

# Using Growth Capital to Expand Your Business



Bennett Kim



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**Carefree**

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## Industry Overview

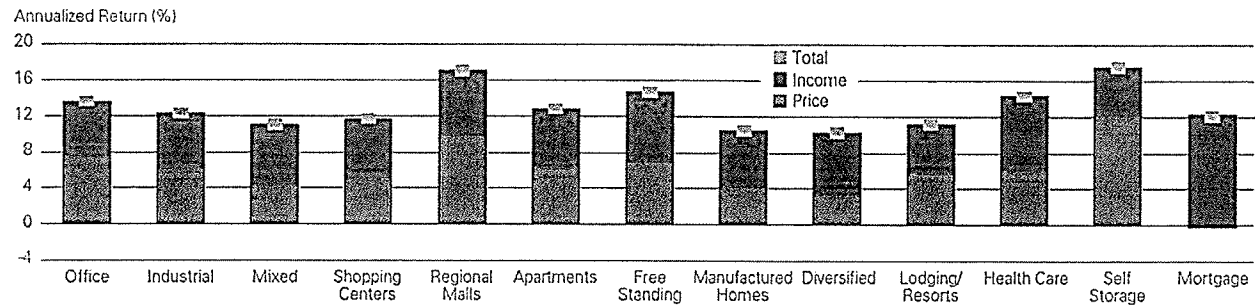
Exhibit 4  
Sector Characteristics of the US REIT Market

Real Estate Sector	Market Capitalization <sup>a</sup>	% of US Listed Market	Economic Drivers	Key Tenants	Lease Duration (Years, unless indicated)
Office	78,966	11.8	Corporate profits, business segment growth, GDP	Corporations, professional service industries	5-10
Industrial	26,414	4.0	Consumer spending, retail sales	Logistics, manufacturing, retailers	3-5
Regional Malls	84,164	12.6	Disposable income, consumer sentiment	Soft good retailers, jewelry, department stores	7-10 (in-line)
Shopping Centers	49,923	7.5	Consumer spending, CPI, population	Grocery and drug, local necessity retail	3-5 (in-line)
Single Tenant Retail	24,975	3.7	Consumer spending, CPI, population	Restaurants, banks, gas/convenience	10-15
Multifamily	73,991	11.1	Age cohort growth, interest rates	21-35 and 65+ age cohorts	9-12 Months
Manufactured Housing	4,710	0.7	Interest rates, population, age cohort growth	55+ age cohort, lower middle class families	N/A
Diversified	53,400	8.0	Various	Various	Various
Lodging	41,095	6.2	Business spending, disposable income, consumer sentiment	Business and leisure travel	Daily (consumer); 10-15 (mgmt contract)
Health Care	68,444	10.3	Aging population, government	65+ age cohort	1-3 (resident); 10-15 (mgmt contract)
Self Storage	35,050	5.3	Population	Adults	Monthly
Timber	33,596	5.0	Construction, new home sales	Construction industry	Various
Infrastructure	31,659	4.7	Population growth, data/voice usage	Corporations	Various
Mortgage REITs	60,824	9.1	Interest rates, financial system health	Real estate owners	3-10 <sup>b</sup>

