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THOMPSON THRIFT

2022 Multifamily Market Outlook

PREPARED FOR OUR INVESTMENT PARTNERS

MAY 2022

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A REAL ESTATE COMPANY

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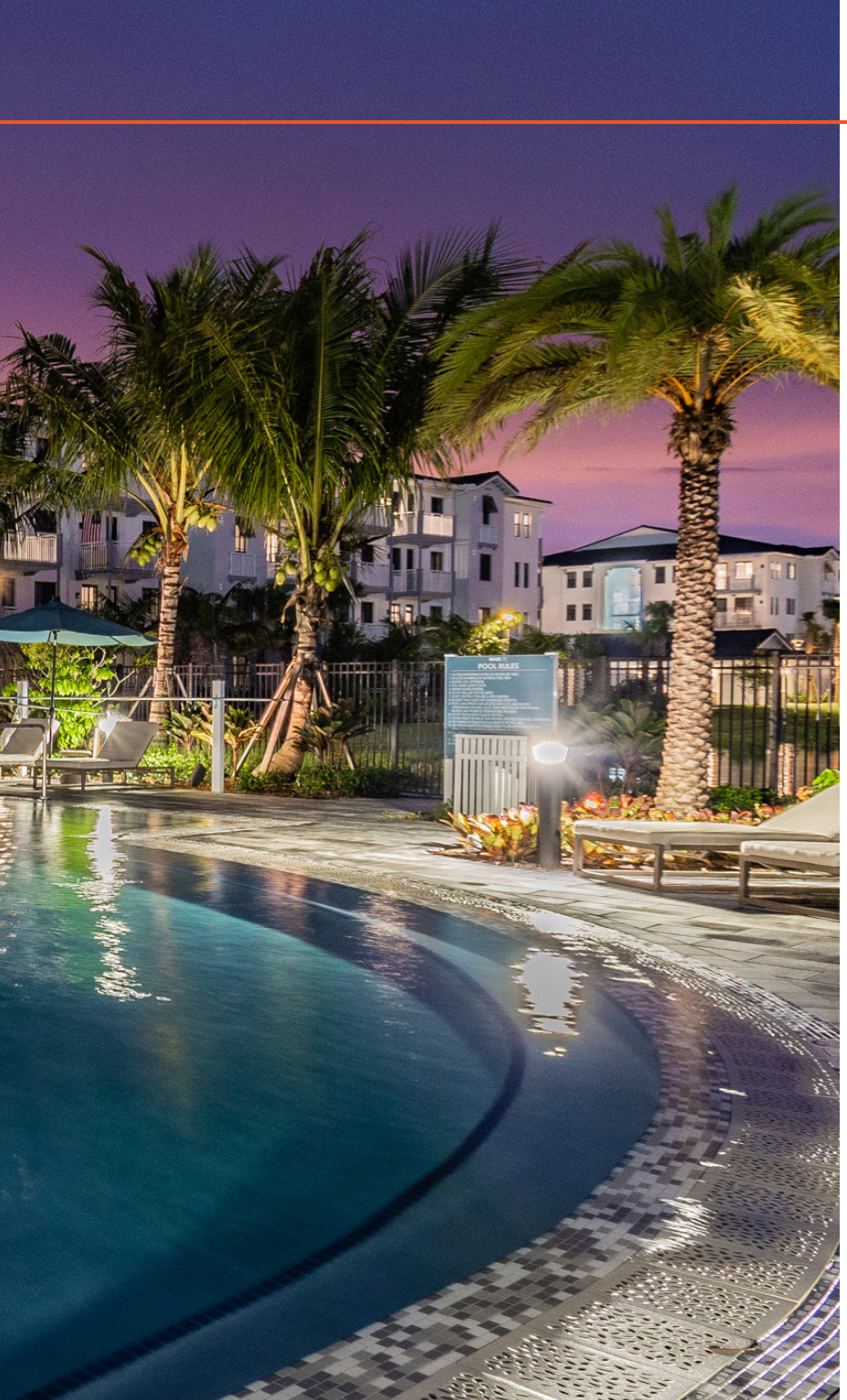
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Key Facts

Key Facts



Demographic and societal trends continue to lead a growing number of people to rent over own.

Single-family inventory of 2.3 months in 2021 is the lowest since 1983.



We continue to have a shortage of housing units created by a decade of undersupply.





Multifamily Occupancy of 97.6% is the highest since the early 1990s when RealPage began tracking national figures.



National annual rent growth reached 18.5%, the highest since the early 1990s.



2020 and 2021 have been the first years since 2006 that we have exceeded the 40-year average of total housing starts. It's expected to take years to alleviate the nation's housing shortage.



Value growth over the past 12 months has been significant due to a combination of extremely strong rent growth coupled with continued cap rate compression. We've seen valuations increase 20%-30% on the conservative end and north of 50% in some instances in high rent growth states like Florida and Arizona.



Future starts are limited by cost, supply chain issues, and entitlement challenges.

Key Facts

Migration to new growth markets continues.





Population growth patterns within markets favor Suburban areas.

Phoenix-Mesa-Chandler, AZ	Denver-Aurora-Lakewood, CO	Tampa-St. Petersburg-Clearwater, FL	United States
1.6% Annual Population Growth (2010-2021)	1.6% Annual Population Growth (2010-2021)	1.3% Annual Population Growth (2010-2021)	0.7% Annual Population Growth (2010-2021)



Single-family for-sale housing demand is slowing due to higher interest rates and higher cost.

Even with double-digit rent growth throughout the country in 2021, we've seen significant income growth, and rent-to-income ratios remain very favorable. As of Q1 2022, our rent-to-income for stabilized properties is a healthy 23%.







Opening Letter

FROM PAUL THRIFT

Opening Letter

FROM PAUL THRIFT

We are grateful to you, our valued investors:

We hope this Market Outlook and the information herein provides a helpful overview of how our current projects are performing and how we see multifamily market conditions now and going forward. In addition, we will address how we believe the macroeconomic headwinds will affect our industry and attempt to proactively answer some of the obvious questions.

Overall, we continue to believe there is terrific opportunity to complete successful multifamily projects and generate solid returns in the multifamily space. We will attempt herein to explain and provide some data to support our position.

First, a quick summary of how current Thompson Thrift multifamily development projects are performing:

2020 FUND Projects are tracking very well. All projects are on budget, with several coming in well under budget. We are experiencing terrific (record high) leasing velocity and rent performance. These projects are all tracking to perform extremely well. Given our 2020 cost basis against today's values due to growing rents and Net Operating Income (NOI), we are poised to outperform our projections by a solid margin.

2021 FUND Projects are similar in story to 2020 projects. All projects are under construction and progressing well. Despite cost increases between 2020 and 2021, we have seen the pace of values grow much more aggressively than cost. All the markets we are in continue to perform very well, and we expect positive returns for the 2021 Fund projects.

2022 FUND We have started construction on the first two projects in our 2022 Fund, Daytona Beach, FL and Ocala, FL. Both markets continue to perform very well, experiencing job and population growth, high occupancies, and fast lease-ups. We are experiencing slower entitlement periods (time to achieve approval/permits) than expected, generally due to municipalities taking longer than expected to process and approve projects. We are seeing this trend across the country as cities face the same labor issues we all do. We expect all but one or two of our 2022 Fund projects to start in 2022, with one or two possibly slipping into 2023. Much like the 2021 Fund, we are experiencing dynamic cost growth, but continue to see strong rent growth in 2022 and values today that well exceed the values we are projecting in our underwriting three years from now. Given the strength of our markets, product, and sites, along with the fundamentals of the multifamily market, we continue to be very bullish about the projects within our 2022 Fund.

Overall, Multifamily Fundamentals remain strong. Supply and demand continue to be in our favor:

Multifamily continues to perform very well following an extraordinary year of performance in 2021. According to leading market analytics firm RealPage, apartment absorption totaled 673,000 units in 2021, which is the strongest year on record in the 30-year history of RealPage's tracking and a 60% increase over 2020. This stellar demand resulted in effective asking rents growing at 18.5% nationally, with occupancy reaching 97.6% in the first quarter of 2022. Rent growth exceeded the national average by a substantial margin in many Sun Belt metros, reaching more than 20% year-over-year.

Supply and demand fundamentals have fueled this strong performance. Created by a decade of undersupply, we continue to have a shortage of single-family and multifamily housing units in the U.S. Rising cost, entitlement, and supply chain headwinds continue to throttle multifamily and single-family supply. In 2020 and 2021, we exceeded the forty-year average of total annual housing starts for the first years since 2006, and it is expected to take years to alleviate the nation's housing shortage. Rising interest rates are slowing single-family for-sale demand turning would-be home buyers into renters. We anticipate single-family starts to decrease over the next year.

We expect strong continued rent growth and occupancies exceeding historical averages due to the ongoing shortage in total housing throughout the country and increased demand drivers for multifamily. RealPage projects continued double-digit rent growth of 10% throughout 2022, while other industry analysts have projected rent growth in the 4%-8% range. RealPage expects occupancy to decline slightly from historic highs in 2021, but still finish the year at 96.5%, well above the average of 94.5% over the last 20 years. Migration patterns continue driving people to the Sun Belt "new growth" markets and increasingly toward suburban and smaller markets. Low inventories of for-sale housing, record-high multifamily occupancies, inflation, and higher cost and barriers to homeownership will continue to drive rent growth, which should offset continuing construction cost increases. This rent growth should result in NOI growth, countering the higher cost of capital's affect on cap rates.

The current data convinces us that there remains great opportunity for Thompson Thrift's proven market and site identification criteria to produce outstanding multifamily opportunities.

The U.S. economy is facing many challenges. How will the multifamily market perform in the face of high inflation, rising interest rates, global unrest, and a looming recession?

