

IDEAL

CAPITAL GROUP

INCOME • **D**EPRECIATION • **E**QUITY • **A**PPRECIATION • **L**EVERAGE

Who We Are.

IDEAL Capital Group (“IDEAL”) is a private real estate investment firm focused exclusively on California multifamily value-add acquisitions. Evolved from a closely-held family company initiated over four decades ago, IDEAL has an extensive track record having developed and acquired over \$1.5 billion of real estate assets representing over 10,000 units, presently operating over 160 partnerships on behalf of institutional investors and private equity clients alike.

\$1.5B + **\$500M** + **35**
DEVELOPMENT VOLUME INVESTOR EQUITY PLACED YEAR HISTORY



Preservation First, Appreciation Second.

We operate from a financially prudent “preservation first, appreciation second” approach, ensuring that quality and stability are foundational to everything we do. By focusing on acquiring assets below replacement cost, implementing strategic renovations, and increasing operational efficiency, we build reliable and meaningful value for our investors.



\$700M

**ASSETS UNDER
MANAGEMENT**

Our Values & Partners

We're **relationship people**, which means that the strength, integrity, and duration of our partnerships with clients, lenders, and investors matter to us. And as partners, we always invest significant capital into every deal we do.

PARTNERS



Our Strategy

Our multifamily operational history dates back to the late 1980's, giving us significant proprietary data in acquisitions, management, rehabilitation, and repositioning strategies.

We know multifamily and we know what residents value. Where one might see a tired maintenance shed, we see an opportunity for a valuable poolside resident gym. Our extensive knowledge of management operations, construction, and maintenance enables our team to craft a customized strategy to force appreciation through value-added renovations and operational efficiencies. And where value is increased, so are returns to our investors.



Our Underwriting Process

We have built a significant pipeline of on and off market deals from national, regional, and local brokers throughout the state. Because we have access to so many deals, we can underwrite with precision and offer on only the deals with the highest value potential.

Our financial models are conservative and go through multiple layers of revisions and stress testing. Each property must get full approval from our asset management, construction, and acquisition teams.

ACQUISITION PROCESS



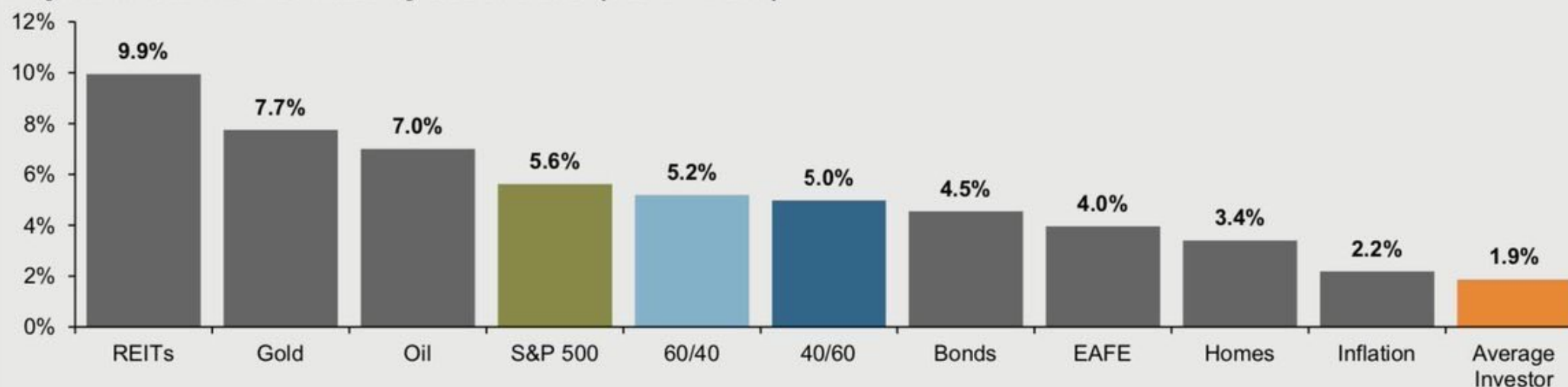
ACQUIRE PROPERTY

Why Real Estate?

“IDEAL” FUNDAMENTALS.

We believe real estate offers the best risk-adjusted returns due to real estate's unique ability to produce regular income, depreciation tax benefits, equity growth, appreciation in asset value, and the ability to utilize cheap, long-term leverage.

