The 5 Things

EVERY MULTIFAMILY INVESTOR NEEDS TO CONSIDER THIS YEAR

SPECIAL NMHC UPDATE

JUNE 2021

The Pandemic and Economic Outlook

Pandemic: The economic recession was driven by the COVID-19 pandemic, and as a result, a medical solution is required to solve the economic problem. The introduction of a vaccine last December has made exceptional headway toward resolving both the pandemic as well as the economic challenges it created. By the beginning of June, about 41% of the population has been vaccinated and within the next month, that will likely rise to more than 50%. As the U.S. hits a critical mass of vaccinations, it will free the economy to reopen and revive.

Employment: Over 22 million jobs were lost at the onset of the pandemic. About two-thirds of the lost jobs have been recovered thus far, but specific sectors like Leisure and Hospitality employment remain sharply curtailed. As the economy reopens, restaurant and hotel workers will likely be re-employed, repopulating the workforce. This will fuel both growth and housing demand.

Confidence: Overall, confidence in the economic recovery is quite strong, led by the CEO Outlook, which has fully recovered. Consumer confidence is well on its way to returning to pre-pandemic levels and only small business optimism continues to lag. The challenge ahead will be filling the record 8.1 million vacant employment positions. The inability to find qualified employees was cited by small businesses as a primary headwind to their growth.

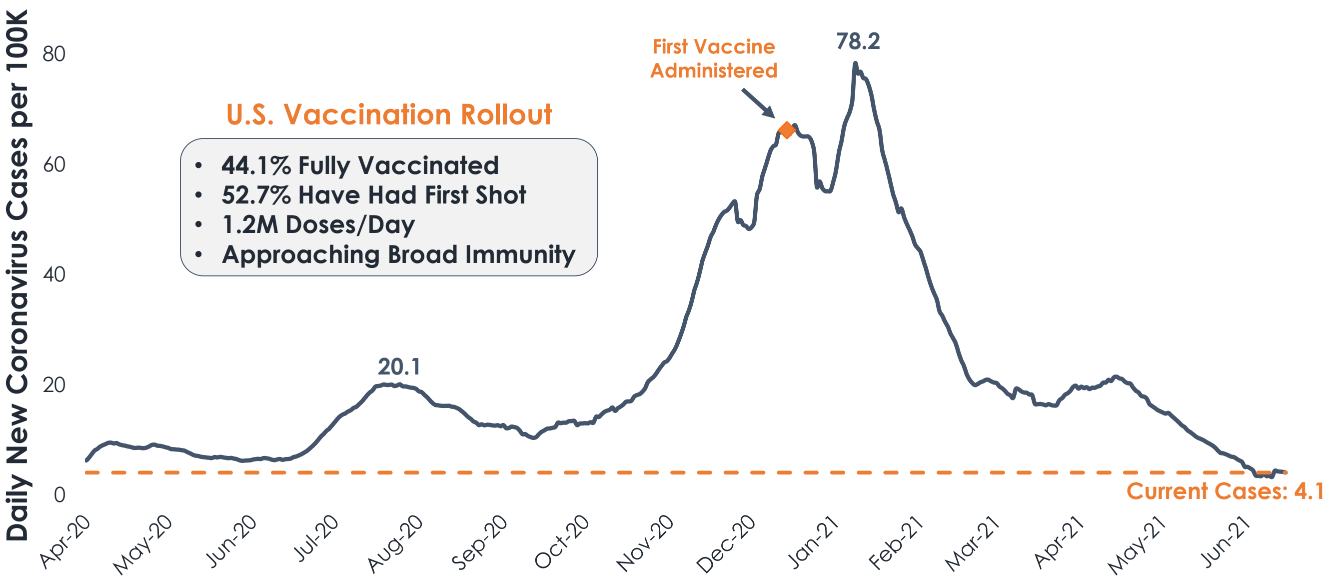
Spending: The three rounds of stimulus delivered an unprecedented $5.7 trillion injection into the economy. Retail sales surged as each of the three separate stimulus checks reached consumers, and today retail sales are 15% above pre-recession levels. Home sales have also surged, although the pace of growth has tapered in recent months due to the lack of inventory. Air travel is also well on its way toward revival but remains 33% below pre-pandemic levels. That said, it appears air travel will quickly accelerate this summer as business travel resumes and more families travel for vacation. The pandemic lockdown created significant pent-up demand for consumer goods as well as quality-of-life experiences that will drive all sectors of the economy, but shortages and inflation could stall the momentum.

Economic Growth: Pent-up demand and a significant increase in savings will fuel accelerated growth in the second half of 2021. Over the course of the pandemic, $4.6 trillion was added to U.S. bank accounts and money market mutual funds. As more of the population become vaccinated, this pool of cash will likely be unleashed in the economy in the form of consumption, investment and business expansion. Taking into consideration this unique situation, many economists are forecasting explosive growth in 2021 reaching as high as 8%, which would be the strongest annual growth rate since the 1950s.

Inflation: Record-level economic growth does bring challenges with it, most notably the potential of surging inflation. Numerous inflation benchmarks began accelerating in March, posing a potential risk to the economic outlook. The Federal Reserve has indicated that it believes the inflation will be transitory. However, several elements of the inflationary pressure, including wage growth and housing cost, may be more long-term in nature. Shortages of key commodities and manufacturing materials in addition to shipping/distribution limitations are weighing on the availability of goods, and prices have risen significantly in the last quarter. This trend could weigh on the growth outlook for the second half of this year if inflation does not ease.

THE POST-PANDEMIC ERA:
A NEW ROARING 20'S?

U.S. VACCINATIONS APPROACHING A TIPPING POINT SPURS ACCELERATED ECONOMIC GROWTH



As of June 15, 2021
Trailing 7-day average for daily Coronavirus cases
Sources: Marcus & Millichap Research Services, The New York Times, Bloomberg L.P.

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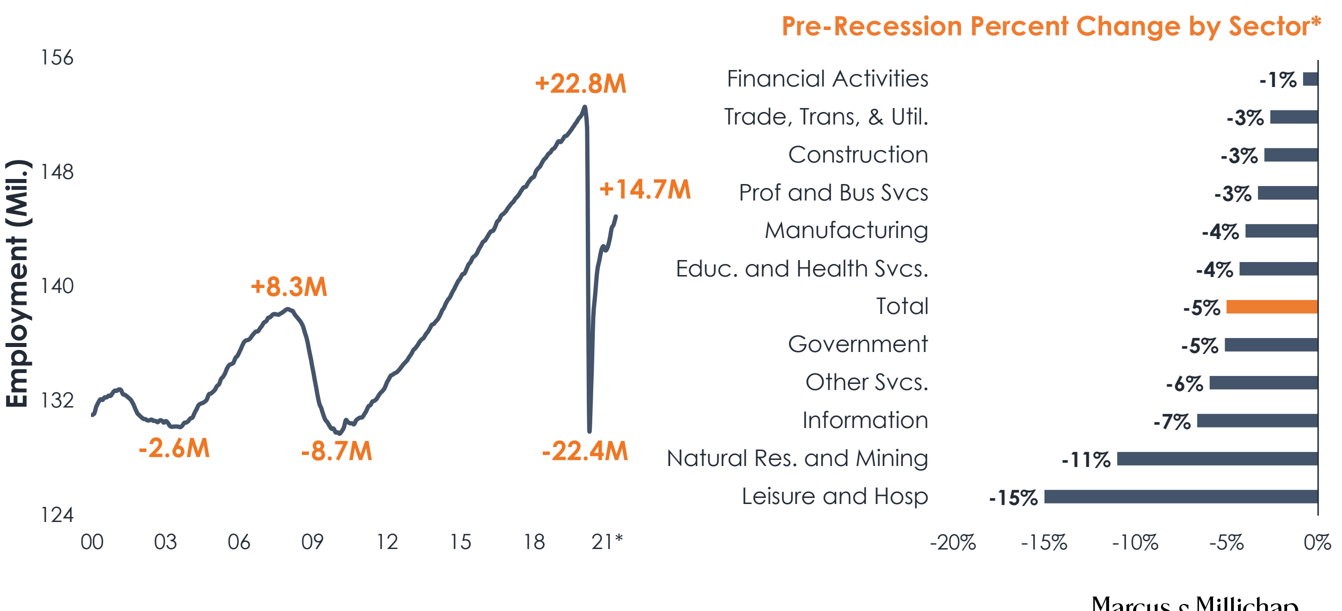
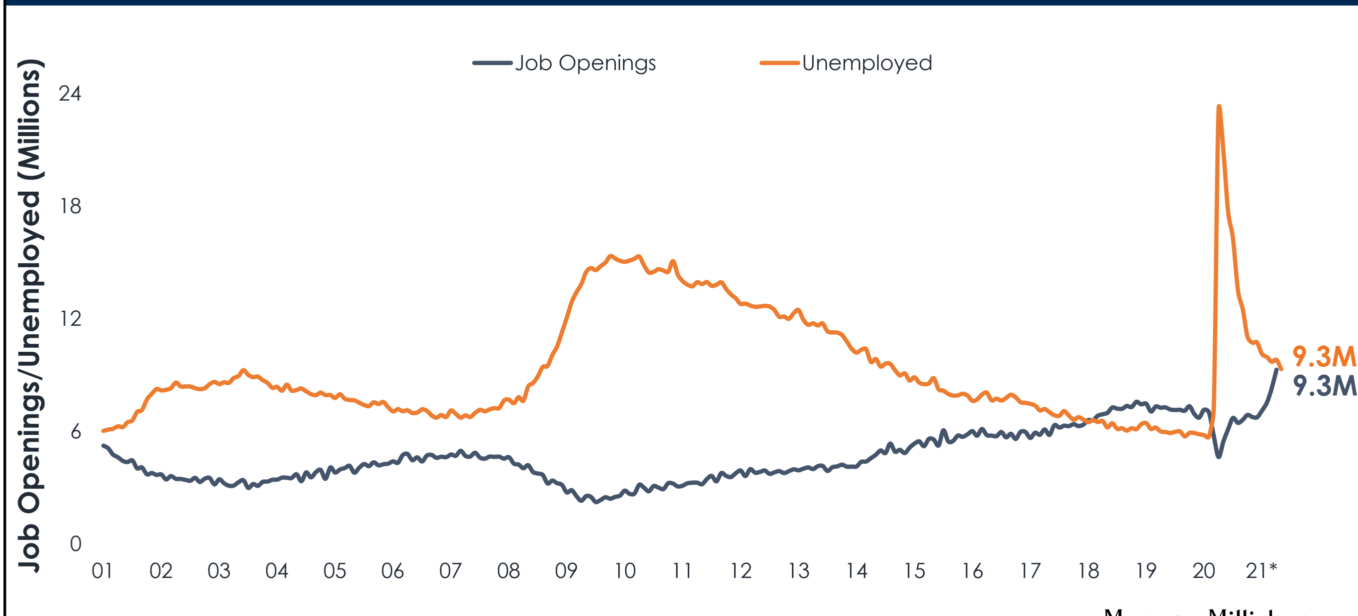
HIRING HAS RECOVERED TWO-THIRDS OF LOSSES, BUT SPECIFIC SECTORS PARTICULARLY HARD HIT



