Bluerock Residential Growth REIT

Fourth Quarter 2015 Earnings

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CORPORATE PARTICIPANTS

Jordan Ruddy – *President*

Christopher Vohs – *Chief Accounting Officer*

Ramin Kamfar – *Chairman and CEO*

Larry Kaufman – *VP of Asset Management*

Ryan MacDonald – *SVP of Acquisitions*

Jim Babb – *Chief Investment Officer*

PRESENTATION

Operator
Good morning, ladies and gentlemen, and welcome to Bluerock Residential Growth REIT's Fourth Quarter 2015 Earnings conference call. All participants will be in a listen-only mode. After today's presentation there will be an opportunity to ask questions. Please note this event is being recorded.

I would now like to introduce your host for today's call, Christopher Vohs, Chief Accounting Officer of Bluerock Residential. Mr. Vohs, please go ahead.

Christopher Vohs
Thank you and welcome to Bluerock Residential Growth REIT's Fourth Quarter 2015 Earnings conference call. This morning, prior to market open, we issued our earnings press release and supplement. The press release can be found on our website at bluerockresidential.com. In addition, we anticipate filing our 10-K this week. Following the conclusion of our remarks, we will be pleased to answer any questions you may have.

Before we begin, please note that this call may contain forward-looking statements as they are defined under the Private Securities Litigation Reform Act of 1995. There are a variety of risks and uncertainties associated with forward-looking statements and actual results may differ materially from those set forth in such statements. For a discussion of these risks and uncertainties, you should review the forward-looking statement disclosure in the earnings press release we issued this morning, as well as our SEC filings. With respect to non-GAAP measures we use in this call, including pro forma measures, please refer to our earnings supplement for our reconciliation to GAAP, the reasons management uses these non-GAAP measures, and the assumptions used with respect to any pro forma measures and their inherent limitations.

And with that, I'll turn the call over to Ramin Kamfar, Chairman and CEO of Bluerock Residential Growth REIT for his remarks.

Ramin Kamfar
Thank you, Chris, and thank you, everyone, for joining us for BRG's Fourth Quarter Earnings call. With me today are several key members of our executive team, let me introduce them: Jordan Ruddy, our President; Jim Babb, our Chief Investment Officer; Ryan MacDonald, our Senior Vice President of Acquisitions; and Larry Kaufman, our VP of Asset Management. I will open my remarks with some key financial highlights from the quarter and close with some capital markets commentary. Following my remarks, I will ask Larry and Ryan to give you additional operational and transactional detail, respectively.

Let me start with financial highlights. For the quarter our adjusted funds from operations, or AFFO, grew 153% to $4.3 million from $1.7 million in the prior year quarter. On a per share basis, AFFO came in at $0.21 a share, which exceeds our guidance of $0.12 to $0.13 a share. On a pro forma basis, which assumes that we completed the investment of the October follow-on proceeds into the deals that we had identified as of the start of the fourth quarter, our AFFO per share would've been $0.35 a share, which also exceeds the high end of our guidance range of $0.26 to $0.28 a share by $0.07 obviously. Our dividend is $0.29 per share quarterly, so we are continuing to achieve our goal of covering our dividend on a pro forma AFFO basis.

On the revenue front, we achieved significant growth also as a result of our investment activity. Our top line revenue for the fourth quarter was $13.2 million, which is a 35% increase from $9.8 million in the prior year quarter. In terms of NOI margin, we also showed significant improvement. Our NOI margins increased 550 basis points to 62.7% from 57.2% in the prior year quarter. So property NOI dollars grew to $8.3 million in the quarter, which is a 47% increase from $5.6 million in the prior year quarter. Same store NOI grew very substantially by 14.6% for the quarter versus the prior year quarter.

For the third consecutive quarter, BRG's board determined to pay the full amount of the management fee in LTIPs in lieu of cash, which favorably impacted actual and pro forma AFFO by $0.06 a share. Part of our goal here, obviously, is to signal the confidence of management in executing our business plan and in the underlying value of our shares.

