

# SMARTCAP Industrial REIT, Inc.

Cash flow, appreciation and diversification in  
a Puget Sound industrial REIT.

STABLE CASH FLOW, PASSIVE  
INCOME, AND APPRECIATION

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6%+ YEARLY CASH FLOW

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15% IRR OVER LIFETIME OF  
INVESTMENT



# We've Completed \$250 Million in Total Transactions



SMARTCAP is a direct real estate investment firm operating in the Puget Sound area, one of the top real estate markets in the world. Your risk is minimized by acquiring assets at value-add pricing. Our track record for our entire portfolio is over 23% IRR paid to investors, net of fees and expenses.

## Smart, Transparent Real Estate Investment

Investors are our life-blood and appreciate our detailed monthly communication and financial reporting. Your questions are answered quickly and with honesty and transparency. You will receive monthly updates including detailed property summaries and financial reporting as well as monthly distributions.

## SMARTCAP MANAGEMENT



**Tim Shultz**  
*Founder and CEO*

- ◇ Responsible for finding, curating, and analyzing properties and development projects.
- ◇ Expertise from 16 years of real estate and business management experience
- ◇ Successful real estate syndicator completing over \$250MM in deals.
- ◇ A tech and business leader with 15 years of “big data” analytics experience creating a data driven approach to real estate investment.



**Joe Ollis**  
*Founder and President*

- ◇ Responsible for operations, project conception, and data analysis
- ◇ Focuses on financial fundamentals with emphasis on execution and defensible risk/ reward profile
- ◇ Offers a decade of experience in successful commercial real estate investment and management completing nearly \$250MM in transactions.
- ◇ 15 years of product and leadership experience at Microsoft and other technology companies, along with in-depth software design experience

# Industrial REIT Designed To Deliver Stable, Passive Income & Appreciation

## Industrial Real Estate will be the Long-Term Beneficiary of Changing Consumer Demands

- ◆ Consumer demands increase supply chain requirements.
- ◆ Fiscal and trade policy promote on-shoring of US manufacturing.

## Aggregation Opportunity in a Fragmented Market

- ◆ Only 5-10% of US industrial real estate is owned by public REITs.
- ◆ Additional acquisition opportunities utilizing UPREIT (721 Exchange) strategy.

## Superior Returns Through Diversified Investment

- ◆ Consistent in-place cash flow within a diversified portfolio increases investor total return.
- ◆ 721 Exchange enables existing owners to defer taxes (similar to a 1031 exchange), while trading assets into a diversified REIT.

## Seattle & Portland Markets Outperform National Averages

- ◆ Limited land supply and growing demand promote higher than average rental rate growth.

## TARGETED CURRENT INCOME

# 3-6%

Target Net Annual Yield, Paid Quarterly, Growing Over Time

## ADDITIONAL APPRECIATION

# 6-10%

Targeted Net Annual Portfolio Appreciation In A Growing Market Like Seattle

## TOTAL PROJECTED RETURNS

# 15%

Target Net Annual Return From Cash Flow & Appreciation



# SMARTCAP Industrial REIT

## - Three-pronged Strategy

### Acquisitions

- ◇ Targeting below replacement cost assets in markets with limited supply and growing demand.
- ◇ Value-focused in infill locations that will demand superior growth.

### Ground Up Development

- ◇ Significantly increase cash-on-cash return as well as Net Asset Value within the REIT.
- ◇ Building in core markets with limited leasing risk drives up value while significantly increasing long-term yield.

### 721 Exchange or UPREIT

- ◇ Exchange your industrial assets via a 721 exchange for ownership into a diversified portfolio with stable cash flow.
- ◇ UPREIT (721 Exchange) enables existing owners to trade in concentration risk for a diversified portfolio of buildings without immediate tax impact.
- ◇ Defer taxes paid on the sale of an investment until shares of the REIT are sold.





# UPREIT Details

## How Does an UPREIT or 721 Exchange Work?

- ◇ Owners exchange assets for shares into REIT based on existing equity in their property (similar to a 1031 exchange).
- ◇ Taxes are deferred until sale of REIT Shares.
- ◇ Distributions based on pro-rata ownership of REIT.
- ◇ Owners have options for partial cash out at the time of exchange.
- ◇ Simplified estate planning allowing individual shares to be sold or transferred to family.



