Stabilized Partially Renovated Apartment Community with Value Add Component
EXECUTIVE SUMMARY

Cascada del Sol
APARTMENTS
SUMMARY OF TERMS

OFFERING SUMMARY

Price……………………..UNPRICED
Terms…………………FREE & CLEAR

INTEREST OFFERED

100% fee simple interest in Cascada del Sol Apartments, a 166-unit apartment community located at 1502 W Glendale Avenue in Phoenix, Arizona 85021.

TERMS

Cascada del Sol Apartments is being offered free and clear of debt.

PROPERTY TOURS

Prospective buyers are encouraged to visit the subject property prior to submitting an offer. Please do not contact the on-site management or staff without prior approval. All property showings are by appointment only. Please contact the listing agent, Germain Villeneuve at 480.767.3001 for more details.

SALE CONDITIONS

Interested prospective buyers should be aware that the owner of the property is selling the property in “as is, where is” condition with all faults, if any, and without representations or warranties of any kind or nature, expressed or implied, written or oral, other than the special warranty of title contained in the deed.

DUE DILIGENCE AND CLOSING

The timeline for the prospective buyer’s due diligence and closing will be a consideration in the buyer selection process. Certain property information will be made available upon commencement of the marketing campaign in a secure online deal room. This offering memorandum has been prepared to provide summary, unverified financial and physical information to prospective buyers, and to establish only a preliminary level of interest in the subject property. The information contained herein is not a substitute for a thorough due diligence investigation. KW Commercial has not made any investigation, and neither Owner nor KW Commercial makes any warranty or representation with respect to the income or expenses for the subject property, the future projected financial performance of the property, the size and square footage of the property and improvements. All potential buyers must take the appropriate measures to verify all of the information set forth herein. Prospective buyers shall be responsible for their costs and expenses of investigating the subject property.

BID DEADLINE

To be Determined
PHOENIX APARTMENT MARKET

STRONG FUNDAMENTALS CONTINUE

Rising construction totals have had no significant impact on metro Phoenix’s overall high occupancy profile. With minimal change, the vacancy rate has remained below 5.0% since the fourth quarter of 2014. The rate closed the third quarter of 2017 at 4.5%, up 30 basis points for the period and up 10 year-to-date following a decline by 20 through all of 2016. By the end of October, the rate had increased to 4.6% but is expected to show no appreciable change through the remainder of the final quarter—or after. Most submarkets have vacancy rates below 5.0%.

Phoenix continues to be a market leader in rent growth, running at about 6.0% and ranking fourth in the latest Yardi Matrix Report, well above the National average of 3.5%. Rates, meanwhile, are modest by national norms for major markets. At $955 and $895 per month, respective asking and effective averages for the third quarter were up 2.1% and 3.1% year-to-date following last year’s gains of 5.9% and 6.1%. Average Phoenix area rents, meanwhile, run well below the $1,356 and $1,295 per month mean rates reported, respectively, for the nation’s top 50 markets combined.

![Year-Over-Year Rent Growth—Renter-by-Necessity Asset Class](chart.png)
INVESTMENT DRIVERS

ADDITIONAL COMMUNITY AMENITIES

The property currently does not have either a fitness center nor a clubhouse. There is the potential to upgrade a under utilized large community room behind the leasing office which has great windows coupled with direct access to the pool area.

This area would be ideal for a small fitness room or a business center and Wi-Fi Café.

CASCADA DEL SOL’S POTENTIAL AMENITY UPGRADES

NEW FITNESS CENTER
NEW RESIDENT WI-FI CAFÉ
NEW INTERNET BUSINESS CENTER
NEW GAME ROOM
NEW PLAYGROUND AREA
INVESTMENT DRIVERS

PROPERTY’S PHYSICAL CHARACTERISTICS AND UNIQUE COMMUNITY AMENITIES STIMULATE RENTAL DEMAND

INVESTMENT OVERVIEW

Cascada del Sol Apartments is a 166-unit, garden-style apartment community in Phoenix, AZ, centrally located on Glendale Avenue and 15th Avenue in close proximity to the Abrazo Health Central Campus and the newly renovated Christown Spectrum Mall. Residents enjoy direct access to all areas of the Phoenix Valley by way of the nearby Light Rail Transit System (the 19th Avenue and Glendale Avenue stop is a half-mile from property), the Black Canyon Freeway (Interstate-17), the Piestewa Freeway (State Route 51), and the Papago Freeway (Interstate-10). In addition, there are numerous dining and entertainment options convenient to the property including the Christown Spectrum Mall, which has undergone a major $10 million redevelopment. Recently converted into a retail power center with 1.2-million square feet of leasable space, Christown features national big box retailers such as Super Target, Costco, Wal-Mart Supercenter, JC Penney, and a Harkins Theater. These aspects make Cascada del Sol a highly desirable community for its residents.

