Invesco Real Estate Acquisitions

**Acquisitions:**
With the primary office centrally located in Dallas, and regional acquisitions offices in New York, San Francisco and Orange County, Invesco is able to effectively source acquisition opportunities nationwide.

Our continued access to proprietary deal flow can be credited to our approach to the acquisition process. Our process involves the efforts of each of our disciplines: Research, Acquisitions, Underwriting, Asset Management and Closing Services. At many firms, an acquisitions officer is not only responsible for sourcing transactions but is also required to negotiate the contract, review leases, perform tenant interviews, and coordinate third-party due diligence and close the transaction. At Invesco, our team approach incorporates the expertise of each of our specialties to evaluate the risk associated with an investment. Given this level of professional support, our acquisition officers are able to focus on their expertise, which is sourcing quality investment opportunities by building deep relationships with sellers, join venture partners and brokers within their respective markets.

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**Acquisitions Investment Criteria: Logistics**

**Investment Objective:** To acquire or develop well located, Class A & B logistics properties, linking supply chain and regional distribution markets. All cash buyer but will consider properties with existing debt.

**Minimum Investment Size:** $35 million

**Target Product:** Bulk distribution and office/warehouse facilities (single or multi-tenant)

- Low Office Finish (≤ 25%)
- 22’ Minimum Clear Height
- 100% Sprinklered Preferred
- Dock High-Loading

**Location Characteristics:** Prefer in-fill locations and “park-like” setting with easy access to transportation networks

**Minimum Size:** 250,000 Square Feet of Net Rentable Area

**Physical Characteristics:** Facility should be highly functional as a competitive, generic-use, distribution or office/warehouse building; not limited to special uses. Condition should be of equal/better quality relative to competition

**Divisibility:** Easily divisible; minimum tenant size of 10,000 square feet; average one-dock door per 10,000 square feet

**Minimum Occupancy:** 80% for Core Investments; no leasing minimum for Value-Added Investments
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**Lease Terms:** Preference for 5 to 10 year lease terms

**Lease Rollover:** Prefer staggered lease expirations

**Initial Yield:** Rate varies per market

**Preliminary Information Should Include:**
- Property Description
- Rent Roll
- Current and Past Operating Statements
- Argus Model
- Existing Financial Information
- Location Map
- Site Plan
- Aerial Photograph
- Property Photographs
- Current Supply/Demand Data
- Market and Neighborhood Overview
- Demographics

**Acquisitions Investment Criteria: Retail**

**Investment Objective:** To acquire or develop well located Class A retail properties that possess attributes attractive to today’s leading retail tenants. All cash buyer but will consider properties with existing debt.

**Minimum Investment Size:** $25 million

**Target Product:** Neighborhood, Community, Lifestyle and dominant Power Centers (preference for grocer-anchored). Also seek retail as part of dominant, mixed use properties

**Location:** Prefer strong supporting demographics (3-mile population minimum of 50,000, 3 mile median household income of $60,000) for Neighborhood, Community, and Power Centers. Dominant, “fortress” retail locations preferred

**Minimum Size:** 100,000 Square Feet of Net Rentable Area

**Area Tenant Base:** Dominant anchored tenants, creditworthy tenant base demonstrating rental growth, renewal and/or expansion potential. Prefer high percentage of national or regional credit tenants. Prefer long-term anchor leases with staggered rollover

**Access:** Prefer centers with good visibility and multiple access points along major roadways with adequate traffic counts

**Parking Ratio:** Prefer five spaces per 1,000 square feet
Minimum Occupancy: 80% for Core Investments; no leasing minimum for Value-Added Investments

Initial Yield: Rate varies per market

Preliminary Information Should Include:
• Property Description
• Rent Roll
• Current and Past Operating Statements
• Argus Model
• Existing Financial Information
• Location Map
• Site Plan
• Aerial Photograph
• Property Photographs
• Current Supply/Demand Data
• Market and Neighborhood Overview
• Demographics

Acquisition Investment Criteria: Multi-Family

Investment Objective: To acquire or develop Class A & B apartment properties. All cash buyer but will consider properties with existing debt.

Minimum Investment Size: $35 million

Target Product: Prefer well located in-fill garden, mid-rise and high-rise apartment complexes with competitive unit sizes and market appropriate amenity packages

Markets: Prefer major “Top 50” metropolitan markets

Location: Preference for strong suburban and urban in-fill locations in highly amenitized locations proximate to major job centers

Minimum Size: 150 units

Age: Prefer 2005 or newer construction for Core Investments; no age constraints for Value-Added Investments

Minimum Occupancy: 80% for Core Investments; no leasing minimum for Value-Added Investments

Initial Yield: Rate varies per market
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Preliminary Information Should Include:
• Current Rent Roll
• Site Plan
• Market and Neighborhood Overview
• Location Map
• Current and Past Operating Statements
• Tenant Profile
• Property Description
• Existing Financial Information
• Demographics
• Property Photographs
• Aerial Photograph
• Current Supply/Demand Data

Acquisition Investment Criteria: Office

Investment Objective: To acquire or develop Class A & B office properties that are or can be differentiated from their competitive set. All cash buyer but will consider properties with existing debt.

