase Price	\$7,300,000		
Price Per Unit	\$114,063		
Earnest Money Deposit (EMD)	\$150,000		
Down Payment	\$1,460,000	20%	
1st Mortgage (80% LTV + 100% Capex)	\$6,140,038		
Going In Interest Rate (Bridge - Debt Constant)	5.00%		
Amortization	30		
Closing Costs	\$297,758	4.1%	
Acquisition Fee	\$182,500		2.50%
Repairs and Reserves (100% Funded By Loan)	\$300,038		
Total Capital Needed to Close	\$1,940,258		
Cap Rate at Re-Sale	7.2%		

KEY INDICATORS

Cap Rate (NOI/Sales Price) (Less Turnover)	6.76%
Cash on Cash Return (Average)	13%

Gross Rent Multiplier

Gross Rent Multiplier	8.43
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INVESTOR RETURNS

Member Equity	70%	50%
Manager Equity	30%	50%
Preferred Return to Members	8.0%	* Post 15% LIRR
Asset Mgt Fee to Manager	1.00%	
Capital Transaction Fee to Mgr	1.0%	

Average Annual Return	15%
Total Return on Investment	61.06%
IRR	15%

Refinance and exit capitalization rates are modeled at a conservative ~7% capitalization rate on a refinancing basis at the end of year 2 (to be conservative) and ~7.2% capitalization rate on disposition (\$138,485/unit). Similar comps in submarket/surrounding area have sold as low as a 4.5%-5.5% cap as initiated in the sales comparison section. The highest per unit sale in Newton was \$195,556/unit and a 5% capitalization rate.

Exit Strategy			
Cash Out Re-Finance End of Year		→	2
Sale / Disposition at End of Year		→	5
Refinance End of Year		→	2
Disposition End of Year → 5			

Net Operating Income	\$595,811		
Cap Rate of Re-Finance	7%		
Appraised Value	\$8,678,686		
Re-Finance LTV (Fannie/Freddie Loan)	80%		
Interest Rate	4.50%		
Term / Amortization (Years)	30		
Re-Finance Loan Amount	\$6,942,949		
- Re-Finance Costs (Legal, Appraisal, Tie Reissuel)	0.35%	(\$30,375)	
- Exit Fee (Waived - Due to Bridge to Perm Program)	0.00%	\$0	
- Repair Outstanding Loan Balance		(\$6,940,038)	
= Gross Proceeds from Re-Finance	\$772,536		
Return of Member Capital	\$772,536		
% of Initial Investment Returned	750%		
Capital Account Balance After Re-Fi	\$1,167,722		
Net Proceeds/Profit from Re-Finance	\$0		
Principal Reduction	\$0		
Appreciation	\$0		
Capital Transaction Fee to Mgr	1%	\$0	
Net Proceeds/Profit Paid to Members	70%	\$0	
Net Proceeds/Profit Paid to Manager	30%	\$0	
(Initial Capital + Appreciation)	\$772,536		
Ending Capital Account Balance	\$1,167,722		

Net Operating Income	\$635,482		
Cap Rate	7.2%		
Sales Price	\$8,863,068		\$138,485 / Unit
Sales Cost (Transfer Tax, Broker Commission, Legal)	5.50%	(\$487,469)	
Outstanding Loan Balance		(\$6,939,335)	
Total Equity	\$1,676,264		
Return of Member Capital	\$1,167,722		
Net Proceeds/Profit from Sale	\$508,543		
Principal Reduction	\$243,614		
Appreciation	\$264,929		
Capital Transaction Fee to Mgr	1%	\$68,631	
Net Proceeds/Profit Paid to Members	70%	\$233,938	
Net Proceeds/Profit Paid to Manager	30%	\$125,574	
Total Cash to Members at Sale		\$1,461,660	

After Final Disposition	
Total Profits from Appreciation Paid to Members	\$293,938
Total Cash to Members (Initial Capital + Profits from Appreciation)	\$2,234,196
Internal Rate of Return (IRR)	15.0%
Average Cash on Cash Return	13%

7. Capital Improvement Plan Breakdown – General Contractor Partnership

Red Knight Properties has toured each property and compiled a detailed renovation budget. The scope of each renovation was designed with an eye toward leveraging the current appealing features and amenities of the properties and bring all the unit interiors up to the renovated standard. The total renovation budget is ~\$300,000.

Red Knight is partnering with their preferred general contractor (minimum, 3 bids) to complete renovations, and will most likely use their same vendors on their existing property in Newton. Red Knight management will be overseeing this daily upon acquisition and will start with exterior improvements, then interior. We will complete improvements to the occupied units on an incremental, non-invasive basis, and undertake the more invasive improvements as leases expire. Each tenant will be notified of the ownership change upon acquisition and receive new one year leases with proposed improvements to their units immediately through our legal counsel. These costs are subject to change and a contingency is included.

Capital Improvement Plan

Line Item	\$ Amount (est.)	Comments	Building
Exterior Improvements	\$ 46,000	Parking Lot Overlay	Stonewood Apartments
Interior Improvements	\$ 160,000	Unit Reno - light kitchen improvements, light bathroom improvements, etc.	Stonewood Apartments
Exterior Improvements	\$ 25,000	Landscaping Improvements (Tree Trim/New Shrubbery, Mulch Beds, etc.)	Stonewood Apartments
Exterior Improvements	\$ 23,000	New Monument Signage + Exterior	Swartswood Apartments
Interior Improvements	\$ 31,750	Unit Reno - light kitchen improvements, light bathroom improvements, etc.	Swartswood Apartments
Contingency	\$ 14,287.50		
Total	\$ 300,038		

5%

8. Property Overview

Conveniently within walking distance (.3-1.8 miles), are many amenities/employment options including:

- Sussex County Community College
- Newton School Districts (Merriam Ave, Halsted Middle, Newton HS)
- St. Joseph's Private PreK-8 School
- Trinity Street Professional District
- Downtown Newton
- County & Town Municipal Offices
- Thorlabs
- SB One Bank
- Home Furniture Warehouse
- Newton Medical Center (Atlantic Health)
- County Courthouse
- The Home Depot
- Walgreens
- Shop Rite
- Applebee's
- McDonalds
- Friendly's
- Sears Outlet
- Kohl's
- Home Goods
- Pet Smart
- Quick Check
- Marshalls
- Hayek's Market
- New Jersey Herald
- Newton Theatre
- Holiday Inn Express
- USPS
-and so much more



