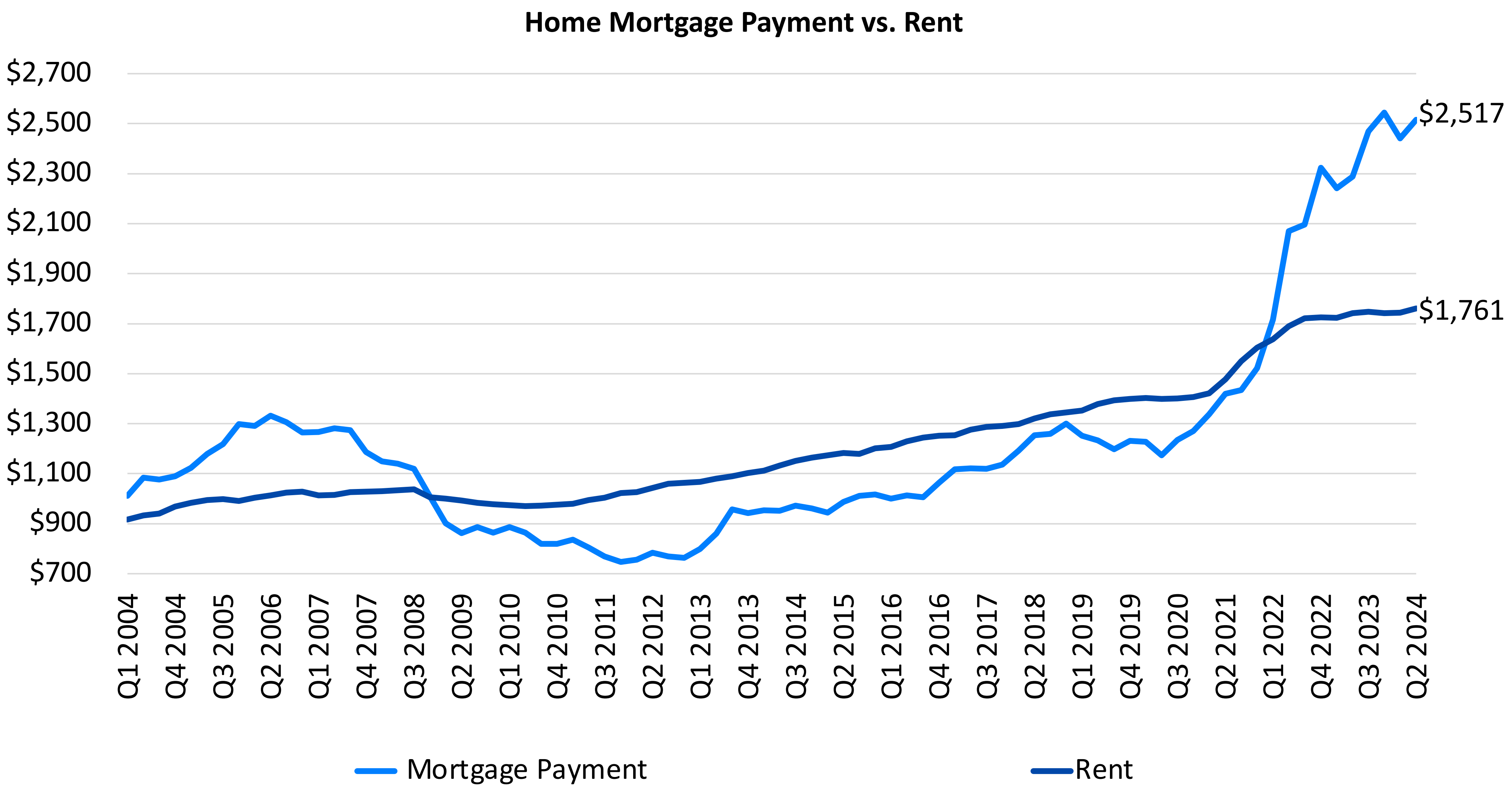
AFFORDABILITY PROBLEM & RESPONSES

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



YARDI

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

Renting is Cheaper Than Purchasing a Home by Thousands of Dollars in Nearly Half of Matrix Top Metros

Market	Mortgage Payment	Rent	Difference
San Francisco	$7,264	$2,780	$4,484
San Diego	$5,874	$2,712	$3,162
Los Angeles	$5,399	$2,597	$2,802
Seattle	$4,975	$2,189	$2,786
Denver	$4,062	$1,939	$2,123
Portland	$3,609	$1,733	$1,876
Boston	$4,374	$2,779	$1,595
Washington DC	$3,726	$2,152	$1,574
N. New Jersey	$3,996	$2,487	$1,509
Miami	$3,841	$2,455	$1,386
Las Vegas	$2,818	$1,477	$1,341
Austin	$3,000	$1,697	$1,303
Raleigh	$2,861	$1,600	$1,261
Phoenix	$2,862	$1,647	$1,215
Charlotte	$2,448	$1,607	$841

Market	Mortgage Payment	Rent	Difference
Nashville	$2,466	$1,648	$818
Orlando	$2,606	$1,834	$772
Twin Cities	$2,303	$1,534	$769
Dallas	$2,326	$1,557	$769
Baltimore	$2,429	$1,707	$722
Houston	$2,074	$1,371	$703
Kansas City	$1,965	$1,291	$674
Columbus	$1,936	$1,313	$623
Tampa	$2,432	$1,840	$592
Atlanta	$2,271	$1,685	$586
Indianapolis	$1,788	$1,301	$487
Philadelphia	$2,185	$1,751	$434
Chicago	$2,205	$1,905	$300
Detroit	$1,512	$1,273	$239

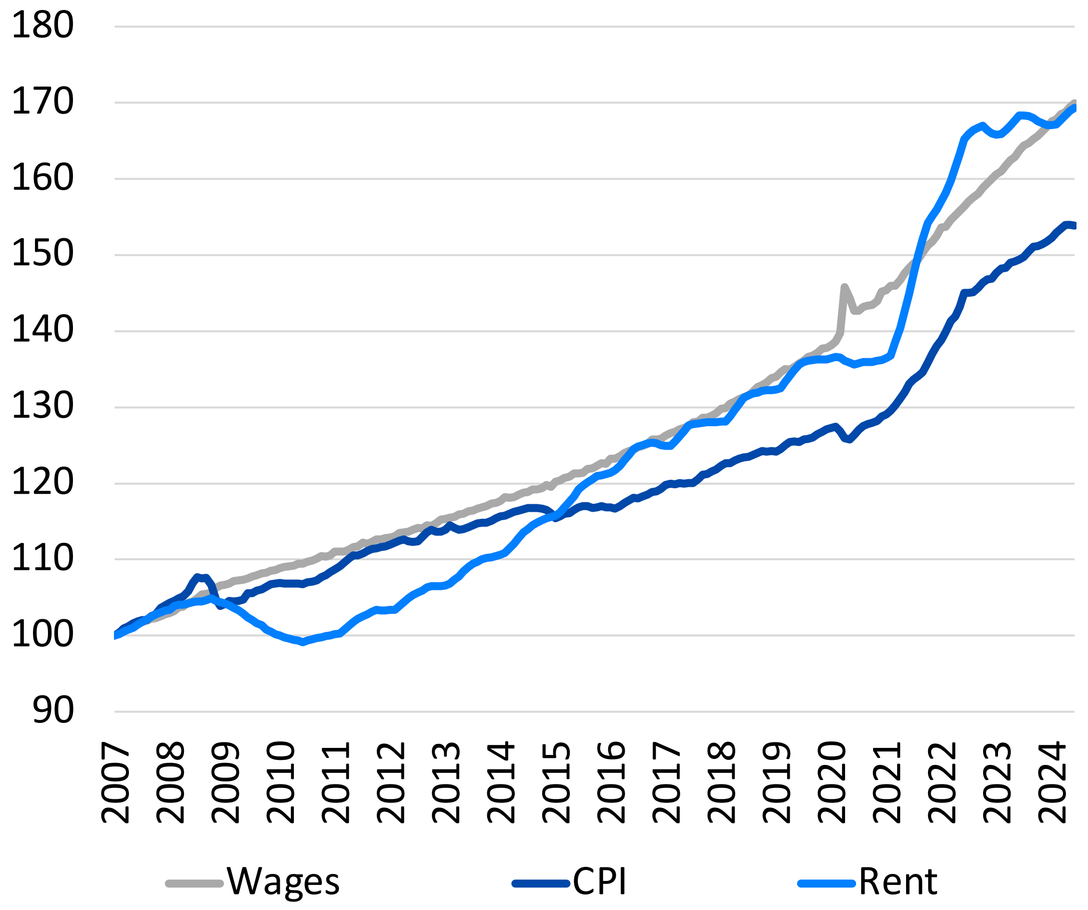
Gateway markets are bold. New York excluded from list due to significant differences between metro division and Matrix boundaries. Data as of Q1 2024

