



Hillpointe Workforce Housing Partnership II, LP

Quarterly Update

Third Quarter 2024



101 S New York Ave | Suite 211
Winter Park, FL 32789

Dear Partner,

Thank you for your support of Hillpointe Workforce Housing Partnership II, LP (the “Fund” or the “Partnership”). We are pleased to share with you the Quarterly Report for the period ending September 30, 2024. In addition to the materials contained in this package, your Quarterly Partner Package with information specific to your investment has been posted separately on the Hillpointe Investor Portal.

Portfolio Update

As of September 30, 2024, the Fund has an investment position totaling \$52,593,689 across six assets, Pointe Grand Southlake, Pointe Grand Daytona, Pointe Grand Augusta, Pointe Grand Dawsonville, Pointe Grand Ocala and Pointe Grand Palm Coast. The following table outlines the Fund’s investment allocations.

<u>Project</u>	<u>Location</u>	<u>Units</u>	<u>Estimated Total Project Size</u>	<u>Estimated Total Equity</u>	<u>Estimated Open Date</u>
Pointe Grand Southlake	Morrow, GA (Atlanta-Sandy Springs-Alpharetta MSA)	312	\$40,457,180	\$14,733,864	Under Management
Pointe Grand Daytona	Daytona Beach, FL (Deltona-Daytona Beach-Ormond Beach MSA)	264	\$37,555,775	\$13,370,722	Under Management
Pointe Grand Kingsland East (Sold July 2024)	Kingsland, GA (Jacksonville MSA)	288	\$36,234,061	\$12,908,121	Realized
Pointe Grand Augusta	Augusta, GA (Augusta-Aiken MSA)	300	\$43,212,565	\$15,293,398	Under Management
Pointe Grand Dawsonville*	Dawsonville, GA (Atlanta-Sandy Springs-Alpharetta MSA)	300	\$46,522,438	\$16,509,053	Under Management
Pointe Grand Ocala	Ocala, FL (Ocala MSA)	360	\$49,416,811	\$17,295,884	Under Management



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Pointe Grand Palm Coast	Palm Coast, FL (Deltona-Daytona Beach-Ormond Beach MSA)	300	\$44,837,304	\$15,535,556	Under Management
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Note: Amounts shown for Pointe Grand Dawsonville include only the multifamily portion of the project and do not include the retail/commercial follow-on investment.

Pointe Grand Southlake

Pointe Grand Southlake is a 312-unit project located in the Clayton County submarket of the Atlanta-Sandy Springs-Alpharetta MSA. As you may recall, the project site is located less than one mile from I-75 and sits within five miles of a diverse set of economic drivers, including Kaiser Permanente Southwood Comprehensive Medical Center, Piedmont Henry Hospital, Southern Regional Medical Center, Clayton State University, and Gillem Logistics Center. The Fund acquired the project site in December 2020 at a total cost of \$4,830,000 (\$15,481 per unit).

As of the writing of this letter Pointe Grand Southlake is 90% occupied at an average rate of \$1,590 per month. This compares to our initially underwritten rent of \$1,200 per month.

As you will recall, in February 2023 Pointe Grand Southlake was successfully refinanced with a \$40,210,000 loan (43% Loan-to-Value at the time of refinance) and a corresponding distribution in the amount of \$12,800,000 was made to investors.

Our final pro-forma underwriting projected an 8.02% stabilized unlevered yield on cost and a gross project level IRR of 26.8% measured on a 7-year hold.

Pointe Grand Daytona

Pointe Grand Daytona is a 264-unit project located in Daytona Beach, FL, within the Deltona-Daytona Beach-Ormond Beach MSA. As you may recall, the project site is located in the center of Daytona Beach, within one mile of the Daytona International Speedway and NASCAR headquarters, Halifax Medical Center, Daytona State College, Embry-Riddle Aeronautical University, the Volusia Mall and the newly developed \$800 million One Daytona mixed use project. The Fund acquired the project site in December 2020 at a total cost of \$4,250,000 (\$16,098 per unit).

As of the writing of this letter Pointe Grand Daytona is 93% occupied at an average rate of \$1,615 per month. This compares to our initially underwritten rent of \$1,350 per month.

As you will recall, in November 2022 Pointe Grand Daytona was successfully refinanced with a \$37,240,000 loan (42% Loan-to-Value at the time of refinance). In December 2023 and January 2024, the Fund repaid \$2,690,000 of the loan in exchange for a one-year extension to the maturity of date of the loan, with an additional 6-month extension option that may be exercised at the Fund's discretion. The current loan balance is \$34,550,000.

Our final pro-forma underwriting projected an 8.16% yield on cost and a project level IRR of 32.1% as measured on a 7-year hold.



Pointe Grand Kingsland East

Pointe Grand Kingsland East is a 288-unit project located in Kingsland, GA, and was sold in July 2024 at a price of \$57,600,000. The total holding period was approximately 40 months. Pointe Grand Kingsland East generated the following returns:

- IRR – Gross 42.4 %; Net 30.5%
- Equity Multiple – Gross 2.75x; Net 2.1x
- Net Profit – Gross \$22.6 million; Net \$14.7 million

The above net returns were calculated at the project level for informational purposes and do not consider the Fund level waterfall. In connection with the sale of Pointe Grand Kingsland East, a distribution in the amount of \$32,200,000, approximately 29% of the total \$110 million Fund, was made in August 2024.

Pointe Grand Augusta

Pointe Grand Augusta is a 300-unit project located in Augusta, GA, approximately one mile from Fort Gordon's main gate. Fort Gordon, the largest single employer in Augusta, is expanding rapidly. Fort Gordon currently accounts for 26,000 jobs and the NSA employs 4,000 additional personnel on the base. The US Military has committed to fund \$1.6 billion through 2028 for the creation of the Army Cyber Command Center, which we believe will continue to drive additional demand for multifamily housing. The Fund acquired the Pointe Grand Augusta project site in April 2021 at a total cost of \$2,495,000 (\$8,317 per unit).

As of the writing of this letter Pointe Grand Augusta is 92% occupied at an average rate of \$1,386 per month. This compares to our initially underwritten rental rate of \$1,250 per month.

As you will recall, in July 2024 Pointe Grand Augusta was successfully refinanced with a \$36,892,000 loan (60% Loan-to-Value at the time of refinance) and in August 2024 a corresponding distribution in the amount of \$8,900,000 was made to investors. The loan carries a 5-year term at a fixed rate of 5.24%.

Our final pro-forma underwriting projected an 8.06% yield on cost and a project level IRR of 27.15% as measured on a 7-year hold.

Pointe Grand Dawsonville

Pointe Grand Dawsonville is a 300-unit project located in Dawsonville, GA, a bedroom community approximately 35 miles northeast of Atlanta. Dawsonville has realized rapid population growth driven by the Atlanta MSA's northeast growth path. The project site is located with direct frontage on GA 400, approximately one mile south (toward Atlanta) of the North Georgia Premium Outlets and the associated retail, the largest retail development in the area.

The Fund acquired the Pointe Grand Dawsonville site at a price of \$5,300,000 in May 2021. The site includes ~20 acres of multifamily, five retail outparcels (~6 acres in total), and ~26 acres of additional acreage with commercial entitlements. As you will recall, for modeling purposes, a value of



\$3,300,000 (\$11,000 per unit) was assigned to the multifamily acreage and a value of \$2,000,000 was assigned to the retail outparcels and additional commercial acreage.

As of the writing of this letter Pointe Grand Dawsonville is 88% occupied at an average rate of \$1,586 per month. This compares to our initially underwritten rental rate of \$1,350 per month.

As you will recall, in April 2024 Pointe Grand Dawsonville was successfully refinanced with a \$42,923,000 loan (52% Loan-to-Value at the time of refinance) and a corresponding distribution in the amount of \$8,500,000 was made to investors.

Our final pro-forma underwriting projected an 8.25% yield on cost and a project level IRR of 30.5% as measured on a 7-year hold.

