




MEMORANDUM

DATE: October 24, 2023

TO: **CB Downtown Industrial, LLC**

- Dean Realty Co,
- BMPI Downtown Industrial, LLC
- CB Downtown Industrial Investors, LLC

FROM: Bucky Brooks 

RE: **CBDI Q3 2023 UPDATE**

Greetings CBDI Partners,

Below is the Q3 2023 recap.

DISTRIBUTION

There will be no distributions in Q3 and Q4 this year. As previously mentioned in my mid-quarter investor update, distributions are being suspended while we manage the portfolio to remain cash positive and preserve cash.

Distributions will be restored once we're able to increase revenue through leasing and sales, and when there's a reduction in debt service due to a falling interest rate. The latter is anticipated by some experts, including Chatham Financial, to occur sometime by the end of next year.

LEASING & SALES

Q3 leasing included nine new leases totaling 56,647 square feet and four lease renewals for 111,204 square feet. Q3 had three move-outs totaling 21,120 square feet. Net absorption for the quarter activity was positive 35,527 square feet.

Leasing is an especially critical focus for the portfolio this year and next year. Leasing is lagging budget this year because a) we're not leasing vacant spaces as quickly as projected, and b) we've experienced more move-outs than anticipated. The silver lining in the larger than normal lease roll year is that it is an opportunity to lease and renew tenants at higher rents and for term. The lease terms we are negotiating and the economics for new deals have met or exceeded underwriting. We need to sign more new deals faster.

I'm pleased to announce that Molly Munninghoff will be joining the CBDI leasing team. Molly brings 10 years' experience working closely with me and with other broker teams at CB. Molly is an energetic and accomplished landlord broker. She has found success at each new step throughout her career, marketing primarily industrial, office, medical office product. Molly is already familiar with the CBDI portfolio, and she is excited to partner with Jeremiah Dean to boost the portfolio leasing and sales.

SMART STORAGE

The Smart Storage expansion strategy for the Underground is working. Since March, when occupancy reached 96%, we expanded storage space inventory by roughly 11,600 square feet. Occupancy for the expanded space, now totaling 157,450 square feet, now stands at 90%. It's our plan to keep expanding Smart Storage in the Underground. Spaces in newly added Suite 342 have begun to fill. As overall Smart Storage occupancy reaches the mid-90% range again, we'll add the next suite of cages.

CAPITAL ITEMS

Notable major capital projects that are underway this year include:

- ALL the buildings in Downtown Business Park are now tuckpointed and painted.
- ALL the new branding and park signage is installed in the Downtown Business Park, Downtown Underground, and Cambridge Business Park.
- Interior painting in the roadways is underway to match up with wayfinding and the Smart Storage color schemes.
- Fully correcting the ceiling pan and drainage to prevent water from dripping on the ingress/egress drive and Liberty Bend in Downtown Underground. The main drive portion is phase one, which we expect to be completed in Q4. If satisfied with phase one, we'll immediately move on phase two, the Liberty Bend portion. This will eliminate the ceiling leaks that drip on the cars and create puddles at the entrance ramp and around the Liberty Bend.
- A new HVAC chiller was installed in the Downtown Underground this year.
- Demolition of Imperial Brewery will commence by the end of October, if the permit is received as expected.

OPPORTUNITY ZONE (OZ) DEVELOPMENT LAND

The Cambridge Crest and Imperial/Chopp sites are being actively marketed for development or sale. Most of the prospects for Cambridge Crest have expressed interest in mixed use or residential. We've been exploring detailed cost estimating and plans for light industrial development on the Imperial/Chopp sites. The light industrial development plan is not feasible today without incentives, due to the cost of construction relative to the maximum achievable net rent in current market.

We're looking into any incentives that may be available to help bridge the gap. We're also entertaining a 300-unit apartment development on the Imperial Brewery lot from an outside developer who would purchase the land.

After more than two years exhausting all potential sources of incentive grants to demolish Imperial Brewery, we're moving ahead with demolition. The buildings are dangerous and too far gone to try and preserve or qualify for Historic Tax Credits. A \$375,000 escrow is reserved for the demolition.

INCOME

Total Revenue year-to-date of \$8,858,837 is unfavorable to budget by \$929,169, mostly due to leasing that has not occurred as projected.

EXPENSES

Total Expenses year-to-date of \$5,012,579 are favorable to budget by \$638,181, due to timing of the HVAC chiller replacement and Liberty Bend water diversion project, as well as other small projects that have not yet been completed.

NET OPERATING INCOME

Net Operating Income of \$3,846,258 is unfavorable to budget by \$290,988.

CASH FLOW FROM OPERATIONS

NOI (Earnings Before Taxes, Interest & Depreciation)	<u>\$3,846,258</u>
TOTAL CASH AT 9/30/2023:	\$3,420,996
Reserves – Restricted Cash	\$2,695,239

Reserves have been funded for:

Real Estate Taxes	\$1,316,161
Security Deposits	\$613,599
Reserves for Replacement	\$207,216
Demolition Escrow	\$375,000
Reserve for Insurance	\$183,263

Unrestricted Cash at 9/30/2023: **\$ 725,757**

Despite current debt interest rate and cash flow challenges, the portfolio has been upgraded according to plan, the team in place is solid, and the portfolio is operating well.

