Yardi Matrix

MULTIFAMILY NATIONAL OUTLOOK

SPRING 2023

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PRESENTERS

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AGENDA

- Opening Remarks
- Macroeconomic Outlook
- Affordability and Market Responses
- Multifamily Fundamentals and Forecasts
- Potential Supply-Driven Distress Markets

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OPENING REMARKS

Yardi Matrix House View – Spring 2023

MACROECONOMIC UPDATE

- U.S. economic growth slowed in Q1, with GDP growth falling to 1.1%, further deceleration to come
- The Fed is still in a tightening cycle, but will slow the pace of rate increases soon, as there is a >1 yr lag to actions
- Inflationary pressures have started to cool, but remain elevated due to underlying price pressures
    - De-globalization continues
- The SVB/Signature/Credit Suisse/First Republic banking crisis is a natural consequence of financial tightening
- The labor market is tight, but showing signs of weakness at the upper end, w/ no consensus on immigration policy
- U.S. economy is slowing, yield curve (10 YR - 3 MTH) is inverted, mild recession very likely in second half of 2023

MULTIFAMILY INDUSTRY

- Multifamily fundamentals have been strong, but we expect deceleration within a seasonal uptick
- Market rotation occurring, with rent-by-necessity less impacted by new supply
- Affordability is still a key concern, with little political will to resolve and significantly more regulatory risk
- Demographic trends will keep the labor market tight, and entrenchment of hybrid work has tilted consumer budgets toward housing
- Construction financing is in short supply, and deliveries could be significantly reduced in 2025
- The supply shortage of U.S. housing is likely to last 5-10 years, supporting continued rent growth and capital appreciation
- The bid/ask spread for acquisitions remains very wide, with initial pre-distress and distress emerging
- Transactions have, and will, slow over the next 18 months until inflation moderates and interest rates come down

Source: Yardi Matrix

What Now? Finding Opportunities

The current investment environment requires increased creativity to find potential investable opportunities, which Yardi Matrix has been designed to do:

Assumable debt = loans with 5-7 years duration left =	**3,000± properties**
Acquisitions since 2020 with 2-3 year durations =	**2,500± properties**
Floating/Variable Rate Loans =	**3,000± properties**
Construction loans maturing until 7/24 =	**400 ± properties**
Loans of GSE Watch Lists =	**300± properties**
Low estimated DSCRs (<1.05) =	**2,500± properties**

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Source: Yardi Matrix

MACROECONOMIC OUTLOOK

Key Macroeconomic Indicators

CONSUMER CONFIDENCE INDEX
104.5 (Q1 2023)
-3.4% YoY
↑ Increasing

REAL GDP GROWTH
1.1% (Q1 2023)
-2.7% YoY
↓ Decreasing

SHORT-TERM INTEREST RATES
4.5% (Q1 2023)
+4.4% YoY
↑ Increasing

ISM PURCHASING MANAGERS INDEX
47.1 (Apr 2023)
-15.7% YoY
↓ Decreasing

UNEMPLOYMENT RATE
3.4% (Apr 2023)
-0.2% YoY
↓ Decreasing

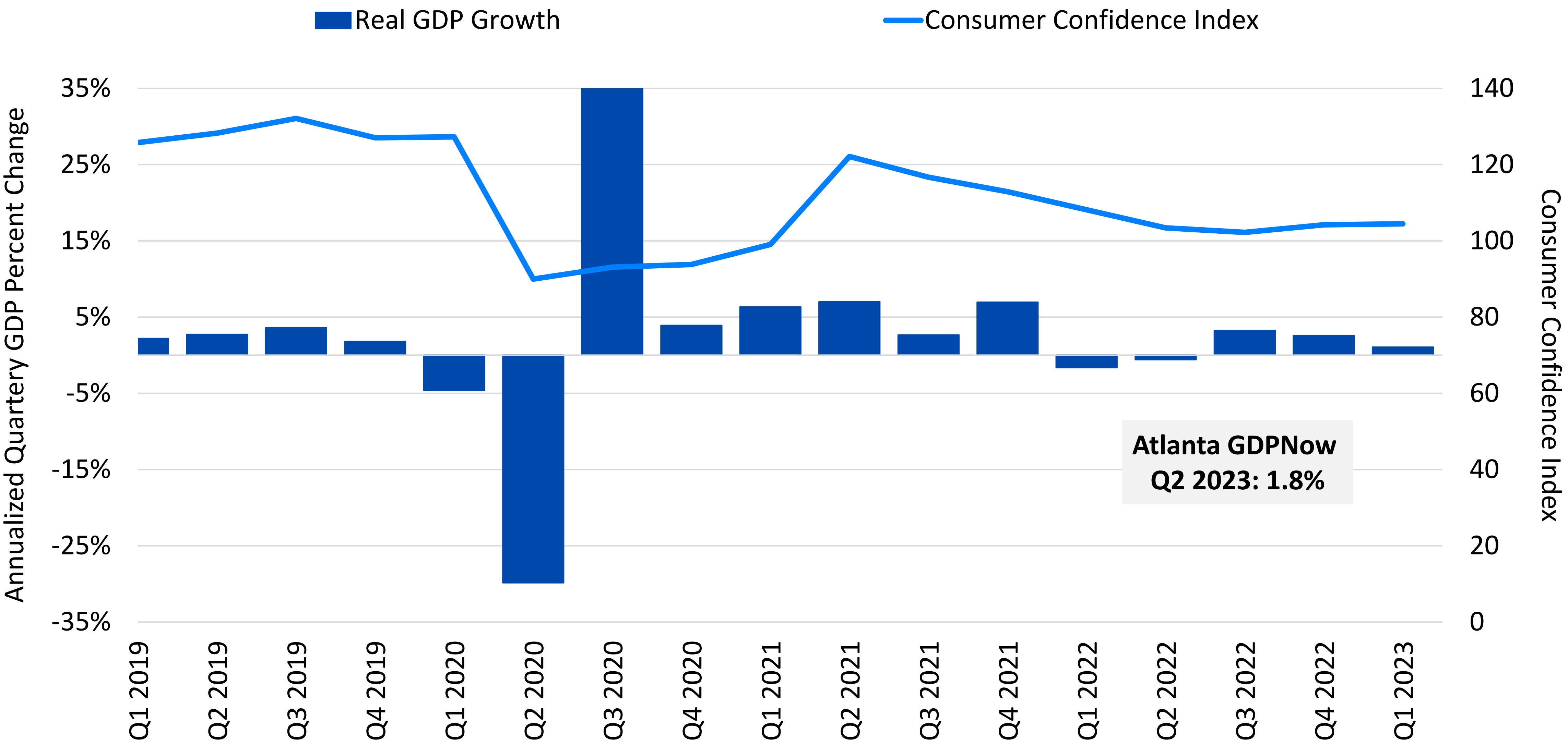
CONSUMER PRICE INDEX (CPI)
301.81 (Mar 2023)
+5.0% YoY
↑ Increasing

OIL PRICES
$79.22/Barrel (Apr 2023)
-23.8% YoY
↑ Increasing

EMPLOYMENT COST INDEX
157.4 (Q1 2023)
+4.9% YoY
↑ Increasing

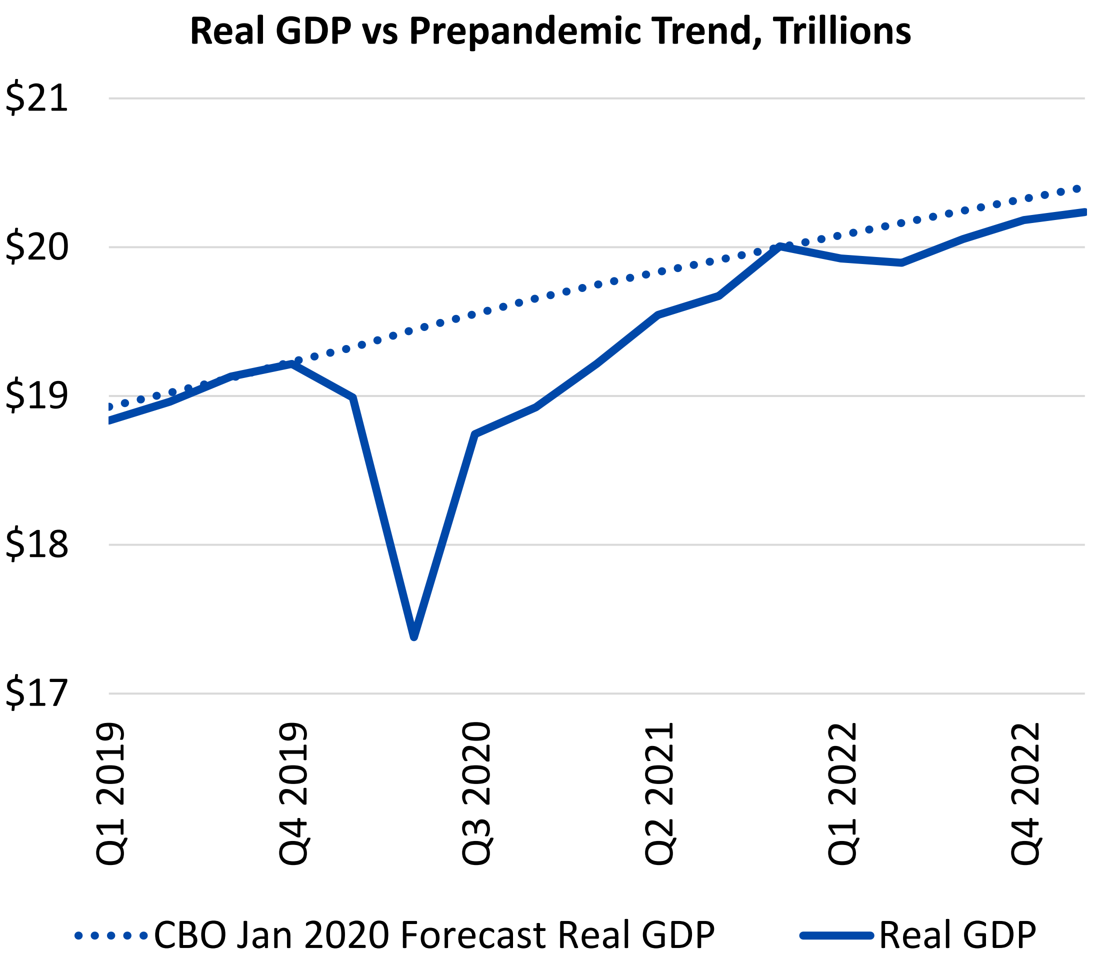
Source: Yardi Matrix; Moody's Analytics; U.S. Bureau of Economic Analysis; Institute for Supply Management (ISM); U.S. Energy Information Administration; Bureau of Labor Statistics (BLS); Federal Reserve Bank of St. Louis; U.S. Energy Information Administration

The Fed is Tightening, Inflation Has Been High and Growth is Cooling



Source: Yardi Matrix; Moody's Analytics; U.S. Bureau of Economic Analysis

Forecasts for Real GDP Project a Mild Recession in the 2H 2023, 1H 2024

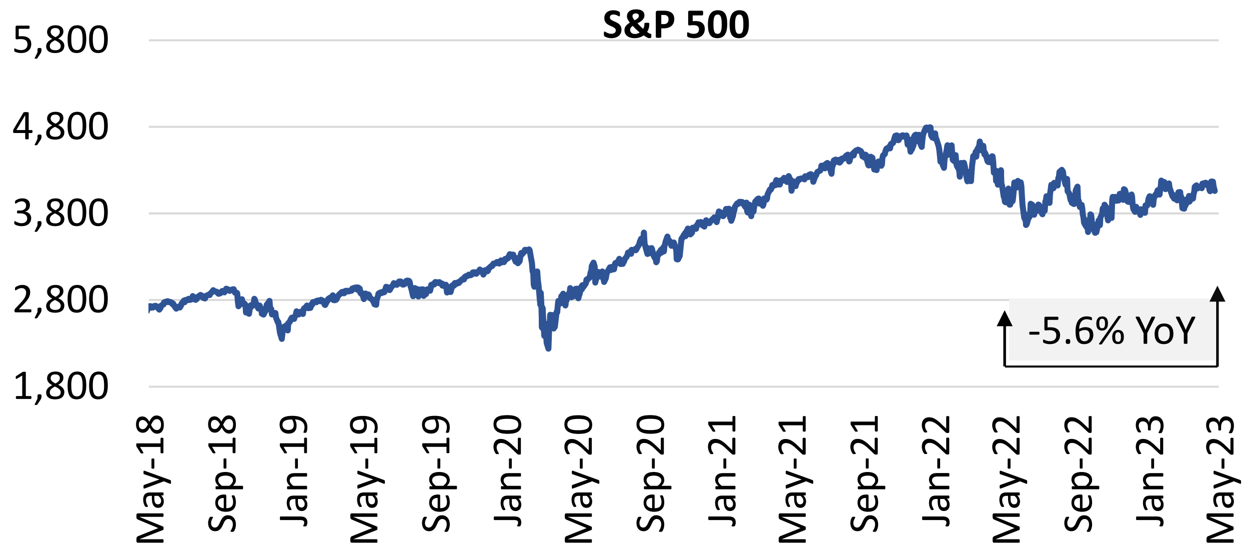


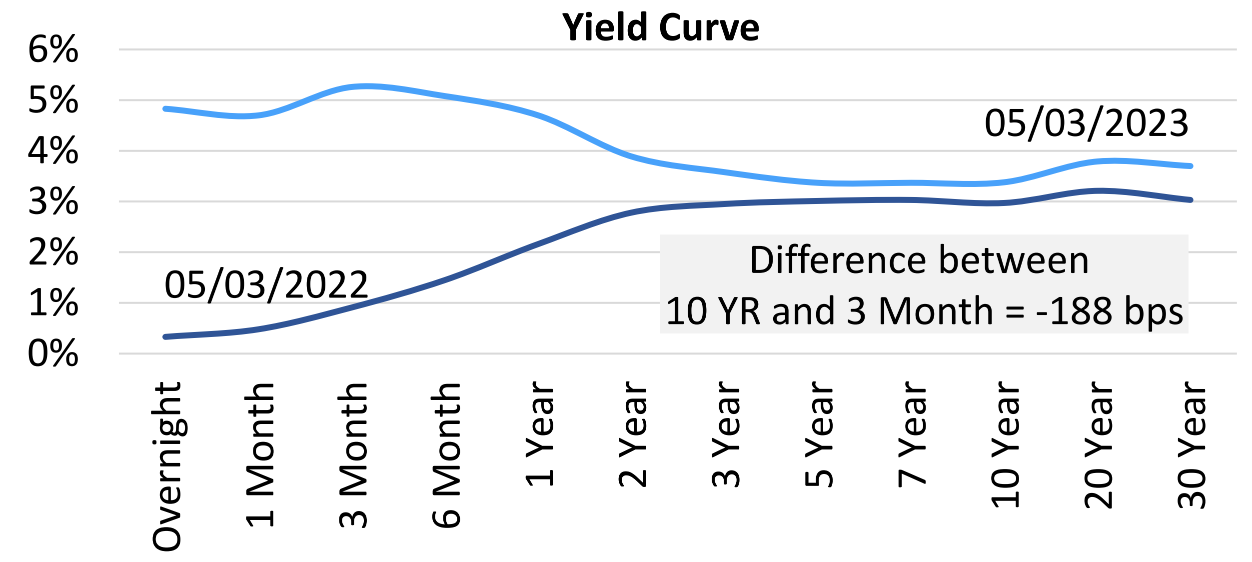
Evercore ISI / Yardi Matrix Economic Forecasts

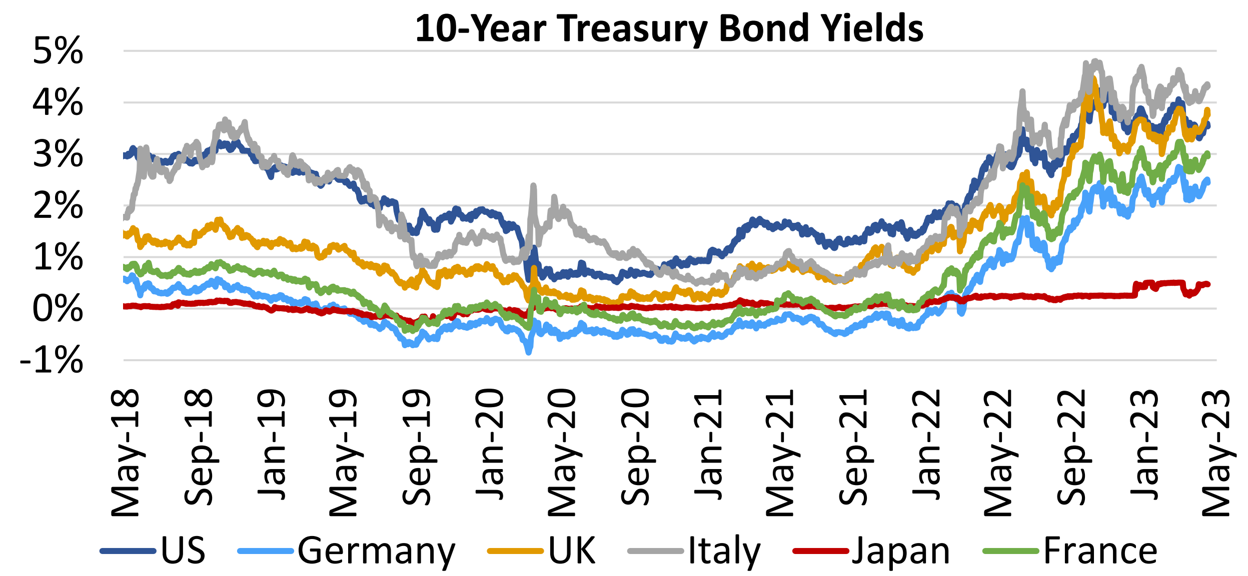
	2021	2022	2023 Forecast	2024 Forecast
Real GDP: YoY % Change	5.5%	2.9%	Q1: 1% Q2: 1% Q3: 0% Q4: -1%	Q1: -2% Q2: -1% Q3: 2% Q4: 3%
Nominal GDP: YoY % Change	10.7%	9.2%	Q1: 6% Q2: 5% Q3: 3% Q4: 1%	Q1: 0% Q2: 1.5% Q3: 2.5% Q4: 5.5%
Inflation (GDP Deflator): YoY % Change	5.9%	6.3%	Q1: 5% Q2: 4% Q3: 3% Q4: 2%	Q1: 2% Q2: 2.5% Q3: 2.5% Q4: 2.5%

Source: Yardi Matrix; Federal Reserve Bank of St. Louis; Congressional Budget Office; Evercore ISI, Morning Economic Report

U.S. and International Financial Markets

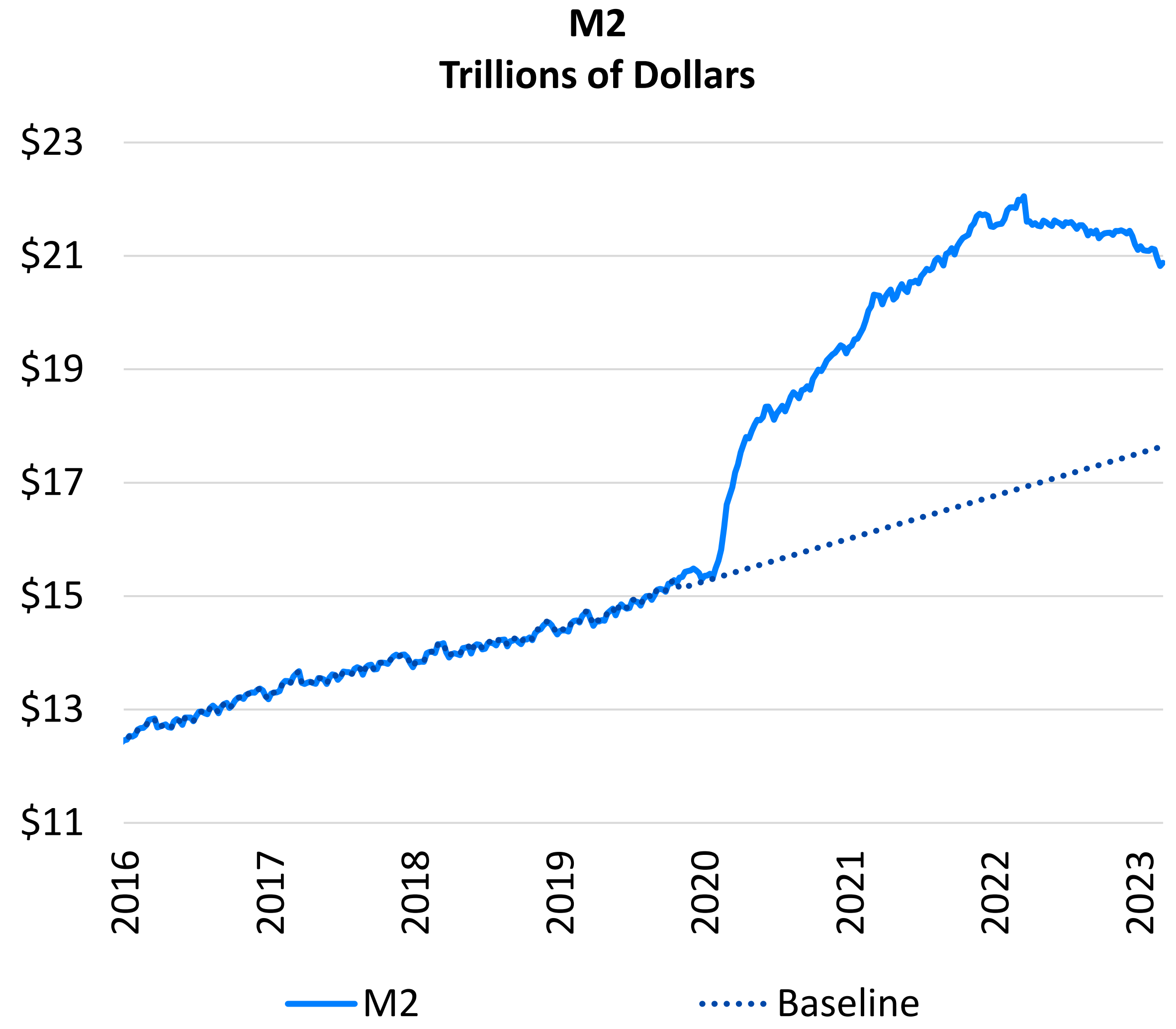


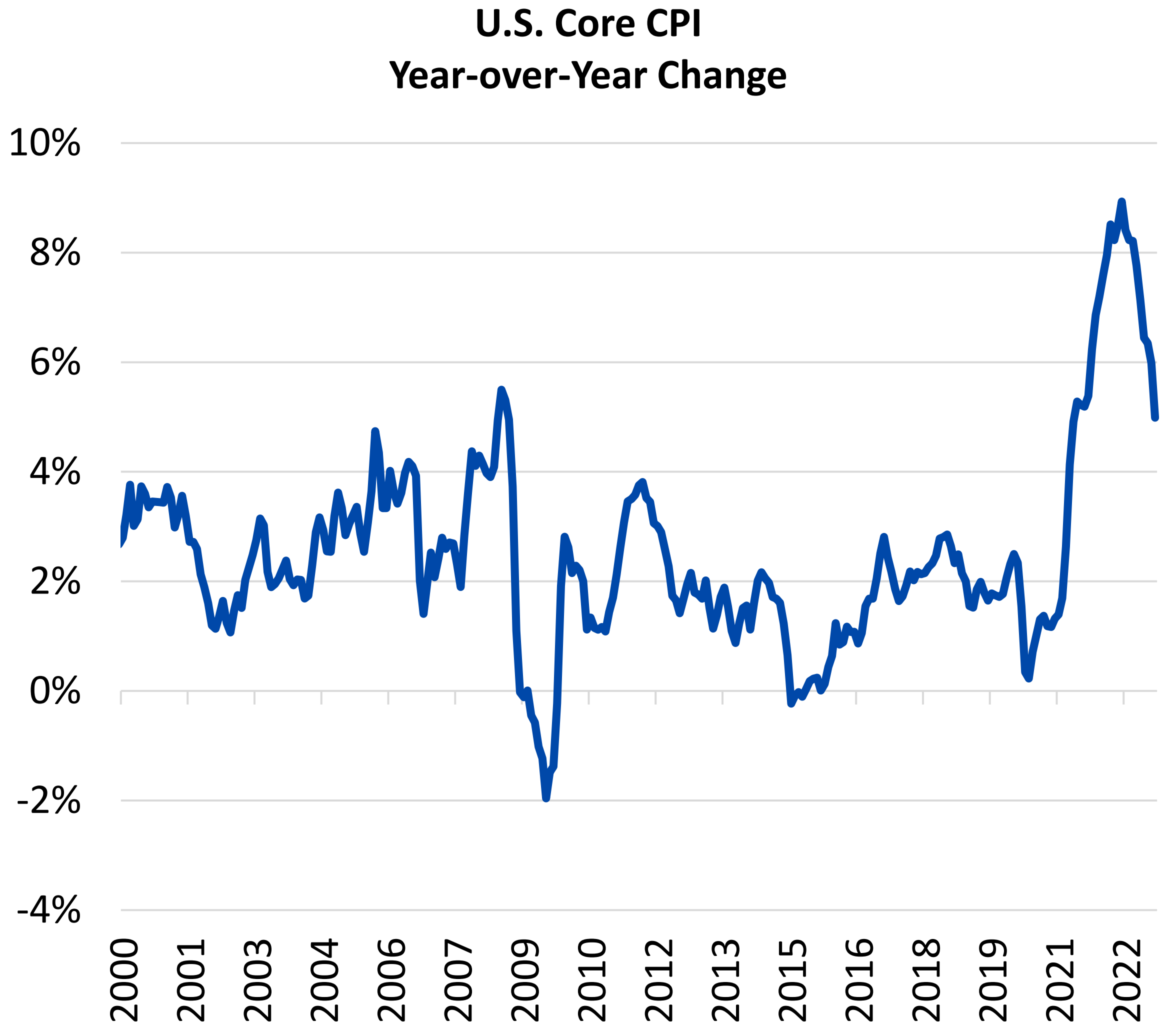




Source: Yardi Matrix; Moody's Analytics; Investing.com [Data updates daily with a 2-3 day lag]

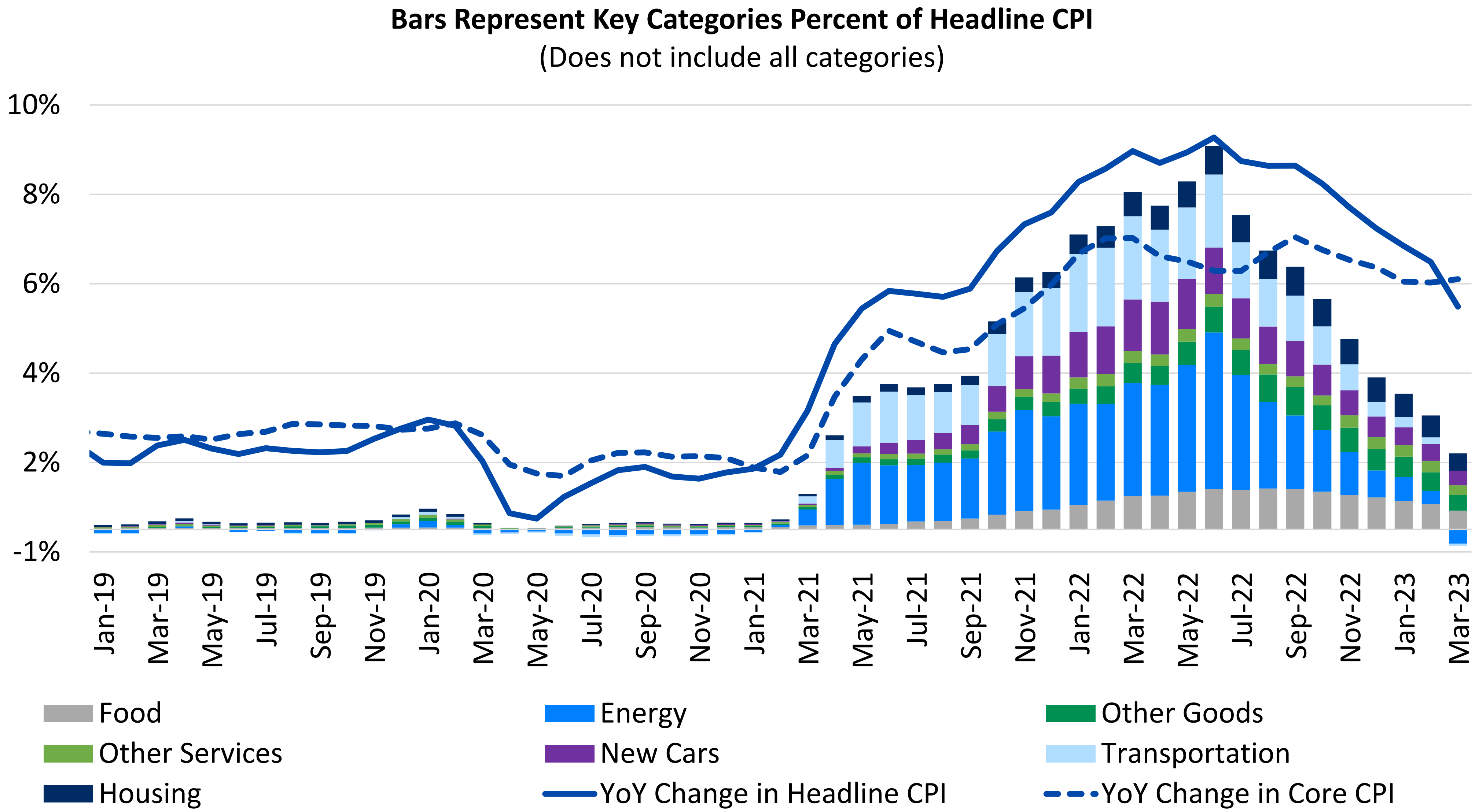
The Money Supply is Declining and Inflation Has Cooled





