



Red Knight
Properties

where preparation meets opportunity

Townsquare Gardens Apartments

~ Historic Newton, NJ ~

Value-Add Off-Market Urban Multi-Family
Assemblage

51 Apartment Units (Studio, 1, 2 & 3 BR)+ 29
Garages

Confidential Investment Summary

Red Knight Properties

redknightproperties.com



Important Notices and Disclosures

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A LIMITED LIABILITY COMPANY SHALL BE FORMED TO ACQUIRE THE PROPERTIES DESCRIBED IN THIS MEMORANDUM (THE “HOLDING COMPANY”). RED KNIGHT REAL ESTATE PARTNERS, LLC SHALL OWN A MAJORITY OF THE MEMBERSHIP INTERESTS IN THE HOLDING COMPANY, IN WHICH INTERESTS ARE BEING OFFERED TO POTENTIAL INVESTORS HEREBY AND THROUGH WHICH INVESTORS WILL HOLD INTERESTS IN THE PROPERTIES. ALL INVESTORS SHOULD READ THE OPERATING AGREEMENT OF THE HOLDING COMPANY. (COLLECTIVELY, THE “GOVERNING AGREEMENTS”) IN THEIR ENTIRETY, TOGETHER WITH THIS MEMORANDUM, BEFORE ACQUIRING AN INTEREST IN THE PROPERTY THROUGH THE REAL ESTATE INVESTMENT VEHICLE.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE REAL ESTATE INVESTMENT, THE HOLDING COMPANY, THE GOVERNING DOCUMENTS, THE PROPERTY AND THE TERMS OF THE OFFERING, INCLUDING AN EXAMINATION OF THE MERITS AND RISKS INVOLVED. SEE ALSO “RISK FACTORS” CONTAINED HEREIN.

THIS MEMORANDUM HAS NOT BEEN FILED WITH OR REVIEWED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE “SEC”). THE INTERESTS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”). THESE INTERESTS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED IN ANY WAY THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION OR WARRANTY TO THE CONTRARY IS A CRIMINAL OFFENSE. EACH PROSPECTIVE INVESTOR SHOULD PROCEED UNDER THE ASSUMPTION THAT IT MUST BEAR THE ECONOMIC RISK OF INVESTMENT IN THE INTERESTS FOR AN INDEFINITE PERIOD. SINCE THE INTERESTS DISCUSSED HEREIN MAY NOT BE RESOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, EACH INVESTOR WILL BE REQUIRED TO REPRESENT AND WARRANT THAT SUCH INVESTOR IS PURCHASING THE INTERESTS FOR ITS OWN ACCOUNT AND NOT WITH A VIEW TOWARD ANY DISTRIBUTION OF SUCH PURCHASED INTERESTS IN VIOLATION OF THE SECURITIES ACT.

THE INTERESTS ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED (I) UNDER THE SECURITIES ACT AND THE APPLICABLE STATE SECURITIES LAWS, (II) PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM OR (III) OTHERWISE PURSUANT TO THE GOVERNING AGREEMENTS. INVESTORS SHOULD BE AWARE THAT THEY ARE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

THE STATEMENTS, ESTIMATES AND ASSUMPTIONS AS TO FUTURE OPERATIONS, REVENUE AND NET INCOME OF THE PROPERTY ARE BASED ON THE BEST ESTIMATES OF RED KNIGHT, WHICH IS AVAILABLE TO PROVIDE ANY ADDITIONAL INFORMATION WHICH PROSPECTIVE PURCHASERS OR THEIR REPRESENTATIVES MAY REASONABLY REQUIRE AS TO THE PROPERTY, THE INTERESTS OR THE AFFAIRS OF THE REAL ESTATE INVESTMENT. CERTAIN PROJECTIONS OF OPERATIONS WITHIN THIS MEMORANDUM WERE PREPARED BY RED KNIGHT. THE PROJECTIONS WERE NOT PREPARED

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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.

PURCHASE OF AN INTEREST SHOULD BE CONSIDERED A HIGHLY SPECULATIVE INVESTMENT. INVESTMENT IN THE REAL ESTATE INVESTMENT VEHICLE IS DESIGNED ONLY FOR SOPHISTICATED PERSONS WHO ARE ABLE TO BEAR A COMPLETE LOSS OF THEIR CAPITAL CONTRIBUTIONS, INCLUDING ANY ADDITIONAL CAPITAL CONTRIBUTIONS, IN THE REAL ESTATE INVESTMENT.

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 65 apartment & retail units under management/ownership in Northern New Jersey across six different assets, in Morris & Sussex counties. Red Knight Properties also owns and manages in Orange County, New York.



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1. Executive Summary

Red Knight Properties has identified 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 Townsquare Gardens 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 and significant in-place rental upside.

The Portfolio consists of a combined 51-unit diversified 100% occupied (subject to DD) Class C apartment portfolio comprised of three separate parcels from two different ownership groups (43 Units + 11 Garages, 8 units + 18 Garages), contiguous to each other and consists of a larger apartment offering of ~750-1,300sqft.

