

# INVESTMENT CRITERIA

**Acquisitions, Joint-Ventures, Senior/  
Mezzanine Debt, and Preferred Equity**







American Realty Advisors is a private equity real estate investment manager of institutional quality commercial real estate portfolios with more than 600 investors and over \$12.3 billion<sup>1</sup> in assets under management.

With a national footprint, 34-year track record and a deep understanding of each market, ARA’s investment professionals source opportunities nationwide leveraging its extensive network of principals, partners, brokers, developers, lenders, industry contacts, and local market experts. We believe our experience and investment process assures potential sellers and partners that transactions can be executed quickly and successfully.

<sup>1</sup> Preliminary as of June 30, 2023

ARA values the strong relationships with our partners and borrowers, as well as our reputation as a trusted and reliable investor active in U.S. institutional real estate. We continually seek to establish new relationships with experienced real estate operators to strengthen our current joint-venture partner and borrower network.

REAL ESTATE INVESTMENT PARAMETERS

Investment Structures	Property/portfolio acquisitions or recapitalizations, direct equity, joint-venture equity, mezzanine and preferred equity, high leverage senior loans and full capital stack debt and equity structures
Investment Strategies	Core, core-plus, and value-add
Asset Types	Industrial, residential (multi-family and single-family rental), office, retail, and select investments in hotel, medical office, self-storage, climate-controlled warehouse, life sciences or lab, mixed-use, entitlement, and/or age-restricted housing
Target Investment Size	\$20 to \$500 million (the acquisition of smaller industrial assets will be considered)
Leverage	All cash or moderate use of leverage (up to 65%) including the assumption of debt as part of an acquisition
Investment Terms	3 to 7 years; with longer terms up to 10 years considered for core strategies



PROPERTY  
TYPE  
STRATEGIES



A Focus on Quality Institutional Real Estate Assets

ARA seeks to invest in institutional-quality industrial, multi-family and single-family rental, office, and retail properties and other select investments, either directly or through joint-ventures or debt structures. Our research-driven investment strategy for core assets evaluates the merits of any proposed acquisition and is illustrated below by specific property type examples.

ARA also pursues core-plus and value-added investment opportunities in the above property types that include the following strategies: renovation, re-tenanting, repositioning, lease-up opportunities, distressed debt/ownership, poorly-managed assets, re-capitalization, significant near-term lease rollover, market recovery, and/or development.

EXAMPLES OF CORE ASSETS<sup>1</sup>



**OFFICE**  
**121 SEAPORT**  
**BOSTON, MA**

- Best-in-class office properties
- CBD and urban districts
- Transit-oriented properties
- Strong industry demand drivers



**RESIDENTIAL**  
**NORTHSHORE**  
**AUSTIN, TX**

- Strong housing markets
- High-income demographics
- Modern design
- Transit-oriented locations
- Near employment and retail centers



**INDUSTRIAL**  
**LOGAN LOGISTICS CENTER**  
**LOGAN TOWNSHIP, NJ**

- Class A bulk distribution and light manufacturing
- Port and supply-constrained locations
- Newer or functional older properties



**INDUSTRIAL**  
**NYC URBAN LOGISTICS CENTER**  
**NEW YORK, NY**

- Strategic last-mile locations
- Pricing reflective of lease term, tenant credit, property and characteristics
- New construction to target user-demand

<sup>1</sup> The example assets shown represent the largest core residential and office and the two largest core industrial acquisitions based on purchase price as of December 31, 2022.



# JOINT-VENTURE INVESTMENTS

## JV INVESTMENT PARAMETERS

Investment Structures	Joint-venture and preferred equity for acquisitions, repositionings, lease-ups, developments, workouts, recapitalizations, partnership buyouts and restructures
Equity Investment Size	\$15 to \$150 million (will consider higher size in certain situations)
Gross Deal Size	\$20 to \$500 million (per asset) - (investments in smaller industrial assets will be considered)
Senior Leverage	50% to 65% (will consider higher leverage in certain situations)
Investment Terms	3 to 5 years; with longer terms up to 10 years considered in select circumstances
Yield Parameters	10%+ internal rate of return, depending on leverage/risk. Preferred returns (joint-venture equity) range from 7% to 10%
Asset Types	Existing income-producing assets and transitional institutional-quality projects of the following commercial real estate types: industrial, multi-family, single-family rental, office, retail (preference for neighborhood centers anchored by grocers/drug stores), mixed-use, and select investments in hotel, medical office, self-storage, climate-controlled warehouse, life science and lab, land, and/or age-restricted housing

