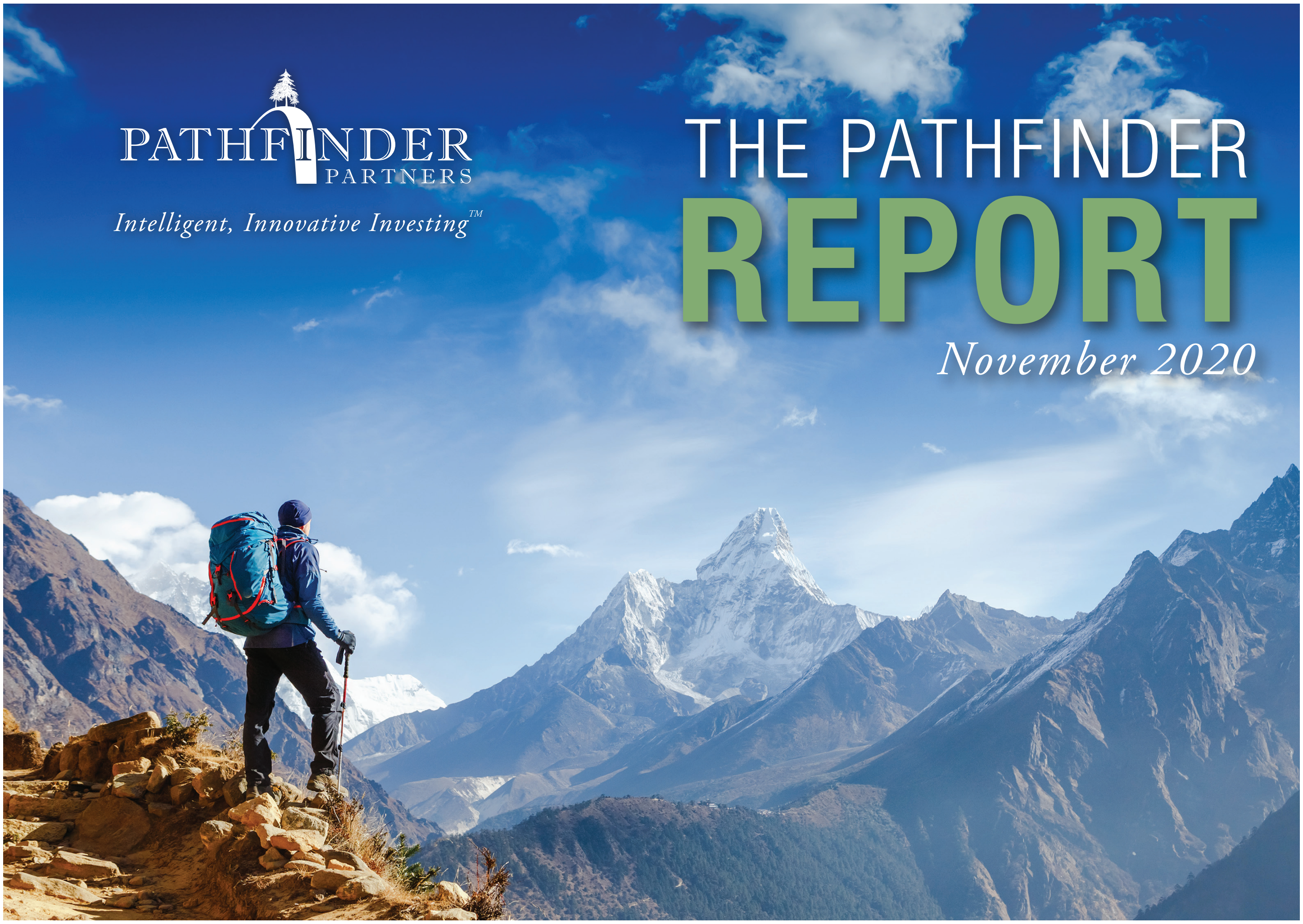


IN THIS ISSUE

CHARTING THE COURSE

Real Estate In a Pandemic: Five Short Stories

By Mitch Siegler, Senior Managing Director

Information overload. If you're like us, you feel like you're drinking from a firehose. Covid, the elections, the stock market – geez! We thought these five short stories would be instructive about real estate during a pandemic.

