TRENDS AND INSIGHTS IN THE MULTIFAMILY SECTOR

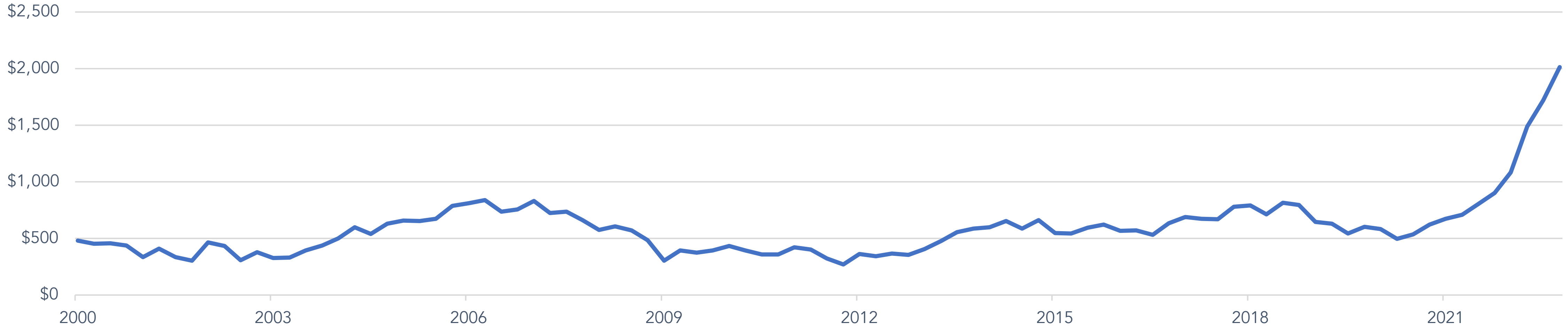
AN 8-SLIDE CHART ANALYSIS

The High Cost of Homeownership

Why Renting is Becoming an Attractive Option

The combination of rapid increases in single-family home prices and mortgage interest rates has resulted in a 140% increase in the difference between the cost to own and the cost to rent, relative to its prior peak. As inflation continues to eat away at consumers' savings, it is our view that this disparity in affordability will push more and more people into the rental pool and create barriers to single family home ownership for those currently renting. As a result, multifamily has the potential to see strong demand even in the face of an economic downturn.

