CTC | Capital Management
Real Estate Funds

Dear Investor: 2023 – 4th Quarter

Real Estate Opportunities Fund IV - Pace of Capital Deployment

Some investors have asked why we are not deploying capital faster. Based on the 'Fund Highlights' (pg 2), it is not due to lack of deal flow. The pace of our deployment of capital is based on numerous factors including:

- Finding the right confluence of terms, submarket, property, and operator for each deal. Often times we will find one or more of these categories significantly lacking to the point where the investment could suffer despite the other categories meeting our criteria.
- We partner with operators who are allocated a portion of our commitments. If these operators are not sourcing deals to their standards, we do not want to coerce the operators to execute deals which are less than ideal for the sake of deploying capital.
- We are optimistic 2024 will present more actionable deals as transactions will need to pick up due to debt maturities, mandatory deployment of capital from investor groups, and the Fed's indication of the peak of interest rates.

The Fund's three year investment period allows us to navigate general market uncertainty and the current lack of equity in the market. This time frame gives our investors the luxury of waiting for the right opportunity rather than investing in a marginal deal.

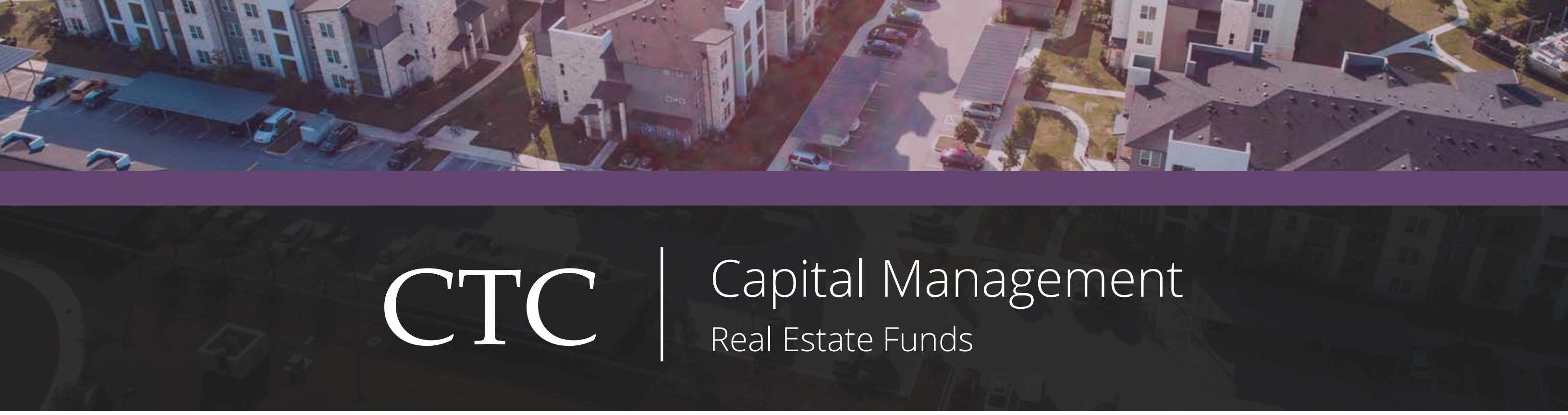
Market Commentary: Private Credit

At CTC CM, we strive to inform our investors not only about our investments but also discuss trends we are seeing in the marketplace. One of the tools we have seen with greater frequency in deals is the use of private credit, also known as "direct lending", "non-bank lending", or "private debt". This type of debt has increased as bank lending has pulled back due to tighter bank regulations following the GFC and the recent regional bank solvency crisis. Small and mid-sized banks hold over 60% of all outstanding commercial real estate loans. This lending void is partially being filled by private credit lenders. Borrowers who may not qualify for traditional bank financing, need specialized terms, and/or are looking for certainty and speed of execution, are finding increased lending options from debt funds, insurance companies, and other asset management firms who are increasing their direct lending exposure.