NYC: Get Me Outta Here!

The number of new Manhattan rental apartments for lease tripled in September to nearly 16,000, according to data from NYC real estate brokerage firm Douglas Elliman and appraisal and consulting firm Miller Samuel. That's up 23% from July, when 13,000 apartments were available.

The Manhattan vacancy rate, typically 2%-3%, was about 6% in September. Discounts tripled as well with many landlords offering two months' free rent. Median net effective rents – including concessions – fell by 11% to $3,036 in September. (Nominal rents average $3,307 for a 1-bedroom and $4,817 for a 2-bedroom apartment.) An October report by listings website StreetEasy showed that the third quarter marked the first time since 2010 where Manhattan, Brooklyn and Queens all recorded year-over-year rent declines. The median monthly rent fell below $3,000 in Manhattan ($2,990), down 7.8%; $2,599 in Brooklyn, down 2.5%; and $2,200 in Queens, down 2.2% from the start of the pandemic.

Generally, summer is high season for leasing as families prepare for school. That's been upset by the net migration out of the Big Apple since the spring. "The outbound migration is higher than the inbound migration right now," says Jonathan Miller of *Miller Samuel*. While New York City is struggling because of out-migration, other areas are benefiting from in-migration. In Westchester County, just north of the five boroughs, sales of single-family homes increased 112% year-over-year with sales above $2 million quadrupling."

[Editor's Note: A late September *Wall Street Journal* article on NYC offices might explain part of what is at work. The Journal reports that real estate giant CBRE Group, which manages 20 million square feet of NYC office space, says fewer than 10% of Manhattan office workers were back in the office on in mid-September; the nationwide metric is 25%.]

Guess What Isn't Bigger in Texas? (Spoiler Alert: Downtown Condo Sales)

Back when people had cocktail parties, it was hard to attend one without talking with someone who was leaving California for Texas. Low home prices, zero state income taxes and a pro-business climate were among the top draws. If this is all you knew, shorting S.F. and L.A. residential real estate and buying downtown Dallas properties would seem like a good trade.

That's until we spoke with a friend whose brother is a prominent real estate agent specializing in high-rise condos in downtown Dallas. Like so many cities, Dallas has experienced extraordinary population growth and new residential development during the past decade. Plenty of shiny new apartment buildings were built together with lots of fancy condos.

Our friend's brother, who's been in the business for 35 years, represents buyers referred by corporate relocation departments – generally executives moving from out of state. (Texas is Allied Van Lines' top destination for people leaving California.) He also lists properties for those to whom he previously sold a home. Quite a few of his clients are millennials, the poster children of hip and cool, downtown high-rise condos.

Since early June he hasn't had a single buy-side client for a downtown high-rise condo. Nada. In fact, he won't even accept a listing for a sale of a downtown high-rise because he just doesn't believe he can sell it so why waste his and the client's time?

New Multifamily Starts Plummet: Down 26% in Aug., Another 16% in Sept.

U.S. construction starts fell 16.3% in September, following a 25.9% decline in August, as apartment developers continued to abandon urban high-rises in favor of suburban, garden-style properties, according to an October report by real estate brokerage Marcus & Millichap. Suburban properties are larger, facilitating work-from-home, have better access to outdoor space and generally don't have elevators, a key objection during the pandemic.

New-home sales jumped 32.1% year-over-year in September although they declined slightly, 3.5%, from August levels – the first monthly decline since April. Rising home prices impacted the volume (median home prices climbed 15.2% during the past 12 months to $317,300) with tighter loan underwriting and a shrinking supply of new homes also contributing.

Homebuilders are more confident than ever despite these challenges, and single-family home starts grew for the fifth consecutive month in September. The decline of multifamily starts in recent months, on the other hand, could be related to a shift in development strategies as builders deemphasize urban high-rises in favor of suburban garden-style properties.