9. Market Overview

Newton - Major Employment Regional Corridor

Business Employment By Type	# Businesses			# Employees			# Emp/Bus		
	1 Mile	3 Mile	5 Mile	1 Mile	3 Mile	5 Mile	1 Mile	3 Mile	5 Mile
Total Businesses	735	1,123	1,970	8,857	12,266	18,651	12	11	9
Retail	77	122	217	1,278	2,039	2,566	17	17	12
Wholesale	12	26	72	61	164	524	5	6	7
Hospitality & Food Service	35	56	97	515	720	1,213	15	13	13
Real Estate, Renting, Leasing	18	27	50	81	114	228	5	4	5
Finance & Insurance	39	55	90	231	306	433	6	6	5
Information	13	17	25	259	279	374	20	16	15
Scientific & Technology Services	105	139	225	437	661	1,260	4	5	6
Management of Companies	1	1	2	3	3	6	3	3	3
Health Care & Social Assistance	205	302	439	2,042	2,866	3,661	10	9	8
Education Services	11	21	48	591	838	1,862	54	40	39
Public Administration & Sales	68	83	119	2,113	2,219	2,550	31	27	21
Arts, Entertainment, Recreation	13	21	38	56	234	349	4	11	9
Utilities	2	3	4	11	21	25	6	7	6
Admin Support & Waste Management	13	25	69	42	94	304	3	4	4
Construction	26	56	178	144	255	775	6	5	4
Manufacturing	16	37	73	644	887	1,351	40	24	19
Agriculture, Mining, Fishing	0	9	16	0	30	65	0	3	4
Other Services	81	123	208	349	536	1,105	4	4	5

THORLABS

ThorLabs' second new 160,000 square foot campus bringing over 500 new jobs with a median salary of ~\$65,000 with plans to build a third campus of 400,000sqft (Phase III) with over 3,500 new jobs

As of April, 2019, New Jersey Herald

Thorlabs has received preliminary and final site plan approval from the Planning Board to move forward with building its manufacturing and warehouse complex not far from its current headquarters on Sparta Avenue.

The approval came on a 9-0 vote on Wednesday, the second of two board meetings devoted to the plans for a new 160,000-square-foot building and the renovations of the former Camp Iliff building, which will be used for warehousing and office space.

The meeting focused on what level of noise would be created by the three-story building and what landscaping will be on the lot, which will have its main entrance opposite Woodside Avenue, replacing the current Nova Phase and Newton Pizza buildings.

The entrance roadway will be called Quantum Leap Drive and will be a private road with a second, smaller exit onto Spring Street.

While the Planning Board has given its approval, Thorlabs still needs approvals from the Sussex County Planning Board, since the project fronts on Sparta Avenue, a county highway, and the new stoplight at Woodside/Sparta/Quantum Leap Drive will be owned by the county.

There are also agreements to be reached with the county on the northern end of Sparta Avenue. While there is no entrance in that area, the county's right-of-way adjoins Thorlabs' property and that of Frank Leone, who owns the old railroad warehouses that have been turned into a church and other offices.

9. Market Overview

THORLABS (Continued)

The company's attorney, Peter Donnelly, said there are issues with the sidewalk, a fence and wall in that area, and the two owners have begun talks with the county about who will do what work. Landscape architect John Olivo said the town will allow plantings to be done along Diller Avenue where the "back" of the three-story building will be. He said that permission will allow Thorlabs to put in additional smaller perennials and an additional row of trees to soften the look of the three-story building. But both Olivo and acoustic engineer Norman Dotti said trees don't dampen sound.

In his part of the presentation, Dotti told the board that with a proper soundproof wall and quieter mechanics on the roof, the building will meet state standards for both daytime and nighttime noise levels. The main concern at this point is an emergency generator on the building's north end, adjacent to Spring Street. The generator is meant for emergencies, when state noise standards are not in effect. However, the weekly testing of the generators must meet the state noise standards. Dotti said that a passing car will likely be noisier than the shielded generator, which he said would be about the noise level of two people talking face-to-face.

He said the final choice has not been made as to what heating and air-conditioning equipment will be installed on the roof, but the equipment will be centered and shielded. Another study will be done once the building is constructed to ensure state standards have been met. During the public comment period, Louise Wilson, of Princeton, representing New Jersey Future, said her group supports the Thorlabs project. The organization, founded in 1987, is non-profit and non-partisan and promotes sensible growth, redevelopment and infrastructure investments. She said the group is particularly interested in the stormwater management of the project.

"This is a really good project," she said, and added there may be ways to make it even better, which she said the company has committed to do if the opportunity arises during construction. With a project this large, the Planning Board normally grants preliminary approval with a final approval being done later in the process. Mayor Helen Le Frois, who sits on the board as mayor, argued that Thorlabs has always done what it said it would do and asked that both approvals be granted at this time, something the board has done in the past. Town Engineer David Simmons said the "final" step could be accomplished by the project engineer certifying "as built" plans at the end of the construction phase. Those plans would serve as the final site plans. During the March meeting of the board, site engineer Thomas Graham said that once all government approvals are granted, site work will take six to eight months to prepare the infrastructure, and the building will take about 18 months to complete.



9. Market Overview

Sussex Community College Adds Technical Campus

As of August 2018

Sussex County Community College is adding a secondary campus to provide students interested in career and technical programs such as welding, diesel mechanics, machine tools technology, and automotive services a place to gain hands-on learning experience.

The former McGuire Chevrolet dealership, on Main Street in Newton, will be renamed the McGuire Technical Education Center.

"This expansion project is an important component of our long-term goals," said SCCC President Dr. Jon Connolly. "This new site will allow us to provide opportunities for those looking to get into targeted trade industries that are expected to be hot markets for jobs in the coming years."

New programs in Welding and Diesel Mechanics are expected to move into the building after brief renovations. Currently, automotive programs are offered on the college's main campus, but the move will allow for more students to study these in-demand trades in a space designed just for them.

Plans for the campus also include additional classroom space, and a full renovation of the front of the building for the use of culinary arts students. The college expects the full transition of the building to take 3-5 years and will host about 300 new full-time students.



