Mesirow

Mesirow Financial Real Estate Value Fund V

A closed-end multifamily value-added vehicle

Offering size: Target $1.0 billion | Hard cap $1.25 billion
First close: 1Q2024 | Final close: 1Q2025

Investment opportunity

- Fund V is a risk balanced sector focused strategy emphasizing value-added opportunities in the US multifamily sector.
- Fund V claims the same value-added US apartment sector strategy that has been expertly executed across our predecessor Mesirow Financial Real Estate Value Funds, I, II, III and IV.
- Fund V investing will be sustained by a) powerful demographics and the rising propensity to rent across expanding age and income cohorts; b) an entrenched single family housing inventory deficit exceeding 1 million units into 2026; and c) a homeownership lockout where 73% of US households are unable to afford a median priced home of $416,000 at current interest rates. More people continue to rent and are forced to rent longer.
- As the market cycles through a price discovery window and bid/ask spreads diminish, acquisition targets will move to market with a lower cost basis. Discounted pricing should enhance the value creation premiums generated by the repositioned properties in the Fund V portfolio.
- The stage is set for a potential purge of assets by undisciplined “apex” buyers who over-leveraged their assets with floating rate debt at the peak of the apartment “bull” market. “Apex” opportunities will be available for capture from debt-stressed owners under selective circumstances. Modest access to these off-market assets will favorably diversify portfolio construction and support the generation of portfolio alpha.
- Fund V will be well positioned to take advantage of compelling opportunities in a repriced market.

Investment strategy

- Fundamental imbalances between rental demand and apartment supply provide astute sector focused value-added managers with opportunities to reposition and stabilize streams of income and sustain a steady appreciation of value.
- Repositioning the underperformance of Class A and B multifamily assets acquired at a discount to replacement cost, in prime submarkets where “barriers-to-entry” mitigate the risk of oversupply, is a cycle tested value-added real estate investment discipline.
- The competitive positioning of apartment assets will be enhanced pursuant to the disciplined execution of a capital improvement plan for units, common areas and resident amenities.
- Value creation is amplified by submarket anchors such as mass transit, medical centers and necessity-based retail.
- Asset performance is optimized through capital investments, revenue growth, expense controls, proactive asset management and the repositioning of rents to market.
- The investment team will construct a risk balanced portfolio of properties primarily comprised of value-add and joint venture (JV) development which aspires to deliver performance that reflects a value added risk-return profile.
- Portfolio investments are projected to generate a gross return at the property level that will sustain, at a minimum, a net fund target IRR of 10 to 12%.

Sector and asset highlights

- Apartments are uniquely positioned as the only major property type where the individual as an end-user of the space directly drives necessity-based demand.
- The shorter reset period for apartment leases provides stronger protection for income returns against inflation.
- Nearly 63% of households under the age of 35 rent. Millennials and Gen Z's now represent the largest population cohorts in the US and 68% of the 3x growth, since 2010, of renters with annual incomes exceeding $100,000.
- The fastest growing renting demographic in the apartment sector is households with annual incomes exceeding $150,000 which expanded by 82% between 2015 and 2020. As a subgroup within the "rich renter" category, the number of "millionaire renters" tripled over the same period.
- Average P&I for a median priced home as of 3Q23 carrying a 7.2% mortgage rate as of 8.31.23 was 1.71 times more expensive than the average rent for a 1 bedroom apartment. The twin challenges of home price appreciation and rising mortgage rates, renders ownership as an unreasonable shelter option for a number of rational housing consumers.
- Experts estimate that each $1,000 increase in median home price disqualifies 140,000 households from the ranks of ownership and each 25 basis point increase in mortgage rates derails the transition out of renting for 1.28 million households. Since 2Q21 to 2Q23, an added 22.1 million households have had their ownership aspirations deferred.
- As of October 2023, mortgage rates topped 8.48%, generating a monthly payment of $3,192 on a home priced at the median of $416,000, representing a 90% increase over the monthly payment in the fourth quarter of 2020.