* Through May 2021
Sources: Marcus & Millichap Research Services, BLS

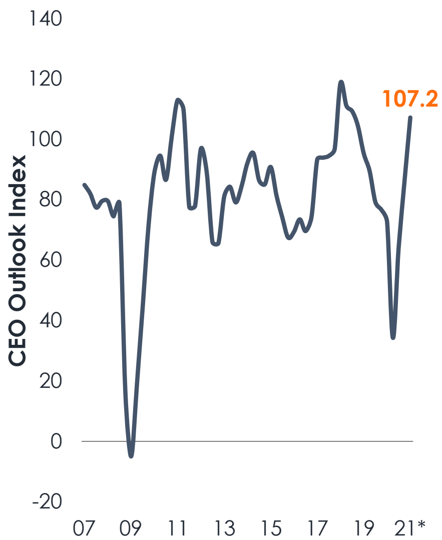
STIMULUS POLICIES CREATED EMPLOYMENT DISCONNECT; UNEXPECTED LABOR SHORTAGES CREATING HEADWINDS



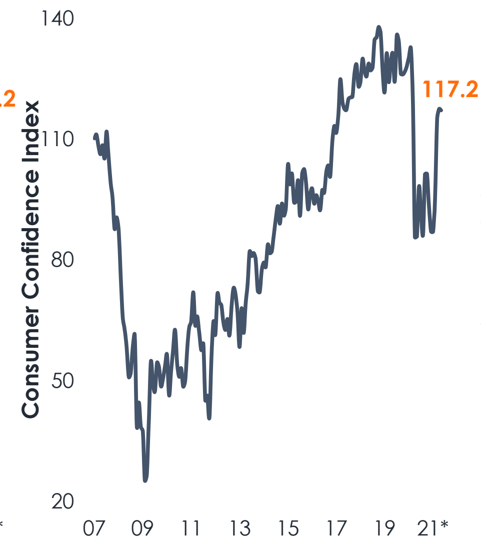
* Job openings through April; Unemployed through May
Sources: Marcus & Millichap Research Services, BLS

CONFIDENCE/OPTIMISM RECOVERING;
RAPID GOVERNMENT INTERVENTION LIKELY PLAYED KEY ROLE

CEO Economic Outlook



Consumer Confidence Index



Small Business Optimism Index

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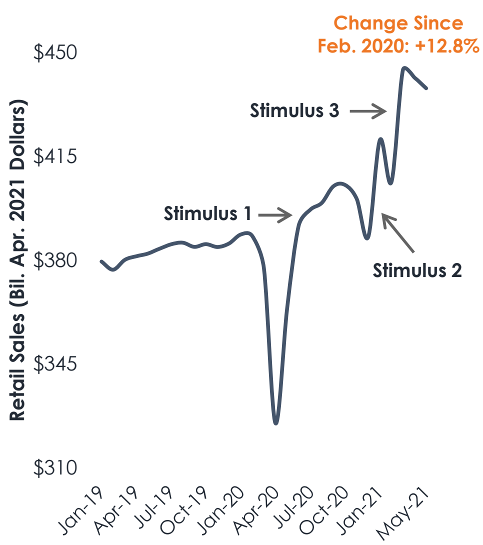
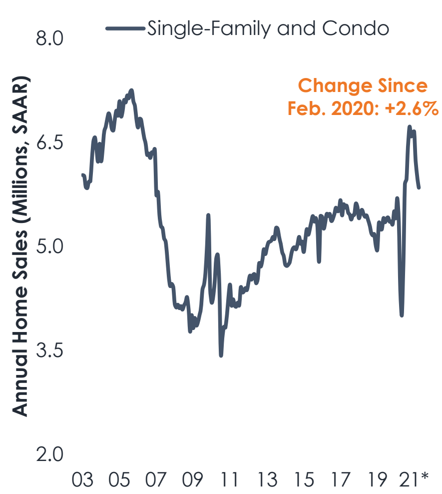
* Through May; CEO outlook through 1Q
Sources: Marcus & Millichap Research Services, National Federation of Independent Business, Business Roundtable, The Conference Board

THREE ROUNDS OF STIMULUS DROVE SIGNIFICANT SPENDING SURGE;
SEVERAL SECTORS STILL MAKING RECOVERY HEADWAY

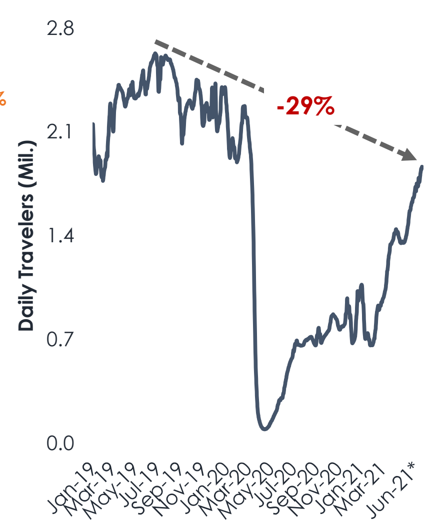
Core Retail Sales



Existing Home Sales



Air Passenger Throughput



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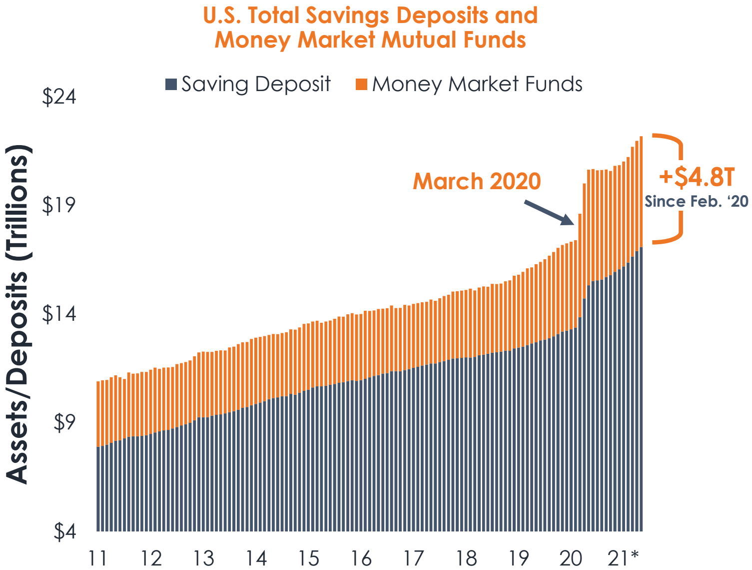
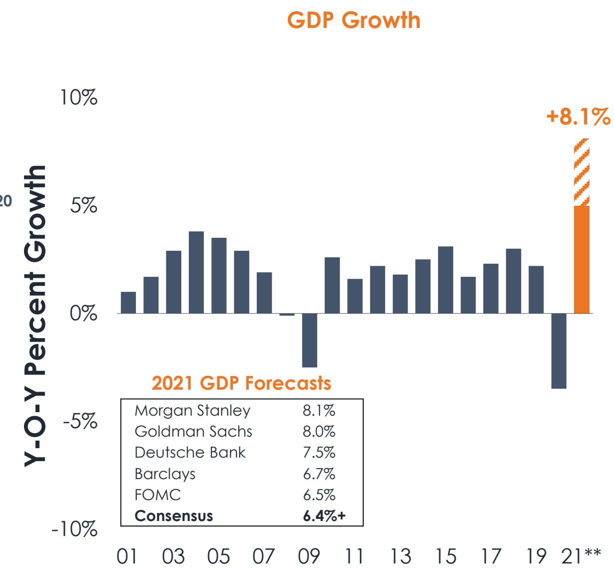
* Through April; Air passenger throughput through June 15
Adjusted for inflation using core PCE
Trailing 7-day average for air passenger throughput
Sources: Marcus & Millichap Research Services, U.S. Census Bureau, National Association of Realtors, Transportation Security Administration

VACCINE/HERD IMMUNITY COULD UNLOCK $4+ TRILLION; WILL BOOST SPENDING, BUSINESS EXPANSION AND INVESTMENT





2021 GDP Forecasts

Morgan Stanley	8.1%
Goldman Sachs	8.0%
Deutsche Bank	7.5%
Barclays	6.7%
FOMC	6.5%
Consensus	**6.4%+**

* Through May
** Forecast
Includes investment in prime, government and tax-exempt funds for retail and institutional accounts
Sources: Marcus & Millichap Research Services, Office of Financial Research, Board of Governors of the Federal Reserve System

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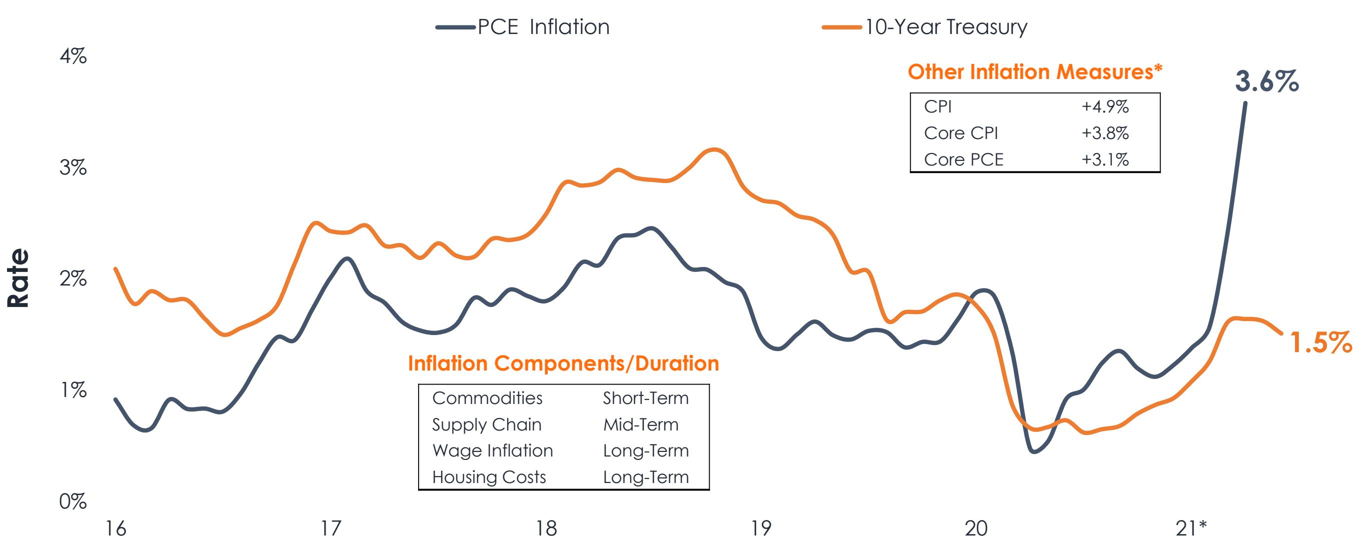
INTEREST RATES REMAIN IN-CHECK FOR NOW BUT RISING INFLATIONARY PRESSURE COULD FORCE THE FED'S HAND



