



NREA MERITAGE, DST EXECUTIVE SUMMARY



4550 NORTH BRAESWOOD BOULEVARD, HOUSTON, TX 77096

NexPoint Real Estate Advisors IV, L.P.

An affiliate of Highland Capital Management, L.P.

**HIGHLAND CAPITAL
MANAGEMENT**

This material does not constitute an offer and is authorized for use only when accompanied or preceded by a definitive confidential private placement memorandum ("PPM"). Reference is made to the PPM for a statement of risks and terms of the offering. The information set forth herein is qualified in its entirety by the PPM. All potential investors must read the PPM and no person may invest without acknowledging receipt and complete review of the PPM. Capitalized terms used but not defined herein shall have the meanings ascribed thereto in PPM.

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INVESTMENT PLAN

- Acquired a 240 unit, Class A mid-rise multifamily community
- Strive to improve operational performance and enhance underlying asset value by implementing institutional asset management and value-add strategies, including strategic capital improvements and cost controls

ACQUISITION DETAILS*

- Acquisition Cost \$37,250,000
- Supplemental Trust Reserves \$1,278,724
- Lender Reserves \$452,916
- Total Price (excl. 1% retained interest) \$42,727,659
- Year Built 2008
- Occupancy (as of 3/16/18) 96.3%

LOAN INFORMATION

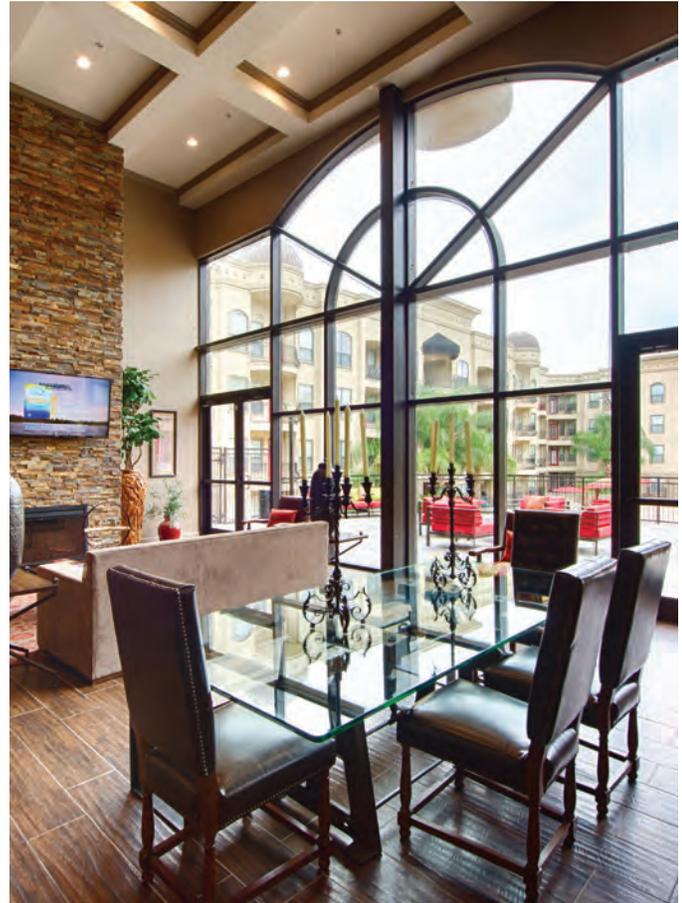
- Loan Amount \$21,300,000
- Leverage to Investors 49.85%
- Interest Rate 4.28% fixed rate
- Loan Term 10 years
- Amortization Interest Only for 5 years, followed by 5 years principal and interest

DST/MASTER LESSEE

- Offering Size \$21,213,382
- Minimum Purchase - Cash \$100,000**
- Minimum Purchase - 1031 \$100,000**
- Suitability Accredited Investor Only
- Cash flow for cash investors could be offset by depreciation and amortization expenses

*For complete details, please review PPM

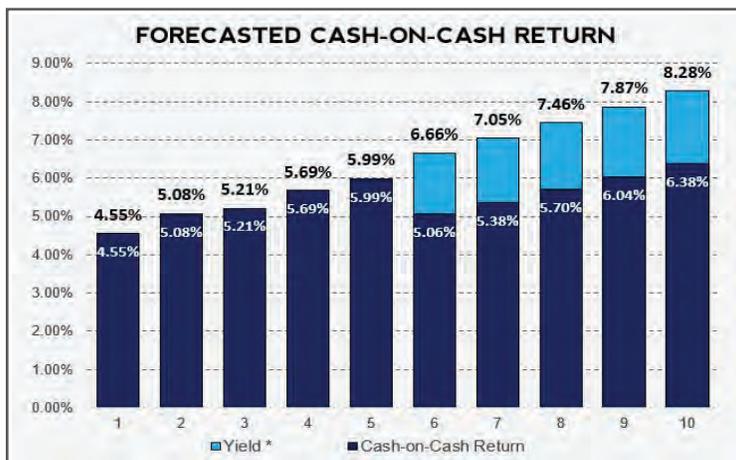
** Partial units available



RISKS

There are substantial risks in any investment program. See “Risk Factors” in the accompanying PPM for a discussion of the risk relevant to this offering. Distributions are not guaranteed.

