



McFARLINGROUP
OPPORTUNISTIC SENIOR LIVING INVESTMENTS

AUTUMN LEAVES OF MEMORIAL CITY OPPORTUNITY

CONTACT INFORMATION: Matt Johnson • 6370 LBJ Freeway, Suite 276, Dallas, TX • 469.619.5418 • mcfarlin-group.com

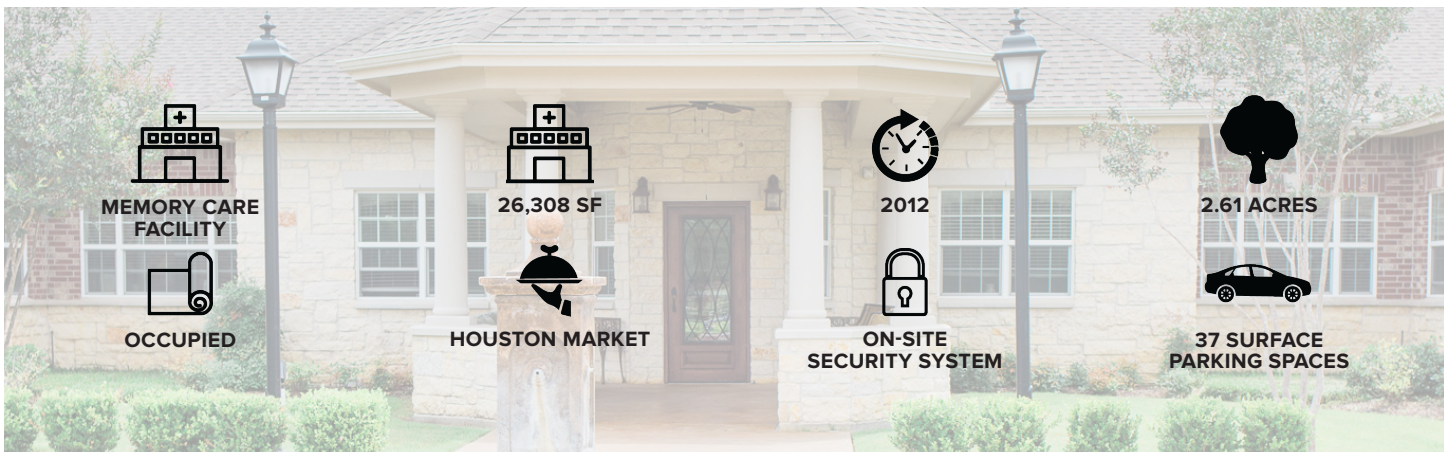
Opportunity Name	Autumn Leaves of Memorial City
Loan Amount (Existing)	\$8,754,757 ¹
Acquisition Price	\$4,000,000 (46% of Par)
Total Budget/Funding	\$4,896,000
Closed	June 5, 2020
Seller	Origin Bank
Percentage Debt	0%
LP Return (Unlevered & Net) Est.	17.5% IRR Unlevered/2.0x Cash Multiple
Sponsor	McFarlin Group
Sponsor Co-Investment	10% Pari-passu



¹ Includes accrued late fees and penalties as of June 5, 2020

INVESTMENT OVERVIEW

McFarlin Group, LLC (“MFG” or the “Sponsor”) purchased the non-performing loan for a 42 unit memory care facility (46 bed with 50 total licensed beds) in West Houston, TX (the “Property”) for 46% of the current par balance. The Sponsor closed on June 6, 2020. The Property was built and completed in 2012. Occupancy as of June 30 was 76%, up from 67% as of March 31, 2020. The project is a single story 26,308 square foot structure with 42 units serving 46 residents (although licensed for up to 50 residents in companion rooms). The site area is 2.61 acres.



