



BLACK SWAN REAL ESTATE

Black Swan Funds



Q3 2024
Performance Report



Dear Black Swan Investors,

As we close out another successful quarter, we are excited to share that the hard work we put into the early stages of our acquisitions, renovations, and stabilization efforts is beginning to bear significant fruit. Fund I and Fund II are transitioning into early maturity, and the results are both encouraging and validating of our strategy.

These turnaround projects take time. They are delicate, labor-intensive endeavors, particularly when combined with the most challenging headwinds the industry has faced in over a decade. Yet, despite these challenges, we are pleased to report that we remain on time and on projection for all of our assets. This is a reflection of our conservative underwriting, our decision to avoid GP-level fees, and our alignment with you, our investors. Our focus continues to be on achieving a full return of capital, as it is only then that we participate in the profit splits.

Q2 and Q3 have marked the strongest quarters in the history of Black Swan, and we are incredibly excited about how the year is shaping up, particularly with a strong Q4 ahead.

After years of acquiring deep value-add projects and navigating the challenges of rising interest rates, we are thrilled to share that we have multiple cash-out refinances in motion. It feels good to be back in this phase of the debt cycle, and we believe that as our portfolio continues to mature and the Fed moves towards rate cuts, things are only going to get better.

As we shift into this new phase of growth, we're seeing the results of our efforts in the form of improved properties, lower vacancy rates, and higher rents. This is why we do this work, and it's incredibly rewarding to see these outcomes for both our residents and you, our investors.

We remain fully committed to putting you first. With no GP-level fees, fixed-rate debt, industry-leading occupancy rates, and significant liquid reserves, Black Swan is well-positioned for continued success. We've never had a capital call and will never have a mandatory one, and our transparency remains at the core of everything we do.

Thank you for your continued trust and partnership. It's an honor to serve you. As always, if you know anyone who would benefit from connecting with us, we would love to hear from them. We look forward to sharing even more exciting updates as we move through the rest of the year.

All our best,

Nick and Dr. Elaine Stageberg



IN SUMMARY...

Q3: BLACK SWAN'S STRONGEST QUARTER EVER

We are so pleased to report that after a very strong Q2, this quarter was Black Swan's most successful quarter ever. From acquisitions to renovations to operations to refinancing, we've had an extraordinary Q3 packed full of wins.

- RDS appraisal complete!--new financing in place on October 30th
- Tanara appraisal complete--**\$3M+ of equity created!**
- Dakota Townhomes appraisal scheduled for October 18
- Closed on Georgetown Townhomes!
- Won Rochester's **Best Property Management Company** for the 2nd year in a row!
- Acquired **5** additional units at The Riverview
- Staggering **rent growth** portfolio wide, at a time when portfolio wide vacancy is <2%!

And of course, **NO Capital Calls and ON-TIME distributions!**

DISTRIBUTIONS

At a time when capital loss and capital calls are the norms in the industry, our distributions are consistent and on-time.

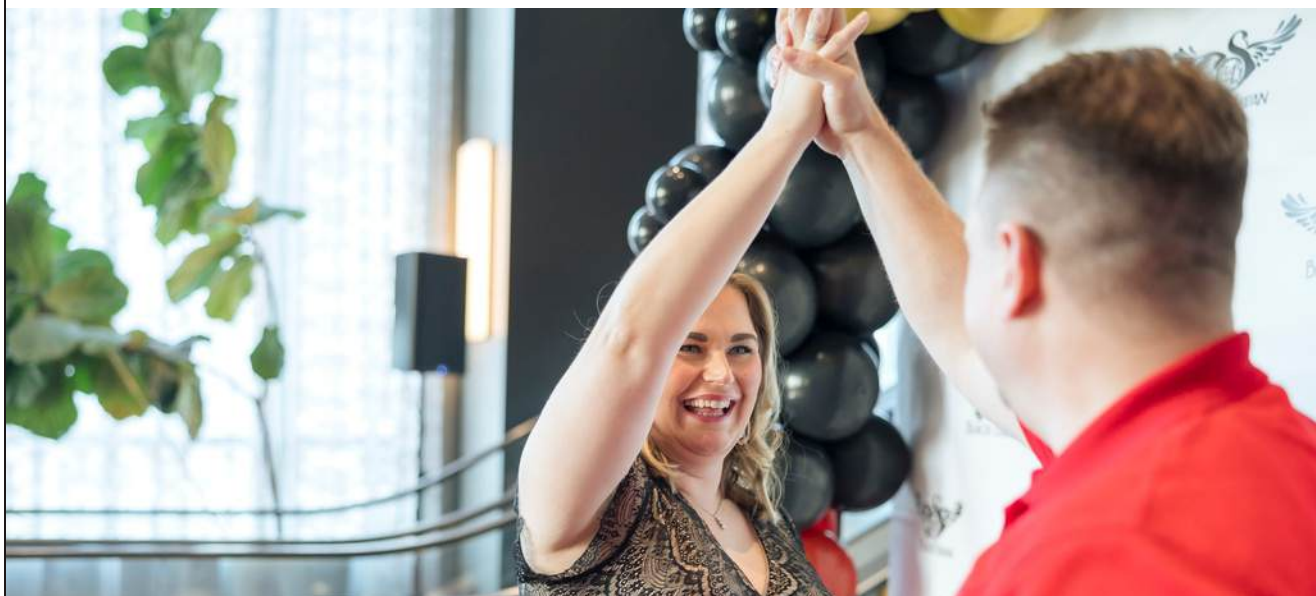
Fund I - monthly distributions throughout 2024. *Over 15% returned so far!*