Please call me with any questions. Thank you for investing with us.

CB Downtown Industrial, LLC Distribution Calculations

Tier 1 - Distribution of Operating Proceeds Paid up to 8%

LP Investment of 95%	Equity	LP Equity	4th QTR	1st QTR	2nd QTR	3rd QTR
	Contribution	Percentage	2022	2023	2023	2023
Dean Operations, Inc	15,415,267	79.37%	310,840.00	237,500.00	56,548.00	-
BMPI Downtown Industrial, LLC	2,055,369	10.58%	41,445.00	31,667.00	7,540.00	-
CB Downtown Industrial Investors, LLC	1,952,601	10.05%	39,373.00	30,083.00	7,162.00	-
	<u>19,423,237</u>	<u>100.00%</u>	<u>391,658.00</u>	<u>299,250.00</u>	<u>71,250.00</u>	<u>-</u>
GP Investment of 5%						
Copaken Brooks Realty Capital, LLC	0.00	5.00%	20,614.00	15,750.00	3,750.00	-
			<u>20,614.00</u>	<u>15,750.00</u>	<u>3,750.00</u>	<u>-</u>
Total Distributed Tier 1			412,272.00	315,000.00	75,000.00	-

Tier 2 - Distribution of Operating Proceeds up to 15%

LP Investment of 85%	Equity	LP Equity	4th QTR	1st QTR	2nd QTR	3rd QTR
	Contribution	Percentage	2022	2023	2023	2023
Dean Operations, Inc	15,415,267	79.37%	-	-	-	-
BMPI Downtown Industrial, LLC	2,055,369	10.58%	-	-	-	-
CB Downtown Industrial Investors, LLC	1,952,601	10.05%	-	-	-	-
	<u>19,423,237</u>	<u>100.00%</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
GP Investment of 15%						
Copaken Brooks Realty Capital, LLC			-	-	-	-
			<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Distributed Tier 2			-	-	-	-
Total Distributed			412,272.00	315,000.00	75,000.00	-

Cumulative Distributions for the Year 2023

\$ 412,272.00 \$ 727,272.00 \$ 802,272.00 \$ 802,272.00

Cumulative Distributions Since Inception

\$ 6,386,819.00 \$ 6,701,819.00 \$ 6,776,819.00 \$ 6,776,819.00

Tax AJE to Adjust Land Basis

\$ 1,633,180.84 \$ 1,633,180.84 \$ 1,633,180.84 \$ 1,633,180.84

Adjusted Cumulative Distributions Since Inception

\$ 8,019,999.84 \$ 8,334,999.84 \$ 8,409,999.84 \$ 8,409,999.84

Recap of Above Distributions by Owners

Dean Operations, Inc	310,840.00	237,500.00	56,548.00	-
BMPI Downtown Industrial, LLC	41,445.00	31,667.00	7,540.00	-
CB Downtown Industrial Investors, LLC	39,373.00	30,083.00	7,162.00	-
Copaken Brooks Realty Capital, LLC	20,614.00	15,750.00	3,750.00	-
Total Distributed	\$ 412,272.00	\$ 315,000.00	\$ 75,000.00	\$ -

CB Downtown Industrial Investors, LLC Distribution Calculations

Members	Equity	Equity	4th QTR	1st QTR	2nd QTR	3rd QTR
	Contribution	Percentage	2022	2023	2023	2023
CP KC Downtown Industrial, LLC	513,842	26.32%	10,361.30	7,916.57	1,884.74	-
Robert A. Brooks, Jr. Trust	364,828	18.68%	7,356.52	5,620.77	1,338.16	-
Robert A. Brooks III	323,721	16.58%	6,527.64	4,987.45	1,187.39	-
James Copaken Trust	215,814	11.05%	4,351.76	3,324.97	791.59	-
Jon Copaken Trust	215,814	11.05%	4,351.76	3,324.97	791.59	-
Keith Copaken Trust	215,814	11.05%	4,351.76	3,324.97	791.59	-
John Coe Family	51,384	2.63%	1,036.13	791.65	188.47	-
LVE Downtown LLC	51,384	2.63%	1,036.13	791.65	188.47	-
	<u>1,952,601</u>	<u>100.00%</u>	<u>39,373.00</u>	<u>30,083.00</u>	<u>7,162.00</u>	<u>-</u>
Total Distributed			39,373.00	30,083.00	7,162.00	-

Cumulative Distributions for the Year 2023

\$ 39,373.00 \$ 69,456.00 \$ 76,618.00 \$ 76,618.00

Cumulative Distributions Since Inception

\$ 570,195.25 \$ 600,278.25 \$ 607,440.25 \$ 607,440.25