Source: Yardi Matrix; Moody's Analytics

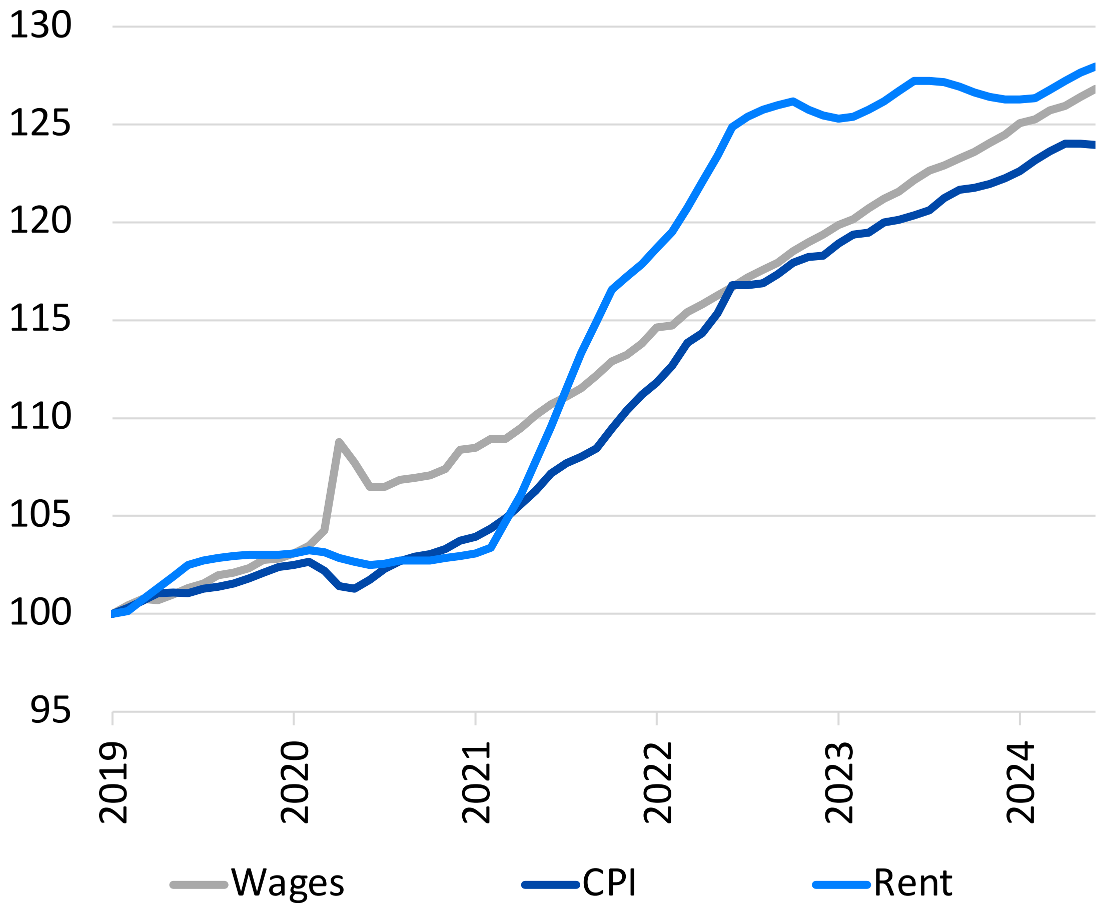
YARDI

Wage Growth Has Caught Up to Rent Growth, as Both Outpace Inflation

Average Asking Rent vs. CPI vs. Wages
2007 to Present



Average Asking Rent vs. CPI vs. Wages
2019 to Present

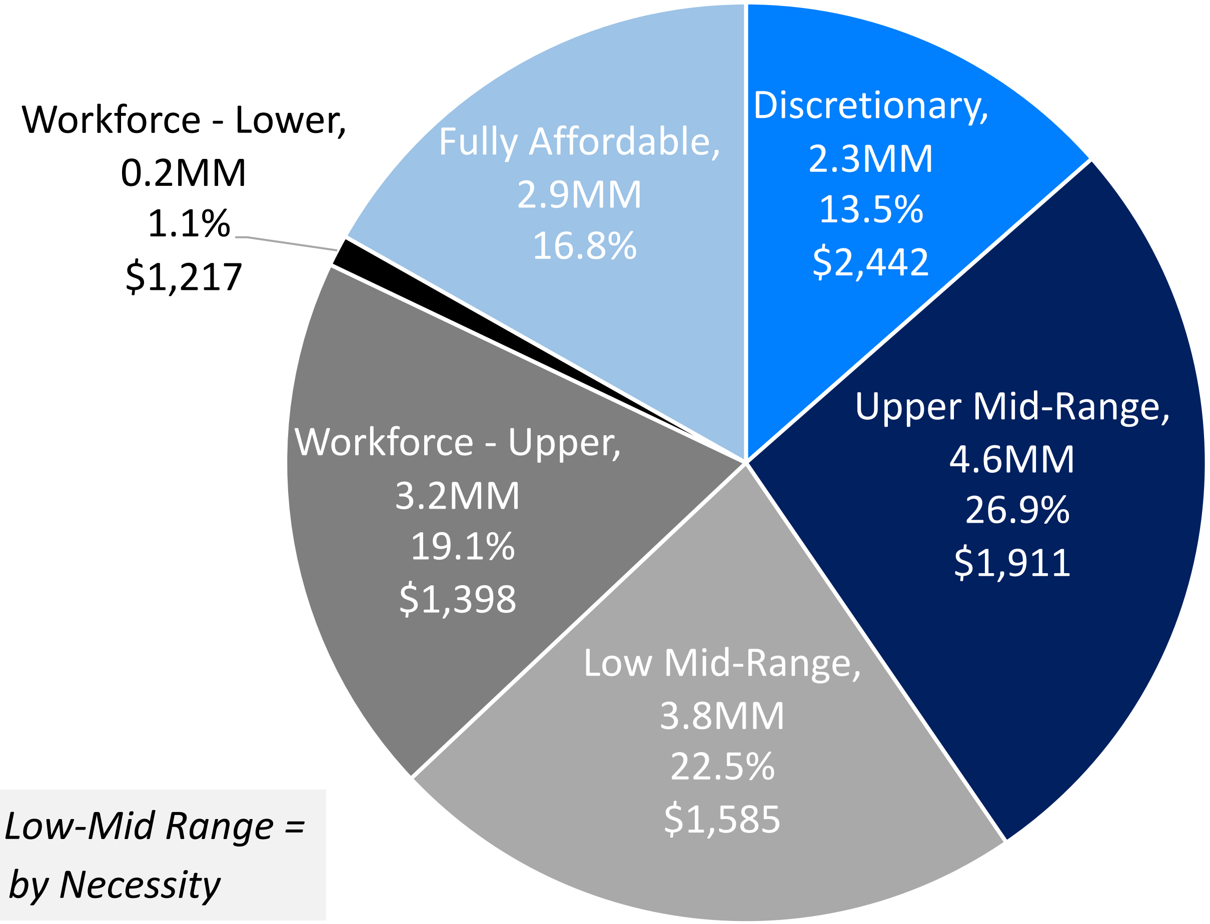


Data through June | Source: Yardi Matrix; Moody's Analytics; U.S. Bureau of Labor Statistics (BLS)

Workforce Housing Currently Comprises Approximately One-Fifth of Completed Rental Units; Half of Renter HH's are Outside the Private Market

Completed Inventory 17.0 MM: Composition By Rental Category

Units, % of Total Inventory & Asking Rent $/month



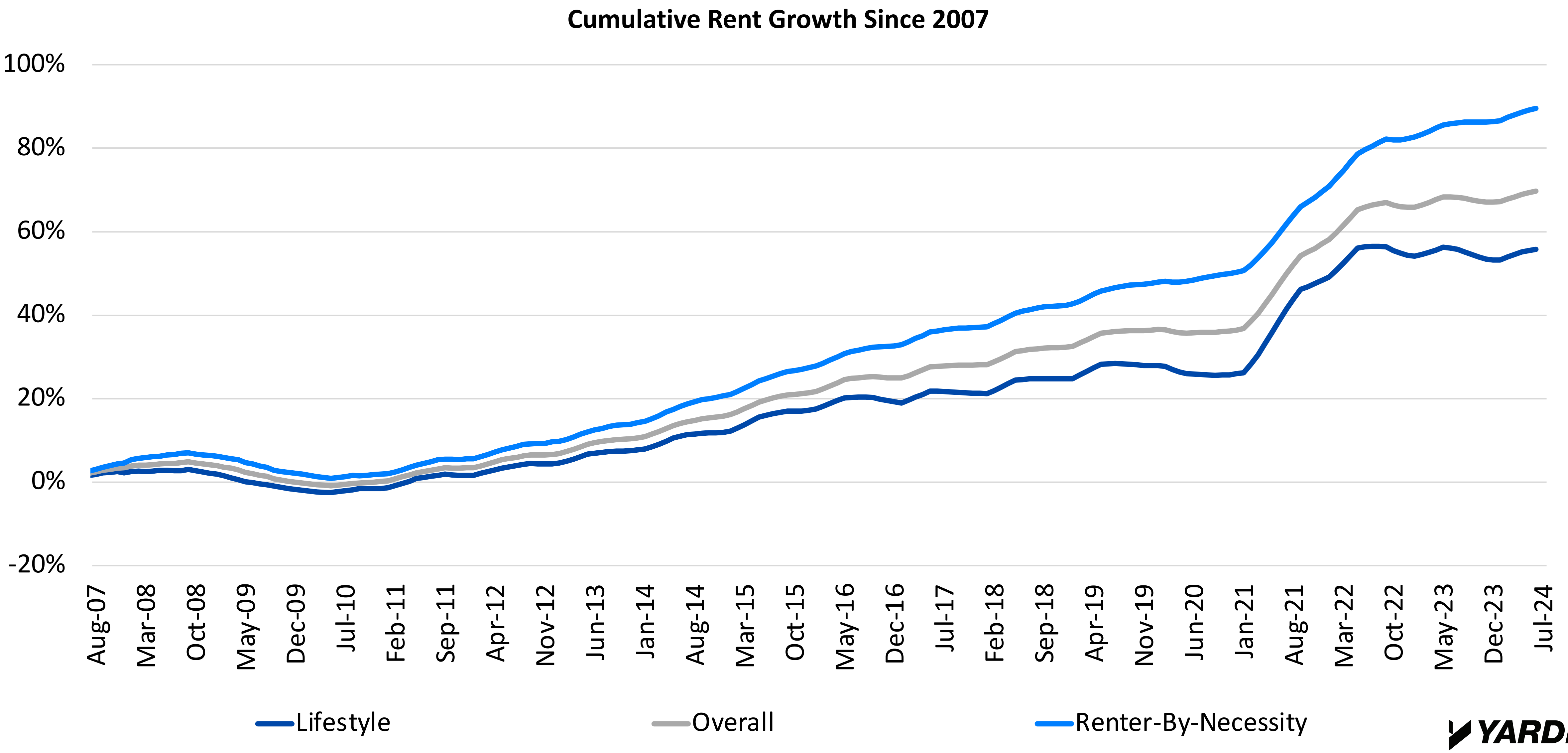
Workforce + Low-Mid Range = Renters by Necessity

Income Levels Required To Be "Affordable"	Income of Renter Household
Discretionary = $96,600/year Upper Mid-Range = $76,104/year	>$75K: 30%
Low Mid-Range = $63,212 Workforce - Upper = $55,662	$50-$75K: 18%
	$35-$50K: 13%
	$20-$35K: 16%
	<20K: 23%

YARDI

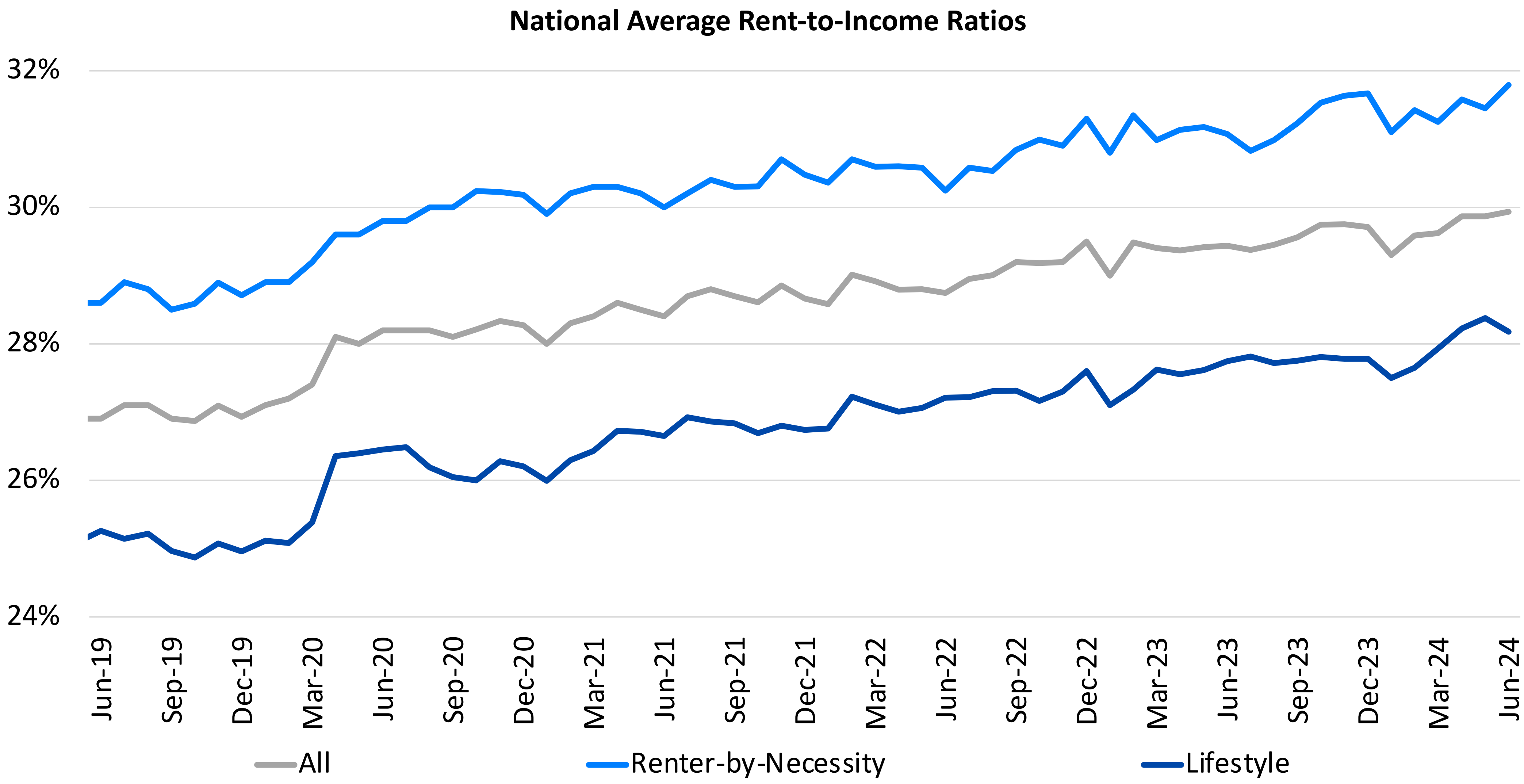
Supply data as of August 2024. Average rent as of July 2024 | Source: Yardi Matrix; NMHC Income Data

Renter-By-Necessity Properties Saw the Largest Cumulative Increases in Rents Post-Pandemic



