



**ALTURAS**  
REAL ESTATE FUND  
[www.alturascapital.com](http://www.alturascapital.com)

Quarterly Report | 3rd Quarter 2019

# ALTURAS REAL ESTATE FUND

## Key Numbers\*

**13.73%**

Realized return - 3rd Quarter 2019

**18.25%**

Realized return - since inception

**17.80%**

Total return - 3rd Quarter 2019

**27.61%**

Total return - since inception

**\$1.09M**

3rd Quarter 2019 distributable net income

\*Stated returns are average annualized investor returns. Individual investor returns may vary based on the unit pricing at the time of investment. Distributable net income includes realized gains and losses and excludes unrealized gains and losses recorded during the period.

### Cover Photo:

Sky High in Colorado,  
San Juan Mountains, Colorado  
photo by Kane Englebert

### Inside Cover Photo:

Autumn from Million Dollar Highway near  
Crystal Lake - Ouray, Colorado  
Adobe Stock photo by Adam Jones & Danita Delimont

Dear Investors,

The third quarter was another active and successful quarter for the Fund. We added three quality assets to the portfolio; two in Idaho and a third in Colorado. These assets added \$16.7MM in new AUM to the Fund and brings our year to date new AUM to over \$36MM. More details on the new assets can be found on page seven.

Looking forward, the acquisition market remains competitive and we remain focused on building the relationships, reputation and knowledge necessary to generate good risk adjusted returns.

While we had no asset sales this quarter, we were able to generate an average 13.73% realized return from residual and recurring income for our investors. Our focus remains on generating excellent recurring returns derived from property cash flow. Occasionally, when we can sell an asset for above its intrinsic long-term value, we will sell and realize higher returns.

We are very pleased with the leasing activity across the portfolio and there are several significant leases in various stages of completion that will add to this recurring income in the coming months.

We enjoyed the 2019 annual investor meeting in September. It was a pleasure to spend time with, and to get to know our investors. We are fortunate to have such great partners. The event included two days of meetings and activities; and it was especially enjoyable seeing the entire Alturas team interacting and getting to know our investors. Next year's meeting will be held on August 27th and 28th in Boise. We hope to see you there.

We find great satisfaction in generating the returns we have seen in the fund over the last few years. However, we find even greater satisfaction knowing that we are doing it with great investor partners. Thank you so much for your continued support and partnership.

Sincerely,

Blake Hansen, Chief Investment Officer  
Alturas Capital Partners, LLC

Travis Barney, Chief Credit Officer  
Alturas Capital Partners, LLC

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All projections are hypothetical and predicated upon various assumptions that may or may not be identified as such. The future operating and financial performance information contained herein is for illustrative purposes and is not intended to portray any sort of targeted or anticipated returns. There can be no assurance that the Fund will achieve its investment objectives and actual performance may vary significantly.

Financial information herein related to the quarters ended March 31, 2019, June 30, 2019, and September 30, 2019 are unaudited as of the date of this report.

# Fund Structure

Questions? Contact us at [invest@alturas.com](mailto:invest@alturas.com).

## Fund Description

The Alturas Real Estate Fund, LLC was formed by Alturas to provide high-net-worth individuals and accredited investors access to professionally managed real estate investments.

The Fund is a \$100 million equity offering created to make commercial and residential real estate investments. It targets middle-market properties frequently ignored by larger funds. These properties can be profitable as a diverse portfolio that protects the investor's downside risk.

The Fund was created in May 2015 and owns properties in the Intermountain West and Inland Northwest. Managers of the Fund are continually searching for new properties to add to the Fund that meet strict underwriting criteria including a margin of safety, with a focus on cash flows.

