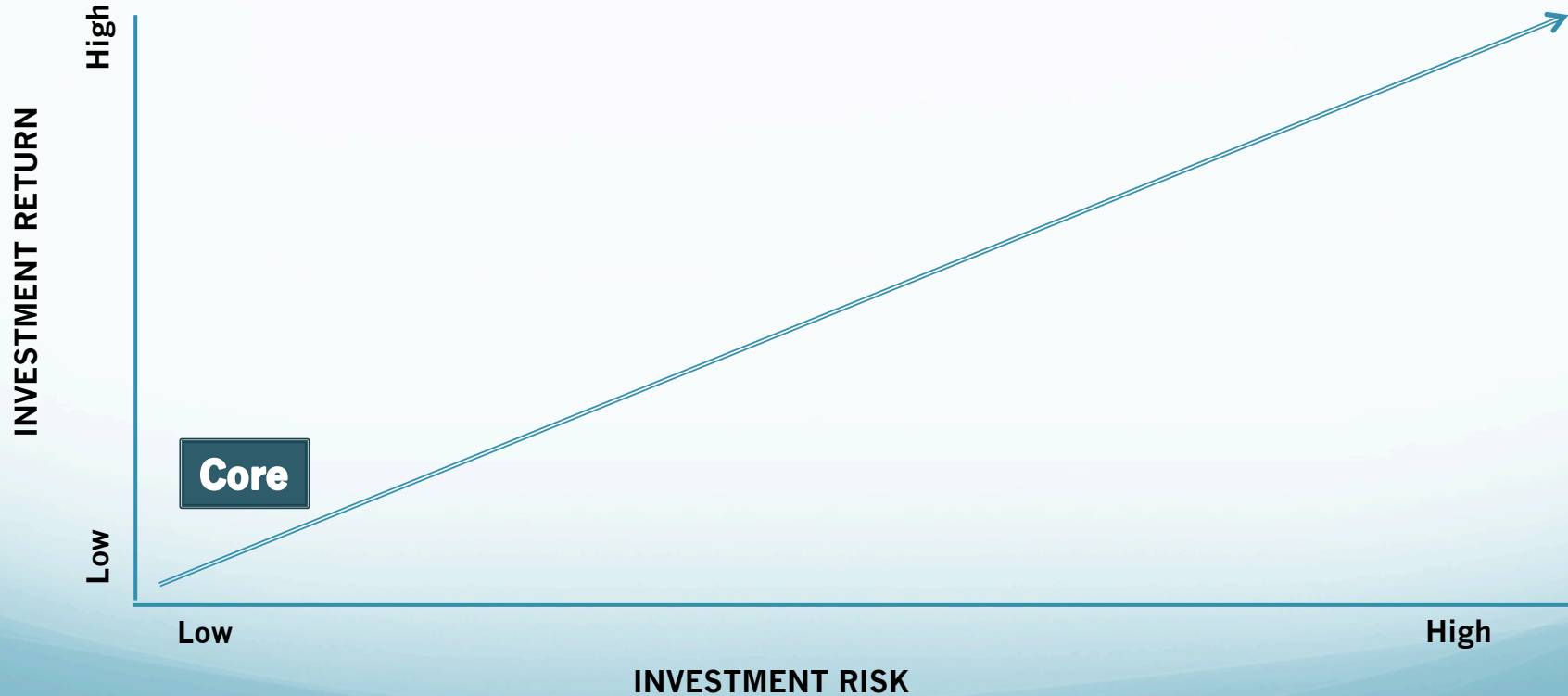


Core Investment

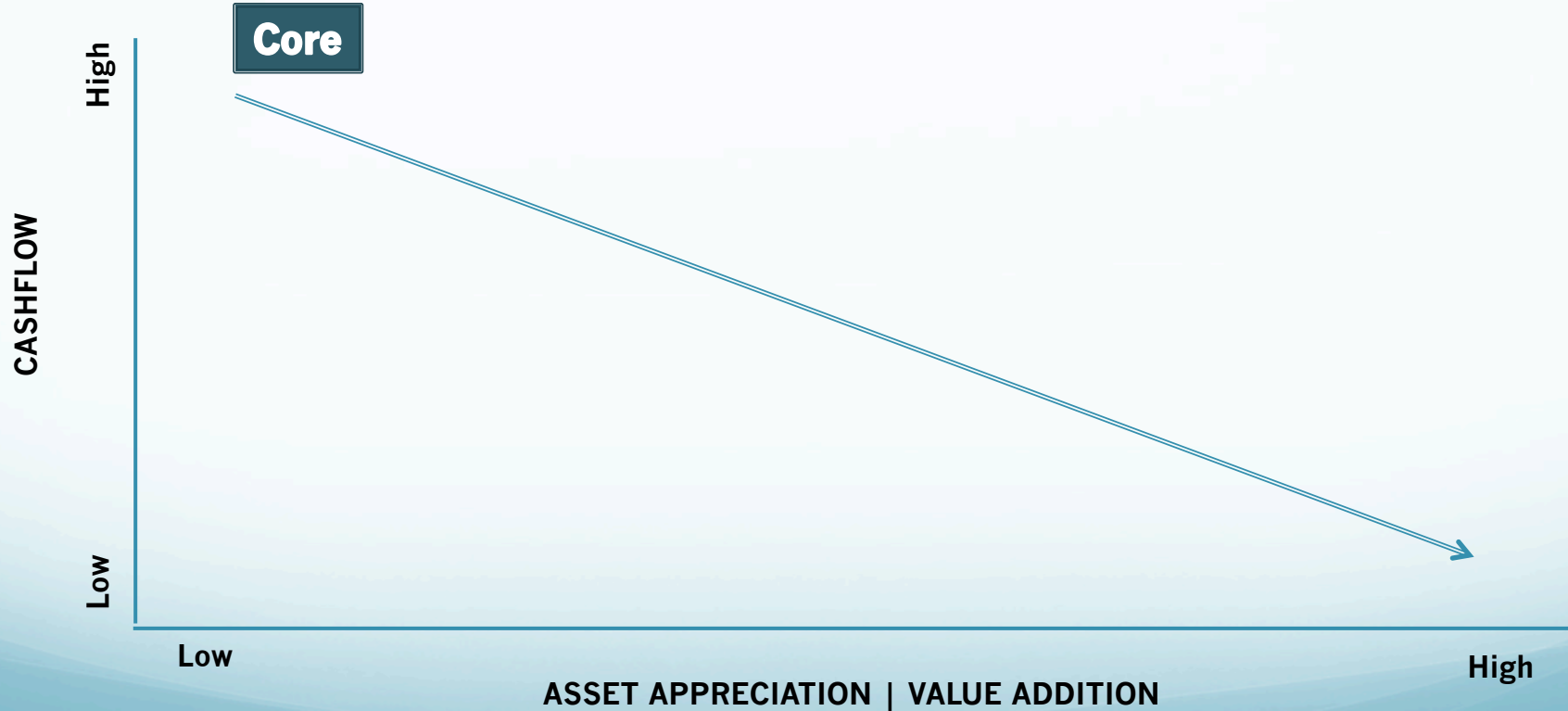
- Key Goal: Lowest risk, most predictable cash flow
- Usually low to no leverage (<50%)
- Long time horizon
- Low tenant risk
- Operations are stabilized
- No asset enhancement/hands off turn-key investment
- Returns 4-8% pre leverage



Risk vs. Return



Source of Returns



Core Investment – Example 1

- Buying a fully leased, recently renovated multi-family unit in Los Angeles
- Tenant mix of high income young professionals & families
- Low turnover of leases
- Rents at or above market



