

COMPANY OVERVIEW

Salmanson Capital, LLC is a Manhattan-based, opportunistic, real estate firm that specializes in the acquisition and repositioning of student housing assets throughout the United States. It strategically focuses on the best-located apartment complexes, and scattered-site portfolios in a particular marketplace. Salmanson Capital specifically seeks assets that are off market and preferably controlled by local operators. These types of opportunities offer immediate value by avoiding broker-inflated asset pricing and market competition. Furthermore, these assets are typically neglected by its current long-term ownership; they fail to update properties with the amenities that today's students demand and are willing to pay a premium for.

Our ability and expertise in renovating, repositioning and upgrading these properties is where Salmanson Capital creates value. Utilizing a combination of technological and physical improvements, combined with professional and sophisticated on-site management, Salmanson Capital builds a brand name; one that identifies its collection of properties as THE destination for students in the marketplace.

Salmanson Capital's approach involves the following key elements:

- Minimized Downside Risk
- Off-Market Acquisitions
- Add Value Through Renovations
- Upgrade To Professional Management
- Target Market Expertise
- Hands-On Asset Management
- Branding

Founded in 2006 by David E. Salmanson, the company acquired its first portfolio, Campus Hill Apartments, for \$26 million in May 2007. Campus Hill Apartments provides off-campus housing to undergraduate students at Syracuse University. With this initial acquisition, and various subsequent purchases, Salmanson Capital currently owns approximately \$50 million of student housing assets.

The Numbers: 50 Properties - 256 Units - 706 Beds

"There are also strong growth opportunities for companies interested in expanding through acquisitions. Plenty of student housing remains in the hands of mom-and-pop operators; the top eight players in the industry own less than 5% of total off-campus demand."

Source: Wall Street Journal
Property Report



CAMPUSHILL
apartments

SALMANSON CAPITAL AT A GLANCE



We practice conservative underwriting to minimize downside risk.

We rely very little on brokers as we'd rather create relationships directly with owners and operators at various markets around the United States.



We avoid widely marketed opportunities that go through a bidding process, thus inflating prices.

We listen and respond to the wants and needs of our tenants; we're proactive and anticipate what they will want next.



We keep expenses low at the corporate level by outsourcing services rendered.

We target unique product types within walking distance of the primary school served.



We emphasize on the well-being of our tenants through proper safety and security measures.

We are highly involved on an asset management level.

We believe in developing an expertise on the target markets. We do not venture into a market without extensive hands-on research.

We add value to our properties through renovations, branding, and technology upgrades thus increasing returns.

CASE STUDY

CAMPUSHILL apartments



Findings from a cross market study, performed by Salmanson Capital of several universities around the United States, showed that when compared to student housing rental markets with similar demographics and product types, rents for off campus housing around Syracuse University were significantly lower than other markets. As we continued to delve into the market, we learned that Campus Hill Apartments was clearly the leader, offering the best locations, unrivaled product, and highest level of management.



It then became clear that the Campus Hill Apartments portfolio housed the most affluent members of the student population and while being “the best” in the market, was operating at rents that were below market and failing to capitalize on the willingness for tenants to pay for enhanced quality. This clearly evidenced by the fact that Salmanson Capital was able to increase rents by 20% before making any physical improvements to the properties.

Realizing the tremendous value of targeting a portfolio of this size as an off-market opportunity that would not bring the hurdles of competing on pricing, Salmanson Capital quietly engaged into conversations with the family that owned Campus Hill Apartments. Through a complex negotiating process Salmanson Capital agreed to purchase Campus Hill Apartments for \$26MM.



Numerous sources were explored to obtain debt financing for the Campus Hill acquisition. During the time period of the purchase interest rates were at historical lows and the opportunity to put high amounts of leverage on the properties was available in the market place. However, Salmanson Capital took a conservative approach, paying a slightly higher interest rate but locked in a loan that would not come due for ten years.

CASE STUDY CONTINUED



Knowing that money is often made on the acquisition of the property Salmanson Capital practices stringent underwriting. On the Campus Hill portfolio, Salmanson was certain to account for potential increases in real estate taxes, especially since many of the properties had been owned by the same family for a very long period of time while value was enhanced. Additionally, potential increases in insurance expenses for more comprehensive coverage and a greater allotment for money to be spent on repairs and maintenance were adjusted into the acquisition price.



