

# ACCESS

WINTER 2023



SYNDICATED EQUITIES



CARHARTT GLOBAL DESIGN AND  
CORPORATE HEADQUARTERS  
DEARBORN, MI

News of Interest for  
Investors and Industry Professionals



SYNDICATED EQUITIES TEAM



**Richard Kaplan**  
CEO & FOUNDER



**Matt McCulloch**  
MANAGING PARTNER



**Jason Schwartz**  
MANAGING PARTNER & COO



**René Ristau**  
PRINCIPAL & DIRECTOR OF  
ASSET MANAGEMENT



**Robert Handler**  
PRINCIPAL & CONTROLLER



**Terri Leslie**  
CHIEF OF STAFF



**Tracy Treger**  
PRINCIPAL



**Gayle Teicher**  
SENIOR DIRECTOR OF  
BUSINESS DEVELOPMENT



**Ashley Szatkowski**  
DIRECTOR OF FINANCE &  
ACQUISITIONS



**Bibi Zichmiller**  
DIRECTOR OF INVESTOR  
RELATIONS



**Miranda Parker**  
DIRECTOR OF ACQUISITIONS



**Taylor Ligenza**  
OPERATION ASSET MANAGER



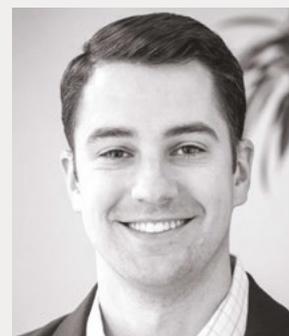
**Jenna Rivera**  
BUSINESS DEVELOPMENT  
ASSOCIATE



**Joshua York**  
DIRECTOR,  
NET LEASE BROKERAGE



**Katie Donovan**  
INVESTMENT &  
COMMUNICATIONS ASSOCIATE



**Andrew Killian**  
ACQUISITIONS ANALYST

## LETTER FROM THE PRESIDENT

# Richard Kaplan

Our business has several distinct areas of concentration. First, we manage and oversee the 65 assets under our flag. Our main priorities have always been reviewing, “stress testing,” planning operations, financing and ultimately completing successful dispositions for each asset. Today, our asset management team, led by Rene Ristau, who has been with Syndicated for over 15 years, is particularly diligent in their efforts to make certain we are reacting appropriately to today’s high interest rate environment. With lenders “out of the market,” we are fortunate to have the vast majority of our portfolio financed with long-term, fixed rate loans, and the pressure of short-term refinancing is minimal. Assisted by Taylor Ligenza, Rene’s efforts to foster and maintain solid and professional relationships with our tenants is paramount to the success of each asset and provides the groundwork for successful operations and renewals.

Client contact and the information we make available has been continually upgraded. Our investor portal is fully modernized, and access for investors is easier than ever. Bibi, Jenna, and Katie work hard to keep every investor’s personal information current, accurate and safe, and they are always available to help investors navigate the portal. Tax reporting systems are a priority, and Bob Handler, who has now been with Syndicated for over 18 years, works with our partners and outside accounting firms to ensure accurate and timely reporting. We have had two investor “meet and greets” this year and are hopeful that these in-person gatherings help perpetuate the hands on, personal touch that has been Syndicated’s way of doing business for almost 40 years.

New acquisitions and investment opportunities are very difficult right now. Finding properties that meet our risk/reward standards is as challenging as we have ever experienced. Buyer and seller expectations are skewed, and the lack of lending options, coupled with the over 300 basis point increase in interest rates, has chilled the market. We are searching every day for the outlier that fits our parameters for investing. We are very pleased with the Carhartt Research and Development property we are currently pursuing and believe this meets our criteria for a safe, conservative investment in today’s market.

We all struggle in a world full of distressing and troublesome news. Over the past 50 years, I personally have experienced many challenging market cycles and have learned that being mindful and resilient is the best way to weather these storms. We, at Syndicated, are following that lead and show up every day to do our best to preserve the value of our investments and the trust of our investors.



What are we  
at Syndicated  
doing to  
navigate the  
challenges  
today’s world  
has offered us?





