MULTI-FAMILY MARKET UPDATE

3rd Quarter of 2020

Dear Vanamor Partners:

We hope that this letter finds our partners, friends, and families all in good health. The third quarter of 2020 saw a resurgence in both residential and commercial multifamily real estate; however, significant risks are present in the market. Some of those risks are market specific but perhaps the more apparent risks have been property-level causing specific properties to have material issues collecting rents while other nearby properties experiencing minimal, if not zero, rent delinquency. We attribute this risk to sub-par leasing standards when qualifying prospective tenants and as a result, we have made tenant qualification a major focal point when evaluating new investments. Overall, the market has continued to show strong resiliency and low interest rates have buoyed demand for properties above 2019 levels.

Summary of the Market:

- Rental collections vary by market and even more significantly by property. Across all markets, rent collections are down approximately 1% (95.5% September 2019 to 94.6% September 2020). Our two most recent acquisitions in Beaverton and Bend are 100% collected; however, we underwrite hundreds of investments and have seen select properties with upwards of 30% delinquency.
- The transaction market slowed by nearly 90% in the 2nd quarter of 2020 compared to the same period of 2019 before rebounding to about 50% through the 3rd quarter of 2020. Most notably, September saw a large increase in inventory for sale, which is indicative 4th quarter transaction volume will rebound close to 2019 levels.
- On average, year-over-year pricing remained flat during the 3rd quarter of 2020 across all major markets in the Western United States with an average sales price of $205,414 per unit & $250.80 per square foot in 3Q2020 versus $214,153 per unit & $248.54 per square foot.

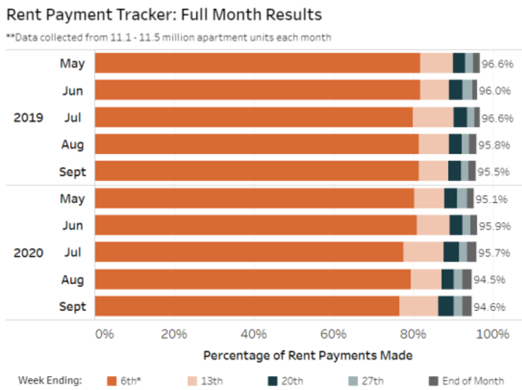
New Opportunities

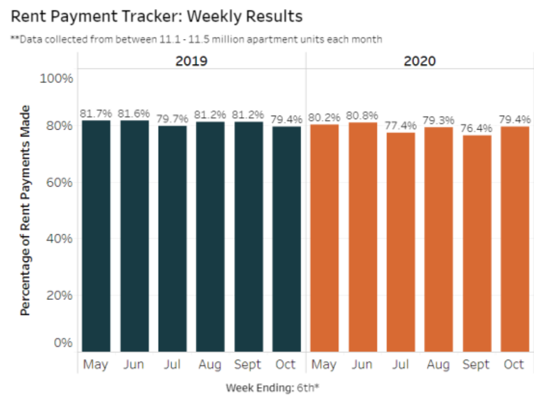
Vanamor is in the process of acquiring its third property of 2020 and actively pursuing other opportunities to close out the year. While most of the “COVID discounts” were short lived at best and some markets are even trading above 2019 levels, we are finding what we believe are discounted opportunities in secondary markets where the spread between cap rates and interest rates are significantly wider than they have been for decades. As discussed in the 2Q 2020 market update and later in this writing, that spread is resulting in significant cash flow and strong overall returns without the necessary income growth assumptions needed in the headline markets.

Vanamor appreciates the interest we have had from our investors as well as the recent referrals. If you would like to discuss any of our recent offerings, please let us know. If you’re not already signed up for our distributions, you can do so here.