Monthly Prem. to Buy vs. Rent

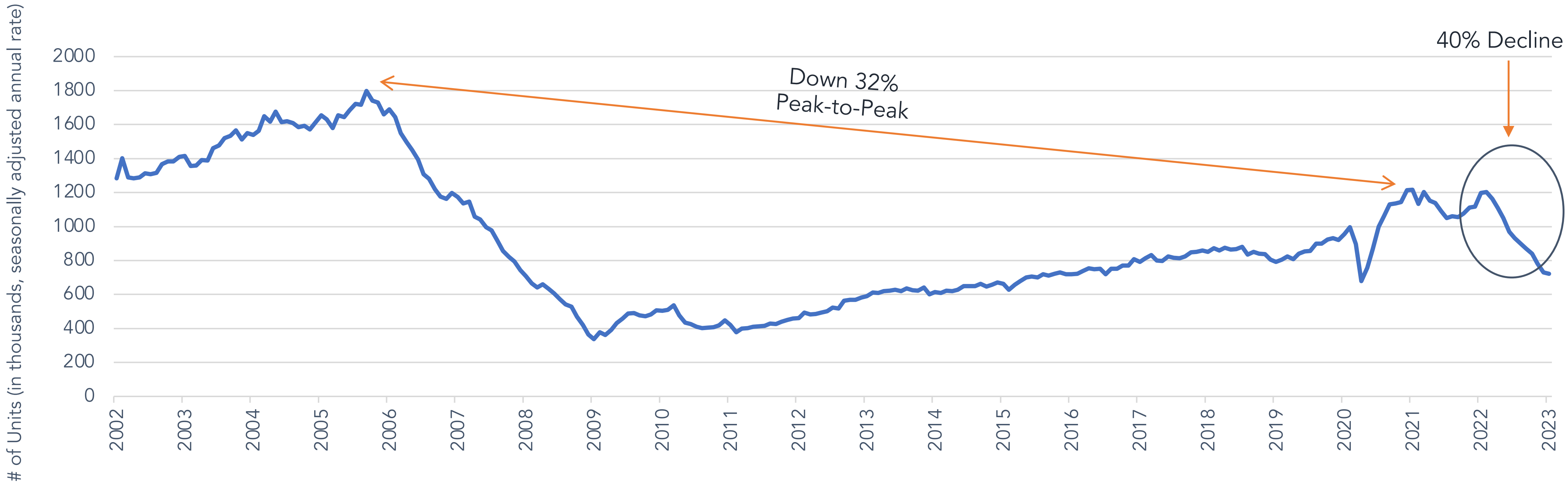


For illustrative purposes only. Past performance is no guarantee of future results.
Note: Estimated mortgage payment assumes 10% down payment, 30-year amortization, estimated property taxes and homeowners' insurance premiums of 0.79%, 0.50% of property value, respectively, and private mortgage insurance (PMI) premiums of 1.235% of loan amount. Home prices represent the Median Sales Price of Houses Sold for the United States, as reported by FRED. Mortgage rates represent the quarterly average 30-year fixed rate mortgage, as reported by Freddie Mac's Primary Mortgage Market Survey. Asking rents represent the average asking rent as reported by CoStar. Data as of December 31, 2022.

Homebuilder Sentiment is Bearish

Strong demand, low interest rates and a lack of supply created a favorable environment for homebuilders in the wake of the Global Financial Crisis. More recently, rising costs, higher interest rates and tighter financial conditions have pushed many builders to the side lines. As a result, the supply/demand imbalance that made homes increasingly less affordable in recent years stands to get worse. While this is good news for homeowners, would-be home buyers are likely to stay in the rental pool for longer, creating further support for multifamily demand.

Single-Family Housing Permits Dropping Quickly and Never Recovered From Peak



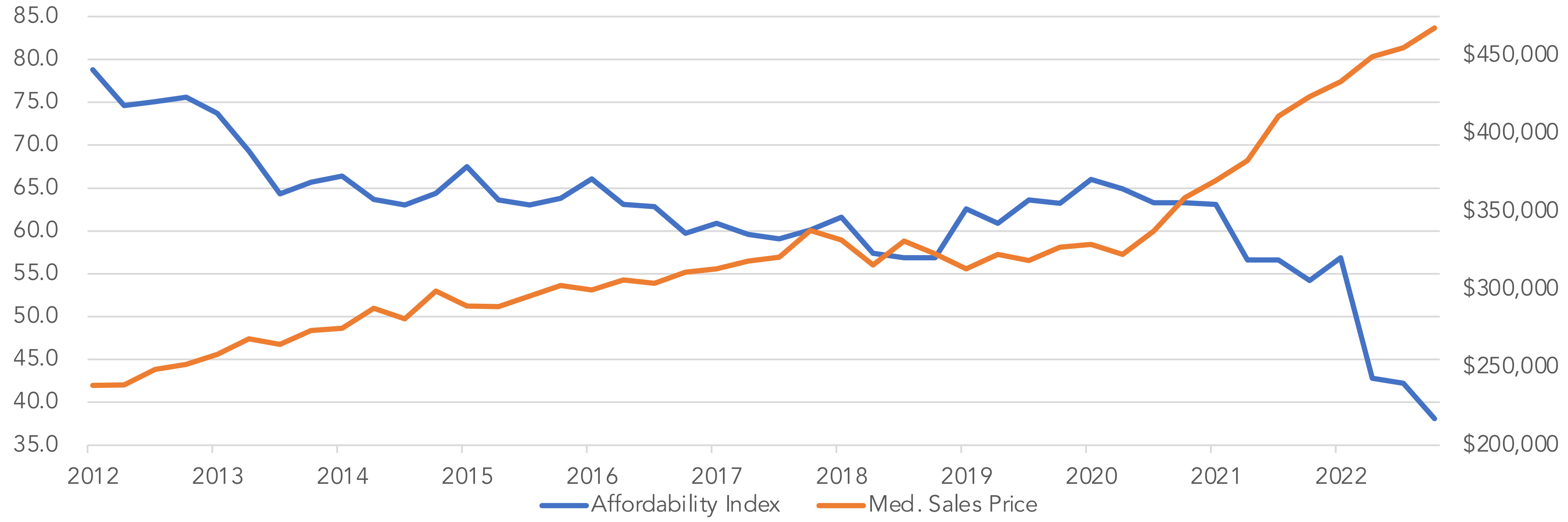
For illustrative purposes only. Past performance is no guarantee of future results.
Source: FRED. As of January 1, 2023.

