

# SAIL CLOTH FACTORY

## *Investor Teaser*

107-Unit Multifamily Investment Property | Urban Value-Add Apartment Building  
University of Maryland Baltimore | BioPark | Medical Center | Prime Baltimore





# Investment Overview

BZE Realty is pleased to present The Sail Cloth Factory Apartments, a landmark offering located steps away from the University of Maryland, Baltimore and University of Maryland Medical Center (UMMC). Approximately 40% of residents at The Sail Cloth Factory Apartments are employed by or attend graduate school at this location, and 10% are employed by other city universities, primarily Johns Hopkins University.

## INVESTMENT THESIS

**Prime Location** – the property benefits from stable rental demand of an elite graduate university institution and a world class medical center.

**High Cap Rate** – 6.5% going in cap rate provides strong fundamentals to achieve excellent long-term cash flow

**Seller Distress** – Seller loan matures in January 2025; our regional reputation allowed us to negotiate a below market price in a preemptive offer

**Fully Stabilized** – The property is well managed and is fully stabilized which will allow us to capture best financing possible

## INVESTMENT SUMMARY

Unit Count: 107

Rentable SF: 111,000 SF

Purchase Price: \$17,000,000

In-Place NOI: \$1,107,424

Equity Required: \$7,300,000

Capex Budget: \$478,000

Projected IRR: 16.63%



## SUBMARKET – UNIVERSITY OF MARYLAND BALTIMORE

US News Ranking: 27 (Medicine)

US News Ranking: 48 (Law)

Total Students / Faculty: 12,000+

2023 Budget: \$1.5 billion

BioPark: 2 million SF of lab spaces



## MARKET – BALTIMORE

Metro Population: 2.8 million

One hour from Washington D.C.

Most populous city in Maryland

Metro GDP: \$241 billion

#1 most efficient port in USA



# Investment Highlights *In Numbers*

**\$158K**

Price Per Unit

Large units at 695 average SF, super high ceiling up to 13 ft, including 120 parking spaces, 1.1-acre land

**\$153/SF**

Price Per SF

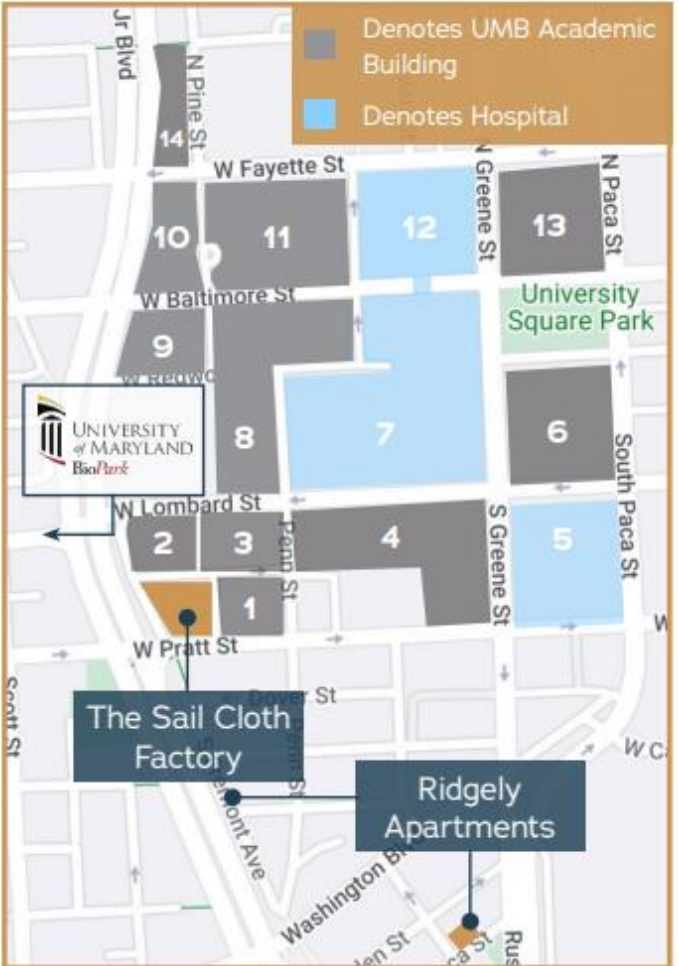
Well below construction costs; building fully gutted and renovated in 2018, on par with class A-/B+ build