COVID-19 Update

We entered the 3rd quarter of 2020 with significant uncertainty still surrounding the impact of COVID-19 on the general economy and the multi-family industry. While reality was never as bad as initial expectations, the 2nd quarter of 2020 showed almost no impact in terms of rent payments but small deviations have started to emerge in the 3rd quarter. These deviations are likely due to the expiration of the enhanced unemployment benefits and PPP loan program. However, as employment has gained back approximately half of the jobs lost earlier this year, reality has once again exceeded expectations with collections in September 2020 less than 1% below September of 2019. Early indications also show a strong rebound during the first 6 weeks of October. The charts 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 July causing overall occupancy to remain relatively stable at 93%, less than 1% lower than September of 2019.

All eyes are on Congress and the next stimulus package, specifically the $600 enhanced unemployment insurance and the PPP loan program that expired at the end of July. Expectations are that there will be another stimulus package with enhanced benefits ranging from $400 to $600 per month. Given that it is an election year, we do not expect negotiations between Democrats and Republicans to be smooth but both will likely come to an agreement at some point in the 4th quarter.

Portfolio Updates

Acquisitions:

- 27 Elm Apartments (Redmond-Bend MSA, OR): 27 Elm Apartments was purchased from the original developer in July of 2020 at a significant discount to expected replacement cost. Built in 2018/2019, 27 Elm is in the Redmond-Bend MSA of Oregon, a lifestyle destination with a live-work-play environment that few cities can replicate. Within 45 minutes of asset nearby amenities include Sunriver Resort, Mt. Bachelor and over 30 golf courses. According to The Milken Institute's list of 'Best-Performing Cities in 2019', Bend-Redmond, OR ranked as the nation's top performing small city for the fourth year in a row including number one for wage growth over the last five years.

Existing Portfolio:

- Blanton Commons Apartments (Beaverton, OR): As we were faced with the uncertainty of the pandemic earlier this year, we knew that opportunities would present themselves as a result. One such opportunity was the acquisition of Blanton Commons Apartments in May of 2020, where we found ourselves under contract on an off-market opportunity that we believed was significantly below market value. Difficult for some to see at the time because poor management had led to extreme under performance at the property, it was an area of Portland that we knew well enough to know exactly where market rents should have been and where property valuations were. Fast-forward five months and one of Blanton Common's best comparable properties was recently acquired at an approximate 17% premium to our purchase price.

Multi-Family Market Overview

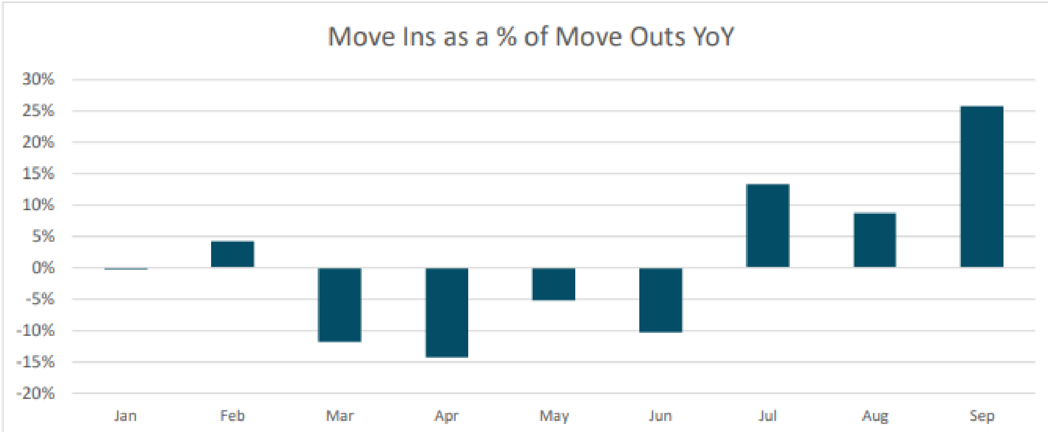
As we move into the fall and winter months, the return to normal remains slow and volatile. Political disruptions are causing further uncertainty and those uncertainties will likely only increase as the election nears. Consumer confidence fell to its lowest level in more than six years in August. In September, the unemployment rate declined to 7.9%, but there are still more than 12 million people unemployed.

