

# AVANATH PLUS



## AVANATH expands PORTFOLIO from coast to coast

AVANATH CAPITAL MANAGEMENT has acquired two workforce housing assets including The Lodge at Peasley Canyon, a 339-unit property in Seattle, Wash., and Harbour Pointe, a 34-unit property in Ft Lauderdale, Fla. The firm partnered with Oak Tree Residential to acquire Harbour Pointe.

"Each of these assets presents an opportunity to leverage market growth while also preserving much-needed workforce housing in cities that have experienced some of the highest rent increases in the nation," says John Williams, President and Chief Investment Officer of Avanath.

Seattle has recently emerged as one of the fastest-growing markets in the nation, ranking third in the nation for highest annual effective rent growth, while Broward County, Florida continues to demonstrate year-over-year rent increases.

"Our strategy is to acquire and reposition well-located workforce housing assets in high-rent markets in order to generate attractive risk-adjusted returns, while also providing workers with quality housing they can afford," continues Williams.

Since 2008, Avanath has acquired and managed more than 41 affordable and workforce housing properties totaling over 7,000 units across the nation, targeting assets near major employment hubs in supply-constrained markets.

"The Lodge at Peasley will serve as the highest quality option in the area for middle-income workers, and will offer rents that are approximately half of the average rent for new luxury apartments in the area," explains Williams.

"Harbour Pointe is an extremely well-appointed community that is also one of the most affordable apartment complexes on the ocean side of Ft Lauderdale. Its central location near the port will enable many workers in the hospitality and cruise industries to live within walking distance to their jobs," adds Williams.

Both of these acquisitions demonstrate Avanath's ongoing commitment to preserving deeply needed affordable and workforce housing throughout the nation. +



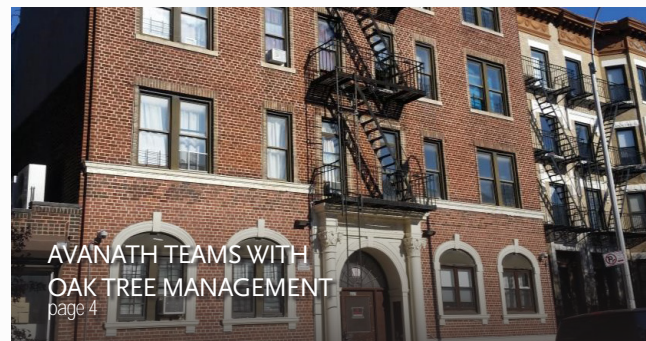
### Also In This Issue:

a message from our chairman:  
**BUILDING TOMORROW'S  
LEADERS**  
page 2

ASK THE INVESTOR:  
**4 QUESTIONS WITH  
ALAN SNODDY**  
page 2



**AFFORDABLE HOUSING  
INVESTORS TARGET SEATTLE**  
page 3



**AVANATH TEAMS WITH  
OAK TREE MANAGEMENT**  
page 4

## MESSAGE FROM THE CHAIRMAN:

# BUILDING TOMORROW'S LEADERS

by Daryl J. Carter, *Founder, Chairman and CEO*



As an investor, I'm always looking to the future. In my case, that includes the future of our country, the housing industry, specific cities, and most importantly, the future of Avanath Capital Management, LLC.

I was 34 years old when I launched my first company, Capri Capital. I did not think much about organization and leadership. Those early days were about raising capital and deal execution. Then, it was about me being on the "playing field" and playing the game. I was in the mode of my favorite football player (and fellow Michigan grad) Tom Brady, not in the mode of Bill Belichick, Brady's coach – and probably the most successful coach in football history.

I now embrace my role as a "head coach" and study the leadership styles of great coaches like Coach Belichick, Phil Jackson, and Joe Torre. These great coaches built great cultures, were great leaders, and most importantly, they developed great leaders.

A CEO must build a team of strong leaders in the organization and a culture of leadership throughout. I am thankful that I am no longer that 34-year-old leader that wanted to "play" versus "coach!"

