



**TWO SEVENS**  
CAPITAL

# **Two Sevens Capital Residential Limited Partnership II**

**Q1 2021 – Quarterly Asset Report**

**As At Quarter Ended March 31, 2021**



# Table of Contents

Please direct any questions or comments to:

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Two Sevens Capital.....	3
Message from The Co-Sponsor / Equity Manager.....	4
Summary Comments.....	5
Quarter by Quarter Recap.....	6
Asset Quick Facts.....	7
Investment Strategy.....	8
The Value-Add Strategy.....	9
The ROI of a Value-Add Opportunity.....	10
Renovation (Capex) Plan.....	11
Excellent Revenue Upside for Completed Suites.....	12
Renovation Progress.....	13
Income Statement as at March 31, 2021.....	15
Management Team.....	16
Disclaimer.....	17

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## Our Mission

Transform access to wealth creation.

## Our Vision

Provide significant and sustainable wealth creation for individuals and families by simplifying access to direct private investment.

## Our Goal

To create \$1 billion in wealth for our clients and partners by 2030.



# Message from Co-Sponsor/ Equity Manager

Dear Investor-Partner,

I hope this note finds you and your families doing well.

Q1 was another excellent quarter. Revenue of \$209,000 was generated.

Strategic renovation efforts (CapEx) and energy saving initiatives are paying off.

The value-add strategy was hard at work in Q1 with one suite completed and two units under renovation. As at the end of Q1, 19 suites have been completed.

Our goal remains to complete the project by the end of 2023.

Access to and participation in investments like RLP II is especially relevant in these unpredictable times. The volatile and jittery nature of the stock market as of late is exactly why you choose to participate in a private direct investment like RLP II.

As always, I'm grateful for your participation in this opportunity.

Best to you and your families.



Adam J. Batstone  
Founder  
Two Sevens Capital

A stylized, handwritten signature of Adam J. Batstone in white ink on a dark blue rectangular background.

# Summary Comments

- Over Q1 2021, the investment partnership collected approximately \$209,000 in gross rental income.
- Value-add strategy is at work
  - 19 total suites completed (\$3,940,000 - \$4,435,000) in asset value has been created).
  - 1 suite completed in Q1.
  - 2 units is currently under renovation.
- New lease rates are almost double the existing rental rates in the building.
  - 1 bed renovated suite \$1,550 vs. \$831 for original unit.
  - 2 bed renovated suite \$1,750 vs. \$921 for original unit.
  - 2 bed + den renovated suite \$1,850 vs. \$921 for original unit.
- No common area upgrades planned for Q2 2021.

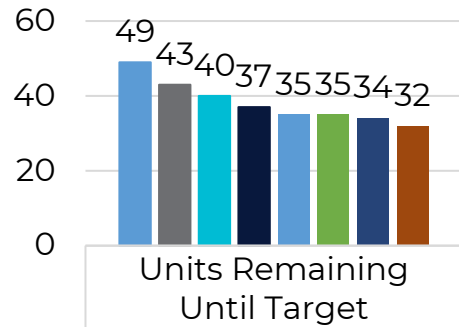
Living Room of Renovated Suite (6H)



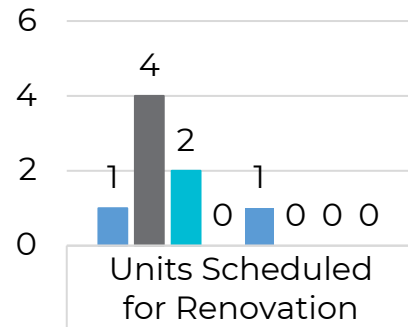
# Quarter by Quarter Recap

- Systematic progress is being made every quarter.

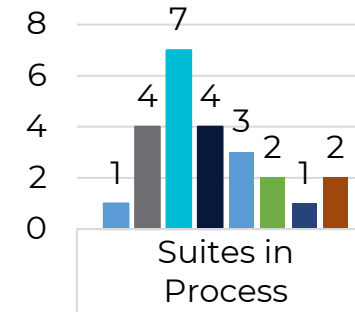
### Units Remaining Until Target



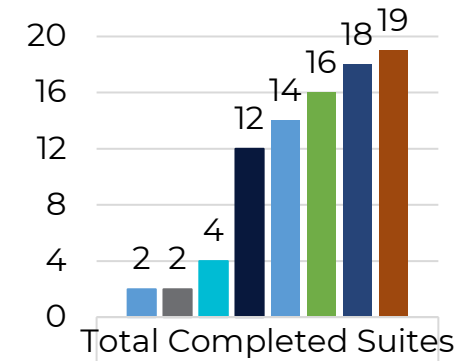
### Units Scheduled for Renovation



### Suites in Process



### Total Completed Suites



Quarter	Total Completed Suites
Q2 2019	2
Q3 2019	2
Q4 2019	4
Q1 2020	12
Q2 2020	14
Q3 2020	16
Q4 2020	18
Q1 2021	19

