

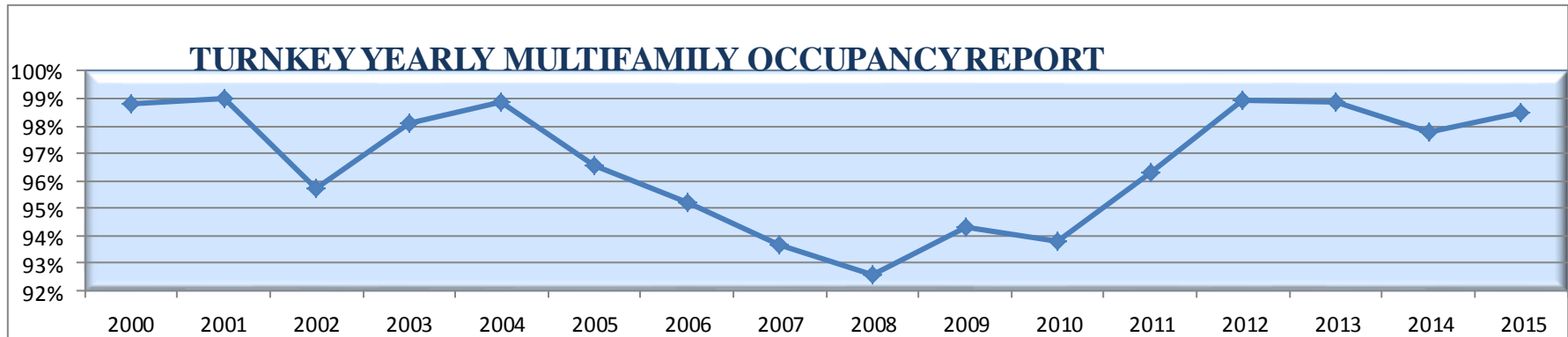


TurnKey Holdings\* is a property consulting, management and investment company. This newsletter features TurnKey's real estate investments and the Los Angeles area marketplace with some discussion of economic trends and related matters.

# TurnKey Real Estate Alert!\* (1,2,3)

Joseph M. Ebin – February 2016

To Our Partners and Friends:



The TurnKey-controlled multifamily properties achieved an average economic occupancy rate of 98.8% for the twelve month period of 2015, as compared to 97.8% in 2014 (1,2,3,4).

**The Year in Review.** It seems that we could have written this 2015 newsletter 12 months ago, as the results in 2014 were a good predictor of 2015's achievements. The local markets continued to firm up as employment strengthened. Multifamily is especially vibrant as strong economies create more independent households, i.e. fewer roommates and dependents sharing living quarters or at home dramatically increases rental demand. E.g., if occupant load were to change from 2.5 occupants/unit to 1.8 occupant/unit, this would increase rental demand by 28%. High occupancy drives up top lines and bottom lines. TurnKey's multifamily rental schedules and our net operating incomes have increased 7.3% and 16.4%, respectively, for the trailing year-over-year. Values have skyrocketed as a result of rising rents, high occupancies and cheap interest rates. During this period we enjoyed a great lift from many directions. It is worth noting, however, that the fourth quarter 2015 results were somewhat weaker than the prior three quarters requiring TurnKey to reduce asking rents for vacant units by about 10%. Hopefully, the winds will continue to blow from a favorable direction. Industrial markets for large and small spaces are also at peak occupancies, 95% plus.

