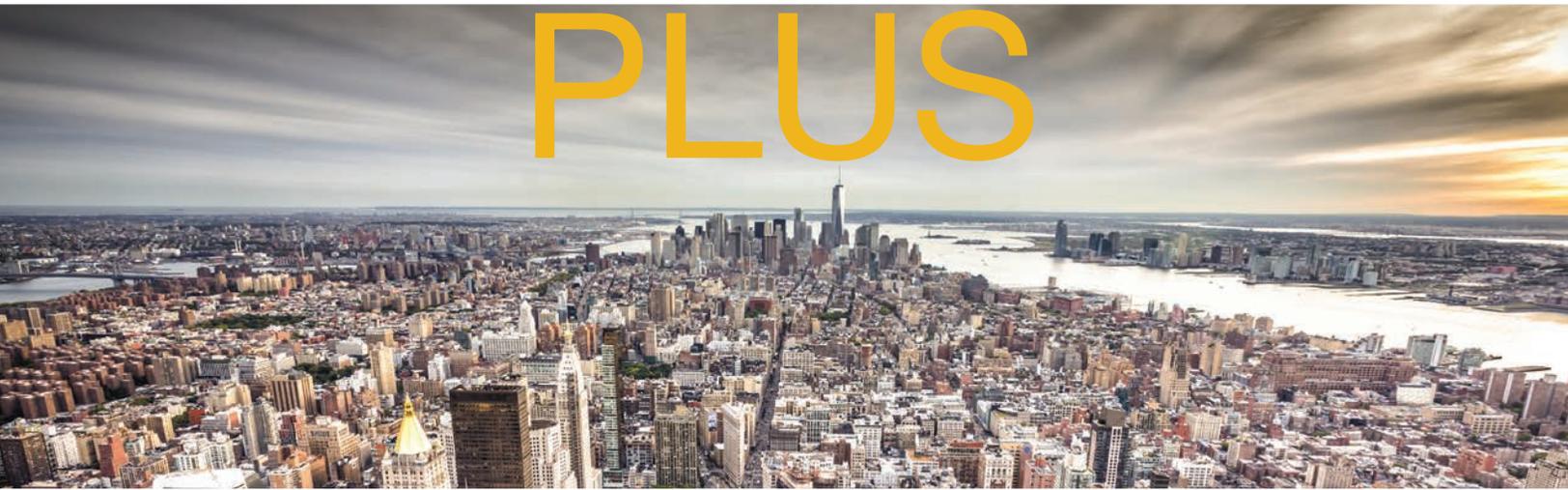


AVANATH PLUS



AVANATH acquires BROOKLYN PORTFOLIO encompassing FOUR APARTMENT BUILDINGS

AVANATH CAPITAL MANAGEMENT recently acquired a multifamily portfolio encompassing four rent-stabilized apartment buildings in Brooklyn, New York in an off market transaction. The properties were acquired in joint partnership with Oak Tree Management for a total of \$60 million.

The four-asset portfolio was purchased through Avanath Affordable Housing II, LLC, a fund with \$200 million of equity commitments.

“Brooklyn is a market with unbridled investment potential,” says John Williams, President and CIO of Avanath. “Based on high growth throughout the region, the continual need for affordable housing, rising rents in market-rate apartments, and strong employment hubs both in Brooklyn and the surrounding boroughs, this acquisition is positioned to deliver strong risk-adjusted returns for our investors.”

Avanath Capital Management worked closely with its JV partner, New York-based Oak Tree Management on the acquisition of this Brooklyn portfolio. Oak Tree was instrumental in providing a well-rounded local perspective on New York’s dynamic multifamily market, according to Williams.

Jere Lucey, a Principal at Oak Tree Management explains, “We were able to combine our local knowledge with Avanath’s extensive experience in acquiring and sourcing affordable housing projects in urban core markets.”

“We have known the Avanath team for 30 years,” Lucey continues. “When this opportunity presented itself, we knew they were the right partner.”