## Summary of Debt Offering

**Return range:** 6-8% interest rate, paid quarterly

**Investment type:** Secured notes

**Minimum investment:** \$100,000

**Investor eligibility:** Accredited investors only

**Security:** Priority position before equity investors

## Summary of Equity Offering

**Preferred return:** 8% paid quarterly

**Profit split:** 70% to investors, 30% to manager after preferred return

**Fees:** 1.5% Asset management fee

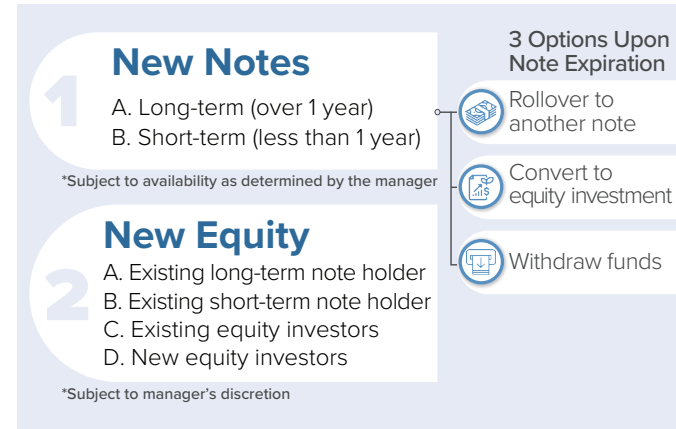
**Minimum investment:** \$250,000 (updated on 01/01/2019)

**Investor eligibility:** Accredited investors only

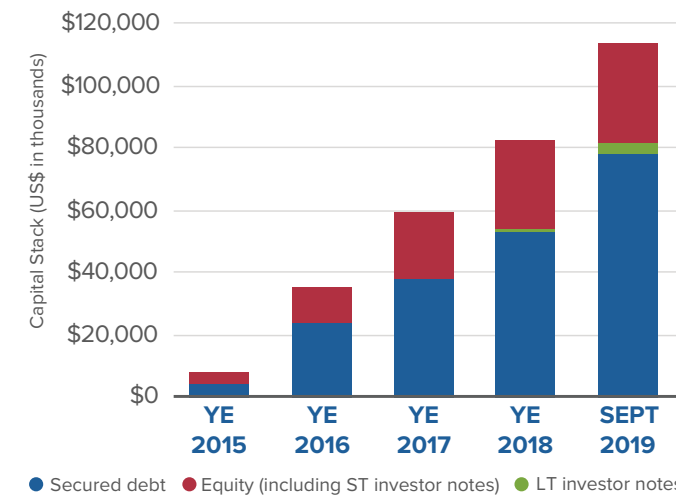
**Targeted returns:** 9-14%

## Priority for Calling Capital

There is presently very high demand to invest in the Fund. As a result, our current process for raising new capital prioritizes our Notes and Notes-to-Equity programs. We are working with our investor partners to create a methodology that is thoughtful and fair. Our current process to balance investor demand with supply is illustrated below. This process continues to evolve and will be refined over time.



## Capital Stack

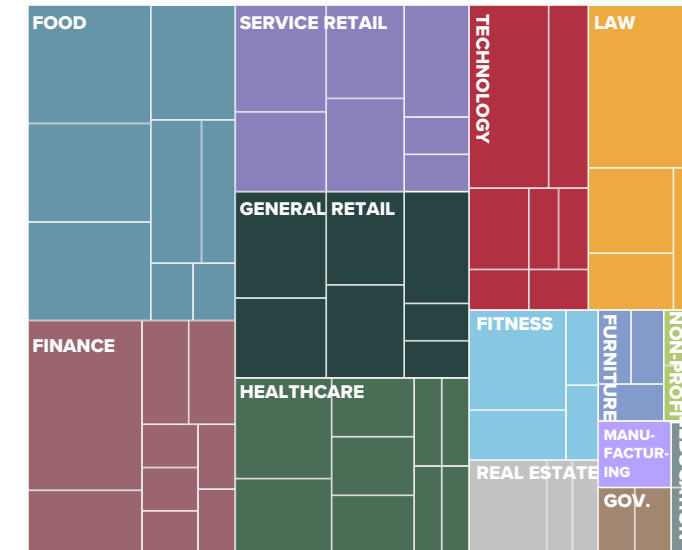


We remain focused on maintaining a strong debt service coverage ratio. As noted above, our capital stack, which consists of secured debt, long-term ("LT") investor notes, and investor equity (including short-term ("ST") notes which are expected to convert to equity within 12-months), continues to grow but within the constraints of a strong debt service coverage ratio (which was 2.03\* on a trailing 12-month basis as of August 2019). We will continue to optimize the capital stack to provide a healthy margin of safety, strong cash flow and returns, and opportunities for growth.

