



Lujan-Merriman  
Development Group

# REAL ESTATE VALUE FUND II

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# EXECUTIVE SUMMARY

## Successful 15+ Year Investment Strategy as a Value Investor

- ▶ Lujan-Merriman Development Group, LLC (“LMDG”) is forming a **\$15 million** five year fund to invest in distressed and opportunistic residential, multifamily, and commercial properties in Southern California.
- ▶ LMDG and its affiliates have completed **\$100 million** in transactions.
- ▶ A nearly **15-year track record**, the managers currently work with **investors in 15 states**.
- ▶ LMDG is positioned to identify opportunities and capitalize on market inefficiencies with **disciplined underwriting** and expedited cash closings.
- ▶ Investment properties will be repositioned and stabilized through a **value-add renovation plan**, to achieve improved tenancy and higher rents.
- ▶ Aaron Merriman and Aaron Lujan’s **long-term investment strategy**, has a history of achieving exceptionally high returns through the acquisition of distressed properties.

# EXECUTIVE SUMMARY CONT.

## Investment Strategy

- ▶ Target assets where there the potential for asymmetry exists
  - ▶ Investments from \$1.5M - \$5M
  - ▶ Focused on great locations at good price points
  - ▶ Properties typically renovated and stabilized within 9 – 18 months
- ▶ Disciplined underwriting and execution taking advantage of market inefficiencies
  - ▶ Granular asset by asset underwriting and tactical asset management strategies to enhance value
- ▶ Focus on intrinsic value which translates into long term value enhancement
  - ▶ Assets typically purchased at 50% - 60% of replacement cost
  - ▶ Top level strategic markets focus backed by strong fundamental analysis of economics, demographics, and local supply and demand
  - ▶ Strong renovation management and analysis of upgrades to impact on rents

## Competitive Advantage

- ▶ Focused and proven **niche strategies** in multi-family apartment investing
- ▶ Proprietary investment opportunities through multiple relationships that have been cultivated over **10+ years**
  - ▶ Most transactions are completed **off market**
- ▶ Proven within the markets we operate leading to a high velocity of quality deal flow
- ▶ Strong trade relationships for project renovations
- ▶ White glove customer service for both our investors and tenants

# TRACK RECORD

Period	Acquisition	Renovation	Sales Price / Current Value	*Gain on Assets	*Return on capital
2003 – 2006	\$2,008,000	\$67,500	\$4,113,750	98%	293%
2007 - 2010	\$479,000	\$25,000	\$799,000	59%	226%
2011 - 2014	\$4,260,000	\$489,000	\$8,795,000	85%	237%
2015 – 2019	\$33,071,000	\$3,584,000	\$55,105,000	48%	102%
<b>Total</b>	<b>\$39,818,000</b>	<b>\$4,165,500</b>	<b>\$68,812,750</b>	<b>56%</b>	<b>121%</b>

- ▶ Successful track record includes nearly 40 transactions over **15 years**
- ▶ Experience investing prior to and through distressed markets

*\*Reflects gross project return*

# THE OPPORTUNITY: VALUE FUND II OVERVIEW

## Target Investment Characteristics

**Acquisition Size:** \$1.5 - \$5 million

**Property Types:**

- ▶ Multifamily
- ▶ In-fill land
- ▶ Single family residential

**Location:** Coastal markets within Orange County and Los Angeles County as well as key submarkets within Los Angeles and Hollywood

**Leverage:** Up to 65% leverage on a portfolio basis

**Target Return:**

- ▶ 12% - 17%+ Internal rate of return (IRR, net to the investor)
- ▶ 1.5x – 2.0x Net Multiple

## Investor Terms

**The Fund:** LMDG Real Estate Value Fund II, LP

**Fund Size:** Up to \$15 million of equity

**Manager:** Lujan-Merriman Development Group, LLC

**Term:** Five years with two, one-year extensions

**Management**

**Equity**

**Ownership:** 30%

**Distributions:** Cash flows from operations and sales to be distributed pro rata quarterly

**Fees:** Asset management fee 2.0% per annum



# TRACK RECORD: HISTORICAL AND CURRENT INVESTMENTS



1251 E. 1st St [Alamitos Beach LB]



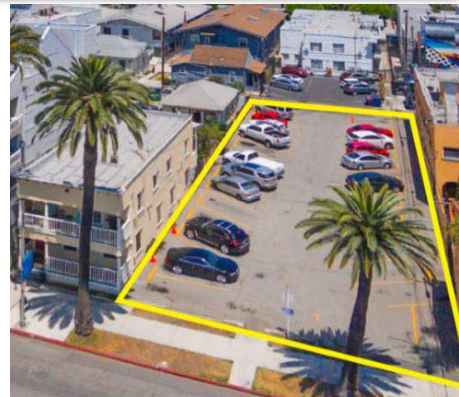
2104 Florida [Retro Row LB]