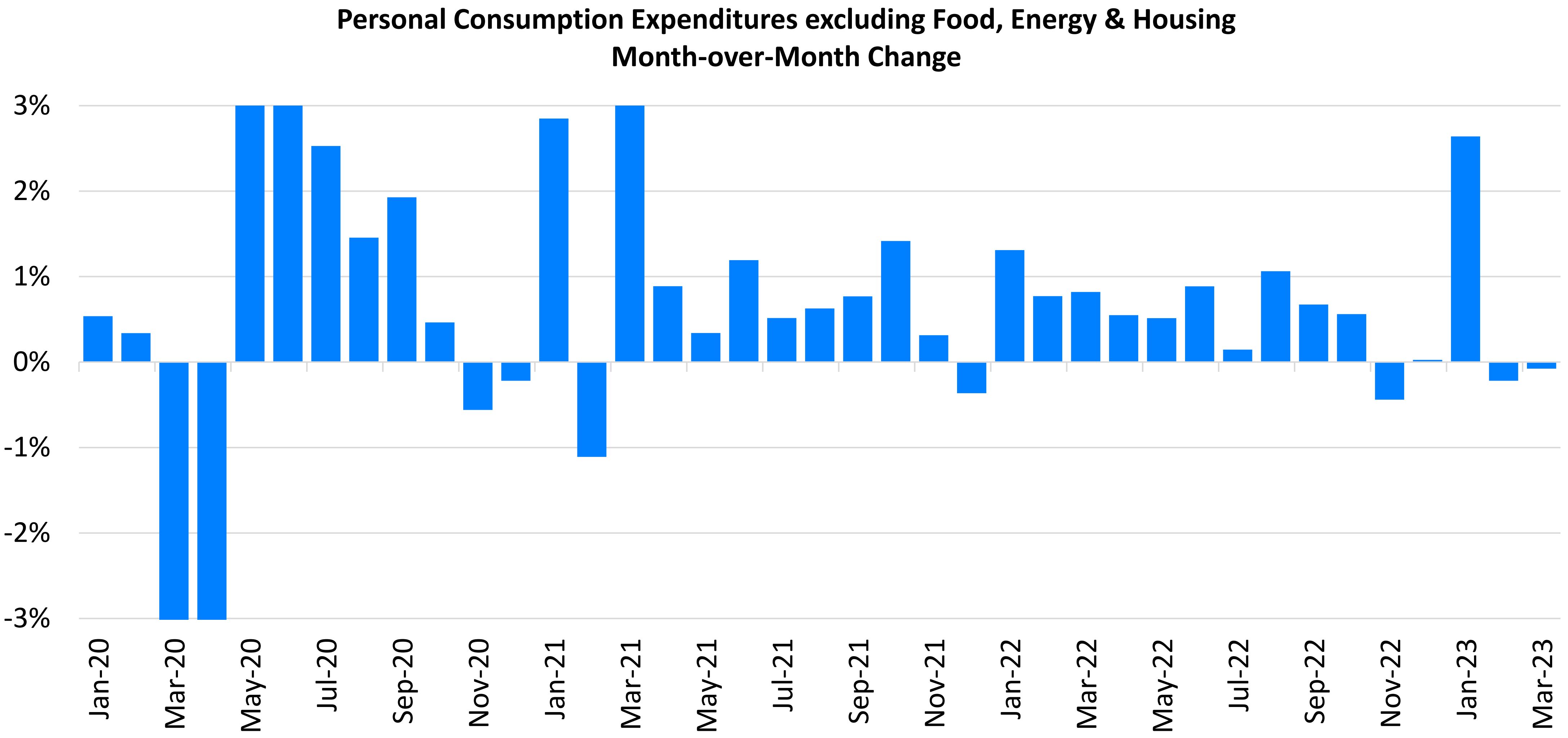
Data through March 2023| Source: Yardi Matrix; Moody's Analytics; Federal Reserve Bank of St. Louis

Inflation Impacted by Higher Prices For Food and Shelter, and Lower Prices For Gasoline and Used Vehicles in March



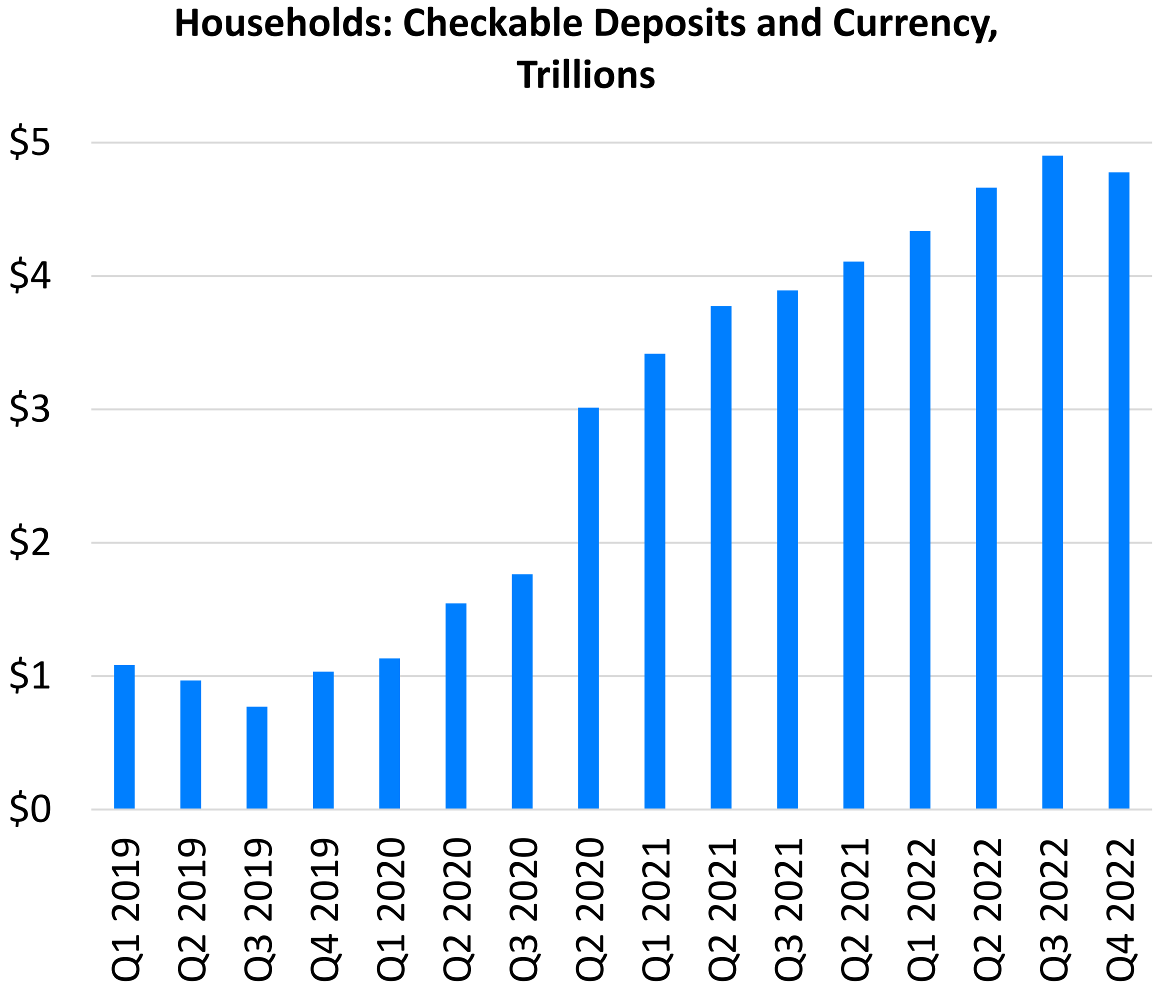
Source: Yardi Matrix; Bureau of Labor Statistics (BLS)

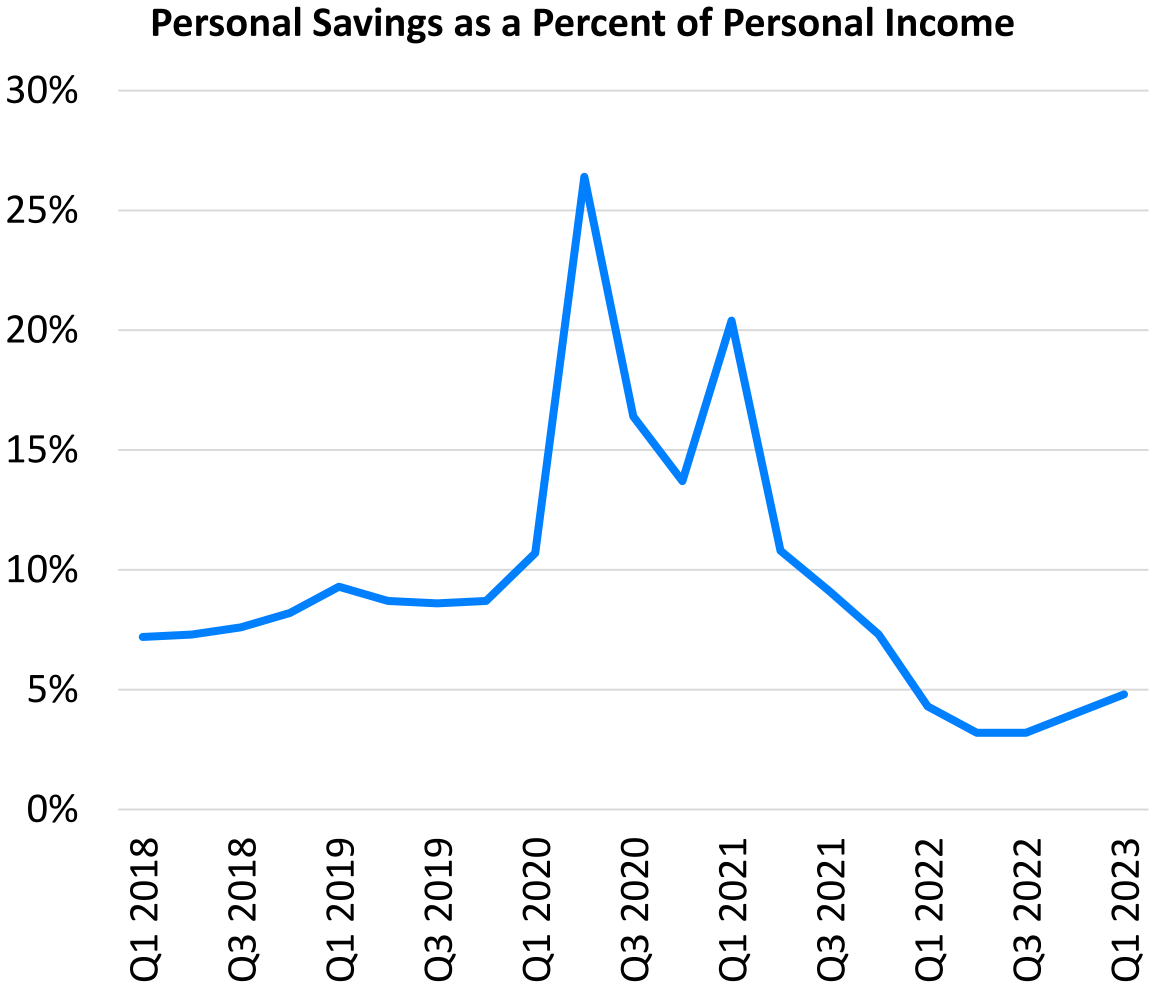
‘Supercore’ PCE, the Fed’s Preferred Inflation Gauge, Had a Slight Downtick in February & March



Source: Yardi Matrix; Moody’s Analytics

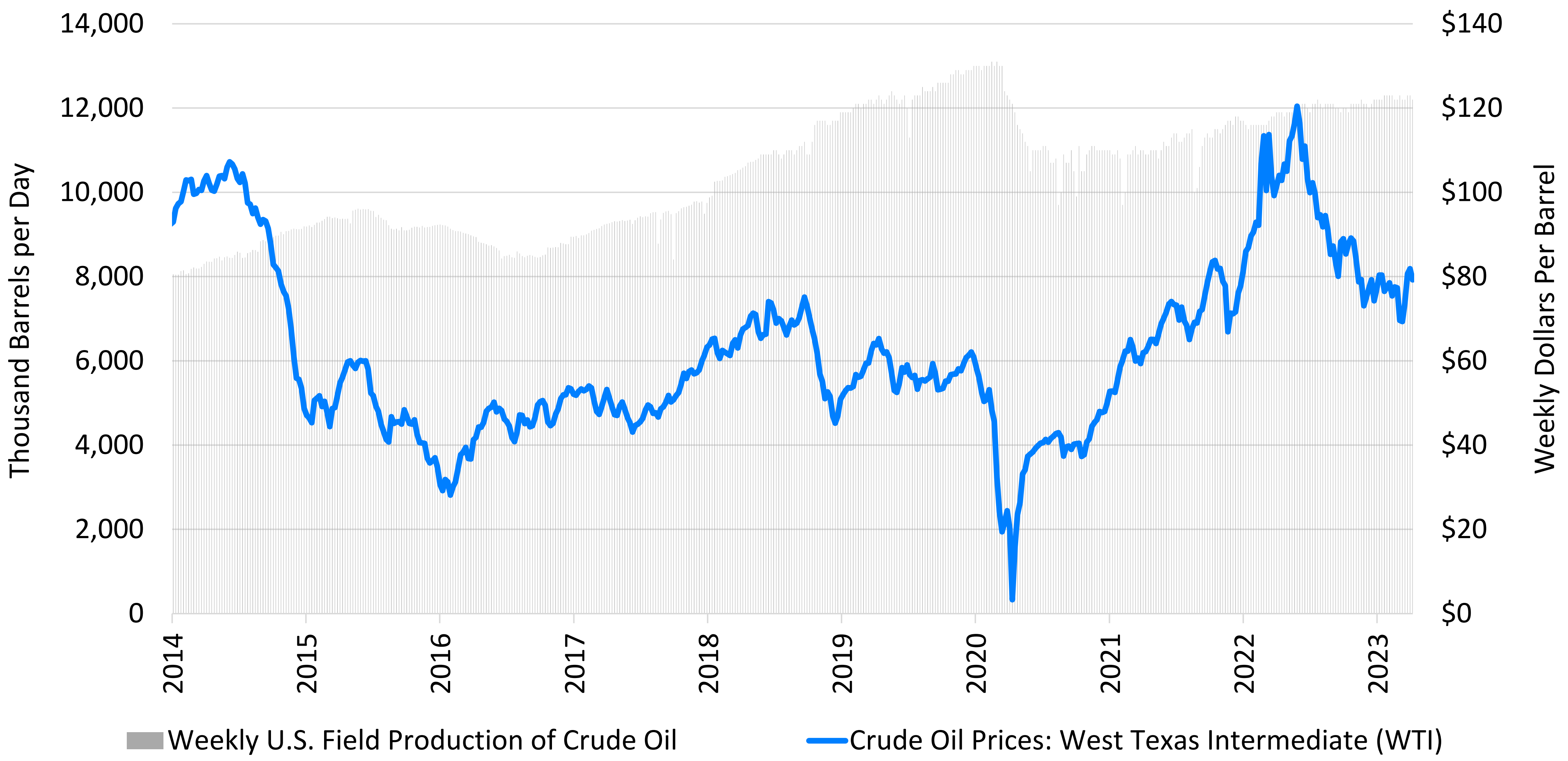
Excess Savings Are Being Used to Cover Inflationary Pressures





Source: Yardi Matrix; Federal Reserve Bank of St. Louis

Oil Prices Have Hovered Around $80 Since The Start of April



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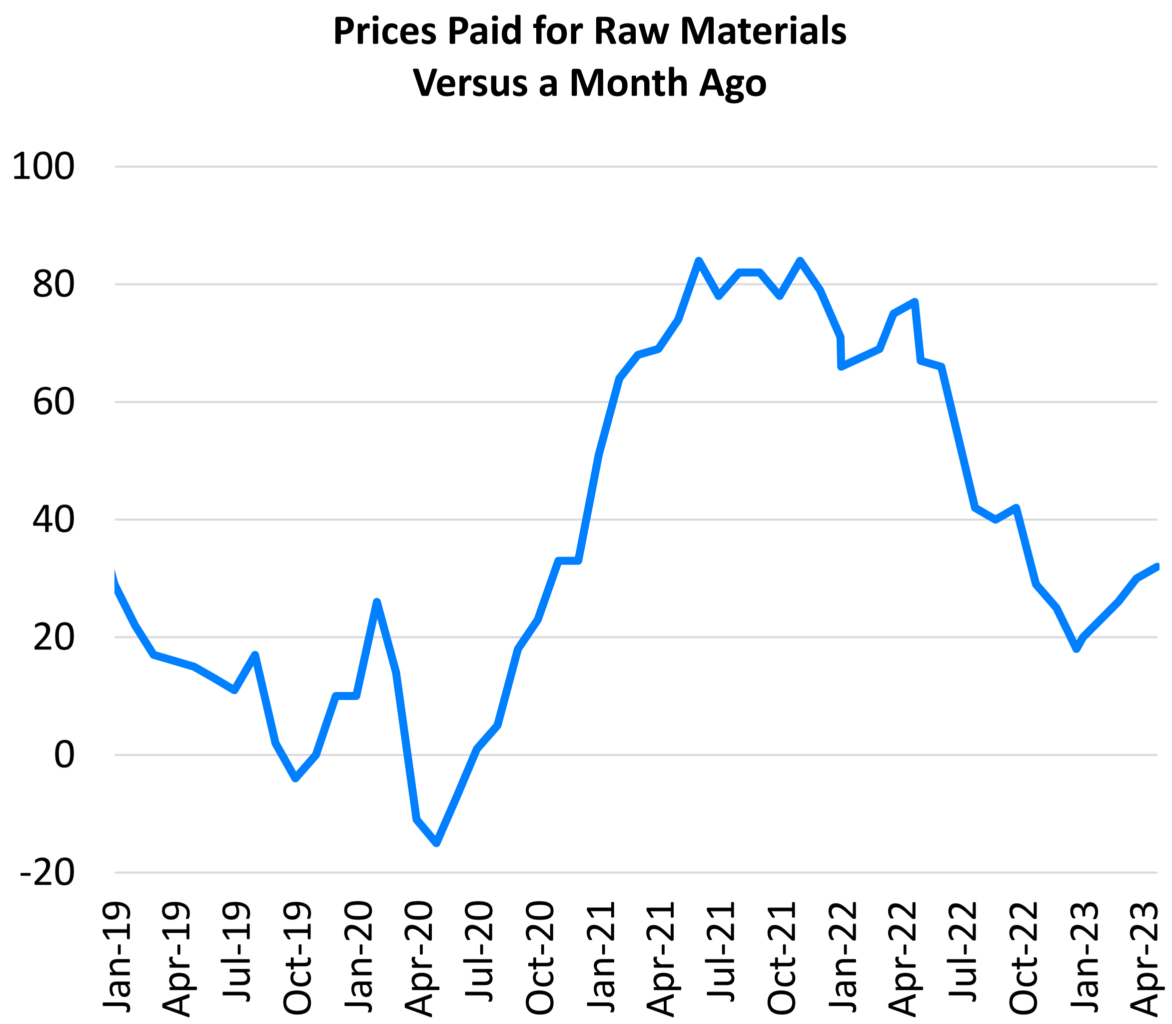
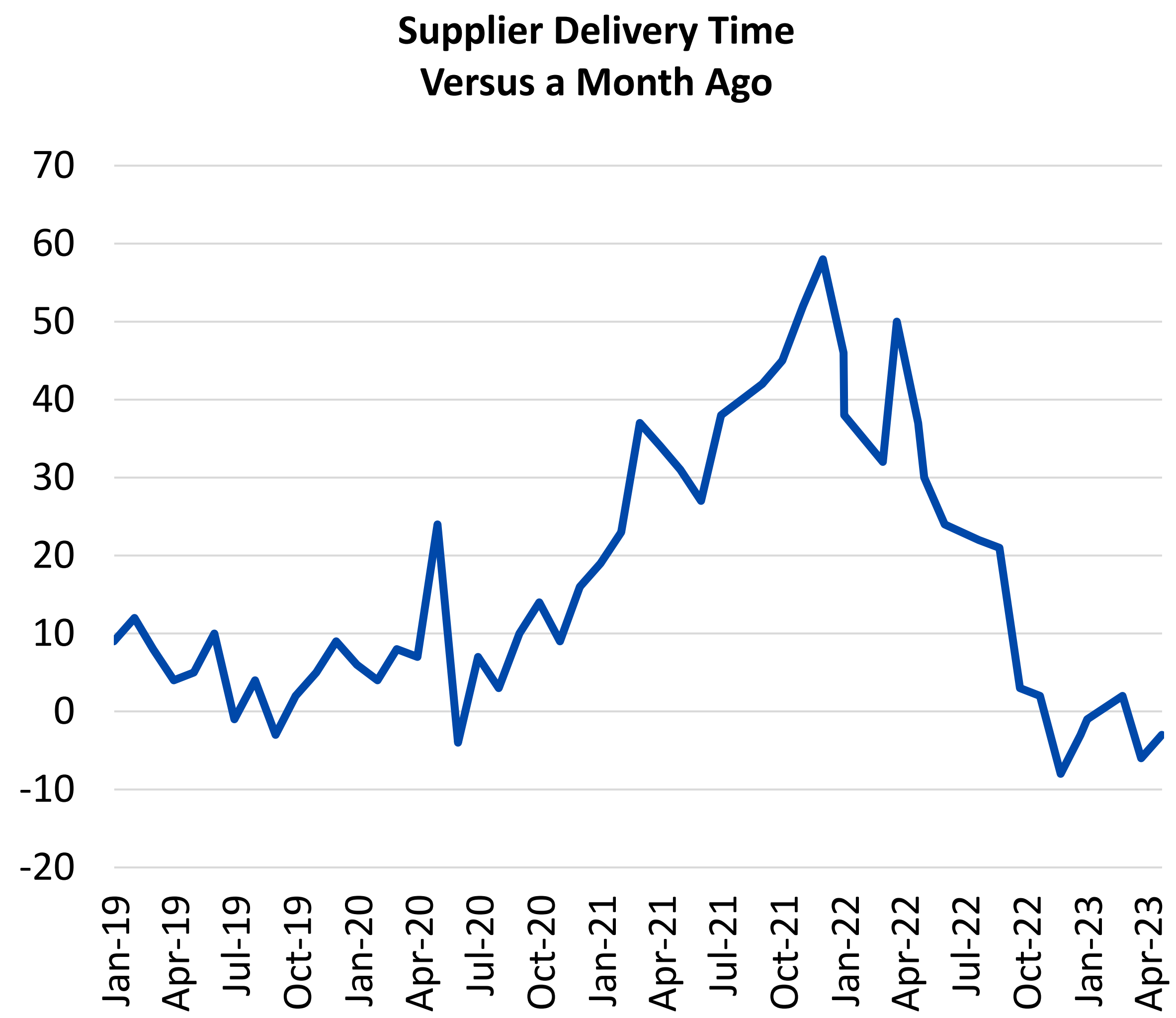
Data through April 21st, 2023 | Source: Yardi Matrix; Federal Reserve Bank of St. Louis; U.S. Energy Information Administration

Supply Chain Disruption Easing, But Still Impacting Raw Materials Prices





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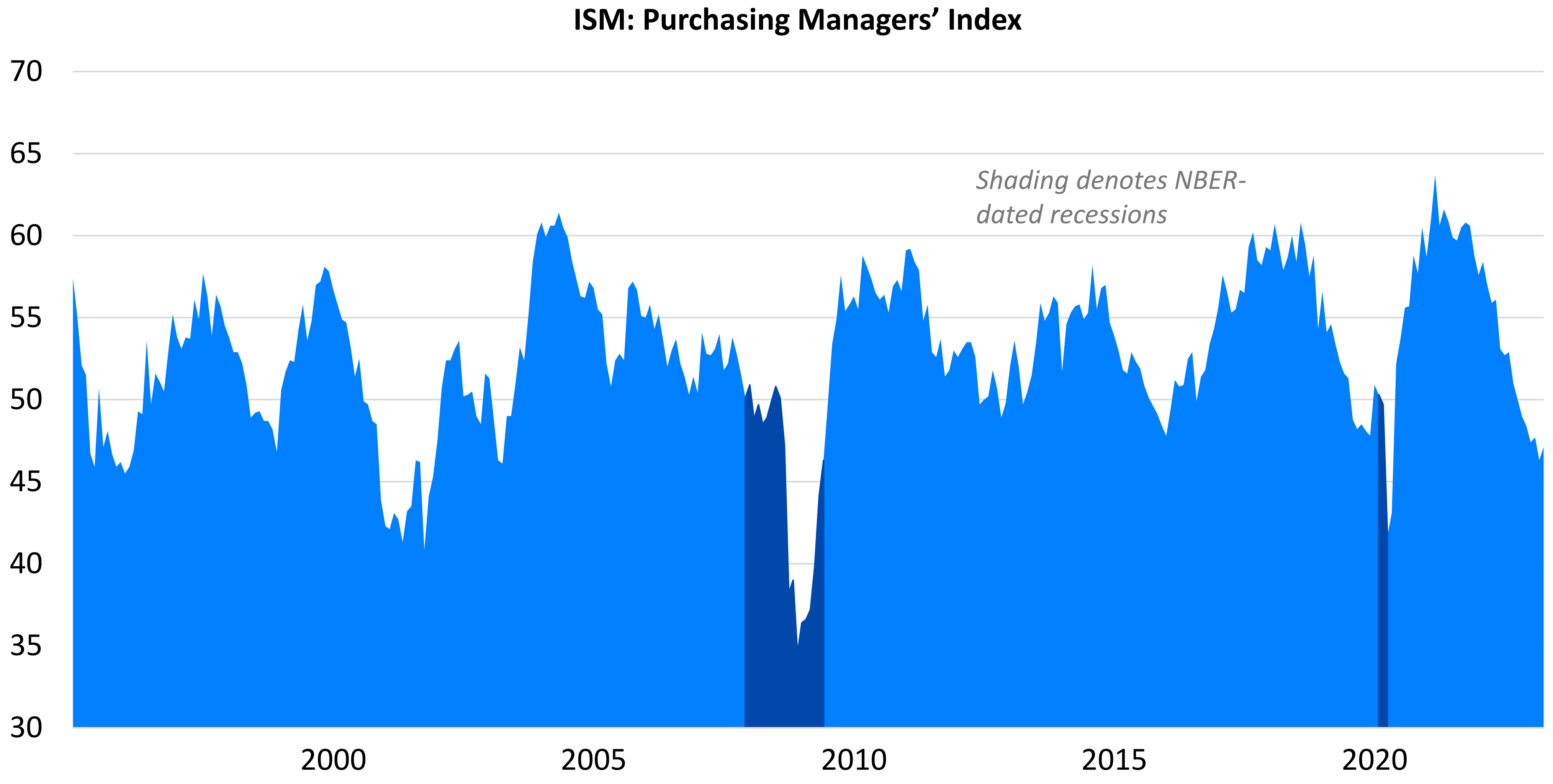
Source: Yardi Matrix; Kansas City Fed Manufacturing Survey

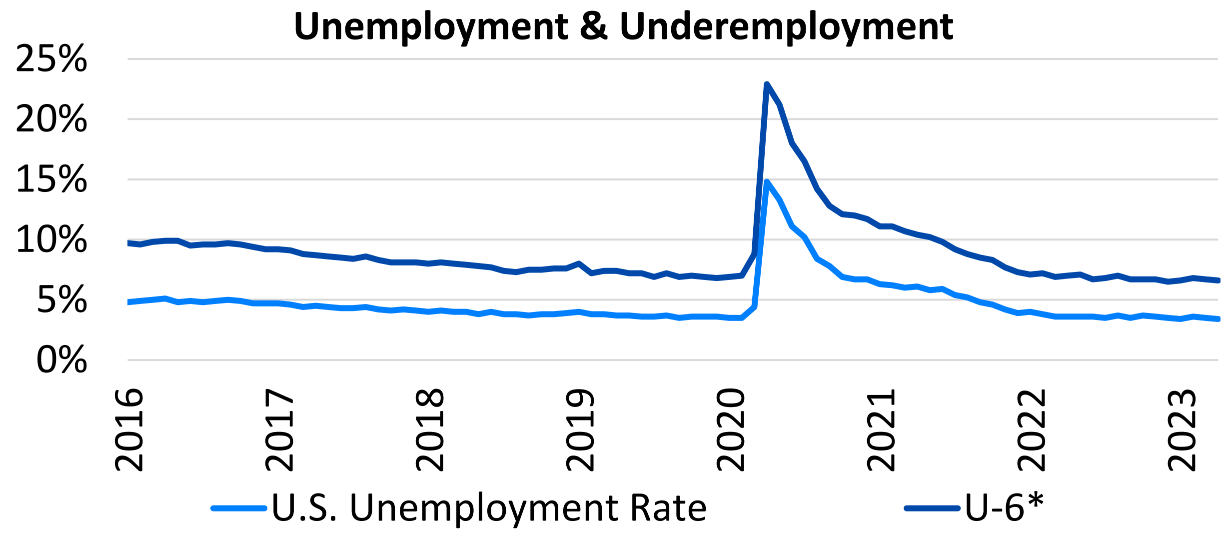
The Manufacturing Sector, a Strong Indicator to the Future of the Economy, Has Been Steadily Contracting

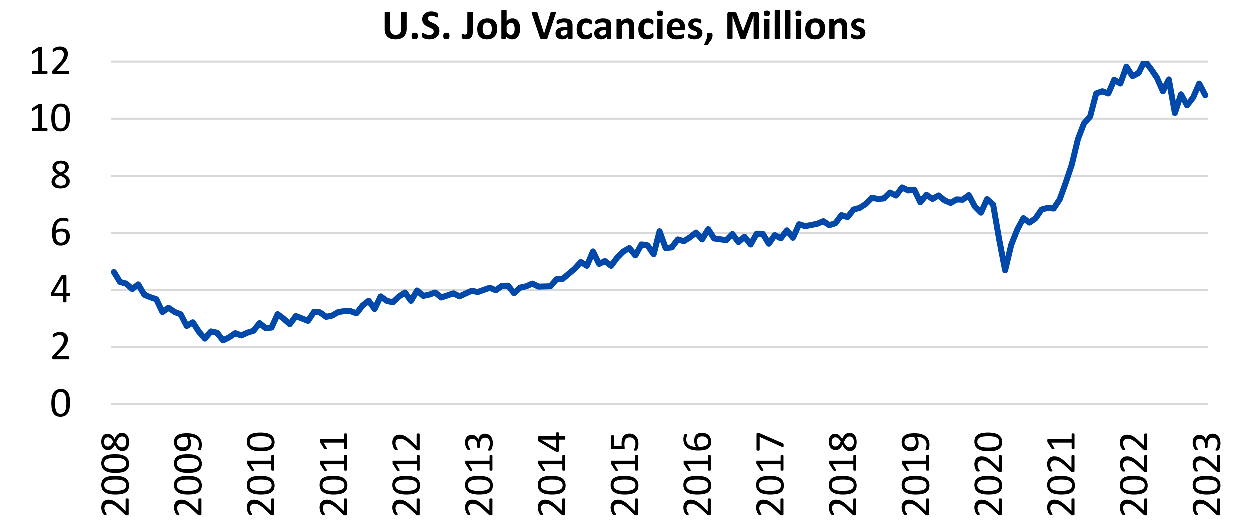


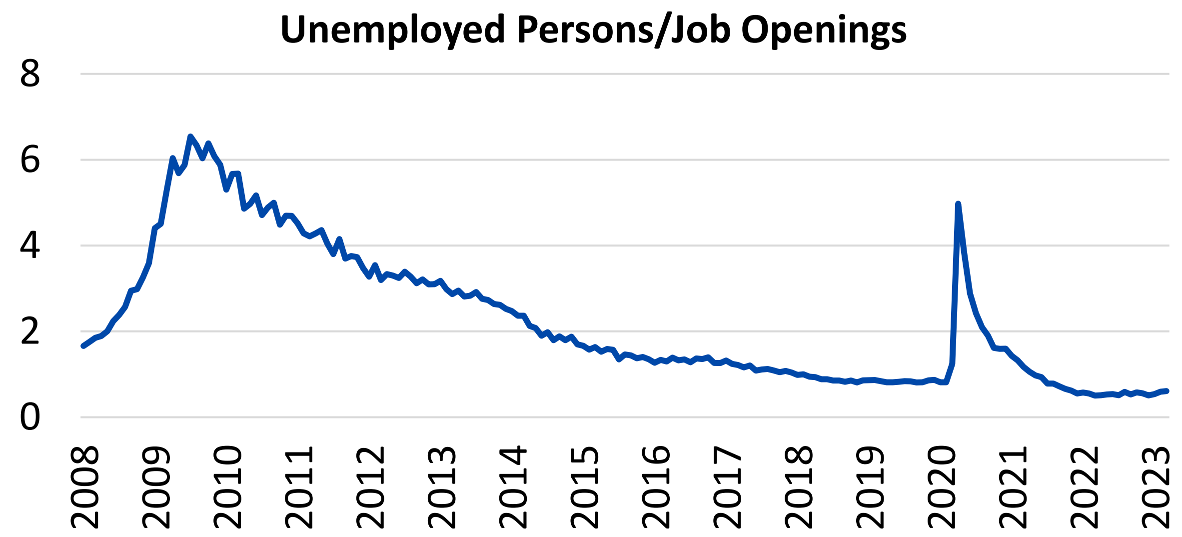
The ISM Purchasing Managers' Index indicates expectations of new orders, costs, employment, and U.S. economic activity in the manufacturing sector

