



BLACK SWAN REAL ESTATE

Black Swan Funds



Q4 2023
Performance Report



Dear Black Swan Investors,

Another year has passed, and we continue to be beyond grateful for each and every one of you on this investing journey with us. Thank you for your unwavering support and trust in us, 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! Although we are transitioning into a post-renovation phase at many assets, we remain busy adding value and optimizing our operations! We are pleased to have rounded 2023 out with continued strong operations, renovation, and leasing performance.

At Black Swan, we believe in putting the investor first, and we remain dedicated to providing the best possible outcomes for you. Our team at Black Swan is working tirelessly to navigate the ever-changing market and ensure that we are taking the best care of our residents, assets, and investors. We continue to be diligent in executing the value-add business plan to drive returns.

With that in mind, we are thrilled to share that after over a year of searching for the right deal, we are launching Black Swan Real Estate Fund III! Register for the launch webinar on Thursday, February 8 at 7pm Central and learn more at blackswanfund3.com.

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

How do I access my tax forms?

Our accounting team is hard at work preparing our K-1s for the year. More information will be forthcoming. At this time, we anticipate an on-time delivery of K-1s.

How do I log in to InvestNext?

Access your InvestNext portal at blackswan.investnext.com

OR

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



When is the next in-person event?

Black Swan | Real Estate | Real Life 2024 is taking place in Rochester May 17 - May 19. Only 8 VIP tickets left. [Get your ticket now!](#)

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.

BLACK SWAN FUND III

Launching February 8, 2024

5PM PT | 7PM CT | 8PM ET

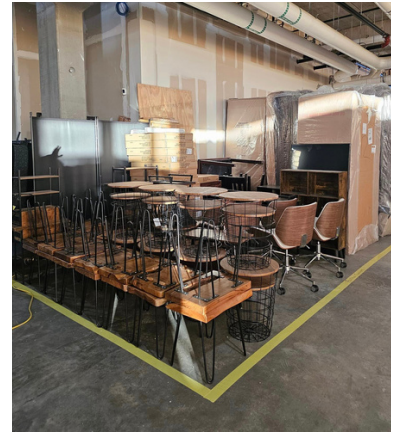
REGISTER FOR THE WEBINAR





SHORT TERM RENTALS

We were so excited to announce the launch of the short term rental arm of the business in our last quarterly report, and we are pleased to share that this experiment has been a huge success in Q4! We launched our very first STR unit at RDS in September 2023. Today, we have **19** units online and a dedicated website for direct bookings. Thanks to our team's excellent customer service, we earned **Superhost** status in the first quarter we were eligible!



There is a huge STR rebound happening in Rochester right now. Plus, there is stable regulation in Rochester that heavily favors us. 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. As we've scaled this arm of the business, we created our own STR warehouse at RDS, pictured above.

This is an experiment!

- Moving ADA units to short term
- Will test units throughout the portfolio opportunistically
- At this time, will not convert more than 20% of the portfolio to STR
- We will see how it performs
- Will have a fuller picture of performance in ~1 year

	RDS Unit 518 as long term:
Base Rent	\$1,600.00
utility	\$75.00
wifi	\$55.00
parking	\$175.00
total	\$1,905.00
Gross receipts for first 30 days from RDS Unit 518 as STR:	\$2,704

LTR Monthly Rev:
\$1,905

STR Monthly Rev:
\$2,704 - so far!



BLACK SWAN LIVING

Black Swan Living Property Management had a tremendous year of growth in 2023 and finished the year strong. We are proud to have been voted Best Property Management Company in Rochester by our community!

We've seen extraordinary leasing, renovation, and maintenance velocity, and continue to bring services in house as frequently as possible. The assets in Fund I and Fund II are receiving better care at a much lower cost. This quarter was also our first chance to test out our in-house snow removal process! We have completed a majority of Fund II renovations, which means we are filling units at higher rents, we receive fewer maintenance requests, and we're in a very good place for a strong year of leasing. We are now primarily focused on finishing construction at RDS, and can start having conversations with banks to cash-out refi! This process takes many conversations and months, but it's clear to see the value we've added to the assets owned by you, our investors.