During underwriting Salmanson reserved capital to improve the quality of the properties through renovations and launched an advertising campaign to further enhance the Campus Hill Apartments name in the market. Salmanson Capital looked for ways to increase revenue upon the acquisition. Operational strategies that have been implemented to date include application fees for all leases, furniture rentals, and income from cable and internet service.



Our research of the market and understanding of the tenant demographics led to the realization that a large majority of the tenants would be willing to pay significantly more rent for a higher quality product. Salmanson Capital initiated a renovation campaign that includes the remodeling of kitchens with tile floors, top of the line cabinetry and countertops, as well as stainless steel appliances. Additionally, bathrooms are completely renovated with high quality finishes and appliances. New fixtures, upgraded closets, high quality carpet, base boards, trim, and new paint are among many of the improvements that are made during renovations. To mitigate the risk of the large capital outlay for these improvements, all renovated units were leased at a higher rental rate prior to the beginning of construction. The demand for upgraded units exceeded the amount of upgraded units that was able to be supplied in the initial improvement period. Salmanson Capital serves the role of general contractor and has hired additional full time construction staff to reduce the expenses of the renovations. The return on the investment for these improvements has been stellar. An example of the cost and returns are as follows:



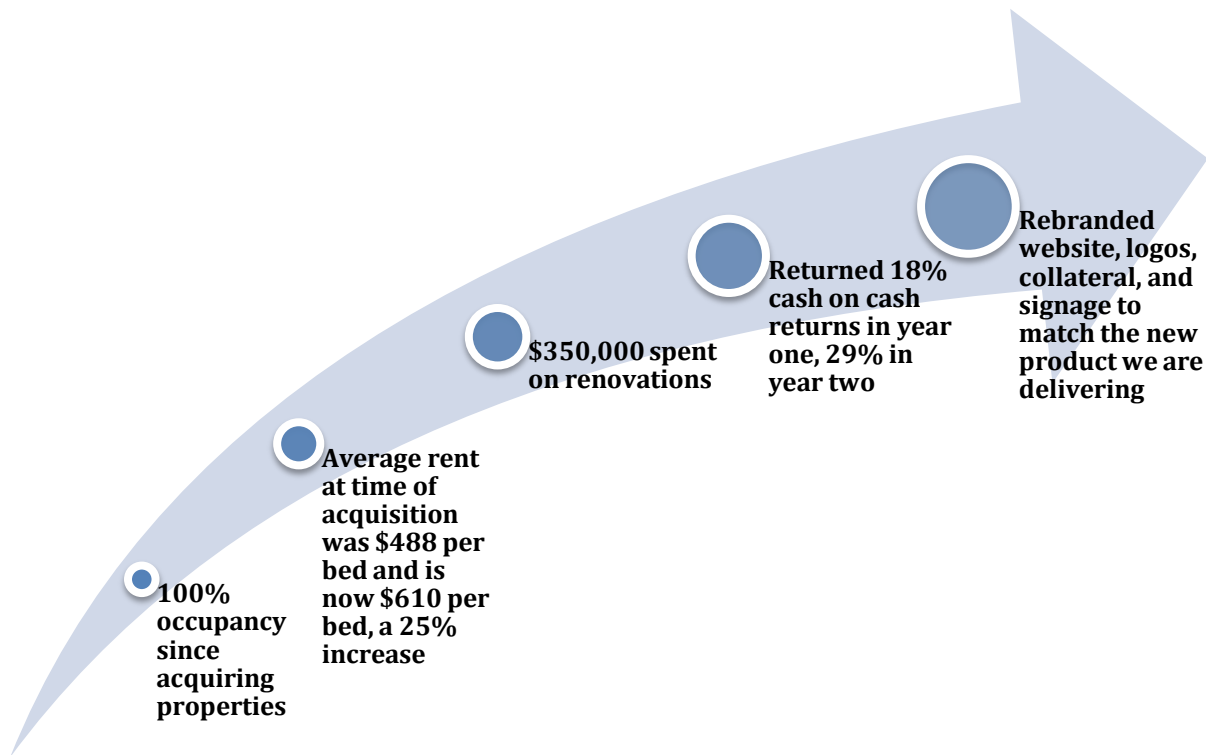
An average un-renovated 4 bedroom unit rents for \$650 per bed per month. The capital expense to renovate such a unit is approximately \$12,000. Upon completion of the renovation we are able to increase rents by \$200 per bed/month is achieved, which is an additional \$9,600 of rental income per year. Thus, we are realizing a return of 80% of our investment in the first year.

