



OCEAN WALK

APARTMENT HOMES

OCEAN WALK | 3900 S ROOSEVELT BLVD. | KEY WEST, FL 33040

THE PROPERTY

- 297-unit apartment community located in the city of Key West, Florida at the eastern most portion of the island of Key West.
- The Community was built in 1989 with most interior upgrades completed between 2014 to 2017. Construction consists of a reinforced concrete footing with slab-on-grade foundation and mostly wood framed superstructure with areas of steel beams and concrete masonry unit block walls.
- The first story consists of exposed concrete walls and slab, which is the under-building parking; all the resident units are between the second and fifth floors.
- The property amenities include tennis courts, resort-style pool, basketball courts and jogging path.

THE INVESTMENT OPPORTUNITY

- Ocean Walk is the only market rate property with traditional apartment amenities in the Key West market.
- There are strong barriers to entry because of the strict rate of growth ordinances and a lack of readily developable sites.
- Since 2008, effective rents at Ocean Walk have grown an annual average of 5.7% and the average rent per unit is \$2,307.
- Key West was awarded 2016 “Best Small Cities in the U.S.” by Conde Nast Traveler.

This material does not constitute an offer and is authorized for use only when accompanied or preceded by a definitive confidential private placement memorandum. Reference is made to the memorandum for a statement of risks and terms of the offering. The information set forth herein is qualified in its entirety by the memorandum. All potential investors must read the memorandum and no person may invest without acknowledging receipt and complete review of the memorandum.

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BUSINESS STRATEGY

The Master Tenant objectives will be to (i) make fixed rent payments and percentage rent payments, (ii) maximize rental increases, 'other income' and occupancy, (iii) improve new lease closing ratios and resident retention, (iv) reduce operating expenses, and (v) prepare the property to be sold when the market dictates.

The business plan is to take advantage of the constrained housing stock and utilize the imbalance in supply and demand to increase and maintain high occupancy and grow rental rates and ancillary income. The Project represents an opportunity to acquire a unique asset within the Key West market as the Project is the top multifamily property in terms of location, physical plans, amenities and desirability. Furthermore, it is 1 of only 3 professionally managed multifamily communities on the island, and the Project constitutes approximately 46% of the apartment stock by the number of units.

The following items represent opportunities to continue to improve the financial performance and to enhance the Project's position and reputation as the most desirable apartment living on the island.

- The Community represents the only market rate multifamily property with traditional apartment amenities on the island.
- Strict rate of growth ordinances and a lack of readily developable sites should hinder the development of future competitive projects.
- The Community is only 91% occupied and should be occupied in the mid 90% resulting in an opportunity to increase income and reduced expenses associated with higher vacancy.
- The apartment market offers strong fundamentals with strong occupancy, increasing rental rates and no concessions.

- Low vacancy rates exist within the local multifamily market with wait lists on some projects.
- Rising local property values.
- Minimal direct competition for larger multifamily properties in the Key West market, particularly for properties without rent concessions and/or rent restrictions.
- Close proximity to major area amenities and the international airport.

Marketing

The marketing campaign will be created to appeal to the island constituency including military, municipal, and government personnel, young professionals, service industry employees and retirees. The marketing campaign of the Project will be designed to maximize occupancy through implementation of a multi-platform marketing program including a focus on the following:

- Create new collateral and website.
- Utilize primarily internet advertising and employ print media if applicable.
- Implement aggressive marketing campaigns to reach out to local corporations, businesses and vendors to obtain referrals, activity sponsorships and reciprocal business opportunities including the development of "preferred employer" programs for the following large employers in the area: United States Naval Air Station; Monroe County School District; Monroe County Sheriff's Office; Monroe County Government; City of Key West (including police, fire and EMS); and Florida Keys Aqueduct Authority.

OCEAN WALK APARTMENTS



Maximize Performance

- Install a state-of-the-art computerized revenue management program that collates market and submarket data and establishes daily pricing for all units based on a number of primary factors including inventory, days on market, move-in date and location. This type of computerized revenue enhancement system is gaining wide acceptance in the multi-family management industry as being a cost effective software program that will manage pricing in an effort to increase the financial performance of the Project.
- Introduce and monitor more aggressive increases in other income items and income fees relating to utility costs, trash removal fees, pest control fees., administrative fees, application fees, transfer fees, valet trash fees, pet deposits and pet rent.
- Complete the unit replacements on the remaining 10% of the units.