Work-From-Home: "If You're Not Gonna Go All the Way, Why Go at All?" (Joe Namath)

Software company, GitLab produces a suite of ten software tools that help developers build, manage and secure their applications. GitLab, which is valued at $2.8 billion, has 1,300 employees in 67 countries but does not have a single office.All employees work remotely and meet only for the annual holiday party.

GitLab's manual for how companies can have an effective work-from-home program has been downloaded 70,000 times since March. GitLab relies on documentation to help the team work seamlessly. The employee handbook would run to 8,400 pages, if printed and every meeting has one or more companion documents online.

Employees take meeting notes and upload them to the handbook and use Slack and other tools to communicate effectively.

Restaurant Closings: On Pace to 100,000 in 2020

Despite innovating in myriad ways – opening for outdoor dining, building sheltered platforms to serve diners in parking lots and on sidewalks, ramping up takeout and curbside dining and partnering with delivery companies – restaurants are struggling mightily. All this bobbing and weaving simply isn't sufficient to overcome pandemic-induced lockdowns and indoor capacity restrictions and many diners' reluctance to venture outside their homes.

The National Restaurant Association predicted that 100,000 restaurants will close this year because of the pandemic. The NRA also found that 60% of restaurants reported that operating expenses as a percentage of sales are higher than before the pandemic. That's staggering when considering that staffing is just 71% of typical levels.

The restaurant industry is on track to lose $240 billion in revenues by year-end, and nearly three million restaurant employees remain out of work, according to NRA research. An astounding 40% of operators who have made it this far think their restaurant won't survive another six months without additional government financial support.

As with most periods of rapid change, there are winners and losers, new industries created overnight and an acceleration of trends already underway. As we look ahead, we think the urban flight to the suburbs, declining supply of new apartments and ease with which people can work-from-home are fundamental, trends which are positives for Pathfinder's suburban apartments.

Mitch Siegler is Senior Managing Director of Pathfinder Partners. Prior to co-founding Pathfinder in 2006, Mitch founded and served as CEO of several companies and was a partner with an investment banking and venture capital firm. He can be reached at msiegler@pathfinderfunds.com.

FINDING YOUR PATH

Dry Powder

By Lorne Polger, Senior Managing Director

It would have been easy and timely to write about the election in this issue of the Pathfinder newsletter. It's front and center in most everyone's mind.

Upon reflection, I decided on a different subject. I find that so much of the political discourse in our country has gotten so distasteful, that it frankly just bums me out. But what cheers me up is talking about future economic prospects, which I believe are healthy, and opportunities, which are plentiful. Access to both equity and debt remain strong, notwithstanding the impact of Covid. Most real estate investors that I have spoken with during the past couple of months have expressed a relatively strong appetite to increase their holdings in the coming year or two and remain confident that interest rates will stay at or near all times lows for the foreseeable future.

The concept of "dry powder" is relatively simple. Do you have cash available for immediate investment opportunities as they arise? Given the savage impact of Covid, it is somewhat counterintuitive to think that dry powder would be plentiful these days. Haven't businesses closed their doors in droves? Haven't we seen massive unemployment above the peaks reached during the Great Recession? We have. But institutional investment capital is somewhat its own animal.

Americans saved more and spent less over the past ten years. And investment markets, whether they be equities (S&P up approximately 250% since 2010), commercial real estate (NCREIF apartment index shows an annual return of 9.7% since 2010) or bonds (VGLT – Vanguard's long-term treasury index is up an astounding 67% since 2010, benefitting from the steady decline in interest rates) have been strong, notwithstanding the blip during the early part of the pandemic. And as the crisis began to unfold, many investors increased their liquidity as both a safe harbor and a strategy to pounce on opportunities as they arose. (We harken back to notable real estate investor Sam Zell's famous line, "you buy when there is blood in the streets.")