CASE STUDY CONTINUED



The acquisition of the Campus Hill Apartments portfolio has been a very successful venture. Being a highly involved asset manager, Salmanson Capital has driven the properties to realize an average rental rate increase of 25% since inception. Occupancy has remained at 100% since the acquisitions of the properties. Most importantly the cash on cash returns have achieved 18% and 29% for years one and two respectively. New income streams have been created and expenses have been kept well below budget during underwriting. The brand name has become stronger in the market and the extensive improvements to properties has kept the portfolio well positioned to compete with new product that comes online and providing students with what they desire.

THE NUMBERS



RENOVATIONS



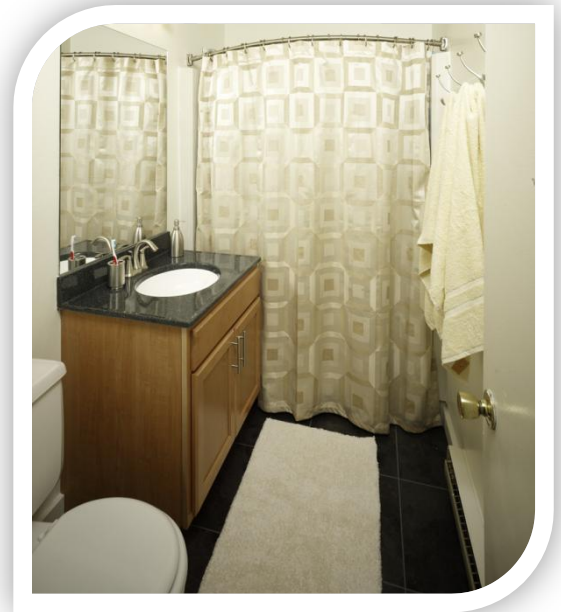
UNRENOVATED



RENOVATED



UNRENOVATED



RENOVATED

CAMPUSHILL apartments



WWW.CAMPUSHILL.COM

THE DAILY ORANGE



ZACH ORNITZ | STAFF PHOTOGRAPHER

CAMPUSHILL
apartments



www.campushill.com

**Now Leasing
for
2010 - 2011**

with pricing to fit every budget

- newly remodeled units
- walk to campus
- professional on-site management
- furnished units available
- responsive 24-hour maintenance
- FREE off-street parking available
- unique floor plans

1201 Harrison St. Syracuse, NY 13210
Phone: 315.422.7110

THE DAILY ORANGE

Students camp out to sign leases

By Daniel Bortz Posted: 9/16/08, 12:31 AM EST

Spencer Ganz and Scott Weinberger will do almost anything to sign a lease for the apartment they want, even if that means camping out in front of the office of Campus Hill Apartments or having an older brother send chocolate-covered strawberries to Campus Hill employees.

With a tent set up outside the office, located at 1201 Harrison St., Ganz and Weinberger are looking to ensure they're first in line for a seven-bedroom unit that Campus Hill plans to renovate from top to bottom next summer. The two are part of a group of seven friends who started camping Sunday at 11 a.m.

"We've been alternating shifts since Sunday morning," said Weinberger, a sophomore finance major.

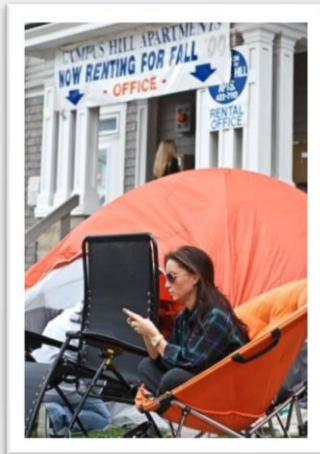
His sister lived in the apartment last year and recommended to her brother that he and six of his friends live there for their junior year.

Jonathan Sonkin, a sophomore in The College of Arts and Sciences, said he spent the night in the tent Sunday. Despite the tent blowing over three times, Sonkin said he felt the whole process of signing a lease and camping out to do so wasn't too strenuous.

