7704 Southrail Rd Acquisition Proposal

April 14, 2021

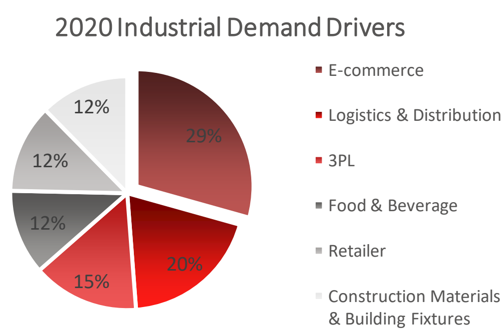
CONTENTS

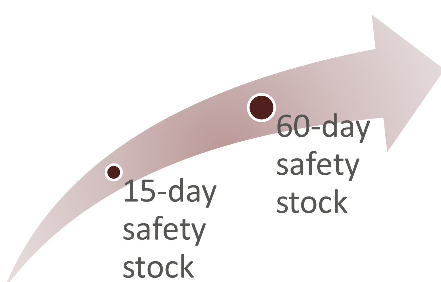
Property Overview

The subject property is a 47,529 SF single story, single tenant industrial warehouse/light manufacturing property that includes 2,400 SF of office space, 2 drive-in 20' by 20' doorways, a 30' ceiling, and a 10" thick cement floor well suited for heavy light manufacturing equipment or distribution machinery. It sits on a 4-acre fenced-in lot at the end of a wide and secluded street prime for trucking. Located in North Charleston, SC, the location is a prime industrial location due to its proximity to the Norfolk Southern Rail, US Interstate 26, Charleston International Airport, and a myriad of complementary large, light manufacturing and distribution facilities. Previously home to a PODS warehouse facility, the property is currently vacant, although according to the representing broker, many investment-grade tenants have exhibited interest. North Charleston is characterized by its cheaper rental rates, general acceptance of industrial properties, and ease of transportation accessibility. It sits just 18 minutes outside the North Charleston Terminal, just one section of the Port of Charleston, which saw the 5th largest volume of goods on the East Coast in 2019 and has seen record volume recently due to the significant capacity improvements that have been completed. Charleston and South Carolina in general have been able to advantage of the logistical advantages that exist in the area.

Thesis

We believe this property will generate the highest return due to consumers' continued and increasing reliance on e-commerce throughout the sunbelt and across the country, the increasing volume of goods passing through the Port of Charleston, and the predictability and risk-adverse nature of long-term, investment-grade tenants. The roughly two-decade shift from brick-and-mortar retail to online shopping has only been reinforced by the pandemic lockdowns that have been in place for the last year. Although the rapid implementation of vaccines has already begun, e-commerce giants such as Amazon and Walmart have greatly strengthened their infrastructures required to bring same-day delivery options to the

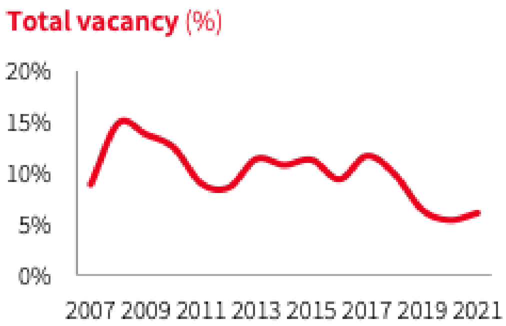




growing populations across the sunbelt, by greatly increasing their warehouse and distribution capacities. The Port of Charleston has been perhaps the top beneficiary of this macroeconomic trend, as its nearly $750 million capital investment to increase capacity is already paying dividends, with more capacity improvement projects in the pipeline. Lastly, a long-term lease with a gradually increasing rent provision to an investment-grade tenant would nearly eliminate the risk of credit loss and vacancy, as well as guarantee growth.

