

Atlanta

Apartment Market Snapshot - 7/25/2018

| | | | | |
|---------------------------------|-------------------|---------------|--------------|--------------|
| Market Grade B | Volatility | | CPPI | |
| | Sector | Market | Index | YoY Δ |
| | Low | Very High | 142.4 | 7.1% |

| | | | |
|-----------------|--------------|----------------------|------------|
| Cap Rate | | LT NOI Growth | IRR |
| Current | YoY Δ | 1.4% | 6.1% |
| 5.5% | -25 bps | | |

MARKET METRICS

| Metric | Current | Rank of 52 |
|----------------------|---------|------------|
| Avg. Effective Rents | \$1,170 | 30 |
| Occupancy | 94.3% | 43 |
| YOY M-RevPAF Growth | 0.5% | 26 |
| YOY Job Growth | 1.8% | 26 |
| Median Income | \$66k | 28 |
| Homeownership Rate | 54.7% | 27 |
| Med. Home Price | \$210k | 37 |
| Apartment Units | 425,000 | 7 |
| Households | 2,211k | 6 |

COMMENTARY

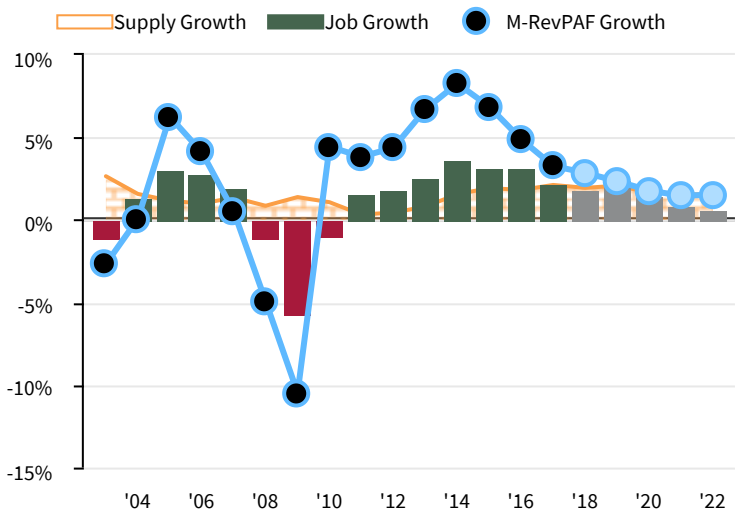
Atlanta: Atlanta boasts a diversified economy, anchored by the global headquarters of 15 Fortune 500 companies including The Home Depot, UPS, Coca-Cola, and Delta Air Lines. Atlanta's tech employment has also seen growth, with companies such as Amazon Web Services and Anthem's IT department now calling Midtown home. Millennials relocating to Midtown after graduation, many from Georgia Tech and Emory, have driven demand for apartments in the growing tech hub. Midtown boasts a healthy live / work / play balance for residents and MARTA accessibility to the financial-focused Buckhead, which is just 3 stops north. Voters recently approved \$2.5B in funding for MARTA line expansions over the next 4 decades, and construction has already begun on the \$1B I-285 / SR 400 interchange lane additions, slated to finish in '20. Both projects aim to address Atlanta's growing traffic congestion problems. With increased transit accessibility and more demand for outdoor recreational space, investors are looking for opportunity in currently underutilized sites west of Downtown, near trail expansions along the Atlanta Beltline and existing MARTA stations. Because of the success of the live / work / play environments created in Midtown and Buckhead, developers have begun to submit rezoning applications that would allow for large mixed-use projects within proximity to the Beltline and MARTA stations. As momentum in this part of town accelerates, elevated supply remains a risk.

TOP 10 EMPLOYERS

- Delta Air Lines
- Emory University
- Gwinnett County Public Schools
- WellStar Health System
- AT&T
- UPS
- Northside Hospital
- Piedmont Healthcare
- Marriott International
- Publix Super Markets

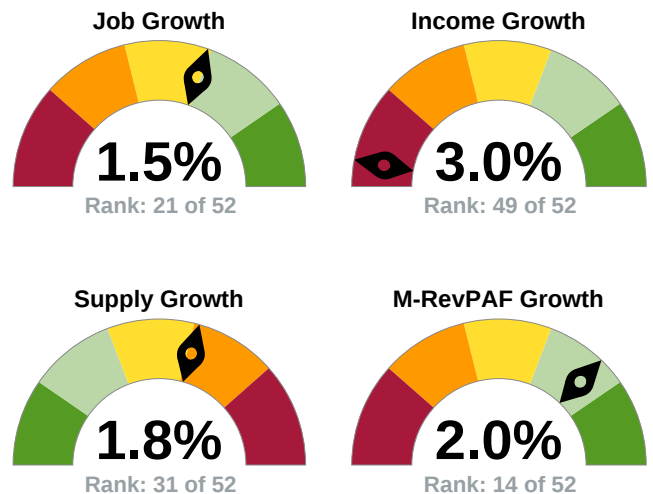
| | |
|-------------------|---|
| Strengths | <ul style="list-style-type: none"> Growing technology sector attracting recent graduates Continuously improving demographics Focus on infrastructure improvement |
| Weaknesses | <ul style="list-style-type: none"> Traffic congestion Affordable single-family suburban housing MARTA routes currently limited in accessibility |