66



Units

27

585

1 Bed Average Unit  
1 Bath Square Feet



39

774

2 Bed Average Unit  
1 Bath Square Feet



Fitness Center



19

Suites Renovated

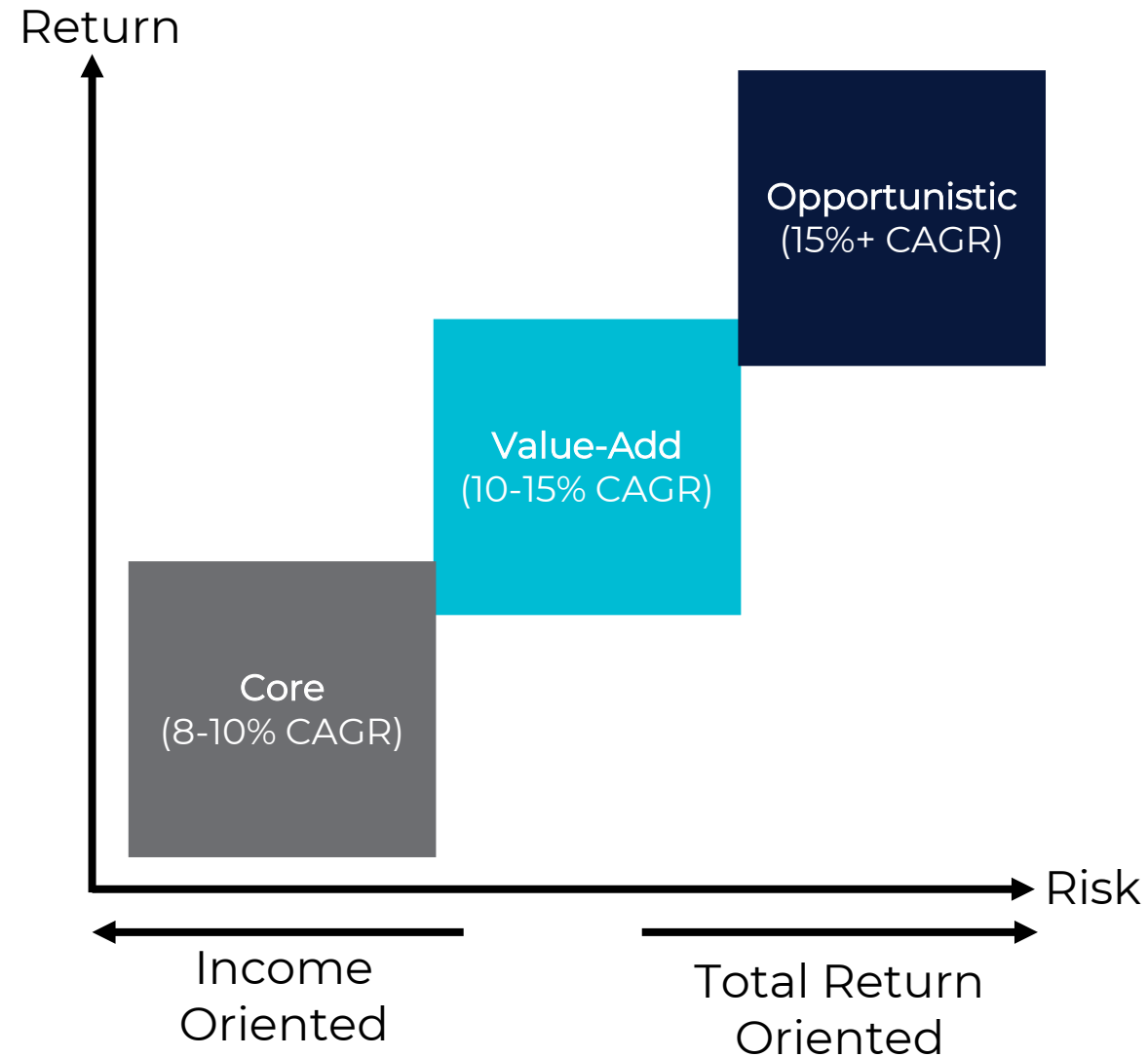


4

Potential New Suites  
Created By Repurposing  
Storage Areas



# Investment Strategy – Not All Opportunities are Created Equal

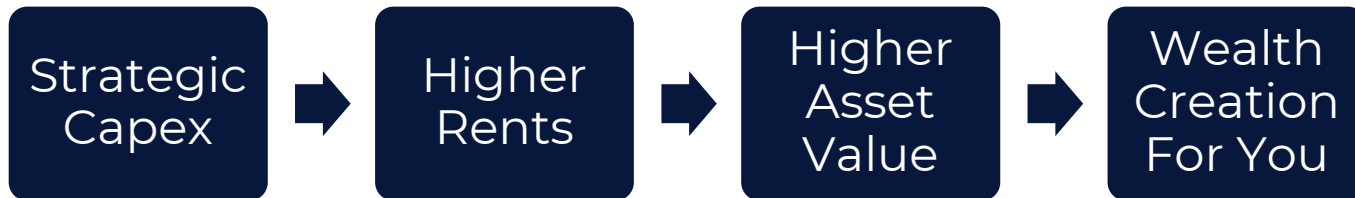


	Core	Value-Add	Opportunistic
Risk	Low	Mid Range	Higher
Target Annual Returns	8-10%	10-15%	15%+
Source of Earnings/Returns	Mostly from Income	Mix of Capital Appreciation and Income	Mostly from Capital Appreciation
Holding Period	5+ years	3-7 years	2-5 years
Financial Leverage	0-50%	30-70%	50-80%
Asset Types	Quality assets that are at or near full occupancy, and are achieving market rents.  Aggressive Capex not required.	Assets with significant upside potential that gets unlocked thru repositioning:  * renovation * re-marketing * re-leasing	1. Ground-up development  2. Distressed assets i.e. high vacancy, bad management, poor economics...



# The Value-Add Investment Strategy

- Transform a \$10M asset into a \$22M - \$26M asset through ~\$5M strategic renovation and systematic increasing of rents.
- Benefits to this strategy:
  - ✓ Strong positive cash flow (rent collection) during renovations
  - ✓ Appreciation from increased building value
  - ✓ Tax-efficient returns
- This strategy cannot work without combining your collective investment capital with our opportunity sourcing and the operational expertise of our partners.



# ROI on Renovations

- \$3,940,000 - \$4,435,000 in asset value has been created (19 total suites completed).
- On average, EACH renovated suite is currently adding \$207,466 - \$233,400 in value to the asset.
- The Return on Investment (ROI) for current Capex (renovations) is 229% - 270%.