Pointe Grand Ocala

Pointe Grand Ocala is a 360-unit project located in Ocala, FL, a key logistics hub along Florida's I-75 corridor. The project site is located adjacent to the College of Central Florida, a public college with an enrollment of approximately 8,700 students, approximately 0.5 miles from SR 200 (Ocala's major retail hub), within two miles of AdventHealth Ocala and Ocala Health (Ocala's two largest private employers which together account for more than 5,200 jobs) and within three miles of thousands of distribution and logistics related jobs. An additional 5+ million square feet of distribution and warehouse space is expected to be completed in the Ocala market over the next year, which we believe will further increase the demand for workforce housing. The Fund acquired the Pointe Grand Ocala project site in August 2021 for a total cost of \$2,475,000 (\$6,875/unit).

As of the writing of this letter Pointe Grand Ocala is 89% occupied at an average rate of \$1,456 per month. This compares to our initially underwritten rental rate of \$1,350 per month.

We are currently evaluating refinancing options for Pointe Grand Ocala and expect that a monetization event will occur in Q4 2024.

Our final pro-forma underwriting projected an 8.91% yield on cost and a project-level IRR of 30.58% on a 7-year hold.

Pointe Grand Palm Coast

Pointe Grand Palm Coast is a 300-unit project located in Palm Coast, FL. Palm Coast is a rapidly growing city on the I-95 corridor located between Daytona Beach, FL and St. Augustine, FL. The project site is located within two miles of the new \$100 million AdventHealth Palm Coast Parkway facility which opened in 2023 and is expected to create more than 400 new jobs. Additional job drivers proximate to the site include the Palm Coast campus of Daytona State College (3,000 students), AdventHealth Palm Coast (1,000 employees), and Palm Coast Data (750 employees). The Fund acquired the Pointe Grand Palm Coast project site in August 2021 at a price of \$3,270,000 (\$10,900 per unit).

As of the writing of this letter Pointe Grand Palm Coast is 73% leased at an average rate of \$1,589 per month. This compares to our initially underwritten rental rate of \$1,350 per month.



As you will recall, in December 2023 Pointe Grand Palm Coast was successfully refinanced with a \$43,000,000 loan and a corresponding distribution in the amount of \$5,500,000 was made to investors in December 2023.

Our final pro-forma underwriting projected an 8.13% yield on cost and a project-level IRR of 27.38% on a 7-year hold.

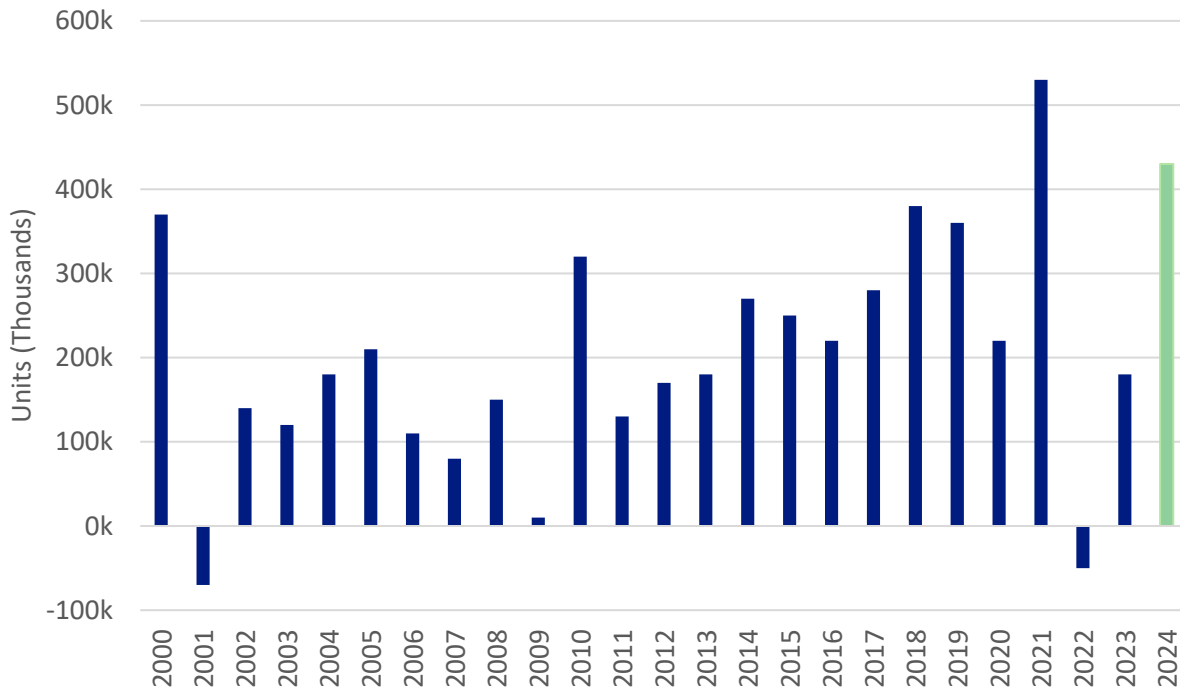
Sector Overview

Rent Growth, Occupancy, and Concessions –

Multifamily fundamentals remained strong in the third quarter, with robust demand resulting in absorption keeping pace with new supply. As you will recall, in previous letters we noted our expectation that multifamily fundamentals would temporarily weaken in 2024 and 2025 as a result of the well-publicized supply wave, before consolidating and strengthening in 2026. While certain high supply markets have exhibited negative rent growth, contrary to expectations, apartment absorption has largely kept pace with record new unit deliveries.

Following the extraordinary demand recorded in the first half of 2024, third quarter apartment absorption remained strong. Absorption in Q3 2024 was 192,649 units, bringing the year-to-date total to 488,773 units. The first three quarters of 2024 recorded the second strongest January through September period net apartment absorption on record, second only to the 2021 Covid year.

2024 Apartment Absorption Remains Robust

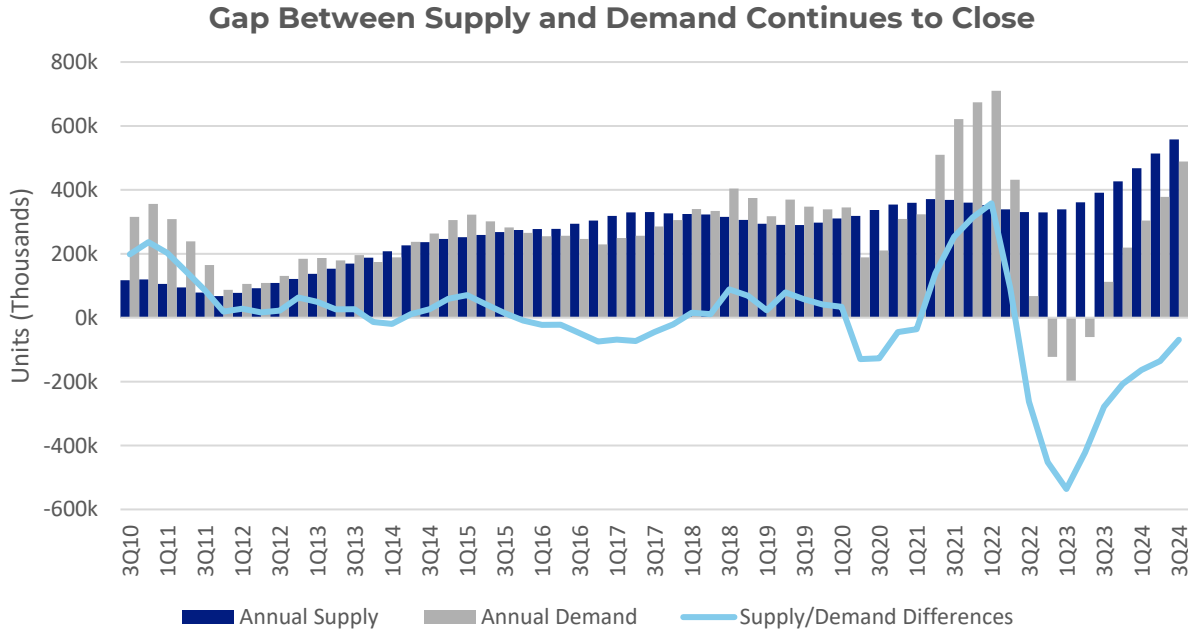


Source: RealPage Analytics



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Despite record deliveries of new units, occupancy ticked up in the third quarter, increasing by 0.2% to 94.4%. Rent growth increased by 0.9% year-over-year and remained essentially flat quarter-over-quarter with average effective rent increasing to \$1,841 versus \$1,829 in the prior quarter. The gap between supply and demand dropped to the lowest level in two years at just over 69,000 units.



