

# PREP PROPERTY GROUP



## PREP NET LEASE INCOME FUND III INVESTING IN OPERATIONALLY ESSENTIAL REAL ESTATE



Logos herein belong to their respective owners and imply no endorsement; actual tenants on leases may be corporate, subsidiary, franchisee or other affiliate of the logo holder. Diversification among uses and tenants or geographic diversification of portfolio does not guarantee against losses or narrow of broad economic downturns. The credit rating of one or more tenants of the underlying real properties may change and does not guarantee continued occupancy or the performance at any given property or the portfolio as a whole.

This private placement involves substantial risks. THESE SECURITIES ARE NOT LIQUID. Information about this offering contained herein must be read in conjunction with the confidential Private Placement Memorandum (PPM), which contains additional important risk disclosures and more specific information about the offering. Read the PPM and see back page for additional risk information.

# PREP NET LEASE INCOME FUND III

PREP Net Lease Income Fund III (PREP NLIF III) seeks to acquire and manage a portfolio of operationally essential real estate with long-term net leases that are diversified by geographic region, tenant use, and credit profile.

Our strategy focuses on identifying sites with strong real estate fundamentals and seeking to improve the leases, terms or creditworthiness of the tenants to create value in the assets and the portfolio.

## Our primary investment objectives are:



To preserve and return our stockholders' capital contribution



To provide our stockholders with attractive and stable cash distributions



Seek to realize growth in the value of our investments and time asset sales to maximize stockholder returns

**There is no guarantee that the investment objectives will be met.**

Investing in the Fund involves a high degree of risk, including the potential loss of your entire investment.

## About Operationally Essential Real Estate



Tenant requires real estate to operate business



Located on main corners of every American town



Customers are buyers, not browsers



Service/necessity-based businesses resistant to impacts of recessions and eCommerce

### Types:



Auto service



Dollar stores



Grocery



Medical



Pharmacies



Quick service restaurants

## One Tenant, One Building, One Income Stream

A “net lease” simplifies the ownership experience by transferring responsibility to the tenant for the payment of ongoing, variable property expenses like taxes, insurance, maintenance and utilities. Net lease assets tend to be single-tenant, free standing buildings and can be structured as single net, double net, or triple net leases, depending on the number of items they include.

Property Expenses	Traditional Lease	Net Lease		
		Single Net	Double Net	Triple Net
Rent	<b>Tenant Pays</b>	<b>Tenant Pays</b>	<b>Tenant Pays</b>	<b>Tenant Pays</b>
Property Taxes	Owner Pays	<b>Tenant Pays</b>	<b>Tenant Pays</b>	<b>Tenant Pays</b>
Property Insurance	Owner Pays	Owner Pays	<b>Tenant Pays</b>	<b>Tenant Pays</b>
Property Maintenance	Owner Pays	Owner Pays	Owner Pays	<b>Tenant Pays</b>

**PREP NLIF III intends to primarily focus on Double & Triple Net Leases**

## Net Lease Market Attributes



Contractual income from corporate and investment grade tenants



Ease of ownership and management



Steady flow of buying opportunities

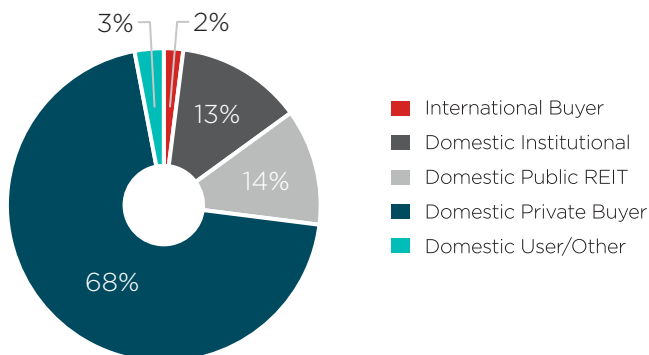


Fragmented market dominated by domestic owners

## A Vast Market Opportunity Largely Untapped By Institutional Capital

Net lease retail real estate is a dynamic and growing asset class the saw over \$16 billion in investment sales activity in 2022. We believe the lack of yield in the traditionally available fixed-income investments and the volatility in the equity markets has increased the allure of investing in a fund of hard assets that are leased to corporate or investment grade companies who have made a long-term commitment to pay rent and operating expenses.