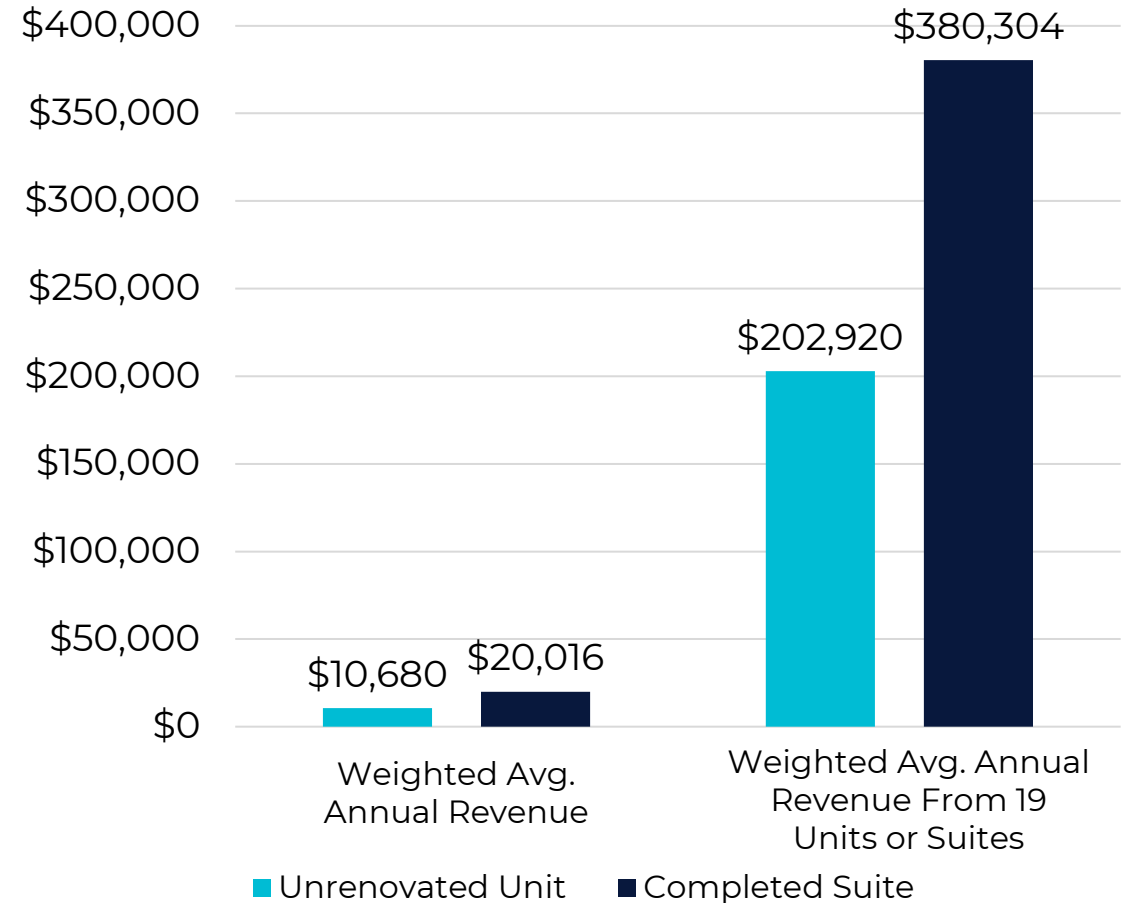
Reference		
A	Average Investment/Cost to Renovate a Unit	\$63,000
B	Cap Rate	4.0% - 4.5%
C	Weighted Average Lease Rate per Renovated Suite	\$1,668/ month
D	Weighted Average Rents per Unit at Acquisition	\$890/ month
E = C - D	Weighted Average Rate Increase per Suite	\$778/ month
F = (E*12)/B	Value Added to Asset per Renovated Suite	\$207,466 - \$233,400
G = [(F-A)/A] *100	Return on Investment (ROI) per Renovated Suite	229% - 270%

# Excellent Revenue Upside for Completed Suites

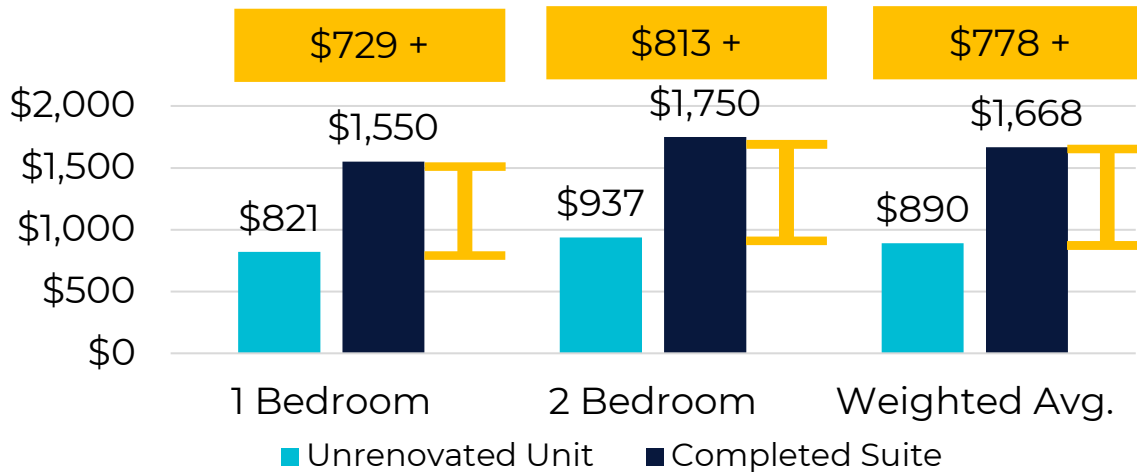
- On average, already \$177,384 in annual revenue upside captured (= \$380,304 - 202,920)

