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SUMMER 2018 NEWS

AVANATH CAPITAL MANAGEMENT EXPANDS EAST COAST PORTFOLIO

Avanath Capital Management recently acquired two multifamily properties totaling more than 270 units. The firm acquired Menlo Manor, a 240-unit affordable senior housing community in New Jersey and Coral Ride Isles, a 33-unit workforce housing community in Florida.

"We are focused on acquiring and preserving affordable and workforce housing assets in strong growth markets across the country, including areas

across the East Coast," says Avanath President John Williams. "This is our second acquisition in New Jersey, and our ninth in Florida. We currently own a total of 1,045 units in the New Jersey/New York metro area, and a total 1,647 units in Florida."

New Jersey and Florida are undergoing rapid expansion and growth. This has resulted in increased demand for affordable housing options for seniors and families across both states.

"In 2030, all of the baby boomer generation is going to be 65," says Williams. "These seniors

want to be located in dense regions that allow them to be close to their families. Menlo Manor is located in Edison, which has historically benefitted from its proximity to NYC."

Coral Ridge Isles is located in a neighborhood in Fort Lauderdale that is surrounded by single-family homes, and is one of the only remaining apartment communities in the region that has not been converted into condos. This has resulted in strong demand for affordable housing throughout the region.



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HOUSING AMERICA: IT DOES TAKE A VILLAGE

by Daryl J. Carter, Founder, Chairman & CEO

“There are no problems we cannot solve together, and very few that we can solve by ourselves.”

-Lyndon B Johnson

Federal, state, and local governments play a prominent role in the housing industry – particularly in Avanath’s affordable sector. There are at least 50 regulatory agencies that set policies and regulations that impact the operation of our apartment communities.

We view these agencies as partners in our investment strategy.

While government entities are often maligned as bureaucracies with mediocre or uncaring staff, our experiences with most of these entities are distinctly different. We find that the staff members at our partner agencies are caring, proactive, and committed to finding solutions.

I spend a considerable amount of my time visiting with our key federal, state, and local government stakeholders. In the last year, I visited the California Housing Finance Agency,

California Tax Credit Allocation Committee, Illinois Housing Development Authority, New Jersey State Housing Finance Agency, Florida Housing Finance Agency, and Michigan State Housing Development Authority. Our dialogue with these agencies is highly productive. The

public sector cannot do it all, nor can the private sector. We need government to work closely with us to make an impact on affordable housing challenges.

National housing policy is administered by the Department of Housing and Urban Development (HUD). Another important federal stakeholder is the Federal Housing Finance Agency (FHFA), the regulator of Fannie Mae and Freddie Mac.

In July, I joined a few other apartment industry leaders in meetings in Washington with HUD Secretary Ben Carson, the Federal Housing Finance Agency (FHFA) and the Congressional Black Caucus to discuss key issues we all face in the U.S. affordable housing crisis.

Key points of our discussions included

1. Expand Programs That Encourage Affordable Investment:

According to the NMHC, the U.S. needs 4.6 million new apartments by 2030.

Low income housing tax credits, private activity bonds, CDBG, and HUD rental assistance programs are extremely valuable in bolstering affordable housing development and preservation.

2. Encourage more equity capital flows in housing in markets underserved by institutional capital.

The new Opportunity Zone provision in the 2017 tax bill is an



Daryl Carter, along with other industry leaders, at the July meeting with HUD.

example of legislation that will improve capital flows.

The Office of the Comptroller of the Currency (OCC) is revising the Community Reinvestment Act provisions for banks. This could potentially increase equity capital into housing.

3. Continue Support of Fannie and Freddie:

Fannie and Freddie are instrumental in providing debt to preserve affordable housing stock. Additionally, both are considering making equity investments in affordable apartments.

Policymakers must understand the critical role Fannie and Freddie play, and support these entities in continuing their financial allocations to affordably priced housing.

The Avanath team will continue to advocate for improved policies that deliver much-needed investment in U.S. housing. Our investment approach is highly inclusive – we work collaboratively with our federal, state, and local housing agencies, our institutional investors, our residents, and our local elected officials. Yes, housing America takes a village.

THE VALUE OF MISSION-ALIGNED INVESTING

Sean Olesen of Dignity Health recently shared some insights on the financial and social benefits of investing with partners that share the same values and goals.

