

ACCESS

SPRING 2023



SYNDICATED EQUITIES



CHOO CHOO HOTEL / HOTEL CHALET
CHATTANOOGA, TN

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
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Tracy Treger
PRINCIPAL



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ACQUISITIONS



Bibi Zichmiller
DIRECTOR OF INVESTOR
RELATIONS



Miranda Parker
DIRECTOR OF ACQUISITIONS



Taylor Ligenza
OPERATION ASSET MANAGER



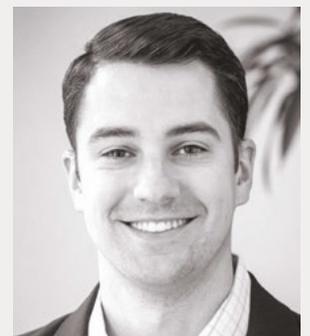
Jenna Rivera
BUSINESS DEVELOPMENT
ASSOCIATE



Joshua York
DIRECTOR,
NET LEASE BROKERAGE



Katie Donovan
INVESTMENT &
COMMUNICATIONS ASSOCIATE



Andrew Killian
ACQUISITIONS ANALYST

LETTER FROM THE PRESIDENT

Richard Kaplan

You want real March Madness, try your hand at these matchups. Inflation vs. Recession, two big time programs that can be real game changers. Russia vs Ukraine, here's where the underdog bet is getting a lot of action. Climate control vs well-funded lobbyists, this one is all about the coaching but as Dickie V says, "Don't bet against mother nature, BABY!" Bank Failures vs the Federal Government, a real bracket buster. Trump vs New Jersey/ Georgia/New York, an overtime game if I ever saw one. And don't sleep on China; they have a huge bench, and the Middle East gets more technical fouls than Rodman ever did.

This list could go on and on and like the basketball tournament, just when you think the team you are supporting has a lead, boom! Some "diaper dandy" shows up and something you never imagined happening, happens. The analogy is flawed in that the basketball tournament lasts two weeks and even with upsets, there is an ultimate winner. In our real world, these issues are never-ending and often there is no winner or loser. Managing our real estate investments is similar in some ways as handicapping a team. We have track records, property reports, historical data, analytics, expert opinions, market statistics, and our own experience. Much of the time we get it right, but sometimes there is madness in the markets, and we have to call time out and regroup.

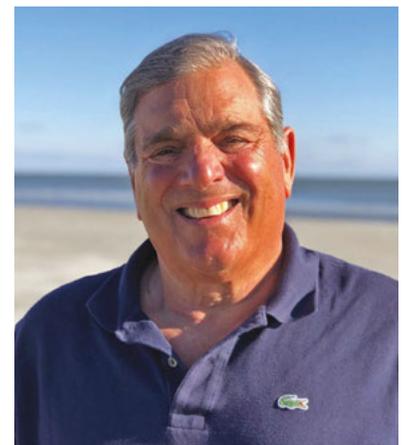
Today's real estate markets are experiencing a major slowdown of commercial transactions. Banks have cut back significantly in their lending and ever-rising interest rates, bank failures, and investor confidence has curtailed many acquisitions and development. Expectations for signs of recovery are at least 90 days down the road but as with any disruption in the market, there are opportunities and we, at Syndicated are hopeful we can identify and execute on viable economically sound projects.

Our current offerings, New York City parking and the remake of the Choo Choo Hotel in Chattanooga are prime examples of sponsors recognizing unique opportunities and reaching out to Syndicated to help consummate their transactions. We truly appreciate their trust and loyalty.

For almost 40 years, Syndicated has weathered and successfully navigated a variety of economic challenges. Each cycle has been a formidable opponent, but each time we have rebounded with strength and worked diligently to preserve the integrity of our assets and the investments of our investors.



For almost 40 years, Syndicated has weathered and successfully navigated a variety of economic challenges.”





If pricing and property fundamentals align, we believe this market will produce successful results.”



A NOTE FROM OUR MANAGING PARTNER

Matt McCulloch

This past week, we hosted our 19th annual investor conference, with investors joining us virtually from across the country. For those who could not attend, a video of our conference is posted on the investor portal. Each year, we present an overview of the past 12 months along with our current view of the market. Suffice it to say, this year’s presentation felt quite different than last year’s as we are now in the midst of a new market cycle.

