

Preferred Equity Investment \$2,930,000

New “Opportunity Zone” Single Family Rental Community in Charlotte, NC utilizing both Long-term and Short-term Rentals

Project Overview

Sugartree Development Partners, is a Charlotte, NC based real estate development company specializing in the development of stylish and affordable single-family rental housing in rapidly expanding neighborhoods. This project has been identified as an “Opportunity Zone investment” located within Charlotte’s developing light rail corridor. Opportunity Zone investments offer an excellent opportunity for investors to forgo a current capital gains tax by putting those dollars to work immediately in an approved OZ business. The project is only one mile away from the new Blue Line Sugar Creek Light Rail Station, 1 mile away from the NoDa Arts District, 0.25 miles away from I-85, and just 4 miles away from Center City Charlotte.”

The site is located directly on the 73-acre Sugaw Creek Park and has a 2 acre dedicated tree save which spans across the rear of all 30 units. The Sugaw Creek Park offers 6 lighted tennis courts, a volleyball court, lighted soccer and baseball fields, picnic areas, a nature trail, and an 18-hole disk golf course. Phase I of the site’s horizontal construction has been completed, and a model home has been built to showcase the project.

Plans range from 1,839 to 2,344 heated square feet with the largest offering a total of 3,051 square feet under roof. The aesthetic is distinctly Scandinavian with clean lines and minimalist design surrounded by nature. The six plans are available in multiple facades and offer 2 car garages, covered porches, 3 to 4 bedrooms, 2.5 to 3.5 baths, owner suites on the main level, and office spaces. The smart open design provides a comfortable and efficient use of space, with 10 ft ceilings on the main level and 9 ft on the upper level. All homes are pre-wired for solar panels as a standard feature to increase resale value.

Business Strategy

The developer intends to rent 50% of the units as LTR and 50% as STR (Airbnb) and have the ability to adjust this allocation based on market demand to optimize rental profit.

Product Strategy: STDP is constructing a mid-sized, medium-quality product with unique modern design features that will generate a high ROE when exiting the project via retail sales, and provide an above average NOI generated by STR revenue.

Exit Strategy: The Developer intends to sell the homes retail after a predetermined rental holding period (subject to market conditions) to maximize the equity appreciation of the homes due to the projected development of the area being influenced by the tax incentives provided by the newly established Economic Opportunity Zone (<https://eig.org/opportunityzones>) legislation.

Preferred Equity Ask: \$2,930,000

Pref Return Paid From Cash Flow 12%	\$787,572
Pref Return Paid From Exit Funds 12%	\$267,228
Share in Net Exit Profit	\$2,005,322
Targeted IRR 28.64% Equity Multiple 2.04	\$3,060,122

Exit Year NOI	\$785,256	Following Year NOI)	
CAP Rate	5.00%		
Exit Valuation	\$15,705,111	Exit Year: 3	
Net Exit Value	\$15,391,009		
Total Costs	\$11,113,370		
<u>Total Gross Profit</u>			
<u>Operations & Sale</u>	\$5,253,326		
Principle Debt Payments	\$188,115		
Available for Member Distributions	\$5,253,326		



The Sponsor

The demand for New Single Family Rental Homes in Charlotte can offer investors a high risk-adjusted return when utilizing both Long-term and Short-term rentals.

Sugartree Development Partners has developed a groundbreaking, comprehensive solution for investors looking to make direct investments in subdivision utilizing a mixture of both Short-term and Long-term Single Family Homes. These homes that are being financed with a combination of bank financing, Sponsor equity, and LP equity to produce an investment that meets the demands of today's housing market in Charlotte, South Carolina.

Our business plan contemplates leasing the homes for three years and then selling the homes once the neighborhood is completely developed. We believe this presents a significant upside for investors.

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The Economy in Charlotte, North Carolina

- Charlotte has an unemployment rate of 4.5%. The US average is 5.2%.
- Charlotte has seen the job market increase by 3.5% over the last year. Future job growth over the next ten years is predicted to be 42.5%, which is higher than the US average of 38.0%.

Income and Salaries for Charlotte, North Carolina

- The average income of a Charlotte resident is \$31,844 a year. The US average is \$28,555 a year.
- The Median household income of a Charlotte resident is \$53,274 a year. The US average is \$53,482 a year.

[For online documents click here to visit our Investment Posting](#)

DISCLAIMER:

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Southern regional banks BB&T and SunTrust announced on February 7, 2019 they will merge, creating the sixth-largest bank in the country, based on assets and deposits. The corporate headquarters will be in Charlotte and it's going to include a new information and technology center. The last big banking merger in Charlotte happened in 1998 when NationsBank bought Bank of America. Since then, the Charlotte Regional Realtor Association said that the average sale price of homes in Charlotte has almost doubled.