Built in 1974, Cascada del Sol is a two-story rental community constructed of wood frame and stucco with flat roofing resting on a 4.18 acre site. The property’s has an airy feeling with many green courtyards and mature trees. The unit mix consists of 44 two-bedrooms measuring between 775 and 820 square feet, 68 one-bedroom floorplans measuring from 541 to 600 square feet, and 54 studio units measuring 404 square feet. All utilities are master-metered including electricity, gas, water, and sewer and hot water for the property is provided by master boilers. Units feature air conditioning / heating, balcony / patio, ceiling fan(s), oversized closets, walk-in closets, ceramic tile flooring on the first floor, and a kitchen equipped with a garbage disposal, gas range / oven, refrigerator, dishwashers and double-side stainless-steel sinks. Residents also enjoy amenities such as a swimming pool, clubhouse, laundry facility, barbeque grill areas, extra storage, and covered parking. Glendale Avenue enjoys a very large daily traffic count of 36,000 cars providing excellent exposure to a large tenant pool.

Significant employers in proximity to Cascada del Sol include the Abrazo Central Campus, Grand Canyon University and its current expansion, as well as the numerous employment centers in Midtown and Downtown Phoenix.

This information has been secured from sources we believe to be reliable, but we make no representations or warranties, expressed or implied, as to the accuracy of the information. References to square footage or age are approximate. Buyer must verify the information and bears all risk for any inaccuracies.
INVESTMENT DRIVERS

PROPERTY’S PHYSICAL CHARACTERISTICS AND UNIQUE COMMUNITY AMENITIES STIMULATE RENTAL DEMAND

SUBSTANTIAL RENOVATIONS AND UPGRADES DONE

The property has undergone significant renovations of over $1.6M to include:

- Replacement of Exterior Walkways (2012)
- 55 New Covered Parking Canopies Installed (2013)
- New Exterior Paint (2012-13)
- Sun Screens Added (2012-13)
- Complete Interior Remodel of 123 units (75%) including new ceramic flooring ground floor, repainted kitchen cabinets with new modern pulls, resurfaced countertops, new appliances and electrical fixture upgrades (2012-17)
- New Block and Stucco Patios (2012-13)
- Two Roof Replacement (2012,2017)
- Courtyard BBQ area (2012)
- Exterior Landscaping (2012)
- Pool Rebuilt with Dual Drains (2014)
- Complete Re-Piping of HVAC Lines (2013)
- New Cooling Tower (2016)
- New Domestic Boiler (2016)
- New Exterior Signage (2013)
INVESTMENT DRIVERS

STABALIZED WITH VALUE ADD POTENTIAL

Cascada del Sol Apartments has experienced steady impressive rent growth in 2017 while at the same time enjoying an occupancy well over 95% with very low turnover. The current rents are $1.14 per square foot and are some 13% below market, creating a significant income upside upon move-out.

The graph below shows the evolution of asking rents at Cascada del Sol for the past three years. In October 2014 the average asking rent including Rubs was $645. In October 2015 that grew to $699, in October 2016 asking rents hit $755 and currently asking rents are $818. That represents an average annual rent increase of almost 9%.

As there is no new construction in the rent by necessity class in Phoenix and we believe demand will continue to push rental rates higher as job growth and positive migration will continue to help well located, renovated properties.

![CASCADA del SOL - ASKING RENTS](image-url)
INVESTMENT DRIVERS

EXCITING AND PROVEN VALUE-ADD OPPORTUNITY

Phoenix continues to be a highly sought-after investment pocket in the southwest due to the success of recent interior value-add renovations. With in-place effective rents averaging $659, Cascada del Sol trails the top of its competitive set by nearly $100 per unit, creating an exciting value-add opportunity.

While current ownership has concentrated on exterior and mechanical upgrades and has completed some moderate interior renovations, which are achieving impressive average rent premiums, there is still substantial value-add potential for future ownership to renovate the remaining units as well as to expand upon the previous upgrades with higher-end finishes.