As we’re all aware, the Fed’s reaction to high inflation has led to a substantial increase in the interest rates that banks are charging for new loans. A year ago, a typical loan interest rate for a credit tenant, net leased acquisition of ours might have been 4.50%, whereas the same loan today would bear an interest rate closer to 6.50%. When rates increase, pricing expectations decrease since more of a property’s cash flow has to service interest payments instead of returns on equity.

This pricing adjustment has led to a slow down in the number of transactions occurring across all markets as buyers and sellers are often far apart in their expectations. Compounding this slowdown has been the recent string of bank failures, which has caused all banks to pull back on new lending and to be more conservative with their lending terms. The other significant factor still impacting markets is the continued fallout from the pandemic and how it continues to rearrange where we work, live and play. Winners and losers from this reshuffling are still being sorted out, leading investors to tread cautiously. “Gridlock” has become the current industry buzz word.

Despite these challenges, we see a lot of underlying strength in many asset classes and throughout our portfolio. We are not of the opinion that the current market is prohibitive for new investment. In fact, if pricing and property fundamentals align, we believe this market will produce successful results.

Over the past 6 months, we have made several investments where we believe investors will be rewarded for participating. A few examples of this would be (a) well-located parking garages in New York City, (b) a full-scale boutique hotel renovation geared toward tourists visiting Chattanooga, TN, (c) adaptive reuse of vacant office buildings being converted into apartments, and (d) a continued focus on core, net leased properties with credit tenants. In each of these categories, we believe the asset class and approach capitalize on opportunities created by current events: high demand for parking as transit use falls; a thriving leisure travel sector with guests willing to pay more for quality; the need for urban housing in the midst of a transition away from traditional office; and, the desire for stability provided by core properties.

We have been an active real estate investment firm for over 25 years now, working strategically through a multitude of cycles, managing assets defensively and capitalizing on new opportunities. Our core team of principals has worked together for nearly fifteen years, and this longevity brings a wealth of experience to each asset and new investment decision. If you would like to discuss our thoughts about the current market, please always feel free to contact us directly.

NET LEASE

BY JOSHUA YORK

2022 marked another historic year in single-tenant net lease investment activity. According to CBRE, transaction volume totaled \$71 billion amongst single-tenant retail, industrial, and office properties. While down 25% from 2021's record \$94.9 billion, it still marks the third highest on record behind 2019.

The Federal Reserve's consecutive rate hikes, however, have continued to increase the cost of capital. Buyers with debt are currently faced with greater negative leverage situations, where the cost of borrowing exceeds the return on investment, than in years past. Data from the fourth quarter of 2022 showed a more dramatic response to the Fed's battle with inflation as net lease investment volume declined 63% compared to the fourth quarter of 2021. Inventory increased and repricing was widespread throughout the market. Assets that were higher in price point (\$8 million to \$16+ million) and more reliant on leverage felt a greater shock to the increase in borrowing costs than assets priced under \$5 million.



Through all of this, single- and multi-tenant retail has continued to remain a product that is favored by investors. Our net lease brokerage team was involved in approximately \$40 million worth of such transactions during the first quarter of 2023 representing 1031 exchange investors seeking 100% sole ownership of their replacement properties. These assets were leased to service-oriented tenants including ALDI, CVS Pharmacy, and Firestone Complete Auto Care, and located in top markets across the country, such as Chicago, IL, Frisco, TX and Naples, FL.

Current Cap Rate Snapshot

5.50% - 6.50%
WALGREENS

5.25% - 6.25%
CVS PHARMACY

4.75% - 5.25%
CHASE BANK

5.25% - 5.75%
CHIPOTLE

4.50% - 5.25%
ALDI

6.25% - 7.00%
DOLLAR GENERAL

5.00% - 5.50%
7-ELEVEN

If you are considering buying or selling a net lease retail property, please contact Josh York at (312) 640-9018 or jyork@syneq.com.





The Impact of New Technologies

BY JASON SCHWARTZ



While we continue to utilize new technologies to enhance the investor experience, we never lose sight of the importance of our one-on-one relationships.”

