

RAD LOFTS



“Live, Shop, Experience”



ASHEVILLE, NC



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EXECUTIVE SUMMARY



RAD Lofts is a high-density, urban mixed-use development that thoughtfully integrates highly bespoke elements of retail, office and upscale apartment living into the vibrant artisan culture of downtown Asheville. Inclusive of an hourly rate parking garage, the project will enhance the accessibility and enjoyment of an area that boasts over 90,000 daytime workers and nearly 11 million visitors per year.

Every detail of the project layout and design is an intentional effort to seamlessly integrate into the City of Asheville's master plan for the River Arts District, hence the name "RAD" Lofts. The retail and restaurant components will reflect the local taste of the neighborhood while embodying the unique charm that draws nearly \$2 billion in annual tourism revenue to the area. The project will also be home to an organic grocery store which will utilize the oversized sidewalks to display farm fresh produce and encourage dining and socializing.

The project's 235 residential rental units offer truly exceptional living in a vibrant urban park setting, while keeping rents in line with the city's Affordable and Workforce Housing Guidelines. The use of metal and exposed steel will be craftly employed throughout the design to pay homage to the site's 100 year history as a steel fabrication facility.

RAD Lofts will directly benefit from the city's \$80 million infrastructure investment underway to create parks, jogging trails and road improvements nearby. In addition, the project is located within a Qualified Opportunity Zone; a designation created to stimulate long term capital improvements by delivering attractive tax benefits for investors.

Project Key Points



**235, One And Two
Bedroom Units**



**386 Parking Spaces
\$430,000 Annual Revenue**



**Workforce & Affordable
Housing Rent Rates**



**Construction Commencement
March 2019**



**Retail Space Approximately
17,000 sqf**



**Located in
Opportunity Zone**

Fact Sheet

Market Growth

- Annual 3 Mile Population: 5.0%
- Annual Rent Rates: 4.4%
- Median HH Income: 8.0%
- Unemployment Rate: 3.2%

Yield Projections

- 5 Year Target IRR: 18 - 22%
- 10 Year Target IRR: 9 - 13%
- Est. Development Yield: 7%
- Approx. Project Cost: \$65m

Project Details

- Total Size: 238,955 GSF
- Multi Family: 205,617 NRSF
- Commercial: 16,919 NRSF
- Parking: 386 spaces
- Storage: 143 units

Market Construction

- Units Delivered Past 4 Qtrs: 566
- Units Delivered Next 4 Qtrs: 190
- Proposed Units Next 4 Qtrs: 0
- Avg. Stabilization: 12 months
- Market Occupancy: 92.1%

Sales Analysis

- 12 Month Sales: \$136m
- Sales as of 2Q18 \$185m
- Hist. Avg Sales: \$60.5m
- Avg. MF Cap Rate: 5.7%

Project Incentives

- Brownfields Redevelopment
- City Land Use Incentive Grant
- Workforce & Affordable Housing
- Green & Energy Star Certified
- Located in an Opportunity Zone



The Asheville Experience

In 2017 the Asheville Convention and Visitors Bureau launched a national advertising campaign to encourage people to experience Asheville. The campaign, aimed largely at “Elite Empty Nesters” and “Experiential Millennials”, highlights the area’s historic landmarks, cultural arts and thriving epicurean scene. The secret is out. As a result, Asheville has become a very popular destination for the nation’s two largest demographic groups. The area’s year-around natural beauty and healthy outdoor living appeals to Baby Boomers as a storybook location for a vacation home or an ideal spot for an active retirement. A robust job market and an experience-driven social scene helps to draw Millennials who want the walkability of fine shops and dining without the tradition of big city congestion. We believe the RAD Lofts project will thrive as it encapsulates these lifestyle themes.

Business

Asheville’s population has increased by roughly 1% annually for the last decade. Particularly strong growth has been observed in the Millennial cohort, which is now the second largest age group in the metro after Baby Boomers. Healthcare makes up a considerable share of Asheville’s labor force, and healthcare-related jobs have increased by more than 14% this cycle. Mission Hospitals employs more than 10,000 people and has plans for a handful of multimillion-dollar projects that would create additional medical jobs. Economic growth in the metro has been strong and the unemployment rate (3.2%) has been steadily decreasing for the last few years.