Core Investment – Example 2



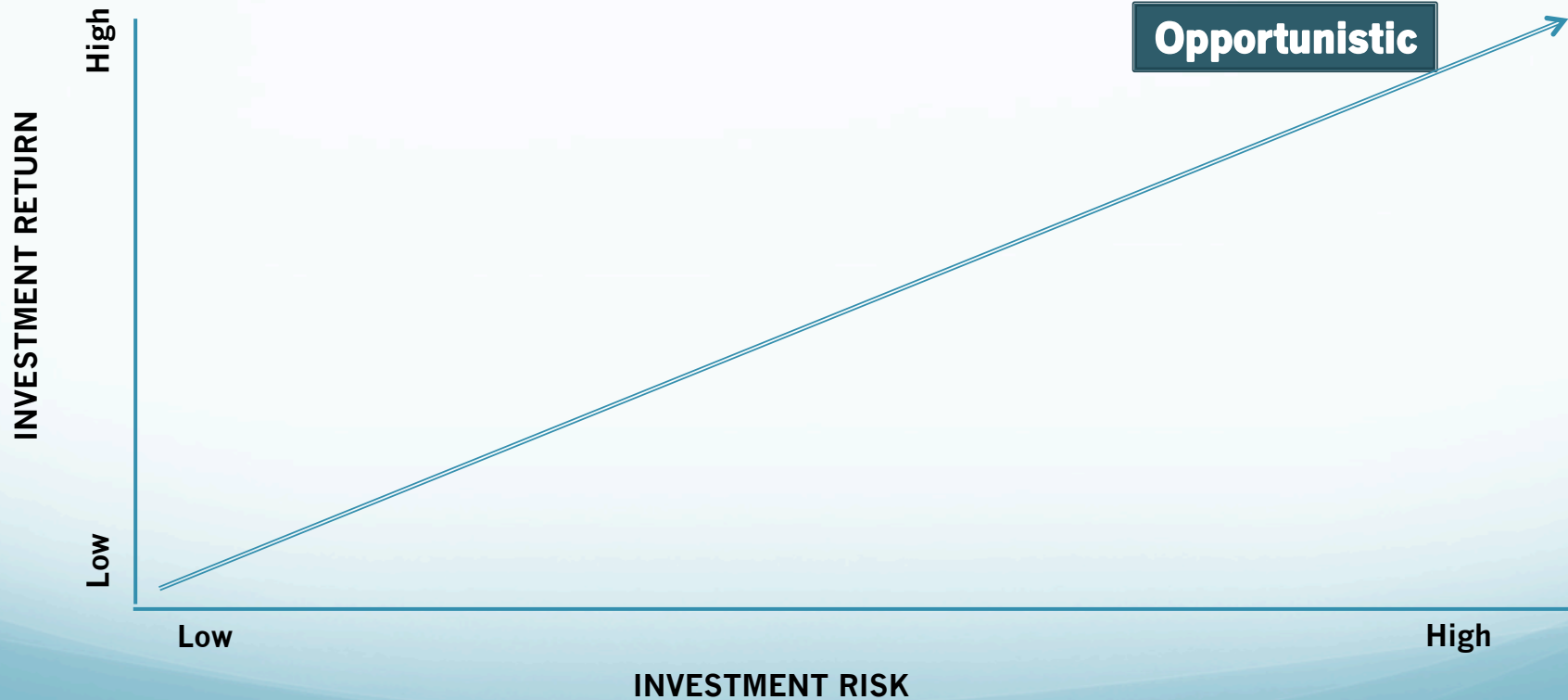
- Buying a fully leased Walmart anchored regional shopping center in Los Angeles DMA
- Diverse mix of credit tenants
- Fully leased
- Long leases

