MOSSER
CAPITAL

SF 23 BUILDING SAN FRANCISCO PORTFOLIO INVESTMENT SUMMARY

MARCH 2024

Properties:	23	**Leverage:**	$138,770,722
Property Address:	Various	**Initial Loan-to-Value:**	60%
City	San Francisco	**Going-in Cap Rate [2]:**	6.24%
Sub-Markets:	Various	**Gross Rental Multiple:**	8.87x
Year Built:	Various	**Loss-to-Lease:**	14.3%
Number of Units (Residential/Retail):	762 / 18	**Mark-to-Market Cap Rate:**	7.9%
Total Rentable Square Footage (in-place):	463,743	**Year of Stabilization:**	3
Total Rentable Square Footage (exit):	468,898	**Y1 Yield-on-Cost[3]:**	5.63%
Occupancy at Close:	91%	**Stabilized Yield-on-Cost:**	6.80%
In-Place Loss-to-Lease:	14%	**Y1 Cash-on-Cash Yield:**	0.07%
Average In-Place Tenant Tenure:	8.68 years	**Stabilized Cash-on-Cash Yield[4]:**	5.79%
Purchase Price:	$230,000,000	**Sale Year:**	5
Purchase Price Per Unit:	$294,872	**Exit Price Per Unit:**	$413,467
Purchase Price RSF:	$496	**Exit Price RSF:**	$697
Total Investment[1]:	$241,544,028	**Exit Cap Rate:**	5.45%
Total Investment Per Unit:	$305,752	**Exit GRM:**	10.30x
Total Investment RSF:	$521	**5-Year Unlevered IRR / Multiple:**	10.97% / 1.6x
Total Gross Investor Equity:	$93,791,719	**5-Year Levered IRR/Multiple:**	16.98% / 2.0x
Total Net Investor Equity:	$95,315,681	**5-Year Net Levered IRR/Multiple:**	14.02% / 1.8x
Equity Splits:	98% / 2%		

(1) Includes Capex, Unit Renovations and TI/LC for the Hold Period

(2) In-place NOI with vacancies at market rents / Purchase Price

(3) NOI / Purchase Price over hold period

(4) Stabilized cash on cash does not include a refinance at stabilization in year 3, which results in a 51% cash on cash for that specific year.

Valuation Metrics

	$	$/Unit	$/SF	%
Purchase Price:	**$230,000,000**	**$301,837**	**$323**	94.3%
Unit Renovation CapEx:	$4,156,656	$5,455	$6	1.7%
Base Building CapEx:	$6,427,024	$8,434	$9	2.6%
ADU Buildout:	$0	$0	$0	0.0%
Construction Mgmt Fee:	$321,351	$422	$0	0.1%
TI/LCs:	$638,997	$839	$1	0.3%
Closing/Financing Costs + Reserves	$2,361,028	$3,098	$3	1.0%
Operating + Debt Shortfalls	$0	$0	$0	0.0%
Total Uses + Recycled Capital:	$243,905,056	$320,085	$343	100.0%

Unit Overview

Unit Type	# of Units	Average Square Feet	In Place Rents	Renovated Market Rents	Renovated Market Rents PSF
EFF	61	220	$1,614	$1,595	$7.27
STUDIO	222	405	$1,831	$2,224	$5.49
JR1BD	25	495	$2,602	$2,592	$5.24
1BD1BA	306	625	$2,653	$2,986	$4.77
2BD1BA	103	789	$3,462	$3,872	$4.91
2BD2BA	34	876	$4,351	$4,029	$4.60
3BD1BA	6	879	$3,034	$5,634	$6.41
3BD2BA	3	1,031	$4,419	$5,023	$4.87
Penthouse	2	1,408	$8,048	$8,595	$6.10
Total / Wtd. Avg.	**762**	**563**	**$2,564**	**$2,990**	**$5.31**

Sources & Uses

Sources		
Total Debt	$138,770,722	59.7%
Total Equity	93,590,306	40.3%
Total Sources	**$232,361,028**	**100.0%**