I have found that a lot of my recent conversations with friends and family have centered around generative AI such as Chat GPT, and the ways in which this new technology will impact our lives. For those that are not familiar, generative AI is a type of artificial intelligence that can produce and edit text, images, songs and data based on a user’s specific inputs. Having tested out Chat GPT both personally, it writes my son’s favorite train rhymes, and professionally, it is well versed in all things 1031 related; the results are both impressive and, at times, scary. In the coming years, this technology has the potential to fundamentally change the way we operate. However, where my conversations always circle back to is that generative AI, like any new technology, is just a tool that can never replace the relationships that govern so much of our personal and professional lives.

This same lesson helps guide a lot of our decision making at Syndicated, especially as it relates to technological upgrades:



To improve our subscription process, we began using DocuSign instead of hard copy packages sent via FedEx. Even though the process is now fully digital, we encourage investors to contact our investor relations team (Bibi Barrera and Jenna Rivera) should you require any assistance accessing or filling out the paperwork.

Our investor portal underwent a significant upgrade in January that now gives investors the opportunity to better track investments, view and subscribe to new offerings, and easily access deal reports and documents. While all investment data is now online, our acquisition and asset management team are always available to talk through a new or existing offering. For those that are local, we are also happy to meet in person for lunch or coffee.

Lastly, our annual investor conference, which used to be hosted in person, is now virtual and was held on May 17th. Moving the conference online has allowed many more investors to participate but to ensure that we are still connecting with investors one-on-one, we will be holding an in-person event in Chicago on June 14th.

While we continue to utilize new technologies to enhance the investor experience, we never lose sight of the importance of our one-on-one relationships. Chat GPT, while significant in the ways that it can impact our lives, is just another reminder of that; Nothing can replace the personal relationships we have developed with all of you over the last 37 years.

What's a DST?

You may have noticed that many of our recent offerings have been structured as Delaware Statutory Trusts, or “DST” for short. A DST is an entity that can be used for real estate investments as an alternative to a limited liability company or partnership. As the name implies, a DST is a trust established by the investment sponsor, and the beneficiaries are passive investors.

The primary reason why real estate companies use DSTs is that they are compatible with 1031 tax-deferred exchanges. You can acquire an interest in a DST – a fractional interest in a larger, institutional quality asset – as replacement property to defer gains from the sale of other real estate. Additionally, you can exchange out of a DST to defer gains arising from the sale of DST property regardless of whether your initial investment was made through an exchange or a cash investment.

Investors in DSTs do not have any personal liability for mortgage debt or other obligations of the trust beyond their initial capital contributions. Tax attributes of the project, such as deductions for depreciation, as well as cash flow from operations and proceeds from the disposition of the property, pass through to investors in proportion to their equity ownership. An investor holding 1% of the beneficial interests in a DST will receive 1% of the distributable cash flow, 1% of available tax deductions, and 1% of net sale proceeds. The year-end tax reporting document for a DST is a Grantor Statement, which is similar to a K-1.

Unlike other 1031-compatible forms of ownership, DST investors do not have voting rights, eliminating delays that can arise when investor consents are needed. The tradeoff is that DSTs cannot take certain actions that would otherwise require 1031 investor consent, such as refinancing, leasing, and major capital improvements. For multi-tenant properties, such as the Baker Road office building or the McGovern House apartments, we use a master lease to enable the project to conduct ordinary business activities like leasing, and to allow commercial tenants like Trimble to improve their space. If prudent operation of the property requires us to take an action outside the scope of the DST rules, such as a refinance, we can convert the DST to an LLC. This is why our offering materials for DSTs always include a form of LLC operating agreement. We can also convert an LLC into a DST to enable investors to complete a tax-deferred exchange when a property is sold, as we have done with the social security buildings being sold this spring.

We are always happy to speak with you further about the benefits and mechanics of a 1031 exchange, DSTs, and other replacement property options.

BY TRACY TREGER



A handwritten signature in cursive script, reading "Tracy Tregger".



The primary reason why real estate companies use DSTs is that they are compatible with 1031 tax-deferred exchanges.”





The Investor Portal

BY BIBI ZICHMILLER



Bibiana Zichmiller



We partnered up with AppFolio Investment Management and recently launched our new investor portal.”