Source: Yardi Matrix

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



YARDI

Source: Yardi Systems Screening Data

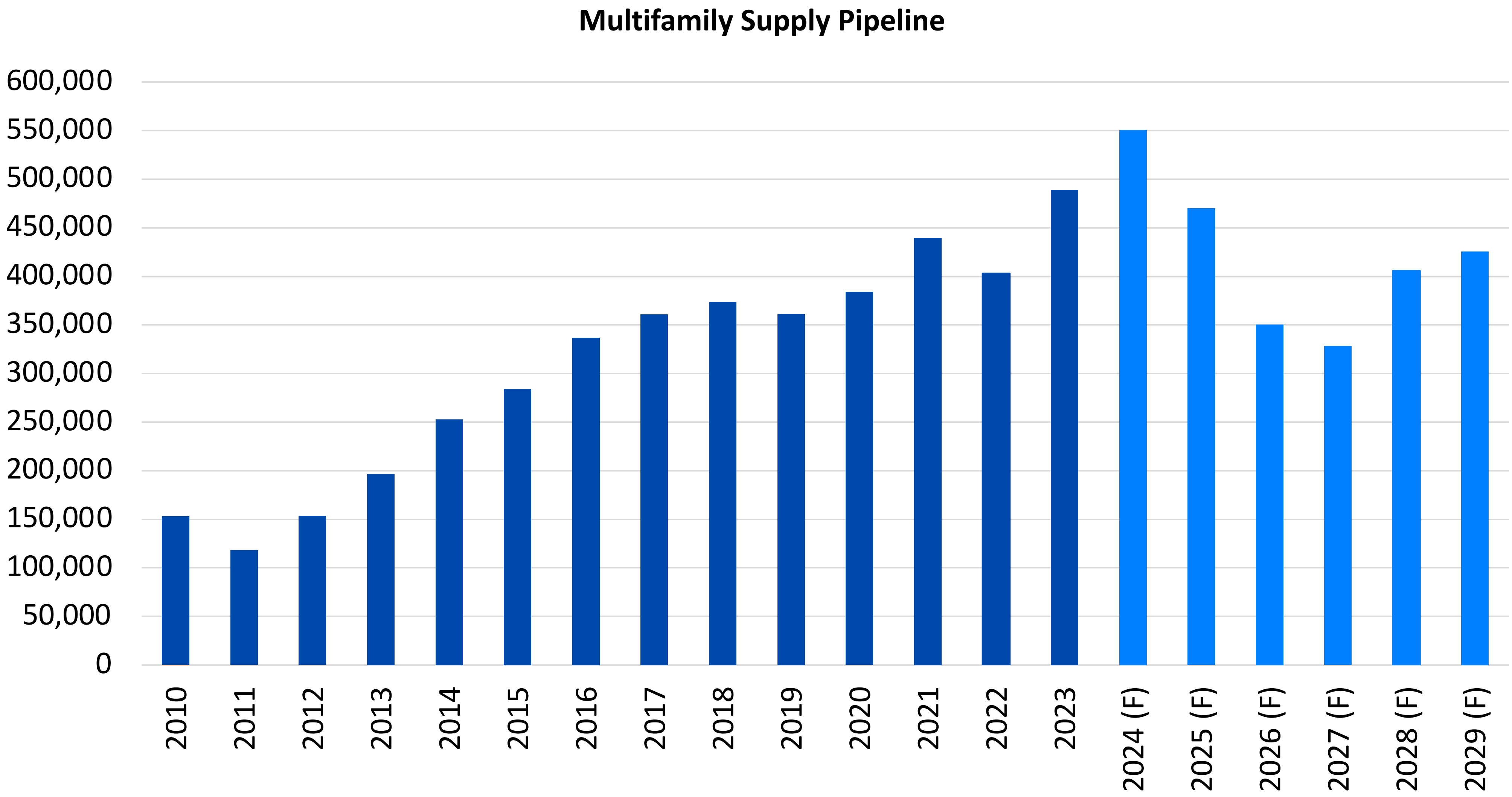
High Rent-to-Income Ratios at the Lower-End Put Pressure on Those Already Cost Burdened

	Lifestyle Units			Renter-by-Necessity Units		
Market	**June 2023**	**June 2024**	**Change**	**June 2023**	**June 2024**	**Change**
Pensacola	27.8%	29.6%	1.8%	35.3%	53.0%	17.7%
Worcester - Springfield	18.8%	27.1%	8.3%	31.9%	50.4%	18.5%
Chattanooga	25.5%	24.9%	-0.6%	38.8%	49.1%	10.4%
McAllen	0.0%	62.6%	62.6%	25.5%	47.0%	21.5%
Memphis	27.4%	29.0%	1.6%	38.1%	42.5%	4.4%
Northern New Jersey	26.0%	25.9%	-0.1%	35.3%	41.8%	6.5%
Long Island	35.4%	30.7%	-4.7%	45.3%	41.3%	-4.0%
New York	33.6%	32.5%	-1.1%	38.4%	40.6%	2.2%
White Plains	25.4%	24.0%	-1.4%	33.0%	40.3%	7.2%
Bridgeport - New Haven	25.5%	30.7%	5.1%	35.1%	39.8%	4.7%
San Diego	31.9%	31.7%	-0.2%	38.3%	39.6%	1.3%
Boston	27.0%	29.9%	2.9%	31.7%	38.8%	7.1%
Central Coast	30.8%	30.6%	-0.2%	40.9%	38.2%	-2.7%
Los Angeles	31.1%	28.4%	-2.7%	34.8%	37.6%	2.8%
Sacramento	30.4%	29.1%	-1.3%	40.5%	37.5%	-3.0%

YARDI

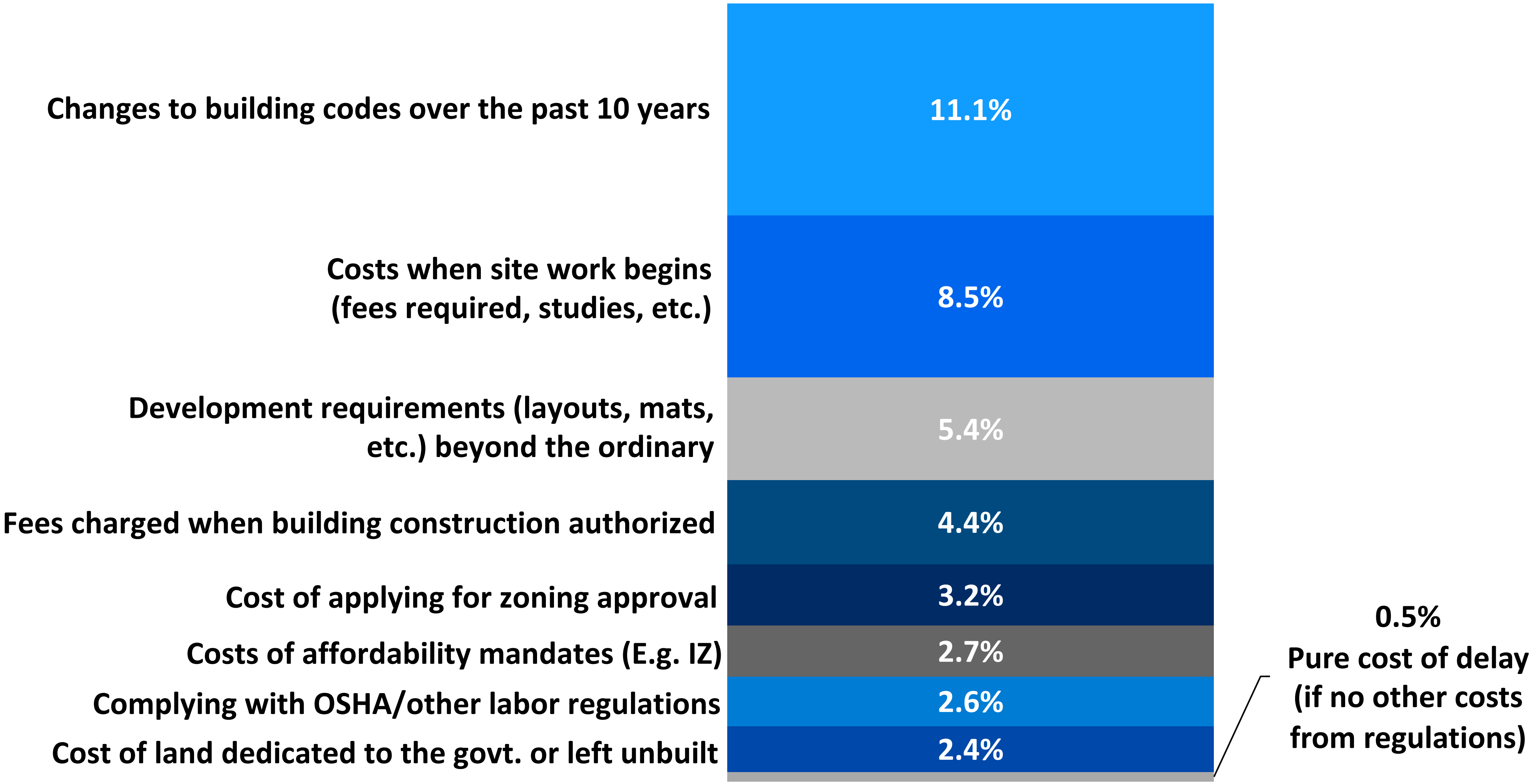
Sorted by Renter-by-Necessity June 2024 (%) | Source: Yardi Systems Screening Data

New Multifamily Supply is Expected to Decline After 2024's Peak



Inventory forecast includes single-family rentals and affordable housing and excludes student housing | Source: Yardi Matrix

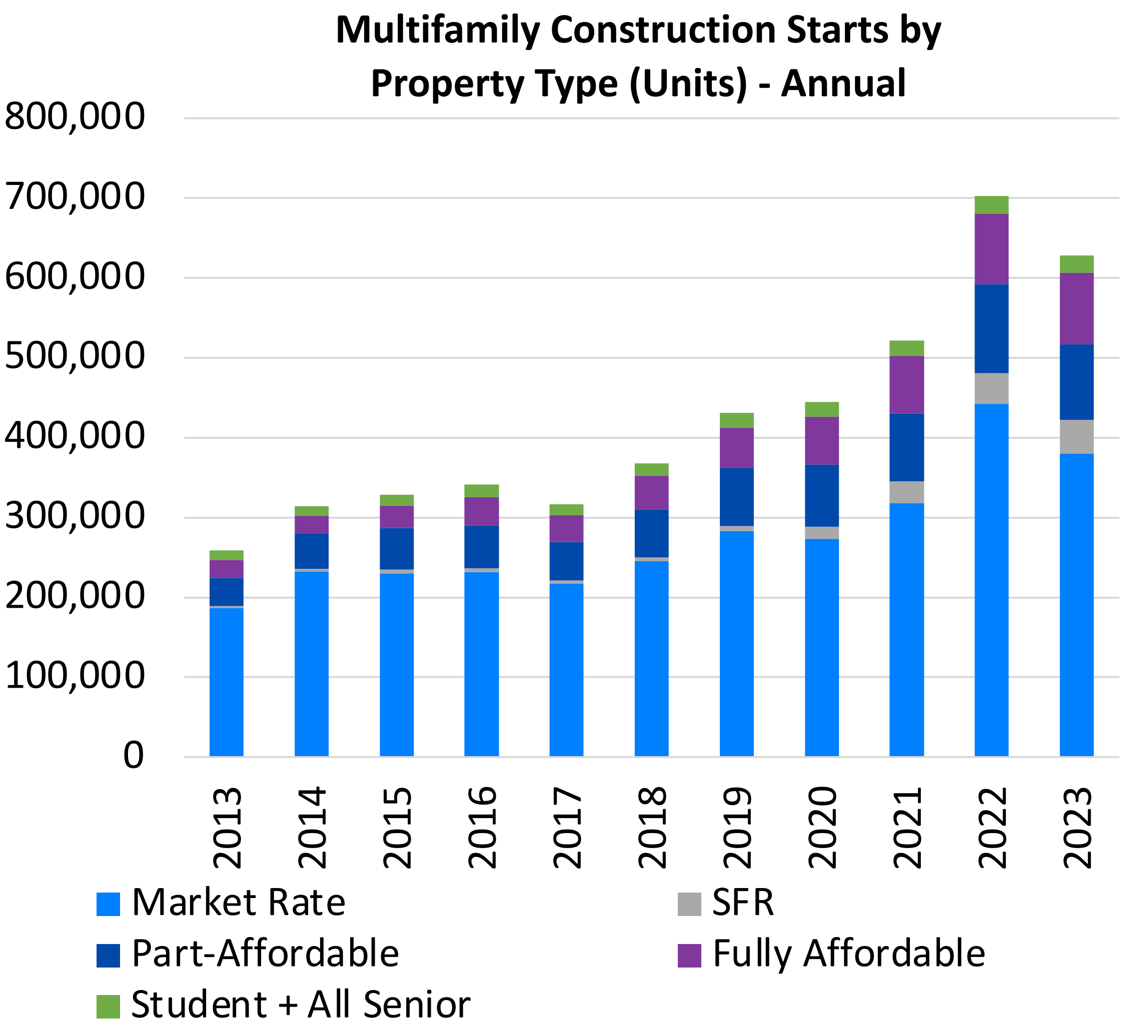
Regulations Account for 40% of Multifamily Development Costs, Inhibiting Sufficient New Supply Growth