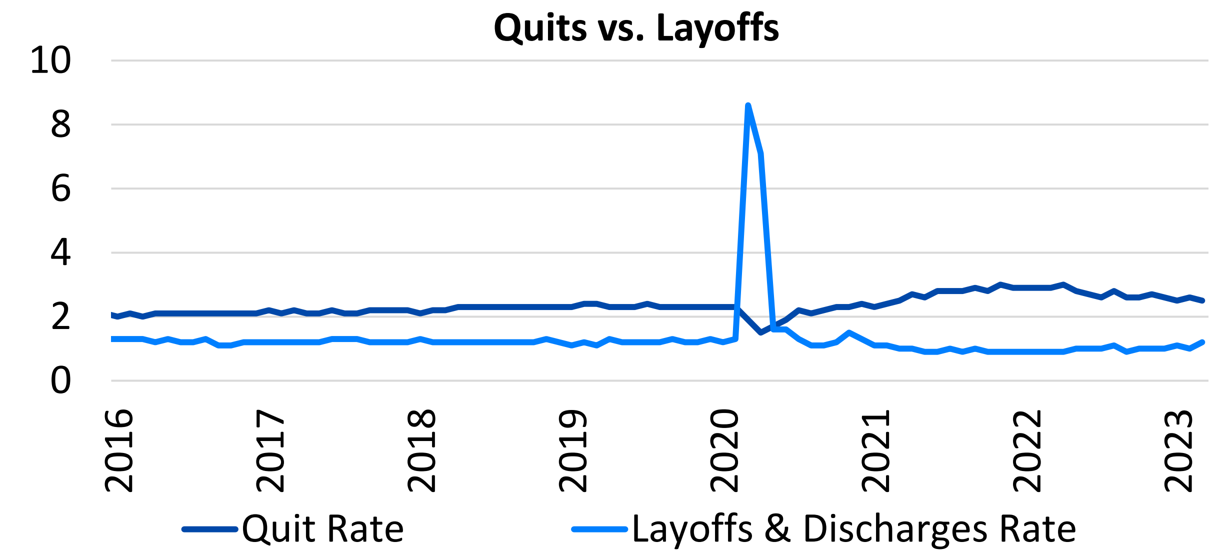
Source: Yardi Matrix; Moody's Analytics; Institute for Supply Management (ISM); National Bureau of Economic Research (NBER)

Demand for Workers Remains High, But Showing Signs of Weakening



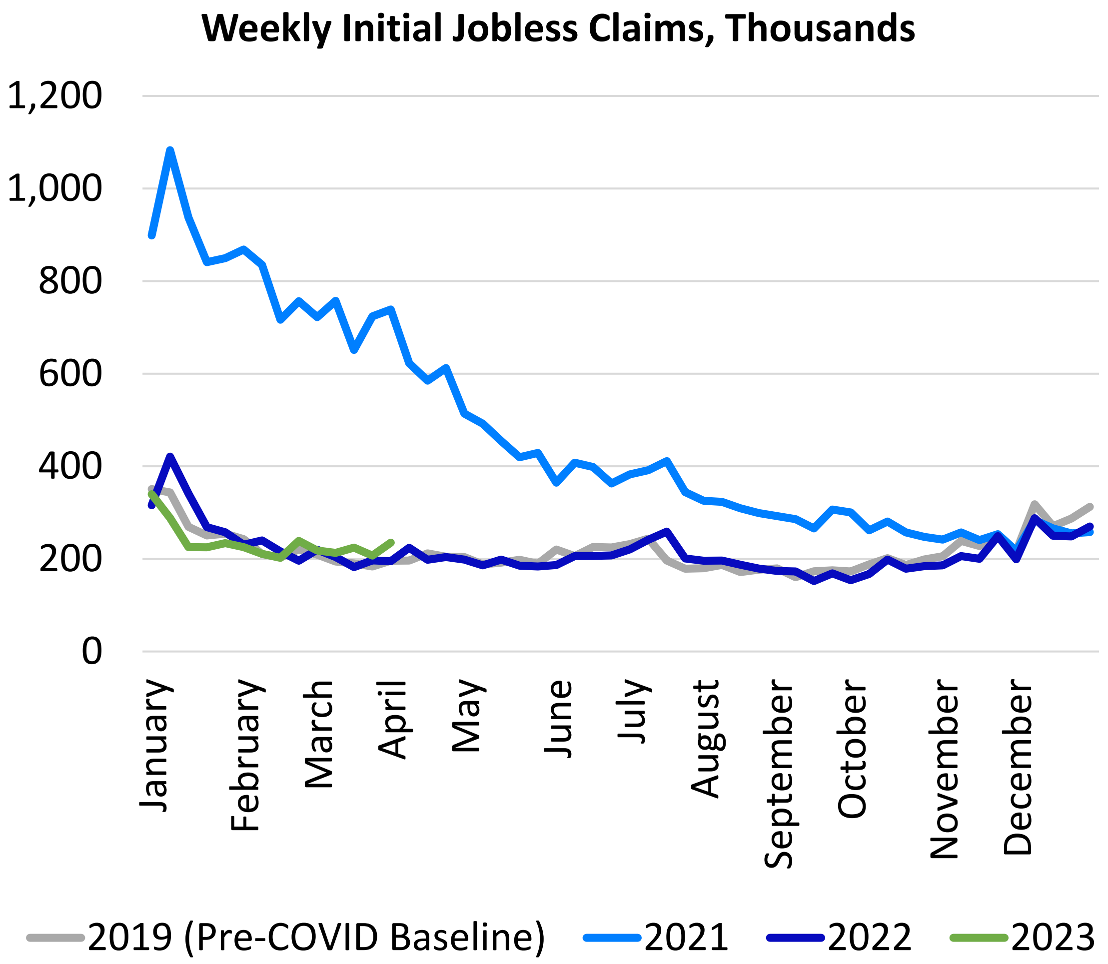


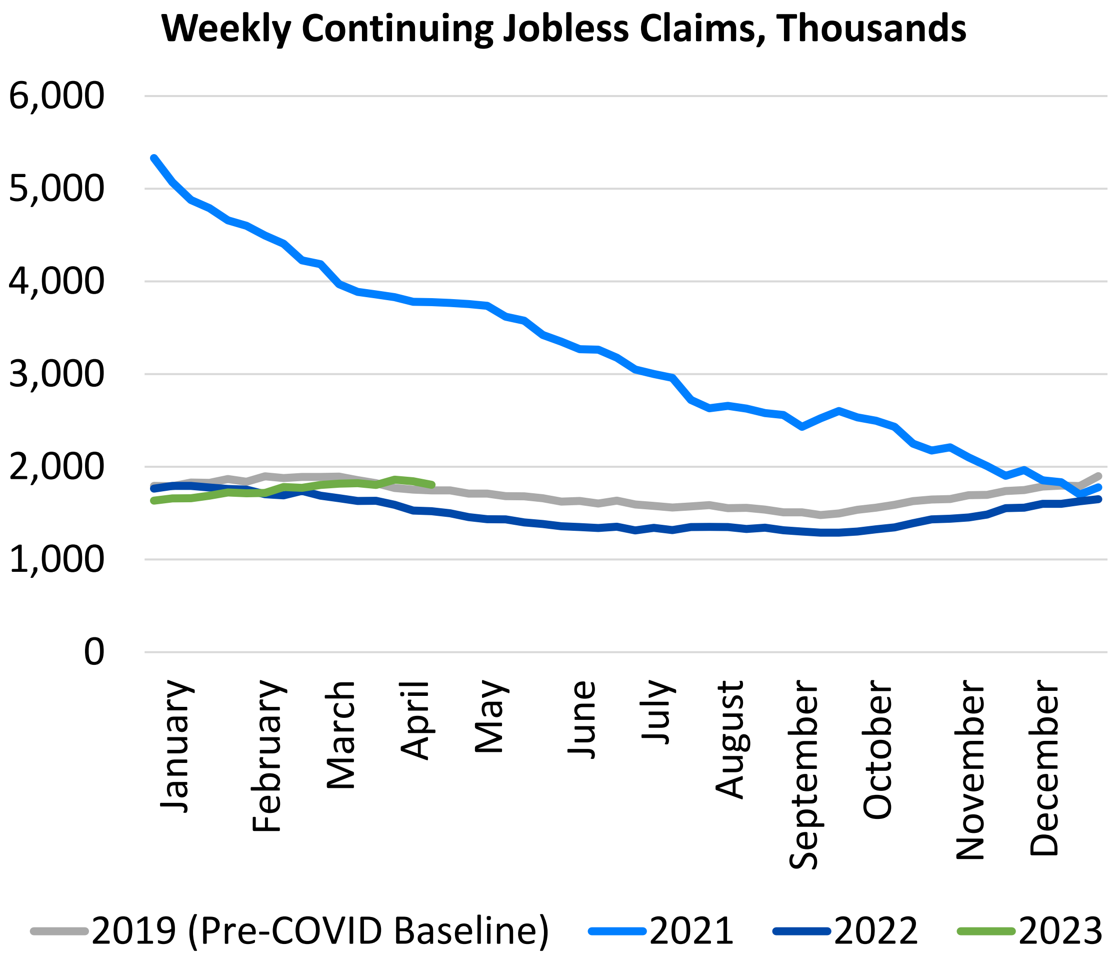




*U-6: Unemployed + Marginally Attached + Part-Time for Economic Reasons | Source: Yardi Matrix; Bureau of Labor Statistics; Federal Reserve Bank of St. Louis

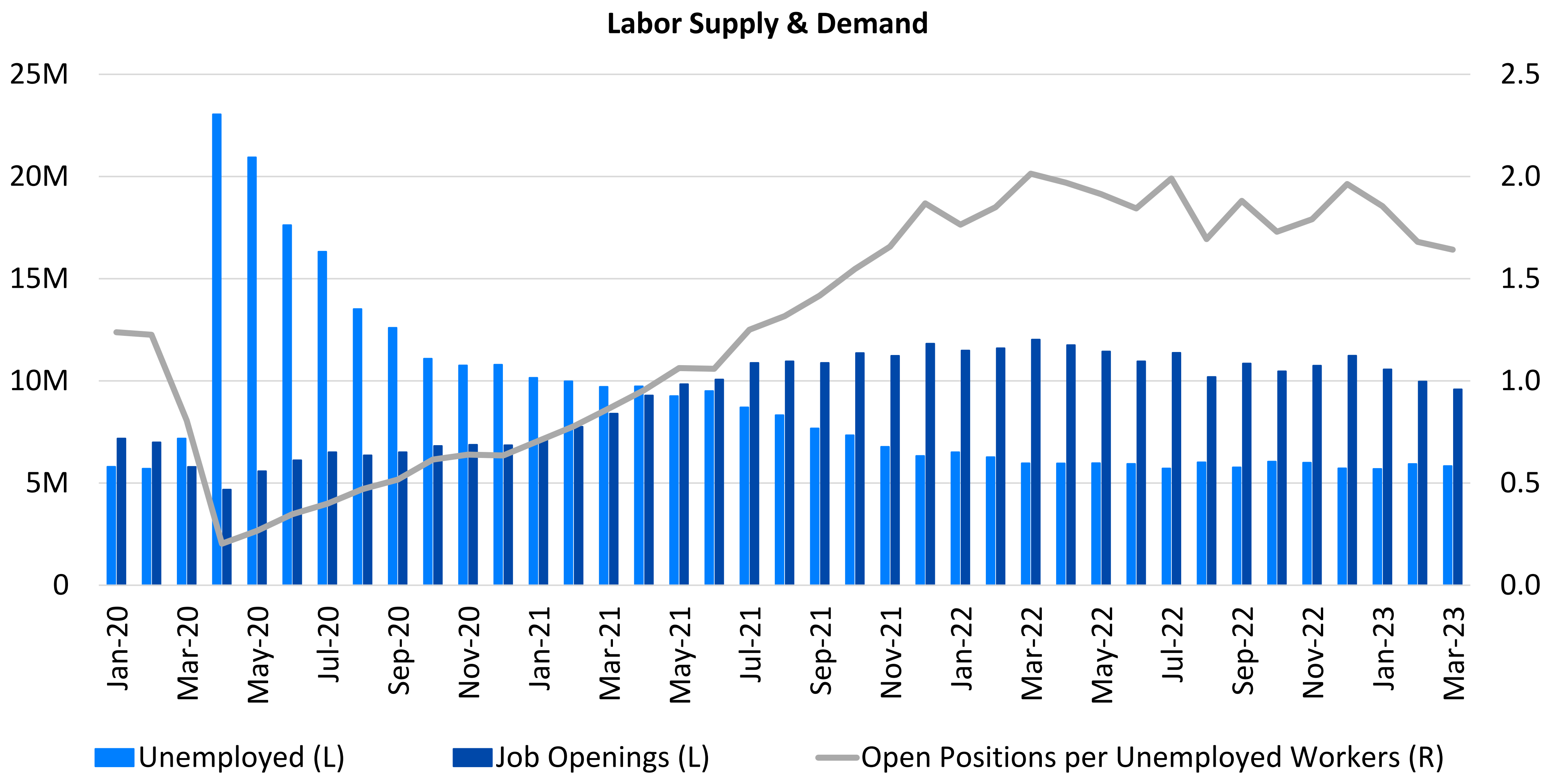
Jobless Claims Have Risen Slightly Above Last Year's Levels





Source: Yardi Matrix; U.S. Department of Labor; U.S. Bureau of Labor Statistics

Tight Labor Market Slowly Loosening



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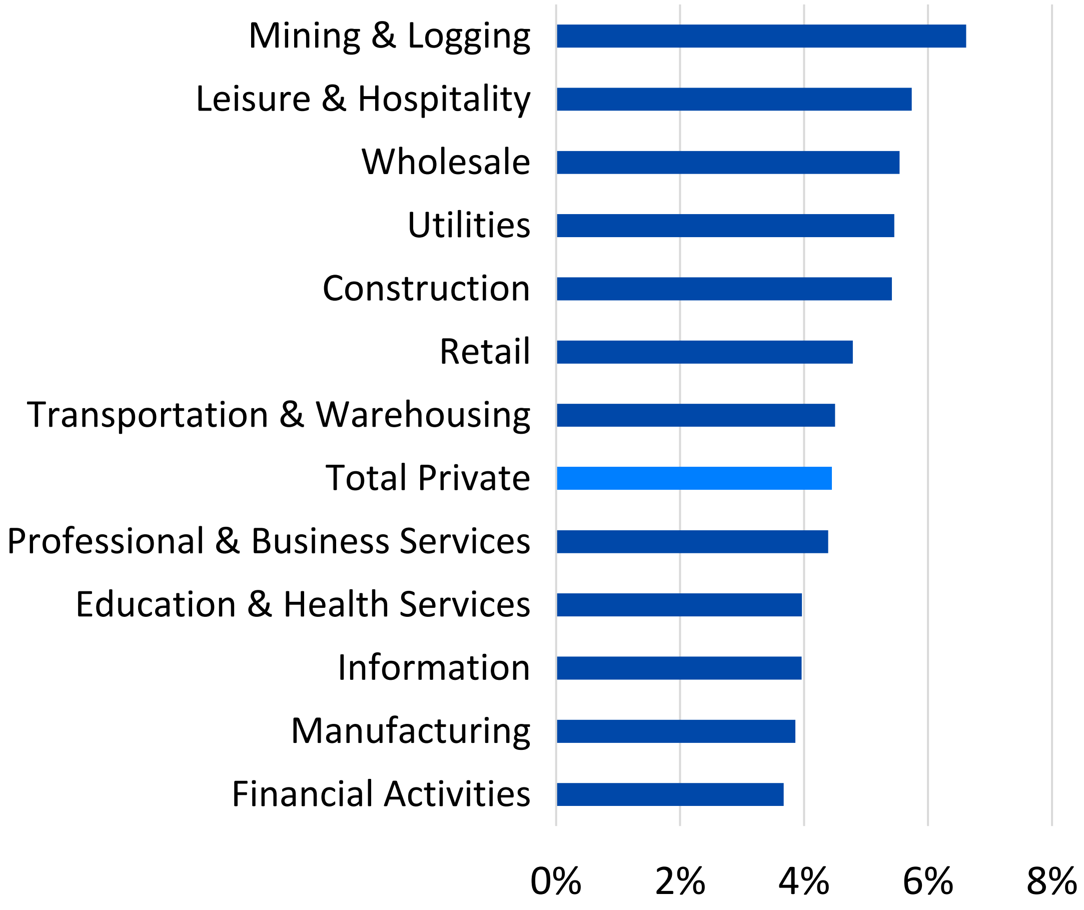
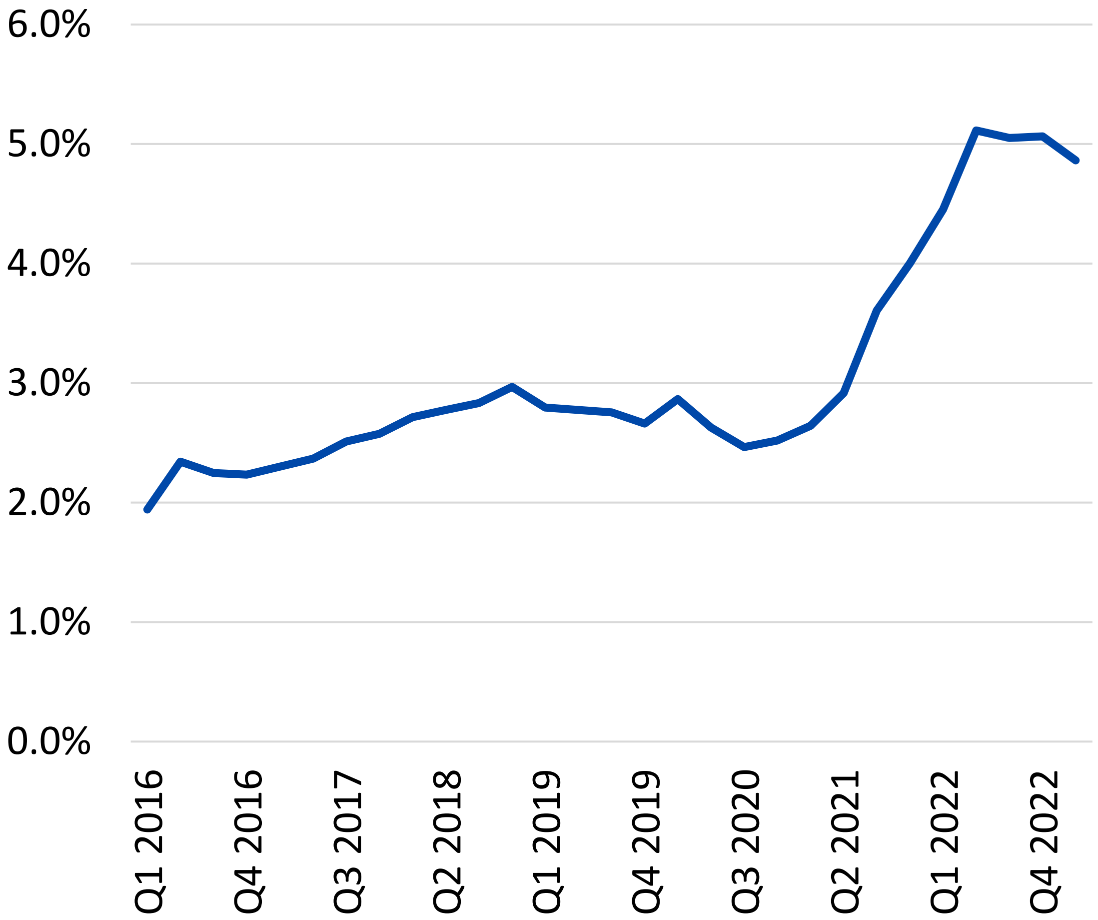
Source: Yardi Matrix; Moody's Analytics; U.S. Bureau of Labor Statistics

Wage Growth is Starting to Decelerate

Annualized Change in Average Hourly Earnings (April 2022 - April 2023)



Employment Cost Index Year-over-Year Change



Average hourly earnings of all employees, seasonally adjusted. Employment cost index measures the total cost of employees to employers
Source: Yardi Matrix; U.S. Bureau of Labor Statistics; Federal Reserve Bank of St. Louis

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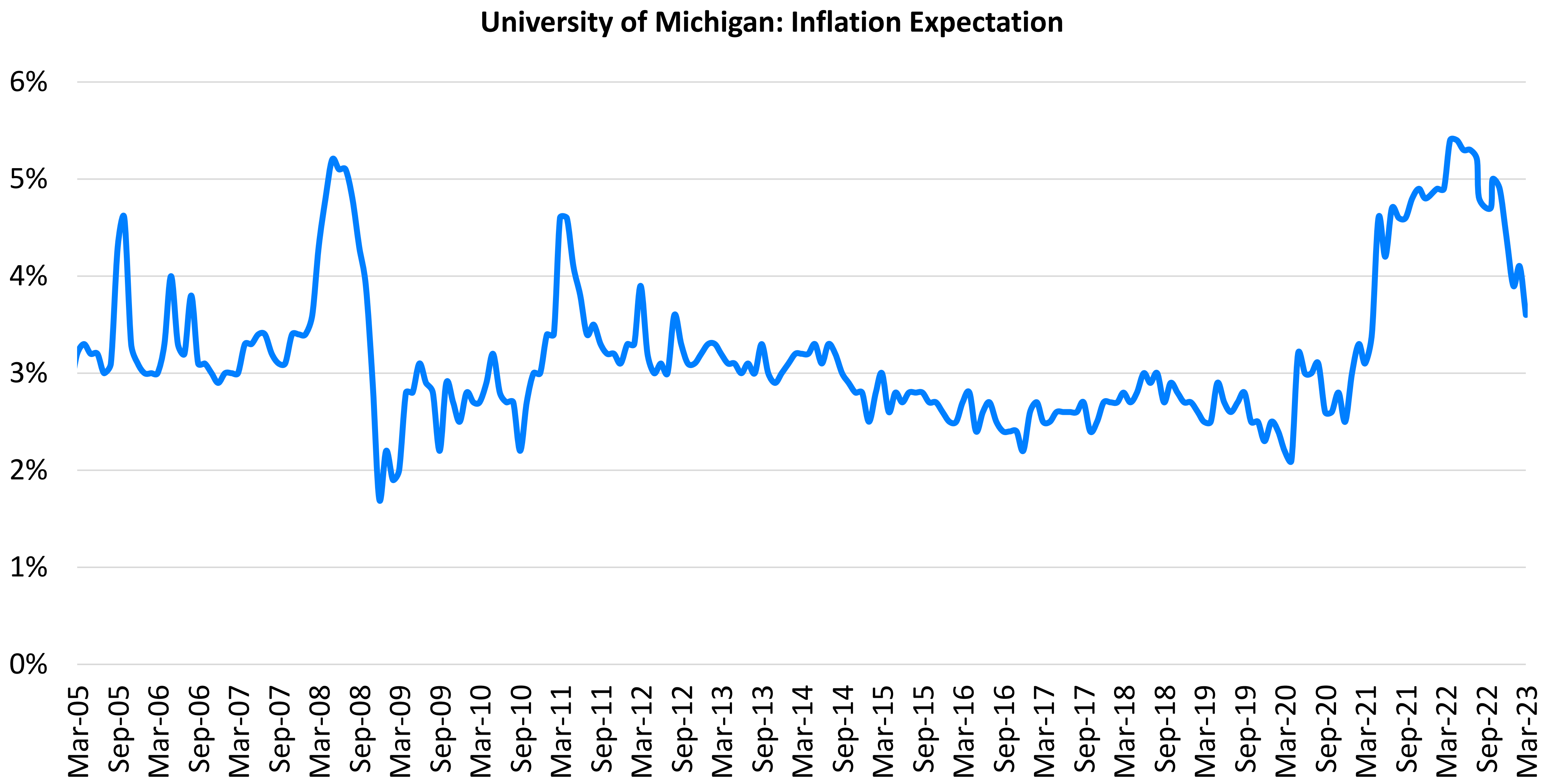
Short-run Inflation Expectations Continue to be Elevated, But Improving



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Median expected price change next 12 months | Source: Yardi Matrix; Federal Reserve Bank of St. Louis; University of Michigan Surveys of Consumers

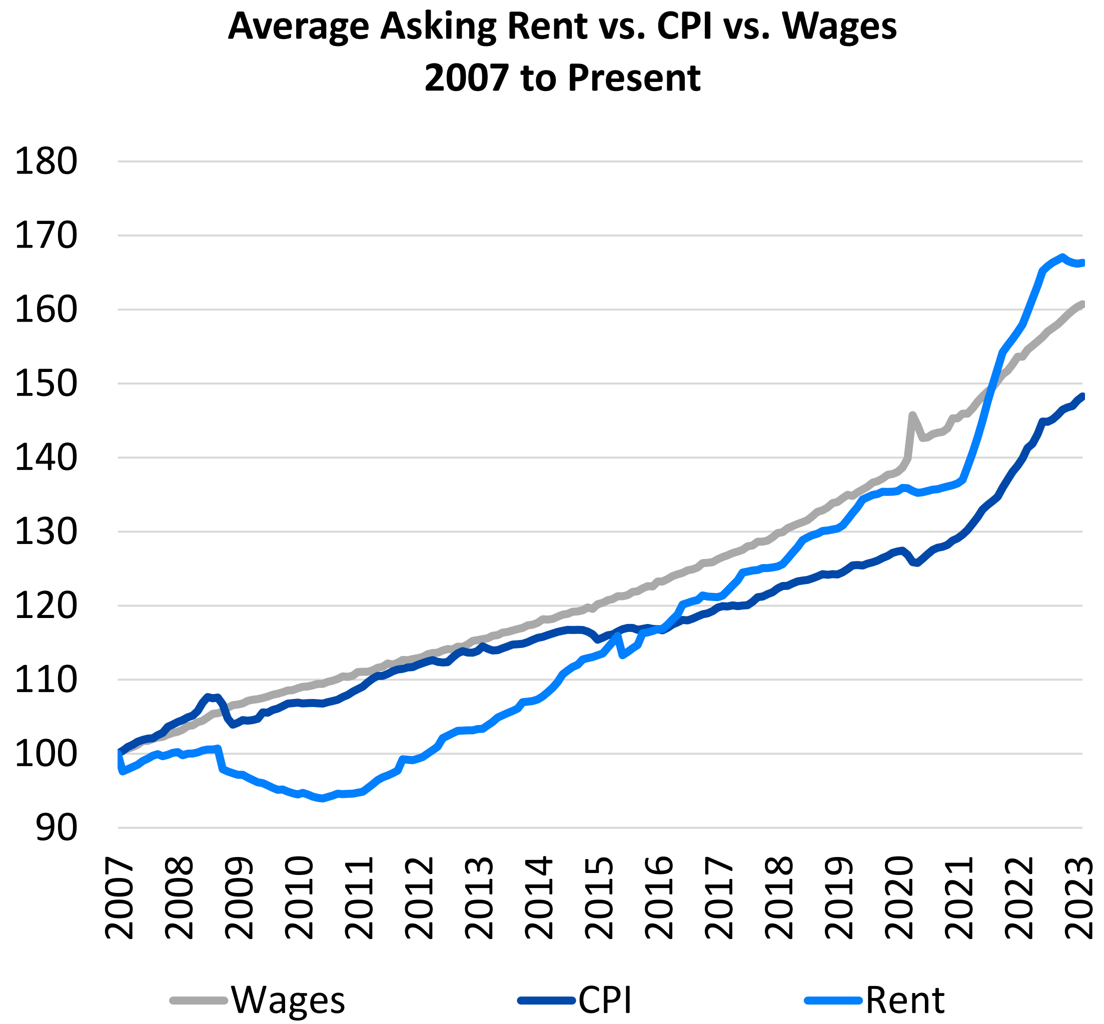
Macroeconomic Summary & Outlook

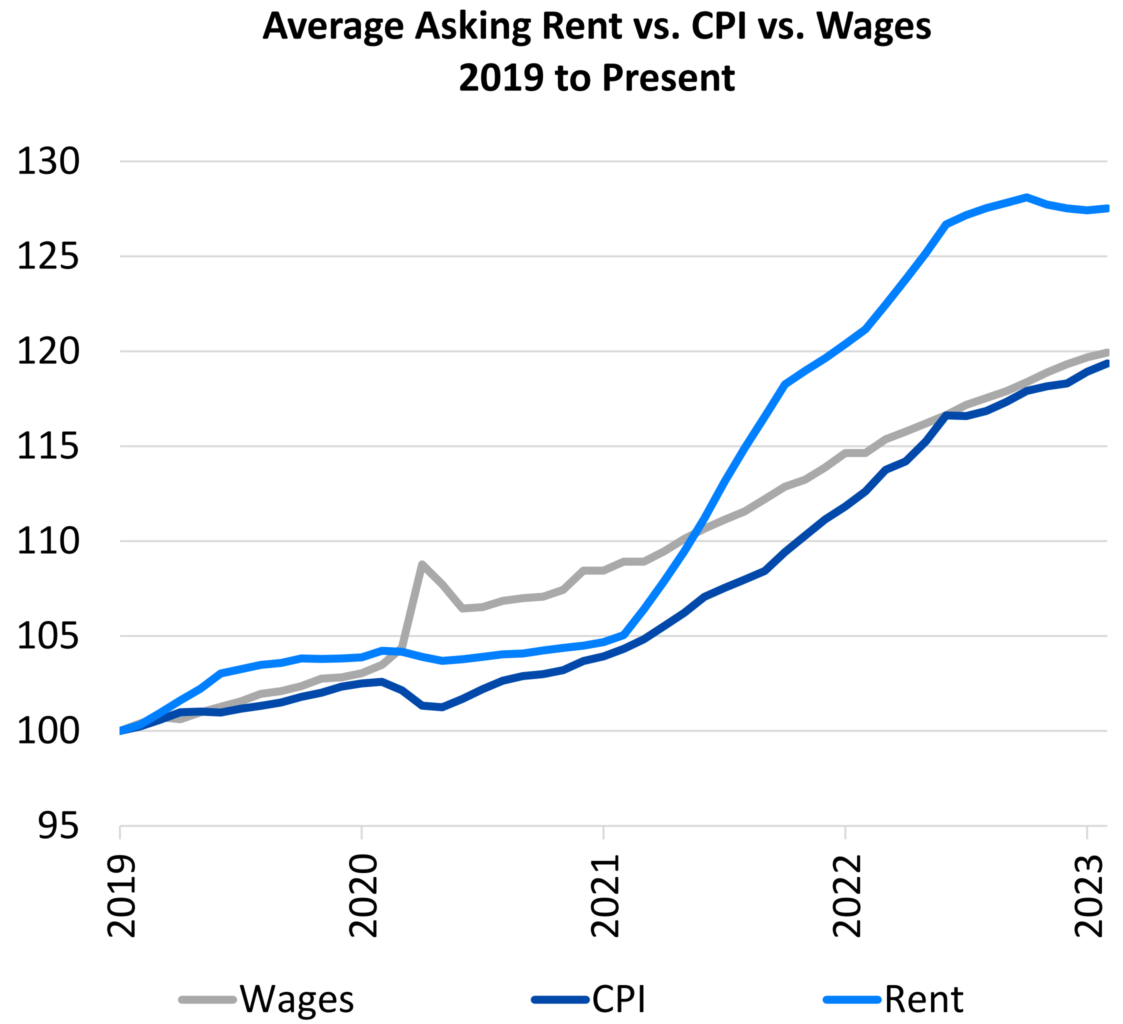
- U.S. economic growth slowed in Q1, with GDP growth falling to 1.1%
- The Federal Reserve announced its 10th consecutive interest rate spike in May, raising rates from 5% to 5.25%, a high not seen since 2007
- GDP growth will continue to feel the impact of higher interest rates and banking volatility
- Inflation remains elevated due to underlying price pressures, but eased to its lowest level in nearly two years in March (5% YoY)
- Consumers are cutting into savings and using credit to cover inflationary pressures; Low-end consumer exposed to higher inflation
- Labor market has remained tight, but showing signs of weakness, especially at the upper end
- U.S. economy is slowing, yield curve (10 YR – 3 MTH) is inverted, mild recession likely in second half of 2023