For several months, it was very difficult to underwrite any type of real estate investment. There was so much uncertainty about the economic performance of properties spurred by various facets of the pandemic. If you owned a shopping center, could tenants continue to pay their rents while closed, or even while open on a limited basis? Would office tenants continue to pay their rents even though their staffs were no longer physically there? If you owned a hotel, would the local jurisdiction allow you to keep your doors open? And if you did, would anyone come stay? Could you pay the mortgage if your doors were closed, or even if your occupancy and rates were down by 50%? And finally, if you owned an apartment building, could you pay the mortgage if some of your tenants were suddenly unemployed, and had to choose between putting food on the table or a roof over their heads. Making smart investment decisions was tough, downright impossible. So, there was plenty of money (dry powder) to invest, but no place where you felt reasonably comfortable to do it.

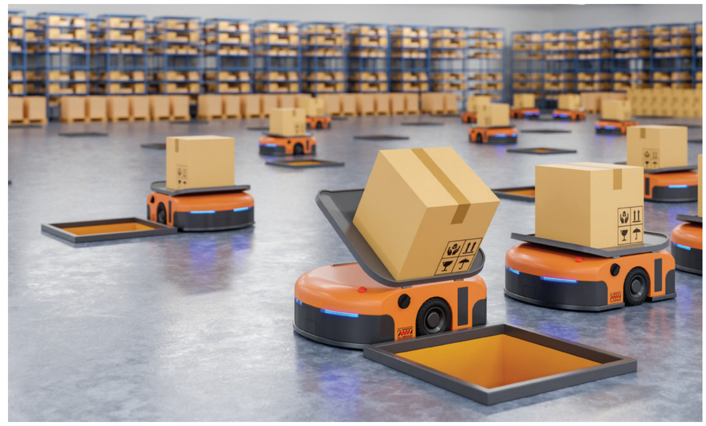
But that was months ago (although in many respects, it feels like a lifetime ago). Notwithstanding recent virus surges across the country, it's become a little clearer where the winners and losers can be found, both sector-wise and geographically.

We have learned that hospitality and retail have taken and are expected to continue to take the biggest hits. Although hotel occupancies and room rates have improved from their lows, the numbers are still dramatically below historical norms. According to hotel industry data analytics firm STR, Inc., September occupancies averaged 47.9%, down 20.1 percentage points year-over-year, while the average daily rate was down 26.3%. Tough time to be a hotel owner or operator, especially with no immediate end in sight (a recent report from CBRE forecasts that hotels will not return to their 2019 occupancy and rate levels until 2024!). Will values continue to drop and will foreclosures begin to occur when lenders start exercising their rights? Most likely. Will there be opportunities for well capitalized buyers to capitalize? Sure, whether you are a hotel operator or an investor like Pathfinder which may see an opportunity for adaptive reuse of the struggling hotel into rental housing.

It's a similar story in retail, which saw a loss of ten million square feet of leased space in the second quarter alone. A recent survey of retail investors noted that about half said it was a good time to hold, a third said it was a good time to sell, and the few remaining thought it was a good time to buy. (Note my prior article in the Pathfinder newsletter on the pending death of retail; the shift to online purchasing has been dramatically accelerated this year.) Most grocery-anchored centers will survive. Those anchored by gyms, movie theatres and sit-down restaurants? Not as likely.

Contrast that with the workforce housing and industrial real estate sectors. They have held up very well, in fact much better than originally expected. Since Covid hit in March, Pathfinder has collected an average of 97% of its scheduled monthly rent at our multifamily properties and has ultimately collected nearly 99%. Data provided by the *National Multifamily Housing Council* suggests that national collection rates are slightly less, but the averages are skewed by the fact that they combine all multifamily classes (A and C-class properties have fared less well than B-class).

The industrial market has fared better than most other sectors as well. Demand for industrial space has surged



this year, primarily due to significant increases in online shopping and renewed factory production. In commenting on the surge in demand for warehouses and industrial sites, a recent article by *Forbes* noted that "warehouse and industrial property investment is no longer a second choice for investors…E-commerce has paved the way for a new industrial movement….Last-mile delivery needs have brought on a resurgence in warehouse demand as retailers step up to meet consumer demands." The pandemic has accelerated the shift to online shopping leading to dramatic increases in demand for warehouse space by Amazon and UPS, among others. This hasn't been lost on industrial real estate investors, who have piled into the sector and bid up values.

