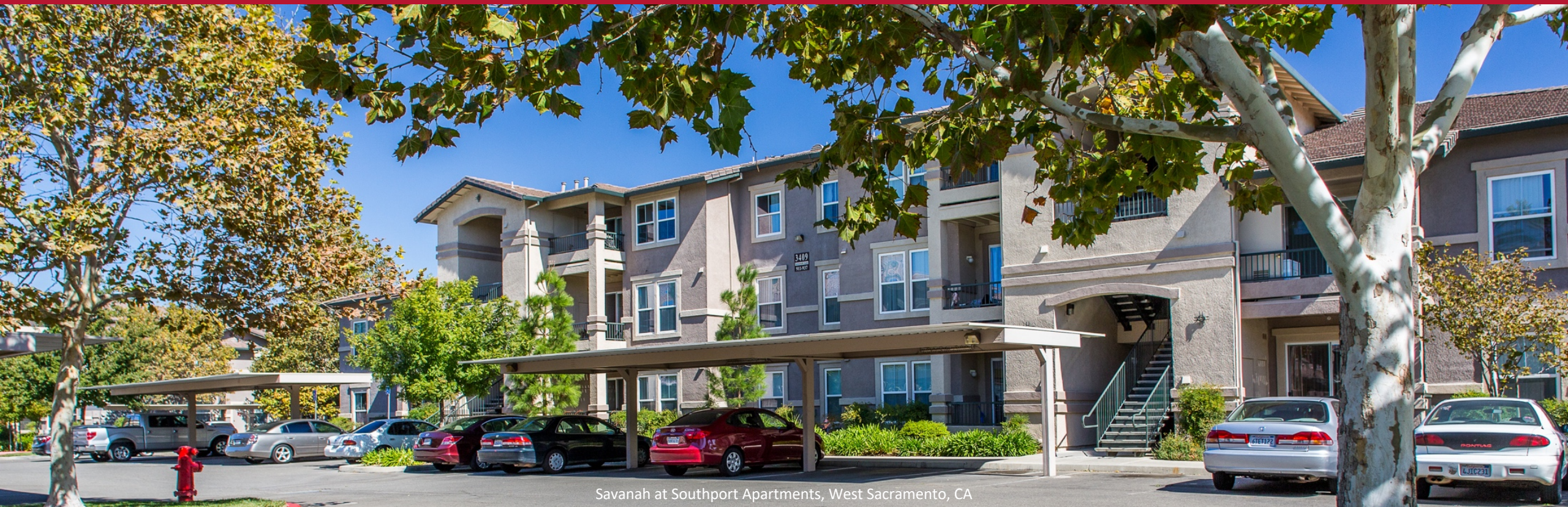




APRIL 2018

RENTAL SOLUTIONS: NATURALLY OCCURRING AFFORDABLE HOUSING



Savannah at Southport Apartments, West Sacramento, CA

OVERVIEW

- ✓ Housing Partnership Equity Trust is a social purpose REIT whose mission is to acquire and preserve affordable and workforce housing throughout the United States
- ✓ HPET was founded and is owned by leading affordable housing nonprofits, together with institutional and impact investors. It attracts private capital from individuals and institutions seeking socially responsible investments, then joins with its nonprofit housing partners to acquire affordable rental housing that would otherwise be rented at higher rates.
- ✓ HPET invests in opportunity neighborhoods with the components that are critical to household success, including good schools, public transportation, anchor institutions and access to jobs.
- ✓ Today HPET and its partners own 15 properties in 14 property joint ventures totaling 2955 units of housing, and serving on average households making 57% of area median income.

MISSION

Housing Partnership Equity Trust works collaboratively with our Nonprofit Partners to preserve the stock of affordable and sustainable rental housing to positively impact the lives of our residents and our communities.

We provide investors with a triple bottom line return:

Economic Return

By creating and realizing value from acquiring, improving, operating and, in some cases, selling real estate

Mission Return

By preserving affordable and workforce housing that improves social outcomes

Environmental Return

By purchasing energy efficient properties and making energy efficiency improvements to older properties

INVESTMENT STRATEGY

- ✓ Invest in a diverse portfolio of good properties in areas with high demand for affordable and workforce housing serving tenants earning 50% to 80% of area median income
- ✓ Utilize Cash Flow, Value-Add and Redevelopment strategies to acquire properties that achieve our mission and create long-term value for our Nonprofit Partners and investors
- ✓ Invest in opportunity neighborhoods that are near job centers with access to good schools, public transportation, ample retail, medical services and other community amenities
- ✓ Utilize a conservative level of long-term property debt, taking advantage of preferential debt pricing and local subsidies
- ✓ Manage our properties effectively to contain costs and ensure rent increases are fair and reasonable, property turnover is minimized and property occupancy maximized
- ✓ Provide amenities that deliver a good living experience

MARKET CHALLENGE

New building has focused on luxury, but actual demand is for affordable units. As a result, the number of units available and affordable for families of modest means has declined:

- ✓ According to the National Low Income Housing Coalition and data from the American Community Survey, in 2007, there were 67 affordable and available rental homes for every 100 renter households with incomes at or below 50% of area median. Today, there are 56 homes for every 100 renters.

