Hillpointe Workforce Housing Partnership III, 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 III, 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

As of September 30, 2024, the Fund has an investment position totaling $167,849,657 across ten assets, Pointe Grand Columbia (Columbia MSA), Pointe Grand Warner Robins (Warner Robins MSA), Pointe Grand Macon (Macon MSA), Pointe Grand on Main (Jacksonville MSA), Pointe Grand Oakleaf (Jacksonville MSA), Pointe Grand Jacksonville West (Jacksonville MSA), Pointe Grand Brick City (Ocala MSA), Pointe Grand Plant City (Tampa-St-Petersburg-Clearwater MSA), Pointe Grand Pendergrass (Atlanta MSA) and Pointe Grand at New Berlin (Jacksonville MSA). The following table outlines the Fund’s anticipated investment allocations for current investments.

Project	Location	Units	Estimated Total Project Size	Estimated Total Equity	Estimated Open Date
Pointe Grand Macon	Macon, GA (Macon MSA)	276	$40,544,972	$14,190,740	Under Management
Pointe Grand Warner Robins	Warner Robins, GA (Warner Robins MSA)	288	$41,320,273	$14,462,096	Under Management
Pointe Grand Columbia	Columbia, SC (Columbia MSA)	258	$35,221,879	$12,331,879	Under Management
Pointe Grand on Main	Jacksonville, FL (Jacksonville MSA)	288	$44,791,132	$15,676,896	Under Management
Pointe Grand Jacksonville West	Jacksonville, FL (Jacksonville MSA)	264	$45,763,765	$16,017,318	Under Management

Pointe Grand at Oakleaf*	Jacksonville, FL (Jacksonville MSA)	216	$37,094,796	$12,983,178	Under Management
Pointe Grand Brick City*	Ocala, FL (Ocala MSA)	312**	$54,023,217	$18,908,126	Q4 2024
Pointe Grand Plant City	Plant City, FL (Tampa-St Petersburg-Clearwater)	300	$54,023,217	$18,773,217	Under Management
Pointe Grand Pendergrass	Pendergrass, GA (Atlanta-Sandy Springs-Alpharetta MSA)	340	$62,048,642	$21,717,025	Under Management
Pointe Grand at New Berlin	Jacksonville, FL (Jacksonville MSA)	204	$38,322,496	$15,328,998	Q2 2025

*Note: Marketing names were changed. Pointe Grand Challenger has been changed to Pointe Grand at Oakleaf and The Stetson has been changed to Pointe Grand Brick City.

**Note: Only the budget for Phase I (312 of 576 total approved units) is shown in the table above. Further details regarding planned phasing can be found below in the subsection titled "Pointe Grand Brick City".

Pointe Grand Macon

Pointe Grand Macon is a 276-unit project in Macon, GA. The ~22 acre project site is located less than one mile from I-75 and directly behind The Shoppes at River Crossing, a ~750,000 square foot super regional lifestyle center in Macon, GA. Key employers proximate to the project include Geico (6,000 employees), Navicent Health of Central Georgia (5,000 employees), Houston Healthcare (2,355 employees), and Perdue Farms (2,267 employees). Additionally, Brightmark Energy, a San Francisco based waste and energy development company, has announced a prospective $680 million, 5.3 million square foot advanced plastics recycling facility.

The Fund acquired the project site in January 2022 for $2,860,000 ($10,362 per unit).

As of the writing of this letter Pointe Grand Macon is 83% leased at an average rate of $1,370 per month. This compares to our initially underwritten rental rate of $1,275 per month.

As you will recall, in November 2023 Pointe Grand Macon was successfully refinanced with a $36,000,000 loan and a corresponding distribution in the amount of $9,725,000 was made to investors.

Our final pro-forma underwriting projected an 8.16% yield on cost and a project level IRR of 28.0% as measured on a 7-year hold.

Pointe Grand Warner Robins

Pointe Grand Warner Robins is a 288-unit project located in Warner Robins, GA. The ~19.8-acre project site is located half a mile from the Houston County Galleria, the premier retail center in Warner Robins. Robins Air Force Base is the single largest industrial complex in Georgia and the largest employment driver in Warner Robins, with ~23,000 airmen stationed at the base. A large percentage of the operations at Robins Air Force Base are maintenance, engineering and support, resulting in a higher median income and less likelihood of deployment. Other employment drivers include, Perdue Farms (2,520 employees), Houston Healthcare (2,475 employees), Frito-Lay (1,512 employees), Northrop Grumman (552 employees), and Central Georgia Technical College (6,314 students, 540 employees).

The Fund acquired the project site in January 2022 for $3,300,000 ($11,458 per unit).

As of the writing of this letter Pointe Grand Warner Robins is 80% leased at an average rate of $1,439 per month. This compares to our initially underwritten rental rate of $1,275 per month.

As you will recall, in November 2023 Pointe Grand Warner Robins was successfully refinanced with a $36,790,000 loan and a corresponding distribution in the amount of $9,725,000 was made to investors.

Our final pro-forma underwriting projected an 8.24% yield on cost and a project level IRR of 28.3% as measured on a 7-year hold.

Pointe Grand Columbia

Pointe Grand Columbia is a 258-unit project located in the North Richland County submarket of the Columbia, SC MSA. The ~25.4 acre project site is located along the I-77 and I-20 interchanges and within the Carolina Research Park, a 246-acre research park developed by the South Carolina Research Authority and home to Blue Cross Blue Shield (insurance), State Farm Insurance (insurance), Dominion Energy (utility), BP Barber & Associates (engineering), IKON/Ricoh (electronics), MISYS Healthcare Systems (healthcare), Ventx (biotech), DPX Technologies (biotech), Holpack (manufacturing), and Colite Industries (manufacturing). Additionally, the project site is adjacent to Midlands Technical College, a public technical college with 16,000 students, and South University's Columbia campus (1,000 students). More broadly, the site is within 7.5 miles of Prisma Health Midlands & Baptist Hospital (15,000 employees), University of South Carolina (35,000 students, 6,500 employees), Fort Jackson (3,500 employees) and Providence Health (1,625 employees).

In March 2023, Scout Motors announced the development of a $2 billion electric vehicle plant expected to create 4,000 jobs. The 1,600-acre campus is located in Blythewood, SC, approximately seven miles from Pointe Grand Columbia. Groundbreaking is scheduled for mid-2023 and production is scheduled to begin in 2026.

The Fund acquired the project site in December 2021 for $1,200,000 ($4,651 per unit).

As of the writing of this letter Pointe Grand Columbia is 69% leased at an average rate of $1,577 per month. This compares to our originally underwritten rental rate of $1,295 per month.

In August 2024, the Fund successfully closed a refinance loan for Pointe Grand Columbia. The bridge loan, which was provided by KeyBank, carries the following terms:

Principal Amount:	$30,600,000
Loan to Cost:	87%
Loan to Value[1]:	59%
Origination Fee:	0.25%
Rate:	SOFR plus 2.50% (No floor)
Initial Term:	24 Months

[1] Based on Newmark appraisal dated July 15, 2024 (projected stabilized value of $51,800,000)

Our final pro-forma underwriting projected an 8.14% yield on cost and a project level IRR of 27.6% as measured on a 7-year hold.

