TIDEGATE CAPITAL

Q1 2020

Multifamily Investment Opportunities

Income. Growth. Diversification. Tax Benefits.

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Mission Statement

Tidegate Capital endeavors to provide our investors income, appreciation, diversification, and tax benefits. We seek to capitalize on the significant inefficiencies inherent in the small to mid-sized Class B and C multifamily apartment space.

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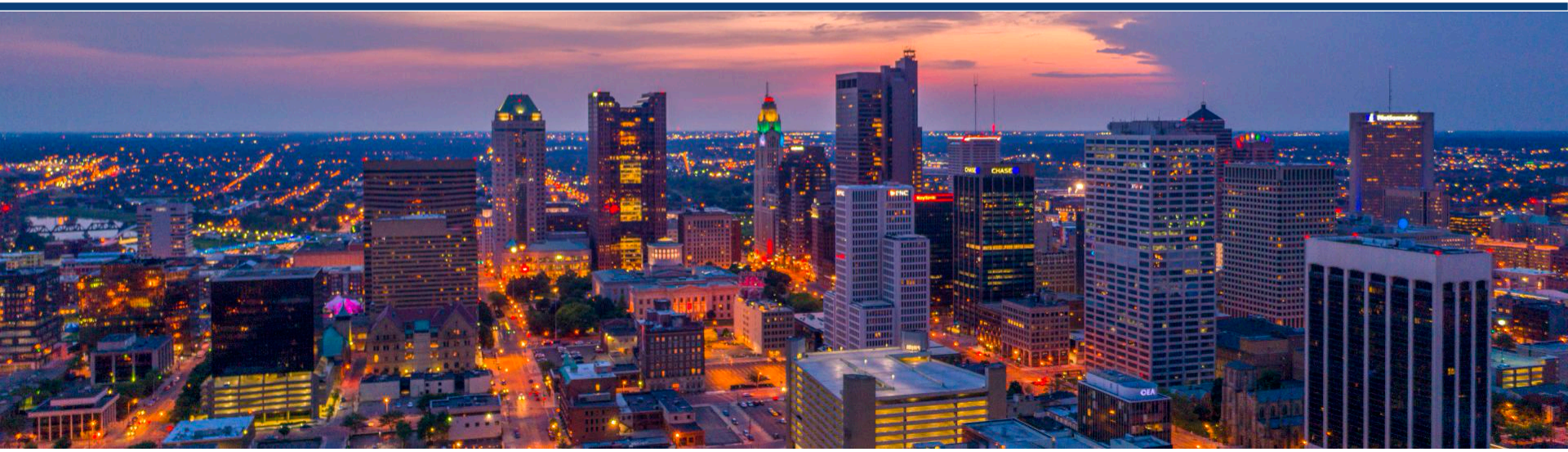
1. About Us



Overview

Tidegate Capital specializes in acquiring and managing small to mid-sized Class B and C value-add multifamily real estate on behalf of individuals, family offices, and institutions.

Post acquisition, we execute a systematic rehabilitation plan coupled with a hands-on approach to site management. This results in increased underlying value by way of improved occupancy, operational efficiency, and enhanced cash flow.

Our approach incorporates the use of independent bookkeepers, tax advisors, and legal professionals to provide additional expertise, insight and scale

Tidegate Capital is guided by the expertise of five advisors, each with extensive experience in business management, start-ups, real estate investments and technology

Extensive real estate, asset management, and portfolio management experience

We invest only in select markets based on our proprietary top-down analytical modeling.

Headquartered in the Boston MSA - in Duxbury MA

TIDEGATE CAPITAL

2. Investment Strategy

Why Multifamily Real Estate

Inclusion of directly owned multifamily real estate within an investment portfolio allows for enhanced return benefits, increased diversification, and low correlation to traditional asset classes, including other real estate sectors.

The rationale for owning multifamily properties includes:

- Current income with appreciation potential
- Tax benefits due to capital depreciation
- Consistent demand for residential units with lower volatility than retail and office space
- Demographic shifts favor delayed home-ownership as Millennials are opting to rent instead of buy
- Since 2007, renter household formation has been growing while affordability continues to decline
- Fixed-rate mortgages coupled with the ability to raise rents during periods of inflation may result in an increasing preferred dividend

At Tidegate Capital we:

- Incorporate third-party analytical tools for consistent and independent insight
- Utilize economies of scale and reduce operating costs to increase efficiency

2. Investment Strategy

Why Value-Add Class B and C Multifamily

Our research and experience dictate that Class B and C multifamily properties offer the best return – risk profile vis-à-vis Class A and D.

Class B and C assets are often dated properties with basic amenities, often with pools and potentially attractive curb appeal. Value-add site enhancements allow for improved cash flow and operations.