**6.5%**

In-Place Cap Rate

Attractive going in cap rate to allow us achieve immediate cash flow





- |                           |                                |
|---------------------------|--------------------------------|
| 1 Women's Health Center   | 8 School of Medicine           |
| 2 School of Medicine      | 9 School of Medicine           |
| 3 Biotechnology Institute | 10 School of Pharmacy          |
| 4 School of Nursing       | 11 School of Dentistry         |
| 5 UMB University Hospital | 12 Baltimore VA Medical Center |
| 6 School of Social Work   | 13 School of Law               |
| 7 UMD Medical Center      | 14 Pharmacy Learning Center    |







# Unit Configuration

## UNIT CONFIGURATION & RENT ASSUMPTIONS

Unit Type	Count	SF	Current Rent	Market Rent	PSF
Studio	3	551 SF	\$1,376	\$1,450	\$2.50
One Bedroom	83	639 SF	\$1,583	\$1,650	\$2.58
Two Bedroom	21	938 SF	\$1,850	\$1,950	\$1.97
<b>Total /Average</b>	<b>107</b>	<b>765 SF</b>	<b>\$1,632</b>	<b>\$1,650</b>	<b>\$2.35</b>



### Washer & Dryer

All units are equipped with in-unit washer and dryer



### Gym | Elevator | Rooftop

Fully amenitized building offering healthy lifestyle



### Delivery & Mailroom

Secure delivery and mailroom inside the building

# Property Financials & Projections

CASHFLOW PROJECTION PERIOD ENDING	At Closing 12/31/2024	Year 1 12/31/2025	Year 2 12/31/2026	Year 3 12/31/2027	Year 4 12/31/2028	Year 5 12/31/2029
<b>REVENUE</b>	<b>3.00% Growth Rate</b>	<b>3.00% Growth Rate</b>	<b>3.00% Growth Rate</b>	<b>3.00% Growth Rate</b>	<b>3.00% Growth Rate</b>	<b>3.00% Growth Rate</b>
Rental Income	2,095,476	2,095,476	2,158,340	2,223,090	2,289,783	2,358,477
Other Income	92,278	107,278	125,496	144,261	148,589	153,047
Absorption	-	-	-	-	-	-
Vacancy & Concessions	0.00% 6.50% Vacancy (142,204)	(143,179)	(148,449)	(153,878)	(158,494)	(163,249)
<b>Effective Gross Income (EGI)</b>	<b>2,045,550</b>	<b>2,059,575</b>	<b>2,135,387</b>	<b>2,213,474</b>	<b>2,279,878</b>	<b>2,348,274</b>
<b>OPERATING EXPENSES</b>	Inflation	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>
Real Estate Taxes	(323,319)	(333,019)	(343,009)	(353,299)	(376,400)	(393,942)
Property Insurance	\$0.70 PSF (77,700)	(77,700)	(80,031)	(82,432)	(84,905)	(87,452)
Waste & Sewer	\$400.00 Per Unit (42,800)	(42,800)	(44,084)	(45,407)	(46,769)	(48,172)
Fuel	\$275.00 Per Unit (29,425)	(29,425)	(30,308)	(31,217)	(32,153)	(33,118)
Electric	\$100.00 Per Unit (10,700)	(10,700)	(11,021)	(11,352)	(11,692)	(12,043)
Repair & Maintenance	\$600.00 Per Unit (64,200)	(64,200)	(66,126)	(68,110)	(70,153)	(72,258)
