MIDDLEBURG COMMUNITIES

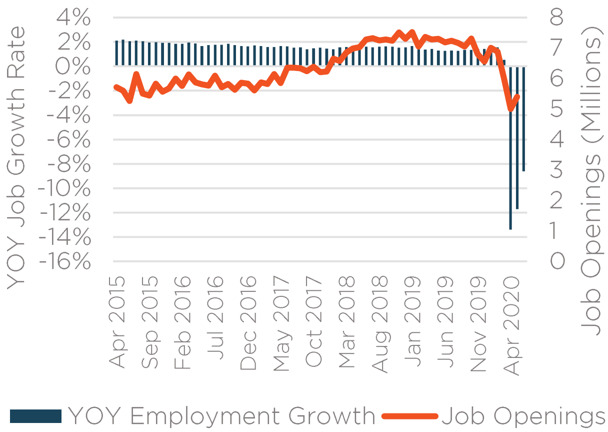
Markets Report

Southeast and Mid-Atlantic

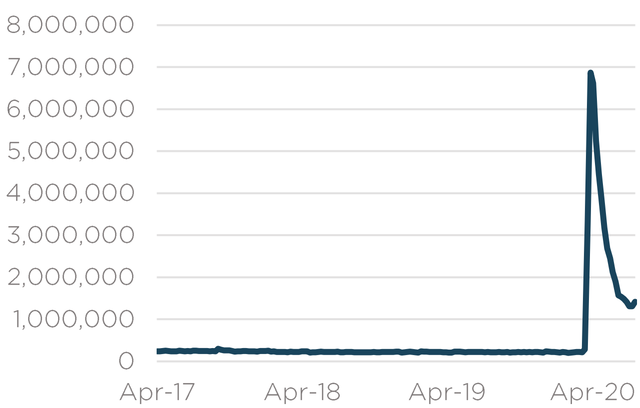
Q2 2020

NATIONAL OVERVIEW

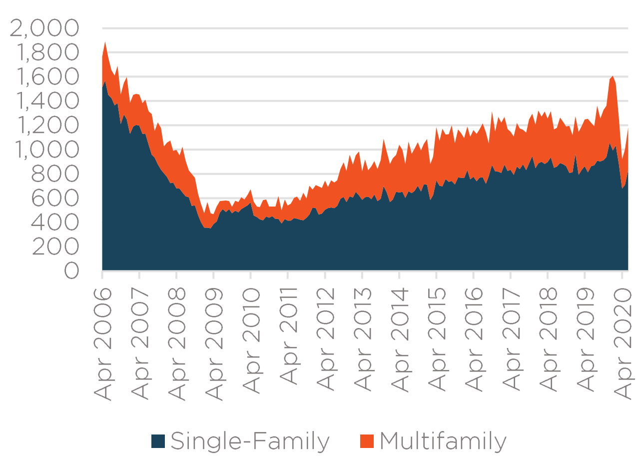
Massive Job Losses but Recovery is Underway



Initial Unemployment Claims Declining but Still High



Housing Starts Rebounded in June

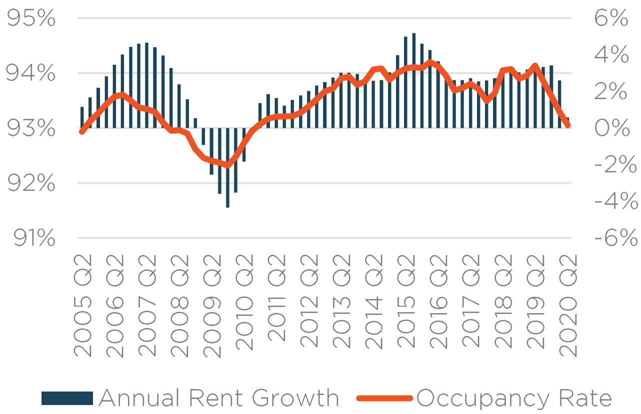


SOURCES: FEDERAL RESERVE ECONOMIC DATABASE, US CENSUS BUREAU

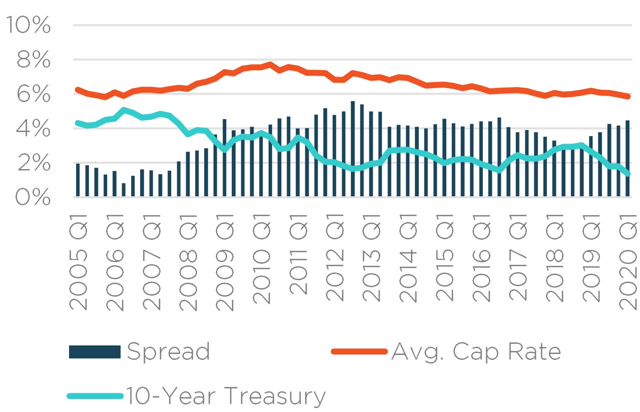
Five months into the COVID pandemic, there are clear signs of recovery. From April to July, the US added 9.3 million jobs and the unemployment rate fell from a high of 14.7% to 10.2%. Other indicators, such as the value of manufacturer's new orders, job openings, home sales, home starts, and retail sales have also improved notably from their April lows. In the Great Recession, many of these indicators fell for 12 months or more before bottoming so these signs may indicate a faster recovery.

