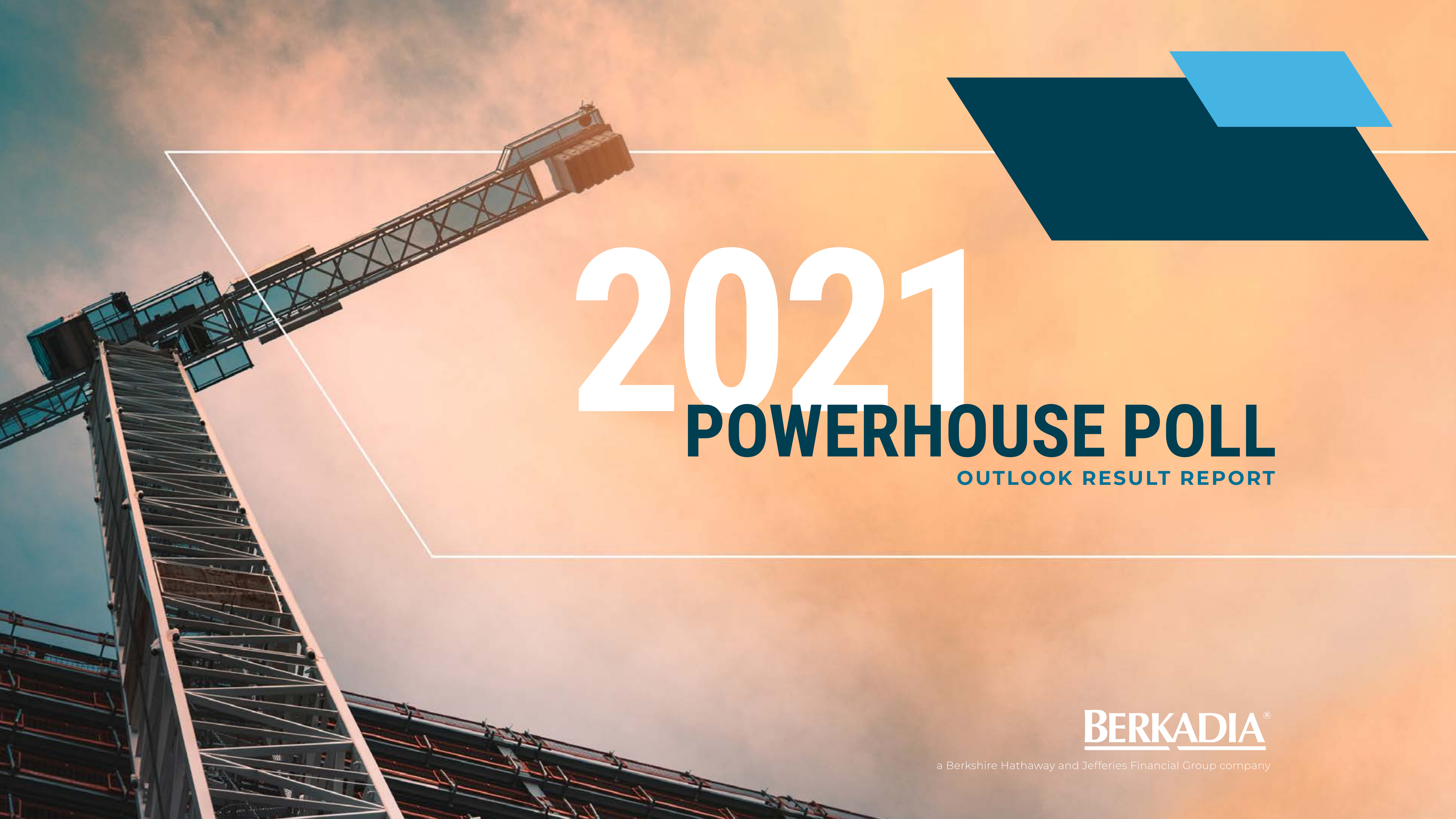

2021 POWERHOUSE POLL

OUTLOOK RESULT REPORT

BERKADIA®

a Berkshire Hathaway and Jefferies Financial Group company

I look forward to our Powerhouse Outlook Poll every year and 2021 is no different. I love this boots-on-the-ground insight. It is invaluable as we guide our clients and set our priorities for the year ahead, and it energizes me to hear from our people about the trends and forces that they think will shape commercial real estate activity and opportunities for the year ahead.

The pandemic continues to loom large, but 2021 will be a year of recovery and growth from a fundamentals perspective for the multifamily industry. We asked our producers how they expect COVID-19 and the events of 2020 to impact the CRE industry long-term. A closer look at their responses to the 2021 Outlook Powerhouse Poll reveals a sense of confidence building across the country.

The multifamily industry is one of many that faced challenges last year due to the COVID-19 pandemic, but it demonstrated impressive resilience, engendering optimism across Berkadia—it's one of the prevailing themes that emerged from our survey. Overall, we had four key findings:

- **Optimism prevails** for multifamily despite the ongoing impacts of the pandemic
- The industry is broadly **focused on Affordable** housing solutions
- **Institutional** investors continue to emerge as a **growing force** in the industry
- **Digital** transformation is **here to stay**

We hope that our 2021 Outlook Powerhouse Poll provides some food for thought as you consider opportunities in the years ahead. While we have a way to go in our economic recovery, and many health and policy change factors remain up in the air, the outlook for multifamily is positive. As always, don't hesitate to reach out with questions or follow up. We are here for you.

- Ernie Katai
EVP Head of Production

Look for direct insights from our producers throughout the report.