Fund II - potential distribution in Q4 2024, pending RDS status

Fund III - distributions will start in 2025

Fund IV - distributions will start in 2025

Stay updated all year long!
Scan the QR Code to follow us on your favorite platform!





BLACK SWAN LIVING

As you know, deep vertical integration is a huge part of the success of our business model. Each quarter, we love getting to share updates from our vertically integrated property management team, **Black Swan Living**, who is the boots on the ground making magic happen at the assets you own. Here are some of the highlights from this quarter:

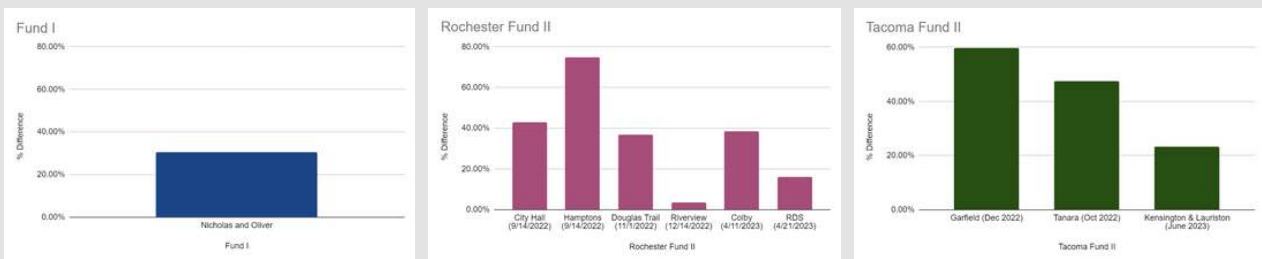
Best of the Best Winners!

We are proud to share that our team earned multiple awards in Rochester's Best of the Best, which is voted by the community. Awards like this help us attract quality residents!

- **WINNER:** Best Property Management Company - Black Swan Living
- **WINNER:** Best Apartment Community - Residence @ Discovery Square
- **FINALIST:** Best Real Estate Agent - Melissa Adams-Goihl

Rent Growth

Across the portfolio, we are experiencing staggering rent growth at a time when portfolio-wide vacancy is *less than 2%*. The charts below demonstrate show rent growth at our Fund I and Fund II assets since acquisition.



Vertical Integration: General Contractors!

To support our continued growth, we now have **2** licensed General Contractors on our Rochester team. This is a **HUGE** win as it allows us to improve our quality and control while reducing costs.

- Congratulations to Stefanie & Tyler for earning their general contractor licenses!
- The Company can now pull permits!

This team is here to serve you!





