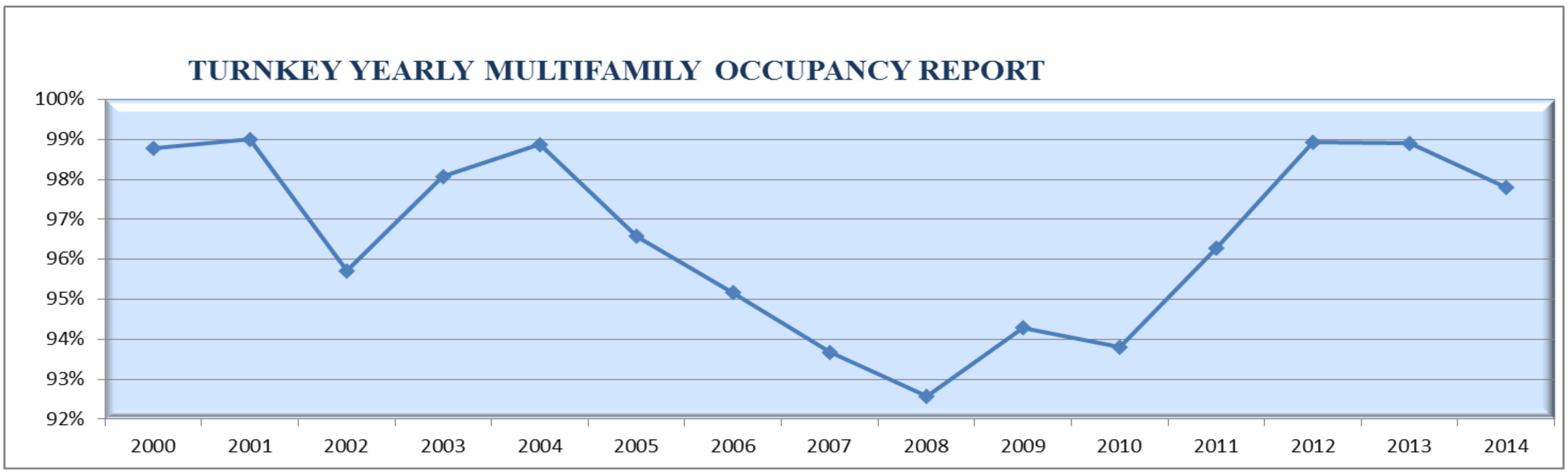
TurnKey Holdings* is a property consulting, management and investment company. This newsletter features TurnKey's real estate investments and the Los Angeles area marketplace with some discussion of economic trends and related matters.

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

Joseph M. Ebin – December 2014

To Our Partners and Friends:

It was the best of times, it was the best of times. As the unemployment rate dropped from February 2010 to November 2014, in California from 12.4% to 7.2% and in Los Angeles County from 11.8% to 8.0%, the nearly direct relationship between effective demand (buying and spending power) and rental market strength went into full swing. Simply put, increasing employment generates higher occupancy, increasing rents, lower tenant turn-over, stable operating costs, and increasing operational cash flows. And real estate valuations are soaring based on the above strengthening fundamentals and extremely low interest rates, often fixable for five to ten years at or below 4%, sometimes repayable interest only for a fairly long period.



The TurnKey-controlled multifamily properties achieved an average economic occupancy rate of 97.8% for the twelve month period of 2014, as compared to 98.9% in 2013 (1,2,3,4,).

Very Cheap Loans. This past year we leveraged up a bit by refinancing two properties to take advantage of aggressively low interest rate mortgage products and the IRS codes which favor refinancing rather than selling. About half of the remaining equity was taken out of the properties on a tax deferred basis, as no income tax is recognized on debt financed distributions. At Family Holdings, LLC the current mortgage distributions** to the investors are roughly 208% of original capital; and at Affordable Apartments I, LP the current mortgage distributions** are roughly 450% of original capital. With the new loans, the remaining projected "debt service coverage ratios"(defined as the net operating incomes divided by the annual debt service payments (the "DSCR's")) for these two refinanced properties for the next five years are a very healthy, 2.39:1.0 for Family Holdings and 2.6:1.0 for Affordable Apartments. Any DSCR over 1.4:1.0 is considered healthy by industry standards.

Strong and Safe Operating Margins.(3) This past year TurnKey Holdings' properties generated operating cash flows after debt service averaging 57% per annum (median of 28% per annum), ranging from 8.5% per annum for the newest property to 165% per annum for a property held about 21 years. The distributions to the investor-members for these properties for this 2014 period averaged 22% per annum (median of 17% per annum) ranging from 7% to 47% per annum. These results are far above industry norms and are a result of very selective investing principals.

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 98%. The operating cash flow was 33% per annum based on the original investment. Through 2014, the investors have received cumulative distributions of 508% of their invested capital, equivalent to 29%** per annum over the 17.2 year holding period.

In order for you to continue to receive this TurnKey Alert, we need your updated contact information, including mailing address, telephone, etc. Please send this updated information to turnkeyprop@ca.rr.com
If you request removal from this circulation, please advise us by email….. . Thanks.

Serrano Club Apartments This mid-town, multi-family project generated average occupancy for the year of 98%. The operating cash flow yielded 165% per annum, as compared to 83% for the prior 12 months. Through 2014, the investor-members have received cumulative distributions from property operations and note refinancings of 1439% of their invested capital, equivalent to 69% per annum over the 20.8 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 2014 we generated 97% effective occupancy, 8.5% per annum operating cash flow and 7.0% per annum distributions**. This property was added to our portfolio about 20 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 98% effective occupancy, as compared to 100% the prior year. This property was recently refinanced with a fifteen year fully amortizing mortgage fixed at 3.375%, effectively pouring all the cash flow into a rapid loan pay down.

COMMERCIAL REAL ESTATE

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

At the Rancho Tech Center the occupancy remained high at 90% and the operating cash flow increased to 24% per annum from 22% per annum in the prior year. We opened our third staffing agency and we have several operating permits in process for alcohol sales and other uses. Through 2014, the investors have received cumulative distributions of 214% of their invested capital, equivalent to 15% per annum over the 14.3 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,

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) 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.

Mailing: P.O. Box 74818, Los Angeles, CA 90004
Headquarters: 508 S. Serrano Ave. Suite 102, Los Angeles, CA 90020
(213) 251-9405 Fax: (213) 251-9409 Westside Office (310) 472-6512