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JUNE 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's why we recently reached 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

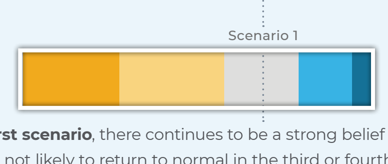
A total of 153 industry professionals participated in our third **Capital Market Apartment Investor Sentiment Survey**. Of these participants, a little over 80% indicated they were active investors, with another 9% indicating they pursue a passive owning strategy. A complete breakdown of participants' industry involvement is shown 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.

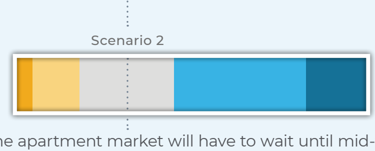
100% .... 0% 100%
Extremely Unlikely — Neutral — Extremely Likely

Scenario 1



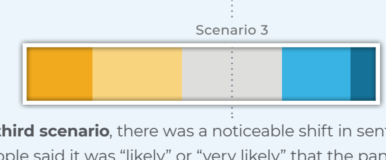
In the **first scenario**, there continues to be a strong belief that capital conditions are not likely to return to normal in the third or fourth quarter of 2020.

Scenario 2



The **second scenario,** suggesting that the apartment market will have to wait until mid-to-late 2021 to experience a recovery of capital conditions, elicited the highest proportion (55%) of "likely" and "very likely" responses.

Scenario 3



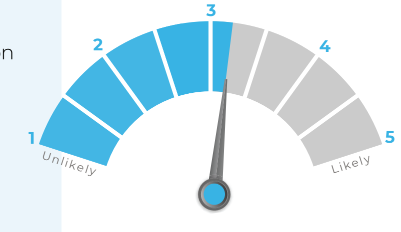
With regards to the **third scenario**, there was a noticeable shift in sentiment. Whereas in our second survey, 36% of people said it was "likely" or "very likely" that the pandemic will cause long-term disruption to capital market activity, only 26% respondents answered this way in our third survey.

The responses to our **third survey** illustrate a more positive outlook among our respondents. The proportion of survey takers who feel that the effects of the pandemic will cause long-term (past 2021) disruptions to capital market activity shrunk considerably. However, our survey takers still feel that market conditions will not correct until 2021.

ANTICIPATED ACTIVITY IN THE NEAR TERM

Through our three 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 3.38 in our third survey.

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

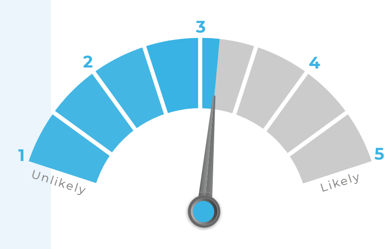


ANTICIPATED OFFER ACTIVITY

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 3.22 from our first to third survey.

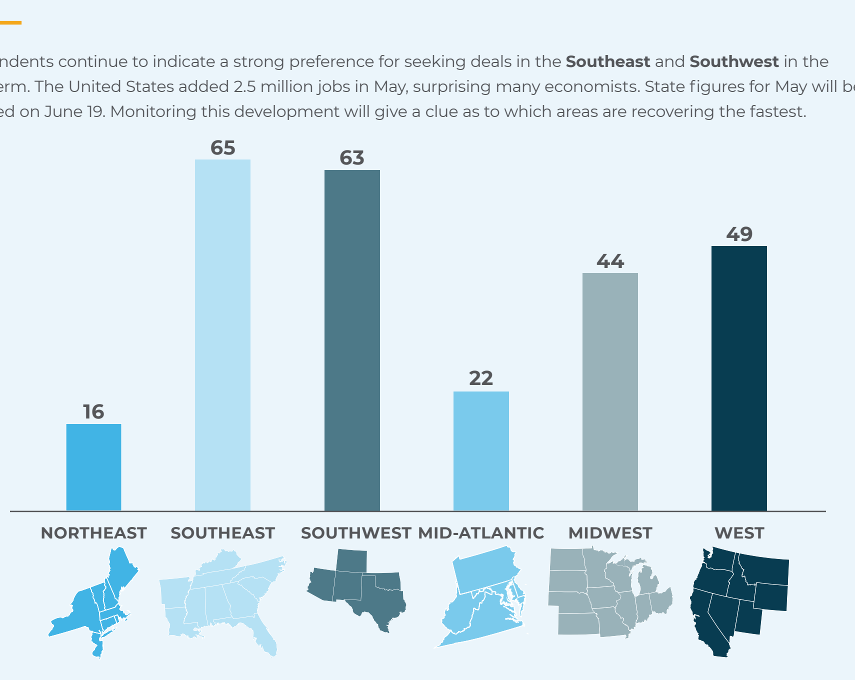
Inflows and new applications are up at both GSEs but particularly Freddie Mac. We are also seeing an increase in acquisition deals going under application.