Source: RealPage Analytics

Several factors are buoying apartment absorption, including positive trends in household formation, wage growth, decoupling and resident retention.

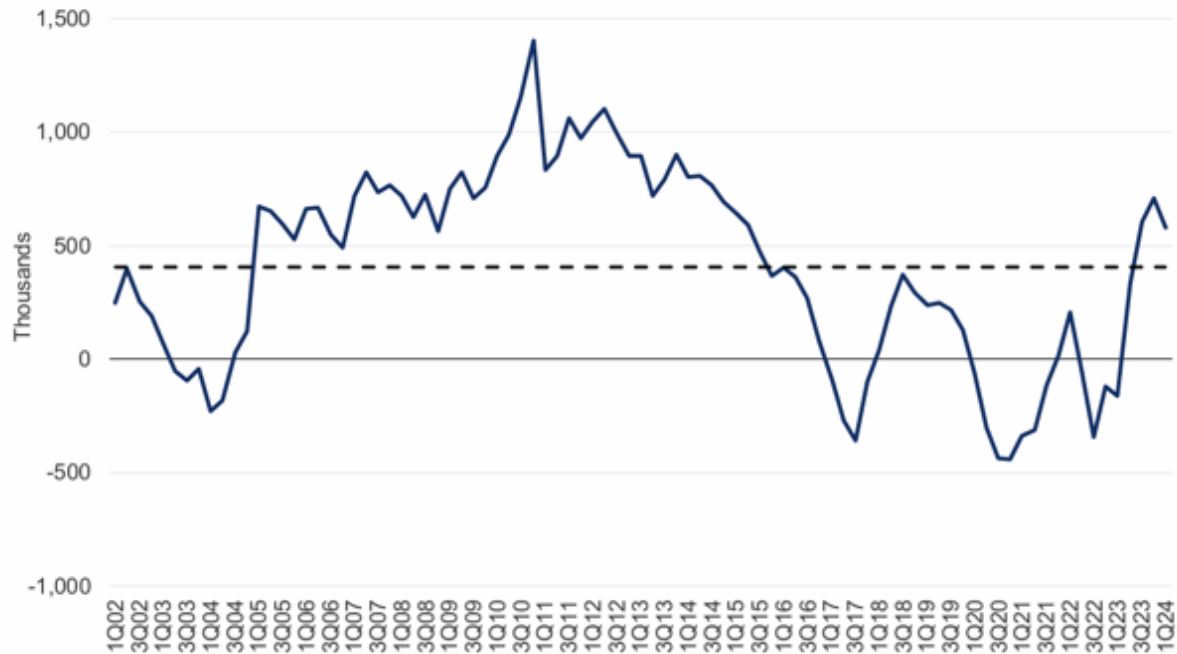
Since mid-2023, there has been a significant acceleration in renter household formation. For much of the past decade, growth in rental households remained well below the post-2001 average of 404,464 households per year. However, beginning in 2023, this trend sharply reversed, resulting in an estimated increase of 581,705 renter households as of March 2024. While data is not yet available, based on multifamily absorption rates above trend growth in renter households likely continued through the third quarter of 2024.



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US Renter Households YOY Growth (Thousands)

Current (YOY volume growth) = 581,705 households - - - Average (2001 to Current) = 404,964 households



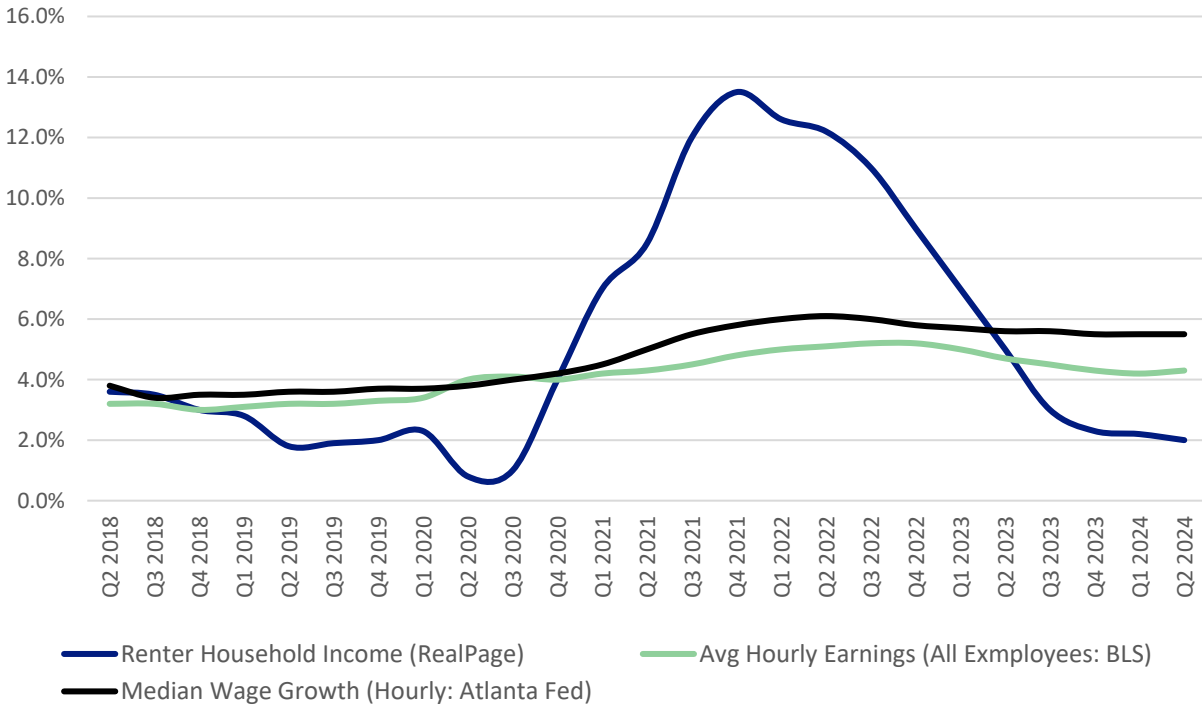
Source: John Burns Research and Consulting, LLC (Data as of March 2024)

Wage growth also remains broadly positive for overall multifamily fundamentals. While moderating, renter household wage growth is outpacing rent growth. Rental affordability is improving at the margins and households continue to decouple, creating demand for additional rental units.



