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## Using Private Equity to Acquire Multifamily Assets

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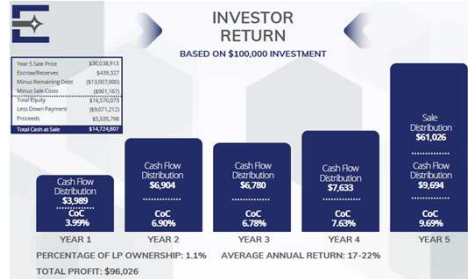
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#### Overview

Endurus Capital, and Minnesota-based real estate investment firm, purchased a 94 unit townhouse development called **Traditions at Slate Ridge** in Columbus, Ohio for \$18.5MM on May 25, 2023. Endurus Capital raised ~\$9.3M of private investor capital combined with a ~\$13M loan from Fannie Mae to make the acquisition.

Endurus Capital intends to provide to their investors a fair-market risk-adjusted return for this type of asset:



#### Property Overview

Traditions at Slate Ridge was built between 2006-2008 and was initially sold off as individual townhomes. The seller of this complex spent many years purchasing all of the individual units unit they controlled 100% of the development.

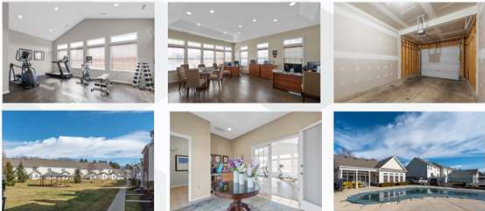
The property is in Reynoldsburg, Ohio, a suburb of Columbus, Ohio. This market is attractive for many reasons:

#### Centralized Location

Ohio set a record for VC investment in 2021 with over \$2B invested in the state and over 66% of the money going to Columbus-based companies.

#### Diversified Economy

Columbus region is poised to add 622,900 residents in the next quarter century. Placing the city as one of the fastest-growing metropolitan areas in Ohio.



#### Investment Summary

#### TRADITIONS AT SLATE RIDGE OPPORTUNITY

TOTAL RAISE: \$9,100,000

\$50,000  
Minimum Investment

Class A Shares  
75/25 Split & 7% Preferred Return  
17-22% AAR Projected  
60/40 Split at a 14% IRR

Tax Benefits  
Cost Segregation and Bonus Depreciation

Investment Terms  
5+ Year Hold  
Equity Upside

In early 2023, Endurus Capital hosted a series of informational webinars and in-person meetings with prospective investors to sell ~\$9M of securities to acquire this multifamily property.

Our investors purchased shares of a newly-formed entity using a private placement Regulation D 506b offering, which is part of Section 4(a)(2) of the Securities Act. These shares are privately issued and are not able to be traded on stock exchange.

**PORTFOLIO PROJECTIONS**

	T3	Year 1	Year 2	Year 3	Year 4	Year 5
Gross Potential Rent	\$1,822,772	\$2,199,900	\$2,287,896	\$2,379,412	\$2,474,588	\$2,573,572
Management and Maintenance	(\$144,476)	(\$55,977)	(\$55,869)	(\$180,353)	(\$173,211)	(\$154,414)
Total Other Income	\$169,048	\$162,546	\$169,048	\$175,810	\$182,843	\$190,156
Effective Income	\$1,847,344	\$2,296,469	\$2,391,075	\$2,474,869	\$2,484,220	\$2,609,314
Admin/Legal/Accounting	\$58,320	\$48,598	\$50,022	\$52,023	\$54,104	\$56,869
Repair/Maintenance/Services	\$109,712	\$89,671	\$110,037	\$114,438	\$119,016	\$123,376
Utilities	\$143,420	\$132,383	\$137,678	\$143,186	\$148,913	\$154,869
Insurance	\$92,256	\$28,866	\$30,021	\$31,221	\$32,470	\$33,769
Real Estate Taxes	\$23,846	\$23,846	\$25,423	\$401,310	\$417,963	\$434,057
Management & Payroll	\$251,184	\$215,494	\$232,350	\$243,786	\$254,279	\$264,936
Total Expenses	\$878,738	\$738,358	\$817,530	\$985,964	\$1,026,145	\$1,067,877
Net Operating Income	\$968,606	\$1,558,111	\$1,573,545	\$1,378,905	\$1,458,065	\$1,541,437
Debt Service	(\$728,392)	(\$728,392)	(\$728,392)	(\$728,392)	(\$728,392)	(\$728,392)
Cash Flow	\$240,214	\$829,719	\$845,153	\$650,513	\$729,673	\$813,045
Asset Management Fee	(\$27,847)	(\$33,079)	(\$35,473)	(\$37,263)	(\$38,947)	(\$40,717)
Member Distribution	\$361,873	\$626,274	\$615,040	\$692,410	\$761,531	\$813,045

**RENOVATION BREAKOUT**

Interior Unit Breakout				Exterior Breakout		Total	
Bed/Bath	Sq Ft	Count	Avrg/Cost/Unit	HVAC	\$400,000		
2 Bed/2.5 Bath	1,348	29	\$13,000	Roof Replacement	\$150,000		
2 Bed/2.5 Bath	1,458	8	\$13,500	Deck TLC	\$65,000		
2 Bed/2.5 Bath	1,587	14	\$14,000	Property Exterior: Paint Touch-Ups	\$108,000		
2 Bed/2.5 Bath	1,595	4	\$14,000	Clubhouse Upgrades	\$25,000		
2 Bed/2.5 Bath	1,945	6	\$15,000	Signage/Branding Upgrades	\$25,000		
3 Bed/2.5 Bath	2,378	3	\$13,500	Property Exterior: General Cleaning	\$12,000		
<b>Total</b>	<b>83</b>	<b>83</b>	<b>\$13,542</b>	<b>\$1,124,000</b>			

