

AVANATH ENTERS AUSTIN, TX MARKET

Avanath Capital Management has acquired Blunn Creek, a 280-unit affordable housing community in Austin, Texas. This is the firm's second acquisition in the state.

Blunn Creek is located 4 miles south of downtown Austin, 1 mile from the iconic South Congress shopping district, and 6 miles from Southpark Meadows, the area's premier shopping center.

"We recognized this as an opportunity to purchase a sizable community in a superior location in a submarket with high demand for affordable housing and limited affordable housing options," says John Williams, President and CIO of Avanath Capital Management. "Blunn Creek is well positioned to continue its strong occupancy."

Austin is an ideal market in which to invest affordable housing capital since it is one of the fastest-growing metropolitan areas in the U.S., and homeownership is prohibitive in this market for families with low incomes. Rent growth in the area surrounding Blunn Creek was strong in 2018 at 5.57%, and metrics indicate continued strength for the multifamily sector in this submarket.

Like Cooper's Crossing, Avanath's other Texas-based affordable housing asset, Blunn Creek will be managed internally by Avanath's property-management group, Avanath Realty, Inc. Based on the market's healthy fundamentals, the firm plans to actively target the Austin market for future investment opportunities.



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IMPROVE AND INNOVATE: THE CORNERSTONE OF A GREAT ORGANIZATION

by Daryl J. Carter, Founder, Chairman & CEO

Avanath strives to be the leader in the affordable multifamily sector. Steve Jobs once said, "Innovation distinguishes between a leader and a follower."

With many innovations in the multifamily industry focused on luxury housing, our team believes that innovation can also be transformative in the affordable sector. One way we are achieving ongoing innovation is through advancements in technology. We have developed a proprietary business intelligence platform that is catered specifically to the needs of the affordable multifamily industry; allowing us to develop insight and foster collaboration across our vertically integrated strategy, ultimately aiding in the value-added management services provided to our residents and investors.

Some of our most impactful implementations include:

- Resident packaging delivery systems, which are a great example of systems commonly found in luxury housing but rarely found in affordable/workforce housing. We have successfully integrated Amazon Locker technology into our properties to aid in receiving, tracking and distributing resident packages. Based on first hand experience, managing resident delivery packages for properties with 250 units plus, can consume up to 12 hours per week. This time is best utilized servicing the needs of our current and potential residents. The implementation of Amazon Lockers has allowed our onsite teams to make a significant impact in customer service, which will ultimately benefit the property performance.
- We are also in the process of phasing-in an online, automated recertification platform for our affordable communities. This interface will facilitate the recertification process by reducing resident errors as well as reducing staff time spent on recertification by approximately 1.5 hours per unit per year.

Beyond these features, there are various other innovations that our teams are implementing that will improve efficiency and positively impact financial performance. These include call center technology that is available 24/7, phone app maintenance interface for residents, tracking/measurement of community impacts for our investors, credit score

improvement platform based on positive rent payment history, and a real-time property performance dashboard to facilitate better asset management decisions.

Behind the firms innovations is an extremely strong team of next-generation leaders who are spearheading our innovations in technology and customer service. We are actively incorporating new technology across each sector of our business, including acquisitions and property management.

Our leaders in this effort include:

- Wes Wilson, our recently promoted SVP and Chief Financial Officer, who has led our efforts to upgrade our accounting/reporting systems to provide real-time property data analytics that bolster the management of our assets.
- Scott Gordy, our head of Enterprise Applications, who is developing, implementing and expanding the use of current and new applications to maximize application capability.
- Nicholas Dunlap, SVP of Property Management, who has a strong technology background and is bringing innovations to our onsite management to enhance resident satisfaction.
- Ada Arevalo, VP of Fund Management, who is incorporating impact and performance analytics to facilitate investor interface, reporting and overall communication.
- Alicia Bramble, Asset Manager, who is incorporating sustainability and community impact measurement into our technology platform.
- Ben Finley, SVP and Saul McDonald, VP, both of whom are directing the use of new technology to enhance our acquisition efforts.

As we maintain our active focus on innovation, the Avanath team is well-positioned to utilize new technologies to continually improve all aspects of our business and make a positive impact on the lives of those we serve.

The bottom line is clear: The cornerstone of a great organization is to improve and innovate. With much thanks to our talented team, Avanath is indeed a great organization.