Locked Out of the Market

How Rising Home Prices and Stagnant Wages are Impacting Affordability

While both wages and home prices have seen meaningful gains in recent years, increases have been nowhere near equal. Compound that with the impact of higher mortgage interest rates and you have a single-family home market that is more unaffordable than ever, as evidenced by the NAHB/Wells Fargo Housing Opportunity Index, which has declined by over 50% since 2012. The less affordable it is to buy a home, the more likely people are to rent, thus potentially creating strong tailwinds for the multifamily sector.

Median Sales Price of Homes Sold in the U.S. vs. Housing Affordability Index



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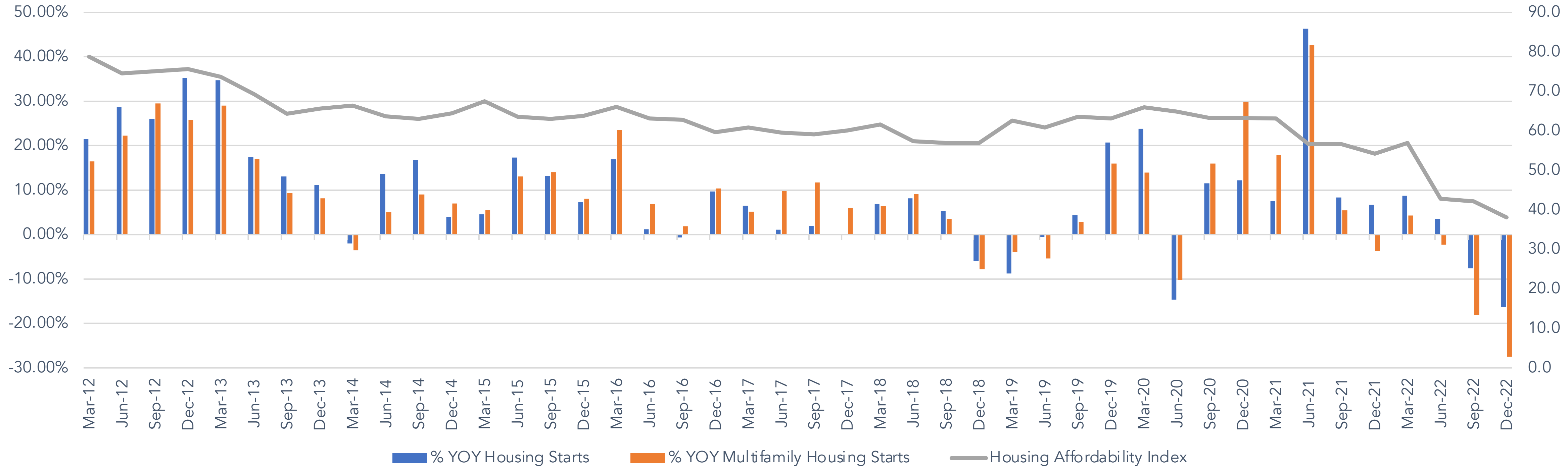
Source: FRED. NAHB/Wells Fargo Housing Opportunity Index. Data as of December 31, 2022.

Year over Year Change in Housing Starts (Both All Housing and Multifamily) vs. Housing

Affordability Index

On a year over year basis, housing starts have decreased rapidly, particularly in multifamily. Coinciding with this change is a significant decline in the affordability of single-family homes. Many builders are finding it increasingly difficult to access capital in the current environment but, for those that can, the decline in competition and future supply may create compelling opportunities.



