Park Avenue

PARTNERS

Co-own Mobile Home Parks With Us ™

Park Avenue Partners Fund 2
July 2021

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Agenda

- Management
- Investment Thesis
- Case Study
- Track Record
- Park Avenue Partners Fund 2

Management - Jefferson Lilly

- 14 years in the manufactured housing industry
- 33 Mobile Home Parks | 15 states | 3,990 pads
- 200+ investors, none has ever suffered a loss
- Education: Wharton MBA, University of Pennsylvania
- Resume: http://www.linkedin.com/in/jeffersonlilly

Management - Extended Team

Agenda

- Management
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Investment Thesis

- Seven industry dynamics make mobile home parks the best thing since sliced bread
    - Four macroeconomic
    - Three microeconomic

- Low-risk
- Recession-resistant

Investment Thesis - Macroeconomic

- Mispriced Asset Class
    - Buyers: negative perceptions result in fewer buyers
    - Sellers: Mom-n-pops; neither maximize profitability nor sale price
- Government-enforced Oligopoly
    - Zoning 'forbids' new mobile home park construction
- Shrinking Supply
    - MHPs get redeveloped into higher and better uses every year; supply shrinks approximately 1% annually
- Growing Demand
    - Demand for mobile home parks grows with population; demand grows approximately 1% annually

Investment Thesis - Microeconomic

- Stable Tenants
  - Tenants can not afford the $5,000+ cost to move a mobile home. They will sell their mobile home in-place to a new owner if they need to move rather than move the home. The tenants are really the mobile homes, not the residents
- Low Maintenance Costs
  - Tenants own and maintain their mobile homes. Property owners only maintain the land
- High Depreciation
  - ~~75%+ of acquisition price can be depreciated or amortized over approximately 18 years~~ 64% can be written off immediately

