

Inc.
500

Nelson Brothers
STUDENT HOUSING



THE ELEMENT

6730 4TH AVE
SACRAMENTO, CA 95817

The Element, DST

1031 ELIGIBLE

CLASS "A"
student housing near



SACRAMENTO
STATE

TARGETED BENEFITS

- ▲ 6.00% first year targeted cash-on-cash
- ▲ 100% current 2017/2018 occupancy
- ▲ Six consecutive years of 100% occupancy
- ▲ **2017-18** school year: 5.15% rental growth rate
- ▲ Tax efficiency through depreciation

*Anchored by the historical stability of
Sacramento State University*



PROPERTY SUMMARY

The Element, located within a half-mile of California State University, Sacramento (commonly referred to as Sacramento State University), is one of the most popular student housing communities in Sacramento, boasting an extensive list of resort-style amenities.

The Property features 288 units and 792 beds with a diverse mix of one, two, three and four-bedroom floor plans. The Element was originally constructed in 2003 and renovated in 2016.

The renovation plan encompassed interior unit upgrades of stainless steel appliances, common area furniture, light fixtures, TVs and window treatments. In addition, community improvements were made including cosmetic upgrades to the leasing office and new fitness equipment. Nelson Brothers plans to build on the property's recent exterior renovations by steadily upgrading unit interiors with more modern accessories, light fixtures, upgraded and more durable flooring (luxury vinyl), new countertops, etc. and by adding additional amenities, like barbeques and fire pits.

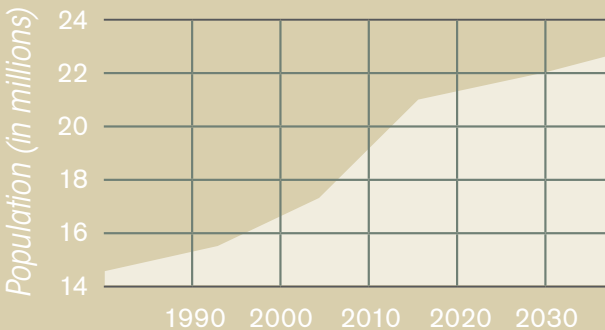
The property's top competitor, The Foundation, has current asking rents on two and four bedroom units that are 20%+ greater than The Element, highlighting the rental rate upside that remains at the Property.



INVESTMENT HIGHLIGHTS

The Element is one of the only purpose-built off-campus housing options for students. The market features four purpose-built properties totaling 2,318 beds, which is less than 10% of the total campus enrollment. Sacramento State's on-campus housing accommodates less than 10% of the total campus enrollment (no residency requirement). Sacramento State has grown 9% in the past five years, and over the last two years enrollment has exceeded 30,000 students. The Master Plan calls for an enrollment of 35,000 students by 2020.

U.S. COLLEGE ENROLLMENT POPULATION GROWTH



- College enrollment over the past few decades shows almost no correlation to the economy.
- Student enrollment expected to grow 13% over the next 10 years*
**Source: National Center of Education Statistics*

COMMUNITY AMENITIES

- Close Proximity to Campus
- Resort-Style Swimming Pool & Spa
- Hi-Tech Fitness Center
- Covered Half-Court Basketball
- Lighted Sand Volleyball
- Game Room with Billiards
- Resident Business Center
- Study Lounge
- BBQ & Entertainment Space
- Resident Coffee Bar
- Private Shuttle to Campus
- Walking distance to Target

UNIT AMENITIES

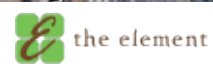
- Fully-Furnished
- Washer and Dryer
- Intrusion Alarms
- Private Balconies/ Porches
- Stainless Steel Appliances
- Ceiling Fans
- Generous Cabinet Space
- Refrigerator/Freezer with Ice Maker
- Apple TV (select units)

THE MARKET

The Element is currently 100% occupied with leases running through August 2018.

Nelson Brothers believes the key to maintaining steady rental rate growth at The Element is the overall strength of the student housing market, continued enrollment growth at Sacramento State, the continued influx of affluent Bay Area students, the rental rate growth of the greater Sacramento market and management's ability to potentially leverage some of The Element's unique differentiating factors in the marketplace.