The 43-unit parcel on 64 Mill Street consists of fully rented 3 two story, brick, garden-style buildings, 1 two story, stucco, garden-style building and 2 framed 2 story properties. The unit mix for the complex consists of 19 1BD/1BA, 18 2BD/1BA, 4 3BD/1BA and 2 commercial units (unoccupied, conversion to apartment(s) opportunity), plus 11 separately rented garages. Landlord is responsible for the heat in the three-bedroom units. Red Knight is seeking to pass the heat expense along to the tenants moving forward. Approximately half of the apartments have been renovated upon recent turnover; however, the exterior is dated, and the current landlord has not raised rent significantly in years.

The 8-unit parcel on 10-16 Hillside Terrace consists of 5 buildings and 18 fully rented garages. Majority of these apartments have been renovated upon turnover recently; however, the exterior is dated. The current landlord has not raised rents significantly in years and is too close with her tenants. Tenants are responsible for all utilities excluding water and sewer.

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, Sussex Technology School (300+ FT Students), NJ Transit Line extension, and many more expansion plans for the town. 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.

Townsquare Gardens Apartments is the only walkable larger-scale (over 25 unit) market rate Class C apartment complex walkable within .25 miles 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), 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.

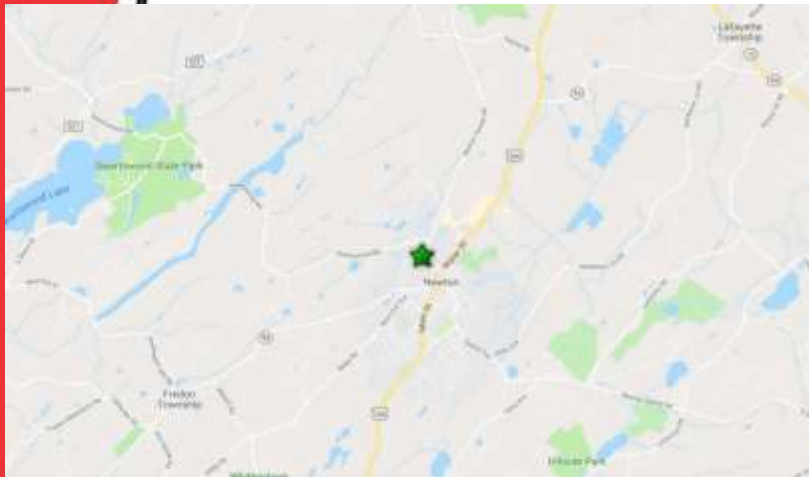
Each parcel has been self-managed and mis-managed for over 10-25 years during the seller's period of ownership. No significant cosmetic capital has been invested into the portfolio during the seller's period of ownership and therefore rents lag market levels. As a result, all of the properties will benefit tremendously from the significant planned capital investments and from professional management by Red Knight Properties.

2. The Transaction

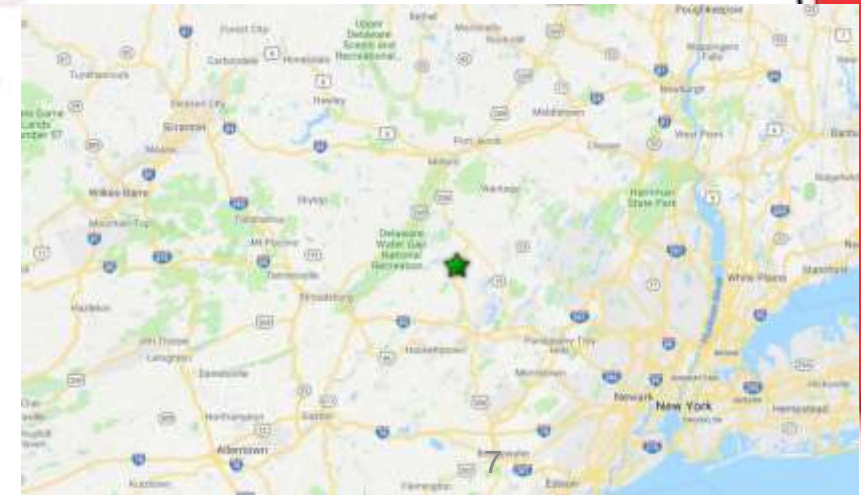
Townsquare Garden Apartments is under contract from two unaffiliated Sellers to Red Knight Properties for a purchase price of \$5,505,000 (\$107,941/unit), which equates to a 6.2% (6.52% @ 100% Quoted Occupancy) capitalization rate with an in-place net operating income Red Knight projects of \$341,312 (**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 \$324,975 (~\$6,372/unit – subject to best general contractor's quote), in the aggregate to upgrade the properties. Each property's renovation budget is tailored to its needs. Planned upgrades include, as appropriate, unit interiors, building exteriors, amenities and landscaping, as well as deferred maintenance. As the benefits of physical improvements, refreshed marketing and management by Red Knight take effect, the properties should command higher rents (current avg: ~\$1,056) than those currently achieved and enhanced the complex's reputation.

