

Dear Investor

Although the presidential election is behind us, speculation of macro risks remains. Tax cuts, deficit concerns, tariffs, the resumption of inflation and Fed rate cuts could all possibly contribute to the state of the economy. The consumer is in good shape as unemployment is 4.1%, there is strong personal wage growth, and high levels of consumer spending as we head into the holidays. Despite these potential headwinds, absorption for multifamily product should outpace net deliveries, as homeownership remains out of reach for many renters and new multifamily deliveries subside.

With multiple hurricanes in the southeast and other natural disasters in the country this year, insurance for properties continues to increase. Nationally, average insurance costs per unit were around \$300 in 2019, but they have since doubled. Not to consider insurance costs in isolation, it's worth noting the 38% increase in rents and an 80% rise in sale price per unit over the same time period.

On the debt side, ten year interest rates have risen over eight-fold since 2020 to 4.32% as of this writing. Many properties acquired with cheap debt during COVID are now saddled with high leverage ratios. These properties also face the challenge of needing continued rapid rent growth, which has burdened many owners with upside-down properties as rent growth slowed, cap rates expanded, and operating and debt costs increased. Although some of our properties have succumb to these stresses, it has also created opportunities for our current fund.

One of the great aspects of buying a value-add multifamily property is the ability to increase rents through renovation of units, common areas and improved operating efficiencies. These efforts increase net operating income (NOI) of the property. Increased NOI can offset the additional costs of operations and debt.

Because of our value-add approach to investing, many of our properties are held "at-cost" until construction and lease up is complete. Once the property is stabilized, we value these properties using an income approach, where NOI is divided by market cap rate, combined with a sales comparison valuation technique. From a property valuation perspective, this shows little to no return on investment until the property is stabilized, at which point it will show a large, J-curve type gain in value.

New Acquisition: Willowbrook Crossings, Westminster CO

We continue to see distressed deals land in our inbox. In Q3 of 2024, we reviewed 190 deals and closed on two in Real Estate Opportunities Fund IV, LLC. In this letter, we would like to focus on Willowbrook Crossings located in Westminster, Colorado. This 1973 built 95 unit property was owned by a large group in Canada. The property previously traded for \$16.50MM in July 2021. After acquisition, the seller made capex improvements including new boilers, light unit renovations, and improved common areas. Our Co-GP partner on this deal was able to acquire the property at \$13.5MM (\$142k/door) leading to a going in cap rate of 6.97% with the ability to push rents higher by 6% through additional unit renovations and operating cost savings measures. We really like the cost basis of this property, exhausted seller story, and current occupancy at the property of over 90%. The property is financed by 5 year fixed-rate agency debt at a 75% LTV/68% LTC. To further increase our investor returns, we rolled our share of the acquisition fee into the deal. We are modeling a high teen IRR for this project plus our share of profits for being a co-gp. If the deal executes as it modeled, our investors will receive an IRR in excess of 20%.

Head of Real Estate Product Sales and Marketing

Real Estate Opportunities Fund V, LLC will be a pivotal launch for CTC Capital Management LLC as we continue to increase our investor base and target a larger fund raise. We are excited to announce we will be expanding our team as we search for a senior role as Head of Real Estate Product Sales and Marketing. Please see our job description here:

https://www.chicagotrading.com/posting?req=4361519005&gh_jid=4361519005

We welcome any referrals as we continue to build on our exceptional team.

Firm Investment Opportunities Statistics

DEAL FLOW & OPERATOR DATABASE			
	2022	2023	2024
Q1	39	89	144
Q2	29	119	161
Q3	61	140	190
Q4	89	120	52*
Total Deals Reviewed	218	468	547
Operating Partners YE	187	337	451*

*Through 11/11/24

Featured Podcasts

- 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

- Rod Khleif
- Mac Assets
- Bonavista
- Think Realty
- Syndication Attorneys
- Multifamily Insights

Link

- <https://podcasts.apple.com/us/podcast/ep-933-real-estate-strategies-for-increasing-value/id1097449598?i=1000647945678>
- <https://podcasts.apple.com/us/podcast/scaling-success-ctc-capitals-innovations-in-co-gp-real/id1680781274?i=1000646403818>
- <https://podcasts.apple.com/us/podcast/sa878-a-simplified-financing-for-value-add/id1532853594?i=1000643514915>
- <https://thinkrealty.com/podcast/think-realty-podcast-297-exploring-multifamily-opportunities/>
- <https://podcasts.apple.com/au/podcast/capital-raising-co-investing-with-mark-purtell-joseph/id1553530036?i=1000608309166>
- <https://podcasts.apple.com/us/podcast/working-with-private-equity-partners-with-mark-purtell/id1269346577?i=1000614982112>

Thank you,

The CTC Capital Management Team

investors@ctccapgmt.com

(312) 863-8079

Portfolio Updates

- We're pleased to share portfolio updates on current holdings or potential investments and their progress within the funds, keeping you informed of key developments that impact firm investments. All regular quarterly underlying property statistics, i.e. occupancy, can be found under each respective asset in Juniper Square

Real Estate Opportunities Fund IV, LLC

Final Close: November 1, 2022, Investment Period End Date: October 31, 2025

Called Capital 38.75%, Total Fund AUM \$40.3M

- We closed on our second Albany area value-add property on November 1st. This property will be run by the same operator as our first Albany deal. With 16% of the Fund invested in Albany, we consider this to be the most exposure we want to this strong secondary market.
- As mentioned in this letter, we closed on Willowbrook Crossings in Q3. We acquired this property at a good basis with a local operator.
- Looking ahead to Q4, we are expecting to close on a Tempe, AZ property near Arizona State University. This Co-GP deal will be the first Arizona property in the fund, but our 25th acquisition with our Arizona based operator since the inception of CTCCM.
- An Illinois property in need of additional capital to complete its business plan has been approved by our investment committee. We are still discussing terms with the operator, but more information to follow in the next quarterly letter.
- We have accepted term sheets on two recently delivered Houston properties which we are acquiring at a steep discount to replacement cost.

Real Estate Opportunities Fund III, LLC

Final Close: November 1, 2021, Investment Period End Date: April 30, 2024

Total Fund AUM \$21.2M (- 5.39% IRR, 0.87 MOIC)

- Atrium, in Westminster CO, required additional capital as it underwent a management change prior to reaching stabilization.
- Two of our Arizona properties loans will be extended per the terms of the original loan agreements.
- Our Denver development project has received a LOI from a consultant who is an expert in state and affordable equity sources. More information to follow in the next quarterly letter.

Real Estate Opportunities Fund 2018, LLC

Final Close: September 30, 2018, Investment Period End Date: June 30, 2020

Total Fund AUM \$19.2M (26.72% IRR, 2.00 MOIC)

- The buyer for NextLoft Apartments backed out of the contract due to rising interest rates and will reengage if rates drop.
- KC4 is under LOI. Additional details to be provided in the next quarterly letter.

Real Estate Opportunities Fund 2017, LLC

Final Close: : June 30, 2017, Investment Period End Date: June 30, 2019

Total Fund AUM \$23.5M (11.61% IRR, 1.67 MOIC)

- Only 3 properties remain in this fund. Dispositions of at least 2 of these are under consideration for 2025
- Windsor on the River, our largest holding across all funds, was sold in September at a 9.6% IRR and 1.78 Equity Multiple