

HEARTHFIRE GROWTH INVESTMENT STRATEGIES

Self-Storage • Value-Add Acquisitions • Development Opportunities



Investment Strategy & Objectives

Hearthfire pursues value-add and ground-up development opportunities in self-storage, partnering with institutional, 3rd-party operators (CubeSmart, Extra Space Storage) to deliver superior risk-adjusted returns. Our strategy focuses on high-growth markets with favorable supply-demand dynamics, targeting 18-23% project-level IRR through expansion, development, operational improvements, lease-up execution, and market appreciation. Common equity investors benefit from direct ownership, alignment of interests through our co-investment, and full participation in project upside while maintaining capital efficiency through leveraged structures.

What is Common Equity Investment?

Common equity investments represent direct ownership stakes in institutional-quality self-storage assets. As a passive, limited-partner (LP), common equity investor, you participate alongside Hearthfire as partners in the property, sharing in both operational cash flows and appreciation upon exit.

Illustrative Average Returns (Based on a \$100,000 Investment in a Ground-Up Development Project)

YEAR	DISTRIBUTIONS	RETURN OF CAPITAL	PROFIT FROM SALE	CUMULATIVE	PHASE
1	\$0	\$0	\$0	\$0	Development/Acquisition
2	\$0	\$0	\$0	\$0	Lease-up
3	\$5,000	\$0	\$0	\$5,000	Stabilization
4	\$10,000	\$0	\$0	\$15,000	Operate/Optimize
5	\$25,000	\$100,000	\$100,000	\$240,000	Disposition/Recap
Total	\$40,000	\$100,000	\$100,000	\$240,000	2.4x EM / 19.1% IRR

* 8-10% preferred return accrues annually and is paid upon available cash flow to service it.

Waterfall Structure, Funding & Tax Treatment

PROFIT SHARE (WATERFALL)		TYPICAL CAPITAL STACK	FUNDING OPTIONS	TAX TREATMENT
TIER	LP / GP	Common Equity Up to 25% of project cost Direct ownership, 17-23% target, full upside	Cash	Distributions are typically offset by depreciation
8% Pref Return	100% / 0%	Mezzanine Debt/Equity Up to 10% of project cost Subordinate, 8-12% cost, limited upside	Self-Directed IRA	K-1 issued annually by March 15
Return of Capital	100% / 0%	Senior Debt Up to 75% of project cost First-lien, market rate, no upside	Solo 401(k)	Annual Profit/Distributions treated as ordinary income.
Up to 15% IRR	75% / 25%		1031 Exchange via TIC (limited availability, minimums apply)	Profit from the sale of an asset is treated as capital gains and can be rolled over in a 1031.
Above 15% IRR	50% / 50%			
*Waterfall structure may vary per investment or deal.				

Self-Storage Common Equity Returns vs. Other Alternative Investments

INVESTMENT TYPE	ANNUAL RETURN	RISK PROFILE	LIQUIDITY	AVG HOLD PERIOD
Self-Storage Common Equity (Hearthfire)	17-23%	Moderate-High	Illiquid	4-7 Years
Multifamily & Other RE Syndications	12-18%	Moderate-High	Illiquid	3-10 Years
Self-Storage REITs (Public)	8-12%	Low-Moderate	Liquid	N/A
S&P 500 Index	9-11%	Moderate	Liquid	N/A
Private Credit/Debt Funds	8-10%	Low-Moderate	Illiquid	6 Months to 3 Years

Key Risk Factors

- **Development Risk:** Cost overruns, delays, market changes
- **Lease-Up Risk:** Stabilized occupancy may take longer than projected due to new supply or other demand/pricing dynamics
- **Market Risk:** Economic conditions, competition impact performance
- **Liquidity Risk:** Illiquid investments, capital is generally committed for 4-7 years
- **Capital Stack Risk:** Junior capital absorbs first losses (for investments with multiple layers of debt or equity only)

For Accredited Investors Only | Past performance does not guarantee future results • Refer to official offering materials for complete details.