SHORT TERM RENTALS

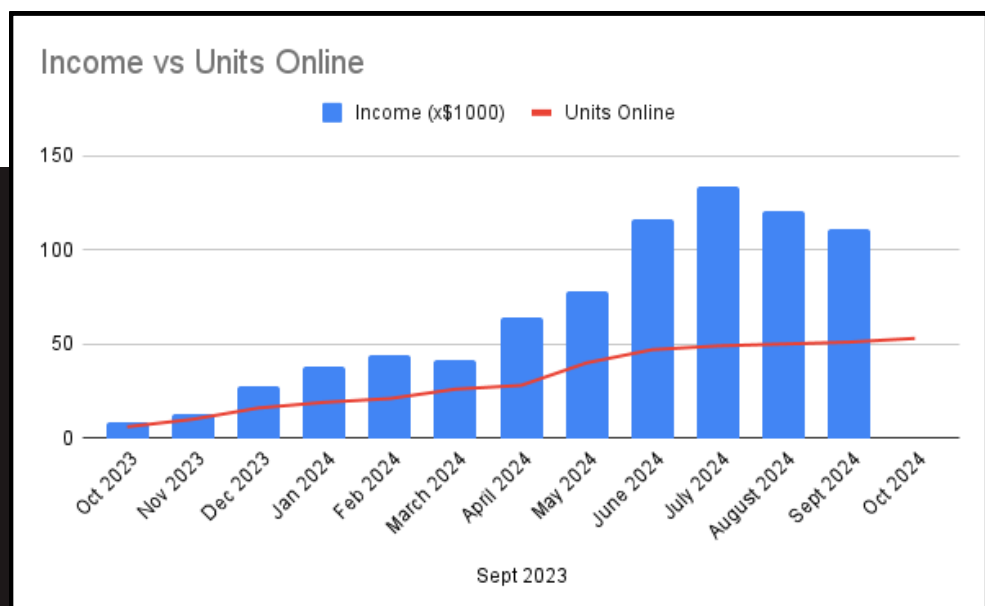
It's officially been a full year since we launched the STR arm of the business, and we have reached some incredible milestones. We now have **53** units online and once again earned **Airbnb Superhost status**, even as we've grown significantly. **100%** of the units at Residence at Discovery Square (RDS) were in time for our refinance. Our STR portfolio has generated **\$108,000** in revenue in the last 30 days!



STR: Direct Bookings & Second Shift Support

As we've grown, we've optimized our processes in order to continue scaling without relying on third parties like Airbnb. Thanks to these efforts, we've seen a drastic increase in direct bookings through our website, blackswanstay.com!

- 82% of bookings came from Airbnb in Q2
- **55% of bookings come from Airbnb today!**
- Added second shift front desk support at RDS for STRs
 - Improves customer service experience
- Next Stop: **100 total units!**



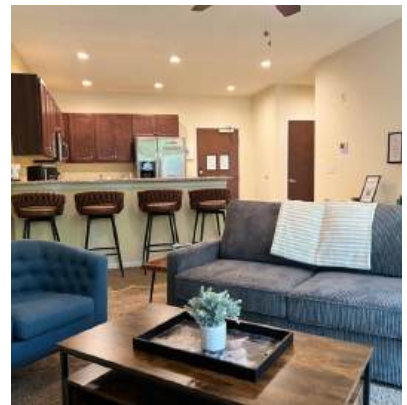
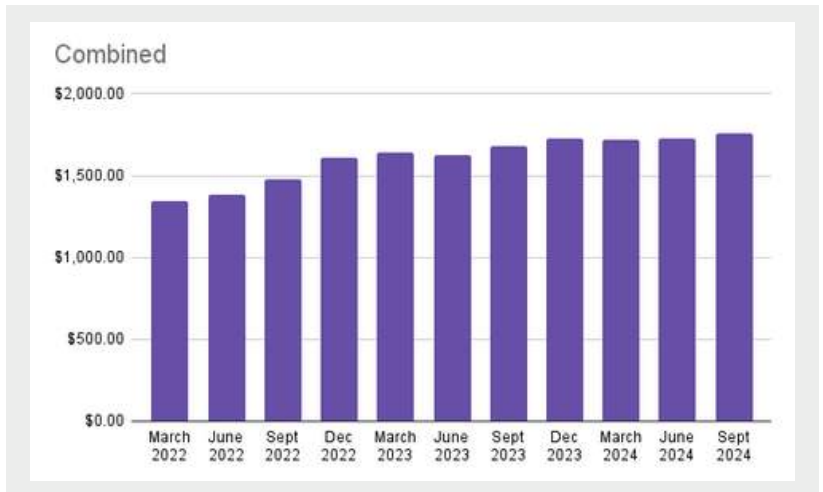


FUND I PERFORMANCE

Fund I continues to perform exceptionally well. As this Fund matures, it becomes increasingly stable and quiet. We have added more short-term rental (STR) units at Nicholas Apartments, further expanding our portfolio. We've sent out monthly distributions to our Fund I investors, totaling over 15% return of capital to date.

