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OZ 1.0 – Where the Money Went (QOFs we track as of 12/31/25)

- Single Asset QOFs make up nearly 75% of all funds tracked by Novoco
- “Super QOFs” (typically multiple asset funds with > \$100M in equity) make up 60% of the \$42.76 billion in equity reported by 2,163 QOFs

Now 69 QOF Managers Overseeing at least \$100 Million

Equity Range	# of Fund Managers	Total Equity Raised	% of Total Equity Raised
\$1 Billion or More	7	\$13,467,980,066	31.5%
\$500 million up to \$1 billion	9	\$6,099,633,511	14.3%
\$250 million up to \$500 million	21	\$7,567,293,835	17.7%
\$100 million up to \$250 million	32	\$5,020,070,966	11.7%
\$75 million up to \$100 million	15	\$1,305,677,854	3.1%
\$50 million up to \$75 million	40	\$2,380,328,955	5.6%
\$25 million up to \$50 million	82	\$2,734,503,651	6.4%
\$10 million up to \$25 million	152	\$2,393,010,669	5.6%
Up to \$10 million	679	\$1,792,774,624	4.2%

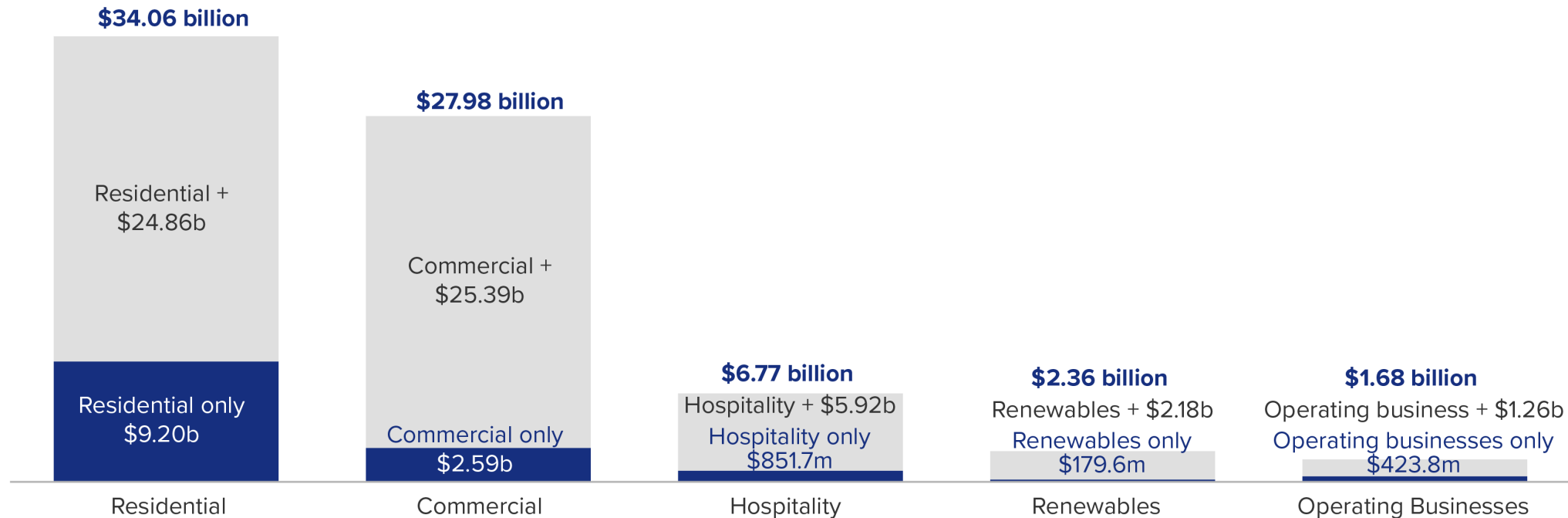
Source: Novogradac



OZ 1.0 – Where the Money Went (Asset Classes as of 12/31/25)

