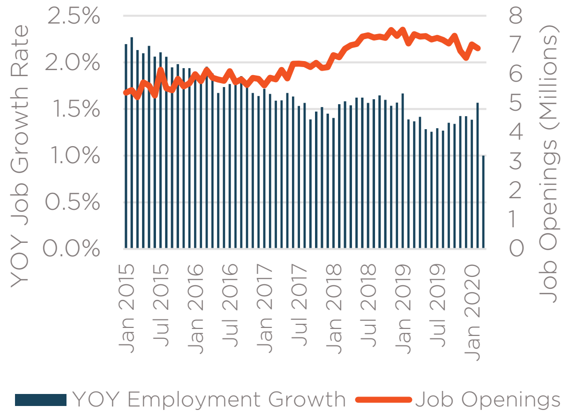
MIDDLEBURG COMMUNITIES

Markets Report

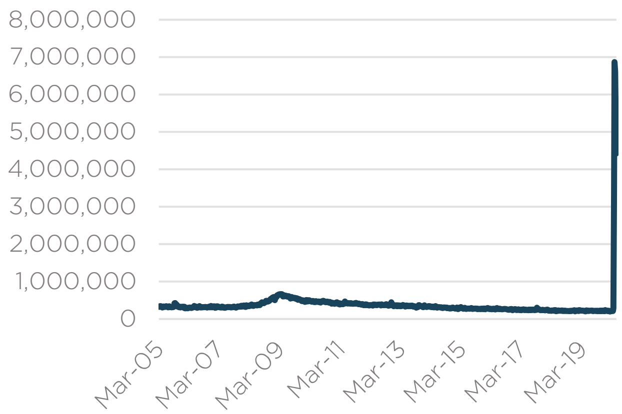
Southeast and Mid-Atlantic

Q1 2020

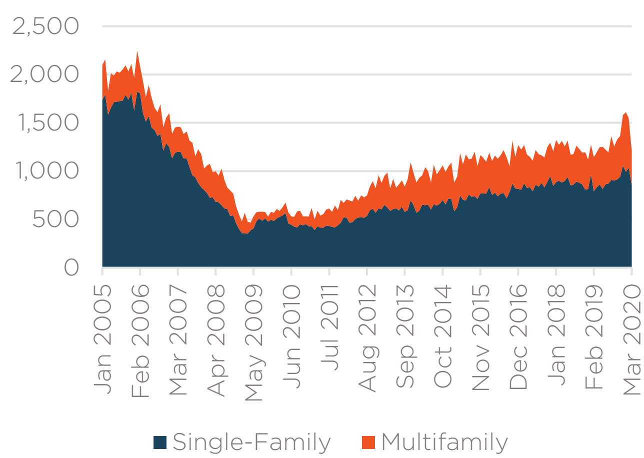
Payroll Data Still Lags Reality



Staggering Rise in Initial Unemployment Claims



Housing Starts Slowed in March



SOURCES: FEDERAL RESERVE ECONOMIC DATABASE, US CENSUS BUREAU

In the space of 6 weeks, COVID-19 has radically upended virtually every prior economic forecast and real estate model. The data is still catching up. Job openings data as of February showed 6.9 million open jobs and despite a recorded loss of 700,000 jobs, the total amount of employment in March was still higher than in March 2019.

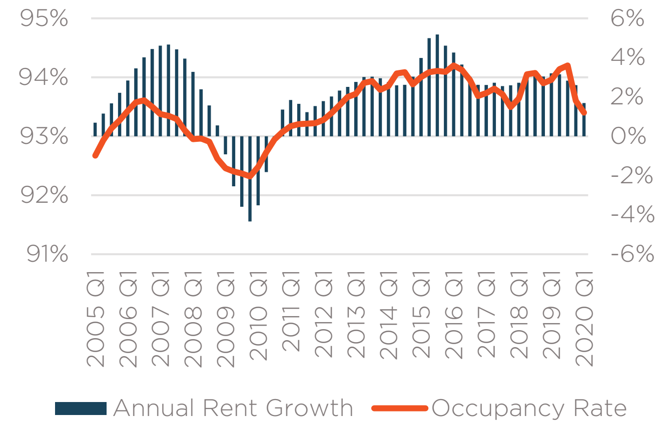
Nevertheless, as of this writing, 26 million Americans have filed for unemployment. Job losses at this scale and speed were previously unthinkable. They have raised the unemployment rate to an estimated 18% - by far the highest rate since measurement began in 1948 - raising the specter of a recession worse than the last one.

The accommodation and food services industries have felt the most immediate impacts from the social distancing measures but it is now clear that a variety of other industries, including retail and manufacturing confront serious challenges as well. Oxford Economics has projected that 3.4 million jobs in the professional and business services sector and 1.5 million in manufacturing will be lost in April.

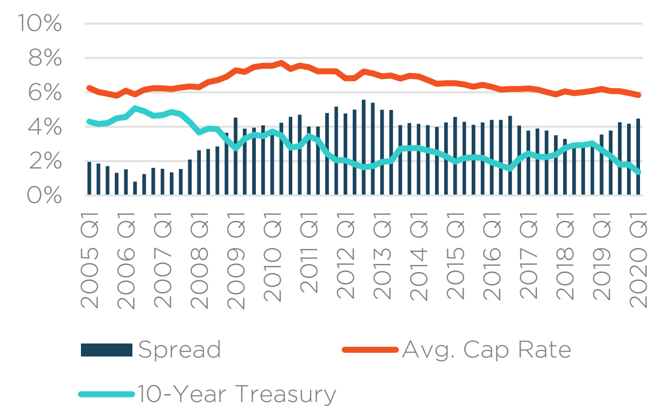
The best news among all the gloom is that the government has stepped in with a large aid package. While debate over the wisdom of specific components of this legislation will likely rage forever, its basic aims of providing assistance to the unemployed and loans to businesses to keep them afloat will undoubtedly be helpful.

NATIONAL OVERVIEW

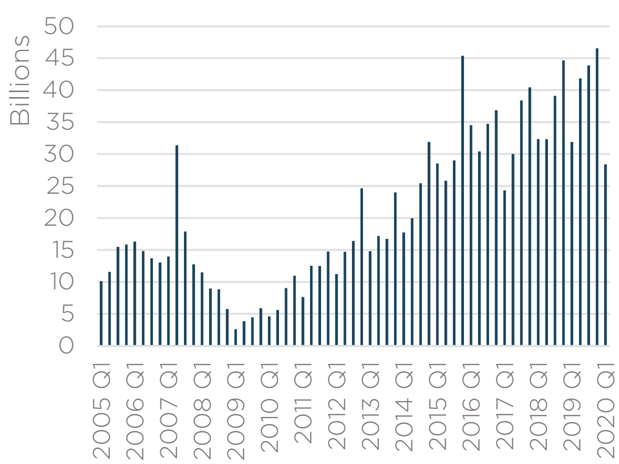
Rent Growth Dips in Q1



Cap Rates Remain Steady as 10-Year Yield Falls



Sales Volume Dipped in Q1 2020



SOURCES: COSTAR, FEDERAL RESERVE ECONOMIC DATABASE

In particular, the expansion of eligibility for unemployment insurance to some freelancers and the increase of benefits by $600 per week should limit the losses to landlords, at least through July 31, when the benefits expire.

Like the jobs data, data from the apartment sector does not yet reflect the impact of the economic disruption. The full impact will not be known for some time. Current forecasts regarding the trajectory of an economic recovery and apartment performance range widely due to uncertainty over basic, yet critical assumptions, like how long social distancing will last. Under these circumstances, any forecasts should be taken with a grain of salt. With that caveat, CoStar's baseline forecast calls for an 11% decline in average rents by Q4 2020.

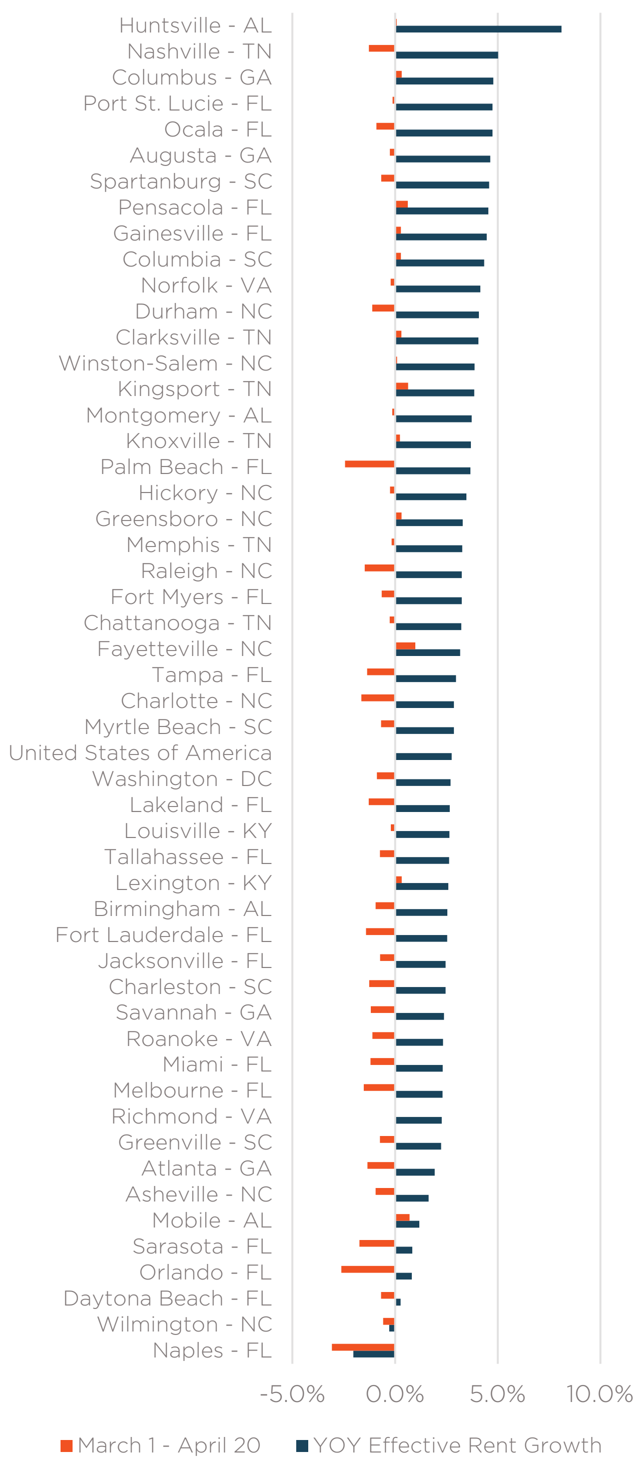
Nevertheless, the following points are worth keeping in mind when thinking about the future of the multifamily industry.

- Housing is a fundamental expense.
- Apartments are a historically resilient asset class.
- Declining incomes and stricter lending standards will likely drive more people to become renters.
- The US population will continue to grow.
- The pipeline of new construction will shrink dramatically.

These points are not meant to minimize the near-term challenges the industry will certainly face. Revenue declines will occur but compared to many other businesses, apartments are relatively well-positioned.

SOUTHEAST/MID-ATLANTIC MARKETS

YOY and March 1st to April 20th Rent Growth



SOURCES: BUREAU OF LABOR STATISTICS

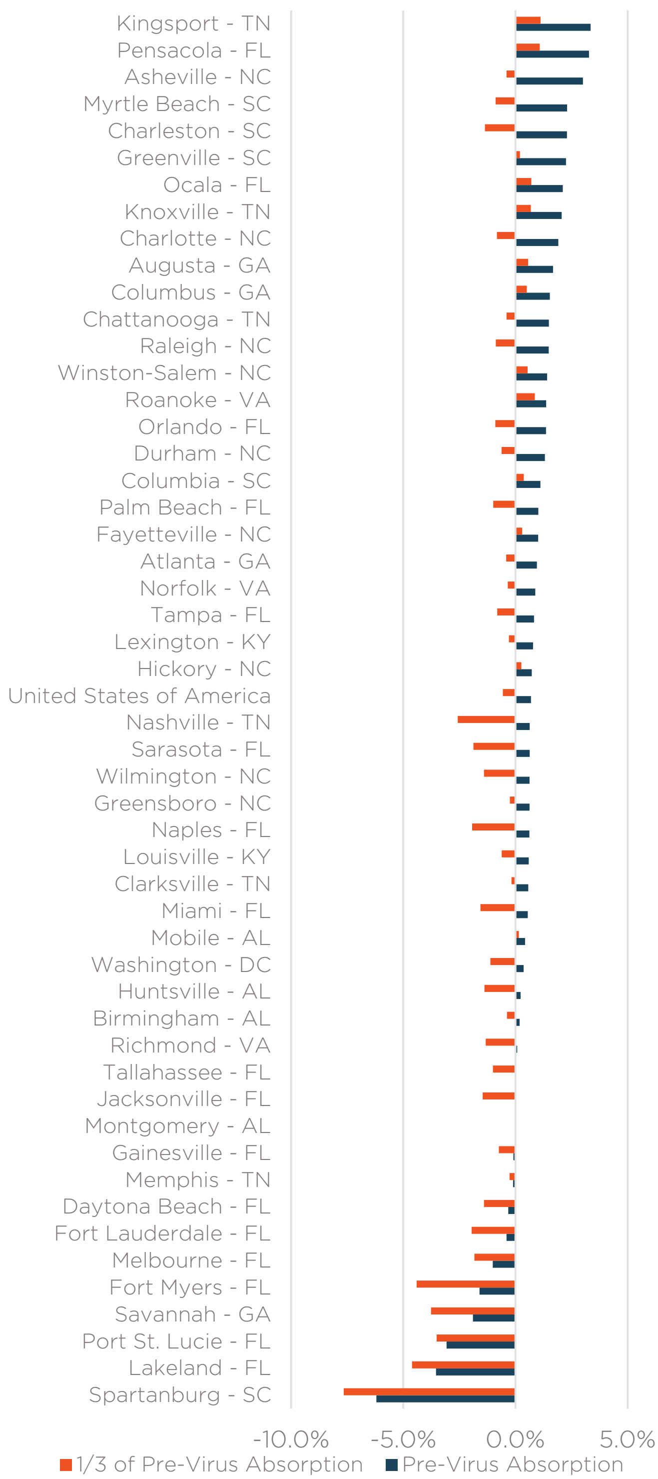
YOY rent growth for Q1 2020 stayed positive for all but two markets in the Southeast and Mid-Atlantic regions but only the last two to three weeks of March included any impact from the virus. Therefore, the Q1 numbers should be viewed as the last indicator of pre-virus conditions, which were strong. Most markets posted more than 3.0% rent growth YOY and several recorded more than 4.5% YOY rent growth.

However, the virus has rendered the Q1 results largely obsolete for assessing a market's health. The most current metric available is CoStar's average daily rent series. The change in this metric from March 1st to April 20th tells a much different story. 37 of the 52 markets shown in the chart at left, have seen a decline in average rents from March 1st to April 20th. Markets in Florida have been the most affected so far, likely a result of that state's dependence on tourism and travel. Orlando, Palm Beach, and Naples saw the most declines. Their average daily rents declined from -2.4% to -3.1%.

MIDDLEBURG COMMUNITIES

SOUTHEAST/MID-ATLANTIC MARKETS

Projected Change in Occupancy in 1 Year



SOURCES: COSTAR, MREP

One way to assess the vulnerability of a given market is to compare recent absorption to projected deliveries over the next year. The chart to the left expresses the difference between the average annual absorption over the last three years and the projected number of units to deliver over the next year as a percentage of the metro area's total stock.

On a national level, CoStar has reduced its forecast of new deliveries over the next year by about 30% compared with its forecast from Q4 2019. So using average annual absorption from the last three years, the chart actually looks more favorable than it has in previous quarters.

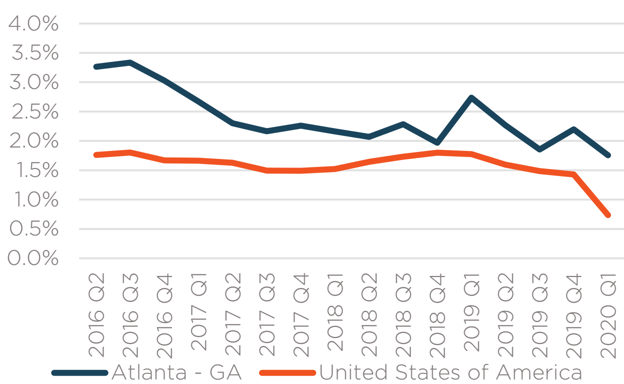
However, absorption over the next year will be much slower than the average of the last three years. How much slower is a difficult question to answer and will vary by market. The chart to the left provides a ballpark estimate, in orange, of the change in overall occupancy by market, assuming that absorption over the next year is reduced to 1/3 of the recent historical average. Most markets would see a decline in overall occupancy, even under CoStar's reduced delivery forecast.

