



Opportunities in Cash Flowing Assets

LIVE LIFE WEALTHY

Intelligent Deals

www.5starcapitalcorp.com



What makes 5 Star Capital Unique?

Solid Portfolio

- As owners and operators of hundreds of units across the country we know exactly how to source and execute value creating real estate transactions.

Reliable Property Management

- Our team has decades of combined experience in real estate and capital markets while our property management teams are local sharpshooters within their respective markets across the country.

Opportunity Spotters

- We are able to use our extensive experience as commercial real estate investors to identify assets we believe represent attractive returns to equity partners.

Value Creation

- 5 Star Capital has the unique ability to unlock and discover value across the entire commercial real estate spectrum and see opportunities where others do not.

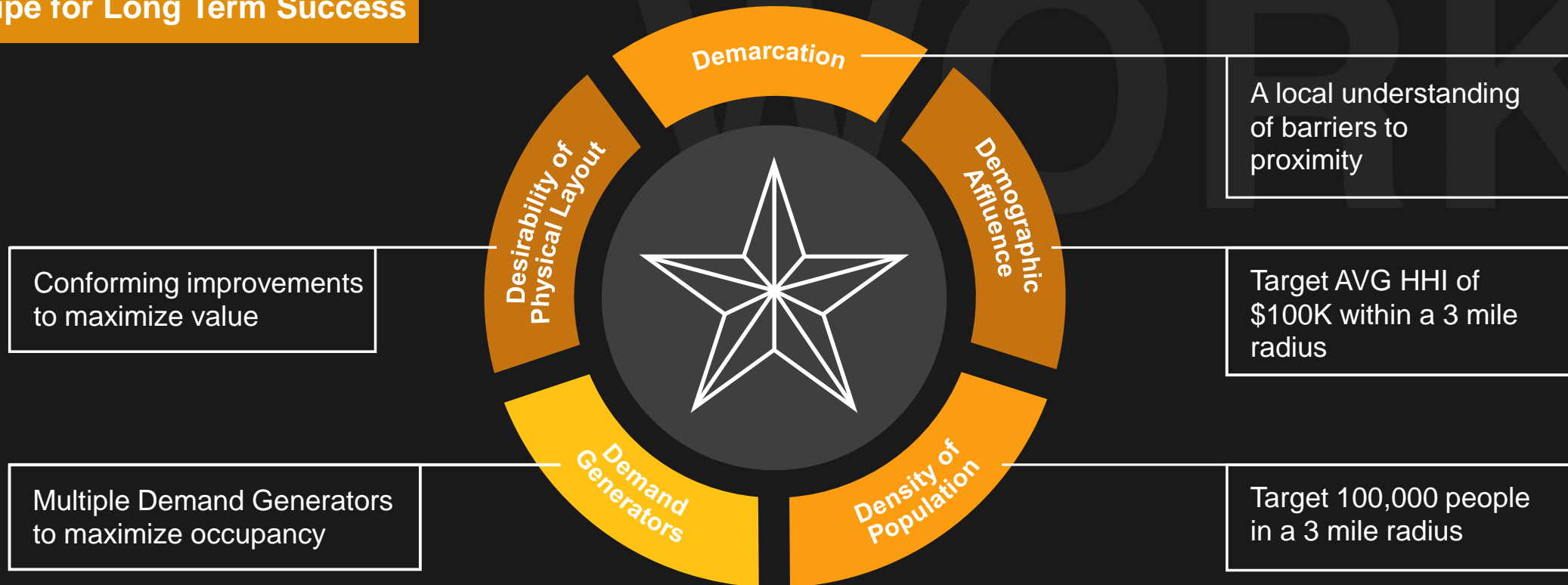
Our team has had **affiliations** with some of the **largest sponsors** in multifamily, office, self-storage and senior housing



A Disciplined Approach

5-D Investment Framework

Recipe for Long Term Success



Why multifamily is a great investment?



Since 2000 Real Estate has outperformed the stock market approximately 2 to 1 earning 10.71% annually vs. 5.43% for stocks.



Bonds have a low rate of return although relatively safe.



Stocks are subject to more risks, market risk, economic risk and inflationary risk; extremely volatile and subject to fluctuations in the market. Economic cycles, monetary policies, regulations, tax revisions and even changes to interest rates can affect stocks.



On average nationally Real Estate appreciates 3-4% per year and investors benefit from the appreciation but also receive 8% - 12% per year in return on their investment.

Why multifamily?

CBRE

"Multifamily rental rates exceeded those in the office and industrial sectors in the 2001 recession and all major property sectors, including office, industrial and retail, during the 2008-2009 recession." 2019



Freedom to adjust rents, raise the income with adding amenities



Control over income and asset value based on net income, not on comparable sales



Recurring cash flow, appreciation, mortgage paydown and taxes



Multifamily properties are taxed based on passive income rates and are not subject to employment taxes



Improvements lift value to multiple units. (e.g. Adding a swimming pool adds value to every unit in the community)



Less time & energy to acquire 100 apartment units versus 100 single family residents – much better ROI on your time. Lower cost per door, management is more effective & profitable



Only 37% of Millennials own a home – renting fits their budget better due to student loans, closing costs, home insurance and property taxes. Prefers flexibility for future relocation



Multifamily investing is classified as passive income and offer the most tax deductions

Continuing trends reflect growth in the sector

Home Ownership Decline



Home ownership has fallen 18.5% in the last 8 years among 25-34 year-olds.