Net loss attributable to common stockholders for the quarter ended December 31 was $1.5 million versus income of $2.6 million for the prior year quarter. This net loss was caused primarily by noncash items, which amounted to $6.7 million in the fourth quarter versus $2.4 million in the prior year quarter.

Our asset base continues to grow significantly on a quarterly basis. Consolidated real estate assets at cost are up 86% to $557 million at the end of the quarter from year-end 2014.

On the acquisition front, we closed on eight investments during the quarter, which consisted of four operating properties, totaling 840 units for a combined total cost of $124 million; three redevelopment deals totaling 930 units; and an additional investment in our Lansbrook property to increase our ownership to 90% from 77%. And so far in 2016, we've closed on an additional two operating properties, one development deal and expect to close on one more operating property by the end of the quarter. These 4 properties total 1,311 additional units.

On the disposition front, during the quarter we close on the sale of our North Park Towers property in Michigan, which yielded us a 41% IRR and 169% return on capital over an 18-month hold period.

Shifting to capital markets, as we reported last call we completed a Series A redeemable preferred offering in October with an 8.25% coupon for gross proceeds of almost $72 million. Part of our goal for the offering was to raise accretive capital inside our common dividend to execute on a robust pipeline of accretive transactions that we're continuing to see. And another important goal we had for the offering was to continue to build out our institutional shareholder base, which we executed successfully, as we had significant orders from two of the largest rededicated institutional investors.

Finally, we're looking forward to 2016. On the operational front, we're looking forward to a strong year, we're going to continue to report AFFO, both on an actual and on a pro forma basis so investors can evaluate our earnings potential on a fully invested basis without the temporary cash drag associated with raising and investing capital. Our pro forma AFFO guidance for the first quarter is $0.26 to $0.28 a share and since we haven't raised capital recently and have been busy investing the capital in Q4 and Q1, what we expect to see is our actual AFFO close the gap to our pro forma AFFO in the first and second quarters of 2016.

On the capital front, we're not expecting to issue common stock at current prices given the significant discount to NAV. So to layout our plans for capital for 2016, they include three pieces: first, we will look to actively recycle capital by disposition of several assets where we have significant gains and will look to deploy that capital accretively; second, we may bring in an institutional partner for some of our development deals, which would allow us to diversify our funding sources, monetize our attractive pipeline and generate fees and promotes for the REIT; and third, we look to raise a non-traded preferred through Bluerock Real Estate, our sponsors' retail distribution channel.

You may have seen our prospectus filing in November for $150 million Series B preferred stock offering with a 6% dividend rate; to avoid confusion, let me mention that we terminated that filing yesterday to address some structural issues and that we've filed a revised offering this morning. Obviously this preferred could be very accretive for our bottom line and may also remove potential supply concerns, which may be weighing on our common stock. We will report back to you on our progress on these efforts quarterly.

Now I'd like to hand over the commentary to Larry Kaufman, Vice President of Asset Management. Larry?

Larry Kaufman
Thank you, Ramin. Good afternoon, everyone. Our operating portfolio continues to perform exceptionally well. I would like to highlight just a few key metrics for the fourth quarter.

Portfolio wide across all of BRG's assets, average occupancy for the fourth quarter of 2015 was 94.4%. Occupancy remains strong in January, averaging 93.4% and continues to hold at that level through February, as we sit at 94.6% occupied today.

Same store NOI increased 14.6% compared to the fourth quarter last year. The improvement NOI was primarily driven by a 4.9% increase in property revenues of which the majority came from a 4.5% increase in average effective rent per occupied unit over the same period last year. Same store expenses decreased by 8.7% versus the prior year quarter from lower repairs and maintenance costs and favorable real estate tax true-ups from lower than anticipated tax increases.

Now I'd like to turn it over to Ryan, who will give you some details about the quarter's investment activities.

Ryan MacDonald
Thank you, Larry. The fourth quarter and beginning of 2016 prove to be another very active period on the investment side of the business. First, I'm going to touch on some recent acquisitions, pending transactions, and dispositions, followed by some brief remarks on capital markets.