ATLANTA

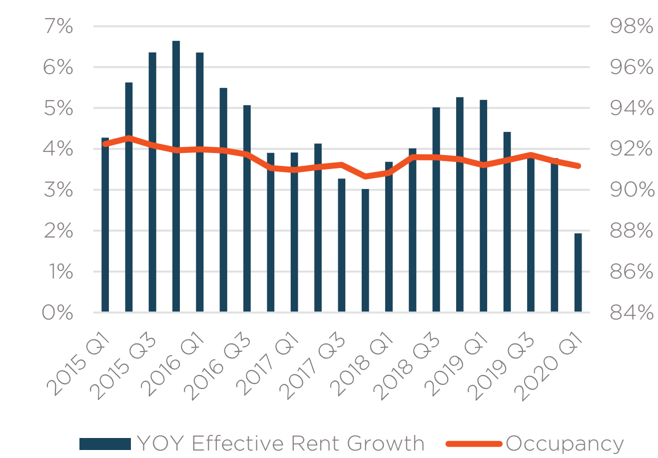
$72,000 **MEDIAN HOUSEHOLD INCOME** ↑ 2.9% YOY	**6,077,000** **POPULATION** ↑ 1.4% YOY	**3.7%** **UNEMPLOYMENT RATE** ↓ 20 BPS FROM Q1 2019
3.3 **HOME PRICE-TO-INCOME RATIO**	**1.9%** **YOY EFFECTIVE RENT GROWTH** ↓ 330 BPS FROM Q1 2019	**3.5%** **UNITS U/C AS % OF STOCK** ↓ 90 BPS FROM Q1 2019

MAJOR EMPLOYERS:
Delta Airlines, Emory University/Healthcare, Home Depot, Wellstar Health, AT&T, UPS, Marriott

YOY Job Growth



YOY Effective Rent Growth and Occupancy



SOURCES: COSTAR, ZILLOW, FEDERAL RESERVE ECONOMIC DATABASE

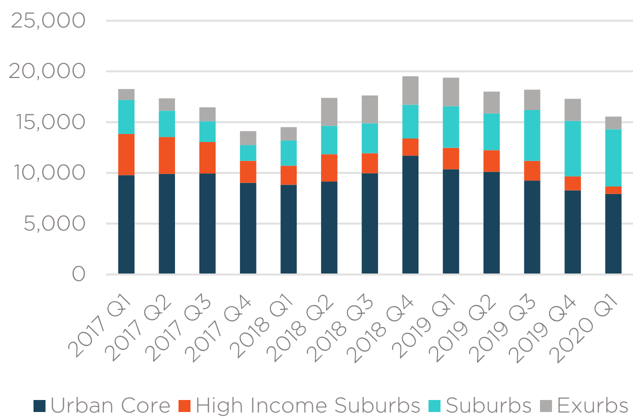
Atlanta suffered heavily in the last recession, partly as a result of overbullding during the boom years of 2003 to 2006. This time, Atlanta appears to be in a better starting position. Despite rapid population growth, housing construction activity never returned to its pre-recession heights, meaning the market is not overbuilt.

A relatively limited pipeline also works in Atlanta's favor. Although there are about 15,000 units currently under construction in the metro area, that only represents 3.5% of the current inventory, a low figure compared to many of its peers in the Southeast.

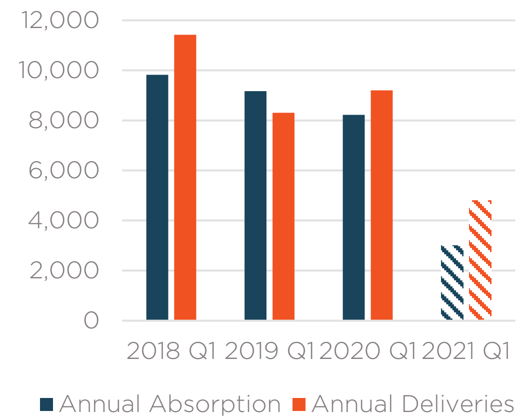
However, the urban core is more vulnerable. Of the 15,000 units under construction, more than half are located in the urban core, and, by nature, these properties must aim for high rents. Flagging demand, coupled with intense competition will likely force steep concessions to drive lease-up velocities. These concessions could eventually lead to asking rent declines in stabilized properties. Class A properties in the urban core have already posted a YOY decline in average effective rents as of Q1 2020.

ATLANTA

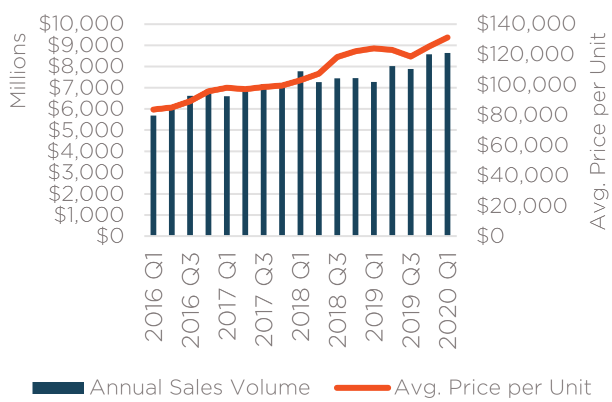
Units Under Construction



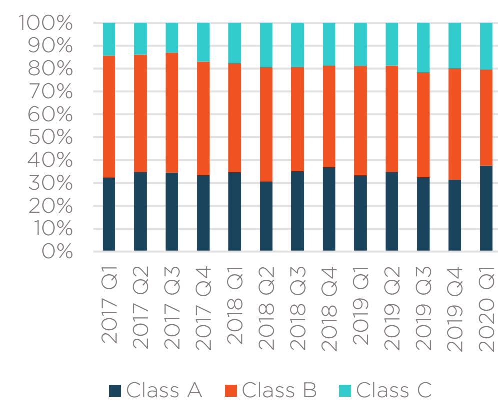
Absorption and Deliveries



Annual Sales Volume and Avg. Price per Unit



Annual Sales Volume by Class



CLASS A	OCC. RATE	EFF. RENT	YOY RENT GROWTH	5. YR. AVG. RENT GROWTH
Urban Core	86.9%	$1,821	-0.2%	1.3%
High-Income Suburbs	89.8%	$1,591	1.1%	2.3%
Suburbs	88.0%	$1,403	1.2%	4.1%
Exurbs	87.3%	$1,314	1.9%	5.4%
Total	87.8%	$1,607	0.4%	2.1%
CLASS B/C	**OCC. RATE**	**EFF. RENT**	**YOY RENT GROWTH**	**5. YR. AVG. RENT GROWTH**
Urban Core	91.5%	$1,311	2.6%	4.2%
High-Income Suburbs	94.2%	$1,253	2.4%	4.7%
Suburbs	91.5%	$1,030	3.0%	6.1%
Exurbs	93.3%	$1,048	2.1%	5.3%
Total	92.2%	$1,112	2.7%	5.4%

SOURCES: COSTAR

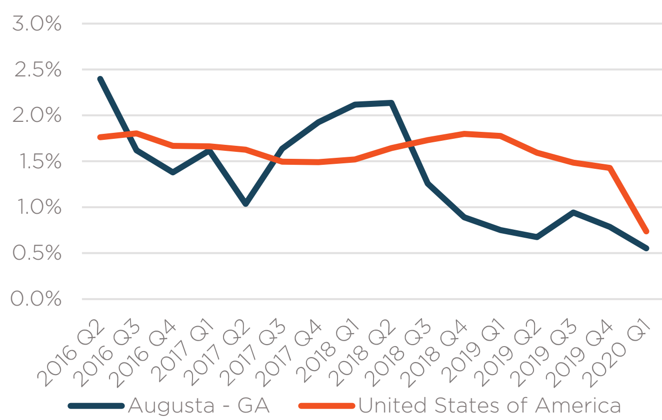
MIDDLEBURG COMMUNITIES

AUGUSTA

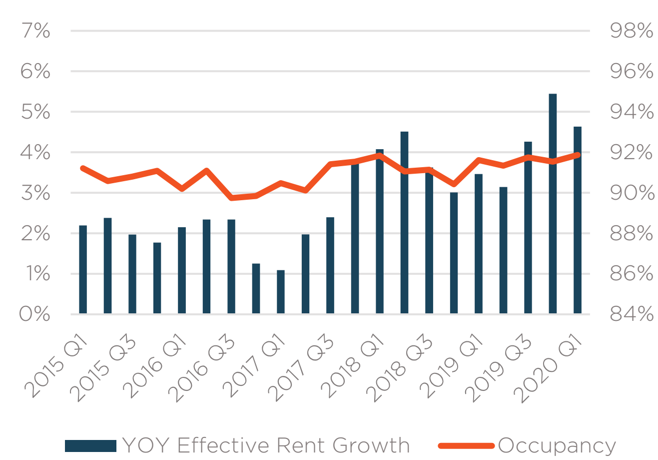
$55,000 **MEDIAN HOUSEHOLD INCOME** ↑ 3.0% YOY	**611,000** **POPULATION** ↑ 0.8% YOY	**3.7%** **UNEMPLOYMENT RATE** ↓ 50 BPS FROM Q1 2019
3.2 **HOME PRICE-TO-INCOME RATIO**	**4.6%** **YOY EFFECTIVE RENT GROWTH** ↑ 120 BPS FROM Q1 2019	**0.4%** **UNITS U/C AS % OF STOCK** ↓ 100 BPS FROM Q1 2019

MAJOR EMPLOYERS:
Fort Gordon, Augusta University, EZ GO Textron, NSA Augusta, Cardinal Health

YOY Job Growth



YOY Effective Rent Growth and Occupancy



SOURCES: COSTAR, ZILLOW, FEDERAL RESERVE ECONOMIC DATABASE

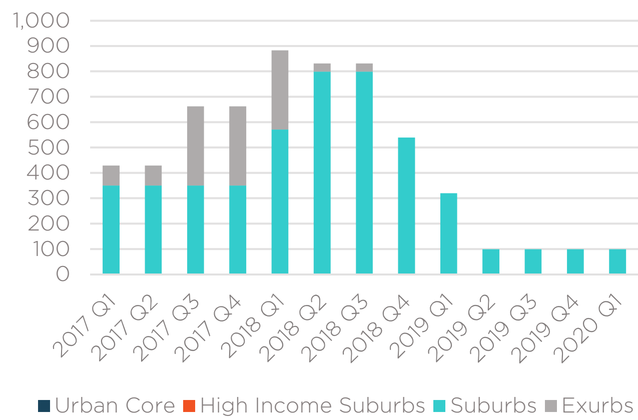
Augusta had developed some positive momentum recently on the heels of the Army's announcement that it would be moving its Cyber Command to Fort Gordon, which is scheduled to be completed in June 2020. YOY rent growth topped 4.0% in each of the last three quarters, unusually strong results for this metro.

The relatively large concentration of government/army employees in this metro may insulate it somewhat from the worst impacts of the recession. Through the end of March 2020, the count of initial unemployment claims in the metro area were up by 780% over the previous month. Although a huge increase, it was actually the second-best performance out of all metro areas in the state.

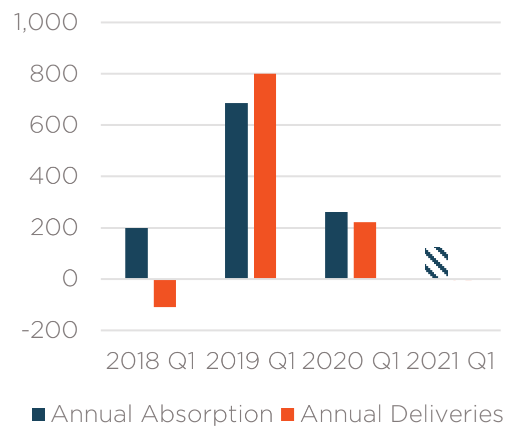
A very small pipeline may also limit the damage to Augusta's rental market. Less than 100 units are currently under construction according to CoStar. If true, then Class A properties will not face nearly the same pressure to compete for a dwindling supply of qualified tenants as in many other markets.

AUGUSTA

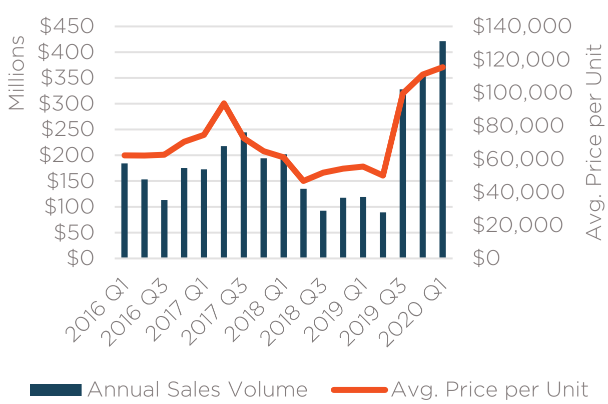
Units Under Construction



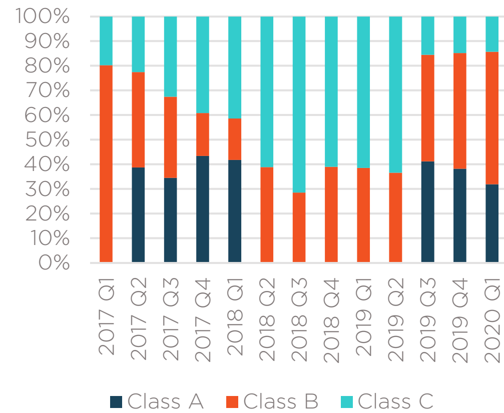
Absorption and Deliveries



Annual Sales Volume and Avg. Price per Unit



Annual Sales Volume by Class



CLASS A	OCC. RATE	EFF. RENT	YOY RENT GROWTH	5. YR. AVG. RENT GROWTH
Urban Core	NA	NA	NA	NA
High-Income Suburbs	NA	NA	NA	NA
Suburbs	88.4%	$1,177	4.5%	2.3%
Exurbs	94.2%	$1,100	6.1%	2.4%
Total	90.5%	$1,149	5.0%	2.2%
CLASS B/C	OCC. RATE	EFF. RENT	YOY RENT GROWTH	5. YR. AVG. RENT GROWTH
Urban Core	NA	NA	NA	NA
High-Income Suburbs	NA	NA	NA	NA
Suburbs	90.7%	$818	5.4%	3.6%
Exurbs	93.8%	$839	3.6%	3.3%
Total	92.1%	$828	4.6%	3.5%

SOURCES: COSTAR

MIDDLEBURG COMMUNITIES

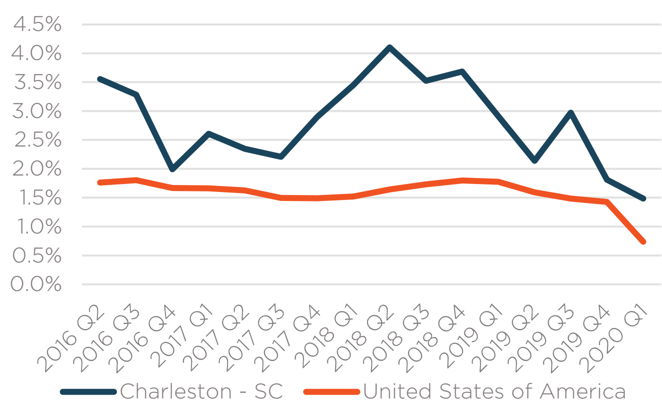
CHARLESTON

$67,000 **MEDIAN HOUSEHOLD INCOME** ↑ 2.9% YOY	**802,000** **POPULATION** ↑ 1.1% YOY	**2.5%** **UNEMPLOYMENT RATE** ↓ 40 BPS FROM Q1 2019
4.0 **HOME PRICE-TO-INCOME RATIO**	**2.5%** **YOY EFFECTIVE RENT GROWTH** ↓ 10 BPS FROM Q1 2019	**8.4%** **UNITS U/C AS % OF STOCK** ↓ 60 BPS FROM Q1 2019

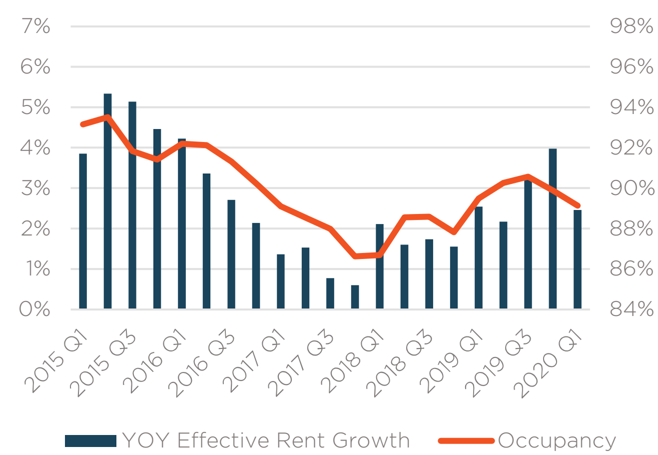
MAJOR EMPLOYERS:

Joint Base Charleston, Boeing, Medical University of South Carolina, Roper St. Francis Healthcare, Bosch, Volvo

YOY Job Growth



YOY Effective Rent Growth and Occupancy



SOURCES: COSTAR, ZILLOW, FEDERAL RESERVE ECONOMIC DATABASE

Charleston's historic downtown, warm climate, and reasonable cost of doing business have made it an attractive destination for businesses and workers alike in recent years. The metro has landed major investments from multinational corporations such as Boeing, Mercedes, and most recently, Volvo.

Under normal circumstances these companies make for strong economic foundations. However, COVID-19 has put a halt to production of both vehicles and airplanes. While production will hopefully restart soon, the longer these plants are idle, the more damage Charleston's economy may incur.

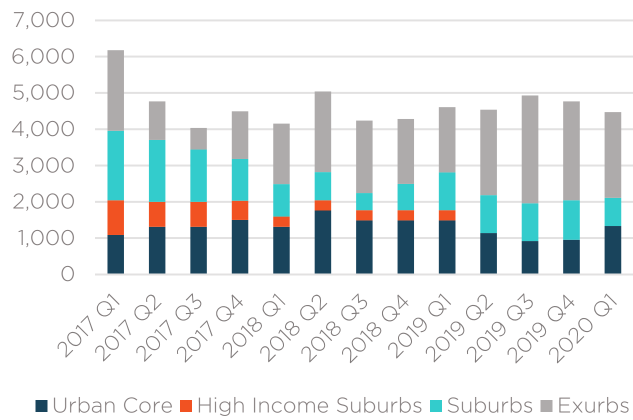
In addition, tourism and travel, also an important component of Charleston's economy, will suffer heavily as a result of the virus and the prospects for a quick recovery of this sector are dimmer than for manufacturing.

