Riaz Capital is a Bay Area-based development and asset management company, focused on addressing the changing housing needs of the urban workforce.
MICRO-LIVING: EVOLUTION BY EXPERIENCE

Our roots in luxury and workforce housing have led us to Micro-Living

<table>
<thead>
<tr>
<th>Period</th>
<th>Market Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999-2010</td>
<td>Luxury</td>
</tr>
<tr>
<td>2011-2018</td>
<td>Micro Studios</td>
</tr>
<tr>
<td>2018-2020</td>
<td>Mass Luxury</td>
</tr>
<tr>
<td>2020-</td>
<td>Micro-Living</td>
</tr>
</tbody>
</table>
CALIFORNIA IS SLOWING THE PRODUCTION OF HOUSING

Municipal hurdles are tightening the valve of housing production

1. Zoning / Planning Issues
2. Inefficient Buildings – Parking, Open Space
3. Construction Costs - Wood-Frame, no podium, low frills
4. Timeline – Unpredictable entitlement timelines
5. Taxing Housing (Fees)
6. Taxing Housing (Property Taxes)
7. Cost of Capital
TARGETED HOUSING LOWERS COST OF RENT

<table>
<thead>
<tr>
<th></th>
<th>Average Cost per Resident Reduction $600k $250k</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Average Rent per Month Reduction $4,600 $2,100</td>
</tr>
</tbody>
</table>
WE ARE BRIDGING THE OVERLOOKED GAP...

- **STUDENT HOUSING**
- **URBAN WORKFORCE HOUSING**
- **TRADITIONAL MULTIFAMILY HOUSING**
- **SINGLE FAMILY HOMES**
- **SENIOR HOUSING**

**Age**
- **18**
- **30**
- **75+**

**Groups:**
- **STUDENTS**
- **SINGLES**
- **COUPLES**
- **FAMILIES**
- **SENIORS**
ESSENTIAL PROFESSIONALS
Young, single workforce professionals making $50,000 to $120,000 per year

- 690 Avg. Credit Score
- $61k Avg. Income
- 74% Non-Tech
- 33% Rent Ratio
- 58% Don't Own a Car
- 32 Avg. Age

FAMILY HOUSEHOLDS HAVE DROPPED: 69% TO 29%

Household Arrangements of Americans (Age 23-38)

Source: The Brooking Institution, December 2020
THE CALIFORNIA STATE DENSITY BONUS

The California State Density Bonus Gives Developers Powerful Tools for Housing Creation

1. **Increase in Housing Units** – Density bonus of up to 50%

2. **Waivers & Concessions** – Reduction in on-site parking, required open space, property line setbacks or height

3. **Predictable Entitlement Timeline** – 60-day comment period

100 Unit Project → 150 Unit Project
PARKING & CIRCULATION CAN BE A 50% TAX ON HOUSING
FUNCTIONAL AMENITIES

Media Lounge

Work Pods

Self Serve Cafe

Gym

Bike Storage

Lobby
STANDARDIZATION DRIVES EFFICIENCY

Replication and repetition allow for value engineering principles to make large-scale impact
ASSEMBLY LINE APPROACH TO WORKFORCE HOUSING
30 MONTHS vs. 72 MONTHS

Month 1

Site Acquired
Property acquired

Month 9

Project Entitled
Project designed is accepted and approved by the City Planning Department

Month 25

Construction End
Construction is finished, residents begin moving in

Month 30

Stabilization
All residents are moved in

TARGET: The full project lifecycle, from acquisition to stabilization in 30 months
Renters Have a Mental Checklist

“DOES IT MEET MY NEEDS?”

1. Comfortable bed ✓
2. Closet space ✓
3. Private bathroom ✓
4. Kitchenette ✓
5. Living Space ✓
6. Workspace ✓
LOCATION AND CONVENIENCE ARE DECISION DRIVERS

