

Crossgate Road Land Acquisition

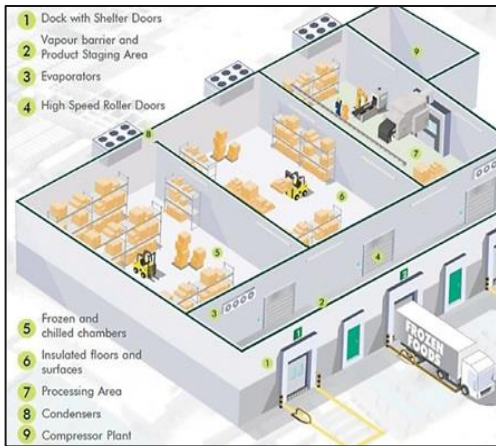
April 14, 2021

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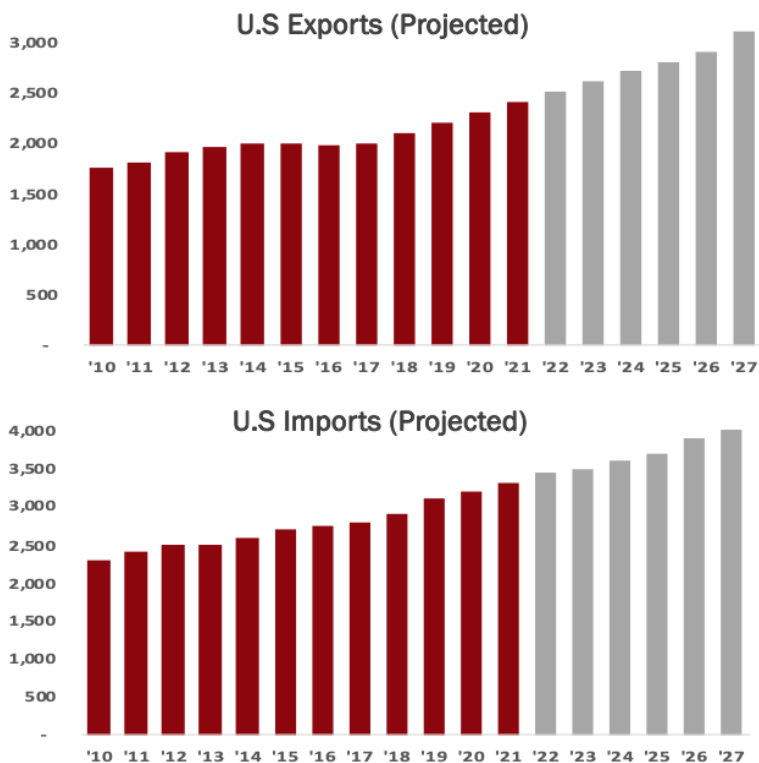
Property Overview

The subject property is 4 lots consisting of 66.30 acres of Industrial land located in Port Wentworth, Georgia. The lots are a part of the Crossgate Industrial Park, one half of a mile north of the Georgia Ports Authority Garden City Terminal. All utilities and wetlands are complete at the sight of this property. The lot is classified as light industrial, or heavy commercial use, and has extended access to Interstate 95, Interstate 16, US Highway 21, and the Jimmy DeLoach Parkway. Additionally, Crossgate Industrial park offers access to the Norfolk Southern railway. We plan on acquiring the 10-acre parcel of industrial land and developing it into a 200,000 sf Cold Storage Facility. We believe this is an ideal investment due to its fantastic logistical location, compressing cold storage cap rates, high barriers to entry, and the growth of the eGrocery industry, which will demand an additional 400 million sf of cold storage space in the coming years to keep up with consumer demand.



Thesis

We believe this would be a great investment due to the high barrier to entry for cold storage, the current growing demand for cold storage, and the compressing cap rates in cold storage markets. High barrier to entry for cold storage facilities will in turn limit the market competition, while the demand for cold storage increases due to rapidly popularity of e-grocery use. Both factors here benefit the market for cold storage use, limiting the risk factor in investment, therefore compressing the overall cap rates for cold storage facilities.