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Wage Growth Has Helped Spur New Household Formations

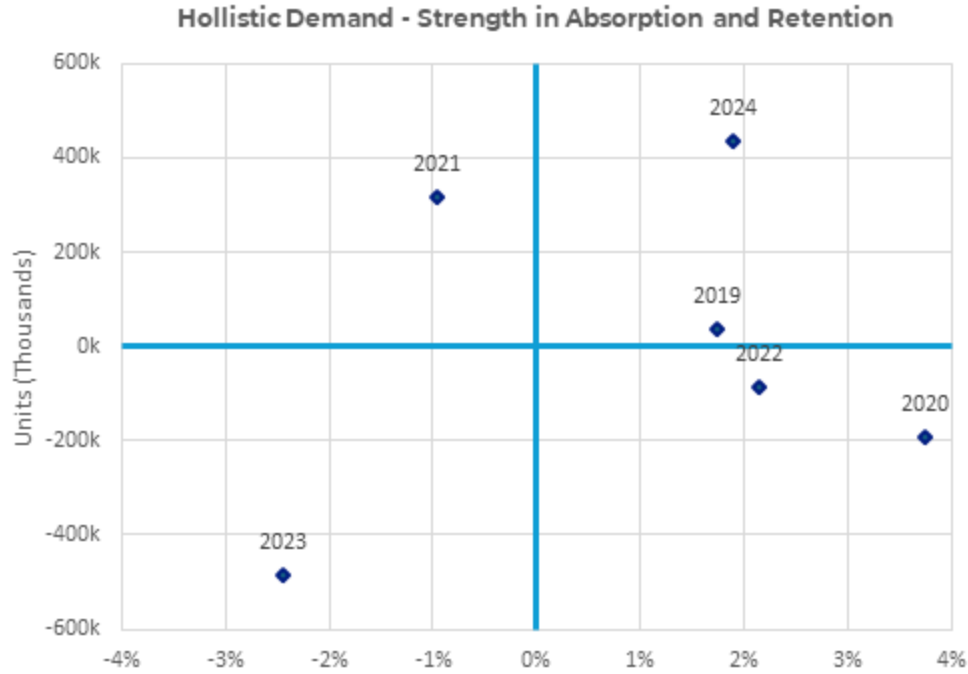


Source: RealPage Analytics, Bureau of Labor Statistics, and Atlanta Federal Reserve

Lastly, while absorption trends have received most of the focus in recent multifamily news headlines, retention has also meaningfully improved. Following weak retention trends in 2023, retention trends are back in line with 2019 levels. As a result, the current demand wave is holistic, implying new units are increasingly being absorbed by new renter households, not by the same renter households moving between apartments.

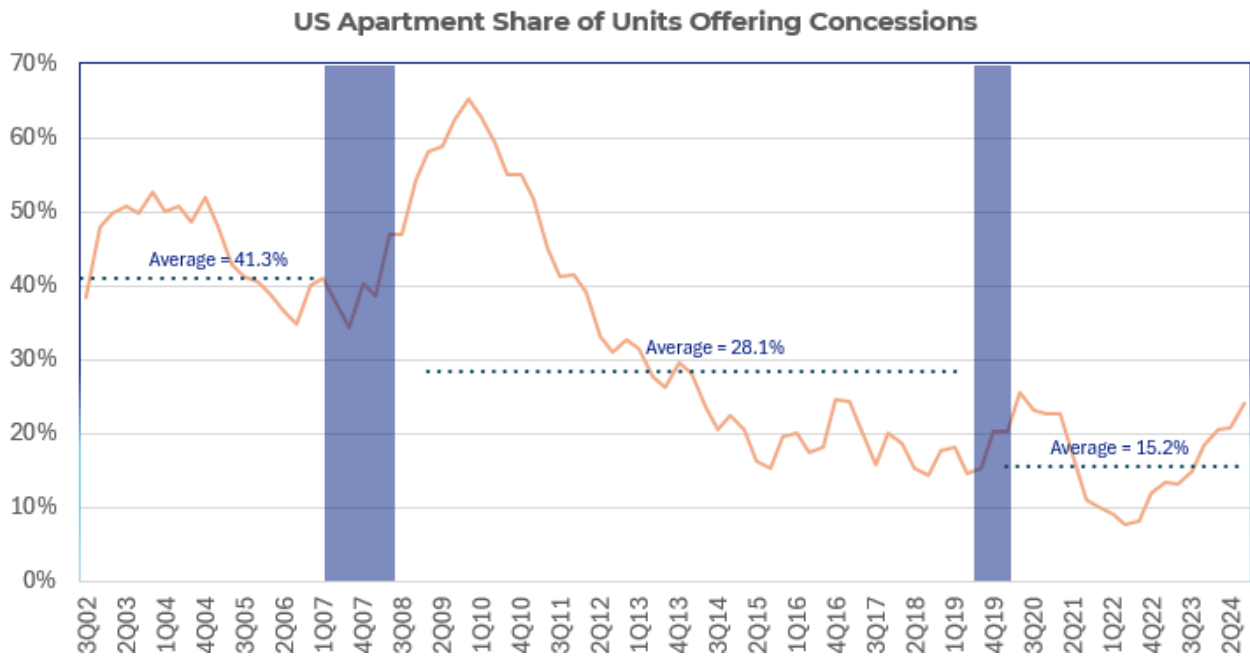


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Source: RealPage Analytics

Additionally, despite cycle high multifamily deliveries, concessions in the market remain low as compared to prior cycles. As of Q2 2024, 21% of all multifamily units were offering concessions and, on average, these concessions totaled ~5% of lease value (e.g. less than one month).



Source: RealPage Analytics



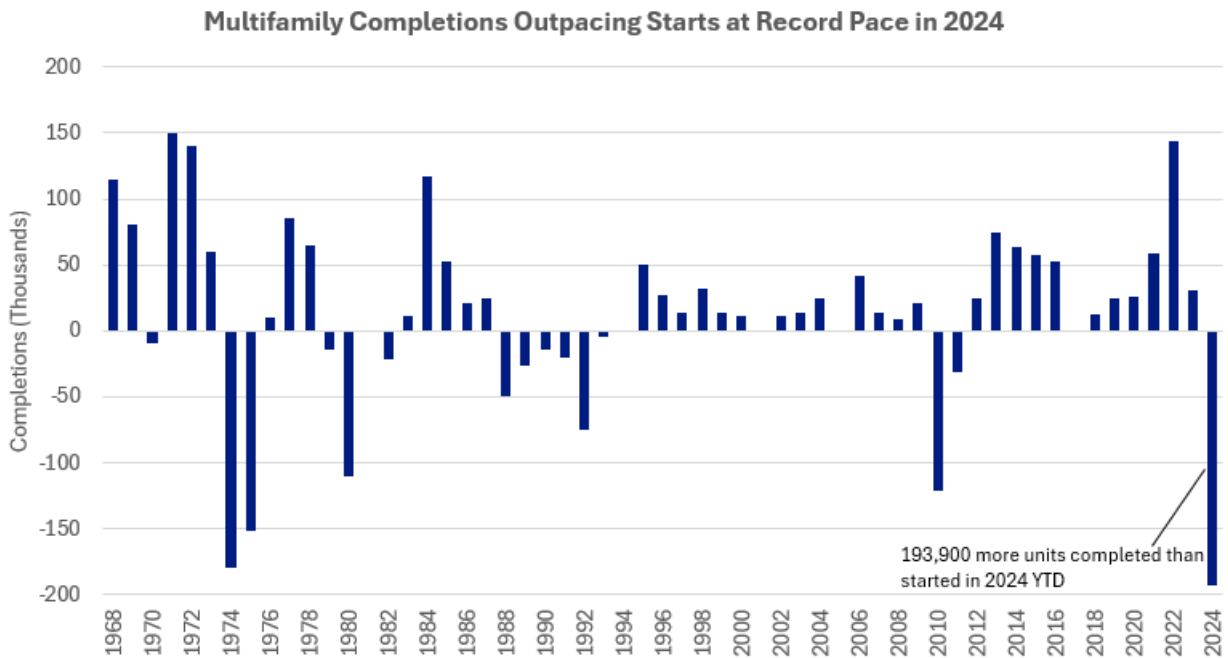
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Supply, Starts and Dwindling Construction Pipeline –

In previous letters, we detailed the 2024-2025 multifamily supply wave. On a national basis, we believe that peak supply occurred in Q3 2024. According to RealPage data, a total of 557,842 units were completed from January 2024 through September 2024, topping the 2023 full year level of 439,394 units, with 163,000 units completed in Q3 2024 alone.

Per US Census Bureau data, multifamily starts are now down ~50% from the cycle high level of 614,000 units recorded in April 2022, and to date, we see no signs of a rebound in starts. Virtually every leading indicator (permits, developer surveys, architectural billings, credit conditions) suggests multifamily starts will remain depressed. Multifamily building permits are down in nearly every MSA. Developers are delaying starts of units that are already permitted, with 92% of apartment developers reporting delayed starts in the most recent NMHC survey. The Architectural Billings Index, which tracks architectural billings on a month-over-month basis, recorded a 20th consecutive month of decline. Credit conditions remain broadly tight per the Federal Reserve's Senior Loan Officer survey, with banks continuing to report tightening standards for commercial real estate development loans.