\* Excludes ST note interest as ST notes are included in equity

# Investment Overview

## Concentration by Tenant Industry



\*Individual squares represent aggregated tenants from each industry by property

## Additional Fund Metrics

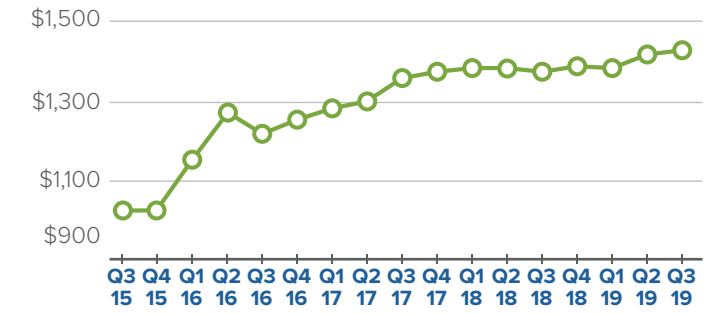
**\$35.49M** | Aggregate capital raised as of 09/30/19

**\$128.02M** | Assets under management (AUM)

**1,040,358 SF** | Total portfolio square footage

**56.17%** | Reinvestment rate as of 9/30/2019

## Unit Price (Since Inception)



	2015	2016	2017	2018	2019
<b>Q1</b>	N/A	\$1,188.86	\$1,280.86	\$1,388.41	\$1,394.00
<b>Q2</b>	N/A	\$1,274.41	\$1,299.39	\$1,389.45	\$1,425.74
<b>Q3</b>	\$1,000.00	\$1,218.00	\$1,356.38	\$1,370.75	\$1,438.49
<b>Q4</b>	\$1,000.00	\$1,254.26	\$1,369.28	\$1,393.51	-

## Realized Return by Month (Annualized)

	2015	2016	2017	2018	2019
<b>Jan.</b>	N/A	13.37%	9.45%	12.90%	37.34%
<b>Feb.</b>	N/A	17.84%	15.17%	16.30%	13.86%
<b>Mar.</b>	N/A	14.84%	17.33%	15.91%	13.23%
<b>Apr.</b>	N/A	13.08%	16.08%	17.47%	14.28%
<b>May</b>	13.64%	14.69%	11.39%	16.22%	13.20%
<b>Jun.</b>	13.64%	14.70%	29.02%	16.81%	25.08%
<b>Jul.</b>	13.62%	97.15%	13.89%	15.17%	12.96%
<b>Aug.</b>	11.79%	13.49%	16.21%	69.40%	13.14%
<b>Sept.</b>	23.57%	15.93%	14.53%	15.43%	15.13%
<b>Oct.</b>	14.90%	14.34%	15.16%	13.30%	-
<b>Nov.</b>	15.15%	13.34%	13.90%	15.91%	-
<b>Dec.</b>	15.04%	16.32%	13.18%	12.72%	-
<b>Annual</b>	<b>15.34%</b>	<b>21.69%</b>	<b>15.41%</b>	<b>19.86%</b>	<b>17.62%</b>
<b>Since Inception*</b>	<b>15.34%</b>	<b>19.33%</b>	<b>17.82%</b>	<b>18.39%</b>	<b>18.25%</b>

\*Average annualized return since inception as of respective year/period end

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## Alturas Real Estate Fund 2019 Annual Investor Meeting Summary

The Alturas Real Estate Fund Annual Investor Meeting is one of the highlights of the year for us; an opportunity to meet with our investors face-to-face and to get to know them - you - on a more personal level. This year's event took place in downtown Boise on the weekend of September 20th-21st, 2019.

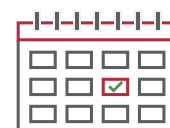
### Highlights

- Investor lunch and meeting took place at J.U.M.P., in the Inspire Studio, with floor to ceiling views of downtown Boise.
- Special guest, Marcia Houston, a key tenant of Eagle Marketplace, provided insights about how Alturas creates long-term partnerships with our tenants.
- Boise State football game vs the Air Force Academy.
- Saturday morning flight to Sulphur Creek Ranch - part of the beautiful Frank Church Wilderness area - for breakfast and hiking, and a return flight through the majestic Sawtooth Mountains.

### Closing Notes

We want to thank all of our investors who came to Boise for the meeting, and for those who joined us for the webinar broadcast.

