

General Assembly

MAY 24TH 2018
PORTFOLIO REVIEW
TOM BUCKLEY

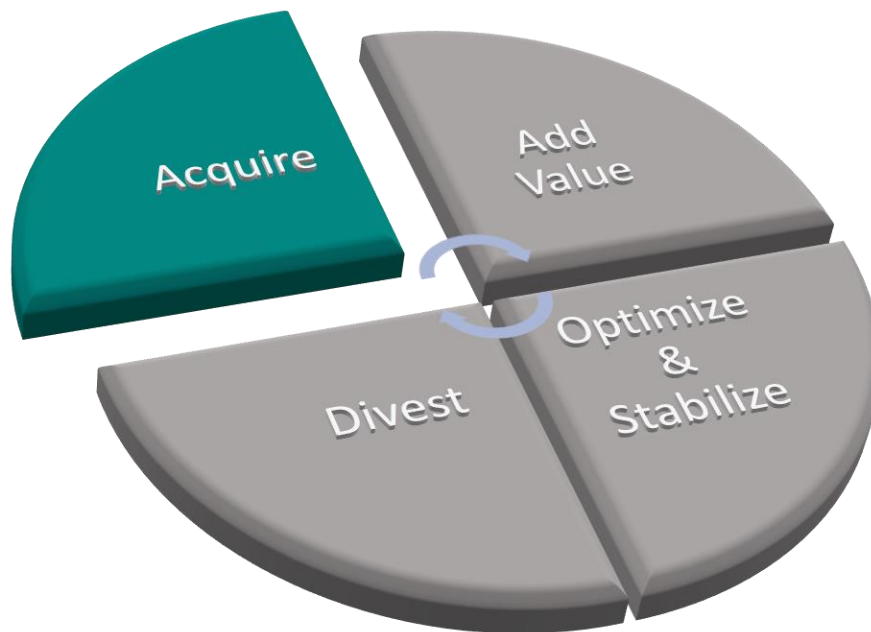
The Past 15 Months



- Acquired new investment-grade assets in targeted markets
- Established credibility with our lender
- Conceived and implemented a consistent value-add strategy
- Hired essential acquisition and asset management resources
- Created over 200 jobs with our property management partners
- Established our company's brand for excellence in workforce housing
- We have improved the quality of life for an estimated 18,000 residents

Investment Lifecycle – Acquisitions

Acquire – purchase assets that support our strategic and financial criteria, providing affordable workforce housing



Varia Acquisition Strategy

Objective

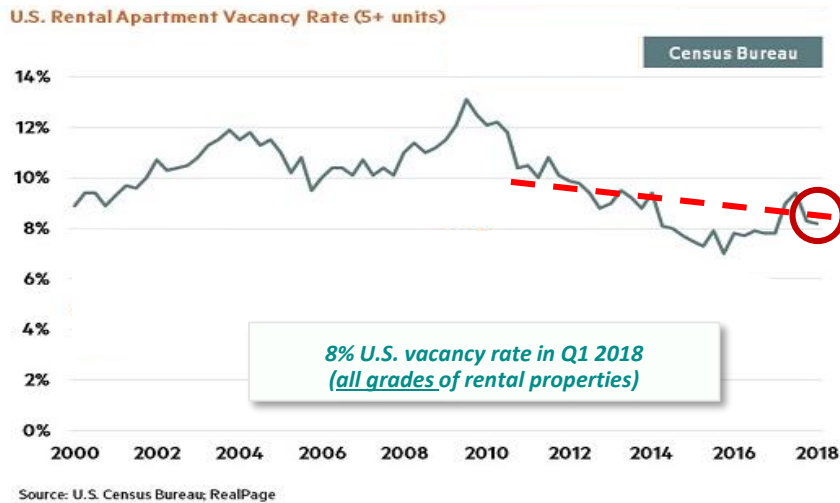
Build a diversified portfolio of multifamily assets that provide affordable housing for the U.S Workforce

Criteria

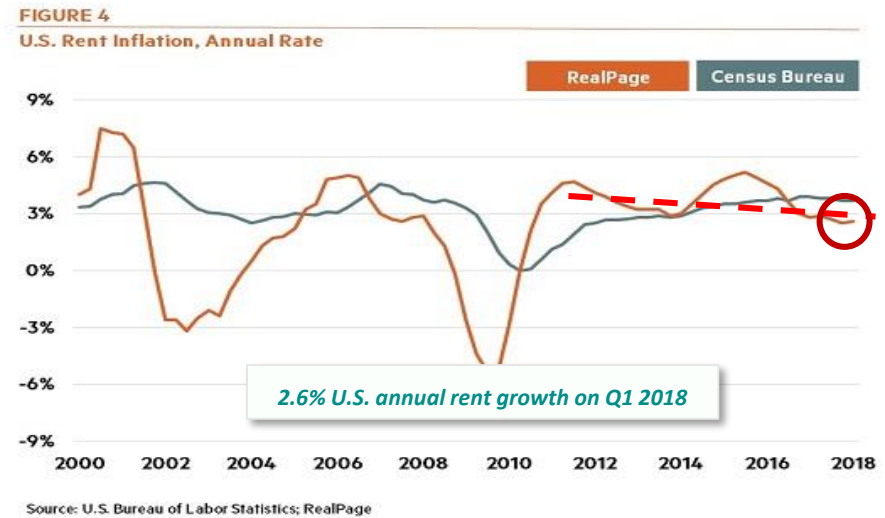
- Garden Level B and C Communities
- 100-400 Units Per Property
- Built 1960's Thru 2000's
- Suburban Locations
- Secondary & Tertiary Cities
- Cash Flow Supporting Yield Hurdles

