

AVANATH EXPANDS INVESTMENTS IN CHICAGO AND MARYLAND

Avanath Capital Management has acquired three affordable housing communities with a combined total of 317 units in Chicago and Maryland. These acquisitions bring the company's total holdings in Chicago to 1,063 units and its total holdings in the Washington DC metro area to 1,169 units.

The firm purchased Scotland Yard Apartments, a 156-unit, transit-oriented apartment community in Chicago; Renaissance North, a 58-unit, mixed-income development in Chicago; and Victoria Park at Edgewater, a 102-unit senior housing community in Edgewater, Maryland.

"We have been extremely active this year, rapidly expanding our AUM throughout many major markets across the nation," says John Williams, President and CIO of Avanath Capital Management. "We target markets where there is tremendous pent-up economic growth, exceptionally strong job and population growth, and an increasing need for affordable housing. Both Chicago and the DC metro area meet these qualifications."

Scotland Yard Apartments is located in the Buena Park neighborhood of Downtown Chicago's Northside, a popular and affluent area with an increasing need for affordability. Renaissance North Apartments is situated between two Downtown Chicago neighborhoods, Lincoln Park and Old Town, both of which are experiencing meaningful growth that will continue to benefit the property. Victoria Park at Edgewater is located in Maryland's sought-after Annapolis submarket and is the only senior affordable community in the region.

Victoria Park at Edgewater



Through its proven asset-management strategy, Avanath will make capital improvements to these newly acquired properties that will enhance value for investors and keep rents low for residents.

Scotland Yard Apartments



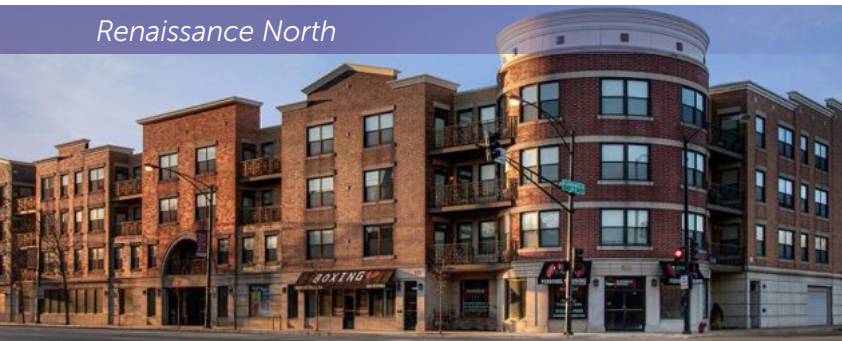
INSIDE THE ISSUE

- 2 Chairman's Message:
My Favorite Moments – 2019
- 3 Experience is Crucial in Affordable
Housing Success

In the News: Urban Land Institute Award
- 4 Community Spotlight: Acclaim at Hinsdale
Lake Partners with Community Organization to
Enhance Residents' Experience

Avanath's Northpointe Apartments in
Long Beach

Renaissance North



a message from the chairman

MY FAVORITE MOMENTS – 2019

by Daryl J. Carter, Founder, Chairman & CEO

One of the hardest tasks at Avanath is to write this feature in each of our newsletters. I get lots of ideas about topics from my colleagues, PR team, and sometimes our investors.

So this time, I asked my 15-year old daughter, Ava, about potential topics. Immediately, she said, "Write about something personal, something that you like. Maybe something that you like about your job." Hmmm...

So, after some reflection, and the fact that this is our last newsletter of the year, I decided to share some of my favorite moments as CEO of Avanath in 2019. So, here they are (in no particular order):

Testifying to House Financial Services Committee: In April, I testified before the U.S. House Financial Services Committee, Chaired by Congresswoman Maxine Waters, on a \$92 billion Housing Infrastructure bill. I was very proud to be asked by the National Multifamily Housing Council and National Apartment Association to represent the multifamily industry. It was a fascinating firsthand account of some of the current polarization in our government. The Republican members asked questions to make their case on private sector solutions (like Avanath's strategy) to solve the housing affordability challenges. The Democrats asked questions to make their case on public sector solutions and curbing gentrification. I artfully tried to shape the narrative of needing both – private capital investments that Avanath makes, in concert with public programs such as Section 8 and the Tax Credit program. It was quite intense as I was one of 4 witnesses that testified for 3 ½ hours.