I am particularly proud of our next generation of leaders at Avanath – Ben Finley, Ann Caruana, Nicholas Dunlop, Ada Arevalo, and Wes Wilson – to name a few of them. They each have their unique styles and strengths. We don't have "clones" at Avanath.

These leaders have strong traits that advance the investment strategy and mission of Avanath:

- They embrace our standard of providing the highest quality home experience to our residents – at an affordable price. They "bleed" our mission.
- They embrace diversity and inclusivity – and comprise a highly diverse team – which is why we effectively serve diverse communities.
- They bring cutting edge skills in technology and other areas to stimulate continuous innovation in our strategies, processes, analytical capabilities.

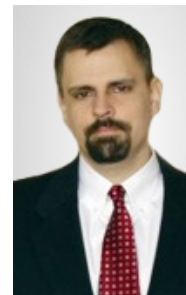
Throughout our firm, we encourage our future leaders to be open-minded and assertive. We emphasize the importance of taking risks to grow personally and professionally.

Tomorrow's leaders will one day have the responsibility to continue the mission we began. I'm proud that our senior executives are taking the time to personally guide these strong future leaders, and that the younger executives are already taking us toward a brighter future. +

## ASK THE INVESTOR: 4 QUESTIONS WITH

# ALAN SNODDY

MANAGING DIRECTOR, CHURCH PENSION GROUP



### 1. What should the industry know about The Church Pension Group?

We are a well-funded plan dedicated to providing pension, medical, and other benefits to those serving the Episcopal Church. While this is our primary mission, we try to accomplish our goals in a socially responsible way.

The focus of our investment program is on long term results. We are patient and steadfast investors with a history of staying the course, and we remain focused on our core values of compassion, fiscal stewardship, mutual respect, service and adaptability. We are fortunate to have achieved a strong track record of success.

### 2. How do you select your investments?

One way in which we identify investments is based on macro themes. For example, today there is a tremendous imbalance between supply and demand of affordable housing in the U.S. We identified this sector as an opportunity to earn strong risk-adjusted returns while also providing a strong social benefit.

### 3. What challenges have you faced as an affordable housing investor?

The decision to invest in affordable housing is a sound one that delivers attractive returns and deep social benefits.

The challenge, however, is that it is more difficult to invest in affordable housing than in traditional multifamily and not something we would ever try to do on our own.

The regulatory and reporting issues, ongoing income verifications, and other complicated processes require specialized knowledge, and we recognized from the start that we would need an expert partner to fulfill this investment strategy.

### 4. Why did you select Avanath as an investment partner?

Given the above statement, we were seeking an expert in the U.S. affordable housing market with whom we could partner to deliver the expertise in this sector.

The Avanath team impressed us with their knowledge and understanding of the market, and we selected them based on their skill set and reputation in the industry. We continue to invest with Avanath based on the firm's consistent results. +

Alan Snoddy is a Managing Director for The Church Pension Fund, and has overall responsibility for the Fund's global real estate portfolio.



# AFFORDABLE HOUSING INVESTORS TARGET SEATTLE



## THE SEATTLE MARKET

is attracting strong investor interest in the affordable housing sector, and for good reason.

Seattle currently leads the nation as one of the fastest-growing metros in 2016, putting the Pacific Northwest on the map for multifamily investments.

Here are the top three factors that make Seattle a market to watch in the coming year:

### JOB GROWTH

**nearly 4%**  
increase in job growth



### HOT HOUSING MARKET



*employment gains  
are fueling the  
housing market boom*

### NEW DEVELOPMENT AND MASS TRANSIT OPTIONS

**\$50B**

light-rail transit  
expansion underway



### Job Growth

Seattle experienced a nearly 4 percent increase in job growth this year and boasts one of the strongest job markets in the United States.

A number of Fortune 500 companies are headquartered here, including Amazon, Starbucks, and Microsoft, which employ thousands of workers throughout the region.