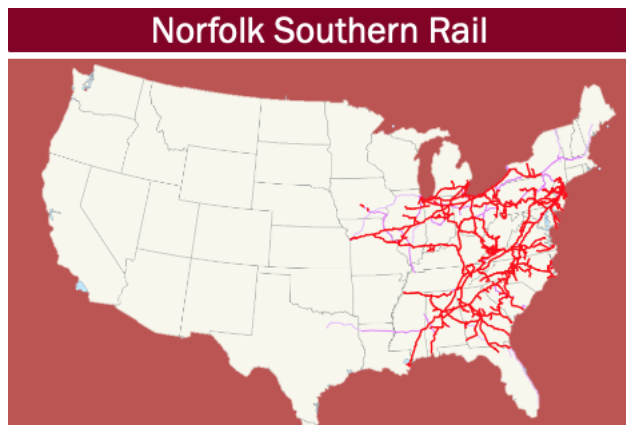
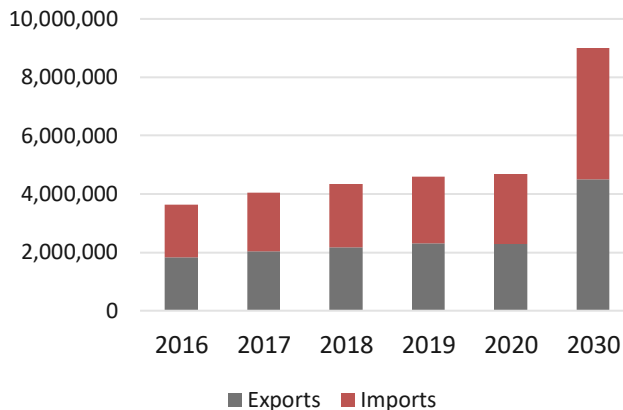
Cold Storage Overview

Cold storage is the warehousing or transportation of any temperature-controlled product that prevents that substance from decaying or not adhering to laws and regulations. These include products like perishable food, beverages, pharmaceuticals, and consumer products that can't survive in normal storage conditions. Based on the warehouse-type, the cold storage market has been segmented into private, semi-private, and public. Single-envelope construction technology is expected to replace the existing methods of constructing warehouses, helping to reduce overall construction time and costs of building material, operation, and maintenance. One main factor dominating the cold chain market is the power of consumers. Consumer tastes have changed and continue to evolve towards a preference for healthier fresh food products in a wide variety of options.

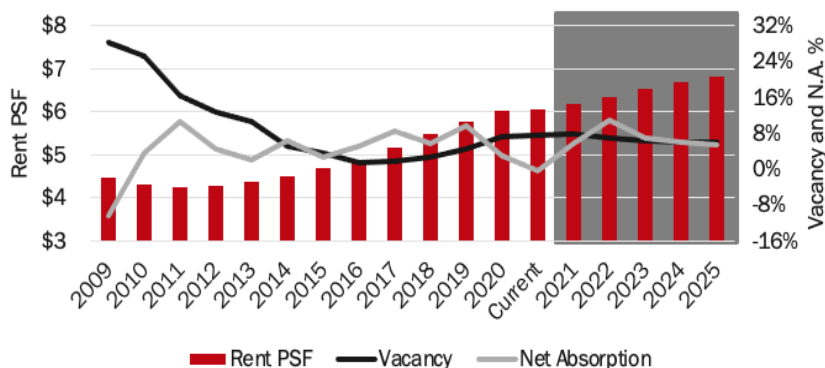
Logistical Distribution (JUSTIN)

The Crossgate Road land parcels are conveniently located just ½ mile from the largest single-container facility in the Western Hemisphere and the fastest growing port in America: The Port of Savannah. The state of Georgia operates in many ways like a business when it comes to their ports, they invest tax revenue into their ports to grow them so they can support more trade, which increases their future tax revenue exponentially. They plan to nearly double their TEU capacity by 2030. This plan includes deepening the Port from 42 to 47 feet, and adding 4 new neo-panamax cranes to support increased traffic. Additionally, the Georgia Ports Authority struck a deal with the St. Louis Regional Freightway to expand their rail network to connect Savannah to more markets. The property is directly abutting the Norfolk Southern Rail line, the largest intermodal network in North America. This rail line gives Savannah access to the entire eastern half of the United States. The parcel is minutes away from I-95, giving logistical access to 33% of the population.