On top of these vulnerabilities, Charleston has a large pipeline of units under construction and a low average occupancy rate, especially for Class A properties in the urban core – a consequence of oversupply over the last year.

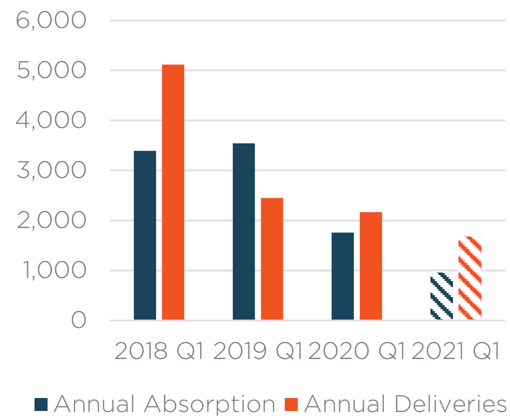
So while Charleston continues to have excellent long-term prospects, the apartment operators in this market, especially those with properties in or near the urban core, will need to brace themselves for a rough year ahead.

CHARLESTON

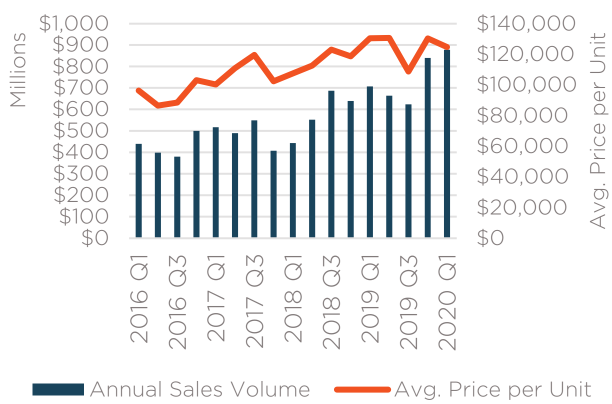
Units Under Construction



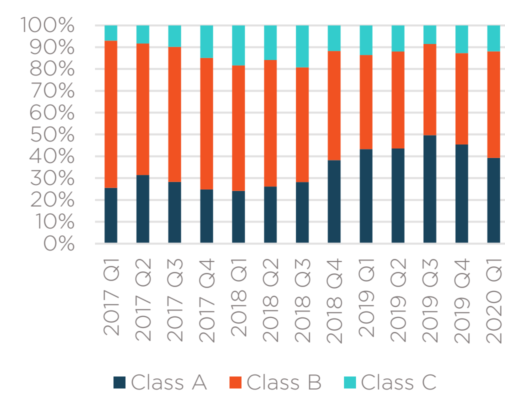
Absorption and Deliveries



Annual Sales Volume and Avg. Price per Unit



Annual Sales Volume by Class



CLASS A	OCC. RATE	EFF. RENT	YOY RENT GROWTH	5. YR. AVG. RENT GROWTH
Urban Core	56.7%	$1,835	-6.9%	-0.4%
High-Income Suburbs	87.3%	$1,635	0.4%	0.0%
Suburbs	88.1%	$1,283	0.8%	0.2%
Exurbs	84.7%	$1,363	4.4%	3.9%
Total	83.8%	$1,432	1.7%	0.5%
CLASS B/C	OCC. RATE	EFF. RENT	YOY RENT GROWTH	5. YR. AVG. RENT GROWTH
Urban Core	70.4%	$1,643	-1.0%	3.1%
High-Income Suburbs	92.0%	$1,339	1.5%	1.8%
Suburbs	91.2%	$1,034	3.4%	4.1%
Exurbs	93.0%	$1,127	3.1%	4.9%
Total	91.1%	$1,110	2.9%	4.0%

SOURCES: COSTAR

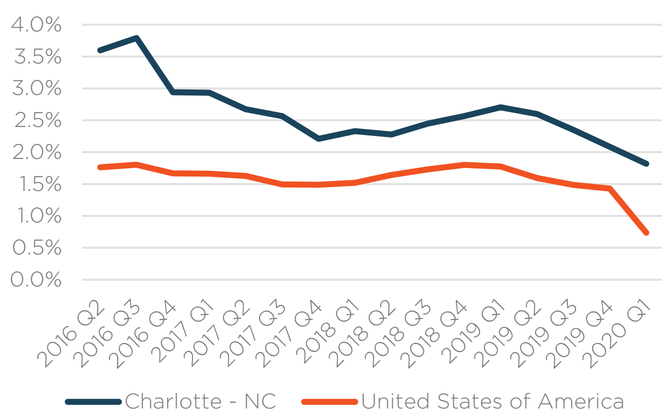
MIDDLEBURG COMMUNITIES

CHARLOTTE

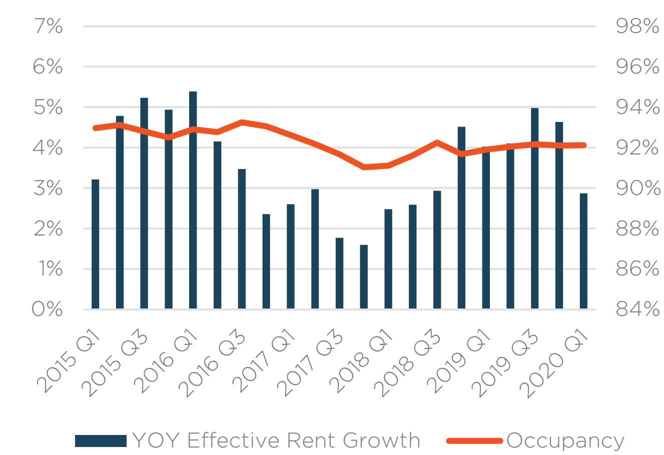
$64,000 MEDIAN HOUSEHOLD INCOME	2,635,000 POPULATION	3.8% UNEMPLOYMENT RATE
↑ 3.0% YOY	↑ 1.7% YOY	↓ 10 BPS FROM Q1 2019
3.9 HOME PRICE-TO-INCOME RATIO	**2.9%** YOY EFFECTIVE RENT GROWTH	**7.0%** UNITS U/C AS % OF STOCK
	↓ 120 BPS FROM Q1 2019	↓ 220 BPS FROM Q1 2019

MAJOR EMPLOYERS:
Carolinas HealthCare, Wells Fargo, Walmart, American Airlines, Bank of America

YOY Job Growth



YOY Effective Rent Growth and Occupancy



Charlotte has added jobs and people at a rapid clip over the last several years, making it one of the fastest growing large metro areas in the country.

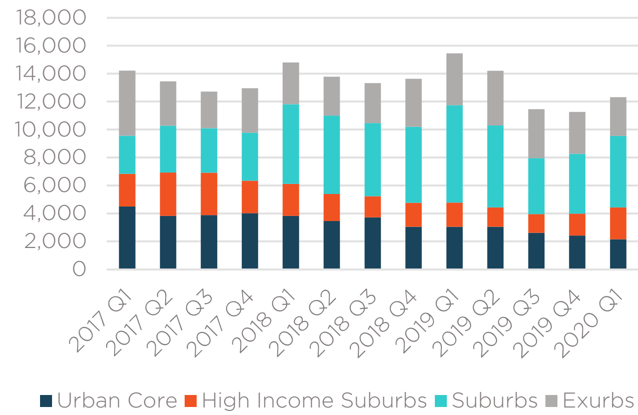
All of that growth has supported a tremendous amount of new apartment construction. In the last five years alone, the metro has added 37,000 new apartments, a 27% increase. And despite some temporary softness in certain submarkets, overall demand has been sufficient to lease up those new apartments in a reasonable timeframe while sustaining positive rent growth.

Charlotte has a diverse economy and is unlikely to suffer a disproportionate impact to employment from the recession. Unfortunately, even a proportionate impact will reduce the demand for new apartments. Slowing demand, coupled with this market's substantial pipeline of over 12,000 units, representing 7.0% of the current stock, means Class A properties in particular will be challenged to maintain current rent and occupancy levels.

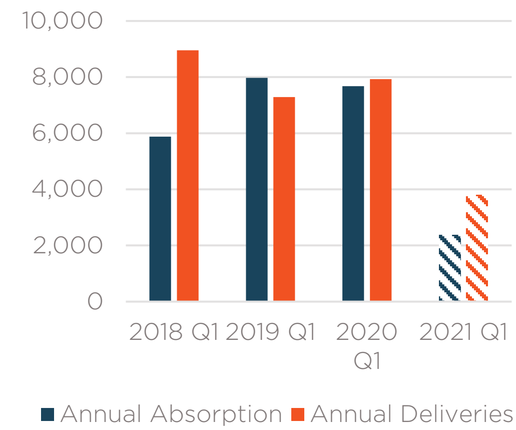
SOURCES: COSTAR, ZILLOW, FEDERAL RESERVE ECONOMIC DATABASE

CHARLOTTE

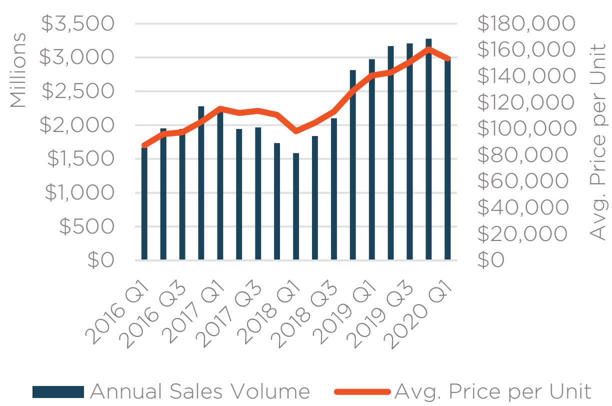
Units Under Construction



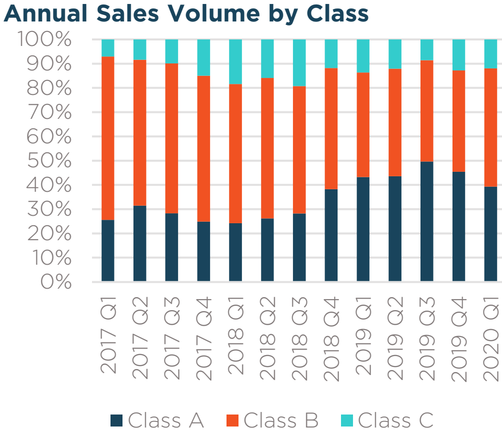
Absorption and Deliveries



Annual Sales Volume and Avg. Price per Unit



Annual Sales Volume by Class



CLASS A	OCC. RATE	EFF. RENT	YOY RENT GROWTH	5. YR. AVG. RENT GROWTH
Urban Core	89.1%	$1,768	0.4%	1.8%
High-Income Suburbs	88.6%	$1,449	2.6%	1.0%
Suburbs	88.0%	$1,279	1.1%	3.2%
Exurbs	90.5%	$1,226	4.0%	3.4%
Total	89.0%	$1,395	1.7%	2.3%
CLASS B/C	OCC. RATE	EFF. RENT	YOY RENT GROWTH	5. YR. AVG. RENT GROWTH
Urban Core	90.2%	$1,557	3.3%	2.0%
High-Income Suburbs	93.3%	$1,152	3.3%	4.2%
Suburbs	92.6%	$1,022	3.2%	4.9%
Exurbs	94.4%	$984	4.1%	4.6%
Total	93.2%	$1,081	3.5%	4.3%

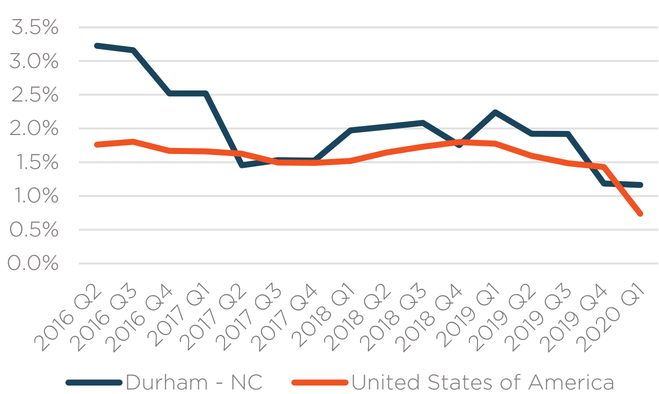
SOURCES: COSTAR

DURHAM

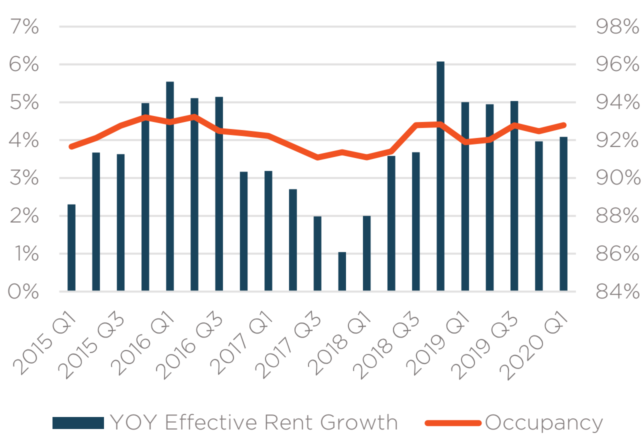
$65,000 MEDIAN HOUSEHOLD INCOME	**586,000** POPULATION	**3.5%** UNEMPLOYMENT RATE
↑ 3.4% YOY	↑ 1.2% YOY	↓ 30 BPS FROM Q1 2019
4.1 HOME PRICE-TO-INCOME RATIO	**4.1%** YOY EFFECTIVE RENT GROWTH	**4.7%** UNITS U/C AS % OF STOCK
	↓ 90 BPS FROM Q1 2019	↓ 170 BPS FROM Q1 2019

MAJOR EMPLOYERS:
Duke University, IBM, Cree Inc., Blue Cross Blue Shield

YOY Job Growth



YOY Effective Rent Growth and Occupancy



Q1 2020 marked the sixth straight quarter with more than 4.0% YOY rent growth in Durham. High for-sale home prices and stable economic drivers such as Duke University, UNC-Chapel Hill, and IBM have helped this market maintain strong and steady performance.

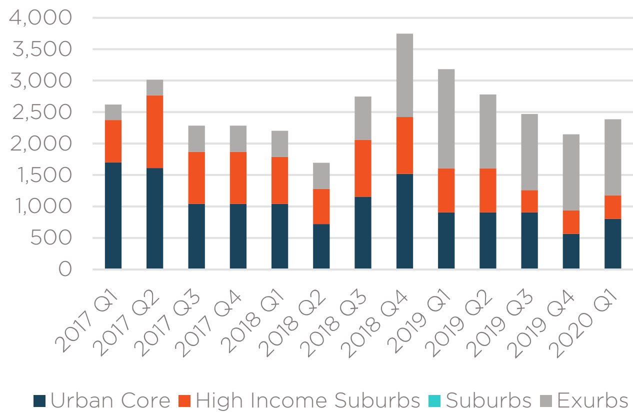
However, the announcement on April 23, by Rho, a Durham-based contract research organization, that it would layoff 10% of its workforce, or 400 employees, demonstrates how the economic impact of the virus extends beyond the service and retail sectors.

Durham can expect market conditions to deteriorate in Q2 2020, much like the rest of the country, despite its strong institutions. Class A properties, which already have a low average occupancy rate due to a large amount of deliveries in 2019, will likely see the sharpest rent declines in rents over the next year.