U.S. Multifamily Recent Market Trends

U.S. Multifamily Vacancy Rate



U.S. Multifamily Rent Growth



Varia Portfolio

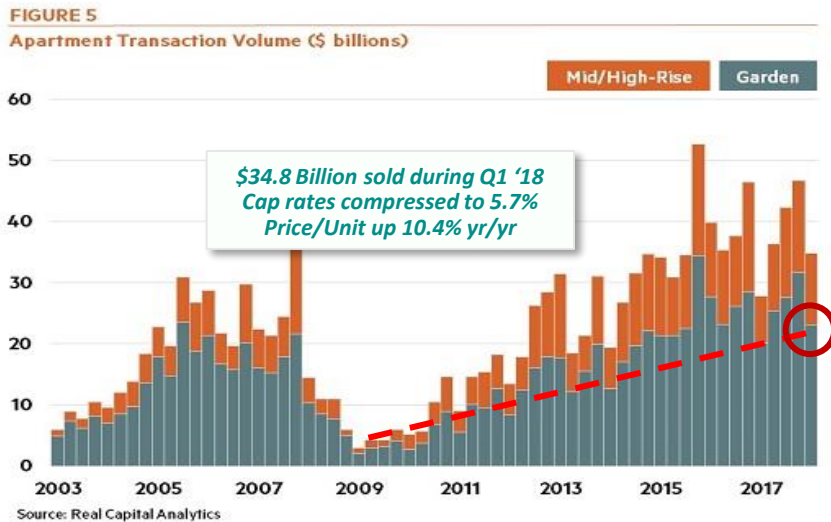
6.2% vacancy rate in Q1 '18
average over all properties

4.2% annual rent increase in '17

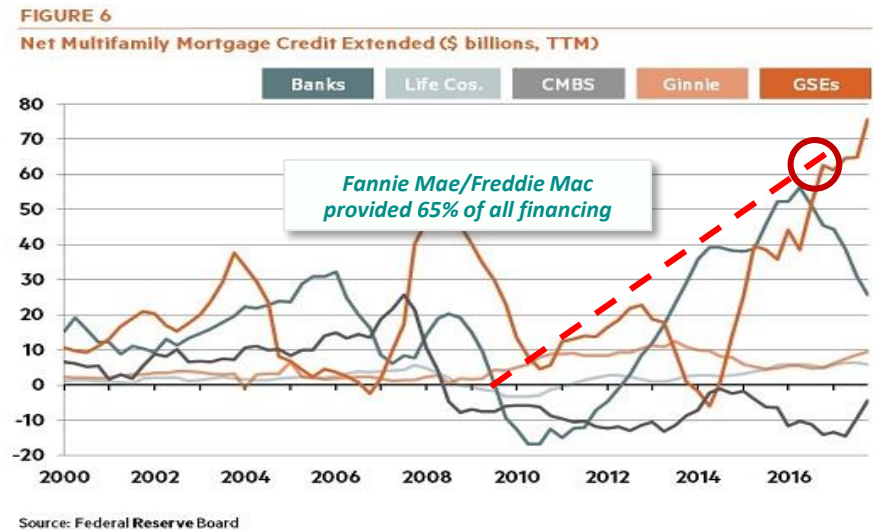
average over all properties including premiums from rehabbed units, the 30 transferred properties, and 14 acquired properties

U.S. Multifamily Recent Market Trends

U.S. Multifamily Transaction Volume (Billions)



U.S. Multifamily Financing (Billions)



