



BLACK SWAN REAL ESTATE

Black Swan Funds



Q2 2024
Performance Report



Dear Black Swan Investors,

It's hard to believe we're already halfway through 2024! This has been such a busy, exciting year! We firmly believe NOW is the best time to buy real estate. In the first quarter, we launched, filled, and closed on our first acquisition for Black Swan 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...and then we launched Fund IV! We waited patiently through 2023 and did not get anything under contract due to market conditions, and now have sensed tremendous opportunity in the market during this interesting period where there are many distressed sellers in the market and yet interest rates have not yet come down. We are listening closely to Warren Buffet who says "be careful when others are greedy and greedy when others are fearful."

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 are delighted to share that we're entering the "golden phase" where we start to see the payoffs from the extremely hard renovations in terms of nicer buildings, decreased vacancy, and higher rents. THIS is why we do this work! We are pleased to share continued strong operations, renovation, and leasing performance. We think you'll enjoy seeing these very strong updates in this performance report.

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 are no GP-level fees whatsoever, which puts us in deep alignment with our investors. 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

How do I access my tax forms?

- 2023 K-1s were sent via email from “safesendreturns” & uploaded to your InvestNext portal.
- Fund III will NOT get a K1 for 2023 tax year.

When is the next fund?

- Fund IV is OPEN. Invest now at blackswanfund4.com

How do I log into 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?

- September 12-15, 2025. [Get on the waitlist at rerl2025.com](https://rerl2025.com).

What is the best way to keep up with Black Swan?

- Once you're on our mailing list, make sure you follow Black Swan on socials to keep up with our latest updates!



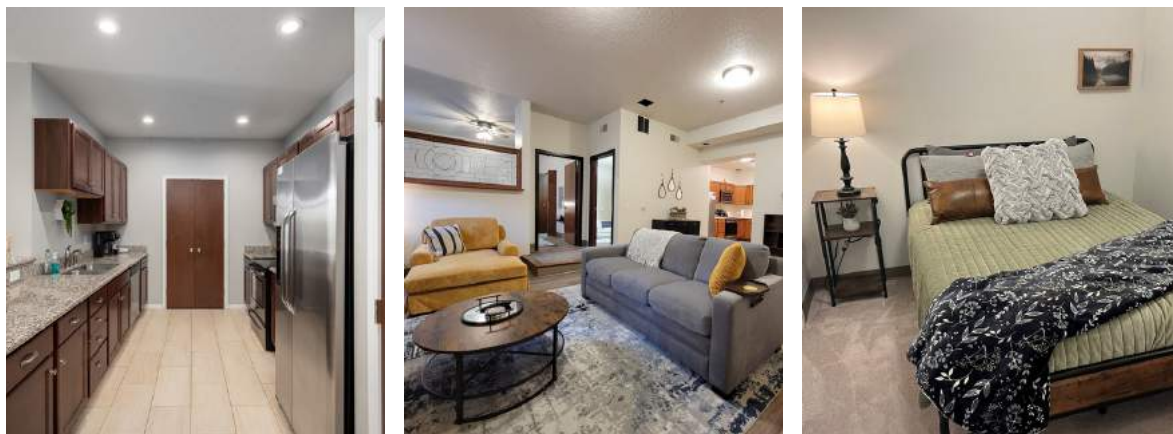
Scan the QR Code to follow us on your favorite platform!





SHORT TERM RENTALS

In September 2023, we launched the short term rental arm of the business, and we are pleased to share that we have successfully scaled our operations! On May 8th, 2024, we had **28** units online, and by July 8th we have **47** units online. We have earned Superhost status on AirBNB for every quarter that we've been eligible and now aim to capture as many direct bookings as possible through our own short term rental website at blackswanstay.com.