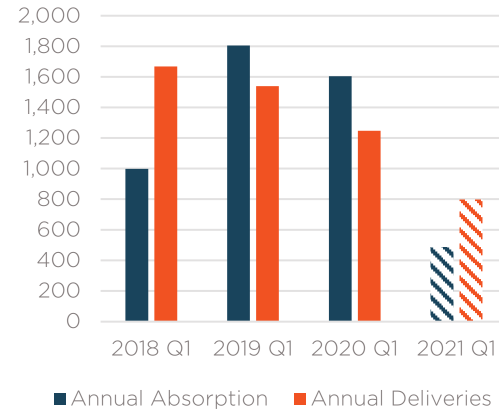
SOURCES: COSTAR, ZILLOW, FEDERAL RESERVE ECONOMIC DATABASE

DURHAM

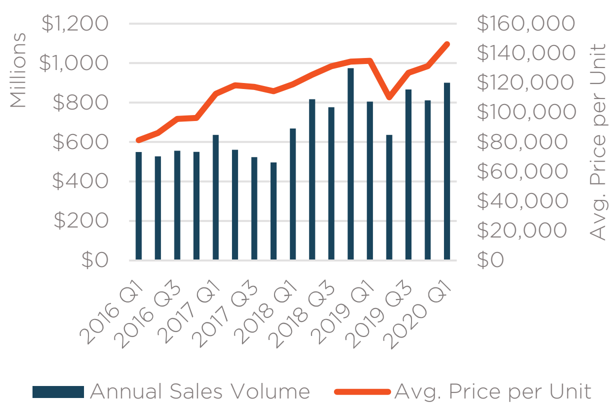
Units Under Construction



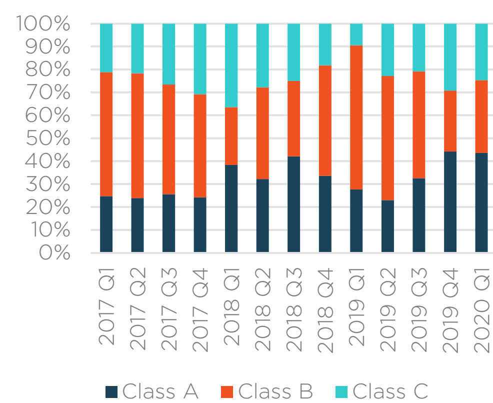
Absorption and Deliveries



Annual Sales Volume and Avg. Price per Unit



Annual Sales Volume by Class



CLASS A	OCC. RATE	EFF. RENT	YOY RENT GROWTH	5. YR. AVG. RENT GROWTH
Urban Core	85.7%	$1,695	3.7%	3.0%
High-Income Suburbs	89.4%	$1,287	3.1%	3.2%
Suburbs	94.3%	$1,192	1.8%	1.0%
Exurbs	85.9%	$1,545	1.1%	2.8%
Total	87.8%	$1,476	2.8%	2.9%
CLASS B/C	OCC. RATE	EFF. RENT	YOY RENT GROWTH	5. YR. AVG. RENT GROWTH
Urban Core	94.5%	$1,037	5.3%	4.6%
High-Income Suburbs	93.7%	$1,117	3.8%	4.7%
Suburbs	94.2%	$963	4.0%	5.6%
Exurbs	93.8%	$1,075	4.7%	3.9%
Total	94.1%	$1,069	4.6%	4.5%

SOURCES: COSTAR

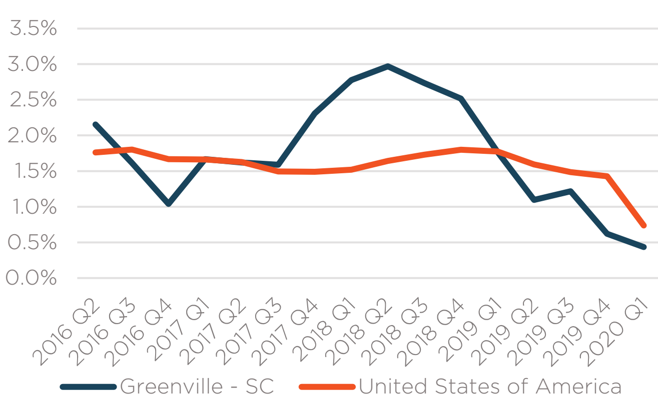
MIDDLEBURG COMMUNITIES

GREENVILLE

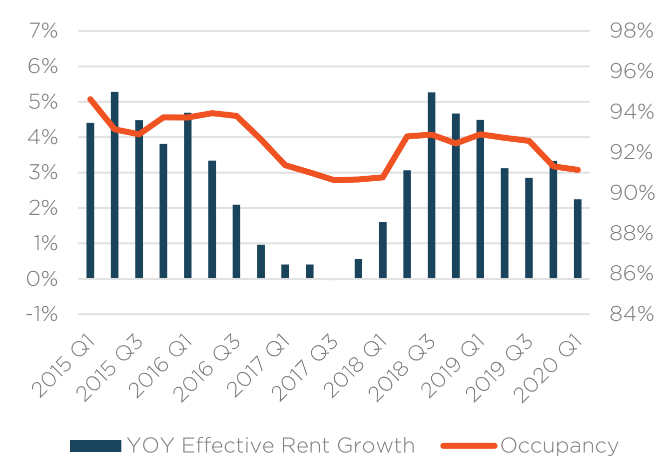
$58,000 **MEDIAN HOUSEHOLD INCOME** ↑ 4.5% YOY	**921,000** **POPULATION** ↑ 1.0% YOY	**3.3%** **UNEMPLOYMENT RATE** ↓ 70 BPS FROM Q1 2019
3.5 **HOME PRICE-TO-INCOME RATIO**	**2.2%** **YOY EFFECTIVE RENT GROWTH** ↓ 220 BPS FROM Q1 2019	**3.1%** **UNITS U/C AS % OF STOCK** ↓ 310 BPS FROM Q1 2019

MAJOR EMPLOYERS:
Michelin, GE Power, Fluor Corp., Bon Secours, St. Francis Health, TD Bank

YOY Job Growth



YOY Effective Rent Growth and Occupancy



SOURCES: COSTAR, ZILLOW, FEDERAL RESERVE ECONOMIC DATABASE

The apartment market in Greenville enters the recession in a weakened state. After a spate of deliveries in 2019, Class A average occupancy fell to just 83.3%, and overall Class A rent growth fell to just 0.1% - essentially flat – dragging down overall YOY rent growth across all classes to just 2.2%.

The weak rent growth is also partly explained by slow job growth over the last year that has lagged the national average.

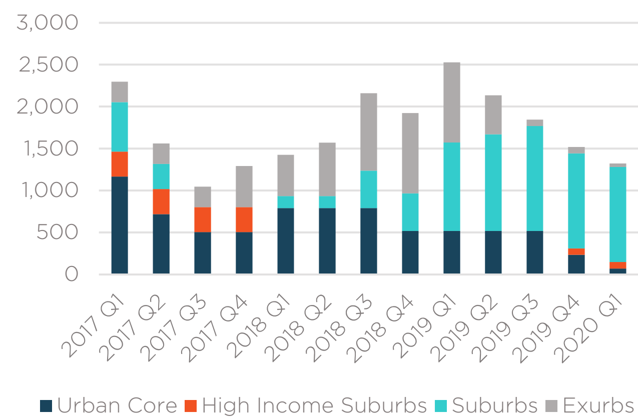
On top of this situation now falls the impact of COVID-19, which has caused one of the main employers in the area, BMW, to idle one of its plants for a month and two automotive-related businesses, ZF transmissions and MAU Workforce Solutions, to announce major layoffs.

Under these circumstances revenue declines are inevitable but the good news for Greenville is that its pipeline is relatively limited at just 3.1% of inventory. Most of it is in the suburbs meaning that unlike many of its peers, the impact of this supply on rents will be less felt in the urban core.

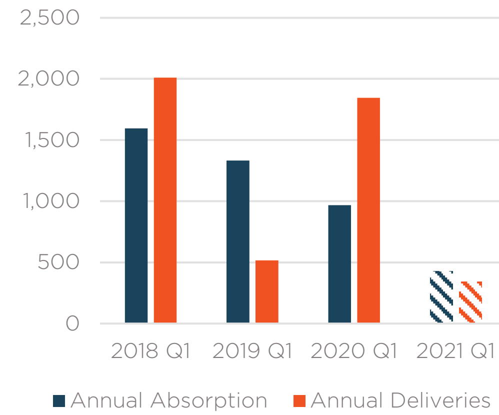
MIDDLEBURG COMMUNITIES

GREENVILLE

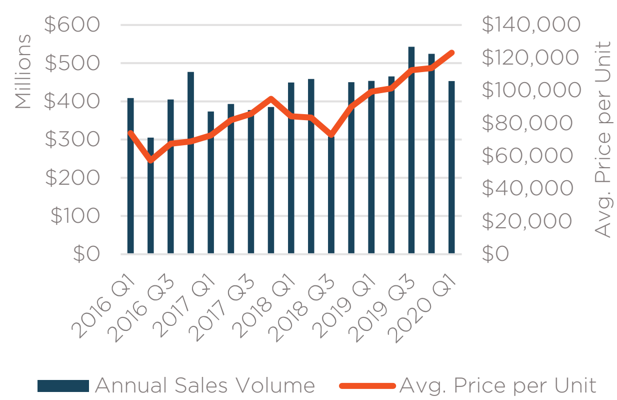
Units Under Construction



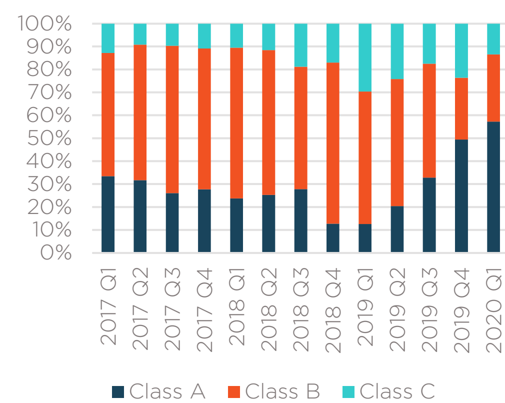
Absorption and Deliveries



Annual Sales Volume and Avg. Price per Unit



Annual Sales Volume by Class



CLASS A	OCC. RATE	EFF. RENT	YOY RENT GROWTH	5. YR. AVG. RENT GROWTH
Urban Core	80.9%	$1,471	0.7%	-0.2%
High-Income Suburbs	92.8%	$1,022	0.5%	3.0%
Suburbs	84.9%	$1,115	0.1%	0.9%
Exurbs	82.0%	$1,058	0.3%	3.4%
Total	83.3%	$1,200	0.1%	0.7%
CLASS B/C	OCC. RATE	EFF. RENT	YOY RENT GROWTH	5. YR. AVG. RENT GROWTH
Urban Core	91.4%	$1,178	5.4%	1.9%
High-Income Suburbs	92.7%	$960	5.0%	3.7%
Suburbs	93.6%	$930	2.8%	3.6%
Exurbs	93.6%	$824	2.4%	4.1%
Total	93.4%	$920	3.1%	3.6%

SOURCES: COSTAR

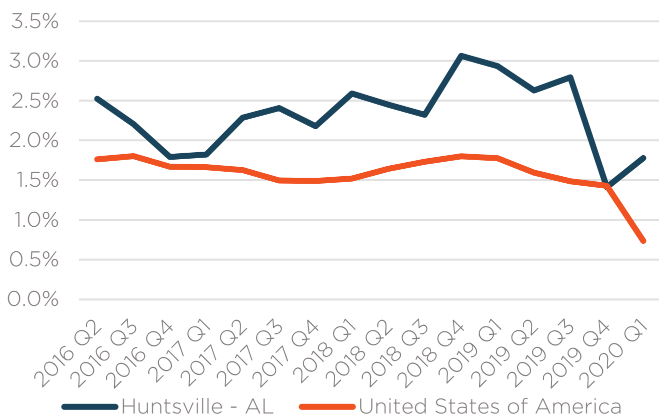
MIDDLEBURG COMMUNITIES

HUNTSVILLE

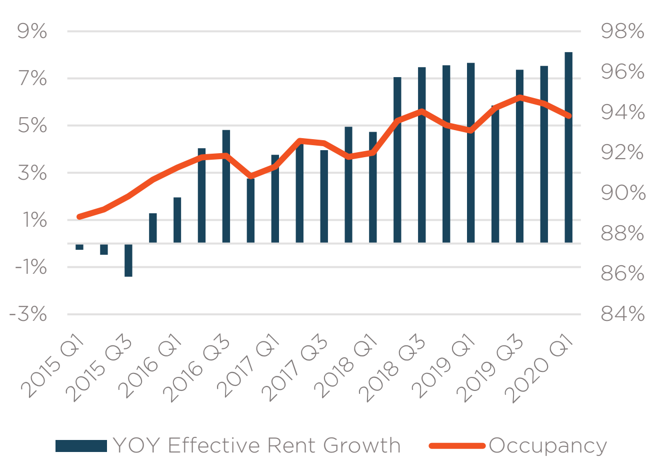
$66,000 **MEDIAN HOUSEHOLD INCOME** ↑ 3.3% YOY	**473,000** **POPULATION** ↑ 1.5% YOY	**2.7%** **UNEMPLOYMENT RATE** ↓ 80 BPS FROM Q1 2019
2.9 **HOME PRICE-TO-INCOME RATIO**	**8.1%** **YOY EFFECTIVE RENT GROWTH** ↑ 50 BPS FROM Q1 2019	**6.6%** **UNITS U/C AS % OF STOCK** ↑ 190 BPS FROM Q1 2019

MAJOR EMPLOYERS:
US Army/Redstone Arsenal, NASA, Boeing, SAIC, Camber Corporation, ADTRAN

YOY Job Growth



YOY Effective Rent Growth and Occupancy



SOURCES: COSTAR, ZILLOW, FEDERAL RESERVE ECONOMIC DATABASE

Huntsville, Alabama has long been known for its connection to rocket science and NASA, which is still one of the largest employers in the metro area. The presence of NASA has created a concentration of scientific and engineering talent yet overall costs of doing business remain low.

Companies have taken note and announced many new jobs in the last two years including:

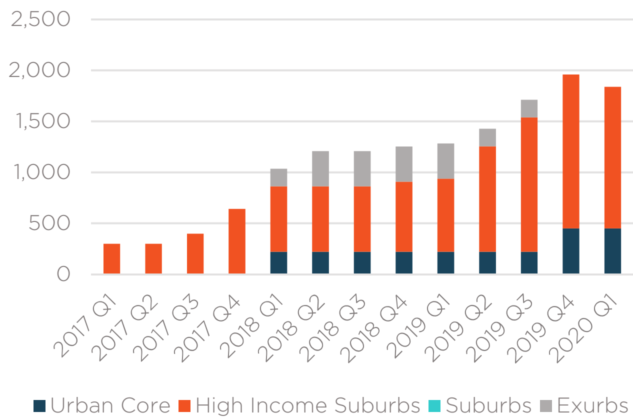
- The FBI announced in late 2018 it would move 1,350 jobs from Washington, D.C. to Huntsville.
- Aerojet Rocketdyne announced in late 2017 it would build a new manufacturing facility and division headquarters, bringing a total of 700 jobs.
- Blue Origin announced in September 2018 it would manufacture a new rocket engine in Huntsville, employing 400.
- Mazda and Toyota broke ground in March 2018 on a new jointly operated manufacturing plant, scheduled to open in 2021.

All of this activity led to stunning rent growth and improved occupancy that lasted through Q1 2020. So Huntsville enters the recession in a strong position. Moreover, Huntsville should be spared the worst impacts from the recession because of its high share of government and defense-related employment.

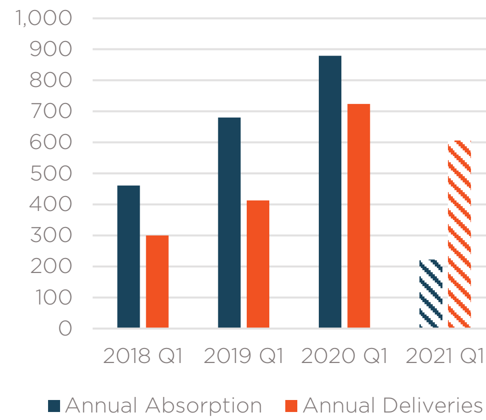
One concern, however, is a substantial pipeline amounting to 6.6% of existing stock. Still, on balance, Huntsville is likely to be one of the best performers in the Southeast through this recession.

HUNTSVILLE

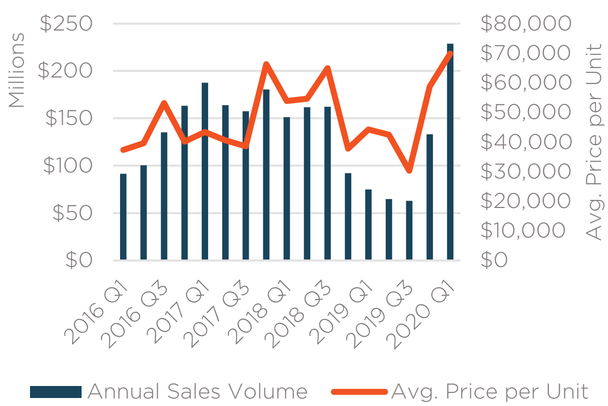
Units Under Construction



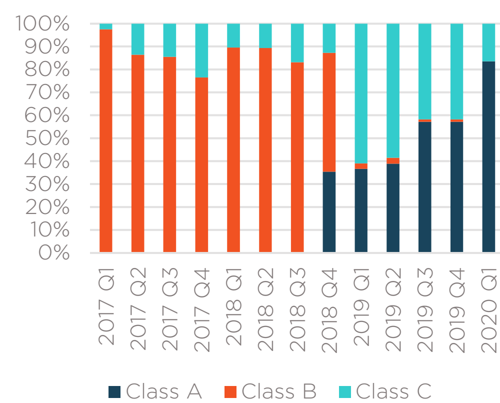
Absorption and Deliveries



Annual Sales Volume and Avg. Price per Unit



Annual Sales Volume by Class



CLASS A	OCC. RATE	EFF. RENT	YOY RENT GROWTH	5. YR. AVG. RENT GROWTH
Urban Core	97.9%	$1,485	-1.5%	6.4%
High-Income Suburbs	90.0%	$1,176	8.2%	4.9%
Suburbs	NA	NA	NA	NA
Exurbs	77.2%	$1,284	2.9%	2.7%
Total	89.7%	$1,217	6.4%	4.9%
CLASS B/C	OCC. RATE	EFF. RENT	YOY RENT GROWTH	5. YR. AVG. RENT GROWTH
Urban Core	97.2%	$763	0.4%	4.2%
High-Income Suburbs	94.5%	$873	10.5%	6.0%
Suburbs	NA	NA	NA	NA
Exurbs	94.9%	$695	7.2%	4.7%
Total	94.8%	$796	8.6%	5.4%

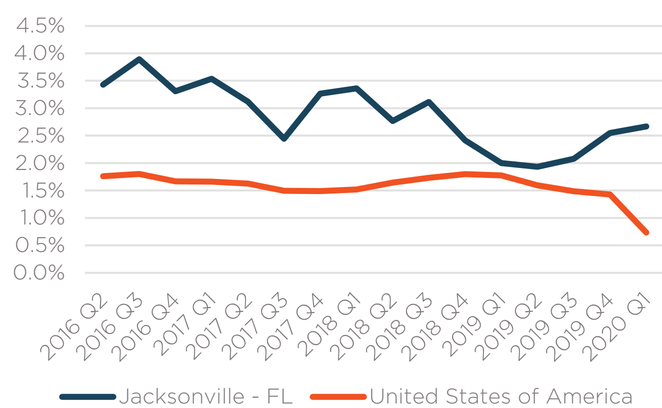
SOURCES: COSTAR

JACKSONVILLE

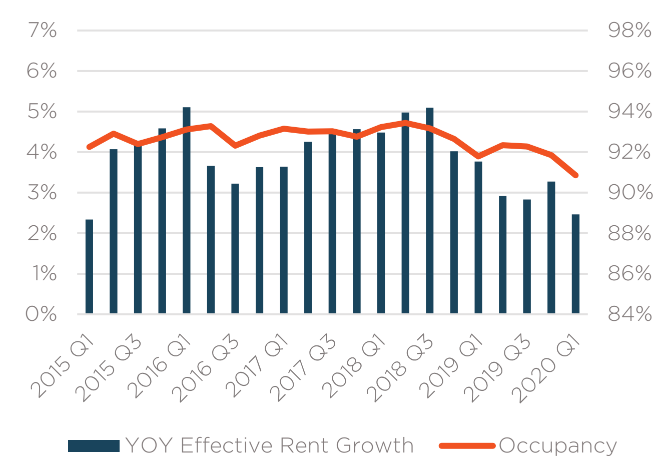
$63,000 **MEDIAN HOUSEHOLD INCOME** ↑ 3.2% YOY	**1,563,000** **POPULATION** ↑ 1.3% YOY	**3.6%** **UNEMPLOYMENT RATE** ↑ 10 BPS. FROM Q1 2019
3.9 **HOME PRICE-TO-INCOME RATIO**	**2.5%** **YOY EFFECTIVE RENT GROWTH** ↓ 130 BPS FROM Q1 2019	**4.4%** **UNITS U/C AS % OF STOCK** ↓ 150 BPS FROM Q1 2019

MAJOR EMPLOYERS:
uS Navy, Baptist Health, Bank of America, Florida Blue, Mayo Clinic, Citibank, JP Morgan, Chase, Wells Fargo

YOY Job Growth



YOY Effective Rent Growth and Occupancy



SOURCES: COSTAR, ZILLOW, FEDERAL RESERVE ECONOMIC DATABASE

Jacksonville is a major hub of the financial services industry. Bank of America, Citibank, JP Morgan Chase, Wells Fargo, and TIAA all have a significant presence in the area. In addition, Jacksonville has strengths in insurance, logistics, and aviation.