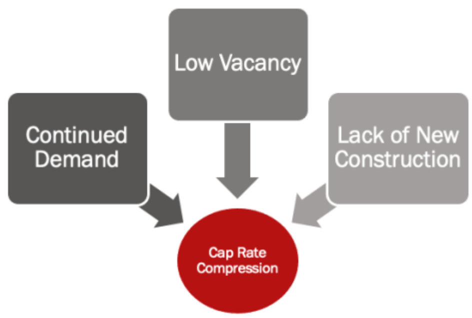
Industrial Overview

We are bullish on this property type because of the resilience of industrial real estate throughout the pandemic, the increasing demand for industrial spaces due to supply chain changes, and the expected rent growth in the coming years. As the Covid-19 pandemic introduced many challenges to the real estate industry, the industrial asset class continued to grow and had a record year. During 2020, vacancy in industrial properties remained under 6% and leasing activity increased 26.9%. The incredible performance of industrial real estate during this period is greatly due to e-commerce. E-commerce has been the driving force of demand in the industrial space and as e-commerce continues to grow, so will the demand. Industrial properties are also currently a good investment opportunity due to the changes in supply chain operations. Many suppliers are currently increasing their inventory safety stock. While the normal was 15 days of inventory, many suppliers are increasing their inventory safety stock up to 60 days. These changes are occurring to mitigate the risk of supply chain disruptions. This increase in inventory is another factor that will contribute to an increased demand for industrial warehousing spaces. Finally, the expected rent growth of industrial properties is another element that makes it a good investment opportunity. In Q2 of 2020, rents grew 6.3% from the previous year and this growth is expected to continue into the coming years. Along with that, about 80% of all industrial markets will experience positive rent growth throughout the next 12 months. As demand for industrial properties grow due to a multitude of factors, rents will be able to keep growing as well in the coming years allowing for industrial properties to generate high investment returns.



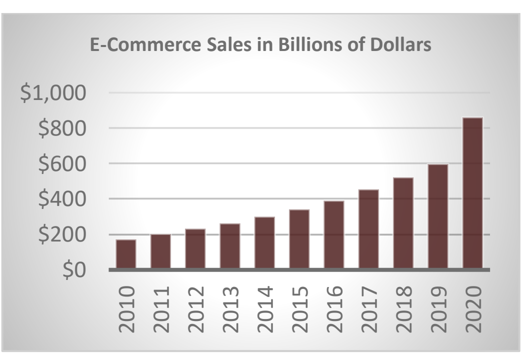
Charleston Market Overview

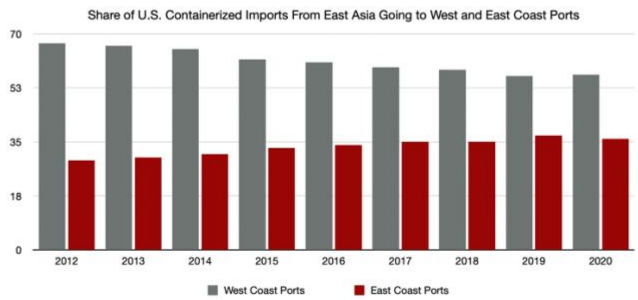
The Charleston industrial market has completely changed since before pandemic lockdowns were put in place over a year ago. The first quarter of 2018 saw 9.42% vacancy overall, while the first quarter of 2020 saw just 6.10%, a drastic change as logistics companies across the country have taken advantage of global supply chain trends. Similarly, net absorption increased from just 26,286 SF in the first quarter of 2018 to an astounding 549,603 SF in the first quarter of 2020. While rental rates PSF have remained relatively stagnant, at $5.73 in March 2018 to $5.69 in March 2020, this is likely due to long term commitments of existing leases, as well as the charging of below-market rents for national tenants who sign long term leases. The lack of available developable space is likely to raise rents for existing spaces in prime locations. North Charleston has seen the overwhelming majority of this industrial leasing, with 573,194 SF of net absorption in the first quarter of 2021. Yet, the first quarter of 2020 saw 0 quarterly completions, with no construction underway. With a low vacancy, a lack of new construction, and continued demand, cap rate suppression is likely to occur as existing leases expire.



