

CAMPUS OPPORTUNITIES FUND, LP



Campus Opportunities Fund, LP, a Delaware Limited Partnership (the “Partnership”) was launched in March 2020 and is targeting to raise \$50,000,000 to invest in a portfolio of purpose-built student housing properties throughout the United States. The Partnership intends to invest alongside proven developers/sponsors to develop, lease up/stabilize, and sell the properties within a three-year period.

The Partnership’s primary investment objective is to create value by deploying capital to develop and operate purpose-built student housing communities, and ultimately sell these properties when market conditions are most favorable, typically within one year of delivery to the market.

The Partnership will target an internal rate of return to investors of 11.0% to 14.0% (net of Partnership expenses, management fees and carried interest) over the expected three-year holding period. Distributions will include a current pay portion (approximately 5.25% annual return, paid quarterly) and a long-term portion upon the portfolio’s liquidation.

The Partnership is being sponsored and will be managed by Atlantic American Partners and CreditEase (collectively, the “General Partner”). Atlantic American Partners is a Tampa, Florida-based private equity fund manager that has built a solid 10-year track record of underwriting and investing in ground-up real estate development opportunities throughout the Southeast United States. Since 2010, Atlantic American Partners has invested more than \$350 million of equity capital in multifamily residential, student housing, senior housing, hospitality, commercial retail and mixed-use real estate properties valued at approximately \$1.5 billion. CreditEase is a leading FinTech conglomerate based in Beijing, China that specializes in inclusive finance and wealth management services. Atlantic American Partners and CreditEase have collaborated on immigration-focused private equity investments since 2015.

Investment Focus | Student Housing

Purpose-built student housing is an off-campus rental apartment community that caters to the specific needs of students attending post-secondary education colleges and universities. Leases are typically structured by the bed rather than by the entire residential apartment, units come fully furnished, and the properties offer amenities tailored to college students, such as study rooms, student lounges, roommate matching and offer resident life programs. Units typically range from one-to-five bedrooms with a shared living space and kitchen. Each bedroom typically has its own private bathroom and a locking door to the shared living space, providing privacy and security to the student. Properties are located in close proximity (typically less than one mile) of a college/university campus and are restricted to renters that are currently enrolled in the nearby college or university.

The Partnership intends to execute its objective by investing in student housing properties supporting Tier 1, Tier 2 and Tier 3 colleges and universities (Tier 1 schools have enrollments of 20,000+ students, Tier 2 schools have between 10,000 and 20,000 students and Tier 3 schools have enrollments below 10,000 students). Developments in these markets have historically relied on fragmented financing from the developers themselves, friends and family raises, public/private partnerships, family offices, and some private equity – but began attracting institutional capital about 10 years ago. This inflow of capital has driven the quality of the properties being built and demand for new product, creating opportunities for investment in all three market Tiers. The General Partner’s market knowledge of this industry, underwriting discipline and established relationships position it well to capitalize on these opportunities.

Investment Considerations

Experienced and Focused Investment Team – the members of the General Partner have extensive experience managing private equity funds focused on real estate development, having invested over \$350 million of investor equity since 2010 in portfolio assets with a total development cost approximating \$1.5 billion.

Lucrative Asset Class – In the past few years, student housing has emerged as a very attractive investment opportunity, often with better sale transaction cap rates compared to similar properties in the conventional multifamily apartment space, because they tend to lease up faster and maintain stable rents even during economic slowdowns. As a result, student housing is becoming a targeted asset class of institutional investors (more insurance companies, pension funds and Real Estate Investment Trusts), which provide exit opportunities at attractive valuations.

Resilient Asset Class – Student housing is often considered to be “recession resistant” and work as a hedge against conventional economic risk in a real estate investment portfolio. This is because the primary demand driver – enrollment at colleges and universities – tends to stay stable and actually improve during economic slowdowns, since many people stay in, or return to school, when employers are not hiring.

Control Over Assets – While the General Partner will not be managing the direct day-to-day development and operations of the Partnership’s assets, the Partnership will maintain a significant level of control over decision making that impacts day-to-day operations through Board level participation.

Ability to Leverage Top-Tier Relationships – The Partnership will leverage its extensive relationships with national and regional student housing developers, real estate brokers, commercial lenders and attorneys to source high-quality investment opportunities and execute its investment strategy. The members of the General Partner have made investments in nine student housing development in the past two years.

Disciplined Due Diligence and Investment Monitoring – The Partnership’s General Partner utilizes a consistent approach to evaluating and managing real estate investments, employing strict due diligence and investment monitoring practices.

Comprehensive Reporting – The Partnership will maintain transparency with its Limited Partners through quarterly construction/operating updates and financial statements, including an annual audit by a third-party Certified Public Accountant.

Tax Efficient Investment Structure

The Partnership will be structured to reduce the effective rate of U.S. tax on investors who are not a United States person for U.S. federal income tax purposes (“Non-U.S. Investors”) through the *portfolio interest exemption* provided in U.S. Federal tax regulations. Provided that certain requirements are met, certain portfolio interest paid on debt investments to the Non-U.S. Investors (directly or indirectly through a pass-through entity) is exempt from U.S. federal income tax.