Payroll (Building Mgmt)	\$1,600.00 Per Unit (171,200)	(171,200)	(176,336)	(181,626)	(187,075)	(192,687)
License	\$55.00 Per Unit (5,885)	(5,885)	(6,062)	(6,243)	(6,431)	(6,624)
Prof/Admin/Misc	\$150.00 Per Unit (16,050)	(16,050)	(16,532)	(17,027)	(17,538)	(18,064)
Unit Turnover & Reserves	\$600.00 Per Unit (64,200)	(64,200)	(66,126)	(68,110)	(70,153)	(72,258)
Waste Management	\$100.00 Per Unit (10,700)	(10,700)	(11,021)	(11,352)	(11,692)	(12,043)
Marketing	1.0% EGI (20,455)	(20,596)	(21,354)	(22,135)	(22,799)	(23,483)
Property Mgmt	3.0% EGI (61,366)	(61,787)	(64,062)	(66,404)	(68,396)	(70,448)
Service Contracts	\$375.00 Per Unit (40,125)	(40,125)	(41,329)	(42,569)	(43,846)	(45,161)
<b>Total Operating Expenses</b>	<b>(938,126)</b>	<b>(948,387)</b>	<b>(977,399)</b>	<b>(1,007,282)</b>	<b>(1,050,002)</b>	<b>(1,087,753)</b>
	46%	46%	46%	46%	46%	46%
<b>NET OPERATING INCOME</b>	<b>1,107,424</b>	<b>1,111,188</b>	<b>1,157,988</b>	<b>1,206,192</b>	<b>1,229,876</b>	<b>1,260,522</b>
Cap Rate		6.54%	6.81%	7.10%	7.23%	7.41%
Debt Service	1.46 -	(760,300)	(760,300)	(760,300)	(760,300)	(760,300)
Reserves	\$0.00 Per Unit -	-	-	-	-	-
<b>NET CASH FLOW</b>	<b>1,107,424</b>	<b>350,889</b>	<b>397,689</b>	<b>445,892</b>	<b>469,577</b>	<b>500,222</b>
<b>Cash On Cash</b>		<b>4.81%</b>	<b>5.45%</b>	<b>6.11%</b>	<b>6.43%</b>	<b>6.85%</b>

ACQUISITION ASSUMPTIONS	
Purchase Price	\$17,000,000
Going-In Cap Rate	6.51%
Price PSF	\$153
Price Per Unit	\$158,879
Legal & DD	\$75,000
1.50% Acquisition Fee	\$255,000
1.90% Transfer Tax	\$323,000
Title Policy	\$50,000
Working Capital	\$21,000
Capital Expenditure	\$478,000
<b>TOTAL COSTS</b>	<b>\$18,202,000</b>

EXIT ASSUMPTIONS	
Holding Period	5 Years
Exit Cap Rate	5.50%
<b>Exit Market Value</b>	<b>\$23,719,964</b>
Price PSF	\$214
Price Per Unit	\$221,682
1.90% Transfer Tax	(\$450,679)
1.000% Broker Fee	(\$237,200)
0.150% Misc Cost	(\$35,580)
<b>SALES PROCEEDS</b>	<b>\$22,996,505</b>

CAPITAL EXPENDITURES - FUNDED	
Building	\$50,000
Renovation	\$428,000
<b>TOTAL COSTS</b>	<b>\$478,000</b>

FINANCING ASSUMPTIONS	
Loan to Value Ratio	65.00%
<b>Loan Amount</b>	<b>\$11,050,000</b>
1.000% Bank Fee	\$110,500
Lender Costs	\$37,500
Interest Rate	5.50%
Amortization	Amort
Debt Yield @ Closing	10.02%
Amortization	30.00

# Additional Photos

- Oversized windows
- In-unit washer and dryer
- Corner with plentiful natural lighting on all 4 sides
- High ceiling even on top floors
- Central heating and air throughout every unit
- Efficient layout to maximize use of space

