



STR2 Q2 2023 Shareholder Letter

July 31st, 2023

Our first batch of properties is now live and operational in STR2 and we're ecstatic to follow in the footsteps of STR1, our first fund that just passed \$2M in distributions to investors today.

Across our PropCos, we've now booked over 39,000+ guests across 5,600+ reservations and know the exact blueprint of success in our markets. We continue to test and optimize as the industry is ever changing and dynamic, yet our data and thesis remains the same: buy well, execute well, operate well, and exit strategically.

We've had multiple interested parties of large institutional scale show interest in acquisition or build out of an STR portfolio and they've been following along the journey of both funds we run and operate. This in our opinion, will continue to increase with time as properties season, the chase for yield becomes even more prominent and the value add we create is recognized through the outperformance in the market.

Below and [at this link](#), you'll find portfolio metrics as usual, with in depth reporting, insights, and more. As always, we'll continue to be strategic as this growth continues.

Thank you for entrusting us on this journey as the best is yet to come.

Cheers! 🥂

sief khafagi

Sief Khafagi
Principal



Portfolio Overview

What to Know: We optimize for a balance of Cash-on-Cash (CoC) and Internal Rate of Return (IRR), over a long period of sustainable equity growth. CoC is your yield. IRR is your total, all-inclusive return on capital invested, including both cash yield and equity gain. CoC will serve as the short-term return on capital while total IRR serves as the true barometer of a return because it factors everything inclusively, including time.

Total Capital	\$19,051,259.73
Occupancy for the Quarter	91% actual vs 57% for the market (+60%)
Average Daily Rate (ADR)	\$343
Gross Rental Revenue This Quarter	\$37,534 vs \$32,089 expected (+17%)
Market Rental Revenue	\$20,932 (+79%) vs market
Revenue Pacing vs Seasonality	Too soon to evaluate
OpEx Ratio for the Quarter	Too soon to evaluate
Net Operating Income	\$31,103
Distributable Cash Flow	Distributions are expected to begin next quarter. 8 properties went live with another 30+ closed or under contract in the queue.
Trending Portfolio DSCR (annual)	Too soon to evaluate
Trending Asset Level Cash on Cash (CoC)	Too soon to evaluate

****These are metrics that we generally target as key performance indicators. Increases or decreases are either quarter over quarter or vs market. All metrics are seasonally adjusted as the short term rental market is seasonal. Most if not all metrics may not reflect 100% accuracy if revenue, expenses or reallocation (or other) of capital falls between 2 quarters, it may be categorized in one or the other (recognized or not). We expect we'll introduce new and/or different metrics over time as properties go 100% online, including projected portfolio value. NOI does not factor in overhead expenses of the PropCo.**

Seasonality Matrix

As a reminder, below is our seasonality matrix on a projected basis. This portfolio is continuing to be built and the seasonality matrix may change. Currently, we're projected to be in 6 markets, across 5 states: AZ, PA, VA, TN, FL. This is a general representation of how we've balanced the peaks and valleys of seasonality in the STR space. Yet another reason why diversification in our portfolio provides an unmatched advantage to investors in this asset class vs owning a single property.

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
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CONFIDENTIAL - THIS SUMMARY CONTAINS FORWARD-LOOKING STATEMENTS CONCERNING INTENTIONS, PROJECTIONS, AND BELIEFS CONCERNING THE FUTURE ACTIVITIES AND RESULTS OF OPERATIONS AND OTHER FUTURE EVENTS OR CONDITIONS. ACTUAL RESULTS WILL DIFFER, AND MAY DIFFER MATERIALLY, FROM THOSE PROJECTED. THIS WILL LIKELY BE DUE TO A VARIETY OF FACTORS, SOME OF WHICH ARE BEYOND THE CONTROL OF THE CIRCUMSTANCES AND REAL TIME EVENTS IN PLAY. THIS IS NOT AN OFFER TO BUY OR SOLICIT SECURITIES.



Revenue, Occupancy & ADR

We generated \$37,534 in revenue in Q2, above our projected \$32,089. We also outperformed the market average by 79%, which generated \$20,932 in our compset. The benefits of a custom built and proprietary operating infrastructure via our operating affiliate, Superhost Labs, is a key reason for this and has shown in past funds to continue to outperform as well.

Our average daily rate (ADR) was \$343. This number will increase significantly as properties season with booking lead time. Regardless, this number was much higher than expected (\$250+) to begin with.

NOI, Opex, DSCR and Cash Flows

In the future, you'll find more detailed commentary on these topics as properties continue to season. For those interested, reach out to us to read about STR1 aka Fund 1 to get a glimpse of what's to come with reporting.

Stabilization

We're far too early to begin optimizing for stabilization as we're currently in the launch and build phase of STR2.

Operations

One of our strategic advantages in driving performance is by far and large our vertically integrated ops teams through the OpCo, Superhost Labs, which we built proprietary workflows and talent to scale, design, and stand up homes faster than ever before. It's not only more cost effective than the alternatives, it:

- increases speed to launch (aka faster to revenue)
- decreases the need for continuous improvements (fixing things)
- has an exclusive national team of STR talent driving key data-driven decision making
- provides significant economies of scale on supplies
- provides vendor, construction, and design networks that are proprietary to our strategy

Reflecting back, this, and our current operating model was by far the best decision given the circumstances of potential vendors like Vacasa (bleeding labor and cash) and companies like AvantStay pulling back their services. Smaller companies, including local options, couldn't deliver revenue and profitability targets given they lacked the tools and understanding on a



national scale. Being vertically integrated isn't just a competitive advantage, it was a must do to execute this business plan.

K1s, Depreciation & Tax Benefits

Come Q4 and Q1 of next year, we'll continue to update you on the status of bonus depreciation and tax forms.

Team & Technology

Far above everything else, the caliber of talent we have, between the OpCo and our national network of STR specific specialists, is an outsized competitive advantage. In retrospect, I'm not sure we could perform at this level without all this and perhaps this is the reason not many have scaled a national STR portfolio. Until now.

Having our own first hand data for acquisition, revenue management, and performance indicators has allowed us to build tools that are not available on the market today. For example, expense analysis in days, not months, by market, by property, and by category that automatically pulls from our accounting infrastructure. Or seasonality pacing revenue management tools that help us understand real time performance, proactively, not reactively. We have both and could have never anticipated the need for it. Another win for the OpCo + PropCo model.

Fixed Debt & Reserves

All of our debt we hold is fixed, minimum 10 year loan terms with ZERO balloon payments and/or floating rates during the first 10 years.

We have the flexibility, and more importantly **time**, to navigate **IF** needed.

Our reserves sit at around roughly ~3-6% of invested capital. We do expect this number to fluctuate up or down as the market fluctuates.

Fund Lifecycle

When we think about performance, we model a bell curve. A bell curve has a ramp, stabilized median, and then a wind down.

In our projected 5-year hold, we project these phases to look something like this:

- Ramp = Months 0 - 18

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- Stabilization / Optimization = Months 12 - 48
- Wind Down = Months 36 - 72

We're currently in the **ramp** phase of Fund 2.

Capital & Company

Our companies continue to efficiently serve our communities and investors.

Techvestor is our proprietary tech enabled platform we've built to support scaling the best STR portfolio we can envision.

Superhost Labs is our property management & brand/media affiliate that drives all the operations (OpCo) that you see today, and in the future, potentially our disposition partner as we continue to build the turnkey STR ecosystem.

SS2 is our manager of this offering.

Your Investor Portal

You can see all metrics, photos (befores and afters), and even Matterports (walk the properties visually) inside your portal at techvestor.investnext.com.