We are certainly at an inflection point in our economy. Things going forward will not be as they were or as they are now. We can expect the environment to change. Below I will try to address how I believe multifamily will be affected by some of the potential challenges and answering what I believe are some of the obvious questions.

How will a recession affect Thompson Thrift's current and future residential projects?

We are most likely headed into a technical recession soon. Predictably, a recession will slow job growth, potentially resulting in job losses which will slow or suppress demand for all types of housing as well as other goods. Economic turbulence, job loss, and reduced investment will move people away from committing to a home purchase (in addition to those already displaced from higher costs and interest rates). This will slow home sales and reduce for-sale starts and future single-family supply. The economic uncertainty will also lead to a slowing in multifamily starts. The resulting decrease in single-family supply and multifamily supply and the higher barrier to homeownership will ultimately drive more demand for existing multifamily. After some potential short-term pain, multifamily should lead the way out of a downturn and begin to benefit from the decrease in supply and the hesitancy and barriers to purchasing a home. Multifamily has historically recovered quickly and led other asset classes out of a recessionary period. The key is to have well-positioned real estate in strong growth markets and be in a strong financial position to weather the short-term turbulence. Thompson Thrift has some of the best located multifamily projects in the industry and is financially prepared to perform well and capitalize on a downturn in the market.

The multifamily industry benefits from the fact that housing is a primary need and not a discretionary item. Thompson Thrift also benefits from offering an affordable housing option in high-growth markets. Given our selection of geographically diverse markets with high job creation, capital investment, and in-migration, we believe we are well positioned to weather a recession and possibly benefit from the suppression of single and multifamily supply.

How can Thompson Thrift's residential projects absorb the significant cost increases over the past year?

Costs continue to rise at an unbelievable pace. We experienced approximately $43,000 per-unit cost increases (+/- 15%) from August 2021 to May 2022. In any other previous period, this would have destroyed projects. Thankfully, record-high rent growth has more than made up for the increased cost (see example below). While our average per-unit cost has increased by approximately $43,000 per-unit, our average valuation projections have increased more than $68,0000 per-unit based on comparable sale properties. Land, lumber, labor, and generally every other product and service have continued to see cost increases. We have recently seen lumber falling from historic highs and hope it will continue to moderate. However, we are now seeing more pressure on petroleum-based products and predict most other cost increases will not retrace and will continue to rise, albeit at a slower pace than in the past year. While we predict some slowing of overall construction inflation, we project cost increases to continue for the next 12 to 24 months.

We have included 10% annual construction inflation inside all of our future projected budgets with modest 4.8% annual rent increases over the same pre-closing periods. Overall, we continue to "plant" strong product in very attractive markets at a cost basis that we believe are well below current market values with significant upside potential.



"While you were deciding, we raised our prices."

Example below of rent growth impact on value. One can easily see how value increases have more than compensated for cost increases given the rent growth over the past year.

Current TT Stabilized Portfolio average monthly rent: $1,780

TT Stabilized Portfolio YOY market rent growth: 16.05%

TT Stabilized Portfolio YOY market monthly rent increase:
$1,780 - ($1,780 / 1.1605) = $246

$246 x 12 months = $2,952 increase in Net Operating Income per-unit

$2,952 / 4% cap rate = $73,800 added sale value per-unit

What will happen with Interest rates rising? Are we seeing or will we see an effect on values or demand for our finished product?

Despite interest rates moving up, we remain in a historically low-interest rate environment. Increases in interest rates have a relatively immaterial impact on our development budgets. The largest impact is how it affects potential buyers and their cost of financing, which, in turn, plays a role in how much buyers can or are willing to pay for an asset. We are currently witnessing some modest pullback from the recent high watermark in what buyers can pay for an asset. We are currently seeing a typical reaction when there is a shift and uncertainty in a market. It appears that buyers are searching for an indication of where rates will stabilize. Over the past year, we have been in a euphoric atmosphere of "underwriting to perfection" and "bidding wars" that led to pricing in the stratosphere and no discount for sales early in the lease-up stage. Buyers are starting to back away from acquisitions that are too early in the lease-up process to lock their interest rate.

Additionally, we expect a "cooling off period" until some level of certainty exists again in the interest rate market. We expect prices to moderate, moving down 5 to 10% from the "upper stratosphere" pricing environment, to values still within what could be considered "stratosphere" pricing. Even with a 10% backing off from the high levels we have seen recently, we will still be significantly above our projected exit values. Should cap rates increase 100 basis points (bps) from where they currently are, we will still enjoy healthy spreads as exit valuations will remain in the range of what we are projecting. After a season of searching for the "new normal", we continue to expect strong demand for well-located assets.

Once pricing finds its equilibrium, we expect values to continue to grow as NOIs grow through rent growth and a continued record amount of buyer capital continues to pursue multifamily.

As stated earlier, rising interest rates will result in fewer single-family and multifamily starts. The ultimate result of less supply will drive rents higher in the intermediate term.

As higher interest rates slow the economy and raise the cost of homeownership, both dynamics will act to suppress the demand to purchase a home. In the past six months, 30-year home mortgage rates have moved from 3% to over 5%.

Example below of rising interest rate impact on monthly mortgage payments.

$500,000 Single-Family home; $100,000 (20%) down payment = $400,0000 mortgage

$400,000/ 3% interest rate/ 30 years = $1,700 monthly payment

$400,000/ 5% interest rate/ 30 years = $2,150 monthly payment

Increase in monthly payment due to rise in interest rates = $450 per month

In addition to a potential homeowner's ability to afford an additional $450 per month, they would also have to qualify for the loan and have the $100,000 in cash for the down payment. As home prices have increased nationally by over 20% over the past year, down payments have also increased proportionately in addition to the increase in monthly payments because of rate increases.

Overall, barriers to homeownership continue to increase as homeownership grows more expensive. We are already seeing a slowdown in mortgage applications, offers, and home purchases.

How is Inflation impacting multifamily?

We are currently experiencing unhealthy levels of inflation in almost every aspect of our economy. As discussed above, current inflation is putting upward pressure on our land, construction, and all other costs. Inflation in our rents, for now, is more than making up and "paying" for these cost increases. From a macro perspective, the current level of inflation is unhealthy. It is difficult to predict how interest rates, demand, supply and supply chain issues, and many other factors will ultimately play out.

During these uncertain times, we find comfort in being in multifamily over most other investment options. At Thompson Thrift, we desire to have as much of our discretionary investment in "hard assets" as we possibly can. Traditionally multifamily has been a haven in a recessionary period, and hard assets are a good hedge against inflation. **We find comfort in being in multifamily over most other investment options during these uncertain times. Additionally, the real value of our assets has benefited as capital has pursued our multifamily assets in a search to deploy capital and hedge against inflation.**

Is there oversupply in certain markets?

Despite how positive the macro picture has been for multifamily in recent years, a project's success ultimately comes down to the supply and demand in its specific sub-market. Certain markets will get out of balance, and supply will exceed demand. Thompson Thrift remains disciplined to its proven project criteria, market research protocol, and approval process. It is imperative that we remain disciplined to select sites in submarkets that are not oversupplied and possess positive characteristics such as job creation, capital investment, and in-migration that will drive demand to meet or exceed the amount of supply.

We are constantly monitoring the evolving economic landscape and, specifically, the fundamentals of multifamily. We continue to stress all our models and play out the “what-ifs” that exist in the market. No game plan is bulletproof, that is for certain. However, a diligent examination of the facts leads us to remain bullish on the immediate, intermediate, and long-term future of well-located multifamily assets in growth markets.

We remain dedicated to following our disciplined approach to market, site, and product selection. We currently have most of our 2023 pipeline under contract and are working through early project due diligence, underwriting and entitlements. We continue to apply our proven market and site selection process and are very bullish about the markets and projects in our pipeline. We will continue to monitor the market and adjust our plans as appropriate.

Thank you for your continued confidence. We remain honored to have you partner with us and dedicated to being good stewards of your investment and working tirelessly to deliver outstanding results.



Paul Thrift
CEO









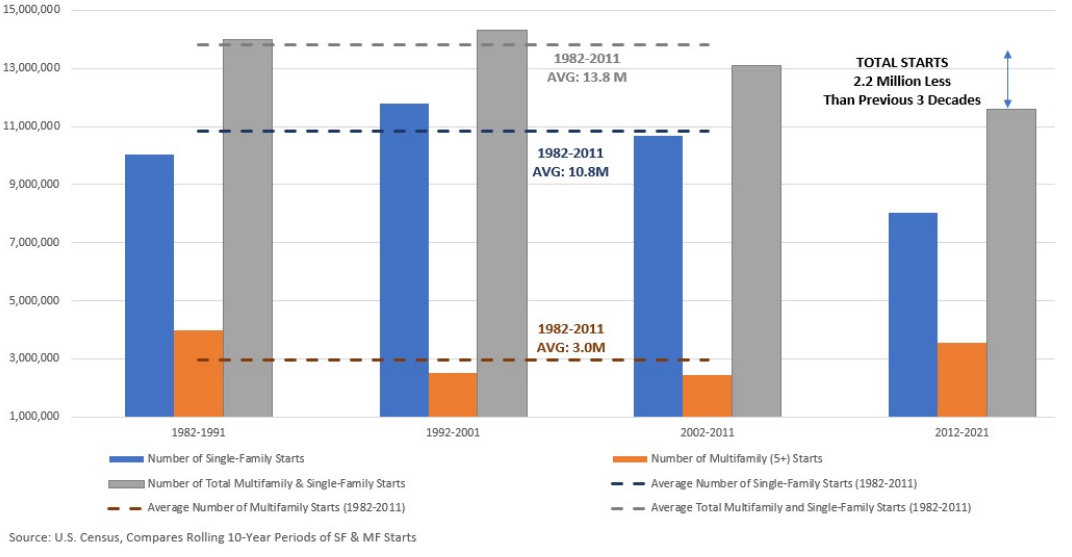
Market Data

Housing Supply and Demand

U.S. HOUSING SUPPLY

U.S. HOUSING DEMAND CONTINUES TO OUTPACE SUPPLY with the most recent 10-year period ending in 2021 showing 2.2 million fewer housing starts than average for the previous three decades. While increased supply in recent years is chipping away at the deficit, a sizeable shortfall remains, suggesting continued robust housing demand.