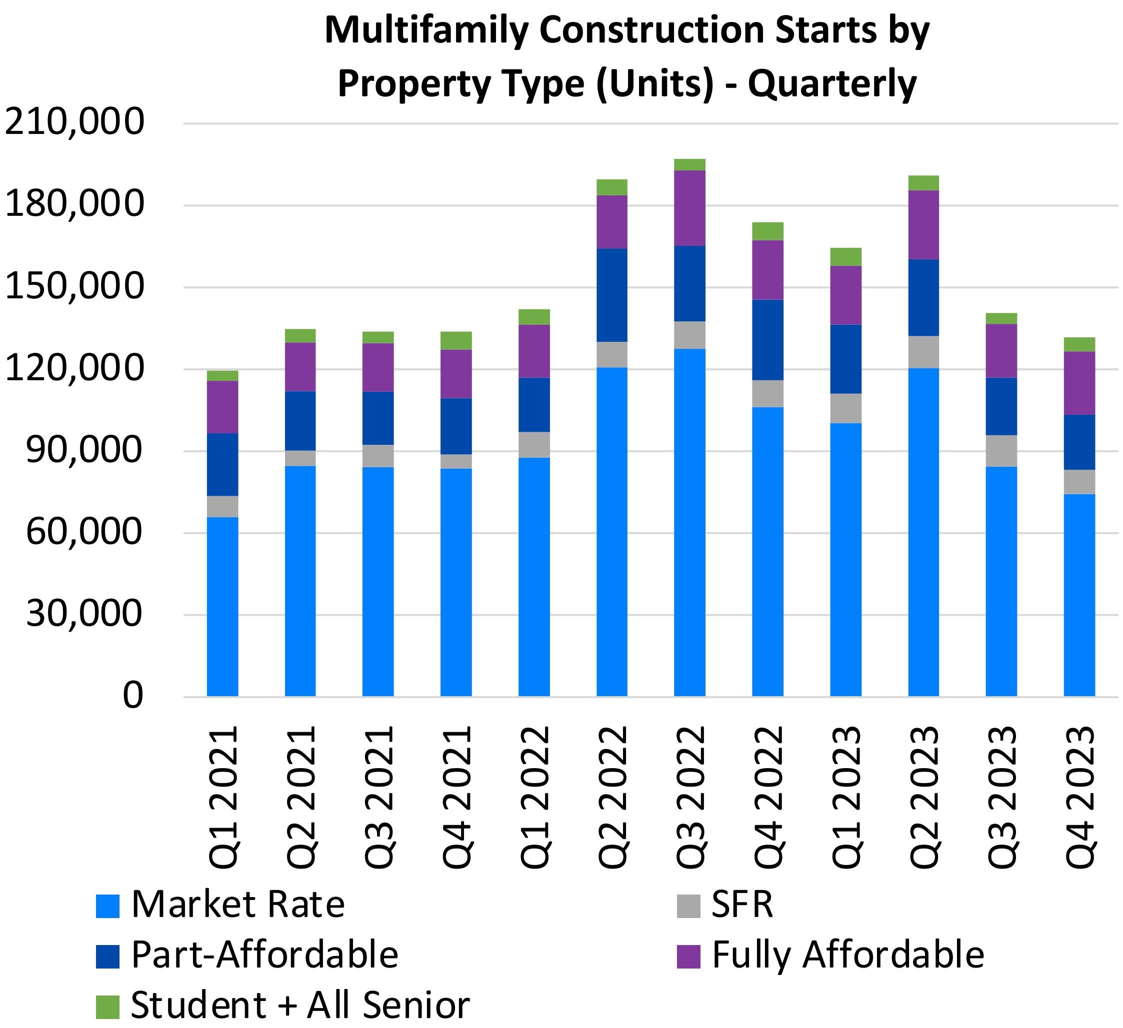


YARDI

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

Total Starts Have Slowed Since 2022, but Affordable Has Slowed to a Lesser Degree Than Other Property Types

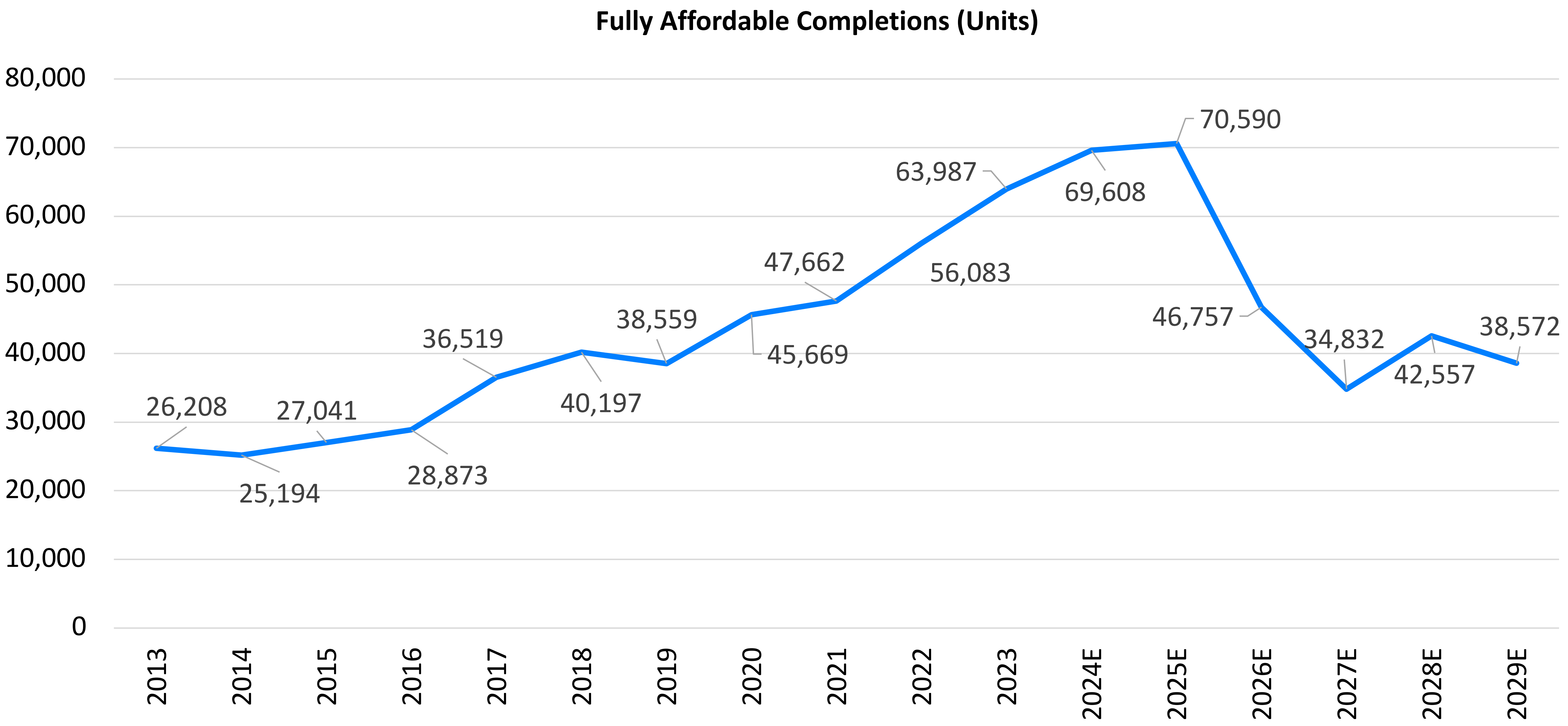




YARDI

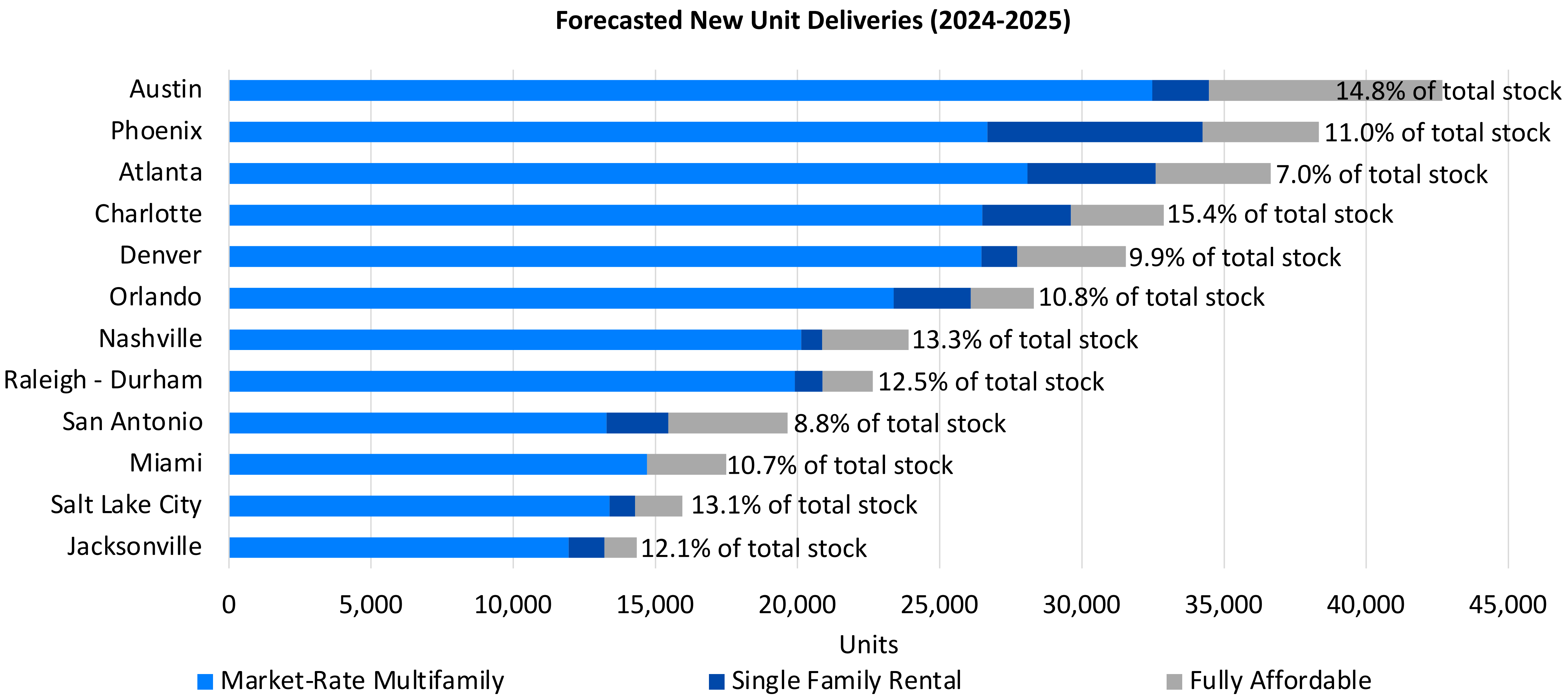
Source: Yardi Matrix

Deliveries for Fully Affordable Units Are Projected to Peak Next Year Before Significantly Dropping in the Years to Come, Unless Something Changes



Source: Yardi Matrix

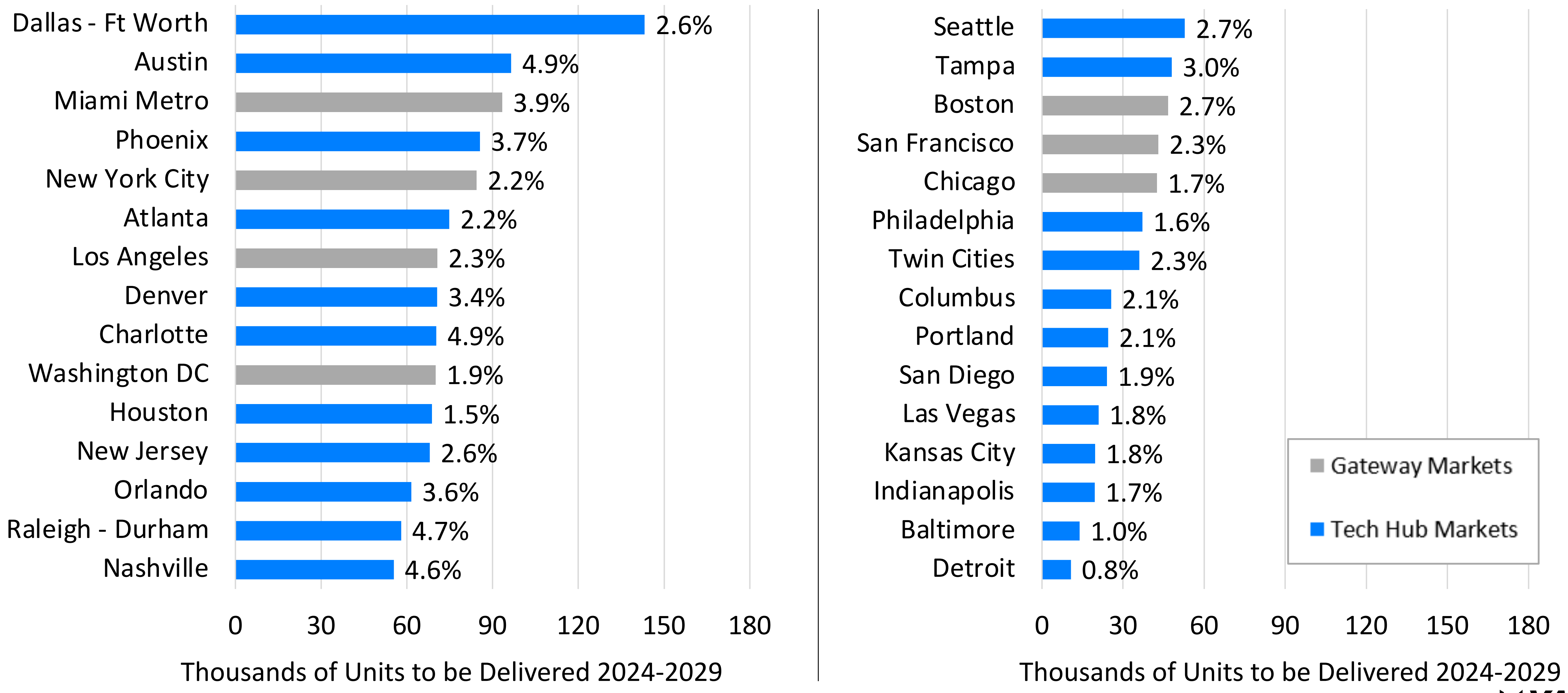
Affordable New Supply is Still a Small Portion of Overall New Supply