Impact of COVID-19

The quick shift to online learning was not well received when COVID-19 first hit the U.S. in March of 2020, and students and parents have realized that there is no substitute for the value of live lectures and collaborative learning that is achieved on-campus. With the 2020-21 school year now in session, leasing at student housing properties has reached 88.3% at the 175 universities tracked by RealPage, a leading real estate data analytics company (as of August 2020). This is only slightly less than leasing achieved one year prior. While we have observed that student housing properties located at universities

with some form of in-classroom learning have done better at leasing up, we also note that many properties at universities that are 100% virtual are still performing well, as students want to be back at college with their friends and parents want their college-age children out of the house.

As a result of the COVID-19 pandemic, many universities are attempting to “de-densify” by reducing dual occupancy dormitory rooms to single occupancy and limiting the number of students accessing communal bathrooms (which are unfortunately very common in many older on-campus dormitories) at any given time. This will likely drive more students to off-campus student housing properties, which are better suited for social distancing through single occupancy rooms and bedroom-to-bathroom parity. In addition, college/university enrollment growth is expected to be flat for 2020 (resulting from less international students and some freshmen deciding to take a gap year), we expect there to be a flight to quality, with enrollment at the better State and private universities remaining stable or even increasing, while enrollment at less popular universities decreasing. This favors the higher-tier universities that the Partnership is targeting.

Campus Opportunities Fund’s First Investment

As of September 22, 2020, Campus Opportunities Fund has raised approximately \$20 million from high net worth individuals and has closed on two investments to date, as summarized below.

On July 7, 2020 the Partnership closed on its first investment in *Aspen Heights Pullman*, a “cottage-style” student housing property at Washington State University in Pullman, Washington (“WSU”). Achieving record-setting enrollment of 31,607 students for Fall 2019, WSU is a burgeoning Tier 1 university, ripe for student housing investment, and located in one of the country’s fastest growing states. Specifically, the main campus in Pullman boasts a headcount of 20,976 but is experiencing a campus housing shortage, with all 5,688 on-campus residence hall beds occupied during 2019. With an off-campus housing market that is also 95%+ occupied, and the first cottage-style community at WSU achieving 100% pre-leasing occupancy for Fall 2019 by April, *Aspen Heights Pullman* is strategically positioned to take advantage of the impressive supply/demand fundamentals.

Aspen Heights Pullman will consist of 196 2-, 3-, 4-, and 5-bedroom cottage units with 752 total bedrooms. The Project’s units will offer bedroom-to-bathroom parity, include individual leases (leased by the bedroom), come fully furnished, and include walk-in closets, guest half bathrooms in every unit, and high-speed internet access throughout the community. The property will also offer a two-story clubhouse with indoor/outdoor fitness, basketball court, pool, tanning bed, outdoor grilling area, group study rooms, business center with printing capabilities, fire pits, coffee bar, resident lounge, 45-person shuttle with GPS tracking, and dog park.

Aspen Heights, the project’s developer, is a Top 10 student housing developer and has developed 40 student housing properties over the past 14 years. They got their start in student housing building cottage-style student housing communities back in 2006 and continue to develop this popular style of housing in select markets across the United States. These communities are characterized by their unique blend of spacious individual townhomes and Aspen Heights’ signature front porch. The community type is very popular and provides differentiation from the more densely positioned garden-style and mid-rise properties often found at colleges and universities.



Typical Aspen Heights Cottage-Style Property

Campus Opportunities Fund's Second Investment

On July 28, 2020, closed on its second investment in *The Swamp*, a purpose-built student housing property at the University of Florida ("UF") in Gainesville, Florida. *The Swamp* will consist of two midrise buildings wrapped around structured parking, located across the street from UF's campus.



Achieving record-setting enrollment of 56,567 students for Fall 2019, UF is a Power Five university and located in one of the fastest growing states in the country and the third largest state overall. Specifically, the main campus in Gainesville boasts a headcount of 35,491 but is experiencing a campus housing shortage, with all 8,098 on-campus beds occupied during 2019. With an off-campus housing market that is also 96%+ occupied, *The Swamp* is strategically positioned to take advantage of the impressive supply/demand fundamentals and an ideal location.



The Swamp will consist of 181 one-, two-, three-, four-, and five-bedroom units with 604 total bedrooms and 410 garage parking spaces.

The property's units will offer bedroom-to-bathroom parity, include individual leases (leased by the bedroom), come fully furnished (beds, desks, living room couches, coffee table, Smart TVs, and appliances: oven/range, microwave, refrigerator, dishwasher and washer/dryer), and include walk-in closets, guest half bathrooms in every unit, and high-speed internet access throughout the community. The property will also offer a rooftop amenity deck with pool area and spa, modern aqua lounge with *Jumbotron*, resort-style VIP cabanas, modern indoor/outdoor professional fitness center, outdoor grilling area, group study rooms, computer center featuring Apple equipment, golf simulator, gourmet coffee bar, social lounge with TV's and gaming area, bicycle storage, scooter storage, and dog walk area.

In addition, the Project will offer approximately 18,828 square feet of ground floor retail/restaurant space, including "The Swamp," a popular Gainesville restaurant currently on the site.