234 Elm [East Village LB]



126 Bonito [Alamitos Beach LB]



228 Elm [East Village LB]



160 Ximeno [Belmont Shore LB]



# TRACK RECORD: HISTORICAL AND CURRENT INVESTMENTS



134 Bonito [Alamitos Beach]



142 Bonito [Alamitos Beach]



1023 N Hayworth [West Hollywood]



717 E. 1st St. [Alamitos Beach]



315 Cherry Ave. [Alamitos Beach]



825 Ocean [Shoreline Village LB]



# TRACK RECORD: HISTORICAL AND CURRENT INVESTMENTS



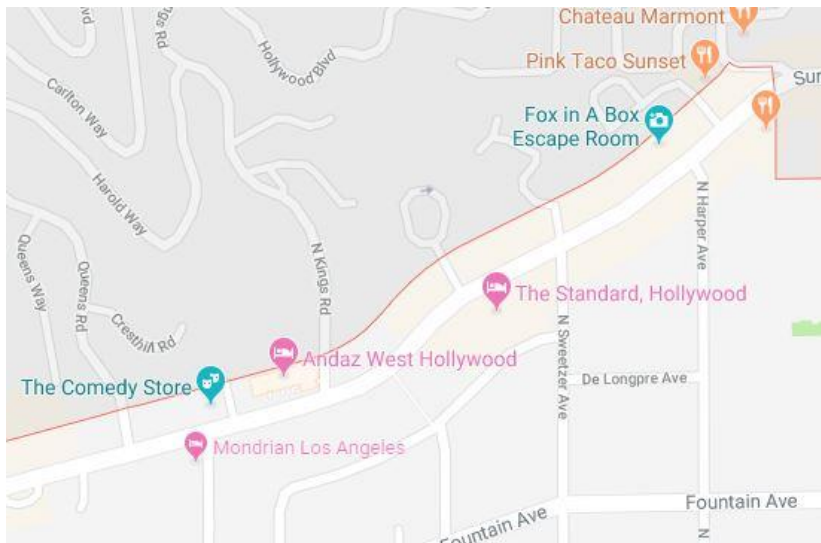
## Properties Continued:

- ▶ 1275 E. Broadway, Long Beach, CA 90802
- ▶ 211 Mira Mar, Long Beach, CA 90803
- ▶ 1247 11th St., Santa Monica CA 90401
- ▶ 315 Cherry Ave., Long Beach CA 90802
- ▶ 3355 Thornton, Anaheim CA 92804
- ▶ 2107 Holly Dr., Los Angeles 90068
- ▶ 310 21st St, Huntington Beach CA 92648
- ▶ 1 Bonito Ave., Long Beach, CA 90802
- ▶ 771 Alamitos, Long Beach CA 90813
- ▶ 1027 E. 2nd St., Long Beach, CA 90802

## Properties Continued:

- ▶ 702 E. Burnett, Long Beach, CA 90806
- ▶ 2243 Rousselle, Santa Ana, CA 92707
- ▶ 349 9th St., Long Beach, CA 90813
- ▶ 6038 Linden, Long Beach, CA 90805
- ▶ 3224 El Segundo, Lynwood, CA 90262
- ▶ 909 E. Chestnut, Santa Ana, CA 92701
- ▶ 1217 Molino Ave., Long Beach, CA 90804
- ▶ 1910 Hickory, Santa Ana, CA 92707
- ▶ 811 Chestnut, Long Beach, CA 90813
- ▶ 239 Elm, Long Beach, CA 90802
- ▶ 1083 7th St., Long Beach, CA 90813

# IN ESCROW: WEHO HARPER AVENUE HISTORIC DISTRICT



## Description:

- ▶ 10 unit multi-family property
  - ▶ 5 – 1bd/1ba
  - ▶ 5 – 2bd/1ba

## Purchase:

- ▶ Purchased for \$4,200,000

## Goals:

- ▶ Exploring All Options
  - ▶ Renovate Units
  - ▶ Condo Conversion
  - ▶ Tenant In Common