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ABOUT THE POWERHOUSE POLL

The 2021 Outlook Powerhouse Poll data was collected in an online survey conducted internally by Berkadia through SurveyMonkey in December 2020. The sample was based among Berkadia's 60 offices throughout the U.S., consisting of 43 investment sales brokers and 103 mortgage bankers, totaling 146 overall respondents.

OPTIMISM PREVAILS

Optimism abounds for multifamily heading into 2021 for a multitude of reasons: the momentum behind development is strong as ever, most groups remain extremely well capitalized and are ready to return to “business as usual” mindset and the agencies are likely to continue to provide enhanced support to the multifamily industry in accordance with their cap limits. These factors, together with favorable interest rates and improving fundamentals, should yield greater multifamily investment.

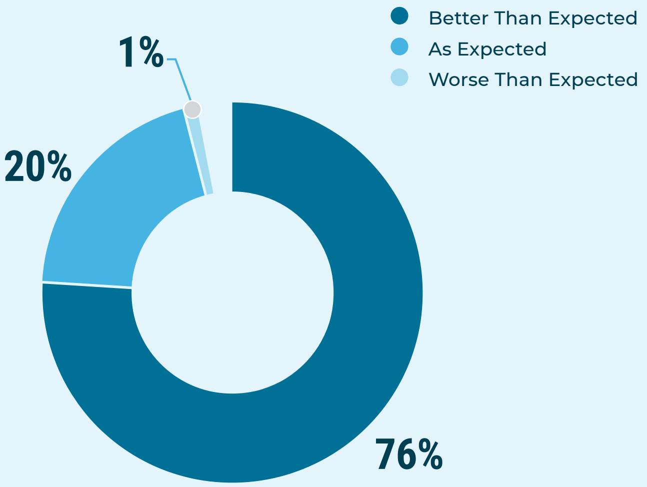
Job growth is expected to outpace pre-pandemic levels in 2021 (2.6%) and 2022 (2.9%), primarily focused on white-collar positions in the financial and technology sectors. In line with this trend, the 735,200 units scheduled to lease-up over the next two years overwhelmingly favors Class A units.

> *Expect to see a new pool of investors begin to grow as borrowers begin to prefer multifamily projects over office developments."*

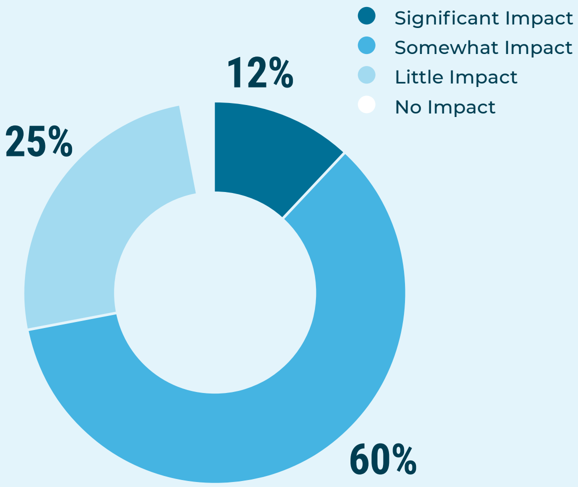
COVID-19 IMPACTS ON COMMERCIAL REAL ESTATE

The impact of COVID-19 could not have been anticipated, but the multifamily market has demonstrated impressive resilience and Berkadia professionals expect it to continue.

How Did Commercial Real Estate Endure COVID-19 Compared To How You Expected?