Surprisingly, the BLS reported strong growth in Q1 of nearly 3.0% but this number is likely to be revised in the future and, in any case, most of the economic impacts from COVID-19 were not felt until April.

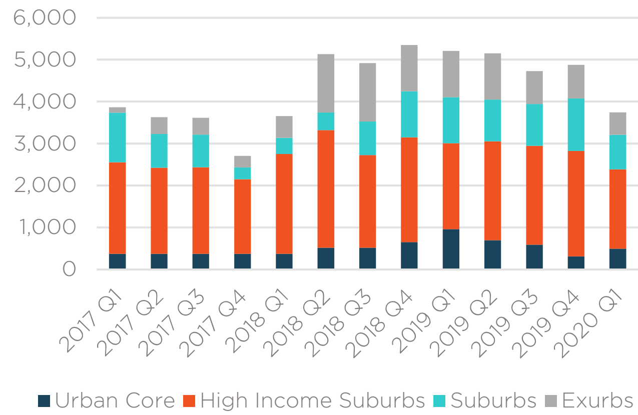
Perhaps more indicative of reality is the decline in YOY rent growth to 2.5%, the lowest reading in 5 years. The number was dragged down by particularly weak performance among Class A assets in the urban core, some of which increased concessions enough in March to register in the Q1 numbers.

Still, YOY performance was strong among Class B/C assets and even among Class A properties outside the urban core. Overall, Jacksonville enters the recession with a reasonably healthy market.

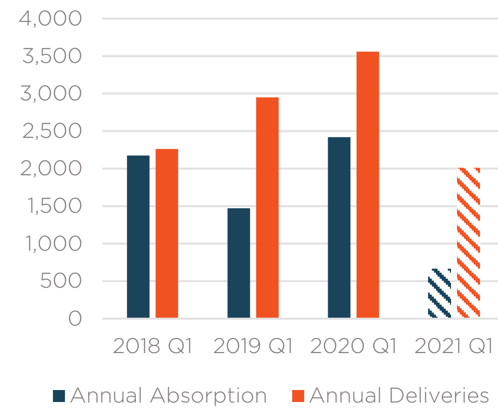
Its pipeline is not small, by any means, but at 4.4% of existing inventory, or nearly 4,000 units, it is smaller than many of its peers. As a result, Jacksonville does not rank among the most vulnerable markets.

JACKSONVILLE

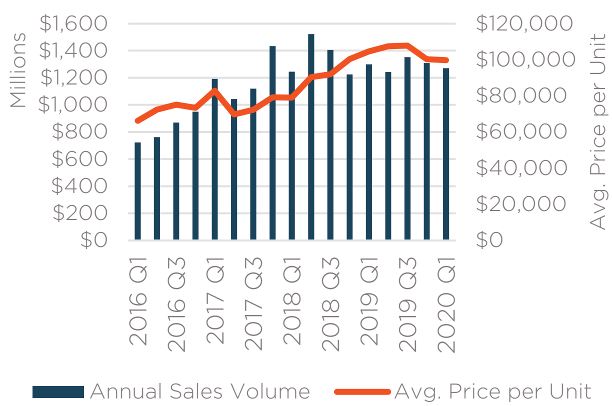
Units Under Construction



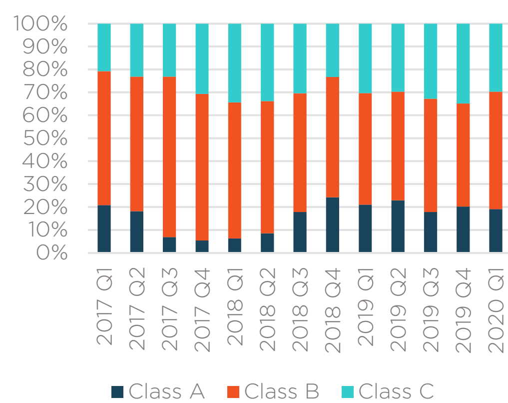
Absorption and Deliveries



Annual Sales Volume and Avg. Price per Unit



Annual Sales Volume by Class



CLASS A	OCC. RATE	EFF. RENT	YOY RENT GROWTH	5. YR. AVG. RENT GROWTH
Urban Core	79.9%	$1,382	-5.8%	-0.2%
High-Income Suburbs	90.9%	$1,362	3.6%	3.1%
Suburbs	92.8%	$1,309	-1.4%	1.4%
Exurbs	55.3%	$1,358	6.4%	5.5%
Total	86.3%	$1,348	1.1%	2.5%
CLASS B/C	OCC. RATE	EFF. RENT	YOY RENT GROWTH	5. YR. AVG. RENT GROWTH
Urban Core	82.4%	$935	10.4%	6.1%
High-Income Suburbs	92.2%	$1,092	2.5%	4.0%
Suburbs	90.0%	$922	3.7%	4.7%
Exurbs	93.9%	$1,042	3.7%	5.0%
Total	91.7%	$1,019	3.2%	4.5%

SOURCES: COSTAR

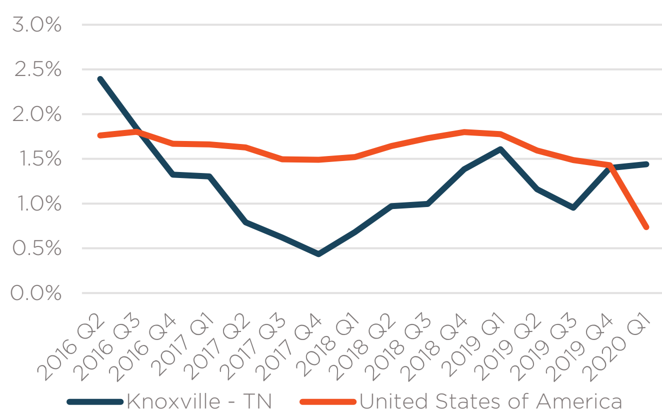
MIDDLEBURG COMMUNITIES

KNOXVILLE

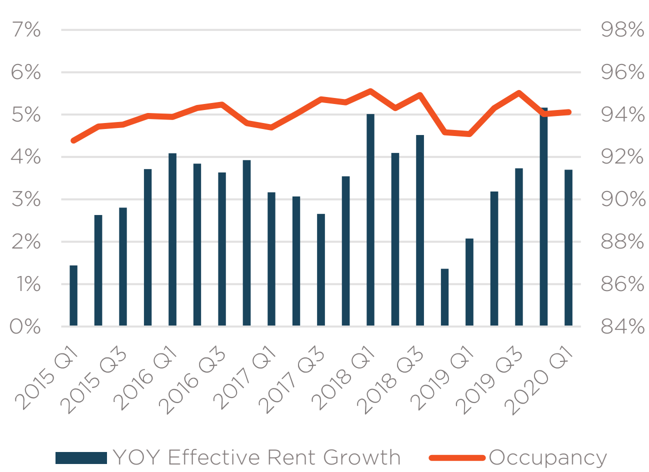
$56,000 **MEDIAN HOUSEHOLD INCOME** ↑ 3.7% YOY	**892,000** **POPULATION** ↑ 0.6% YOY	**3.2%** **UNEMPLOYMENT RATE** ↔ NO CHG. FROM Q1 2019
3.5 **HOME PRICE-TO-INCOME RATIO**	**3.7%** **YOY EFFECTIVE RENT GROWTH** ↑ 160 BPS FROM Q1 2019	**2.1%** **UNITS U/C AS % OF STOCK** ↓ 70 BPS FROM Q1 2019

MAJOR EMPLOYERS:
Dept. of Energy, Univ. of TN, Clayton Homes, ALCOA, Dollywood, Denso

YOY Job Growth



YOY Effective Rent Growth and Occupancy



SOURCES: COSTAR, ZILLOW, FEDERAL RESERVE ECONOMIC DATABASE

Knoxville is Tennessee's third largest metropolitan area with a population of nearly 900,000. Although it has a history of slow job growth, both relative to its peers and the US average, it has two very stable anchors in the Oak Ridge National Laboratory and the University of Tennessee that have helped keep this metro on a steady, if not fast, growth path.

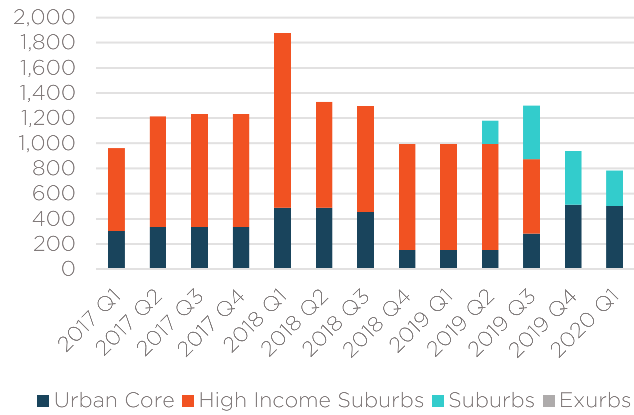
Despite the somewhat slower growth, the apartment market in Knoxville has remained quite healthy over the last five years. Occupancy has held steady over 93%, and only three of the last 20 quarters have seen YOY rent growth less than 3.0%.

One of the reasons for Knoxville's decent performance is a relative lack of new construction. Only 3,000 units have been added to the inventory over the last five years, an increase of just 11%.

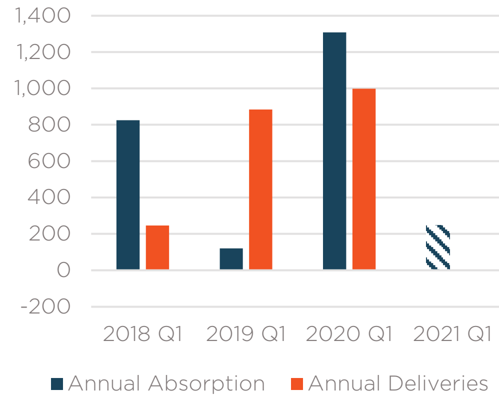
As of Q1 2020, the pipeline remains small at just 800 units or about 2.1% of the existing stock and CoStar projects that none of those units will deliver in the next year. If that holds true, the lack of new supply may insulate Knoxville's apartment market from the worst potential impacts of the recession.

KNOXVILLE

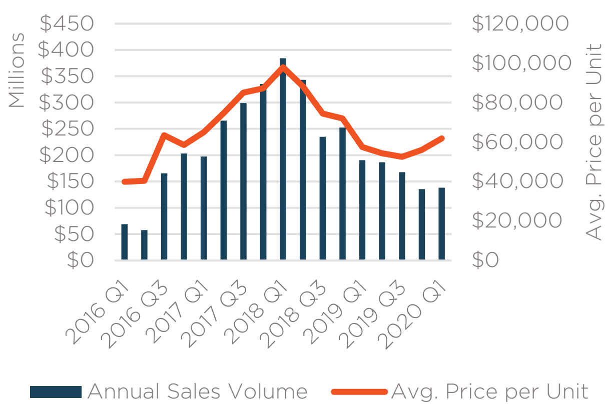
Units Under Construction



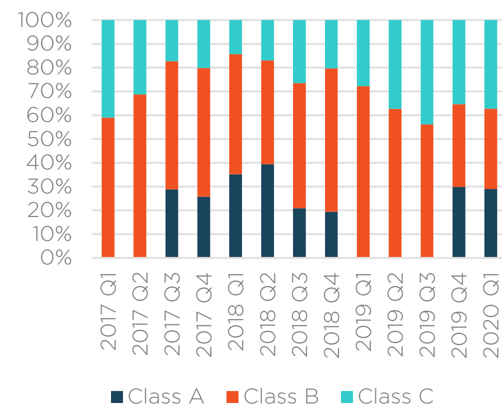
Absorption and Deliveries



Annual Sales Volume and Avg. Price per Unit



Annual Sales Volume by Class



CLASS A	OCC. RATE	EFF. RENT	YOY RENT GROWTH	5. YR. AVG. RENT GROWTH
Urban Core	81.2%	$1,568	0.2%	1.4%
High-Income Suburbs	82.6%	$1,273	1.7%	2.6%
Suburbs	94.9%	$1,177	1.5%	2.5%
Exurbs	95.5%	$1,106	2.5%	4.4%
Total	87.8%	$1,252	1.7%	2.8%
CLASS B/C	OCC. RATE	EFF. RENT	YOY RENT GROWTH	5. YR. AVG. RENT GROWTH
Urban Core	94.6%	$895	4.4%	3.3%
High-Income Suburbs	91.7%	$1,110	3.1%	3.4%
Suburbs	95.6%	$845	4.4%	4.1%
Exurbs	95.7%	$700	3.8%	3.7%
Total	95.2%	$831	4.3%	4.0%

SOURCES: COSTAR

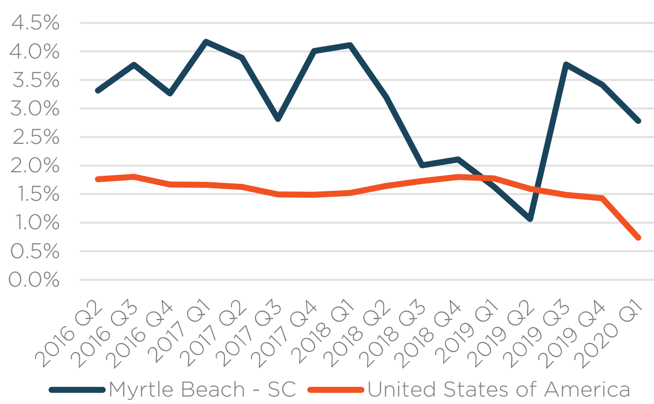
MIDDLEBURG COMMUNITIES

MYRTLE BEACH

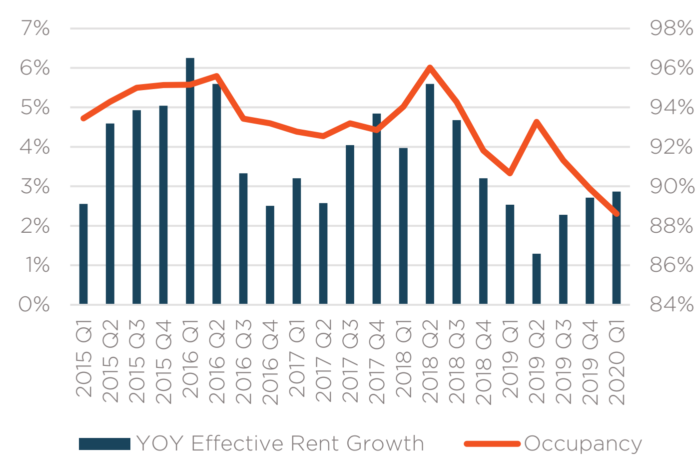
$54,000 MEDIAN HOUSEHOLD INCOME ↑ 4.1% YOY	**497,000** POPULATION ↑ 3.3% YOY	**4.7%** UNEMPLOYMENT RATE ↓ 40 BPS. FROM Q1 2019
3.7 HOME PRICE-TO-INCOME RATIO	**2.9%** YOY EFFECTIVE RENT GROWTH ↑ 30 BPS FROM Q1 2019	**3.9%** UNITS U/C AS % OF STOCK ↓ 980 BPS FROM Q1 2019

MAJOR EMPLOYERS:
Coastal Carolina University, Conway Hospital, Grand Strand Regional Medical Center, McLeod Loris Seacoast

YOY Job Growth



YOY Effective Rent Growth and Occupancy



Myrtle Beach is the second fastest growing metropolitan area in the country. The census estimates that it added 16,000 people in 2019 alone, a 3.3% increase. For comparison's sake, that's 4,000 more than Charleston, SC a much larger metro area that is also growing fast.