With the extreme uncertainty surrounding the country today, the multifamily industry has held up better so far than many predicted. According to the National Multifamily Housing Council's Rent Payment Tracker, 92.2% of apartment households made a full or partial rent payment by September 27—a 1.5 percentage point decline from September 2019 and a 0.1 percentage point increase from August 2020.

Many multifamily industry metrics are showing signs of stabilization while others show sustained impact, both positive and negative, from the pandemic. The most notable improvement in September is move-in volume, which nearly returned to prior year levels. After lagging 2019 by roughly 20% since March, September 2020 was only 3% off prior year volume, a substantial improvement. Work order volumes and new lease term distribution are also remarkably close to prior year volumes.

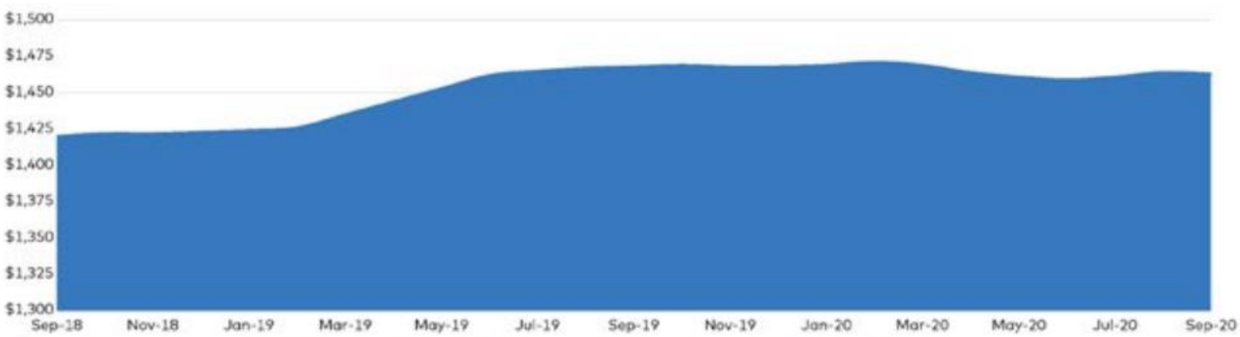
Traffic remains stable, above prior year volumes, while application volumes and move outs continue at a consistent yet diminished pace relative to 2019. Evidence of technology adoption continues, with increases in online applications, resident portal use, electronic payments, digital service request submittal and resident call volume handling.

The ongoing, collective takeaway from this analysis is that residents are tending to stay in place at a higher rate in 2020 than 2019. There is, however, some improvement in the relative rate of change. Adding a bit more detail, a comparison of move ins as a percent of move outs shows that occupancy continues to tighten as move ins again outpace move outs with September posting a new high for 2020.



New lease pricing has remained mostly flat across all major metropolitan areas with the exception of metros like San Francisco (-5.8%) and Orlando (-2.5%) that have struggled to maintain rent growth during the pandemic were also facing struggles in February.