Agency debt, issued by quasi-governmental agencies of Freddie Mac and Fannie Mae, continues to offer the best rates on debt for multifamily. The rates on these loans can be several hundred basis points lower than private credit lenders, but agency debt tends to be longer term and carries severe yield maintenance penalties if the loan is paid off prior to maturity.

Of the three deals in our fund, one utilizes a bridge lender (private credit), one has a regional bank mortgage, and one has agency debt. Our goal is to choose the right debt product for the project. To reduce debt term risk and minimize yield maintenance costs while maximizing return for a project, we assess the following aspects of the project when evaluating the right debt instrument.

- Hold time of deal—We do not want a two year deal paired with ten year agency debt, nor do we want a ten year deal financed with two year bridge debt. We try to match the debt and deal terms.
- Loan to cost—Agency debt tends to have lower loan to cost compared to private credit debt, but at the tradeoff of lower rates. Despite having lower rates, agency debt may not be the best choice when trying to maximize IRR of a project.
- Floating vs fixed rate—Bridge loans can be either fixed or floating rate loans, but are usually interest only (no principal payment). Agency loans tend to have a fixed rate and may have a several years of interest only at the start of the loan. Our Albany investment utilizes ten year fixed rate debt as we expect to hold this project for close to ten years.
- Fees and yield maintenance—Private credit loans tend to have higher fees, but no yield maintenance. Agency loans exhibit opposite qualities compared to private credit. Our job is to find the right balance of fees and yield maintenance for all projects. The Florida development project we are pursuing will utilize a short term bridge type product as this offers us flexibility in paying off or refinance debt with minimal costs.
- Amortization and rate—needless to say, the lower the rate, the better for the project, but often agency loans require principal payments to be made with the interest payment for part or all of the loan. Bridge loans tend to be interest-only loans.



Fund Highlights	
Deals reviewed from 10/1/22-2/13/24:	606
Deals closed in RE IV:	3
Operator Network:	358
Called Capital:	19.25%
Fund Closed:	11/01/22
Investment Period end date:	10/31/25

Upcoming capital calls

Although we have several projects nearing close, there are no immediate needs for investor capital calls. The Florida development project is moving through approvals, but the original LP has not fully committed to the project forcing the developer to potentially source other LP capital.

2023 Taxes

Investors will receive a K1 statement around September 2024 for their 2023 taxes. As a reminder, investors will need to file an extension for their 2023 tax returns. We expect to allocate you a taxable loss for 2023. However, your ability to deduct this loss may be subject to certain limitations including passive loss limitations, Section 212 limitations and limitations on the deductibility of investment interest expenses. Please consult your tax advisor.

Juniper Square

We officially launched Juniper Square in January, and all investors should have received an onboarding invitation email. If you haven't done so already, please log in to receive Fund communications and property/project updates. We welcome all feedback as we continue to enhance our investor experience.

Featured Podcasts

Over the past several months, our team has been featured on several industry podcasts highlighting our investment strategy and process. Please see below links and let us know if you have any questions.

Podcast Host	Link
MAC Assets	https://podcasts.apple.com/us/podcast/scaling-success-ctc-capitals-innovations-in-co-gp-real/id1680781274?i=1000646403818
Bonavista	https://podcasts.apple.com/us/podcast/sa878-a-simplified-financing-for-value-add/id1532853594?i=1000643514915
Think Realty	https://thinkrealty.com/podcast/think-realty-podcast-297-exploring-multifamily-opportunities/
Syndication Attorneys	https://podcasts.apple.com/au/podcast/capital-raising-co-investing-with-mark-purtell-joseph/id1553530036?i=1000608309166
Multifamily Insights	https://podcasts.apple.com/us/podcast/working-with-private-equity-partners-with-mark-purtell/id1269346577?i=1000614982112
Rod Khleif	https://podcasts.apple.com/us/podcast/ep-933-real-estate-strategies-for-increasing-value/id1097449598?i=1000647945678

Thank you

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