Please consider **saving the date** and joining us in Boise next year for the 2020 Alturas Real Estate Fund Investor Meeting.



**Thursday & Friday  
Aug. 27th & 28th, 2020**

## Q3 Acquisitions



### The Presidio Colorado Springs, Colorado

**Property Type:** Office  
**Size:** 81,222 SF

The Presidio, an 81,222 SF Class A office building in Colorado Springs, CO, represents a significant expansion of our presence in Colorado.

This modern, four-story glass office building, located at 1155 Kelly Johnson Boulevard, is one of Colorado Springs' most recognizable buildings. Situated on 4.12 acres, it is located just off of I-25, the primary traffic artery for Colorado Springs. It is part of the North I-25 submarket, which has historically out-performed the greater Colorado Springs market in terms of occupancy levels and rental rates. We were able to add a significant new lease to this asset prior to closing which will bring the occupancy to 97%.

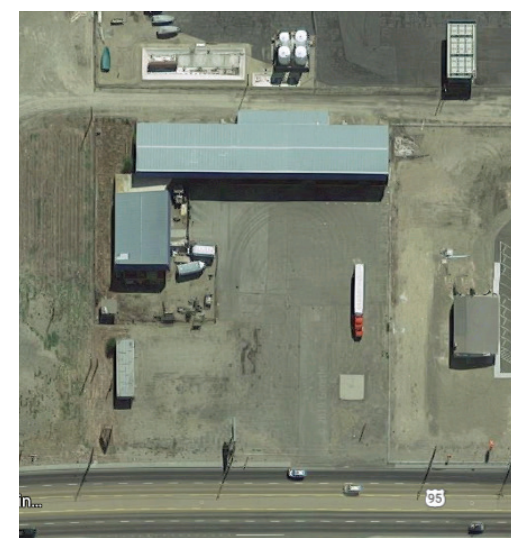


### Sandcreek Plaza Idaho Falls, Idaho

**Property Type:** Retail  
**Size:** 35,903 SF

The 35,903 SF retail center is 100% occupied and is located at 939 S. 25th East, Ammon, Idaho, part of the Idaho Falls MSA, and one of Idaho's fastest growing cities. The asset has a title defect that we intend to cure in the coming years. This issue allowed us to acquire the property for a significant discount.

The property is shadow anchored by Walmart and is part of a large commercial corridor with direct exposure and access to 25th East, a primary north-south artery which handles 22,000+ vehicles per day. Nearby major national retailers include Target, Best Buy, Cabela's, Hobby Lobby, Home Depot and Lowes.



### 2206 Whitley Fruitland, Idaho

**Property Type:** Office  
**Size:** 16,000 SF

This building - formerly a furniture store which had been vacant - will undergo extensive remodeling and will be converted to a 16,000 SF call center for Global Tel Link Corp (a large national company) who will take occupancy in December 2019.

This project allows us to continue to expand our tenant base and grow our build-to-suit development portfolio, which we believe will lead to future build-to-suit projects.

# Existing Portfolio



**Sandcreek Plaza**  
Idaho Falls, Idaho

- Acquired in August.
- Extended two tenants; each occupying 1,700 SF for an additional 5 years of lease term.



**2206 Whitley**  
Fruitland, Idaho

- Acquired in August.
- Extensive renovation underway so call center tenant can take occupancy in December.



**The Presidio**  
Colorado Springs, Colorado

- Acquired in July.
- Completed tenant improvements for Galloway who will occupy 6,238 SF and will bring the property to 97% occupancy.



**7733 Emerald**  
Boise, Idaho

- Acquired in April.
- Single-tenant property that we were able to purchase for a good price in an off-market transaction.



**Parkway Plaza**  
Idaho Falls, Idaho

- Extended a tenant occupying 2,430 SF for an additional 2 years of lease term and converted the lease from Gross to NNN.
- Currently finalizing a 10-year lease extension with a tenant who occupies 2,027 SF.



**1550 Tech Lane**  
Boise, Idaho

- Construction for Consign Furniture's entrance on the south side of the building is now complete and they are in occupancy and open for business.
- The building was recently repainted.



**Adelmann Building**  
Boise, Idaho

- Based on preliminary discussions, the owner of the Event Center occupying the entire 2nd floor intends to renew and extend their lease for another 5 years.