NUMBER OF SINGLE-FAMILY HOUSING STARTS



Source: U.S. Census, Compares Rolling 10-Year Periods of SF & MF Starts

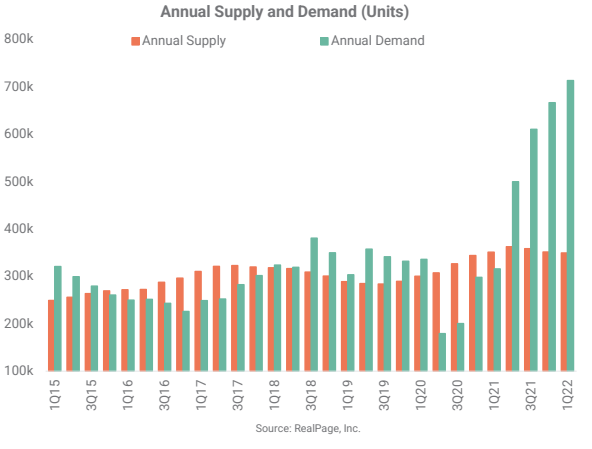
Housing Supply and Demand

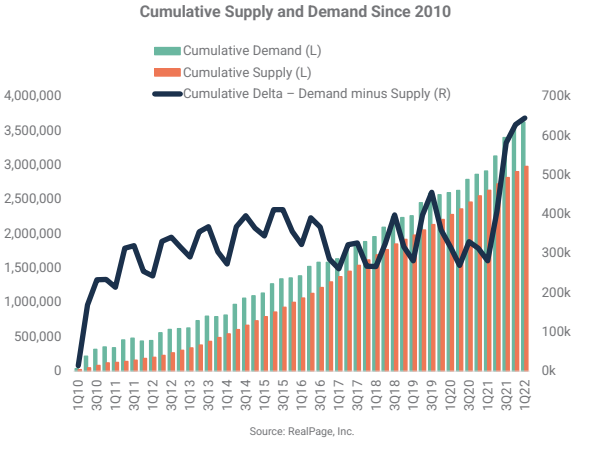
U.S. MULTIFAMILY HOUSING SUPPLY AND DEMAND

CUMULATIVE U.S. MULTIFAMILY HOUSING DEMAND HAS OUTPACED SUPPLY SINCE 2010.

In 2021, and the first quarter of 2022, demand trended far beyond supply.

U.S. APARTMENTS: SUPPLY AND DEMAND





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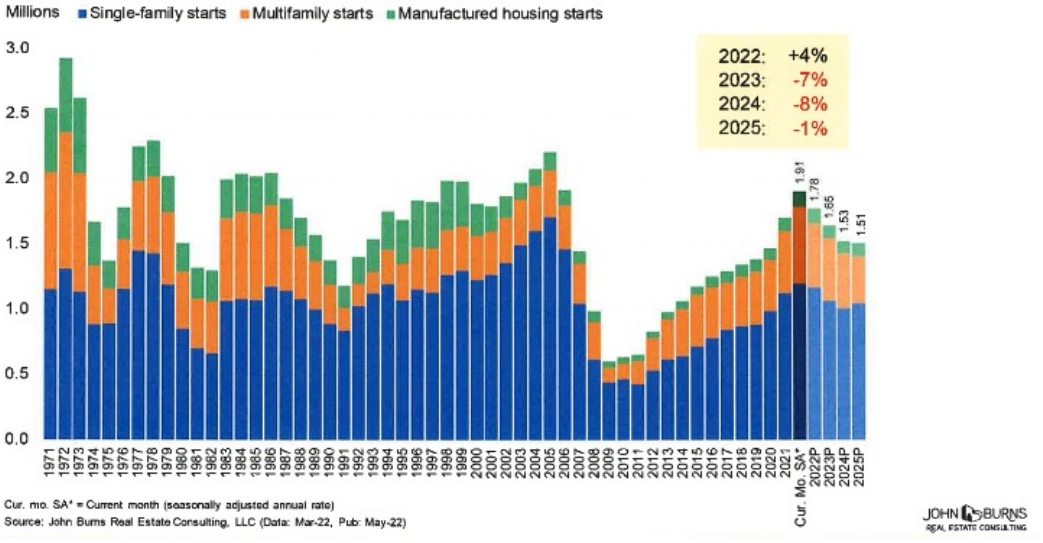
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Housing Supply and Demand

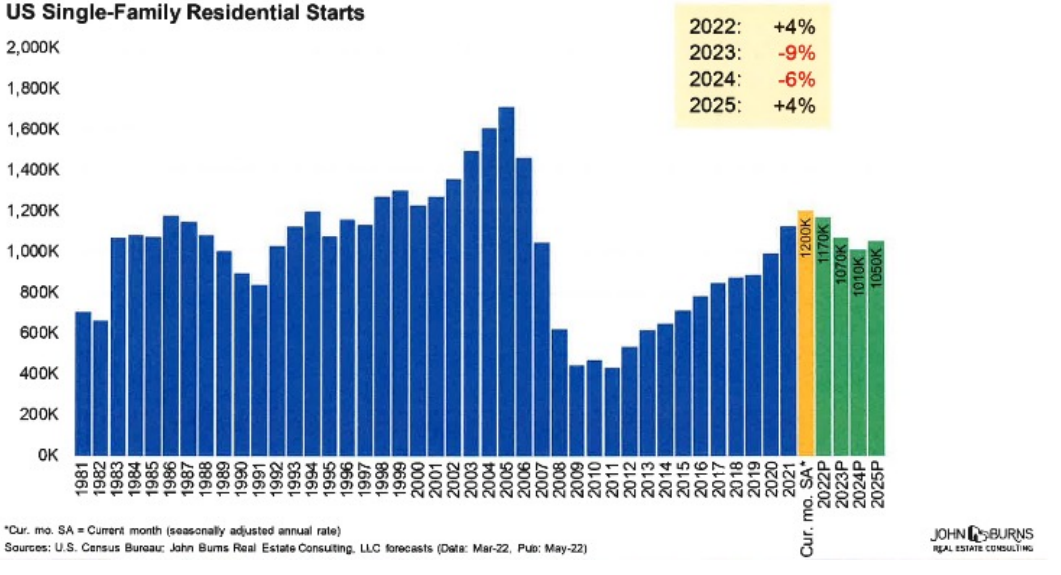
U.S. HOUSING STARTS

Following over a decade of anemic supply, **TOTAL U.S. HOUSING STARTS IN 2022 REACHED THE HIGHEST LEVEL SINCE 2006, WITH A TOTAL OF 1.91 MILLION HOUSING STARTS,** including single-family, multifamily, and manufactured homes. Following this peak, single-family and total housing starts are projected to decrease through 2024.

TOTAL STARTS PEAK IN 2022 AT 1.9 MILLION, THEN BOTTOM AT 1.5 MILLION BY 2024-2025



BUILDERS WILL START FEWER HOMES 2023-2024 AS DEMAND COOLS, ECONOMY SLOWS, AND AFFORDABILITY RESETS.



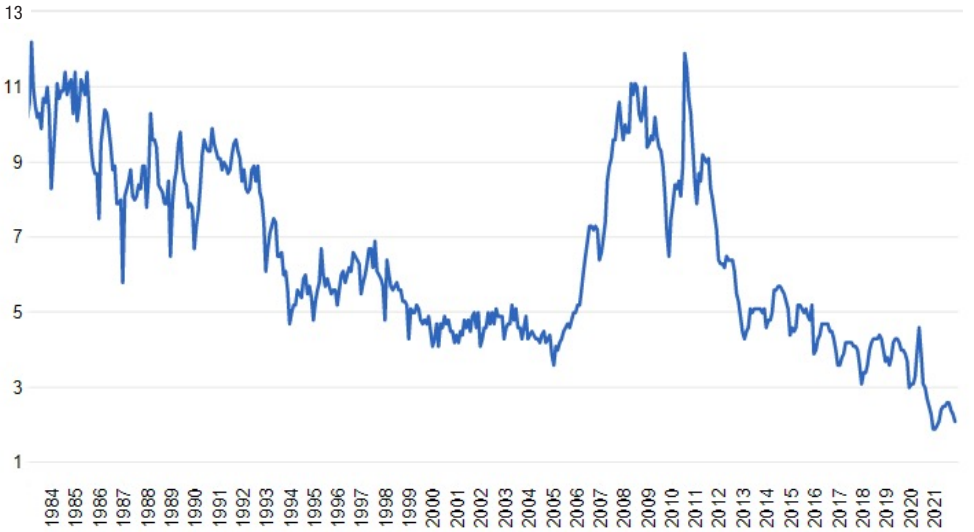
Housing Supply and Demand

U.S. SINGLE-FAMILY INVENTORY

EXISTING AND NEW HOME INVENTORIES REMAIN AT RECORD LOW LEVELS, driving up prices and reducing affordability. As of 2021, there is currently a resale supply of only 2.3 months within the U.S. Low availability and resulting price increases have severely constrained the ability for many to own a home, thereby strengthening demand for multifamily housing.