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 \$483,396, representing an ~8.3% stabilized yield-to-cost (year two (2) net operating income/initial purchase price + capital expenditures) on the all-in cost of \$5,829,975 million (\$114,313/unit). The latest and lowest sale comp per unit in Newton, (Brook Bridge Apartments sold for \$106,548/unit at a 4.5% going-in capitalization rate on in-place net operating income in 2019, which ownership has proposed further extension renovations and as a result substantially increased rents. Townsquare Gardens is a far superior location due to walkability to town/employment, offering of three bedroom + standalone units, as well as providing the amenities of garages for more than half of the tenant base. 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 total transaction cost, 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	\$5,505,000
Capital Improvement Budget*	\$324,975 (est.)
Closing Costs & Operating Capital	\$393,091
Total Capitalization	\$6,223,066
Units	51 (43, 8)
Year Built	1941,1949 (43, 8)
Current Occupancy (Subject to DD)	100%**



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 6.52% (subject to due diligence) at 100% occupancy, (6.2% on Red Knight's NOI) and projected conservative stabilized capitalization rate of ~7.6% 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 On Both Apartments & Garages:** Rents are close to 25% below market on the apartments. 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.
- ❖ **Unrivaled Amenity – Garages:** On premise garages will be an incentive for needy tenants to choose us over the competition. This is an unmatched amenity for a Class B/C apartment complex and the economics of scale between the two parcels creates a monopoly. The rents on the garages are also below market (43 Mill Is Getting ~\$50/month each). The existing garages at the 8-unit parcel (10-16 Hillside) are being rented from \$125-150/month currently. Projections assume \$150/month in year two per garage.
- ❖ **Additional & unrivaled amenity base:** To compete with comps, adding bike racks, outdoor furniture, dog park, new landscaping, etc. will increase the desirability to live at Townsquare Gardens.
- ❖ **Operational Upside:** There is currently no professional management company in-place for the entire complex, which creates a huge operational upside.
- ❖ **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.
- ❖ **Build-Out of Studio Apartment:** Existing unused space on the 10-16 Hillside Terrace (8 Unit) property with plumbing and electric already in place. We will build this space out subject to towns approval after conducting a cost to benefit ratio.
- ❖ **Conversion of the Two Retail Stores to Apartments:** Subject to towns approval, Red Knight will convert the two empty retail units into apartment(s) after conducting a cost to benefit ratio. This income was not factored into the projections, but we did factor the conversion cost into out renovation budget making this project upside only.
- ❖ **Only Class C apartment complex with three-bedroom units:** There is no other option for families who want to live in an apartment complex in need of three bedrooms in Newton and even stand-alone housing units on the 8-unit 10-16 Hillside Terrace property.
- ❖ **Pet Fee Upside:** Other competing properties are charging pet fees per pet. For example, at Newtontian Gardens, select dogs and cats are allowed with a Non- Refundable Pet Fee of \$500 for 1 pet and \$750 for 2 pets. (30lb weight limit and 2 pet limit) Also, they charge a monthly pet rent of \$25-\$50. This additional upside was not modeled in our projections.
- ❖ **Laundry Upside:** Laundry facility at 64 Mill Street is currently not open to 8-unit 10-16 Hillside Terrace parcel.

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 \$1,200,000-1,400,000. 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 through an Avison Young partnership to secure an interest-only loan upon acquisition with a 80-85% LTC (loan-to-cost – purchase price + CapEx). Terms and timing of refinance may be subject to change based on market conditions.

Following post capital improvements and our repositioning/re-tenanting plan, Red Knight Properties will be partnering with their preferred agency lender to secure a permanent, Fannie/Freddie long-term financing structure with an 80% LTV (Loan-To Value). At a conservative ~7% cap stabilized capitalization rate (comps are 4.5%-5.5% cap's) in year two (2) of the investment, investors can expect to receive at least 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. Investors have the option of getting cashed out of their investment between year 4 and 5 if it is still held. 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	~1.62x
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

	1	2	3	4	5	6	7	8	9	10	Return \$	Return %
Beginning Member Capital Account Balance	\$100,000	\$100,000	\$50,363	\$50,363	\$50,363							
% of Overall Membership Ownership for \$ Invested	7.3%	7.3%	7.3%	7.3%	7.3%							
Member Cashflow	\$445	\$12,464	\$8,582	\$8,320	\$9,003						\$38,813	
Cash on Cash Return	0.44%	12.5%	17.04%	16.52%	18%							
Average Cash on Cash Return to Date	0.44%	6.5%	9.98%	11.62%	12.87%							
Net Proceeds/Profits from Refinance or Sale		\$0			\$23,111						\$23,111	
Average Annual Return to Date	0.44%	6.5%	14.2%	15%	25%							
Return of Member Capital		\$49,637			\$50,363							
Ending Member Capital Account Balance	\$100,000	\$50,363	\$50,363	\$50,363	\$0							
Total Return on Investment	\$445	\$12,464	\$8,582	\$8,320	\$32,114						\$61,924	62%
Average Annual Return												15.0%
IRR												15.0%
Average Cash on Cash Return												13%

5. Financial Overview – P&L

Even though Townsquare Gardens Apartments are fully occupied, subject to due diligence, we are modeling the projections at 3% initial apartment and garage vacancy plus a 7% turnover rate on the apartments in the first year, and 5% vacancy on the apartments and garages moving forward.