**ASSETS EXCHANGED  
FOR SHARES OF REIT**



**SMART AND SIMPLIFIED  
ESTATE PLANNING**



**NO TAXES PAID AT EXCHANGE,  
SIMILAR TO 1031 EXCHANGE**



**SHARE STEP UP IN BASIS  
ELIMINATES PAST TAX AT DEATH**



**DISTRIBUTIONS BASED  
ON OWNERSHIP**





# Benefits Of An UPREIT

In a 721 exchange, or "UPREIT", an investor contributes property to a REIT in exchange for shares in the REIT itself. The benefits to UPREIT Investors include;



## ASSET MANAGEMENT

SMARTCAP Industrial UPREIT allows investors to 'sell' an asset without the need to reinvest their funds into a new strategy.



## PASSIVE INCOME

REIT shareholders are passive. Managers oversee the operation of the REIT and manage its assets.



## TAX ADVANTAGES

Due to the structure of a 721 exchange, the gains on the sale of a property will be deferred. Investors pay taxes when they sell individual shares, allowing smart tax planning.



## DIVERSIFICATION

As a shareholder of the REIT, the investor would no longer have their interests in a single asset. The REIT will provide similar benefits to direct real estate ownership, including asset appreciation and cash flow.



## ESTATE PLANNING

UPREIT shares provide tax shelter while allowing smart estate planning. Owners are able to transfer individual shares to family members, avoiding management complications and increasing family happiness.



# Cash Investment VS. 721 (UPREIT) Exchange

## REIT Shares

- ◆ Whether investing in cash or via a 721 exchange, all shares receive the same valuation.

## 721 Exchange

- ◆ Equity is exchanged into the REIT for shares. Example: \$100,000 in equity = 10,000 REIT shares at \$10 per share.
- ◆ UPREIT investors can pull equity from their investment at the time they exchange the asset for shares.
- ◆ Investor does not pay tax on the exchange of the asset for shares, so value is maximized.

## Cash Investment

- ◆ Investors buy shares at the current price. Example: \$100,000 investment = 10,000 shares at \$10 per share.
- ◆ Cash investments are used to acquire assets directly as well as develop into the REIT.

## Distributions

- ◆ All distributions are made on a pro-rata share of REIT ownership.
- ◆ No shares have a priority over other shares.





# Industrial Properties Investment Strategy

## Focus on the Puget Sound

Over time, the supply of new industrial product will be limited due to physical and regulatory constraints. When combined with strong demand and generators such as population growth and proximity to the port, the Puget Sound market has continually generated superior returns.

## High Quality Industrial Real Estate

We invest in functional, flexible industrial real estate that meets our customers' needs. Our target markets are located in areas with growing demand and limited supply.

## Three-Pronged Strategy

Combining direct acquisitions, ground up development, and the UPREIT strategy provides great opportunity for portfolio growth and increased investor value.

### PORTFOLIO STRATEGY

Industrial Real Estate Diversification	Industrial Real Estate Diversification
Geographic Diversification	North West with primary focus on Seattle and Portland
Property Types	Suitable for multiple tenants, adjacent to transportation infrastructure, caters to submarket tenant demand
Value Creation Opportunities	Emphasis on rental growth over hold period and opportunity for higher and better use over time
Submarket Focus	Focus on submarkets with no new net industrial supply where older existing buildings present opportunities for redevelopment and submarkets with new supply potential
Lending Strategy	Utilize low leverage in the 50%-65% LTV range to increase yield

## A TAX-EFFICIENT WEALTH BUILDING STRATEGY.

High-quality, irreplaceable real estate should never be sold, which is why the fund has no expiration date. This perpetual fund structure also means we can minimize the impact of taxes by deferring gains indefinitely.

The fund offers a DRIP (distribution re-investment program) so you can keep your money working at all times and take advantage of the power of compounding.