STR Growth

- \$116k revenue in the last 30 days--*more than Q1 2024 COMBINED!*
- In June, we increased NOI by \$7,000
- Annualized = \$82,000
- At a 5 cap, this increases the value of our portfolio by **~\$1.6M**
- Over time we are becoming more profitable
- City Hall, Riverview, and Fund III triplex are the most profitable properties

Income vs Units Online





BLACK SWAN LIVING

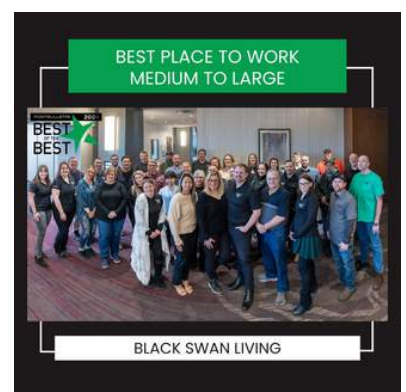
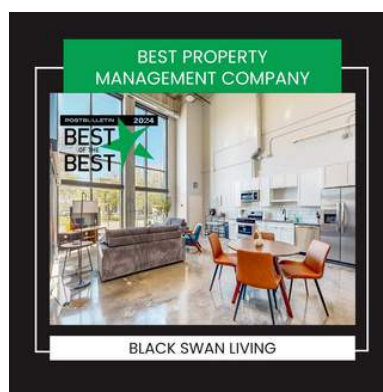
We choose to share updates on property management with you each quarter because time and time again, vertical integration wins the day. We are able to have unmatched visibility and control over all property management activities, ultimately cutting costs and saving money at the asset level, *because* we personally manage the assets. Black Swan Living has continued to optimize our operations as we have grown and plays a crucial role in our value-add strategy. Better yet, our team is excited to be a part of this investing journey! This past quarter, many of you had the chance to meet our team at Real Estate Real Life and see first hand how they take great care of the assets owned by Black Swan investors.



The story of Black Swan Living remains the same--we continue to grow our team, bring more activities in house, and improve our efficiency. Some highlights from Q2:

- **Renewals:** Portfolio wide, we're at 6.6% rent growth on *renewals only*. This means in-place lease renewals, not escalations after renovations. Despite those higher escalations, we maintain a 51% renewal rate!
- **In-House Construction:** Yet another vertical integration win! Our in-house construction team is able to complete renovations at a much lower cost than any vendor. This quarter, our team completed a massive garage renovation at Douglas Trail for \$25k, where our vendor bids were \$50k. Huge cost savings!
- **Utility Efficiencies:** We continue to improve our efficiencies in all areas of property management. We now have a dedicated remote team member who reviews every single utility bill at every single property so we can identify areas to improve. In May 2023, our electric bill at the City Hall Apartments was \$933. In May 2024, that same bill was \$322--*a monthly savings of \$611!*

Finally, after winning Best Property Management Company in 2023, we are once again nominated for Rochester's Best of the Best--including Best Place to Work (alongside the Mayo Clinic!) and Best Apartment Community. Awards like this help us attract quality tenants. [Click HERE to vote for Black Swan!](#) We would sincerely appreciate your vote.



