BERKADIA
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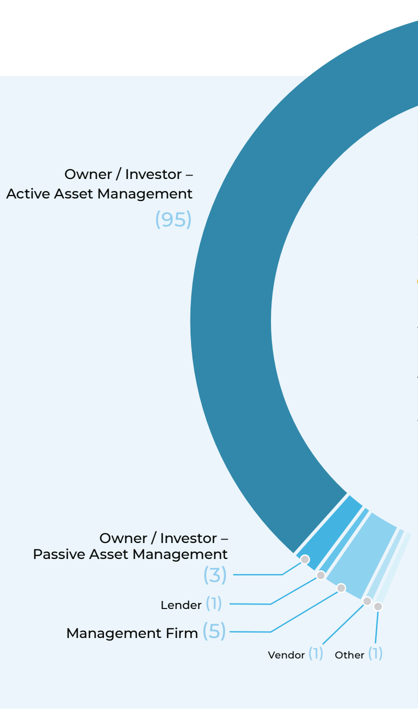
JULY 2020

APARTMENT INVESTOR SENTIMENT SURVEY

Capital Market Conditions

The effects of the pandemic continue to have an oversized influence on our industry and how we operate daily. One of the easiest ways to meet those challenges head-on is by sharing information and leveraging each other's successes.

That is why we continue every month to reach out to hundreds of our industry partners through our **Capital Markets Apartment Investor Sentiment Survey**. We hope these responses will provide you and your associates with a closer look at how industry participants in multifamily are adapting as the country moves into the next phase of fighting the coronavirus.



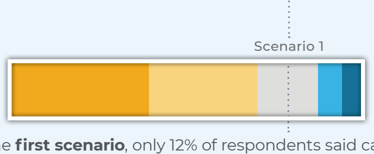
WHO PARTICIPATED

A total of 106 industry professionals participated in our fourth **Capital Market Apartment Investor Sentiment Survey**. Of these participants, 90% indicated they were active investors. A complete breakdown of participants' industry involvement can be viewed in the graphic.

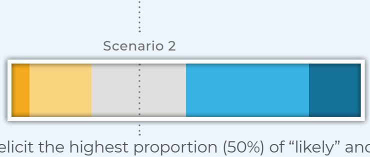
COVID-19 AND LONG-TERM IMPLICATIONS FOR MULTIFAMILY

We asked our participants to rank their expectations on three varying scenarios of how the pandemic will affect capital market activity.

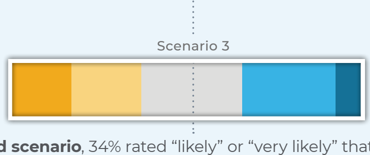
100% ..... 0% 100%
Extremely Unlikely — Neutral — Extremely Likely



In the **first scenario**, only 12% of respondents said capital market conditions would stabilize by fall of this year. That total is down from 21% in our June survey.



The **second scenario** continues to elicit the highest proportion (50%) of "likely" and "very likely" responses.



With regard to the **third scenario**, 34% rated "likely" or "very likely" that the pandemic will cause long-term disruption to capital market activity; that compares to 27% in our third survey.

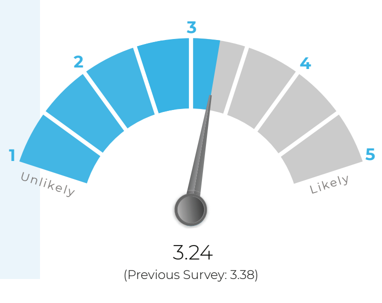
Through the four iterations of our survey, we have seen minor shifts in the percentages of respondents who have rated "likely" or "very likely" in each scenario.

But what has not changed is that our survey takers feel the second scenario, that 2020 is effectively lost and 2021 will be a year of recovery, is the most likely outcome for the apartment industry.

ANTICIPATED ACTIVITY IN THE NEAR TERM

Through our four surveys, we have seen an uptick in interest in near-term acquisition activity among our respondents. The response value, where 1 is extremely unlikely and 5 is extremely likely, **has grown from 2.83 in our first survey to 3.24 in our fourth survey**.

How likely are you to actively pursue acquisition opportunities via underwriting, touring, etc., in the near term (30–90 days)?

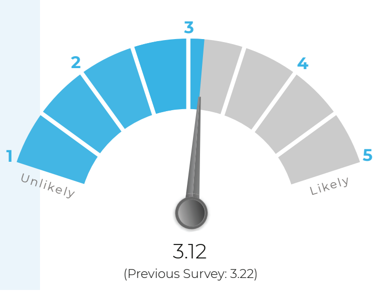


ANTICIPATED OFFER ACTIVITY

Respondents seem to be taking a more open approach when asked to rank the likelihood they would submit an offer in the next 30 to 90 days. **The response value has increased from 2.75 to 3.12 from our first to fourth survey**.