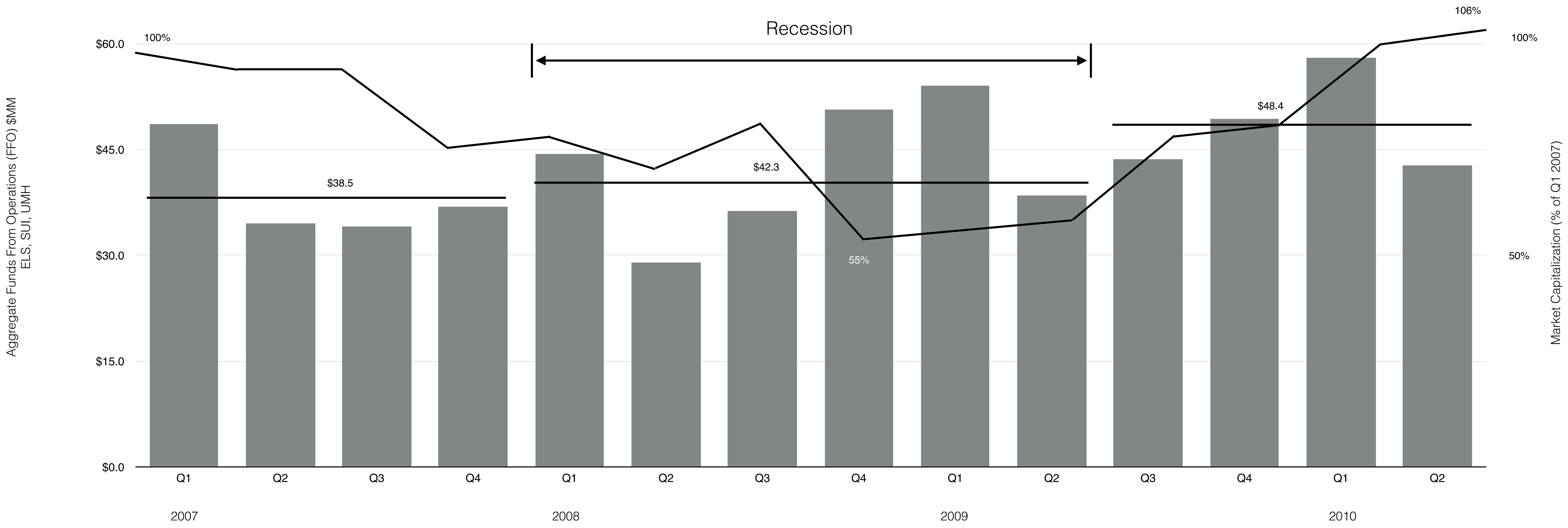
Investment Thesis - Low-risk

Manufactured Housing REIT Analysis | 6.25.21

	Ticker	Price	Market Cap (B)	Inst. Own.	Beta	P/B	Div. Yield	Weighting
Equity Lifestyle Properties, Inc.	NYSE:ELS	$75.74	$13.8	92.3%	0.50	10.6	1.9%	39.8%
Sun Communities Inc.	NYSE:SUI	$175.12	$19.9	98.5%	0.54	3.1	1.9%	57.2%
UMH Properties, Inc.	NYSE:UMH	$22.45	$1.1	57.9%	1.12	9.6	3.4%	3.6%
Market Capitalization Weighted Average			$34.7	95.1%	0.55	6.32	2.0%	
Park Avenue Partners						**1.0**	**5% - 10%**	

- The manufactured housing industry has lower-than-market risk (β<1.0)
- Institutions invest heavily in this asset class
- By investing directly, LPs can acquire properties at roughly 1/6th the price and receive higher dividends and depreciation

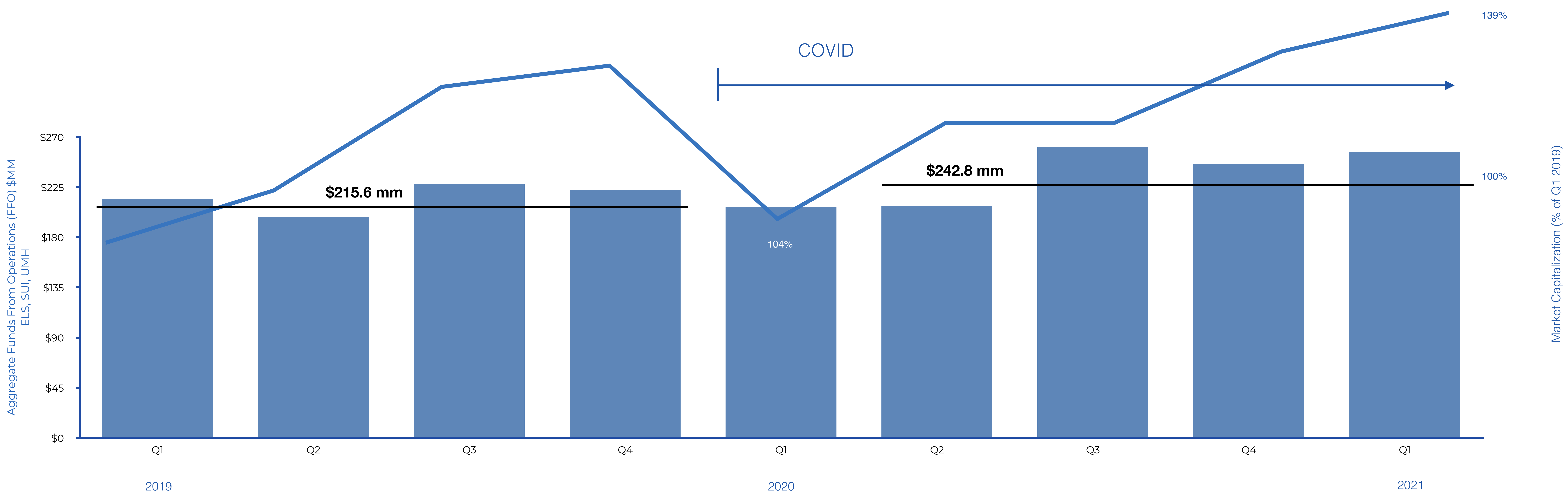
Investment Thesis - Recession-resistant



Source: ELS, SUI, UMH 10-Q and 10-Ks, Bureau of Labor Statistics, Lilly & Company Analysis

- The manufactured housing industry sailed through the Great Recession just fine

Investment Thesis - COVID-resistant too



Source: ELS, SUI, UMH 10-Q and 10-Ks, Lilly & Company Analysis

- The manufactured housing industry is sailing through the COVID crisis just fine as well

Investment Thesis - Recession-resistant and crisis-resistant

- Seven key industry dynamics make mobile home parks the most low-risk and most recession-resistant and crisis-resistant niche in real estate

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- No other real estate niche is better positioned to profit in good times and in bad