E-Commerce Growth

Over the past two decades, e-commerce growth has reached tremendous heights with the Covid-19 pandemic accelerating this growth. As e-commerce opens up new ways for consumers to shop, the demand for industrial spaces has skyrocketed to unforeseen levels. E-commerce requires about 3 times more warehousing and logistics space than a brick-and-mortar location and an estimated demand of 1.25 million sq. ft of warehouse space is needed for every $1 billion in e-commerce sales. In 2020 alone, there were about $861 billion dollars in e-commerce sales with a 44% growth from the previous year, the highest level of growth in the past two





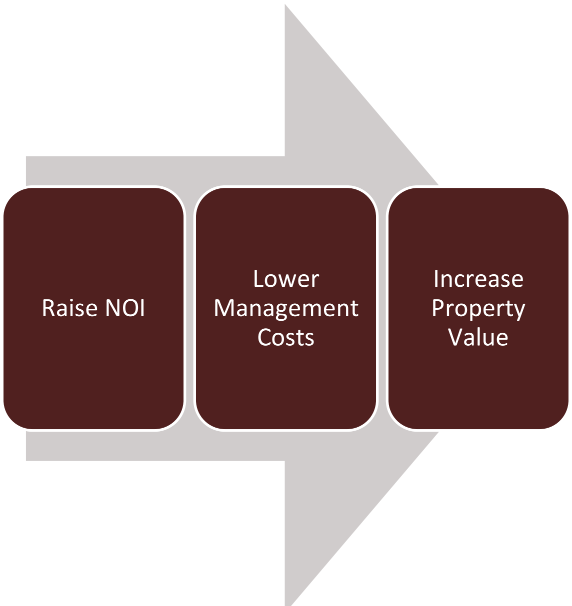
decades. Large corporations like Amazon and Walmart were already very prevalent in the e-commerce world prior to the pandemic but other companies such as Best Buy, Target and Kroger were pushed into the space due to the pandemic. These corporations saw increases of over 85% in their online sales during 2020. With the convenience and efficiency of shopping online being demonstrated to millions of people during the pandemic, the dependency on that type of shopping will only continue. As e-commerce continues to grow, both the large corporations like Amazon as well as those newer to e-commerce will need to acquire more industrial properties to keep up with their demand and be able to achieve their short shipping times all around the country.

Charleston's Logistical Advantage

Due to both the trade rifts between the U.S. and China, the increased emphasis on maintaining a safe supply chain, and the increasing demands of e-commerce, many companies are taking on a "China Plus 1" policy of manufacturing and supplier outsourcing, with an increased reliance on trade with European, Mediterranean, Caribbean, and other East Asian exporters sending goods through the East Coast. The recent widening of the Panama Canal has only intensified this trend. The Port of Charleston has been extremely effective competing for this trade, as it recently completed the $1 billion Phase One portion of the Hugh K. Leatherman Terminal project, which has increased the throughput capacity by 30% and allows the port to become one of two ports on the East Coast to handle a 20,000 TEU vessel. The project has already seen a 50% year-over-year growth in volume, with $1 billion to be invested in doubling the throughput capacity in the near future, including dredging of the Charleston Harbor, which will increase the depth from 47 to 54 feet, allowing the world's largest ships to dock any time, any tide. Charleston is poised to become a premiere shipping and logistical hub within the investment horizon, creating a unique growth opportunity for industrial properties.