Source: NAREIT, Lazard

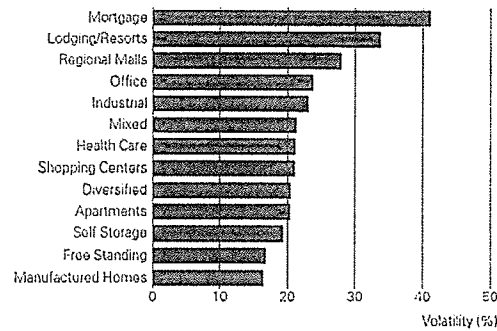
## Industry Overview

Composition of US Real Estate Total Returns by Sector



Source: NAREIT, Lazard

Exhibit 6  
Underlying Sector Fundamentals Lead to Different Volatilities



Source: NAREIT, Lazard

## Industry Overview

### MH/RV vs. Self-Storage

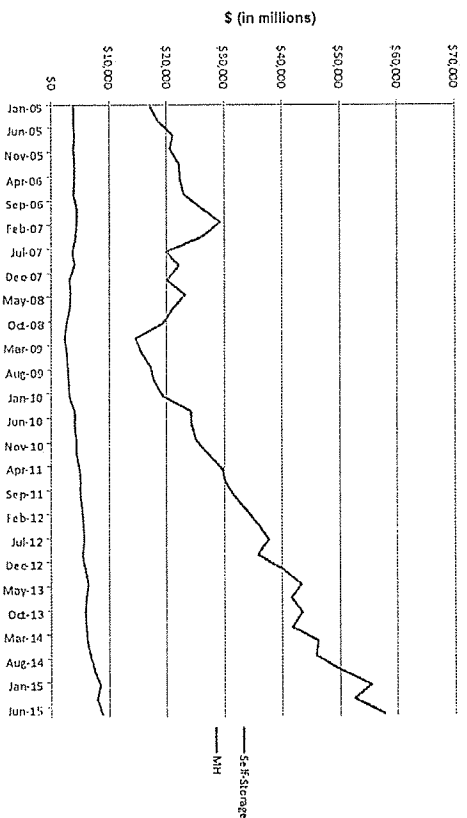
The Self-Storage industry shares similar fundamentals (low cap ex/less operations) as the MH/RV sector. There are approximately 50,000 properties in the US for both sectors. The market leaders in self-storage, however, dominate the leaders in MH/RV in terms of size.

	IPO	Mkt Cap (\$ B)
<b>MH / RV</b>		
Equity Lifestyle (ELS)	1993	\$4.9
Sun Communities (SUI)	1993	\$3.7
UMH Properties (UMH)	1985	\$0.2
		<hr/> \$8.8
<b>Self Storage</b>		
Public Storage (PSA)	1984	\$36.4
Extra Space Storage (EXR)	2004	\$9.4
CubeSmart (CUBE)	2004	\$4.5
		<hr/> \$50.3



## Industry Overview

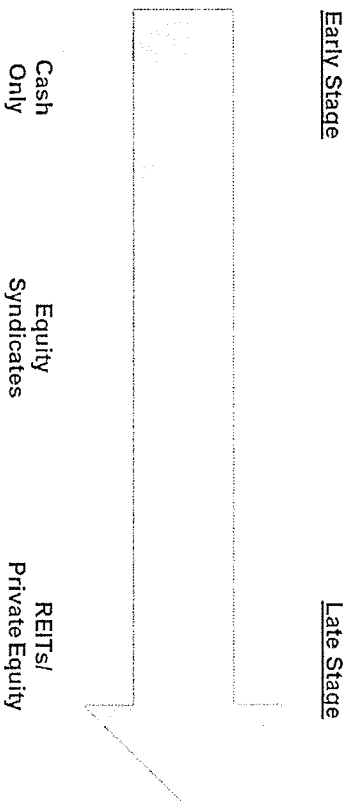
### Market Capitalization of the 3 largest REITs in Each Sector



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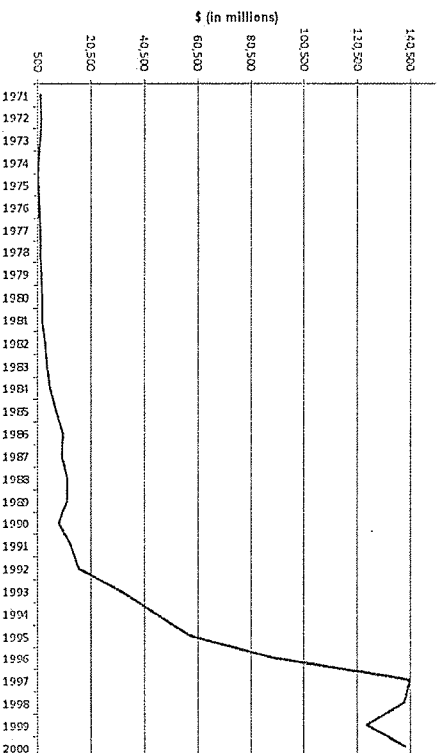
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## Evolution of Investment Vehicles