EXISTING HOME MONTHS OF SUPPLY

MONTHS OF SUPPLY (EXISTING HOME INVENTORY)



Sources: NAR; John Burns Real Estate Consulting, LLC (Data: Nov-21, Pub: Jan-22)

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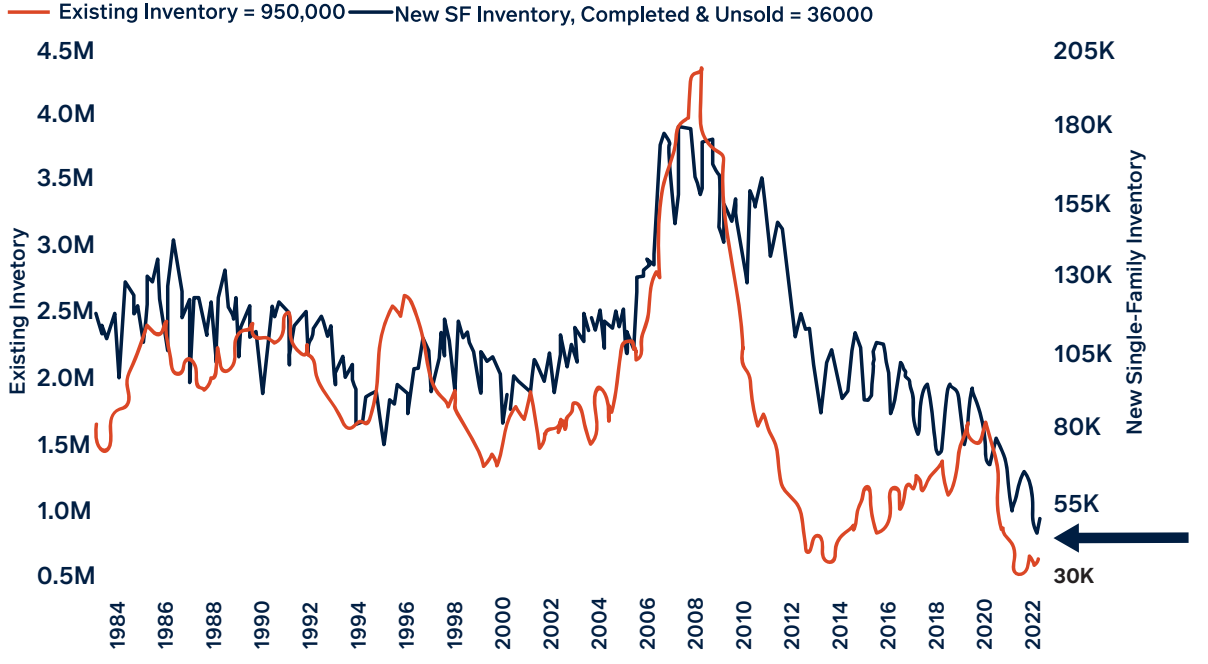
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Housing Supply and Demand

U.S. SINGLE-FAMILY INVENTORY

INVENTORY OF FINISHED NEW AND EXISTING SINGLE-FAMILY HOMES HAS NEVER BEEN THIS LOW, now totaling 36,000 finished unsold, new homes and 950,000 existing homes.

INVENTORY (EXISTING HOMES & FINISHED NEW HOMES) HAS NEVER BEEN THIS LOW, which should help prices find a floor much faster vs. prior recession.



Source: NAR U.S. Census Bureau: John Burns Real Estate Consulting LLC (Data: Mar-22, Pub: May-22)

Housing Supply and Demand

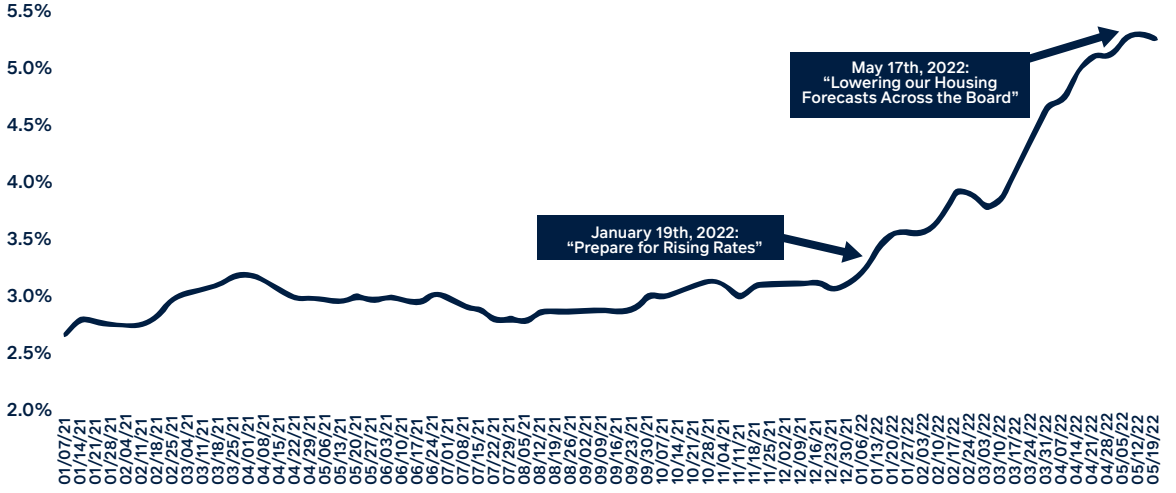
INCREASING MORTGAGE RATES

THE RECENT, RAPID RISE IN MORTGAGE RATES HAS PRICED MANY FIRST-TIME AND MOVE-UP BUYERS OUT OF THE MARKET, THEREBY STRENGTHENING DEMAND FOR MULTIFAMILY HOUSING. We have not seen mortgage rates rise this much in a short period of time since the late 1970s.

EXISTING HOME MONTHS OF SUPPLY

Current perspective on doubling of mortgage rates from 2.65% to 5.25%

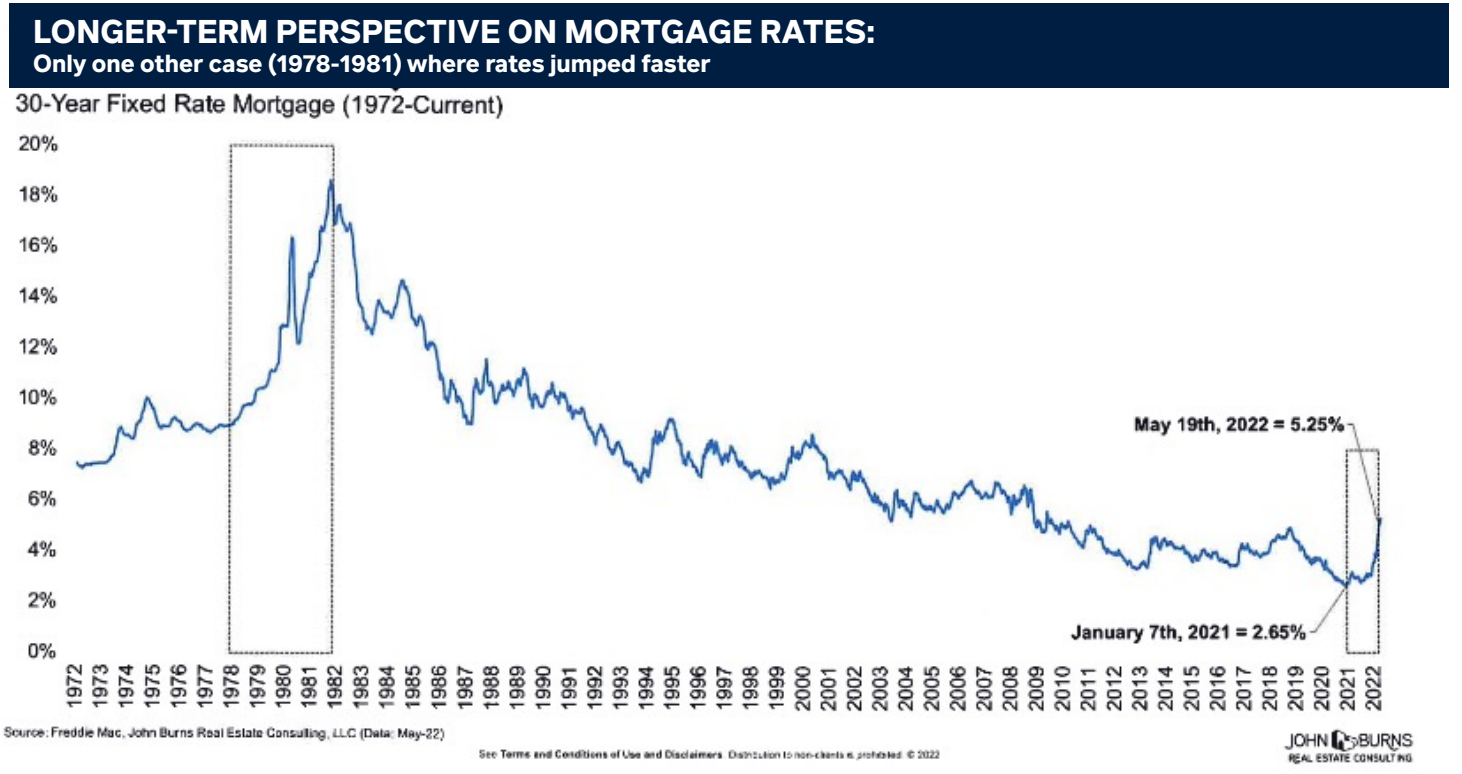
30-Year Fixed Rate Mortgage (January 2021 to May 19th, 2022)



Source: Freddie Mac, John Burns Real Estate Consulting, LLC (Data: May-22)