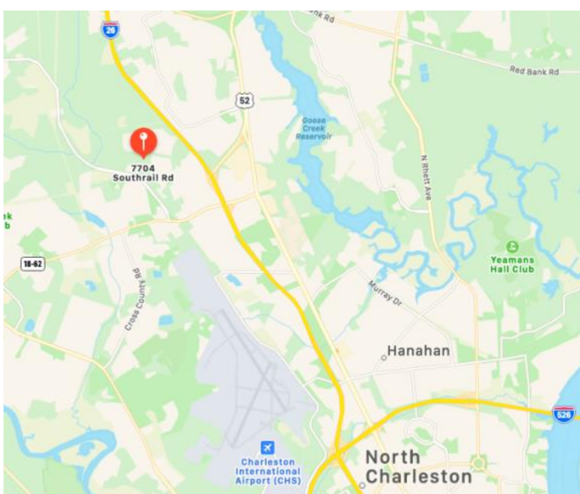
Favorable Lease Terms

Continued and expected growth of industrial properties in Charleston will allow for favorable lease terms. Upon

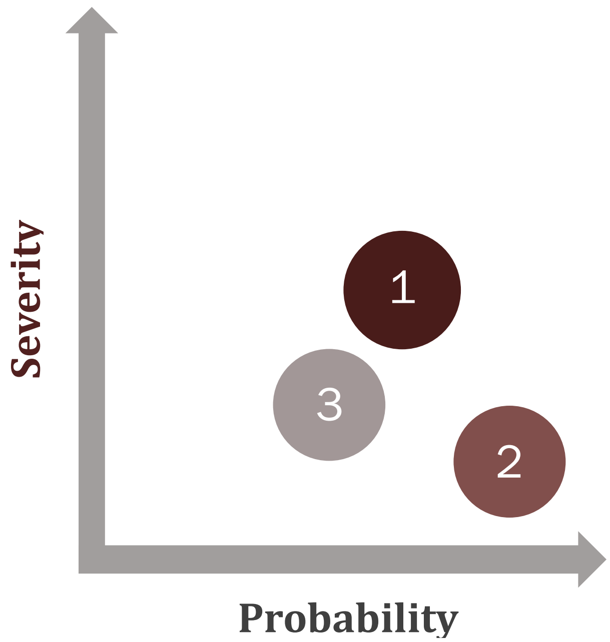


acquisition, the single-tenant property will be leased to an investment grade tenant under a triple net lease for 10 years at an annual rate of $8.20 psf increasing by 3.75% each year, which, according to the JLL broker representing the seller, should be a reasonable, as there was a handful of interested tenants at $7.50. Prospective tenants were for the most part looking for warehouse space for supplies being shipped from overseas, including a construction material wholesaler, local paper company, and a power systems supplier who see North Charleston as a cheaper alternative to downtown locations. By renting to an investment grade tenant that is financially strong, has a low risk of defaulting, and no history of backing out of a lease, the risks associated with all cash flows being reliant on one tenant can be greatly minimized. By locking in a reliable tenant for 10 years with built-in growth, the risk of vacancy and credit loss would be nearly negligible, and the investment would require minimal management.

Location and Demographics



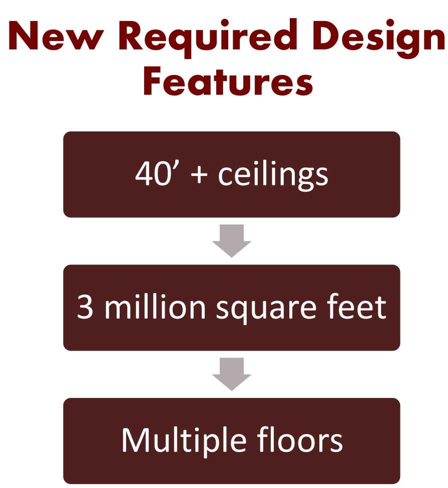
7704 Southrail Rd in North Charleston, South Carolina is in a great location for a successful investment. The property is easily accessible from many different shipping locations. It is less than 30 minutes from the Port of Charleston, the Charleston International Airport and the North Charleston freight terminal. This allows for the seamless and efficient transportation of goods from these locations to the property for warehousing and manufacturing needs. The proximity also allows for feasible distribution to the immediate area as well as around the nation. The property is conveniently located near state and US highways making truck transportation very feasible. North Charleston is also a prime location for investment due to the population. As the third largest city in South Carolina with about 2% population growth annually, this city offers a large pool of possible employees. The population growth rate is higher than the national average and the unemployment rates both during and prior to the pandemic were lower than the national averages showing that the North Charleston market's labor force has extreme potential.



