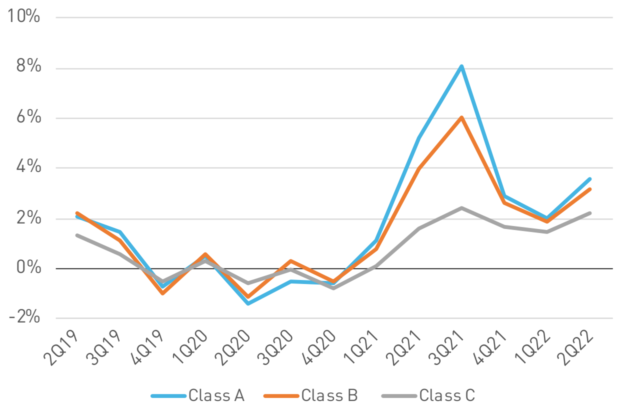
BERKADIA®

CLASS A PERFORMANCE

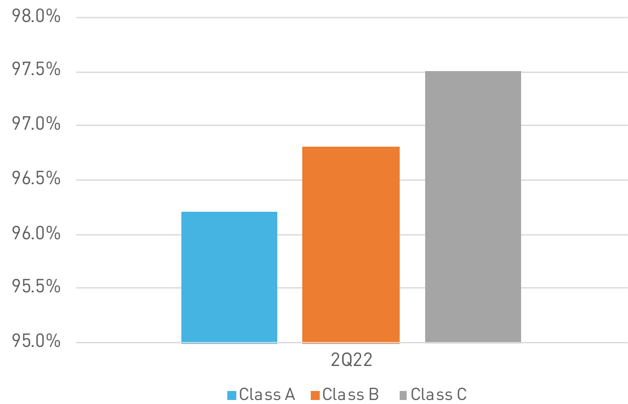
After a year of continued recovery from the effects of the pandemic, apartment rents experienced exponential annual growth. Nationwide, effective asking rents jumped 14.8% from 2Q21 to 2Q22. Much of the surge over the past year was driven by continued demand and growth in the Class A space.

Since the first quarter of 2021, luxury Class A product has continued to outperform the other asset classes. At the national level, Class A rents increased 3.6% in the second quarter of 2022, returning to a healthy and sustainable growth rate after skyrocketing in 2021. Meanwhile, Class B and C units followed closely behind growing 3.2% and 2.2%, yet outperformed Class A properties in occupancy. As of the second quarter of 2022, national Class A occupancy stood at 96.2%. Even though this trails Class B and C apartments, it remains 100 basis points above the five-year occupancy average for Class A units.

National Effective Rent Growth by Asset Class



National Occupancy by Asset Class in 2Q22

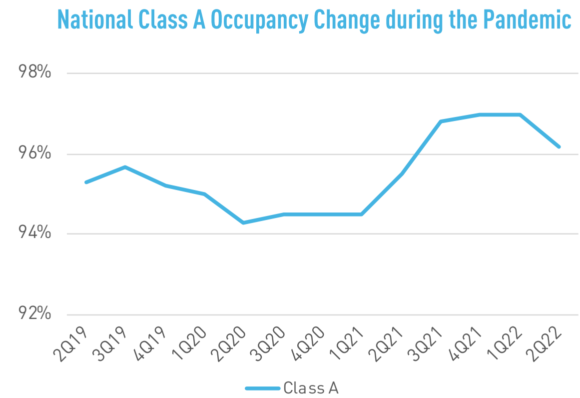


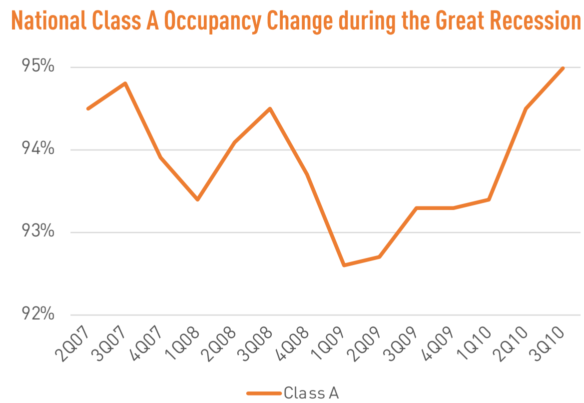
Pandemic Recovery vs. Recession Recovery

Recovering from the negative ramifications of the pandemic, Class A properties saw a positive change during the second quarter of 2021. Effective rent growth peaked at an 8.1% increase, while occupancy rates reached 97.0%, both rent and occupancy reaching record highs. Compared to the Great Recession of 2008, Class A product has recovered nearly twice as fast and is projected to outperform pre-pandemic figures.