<u>Pointe Grand on Main</u>

Pointe Grand on Main is a 288-unit project located in Jacksonville, FL. The ~19.7 acre project site is located at the intersection of I-295 (the Jacksonville loop), I-95, and N Main Street (Hwy 17), approximately 1.5 miles from River City Marketplace, 3 miles from Jacksonville International Airport and 5 miles from the Port of Jacksonville. River City Marketplace, a ~1 million square foot retail destination with over 80 retailers, anchors North Jacksonville. Additionally, within five miles of the site there is a significant healthcare employment base including Baptist Health (12,400 employees), the Mayo Clinic (7,280 employees), Blue Cross Blue Shield (5,700 employees) and UF Health Jacksonville (6,200 employees).

The Fund acquired the project site in January 2022 for $2,850,000 ($9,896 per unit).

As of the writing of this letter, Pointe Grand on Main is 36% leased at an average rate of $1,450. This compares to our originally underwritten rental rate of $1,400 per month.

In October 2024, the Fund successfully closed a refinance loan for Pointe Grand on Main. The bridge loan, which was provided by ACRE, carries the following terms:

Principal Amount:	$42,000,000
Loan to Cost:	94%

Loan to Value[1]:	68%
Origination Fee:	0.95%
Rate:	SOFR plus 3.15% (3.50% SOFR floor)
SOFR Cap:	3.50%
Initial Term:	24 Months

[1] Based on Newmark appraisal dated September 13, 2024 (projected stabilized value of $61,700,000)

Our final pro-forma underwriting projected an 8.1% yield on cost and a project level IRR of 27.6% as measured on a 7-year hold.

<u>Pointe Grand Jacksonville West</u>

Pointe Grand Jacksonville West is a 264-unit project located in Jacksonville, FL. The ~15.3-acre project site is located along 103rd street and First Coast Expressway (SR 23), adjacent to Cecil Commerce Center, a 17,000-acre industrial, commercial manufacturing and logistics hub neighboring I-10. Hillwood, a Perot real estate subsidiary, is serving as master developer for the AllianceFlorida component of the Cecil Commerce Center development, a $1.3 billion, 31 million square foot master plan. AllianceFlorida currently accounts for 4,500 employees across its tenant base including Amazon, Boeing, Northrop Grumman, SAFT, Bridgestone, FedEx, GE Oil & Gas, Jinko Solar and Industry West. Thousands of additional jobs are expected to be added in the coming years as the master plan is developed.

In addition to its proximity to Cecil Commerce Center, Pointe Grand Jacksonville West is just four miles north of Oakleaf Plantation, a 6,400-acre master planned bedroom community consisting of 5.8 million square feet of commercial, office and industrial space, 11,000 homes, five school sites, two village centers, two multimillion dollar athletic centers, a championship golf course, and 15 miles of walking and bike paths.

The Fund acquired the project site in April 2022 at a purchase price of $3,300,000 ($12,500 per unit).

As of this writing, Pointe Grand Jacksonville West is 54% leased at an average rate of $1,455 per month. This compares to our originally underwritten rental rate of $1,500 per month.

Our final pro-forma underwriting projected an 8.14% yield on cost and a project level IRR of 27.0% as measured on a 7-year hold.

<u>Pointe Grand at Oakleaf</u>

Pointe Grand Oakleaf is 216-unit project located in Middleburg, FL, southwest of Jacksonville, FL and within the Jacksonville, FL MSA. The ~50.3 acre project site is located along Challenger Drive, just south of Oakleaf Plantation, a 6,400 acre master planned bedroom community consisting of 5.8 million square feet of commercial, office and industrial space, 11,000 homes, five school sites, two village centers, two multimillion dollar athletic centers, a championship golf course, and 15 miles of walking and bike paths. The Pointe Grand Oakleaf project site is part of the Challenger Center master planned development, which consists of the Niagara Bottling, $70 million, 550,000 square foot bottling plant currently under construction and approximately 100 acres of additional planned retail and office/light industrial development. The project site is approximately one mile north of the Ascension St. Vincent's Clay County Hospital, a 106-bed full-service hospital, consistently ranked as a top 100 hospital.

The Fund acquired the Pointe Grand Oakleaf project site in February 2022 for $3,500,000 ($16,204 per unit).

Construction is now complete, and Certificates of Occupancy have been received for all buildings. Initial move-ins began in October 2024 and as of the writing of this letter Pointe Grand Oakleaf is 15% leased at an average rate of $1,533 per month. This compares to our originally underwritten rental rate of $1,500 per month.

Our final pro-forma underwriting projected an 8.0% yield on cost and a project level IRR of 26.4% as measured on a 7-year hold.

Pointe Grand Brick City

Pointe Grand Brick City is a 312-unit project located in Ocala, FL. The ~40-acre project site is located along SW 60th Ave, proximate to the Ocala International Airport, the World Equestrian Center, and the SR 200 I-75 interchange and retail corridor. The World Equestrian Center is the largest equestrian complex in the United States. Phase I, which opened in 2019, includes a 248-room full-service hotel, a 140,000 square foot outdoor stadium, a 145,000 square foot indoor stadium, 100,000 square feet of retail, and the 40,000 square foot UF Veterinary Hospital. Phase II, featuring a 400-room hotel and a 90,000 square foot restaurant complex, is under construction and expected to open in 2024. Additionally, the site is approximately a half mile from SR 200 (Ocala's major retail hub) and within three miles of thousands of distribution and logistics related jobs.

The Fund acquired the project site for Pointe Grand Brick City in July 2022 at a purchase price of $3,900,000 ($6,771 per unit). As you will recall, the site has been phased to allow for the development of a 312-unit Phase I and a subsequent 264-unit Phase II. A portion of the site work for the Phase II development will be performed concurrently with the Phase I site work.

Interior construction, landscaping and final paving are underway. We currently anticipate initial Certificates of Occupancy will be obtained in December 2024.

Our final pro-forma underwriting projected an 8.44% yield on cost and a project level IRR of 27.0% as measured on a 7-year hold.

Pointe Grand Plant City

Pointe Grand Plant City is a 252-unit project located in Plant City, FL, part of the Tampa-St. Petersburg-Clearwater MSA. The ~20.2-acre project site is located in the heart of Plant City, roughly 20 miles east of downtown Tampa, ten miles from downtown Lakeland, four miles south of Interstate 4, and within five miles of a diverse set of economic drivers accounting for thousands of jobs. The project site is located on Plant City's main retail corridor which includes an HCA Florida Plant City Emergency Facility, several grocery stores and a Walmart Supercenter. In addition to serving as a bedroom community to both Tampa and Lakeland, Plant City is centrally located along Interstate 4 and serves as a distribution hub for both Orlando and Tampa. Star Distribution Systems, Patterson Companies, Sweet Life Transportation, Gordon Food Service, C&S Wholesale, Sysco International Food Group, Save-A-Lot, Dart Container, Home Depot and Ace Hardware all operate distribution facilities in Plant City. Additionally, City Furniture is nearing completion on a 1.3 million square foot, $125 million distribution center and showroom that will account for more than 500 jobs. Finally, BayCare Health System is currently under construction on the 146-bed, 420,000 square foot South Florida Baptist Hospital and ancillary 85,000 square foot medical office facility, with a scheduled completion date of mid-2024.