Data as of July 2024 | Source: Yardi Matrix

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

Forecasted New Unit Deliveries 2024-2029 - Percentages Denote Compound Annual Growth Rates



YARDI

Supply includes market-rate, fully affordable and single-family rental units | Gateway markets have gray bars. Data as of July 2024 | Source: Yardi Matrix

Responses to Affordability

MARKET RESPONSES TO AFFORDABILITY

1) Co-living – Minor Impact

2) Short-term Rentals – Minor Impact
   a) Airbnb Sublet Deal with Apartment Landlords

3) Conversions – Small Nationally, Relevant Locally
   a) Office to Apartments
   b) Hotels to Apartments

4) BUILD! – But cost to build must be reduced

PUBLIC POLICY RESPONSES TO AFFORDABILITY

1) Curtail Demand – Slow Economic Growth & Household Formation

2) Encourage Supply – Market Rate, Partial AFF, Fully AFF
   a) Zoning Reform – State & Local
   b) Tax Incentives – State
   c) Tax Incentives – Federal
      i. Maintain LIHTC – $25B between 9% and 4% Tax Credits for <=60% AMI Households
      ii. Expand to 60-100% of AMI – Workforce Housing Tax Credit Proposal

3) Federal – Explicitly Cross-Subsidize Certain Populations
   a) Housing Choice Budget already $32B
   b) Project Based Sec 8 Budget already $16B
   c) HUD Budget Flat in 2025

4) Regulate/Suppress Market Forces: Rent Control, etc.
   a) New York, Calif, Oregon- never works

Source: Yardi Matrix

New Office-to-Multifamily Conversion Feasibility Index

Office-to-Multifamily conversion feasibility index based on the following rating criteria for existing office properties:

Rating Criteria:
Walkability
Year Built
Building Dimensions
Square Footage
Floor Shape
Primary Use Sub-Type
Accessibility
Ceiling Height
Green Building
Number of Stories

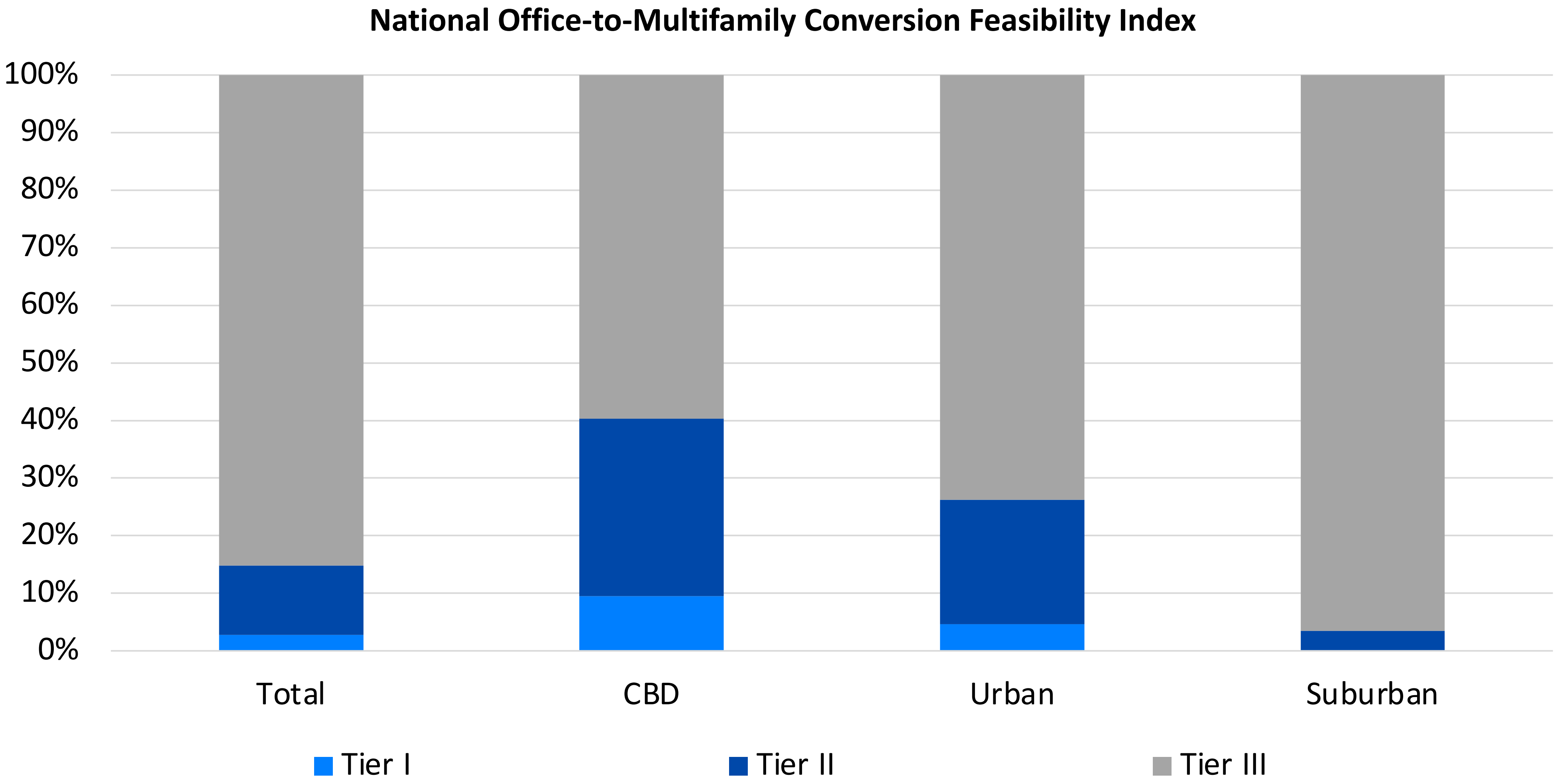
Each existing office property was rated Tier 1, Tier II or Tier III:

Rating Definitions:
Tier I - Top Conversion Candidate
Tier II - Quality Conversion Candidate
Tier III - More Difficult Conversion Candidate

YARDI

As of July 2024 | Source: Yardi Matrix; CommercialEdge

About 3% of Office Space Nationwide Are Tier I Candidates for Multifamily Conversion, with a Concentration of Those Properties in CBDs



As of July 2024 | Source: Yardi Matrix; CommercialEdge

Large, Expensive Markets (Manhattan, San Francisco) Have a Lot of Tier I and Tier II Office Space Prime for Conversion

Market	Tier I % of Total Sq. Ft.	Tier II % of Total Sq. Ft.	Tier III % of Total Sq. Ft.
Manhattan	16.8%	36.3%	46.8%
San Francisco	6.2%	19.6%	74.2%
Los Angeles	4.4%	20.3%	75.3%
Chicago	4.1%	14.5%	81.5%
Portland	4.0%	14.8%	81.2%
Miami	3.7%	12.4%	83.9%
Philadelphia	2.8%	12.5%	84.7%
National	**2.7%**	**12.1%**	**85.2%**
Detroit	2.4%	13.4%	84.1%
Seattle	2.4%	12.7%	84.8%
Boston	1.9%	9.9%	88.1%
Twin Cities	1.5%	9.4%	89.0%
Washington, D.C.	1.5%	12.8%	85.7%

Market	Tier I % of Total Sq. Ft.	Tier II % of Total Sq. Ft.	Tier III % of Total Sq. Ft.
Nashville	1.1%	6.1%	92.7%
Atlanta	1.1%	5.1%	93.8%
San Diego	1.0%	6.4%	92.6%
New Jersey	0.9%	7.1%	92.0%
Bay Area	0.8%	4.8%	94.4%
Denver	0.7%	11.4%	87.9%
Houston	0.7%	8.0%	91.3%
Charlotte	0.7%	4.4%	94.9%
Dallas - Fort Worth	0.5%	5.9%	93.6%
Austin	0.4%	4.2%	95.4%
Phoenix	0.2%	3.3%	96.5%
Orlando	0.2%	3.3%	96.5%
Tampa	0.1%	5.2%	94.7%

Top 25 office markets. As of July 2024 | Source: Yardi Matrix; CommercialEdge

Office-to-Affordable Housing Conversion: Denver Tech Center

The 4340 S. Monaco St. office building will transform into 143 affordable apartments for tenants making between 30% and 70% of the area median income

- **Property details:** Four stories; 124K SF; 13 acres; built in 2001; vacant for six years
- **Location:** the Southmoor Park neighborhood near the Denver Tech Center; west of I-25; situated on the edge of the metro area's largest employment centers
- **Developer:** Shea Properties (this will be the company's first office-to-apartment conversion)
- **The project:** 143 apartments ranging from studios to four-bedroom units; a game room; a fitness center; laundry; storage; completion slated for 2026
- **Financials:** The project has secured $6M from private activity bonds; the developer has also submitted an application to the Colorado Housing and Finance Authority for federal and state tax credits for additional funding
- **Other details:** The plan faced opposition from leaders nearby in the affluent neighborhoods of Cherry Hills and Greenwood Village, but the Denver City Council unanimously approved the project in August

Yardi Matrix

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

States & Localities Have a Large Number of Tools to Increase Affordable Housing

Subsidized Housing Can be Viewed as an Infrastructure Item, Enabling Lower Skilled Labor to Support High Skills Economies

There's a Wide Range of Tools Available to Facilitate Production and Preservation:

- Money
  - Hard Equity/Cash Grants
  - Soft Equity – Tax Credits
  - Soft Debt – Shared Appreciation Notes;
    - Credit Enhancement/Subsidized Debt
  - Operating Subsidy – Housing Vouchers
  - Tax Relief – Property & Sales Tax
  - Subsidized Utilities

- Land
  - Zoning & Density – Both Vacant and Repurposed (Offices, H/Motels, Municipal, Industrial)
  - Trunk Infrastructure
  - Site Infrastructure

Source: Yardi Matrix

States & Localities Could Do a Lot More to Increase Housing Production

The Current Process is 5+ Years, and Requires Funding by Private/Non-Profit Developers

Soft (but Real) Costs: Time & Uncertainty – Cut Time from 5 to 2 years, reduce uncertainty:

- **Zoning Process – Currently takes ~2 years**
  - Change to By-Right Zoning, with Preference to Affordable/Partially Affordable Housing
  - Align with Preapproved HUD QCT/DDA Tax Credit Bonus Areas (Qualified Census Tract/Difficult Development Area)
  - Real Estate Tax Exemptions – Subsidized Housing is " Public Good"; Tax Exemptions ALONE will not be sufficient
- **Permitting – Currently takes ~2 years**
  - Change to Enable Pre-approved Permitted Housing Product Designs
  - Expand 30-day "War Room" all department process – stop paper shuffling
- **Tax Credit/Public Activity Bond Application Process – Currently takes at least 1 year, often multiple years**
  - Staff to Process Tax Credit/PAB Applications is expensive
  - Change Process Create Multiple application rounds each year
  - Prioritize QCT/DDA sites
  - Harmonize State and Local Agency Requirements
- **Reduce Revenue Realization Uncertainty**
  - Preclude Changes to Rent Adjustment Process – (fixed formula that requires a 2/3 majority of state/locality to override
  - Local modifications that suppress rent adjustments reduce values (i.e. HUD suppresses AMI change to 6%)

Source: Yardi Matrix

Average AMI (Area Median Income) Percent Metric

Number of Units	304
Address	14115 North Highway 183 Austin, TX 78717
Website	View
Market	Austin
Submarket	3 - Cedar Park
Phone	
Improvements Rating	
Location Rating	
Location Class	
Completion Year	
Average AMI Percent	71%

Property Unit Breakdown

Collapsed | Expanded ☐ Include Bedroom count and rates

Unit Type	Unit		Actual Rent
	Count	% of Total	Per Unit
One Bedroom	217	71.38%	$1,631
Two Bedroom/One and Three Quarter Bath	87	28.62%	$2,133
	304	**100.00%**	**$1,775**

Owner Groups
Security Properties
Bob Krokower
(206) 622-9900
701 5th Avenue #5700 Seattle, WA 98104

Manager Groups
Security Properties Residential
Tali Reiner
(206) 787-8481
701 5th Avenue #5700 Seattle, WA 98104

"Affordability" is defined as housing costs that consume 30% of gross household income

Actual rents are used to determine the AMI level where housing costs would be considered affordable

On average, the rents at this property are "affordable" to households earning 71% of the county's Area Median Income (AMI)

Source: Yardi Matrix

Austin's Affordable Housing is Highly Competitive with Conventional Multifamily

The AMI percentile where rent equals 30% of income, the affordability standard

Average AMI Percent for each asset class minus the Average AMI Percent for Fully Affordable

Grouping Title	Average AMI Percent	Total Units	% Stock by Unit	AMI % Premium to Affordable	Competitive w/ Affordable
Discretionary (A+, A)	78%	64,765	23%	20%	-
Upper Mid-Range (A-, B+)	67%	129,044	46%	9%	46%
Low Mid-Range (B, B-)	54%	56,338	20%	-3%	20%
Workforce - Upper (C+, C)	51%	14,347	5%	-6%	5%
Fully Affordable - Private Sector	57%	14,393	5%	-	-
Total/Average	59%	278,887	100%	-	**~72%**