Total Annual Container Trade



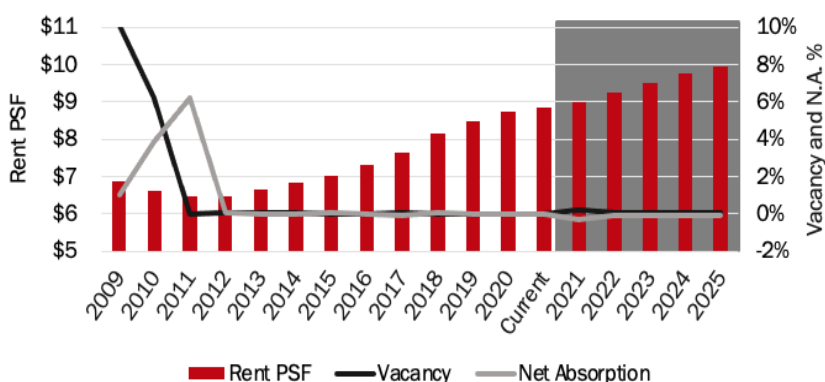
Savannah Industrial Market



Savannah, GA Market (JUSTIN)

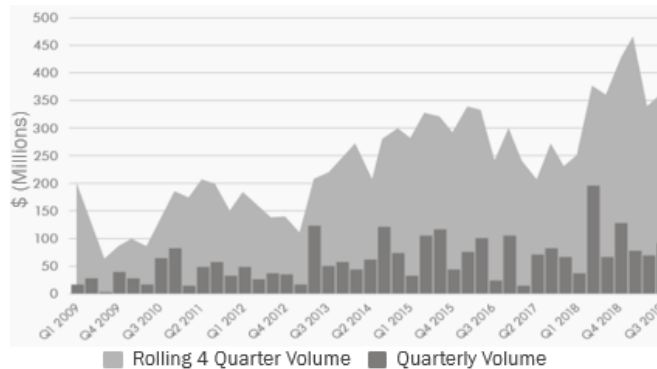
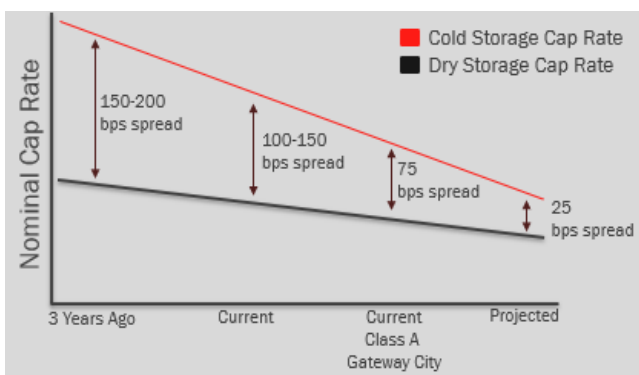
Georgia is a major logistical hub, which help it attract major tenants like Georgia Pacific, and many institutional and international real estate investment firms. The parcel is located in the submarket of Port Wentworth, which has the highest rent growth of any Savannah submarket. Another clear benefit of this submarket is its direct acces to the Port of Savannah, is the third largest port by volume in the nation. Despite this, the submarket has a lower rental rate than other submarkets which offers a low cost alternative to tenants. Currently, there is the fewest amount of sf under construction in the submarket in the past 3 years.

