

AVANATH PLUS



AVANATH CAPITAL MANAGEMENT enters PACIFIC NORTHWEST

AVANATH CAPITAL MANAGEMENT recently completed its first acquisition in the Pacific Northwest - a 251-unit property in the Seattle metro suburb of Kent, Washington.

“Located in the third largest industrial area in the U.S., Silver Springs is extremely well-positioned to cater to the demand for workforce housing,” explains John Williams, President and Chief Investment Officer of Avanath. “The recent job creation in this market, combined with rapidly rising rents, presents a golden opportunity for us to provide high quality, affordable housing to this working class demographic.”

Williams notes that the Seattle MSA is characterized as a high barrier to entry market where affordable product is extremely limited.

“Our ability to source and acquire this property truly speaks to our deep expertise in supply-constrained markets,” says Williams, who notes that demand for affordable housing continues to outpace supply in this area.

Built in 2000, the Silver Springs apartment community, which was 98 percent occupied at acquisition, features high quality construction and a competitive amenity package which includes a pool and spa, washers and dryers in each unit, storage units, and garages. Avanath plans to renovate the property with upgrades to the clubhouse and leasing center, keeping the

quality of the asset competitive with market-rate housing.

Avanath also recently acquired Oak Village, a 117-unit property in Oakland, California.

“Our Oak Village acquisition boasts a prime location in a market with access to thousands of jobs in the tech and financial industries,” says Williams. “Given the strong correlation between job creation and rent increases, these acquisitions demonstrate our commitment to targeting markets where affordable housing is most needed.”

Since 2008, Avanath has invested in the acquisition and operation of more than 35 affordable and workforce housing assets across the U.S., targeting metropolitan markets with economic growth and strong fundamentals. The firm strategically identifies urban markets near major employment hubs, leveraging the growing workforce demand for affordable housing.

“Both the Silver Springs and Oak Village acquisitions strongly align with our ongoing strategy to acquire affordable assets with deep value-add potential, allowing us to generate competitive returns for our investors while also positively impacting entire communities with the provision of high-quality affordable housing,” says Williams. +



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MESSAGE FROM THE CHAIRMAN:

MY AMERICAN DREAM

by Daryl J. Carter, Founder, Chairman and CEO



MUCH OF MY American Dream was formulated in the house you see in this picture, located at 9383 Kentucky on Detroit's West Side.

My parents, Nolan and Flossie Carter purchased this home in 1968. This home was an absolute dream to me as I no longer had to share a bedroom with my older sister, Linda.

This home was the typical Detroit bungalow, built to house auto workers that were flooding the city in the 1950s and 1960s. The growth of the auto industry and the associated immigration expanded Detroit's population from 993,000 in 1920 to 1,850,000 in 1950. There were African Americans from Mississippi (like my parents), Alabama, and Arkansas. There were also people from Poland, Italy, Mexico, the Philippines, and Ireland. All came to Detroit to pursue the American Dream.

In 1968, my parents paid \$15,000 for this house. They put \$3,000 down, and got a mortgage of \$12,000, fully amortizing in 10 years at an interest rate of 5%. At the time, my father, an auto worker, and my mother, a nanny, had a combined income of \$10,000 per year. Their monthly mortgage payment was \$130 per month, or 16% of their monthly income of \$833 per month.

Certainly, they were not rich, but paying only 16% of their income for housing allowed for a few extras that enhanced the quality of our lives – going to Detroit Tiger baseball games, an annual vacation, music lessons for my sister, and fees for basketball leagues for me. Also, when they reached retirement age, the mortgage was fully repaid.

My home in Detroit was no palace, but it was safe and well maintained. My parents added lots of nurturing. My home was incubating dreams of the University of Michigan, MIT, and Avanath, long before I had any thought about them.

Today, if a family is paying 50% of their income on substandard housing, it is difficult for the children in that family to have positive visions of the future. And, with financial stress, it is more difficult for parents to be nurturing.

I routinely look at the above picture of the home at 9383 Kentucky. It clearly keeps me focused on our mission at Avanath – to provide quality housing to hard working people like Nolan and Flossie Carter. It is *my* American Dream that each child in an Avanath community has the opportunity to live *their* American Dream. +

EXCLUSIVE Q&A WITH TIM RAFALOVICH OF WELLS FARGO

Q: Why invest in affordable housing?

A: Wells Fargo is deeply committed to affordable housing investments. As a company, we recognize the crisis that is underway in this sector, and we've developed strong initiatives to invest both debt and equity in this space. In fact, Wells Fargo allocates nearly \$3 billion in debt and equity each year to support affordable housing properties.



Q: How do you evaluate an investment partner?

A: I look at three primary factors: track record, industry reputation, and investment thesis.

Further, I'm always looking for strong team cohesion within an investment partner's company.

Q: You often invest in multiple funds with a fund manager. What factors affect your decision to repeatedly invest?

A: There are three primary reasons for repeat investment with a fund manager:

TRANSPARENCY. Transparency is the information flow from an affordable housing fund to investors. We seek funds committed to full disclosure. This element is key to repeat investments. Fund managers who provide the documentation we need quickly and consistently, and who can deliver direct and honest answers on how assets are performing are more apt to become repeat partners.

CONSISTENCY. Consistency relates to dependability and repeatability. We partner with fund managers that do what they say they are going to do. We invest with managers that can repeat and scale their strategy. We tend to avoid funds that are trying different avenues to see what might work. A fund that can successfully execute on their original plan and stay consistent in that approach is attractive to us.