The growing economy has been attracting more people, specifically Millennials, which has increased demand for multifamily units. Absorption in Asheville has been consistently positive, and more than 2,000 units were absorbed net since 2015. While published market vacancy rates reflect the impact of new supply across the region, the vacancy rate of the River Arts District (North/West Buncombe County) is 2.5%.

RAD Lofts Proximity

- 1.2 miles from the center of Asheville’s historic CBD
- 1.2 miles to city, state and federal government offices
- 1.5 miles to the Buncombe Community College
- 1.5 miles to Mission Medical Campus
- 2.0 miles to the famed Biltmore Estate
- 2.0 miles from West Asheville Business corridor
- 2.5 miles to UNC-A main campus

Sources:

- * <https://livability.com/nc/asheville/business/top-employers-in-asheville-nc>
- * <https://www.ashevillecvb.com/wp-content/uploads/SalesMarketingPlan17-18.pdf>
- * Greystar – Asheville CoStar Report



UNIVERSITY OF NORTH CAROLINA
ASHEVILLE

Market Aerial

The Patton
117 Units / 4 Stories
Rent psf \$2.16
Vacancy 79.5%
Built 2018



RAD Lofts
235 Units / 6 Stories
Rent psf \$1.63
Vacancy N/A
Built 2021



Downtown
Asheville
CBD

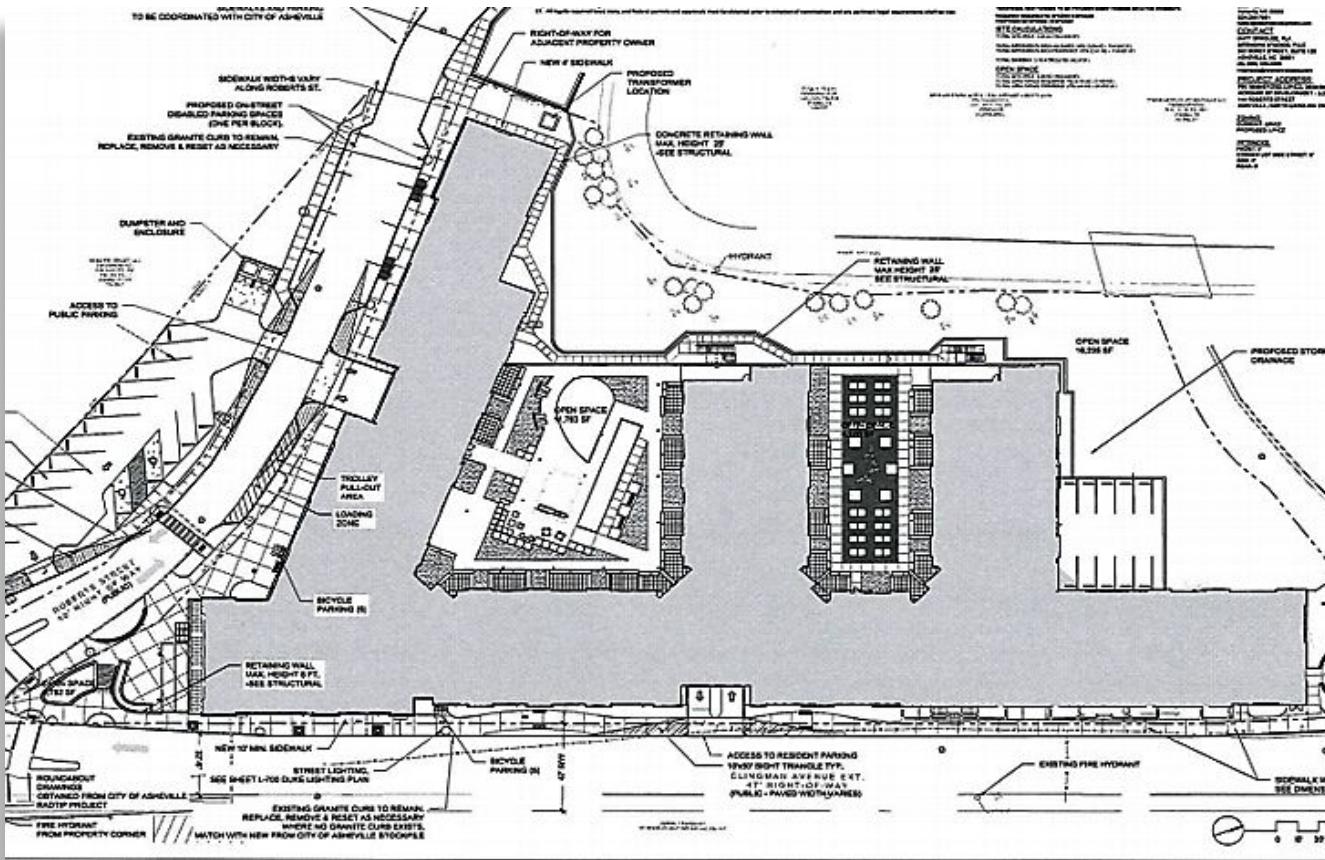
Retreat at Hunt Hill
180 Units / 3 Stories
Rent psf \$1.59
Vacancy 3.3%
Built 2015