Housing Supply and Demand

INCREASING MORTGAGE RATES

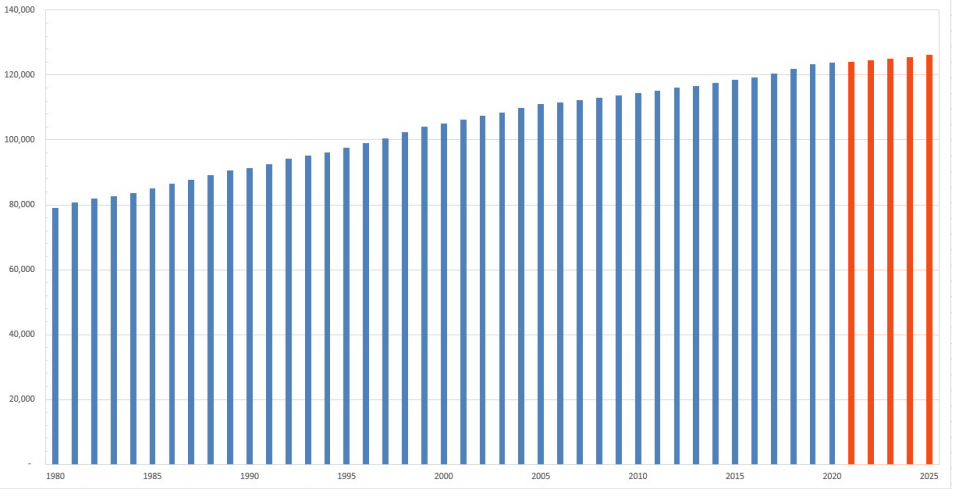


Housing Supply and Demand

U.S. HOUSEHOLD GROWTH

THE OVERALL LEVEL OF U.S. HOUSEHOLD GROWTH IS STEADY AND PROJECTED TO GROW AT JUST UNDER 1% ANNUALLY THROUGH 2025, according to projections by Oxford Economics. While availability and affordability continue to limit homeownership, demand drivers for multifamily remain strong. To some extent, household formation is being limited by the shortage of available housing units.

NUMBER OF HOUSEHOLDS
(Thousands)



Source: Oxford Economics

Housing Supply and Demand

IMPACTS OF RISING INTEREST RATES ON HOUSING SUPPLY

RIPPLE EFFECTS OF RISING RATES ON HOUSING FOOD CHAIN BUYER SEGMENTS

Entry-level buyer

Move-up buyer

Luxury/ 2nd Home

Investors

Entry-level buyer: already slowing

- Usually coming out of a rental and very payment focused.
- No home equity appreciation to offset 5%+ rates.
- Cancellation rates now jumping as many of these buyers can't qualify due to payment shock.



Source: John Burns Real Estate Consulting, LLC (Pub: May-22)

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Prepared exclusively for Thompson Thrift: Tim Corzine

BURNS MONTHLY WEBINAR

April entry-level builder commentary indicates cooling demand.

Entry-level buyer

- **Houston entry-level builder**: "Many first-time buyers simply no longer qualify with the increase in interest rates, as their debt-to-income ratio gets out of whack."
- **Riverside-San Bernardino entry-level builder:** "Cancellations are starting to creep up due to loan declines and job losses. Waiting lists are certainly smaller. Immediate change in buyer behavior when rates climbed over 5%."
- **Seattle entry-level builder**: "To achieve our desired [sales] pace, we had to make price adjustments. Rates starting to knock people out of qualification."

Housing Supply and Demand

IMPACTS OF RISING INTEREST RATES ON HOUSING SUPPLY

RIPPLE EFFECTS OF RISING RATES ON HOUSING FOOD CHAIN BUYER SEGMENTS



Move-up buyer: early indications of possible slowing

- Home equity rich for next down payment, helping offset 5%+ mortgage rate shock.
- Need buyer for existing home (usually entry-level buyer) to sell and move-up in the market.
- Odds of moving-up in market decline if listing sits and can't get price they wanted on sale of home.



Source: John Burns Real Estate Consulting, LLC (Pub: May-22)

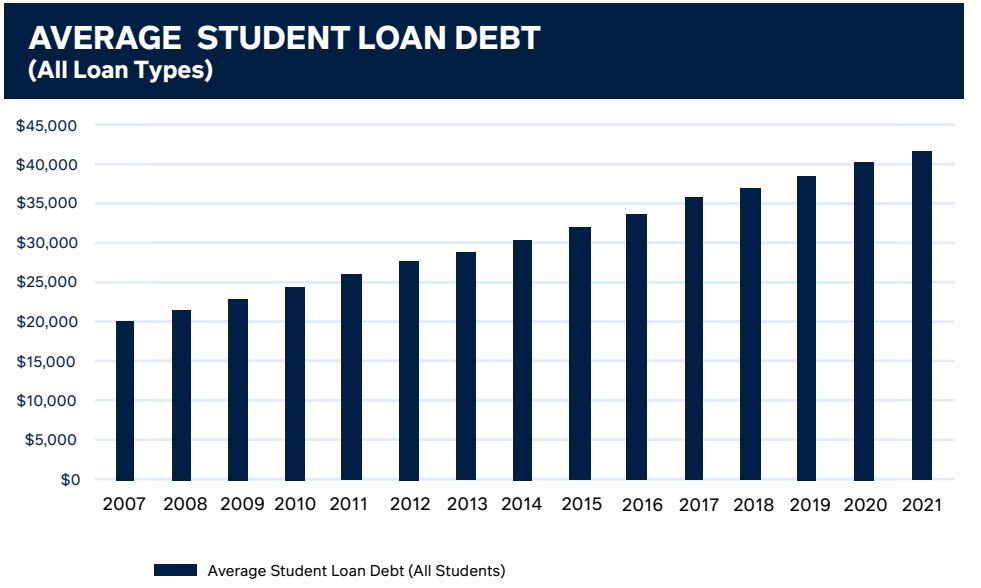
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Multifamily Demand Drivers

U.S. STUDENT LOAN DEBT

MILLENNIALS AND GEN Z ADULTS CONTINUE TO BE BURDENED BY INCREASING STUDENT AND CONSUMER DEBT, HINDERING OPPORTUNITIES FOR HOMEOWNERSHIP. Although Millennials (now turning 26 to 41 years of age) are moving into adulthood, they are delaying marriage, starting families, and buying a first home much later in life than previous generations. They continue to represent a key renter segment for multifamily as do younger Gen Z adults (who are age 25 and younger) now entering the workforce in growing numbers.



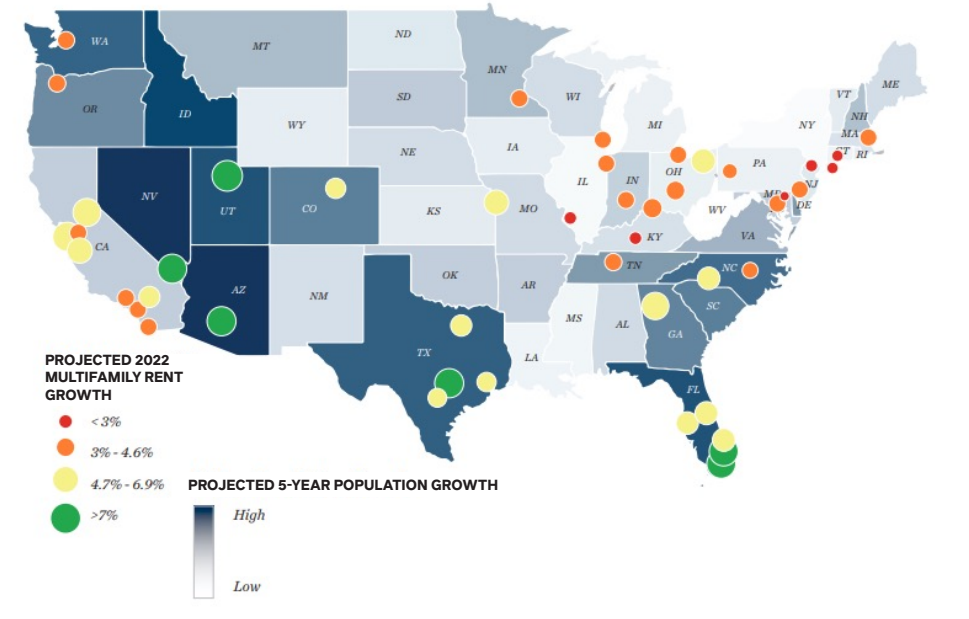
Source: Department of Education Federal Student Aid: studentaid.gov

Multifamily Demand Drivers

MIGRATION TRENDS

SIGNIFICANT POPULATION MIGRATION TRENDS CONTINUE, primarily from high-cost urban areas ("Old Growth Markets") to Sun Belt and other secondary and tertiary markets ("New Growth Markets"). Driving factors of the shift include greater relative affordability to their current location, desire for pro-business environment and greater job opportunities, a new flexibility to "work from anywhere", along with quality of life, climate, and family considerations. It is particularly prevalent across the mountain west, southern states, and southeast portions of the U.S. These migration patterns are reflected by increased multifamily rent growth.