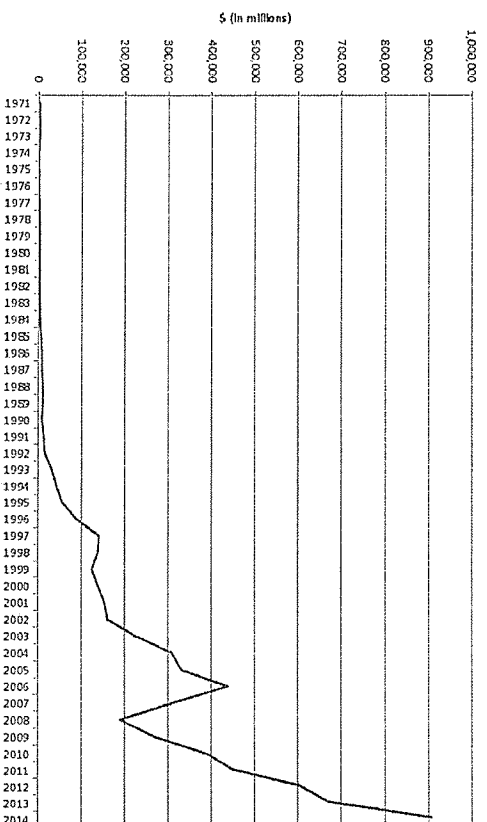
## Evolution of Investment Vehicles

REIT Equity Market Capitalization (1971-2000)



## Evolution of Investment Vehicles

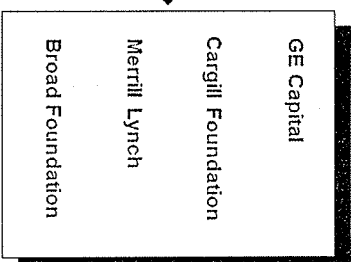
REIT Equity Market Capitalization (1971-2014)



## Industry Overview

### Beginnings of Real Estate Private Equity

In 1991, Tom Barrack and RMB Realty founded Colony Capital. Colony raised \$395 million for its first comingled institutional opportunity fund.

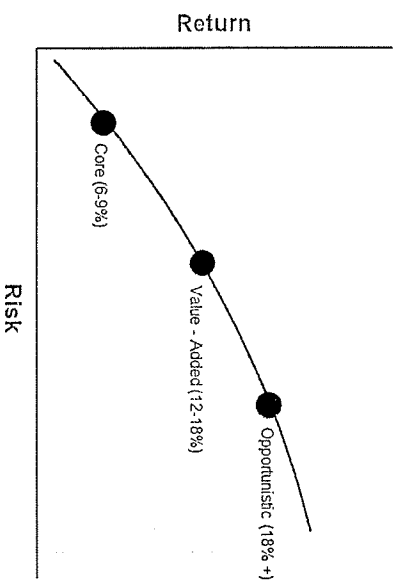




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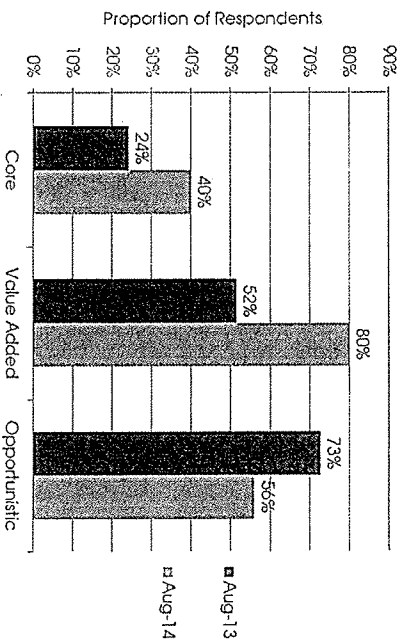
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## Investment Profile



## Investment Profile

North America-Based Investors' Appetite for Core, Value Added and Opportunistic Private Real Estate Funds in the Following 12 Months, August 2013 - August 2014



Source: Preqin Real Estate Online

## Investment Profile

How Do You Measure Risk?