- Of \$42.76B raised, \$9.2B has been raised strictly for residential investment, while \$34.06B has been raised to develop property that includes a residential component as well as commercial

Residential Still Top Focus for Investment



Source: Novogradac



OZ 1.0 – Where the Money Went (Fund Assets as of 12/31/25)

Investment Categories	# of Investments	Equity Raised
Residential		
Affordable Housing	140	3,391,558,817
Multifamily	1,165	22,879,386,463
Single Family	69	316,816,977
Mixed-Use	115	2,059,819,160
Workforce Housing	95	1,186,777,760
Student Housing	50	698,543,006
Senior Housing	41	368,305,710
Commercial		
Office	290	5,655,884,666
Industrial	170	2,961,594,810
Mixed-Use	115	2,059,819,160
Retail	420	9,235,600,729

OZ 1.0 – Where the Money Went (State as of 12/31/25)

Top 20 States for Planned Investment

State	Equity Investment Planned per State <i>Rounded to the nearest \$10,000</i>	# of Investments
1. California	\$5,021,230,000	157
2. Arizona	\$2,655,180,000	112
3. New York	\$2,127,780,000	62
4. Ohio	\$2,123,560,000	637
5. Florida	\$1,912,890,000	76
6. Texas	\$1,894,160,000	103
7. Washington, D.C.	\$1,598,270,000	38
8. Colorado	\$1,278,310,000	93
9. Washington	\$1,196,950,000	68
10. Tennessee	\$1,156,420,000	52

State	Equity Investment Planned per State <i>Rounded to the nearest \$10,000</i>	# of Investments
11. North Carolina	\$976,430,000	64
12. Maryland	\$909,700,000	33
13. Georgia	\$902,190,000	42
14. New Jersey	\$715,440,000	44
15. Utah	\$690,770,000	37
16. Nevada	\$643,950,000	29
17. Virginia	\$508,490,000	33
18. Pennsylvania	\$505,650,000	47
19. Oregon	\$457,130,000	24
20. Massachusetts	\$416,710,000	25

Source: Novogradac



OZ 1.0 – Moral of the Incentive

- Typical investment timeline and QOZB tests and conditions make operating businesses sometimes less plausible or desirable
 - 5-year timeline standard – interim gain ask would have helped to mitigate
 - Carveouts for existing assets needed
- Real estate provides a seemingly more reliable return to investors, many of which come from the REIT and private equity worlds
 - Timing of investment relative to return is important
- Many typically dominant geographical areas largely controlled the space during the earlier years but the fast-growing markets (e.g., Arizona) are showing surges when compared to the larger markets in non-conforming states

OZ 1.0 – Moral of the Incentive

- Unlike Tax Credits, this is a cash basis incentive and incentive success often depends on cash returns
- Caveat by emphasizing the impact of avoiding depreciation recapture
 - Can make investments without significant cash returns that have other incentives (e.g., ITCs) desirable

Taxpayers can get
capital gains
tax deferral
(& more)



*for making
timely
investments in*

Qualified
Opportunity Funds
(QOFs)



