



# BLACK SWAN REAL ESTATE

Black Swan Funds



**Q1 2024**  
Performance Report



Dear Black Swan Investors,

What an exciting start to 2024! In the first quarter, we launched, filled, and closed on our first acquisition for Black Swan Real Estate Fund III. After a year of waiting for the right moment to launch, it was such a pleasure to finally get to serve you, our dear investors, with this incredible opportunity. You have blown us away time and time again with your eagerness for our investor-first offerings and your unwavering support and trust in us. Thank you. It is an absolute honor to be a part of your freedom journey.

We're excited to report on yet another successful quarter at Black Swan! As we transition into a post-renovation phase at many assets, we have fewer updates for you as we remain focused on optimizing our operations. We are pleased to have started the New Year with continued strong operations, renovation, and leasing performance.

We'd like to take a moment to reiterate that at Black Swan, we believe in putting the investor first, and we remain dedicated to providing the best possible outcomes for you. Our team is working tirelessly to navigate the ever-changing market and ensure that we are taking the best care of our residents, assets, and investors. Rest assured that Black Swan is poised for success with fixed rate debt, industry leading occupancy rates, incredible liquid reserves, and deep vertical integration. There will never be a mandatory capital call. (We've never had a capital call (ever!), we're incredibly liquid, and with all fixed rate debt, we don't have exposure to rising mortgage costs). We will continue to practice radical transparency with you. Know that we continue to be diligent in executing the value-add business plan to drive returns.

With that, we're excited to share our full report with you, and we thank you again for your continued trust and support. It is an absolute honor to serve you.

If you know anyone who would benefit from connecting with us, we would love to hear from them. Thank you for embarking on this investing journey with us.

All our best,

*Nick and Dr. Elaine Stageberg*



## FREQUENTLY ASKED QUESTIONS

### **When will I receive my K-1?**

We have been advised by our CPA to hold K-1s until May 15 as we wait for the government to make a decision about reinstating 100% bonus depreciation. We have K-1s ready to go and we will send them as soon as we get the green light.

### **How do I access my tax forms?**

K-1s will be sent via email from “safesendreturns” and uploaded to your InvestNext portal.

### **How do I log in to InvestNext?**

Access your InvestNext portal at [blackswan.investnext.com](https://blackswan.investnext.com)

OR

Scan the QR code to get to the InvestNext portal login.



### **When is the next in-person event?**

Real Estate Real Life 2024 is taking place in Rochester May 17 - May 19. You still have the chance to attend RERL Virtual on May 18 for a full day of powerful lessons in real estate content and mindset. **Ticket sales close Wednesday, May 14 at 11:59pm central.**

[Get your ticket now!](#)

### **When should I anticipate receiving a distribution?**

*Fund I* - at a minimum, we are sending monthly distributions totaling 4% of your initial investment throughout 2024.

*Fund II* - we will potentially send a distribution in Q4 2024, pending the status of the RDS construction project and debt renewal.

*Fund III* - we are currently in the acquisition phase and anticipate distributions will begin in Q3 or Q4 of 2025.

### **When is the next offering?**

Black Swan Fund IV is likely coming very soon! We are writing offers on a lot of great deals right now, so depending on how those deals shake out, we may open Fund IV in the next few months. [Get on the waitlist at blackswanfund4.com.](https://blackswanfund4.com)

### **Why are there no fees?**

To have complete alignment with our investors and put you, our investors first.

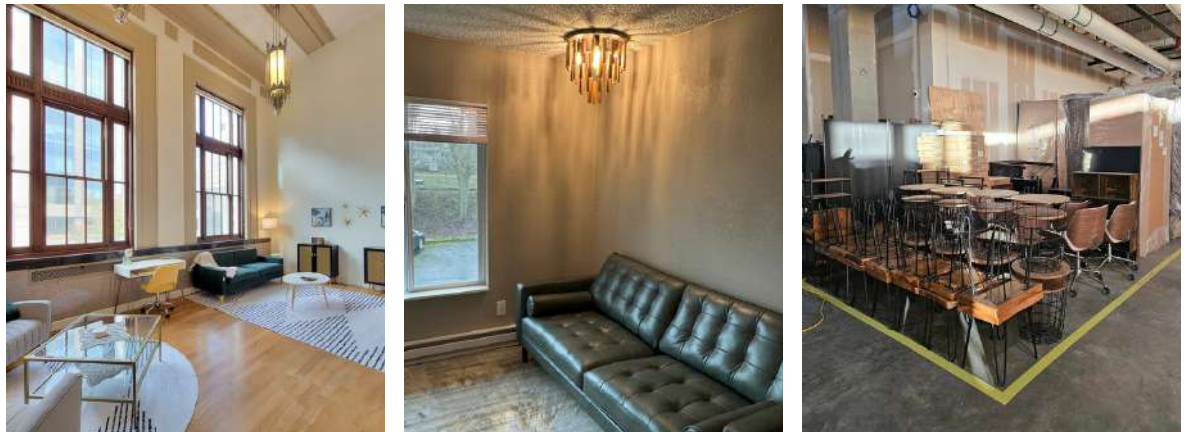
### **What is an infinite rate of return?**