Source: Yardi Matrix

AFFORDABILITY AND MARKET RESPONSES

Rent Growth Starting to Decelerate, But Still Outpacing Inflation and Wage Growth





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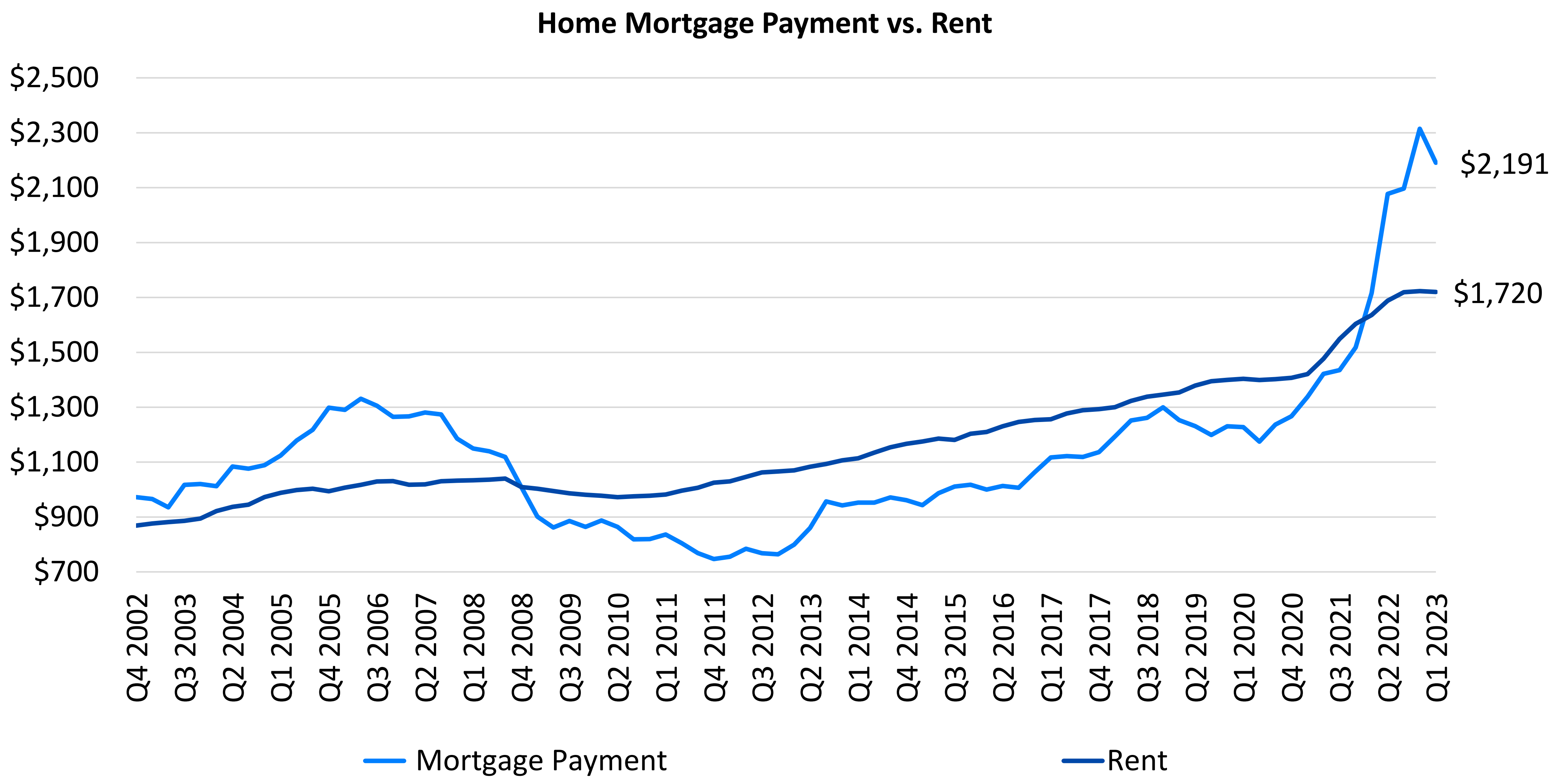
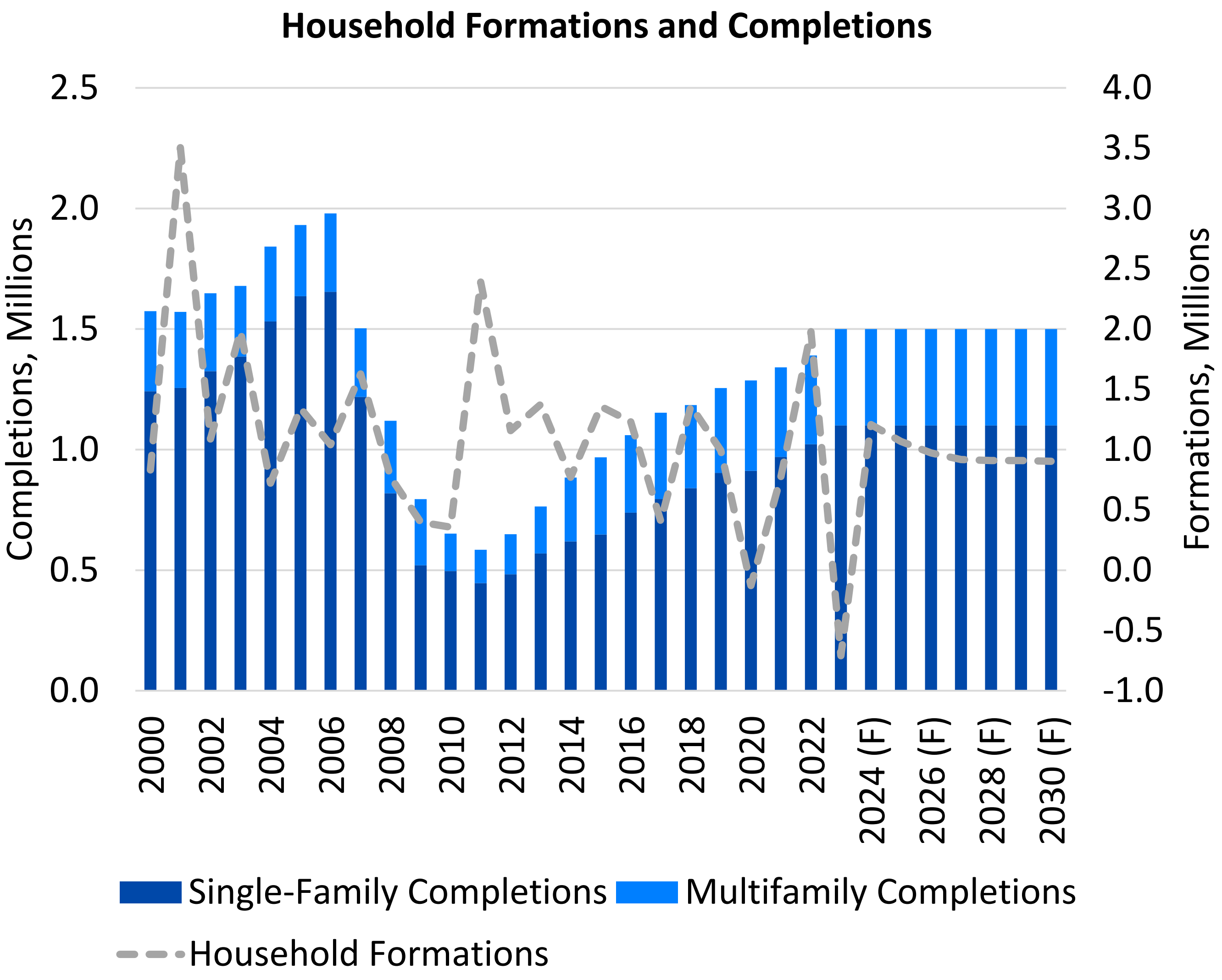
*Data through February 2023 | Source: Yardi Matrix; Moody's Analytics; U.S. Bureau of Labor Statistics (BLS)

Renting is Still a Better Deal Compared to the Cost of Owning



*Mortgage payments based on median home price for 30-year fixed rate mortgage, 90% LTV
Source: Yardi Matrix; Moody's Analytics

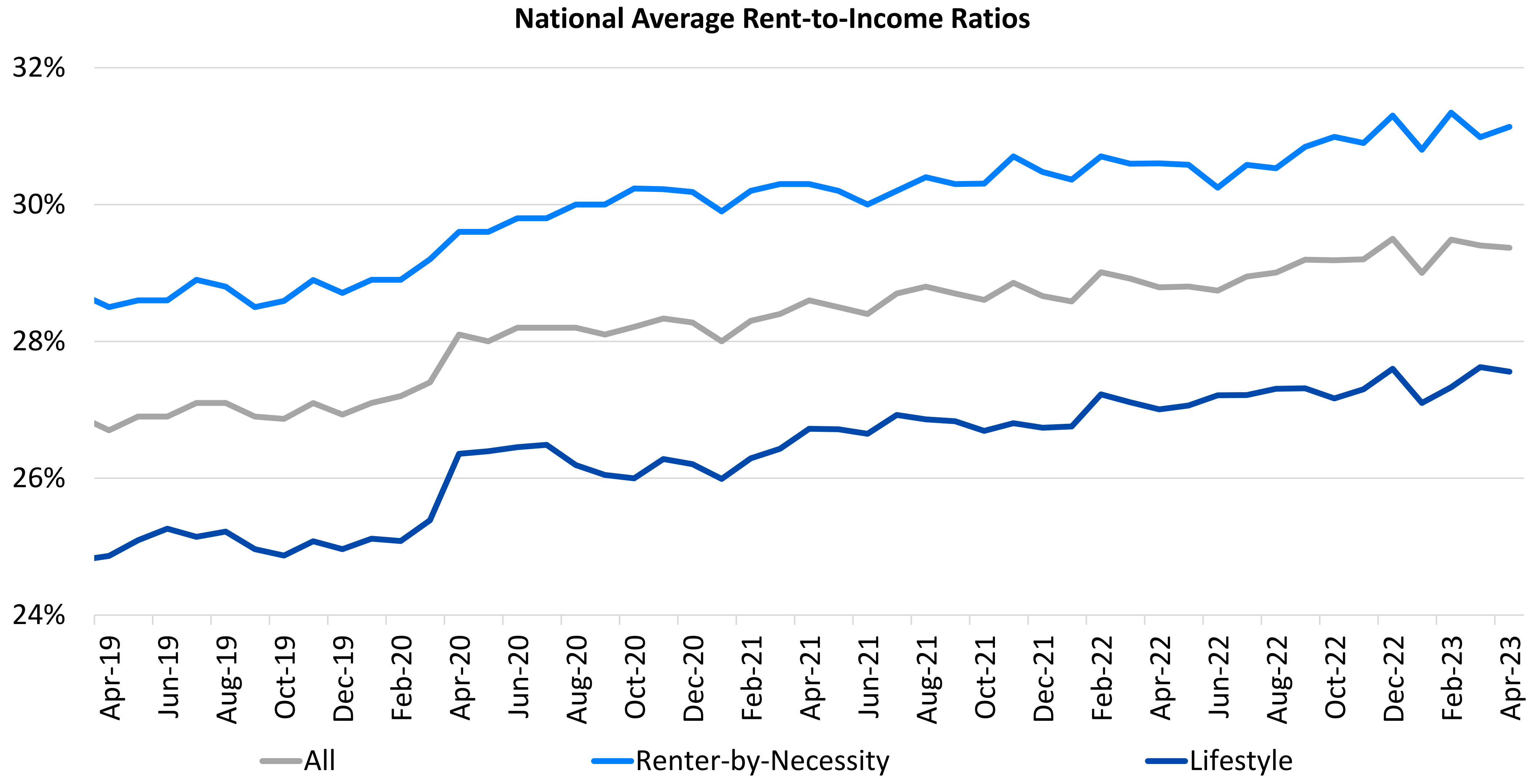
Housing Deficit from the Great Recession Pushed Prices Up



- Regulatory costs account for 40% of multifamily development costs; high-cost jurisdictions seem oblivious to this
- Supply constraints are growing across markets
- Mortgage rates at highest level in more than 13 years
- First time homebuyers are becoming priced out of the market, encouraging renting
- The political will to address the shortage of housing seem absent
- Slowing home sales and multifamily absorptions are signs that household formations may be moderating
- Household formation could stall as renters move in with family or roommates to cut costs

Source: Yardi Matrix; Moody's Analytics; National Association of Realtors (NAR); U.S. Census Bureau (BOC); GlobeSt.com; Wall Street Journal; Marcus and Millichap; National Apartment Association

Rent-to-Income Ratios Highest in Renter-by-Necessity Class



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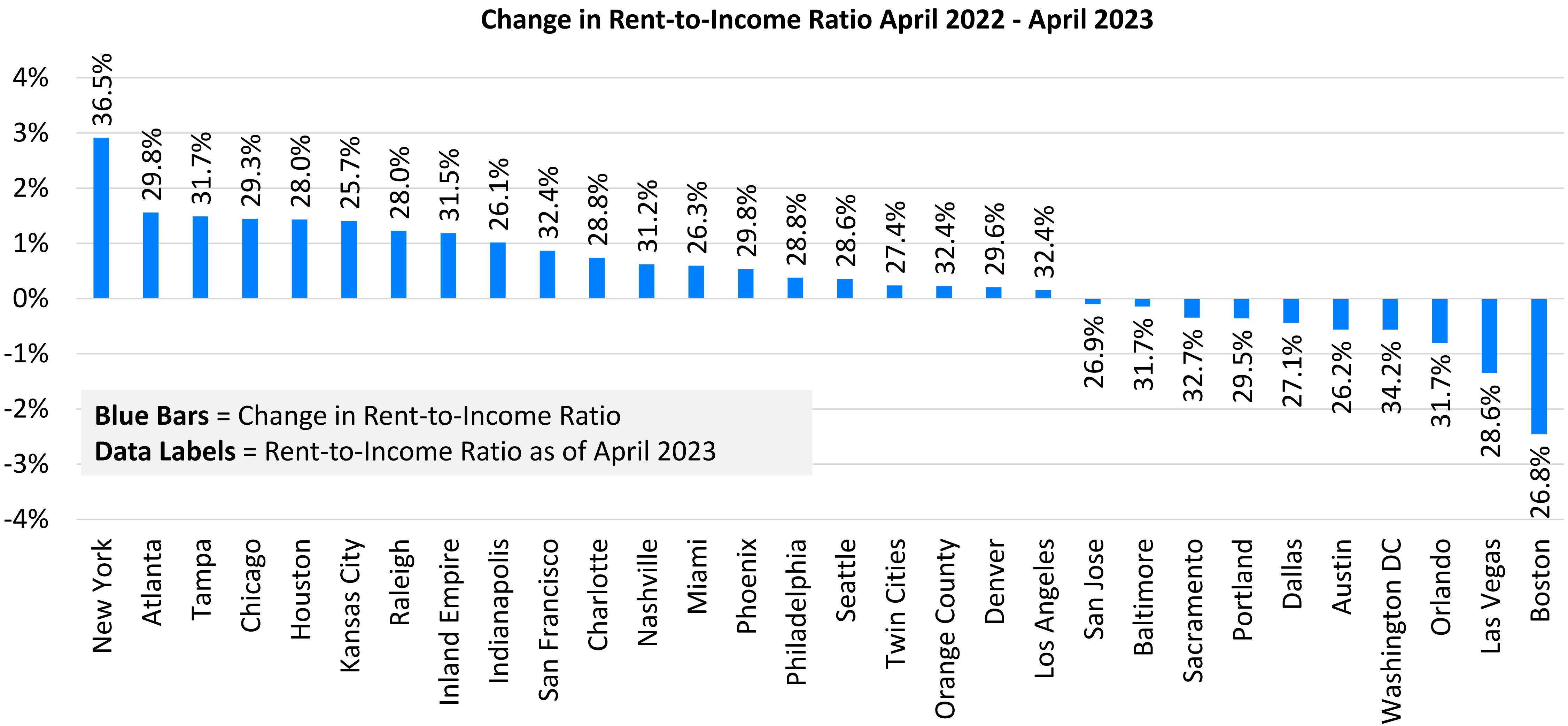
Source: Yardi Systems Screening Data

Overall Changes in Rent-to-Income Ratios Indicate Ability to Absorb Moderate Increases in Rents



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Source: Yardi Systems Screening Data

Significant Increases in Rent-to-Income Ratios at the Lower-End May Put Pressure On Those Already Cost Burdened

	Lifestyle Units			Renter-by-Necessity Units		
Market	April 2022	April 2023	Change	April 2022	April 2023	Change
Chattanooga	23.5%	25.3%	1.8%	32.6%	53.9%	21.3%
Central Coast	29.7%	30.4%	0.7%	37.3%	48.7%	11.4%
Knoxville	27.2%	31.1%	3.9%	29.3%	38.6%	9.4%
Corpus Christi	24.7%	20.2%	-4.6%	29.9%	38.0%	8.1%
Baton Rouge	25.8%	30.9%	5.1%	27.5%	35.3%	7.8%
Lafayette	25.6%	39.4%	13.8%	23.4%	30.5%	7.1%
New York	29.9%	31.2%	1.4%	38.3%	44.6%	6.4%
White Plains	25.1%	24.2%	-0.9%	30.2%	36.1%	5.9%
Tallahassee	25.2%	26.8%	1.6%	30.2%	35.9%	5.7%
Little Rock	26.3%	28.0%	1.6%	26.8%	32.3%	5.5%
Memphis	25.3%	31.7%	6.4%	32.2%	37.5%	5.3%
Long Island	27.9%	32.7%	4.8%	39.3%	43.8%	4.5%
Mobile	23.6%	24.4%	0.8%	31.1%	35.5%	4.4%
Cleveland - Akron	26.5%	27.3%	0.8%	27.7%	32.1%	4.3%

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Sorted by Renter-by-Necessity YOY (%) Change | Source: Yardi Systems Screening Data

Responses to Affordability

MARKET RESPONSES TO AFFORDABILITY

1) Co-living
2) Short-term Rentals
3) Airbnb Sublet Deal with Apartment Landlords
4) Conversions
   - Office to Apartments
   - Hotels to Apartments
5) BUILD!

PUBLIC POLICY RESPONSES TO AFFORDABILITY

1) Curtail Demand
2) Encourage Supply
3) Explicitly Cross-Subsidize Certain Populations
4) Regulate/Suppress Market Forces: Rent Control, etc.

Source: Yardi Matrix

The Regulatory Environment is Heating Up

State	Bill	Summary	Status
Arizona	HB 2161	Limits annual rent increases to no more than five percent plus the percentage change in the cost of living, or 10 percent, whichever is lower	House Second Reading (1/24/23)
Arizona	HB 2359	Caps rent increases at the lesser of 5 percent plus the rate of inflation or 10 percent	House Second Reading (1/26/23)
Arizona	HB 2086	Repeals statewide rent control preemption	House Second Reading (1/24/23)
Arizona	SB 1482	Caps rent increases at 5 percent plus the rate of inflation	Senate Second Reading (2/9/23
California	SB 1484	Caps rent increases at the lesser of 5 percent plus the rate of inflation or 10 percent	Senate Second Reading (2/9/23)
Colorado	SB 466	Tightens rent control exemption period from building constructed prior to 1995 to 15 years	Referred to Committee on Judiciary (2/22/23)
Connecticut	HB 1115	Repeals statewide rent control preemption	Passed in the House (2/27/23)
Connecticut	HB 6418	Limits rent increases to not more than one hundred dollars per month	Referred to Joint Committee on Housing (1/23/23)
Connecticut	HB 6422	Caps annual rent increases at four percent plus the increase in the regional consumer price index	Referred to Joint Committee on Housing (1/23/23)
Connecticut	HB 6588	Limits rent increases to 4 percent plus the change in CPI	Public hearing held (2/21/23)
Connecticut	SB 138	Caps rent increases at 2.5 percent annually	Referred to Joint Committee on Housing (1/13/23)
Connecticut	SB 4	Limits rent increases to no greater than four percent plus the consumer price index	Public hearing held (2/28/23)
Florida	HB 1407	Removes provisions requiring local governments to extend or renew rent control measure set to expire	Filed in the House (3/3/23)
Florida	HB 627	Removes the authority of local governments to impose rent control	Referred to State Affairs Committee (2/14/23)
Florida	SB 102	Removes the authority of local governments to impose rent control	Placed on Senate Calendar (2/24/23)
Georgia	SB 125	Repeals restrictions on rent regulation	Referred to State and Local Government Operations Committee (2/9/23)

Sources: Yardi Matrix; National Multifamily Housing Council; Arizona State Legislature; California Legislative Information; Connecticut General Assembly; The Florida Senate; Georgia General Assembly

The Regulatory Environment is Heating Up

State	Bill	Summary	Status
Hawaii	HB 1338	Establishes a rent stabilization fund among other provisions	Referred to committees of jurisdiction (1/30/23)
Hawaii	HB 1484	Caps rent increases to no greater than 5 percent + the change on CPI	Referred to committees of jurisdiction (1/30/23)
Hawaii	SB 1113	Caps rent increases to no greater than 5 percent + the change on CPI	Referred to committees of jurisdiction (1/27/23)
Hawaii	SB 1463	Establishes a rent stabilization fund among other provisions	Referred to committees of jurisdiction (1/30/23)
Illinois	HB 1118	Repeals statewide rent control preemption	Referred to Rules Committee (1/12/23)
Illinois	HB 3104	Repeals statewide rent control preemption	Housing Committee hearing (3/8/23)
Illinois	HB 3709	Repeals statewide rent control preemption among other provisions	Referred to Rules Committee (2/17/23)
Illinois	HB 3874	Caps rent increases to no greater than 15 percent	Referred to Rules Committee (2/17/23)
Maine	LR 19	Institutes statewide rent stabilization	N/A
Massachusetts	HD 3922	Repeals statewide rent control preemption among other provisions	N/A
Massachusetts	HD 3953	Revokes statewide rent control preemption	N/A
Massachusetts	HD 598	Allows the city of Boston to regulate rent on affordable housing stock	N/A
Massachusetts	SD 1818	Revokes statewide rent control preemption	N/A
Massachusetts	SD 2302	Allows the city of Boston to regulate rent on affordable housing stock	N/A
Massachusetts	SD 2368	Repeals statewide rent control preemption among other provisions	N/A
Minnesota	SF 130	Revokes statewide rent control preemption	Referred to Housing and Homelessness Prevention Committee (1/11/23)
Montana	SB 105	Imposes rent control preemption	Passed in the Senate (1/30); transmitted to the House (1/31/23)
New Hampshire	HB 95	Allows city or town councils to pass emergency bylaws without voter approval to place caps on rent increases and lengthen notification times	Bill tabled by House vote (2/2/23)
New Jersey	A 2390	Caps rent increases to no greater than 5 percent + the change on CPI to no greater than 10 percent	Referred to Assembly Housing Committee (2/7/22)
New Jersey	A 2391	Allows senior citizens to apply for rent increase limit	Referred to Assembly Housing Committee (2/7/22)

Sources: Yardi Matrix; National Multifamily Housing Council; Hawai'i State Legislature; Illinois General Assembly; Maine State Legislature; The General Court of the Commonwealth of Massachusetts; Minnesota Legislature; Montana Legislature; The General Court of New Hampshire; New Jersey Legislature

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The Regulatory Environment is Heating Up

State	Bill	Summary	Status
New Mexico	SB 99	Lifts statewide rent control preemption	Referred to Committee on Health and Public Affairs (1/18/23)
New York	A. 1546	Requires affordable housing units to be subject to rent stabilization at the end of the tax abatement and extended affordability period	Referred to Real Property Taxation Committee (1/17/23)
New York	A. 4047	Adjusts calculations used to set rent for rent stabilized apartments	Referred to Housing Committee (2/9/23)
New York	A. 4764	Allows cities with more than 1 million residents to adopt rent regulation laws that exceed state laws	Referred to Housing Committee (3/1/23)
New York	S. 1406	Eliminates rent increase provisions for major capital improvements	Referred to Housing, Construction and Community Development Committee (1/11/23)
New York	S. 2467	Allows cities with more than 1 million residents to adopt rent regulation laws that exceed state laws	Referred to Housing, Construction and Community Development Committee (1/20/23)
New York	S. 2943	Adjusts calculations used to set rent for rent stabilized apartments	Referred to Housing, Construction and Community Development Committee (1/26/23)
New York	S. 2951	Places limits on rent adjustments for major capital improvements	Referred to Housing, Construction and Community Development Committee (1/26/23)
New York	S. 2980	Establishes the legal regulated rent for the combination of two or more vacant apartments	Referred to Housing, Construction and Community Development Committee (1/26/23)
Oregon	HB 1271	Repeals limits on increases to residential rent	Referred to Housing and Homelessness Committee (1/11/23)
Oregon	HB 3064	Repeals limits on increases to residential rent	Referred to Housing and Homelessness Committee (1/20/23)
Oregon	HB 3503	Repeals prohibition on local rent control	Referred to Housing and Homelessness Committee (3/3/23)
Oregon	SB 611	Limits rent increases to either 8 percent or 3 percent plus the yearly CPI change —whichever is smaller	Referred to Housing and Development Committee (1/15/23)

Sources: Yardi Matrix; National Multifamily Housing Council; New Mexico Legislature; New York State Assembly; Oregon State Legislature

The Regulatory Environment is Heating Up

State	Bill	Summary	Status
Rhode Island	HB 5048	Limits rent increases to 10 percent plus the yearly CPI change	Held by House Judiciary Committee for further study (2/2/23)
South Carolina	H.R. 3264	Restricts rent increases to 7 percent + CPI	Referred to Committee on Labor, Commerce and Industry (1/10/23)
Texas	HB 2910	Allows municipalities to establish rent control for persons 65 years of age or older	Filed in the House (2/7/23)
Virginia	HB 1532	Provides that any locality may by ordinance adopt rent stabilization provisions	Left in Counties, Cities, and Towns Committee following subcommittee vote tabling measure (2/7/23)
Virginia	SB 1278	Provides that any locality may by ordinance adopt rent stabilization provisions	Passed by General Laws and Technology Committee (1/18/23)
Washington	HB 1389	Caps rent increases to no greater than the rate of inflation or three percent, whichever is greater, up to a maximum of seven percent	Referred to Rules Committee for review (2/24/23)
Washington	HB 1625	Lifts statewide rent control preemption	Referred to Committee on Housing (1/26/23)
Washington	SB 5435	Caps rent increases to no greater than the rate of inflation or three percent, whichever is greater, up to a maximum of seven percent	Public hearing held (1/27/23)
Washington	SB 5615	Lifts statewide rent control preemption	Referred to Local Government, Land Use & Tribal Affairs (1/30/23)
West Virginia	HB 2081	Limits annual rent increases to no more than five percent plus the percentage change in the cost of living, or 10 percent, whichever is lower	Referred to House Judiciary Committee (1/11/23)

Sources: Yardi Matrix; National Multifamily Housing Council; State of Rhode Island General Assembly; South Carolina General Assembly; Texas Legislature; Virginia General Assembly