	1 Bed	2 Bed	Weighted Avg. 27 x 1 Bed 39 x 2 Bed
<b>Unrenovated Unit</b> Avg. Revenue (At Acquisition)	\$821/month \$9,852/year	\$937/month \$11,244/year	\$890/month \$10,680/year
<b>Completed Suite</b> Avg. Revenue	\$1,550/month \$18,600/year	\$1,750/month \$21,000/year	\$1,668/month \$20,016/year
<b>Revenue Upside</b>	<b>\$729/month</b> <b>\$8,748/year</b>	<b>\$813/month</b> <b>\$9,756/year</b>	<b>\$778/month</b> <b>\$9,336/year</b>

### Annual Revenue Upside from 19 Completed Suites



### Monthly Revenue Upside



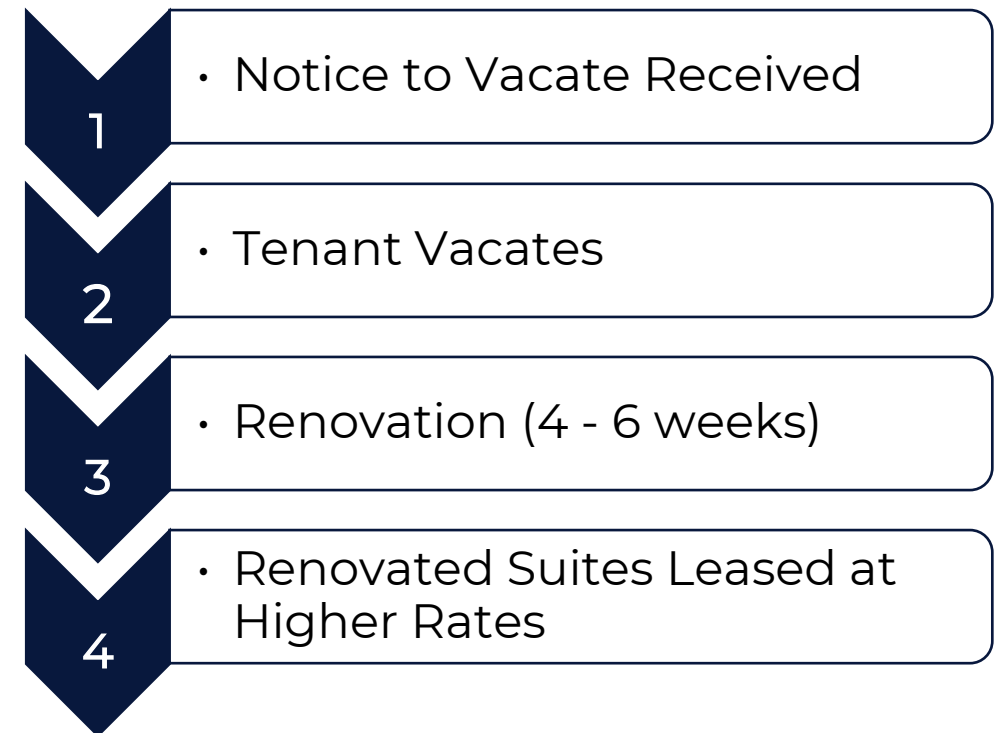
# Renovation (Capex) Plan

- Renovations have slowed due to the COVID-19 pandemic as unit turnover has been slower than anticipated.
- Renovation budget is on track.
- \$52,181 invested in renovations during Q1 2021 (\$1,025,565 since project start).

