



SJS Real Estate Partners
Q2 2019 Newsletter

Newsletter No. XVI August 15, 2019

Highlights from Q2

- **Invested in 62 Properties - 7,788 Apartments**
- **SJS I Distribution - 9.2% Annualized ROI**
- **SJS II – Returns More Capital to Investors in July**
- **SJS II Pays Out 6.8% Annualized ROI – Total Cash Return is 10%**
- **SJS III - More Capital Returned to Investors Early**
- **SJS III Distribution 7.3% Annualized ROI – Total Cash Return is 9%**
- **SJS IV Distributes 7.1% ROI from 25 Properties**
- **SJS IV Constructing 120 New Units at Wobbe Lane**
- **SJS IV Capital Nearly Fully Deployed - 30 Properties with 4,000 Apartments and More Coming**
- **Investors Asking About SJS V – Coming Soon!**

At SJS Real Estate Partners, we have a dual mission – (1) to deliver exceptional income every quarter to our investors, and (2), to deliver significant long-termcapital growth as we build equity and create value in the properties. We've been doing both every quarter since launch in 2015, and the results have been extraordinary. Combined, we're now invested in 62 apartment properties with a total of 7,788 units acquired for more than $400 million, and more are being added. It's been a remarkable growth story, and I am excited to share all the latest news with you about SJS I, SJS II, SJS III, SJS IV, and more.

SJS Real Estate Partners I, LLC

SJS I Distributes 9.2% ROI for Q2.

After distributing income that paid investors over a 10% Cash-on-Cash Return on Investment (ROI) for the last two years, back to back, SJS I delivered another solid performance for Q2, paying out 9.2% annualized Cash-on-Cash ROI to investors.

PROPERTY SUMMARIES: Northwest Arkansas - 340 Units

Tanglewood Townhomes, Bentonville – 62 Units

Tanglewood rent collections exceeded budget by 3.76%. Occupancy continues to benefit from a strong market in a neighborhood where supply is limited, averaging 93.3% in Q2. Management continues enhancing its marketing efforts to further drive occupancy in Q3.

Flagstone Creek Apartments, Bentonville – 120 Units

Although we saw a solid trend in occupancy through Q1 and record revenues in April, Flagstone didn't fully meet expectations, and the property management company was asked to re-evaluate the strategy and site team. With a new site manager and marketing plan, Q2 saw positive results with overall rent collections improving by 1.5%. However management did experience some collection issues, and decided to get very stringent on its payment requirements, which is the right policy for long-term success. While the more stringent tenant payment guidelines led to a higher number of evictions than desired and a resulting dip in occupancy, the new marketing plan resulted in 213 inquiries in June which is expected to improve occupancy in Q3.

Black Oak Apartments, Springdale – 102 Units

Black Oak continues strong operations with 96.5% average occupancy in Q2. The property also exceeded its quarterly Net Operating Income (NOI) target by 12%, making the performance outlook very positive going forward.

Casa Maria Apartments, Rogers – 56 Units

Casa Maria's average occupancy in Q2 was 92%, and collections exceeded budget by 1.2%. New marketing initiatives were implemented in Q2 that are expected to improve NOI in Q3.

NOTE: Across all four Funds, management has developed a strong presence in the Central and Northwest Arkansas markets, acquiring a total of 21 properties with 2,328 apartment units. This strategy can provide a competitive advantage through operational enhancements and economies of scale, which should help to boost asset value even further.

Quarterly Financial Summary as of 6/30/19

		# Units	Occupancy		LESS:		LESS:	
	Total	Leased as	as of	Total	Total		Int/Other	Net
Property	Units	of 6/30/19	6/30/19	Income	Expenses	NOI	Expenses	Income
Casa Maria	56	50	89.3%	122,390	-53,147	69,243	-35,298	33,945
Black Oak	102	95	93.1%	169,303	-93,648	75,655	-34,437	41,218
Flagstone Creek	120	98	81.7%	278,248	-157,659	120,589	-72,751	47,838
Tanglewood	62	59	95.2%	152,178	-89,481	62,697	-41,005	21,692
TOTAL	340	302	88.9%	722,119	-393,935	328,184	-183,491	144,693

SJS Real Estate Partners II, LLC

SJS II Pays Out 6.8% Annualized Cash-on Cash ROI – Total Cash Return 10% for Q2

SJS II's distribution of income for Q2 2019 delivered a 6.8% annualized Cash-on-Cash ROI to investors. And after accounting for cash from income used to pay down principle on the various loans, which adds directly to investor's equity in the properties, the Total Cash Return for Q2 was 10%. Looking forward, the improved performance of Campus View and Indian Creek should drive improved returns for SJS II beginning in Q3 and beyond.

SJS II Returns More Capital Back to Investors in July from Indian Creek Refinancing – Campus View is Next!

The strong turnaround and operating performance of the 70-unit Indian Creek Apartments through Q2 led to its increased valuation and successful refinancing in July. Purchased for $3M in June 2016, the property was valued by the lender at $3.8M - an increase of $800k on the $610k invested in Indian Creek. That represents a 131% gain on the capital invested in the property in only 2 years, and enabled SJS II to return another 2.4% of investor's capital back to them. To date, SJS II has now returned 29% of everyone's invested capital, several years earlier than expected.