Syndicated will remain focused on finding investments for our clients that reflect today's market and not the one we left behind."



## A NOTE FROM OUR MANAGING PARTNER

# Matt McCulloch

The concept of "risk adjusted return" is one that all investors consider when making an investment decision. In many public markets, specific tools exist that calculate this return for a particular investment –the Sharpe ratio, for example. But in real estate markets, such analytical tools do not exist given the unique nature of each asset and its risk factors. So, how do real estate investors assess what the "right" return should be for an asset, especially in today's market?

This question – what is the "right" return? – has become increasingly difficult to answer since the Fed began raising interest rates last year. In real estate, we first look to US Treasury yields as representing the risk-free rate of return that an alternative investment needs to exceed. In terms of how much that investment should exceed Treasuries, the market typically converges around what the expected return should be based on the asset's risk profile. As an example, premiums to the risk-free return should be lower for net lease, higher for hotels, and higher still for development.

This relatively simple exercise of comparing to Treasuries was made easier when Treasury yields were stable. Between 2013 and 2019, the 10 Year Treasury yield traded within a tight range of 1.37% and 3.24%, and most years saw less than 100 basis points of volatility. With dependable Treasury rates, real estate investors could transact with greater certainty on both pricing and financing.

Beginning with the Fed's first rate hike in March 2022, the foundation for stability in real estate markets underwent significant change. The 10 Year Treasury yield moved from 1.70% in March 2022 to a high of 4.98% last month, which is far more movement in twenty months than in the last ten or more years. This rapid escalation created manifold issues within real estate markets, and for investors, a primary concern has been how to correctly price and finance new investments in this environment.

At Syndicated, we continue to be cautious. As "risk-free" Treasury yields rose quickly, real estate pricing and returns did not keep pace. Instead, sellers have been reluctant to adjust pricing, causing investment yields on many new opportunities to fall below the levels deemed sufficient for taking additional risk. Instead of playing into this market, we pivoted to investments where value could be created in the short and long term through large-scale renovations and capital projects. Examples of this would be our 2023 investments in an office-to-residential conversion, a hotel rebranding and an unlevered parking garage turnaround, all of which have projected IRRs well in excess of current risk-free returns.

With the Fed seemingly pausing increases, and 10 Year Treasury yields stabilizing in the 4%-5% range, we are making an investment in a net leased property that has annual rent escalations, serves as a mission-critical facility for a major US company (Carhartt), and will provide annual yields to investors in excess of 7% over a 10-year period. Especially on an after tax-basis, this level of yield for a core real estate investment struck us, for the first time in over a year, as satisfying our risk-adjusted return requirements.

Our view of 2024 is that real estate investment markets may normalize if rates remain stable. Pricing will begin to adjust in that environment, and opportunities to find appropriate risk-adjusted returns will emerge. At Syndicated, we will remain focused on finding investments for our clients that reflect today's market and not the one we left behind.

## A NOTE FROM OUR CHIEF OPERATING OFFICER

# Jason Schwartz

**T**oday, as we close out a year that can best be described as precarious for the commercial real estate industry, there is nothing that I can share that hasn't already been covered by major outlets or financial papers. Rather than discussing numbers and statistics, I thought I'd focus on the personal. As I close out my second year as Managing Member and Chief Operating Officer (COO) at Syndicated Equities, I'd like to share some challenges and accomplishments.

Stepping into this role in early 2022, my initial focus was to improve our operational efficiency. While our existing systems have always served us well, new technologies created over the last 5 years have transformed how our systems retain and secure investor information, track investments, record property level financials, and process deal flow. In August 2022, we implemented a new CRM (customer relationship management) and investor portal, combining two older systems. Integrating these systems was a daunting task that could not have succeeded without the hard work of our investor relations team, who moved over more than 25 years of data. To put that into context, that integration included more than 11,000 contacts, thousands of distribution entries, hundreds of investor transfers, and all 65 of our current investments.