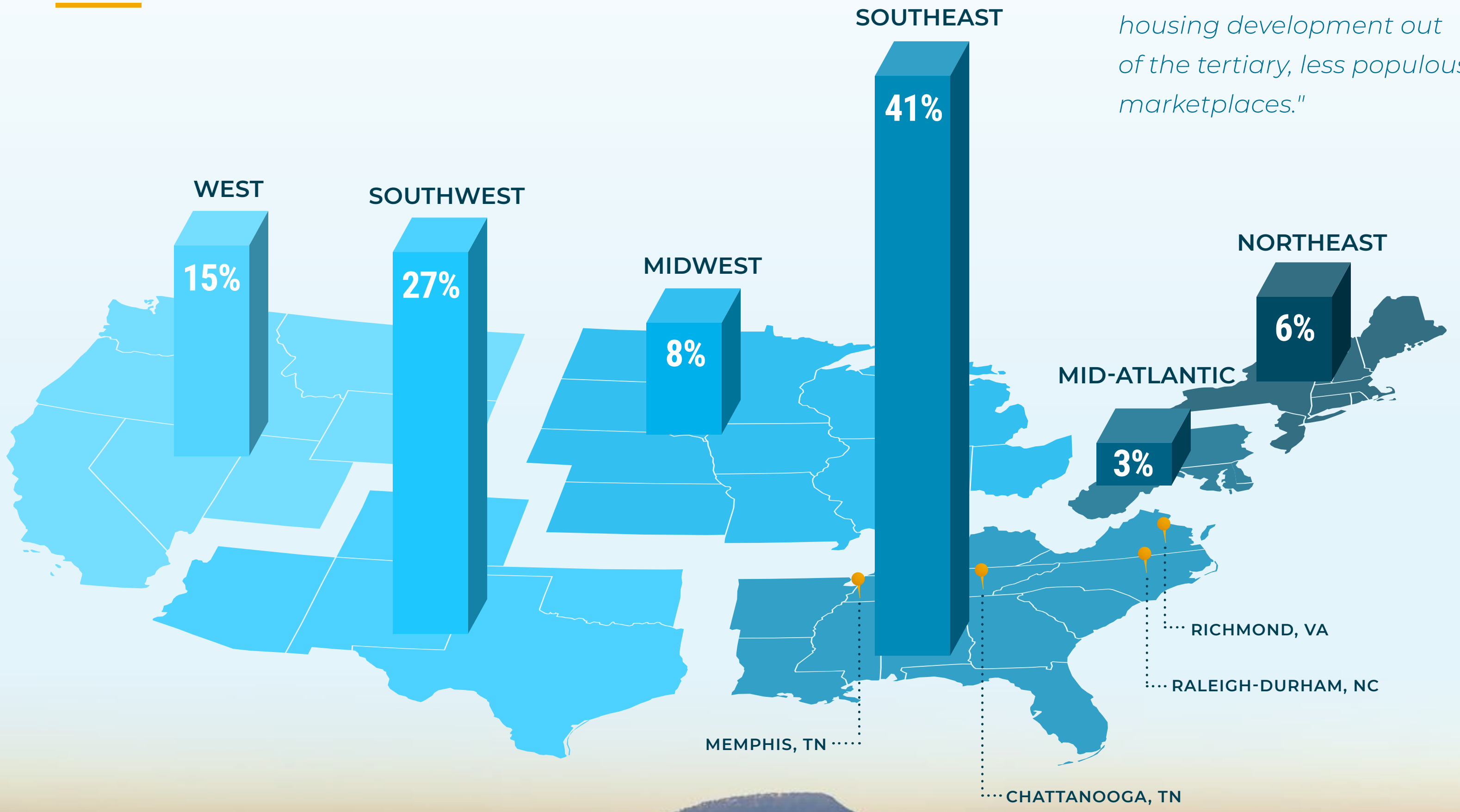


How Do You Expect COVID-19 to Impact Deal Closings in 2021?



REGION WITH GREATEST FINANCING/ DEAL ACTIVITY IN 2021

"The developer audience will want to remain more risk averse. This will push housing development out of the tertiary, less populous marketplaces."



SOUTHEAST LEADS NATION IN RENT GROWTH MARKETS

CHATTANOOGA, TN (5.3% YOY)

Chattanooga's increasingly diversified economy is forecast to encourage bullish rent growth, up 5.3% in 2021. Automobile manufacturing and services provide an anchor for the local economy, and a reliable jobs pipeline that has been further solidified by expanded production of electric SUV vehicles by major employers like Volkswagen. Over the last decade, the population of Chattanooga renters with median household income over $75,000 has nearly doubled.

RALEIGH-DURHAM, NC (4.4% YOY)

Two trends are forecast to encourage apartment operators to raise effective rent in Raleigh-Durham 4.4% over the next twelve months: white-collar hiring and a subsequent growing population of young professionals. The Research Triangle is made up of flourishing technology and life sciences industries and major universities, allowing the metro to attract and retain residents in the key renter age group of 18- to 35-year-olds. Nearly one out of every four residents fall within that cohort as of 2020 and is forecast to grow more than 10% over the next five years.

TOP FIVE INVESTOR TRENDS 2021

01 Active pursuit of acquisitions

02 Immediate changes to financing strategy of owned properties (refinancing, supplemental, etc.)

03 Greater openness to recommendations from trusted advisors

04 Increased desire to sell from portfolio

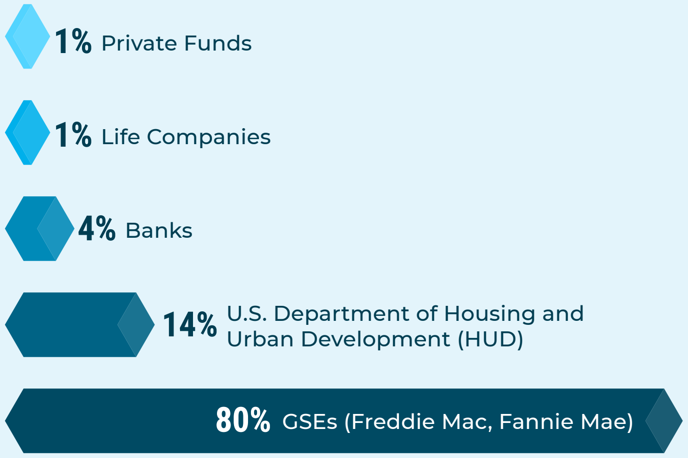
05 Continue to pause as market stabilizes

"The trends we were seeing in the industry are not new, they were just accelerated by 5-7 years. Offices were always going to become more remote. Institutional investor demand for multifamily was already growing. COVID-19 just accelerated things."

LENDING SOURCES

GSEs are expected to remain the most active lender in the market.

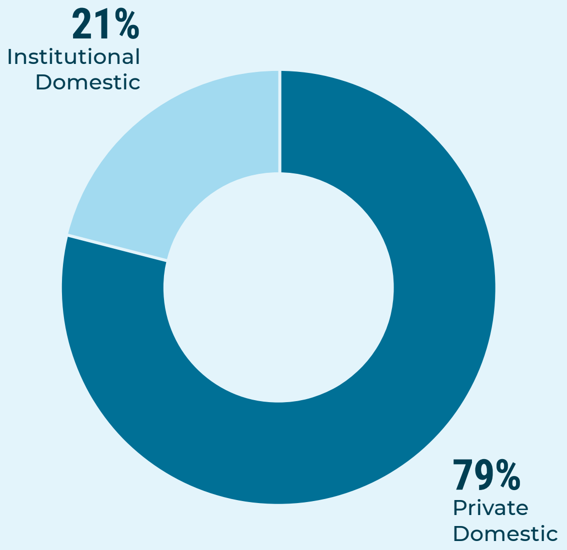
From which lending source do you expect to see the most activity in 2021?