**2022 Single Tenant Annual Buyer Distribution**



Source: Northmarq Research, Real Capital Analytics; analysis includes sales greater than \$2.5M; graphs may not total 100 percent due to rounding.

**Over 10B square feet of single-tenant net lease retail majority owned by private owners**

**= LUCRATIVE BUYING OPPORTUNITIES**



# INVESTMENT CRITERIA

Our investment strategy is underpinned by strong fundamental credit analysis and prudent real estate underwriting that we believe are core to long-term success.

As tenants continue to adapt and innovate to meet the needs of a dynamic marketplace, PREP evaluates investment opportunities with a focus on generating attractive risk-adjusted returns.

Operationally  
essential

Tenant  
creditworthiness

Location

Profit  
centers

Built-in  
rent  
growth

At or  
below rent  
compared  
to market

Tenant  
commitment  
to the site

Value add  
opportunity

Not all characteristics will be presented in each property in our portfolio. Even with one or more of these characteristics present in portfolio properties, there is no guarantee that any individual property will be successful or shielded from loss or that the issuer as a whole will be successful in executing its business plan.

## THE PREP ADVANTAGE

Through a deep network of relationships, PREP is able to access



Off-Market  
Properties



Sale-Leaseback  
Transactions



Bulk  
Portfolios

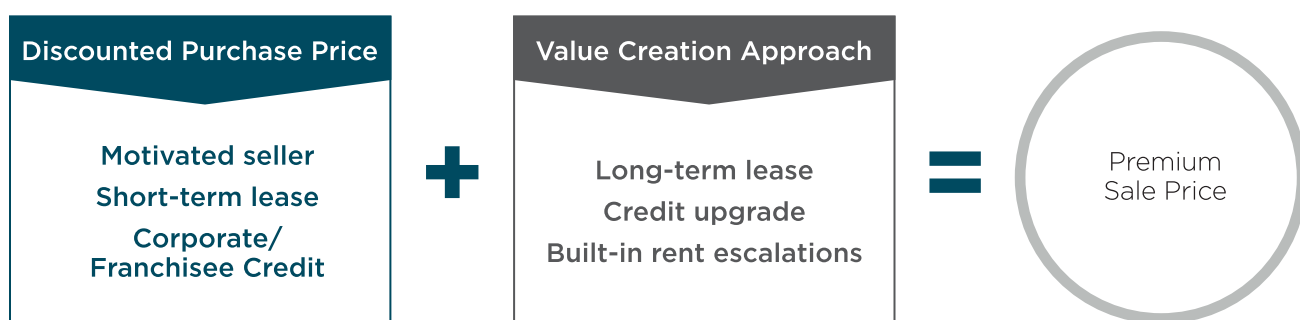


Direct to  
owner

# APPROACH TO VALUE CREATION

Single tenant net lease properties have long been touted for their ability to generate durable passive income. PREP also knows there are opportunities to actively create value with these properties.

As experienced real estate owners and operators, PREP utilizes its expertise to acquire assets occupied by tenants that other investors may perceive to have risk. We believe this enables PREP to acquire assets at a lower cost basis and enhance the assets through lease extensions and/or credit upgrades. PREP may be able to sell these assets back into the market at a premium.



There is no guarantee that we will be able to implement our business strategy.

## The Math Behind The Approach

Capitalization rates (or “cap rates”) are a real estate investor’s way of converting expected cash flows (net operating income or “NOI”) from real estate into an estimate of today’s value. A cap rate can be used to determine if an investment presents a level of risk they are comfortable with for the given return.

### **CAP RATE = NOI/MARKET VALUE**

\$100,000 of NOI at an 8% cap rate at acquisition= \$1,250,000 Market Value

\$100,000 of NOI at a 6% cap rate at disposition= \$1,666,667 Market Value

PREP NLIF III believes that a value creation strategy where properties are institutionalized with longer lease terms/credit upgrades, may provide the potential to sell the properties at a lower cap rate (premium sales price).

The above examples are illustrative of mathematical principles for a single property. PREP NLIF III is a multi-property fund. There can be no guarantee that this strategy will be met for any given property or be accretive to the portfolio overall.