The Nicholas

This quarter, The Nicholas has seen sustained rent growth as we continue to escalate rents at renewal. There are 6 total STRs today that are performing well!





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!

Activity Since Acquisition

We bought a building with an entirely empty first floor--the size of an entire city block--which sets the stage for our value-add plan. All industrial flat buildouts are complete, with certificates of occupancy secured for 16 short-term rentals (STR) and 5 long-term rentals (LTR). The common area improvements and parking lot are also complete, adding significant value. Despite the project's complexity, we completed everything on time and within budget!

Income Growth Post-Construction

- Gross income and NOI are both up 20% between March and July at RDS.
- Gross Income: From \$200k to \$282k
- NOI: From \$145k to **\$200k**
- Revenue and NOI increased significantly--just in time for new financing!

New Debt

We initially put down \$3M on a \$27M purchase and assumed in-place financing at 2.8%. As a result, obtaining new cash-neutral financing 18 months later is a very challenging goal! The current debt expires on October 31...and the new debt is closing on October 30! We are pleased to share we have secured extremely favorable terms: a 3-year term, 30-year amortization, a 6.24% interest rate, and a \$66,000 origination fee. This should require only about \$500,000 in cash to close. *We can't wait to share the appraisal with you!*





FUND II PERFORMANCE

Fund II has matured over the years and we are so pleased with where the assets are at now. We are most excited to share that we have begun working on a refinance at Dakota! We have worked our hearts out on the renovations and operations of this asset and look forward to sharing more good news in the near future.

Renovation Highlights:

- Dakota Townhomes
 - Fitness Center buildout in progress
- City Hall Apartments - *complete!*
- Tanara Villa
 - **42** heavy rehabs complete
 - **30** light rehabs complete
 - **20+** guys on site every day
 - Nick personally walked all rehabs in September
 - Dog park & parking lot complete
 - Clubhouse & landscaping will be complete within a month
 - After common areas are complete, we will pause renovations to lease up & shop for phase 2 financing
- Garfield
 - **13** residential renovations complete
 - Fully stabilized ahead of schedule!
- Kensington & Lauriston
 - **5** active rehabs at Kensington
 - **1** active rehab at Lauriston
 - Light rehabs are doing extremely well
- The Colby
 - About $\frac{2}{3}$ of all units renovated now
 - Have plans in hand for a future redevelopment





FUND II PERFORMANCE: RENT GROWTH

Dakota Townhomes

- Beginning phases of cash out refi
- Appraisal scheduled for October 18!
- Rebrand to “Dakota Townhomes”
- Road Map for Georgetown Townhomes
- January rent roll: \$108k
- September rent roll: \$127k

The Riverview

- 5 more units purchased
- 1 more unit under contract
- 2 STRs online
- 2 more STRs coming online
- Exploring continued STR expansion

The Colby

- Able to easily meet debt service from new financing
- 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