9. Market Overview

As of April,
2019

NJ Transit PA/NYC Train Line Extension – Andover/Newton

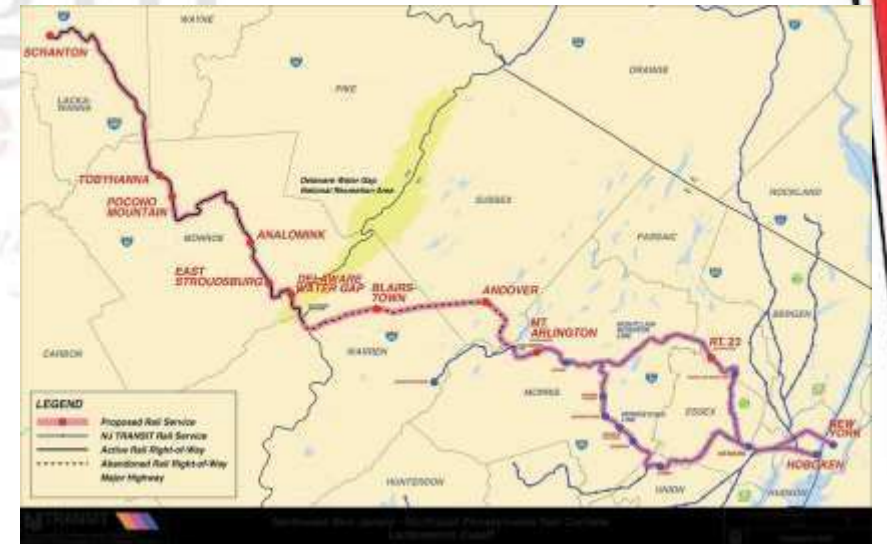
New Jersey Transit bought the cutoff from a private owner for \$21 million in 2001. At the moment, plans call for the train to run 133 miles between Scranton and Hoboken, New Jersey, where another train would carry commuters into New York.

The 2006 study cleared the way for New Jersey Transit to seek the reinstallation of tracks on a 7.3-mile stretch in New Jersey between Port Morris, where its service ends, and Andover at an estimated cost of \$61.6 million.

So far, the agency completed installation of about 4.25 miles of track in three sections, but environmental and right-of-way concerns held up construction of the rest and a new Andover train station the last four years. Malski said New Jersey Transit has finally cleared those hurdles and is about to pursue construction.

"They're getting ready to have contractors go out," Malski said. "There's a tunnel there, it's called Roseville Tunnel. They have to line that. ... And, there's minor environmental issues out at the Andover/Newton station which have been resolved."

In an email, New Jersey Transit spokeswoman Lisa Torbic said the transit agency plans to hire a consultant to evaluate the tunnel's condition again to confirm the work expected in design plans four years ago is still what's necessary. The consultant should finish that work by midsummer, Torbic said. "The Andover/Newton line opening date is anticipated for 2025," she wrote.



9. Market Overview

North Village at Sparta developer set to buy Newton property, add businesses

As of April 12, 2019 – New Jersey Herald

The five-acre corner lot at South Park Drive and Water Street is near to having a new owner who envisions some new-to-the-town businesses as well as a new home for an existing business.

"We are under contract," said Owen Dykstra, a principal in Dykstra Associates, when asked if his firm was buying the lot, which was once home to G&H Services.

He said closing on the property at 121 Water St. (Route 206) has not yet occurred, so he declined to give any further specifics about the purchase. Dykstra said his company has been talking with several "noted" national chains, and a couple of eateries have expressed strong interest in opening a franchise in Newton.

He said the concept for the lot is "multi tenants" and could include one Newton-based business that would move from its current location into the project.

He said nothing has been put before the town's Planning Board and expected it would be 12 to 18 months "before we get anything into the ground."

Dykstra Associates is developing the North Village Sparta project on Route 15 near White Lake Road, which includes single-family, townhouse and apartment residential units as well as a ShopRite store, a Starbucks, other small retail businesses, a new upscale restaurant and an assisted living complex.

According to its website, the firm provides civil engineering, community planning, landscape architecture, environmental and land surveying services and has been in business for more than 30 years.

On the other corners of the intersection are ShopRite, Dunkin' Donuts and Mavis Discount Tire.



9. Market Overview - Town of Newton New Development



*Newton Town Centre
.1 miles (3 mins walking) from subject
Built in 2018 - 64 1&2B Senior Housing Units + Ground-Level Retail*



*134 Spring Street
Proposed New Construction – 40 Apartments (Studio, 1 & 2 BDs) – Proposed
\$1,500 Starting Rents + Utilities
Ground Level Retail – Proposed Sports Bar/Gym
Construction Planned Early 2020*



*Clayton Square Townhomes
2019 – 32 Completed Townhomes, Phase III - Under Construction (Additional
22)
Two & Three Bedrooms, 2.5 BA
For Sale Townhomes*

9. Market Overview - Rent Comps

The average rent currently that the sellers are getting for the 64 units combined is **\$1,128/mo.** (Avg. Studio @ \$950/Mo, 1BR/1BA @ \$1,097/mo, 2BR/1BA @ \$1,243mo)

For our underwriting, we assumed the base case scenario rents as depicted below.

The lowest rental comps for 1BR/1BA units within a 5-mile radius of the area in a class C garden apartment complexes over 50 units is **\$1,230/mo** (Hillside Terrace Apartments, Newton, NJ), **2BR/1BA @ \$1,380/mo** (Hillside Terrace Apartments, Newton, NJ).

The highest rental comps for 1BR/1BA units within a 5-mile radius of the area in a class C garden apartment complexes over 50 units is **\$1,335/mo** (Newtonian Gardens (750sqft), Newton, NJ), **2BR/1BA @ \$1,575/mo** (950sqft).

The average days on the market is less than 30 days.