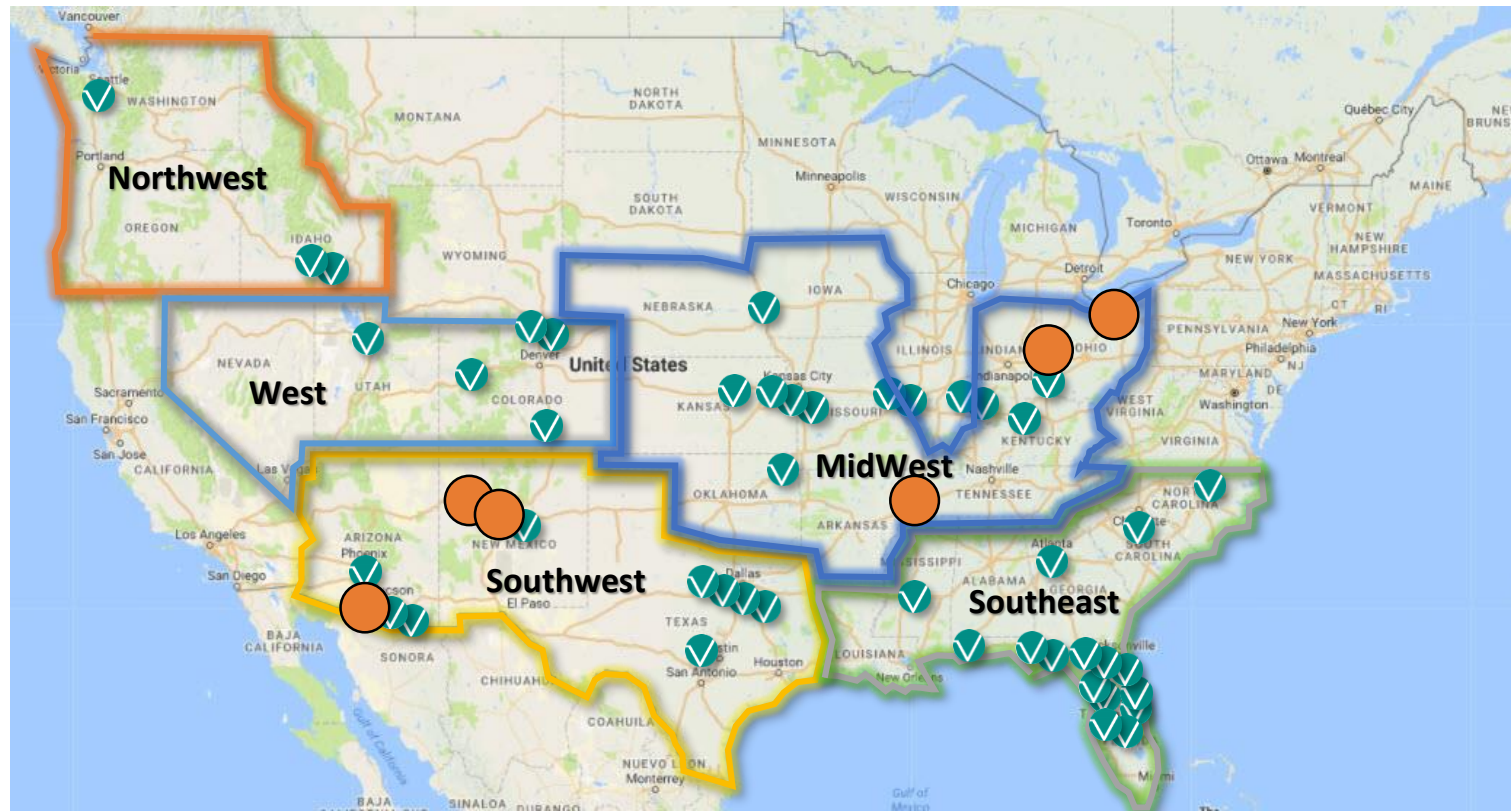
Varia Portfolio

\$132 m purchased or under contract in '18

6.1% average Cap Rate on new '18 acquisitions

4.23% average interest rate on '18 Fannie Mae and Freddie Mac loans
versus 4.2% avg interest rate as of Q1 '17

U.S Portfolio – 2018



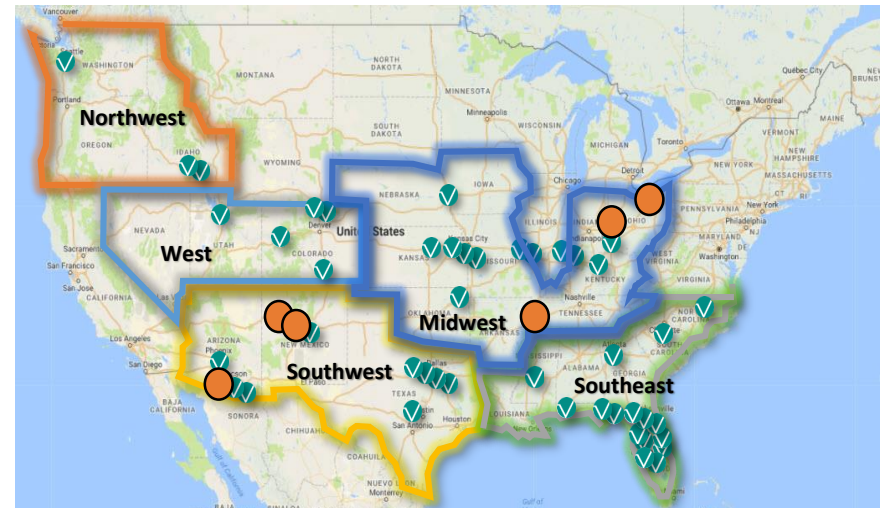
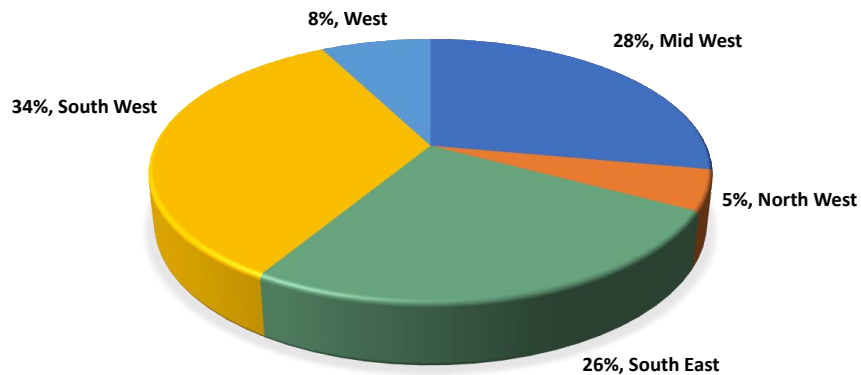
Varia's 6 New Acquisitions in the South West and Mid-West at a Price of \$132,170,000
50 assets with 9,162 rental units across 5 U.S. Regions, valued at approximately \$698 million