By combining these systems, we were able to build a better digital and online experience for investors. Tax documents can now be accessed on the portal and, starting with our Carhartt offering, we will use a new and streamlined subscription package process. We also focused on other existing systems, such as recommending that all investors switch to direct deposit and no longer mailing check stubs (unless an investor has requested them) to limit instances of postal fraud. All of this has provided our investor relations team with more time to focus on timely transfers and responding to investor questions.

While we have upgraded our systems such that the online experience is more seamless, now more than ever it remains important to connect with investors one-on-one. To that end, we continue to host both a Summer and Fall investor event and will once again live stream our Spring Investor Conference. We are also looking for new ways to connect with the next generation of investors, including in-person meetings and video calls. We continue to interface with a wide range of investment and wealth advisors who are interested in allocating their clients' investments toward real estate.

As I've taken on more managerial and "big picture" responsibilities, I've also had to learn how to delegate. Fortunately, our incredible team has supported me, and we've brought on new team members who are excelling. I constantly ask myself, "What am I doing to ensure that our team feels heard and empowered?" More than anything, it's the contributions of our entire team that allow us to grow as a company and better serve our clients.

Richard reminds me often that building and managing a company is a marathon, not a sprint. Experiences are key and I always welcome any thoughts or feedback for those that wish to share it.



A handwritten signature in dark ink, appearing to read "Jason Schwartz".



It's the contributions of our entire team that allow us to grow as a company and better serve our clients.



## Current Cap Rate Snapshot

5.75% - 7.50%  
WALGREENS

5.50% - 6.50%  
CVS PHARMACY

5.75% - 6.25%  
STARBUCKS

5.00% - 5.35%  
ALDI

5.00% - 5.35%  
CHASE BANK

5.25% - 5.75%  
CHIPOTLE

6.50% - 7.25%  
DOLLAR GENERAL

For more insights on today's net lease market, please contact Josh York at 312-640-9018 or [jjork@syneq.com](mailto:jjork@syneq.com).



# NET LEASE

BY JOSHUA YORK

In 1998, Syndicated Equities' Net Lease Brokerage Division successfully closed 20 single-tenant retail transactions totaling more than \$87 million in value. The majority of these assets were newly constructed and leased to national tenants such as Walmart, Walgreens, and Barnes & Noble. The yield on the 10-year U.S. Treasury, considered the "risk-free benchmark" for fixed income investments, averaged 5.26% during that same year.

The average cap rate for those 20 transactions was 8.49%, representing a 323 basis point spread between treasuries and net lease cap rates.

**This context is helpful when looking at today's net lease market.** The 10-year U.S. Treasury yield touched 5% in October 2023 for the first time in more than 15 years before dropping back down to 4.5% in mid-November. The October peak, along with current levels today, track closely to 1998. However, the one notable exception is that cap rates for retail assets leased to investment grade tenants are between 5.00% and 6.75%, representing an average ~162 basis point spread to Treasuries.

This reduction in spread has two primary causes. Net lease investments have become a highly sought after asset class to the tune of \$71 billion in 2022. What was once a niche asset class now draws in capital from REITs, funds, private investors, and foreign buyers. This demand will continue for the foreseeable future as net lease investments are considered a safe haven due to their secure (and predictable) income stream. This will keep additional pressure on cap rates, even in a down market, that restricts spreads from widening back to 1998 levels. Additionally, the increase in Treasuries that has occurred in 2022 and 2023 is still working its way through the net lease market. Cap rates lag behind interest rates, and while we have experienced upwards pressure, there is more to come with the Federal Reserve's "higher for longer" strategy. This will widen spreads slightly in the first half of 2024 as cap rates continue to rise off historic lows.

Despite the narrow spread, we continue to close transactions utilizing our relationships with private, all-cash buyers, lenders who still provide low leverage financing, and REIT/fund clients who still have large sums of capital to put to work.

# Real Estate Investment Planning

**H**olidays are a time when families come together and reminisce about the year that is concluding, as well as planning for the future.

For those whose discussions include financial planning, Syndicated Equities can assist investors to better understand their portfolios with us and to identify opportunities for future real estate investment. We do this with the personal touch that has been the hallmark of our business since its inception in the mid-80's.