Nelson Brothers understands that the property has several competitive advantages. First, The Element has one of the strongest retention rates in the market. This can be attributed to weekly activities and an excellent sense of community. Built in 2003 and renovated in 2016, the property is newer than several competitors and boasts a contemporary, modern look. On the flip side, any of the newer properties, or potential new properties, will likely have been built to maximize efficiency, with little campus space, fewer amenities, small unit/bedroom sizes and 3-5 students per unit. The Element can provide a great contrast with its expansive open campus space: a large pool and BBQ area, game room and other community amenities along with larger unit/bedroom square footage and a favorable unit mix with several 1-2 bedroom units. The smaller unit mix at the affordable price and social amenities are fairly unique to the market and helps differentiate The Element by potentially offering students more privacy, more space and more of a social community.



TARGET STRATEGY

Nelson Brothers' goal for The Element is to leverage the historical stability of the property and of the university to potentially offer investors a variety of benefits. These include stable occupancy, monthly cash flow, tax efficiency through depreciation and capital appreciation.

The company believes that U.S. college enrollment has historically shown minimal correlation to real estate cycles and to the greater economy (see chart on 3). Our goal is to maintain these benefits even if the economy returns to recession or starts to slow – due to the consistent demand for higher education.

Nelson Brothers is hopeful that capital appreciation can benefit from the location in a larger California city with fast growing rental rates, near a university showing strong enrollment growth projections and that is increasingly catering to affluent Bay Area students.

STUDENT HOUSING

Nelson Brothers believes that students will pursue degrees from major universities regardless of the economic climate. The company's strategy is based upon that belief and contends that well-positioned properties can stay well-occupied and profitable even during an economic downturn. For investors, the target of this strategy is to help provide stable cash flow and diversification to assets that may be less correlated to the economy.

OFFERING DETAILS

1st Year Targeted Cash-on-Cash Return	6.00%
Total Offering Price	\$91,497,679
Investor Equity	\$37,997,679
Total Loan Amount	\$53,500,000
Loan-to-Value	58.4%
Minimum Investment	\$50,000

PROPERTY PROFILE

Address	6730 4th Ave, Sacramento, CA 95817
Year Built	2003
Beds	792
Net Rentable Area	262,116
Current Occupancy	100%
Pre-Leased Occupancy	100%

*as of September 10, 2017

UNIT TYPE	UNITS	BEDS	SQUARE FEET	RENT/UNIT	RENT/BED	RENT/SF
1 BD/1 BTH	36	36	478	\$1,099	\$1,099	\$2.30
2 BD/2 BTH	108	216	766	\$1,550	\$775	\$2.02
3 BD/3 BTH	36	108	987	\$2,205	\$735	\$2.23
4 BD/4 BTH	36	144	1,286	\$2,780	\$695	\$2.16
4 BD/2 BTH	72	288	1,116	\$2,580	\$645	\$2.31

LOAN DETAILS

Term: 10 year term, Interest Only - 6 years. Type: Fixed. Interest Rate - 4.20%. Amortization: 30 years.

TARGETED PRO FORMA ANALYSIS

(Master Lease Structure)

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Total Operating Income	6,956,577	7,300,493	7,570,208	7,801,684	7,961,967	8,205,218	8,455,777	8,713,864	8,979,705	9,253,532
Total Expenses	2,283,704	2,696,968	2,909,059	3,171,077	3,232,055	3,296,641	3,362,585	3,429,919	3,498,671	3,568,873
Expense Ratio	32.8%	36.9%	38.4%	40.6%	40.6%	40.2%	39.8%	39.4%	39.0%	38.6%
NOI	4,672,872	4,603,525	4,661,150	4,630,607	4,729,911	4,908,577	5,093,191	5,283,945	5,481,034	5,684,659
Debt Service	(2,273,750)	(2,273,750)	(2,273,750)	(2,273,750)	(2,273,750)	(2,273,750)	(3,158,254)	(3,158,254)	(3,158,254)	(3,158,254)
Cash Flow After Debt Service	2,399,122	2,329,775	2,387,400	2,356,857	2,456,161	2,634,827	1,934,937	2,125,691	2,322,780	2,526,405
Distributions %	6.00%	6.00%	6.10%	6.10%	6.20%	6.20%	5.00%	5.10%	5.35%	5.45%