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

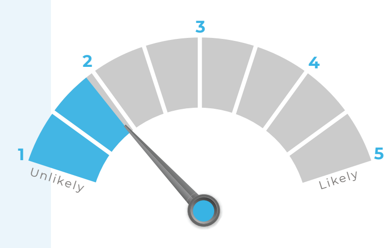
Respondents continue to indicate a strong preference for seeking deals in the **Southeast** and **Southwest** in the near term. The United States added 2.5 million jobs in May, surprising many economists. State figures for May will be released on June 19. Monitoring this development will give a clue as to which areas are recovering the fastest.



ANTICIPATED DISPOSITION ACTIVITY

Respondents continue to indicate a strong unlikeliness to sell their properties in the next 30 to 90 days. Unless faced with a financing issue or other strong outside influence that would force an owner to sell, it seems unlikely buyers and sellers will be able to meet on pricing in the near term.

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

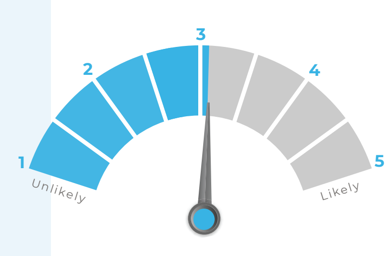


REFINANCING

In our **third 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 3.12 from our first to third survey.

Rates have continued their stable trend with some recent tightening in the MBS.

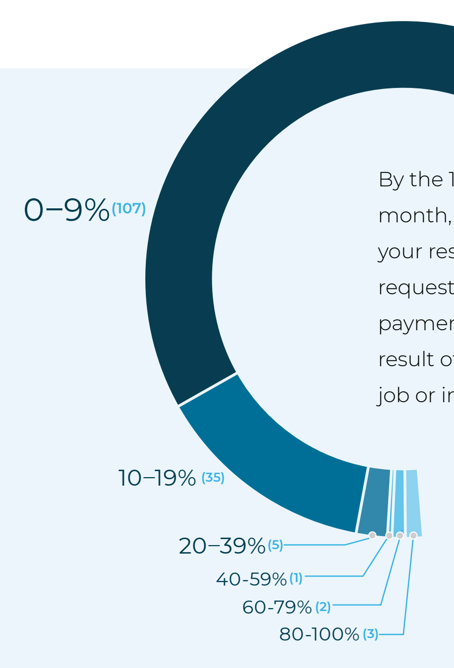
How likely are you to seek financing (refinance, supplemental, etc.) on a currently owned property in the near term (30–90 days)?



TENANT HARDSHIPS

70% of our respondents indicated that 0–9% of their tenants had requested or filed for rent forbearance. A total of 23% indicated that 10–19% had requested or filed for rent forbearance.

According to the National Multifamily Housing Council (NMHC) 89.0% of households in professionally managed rental communities had made a full or partial rent payment as of June 13. This was an encouraging development considering that during the same time period last month that figure was 87.7%.



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?

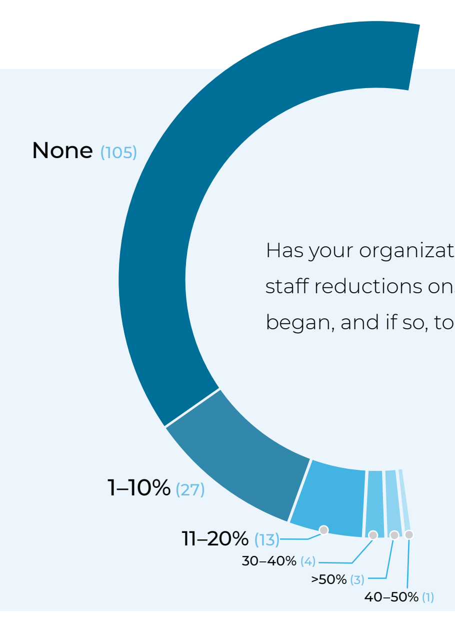
INVESTMENT CLASSES

Results from our **third survey** indicate a continued belief in the stability of Class B assets to maintain success through a prolonged economic slowdown due to the pandemic. Class A/Core, true affordable, and senior housing assets also garnered confidence among our respondents in their ability to maintain success through a prolonged slowdown.

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

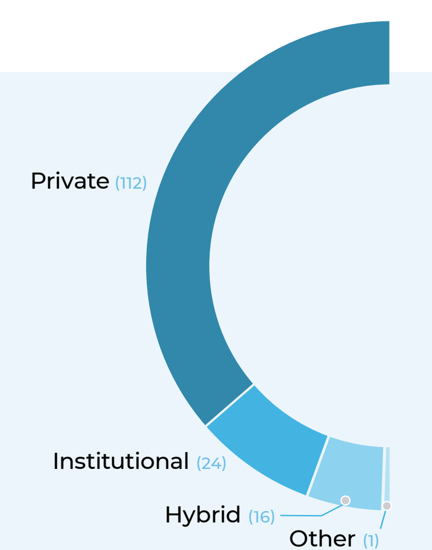
Most respondents (69%) indicated that their firms had not implemented any staff reductions. Approximately 18% of respondents indicated that they trimmed staffing 1–10%.



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 (73%), with institutional equity partners (16%) and hybrid equity partners (10%) rounding out the base of equity partner types.



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