Campus View Apartments has also seen a strong turnaround in its operations leading to its increased valuation, making it the next likely candidate for refinancing to return more capital back to investors.

PROPERTY SUMMARIES:

Colony West Apartments and Towne Oaks Apartments Little Rock, Arkansas: 342 Units

The 126-unit Colony West Apartments ended Q2 2019 with an average occupancy of 94.1%. A change was made to a more seasoned manager with a wealth of experience to increase both occupancy and NOI at the property.

The 216-unit Towne Oaks Apartments ended Q2 2019 with 89.3% average occupancy. New marketing initiatives is driving increased traffic to the property, with July occupancy expected to reach 94%.

Oakwood Apartments - Jacksonville, Arkansas: 240 Units

After successfully refinancing **Oakwood Apartments** based on its huge increased valuation in year one and returning capital back to investors early, this property continues to be a solid performer for SJS II. Occupancy has remained consistently high every quarter, finishing Q2 at 95.4%, and there is no anticipation of this changing even though rents have been increased across the board.

NOTE: Across all four Funds, management has developed a strong presence in the Central and Northwest Arkansas markets, acquiring a total of 21 properties with 2,328 apartment units. This strategy can provide a competitive advantage through operational enhancements and economies of scale, which should help to boost asset value even further.

Campus View Apartments – Lawrence, Kansas: 129 Units

Campus View Apartments has also seen a strong turnaround in its operations from a management change, leading to its increased valuation and making it the next candidate for refinancing to return more capital back to investors. Not only did Q2 collections exceeded Q1 by 9%, they were 5% higher than budget. Occupancy in Q2 averaged a very strong 94.3%. According to the lender's appraisers. Campus View was valued at $5M versus its purchase price of $3.9M – an increase of $1.1M on the $970k invested in the property (+113%). Management hopes to complete the refinancing of Campus View in Q3 2019. Based on the lender's quotes, the property should get improved loan terms that will not only enable another return of capital back to investors, but should lead to better cash flow and increased contributions to overall income going forward.

3 Building Portfolio – Kansas City, Missouri: 159 Units

Indian Creek, Grand Vue Townhomes, and Waldo Apartments

After management's dramatic turnaround of the 70-unit **Indian Creek Apartments** in Q1, the property exceeded rent collections in Q2 by 13%. Indian Creek closed Q2 at 100% occupancy. As mentioned earlier, due to its stellar performance and significantly increased valuation, the property was successfully refinanced in July, and more capital was returned back to investors. Not only was a new loan obtained with more attractive terms, it enabled a build up of reserves for capital programs at the property while at the same time, returning 70% of the original capital invested in the property back to investors.

The 40-unit **Grand Vue Townhomes** is a partial tax credit property, so there are upper limits on the income of tenants. It ended the quarter with an average occupancy of 82.3%, however, with a new site manager in place, occupancy increased to 87.5% in July. In Q3, management is pre-leasing the four units being rebuilt after a fire, and steady growth in occupancy is anticipated moving forward.

The 49-unit **Waldo Plaza Apartments** and Grand Vue share the same management and maintenance teams. As a result, Waldo Plaza had some of the same challenges as Grand Vue, however this property ended Q2 at 91.1% and as of the end of July, is at 98% occupancy.

NOTE: Across all four Funds, management has developed a strong presence in the Kansas City market, acquiring a total of 7 properties with 613 units.

Bartlett Crossing Apartments and The Enclave Apartments Memphis, Tennessee: 360 Units

The **152-unit Bartlett Crossing Apartments** and the **208-unit Enclave Apartments** ended Q2 2019 with an average occupancy of 91% and 92% respectively. Through an intense focus on operations and an enhanced marketing strategy, management expects Q3 to see higher levels of revenue.

Keep in mind that the combined value of these 2 properties increased over $4 Million since acquisition, representing over a 100% gain on invested capital in 2 years, enabling their refinancing and the return of a significant amount of the capital invested in these 2 properties during Q3 2018.

NOTE: Across all four Funds, management has developed a strong presence in the Memphis market, acquiring a total of 6 properties with 801 units.

Alan Creek Apartments – Burlington, Kentucky: 117 Units

Allen Creek continued it's steady performance in Q2. Occupancy ended strong at 99.1% with rent collections exceeding budget for the second consecutive quarter. Beztak Management has executed very well on increasing exposure to the property, which resulted in higher rents, greater occupancy, and strong distributions.

