

AVANATH PLUS

AVANATH expands BROOKLYN PORTFOLIO

AVANATH CAPITAL MANAGEMENT is continuing its investment in the Brooklyn market.

The firm recently acquired three additional apartment buildings in Brooklyn, bringing its total portfolio in the region to 195 units.

"Brooklyn is experiencing explosive economic growth," explains John Williams, President and Chief Investment Officer of Avanath. "The region's mass transit options, historic community, and new development projects are driving investors and residents alike to Brooklyn, a market that is currently outpacing surrounding districts in rent growth. The result is increased pressure on renters, many of whom are already being priced out of expensive neighboring submarkets."

The properties were acquired in joint partnership with New York-based Oak Tree Management.

Rick Rosan, Founder and Principal at Oak Tree Management, explains, "Based on the success of our first Brooklyn partnership, we teamed with Avanath once again, combining our local knowledge of the Brooklyn market

with Avanath's affordable housing expertise to source and acquire this portfolio."

The three apartment buildings feature a mix of rent-stabilized and market-rate units, a structure which, according to Rosan, presents a strong opportunity to preserve affordable housing options in buildings with market-rate appeal and amenities.

"The National Multi-Housing Council reports that between 100,000 and 150,000 units are lost to obsolescence every year," says Rosan. "By rehabilitating existing affordable units, we are actively preserving the available stock of affordable housing and addressing this national crisis." +

The three buildings in the portfolio include:



257 Quincy St.
Brooklyn, NY



570 Jefferson Ave.
Brooklyn, NY



308 Stuyvesant Ave.
Brooklyn, NY



Also In This Issue:

a message from our chairman:
WHY DIVERSITY MATTERS
page 2

**COMMUNITY PARTNER
SPOTLIGHT:
AVANATH+COR-CDC**
page 2



A SHIFT TO RENTERDOM
page 3



**SPOTLIGHT ON PROPERTY MANAGEMENT
STRENGTHENING COMMUNITY
ENGAGEMENT WITH GARDENING**
page 4

MESSAGE FROM THE CHAIRMAN: WHY DIVERSITY MATTERS

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



LACK OF DIVERSITY and inclusion is one of the root causes of the recent tragedies that have occurred in our country. In Orlando, Baton Rouge, Minneapolis, and Dallas, we have felt the terrible effects of deep-rooted misunderstandings and prejudices.

I firmly believe that many of our challenges in America can be addressed if we can just understand each other better. A focus on diversity in communities and organizations can make that happen.

Being around people that are different exposes us to a vast world of new endeavors, tastes, viewpoints, and activities. Most importantly, diversity provides an opportunity to evaluate our own biases in safety.

At Avanath, we foster an open and collaborative work environment where divergent views and approaches are encouraged.

Avanath is a mini-United Nations – Asian Americans, African Americans, Hispanic Americans, and Anglo Americans – in baby boomer, generation x, and millennial age groups. Our discussions are extremely open, and we take the time needed to discuss and explore topics about race, age and gender differences.

Occasionally, we ask provocative questions and address them frankly. For instance, a few weeks ago, I received a notice to appear for jury duty, only the second jury summons in my life. This made me ponder openly with a few of my Avanath colleagues whether or not people of color are systematically excluded from juries. Several colleagues of various ethnicities weighed in and immediately dispelled my myth. Another bias destroyed. A diverse organization in action! (As an aside, fate will now result in me being summoned for jury duty every 2 years!)

Diversity in the properties we own is also a priority at Avanath.

Our apartment communities are home to a highly diverse group of residents – multiple ethnicities and generations. There is definitely a correlation between our overall portfolio occupancy in excess of 98% and the diversity of our organization. We simply have a better understanding of our residents' needs.

Diverse communities and organizations make everyone better at their game. I am a better CEO from the technology/social media tutoring I receive from our millennial executives like Nicholas, Ada, Ann, and Saul. I am enjoying my new world of Twitter. And I continue to take comfort in hanging out with my fellow baby boomers – Ron, Ellen, and John – to discuss 1970s baseball, the 1980 election, or Motown music. +

COMMUNITY PARTNER SPOTLIGHT: AVANATH+COR-CDC

AVANATH IS COMMITTED to selecting service providers that enrich the lives of residents.

One such partner is COR-CDC (Community Development Corporation), a non-profit organization that provides social amenities for residents in order to strengthen communities.



Pictured (from L to R): Rev. Mark E. Whitlock, Jr., President and CEO; Rev. Hermia Shegog Whitlock, JD, Chief Operating Officer; Kaniesha Washington, Residential Services Coordinator; Rev. Charles L. Dorsey, Executive Director

Executive Director **Reverend Charles Dorsey** recently shared insights into the organization's mission and successes:

Q: What is COR-CDC's mission as a non-profit?

A: As a faith-based organization, affiliated with Christ our Redeemer AME Church, our mission is to restore and elevate underprivileged communities.

Q: How do your programs work?

A: By offering resources such as arts and crafts, financial literacy courses, and computer training, we are able to improve the quality of life of residents, which in turn creates value for the families living there.

Q: Can you give an example of a recent success?