The projections and the anticipated rates of return are only estimates based on the specific assumptions more fully described in the PPM. There is no guarantee that the assumptions used in the projection will be achieved. Please review the entire PPM prior to investing. This material does not constitute an offer and is authorized for use only when accompanied or preceded by the PPM. Reference is made to the PPM for a statement of risks and terms of the offering. The information set forth herein is qualified in its entirety by the PPM. All potential investors must read the PPM and no person may invest without acknowledging receipt and complete review of the PPM.



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THE PROPERTY

- The Property, built by Walton Communities in 2008 and commonly known as “The Meritage”, is a Class A apartment community consisting of 240 units located in the heart of Houston, Texas, in a desirable infill location with access to major shopping and job locations.
- The community is thoughtfully-developed and well-placed in an affluent, urban area and anchored by Houston’s premier employment centers: the Texas Medical Center and the Galleria. Residents can enjoy walkable amenities, including shopping, restaurants and a 2.5-mile hike and bike trail.
- Community amenities include an elegant clubhouse, chef-inspired BBQ grilling stations, underground and covered parking, controlled access to building and garage, Starbucks touch screen coffee bar, social hub with Wi-Fi, 24-hour fitness center with instructor, business center, game room, and wine room.
- High-end interiors include 2” faux wood blinds, 9’ vaulted ceilings, balconies, granite countertops, garden tubs, wood flooring, washer/dryer in each home, stainless steel Energy Star® appliances, and walk-in closets. Select units also have Nest thermostats, August locks, Bluetooth showerheads, and USB ports.
- The Property is anchored by Houston’s premier employment centers: The Texas Medical Center, with over 106,000 employees and the Uptown/Galleria District, with over 82,000 employees and the most prestigious shopping in Houston. With downtown Houston just 6.5 miles away, the Property has access to over 363,000 jobs within that same distance.



THE INVESTMENT OPPORTUNITY

- Opportunity to invest in sub-market-leading multifamily property with operational upside in an affluent area of Houston.
- Attractive in-place cash-on-cash yields with upside potential through aesthetic and management improvements. The improvements do not guarantee higher income and improvement cost could lower the ability to make distributions.
- Discount to replacement cost and attractive basis relative to recent Class AA sales.
- Historically low interest rates further boost near and long-term cash return potential.
- Located near the Texas Medical Center, the largest medical complex in the world with over 106,000 employees.
- Houston, the fifth largest metro in the United States is home to over 6.6 million people and still growing, driven by low cost of living and diverse employment opportunities. In 2015, the metro added 159,000 new residents - more than any other metro in the nation

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THE BUSINESS STRATEGY

The ownership objectives for the Property will be to (i) preserve the Purchasers' capital investment, (ii) make monthly distributions from Master Lease rent payments estimated to start at 4.55% per annum in year one, and projected to range from 5.08% to 6.38% per annum in years two through 10, which may be partially tax-deferred as a result of depreciation and amortization expenses, (iii) increase the net operating income of the Property through growth in rental rates and controlling expenses through professional property management and diligent asset management, (iv) add value to the Property through selective minor and non-structural capital improvements, and (v) sell the Property at a profit within approximately five to 10 years.

The income forecast is based on recent and historical rent and other income collections. Pro forma assumptions include: (1) a physical vacancy factor of 5.50%; (2) other rent deductions totaling 1.24%; (3) a residential rent general inflation factor of 2.80%; (4) fee-based and utility reimbursement income with a general inflation factor of 3.0%; (5) controllable expenses (consisting of payroll, maintenance and repairs, landscaping and turnover, and marketing and administration expenses) based on a general inflation factor of 3.0%; and (6) uncontrollable expenses (consisting of utilities, taxes, and insurance) based on a general inflation factor of 3.0%.

The Master Tenant will pay an annual property management fee in an amount equal to 3.00% of the gross income generated by the Property to an unaffiliated property manager. The initial property manager will be BH Management Services, LLC ("BH").