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SACRAMENTO STATE

2015/16 DEGREES AWARDED

Bachelor's	5,577
Master's	756
Doctorate	37
TOTAL	6,370

- ▲ Founded in 1947
- ▲ Student Population: 30,284
- ▲ Undergraduate Population: 27,723
- ▲ Student to Faculty Ratio: 27
- ▲ Total Annual Cost: \$35,512
- ▲ In-State Tuition: \$6,872
- ▲ Out-of-State Tuition: \$18,032
- ▲ On campus housing accommodates 5.5% of the total enrollment of 30,531 as of Fall 2016.

- ▲ Ranked 63rd overall out of all universities in the western United States. (U.S. News and World Report, 2015) and the school boasted the second-ranked MBA program among all California State Universities in 2013 (U.S. News & World Report)



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Sacramento Rent Growth Leads California, Rest of Nation **SACRAMENTO SECOND QUARTER 2017 MULTIFAMILY REPORT.**

Details of our analysis and more can be found in ARA Newmark's Sacramento Second Quarter 2017 Multifamily Market Report.

Read full report: http://www.listinglab.com/email/campaign_online.cfm?b=DD33661D-0EAA-FA23-967418DA6BC16BF5



CoStar Group™



SACRAMENTO APARTMENT RENTS: AN UNEXPECTED WINNER OF 2016

Sacramento isn't a name anyone expects to hear when discussing top real estate markets on a national scale.

But its recent apartment rent growth performance has heads turning. ...Sacramento sustained this outsized growth for all of 2016. To put things into perspective, after 16Q4 the metro posted year-over-year growth above 9% for the seventh straight quarter.

Read full article: <http://www.csus.edu/news/articles/2016/10/21/sac-state-enrollment-sets-another-record.shtml>



Capital Public Radio | NEWS
Fall 2015



"Larger and larger number of students that apply to Sacramento State every year actually are from outside the region, mostly from the San Francisco Bay Area and Southern California," says Mills.

RECORD FALL ENROLLMENT AT SACRAMENTO STATE.

California State University, Sacramento will have about 29,700 students starting the semester on August 31. Ed Mills, Vice President for Student Affairs at Sacramento State, says the incoming 3,800 first-year students is a new record for the school.

Read full article: <http://www.cpradio.org/articles/2015/08/24/sacramento-state-welcomes-record-number-of-first-year-students-this-fall-semester/>



SACRAMENTO | NEWS STATE



UNIVERSITY ENROLLMENT SETS ANOTHER RECORD

With nearly 40,000 applications for the Fall 2016 semester, Sacramento State set another enrollment record. This semester, 30,531 students are enrolled at the University - about 250 more than last fall.

The new semester drew about 3,700 new freshmen, 4,000 undergraduate transfers, and more than 700 first-time graduate students.

The Latino student population continues to grow at the fastest rate, followed by Asian and Pacific Islander (API) students. Sacramento State is one of the most diverse universities in the country, holding both a Hispanic and API-Serving designation with the U.S. Department of Education.

While the steady rise in applications for admission and increasing enrollment continues for the CSU's capital campus, Sac State has responded with a significant increase in the number of classes students are able to take this fall. The addition of 10,000 classroom seats helped more students get the classes they need and substantially increase the average course load across the board for all undergraduate students.

Read full article: <http://www.csus.edu/news/articles/2016/10/21/sac-state-enrollment-sets-another-record.shtml>



Nelson Brothers

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ABOUT NELSON BROTHERS

Current Management Portfolio At-A-Glance:

Founded in 2007, Nelson Brothers specializes in what the firm considers to be well-positioned student housing properties.

Headquartered in Orange County, CA, Nelson Brothers manages over \$500 million in real estate with more than 100 employees.