These assets are thus valued at higher cap rates than Class A properties and offer a lower risk profile than Class D properties.

Benefitting from the execution of carefully orchestrated rehabilitation plans, our properties have greater potential for capital appreciation.

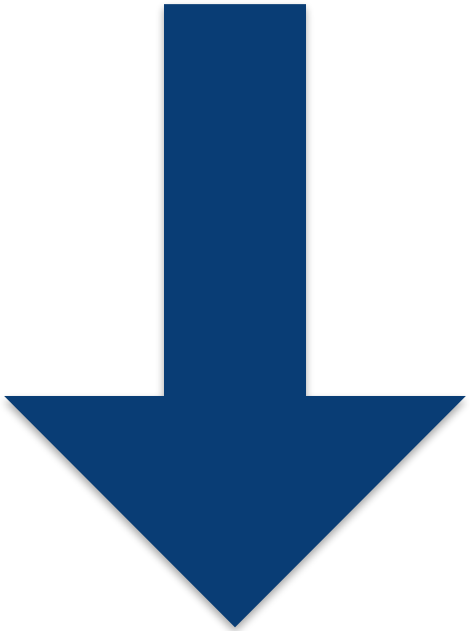
At Tidegate Capital we:

- Deploy a direct, hands-on approach to overseeing our properties
- Employ local, professional property managers to enhance the resident experience, which is crucial to improved asset valuations

3. Process

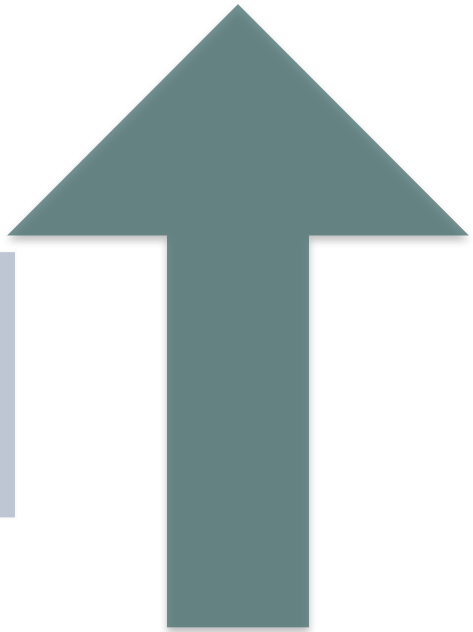
Top Down

Identification of Target MSA's



Success in Multifamily Management is Driven by

- Risk Management
- Return Optimization



Bottom Up

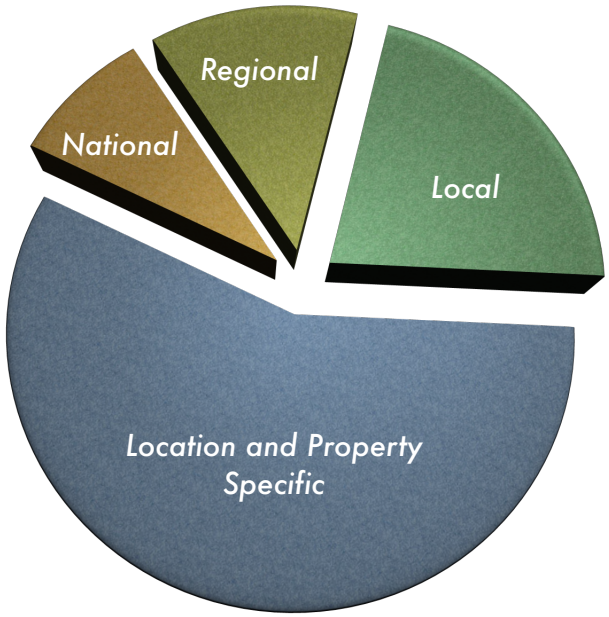
Detailed Property Specific Underwriting

3. Process - Top Down

Top Down Analytical Model

Representative Inputs and Weightings

GDP Growth	Inflation Rate	Population Density
Macro Trends	Vacancy Data	Cap Rates
Unemployment	Personal Income	Foreclosures
Financial Markets	Employment Base	Education
Relative Yields	Owner Rights	Transportation



Tidegate Capital employs a rigorous, proprietary selection process for a region to be included in our target market list.