U.S Portfolio – 2018

VARIA NEW ACQUISITIONS CURRENT RENT/UNIT & AFFORDABLE RENT/UNIT



VARIA PORTFOLIO - VALUATION BY REGION



River Oaks Apartments



300 Units in Tucson, Arizona

Price:	\$20,500,000
Location:	Tucson, Arizona
Units:	300
Built:	1982
Amenities:	Clubhouse, Fitness Center, Pool
Equity:	\$9,500,000 (\$2.1 million capex)
Debt:	\$13,325,000 (10 Yr, 4.09%)
Yield:	9.4% average

Investment Rationale:

- 3rd asset in Tucson market (1.1 million pop.)
- Well maintained, recently improved amenities
- Unit rehab potential: \$649/mo rent today, \$100/mo rehab premium, 15% increase for rehabbed units

Tierra Pointe Apartments



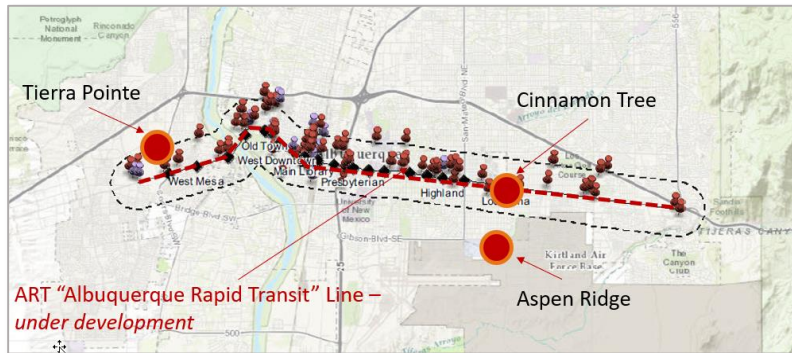
352 Units in Albuquerque, New Mexico

Price:	\$26,000,000
Location:	Albuquerque, New Mexico
Units:	352
Built:	1986
Amenities:	Clubhouse, Fitness Center, 2 Pools
Equity:	\$10,900,000 (\$1.6 million capex)
Debt:	\$16,900,000 (10 Yr, 3.96%)
Yield:	9.2% average

Investment Rationale:

- 2nd asset purchased in Albuquerque (pop: 1.0 million)
- Very well maintained, attractive amenities,
- Unit rehab potential: \$642/mo rent today, \$85/mo rehab premium, a 13% increase for rehabbed units

Cinnamon Tree Apartments



398 Units in Albuquerque, New Mexico

Price:	\$21,500,000
Location:	Albuquerque, New Mexico
Units:	398
Built:	1986
Amenities:	Clubhouse, Fitness Center, Pool
Equity:	\$9,400,000 (\$1.7 million capex)
Debt:	\$13,975,000 (7 Yr, 4.05%)
Yield:	9.3% average

Investment Rationale:

- 3rd asset purchased in Albuquerque
- located on the new rapid transit line (under construction)
- some deferred maintenance, good amenities,
- Unit rehab potential: \$554/mo rent today, \$60/mo rehab premium, an 11% increase for rehabbed units

Meadows Apartments



200 Units in Memphis, Tennessee

Price: \$13,500,000
Location: Memphis, Tennessee

Units: 200
Built: 1986
Amenities: Business Center, Gym, Pool

Equity: \$6,200,000 (\$1.1 million capex)
Debt: \$8,775,000 (10 Yr, 4.56%)

Yield: 9.0% average

Investment Rationale:

- 1st asset in the Memphis, Tennessee market (pop: 1.4 million)
- Well maintained, good amenities for a property of this size
- Unit rehab potential: \$750/mo rent today, \$75/mo rehab premium, an 10% increase for rehabbed units

Woodridge Apartments



336 Units in Cincinnati, Ohio

Price:	\$23,520,000
Location:	Cincinnati, Ohio
Units:	336
Built:	1985-1988
Amenities:	None
Equity:	\$10,100,000 (\$1.3 million capex)
Debt:	\$15,288,000 (10 Yr, 4.50%)
Yield:	9.8% average



Varia's Woodridge Apartments (under contract thru May 30)

Investment Rationale:

- 2nd asset in Cincinnati Ohio market (population: 2.2 million)
- well maintained by original owner,
- pet park and playground amenities will be built
- Unit rehab potential: \$741/mo rent today, \$75/mo rehab premium, a 10% increase for rehabbed units

Village at Mayfield Apartments



Varia's Village at Mayfield Apartments (under contract thru June 30)

