

AVANATH PLUS



INVESTMENT CONFERENCE c o n f i r m s POSITIVE OUTLOOK FOR AFFORDABLE HOUSING MARKET

MORE THAN 100 PEOPLE gathered recently at the Marriott Hotel in Newport Beach, California for Avanath's 2016 Investor Conference, an annual meeting to discuss the state of the national affordable and workforce housing market and an update on Avanath's investments.

Daryl Carter, Founder, Chairman & CEO of Avanath, opened the meeting with an industry outlook on key trends that will impact the affordable housing sector in the year ahead.

"There are four primary trends affecting affordable/workforce housing investment in the U.S. today," he explained. "To start, there is more liquidity in the space than ever before."

Carter noted that competition for acquisitions is on the rise, contributing to higher valuations in the space. He confirmed that Avanath's longevity in the space, and its integrated platform, will help the firm to combat rising valuations.

"Second, family composition is changing. There is tremendous demand for larger units to accommodate multi-generational and blended families, while demand from the Baby Boomer generation continues to grow."

According to the NIC Investment Guide, there are a mere three million senior housing

and care properties in the U.S., with demand from over 12.1 million people aged 80+. That demand is expected to accelerate sharply over the next decade.

"Technology is a third trend to watch in this space," said Carter. "Services such as Uber, Zip Cars, Ride Sharing, Driverless Cars, and on-demand delivery continue to reshape the retail and medical industries, and we will continue to feel this impact in the housing sector."

Carter pointed to a rise in Impact Investing as a fourth prominent trend in the affordable housing investment sector.

"Many institutions are seeking new ways to make a positive impact while generating strong returns," he said, and noted that this strategy is central to Avanath's investment approach.

FOUR PRIMARY TRENDS

1



INCREASING LIQUIDITY IN INVESTMENT SPACE

2



FAMILY COMPOSITION IS CHANGING

3



TECHNOLOGY IS SHIFTING NEEDS

4



INCREASE IN IMPACT INVESTING

Continued on page 3 →



Also In This Issue:

A MESSAGE FROM OUR CHAIRMAN:
IT'S NOT BRAIN SURGERY
page 2

AVANATH IN THE NEWS
page 2



Continued: INVESTOR
CONFERENCE INSIGHTS
page 3



AVANATH SUPPORTS NATIONAL
NON-PROFIT WITH UNIQUE LEASE
page 4

MESSAGE FROM THE CHAIRMAN:

IT'S NOT BRAIN SURGERY

by Daryl J. Carter, Founder, Chairman and CEO



Ben Carson's appointment to HUD Secretary took the industry by surprise.

Friends and colleagues throughout the nation questioned the appointment immediately. Will this be good or bad for our industry? Will his inexperience be a detriment to investors, developers, and ultimately, to residents in need of affordable housing?

Growing up in a working class African-American neighborhood in Detroit, I have seen first-hand how housing can

transform a community – both positively and negatively.

Ben Carson shares that first-hand experience.

He, too, was raised in Detroit. He, too, came from humble beginnings. And he, too, worked extremely hard to finish college (we both hold degrees from the University of Michigan), complete medical school, and transform his life.

It's true - he is not experienced in housing policy. But the man is a neurosurgeon, and the simple fact is: housing isn't brain surgery.

Housing is, however, aspirational - a concept that Dr. Carson clearly understands. Good housing policy should be aspirational and facilitate a safe and affordable home for every American.

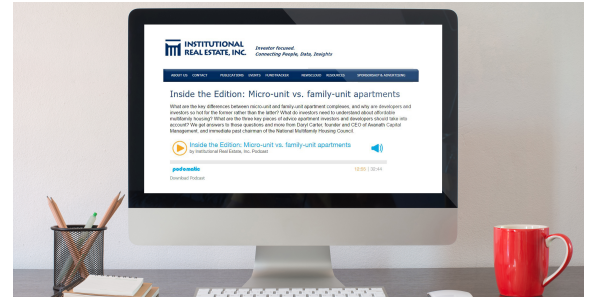
When I served as Chairman of the National Multi-Housing Council (NMHC), I had the opportunity to meet with a wide variety of Senators and Congressmen and women. Regardless of political affiliation, each of these leaders started our meetings with a simple question: "Why are rents so high?"