In addition to its reputation as a growing tech corridor, Seattle is also a major industrial hub. Kent, a burgeoning submarket in the Seattle metro, is the fourth largest industrial area in the nation.

These market fundamentals present a strong opportunity to preserve deeply-needed affordable housing for this working class demographic.

### Hot Housing Market

Seattle's employment gains in the tech and manufacturing industries are fueling a housing market boom.

The rapid job creation is driving considerable rent growth, with rental increases in this market rising at a faster rate than some of the most expensive regions in the nation.

With a luxury apartment construction boom underway, there is an enormous need for quality affordable housing that appeals to a larger demographic of middle-income, tech support staff and blue-collar workers.

### New Development and Mass Transit Options

Seattle has seen a tremendous increase in mass-transit developments in the past decade. A \$50 billion light-rail transit expansion is currently underway, easing transportation for many working residents in Seattle's urban core.

This expansion in transit infrastructure will drive demand for affordable housing options near major transit stations, providing excellent mobility for workers throughout the Seattle metro.

By preserving and enhancing affordable communities in this region, Avanath is leveraging the growing demand for affordable and workforce housing in this rent-burdened market, while generating strong risk-adjusted returns and delivering impactful social benefits. +



**Jun Sakamoto**

Partner & Chief Operating Officer, Avanath Capital Management

## BEST PRACTICES IN AFFORDABLE HOUSING INVESTMENTS - DON'T OVER-IMPROVE.

We launched our second company video discussing the key to successful affordable housing investments. To learn more about the best practices for investing in affordable housing, view the video at [www.vimeo.com/176511401](http://www.vimeo.com/176511401).

# AVANATH TEAMS WITH OAK TREE MANAGEMENT

*JERE LUCEY & RICK ROSAN, PRINCIPALS OF OAK TREE RESIDENTIAL, PROVIDE INSIGHTS ON THE LATEST TRENDS IN BROOKLYN*

**Q: You have partnered with Avanath on the acquisition of two investment portfolios in Brooklyn to date. What is it about the Brooklyn market that attracts you as an investor?**

**A:** The architecture in certain sections of “brownstone Brooklyn” is a big differentiator, making those neighborhoods more attractive to renters. In addition, access to subways is critical, and keeps a property in a position to outperform properties of comparable age and quality.

**Q: How does Oak Tree approach renovations?**

**A:** Renovations of units are an opportunity to attract the highest quality tenants by delivering attractive design. We have been able to make improvements that also generate a strong ROI, primarily through energy savings in heating and LED lighting.

**Q: Rents in Brooklyn are rising quickly. How does this affect your rent-stabilized properties in Brooklyn?**

**A:** First, it virtually eliminates downtime on rent stabilized apartments whose registered rents are below free market. Second, it means that as an owner, it is well worth the investment to improve apartments that turn over. Rent stabilization permits landlords certain rent increases for improvements, so, a landlord can deliver a quality renovated product to tenants at rents below newer construction.

**Q: What are the largest management challenges you face in the Brooklyn market, and how do you overcome them?**

**A:** Given the regulatory environment, owning rent regulated apartments in Brooklyn can look like a scary bundle of tenant rights and landlord obligations. We have successfully been able to comply with regulations



and harness a system that offers credit-worthy tenants an affordable alternative to new supply.

**Q: Investing in affordable housing provides benefits not only to residents, but also to communities at large. What are the social impacts of the work you are doing with Avanath?**

**A:** In addition to generating social impact through energy savings, the biggest social impact we can make is to improve the quality of the assets that our tenants call home, which has a ripple effect on entire neighborhoods such as Brooklyn.+



John Williams (Left) pictured with additional speakers at the Annual Brooklyn Real Estate Summit

## SPEAKER SPOTLIGHT

**John Williams**, President and Chief Investment Officer of Avanath, spoke at the **7th Annual Brooklyn Real Estate Summit** discussing Brooklyn’s future as a location of choice, and the need to preserve affordable housing in this market.

## AVANATH

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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