MFREV Funds profile

Fund name	Vintage year	Equity raised ($MM)	Total assets ($MM)	Gross Fund IRR (Inception through 12.31.2022)	Net Fund IRR (Inception through 12.31.2022)	Realizations Property IRR (Inception through 12.31.2022)	Equity multiple (Inception through 12.31.2022)	LTV (Inception through 12.31.2022)
MFREVF I ("Fund I")	2011	$379.33	$1,254.12	15.04%	11.37%	15.71%	1.84	55.56%
MFREVF II ("Fund II")	2014	$545.83	$1,950.89	16.32%	13.45%	18.34%	2.21	53.89%
MFREVF III ("Fund III")	2017	$567.02	$1,861.67	19.73%	15.77%	22.70%	2.27	51.13%
MFREVF IV ("Fund IV")	2020	$750.00	$1,778.65	24.70%	15.46%	–	–	53.27%
Total		$2,242.18	$6,845.33					

Fund I was fully realized 9.29.2019

- 22 assets:
  18 operating /
  4 JV development
- 85% value-added / 15% JV development
- 11 urban / 11 suburban
- 10 transit oriented
- 7 off-market
- Vintage: 1980s, 1990s, 2000s, 2010s
- Target markets: 14
- 22 realizations

Fund II was fully invested 5.31.2018

- 17 assets:
  14 operating /
  3 JV development
- 82% value-added / 18% JV development
- 9 urban / 8 suburban
- 7 transit oriented
- 5 off-market
- Vintage: 1990s, 2000s, 2010s
- Target markets: 13
- 15 realizations

Fund III was fully invested 6.6.2021

- 19 assets:
  17 operating /
  2 JV development
- 88% value-added / 12% JV development
- 9 urban / 10 suburban
- 8 transit oriented
- 9 off-market
- Vintage: 1990s, 2000s, 2010s, 2020s
- Target markets: 13
- 1 realization

Fund IV is 88.7% committed

- 12 assets:
  10 operating /
  2 JV development
- 80% value-added / 20% JV development
- 6 urban / 6 suburban
- 6 transit oriented
- 4 off-market
- Vintage: 2000s, 2010s, 2020s
- Target markets: 11

Our multifamily strategy has been research approved by 13 industry recognized consultants/discretionary managers.

Investment grid
(Properties have been acquired in 25 research approved markets)

Atlanta	Greenville	Phoenix
Austin	Houston	Portland
Boston	LA metro	Raleigh
Charlotte	Miami	San Diego
Chicago	Minneapolis	Seattle
Dallas	Nashville	Tampa
Denver	NJ/NYC metro	Washington DC metro
Fort Lauderdale	Orlando	West Palm Beach
	Philadelphia	

The investment team continues to generate exceptional risk-adjusted returns without utilizing financial engineering during the investment period.

Diversification / risk controls

PORTFOLIOS ARE DIVERSIFIED BY:

Product type | High-rise, mid-rise, garden-style

Geography | 25–30 research approved metro markets nationally

Vintage year | 2000s +

Urban core vs suburban metro

Investment risk | Value-add with JV development

Submarket anchors and amenities | Transit hub, retail, medical center, higher education

Macro, sub and micro market analyses are supported by property level ground reports that underwrite the acquisition of superior apartment assets for the portfolio.

PRIMARY RISK MITIGATORS GOVERNING PORTFOLIO CONSTRUCTION INCLUDE:

1. Ground-up joint venture development limited to 25%
2. Leverage limited to 65% of portfolio market value
3. Risk balanced (opportunistic j-curve exposure offset by core+ income)
4. Fund exposure capped at 20% per investment

Allowable multifamily investments can only be sourced in research approved target markets tracked by the investment team.

Past performance is not necessarily indicative of future results. Please refer to the disclosures at the end for additional information.