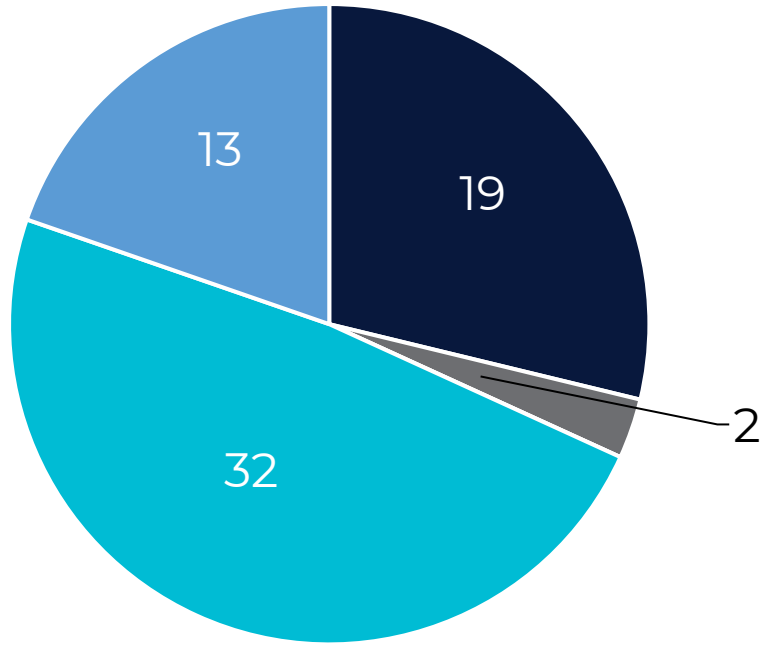
Year	Renovation Plan (at acquisition)	Renovations Completed (as at March 31, 2021)
2019	10 to 12 units	4
2020	16 to 18 units	14
2021	16 to 18 units	1
2022	10 to 12 units	TBD
2023	10 to 12 units	TBD

\*Unit turnover has slowed due to the pandemic.

## The Value-Add Process



# Renovation Progress



- 19 - Total Completed Suites
- 2 - Suites in Process
- 0 - Units Scheduled for Renovation
- 32 - Units Remaining Until Target
- 13 - Beyond Target



Completed



In Process or Scheduled for Renovation

1 Bed

2 Bed

Additional Units

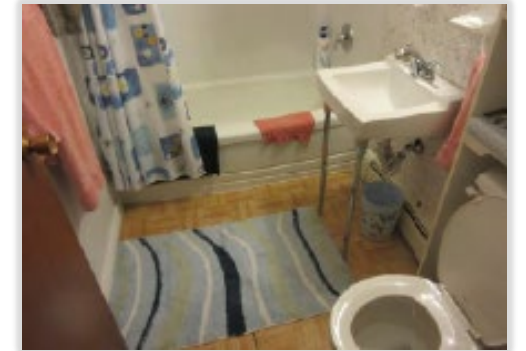
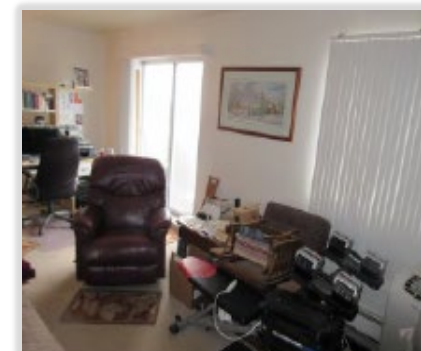
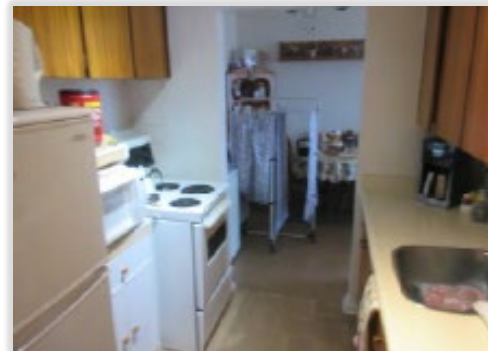
## Typical Renovated Suite (Suite 6H)



## Typical Unrenovated Unit (Unit 7G)

In good condition, but dated:

- Cabinets
- Flooring
- Fixtures
- Appliances
- Layouts



# Income Statement as at March 31, 2021

Ref.	Item	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021
A	Revenue (Rents)	\$164,290	\$171,409	\$191,866	\$207,972	\$209,000
B	Operating Expenses	(97,603)	(99,144)	(85,639)	(95,569)	(101,750)
C = A – B	Operating Income	66,686	72,265	106,227	112,403	107,250
D	Debt Service	(62,361)	(212,799)	(184,958)	(97,021)	(147,367)
E	General & Admin	(148,768)	(280,226)	(384,924)	(75,000)	(42,375)
F = C – D – E	Net Income*	(144,443)	(420,760)	(463,654)	(61,066)	(82,492)

\*Net Income Before Amortization, Gains & Taxes

\*\*Unaudited. For information purposes only. E. OE.



Equity Manager



Asset Manager



Property Manager



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