

Inland Private Capital Corporation

# Self-Storage Portfolio IV DST



Executive Overview

[www.inlandprivatecapital.com](http://www.inlandprivatecapital.com)

This material is neither an offer to sell, nor the solicitation of an offer to buy any security, which can be made only by a Private Placement Memorandum (the Memorandum), and sold only by broker/dealers authorized to do so. All potential investors must read the Memorandum, and no person may invest without acknowledging receipt and complete review of the Memorandum. Investments are suitable for accredited investors only. **Please see page 10 of this Executive Overview for important disclosures.**



## > Self-Storage Portfolio IV DST

### A portfolio of nine self-storage properties in three markets in the Texas Panhandle

Self-Storage Portfolio IV DST, a newly formed Delaware statutory trust (DST) and an affiliate of Inland Private Capital Corporation (IPCC), also known as the Trust, is offering (the Offering) to sell to certain qualified, accredited investors (Investors), pursuant to a Private Placement Memorandum (the Memorandum), 99.5% of the beneficial interests (Interests) in the Trust. **You should read the Memorandum in its entirety before making an investment decision.**

The Trust owns a portfolio of nine self-storage properties (each, a Property and collectively, the Properties) located in three markets in the Texas Panhandle, which represents of the northernmost twenty-six counties in Texas. The portfolio consists of seven Properties in Amarillo, Texas, one Property in Lubbock, Texas and one Property in Plainview, Texas. The Properties encompass nearly 40 total acres and include 668,695 rentable square feet, with a total of 4,922 storage units. Each of the Properties is operated as a self-storage facility under the Metro Self Storage (Metro Storage) name.

## > The Properties

The 4,922 storage units at the Properties include 1,264 climate controlled units and 3,658 non-climate controlled units. Each of the Properties features multiple storage buildings with drive-up access to the units, gated entrances, steel roll-up doors and 24-hour video surveillance. The Properties offer self-storage facilities for storing various household and commercial items. The 4600 Bell Property, the 4708 Bell Property, the East 34th Property and the Plainview Property also contain rentable parking spaces, totaling 40 spaces. Certain of the Properties, the 4600 Bell Property, the 4708 Bell Property, the East 34th Property and the Lowes Property, also include commercial retail and office spaces which are leased to tenants pursuant to separate lease agreements. The 4600 Bell Property also includes a residential apartment which is leased to a tenant pursuant to a separate lease agreement. The Properties are located in prime areas in each of the distinct markets, with some Properties near major multifamily and residential developments and some minutes away from national retailers.<sup>1</sup>

<sup>1</sup> Appraisal Reports from Cushman & Wakefield.



Paramount Property

### An investment in Self-Storage Portfolio IV DST may offer the following benefits:

- **Opportunity to Invest in Self-Storage Assets** – According to the Self-Storage Association, a not-for-profit trade association representing the self-storage industry, the self-storage industry has been the fastest growing segment of the commercial real estate industry over the last 40 years. The U.S. self-storage industry generated approximately \$32.7 billion in annual revenues in 2016.
- **Established Properties with Expansion Lease-Up Opportunity** – Although each of the Properties has an established operating history, several of the Properties have undergone recent expansions, providing the Trust, through the master tenant and management team, with an opportunity to complete the lease up of the expansion and grow revenues. Specifically, the East 34th Property added 173 new units in July 2016, the Lubbock Property added 202 new units in 2015 and the Paramount Property added 24 new units in 2015. The Property Manager is focused on reaching a stabilized occupancy and optimizing operations in these newer units as a way to grow net operating income, or NOI, within the portfolio.
- **Property Locations in Texas Panhandle** – The Properties are located along the Interstate 27 corridor with high visibility from a heavily-driven highway, providing easy accessibility to all Properties. As of March 7, 2017, the average physical occupancy rate for the Properties, based on rentable square footage, was approximately 74.43%.
- **Experienced Property Management** – Each of the Properties is managed by Metro Storage, an established operator of self-storage properties. Metro Storage has positioned itself as one of the nation’s premier self-storage operators. As of 2016, Metro Storage was the third largest private self-storage company in the country and the tenth largest among private and public self-storage companies. As of December 31, 2016, Metro Storage operated over 7.2 million rentable square feet of self-storage space, consisting of over 61,000 self-storage units in 110 properties across 13 states. See “*Frequently Asked Questions – What is Metro Storage LLC?*” in the Memorandum.
- **Long-term, Fixed Rate, Amortizing Loan** – The Properties have been financed with the Loan, which has a term of 10 years and a fixed interest rate of 4.93% per annum, with principal amortizing in years six through 10 on a 30-year schedule. See “*Financing Terms*” in the Memorandum.
- **Master Lease Structure** – The master lease structure allows the master tenant to operate the Properties on behalf of the Trust and to enable actions to be taken with respect to the Properties that the Trust would be unable to take due to tax law-related restrictions, including, but not limited to, a restriction against re-leasing the Properties. See “*Summary of the Leases – Master Lease*” in the Memorandum.