Investment process

- Research is foundational to the goal of building a well-diversified portfolio of multifamily assets.
- Top-down macro data informs the question of "where" and bottom-up research addresses the challenge of "which one" and at "what price." The broader bandwidth of national, regional and MSA research provides useful directional data. However, to execute at the transaction level, "boots on the ground" intel is required.
- Macro market research and micro detailed analytics at the submarket and property levels frame a dynamic profile of market opportunities.

VALUE-ADD INVESTMENT STRATEGIES

	I. Deep value-added repositioning	II. Light value-added enhancement	III. Value-added purchase / management	IV. Build to core
Product type	5–25 year-old product • Acquired below replacement cost	5–15 year-old product • Acquired below replacement cost	Typically newer product • Acquired below replacement cost	JV with high quality developers – control asset upon completion • High barrier to entry • Build to core is materially cheaper than buying core
Key financial drivers	Improve operating fundamentals • Revenue growth • Expense reductions • Management enhancement • Potential cap rate compression	Improve operating fundamentals • Revenue growth • Expense reductions • Management enhancement • Potential cap rate compression	Stabilization of revenue and expenses • Strong cash flow growth • Management enhancement • Limited capital expenditures	• Converted land to income producing assets • Complete sale to core buyers upon stabilization
Value-add enhancements	Heavy unit renovation and repositioning of outdated or obsolescent amenities • $7.5k to $20k per unit in capital • Targeting 20% ROI on invested capital	Lighter enhancments to either interior units and/or common areas • $3k to $7.5k per unit in capital • Targeting 20% ROI on invested capital	Purchase core-plus asset • $2k to $3k per unit in capital • Hiring best-in-class third party property manager with local operating efficiencies • Targeting 15-20% ROI on invested capital	• Site selection • Best in class developers • IRED assumes asset management upon issuance of Certificate of Occupancy
Emphasis on ESG	• Smart home technology • Enhanced fitness, health & wellness • Community engagement & resident experience • Reduced energy consumption (LED retrofits, low flow water devices) • Technology enhancements	• Smart home technology • Enhanced fitness, health & wellness • Community engagement & resident experience • Reduced energy consumption (LED retrofits, low flow water devices) • Technology enhancements	• Smart home technology • Enhanced fitness, health & wellness • Community engagement & resident experience • Reduced energy consumption (LED retrofits, low flow water devices) • Technology enhancements	• LEED certification • Next generation building materials • Community engagement & resident experience • Technology enhancements

Funds I, II, III and IV are closed to new investors. For certain strategies that the adviser determines to be ESG integrated, the adviser integrates financially material environmental, social and governance (ESG) factors as part of the portfolio's investment process (ESG Integration). ESG Integration is dependent upon the availability of sufficient ESG information for the applicable investment universe. ESG determinations may not be conclusive and securities of companies/issuers may be purchased and retained, without limit, regardless of potential ESG impact. The impact of ESG Integration on performance is not specifically measurable as investment decisions are discretionary regardless of ESG considerations. There can be no assurance that portfolios incorporating an ESG strategy will be profitable or will equal previous or other results and materially different results may occur. Targeted returns may not be achieved and materially different returns may result. Past performance is not necessarily indicative of future results. Please refer to the disclosures at the end for additional information.

ESG advances and achievements

The IRED investment team has included a dedicated ESG specialist since 2018 and retained Conservice ESG, (formerly, Goby) an independent third-party consultant in 2019. Additionally, our commitment to ESG investment principles and practices has been underscored by the creation of an ESG Committee, comprised of senior leadership, formed in 2020.

As an owner of apartment properties, IRED acknowledges the importance of incorporating ESG and Health & Wellness initiatives into each of the multifamily assets that we acquire to construct our property portfolios. ESG considerations are factored into each phase of the investment process.