After growing for much of the last decade, multifamily completions are now outpacing starts at a record level.

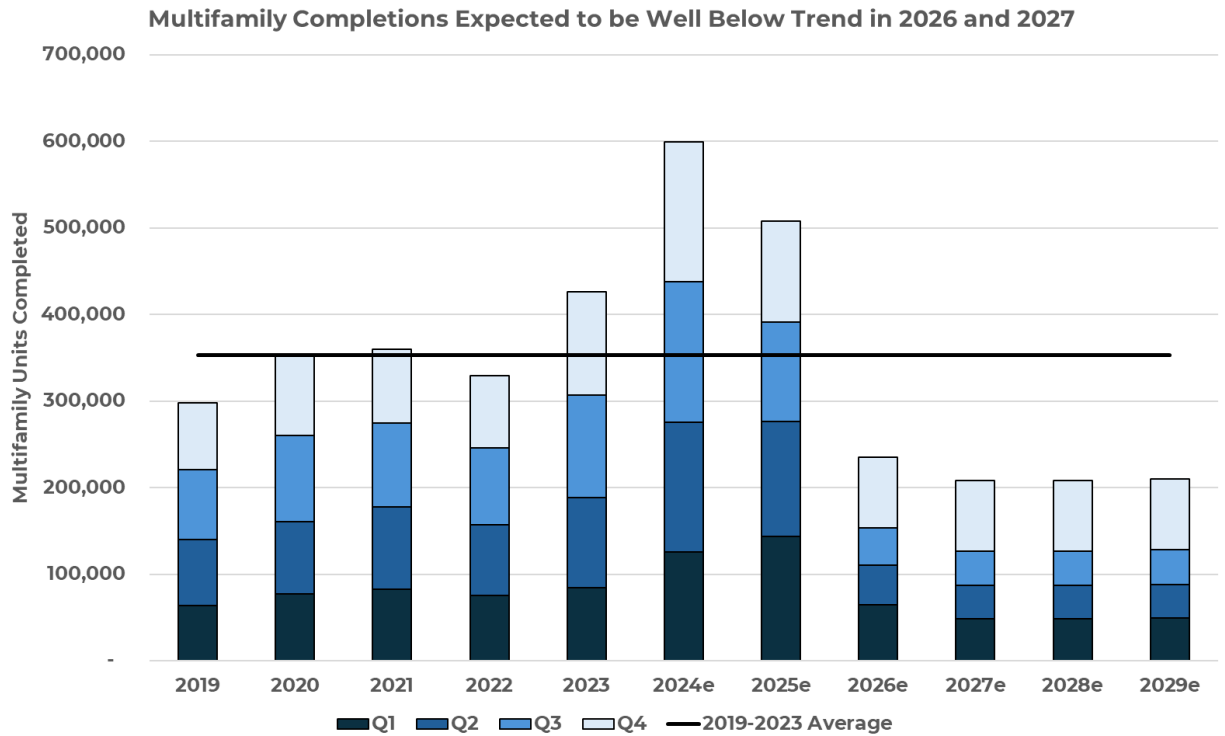


Source: RealPage Analytics

As a result of the sustained reduction in multifamily starts, we expect that supply will steadily decline from current peak levels, before plunging in 2026. Given an average construction timeframe of approximately 24 months, the cake is now largely baked in terms of 2026 multifamily deliveries. Barring a material change in capital markets, construction costs or rents, new deliveries of multifamily supply should remain depressed for several years.



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Source: RealPage Analytics; 2024 represents actuals for Q1, Q2 and Q3 and RealPage estimates for Q4; 2025-2029 represents RealPage estimates

While we believe that supply peaked at the national level in Q3 2023, the peak supply date differs for individual markets. The supply peak at the individual market level generally ranges from early 2024 to late 2025. The graphic below, produced by RealPage Analytics, illustrates the projected supply peak for multifamily units by market. For the most part, Hillpointe’s markets are currently experiencing their expected supply peak.



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When is the expected supply peak by market (market-rate multifamily product)?



Source: RealPage Analytics

Even with the current supply wave, the long run housing shortage is expected to persist, particularly for median and lower income households. According to the Joint Center for Housing Studies of Harvard University, the outsized 2024- and 2025-unit deliveries will provide little reprieve for lower income renter households over the long run. New rental units are overwhelmingly targeted toward higher median income households, as retail construction costs necessitate high rents in order to make projects pencil. As a result, the stock of housing units with rents affordable to median income earners has remained largely stagnant and continues to age. As of 2021, the US rental stock had a median age of 44 years, up from 34 years two decades ago, with a material portion of that stock considered physically deficient. Consequently, despite peak deliveries, nearly 4 million Americans are living in physically deficient units.

Housing Affordability –

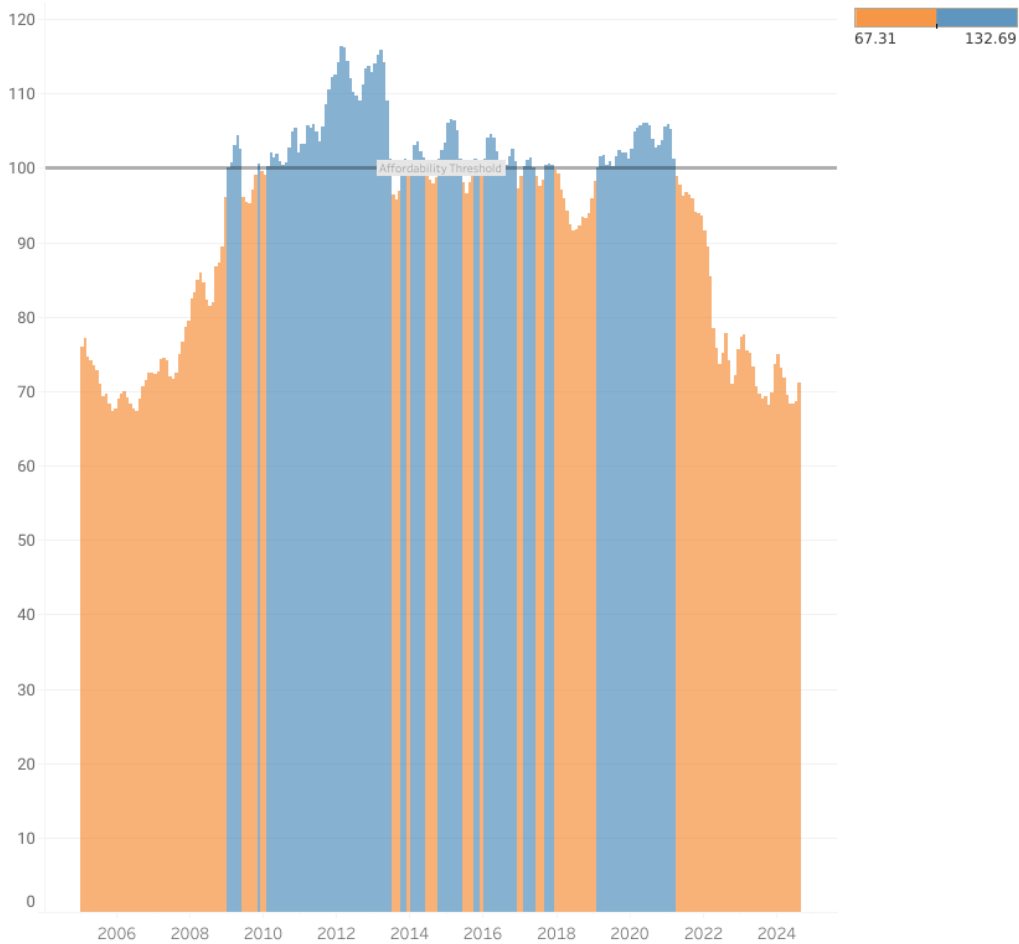
As we have discussed in prior letters, housing affordability remains critically stretched. While this issue affects a broad spectrum of the population, it is particularly acute for median-income households. As of August 2024, the Federal Reserve Bank of Atlanta’s Home Ownership Affordability Monitor (HOAM) stands at 71, meaning that the typical household’s income is only 71% of the level required to afford a median priced home at prevailing mortgage rates and lending standards.