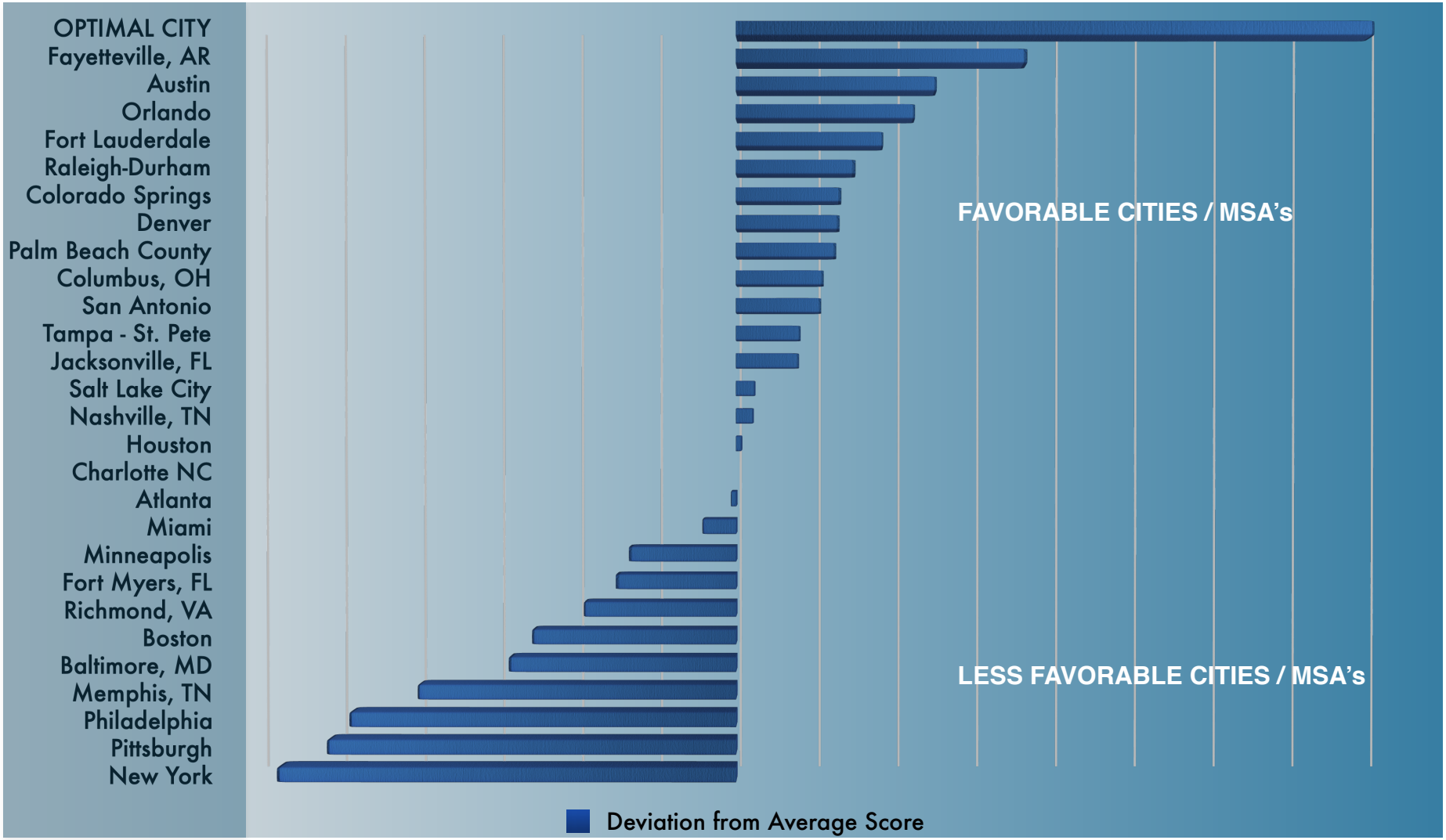
Our primary focus is locating and validating attractive metropolitan areas often overlooked by the large institutional players.

This results in geographic regions that offer the most robust investment opportunities and optimal risk-adjusted returns for our clients.

The focus is to capitalize on the significant inefficiencies inherent in the under 120-unit Class B and C multifamily apartment space.

3. Process - Top Down Market Selection

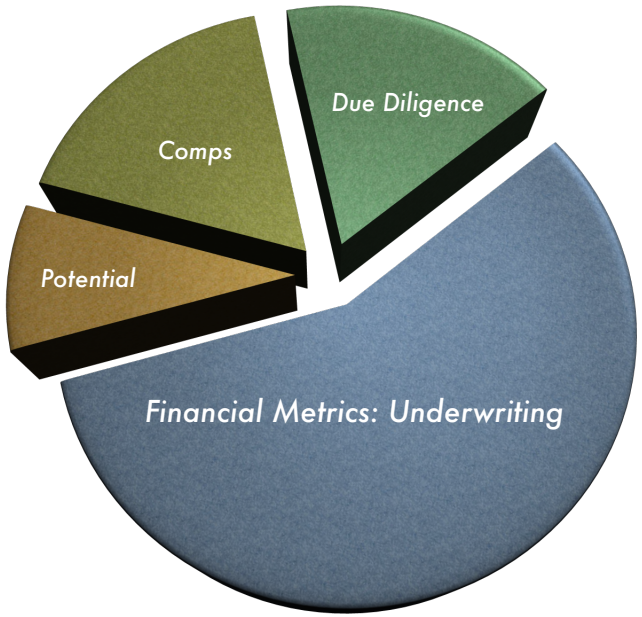
Target Market Selection as of January 2020