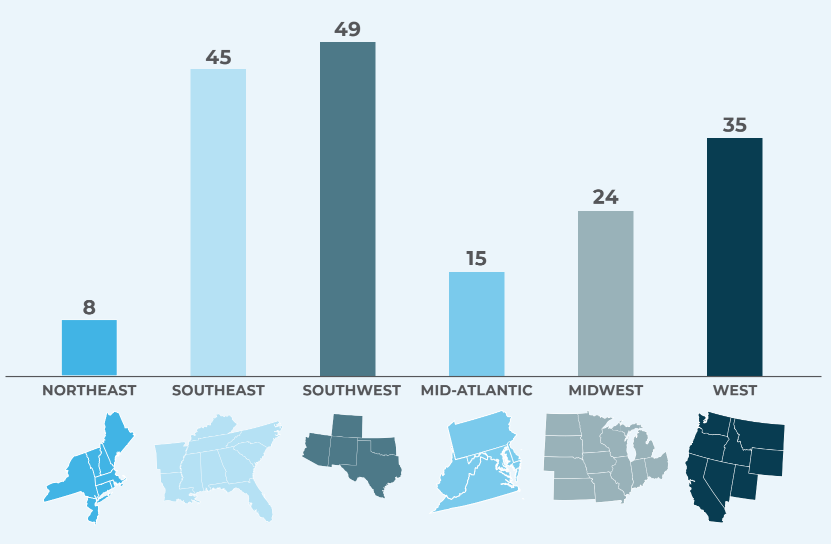
We are encouraged by the fact that we are fielding more calls from buyers searching for multifamily acquisition opportunities over the past few weeks.

How likely are you to submit an offer on a property you are interested in acquiring in the near term (30–90 days)?



TARGETED REGIONS FOR ACQUISITIONS

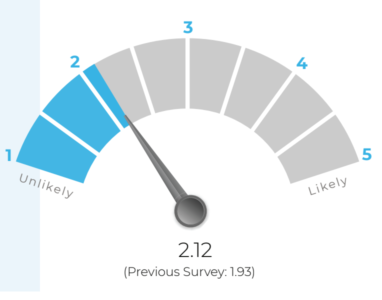
Respondents continue to indicate a strong preference for seeking deals in the **Southeast** and **Southwest** in the near term. The United States added 4.8 million jobs in June, the largest single monthly gain ever. A positive development for many of the economies of the Southeast and Southwest was that the leisure and hospitality sector experienced a gain of 2.1 million jobs, accounting for about 40% of the total overall growth.



ANTICIPATED DISPOSITION ACTIVITY

Respondents seem to be warming to the idea of selling in the near term. **The response value increased from 1.74 to 2.12 from our first to fourth survey**. Although not a huge swing upwards, the incremental increase demonstrates that sellers are a bit more open to the idea of listing a property now.

How likely are you to consider selling in the near term (30–90 days)?

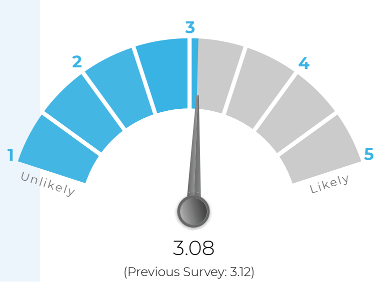


REFINANCING

In our **fourth survey**, a greater share of respondents said they are likely to seek financing (refinance, supplemental, etc.) on a currently owned property. **The response value increased from 2.65 to 3.08 from our first to fourth survey**.

Green is getting hot again. Recently, Fannie Mae announced it was lowering UST floor rates to 60 bps for 10 – 20-year-term green deals.

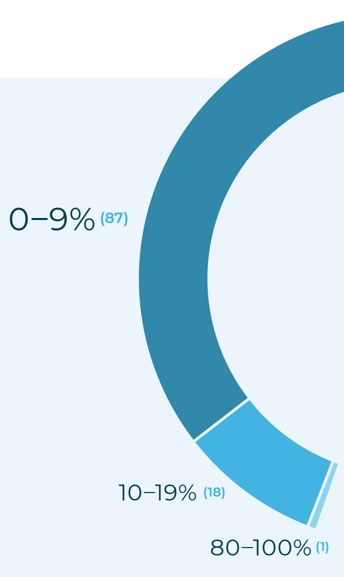
How likely are you to seek financing (refinance, supplemental, etc.) on a currently owned property in the near term (30–90 days)?



TENANT HARDSHIPS

82% of our respondents indicated that 0-9% of their tenants had requested or filed for rent forbearance. A total of 17% indicated that 10%-19% had requested or filed for rent forbearance.