IMPROVE PROPERTY OPERATING PERFORMANCE

The Trust, through the Master Tenant, intends to make certain upgrades at the Property over the next three to four years in an effort to maintain its historic occupancy and to increase rent. Minor upgrades are scheduled for all 240 units. Some 144 units will receive new wood-style flooring, tile backsplash and other minor aesthetic enhancements as needed.

Many units will receive an upgraded technology package, complete with August Locks, Bluetooth showerheads, Nest thermostats, security alarms and USB ports. The estimated cost of these upgrades is approximately \$475,000, or approximately \$1,980 per unit. These costs will be funded from the Supplemental Trust Reserve.

IMPROVE PROPERTY OPERATING PERFORMANCE

The Sponsor plans to make the following improvements to the Property.

Common areas/amenities:

- Pool decking, furniture and grill stations
- Hallway carpet replacement and new paint
- New leasing office flooring
- New package locker system
- Updating furnishings for the model unit
- Upgraded fitness equipment

Exterior:

- Full exterior paint
- Fresh landscape enhancements
- Roof replacement

Revenue Generating:*

- Wood-style flooring, glass tile backsplash
- Technology package* (includes August Locks, Bluetooth showerheads, Nest thermostats, security alarm and USB ports)

*Revenue generating upgrades offered a la carte to new prospects and existing residents during lease renewal negotiation

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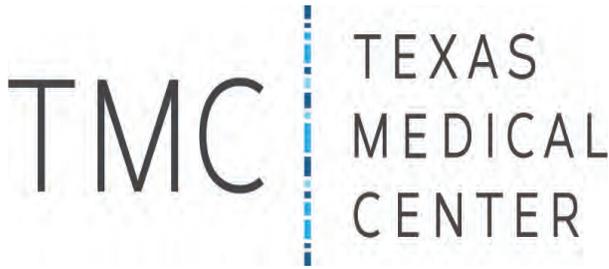
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MARKET HIGHLIGHTS

- According to the U.S. Bureau of Labor Statistics, Houston is the #1 city for job creation in the United States and home to 20 Fortune 500 company headquarters, one of the highest in the nation. Houston's unemployment rate is significantly below the national level¹
- Houston hosts the world's largest concentration of healthcare organizations, including the Texas Medical Center, the largest single employer in Houston and the largest medical center in the world. The current rent roll has minimal energy exposure ensuring the Meritage is insulated from the energy sector downturn due to its proximity to the Texas Medical Center.
- Strategically located along the city's inner loop, the Property's infill location provides excellent access to major Houston employment centers with mobility to major business and shopping districts.
- The Property is zoned to one of Houston Independent School District's premier schools, Bellaire High School, which holds a "Great School Rating" of 6 out of 10, while most inner-loop high schools are ranked below 5.²
- The Property benefits from affluent demographics and a strong surrounding single family anchor made up on Houston's premier upscale single family neighborhoods: Bellaire with home values up to \$3.3M, Braeswood with home values up to \$2.6M, West University with home values up to \$4.1M and Southside Place with home values up to \$2.8M.³

PROPERTY DEMOGRAPHICS⁴

SUMMARY	ACTUAL	PROJECTED (5 YRS)
Total Population	14,406	15,286
Average Household Income	\$149,624	\$158,715
Per Capita Income	\$63,271	\$66,716
Housing Units	6,551	6,914
Households	6,045	6,380

1 FRED Economic Research, U.S. Bureau of Labor Statistics, 2014

2 Zillow.com

3 CBRE, 2015

4 U.S. Census Bureaus, Ersi

RISKS:

- Owning, financing, operating and leasing a multifamily apartment complex and real estate generally in Houston, TX;
- Related to competition from properties similar to and near the Property;
- Relating to its own real estate market;
- The ability of the property manager to attract and retain tenants who will meet their rental obligations on a timely basis; and
- There is competition from apartment communities in the surrounding geographic area.

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A SAMPLING OF THE MERITAGE UNIT MIX

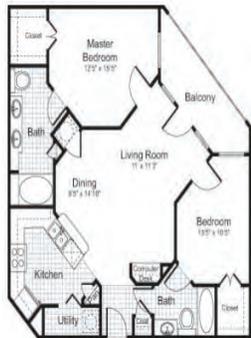
TYPE	NUMBER	UNIT SIZE (SF)	TOTAL SF
1 BR / 1 BA	136	755	102,668
2 BR / 2 BA	88	1,069	94,028
3 BR / 2 BA	16	1,418	22,680