Supporting Companies

- ❖ **Vista Homes-** the Company is engaging Vista Homes to build the units. Vista Homes has been working with the Company in the unit design and specifications and to establish the unit delivery timeline. Vista Homes is a niche, infill production builder/developer based in Charlotte, NC. Vista Homes has an unparalleled attention to detail, design, and customer service, in the production builder environment. The Vista Homes team pulls from their decades of experience with a variety of national builders to create fine tuned production-based processes and systems in the infill environment - a tough feat that has allowed Vista Homes to earn a large share of the mid-price point infill environment in Charlotte. Vista Homes is large enough to create efficiencies, but small enough to be nimble and take on unique projects. Vista Homes also uses their experience as a developer/builder to be a valuable partner to other developers in a fee-build structure, maximizing value creation in the build process. Vista Homes is a widely respected brand in the Charlotte market, with loyal followers in the brokerage, buyer, developer, builder, and design enthusiast communities.
- ❖ **Open Source Capital, LLC** a preeminent source for structuring and marketing real estate syndications
- ❖ **CorVest Finance:** CoreVest has funded more than 29,000 properties and closed nearly \$4 billion in loans and will provide the project's senior construction- to-perm loans.

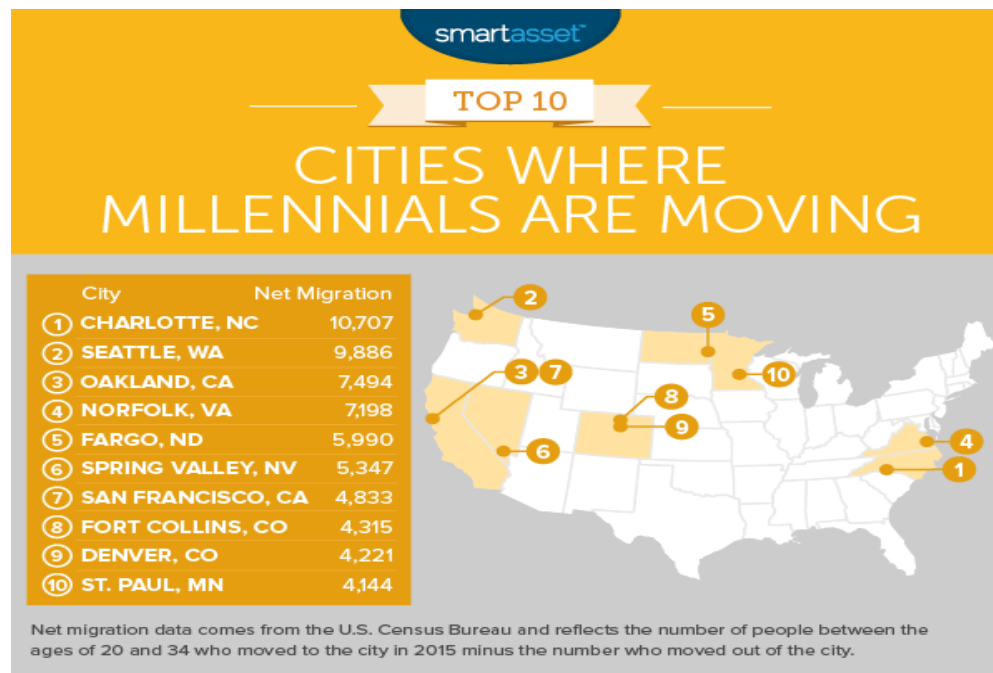
SUGARTREE
Development Partners, LLC



Market and Competition

Charlotte is the most populous city in the state of North Carolina. It is the county seat of Mecklenburg County. In 2017, the U.S. Census Bureau estimated the population was 859,035, making it the 17th most populous city in the United States. The Charlotte metropolitan area's population ranks 22nd in the U.S., and had a 2016 population of 2,474,314. The Charlotte metropolitan area is part of a sixteen-county market region, or combined statistical area, with a 2016 census estimated population of 2,632,249. It is the second largest city in the southeastern United States, just behind Jacksonville, Florida.

It is the third fastest growing major city in the United States, with a 1.8% annual growth rate in 2017. Between 2004 and 2014, Charlotte was ranked as the country's fastest-growing metro area, with 888,000 new residents. In 2017 Mecklenburg County's added 19,600 residents, or on average about 54 new residents a day. Additionally, Charlotte is projected to have one of the highest rates of millennial growth in the nation, according to U.S. Census data multiple studies, topping the 50 largest U.S. cities as one the nation's major millennial hubs.



