

AVANATH CAPITAL MANAGEMENT INCREASES ITS PRESENCE IN SACRAMENTO

Avanath has acquired an affordable housing portfolio of three apartment communities totaling 468 units in Sacramento for \$56.5 million.

This acquisition nearly doubles Avanath's footprint in this market, bringing its total concentration of units to 1,034 apartment homes in the region.

"Sacramento is experiencing rapid rent appreciation and not enough supply of quality affordable housing to meet current demand," explains John Williams, President and Chief Investment Officer of Avanath. "This acquisition will allow us to preserve affordability in one of the fastest rent-growing markets

in the country, while also amassing economies of scale by bringing our total Sacramento portfolio to over 1,000 affordable units."

Built in 2005 and 2006 under the Low Income Housing Tax Credit program, the three-building portfolio was 98.5 percent occupied at acquisition and of relatively new vintage, providing strong in-place cash flow and an opportunity to add value through minimal capital improvements.

"Overall, this portfolio acquisition advances our mission to generate strong risk-adjusted returns for our institutional investors while simultaneously achieving social returns that deeply benefit the communities in which we invest," affirms Williams.

Avanath will team with longtime non-profit service provider [COR-CDC](#) to offer community-enriching social services, including after-school tutoring programs, fitness classes, computer literacy courses, and more.

THE THREE-BUILDING PORTFOLIO INCLUDES

GENEVA POINT - ELK GROVE

152 affordable units — Family Housing — 50% - 60% AMI

LINCOLN CREEK - DIXON

172 units — Family & Senior Housing — Affordable & market-rate

SIERRA CREEK - ANTELOPE

144 affordable units — Senior Housing — 50% - 60% AMI



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MARKET OUTLOOK: 2017 Joint Center for Housing Studies Report Confirms Deep Need for Affordable Housing

Providing access to safe, clean, and affordable housing is the cornerstone for any successful community.

With a rampant rise in rents in markets across the nation, preserving quality affordable housing for low-income families has become more critical than ever before.

Renters Face Tremendous Cost Burdens



Macro-Economic Implications Cost-burdened Households:



A Sustainable Solution

There is a unique opportunity for the private sector to step up and address this national crisis.

By harnessing market forces, private investors can respond to this dire need, and do so in a way that is both sustainable and profitable for their bottom line.

Through the acquisition, rehabilitation, and preservation of existing affordable units, we continue to improve housing quality while maintaining affordability, resulting in high occupancies, strong cash flow, and attractive yields for investors.

a message from the chairman DISPELLING MYTHS IN AFFORDABLE HOUSING

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

There are a number of myths and misconceptions related to affordable housing in this country today.

Part of our investment strategy – and a key component of our success – is dispelling some of the prevailing myths related to low-income housing. These include:

- **Misconceptions about residents** – The number one myth is that those who live in subsidized housing are unemployed and on welfare or public assistance.

This is simply not the case. Across our portfolio, the majority of our residents work, and many of them even work two jobs to support their families. The few residents that do not work are either elderly or disabled.

- **Perceived operational risks** – Affordable housing is often associated with higher risk based on tenant delinquencies and turnover.

The reality is that the enormous demand for affordable housing results in resident “stickiness.” Avanath’s turnover rates average 15% per year, versus market rate properties, which have turnover rates of 40% to 60%. Additionally, our delinquency rates are 40 basis points annually, versus a market average of 60 – 70 basis points.

- **Complexity** – Apartment properties with rent restrictions, Section 8 overlays, or other affordable features have governance structures that require strict compliance.

Multiple regulatory agreements can add complexity to the management of affordable properties, in comparison to market rate properties, but this risk can be significantly mitigated with a strong compliance team and good onsite training.

- **Specific neighborhood issues** – There are certain markets throughout the U.S. that have not received the same capital focus as Class A locations. For example, historically, locations such as Oakland, Long Beach, and Brooklyn have not garnered as much institutional investment as their more glamorous counterparts of San Francisco, Los Angeles, and Manhattan.

The fact is, properties in these “less glamorous” locations can be purchased at a more attractive cost basis, creating better opportunities for investors. Additionally, locations such as Oakland and Long Beach are centrally located and are major employment centers.

Many of the challenges that we face in affordable housing can be addressed simply by gaining a better understanding of this product type and the people who live there. At Avanath, we continue to counter these myths by proving that our platform works, and by ensuring that our investment decisions are dictated by facts, as opposed to myths.

Real Estate Bisnow recently covered Daryl’s insights on this topic. Read more at <https://goo.gl/MB3Vnr>.



LOCAL GOVERNMENTS ARE KEY IN SOLVING AFFORDABLE HOUSING CRISIS

*Guest Column by Doug Bibby,
President of the National Multifamily Housing Council (NMHC)*

There is a dearth of affordable and workforce housing in our nation, and frankly, significant policy shifts at the Federal level do not appear to be on the horizon.

