

**Supplement No. 2 to
Confidential Private Placement Memorandum**

Timberland Partners Apartment Fund VII, LLC

**Up to \$100,000,000 of Preferred Units (Subject to Increase)
\$25,000 Per Preferred Unit**

This Supplement No. 2 to the Confidential Private Placement Memorandum (this “Supplement No. 2”) supplements and should be read with the Confidential Private Placement Memorandum dated December 20, 2019 (the “Memorandum”) as supplemented by Supplement No. 1 to Confidential Private Placement Memorandum dated July 23, 2020 (“Supplement No. 1”) relating to the offering of up to 4,000 of Preferred Units of limited liability company interest (the “Preferred Units”) in Timberland Partners Apartment Fund VII, LLC (“we” or the “Fund”) at an offering price of \$25,000 per Preferred Unit, for an aggregate offering of up to \$100,000,000 (the “Offering”).

This Supplement No. 2 is being provided to investors to inform them of certain events that have occurred since the date of the Memorandum.

In addition to this Supplement No. 2, each investor should carefully read the Memorandum and Supplement No. 1, including the documents and information incorporated therein by reference, as well as the information set forth in the Memorandum under “Risk Factors and Conflicts of Interest” and in Supplement No. 1 under the heading “Additional Risk Factor.” The Memorandum, Supplement No. 1 and the documents and information incorporated therein by reference contain more detailed information about the Fund, its business and financial condition and the securities the Fund is offering in the Offering.

In making an investment decision, investors must rely on their own examination of the Fund and the terms of the Offering, including the merits and risks involved. The Preferred Units have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of the Memorandum, Supplement No. 1 or this Supplement No. 2. Any representation to the contrary is a criminal offense.

This Supplement No. 2 contains forward-looking statements, descriptions of goals, and objectives. Although these forward-looking statements, stated goals, and objectives are based upon assumptions that the Manager and the Fund believe are reasonable, actual results of operations and achievements may differ materially from the statements, goals, and objectives set forth herein.

All of the capitalized terms used in this Supplement No. 2 have the same definitions ascribed to them in the Memorandum or Supplement No. 1, as applicable, unless otherwise indicated herein. Except as otherwise expressly amended by this Supplement No. 2, the Memorandum, as supplemented by Supplement No. 1, remains in full force and effect.

The date of this Supplement No. 2 is September 24, 2020

Status of the Offering:

Effective as of August 24, 2020, we conducted our second closing on investments in this Offering, closing over \$22,625,000 from 129 investors. Including the contributions from the first closing on January 26th, 2020, total investments in the Fund to date stand at \$59,400,000. We plan to conduct a third closing on or about October 22, 2020 on subscriptions received since the second closing to acquire two additional properties that are under contract with Timberland Partners. Based on our experience with prior funds, we anticipate, but cannot guaranty, receiving significant interest in the Offering immediately prior to the announced date of the next closing.

Duration of the Term of the Offering:

The Fund anticipates holding at least one more additional closing – likely near the end of the fourth quarter – after the anticipated October 22 closing. The Chief Manager of the Fund reserves the right to extend the offering to accommodate the inclusion of additional investors if deemed necessary.

Anticipated Acquisitions:

- **Isles of Gateway in St. Petersburg, FL: Information in [Appendix A](#)**
- **The Preserve on Main in Rochester, MN: Information in [Appendix B](#)**

Completed Acquisitions:

On January 28, 2020, the Fund acquired the 180-unit Meadowridge Apartments in St. Peters, Missouri; such property is more fully described in Exhibit E to the Private Placement Memorandum. The property is currently 95.00% occupied. Cash flow from operations from acquisition through August 31, 2020 totaled \$507,869 or 12.94% on the \$6,600,000 investment.

On January 29, 2020, the Fund acquired a 55% interest in the 400-unit Trails at Cahaba River in Birmingham, Alabama; such property is more fully described in Exhibit E to the Private Placement Memorandum. The property is currently 97.25% occupied. Cash flow from operations from acquisition through August 31, 2020 totaled \$331,454 or 7.23% on the \$7,748,878 investment.