## Current Status:

- ▶ In Escrow – Expected close May 2019
- ▶ 2 Units vacant

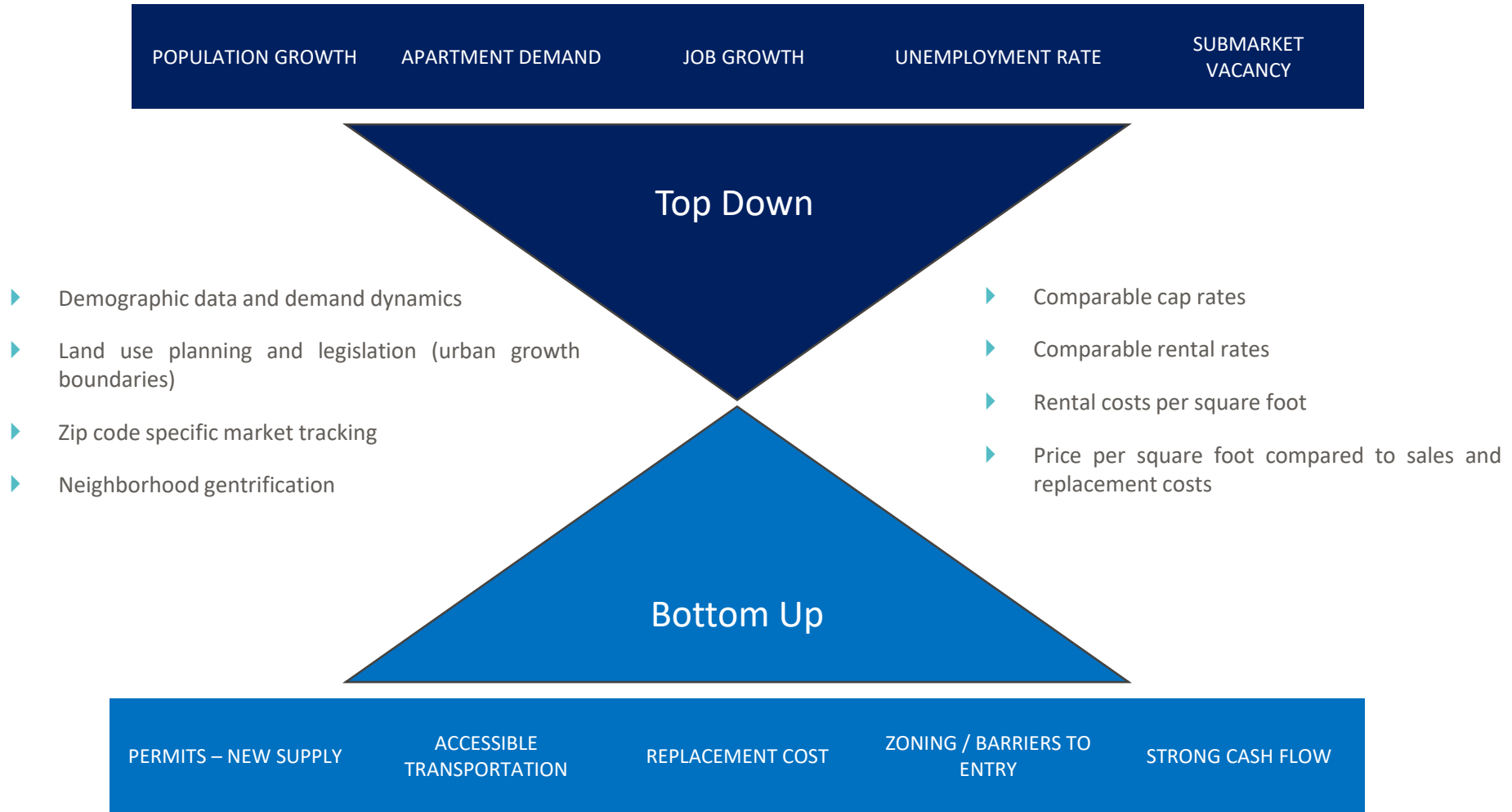
## Estimated Return:

- ▶ Renovate & stabilize – 7,500,000+
  - ▶ \$38,000+ Rental income per month
- ▶ Condo conversion – \$9,000,000+
  - ▶ Units from \$800 - \$1,000,000+

# INVESTMENT STRATEGY



# INVESTMENT APPROACH





# VALUE-ADD OPPORTUNITIES

- ▶ Maximize cash flow with increased rents and operational efficiencies
- ▶ Upgrade unit interiors and modernize building exterior and common areas
- ▶ Complete extensive deferred maintenance or major repairs
- ▶ Leverage zoning and redevelopment potential