On the transaction front, we closed 8 investments, totaling 1,770 units in the quarter and an additional 4 investments totaling 971 units year-to-date across 7 markets. Together the transaction volume totaled $486 million with BRG investing approximately $107 million in equity. We also have one additional 340-unit investment pending for a total cost of $54 million and a projected equity investment of approximately $17 million.

Moving on to the closed investments, in October we closed on a previously announced, off-market purchase of a 95% interest in two new-built Class A apartment communities, totaling 674 units in the Dallas-Fort Worth Metro area for a total purchase price of $99.7 million. Because of our close relationship with the seller, and ability to execute quickly, we were able to negotiate favorable pricing that has projected a yield of pro forma year one stabilized cap rate of 5.7% versus market cap rates for similar quality product in the 5% to 5.25% range.

BRG invested approximately $32.9 million with the remaining balance funded by our partner and two individual property loans totaling $67.6 million. The portfolio acquisition was a prime example of the significant demand by senior lenders for high-quality assets as evidenced by the multiple offers we received from a variety of lending sources including the agencies, life cos, and banks.

The second acquisition was a $7 million investment in the second 151-unit phase of a two-phase off-market purchase of a 100% interest in a 2012 and 2015 built, Class A, 473-unit property in suburban Charlotte called the Ashton Apartments. This was an off-market purchase directly from the seller, which was complex for a variety of reasons including the fact that the phase one is operating and has existing financing, while phase two was still under development at contract execution. As a result of these complications, BRG's cap rates on phases one and two are 5.8% and 6.3%, respectively, which in our estimation is approximately 50 to 75 basis points better than market, which we estimate to be in the 5% to 5.25% range. We closed on phase two in November following stabilization of the property at 90% occupancy.

The third investment is a healthcare-oriented, Class A, multi-family development project in Raleigh, North Carolina. The project is 245 units and located directly adjacent to Rex Hospital, a highly acclaimed medical center within the UNC Healthcare System that employs more than 5,400 staff, including 2,800 medical personnel. Our partner has been working on a rezoning for many years and as a result has created significant underlying land value.

BRG came in at our partner's basis through a convertible preferred equity investment and our underwriting projects a return on cost for the project ranging from 7% to 7.5% at stabilization for value creation of 200 to 250 basis points versus sales of high-quality institutional multi-family communities in the greater Raleigh Metro at 4.75% to 5.25% cap rates. BRG funded approximately $10 million in a convertible preferred equity investment in the transaction in November.

Following the end of the quarter in early January, we were able to execute on another off-market portfolio purchase of a 95% interest in two well-located Class B apartment communities totaling 688 units in Sarasota and Naples, Florida for a total purchase price of $86.3 million. Prior to the purchase, our operating partner was brought in to replace existing third-party property manager, which gave us tremendous insight into the operational upside that we believe exists organically in both assets.

Additionally, we plan to upgrade the exteriors, interior units, and amenities at both properties. The acquisitions are projected to yield a pro forma stabilized cap rate of approximately 6.6%, which we believe compares favorably to cap rates of 5% to 5.5% for assets of similar quality in the market. BRG invested 95% of the venture's equity requirement, equating to approximately $29.5 million with our joint venture partner funding the balance for a 5% stake in the venture. The joint venture capitalized the investment with acquisition loans from Freddie Mac totaling $59.6 million.

The last three investments that I will mention today are a result of a new development partnership with a former chief development officer of a large publicly traded multi-family REIT whose team collectively brings over $8 billion and north of 37,000 units worth of development experience to the table. As I mentioned on last quarter's call, we are excited about the opportunity for the relationship and believe these three investments are the first of what we believe to be a potentially long pipeline of unique opportunities.

The first of three investments we have in the pipeline with this venture closing November and is a to be built 301-unit, Class A, luxury garden-style apartment community in Garland, Texas with direct access to the major Dallas employment centers of CityLine, Legacy Business Park, and Plano. The transaction was sourced off-market and our partner undertook a comprehensive rezoning to allow for residential use of this site, which creates an attractive basis.

