

ACCESS

News of Interest for Investors and Industry Professionals

Richys' Rules:

*—If you drive a convertible
or ride a motorcycle...
wave to kids on
the school bus...*

*—Be there for your friends
and family...
availability is very important,
when in doubt,
call or just bring soup...*

*—Life is a fight that just
has to be won
over and over
and over again...*

We're Looking at:

- Government Building
Jacksonville, Florida
- Medical Office
Suburban Chicago
- New Residential
Construction
Chicago, IL

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UNITED HEALTHCARE MEDICAL OFFICE PORTFOLIO LAS VEGAS, NEVADA

Syndicated Equities is pleased to announce our recent acquisition of two medical office buildings in Las Vegas, Nevada. Both properties are fully leased to United HealthCare, the primary operating division of the nation's largest single health carrier, and future annual rental increases of 1.50%. The first building is leased through



March 2026 and is located within one mile of the Desert Springs Medical Campus and the University of Nevada Las Vegas. The second building is leased through March 2021 and is situated in a dense medical office corridor less than one-quarter mile from the University Medical Center and the Valley Hospital Medical Center. Syndicated acquired 100% of the properties for \$38,678,000 and made \$11,678,000 of equity available to investors, while structuring the investment to accommodate investors completing exchanges under IRS Section 1031. Syndicated was able to secure attractive financing that included a fixed interest rate of 5.42% for 7 years at a 69.8% loan-to-value. The anticipated average annual cash-on-cash yield is projected to be approximately 8.02% over 7 years.

RUSH-COPLEY MEDICAL OFFICE BUILDING AURORA, ILLINOIS

Syndicated Equities recently closed on a 100% leased medical office building located in Aurora, Illinois. The property is situated on the expansive Rush-Copley Medical Center campus, a 98-acre site featuring a 210-bed hospital and an array of medical services. Rush-Copley occupies 74% of the property per a net lease that runs through August 2022, and the remainder of the property is leased to Oasis Mental Health and M&M Orthopedics, an affiliate of DuPage Medical Group. Syndicated acquired the property for \$11,200,562 and made \$5,350,562 of equity available to investors, while structuring the acquisition to accommodate investors pursuing like-kind exchanges under IRS Section 1031. Syndicated financed the balance of the purchase price with a 5-year loan at an interest rate of 4.77% and a loan-to-value of 57.8%. The projected average cash-on-cash yield for investors will be approximately 7.40% over 5 years.





PRESIDENT'S LETTER:
Richard Kaplan,
Founder & CEO
Syndicated Equities

The real estate market is HOT...Compared with 24 months ago, the real estate business is on fire. Lenders are back with low interest, high leverage loans and buyers are taking advantage of the aggressive terms. Conduit (CMBS) lending, after being mostly dormant for the past 4-5 years, has once again regained favor and the bond markets are aggressively buying pools of loans. This avenue of financing is providing a great amount of liquidity for refinancing and current real estate acquisition. Activity in the net leased markets continues to be strong and is fueled ever more frequently by 1031 (like-kind exchange) trade candidates. Not since late 2008 have we seen this velocity of sellers wishing to defer gains and trade into income producing properties, especially the credit net leased variety. Here in Chicago and other major cities, new construction projects are popping up and many, particularly residential developments, are on architects' drawing boards. The feeling among some of my real estate brethren is that as long as lending interest rates remain low (4% - 5%), this activity will continue.

The real estate market is still COLD... Housing starts have slowed and in certain areas pricing has levelled off, still down 10% - 15% from 2008 highs. Many CMBS loans made between 2003-2005 are maturing and not all values have rebounded. Underwater loans continue to flow into the special servicers and deed-in-lieu dispositions are an everyday occurrence. Retail

leasing activity remains spotty, with tenants seeking reductions of rate and space. Retail sales declined in January and February, adding to the retailers' skittishness. Hotel occupancy in many areas is still down from pre-recession highs, although some select areas are seeing signs of growth.

Today, Hot and Cold leaves us LUKE-WARM, and many economists we follow believe that 2014 will see modest but positive gains. The key to all of this is, and will continue to be, interest rates. A secondary key is jobs. The unemployment rate is still high and unemployment benefits for many are coming to an end. This coupled with the statistic that household savings are declining leads many to believe that spending dollars are tightening. A robust, growing economy needs people working and spending. It is hard to bet against an increase in rates this year, and many feel that any significant increase (1% - 2%) will slow the flow of dollars into the real estate and related economy. We expect activity will be brisk for the next few months and then we will know more about the trend in rates.

I think the idea of a penalty lap, similar to the one used in the Olympic Biathlon, is a good idea. Akin to a child's "time out," people who miss the target and act imprudently need to be singled out and have consequences for their actions...just a thought.

South Florida Investor Meeting

To further our interactions with investors, the Syndicated team traveled to the Miami/Delray area on February 26th and 27th. During our visit, we hosted a cocktail reception at the Ritz Carlton South Beach in Miami and one at The Seagate Hotel in Delray Beach for over 75 existing and prospective investors. We also explored prospective acquisition possibilities with Florida based developers and sponsors, forging new strategic partners for future offerings.

Coupled with our New York trip late last year, we are very happy to be able to meet face to face with our out of town friends and investors and enhance our relationships. Going forward, we look to schedule additional visits to Denver and the West Coast. We thank and sincerely appreciate the time and effort those folks made to meet with us.