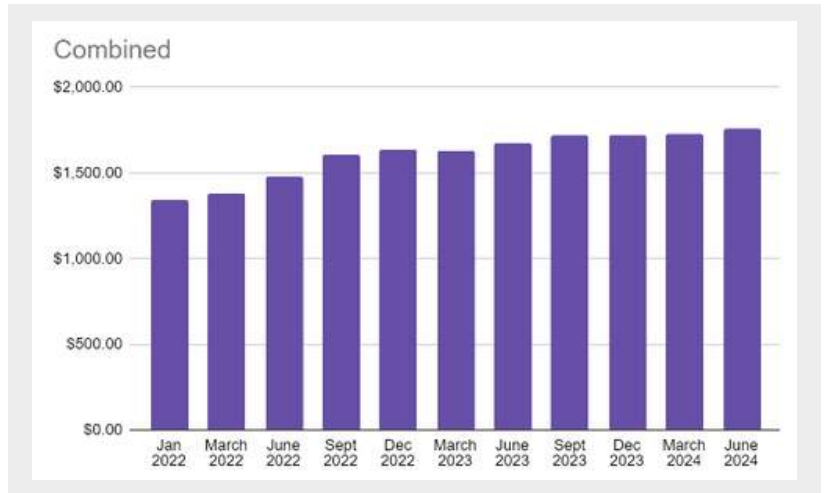


FUND I PERFORMANCE

Fund I closed in December 2021, and continues to have steady performance as we have moved out of the renovation phase. Operations and leasing continue to have strong performance. We are doing monthly distributions totaling 4% in 2024.

The Nicholas

This quarter, The Nicholas has seen sustained rent growth as we continue to escalate rents at renewal. There are 4 STRs today and we are actively rolling out 6 new STRs.





RESIDENCE @ DISCOVERY SQUARE

Residence @ Discovery Square (RDS) is owned by both Black Swan Fund I *and* Black Swan Fund II. This has been a favorite project of ours!

Construction

All industrial flat buildouts are complete, and all have a certificate of occupancy! We have **16 STRs** and **5 LTRs**. The common areas are finished and look *gorgeous*. The parking lot was just finished last week and is a **HUGE** value add in a downtown area with extremely limited parking. Despite the extraordinary complexity, we are so pleased to report the project was completed on time and within budget.

Income Growth Post-Construction

Gross income and NOI are both up **20%** between March and June at RDS!

Gross Income: From \$203k to **\$248k**

NOI: From \$145k to **\$174k**

This is all extremely favorable data as we go into the refinancing in October!

New Debt Proposals

Because we put only \$3M down on a \$27M purchase, securing new, cash-neutral financing 18 months later is a very challenging target to hit. We're targeting loan proceeds of \$22.5M and are actively soliciting proposals from many lenders for the October 2024 refinancing. We're off to a great start! We worked our hearts out to make this happen and are now excited for the future. We can't wait to share more updates with you in the next quarter.





FUND II PERFORMANCE

Fund II closed in December 2022, and completed acquisitions in Q2 2023. The acquisitions include value-add multifamily properties in Rochester, MN, and Tacoma, WA. Fund II will potentially receive a distribution in Q4 2024, pending the status of RDS.

Renovation Highlights:

- Douglas Trail Townhomes
 - 90% renovated--huge success for a 100-unit community!
- City Hall Apartments - *complete!*
- Tanara Villa
 - **30** heavy rehabs complete
 - **20** light rehabs complete
 - **12** heavy rehabs in progress-- will be complete in 60 days
 - Will get us to **40+** heavy rehabs complete by the September financing timeline.
- Garfield
 - Completed **10** rehabs 0 in progress
- Kensington & Lauriston
 - **4** units down for rehab
 - **11** heavy rehabs complete
 - **8** light rehabs complete
- The Colby
 - **2** renovations in progress
 - About half of units are renovated now





FUND II PERFORMANCE: RENT GROWTH

Old City Hall

- Q1 average NOI: \$13k
- Q2 average NOI: **\$27k**
- LTR lease renewal at \$2500 per month
- **25%** rent growth in <2 years!
- Huge STR success

Douglas Trail

- Starting to look at cash out refi
- Rebrand to “Dakota Townhomes”
- Road Map for Georgetown
- January rent roll: \$108k
- July rent roll: **\$127k**
- Zero vacant units today

The Riverview

- 2 more unit purchases just closed
- 5 total units purchased in Q2 this year
- 1 STR has been very successful
- Solid rent growth continues

The Colby

- Incredible and sustained rent growth
- Will be eligible for additional cash-out refi in the future if we do not redevelop it soon