Minimum Investment Size: $50 million

Target Product: Low-rise, mid-rise, and high-rise office buildings will be considered

Markets: Prefer major metropolitan coastal or high job growth markets

Location: In-fill locations in major employment nodes; easy access to area amenities, major roadways, and mass transit

Minimum Size: 100,000 Square Feet of Net Rentable Area

Physical Characteristics: Property should be functionally competitive and structurally sound. Prefer properties that are less than 10 years old

Floor Size/Configuration: Property should be easily multi-tenanted with ability to accommodate a wide range of tenant needs

Parking: Adequate parking relative to market competition

Minimum Occupancy: 80% for Core Investments; no leasing minimum for Value-Added Investments

Lease Terms: Preference for 5 to 10 year lease terms

Lease Rollover: Prefer staggered lease expirations

Initial Yield: Rate varies per market
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**Preliminary Information Should Include:**
- Property Description
- Rent Roll
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**Invesco Transitional Lending Platform: Investment Parameters**

**Structure:** Transitional Senior Loans, Mezzanine Loans, Subordinate Participations and B-Notes

**Loan Sizes:** $50MM-$300MM+; sweet spot is $75MM-$200MM for single assets (increased for portfolios)

**Leverage:** Max LTV of 65%-70% preferred; will consider higher leverage for select opportunities

**Term:** 3 to 7 years; typically 3-year initial term with two, 1-year extension options

**General Pricing/Rate Structure:** LIBOR plus 200bps to 300bps; market fees (Note: fees and rate vary deal-to-deal); typically floating rate

**Property Types:** Office, multifamily, industrial, healthcare, and hotels; retail and specialty asset classes will be considered selectively

**Collateral Profile:** Likely somewhat transitional (Core+ to light-value-add); institutional quality with strong sponsorship

**Geographies:** Generally “Top 20” MSAs; other markets will be considered on a case-by-case basis

**Amortization/Future Fundings:** No amortization typically required; future fundings acceptable

**Recourse:** Non-recourse subject to standard non-recourse carve-out guarantees

**Closing Process:** Highly responsive and accessible with a relatively short closing timeline; not contingent upon syndication; flexible on specific nuances; focused on creating a mutually beneficial structured solution at attractive economic terms
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**Acquisition Investment Criteria: Core**

- Target product: Industrial, Retail, Multi-Family, Office (Including MOB), Senior Housing and Self Storage
- Major metropolitan markets
- Existing, premier quality, well leased operating properties (typically minimum 80% occupancy)
- Investment size of $55 million to $2 billion per individual asset
- Will acquire portfolios up to $3 billion
- Prefer unleveraged investments but will consider properties with existing debt
- Prefer high quality, differentiated assets with multi-tenant flexibility
- Prefer in-fill locations with supply constraints
- Class A & B product quality
- Utilize third-party leasing and management

**Acquisitions Investment Strategy: Value Added**

- Target Product: Industrial, Retail, Multi-Family and Office
- Major metropolitan markets demonstrating consistent residual liquidity
- Investment size of $35 million to $2 billion per individual asset
- Will invest in portfolios up to $3 billion
- Leverage of 50% to 65% of total capitalization
- Class A, B & C product quality
- Prefer in-fill locations with supply constraints
- Will utilize partnership, LLCs and incentive management agreements
- Utilize third-party leasing and management
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Re-Capitalization
• Buy out existing partners and/or lenders
• Recapitalize individual assets or portfolios
• Provide capital to recapitalize and reposition assets

Renovation/Re-Tenanting
• Prefer “in-fill”, “Class A” urban and suburban locations
• Cure deferred maintenance and/or physical obsolescence in under-utilized assets
• Develop additional revenue generating amenities
• Assume leasing risk (including 100% vacant buildings)
• Reposition rent roll

Acquisition Investment Strategy: Total Return Objectives

<table>
<thead>
<tr>
<th>Unleveraged IRR</th>
<th>Debt</th>
<th>Core</th>
<th>Recapitalization</th>
<th>Lease-up, Renetanting or Renovation</th>
<th>Forward Commitment On Development</th>
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Risk Attributes
- **Debt**
  - Typically 70%+ Leased
  - Target Markets
  - Class A & B Properties
  - Light to Moderate value-add strategies
  - 8%-9% IRR

- **Core**
  - 70% + Leased
  - Target Market
  - Class A & B Properties
  - Prime Location
  - 8.5%-10% IRR

- **Recapitalization**
  - Leasing Risk
  - JV Structure
  - 8.5%-12% IRR

- **Lease-up, Renetanting or Renovation**
  - Substantial Initial or Near-Term Vacancy
  - Low Initial Yield
  - 9%-11% IRR

- **Forward Commitment On Development**
  - No construction Risk
  - No Zoning/Entitlement Risk
  - Fund at Completion
  - Leasing Risk
  - JV or Wholly-Owned
  - 11%-13% IRR

- **Development**
  - No Fund capital at site acquisition
  - Construction Risk
  - Leasing Risk
  - No Zoning and Entitlement Risk
  - 12%-14% IRR

1 Return Objectives are established by Invesco, are based on our historical experience, and do not necessarily reflect the opinions of other Invesco portfolio managers. They are subject to change without notice. There is no guarantee objectives will be met.

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This is not to be construed as an offer to buy or sell any financial instruments and should not be relied upon as the sole factor in an investment making decision. As with all investments there are associated inherent risks
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