



## AVANATH ACQUIRES ACTON COURTYARD IN BERKELEY, CALIFORNIA

Avanath has acquired Acton Courtyard, a 71-unit apartment community in Berkeley, California.

This acquisition marks Avanath's ninth property in the Northern California market, according to John Williams, President and CIO for Avanath.

"Northern California has continued to demonstrate quality fundamentals and remains a very attractive market," says Williams. "In fact, future job growth in Berkeley over the next 10 years is anticipated to increase by 36.3%."

Williams adds, "Beyond this, our continued expansion in Northern California allows us to amass economies of scale, driving down operating costs and improving NOI across our portfolio."

The property is located approximately one mile from UC Berkeley and three blocks from the North Berkeley Bart station. The apartment community also sits above The Bread Workshop sandwich café.

"This walkable location and proximity to the university will drive long-term demand to the property," explains Williams.

"The community's transit-oriented location near the Bart station is also extremely attractive as it easily connects residents to the surrounding Bay Area."

Acton Courtyard is located at 1370 University Avenue in Berkeley, California.

Acton Courtyard



Photo courtesy of Newmark

71-unit apartment community



Photo courtesy of Newmark

### INSIDE THE ISSUE

- 2 Chairman's Message:  
Rental Collection Remains High  
Throughout the Pandemic
- 3 Where Do We Stand?  
Recap from Our Mid-Year Investor Meeting
- 4 Community Spotlight:  
Workforce Housing Quietly Stepping  
into Greatness

a message from the chairman

# AVANATH'S RENTAL COLLECTION REMAINS HIGH THROUGHOUT THE PANDEMIC, DEMONSTRATING STRENGTH OF AFFORDABLE HOUSING STRATEGY

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

The pandemic that has plagued America and the world since March 2020 has had an impact on every business and all types of commercial and residential real estate. While we are slowly evolving into a new normal – the ultimate nature of which is still undetermined – all businesses have had to adopt and innovate to both survive and evolve. As an affordable housing owner/operator, we at Avanath expected the worse and have been delighted by the durability of our portfolio over the last 16 months – and are pleased to say that the worst is behind us.

More than 85% of Avanath's communities are rent regulated affordable properties – Low Income Housing Tax Credit, Project-based Section 8, and local rent restricted affordable properties. Most of our residents have household incomes that are 40% - 80% of HUD Area Median Incomes, typically making \$25,000 - \$60,000 incomes.

Our communities are primarily located in major metropolitan areas – Los Angeles/Orange County, San Diego, Seattle, Denver, Austin, Dallas, Chicago, Detroit, New York City, Washington DC, Boston, Raleigh-Durham, Orlando, and Fort Lauderdale – most with relatively high housing costs. Approximately 40% of our households are Section 8 voucher holders, whereby those residents pay no more than 30% of their income on rent, with HUD making up the balance of the rent.

Throughout the pandemic our rental collections and delinquency rates were significantly lower than market-rate properties, which had delinquencies ranging from 3% to 7%.

Here are a few reasons why:

- The first CARES act provided funding for rental assistance for Section 8 recipients – which covered loss of income for our Section 8 residents – again, representing 40% of our resident base. Many landlords avoid Section 8 residents because of the administrative burdens and negative perceptions of the resident profile. The Avanath operating platform was built to serve the Section 8 resident base, including an in-house compliance team of 12 professionals. Bottom line, our Section 8 collections were not impacted during the pandemic.
- Another 15% of our portfolio is comprised of affordable, seniors communities. These are age-restricted (typically 55 and above) and income-restricted properties that provide independent living apartments. Our seniors rely on pensions and social security income – which were not impacted by the pandemic. Our collections in our seniors communities were very close to 100%.
- We believe that our goodwill with our residents that has evolved over the years through our resident engagement activities, as well as our April 2020 rent discount, helped contribute to our very high collection rate.
- Finally, our residents value their long-term housing stability in a well-maintained and attractive affordable community, where they only pay 30% of their income for rent. We learned that many of our residents were paying their rent, while not having enough money for food and other necessities. While our "rent modification triage team" did not have the wave of rental modifications, we redeployed this team to help direct resources to our residents from local charities, governmental agencies, and food banks.

Overall, our rental collections demonstrated the strength of our investment strategy. By investing in high-cost markets where there is a deep need for affordability, not shying away from Section 8 vouchers, diversifying by incorporating seniors affordable housing and taking a holistic approach to invest beyond brick-and-mortar and into our residents deeply benefitted our portfolio throughout COVID-19.



# SIX MONTHS INTO THE YEAR: WHERE DO WE STAND? RECAP FROM OUR MID-YEAR INVESTOR MEETING

2020 was a year of change, uncertainty, and growth. As we make our way through 2021, where do we stand now and what does the future of affordable housing look like? We recently hosted our Mid-Year Investor Meeting in July. Here is a recap of what was discussed.

## ECONOMIC OVERVIEW

Overall housing across major markets in the U.S. are strong and performing well. This is across all housing types including luxury multifamily, for sale residential and affordable and workforce housing. This is largely driven by an under-supply of housing and considerable new household formations.

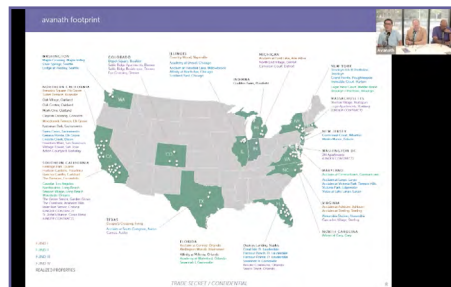
There is continued capital flows to the affordable housing sector. We have continued to see strong performance in markets such as Sacramento, Orlando and Washington DC. New York, which was hit hard by the pandemic is making a comeback with an increasing number of people heading back to the city.