## Typical Residential Renovations

Interior Upgrades may include:

- ▶ New flooring, including wood, tile or carpet
- ▶ Plumbing system replacement or repair
- ▶ Electrical system replacement or repair
- ▶ Upgraded kitchen cabinets and countertops
- ▶ New kitchen appliance package
- ▶ Upgraded bathrooms
- ▶ Painting, including two-tones or accent walls

Exterior upgrades may include:

- ▶ Full exterior repaint or touch-ups
- ▶ Upgrade landscape and hardscape
- ▶ Upgrade or build common area washer/dryer facilities
- ▶ New monument and building signage



# TARGET AREAS

LMDG targets key submarkets in the Los Angeles and Orange County areas

- ▶ High effective rents and consistent rent growth
- ▶ Occupancy rates greater than 90%
- ▶ Limited new supply



# INVESTMENT PIPELINE



# CASE STUDY: 142 BONITO AVE.

**Bonito Ave** Long Beach, CA (Alamitos Beach)

**Acquired:** May 2014 / **Sold:** June 2017



## Description:

- ▶ 4 unit multi-family property

## Purchase:

- ▶ Purchased for \$650,000
- ▶ Purchased 30% - 35% below market

## Goals:

- ▶ Vacate building
- ▶ Complete \$90k renovation plan
- ▶ Stabilize rents with increase of approximately 45%-50%

## Current Status:

- ▶ Renovation completed ~ **\$1,750,000**
- ▶ Rent increased by 130% (3 years)
- ▶ Property Sold June 2017
  - ▶ \$1.01 MM Profit, 4.44x multiple, and 73% XIRR
  - ▶ 341.2% Return on Capital - 37 months



# CASE STUDY: 126 BONITO AVE.

**Bonito Ave** Long Beach, CA (Alamitos Beach)

**Acquired:** February 2017 / **Sold:** October 2018



## Description:

- ▶ 4 unit multi-family property (3 garages)

## Purchase:

- ▶ Purchased for \$1.14 million
- ▶ Purchased 30% - 35% below market

## Goals:

- ▶ Vacate building
- ▶ Complete \$85k renovation plan
- ▶ Stabilize rents with increase of approximately 35%-40%

## Current Status:

- ▶ Renovation Completed
- ▶ Rent increased by 48%
- ▶ Property Sold October 2018 ~ **\$2,040,000**
  - ▶ \$815k Profit, 1.47x multiple
  - ▶ 147% Return on Capital – 20 months

# CASE STUDY: 315 CHERRY AVE. – FUND II

Cherry Ave Long Beach, CA (Alamitos Beach)

Acquired: June 2018 / Hold



## Description:

- ▶ 8 unit multi-family property (4 garages)

## Purchase:

- ▶ Purchased for \$1.775 million
- ▶ Purchased 25% - 30% below market

## Goals:

- ▶ Vacate building
- ▶ Complete \$330k renovation plan
- ▶ Stabilize rents with increase of approximately 50%-70%

## Current Status:

- ▶ Renovation completed
- ▶ Rent increased by 80%
- ▶ Gain on Asset 40%
- ▶ Gain on Cash 75%
- ▶ Yield 8%+
- ▶ Currently held estimated value ~ **\$3,200,000 - \$3,400,000**

# MANAGEMENT TEAM



Aaron Lujan

Mr. Lujan brings nearly 20 years of real estate and financial management experience as both an investor and operator. He served as CFO of Pacific Century Group, a billion dollar real estate development firm headquartered in Irvine California. Mr. Lujan began his career in public accounting as an auditor with Arthur Anderson LLP.

Mr. Lujan holds a BS in Accounting from the University of Southern California and completed the Certificate program at the USC Lusk Center for Real Estate: RMPIRE.

Mr. Lujan currently lives in Newport Beach California with his wife and two daughters.



Aaron Merriman

Mr. Merriman brings over 18 years of real estate and financial management experience with early stage and large companies.

Mr. Merriman is also active in his community. He is currently an advisor on multiple boards including the Pacific Club sponsored Lott Impact Trophy in Newport Beach, CA. He is also active in youth athletics as the head coach of the Newport Beach Seahawks tackle football team.

Mr. Merriman holds an MBA from the University of Southern California and a BA in Finance from Western Washington University.

Mr. Merriman currently lives in Newport Beach California with his wife and four boys.



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