We have learned that the new work from home movement, which has been dramatically accelerated this year, has left many urban cores suffering while suburban areas have generally stayed healthy (economically speaking). Average apartment rents in some gateway markets have dramatically fallen. In San Francisco, rents are down 13% from their March levels. New York and Chicago are not far behind. And of course, the tourist destination and convention cities have and will likely continue to suffer significant economic damage; Orlando and Las Vegas in particular, Los Angeles to a lesser extent.

And then there is the debt side of the equation. Deals work better with debt leverage, even better with inexpensive debt. Today, debt has never been so cheap. The 10-year treasury had been hovering at 75-80 basis points before spiking to 93 basis points on November 9 following Pfizer's vaccine announcement (it's at 90 basis points at press time). In October, we received a 10-year loan on an apartment property fixed at 2.85%. Many surveys suggest that rates are not going higher in any meaningful way for the foreseeable future, sentiments echoed this month by Federal Reserve Chairman Jerome Powell. The low rate environment has also spurred increased refinance activity, in some cases providing for additional liquidity.

The uptick in deal volume has been noticeable in the last 60 days. In one of our key markets, Colorado, in April, May and June, there was ONE institutional sized apartment building transaction each month. Just one. I just reviewed the data today for October and note that there were 16 institutional sized transactions (including two deals closed by Pathfinder Partners!) that closed. Wow.

Whether on a personal or business level, I'm of the view that it's good to have dry powder. Keeping your personal expenses down to provide you with liquidity to take advantage of investment opportunities is as important on a personal level as on a business level. This allowed me to step away from my law practice and start Pathfinder with Mitch Siegler in 2006. It may allow you the opportunity to take advantage of a personal or business investment opportunity in 2021. Enjoy the ride if you decide to take it. Hopefully it won't be too bumpy out there.

Lorne Polger is Senior Managing Director of Pathfinder Partners. Prior to co-founding Pathfinder in 2006, Lorne was a partner with a leading San Diego law firm, where he headed the Real Estate, Land Use and Environmental Law group. Reach him at lpolger@pathfinderfunds.com.

GUEST FEATURE

We're in a Recession – Why are Home Prices Skyrocketing?

By Matt Quinn, Vice President

The old rule of thumb: During a recession, more people are unemployed and cannot afford a mortgage (or pay their existing mortgage) so homebuyer demand declines and homes become more affordable.

Maybe pre-Covid, but not today. When the pandemic tore through the U.S. economy – April's unemployment rate hit 14.4% – many expected home prices to decline as in prior recessions. Instead, home prices skyrocketed.

The median home list price was up 12.2% year-over-year for the week ending October 10th and sales prices were up over 5% year-over-year in August, according to the most recent *Realtor.com* and *Case-Shiller* data. This has left many of us scratching our heads while further exacerbating a housing affordability crisis. So, why is this happening?

There are several factors, most intriguing of which is the changing social landscape as a result of the pandemic. Many Americans who still have full-time jobs and have not experienced a material decline in income – and might be able to afford a single-family home – are working mostly from home. You may have heard stories from friends and colleagues about not having enough office space (or any at all) and having patios which are too small for Zoom Pilates classes.

"I need more room for a garden." "I can't freakin' focus working in the living room." "I want to build an obstacle course for Fluffy." This work-from-home phenomenon has flooded the market with a new homebuyer while existing homeowners aren't particularly interested in selling. Add on the lowest mortgage interest rates of all-time and you've got the perfect recipe for home price appreciation.

We're seeing this pattern play out with wealthy bankers fleeing NYC for the Hamptons and high-tech executives in Seattle leaving their downtown neighborhoods for Bellevue or Redmond – or getaways in the San Juan Islands.

