



2025

Annual Letter

INVESTING AND OPERATING IN A
DISLOCATED MARKET

CONCORD COMPANIES



To Our Partners and Colleagues,

In 2025, after six years navigating markets that rewarded caution over conviction, we finally found conditions that warranted a truly bullish stance—not because the world became less uncertain, but because dislocation finally outweighed risk.

Concord acquired seven assets this past year and placed several more under contract for 2026 closings. In executing these transactions, we navigated deeply dysfunctional insurance markets, stringent lender underwriting standards, and a JV equity market that had shrunk to a small fraction of its pre-correction size. The effort was worthwhile, as we've been underwriting investments that can reasonably be expected to generate 15-20% total returns even without value-add initiatives or improvements in market conditions, at a point in time when market tailwinds are far more likely than headwinds, and where excellent property-level execution offers further upside.

As we look to 2026, Concord is positioned to execute on this thesis with conviction. Muted engagement from traditional domestic capital sources earlier last year forced us to expand our network and develop new joint venture relationships with partners that share our contrarian posture and bring access to deep pools of discretionary capital. At the same time, our Services division continued to strengthen its property management, leasing, and construction capabilities, supporting both Concord-owned assets and a significant roster of third-party clients.

The following pages provide further insight into where we're finding value in today's market and highlight a few of our most notable accomplishments over the past year.

Where Mispricing Exists Today

Exploiting Nonlinear Liquidity Filters

The commercial real estate buyer universe contracted sharply from 2022 to 2024. Some groups exited voluntarily, others were sidelined by credit issues inside their existing portfolios, and many others were effectively eliminated by rising transaction friction—only the best sponsors could procure reasonably

priced insurance, debt, and equity as each of those products grew scarce. While valuations remained broadly firm at the asset class level, the whittling down of the buyer pool resulted in a fragile bid condition with prices supported by a relatively narrow cohort of aggressive bidders.

Against that backdrop, we saw an important dynamic take hold in certain corners of the market: **when multiple independent risk factors stack on top of one another, liquidity collapses nonlinearly, causing meaningful disconnects between price and intrinsic value.**

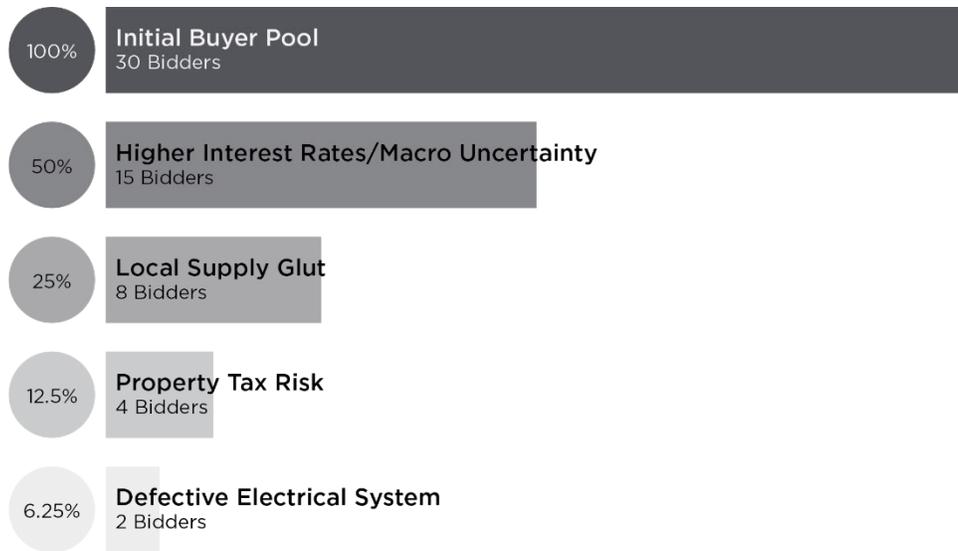
Real estate investments can be impacted by risk factors at the macro, market, and asset-specific levels. These risk factors generally fall into seven distinct categories:

Risk Categories	Examples
Macroeconomic conditions	Interest rates, inflation
Capital markets functionality	Credit availability
Rental market conditions	Localized oversupply or soft demand
Policy risk	Tax changes or new regulations
Product profile	Vintage, floor plans, finish quality
Physical plant issues	Structural integrity, MEP systems
Operational complexity	Lease-up or repositioning

While most buyers can handle one or two of these factors at a time, very few have the capability and the appetite to absorb four or five of them simultaneously. Such layering tends to produce sharp liquidity contraction and, occasionally, significant mispricing. Thus, while market-wide valuations may appear to be only moderately attractive, compelling alpha can be uncovered in specific transactions.

How Filter Stacking Looks in Practice

To illustrate: imagine an asset facing (i) elevated interest rates, (ii) a local supply glut, (iii) anticipated property tax increases, and (iv) a defective electrical system. Any one of these may discourage 50% or more of would-be bidders from participating. But if each factor eliminates 50% sequentially, only 6.25% of the natural buyer universe would remain. In a market with thirty qualified buyers, that equates to just two real bids.



Why Commercial Real Estate is Uniquely Vulnerable to Layered Liquidity Filtering

Institutional-scale commercial real estate is particularly susceptible to nonlinear liquidity collapse because the natural buyer universe is small, specialized, and heavily constrained. Unlike public markets which have deep and diverse pools of capital, broad mandates, and instantaneous price discovery, commercial real estate relies on a limited set of operators who each face meaningful structural limitations and must contend with limited information availability. Several features of the asset class amplify the impact of stacked risk factors:

1. Small Buyer Pools

Most asset types only have a few dozen qualified buyers at any given time, whereas a public market may have millions of them.

2. Mandate-Driven Exclusions

Funds and institutions frequently operate under rigid investment criteria, with restrictions around property type, vintage, location, and other factors.

3. Geographic Specialization

Many operators restrict participation to a narrow set of markets or submarkets.

4. Execution Requirements

Real estate demands hands-on operational and construction capabilities. Operational turnarounds and capital projects require specialized expertise that many investors simply don't possess.

5. Slow Information Transfer

With closed-door bidding processes and months-long contract timelines, real-time information on liquidity and pricing conditions rarely exists. Market information becomes widely available only in hindsight, if at all, slowing the adjustment of buyer behavior.

When layered filtering occurs in a setting where forced or otherwise motivated sellers are present—as we now see through widespread loan maturities, cash-flow deficits, and fund constraints—the resulting bidding environment can resemble an oligopsony, or in rare cases, a monopsony. These are the environments where the most attractive opportunities tend to emerge; **when buyer participation is thin while sellers remain committed, price is set not by intrinsic value or broad market consensus, but by the whims of the last bidder standing.**

Discourse tends to fixate on the single most prominent risk in any transaction. Yet markets rarely break because of one factor alone—they break when multiple risks align, each filtering out a different segment of the buyer pool. In these moments, liquidity doesn't erode incrementally; it vanishes altogether.

This dynamic allows markets to appear orderly even as fragility accumulates beneath the surface. An asset class may look broadly efficient while individual assets are severely mispriced.

We believe investors will look back on 2025-26 as a bifurcated period. Most investments made during this time will perform acceptably, while a select few niches will ultimately be recognized as generational opportunities—overlooked not because they lacked merit but because their layered risks were too uncomfortable for all but a handful of buyers to confront.

The Year in Review

Closed Acquisitions

As a vertically integrated firm, with more than 150 professionals across numerous disciplines, Concord is well equipped to underwrite and mitigate a wide array of common risk factors.

Throughout the year, we acquired several assets burdened by multiple layered risk factors that suppressed bidding activity below normal levels. In each case, we believe the controllable factors can be managed through our operational capabilities, while the uncontrollable ones are more than priced into our basis—leaving a margin of safety which all but ensures these investments will outperform benchmarks on a risk-adjusted basis.