Supervision Fee - 5%: \$76,200  
 Contingency - 10%: \$160,000  
**Total Capital Expenditures: \$1,760,200**

#### Business Case

Multifamily investments assets provide many benefits:

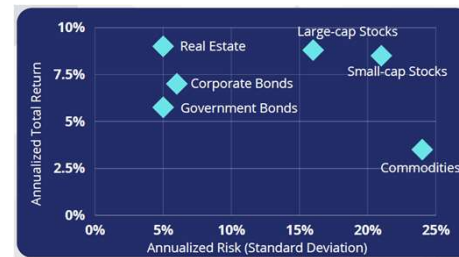
**REDUCED VOLATILITY** - Because housing is a basic human need, multifamily housing has historically shown resilience during times of economic uncertainty.

**HEDGE AGAINST INFLATION** - When central banks expand the money supply causing inflation, real estate is often one of the first assets to rise.

**CASHFLOW** - Multifamily investments often generate meaningful and predictable income.

**LOWER CORRELATION TO PUBLIC MARKETS** - Investment into privately owned real estate is consistently valued based on profitability and cashflow, not the daily whims of Wall Street or the 24/7 news cycle.

**STRONG HISTORIC RETURNS** - Multifamily real estate has often matched or exceeded average returns in the S&P500 on an unleveraged basis:



#### Return Sensitivity Analysis

#### Average Annual Return:

**CHANGE IN RENT GROWTH**

	CHANGE IN RENT GROWTH								
	3.00%	3.25%	3.50%	3.75%	4.00%	4.25%	4.50%	4.75%	5.00%
3.00%	17.30%	18.30%	19.44%	20.82%	21.81%	22.75%	23.83%	24.96%	26.08%
3.50%	18.80%	19.40%	20.48%	21.89%	22.62%	23.71%	24.89%	26.17%	27.02%
4.00%	19.44%	20.48%	21.89%	23.00%	23.71%	24.89%	26.17%	27.02%	28.20%
4.50%	20.48%	21.89%	23.00%	24.89%	25.51%	26.68%	27.95%	29.02%	30.20%
5.00%	21.89%	23.00%	24.89%	26.68%	27.95%	29.02%	30.20%	31.57%	32.95%

#### Equity Multiple:

**CHANGE IN RENT GROWTH**

	CHANGE IN RENT GROWTH				
	1%	2%	3%	4%	5%
5.00%	1.46	1.66	1.86	2.06	2.30
5.10%	1.42	1.62	1.82	2.03	2.25
5.25%	1.36	1.55	1.75	1.96	2.17
5.40%	1.30	1.50	1.69	1.89	2.10
5.50%	1.26	1.46	1.65	1.85	2.06

#### Value-Add Strategy & Budget

Approximately \$1.75M of investor capital was raised in order to execute a major capital improvement plan on the property over two to three years after acquisition:

#### Capital Improvements

- \$1,760,220 renovation spend
- Exterior renovations:
  - Siding/deck repair & paint
  - Signage/branding
  - Roof replacement
- Interior renovation:
  - Kitchens (cabinets, appliances, countertops & backsplash) flooring & painting
  - Bathrooms (vanity, toilet & fixtures)
  - Lighting, knobs, door handles, blinds, misc.
  - HVAC

#### Traditions at Slate Ridge: 94 Units

Unit Type	Rentable Units	Rents	Market Rent	Sq Ft
2 Bed/2.5 Bath	29	\$1,436	\$1,900	1,348
2 Bed/2.5 Bath	5	\$1,634	\$1,900	1,348
2 Bed/2.5 Bath	8	\$1,509	\$1,950	1,458
2 Bed/2.5 Bath	1	\$1,715	\$1,950	1,458
2 Bed/2.5 Bath	14	\$1,657	\$1,975	1,587
2 Bed/2.5 Bath	1	\$1,844	\$1,975	1,587
2 Bed/2.5 Bath	4	\$1,644	\$2,000	1,595
2 Bed/2.5 Bath	2	\$1,824	\$2,000	1,595
2 Bed/2.5 Bath	6	\$1,751	\$2,100	1,945
2 Bed/2.5 Bath	1	\$1,949	\$2,100	1,945
3 Bed/2.5 Bath	22	\$1,594	\$1,950	1,379
3 Bed/2.5 Bath	1	\$1,799	\$1,950	1,379

#### Endurus Capital - Company Overview

**MATT BRAUNNER**  
Co-Founder & Principal

**TODD DEXHEIMER**  
Co-Founder & Principal

**DREW WHITSON**  
Co-Founder & Principal

- Managing partner for Minnesota Capital Management
- 12 years of experience in multifamily and commercial real estate assets
- Licensed Real Estate Broker
- Multifamily senior housing and commercial real estate assets
- 15 years of investing experience
- 150 flips of small to mid-sized units
- Licensed General Contractor
- Started career at an investment bank specializing in public & private real estate funds
- Finance Professor at Bethel University
- 15 years of investing experience

**ZACH HEITING**  
Director of Acquisitions

**DANIEL SIMPSON**  
Director of Asset Management

**TRACY DEXHEIMER**  
Director of Marketing & Investor Relations

**MONICA BRIONES**  
Regional Manager

**AMY LUDWIG**  
Regional Accounting