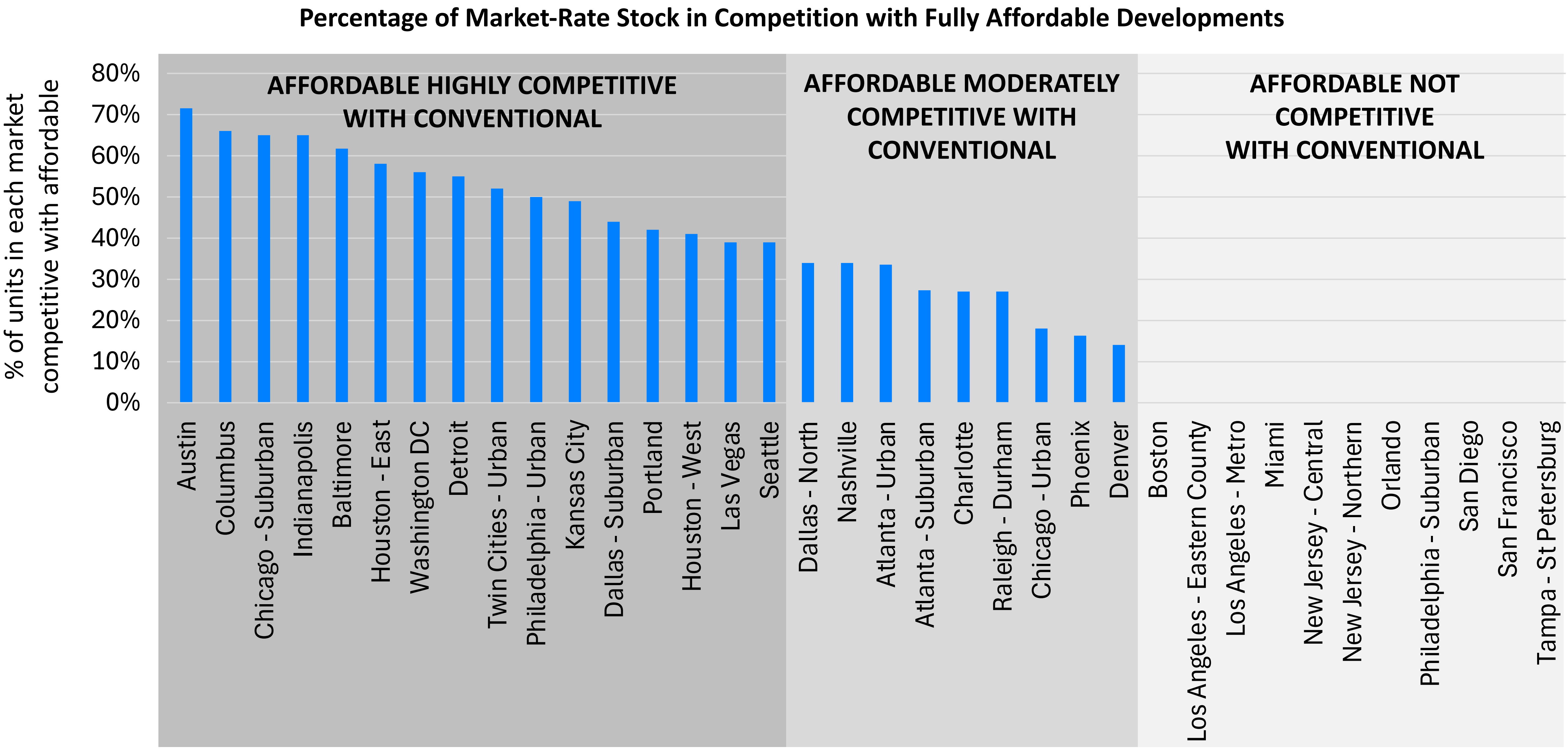
% of stock competitive with affordable housing

AMI % Premiums less than 10% are considered competitive with Affordable

YARDI

Source: Yardi Matrix

In Some Markets, Affordable Housing is Highly Competitive with Conventional



Percentage of stock is by number of units. Competing units are defined as a <10% difference in AMI% Premiums between market-rate and fully affordable – private sector properties | Source: Yardi Matrix

YARDI

Austin's Affordable Housing is Highly Competitive with Conventional Multifamily

Grouping Title	Average AMI Percent	Total Units	% Stock by Unit	AMI % Premium to Affordable	Competitive w/ Affordable
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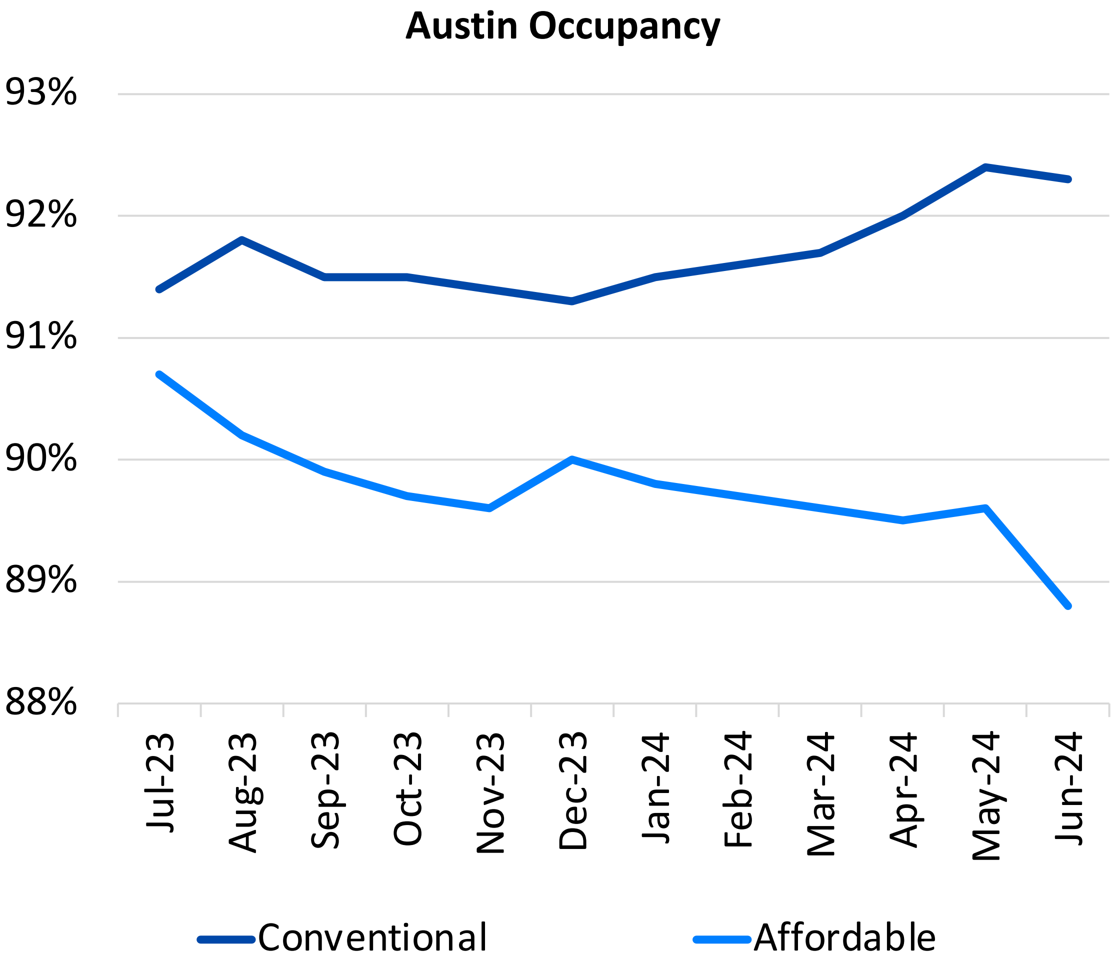
Workforce - Upper (C+, C)	51%	14,347	5%	-6%	5%
Fully Affordable - Private Sector	57%	14,393	5%	-	-
Total/Average	59%	278,887	100%	-	**~72%**

Source: Yardi Matrix

YARDI

Austin's Affordable Housing Occupancy is Below Conventional, Since It's Highly Competitive and Conventional Requires Less Compliance



	Conventional	Affordable
Operating Income	$1,619 (-1.1% YoY)	$1,251 (+7.8% YoY)
Operating Expense	$848 (+0.3% YoY)	$630 (+10.2% YoY)
Turnover %	50.4% (+0.1% YoY)	36.0% (+12.9% YoY)

YARDI

Data in table is an average for the 12-month period ending July 2024 | Source: Yardi Matrix Expert

Texas’ Incentives to Build Affordable Housing

Texas’ Public Facility Corporations (PFCs):

- **Property Tax Abatement**
  - Public Facility Corporations (PFCs) are nonprofit entities that are operate on a local level
    - Created by a municipality, county, school district, housing authority, or sponsor
  - Texas law recognizes qualified affordable housing as public use
  - PFCs can qualify for a 100% property tax exemption for owning eligible affordable housing properties
  - Recent changes now require PFCs to remain in their own jurisdictions & provide notice when leasing to an operator
- **Household Income Requirements**
  - Baseline Income Requirements
    - Applies if property is occupied with existing rent restrictions or unoccupied at time of acquisition by the PFC
    - 10% of the units must be rented to households who earn 60% or less of AMI
      - Annual rent may not exceed 30% of 60% of AMI for the applicable household size
    - 40% of the units must be rented to households who earn 80% or less of AMI
      - Annual rent may not exceed 30% of 80% of AMI for the applicable household size
  - Renovation Requirement
    - If occupied at time of acquisition, PFCs have a choice to renovate the property
    - If declined, 25% of the units must be reserved for 60% or less of AMI and 40% for those below 80% AMI
  - If renovated, 15% of the total gross cost must be spent and only the Baseline Income Requirements must be met

Source: Yardi Matrix; jdsupra.com

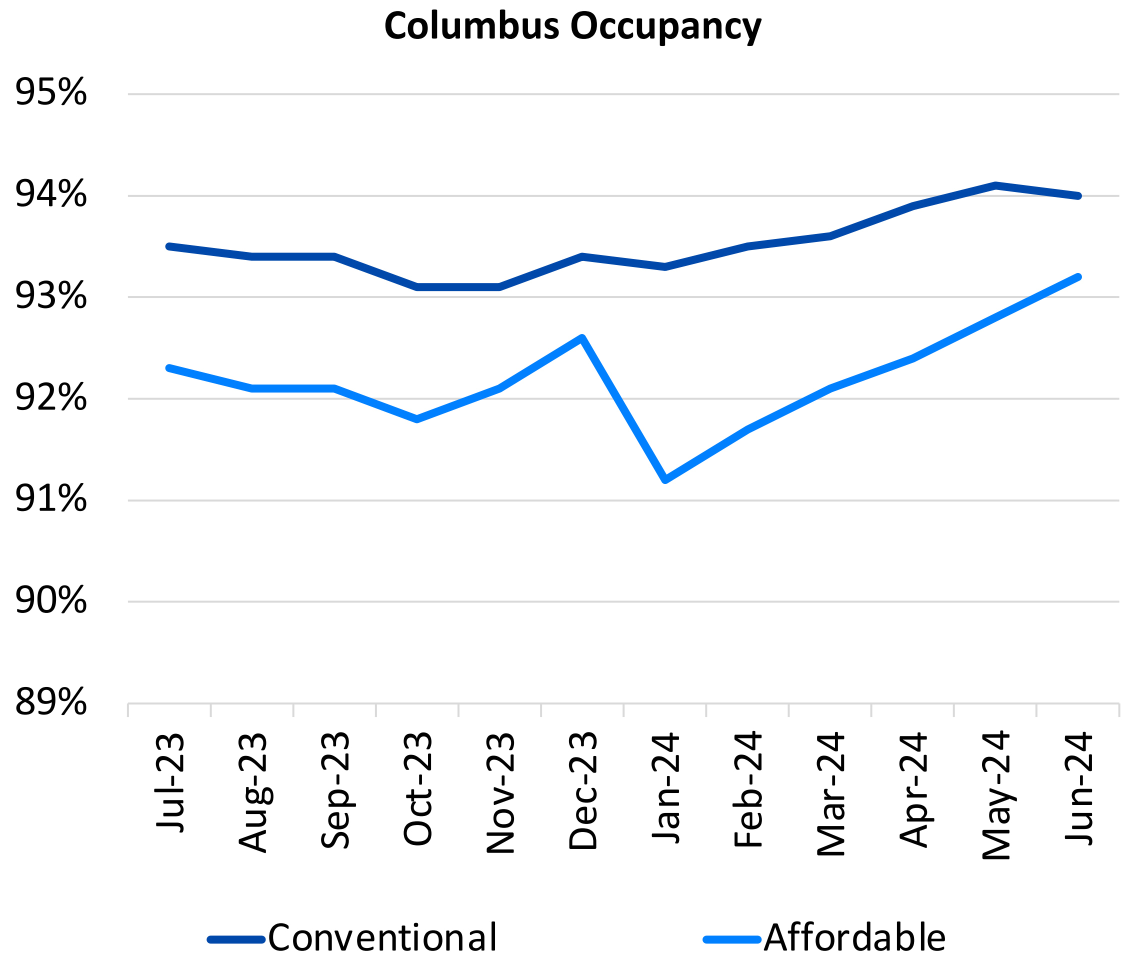
Columbus' Affordable Housing is Highly Competitive with Conventional Multifamily