Risks

1.

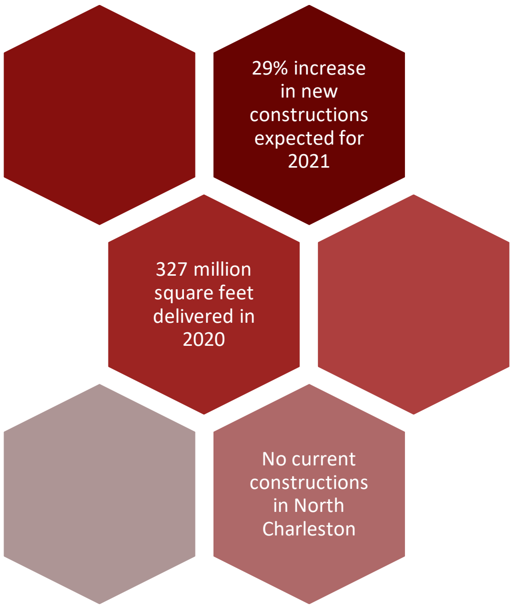
With a push to lower the U.S trade deficit, the Trump Administration imposed many trade restrictions impacting different industries and countries. Some of these restrictions include the section 301 tariffs on products from China and the section 232 tariffs on steel and aluminum products from around the world. While the Biden Administration has stated that they will address the trade some of these trade restrictions there has been no set timeline for when this will occur. The trade restrictions, such as those enacted by the Trump Administration, have a negative impact on industrial real estate as a whole. One of the main advantages of the property at 7704 Southrail Rd is its proximity to the Port of Charleston which receives shipments from around the world and with trade restrictions creating uncertainty around international trade, there is a risk that this advantage will become less useful. While the tension resulting from trade restrictions in very evident in the relationship between the US and China, through the increased reliance on imports from other countries like those in Europe or East Asia, suppliers will have a buffer from the negative implications of trade restrictions. Many of these other nations have better trade relationships with the US and until the conflict between the US and China is resolved, trade with these nations will help upkeep demand for industrial real estate.



2.

One potential risk for this investment is the demand for new design features in industrial properties. With e-commerce sales reaching unforeseen levels, the property requirements needed to fulfill the consumer demand is changing. The larger sizes of shipments going in and out of warehouses and distribution centers creates the need for larger ceiling heights of up to 40’, more square footage, and even multiple floors. Many properties will need to be reconfigured, expanded and updated in order to meet the design needs of the current demand. While the property at 7704 Southrail Rd does not conform to some of these features, since the demand for industrial space is so high and expected to stay like that, many suppliers will still turn to properties that do not meet all of their standards. For the near future, a property like 7704

Southrail Rd will be useful for supplier so improvements will not need to be during the 5-year horizon for this investment.



3.

The oversupply of industrial spaces could potentially increase the risk in this investment. New constructions have been at record levels and are expected to jump 29% during this year. In 2020, about 327 million square feet of industrial space was built, an increase of over 50 million square feet from the prior year. Retail-to-industrial conversions are also expected to occur at high levels during this year to open up more warehousing and distribution spaces near residential areas. With millions of square feet of industrial space being realized, the concern of oversupply is introduced. While the current levels of construction are not sustainable for the long-term, oversupply will likely not be a prevalent concern in the short-term. As the demand for industrial real estate continues to escalate due to the growth of e-commerce the current supply is able to keep up closely with the demand. North Charleston also currently does not have any constructions and therefore tenants who need to be in the North Charleston area will be forced to occupy the properties that are currently available.