The key to any successful business is the ability to be open to change. I can proudly say that here at Syndicated, we are open to new ideas and making the necessary changes for the greater good of the company and its investors. After a couple of months of extensive planning, preparation and working with approximately 30 years of data, you now can watch your investments grow, access important documents, invest in new opportunities, and more. As some of you may know, we partnered up with AppFolio Investment Management and recently launched our new investor portal, which can be accessed 24/7.

Through your individual Investor Portal, you are able to:

View your investment portfolio. Your personal dashboard summarizes your invested and distributed capital, your ownership percentage per investment, asset information which includes the property details and photos, and a fun map pinpointing the locations of each of your investments.

Access your documents. Filter documents by investment, year, and type to stay organized and easily find reports/updates such as our monthly Asset Management Report, access to your tax forms, and other shared documents.

Participate in new investment opportunities. Get notified of new offerings and submit expressions of interest.

Update personal information. Keep your personal information up to date, such as your email, mailing address, and tax ID information.

In addition to the new investor portal, you can now go mobile by downloading the Portal Mobile App. No matter what activity you are partaking in, whether you are in the process of getting your hair done or cruising out on the golf cart, you will always have access to your investments and new investment opportunities. We encourage you to join us on this journey and provide us with any feedback that you may have. If any assistance is needed, we are always happy to walk you through the process.

NEWS



Josh York
DIRECTOR, NET LEASE BROKERAGE

Syndicated is pleased to announce that **JOSH YORK** has been promoted to Director, Net Lease Brokerage. Josh has been with Syndicated for over two years working on our net lease brokerage team.



BIBI ZICHMILLER married her now husband Mark in November.

My First Year at Syndicated

What were supposed to be the best and most formative years of my life were spent finishing my degree isolated behind a computer screen. These were the most crucial days of my higher education, times where I would have benefited the most from attending networking events, receiving career counseling, and working internships in person. Instead, the college life and world I had known were collapsing before me.

Breaking into the professional realm as a recent college graduate is already intimidating and uncertain without the impending doom of a global pandemic. After graduating in 2021 I did my best to meet people and put myself out there by virtually applying for jobs, most of whom could not even offer me a rejection letter, let alone an interview. I persisted, though drained and discouraged.

My patience was rewarded when I found Syndicated Equities in late 2021. I had never envisioned a career in commercial real estate or any adjacent industry, but I welcomed the unexpected. Since beginning my professional career with Syndicated, I have been encouraged to explore several different areas of interest including marketing, event planning, social media management, investor relations, and most recently, brokerage. I have been presented with unique opportunities that I don't think I would find anywhere else.

What I lost from the pandemic was found at Syndicated Equities. Working in an office, I have learned directly from my colleagues and fostered meaningful relationships that I would not have had the opportunity to develop from behind a screen. I have received invaluable mentorship, support, and career advice from my peers that have and continue to build a strong foundation for my professional career.

Despite the shaky start, I am grateful for the last two years and all they have taught me. I am thankful for where I landed, for the journey it took to get here, and for whatever is to come.

BY KATIE DONOVAN



What I lost from the pandemic was found at Syndicated Equities.”



MIRANDA PARKER tied the knot in April with her now husband Xan.

Virtual Investor Conference

SYNDICATED EQUITIES HOSTED our annual investor conference virtually this May. Thank you to all who joined us this year.

Summer Event

INVITATIONS HAVE BEEN SENT out for our in-person summer event. Please contact us if you did not receive one and would like to attend.

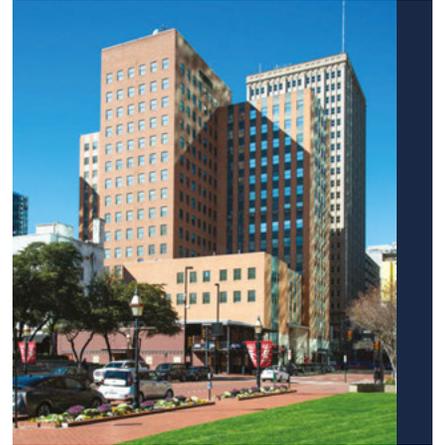


Since our last newsletter, Syndicated has 3 acquisitions and 3 dispositions representing approximately \$169 million of total asset value.