Investment Risk Ranked by Score

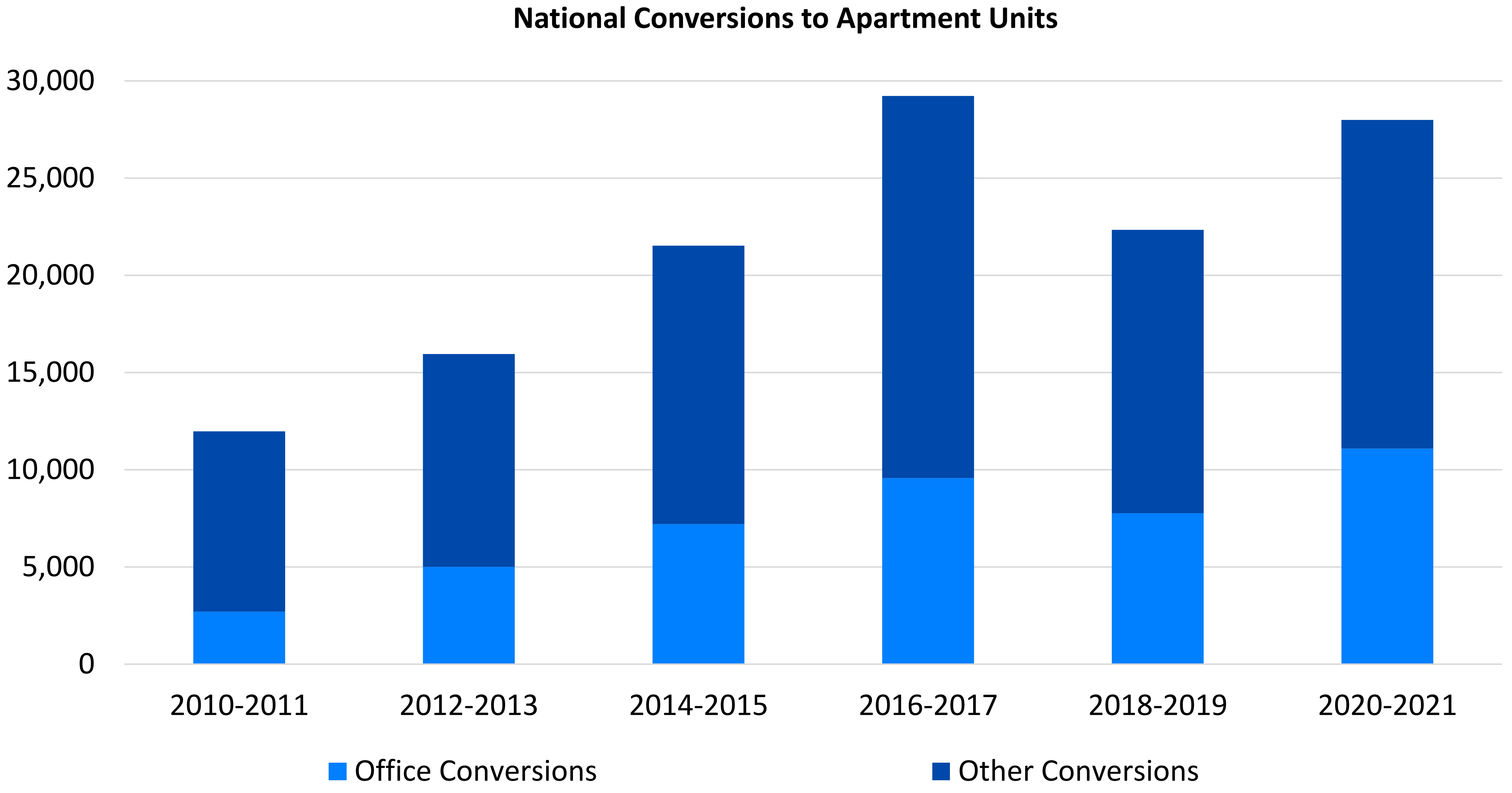
Weighting	40%				40%				10%			10%			100%
	FUNDAMENTALS				INFRASTRUCTURE				POLITICAL RISK			ENVIRONMENTAL RISK			
Weighting	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%	
MARKET	Forecasted Population Growth	Forecasted Rent Growth	Quality of Tech Labor Market	Affordability	Water	Energy	Transportation	Schools	Philosophy Toward Affordability	Urban Policing/ Security	Tax Burden/ Pension Liability	Natural Disasters	Pollution (Air & Water)	State & Local Government	OVERALL RATING
Philadelphia	1	1	1	2	1	1	1	2	1	2	1	2	2	3	1.37
Tulsa	1	1	1	3	2	2	1	1	3	1	2	2	1	1	1.53
Pittsburgh	1	1	1	2	1	2	2	2	2	2	1	2	2	2	1.57
San Francisco	2	3	2	1	1	1	1	2	0.5	1	1	1	3	3	1.62
Los Angeles	1	2	3	1	1	1	3	1	0.5	2	2	1	2	2	1.62
Chicago	1	1	1	2	3	3	1	1	2	1	1	3	2	2	1.67
New York	1	1	3	1	3	1	2	1	1	1	2	1	3	3	1.67
San Diego	2	2	2	1	2	1	2	1	1	2	1	1	3	3	1.67
Grand Rapids	1	1	2	2	2	1	1	3	2	2	2	3	3	2	1.77
Orlando	3	2	1	1	1	1	3	1	3	3	3	2	3	1	1.80
Albuquerque	1	3	2	3	1	3	1	1	3	1	1	3	1	2	1.87
Kansas City	1	1	1	3	2	1	3	3	3	1	2	3	1	2	1.90
Oklahoma City	1	1	1	3	3	1	2	3	3	1	2	2	2	2	1.90
Tampa	2	2	2	1	3	1	2	2	2	2	3	1	3	1	1.90
Washington DC	2	1	2	3	3	2	2	1	0.5	2	2	1	1	3	1.92
Houston	3	1	2	3	1	1	3	2	3	2	3	1	1	1	1.97
Miami	3	2	2	1	1	1	3	3	2	1	2	1	3	2	1.97
Columbus	2	2	1	3	3	2	1	1	3	2	2	3	1	3	1.97
Boston	1	2	3	1	3	3	2	2	1	2	1	1	2	3	2.03
Atlanta	2	2	2	2	2	3	3	1	2	2	2	2	1	2	2.07
Huntsville	1	3	3	3	3	2	1	1	3	1	1	2	2	2	2.07
Omaha	2	2	2	3	2	3	1	2	3	2	1	3	1	1	2.07
Colorado Springs	2	3	3	2	1	3	1	2	3	1	2	2	3	2	2.13
Savannah	2	3	3	2	2	2	2	2	3	2	2	1	2	1	2.17
Seattle	3	2	3	2	3	2	2	1	1	1	3	2	2	3	2.20
Las Vegas	3	3	1	2	2	3	2	2	2	2	2	3	1	2	2.20
Twin Cities	2	1	1	2	3	3	3	3	1	1	2	3	2	3	2.20
Indianapolis	2	1	2	2	3	3	2	3	3	1	3	2	2	2	2.23
Dallas	3	2	3	3	2	1	2	3	2	2	2	2	1	1	2.23
Nashville	2	3	2	2	3	3	2	2	2	2	3	2	1	1	2.27
Denver	3	3	3	2	2	2	1	3	2	1	2	2	2	3	2.30
Portland	3	3	3	2	2	2	3	2	0.5	1	1	3	2	2	2.32
Phoenix	3	2	2	2	1	3	3	3	3	2	1	3	2	2	2.33
Madison	1	1	3	3	3	3	1	3	3	3	3	3	3	3	2.40
Charlotte	3	3	1	2	3	3	3	3	2	1	2	2	1	1	2.40
Austin	3	2	3	3	2	2	3	3	2	1	2	1	3	1	2.43
Raleigh - Durham	3	3	3	2	3	3	2	2	3	1	3	2	2	2	2.53
Salt Lake City	2	3	3	3	2	2	3	3	3	3	3	3	1	2	2.60
Boise	3	3	2	2	3	3	3	3	3	3	3	3	2	2	2.73

LEGEND
Red Icon = High Investment Risk
Yellow Icon = Mild Investment Risk
Green Icon = Low Investment Risk

Source: Yardi Matrix

YARDI

Apartment Conversion Opportunities Are Growing, Specifically, From Office Space, But Won't Be Sufficient to Fill the Gap



YARDI

Source: Yardi Matrix

Conversion Opportunities High In High-Cost Cities With A Lot of Office Space and a Scarcity of Developable Land

Top 10 Cities by Most Converted Apartments		
City	**Total Apartment Conversions 2020-2021**	**Share of Total Apartment Deliveries 2020-2021**
Washington DC	1,565	5.7%
Philadelphia	1,552	11.0%
Chicago	1,139	6.9%
Cleveland	837	23.4%
Pittsburgh	814	42.6%
Richmond	797	7.1%
New York	614	5.6%
Greenville, SC	571	10.5%
Kansas City	568	5.9%
Salt Lake City	544	4.6%

YARDI

Source: Yardi Matrix; RentCafe

The Feasibility of Office-to-Apartment Conversions Makes it Difficult for Them to be Done at Scale

- Conversions are expensive and often require the right building configuration, floor plates, neighborhood amenities and demand
- For office-to-apartment conversions to be profitable, the majority become luxury units or condos instead of affordable housing
- Unfortunately, office-to-apartment conversions are hard to execute and the trend may continue to struggle to gain traction, unless office values and rents see some major, permanent decline

In New York City only about 3% of 1,100 office buildings tracked had characteristics needed to be a viable residential conversion, the vast majority of which are class B or C office properties, based on case study conducted by Moody's Analytics

	Count of Buildings	Count of Buildings with Floor Plates <=14K SF
Total Office Buildings	1,066	689
Vacancy Rates > 30%	126	85
Asking Rents < $55/SF	380	307
Vacancy Rates > 30% and Asking Rents < $55/SF	42	**35**

YARDI

*Case study based on Q4 2021 data | Source: Yardi Matrix; Moody's Analytics; propmodo.com

MULTIFAMILY FUNDAMENTALS

Multifamily Outlook

Multifamily rent growth, occupancy, demand remain strong, albeit less than 2021-22

Reasons for rent deceleration:

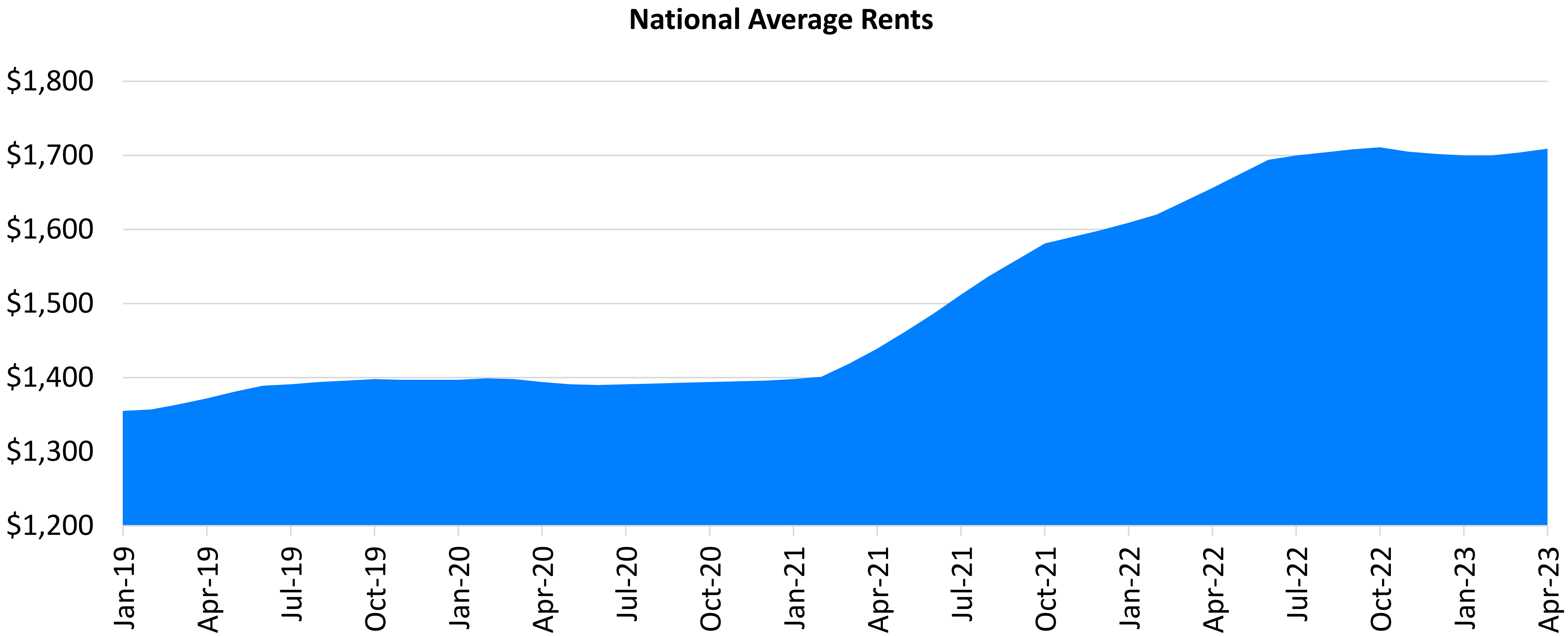
1) Post-pandemic migration is slowing, but a major reset has occurred
   - Return to "normal" migration to Sunbelt markets, i.e. Southeast, FL, TX, Mountain West
   - Intra-state migration slowing to secondary metros such as Sacramento, Inland Empire
   - Resort Towns will remain beneficiaries of the ~20% of office employees fully remote
   - Gateway rebound led by young workers, retirees, immigrants
   - "Work from Office" varies by industry and function, but hybrid dominates
   - Growth highest in suburbs of major markets

2) Household growth is slowing
   - 2020/21 boom in households from job, wage growth, stimulus and pent-up demand
   - Job growth slowing, consumer excess savings ebbing from $2.7 trillion peak, now ~$1T

3) Supply growth, especially in high-demand metros in Texas, Southeast
   - 1 million units U/C nationally, but starts are waning as financing dries up
   - 400-450K deliveries in 2023-24, slowdown in following years

Source: Yardi Matrix; Forbes; Brookings; National Bureau of Economic Research

National Multifamily Rent Growth is Strong but Decelerating

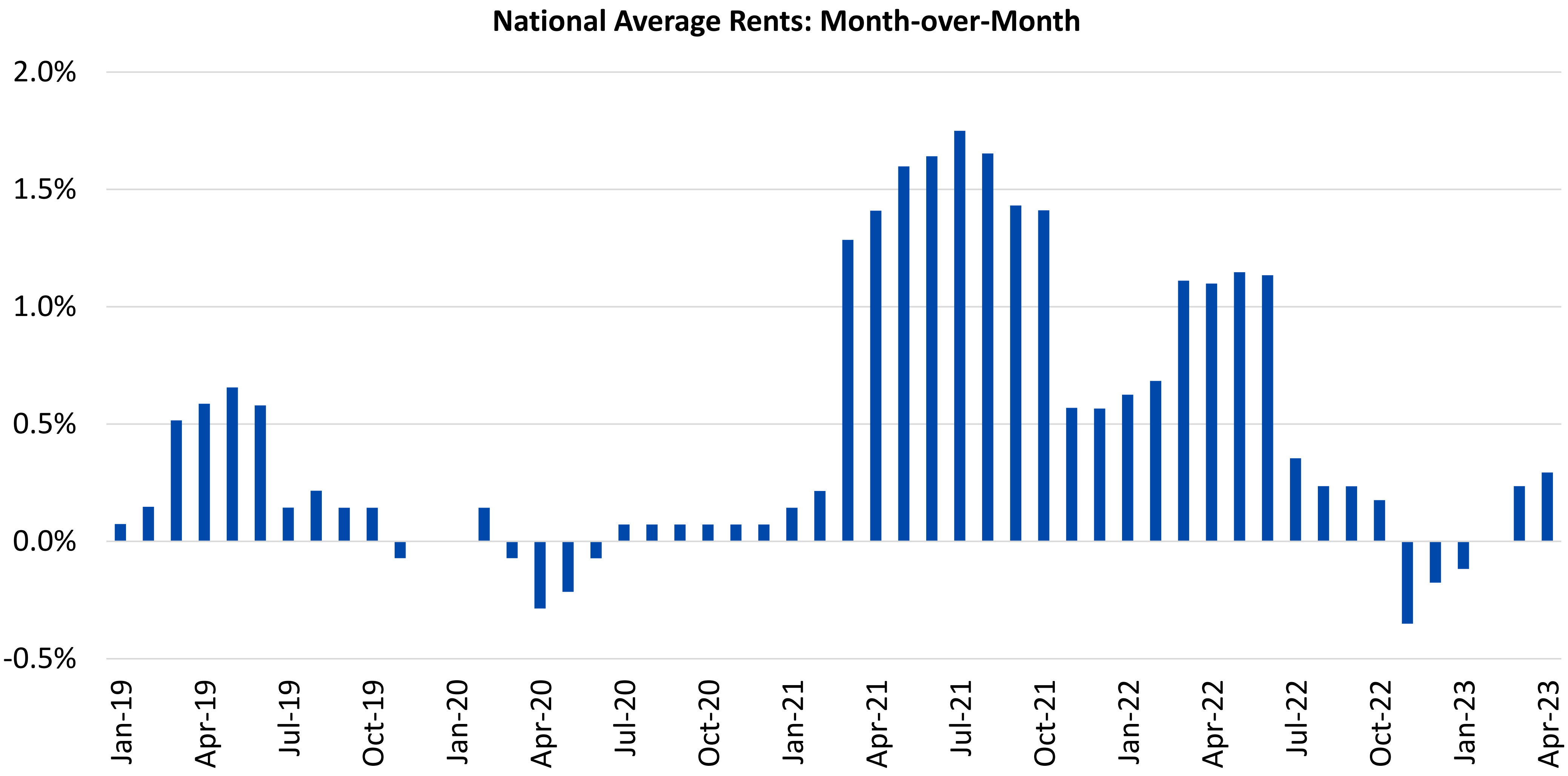


	% Change	$ Change
Year-over-Year: Apr ‘22 – Apr ’23	3.2%	$53
Month-over-Month: March ‘23 – Apr ’23	0.3%	$5
Pre-pandemic to Current: Mar ‘20 – Apr ‘23	22.2%	$311

YARDI

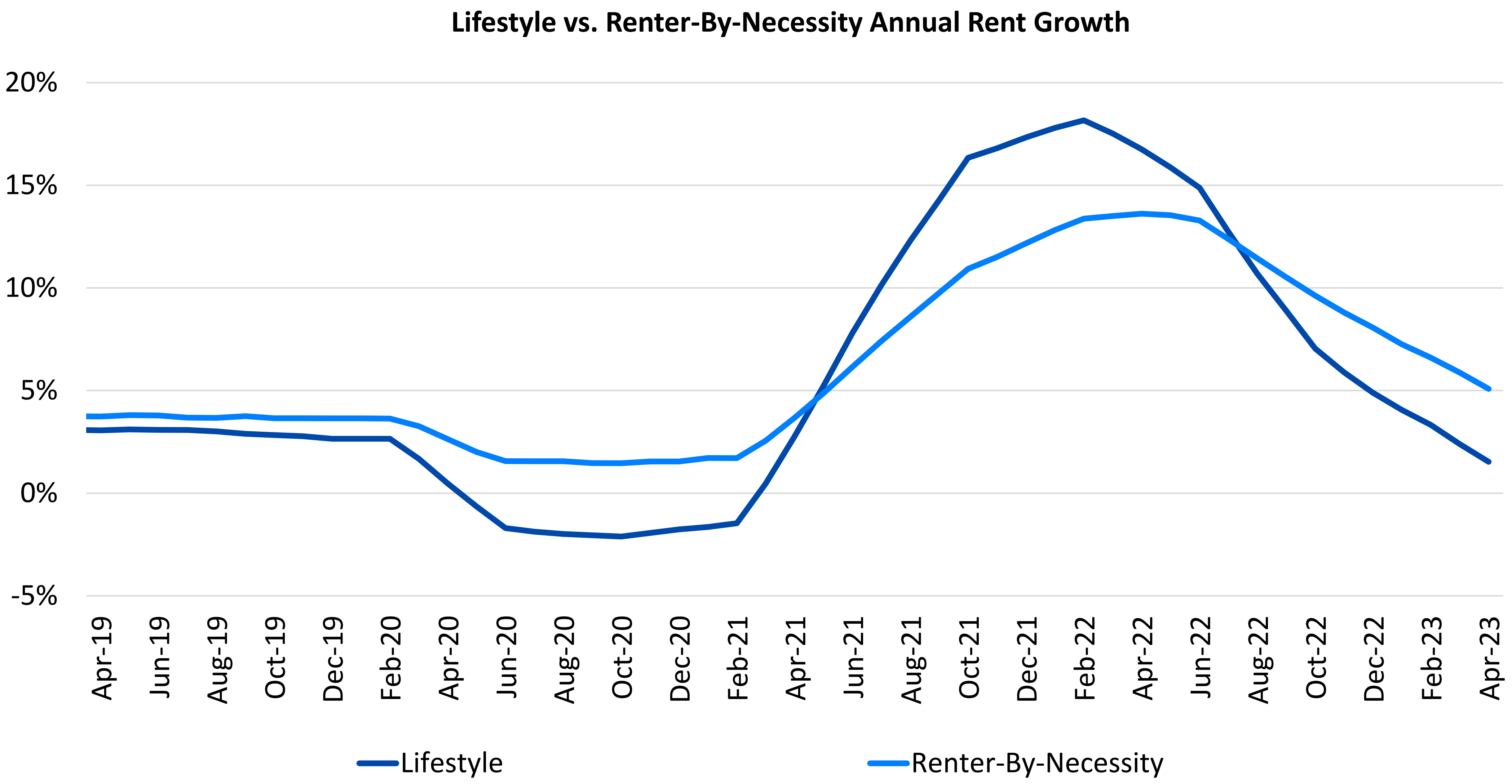
Source: Yardi Matrix

Sequential Rent Growth Has Slowed Substantially Compared to 2021 & 2022



Source: Yardi Matrix

Rent Growth for Renter-By-Necessity Units is Outpacing Lifestyle Units



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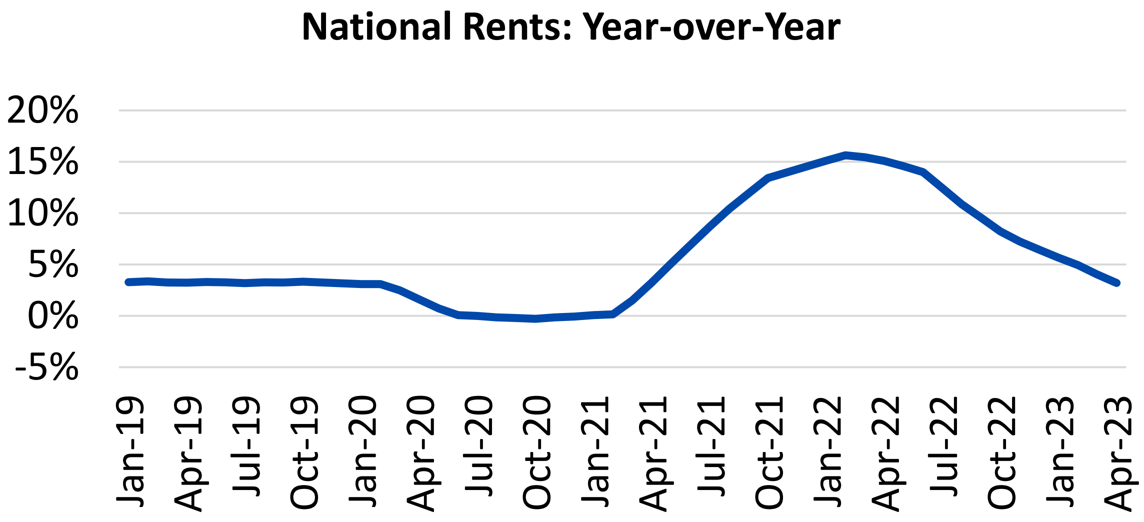
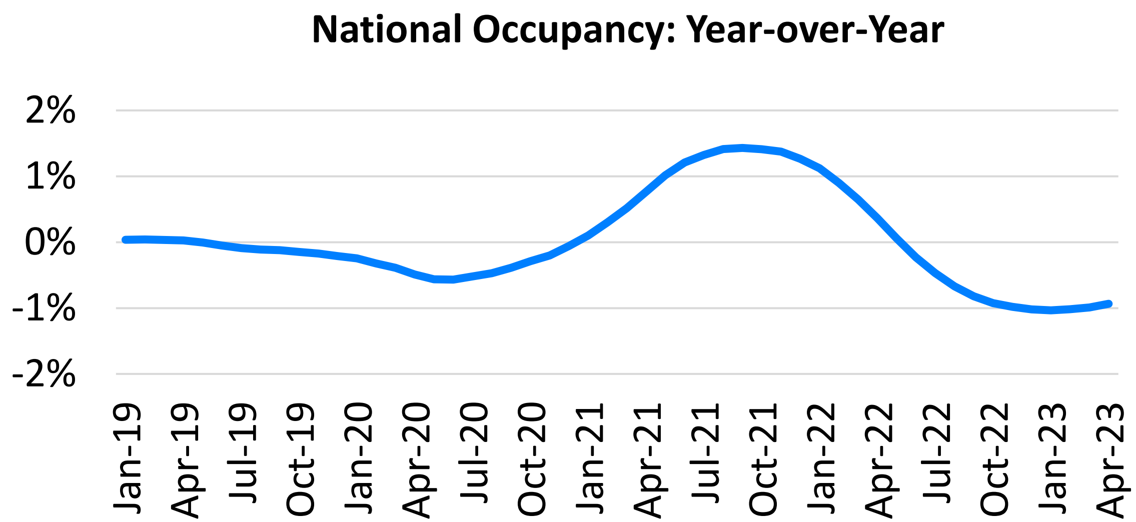
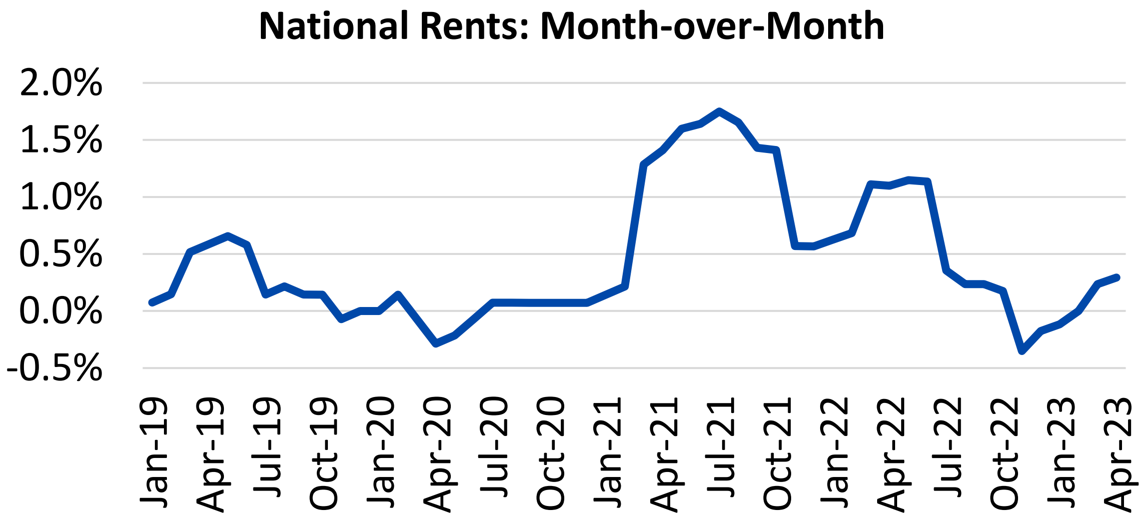
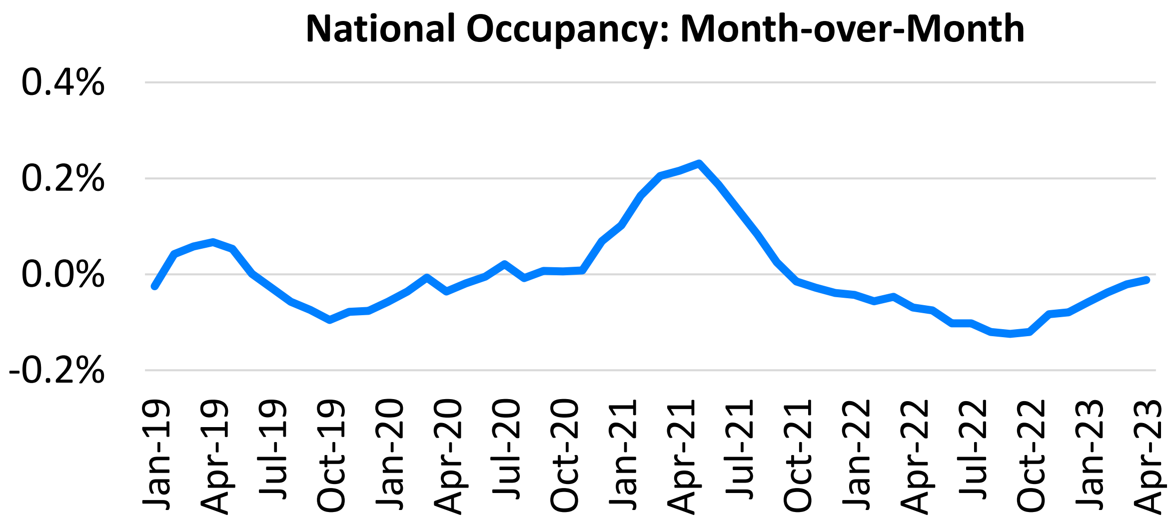
Source: Yardi Matrix

Rent and Occupancy Ticked Up Slightly on a Sequential Basis in April









YARDI

Source: Yardi Matrix

There is a Rotation of Markets Occurring:
On a Sequential Basis, Small Tertiary Markets Have Had the Most Rent Growth

Top 20 Markets for Sequential 3 Month-over-Month Rent Growth

Market	S3 MoM Rent Growth	April YoY Rent Growth	April YoY Occupancy Growth
Worcester – Springfield	1.2%	7.5%	-0.6%
Portland ME	1.0%	9.5%	-0.5%
Midland - Odessa	0.9%	15.3%	3.0%
Mobile	0.9%	7.3%	-1.8%
Madison	0.9%	10.9%	0.0%
Knoxville	0.8%	10.6%	-1.0%
Cincinnati	0.8%	9.2%	-1.0%
Providence	0.8%	7.8%	-0.8%
Anchorage	0.7%	8.7%	-1.2%
New York	0.7%	6.2%	0.0%
Honolulu	0.7%	-2.4%	0.8%
Pensacola	0.7%	3.4%	-1.4%
Wyoming	0.6%	6.6%	0.2%
Boston	0.6%	5.2%	-0.2%
Omaha	0.6%	6.8%	-0.2%
Wichita	0.6%	8.2%	-0.7%
Toledo	0.6%	5.6%	-0.5%
Jackson	0.6%	7.8%	-1.5%
Northern New Jersey	0.6%	7.5%	-0.1%
Columbus GA	0.6%	6.5%	-1.7%

Source: Yardi Matrix

There is a Rotation of Markets Occurring:
Many Sunbelt Markets Have Had Decelerating Sequential Rents

Bottom 20 Markets for Sequential 3 Month-over-Month Rent Growth

Market	S3 MoM Rent Growth	April YoY Rent Growth	April YoY Occupancy Growth
Wilmington	-0.5%	3.7%	-3.8%
Phoenix	-0.4%	-2.8%	-1.1%
Orange County	-0.3%	0.8%	-1.0%
Lexington	-0.2%	4.8%	-0.5%
New Orleans	-0.2%	1.2%	-0.8%
Tacoma	-0.2%	1.0%	-2.0%
San Francisco	-0.2%	0.5%	-0.2%
Seattle	-0.1%	-0.1%	-1.0%
Atlanta	-0.1%	0.4%	-1.2%
Macon	-0.1%	4.0%	-1.5%

Market	S3 MoM Rent Growth	April YoY Rent Growth	April YoY Occupancy Growth
Tallahassee	-0.1%	5.7%	-1.7%
Las Vegas	-0.1%	-2.5%	-1.8%
Lubbock	-0.1%	5.0%	-1.7%
Dallas	-0.1%	2.5%	-1.6%
San Antonio	-0.1%	1.7%	-1.9%
Montana	0.0%	5.7%	-1.0%
Austin	0.0%	0.0%	-1.4%
Cleveland - Akron	0.0%	3.6%	-1.0%
Central Coast	0.0%	4.9%	-0.1%
Louisville	0.0%	5.2%	-1.0%

YARDI

Source: Yardi Matrix

There is a Rotation of Markets Occurring:

Remaining Major Markets Have Had Decent Sequential Rent Growth

Remaining Major Markets for Sequential 3 Month-over-Month Rent Growth

Market	S3 MoM Rent Growth	April YoY Rent Growth	April YoY Occupancy Growth
Kansas City	0.6%	6.4%	-0.5%
Indianapolis	0.5%	7.7%	-1.2%
Chicago	0.5%	5.0%	-0.2%
Miami	0.5%	4.5%	-0.6%
Twin Cities	0.4%	2.9%	-1.3%
Inland Empire	0.3%	2.1%	-1.5%
Washington DC	0.3%	2.5%	-0.5%
Orlando	0.3%	3.3%	-1.3%
Baltimore	0.3%	2.6%	-1.2%
Raleigh - Durham	0.3%	2.8%	-1.3%

Market	S3 MoM Rent Growth	April YoY Rent Growth	April YoY Occupancy Growth
Denver	0.2%	2.2%	-0.4%
Nashville	0.2%	3.2%	-1.4%
Charlotte	0.2%	3.4%	-1.1%
Philadelphia	0.2%	3.7%	-0.8%
Los Angeles	0.2%	3.6%	-0.4%
Houston	0.1%	2.9%	-0.8%
Tampa - St Petersburg	0.1%	1.6%	-1.4%
Portland	0.0%	3.5%	-0.9%
Sacramento	0.0%	0.7%	-1.5%
San Jose	-0.1%	2.4%	-0.1%