*** Base Case apartment rents are transposed into the financial analysis**

Downside Apartment Target Rent Analysis (Stonewood)

Type	# Units	Current Rent		Target Rent		Unit SF
		Average	Total	Average (Yr 2 + Post Reno)	Total	
Jr 1 Bedrooms	4	\$ 950.00	\$3,800	\$1,050	\$4,200	490
1 Bedroom	16	\$1,096	\$17,536	\$1,249	\$19,984	762
2 Bedroom	12	\$1,164	\$13,963	\$1,449	\$17,388	906
Total	32	\$1,103	\$35,299	\$1,299	\$41,572	

*** Base Case apartment rents are transposed into the financial analysis**

Downside Apartment Target Rent Analysis (Swartwood)

Type	# Units	Current Rent		Target Rent		Unit SF
		Average	Total	Average (Yr 2 + Post Reno)	Total	
1 Bedroom	24	\$1,098	\$26,360	\$1,249	\$29,976	900
2 Bedroom	8	\$1,323	\$10,580	\$1,449	\$11,592	1000
Total	32	\$1,154	\$36,940	\$1,299	\$41,568	

9. Market Overview- Class B/C Garden Style Rent Comps (50+ Units)



- 1. Newtonian Gardens
- 2. Hillside Terrace
- 3. Brook Bridge Apartments (2019 Sale, Pre-Reno Rent Comps)

9. Market Overview – Rent Comps (Newtonian Gardens)

99% occupied



Expenses Recurring:

Cat Rent-\$25

Dog Rent-\$50

One-Time Fees:

Pet Fee-\$500

Utilities Included

Water, Heat Included



1 Bedroom	1 Bathroom	\$1,335	2B4	705 Sq Ft
1 Bedroom	1 Bathroom	\$1,275	5B3	705 Sq Ft
2 BRs	1 Bathroom	\$1,575	6B1	905 Sq Ft

9. Market Overview – Rent Comps (Hillside Terrace)

99% occupied



Utilities:

Electric: Not Included
Gas: Not Included
Water: Included
Heat: Included
Trash Removal: Included
Sewer: Included

NO PETS ALLOWED



1 Bedroom	1 Bathroom	\$1,230	650 Sq Ft
2 Bedroom	1 Bathroom	\$1,380	800 Sq Ft

9. Market Overview – Rent Comps (Brook Bridge Apartments)

98.5% occupied



Expenses Recurring:

Cat Rent-\$50

Dog Rent-\$50

One Time Fees:

Application Fee-\$50

Cat Fee-\$75


Dog Fee-\$75

Utilities Included

Water, Trash Removal, Sewer Included

1 Bedroom	1 Bathroom	\$1,243	823 Sq Ft	1x1 approx. dimensions
2 BRs	1½ Bathrooms	\$1,403	1,040 Sq Ft	2x1.5 approx. dimensions

9. Market Overview – OTHER NEWTON RENT COMPS - 1BR/1BA

Sussex* Newton town* (2817)		180 SPRING ST*		List Price: \$1,250			
Rent: Multi-Family Client Full 		MLS#: 3506668 Status: Rented Rms: Bdrm: 1 FB: 1 HB: 0 Bldg #: CL: No Pets: No ZIP: 07860-2011* RZIP: BlockId: LotId: Unit #: Floor #:		Section: ZN: GRS: NEWTON MSJR: NEWTON HS: NEWTON Acres: 0.09* LtSz: 00000.089 AC.* SqFt: BSqFt: GSMLS.com: Yes SDA: No FHA55+: No Locat: Freestanding YB/Desc/Ren: / Approximate / 2017 Type: Multi Floor Unit		LP: \$1,250 OLP: \$1,250 RP: \$1,250 LD: 10/04/2018 UCD: ACD: RD: 11/01/2018 ADM: 28 DOM: 28	
Directions: Sparta Avenue to Spring St #180. Remarks: Newly renovated apartment 3rd floor middle apartment . Tenant pays utilities, natural gas & electric. Water invoiced quarterly. Garbage removal included. Parking permit \$50/month to Town of Newton.							
INTERIOR							
Applncs: CODetect Bsmnt: No / FirePl: / Floor: Furnish: Unfurnished			Handicap Modified: No IntFeat: RoomFt: LaundryFac:				
EXTERIOR / GENERAL INFORMATION							
Amnt: ExtFeat: Garage: / See Remarks			LotDesc: Misc: Pool: / Prk/Drv: / See Remarks				
ROOM DIMENSIONS							
LivRm: / Mstr: / : /		DinRm: / Bed2: / : /		Kitch: / Bed3: / : /			
FamRm: /							
LevelB: LevelG: Level1: Level2: Level3: Attic:							
UTILITIES							
Heat: 1 Unit Cool: 1 Unit , Central Air Fuel: Gas-Natural Service: Cable TV Available , Garbage Included			Sewer: Public Sewer, Sewer Charge Extra Utilities: Electric, Gas In Street Water: Public Water, Water Charge Extra WtrHt:				
LEASE INFORMATION							
Avail: Immediately LsReq: 1.5 Month Security, 1 Month Advance, Credit - Rpt, IncomeVerification, TenantApplication TenUse: LseType: 1 Year LseInc: Building Insurance , Maintenance-Building , Maintenance-Common Area , Trash Removal TenPay: Cable T.V., Electric, Gas, Heat, Sewer, Water OwnPay: Maintenance-Common Area, Maintenance-Lawn, No Utilities, Trash Removal		Easement: No/ Fee: \$ / Posses: lease date T/L Com: Landlord Pays Commission		FarmAsm: No LseXD:			

9. Market Overview – OTHER NEWTON RENT COMPS - 2BR/1BA

Sussex* Newton Town* (2817)

30 NEW HAMPSHIRE ST*

List Price: \$1,500

Rent: Res/SF/Condo/Coop Client Full



ML S#: 3553054
 Status: Rented
 Rms: 6
 Bdrm: 2
 FB: 2
 HB: 0
 Bldg #: /
 CL: No
 Pets: Call
 ZIP: 07860-2211*
 RZIP: 07860
 BlockId: /
 LotId: /
 Unit #: /
 Floor #: /

Section: /
 ZN: Residential
 GRS: MERRIAM AV
 MSJR: HALSTED ST
 HS: NEWTON
 Acres: 0.17*
 Ltsz: 00000.172 AC.*
 SqFt: /
 BSqFt: /
 GSML S.com: Yes
 SDA: No
 FHA55+: No
 Locat: Residential Area
 YB/Desc/Ren: / Approximate /
 Type: 2 Stories

LP: \$1,500
 OLP: \$1,500
 RP: \$1,500
 LD: 05/01/2019
 UCD: /
 ACD: /
 RD: 05/31/2019
 ADM: 32
 DOM: 30

Directions: Newton-Sparta Road (616), Right on Diller Avenue, Right on New Hampshire to # 30

Remarks: Spacious Front Porch Twp Story Colonial, 2 Bedroom, 2 Full Baths, Formal Living Room and Dining Room, Pantry in Kitchen, Washer & Dryer Hook-Up, 2nd Floor Has Office or Den that could be a Nursery, Plus Two Other Nice Size Bedrooms, Non Smokers Only.