Uses		
Purchase Price	$230,000,000	99.0%
Reserves	230,465	0.1%
Closing Costs	583,500	0.3%
Financing Cost	1,547,063	0.7%
Total Uses	**$232,361,028**	**100.0%**

Sourcing / Timing

The SF 23 Building Portfolio was brought to market by Eastdil initially as an equity sale with the initial call for offers taking place on March 27th. As anticipated, the initial offers did not exceed the loan value (~$283M), and as a result Eastdil anticipates the process will shift to a note purchase imminently, with the call for final offers expected shortly thereafter. As the process continues, it's anticipated that a few selected groups will be invited to tour the assets (likely in late April) and further refine their underwriting prior to best and final offers.

Investment Rationale

The portfolio provides a rare opportunity to purchase a large, diverse group of multi-family properties in San Francisco through a single transaction and at distressed pricing. Given the amount of base building and unit renovation capex the prior owner typically spends on their properties, the premier locations, and the quality of these assets, this is an opportunity to purchase a core-plus portfolio at heavily discounted pricing and achieve value-add returns. The targeted valuation represents an 19% discount to the note value and equates to $295k / unit pricing (including the retail) which is significantly below replacement cost and 12% below the average per unit cost of all San Francisco 10+ unit sales over the last 12 months. Further, the going in cap rate of 6.2% and GRM of 8.9x compare favorably to T12 average comps of 5.3% and 12.9x.

A recent large portfolio comp is the 75-building Veritas / Baupost portfolio which closed as a note purchase in early 2024 with a reported value of $618M. Despite the greater proportion of properties in Downtown SF, based on number of units, (25% in the 75-building vs. 13% in the 23-building), the total price per unit of $282k for the 75-building portfolio represents a slight discount of 4% compared to the 23-building portfolio at the target pricing, even with the lower quality locations. If the Downtown units were removed from the analysis (at an assumed average price of $160k / unit), the remaining units in the 75-building would be priced at $323k / unit while the non-Downtown units in the 23-building would be priced at $316k / unit (a ~2% discount). Further, note these properties were purchased by current ownership in 2014/2015 for $279M with current value reflecting a 17% discount to acquisition 10 years ago. Additionally, assuming the current loan of $283M was refinanced at 65% loan-to-value, the current valuation reflects a 47% discount to peak value for this portfolio. The opportunity is a compelling one due to favorable going in metrics and basis compared to current and historical San Francisco comps while having a favorable locational mix, diversification across some of San Francisco's premier locations such as Russian Hill, Marina, and Noe Valley, and a compelling basis play compared to the broader San Francisco market.

While we have received minimal details thus far regarding prior capex completed, the prior owners have a history of completing all necessary base building and renovation work. We have captured a meaningful allocation in our underwriting regardless, based on the typical investment required for new acquisitions across the Mosser portfolio, which could produce additional upside once physical diligence begins and we are able to refine these estimates. The portfolio compares well to many rent stabilized opportunities in terms of higher going-in and stabilized yields with estimated initial NOI yield at 5.6% and peaking at 7.5% over the 5-year hold. Cash projections assume a minor inflow in year 1 at 0.1% (which may be further refined based on physical diligence results), increasing to a peak of 5.8%, not including capital events such as refinancings.

As noted above, without market distress, this portfolio would likely price as a core-plus portfolio given the locations, 90%+ occupancy and low delinquency; however, with our current underwriting which includes conservative market rent growth, vacancy and exit assumptions, the investment underwrites to value-add gross levered returns of 17.0% / 2.0x over a 5-year hold. Note, the exit cap of 5.45% is derived by applying approximately 80-bps spread to the 10-yr Treasury figure 5 years from close, which aligns closely with historical SF rent control trades from 2000 – 2023 during periods when the 10-yr Treasury was above 2.5%.