YARDI

Source: Yardi Matrix

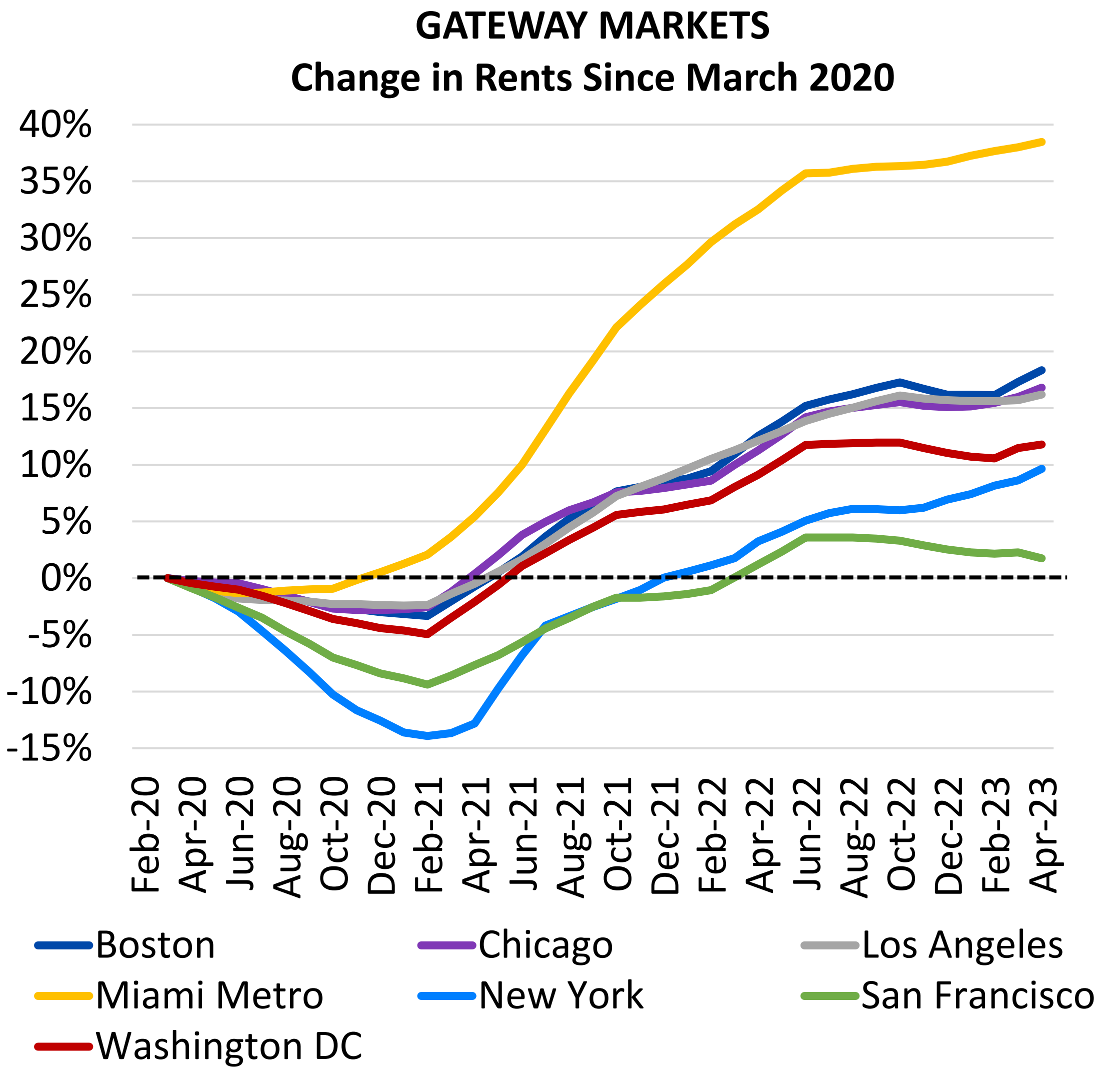
Remote Work Impacts on Housing Markets: Household Formation Offsets Out-Migration In Urban Markets

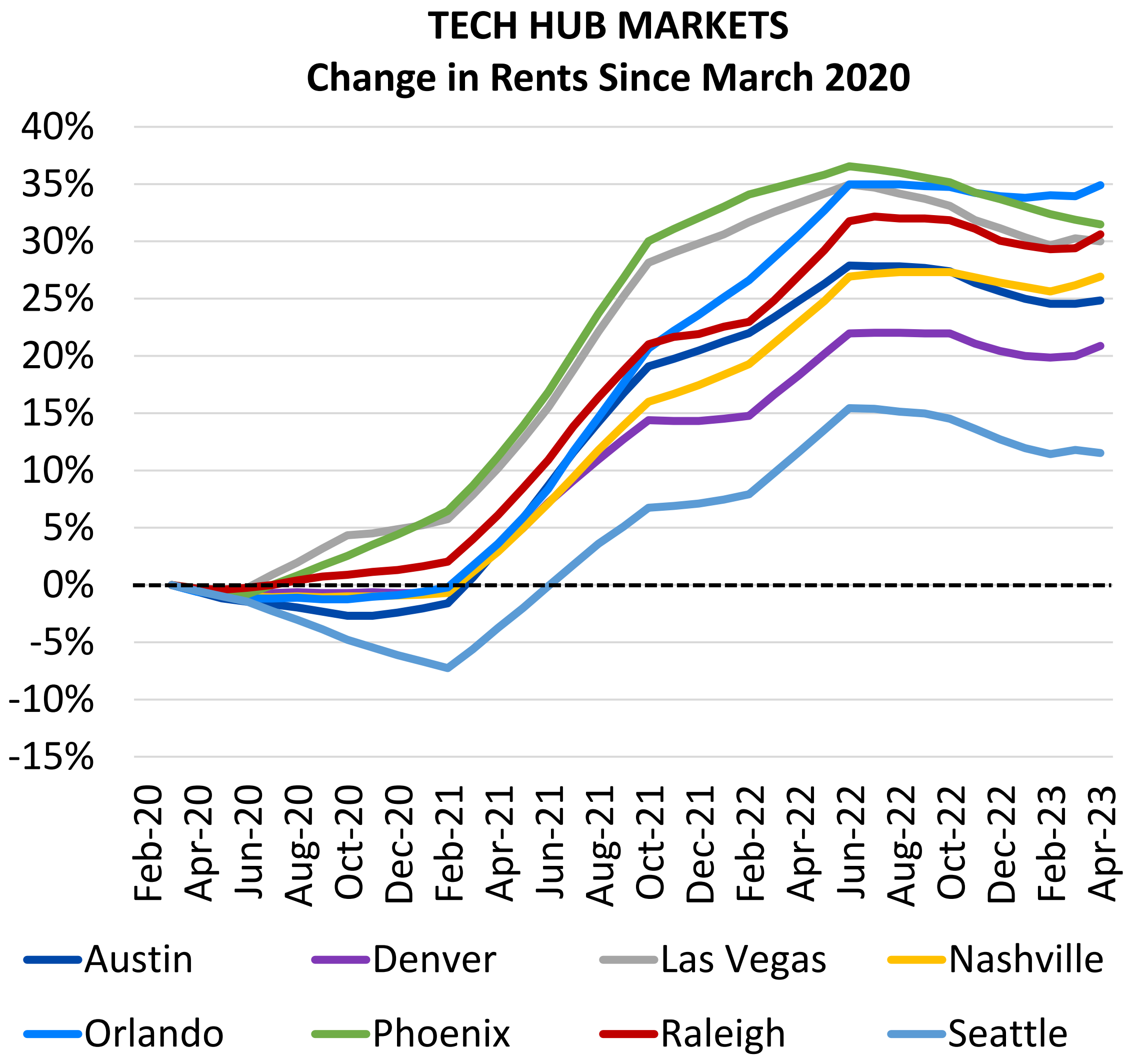
- The rise in remote work coming out of the pandemic has allowed people who live in dense, expensive cities to move elsewhere, leading to declining population in these areas
- Nevertheless, many urban areas continue to experience high rent growth
- Research found that remote work has also led to a **surge in household formation**, counterbalancing the loss of population in dense cities
- This growth in household formation helps explain why large urban areas that have the most out-migration still have tight housing markets
- Remote work has changed the way that people live within dense and expensive urban areas
    - Remote households moved into new dwelling units that were larger, had more amenities, had outdoor space, etc.
    - Remote households were consequently found to have higher rents and mortgages

YARDI

Source: Yardi Matrix; Carlson, Eric and Ozimec, Adam (2023). Remote Work and Household Formation. *Economic Innovation Group.*

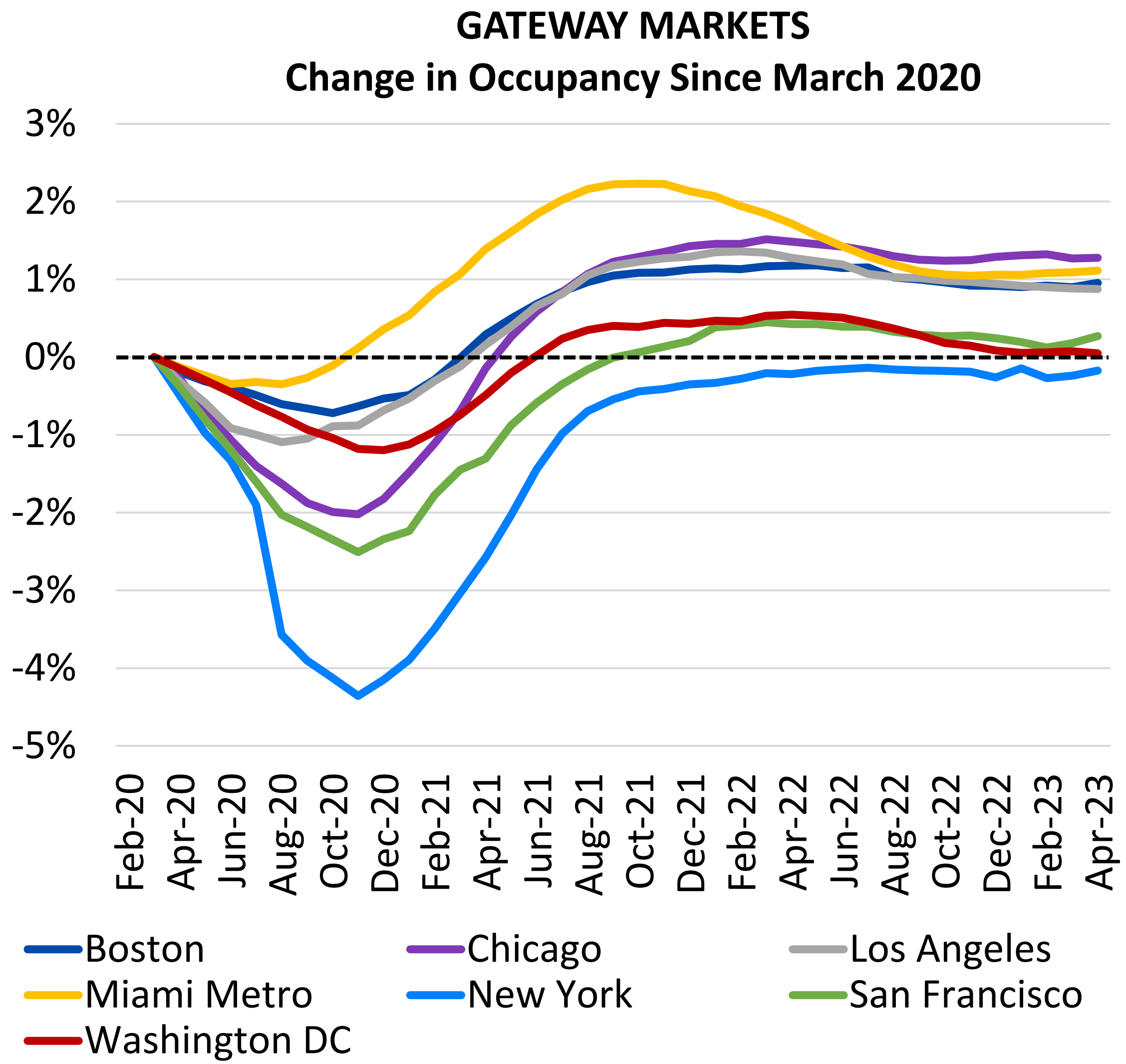
Rent Growth Recovered Quicker in Tech Hubs than Gateway Markets

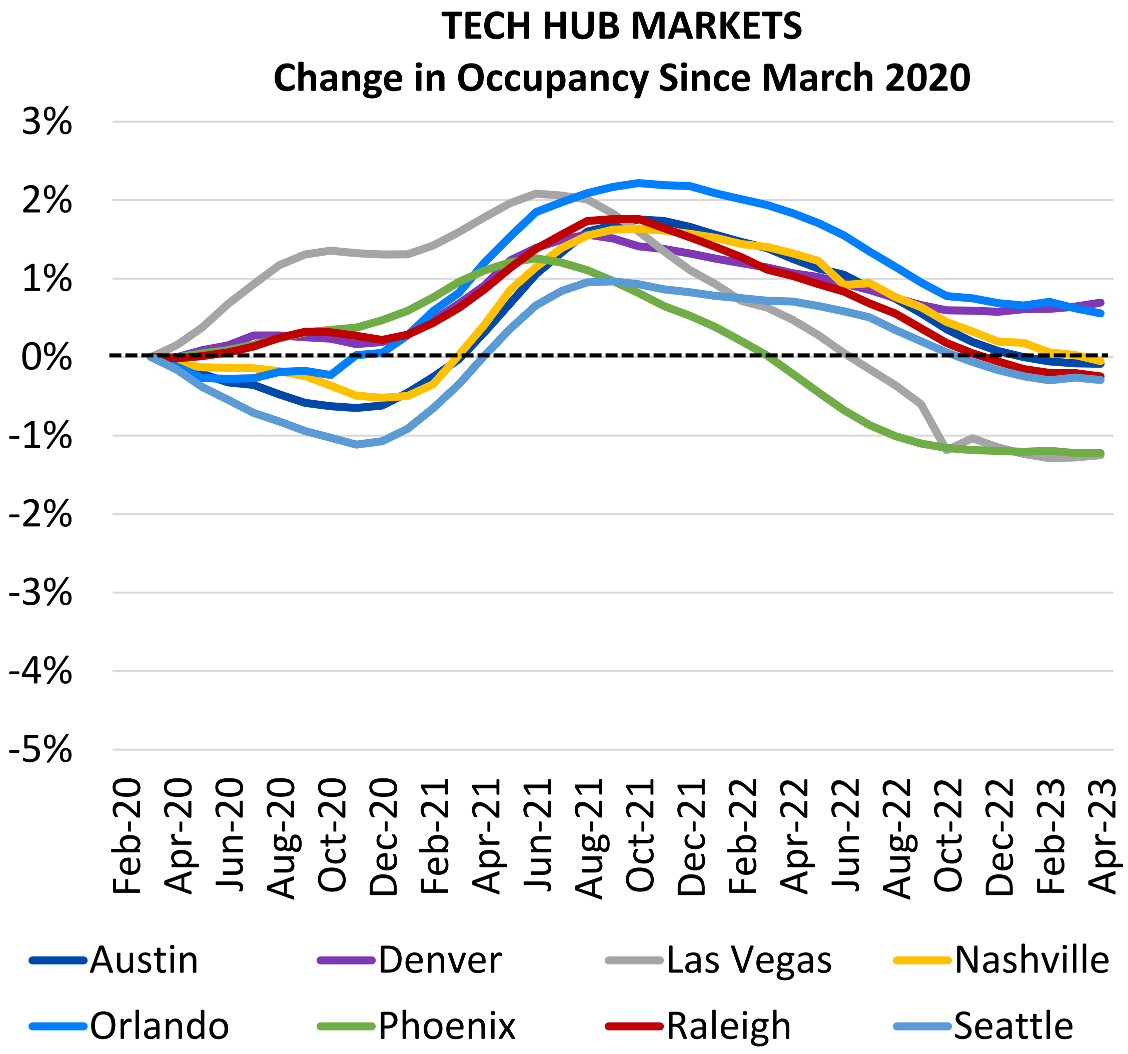




Source: Yardi Matrix

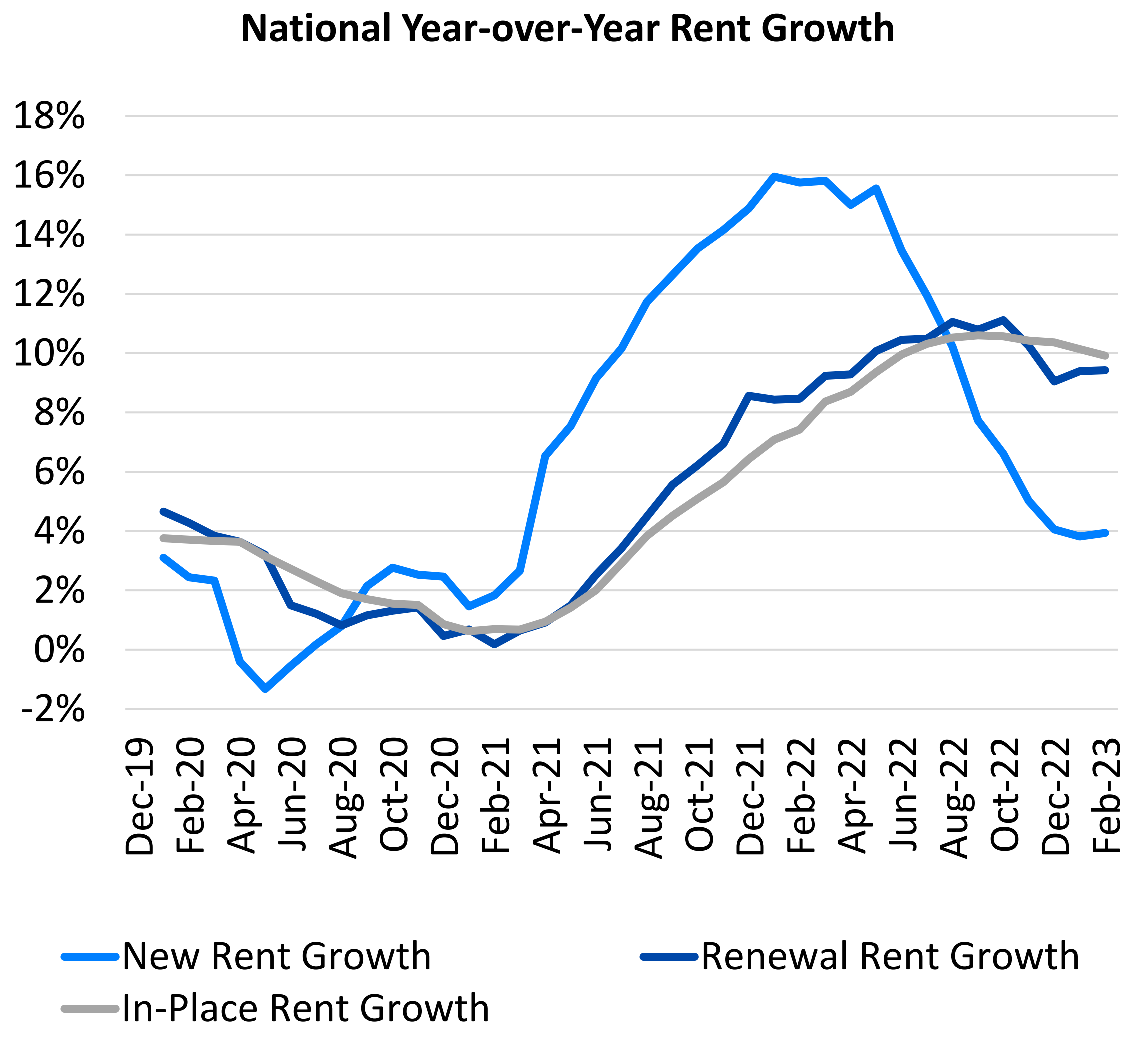
Occupancy is Starting to Moderate in Both Gateway and Tech Hub Markets

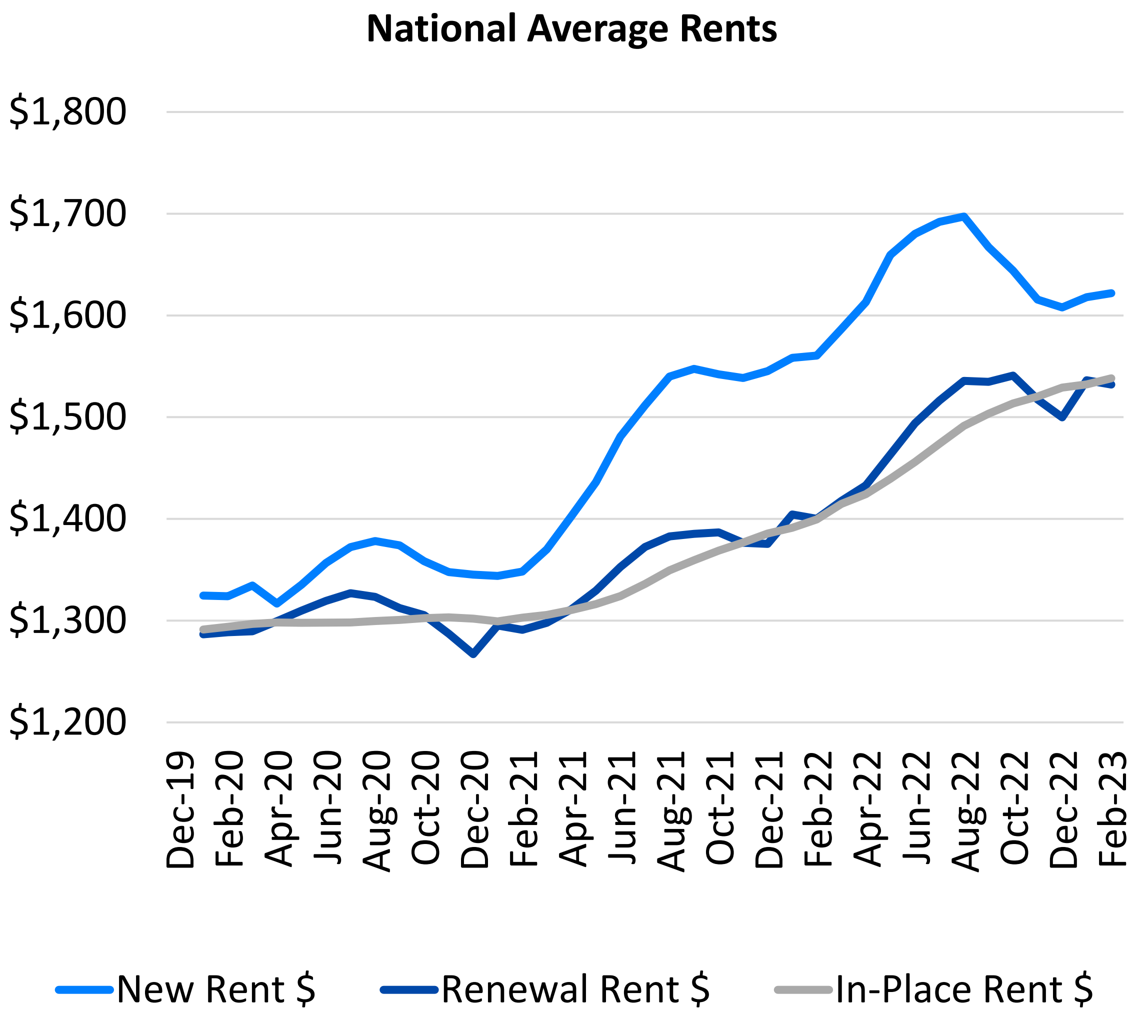




Source: Yardi Matrix

Rents on New Leases Have Stabilized After Months of Deceleration, While Renewal and In-Place Rents Remain Steady





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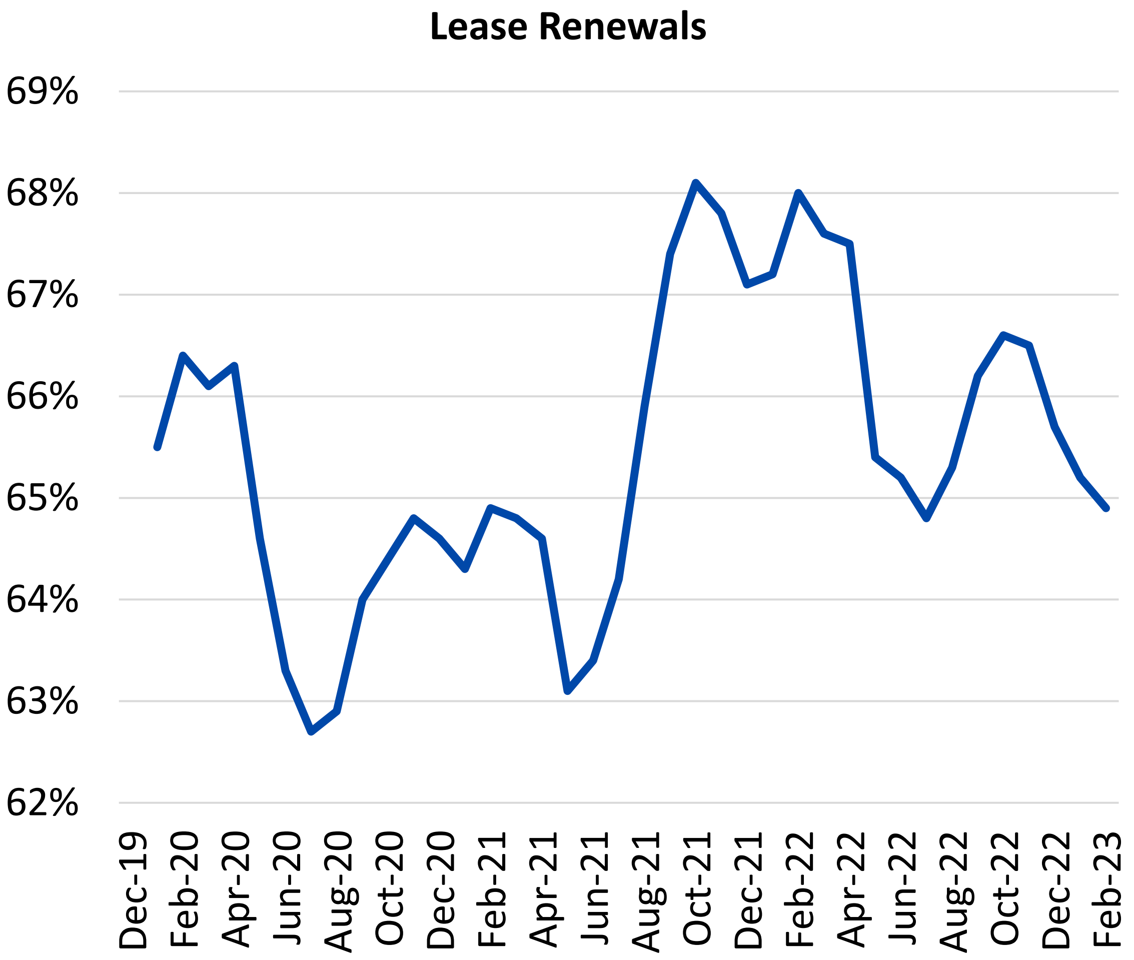
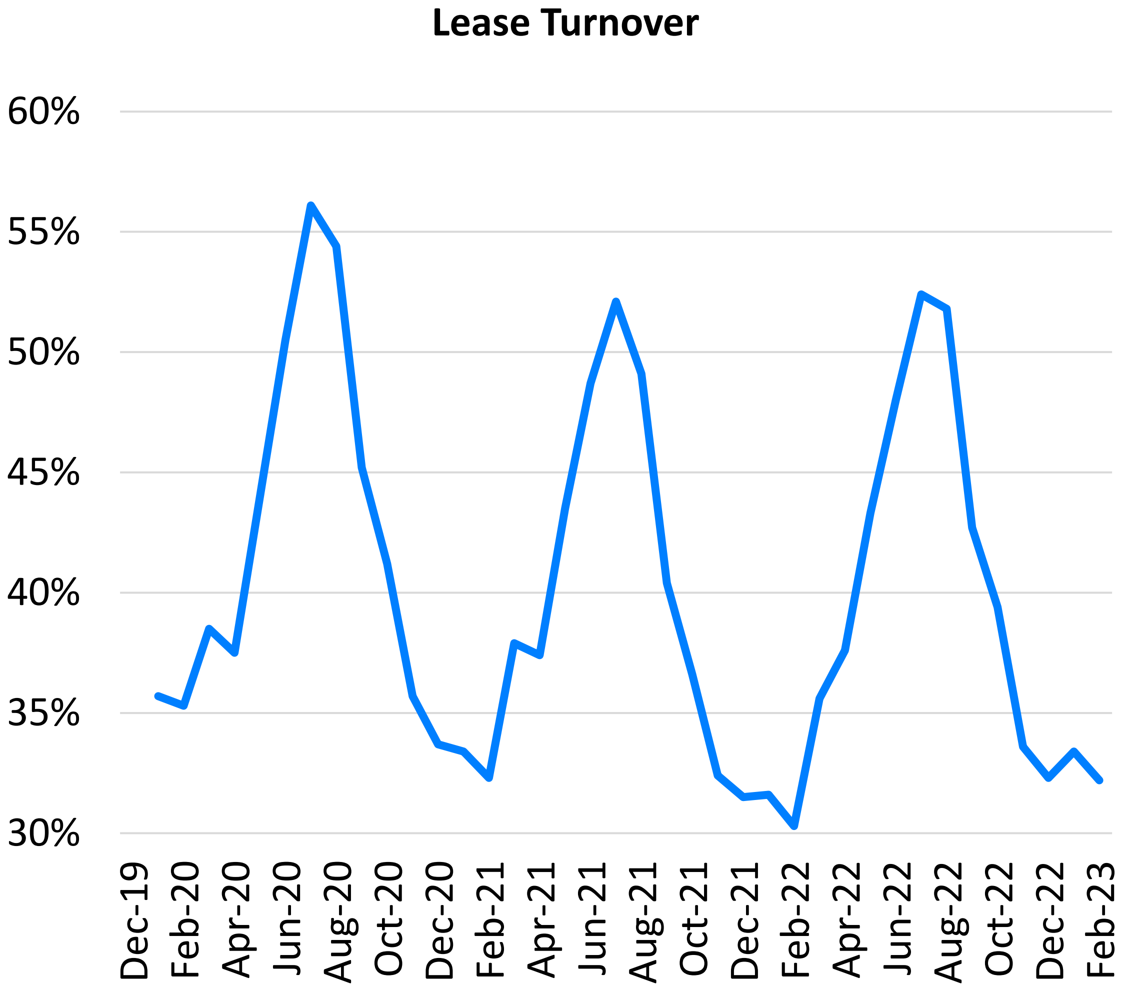
Source: Yardi Matrix Expert

Lease Renewals are Down Off Their Peak, While Turnover is Displaying a Normal Seasonal Pattern…Possibly Indicating an Effect of Rent Increases