MIGRATION PATTERNS REFLECTED IN RENT GROWTH
Projected 2022 Average Effect Rent Growth vs. 2017-2022 Population Growth

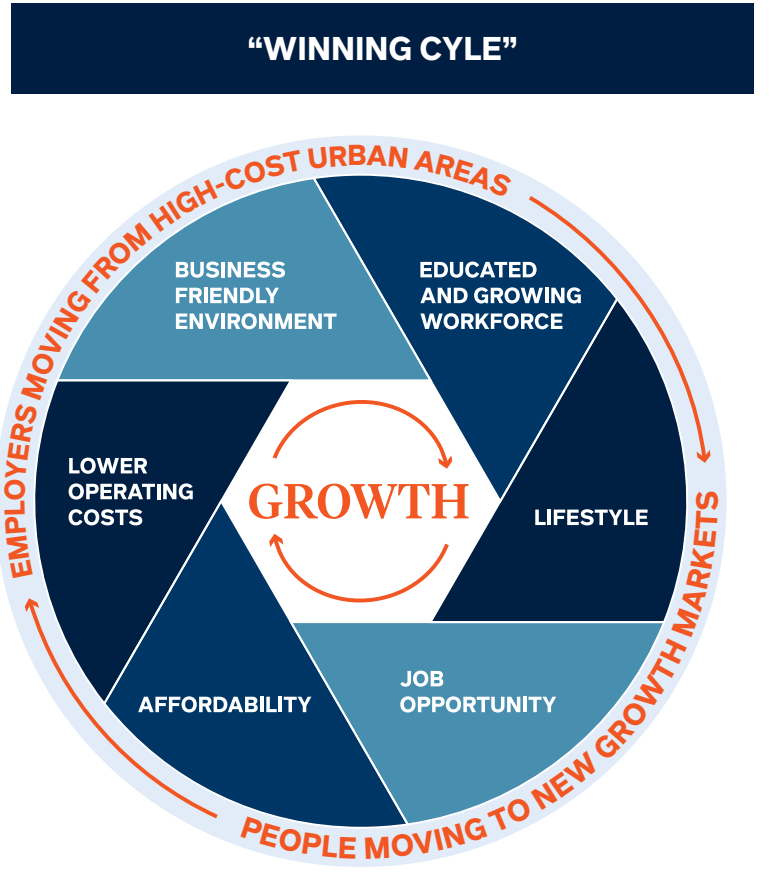


Source: Marcus & Millichap

Multifamily Demand Drivers

MIGRATION TRENDS

AS POPULATION AND BUSINESSES CONTINUE TO MIGRATE TO MORE AFFORDABLE AND BUSINESS-FRIENDLY "NEW GROWTH MARKETS", THE "WINNING CYCLE" CONTINUES TO BUILD MOMENTUM. As businesses are attracted to cities by lower operating costs, lower regulation, and an educated and growing workforce, people who are seeking job opportunities are drawn to these emerging job centers by lower costs, active lifestyle amenities, and good climates.

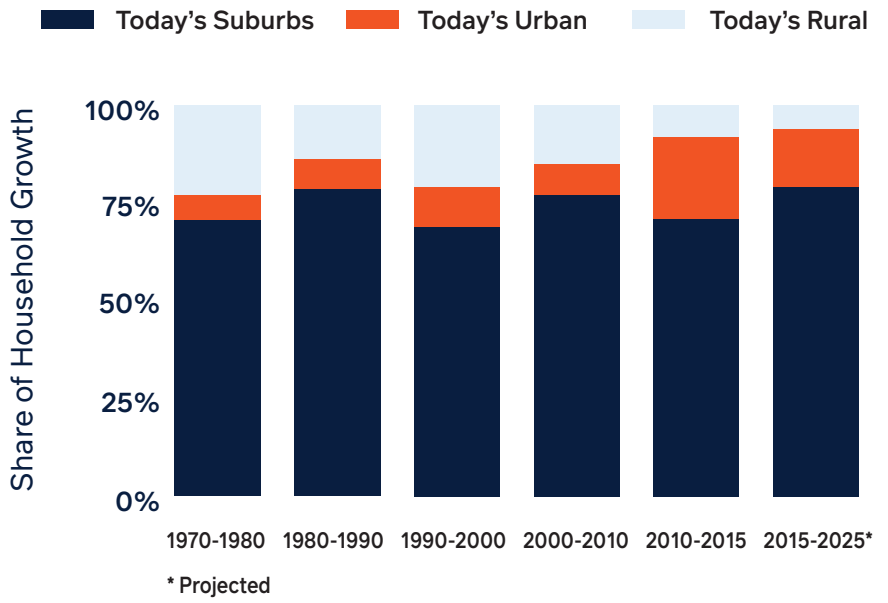


Multifamily Demand Drivers

SUBURBAN HOUSEHOLD GROWTH

U.S. SUBURBS CONTINUE TO CAPTURE THE HIGHEST SHARE OF HOUSEHOLD GROWTH BY A WIDE MARGIN.

SUBURBS SEE MORE GROWTH



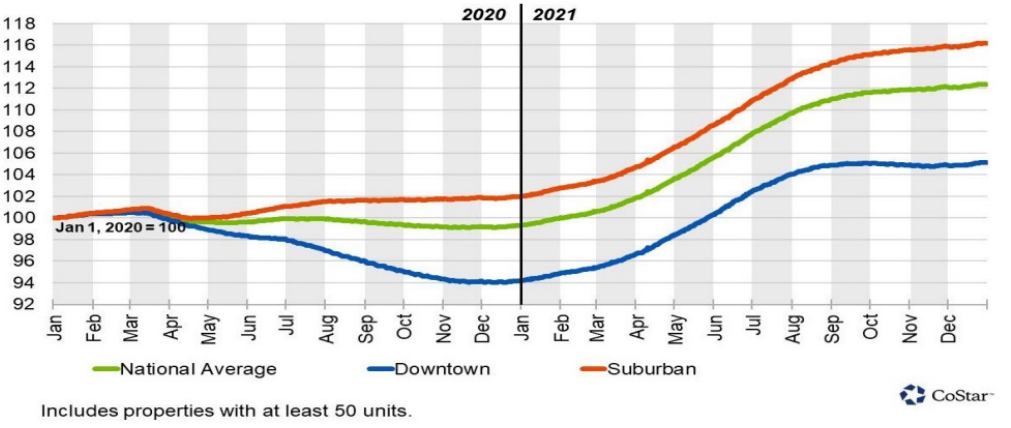
Source: Marcus & Millichap

Multifamily Demand Drivers

SUBURBAN RENT GROWTH

MULTIFAMILY RENTS IN SUBURBAN SUBMARKETS HAVE REBOUNDED SOONER AND MORE STRONGLY THAN DOWNTOWN AREAS, increasing approximately 16% (as of year-end 2021), since the beginning of 2020. Whereas downtown submarkets are now about 5% over the start of 2020.

SUBURBAN LEADING GROWTH



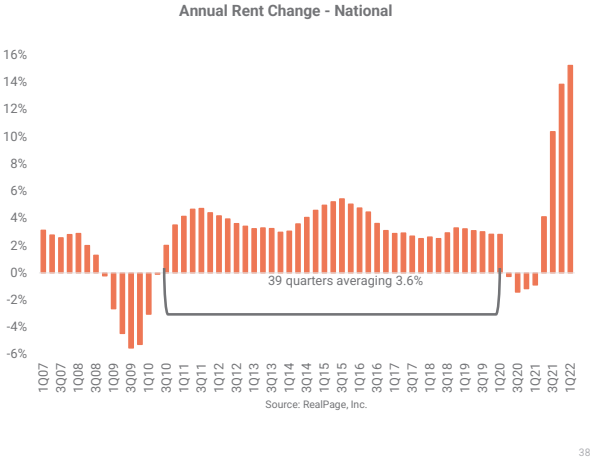
Includes properties with at least 50 units.

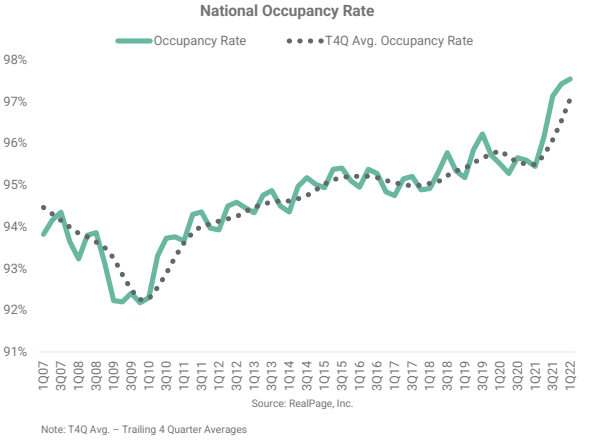
Multifamily Rent Growth and Occupancy Trends

U.S. RENT GROWTH AND OCCUPANCY

U.S. MULTIFAMILY OCCUPANCIES AND RENT GROWTH CONTINUE TO RISE. Occupancies are at record highs, hitting 97.6 percent in the first quarter of 2022. We experienced double-digit rent growth in the second half of 2021 and into the first quarter of 2022, far outpacing the recent 39-quarter average of 3.6%. Achieving such strong occupancies while experiencing substantial rent growth indicates the strong rental demand in the market.

U.S. APARTMENTS: RENT CHANGE AND OCCUPANCY





Note: T4Q Avg. – Trailing 4 Quarter Averages

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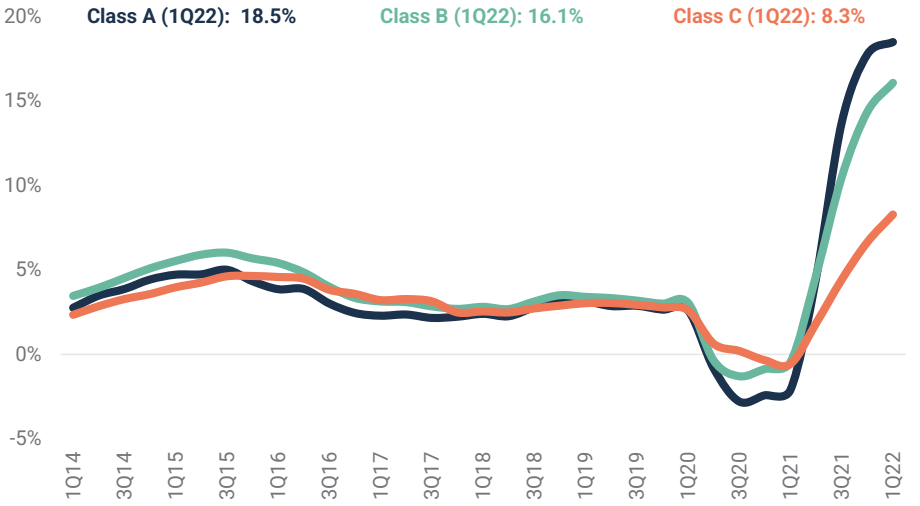
Multifamily Rent Growth and Occupancy Trends

RENT GROWTH

CLASS A RENT GROWTH SOARED IN THE FIRST QUARTER OF 2022, reaching 18.5% with high occupancy of 97%.

