

Bellaire Real Estate Funds:

Earning Income from Multifamily Real Estate Investments

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- Why Multifamily?
- Why Bellaire? Why Now?
- The Benefits Of Investing In A Real Estate Fund
- Bellaire's Advantage: Elements Of A Successful Real Estate Investment
- 12 Conclusion



Why Multifamily?

The reasons are simple. With cash flow well above other asset classes, and a historical propensity for price appreciation, a well-selected portfolio of buildings - can carry itself while growing in value. History shows that multifamily is a more stable income producer, combining current income and capital appreciation, than other types of real estate. That is one reason, in our judgement, the Accredited Investor's move "most likely to pay off handsomely," is investing in multifamily real estate.*



Why Bellaire?

For all its upside, multifamily real estate is a full-time 24/7 job. Most of us are busy with our primary professions, our families, and our hobbies. Bellaire Real Estate Funds is the vehicle for earning passive cash-flow generated by a professionally managed portfolio of real estate located in "landlord-friendly" and high growth geographic locations



Why Now?

With rampant inflation and trillions of dollars being spent by our government, it is only a matter of time that the money we now have in circulation will diminish in value. Multifamily real estate has historically been a hedge against inflation. A primary reason is that for a building with sometimes hundreds of units - or a portfolio with thousands - the underlying leases of the resident tenants are continuously being reset. Our primary geographic focus of Texas is known as a 'landlord-friendly state' - both in terms of its judicial eviction process - and by virtue of the fact that it has no rent control laws. Hence, we have the golden opportunity to reprice rents as inflationary pressures drive up costs in general.

The Benefits Of Investing In A Real Estate Fund

The primary benefits of investing in a multifamily real estate fund are:



PRESERVATION OF CAPITAL



STABLE CASH FLOW



CAPITAL APPRECIATION.

Bellaire is distinctively positioned to deliver those benefits as a result of our well-honed professional process and our deep experience in repeatedly delivering superior results. Bellaire Real Estate Funds is a vehicle in which Accredited Investors can own an interest in a diversified portfolio of income producing multifamily real estate assets (preservation of capital), collect regular cash-flow distributions (stable cash flow) and benefit from increase in real estate value (capital appreciation); while the Bellaire Team attends to the details of acquiring and managing the properties.



Bellaire's Advantage: Elements Of A Successful Real Estate Investment



Successful real estate investments generally have several common characteristics. Merely having money to purchase a property does not enable an investor to successfully purchase and operate multifamily investment properties. We've identified several key elements that have contributed to our success in real estate investing. When you invest with Bellaire Real Estate Funds, you benefit from all these advantages.

Access to Investment Assets

Access to potential investment properties is acquired through networking and local market knowledge. We may approach property owners directly to solicit a sale. Likewise, we cultivate relationships with brokers and other market participants who have local knowledge of the market.

2

Ability to Screen and Analyze Potential Investment Assets

It is not useful or cost effective to perform a full analysis of every potential offering. Experience and formal screening criteria contribute to identifying appropriate investment assets. As a result of our real estate investing experience, it is easier for us to determine reasonable assumptions and to identify risks.

3

Getting the Property Under Contract

Sellers and brokers seek certainty of execution. Brokers steer sellers towards buyers who they know have historically closed transactions without re-trading and without delays. Reputation and track record in the local market induce brokers and sellers to enter a contract. The better the reputation of the sponsor with the broker, the more likely it will be to be awarded a contract in a competitive environment. Bellaire has developed a reputation for closing and successfully operating transactions which gives us the advantage in competitive market settings.



4

Readily Available Funds to Place in Escrow as a Non-Refundable Deposit

Current competitive market conditions require that one percent or more of the purchase price be put in escrow as a non-refundable deposit against the purchase price at the time the buyer and seller enter a Purchase and Sales Agreement. Buyers need to both have access to the funds to enter a purchase contract; and certainty that they can pull the rest of the transaction together by the contractual closing date in order to not lose their deposit. Of course, it also assumes that the buyer is confident enough in their up-front analysis and due diligence that the transaction will make sense and will be able to close. Many investors have the funds to place in escrow; when Bellaire puts up a deposit, it has made a decision to buy based not only on hard data, but equally based on years of experience to interpret that data.