YARDI

Source: Yardi Matrix Expert

Tertiary Markets Are Still Performing Very Well

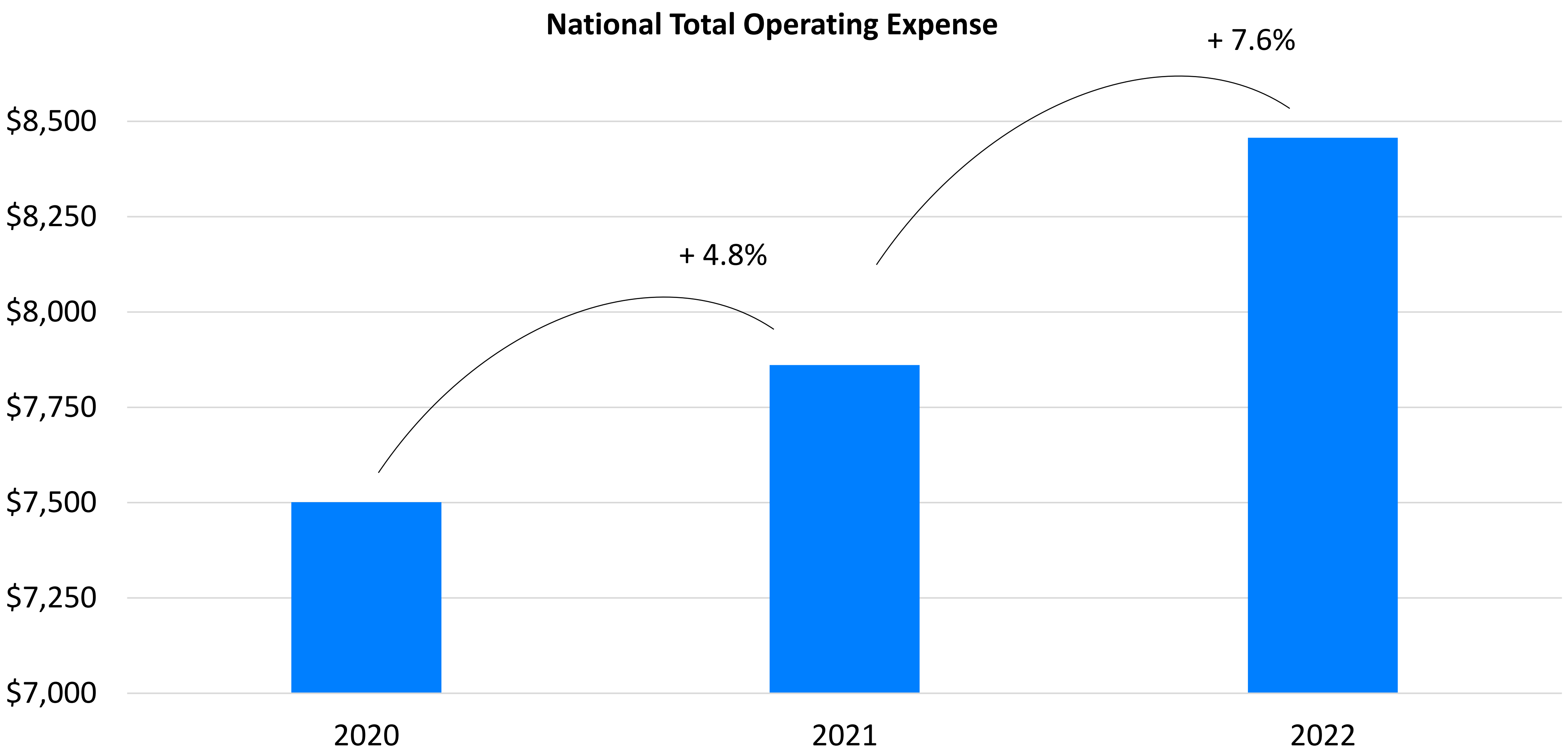
Market	Apr 2022 Rent	Apr 2023 Rent	YOY Rent Growth
Madison	$1,318	$1,462	10.9%
Cincinnati	$1,176	$1,284	9.2%
El Paso	$966	$1,041	7.8%
Central East Texas	$1,023	$1,093	6.8%
Dayton	$987	$1,054	6.8%
Eugene	$1,417	$1,507	6.4%
Savannah - Hilton Head	$1,546	$1,629	5.4%
Louisville	$1,079	$1,135	5.2%
Little Rock	$902	$947	5.0%
Greenville	$1,225	$1,283	4.7%
Lansing - Ann Arbor	$1,123	$1,175	4.6%
Milwaukee	$1,326	$1,386	4.5%
Grand Rapids	$1,188	$1,239	4.3%
Bridgeport - New Haven	$1,753	$1,825	4.1%
Southwest Florida Coast	$2,005	$2,080	3.7%
Cleveland - Akron	$1,072	$1,111	3.6%

Market	Apr 2022 Rent	Apr 2023 Rent	YOY Rent Growth
Richmond - Tidewater	$1,423	$1,473	3.5%
Pensacola	$1,508	$1,560	3.4%
Memphis	$1,120	$1,158	3.4%
Baton Rouge	$1,100	$1,137	3.4%
Tulsa	$916	$946	3.3%
Huntsville	$1,110	$1,146	3.2%
Birmingham	$1,176	$1,211	3.0%
Central Valley	$1,479	$1,520	2.8%
Spokane	$1,343	$1,377	2.5%
Jacksonville	$1,509	$1,547	2.5%
Tucson	$1,168	$1,194	2.2%
Colorado Springs	$1,504	$1,534	2.0%
New Orleans	$1,196	$1,210	1.2%
Tacoma	$1,694	$1,711	1.0%
Reno	$1,534	$1,522	-0.8%

YARDI

Source: Yardi Matrix

National Total Operating Expenses for Multifamily Properties Increased Almost $1K, or 13%, From 2020-2022



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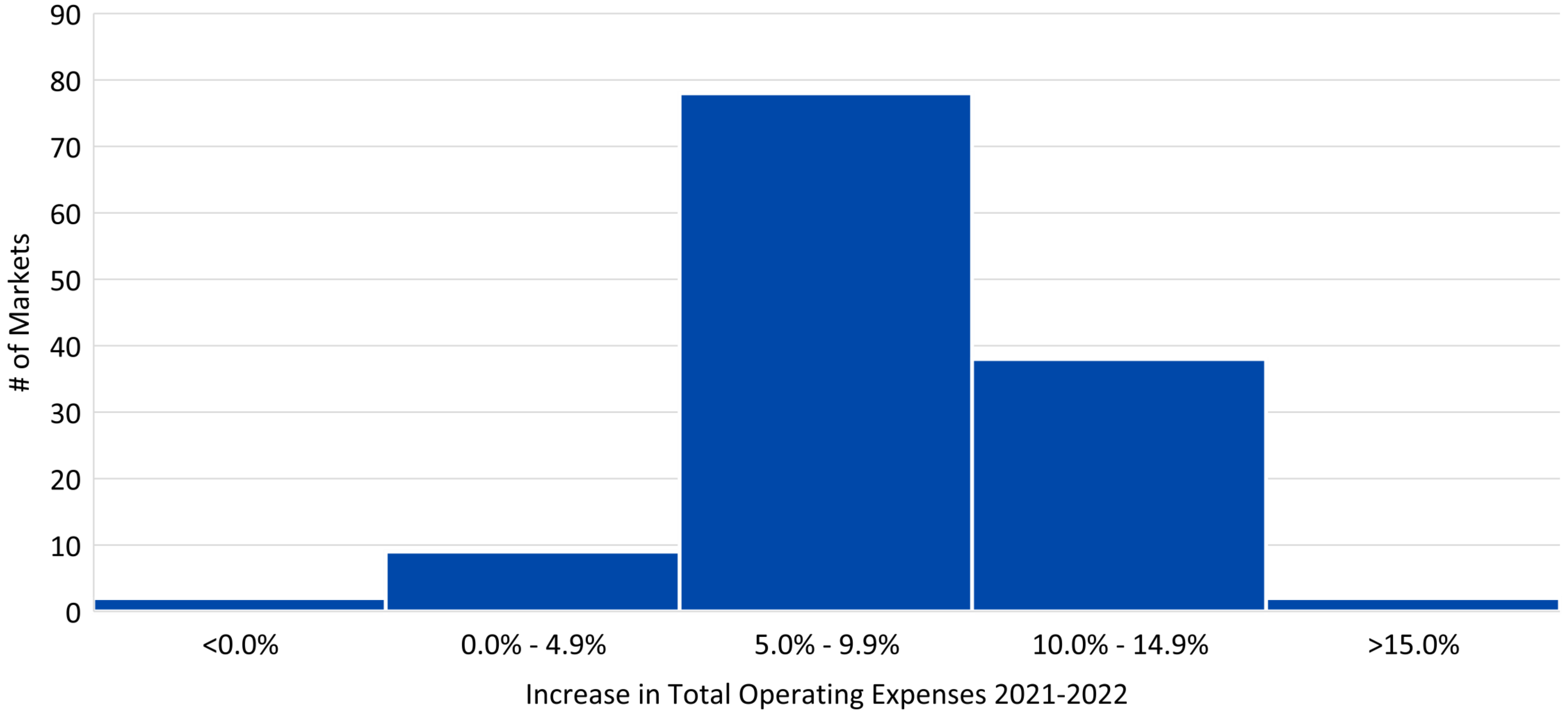
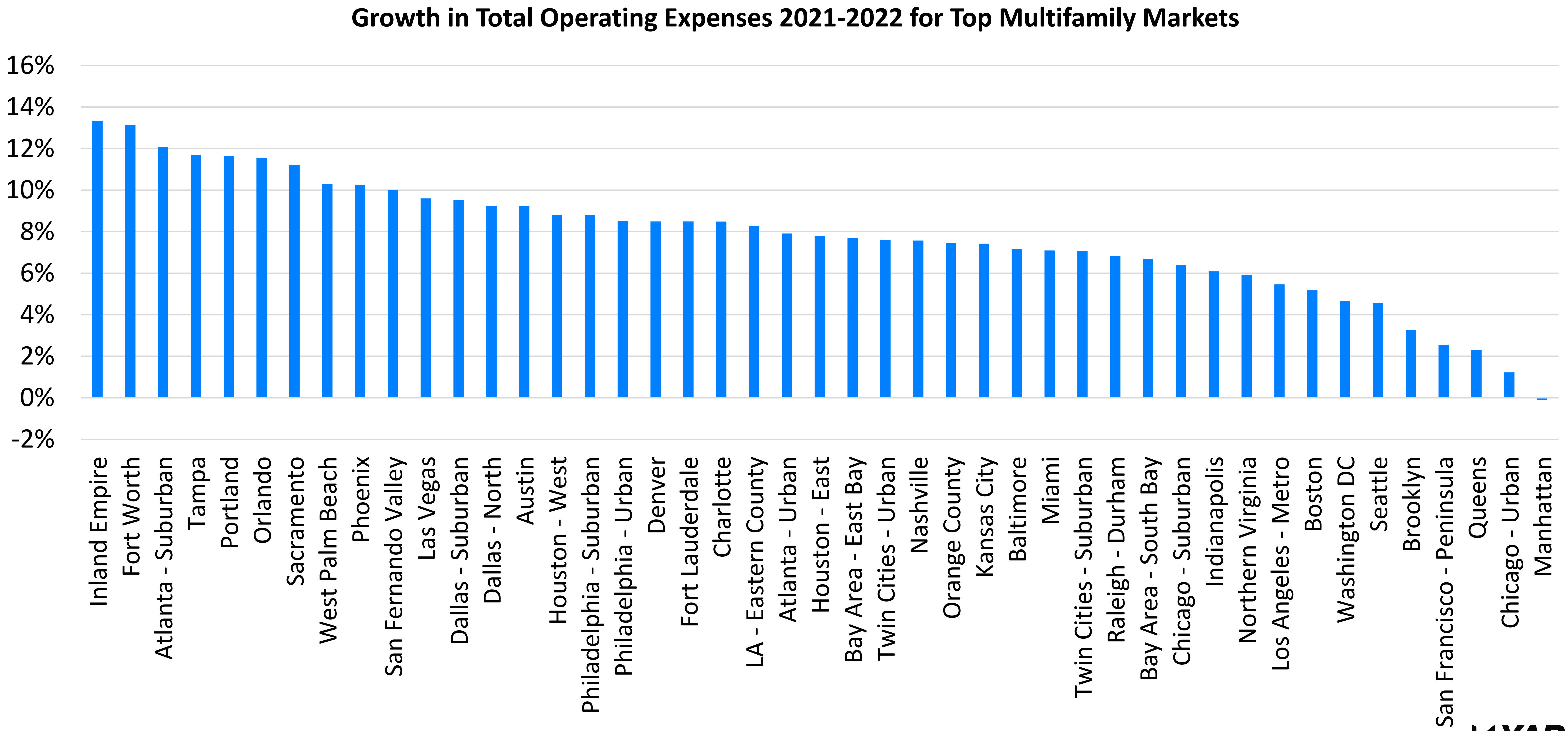
Source: Yardi Matrix Expert

Only Two Markets Had a Slight Decrease in Operating Expenses From 2021-2022, While the Majority of Markets Had Over a 5% Increase



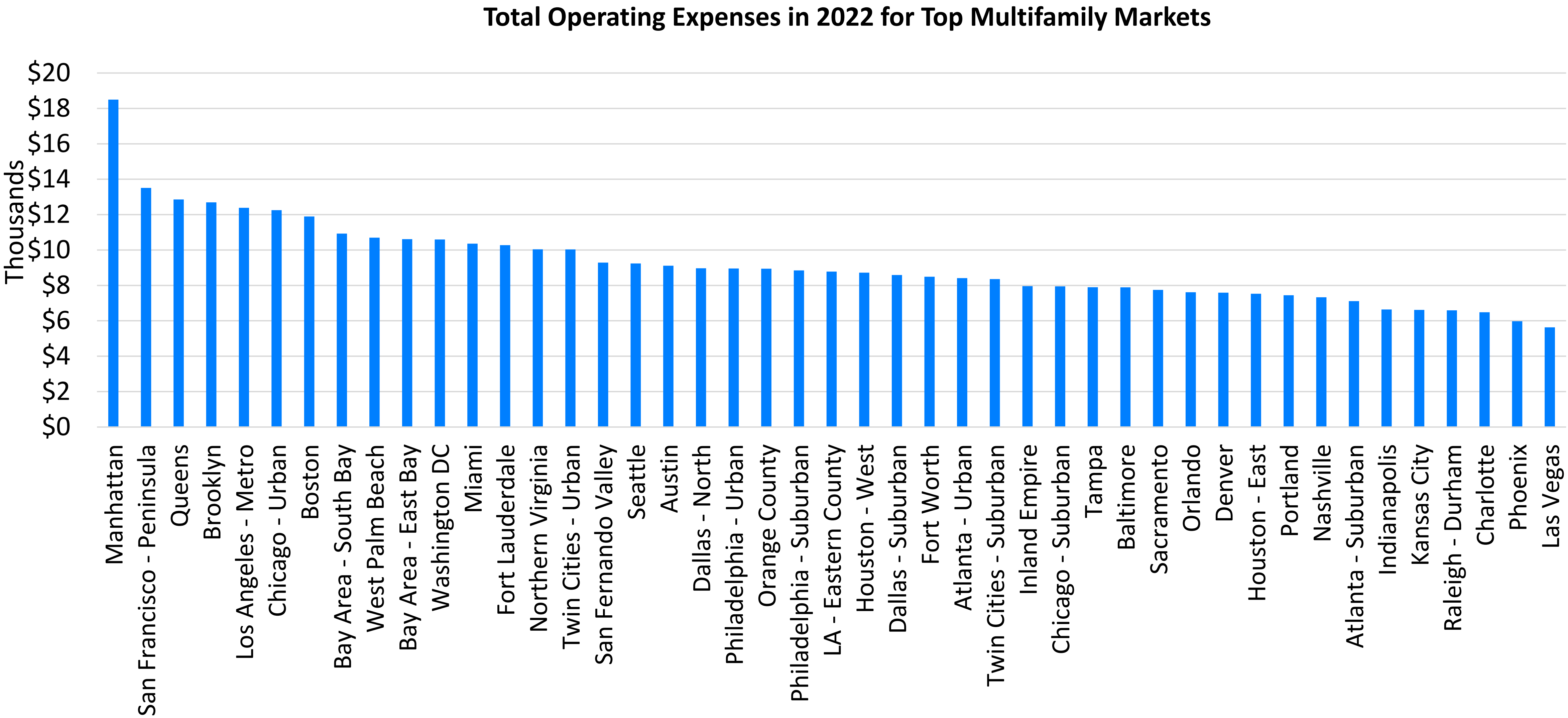
Source: Yardi Matrix Expert

Aside From Manhattan, Most of the Top Multifamily Markets Had a Significant Increase in Operating Expenses Over the Year



Source: Yardi Matrix Expert

As Expected, Gateway Markets Had the Highest Operating Expenses in 2022



Source: Yardi Matrix Expert

Takeaways from Our April 2023 Multifamily Rent and Occupancy Forecast

- Recession is increasingly likely in the second half of this year
- National asking rents increased 0.3% from March to April, and 3.2% from April 2022 to April 2023
- Renter-by-necessity units have experienced the most rent growth, as have midsize markets in the Midwest and Northeast
- Our forecasts for the end of 2023 have remained relatively unchanged: the national average rent dropped from 2.7% growth to 2.5% growth
- The biggest downward changes were concentrated in midsize Southern markets that aren't performing as well as expected
- The biggest upward revisions were concentrated in midsize markets in the Midwest and Texas that are outperforming our expectations

Source: Yardi Matrix

Yardi Matrix Multifamily Forecast Summary

Year-End	Rent	Rent Growth	Occupancy	Occupancy Growth	Inventory Forecast
2023	$1,857	2.5%	95.4%	0.3%	430,975
2024	$1,924	3.6%	95.4%	0.0%	456,761
2025	$1,993	3.6%	95.4%	0.0%	397,329
2026	$2,065	3.6%	95.4%	0.0%	409,842
2027	$2,137	3.5%	95.3%	-0.1%	412,746
2028	$2,210	3.4%	95.3%	0.0%	433,444
2029	$2,283	3.3%	95.3%	0.0%	-
2030	$2,356	3.2%	95.3%	0.0%	-
2031	$2,429	3.1%	95.3%	0.0%	-
2032	$2,502	3.0%	95.3%	0.0%	-
2033	$2,574	2.9%	95.3%	0.0%	-

Source: Yardi Matrix

Tech Hub and Gateway Markets Alike Are Forecasted For Another Year of Solid Multifamily Rent Growth

Market	YoY Rent Growth Year-End 2023	Occupancy Year-End 2023	YoY Rent Growth Year-End 2024	Occupancy Year-End 2024
Austin	3.3%	94.5%	4.4%	94.5%
Charlotte	3.2%	94.4%	3.8%	94.6%
Raleigh	3.0%	94.8%	4.2%	94.9%
Portland	3.0%	95.2%	3.7%	95.1%
Nashville	2.9%	95.3%	3.8%	95.2%
Indianapolis	2.9%	94.5%	3.4%	94.4%
Baltimore	2.9%	95.1%	3.5%	94.8%
San Jose	2.9%	96.1%	5.3%	96.2%
Las Vegas	2.8%	94.1%	3.7%	94.5%
Boston	**2.8%**	**97.2%**	**4.1%**	**97.4%**
Seattle	2.8%	95.3%	4.1%	95.6%
Kansas City	2.8%	95.5%	4.1%	95.7%
New York City	**2.7%**	**98.1%**	**4.3%**	**98.2%**
Twin Cities	2.6%	95.6%	2.4%	95.8%
Inland Empire	2.5%	96.7%	3.1%	96.5%

Market	YoY Rent Growth Year-End 2023	Occupancy Year-End 2023	YoY Rent Growth Year-End 2024	Occupancy Year-End 2024
Los Angeles	**2.5%**	**96.7%**	**3.7%**	**96.7%**
Houston	2.4%	93.3%	3.4%	93.4%
Miami	**2.4%**	**95.8%**	**3.8%**	**95.7%**
San Francisco	**2.4%**	**95.3%**	**4.2%**	**95.2%**
Washington DC	**2.3%**	**95.5%**	**3.4%**	**95.7%**
Orange County	2.2%	97.0%	3.7%	97.3%
Chicago	**2.1%**	**95.1%**	**3.3%**	**95.2%**
Dallas	2.1%	94.6%	3.3%	94.7%
Orlando	2.1%	95.4%	3.2%	94.2%
Atlanta	2.0%	94.4%	2.6%	94.6%
Denver	2.0%	95.4%	3.5%	95.6%
Tampa	1.8%	95.1%	3.8%	94.4%
Sacramento	1.8%	95.6%	2.7%	95.7%
Philadelphia	1.8%	96.2%	3.1%	96.1%
Phoenix	1.5%	94.1%	3.4%	93.9%

Top 30 Matrix markets, sorted by YOY Rent Growth Year-End 2023. Gateway markets are bolded | Source: Yardi Matrix

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Multifamily Capital Markets Have Been Disrupted, Impacting Transaction Volume and Construction Financing

- Property sales and new construction are set to slow given high debt costs that are still rising and the expectation of weakening rent growth

- The transaction market is frozen given widening bid/ask spreads
  - Mortgage rates now above 6% and total sales volume in Q1 2023 was down over 60% from the peak in Q1 2021

- Financing for new construction has seized up
  - Construction costs have not come down enough yet to offset increasing capital costs
  - As a result, new construction deliveries may be significantly reduced starting in 2025
  - Increased SFR/BTR pipeline may offset this somewhat

- The next 18 months will show a continued slowdown of capital markets until inflation slows and interest rates come down
  - Major brokerage firms are reducing costs
  - FHFA has reduced the GSE debt cap limits with increased affordability goals

- Still, high rates create a sliver of good news for multifamily
  - With home mortgage rates above 6%, first-time homebuyers are being frozen out of the market and will be forced to remain in apartments or single-family rentals

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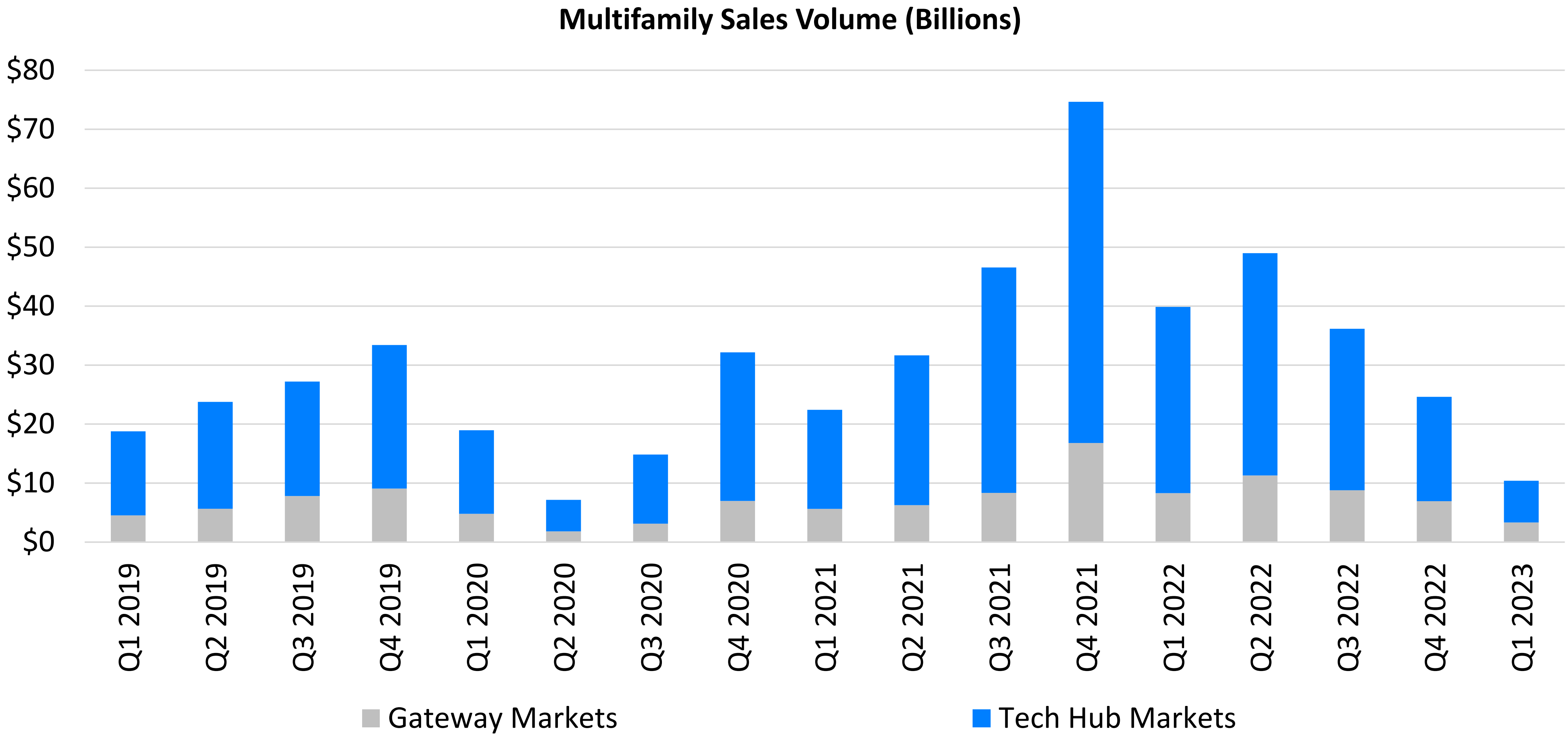
Source: Yardi Matrix; National Association of Realtors; multifamilyexecutive.com

Transaction Activity Will Continue to Slow Over the Next 18 Months Until Inflation Cools and Interest Rates Come Down



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Source: Yardi Matrix

There is Currently a Significant Multifamily Housing Deficit, But It Could Get Resolved in the Next Decade

U.S. Apartment Demand Report by NMHC & NAA

- There is currently a 600,000-unit shortfall of apartments in the U.S. due to underbuilding after the 2008 financial crisis
- The study predicts an additional 3.7 million units will be needed by 2035 to meet demand
- A total of 4.3 million units (307,000 units per year) are needed by 2035 when accounting for the current shortfall and projected demand
- Yardi Matrix projects annual multifamily unit deliveries between 400,000 and 445,000 per year through 2028
- **At the current rate of deliveries, Yardi Matrix predicts the multifamily housing deficit will not be resolved for approximately 10 years**
- The issue will resolve more quickly if proposed solutions from the NMHC and NAA are implemented:
  - Streamlining entitlement process
  - Expediting approvals for affordable units
  - Providing density bonuses for projects with affordable components
  - Passing tax abatements to rehab older housing
  - Adopting strategies to leverage use of underused land

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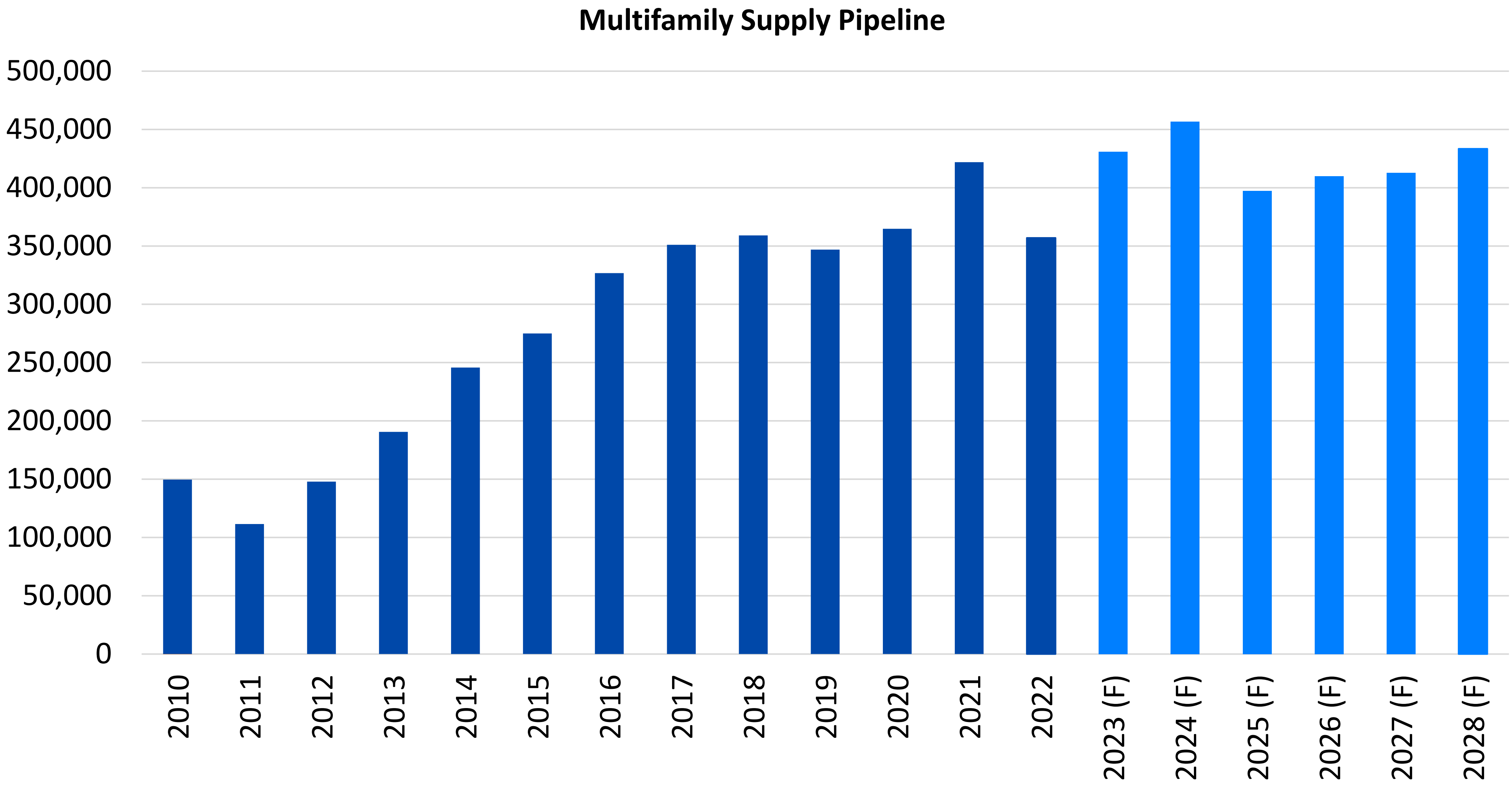
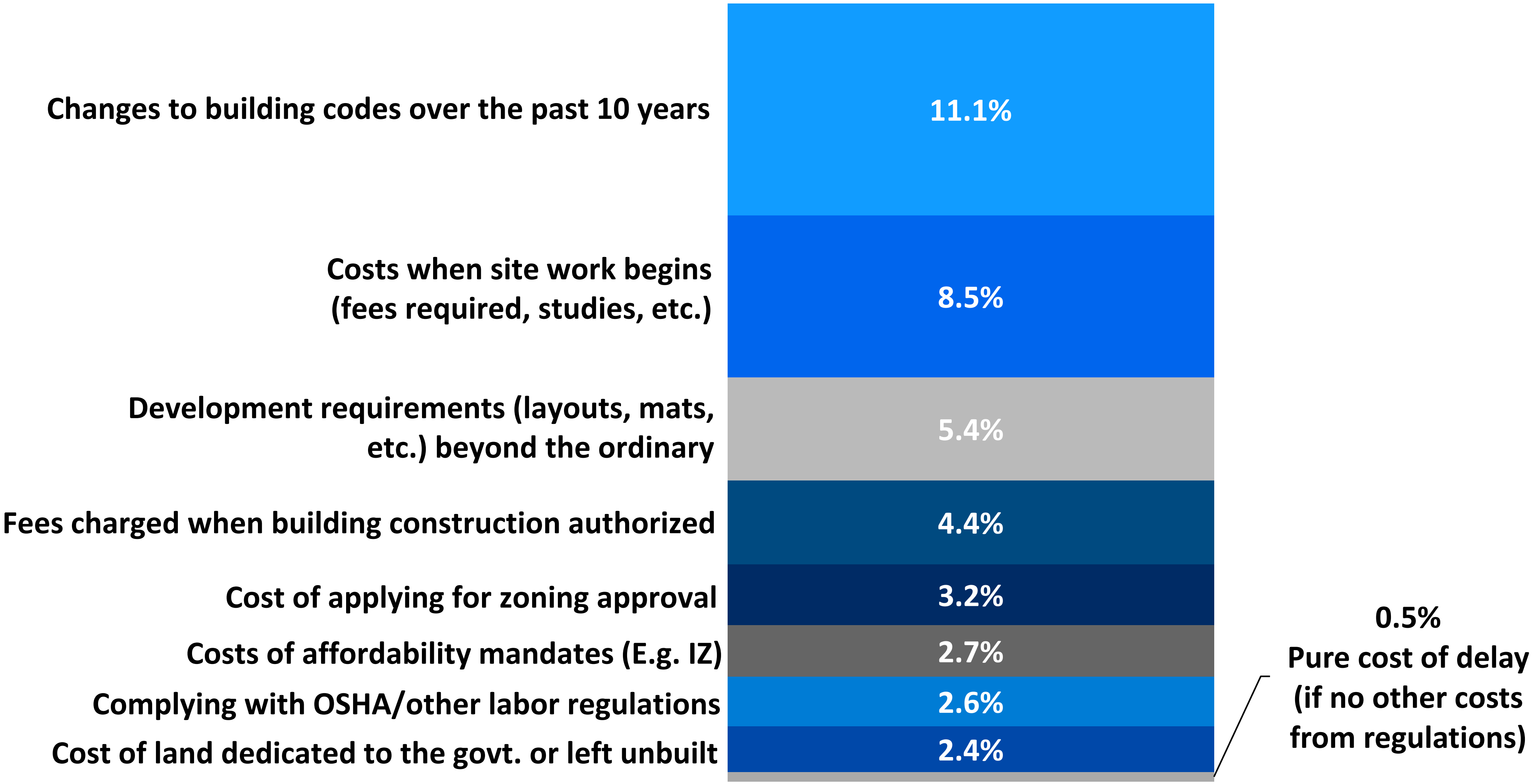
Source: Yardi Matrix; National Multifamily Housing Council; National Apartment Association

New Multifamily Supply is Expected to Stabilize



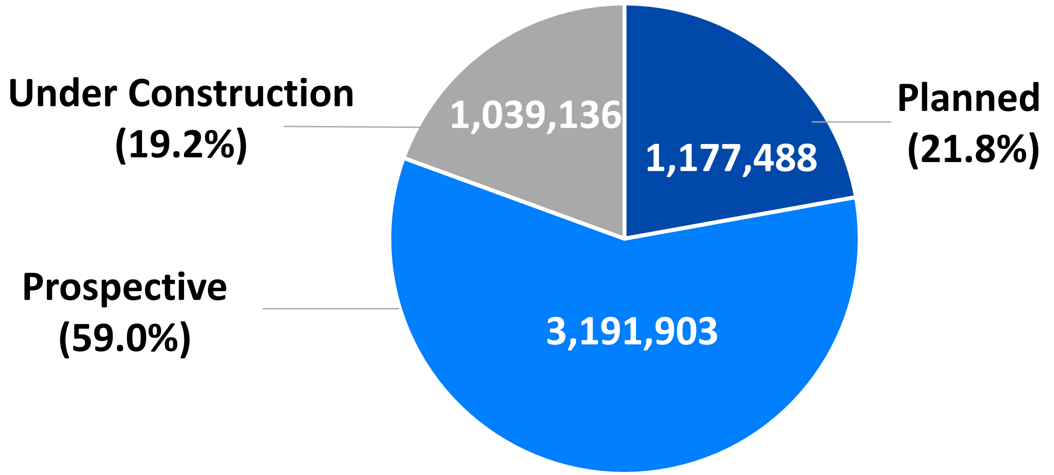
Source: Yardi Matrix

Regulations Account For 40% Of Multifamily Development Costs, Inhibiting Sufficient New Supply Growth



Source: Yardi Matrix; NMHC, NAHB, "NMHC-NAHB Cost of Regulations Report"

New Supply Pipeline: Where is New Supply Concentrated?