Job growth in Myrtle Beach has also been strong. Health care, in particular, has become an important growth sector because of the medical needs of the growing population of retirees.

However, Myrtle Beach's economy is still highly dependent on tourism, a sector that has already been devastated by COVID-19, so disproportionate job losses here are probably inevitable. On the other hand, Myrtle Beach's high share of retirees may limit the impact of those job losses on the apartment market.

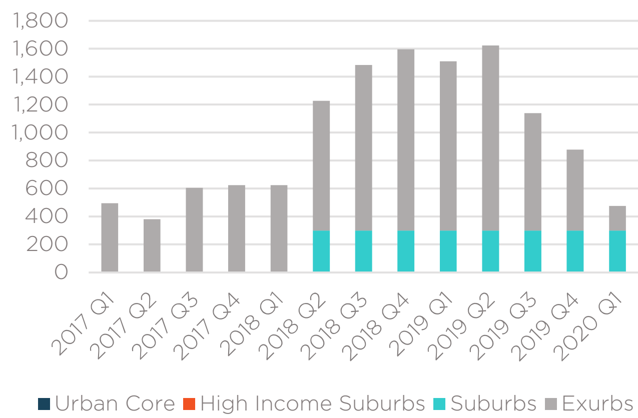
In addition, while a large number of new units were delivered in early 2019, the current pipeline amounts to less than 500 units, according to CoStar. If accurate, then Myrtle Beach faces much less of a threat from new supply than many other metros in the Southeast.

Overall, Myrtle Beach is vulnerable because of its economy's connection to travel and tourism. But the countervailing effects of a high concentration of retirees, a limited pipeline, and a population that will likely continue to grow, may keep Myrtle Beach off the list of worst performing markets.

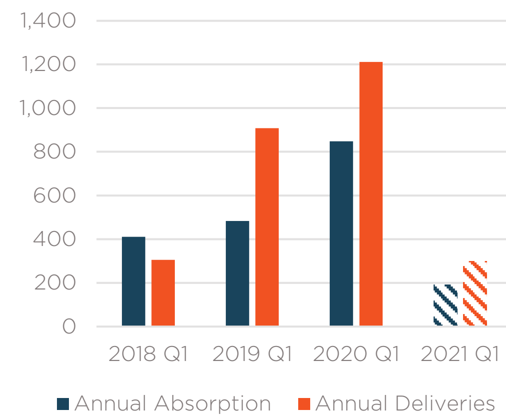
SOURCES: COSTAR, ZILLOW, FEDERAL RESERVE ECONOMIC DATABASE

MYRTLE BEACH

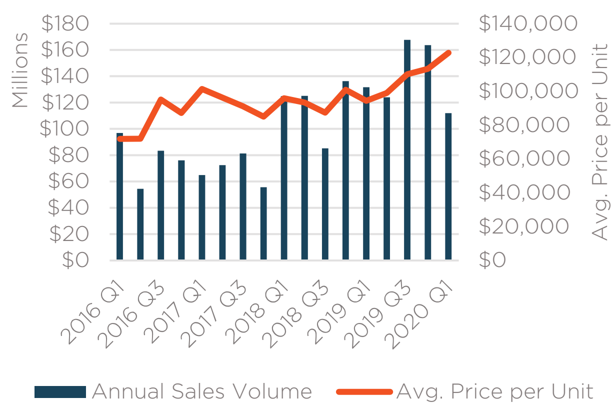
Units Under Construction



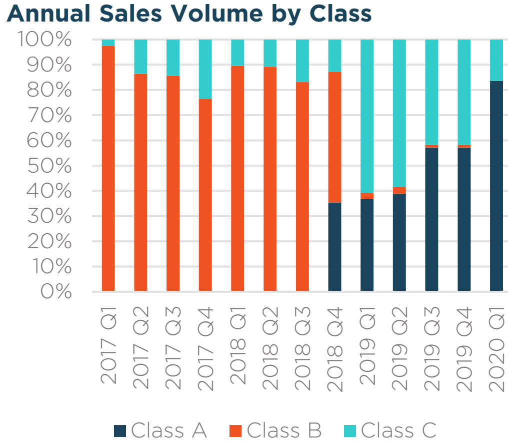
Absorption and Deliveries



Annual Sales Volume and Avg. Price per Unit



Annual Sales Volume by Class



CLASS A	OCC. RATE	EFF. RENT	YOY RENT GROWTH	5. YR. AVG. RENT GROWTH
Urban Core	NA	NA	NA	NA
High-Income Suburbs	NA	NA	NA	NA
Suburbs	95.4%	$1,233	0.8%	3.5%
Exurbs	87.3%	$1,134	4.2%	4.3%
Total	89.5%	$1,160	3.3%	3.7%
CLASS B/C	OCC. RATE	EFF. RENT	YOY RENT GROWTH	5. YR. AVG. RENT GROWTH
Urban Core	NA	NA	NA	NA
High-Income Suburbs	NA	NA	NA	NA
Suburbs	94.5%	$821	1.0%	2.8%
Exurbs	87.1%	$931	2.6%	4.0%
Total	88.2%	$927	2.6%	3.9%

SOURCES: COSTAR

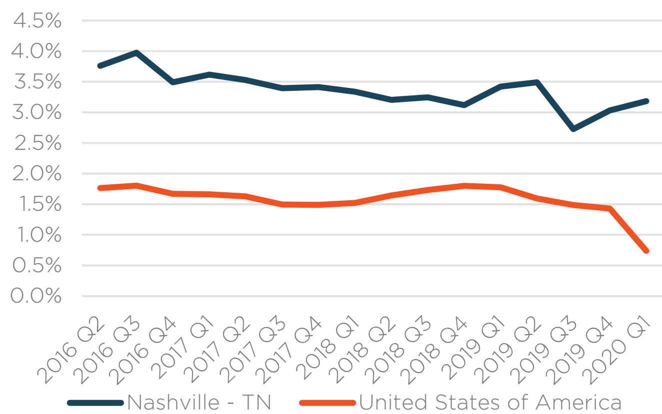
MIDDLEBURG COMMUNITIES

NASHVILLE

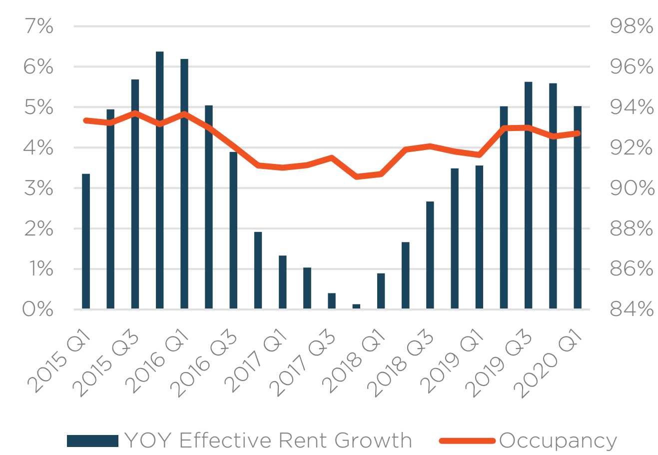
\$69,000 MEDIAN HOUSEHOLD INCOME 3.5% YOY	**1,974,000** POPULATION 1.4% YOY	**2.9%** UNEMPLOYMENT RATE 30 BPS FROM Q1 2019
4.1 HOME PRICE-TO-INCOME RATIO	**5.0%** YOY EFFECTIVE RENT GROWTH 150 BPS FROM Q1 2019	**9.8%** UNITS U/C AS % OF STOCK 430 BPS FROM Q1 2019

MAJOR EMPLOYERS:
Vanderbilt University, Nissan, Hospital Corporation of America, Saint Thomas Health, Electrolux

YOY Job Growth



YOY Effective Rent Growth and Occupancy



SOURCES: COSTAR, ZILLOW, FEDERAL RESERVE ECONOMIC DATABASE

Nashville has had one of the best metropolitan economies in the country over the last 10 years. Driven by diverse strengths in healthcare, auto manufacturing, and education, Nashville had expanded its job base by 33% compared to its pre-recession peak as of Q1 2020, ranking it eighth among all US metro.

The rapid growth has also sustained very strong rent growth in Nashville, despite the addition of tens of thousands of new units.

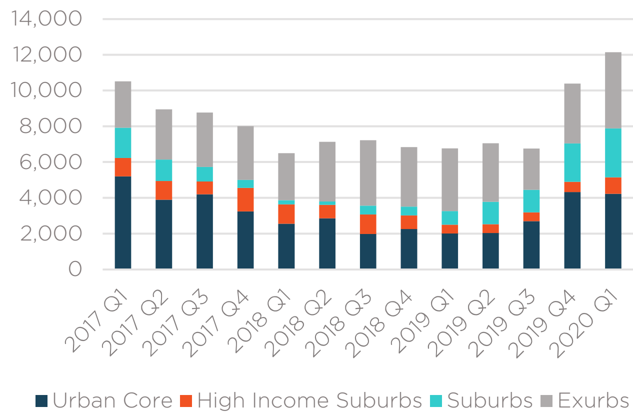
A key question is whether the strength of the pre-recession job market translate into fewer job losses over the recession or a faster recovery. Unfortunately, that is a hard question to answer at this early stage of the recession.

In any case, the huge scale of national job losses would suggest substantial losses in Nashville as well, even if it performs very well. Given that fact, Nashville's enormous pipeline takes on an ominous character. 12,000 units are currently under construction, or 9.8% of existing inventory. If demand flags, as now seems likely, and these deliveries are not delayed, they will put intense pressure on Class A properties across the whole metro area. Unlike in the recent past, many projects are located in the suburbs and exurbs, as well as the urban core.

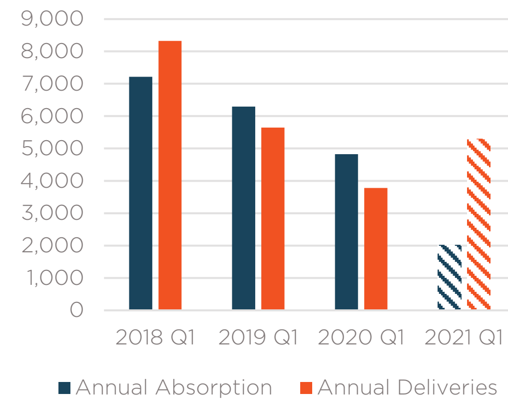
Much will depend on how soon the recovery can start. Nashville's economic strengths should stay relevant even when the virus has past, meaning that a relatively strong recovery is likely, even if the near-term pain is substantial.

NASHVILLE

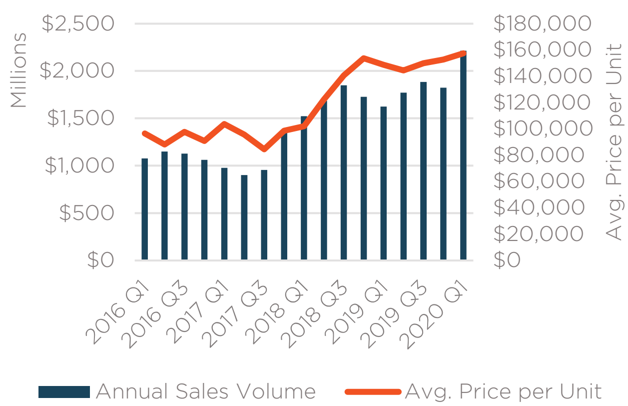
Units Under Construction



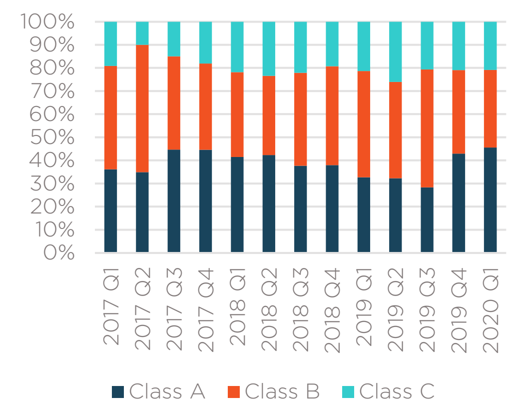
Absorption and Deliveries



Annual Sales Volume and Avg. Price per Unit



Annual Sales Volume by Class



CLASS A	OCC. RATE	EFF. RENT	YOY RENT GROWTH	5. YR. AVG. RENT GROWTH
Urban Core	91.7%	$2,008	8.9%	1.7%
High-Income Suburbs	90.3%	$1,638	7.0%	3.1%
Suburbs	90.0%	$1,323	7.3%	3.8%
Exurbs	88.9%	$1,209	1.2%	3.0%
Total	90.2%	$1,582	6.4%	2.3%
CLASS B/C	OCC. RATE	EFF. RENT	YOY RENT GROWTH	5. YR. AVG. RENT GROWTH
Urban Core	92.0%	$1,537	7.1%	3.7%
High-Income Suburbs	94.7%	$1,311	3.6%	3.3%
Suburbs	94.2%	$1,065	5.0%	5.1%
Exurbs	92.6%	$1,016	3.2%	4.3%
Total	93.6%	$1,136	4.6%	4.3%

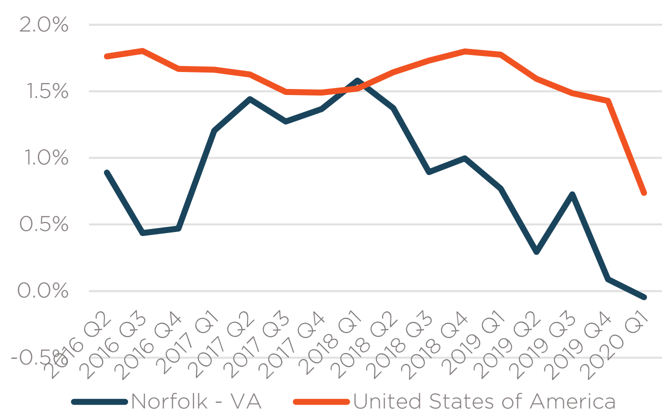
SOURCES: COSTAR

NORFOLK

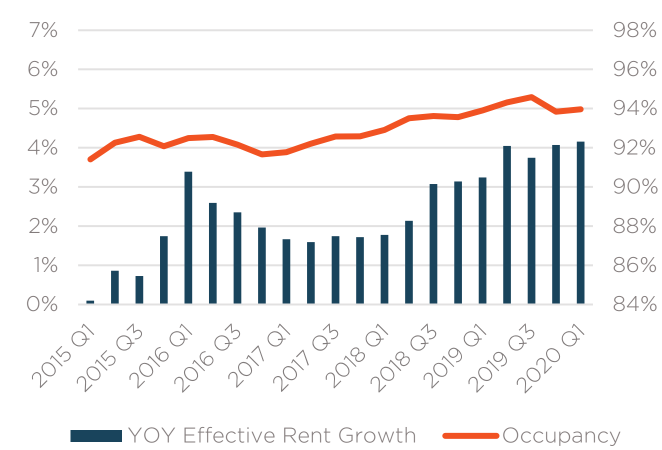
$68,000 **MEDIAN HOUSEHOLD INCOME** ↑ 3.2% YOY	**1,769,000** **POPULATION** ↑ 0.3% YOY	**2.9%** **UNEMPLOYMENT RATE** ↑ 30 BPS FROM Q1 2019
3.5 **HOME PRICE-TO-INCOME RATIO**	**4.2%** **YOY EFFECTIVE RENT GROWTH** ↑ 90 BPS FROM Q1 2019	**2.2%** **UNITS U/C AS % OF STOCK** ↓ 90 BPS FROM Q1 2019

MAJOR EMPLOYERS:
Sentara Healthcare, Huntington Ingalls, Norfolk Naval Shipyard, Old Dominion University, NASA, GEICO

YOY Job Growth



YOY Effective Rent Growth and Occupancy



SOURCES: COSTAR, ZILLOW, FEDERAL RESERVE ECONOMIC DATABASE

Norfolk is a slow-growing metropolitan area with an economy that is heavily dependent on the military and defense spending, especially from the Navy. Job growth has consistently lagged the US national average over the last five years and dipped to essentially zero YOY growth in Q1 2020 according to preliminary numbers.

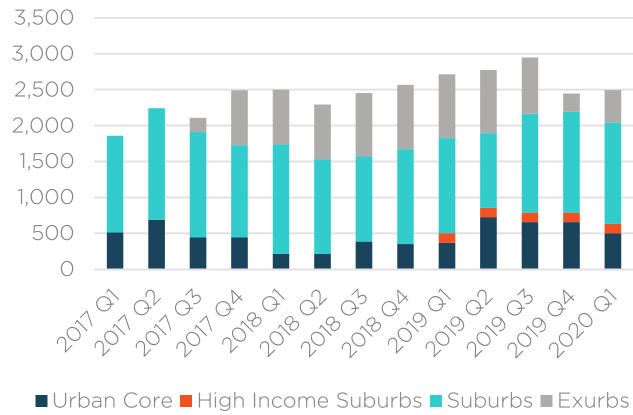
Slow job growth has been accompanied by slow rent growth for most of the last five years with the important exception of the last five quarters, when YOY rent growth has averaged a stronger 4.0%. Overall occupancy has also trended upwards and, as of Q1 2010 stood at 94.0%, a high average relative to many peer metro areas in the Southeast and Mid-Atlantic regions.