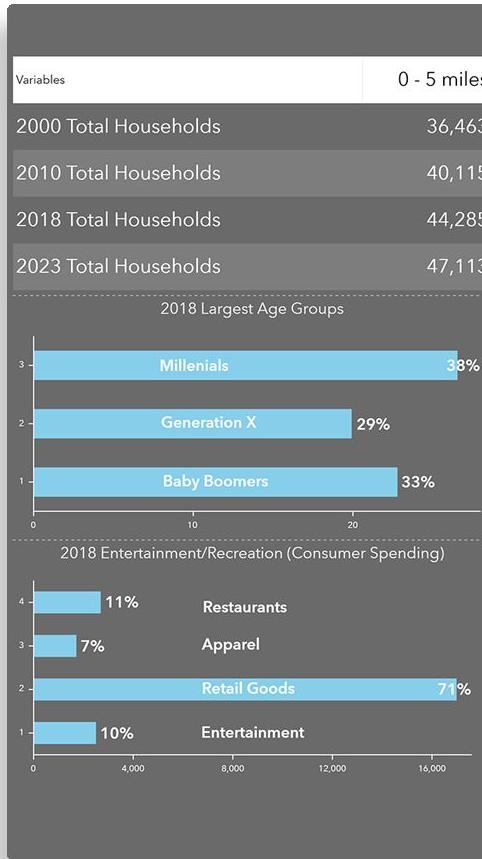
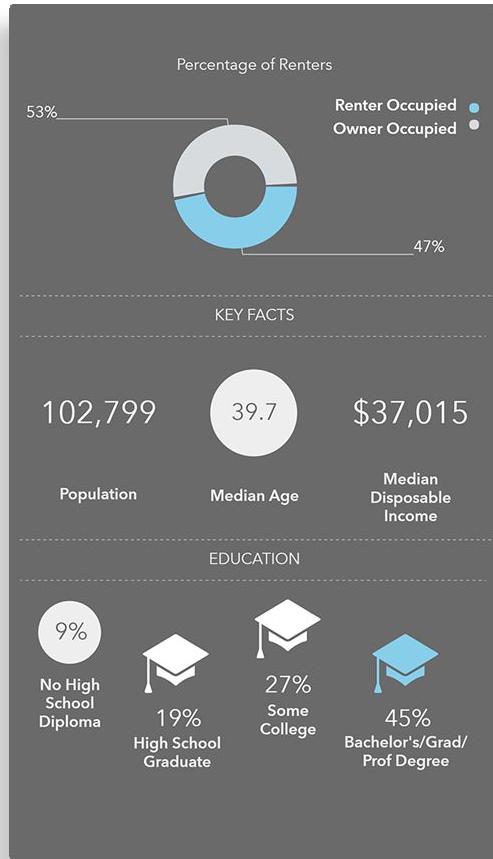
The District
309 Units / 6 Stories
Rent psf \$1.43
Vacancy 36.9%
Built 2017