Other Inflation Measures*

CPI	+4.9%
Core CPI	+3.8%
Core PCE	+3.1%

Inflation Components/Duration

Commodities	Short-Term
Supply Chain	Mid-Term
Wage Inflation	Long-Term
Housing Costs	Long-Term

* Through April; CPI and Core CPI through May; 10-Year Treasury through June 15
Sources: Marcus & Millichap Research Services, Federal Reserve, BEA, Board of Governors of the Federal Reserve System

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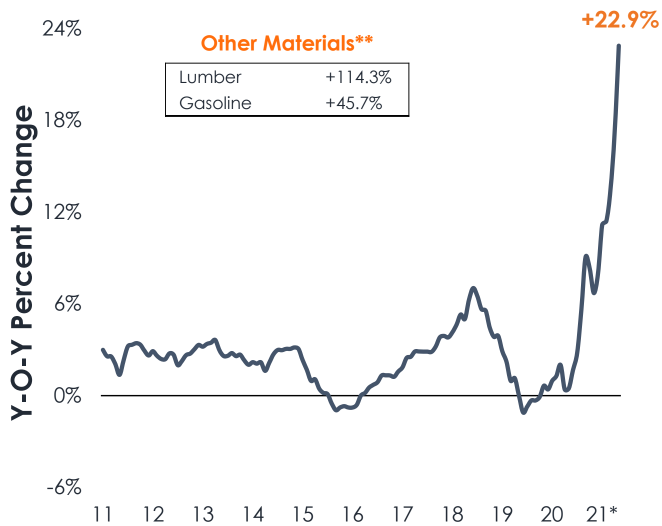
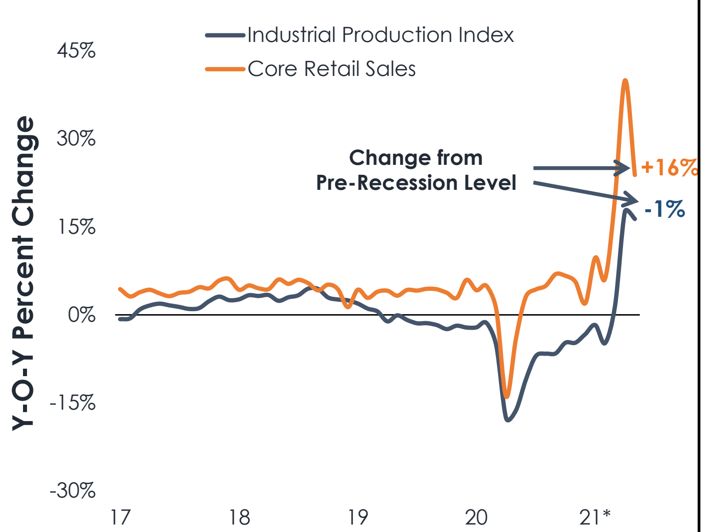
RAW MATERIALS, COMMODITIES AND SUPPLY CHAIN DISRUPTION INFLATION LIKELY TRANSITORY

Construction Material Cost



Supply Chain



* Through May
** Lumber Y-O-Y through May 2021; Gasoline Y-O-Y through June 2021
Core retail sales excludes autos and gas
Sources: Marcus & Millichap Research Services, U.S. Census Bureau, Board of Governors of the Federal Reserve System, BLS, Energy Information Administration

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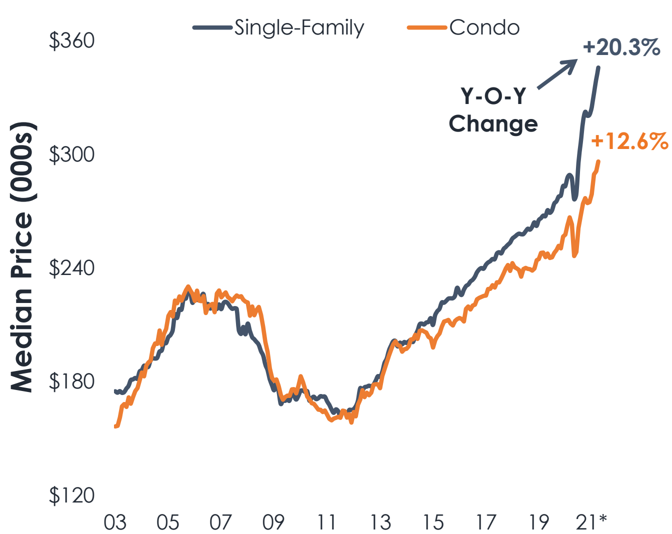
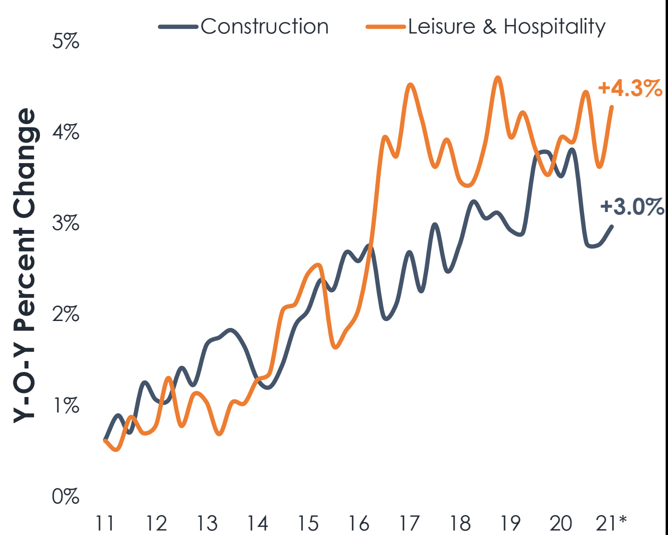
WAGE AND HOUSING INFLATION MORE STICKY - LIKELY TO LAST AWHILE

Median Home Prices



Wage Growth



* Through 1Q; Home prices through April
Sources: Marcus & Millichap Research Services, BLS, National Association of Realtors

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Pandemic-Induced Behavioral Changes Reshape Multifamily Landscape

Work From Home: The pandemic had a profound impact on behavior, most notably the need to work from home for the last year. This structurally affected not only the business climate of office space but living needs as well. The opportunity to work from home has increased people's need for a workspace where they live. This sparked increased demand for larger-format apartments, driving three-bedroom apartment vacancy rates to a record-low vacancy in the first quarter of 2021.

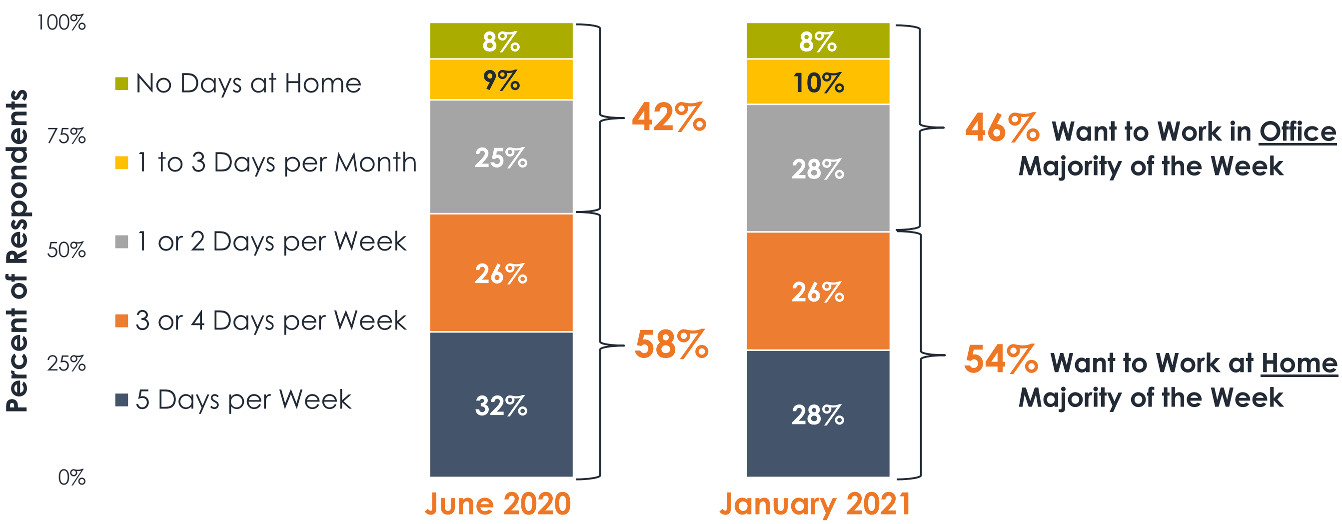
When workers have been asked if they prefer working from the office full-time or working from home all or part of the week, responses tend to be split. Younger workers just starting their career prefer to be at the office, where they can develop their careers and receive training. Many of the more senior personnel prefer working from home at least part of the week. However, numerous companies have cited weaker productivity, lack of cohesion and loss of corporate culture as a byproduct of remote work. Companies including Goldman Sachs, Apple, Ernst & Young, JPMorgan, Amazon, Facebook and Microsoft have all recently made statements about returning their work forces to the office. Decisions surrounding this topic will likely take time to play out, but they will strongly influence housing demand. In the interim, housing in suburban areas and in smaller cities will likely remain favored.

Migration: The onset of the pandemic and the need to work from home drove significant migration from the urban core to suburban areas. Vacancy rates in downtown locations rose substantively at the beginning of the economic lockdown, while suburban apartment demand has remained positive. It should be noted, however, that the pandemic merely accelerated this behavior. Demand for housing in the suburbs and smaller cities had already been rising, driven by the aging of the millennial generation into a new stage of life. Much like when the baby boomer generation was coming of age in the 1980s, millennials are increasingly favoring suburban living and homeownership. These trends are also driving migration southward toward cities young adults perceive as having a lower cost of living and higher-quality life. As the COVID-19 infection rate falls and companies bring workers back to the office, these migration trends could reverse, reviving demand for urban housing in major cities. That process could be extended, playing out over a multiyear span.

PANDEMIC-DRIVEN BEHAVIOR CHANGES:
IMPLICATIONS FOR COMMERCIAL REAL ESTATE?

WORKING FROM HOME STRUCTURALLY CHANGED BEHAVIOR – WILL IT BE PERMANENT?

"How often would you want to work remotely after COVID-19 is no longer a concern?"