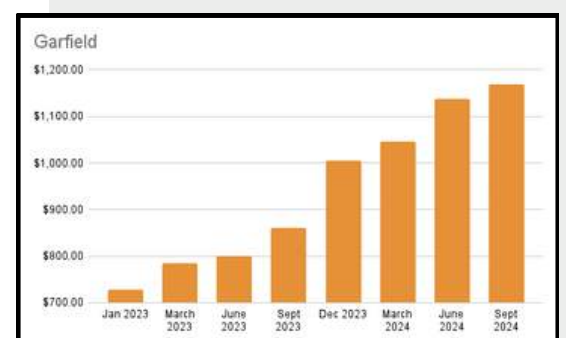
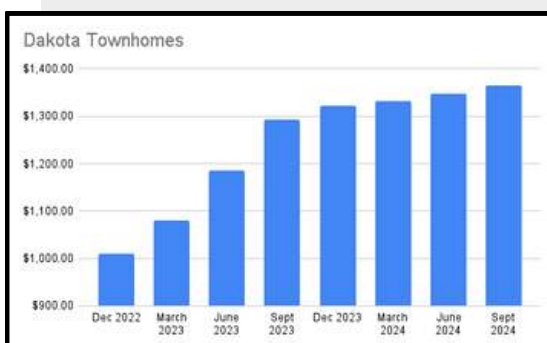
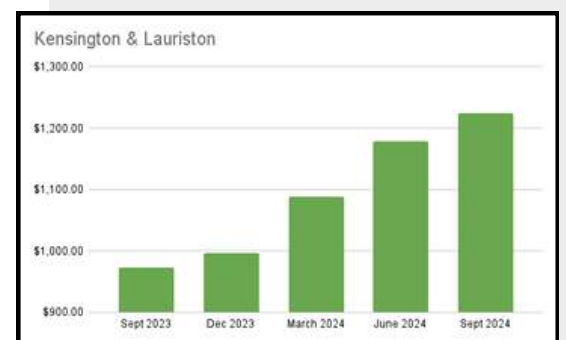
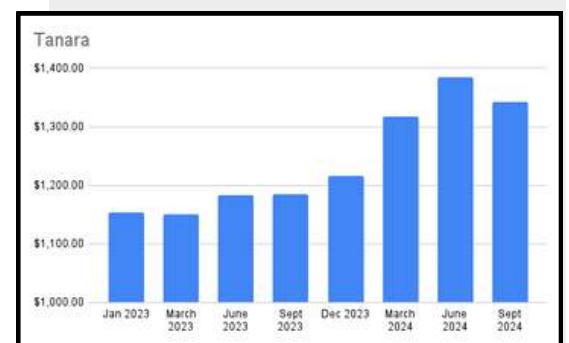
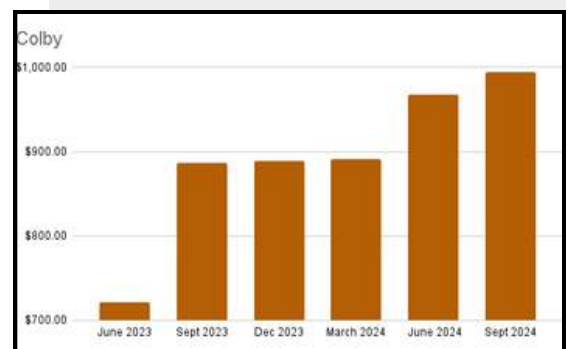
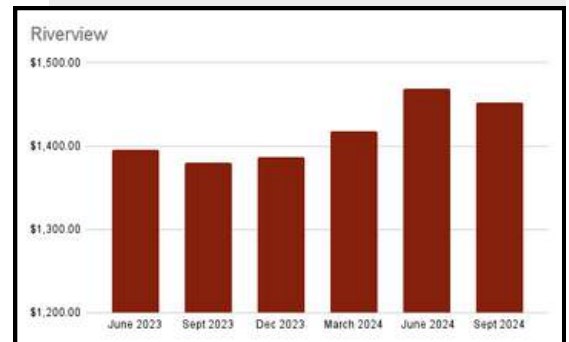
- Rent roll: \$150k, up 51% YTD
- Tanara just appraised AS IS at \$30.4M
- Shopping for phase 2 financing now, ideally fixed at 6% with 24 months of construction

Kensington & Lauriston

- Consistent rent growth with light/hybrid renovations

Garfield

- Zero vacant units today
- \$45,661 total rent roll—up 44% YTD





FUND III PERFORMANCE

We've successfully **closed on Georgetown Townhomes** and have already started renovations. Additionally, we are **under contract on Boulder Ridge** and have been **approved for a HUD loan assumption**, marking exciting progress for both funds!

Uptown Apartments

- \$1730 per month avg rent
- Average rental rate up 7% since closing in April with no renovations
- Extremely smooth transition—no major renovations, steady rent growth

Baycrest Apartments

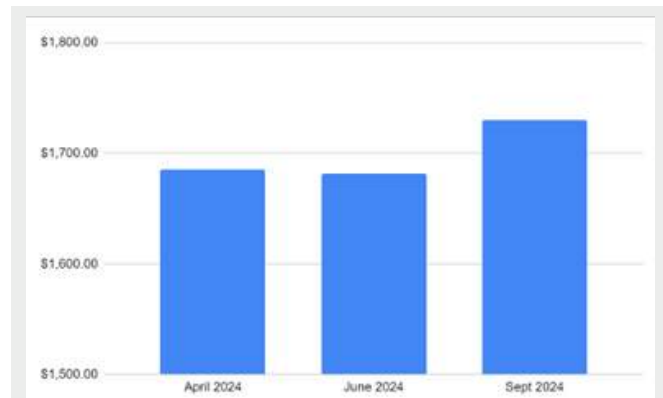
Tacoma, WA

- 30 units
- Our smoothest transition ever!
- Stable & quiet
- 100% of tenants are paying on time
- Preparing for common area renovations
- 2 light renovations complete
- 2 units down for heavy renovation

