

Investment System Overview

Our AIM System™

The AIM Real Estate Investment System™ is a strategic investment management system that we developed during our years in the multi-family real estate investment market.

This proprietary system allows us to control each phase of the real estate investment process – Analysis, Investment and Management – and is what has contributed to our success in the multi-family real estate investment market since 1981. We have acquired over **\$1.2 Billion** worth of properties using the methodology of this system.

Analysis

Analysis, Investment and Management

One of the key factors in maximizing real estate investment returns is finding properties that have a dislocation of asset value.

From markets across the United States we select specific **primary and secondary** markets that are **counter-cyclical** to one another, and that we feel provide the best investment opportunities.

In each of our monitored markets we identify existing **demand generators** – factors that drive the need for multi-family housing: airports, major employment areas, downtown business districts, transit oriented developments, and key transportation events such as major shipping terminals and light rail. We then consider how these generators are influencing the multi-family market.

Next, we identify and monitor **sub-market events** – conditions in the market that will increase, or decrease, the demand for multi-family housing. These events might include major employer expansions, highway construction projects or new commercial development.



CONTINENTAL REALTY ADVISORS

10579 WEST BRADFORD ROAD SUITE 100 :: LITTLETON, CO 80127
TEL. 303-730-0549 X202 :: CELL 303-884-5607 :: EFAX 303-265-9254

Examples of Sub-Market Events We Monitor When Targeting Investments:

- **Supply/Demand Trends** - How the supply of multi-family housing is being absorbed and how quickly
- **Hot Spots** - Living trends, such as the increased popularity of downtown lofts and upscale apartments for Gen-Xers and other demographic groups
- **Employment Shifts** - Transitioning from a central employment location to a more regional one
- **Retail Shifts** - The move from malls to large power centers

To track these sub-market events we consolidate our research using a computer-driven Geographic Information System (GIS) that creates and manages spatial data into our various applications. From this aggregated data we create a vision map to plot the events occurring in our monitored markets. This allows us to consider the outlook and potential for growth in these markets over the next several years, and determine a location-based advantage for our investments.

An **Effective Rental Rate Comparative Analysis** helps us determine if there is a dislocation of asset value. By examining area rental rates as they relate to square footage, property age, rent concessions, sub-market events, sub-market absorption, and other factors, we can determine if there is a disconnect in a property's rental income in relation to other properties in the area. If so, we can immediately increase the property's cash flow and value by adjusting rents to bring them more in line with the rest of the market.

Investment

Analysis, Investment and Management

We take a proactive approach in securing properties we want to add to our portfolio. We operate under a **Target Acquisition System™**. After we have used our research and analysis to identify properties we feel would be a good value to our investors, we approach those property owners - whether a property is for sale or not. We don't just sit back and wait for a property to get listed on the market.

Each investment that we make has a foundation consisting of four key pillars. We consider them to be critical "legs of the table" of a solid investment.

- Employment Support
- Transportation Support
- Retail Support
- Supply and Demand Ratio of the surrounding sub-market

What determines a property's investment price and upside potential?

- The location-based advantages identified by the sub-market events
- The property's current dislocation of asset value
- The property's rental upside rate potential
- Renovation/management upside potential of property
- Cash flow trends to determine momentum of the asset's rent structure
- Owner portfolio motivation



Each of our investment acquisitions must meet the following criteria:

- Have the ability to increase cash flow
- Have the potential to increase in future value
- Preserve our existing capital

When we enter into a transaction, we are armed with all the information necessary to ensure a favorable outcome. We make our decisions carefully. Every acquisition we make is backed by our in-depth research and years of expertise in the multi-family real estate market. If we feel a deal is not right for our investors, we move on to another opportunity.

Management

Analysis, Investment and Management

Systematic management of a property is probably the most overlooked opportunity in real estate investing. Doing this well can have a tremendous impact on a property's cash flow and eventual sale value.

Investment Management Strategies:

Real-Time Reporting and Monitoring

Our proprietary systems collect property data from multiple sources and provide us with daily, real-time information, putting us ahead of others in our industry, who often must wait 30, 45 or 60 days for industry reports and sub-market data.

Reduce Rent Concessions

Real-time reporting allows us to view daily renter traffic to any of our properties. This real-time info allows us to quickly make decisions in adjusting rental rates, concessions and advertising efforts, which together reduces the need for concessions.

Manage Expiring Leases

Real-time reporting and control of our properties allows us to stagger new leases expirations, minimizing the number of lease expirations at any given time, keeping more assets producing revenues at all times.

Reduce Management Costs

Our national affiliate, Greystar Property Management, manages more than 65,000 apartment units nationwide. This allows us to utilize economies of scale, greatly reducing our property management costs.

Decrease Tenant Turnover

Through our creative and focused management programs, and our national affiliate Greystar, we have decreased the tenant turnover rate in our properties by 20 to 30% in our first year of ownership.



Use Cost-Effective Advertising

Affiliation with a national property manager with over 60,000 apartments units under management nationwide, gives us access to significant economies of scale, greatly reducing our advertising costs.

Planned Exit Strategies

Our exit strategies include multiple options for each of our investments including: sale/liquidation and/or conversion from apartments to condominiums.

The combined results of our strategic management activities have had a dramatic effect on the performance of our investments.

Throughout our investment history we have incurred only one loss, and our lowest return has been approximately 15 percent, while the majority of our investments have produced returns in excess of 20% to our investors.

Overview of Investment Exit Strategy

Our system increases the net operating income (NOI) and creates value in the properties we acquire. We strategically position our properties for sale using a combination of financial engineering, operating cost reductions, and physical improvements. As a result, diverse audiences become interested in our investments.

Potential buyers for our communities include:

- REIT's
- Institutional Buyers
- 1031 Tax-Deferred Exchange Buyers
- High Net Worth Investors

Our goal is to maximize each investment's contribution to the returns earned for our investors. We manage the sale or conversion of each investment accordingly.