20-year annualized returns by asset class (1999 – 2018)



Source: J.P. Morgan Asset Management; (Top) Barclays, Bloomberg, FactSet, Standard & Poor's; (Bottom) Dalbar Inc.
 Indices used are as follows: REITS: NAREIT Equity REIT Index, EAFE: MSCI EAFE, Oil: WTI Index, Bonds: Bloomberg Barclays U.S. Aggregate Index, Homes: median sale price of existing single-family homes, Gold: USD/troy oz., Inflation: CPI. 60/40: A balanced portfolio with 60% invested in S&P 500 Index and 40% invested in high-quality U.S. fixed income, represented by the Bloomberg Barclays U.S. Aggregate Index. The portfolio is rebalanced annually. Average asset allocation investor return is based on an analysis by Dalbar Inc., which utilizes the net of aggregate mutual fund sales, redemptions and exchanges each month as a measure of investor behavior. Returns are annualized (and total return where applicable) and represent the 20-year period ending 12/31/18 to match Dalbar's most recent analysis.
 Guide to the Markets – U.S. Data are as of March 31, 2019.

J.P.Morgan
 Asset Management



Why Multi-Family?

People always need a place to live.

We specifically target **below replacement cost** apartments in California markets with **strong, long-term employment fundamentals**, catering to populations who are defined as being “**renters by necessity**.”

Why California?

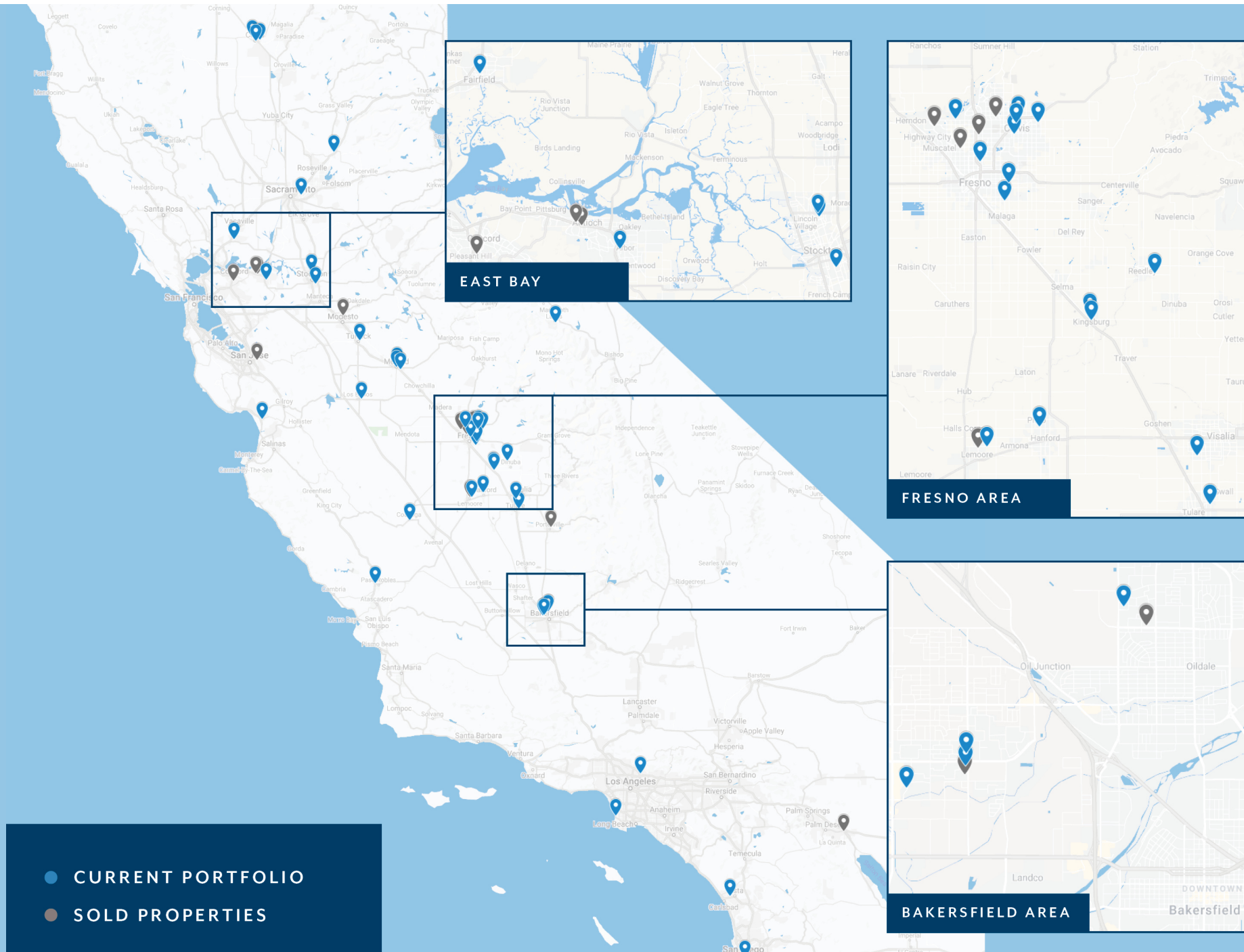
At IDEAL, we focus on the one area we know best: Apartments in California.