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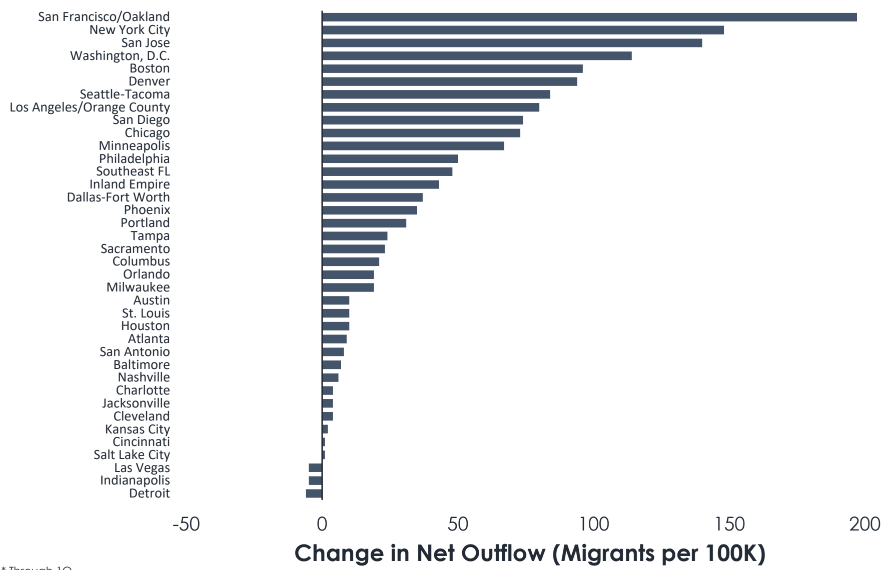
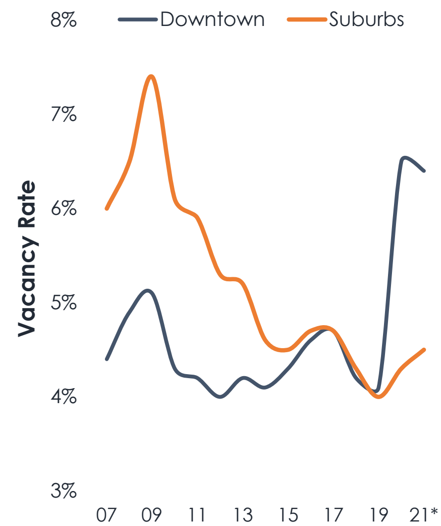
Sources: Marcus & Millichap Research Services, PwC

MIGRATION FROM MAJOR URBAN AREAS LARGELY WENT TO SUBURBS; WILL THE MOVE STICK OR WILL THERE BE A RETURN TO THE CORE?

Change in Urban Net Out-Migration by Metro



Apartment Vacancy



* Through 1Q
Includes downtown and suburban submarkets for 48 major metros
Calculated as difference in net flow from April to December 2020 from the prior three-year average
Sources: Marcus & Millichap Research Services, Federal Reserve Bank of Cleveland, Federal Reserve Bank of New York/Equifax Consumer Credit Panel, American Community Survey, RealPage, Inc., CoStar Group, Inc.

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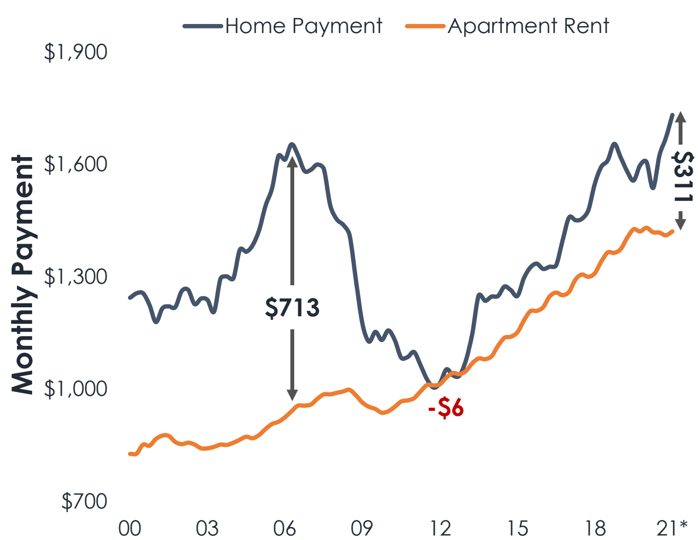
HOMEOWNERSHIP ON THE RISE BUT COST BARRIER EXPANDING; PORTENDS STURDY APARTMENT DEMAND OUTLOOK

U.S. Homeownership Rate

U.S. Affordability Gap



* Through 1Q
Mortgage payments based on quarterly median home price for a 30-year fixed rate mortgage, 90% LTV, taxes, insurance, and PMI
Imputed homeownership rate, actual survey data from the U.S. Census Bureau cites significant anomalies caused by the COVID Health Crisis
Sources: Marcus & Millichap Research Services, RealPage, Inc., Freddie Mac, National Association of Realtors, U.S. Census Bureau

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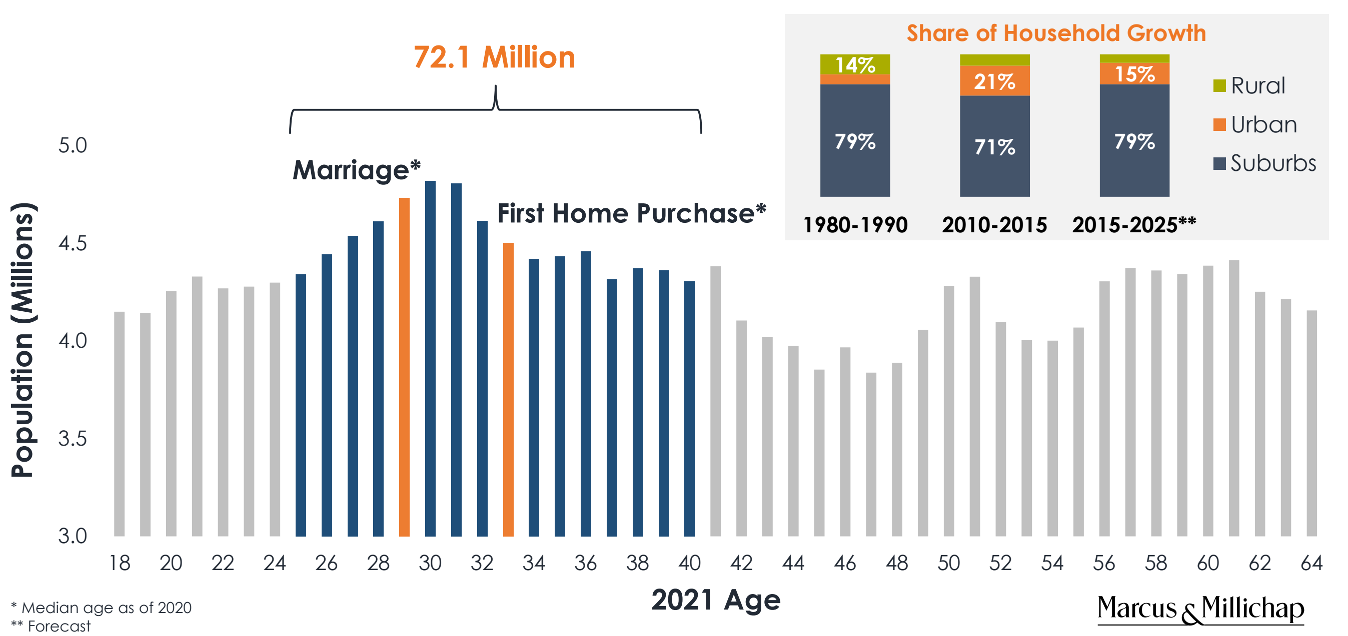
DEMOGRAPHICS DRIVE SUBURBAN REVIVAL AS MILLENNIAL GENERATION ENTERS TYPICAL AGE OF FAMILY FORMATION



* Median age as of 2020
** Forecast
Sources: Marcus & Millichap Research Services, U.S. Census Bureau, John Burns Real Estate Consulting

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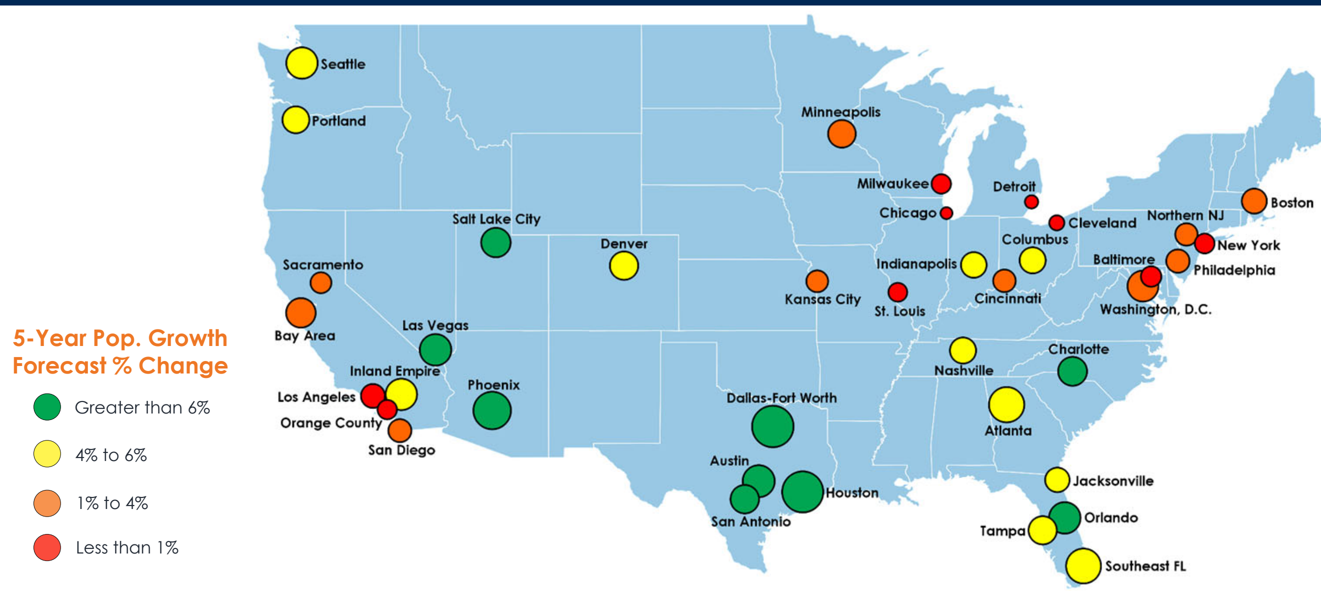
WORK FROM HOME ACCELERATED "QUALITY OF LIFE" MIGRATION; SOUTHERN STATES BENEFITING MOST



Five-year period: 2020 to 2025
Bubble size correlates to absolute population change
Forecast using Moody's baseline scenario as of April 2021
Sources: Marcus & Millichap Research Services, U.S. Census Bureau, Moody's Analytics

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Tax Reform Proposals Raise Uncertainty – Could Have Profound Impact

Taxes: Going forward, one of the things that could have the most profound impact on all commercial real estate is the proposed tax law change. At this point, changes to the tax laws are nothing more than a proposal from the Biden administration to Congress. However, it is likely that these ideas will be incorporated into new proposals that will be put before congress by November. Numerous tax policy changes have been proposed but there are a handful that could significantly impact multifamily investors.

Capital Gains Tax: The Biden administration has proposed taxing capital gains in excess of $1 million as ordinary income. In conjunction with the proposal to raise the top-tier personal income tax rate to 39.6%, this would be a dramatic rise that virtually doubles the tax rate from its current 20%. There is considerable resistance to this proposal, and many legislative insiders have suggested that some form of compromise is likely. Many suspect that capital gains taxes will be increased to the 30% range. It is conjectured that at rates above 30%, an increasing portion of investors will defer recognizing their gains, choosing instead to hold their investments until a new window of opportunity opens – perhaps under a new administration. Increased hold times could slow commercial real estate transaction activity, but it could also restrain redevelopment, value-add investments and merchant building. Reduced development and redevelopment could exacerbate housing shortages and stall revitalization projects.