INTERIOR

Applncs: CODetect
 Bsmnt: Yes / Unfinished
 FirePl: /
 Floor: Carpeting, Tile
 Furnish: Unfurnished

Handicap Modified: No
 IntFeat: CODetect, FireExtg, Smoke Detector
 RoomFt: Center Island, Eat-In Kitchen, Formal Dining Room, Pantry, Tub Shower
 LaundryFac: /

EXTERIOR / GENERAL INFORMATION

Amnt: /
 ExtFeat: Open Porch(es)
 Garage: 0 / None

LotDesc: Level Lot
 Misc: /
 Pool: /
 Prk/Drv: 4 / 1 Car Width

ROOM DIMENSIONS

LivRm: 12x14 / First
 Mstr: 11x13 / Second
 Office: 07x09/Second

DinRm: 09x13 / First
 Bed2: 11x10 / Second
 : /

Kitch: 12x14 / First
 Bed3: /
 : /

FamRm: /

LevelB: Storage Room
 LevelG: /
 Level1: Bath(s) Other, Dining Room, Kitchen, Laundry Room, Living Room, Pantry
 Level2: /
 Level3: 2 Bedrooms, Bath Main, Office
 Attic: /

UTILITIES

Heat: 1 Unit, Forced Hot Air
 Cool: NoCooling
 Fuel: OilTankAboveGround-Inside
 Service: Cable TV Available , Garbage Extra Charge

Sewer: Public Sewer
 Utilities: Electric
 Water: Public Water
 WtrHt: Electric

LEASE INFORMATION

Avail: Immediately
 Easement: Unknown/
 LsReq: 1.5 Month Security, Credit - Rpt, IncomeVerification, Tenants Insurance Required
 TenUse: Basement, Laundry Facilities
 LseType: 2 Years, 3-5 Years, 5 Or More Years, Negotiable
 Lselnc: Taxes
 TenPay: Cable T.V., Electric, Heat, Maintenance-Lawn, Oil, Sewer, Snow Removal, Trash Removal
 OwnPay: No Utilities

Fee: \$ /
 Posses: TBD
 T/L Com: Tenant Pays Commission

FarmAsm: No

LseXD: /

9. Market Overview – OTHER NEWTON RENT COMPS - 3BR

Sussex* Newton Town* (2817)

132 SPARTA AVE*

List Price: \$1,675

Rent: Res/SF/Condo/Coop Client Full



MLS#: 3514072
 Status: Rented
 Rms: 3
 Bdrm: 3
 FB: 2
 HB:
 Bldg #:
 CL: No
 Pets: Call
 ZIP: 07860-2615*
 RZIP:
 BlockId:
 LotId:
 Unit #:
 Floor #:

Section:
 ZN:
 GRS:
 MSJR:
 HS:
 Acres: 0.23*
 Ltsz: 00000 225 AC.*
 SqFt:
 BSqFt:
 GSMLS.com: Yes
 SDA:
 FHA55+: No
 Locat: Residential Area
 YB/Desc/Ren: / Approximate / 2017
 Type: 2 Stories

LP: \$1,675
 OLP: \$1,675
 RP: \$1,775
 LD: 11/06/2018
 UCD:
 ACD: 12/07/2018
 RD: 12/14/2018
 ADM: 42
 DOM: 38

Directions: From Newton, Sparta Ave past Quick Check to #132 on right

Remarks: This is the house on front of property. Move in ready and tastefully renovated with phenomenal updates! This unit features 3 bedrooms and 2.5 baths. Convenient location in close proximity to major roads, shopping, schools and more. Schedule an appointment today and move right in! Tenant responsible for Tenant Insurance, town water, town sewer and trash removal.

INTERIOR

Applncs: Dishwasher, Microwave Oven, Refrigerator, Range/Oven-Electric, Smoke Detector
 Bsmnt: /
 FirePl: /
 Floor:
 Furnish: Unfurnished

Handicap Modified:
 IntFeat: CODetect
 RoomFt:
 LaundryFac:

EXTERIOR / GENERAL INFORMATION

Amnt:
 ExtFeat: Open Porch(es)
 Garage: / Carport-Detached

LotDesc: Backs to Park Land
 Misc:
 Pool: /
 Prk/Drv: / 1 Car Width, Blacktop

ROOM DIMENSIONS

LivRm: 15x15 / First
 Mstr: 16x13 / Second
 Laundry Room: 8x5/
 LevelB:
 LevelG:
 Level1: Bath(s) Other, Dining Room, Foyer, Kitchen, Laundry Room, Living Room
 Level2: 3 Bedrooms, Bath Main, Bath(s) Other
 Level3:
 Attic:

DinRm: 12x11 / First
 Bed2: 13x9 / Second
 : /

Kitch: 15x11 / First
 Bed3: 10x9 / Second
 : /

FamRm: /

UTILITIES

Heat: 1 Unit
 Cool: Ceiling Fan
 Fuel: OilTankAboveGround-Inside
 Service:

Sewer: Public Sewer
 Utilities:
 Water: Public Water
 WtrHt: Oil

LEASE INFORMATION

Avail: See Remarks
 LsReq: 1.5 Month Security, 1 Month Advance, Credit - Rpt, IncomeVerification, See Remarks
 TenUse:
 LseType: See Remarks
 LseInc: Taxes
 TenPay: Cable T.V., Electric, Gas, Heat, Hot Water, Maintenance-Lawn, Oil, Snow Removal
 OwnPay: No Utilities