COMMUNITY SPOTLIGHT: BELLA CORTINA GOES ABOVE AND BEYOND TO PLEASE RESIDENTS

Bella Cortina is a pristine, 304-unit apartment community located 20 minutes away from Disney World in Orlando. A pet-friendly gated community with recently upgraded amenities, Bella Cortina features a caring staff who work hard to satisfy and engage residents.

Jeannette Gonzalez, Southeast Regional Manager for Avanath, and Dana McLaren, Community Manager for Bella Cortina, shared what makes Bella Cortina so special and how its staff goes above and beyond to please residents.

Q: What makes Bella Cortina special?

A: Bella Cortina has completely evolved in the few years since Avanath acquired it. It is now one of the premier communities in the Millenia area, located close to all of the attractions: International Drive is literally in our backyard, Holy Land is across the street, Universal is less than 3 miles away, and Disneyland is close by as well.

Our curb appeal matches Disney World, with impeccable landscaping. Our maintenance team knows the bar is set high, and we take pride in our interiors.

Q: What does management do differently to provide excellent service?

A: Our in-house management team hosts monthly activities to keep residents engaged and provide a sense of community, including picture-taking with Santa in December, a raffle to win dinner for two on Valentine's Day, and a door-decorating contest in October.

Our staff goes above and beyond to provide residents with timely service. We always follow up with them and ask them what we can do to improve.

Our great leadership offers the team opportunities to continue their education and professional growth, which allows them to stay positive and motivated.

Q: Which amenities have been added?

A: We recently renovated the outdoor pool and grilling area to include a fire pit and two grills. Our beautiful amenities area features a tennis court, doggie park, and washing station. There's also a nature trail around the perimeter and six fountains on the property.

Interior upgrades include stainless-steel appliances and LED light fixtures, and all units now feature a washer/dryer and vinyl wood flooring.



IN THE NEWS: ORANGE COUNTY REGISTER

Avanath makes front page news in the *Orange County Register* for its innovative investment strategy and life-altering work in the affordable housing space. To read the full article, visit: <https://www.ocregister.com/2019/02/14/developer-changes-affordable-housing-dynamic-by-investing-in-lives/>



APPROACH AND ACUMEN MATTER

Individual investor Doug Neff sat down with us to discuss why he likes the affordable sector, his investment strategy, and how he evaluates a multifamily developer or platform.

1. What are the fundamentals about the affordable housing sector that appeal to you?

Affordable rents are below market rents, so there is usually high occupancy and low turnover. While rents are regulated in these projects, they rise with median income.

You can purchase affordable communities at intriguing cash flows. In fact, more of your return comes from cash flow than it does from appreciation. The cash-flow stream allows these projects to obtain high-quality debt from the GSEs and other lenders, so you get excellent financing. Also, affordable projects are depreciable assets, which makes them smart after-tax investments.

2. What is your allocation for affordable housing in 2019 and how does it compare to your allocation for this sector in 2018?

Due to the strong ROI my affordable housing investments and Avanath's programs in particular saw last year, affordable housing will comprise the same percentage of my investments in 2019 as it did in 2018: 25%.

3. How does this type of investment align with your investment goals?

I invest primarily in the multifamily sector because I think housing over the long term is the best real estate to own, especially when rents can be lower than in the general marketplace.

4. What do you look for when investing in a multifamily developer or platform?

I look for the amount and type of experience they have in affordable housing—the number of years spent looking at many deals—and how good their connections are with lenders who understand the affordable sector.

I also look at where they are investing. Avanath invests in both urban and suburban projects, but they're very particular about asset quality and can often find projects that might be impaired in value by prior mismanagement or deferred capital expenditures.

Lastly, I look for a sophisticated modeling and asset management skills that give me updated information on how my project is doing and when to sell it. That is what drives a high-quality investment firm.

BEST IN SHOW FOR AFFORDABLE COMMUNITY

Avanath's apartment community, Acclaim at Germantown in Maryland, won an award for "Best in Show for an Affordable Community" by the Property Management Association's Apartment Community Excellence (PACE) awards.

This is the second Avanath community to receive such an honor. In September 2016, Northpointe Apartments in Long Beach, CA received "Community of the Year for 200+ Units" at the Apartment Association of California Southern Cities award program.