This is not said to spread pessimism. Rather, it is intended to spur action.

New research by NMHC and the National Apartment Association reveals that the U.S. will see demand for an additional 4.6 million new apartment households by 2030. With apartment rentals at an all-time high, it is becoming increasingly difficult for families to find quality rental housing that is affordable based on their income.

Now more than ever, there is a tremendous need for leaders in the public and private sectors to step in to help circumvent this crisis.

The private sector has begun to answer this call. Global investors are increasingly recognizing the social and bottom-line benefits of affordable housing investments.

Companies like Avanath are fueling this activity, infusing much-needed institutional capital into the preservation of affordable housing while also delivering risk-adjusted returns and navigating the complexities of this product type.

It's time for local governments to join this endeavor. With Federal policy at a standstill, local leaders have an opportunity to make a substantial difference in the fight for affordability.

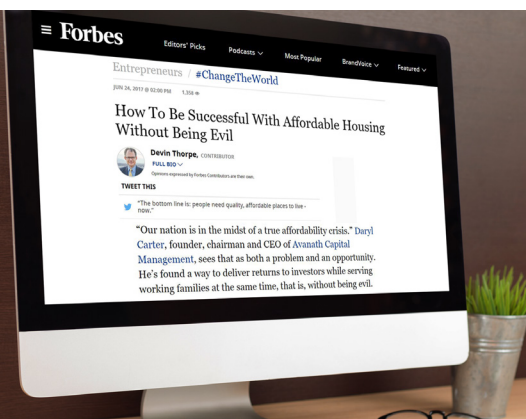
Below are 5 key strategies local governments can and should begin to employ in this pursuit:

- **Donate land to affordable and workforce housing developers**
Land costs comprise a substantial portion of a development's budget, making donated land crucial to increasing the supply of affordable units.
- **Defer taxes to drive down costs for these developments**
As developers battle the rising cost of goods and construction, deferred taxes can help to bring affordable projects to fruition more quickly.



- **Allow for expedited approvals, both for new developments and re-developments**
Reducing delays will help deliver affordable options more rapidly.
- **Rezone areas to allow for affordable and workforce properties**
Zoning laws are major barriers that can often be changed to make room for affordable units.
- **Change land use policies to accommodate affordable developments**
Like zoning laws, land use policies are obstacles that local leaders can alter to allow for affordable housing.

The time is now to address the crisis of affordable housing, and local leaders will be key allies in this endeavor moving forward.



IN THE NEWS: FORBES MAGAZINE

Forbes Magazine features our Founder, Chairman & CEO Daryl J. Carter in a profile piece discussing sustainable solutions to our nation's affordable housing crisis, and how Avanath is generating both profit and social impact.

Read the full article here: <https://goo.gl/SHn4DG>



A HIDDEN GEM: GRAND POINTE PARK IN POUGHKEEPSIE, NEW YORK

At Avanath, a key component of our mission is to go beyond customer service and deliver an unmatched resident experience.

This is especially the case at Grand Pointe Park, a 156-unit workforce housing community nestled in the Poughkeepsie suburb of the New York metro.

Community Manager Kim Bennett and Regional VP Toni Harris recently shared some insights on how Avanath successfully fosters a sense of community at Grand Pointe Park, and why residents love to call this community home.

Q: What features make Grand Pointe Park unique?

A: We like to call this community our “hidden gem.” It’s ideally located just three miles from the Poughkeepsie train station (making it a commuter’s dream), and in close proximity to Vassar and Marist College.

Our residents enjoy a suburban setting near parks and recreational trails, while still only a 90-minute train ride into New York City.

In addition, the community also offers large floor plans that are perfect for roommates and families.

Q: In what ways is Avanath driving resident retention and satisfaction at this community?

A: Our commitment to enhancing the resident experience is integral to our success.

Since acquiring this community, Avanath has taken it from 90 to 98% occupancy in just six months.

We began by introducing helpful social services, such as free “breakfast on the go,” which our residents love.

We are also careful to preserve our positive online reputation, which helps residents feel proud of their community.

Overall, our hands-on approach has resulted in strong retention and renewal rates. In fact, we have residents that have been here for nearly ten years and never want to leave.

Q: How does Avanath differentiate itself from other multifamily owners/operators?

A: The strength of our service and relationships sets us apart from other communities.

Our team knows that continuity contributes to a successful community.

To achieve this, Avanath invests in three areas:

- property-level improvements
- resident support services
- on-site staff

By creating a welcoming environment that boasts a happy, well-trained management team, we are successful in creating and maintaining a positive resident experience.

avanath+

AVANATH HAS A NEW HOME

Avanath Capital Management is proud to announce our new office location at:

1920 Main Street, Suite 150 | Irvine, CA 92614

The new Avanath office is designed for increased collaboration and productivity, which supports our investor-focused culture and our ongoing mission to deliver lifestyles within reach to residents throughout the U.S.