Sale Comp Analysis

Based on CoStar data, 2019 was the year we saw peak pricing in the overall San Francisco market for multifamily product on a price per unit basis, with the average price reaching $505k/unit. The price per unit at the subject portfolio of $295k/unit reflects a 42% discount to the total market average in 2019. Additionally, the going-in cap rate of the portfolio, at 6.2%, is approximately a 250 bp increase to the

2019 cap rate of 3.7%, and the GRM of 8.9x is substantially below the 15.8x GRM average for San Francisco during the same period.

As a basis of comparison to previous down cycles, per CoStar data, the decrease from peak pricing in 2008 to the following trough year was 45% on a price/unit basis which aligns closely with the current basis discount of the investment opportunity to prior peak. Further, the cap rate expansion was only 74 bps and GRM decreased only 3.5x during the GFC which are both materially lower compared to the subject portfolio at the assumed pricing.

Finally, as noted above, the investment opportunity at pricing of $295k / unit compares favorably to the 75-building Veritas / Baupost portfolio, despite the greater proportion of properties in the Downtown submarket for that portfolio. As noted above, if the Downtown assets are removed from the analysis at an average price per unit of $160k, the remaining portfolio is priced even more attractively compared to the 75-building comp ($323k / non-Downtown unit vs. $316k / non-Downtown unit in the target portfolio).

Business Plan

Initially, the marketing process anticipated a fee-simple close on these properties, assuming the valuations cleared the approximate $283M loan value. Based on our underwriting, comp analysis and how we foresaw the market pricing these assets, we believed the likelihood of the initial bids clearing the debt was remote and as expected, the first-round bids fell short of the loan value. Based on our discussions with Eastdil, we believe the process will now shift to a note purchase with final bids due in the coming weeks.

The operational business plan will include continuing the lease up of vacant residential units in order to stabilize the portfolio (currently 9.4% residential vacancy). While not a significant portion of the portfolio's income, Mosser will also be renovating, leasing up and stabilizing the retail component of the portfolio (there are currently three vacant retail spaces). While there are 18 retail spaces in the portfolio, only a portion of this retail (3 units, representing ~3,500 SF) is located in Downtown and is entirely leased. Mosser is taking a conservative approach to the underwriting of the retail throughout the hold period, as we're using a 9-to-12-month lease up period on the vacant spaces and only assuming lease extensions on the tenants we believe are unlikely to relocate. Further note, retail only accounts for approximately 4-5% of stabilized revenues, making it a minor component of the investment's value proposition.

The business plan will also include base building and interior capital improvements. While the prior owners are known to invest heavily in the maintenance of their properties, given the limited information currently available, a material amount of capex has been included in the underwriting based on our knowledge of these buildings and the historical deferred maintenance required for new acquisitions across the broader Mosser portfolio.

Capex / Deferred Maintenance Plan

The business plan includes (but is not limited to) ~$6.4m of base building capital improvements across the 5-year hold. Over the first two years of the hold, these capital costs amount to ~$4.6m and have been allocated based on the typical capex required in new acquisitions across the Mosser portfolio. These amounts will be further refined during DD. This capex is primarily captured in the General Repairs bucket, which along with other identified capex (primarily mandated items such as fire/life safety, façade inspections, etc.) brings the totals for years one and two to ~$6.0k / unit. This aligns well with the average of identified immediate capex items in recent Mosser acquisitions (not including soft story costs), particularly given the quality of the properties and work completed to date.

After year two, there is approximately $20k / year allocated across each property in the portfolio (on average) for general repairs. In addition, we have allocated further capital to account for elevator repairs over the hold period as well as for any identified mandated work that has yet to be completed at the properties (ie. Fire/life safety, façade inspections, etc.). We have also identified two properties highlighted as potentially requiring repairs related to potential non-ductile concrete regulations and have allocated additional costs accordingly, including engineer studies and a potential credit at sale of the seismic work, to ensure these potential costs are captured, should they be required. Note the above capex is in addition to annual replacement reserves of $250 / unit.

As we further review the portfolio, we believe there may be potential for additional dwelling units ("ADUs") but are not currently including them in the underwriting. If any additional ADUs are identified following further investigation during DD, this would potentially represent additional upside within the portfolio.