BRG's underwriting projects a return on costs of 7% to 7.5% at stabilization for value creation of 200 to 250 basis points versus sales of comparable communities in the greater Dallas MSA at 5% to 5.25%. BRG initially funded approximately $4 million through a convertible preferred equity investment and the investment is projected to grow once vertical construction commences in the second or third quarter of 2016.

The second investment is a to be built, 283-unit, Class A, luxury midrise apartment community in an emerging downtown Charlotte neighborhood called Wesley Heights. We believe the neighborhood has similar path of growth characteristics to the Berry Hill neighborhood at the time of our successful investment in the 23Hundred at Berry Hill development in Nashville.

The site was purchased off-market and required a comprehensive rezoning by our development partner to allow for residential use, which again allows for an attractive basis. BRG's underwriting projects a return on cost of 7% to 7.5% at stabilization for value creation of 200 to 250 basis points versus sales of comparable communities in the Charlotte urban core at 4.75% to 5% cap rates. BRG has funded approximately $5 million through a convertible preferred equity investment and the investment is expected to grow once vertical construction commences in the second or third quarter of 2016.

The third investment is a to be built 384-unit, Class A, luxury midrise apartment community in a core Fort Lauderdale, Florida location. Our partner was able to structure an off-market assemblage of 26 parcels with 8 different owners in order to create enough density for a midrise apartment development. As a result, our projected basis is substantially below where similarly located apartments sold in 2015. The site is currently being assembled and construction is expected to commence towards the end of 2016 and to date BRG has funded approximately $12 million.

Before moving on to pending acquisitions, I'd like to point out that in the fourth quarter we increased our ownership in Lansbrook from 77% to 90%. This is in line with our goal of owning at least 90% in each of the assets in our portfolio, which was not available to us at the original Landsbrook purchase due to capital availability of BRG. Additionally, we closed on the second 15-unit phase of Park & Kingston for approximately $2.9 million. Lease-up velocity is on schedule and rents are slightly ahead of our underwriting.

In terms of pending acquisitions, we have one additional 340-unit investment for a total cost of $54 million. The investment is a purchase of 100% interest in a Class A, 2008 built, 340-unit apartment community in the supply constrained Emerald Coast of Florida. The asset is being purchased off-market for $54 million and is projected yield of pro forma cap rate of approximately 6.4%, which compares favorably to cap rates in the market for similarly quality assets in the 5.5% to 6% range.

BRG believes there is additional upside through a business plan that includes minor enhancements to the club house and amenities, as well as modest in-unit upgrades. BRG has projected to invest approximately $17 million of equity for 100% ownership in the property. BRG will capitalize the transaction with a life company loan assumption, yielding proceeds of approximately $38 million and a fixed-interest rate of 4.65%.

Shifting to the dispositions front, we exited one older, noncore asset that no longer fits with BRG's current strategy because of age and location. I'm happy to report the North Park Towers disposition in Southfield, Michigan yielded returns that surpassed our original underwriting with a 41% IRR and 169% return on capital. The disposition cap rate for North Park was approximately 7.6%; however, I'd like to point out that we had in place senior financing with a rate of 5.65%. So post reinvestment, we believe this will be accretive to BRG earnings.

In addition to the North Park sale, we are planning to be active recyclers of capital in 2016, which is consistent with past practices. Currently we have targeted four initial dispositions, which we estimate to yield approximately $35 to $50 million in proceeds to BRG. We expect the majority of the assets will be sold in the latter half of the year.

Moving to the capital market front, I'd like to point out that our access to senior financing remains robust. As I alluded to earlier in my remarks, there continues to be a robust appetite amongst a variety of lenders. Today, fixed-rate spreads generally range from 200 to 230 basis points for all in rates of 3.5% to 4% with term ranging from 5 to 10 years.

Finally, our pipeline remains very robust. Currently we are evaluating north of $650 million worth of investments, totaling in excess of 4,700 units and 19 properties. The majority of these pipeline transactions are off-market and in many cases we've been working on them for extended periods of time. We continue to believe that there are attractive opportunities in our current footprint of growth markets from the Carolinas down through Florida and Texas, with a particular emphasis recently on the Florida markets as we've continue to see operational expansion in our underlying Florida portfolio and a favorable supply/demand picture. Obviously our execution on these opportunities will depend on our progress in executing the capital raising initiatives touched on by Ramin earlier.