A recent study of 1,000 renters age 18 - 34 found that nearly 8 out of 10 said they dont plan on buying a home anytime soon.



+95%

forecast multifamily occupancy levels

+300k

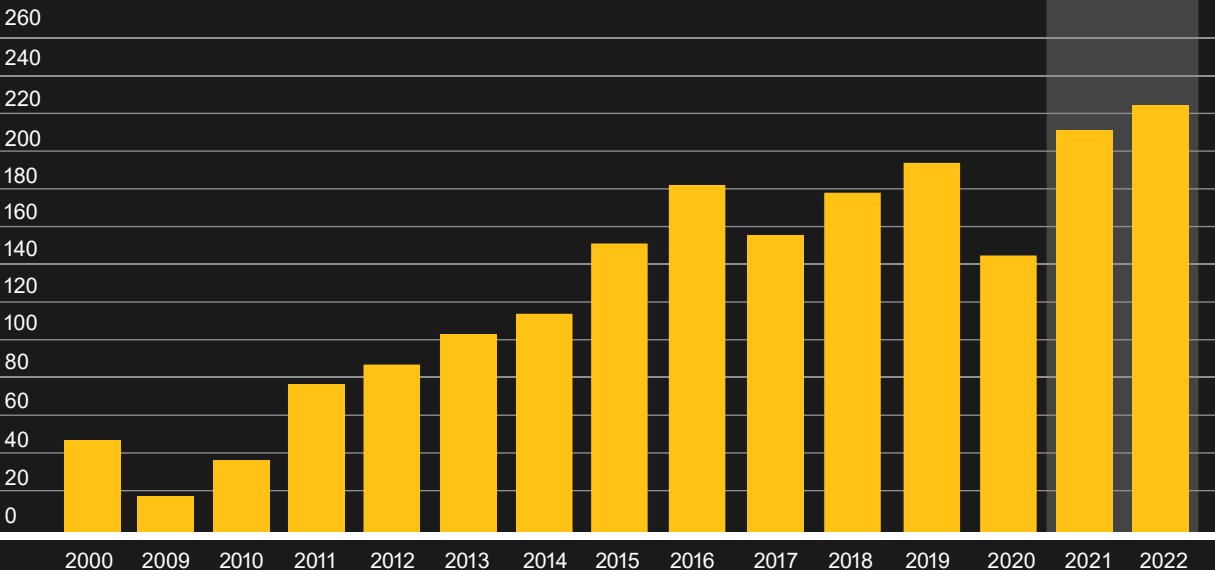
new units expected to deliver in 2022

8%

projected growth in urban effective rents in 2022

Multifamily investment to set new records in 2021 and 2022

Billions (\$)



Source: CBRE

Tax Benefits of Multifamily

1 Depreciation

Generally, multifamily real estate has an IRS depreciation period of 27.5 years, while other commercial real estate has a depreciation period of 39 years.



A multi-family property worth \$5M would have a depreciation expense of \$182K/year (\$5M/27.5).

Deducting such an amount from your taxable income saves you a lot in taxes.

For instance, if the property generates an income of \$300K/year, the tax obligations would be:

Taxes owed without depreciation = $\$300K \times 35\%$ (federal income tax) = \$105K

Taxes owed with depreciation = $(\$300K - \$182) \times 35\% = \$41K$

SAVINGS of \$63,367

2 Tax Deductions

A tax deduction is an expense written off from a rental property owner's taxable income. The law allows you to deduct the expenses you incur to manage, maintain, and repair your multi-family property from your total taxable rental income.

Examples

- Insurance premiums
- Management costs
- Maintenance and repair expenses
- Mortgage interest
- Utilities
- Marketing costs
- Travel expenses

Tax Benefits of Multifamily

3 Cost Segregation

The IRS allows you to **depreciate certain items over a shorter lifespan**. Things like cabinetry, fixtures, and appliances, can be depreciated over 7 years.

*Difference in depreciation using cost segregation:
\$342M – \$182K = \$160K of ADDITIONAL
depreciation passed through to investors*

Example:

The property is valued at \$5M and comes fitted with appliances, fixtures, and cabinetry worth \$1.5M.

Value of the property:

$$\text{\$5M} - \text{\$1.5M} = \text{\$3.5M}$$

Depreciation expense for the property:

$$\text{\$3.5M} / 27.5 = \text{\$127K}$$

Depreciation expense for the cabinetry, appliances, and fixtures:

$$\text{\$1.5M} / 7 = \text{\$214K}$$

Total depreciation expense:

$$\text{\$127K} + \text{\$214K} = \text{\$342K}$$

Tax Benefits of Multifamily

4 Passive Income Tax Benefits

Generally, passive income and **capital gains tax rates** are lower than the **federal income tax rates**. This means that, if you are not a real estate professional, your multifamily real estate investment tax obligation will be much lower. (500 hours per year)

5 1031 Exchange Tax Benefits

This allows you to **defer capital gains** tax by reinvesting your proceeds back into like kind property.