252 Units in Cleveland, Ohio

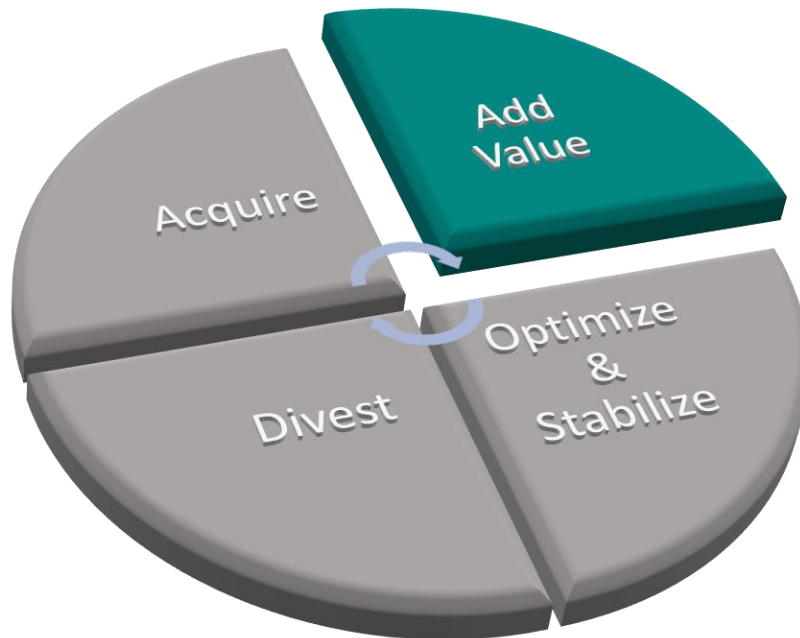
Price:	\$27,150,000
Location:	Cleveland, Ohio
Units:	252
Built:	1966 (1996 Complete Rehab)
Amenities:	Clubhouse, Pool, Gym, Business Ctr
Equity:	\$15,500,000 (\$2.6 million capex)
Debt:	\$15,000,000 (9 Yr, 3.5%, assumption)
Yield:	9.3% average

Investment Rationale:

- 6th asset purchased in Ohio River Valley
- 1st in Cleveland market (population: 2.4 million),
- Some deferred maintenance
- Unit rehab potential: \$1,096/mo rent today, \$100/mo rehab premium, a 9% increase for rehabbed units

Investment Lifecycle – Adding Value

Add Value – make capital improvements at properties to attract residents, accelerate income, increase market value, & improve the quality of life for our tenants



Value Add Capital Improvements

- Common Area Amenities
- Exterior Appearance
- Unit Rehabilitation

Common Area Amenities



Tennis Court Transformed to a Pet Park, Tanning Room Converted to a Pet Spa



- **Cost:** \$22,000
- **Benefit:** Repositioned as pet-friendly for new prospective tenants & received praise from existing tenants
- **March 2018 Financials:** Total Annualized Revenue up 6.3% from August 2017 to March 2018

Varia's Rolling Hills Apartments
Louisville, Kentucky

Tenant Comment on Improvements



Varia's Rolling Hills Apartments
Louisville, Kentucky

Veronica Gutzmer
11-April-2018



"My husband and I have been living here [*Rolling Hills, Louisville Kentucky*] for over a year now and recently signed for a second year. During our first year here, the complex was bought by a new company [Varia U.S. Properties] and the **management has done a complete 180 with the property.**

The **new staff really care about the complex and the people living here.** They've upgraded the old tennis courts to a dog park, replaced the old tanning bed that no one used with a doggy spa station, and are beginning to make renovations to the apartment buildings. They've begun to install locks on all the buildings so that only residents can get inside, they're replacing the old carpeting in the buildings, and they're very quick to help all the residents. The floorplans here are very spacious and reasonably priced, and I can tell that the new management company can see the amazing potential in a property like this. **Overall, we really love it here, and recommend this complex for anyone looking for a new apartment.**"

Common Area Amenities



- **Cost:** \$35,000
- **Benefit:** Repositioned for new younger demographic, and delighted existing tenants that now use the space regularly
- **March 2018 Financials:** Total Annualized Revenue up 4.4% from April 2017 to March 2018

Leasing Office Adapted to a Tenant Lounge & Business Center



**Varia's Beau Jardin Apartments
St Louis, Missouri**

Exterior Appearance



Exterior Siding Replacement, Roof Replacement, Exterior Painting



Varia's Woodstone Apartments
Fort Worth, Texas

- **Cost:** \$400,000
- **Benefit:** Dramatically improved the exterior curb appeal of property that has resulted in property now 99% leased.
- **Financials:** Total Annualized Revenue up 16.7% from May 2017 to March 2018

Unit Rehabilitation



Renovated unit interiors: kitchens, bathrooms, living area



- **Cost:** \$4,500 per unit, 3 units under rehab construction
- **Benefit:** \$85-100/unit rent premium for a 23-27% ROCE.

