



Case Study: Taking an Asset Full Cycle

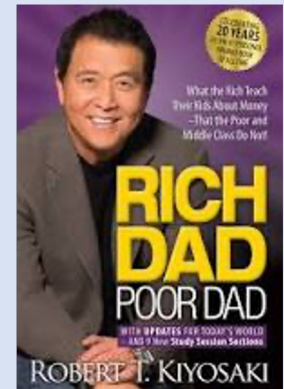


Steven Louie – Managing Partner, Vertical Street Ventures
General Partner / Key Principal – 900+ Units
Limited Partner – 2,500+ Units

“The secret of getting ahead is getting started”

– Mark Twain

Background: I began my journey in real estate after reading the well-known purple book, Rich Dad Poor Dad, by Robert Kiyosaki. Being a W-2 wage earner my entire career, this book pushed me to have an open mindset towards **building passive income through real estate**. Prior to real estate investing, I was focused on paying down all my debt and investing through mutual funds, 401(k), individual stocks, and annuities. Having an open mindset has helped me broaden my perspective on achieving financial freedom.



Like many people, I started with single family homes (SFH) and built a portfolio of 10 SFH/duplexes/fourplexes, but in 2016 I was exposed to the scaling benefits of apartment investing. So, I quickly joined a multifamily investing mentoring program, watched online training videos, listened to numerous podcasts, and spent an entire year underwriting multifamily opportunities without a closing a single deal.

Fast forward to today, I am invested in **over 2,500 doors** and I am excited to share my recent experience with going full cycle on my first opportunity in the Phoenix market. The process began by spending a week away from my W-2 job to meet with brokers, property managers, and bankers. After the visit, one of the brokers sent me a listing for a Class C property and said this would be a great place to start your portfolio. After multiple underwriting iterations, property visits, and due diligence, my business partner and I decided to take the plunge as general partners. Little did I know that this property, after rehab and refinance, would create an **infinite return**. Below are some of the facts and details.

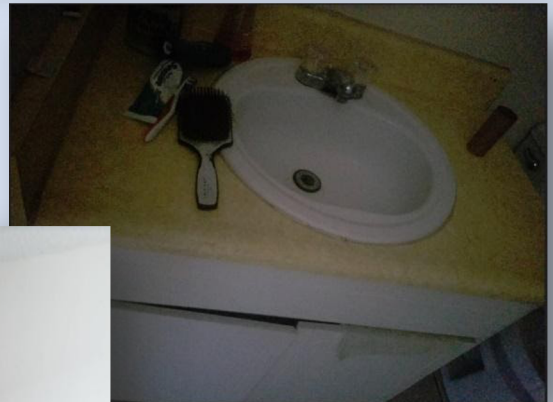


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The Opportunity:

- 28 Unit apartment complex in Phoenix
 - 24 – 2 bedrooms
 - 4 – 1 bedroom
- Class C property – workforce housing
- 1979 Construction with original interior
- Communal Laundry Room with Washers / Dryers
- Rent as low as \$500 per month for a 2-bedroom unit

Before Renovation:





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Business Plan: Double Money in 5 Years with an 8% Cash on Cash Return

- Budget \$23k per door to improve the property (bank financed 75% LTC)
- Rebranded Property as Urban Oasis Apartments
- New Kitchen – Stainless Steel premium package in all units
 - Granite countertops and garbage disposals added
 - Dishwashers added
 - Above range microwaves added
- Washers / Dryers added in all units
- Ceiling fans in each bedroom and family room
- New front door and window coverings for all units
- Vinyl plank flooring throughout
- Common lounge area with grilling station and new dog park
- Resurfaced pool and added new pool furniture

After Renovation:





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Results:

- Increased rents by more than 100% (\$500 → \$1,100 with \$60 RUBS)
- Cash-out refinance after only 16 months of ownership
 - 100% of initial investment was returned to investors after the refinance
 - Non-recourse loan with 3 years interest only
 - An infinite return – the investor money is no longer in the deal
- Cost Segregation performed with Bonus Depreciation created an \$1M tax deduction for the investors
- Enhanced the neighborhood - 5 other apartments on the street are executing on a similar business plan
- Improved tenant base

What's Next?

This is one example of how I was able to take a property full cycle. To learn more about Vertical Street Ventures – visit us at www.VerticalStreetVentures.com. We look forward to learning more about your goals and how we can help you achieve them through passive investing.

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