Quarterly Financial Summary as of 6/30/19

Property	Total Units	# Units Leased as 0f 6/30/19	Occupancy as of 6/30/19	Total Income	LESS: Total Expenses	NOI	LESS: Int/Other Expenses	Net Income
Colony West	126	118	93.7%	267,751	-192,417	75,334	-54,397	20,937
Towne Oaks	216	191	88.4%	406,248	-282,073	124,175	-87,920	36,255
Waldo Plaza	49	47	95.9%	101,930	-50,356	51,574	-23,946	27,628
Indian Creek	70	70	100.0%	139,444	-174,977	-35,533	-32,368	-67,901
Grand Vue	40	34	85.0%	85,488	-49,827	35,661	-18,150	17,511
Campus View	129	121	93.8%	211,895	-217,058	-5,163	-33,571	-38,734
Oakwood	240	230	95.8%	364,459	-193,454	171,005	-73,870	97,135
Bartlett Creek	152	138	90.8%	324,720	-200,259	124,461	-96,810	27,651
The Enclave	208	180	86.5%	377,083	-246,890	130,193	-107,367	22,826
Allen Creek *	117	116	99.1%	264,247	-92,459	171,788	-41,628	130,160
TOTAL	1,347	1,245	92.4%	2,543,265	-1,699,770	843,495	-570,027	273,468

*AIF II owns 67% of Allen Creek. Results from Allen Creek are 67% of the income/expenses shown above.

SJS Real Estate Partners III, LLC

SJS III Delivers 7.2% Annualized Cash-on Cash ROI – Total Cash Return is 9% for Q2

SJS III's distribution of income for Q2 2019 paid investors a 7.2% Cash-on-Cash ROI on an annualized basis, and after accounting for cash from income used to pay down principle on the various loans, which adds directly to investor's equity in the properties, investor's Total Cash Return for Q2 was 9%. The returns would have been higher if not for the tax increases levied on the Stratford Lakes and Sharon Woods properties in December to catch them up to their current higher market values. The tax increases required the payment of $201k, split into two payments between Q1 and Q2, and naturally reduced cash available for distribution during both quarters.

Here's the good news. First, the tax increases were based on the increased values of the properties, and higher values means more equity and growth of your capital. Additionally, now that those tax payments have been made, we can look forward to both properties contributing more to help increase distributions of income beginning in Q3 and beyond.

2 Additional Properties Refinanced in Q2 – More Capital Returned to Investors Early!

Not only are the values of Stratford Lakes and Sharon Woods higher, the values of other properties are also higher. In fact, two more properties increased so much in value that they were both successfully refinanced to pull out some of the equity and return more capital back to investors early.

Crown Ridge Fort Smith, which was purchased for $2.4M in January 2018, was valued at $3,342,000 by the lender. That's an increase of $942k on the $500k invested in the property – a 188% gain in value in just over one year. However most amazing is Crown Ridge Fayetteville, which was also purchased in January 2018. Acquired for $1.8M, it was valued by the lender at $3.6M, which represents a $1.8M increased value on the $400k invested in that property - a 450% gain on invested capital in just over one year.

These two properties bring the total to five that have been successfully refinanced to date, with more to come. Needless to say we have a lot to look forward to with respect to both income and growth of capital from these and other properties.

PROPERTY SUMMARIES:

Jackson Portfolio – Jackson, Mississippi: 360 Units

Briarwood Apartments, Trails at North Pointe and Belvedere Cove Apartments

The 80-unit **Briarwood Apartments** is a solid property that finished the quarter with 96.6% occupancy, and continues to perform at better than budgeted Net Operating Income. Management anticipates that the trend will continue going forward.

The 144-unit **Trails at North Pointe** had a slight decrease in occupancy for Q2, averaging 89.3%, but has been moving in the right direction since. Management has maintained an average occupancy of 91.7% throughout July.

After a good first quarter, the 136-unit **Belvedere Apartments** finished Q2 at 85.3% occupied.

The Creeks on Tates Creek – Lexington, Kentucky: 117 Units

You may recall when **The Creeks at Tate's Creek** was acquired two years ago, management knew it was a turnaround project. It's a great property, with the prior owner spending over $1.6M on capital improvements. Following takeover, management successfully stabilized the property in early 2018 in response to the initial turnaround effort, with average occupancy up to 93% in Q3'18. However, the turnaround proved to be more of a challenge than expected, and occupancy dipped during Q4'18, averaging 86.5%. As a result, a decision was made to make a change in the property management company from Towne Property Management to Betzak as of February 1st. During the month prior to Beztak taking over, occupancy dropped further. However Beztak came in and a meaningful turnaround began. As of the end of Q2, occupancy is back up to 89.7%. Another quarter of stabilization is anticipated under the new management team before we begin to see the solid performance expected from this property.

White Lakes Apartments - Topeka, Kansas: 144 Units

White Lakes Apartments finished Q2 with an average occupancy of 93.9%, and collections exceeded budget by $6k. The property was purchased for $6M, but due to its strong performance, was valued at $7.1M by the lender, an increase of $1.1M on the $1.2M invested (+92%). As a result, the property was successfully refinanced in July to get improved debt terms while pulling out some of the equity for much needed improvements on the property. The new debt structure puts the property in a position to see improved returns in the quarters ahead.