The Fund acquired the project site in August 2022 for a total purchase price of $5,180,000 ($20,556/unit).

Construction is now substantially complete and initial move-ins began in September 2024. As of the writing of this letter Pointe Grand Plant City is 25% leased at an average rate of $1,758 per month. This compares to our originally underwritten rental rate of $1,500 per month.

Our final pro-forma underwriting projected an 8.05% yield on cost and a project level IRR of 25.9% as measured on a 7-year hold.

<u>Pointe Grand Pendergrass</u>

Pointe Grand Pendergrass is a 340-unit project located in Pendergrass, GA, part of the Atlanta-Sandy Springs-Alpharetta MSA. The ~21-acre project site is located less than two miles from I-85 and US Hwy 129 interchange. Part of a newly approved planned development that includes retail, townhomes, and an outdoor community civic center, the Pointe Grand Pendergrass is proximate to thousands of jobs. Most notably, SK Battery America, Inc., the leading developer of lithium-ion batteries for electric vehicles, is under construction on a $2.6 billion battery plant in Commerce, GA, the town adjacent to Pendergrass. The plant is anticipated to create 2,600 new jobs by the end of 2023. In addition to the SK Battery Plant, electric vehicle manufacturer Rivian Automotive announced in December 2021 the development of a $5 billion battery and assembly plant, nearly 20 million square feet in size and covering 2,000 acres in Morgan and Walton Counties (approximately 20 miles south of Pendergrass). The Rivian plant will have a projected 7,500 employees, among the largest auto assembly complexes in the United States rivaled by only the 11,000 employee BMW complex in Spartanburg, SC and Ford Motor's 8,600 employee plant in Louisville, KY. In addition to the SK Battery and Rivian Automotive developments, the site is proximate to four Amazon distribution facilities (1,600 employees), TD Automotive Compressor (1,300 employees), Kubota Industrial Equipment (1,000 employees), Wayne Foods (600 employees), and distributions facilities for Walmart, Costco, Walgreens, HomeGoods, Carrier, Aldi, and Bed Bath and Beyond Distribution.

The Fund acquired the project site in August 2022 at a total purchase price of $6,800,000 ($20,000 per unit) and construction work began in late August 2022.

As of the writing of this letter Pointe Grand Pendergrass is 73% leased at an average rate of $1,510 per month. This compares to our initially underwritten rental rate of $1,550 per month.

Our final pro-forma underwriting projected an 8.17% yield on cost and a project level IRR of 25.8% as measured on a 7-year hold.

Pointe Grand at New Berlin

Pointe Grand at New Berlin is a 204-unit project located in Jacksonville, FL. The ~14.2-acre project site is located on the north side of Jacksonville approximately one mile from the I-295 interchange, approximately 1.5 miles from River City Marketplace, 4 miles from Jacksonville International Airport and 4 miles from the Port of Jacksonville. River City Marketplace, a ~1 million square foot retail destination with over 80 retailers, anchors North Jacksonville. Additionally, within five miles of the site there is a significant healthcare employment base including Baptist Health (12,400 employees), the Mayo Clinic (7,280 employees), Blue Cross Blue Shield (5,700 employees) and UF Health Jacksonville (6,200 employees).

The Fund acquired the project site in August 2022 for $3,888,000 ($19,059 per unit). In December 2023, the Fund successfully closed a construction loan for Pointe Grand at New Berlin at a 60% Loan-to-Cost and an interest rate of SOFR plus 375 bps.

Framing construction is complete and interior construction is currently underway.

The initial rent underwriting for Pointe Grand at New Berlin is $1,625 per month, a 5.9% premium to the 10–20-year-old product (average vintage 2008) and a 5.3% discount to the other newly built product in the competitive set (vintage 2019).

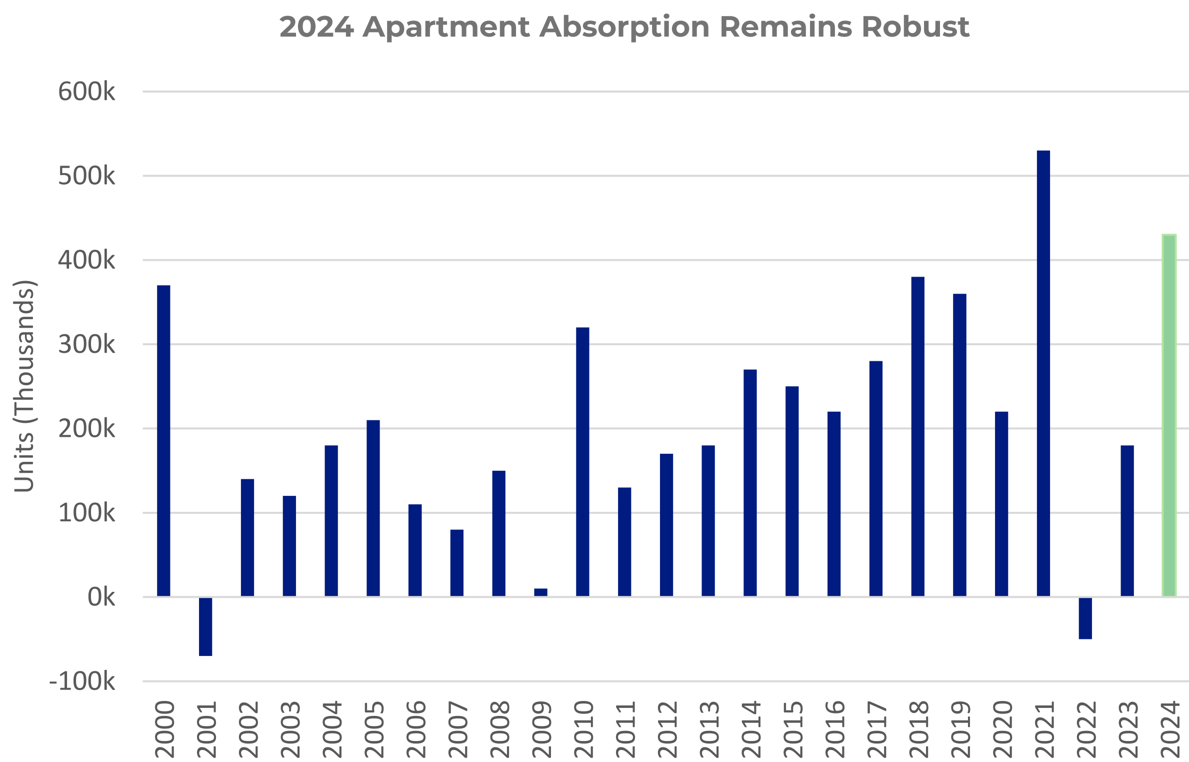
Our final pro-forma underwriting projected an 8.01% yield on cost and a project level IRR of 24.0% as measured on a 7-year hold.

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.



Source: RealPage Analytics

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.

