SYNDICATED EQUITIES
A National Real Estate Investment Company

FALL 2016

ACCESS

News of Interest for Investors and Industry Professionals

Richy's Rules:

— Focus is just as much about what you don't pay attention to...

— An idea that is developed and put into action is more important than an idea that exists only as an idea...

— There's a difference between being humbled and being humiliated...

We're Looking at:

- 277,000 SF Shopping Center Valparaiso, Indiana
- Costco Ground Lease Chicago, Illinois
- Marriott Brand Hotel Milwaukee, Wisconsin

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HILTON GARDEN INN
SAN LEANDRO (OAKLAND), CALIFORNIA

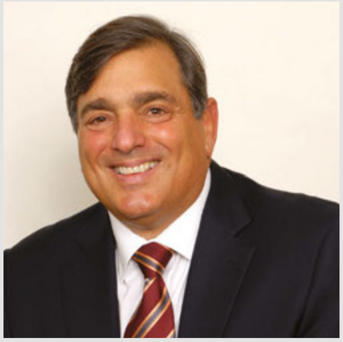
Syndicated Equities is pleased to announce its recent acquisition of the 119-room, Hilton Garden Inn in San Leandro (Oakland), California. Syndicated acquired the property alongside Middleton Partners and Arbor Lodging, which will manage the hotel. The hotel is situated in a dense infill location directly off Interstate 880, which benefits from multiple sources of demand, including the Port of Oakland, the East Bay office submarket, and two large industrial warehousing and manufacturing parks. A full-scale, $3.9 million renovation is planned for the hotel, which is expected to result in greater guest satisfaction and room revenues.

Syndicated and Middleton invested approximately $11,000,000 of equity to acquire 83% of the ownership interests in the property. Arbor Lodging, our operating partner, acquired the remaining 17% of ownership interests. Arbor Lodging is a Chicago-based owner and operator of hotels nationally, and Syndicated has partnered with them previously on the acquisition of the Holiday Inn Express in New Orleans, Marriott Towneplace Suites in Indianapolis, and the Staybridge Suites in Mayfield Heights, Ohio.

APARTMENT PORTFOLIO
KALAMAZOO, MICHIGAN

Syndicated Equities is pleased to announce its recent acquisition of a portfolio of apartment buildings located in Western Michigan that includes "Anna's Vineyard" in Portage and "Willow Creek" in Battle Creek. Anna's Vineyard is a 188-unit, 191,136 square foot, garden-style apartment community built in 1995 that consists of 16 two-story buildings, 11 single-story buildings, and a clubhouse. Willow Creek is a 90-unit, 81,448 square foot garden-style apartment community built in 1995. Willow Creek consists of 15 two-story buildings, with approximately 116 surface parking spaces.

Syndicated invested approximately $7,002,000 of equity to acquire 90% of the ownership interests in the portfolio. Highgate Capital Group, our operating partner, will own the remaining 10% of the portfolio. Highgate is a private real estate investment firm located in Chicago, focused on the acquisition and asset management of multifamily properties located across the country. Highgate will implement a full-scale renovation of both properties, which is expected to result in improved occupancy rates and resident retention.



Richard Kaplan,
President & Founder

In recent months, I have been asked frequently how I view today's market. My answer begins with a look back over the past 6 months. It seems that the market has been slower than anticipated, and many believe it is due to "uncertainty." Interest rates and fears of increases have been primary drivers of this wariness, but several other factors are also prominent. The election, fluctuating oil prices, world-wide political and economic unsettlement, Brexit, the almost daily reports of terrorism and the teeter-tottering stock market have each in their own way created anxiety in the marketplace. Generally, when faced with uncertainty, people become protective, especially with their money. I always pay attention to how the big institutions advertise their money management services. These companies spend millions researching what "phrasing" will ring true with clients. Their watchwords currently stress wealth preservation, conservative investing and safe financial strategies, all of which are yellow flag warnings that reinforce the cautionary mood of the investment community. I think that this sense of unsureness in the market will prevail as the year rolls on, especially as the election candidates continue to fuel distrust and divisiveness in our country.