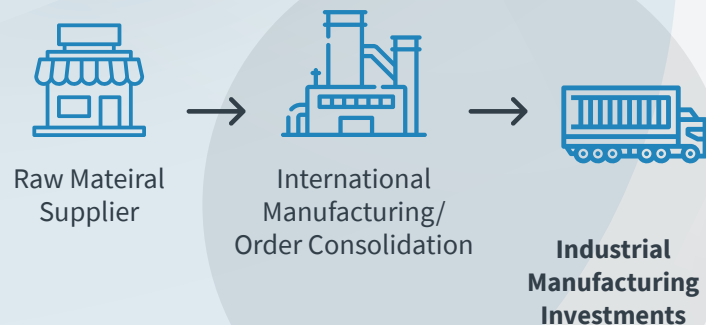


# Favorable Tailwinds Support Industrial Demand In Seattle

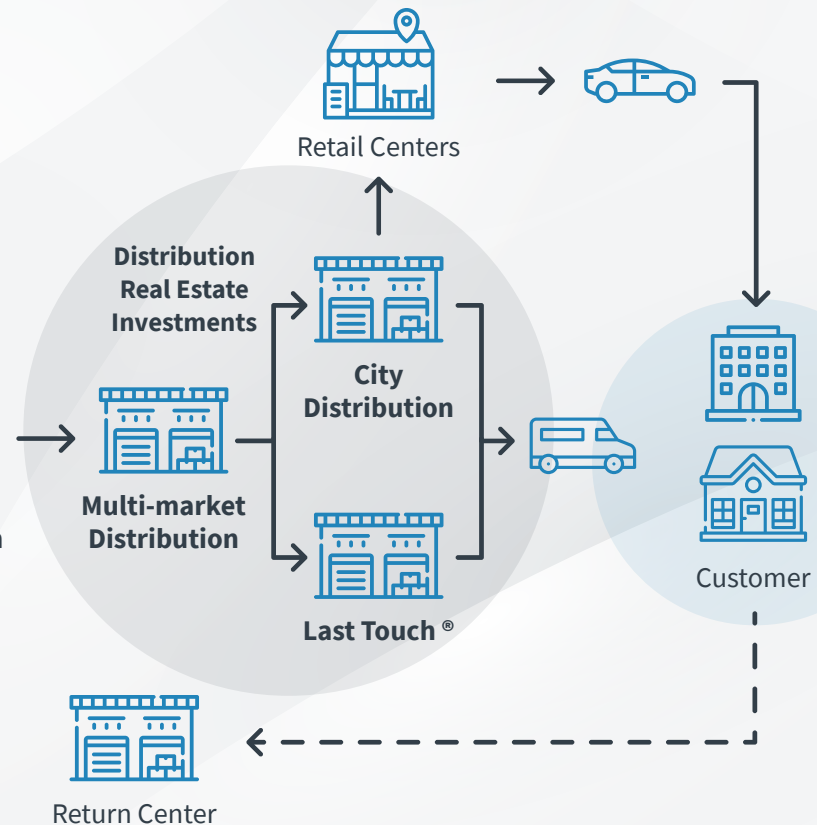
Riding the e-commerce wave, demand for well-located industrial assets has outpaced supply during the past decade. Accelerated e-commerce adoption and higher inventory levels have the potential to generate 400 MSF or more of additional U.S. requirements. According to Prologis Research, this could be as much as 150M – 200M per year for the next several years.

**SMARTCAP Industrial REIT will focus on manufacturing space, multi-market distribution, and city distribution assets in the portfolio.**