California is highly desirable, but local zoning laws and CEQA make building new apartments difficult. According to McKinsey and Co., California needs to build **100,000+ more homes** per year than it is currently construction *just to keep up with demand*.



<https://www.mckinsey.com/~media/McKinsey/Featured%20Insights/Urbanization/Closing%20Californias%20housing%20gap/Closing-Californias-housing-gap-Full-report.ashx>

- CURRENT PORTFOLIO
- SOLD PROPERTIES



CASE STUDY 1

Oak View, Visalia CA

IDEAL acquired this 237-unit apartment community in 2017 for \$25.4 million through a joint venture relationship with Aegon. We extensively renovated the interiors and exteriors of the project including recreational areas, increasing average rents several hundred dollars. Based upon current valuations, the total return from cash flow and equity appreciation exceeds 2.05x on equity.

HOLD
PERIOD

2

YEARS

INTERNAL RATE OF
RETURN

27%

EQUITY
APPRECIATION

2.05X



BEFORE



AFTER

CASE STUDY 2

Oak Valley, Tulare, CA

IDEAL acquired this 109-unit apartment community in 2017 for \$10.8 million through a joint venture relationship with Aegon. IDEAL revamped the clubhouse, created a children's soccer field, and transformed the unit interiors. Based upon current valuations, the total return from cash flow and equity, appreciation exceeds 1.76x on equity.

HOLD
PERIOD

2

YEARS

INTERNAL RATE OF
RETURN

34.19%

EQUITY
APPRECIATION

1.76X



BEFORE



AFTER

CASE STUDY 3

Elements at 901, Kingsburg, CA

IDEAL acquired this 104-unit apartment community in 2017 for \$10.7 million through a joint venture relationship with Aegon. We rebranded the site from “Kings Pointe” to “Elements at 901” to bring a distinctive feel to the community, differentiating the asset from non-institutional properties in its submarket. Improvements included a significant transformation of the pool area with a conversion of a maintenance shed into a fitness center and unit interior upgrades including stone countertops. Based upon current valuations, the total return from cash flow and equity appreciation exceeds 2.06x on equity.

HOLD
PERIOD

2

YEARS

INTERNAL RATE OF
RETURN

28.27%

EQUITY
APPRECIATION

2.06X



BEFORE



AFTER

CASE STUDY 4

Elements at 1600, Fairfield, CA

IDEAL acquired this 120-unit apartment community in 2017 for \$19.2 million through a joint venture relationship with Aegon. IDEAL rebranded the site to “Elements at 1600,” added a tot lot and BBQ pits, and extensively renovated all unit interiors. In addition, we renovated exteriors, added new windows, and updated the landscaping. Rents were increased from an average occupied of \$1,198 to achieving an average of \$1,850 on new leases within 12 months. Based upon current valuations, the total return from cash flow and equity appreciation exceeds 1.31x on equity.

HOLD
PERIOD
1.5
YEARS

INTERNAL RATE OF
RETURN
15.86%

EQUITY
APPRECIATION
1.31X



BEFORE



AFTER

RECENT ADDITION

Entrada, San Diego, CA

IDEAL acquired the 172-unit Entrada site in San Diego, California in January 2019 for \$46,600,000 through a joint venture relationship with Hanover Financial. IDEAL is in the midst of a capital renovation plan, transforming the exterior façade, rooftop deck, courtyard, clubhouse, and unit interiors.

APARTMENT UNITS

172ASSET
PRICE**\$46.6M**RENOVATION
BUDGET**\$3.8M**

BEFORE



PLANNED

RECENT ADDITION

Elements 616, Redondo Beach, CA

In May of 2019, IDEAL purchased Novella in Redondo Beach, a distressed coastal asset ripe for value-add repositioning. At the time of closing, Novella was 12% occupied and required \$5,000,000 of rehabilitation. IDEAL recognized the rare opportunity to reposition a distressed coastal core asset in a deeply supply-constrained market into premier housing in a stellar location. IDEAL has rebranded Novella into Elements 616 and is currently leveraging its deep construction expertise to reposition the asset into a multifamily gem in the highly desirable South Bay region of Los Angeles.