## > Property Information

Property	Storage Units	Rentable Square Feet	Physical Occupancy <sup>2</sup>	2015 Population (within 5 miles) <sup>3</sup>	Average 2015 Household Income (within 5 miles) <sup>3</sup>
<b>Lowes Property</b> 6620 Lowes Lane Amarillo, Texas 79106	454	62,300	76.89%	131,704	\$68,406
<b>Paramount Property</b> 2501 Paramount Boulevard Amarillo, Texas 79109	524	65,039	79.77%	168,017	\$67,747
<b>West 34th Property</b> 7409 West 34th Avenue Amarillo, Texas 79121	523	60,778	80.84%	130,472	\$75,381
<b>4600 Bell Property</b> 4600 Bell Street Amarillo, Texas 79109	496	91,375	71.91%	133,785	\$73,887
<b>4708 Bell Property</b> 4708 Bell Street Amarillo, Texas 79109	439	54,925	82.18%	134,843	\$73,737
<b>East 34th Property</b> 1500 East 34th Avenue Amarillo, Texas 79118	631	87,400	65.74%	150,858	\$55,705
<b>Coulter Property</b> 5300 South Coulter Street Amarillo, Texas 79119	692	102,382	80.08%	118,451	\$77,256
<b>Plainview Property</b> 1401 North Interstate 27 Plainview, Texas 79072	478	67,285	91.39%	25,205	\$52,984
<b>Lubbock Property</b> 131 West Loop 289 Lubbock, Texas 79416	685	77,211	69.02%	154,702	\$56,715

See “*The Properties*” in the Memorandum for additional detail. Also see “*Risk Factors – Risks Related to the Properties*”.

## > Stabilized Portfolio with Value-Add Potential

- ✓ Opportunity to grow revenue at certain Properties that have undergone recent developments
  - East 34th Property expanded by 173 units, completed in June 2016
  - Lubbock Property expanded by 202 units and one additional HVAC unit, completed in 2015
  - Paramount Property expanded by 24 units, completed in 2015
- ✓ Generate ancillary revenue through sales of renter/tenant insurance and storage/moving merchandise, including boxes, tape and packing materials
- ✓ Define opportunities for economies of scale with current vendors and systems

<sup>2</sup> Physical occupancy is reported as of February 15, 2017 for the 4600 Bell and the 4708 Bell Properties and March 7, 2017 for all remaining Properties.

<sup>3</sup> Appraisal Reports from Cushman & Wakefield.



## > The Locations

The nine Properties are located in the Texas Panhandle along Interstate 27 corridor with unrestricted visibility from the highway. The Texas Panhandle is the northernmost region of the state of Texas bordered by New Mexico to the west and Oklahoma to the north and east, and is slightly larger in size than the state of West Virginia.<sup>4</sup> The Interstate network and local arteries provide access throughout the region, with Interstate 27 being the main highway connecting the Properties. There has been significant new commercial activity along Interstate 27, including a Walmart, a movie theater and a variety of fast-food restaurants and gas stations. Interstate 27 is the main north-south corridor between Amarillo and Lubbock, with Plainview as the largest city and only significant retail cluster between the two city points.<sup>5</sup>