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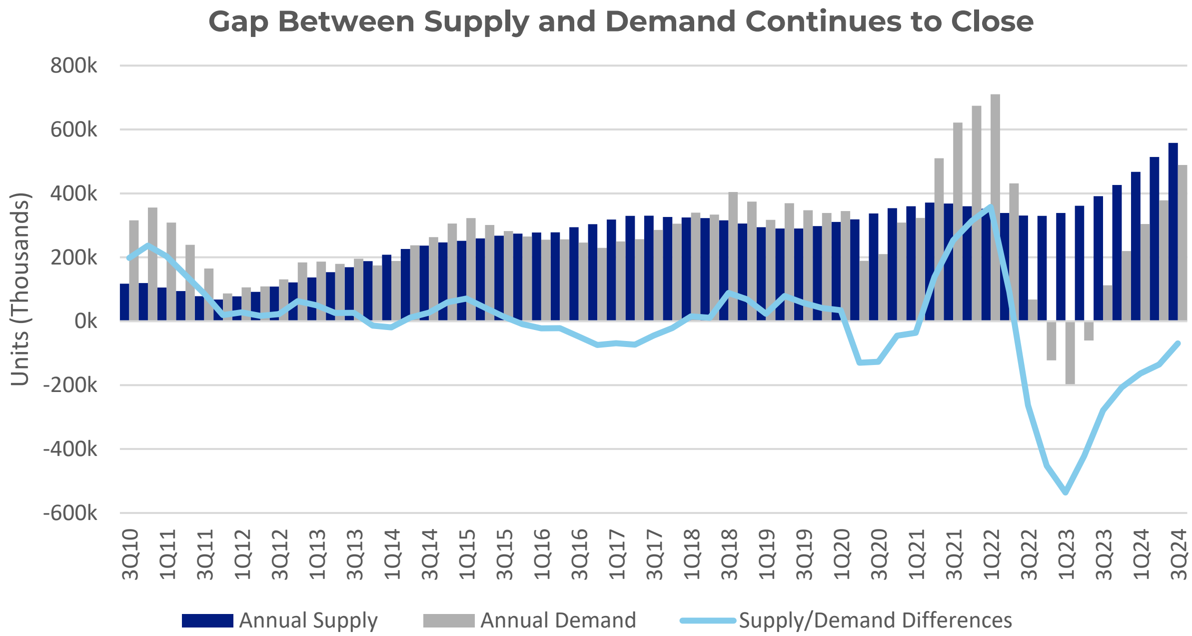
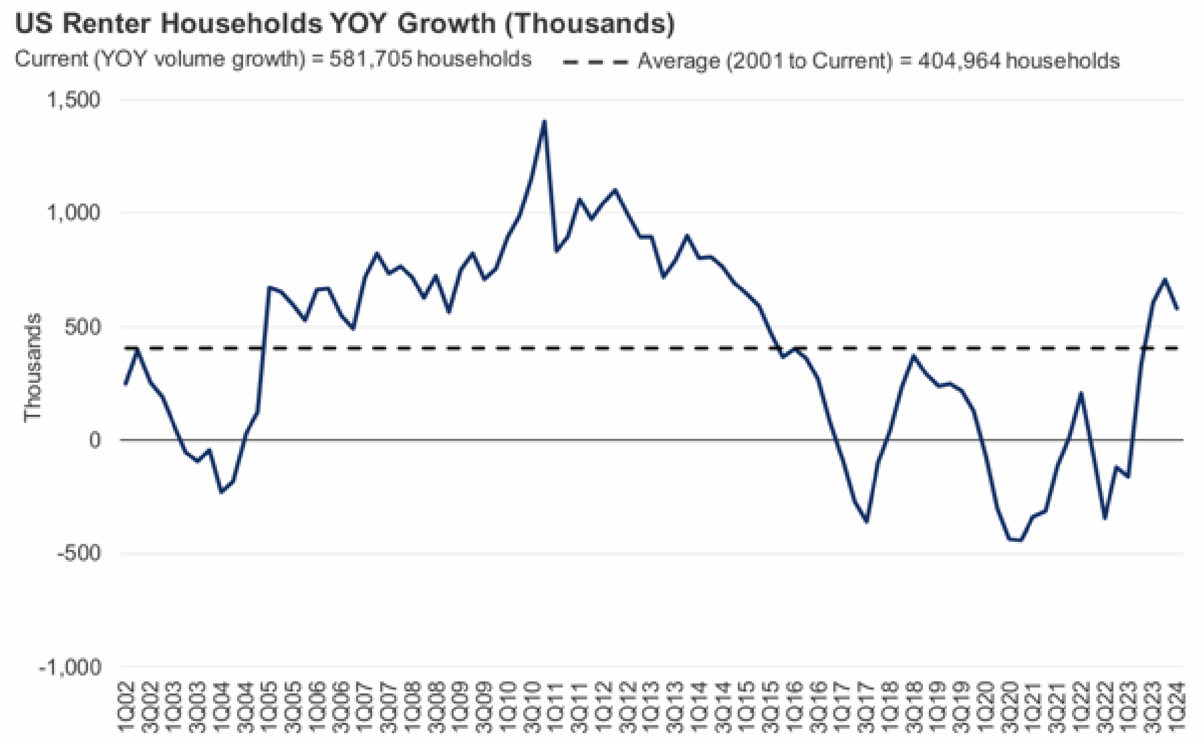


Source: RealPage Analytics

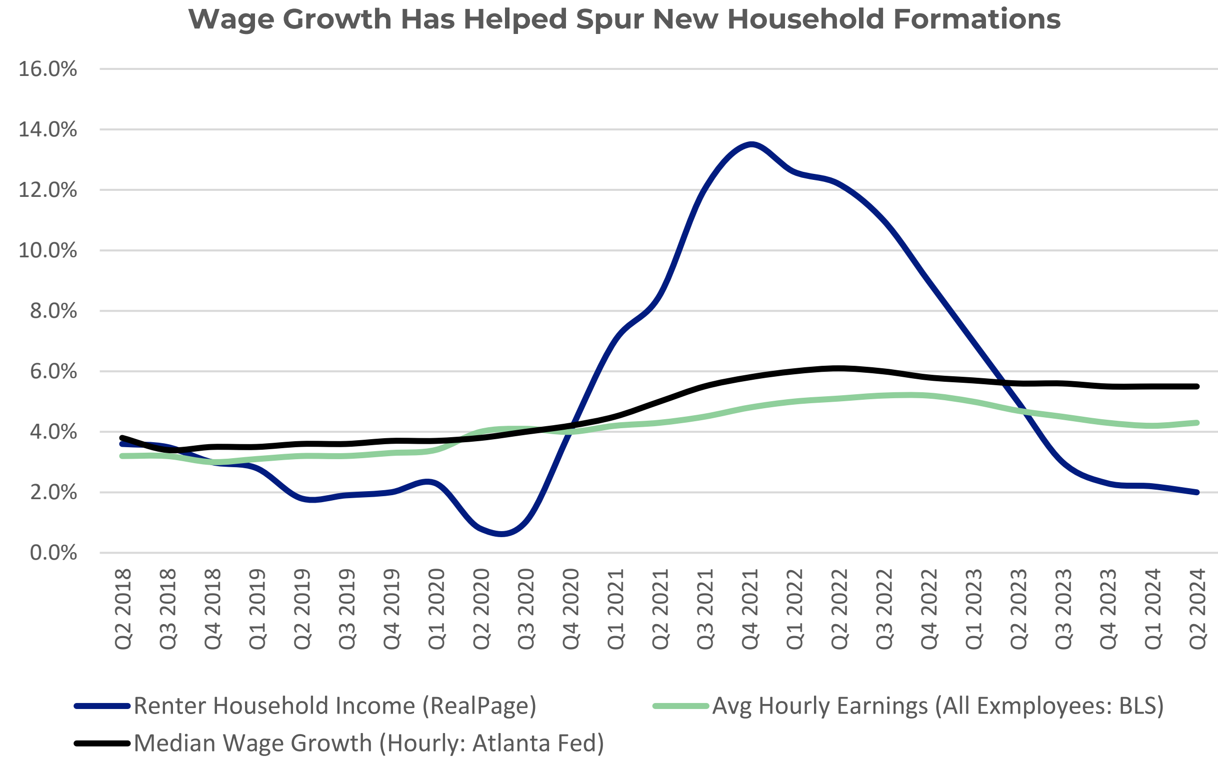
Several factors are buoying apartment absorption, including positive trends in household formation, wage growth, decoupling and resident retention.