Charlotte is home to the corporate headquarters of Bank of America and the east coast operations of Wells Fargo, which along with other financial institutions has made it the second-largest banking center in the United States. In February 2019, Southern regional banks BB&T and SunTrust announced that they will merge, creating the sixth largest bank in the country. The corporate headquarters will be located in Charlotte, thus securing the Queen City's position as the second largest financial hub in the U.S. with approximately \$2.8 trillion in assets. Merger plans include a new information and technology center, along with steady job growth adding to the 2,000 existing BB&T/Suntrust employees in the Charlotte region.

Long-Term Rental Analysis

Charlotte's significantly lower cost of living compared to comparable metropolitan areas has long been a factor for both households and corporate migration into the area. Rents have increased dramatically but remain below national averages. Median home sale prices have followed a comparable trend. According to Fannie Mae's 2018 Winter Outlook, "*Charlotte's long-term favorable economic and demographic forecast should allow for healthy expansion of its for-rent market. Its concentration of young people, coupled with its strong in-migration trends, will likely present opportunity for new for-rent development to be absorbed over the forecast horizon*". According to the U.S. Census, just under half of Charlotte households rent. That means the dramatic rise in rents, ~36% percent in the past five years, has had a big impact on the city. Single-family rental companies such as Invitation Homes and Tricon American Homes have purchased more than 10,000 houses in the Charlotte region since 2008. These Wall Street-backed firms have turned those houses into permanent rentals. According to Rent Jungle, as of January 2019, average rent for an apartment in Charlotte, NC is \$1,433 which is a 6.63% increase from last year.

CL-20190109.V.10 Sugartree Issuer LLC - TOTAL RENTAL - ERMER

DASHBOARD

Property Summary

Number of Units	30
Stabilized Occupancy Rate ST ABB	69.00%
Stabilized Occupancy Rate LT	95.00%
Gross Revenues	\$ 1,608,676

Development Summary

Closing Date			
Construction Start			
Development/Construction Period - Mos.			7
Begin Leasing - Month			8
ProjectBudget		Per Unit	
Land Cost	\$ 2,250,000	\$ 75,000	
Development Cost	\$ 590,000	\$ 19,667	
Hard Cost	\$ 5,940,270	\$ 198,009	
Soft Cost	\$ 1,383,100	\$ 46,103	
Financing cost	\$ 950,000	\$ 31,667	
Total Cost	\$ 11,113,370	\$ 370,446	
Reserve Funds - Acquisition & Company Operations	\$ -		
Total Fundings	\$ 11,113,370		

Return on Cost

			Per Unit
Exit NOI - Based on Following Year Ending	3	\$ 785,256	\$ 26,175
Return on Cost (Stabilized Exit)		7.07%	

Capital Structure

Senior Debt - Revolver to Perm	68.00%	\$ 7,557,092
LP - Class B Members	26.36%	\$ 2,930,000
LP - Class C Members	0.00%	\$ -
GP - Class A Members	5.64%	\$ 626,278
Total Capital	100.00%	\$ 11,113,370

Exit Year NOI	\$ 785,256	(Following Year NOI)
CAP Rate	5.00%	
Exit Valuation	\$ 15,705,111	Exit Year: 3
Net Exit Value	\$ 15,391,009	
Total Costs	\$ 11,113,370	
	\$ 4,277,639	
Pref Payments Made	\$ 787,572	
Net Cash Flows	\$ (0)	Operations
Total Gross Profit Operations & Sale	\$ 5,065,211	
Plus Principal Debt Payments	\$ 188,115	
Available for Member Distributions	\$ 5,253,326	
	Class B	Class A
Exit Profit Sharing	50.00%	50.00%
Pref Return Paid From Cash Flow	\$ 787,572	\$ -
Pref Return Paid From Exit Funds	\$ 267,228	\$ 187,883
Share in Net Operating Cash Flows	\$ (0)	\$ (0)
Share in Net Exit Profit	\$ 2,005,322	\$ 2,005,322
	\$ 3,060,122	\$ 2,193,205

Permanent Loan Summary

Loan Amount	\$ 7,502,524
Term (years)	25
Payment - Annual	\$ 580,066
Amortization (years)	25
Interest rate	6.00%

Exit Disposition Summary

Hold Period - Months	36	
Exit Cap Rate	5.00%	
Exit Price	\$ 15,705,111	
Less Exit Cost	\$ (314,102)	2.00%
Less Outstanding Loan Balance	\$ (7,368,976)	
Net sales Price	\$ 8,022,033	

Return Summary

Class B Equity	
Pref Return Rate	12.00%
IRR	28.64%
Equity Multiple	2.04
Total Return (Net of Equity)	\$3,060,122
Class A Equity	
Pref Return Rate	10.00%
IRR	65.12%
Equity Multiple	4.50
Total Return (Net of Equity)	\$2,193,205