NATIONAL ASSET CLASS PERFORMANCE

Same-Store YOY Effective Rent Change by Asset Class



Source: RealPage, Inc.

Multifamily Rent Growth and Occupancy Trends

PROJECTED RENT GROWTH

MULTIFAMILY RENT GROWTH IS EXPECTED TO CONTINUE, at a more moderate pace.

APARTMENT REITS EXPECT STRONG RENT GROWTH TO CONTINUE BUT MODERATE BACK HALF OF 2022.

Q1-2022 Performance

REIT	NEW LEASE	RENEWAL	BLENDED
CPT	15.8%	13.2%	14.4%
ESS	20%	11.7%	16.1%
EQR	15.3%	11.9%	13.3%
MAA	16.1%	17.5%	16.8%
UDR	18%	15%	14.1%

UDR: **Sent out renewals through July at 14-15% with little pushback.** Expects blended rent growth near 15-18% in 2Q and slowing to 4-6% in second half of 2022.

ESSEX: **Expect 11% renewal growth in 2Q.** "Quite confident these are achievable rates."

CAMDEN: **Sending renewals out at 14.4%.** Expects blended rent growth of ~7% in 3Q and ~4% in 4Q.

AvalonBay: **"People are inclined just to stay where they are"** due to transition costs and higher market rents.

Equity Residential: **"We do expect achieved renewal increase to moderate (but still strong)…as we get into the back half of the year."**

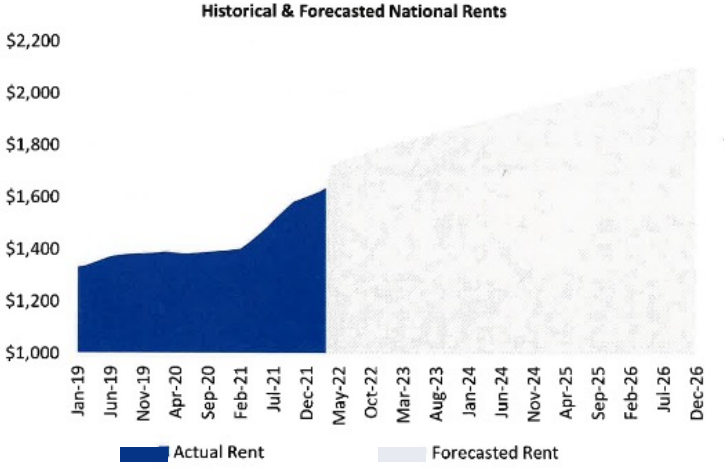
MAA: **Sent renewals through June out at 16-17%.** Doesn't expect normalization (+3 to +4%) of rent growth in the next 2-3 years, unless there is a recession.

Source: 1Q-2022 apartment REIT filings/transcripts; John Burns Real Estate Consulting, LLC (Pub: May-22)

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RENTS FORECASTED TO KEEP INCREASING, ALBEIT AT MORE MODERATE PACE; MULTIFAMILY GROWTH SHOULD CONTINUE STRONG



Year	Rent Growth Forecast	Occupancy Forecast
2022	6.5%-9.0%	96.1%
2023	4.4%	96.1%
2024	4.1%	96.1%
2025	3.9%	96.1%
2026	3.8%	96.1%

Based on YTD '22, we expect to revise upward our forecasts in the next few weeks, most likely to ~+9%

YARDI

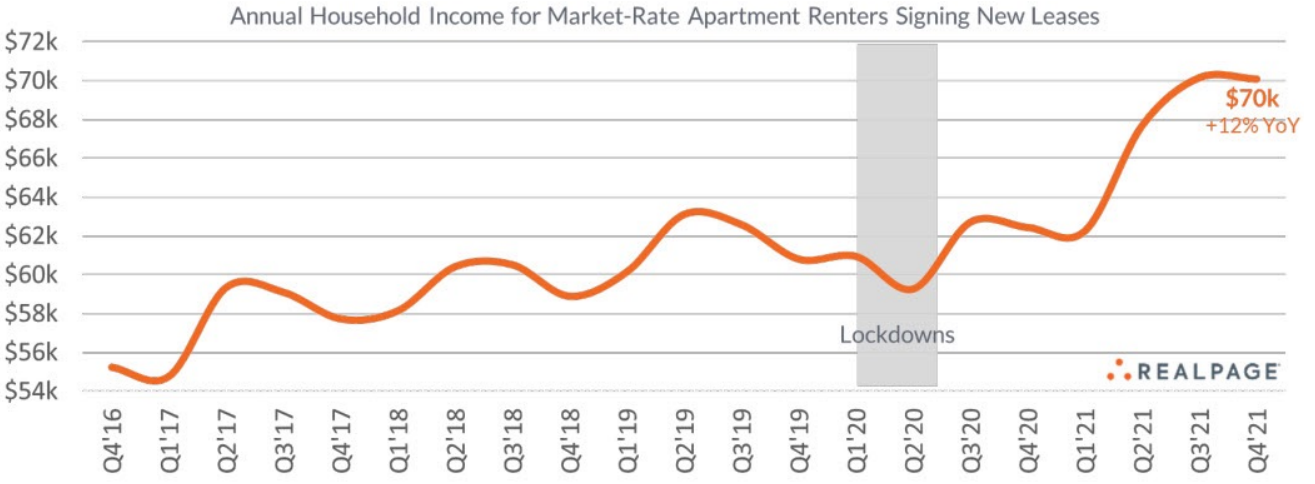
ource: Yardi Matrix

Multifamily Rent Growth and Occupancy Trends

MULTIFAMILY RENTER INCOMES

MARKET-RATE MULTIFAMILY RESIDENTS' INCOME IS UP 12% YEAR-OVER-YEAR IN THE FOURTH QUARTER OF 2021, indicating their ability to afford the recent rent growth and pointing to the likelihood of sustained future rent growth.

U.S. NEW RENTER INCOMES SURGED AT UNPRECEDENTED PACE IN 2021



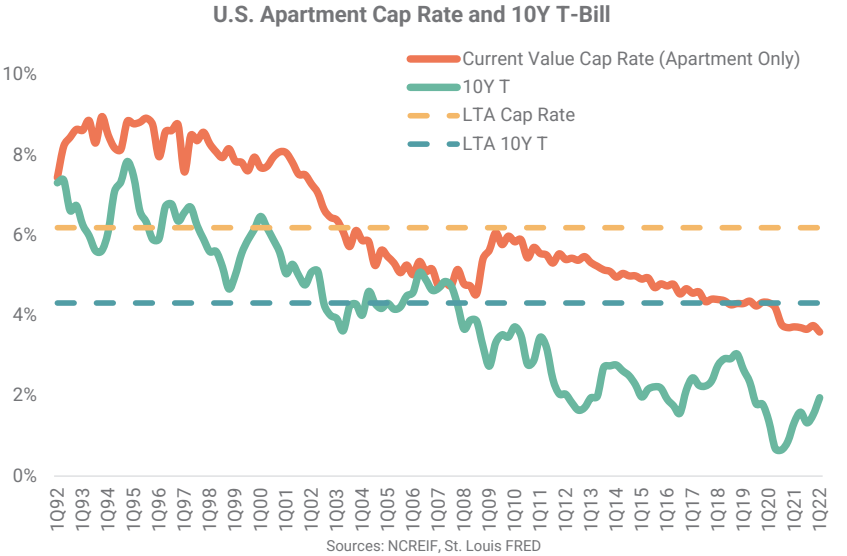
• Measures average household income of new lease signees across the country's Top 150 markets (excluding New York) within all asset classes.

Property Values and Cap Rates

U.S. APARTMENT CAP RATE COMPARED TO 10Y T-BILL

U.S. MULTIFAMILY CAP RATES COMPRESSED THROUGH Q1 2022 AS AN ABUNDANCE OF CAPITAL FLOCKED TO MULTIFAMILY SEEKING STABILIZED AND PREDICTABLE YIELD. Drawn to tangible real estate assets, investors favor the safe-haven asset class of multifamily because of its nature of being a necessary spend and short-lease terms, which allow annual re-pricing. Cap rates are driven by supply and demand of capital in the market and historically have not risen in sync with the 10-year treasury and, at times, have overlapped. The 10-year Treasury rate has recently risen to just under 3%. We expect cap rates may drift upwards in the near-term, but the spread between the two will narrow.

APARTMENT CAP RATES AND 10-YEAR T-BILLS



Sources: NCREIF, St. Louis FRED
(Note: Long-term average (LTA) numbers reflect the entirety of the data in this view. 10Y T-Bill shows quarterly average rate.)

