Buy and Hold Fund Sees Consistent Growth and High Occupancy Rate

As of mid-June, **we have more than 1,400 doors under management within the portfolio, totaling $110 million in assets.** Of this $110 million, $55 million is owned by the Buy and Hold Fund, $40 million are titled properties held in investors' names, and the remaining $15 million are purchased properties in various stages, from rehab to ready for sale. Of the titled properties held by investors, a portion is 1031 Exchanges, and the other portion includes cash investors who are using outside financing to leverage their investment and increase their return.

Like we reported in March, when we look collectively at all five regions where we own properties (Akron, Toledo, and Cleveland, OH; St. Louis, MO; and Birmingham, AL), **our average occupancy rate is 95%.** We have been able to speed up the eviction process over the last few months now that most COVID-19 moratoriums have ended. Even though occupancy is the same as it was in our last update, **we have more tenants paying their rent and not just occupying the home** now that the effects of the pandemic are dwindling. **This is welcome news!**

Many investors have chosen to use their investment in the Buy and Hold Fund as a down payment to buy homes from us, increasing their return up into the 15% to 20% range. Because of the high demand for homes, we are currently adding investors to a queue for homes, whereas before we already always had enough inventory. We expect this process to improve over the next 90 days, as we are expanding our purchasing amount from $10 million to $14 million a month (in homes) to keep up with the demand.

We continue to remain bullish on the five cities in which we buy, focusing on our chosen asset class, (which we call *affordable workforce housing*). **As we continue to add more homes to the portfolio, we should see continued safety from the diversification through our volume of assets.**

Purchasing Our First Apartment Building

We mentioned earlier this year that we started a multifamily acquisitions division, and we recently closed on our first purchase, Ridgeview Apartments in St. Louis, Missouri. We have been working for the past 10 months to get this first deal completed. Ridgeview has 88 units; it's a value-add buy with only 70% occupancy and it requires $110,000 in rehab. **It will take some time to work through the rehab, fill the vacancies, and address the tenants currently living there.** Like our other homes in the portfolio, this apartment building is in the affordable workforce housing category that we like so much, and we find time and time again that **the tenants are appreciative when we take over the property and improve their living conditions.** It will be the same for Ridgeview, so the work is worth it.

Our second purchase, which is under contract again in its due diligence stage, is Versailles. This is also in St. Louis and has 100 units. We say "again" because we had it in contract about 6 months ago, but let it go due to some unknowns with COVID-19 and difficulty with some tenants who were not paying. It has since turned around completely and is now 98% occupied. **However, we consider that to be over-occupied.** You may ask: "How can something be *over* occupied?" When an apartment complex has more than 95% occupancy, it means the rent is too low. But, this is good news for us since it shows that we will be able to raise the rents for this asset and improve the quality of tenants.

Our plan with Versailles is to bring a few investors in on the deal and close with financing from Freddie Mac. We are also planning to get Freddie Mac financing for Ridgeview, but we have to conduct some work first in order to comply to their 90/90 rule. This means a complex must have 90% occupancy for 90 days before Freddie will lend. Once that happens with Ridgeview, we will refinance out of its bridge loan into permanent financing with Freddie. **At that time, we will offer Ridgeview to investors.** If you are interested in investing in apartments, contact us and let us know by calling 775-234-4001 or scheduling a call at CallHughesCapital.com.

We are also looking into Delaware Statutory Trust (DST) so we can provide a 1031 Exchange option for apartments. A DST is similar to an LLC but allows for fractionalized ownership, meaning we can conduct multiple 1031 Exchanges with one complex. **We will keep you informed when our first is set up.**

Introducing Hughes Capital Liquidity Accounts

You may have heard our recent announcement via email: we opened Hughes Capital Liquidity Accounts. **Liquidity Accounts pay a 3.91% interest so you can actually grow the money you have sitting around in your bank or money market account.** With Liquidity Accounts, you have quick access to your invested money, with the option to withdraw some or all of your money in less than 30 days. The minimum initial deposit is $50,000, and withdrawals occur on the last business day of every month. Your money will be in priority position in the Buy and Hold Fund (which means that, in the unlikely event that a catastrophe impacts the Fund and we can't pay everyone, you are among the first to get your money). Your money is backed by more than $55 Million in tangible assets in the fund.

We plan to deploy the funds in the Liquidity Accounts and purchase more homes for the Buy and Hold Fund, so you may be wondering how we can provide liquidity: We now have a $25 million secured line of credit that we can draw on at any time. **We will always be sure to have the full amount of necessary liquidity available within the line of credit to cover the accounts.** If you are interested in opening your own Hughes Capital Liquidity Account, please get in touch with your Investor Relations Advisor.

Until next time,

Steve Sixberry   Greg Hughes