Improve New Lease Closing Ratios and Resident Retention

- Hire a nationally recognized third-party property management company to oversee an on-site management team of experienced and enthusiastic professionals.
- Install a lease management system that targets the number of monthly lease expirations to approximately 10% of the units.
- Install a reputation management system that enhances the Project's on-line rating scores on industry rating sites as well as multiple search engine rating sites. In today's technology driven market, a property's on line rating scores are critical search components for prospective residents.

- Conduct regular meetings between the Master Tenant's asset manager(s) and the regional third-party staff reviewing performance reports including, but not limited to, new leasing activity, retention activity, pricing matrix, marketing programs and capital projects.
- Hold regular resident functions to foster a sense of community thereby increasing tenant retention.

Implement Asset Management Programs

- Leverage "economy of scale" cost effective pricing structure on contractor and vendor services, insurance and maintenance supply inventory.
- Perform annual competitive bidding of contracts and services.
- Implement an annual property tax review and appeal program utilizing recognized national and/or local area tax consultants.
- Implement an annual property insurance review utilizing recognized national insurance agencies.

Risks

All real estate investments have risks. There is no assurance that some or all of these objectives will be met. There are substantial risks in any Investment Program. See "Risk Factors" in the accompanying Private Placement Memorandum for a discussion of the risk relevant to this offering.



THE MARKET

Key West is an island city about 4 miles long by 1.5 miles wide, located at the southern end of U.S. Highway 1, approximately 150 miles southwest of Miami, Florida and 90 miles northwest of Havana, Cuba. Key West’s history as a pirate stronghold and civil war outpost has generated interest and intrigue in the area, making the Island a popular tourist destination and an artist/writers colony. Key West was awarded the 2016 “Best Small Cities in the U.S.” by Conde Nast Traveler readers for smaller cities with populations under 150,000. Key West has transformed from a largely military town to a world-renowned tourist destination and many people come to Key West as tourists and return as investors. In the early years, the Key West economy would boom with the pilgrimage of snowbirds and drop off dramatically in late spring but now there really is no off-season – just season and peak season. According to the Monroe County Tourist Development Council, the total number of Key West visitors for 2014 was 2,662,500, an increase of nearly 30% since 2008 when 2,058,097 people visited the area. Over 30% of the Monroe County population resided in Key West as of July 2015 according to the U.S. Census Bureau. In addition to its tropical ambiance, Key West has become known for its island festivals, including Fantasy Fest, International Offshore Powerboat Race Week, Hemingway Days, Literary Week and Audi Race Week. In addition, Key West offers numerous attractions including, Duval Street, the Bourbon Street of Key West’s historic Old Town, which is the center of the area’s night life, festivals and shopping.

Local Sub-Market

Approximately 2 miles from Ocean Walk is the most popular stretch of sand in Key West, Smathers Beach. A sidewalk/bikepath connects the property directly to Smathers Beach while offering 180 degree views of the beautiful surrounding waters. The Lower Keys Medical Center, which is the area’s sole healthcare provider, is also in very close proximity to Ocean Walk. Lower Keys Medical Center is a 167-bed, full service acute care medical facility with a 24/7 emergency room, 24/7 laboratory, 24/7 radiology services and a specially-equipped medical transport helicopter. Other points of interest

within just a short distance of Ocean Walk are Florida Keys Community College, Ernest Hemingway Home and Museum and the U.S. Coast Guard Station Key West. The overall market and the local submarket have been exhibiting positive growth in occupancy and rental rates over the past 6 to 12 months and those market participants are estimating that this trend will continue into the future. There is little direct competition of larger multifamily properties in Key West and several of the competitive properties have legal limitations on rents received and/or restrictions on income levels and limited amenities. Ocean Walk represents the only market rate property with traditional apartment amenities in the Key West market. The property is the largest multifamily rental property in Key West and is one of only 2 rental communities larger than 100 units without some level of rental restrictions. Since 2008, effective rents have grown an annual average of 5.7% with average effective rents of \$2307.