### Capital Asset Pricing Model

$$R_a = r_f + \beta_a (r_m - r_f)$$

Where:

$r_f$  = Risk Free Rate

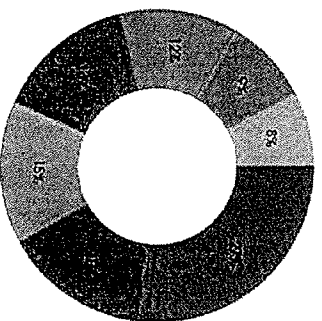
$\beta_a$  = Beta of the security

$r_m$  = Expected Market Return

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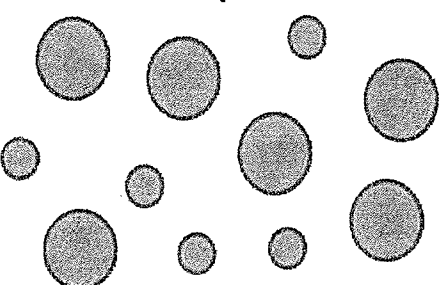
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## Institutional Equity Partners



- Foundation
- Private Sector Pension Funds
- Endowment Plan
- Wealth Manager
- Public Pension Fund
- Family Office
- Other

## Private Equity Funds



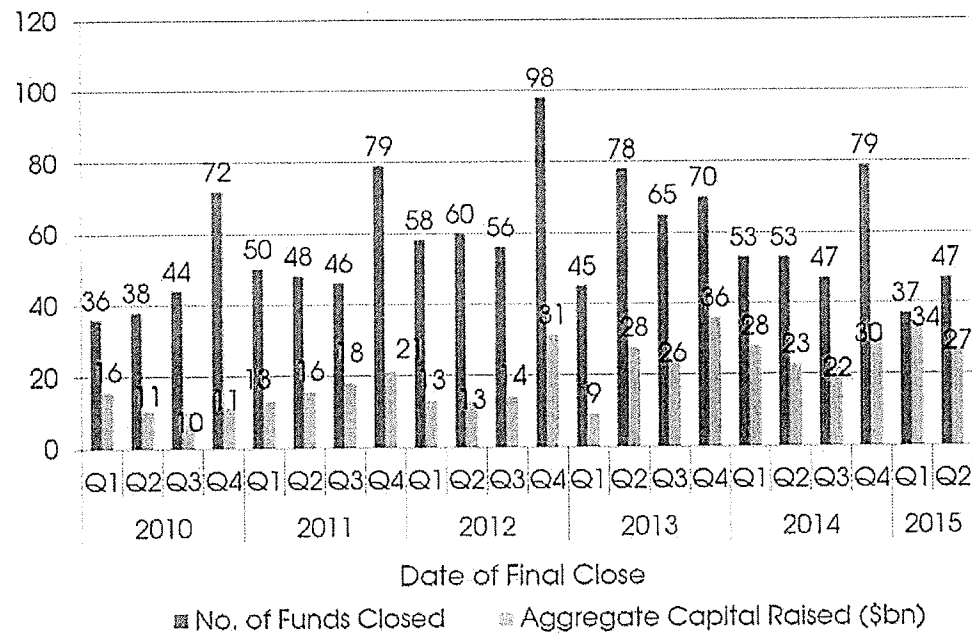
## Institutional Equity Partners

### CalPERS Asset Allocation as of Q1 2015

Asset Class	Current Allocation (%)	Interim Strategic Target (%) <sup>1</sup>	Actual Investment (\$Billions)
Growth	63.3%	61.0%	\$189.6
Global Equity	53.6%	51.0%	\$160.7
Private Equity	9.6%	10.0%	\$28.9
Income	18.3%	19.0%	\$54.9
Global Fixed Income	18.1%	19.0%	\$53.6
Liquidity	2.2%	2.0%	\$6.5
Inflation	5.1%	6.0%	\$15.4
Real Assets	10.0%	12.0%	\$29.9
Real Estate	8.5%	10.0%	\$25.5
Forestland	0.8%	1.0%	\$2.3
Infrastructure	0.7%	1.0%	\$2.1
Other <sup>2</sup>	1.1%	N/A	\$3.2
Total Fund	100.0%	100.0%	\$299.6