# REPRESENTATIVE JOINT-VENTURE REAL ESTATE TRANSACTIONS<sup>1</sup>



**ELLIE APARTMENTS**  
AUSTIN, TX

- Targeted Austin as a growth market with significant corporate and population in-migration
- Acquired off-market at favorable basis in partnership with seasoned national operator
- Upgrade unit interiors and community amenities while offering lower rents relative to newer product



**KYLE 35 LOGISTICS PARK**  
KYLE, TX

- Five buildings with different functional design characteristics
- Newly constructed (May 2023), 1.4 million-square-foot industrial development located just outside of Austin, Texas, with strong interstate access
- Increasing barriers to entry as municipality is enforcing restrictions on future industrial development



**VILLAE ATX**  
AUSTIN, TX

- To-be developed, 65-unit single-family rental property on 3.16-acres
- Favorable investment basis compared with existing stabilized residential product in the market which are trading above replacement cost
- Purpose built community to capture high-demand for single-family housing with direct access garages and attractive layouts



**BRIDGES MURRIETA**  
MURRIETTA, CA

- To-be-developed, two-phase, 540-unit Class A garden-style apartment community
- Under supplied market with strong population increases driving residential rent growth
- Cost-basis investment with favorable appreciation potential based on recent trades<sup>2</sup>

1 Assets were selected based on the following criteria: largest industrial and suburban residential development (measured by total development budget); only ground-up, single-family build-to-rent development; most recently acquired urban residential development.

2 There is no guarantee that ARA will be able to deliver such returns, capital preservation, or growth, as many factors such as changes in market conditions, interest rates, and responses to other economic, political, or financial developments may influence returns and capital preservation.



# STRUCTURED INVESTMENTS



## Flexible and Asset-Specific Capital Solutions

ARA is aggressively seeking preferred equity and mezzanine debt investments for its fully discretionary private fund vehicles and has ample committed capital targeted to this program. We have deep experience with complex investment/legal structuring to address sponsor tax/accounting and economic objectives, existing or new senior lender requirements, etc. We have extensive senior lender relationships cultivated over our nearly 40 years in the real estate investment management business.

# STRUCTURED INVESTMENTS

Size	\$10 to \$50 million of equity per investment
Maximum Project Capitalization	\$250 million
LTC/LTV	75-90%
Purpose	To fund recapitalizations/refinances, partner buy-outs, lender DPOs/note purchases, new acquisitions, development capital
Pricing	Pay rate of 10-15% depending upon risk profile, low-to high-teens targeted total return through some form of profit participation or equity multiple look-back/exit fee. Pricing will reflect attachment point of the position relative to senior debt (unleveraged structures are acceptable)
Structure	Flexibility to do both hard (current pay) and soft pay (current with some accrual, all accrual)
Term	Generally 3 to 7 years, co-terminous with senior loan
Prepayment	Prepayable subject to a minimum make-whole (generally 2-3 years) or equity multiple
Property Types	Acquisition/recapitalization of industrial, residential, office, retail, and select specialty asset types. Ground-up development of industrial, residential, select specialty asset types and office (on a more selective basis and with some pre-leasing)