On January 30, 2020, the Fund acquired a 22.086% interest in the 248-unit Encore Memorial in Bixby, Oklahoma; such property is more fully described in Exhibit E to the Private Placement Memorandum. The property is currently 94.76% occupied. Cash flow from operations from acquisition through August 31, 2020 totaled \$67,885 or 9.32% on the \$1,236,827 investment.

On February 6, 2020, the Fund acquired the 220-unit Meridian at Walnut Creek in Rogers, Arkansas; such property is more fully described in Exhibit E to the Private Placement Memorandum. The property is currently 94.09% occupied. Cash flow from operations from acquisition through August 31, 2020 totaled \$377,411 or 6.83% on the \$9,700,000 investment.

On July 31, 2020 the Fund acquired Synergy at the Meadows in Lake St Louis, Missouri. This was a value-add strategy for the Fund given the opportunity to complete the balance of the lease-up following acquisition. The property was 25.9% occupied upon acquisition, and since then we have increased occupancy to 36.7% - on pace with our underwriting. We are pleased with the property's performance to-date.

On August 28, 2020 the Fund acquired Capital Park @ 72 West in Huntsville, Alabama. The property is currently 97.8% occupied and we are beginning to execute the business plan for the property.

Correction to Previously Circulated Information

Following the Fund's second closing, we circulated a Subscription Acceptance reporting the acceptance of 901 Preferred Units in an aggregate amount of \$22,525,000. This Subscription Acceptance understated slightly the total investments accepted at the second closing, which totaled \$22,625,000 and an aggregate of 905 Preferred Units. The Subscription Acceptance previously circulated has been amended accordingly.

APPENDIX A

Isles of Gateway

10600 4th St N
St. Petersburg, FL



Salient Facts

Timberland Partners, Inc. (“Timberland Partners”) has identified a multifamily acquisition opportunity that the Fund believes meets its target investment guidelines as an acquisition of a quality, recently renovated asset with solid in-place and increasing future cash flows. The Fund plans to close on the acquisition of Isles of Gateway at the end of October 2020.

Acquisition Price:	\$30,750,000	Year Built:	1986
Price Per Unit:	\$145,047	Units:	212
Price Per Foot:	\$175.34	Average Sq Ft Unit Size:	827
Occupancy (9/9/2020)	95.8%	Year One Capitalization Rate:	5.9%
7 Year IRR	17%	Equity Requirement	\$8,500,000

Investment Highlights

The Fund believes that the acquisition of Isles of Gateway will result in the addition of a quality, well-located apartment community with steady and increasing cash flows.

Completed in 1986, and widely updated within the past three years, Isles of Gateway offers an opportunity to acquire a well-located, renovated property with upside potential of outsized future rent growth.

The property was previously under contract with another buyer in the mid \$35M range during Q1 2020. Due to market uncertainty as a result of COVID-19, the previous buyer backed out of the transaction. Timberland Partners had previously offered \$33M on this property back when it was widely marketed in Fall 2019. We feel that we are getting good value at a purchase price of \$30.75M.

The purchase price per unit of approximately \$145,000 is an attractive basis when compared to what other properties have sold for the recent past. One of the top competing properties, West Port Colony, which was built in 1989, sold for approximately \$168,000 per unit in August 2019. Another competing property, Promenade at Carillon, constructed in 1994, sold for \$192,000 per unit in January 2020. Viera Bayside, which we believe to be an inferior competing property that was built in 1986, also recently sold in June 2020 for approximately \$155,000 per unit.

Property Description

Isles of Gateway is a 212-unit community that was built in 1986 and has been largely updated over the past three years. The property features a mix of one-, two-, and three-bedroom floorplans across eleven two- and three-story residential buildings. Unit interiors in 172 of the units have been updated with vinyl plank flooring, resurfaced countertops, faux stainless-steel Frigidaire appliances, subway tile backsplash, new carpet in bedrooms, framed bedroom mirrors, updated lighting, and tub/shower resurfacing. Units also feature in-unit washer and dryer and large screened-in patios or balconies with storage closets.

