



REVESCO PROPERTIES TRUST

Management Report
Q4 2023



REVESCO
PROPERTIES TRUST

REAL ESTATE INVESTMENT TRUST

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RPT Management Report: Q4 2023 and Year in Review

Revesco Properties Trust Investors:

The past year presented a myriad of challenges for the commercial real estate sector with the primary driver being the continued escalation of interest rates in the first half of 2023. From March 2022, the Federal Reserve raised interest rates 10 times from 0.00% - 0.25% to 5.00% - 5.25% by May 2023. Adding to this meteoric rise in interest rates, prominent bank failures, including Silicon Valley and First Republic, resulted in many lenders to effectively stop lending. These two events brought commercial real estate capital market transactions to a grinding halt. In 2023, our team at Revesco Properties Trust received information on hundreds of on and off market deals. Of those, our team reviewed 80 deals, underwrote 40, and bid on 14. Although we had one property under contract, our rigorous due diligence process revealed significant deferred maintenance requiring an even larger amount of capital expenditures than we had expected. This rendered the deal non-accretive to the fund, prompting us to forgo that particular opportunity.

However, the latter half of the year witnessed an increase in the number of properties coming to market as sellers looked to retail assets to realize value. This increase in activity leads us to believe that market participants are starting to see a 'new normal' in terms of valuations which leaves us encouraged for a more normalized 2024.

Despite the adversities posed by surging consumer prices, the U.S. retail sector exhibited a commendable performance in 2023, surpassing pre-pandemic levels. Strong performance by retailers, coupled with store openings outpacing store closings led to a rapid surge in rents as retail space absorption soared, and vacancy rates came to an all-time recorded low of 4.1%, as reported by the National Association of Realtors.

While our firm did not acquire new properties in 2023, RPT did partner with a Denver-based VC Firm to provide a loan for a \$4 million preferred equity investment as part of a state-of-the-art oncology center in Santa Barbara, California where UCLA Health signed a brand-new 10-year lease. This investment will yield a 13% return to Revesco Properties Trust.

Our team continues to focus on enhancing our operational efficiency and on the long-term outlook for our existing portfolio. We have meticulously reviewed and updated our comprehensive five-year management plans for each asset in line with new conditions in the market. This strategic approach leads to our anticipation of continued performance from our current assets. With a robust 97% occupancy across our portfolio, we have observed substantial rent increases for new leases and renewals. Notably, new lease deals with renowned retailers such as Carhartt and fitness concept Club Pilates have commanded premiums of \$4 to \$7 per square foot over previous rates in Aspen Place located in Flagstaff, AZ. These, coupled with contractual rent increases across the portfolio contributed to a 1.4% increase in our average in-place rents from the previous quarter. The weighted average lease term (WALT) for our portfolio currently stands at 4 years, and our portfolio loan-to-value (LTV) ratio is a conservative 49%, with an average debt cost of 5%.

It is evident that the retail real estate sector is thriving, and RPT is strategically positioned to capitalize on opportunities in 2024. We extend our heartfelt gratitude for your continued trust and support, and we are resolute in our commitment to facilitating the creation of generational wealth through opportunistic real estate investments for you and your families.

Sincerely,



Christopher A. Wood
Trustee

Q4 Overview

Highlights

- In-place rents across the portfolio rose 1.4% quarter over quarter
- Signed two new leases at Aspen Place at \$4 and \$7 per square foot respectively
- U.S. retail vacancy hit an all-time low of 4.1%
- Completed test fit for potential pad site development at Preston place
- Completed lender-mandated repairs at Park Lee



Medical office in Santa Barbara, CA

Property Highlights

5 WEST • BOZEMAN, MT

In the fourth quarter, we received notice of Opportunity Bank’s closure of their branch at 5 West. Despite this development, we want to highlight that the company remains committed to fulfilling their lease obligations, consistently meeting rent payments. In response to this change, we are actively collaborating with Opportunity Bank to explore new subleasing options for the vacated space. This proactive approach reflects our commitment to optimizing the property’s utilization and maintaining a strategic focus on adaptive solutions in response to evolving market dynamics. We will continue to work closely with Opportunity Bank to ensure a seamless transition and identify opportunities that align with our overarching asset management strategy.



5 West	2023 Q1	2023 Q2	2023 Q3	2023 Q4
Occupancy	100.00%	100.00%	100.00%	100.00%
Avg in-place rents (\$/SF)	\$25.73	\$25.78	\$26.19	\$26.54
WALT (years)	4.88	4.63	4.38	4.13

HARMONY SCHOOL SHOPS • FORT COLLINS, CO

In this reporting period, we have taken strategic steps to enhance our leasing operations. Having identified a new leasing agent for the center, we are leveraging our longstanding partnership with JLL, which provides access to the industry’s premier leasing teams. Concurrently, negotiations are underway for a 12-month lease extension with Office Depot, reflecting our commitment to fostering enduring partnerships. Collaborating closely with our new agent, we are actively exploring potential replacements to re-anchor the center in the coming years, aligning with our forward-looking approach to optimize tenant mix and ensure sustained success in the dynamic retail landscape. This comprehensive strategy underscores our dedication to proactive management and the long-term value proposition of our investment.