Varia's River Oaks Apartments
Tucson, Arizona

Unit Rehabilitation Results and Plan Forward

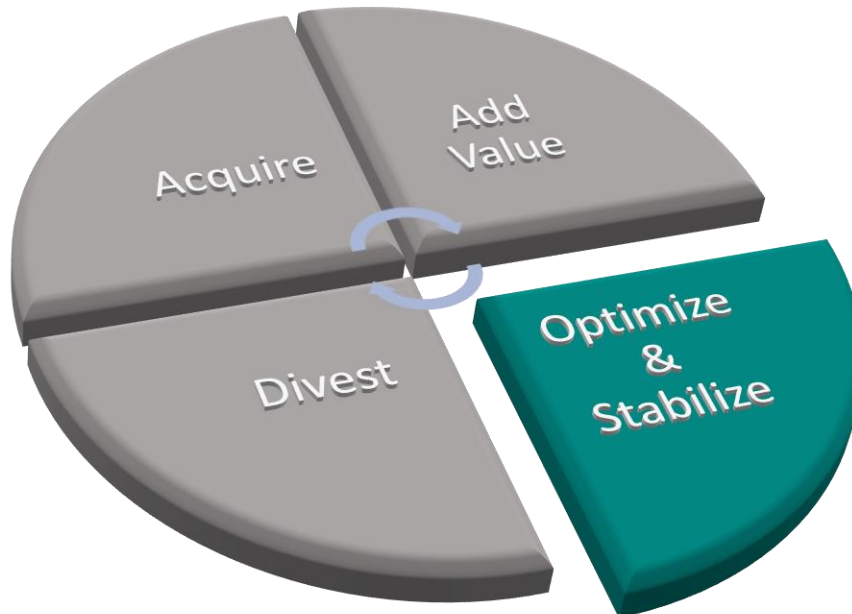
PROPERTY	LOCATION	MONTH TO START REHABS (BY MONTH 3 AFTER PURCHASE)	COMPLETED TO DATE	STATED GOAL TO DATE	AVG RENT PREMIUM	IN PROGRESS AS OF APRIL 2018	REHAB COST PER UNIT	ROCE	TOTAL REHAB INVESTMENT THROUGH MARCH 2018	RENT AT ACQUISITION	RENT MARCH 2018
AVENUE 8	PHOENIX, AZ	DEC, 2017	34	18	\$ 85	1	\$ 4'900	21%	\$ 166'600	\$ 902	\$ 907
ZONA VILLAGE	TUCSON, AZ	SEP, 2017	15	21	\$ 100	3	\$ 4'043	30%	\$ 60'638	\$ 612	\$ 623
ROLLING HILLS	LOUISVILLE, KY	OCT, 2017	25	27	\$ 100	10	\$ 5'800	21%	\$ 145'000	\$ 859	\$ 875
DEVONSHIRE	EVANSVILLE, IN	JUL, 2017	12	18	\$ 83	0	\$ 5'307	19%	\$ 63'684	\$ 648	\$ 662
MARYLAND PARK	ST LOUIS, MO	MAY, 2017	27	33	\$ 88	3	\$ 4'110	26%	\$ 110'970	\$ 817	\$ 841
VARIA AT OAKCREST	COLUMBIA, SC	MAY, 2017	39	33	\$ 83	0	\$ 4'690	21%	\$ 182'910	\$ 904	\$ 931
PINE RIDGE	SEATTLE, WA	JUN, 2017	19	30	\$ 192	3	\$ 6'529	35%	\$ 124'051	\$ 1'276	\$ 1'319
BEAU JARDIN	ST LOUIS, MO	JUL, 2017	2	5	\$ 110	4	\$ 4'800	28%	\$ 9'600	\$ 830	\$ 863
MISSION PALMS	TUCSON, AZ	OCT, 2017	23	27	\$ 100	3	\$ 6'470	19%	\$ 148'810	\$ 889	\$ 928
RIDGE ON SPRING VALLEY	DALLAS-FT WORTH, TX	MAY, 2017	38	33	\$ 114	2	\$ 5'300	26%	\$ 201'400	\$ 872	\$ 912
BRIDGE HOLLOW	DALLAS-FT WORTH, TX	JUN, 2017	16	10	\$ 100	0	\$ 5'535	22%	\$ 88'560	\$ 732	\$ 771
WOOD HOLLOW	DALLAS-FT WORTH, TX	MAR, 2017	50	39	\$ 120	1	\$ 4'700	31%	\$ 235'000	\$ 815	\$ 876
WOODSTONE	DALLAS-FT WORTH, TX	JUL, 2017	21	27	\$ 100	6	\$ 4'000	30%	\$ 84'000	\$ 694	\$ 760
TOTAL			321	321	\$ 106	36	\$ 5'091	24.9%	\$ 1'621'223	\$ 835	\$ 867

- 321 units rehabbed
- \$106/month average rent increase – a 12.2% increase over the \$835/month average rent
- \$5,091/unit average rehab cost
- 24.9% ROCE
- \$1.621 million in rehabs to date
- \$406,640 additional NOI per year – if capitalized at 6%, this represents a \$6.7 million increase in market value.

Plan: invest \$11 million over the next 4 years on 2,160 unit rehabs to add \$2.74 million per year of cash flow and a \$45.7 million increase to market valuation (capitalized at 6%)

Investment Lifecycle – Acquisitions

Optimize & Stabilize – apply operational improvements at a property to grow income, manage expenses, optimize performance, & make positive impact on the environment



Operational Improvements

- Rent Optimization
- Utility Conservation
- Property Tax appeal

Rent Optimization

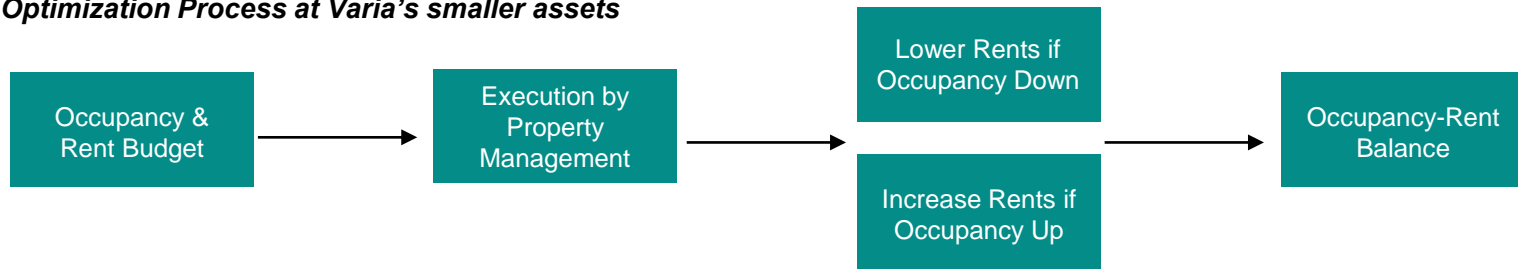


9,162 rental units across 50 properties
 200 onsite staff employed
 40-70% tenant turnover each year (U.S. range)
 92-95% occupancy & 2.5-3.5% rent growth (U.S. range)