Once all cash is out of the deal and has been returned to investors, everyone stays in the deal for decades. Because there is \$0 in the deal, all returns are "divide by 0," which is an infinite rate of return! This is the fastest path to large wealth creation.



# SHORT TERM RENTALS

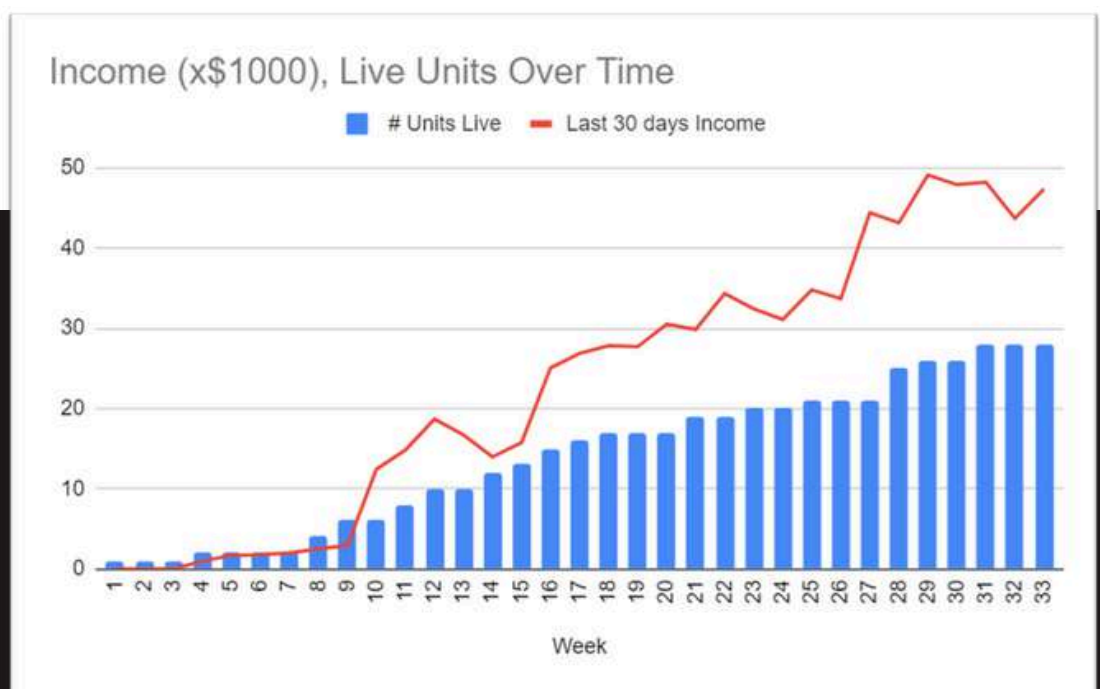
In September, we launched the short term rental arm of the business, and we are pleased to share that we have successfully scaled our operations! Today, we have **28** units online with 20 more coming in the next weeks! We earned Superhost status on airbnb and now aim to capture as many direct bookings as possible through our own short term rental website.



We continue to spin up STR units where it makes sense in both Rochester and Tacoma. Now that we've scaled to have in-house cleaning, maintenance, and a big staff to take on the service burden, it makes perfect sense for our team. We will have a fuller picture of STR performance after a year.

## Initial Results

- **\$50k** revenue in the last 30 days--*\$20k more than in Q4 2023!*
- Steady revenue in slow season
- Moved to direct booking
- Created secondary stream of leads for both STR & LTR
- Scaled rapidly!