The common area amenities include a well-appointed clubhouse, resort-style swimming pool with sundeck, gas grills, picnic areas, covered cabana-style lounge areas, large jacuzzi, fitness center, dog park, fire pit, lighted tennis and basketball courts, sand volleyball court, and scenic lake views from select units.

Business plans for the property will include updating the remaining 40 unrenovated units, new exterior paint, and enhancing the dog park.

Location/Market Overview

The property location provides residents with excellent connectivity to the broader Tampa MSA as it is located near major highways and is in between downtown St. Petersburg and downtown Tampa. Additionally, the property provides quick access to the Tampa airport as it sits only 12 miles away. Isles of Gateway is located in the heart of the Gateway Area, which contains over 63,000 high-wage jobs. The nearby Carillon Office Park is home to several major companies including: Franklin Templeton, Raymond James, and Home Shopping Network. Topolf has announced that it will be opening its second Tampa area location in the Carillon Office Park in the near future. Jabil Circuit is currently in the process of completing their new company headquarters just a little over one mile from the property. Downtown St. Petersburg, 10 miles due south of the property, is also home to the Tampa Bay Rays, who play in Major League Baseball.

The Tampa-St. Petersburg MSA is consistently ranked by Forbes as one of the fastest-growing areas in the country. According to U.S. Census data, the Tampa area had a net migration of 41,798 people from July 2018 to July 2019. That translates to 115 people per day that moved to the Tampa area, which ranks fifth in the county. Dating back to 2010, the Tampa area has averaged nearly 43,000 people per year that have relocated to the area.

Financing

The Fund is planning to finance the acquisition of Isles of Gateway through the assumption of the existing Freddie Mac loan. The current loan proceeds are \$23,695,000. The 10-year loan was originated in January 2018 and has interest-only payments through December 31, 2022 at a fixed interest rate of 4.22%. Once the interest only period expires, the loan will amortize on a 30 years schedule.

APPENDIX B

Preserve on Maine

4010 Maine Ave SE

Rochester, MN



Salient Facts

Timberland Partners, Inc. (“Timberland Partners”) has identified a multifamily acquisition opportunity that the Fund believes meets its target investment guidelines as an acquisition of a high quality, newly constructed asset with the ability to increase future cash flows. The Fund plans to close on the acquisition of Preserve on Maine at the end of October 2020.

Acquisition Price:	\$38,500,000	Year Built:	2017
Price Per Unit:	\$187,805	Units:	205
Price Per Foot:	\$206.82	Average Sq Ft Unit Size:	908
Occupancy (9/17/2020):	89.3%	Year One Capitalization Rate:	5%
Pre-Leased (9/17/2020):	91.7%		
Total Equity	\$11,250,000	Fund Equity/Loan (73.33%)	\$8,250,000
Yr 1 Cash-on-Cash Return	9.1%		

Investment Highlights

The Fund believes that the acquisition of Preserve on Maine will result in the addition of a high-quality apartment community with steady and increasing cash flows.

Constructed in 2017, Preserve on Maine offers an opportunity to acquire a “Class A” property with upside potential of future rent growth.

Property Description

Preserve on Maine is a 2017 built, “Class A” apartment community that features a wide array of amenities across its studio, one-, two-, and three-bedroom floorplans. All units have custom kitchen islands and cabinets, stainless steel appliances, pantries, LVT wood-look flooring in kitchen and living areas, granite countertops, in-unit washer and dryers, nine-foot ceilings, FOB secure access, and custom closet storage systems.

The property boasts some of the nicest community amenities in the Rochester market, including a beautiful leasing center, clubroom, lounge, swimming pool, grilling areas, fitness center with an outdoor yoga deck, dog park, playground, and walking path that surrounds the property and connects to major retail. The site offers hourly shuttle service to the Mayo Clinic campus, which is a significant amenity to attract and retain residents.

