

DVO GAP EQUITY FUND II – A "GAP EQUITY" INVESTMENT PLATFORM

DVO Real Estate provides a unique “gap equity” investment for real estate owners to facilitate the acquisition or recapitalization of value-add and core-plus properties as well as ground up developments in select submarkets throughout the United States. The senior preferred structure combines favorable aspects of typical JV investments and structured debt products, eliminating hard pay provisions yet allowing the Sponsor to maintain the majority of upside.

20,000+

TOTAL UNITS
ACQUIRED/DEVELOPED

\$5.1b+

TOTAL TRANSACTION
CAPITALIZATION

145+

TOTAL ASSETS
ACQUIRED/DEVELOPED

*Including affiliates of DVO Real Estate



Value-add Deal Attributes

Class B/C multifamily asset in B/B+ locations

15-20%+ rent upside via in-unit renovations

Return on cost 150 – 200 bps over market cap rates

15%+ deal IRR over a 3-5 year hold period



Ground-up Deal Attributes

Superior location & amenities in high growth markets

Return on cost 175 – 250 bps over market cap rates

60-70% Leverage

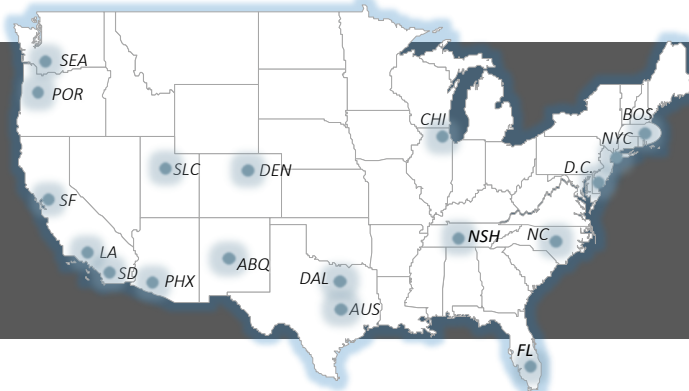
20%+ deal IRR/2.0x multiple over a 3-4 year hold

Target Submarket Characteristics

High barriers to entry with limited supply pipeline

Demonstrated wage and population growth

Close proximity to diverse employer base



Advantage of Gap Equity – Highest Sponsorship Upside with No Risk of Default

Typical Terms	JV Equity	DVO Gap Equity	Preferred Equity/Mezz
Carried Interest	20-30% above a 10% IRR	20% above a 10% IRR 40%+ above a 14% IRR	Minimal if any
LP Contribution	Up to 90% of required equity	Up to 85% of required equity	Up to 65% of required equity
Subordination	No hard pay or Sponsor subordination	Sponsor subordination to a 10% IRR; no hard pay	Full subordination with an 8-10% current hard pay
Lender Restrictions	None	None	Typically not permitted by Agency lenders and banks
Investment Term	Varies by Investor	Target 3-7 year investment horizon	Fixed term reduces Sponsor flexibility in business plan