CL-20190109.V.10 Sugartree Issuer LLC - TOTAL RENTAL - ERMER

IRR SUMMARY

		Investment /							
		Year 1	Year-1	Year-2	Year-3	Year-4	Year-5	Year-6	
NOI		\$ 166,594	\$ 596,620	\$ 735,464	\$ 785,256	\$ 834,863	\$ 884,284		
Capital Reserve		\$ (6,219)	\$ (21,766)	\$ (25,124)	\$ (25,375)	\$ (25,629)	\$ (25,886)		
Debt Service - Senior Loan - From Cash Flow		\$ -	\$ (77,931)	\$ (580,066)	\$ (580,066)	\$ (580,066)	\$ (580,066)		
Class B Pref Payments - From Cash Flow		\$ (160,375)	\$ (496,923)	\$ (130,274)	\$ -	\$ -	\$ -	\$ (787,572)	
Class A Pref Payments - From Cash Flow		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Cash Flow After Debt Service		\$ 0	\$ (0)	\$ (0)	\$ -	\$ -	\$ -	\$ (0)	
Net Cash Flow After Payments		\$ 0	\$ (0)	\$ (0)	\$ -	\$ -	\$ -	\$ (0)	
Sale Assumptions - CAP	5.00%		\$ -	\$ 15,705,111	\$ -	\$ -	\$ -	\$ 15,705,111	
Exit Year	3								
Valuation Based on Following Year - NOI									
Sales/Refinance Costs	2.00%		\$ -	\$ (314,102)	\$ -	\$ -	\$ -	\$ (314,102)	
Mortgage Balance: Senior			\$ -	\$ (7,368,976)	\$ -	\$ -	\$ -	\$ (7,368,976)	
Accrued Pref Return Due Class B			\$ -	\$ (267,228)	\$ -	\$ -	\$ -	\$ (267,228)	
Accrued Pref Return Due Class A			\$ -	\$ (187,883)	\$ -	\$ -	\$ -	\$ (187,883)	
Equity Return - Class B			\$ -	\$ (2,930,000)	\$ -	\$ -	\$ -	\$ (2,930,000)	
Equity Return - Class A			\$ -	\$ (626,278)	\$ -	\$ -	\$ -	\$ (626,278)	
Total Net Cash Flow to Project		\$ 0	\$ (0)	\$ 4,010,643	\$ -	\$ -	\$ -	\$ 4,010,643	
Project Sponsor - Class A Member									
Pref Return Paid From Cash Flow		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Acrued Pref Return Paid at Exit		\$ -	\$ -	\$ 187,883	\$ -	\$ -	\$ -	\$ 187,883	
Share in Net Project Operating Cash Flow		\$ 0	\$ (0)	\$ (0)	\$ -	\$ -	\$ -	\$ (0)	
Share in Net Project Exit Profit Cash Flow		\$ -	\$ -	\$ 2,005,322	\$ -	\$ -	\$ -	\$ 2,005,322	
Return of Investment		\$ -	\$ -	\$ 626,278	\$ -	\$ -	\$ -	\$ 626,278	
Total Net Cash Flow to Project Sponsor - Class A		\$ 0	\$ (0)	\$ 2,819,483	\$ -	\$ -	\$ -	\$ 2,819,483	
								4.50	
Cash Flow to Class A Member		\$ (626,278)	\$ 0	\$ (0)	\$ 2,819,483	\$ -	\$ -	\$ -	\$ 2,193,205
Cash on Cash Return			0.00%	0.00%	450.20%	0.00%	0.00%	0.00%	
IRR to Class A Member		65.12%							
Class B Member									
Pref Return Paid From Cash Flow		\$ 160,375	\$ 496,923	\$ 130,274	\$ -	\$ -	\$ -	\$ 787,572	
Acrued Pref Return Paid at Exit		\$ -	\$ -	\$ 267,228	\$ -	\$ -	\$ -	\$ 267,228	
Share in Net Project Operating Cash Flow		\$ 0	\$ (0)	\$ (0)	\$ -	\$ -	\$ -	\$ (0)	
Share in Net Project Exit Profit Cash Flow		\$ -	\$ -	\$ 2,005,322	\$ -	\$ -	\$ -	\$ 2,005,322	
Return of Investment		\$ -	\$ -	\$ 2,930,000	\$ -	\$ -	\$ -	\$ 2,930,000	
Total Net Cash Flow to Class B Investors		\$ 160,375	\$ 496,923	\$ 5,332,824	\$ -	\$ -	\$ -	\$ 5,990,122	
								2.04	
Total Funds Flow to Class B Investors		\$ (2,930,000)	\$ 160,375	\$ 496,923	\$ 5,332,824	\$ -	\$ -	\$ -	\$ 3,060,122
Cash on Cash Return			5.47%	16.96%	182.01%	0.00%	0.00%	0.00%	
IRR to Class B Member		28.64%							

Thank you