MULTI-FAMILY MARKET UPDATE

2nd Quarter of 2020

Dear Vanamor Partners:

We hope that this letter finds our partners, friends, and families all in good health. As we look back, the second quarter of 2020 was unlike any other that the Vanamor executive management team has experienced, or anyone has experienced for that matter, but the apartment market showed strong resiliency. Furthermore, our value-based risk-adjusted strategy outperformed the market and solidified our acceptance that statistical aberrations, including 100-year pandemics, are unavoidable.

"Rule #1 is never lose money. Rule #2 is never forget Rule #1.

- Warren Buffet

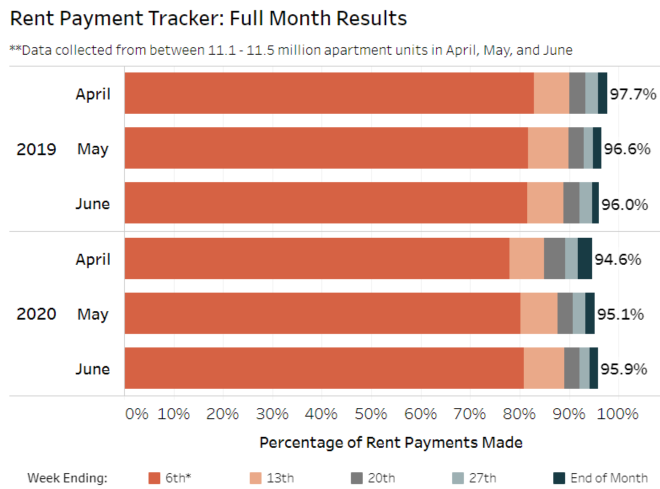
Considering the historic quarter, we provided a little more detail in this quarter's investor report.

Summary of the Market:

- The collection of rental income across the United States started off slow in April (94.6% in April of 2020 versus 97.7% in April of 2019) as the pandemic unfolded; however, that spread was reduced to 10 basis points by the end of June as the economy re-opened (95.9% in June of 2020 versus 96.0% in June of 2019).
- The transaction market slowed considerably in April and May but has shown signs of picking up speed in June.
- Rental collections on our recent acquisition in Beaverton have been higher than originally forecasted at the start if the pandemic. Distribution start dates and rates have been evaluated monthly and are currently on schedule.

COVID-19 Update

We entered the 2nd quarter of 2020 with significant uncertainty surrounding the impact of COVID-19 on the general economic and the multi-family industry. While reality was never as bad as initial expectations, the start of the quarter (April) showed the largest impact in terms of rent payments with May and June reverting back to 2019 levels. The chart below shows the NMHC Rent Payment Tracker:



Renewals have slowed to 45 percent, down 10 percent year-over-year as of mid-July while leasing activity picked up significantly since the start of the June causing overall occupancy to remain relatively stable at 93%, less than 1% lower than June of 2019.

All eyes are on Congress and the next stimulus package, specifically the $600 enhanced unemployment insurance that is set to expire at the end of July. Early indications are that there will be another stimulus package that will either include a lower federal "enhanced" amount or a cap to limit the total unemployment benefit not to exceed previous earnings while employed. Additionally, there are talks that the next stimulus will include an incentive for individuals to go back to work.

Transactions

Acquisitions:

- Blanton Commons Apartments (Beaverton, OR): Blanton Commons was purchased from the original developer in May of 2020 at a significant discount to both comparable sales and expected replacement cost. Built in 2017/2018, Blanton Commons is in Beaverton, OR, one of the most attractive submarkets of Portland and located less than two miles from Nike's world headquarters and Intel's Aloha campus. The main campus of Intel, Oregon's largest employer, is located 15 minutes to the northwest.

Multi-Family Market Overview

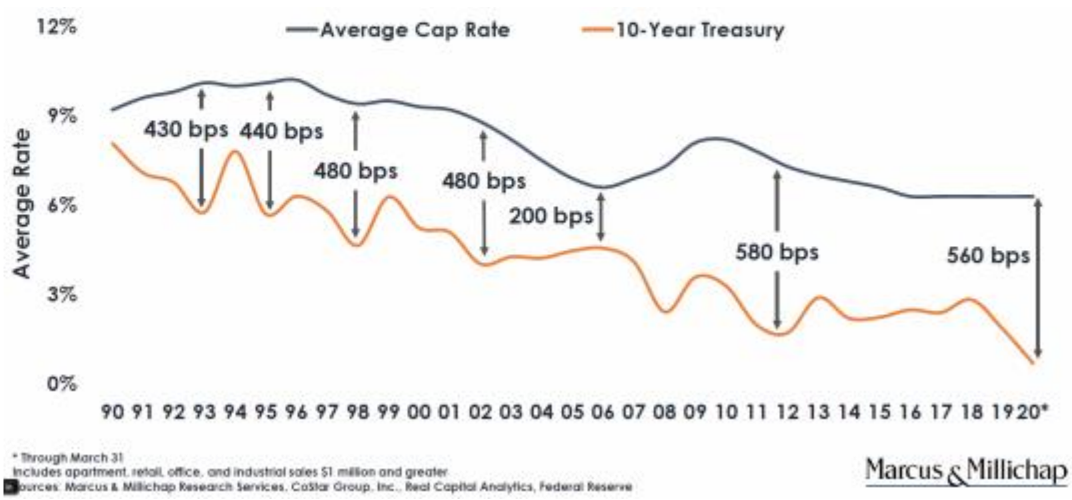
At the start of the year, apartment fundamentals were extraordinarily strong, and all expectations were for another year of robust transaction volume. As we entered the second quarter, transaction volume slowed down considerably, and new opportunities were limited to highly motivated sellers transacting off-market. While activity has increased since the start of July, we expect overall volume for 2020 to remain light. We also expect there to be a wider range of price discovery with "best-in-class" properties trading at a premium to "runner-up" properties that will selectively provide modest pricing and cap rate relief.