3. Process — Bottom Up

Proprietary Analytical Model

Representative Inputs and Weightings



Property Condition
Value-add Potential
Utilities
Unit Mix
Prior Ownership - Story
"Green" Opportunities

Location
Sales and Rental Comps
Occupancy History
Amenities
Operating History
Financing Options

Analyze current income and operating expenses.

Calculate Price-to-Rent ratio.

Account for deferred maintenance and value-add rehabilitation.

Determine conservative pro-forma rent and operating assumptions to determine risk-adjusted Net Operating Income (NOI).

Implement a comprehensive rehabilitation plan to maximize returns upon disposition.

3. Process: Bottom Up - Executive Summary Example

420 Kanuga Apartments	# of Units:	17
420 Kanuga Dr, West Palm Beach, FL	Rentable sqft:	10,080
Executive Summary		

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Acquisition Breakdown

Acquisition Cost	$1,900,000
Acquisition Cost Per Unit	$111,765
Acquisition Cost Per Foot	$188
Construction Cost	$271,150
Construction Cost Per Unit	$15,950
Construction Cost Per Foot	$26.90
Total Development Cost	$2,289,850
Total Cost Per Unit	$134,697
Total Cost Per Foot	$221
Year Built	1960
Average Unit Size	593
Average Market Rent per unit	$1,292
Average Market Rent per square foot	$2.18
Total Land	0.4
# of Buildings	4
# of Stories	2
Parking spaces	10
Parking per unit	0.6

Bridge Loan Principal	$1,500,000
Bridge Loan Interest	7.50%
Bridge Loan Term	1
Bridge Loan Interest	$112,500
Bridge Loan Fees	$30,000
Mortgage Principal	1,776,605
Amortization (years)	30
Mortgage Interest	4.85%
Mortgage Term	10
Mortgage Refi Fees	$27,766
Total Development Cost	$2,289,850
Initial Equity	$789,850
Acquistion Fee	$60,000
IRR Year 3	21.8%
TGC Cap Rate at Acquisition	3.2%
Preferred Investor Return	8.0%

Preliminary projections, subject to revision. Annual IRR Projections are based on Projected Dividend Paid

3. Process: Bottom Up - Project Summary Example

Name	420 Kanuga Apartments
Address	420 Kanuga Dr, West Palm Beach, FL

Total Acquisition Costs	$2,289,850
Gross Rent at Acquisition	$239,730
Gross Rent by end of Year 1	$272,682
1st Year NOI	$152,667

Bridge Loan	$1,500,000
Initial Investor Capital	$789,850
Mortgage Principal	$1,776,605
Annual Mortgage Payment	$112,500

Acquisition price	$1,900,000
Acquisition date	9/25/19
Total Land	0.43
# of Buildings	4.0
# of Stories	2.0
Parking spaces	10.0
Parking per unit	0.6
Year Built	1960

Apartments	# of units	Sq Ft	Total sqft	Unit Mthly Rent	Total Mthly Rent	Rent/sqft
Studio	1	510	510	$978	$978	$1.92
1BD/1BA	7	510	3,570	$1,119	$7,836	$2.20
2BR/1BA	8	510	4,080	$1,320	$10,558	$2.59
Garage	1	1,920	1,920	$2,600	$2,600	$1.35
n/a	-	-	-	$0	$0	
n/a	-	-	-	$0	$0	
TOTAL / AVERAGE	**17**	**863**	**10,080**	**$1,504**	**$21,972**	**$2.18**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Rental Growth		5%	5%	4%	4%	3%	3%	3%	3%	3%
Vacancy incl bad debt	7%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Operating Exp Growth		2%	2%	2%	2%	2%	2%	2%	2%	2%
Real Estate Tax Growth		85%	2%	2%	2%	2%	2%	2%	2%	2%
Sale Capitalization Rate		5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%
IRR End of Year Disposal		**22%**	**22%**	**21%**	**20%**	**20%**	**19%**	**18%**	**18%**	**17%**