Mesirow has been a signatory to United Nations Principles for Responsible Investing (UNPRI) since 2019. Mesirow received an A rating related to all Direct Real Estate. IRED will continue alignment with ESG best practices in accordance with the Global Real Estate Sustainability Benchmark (GRESB) standards. In our most recent assessment, Fund II achieved a 3-star rating with an overall score of 80. Fund III and Fund IV both achieved a 3-star rating and an overall score of 78.

Important principles

- We are fiduciaries first
- ESG initiatives must be accretive to overall portfolio returns
- The success of our strategy is not dependent upon gentrifying portfolio properties
- IRED is committed to optimizing the use of union labor, trades and subcontractors on all Mesirow Financial Real Estate Value Funds build-to-core projects

INVESTMENT TEAM

Alasdair Cripps*
Chief Executive Officer &
Chief Investment Officer
35 years experience

Benjamin Blakney*
President
36 years experience

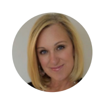
Kevin Price*
Head of Asset Management,
Senior Managing Director
25 years experience

John Pierson
Chief Financial Officer,
Senior Managing Director
34 years experience

Lori Rodriguez Casey
Managing Director,
Asset Management
30 years experience

Will Beam
Managing Director,
Acquisitions
20 years experience

Brian Gant
Head of Dispositions,
Senior Vice President
27 years experience



Tracey Ungaretta
Senior Vice President,
Asset Management
32 years experience

Tim Strang
Senior Vice President,
Acquisitions
25 years experience

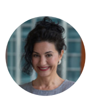
Pan Yuen
Vice President, Finance
23 years experience

Jonathan Youhanaie
Vice President
ESG & Finance
10 year experience

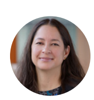
Joshua Nichols
Investment Analyst
3 years experience

Connor Cope
Investment Analyst
2 years experience

Max Scaife
Investment Analyst
1 year experience



Stefi Petkova
Marketing Associate
19 years experience



Marion Soriano
Marketing Associate
35 years experience

* Denotes member of the Investment Committee

IRED's commitment to diversity, equity and inclusion has been and remains unwavering and industry leading.

Past performance is not necessarily indicative of future results. Please refer to the disclosures at the end for additional information.

Summary of principal terms[1]

MESIROW FINANCIAL REAL ESTATE VALUE FUND V, L.P.

Fund size

Up to $1 billion ($1.25 billion hard cap)

Final close

March 2025

Management fee

For commitments of less than $25 million during Investment Period:	1.50% on invested capital, subject to a minimum of 1.10% on committed capital during the Investment Period
For commitments of $25 million to $50 million during Investment Period:	1.35% on invested capital (10% discount), subject to a minimum of 1.00% on committed capital during the Investment Period
For commitments of more than $50 million to $100 million during Investment Period:	1.00% on invested capital (33.33% discount), subject to a minimum of 0.80% on committed capital during the Investment Period
For commitments of more than $100 million during Investment Period:	To be discussed
For first close investment:	To be discussed
Post Investment Period:	Same fee schedule based upon invested capital

Distributions

On a portfolio basis:

- Return of capital
- 8% preferred return
- 75% L.P. / 25% G.P.
- No "catch-up"

Minimum commitment

$5.0 million, subject to G.P.'s discretion

G.P. commitment

3% of total capital capped at $10 million

Employee side fund

Certain Mesirow professionals will be investing as an L.P. totaling approximately $5 million

About Mesirow

Mesirow is an independent, employee-owned financial services firm founded in 1937. Headquartered in Chicago, with locations around the world, we serve clients through a personal, custom approach to reaching financial goals and acting as a force for social good. With capabilities spanning Global Investment Management, Capital Markets & Investment Banking, and Advisory Services, we invest in what matters: our clients, our communities and our culture. To learn more, visit mesirow.com and follow us on LinkedIn.

Contact us

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1. These are a summary of the terms. All terms are negotiable but are governed by the offering documents and any side letters.