As you know we are currently sponsoring several transactions that we believe in very strongly. Please know that our due diligence takes into account all aspects of the market, including our own feelings of uncertainty.

Matthew McCulloch
Senior Principal

"What was the vintage year of that deal?" When we have discussions with colleagues in our industry, this question follows, almost inevitably, from any mention of an investment outcome. The reason is that we are still operating in a somewhat bifurcated landscape separated by investments that were made before and after 2008. Rightly or wrongly, different expectations apply when evaluating the success of an investment depending on which side of this divide it had its start.

At Syndicated, we have experienced a range of outcomes, both positive and negative, from investments made prior to 2008. In the coming year or two, we along with many other real estate investors will be faced with strategic decisions presented by properties that were acquired between 2006-2008 with 10-year financing that is now coming due. Each of these assets has its own unique "story," but the 2008 downturn affected all of them in ways that continue to reverberate today. Certain markets still suffer from reduced rental rates and fewer demand drivers, whereas others have caught up and even surpassed their 2007 metrics.

When we speak to investors in these deals, we remind them that even though 2008 may now appear quite distant in the rear-view mirror, its ripple effects are still prevalent and remain a factor in setting expectations. As an active investor in today's market, we carry with us the lessons learned from these experiences and apply them to our asset selection and underwriting process. We won't always be right, but we're confident that our current approach better mitigates many of the factors that caused industry-wide problems only a short time ago.

Michael Crandall
Senior Principal

Later this week I'm heading to a real estate conference at my alma mater, University of Wisconsin at Madison. Every time I attend an event like this, Lauren (my wife) asks me, "What do you hope to accomplish while you're there?" The answer is easy: I'm looking to meet people that I can be of help to. Of course, it's always nice to come home knowing that something good happened as a direct result of attending a conference in order to feel that the trip was "worth it." What's more rewarding to me, though, are the indirect results. These are the potentially untraceable results that may not be revealed until years later. In this specific instance, I'm looking forward to being back in Madison next week, seeing some old friends, and attending a variety of interesting panels — I'm certain that the trip will be productive. And I know that a few years from now something will present itself out of the blue (or, in this case, the red and white).

Net Lease Market

Investors are starting to prepare themselves for the final push to close transactions in 2016. Unlike the past few years, 2016 is expected to bring a more measured approach by investors due to outside forces affecting the market. The general election, which is the elephant in the room, has some investors worried about what the future might hold. Others have voiced concern about additional proposed interest rate hikes. And while the Fed's initial rate increase in December had little to no effect on cap rates, some investors believe that subsequent rate increases will result in a leveling off and eventual increase for cap rates.

Despite this caution, many buyers want to lock-in acquisitions at today's low borrowing rates. These investors continue to seek long term, net lease investments with secure cash flow from an investment grade tenant. Active investors continue to target primary markets where they can obtain debt quotes in the low 4% range. With low leverage, full term interest only payments are also possible. Coupled with the limited supply of new development for investment grade tenants, the effect of low interest rates has resulted in continued cap rate compression for core, institutional quality assets, and those properties are expected to remain in demand through at least year end. Transaction activity for sub-investment grade or private tenants in secondary or tertiary markets, is expected to slow somewhat by comparison, which may present attractive opportunities for buyers comfortable with such assets.

Investors can expect the following tenants to trade at these cap rates:

TENANT	CURRENT CAP RATES	2014 CAP RATES
Walgreens	5.00% - 5.10%	5.25% - 5.75%
CVS	4.60% - 5.10%	5.25% - 6.00%
Tractor Supply Company	5.75% - 6.00%	6.50% - 7.00%
Bank Branches	4.00% - 4.50%	4.50% - 5.00%
McDonald's & Chic-fil-A	3.75% - 4.15%	4.50% - 4.75%
Rite Aid	6.00% - 6.50%	7.00% - 8.00%
Dollar General	6.25% - 6.75%	7.00% - 7.50%

If you are interested in learning more about the net lease market, selling a property or finding a replacement property, please reach out to Jason Schwartz, Jessica Healy, or Jon Carlson at 312-640-9020.

