

Ground Up Retail Development or Value Add Development – 100% of Capital and Debt Provided

Wedgewood Investment Group, LLC has a close relationship with a retail real estate fund that funds 100% of the capital stack and is interested in the following real estate opportunities:

Types of Real Estate:

- ❖ Retail acquisitions (existing centers), Rehab, Value-Add, Redevelopment or new Ground-up Construction
- ❖ Will buy notes, fee simple and some ground leases, distressed or corporate arbitrage

Transaction Characteristics:

- ❖ Prefer Off Market (not listed) transactions
- ❖ At least 50% occupancy for existing properties
- ❖ National tenants / brands for 50% of space
- ❖ Above market cap rates
- ❖ Value add component
- ❖ Well located, infill locations with good demographics
- ❖ At or below market rents
- ❖ Will do renovation, lease up, or re-tenanting plays
- ❖ Will look at opportunities in the 48 contiguous states
- ❖ Distressed yield requirements – leveraged return in the high teens
- ❖ Stabilized yield requirements – leveraged returns in the low to mid-teens

Size of Opportunities:

- ❖ 10,000 to 100,000 SF community/neighborhood shopping centers (no big box power centers)
- ❖ \$2MM - \$10MM size is sweet spot

Additional Information:

- ❖ Seller or new buyer can participate in ownership
- ❖ Can close quickly
- ❖ All offers cash with no financing contingencies
- ❖ Wedgewood Compensation – 2% Fee and 10% Profit Sharing

Preliminary Term Sheet Retail Development Transaction

- A. Type of Real Estate/Project: Purchase, Rehab, Value-Add, and or Construction and Sale of various retail projects from time to time with investment/lending by a specific Investor/Lender introduced to Client by Wedgewood.
- B. Approximate Cost: Up to \$10,000,000 per project.
- C. Transaction Amount: Wedgewood will arrange 100% of Hard and Soft Costs
A) Equity- amount required by Investor's bank- approximately 20-30%.
B) Construction Loan- Up to 80% of total cost.
- D. Advisor: Wedgewood Investment Group, LLC (W.I.G)
- E. Term/Amortization: Sale upon Rent Commencement or other negotiated terms on a transaction by transaction basis.
- F. Preferred Return to Equity Investor: 10%
- G. Monthly Payment: B) Interest Only
- H. Construction Debt Interest Rate:: B) Currently 4-5%
- I. Personal Guaranty: Provided by Investor.
- J. Fees:
- Acquisition Fee: 2% to Developer
 - Development Fee: 2% of Construction hard and soft cost to Broker (If Development)
 - Contractor Management Fee: 2% of development cost to Fund Management Company
 - Leasing Commissions: Market Rates to Developer or the appropriate Lease Broker
 - Debt/Equity Placement Fee: 2% of total Project Cost to Wedgewood Investment Group, LLC
 - Disposition Fee: 2.5% of Sale Price to Developer or Broker
 - Fees are based upon each project being able to support the fees as outlined. Seniority of the Disposition Fee and Preferred Return to be determined on a case by case basis.
- K. Profit Sharing: After all fees are paid to the various parties and the Investor receives a 10% Preferred Return, the Profit (including any Sales Tax Reimbursement or TIF funds) shall be allocated as follows:
- 30% to the Investor
 - 35% to the Fund Management Company
 - 25% to Developer/Broker
 - 10% to Wedgewood Investment Group, LLC

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Sample Project- New Construction

This example demonstrates how the program is projected to work for a typical project. In this case our client will acquire a land position for \$2,500,000 and develop a 60,000 retail center at a cost of \$125 per square foot. Construction and lease-up for the center will take two years and the average net lease of \$25/SF for 5 to 10 years will generate leasing commissions of \$500,000 to be shared 50/50 between the developer and the leasing agent. The stabilized property will generate \$1,875,000 of gross rents and \$1,275,000 of NOI. At an 8.5% CAP the property will sell for \$15,000,000 and the developer earns total fees and profit of over \$1.5 million – nonrecourse with no contribution to the capital stack. **(FOR DISCUSSION PURPOSES ONLY – ACTUAL FEES TO BE DETERMINED ON A DEAL BY DEAL BASIS)**

SOURCES

\$ 2,000,000 Equity (10% Preferred Return)
\$ 8,000,000 Debt (4-5% Interest Rate)
 \$10,000,000 Total Project Cost

USES

\$ 2,500,000 Land
\$ 7,500,000 Building – Hard and Soft
 \$10,000 Total Project Cost

<u>FEE TYPE</u>	<u>FEE AMOUNT</u>	<u>TO WHOM</u>
Acquisition Fee (2%)	\$ 50,000	Developer
Development Fee (2%)	\$ 150,000	Developer/Broker
Construction Management (2%)	\$ 150,000	Fund Manager
Debt & Equity Placement Fee (2%)	\$ 200,000	Wedgewood
Net Lease Commission (2.5%)	\$ 500,000	Developer/Broker 50/50
Disposition Fee (2%)	<u>\$ 300,000</u>	Developer/Broker 50/50
	\$ 1,350,000	

SALE OF PROPERTY

\$ 15,000,000 - Sale Price
 \$ (400,000) - Preferred Return
\$ (1,350,000) - Fees
 \$ 13,250,000 - Net Proceeds
-\$ 10,000,000 - Total Project Cost
 \$ 3,250,000 - Net Profit

PROFIT SHARING

\$ 975,000 - Investor 30%
 \$ 1,137,500 - Fund Manager 35%
 \$ 812,500 - Developer/Broker 25%
\$ 325,000 - Wedgewood 10%
 \$ 3,250,000 - Net Profit 100%

RECAP OF FEES AND NET PROFIT SPLITS

(Investor- 30%, Fund Mgr.-35%, Developer- 25%, Wedgewood 10%)

PREFERRED EQUITY INVESTOR

\$ 400,000 - Preferred Return
\$ 975,000 - Profit (30%)
 \$1,375,000 - Total

FUND MANAGER

\$ 150,000 - Construction Management Fee
\$ 1,137,500 - Profit (35%)
 \$ 1,287,500 - Total

DEVELOPER

\$ 50,000 - Acquisition Fee
 \$ 150,000 - Development Fee
 \$ 250,000 - Leasing Commissions
 \$ 150,000 - Disposition Fee
\$ 812,500 - Profit (25%)
 \$ 1,412,500 - Total

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\$200,000 - Debt & Equity Fee
\$325,000 - Profit (10%)
 \$525,000 - Total

If you or your clients have anything to discuss, please call or email Rudy Trebels:

RudyTrebels@wedgewood-llc.com W: 847.784.0055 • C: 847.404.6600