Stratford Lakes Apartments and The Reserve at Sharon Woods – Columbus, Ohio: 310 Units

The 124-unit **Stratford Lakes Apartments** and the 186-unit **Reserve at Sharon Woods Apartments** saw a slight uptick in occupancy during Q2, finishing the quarter at 92.7% and 92.5% respectively. These properties were also taken away from Towne Management as of April 1st, and put under the management of Beztak. Beztak is implementing their plans to improve the appearance of the properties, as well as implementing a more aggressive marketing strategy to drive better tenants and higher rents.

NOTE: Across all four Funds, management has developed a strong presence in the Columbus market, controlling a total of 5 properties with 766 units. This strategy can provide a competitive advantage through operational enhancements and economies of scale, which should help to boost asset value even further.

Memphis Portfolio, Memphis Tennessee: 441 Units

Cedarwood Townhomes, Sunridge Apartments, Greenview Estates, and Gardenwood Apartments

The 80-unit **Cedarwood Townhomes** continues to have quality resident retention with outstanding rent collections. It finished Q2 at 97.5% occupied with only 2 units available, is almost always 100% pre-leased with a wait list, and management expects this trend to continue.

As the sister property of Cedarwood in the same sub-market, the 51-unit **Sunridge Apartments** is also seeing consistently high occupancy, ending the quarter at 94.1%, with outstanding rent collections and consistent lease renewals. This property is expected to continue making solid contributions to SJS III.

The 152-unit **Gardenwood Apartments** finished the quarter at 92.1% occupancy, which represents a solid increase over Q1, while the 158-unit **Greenview Estates** remained steady at 88% occupied. The increased traffic and occupancy is the result of a previously launched social media-based marketing strategy implemented by management for all of the Memphis properties.

NOTE: Across all four Funds, management has developed a strong presence in the Memphis market, acquiring a total of 6 properties with 801 units.

The Woods of Turpin – Cincinnati, Ohio: 164 Units

The Woods of Turpin had a much-improved quarter during Q2 with respect to NOI and overall cash flow. With the property ending the quarter at 86.6% occupancy, management continues to work diligently on improved performance. As you know, a decision was made to terminate the relationship with Towne and bring in Beztak to manage this property. The property is well positioned for success given that the Woods community is in a great submarket of the Cincinnati MSA. Beztak feels that this will be a good asset once they have increased the property exposure through their enhanced marketing and leasing programs.

Crown Ridge Portfolio – Fayetteville and Fort Smith, Arkansas: 116 Units

The 56-unit **Crown Ridge Fayetteville Apartments** continues to perform strongly. The property averaged 94.7% occupancy during Q2. Rent collections exceeded budget for the second consecutive quarter, and distributions from the property exceeded budget by 100%. As discussed earlier, the property's strong performance resulted in a significant increase in value, enabling its refinancing to return more capital back to investors in May of Q2. Purchased in January 2018 for $1.8M, it was valued by the lender at $3.6M, which represents a $1.8M increased value on the $400k invested in the property - a 450% gain on invested capital in just over one year.

The 60-unit **Crown Ridge Fort Smith Apartments** also continued to perform well. The property averaged 91.5% occupancy during Q2, but was expected to finish July very strong at 97.7%. Rent collections were behind budget by 2.4%, but improved performance is expected for Q3. Purchased for $2.4M in January 2018, it was valued at $3,342,000 by the lender. That's an increase of $942k on the $500k invested in the property – a 188% gain in value in just over one year.

NOTE: Across all four Funds, management has developed a strong presence in the Central and Northwest Arkansas markets, acquiring a total of 21 properties with 2,328 apartment units.

Kansas City Portfolio – Kansas City, Missouri: 454 Units

Rivermont Apartments, Mark IV Apartments, Lexington Square Apartments and Roosevelt Apartments

The 108-unit **Rivermont Apartments** continues to impress with its steady high occupancy rate, averaging 97.6% during Q2. Rivermont has a strong tenant base and management anticipates the trend of long-term residents to remain steady – which should lead to a solid year, both in terms of occupancy and financial performance.

The 110-unit **Lexington Square Apartments** has maintained steady and strong occupancy levels - ending Q2 with an average of 94.8% for the quarter. Rent collection increased to 6.68% above budget, and NOI exceeded budget by 20.06%. With a solid tenant base and lease renewals, it's anticipated for this trend to continue in Q3.

The 68-unit **Roosevelt Apartments** is seeing a consistently high occupancy, averaging 96.2% during Q2, along with high rent collections and lease renewals. Roosevelt exceeded its budgeted NOI by 22.07%, and is projected to continue its strong performance moving forward into Q3.

NOTE: Across all four Funds, management has developed a strong presence in these Kansas City submarkets, acquiring a total of 7 properties with 613 units

Walnut Trails Apartments – Elkhart Hills, Indiana: 210 Units

Walnut Trails Apartments continues to be one of the strongest performers for SJS III. Occupancy remained very favorable during Q2, ending the quarter at 94.8%. Collections were consistent throughout the quarter as well. With a number of improvements and added amenities completed in 2018, management is continuing its efforts to push rents $20-$30 higher across the property, while still maintaining high occupancy.