CASCADA’S KITCHEN - POTENTIAL UPGRADES

NEW BLACK OR STAINLESS STEEL APPLIANCES
REPLACING CABINETS DOORS WITH SHAKER STYLE
MODERN CABINET HARDWARE
MODERN LIGHT FIXTURE
ADD A CERAMIC BACKSPLASH

ADDITIONAL POTENTIAL UPGRADES:

MICROWAVES
WASHER/DRYERS
ACCENT WALL
INVESTMENT DRIVERS

STABALIZED WITH VALUE ADD POTENTIAL

Though the property is well maintained and stable there is a potential to further increase rents.

Only 123 of the 166 units (75%) have been partially renovated creating the opportunity to continue the renovation of interiors and increase rents. As can be seen from the chart below, non-renovated units can add an additional $93 to $136/month rent providing an excellent return on investment. Current renovations are basic, so a program upgrading finishes in all units will yield rent increases of an additional $40-68 per unit. In all there is a potential to increase rents by some $117,000 per year.

In addition, there is a potential to increase Utility Reimbursements (RUBS) now currently running $70/unit per month. The $140,000 collected annually only represents 51% of the total utility cost. We feel that could be increase to an average of $100/unit/month or $199,200 per year.

Cascada del Sol represents a unique opportunity to acquire a centrally located partially renovated apartment asset constructed in the mid 1970’s with substantial upside potential. In addition to the highest concentration of accelerating employment / job growth Cascada del Sol is extremely convenient to major arterial streets and both the I-17 and SR 51 freeways.

<table>
<thead>
<tr>
<th>Type</th>
<th>Mix</th>
<th>Units</th>
<th>Sq Ft</th>
<th>Total Sq Ft</th>
<th>In Place Rents</th>
<th>Market Rents</th>
<th>Upside to Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>STUDIO</td>
<td>4%</td>
<td>7</td>
<td>404</td>
<td>2,828</td>
<td>518 $</td>
<td>625 $</td>
<td>107 $</td>
</tr>
<tr>
<td>STUDIO RENO</td>
<td>28%</td>
<td>47</td>
<td>404</td>
<td>18,988</td>
<td>535 $</td>
<td>625 $</td>
<td>90 $</td>
</tr>
<tr>
<td>1 BR/1BA</td>
<td>2%</td>
<td>4</td>
<td>541</td>
<td>2,164</td>
<td>617 $</td>
<td>750 $</td>
<td>133 $</td>
</tr>
<tr>
<td>1 BR/1BA RENO</td>
<td>14%</td>
<td>24</td>
<td>541</td>
<td>12,984</td>
<td>667 $</td>
<td>750 $</td>
<td>83 $</td>
</tr>
<tr>
<td>1 BR/1BA DLX</td>
<td>2%</td>
<td>3</td>
<td>600</td>
<td>1,800</td>
<td>657 $</td>
<td>775 $</td>
<td>118 $</td>
</tr>
<tr>
<td>1 BR/1BA DLX RENO</td>
<td>22%</td>
<td>37</td>
<td>600</td>
<td>22,200</td>
<td>682 $</td>
<td>775 $</td>
<td>93 $</td>
</tr>
<tr>
<td>2 BD/1BA</td>
<td>17%</td>
<td>28</td>
<td>775</td>
<td>21,700</td>
<td>769 $</td>
<td>850 $</td>
<td>81 $</td>
</tr>
<tr>
<td>2 BR/2BA</td>
<td>1%</td>
<td>1</td>
<td>820</td>
<td>820</td>
<td>790 $</td>
<td>950 $</td>
<td>160 $</td>
</tr>
<tr>
<td>2 BR/2BA RENO</td>
<td>9%</td>
<td>15</td>
<td>820</td>
<td>12,300</td>
<td>848 $</td>
<td>950 $</td>
<td>102 $</td>
</tr>
</tbody>
</table>

This information has been secured from sources we believe to be reliable, but we make no representations or warranties, expressed or implied, as to the accuracy of the information. References to square footage or age are approximate. Buyer must verify the information and bears all risk for any inaccuracies.
SUPERB CENTRAL LOCATION

SERVING BOTH THE CENTRAL PHOENIX MARKET

Valley Metro Light Rail (0.5 Mile): Valley Metro Rail is a public, nonprofit regional organization with five member cities – Phoenix, Tempe, Mesa, Glendale and Chandler. It is responsible for the development and operation of the region’s high capacity transit system.

As one of the country’s fastest-growing metropolitan areas, the Valley of the Sun has a critical need for an expanded transit network. An additional 43 miles is in various phases of planning, design or construction. Light rail serves as an important link between communities. Thousands of riders use it to connect to work, school and entertainment. It stimulates economic growth and revitalization for the region. The future of transit in the Valley is the future of the Valley itself.