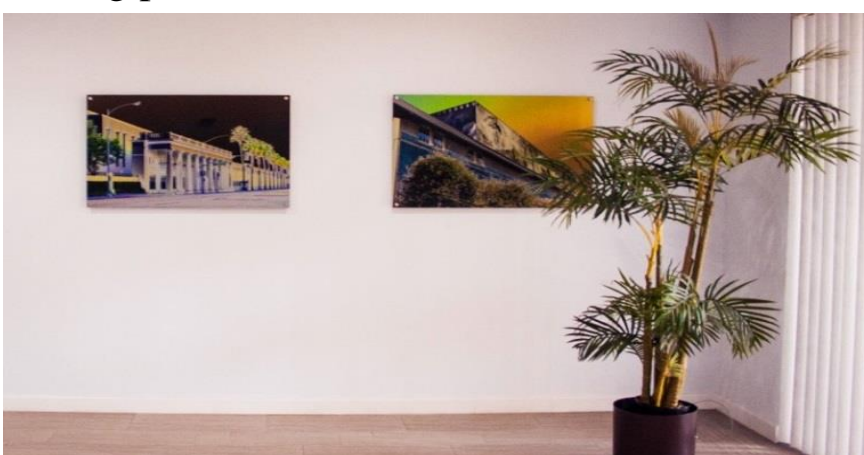
**Modest Leverage On the Cheap.** This past year TurnKey continued to increase leverage of the higher equity projects at favorable terms. IRS codes continue to favor refinancing rather than selling, as real estate mortgage proceeds are not taxed until the property is sold.

At Barcelona Apartments, LP we increased leverage for the first time after 31 months of ownership by taking out about 40% of the original equity in June 2015. Through the recasting of the debt with a new loan estimated to be 60-65% of market value and by improving operations at this property we increased annual distributable cash-on-cash yield by about 29%, from 7.2% to 9.3% per annum. This was accomplished through an enhanced rental schedule and by borrowing for thirty years, fixed at 3.61% interest for first five years.

At Family Holdings, LLC we increased leverage for the third time in our 19 year holding period, taking out 211% of the original equity in January 2015. Through the recasting of the debt with a new loan estimated to be 45-50% of market value and as a result of improving operations at this property, TurnKey increased annual distribution yield by about 26.7%, from 19.1% to 24.2% per annum. The new loan terms include a thirty year payback, with interest fixed at 3.91% for the first seven years.