One consequence of the mostly slow growth has been limited interest among developers. The pipeline of units under construction has remained less than 3.0% of existing inventory for most of the last five years, including in Q1 2020, when it measured just 2.2%

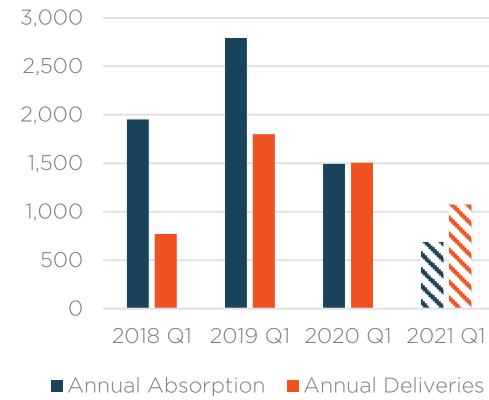
Overall, the Norfolk apartment market may be in a relatively strong position to weather the downturn. A high share of defense-related employment could shield it from the worst impacts of the recession, a small pipeline should limit the damage to Class A rentals compared to peer metros, and a high occupancy rate allow it to absorb some loss of demand with less consequences.

NORFOLK

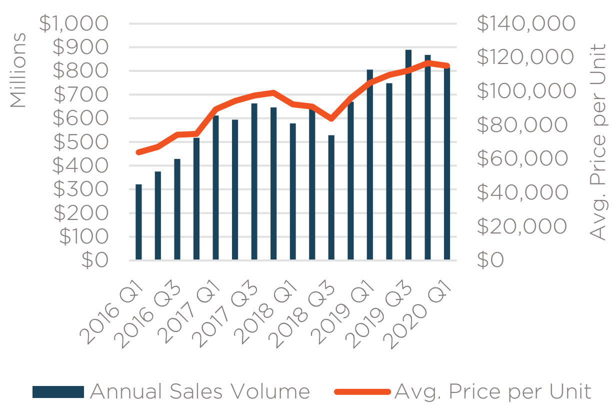
Units Under Construction



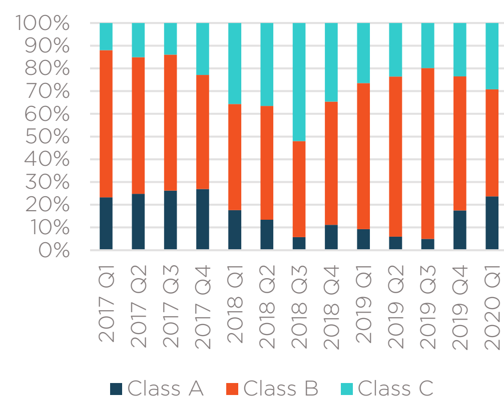
Absorption and Deliveries



Annual Sales Volume and Avg. Price per Unit



Annual Sales Volume by Class



CLASS A	OCC. RATE	EFF. RENT	YOY RENT GROWTH	5. YR. AVG. RENT GROWTH
Urban Core	96.0%	$1,474	2.8%	2.2%
High-Income Suburbs	96.7%	$1,414	4.2%	2.7%
Suburbs	94.6%	$1,358	3.8%	2.2%
Exurbs	85.7%	$1,464	6.3%	2.8%
Total	93.8%	$1,396	4.1%	2.4%
CLASS B/C	OCC. RATE	EFF. RENT	YOY RENT GROWTH	5. YR. AVG. RENT GROWTH
Urban Core	94.9%	$987	2.9%	2.3%
High-Income Suburbs	95.9%	$1,137	2.1%	3.2%
Suburbs	93.7%	$1,025	4.9%	3.3%
Exurbs	92.6%	$1,130	4.8%	3.0%
Total	94.0%	$1,036	4.3%	3.0%

SOURCES: COSTAR

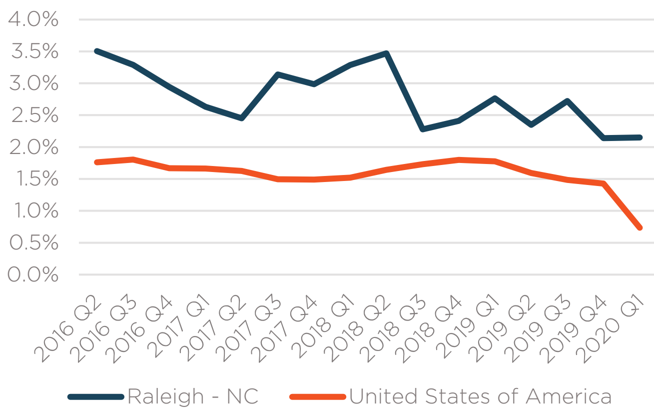
MIDDLEBURG COMMUNITIES

RALEIGH

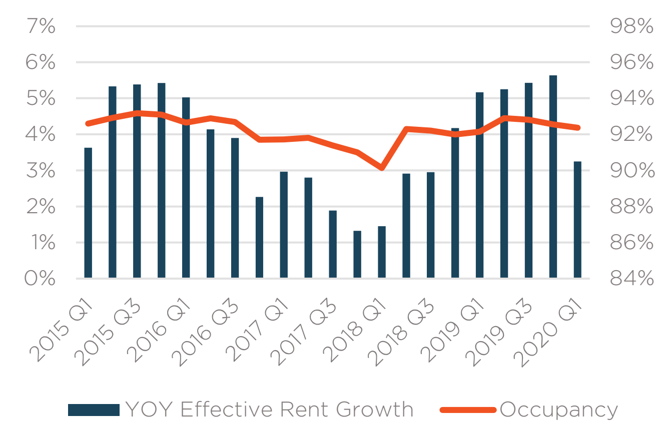
$79,000 **MEDIAN HOUSEHOLD INCOME** ↑ 4.0% YOY	**1,401,000** **POPULATION** ↑ 2.8% YOY	**3.4%** **UNEMPLOYMENT RATE** ↔ NO CHG. FROM Q1 2019
3.6 **HOME PRICE-TO-INCOME RATIO**	**3.2%** **YOY EFFECTIVE RENT GROWTH** ↓ 170 BPS FROM Q1 2019	**5.0%** **UNITS U/C AS % OF STOCK** ↓ 50 BPS FROM Q1 2019

MAJOR EMPLOYERS:
State of North Carolina, N.C. State University, SAS Institute, Rex Hospital, Cisco Systems, Duke Health

YOY Job Growth



YOY Effective Rent Growth and Occupancy



SOURCES: COSTAR, ZILLOW, FEDERAL RESERVE ECONOMIC DATABASE

Raleigh boasts a highly-educated workforce and a high median household income of $79,000. Its economy is supported by the advanced businesses in Research Triangle Park, as well as the stable presence of the North Carolina state government and N.C. State University.

More recently, Raleigh has become recognized for its growing scene of technology startups. These factors have made Raleigh attractive to employers and residents alike. It has ranked among the fastest growing metro areas in the country, in terms of both job and population growth in recent years.

Raleigh's growth has sustained a strong, and relatively stable history of rent growth and occupancy over the last five years, despite the delivery of thousands of new units. The current recession will mark an end to that history. Nevertheless, Raleigh's pipeline, at about 5.0% of inventory, is not as large as peer metros such as Charlotte or Nashville, and its average occupancy is higher.

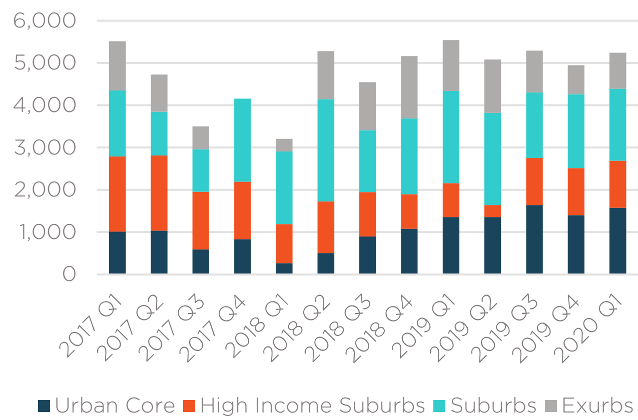
Moreover, Raleigh is a center for biotechnology and medical research. It is possible that some of these businesses may even benefit from spending on solutions to COVID-19.

Ultimately, Raleigh is one of the best-positioned metros among the major markets of the Southeast/Mid-Atlantic to endure the downturn and recover quickly.

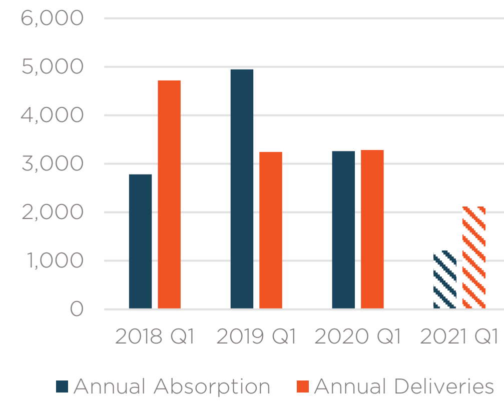
MIDDLEBURG COMMUNITIES

RALEIGH

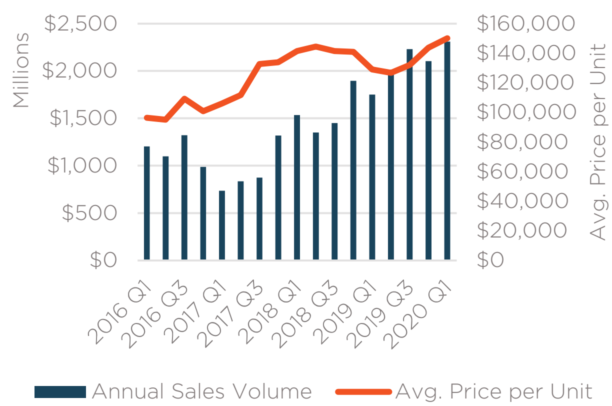
Units Under Construction



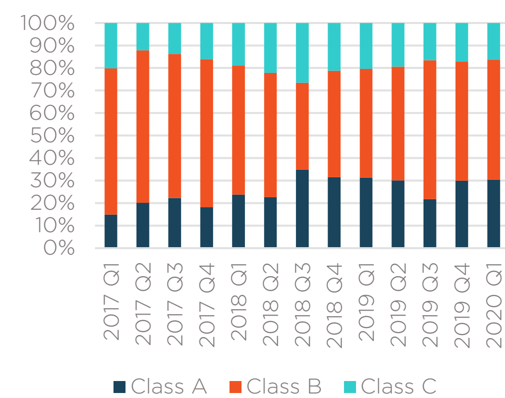
Absorption and Deliveries



Annual Sales Volume and Avg. Price per Unit



Annual Sales Volume by Class



CLASS A	OCC. RATE	EFF. RENT	YOY RENT GROWTH	5. YR. AVG. RENT GROWTH
Urban Core	90.8%	$1,521	3.0%	2.2%
High-Income Suburbs	94.2%	$1,279	4.1%	3.7%
Suburbs	93.0%	$1,287	5.0%	2.8%
Exurbs	77.6%	$1,201	-0.6%	2.7%
Total	91.8%	$1,354	3.6%	3.0%
CLASS B/C	OCC. RATE	EFF. RENT	YOY RENT GROWTH	5. YR. AVG. RENT GROWTH
Urban Core	93.5%	$1,013	4.3%	4.2%
High-Income Suburbs	92.9%	$1,136	4.3%	4.0%
Suburbs	92.7%	$1,061	3.2%	4.2%
Exurbs	89.1%	$1,123	0.4%	3.1%
Total	92.3%	$1,090	3.3%	4.0%

SOURCES: COSTAR

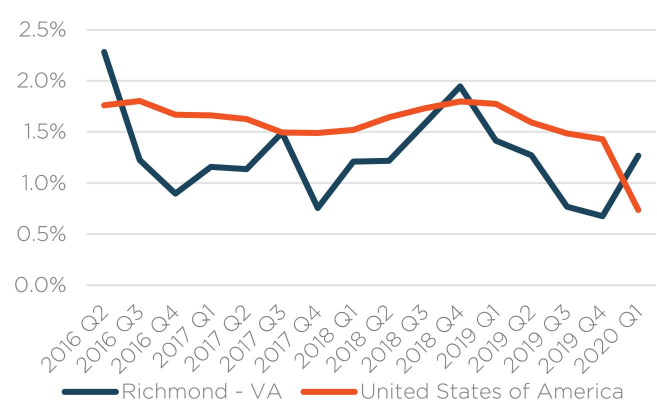
MIDDLEBURG COMMUNITIES

RICHMOND

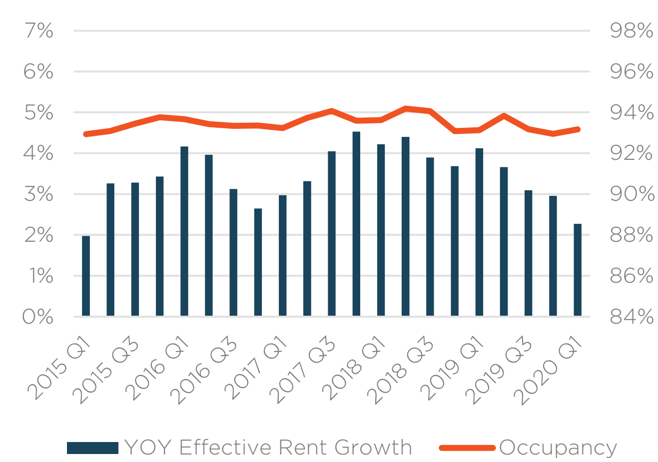
$70,000 MEDIAN HOUSEHOLD INCOME ↑ 2.6% YOY	**1,317,000** POPULATION ↑ 0.7% YOY	**3.2%** UNEMPLOYMENT RATE ↓ 10 BPS FROM Q1 2019
3.7 HOME PRICE-TO-INCOME RATIO	**2.3%** YOY EFFECTIVE RENT GROWTH ↓ 180 BPS FROM Q1 2019	**5.6%** UNITS U/C AS % OF STOCK ↑ 90 BPS FROM Q1 2019

MAJOR EMPLOYERS:
Capital One, Virginia Commonwealth University, HCA Virginia Health, Bon Secours, Dominion Power

YOY Job Growth



YOY Effective Rent Growth and Occupancy



SOURCES: COSTAR, ZILLOW, FEDERAL RESERVE ECONOMIC DATABASE

Richmond has a diverse job base that includes strengths in finance and health care. In addition, the presence of the Virginia state government and Virginia Commonwealth University, which has an undergraduate enrollment of 24,000, have long provided stability for the metro's economy.

That stability, and an urban core that has steadily become more attractive in recent years, have drawn much more investment in recent years, contributing to rising asset values and sales volumes.

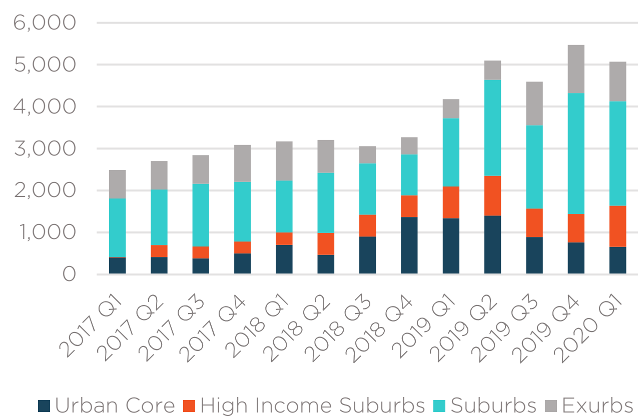
However, with state budget cuts looming and universities facing uncertainty over how and if they can restart operations in the fall, Richmond's economic foundations are not immune to the impacts of COVID-19.

In addition, Richmond's pipeline of units under construction has gradually expanded to 5.6% of inventory as of Q1 2020. Although not a huge number compared to Nashville or Charlotte, it is a large amount for this metro, which has been much slower-growing. Even prior to the recession, rent growth had begun to lose momentum in the face of the new deliveries.

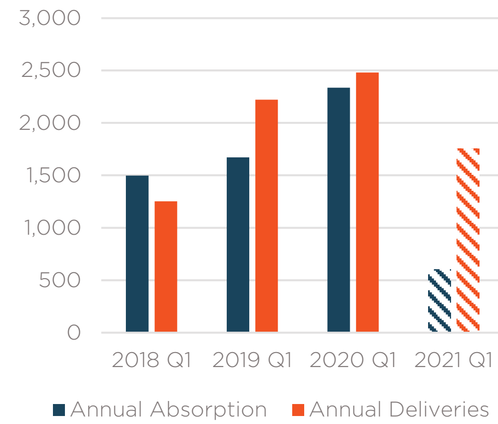
As a result, Richmond is unlikely to rank among the best performing markets through this recession.