National Average Rents



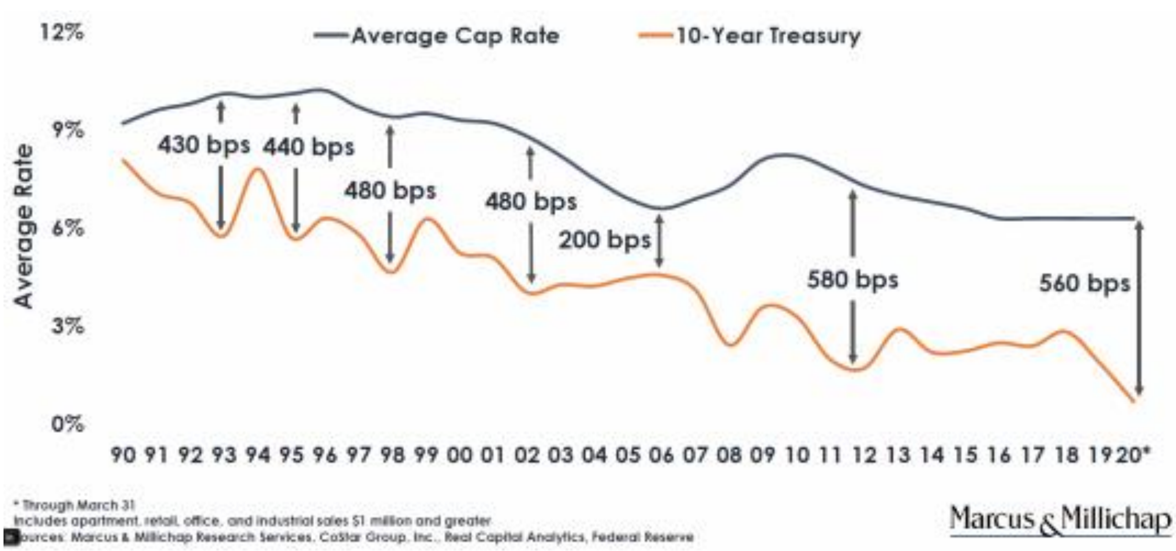
National averages include 132 markets tracked by Matrix, not just the 30 metros featured in the report.
All data provided by YardiMatrix.

With the Federal Reserve continuing to inject liquidity into the market, interest rates on agency debt have decreased significantly to all-in rates of around 3% or lower. With the stimulus package now expired, we saw a modest deterioration in apartment fundamentals while pricing has remained stable. With the passing of a new stimulus package, we could see year-over-year improvement in fundamentals but it has become abundantly clear that the Federal Reserve and the lack of yield in other investments explains why valuations have remained flat versus the 15 to 25% declines expected in March.

Multi-Family Outlook

As the pandemic wears on, we are settling in for Autumn with pumpkin spice leading us into the holiday season. 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. We are once again showing the same chart from last quarter two illustrate two important points; 1) Growth is hard to come by in today's economy which means, like any product in limited supply, pricing for that growth is expected to remain elevated. This is true for real estate, equities, and other investment products. 2) Interest rates are forecasting slow growth for the foreseeable future. Accept it and instead of aggressively assuming strong growth, use the tools that the Federal Reserve has provided in low interest rates to find relative value in stabilized, high-quality opportunities with above average cap rates. This is not to say that value-add, high growth opportunities will not exist, but it is important to be even more selective in today's environment.

Spread Between Cap Rates and 10-Year Treasury Yield



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, if the much needed enhanced unemployment benefits are re-established which we believe could have a materially positive impact on tenants' ability to pay rent; although, we have been pleasantly surprised by the state of the economy in the absence of more stimulus. 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 the year. While we have not seen an increase in delinquencies at our properties thus far, we have seen select properties in all markets materially impacted.

Looking Forward

To mitigate these risks, Vanamor continues to focus on best-in-class management practices and tenant screening as well as cities with lower rent burdens and strong demographics.

Lastly, lifestyle-centric locations, such as Albuquerque, 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.

With the election set to take place in November, we see the potential for significant short-term disruption, particularly in capital markets. We are strategically mitigating this risk by extending our standard due diligence process beyond the election date and locking in our interest rates early.

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. 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. 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. The individual property level summaries of your investments are attached as well. We will continue to communicate important information with you as needed and if you have any questions about your investments in the meantime, please do not hesitate to reach out to us.

Update on Vanamor

Vanamor is in the process of updating its investor management platform and online investor portal. We are dedicated to providing our investors with the most seamless and innovative experience as possible. Very soon you will be able to review current investment distributions, indicate interest on new offerings, execute documents online, and more. We are targeting for these new improvements to be in place by the end of the year. Those on our distribution list will be receiving a notification to create a custom profile. If you're not already signed up for our distributions, you can do so here.