In a personalized portfolio review, we can walk you through your current investments with us and answer questions about how each asset is performing and our current strategy for each asset (i.e., hold, sell, reposition, refinance). We will share our views of the real estate market as they pertain to your holdings. We can also

advise you which investments are structured to accommodate a 1031 exchange upon sale, providing you with an opportunity to defer capital gains and depreciation recapture when the asset is sold.

Some investors find that it is helpful to include family members in these discussions, whether it is someone assisting them with financial affairs or learning to invest in real estate on their own.

Others invite their trusted advisors—especially accountants and wealth management professionals—to participate in the conversation. This approach allows our investors to better incorporate their real estate portfolio in their short and long-term financial plans, including their strategic estate planning. We are also happy to discuss our investment pipeline

so that we can be more proactive when we see opportunities that may be a good fit for you.

Gaining a deeper understanding of the types of real estate opportunities our loyal investors are seeking, their investment time horizons, and risk tolerance also helps us as we evaluate prospective future investments.

Whether you have one investment with us or many, we invite you to meet with us—by phone, video conference or in person—to discuss your portfolio and future real estate needs. Please contact me at your convenience to start a discussion.

BY TRACY TREGER



A handwritten signature in black ink that reads "Tracy Tregger".



In a personalized portfolio review, we can walk you through your current investments with us and answer questions about how each asset is performing and our current strategy for each asset.”





# My First Year at Syndicated

BY ANDREW KILLIAN



I can gladly say that I feel like a better fit here than anywhere else I've been."

I started at Syndicated Equities in July 2022, a little over a year ago. At the time, I wasn't quite sure what I was walking into. But today, I can happily talk about my experience at Syndicated and how much I've learned over the last year.

I took a strange, winding path to get to this job. Right out of college, I worked in strategy consulting in Detroit for two years, then moved to Chicago to work in corporate strategy at a consumer products conglomerate. Three years later, I realized that my interest in real estate back in college wasn't just a whim but rather a real passion. I went to get my MBA at the University of Chicago, then pivoted into real estate. While some firms see the first five years of my career as unapplicable to real estate, Syndicated has encouraged me to build on those skill sets through discussing our investing strategy, digging into tenant financials, and understanding the broader economic environment.

At only sixteen employees, Syndicated Equities is by far the smallest company I've ever worked for. Past jobs saw me at firms with tens of thousands of employees and offices in every state. These were well-regarded companies and great learning experiences, but when they chose to move, they moved slowly. It would take months to years to change course on strategic initiatives, and by the time they finally chose to act, they were already six months behind today's trends, leading to an eternal game of catch-up. At Syndicated, we have daily team-wide calls to keep everyone in the know. We can be more flexible about deals we review (I've looked at hundreds of deals since I've started, each one uniquely different). And in difficult economic situations like we're seeing today, we can quickly catch up, talk about what we're seeing, and adjust our investing strategy within a few hours.

Syndicated's smaller size also lets me get involved in more diverse work than I've been able to in the past. My last job consisted of updating valuation models for large real estate funds. The work was tedious and repetitive, without much explanation given for the changes other teams passed down to us. At Syndicated, most of my work supports my unhealthy love for Microsoft Excel. But I also get to do my own market research, constantly interact with other real estate professionals, find new and interesting deals, and even help with analyses for our existing properties. This more balanced experience is far more rewarding and helps me learn something new every day.

A year ago, I wasn't sure if such a small company would be a good spot for me because of how different it felt from past jobs. Today, I can gladly say that I feel like a better fit here than anywhere else I've been, and I'm looking forward to the future challenges that await me here at Syndicated Equities.

# Strong Partnerships Offer Access to Diversification

Since Syndicated Equities' inception, we have always placed a high level of importance on working with strong, institutional partners. Over the last four decades, we have focused on identifying best-in-class sponsors that align with Syndicated's values and our investors' needs. There are a number of benefits working with other groups, including access to their specialized knowledge in their field of expertise, new ideas, and shared lessons learned, in addition to product type and geographic diversification. Having a strong partner, one that we underwrite just as much as a deal, remains vital. To date we have partnered with over 70 top institutional and private partners.