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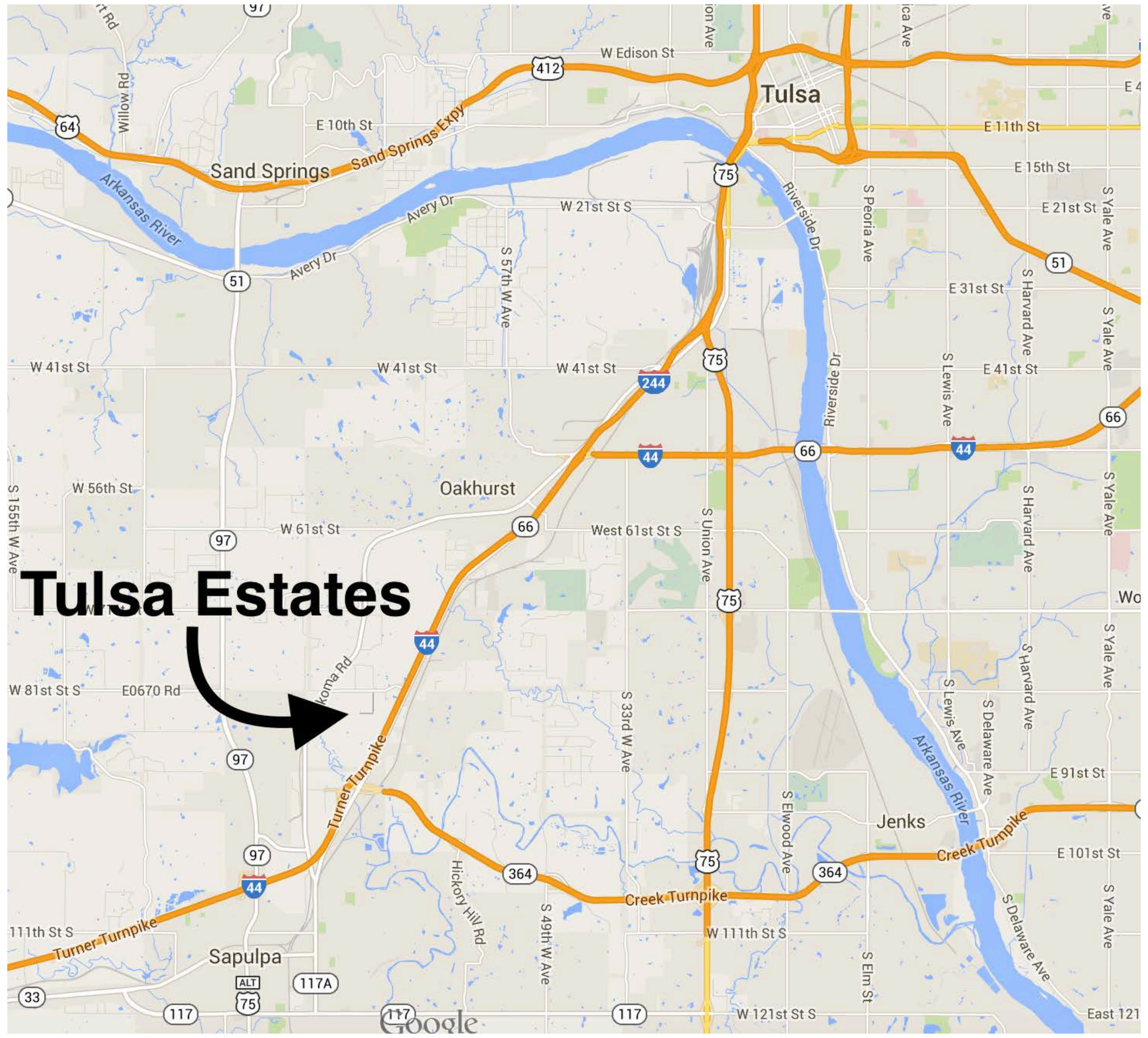
- Investment Thesis
- Case Study (Our worst deal, not best deal)
- Track Record
- Park Avenue Partners Fund 1 Summary

Case Study - Tulsa Estates



Case Study - Tulsa Estates

- Purchased October, 2014
- Tulsa, OK metro. Diversified economy
- $1.125mm purchase price; 10% cap. rate
- 93-pad park
- 61 occupied pads; 26 POHs; 12 in perpetual ‘rehab’
- $180/month lot rent. Two years since previous raise
- City water and city sewer
- Sellers are out-of-state ‘Mom n Pop’
- Manager/repairman is good, but poorly managed