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.



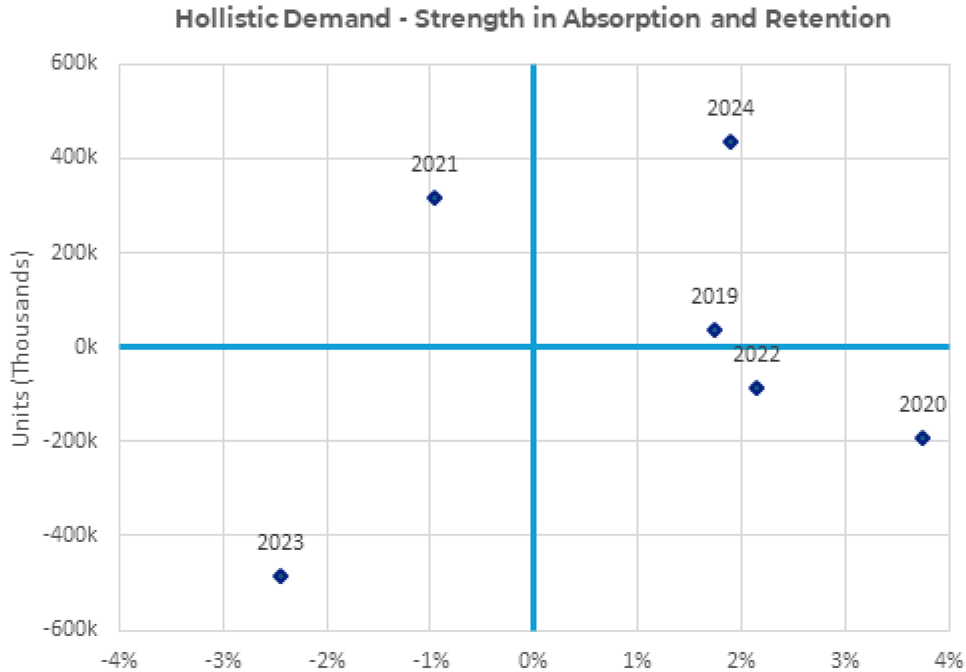
Source: John Burns Research and Consulting, LLC (Data as of March 2024)

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.



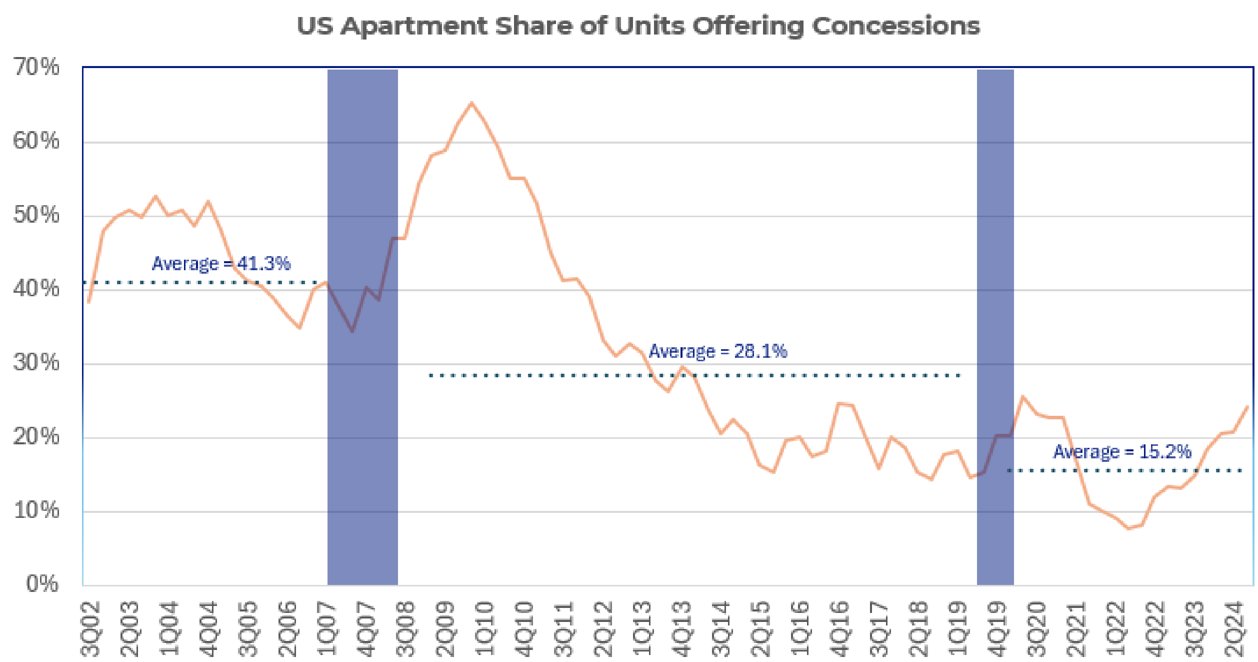
Source: RealPage Analytics, Bureau of Labor Statistics, and Atlanta Federal Reserve

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.



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).