Before I hand off the call back to Ramin, I'd like to note that our 296-unit development project in Orlando, Florida, called EOS, is approximately 60% leased. Rents are in line with projections, which means we will be looking at a 7.5% return on costs for the project versus market cap rates of 4.75% to 5.25%. And we've been trending close to 20 leases per month. We look forward to the continued strong lease up of the property and reporting on progress next quarter.

And with that I will now hand the call back to Ramin to conclude.

Ramin Kamfar
Thank you, Ryan. Now we obviously continue to see significant upside to our strategy, which is building a high-quality, Class A portfolio in high-growth primary markets throughout the United States and targeting the high disposable income renter by choice. We have assembled one of the youngest portfolios in the market with one of the highest average rents per unit and are generating significant value creation in our portfolio. And I want to thank you all for your support and look forward to sharing news of our continued progress as we execute our business plan.

And with that, operator, I'm happy to answer any questions.

QUESTIONS AND ANSWERS

Operator
We will now begin the question and answer session. To ask a question, you may press * then 1 on your touchtone phone. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press * then 2. At this time, we will pause momentarily to assemble our roster.

The first question comes from Rob Stevenson of Janney. Please go ahead.

Rob Stevenson
Good afternoon, guys. Ramin, I think it was Ryan that said that you guys, for your four initial dispositions, are sort of targeting back half of the year for that. Just wondering from your standpoint, is that just sort of matching it up when you need the capital or is there something else that sort of, debt, prepayment penalties, or something else that is causing you guys to do it later rather than sooner?

Ramin Kamfar
I think it has to do with one of the deals is obviously is our EOS deal, which is in lease-up so we've been waiting for it to lease-up a little more before we take it to market to get max value. The rest of it is that you don't want to—apartment business is obviously seasonal, so you don't want to go out to the

middle of the winter when your numbers can trend down, you'll want to take stuff out to market as you go into the spring and then the summer leasing season. So you're selling off of strong and improving numbers as opposed to potentially have a hiccup because people underwrite T3 rents. So that's what's driving it. So you'll see us start to take the deals to market next quarter and then it's just a natural cycle of closing a deal.

Rob Stevenson
Okay. And then in terms of going forward, how are you guys thinking about the convertible preferred equity investments? Are you getting the most bang for the buck on that considering that a lot of those deals aren't going to start really materially impacting you guys for a couple years down the road, given the development time tables? Is the targets, in the more intermediate term, among the $650 million of deals that you're looking at, income producing assets that are starting to impact the top line and bottom line day one? Or can you give us an idea as how you're thinking about that business going forward, especially in light of your comments about bringing in an institutional partner?

Ramin Kamfar
On the—we think that the development is a part of our diversified strategy; we do core-plus, we do some value-add, and we do development. In terms of mix, we think that the development piece shouldn't be more than a third of our capital. We're seeing a tremendous amount of value creation; we continue to see that. And given our product type and given our markets and the income piece is obviously an important piece for us and that's why we use the preferred equity strategy so that we're not sitting there waiting for it to contribute to the bottom line. The preferred deals allow you to almost have your cake and eat it too because you can get the upside benefit in terms of the development, but you're not waiting for two, three years for it to hit your income statement. You're getting a 15% current on your preferred equity investments, not accrued, that's current that comes back to us.

Rob Stevenson
Okay. And then just last question, when we go through a filing from this morning or whatever—what is the major differences between the revised Series B and the one that you had filed previously?

Ramin Kamfar
That's a very good question and I wish I could answer it, but we had a discussion with company counsel, right before this call and they said that I can't tell you what it is because then I'm violating SEC regulations. The differences there were, I think three or four differences, they're out there, you can look at them. They were structural tweaks that after being out there and talking to people on the filing that we had in November, we felt would be good to have in terms of improving the marketability.

Rob Stevenson
Alright, thank you.