Case Study - Tulsa Estates

- Restructured manager pay and refocussed him on managing
- Removed a ton of junk; scrapped out four POHs
- Raised rents over four years from $180 to $285
- Enforced no-pay-no-stay. Occupancy dropped initially, but rebounded within six months
- Bought five better-quality mobile homes from a nearby park that closed
- Rehabbed all remaining mobile homes and a few more that became abandoned to us. Found the homes kept bouncing back to us

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- After four years felt like we were running in place
- What we missed: industrial location

Case Study - Tulsa Estates

- Sold to one of the ‘top 10’ largest MHP owners
- $1.5mm sale ($375k profit)
- Our LP received a 10% IRR

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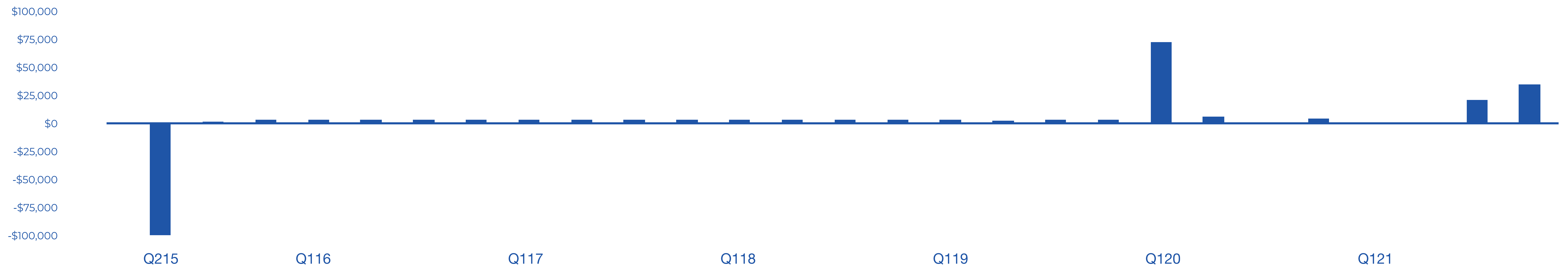
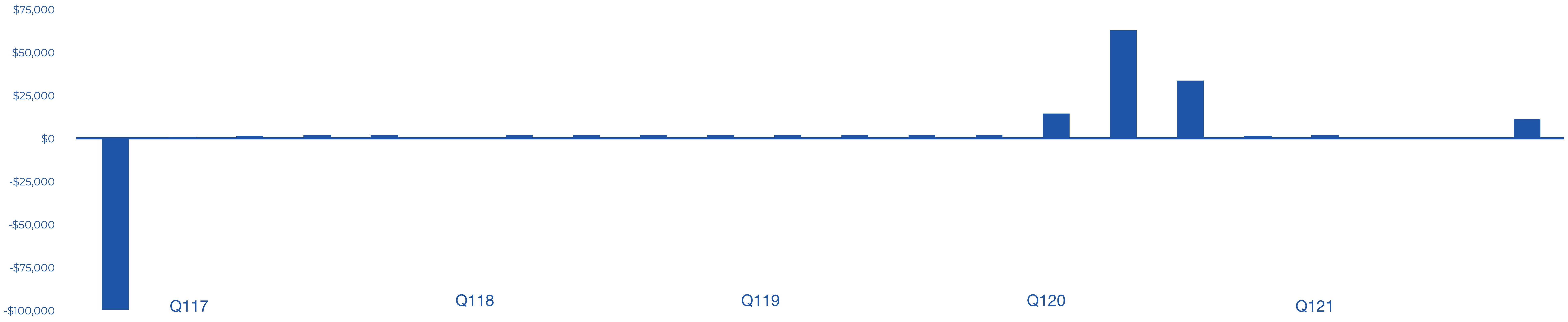
Track Record - Park Street Partners Fund 1

- Formed 2015
- $5.0mm
- Acquired six properties in five different states
- Four sold, two remain
- 153% of investor's capital returned to date
- Estimate another 31% return remaining
- Estimate 14.8% IRR (10.9% IRR 'in the bank')