MONROE COUNTY - EMPLOYEES BY INDUSTRY

Industry	No. of Jobs
Accommodation and Food Service	14,504
Retail Trade	7,232
Real Estate and Rental and Leasing	5,129
Construction	3,805
Other Services, except Public Administration	4,020
Administrative and Waste Management Services	3,543
Health Care and Social Assistance	3,144
Professional, Scientific, and Technical Services	2,836
Other	11,397
Total Private Non-Farm Employment	55,610
Federal, Civilian Workers	1,205
Military	1,414
Local Government	3,945
State Government	606
Total Government Enterprises	7,170
Total Employment in Monroe County	62,780

Source: Moody’s Analytics Précis U.S. Metro Report – Nov. 2016

EXECUTIVE SUMMARY



DEMOGRAPHICS

	Monroe County	1-Mile	3-Mile	5-Mile
2010 – 2017 Population Growth	6.82%	7.22%	6.47%	6.23%
2017 – 2022 Population Growth	5.37%	5.75%	5.33%	5.19%
2017 Estimated Population	78,073	7,475	26,387	31,524
Average Age	45.3	39.4	41.4	42.0
% of Age 25+ w/ College Deg.	38.82%	34.36%	37.23%	38.33%
Prime Rental Age 18-34	18.19%	22.87%	21.53%	21.38%
Average Household Income	\$88,055	\$70,948	\$78,246	\$80,407
% of Households > \$100K Income	27.39%	19.68%	23.07%	23.90%
Median Home Value	\$438,065	\$344,978	\$426,924	\$461,272

Source: Claritas



UNIT MIX

UNIT TYPE	%	UNITS	TOTAL SF	SF PER UNIT
1BR/1BA	8.1%	24	15,504	646
1BR/1BA	16.2%	48	24,000	500
2BR/2BA	16.2%	48	40,320	840
2BR/1BA	35.0%	104	79,872	768
3BR/2BA	9.0%	27	28,296	1,048
3BR/2BA	15.5%	46	49,450	1,075
TOTAL / AVERAGE	100%	297	237,442	799

*Total square footage divided by total number of units.



AMENITIES

Community Amenities include:

- Community pool
- Tennis courts
- Basketball court
- Jogging path
- Dog park

Unit Amenities:

- Each unit features a fully equipped kitchen with electric range/oven, vent-hood and/or microwave/vent-hood, frost free refrigerator with icemaker, garbage disposal and dishwasher.

- Additionally, each unit features a mix of laminate and wood cabinets with granite countertops in upgraded units and Formica countertops in non-upgraded units (approximately 30 units). The kitchens have vinyl and/or ceramic plank tile flooring.

OCEAN WALK APARTMENTS



FLOOR PLAN SAMPLES



1 Bedroom | 1 Bath



2 Bedroom | 1 Bath



2 Bedroom | 2 Bath



3 Bedroom | 2 Bath



3 Bedroom | 2 Bath

The Memorandum contains more complete information regarding the investment including the following risk factors:

- There will be no public market for the Interests.
- There is no specified time that the investment will be liquidated.
- Delaware Statutory Trusts are a relatively new vehicle for real estate investment and are inflexible vehicles to own real property.
- Investors will have no voting rights and will have no control over management of the Trust or the Project.
- There is no guarantee that investors will receive any return.
- Distributions may be derived from sources other than earnings.
- The Project will be subject to a Master Lease with an Affiliate of the Sponsor.
- The Project will be subject to the risks generally associated with the acquisition, ownership and operation of real estate including, without limitation, environmental concerns, competition, occupancy, easements and restrictions and other real estate related risks.
- The Project will be leveraged.
- The Manager, the Master Tenant and their Affiliates will receive substantial compensation in connection with the Offering and in connection with the ongoing management and operation of the Project.
- The Manager, the Trust, the Master Tenant and their Affiliates will be subject to certain conflicts of interest.
- An investment in the Interests involves certain tax risks.

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