1. Why did you decide to invest with Avanath?

As a mission-oriented investor, Dignity Health has a goal of achieving market rate returns as well as social returns on its investment portfolio. We see strong alignment between both the financial, and the social, or non-financial, outcomes of Avanath's investment strategy and Dignity Health's mission.

Affordable housing is a critical element of healthy communities, which is our goal as a health care ministry. It also provides opportunities for strong returns. We appreciate Avanath's ability to optimize cash flows through decreasing vacancy and prudent use of capital expenditures while navigating affordable housing regulations.

2. What is the value of this type of mission-aligned investment?

First and foremost, the Dignity Health investment team is tasked with prudent management of the organization's investment portfolios. Our mandate is to generate long-term risk-adjusted financial returns in order to provide robustness to Dignity Health's balance sheet, support ongoing investment in our facilities and programs,

and meet the obligations we have made to our current and former employees. In the case of Avanath, we understand the financial returns and social returns are intimately connected as central to the investment strategy. A material number of assets within the Avanath portfolios overlap with Dignity Health's service areas, so we may be serving some of the same individuals and families in support of our mission, which includes a commitment to partner with others in our communities to improve peoples' quality of life.

3. Why affordable housing? Why is this an attractive investment for Dignity Health? What benefits have you seen from investing in this product type?

For some time Dignity Health had been considering ways to further diversify our private real estate exposure. While our current real estate exposure remains geographically concentrated within the US, we recognize the potential benefits from property-type diversification.

Affordable housing assets are not commonly included in institutional investment portfolios, while the supply demand dynamics of the property type provide comfort that these assets will support



portfolio-level returns if or when overall market volatility increases.

4. What type of results have you seen as an investor with Avanath?

Avanath has implemented the strategy as they described and we understand it to be. They have built a portfolio of assets in a range of domestic markets, serving diverse populations, and providing opportunities for investors to benefit from the financial returns while creating welcoming environments for renters to live and play.

Additionally, we have been able to deepen our partnership through sharing our networks and thinking through ways in which renters can further improve their quality of life through education and access to resources supporting the social determinants of health.



COMMUNITY SPOTLIGHT: ACCLAIM AT STERLING WHERE DIVERSITY IS WELCOMED & HONORED

Acclaim at Sterling is a 102-unit affordable apartment community in Sterling, Virginia. It's a highly diverse community that is filled with residents from all different walks of life, cultures, and ethnicities.

At Avanath, commitment to diversity is a major component of its mission whether it's in its apartment communities or at a corporate level. Acclaim at Sterling exemplifies this commitment.

Teresa Payton, Community Manager at Sterling, shared some insights as to how her team goes above and beyond for residents and creates an environment where diversity is welcomed and honored.



Teresa Payton,
Community Manager

Q: How does Acclaim at Sterling create a welcoming environment for its diverse resident base?

A: As an extremely diverse community, there are a number of different languages that are spoken at the property. We believe this is a wonderful thing, and do our best to bridge the language barrier between our staff and our residents.

Several members of our team are equipped with translation apps and tools that help us better and more effectively communicate with residents. We want them to feel at home, and are taking the extra steps necessary to honor their culture, heritage and language.

Q: How does Acclaim at Sterling go above and beyond in serving residents?

A: One way that we do this is by providing personal follow ups for every service order request. This

lets residents know that they will be taken care of from start to finish and that we are genuinely concerned for their well-being.

In addition, we are implementing a mobile book library for our residents. The book library will be filled with a collection of books and in a variety of common languages spoken at our community.

Q: What is a resident favorite in provided services?

A: We understand the value of face time with our residents, and the role this plays in overall resident satisfaction. Some of our resident favorites are s'mores community gatherings, or annual pool party. This builds community engagement and a sense of home among residents. It also provides an opportunity for our team to further connect with residents in a positive way.



AVANATH HOSTS INNOVATIVE AND UNIQUE INVESTOR ROUNDTABLE

Nearly 30 investors gathered in New York City for Avanath's first annual impact roundtable. The roundtable discussed impact investing, making it measurable, and the future of the sector. The intimate setting also provided a unique forum where investors offered feedback on measurement initiatives, ideas, and future goals.