Ganz, a sophomore accounting major, said the group can sign the lease at 7:30 a.m. today. Signing was originally set for 9 a.m., but Campus Hill chose to start it earlier to accommodate the large expected turnout and to reduce the amount of time students like Ganz and his friends have to spend camping out.

"This happens every year," said Ellen Spicer, a property manager for Campus Hill. "In the last few years, I think there's been more hype than usual. We've been renovating units, and there's a lot of excitement about those upscale, luxury-style apartments that we have."

Spicer said she predicts the competition that has taken place in the last three years will only intensify as Campus Hill continues to renovate more apartments.



She added that prospective tenants do indeed need to camp out if they want to make sure they get their desired units. Otherwise, someone else will, she said.

"We're definitely shooting to have more high-scale housing available," Spicer said. "We did sort of a test model last year with 206 Comstock. We gutted the place, added a level. The inside is brand new with stainless steel kitchens, washers and dryers, air conditioning, fireplaces and bathrooms with seamless glass showers."

Katie Alois, a Campus Hill tenant relations manager, said the company shows preference to current tenants by enabling them to re-sign their lease for next year and granting them the ability to sign leases for a different property before first-time tenants.

Current tenant lease signing begins today and runs until Thursday at 5 p.m., Alois said.

"Come 6 o'clock, it's free game," Alois said.

Alois, Spicer and fellow employees will open leasing at 6 p.m. Thursday night and stay until everyone leaves, which sometimes takes until 1 or 2 a.m.

Campus Hill owns and operates 290 units, leasing the properties to Syracuse University students and local residents, Spicer said. Campus Hill apartments range from \$300 a month for a one-bedroom unit to \$1,000 a month, based on a unit's furnishings, location and size.

Though the company began at SU in 1978, Campus Hill is just one of many rental companies operating in the Syracuse area, including O.P.R. Developers and University Area Apartments.

Sonkin said he and his friends did not know originally that Campus Hill raised the price of their prospective unit from \$600 to \$850 per bedroom, but he said they still believe they're saving money by living off-campus.

One aspect of the leasing process that has changed this year is that "squatting," or having a current tenant sign a lease over to a prospective tenant without going through Campus Hill, can no longer take place, Sonkin said.

With one night left before he and his friends can pack up the tent, Ganz said that the last few days have been quite an experience and that he hopes it will be worth it.

Ganz said they haven't pursued other options for properties to lease next year.

"If we don't get this lease," he said, "we have no idea what we're going to do."

REAL ESTATE WEEKLY

Manhattan Investor buy Syracuse student complex for \$26M

June 20, 2007

Salmanson Capital, LLC has acquired a portfolio of off-campus housing utilized by undergraduate students at Syracuse University for a total purchase price of \$26 million.

Called Campus Hill Apartments, the grouping of 42 buildings housing 614 students in 232 units was purchased from a local family that had owned them for more than 25 years, according to David E. Salmanson, president of the Manhattan-based real estate investment firm bearing his name.

The former owners will continue to manage the properties, all located immediately surrounding the University's main education buildings and popular student restaurants and entertainment venues.

"This collection of garden apartments and mid-rise buildings has long been the most desired off-campus housing available to the Syracuse University students," noted Salmanson.

"This is due to the fact that the portfolio's location and quality are superior to the competition. Viewed as an extension of the university itself, the properties have been extremely well maintained by previous ownership, and we plan to upgrade the units' kitchens and baths further and add new common amenities such as a private club for tenants which will include a gym, lounge and game room.

STUDENT HOUSING INDUSTRY

"Today's students prefer off-campus student housing to dorm life for a variety of reasons, such as cost, freedom and more space," said national Multi Housing Council Senior Vice President Jim Arbury, "but they appear to be most interested in the social opportunities these properties enable and encourage and the opportunity to be on their own for the first time."

Student Housing - A Strong Market for 2009

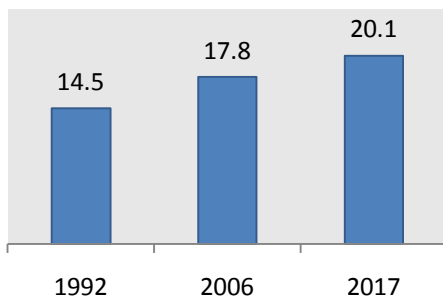
In these economic times, most all areas of real estate development are experiencing difficulties. In most areas of the country, job growth has stopped or turned negative. The credit crunch has stymied for even the most worthy projects. One area that is likely to stand out as a strong performer in 2009 is private multi-family student housing.