CAPITAL CONDITIONS

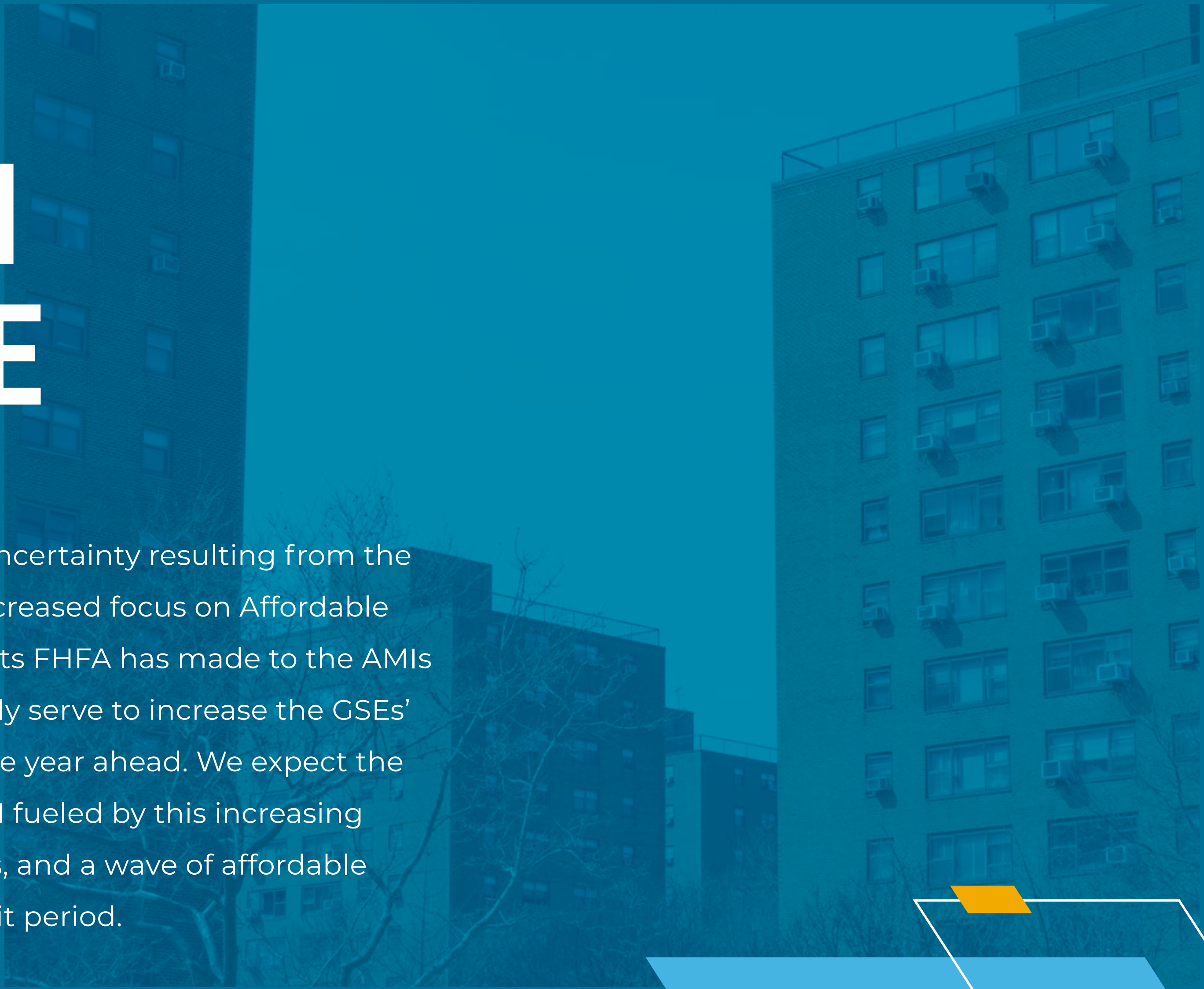
Berkadia professionals anticipate private domestic capital sources will be dominant this year.

From which capital source do you expect to see the most activity in 2021? [Choose one]



FOCUSED ON AFFORDABLE

Given the economic hardships and large-scale uncertainty resulting from the COVID-19 pandemic, investors have shown an increased focus on Affordable housing properties. Additionally, new adjustments FHFA has made to the AMIs that qualify for affordability requirements will only serve to increase the GSEs' focus on Workforce and Affordable housing in the year ahead. We expect the market for Affordable to continue to grow in 2021 fueled by this increasing investment interest, continued low-interest rates, and a wave of affordable properties hitting the end of their initial tax credit period.



A majority of both investment sales advisors and mortgage banking professionals, 55.9% and 61%, respectively, ranked addressing the Affordable housing crisis as one of the top five trends that will impact the multifamily industry in 2021.