*Totals are inclusive of 19 floorplan options

FLOOR PLAN SAMPLES



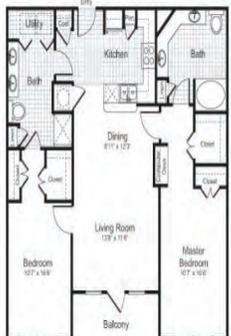
Bourdeaux



Cuvee



Meritage



Malbec



Merlot



Shiraz

MARKET LEADING AMENITIES

Unit Amenities:

- Wood flooring & designer carpet*
- Stainless steel Energy Star® Whirlpool® appliances with ice maker
- Granite countertops, stainless steel sink
- Dedicated pantry
- Ceiling fan
- Washer and dryer in each home
- Soaking tubs or glass showers*
- Linen storage
- Spacious walk-in closets w/built-in shelving
- 2" Faux wood blinds in each unit
- Balconies on every unit & oversized patios
- Garden-style bathtubs in each unit
- High-efficiency dual pane windows & doors
- Polished chrome faucet with pull-out spray
- Smart wired for phone, Internet and cable

Community Amenities:

- Resort-style pool, outdoor kitchen/grill, lounge area
- 24-hour fitness center with instructor
- Social hub equipped with Wi-Fi, iMacs, TVs, billiards, and variety of games
- Elegant clubhouse with media center, full kitchen & billiards room
- Chef-inspired BBQ grilling stations with ice maker and outdoor fridge
- Starbucks touch screen coffee bar
- Business center with Wi-Fi hot spots
- Streaming Wi-Fi in social spaces
- Underground and covered parking
- Controlled access to building and garage
- Close proximity to shopping
- 24-Hour emergency maintenance
- On-site management and maintenance
- 2.5 mile hike and bike trail

* In select units

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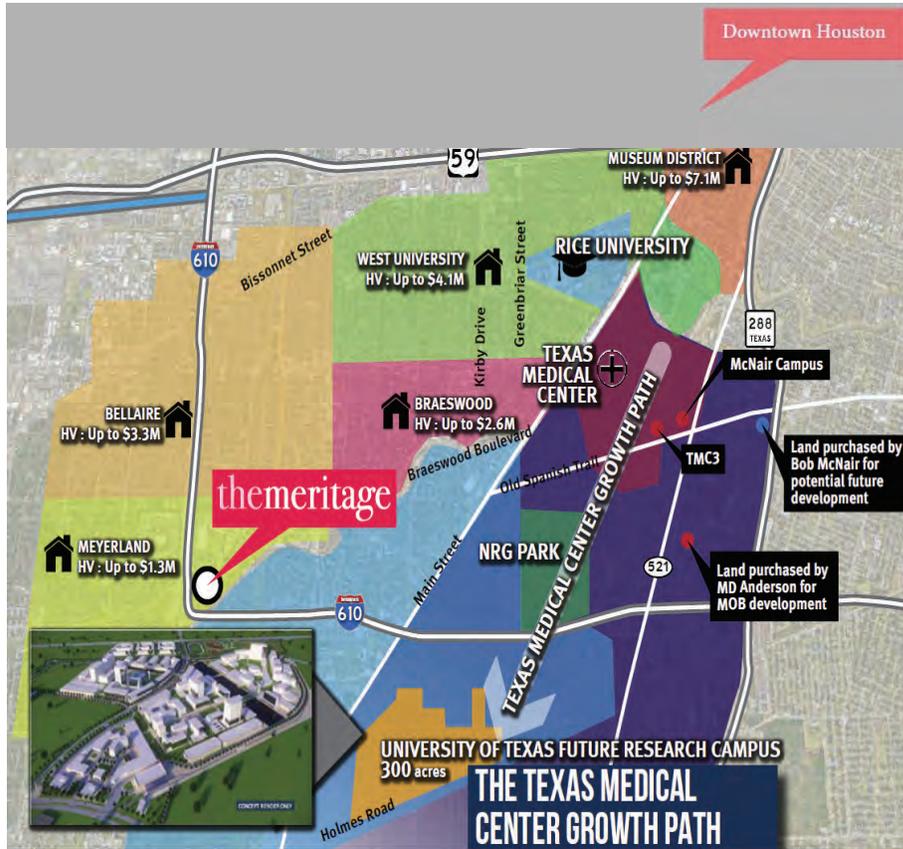
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The PPM contains more complete information regarding the investment including the following risk factors:

- There will be no public market for the Interests.
- There is no specified time that the investment will be liquidated.
- Delaware Statutory Trusts are a relatively new vehicle for real estate investment and are inflexible vehicles to own real property.
- Investors will have no voting rights and will have no control over management of the trust or the Property.
- There is no guarantee that investors will receive any return.
- Distributions may be derived from sources other than earnings.
- The Property will be subject to a Master Lease Agreement with an affiliate of NexPoint Real Estate Advisors IV, L.P.
- The Property will be subject to the risks generally associated with the acquisition, ownership and operation of real estate including, without limitation, environmental concerns, competition, occupancy, easements and restrictions, and other real estate-related risks.
- The Property will be leveraged.
- The Manager of the Trust, the Master Tenant and their affiliates will receive substantial compensation in connection with the offering and in connection with the ongoing management and operation of the Property.
- The Manager and its affiliates are subject to conflicts of interest between their activities, roles and duties for other entities and the activities, roles and duties they have assumed on behalf of the Trust. Conflicts exist in allocating management time, services and functions between their current and future activities and the Trust. None of the arrangements or agreements described, including those relating to the purchase price of the Properties or compensation, is the result of arm's-length negotiations. See "Conflicts of Interest."
- An investment in the Interests involves certain tax risks.
- Accredited Investor use only.

BROKER-DEALER FOR THIS OFFERING:

HIGHLAND CAPITAL FUNDS DISTRIBUTOR, INC.,
MEMBER FINRA

PLEASE CONTACT YOUR ADVISOR WITH ANY QUESTIONS ABOUT THIS OFFERING

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NexPoint Real Estate Advisors, L.P. (“NREA”) is the platform built to manage real estate investments on behalf of NexPoint Advisors, L.P., an affiliate of Highland Capital Management, L.P., a leading global alternative asset manager. NREA seeks to thoughtfully allocate capital with the goal of achieving risk adjusted returns for investors while partnering with the best sponsors, partners and property managers in the industry.

NREA manages a publicly-traded real estate investment trust (“REIT”), NexPoint Residential Trust, Inc. (NYSE:NXRT), and the REIT subsidiaries to NexPoint Strategic Opportunities Fund (NYSE: NHF), a closed-end fund. As of August 31, 2017, NXRT owned a portfolio of 36 multifamily properties totaling 12,495 units worth approximately \$1.3 billion.

NexPoint Real Estate Advisors, IV, L.P. (“NREA IV”) serves as a sponsor to the platform’s newest offering, NREA Meritage, DST.

HIGHLAND CAPITAL FUNDS DISTRIBUTOR, INC.

Highland Capital Funds Distributor, Inc. (the “Dealer Manager”), an entity under common ownership with NREA IV, serves as the Dealer Manager of the offering. The Dealer Manager was formed in November 2013 and has a limited prior operating history. The Dealer Manager is registered as a broker-dealer with the Securities and Exchange Commission and is a member of the Financial Industry Regulatory Authority, or FINRA.

BH MANAGEMENT SERVICES, LLC

BH is a fully integrated apartment management platform that provides acquisition, apartment management design, construction and other advisory services to NREA and its affiliates. Together, our partnerships own and operate roughly 15,000 apartment units across the Southeastern and Southwestern United States.

According to the National Multifamily Housing Council’s 2017 rankings, BH was the 12th largest management company in the United States, with 67,877 units, 1,900+ employees and revenues surpassing \$500 million annually. Founded by Harry Bookey in 1993, BH excels at understanding the market, serving the consumer, and creating living environments of exceptional quality. For investors, their methods translate into higher occupancy, lower turnover and predictable return on investment.

BH has a significant footprint and long history of successful apartment investment management in Houston. BH has one of four regional headquarters positioned in the market, through which they oversee a portfolio of 42 properties totaling more than 10,000 units. BH manages 14,045 units across the Sponsor’s real estate platform, including all 11,471 units for NXRT.

RISKS

All real estate investments have risks. There is no assurance that some or all of these objectives will be met. There are substantial risks in any investment program. See “Risk Factors” in the accompanying PPM for a discussion of the risks relevant to this Offering. Distributions are not guaranteed.

If the Master Tenant requires funds in excess of the applicable Property net operating income to pay the Rent (subject to a limited right of deferral) or satisfy its other obligations under a Master Lease, it will need to call upon the Sponsor to contribute the amount of its Demand Note. The ability of the Trust to meet its obligations is dependent upon the performance of the Master Tenant and its payment of Rent and other payments, and the Master Tenant has a limited right to defer rental payments under the Master Lease. Purchasers may receive less or more varied distributions than they would have if the Master Tenant were required to call the Demand Note to fund any such Rent shortfall.

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Highland Capital Funds Distributors, Inc., member FINRA, is the dealer manager for the NexPoint Real Estate Advisors IV, L.P. Delaware Statutory Trust Offering.

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