Grouping Title	Average AMI Percent	Total Units	% Stock by Unit	AMI % Premium to Affordable	Competitive w/ Affordable
Discretionary (A+, A)	91%	3,459	2%	35%	-
Upper Mid-Range (A-, B+)	74%	45,910	27%	18%	-
Low Mid-Range (B, B-)	59%	61,509	37%	3%	37%
Workforce - Upper (C+, C)	48%	51,626	31%	-8%	31%
Fully Affordable - Private Sector	56%	5,607	3%	-	-
Total/Average	62%	168,111	100%	-	68%

YARDI

Source: Yardi Matrix

Columbus' Affordable Housing Occupancy is Below Conventional, Since It's Highly Competitive and Conventional Requires Less Compliance



	Conventional	Affordable
Operating Income	$1,321 (+5.4% YoY)	$858 (+6.6% YoY)
Operating Expense	$602 (+4.4% YoY)	$623 (+7.4% YoY)
Turnover %	38.4% (-4.5% YoY)	15.6% (+2.2% YoY)

Data in table is an average for the 12-month period ending July 2024 | Source: Yardi Matrix Expert

YARDI

Ohio’s Incentives to Build Affordable Housing

Ohio’s Multifamily Housing Development Programs:

- **4% LIHTC Program w/ Ohio Low-Income Housing Tax Credit Program**
  - Similar to the federal LIHTC, the program provides tax credits to property owners who build or preserve affordable rental housing
    - Credits can be sold to investors to raise money for the project
  - To qualify for the state credit, the project must also qualify for the federal LIHTC program

- **4% LIHTC with Bond Gap Financing**
  - Because the 4% LIHTC program provides less financial incentive to developers compared to the 9% LIHTC, to make the 4% LIHTC programs more viable, the state offers additional funding through Bond Gap Financing (BGF)
  - The additional funds help cover costs and encourages developers to use the 4% LIHTC, which has fewer restrictions compared to the 9% LIHTC

- **Housing Development Gap Financing (HDGF) Program**
  - Provides funding for affordable housing projects that don’t qualify for tax credits, which is especially useful for smaller-scale affordable projects

Source: Yardi Matrix; ohiohome.org

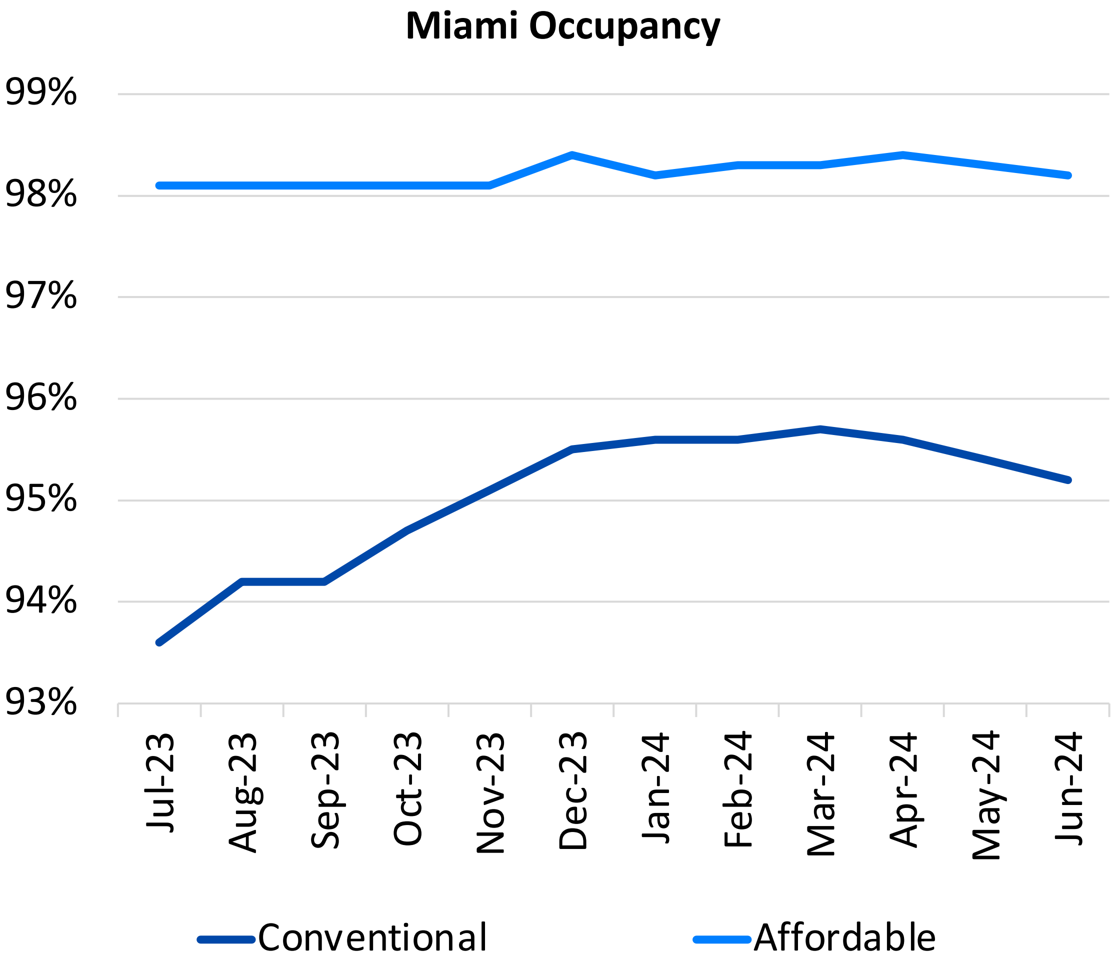
Miami's Affordable Housing is Not Competitive with Conventional Multifamily

Grouping Title	Average AMI Percent	Total Units	% Stock by Unit	AMI % Premium to Affordable	Competitive w/ Affordable
Discretionary (A+, A)	128%	36,023	29%	70%	-
Upper Mid-Range (A-, B+)	111%	25,302	20%	53%	-
Low Mid-Range (B, B-)	89%	13,432	11%	31%	-
Workforce - Upper (C+, C)	76%	26,395	21%	18%	-
Fully Affordable - Private Sector	58%	22,680	18%	-	-
Total/Average	87%	123,832	100%	-	0%

Source: Yardi Matrix

YARDI

Miami's Affordable Housing Occupancy is Higher Than Conventional Since There's Not a Lot of Competitive Stock in the Market



	Conventional	Affordable
Operating Income	$2,449 (+6.0% YoY)	$1,388 (+9.9% YoY)
Operating Expense	$1,120 (+9.9% YoY)	$697 (+12.5% YoY)
Turnover %	39.6% (+2.8% YoY)	12.0% (+18.5% YoY)

Data in table is an average for the 12-month period ending July 2024 | Source: Yardi Matrix Expert

Florida's Incentives to Build Affordable Housing

Florida's State Apartment Incentive Loan (SAIL) Program:

- **SAIL Overview**
  - Administered by the Florida Housing Finance Corporation (FHFC) to provide low-interest loans for the construction or substantial rehabilitation of affordable housing
  - Part of gap financing and usually paired with additional funding sources
  - Funding is accessed through the Request for Applications (RFA) process
    - RFAs are a multifamily allocation process where FHFC issues funds on a competitive basis
- **Qualifications**
  - At least 20% of units reserved for those at 50% or less of AMI
  - If used in conjunction with housing credits, 40% of units reserved for those at 60% of AMI
  - SAIL funding will cover a maximum of 25% of the development cost with some exceptions
    - Exceptions include: Nonprofit/public sponsors with at least 10% funding from other sources, developments with at least 80% set aside for defined demographics, or by committing units for Extremely Low-Income (ELI) households (10% if using Competitive Housing Credits or 5% if not)
  - Required annual reporting and a compliance period of 50 years unless otherwise stated in the RFA
    - ELI units may convert to 60% AMI units after 15 years if not using income averaging
    - Eligible units financed via the National Housing Trust Fund (NHTF) may convert to 60% AMI after 30 years
      - NHTF is a federal program that provides funding for low-income housing

Source: Yardi Matrix; nelsonmullins.com; floridahousing.com; flhousing.org; Novogradac

Florida's Incentives to Build Affordable Housing

Florida's Live Local Act:

- **Amendment to Zoning Laws**
  - Previously, counties were allowed to bypass local zoning regulations on residential, commercial or industrial land
    - Required 10% of units to be affordable housing and the developer to not receive/apply for any SAIL funding
    - Amendment allows for SAIL funding, but removes the zoning bypass for residentially-zoned affordable developments
  - Now, counties **must authorize** proposed mixed-use/multifamily projects in **any** commercial, industrial, or mixed-use zones without any comprehensive plan amendments, rezoning or other special approvals needed
    - Mixed-use projects need to reserve at least 65% of total square footage for residential units
    - To qualify, properties must have at least 40% of residential units as affordable housing
      - Affordability defined as total monthly rents not to exceed 30% AMI for tenants who are extremely-low-income (30% AMI), very-low-income (50% AMI), low-income (80% AMI), and moderate-income (120% AMI)
- **Affordable Housing Property Tax Exemption**
  - Exemptions available if a 50+ unit property has 20% of units reserved for tenants at 60% AMI
    - If fully affordable, 100% exemption on assessed value per affordable unit
    - If less than 100% of units are affordable, up to 75% exemption on assessed value per affordable unit
- **Building Materials Sales Tax Refund:** Developers can refund up to $5,000/eligible unit for sales taxes paid for building materials
- **Live Local Credit (Corporation Tax Donation Credit):** Corporations may get 100% credit for qualified contributions used by SAIL
- **Additional SAIL Funding:** An additional $150 M in new, recurring funds for the SAIL program
- **Prohibition of Rent Control:** Removes language from current law that allows under certain circumstances a county, municipality or local government to pass an ordinance to impose rent controls

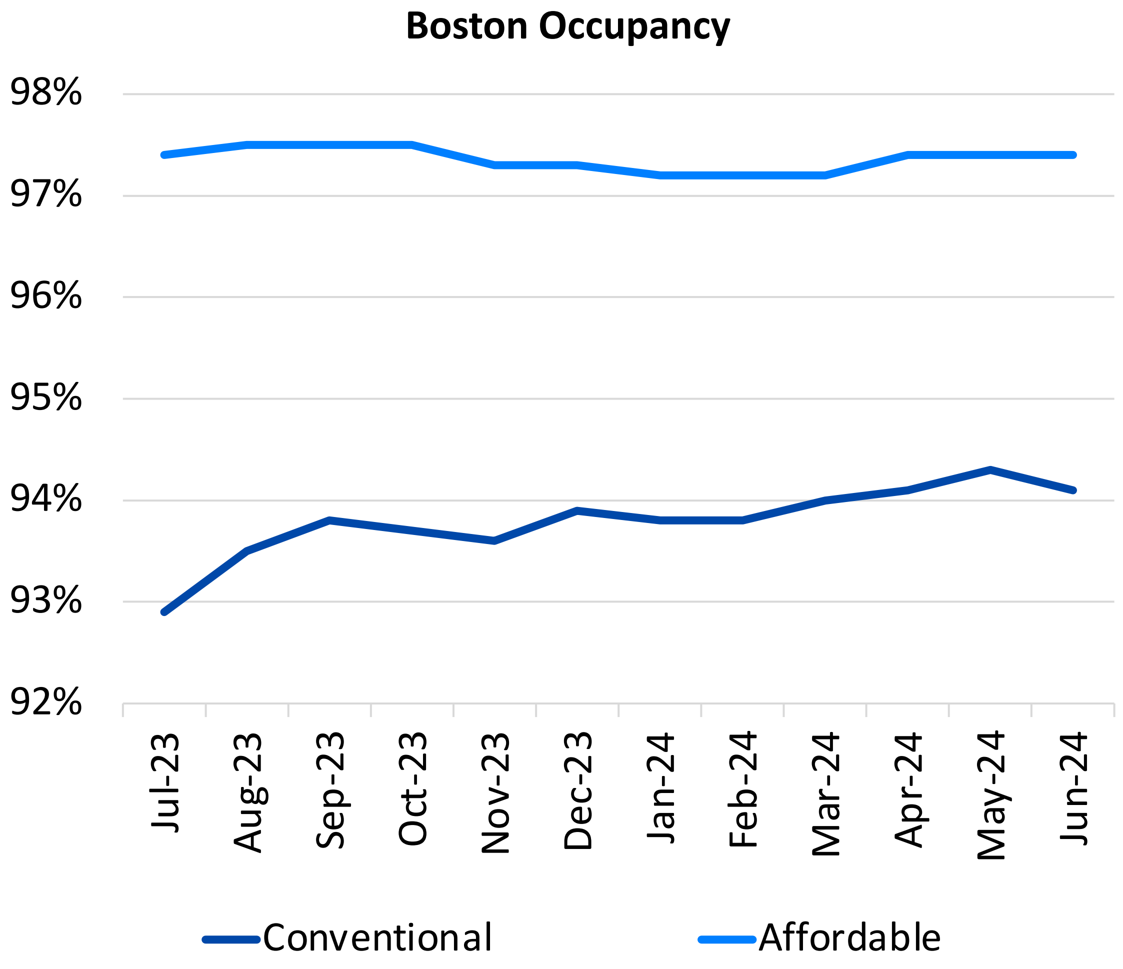
Source: Yardi Matrix; nelsonmullins.com; floridahousing.com