They too have children, nieces/nephews, cousins and friends who are unable to afford a quality place to live.

The need for affordable housing throughout our nation is an epidemic that is felt by all. We need our best and brightest focused on this problem. Dr. Carson is unquestionably one of our brightest and best.

Beyond Dr. Carson, each of us must continue in our unflinching pursuit of more affordable housing for workers and families throughout our great nation. To do that, we must encourage more investment in areas that are underserved by investment capital. And at Avanath, we will continue that valiant objective for many years to come. +

AVANATH IN THE NEWS



Avanath continues to provide insights to national media sources on a variety of topics in the real estate investment industry. Recent highlights include:

+ Institutional Real Estate Letter

Demand for larger units is on the rise in the affordable housing sector.

Find out what investors need to know about micro-units vs. family-units in this exclusive podcast with Daryl Carter: goo.gl/7bZyYW

+ Private Equity Real Estate(PERE)

Industry experts weigh in on what Dr. Carson's appointment to HUD means for affordable housing developers and investors.

Read Daryl's thoughts here: goo.gl/0bv5v1

+ Real Estate Forum

Rental increases continue to outpace income growth in major metro markets, especially in coastal cities such as Brooklyn and Los Angeles.

Read President and CIO John Williams' insights on this topic here: goo.gl/twifLE

+ Multi-Housing News

Affordable housing could be the newest darling of the multifamily investment market.

Learn about the top three affordable housing trends to watch in 2017 here: goo.gl/chhU46 +

Continued: INVESTOR CONFERENCE INSIGHTS

Following his overview of the national housing market, Carter announced that Avanath's corporate rebranding is currently underway, with an increased focus on residents.

"We continue to pursue investments that will generate not only attractive risk-adjusted returns but also social benefits to our residents," affirmed Carter. "By providing resident support services such as after-school programs and improving the overall sustainability of our properties, we are able to preserve and enrich entire neighborhoods. This holistic approach is what drives true returns for our investors."

President and Chief Investment Officer John Williams provided an update on Funds I and II, followed by an update on capital fundraising. Williams noted that Avanath had a

strong year of investment activity, with seven multifamily assets closed or under contract in some of the most supply-constrained markets in the nation.

"Avanath invests in markets where renters have high cost burdens," Williams explained. "By investing in markets where demand so thoroughly outweighs supply, we can ensure stronger returns for our investors over the long term."

"We continue to deliver IRRs that are well above industry averages," says Williams. "Much of this strong performance is based on Avanath's key differentiators, including our ready access to debt and equity capital, proprietary deal flow, and our reputation as a premier buyer of affordable housing assets."

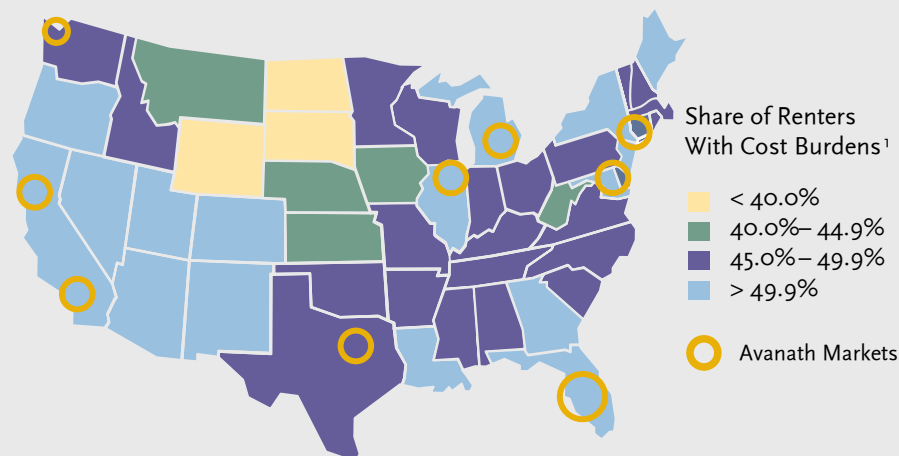
Avanath closed out the conference with an open-forum Q&A with investors. Topics of note included finance trends such as rising interest rates and availability of debt, political shifts and their potential impact on the market, as well as areas of opportunity in the workforce and affordable housing sector. +



Daryl Carter provided insights and updates to conference attendees.