Expenses are also being underwritten at \$5,748.19 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 (already sub-metered) of gas and electric on the 3-bedroom unit building on the 64 Mill Street 43-unit parcel, etc. However, this additional reduction was not projected at this time, but the costs associated with the conversion are in the capital improvement projections.

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	\$1,056	\$1,323	\$1,359	\$1,397	\$1,435
Gross Potential Income	\$621,000	\$777,900.00	\$799,292.25	\$821,272.79	\$843,857.79
- Apartment Vacancy	(\$18,630) 3.00%	(\$38,895) 5.00%	(\$39,965) 5.00%	(\$41,064) 5.00%	(\$42,193) 5.00%
- Unit Turnover From Reno Yr 1	(\$43,470) 7.00%	\$0 0.00%	\$0 0.00%	\$0 0.00%	\$0 0.00%
Effective Gross Income	\$558,900	\$739,005	\$759,328	\$780,209	\$801,665
Garage Income (43 Unit, Mill St. + 8 Unit Hillside Complex)	\$32,100	\$52,200	\$53,636	\$55,110	\$56,626
- Garage Vacancy	(\$963) 3.00%	(\$2,610) 5.00%	(\$2,682) 5.00%	(\$2,756) 5.00%	(\$2,831) 5.00%
Laundry Income (43 Unit, Mill St, Use Only As Of Now)	\$5,000	\$5,138	\$5,279	\$5,424	\$5,573
Total Net Income	\$595,037	\$793,733	\$815,560	\$837,988	\$861,033
EXPENSES					
Total Expenses	\$293,158 49.27%	\$310,336 39.10%	\$318,871 39.10%	\$327,639 39.10%	\$336,650
Net Operating Income (NOI)	\$301,879	\$483,396	\$496,690	\$510,349	\$524,383

6. Key Metrics

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

PURCHASE		
# Units	51	
Asking Price	\$5,795,000	
Purchase Price	\$5,505,000	
Price Per Unit	\$107,941	
Earnest Money Deposit (EMD)	\$120,000	
Down Payment	\$1,211,483	20%
1st Mortgage	\$4,845,933	
Going In Interest Rate (Debt Constant - Bridge Loan)	6.00%	
Amortization	30	
Closing Costs	\$227,941	4.1%
Acquisition Fee	\$165,150	3.00%
Repairs and Reserves	\$324,975	
Total Member Capital Needed to Close	\$1,377,133	
Cap Rate at Re-Sale	7.6%	

KEY INDICATORS		
Cap Rate (NOI/Sales Price) (Less Turnover)	6.20%	
Cash on Cash Return (Average)	13%	
Gross Rent Multiplier	8.86	
INVESTOR RETURNS		
Member Equity	70%	50%
Manager Equity	30%	50%
Preferred Return to Members	8.0%	* Post 15% LIRR
Asset Mgt Fee to Manager	2.00%	
Capital Transaction Fee to Mgr	1.0%	
Average Annual Return	15.0%	
Total Return on Investment	61.92%	
IRR	15.0%	

Refinance and exit capitalization rates are modeled at a conservative ~7% capitalization rate on a refinancing basis at the end of year 2 and ~7.6% capitalization rate on disposition (\$135,826/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			
Exit Strategy	Year		
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	\$483,396	\$524,383	
Cap Rate at Re-Finance	7.0%	7.6%	
Appraised Value	\$6,955,341	\$6,927,122	
Re-Finance LTV (Fannie/Freddie Loan)	80%	6.00% (\$415,627)	
Interest Rate	4.75%	Outstanding Loan Balance (\$5,293,083)	
Term / Amortization (Years)	30	Total Equity \$1,217,512	
Re-Finance Loan Amount	\$5,564,273	Return of Member Capital \$693,570	
- Re-Finance Costs (Legal, Appraisal) 0.5%	(\$34,777)	Net Proceeds/Profit from Sale \$523,942	
- Exit Fee (Waived Due to Bridge Program) 0.00%	\$0	Principal Reduction \$270,290	
- Repay Outstanding Loan Balance (\$4,845,933)		Appreciation \$253,652	
= Gross Proceeds from Re-Finance \$683,564		Capital Transaction Fee to Mgr 1% \$69,271	
Return of Member Capital \$683,564		Net Proceeds/Profit Paid to Members 70% \$318,270	
% of Initial Investment Returned 50%		Net Proceeds/Profit Paid to Manager 30% \$136,401	
Capital Account Balance After Re-Fi \$693,570		Initial Capital + Appreciation \$1,011,839	
Net Proceeds/Profit from Re-Finance \$0			
Principal Reduction \$0		After Final Disposition	
Appreciation \$0		Total Profits from Appreciation Paid to Members \$318,270	
Capital Transaction Fee to Mgr 1% \$0		Total Cash to Members (Initial Capital + Profits from Appreciation) \$1,085,403	
Net Proceeds/Profit Paid to Members 70% \$0		Internal Rate of Return (IRR) 15.0%	
Net Proceeds/Profit Paid to Manager 30% \$0		Average Cash on Cash Return 13%	
Initial Capital + Appreciation \$683,564			
Ending Capital Account Balance \$693,570			

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 ~\$324,975.