Net Leased Properties Currently For Sale

Multiple Locations

Price: $6M - $11M

S&P Rating: BBB

Term: 15-25 years

Indiana Portfolio

Price: $2,540,350

S&P Rating: BBB

Term: 10+ years

East Coast

S&P Rating: A+

Term: 25 years

FedEx
Rite Aid
Tractor Suppy Company
BJ's Wholesale
Family Dollar
Bank Branches
CVS

Asset Management

Syndicated's diverse and wide-ranging portfolio requires many asset management functions. While many of these functions are readily apparent to investors, some take place "behind the scenes" as part of the day-to-day operation of a property. Some boost the bottom line, others merely protect it. This year, we have successfully addressed numerous challenges at several properties, including the following.

1900 Ogden

Constantly pushing leasing brokers and tenants does not always result in additional leased space, but sometimes it does. After much persistence, we uncovered a lead to replace a short-term tenant that had vacated its space with a tenant more integral to the property that was willing to sign a long-term lease. We then pursued a settlement with the prior tenant and new lease arrangements. Ultimately, this approach stabilized the property and increased revenue for at least 3 more years.

GSA Atlanta

The seller of the property had negotiated to remain as the property manager following our closing, but recently decided to cease its property management services in the local market. This allowed us to replace them with a firm that manages our other GSA properties and often finds creative ways to reduce expenses while keeping the tenant satisfied.

GSA Jacksonville

After nearly two years of ownership, it became apparent that a latent construction defect was causing the property's roof to fail. We conducted a comprehensive investigation to determine cause and responsibility. With the help of a strong litigator and without going to court, we resolved the matter over a period of several months with numerous parties involved in the property's construction. We now have a brand new roof and were forced to contribute less than 1/5 of the originally anticipated cost. In these types of controversial matters, we always seek to eliminate risk and mitigate the impact to the bottom line.

Webster Place and 400 Skokie

At each of these properties in 2016, we changed managers (parking and property management respectively); conducted facility improvements while tightly controlling cash; and dealt with significant leasing activity (settlements, move-outs, and, in the case of 400 Skokie, nearly 30,000 SF of new tenants). These larger properties require constant attention and expertise, and we are proud to help guide them.

1031 Tax Deferred Exchange Conferences

Syndicated Equities remains committed to the acquisition of property that is structured to accommodate investors seeking to complete a 1031 tax-deferred exchange. We have also involved ourselves in many industry organizations that host annual conferences attended by 1031 exchange professionals throughout the country. Jessica Healy and Tracy Treger will be attending two 1031 conferences this fall; the Federation of Exchange Accommodators Annual Conference in Las Vegas, from September 14th to September 16th, and the annual Jeremiah Long Conference, which will be held from October 19th-21st in San Diego, California. Jessica Healy will be speaking on a panel in Las Vegas regarding 1031 replacement property. To find out about our available syndications for 1031 investors, please call Jessica Healy at 312-640-9028 or Tracy Treger at 312-640-9023.

Investor Appreciation Event

Syndicated hosted an investor appreciation reception at Morton's Steakhouse in the Chicago suburbs on September 8, 2016. The event provided an opportunity for over 100 investors and the Syndicated team to spend time together in a setting less formal than the annual investor conference. The positive feedback we have received affirms our belief in the strong benefits of meeting people face to face, including our local Chicago investor base. We extend warm thanks and gratitude to everyone who has taken the time and effort to meet with us.

Comings and Goings ...

In a few short weeks, we are saying good luck and a hearty thank you to Sue Plichta. Sue is retiring to Wisconsin to spend more time with her family and granddaughter Evie. We have recently added Bibi Barrera to our team, and she will be replacing Sue as our legal and accounting administrator. We welcome Bibi and wish her all of the success and fondness that we and our clients enjoyed with Sue.