## PRODUCTION



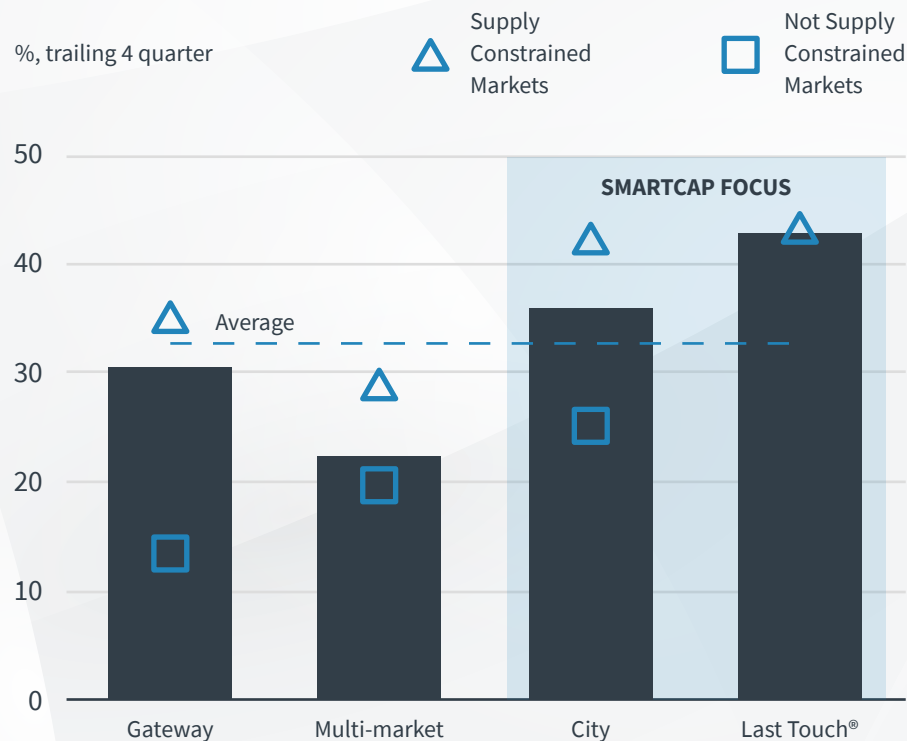
## CONSUMPTION



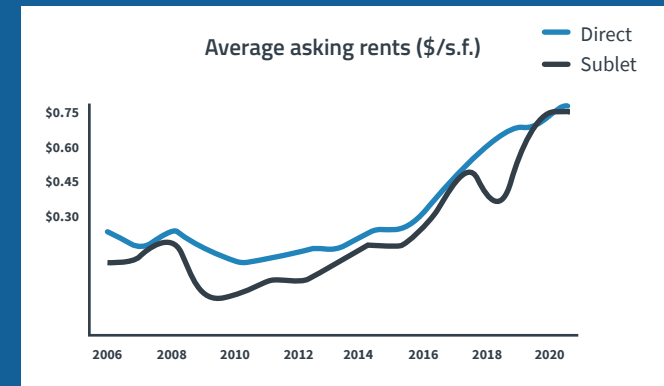
# A Supply Deficit of Industrial Space in Seattle Will Prop-up Prices & Rent

Seattle is a supply constrained market with significant growth, which results in higher rental rates.

RENT CHANGE ON ROLLOVER BY PROPERTY CATEGORY, PROLOGIS

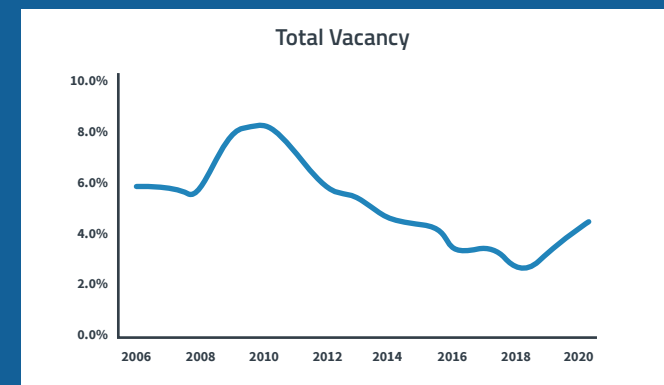


## POSITIVE TRENDS IN PUGET SOUND INDUSTRIAL



E-commerce and third-party logistics will continue to be the driver of the market as online orders will accelerate the demand for warehousing.

Accelerated population growth places the industrial market in a good position to hold strong in the Puget Sound.





## SMARTCAP INDUSTRIAL REIT TERMS

<b>Geographic Diversification</b>	Greater N.W. Market as primary target (Seattle and Portland Metro markets as key targets).
<b>Term</b>	Open-Ended *
<b>One-time Startup Fees</b>	Estimated \$200,000
<b>Annual Asset Management Fees</b>	1.5% of Net Asset Value
<b>One-time Acquisition Fees</b>	1.0% of purchase price
<b>Advisor Performance Allocation</b>	30.0% (20% for greater than \$1MM investment) after 6.0% preferred return with no catch up, issued as shares of the REIT further aligning interests

\*The Fund will target to repurchase units from investors seeking liquidity no less than once per calendar quarter. Units will be repurchased at current NAV with the application of the following discount schedule after a 2-year lockup period:

**After 2 years – 10%**

**After 3 years – 5.0%**

**After 4 years – 2.5%**

**After 5 years – 0.0%**

# Terms

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# SMARTCAP TOTAL TRANSACTIONS JULY 2020 (SOLD)

SPONSOR TRACK RECORD. ASSETS LISTED BELOW ARE NOT PART OF SMARTCAP INDUSTRIAL REIT.