National Class A Effective Change during the Pandemic

National Class A Effective Rent Change during the Great Recession





The elevated demand and growth for Class A multifamily housing can be attributed to a variety of factors. As working from home has emerged as a popular alternative for commuting to an office, some renters have moved to less expensive cities, choosing to live in a Class A apartment at a fraction of the cost. Additionally, the lack of single-family homes at an affordable price and skyrocketing interest rates encouraged people to turn to Class A renting.

Markets Outperforming National Class A Effective Rent Growth

1. Lexington	7.9%	11. Orlando	5.5%	21. Ann Arbor	4.7%	31. Nashville	3.9%
2. Knoxville	7.7%	12. Little Rock	5.4%	22. Chattanooga	4.7%	32. Boston	3.8%
3. Boise	6.6%	13. Louisville	5.4%	23. Colorado Springs	4.7%	33. Riverside	3.8%
4. Greenville, SC	6.4%	14. Mobile	5.4%	24. South Florida	4.6%	34. Dallas-Fort Worth	3.8%
5. Birmingham	5.9%	15. Raleigh	5.4%	25. Austin	4.4%	35. Newark	3.7%
6. Charleston	5.9%	16. Salt Lake City	5.4%	26. Portland	4.4%	36. Oakland	3.7%
7. Columbus, OH	5.9%	17. San Jose	5.3%	27. Richmond	4.4%	37. Pensacola	3.7%
8. Tallahassee	5.9%	18. Indianapolis	5.1%	28. Grand Rapids	4.1%	38. Baton Rouge	3.6%
9. Charlotte	5.5%	19. San Diego	5.0%	29. Lansing	4.1%	39. Denver	3.6%
10. Kalamazoo	5.5%	20. Albuquerque	4.9%	30. Chicago	3.9%	40. Jacksonville	3.6%

Increasing Class A Rents

37 markets had a greater effective rent increase than the national average of 3.6% in the Class A sector, while Baton Rouge, Denver, and Jacksonville matched it. The majority of the top preforming Class A rent markets were smaller cities. Lexington, Knoxville, and Boise saw the greatest growth, each rising over 6.5%. The common trend between these metros is that they have become a hotspot for relocators looking for a lower cost of living and better quality of life. Each city is also home to the largest university by enrollment in their state: University of Kentucky; University of Tennessee Knoxville; and Boise State University. As graduates join the local workforce, the cities' young professional population grows and fosters an expanding and diversifying the economy. With more residents moving to these markets, the housing market has appreciated significantly, pricing out potential buyers and turning them to renting instead. For example, home values have increased by more than 24% over the past year, reaching $334,900 as of August 2022 in Lexington. Compared to the metro's average effective Class A rent, homeowners would be paying roughly 30% more each month on their mortgage.

Larger markets such as Austin, South Florida, and Dallas-Fort Worth also outperformed the national Class A rate. Though these metros did not experience the same high Class A effective rent increase as other smaller cities, the influx of new inventory over the past year kept Class A rent growth at a manageable and efficient rate. From June 2021 to June 2022, multifamily developers delivered over 13,500 units in Austin, 23,000 units in Dallas-Fort Worth, and nearly 12,000 units in South Florida, yet demand continued to outpace inventory growth, creating a construction boom in these markets. As of the second quarter of 2022, each of the three markets has at least 41,000 units under construction in their respective pipelines. The urban cores of these cities have been the main target for luxury apartment builders. Throughout the nation overall, developers are on pace to finish more luxury apartments in 2022 than they have in decades.