SALE ASSUMPTIONS

Property Name	Autumn Leaves of Memorial City
Address	1725 Eldridge Pkwy, Houston, TX 77077
Type	Memory Care Facility
Gross Building Area	26,308
Number of Stories	1 Story
Number of Buildings	1 Building
Years Built/Renovated	2012
Acres	2.61
Total Parking Spaces	37
Occupancy (as of 6-30-20)	76%

CONSTRUCTION

Roof	Composition Shingles
Foundation	Reinforced concrete slab
Structure Type	Brick/stone accents and wood stud walls

COMMON AREA FINISHES

Wall Finish	Gyprock finished with paint and wallpaper
HVAC	Through wall package units
Floor Surfaces	Carpet and vinyl



PROJECT STRENGTHS

Population Growth: The subject's PMA (3 mile radius) population is forecast to grow at a faster rate of 1.86% per year in comparison to the United States' rate of 0.83% per year over the next five years.

Senior Housing Growth: All four senior housing age cohorts within the PMA - Adult Children (45-64 Population), 65 Plus Population, 75 Plus Population, and 85 Plus Population are forecast to grow at greater rates in comparison to the United States over the next five years.

Strong Market Demand: The PMA has an undersupply of 124 beds of memory care in the current year. However, there is considered to be adequate demand for the additions to the competitive supply.

Distressed Operator: Due to filing for bankruptcy and the financial troubles that proceeded it, the Autumn Leaves brand has suffered considerable damage and significant rebranding efforts will be required.

BUSINESS PLAN

The Sponsor intends to acquire the loan from Origin Bank for 46% of par balance and immediately initiate foreclosure of the property. The property is well-located and offers Alzheimer's care services in a purpose-built structure. The Sponsor anticipates a 6-year hold period or may flip the assets to a new buyer.

In parallel to the foreclosure process, Sponsor will implement a new leasing strategy while working to hire a new management firm. Active, hands-on management oversight will add significant value to the asset.

MARKET

Houston MSA Area Demographics – The subject is located in the Houston-The Woodlands-Sugar Land, TX Metropolitan Statistical Area, hereinafter called the Houston MSA, as defined by the U.S. Office of Management and Budget. The Houston MSA is 8,258 square miles in size, and is the fifth most populous metropolitan area in the nation.

Population – The Houston MSA has an estimated 2018 population of 7,050,107, which represents an average annual 2.2% increase over the 2010 census amount of 5,920,416. Houston MSA added an average of 141,211 residents per year over the 2010 - 2018 period, and its annual growth rate is greater than that of the United States.

Looking forward, the Houston MSA's population is projected to sharply increase at a 2.0% annual rate from 2018 - 2023, equivalent to the addition of an average of 148,471 residents per year. The Houston MSA growth rate is expected to exceed that of the United States, which is projected to be 0.8%.

PMA Core Demographics – The Primary Market Area ("PMA") is defined as a 3-mile radial surrounding the property.

PROJECT BUDGET

Sources of Funds	Amount
Debt	\$0
Equity	\$4,896,000
Total Sources	\$4,896,000

Uses of Funds

Building Purchase Price	\$4,000,000
Property Taxes Due	\$420,000
Working Capital	\$400,000
Closing Costs (Title/3rd Parties, Legal)	\$36,000
Other Soft Costs	\$40,000
Total Uses	\$4,896,000

FINANCING ASSUMPTIONS (YEAR 3 REFI.)

Interest Rate	5.00%
Amortization	360
DSCR Requirement	1.25x
Interest Only	3 Years
Loan Constant	6.44%
Year	3

PROFORMA ASSUMPTIONS

Hold Period	6 Years
Rent Growth (2022+)	5.00%
Expense Growth	4.00%
Expense Compression Y1 - New Manager	95.0%
Property Tax Reset (Compression)	70.0%

SALE ASSUMPTIONS

Year	6 Years
Sales Cap Rate	7.75%
Sales Costs	2.00%
NOI	\$690,502
Project IRR	19%
Avg Cash on Cash Return Inc Sale	35.9%
Equity Multiple	2.15x
Total Profit	\$5,642,608

KEY DIFFERENTIATORS

- Limited buyers acquiring one-off distressed senior properties.
- Ability to quickly close (30 days or less) results in a more competitive cost basis (as compared to the competitive set) to create wider margins of safety
- Only purpose built stand alone memory care property in PMA. The closest competitor, Colonial Oaks was built in 1998.
- Underwritten market rents in 2021 are below current market rents offered at nearby competitors.