



Capital Management

Real Estate Funds

Dear Investor:

Having passed the one-year mark since Real Estate Opportunities Fund IV fund closed (11/1/22), we consider ourselves fortunate to have access to over 300 operators who have sent us 444 deals since the fund closed. Canvassing the country and sourcing deals from many different operators and product types gives us confidence in the investments we made this year, as well as the ones we chose not to pursue. This constant information flow and deal sourcing has provided us with valuable data to identify trends.

We continue to believe in our acquisition criteria with a focus on market, operator, deal terms, and seller story, leading us to our most recent acquisition in upstate New York. This value-added deal was owned by a long-time owner who managed to maximize occupancy rather than NOI. Although the property is well maintained, there is managerial upside as well as strong potential to improve revenues through capital improvements in the units and common areas. This project is modeled as a ten-year hold.

We are working with a Florida operator who will be building workforce housing compliant with the recently passed Live Local Act. In many parts of Florida, due to migration and lack of supply, housing costs have outstripped incomes, leaving a growing need for affordable housing as there are estimates of a need for 500,000 housing units by 2030 with 1,000,000 residents spending more than 50% of their income on housing (current housing units: 9.7MM; population 22.0MM). The Live Local Act provides the ability to fast-track zoning changes and provides long term property tax savings for properties meeting the Act's requirements.

The wave of mostly Class-A new products coming online in many Sunbelt cities is hampering rent growth and forcing developers to make difficult decisions with their lenders as lease-ups for these often expensive rental units are underperforming pre-construction expectations. We continue to believe in the strength of many of these growth cities, but we choose to focus on being the low-cost provider of housing by investing in property acquired at a significant discount to replacement cost.

The transaction market remains slow compared to previous years, but deals are transacting. We have witnessed multiple properties in the market see 20+ bids, but lining up debt and equity for these transactions can lead to bigger obstacles in closing the deal than winning the deal. In our older funds, we have had several properties under contract for sale, which failed to close for various reasons, including sourcing debt and equity, attempted re-trading of strike price, and buyer demands over specifics in the PSA.

Many of our current holdings from older funds continue to see high occupancy rates and softened, but positive, rent growth. Some properties are feeling the impact of higher interest rates resulting in the need for capital to complete the business plan in this new rate environment. Our operators are taking advantage of the slowdown in the marketplace to evaluate operating expenses and recalibrate business plans. The demand for affordable housing remains a persistent theme which only grows as developers struggle to get shovels in the ground due to higher financing costs.

Please email or call if you have any questions—we always like hearing from our investors!

Mark, Joe, Preston

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Upcoming capital calls/distributions:

Valley View Apartments. Watervliet, NY

As mentioned above, we closed on this New York property on November 7. This is our first investment with this operator. We have negotiated control over major decisions as well as side letter terms giving us project level (i.e. non-promoted interest) returns in this deal.

This 654 unit, 1968 built property is a workforce housing property in a low vacancy submarket with limited new construction in the MSA. At a purchase price per unit of \$61,000 and in-place rents of \$746, we like the cost basis and potential to raise rents several hundred dollars through unit renovations and improved property management.

Development, Homestead, FL

This Florida development project is a joint venture with local operator who will be constructing 1-3 projects with us. We will participate in some of the project's promote in addition to receiving pro-rata returns. Here is drone footage of the site. (<https://www.youtube.com/watch?v=IGH2qB6cfUE>) Additional details will be provided in next quarter's report.

A capital call of approximately 5% is expected in Q1.

NAV Fund Administration:

Our team successfully onboarded with NAV Fund Administration! This will provide our investors with independent financial statements from a global leader in accounting for private funds. Investors will notice capital call and distribution notices, and capital statements in a new format this quarter.

Please keep an eye out for the launch of our new investor portal in the coming weeks!

2023 Taxes

Investors will receive a K1 statement around September of 2024 for their 2023 taxes. As a reminder, investors will need to file an extension for their investment vehicle 2023 tax returns.

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Existing and Future Investments:

Property	Location	Purchase Date	% of Fund Commitments	Purchase Price	Occupancy	Quarterly Distribution (annualized)
Midpoint at Wilshire	Oklahoma City, OK	5/18/2023	5%	\$2,065,588	69%	0%
Upham Apartments	Wheat Ridge, CO	8/10/2023	2%	\$674,732	92%	0%
Valley View	Watervilet, NY	11/7/2023	10%	\$4,000,000	91% (on 12/1/23)	0%
<i>Development</i>	<i>Homestead, FL</i>	<i>TBD</i>	<i>5-7% (not called)</i>	<i>TBD</i>	<i>N/A</i>	<i>N/A</i>
Total			17% + 5 to 7%	\$6,740,613 + TBD		

Property	Commentary
Midpoint at Wilshire	We expect revenue to increase significantly over the next few months as this new manager leases up the property. Exterior renovations for the most part were completed in Q3. We have completed renovations on 26 units, 14 of which are already leased and occupied. We are currently renovating 12 units, and expect to have 24 more units renovated by the end of the year
Upham Apartments	Exterior painting is nearly complete. NOI has increased by 16% from October to November 2023 largely due to new leases signed at pro forma rents. To date, seven units have been renovated, four of which are occupied with market leases. Two units are presently under renovation. In the new year unit renovations will continue with 6 units scheduled for non-renewal.
Valley View	Tenant demand for housing in this market is greater than we expected as 5-10 applications are coming from walk-ins with no marketing dollars spent. Rents are increasing from \$600 to \$835 for new leases on unrenovated units. There have been thirteen move-ins in the three weeks following purchase.
<i>Development, Homestead, FL</i>	<i>This Florida development project is a joint venture with local operator who will be constructing 1-3 projects with us. The opportunity takes advantage of the Live Local Act which was passed this year and provides fast-track zoning and potential for property tax relief. We will participate in some of the project's promote in addition to receiving pro-rata returns. Here is drone footage of the site. Additional details will be provided in next quarter's report. We expect a capital call of 5-7% in Q1 for this investment.</i>

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