Easement: Unknown/

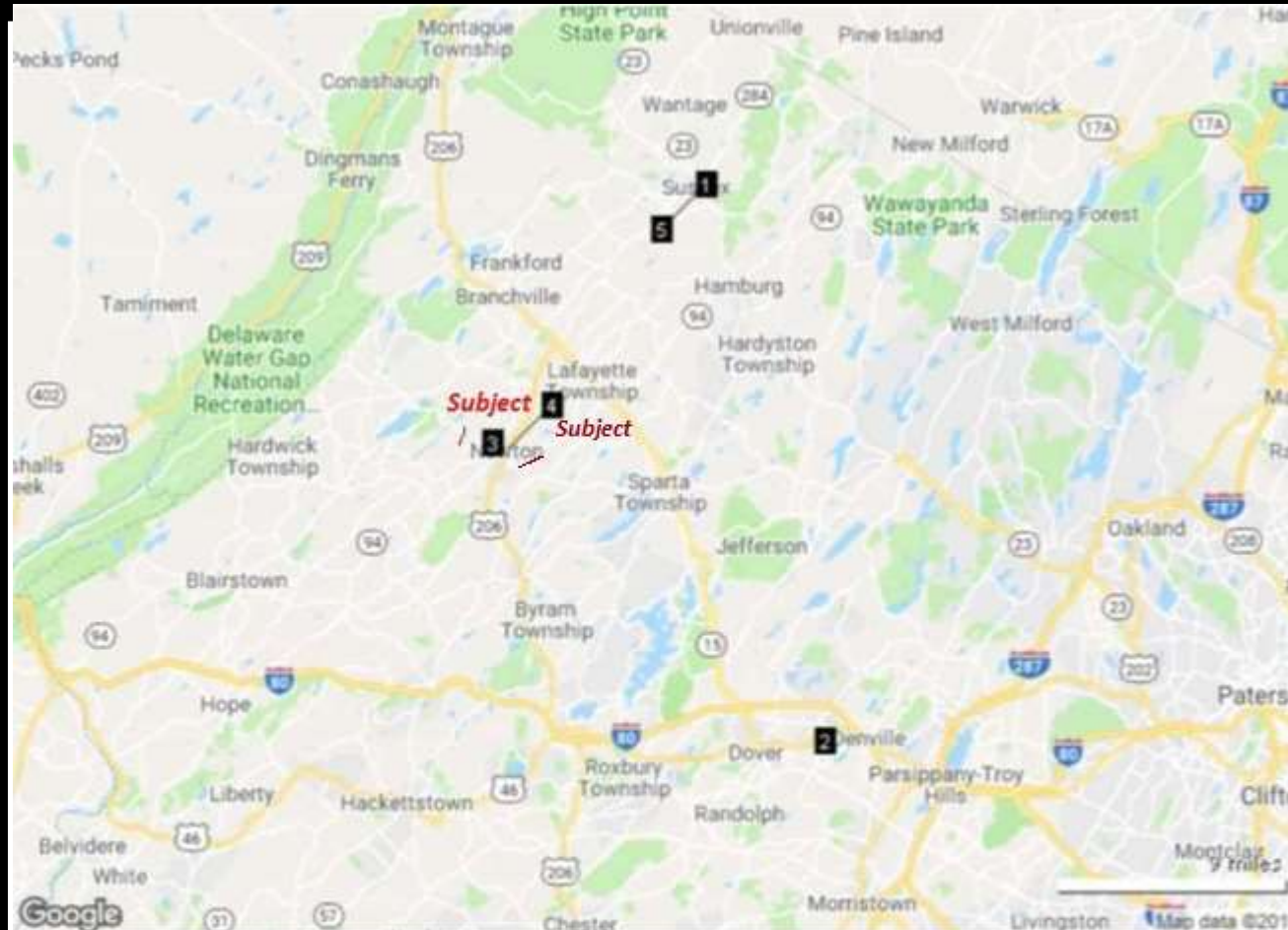
Fee: \$ /

FarmAsm:

LseXD:
















Posses: 12/01/18
 T/L Com: Tenant Pays Commission

9. Market Overview- Sales Comps



	Address	City	Property Info	Sale Info
1	4 Center St (Part of Multi-Property Sale)	Sussex	125,000 SF Multi-Family/Apartments	Sold: \$16,318,150 (\$123,622/Unit)
2	330 Franklin Ave	Rockaway	40,764 SF Multi-Family/Apartments	Sold: \$7,775,000 (\$158,673/Unit)
3	100 Swartswood Rd	Newton	170,000 SF Multi-Family/Apartments	Sold: \$17,900,000 (\$106,548/Unit)
4	1 Trinity St	Newton	61,000 SF Multi-Family/Apartments	Sold: \$8,800,000 (\$195,556/Unit)
5	1-9 Wilson Rd	Sussex	72,928 SF Multi-Family/Apartments	Sold: \$9,500,000 (\$139,750/Unit)

9. Market Overview- Sales Comps

1	1 Trinity St - Aberlour at Newton	SOLD																																				
<table border="0"> <tr> <td colspan="2">Newton, NJ 07860</td> <td>Sussex County</td> <td></td> </tr> <tr> <td>Sale Date: 07/13/2016 (495 days on mkt)</td> <td>Bldg Type: Class B Multi-Family Apartments</td> <td></td> <td></td> </tr> <tr> <td>Sale Price: \$8,800,000 - Confirmed</td> <td>Year Built/Age: Built 2007 Age: 9</td> <td></td> <td></td> </tr> <tr> <td>Price/SF: \$144.26</td> <td>RBA: 61,000 SF</td> <td></td> <td></td> </tr> <tr> <td>Price/Unit: \$195,556</td> <td># of Units: 45</td> <td></td> <td></td> </tr> <tr> <td>Pro Forma Cap - 5%</td> <td>Parcel No: 15-00009-01-00015-0000-C102, 15-00009-01-00015-0000-C103 [Partial List]</td> <td></td> <td></td> </tr> <tr> <td>Actual Cap Rate: -</td> <td>GRM/GIM: -</td> <td></td> <td></td> </tr> <tr> <td>Comp ID: 3652533</td> <td>Sale Conditions: -</td> <td></td> <td></td> </tr> <tr> <td>Research Status: Confirmed</td> <td></td> <td></td> <td></td> </tr> </table>			Newton, NJ 07860		Sussex County		Sale Date: 07/13/2016 (495 days on mkt)	Bldg Type: Class B Multi-Family Apartments			Sale Price: \$8,800,000 - Confirmed	Year Built/Age: Built 2007 Age: 9			Price/SF: \$144.26	RBA: 61,000 SF			Price/Unit: \$195,556	# of Units: 45			Pro Forma Cap - 5%	Parcel No: 15-00009-01-00015-0000-C102, 15-00009-01-00015-0000-C103 [Partial List]			Actual Cap Rate: -	GRM/GIM: -			Comp ID: 3652533	Sale Conditions: -			Research Status: Confirmed			
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2	330 Franklin Ave - Laurel Manor Apartments	SOLD																																				
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3	4 Center St - Alpine Village (Part of Multi-Property)	SOLD																																				
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4	1-9 Wilson Rd - Wilson Manor	SOLD																																				
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5	100 Swartswood Rd - Brook Bridge Apartments Brook Bridge Apartme	SOLD																																				
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The highest sale comp for mid-sized multi-family asset in was 45 residential condominiums that comprises Aberlour at Newton at 1 Trinity Street, only .4 miles from the Swartswood Apartments parcel and . The Aberlour sold for \$8,800,000, or \$195,556 per unit. The property was fully leased at the time of the closing. The building had been constructed in 2007 with the intention of selling each unit as a condominium.