TRANSIT ORIENTED

LOUNGE

GYM

BIKE ROOM

VIBRANT NEIGHBORHOODS
<table>
<thead>
<tr>
<th>Transit</th>
<th>Equitable Housing</th>
<th>Emissions &amp; Efficiency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Walk Score 92</td>
<td>Rent/Median Income 24%</td>
<td>240 Square Feet/Resident*</td>
</tr>
<tr>
<td>Bike Score 88</td>
<td>People Displaced 0</td>
<td>526 National Average</td>
</tr>
<tr>
<td>Transit Score 75</td>
<td>Affordability Index Score 32%</td>
<td>69% Lower Emissions using wood-frame vs. concrete</td>
</tr>
<tr>
<td>National Urban Average (48)</td>
<td>National Urban Average (53)</td>
<td>National Urban Average (37)</td>
</tr>
<tr>
<td>National Urban Average (53)</td>
<td>National Urban Average (37)</td>
<td>National Urban Average (47)</td>
</tr>
</tbody>
</table>

*Presumes 1 resident per Micro-Studio and 1.25 residents per traditional studio.
## Targeted Housing Lowers Cost of Rent

1. **Average Cost per Resident**
   - $600k → $250k

2. **Average Rent per Month**
   - $4,600 → $2,100

<table>
<thead>
<tr>
<th></th>
<th>Industry Standard</th>
<th>Micro Living</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Construction Cost Per Unit</strong></td>
<td>$600,000</td>
<td>$250,000</td>
</tr>
<tr>
<td><strong>Yield on Cost</strong></td>
<td>5.50%</td>
<td>6.50%</td>
</tr>
<tr>
<td><strong>NOI (Per Unit)</strong></td>
<td>$33,000</td>
<td>$16,250</td>
</tr>
<tr>
<td><strong>Real Estate Taxes (Per Unit)</strong></td>
<td>$700</td>
<td>$219</td>
</tr>
<tr>
<td><strong>Vacancy and Other Expenses (Per Unit)</strong></td>
<td>$21,300</td>
<td>$8,531</td>
</tr>
<tr>
<td><strong>Total Expenses and Vacancy (Per Unit)</strong></td>
<td>$22,000</td>
<td>$8,750</td>
</tr>
<tr>
<td><strong>Annualized Gross Revenue (Per Unit)</strong></td>
<td>$55,000</td>
<td>$25,000</td>
</tr>
<tr>
<td><strong>Monthly Gross Revenue (Per Unit)</strong></td>
<td>$4,583</td>
<td>$2,083</td>
</tr>
<tr>
<td><strong>Project Returns (10 Year IRR)</strong></td>
<td>20%</td>
<td>20%</td>
</tr>
</tbody>
</table>
## Lowering Taxes & Returns Lower the Cost of Housing

1. Lower Fees
2. Lower Property Taxes
3. Lower Returns

<table>
<thead>
<tr>
<th></th>
<th>ABD With Welfare Exemption</th>
<th>Welfare Exemption With 12% Return</th>
<th>Welfare Exemption With 8% Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction Cost Per Unit</td>
<td>$250,000</td>
<td>$250,000</td>
<td>$250,000</td>
</tr>
<tr>
<td>Yield on Cost</td>
<td>6.50%</td>
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<td>NOI (Per Unit)</td>
<td>$16,250</td>
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<tr>
<td>Real Estate Taxes (Per Unit)</td>
<td>$0</td>
<td>$0</td>
<td>$219</td>
</tr>
<tr>
<td>Vacancy and Other Expenses (Per Unit)</td>
<td>$8,531</td>
<td>$8,531</td>
<td>35%</td>
</tr>
<tr>
<td>Total Vacancy and Other Expenses (Per Unit)</td>
<td>$8,531</td>
<td>$8,531</td>
<td>$22,157</td>
</tr>
<tr>
<td>Annual Gross Revenue (Per Unit)</td>
<td>$24,781</td>
<td>$24,781</td>
<td>$1,846</td>
</tr>
<tr>
<td>Monthly Gross Revenue (Per Unit)</td>
<td>$2,065</td>
<td>$2,065</td>
<td>$2,065</td>
</tr>
<tr>
<td>Effective Rent Adjusting for Welfare Exemption</td>
<td>$1,846</td>
<td>$1,846</td>
<td>$1,846</td>
</tr>
<tr>
<td>Effective Rent Adjusting for Desired Return</td>
<td>$1,846</td>
<td>$1,632</td>
<td>$1,291</td>
</tr>
<tr>
<td>Project Returns (10 Year IRR)</td>
<td>20%</td>
<td>12%</td>
<td>8%</td>
</tr>
</tbody>
</table>
THANK YOU

Follow us on social media:
https://www.linkedin.com/company/riaz-capital/