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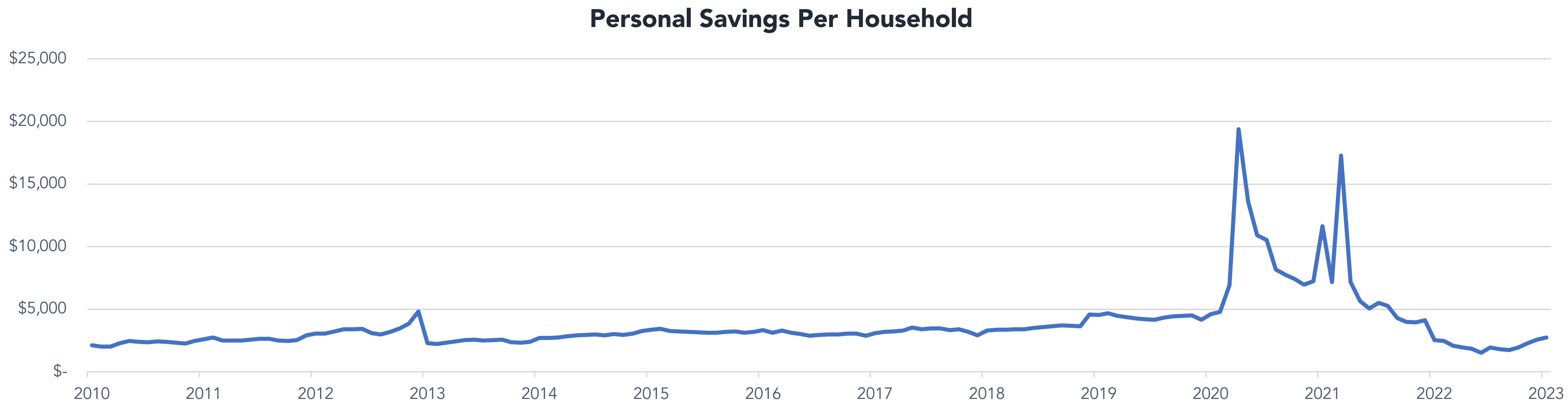
Source: FRED. NAHB/Wells Fargo Housing Opportunity Index. Data as of December 31, 2022.

Personal Savings

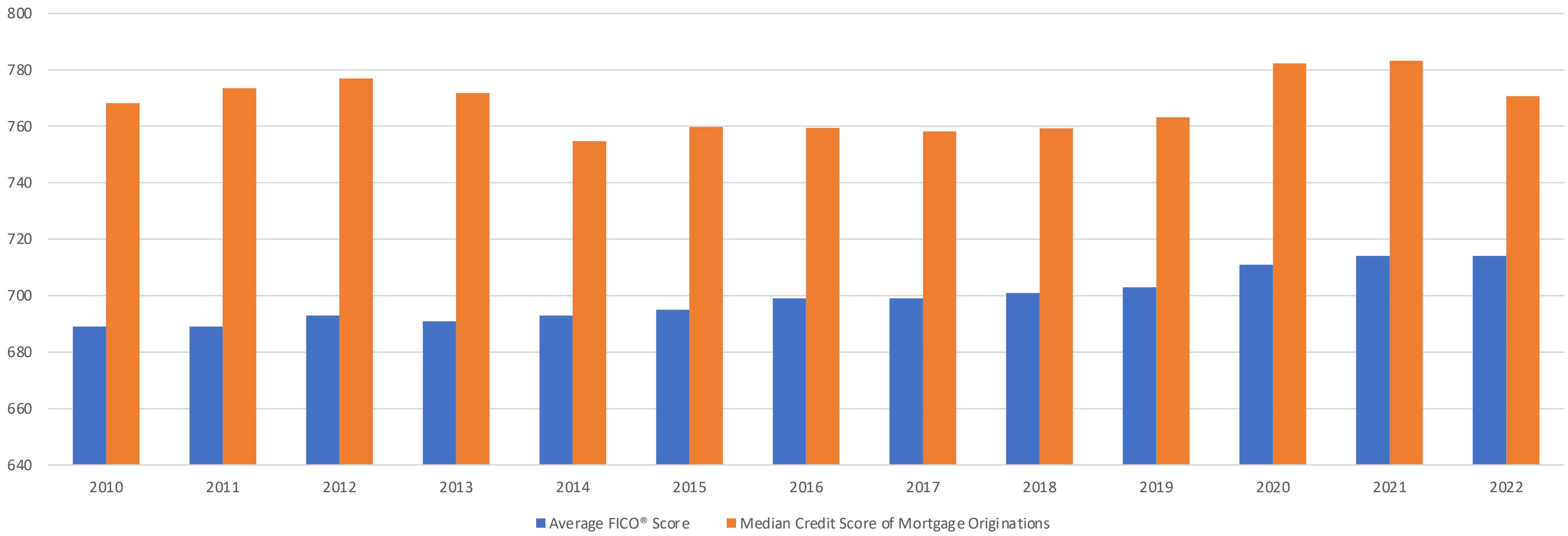
Personal savings per household exploded in the midst of the COVID-19 pandemic as decreased spending and a flood of fiscal and monetary stimulus went directly to consumer balance sheets. In the midst of the pandemic, a large share of this savings went to purchasing homes, resulting in a 29.5% increase in the median home sale price from the start of 2020 to the end of 2021. As the economy re-opened, spending came roaring back and was met with rapid inflation, resulting in a peak to trough decline in savings per household of almost 86%. With mortgage interest rates north of 6%, home prices still far above their pre-pandemic level and a potential recession on the horizon, renting may be only option for many would-be homebuyers.