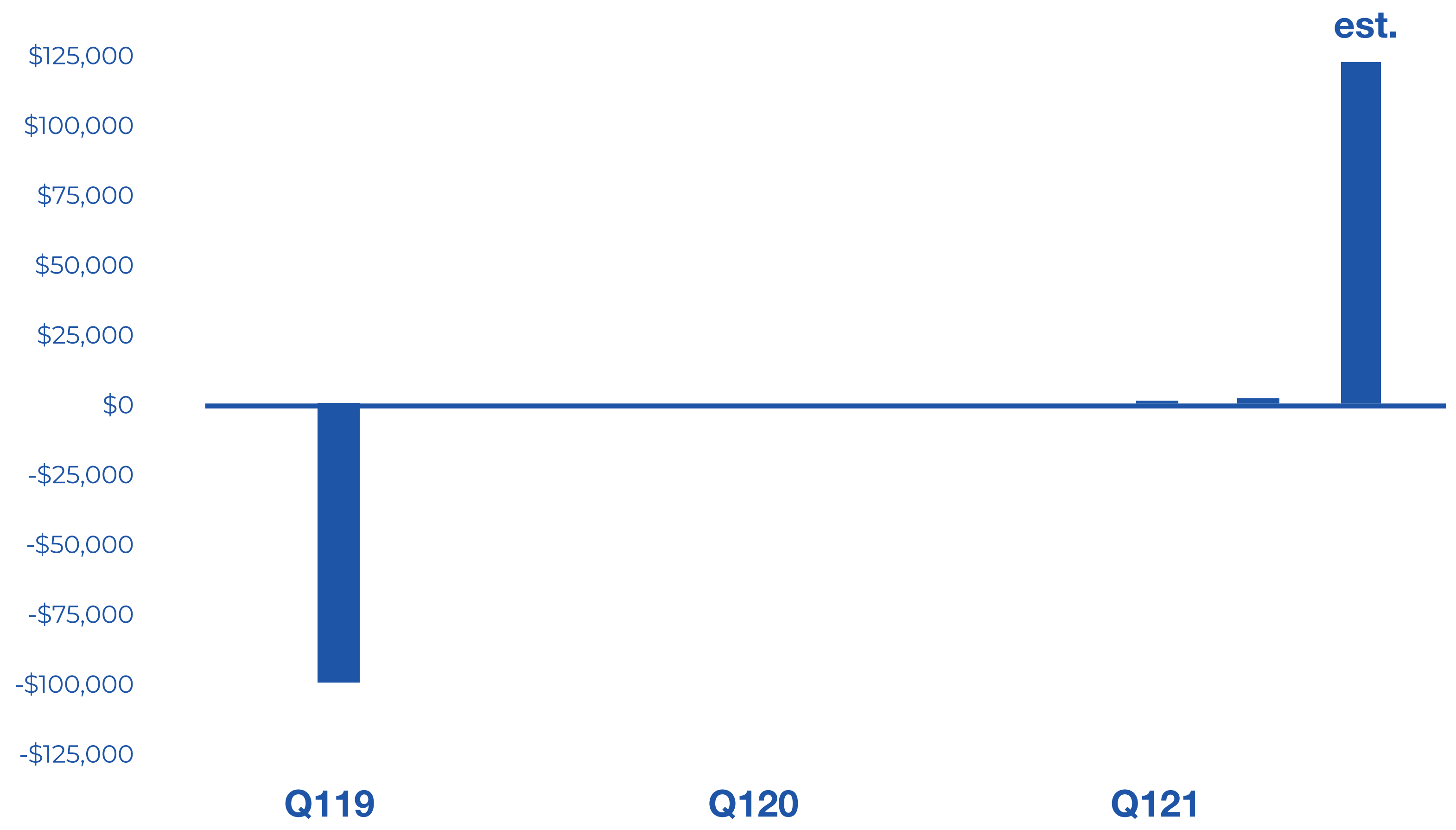
Track Record - Park Street Partners Fund 2

- Formed late 2016
- $14.3mm
- Acquired 12 properties in nine different states
- Eight sold, four remain
- 135% of investor's capital returned to date
- Estimate another 11% return remaining
- Estimate 11.2% IRR (9.1% IRR 'in the bank')