## Institutional Equity Partners

Global Quarterly Closed-End Private Real Estate Fundraising, Q1 2010 - Q2 2015



Source: Preqin Real Estate Online

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Deal Structures

Current Portfolio	
Current Portfolio Asset Valuation	
Debt	\$35,000,000
Equity	\$15,000,000
Total	\$50,000,000
NOI @ 5.5%	\$2,750,000
Investor Purchases 85% of Equity	\$12,750,000
New Deals	
Assume \$25mm of deals Year 2, \$25mm of deals Year 3	
Capital Contributions	
Investor	85%
Sponsor	15%
Distributions	
Tier 1:	
Investor	85%
Sponsor	15%
Preferred Return to Investor	10%
Tier 2:	
Investor	60%
Sponsor	40%
Sponsor Capital Contributions	
Initial Basis (15%)	\$2,325,000
New Money Investments	\$1,879,416
Total	\$4,204,416
Distributions	
Initial Buyout (85%)	\$12,750,000
New Distributions	\$15,497,039
Total	\$28,247,039
Annual Asset Mgmt Fee	
Year 1	\$126,923
Year 3	\$279,865

Deal Structures

	Esc	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Comments
Revenues		\$4,230,763	\$4,442,306	\$4,664,423	\$4,897,644	\$5,142,526	\$5,399,653		5% Growth Rate
Expenses		\$1,607,693	\$1,532,596	\$1,586,237	\$1,611,755	\$1,699,217	\$1,738,689		2.5% Growth Rate
Net Operating Income		\$2,750,000	\$2,909,712	\$3,076,186	\$3,285,889	\$3,443,310	\$3,640,963		
Operating Margin		65%	66%	66%	66%	67%	67%		
Unleveraged Yield		5.50%	5.62%	6.16%	5.91%	6.09%	7.20%		
Home Sales		\$0	\$0	\$0	\$0	\$0	\$0		
Normal NOI	3.0%	\$0							
Less Management Fee									
NOI (less Mgmt Fee)									
Normal Cap Rate									
Economic NOI									
Less Cap Reserves (Sixsite)	\$100								
NOI (less Mgt & Reserves)									
Economic Cap Rate	3.0%								
Acquisition Price									
Finders Fee									
Initial Cap Ex									
Closing Costs (excl in fees)									
Total Investment									
Terminal Value	5.51%								\$66,099,335
Closing Costs	1.01%								(\$661,993)
Net Proceeds									\$65,537,342
Unleveraged Cash Flow									
RR	10.40%								
Asset Multiple	1.58								
Leveraged In pact									
Debt Proceeds									
Financing Fees									
Debt Servs									
Interest									
Principal									
Total Debt Service									
Debt Payoff									
Leveraged Cash Flow									
Cash on Cash Yield									
RR	21.54%								
Equity Multiple	2.43								



# Deal Structures

## DEAL - DISTRIBUTABLE CASH FLOW

	2016	2017	2018	2019	2020	2021
Initial Portfolio						
Portfolio 2	(15,560,000)	1,123,077	1,273,442	1,432,163	1,599,637	32,313,625
Portfolio 3		(7,750,000)	674,036	649,596	729,343	-4,303,280
Total	(15,560,000)	0	(7,750,000)	674,036	649,596	-2,582,343
		(5,626,923)	(5,902,515)	2,655,758	2,978,526	59,149,458