AFFORDABLE HOUSING MARKET

AVANATH INVESTS IN MARKETS WHERE RENTERS HAVE HIGH COST BURDENS



¹ "Renters with Cost Burdens" are defined to be households with housing costs that represent more than 30% of household income; source: JCHS tabulations of US Census Bureau, 2011 American Community Survey

avanath +
LIFESTYLE WITHIN REACH

SNEAK PEEK

Avanath is unveiling a new brand and look, which will reflect our holistic approach to enriching and empowering entire communities in need of affordable housing. The new look will be showcased in the Spring 2017 newsletter.

AVANATH SUPPORTS NATIONAL NON-PROFIT WITH UNIQUE LEASE



IN KEEPING WITH ITS mission to invest not only in brick-and-mortar, but also in communities at large, Avanath recently leased commercial basement space in one of its Brooklyn apartment communities to NPower, a national non-profit that provides free tech training to underserved young adults and veterans.

Founded in New York City in 2001, NPower is a Brooklyn-based organization that provides coding clubs, mentoring events, mock interviews and site visits to more than 800 students and veterans every year at no cost.

“We had been searching for a new location for our New York operations and were hoping to stay in Brooklyn, but affordability in this market is a

challenge,” explains Patrick Cohen, Vice President, Strategic Partnerships at NPower. “Avanath’s building emerged as a unique and cost-effective solution, and we were fortunate to find it at just the right time.”

NPower’s new Brooklyn location is on the sub-floor of Avanath’s 50 Greene Avenue property in Brooklyn.

“The strong sense of community at Avanath’s apartment immediately attracted us to this location,” says Cohen. “By leasing this space, we will be able to continue to build brighter futures for young adults and veterans by equipping these individuals with the tech skills they need to succeed in this growing field.”

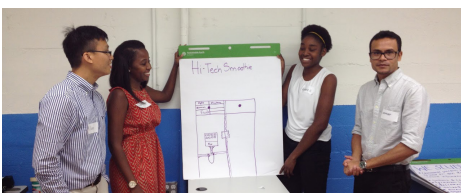
By providing a new home for this impactful non-profit, Avanath is supporting NPower in recruiting even more talented youth and veterans for its programs, enabling them to acquire careers in the tech and digital fields. 80 percent of NPower’s alumni are employed or pursuing higher education within a year of completing one of its programs.

“NPower shares our vision of enriching entire communities by investing in the next generation of leaders,” notes Daryl Carter, Founder, Chairman & CEO of Avanath. “By leasing this space to NPower, we are providing this organization with a home base from which they can continue to impact thousands of lives throughout the Brooklyn community.”

NPower offers four programs ranging from eight to 26 weeks, including an entry-level tech fundamental program, enterprise service management, and more advanced training programs such as coding and cyber security.

In addition to providing tech-training programs that run twice a year, NPower offers job fairs, opportunities for a pathway to college, and interviews with Fortune 500 companies. The non-profit also operates in New York City, Jersey City, North Texas, the San Francisco Bay Area, Baltimore, Toronto, and St. Louis. +

Avanath continues to seek innovative ways to deliver long-term value to the communities in which it invests. Learn more about NPower at www.NPower.org.



Pictured (from L to R): Alan Qiu, Sharonda Guilford, Ayodele Hamilton and Ashraf Islam

A V A N A + H

Avanath Capital Management is a privately-held, vertically integrated investment firm managing real estate and real estate-related investments generating attractive risk-adjusted returns through current income and capital appreciation from its investments. The firm also provides property management services through its two affiliates, Avanath Property Management and McKinley - Avanath Property Management.

Founded by Daryl J. Carter, the Avanath management team averages 25 years of experience and has successfully guided investment funds in defining growth opportunities and delivering attractive returns. Avanath professionals have real estate operating expertise and long-standing relationships with strong local, regional and national sponsors that can access investment opportunities aligned with Avanath’s initiatives. +

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