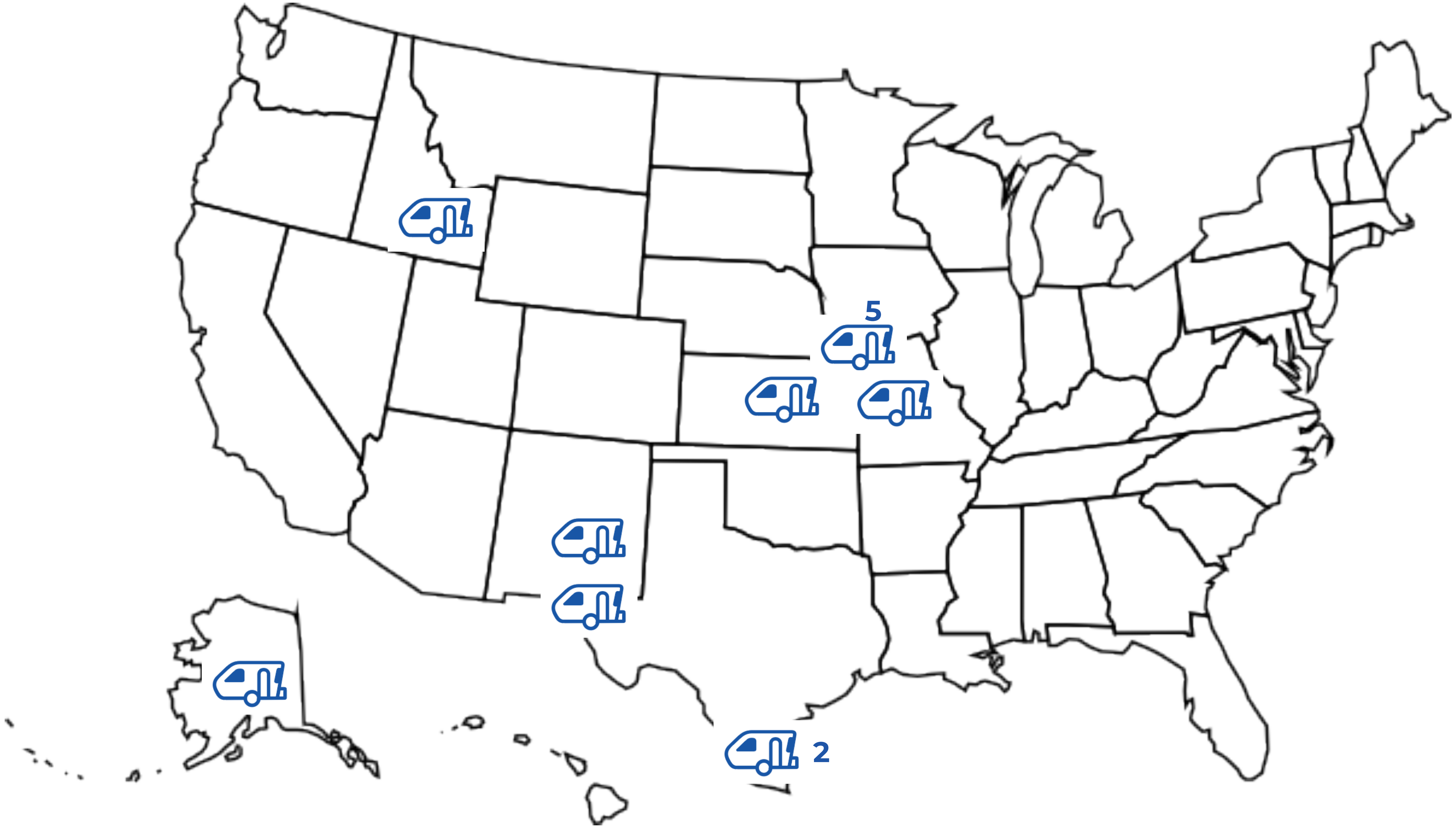


Track Record - Park Avenue Partners Fund 1

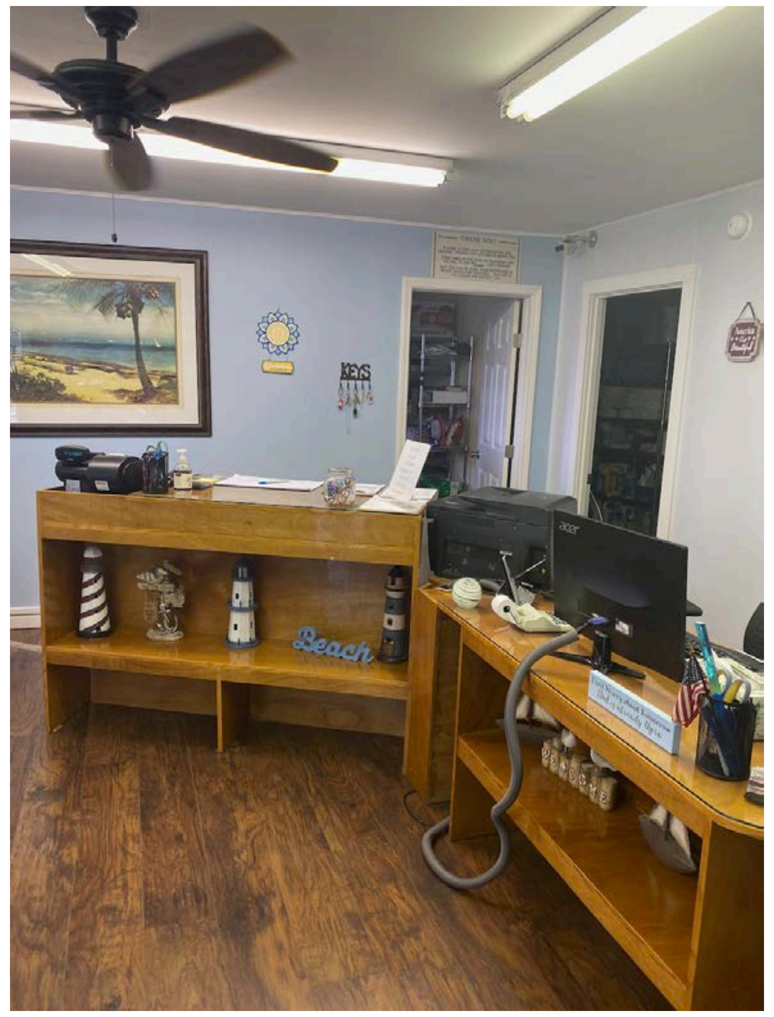
- Formed 2019
- $15.8mm
- Acquired 13 properties, all off-market, in seven different states
- Have appraised collectively for 44.6% more than we paid
- 5.1% annual cash return to A Shares, and improving
- 11.0% IRR if we were to sell today



Track Record - Park Avenue Partners Fund 1



Track Record - Park Avenue Partners Fund 1



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Park Avenue Partners Fund 2

- "Same song, second verse"
- Operations
  - Own and operate properties ourselves
  - Source deals off-market if possible
  - May acquire some RV Parks
  - Financial reporting and distributions quarterly
  - Key man insurance
  - Succession plan
- Financing
  - Acquire and operate ‘all-ages, bread-and-butter’ MHPs, mostly in the midwest
  - Target raise up to $25mm
  - 65% - 70% overall LTV from sellers, banks, CMBS, Agencies