In each of these projects, we’ve layered excellent operational capabilities on top of good acquisitions to propel performance. In one, we acquired a 537-unit portfolio at 85% occupancy only to boost that number to 92% within six months of takeover. In another, we acquired a property managed by a major national property management company and immediately reduced controllable operating expenses by approximately 20%, without impacting resident services in any meaningful way.



Closed acquisitions (from top right):
The View, Park Wilshire, The Langham, The Fontenoy Alcove, The Picadilly, Sir Francis Drake Villa

Case Studies in Real Estate Services

We've always viewed our boots-on-the-ground operational prowess as a critical element of our ability to create value in real estate.

As part of our commitment to long-term stewardship, we launched a semi-annual, 35-point inspection protocol across our multifamily portfolio to identify maintenance issues early, ensure compliance with habitability and safety standards, and preserve asset quality.

Our remediation and restoration subsidiary, SunTrust, completed widespread fire and smoke remediation projects following the Palisades and Eaton Fires, along with a major flood-mitigation project at a large multifamily community. Meanwhile, our construction team completed full bespoke restaurant build-outs for two extremely well-received West Hollywood restaurants, demonstrating the company's ability to deliver a specialized, high-craftsmanship hospitality product. We also successfully completed a wide range of residential projects, ranging from luxury single family residences to accessory dwelling units (ADUs) to apartment renovations.

Among many projects completed this past year, two stories in particular illustrate Concord's operational capabilities.

1 | Restoring a Los Angeles Landmark



Concord took over an iconic landmark in Downtown Los Angeles in Q4 of 2024. The project quickly became an example of how hands-on, ownership-minded property management can restore asset productivity.

At takeover, the property carried 11% physical vacancy and significant credit loss. Over the following months, Concord removed numerous non-paying tenants, implemented

aggressive leasing processes, and re-established a disciplined operational

cadence. By the end of 2025, the building reached 96% occupancy, with delinquency rates having been reduced by 90%. The turnaround was not achieved through any particularly novel innovation—just disciplined execution of the fundamentals by the right team.

2 | Engineering an Operational Turnaround



This 1,400-bed California student housing portfolio was struggling to lease up after the submarket was inundated with new supply. When Concord took over property management in Q4 2024, the portfolio was 73% occupied and facing notable operational inefficiencies.

Student housing, and multifamily more broadly, operates at a much higher level of transactional intensity than retail or office real estate. Residential properties have larger teams serving more numerous tenant populations, nonstop work order flows, and constant lease turnover. These systems begin to fail quickly without clearly defined roles, structured workflows, and single-point ownership of every recurring task.

With this in mind, Concord completed a comprehensive reorganization of the 22-person team shortly after takeover. We rebuilt the operational structure around clearly delineated responsibilities and robust standard operating procedures to ensure consistent service at scale.

These rapid and dramatic changes resulted in a successful 2025 lease-up, with occupancy ultimately topping 98%. Meanwhile, community-building initiatives such as a farmer's market and monthly newsletter, paired with improved maintenance performance, led to stronger renewal rates and a more than 50% reduction in credit loss.

Conclusion

We enter 2026 with conviction, capital, and a clear strategic framework.

To the partners and counterparties that we've transacted with this past year, and to the clients that have entrusted us with the stewardship of their assets, thank you for your confidence. For those we haven't yet had the opportunity to work with, we welcome a conversation to discuss potential alignments.

Cycles create opportunities, but complexity creates outsized performance. **As most investors seek a safe harbor in simplicity, the advantage belongs to those who are prepared to embrace the messy, the difficult, and the misunderstood.** In the year ahead, Concord will remain focused on these moments of complexity—both as an investor and as a steward of real estate—to help our partners and clients capture value where others cannot or will not.

Best Regards,

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