Operator
The next question comes from Craig Kucera of Wunderlich. Please go ahead.

Craig Kucera
Hi, good afternoon, guys. I appreciate the color on the preferred offering. You did file the first round, I guess, back in November. Did you get to the point of marketing it and if so, do you have any color on any initial interest or are we still waiting to get a feel for that?

Ramin Kamfar
Well, we haven't. We've been in the process for selling the retail preferred like this is that you have to

go through a due diligence process with the firms, but actually you go through a third-party due diligence process where people write up a report, then you go through a due diligence process with the firms that you want to sell into their systems and you have to get a selling agreement and then you have to go out to sell the reps. So we've been in the first two pieces of that, which is going through the due diligence process, getting the selling agreements; I will tell you that. So we haven't officially kicked off the actual sales in terms of bringing dollars in. Partially, that's because of the time frame it takes for this due diligence/selling agreement process and part of it is because we got this feedback on these structural items that we wanted to revise, so it didn't make sense to—you couldn't go out and sell it until that was the case. But I will tell you, all of the feedback has been preliminary to date and on a preliminary basis it's been quite positive.

Craig Kucera
Got it. So does that mean now that you have this revised filing—what's your time table, do you think, which you might actually start raising money or be out actively selling this?

Ramin Kamfar
I think we'll get selling agreements and we're going to start getting selling agreements in Q2. It's going to be a process so some of the selling agreements will come in Q2, some of them will continue to come in Q3, and you'll start to see a ramp up. You'll see dollars trickling in in the second quarter and then there will be a ramp up from there throughout the rest of the year.

Craig Kucera
Got it. Okay. Can we go to your same-store numbers? I know you had a 5% increase in revenue. Can you give us some color on where the decline in expenses was, I think the overall number was 14.6%; is that inclusive of the Lansbrook properties that you purchased or just those that were owned in both periods?

Ramin Kamfar
That is inclusive of 14 units at Lansbrook. If you pull out the Lansbrook numbers, that number drops to 13.8%. So Lansbrook is 80 basis points of that. On that note, I'm going to hand it over to Larry to talk about the detail underlining the numbers outside of that.

Larry Kaufman
Sure. On a same store basis year-over-year, we saw good declines in our R&M numbers and turn-cost, really almost across the board, across the major expense items, we saw reductions. There was a 37% reduction in R&M costs and while a little bit less than half of that, maybe 45% of that was due to a lot of R&M in one property in one quarter that we didn't see in the following year; even if you pull that out there was still a 6% reduction in R&M cost across there. We saw 21% reduction in turn-cost, as we are constantly working with our partners to manage that process.

Ramin Kamfar
And part of it was that we were conservative in terms of budgeting taxes. So we had some favorable tax numbers come in.

Craig Kucera
Got it. Alright, appreciate the color. I wanted to talk about your AFFO going forward. The numbers out there on the street, there's a pretty wide discrepancy among analysts on what your AFFO is going to be. I know you put out a pro forma AFFO every quarter, but I don't think the market seems to be giving you credit for it. Is there a thought to maybe slowing down some of the external growth, maybe selling some assets, and possibly delevering and getting that dividend officially covered before you keep pressing on the accelerator or are you still of the mindset that the transactions that you see now are

strong enough that it makes sense to continue to grow through the three methods of raising capital this year that you outlined?

Ramin Kamfar
Well, we're not raising capital. We said that we're not expecting to share any comment at this point. And I think if you go back to my comments, I said that we deployed a significant amount of the capital that we raised—our last raise was 8.25% preferred in Q4—the rest of it's getting deployed in Q1. So as you go through Q1, once our Q1 numbers come out, you'll see us close the gap in terms of our actual versus pro forma AFFO and I think in Q2 you'll see that even more clearly because all of the dollars will have been deployed or should be deployed by the end of this quarter; so the actual and pro forma should be on top of each other.

The only things that can impact that are disposition of existing assets, which as we said, we're looking for that to happen in the second half of the year, so it shouldn't be happening in Q2 or have a material impact on Q2. So that's another reason to push those back, so to give people a clean quarter. And then the second piece of it is this 6% retail preferred that we'd be issuing and I think that's going to take us time to ramp up. So I don't expect that we're going to sell a significant amount of it in Q2 in terms of it having it impact or getting our actual up to the pro forma.