Red Knight is partnering with their preferred general contractor (minimum, 3 bids) to complete renovations. 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	\$ 25,000	Outdoor Amenity Area (Furniture, Bike Racks, Dog Park, etc.)	64 Mill Street (43 Units)
Interior Improvements	\$ 123,000	Unit Reno - light kitchen improvements, light bathroom improvements, etc.	64 Mill Street (43 Units)
Interior Improvements	\$ 20,000	2 former shell retail units - convt. to studio/and or 1 BD apartment(s) - * CONTINGENT UPON TOWN APPROVAL	64 Mill Street (43 Units)
Exterior Improvements	\$ 3,000	New Monument Signage	64 Mill Street (43 Units)
Exterior Improvements	\$ 45,000	Landscaping Improvements (Tree Trim/New Shrubbery, Mulch Beds, etc.)	64 Mill Street (43 Units)
Interior Improvements	\$ 3,000	New Monument Signage	64 Mill Street (43 Units)
Inter/Exterior Improvements	\$ 50,000	Deferred Maintenance Due Dilligence Bucket (Roofs, Parking Lot, Siding, etc.)	64 Mill Street (43 Units)
Exterior Improvements	\$ 1,250	Power Wash	10-16 Hillside Terrace
Exterior Improvements	\$ 1,750	Add Monument Signage	10-16 Hillside Terrace
Exterior Improvements	\$ 7,500	Landscaping Improvements (Tree Trim/New Shrubbery, Mulch Beds, etc.)	10-16 Hillside Terrace
Exterior Improvements	\$ 12,500	Garage Roof Replacement (Tin Roof)	10-16 Hillside Terrace
Exterior Improvements	\$ 7,500	Partial Asphalt Shingle Roof Replacement	10-16 Hillside Terrace
Interior Improvements	\$ 10,000	Studio Apartment Build-Out (Existing Plumbing, Kitchen, Small Bath, Laminate)	10-16 Hillside Terrace
Contingency	\$ 15,475.00		
Total	\$ 324,975		

5%

8. Property Overview

Conveniently within walking distance (1 Mile), 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

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.

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.



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

*As of April,
2019*

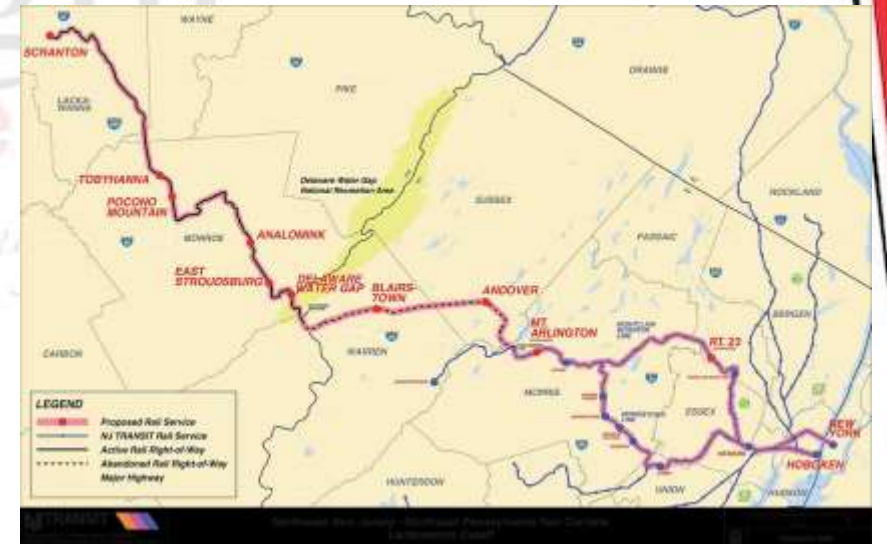
New Jersey Transit bought the cutoff from a private owner for \$21 million in 2001. At the moment, plans call for the train to run 133 miles between Scranton and Hoboken, New Jersey, where another train would carry commuters into New York.