Unit Renovation Scope

Based on information provided, Mosser believes 511 units (67%) are renovated to a high-end spec and quick turn dollars would be assumed in order to achieve market rents, while 6 units (1%) have received partial upgrades, necessitating a "light turn" in order to achieve market rents. As some of the information provided by the seller is incomplete, further investigation will be necessary as our current assumptions are based on minimal seller information provided in addition to the tenant tenure of each unit, which will need to be further refined during DD. Despite the limited information, it appears many of the units are in existing conditions where minimal turnover dollars would be required in order to achieve market rents. As the occupied units turn, they will be renovated (or up-converted), if the unit meets the respective renovation and conversion ROI thresholds. Mosser has identified that 118 units are convertible; of these, 112 units meet the ROI threshold and will be converted. The renovations and conversions will strive to maximize the unit's square footage, optimize its layout and will focus on improving the kitchens, living areas and bathrooms.

Staffing Plan

Mosser operations currently manages over 100 properties and 3,500 units in three markets. In the last three years, the portfolio grew by over 20 properties and close to 600 units. Mosser operations has a proven track record of scaling the business driven by an established senior leadership team, area model, and defined processes that enable the portfolio to scale with clear understanding and well-defined accountability.

Key Risks / Concerns

An item for consideration, is the process' likely transition to a note sale now that the first round of bidding is complete. Given our involvement with prior potential note purchases (the Veritas 75-building and 20-building portfolios), we are well prepared to adjust our business plan should the process become a note sale and will work with pre-identified counsel to ensure the proper structuring and negotiation of the PSA in order to minimize foreclosure risk. Additionally, note that both prior note sale transactions were completed

efficiently by the respective buyers and the properties foreclosed upon.

There continues to be capital markets dislocation and overall headwinds that San Francisco multi-family is facing. We have worked to mitigate this risk from an underwriting perspective by using conservative assumptions in our underwriting for operations and for financing. We continue to work through financing assumptions and structure with Eastdil but based on their guidance and given the occupancy and collections throughout the portfolio, we are assuming Agency financing will be attainable for all but one asset in the portfolio and are underwriting accordingly based on the most recent pricing and sizing guidelines from the Agencies and Eastdil. Should the portfolio move towards a note sale, one risk may be a lack of focus on leasing and asset management by the current owners, which could reduce occupancy and push more assets outside Agency limits. We will continue to closely monitor occupancy and collections in the portfolio and will adjust our financing assumptions as necessary, though given the quality of the buildings and locations along with their current operating metrics, we don't anticipate any substantial changes during the sale process. Finally, we believe we have underwritten the portfolio conservatively for market rent growth, occupancy and exit assumptions compared to historical San Francisco multi-family on average, in order to come to a valuation at a basis that is attractive historically, well below current replacement costs, and gives the venture appropriate cushion in the case of additional costs and/or capital markets volatility.

Additional risks to consider also include lease up of the existing residential. Current physical residential vacancy is 9.4%, which represents 72 total units. We have mitigated these risks through conservative underwriting assumptions, including lease-up of these vacant units over the first two years along with assuming market vacancy, prior to vacancy under renovation, of approximately 5.75% throughout the hold period following initial lease up.

There is currently underwriting risk created by the limited availability of information provided during the initial phase of this process. The broker has provided limited information, primarily regarding capex completed and budgeted, during the process, which has required us to make assumptions throughout the underwriting process. This risk is mitigated by a number of factors. First, given our familiarity with similar vintage properties throughout San Francisco, including Mosser's owned portfolio and the pursuit of other Veritas-owned portfolios which have provided more detailed information, as well as our knowledge of Veritas's operations (Mosser's current COO and Director of Leasing have direct experience managing this portfolio as prior Veritas employees), we are able to make potentially more accurate assumptions than other buyers. Second, we have used internal Mosser historical performance throughout our SF portfolio as well as market studies to further refine our forecasts on any financial and physical information not explicitly provided by the seller. We will continue to refine these assumptions throughout the process as we obtain more access to information and get further into the DD process.