Class A Potential





## Deal Level Projected Returns

**5**<sub>year</sub>

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Duration

Long term hold to focus on fundamentals

**16.6**%

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IRR

Well balanced risk adjusted return

**2.05**<sub>x</sub>

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Equity Multiple

Cash profit achieved through improving cash flow & value appreciation



# Partnership Structure

**\$7,300,000**

## **TOTAL EQUITY**

Investors will own the property pro-rata through a single asset entity (LLC); Expected closing date is January, 2025

**\$730,000+**

## **GP EQUITY CONTRIBUTION**

General Partners will contribute no less than 10% in equity

**1.50%**

## **ACQUISITION FEE**

Acquisition fee is 1.50% of gross purchase price

**8%**

## **PREFERRED RETURN**

Investors will receive their invested capital pro-rata; Investors will also receive, pro-rata, returns up to 8% IRR before promote

**25%**

## **TIER ONE PROMOTE**

Any profit above 8.0% IRR will be distributed 50% to the investors and 50% to General Partners until the total promote distributed to General Partners reaches 25% of total qualified profit

**15%**

## **TIER TWO PROMOTE ESCALATION HURDLE**

After which promote to General Partners reaches 25% cap, additional profits will be distributed 80% to investors and 20% to General Partners, until investors receive 15% net IRR, after which any additional profit will be distributed 65% to investors and 35% to General Partners

# Our Team



**BO HU**

Sponsor

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Bo Hu is the founder and Partner of Penn Property Partners, a Philadelphia based real estate investor and operator. Prior, Bo worked at Dalan Real Estate as Director of Acquisitions, overseeing over \$2 billions of real estate investments. Prior to Dalan, Bo was an actuary at Willis Towers Watson.



**ZHEN JI**

Sponsor

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Zhen Ji joined KKR in 2016 is currently the Managing Director responsible for KKR's investments in Asia including Centrin Data, NVC Lighting and LCY Chemical. Prior to KKR, Zhen was a member of the investment committee of CITIC Capital Private Equity and held roles at EQT Partners and Microsoft.



**SAM SUN**

Sponsor

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Sam Sun is a founding partner of Alto Vera Equity Partners, a Hong Kong based buyout investment firm. Prior to founding Alto Vera Equity, Sam played senior roles at Affinity Equity Partners, Sequoia Capital China, AGIC Capital and CITIC Capital, investing over \$3B and returned more than \$6B for investors.



# Fully Vertically Integrated In-House Operations Team

DC/MD/VA



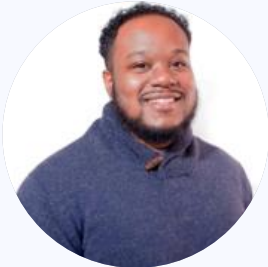
PA/NJ/NY



**Da Li**  
**Leasing & Asset Management**  
Licensed realtor to lead leasing and provide property management support



**Bo Hu**  
**Property & Asset Management**  
Oversees all business executions and portfolio management



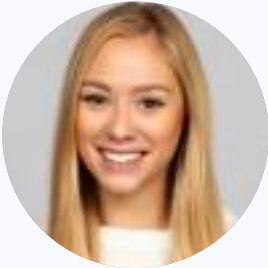
**Harvey Schmidt**  
**Maintenance & Construction**  
Coordinate with contractors and technicians on repairs and renovations