Now if we do sell, just because of the way the ramp up works, now if we do sell a chuck of it, it's accretive, but again, that's a slow ramp up process. So I don't think it's going to be a huge number in Q2.

Does that make sense, Craig?

Craig Kucera
Yes, it does. And I've got one more and then I'll hop back into the queue. I just wanted to revisit your underwriting for the convertible equity investments, particularly as it relates to some of the assets in Houston. Were those projected yields returns on cost, were those based on trended rent or sort of current rent as fixed and can you give us some color on what you're seeing in that market relative to what your expectations were at time of underwriting it?

Ramin Kamfar
Our underwritings' always based on untrended rents and I'll hand it over to Ryan to give you additional color.

Ryan MacDonald
Sure. Hello, Craig. We have two assets in two different sub markets in Houston, one being the medical center, which I think still held up incredibly well, with rental rates down there; we don't see much in the way of concession and transaction volume. Cap rates have remained pretty low and robust. So from an underwriting perspective we feel pretty confident that we'll either meet or exceed that underwriting.

With respect to the city center transaction, which again is a very small investment for us relative to the overall equity capital stack, about $6.5 million versus a total equity capital stack of about $23 million. We have started to see some concessions on the west side of town, which is energy corridor type location. You're seeing about one to three months depending on the location. I do think long-term we feel pretty good about that location and that micro location. There's three other assets owned by a large institution in that micro location and I think they're projecting their budget, when we talked to them, as flat for the year 2016.

So I still think our underwriting is pretty solid given where we were, even a year ago, but from monitoring it, but from a value perspective, we feel very confident that long-term, our investment is protected.

Craig Kucera
Alright. Thanks, guys.

Ramin Kamfar
Thanks, Craig.

Operator
The next question comes from Jim Lykins of D.A. Davidson. Please go ahead.

Jim Lykins
Good afternoon, guys. You've got a pretty robust acquisition pipeline and of that $650 million, I'm just wondering if you can give us a better feel for how much would be a reasonable amount to assume would ultimately close?

Ramin Kamfar
Jim, I think it's a very good question and it has to do with our capital raising efforts. If we raise no capital then the answer is none because we have sufficient capital to fund the deals that we've talked about. This pipeline we're talking about, we're active in the market talking to people to make sure that there continues to be a robust kind of pot, pool of deals that we can draw on. And then it depends on how much money we raise. So I think it'll be third quarter before we'll get a sense of that.

We'll take some deals down in replacement of the dispositions that we do, but outside of that, it'll have to do with the retail preferred raise. So we'll give you more color as the year goes on, we just don't have the visibility. We said we're not expecting obviously to raise common to fund those.

Jim Lykins
Okay. I know that $0.26 to $0.28 for pro forma guidance. Can you just walk through what are some of your assumptions for that guidance?

Ramin Kamfar
The assumptions are simple: it's basically the deals that we talked about that closed mid quarter. If you pull that we closed this quarter, Q1, that we've closed today, if you move them to Jan 1 instead of the date that they closed and then we have one more deal closing if you move that one to Jan 1. So that's all we do in our pro forma. We're not doing anything complicated, we're just saying, "Okay, if every deal that we're closing closed in Jan 1, what would the run rate number be?" So it's really a run rate number as opposed, again, you can call it a run rate number or a pro forma number, whatever you want; it's relatively simple.

Jim Lykins
Okay, and one last question and I'll let someone else ask one, but for the Destin property, can you just give us anymore color on that one? Average rents, occupancy? I know that you mentioned some enhancements that you were going to do, but just anything else from a value-add perspective that you'll be doing to that property?

Larry Kaufman
So in Destin, it's a terrific asset. There's certain things that we like to do as part of our BLIs, or

Bluerock Lifestyle Initiatives, there. There's certain equipment that we like in the fitness centers that we find that resonate with renters today. They're also enhancements we do to amenities like dog parks, finding that more and more so the more pet friendly we are in our properties, more attractive to these properties are to renters. So there are a handful of things that we will do that we found to be successful across our various portfolios.