Here in San Diego – where home prices rose at the third fastest clip in the nation (behind only Phoenix and Seattle) – the median, resale, single-family home price hit $715,000 and is expected to increase another 35% over the next decade. (That means the median home price will exceed $1,000,000 by 2030.)

Pathfinder has a portfolio of "affordable" single-family homes throughout San Diego County (valued at $500,000-$600,000 apiece today) which we purchased after the 2008 financial crisis and recently began selling off individually. Over the past few months, we've seen multiple offer situations as the new normal with the ultimate sales price often being driven above our asking prices. I've heard stories of realtors turning down San Diego buyer representations where buyers can't afford a $1,000,000 home. Because of a lack of affordable inventory, representing lower-end buyers has become a fool's errand for top brokers.

So where does this leave us? Unfortunately, this trend may lead to a deepening of the chasm between the "have's" and "have-nots", with have-nots already being disproportionately affected by the economic downturn. Additionally, apartments – especially suburban, garden-style properties with open spaces – will continue to be in high demand as home prices simply become unaffordable for millions of Americans. So, if you're reading this from your home office while looking out upon your backyard, consider yourself lucky.

Matt Quinn is Vice President at Pathfinder Partners, focusing on asset management activities. Prior to joining Pathfinder in 2009, Matt worked with a San Diego-based firm which consulted on mergers and acquisitions and with the Wealth Management division of a California regional bank. Reach him at mquinn@pathfinderfunds.com.

ZEITGEIST – SIGN OF THE TIMES

Pandemic Accelerates Demand for Housing in Suburbs

Since the start of the pandemic, there has been a spotlight on Americans' shifting preference toward suburban living and away from urban living. This shift in demographics began years ago as the millennial generation entered their thirties and began looking for larger, more affordable homes in family-friendly environments. According to a 2011-2015 analysis of census data conducted by *Rentcafé*, suburban areas saw superior rental household growth in 19 of the 20 largest U.S. metros.

The chart below compares the increase in renter households from 2011-2015 in seven western metros. Growth in the suburbs outpaced that of urban areas across the board.

Metro	Suburban Increase	Urban Increase
Phoenix	23%	14%
Riverside	23%	13%
Denver	14%	12%
Seattle	13%	8%
San Francisco	10%	6%
San Diego	9%	8%
Los Angeles	7%	5%

The pandemic has accelerated this trend as additional groups, beyond just millennials, gravitated to suburban living. According to a June *PricewaterhouseCooper's* survey of executives and office workers, 83% of office workers want to work from home at least one day a week and 55% of employers anticipate continuing some form of work from home for their employees indefinitely. With greater workplace flexibility and increased demand for more indoor/outdoor space, we can expect continued growth in suburban living in the years ahead.

Lumber Prices Surge

According to the *National Association of Home Builders (NMHB)*, lumber prices have risen by 120% since April 2020 but have fallen 20% since their mid-September highs. The price of Oriented Strand Board (OSB) – an engineered wood popular in new home construction – has nearly tripled over the past year. A variety of supply and demand factors are causing higher lumber prices and leading to supply chain disruptions. These include a significant increase in housing starts, wildfires in the west, hurricanes in the southeast and tariffs on Canadian lumber, in addition to production issues created by pandemic-induced shutdowns. *NMHB* economists estimate this phenomenon has increased the cost of an average single-family home by $16,000 and a typical apartment by $6,000, further exacerbating the housing affordability crisis.

Election 2020: Californians Rebuffs Rent Control and Commercial Property Tax Increase

Earlier this month, California voters decisively rejected rent control-related Proposition 21 with nearly 60% of those voting in opposition. The proposition would have removed the State's current ban on the most draconian forms of rent control, including government-controlled rental pricing or "vacancy control". A similar measure failed in 2018.

"It's heartening that voters across the state recognized that Prop 21 would have worsened California's ongoing housing shortage and homelessness crisis," said Tom Bannon, chief executive officer of *The California Apartment Association*. "Now, it's time to get busy and come up with real solutions for increasing the number of housing units for California's working families." The measure, as well as the failed 2018 proposition, was brought to the ballot by a group funded primarily by Michael Weinstein and his AIDS Healthcare Foundation.