Q4 stats from the Black Swan team:

- 36 rehabs completed
- 2,225 maintenance tickets closed
- 95 leases signed
- 63% renewal rate
- 7.81% average renewal escalation
- Top 1% of all real estate agents in the state!

In-House Snow Removal

One of our major 2023 wins was bringing lawncare and snow removal in-house. After successfully completing our first summer of lawn care, our team got its first taste of in-house snow removal this winter. Thanks to the unusually mild winter we've had, we had 100% cost savings on snow removal in 2023! These services are a huge cost savings to the assets!

How Did We Do?

- 100% cost savings in 2023!
- Great results & resident satisfaction
- Huge team effort, including communication, plowing, power broom, & shoveling





FUND I PERFORMANCE

Total Asset Value: \$52M
Liquid Reserves: \$1.8M

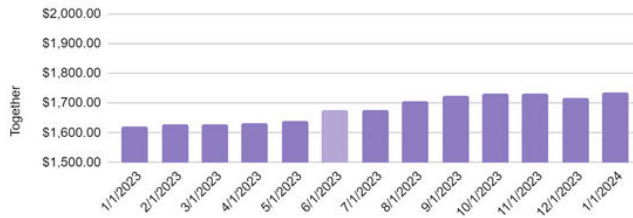
Outside of the major construction project happening at RDS, the Fund I portfolio is stabilized, which means we have fewer updates for you each quarter. This is the business plan at work! We add value through renovation and management improvement, so as we move into a post-renovation phase, the assets perform quietly and consistently.

Distributions

Fund I will enjoy monthly distributions totaling 4% of the total invested amount over the course of 2024. As of January 2024, 12% 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 at RDS before doing so.

The Nicholas

This quarter, The Nicholas received an exterior lighting upgrade, and enjoyed continued strong leasing performance. We are now operating 4 units as STRs.

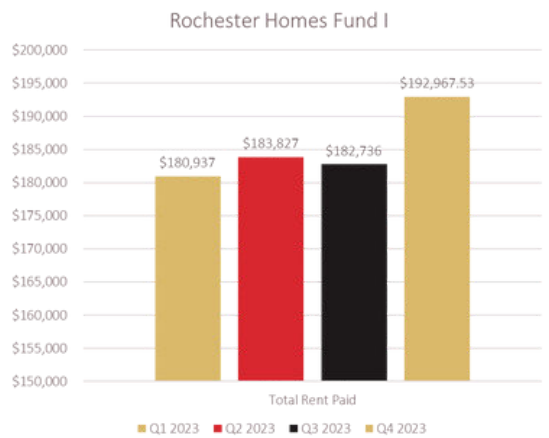


T12 Rent Growth for the Nicholas

7.08% increase!

Single Family Homes

The portfolio is stabilized and continues to yield steady, consistent returns. The success of this portfolio inspired us to include a portfolio of single family homes in Fund III, launching February 8, 2024. [Register now!](#)



Total Rent Paid by Quarter





RESIDENCE @ DISCOVERY SQUARE

Residence at Discovery Square (RDS) is a 129 unit, Class A urban core asset owned by both Black Swan Fund I *and* Black Swan Fund II. In 2023, RDS was honored as a Finalist for Best Apartment Community! We are now operating **12** units as STR. The location, amenities, and modern finishes of this building make it a huge STR success!

Loft Unit Buildouts

Construction is well underway for our luxury residential loft unit buildouts! The SW loft, which we toured during Real Estate Real Life, is leased at \$1700 per month. The remaining 24 units are in progress and on track to complete in April! Our team has already begun pre-leasing these units!



Pictured Above: the complete SW Loft, construction progress on a new loft buildout, and a rendering of the finished product.

SW Parking Lot

After working for months to get permitting to install rock for a temporary lot, we got a bid to do the parking lot for \$9500. Thanks to our deep vertical integration, we were able to do it in-house for \$5500. Huge win!





FUND II PERFORMANCE

We are moving into a post-renovation phase for the assets in Fund II, and remain focused on strong leasing performance and rent escalations. We processed the first distribution for Fund II in Q4 2023! As we are focused on the massive construction project at RDS, Fund II will begin distributions after the dust settles, which we anticipate happening around October 2024.