Waterfall Inputs and Assumptions		
Purchase Price	$	4,100,000.00
Loan-to-Value		65%
Loan	$	2,665,000.00
GP Equity	$	71,750.00
LP Equity	$	1,363,250.00
LP Preferred Return		8.00%
LP Contribution		95%
GP Contribution		5%
LP Promote		70%
GP Promote		30%
Annual Payment		($161,696.30)
Prepayment Penalty		3%
Sale Price	$	6,510,439.44
LP IRR Requirement		20%
GP IRR Requirement		50%

Model Assumptions

The model assumptions include a standard 65% loan to value at a 3.5% annual interest rate for 25 years, incurring a 3% prepayment penalty upon disposition. The limited partners contribute 95% of the capital for an annual 8% preferred return and a 70% promote, while the general partners contribute 5% of the capital for a 30% promote. The limited partners require a 25% IRR while the general partners require a 50% IRR.

Pro Forma

	2021 Year 0	2022 Year 1	2023 Year 2	2024 Year 3	2025 Year 4	2026 Year 5	2027 Year 6
Potential Gross Income	$ 384,985	$ 399,422	$ 414,400	$ 429,940	$ 446,063	$ 462,790	$ 480,145
Vacancy	$ 64,164	$ -	$ -	$ -	$ -	$ -	$ -
Credit Loss	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Effective Gross Income	$ 320,821	$ 399,422	$ 414,400	$ 429,940	$ 446,063	$ 462,790	$ 480,145
Expense Reimbursements	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Operating Revenue	$ 320,821	$ 399,422	$ 414,400	$ 429,940	$ 446,063	$ 462,790	$ 480,145
Operating Expenses	$ 64,164	$ 79,884	$ 82,880	$ 85,988	$ 89,213	$ 92,558	$ 96,029
Net Operating Income	$ 256,657	$ 319,537	$ 331,520	$ 343,952	$ 356,850	$ 370,232	$ 384,116
Debt Service	$ 161,696	$ 161,696	$ 161,696	$ 161,696	$ 161,696	$ 161,696	$ 161,696
Capital Expenditures	$ 20,533	$ 25,563	$ 26,522	$ 27,516	$ 28,548	$ 29,619	$ 30,729
Leasing Commissions	$ 201,773	$ -	$ -	$ -	$ -	$ -	$ -
Management Fee	$ 16,041	$ 19,971	$ 20,720	$ 21,497	$ 22,303	$ 23,140	$ 24,007
Reversion Sale Price						$ 6,510,439	
Property Before Tax Cash Flow from Operations		$ 112,307	$ 122,582	$ 133,243	$ 144,303	$ 155,778	
Property Before Tax Cash Flow	$ (4,100,000)	$ 112,307	$ 122,582	$ 133,243	$ 144,303	$ 6,666,217	