Limiting 1031 Like-Kind Exchanges: Another proposal would set a $500,000 cap on tax-deferred exchanges. This could have a profound impact not only on commercial real estate but upon the broader economy. A recent Ernst & Young study suggests that 1031 exchanges create nearly 570,000 jobs, add more than $55 billion to the economy and generate nearly $8 billion in local, state and federal tax revenues. Approximately 10% to 20% of commercial estate transactions use 1031 exchanges. Studies suggest that limiting like-kind exchanges could slow real estate transaction activity by inducing longer hold times. Studies also suggest that this limitation could weigh on property values, aggravate real estate-related shortages such as housing, impair land-intensive businesses like farming and ranching, and slow business expansion.

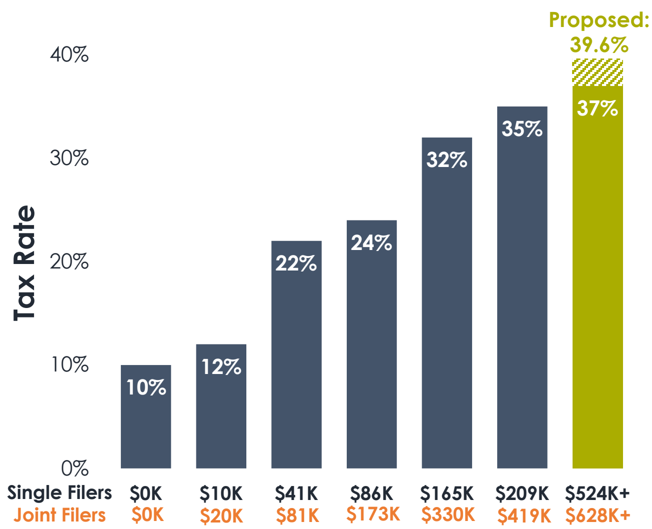
Step-up Basis: Another proposed tax law change that could significantly impact investors is the elimination of the step-up basis. The step-up basis facilitates the transfer of real estate holdings upon the death of the owner. Upon transfer, the property is revalued for tax purposes to its current market value. This resets depreciation and reduces the tax consequences of the transfer as there may be considerable equity in the property. Without a step-up basis, inheritors could face significant tax consequences that effectively consume the equity in the real estate. The elimination of the step-up basis could also invoke a “death tax” in which the tax on the appreciation of the real estate is due upon the owner’s passing. Studies suggest that doing this could wipe out tremendous wealth not only among commercial real estate investors but also farmers, ranchers and other businesses with significant real estate holdings.

PROPOSED TAX LAW CHANGES:
A COMMERCIAL REAL ESTATE GAME CHANGER?

PROPOSED: INCREASE TOP PERSONAL INCOME-TAX FROM 37% TO 39.6%

- **Tax Rate Was Lowered from 39.6% to 37% in 2017**
- **New Proposal Reverts Back to 39.6%**
- **Earnings Thresholds for Top Rate:**
  - **Single Filers: $524K+**
  - **Joint Filers: $628K+**
- **Modest Pushback Thus Far**

Existing Income-Tax Rate by Income Tier



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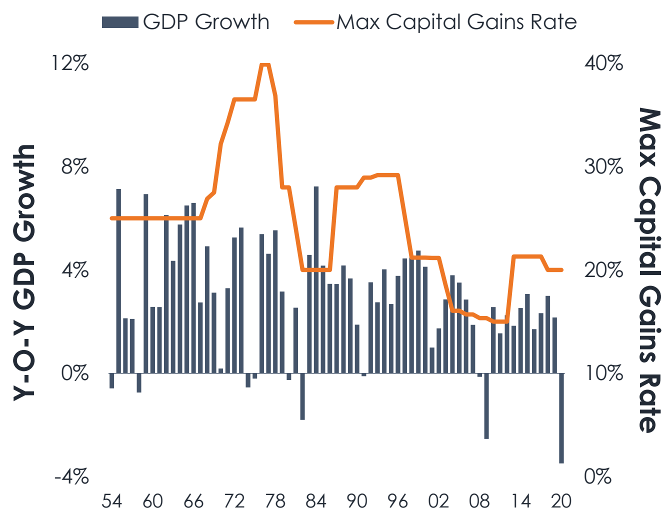
PROPOSED: INCREASE CAPITAL GAINS TAX FOR INCOME OVER $1M

- Existing Max Capital Gains Rate:
  - Single Filers: $446K+ 20%
  - Joint Filers: $502K+ 20%
- Proposed Max Capital Gains Rate:
  - $1+ Million: 39.6%
- Unintended Consequence:
  - Discourages Investment
  - If Rate Too High Investors Recognize Less Gains Through Asset Sales
- Significant Sticking Point; Many Anticipate Negotiated Rate in the 28%-32% Range

GDP Growth vs. Max Capital Gains Tax



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Includes short and long-term net positive gains. Long-term gains excluded prior to 1987 are included in realized capital gains. Data for each year include some prior year returns.
Sources: Marcus & Millichap Research Services, BEA, Treasury Department, Congressional Budget Office

PROPOSED: SET $500K CAP ON 1031 LIKE-KIND EXCHANGES

Impact on Commercial Real Estate

- Approximately 10%-20% of CRE Transactions Use 1031 Exchange to Defer Taxes on Gains of Like-Kind Properties
- Current Law Has Already Incorporated Many Restrictions, Compliance and Limitations
- In Majority of Cases, Exchanges Result in Improvements and Value-Add Investments Generating Significant Economic Activity
- Unintended Consequences:
  - Likely Reduces Transaction Activity, Investment Capital, Development
  - Significant Negative Economic Impact

1031 Exchanges Create:

- **568K** Total Jobs
- **$27.5B** Total Labor Income
- **$55.3B** Total Value Added
- **$7.8B** Fed, State & Local Tax Revenue

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Sources: Marcus & Millichap Research Services, Ernst & Young, Federation of Exchange Accommodators (Ling & Petrova)

PROPOSED: CARRIED INTEREST TAXED AS ORDINARY INCOME

- **What Is Carried Interest?**
  - **Share of value creation earned by managing partners based on "sweat equity"/non-capital investment**
  - **Currently taxed as capital gains**
- **Who Does It Affect?**
  - **General partners of real estate investment and development funds or other types of investment partnerships such as private equity or hedge funds**
  - **In addition to direct capital contributions to an investment, managing partners often provide expertise, time and assume other risks/responsibilities**
- **Projected Revenue: $7.4B to $14B Over 10 Years**
- **Unintended Consequences: Disincentivizes risk taking and entrepreneurship, particularly on real estate development, reuse and value-add projects; could impact supply-short property types**

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Sources: Marcus & Millichap Research Services, Tax Foundation, NMHC

PROPOSED: ELIMINATION OF BASIS STEP-UP FOR INHERITED PROPERTY

Step-Up Basis Overview

- **What Is Step-Up Basis?**
  - **Taxpayers receive a basis step-up to current market value of real estate inherited from an estate**
  - **Wipes depreciation upon inheritance; reduces complex record keeping; reduces risk of severe estate taxes**
- **Proposed Changes:**
  - **Eliminate the step-up basis for gains of $1M or more ($2M or more for joint)**
  - **Estate "death tax" obligation of total gain at time of death**

Step-Up Basis Example

	Proposed Plan
FMV of Property on Date of Death	$20,000,000
Federal Tax	
Capital Gain 39.6%	($4,579,384)
Net Investment Income Tax 3.8%	($439,436)
Less: Proposed Taxes	($5,018,819)
Less: Repayment of Debt	($15,000,000)
Net Proceeds	($18,819)

Does not include estate tax; Additionally, there is uncertainty whether the estate will receive a deduction for income tax paid at death.
Does not include possible local transfer taxes or closing costs
Example based on purchase price of $10M held for 10 years depreciated on 39-year basis with $15M of debt; Does not include State Taxes
Sources: Marcus & Millichap Research Services, EisnerAmper

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Multifamily Supply and Demand Trends

Housing Shortage: Although multifamily construction has been at or near record levels for the last several years, household expansion by the millennial generation has largely balanced against the wave of new supply. The pandemic slowed household formation as many young adults moved in together to wait out the health crisis, but as we emerge from the pandemic, many of these households will de-bundle. This process will drive a surge of housing demand that surpasses the new housing stock under construction, in turn reducing vacancy rates. However, the surge in household formations may taper in 2022 as the pent-up demand burns off.

Multifamily Class-Cuts Diverge: Multifamily vacancy rates held firm through the pandemic, particularly suburban workforce housing. Although there has been considerable conjecture surrounding a potential vacancy surge as eviction moratoriums end, most operators agree that unit turnover in most parts of the country have and will be modest. There are notable exceptions, predominantly in states with particularly lenient tenant laws, where risks do remain elevated.

Class A apartments, particularly in the urban core, have experienced the greatest rise in vacancy levels. This reflects a combination of new unit completions as well as migration from the urban core to suburban areas and smaller cities. Demand for Class B and Class C apartments remains historically strong, and the combination of a service industry revival with the expected de-bundling of households could sustain strong demand for traditional workforce housing.

Local Outlook Varies: The impact of the pandemic varied greatly by state and metropolitan area, with some areas facing stringent lockdowns and others taking greater health risks to mitigate economic pressure. Similarly, each metro faces a unique multifamily operating climate.

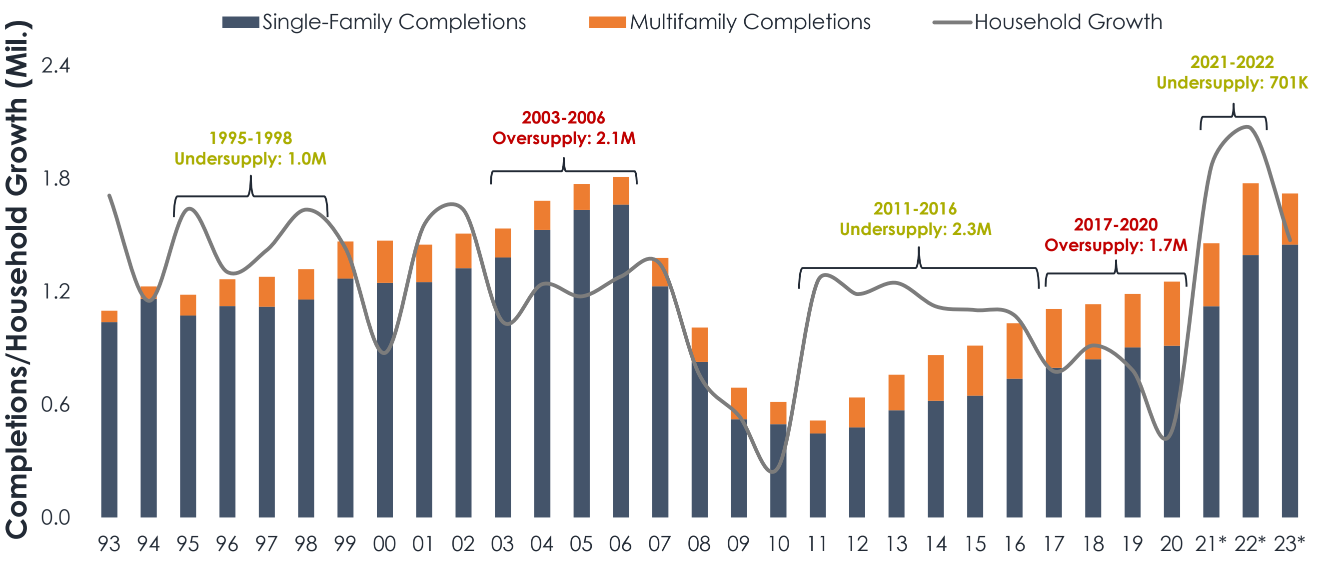
Migration trends have drawn developers to Southern states, creating some new supply risks that could put upward pressure on vacancy levels. Conversely, some cities with much lower population and employment growth rates have the potential to outperform because new construction has been particularly modest.