Harmony School Shops	2023 Q1	2023 Q2	2023 Q3	2023 Q4
Occupancy	100.00%	100.00%	100.00%	100.00%
Avg in-place rents (\$/SF)	\$18.61	\$18.68	\$18.68	\$18.71
WALT (years)	4.16	3.91	3.73	3.33

Property Highlights

ASPEN PLACE AT THE SAWMILL • FLAGSTAFF, AZ

During this reporting period, we successfully executed new lease agreements with prominent retailers, Carhartt and Club Pilates. These new leases were signed at \$4 to \$7 per square foot compared to the previous leasing rates respectively, underscoring the competitive advantage and market demand for our prime retail space. As part of our ongoing commitment to enhancing property value, we remain dedicated to upgrading the tenant profile, meticulously curating the ideal mix to ensure a dynamic and appealing environment for both tenants and visitors. This proactive approach aligns with our overarching strategy to position the center as a premier destination in the retail landscape.



Aspen Place	2023 Q1	2023 Q2	2023 Q3	2023 Q4
Occupancy	99.00%	99.00%	99.00%	99.00%
Avg in-place rents (\$/SF)	\$24.44	\$24.73	\$24.80	\$25.27
WALT (years)	4.74	4.49	4.30	4.39

PRESTON PLACE • LOUISVILLE, KY

In the fourth quarter, we completed a test fit for potential pad site development. Our strategic focus involves marketing this site specifically to quick-service restaurants, capitalizing on the growing demand in this sector. The versatile approach of offering either a ground lease or a sale provides us with flexibility and aligns with our commitment to maximizing value for both the asset and the fund. This dual strategy not only enhances the appeal of the property for potential tenants but also ensures that our investment fund remains well-positioned for continued growth and success.



Preston Place	2023 Q1	2023 Q2	2023 Q3	2023 Q4
Occupancy	100.00%	100.00%	100.00%	100.00%
Avg in-place rents (\$/SF)	\$7.81	\$7.81	\$7.81	\$7.81
WALT (years)	5.19	4.94	4.69	4.50

Property Highlights

PARK LEE • PHOENIX, AZ

In Q4 2023, we achieved a key property milestone by completing environmental remediation, closing out all lender-mandated repairs. Despite lower occupancy, we're strategically enhancing our tenant mix to optimize rental income. We are currently negotiating a lease for 2,600 sqft of space with a \$5 per sqft increase in rent, we anticipate finalizing this lease in Q1 2024, bolstering our revenue stream. Our leasing strategy focuses on tailoring spaces for higher-quality tenants to enhance property value, capturing higher rents and ensuring adaptability to market challenges while pursuing our long-term vision.



Park Lee	2023 Q1	2023 Q2	2023 Q3	2023 Q4
Occupancy	93.63%	93.11%	93.11%	81.40%
Avg in-place rents (\$/SF)	\$13.73	\$13.11	\$13.44	\$13.85
WALT (years)	2.63	2.38	2.44	2.20

Financial Asset Highlights

PARKER LAND LOAN • DEBENTURE INVESTMENT • SANTA BARBARA

We have roughly \$11.3M in financial assets in our portfolio that are accruing a weighted average of 11% interest per annum.



Portfolio Summary

Name	Address	Asset Type	Size	Purchase Price	Purchase Date
5 West Commercial	5 W Mendenhall St. Bozeman, MT	Mixed-Use Condo Retail	37,668 SF	\$13.2M	May 2021
Harmony School Shops	2120-2226 E Harmony Rd. Fort Collins, CO	Multi-Tenant Retail	85,354 SF	\$19.2M	July 2021
Aspen Place at the Sawmill	319 Regent St. Flagstaff, AZ	Multi-Tenant Retail	99,566 SF	\$30.6M	December 2021
Preston Place	3426-3430 Preston Hwy Louisville, KY	Multi-Tenant Retail	134,019 SF	\$14.8M	July 2022
Park Lee Center	1615-1635 Camelback Rd. Phoenix, AZ	Multi-Tenant Retail	75,559 SF	\$11.6M	July 2022
Financial Assets					
Parker Loan	Broncos Pkwy & S Parker Rd. Parker, CO	Land Loan	92 Acres	\$6M	July 2021
Debenture Investment	4 Sites in Denver, CO	Convertible Debenture for Mixed-Use Development	308 Units	\$1M	December 2021
Santa Barbara Loan	111 E Victoria St. Santa Barbara, CA	Loan	21,970 SF	\$4M	August 2023
TOTALS			432,166 SF		



5 West Commercial



Harmony School Shops



Aspen Place at the Sawmill



Preston Place



Park Lee Center



Debenture Investment