Bayswater Apartments

Tacoma, WA

- 34 units, LIHTC
- Long & challenging transition
- All tenants are paying rent on time today!
- ZERO tenants have had to vacate since purchase
- Set up for smooth sailing until income restriction expires in December 2025
- 6 vacancies
 - 1 available
 - 3 potential renovations depending on leasing
 - 2 units gutted and being renovated





FUND III ACQUISITIONS



Georgetown Townhomes



Boulder Ridge Townhomes

Fund III will acquire 50% of these two acquisitions along with Fund IV
Fund III is completely full and allocated!
Fund IV is nearly full

Georgetown Townhomes - CLOSED!

132 LIHTC Townhome Units | Rochester, MN

- **The Deal** - large LIHTC townhome community; \$2.75M instant equity based on purchase price vs. appraisal
- **The Debt** - 5.6% fixed, 1 year Interest Only, eligible for supplementary cash-out refi of ~50% built right into loan
- **Operations** - Physically renovate many units; improve LIHTC compliance & speed; reduce taxes via 4D program; water & gas upgrades; reduce costs via vertical integration
- **Increase Asset Value** - Proven plan to increase asset value by ~\$5M
- Watch the Georgetown Deep Dive on our YouTube channel!

Boulder Ridge Townhomes - UNDER CONTRACT

112 Townhome-Style Units | Apple Valley, MN

- **The Deal** - high quality townhome community; \$2M+ day one equity; acquiring for 33% less than a direct comp
- **The Debt** - 4.47% fixed! Peace of mind!
- **Operations** - Drastically improve operations (and lower costs!) with in-house site management, maintenance, turnovers, lawn, and snow
- **Increase Asset Value** - Proven plan to increase NOI by \$1,000,000, translating to ~\$8M in increased asset value
- Watch the Boulder Ridge Deep Dive on our YouTube channel!



FUND IV PERFORMANCE

In addition to the Georgetown Townhomes & the Boulder Ridge Townhomes, Black Swan Fund IV owns the **Stone Haven Apartments**, a 56 unit ground-up construction project in Byron, MN.

We're making *steady construction progress*, keeping the project on track and moving forward smoothly. We are on track to go vertical in the next week! Exciting developments are ahead as we continue building momentum.

Stone Haven Apartments

- **The Deal** - Spent over a year on land purchase, zoning change, density variance, tax subsidy, and negotiations with builder
- **The Debt** - 5 year term, 3 years IO, 80% LTC, 7% rate, origination fee only \$17,500, no prepayment penalty, full recourse signed by Nick & Elaine
- **Operations** - Draft off of Stone Haven Townhomes for management, maintenance, turnovers, lawn, and snow, marketing, and leasing
- **Increase Asset Value** - \$2M of day one equity on appraisal!!
- [Watch the Stone Haven Townhomes Deep Dive on our YouTube channel!](#)



Construction progress from October 3, 2024

FUND IV is OPEN
for investments!

Over 80% subscribed

Invest NOW at
blackswanfund4.com



CONCLUSION

Thank you again for your continued trust and support. It's truly a pleasure to share these updates with you each quarter, and we want you to know just how grateful we are to have you alongside us on this wealth creation journey. It's an honor to help safeguard and grow your wealth, especially during a time when so many in our industry are facing capital calls and distress. You can take pride in owning assets that continue to grow in value, and we remain committed to putting your success above all else.

Black Swan Fund IV is open for investments and has limited space left. If you'd like to be part of incredible opportunities like the Georgetown Townhomes, Boulder Ridge Townhomes, and Stone Haven Apartments, **INVEST NOW**. Space is limited and we don't want you to miss this opportunity for continued wealth creation.

As always, we'll keep you informed with updated performance reports each quarter, as well as through our weekly email newsletters, monthly Community Power Hour meetings, and updates on Facebook. Keep up with our latest updates and educational content by [subscribing to our YouTube channel!](#) Visit meetblackswan.com to stay connected and keep up with the latest news.

We're thrilled about what the future holds for these assets and can't wait to share more with you in the months ahead. We're deeply appreciative of the enthusiasm and support from the Black Swan community and look forward to continuing to serve you.

Here's to a strong fourth quarter!

All our best,
Nick and Dr. Elaine Stageberg