New market, old market: We spend considerable time evaluating both geographic markets we are in, as well as new markets we might enter. One new market that we entered in 2019 is Austin, with the acquisition of two properties, Acclaim at South Congress and Canvas. Austin is a strong apartment market, with a growing and diverse economic engine. There are 130 new residents that arrive in Austin each day. It is also quite cosmopolitan, diverse, and hip (don't know if it is still cool to use this term!). My partner, Jun Sakumoto, is a Texas native and graduate of the University of Texas and our resident "foodie." Jun has been an incredible tour guide and I now have several favorite new restaurants!

Another new market that we are actively investing in is my hometown of Detroit. We have previously invested just outside of Detroit in Ann Arbor, so we certainly know the region. And, as my hometown, it really feels like an "old market." Within the City of

Detroit, we are purchasing existing apartment properties and developing new apartment properties. Detroit has made an incredible comeback and I am so excited that Avanath will be part of this comeback story. It has been exciting for me to bring investors and Avanath colleagues to Detroit and show them places like my old high school and some of my favorite places. It is also fantastic to spend more time with family members and old friends – many who are now leaders in business and government.

Visiting our residents: This summer, I took my son, Nathan, with me to visit our 5 communities in Chicago. There are two reasons why I do this. One, it provides my children a perspective of my work life. Two, they will often have very good ideas as they see things from a younger perspective.

I enjoy walking our properties, particularly during renovations. I love to see our before/after transformations, vacant units, and to discuss improvements that we may be contemplating. So, on a particularly hot Chicago day, Nathan accompanied me to Academy at Drexel, Hinsdale Lake Terrace, and Country Wood. Academy at Drexel, comprised of 86 apartments in a 3-story building, was our first stop. Nevertheless, I proceeded to walk up and down (not using the elevator). Nathan was a trooper in following me.

Then, we proceeded to Hinsdale Lake Terrace, our largest property, with 582 apartments spread over several acres. I did feel Nathan's glare when I refused the offer of riding a golf cart from one of my colleagues. We proceeded to walk throughout the property and looked at maybe 20 units and in and out of 10 buildings. At the end of the tour, Nathan looked at me and said, "I'm tired!" I replied, "One more to go!" We then went to Naperville – where I was very excited to see our newly constructed clubhouse. I saw it alone. The old man had tired the kid out!

I have a Fitbit tracker and try to walk 9,000 steps every day. That day I did almost 19,000 steps – which is consistent with my steps on days when I walk our properties. At dinner that night, Nathan commented, "Dad, you really work hard." A little "street cred" and appreciation from your 16-year old is a wonderful thing!

Those are just 3 small vignettes of why I am blessed with the best job in the world. The absolute BEST part of my job is that I get to work with the most talented, diverse, creative, and committed team in the apartment industry. My Avanath team members energize, inspire, and motivate me to be the best that I can be. Their hard work pushes me to work harder. I am smarter because they teach me. I am a better leader because they lead me.

Hopefully, readers of our newsletter will enjoy this column. Ava, thanks for your great idea!



EXPERIENCE IS CRUCIAL IN AFFORDABLE HOUSING SUCCESS

Guest column by Jeff Smith,
Investment Officer, Private Markets,
Smithsonian Institution Office of Investments



Being successful in the affordable housing business requires stamina, ingenuity, nimbleness, and most of all, experience.

The Smithsonian Institution has invested in two funds with Avanath Capital Management since 2016. One of the characteristics we respect about Avanath is its high level of experience working with a number of different housing authorities. The depth of knowledge and relationships that come from this experience allow the firm to obtain approvals on projects more quickly – which really moves the needle for investors eager to see returns on their investment.