RICHMOND

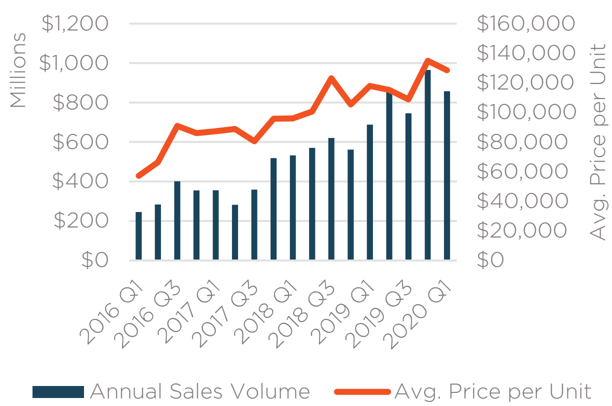
Units Under Construction



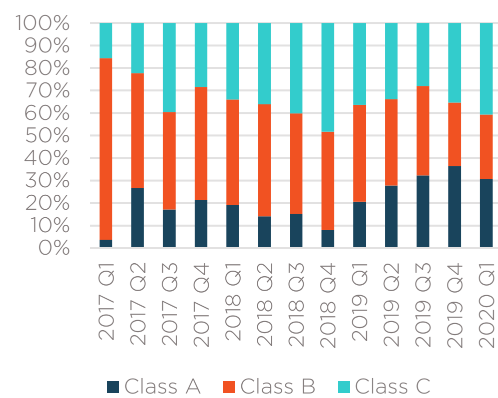
Absorption and Deliveries



Annual Sales Volume and Avg. Price per Unit



Annual Sales Volume by Class



CLASS A	OCC. RATE	EFF. RENT	YOY RENT GROWTH	5. YR. AVG. RENT GROWTH
Urban Core	92.7%	$1,408	2.5%	3.3%
High-Income Suburbs	83.3%	$1,323	-0.6%	3.5%
Suburbs	88.4%	$1,291	3.5%	3.0%
Exurbs	92.3%	$1,336	-0.5%	2.3%
Total	89.4%	$1,329	1.8%	2.7%
CLASS B/C	OCC. RATE	EFF. RENT	YOY RENT GROWTH	5. YR. AVG. RENT GROWTH
Urban Core	95.2%	$1,198	2.8%	2.8%
High-Income Suburbs	94.6%	$1,214	2.1%	4.3%
Suburbs	93.5%	$1,013	2.8%	4.0%
Exurbs	94.3%	$1,032	1.6%	3.7%
Total	93.9%	$1,046	2.5%	3.9%

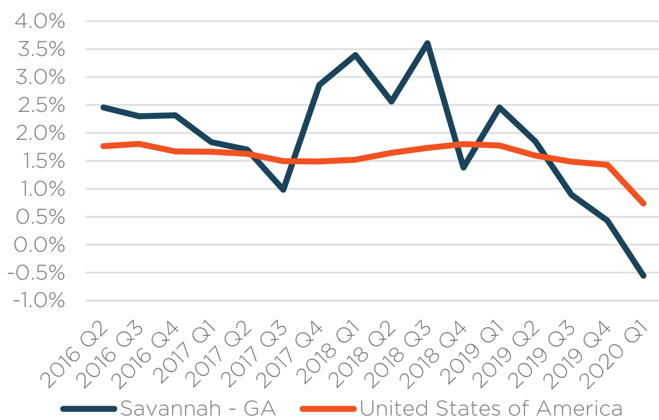
SOURCES: COSTAR

SAVANNAH

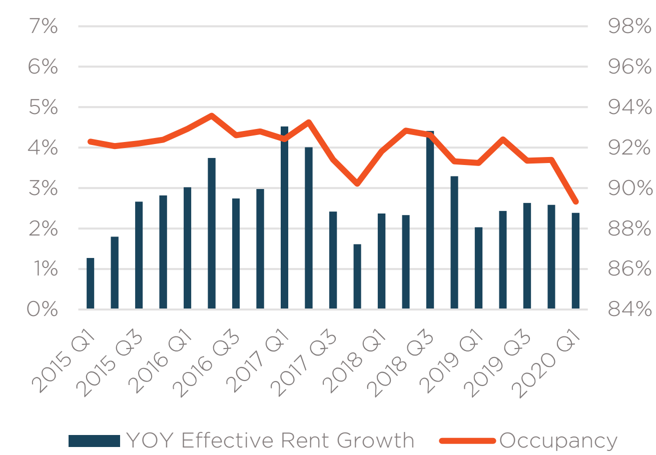
$61,000 **MEDIAN HOUSEHOLD INCOME** ↑ 3.8% YOY	**394,000** **POPULATION** ↑ 1.0% YOY	**3.3%** **UNEMPLOYMENT RATE** ↓ 50 BPS FROM Q1 2019
3.5 **HOME PRICE-TO-INCOME RATIO**	**2.4%** **YOY EFFECTIVE RENT GROWTH** ↑ 40 BPS FROM Q1 2019	**6.8%** **UNITS U/C AS % OF STOCK** ↓ 260 BPS FROM Q1 2019

MAJOR EMPLOYERS:
Gulfstream, Memorial Univ. Medical, St. Joseph's Candler, SSA Cooper, Marine Terminals Corp., Georgia Southern

YOY Job Growth



YOY Effective Rent Growth and Occupancy



SOURCES: COSTAR, ZILLOW, FEDERAL RESERVE ECONOMIC DATABASE

Savannah's key strengths – in logistics, manufacturing, and tourism, were, until the onset of COVID-19, supporting job growth at least equal to or better than the US average. The market had also begun to attract more interest from investors. Several Class A properties traded in just the last two years, one at a cap rate of 5.1% - impressively low for a relatively small metro area.

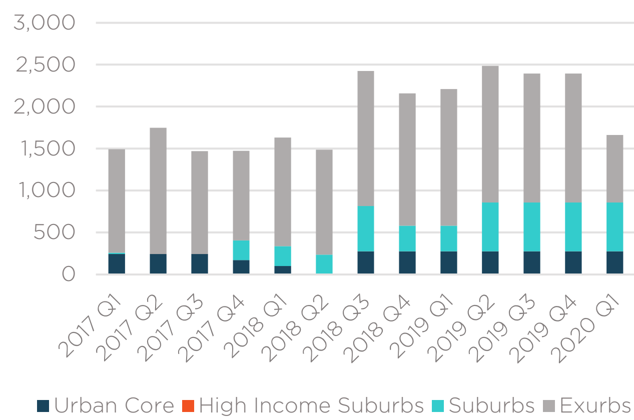
However, the tourism industry will be heavily impacted by COVID-19, which could have a significant impact on the Savannah economy. Moreover, Gulfstream, which employs 11,000 people in the area, has temporarily shutdown its factories due to the virus. While its employees will likely return to work soon, the overall impression of an economy vulnerable to COVID-19 remains.

The Savannah apartment market faces this uncertain future while needing to absorb a significant pipeline of new units under construction and units in properties that delivered last year. These new deliveries have already suppressed YOY rent growth to below 3.0% for the last five quarters, and in Q1 2020, overall occupancy began to dip as well.

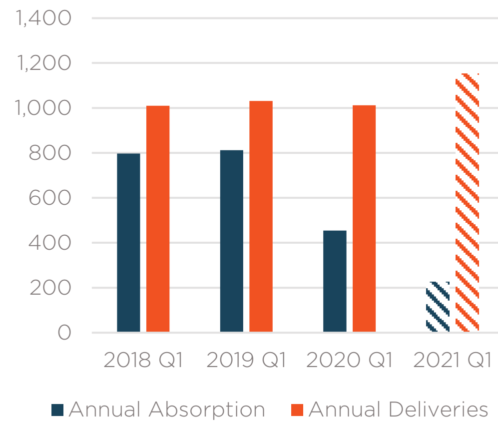
Therefore, near-term rent declines are probably inevitable, and they are likely to extend across all classes and geographies.

SAVANNAH

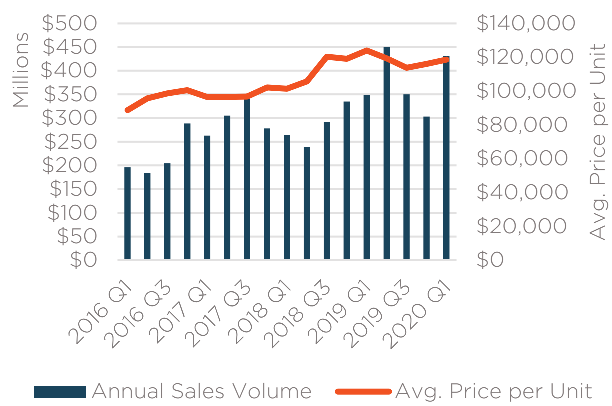
Units Under Construction



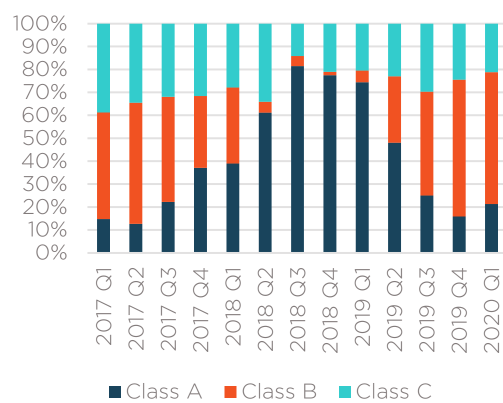
Absorption and Deliveries



Annual Sales Volume and Avg. Price per Unit



Annual Sales Volume by Class



CLASS A	OCC. RATE	EFF. RENT	YOY RENT GROWTH	5. YR. AVG. RENT GROWTH
Urban Core	87.5%	$2,230	2.9%	NA
High-Income Suburbs	NA	NA	NA	NA
Suburbs	93.4%	$1,405	6.4%	NA
Exurbs	83.5%	$1,137	2.2%	1.6%
Total	85.0%	$1,249	2.9%	2.0%
CLASS B/C	OCC. RATE	EFF. RENT	YOY RENT GROWTH	5. YR. AVG. RENT GROWTH
Urban Core	95.2%	$1,138	1.7%	4.0%
High-Income Suburbs	NA	NA	NA	NA
Suburbs	91.2%	$912	1.4%	3.5%
Exurbs	89.5%	$1,022	3.2%	3.1%
Total	90.5%	$979	2.4%	3.3%

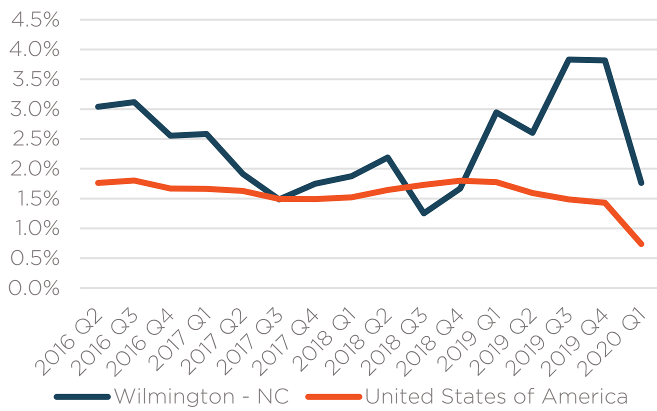
SOURCES: COSTAR

WILMINGTON

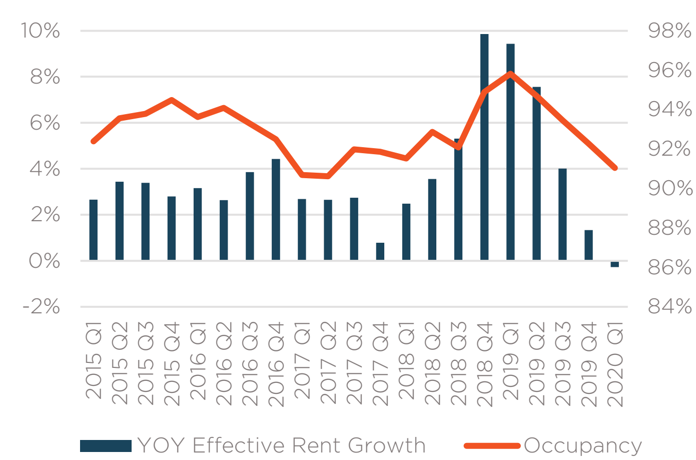
$55,000 **MEDIAN HOUSEHOLD INCOME** ↑ 3.8% YOY	**300,000** **POPULATION** ↑ 1.2% YOY	**3.7%** **UNEMPLOYMENT RATE** ↓ 50 BPS FROM Q1 2019
4.7 **HOME PRICE-TO-INCOME RATIO**	**-0.3%** **YOY EFFECTIVE RENT GROWTH** ↓ 970 BPS FROM Q1 2019	**8.1%** **UNITS U/C AS % OF STOCK** ↓ 90 BPS FROM Q1 2019

MAJOR EMPLOYERS:
Pharmaceutical Product Development, UNC Wilmington, New Hanover Regional Medical,

YOY Job Growth



YOY Effective Rent Growth and Occupancy



The Wilmington apartment market has experienced a roller-coaster ride in the last year. After a hurricane knocked out nearly 1,000 units in late 2018, rents surged. In fact, in Q4 2019 Wilmington had the highest YOY rent growth of any metro in the nation at 9.9%.

However, some of those knocked-out units were repaired, and several new projects delivered in 2019. So, in the 12 months ending in Q1 2020, over 1,200 units were delivered to the metro area, amounting to almost 7% of the existing inventory. Absorption, while positive, did not catch up, resulting in declining average occupancy and a rapidly slowing pace of rent growth. In fact, overall rents were slightly lower in Q1 2020 than in Q1 2019, making it one of the worst performers in the Southeast/Mid-Atlantic. .

COVID-19 will certainly not improve matters. Like Savannah, Myrtle Beach, and Charleston, leisure and hospitality are important segments of the Wilmington economy. As a result, it may see a disproportionate loss of employment compared to the US average.

The significant pipeline of units under construction is also a concern. In some good news though, CoStar projects that most of these will not deliver until 2021. Assuming the economy has begun to stabilize or recover by then, then that may mitigate some of the potential damage to the market.

SOURCES: COSTAR, ZILLOW, FEDERAL RESERVE ECONOMIC DATABASE

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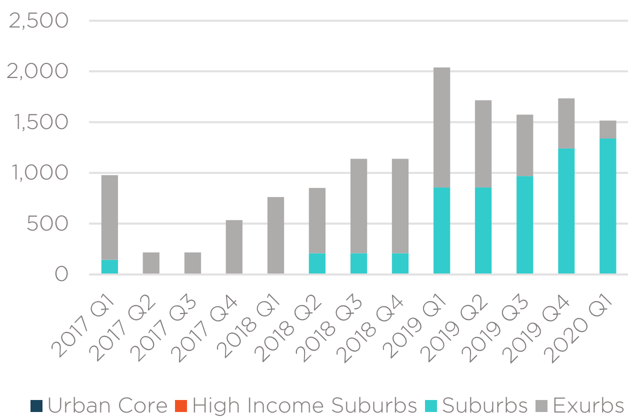
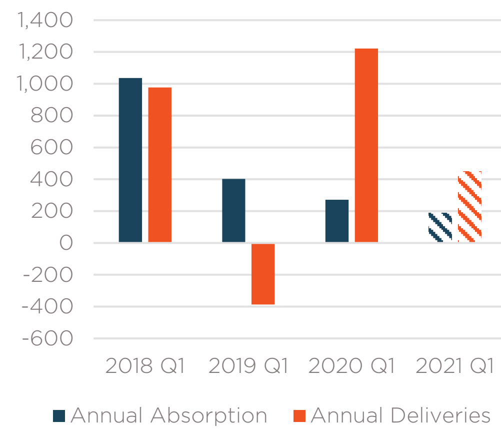
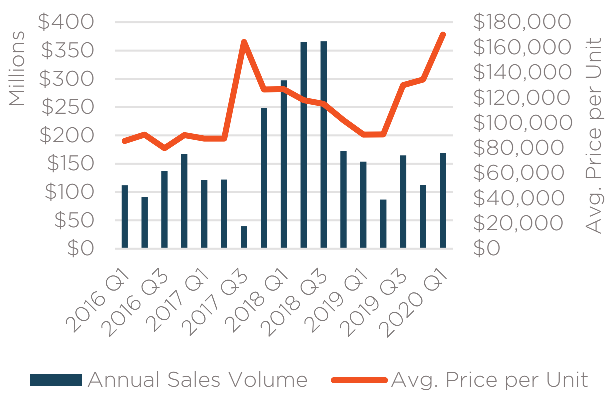
Units Under Construction



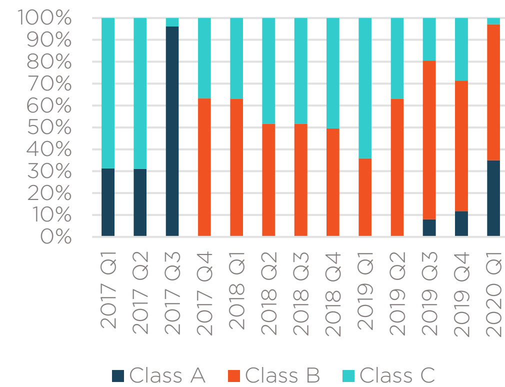
Absorption and Deliveries



Annual Sales Volume and Avg. Price per Unit



Annual Sales Volume by Class



CLASS A	OCC. RATE	EFF. RENT	YOY RENT GROWTH	5. YR. AVG. RENT GROWTH
Urban Core	NA	NA	NA	NA
High-Income Suburbs	NA	NA	NA	NA
Suburbs	93.8%	$1,392	-3.9%	1.8%
Exurbs	73.0%	$1,259	4.2%	4.6%
Total	82.0%	$1,328	-1.2%	2.7%
CLASS B/C	OCC. RATE	EFF. RENT	YOY RENT GROWTH	5. YR. AVG. RENT GROWTH
Urban Core	NA	NA	NA	NA
High-Income Suburbs	NA	NA	NA	NA
Suburbs	94.6%	$993	0.4%	3.7%
Exurbs	88.6%	$1,098	-0.1%	4.2%
Total	92.1%	$1,039	0.3%	4.0%

SOURCES: COSTAR

SOURCES:
All data presented in this report regarding rents, occupancy, and sales are sourced from CoStar. Note that even historical data may change in subsequent reports as CoStar frequently updates and improves its database. Other sources used in this report include the Federal Reserve Economic Database, (FRED), the Bureau of Labor Statistics, the US Census Bureau, and Zillow.

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