Each of the Properties located in Amarillo, Texas are situated in the southern growth path of the city. Amarillo's economy has been expanding moderately,<sup>6</sup> with an unemployment rate at 3.2%, which is lower than the state and federal average over the last 10 years<sup>7</sup>. Various commercial establishments, including retail and office, surround the Properties in Amarillo. Texas Cattle Feeders Association, represented by a three-state region of Texas, Oklahoma and New Mexico, is headquartered in Amarillo, Texas, and the multi-billion dollar industry supplies approximately 28 percent of the U.S. fed cattle production.<sup>8</sup>

Along Interstate 27 and approximately 70 miles south of Amarillo is Plainview, Texas, and 40 miles further south is Lubbock, Texas. Plainview is the largest city between Lubbock and Amarillo and benefits from the high-traffic driven Interstate 27<sup>5</sup>. Lubbock is known as "Hub City", derived from being the economic educator and healthcare hub of a multi-county region commonly called the South Plains.<sup>9</sup> Lubbock is considered a stable market with strong population growth and an increasing local economic development<sup>10</sup>.

### **Amarillo Top Employers<sup>10</sup>**

- Tyson Foods, Inc.
- CNX Pantex
- Baptist St. Anthony's Health System
- Northwest Texas Healthcare Systems

### **Lubbock Top Employers<sup>10</sup>**

- Texas Tech University
- Covenant Healthcare Systems Inc.
- University Medical Center
- United Supermarkets

Texas Tech's expansion of the north and west portion of its Health Sciences Center will aid in powering above-average gains in construction, creating additional jobs in the Lubbock market

<sup>4</sup> <http://www.theprpc.org/>.

<sup>5</sup> U.S. Department of Transportation, Economic Development History of Interstate 27 in Texas.

<sup>6</sup> Moody's Analytics July 7, 2016.

<sup>7</sup> Amarillo Globe-News, January 20, 2017; Amarillo.com.

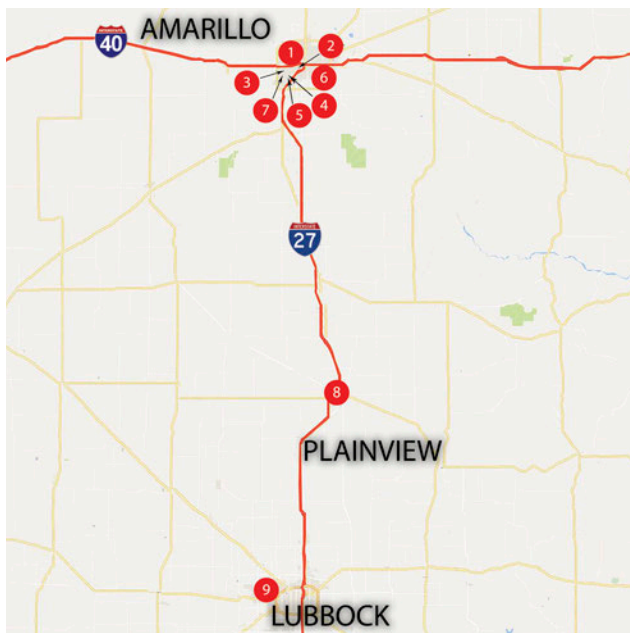
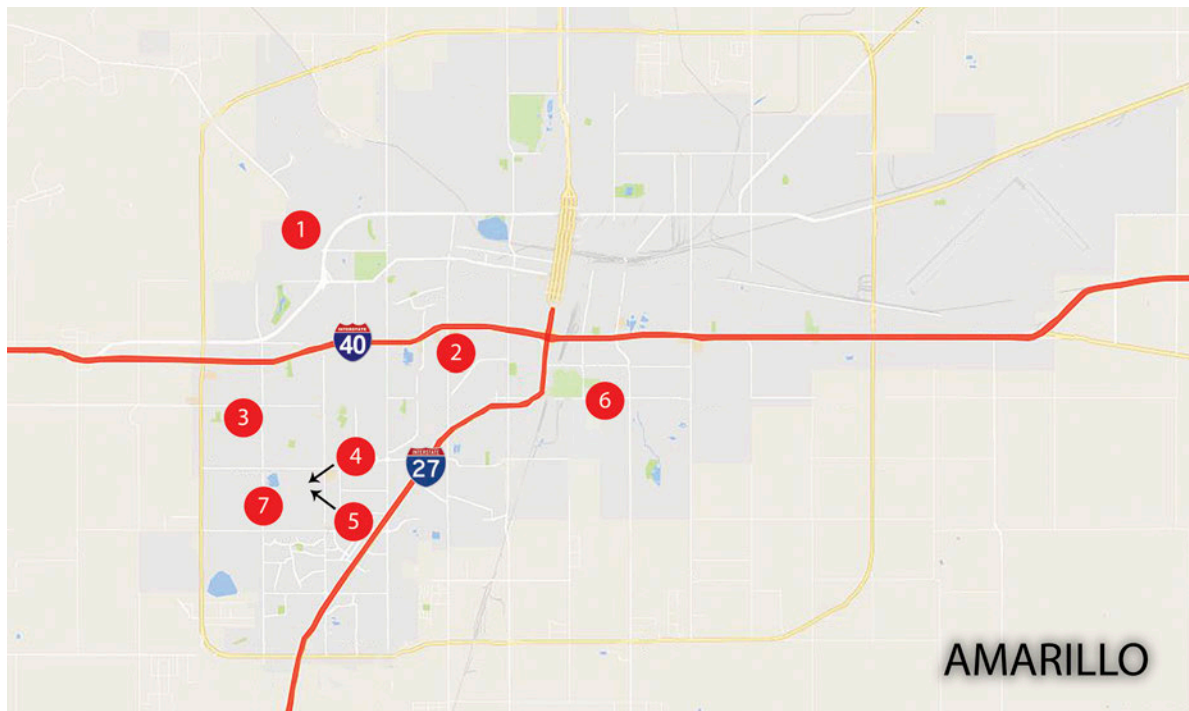
<sup>8</sup> Texas Cattle Feeders Association; tcfa.org.