CAPITAL COSTS	Cost per Unit	# Units	USES
New countertops	$800	6	$4,800
Cabinets	$1,200	6	$7,200
New appliances	$1,600	6	$9,600
Paint	$1,200	6	$7,200
Lighting and fixtures	$500	6	$3,000
Low Flow fixtures	$200	6	$1,200
Doors and hardware	$800	6	$4,800
A/C	$2,500	8	$20,000
Flooring	$1,200	6	$7,200
	$10,000	**SUBTOTAL**	**$65,000**
Landscaping/Curb appeal			$30,000
Lighting/ Safety upgrades			$1,500
Vacant Unit Repairs and Exterior			$150,000
UNIT & PROPERTY SUBTOTAL			**$246,500**
Contingency			$12,325
Construction Mgmt			$12,325
Initial Replacement Reserve			$0
TOTAL CAPITAL IMPROVEMENTS			**$271,150**

BRIDGE LOAN INFO

Bridge Principal	$1,500,000
Bridge Term (yrs)	1
Bridge Interest Rate	7.50%
	$112,500

Closing Fee	*See Soft Costs*	
Bridge Loan Exit Fee	2.00%	*$30,000*
Mortgage Refi Closing Cost %	1.00%	*$17,766*
Mortgage Refi Fixed Costs $	$10,000	

PERCENTAGES	
Asset Management Fee	0.75%
Preferred Return	8.0%
Investor Return	70.0%
Sponsor Return	30.0%
Cap Rate at Sale	5.3%
Cap Rate at Acquisition	3.2%
Contingency	5.0%
Construction Mngmnt	5.0%
Sale Brokerage Fee	4.5%
Rent Increase: New Lease	8%
Rent Increase: Renovations	15%

MORTGAGE INFO	
Mortgage Term (yrs)	10
Loan Interest Rate	4.85%
Loan Amortization Period (yrs)	30
Loan Payments Made	End of Period
Date of First Loan Payment	10/1/20
Debt Service Coverage Ratio	1.20

SOFT COSTS		
Acquisition Fee		$60,000
Bridge/Mort Financing Cost	0.00%	$0
Legal		$12,500
Title & Recording		$15,000
Appraisal		$3,500
Permits		$1,500
Property Survey		$2,200
Arch/Engeer/Due Dilig		$5,500
Marketing		$15,000
Soft Cost contingency		$3,500
TOTAL SOFT COSTS		**$118,700**

PROPERTY P&L		
Seller NOI		$60,604
Operating Exp		$99,510
Real Estate Taxes	$23,500	
Operating/Maintenance	$16,500	
Insurance	$18,000	
Utilities	$17,500	
Administrative	$1,500	
Marketing	$6,000	
Replacement Reserve (unit)	$250	
Other Income per unit (annual)		$410
Property Management Fee		5.0%

Preliminary projections, subject to revision. Annual IRR Projections are based on Projected Dividend Paid

4. Leadership Bios

Colin P. O'Keeffe, MBA
Principal and Founder

- *Over 25 years of real estate experience in property management, asset management, and development*
- *Asset manager for over 8,000 multifamily units*

Mr. O'Keeffe has over 25 of years real estate experience, primarily in the multifamily housing sector. He currently manages and has ownership interest in multifamily units throughout Massachusetts, Rhode Island and Florida. His background includes asset management, acquisition, development, property management, financing and disposition of multifamily assets. Prior to forming Tidegate, he served at Equity Office Properties, Boston Financial, and Bank of America.

Mr. O'Keeffe earned a BA in Economics from the University of Richmond and an MBA from Northeastern University.

Guy C. Holbrook, IV, CFA®
Principal and Founder

- *30 years of comprehensive experience investing through major market events and cycles*
- *Responsible for developing analytical tools for Market Selection Process*

Working exclusively in the investment industry since 1987, Mr. Holbrook focuses on portfolio construction, research, and management. He has developed detailed analytical and risk-reduction models to target Tidegate's investment markets. At Columbia Management, his 10-person portfolio team managed over $30 billion in assets, and he developed a fixed income fund, growing AUM to $1 billion.

Mr. Holbrook earned a BA in Economics from Colby College and holds the Chartered Financial Analyst (CFA®) designation.

C. Warren Skillman
Partner and Managing Director

- *26 years of portfolio management and equity analysis experience*
- *Responsible for modeling acquisition targets*

Prior to his role as Managing Director at Tidegate Capital, Mr. Skillman was the lead portfolio manager on the Emerging Markets Value strategy with a focus on fundamental equity research. Warren has been in the investment industry since 1993 and has significant experience analyzing securities and credits through both up and down market cycles.

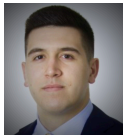
Warren received a BA from Boston College and an MS in finance from the London School of Business. In his spare time he enjoys mountain biking, skiing and preparing for the Nürburgring.

Jeffrey S. King, CFP®
Managing Director - Sales

- *Experienced in multiple investment vehicles and structures*
- *Client-focused approach to relationship management*

Mr. King began his asset management career in 1987 and has worked at investment boutiques and institutions alike, including MFS, Prudential Investments, UBS Global Asset Management, and Bank Julius Baer. His expertise includes marketing, sales, and client service. He has worked extensively with investment advisors, bank trusts, family offices, and institutions to help them source investment programs for client portfolios.