VANAMOR
Investments

The economy and the employment market remain on soft ground but are being supported by the extremely accommodative Federal Reserve and Congress' stimulus package. At the same time, the unemployment rate has dropped quicker than expected and could end the year below 10%. Rent growth varies by location with high cost of living areas, like the Bay Area and Los Angeles, experiencing 10% or more declines in income growth while low cost of living areas, like Central Oregon and Phoenix, experiencing flat income growth. Occupancy has remained steady across most market at around 93-95%.

With the Federal Reserve injecting liquidity into the market, interest rates on agency debt have decreased significantly to all-in rates of around 3.15% or lower. All-time low interest rates, in addition to the stimulus package, have likely been the reasons why valuations have remained flat versus the 15 to 25% declines expected in March. The chart below shows the spread between commercial real estate cap rates nationwide and the 10-year treasury yield:

Spread Between Cap Rates and 10-Year Treasury Yield



While we do not anticipate significant distressed selling, there may be select opportunities from short-term investors who purchased properties over the past two to three years with high leverage debt. However, overall lending requirements, loan to value ratios, and borrower capitalization are significantly better positioned than they were during the financial crisis.

Vanamor appreciates the interest we have had from our investors as well as the recent referrals, and hope to have new investment opportunities to share shortly. We are actively reviewing a larger number of investment opportunities while remaining extremely selective in our criteria to capitalize on the current environment.

Multi-Family Outlook

As we move forward into the 3rd quarter, we do expect a modest decline in rental income, in the range of 3 to 5%; however, this is significantly better than the 10-20% we budgeted for in our recent acquisitions. In certain markets such as Los Angeles and the Bay Area, where rent burden (percent of total income paid towards rent) is high and the class-A development pipeline is robust, we expect a disproportionately higher impact for the remainder of 2020 and into 2021.

Our expectation is that interest rates will remain low in the near term which will generate strong current yields (the spread between cap rates and interest rates) and mitigate lackluster income growth over the next 12 to 24 months. Put another way, we expect current yields to be the primary driver of investment returns for the foreseeable future rather than income growth. Since longer term investments provide stronger current yields than short term investments, shorter term investment horizons will be disproportionately impacted negatively as income growth remains muted over the next 12-24 months. However, each investment opportunity is unique and should be evaluated individually. Should interest rates remain low over the medium term (3-5 years), we expect significant cap rate compression which will also result in price appreciation.

Despite the stability in the multi-family industry thus far, significant risks remain, and we are keeping a close eye on Federal Reserve and Congressional policy. Specifically, the ending of the enhanced unemployment benefits which we believe could have a material impact on tenants' ability to pay rent. Additionally, most of the Western states that we are pursuing investments in (California, Washington, Oregon) have enacted legislation to prohibit evictions until at least the end of September. While we have not seen an increase in delinquencies thus far, the ending of the enhanced unemployment benefits could cause delinquencies to spike. To mitigate this risk, Vanamor continues to focus on cities with lower rent burdens and strong demographics.

Lastly, lifestyle-centric locations, such as Portland, Central Oregon, San Diego, Boise and Arizona, continue to be a strong focus of our investment strategy. As individuals look to lower their cost of living and companies are aggressively expanding their remote-work capabilities, areas that are less expensive and provide attractive outdoor lifestyles yet are still a short drive or flight from major tech hubs are benefiting extensively. We expect this trend to continue and are positioning our acquisition strategy to capitalize on the momentum.

Looking Forward

COVID-19 continues to be a major disruption on just about every aspect of life and commercial real estate is no exception. Vanamor is closely monitoring the risks that are still present and the legislative actions being taken. However, the multi-family industry continues to show significantly less volatility than other commercial real estate and investable asset classes, especially for longer-term cash-flow focused investors like Vanamor. Although we were not anticipating this type of disruption, we continue to position our Company and portfolio to withstand downturns from any direction by focusing on well-located, stabilized properties providing attractive long-term risk-adjusted returns in growing metropolitan areas of the

United States. Furthermore, the multi-family industry continues to show incredibly positive fundamentals in demographics and investor preferences to support apartments as a preferred asset class for the long term.

We appreciate your trust and commitment to Vanamor during these very dynamic events. While the market has slowed, we are finding opportunities and hope to be sending out a couple potential offerings shortly. If you are not already, please email us or complete the form on our website to join our investor list.

Sincerely,

Bobby Larsen
President
Vanamor Investments