Top 10 Markets	Units	UC as a % of Existing Stock
Port St. Lucie	3,822	24.9%
Montana	3,781	23.5%
Austin	58,693	21.6%
Colorado Springs	8,515	20.0%
Huntsville	7,299	18.3%
Miami	25,315	16.3%
Salt Lake City	18,179	15.9%
Boise	3,851	15.9%
South Dakota	4,272	15.8%
Charlotte	30,141	14.9%

Top 10 Markets	Units	Planned as a % of Existing Stock
Miami	45,245	29.1%
Asheville	6,030	28.9%
Boise	6,080	25.1%
Portland ME	3,176	21.6%
Wilmington	4,376	18.9%
Fort Lauderdale	19,629	17.2%
Raleigh - Durham	28,835	16.9%
N. New Jersey	42,005	16.5%
San Francisco - Pen	21,528	16.0%
Athens	3,429	15.8%

Top 10 Markets	Units	Prospective as a % of Existing Stock
Port St. Lucie	17,706	115.2%
Boise	20,059	82.7%
Miami	117,681	75.7%
SW Florida Coast	55,226	65.9%
Clarksville	7,718	62.1%
Wilmington	12,581	54.3%
Montana	7,619	47.4%
Raleigh - Durham	80,864	47.3%
Pensacola	18,657	46.6%
N. Central Florida	26,528	46.5%

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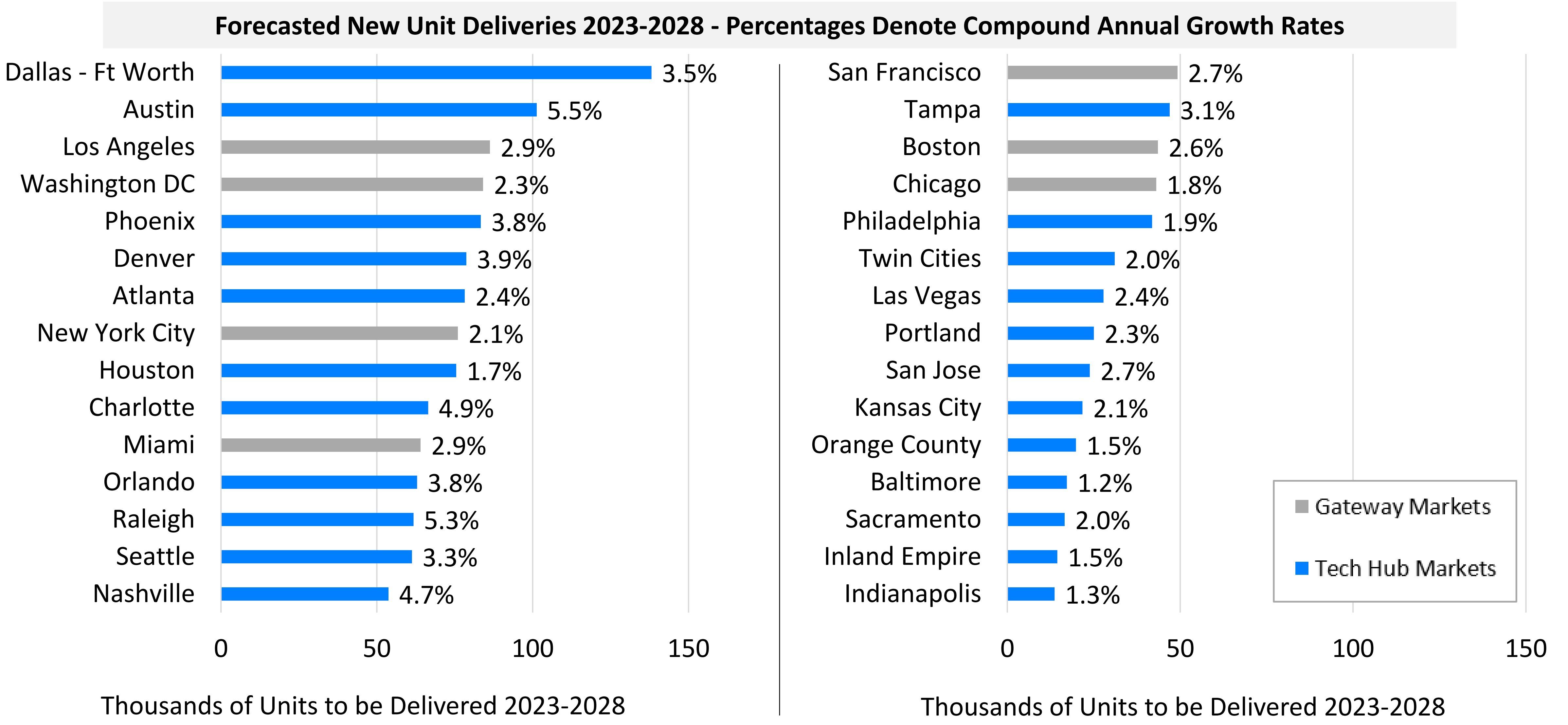
Data as of May 2023 | Source: Yardi Matrix

A Handful of Markets Still Have a Lot of Supply Coming Despite Decelerating Rents and Occupancies



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*Gateway markets have gray bars | Source: Yardi Matrix

POTENTIAL SUPPLY-DRIVEN DISTRESS MARKETS

There Will Be an Increase in Multifamily Distress, But it Will Be Limited to Certain Situations

AREAS FOR POTENTIAL DISTRESS:

- Projects in development where sponsor can’t "feed" the development process
- Newly delivered projects in high supply markets with exhausted interest reserves
- Loans that were originated too late to benefit from the jump in rents
- Short-term loans that were originated in 2020-21 at very low rates that are now being refinanced at much higher rates
    - Loans on properties in the minority of submarkets like downtown San Francisco that have worsening demand/fundamentals
    - Variable and floating rate debt
- Localized distress due to government regulations/rent control causing expenses to rise faster than income

RECENT DISTRESS IN MULTIFAMILY:

Arbor Realty Trust Foreclosed on $229M in Debt – Houston

- Four low-income multifamily properties totaling 3,200 units
- Arbor initiated the foreclosure in March after owner, Applesway Investment, defaulted on its mortgage payments

Veritas Defaults on $448M CMBS Loan – San Francisco

- CMBS loan secured by 62 multifamily properties totaling more than 1,700 units
- Result of spiraling cost of debt, the pandemic’s impact on the metro, increased city regulation, increased taxes, more pandemic impacts and the rising cost of doing business in the metro

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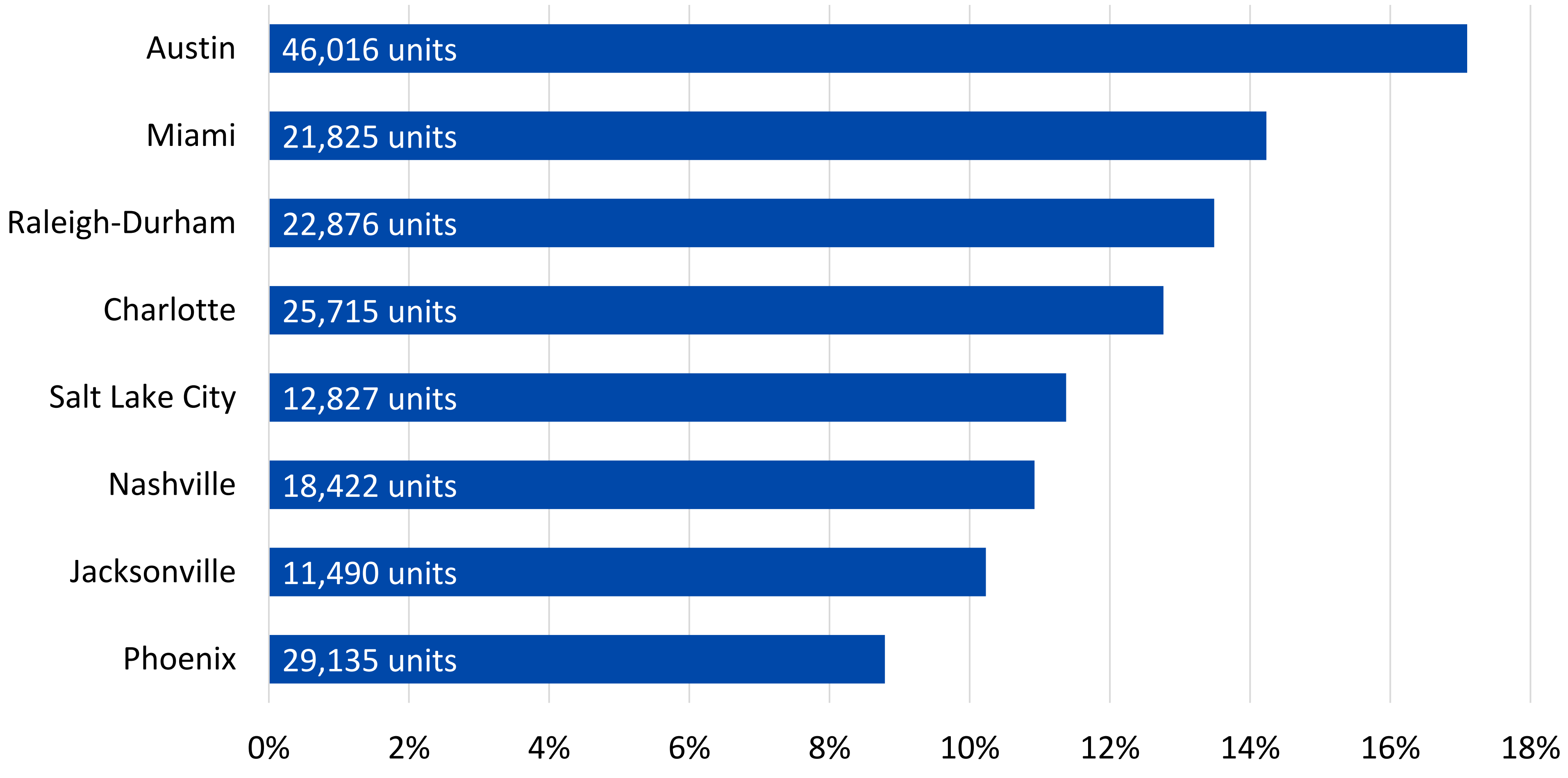
Source: Yardi Matrix; globest.com; therealdeal.com

ONLY A FEW MARKETS HAVE POTENTIAL FOR SUPPLY DRIVEN DISTRESS IN '23-'24

AUSTIN	NASHVILLE
CHARLOTTE	PHOENIX
JACKSONVILLE	RALEIGH-DURHAM
MIAMI	SALT LAKE CITY

These Markets are Forecasted to Have an Influx of New Supply as a Percent of Existing Stock in the Near-Term

Forecasted New Unit Deliveries as a % of Stock 2023-2024



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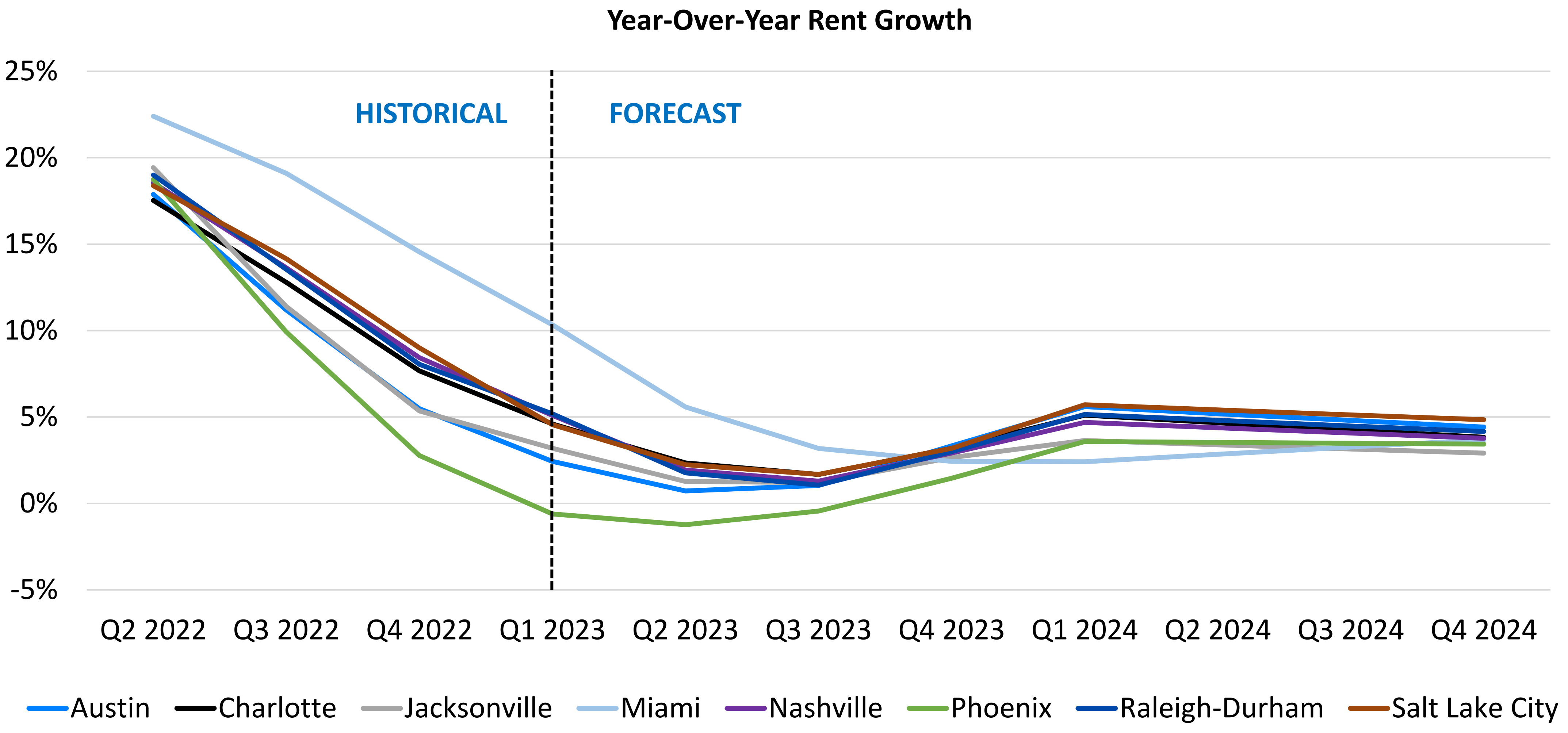
Source: Yardi Matrix

Rents are Forecasted to Decelerate, Then Moderately Increase Over the Next Couple Years



Source: Yardi Matrix

General Overview of Lease-Up Properties in High-Supply Markets

Metro	Properties in Lease-Up	Units in Lease-Up	Avg Units Absorbed per Month	Current Percentage Preleased	Avg. Rent Per Sq. Ft. April 2023
Austin	42	11,939	14.3	34.5%	$2.23
Charlotte	29	6,874	14.4	39.6%	$1.88
Jacksonville	17	4,789	9.7	27.4%	$1.90
Miami	7	2,535	41.2	36.5%	$3.18
Nashville	26	7,433	10.1	29.5%	$2.03
Phoenix	51	13,302	16.0	33.7%	$2.16
Raleigh-Durham	21	5,791	9.5	23.8%	$1.88
Salt Lake City	25	5,688	12.1	37.9%	$1.75

Data as of May 2023 | Source: Yardi Matrix

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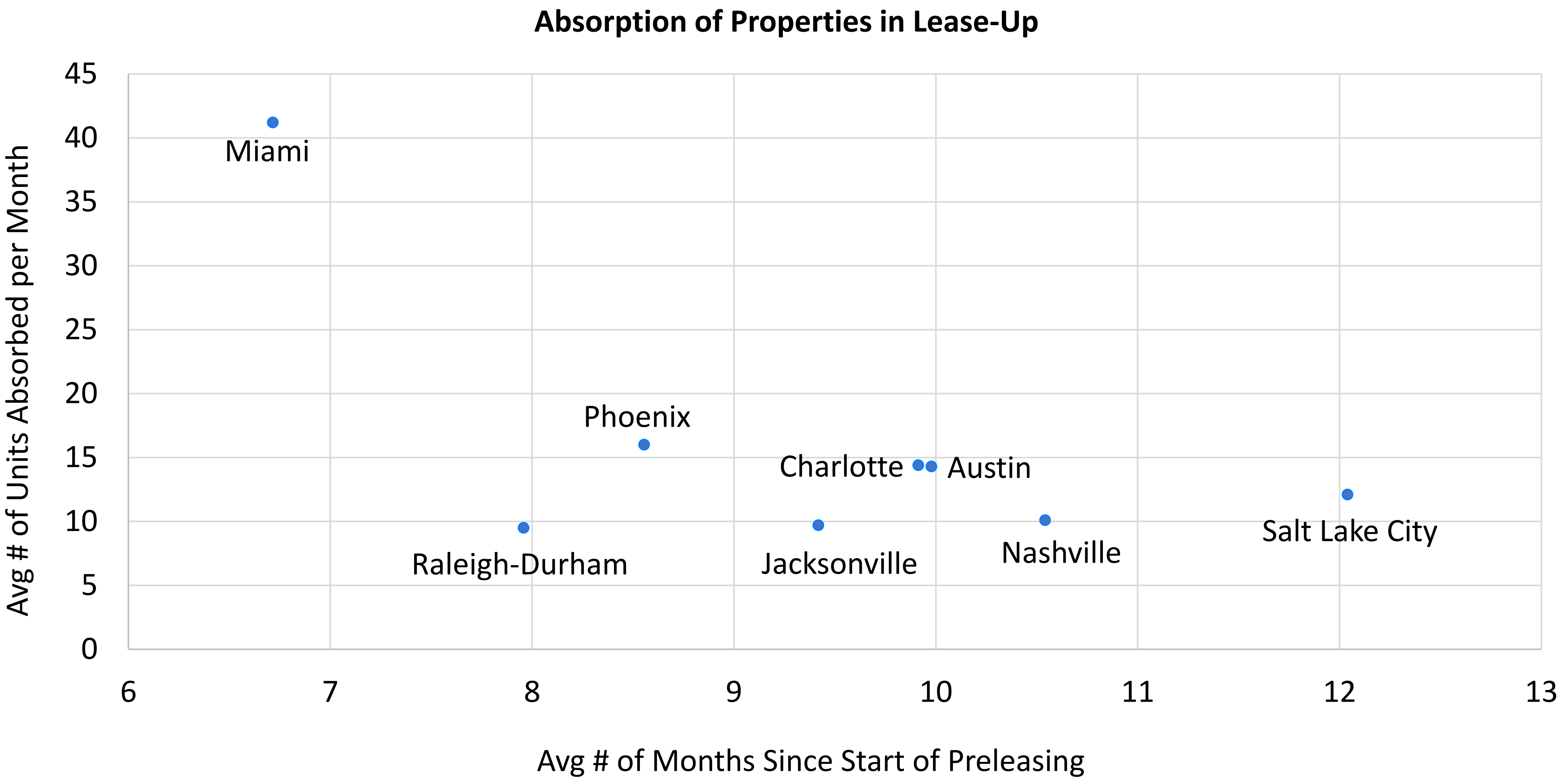
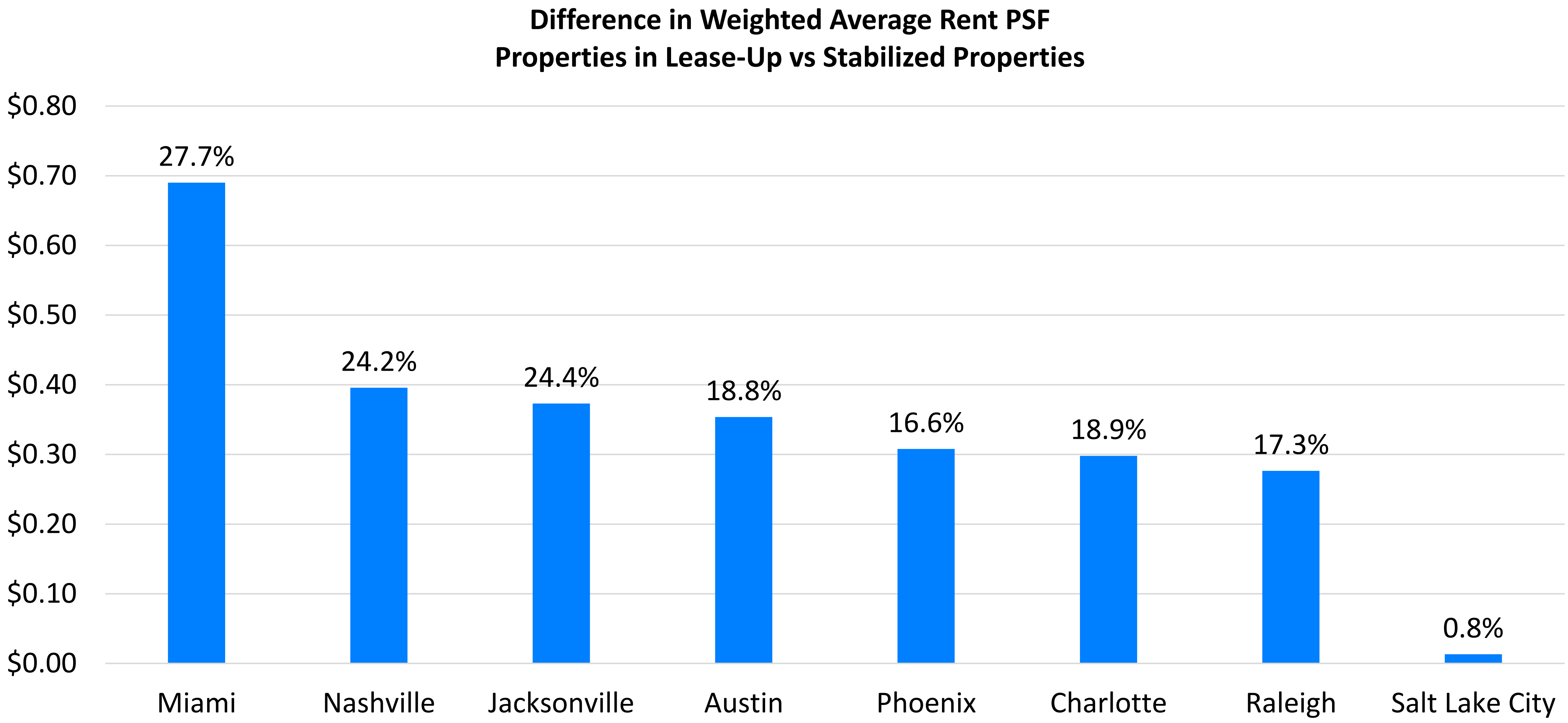
Miami Has Experienced Rapid Absorption, While Properties in Lease-Up in Salt Lake City Were Slower to be Absorbed



Data as of May 2023 | Source: Yardi Matrix

Newly-Constructed Properties in Lease-Up Charge Up to an Extra 70 Cents in Rent Per Sq. Ft. Compared to Stabilized Properties in the Same Market



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Source: Yardi Matrix

Distress Can by Found by Monitoring Construction Loans Coming Due in the Near-Term, as Well as Bridge Loans and Floating Rate Loans Originated in ‘21-’22

Market	# of Construction Loans Maturing in ‘23-’24	# of Bridge Loans Originated in ‘21-’22	# of Floating Rate Loans Originated in ‘21-’22
Austin	35	4	92
Charlotte	12	0	85
Jacksonville	4	1	39
Miami	6	2	37
Nashville	18	1	81
Phoenix	22	0	124
Raleigh-Durham	17	0	63
Salt Lake City	6	0	93

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Source: Yardi Matrix

Distress Right Now is Finding a Needle in a Haystack – There Won't Be a Lot of Properties Exposed Within These Markets

Market	Units	Improvement Rating	Location Rating	Distress Status	Est. DSCR
Austin	132	B	B-	Loan - On Watch List	1.48
Austin	282	A-	C+	Loan - On Watch List	0.84
Austin	239	B+	B-	Loan - On Watch List	1.50
Charlotte	280	B	C+	Loan - On Watch List	1.31
Charlotte	96	C+	C+	Loan - On Watch List	-
Charlotte	352	B-	B-	Loan - On Watch List	-
Charlotte	276	B	B	Loan - On Watch List	1.42
Jacksonville	173	C+	C+	Forbearance	0.95
Jacksonville	320	B-	B+	Forbearance	-
Jacksonville	64	C+	B	Loan - In Arrears	1.83
Jacksonville	168	A-	B+	Loan - On Watch List	-
Jacksonville	62	C	B	Loan - On Watch List	-
Miami	156	A-	B-	Loan - On Watch List	1.05
Miami	190	B+	C	Loan - On Watch List	1.37
Miami	79	C	C+	Loan - On Watch List	0.61
Miami	72	B+	C+	Notice to Cure	1.86
Nashville	100	B+	C	Loan - On Watch List	-
Phoenix	334	B-	B-	Loan - On Watch List	-
Phoenix	264	A-	B	Loan - On Watch List	-
Salt Lake City	437	C+	B-	Loan - On Watch List	1.85

Data as of May 2023 | Source: Yardi Matrix

What Now? Finding Opportunities

The current investment environment requires increased creativity to find potential investable opportunities, which Yardi Matrix has been designed to do:

Assumable debt = loans with 5-7 years duration left =	**3,000± properties**
Acquisitions since 2020 with 2-3 year durations =	**2,500± properties**
Floating/Variable Rate Loans =	**3,000± properties**
Construction loans maturing until 7/24 =	**400 ± properties**
Loans of GSE Watch Lists =	**300± properties**
Low estimated DSCRs (<1.05) =	**2,500± properties**

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Source: Yardi Matrix

New Yardi Matrix Report for Customers:

Single-Family Rentals in Build-to-Rent Communities

Overview of the growing single-family rental industry, covering important fundamentals for the industry on a national and market basis, including rent, occupancy, supply and transactions

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Yardi Matrix House View – Spring 2023

MACROECONOMIC UPDATE

- U.S. economic growth slowed in Q1, with GDP growth falling to 1.1%, further deceleration to come
- The Fed is still in a tightening cycle, but will slow the pace of rate increases soon, as there is a >1 yr lag to actions
- Inflationary pressures have started to cool, but remain elevated due to underlying price pressures
    - De-globalization continues
- The SVB/Signature/Credit Suisse/First Republic banking crisis is a natural consequence of financial tightening
- The labor market is tight, but showing signs of weakness at the upper end, w/ no consensus on immigration policy
- U.S. economy is slowing, yield curve (10 YR - 3 MTH) is inverted, mild recession very likely in second half of 2023

MULTIFAMILY INDUSTRY

- Multifamily fundamentals have been strong, but we expect deceleration within a seasonal uptick
- Market rotation occurring, with rent-by-necessity less impacted by new supply
- Affordability is still a key concern, with little political will to resolve and significantly more regulatory risk
- Demographic trends will keep the labor market tight, and entrenchment of hybrid work has tilted consumer budgets toward housing
- Construction financing is in short supply, and deliveries could be significantly reduced in 2025
- The supply shortage of U.S. housing is likely to last 5-10 years, supporting continued rent growth and capital appreciation
- The bid/ask spread for acquisitions remains very wide, with initial pre-distress and distress emerging
- Transactions have, and will, slow over the next 18 months until inflation moderates and interest rates come down

Source: Yardi Matrix

THANK YOU

Feel free to contact me with any questions.

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C O P Y R I G H T N O T I C E

DISCLAIMER

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