## PROMOTE STRUCTURE

	From	To	Investor	Sponsor
	0.0%	10.0%	65.0%	15.0%
	10.0%	100.0%	60.0%	40.0%

## POST PROMOTE CASH FLOW

Deal	21.76%	(15,560,000)	(6,626,923)	(5,902,515)	2,655,758	2,978,526	59,149,458
Investor	18.74%	(13,175,000)	(5,632,885)	(5,017,141)	2,257,428	2,531,332	44,497,583
Sponsor	35.15%	(2,325,000)	(994,038)	(885,376)	398,370	446,794	14,651,875

PROMOTE MODEL (Please note: Model assumes annual compounding; model with quarterly compounding to be developed)

Gross Proceeds to Joint Venture	65.00%	\$0	\$0	\$0	\$2,655,758	\$2,978,526	59,149,458
Amount Available to Investor	100.00%	0	0	0	2,257,428	2,531,332	\$0,277,038
Total JV Capital Contribution	85.00%	(15,560,000)	(6,626,923)	(5,902,515)	0	0	0
Investor Capital Contribution	18.00%	(13,175,000)	(5,632,885)	(5,017,141)	0	0	0
Sponsor Capital Contribution	15.00%	(2,325,000)	(994,038)	(885,376)	0	0	0
First Tier Preferred IRR							
Beginning of Period Preferred Investor Balance		0	13,175,000	20,125,385	27,185,064	27,613,143	27,842,625
Preferred Return Due	10.00%	0	1,317,500	2,012,538	2,715,506	2,761,314	2,784,262
Amount Paid		(13,175,000)	(6,632,885)	(5,017,141)	2,257,428	2,531,332	30,626,867
Investor Accrual (Paydown)		13,175,000	6,650,385	7,029,680	458,078	229,482	(27,842,625)
End of Period Preferred Investor Balance		13,175,000	20,125,385	27,185,064	27,613,143	27,842,585	0
IRR Confirmation	10.00%	(13,175,000)	(6,632,885)	(5,017,141)	2,257,428	2,531,332	30,626,867
Remaining Cash Flow		0	0	0	0	0	23,117,826
Amount Available to Investor Second Tier	60.00%	0	0	0	0	0	-3,870,695
Second Tier Preferred IRR							
Beginning of Period Preferred Investor Balance		0	13,175,000	31,982,885	68,982,911	135,708,393	268,884,554
Preferred Return Due	100.00%	0	13,175,000	31,982,885	68,982,911	135,708,393	268,884,554
Amount Paid under First Tier		(13,175,000)	(6,632,885)	(5,017,141)	2,257,428	2,531,332	30,626,867
Incremental Amount Under Second Tier		0	0	0	0	0	-3,870,695
Investor Accrual (Paydown)		13,175,000	16,807,885	37,000,026	66,725,482	133,176,361	224,387,371
End of Period Preferred Investor Balance		13,175,000	31,982,885	68,982,911	135,708,393	268,884,554	493,272,326
IRR Confirmation	18.72%	(13,175,000)	(6,632,885)	(5,017,141)	2,257,428	2,531,332	44,497,583
Promote Paid Under First Tier	15.00%	0	0	0	398,370	446,794	5,404,745
Promote Paid Under Second Tier	40.00%	0	0	0	0	0	9,247,130
Remaining Cash Flow		0	0	0	0	0	0
Investor Share	60.00%	0	0	0	0	0	0
Sponsor Share	40.00%	0	0	0	0	0	0
Total Cash Flow to Investor	18.72%	(13,175,000)	(6,632,885)	(5,017,141)	2,257,428	2,531,332	44,497,583
Total Cash Flow to Sponsor	35.15%	(2,325,000)	(994,038)	(885,376)	398,370	446,794	-4,651,875
Check Source/Use of Cash	0.00%	0	0	0	0	0	(0)
Return to Deal	21.76%	(15,560,000)	(6,626,923)	(5,902,515)	2,655,758	2,978,526	59,149,458

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## Outlook

What will the future be like?

- Interest Rate?
- Number of Buyers vs Sellers?
- Regulatory Environment?
- Operational & Marketing Competition

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