SUPPLY AND DEMAND



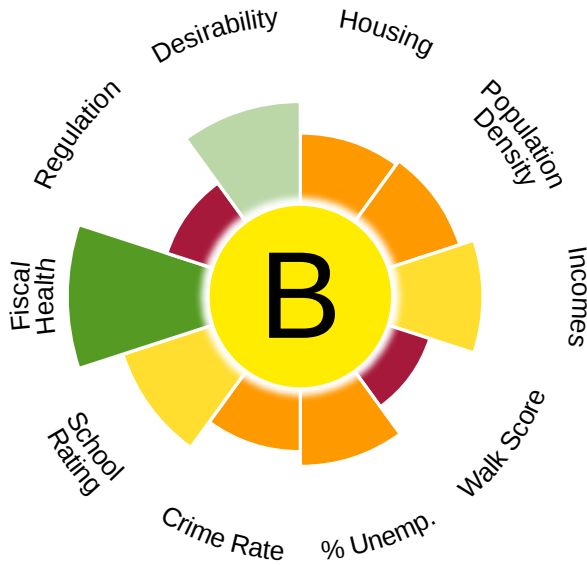
5-YEAR FORECASTS

(Growth Rates Annualized; Rankings 1-52 w/ 1 being best)

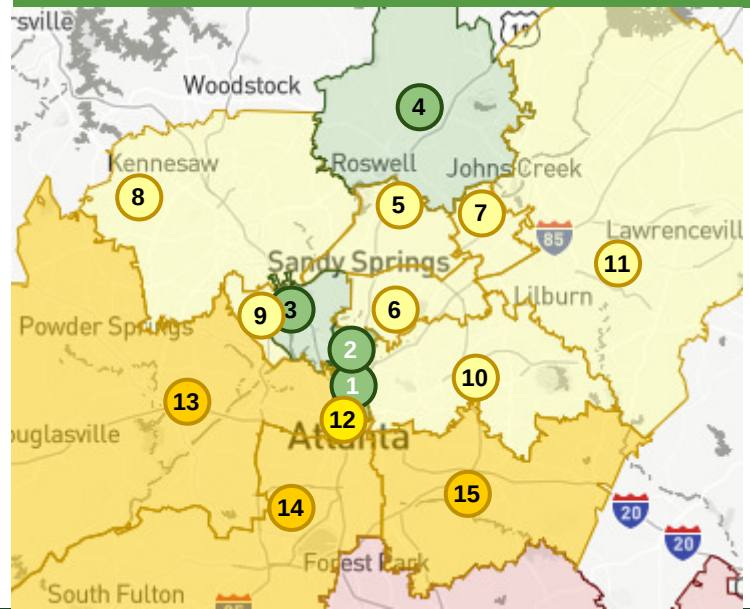


Sources: BLS, CBRE, IHS, U.S. Census Bureau, and Green Street Advisors.