Tanara Villa

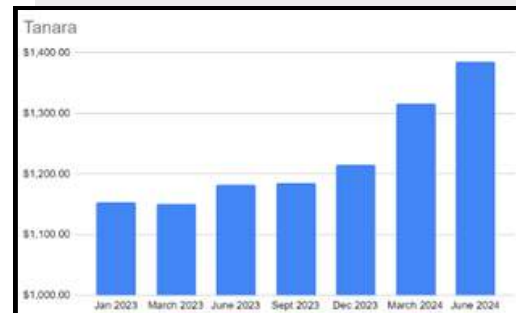
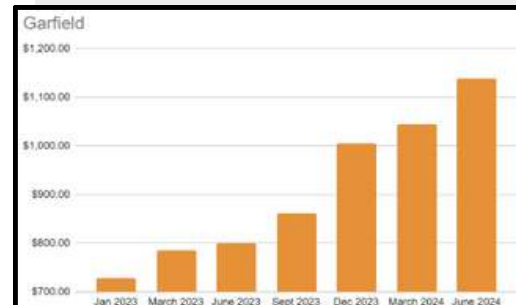
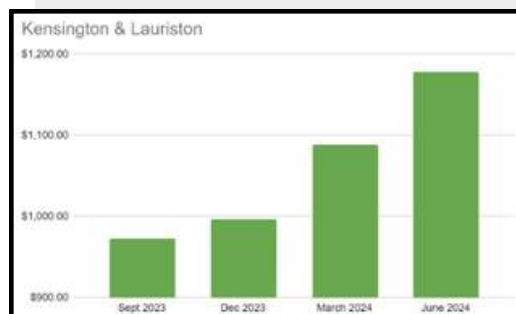
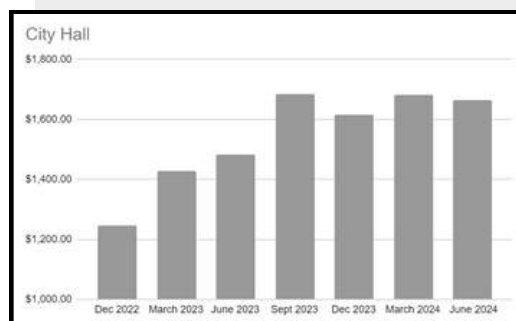
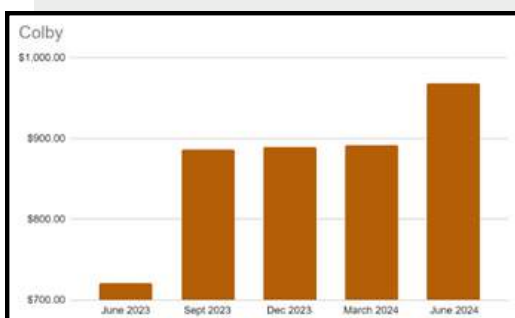
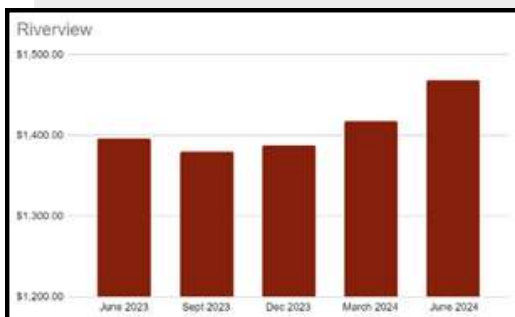
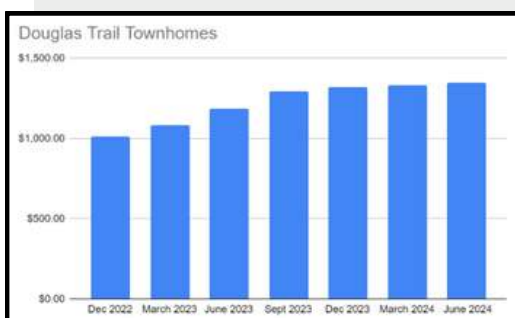
- Rent roll: \$145k as of July, increase of **45%** since Q1 of this year
- Almost no vacancy at this time
- 2 STR are doing extraordinarily well