optimize occupancy with rent

Rent Optimization Process at Varia's smaller assets



Rent Optimization Process at Varia's Larger assets



Utility Conservation



Varia Construction: 1970-1990

Most are not energy or water use efficient

\$6 million estimated utility costs in 2018

Fannie Mae and Freddie Mac financing incentives to borrowers that commit to lowering the property's annual energy or water use by at least 20-25%

Varia has several assets currently executing green initiatives

- Avenue 8
- Parkway Square
- Tally Square
- Rolling Hills

Green Improvements

- Low Flow Faucets
- Low Flow Showerheads
- Low Flow Toilets
- Smart Irrigation Systems
- LED Lighting
- Energy Efficient Appliances



Utility Conservation



**Avenue 8 Apartments
Phoenix, Arizona**

Financing

- Loan (September 2017) \$13,780,000
- Interest Rate: 3.78%
- Term: 7 Years
- Interest Only Period 7 Years
- Interest Rate (if No green program): 4.13%

Green Program Capital Improvements

- Low Flow Bath Faucets \$10,651
- Low Flow Showerheads \$27,719
- Low Flow toilets \$90,792
- Total Green Investment \$129,162*
- *Actual Green Investment (from bidding) \$65,000
- Green Investment Per Unit \$335/Unit
- Estimated Water/Sewer Cost Savings \$206/Unit
- ROCE 61%
- Payback 19 months

Conventional versus Green Financial Impact

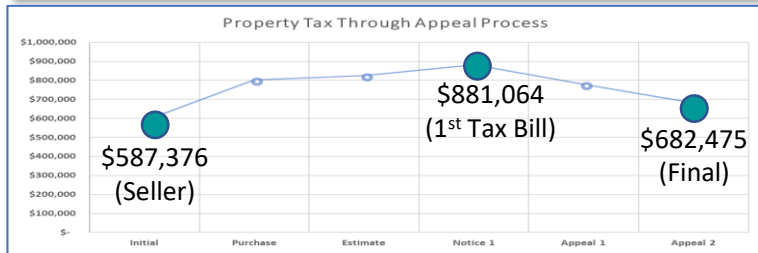
Conventional Program - 7 Year Cash Projection	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Total 7 Years
Effective Gross Income	\$ 2,137,751	\$ 2,264,862	\$ 2,369,892	\$ 2,432,925	\$ 2,492,538	\$ 2,553,618	\$ 2,616,199	
Total Operating Expenses	\$ (918,828)	\$ (939,228)	\$ (959,403)	\$ (978,772)	\$ (998,508)	\$ (1,018,775)	\$ (1,039,592)	\$ (6,853,105)
Net Operating Income	\$ 1,218,924	\$ 1,325,633	\$ 1,410,488	\$ 1,454,153	\$ 1,494,031	\$ 1,534,843	\$ 1,576,607	\$ 10,014,680
Annual Debt Service	\$ (569,114)	\$ (569,114)	\$ (569,114)	\$ (569,114)	\$ (569,114)	\$ (569,114)	\$ (569,114)	\$ (3,983,798)
Total Net Cash Flow	\$ 560,532	\$ 688,619	\$ 773,474	\$ 817,139	\$ 857,017	\$ 897,829	\$ 939,593	\$ 5,534,205
Average Yield								8.7%

Green Program - 7 Year Cash Projection	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Total 7 Years
Effective Gross Income	\$ 2,137,751	\$ 2,264,862	\$ 2,369,892	\$ 2,432,925	\$ 2,492,538	\$ 2,553,618	\$ 2,616,199	
Total Operating Expenses	\$ (918,828)	\$ (899,028)	\$ (918,600)	\$ (937,357)	\$ (956,471)	\$ (976,108)	\$ (996,285)	\$ (6,602,677)
Net Operating Income	\$ 1,218,924	\$ 1,365,833	\$ 1,451,291	\$ 1,495,568	\$ 1,536,067	\$ 1,577,510	\$ 1,619,914	\$ 10,265,108
Annual Debt Service	\$ (520,884)	\$ (520,884)	\$ (520,884)	\$ (520,884)	\$ (520,884)	\$ (520,884)	\$ (520,884)	\$ (3,646,188)
Total Net Cash Flow	\$ 608,762	\$ 777,049	\$ 862,507	\$ 906,784	\$ 947,283	\$ 988,726	\$ 1,031,130	\$ 6,122,243
Average Yield								9.5%

**Avenue 8 Apartments
Phoenix, Arizona**

Avenue 8 Green Impact: improves average yield by 80 basis points, generates \$588,000 of additional cumulative cash, reduces water consumption by 20%/year.