*which
invest in*

Qualified
Opportunity Zone
Property



located in

Qualified
Opportunity Zones

3 Tax Incentive Benefits

1. ■ Gain
Deferral

2. ■ Partial
forgiveness

3. ■ Forgiveness of
additional gains

Running the Numbers – OZ 1.0 Example

CONTRIBUTION OUTFLOWS	DISTRIBUTIONS TO INVESTORS	ACTUAL CASH RETURN	31.05% DEFERRAL BENEFIT	IRC SEC. 199A BENEFIT/ (DETRIMENT) (B)	48.00% CASH IMPACT FROM LOSS/ (INCOME)	TOTAL BENEFITS	TAX PAYMENT @ 2026	NET OZ BENEFITS	TAX ON 10- YEAR SALE BENEFIT (C)	NON-OZ ADJUSTMENTS	NET NON-OZ BENEFITS
\$ (4,831,740)	\$ -	\$ (4,831,740)	\$ 470,665	\$ -	\$ -	\$ 470,665	\$ -	\$ (4,361,075)	\$ -	\$ (470,665)	\$ (4,831,740)
(3,951,537)	-	(3,951,537)	1,226,952	-	-	1,226,952	-	(2,724,585)	-	(1,226,952)	(3,951,537)
(472,290)	6,000	(466,290)	146,647	576	(2,880)	150,343	-	(321,947)	-	(146,647)	(468,594)
-	802,266	802,266	-	38,616	(193,082)	647,800	-	647,800	-	-	647,800
-	295,638	295,638	-	42,263	(211,313)	126,587	-	126,587	-	-	126,587
-	5,489,020	5,489,020	-	30,619	(153,096)	5,366,542	-	5,366,542	-	-	5,366,542
-	662,912	662,912	-	34,901	(174,505)	523,308	-	523,308	-	-	523,308
-	721,618	721,618	-	41,952	(209,761)	553,809	-	553,809	-	-	553,809
-	785,668	785,668	-	49,567	(247,837)	587,398	(1,636,304)	(1,048,906)	-	1,636,304	587,398
-	871,487	871,487	-	59,294	(296,472)	634,310	-	634,310	-	-	634,310
-	935,663	935,663	-	67,051	(335,257)	667,458	-	667,458	-	-	667,458
-	17,995,367	17,995,367	-	70,441	(352,204)	17,713,604	-	17,713,604	(4,879,790)	(4,879,790)	12,833,814
\$ (9,255,568)	\$ 28,565,637	\$ 19,310,069	\$ 1,844,264	\$ 435,281	\$ (2,176,407)	\$ 28,668,776	\$ (1,636,304)	\$ 17,776,904	\$ (4,879,790)	\$ (5,087,750)	\$ 12,689,154

CASH BASIS RETURN 14.86%

AFTER-TAX IRR ON CAP GAINS INVESTMENT IN QOF 15.81%

AFTER-TAX NON-QOF IRR 11.51%

AFTER-TAX QOF IRR 15.81%

AFTER-TAX OZ IRR BENEFIT 37.34%

(A) Assumes tax credits are able to be allocated entirely to investor without reallocation due to basis limitations.

(B) Assumes 199A activity is aggregated, offset against other activity, and applied to limits at taxpayer level.

(C) Since value at year 10 is less than tax capital account, no tax benefit gained from appreciation.

ADDITIONAL SALES PROCEEDS NEEDED IN NON-QOF INVESTMENT TO MATCH QOF IRR \$ 10,810,000

***Note that IRR figures noted herein are based on quarterly results, as displayed in the Quarterly OZ Analysis schedule.

ADDITIONAL PROCEEDS AS A PERCENTAGE OF ACTUAL SALES PROCEEDS 27.92%

<u>DATE</u>	<u>CONTRIBUTION OUTFLOWS</u>	<u>DISTRIBUTIONS TO INVESTORS</u>	<u>ACTUAL CASH RETURN</u>
2019	\$ (4,831,740)	\$ -	\$ (4,831,740)
2020	(3,951,537)	-	(3,951,537)
2021	(472,290)	6,000	(466,290)
2022	-	802,266	802,266
2023	-	295,638	295,638
2024	-	5,489,020	5,489,020
2025	-	662,912	662,912
2026	-	721,618	721,618
2027	-	785,668	785,668
2028	-	871,487	871,487
2029	-	935,663	935,663
2030	-	17,995,367	17,995,367
	<hr/>	<hr/>	<hr/>
	\$ (9,255,568)	\$ 28,565,637	\$ 19,310,069
	<hr/>	<hr/>	<hr/>
	CASH BASIS RETURN		14.86%

