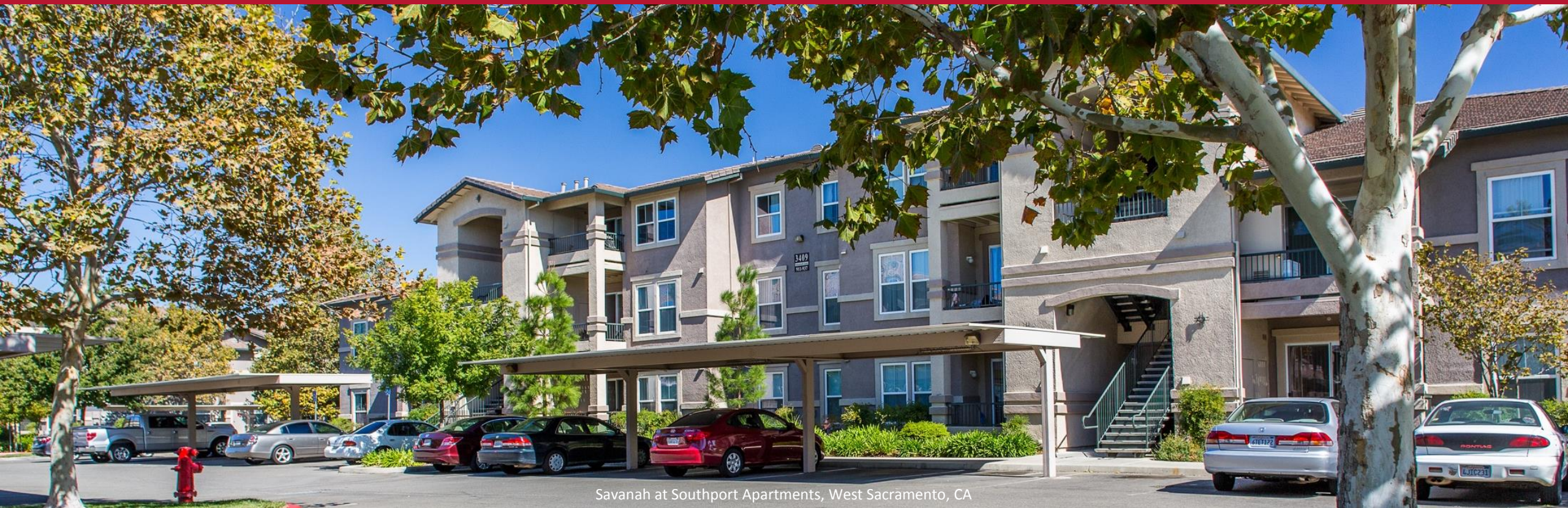




NOVEMBER 2017

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 focused on the preservation of affordable and workforce housing throughout the United States
- ✓ HPET was started by the Housing Partnership Network (“HPN”) and 12 nonprofit partners to acquire and preserve multifamily properties serving low and middle income renters
- ✓ The Nonprofit Partners now include 14 of the nation’s largest affordable housing developers and operators who own a combined portfolio of over \$8 billion and employ over 3,900 real estate professionals operating in 40 states and the District of Columbia

NONPROFIT PARTNERS / INVESTORS



Chicanos Por La Causa, Inc.



NHT-Enterprise.



INVESTORS

MacArthur
Foundation



Morgan Stanley

Both the MacArthur Foundation and Ford Foundation invest in HPET indirectly,
through their preferred interest in Housing Partnership Equity Trust, LLC

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.