**Siete Square I**  
Phoenix, Arizona

- Currently finalizing a 4-year lease extension with Castle Biosciences, who occupies 11,916 SF, in conjunction with their expansion into Siete II.



**4200 Hawthorne**  
Pocatello, Idaho

- Acquired in April.
- Single-tenant customer information center for Allstate Insurance that provides an excellent return for the Fund.



**Shops at Decker Lake**  
Salt Lake City, Utah

- Acquired in March.
- Currently finalizing a lease with a tenant who will occupy 1,084 SF and bring the property to 79% occupancy.



**Siete Square II**  
Phoenix, Arizona

- Currently finalizing a lease with an existing tenant at Siete I who will occupy the remaining vacancy in the building and bring the property to 100% occupancy.



**Eagle Island**  
Boise, Idaho

- Construction commenced in July; framing and roof work nearly complete, on schedule to deliver to tenants in December for tenant improvement work to begin.



**1444 Entertainment**  
Boise, Idaho

- Currently in negotiations with Clickbank to expand into Stevens-Henager surplus space.
- Property remains 100% leased.



**Mission Village**  
Wenatchee, Washington

- Finalized lease with Boost Mobile who will fill 1,108 SF of currently vacant space.
- Recently completed landlord's work for Earthwise Pets, they anticipate taking occupancy and opening for business in December.



**Westpark**  
Boise, Idaho

- Exploring options to enclose the space between the two buildings and add a dust collection system in order to incentivize the tenant to renew.



**110 Main**  
Boise, Idaho

- Completing tenant improvements for StagedotO who will occupy the entire building on a 5-year lease beginning in January.



**Cottonwood Plaza**  
Boise, Idaho

- Currently in negotiations with an existing tenant who would like to expand and occupy an additional 7,898 SF which would bring the property to 90% occupancy.



**5804 Fairview**  
Boise, Idaho

- Single-tenant building occupied by a regional furniture store on a 10-year lease; tenant opened for business in September of 2019.



**Dutch Bros Colorado**  
Colorado Springs, Colorado

- Construction is now complete and Dutch Bros is in occupancy and paying rent.
- All indications are that business is good as the location had a very successful grand opening.



**The Ashby on Osborn**  
Phoenix, Arizona

- Arizona Urology Specialists began paying rent on their expansion space in July.
- Extended two tenants occupying a combined total of 13,116 SF for an additional 5 years of lease term.



**Eagle Marketplace**  
Boise, Idaho

- 100% occupied; the property continues to provide an excellent return for the Fund.
- Due to several rent escalations taking effect recently, an increase to the fair value was made this quarter.



**Alturas Homes**  
Boise, Idaho Metro

- The single-family home market remains strong in the Boise area.

# Fund Performance Summary

As of 09/30/19

## Sold Investments

Investment	Date of Acquisition	Date of Disposition	Property Type	MSA	Size	Status	Sold Price (\$'000)	Realized Gains/ (Losses) (\$'000)	Risk Profile
1. Legends Townhomes	Dec-15	Jul-16	Multi-family	Kansas City, MO	18 Units	Sold	2,020	765	Core Plus
2. 1124 Caldwell Blvd	Oct-15	Jun-17	Retail	Boise, ID	2,646	Sold	1,050	206	Value Add
3. 12000 Deep Canyon*	Sep-17	Sep-17	Single Family	Boise, ID	1 Unit	Sold	605	-	Residential Value Add
4. Treasure Valley Crossing	Sep-16	Aug-18	Retail	Boise, ID	21,000	Sold	5,650	1,440	Core Plus
5. 12005 Meridian	Apr-17	Nov-18	Retail	Seattle, WA	7,388	Sold	4,950	106	Build-to-Suit
6. Dutch Bros Caldwell	Apr-17	Jan-19	Retail	Boise, ID	874	Sold	2,300	751	Build-to-Suit
7. 595 Washington	Dec-16	Jun-19	Industrial	Twin Falls, ID	11,195	Sold	1,260	443	Tenant-in-Tow
<b>Total</b>					<b>43,103 SF</b>		<b>\$ 17,835</b>	<b>\$3,268</b>	