Mr. King earned a BA in Administrative Science from Colby College and graduated with Distinction in the Major. He is licensed as a Certified Financial Planner (CFP®).



Matthew J. Alfonso
Associate

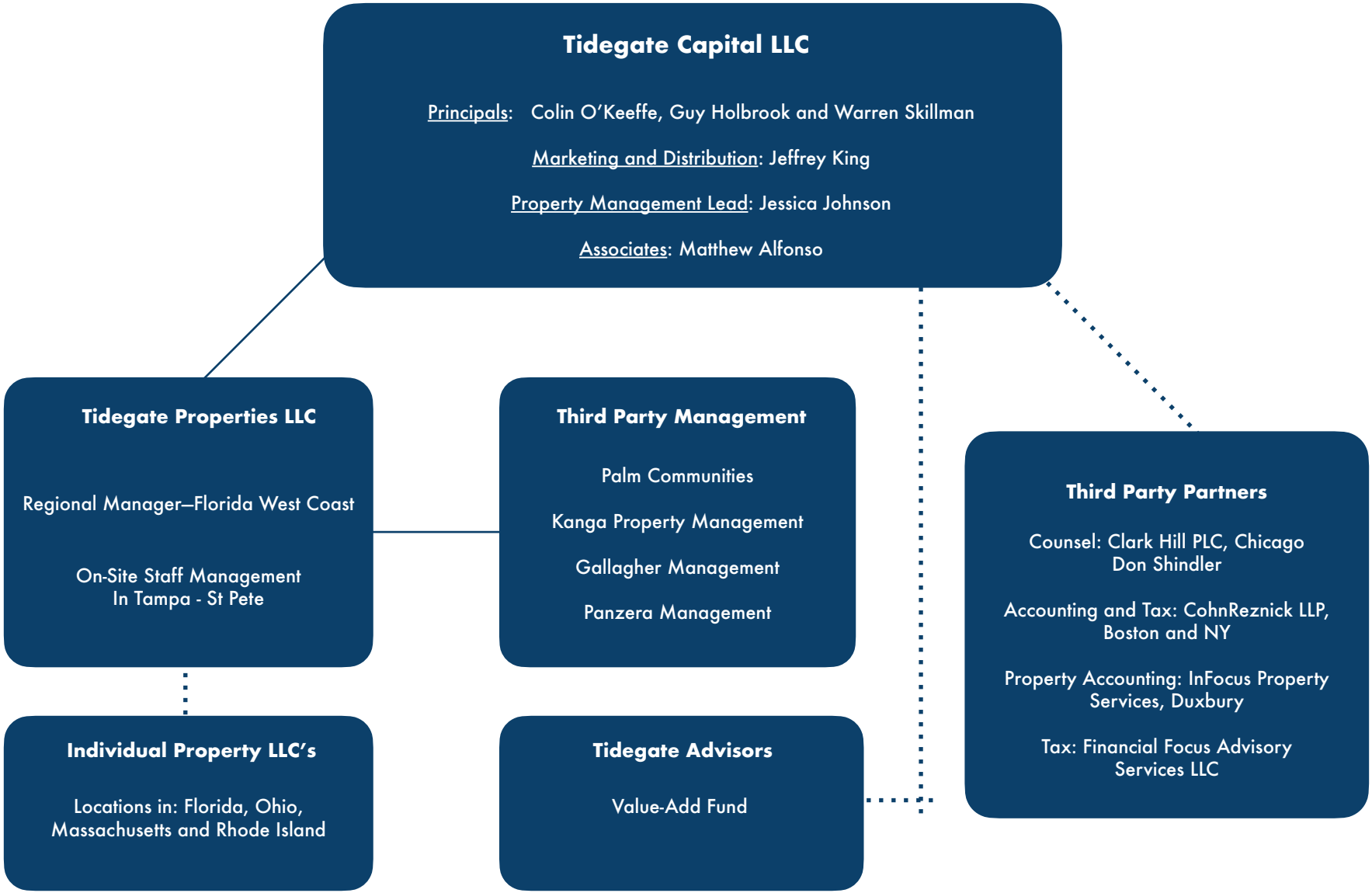
- *Experience acquiring and renovating single family properties*
- *Assists with acquisition analysis, asset management, and business development*

Mr. Alfonso joined Tidegate Capital in November 2019; prior to his role at Tidegate he specialized in residential leasing at Preview Properties Realty Group in Boston. Matthew's previous experience includes working as a summer analyst at Starwood Property Trust, the largest commercial mortgage real investment trust in the United States. During his time there, he worked within the Real Estate Owned (REO) department and helped with the lease-up, management, and disposition of REO assets.