However, after three years of condo vacancy, the units sold in a portfolio sale to the sellers in this transaction. Since 2010, the building has stabilized as apartment rentals with occupancy rates in fluctuating in the very high-nineties. The transaction was reported to complete at a capitalization rate in the low 5% range.

Besides the Aberlour sale comp in Newton, the closest garden-style apartments sales comp was Wilson Manor in the inferior location of Sussex Borough, NJ (pop: 2,130, 2019), on 11/28/2018, which comprises 68-units that sold for \$139,750/unit or a 5% capitalization rate with limited rental upside based on market knowledge.

9. Market Overview - Northern New Jersey

Overview

Northern New Jersey Multi-Family

12 Mo. Delivered Units

1,911

12 Mo. Absorption Units

2,020

Vacancy Rate

3.5%

12 Mo. Asking Rent Growth

2.0%

Multifamily fundamentals are strong in the Northern New Jersey Metro. In the early years of the recovery, occupancies were aided by a light construction scene. But as construction has ramped up in recent years, the metro has proven itself capable of attracting a depth of apartment demand. Construction has centered around transportation hubs, with access to New York City becoming ever more important as the region's traditional economic drivers continue to falter.

Pharmaceutical consolidations have gutted the employment base and total employment is still below its prerecession levels. Young New Jerseyans often look outside the metro for better job opportunities. Job growth

has fared much better in the neighboring New York Metro and buoyed the region's apartment demand.

Despite lukewarm economic drivers, apartment absorption has fared well by its historical standards. Demand has consistently exceeded supply additions throughout this cycle, and vacancies were near a post-recession low in 19Q2. Rent growth has been mixed, surpassing the historical average in every year since 2013, yet also ranking in the bottom third nationally. Annual sales volume averaged close to \$1 billion from 2015-17, but declined last year. About \$100 million traded in 19Q1, which was the metro's lowest first quarter sales volume since 2015.

KEY INDICATORS

Current Quarter	Units	Vacancy Rate	Asking Rent	Effective Rent	Absorption Units	Delivered Units	Under Constr Units
4 & 5 Star	17,594	6.5%	\$2,328	\$2,312	695	636	8,185
3 Star	41,933	3.1%	\$1,637	\$1,627	101	113	1,421
1 & 2 Star	70,718	2.9%	\$1,238	\$1,235	7	0	24
Market	130,245	3.5%	\$1,586	\$1,577	803	749	9,630
Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	-0.1%	5.1%	4.8%	6.5%	2004 Q4	3.5%	2019 Q2
Absorption Units	2,020	1,171	2,917	2,929	2016 Q1	(479)	2003 Q3
Delivered Units	1,911	1,119	3,631	2,606	2018 Q1	9	2007 Q3
Demolished Units	12	19	10	103	2009 Q3	0	2018 Q2
Asking Rent Growth (YOY)	2.0%	1.7%	0.8%	6.8%	2001 Q1	-4.9%	2010 Q2
Effective Rent Growth (YOY)	2.6%	1.7%	0.9%	6.6%	2001 Q1	-5.0%	2010 Q2
Sales Volume	\$505 M	\$454.9M	N/A	\$1.6B	2016 Q3	\$90.5M	2009 Q4

9. Market Overview – Sussex County Submarket

Stonewood & Swartwood Apartments are located in the Sussex County (borders Western Morris) submarket of Northern New Jersey, which has been a our core submarket in Northern New Jersey of focus given it's recent push for more transit-oriented development, proximity to major highways, major employment hubs and public transportation to New York City.

Overview

Sussex County Multi-Family

12 Mo. Delivered Units

0

12 Mo. Absorption Units

15

Vacancy Rate

2.4%

12 Mo. Asking Rent Growth

3.8%

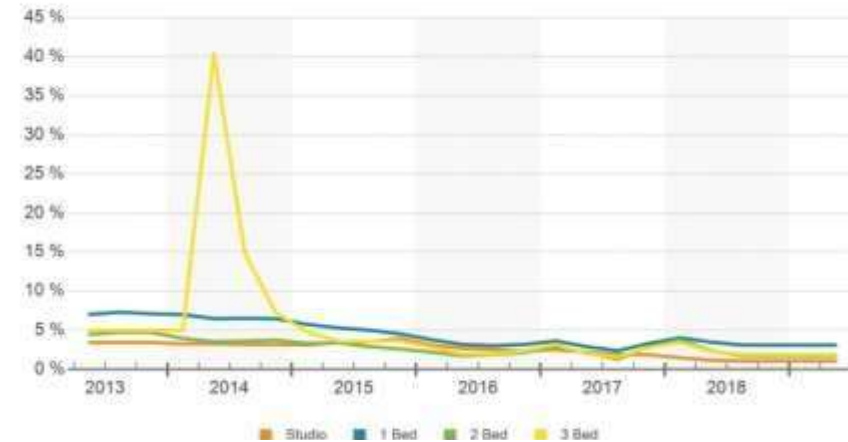
KEY INDICATORS

Current Quarter	Units	Vacancy Rate	Asking Rent	Effective Rent	Absorption Units
4 & 5 Star	79	0.5%	\$1,425	\$1,421	0
3 Star	646	1.9%	\$1,225	\$1,221	0
1 & 2 Star	805	3.0%	\$1,118	\$1,117	0
Submarket	1,530	2.4%	\$1,181	\$1,179	0