<sup>9</sup> Lubbock Chamber of Commerce 2006.

<sup>10</sup> Appraisal Reports from Cushman & Wakefield.



## > Location Maps



- 1 Lowes Property
- 2 Paramount Property
- 3 West 34th Property
- 4 4600 Bell Property
- 5 4708 Bell Property
- 6 East 34th Property
- 7 Coulter Property
- 8 Plainview Property
- 9 Lubbock Property



## > The Property Manager

Each of the Properties is managed by Metro Storage LLC, operating as Metro Storage, an established operator of self-storage properties. Metro Storage built the first self-storage facility located in the Midwest in 1973 and as of 2016 had over \$1 billion of assets under management or development. Metro Storage is one of the top 10 largest owner/operators of self-storage facilities in the United States with over 110 properties covering 13 states. Metro Storage has positioned itself as a premier self-storage operator and is currently the third largest private-self-storage company in the country and the tenth largest among private and public self-storage companies. As of December 31, 2016, Metro Storage operated over 7.2 million rentable square feet of self-storage space, consisting of over 61,000,000 self-storage units.



Metro Storage's property management philosophy reflects its belief that the self-storage business is, first and foremost, a customer service business. Metro Storage therefore combines a disciplined approach to financial and operational management of its self-storage properties with an operation strategy that emphasizes customer service as a differentiating characteristic of the Metro Storage brand name. Metro Storage manages its properties with experienced, professionally trained, full-time employees. This full-time staffing philosophy differentiates Metro Storage from its peers.

Metro Storage has a seasoned senior management team averaging more than 15 years of experience each, both in the self-storage industry and with Metro Storage. See "*Property Management*" for the biographies of Metro Storage's senior management.

## Aligning the Interests of the Property Manager and Investors

- 1** The Property Manager is required to **acquire a 2% ownership** interest, which incentivizes the Property Manager to deliver positive portfolio performance in order to maximize return on its retained interest.
- 2** To further incentivize Metro Storage, **the master tenant will pay Metro Storage 70% of the master tenant's proportionate share of income generated** by the portfolio in excess of a stated supplemental rent breakpoint.
- 3** **Metro Storage is paid half of the acquisition fee and a disposition fee** based on pre-determined performance metrics and hurdles. Investors must receive sales proceeds equal to at least 100% of their original investment before Metro Storage is entitled to a disposition fee.



4708 Bell Property

## > The Financing

The Properties are subject to a loan in the original principal amount of \$31,500,000 (the Loan) from Barclays Bank PLC, a public company registered in England and Wales, (the Lender) to the Trust. The Loan has a 10-year term, maturing on March 6, 2027, and bears interest at a fixed rate equal to 4.93% per annum.