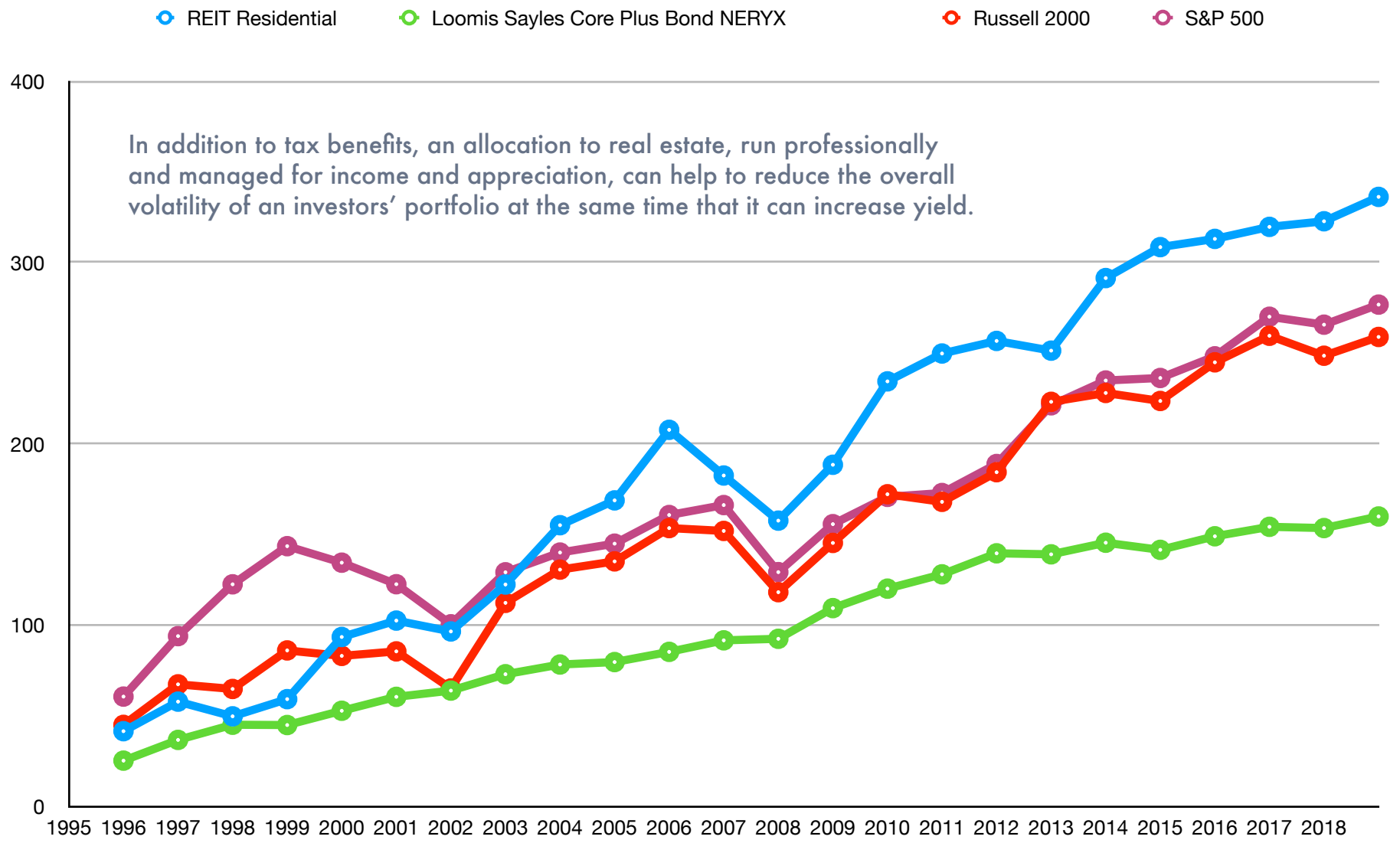
Mr. Alfonso earned a BA in Political Science from Boston University

In addition, Tidegate Capital is guided by the expertise of five advisors, each with extensive experience in business management, start-ups, investments and technology.