A second major California real estate-related ballot measure, Proposition 15, was also voted down but by a narrower margin, with 52% of voters in opposition. Prop 15 would have required commercial and industrial properties, except those zoned as commercial agriculture, to be taxed based on their market value. California's current property tax law, 1978's "Prop 13", taxes properties based on their purchase price, with annual increases equal to the rate of inflation or two percent, whichever is lower. Proponents of Prop 15 claim it would have closed a loophole and provided local government and schools with much needed funding. Opponents argued that the measure would further increase the cost of doing business in the State and hurt the overall economy by driving businesses and jobs to lower cost states.

TRAILBLAZING: THE HARRISON, AURORA, CO

A New Dawn

Aurora is the Latin word for dawn or new beginning. In 2018, Pathfinder found a new beginning with the purchase of “Verona Park” (renamed “The Harrison”), a 119-unit apartment community in the thriving Denver suburb of Aurora.

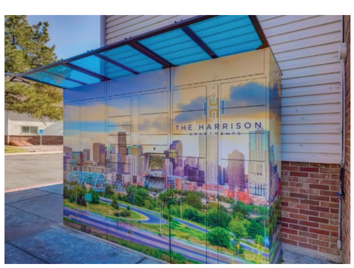
Aurora is the closet urban hub to Denver International Airport (DIA) and one of Colorado’s most diverse and populous cities with nearly 400,000 residents. Surrounded by breathtaking views of the Front Range Mountains and nicknamed “The Gateway to the Rockies, Aurora features 113 parks, 98 miles of trails, two reservoirs and 8,000 acres of open space for outdoor enthusiasts to enjoy.

Aurora’s pro-business environment, excellent infrastructure and proximity to DIA and downtown Denver fuel a dynamic economy. The City’s specialized industries include aerospace and defense (Lockheed Marin, Raytheon), bioscience (the 18.5 million-square-foot Fitzsimons Life Science District), renewable energy (SolarTAC) and transportation logistics (Amazon, Core-Mark). With strong economic drivers and an abundance of undeveloped land, Aurora is well poised for continued growth.

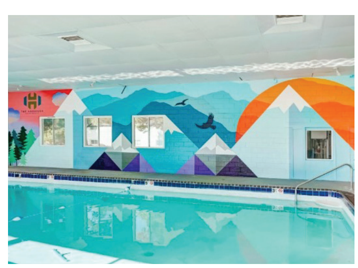
The Harrison, built in 1972, is situated on nine acres and includes a mix of one- and two-bedroom apartments averaging 880 square feet. Each apartment has a private entry and a large private patio or balcony. The property’s low density (just 13.3 units/acre) is enhanced by several large, open spaces throughout the community. Harrison also features a clubhouse lounge, business center, fitness room, heated indoor pool, playground and covered barbeque area.

When we purchased The Harrison, the property was in original, 1970’s condition and presented an opportunity for comprehensive interior and exterior renovations. Last

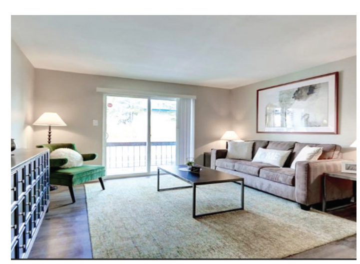
New Monument Sign



New Package Locker System



Indoor Pool with New Wall Mural



Model Unit

year, we completed repairs to the building foundations, enhanced the landscaping and installed a dog park and outdoor game area. Additionally, we enhanced an existing retention pond by installing water pumps, waterfall features, plants and benches.

This year, in conjunction with the property rebrand, we painted building entries, installed new signage and launched a new website (LiveAtTheHarrisonApts.com). We also constructed a new perimeter fence with controlled-access gates which will provide additional privacy and security for families, reduce unwanted traffic and foster a stronger sense of community. To date, we have renovated 52 apartments with upgraded kitchens and baths, new flooring and modern finishes and installed washers and dryers in 84 units.