The final risk to consider is the loss-to-lease ("LTL") recapture. Currently, 29% of the total units are occupied by tenants that have been living in the building 10+ years and this group represents the bulk of the LTL across the portfolio. Given the desirable locations, this isn't uncommon to see as tenants are less willing to move and give up on favorable lease terms. However, our pro forma is based on an estimated annual turnover rate for this group of 5.0%, a more conservative assumption than our typical 7.5% baseline that aligns with Mosser historical averages within San Francisco rent control product over the past three years. Further, if this assumption was materially reduced by half to 2.5%, the current underwriting's gross levered IRR would only decrease by ~100 bps.

Cash Flow Summary

	Year 1	Year 2	Year 3	Year 4	Year 5
Total Income	$22,299,054	$24,688,553	$25,787,255	$26,982,795	$28,044,176
Total Expenses	9,325,717	9,853,331	10,097,315	10,410,264	10,725,743
NOI	**$12,973,336**	**$14,835,222**	**$15,689,941**	**$16,572,531**	**$17,318,433**
Debt Service	(8,278,156)	(8,278,156)	(8,278,156)	(10,490,868)	(10,490,868)
Operational Cash Flow after Debt Service	**$4,695,180**	**$6,557,066**	**$7,411,784**	**$6,081,663**	**$6,827,565**

Financial Metrics	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
NOI Yield (full basis)	5.32%	6.08%	6.43%	6.79%	7.10%
Cash-on-Cash	0.07%	2.82%	50.80%	4.47%	5.34%
DSCR	1.57x	1.79x	1.90x	1.58x	1.65x
Debt Yield	10.06%	10.96%	8.80%	9.29%	9.66%
Operating Metrics / Assumptions					
% of Total Units Turned	26.47%	47.20%	62.95%	74.73%	84.36%
Total Rent Growth	3.0%	10.1%	4.9%	3.9%	3.7%
Loss To Lease	14.9%	16.8%	17.4%	17.5%	17.5%
Market Rent Growth Assumption	4.2%	4.7%	3.9%	3.6%	3.4%
Renovated Market Rent Per Unit (Wtd. Avg.)	$3,021	$3,162	$3,284	$3,400	$3,516
Total Operating Expenses Ratio	42%	40%	39%	39%	38%

Property Map

#	PROPERTY ADDRESS	NEIGHBORHOOD	#	PROPERTY ADDRESS	NEIGHBORHOOD	#	PROPERTY ADDRESS	NEIGHBORHOOD
1	3035 Baker	Marina	9	1025 Steiner	Alamo Square	17	2023 Folsom	Mission
2	1320-1380 Lombard	Russian Hill	10	990 Fulton	Alamo Square	18	2385 Folsom	Mission
3	1064 Dolores	Noe Valley	11	1819 Golden Gate	NOPA	19	3440 20th St	Mission
4	610, 660 Clipper	Noe Valley	12	735 Taylor	Nob Hill	20	2619 Mission	Mission
5	16, 50 Laguna	Duboce Triangle	13	795 Pine	Nob Hill	21	3605 20th St	Mission
6	140 Duboce	Duboce Triangle	14	737 Pine	Nob Hill	22	1424 Polk	Van Ness Corridor
7	295 Castro	Duboce Triangle	15	825, 835 Pine	Nob Hill	23	1030 Polk	Van Ness Corridor
8	925 Pierce	Alamo Square	16	605 Jones	Union Square			

Quality of Location

The Portfolio consists of properties located in some of the premier San Francisco submarkets, including Russian Hill, Nob Hill, Marina, Noe Valley, Alamo Square/NOPA, and Downtown. The portfolio is well-diversified across the city with meaningful weighting to some of San Francisco's best neighborhoods. It is an incredibly unique opportunity to acquire at this scale and quality of locations in San Francisco.