PORTFOLIO OVERVIEW



PORTFOLIO OVERVIEW

HPET has amassed a portfolio of 2,955 units totaling \$284 million in acquisition value

Property Name	Location	Transaction Type	Units	Year Built	Year Renovated	Acquisition Date	Purchase Price	HPET Equity as of 3/31/2018
2000 Illinois Ave	Aurora, IL	Value-Add	128	1974	2014	Apr-2013	\$5,200,000	\$2,550,649
Woodside Court	Fairfield, CA	Cash Flow	129	1985	2000	Jul-2013	\$12,000,000	\$3,389,165
Woodmere Trace	Norfolk, VA	Value-Add	300	1974	2014	Sep-2013	\$15,250,000	\$6,887,984
Mallard Point	Channahon, IL	Cash Flow, Value Add	173	2005-2013	N/A	Sep-2014	\$19,400,000	\$5,291,490
Birches	Silver Spring, MD	Cash Flow	228	1986	N/A	Dec-2014	\$33,500,000	\$7,450,644
Bradford	Hagerstown, MD	Cash Flow	418	1965-1974	1990	Jan-2015	\$26,250,000	\$7,898,428
Savannah	West Sacramento, CA	Cash Flow	228	2004	N/A	Dec-2015	\$30,000,000	\$7,305,582
Dunfield	Nottingham, MD	Cash Flow	312	1986-1988	1998	Dec-2015	\$52,000,000	\$9,391,151
Dove Landing	Virginia Beach, VA	Value-Add	318	1977-1983	2016	Jan-2016	\$18,000,000	\$7,425,859
Goldenstar Sun Place	Maplewood, MN Roseville, MN	Cash Flow	109 30	1966 1971	N/A N/A	June-2016	\$10,050,000	\$3,005,176
Meadow Ridge	Las Vegas, NV	Cash Flow	232	1989	N/A	Aug-2016	\$22,600,000	\$6,726,612
Encanto	Phoenix, AZ	Cash Flow	160	1979	N/A	Oct-2016	\$8,800,000	\$2,645,435
Pacific Villas	Stockton, CA	Cash Flow	86	1979	2015	Dec-2017	\$6,500,000	\$2,005,155
Quail Run	San Leandro, CA	Cash Flow	104	1987	2003	Mar-2018	\$24,000,000	\$7,471,497
			2,955				\$283,550,000	\$79,444,827

TRANSACTION PROFILE

Tenants		Properties	
Employment Status	Hourly, salaried or part time workers	Location	Near employment, transit, schools, community amenities
Income Range	\$20,000 to \$80,000 per year	Unit Mix	Studios, one, two and three-bedrooms
Typical Employment	Retail, Construction, Service Sector	Number of Units	30 to 418 units (230 average)
Average Family Size	One to four members per household	Acquisition Costs	\$7 million to \$60 million
Needs	Transportation, jobs, income stability, good schools	Economic Occupancy at Acquisition	79% to 99%
Credit History	Minimum credit scores, demonstrated income, rental history	Economic Occupancy at Stabilization	92% to 99%
Rent Payment ¹	\$570 to \$1,388 per month	Monthly Rent Per Unit at Acquisition	\$570 to \$1,316
		Monthly Rent Per Unit at Stabilization	\$546 to \$1,484
		Community Facilities	Community Room, Leasing Office, Fitness Center, Pool, Playground

¹ Profile information is as of September 30, 2017 for all properties exclusive of Courtyard at Encanto and Pacific Villas. For Courtyard at Encanto the profile information is as of October 17, 2017 and for Pacific Villas the profile information is as of December 12, 2017, each property's respective acquisition date.

MISSION RETURN

OPPORTUNITY AND AFFORDABILITY SCORECARDS



	Job Centers	Retail	Grocery	Parks	Schools (>5 Rating)	Head Start Program	Community Health Centers	Transit to Urban Core
TOTAL PORTFOLIO (% of total units) ¹	100%	100%	81%	89%	74%	100%	94%	94%

HPET’s properties are located in markets with amenities that allow our residents the opportunity to thrive

	Number of Units	Average Rents ¹	60% of AMI ²	80% of AMI ²	100% of AMI ²
TOTAL PORTFOLIO	2,851	\$965	\$1,018	\$1,357	\$1,695

Average portfolio rents remain affordable across HPET’s markets at 56.9% of AMI

¹ As of September 30, 2017 for all properties exclusive of Courtyard at Encanto which was acquired on October 17, 2017 and Pacific Villas which was acquired on December 12, 2017
² Affordable rents determined using Novogradac Rent & Income Limit Calculator