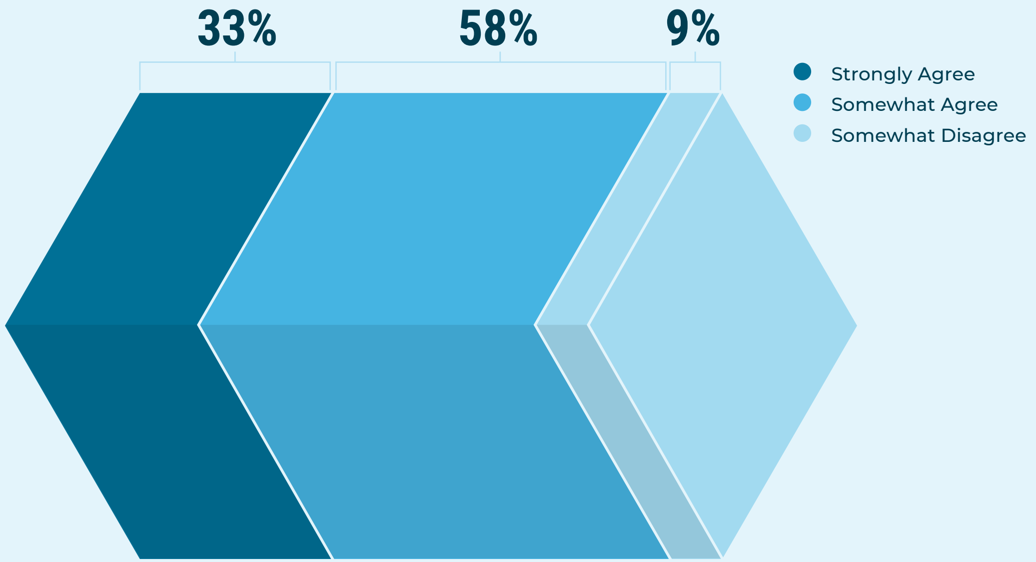
"Increased focus on the affordable housing crunch—the greater attention coupled with the political movements of 2020 will result in more local, state and national policies attempting to improve the situation."

AFFORDABLE HOUSING INTEREST

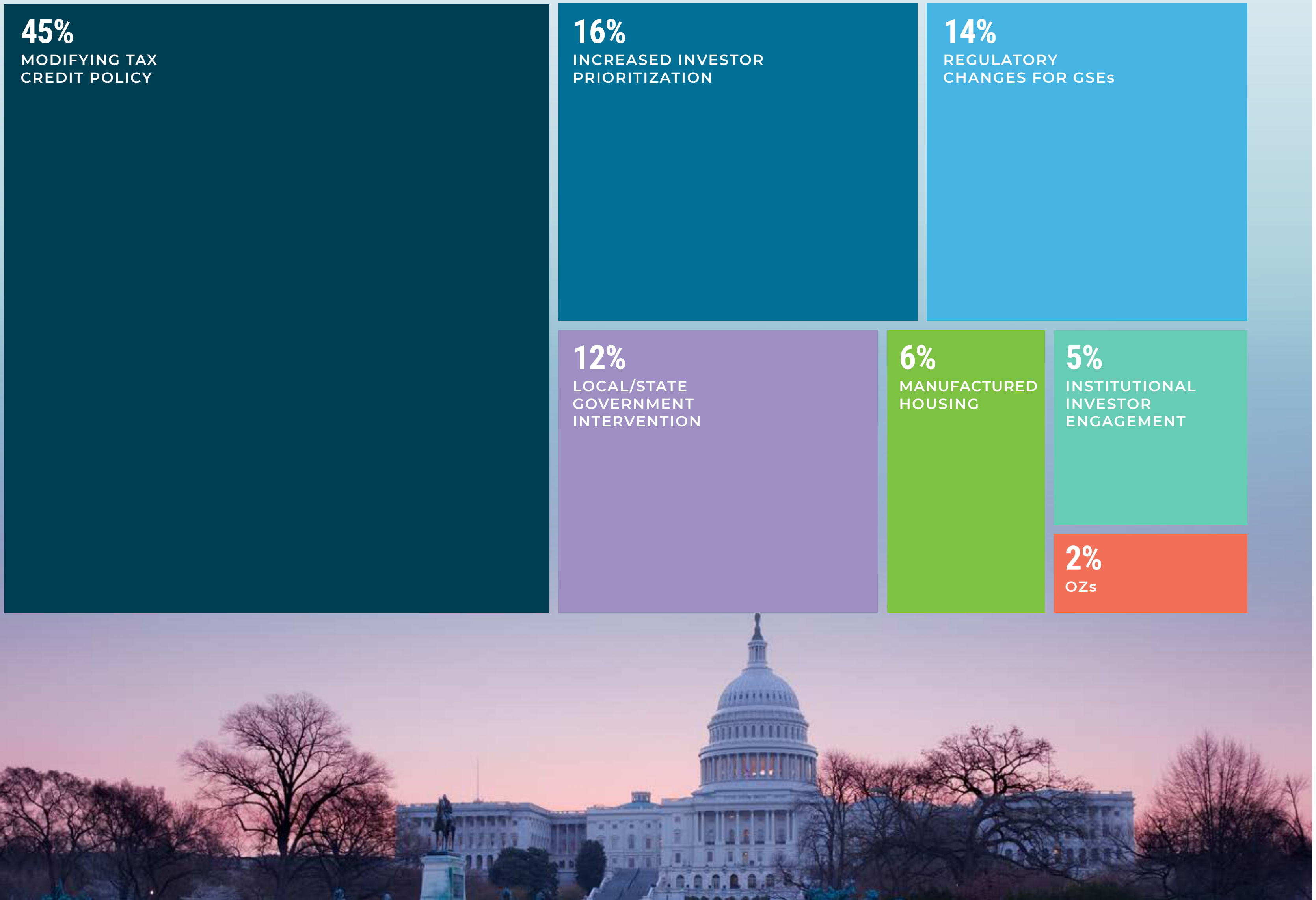
The need for Affordable Housing remains critical across the U.S. and Berkadia professionals expect investors to increasingly prioritize its importance.

"Create adaptive reuse of existing assets that have become (or are quickly becoming) obsolete like malls. Those assets will be redeveloped into better uses (e.g. multifamily, affordable) or result in a more mixed-use experience."