Create a Business Plan

Every real estate asset purchase requires a well-thought-out business plan. We generally purchase value-add multifamily, so the business plan will differ from other asset classes. For example, those who invest in core

stabilized properties generally focus their business plan on how to keep the property in good physical condition and how to forecast and fund repairs that will inevitably occur over time. We invest in value-add properties and seek to raise the level and reposition the property. In addition to regular upkeep and saving for future repairs, there is usually a large component of capital expenditures (CapEx) that are planned up-front to upgrade and stabilize the asset. Experts must inspect the property to determine what interior and exterior renovations are recommended in order to attract the intended tenant demographic and to increase rents. Local market knowledge and research are necessary to ascertain what rent levels the submarket can bear and what amenities and unit styles are essential to achieve those rent levels. The CapEx budget will be important in establishing how much debt and equity is needed initially at the time of purchase. In addition to the CapEx and operational aspects of the business plan, there is a long-term, strategic part of the plan that is created at the beginning. The strategic aspect includes the time horizon for the investment and whether refinance or sale will be sought for future liquidity.

Determine Optimum Deal Structure

Lending sources offer various levels of leverage and terms vary significantly between lenders. Agency loans, private or institutional funds, CMBS and bank loans can all be used to finance the purchase of an investment property. Critical to the investment analysis is deciding how much leverage to put on the property and deciding between fixed and floating rate, long term or short term, and recourse or non-recourse. Some transactions may benefit from another layer of capital between equity and debt. It can be structured as preferred equity or mezzanine debt. Bellaire has utilized loans from multiple sources historically, we are experienced borrowers with Fannie Mae, Freddie Mac, private fund lenders, institutional lenders as well as banks and CMBS lenders. We have employed bridge loan strategies, long term debt strategies, as well as fixed and floating rate approaches.

7

Qualification for Debt as Operator/Key Principle

Once a capitalization structure is decided on, an investor must qualify for the loan. Typical Key Principal/Guarantor requirements include:

- A net worth of 100% of the loan amount
- Liquidity equaling 10% of loan amount post-closing
- **GSE's (Government Agency** lenders) require the Key Principal/Guarantor to have experience operating multiple properties in the submarket. Bridge lenders often follow GSE requirements so that they can be more certain of a take-out/permanent loan at the maturity of the bridge loan. Bank lenders often require less experience, but they also typically require full recourse and offer lower leverage (60%) to 65% versus the GSE and bridge lenders' 75% to 80%)

8

Equity Sources to Close Transactions

Bellaire utilizes its own funds, along with other limited partners for equity to purchase assets. When committing funds to a non-refundable deposit, the principal needs to be confident that the rest of the equity will be accessible by the closing date. In addition to the difference between the loan and the purchase price, we consider how much equity is required for closing costs as well as a reasonable amount of working capital and reserves for currently planned and future forecasted capital expenditures and repairs.

9

Property Management & Asset Management

Upon completion of the purchase of the property, the operation of the property and execution of the business plan is the focus of our attention. Value-add properties are never of the "fire and forget" variety. Real Estate investors may have their own in-house property management resources, or they may utilize a third-party management company. Either way, ongoing attention to the property is essential by the investor, and Bellaire is constantly occupied with asset supervision. In addition to standard property management functions like collecting rent and making repairs, ongoing decisions need to be made regarding setting rent levels, marketing to prospective tenants, collections and evictions, as well as approving and supervising repairs, replacements, and CapEx projects. Bellaire handles all details like securing insurance rehabbing units, fixing and replacing roofs, plumbing, electrical and HVAC systems, while our investors benefit from the cash-flow and price appreciation

Conclusion

Successful real estate investing requires many attributes and competencies. The team at Bellaire Real Estate Funds packages those conditions together and invests alongside our clients to replicate our success over and over. Our experience and reputation afford us access to high quality investment assets and we have the ability to put them under contract, capitalize the assets with debt and equity, and to operate them successfully for many years.



George Lintz
PRESIDENT



To learn more, please set up a time to talk with us.

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