



Real Estate Opportunities Fund IV, LLC

CTC Wealth Management, LLC

Dear Investor:

We hope you and your family enjoyed the holidays! As we head into 2023, we continue to source deals for possible investment. As of 1/5/23, we have reviewed 66 deals since the fund's close on 11/1/22.

Nationally, sales volume in the fourth quarter of 2022 was \$37.7BB. Quarterly sales volumes have decreased since peaking at \$115.4BB in the fourth quarter of 2021. Last quarter's sale volume was consistent with 2019's average quarterly volume of \$40.1BB. We look at this decreasing volume since 2021 as a "return to normal" and not necessarily a downward trend.

With uncertainty in the market combined with signs of distress appearing for property owners who were not positioned for the sharp rise in interest rates and/or slowing of rent growth, our investment committee is urging patience and a more conservative approach to deploying funds from Real Estate Opportunities Fund IV. Although the plan can change, the current thoughts on deploying capital is a gradual increase of investment throughout the three year investment period.

Blackstone's BREIT, Starwood's SREIT, and BlackRock's UK Property Fund announced they are freezing redemptions in December, and the real estate world freaked out. The old saw that "no one gets fired for recommending Blackstone" is no longer a sound philosophy. The CEO of Armada ETF Advisors blamed poor corporate governance at the REITs. Even the SEC contacted Blackstone and Starwood, but the SEC did not open an investigation.

Private REITS have been around since the Eisenhower era but only recently started making national headlines as Blackstone's BREIT, which was formed six years ago and is the largest of the private REITs recently hit a peak NAV of \$70BB. According to the CEO of Blackstone, Stephen Schwarzman, "these redemptions were preponderantly coming from Asia. It didn't take long to figure out that [Hong Kong's Hang Seng stock index] was down 40%.". Another theory as to why investors are asking for redemptions is due to the marking of the NAV. At the time Blackstone froze redemptions, BREIT was marked at a 9.3% gain for the year, but the general real estate market is indicating a sell off of 10-15% from top pricing, so investors "sold", as in redeemed shares, the expensive asset as it was mispriced to the market. It appears the wave of redemptions caught Blackstone off guard. Kathleen McCarthy, global co-head of Blackstone, was quoted in October, "I feel like we have been working on a portfolio that will perform in this environment for a long time."

Private REITs allow investors to subscribe and redeem interests at predetermined windows, usually monthly or quarterly. Unlike an open ended stock fund where a manager can buy or sell stock daily to balance inflows and outflows, REITs own real estate, which compared to stocks and bonds makes it much harder to convert properties to cash on short notice due to the illiquid nature of real estate. What Blackstone, and other competing products, attempt to do was to make an illiquid product (i.e. real estate) liquid. Until December, there have been no liquidity issues with this model.



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Unlike BREIT, SREIT, and other open end funds, Real Estate Opportunities Fund IV is a closed end fund. The fund is structured like this to give the Manager the freedom to focus on investments without having to worry about a shortage of capital due to investor redemptions or to force the sale of a property due to investors demanding a return of capital. As outlined in the private placement memorandum, RE IV does not offer redemptions or a pre-determined distribution schedule.

We have received several questions regarding 2022 K-1s and the annual audit.

- RE IV will not file a 2022 return, and therefore we will not issue any 2022 K1s to investors.
- Since the Fund did not call any capital or enter into any transactions during Fiscal Year 2022, the Manager's reporting obligations to Members described in the Real Estate Opportunities IV PPM will begin in Fiscal Year 2023. There will not be an audit of the fund for 2022.

Stephan Keller, CTC partner and real estate investment committee member, is retiring from CTC, LLC. He has been on the real estate committee since the inception of the first fund, and his input on all aspects of the funds' investments has always been valued. Effective February, Stephan will step off the investment committee. Lindsey Corby and Jeff Tatom will join the investment committee.

Lindsay, CTC's CFO, was the CFO of Byline Bancorp, a publicly traded commercial bank, from 2015-2022. She has previously worked in investment banking at Merrill Lynch and Keefe and Bruyette & Woods, private equity at BXM Holdings, and has served as a Director on two public company Boards. She is a registered CPA.

Jeff Tatom has been with CTC since 2005. He traded interest rate products from 2006-2015 and was promoted to the head of the London office in 2015. From 2016-2020 he was in charge of futures market-making and options delta internalization. In 2022, he became the asset class head for fixed income options.

If you have any questions, we are always available.

Thank you

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