APARTMENT UNITS

105

ASSET
PRICE

\$53.5M

RENOVATION
BUDGET

\$5.4M



BEFORE

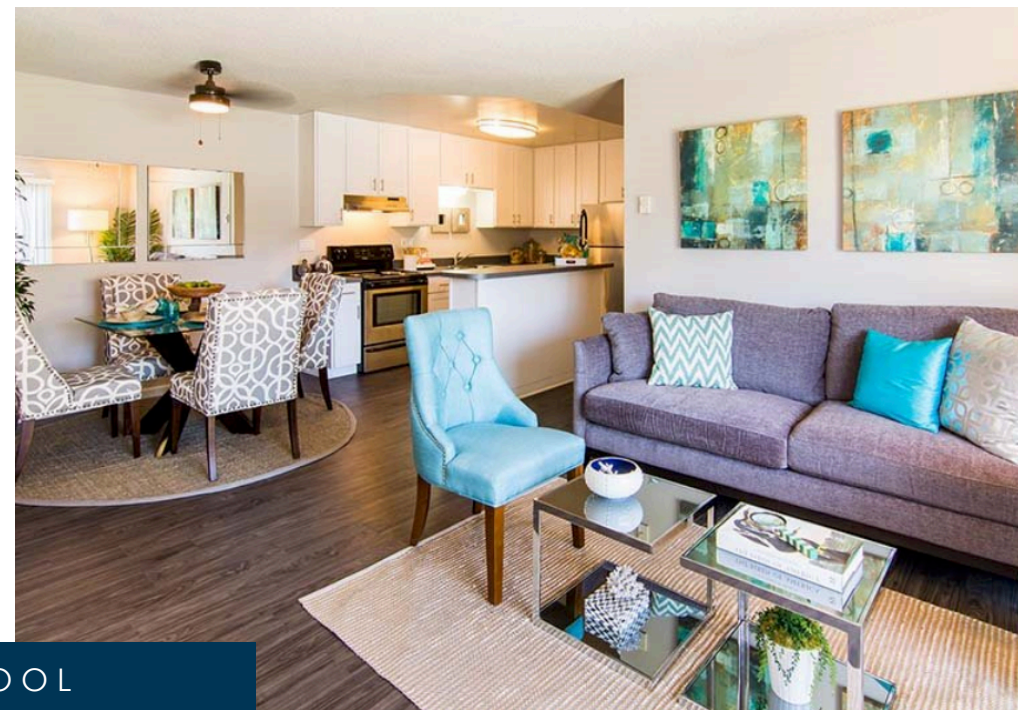


AFTER

RECENT ADDITION

Sunterra, Oceanside, CA

IDEAL acquired Sunterra apartments for \$66,250,000 in August of 2019 through a joint venture with Aegon. IDEAL plans on renovating the exteriors by replacing all windows with dual panes, replacing the garage doors and motors, revamping the pool area with cabanas and fire pits, and re-creating the common grass areas with gathering spaces. The interiors will receive a new update with all new appliances, countertops, and new bathroom and kitchen finishes.

APARTMENT
UNITS**240**ASSET
PRICE**\$66.2M**RENOVATION
BUDGET**\$5.4M**

POOL



UNITS

Investing With IDEAL

We invest in every deal we execute and we invite select, qualified investors to invest alongside us. A projection of a typical investment with IDEAL is as follows:

SAMPLE INVESTMENT

| | |
|-------------------|--|
| AMOUNT Invested | \$500,000 |
| HOLD PERIOD | Four Years |
| YEAR 1 Cash Flow: | \$25,000 Distribution |
| YEAR 2 Cash Flow: | \$35,000 Distribution |
| YEAR 3 Cash Flow: | \$40,000 Distribution |
| YEAR 4 at Sale | \$645,000 Distribution (\$45,000 Cash Flow Year 4 \$100,000 Appreciation \$500,000 Return of Capital) |

FOUR YEAR TOTAL RETURN

49%

**\$745,000 total return
on the \$500,000 investment**

Investors also get pro rata depreciation
benefits and passivity.

The example shown above is not a guarantee of future performance. The example represents merely hypothetical potential investment performance. Investment returns and principal value will fluctuate, so that investors' investments, when sold, may be worth more or less than their original cost. Please refer to the fund documents for each individual real estate fund for a full list of potential risks.