For illustrative purposes only. Past performance is no guarantee of future results.
Source: FRED. Data as of March 31, 2023.

Mortgage Originations by Credit Score

Record high-home prices and 6%+ mortgage interest rates are not the only factors that have supported increased rental demand. In the wake of the Global Financial Crisis, credit standards tightened significantly. Based on the average U.S. FICO® score required to access the credit to buy a home, most still fall short of what is necessary even if they have the income and down payment to qualify.

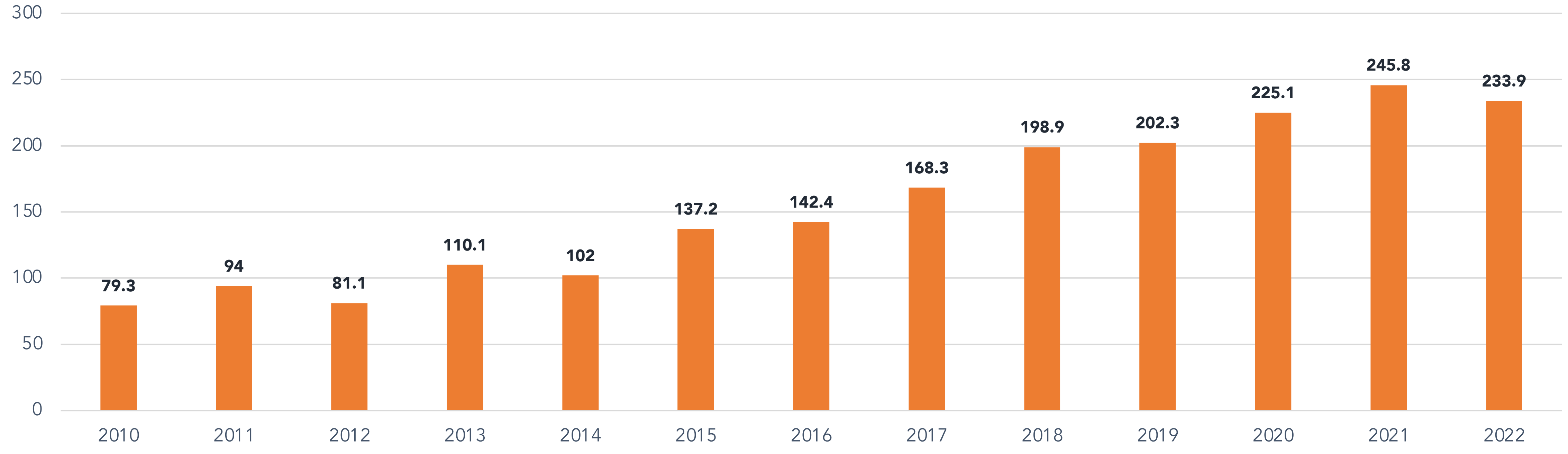


For illustrative purposes only. Past performance is no guarantee of future results.
Source: New York Fed Consumer Credit Panel/Equifax. Credit Score is Equifax Riskscore 3.0; mortgages include first-liens only. https://www.experian.com/blogs/ask-experian/what-is-the-average-credit-score-in-the-u-s/. https://www.fico.com/blogs/average-us-ficor-score-716-indicating-improvement-consumer-credit-behaviors-despite-pandemic.

