

# CARROLL®

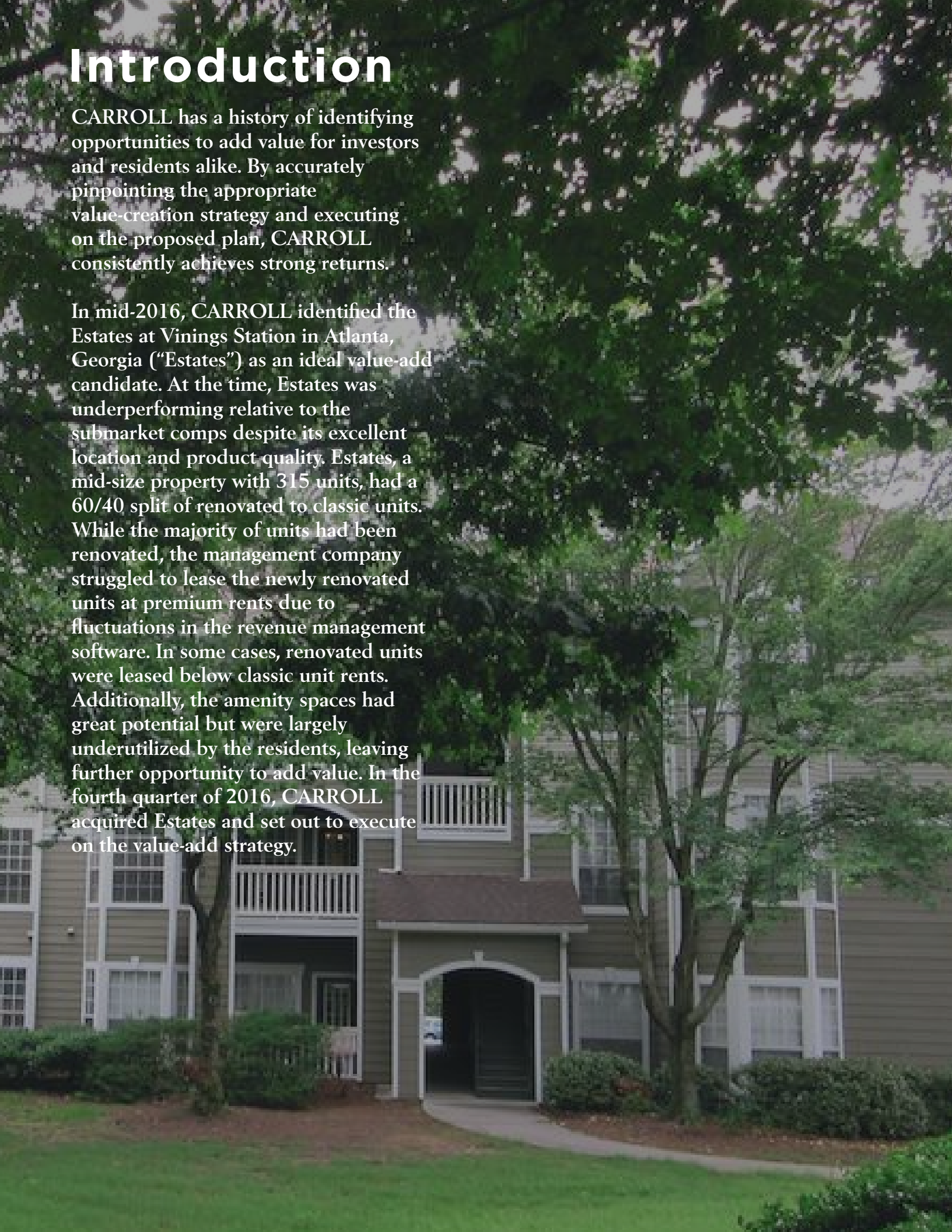


## ARIUM Vinings Station Case Study

# Introduction

CARROLL has a history of identifying opportunities to add value for investors and residents alike. By accurately pinpointing the appropriate value-creation strategy and executing on the proposed plan, CARROLL consistently achieves strong returns.

In mid-2016, CARROLL identified the Estates at Vinings Station in Atlanta, Georgia (“Estates”) as an ideal value-add candidate. At the time, Estates was underperforming relative to the submarket comps despite its excellent location and product quality. Estates, a mid-size property with 315 units, had a 60/40 split of renovated to classic units. While the majority of units had been renovated, the management company struggled to lease the newly renovated units at premium rents due to fluctuations in the revenue management software. In some cases, renovated units were leased below classic unit rents. Additionally, the amenity spaces had great potential but were largely underutilized by the residents, leaving further opportunity to add value. In the fourth quarter of 2016, CARROLL acquired Estates and set out to execute on the value-add strategy.