Location/Market Overview

Preserve on Maine is located about four miles directly south of downtown Rochester. Sitting near the intersection of Highways 52 and 63, the location allows residents to have easy access to all of Rochester. Located minutes from major retail at Shoppes on Maine, the community offers easy convenience for residents to places such as: Target, Wal-Mart, Lowes, Menards, Fleet Farm, Old Navy, Kohl's, Bed Bath & Beyond, and Starbucks.

Outside of Minneapolis and Saint Paul, Rochester is the next largest city in Minnesota. Located roughly 90 miles southeast of the Twin Cities, it is the county seat of Olmstead County and located along the Zumbro River. The city recently came in at number five on Livability's 2019 list of Top 100 Best Places to Live in the country.

Rochester is best known as the home of the Mayo Clinic, which is one of the largest private hospitals in the world and was recently named the number one hospital in the nation for the fourth consecutive year according to U.S. News & World Report. The hospital had 1.2 million visitors from all 50 states and 135 countries in 2019. The city and hospital have aspirations to become one of the leading medical destinations in the world and are five years in on their 20-year, \$5.6B Destination Medical Center (DMC) project that aims to create nearly 30,000 new jobs.

Mayo Clinic is the main employer in the area with over 36,000 employees. Other major employers include IBM (2,791 employees), Rochester Public Schools (2,873 employees), City of Rochester (1,764 employees), Olmsted Medical Center (1,346 employees), Olmsted County (1,340 employees), and McNeilus Truck & Manufacturing (1,250 employees).

The median household income in Rochester is a little over \$72,000 annually. The average household at Preserve on Maine is making over \$87,000, and over 25% of the households at the property earn more than \$100,000 per year.

After the acquisition of Preserve on Maine, Timberland Partners will own and manage six properties in Rochester totaling 892 units. The other properties include: Jordan Mills, Jordan Creek, Summit Square, Timberland Heights, and Eastwood Ridge.

Financing

The Fund is planning to finance the acquisition of Preserve on Maine with either a Fannie Mae loan. The anticipated loan proceeds will likely be in excess of \$29,500,000. The 10- or 12-year loan will likely include five to seven years of interest-only payments at an interest rate of approximately 2.9-3.1%.

Ownership Structure

The Fund will jointly own Preserve on Main in a tenant-in-common (TIC) partnership with Timberland Partners XVI, LLP, which seeks to complete a tax-deferred exchange with proceeds from the sale of a property in Des Moines, Iowa. The total equity base is estimated to be \$11,250,000. The Fund will contribute approximately \$8,250,000; \$7,150,000 in equity and a loan of \$1,100,000 to fund its share of the lender required reserves. The Fund will then own a 73.33% tenant-in-common interest. Timberland Partners XVI, LLP will contribute approximately \$3,000,000 in equity and own the remaining 26.67% tenant-in-common interest. Timberland Partners XVI, LLP will be under common control of the Fund, with certain principals of the Manager owning a significant majority of the controlling interests in Timberland Partners XVI, LLP.

**SUPPLEMENT NO. 2
ACKNOWLEDGEMENT AND AGREEMENT**

In connection with the offer and sale by Timberland Partners Apartment Fund VII, LLC (the “Fund”) of up to \$100,000,000 of its Preferred Units, pursuant to that certain Confidential Private Placement Memorandum of the Fund dated December 30, 2019, as supplemented by that certain Supplement No. 1 to Confidential Private Placement Memorandum dated July 23, 2020, the undersigned hereby acknowledges and represents to the Fund that the undersigned has received and carefully reviewed and understands Supplement No. 2 to Confidential Private Placement Memorandum, dated September 24, 2020, and that the undersigned agrees to continue with the undersigned’s investment in Preferred Units in the Fund.

Individual Investor:

Signature

Type or Print Name of Investor

Signature of Second Investor (if joint)

Type or Print Name of Investor

Entity Investor:

Type or Print Name of Entity

By: _____
Signature of Authorized Person

Type or Print Name of Signatory

Its: _____
Title of Signatory