It's a new dawn for both Aurora and The Harrison and we couldn't be more excited about the possibilities that lie ahead.

Aurora: Did you know?

Gaylord Rockies Resort and Convention Center: In December 2018, Marriott International opened the largest resort/convention center in Colorado, just ten minutes from Denver International Airport. The $824 million project boasts 1,500 guest rooms, 485,000 square feet of convention space and an indoor/outdoor water park on a sprawling 85-acre site. The project is in Aurora and overlooks Denver's skyline. The project is expected to attract 450,000 visitors annually and contribute more than $270 million to Colorado's economy.

Gaylord Rockies Resort and Convention Center

NOTABLES AND QUOTABLES

Persistence

“Timing, perseverance and ten years of trying will eventually make you look like an overnight success.”

- Biz Stone, *American Entrepreneur*

“Perseverance is the foundation of all actions.”

- Lao Tzu, *Chinese Philosopher*

“Never rule out a goal because you think it’s unattainable. Be audacious.”

- Ray Dalio, *American Investor*

“It’s only those who are persistent and willing to study things deeply, who achieve the master work.”

- Paulo Coelho, *Spanish Writer*

“The best way out is always through.”

- Robert Frost, *American Poet*

“Ambition is the path to success; persistence is the vehicle you arrive in.”

- William Eardley IV, *American Public Servant*

“Nothing in this world can take the place of persistence. Persistence and determination alone are omnipotent.”

- Calvin Coolidge, *30th U.S. President*

“Success is the sum of small efforts – repeated day in and day out.”

- Robert Collier, *American Author*

“Keep a little fire burning, however small, however hidden.”

- Cormac McCarthy, *American Novelist*

“The three great essentials to achieve anything worthwhile are, first, hard work; second, stick-to-itiveness; third, common sense.”

- Thomas A. Edison, *American Inventor*

IMPORTANT DISCLOSURES

The information contained within this newsletter is not a solicitation or offer, or recommendation to acquire or dispose of any investment or to engage in any other transaction. Pathfinder does not render or offer to render personal investment advice through our newsletter. Information contained herein is opinion-based reflecting the judgments and observations of Pathfinder personnel and guest authors. Our opinions should be taken in context and not considered the sole or primary source of information.

Materials prepared by Pathfinder research personnel are based on public information. The information herein was obtained from various sources. Pathfinder does not guarantee the accuracy of the information. All opinions, projections and estimates constitute the judgment of the authors as of the date of the report and are subject to change without notice.

This newsletter is not intended and should not be construed as personalized investment advice. Neither Pathfinder nor any of its directors, officers, employees or consultants accepts any liability whatsoever for any direct, indirect or consequential damages or losses arising from any use of this report or its contents.

Do not assume that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Pathfinder) made reference to directly or indirectly by Pathfinder in this newsletter, or indirectly via a link to an unaffiliated third-party web site, will be profitable or equal past performance level(s).

Investing involves risk of loss and you should be prepared to bear investment loss, including loss of original investment. Real estate investments are subject to the risks generally inherent to the ownership of real property and loans, including: uncertainty of cash flow to meet fixed and other obligations; uncertainty in capital markets as it relates to both procurements of equity and debt; adverse changes in local market conditions, population trends, neighborhood values, community conditions, general economic conditions, local employment conditions, interest rates, and real estate tax rates; changes in fiscal policies; changes in applicable laws and regulations (including tax laws); uninsured losses; delays in foreclosure; borrower bankruptcy and related legal expenses; and other risks that are beyond the control of Pathfinder or the General Partner. There can be no assurance of profitable operations because the cost of owning the properties may exceed the income produced, particularly since certain expenses related to real estate and its ownership, such as property taxes, utility costs, maintenance costs and insurance, tend to increase over time and are largely beyond the control of the owner. Moreover, although insurance is expected to be obtained to cover most casualty losses and general liability arising from the properties, no insurance will be available to cover cash deficits from ongoing operations.

Please add msiegler@pathfinderfunds.com to your address book to ensure you keep receiving our notifications.