Acquisition Criteria

IDEAL Capital Group concentrates on California multifamily acquisitions. We consistently seek and assess new opportunities with the following criteria:

- Vintage: 1978+
- Minimum asset size of 100 units
- Priced between \$20M - \$100M+
- Value-add potential
- Key metros: Bay Area, Sacramento, Central Valley, San Luis Obispo, Orange County, Los Angeles, Riverside, San Diego

We will also consider assets that fall outside these criteria on a case-by-case basis.

We have the ability to close on complicated and time constrained transactions.

Some of our recent closings included acquisition of a twenty-one property portfolio valued at \$300 million and a 42-day closing on a 105 unit property with \$5,000,000 of immediate needs including significant exterior maintenance repairs and only 12% occupancy.

Meet Our Executive Team



AUSTIN HERZOG
PRESIDENT

Austin entered the multifamily industry in 2005 as a developer, finance specialist and portfolio manager and currently serves as President of IDEAL Capital Group and Real Estate Development Services, Inc. (REDS). His areas of specialty include affordable and market rate acquisitions, development, finance, construction oversight, portfolio asset management, dispositions, and restructuring. Austin's highly specialized ability to recognize and implement asset repositioning opportunities has allowed IDEAL to successfully establish and maintain strategic long-term industry relationships with brokers, lenders, and equity partners to deliver consistent results and above-market returns.

Under Austin's direction, IDEAL Capital Group and REDS have completed over \$500 million in financing representing \$825 million in total development costs on approximately 5,000 units.



JERRY LEMMON
CHIEF OPERATING
OFFICER

Jerry has worked in the property management industry since 1985, with a skill set in asset management, pro forma evaluations, new business development, and client interface. He participates in development, value-add, acquisitions, dispositions, refinancings, and workouts. As COO, Jerry has a key role in investor relations and reporting, directly overseeing asset performance in collaboration with IDEAL's third-party management company.

Prior to joining IDEAL, he was an Executive Vice President at WinnResidential overseeing the property management operations of a national portfolio valued \$2.9 billion, with assets including conventional, Section 42, and bond-financed communities, managed for third-party clients including REITS, pension funds, and private equity.

**TOM WILEY**

VICE PRESIDENT
OF CONSTRUCTION
MANAGEMENT

Tom has over 35 years of experience in multifamily construction, rehabilitation and facilities maintenance, with assets ranging from Class A to value-add rehabilitation opportunities in garden, mid-rise, and tower communities nationwide. Prior to joining IDEAL, Tom was the Senior Director of Facilities at WinnResidential, responsible for operations of more than 16,000 residential units plus one million square feet of commercial space in seven states.

As IDEAL's VP of Construction Management, Tom focuses on pre-acquisition strategic planning including budget-driven renovation scopes and capital enhancements. Further, he develops the post-acquisition physical asset implementation plans in collaboration with IDEAL's third-party management company, a key step in ensuring long-term operational efficiency. Tom has key roles in contractor oversight, bid management, and overall implementation of the firm's construction strategies, ensuring that projects are completed on time and on budget.

**KEVIN CONWAY**

DIRECTOR OF
ACQUISITIONS

Kevin Conway manages front-end operations of IDEAL's value-add platform, completing \$320M in transactions in the past twenty-four months with multiple institutional and private equity partners. He is a licensed attorney with the California State Bar, informing his technical approach to sourcing new acquisitions and structuring partnerships.

Kevin is responsible for negotiating, drafting and analyzing legal documents and creating underwriting models related to the acquisition of each property. He also directs market assessment and in-house analysis for each new investment considered.

Kevin is a graduate of the University of Southern California Gould School of Law, and a cum laude graduate from the University of California, Los Angeles where he earned a degree in philosophy with an emphasis on logic.

**PETER HERZOG**

CHAIRMAN AND
ADVISOR

Peter serves as the Chairman and Advisor to IDEAL. His primary scope of activity currently includes the direction of the Advisory Board and executive management of portfolio operations.

Since 1984, Peter has been responsible for the development and finance of over 15,000 apartment units in California. Much of his energy has been focused on exploring and utilizing a broad range of tax-exempt and conventional financing options through the changing needs of multiple economic and industry cycles. Under his guidance, Peter has secured in excess of \$800 million in tax-exempt bond, tax credit, and conventional financing for multi-family and seniors developments.

Contact

We always strive to develop new relationships. Please contact us at any time to discuss your questions and goals, or to explore possibilities.

KEVIN CONWAY

DIRECTOR OF ACQUISITIONS

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