MARKET GRADE



SUBMARKETS

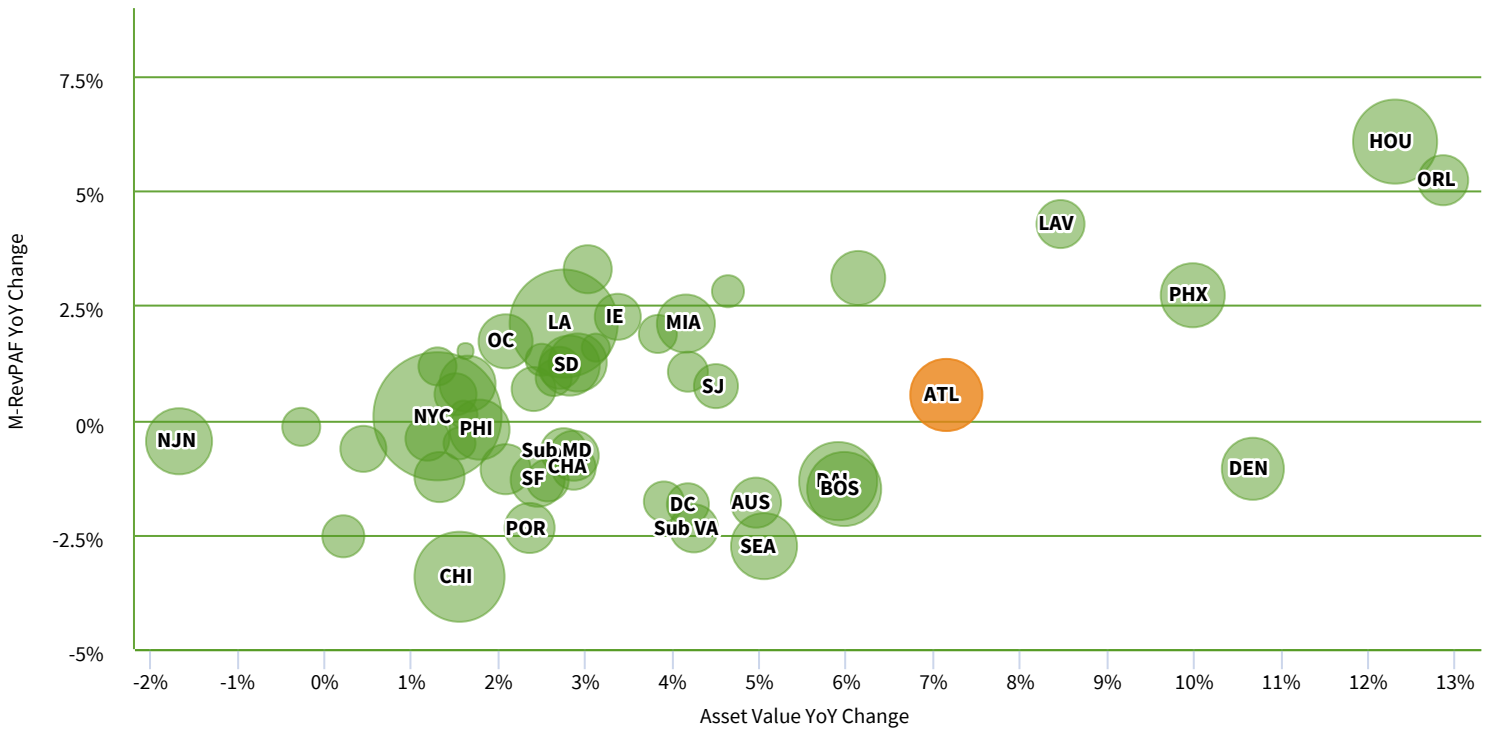


TOP 15 SUBMARKETS (RANKED BY GRADE)

| Submarket | Occ. | Rent | Med. Home Price | Affordability | Pop/Sq. Mi. | Med. HHI | Walk Score | Description | % Unemp. | Crime Rate | School Rating | Grade |
|----------------------------|--------------|----------------|-----------------|----------------|--------------|--------------|------------|----------------------|-------------|------------|---------------|----------|
| 1 Midtown | 93.9% | \$1,670 | \$274k | Neutral | 8,330 | \$73k | 78 | Very Walkable | 3.5% | 74 | 3.5 | A |
| 2 Buckhead | 93.1% | \$1,770 | \$478k | Very Expensive | 4,150 | \$92k | 62 | Somewhat Walkable | 2.7% | 54 | 7.7 | A |
| 3 Cumberland | 93.7% | \$1,300 | \$618k | Very Expensive | 1,840 | \$120k | 23 | Car-Dependent | 2.1% | 59 | 8.7 | A- |
| 4 Alpharetta / Roswell | 94.1% | \$1,260 | \$356k | Expensive | 1,920 | \$100k | 21 | Car-Dependent | 3.9% | 40 | 8.4 | A- |
| 5 Sandy Springs / Dunwoody | 93.5% | \$1,270 | \$396k | Expensive | 3,140 | \$78k | 27 | Car-Dependent | 4.3% | 63 | 6.8 | B+ |
| 6 Northeast | 94.7% | \$1,260 | \$366k | Expensive | 3,550 | \$70k | 38 | Car-Dependent | 3.7% | 63 | 6.3 | B+ |
| 7 Peachtree Corners | 94.1% | \$990 | \$247k | Neutral | 2,650 | \$58k | 27 | Car-Dependent | 5.6% | 63 | 6.9 | B+ |
| 8 Marietta | 94.2% | \$1,080 | \$235k | Cheap | 2,340 | \$76k | 21 | Car-Dependent | 5.5% | 47 | 7.1 | B+ |
| 9 Smyrna | 93.9% | \$1,130 | \$225k | Cheap | 4,210 | \$64k | 37 | Car-Dependent | 4.5% | 74 | 4.3 | B+ |
| 10 North DeKalb | 94.0% | \$1,190 | \$251k | Neutral | 3,420 | \$61k | 36 | Car-Dependent | 6.9% | 63 | 5.6 | B+ |
| 11 Gwinnett | 94.2% | \$1,110 | \$208k | Cheap | 1,940 | \$74k | 18 | Car-Dependent | 5.4% | 43 | 7.7 | B+ |
| 12 Downtown | 88.3% | \$1,250 | \$196k | Neutral | 8,220 | \$36k | 82 | Very Walkable | 16.8% | 96 | 2.0 | B |
| 13 West | 93.9% | \$1,090 | \$151k | Very Cheap | 1,030 | \$58k | 16 | Car-Dependent | 7.9% | 55 | 5.4 | B- |
| 14 Airport / South | 93.6% | \$990 | \$154k | Very Cheap | 1,010 | \$55k | 22 | Car-Dependent | 9.3% | 65 | 4.7 | B- |
| 15 South DeKalb | 93.1% | \$910 | \$124k | Very Cheap | 2,030 | \$52k | 21 | Car-Dependent | 10.0% | 66 | 3.3 | B- |
| Atlanta | 94.3% | \$1,170 | \$210k | Cheap | 1,590 | \$67k | 22 | Car-Dependent | 6.7% | 55 | 5.8 | B |