Would You Say Investors Are More Interested In Affordable Housing This Year?



SOLUTIONS THAT WILL HELP TO IMMEDIATELY ADDRESS THE AFFORDABLE HOUSING CRISIS



When asked to rank the following types of housing by anticipated investor interest in 2021 – Class A, Class B, Class C / True Workforce; Seniors (55+ and 62+); and Student Housing – three rose to the top:

Class B
Ranked in top 3 for 85.6% of respondents.

Class C / True Workforce
Ranked top 3 for 80.2%

True Affordable (LIHTC/HAP)
Ranked top 3 for 64.3%

> *We have already begun and will continue to see urban sprawl occur as millennial renters "age out" and gravitate away from city centers, towards suburban markets that are less densely populated. The existing housing supply in CBD that was Class A and B will be backfilled by tenants who have historically lived and worked in city centers but have been hard pressed to find affordable housing units in which family life can flourish."*

INSTITUTIONAL A GROWING FORCE

Though many institutional investors moved immediately to the sidelines at the onset of the pandemic, they are eager to re-enter the market and deploy pent up capital. Private equity capital raising remained strong in 2020—up until the second quarter, $23 billion was raised and was on pace to match 2019, though it slowed with the pandemic. Given multifamily's track record as a safe, defensive, income-producing type of investment, many institutional clients currently weighted heavily towards the hospitality, retail, and office sectors could look to multifamily to diversify portfolios for stability and ROI potential.

Though **79%** of advisors signaled that they believe private domestic capital will be the source with the highest activity in 2021, another **21%** who responded are keeping their eyes on the rising impact of institutional domestic capital.

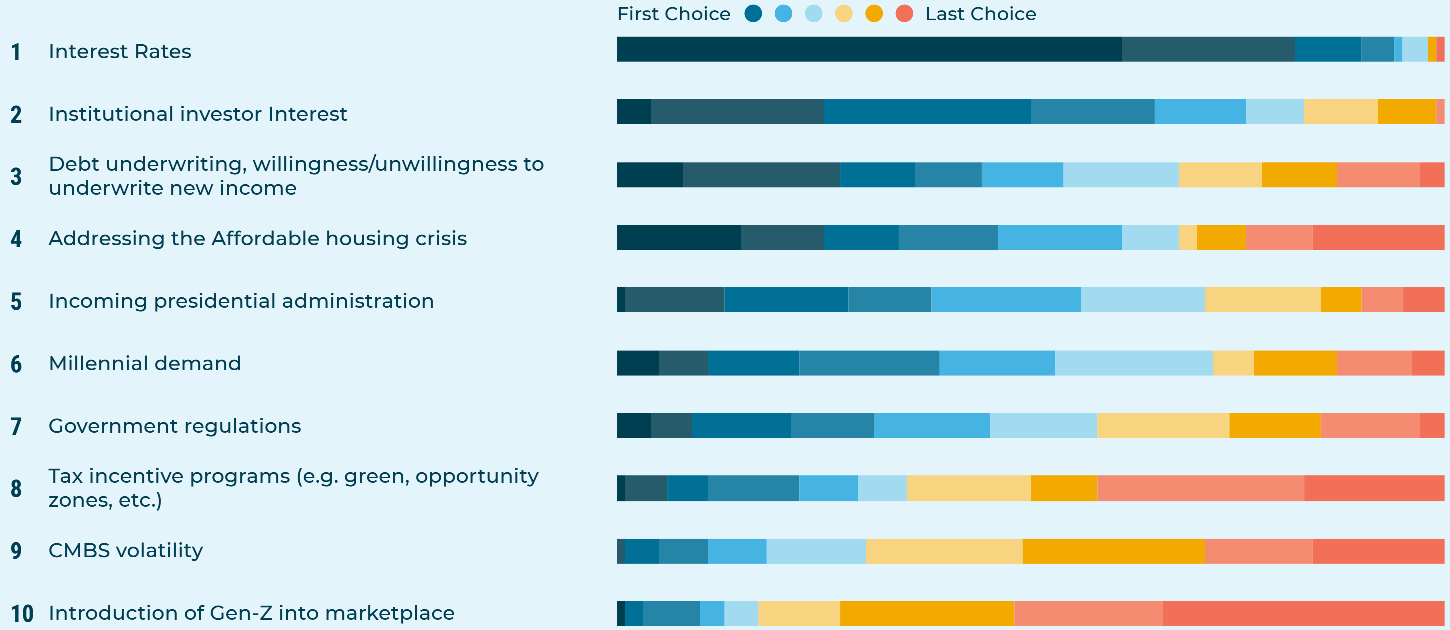
> *The asset classes that have the least amount of delinquency during this time will be the ones that institutional investors believe will mitigate risk during future crises."*