Dry Powder Continues to Remain High and Ready for Deployment

Commercial real estate transactions experienced a year-over-year decline of 10% in 2022 as market draw-downs and rising rates create an uncertain transaction environment. While transactions have remained relatively muted in the first quarter of 2023, there is almost $234 billion in dry powder that stands ready to step into the market as opportunities present themselves.

Dry Powder (All Property Types, North America)

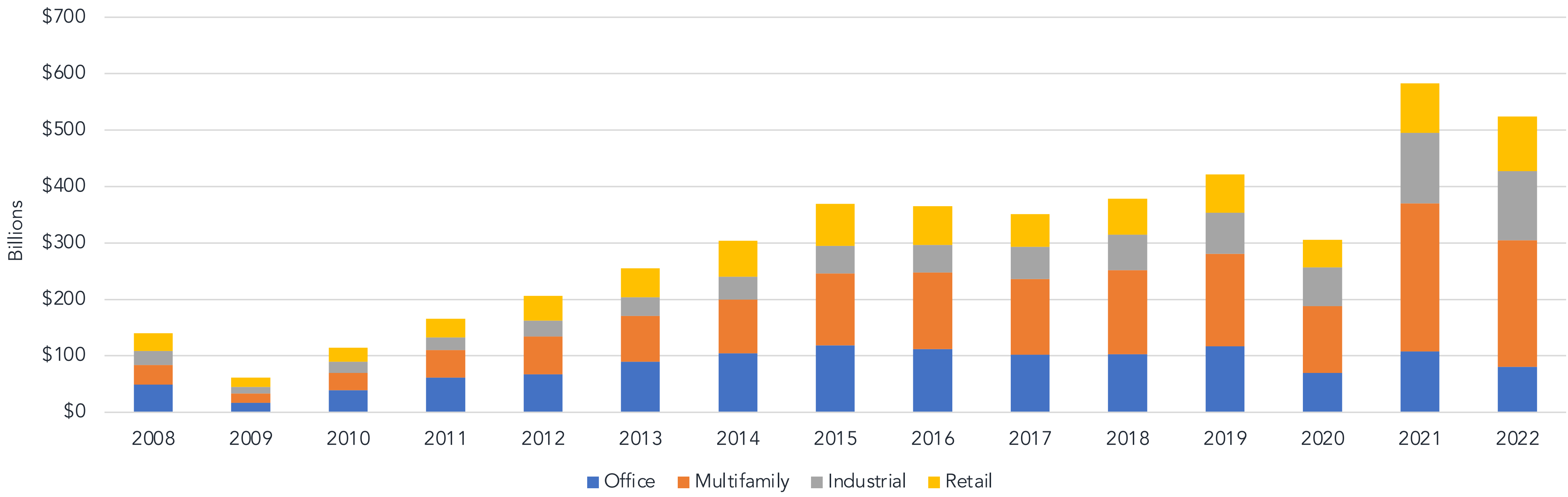


For illustrative purposes only. Past performance is no guarantee of future results.
Source: Preqin, Newmark.

Transaction Volume

Rising interest rates, a cooling economy and tighter financial conditions led to a 10% year-over-year decline in commercial real estate transactions in 2022. Multifamily continued to garner the most investor interest representing 43% of overall volume as a result of strong institutional interest in a sector that has proven resilient across economic cycles and stands to benefit from continued rental demand due to demographic tailwinds and its relative affordability.

Transaction Velocity Slowing, But Multifamily in the Lead



For illustrative purposes only. Past performance is no guarantee of future results.
Source: CoStar.

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