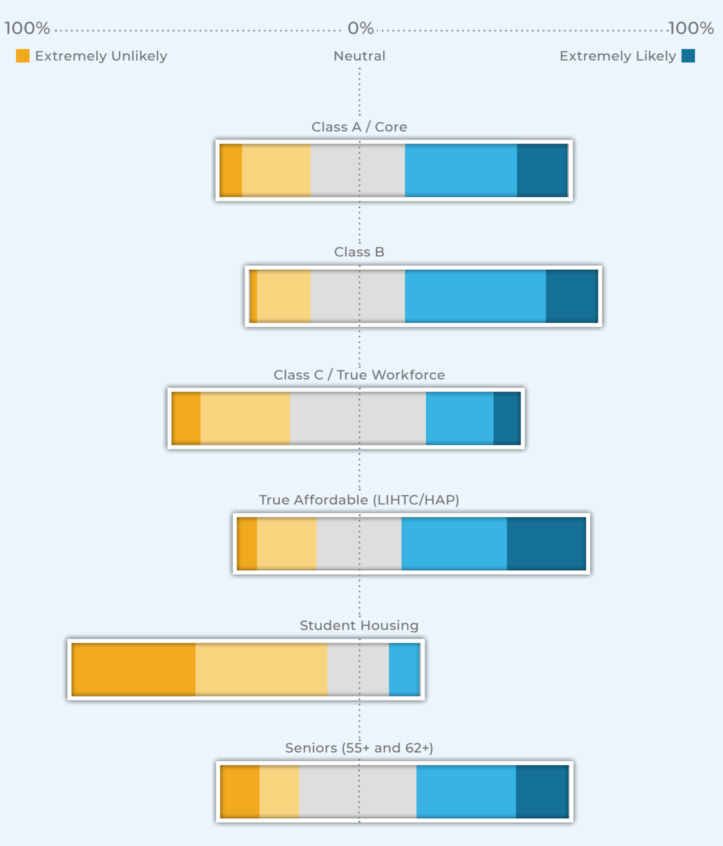
According to the National Multifamily Housing Council (NMHC), 77.4% of households in professionally managed rental communities had made a full or partial rent payment as of July 6. This is a 2.3-percentage-point decrease from the share who paid through July 6, 2019.



By the 10th of the current month, what percentage of your residential tenants have requested / filed for rent payment forbearance as a result of coronavirus-related job or income loss?

INVESTMENT CLASSES

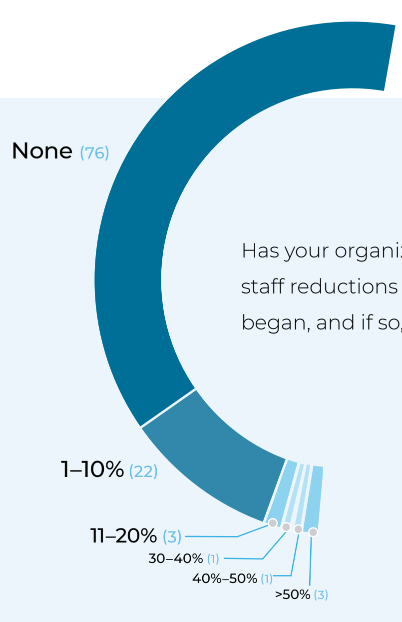
Both Class B and true affordable property types elicited the greatest confidence among our respondents for the fourth time in a row. However, confidence in student housing ability to weather a prolonged economic slowdown has decreased to the lowest level we have recorded across our four surveys. Only 8% of respondents convey that student housing would be able to maintain success in the current economic climate. As we inch closer to the start of the academic year and the rate of younger Americans testing positive for coronavirus continues to grow, it seems that for the time being, investors are taking a bearish stance on student housing this year.



Respondents ranked the above types of multifamily housing in order of their ability to maintain success through a prolonged economic slowdown due to the coronavirus, in order from 1 (least likely to sustain) through 5 (most likely to sustain).

STAFFING REDUCTIONS

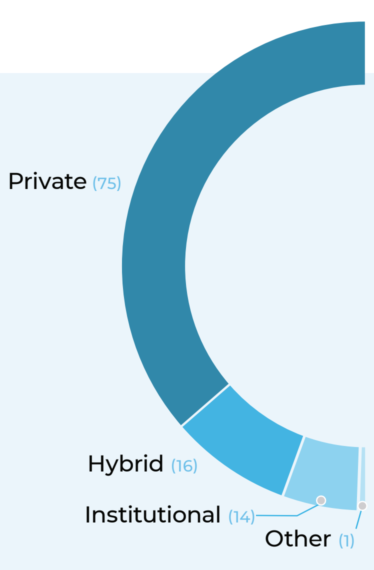
Most respondents (72%) indicated that their firms had not implemented any staff reductions. Approximately 20% of respondents indicated that they had trimmed staff 1-10%.



Has your organization experienced staff reductions onsite since COVID-19 began, and if so, to what degree?

EQUITY PARTNERS

The overwhelming number of respondents indicated that their equity partners are private firms (71%), with institutional equity partners (13%) and hybrid equity partners (15%) rounding out the base of equity partner types.



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