HEART. A fund manager with passion makes all the difference. This is especially true in affordable housing. We invest in management companies that demonstrate a personal connection to their mission and enjoy a deep appreciation for the impact they are having on the lives of others.

Q: What is your personal connection to affordable housing investment?

A: Investing in affordable housing is something that appeals to me both professionally and personally. I'm passionate about what I do, and about the services and investments that I foster. These are profitable investments that enhance Wells Fargo's bottom line and make a meaningful difference in the lives of people. I look forward to many more years of success in this endeavor.

Tim Rafalovich is a Senior Vice President and Capital Markets Manager at Wells Fargo. +

ORLANDO'S \$15 BILLION

INFRASTRUCTURE BOOSTS OPPORTUNITY FOR AFFORDABLE HOUSING INVESTMENT



WHEN IT COMES TO INFRASTRUCTURE INVESTMENTS,

nowhere are we seeing more progressive and forward-looking development than in Orlando, Florida.

The City of Orlando recently invested \$15 billion in transportation infrastructure along the I-4 Corridor, including a commuter rail system, expansion at the Orlando International Airport, and other mass transit options.

The highly metropolitan and job-oriented market along the I-4 Corridor continues to demonstrate tremendous economic and population growth.



FLORIDA
recently surpassed
NEW YORK
as the **3rd** most
populated state in the U.S.
boasting
nearly 20M
people and counting.

ORLANDO

created more jobs
than any other
metropolitan area

in the nation in 2015, according to a recent report by the U.S. Department of Labor.



This job creation translates to huge demand for affordable and workforce housing to accommodate this working class demographic.

"We are seeing a dynamic and diverse influx of Hispanic and Caribbean immigrants entering the Orlando workforce and filling these newly created jobs," explains Daryl Carter, Founder, Chairman, and CEO of Avanath.

According to Carter, the I-4 Corridor has always been an investment target for Avanath Capital Management.

"We recognized the potential of this market early on, and today, we are focused on expanding our affordable and workforce housing investments in this region in order to cater to the growing workforce, which is the true engine that is driving Orlando's economy," he explains.

Albert Berriz, CEO of McKinley and McKinley-Avanath Management, LLC - an affiliate company that provides property management to Avanath's assets in the Eastern U.S., notes that the recent expansion of Orlando's transit infrastructure will further support the local workforce by

easing long-distance commutes and offering excellent mobility for workers throughout the Orlando metro.

"While many are willing to undertake long commutes, the reality is that most workers want to live within 30 minutes or so to their jobs, or at least within close proximity to a mass transit station," explains Berriz. "By managing affordable communities in the rapidly growing I-4 Corridor, McKinley-Avanath is able to leverage the demand for transit-oriented housing and maximize occupancy in Avanath's properties."

Looking ahead, Avanath anticipates strong growth in the I-4 Corridor.

"Orlando will remain a major target market for future acquisitions, and we are confident that the region's booming economy will help generate competitive financial returns for our investors, as well as social returns to the communities we are serving," adds Carter. +

AVANATH STRUCTURES FOR FUTURE GROWTH

COINCIDING WITH THE CONTINUED GROWTH

of its national affordable/workforce housing investment platform, Avanath Capital Management has announced executive-level changes that will support the firm's future expansion.

“THE SUCCESS OF ANY COMPANY BEGINS WITH ITS PEOPLE, AND WE ARE FORTUNATE TO HAVE SUCH A DIVERSE AND DYNAMIC TEAM OF TALENT,”

says Daryl Carter, Founder, Chairman, and CEO of Avanath. “Our newest changes will support our current position as a leader in the industry, while also ensuring that we are extremely well-positioned for continued growth as we enter new markets and acquire additional affordable assets in the years to come.”

Jun Sakumoto has been promoted to Partner and Chief Operating Officer, **Nicholas Dunlap** to Senior Vice President, Property Management, and **Ada Arevalo** to Vice President, Investor Reporting.

“These organizational changes are a reflection of the hard work, leadership, and innovation of our team members, and demonstrate our commitment to supporting their professional growth,” adds Carter.

Sakumoto, formerly a Partner in the firm's Asset Management division, will continue to oversee Avanath's portfolio management, and will now spearhead the firm's overall operations. Sakumoto will also lead the Human Resources department, directing the recruitment of new talent as Avanath expands its leadership to manage its national portfolio.

Nicholas Dunlap's new role includes continued management of Avanath's day-to-day property management operations, capital projects, and due diligence. Dunlap also directs Avanath's in-house property management platform, Avanath Realty, and serves as President of the Orange County Apartment Association.

In her new role as Vice President, Investor Reporting, Ada Arevalo, formerly the firm's Director of Accounting, will spearhead the asset management team in providing best-in-class reporting to investors on financial results, property performance metrics, social impact initiatives, and resident demographics. Arevalo's proven track record and expertise in accounting make her uniquely qualified to deliver a high level of analytics to investors.

Looking ahead, Avanath plans to continue its recruitment of high-caliber talent, ensuring that the firm remains a distinguished leader in the real estate investment industry. +

SPOTLIGHT: *These individuals have been promoted to the following positions*



JUN SAKUMOTO
Partner and
Chief Operating
Officer



NICHOLAS DUNLAP
Senior Vice
President,
Property
Management



ADA AREVALO
Vice President,
Investor
Reporting

AVANATH

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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