The four buildings in the portfolio include:

			
39 UNITS	52 UNITS	32 UNITS	26 UNITS
50 Greene Ave. Brooklyn, NY	597 Grand Ave. Brooklyn, NY	800 Bergen St. Brooklyn, NY	471 Vanderbilt Ave Brooklyn, New York

This acquisition represents one of the final investments in Avanath Capital Management’s Affordable Housing Fund II. Avanath Capital plans to raise additional funds in 2016, according to Williams. +

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MESSAGE FROM THE CHAIRMAN:

BASKETBALL COURTS ARE A BRIGHT IDEA



Daryl J. Carter
Founder, Chairman and CEO

REMEMBER WHEN DEVELOPERS thought that energy efficient updates were too expensive?

They later realized that while the cost of installing energy efficient lighting, windows and toilets is higher at the start, the building then functions at a much lower cost long-term.

We face a similar myth in affordable housing.

At Avanath, our commitment is to invest not only in brick and mortar, but also in the local communities where our properties are located.

Far from being two separate goals, both of these activities increase the bottom line for our investors.

When we acquire an affordable housing community, it's necessary to determine where our improvement dollars will bring the largest impact, physically, emotionally and fiscally.

Of course we ensure that the property is clean, attractive, and secure. And we do increase the energy efficiency of the units, because that lowers the costs for our residents, making it easier to retain them.

But hand-in-hand with this kind of investment, we also spend part of our budget investing in the community through the creation of after-school programs and other amenities that improve the lives of the people who live there.

Recently, we went against conventional wisdom by creating a basketball court at a new community we've acquired. Far from the myth that basketball courts attract trouble, I need only look at the kids I played basketball with growing up to see that the competition, physical exertion, and fun we put into those games was a factor in the future success that each of us achieved.

Avanath has statistics showing that the "extra" amenities we add to our communities provide a positive environment for our residents, while also reducing maintenance fees, increasing occupancy rates, and boosting tenant retention, all of which generates far more profit to the investors than the initial cost of the programs.

We hope to re-educate the affordable housing industry on the financial benefit of investing in the community. Perhaps when others see our results, just as they have learned about energy efficiency, a lightbulb will go off in their heads. +

For more on how this new basketball court is symbolic to Avanath's approach to creating sustainable affordable housing, visit: <http://nmhc.org/News/Hoop-Dreams-Revisited/>.

FOUR KEYS TO PROFITABILITY IN AFFORDABLE HOUSING

by Albert Berriz, CEO

McKinley and McKinley-Avanath Management, LLC

WHILE MANY IN the industry understand that affordable assets tend to have extremely high renter demand, often generating long waiting lists, the reality is that transforming these assets into profitable entities takes active, continuous management.

As a property management partner with Avanath Capital Management, below are our keys to making affordable assets profitable:



1 Avoid Vacancy. Period.

All of the properties we manage for Avanath are 100% occupied. If an affordable apartment is vacant for more than 18 days in a calendar year, that unit is officially unprofitable for the year. Our team knows how to turn units extremely rapidly, which means nurturing exceptional relationships with local housing authorities to ensure that units are approved quickly to accommodate new residents as needed.

2 Keep Rent Collection Current

We qualify people well, and we collect rent. It's honestly surprising how many operators fall behind on rent collection. This is something that is just not done in Avanath's properties.

3 Treat Residents With Respect

There are people who look at affordable housing and say that the people living there don't deserve much. This is the wrong attitude to create a profitable community. Instead, our team recognizes each of our residents as the paying customers they are, and we treat them with the respect they deserve.

4 Invest in Assets To Create Long-Term Value

The quality of the physical assets owned by Avanath is better than most of the market-rate assets they compete with in local markets. This is because Avanath is willing to put in the capital expenditures when a property is acquired that will result in increased cash flow and value over time. By investing in a property and creating quality units, amenities, and resident programs, the Avanath team is paving the way for resident satisfaction and retention, which drives long-term value for the asset. +

McKinley-Avanath Management, LLC is an affiliate company that provides property management services to properties located in the mid, south and eastern coast regions of the continental U.S. More information is available at: www.mckinley.com/avanath.