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United States

Affordability Index
(Toggle between Affordability Index & Homeownership Cost as a Percent Share of Median Income)
Share of Median Income Greater than 30% OR Index less than 100 = Unaffordable
Source: Federal Reserve Bank of Atlanta



Source: Federal Reserve Bank of Atlanta

The affordability gap remains wide and continues to expand. As of August 2024, the annual household income required for homeownership (calculated assuming that 30% of annual income is expended toward a mortgage on a median priced home) was \$119,870, 41% higher than the median household income of \$85,255.



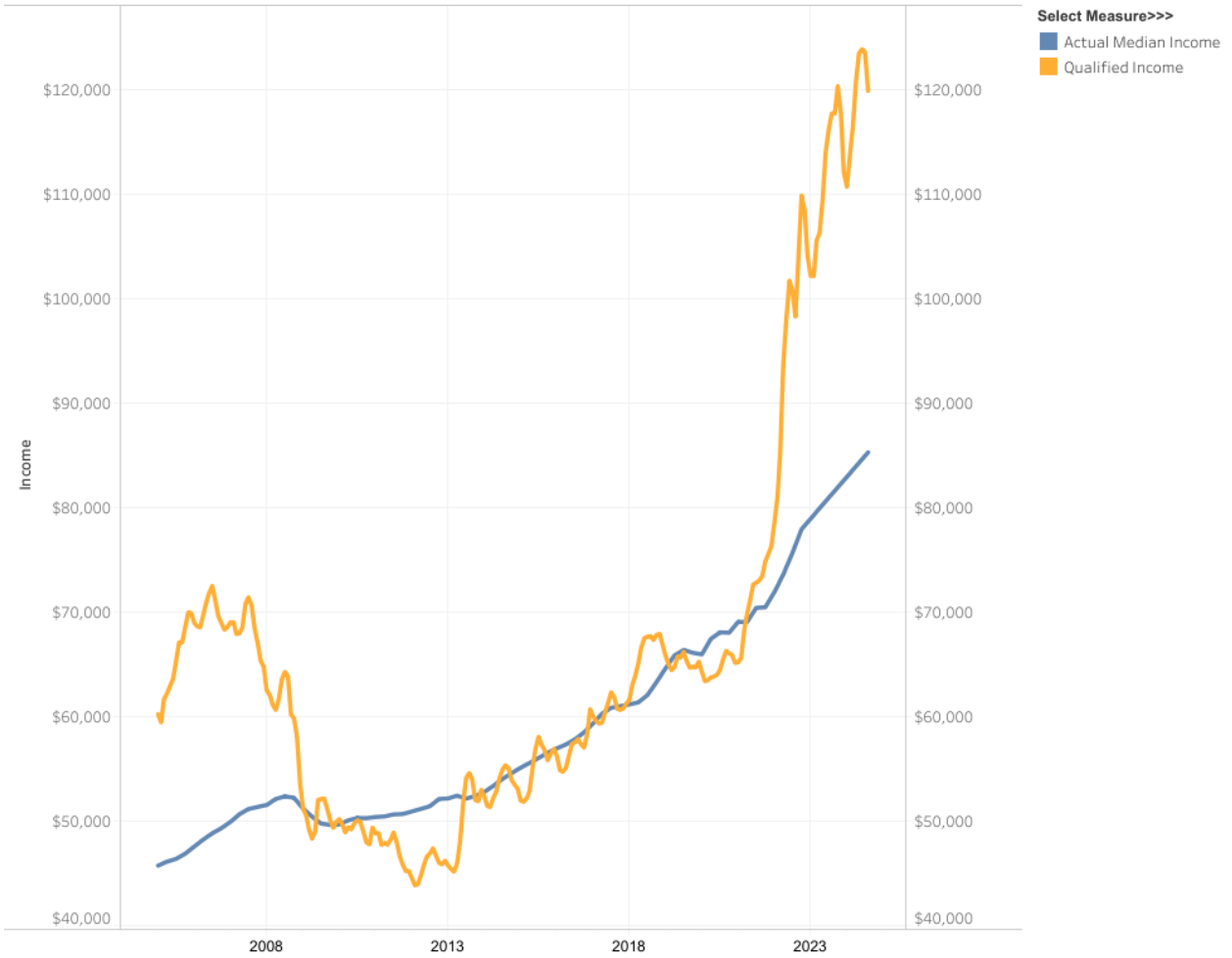
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United States

Gap Between Actual Median Household Income and Qualified Income

(Qualified Income = Income needed for annual homeownership cost to equal no more than 30 percent of annual income)

Source: Federal Reserve Bank of Atlanta



Source: Federal Reserve Bank of Atlanta

While rent is also historically unaffordable, with a record 22.4 million renter households spending more than 30% of their income on rent and utilities per Harvard's Joint Center for Housing Studies, rental housing remains significantly more affordable than homeownership on a relative basis. The monthly cost of homeownership, assuming a 30-year fixed rate mortgage on a median priced home, was \$2,997 per month as of August 2024. In contrast, the national average effective rent according to RealPage data is \$1,838 per month, ~40% lower. Notably, this ~\$1,100 per month differential between the cost of homeownership and the cost of rental housing was calculated without adjusting for the numerous "hidden" costs of homeownership, such as taxes, insurance and maintenance. These "hidden costs" typically add ~\$1,000 per month to the cost of homeownership.



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Hurricane Impact and Insurance Market Overview –

The Hillpointe portfolio sustained minimal damage from Hurricane Helene and Hurricane Milton, which we believe in part speaks to the quality of new construction assets built to modern hurricane codes. Damage was largely limited to landscaping, debris, and a few fallen trees on ancillary building structures.

In the wake of the 2024 storm season, insurance premium impacts have been a significant topic of discussion. Insurance premium increases were substantial in both 2022 and 2023, particularly for coastal assets. Prior to Hurricane Helene and Hurricane Milton, the general market expectation was that insurance premiums would fall between 1% and 10% in 2025.

Moody's RMS Event Response has estimated that total U.S. private market insured losses from Helene and Milton will likely range between \$35 billion and \$55 billion. While these losses are substantial, they are better than initially feared. Our conversations with insurance brokers and carriers suggest that premiums will remain stable in 2025, as major reinsurance companies are in strong financial shape and increasingly re-entering coastal markets, particularly for new construction assets. As a result, at this time, we do not expect that 2024 losses will result in large premium increases on 2025 renewals.

Tariffs –

Following Donald Trump's reelection, an additional round of tariffs appears increasingly likely, with the most significant tariffs likely applied to China. As you will recall, direct sourcing of materials from Southeast Asia, Europe and South America has been, and will continue to be, a key component of our strategy.

While the point of origin of our materials is distributed across many countries, China remains of the primary producer of many building materials commonly used in multifamily developments. Materials in our supply chain with a Chinese point of origin include LVP flooring, interior doors and trim, plumbing fixtures, lighting fixtures, and hardware. At present, we estimate the total dollar value of the materials that we source directly from China is approximately \$10,000 per unit.

Currently, a 10% tariff on Chinese goods, assuming that 100% of such tariff amount was passed through to the purchaser, would add just under \$1,000 per unit of cost (~0.7% of a typical current hard cost budget). In terms of yield impact, \$1,000 per unit of added cost on a project that underwrites to an 8.0% yield on cost on a pre-tariff basis would result in a ~4 bps reduction in unlevered yield on cost.

Importantly, based on our past experiences with tariffs on Chinese goods, we expect that the full burden of any new tariff would not be passed through to US buyers. As you will recall, a 25% tariff on Chinese goods was enacted during the first Trump administration. We generally saw a realized price impact of 8% on the goods that we were sourcing from China on a direct basis, with the other 17% (or ~70% of the total tariff amount) absorbed by the Chinese factories. While there can be no guarantee that the Chinese factories would offset additional tariffs, we believe that an offset of some amount of the tariff impact on the Chinese side is likely.