Also admirable is Avanath's experience with operations. It's no secret that operations determine how profitable an affordable housing community will be; therefore, hiring the right property managers for each community, with a philosophy that matches with that of the company, is critical.

Ultimately, though, experience allows affordable housing companies to weather the storms of economic cycles. For example, we are currently in a very low-interest rate environment, which has many upsides; however, the downside is that asset prices have increased, potentially narrowing profit spreads for investors. It takes experience for an owner/operator to know which assets warrant a higher price

tag and where the extra cost can be recouped without jeopardizing the integrity of the investment property.

For the Smithsonian Institution, meeting stakeholders' returns criteria for the endowment, while investing in entities that are aligned with the mission of the institution, is paramount. We must always ask ourselves how our portfolio will maintain itself through a recession and make investments accordingly. Affordable housing is a fairly resilient asset class that provides the endowment downside protection and creates robust cash flow, and it also has a strong impact on lower-income families. There's a great need for this type of housing in many markets throughout the country, which is why we look for owner/operators in this sector like Avanath who can utilize their experience to provide communities with affordable housing that meets this need.

Lastly, the current political atmosphere also requires experienced affordable housing owner/operators. With several cities adopting or looking to adopt rent control legislation, the lack of affordable housing is a growing problem. Only those players with the experience of dealing with legislators and community leaders will be able to navigate the political waters to provide mutually beneficial outcomes for investors and residents alike.

IN THE NEWS: *URBAN LAND INSTITUTE AWARD*

Avanath has always placed a significant emphasis on mentorship, starting with its own leadership.

Daryl Carter, Avanath's Founder, Chairman and CEO was recently honored with the prestigious "Distinguished Mentor Award" from the ULI Orange County/Inland Empire District Council.



COMMUNITY SPOTLIGHT: ACCLAIM AT HINSDALE LAKE PARTNERS WITH COMMUNITY ORGANIZATION TO ENHANCE RESIDENTS' EXPERIENCE



Avanath is diligent about providing its communities with the amenities and support services residents need to live better lives at its properties. Acclaim at Hinsdale Lake, a 582-unit townhome and apartment community situated in the upscale Chicago suburb of Willowbrook, Illinois, is a prime example.

In addition to updating the property's existing clubhouse and unit interiors, Avanath is partnering with The Community House to offer a variety of community-building services to residents at the property.

Adreane Bodden, Community Manager at Acclaim at Hinsdale Lake, shares insight into this new partnership, as well as how management is engaging with residents to provide them with a better experience.

Q: What is so special about Acclaim at Hinsdale Lake?

A: This property is its own little city because it is so large. It is also located in an affluent area with a superior school system. Residents have access to an excellent elementary school right behind the property, so they can easily walk to and from school.

Q: What renovations are currently happening at the community, and what's to come?

A: The clubhouse will feature a fitness room, pool, and business center, and it will host staff and resident parties and other events. The resident units are being upgraded to include wood floors in the dining and kitchen areas; updated cabinets, countertops, and appliances; and new bathroom mirrors and fixtures. We are also working to add a Pace bus stop at the property, the first public-transit stop to be offered at Acclaim at Hinsdale Lake.

Q: How does on-site leadership engage residents?

A: Building excellent relationships with our residents is all about increasing our touchpoints with them on a regular basis. For example, in September we hosted a community-outreach event to engage and build rapport with residents. Members of the local police and fire departments and AT&T representatives were invited, and we hosted games, food, drinks, and contests. The event served to inform residents about the renovations and strengthen relationships between residents, staff, and the local community.

Q: What is The Community House, and how will its services be provided at Acclaim at Hinsdale Lake?

A: The Community House is a local organization that provides recreational and cultural activities, counseling and therapeutic services, educational support, and community-building opportunities. The organization will offer its services to residents at the clubhouse at Acclaim at Hinsdale Lake once renovations are completed.



AVANATH'S NORTHPOINTE APARTMENTS IN LONG BEACH

Youth from Avanath's Northpointe Apartments in Long Beach Participate in *Music Makes Us One* Arts Performance at the Orange County Fair.