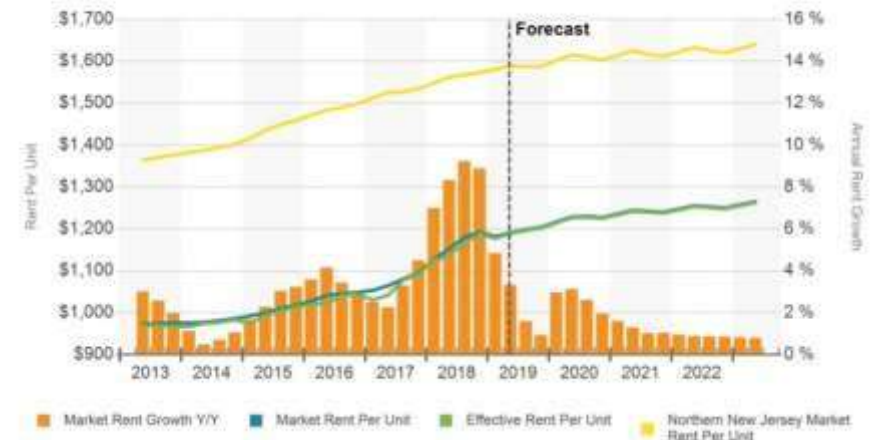
Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When
Vacancy Change (YOY)	-0.9%	6.0%	3.8%	8.0%	2004 Q3
Absorption Units	15	7	29	31	2015 Q1
Delivered Units	0	3	35	20	2018 Q4
Demolished Units	0	0	0	0	2019 Q1
Asking Rent Growth (YOY)	3.8%	2.0%	1.4%	9.2%	2018 Q3
Effective Rent Growth (YOY)	4.4%	2.0%	1.6%	9.1%	2018 Q2
Sales Volume	\$46.3 M	\$4.1M	N/A	\$46.3M	2019 Q1

Sussex County Multi-Family

VACANCY BY BEDROOM



MARKET RENT PER UNIT & RENT GROWTH



Anthony Scandariato. Managing Member

Prior to forming Red Knight Properties, Anthony Scandariato who graduated from Cornell University with a Bachelor's degree in Applied Economics and Management, was a Co-Founder in Ridgeview Partners. He specialized in the retail space with a vertical model that provided flexibility to serve multiple customer segments with similar product lines through retail, wholesale, and production contracting channels. He acquired and developed growth of 110+ retailers within first-year operations.

He later moved on to an Acquisitions & Asset Manager Vice President for Vision Properties, where he was directly involved and responsible for sourcing, negotiation, and managing the acquisition of \$500+MM of Class A office asset before co-forming Red Knight Properties.

Brian Leonard. Managing Member

Brian Leonard graduated from Rutgers University with a bachelors degree from the School of Management and Labor Relations. He also played football for the Scarlet Knights, where he managed to win two national football awards in 2006. The ARA Sportsmanship Award and the William V. Campbell Trophy. The Campbell trophy is awarded by the National Football Foundation to the American college football player with the best combination of academics, community service, and on-field performance. It's considered by many to be the "AcademicHeisman".

He was later drafted by the St. Louis Rams in the second round and went on to play 8 years in the NFL. Football has been a great catalyst into the real estate world for Brian. It has taught him countless lessons including leadership, work ethic, organization, flexibility, and passion to carry over into commercial real estate investing.



Red Knight Properties Case Study: The Centennial Building, Chester NJ (Managed & Owned by Red Knight Properties)



Before



After

1. Acquired 10,000sqft mixed-use building in the most visible and foot-trafficked area of affluent downtown Chester, NJ from long-term private ownership and motivated seller
2. Purchase Price: \$1,285,000, Capital Improvements: \$25,000. All-In-Cost: \$1,310,000
3. Restructured short-term retail leases to long-term upon acquisition
4. Successfully raised apartment rent average from by ~61.4% with minimal capital improvements (<\$20K) within 3 months upon acquisition and minimal turnover/vacancy
5. Leased vacant storefront unit within two (2) weeks upon acquisition. * Lease-up of this unit was not included in initial analysis *
6. Created an on-site laundry room to enhance amenity base while also adding an additional income stream
7. Increased in-place net operating income upon purchase from ~\$95,000 (~7.5% cap) to ~\$155,000 (~12% cap) within a 6-month investment period.
8. Achieved cash-out refinance with new appraised value of \$2,110,000 within a year post acquisition; returning over 140% of initial investor equity contributions

Additional Photos – Swartwood



where preparation meets opportunity

Additional Photos – Swartswood



Additional Photos - Swartswood



Additional Photos - Stonewood



where preparation meets opportunity

Additional Photos - Stonewood



Additional Photos
-Swartswood
Renovated



...preparation meets opportunity

Additional Photos
- Stonewood &
Swartswood
Unrenovated



6. Appendix

Real Estate Terms & Definitions

Accredited Investor - A person who meets the individual net worth requirements and/or income requirements set forth by the SEC, and has knowledge and/or experience in financing and business matters and are capable of evaluating the merits and risks of the prospective investments.

Capitalization Rate (Cap Rate) - A rate of return on a real estate investment property based on the expected income that the property will generate. Capitalization rate is used to estimate the investor's potential return on his or her investment. This is done by dividing the income the property will generate (after fixed costs and variable costs) by the total value of the property.

- When acquiring income property, the higher the capitalization rate ("Cap Rate") the better;
- When selling income property, the lower the Cap Rate the better.
- A higher cap rate implies a lower price, a lower cap rate implies a higher price.

Cash Flow – Cash generated from the operations of a company, generally defined as revenues less all operating expenses.

Cash on Cash - A rate of return often used in real estate transactions. The calculation determines the cash income on the cash invested.

Calculated:

Cash on Annual Dollar
Cash Income / Total
Return = Dollar Investment

Debt Service Coverage Ratio (DSCR) - it is the multiples of cash flow available to meet annual interest and principal payments on debt . This ratio should ideally be over 1. That would mean the property is generating enough income to pay its debt obligations.

Internal Rate of Return (IRR) - The rate of return that would make the present value of future cash flows plus the final market value of an investment opportunity equal the current market price of the investment or opportunity. The higher a project's internal rate of return, the more desirable it is to undertake the project.

Return on Equity (ROE) - The amount of net income returned as a percentage of shareholders equity. ROE is expressed as a percentage and calculated as:
Return on Equity = Net Income/Shareholder's Equity

Sophisticated Investor - A person that does not meet accredited investor requirements however has knowledge and experience in financing and business matters and is capable of evaluating the merits and risks of the prospective investments.



Red Knight
Properties
where preparation meets opportunity

Stonewood & Swartswood Apartments



~ Historic Newton, NJ ~
Value-Add Off-Market Urban Multi-Family
Portfolio
64 Apartment Units – Two Properties
(Studio, 1 & 2 BR)

Confidential Investment Summary

Red Knight Properties

redknightproperties.com

Swartswood
Garden
Apartments
971-574-9698