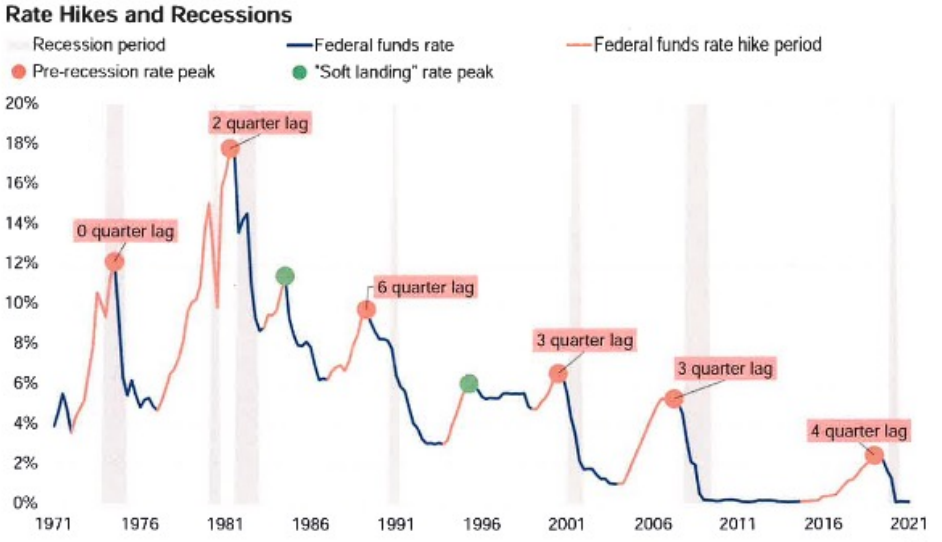
Property Values and Cap Rates

INFLATION, RATES RISING, AND POTENTIAL PENDING RECESSION

TRADITIONALLY, MULTIFAMILY HAS BEEN A HAVEN IN A RECESSIONARY PERIOD, AND HARD ASSETS ARE A GOOD HEDGE AGAINST INFLATION. Rental rates can be adjusted daily to keep pace with inflation and grow Net Operating Income, thereby increasing asset value.

FED HAS POOR TRACK RECORD OF RAISING RATES TO COOL ECONOMY WITHOUT TIPPING INTO RECESSION: has never brought inflation down 4%+ without recession occurring (what they're trying to do now).

- **In 6 of last 8 rate hike cycles, a recession has followed within 18 months.**
- **Average time between peak in Fed Funds rate and start of recession is 3 quarters (9 months).**
- **Using historical lag as a guide points to start of recession in late 2023.**



Source: Federal Reserve; John Burns Real Estate Consulting (Pub: May-22)

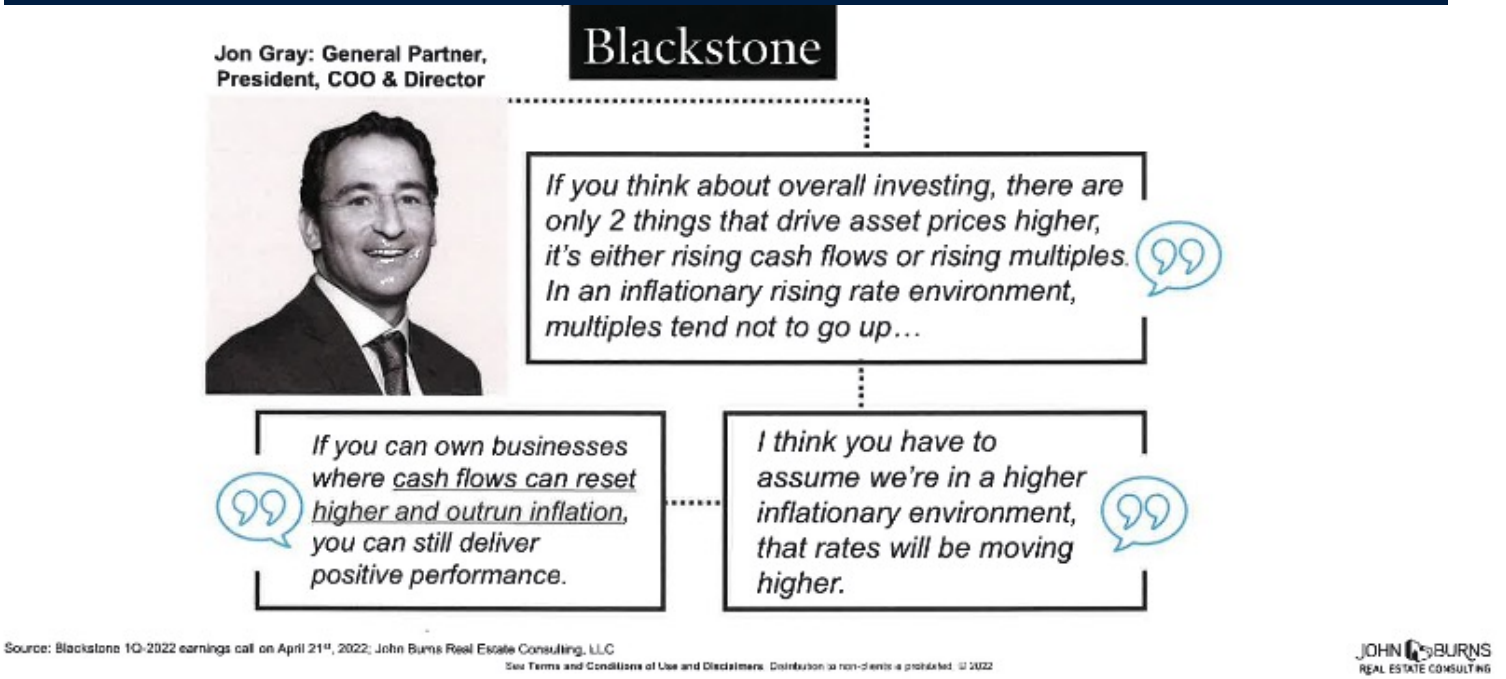
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Property Values and Cap Rates

INFLATION, RATES RISING, AND POTENTIAL PENDING RECESSION

RENTALS ARE ONE OF THE BETTER PLACES TO HIDE DURING INFLATIONARY TIMES



Source: Blackstone 1Q-2022 earnings call on April 21st, 2022; John Burns Real Estate Consulting, LLC

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Our Conclusions

1	U.S. Housing demand continues to outpace supply. While increased supply in recent years chipped away at the deficit, a sizeable shortfall remains. Rising interest rates are slowing new single-family home starts. Following a peak in 2022, total housing starts are projected to decrease through 2025, suggesting continued robust housing demand.
2	Low availability of single-family housing and resulting price increases have severely constrained the ability of many to own a home, thereby strengthening demand for multifamily housing. Cumulative U.S. multifamily housing demand has outpaced supply since 2010. In 2021, and the first quarter of 2022, demand trended far beyond supply.
3	Demographic and lifestyle trends continue to move people toward renting. Millennials and Gen Z adults continue to be burdened by increasing student and consumer debt and are delaying marriage, starting families, and buying a first home until later in life than previous generations.
4	Population migration trends continue, primarily from high-cost urban areas ("Old Growth Markets") to Sun Belt and other secondary and tertiary markets ("New Growth Markets"). In addition, U.S. suburbs continue to capture the highest share of household growth by a wide margin. Recent rent growth within markets also favors Suburban areas.
5	Multifamily rent growth and occupancies are the highest they have been since the early 1990's. Rent growth is projected to continue moderately. Market-rate multifamily residents' income is up, indicating their ability to afford the recent rent growth. Our portfolio rent-to-income ratios remain low at 23%, pointing to the likelihood of sustained future rent growth.
6	Over the past year, we experienced cap rate compression, and stabilized multifamily property values increasing dramatically. With interest rates rising, we expect a "cooling off period" until some level of certainty exists again in the interest rate market. We expect prices to moderate, moving down 5 to 10% from the "upper stratosphere" pricing environment, to values still within what could be considered "stratosphere" pricing. After a season of searching for the new normal, we continue to expect strong demand for well-located assets. Once pricing finds its equilibrium, we expect values to continue to grow as NOIs grow through rent growth and a continued record amount of buyer capital pursuing multifamily.
7	We face similar headwinds to our peers of rising construction costs, increased land pricing, labor shortages, long permitting timeframes, and supply chain issues. We remain diligent in executing our business plan and are well prepared to face these challenges.
8	The U.S. economy is facing many challenges including high inflation, rising interest rates, global unrest, and a looming recession. We are constantly monitoring the evolving economic landscape and believe the fundamentals of multifamily remain strong. The multifamily industry benefits from the fact that housing is a primary need and not a discretionary item. Given our selection of geographically diverse markets with high job creation, capital investment, and in-migration, we believe we are well positioned to weather a recession and possibly benefit from the suppression of single and multifamily housing supply.
9	Our analysis of the cumulative current market data convinces us that **there remains great opportunity for our proven market and site identification criteria to produce outstanding multifamily opportunities.**

Multifamily Market Outlook: Disclaimer

This Market Outlook is for informational purposes only and represents our own assessment of market trends affecting our business. Other developers, analysts, and experts may disagree with this outlook and have contrary or dissimilar opinions about the current state of the market and the information and assessments contained herein. This Market Outlook should not be relied upon as a guaranty or interpreted as a forecast of future market trends. Nothing in this Market Outlook should be interpreted as a forecast of market conditions. This is not a solicitation or an offer to buy or sell any security or other financial instrument. This Market Outlook is only being provided to you solely for your information and discussion. Information contained within this document may change without notice. Nothing in this Market Outlook constitutes investment, legal, accounting or tax advice. In addition, nothing in this Market Outlook constitutes advice that any investment is suitable or appropriate to your individual circumstances or otherwise constitutes a personal recommendation to you. Historic performance or trends presented in the Market Outlook, or relied upon in generating this Market Outlook, are not an indicator of future performance.

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