2021 TRENDS AFFECTING MULTIFAMILY FINANCING

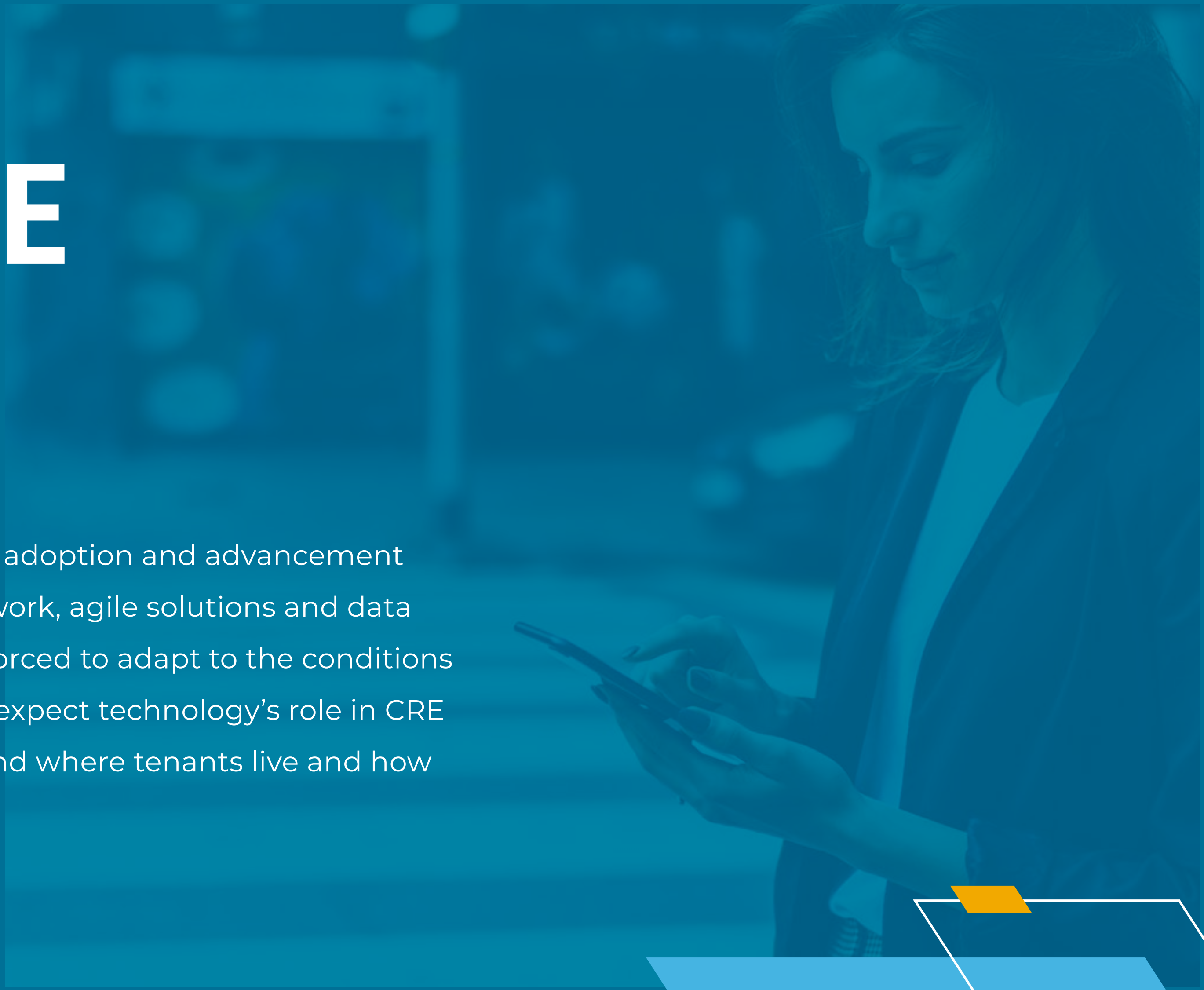
Interest rates, institutional investor interest and underwriting are expected to be the tops trends impacting lenders in 2021, according to Berkadia professionals. The Affordable housing crisis and the incoming administration are not far behind.

> *Clients will have an increased focus on the resiliency and diversity of the markets in which they choose to target and participate in."*

What Are the Most Important Trends Affecting Multifamily Financing in 2021?



DIGITAL HERE TO STAY



2020 was an unprecedented year for technology adoption and advancement in the commercial real estate industry. Remote work, agile solutions and data analytics took center stage as the industry was forced to adapt to the conditions brought on by the pandemic. Berkadia advisors expect technology's role in CRE to continue to increase, both in changing how and where tenants live and how the industry operates.

FOCUSED ON THE FUTURE

Over 96% of advisors “agree” or “somewhat agree” that business operations across the commercial real estate industry will continue to trend toward digital.

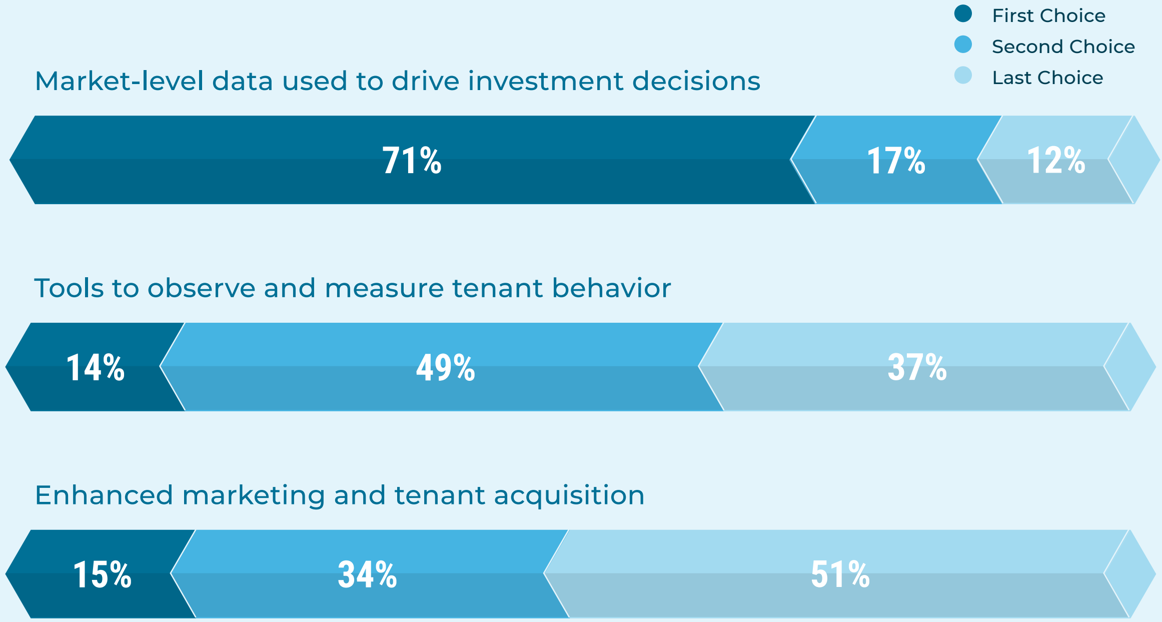
> *Long-term, COVID-19 will completely change the way companies embrace technology. This past year has forced the real estate industry to evolve and take different approaches to problems."*