**Scott Sun**  
**Construction & Maintenance**  
Licensed General Contractor in DC, MD & VA to manage construction



**Maurice McNeal**  
**Leasing & Property Management**  
Leasing all units and provide support to property management



**Becca Bucci**  
**Marketing & Communications**  
Leads all marketing efforts and manages tenant relations



**Sam Sun**  
**Local Project Leader**  
Oversees all project management and execution in the region



**May Hui**  
**Accounting & Bookkeeping**  
Provides in-house accounting and bookkeeping services



**Tony Campanelli**  
**Building & Facility Manager**  
Provides building repair, maintenance and construction support



# Track Record

## Recent Multifamily Acquisitions

1530 Chestnut | \$12,250,000 | 54 units | 2024

Temple Town Portfolio | \$5,014,000 | 76 units | 2023

Haverford Apartments | \$2,87,000 | 24 units | 2022

42 & Chester | \$2,700,000 | 21 units | 2021

## Realized Investments

Property	Duration	Annualized Yield	Equity Multiple
310-312 East Buffalo St	1.00 Years	16.51%	1.17x
3219-21 & 3133 Hamilton St	5.17 Years	16.20%	1.84x
1042 South St	2.67 Years	27.46%	1.73x
4236-38 Chestnut St	1.67 Years	53.60%	1.89x
3701 Baring St	6.50 Years	16.44%	2.07x
3805 Baring St	7.92 Years	22.03%	2.74x
<b>Total</b>	<b>4.15 Years</b>	<b>25.37%</b>	<b>1.91x</b>

Steady & Opportunistic





# Our Thesis and Strength

## Good and improving opportunities in campus housing market

- As US interest rates started to come down, real estate transactions are increasing. With overall housing prices still at their peak and affordability low, the multifamily rental property is among the first real estate sectors to see increases in activities
- Total US college enrollment troughed 2022-23. With stable growth in the foreseeable future, campus housing transactions is among the fastest growing multifamily asset class. We favor top-tier universities in major urban centers
- The Northeast region has the largest concentration of top-tier education institutions in the world. These institutions have consistently been anchors of stable growth for the local and regional economies
- The Northeast region is home to the Northeast megalopolis, which is the most populated and urbanized megalopolis in the United States with limited new housing supplies
- With rent-control regulations in most US urban markets, campus housing, with its typical mid-term rentals, has the best chance for healthy rent growth. This is particularly important in the current inflationary macro environment

## BZS well-positioned for US Northeast regional

- 1 BZS Realty will focus on rental submarkets anchored by elite universities with full education, research, and technology capabilities
- 2 Based in Philadelphia, the BZS team has operated successfully in the Northeast/Mid-Atlantic region for years
- 3 Our core team has extensive experience in all aspects of real estate transactions from deal sourcing, execution, financing, leasing, eviction, renovation, maintenance, marketing, and exiting in urban Northeast markets
- 4 With a 50-person team, we manage all our properties directly. We built a reputation for quality management and tenant satisfaction. Our track record of taking over and improving under-managed properties is a key source of value creation

# | Our Process

## 01

### **DEAL SOURCING**

Utilize our expansive local network of brokers and property owners to generate an array of first look opportunities with an intense focus on off-market and direct to seller opportunities.

## 02

### **MULTILAYERED UNDERWRITING**

Sponsors have combined over 50 years of experiences in underwriting investments across a broad spectrum of perspectives and have a thorough understanding of both micro and macro risks.

## 03

### **VIGOROUS DUE DILIGENCE**

We perform due diligence from an owner's perspective because we are a true owner/operator. We evaluate our property's physical condition covering every aspects and audit in-depth financial reviews.

## 04

### **CREATIVE DEAL STRUCTURE**

General partners have decades of private equity experiences structuring complex capital across all stacks and legal structures to accommodate different investments and tax purposes.

## 05

### **TOP-DOWN INVESTMENT COMMITTEE INVOLVEMENT**

The investment committee is involved from the beginning to the end and engaged in dynamic discussions throughout the acquisitions process to resolve challenging issues and adapt to changing market conditions.

## 06

### **GOVERNANCE AND PARTNERSHIP**

Ensure utmost integrity, fairness, and ethical standard by providing full transparency, easy of communications and comprehensive partnership rights and oversight.





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SCHOOL OF SOCIAL WORK  
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MEDICAL CENTER  
UNIVERSITY of MARYLAND  
BIOPARK  
VA MEDICAL  
CENTER

# SAIL CLOTH FACTORY

## APARTMENTS