Renovation Highlights:

- The Hamptons - *complete!*
- The Colby - *complete!*
- The Riverview - *complete!*
- Douglas Trail - Phase I nearly complete
 - 80 rehabs complete
 - Washer/dryer retrofit complete
 - Brought flooring in-house!
- City Hall Apartments - nearly complete
 - 1 rehab left
 - Washer/dryer retrofit complete

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!**

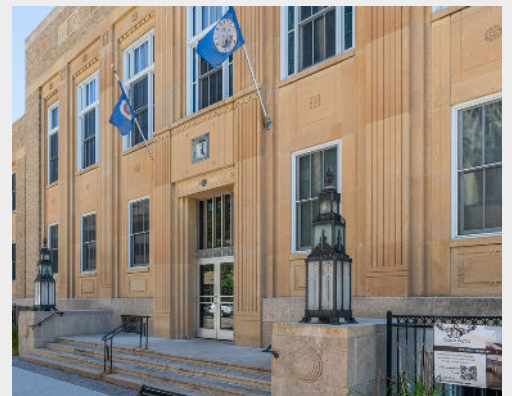
**The proceeds from this cash-out refi are feeding construction at RDS so we can continue to add value to that asset and get to that infinite rate of return in the future!*

Short Term Rentals

- 3 at Old City Hall
- 12 at RDS
- Getting ready to test at Tanara Villa

Total Asset Value: \$86M

Liquid Reserves: \$3.9M

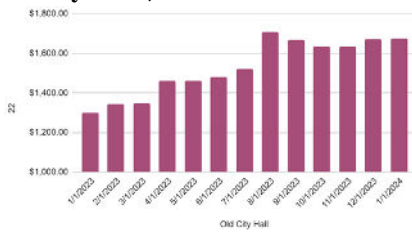




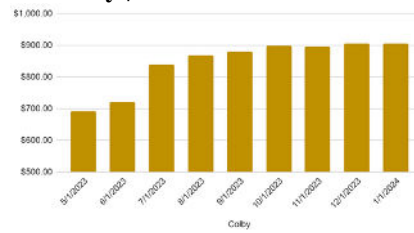
FUND II: RENT GROWTH

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!