Through this mission 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

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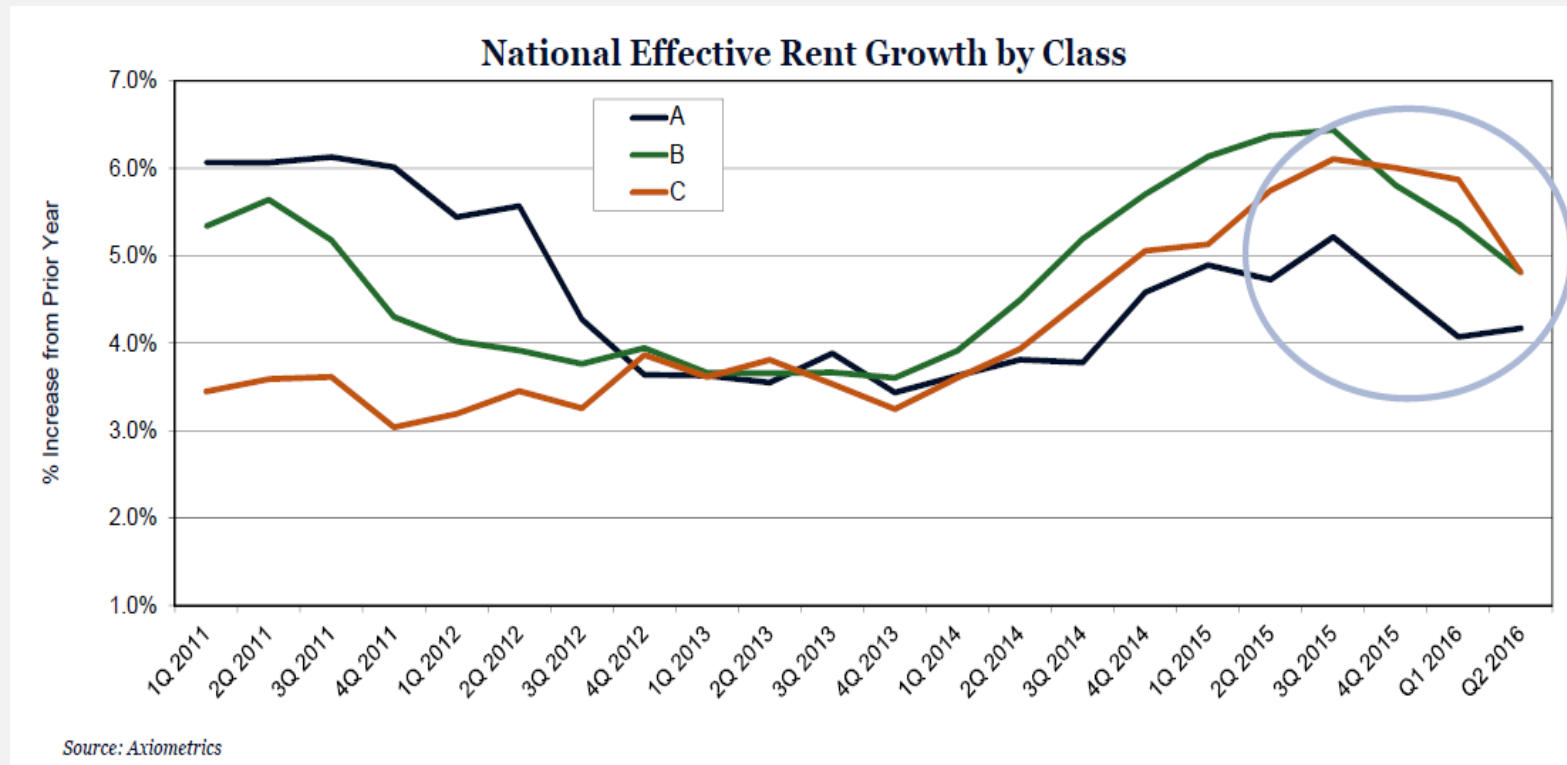
By purchasing energy efficient properties and making energy efficiency improvements to older properties

INVESTMENT STRATEGY

- ✓ Invest in a diverse portfolio of well located and high quality 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 investment strategies to acquire properties that achieve our mission and create long-term value for our Nonprofit Partners and investors
- ✓ Invest in opportunity markets that are near job centers with access to good schools, public modes of 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 provide a high quality living experience to people of modest means