The outlook on short-term local market dynamics are currently particularly difficult to forecast. A great deal hinges on whether companies successfully bring their workforce back to the office. If, as the pandemic passes, companies enforce a work-from-the-office model, demand could shift back to the urban core of major cities and demand for housing in smaller markets and suburban areas could soften. If, however, companies remain flexible and allow a substantive portion of their employee base to work remotely, the current migration trends could hold or even strengthen.

MULTIFAMILY FUNDAMENTALS TRENDS

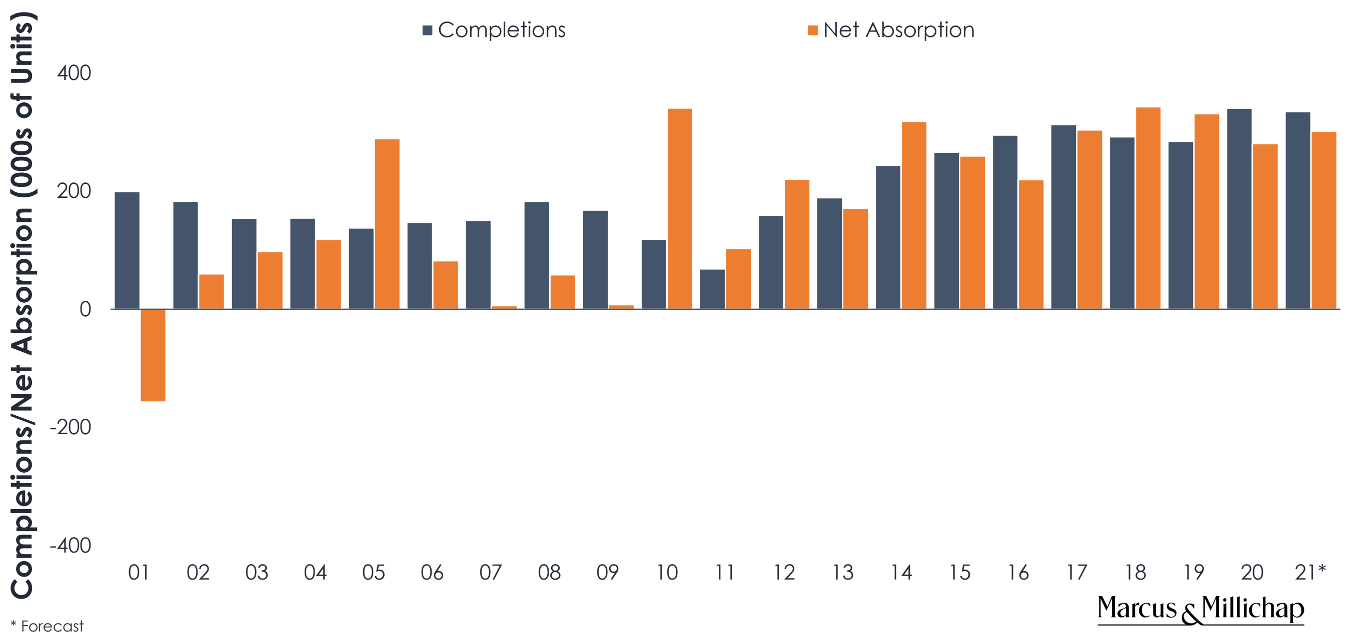
WILL HOUSING DEMAND REMAIN STRONG?

HOUSING DEMAND EXPECTED TO OUTPACE CONSTRUCTION
U.S. HOUSEHOLD FORMATION VS. HOUSING COMPLETIONS



* Forecast
Sources: Marcus & Millichap Research Services, U.S. Census Bureau, RealPage, Inc., Moody's Analytics

U.S. APARTMENT DEMAND REMAINS EXCEPTIONALLY STRONG; ABSORPTION NEARLY KEEPING PACE WITH RECORD CONSTRUCTION



* Forecast
Sources: Marcus & Millichap Research Services, RealPage, Inc.

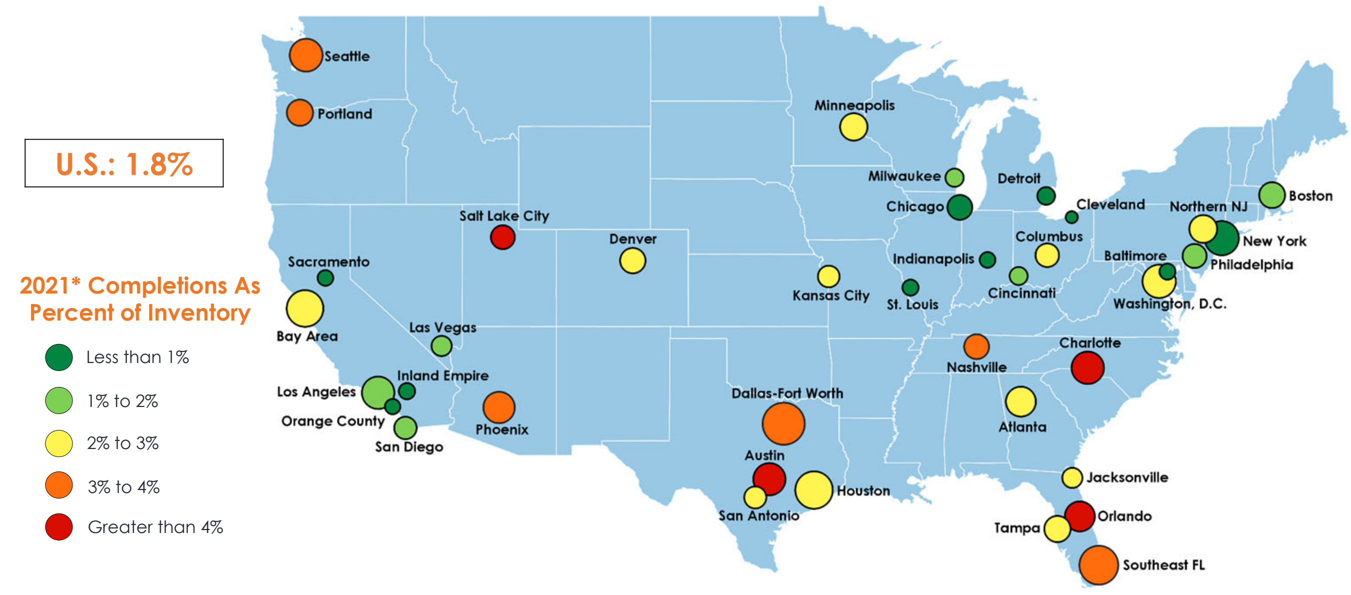
WHAT APARTMENT SEGMENT IS MOST IN DEMAND?

U.S. Avg. Vacancy Rate

2018	4.6%
2019	4.2%
2020	4.4%
2021**	4.5%

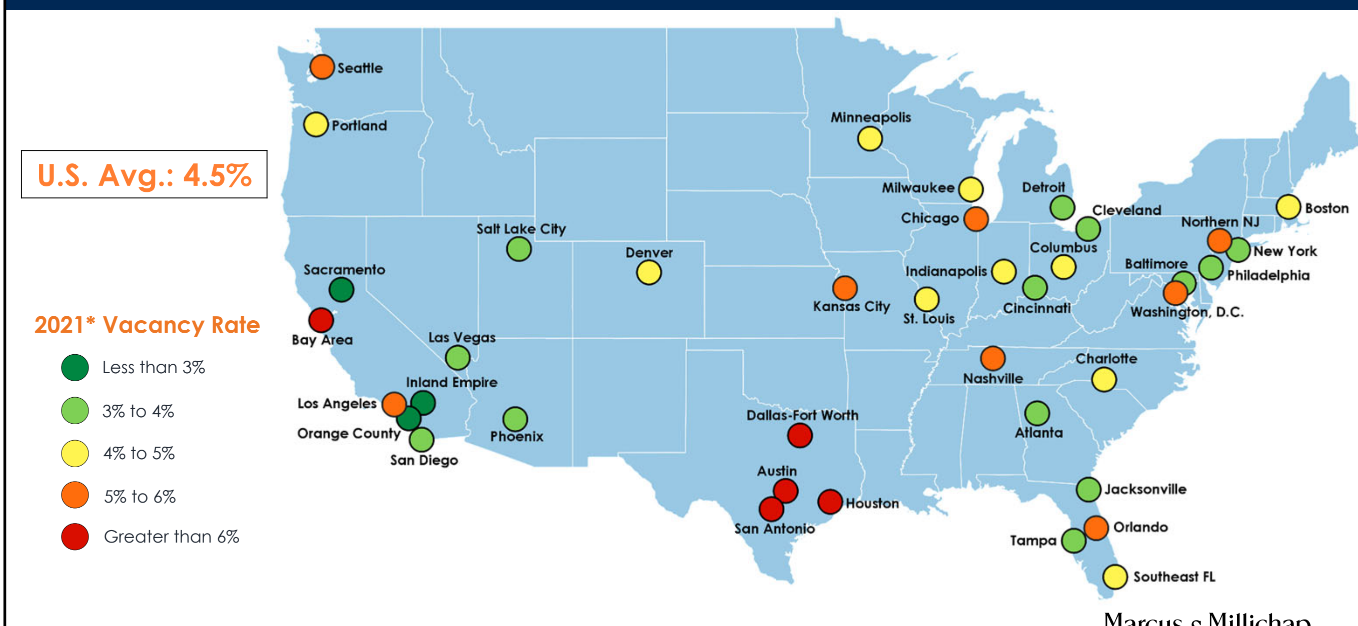
* Through 1Q
** Forecast
Sources: Marcus & Millichap Research Services, RealPage, Inc.

DEVELOPERS FOCUSING CONSTRUCTION ON POPULATION GROWTH MARKETS – HEAVIEST ACROSS SOUTHERN STATES



* Forecast
Bubble size correlates to absolute completions
Sources: Marcus & Millichap Research Services, RealPage, Inc., CoStar Group, Inc.