Take 2023 for one example. As the real estate market fell into turmoil this year, driven by federal policy, particularly rising interest rates, our usual net-lease focused opportunities became almost non-existent. According to a CRE brokerage report from CBRE, net-lease investment volume fell by 54% year-over-year in Q3.

We remained active in the market by tapping into successful partnerships, which allowed us to find strong off-market opportunities for our investors. Three of our four investments were structured as JV deals with partners, offering a diversified approach for our investors. These investments include Murray Hill NYC Parking Garage with Centerpark, The Chalet at Chattanooga Boutique Hotel with Trestle Studios, and The Mansion Apartments with Highgate Capital Group.

As we head into 2024, Syndicated will continue to maintain old and create new relationships. We believe in diversification and actively hunt for exceptional opportunities for our investors all with an eye toward best in class partners.

BY MIRANDA PARKER



A handwritten signature of Miranda Parker in black ink.



**Gayle Teicher**

SENIOR DIRECTOR OF  
BUSINESS DEVELOPMENT

Syndicated welcomes the newest addition to our team, **GAYLE TEICHER**, Senior Director of Business Development. Gayle was with Syndicated from 2002-2005 and is excited to rejoin the team.



◀ **BIBI ZICHMILLER**  
and husband Mark  
welcomed their child  
Chase in August.



▲ Former Syndicated team members **ISAAC METZGER** and **ARI VINOKUR** pictured at the Penn State vs. Michigan game. Isaac and Ari both started at Syndicated as interns and went on to further their careers in real estate.



Since our last newsletter, Syndicated has completed 2 acquisitions and 8 dispositions representing approximately \$29.2 million of total asset value.

## ▶ The Mansion

INDEPENDENCE, MO — CLOSED 9/2023

A 550-unit garden-style apartment complex located in Independence (Kansas City), Missouri. Syndicated invested alongside Highgate Capital Group, a Chicago-based owner/operator of multifamily properties. The property was constructed in 1989 and is currently 96% occupied. Syndicated invested \$3,585,000 to acquire 14.8% of the ownership interests in the property. The investment has a 5-year projected hold with value-add renovations.



## ◀ Carhartt Global Design and Corporate Headquarters

DEARBORN, MI — PROJECTED TO CLOSE 12/2023

A 58,722 square foot, Class A research and development facility that is 100% net leased to Carhartt, Inc. located in Dearborn, Michigan. Approximately 80% of the Property is utilized as Carhartt’s state-of-the-art global design center, the creative hub of the company where all fabric and design decisions are made for new apparel. The Property also serves as its center for research and development, which includes laboratory space, industrial washing machines, and other prototype equipment for durability testing. Syndicated invested \$5,579,000 and structured the deal to accommodate both cash and 1031 exchange investors.



## FEA Conference

**THE SYNDICATED EQUITIES 1031 TEAM** connected with dozens of QI’s at the Federation of Exchange Accommodators Conference in Santa Fe in September as we celebrate 10 years of sponsorship.

## CREW

**ASHLEY SZATKOWSKI** (left) and **TRACY TREGER** attended the 2023 Commercial Real Estate Women (CREW) Network Convention in Atlanta late September.



## ▶ Social Security Administration Portfolio

The sale of our seven-property Social Security Administration Portfolio (Aurora, Ft. Smith, Ft. Wayne, Indianapolis, Valparaiso, Whitehall, and Worthington) was completed in May and June of 2023. The properties were acquired between 2010-2011 and the sales resulted in an average equity multiple of 1.4x.



SSA, WORTHINGTON, IN



SSA, FT. WAYNE, IN



SSA, VALPARAISO, IN



## ◀ Boot Ranch

PALM HARBOR, FL

Syndicated sold a 432-unit apartment complex in Palm Harbor, Florida on October 18, 2023. The property was acquired in June of 2019 alongside Providence Real Estate and produced an equity multiple of 1.79x, with further sale distributions to follow.



## Summer Event

**WE HAD A GREAT TIME** at our summer event in the West Loop this past June.

## Fall Event

**KATIE DONOVAN, JENNA RIVERA, and TAYLOR LIGENZA** at our fall event in Glencoe.



SINCE 1986

# Private Real Estate Investment



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