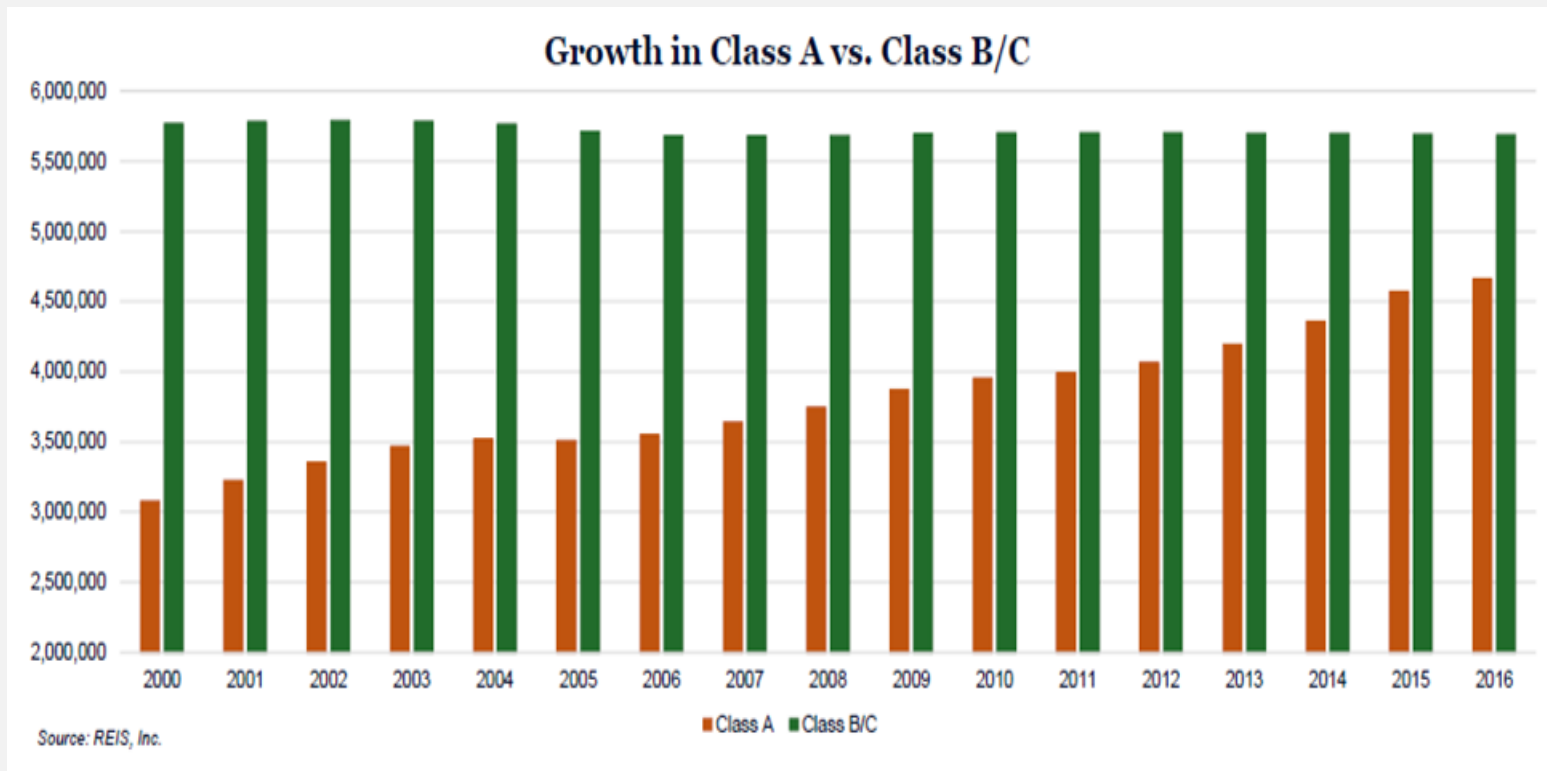
MARKET CHALLENGE

Rent increases for Class B and C apartments have outpaced increases for Class A properties over the last several years putting additional pressure on low- and middle-income households