Exit Cap Rate	**5.90%**
IRR	**12.38%**

Equity Waterfall

		2021 Year 0	2022 Year 1	2023 Year 2	2024 Year 3	2024 Year 4	2025 Year 5
Equity Level Cash Flows:							
Entity Level Operational EBTCF		$ -	$ 112,307.07	$ 122,582.20	$ 133,242.64	$ 144,302.85	$ 155,777.82
Entity Level Reversion EBTCF		$ -	$ -	$ -	$ -	$ -	$ 6,510,439.44
Entity Level EBTCF		$ -	$ 112,307.07	$ 122,582.20	$ 133,242.64	$ 144,302.85	$ 6,666,217.26
LP Equity Capital Account:							
Beginning Equity Investment Balance		$ -	$ 1,363,250.00	$ 1,363,250.00	$ 1,363,250.00	$ 1,363,250.00	$ 1,363,250.00
Annual Preferred Investment		$ 1,363,250.00					
Preferred Return Earned		$ -	$ 109,060.00	$ 109,060.00	$ 109,060.00	$ 109,060.00	$ 109,060.00
Preferred Return Owed		$ -	$ 109,060.00	$ 109,060.00	$ 109,060.00	$ 109,060.00	$ 109,060.00
Accrued But Unpaid Preferred Return		$ -	$ -	$ -	$ -	$ -	$ -
Ending Equity Investment Balance		$ 1,363,250.00	$ 1,363,250.00	$ 1,363,250.00	$ 1,363,250.00	$ 1,363,250.00	$ 1,363,250.00
GP Equity Capital Account:							
Beginning Equity Investment Balance			$ 71,750.00	$ 71,750.00	$ 71,750.00	$ 71,750.00	$ 71,750.00
Annual Subordinated Investment		$ 71,750.00	$ -	$ -	$ -	$ -	$ -
Ending Equity Investment Balance		$ 71,750.00	$ 71,750.00	$ 71,750.00	$ 71,750.00	$ 71,750.00	$ 71,750.00
Operational Cash Flow:							
LP Level Cash Flows: 70%		$ (1,363,250.00)	$ 111,332.95	$ 118,525.54	$ 125,987.85	$ 133,730.00	$ 141,762.48
GP Cash Flows (excluding management fee): 30%		$ (71,750.00)	$ 974.12	$ 4,056.66	$ 7,254.79	$ 10,572.86	$ 14,015.35
Reversion Allocations:							
Sale Price							$ 6,510,439.44
Remaining Principal							$ (2,298,093.09)
Prepayment Penalty							$ (79,950.00)
LP Return of Equity (with preference)							$ (1,363,250.00)
GP Return of Equity							$ (71,750.00)
Remaining Equity							$ 2,697,396.35
LP Additional Proceeds							$ 1,888,177.44
GP Additional Proceeds							$ 809,218.90
Reversion cash flow:							
LP Level Cash Flows:							$ 3,251,427.44
GP Level Cash Flows:							$ 880,968.90
Total EBTCF:	**IRR**						
LP Level Cash Flows:	25.67%	$ (1,363,250.00)	$ 111,332.95	$ 118,525.54	$ 125,987.85	$ 133,730.00	$ 3,393,189.92
GP Level Cash Flows:	68.00%	$ (71,750.00)	$ 974.12	$ 4,056.66	$ 7,254.79	$ 10,572.86	$ 894,984.25

Waterfall Inputs and Assumptions	
Purchase Price	$ 4,100,000.00
Loan-to-Value	65%
Loan	$ 2,665,000.00
GP Equity	$ 71,750.00
LP Equity	$ 1,363,250.00
LP Preferred Return	8.00%
LP Contribution	95%
GP Contribution	5%
LP Promote	70%
GP Promote	30%
Annual Payment	($161,696.30)
Prepayment Penalty	3%
Sale Price	$ 6,510,439.44
LP IRR Requirement	20%
GP IRR Requirement	50%

Works Cited

Ashe, Ari. "New Charleston Container Terminal Adds Much Needed U.S. Port Capacity." *Journal of Commerce Online*.

Baker, Crystal. "Charleston, SC Industrial Q4 2020" *Colliers International*, 2020.

Barkham, Richard, et al. "2021 U.S. Real Estate Market Outlook Industrial & Logistics." *CBRE US*.

"Charleston Industrial Insight Q1 2021." *Jones Lang LaSalle IP, Inc*, 2021.

"Charleston-North Charleston-Summerville, SC Economy at a Glance." *U.S. Bureau of Labor Statistics*, U.S. Bureau of Labor Statistics.

"E-Commerce's Impact on Industrial Real Estate Demand." *CBRE*.

"Harbor Deepening." *South Carolina Port Authority*.

Morgan, Cortney. "What's Ahead for US Trade Policy in 2021?" *IndustryWeek*, 25 Jan. 2021.

Paris, Costas. "East Coast Ports Get More Shipping Volumes as Trade Routes Change." *The Wall Street Journal*.

"QuickFacts North Charleston City, South Carolina." *United States Census Bureau*.

"South Carolina: The Logistics Advantage" *Inbound Logistics*, 15 March 2011.

"Trump and Trade: How Trade Policy May Impact Real Estate." *Resource*, 16 Apr. 2018.

"United States Industrial Outlook - Q4 2020." *United States Industrial Outlook | Q4 2020 | JLL Research*, 4 Feb. 2021.

"US Ecommerce Grows 44.0% in 2020." *Digital Commerce 360*, 29 Jan. 2021.