Over the past 15 years, according to the U.S. Department of Education, student enrollment at U.S. colleges and universities has increased by 3.3 million students. The next 11 years will see 23 million additional students and younger students increasing at a faster rate. California enrollments remained the highest in the nation from 2000 to 2008 with Texas, New York, Florida, and Illinois following in rank.

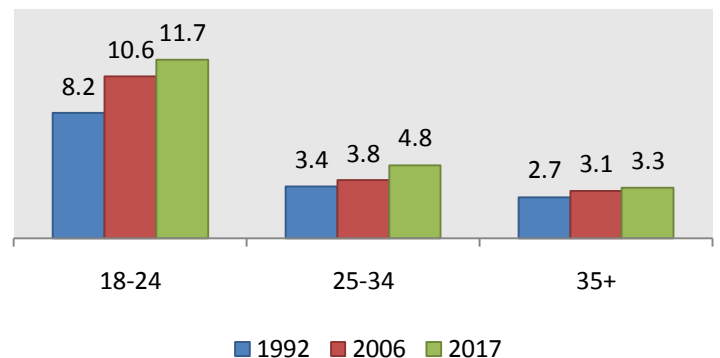
2009 Student Housing Trends

- ✚ From 2000 to 2007 enrollment has increased 18%
- ✚ From 2007 to 2013 enrollment is projected to increase 20%.
- ✚ The age of the average student has decreased by 3%.
- ✚ There are currently 20% of students living on campus. 75% of them are freshman.
- ✚ Average on-campus housing occupancy rate is 99%.

College Enrollment Trends 1992-2017



College Enrollment By Age



Source: Community Development Strategies & U.S. Department of Education

DAVID E. SALMANSON – PRESIDENT

David E. Salmanson currently serves as the President of Salmanson Capital, LLC. Raised in Providence, RI, Salmanson is a third generation real estate investor. Growing up in a family full of entrepreneurs, Salmanson always found himself enamored with the dinner table discussions as well as his drives around town with his father admiring local development projects.

After graduating from Syracuse University, Salmanson started his career in real estate at Pergolis Swartz Associates, Inc, a leading Manhattan commercial mortgage broker. He then spent the next 7 years working for the Manhattan based real estate development company, Cogswell Realty Group, LLC. He worked his way up through the company eventually holding the title of Vice President of Acquisitions. In this position he was responsible for analyzing potential residential and commercial transactions as well as managing the bid process. He gained valuable experience in underwriting, marketing and financing.

As the President of Salmanson Capital he spends his time overseeing the firms existing investments as well as sourcing and underwriting new opportunities. Salmanson is involved in all facets of property acquisitions, from the sourcing of opportunities to the transaction's close. Salmanson believes strong asset management is the key to adding value to a property. He is extremely hands-on in the day-to-day operations of Salmanson Capital's existing portfolio.

Salmanson finds a great deal of enrichment and joy from working in real estate. For him, nothing compares to acquiring underperforming assets, enhancing the property, and delivering a high quality product to his tenants and strong returns to his investors.

REFERENCES

David Adelman of Campus Apartments, Inc.

Position Held: President & CEO
Address: 4043 Walnut Street Philadelphia, PA 19104
Phone: 215.243.7001
Email: dadelman@campusapts.com

Stuart Halpert of First Washington Realty, Inc.

Position Held: Chairman
Address: 4350 East-West Highway Bethesda, MD 20814
Phone: 301.907.7800
Email: shalpert@firstwash.com

Ross Jacobs of Cogswell Realty Group, LLC

Position Held: Partner
Address: 1350 Avenue of the Americas, 17th Floor NY, NY 10019
Phone: 212.582.6688
Email: ross@cogswellrg.com

Adam Spies of Eastdil Secured, LLC

Position Held: Managing Director
Address: 40 W 57th Street New York, NY 10019
Phone: 212.315.7317
Email: aspies@easdilsecured.com

Simon Ziff of Ackman-Ziff Real Estate Group, LLC

Position Held: President
Address: 110 East 42nd Street New York, NY 10017
Phone: 212.697.3333
Email: simon@ackmanziff.com