The Tanglewood Apartments – Warner Robins, Georgia: 159 Units

After a great 2018 and a solid 1st quarter in 2019, **Tanglewood Apartments** had another strong quarter in Q2. Tanglewood's occupancy remained consistently high throughout Q2, finishing the quarter at 95% leased. We remain very optimistic about the prospects for continued strong results going forward.

The San Marin Apartments – Tucson, Arizona: 176 Units

Once again, the **San Marin Apartments** proved to be one of the steadiest and best performing assets for SJS III. Coming off the highest revenue month ever recorded at the property in December 2018, and a very healthy Q1, total income, NOI and cash flow were even better in Q2 as it finished the quarter 96.6% occupied. The property management company, Arizona First, continues to do a great job of getting the most out of this property.

NOTE: Across all four Funds, management has developed a strong presence in the Tucson market, acquiring a total of 4 properties with 768 units.

Quarterly Financial Summary as of 6/30/19

Property	Total Units	# Units Leased as of 6/30/19	Occupancy as of 6/30/19	Total Income	LESS: Total Expenses	NOI	LESS: Int/Other Expenses	Net Income
White Lakes	144	136	94.4%	255,039	-163,433	91,606	-80,864	10,742
Rivermont	108	105	97.2%	230,082	-139,331	90,751	-42,065	48,686
Mark IV	168	149	88.7%	301,628	-189,681	111,947	-73,600	38,347
Lexington Square*	110	107	97.3%	211,333	-106,244	105,089	-47,080	58,009
Briarwood	80	78	97.5%	159,714	-88,599	71,115	-36,089	35,026
Tates Creek	117	105	89.7%	238,552	-193,643	44,909	-60,563	-15,564
Stratford Lakes	124	115	92.7%	290,476	-194,341	96,135	-78,167	17,968
Trails	144	128	88.9%	292,200	-214,019	78,181	-64,787	13,394
Belvedere	136	116	85.3%	194,974	-177,978	16,996	-27,226	-10,230
Woods of Turpin	164	142	86.6%	315,785	-168,944	146,841	-77,259	69,582
Gardenwood	152	140	92.1%	248,712	-169,887	78,825	-51,189	27,636
Greenview	158	139	88.0%	245,872	-155,015	90,857	-52,722	38,135
Walnut Trails	210	199	94.8%	426,988	-225,583	201,405	-102,671	98,734
Roosevelt Park	68	65	95.6%	126,028	-52,765	73,263	-23,260	50,003
Sunridge	51	48	94.1%	118,242	-50,930	67,312	-22,967	44,345
Cedarwood	80	78	97.5%	127,845	-74,936	52,909	-26,202	26,707
Tanglewood	159	151	95.0%	239,146	-151,009	88,137	-52,864	35,273
Sharon Woods	186	172	92.5%	421,808	-241,867	179,941	-120,214	59,727
San Marin	176	170	96.6%	341,588	-174,489	167,099	-86,656	80,443
Crown Ridge – Fay	56	51	91.7%	109,734	-58,789	50,945	-40,666	10,279
Crown Ridge – FS	60	54	90.0%	101,549	-58,719	42,830	-48,321	-5,491
TOTAL	2,651	2,448	92.3%	4,997,295	-3,050,202	1,947,093	-1,215,432	731,661

SJS Real Estate Partners IV, LLC

SJS IV – Distribution of Income Pays Out 7.1% Annualized ROI Based on Capital Invested in First 25 Properties

With acquisitions almost completed, 27 properties have been acquired totaling 3,450 units. There are 3 more due to close with another 550 units that will bring the total to 4,000 apartments, and 2 more being reviewed by the investment committee. Acquisitions are expected to be completed by the end of Q3. Of course the Q2 distribution was from the properties that were owned during Q2, which included 25 of the properties that have 3,114 units.

How did SJS IV perform in Q2? Although investors had 75% of their total capital commitments invested for most of the quarter, with the final capital call being made in June, 67% of their capital was allocated for the 25 properties that were included in the Q2 distribution. The most accurate way to measure how the assets are performing is to calculate the annualized cash-on-cash return on the capital invested in those 25 properties that were included in the Q2 distribution. Of course you can't measure the performance of properties that were either too new to be part of the Q2 distribution, or haven't even been acquired yet.

The distribution of income paid out to SJS IV's investors for Q2 represented an annualized cash-on-cash ROI of 7.1% based on the amount of capital invested in those 25 properties. Looking ahead, the Q3 2019 distribution of income will include even more properties, and we anticipate the Q4 distribution to be the first from all of the properties, which everyone is most excited about.

SJS IV Returns Capital Back to Investors Early from Eastwood Refinancing – Ashwood & Wobbe Lane May Be Next!

What's most amazing is that the first property acquired in February 2018, has already increased so much in value that it was successfully refinanced to pull some of the equity out to begin returning capital back to investors early. The 96-unit Eastwood Apartments in Little Rock, Arkansas was purchased for $2.8M, and due to its strong operating performance, was valued at $4.1M by the lender who refinanced 70% of that value. That represents an increased value of $1.3M on the $830k invested in the property – a 157% gain on invested capital in just over one year. After setting aside reserves for immediate repairs and other lender reserve requirements, 75% of the original equity capital invested in the property was returned to investors in mid-May.