How We Source Our Deals

Deal Analysis

We have selected markets based off extensive research from seven factors.



Unemployment



Job diversity



Supply and Demand



Population



Top employers



Landlord vs
tenant friendly



Population age



Businesses

Deal Structure

01



Property must be 40 units or more.



02



Purchased using long-term debt at 70% to 80% LTV



03



Our target is 7% or more return to investors on an annual basis – paid quarterly*

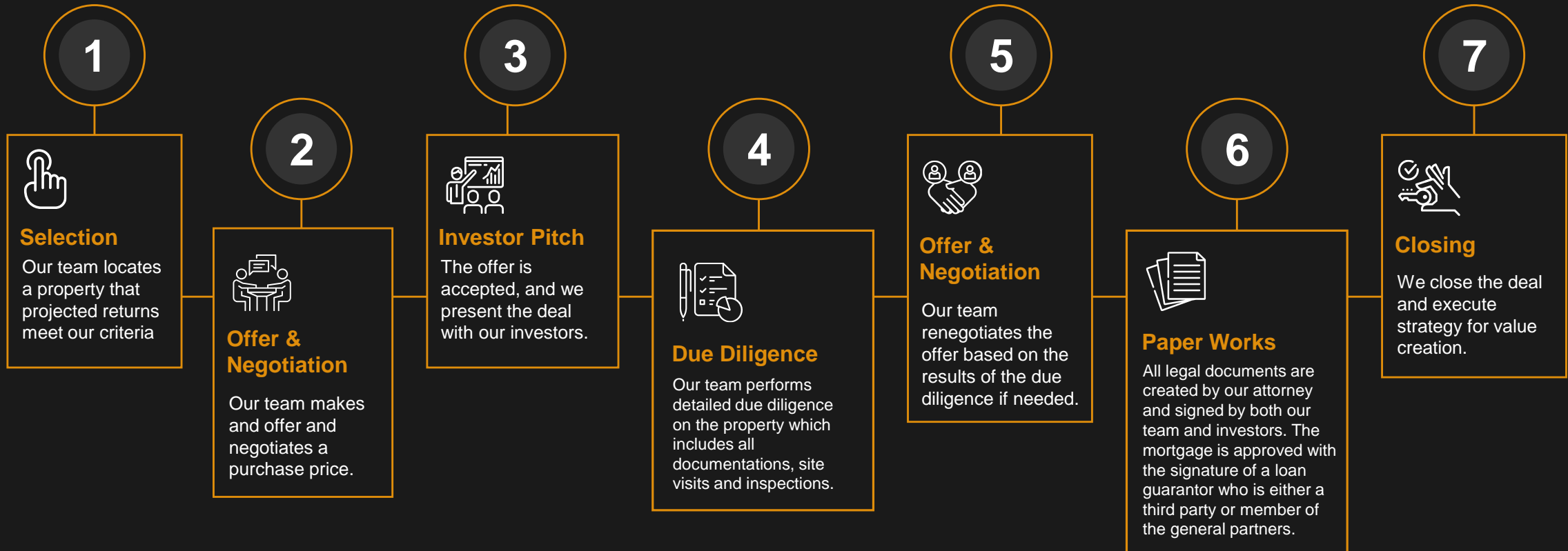


04



We plan on a 5-7 years hold depending on the business plan with an IRR target of 18%+ to the limited partners.

Process



CASE STUDY

Kirkwood Place - Greensboro, NC



66 Units | Class A – Newly constructed
\$11.25M Purchase Price | \$2.8M Equity Raise

Projected Return to Investors: 14 to 16% IRR+
Avg. Market Rent: \$1,015/Mo



Re-Financed at year 4 and returned major portion
of investors capital Sold Property at year 10

Investment Objective: Drive capital appreciation by
finding additional sources of income

- Washer / Dryer charges
- Increase rental rates – below market
- Premium charge for desirable views / upper levels
- Potential for covered parking
- Explore other possible sources of additional income

Total ROI: 125.53%
Avg. Annual Return: 14.29%
IRR: 12.29%
Avg. COC Return: 14.75%

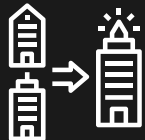
5 STAR CAPITAL INCOME AND GROWTH FUND

TARGET RAISE

\$25,000,000



7% preferred quarterly distribution
16-18% IRR.



Acquire cash flowing, income producing real estate with a focus on multifamily assets.



Diversified portfolio rather than single identified asset due to fund structure.



Robust pipeline of active properties from which to choose from.



Favorable GP Incentives 70/30% split on sale of assets to a 12% IRR Then 60/40%

We invite you to partner with us

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