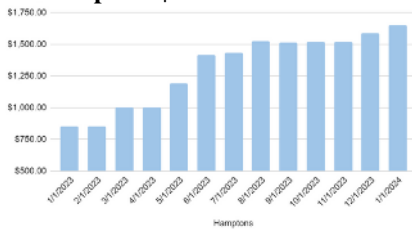
Old City Hall | +28.81%



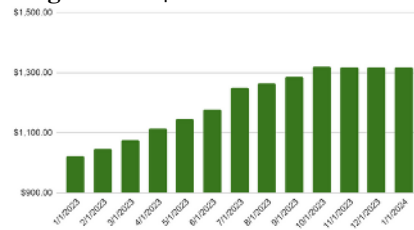
The Colby | +30.70%



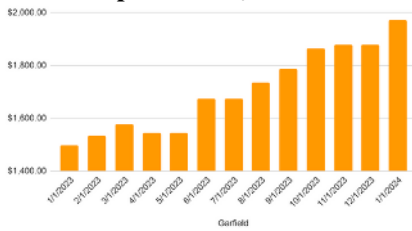
The Hamptons | +93.84%



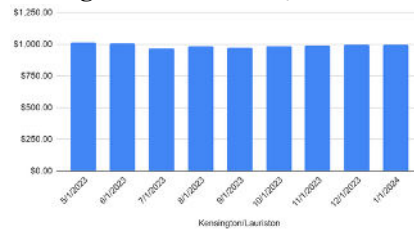
Douglas Trail | +28.92%



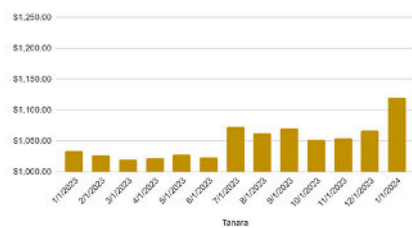
Garfield Apartments | +31.79%



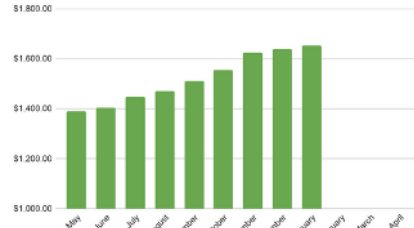
Kensington & Lauriston | -1.8%



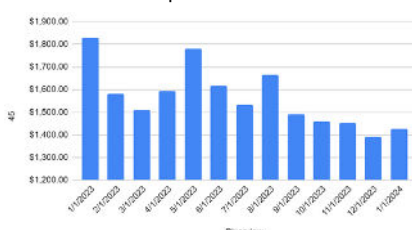
Tanara Villa | +8.36%



RDS | +19.08%



The Riverview | -22.01%



**Kensington & Lauriston, Tanara Villa, and Garfield are all in renovation phases.*

The Riverview change is a result of the transition from short term to long term leases at acquisition.

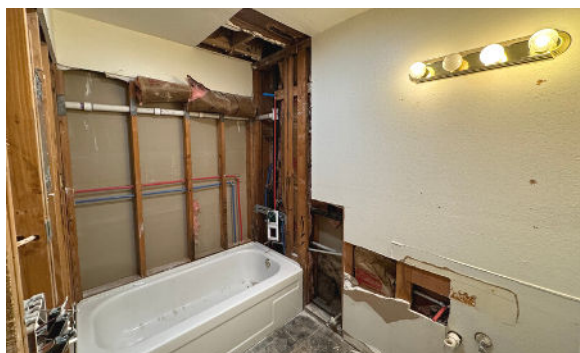


FUND II: TACOMA UPDATES

Tanara Villa Apartments

The city has slowed this project down quite a bit. Plumbing has been the greatest holdup with both the city and contractors, but renovations are moving along nonetheless. We are opportunistically testing out 2 STR units in the near future. We're pleased with the completed renovations and the rent escalations!

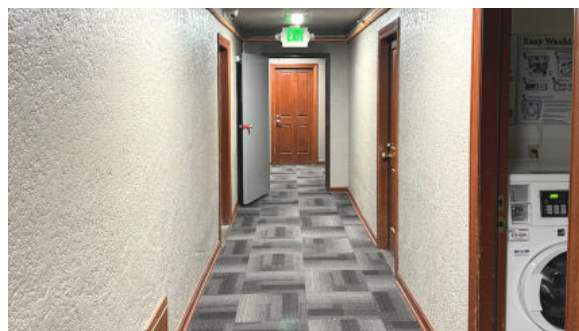
- 25 units under active renovation
- 16 units complete



Garfield Apartments

The feel of the residential and commercial space have drastically improved here! We are actively leasing commercial spaces, and successfully escalating residential rents with light unit renovations. The 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!

- 2 units under active renovation
- 8 units complete



Kensington & Lauriston Apartments

Most residents have escalated in place, so there hasn't been a lot of renovation. Renovations will mostly be light rehabs. We've improved common areas with upgraded laundry rooms, new corridor lights, controlled entry, and new electrical panels. We replaced the roof on Lauriston and are working on doing the same at Kensington.

- 5 units in progress at Kensington, 2 units in progress at Lauriston





CONCLUSION

Thank you again for your continued trust and support. 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 foreclosure. Know that your investment with Black Swan is poised for success, and that we're committed to prioritizing our investors above all else.

As a thank you for your ongoing trust and loyalty to Black Swan, we are giving priority Fund III access to existing Black Swan investors. You should have already received additional information about Fund III, but if you have any questions about dates or next steps in InvestNext, please contact rachel@blackswanteam.com. We can't wait to welcome you to Fund III!

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, right here in Rochester at **Real Estate Real Life 2024**. Visit meetblackswan.com to stay connected with us.

We sincerely appreciate your investment in us and are humbled by the enthusiasm and support from the Black Swan community. 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