Site Plan

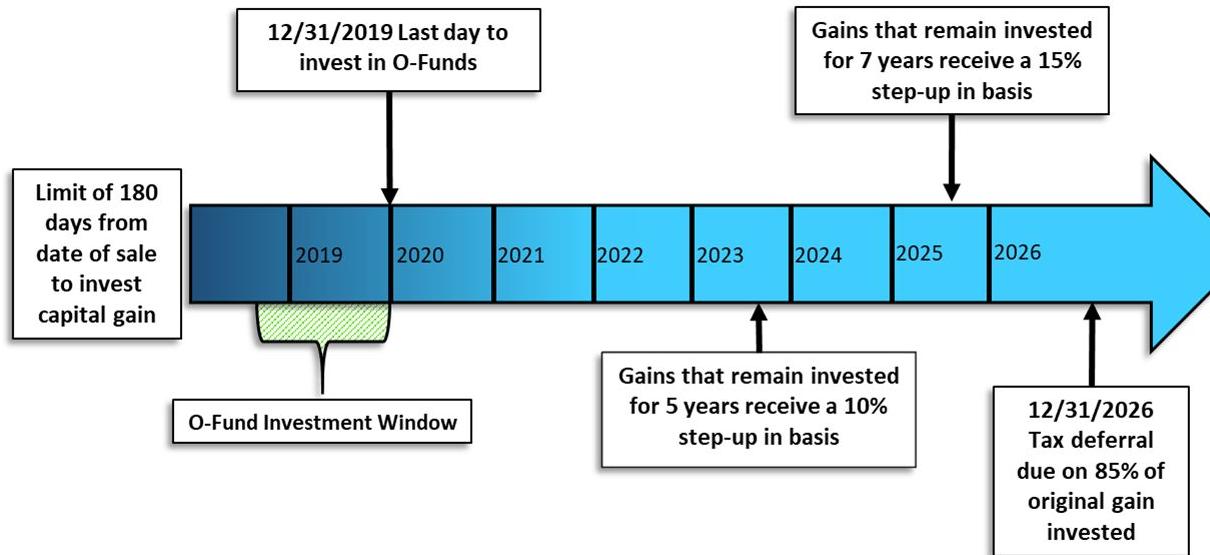


Asheville Demographics



Located in Opportunity Zone

Opportunity Zones were created by the Tax Cuts and Job Act of 2017 to spur economic development by providing tax benefits to investors. The program allows for an investor to receive a tax deferral, a step-up in basis and tax free appreciation if they re-invest their Capital Gains into a Qualified Opportunity Fund.



Sources: <https://www.irs.gov/newsroom/opportunity-zones-frequently-asked-questions>

Sources: <http://uscode.house.gov/view.xhtml?req=granuleid:USC-prelim-title26-section1400Z-2&num=0&edition=prelim>



RAD Lofts View from Roberts Street



Project Timeline

Closing on Loan

Feb 2019

Construction Start

March 2019

Construction End

March 2021

Retail Stabilization

Mar 2021

Project Stabilization

Sep 2022

Project Disposition

March 2029



Development Team



Developer

Jay Adams is the principal of Structure Development. With more than 25 years of commercial real estate experience, his resume includes self-storage, mixed-use, single-tenant retail, multi-tenant retail, multifamily and open air shopping malls. Structure currently has approximately \$180 million in projects under development and operation in 5 states. Before forming Structure Development, Jay spent 14 years as VP of Development for DeBartolo Development where he was responsible for several hundred million dollars in projects across the nation. Jay's most recent mixed-use project was Mills Park, a Fresh Market anchored 310 apartment unit complex in Orlando, FL. Mills Park is an urban infill development which spans nearly 9 acres and includes trendy restaurants and shops within the 72,000 square feet of retail space. Shortly after opening the doors for business, the multi-family portion alone was sold to an institutional investor in 2015 for a record \$66.5 million sale price.

www.structuredevco.com



General Contractor

One of the largest multi-family contractors in the nation, Summit has built in excess of 350 multi-family projects representing over 100,000 completed units, along with over 10 million square feet of commercial projects in the form of office, warehouse, retail, hotel and multi-use developments nationwide. Summit's commitment to excellence, unparalleled customer service, and overall team approach represents a no-nonsense, relationship-driven mindset that has contributed to the company's huge success. Molded by industry experience, inspired by a competitive spirit, and focused on a team approach, Summit's experienced management team and strong subcontractor relationships lead to successful projects and satisfied clients. Summit prides itself on delivering a project on time and within budget while maintaining quality and safety, through the use of innovative management techniques and industry-leading quality control programs.

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