It is important to note that, for many of the items that we source directly from China, there is no alternative with material production capacity. For instance, a significant percentage of the world's LVP flooring is produced in China. For any significant China-targeted tariff or trade embargo encompassing LVP flooring, we believe that virtually every developer that utilizes LVP flooring will be affected by the tariffs.

In terms of risk mitigation, we plan to continue to mitigate prospective supply chain risk (including tariff risk) with the same strategy we have employed for the past several years. We will continue to buy materials at the outset of each project. By ordering and seeking to take delivery of building materials early in each project, we can better mitigate supply chain risk as compared to other developers. All new projects will continue to be underwritten through the lens of development spread at the then current cost basis, with a minimum 200 bps spread between projected unlevered yield on cost and projected exit cap rate required to proceed with any new investment.

Capital Markets –

The Federal Reserve implemented a 50 basis point rate cut in September 2024, followed by another 25 basis point cut in November 2024, reducing the federal funds rate target range to 4.50%-4.75%. The September cut was the first reduction in borrowing costs since March 2020. The Fed's November meeting projections, as outlined in the Summary of Economic Projections (SEP), suggested an additional 25 basis point cut in December 2024. Looking ahead to 2025, the Fed anticipates a further 50 basis points of easing, with the federal funds rate expected to reach a target range of 3.75% to 4.0% by year-end 2025.

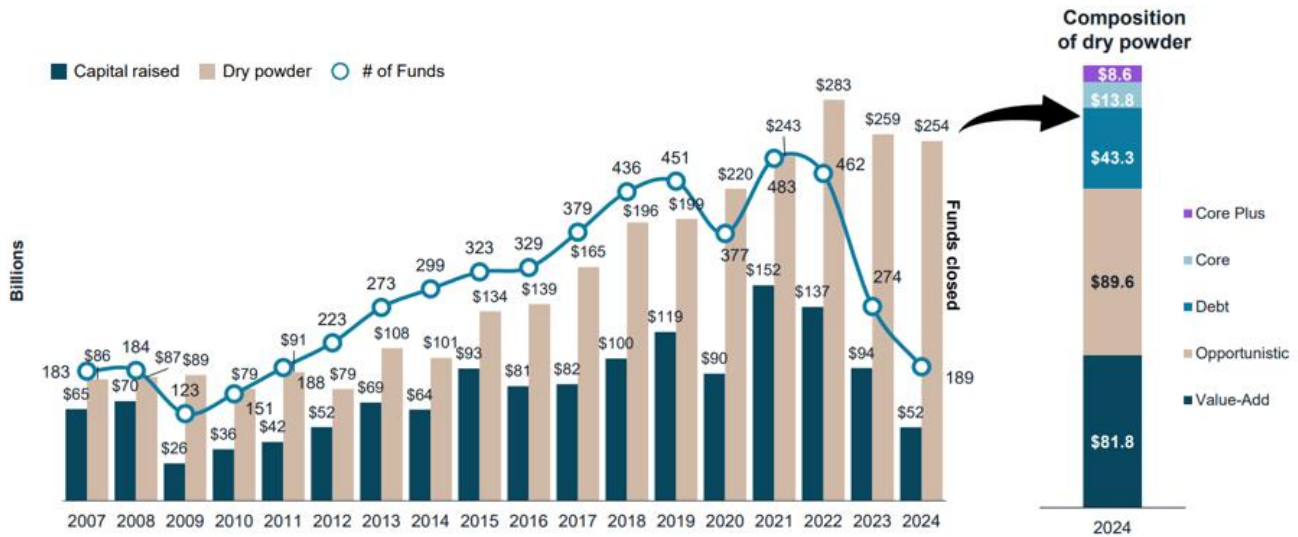
The past three years have been marked by uncharacteristic swings in volatility due to market events and overall changes in economic conditions, underscored by a lack of clarity in forward guidance from the Fed. While the yield curve is normalizing, elevated rate volatility continues to have a material impact on sales volume, making it difficult for investors to confidently underwrite and increasing the cost of capital.

While total real estate investment volume was flat in Q3 2024, we are starting to see signs of increased activity in the multifamily sector, which continues to be the preferred property type for investors, accounting for 46% of total real estate investment volume year-to-date. Apartment sales volume totaled \$35.8 billion in the third quarter, representing a year-over-year increase of 9.0%. Increased volume has led to more price discovery and a narrowing of the bid-ask spread. A consistent theme emerging from both brokers and investors is that "the bottom is in," as evidenced by reported price declines of only -1.0% year-over-year and the slowing pace of cap rate expansion to just +20 bps year-over-year, according to RealPage.

We see cap rates in our markets trading in the high 4s to high 5s for comparable products depending on asset quality, location, and supply in the immediate area. Notably, according to data from JLL cap rate spreads, relative to the 10-year Treasury, cap rates are below the long-term average. Buyers still have a willingness to transact with neutral and, in some cases, negative, leverage, based on expectations that interest rate and rent growth conditions will materially improve in the coming years.



We believe the amount of dry powder awaiting deployment, which continues to be significant, will drive increased capital flows over the coming year. According to major brokerage firms in our markets, the number of registered investors, tours, and bids per offering have all increased substantially over the last quarter. For instance, the number of registered investors on CBRE’s marketed multifamily assets in the southeast with a value above \$50M has risen to an average of 255 in the last 90 days, compared to 195 in the previous 90-day period. These stats indicate increased competition and motivation to transact.



Source: JLL & Penqin

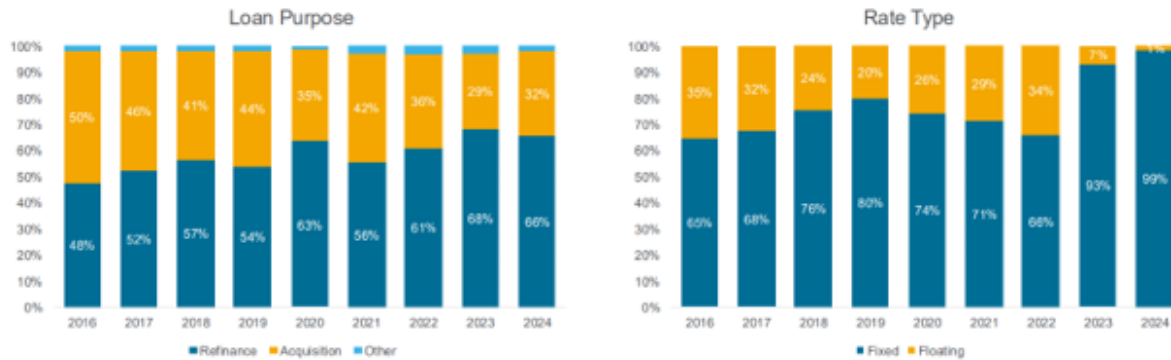
Notably, a significant portion of the dry powder currently on the sidelines is directed toward value-add and opportunistic strategies. Much of this capital was raised in anticipation of distress that has not yet materialized in a meaningful way. We would not be surprised to see a number of these funds chase newer vintage assets based on a ‘discount to replacement cost’ thesis and financial engineering to reach necessary target returns. Given the wall of capital and anemic sales volume over the last two years, we anticipate transaction volume to increase significantly in the latter part of 2025. An increase in offerings has already been observed following Labor Day. According to CBRE’s Multifamily Platform, 110 deals were launched in the 30 days ending 9/30, marking a 66% increase from the previous 30-day period. JLL’s Broker Opinion of Value (BOV) pipeline is currently 68% higher than in 2023 and 150% higher than in 2019.