Opportunistic

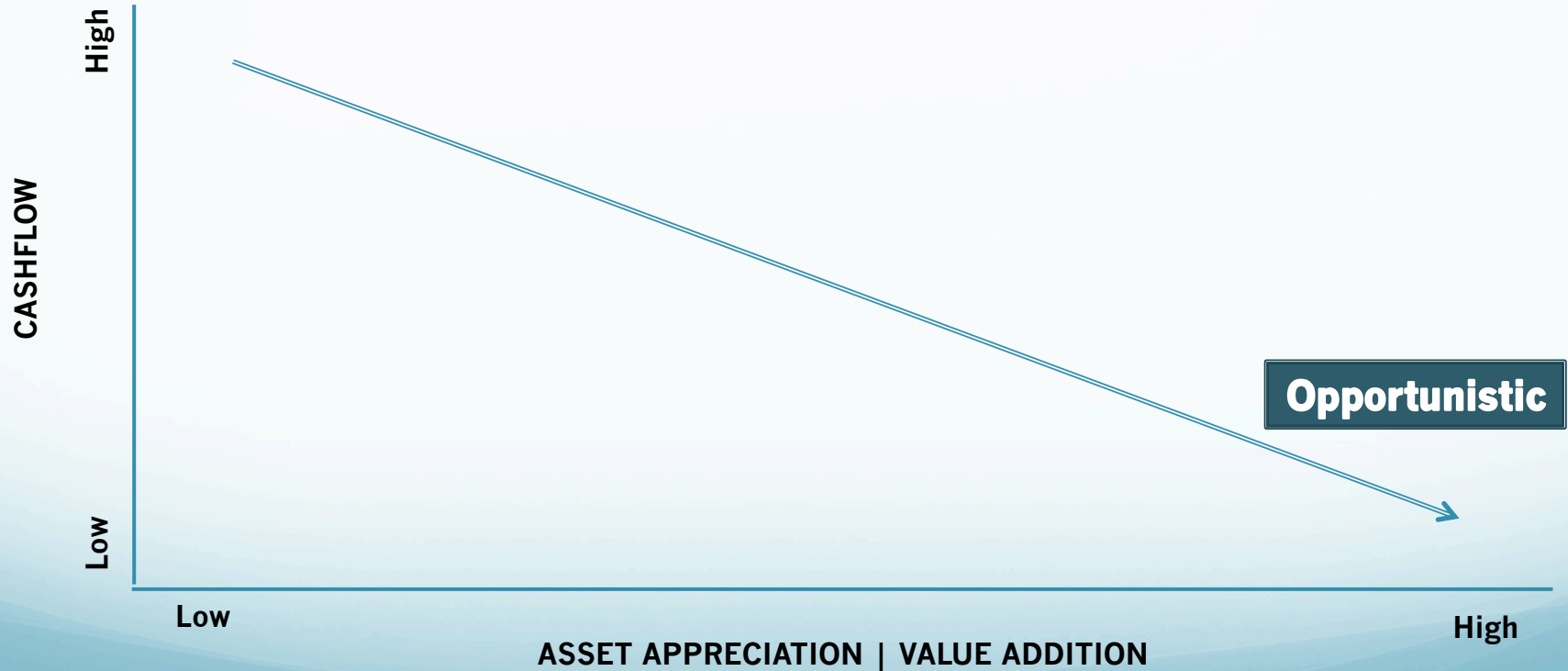
- Key Goal: Maximum return potential via capital appreciation
- Moderate to high leverage with significant renovations or building from ground up
- Sample opportunistic plays:
 - New product development
 - Raw land
 - Distressed
 - Special Assets
- Targeting 20%+ IRR



Risk vs. Return



Source of Returns



Opportunistic Investment – Example 1

- The play:
 - Find finished lot in built out community with well known sales comparables
 - Build new home comparable and consistent with community standards
 - Sell for profit
- Risks: Significant permitting and construction
- What happened?
 - Bought \$120K finished lot in a community where 3-4 bed homes sold for \$1.8-2.2M
 - Spent \$750K to build custom 4-bed, 2000 s.f. home that was newest and among largest in community
 - List and sold within 12 month for \$2.3M
 - 300+% IRR, 2.5x cash multiple



Opportunistic Investment – Example 2



- The play:
 - Buying a retail building from distressed electronics retailer
 - Subdivide the building into multiple, smaller units
 - Lease up to local small retailers at much higher market rents
- Work: Minimal rehab, significant leasing
- What happened?
 - Leased 40% of space going into closing
 - Initial yield: 15% Fully leased yield: 30% (unlevered!)
 - Final Return: 66% IRR at exit (3 years)