The Biden administration has also been focused on affordable housing and greater public sector interest in affordable housing. For example, Florida is increasing its tax abatement for affordable properties from 50% to 100%.

## CORPORATE GROWTH

We have continued grow throughout the pandemic and are actively adding key staff positions. We currently have 317 employees and are looking to expand to 350. Many of these positions will be technical positions on-site at our communities.

We have also significantly increased our compliance team. We now have a department solely dedicated to overseeing our requirements as a fiduciary and ensuring we are meeting those requirements.



## PORTFOLIO GROWTH

We currently have \$2.6 billion in AUM across 13 states and 49 cities totaling 90 communities and over 11,000 units. This number is continuing to grow. Our strategy remains the same as we focus on high cost, high income areas where there is a definitive need for affordable housing.

We entered the Orange County market for the first time this year and have more deals in the pipeline. We also entered the Boston market at the end of last year and are in the process of acquiring another asset in the area. We are also looking to further expand into new markets such as Tampa.

Debt rates continue to be extremely favorable. We have been doing transactions in the mid-2% range, which is very positive.

Ultimately, our strategy has demonstrated its durability throughout the pandemic. Our average portfolio occupancy has remained above 95% and instead of rent decreases we saw rent stabilize and moderate growth. In fact, increasing AMI for lower income residents continues to drive rental increases. We saw a 3.6% increase in rental rates in our portfolio since March 2020.

## ESG & SOCIAL IMPACT

ESG has been a core component of our investment strategy since the beginning. The goal with our launch of our ESG platform, Amplify, is to expand upon our mission statement "Lifestyle within Reach" to "Lifestyle within Reach. For Generations." We created an ESG Council and an ESG Advisory Board that meets quarterly to discuss how to further our commitment to ESG.

We have begun to set benchmarks and data to show the efficacy of our social programs. In addition, by the year 2025, we are on track to reduce our carbon footprint by 10%. We are also looking at property level certifications such as Fitwell and well certifications, LEED, and Enterprise Green Communities, among others.

[If you'd like to watch the full meeting, click here.](#)



## IN THE NEWS: AVANATH IN THE ORANGE COUNTY BUSINESS JOURNAL

Avanath's Daryl Carter and Wesley Wilson were both recently recognized by the Orange County Business Journal. Wesley was recognized for its "CFO of the Year" awards and Daryl Carter was featured as one the "Orange County's Top 50."

[Click here to read more on Daryl's Top 50 recognition.](#)

# COMMUNITY SPOTLIGHT: "HIDDEN JEWEL" WORKFORCE HOUSING COMMUNITY IN MATTAPAN, MASSACHUSETTS IS QUIETLY STEPPING INTO GREATNESS

Morton Village is a four-building, 207-unit workforce housing community in Mattapan, Massachusetts, just outside of Boston. Avanath Capital Management recently acquired the property, its first purchase in the Boston market, recognizing its value to the Mattapan community.



"Morton Village has a very long, rich history in this community," says Adrienne Vesey, community manager for Morton Village. "It has been around for 60 years and is pretty much a hidden jewel in the community, according to the residents."

Tucked behind an industrial building, Morton Village is shielded from the public eye, which is part of its appeal, according to Vesey. "You have to go down the driveway to see the property, but it wasn't always like that. About 15 years ago, they built an industrial building in front of it. Morton Village is quiet and peaceful, and even though it's near the train tracks, you can barely hear the train when it comes through. It's a great setup to be away from the hustle and bustle of the Boston area and yet so close to the city."

In its tucked-away location, Morton Village has been quietly improving since Avanath acquired it. The company renovated the laundry room in late 2020 and is planning a series of new amenities for the property, including a fitness center, community center, and package-storage facilities with security services.

Residents of Morton Village are also enjoying a recently introduced series of virtual events, such as a Paint & Sip, which includes a bag of painting supplies and an artist painting along with participants on Zoom, and trainings on how to navigate RentCafe.

"The Paint & Sip was a really fun way for the residents to interact safely, following social distance COVID-19 protocols, while expanding their skills and sipping some wine," notes

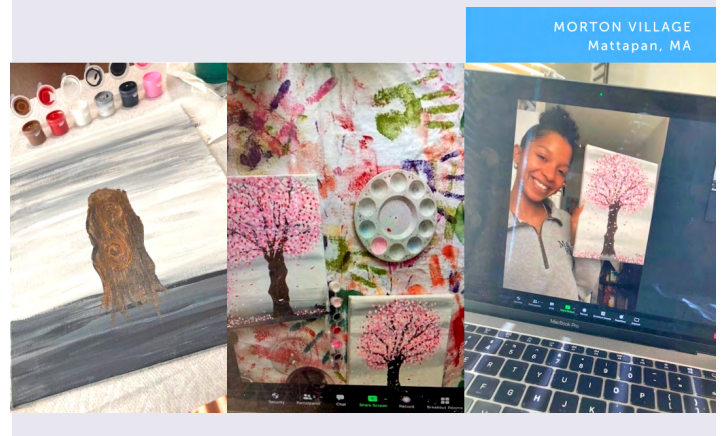
Vesey. "The RentCafe event showed them how to get onto this digital platform, to pay rent or submit a work order, which allows them to be more proactive."



*"Morton Village has been quietly improving since Avanath acquired it".*



**painting + treats**



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IN WASHINGTON D.C.**

**FOR OUR 2021 ANNUAL INVESTOR MEETING**  
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