Port Wentworth Submarket – Specialized Industrial



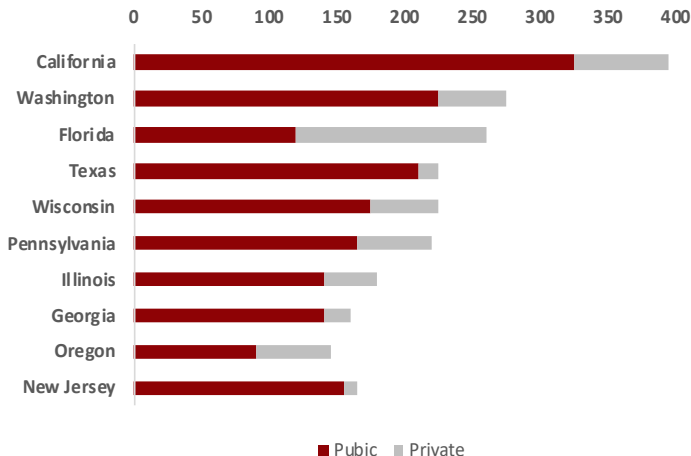
Cold Storage Cap Rate Compression

We believe this investment will deliver satisfactory returns to our investing partners due to the fact that cold storage cap rates are compressing, and ultimately converging with traditional dry storage industrial facility cap rates. According to JLL, just 3 short years ago cold storage cap rates were 150 to 200 bps above dry storage. Today, they are only 100-150 bps above, and class A properties in gateway cities like Savannah are only 75 bps above traditional warehouses. CBRE is projecting that this gap will converge further to only 25 bps in the coming years. This increase in demand for cold storage is shown by the fact that sales volume for these facilities has increased exponentially since 2009.



Growing Barriers to Entry Decreases Threat of New Entrants

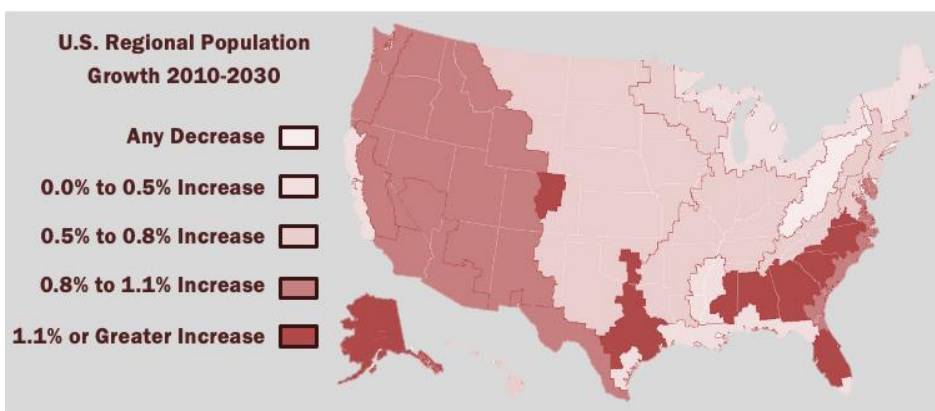
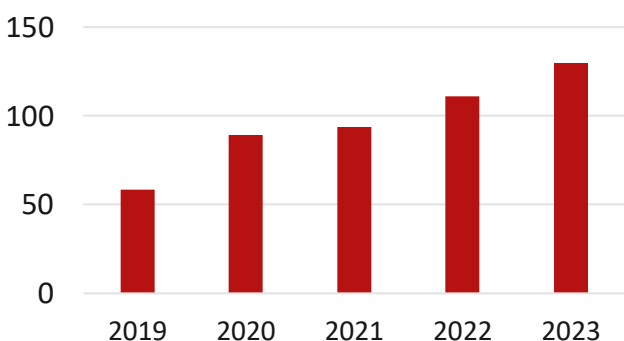
The barrier to entry is very high for industrial cold storage infrastructure from a cost and availability standpoint. There are a number of factors that influence these costs, including the cooling equipment, additional insulation, and the facilities location. Based on the warehouse-type, the cold storage market has been segmented into private & semi-private and public. The public segment led the market, in terms of revenue, in the past several years, and is expected to maintain dominance going forward. According to Global Cold Chain Alliance, the public warehouse capacity accounts for around 75% of the gross refrigerated storage capacity in U.S. Getting relatively ahead of this trend will provide a great opportunity to maintain demand in the future as the Port of Savannah continues to expand. New entrants will have an increasingly hard time in the future as supply shortens up and the industry continues to get more and more saturated.