31.05%	IRC SEC. 199A	48.00%				
DEFERRAL	BENEFIT /	CASH IMPACT		TOTAL	TAX	NET OZ
<u>BENEFIT</u>	<u>(DETRIMENT) (B)</u>	<u>FROM LOSS /</u>		<u>BENEFITS</u>	<u>PAYMENT</u>	<u>BENEFITS</u>
		<u>(INCOME)</u>			<u>@ 2026</u>	
\$ 470,665	\$ -	\$ -	\$ -	\$ 470,665	\$ -	\$ (4,361,075)
1,226,952	-	-	-	1,226,952	-	(2,724,585)
146,647	576	(2,880)		150,343	-	(321,947)
-	38,616	(193,082)		647,800	-	647,800
-	42,263	(211,313)		126,587	-	126,587
-	30,619	(153,096)		5,366,542	-	5,366,542
-	34,901	(174,505)		523,308	-	523,308
-	41,952	(209,761)		553,809	-	553,809
-	49,567	(247,837)		587,398	(1,636,304)	(1,048,906)
-	59,294	(296,472)		634,310	-	634,310
-	67,051	(335,257)		667,458	-	667,458
-	70,441	(352,204)		17,713,604	-	17,713,604
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\$ 1,844,264	\$ 435,281	\$ (2,176,407)	\$	\$ 28,668,776	\$ (1,636,304)	\$ 17,776,904

AFTER-TAX IRR ON CAP GAINS INVESTMENT IN QOF	15.81%
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TAX ON 10- YEAR SALE <u>BENEFIT (C)</u>	NON-OZ <u>ADJUSTMENTS</u>	NET NON-OZ <u>BENEFITS</u>
\$ -	\$ (470,665)	\$ (4,831,740)
-	(1,226,952)	(3,951,537)
-	(146,647)	(468,594)
-	-	647,800
-	-	126,587
-	-	5,366,542
-	-	523,308
-	-	553,809
-	1,636,304	587,398
-	-	634,310
-	-	667,458
(4,879,790)	(4,879,790)	12,833,814
<hr/>	<hr/>	<hr/>
\$ (4,879,790)	\$ (5,087,750)	\$ 12,689,154
<hr/>	<hr/>	<hr/>
AFTER-TAX NON-QOF IRR		11.51%
AFTER-TAX QOF IRR		15.81%
AFTER-TAX OZ IRR BENEFIT		37.34%

CONTRIBUTION OUTFLOWS	DISTRIBUTIONS TO INVESTORS	ACTUAL CASH RETURN	31.05% DEFERRAL BENEFIT	IRC SEC. 199A BENEFIT/ (DETRIMENT) (B)	48.00% CASH IMPACT FROM LOSS/ (INCOME)	TOTAL BENEFITS	TAX PAYMENT @ 2026	NET OZ BENEFITS	TAX ON 10- YEAR SALE BENEFIT (C)	NON-OZ ADJUSTMENTS	NET NON-OZ BENEFITS
\$ (4,831,740)	\$ -	\$ (4,831,740)	\$ 470,665	\$ -	\$ -	\$ 470,665	\$ -	\$ (4,361,075)	\$ -	\$ (470,665)	\$ (4,831,740)
(3,951,537)	-	(3,951,537)	1,226,952	-	-	1,226,952	-	(2,724,585)	-	(1,226,952)	(3,951,537)
(472,290)	6,000	(466,290)	146,647	576	(2,880)	150,343	-	(321,947)	-	(146,647)	(468,594)
-	802,266	802,266	-	38,616	(193,082)	647,800	-	647,800	-	-	647,800
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				AFTER-TAX QOF IRR	15.81%
				AFTER-TAX OZ IRR BENEFIT	37.34%
ADDITIONAL SALES PROCEEDS NEEDED IN NON-QOF INVESTMENT TO MATCH QOF IRR				\$ 10,810,000	
ADDITIONAL PROCEEDS AS A PERCENTAGE OF ACTUAL SALES PROCEEDS				27.92%	

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Brent Parker, CPA

Brent.parker@novoco.com

(562) 256-2336