Large institutional private equity is increasingly showing up on bid sheets and evangelizing the concept that it is an opportune moment for capital deployment. Jon Gray, Blackstone President & COO, was recently quoted, “I would think about this period as a time of seed planting. You want to be invested in this dislocation because there’s a lot of uncertainty. When that uncertainty passes those investments begin to deliver accelerated returns.” Anecdotally, we have heard Blackstone has several deals under contract and has been very aggressive on terms to win deals. Other institutions are following suit, as this perceived window of opportunity narrows. Per JLL, institutional buyer share is up 50% year-over-year, and several Open-End Diversified Core Equity funds are re-entering the market for strategic assets. Buyers are increasingly motivated by the now obvious supply crunch



coming in 2026 and 2027, which is generally expected to result in significant rent spikes as projected new supply is muted.

Freddie Mac's recent projections for 2024 indicate increased sales activity compared to the previous year, with an expected 30-35% of total multifamily volume tied to acquisitions, up from 29% in 2023. Fannie Mae and Freddie Mac continue to provide substantial support to the multifamily market, serving as essential backstops during periods of low debt liquidity. Both agencies have experienced a surge in activity as rates have declined over the last quarter and are now on track to reach their annual cap of \$70 billion.



Source: Fannie Mae, Freddie Mac

In terms of fixed rate financing for stabilized assets, agency debt continues to be the most attractive source. Most recently, we have seen borrower-friendly terms on 5-year fixed-rate debt, such as 35-year amortization (vs. 30 historically), full-term interest-only (vs. 2-3 years historically), and proceeds close to or exceeding our cost basis. Proceeds at 90%+ loan-to-cost are somewhat unique to Hillpointe, as the agencies have historically been unwilling to give leverage at 90%+ loan-to-cost, irrespective of loan-to-value. We have been successful in educating the agencies on our unique business model, with agencies now willing to underwrite an increased development budget that includes hypothetical fees (e.g. the development fees and general contractor fees that Hillpointe does not charge, but that every other multifamily development generally includes). As we continue to expand our relationship with the agencies, we have begun discussions on larger credit facilities offered to select sponsors, which we expect will allow for more flexibility and lower transaction costs over time.

While construction debt remains readily available for select developments and strong sponsors, securing adequate leverage has continued to present a significant challenge for most of our competitors. Lenders are noting to us that relatively few of the construction debt term sheets they issue are successfully closing as most projects only underwrite to a ~50% Loan-to-Cost leverage point, stretching equity returns to the point that the sponsor is unable to secure equity. Due to our differentiated model, conservative underwriting, and ability to deliver at a material cost-basis discount to competitors, we have cultivated a deep bench of bank relationships that are eager to lend and compete for business. In today's market our projects have generally continued to underwrite for leverage at a 60-65% loan-to-cost ratio and with spreads ranging from 275 to 325 bps over SOFR, with several lenders looking to grow the Hillpointe relationship.



We believe the current market environment, where capital is tight and construction costs remain elevated, presents a compelling opportunity for operators that are able to continue to underwrite and capitalize multifamily development projects. Our view is simple – a material supply crunch is coming in 2026 and 2027 and that supply crunch will likely be accompanied by a more normalized capital markets environment. While neither outsized rent growth or easier credit conditions are factored into our base case underwriting, we think it is increasingly likely that the multifamily sector will benefit from both in the back half of the 2020s. We believe the combination of Hillpointe’s unique access to capital and our ability to deliver new assets at an attractive cost basis positions the firm to capitalize on a highly opportune investment window, delivering assets into an attractive 2026 and 2027 environment.

Thank you, once again, for your support of our workforce housing strategy. If you have any questions regarding the Fund or your investment, please do not hesitate to contact us.

With Best Regards,



Steven Campisi
Managing Partner
Hillpointe, LLC



101 S New York Ave | Suite 211
Winter Park, FL 32789



HILLPOINTE WORKFORCE HOUSING PARTNERSHIP II, LP
FINANCIAL STATEMENTS

September 30, 2024

Juniper Square

HILLPOINTE WORKFORCE HOUSING PARTNERSHIP II, LP
STATEMENT OF ASSETS AND LIABILITIES
AS OF SEPTEMBER 30, 2024
(EXPRESSED IN USD & UNAUDITED)

**Current Period Ending
September 30, 2024**

ASSETS AND LIABILITIES

Assets

Investments at Fair Value (cost of \$52,593,689)	201,622,455
Investments at Fair Value	201,622,455
Cash and Cash Equivalents	8,173,077
Other Assets	3,436

Liabilities

Accounts Payable and Accrued Expenses	(50,250)
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Total Net Assets	209,748,718
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PARTNERS' CAPITAL

Partners	209,748,718
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Total Partners' Capital	209,748,718
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Statements independently prepared by Juniper Square, JSQ Administrative Services LLC

HILLPOINTE WORKFORCE HOUSING PARTNERSHIP II, LP
STATEMENT OF OPERATIONS
FOR THE PERIODS ENDED SEPTEMBER 30, 2024
(EXPRESSED IN USD & UNAUDITED)

	Current Period Ending	Year to Date
	Jul-01-24 to Sep-30-24	Jan-01-24 to Sep-30-24
Income		
Rental and Other Income	1,464,788	2,864,189
Total Income	1,464,788	2,864,189
Expenses		
Management Fee	(259,064)	(882,139)
Professional Fees	(49,049)	(121,776)
Other Expenses	(11,830)	(32,274)
Total Expenses	(319,943)	(1,036,189)
Net Operating Income / (Deficit)	1,144,845	1,828,000
Realized and Unrealized Gain / (Loss) on Investments		
Realized Gains and Losses	22,022,962	22,022,962
Unrealized Gains and Losses	(27,026,637)	(27,026,637)
Net Realized and Unrealized Gain / (Loss) on Investments	(5,003,675)	(5,003,675)
Net Increase / (Decrease)		
in Partners' Capital Resulting from Operations	(3,858,830)	(3,175,675)

Statements independently prepared by Juniper Square, JSQ Administrative Services LLC

HILLPOINTE WORKFORCE HOUSING PARTNERSHIP II, LP
STATEMENT OF CHANGES IN PARTNERS' CAPITAL
FOR THE PERIOD ENDED SEPTEMBER 30, 2024
(EXPRESSED IN USD & UNAUDITED)

	Partners
Beginning Balance July 01, 2024	254,707,548
Capital Contributions	-
Capital Distributions	(41,100,000)
Deemed Distributions	-
Net Increase / (Decrease) in Capital Transactions	(41,100,000)
Net Increase / (Decrease) in Partners' Capital Resulting from Operations	(3,858,830)
Ending Balance September 30, 2024	209,748,718

Statements independently prepared by Juniper Square, JSQ Administrative Services LLC

HILLPOINTE WORKFORCE HOUSING PARTNERSHIP II, LP
STATEMENT OF CASH FLOWS
FOR THE PERIODS ENDED SEPTEMBER 30, 2024
(EXPRESSED IN USD & UNAUDITED)

	Current Period Ending	Year to Date
	Jul-01-24 to Sep-30-24	Jan-01-24 to Sep-30-24
Cash flows from operating activities:		
Net increase/(decrease) in Partners' capital resulting from operations	(3,858,830)	(3,175,675)
Adjustments to reconcile to net increase/(decrease) in Partners' capital resulting from operations to net cash provided by/(used in) operating activities:		
Realized Gains and Losses	-	-
Unrealized Gains and Losses	27,026,637	27,026,637
Funding of Investments	1,107,000	(1,952,749)
Proceeds from Investments	19,177,276	31,277,276
Changes in operating assets and liabilities:		
Other Assets	(2,445)	1,079
Accounts Payable and Accrued Expenses	25,310	(937,247)
Net cash provided by/(used in) operating activities	43,474,948	52,239,321
Cash flows from financing activities:		
Partners' Capital Contributions	-	-
Partners' Capital Distributions	(41,100,000)	(49,600,000)
Partners' Capital Deemed Distributions	-	-
Net cash provided by/(used in) financing activities	(41,100,000)	(49,600,000)
Net increase/(decrease) in cash and cash equivalents		
Cash and cash equivalents, beginning of period	5,798,129	5,533,756
Cash and cash equivalents, end of period	8,173,077	8,173,077
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	-	-

Statements independently prepared by Juniper Square, JSQ Administrative Services LLC