



Real Estate Opportunities Fund IV, LLC

CTC Capital Management, LLC

August 30, 2023

Dear Investor:

Transaction volume

Private equity real estate transactions for 2023 are significantly lower than they have been in a least five years and sales volumes for multifamily deals are the lowest in almost ten years. There continues to be a shortage of equity willing to commit to projects. Lenders have tightened their standards making it harder to get deals closed as it requires more equity to fill the capital stack in an environment where sourcing equity is a challenge.

- There are many reasons for this slow down including a potential recession and general market uncertainty, but the main driver of this appears to be higher interest rates. In time, transactions will start to increase due to owners needing to liquidate due to properties completing their business plans or reaching the end of their planned hold times, debt maturing, lenders forcing the sale of a property due to poor performance, and capital on the sidelines needing to be invested. When this will happen is unclear.

Multifamily fundamentals

The underlying fundamentals for multifamily, especially workforce housing, remain strong. Our thesis of continual need for obtainable housing for the next decade is reflected in the low vacancy rates—even in markets with large amounts of existing Class A and new product under construction and delivering in the market. The demand side of the equation continues to buoy multifamily rents, and buffer the downturn in valuation, whereas other asset classes, most notably older office buildings, appears to have no floor of rents or valuation in sight.

Distress

We are starting to see distress in multifamily deals. Of the deals we are seeing, it tends to fall into one of these categories:

- Recap with preferred equity—This is a project which needs a capital injection to complete the business plan or provide additional capital to extend the loan or fund reserves.
- Poorly operated properties—These properties failed to execute their business plan, were mismanaged, or the current owner overpaid for them and/or was unable to achieve proforma rents.
- Interest rate shock causing the property's NOI to be unable to cover the debt service.
- Ground up construction projects with floating rate debt and/or impacted by Covid and supply shortage delays requiring additional capital to complete the project.

Many of these distressed properties we are seeing are not in 'A' locations. They are in less desirable submarkets.



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Existing Investments:

Property	Location	Purchase Date	% of Fund Commitments	Purchase Price	Occupancy	Quarterly Distribution (annualized)
Wilshire Valley Apartments	Oklahoma City, OK	5/18/23	5%	\$2,084,612	71%-as of 8/25	0%
Upham Apartments	Wheat Ridge, CO	8/10/23	2%	~\$855,000	90%-as of 8/25	0%
Total			7%	\$2,939,612		

Notes:

Property	Commentary
Wilshire Apartments	5 units have been renovated and rented at proforma rents. 2 additional units have renewed to proforma rents without any capital expenditure. 21 units are currently under renovation. Exterior work which has been completed includes foundation pier supports, concrete sidewalk repairs, and asphalt repairs. New management has received great feedback from the in place residents.
Upham Apartments	Renovations have started in 4 units. New management has taken over the property as well. Current plan is to renovate 4-6 units per month in order to maintain stabilization.

RE IV's recent acquisition: Upham Apartments

The property is the second co-gp investment we have made with this operator. As mentioned in the last fund update, this operator owns several deals in Denver and has grown his team to allow him to continue to scale his business which will benefit our programmatic co-gp partnership we signed with him earlier this year. As part of our agreement with the operator, we will be participating in the project's fees and operator's share of the promote.

Area strengths:

Wheat Ridge is 6 miles from downtown Denver. We like this market because of numerous factors:

- Ratio of median and average income to proforma rents (rents after the property is renovated) to ensure the rents of tomorrow are affordable to tenant of today are very favorable to the property. 1 mile median and average income is \$66k and \$87k compared to 62 of the 63 units proforma rents of \$1600 and \$1800. (current rents are averaging \$1,086)
- Expected annual population growth of 1, 2 and 10 mile radius around the property for the next 5 years is .50, .70 and 1.3%



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- Median single family home prices are \$450k with a median build year of 1957. There are newer homes in the area selling for \$1MM+. This data point shows it is difficult for renters to become homeowners without significant resources.
- Job sources (55% of employees within 1 mile are employed in Education/health services (28% two miles), 15% of employees within 1 mile are employed in Trade Transportation and Utilities (15% two miles)). Additionally, being a suburb of Denver enables tenants to have various employment sources within the MSA.

From a project standpoint, this property has been in the same family for several decades and had been managed with a focus on maintaining occupancy and not maximizing rents and NOI.

We expect this to be a three to five year hold with the operator's project IRR to exceed a mid-teen IRR.

Registered Investment Advisor Change

CTC Wealth Management LLC, SEC Exempt Reporting Advisor, has acted as Managing Member to Real Estate Opportunities Fund IV since inception. CTC Capital Management LLC, a SEC Registered Investment Advisor, has managed other CTC entities since 2021. In an effort to more efficiently allocate our regulatory obligations, we have determined to transfer the fund management responsibilities currently held by CTC Wealth Management LLC, to its commonly controlled affiliate, CTC Capital Management LLC. This change was effective March 2023, and allows us to consolidate our investment advisor registrations, and associated regulatory and compliance responsibilities into a single entity. This change has no impact on the management or terms of any Funds, which will continue to be managed by the same teams and pursuant to the same strategies currently utilized.

New Administration Partner and Investor Services Platform

We are excited to announce several new initiatives to enhance financial reporting, and improve investor services for Real Estate Opportunities Fund IV, LLC. Currently, CTC Capital Management LLC internally manages accounting and investor reporting using FIS Investran and FIS Investran DX respectively. Since 2017, this software successfully allowed the team to launch nine closed end funds and increase AUM from \$22M to over \$180M. With the successful launch of Real Estate Opportunities Fund IV, LLC and future growth plans, our priority is to maintain the best investor experience. Additionally, SEC registered investment advisor rules require an annual audit of all CTC Capital Management LLC funds, increasing audit and accounting work around financial reporting. Therefore, we will be partnering with two new vendors for accounting and investor reporting to ensure the best investor experience:

- NAV Administration - <https://www.navconsulting.net/>



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Established in 1991, NAV is a recognized global leader in fund administration with \$210B assets under administration and over 2200 clients. Nav will be responsible for all fund quarterly accounting, partnership capital statements, and audit financial statement preparations.

- Juniper Square - <https://www.junipersquare.com/>

Juniper Square has evolved into the number one choice for investor reporting software in the private fund space. Investors now will have a portal for CTC Capital Management consolidated fund information, reports, and analytical information for their investments.

We are finalizing timelines with both vendors with the goal of simultaneously completing onboarding by the beginning of Q4. Please be on the lookout for additional information in the coming months.

Our priority is to provide investors with the best experience in all aspects, and NAV Administration coupled with Juniper Square's investor portal will accomplish this goal.

Thank you

CTC Capital Management LLC