VACANCY PERFORMANCE HIGHLY LOCALIZED – SOME MARKET MAY MOVE SIGNIFICANTLY AS LIFE REVERTS TO "NORMAL"



* Forecast
Sources: Marcus & Millichap Research Services, RealPage, Inc., CoStar Group, Inc.

Multifamily Investment Trends

Sales Activity Revival: Investor activity rapidly diminished at the onset of the pandemic, but as uncertainty eased in the second half of last year, investors re-engaged the market. Investors set aside large pools of capital to target distressed assets, but few came to market. Most properties maintained operations with minimal pandemic-related losses, and most investors were sufficiently capitalized to sustain short periods of underperformance. Ultimately, sound fundamentals and a perception that multifamily properties remained well-positioned spurred investor demand. Transaction activity recovered quickly, with many assets receiving multiple strong bids. This drove values higher and applied downward pressure to cap rates.

Secondary and Tertiary Markets: Smaller cities have been favored not only by accelerated population growth and housing demand but by investor demand as well. Again, this trend was not created by the health crisis but was accelerated by it. Investor interest in smaller metros began to gather momentum 10 years ago. At that point, 60% of the apartment investment dollar volume was placed in primary markets. Conversely, 60% of the dollar volume is now being directed to secondary and tertiary metros. This has placed strong downward pressure on cap rates in smaller cities, compressing the yield premium historically offered by these areas. Going forward, much will depend on how businesses contend with their staffing. If they successfully bring workers back to offices in the urban core, they could reverse the migration and investment course. However, if companies support increased working from home or open satellite offices in smaller communities to cater to remote employees, then demand drivers for housing in the smaller communities could remain strong.

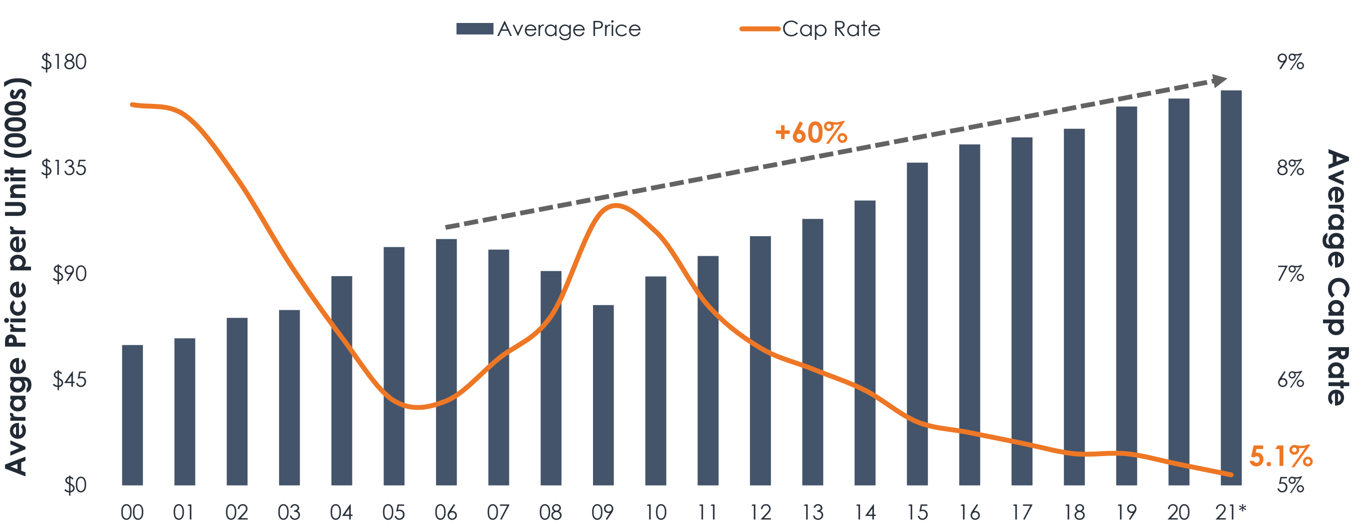
Asset Performance Varies: Like migration trends and the performance of apartment fundamentals, multifamily appreciation varies significantly by market. Apartment values in several markets have more than doubled from their prior peak set before the financial crisis. Appreciation in many cities, however, has been much more modest. Apartment cap rates vary dramatically by market and asset class. Some top-tier properties in core markets have recently sold with cap rates in the mid-3% range. Lower-tier properties in smaller cities may trade with cap rates above 7%. Even so, the pursuit of higher yields in Midwestern cities has become increasingly competitive, which in turn continues to put downward pressure on the yield of assets in these markets.

Interest Rates: Exceptionally low interest rates and strong market liquidity have fueled investor activity, creating an aggressive bid climate. Although interest rates rose substantively at the beginning of this year, they have recently stabilized near 1.6%, still below where they were at the start of 2020. The recent inflation surge could put upward pressure on interest rates, particularly if the Federal Reserve is forced to tap the brakes on economic momentum. The current multifamily yield premium over the 10-year treasury remains wide by historical standards, but should interest rates rise, the spread could tighten quickly.

MULTIFAMILY INVESTMENT SALES TRENDS

WILL INVESTOR DEMAND REMAIN STRONG?

U.S. APARTMENT PRICING MOMENTUM REMAINS STRONG; ELEVATED INVESTOR ACTIVITY SUPPORTED BY NUMEROUS POSITIVE DRIVERS



* Through 1Q
Includes sales $1 million and greater
Sources: Marcus & Millichap Research Services, CoStar Group, Inc., Real Capital Analytics

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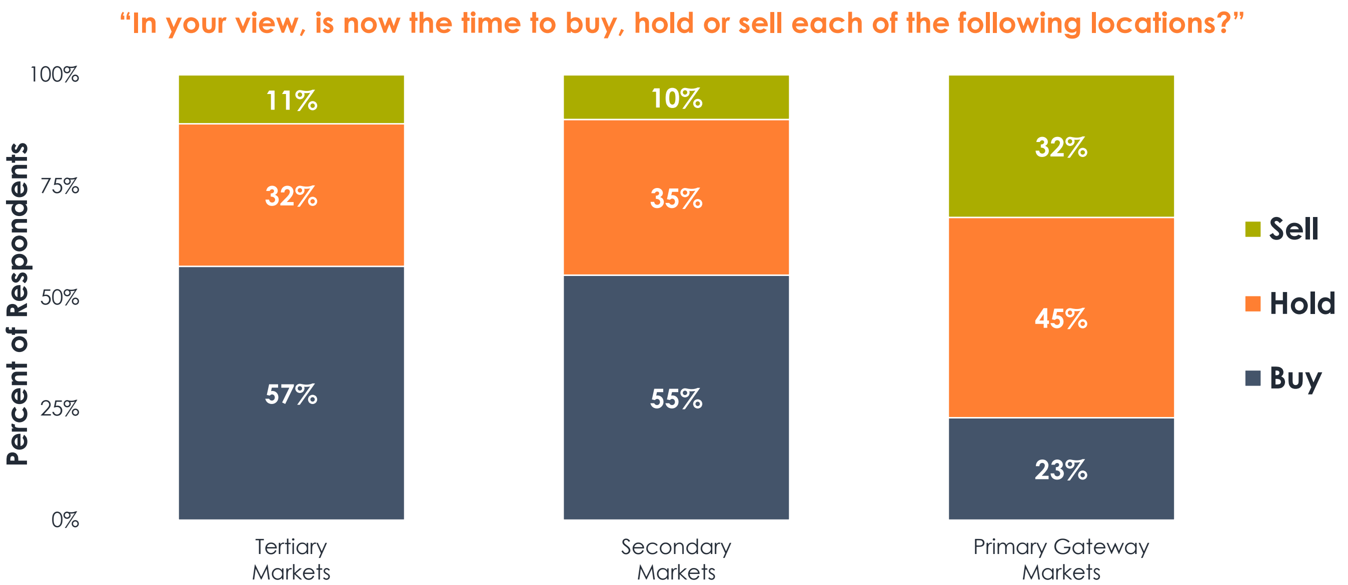
INVESTOR SURVEY: BUYERS FAVOR ASSETS IN SMALLER MARKETS



As of 1H 2021
Base: All respondents (n=509).
Sources: Marcus & Millichap Research Services, M&M/NREI Investor Survey

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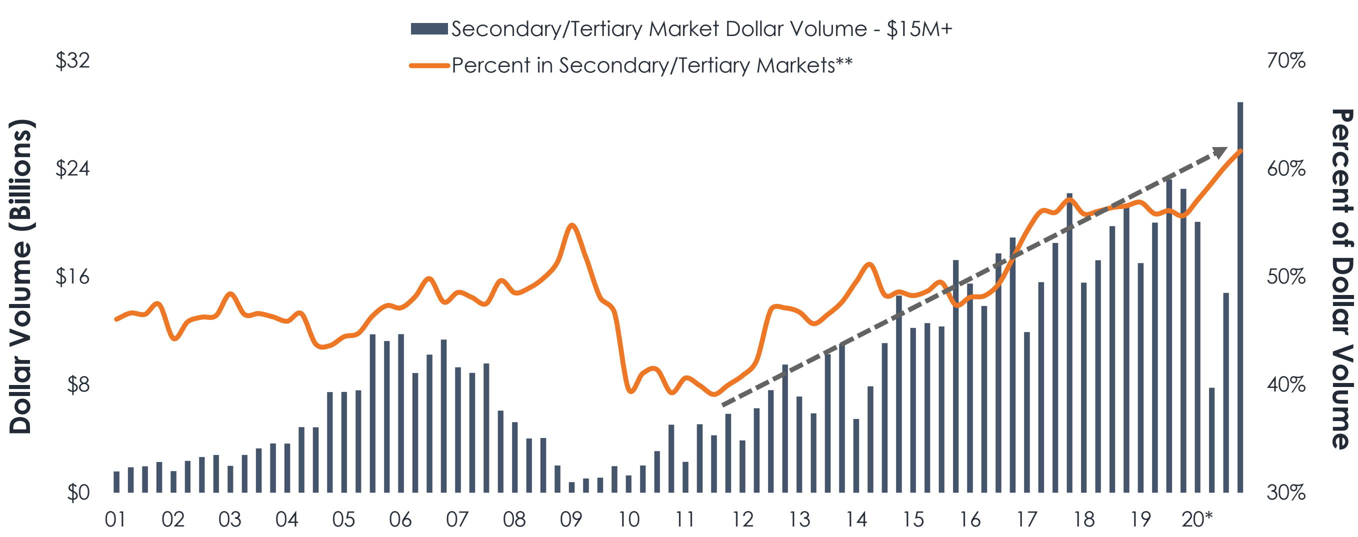
APARTMENT INVESTORS PURSUE YIELD AND DEMOGRAPHICS – CAPITAL ALLOCATIONS MOVING BEYOND THE CORE



* Through 4Q
** Trailing 12-month average
Includes sales $15 million and greater
Sources: Marcus & Millichap Research Services, Real Capital Analytics, CoStar Group, Inc.