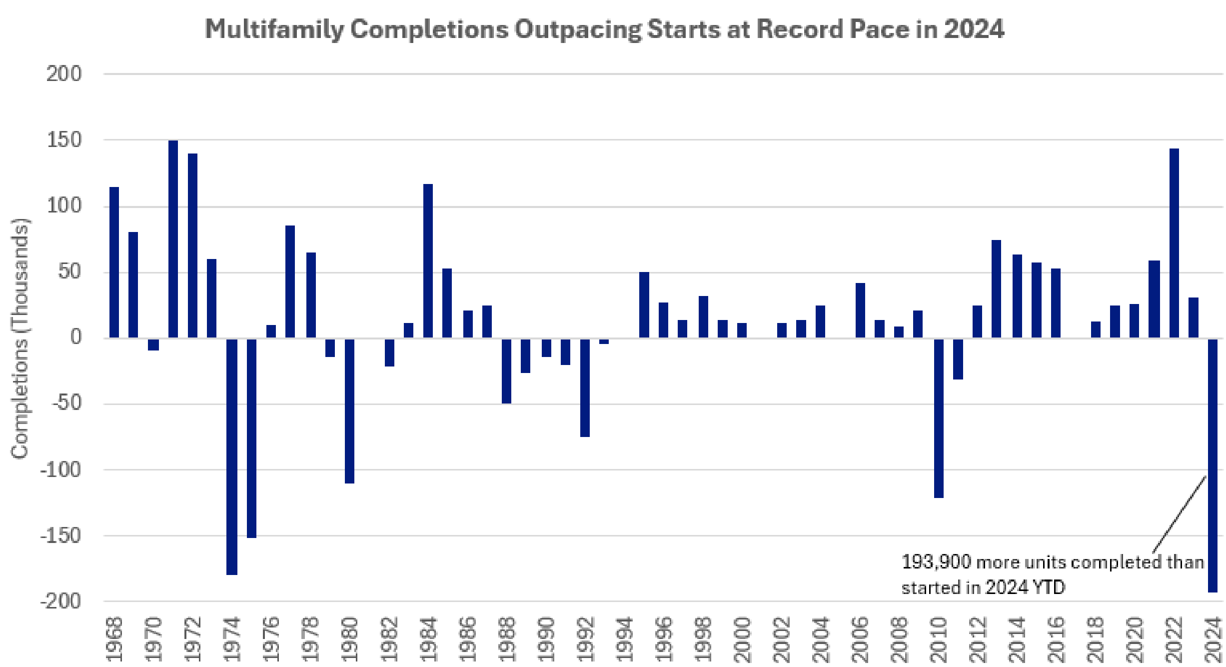
Source: RealPage Analytics

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.

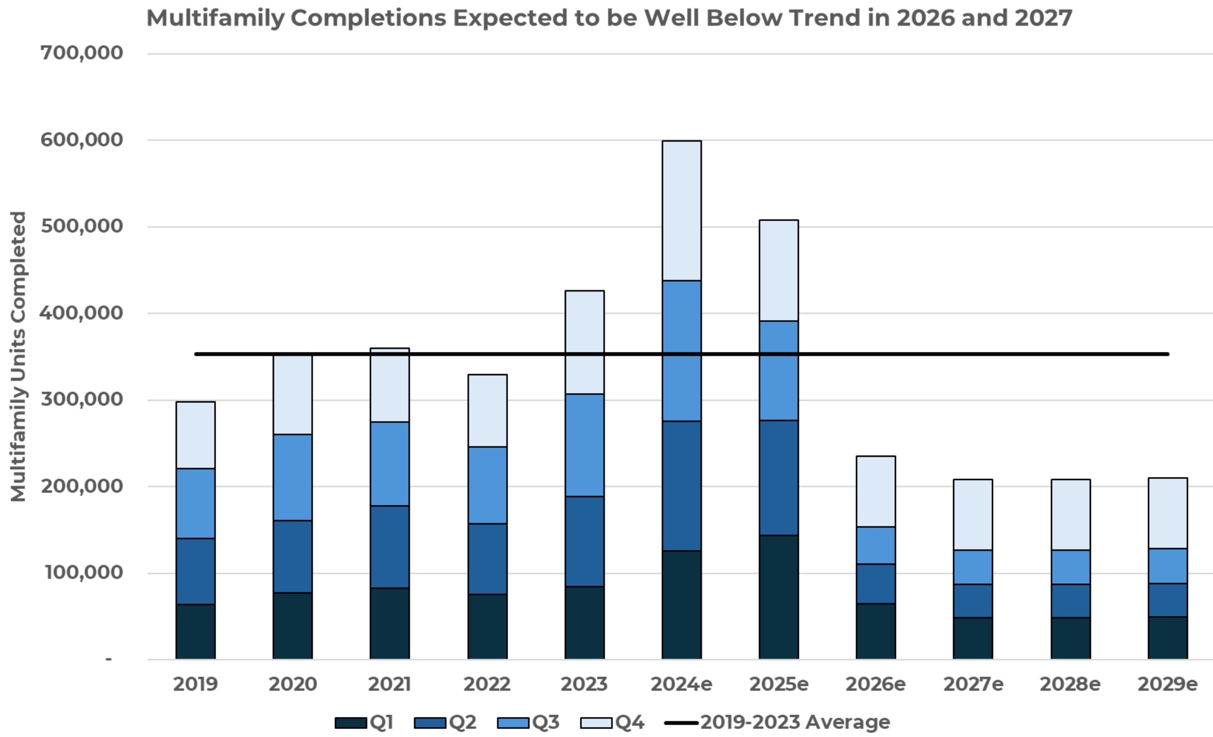
Per US Census Bureau data, multifamily starts are now down ~50% from the cycle high level of 614,000 units recorded in April 2022, and to date, we see no signs of a rebound in starts. Virtually every leading indicator (permits, developer surveys, architectural billings, credit conditions) suggests multifamily 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.



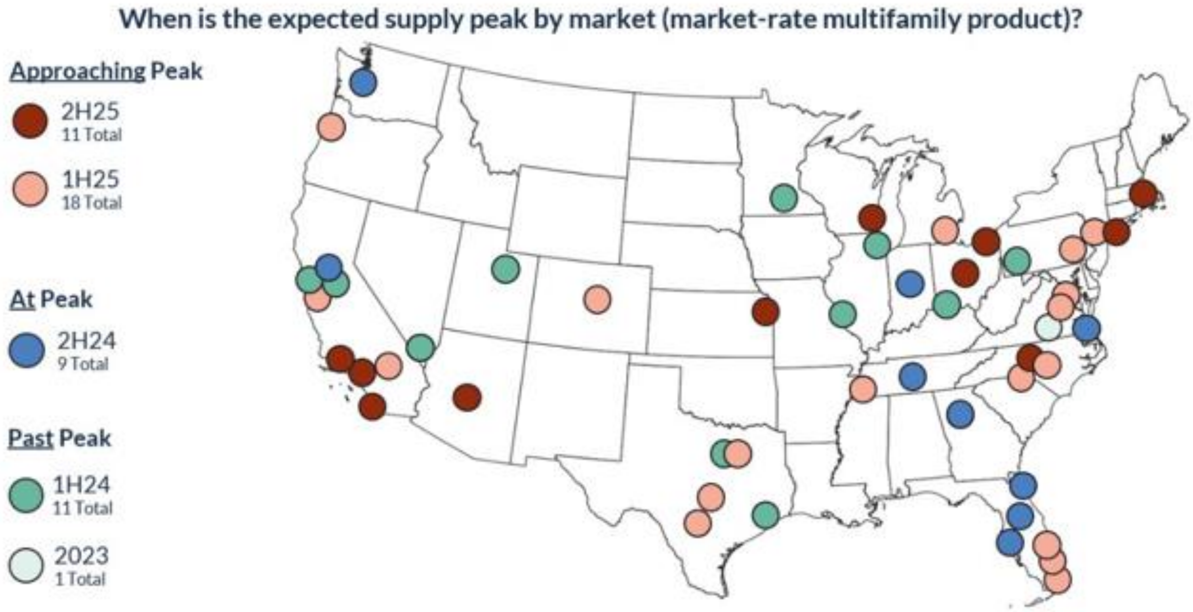
Source: RealPage Analytics

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.



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.