Park Avenue Partners Fund 2 - no fees

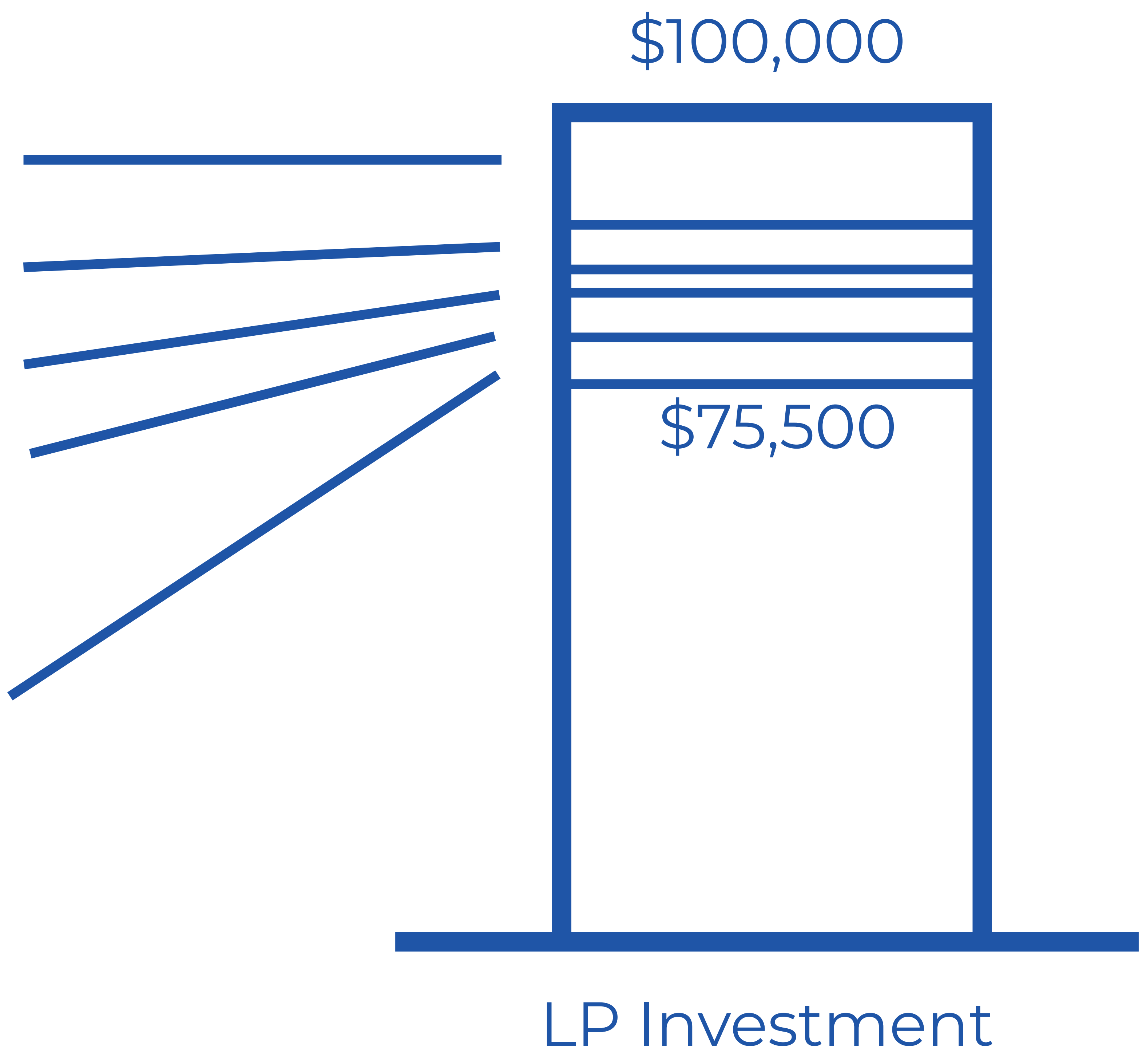
5.1 Manager's Fees

THE MANAGER WILL BE PAID NEITHER FEES, NOR COMMISSIONS, NOR SALARY, NOR BACKDOOR PROFITS FROM THE MANAGEMENT COMPANY, NOR ANY OTHER AFFILIATE OF THE MANAGER FOR THIS OFFERING.

THIS SECTION INTENTIONALLY OMITTED. 😉

Park Avenue Partners Fund 2 - no fees

- Impact of fees:
  - 2% Acquisition fee is actually 8% of equity
  - 1.5% Debt Origination fee is 4.5% of equity
  - 2% Management fees
  - Preferred returns - indeterminate, ~5% of equity
  - For-profit Management Company - indeterminate, ~5% of equity (every year)
  - Perhaps only 75% - 80% of your capital remains after fees
  - Misalignment of interests



Park Avenue Partners Fund 2

- Offering
  - Class A - 50%/50% split of profits and depreciation. Estimated 14% IRR
  - Class B - 6% Preferred Return, 10%/90% split of profits and depreciation. Estimated 8% IRR
  - $100,000 minimum. (No maximum!)
  - No fees. 100% alignment with investor interests
  - 10-year life
    - option for earlier liquidity
    - option for longer liquidity

Park Avenue Partners Fund 2

- Will Accept 1031 Funds
  - 1031 Exchange into one of our MHPs as Tenants in Common ("TIC")
  - 721 Exchange your TIC interests into interests in PAPF2
  - May be difficult to get timing to align; you may want to 1031 into a Deferred Sales Trust ("DST") and wait for our next deal under contract
  - Appraise your property
  - Have your own Exchange Advisor
  - You will sign on our Closing Statement
  - No way to extend the 1031 beyond the fund
  - IRS has not ruled on the legality of "Swap and Drops." We are not advising pursuing this path. We are merely making this path available if you and your legal and accounting advisors want to purse this path

Park Avenue Partners

Food for Thought

"Mobile home parks have the most opportunity. It is the greatest business since sliced bread."

- Sam Zell

Thank You

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Invest Now