Kensington & Lauriston

- Rent roll up **16%** in the last quarter
- Trying **1** furnished unit
- Consistently low vacancy

Garfield

- Zero vacant units today
- Residential rent roll up **25%** in Q2
 - Up **56%** from February!
- Commercial rent roll up **12%** in Q2
- Added 1 STR at \$1500 per month





FUND III PERFORMANCE

Fund III closed in February 2024 after filling in just one week, and is actively acquiring assets. Fund III targets value-add multifamily in Rochester, MN, and Tacoma, WA. We anticipate distributions will start in Q3 or Q4 2025.

In Q1, Fund III closed on the Uptown Apartments, the “Viking House” STR Triplex, and 2 Single Family Homes.

In Q2, Fund III closed on the Baycrest Apartments & the Bayswater Apartments, both in Tacoma. Fund III has 2 additional assets under contract: the Georgetown Townhomes & the Boulder Ridge Townhomes. Fund III will share 50% ownership of these 2 assets with Black Swan Fund IV, which is open for investments now.

NEW ACQUISITIONS!

Baycrest Apartments

Tacoma, WA

- 30 units
- Extremely smooth transition
- 3 vacancies, 2 are getting light rehabs, 1 will be first heavy rehab

Bayswater Apartments

Tacoma, WA

- 34 units, LIHTC
- 5 vacancies
- Previous owner did nothing while it was under contract
- 2 abandoned units, took over a week to get keys sorted out
- 2 units will get light rehab
- 3 units will be medium rehabs
- Already starting to get stuff ready for removing LURA





FUND III ACQUISITIONS

Uptown Apartments

- \$1650 per month average rent
- Extremely smooth transition!
- No major renovations, huge rent growth, very similar to Nicholas or Nue 52, had a rent guarantee. It's a quiet asset.

Under Contract

Georgetown Townhomes & Boulder Ridge Townhomes



Georgetown Townhomes



Boulder Ridge Townhomes

Fund III will acquire 50% of these two assets along with Fund IV.

Fund III is completely full and allocated!

Georgetown Townhomes

- 132 units
- Two phases, 100 units and 32 units
- 92 two-bedroom homes, 1,170 sq ft
- 40 three-bedroom homes, 1,360 sq ft
- 16.4 acre campus surrounded by green belt
- Distressed seller

Boulder Ridge Townhomes

- 112 units
- 48 townhome style, some 1900+ sqft
- 64 apartment style, avg. 1,158 sq ft—HUGE
- Private garage for every unit
- Recent cap ex: new roofs (2023), resurfaced parking, siding replacement, concrete repair
- Every unit has private garages, balconies or decks, in-home laundry, oversized cabinetry, built-ins, and fireplaces
- Common amenities include ample parking, green space, dog park, and on-site gym
- DEBT: HUD loan assumption at 4.47% fixed w/ 33 yrs remaining!



CONCLUSION

Thank you again for your continued trust and support. It is such a joy to share these updates with you each quarter! We hope you know just how grateful we are for each and every one of you who is here on this wealth creation journey with us. It is an absolute honor 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.

We have officially launched Black Swan Fund IV. If you want to be a part of some incredible deals--the Georgetown Townhomes, Boulder Ridge Townhomes, and Stone Haven Apartments--INVEST NOW. This is a \$15M Fund and space is limited.

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. Visit meetblackswan.com to stay connected with us.

We see a bright future for these assets and can't wait to share more updates with you in the quarters to come. We are deeply appreciative of the enthusiasm and support from the Black Swan community and sincerely appreciate the opportunity to serve you.

Here's to continuing to make 2024 the best year yet.

All our best,
Nick and Dr. Elaine Stageberg