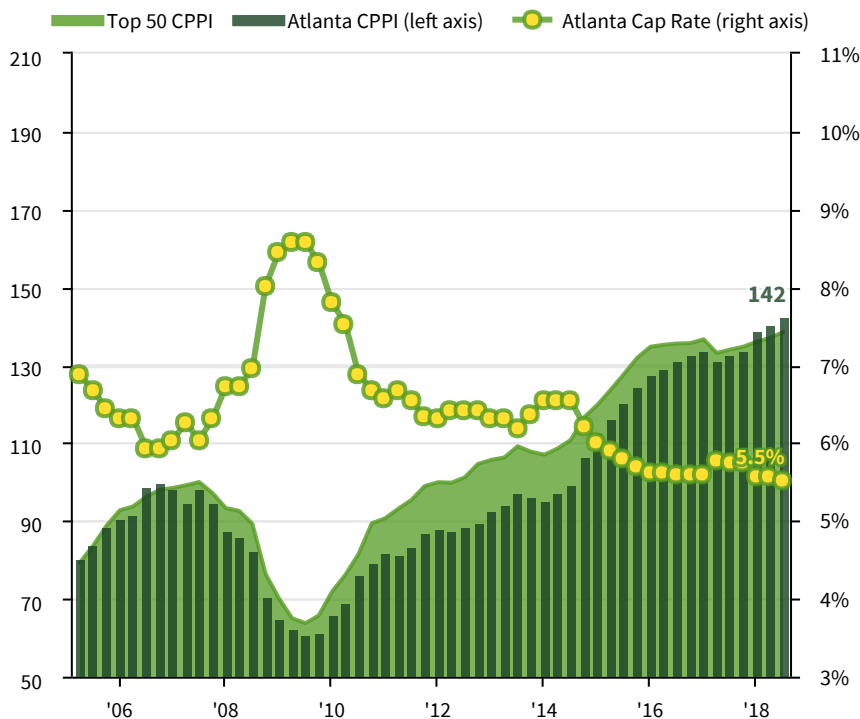
Sources: GreatSchools, U.S. Census Bureau, Walk Score, and Green Street Advisors.

MOMENTUM



Note: Size of bubble represents size of market.

ASSET VALUES

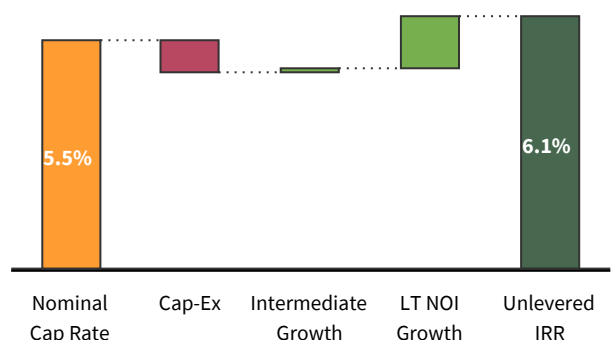


Source: Green Street Advisors.

MARKET VALUATION

| | |
|---------------------------------|--------|
| Nominal Cap Rate | 5.5% |
| Cap-Ex Reserve (% NOI) | -13.7% |
| Economic Cap Rate | 4.7% |
| Intermediate Growth ('18 - '22) | 0.9% |
| Long-Term NOI Growth | 1.3% |
| Unlevered IRR | 6.1% |

Unlevered IRR



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