Property Tax Appeal



Varia's Wood Hollow Apartments
Dallas, Texas

Varia will pay more than \$7 million in 2018 on property taxes

346 Unit Property in Dallas Texas

- Taxes Paid by Seller in 2016: \$587,376

Varia Purchase Price in Dec 2016

- Tax Estimate at 100% of Price: \$802,747 \$215,371 increase
- First Property Tax Notice: \$881,064 \$293,688 increase
- Second Property Tax Notice: \$780,371 \$192,995 increase
- Final Property Tax Notice: \$682,475 \$95,099 increase
- Tax Consultant's fee for this service: \$27,688

Summary: Our tax appeal effort saved Varia \$170,901 in taxes at this property in the first year. Ryan Consulting has been retained across all Varia properties for future tax appeals.

Investment Lifecycle – Divest

Divest – sell assets that do not fully support our strategic and financial objectives or provide investors with superior returns

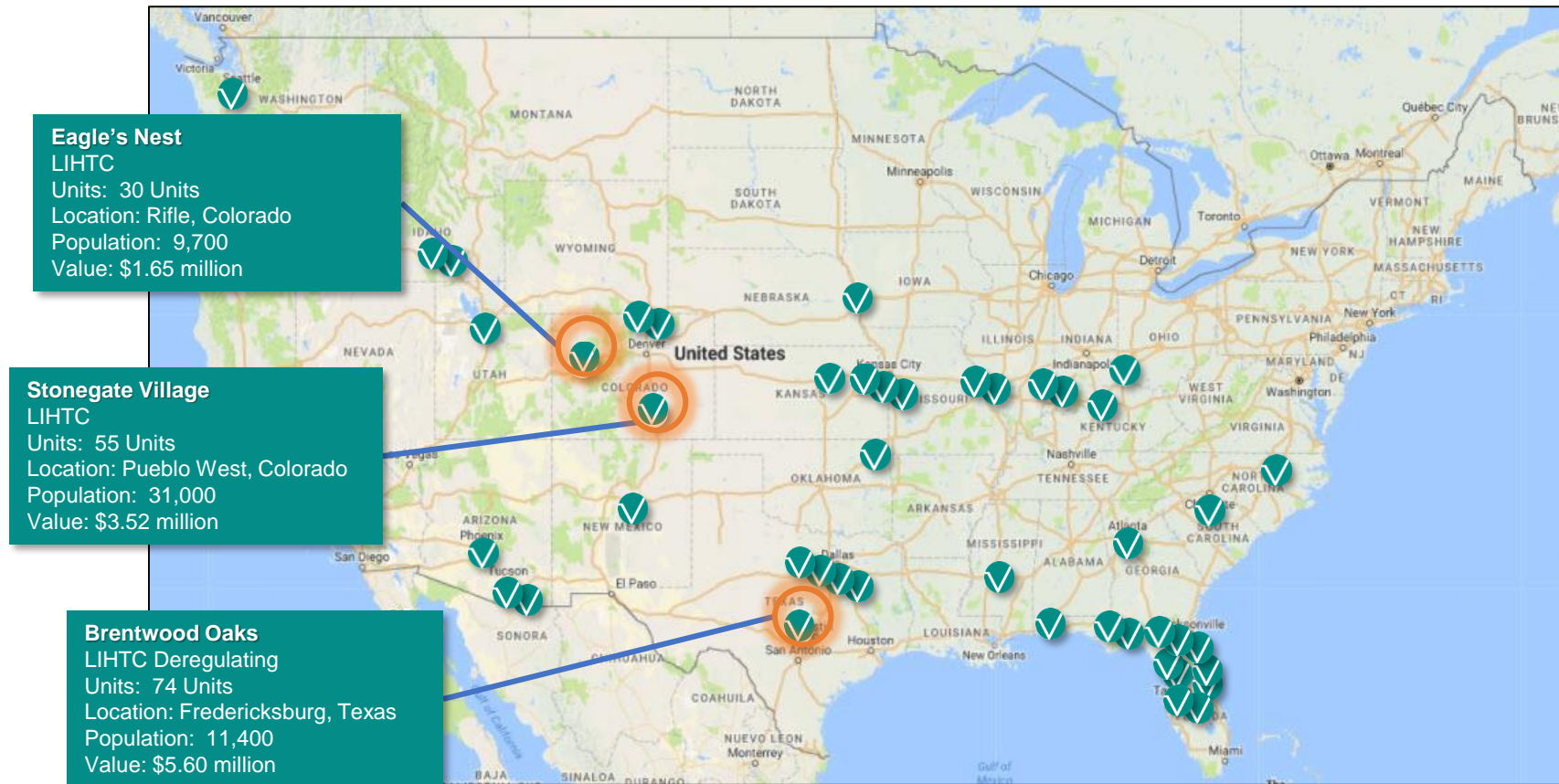


2018 Selling Opportunities

- Smaller, Isolated Location Assets

Disposition Candidates – Small, remotely located Candidates

Strategy: small scale assets (less than 100 units) or remote/sparsely populated locations



Summary



- Acquire value-add assets in strategic locations throughout the U.S.
- Work with our lenders to find creative financing solutions
- Accelerate our unit rehabilitation & operational improvement programs
- Reinforce our company's brand for competence in affordable housing market
- Continue on our path to provide affordable housing for the U.S. workforce



THANK YOU FOR
YOUR ATTENTION