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 \$1,350 Starting
Rents + Utilities
Ground Level Retail – Proposed Sports Bar/Gym
Construction Planned Early 2020

9. Market Overview - Rent Comps

The average rent currently that the sellers are getting for the 51 units combined is **\$1,052/mo.** (1BR/1BA @ \$919/mo, 2BR/1BA @ \$1,118/mo, 3BR @ \$1,429/mo) For our underwriting, we assumed the downside 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 **\$1,180/mo** (Hillside Terrace Apartments, Newton, NJ), 2BR/1BA @ **\$1,380/mo** (Hillside Terrace Apartments, Newton, NJ & there are no three bedroom units outside of this subject complex, however the lowest 3BR comp is **\$1650/mo.**

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) & there are no three bedroom units outside of this subject complex; however the highest 3BR comp is **\$2,150/mo.**

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

* Downside apartment rents are transposed into the financial analysis

Downside Apartment Target Rent Analysis

Type	# Units	Current Rent		Target Rent	
		Average	Total	Average (Yr 2 + Post Reno)	Total
Studio (Not Built Yet)	1	0	\$0	\$375	\$375
1 Bedroom	19	\$319	\$17,470	\$1,175	\$22,325
2 Bedroom	23	\$1,118	\$25,705	\$1,375	\$31,625
3 Bedroom	6	\$1,429	\$8,575	\$1,650	\$9,900
Total	49	\$1,056	\$51,750	\$1,323	\$64,825

* This model does not include vacant 2 retail potential conversion income (Hence, 49 units vs. 51)

Garage Rent Analysis

Type	# Units	Current Rent		Target Rent	
		Average	Total	Average (Yr 2 +)	Total
Garages (Mill Street, 43 Unit Parcel)	11	\$0	\$550	\$150	\$1,650
Garages (Hillside Terrace, 8 Unit Parcel)	18	\$118.06	\$2,125	\$150	\$2,700
Total	29	\$92	\$2,675	\$150	\$4,350

* 43 Unit Mill Street Garages Are Currently Getting \$50/Month

* Hillside Terrace 8 Unit Parcel Is achieving \$118-150/Month (Majority Are \$150/Month)

OTHER RENT SCENARIOS

Average Scenario Apartment Target Rent Analysis

Type	# Units	Current Rent		Target Rent	
		Average	Total	Average (Yr 2 + Post Reno)	Total
Studio (Not Built Yet)	1	0	\$0	\$1,100	\$1,100
1 Bedroom	19	\$319	\$17,470	\$1,225	\$23,275
2 Bedroom	23	\$1,118	\$25,705	\$1,450	\$33,350
3 Bedroom	6	\$1,429	\$8,575	\$1,700	\$10,200
Total	49	\$1,056	\$51,750	\$1,386	\$67,925

Above Average Scenario Apartment Target Rent Analysis

Type	# Units	Current Rent		Target Rent	
		Average	Total	Average (Yr 2 + Post Reno)	Total
Studio (Not Built Yet)	1	0	\$0	\$1,200	\$1,200
1 Bedroom	19	\$319	\$17,470	\$1,300	\$24,700
2 Bedroom	23	\$1,118	\$25,705	\$1,600	\$36,800
3 Bedroom	6	\$1,429	\$8,575	\$1,800	\$10,800
Total	49	\$1,056	\$51,750	\$1,500	\$73,500

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	\$1,210	5B2	705 Sq Ft
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	\$1,180 - 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	DinRm: 12x11 / First	Kitch: 15x11 / First	FamRm: /
Mstr: 16x13 / Second	Bed2: 13x9 / Second	Bed3: 10x9 / 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:			