Growing E-grocery Industry is Driving Demand

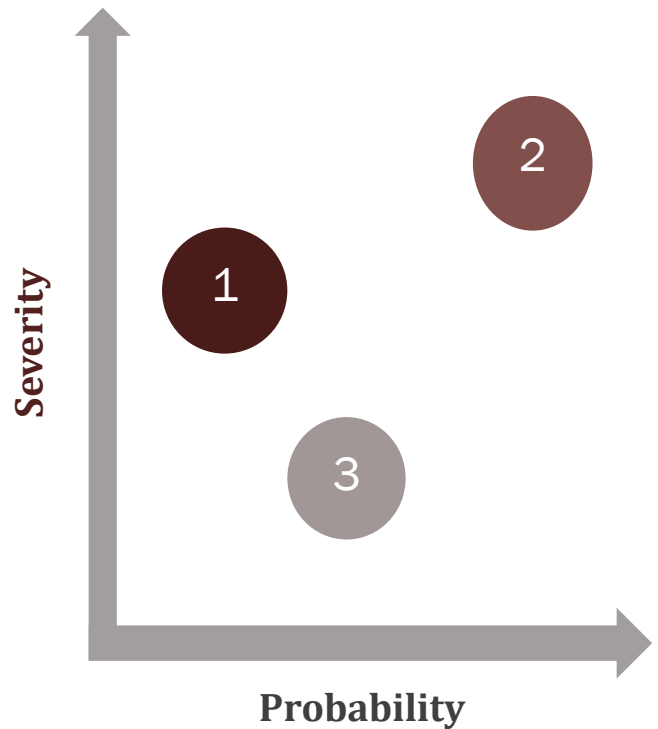
Due to the COVID-19 pandemic, most businesses have had to revert to remote options of operation, and grocery stores are not an exception. Most major grocers are slowing the reopen of their physical stores, along with the opening of new store locations and converting to online delivery platforms. This new process is key in generating demand for cold storage facilities as the stores need somewhere to store their products. In the next coming years, online grocery sales are expected to exceed \$100 billion dollars. This in hand will call for an additional 400 million square feet of cold storage space. As for cold storage in Georgia specifically, facilities must continue to expand in order to keep supply in pace with the rapid population growth of its occupants. Georgia is expected to see a 17.7% total population increase by 2030. Development of additional cold storage in Port Wentworth, Georgia would benefit the increasing demand for e-grocery storage space that has come from COVID-19, and that will continue to increase with Georgia’s growing population.

Grocery Ecommerce Sales



1) Significant Construction / Operating Costs

The average price to build a cold storage facility is ~\$130-\$180 per sf compared to an average warehouse which hovers around ~\$70-\$90 per sf. Cold storage facilities also face significantly higher energy costs than average industrial spaces. Operating 24 hours a day 7 days a week, they consume an enormous amount of power. This amount of overhead cost can be detrimental to new properties with high vacancy. Port expansion plans and southward migration patterns likely hedge against this potential risk, however. Currently more than 78% of the cold storage stock was built prior to 2000, and much of it is considered obsolete or inefficient. Fortunately, this investment will be new construction, which will come equipped with the latest HVAC controls and technologies already implemented to monitor and reduce energy consumption.