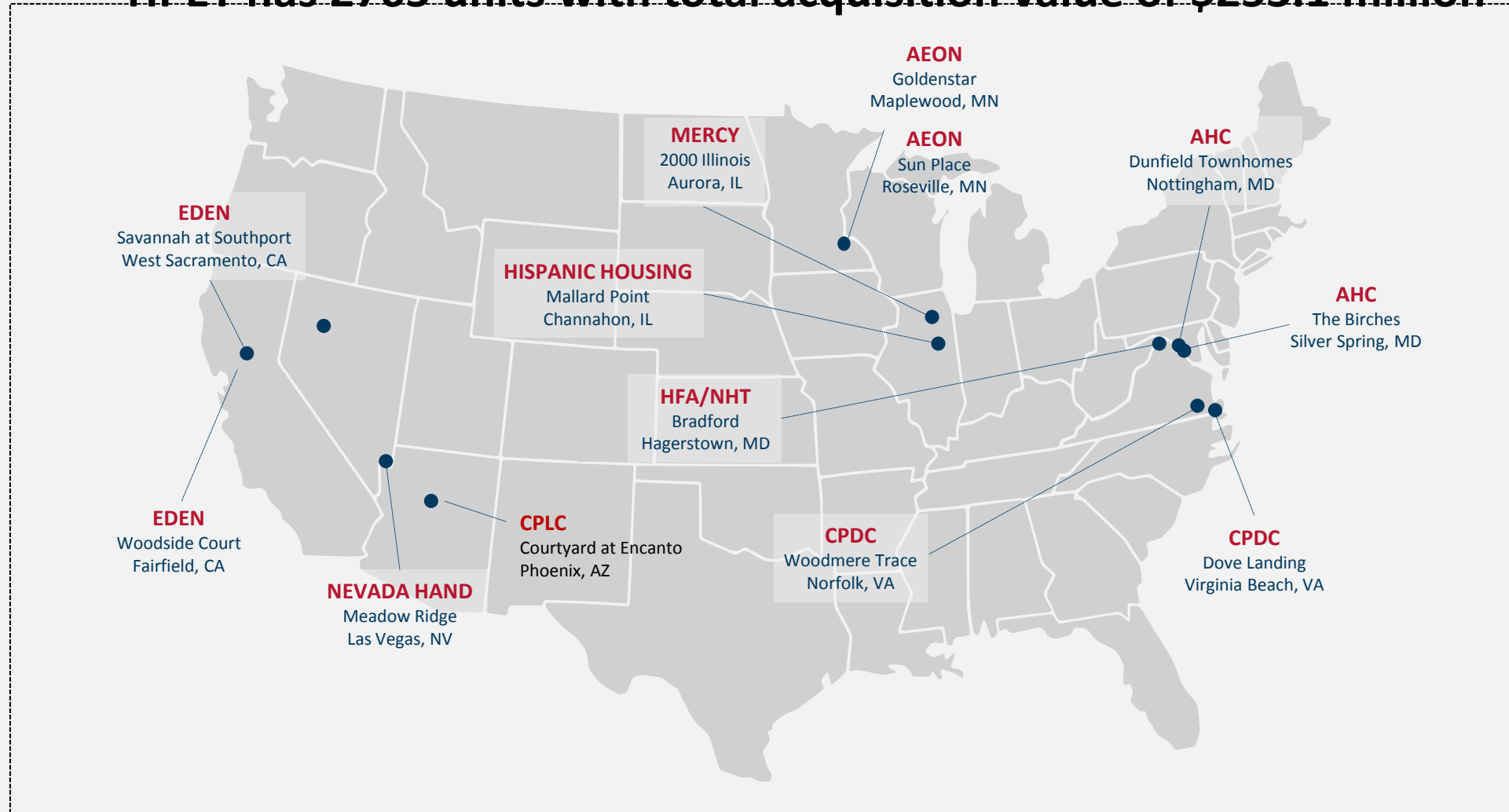
MARKET CHALLENGE

New supply has been predominately luxury, but actual demand is for affordable units. In almost every market the supply of affordable housing has remained stagnant or declined, while demand has increased, leading to historically low vacancy rates for class B/C apartments



PORTFOLIO OVERVIEW

HPET has 2765 units with total acquisition value of \$253.1 million



TRANSACTION PROFILE

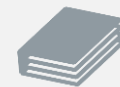
HPET's investments generally have the following tenant and property characteristics

Tenant Profile		Property Profile	
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	One, two and three-bedrooms
Typical Employment	Retail, Construction, Service Sector	Number of Units	30 to 418 units (217 average)
Average Family Size	Two 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 Payment¹	\$769 to \$1,334 per month	Monthly Rent Per Unit at Acquisition	\$627 to \$1,316 (\$962 average)
		Monthly Rent Per Unit at Stabilization	\$546 to \$1,484 (\$967 average)
		Community Facilities	Community Room, Leasing Office, Fitness Center, Pool, Playground

¹ As of March 31, 2017

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 units) ¹	100%	100%	79%	88%	84%	100%	93%	93%

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	2,605	\$974	\$1,041	\$1,388	\$1,735

Our average rents are affordable at 55.8% of AMI

¹ As of March 31, 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%	88%	86%	88%	42%	58%

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 March 31, 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

GROWTH SCORECARD

Portfolio Information	2013	2014	2015	2016	3/31/2017
Number of Properties Owned	3	5	8	12	13
Number of Units Owned	557	958	1,916	2,605	2,765
Total Acquisition Cost	\$32,450,000	\$85,350,000	\$193,600,000	\$244,250,000	\$253,100,000

Consistent portfolio growth since initial formation in January 2013

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 that 58 units be set aside to house tenants displaced when another affordable housing property in the County is redeveloped.

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

The purchase required a Buyer willing to assume this restriction on future income. HPET and CPDC were 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 due to the 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%

Thank You