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/

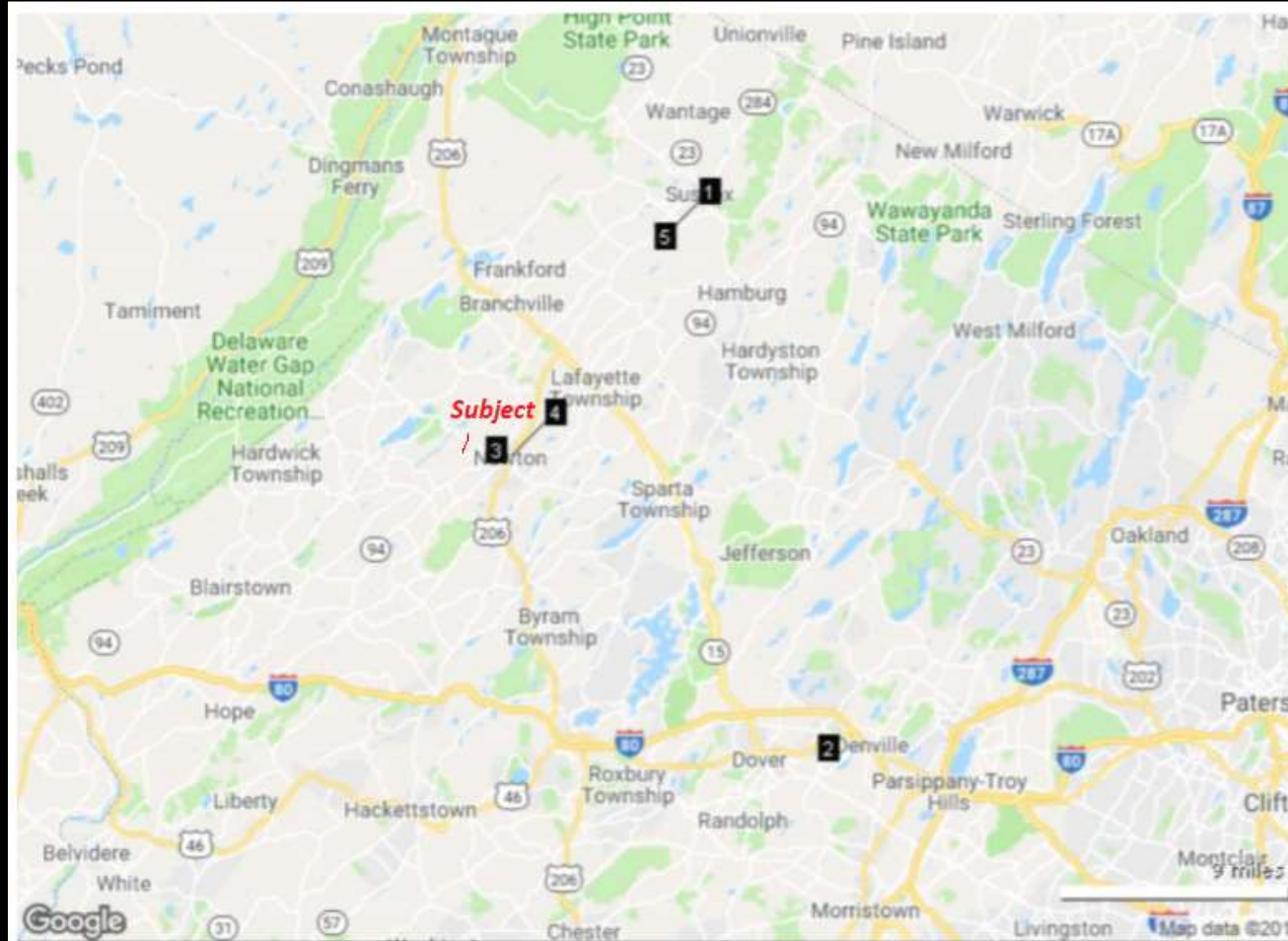
Fee: \$ /

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 (\$118,750/Unit)

9. Market Overview- Sales Comps

1	1 Trinity St - Aberlour at Newton	SOLD
<p>Newton, NJ 07860 Sussex County</p> <p>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</p> 		
2	330 Franklin Ave - Laurel Manor Apartments	SOLD
<p>Rockaway, NJ 07866 Morris County</p> <p>Sale Date: 11/07/2016 Bldg Type: Class C Multi-Family Apartments Sale Price: \$7,775,000 - Confirmed Year Built/Age: Built 1964 Age: 52 Price/SF: \$190.73 RBA: 40,764 SF Price/Unit: \$158,673 # of Units: 49 Pro Forma Cap: - Parcel No: 34-00033-0000-00006-01 Actual Cap Rate: 5.50% GRM/GIM: - Comp ID: 3753363 Sale Conditions: - Research Status: Confirmed</p> 		
3	4 Center St - Alpine Village (Part of Multi-Property)	SOLD
<p>Sussex, NJ 07461 Sussex County</p> <p>Sale Date: 03/25/2019 Bldg Type: Class C Multi-Family Apartments Sale Price: \$16,318,150 - Full Value Year Built/Age: Built 1970 Age: 49 Price/SF: \$130.55 RBA: 125,000 SF Price/Unit: \$123,622 # of Units: 132 Pro Forma Cap: - Parcel No: - Actual Cap Rate: - GRM/GIM: - Comp ID: 4739433 Sale Conditions: - Research Status: Full Value</p> 		
4	1-9 Wilson Rd - Wilson Manor	SOLD
<p>Sussex, NJ 07461 Sussex County</p> <p>Sale Date: 11/28/2018 (184 days on mkt) Bldg Type: Class B Multi-Family Apartments Sale Price: \$9,500,000 - Confirmed Year Built/Age: Built 1965 Age: 53 Price/SF: \$130.27 RBA: 72,928 SF Price/Unit: \$118,750 # of Units: 68 Pro Forma Cap: - Parcel No: 21-00412-0000-00061-01 Actual Cap Rate: 5.00% GRM/GIM: - Comp ID: 4632956 Sale Conditions: - Research Status: Confirmed</p> 		
5	100 Swartwood Rd - Brook Bridge Apartments Brook Bridge Apartme	SOLD
<p>Newton, NJ 07860 Sussex County</p> <p>Sale Date: 02/25/2019 Bldg Type: Class C Multi-Family Apartments Sale Price: \$17,900,000 - Confirmed Year Built/Age: - Price/SF: \$105.29 RBA: 170,000 SF Price/Unit: \$106,548 # of Units: 168 Pro Forma Cap: - 4.5% Parcel No: 15-00002-01-00001 Actual Cap Rate: - GRM/GIM: - Comp ID: 4695007 Sale Conditions: - Research Status: Confirmed</p> 		

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 .3 miles from Townsquare Gardens. 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.