MEET  
OUR  
TEAM



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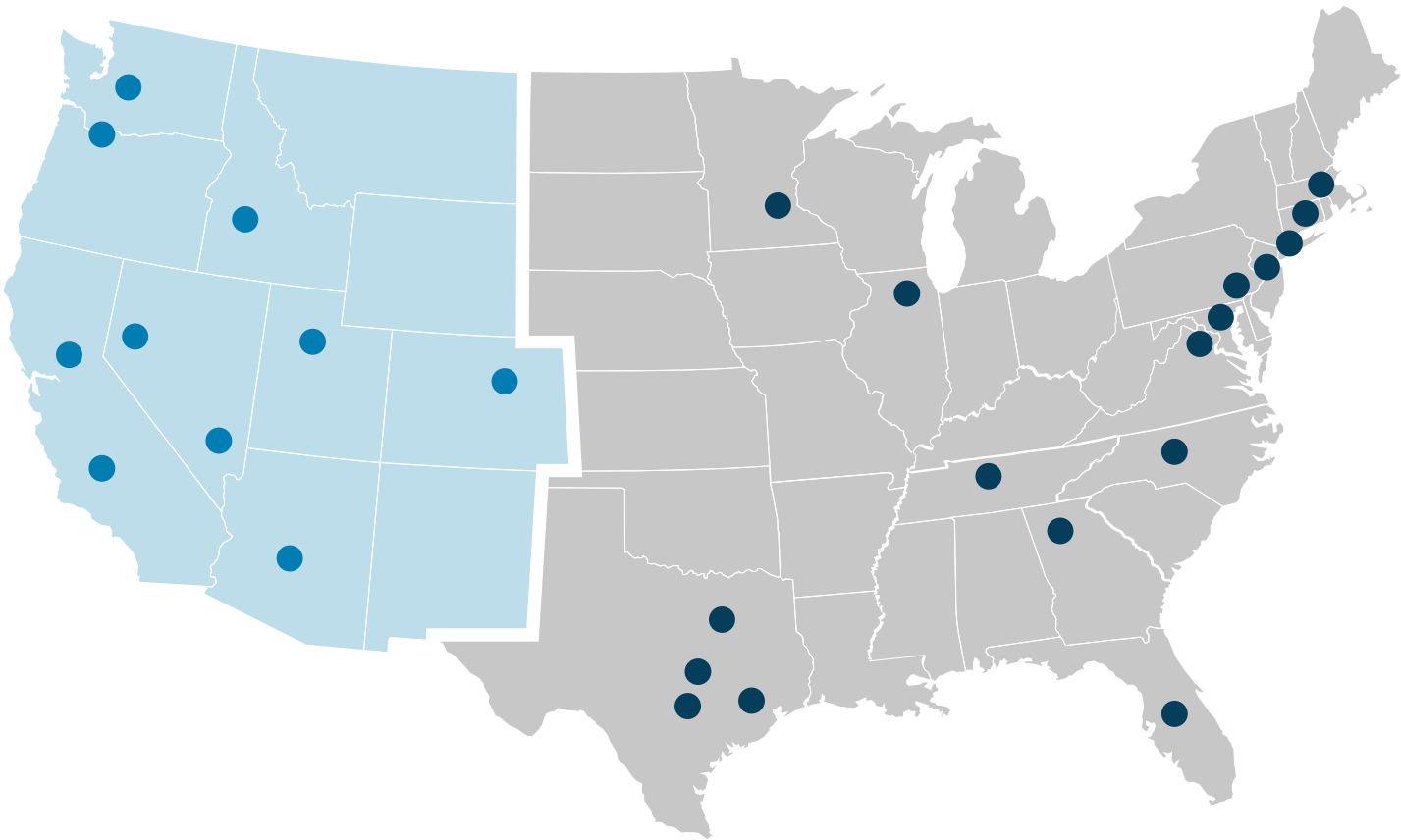


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TARGET METROPOLITAN AREAS



WEST REGION

- DESERT**  
Las Vegas  
Phoenix  
Reno
- MOUNTAIN**  
Boise  
Denver  
Salt Lake City
- PACIFIC**  
Bay Area  
Southern California
- PACIFIC NORTHWEST**  
Portland  
Seattle

EAST REGION

- MID-ATLANTIC**  
Baltimore  
Washington D.C.
- SOUTHEAST**  
Atlanta  
Florida  
Nashville  
North Carolina
- SOUTHWEST**  
Austin  
Dallas  
Houston  
San Antonio
- MIDWEST**  
Chicago  
Minneapolis
- NORTHEAST**  
Boston  
Connecticut  
New Jersey  
New York  
Philadelphia

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**To learn more about our equity and debt investments, visit:**  
**[www.aracapital.com/equity-and-debt-investments](http://www.aracapital.com/equity-and-debt-investments)**



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Signatory of:



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