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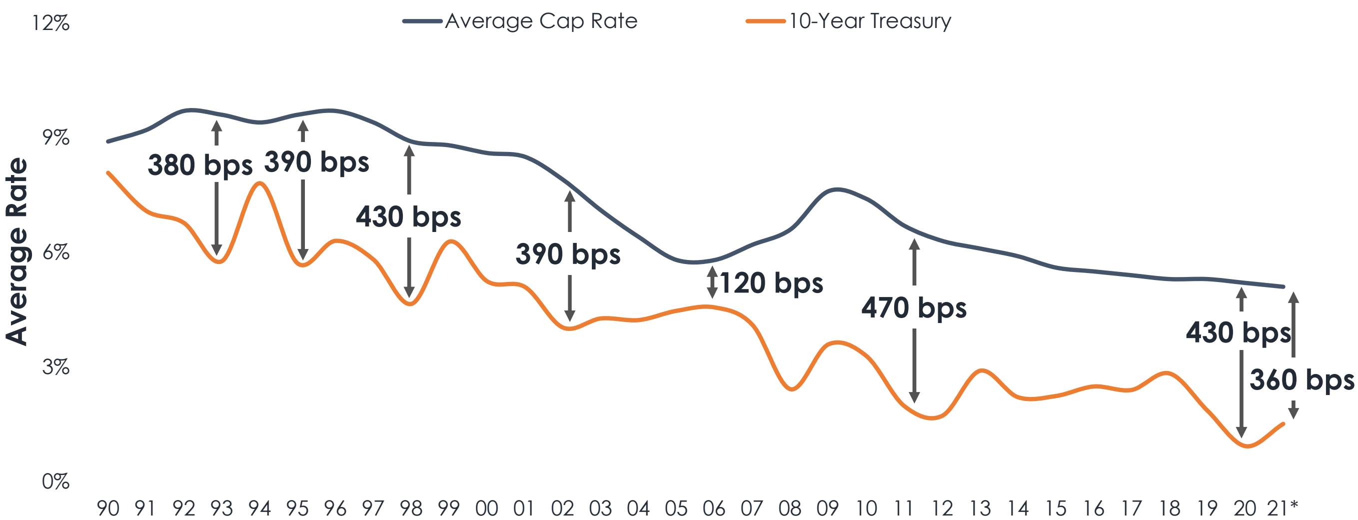
U.S. APARTMENT CAP RATE YIELD SPREAD TIGHTENING; AVERAGE CAP RATE VS. 10-YEAR TREASURY



* Through June 15
Includes sales $1 million and greater
Sources: Marcus & Millichap Research Services, CoStar Group, Inc., Real Capital Analytics, Federal Reserve

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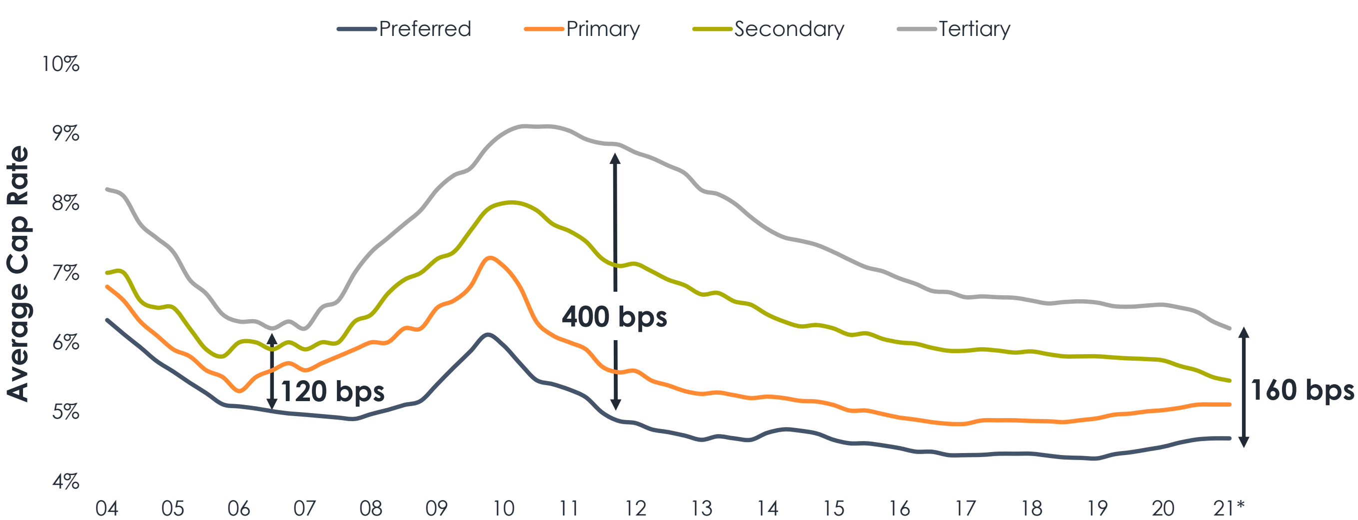
SMALLER MARKETS EXPERIENCING INCREASE CAP RATE PRESSURE; YIELD SPREAD TIGHTENING



* Through 1Q
Includes sales $1 million and greater
Preferred Markets Include: NY, DC, BOS, SD, LA, OC, SJ, SF, SEA
Sources: Marcus & Millichap Research Services, Real Capital Analytics, CoStar Group, Inc.

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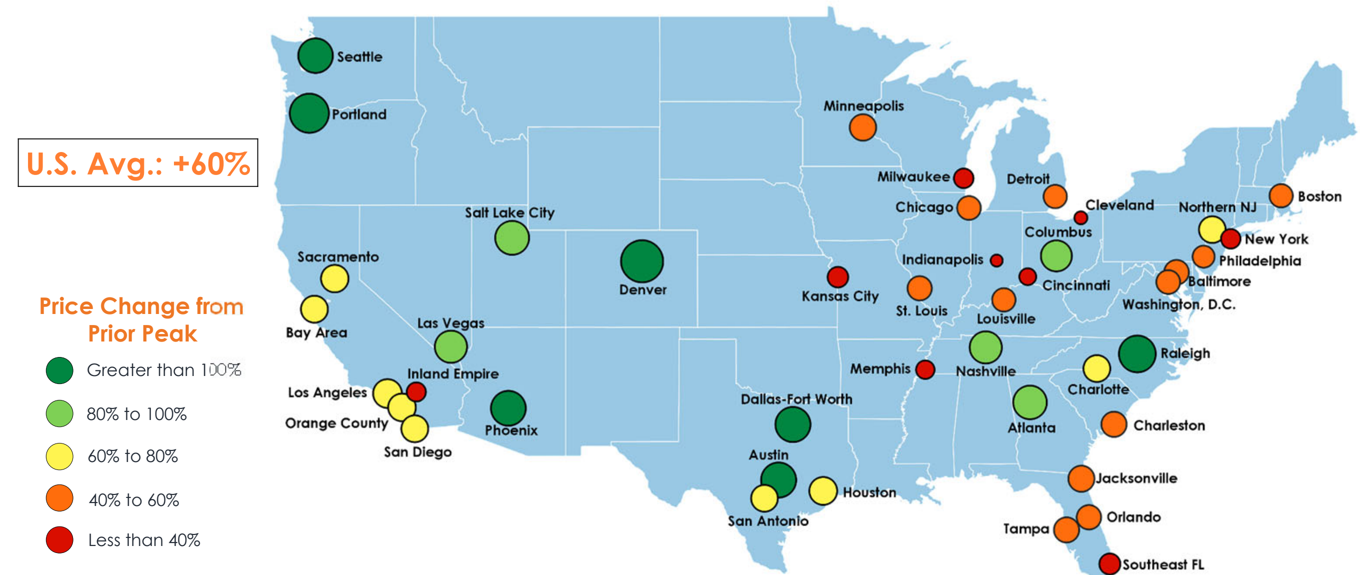
NATIONAL PRICE GROWTH RANK BY MARKET
PERCENT INCREASE SINCE PRIOR PEAK (PEAK YEAR VARIES BY MARKET)



As of 1Q 2021
Prior peak from 2005 to 2008
Includes sales $1 million and greater
Bubble size corresponds to percent change in price
Sources: Marcus & Millichap Research Services, Real Capital Analytics, CoStar Group, Inc.

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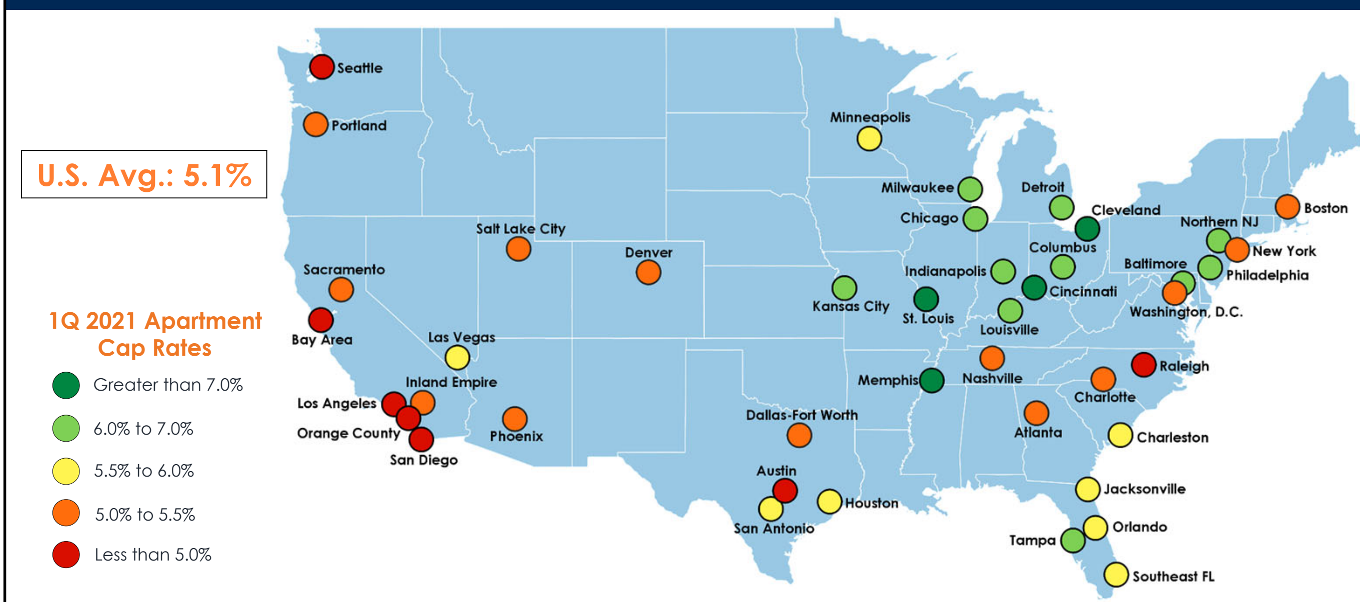
AVERAGE CAP RATES VARY SIGNIFICANTLY BY METRO
$1M+ MARKET AVERAGE INCLUDES ALL PROPERTY CLASSES AND SIZES



As of 1Q 2021
Includes sales $1 million and greater
Sources: Marcus & Millichap Research Services, Real Capital Analytics, CoStar Group, Inc.

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