Other good candidates for refinancing include the 144-unit Ashwood Apartments in Tulsa, Oklahoma and the 128-unit Wobbe Lane Apartments in Springdale, Arkansas. Both properties have now been owned for more than a year, and are performing well ahead of budget. Management is discussing potential programs with lenders in hopes of completing the process to return more capital during the second half of 2019. We'll keep you informed as we get further information.

New Apartment Development Project – Wobbe Lane II

A confluence of special factors have provided a unique development opportunity at the 128-unit Wobbe Lane property in Springdale, Arkansas. There were several extra acres of open land included with the Wobbe Lane property when it was purchased. The prior owner had originally planned to build another 128 units there, but ended up selling the property before they moved forward on the project. Wobbe Lane is one of the best performing properties in Fund IV, and is nearly always 100% leased with a wait list. In addition, the City of Springdale is very supportive of the development project, given there is a huge shortage of workforce housing in the city itself. As a result, management feels that there would be relatively low risk and strong returns generated by updating the existing plans and building the 128 new units.

Management is in the beginning stages of breaking ground on this project. The plan is to build another 128 units next to the existing 128 units. $1.7 million of capital has been allocated to the project, and the balance of the $7,000,000 project is being financed with a construction loan from a local bank. A highly experienced multi-family general contractor has been engaged to handle the project on a fixed bid basis. Wobbe Lane II is expected to be completed in the second quarter of 2020, and if the proforma numbers prove correct, the building should be the highest returning property in Fund IV.

PROPERTY SUMMARIES:

The Arkansas Portfolio: 10 Properties - 954 Units

Eastwood Apartments – Jacksonville, Arkansas: 96 Units

The Eastwood Apartments was the first property acquired in February 2018. As mentioned above, Eastwood increased so much in value based on its strong performance, it was successfully refinanced during Q2 to pull out some of the equity and return capital back to investors early. Eastwood was valued at $4.1M by the lender who refinanced 70% of that value. That represents an increased value of $1.3M on the $830k invested in the property – a 157% gain on invested capital in just over one year. Of course the one-time new loan costs impacted cash flow in Q2, but we expect continued strong performance from Eastwood going forward.

Chapel Ridge I (116 units) & Chapel Ridge II (32 units) – Conway

Chapel Ridge I and **Chapel Ridge II Apartments** were tax credit properties that had just reverted to market before acquisition. Each time an old tax credit tenant leaves, management is able to get a sizeable rent increase from the new tenant. While that process results in some turnover and requires patience, it's expected to payoff nicely over time. Combined, the properties finished Q2 at 91.2% occupancy.

Chapel Ridge Apartments - Fort Smith: 84 Units

Chapel Ridge finished Q2 strong at 94.2% occupancy. Its continuing high occupancy has validated the asset to be of great value to the region, and the property is expected to remain a top performer through 2019.

Crown Ridge I (64 Units) & Crown Ridge II (64 Units) – El Dorado

Crown Ridge I and **Crown Ridge II Apartments** are in a strong market, and continued to outperform with consistently high occupancy throughout Q2, finishing the quarter with no change from Q1 at 95.3%. Management expects this trend to continue as we capitalize on the value of these properties meeting the needs of the region.

Wobbe Lane Apartments – Springdale: 128 Units

Wobbe Lane Apartments continues to maintain occupancy above budget with a Q2 average of 98.2%. Rent collections in Q1 were over budget by 6%. In Q2, rent collections exceeded budget by 9%. The strength of the local job market in this part of Springdale along with the lack of any new building are factors we expect to keep supporting the strong performance of the property.

West End Lofts – Fort Smith: 34 Units

Management was looking for a positive uptick from **West End Lofts** following the completion of roofing renovations and the lender's green items, and the property delivered. Occupancy saw a solid gain over Q1, closing the quarter strong at 94.1% leased. West End Lofts should continue to be an added resource of exceptional housing along the Fort Smith riverfront.

Bowman Heights (80 Units) & The Waterford (256 Units) – Little Rock

Bowman Heights Apartments and **The Waterford Apartments** are located only blocks from each other, and are the most recent acquisitions with takeover in mid-June. With only two weeks of performance realized from the properties during Q2, they are off to a good start, finishing the quarter at 97.5% and 96.9% occupancy respectively. We look forward to both properties being strong contributors to overall performance going forward.

NOTE: Across all four Funds, management has developed a strong presence in the Central and Northwest Arkansas markets, acquiring a total of 21 properties with 2,328 apartment units. This strategy can provide a competitive advantage through operational enhancements and economies of scale, which should help to boost asset value even further

Rivershell Apartments – Lansing, Michigan: 136 Units

Rivershell Apartments continued its impressive performance, finishing Q2 at 95.6% occupied. Management anticipates both occupancy and financial performance to continue strongly moving forward into 2019.

Summerfield at Northlake – Warner Robins, Georgia: 115 Units

After acquisition in Q1 2019, **Summerfield At Northlake** continues to be a strong contributor with average occupancy of 96.7% during Q2. Rent collections for the second consecutive quarter exceeded budget by 9%. Management expects the property to continue its solid performance throughout 2019.