Based on market knowledge, Red Knight Properties is aware of 64-unit portfolio of two garden-style apartment complexes (Swartwood Gardens & Stonewood Apartments) in Newton for \$7,400,000 or \$115,625/unit, which is ~5.75% capitalization rate. Swartwood Gardens needs extensive renovations to at least 30% of the interior units (kitchens & bathrooms), and select exterior upgrades. Both properties are also not contiguous; a 5 minute drive from each other and Stonewood Apartments is as not walkable to downtown Newton.

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

Townsquare Gardens 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

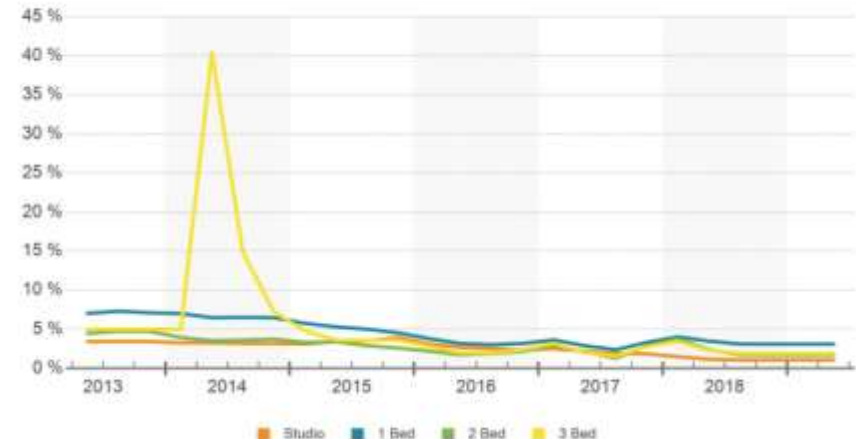
3.8%

KEY INDICATORS

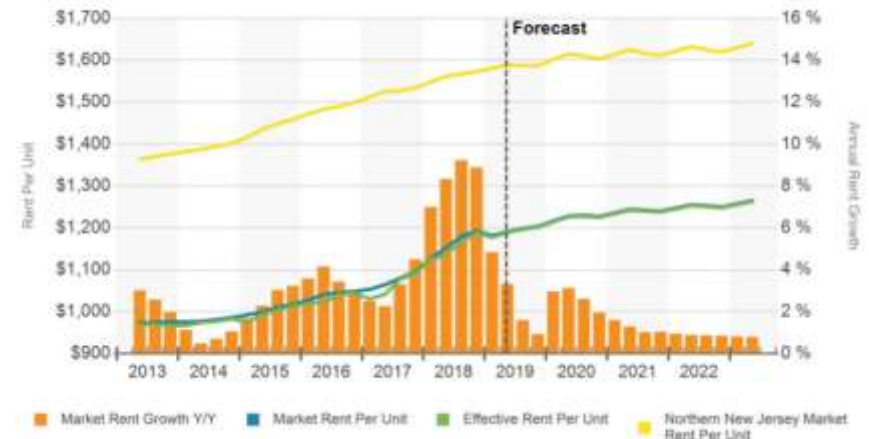
Current Quarter	Units	Vacancy Rate	Asking Rent	Effective Rent	Absorption Units
4 & 5 Star	79	0.5%	\$1,425	\$1,421	0
3 Star	646	1.9%	\$1,225	\$1,221	0
1 & 2 Star	805	3.0%	\$1,118	\$1,117	0
Submarket	1,530	2.4%	\$1,181	\$1,179	0

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

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 Acquisitions & Asset Manager Vice President for Vision Properties, where he was directly involved and responsible for sourcing, negotiation, and managing the acquisition of \$594MM of Class A office assets.

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 "Academic Heisman".

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)



1. Acquired 10 Units (4 retail 6 apartments) in the most visible and foot-trafficked area of affluent downtown Chester, NJ from long-term private ownership and motivated seller
2. Restructured short-term retail leases to long-term upon acquisition
3. Successfully raised apartment rent average from by ~61.4% with minimal capital improvements (<\$20K) within 3 months upon acquisition and minimal turnover/vacancy
4. Leased vacant storefront unit within two (2) weeks upon acquisition. * Lease-up of this unit was not included in initial analysis *
5. Created an on-site laundry room to enhance amenity base while also adding an additional income stream
6. 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

Additional Photos - 43 Unit Parcel + 11 Garages



Additional Photos - 43 Unit Parcel + 11 Garages



Additional Photos - 8 Unit Parcel + 18 Garages



Additional Photos - 8 Unit Parcel + 18 Garages



Additional Photos



Additional Photos



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
Cash
Return = $\frac{\text{Annual Dollar Income}}{\text{Total Dollar Investment}}$

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

Townsquare Gardens Apartments

~ Historic Newton, NJ ~

Value-Add Off-Market Urban Multi-Family
Assemblage

51 Apartment Units (Studio, 1, 2 & 3 BR)+ 29
Garages

Confidential Investment Summary

Red Knight Properties

redknightproperties.com