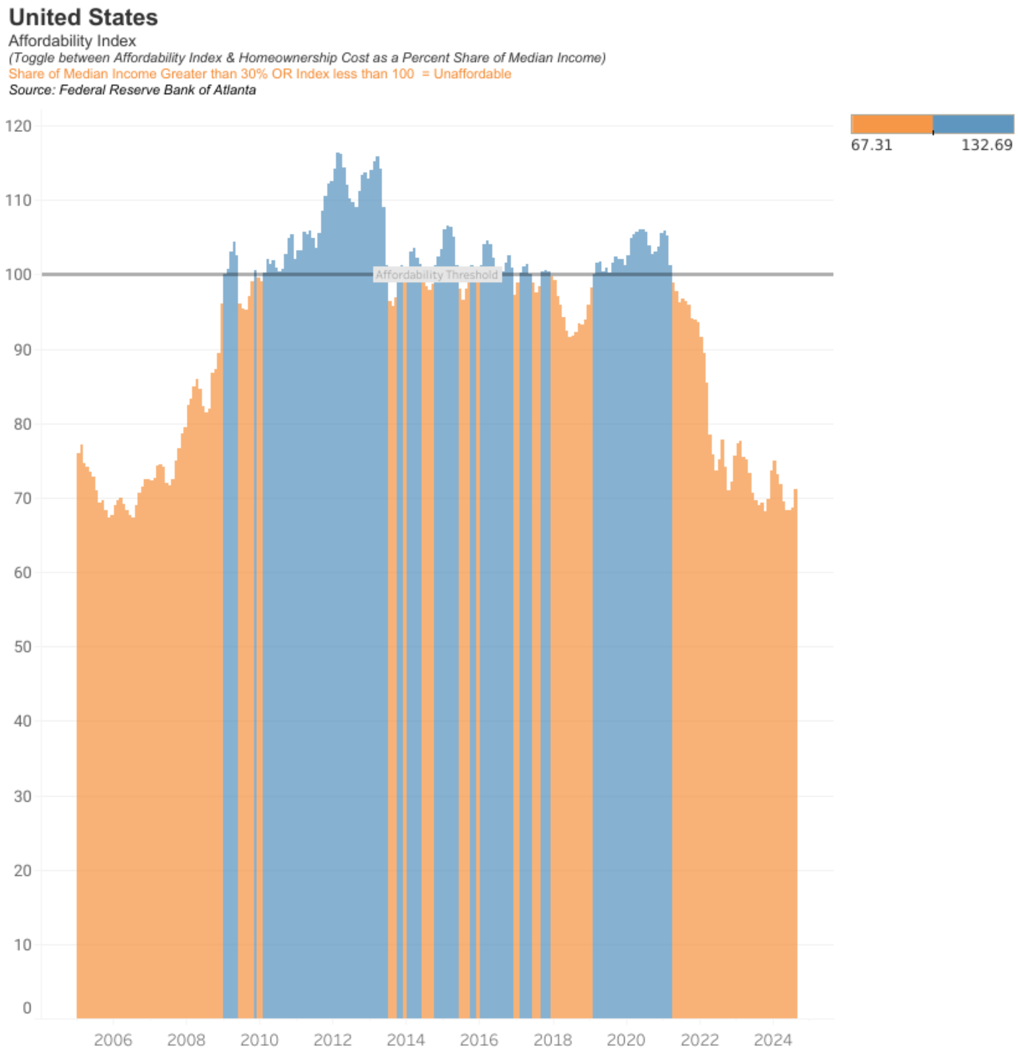


Source: RealPage Analytics

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.

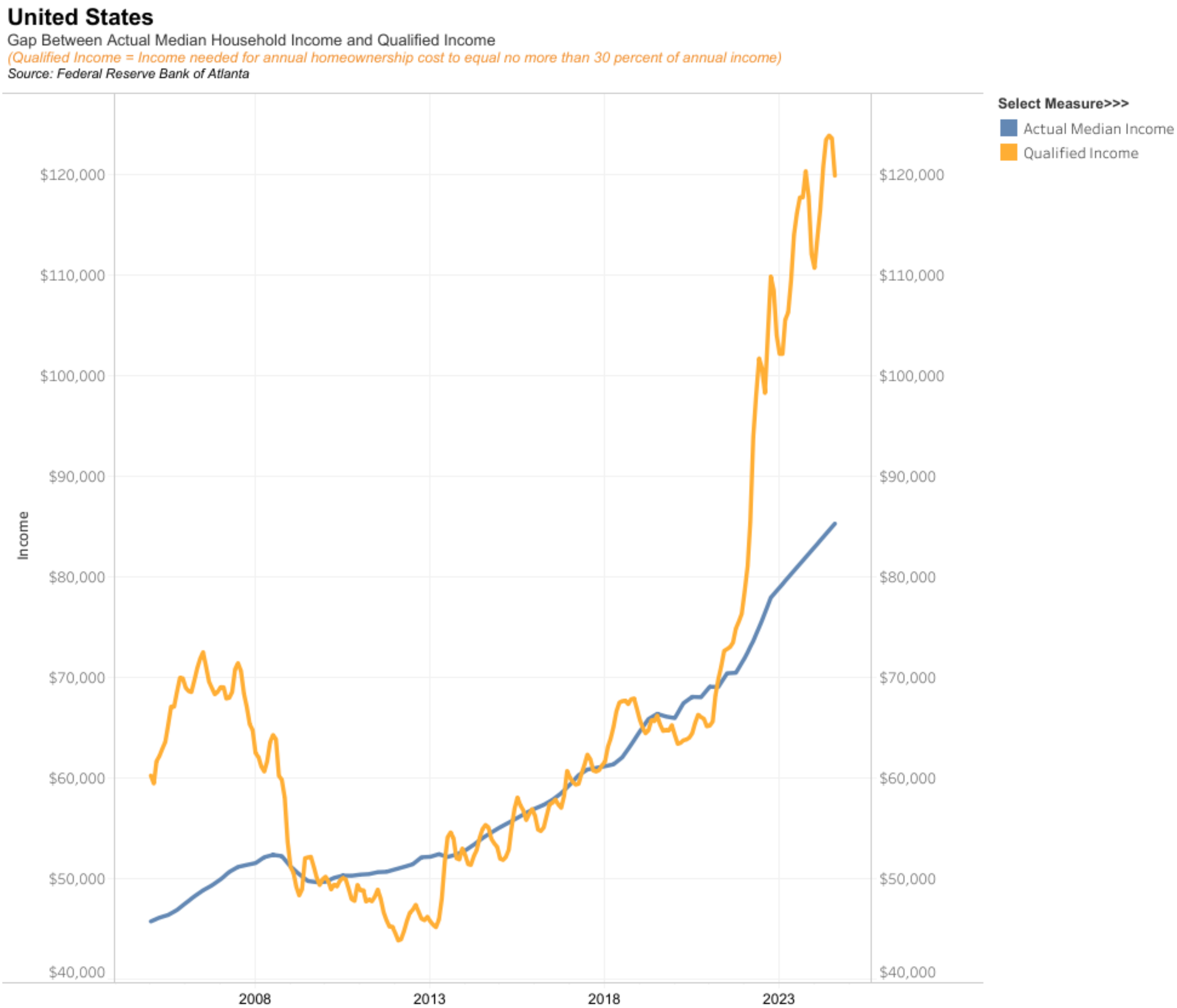
<u>Housing Affordability</u> –

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.