Hidden Bluffs Apartments – Council Bluffs, Iowa: 100 Units

Hidden Bluffs was a turnaround story when it was acquired. It was a nice property with good fundamentals, but with a tenant base that needed improvement. In Q1 2019, the tipping point was crossed on the turnaround effort as management felt the property reached a stabilized tenant base of the quality desired. Although it was a challenge to keep the property over 90% occupied following acquisition, Hidden Bluffs closed Q2 with another increase at 94% occupied.

With the tenant base stabilized, management continues to move forward aggressively with the planned unit upgrades that were budgeted for at acquisition. After upgrading the first 9 units at an average cost of $1,600 each, management was able to achieve an annual rent increase of $720 per unit ($60 per mo.). As a result, management is executing on its plan to upgrade 30 more units in 2019. The increase in Net Operating Income from the higher rents should increase the property's value by a multiple of that amount.

Tucson, Arizona: 592 Units

Mission Creek Apartments, Palomino Crossing Apartments, Paseo del Sol Apartments

The 200-unit **Mission Creek Apartments** continues to perform at high occupancy levels, finishing Q2 at 95.5%. Arizona First is doing an excellent job managing the property. In Q1 2019, a program was launched to upgrade 5 of the one-bedroom units to verify that the refurbished units can be leased for a 10-15% rent premium. If that program proves successful, a larger project will be undertaken to upgrade all 166 one-bedroom units, leading to a significant increase in NOI, and an increase in the value of the property by a multiple of that amount.

In addition to Mission Creek, two more properties were added in Q4'18, including the 240-unit **Palomino Crossing Apartments** and the 152-unit **Paseo Del Sol Apartments**. Following takeover, occupancy at both properties has remained exceptionally strong, with Palomino finishing Q2 at 97.5%. Paseo Del Sol is one of the best performing assets for SJS IV. Occupancy continues to average over 95%, and rent collections exceeded budget in Q2 by $46K. As a result, distributions exceeded budget by 35%. Management expects the strong results to continue.

NOTE: : Across all four Funds, management has developed a strong presence in the Tucson market, acquiring a total of 4 properties with 768 units.

Monroe, Louisiana: 273 Units

Shadow Wood Apartments and Shadow Forest Apartments

The 152-unit **Shadow Forest Apartments** is outperforming its original occupancy budget of 85% with an average occupancy in Q2 of 94.8%, and collections increased by 4.65% from Q1, with Q2 being 1.75% above budget. Similarly, the 121-unit **Shadow Wood Apartments** finished Q2 at 95% occupied, well ahead of its original occupancy budget of 90%. The significant improvement in occupancy at both properties should lead to stronger cash flows and an improved valuation over their hold periods.

Ashwood Apartments – Tulsa, Oklahoma: 144 Units

Ashwood Apartments continues to operate as one of the better performing properties in Fund IV. It has a relatively upscale tenant base and that is reflected in its excellent occupancy, strong resident retention, above-budget rent collection, and good financial performance. Ashwood ended Q2 2019 at 97.2% occupancy, and rent collections surpassed budget by 1.5%

Columbus Portfolio - Columbus, Ohio: 456 Units

Creekbend Apartments, Bolton Estates Apartments, Hidden Creek Apartments

Following takeover of the 64-unit **Creekbend Apartments**, the 196-unit **Bolton Estates Apartments**, and the 196-unit **Hidden Creek Apartments,** the management team's initial goal was to stabilize the properties by removing undesirable carryover tenants in an effort to bring the renter base up to a higher standard – a process that often leads to occupancy volatility in the short-term, and requires patience. As previously reported, Towne Management was not doing a good job achieving set goals, and the 3 properties were taken away as of April 1st and put under Beztak to takeover management. Beginning in Q2, Beztak began implementing their plans to improve the appearance of the properties, in addition to a more aggressive marketing strategy to drive better tenants and higher rents. Although distributions from these properties was expected to be minimal through the transition period, we look forward to stronger occupancy and cash flow once Beztak has the properties fully operating under their management.

NOTE: Across all four Funds, management has developed a strong presence in the Columbus market, acquiring a total of 5 properties with 766 units.

Concord Club Apartments – Romulus, Michigan: 144 Units

Following the takeover of **Concord Club Apartments** at the end of Q4 2018, Betzak, the property management company, was eager to show the community's potential. Concorde Club is located next to the area's top employers, including a newly opened state-of-the-art Amazon fulfillment center. Following a strong Q1, the property ended Q2 at 98.1% occupied with a solid financial performance.

Lakeside Apartments – Battle Creek, Michigan: 144 Units

The **Lakeside Apartments** closed Q2 with a 4.75% increase in rent collections over Q1. Although cash distributions were behind budget for Q1, mainly due to the capex ramp up for the rehab project , the Q2 distribution from the property exceeded the budgeted distribution target. Village Green Management continues the rehab project planned in the acquisition underwriting, and they expect to maintain the Q2 momentum into Q3.