A: At Avanath's Northpointe Apartments, we have teamed with local banks, community organizations, and city officials to deliver financial workshops, after-school programs, and social mixers for healthy engagement.

Other programs include:

- **Basketball** classes to inspire athletic achievement
- **Arts** classes to immerse kids in dance, music, and the performing arts
- **Writing** classes to inspire and challenge youth to develop their creative writing voice
- **Women in Action** - a service that delivers free meals to the 2000+ residents at Northpointe

Q: How do your services help owners to retain residents?

A: The ancillary services we provide at Avanath's apartment communities improve the experiences that residents associate with home, which in turn makes them more invested in living there.

The result is increased occupancy rates, higher resident retention, and lower turnover. +

COR-CDC is a non-profit organization based in Irvine, California.

For more information, visit www.corcdc.org.

A SHIFT TO RENTERDOM

by Nicholas Dunlap, Senior Vice President, Property Management for Avanath, and President of the Apartment Association of Orange County



SINCE THE GREAT RECESSION MUCH HAS CHANGED about our economy, and nowhere is that more felt than in the real estate sector.

While record low rates, attractive low down-payment purchase programs, and market values indicate that it is likely a good time to buy a home, it is not the single-family residential market that is making headlines. Instead, it is the multifamily space, booming from coast-to-coast and really, it's the coasts with the most in terms of population, occupancy, rent and value growth.

The Birth of the Lifestyle Renter

Historically, the American Dream entailed home ownership with the two-car garage and white picket fence. But after the foreclosure crisis, outlooks have shifted.

Today, we see millennials entering the housing market for the first time, and we see seniors and empty nesters who are looking for more flexibility than a fixed-term mortgage can provide.

THE RESULT:

over 19M
People rent today
*who have owned a home
at one point in the past 16 years*



more than **4.7M** NEW MILLENNIAL RENTERS
& **7.5M** additional NEW SENIOR RENTERS by 2023
in the MARKETPLACE

Unaffordable or Not Enough Affordable?

Although many in the industry have seen these trends developing, it has only recently made headlines nationally as increases in occupancy and limited inventory have led to 5 to 10 percent rent growth nationwide, and in many markets, year-over-year.

Naturally, this brings to light the topic of affordability.

It's been said that you can't build your way out of a housing crisis, but you can certainly under-build your way into one. And in land-constricted markets like New York City, Los Angeles and the Bay Area, we see this clearly.

Today's activity is not the earthquake – it's the aftershock of years of economic and population growth across our nation's coastal markets.

As a society, we have shifted to renterdom, and the short-term crisis created for renters will be solved by those developers who have finally recognized the opportunity. Let's be thankful they are only eight years behind. +



Nicholas Dunlap is the Senior Vice President of Property Management for Avanath Capital Management, and is President of the Apartment Association of Orange County. Reach him at ndunlap@avanath.com or follow him on Twitter @nicholasdunlap.



ADDRESSING THE AFFORDABLE HOUSING CRISIS

We recently launched our first company video discussing the tremendous need for quality affordable housing today. To learn more about Avanath's investment strategy and approach, view the video at www.vimeo.com/171459145.

SPOTLIGHT ON PROPERTY MANAGEMENT: STRENGTHENING COMMUNITY ENGAGEMENT WITH GARDENING

SOCIAL IMPACT is at the forefront of Avanath Capital Management's focus.

The firm continuously seeks to improve communities by investing in and enriching affordable housing options. The result is a host of supportive services that also contribute to stable resident retention.

And in many cases, the result can be something beautiful.

This is certainly the case in Avanath's Heritage Park property, a 119-unit affordable senior housing community in Duarte, California. There, a beautiful garden created by one resident has transformed into a community garden that connects and engages residents.

"When we launched the club about a year ago, we envisioned that it would inspire healthy living and foster active engagement among residents," explains Estela Quintero, Community Manager at Heritage Park.



"THE TURNOUT AND SUCCESS HAS BEEN EXTRAORDINARY."

What began as a solo project has evolved into an active club of residents."

Members of the club meet regularly to prune and water a vast array of plants, adding color and life to the property's landscape.

Avanath supplies all materials, including mulch, tools, and native plants. Quintero notes that many of these gardens integrate drought-resistant plants such as succulents, reinforcing the overall sustainability of the property.

"Our community gardens give the property true character," Quintero says. "As residents take pride in ownership of their gardens, they are more personally invested in living at the property, resulting in higher retention and lower turnover."

On average, many of the residents of Heritage Park have lived at the community for close to six years, demonstrating the long-term value of Avanath's supportive services. +

Avanath's Heritage Park community has now exceeded 99 percent occupancy since January 2016. Since acquisition, Avanath has successfully increased occupancy from as low as 89 percent to consistently over 99 percent. The firm continues to find innovative ways to support and engage residents, driving resident retention and satisfaction.

IN THE NEWS: REAL ESTATE FORUM

The national real estate publication *Real Estate Forum* has recognized Avanath's Daryl Carter as the **Most Socially Conscious CEO** in commercial real estate.



See the June 2016 issue or visit www.goo.gl/bZokWz to read the story.

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About 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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