Net Lease Market Review

With 2013 behind us, it's time to start looking forward to some of the changes we expect in the net lease market for 2014. For perspective, the chart below illustrates how cap rates have compressed over the past several years:

<u>Tenant</u>	<u>2013 - 2014 Cap Rates</u>	<u>2010 - 2012 Cap Rates</u>
Walgreens & CVS	5.25% - 5.75%	6.00% - 7.50%
Dollar General	6.25% - 6.75%	7.25% - 8.75%
Family Dollar	6.25% - 6.75%	7.00% - 8.00%
McDonalds	4.00% - 4.50%	4.75% - 5.50%
Chase Bank	4.00% - 5.00%	5.00% - 6.00%

In December, we once again saw an increase in activity as buyers and sellers rushed to lock in pricing and interest rates prior to the New Year. Despite that last minute push, pricing remained level for the above tenants and has continued to stabilize throughout the first quarter. This stabilization is primarily due to the slight increase in interest rates that occurred late last year and investors' concern that they will increase again later this year. As cap rates fell during the year, we also saw more investors, including institutional funds, shift their focus to tenants lower down on the credit spectrum:

<u>Tenant</u>	<u>2013 - 2014 Cap Rates</u>	<u>2010 - 2012 Cap Rates</u>
Rite Aid	7.25% - 7.75%	8.50% - 9.00%
Family Dollar	7.50% - 8.00%	8.25% - 8.75%
Academy Sports	6.50% - 7.00%	7.25% - 7.75%
Mattress Firm	7.50% - 8.00%	8.50% - 9.00%
Restaurants (Franchisees)	6.50% - 7.50%	7.50% - 8.00%

We are beginning to see cap rate compression on the above tenants, many of whom are private companies or have sub-investment grade ratings. As we move deeper in 2014, we anticipate this trend will continue.

If you are interested in learning more about the net lease market, selling a property or finding a replacement, please reach out to Jason Schwartz at 312-640-9016 or Ed Cashin at 312-640-9018.

Net Leased Properties Currently For Sale/Pending

 <p>Chicago, IL</p> <p>UNDER CONTRACT</p> <p>Price: \$7,578,000</p> <p>S&P Rating: BBB</p>	 <p>Multiple Locations</p> <p>FOR SALE</p> <p>Price: \$3.5M - \$4.5M</p> <p>Terms Remaining: 15 years</p>	 <p>5983 Highland Rd. Waterford, MI</p> <p>UNDER CONTRACT</p> <p>Price: \$5,250,000</p> <p>S&P Rating: B</p>	 <p>Dollar General Rite Aid Tractor Supply Company Sherwin Williams CVS WAWA Walgreens Family Dollar Bank Branches</p> <p>CONTACT FOR ADDITIONAL INFORMATION</p>
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1031 FEA MEMBERSHIP

For over 25 years Syndicated Equities has been assisting 1031 trade clients in acquiring either whole or fractional ownership in institutional quality real estate. This year, Syndicated Equities seeks to become increasingly involved in the nationwide 1031 community. Thus, we are proud to announce our Affiliate Membership in the Federation of Exchange Accommodators.

Founded in 1989, the FEA is the only national trade organization to represent qualified intermediaries (QI's), their legal and tax advisors, and affiliates who are directly involved in Section 1031 Exchanges. The main goals of the organization are: to promote discussion of ideas and innovations in the exchange industry; promote ethical standards of conduct for QI's; offer continuing educational opportunities; and, develop uniformity of exchange practices. Moreover, the FEA serves as the voice of the 1031 industry regarding both state and national legislative discourse.

Membership in this esteemed group provides greater opportunity to present both our syndications and net lease brokerage offerings within the community of exchange professionals. We look forward to our membership of the FEA and the opportunities this network provides.

If you would like to hear more about Syndicated Equities' involvement in the FEA or our 1031 exchange programs, please call Jessica Healy at 312-640-9027.

Overheard



"Miss Eisenbart, considering the weather, I've decided to take the afternoon and February off."

Investors' Quick Reference Guide

NEW INVESTMENT OPPORTUNITIES

Matt McCulloch	(312) 640-2608
Mike Crandall	(312) 640-9025
Tracy Treger	(312) 640-9023

EXISTING ASSET PERFORMANCE & OUTLOOK

René Ristau	(312) 640-9013
Matt McCulloch	(312) 640-2608

INDIVIDUAL FINANCIAL, TAX & ACCOUNTING MATTERS

Robert Handler	(312) 640-9024
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OWNERSHIP TRANSFERS, DIRECT DEPOSIT

Sue Plichta	(312) 640-1064
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VALUATION REQUESTS, SAF FUNDS I & II

Felicia Shotkoski	(312) 640-9017
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BROKERAGE SERVICES, 1031 EXCHANGES

Jason Schwartz	(312) 640-9016
Edward Cashin	(312) 640-9018

If you are not sure who to contact, please dial (312) 640-9020

If you have unsatisfied questions, concerns, or compliments at any time, please call Richard Kaplan, President, at (312) 640-1414

Meet our Newest Team Member

Jessica Healy joined Syndicated Equities in January. Prior to joining Syndicated, Jessica worked as an intern for United Airlines. She will provide research support for the company's investment platforms and the net lease brokerage group. Additionally, she has spearheaded our FEA membership and works to build relationships with the Qualified Intermediary community. Jessica holds a bachelor's degree in History from the University of Wisconsin-Madison and a certificate in Innovation and Change Management from Northwestern.