PROPERTY	METRO	SQUARE FOOTAGE	DATE	PURCHASE PRICE	PROPERTY TYPE	ACQUISITION & CURRENT OCCUPANCY	CURRENT VALUE	CASH RETURN	IRR OR TOTAL RETURN
Capital Theatre Building	Olympia, WA	15,000 SF	April 2012	\$950,000	Retail	Sold	Sold 2016, \$1,560,000	322%	24.3% IRR
Sequim Retail Plaza	Sequim, WA	7,000 SF	Sept. 2013	\$1,100,000	Retail	Sold	Sold 2014, \$1,700,000	147%	45% IRR
6 & Orchard	Tacoma, WA	12,000 SF	June 2013	\$2,600,000	Retail	Sold	Sold 2016 \$3,700,000	253%	36.5% IRR
Navy Office Building	Silverdale, WA	41,901 SF	Oct. 2014	\$7,100,000	Office	Sold	Sold 2017 \$9,895,000	176%	25% IRR
Vintage Place, LLC	McMinnville, OR	33,395 SF	March 2014	\$3,600,000	Retail	Sold	Sold 2017 \$5,150,000	161%	16.5% IRR
DSHS Office Building	Tacoma, WA	30,000 SF	Oct. 2014	\$4,500,000	Office	Sold	Sold 2017 \$6,000,000	176%	25% IRR
Lake Plaza Retail	Denver, CO	40,778 SF	July 2015	\$6,150,000	Retail	Sold	Sold 2018 \$6,515,000	110.5%	3.5% IRR
Firgrove Business Park	Puyallup, WA	15,000 SF	April 2012	\$1,350,000	Retail	Sold	Sold 2018 \$2,560,000	184%	25% IRR
South Seattle Business Park	Seattle, WA	97,500 SF	May 2016	\$9,500,000	Office / Warehouse	Sold	Sold Aug 2018 \$17,500,000	229%	46.3% IRR
Robinson Ranch Retail Center	Parker, CO	20,230 SF	Dec. 2015	\$5,000,000	Retail	Sold	Sold Oct. 2019 \$5,100,000	102%	1% IRR
Smokey Point, LLC	Smokey Point, WA	24,794 SF	March 2014	\$3,500,000	Retail	Sold	Sold Jan, 2019 \$4,880,000	153%	12% IRR

# SMARTCAP TOTAL TRANSACTIONS JULY 2020 (NOT SOLD)

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PROPERTY	METRO	SQUARE FOOTAGE	DATE	PURCHASE PRICE	PROPERTY TYPE	ACQUISITION & CURRENT OCCUPANCY	CURRENT VALUE	CASH RETURN	IRR OR TOTAL RETURN
Richland State Professional Building	Richland, WA	57,935 SF	Sept. 2015	\$6,300,000	Office	86.82% / 100%	\$8,750,000	98%	203.54% TR Projected
Duke's Ruston Way Restaurant	Tacoma, WA	5,300 SF	Sept. 2016	\$3,900,000	Restaurant	100%	\$5,250,000	13.75%	139.65% TR Projected
Fund 1 - I5 Quadrant Office Building B	Everett, WA	70,464 SF	Sept. 2017	\$12,500,000	Office	88% / 95%	Combined Value \$35,000,000	6.2%	135% TR Projected
Fund 1 - I5 Quadrant Office Building A	Everett, WA	74,959 SF	Feb. 2018	\$14,400,000	Office	87% / 95%		6.2%	135% TR Projected
Fund 1 - 180th ST Industrial Building	Arlington, WA	95,150 SF	Delivery 6/2019	\$10,300,000	Industrial	100% Leased	\$13,995,000	6.2%	139% TR Projected
Fund 2 - Evergreen Office Building	Bellevue, WA	88,642 SF	May, 2019	\$32,150,000	Office	95% Leased	\$35,250,000	2.42%	112% TR Projected
Fund 2 - Kirkland 405 Corporate Center Building B	Kirkland, WA	53,268 SF	May, 2019	\$15,750,000	Office	100% Leased	\$15,750,000	2.42%	112% TR Projected
OZ Fund - 188th St Industrial Park	Arlington, WA	Planned 100,000 SF	Delivery Aug, 2020	\$13,500,000 Construction	Industrial	54% Preleased	New	New	New
OZ Fund 2 - Arlington Air Industrial Park	Arlington, WA	Planned 300,000 SF	Delivery Aug, 2021	\$40,250,000 Construction	Industrial	New	New	New	New
Total Purchases \$195,310,000		Total Sales \$64,560,000		Total Transactions \$245,000,000		Current Portfolio Value \$180,175,000		Investor Net IRR if all remaining assets sold today 23.4% IRR	
								Total Transaction SF 1,223,316 SF	
								Total SF Current 885,718 SF	





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