Northwest Light Rail Extension: A 5-mile extension from 19th Avenue/Montebello, running north on 19th Avenue. This extension will be built in two phases, with the first phase of 3.2 miles going to Dunlap Avenue. Phase I opened in March 2016; Phase II in 2026.

Metrocenter Redevelopment (4.0 Mile): Carlyle Development Group purchased the 1.3 million square foot Metrocenter Mall located in Phoenix, AZ in January 2012 in order to reposition and turnaround the Property after having languished for years in foreclosure and receivership. The mall, which was developed in 1973, is ideally situated between Peoria and Dunlap Roads on Interstate 17 in central Phoenix 17 miles northwest of Sky Harbor International Airport. The mall was renovated in 1986 and then in 2007, $32 million was invested to upgrade floor tiling throughout the mall, skylight enhancements, new mall furnishings and amenities (including a kid’s play area, family lounge and community room), upgrades to the exterior entrance, landscaping, security & HVAC systems and new signage.

The mall boasts Sears, Macy’s, Dillard’s, Harkins Stadium 12 and Sport Chalet among its anchor stores. CDG’s plan to add value to the center will include new mall entrance designs and an innovative leasing and redevelopment plan that will transform the landmark asset into a successful multi-faceted, mixed-use environment for shopping, dining and entertainment.
SUPERB CENTRAL LOCATION

SERVING THE CENTRAL PHOENIX MARKET

Christown Spectrum Mall (2.0 Miles): Christown Mall is the oldest operating mall and was the third shopping mall built in Phoenix, Arizona, located on Bethany Home Road and 19th Avenue. Today it still exists as an enclosed shopping mall, although the enclosed portion of the mall was greatly reduced when redevelopment changed the configuration closer to a power center. The property currently is known as Christown Spectrum Mall, derived from Chris-Town Mall & Phoenix Spectrum Mall, names previously used in the past.

- 1,200,000 gross leasable square feet
- Tenants include Super Target, Costco, Wal-Mart
- Supercenter, Harkins Theatres and JC Penney
- Regional entertainment and power center

Traffic counts:
Bethany Home Road..........................45,000 vpd
19th Avenue .......................................27,000 vpd

- 466,768 population within trade area
- $60,127 average household income within trade area
- One of the densest infill trade areas in Phoenix

Abrazo Central Campus (1.6 Miles): Abrazo Central Campus, a 221-bed acute care facility and teaching hospital, has been serving central Phoenix communities since 1963. The hospital is recognized for cardiovascular care, neuroscience services, orthopedics, women’s health, radiology and 24-hour emergency care.

Health Care Services Provided:
- Heart and Vascular Care, Neurology and Comprehensive, Stroke Care
- Advanced Wound Healing and Lymphedema Clinic, Bone and Joint Care
- Emergency Care, Imaging Care, Intensive Care, Laboratory Services, Mother and Newborn Care Neurosurgery / Brain and Spine Services, Occupational Medicine, Pain Management, Surgical Care, Women's Wellness Care, Abrazo

- 221 Licensed Beds
- 910 Employees
- 833 Affiliated Physicians
AERIAL VIEW FROM SOUTH

This information has been secured from sources we believe to be reliable, but we make no representations or warranties, expressed or implied, as to the accuracy of the information. References to square footage or age are approximate. Buyer must verify the information and bears all risk for any inaccuracies.
AERIAL VIEW FROM WEST

This information has been secured from sources we believe to be reliable, but we make no representations or warranties, expressed or implied, as to the accuracy of the information. References to square footage or age are approximate. Buyer must verify the information and bears all risk for any inaccuracies.
PROPERTY PICTURES - EXTERIORS
PROPERTY PICTURES - AMENITIES
1502 W GLENDALE AVENUE
PHOENIX, AZ 85021

YEAR BUILT/RENOVATED
1974/2012-16

NUMBER OF UNITS
166

NET RENTABLE SQ.FT.
95,784

This information has been secured from sources we believe to be reliable, but we make no representations or warranties, expressed or implied, as to the accuracy of the information. References to square footage or age are approximate. Buyer must verify the information and bears all risk for any inaccuracies.
1502 W GLENDALE AVENUE
PHOENIX, AZ 85021

YEAR BUILT/RENOVATED
1974/2012-16

NUMBER OF UNITS
166

NET RENTABLE SQ.FT.
95,784

This information has been secured from sources we believe to be reliable, but we make no representations or warranties, expressed or implied, as to the accuracy of the information. References to square footage or age are approximate. Buyer must verify the information and bears all risk for any inaccuracies.