ENVIRONMENTAL RETURN

SUSTAINABILITY SCORECARD



	Energy Efficiency	Water Smart	Recycling	Healthy Kids	Smoke-free Initiatives	Energy Tracking
TOTAL PORTFOLIO (% of total units)¹	100%	89%	87%	89%	38%	53%

Energy audits required as part of the underwriting for each acquired property

Benchmarking tools such as WEGOWise and Brightpower utilized to identify energy saving opportunities

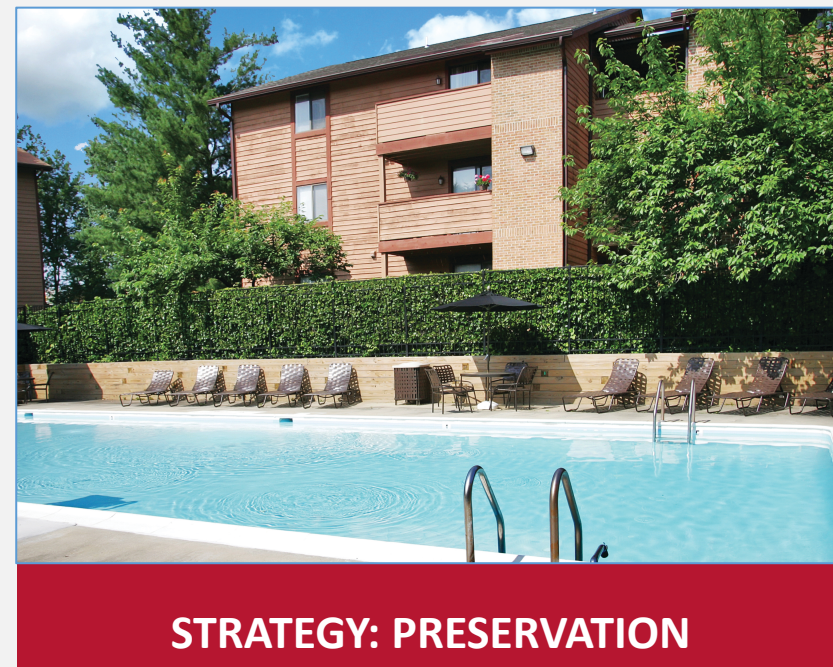
Ongoing assessment of environmental sustainability at the property level through active asset management

¹ As of September 30, 2017 for all properties exclusive of Courtyard at Encanto which was acquired on October 17, 2017 and Pacific Villas which was acquired on December 12, 2017
Representative initiatives include: Energy Efficiency (e.g., Energy Star appliances, sub metering, etc.); Water Smart (e.g. low-flow faucets, efficient irrigation systems, etc.); Recycling (e.g., trash, renovation materials); Healthy Kids (e.g., use of low VOC paints and carpeting with CRI Green label standards, etc.); and Smoke-free Initiatives

CASE STUDY: THE BIRCHES

Opportunity to acquire a well preserved garden apartment community in a growing Washington, DC suburb (Silver Spring, MD).

HPET Equity	\$7.4 million	Location	Silver Spring, MD
Acquisition Date	December 2014	Year 1 Yield to Equity	12.6%
Property Type	Garden Community	Stabilized Yield to Equity	6.0%
Number of Units	228	Average Rent ¹	\$1361 per month (< 60% AMI)



1 As of June 30, 2017

CASE STUDY: THE BIRCHES

Opportunity

Adjacent to US FDA headquarters with planned 8900 employees as a result of workforce consolidation/expansion.

Existing Recorded Use Restriction requiring set-aside of 58 units for tenants displaced when another affordable housing property in the County is redeveloped. Buyer had to accept this restriction on future income.

Half restricted at 50% AMI and below; half at 65% of AMI and below.

HPET and CPDC were the right buyers because the project provided sufficient cash flow to meet underwriting requirements of a mission investor and presented a good opportunity to serve the community.

Business Plan

Buy and hold for cash flow and preserve future affordability.

Increase rents in line with submarket growth in the first several years of ownership to offset future decline in revenue from due implementation of the use restrictions.

Complete renovations on some units to increase revenue.

Reduce operating expenses through more focused management.

Results

On a current yield basis, property projected to generate a 6% yield to the equity over the long term.

STRATEGY: PRESERVATION

CASE STUDY: THE BIRCHES

Acquisition Sources and Uses	\$	% of Total
New GSE Loan	\$27,800,00	76.3%
HPET Equity	\$ 7,450,644	20.5%
CPDC Equity	\$ 1,162,677	3.2%
Total Sources of Funds	\$36,413,321	100.0%
Property Acquisition	\$33,500,000	92.0%
Closing Costs	\$ 677,727	1.9%
Cost of Financing (Lender Fees)	\$ 139,000	.4%
Acquisition Fees – HPET and CPDC	\$ 502,500	1.4%
Operating Reserve	\$ 552,798	1.5%
Capital Expenditures at Closing	\$ 1,041,296	2.9%
Total Uses of Funds	\$ 36,413,321	100.0%