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.



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.

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 –

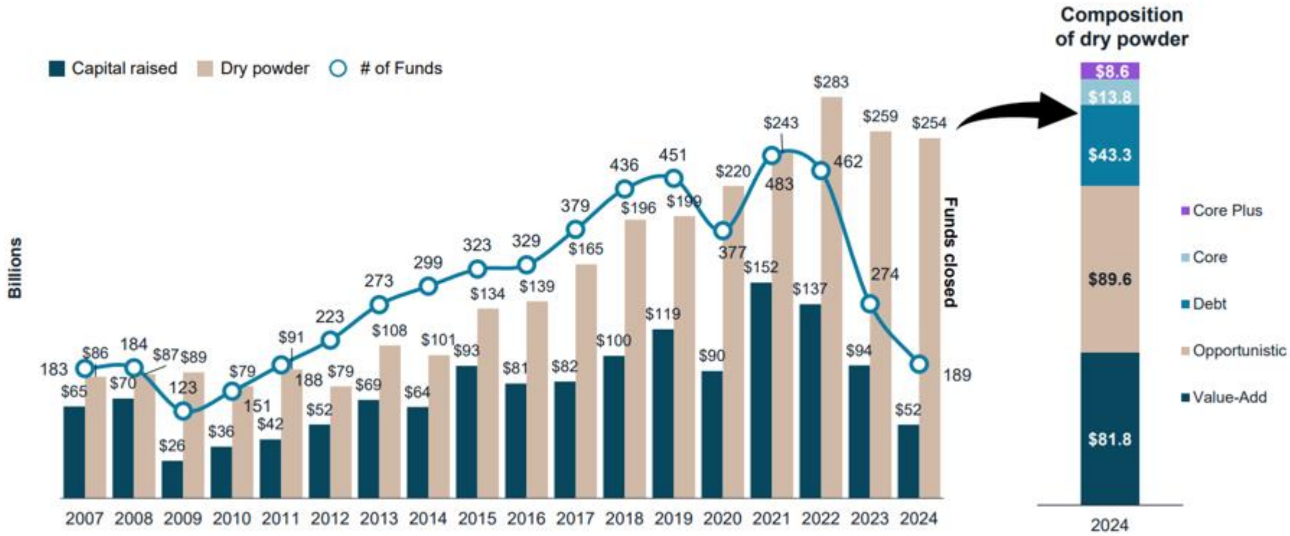
The Federal Reserve implemented a 50 basis point rate cut in September 2024, followed by another 25 basis point cut in November 2024, reducing the federal funds rate target range to 4.50%-4.75%. The September cut was the first reduction in borrowing costs since March 2020. The Fed's November meeting 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.

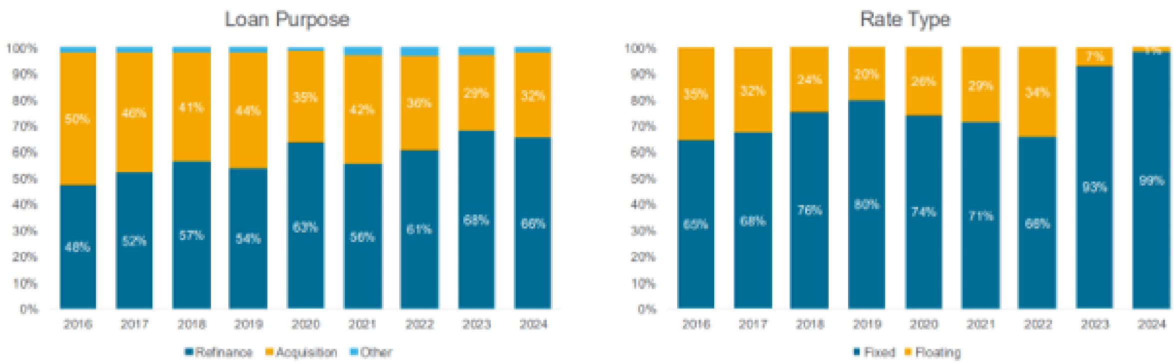


Source: JLL & Penqin

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

HILLPOINTE WORKFORCE HOUSING PARTNERSHIP III, LP

FINANCIAL STATEMENTS

September 30, 2024

Juniper Square

HILLPOINTE WORKFORCE HOUSING PARTNERSHIP III, 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 $167,849,657)	214,137,053
Investments at Fair Value	214,137,053
Cash and Cash Equivalents	5,015,582
Other Assets	6,086
Liabilities	
Accounts Payable and Accrued Expenses	(74,625)
Total Net Assets	219,084,096
PARTNERS' CAPITAL	
Partners	219,084,096
Total Partners' Capital	219,084,096

Statements independently prepared by Juniper Square, JSQ Administrative Services LLC

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

	Current Period Ending Jul-01-24 to Sep-30-24	**Year to Date Jan-01-24 to Sep-30-24**
Income		
Rental and Other Income	133,316	389,719
Total Income	133,316	389,719
Expenses		
Management Fee	(634,718)	(1,904,153)
Professional Fees	(53,183)	(143,280)
Other Expenses	(4,740)	(15,477)
Total Expenses	**(692,641)**	**(2,062,910)**
Net Operating Income / (Deficit)	**(559,325)**	**(1,673,191)**
Realized and Unrealized Gain / (Loss) on Investments		
Realized Gains and Losses	-	-
Unrealized Gains and Losses	-	-
Net Realized and Unrealized Gain / (Loss) on Investments	**-**	**-**
Net Increase/(Decrease) in Partners' Capital Resulting from Operations	**(559,325)**	**(1,673,191)**

Statements independently prepared by Juniper Square, JSQ Administrative Services LLC

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

	Partners
Beginning Balance July 01, 2024	219,643,421
Capital Contributions	-
Capital Distributions	-
Deemed Distributions	-
Net Increase / (Decrease) in Capital Transactions	-
Net Increase / (Decrease) in Partners' Capital Resulting from Operations	(559,325)
Ending Balance September 30, 2024	**219,084,096**

Statements independently prepared by Juniper Square, JSQ Administrative Services LLC

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

	Current Period Ending Jul-01-24 to Sep-30-24	Year to Date Jan-01-24 to Sep-30-24
Cash flows from operating activities:		
Net increase/(decrease) in Partners' capital resulting from operations	(559,325)	(1,673,191)
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	-	-
Funding of Investments	(2,556,721)	(15,138,442)
Proceeds from Investments	7,542,177	7,542,177
Changes in operating assets and liabilities:		
Other Assets	(4,621)	2,168
Accounts Payable and Accrued Expenses	23,432	(27,171)
Net cash provided by/(used in) operating activities	**4,444,942**	**(9,294,459)**
Cash flows from financing activities:		
Partners' Capital Contributions	-	-
Partners' Capital Distributions	-	-
Partners' Capital Deemed Distributions	-	-
Net cash provided by/(used in) financing activities	**-**	**-**
Net increase/(decrease) in cash and cash equivalents		
Cash and cash equivalents, beginning of period	570,640	14,310,041
Cash and cash equivalents, end of period	5,015,582	5,015,582
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	-	-

Statements independently prepared by Juniper Square, JSQ Administrative Services LLC