## BLACK SWAN LIVING

The story of 2024 continues to be that vertical integration wins the day. Black Swan Living Property Management has continued to optimize our operations as we have grown. In addition to a large property management, maintenance, and facilities staff, we now have a strong remote team to keep operations running smoothly 24/7.

With increased visibility and control over all property management activities, we have drastically improved our efficiency. We are walking every property, checking every thermostat, turning off unneeded heaters, shutting off water in vacant units, and purchased 100 high tech thermostats to go into all common areas and many units. We have disconnected \$500 per month worth of phone lines and call boxes. We are tracking every single utility bill at every single building, finding ways to improve and save money for the asset. This is a huge win!

As we move out of the renovation phase at most of our assets, we've been able to focus on improving our efficiency and deeping our vertical integration. We are able to fill units at higher rents post-renovation, and receive fewer maintenance requests. We are poised for a very strong year of leasing!

Our first season of in-house lawn and snow was a HUGE success. We saved a minimum of 50% across the board on snow, some assets saved up to 80%! The assets in the Black Swan Funds are consistently receiving better care at a much lower cost.

### Q1 stats from the Black Swan team:

- 17 rehabs completed
- 1,458 maintenance tickets closed
- 120 leases signed
- 53.71% renewal rate
- 7.24% average renewal escalation
- Top 2% of maintenance speed in the industry
- Top 1% of all real estate agents in the state!





# FUND I PERFORMANCE

Outside of the major construction project wrapping up at RDS, the Fund I portfolio is stabilized. We add value through renovation and management improvement, so as we move into a post-renovation phase, the assets perform quietly and consistently. This is the business plan at work!

## Distributions

Fund I will enjoy monthly distributions totaling 4% of the total invested amount over the course of 2024. As of April 2024, 13% of capital has been returned. We consider this to be the baseline for distributions and hope to send out even more, but need to get to a more steady state with the construction project & debt renewal at RDS before doing so.

## The Nicholas

This quarter, The Nicholas saw continued steady performance. There are 2 vacant units as of 4/24. We are now operating 4 units as STRs.



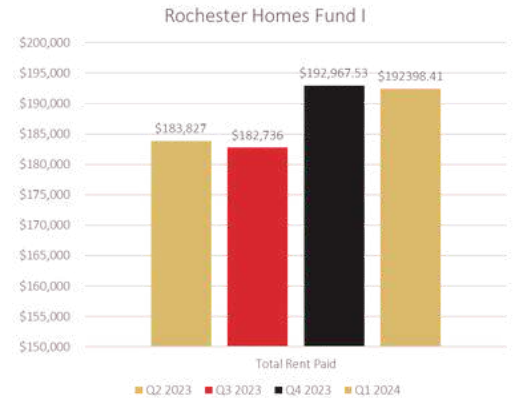
## The Nicholas

**Average Unit Price: \$1,682 per month**  
**Rent roll increased 7.08% in 2023!**

## Single Family Homes

The portfolio is stabilized and continues to yield steady, consistent returns. There is 1 vacancy as of 4/1. The average home price in Rochester went up 6.9% over 2023! The portfolio is steadily appreciating!

## Total Rent Paid by Quarter





# RESIDENCE @ DISCOVERY SQUARE

Residence at Discovery Square (RDS) is owned by both Black Swan Fund I *and* Black Swan Fund II. At the time of purchase, this was a 129 unit building with an entire first floor of vacant commercial space. Today, as we wrap up construction on the luxury industrial flats, there are 149 residential units. This has been a HUGE project and the transformation is pretty insane.

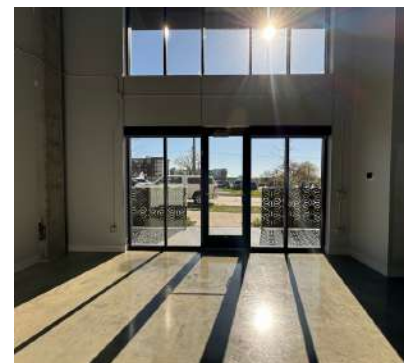
## Short Term Rental

The modern finishes, premium amenities, and prime downtown location at RDS make it the perfect candidate for STR. We are now operating **13** units as STR, with **20** more coming online in the next couple weeks as we wrap up construction on the industrial flats! Plus, we have the advantage of using vacant commercial space as a warehouse so we're prepared with any furnishings we need.