Sub-market Transit Info

The San Francisco public transit system is intricate and includes the MUNI bus system throughout the City as well as BART and Cal Train servicing other parts of the Bay Area. Much of the portfolio is within close proximity to Downtown, including direct public transit, offering a short commute for Downtown professionals. In addition, 11 (48%) of the 23 properties in the portfolio offer parking, an attractive offering for tenants with cars or scooters, and a rarity given the location of many of these properties.

Barriers to Entry

The Portfolio benefits from high barriers to entry due to the difficulty to build new housing as well as the limited available land in San Francisco; specifically, there is no new supply in areas like Russian Hill, Marina, or Nob Hill. Most developers focus on the emerging neighborhoods of San Francisco, such as SOMA and Mission Bay, making this is a rare opportunity to acquire in several premier neighborhoods and execute on a business plan that will fill the void of quality product at a discount to Class A.

Note, there have only been ~350 net new units added in the past 10 years to the CoStar "Downtown" submarket, which includes Russian Hill, Nob Hill, Downtown, Chinatown, and Telegraph Hill.

SF 23 Building San Francisco Portfolio – Investment Summary

April-2024

Gross Levered Sensitivity Tables

Exit Cap	Hold Period: 3 yrs	4 yrs	5 yrs	7 yrs	10 yrs
5.95%	13.11%	13.09%	13.54%	13.81%	13.70%
5.70%	15.79%	15.15%	15.22%	15.01%	14.54%
5.45%	18.53%	17.31%	16.98%	16.30%	15.44%
5.20%	21.36%	19.56%	18.86%	17.70%	16.44%
4.95%	24.26%	21.93%	20.85%	19.21%	17.55%

Exit Cap	Purchase Price: 195.50M	212.75M	230.00M	247.25M	264.50M
5.95%	14.87%	14.09%	13.54%	13.12%	12.80%
5.70%	16.88%	15.91%	15.22%	14.71%	14.31%
5.45%	18.98%	17.81%	16.98%	16.37%	15.89%
5.20%	21.22%	19.84%	18.86%	18.14%	17.57%
4.95%	23.59%	21.98%	20.85%	20.00%	19.35%

Exit Cap	Leverage: 50.3%	55.3%	60.3%	65.3%	70.3%
5.95%	12.64%	13.06%	13.54%	14.10%	14.76%
5.70%	14.11%	14.62%	15.22%	15.91%	16.74%
5.45%	15.65%	16.27%	16.98%	17.82%	18.82%
5.20%	17.29%	18.02%	18.86%	19.85%	21.03%
4.95%	19.02%	19.86%	20.85%	22.00%	23.37%

Exit Cap	Mkt. Rent Growth + / - %: -2.0%	-1.0%	0.0%	1.0%	2.0%
5.95%	12.13%	12.83%	13.54%	14.24%	14.94%
5.70%	13.80%	14.51%	15.22%	15.92%	16.61%
5.45%	15.58%	16.28%	16.98%	17.68%	18.38%
5.20%	17.45%	18.16%	18.86%	19.56%	20.26%
4.95%	19.45%	20.15%	20.85%	21.54%	22.24%

Annual Vacancy	Mkt. Rent Growth + / - %: -2.0%	-1.0%	0.0%	1.0%	2.0%
2.00%	14.22%	14.94%	15.65%	16.34%	17.04%
1.00%	14.90%	15.61%	16.31%	17.02%	17.72%
0.00%	15.58%	16.28%	16.98%	17.68%	18.38%
-1.00%	16.24%	16.94%	17.64%	18.34%	19.04%
-2.00%	16.89%	17.60%	18.30%	19.00%	19.69%

Turnover + / - %	Mkt. Rent Growth + / - %: -2.0%	-1.0%	0.0%	1.0%	2.0%
2.00%	16.16%	16.93%	17.69%	18.45%	19.20%
1.00%	15.88%	16.61%	17.35%	18.08%	18.80%
0.00%	15.58%	16.28%	16.98%	17.68%	18.38%
-1.00%	15.24%	15.92%	16.59%	17.26%	17.93%
-2.00%	14.88%	15.53%	16.18%	16.81%	17.44%