2) Power Outage Probability

The electrical grid is constantly being pushed to its limits due to industry and consumers' rapidly growing need for power, spikes in demand, and increasing global temperatures which can lead to temporary power loss. Cold storage and grocery operations are also more frequently dealing with power loss due to extreme weather events. Additionally, the expensive and continuously running refrigeration equipment required for temperature control can and sometimes does fail. The 2020 Atlantic hurricane season was the most active on record, and many of the storms that slammed into Southeastern U.S this year exhibited hallmark signs that they were fueled by global warming. Given Crossgate's 1 mile proximity to the port coupled with its state-of-the-art new construction, we believe it will be better positioned to weather these storms than some of their competitors in the area who may be either closer to the water and/or more out of date.

3) Highly Consolidated Industry

Many companies have strategically undergone major M&A activity over the past few years, effectively consolidating into several leading conglomerates. Because these merged companies typically have market depth advantages, smaller, independent 3PLs must come up with innovative ways to stay competitive in the market. However, on this flip side of this, due to such a heavily saturated marketplace all competing for similar customers, manufacturers are often hesitant to sign long-term contracts with single providers. Given the large number of providers, they frequently attempt to renegotiate contracts, which bodes well for a new development project.



Sources and Uses

Sources		Uses	
GP Equity	\$ 1,201,200	Land Acquisition	\$ 2,320,000
LP Equity	\$10,810,800	Construction Cost	\$32,000,000
Acquisition & Construction Loan	\$22,308,000		
Total Sources	\$34,320,000	Total Uses	\$34,320,000

Rent Roll

SF	Construction Period			Operating Period		
	2021	2022	2023	2024	2025	2026
200,000		\$ 2,282,400	\$ 2,340,000	\$ 2,390,400	\$ 2,438,208	

Year	Rent PSF					
	2021	2022	2023	2024	2025	2026
Port Wentworth Submarket Specialized Industrial Rent	\$ 9.01	\$ 9.25	\$ 9.51	\$ 9.75	\$ 9.96	\$ 10.16
Cold Storage/Location Premium of 20%	\$ 10.81	\$ 11.10	\$ 11.41	\$ 11.70	\$ 11.95	\$ 12.19

Pro Forma

	2021 Year 1	2022 Year 2	2023 Year 3	2024 Year 4	2025 Year 5	2026 Year 6
Potential Gross Income	\$ -	\$ -	\$ 2,282,400	\$ 2,340,000	\$ 2,390,400	\$ 2,438,208
Vacancy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Credit Loss	\$ -	\$ -	\$ 22,824	\$ 23,400	\$ 23,904	\$ 24,382
Effective Gross Income	\$ -	\$ -	\$ 2,259,576	\$ 2,316,600	\$ 2,366,496	\$ 2,413,826
Expense Reimbursements	\$ -	\$ -	\$ 1,021,830	\$ 1,047,000	\$ 1,069,366	\$ 1,090,753
Total Operating Revenue	\$ -	\$ -	\$ 3,281,406	\$ 3,363,600	\$ 3,435,862	\$ 3,504,579
Electricity and Utilities	\$ -	\$ -	\$ (903,830)	\$ (926,640)	\$ (946,598)	\$ (965,530)
Real Estate Taxes	\$ -	\$ -	\$ (28,000)	\$ (28,560)	\$ (29,131)	\$ (29,714)
Property Insurance	\$ -	\$ -	\$ (90,000)	\$ (91,800)	\$ (93,636)	\$ (95,509)
Management Fee	\$ -	\$ -	\$ (112,979)	\$ (115,830)	\$ (118,325)	\$ (120,691)
Total Operating Expenses	\$ -	\$ -	\$ (1,134,809)	\$ (1,162,830)	\$ (1,187,690)	\$ (1,211,444)
Net Operating Income	\$ -	\$ -	\$ 2,146,597	\$ 2,200,770	\$ 2,248,171	\$ 2,293,135
Debt Service	\$ (892,320)	\$ (892,320)	\$ (892,320)	\$ (892,320)	\$ (892,320)	\$ -
Capital Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Acquisition Costs	\$ (1,160,000)	\$ (1,160,000)	\$ -	\$ -	\$ -	\$ -
Construction Costs	\$ (16,000,000)	\$ (16,000,000)	\$ -	\$ -	\$ -	\$ -
Reversion Sale Price	\$ -	\$ -	\$ -	\$ -	\$ 45,862,692	\$ -
Property Before Tax Cash Flow from Operations	\$ (892,320)	\$ (892,320)	\$ 1,254,277	\$ 1,308,450	\$ 1,355,851	\$ 2,293,135
Property Before Tax Cash Flow	\$ (18,052,320)	\$ (18,052,320)	\$ 1,254,277	\$ 1,308,450	\$ 47,218,544	\$ 2,293,135
DSCR (Interest Only, 4%)			2.4x	2.5x	2.5x	
DSCR (3.5%, 25 yr.)			1.6x	1.6x	1.7x	
DY (Interest Only, 4%)			9.6%	9.9%	10.1%	
Exit Cap Rate	5.00%					
IRR	9.82%					