Sorensen Square Apartments – Omaha, Nebraska: 84 Units

Taken over in mid-March, **Sorensen Square Apartments** is located approximately 5 miles from an earlier acquisition - Hidden Bluffs Apartments in Council Bluffs, Iowa. The addition of Sorensen Square to the portfolio will help add scale in the Omaha MSA and reduce the overall expense load. The property finished its first full quarter 98.1% occupied, and we're very excited about its prospects going forward.

Shreveport, Louisiana: 248 Units

South Pointe Apartments and Fox Trails Apartments

The 104-unit **South Pointe Apartments** and the 144-unit **Fox Trails Apartments** are located only 2 miles from each other. After initially losing the two properties to a higher bidder, the buyer was unable to close. This opened up an opportunity to acquire both properties at the original bid price. Both properties were owned by a publicly traded REIT and are in excellent condition. BH Management, the 9th largest property management firm in the United States, is managing both assets. Both properties finished Q2 strong, with South Pointe closing the quarter at 90.4% occupancy, and Fox Trails finishing the quarter at 92.4%.

Quarterly Financial Summary as of 6/30/19

Property	Total Units	# Units Leased as of 6/30/19	Occupancy as of 6/30/19	Total Income	LESS: Total Expenses	NOI	LESS: Int/Other Expenses	Net Income
Eastwood	96	86	89.6%	133,118	-101,090	32,028	-75,292	-43,264
Northlake	115	112	97.4%	196,271	-111,561	84,710	-42,630	42,080
Rivershell	136	130	95.6%	232,751	-176,283	56,468	-48,085	8,383
Hidden Bluffs	100	94	94.0%	217,588	-197,523	20,065	-48,401	-28,336
ChapelRidge I Conway	116	106	91.2%	245,946	-194,257	51,689	-70,234	-18,545
ChapelRidge II Conway	32	29	91.2%	incl	incl	incl	incl	incl
CrownRidge Ft. Smith	84	79	94.2%	165,864	-96,960	68,904	-35,533	33,371
CrownRidge I El Dorado	64	61	95.3%	252,267	-198,010	54,257	-53,630	627
CrownRidge II El Dorado	64	61	95.3%	incl	incl	incl	incl	incl
Wobbe Lane	128	125	97.7%	219,243	-95,975	123,268	-65,626	57,642
Mission Creek	200	191	95.5%	357,069	-224,563	132,506	-111,640	20,866
Shadow Wood	121	115	95.0%	243,355	-171,634	71,721	-71,440	281
Shadow Forest	152	141	92.8%	305,024	-170,512	134,512	-63,036	71,476
Ashwood	144	140	97.2%	261,020	-164,585	96,435	-76,755	19,680
Creekbend	64	50	78.1%	119,784	-71,741	48,043	-49,419	-1,376
Bolton Estates	196	160	81.6%	396,071	-175,795	220,276	-145,137	75,139
Hidden Creek	196	151	77.0%	400,853	-188,902	211,951	-148,473	63,478
Palamino Crossing	240	234	97.5%	465,618	-236,399	229,219	-128,740	100,479
Paseo del Sol	152	143	94.0%	444,053	-211,976	232,077	-123,945	108,132
Lakeside	188	168	89.4%	365,375	-274,727	90,648	-98,728	-8,080
West End Lofts	34	32	94.1%	97,043	-54,354	42,689	-28,796	13,893
Concord Club	160	157	98.1%	355,346	-218,343	137,003	-67,706	69,297
Sorensen Square	84	80	95.2%	133,018	-80,326	52,692	-28,296	24,396
South Pointe	104	94	90.4%	126,465	-83,810	42,655	-24,630	18,025
Fox Trails	144	133	92.4%	215,232	-136,290	78,942	-52,454	26,488
Bowman Heights*	80	78	97.5%	17,099	-2,843	14,256	-4,855	9,401
Waterford*	256	248	96.9%	67,416	-7,192	60,224	-21,026	39,198
TOTAL	3450	3198	92.7%	6,032,889	-3,645,651	2,387,238	-1,684,507	702,731

* Property was taken over in late Q2, and financial data provided is only for a partial quarter.

Investors Asking About SJS V – Coming Soon!

With SJS IV now invested in 27 properties having a total of 3,450 apartments, and all capital nearly fully deployed into additional properties that are under contract, we are in the final planning stage for SJS V. Current deal flow has been very favorable, and everyone wants to keep that momentum going. While we consider how we can make SJS V even better for investors, there is one thing you should know now. Since there will be a limited number of units available in SJS V, those units will be offered to our current investors first - before being released to fulfill other requests. With all our success combined with the recent stock market volatility and low bond yields, the list is getting long, so if you haven't already, give us a call or shoot us a quick email to let us know you're interested. It's more important than ever for us to talk early this time to make sure there is enough for everyone.

In Conclusion

As we continue to execute on our mission of delivering exceptional income every quarter in addition to the capital growth we're building in the properties, congratulations to all of our partners who are participating with us. This is proving to be a rare opportunity for everyone – and should be a leading performer among all your investments over the life of the hold period.

Yours always,
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