## Current Investments

Investment	Date of Acquisition	Property Type	MSA	Size	Status	Occupancy	Cost Basis (\$'000)	Fair Market Value (\$'000)	Fund Investment (\$'000)	Risk Profile
1. Alturas Homes*	Jun-15	Single Family	Boise, ID	52 Units	In Progress	N/A	2,270	2,270	2,270	Residential New Construction
2. Eagle Marketplace	Sep-15	Retail	Boise, ID	60,024	Stabilized	100%	5,465	8,672	1,399	Value Add
3. 110 Main	Oct-15	Office	Boise, ID	6,230	Lease-up	0%	1,185	1,185	295	Value Add
4. Westpark	Feb-16	Industrial	Boise, ID	117,510	Stabilized	100%	6,439	6,700	844	Tenant-in-Tow
5. Mission Village	Sep-16	Retail	Wenatchee, WA	32,950	Lease-up	59%	4,651	4,374	1,146	Value Add
6. 1444 Entertainment	Dec-16	Office	Boise, ID	78,175	Stabilized	100%	13,040	13,580	2,859	Value Add
7. Siete Square I	Jun-17	Office	Phoenix, AZ	57,933	Stabilized	98%	8,735	9,000	1,787	Core Plus
8. Adelman Building	Jul-17	Retail	Boise, ID	15,419	Stabilized	100%	2,210	2,210	567	Core Plus
9. 1550 Tech Lane	Aug-17	Industrial	Boise, ID	105,000	Stabilized	91%	6,907	6,907	2,153	Value Add
10. Parkway Plaza	Feb-18	Retail	Idaho Falls, ID	75,300	Lease-up	86%	4,298	5,304	999	Value Add
11. The Ashby on Osborn	Mar-18	Office	Phoenix, AZ	89,167	Lease-up	68%	11,171	11,171	3,426	Value Add
12. 5804 Fairview	Aug-18	Retail	Boise, ID	22,500	Stabilized	100%	2,372	2,682	543	Tenant-in-Tow
13. Dutch Bros Colorado Springs	Aug-18	Retail	Colorado Springs, CO	824	Under Construction	100%	763	763	518	Tenant-in-Tow
14. Cottonwood Plaza	Sep-18	Office	Boise, ID	43,426	Lease-up	72%	4,475	4,475	883	Value Add
15. Eagle Island (Chinden & Linder)	Oct-18	Retail	Boise, ID	10,191	Under Construction	100%	837	837	714	Build-to-Suit
16. Siete Square II	Dec-18	Office	Phoenix, AZ	53,880	Lease-up	82%	5,787	5,787	1,332	Core Plus
17. Shops at Decker Lake	Mar-19	Retail	Salt Lake City, UT	52,387	Lease-up	73%	7,356	7,356	2,020	Value Add
18. 4200 Hawthorne (Allstate)	Apr-19	Office	Pocatello, ID	78,225	Stabilized	100%	11,619	11,619	1,493	Core Plus
19. 7733 Emerald	Apr-19	Office	Boise, ID	4,424	Stabilized	100%	556	556	110	Core Plus
20. The Presidio	Jul-19	Office	Colorado Springs, CO	81,222	Stabilized	89%	12,461	12,461	3,298	Core Plus
21. 2206 Whitley	Aug-19	Office	Boise, ID	16,000	Stabilized	100%	917	917	606	Tenant-in-Tow
22. Sandcreek Plaza	Aug-19	Retail	Idaho Falls, ID	35,903	Stabilized	100%	3,371	3,371	1,011	Value Add
<b>Total</b>				<b>1,040,358 SF</b>		<b>89%</b>	<b>\$ 118,832</b>	<b>\$ 124,545</b>	<b>\$ 30,533</b>	

## Acquisition Pipeline

Investment	Est. Date of Acquisition	Property Type	MSA	Size	Status	Estimated Occupancy at Acquisition	Contracted Purchase Price (\$'000)	Estimated Fund Investment (\$'000)	Risk Profile
Garden Gateway	Jan-20	Office	Colorado Springs, CO	115,052	Under Contract	76%	11,850	3,700	Value Add
IGCP	Feb-20	Industrial/Flex	Spokane, WA	74,000	Under Contract	91%	6,900	1,825	Value Add
<b>Total</b>				<b>189,052 SF</b>		<b>82%</b>	<b>\$ 18,750</b>	<b>\$ 5,525</b>	

\*Subordinated notes.

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