VALUABLE TECHNOLOGY

The COVID-19 pandemic forced the CRE industry to embrace digital transformation in a way never before seen. Now the industry recognizes it is essential to leverage technology to solve issues or pain points and as a result it will only become more embedded in every aspect of a property’s lifecycle.

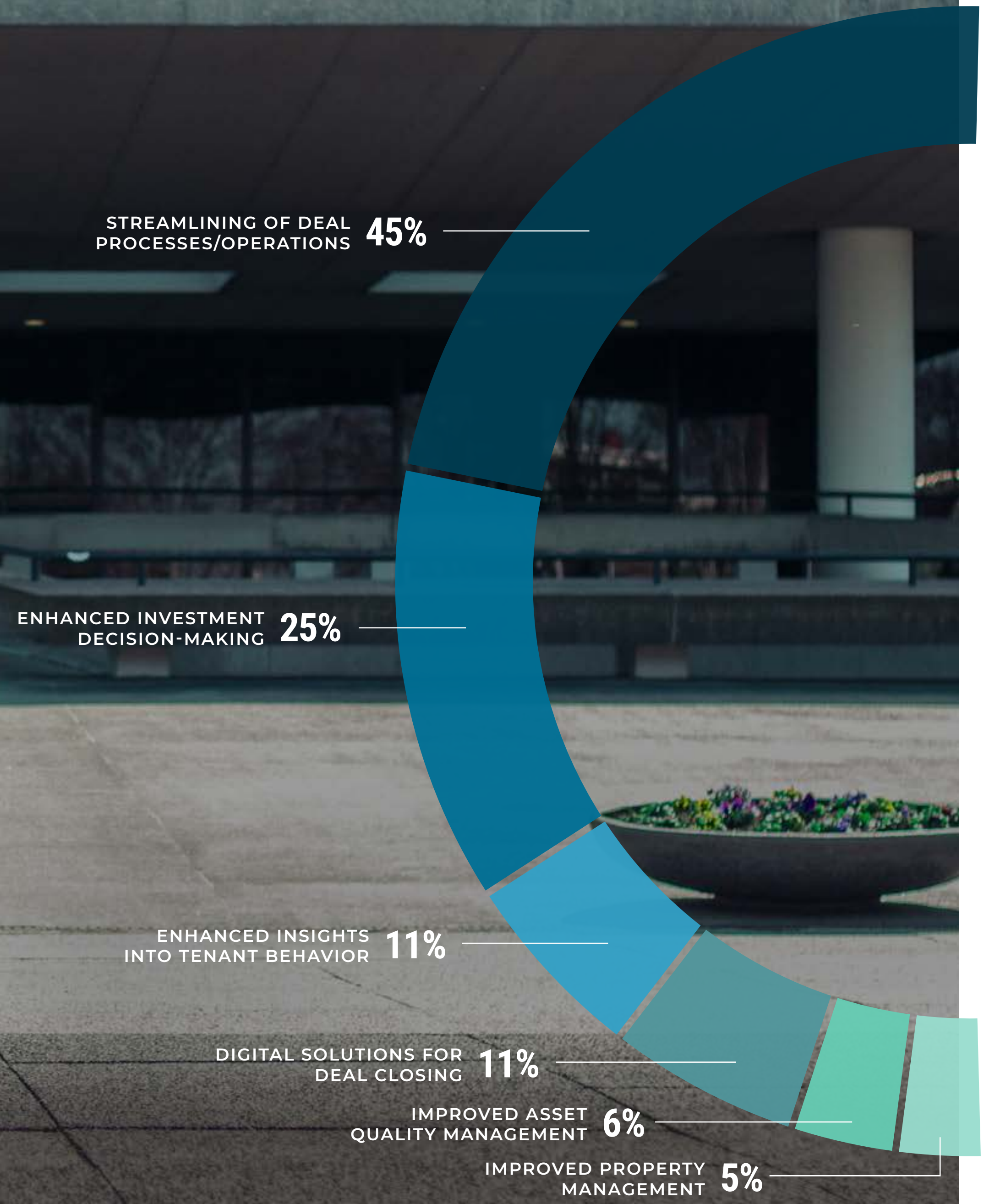
> *New multifamily projects may position themselves as home offices or offer other options to make rentals more functional as work spaces."*

What Technological Benefits Do You Believe Clients Value Most?



IMPACTFUL TECHNOLOGY

Which Technology Will Have the Biggest Impact on CRE by 2026?



> *"The digital and technological transformation has begun sooner than it would have. People are becoming immersed in technology more than ever, getting used to the added flexibility, and beginning to evaluate their living arrangements as a home office."*