## Industrial Flat Buildouts

Construction of our luxury industrial flats wrapped up on schedule in April! Our team is working diligently to get these units furnished & leased. It's quite the transformation.

Estimated construction cost: \$100k per unit  
Estimated value when complete: \$225k per unit  
Estimated gross profit: **\$125k per unit**  
Estimated equity created: **\$3.1M+**





## FUND II PERFORMANCE

We are in a post-renovation phase for most assets in Fund II, and remain focused on strong leasing performance and rent escalations. Fund II will potentially receive a distribution in Q4 2024, pending the status of RDS.

### Renovation Highlights:

- Douglas Trail - Phase I nearly complete
  - 80 rehabs complete
  - Washer/dryer retrofit complete
  - Brought flooring in-house!
- City Hall Apartments - *complete!*
- Tanara Villa
  - Started doing light rehabs
  - Reorganized construction loan!
- Garfield
  - Light renovations have been extremely successful!
  - Added exterior lighting
- Kensington & Lauriston
  - Mix of light & heavy renovations

### First Cash-Out Refi!

We closed on the Colby Apartments in April 2023, with a purchase price of \$2.65M. In January 2024, we obtained a cash-out refi for \$1.9M\*. The Colby appraised for \$3.781M--that's **\$1M of equity created in 9 months!**

*\*The proceeds from this cash-out refi are feeding construction at RDS so we can continue to add value to that asset and get to that infinite rate of return in the future!*

### Short Term Rentals

- 13 at RDS
- 6 at Old City Hall
- 1 at The Riverview
- 1 at Tanara Villa
- 1 at Kensington & Lauriston







# FUND II PERFORMANCE

## Old City Hall | \$1,680/mo avg

- Renovations complete!
- No vacancies
- 6 STRs

## Douglas Trail | \$1,326/mo avg

- Rehabs nearly complete
- Steady rent growth
- 7 vacancies as of 4/1
- In 2024, management effort will decrease by 90% and revenue will double
- Could refi now, but that would be shortsighted

## Hamptons | \$1,462/mo avg

- 3 vacancies as of 4/1
- Will refi in ~1 year
- Community feel has completely changed

## The Riverview | \$1,417/mo avg

- 5 vacancies as of 4/1
- 1 STR
- Paid off seller carry- HUGE win!
- Extensive common area improvements

## The Colby | \$925/mo avg

- 8 vacancies as of 5/1, 4 with future leases
- Cash out refi in Q1
- Met with architect about knocking down

**As we are in a more stabilized phase in Fund II, our focus is on leasing & rent escalations.**

**Our Q1 vacancy portfolio wide was 3.8%**

## Year Over Year Rent Growth

Now that we're transitioning into a post-renovation phase for most of the Fund II portfolio, the year over year rent growth at each asset shows the value add business plan at work!

	January 2023 Rate	January 2024 Rate	% Difference
<b>FUND I</b>			
Nicholas + Oliver	\$1,622.13	\$1,736.94	7.08%
Single Family Homes	\$2,003.59	\$2,100.63	4.84%
<b>FUND II, Rochester</b>			
Colby (5/1/2023)	(5/1/2023) \$692.40	\$905.00	30.70%
Douglas Trail	\$1,022.72	\$1,318.46	28.92%
Hamptons	\$852.50	\$1,652.50	93.84%
Old City Hall	\$1,301.00	\$1,675.88	28.81%
RDS	(5/1/2023) \$1388.93	\$1,653.90	19.08%
Riverview	\$1,828.23	\$1,425.81	-22.01%*
<b>FUND II, Tacoma</b>			
Garfield	\$728.26	\$1001.44	37.51%
Kensington + Lauriston	\$988.19	\$1,066.02	7.88%
Tanara	\$1,033.25	\$1,262.60	22.18%

\*Result of transition from short term to long term leases at acquisition.



## FUND II: TACOMA UPDATES

### Tanara Villa Apartments

As the city continues to substantially slow our efforts for heavy renovations, we have pivoted to a light renovation strategy and successfully reorganized our construction loan. Renovations are moving along now, and we saw a huge improvement in leasing in Q1. We're pleased with the completed renovations and the rent escalations!