Beginning with the payment date of April 6, 2017 and on each monthly payment date thereafter through and including February 6, 2022, the Trust is required to make monthly, interest-only payments. Beginning with the payment date of March 6, 2022 and on each monthly payment date through the maturity date, the Trust is required to make monthly payments of principal and interest, with principal amortizing on a 30-year schedule.

The Trust is responsible for repayment of the Loan. The Loan is nonrecourse to the Investors. Accordingly, the Investors have no personal liability in connection with the Loan.

## > The Offering

The Offering is designated for accredited investors seeking to participate in a tax-deferred exchange as well as those seeking a quality, multiple-owner real estate investment. Only accredited investors may purchase interests in this Offering. For more information, see “*Summary of the Offering*” and “*The Offering*.”

Beneficial Interests:	<b>\$26,755,741</b>
Loan Proceeds:	<b>\$31,500,000</b>
Offering Price:	<b>\$58,255,741</b>
Loan-to-Offering Price Ratio:	<b>54.07%</b>
Minimum Purchase (1031):	<b>\$100,000</b>
Minimum Purchase (cash):	<b>\$25,000</b>
Current Cash Flow:	<b>5.50%</b>



# > Self-Storage Sector


The self-storage industry has been the fastest growing segment of the commercial real estate industry over the last 40 years and has been considered by certain Wall Street analysts to be “recession resistant” based on its performance since the economic recession of September 2008.


The self-storage industry in the United States generated approximately \$32.7 billion in annual U.S. revenues (2016).

## Consistent Demand

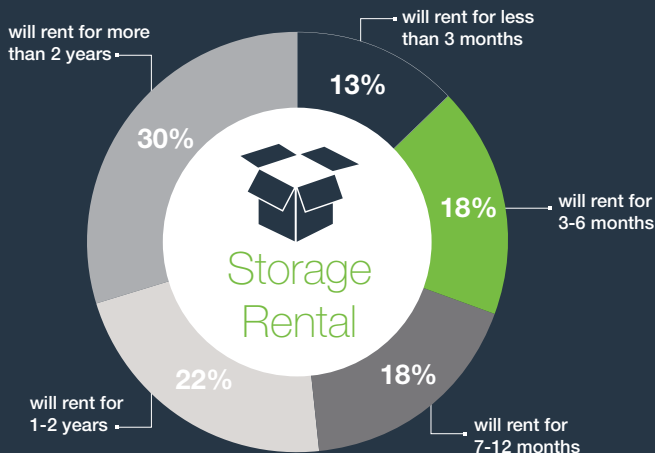
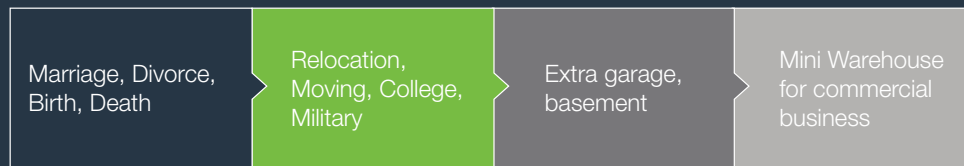


In fact, about **9.5% of all American households currently rent a self-storage unit**; an increase from 1 in 17 American households (**6% in 1995** (20 years ago).

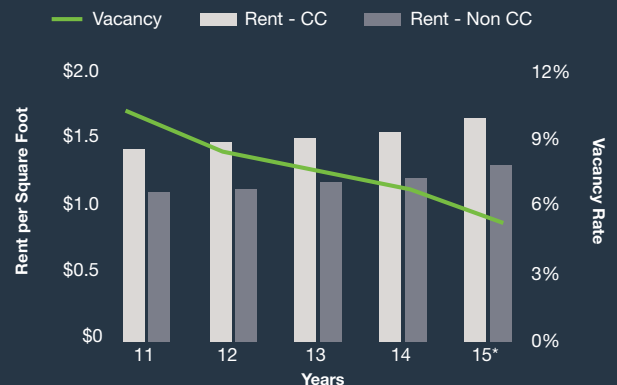
**9.5% Currently** 

**6% 1995** 

## Reasons for Demand



## National Vacancy and Rent Trends



\* Forecast  
 Note: CC - Climate Control  
 Source: REIS Services, Inc.