Boston's Affordable Housing is Not Competitive with Conventional Multifamily

Grouping Title	Average AMI Percent	Total Units	% Stock by Unit	AMI % Premium to Affordable	Competitive w/ Affordable
Discretionary (A+, A)	108%	34,838	21%	52%	-
Upper Mid-Range (A-, B+)	94%	50,776	30%	38%	-
Low Mid-Range (B, B-)	78%	34,399	20%	22%	-
Workforce - Upper (C+, C)	69%	38,747	23%	13%	-
Fully Affordable - Private Sector	56%	9,089	5%	-	-
Total/Average	77%	167,849	100%	-	0%

Source: Yardi Matrix

Boston's Affordable Housing Occupancy is Higher Than Conventional Since There's Not a Lot of Competitive Stock in the Market



	Conventional	Affordable
Operating Income	$2,608 (+5.3%)	$2,183 (+7.7% YoY)
Operating Expense	$1,090 (+4.9%)	$1,106 (+5.8% YoY)
Turnover %	36.0% (-2.1% YoY)	9.6% (+7.0%)

Data in table is an average for the 12-month period ending July 2024 | Source: Yardi Matrix Expert

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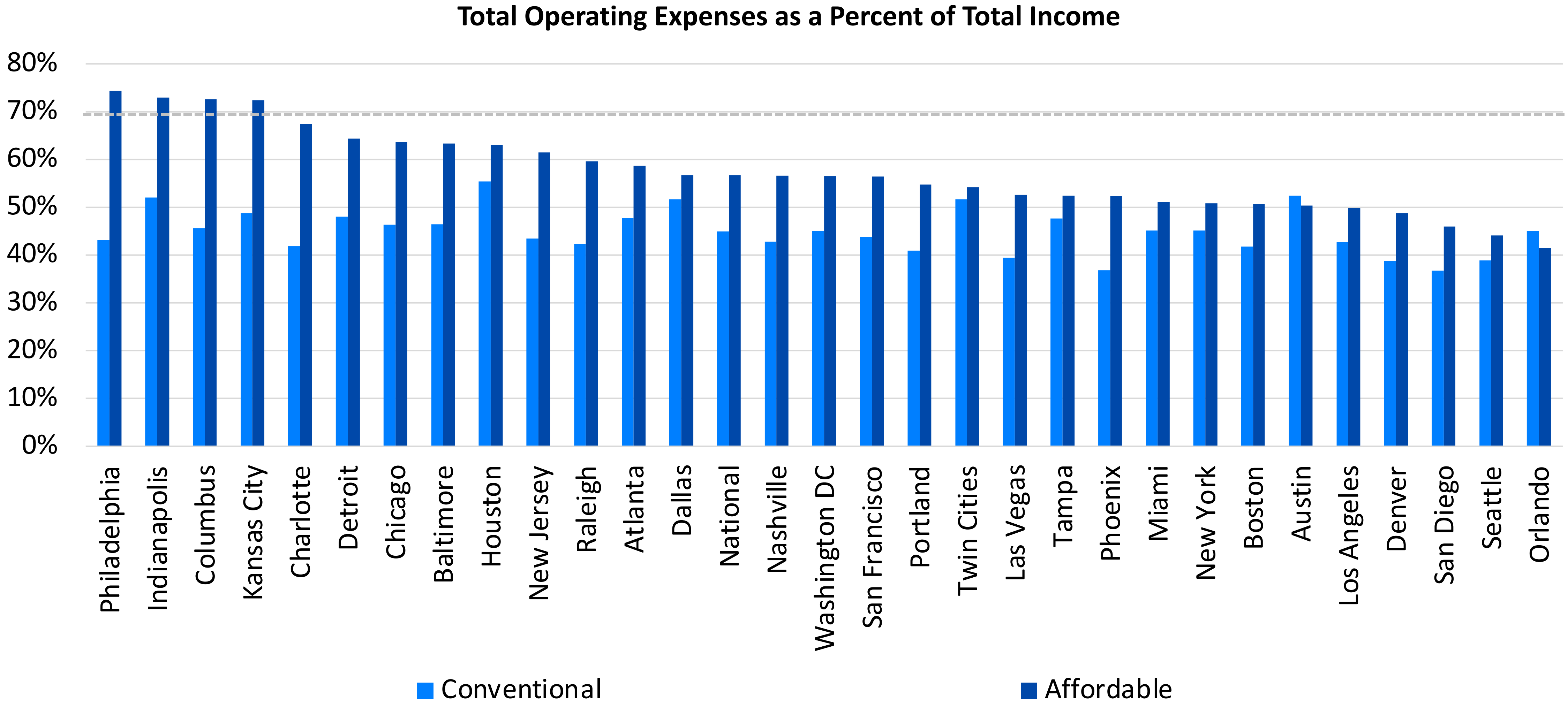
Massachusetts’ Incentives to Build Affordable Housing

Affordable Homes Act:

- **Overview**
  - Largest housing bill in the state’s history
  - $5.16B bill was passed by the state Senate to help recapitalize housing programs
  - $800M is for the Affordable Housing Trust Fund to preserve and create affordable units for households earning up to 110% of the Area Median Income
  - Created a $50M momentum fund to accelerate the development of mixed-income multifamily housing
    - Financed by state dollars with the potential for private investments
  - $200M Housing Innovation Fund to support alternative forms of housing such as transitional and permanent rentals for seniors, veterans, and the homeless
  - Introduced by-right zoning for Accessory Dwelling Units (ADUs) throughout the state
    - Allows ADUs <900 sq. ft. to be built in single-family zoning districts in all communities
  - $100M is for the Mixed-Income Housing Fund to finance developments for households earning 60-120% of AMI
- **Exclusions**
  - Excluded a proposal for a real estate transfer fee that allowed communities to tax high-value property sales to generate revenue for affordable developments
- **Impact**
  - A potential 45,000 affordable housing units (17% of Boston’s existing stock) could be created as a result
  - An additional 27,000 units are estimated to be preserved under this legislation

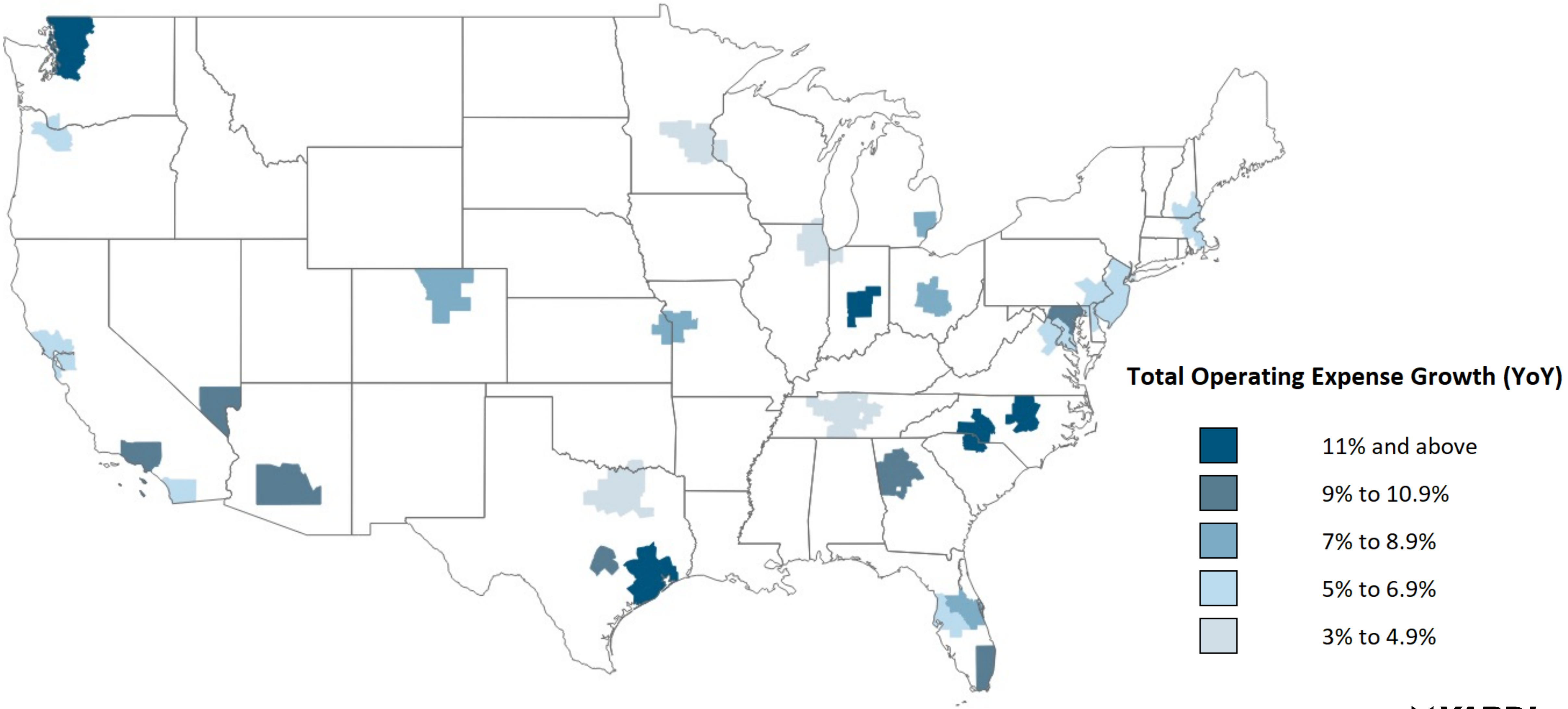
Source: Yardi Matrix; mass.gov; bisnow.com; newsfromthestates.com

Affordable Units Have Higher OpEx as a % of Income in Most Markets, With Four Markets Above 70%



Top 30 Matrix multifamily markets. Data as of July 2024 | Source: Yardi Matrix Expert

Indianapolis, Seattle and Charlotte Saw the Largest Increase in Operating Expenses for Affordable Housing Units Over the Last Year



Top 30 Matrix multifamily markets. Data as of July 2024 | Source: Yardi Matrix Expert

New Proposed Programs Modeled After LIHTC Aim to Expand Affordable Housing to a Broader Group

Workforce Housing Tax Credit (WHTC) & Middle-Income Housing Tax Credit (MIHTC)

- **Qualifications**
  - At least 60% of residential units would be occupied to tenants at 100% or less AMI
  - Rents must be restricted to 30% of the designated income
  - New projects are eligible for 50% of the buildings cost
  - Rehabilitation projects are eligible for 20% of the cost
  - 15-year compliance time frame
- **State-based decision making**
  - Local authorities are given discretion to select projects and utilize public-private partnerships
  - Allows finance agencies to transfer the middle-income allocation to LIHTC to combine both tax credits
- **Allocation**
  - $1 per capita with a minimum of $1,500,000 for small states
  - 30-year affordability period with a 15-year initial compliance time frame

Source: Yardi Matrix; huduser.gov; Novogradac

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HUD Gross Appropriations Are Not Expected to Increase in 2025

Program (Millions of Dollars)	FY 2022 Enacted	FY 2023 Enacted	President FY 2024 Request	FY 2024 Enacted	President FY 2025 Request	%Change FY 2025 Request – FY 2024 Enacted
Housing Choice Vouchers	$27,370	$30,253	$32,703	$32,386	$32,756	1.1%
Project Based Section 8	$13,985	$14,907	$15,904	$16,010	$16,686	4.2%
Public Housing Fund Total	$8,452	$8,514	$8,893	$8,811	$8,540	-3.1%
Capital Subsidies	$3,200	$3,200	$3,225	$3,200	$3,200	0.0%
Operating Subsidies	$5,039	$5,109	$5,133	$5,476	$5,050	-7.8%
Section 202	$1,033	$1,075	$1,023	$913	$931	2.0%
Section 811	$352	$360	$356	$208	$257	23.6%
HOPWA	$450	$499	$505	$505	$505	0.0%
CDBG	$3,300	$3,300	$3,300	$3,300	$2,900	-12.1%
HOME	$1,500	$1,500	$1,800	$1,250	$1,250	0.0%
Homeless Assistance	$3,213	$3,633	$3,749	$4,051	$4,060	0.2%
Choice Neighborhoods Initiative	$350	$350	$185	$75	$140	86.7%
HUD Gross Appropriations*	**$65,702**	**$68,533**	**$73,301**	**$73,416**	**$72,616**	**-1.1%**

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*Does not include one-time emergency spending designation | Source: Yardi Matrix; Novogradac