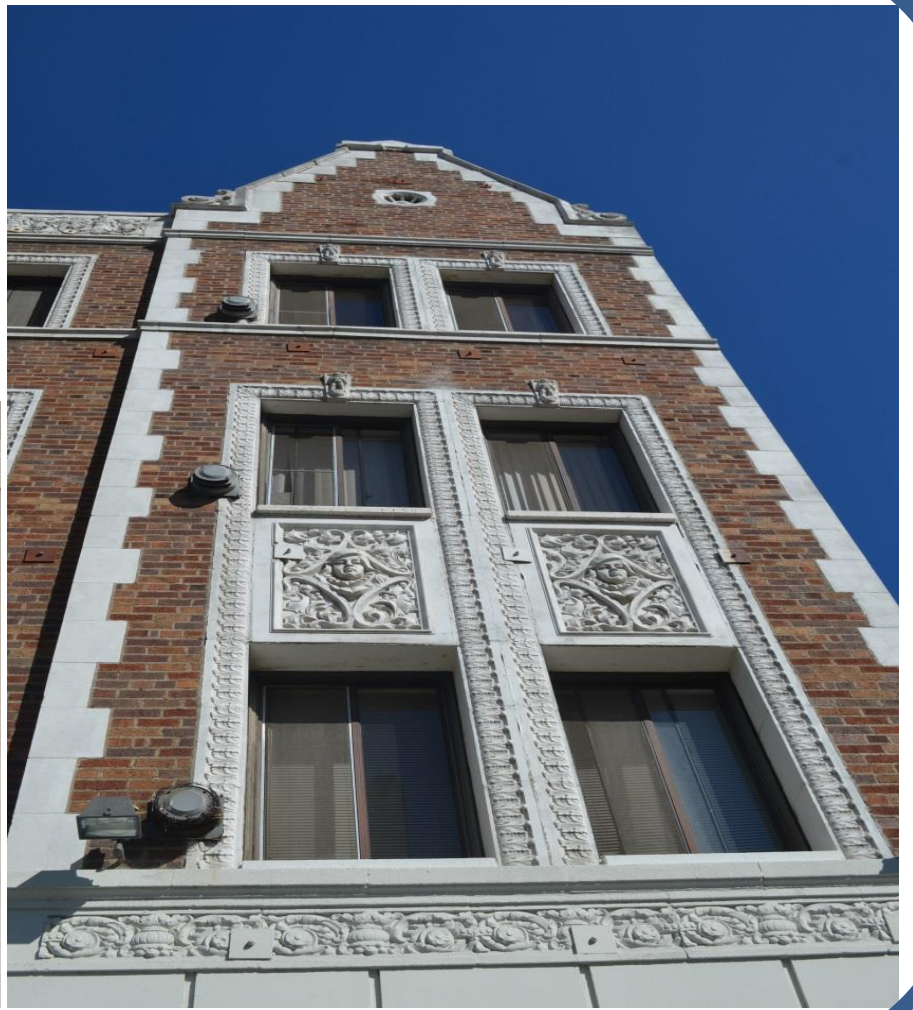
## Studio Palms Apartments

Located near Sony Studios and the Culver City restaurant zone, this 1986 property with large two bedroom units generated effective occupancy for the year of 99%. The operating cash flow was 41% per annum based on the original investment. Through 2015, the investors have received cumulative distributions from operations and debt refinancings of 533% of their invested capital, equivalent to 29%\*\* per annum over the 18.2 year holding period.





**Serrano Club Apartments** This mid-town, multi-family project generated average occupancy for the year of 97%. The operating cash flow yielded 212% per annum. Through 2015, the investor-members have received cumulative distributions from property operations and debt refinancings of 1495% of their invested capital, equivalent to 69% per annum over the 21.8 year holding period. (See our new lobby art and décor!)



### **Barcelona Apartments**

This four story Miracle Mile property located near LaBrea and Wilshire has many amenities including central air, laundry rooms on each floor, fully equipped gym, etc. In 2015 we generated 97% effective occupancy, 11.3 per annum operating cash flow and 8.8% per annum distributions\*\*. This property was added to our portfolio about 31 months ago. Now that it has been remodeled, we expect it to thrive. (See the new art-deco carpeting pattern.)



**Hamel Villas** This classic property off Burton Way, half townhomes with garages, achieved 100% effective occupancy for the last 24 months. This property was refinanced in 2013 and placed on a ten year fully amortizing mortgage fixed at 3.375%, effectively pouring all the cash flow into a rapid loan pay down.





# COMMERCIAL REAL ESTATE

Rancho Tech Center is situated across the street from a Foreign Trade Zone which has no zoning for necessary support services. TurnKey repositioned these light industrial properties into a mixed-use business park with medical clinic, staffing agencies and food court.



**At the Rancho Tech Center the occupancy remained very high and the operating cash flow increased to 29% per annum from 23% per annum in the prior year. In 2015 we opened our fourth employment staffing agency and received three Conditional Use Permits for church, dining room expansion, beer/wine sales and other uses. Through 2015, the investors have received cumulative distributions of 246% of their invested capital, equivalent to 15% per annum over the 15.3 year holding period.**

***We thank you and all of our colleagues in the real estate investment areas for your support in helping us to fulfill our strategic plans. Our business model embraces the concept that innovative and opportunistic tactics will generate exceptional results for us and our partners.***

*Until next time,*

*TurnKey Holdings*

  
*Joseph M. Ebin, President*

**\*This is not an offering. If such an offering were made, it would be only via appropriate offering materials and only to qualified prospective investors. Projected returns are based on assumptions concerning future events and circumstances. Some assumptions inevitably will not materialize and unexpected events and circumstances may occur. Past results are no indicator of future performance. \*\*Distributions are net to non-managing members and limited partners(1) Properties owned by entities formed through City Wide Management, Inc. dba TurnKey Holdings and First Capital, LLC, both owned and controlled by Joseph M. Ebin. (2) Cumulative distributions (not including Hamel Villas and Barcelona Apartments) are calculated on the ratio of investor-members cumulative distributions from operations and refinancings over invested capital, even if previously returned. (3) Operating cash flows (not including Hamel Villas) are based upon operations before adjusting for capital expenses and non-recurring items and before allocations among different classes of partners. (4) Economic occupancy graph is for multifamily properties only; it is the ratio of income collected over potential income and may differ from physical occupancy.**

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