Tucson Multi-Family Equity I

Third Quarter 2022 Investment Update

Performance Status
PERFORMING

Investment Strategy
GROWTH

Sub-Strategy
VALUE ADD

Asset Class
REAL ESTATE

Sub-Asset Class
MULTI FAMILY

KEY TAKEAWAYS

- **Current in-place rents are outpacing the projected year 1 rents underwritten at closing. The higher rents are driving property level net operating income (NOI), which is in line with projection at closing.**
- **The JV partnership did not make a distribution in Q3 2022 given the rising rate environment and the increased debt service expense which has impacted cash flow available for distribution.**
- **Interior unit renovations continued at the property and have achieved an average rent premium of ~$475 per unit vs. the budgeted $250 per unit, demonstrating high demand for the renovations. The Sponsor expects to increase the pace of renovations to efficiently increase operating income.**
- **Despite having an interest rate cap, higher interest rates will not enable the Sponsor to make a distribution in 2023. As a refresher, year 1 distributions were projected to be 1.1%. Target return remains unchanged.**

INVESTMENT DESCRIPTION

Yieldstreet invested a $14.86M equity stake in Alterra Apartments, a 416 unit garden-style multi-family property located in Tucson, Arizona. The investment is junior to $64M of senior debt, with affiliated funds of Yieldstreet providing an additional $8.0M of equity and the GP Sponsor providing $2.5M of equity.

Investment Thesis

The Sponsor intends to increase market rents at the Property through a targeted renovation program that is expected to position the asset as a top rental option in Tucson, a fastly growing market.

Capital Improvements Stage	**QUARTERLY+EVENT BASED** Payment schedule	**MAR-2025** Target term[1]	**15 - 17%** Target return[2]
	INTERCAPITAL GROUP Sponsor	**ALTERRA APARTMENTS** Property	**$14.86M** Investment Size

Yieldstreet

PERFORMANCE UPDATE

The property maintained average occupancy of ~89% in Q3 2022. The decrease in occupancy this quarter was seen market wide with some residents chose to move out of the state, causing the larger submarket renter base to shrink. The property continues to maintain occupancy levels in-line with its market competitors.

The Sponsor continues to increase rent at the property through renovation premiums and organic market growth. The Sponsor completed 4 unit renovations in the third quarter with the units achieving rent premiums of $475 per unit, which is 90% above the anticipated premium of $250 per unit. The Sponsor anticipates increasing the renovation pace in the coming months and having ~30 units renovated by year end.

Based on 2022 YTD performance, net operating income was in line with underwritten projections at close.

LOOKING AHEAD

With stronger than projected rent growth, the property has offset the lower occupancy levels and is achieving net operating income that is in line with budget at closing. The Sponsor will continue increasing rents organically and completing the renovation plan in the coming months to drive increased rental income.

While the investment is performing in line with projections, the higher debt service expense has impacted cash flow. The Sponsor purchased an interest rate cap at closing to insulate the property from rising rates. The current SOFR rate is now above the strike rate, protecting the investment from further interest rate hikes.

MARKET INSIGHTS

Submarket rents have posted gains of ~3% over the trailing 12 months.

The submarket vacancy rate stood at 7.7%, which is below the historical average of 8.2%.

There have been no deliveries over the past 12 months and there are no buildings currently under construction. This is consistent for the submarket, as developable land is scarce and the cost to construct new buildings is higher than the cost to acquire current properties.

No new comparable sales were recorded in 3Q 2022.

The cost to build a new property in the submarket is roughly $350k/unit, which increases the value and demand for existing properties as they are below the replacement cost. This cost to build compares favorably with our acquisition basis of $196k/unit.

Source: Per Costar as of 12/18/2022