► Fort Worth Adaptive Reuse Project

FORT WORTH, TX — CLOSED 1/5/23

An adaptive reuse of a 314,514 square foot, 16-story office building into a 330-unit mixed-use apartment building with 24,000 square feet of ground-floor retail. The property is situated in downtown Fort Worth, adjacent to the convention center and is five blocks from Texas A&M's new law school campus. Syndicated invested alongside 3L Real Estate, a Chicago and Dallas-based developer that specializes in the adaptive reuse of converting urban office buildings to residences. Syndicated invested \$2,940,000 and projects that this investment will produce an attractive internal rate of return over the 7-year hold period.



◀ Murray Hill Parking Garage

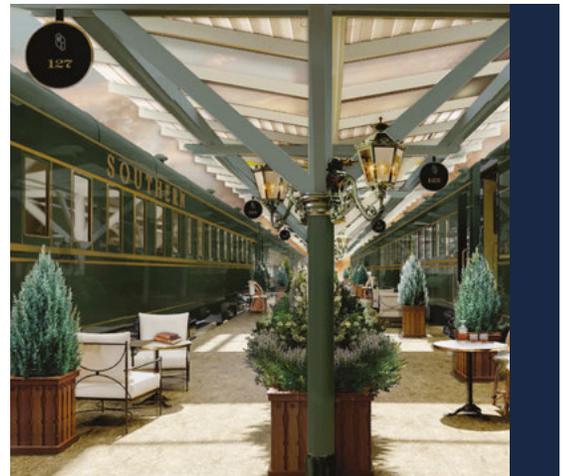
NEW YORK, NY — CLOSED 3/1/23

A 92-space, ground-level parking garage located on E. 34th Street in the Murray Hill neighborhood of Midtown Manhattan. The garage is less than a block from the NYU medical corridor and two blocks south of the Queens-Midtown Tunnel. This is Syndicated's second investment alongside Centerpark, a New York-based parking management and investment firm. Syndicated invested \$7,514,000 and structured the acquisition to accommodate both cash and 1031 exchange investors. The property is projected to produce strong, cash-on-cash yields over the 7-year hold period.

► Choo Choo Hotel / Hotel Chalet

CHATTANOOGA, TN — CLOSED 5/15/23

The repositioning of the iconic Choo Choo Hotel from a dated 3-star offering to a higher-end boutique hotel. Syndicated invested alongside Trestle Studio, an award-winning hotel development and management company with over 20 years of experience creating hotel flags such as Line, NoMad, Freehand, and Saguaro. The Choo Choo hotel currently consists of a mid-century building that serves as the main hotel with 75 rooms, a freestanding retail building fronting Station St., and six train car rooms. As part of the redevelopment, Trestle commenced a full-scale, \$19.5 million renovation in April that is scheduled to be completed by year's end. Syndicated invested \$3,460,000 to acquire 25% of the ownership interests in the property, and the project has a projected 4-year hold period.



► Walgreens Center

SULLIVAN, MO

Syndicated sold a 15,680 square foot, single story retail building located in Sullivan, Missouri on November 18, 2022. The property was primarily net leased to Walgreens on a long-term lease through September 2027. The property, which was acquired in July of 2013, was sold after 10 years to limit future exposure as the Sullivan retail market was severely impacted by COVID-19. Overall, the investment produced a .94x equity multiple.



◀ Legacy at Acworth

ACWORTH, GA

Syndicated sold a 192-unit garden style apartment community located in Acworth, Georgia on December 8, 2022. The property was acquired in January of 2019 alongside Sundance Bay Capital, LLC and produced an equity multiple of 1.54x.

► 21 Rio Student Housing

AUSTIN, TX

Syndicated sold the Rio student housing project on December 28, 2022, thus completing the sale of the Austin student housing portfolio. This investment was made alongside CA Student Housing in November of 2014. The sale of Rio resulted in a 1.0x multiple for investors. The overall equity multiple for the Austin Campus investment was 0.92x.



◀ River North Retail

CHICAGO, IL

On January 13, 2023, Syndicated sold an 18,240 square foot retail development located in the River North neighborhood of Chicago, Illinois. The property was acquired in February of 2016 and redeveloped alongside MAC Management and Shiner Capital Partners. Overall, investors earned a 1.21x equity multiple on their total equity investment.

SINCE 1986

Private Real Estate Investment



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