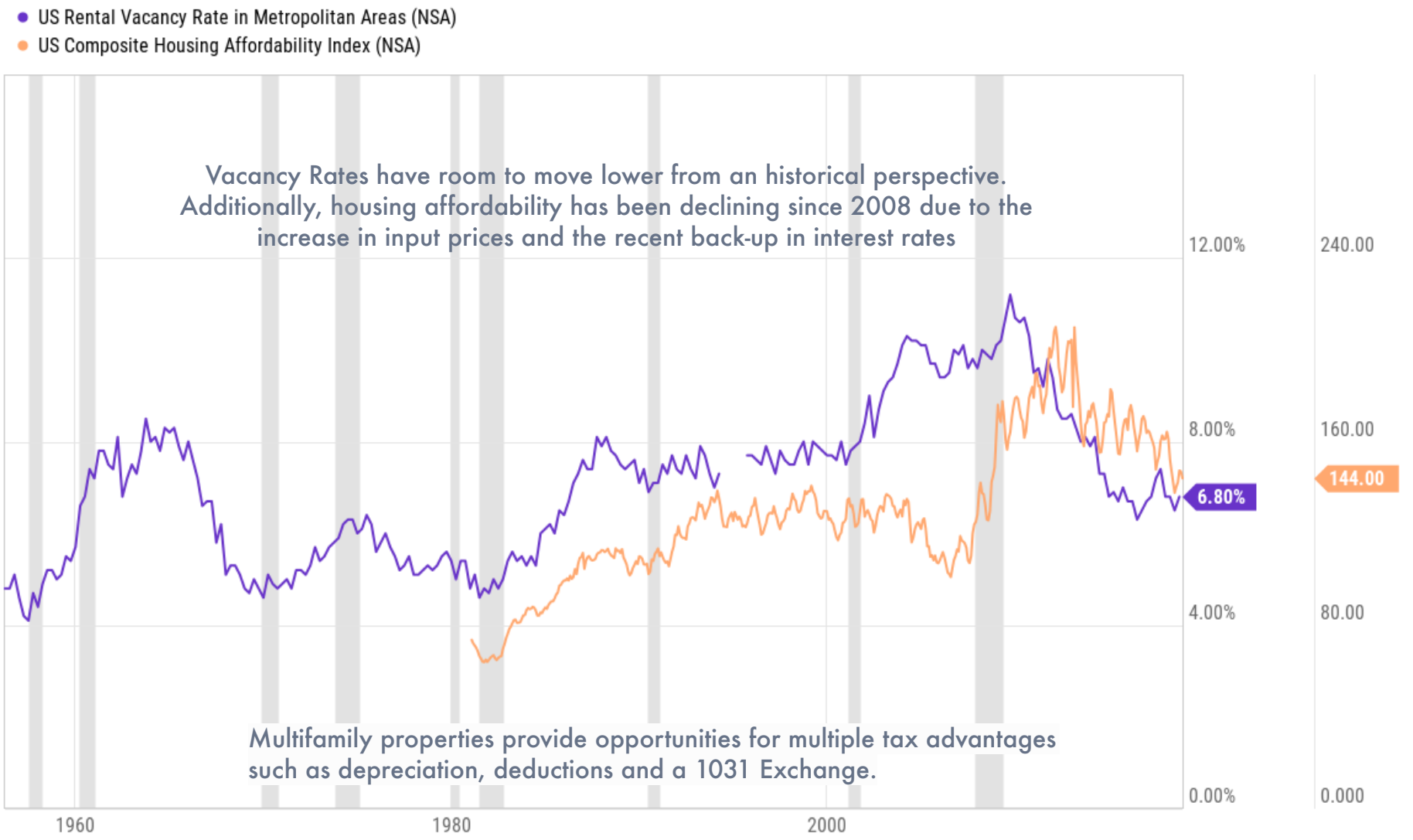
4. Organizational Structure



5. Appendix - Comparative Total Returns



5. Appendix


US Rental Vacancy Rate in Metropolitan Areas (NSA)
US Composite Housing Affordability Index (NSA)
Vacancy Rates have room to move lower from an historical perspective. Additionally, housing affordability has been declining since 2008 due to the increase in input prices and the recent back-up in interest rates
Multifamily properties provide opportunities for multiple tax advantages such as depreciation, deductions and a 1031 Exchange.
12.00%
8.00%
4.00%
0.00%
240.00
160.00
144.00
80.00
0.000
6.80%
1960
1980
2000

DISCLAIMER

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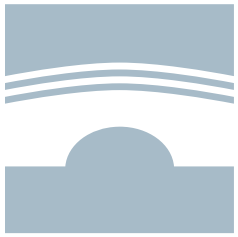
Each prospective investor should conduct its own due diligence and consult its own advisors as to legal, tax, financial, and related matters concerning an investment in the LLC.

The investment return projections and related assumptions herein are not a prediction or a guarantee of future performance. There can be no assurance that the projections will be achieved.

Any investment in the LLC will be illiquid and an investor may not be able to liquidate in a timely manner. There is no secondary market for investors' interests in the LLC and none is expected to develop. There are restrictions on transferring interests in the LLC.

No assurance can be given that the LLC will meet its investment objectives or avoid losses, including total loss of investment.



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Preliminary projections, subject to revision. Real Estate investing involves risk, including complete loss of principal.