## Self-Storage Outlook

- Demand for storage intensifies as U.S. households increase by 1.1% from previous year
- Strong job growth is driving demand forward for self-storage
- Rents increasing by up to 4% as compared to last year

## Self-Storage Benefits

- Strong net operating income growth
- Low capital expenditure costs associated with tenant turnover

Source: Marcus & Millichap  
 Special Research Report 2016

Source: selfstorage.org

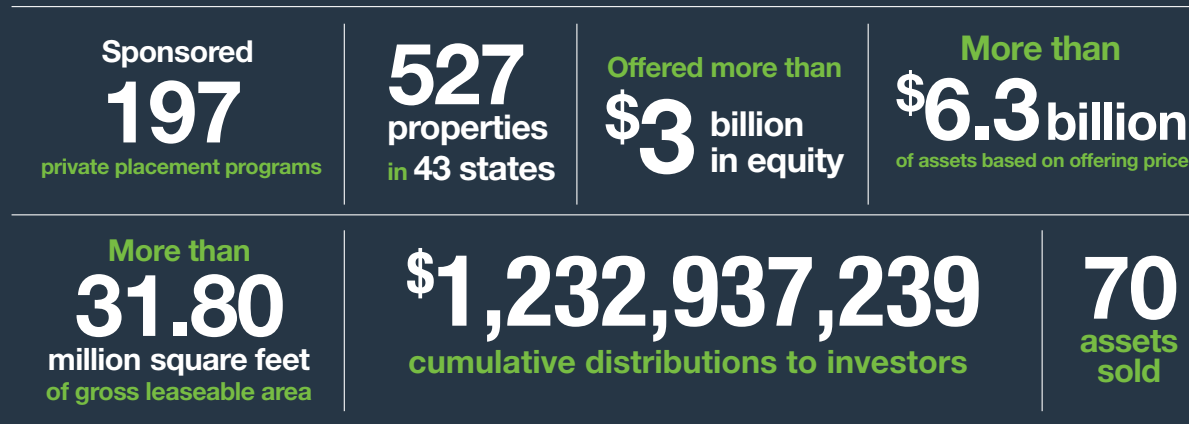
# > About Inland Private Capital Corporation

The Inland Real Estate Group of Companies, Inc. (Inland) is one of the nation's largest commercial real estate and finance groups, representing nearly 50 years of expertise and integrity in the industry. As a business incubator, Inland specializes in creating, developing and supporting member companies that provide real estate-related investment funds – including limited partnerships, institutional funds and nonlisted real estate investment trusts (REITs) – and real estate services for both third parties and Inland-member companies.

In March 2001, Inland Private Capital Corporation was formed to provide replacement properties for investors wishing to complete a tax-deferred exchange under Section 1031 of the Internal Revenue Code of 1986, as amended, as well as investors seeking a quality, multiple-owner real estate investment. The programs sponsored by IPCC offer securities to accredited investors on a private placement basis.

## Track Record Since Inception

(THROUGH DECEMBER 31, 2016)



## Program Dispositions

(AS OF DECEMBER 31, 2016)

	RETAIL	OFFICE	MULTIFAMILY	INDUSTRIAL
Cumulative Sales Price	\$435,738,911	\$204,909,165	\$49,266,108	\$96,270,041
Weighted Avg. Total Return*	138.49%	119.43%	140.19%	133.26%
Weighted Avg. ARR**	8.11%	4.13%	22.68%	7.25%
Number of Programs	33	7	2	5



The Inland Real Estate Group of Companies, Inc.  
**2X RECIPIENT**  
of the Torch Award for Ethics in the Marketplace

ADISA | ALTERNATIVE & DIRECT INVESTMENTS



Inland Private Capital Corporation  
**2X RECIPIENT**

### Metrics for Program Dispositions

\* **Weighted Average Total Return** is calculated by dividing the sum of amounts distributed to investors over the hold period of the investment plus the sale proceeds returned to the investors, by such investors' capital invested in the program inclusive of all fees and expenses. To determine the weighted average, the total return for each program is multiplied by the capital invested in that program, divided by total capital invested in all programs represented in the analysis.