INVESTOR CONFERENCE PANEL DESCRIBES POSITIVE EFFECT OF DIVERSITY



Panelists (l. to r.) Daryl Carter, Founder, Chairman and CEO of Avanath Capital; Long Beach Councilman Al Austin; and Reverend Mark Whitlock enjoying comments by Long Beach Mayor Robert Garcia at Avanath's Investor Conference

THOSE GATHERED AT Avanath's 2015 Investor Conference were treated to a mix of case study success stories, a thoughtful analysis of the most important factors in renovating affordable housing communities, and a panel including Mayor Garcia of Long Beach, California, where Avanath has one of its largest investments.



Investors learning about Avanath's plans for 2016

The panel was moderated by Reverend Mark Whitlock, who is President of COR, one of Avanath's many nonprofit partners in its communities.

During the panel, Mayor Garcia noted that Long Beach, which ranks as one of the 50 largest cities in the U.S., is extremely diverse in its ethnicity, yet is one of the safest large cities, as well.

Councilman Austin, of Long Beach, who was also on the panel, noted that the city is also extremely diverse in its economic make-up, from Section 8 Housing, through a large working

class built on the base of the 30,000 jobs at the Port of Long Beach, to those who live in the city and belong to a country club.

The Mayor spoke of the need for additional housing, including the current development of 4,000 market rate apartments. "We are building a mix of affordable, market rate and senior housing to meet the needs of the community," the Mayor noted.

Daryl Carter agreed that a mix of properties, with both affordable and market rate, is a plus for Avanath, as well. "We work to attract and retain tenants for the long term," Daryl explained. "In the places where we can acquire both kinds of housing, we can retain tenants who begin making more money over time, and simply shift their unit from an affordable unit to a market rate unit."

During 2015, Avanath reviewed 92 potential deals and closed or are under contract on the 11 which best match Avanath's investment platform. Avanath was able to obtain 82 percent of

the communities as direct off-market transactions. On the disposition side, Avanath sold four properties at very favorable terms for its investors.

When asked by an audience member if competition has increased as more firms begin investing in the affordable housing market, Daryl noted that "more players in the market creates more liquidity because there are more firms that might want to buy affordable housing to increase their portfolios. In addition, demand continues to outpace supply nationwide. Almost all of our current communities have waiting lists." +



Prior to the meeting, investors meet one another over lunch at The Island Hotel in Newport Beach

MEASURE WHAT YOU MANAGE: QUICK TIPS FOR BEING GREEN & SAVING GREEN

by Nicholas Dunlap, CPM
Director of Property Management

“WHISKEY IS FOR DRINKING.
WATER IS FOR FIGHTING OVER.”

- Mark Twain

EFFICIENCY IS a measure of production and effort. It is part science and part skill.

Real estate investment is especially dependent upon efficiency and the ability to meet and exceed financial projections associated with the acquisition and operation of an asset.

With rising utility costs for multifamily properties, however, operating within a budget can be a challenge. Fortunately, we can do our part to curb operating costs and reduce waste by following the tips below:

1. Study what you spend

Do you review your monthly utility bills? Studies indicate that 10 to 15 percent of consumers are overbilled or charged inaccurately depending on the number of meters, municipalities, tariff rates and exemptions.

It is therefore important to review your bills or contact your utility provider directly to track your properties' utility usage. These extra measures may seem time consuming in the short run but will save you money in the long run.

2. Curb your consumption

Water: To curtail water usage, start with removing hose bibs around the exterior area

of your properties. Next, replace older faucets and showerheads with newer models to limit water flow. Installing low flush toilets is another great option to reduce water waste.

Electricity: While the initial installation might not be cheap, LED renovations offer high returns in the long term. Switching out the fixtures will brighten up the space while also lightening the electricity bill.

Fossil Fuels: As we know, fossil fuels are rising at an unprecedented rate. Consequently, we must reduce further emissions by cleaning and maintaining our water heaters so that they don't burn out and require additional gas.

3. Measure what you manage

The final step to an energy-efficient strategy is monitoring your progress. The Utility Smart program, offered by NWP Services Corporation, allows owners to outsource utility management to a third party that will manage consumption and chart trends in resource usage. This means that your people get to focus on real estate and real results.

By executing sustainable measures and tracking your progress, you can



not only reduce operating costs but also conserve valuable resources. Following these smart tips will ensure lower utility costs which in turn will attract and retain tenants for future growth. +

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A V A N A + H

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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