Value Added

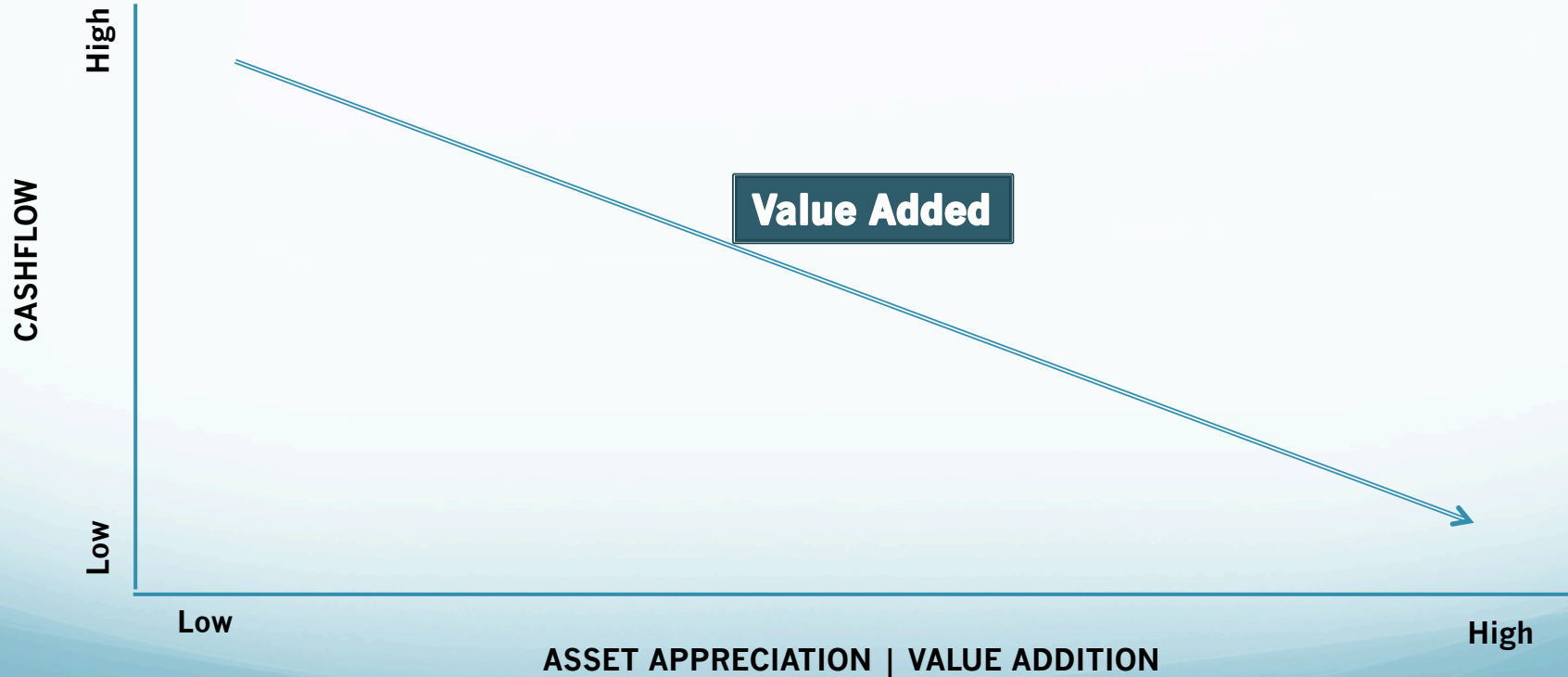
- Key Goal: Upside opportunity with some initial cash flow
- Low to moderate leverage
- Light to moderate renovations
- Typical plays:
 - Cosmetic—“putting lipstick on a pig”
 - Higher rents
 - Higher occupancy
 - Greater operating efficiency
 - Expansion/Conversions/Mini Renovations
- Targeting 12-20% IRR



Risk vs. Return



Source of Returns



Value Added Investment – Example

- Buying a poorly maintained 50% leased multi-family property with existing rents below market rates
- Have some current income
- Work: Renovations/rehab
- Upside potential:
 - lease up of existing vacancies
 - rental growth of new leases and existing renewals



Investment Strategies

- Core
 - Consistent, predictable cash flow over upside potential
 - Hedge against inflation, low correlation with stocks and bonds
 - Income driven
 - E.g. fully leased office space
- Opportunistic
 - Supernormal returns over consistent cash flow
 - Capital appreciation driven
 - E.g. zero coupon investments
- Valued Added
 - Existing income with real potential to increase income or appreciation
 - Income + capital appreciation
 - E.g. Partially leased multi-family building with rehab, rent bump, and leasing potential

Risk vs. Return



Source of Returns