\*\* **Weighted Average Annualized Rate of Return (ARR)** is calculated as the sum of total cash flows distributed during the term of the investment plus any profit or loss on the initial offering price, divided by the investment period. To determine the weighted average, the ARR for each program is multiplied by the capital invested in that program, divided by the total capital invested in all programs represented in this analysis.

The Weighted Average Total Return and Weighted Average ARR metrics presented above apply to those programs in which the property owned by such program was sold. Please note that this analysis does not include programs in which the subject property was in foreclosure. In such situations, IPCC has negotiated with the applicable lender and advanced funds to the investors to allow the investors to exchange their beneficial interests in the original program for a proportional beneficial interest in a new program, in order to continue their Section 1031 exchanges and avoid potential capital gains and/or forgiveness of debt tax liabilities.

# > Summary Risk Factors

An investment in the Interests of the Trust involves significant risk and is suitable only for Investors who have adequate financial means, desire a relatively long-term investment and who will not need immediate liquidity for their investment and can afford to lose their entire investment. Investors must read and carefully consider the discussion set forth in the section of the Memorandum captioned “*Risk Factors*.” Capitalized terms used below but not defined herein shall have the meanings set forth in the section of the Memorandum. The risks involved with an investment in Self-Storage Portfolio IV DST include, but are not limited to:

- The Interests may be sold only to accredited investors, which, for natural persons, are investors who meet certain minimum annual income or net worth thresholds.
- The Interests are being offered in reliance on an exemption from the registration requirements of the Securities Act of 1933, as amended, and are not required to comply with specific disclosure requirements that apply to registration under the Securities Act of 1933, as amended.
- The Securities and Exchange Commission has not passed upon the merits of or given its approval to the Interests, the terms of the offering, or the accuracy or completeness of any offering materials.
- The Interests are subject to legal restrictions on transfer and resale and Investors should not assume they will be able to resell their Interests.
- Investing in Interests involves risk, and Investors should be able to bear the loss of their investment.
- Investors will have limited control over the Trust.
- The Trustees will have limited duties to Investors and limited authority.
- There are inherent risks with real estate investments.
- Certain risks are inherent to the self-storage industry, such as significant occupancy rate fluctuations and relatively low capital requirements or other barriers to entry for competing properties.
- The Trust will depend on the Master Tenant for revenue and the Master Tenant will depend on the tenants under the rental agreements, and any default by the Master Tenant or the tenants will adversely affect the Trust’s operations.
- The costs of complying with environmental laws and other governmental laws and regulations may adversely affect the Trust.
- The Loan will reduce the funds available for distribution and increase the risk of loss.
- If the Trust is unable to sell or otherwise dispose of the Properties before the maturity date of the Loan, it may be unable to repay the Loan and may have to cause a Transfer Distribution.
- The Loan Agreement contains various restrictive covenants, and if the Trust fails to satisfy or violates these covenants, the Lender may declare the Loan in default.
- Because the Loan is cross-collateralized, an event of default under the Loan may result in the Lender initiating a foreclosure action against all of the Properties.
- Repayment of the Loan will subject the Trust to a prepayment penalty and the Loan provides for cash management and cash flow sweep events.
- The Property Manager is subject to certain conflicts of interests.
- There is no public market for the Interests.
- The Interests are not registered with the Securities and Exchange Commission or any state securities commissions.
- Investors may not realize a return on their investment for years, if at all.
- The Trust is not providing any prospective Investor with separate legal, accounting or business advice or representation.
- There are various tax risks, including the risk that an acquisition of an Interest may not qualify as a Section 1031 Exchange.

#### **Important Notes:**

The Inland name and logo are registered trademarks being used under license. “Inland” refers to some or all of the entities that are part of The Inland Real Estate Group of Companies, Inc. which is comprised of a group of independent legal entities some of which may be affiliates, share some common ownership or have been sponsored and managed by subsidiaries of Inland Real Estate Investment Corporation. This material has been distributed by Inland Securities Corporation, member FINRA/SIPC, placement agent for Inland Private Capital Corporation.

Each prospective Investor should consult with his, her or its own tax advisor regarding an investment in the Interests and the qualification of his, her or its transaction under Internal Revenue Code Section 1031 for his, her or its specific circumstances.



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