# 01


## Strategy/Plan

CARROLL's business plan was threefold: accretive renovations, improved management and rebranding under the ARIUM umbrella.

The initial goal was to execute a “mark-to-market” strategy on the 60% of units that were already renovated, bringing them up to normalized market rent, while also implementing light enhancements. Furthermore, CARROLL planned to renovate the remaining 40% of classic units, and lease those at a price comparable to normalized market rents of the seller's renovated units. The scope of these renovations included installation of stainless-steel appliances, hard-surface countertops, backsplashes, kitchen and bathroom hardware, new kitchen cabinets, removal of the split bar-top, and fresh paint.

Additionally, there were five underutilized amenity areas that provided less than optimal value and functionality to the property's residents.

- **DOG PARK:** Given that 20% of residents owned a dog, CARROLL hypothesized adding a dog park would be a valuable amenity.
- **Pool Area:** As the center of the community, adding pergolas and cabanas to the pool enhanced the look and feel of the area.
- **Leasing Center:** Refreshing and modernizing the leasing center would provide a better experience for prospects and residents, thus improving leasing velocity and increasing resident retention.
- **Clubroom:** CARROLL planned to expand the clubroom and relocate the mail center to a more centralized and convenient location.
- **Fitness Center:** Most critically, CARROLL identified prime space overlooking the pool area that previously housed a mail center and laundry facility; CARROLL made plans to repurpose the space as a state-of-the-art fitness center.



CARROLL also added its own management expertise by staffing the property with one of its most experienced managers to effectively manage the renovations and oversee daily operations. The property manager was extensively trained in the revenue management software to help combat the inefficiencies of the previous management.

Another area CARROLL hypothesized would add value was rebranding Estates to ARIUM Vinings Station. “ARIUM”, a Latin word meaning “place”, is CARROLL’s resident-facing brand. By rebranding, the property would be able to take advantage of the established ARIUM presence in the Atlanta area and appear higher in search results. This change would improve the resident and prospect experience and deliver optimal results from a leasing perspective.

# 02

## Results

Over the past three years, the results of the value-add execution have been successful in three key performance metrics: rent growth, renovation pace, and increased occupancy.

- **Rent Growth:** In the first year, CARROLL succeeded in marking the renovated units to market and achieved robust premiums for both classic unit renovations and light enhancements to renovated units. On classic unit renovations, CARROLL invested \$9,800/unit and achieved a \$250 premium for an ROI of 31%. On partially renovated units, CARROLL invested \$3,000/unit and achieved a \$125 premium for an ROI of 50%. Rents today are up over 16% from in-place rents at acquisition, which equates to over 5% on an annual basis.
- **Renovation Pace:** In addition to unit renovations, CARROLL installed in-unit washers and dryers shortly after takeover for \$35 premiums (~50% ROI). All washers and dryers were installed by the end of Year 2, and nearly all apartment units have been renovated by end of Year 3. All apartment unit renovations have been tracked, kept on budget, and managed to completion. On top of the interior renovations, CARROLL completed all of the amenity renovations by the end of Year 1: leasing center refresh, clubroom expansion, poolside furniture, fitness center expansion, and new dog park.
- **Increased Occupancy:** Lastly, CARROLL succeeded in dramatically increasing the overall occupancy of the property. At acquisition, trailing three-month average occupancy was 92%. By comparison, CARROLL's average occupancy for 2019 has been 96%, a 400 basis point improvement over average occupancy at acquisition.

Given the tremendous value creation over the first three years of the hold period, CARROLL executed a refinance of the existing debt in February 2019. CARROLL extracted over \$3 MM of equity with new loan proceeds and reduced its spread by over 80 basis points, thus dramatically increasing the asset's cash-on-cash return. CARROLL's exit strategy for Estates is not yet determined, but the asset is now yielding robust cash flow and is well-positioned to continue its positive trend of performance.

# About CARROLL

Carroll is a Private Real Estate Company that combines the infrastructure and abilities of an institutional investor, with a best in class team of real estate operations professionals. This unique combination of skills has allowed Carroll to become a top national real estate owner and operator. Our core focus is to acquire properties that exhibit attractive long-term investment characteristics, and improve the performance of these properties using our talented and passionate professionals.

Carroll has made a conscious effort to become institutional in our execution, reporting, and communications with our clients; while maintaining the mindset of an entrepreneur. We study trends, make quick thoughtful decisions, and continually recruit and hire the brightest minds in the business.

Our investments focus on capital preservation, generation of current cash flow, and the implementation of value creation strategies. This investment philosophy, in our opinion, is what makes our company unique. While we will always be ambitious, Carroll has the ability, and desire, to be patient and wait for the right investment opportunities.



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