- 24 heavy rehabs complete
- 12 light rehabs complete
- 18 units in heavy renovation
- 3 units in light renovation



### Garfield Apartments

The feel of the residential and commercial space continue to improve drastically. The light renovations have been extremely successful! Common areas have been improved with new carpet, paint, lighting, and a new controlled entry system. Average rents have increased by 30% in 9 months! We just added exterior lighting and secured another high quality commercial tenant. Garfield is also a good STR candidate!

- 9 units complete



### Kensington & Lauriston Apartments

We're continuing our value-add strategy with light renovations and rent escalations. We've improved common areas with upgraded laundry rooms, new corridor lights, controlled entry, and new electrical panels. We are currently testing 1 STR.

- 8 heavy rehabs complete
- 7 light rehabs complete
- 8 under renovation
- 4 units available to lease





## FUND III ACQUISITIONS

We are so excited to share our very first update for Black Swan Real Estate Fund III! This Fund is a \$15M offering that launched in February and filled in a week! We've waited a long time to get the right deal under contract, and we are so pleased with how this Fund is coming together.

### Fund III Acquisitions

#### Uptown Apartments - Closed!

- Acquired April 11, 2024
- 29 Class A units in Rochester, MN
- \$5.35M purchase price
- Smoothest closing ever!
- 4 vacant units
  - 2 leases startingn 6/1
  - 2 actively leasing at \$1,699+ per month
  - Seller guarantee of vacancies for 120 days



*Uptown Apartments*

#### Viking House Triplex - Closed!

- Acquired March 2024
- Short Term Rental triplex in Rochester, MN
- Already operated as STR
- We own the ENTIRE block!



*Viking House*

#### Single Family Homes - Closed!

- 2 single family homes in Rochester, MN
- Acquired in February 2024
- Light renovations already complete
- Leasing at \$2,000+ per month



*Single Family Home Before*



*Single Family Home After*



## FUND III ACQUISITIONS

### Fund III Deals in Flight

#### **Baywater Apartments - Under Contract**

- 34 units in Tacoma, WA
- \$5M purchase price
- 1970 garden style Class C apartments
- LIHTC property, LURA expires in 2 years
  - \$147k/unit at purchase
  - \$165k/unit when LURA expires
- Expected closing: 6/1

#### **Baycrest Apartments - Under Contract**

- 30 units in Tacoma, WA
- \$4.2M purchase price
- Amazing A++ location, just down the block from another Black Swan property
- Value-add plan through deep renovations to get to ~\$8M in value
- Expected closing: 5/10



In addition to the properties we've already acquired and the ones we have under contract, we are constantly underwriting a ton of deals. We submitted offers in the last week alone! While we can't discuss the details of these deals until we're under contract, here's a general idea of what some potential acquisitions are:

- 132 unit townhome community in Rochester, MN
- 112 unit townhome community in Apple Valley, MN - *offer sent*
- 72 unit apartment building in Rochester, MN - *offer sent*
- 90 unit apartment building in Stillwater, MN - *offer sent*
- 56 unit apartment building in Byron

Rest assured we are working diligently to put place your invested capital in a win-win deal.



## CONCLUSION

Thank you again for your continued trust and support. These quarters really do fly by, and each time we are overwhelmed with gratitude for each and every one of you. We are so grateful for the opportunity to help safeguard and grow your wealth. We hope you're proud to own assets that are only increasing in value, particularly in a time when so many others in industry face capital calls and distress. Know that your investment with Black Swan is poised for success, and that we're committed to prioritizing our investors above all else.

Stay tuned for more information on Black Swan Fund IV. As with our past offerings, we will give priority access to existing Black Swan investors as a thank you for your ongoing trust and loyalty to Black Swan. You may join the waitlist at [blackswanfund4.com](https://blackswanfund4.com).

As always, we will send updated performance reports quarterly, and we'll keep you updated through Facebook, weekly email newsletters, and monthly Community Power Hour live meetings. We hope you'll join us, and other like-minded investors, virtually at **Real Estate Real Life 2024**. Visit [meetblackswan.com](https://meetblackswan.com) to stay connected with us.

We are continually humbled by the enthusiasm and support from the Black Swan community and sincerely appreciate the opportunity to serve you. We see a bright future for these assets and can't wait to serve you in future funds. Thank you for joining us on this exciting real estate investing journey.

All our best,  
*Nick and Dr. Elaine Stageberg*