Equity Waterfall

	2021 Year 1	2022 Year 2	2023 Year 3	2024 Year 4	2025 Year 5
Entity Level Cash Flows:					
Entity Level Operational EBTCF	\$ (18,052,320)	\$ (18,052,320)	\$ 1,254,277	\$ 1,308,450	\$ 1,355,851
Entity Level Reversion EBTCF	\$ -	\$ -	\$ -	\$ -	\$ 45,862,692
Entity Level EBTCF	9.82% \$ (18,052,320)	\$ (18,052,320)	\$ 1,254,277	\$ 1,308,450	\$ 47,218,544
LP Equity Capital Account:					
Beginning Equity Investment Balance	\$ 10,810,800	\$ 12,300,288	\$ 13,908,935	\$ 13,908,935	\$ 13,908,935
Preferred Return Earned	\$ 864,864	\$ 984,023	\$ 1,112,715	\$ 1,112,715	\$ 1,112,715
Accrued But Unpaid Preferred Return	\$ 864,864	\$ 984,023	\$ -	\$ -	\$ -
Preferred Return Paid	\$ -	\$ -	\$ 1,112,715	\$ 1,112,715	\$ 1,112,715
Additional Capital	\$ 624,624	\$ 624,624	\$ -	\$ -	\$ -
Ending Equity Investment Balance	\$ 12,300,288	\$ 13,908,935	\$ 13,908,935	\$ 13,908,935	\$ 13,908,935
GP Equity Capital Account:					
Beginning Equity Investment Balance	\$ 1,201,200	\$ 1,468,896	\$ 1,736,592	\$ 1,736,592	\$ 1,736,592
Additional Capital	\$ 267,696	\$ 267,696	\$ -	\$ -	\$ -
Ending Equity Investment Balance	\$ 1,468,896	\$ 1,736,592	\$ 1,736,592	\$ 1,736,592	\$ 1,736,592
Operational Cash Flow:					
LP Level Cash Flows: 70%	\$ -	\$ -	\$ 99,094	\$ 137,015	\$ 170,195
GP Level Cash Flows: 30%	\$ -	\$ -	\$ 42,469	\$ 58,721	\$ 72,941
Reversion Allocations:					
Sale Price					\$ 45,862,692
Closing Costs					\$ (2,293,135)
Remaining Principal					\$ (22,308,000)
LP Return of Equity					\$ (13,908,935)
GP Return of Equity					\$ (1,736,592)
Remaining Equity					\$ 5,616,031
LP Additional Proceeds					\$ 3,931,222
GP Additional Proceeds					\$ 1,684,809
Reversion cash flow:					
LP Level Cash Flows:					\$ 17,840,157
GP Level Cash Flows:					\$ 3,421,401
Total EBTCF:					
		IRR			
LP Level Cash Flows:	19.12% \$ (6,030,024)	\$ (6,030,024)	\$ 1,211,808	\$ 1,249,729	\$ 19,123,067
GP Level Cash Flows:	23.27% \$ (868,296)	\$ (868,296)	\$ 42,469	\$ 58,721	\$ 3,494,342