Jim Lykins
And what are the rents of this property?

Ramin Kamfar
Let us look that up.

Ryan MacDonald
We'll look that up for you, Jim.

Jim Lykins
Okay, and what about occupancy? Do you have that handy?

Ryan MacDonald
Occupancy is mid-90s.

Jim Lykins
Okay, great. Thanks, guys.

Operator
And the next question—I'm sorry; the next question is from John Benda of National Securities Corp. Please go ahead.

John Benda
Hi, good afternoon, guys. How are you today?

Ramin Kamfar
Good, how are you, John?

Ryan MacDonald
Good afternoon, John.

John Benda
Good. So just a quick question on the debt side. Looking at all the acquisitions, specifically the Springhouse at Newport News and looking at what rates are today and considering that you guys just got a fixed on sovereign at 3.46%, is there an opportunity to refinance that $22 million loan, pay the penalty and basically save two points?

Ryan MacDonald
On Springhouse?

John Benda
Yes.

Ramin Kamfar
Springhouse is actually one of the assets that we have on the exit plan. So we're looking to sell it this

year. It's not a core market for us. It's an older asset. It's lower average rent. So if for some reason, something happens and we don't sell it, that's something that we can consider, but we're not considering it at this point.

John Benda
And then on the $54 million investment in a Florida property talked about where you already put $17 million of equity in and you had the loan secured at 4.65%. What's the explanation for the variance in that rate relative to what you just put on it at sovereign? Where do the 100 bps increase come from?

Ryan MacDonald
It was really timing. We're assuming a loan that's been in place for a couple years now, John.

John Benda
Okay.

Ryan MacDonald
So it's really a function of that.

John Benda
And then on the current portfolio, as you guys look to continue to ramp 95%, could you identify a few properties where you think it would be best to continue to take additional units?

Ramin Kamfar
I'm sorry, I didn't understand the question.

John Benda
So for Lansbrook Village, how you increased ownership in the quarter, what other assets do you have in the operating portfolio where you might be acquiring additional units to increase ownership to 95%?

Ramin Kamfar
On the unit side, we don't have any. Lansbrook is unique because it's a broken condo and we can buy additional units from the homeowners; I think we bought seven additional units in Q1 to date on Lansbrook.

Ryan MacDonald
And on the increased ownership, I don't think there are any other opportunities, per se. Springhouse is a 75% owned asset, but we're going to be disposing of that, so.

Ramin Kamfar
Right, I think that if there were opportunities, we've taken advantage outside of Lansbrook, which is where we'll continue to buy units; if there were opportunities we'd taken advantage of it and the ones where we can't take advantage of it, if we can't get up there than it's a candidate for sale. For example, EOS is a candidate for sale; Springhouse is a candidate for sale, etc., etc. But you will see us continue to increase our unit count at Lansbrook.

John Benda
And then, finally, on the development portfolio, which is really strong right now, is there an opportunity for you guys to not only be an equity investor, but also be a lender on a construction loan and maybe capture an interest of return there as well? Or is that too much risk in one property that you want to be in?

Ramin Kamfar
No, I don't think—we're not lenders and I don't think you're going to get the returns that we're looking for by being construction lenders. You may see us, we've had some discussion in terms of switching from being a preferred equity investor to being a mezzanine lender because then you can see it more clearly in our income statement, but we're not going to be a senior construction lender.

John Benda
Alright, great. Thank you very much.

Ramin Kamfar
Sure.

Ryan MacDonald
And then to clarify on the Destin transaction, the average rents are north of $1,260 per month.

Ramin Kamfar
We're 94% occupied at, I think $1,265 a month, which you'd find very, very healthy numbers in terms of an average rent for a market like Destin and I think that will tell you, Jim, something about the quality of the asset that we're buying there.

Operator
Again, if you have a question, please press * then 1.

CONCLUSION

Operator
There are no additional questions at this time. This concludes our question and answer session. The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.