# PROVEN REAL ESTATE EXPERTISE

**Our sponsor, PREP Property Group (PREP) is well-positioned to take advantage of the market's inherent inefficiencies in a constantly evolving retail landscape.** PREP is a full-service real estate operating and asset management company with an in-depth understanding of all facets of acquiring, redeveloping, and operating retail real estate across the United States. Since its founding, PREP's investment thesis has been to seek to identify properties with strong real estate fundamentals and to improve the quality of the leases, terms, or creditworthiness of its tenants to create value in the assets and the overall portfolio.

PREP's highly specialized and nimble team possesses a deep knowledge of real estate fundamentals for detailed evaluations of consumer, market, and retail trends. As a result of the team's rich range of experience and strong business relationships, PREP is able to access off-market properties, sale-leaseback transactions, and bulk portfolios that we believe may create acquisition opportunities that create added value.



Leadership has been executing  
net lease strategies  
since 1999



Senior management involved in  
\$4 billion  
of real estate transactions



Fully integrated  
national operating platform



Disciplined  
Investment and  
Acquisition Strategy



Experienced  
senior management  
averaging 25+ years per person

# OFFERING HIGHLIGHTS

**Target Equity Raise**      \$200 million

**Distributions**

5.5% annualized distribution, paid quarterly (A-Shares).

Quarterly distributions are not guaranteed and may be modified or eliminated at the discretion of the board of directors and may constitute a return of your own capital paid from the proceeds of the offering.

**Minimum Investment**      \$50,000 (Accredited investors only)

**Target Term**

We currently expect to complete operations and liquidate our assets within four years after the termination of this offering. Economic, market and regulatory changes that impact the real estate market generally may require that we hold assets longer than anticipated in order to achieve the best disposition pricing for our stockholders.

**Asset Management  
Fee Deferral**

Our Sponsor will defer its future Asset Management Fee, interest free, if our investors, as a whole, have not received distributions providing a return of their capital by the conclusion of the 4th year following the close of the offering.

**Share Repurchase Plan**

Limited plan allows for redemptions at a significant discount after one year. Redemptions further limited to 3% of the weighted average number of shares outstanding during the prior calendar year, May be terminated at discretion of board.

**Tax Reporting**      1099-DIV

There is no guarantee that the investment objectives will be met. Past performance is no guarantee of future results. Please refer to the Private Placement Memorandum and its supplements that include details and other updated information, including risk disclosures regarding the offering.

## RISKS AND DISCLOSURES

**THIS INVESTMENT INVOLVES A HIGH DEGREE OF RISK and is suitable only for persons of substantial financial means who have no need for liquidity in this investment. Investors should purchase this investment only if they can afford a complete loss of their investment.**

Information about this offering contained herein must be read in conjunction with the Confidential Private Placement Memorandum (PPM), which contains additional important risk disclosures and more specific information about the offering.

- The direct or indirect purchase of real property involves significant risks, including market risk, financing risk and the risks specific to any given property.
- THESE SECURITIES ARE NOT LIQUID. No public market exists for these securities and there are no plans at this time to list shares on a national securities exchange.
- Shares are subject to restrictions on transferability and resale and you will be required to bear the financial risk of this investment for an indefinite period of time.
- Substantial fees and expenses are paid to the Fund's advisor and affiliates and there is no guarantee that the Fund's investment objectives will be met.
- The Fund depends on its advisor and affiliates to select and manage its investments and to conduct operations. If we are unable to locate investments with attractive yields while investing the proceeds from the offering, distributions and long-term returns will suffer.
- The Fund may fund distributions from offering proceeds or borrowings (which may constitute a return of capital).
- This investment involves borrowing and leverage. Leverage may increase volatility and may increase the risk of investment loss. Moreover, we may not be able to obtain debt on attractive terms to finance our acquisitions, which may have a negative effect on our operations.
- Certain terms are subject to the discretion of the company and approval by its board of directors.
- Distributions are not guaranteed and may be modified or eliminated at the discretion of the board of directors and may constitute a return of your own capital paid from the proceeds of the offering.
- We have a limited operating history. Our stockholders will not have an opportunity to evaluate additional investments before we make them, making an investment in us more speculative.
- This is a fixed-price offering and the offering prices were set arbitrarily. The actual value of an investment in us may be less than the offering price.



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

Securities offered through PREP Securities, LLC, member SIPC.  
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