However, the losses to GDP and total employment in just five months have already been more severe than in the Great Recession. Even after its recovery to 10.2%, the unemployment rate remains higher than at any time from 2008 to 2010. Moreover, the volume of initial and continuing unemployment claims remains staggeringly high compared to the Great Recession, or any other point in time since data collection began. So while a recovery has clearly begun, it still has a long way to go.

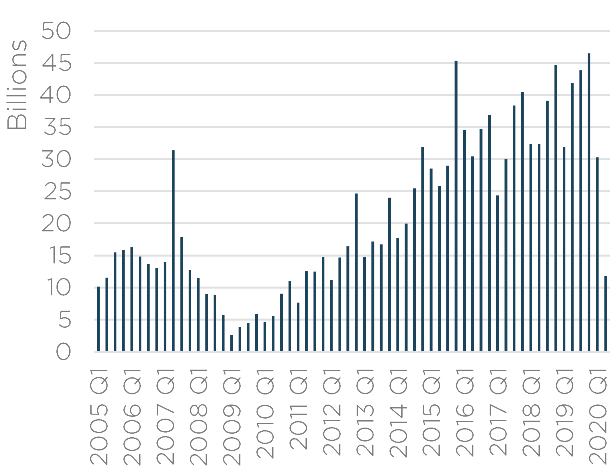
Two factors have thrown the pace of the future recovery into doubt. First, the continued spread of COVID in the US will suppress business activity related to travel, sporting events, and restaurants. Moreover, renewed lockdowns cannot be ruled out. Second, there has been no new federal legislation related to unemployment benefits and stimulus. The $600 per week benefit to unemployed persons, which the previous stimulus package provided, expired at the end of July, YOY Rent Growth Still Positive in Q2 2020



Cap Rates Remain Steady as 10-Year Yield Falls



Sales Volume Dropped Sharply in Q2 2020



SOURCES: COSTAR, FEDERAL RESERVE ECONOMIC DATABASE

Reduced unemployment benefits, in particular, may pose a threat to the apartment industry. While the studies touted in the media projecting massive evictions of 25 million people or more are likely gross exaggerations, the loss of $600 per week will be significant. It seems unavoidable that delinquency rates on rent payments, which have held quite steady thus far according to data from the NMHC, will rise if no further stimulus is provided. Spending on other items will fall as well, meaning a reduction in aggregate demand.

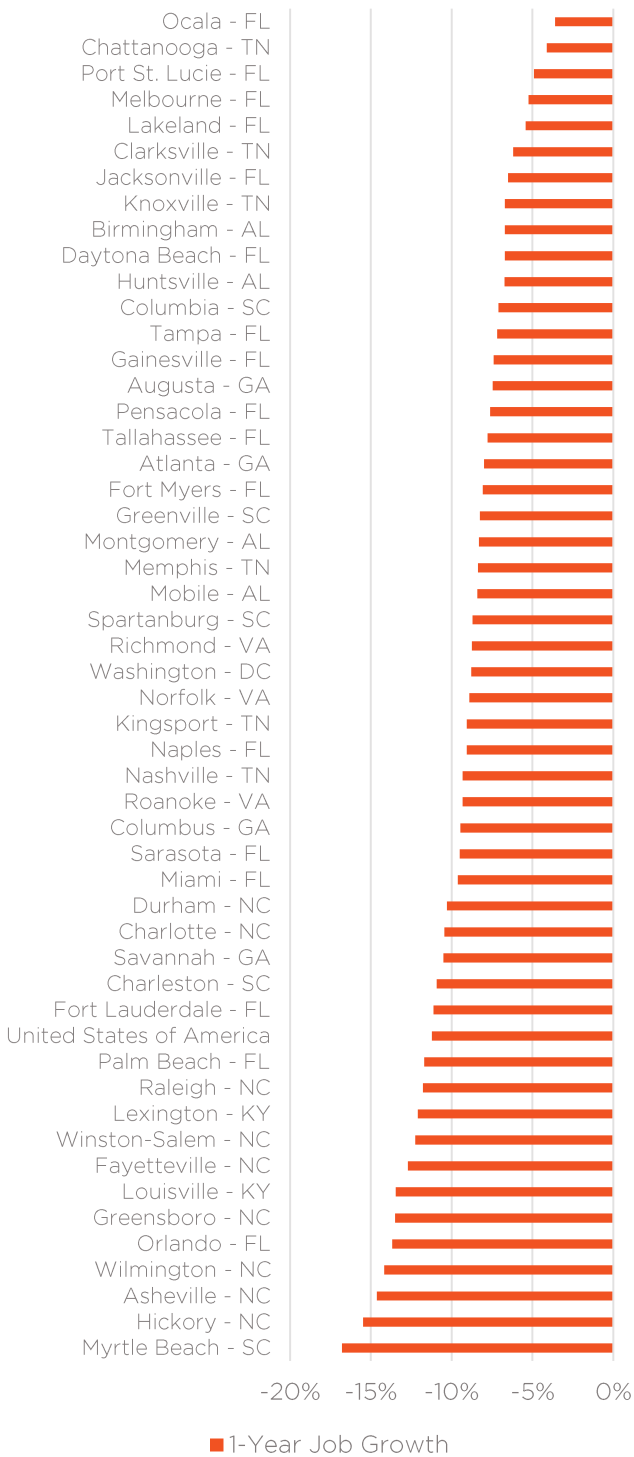
Despite these real threats, the main story of apartment markets thus far has been their resilience. Amid the severe job losses and economic contraction in Q2 2020, the average rent increased, and the overall occupancy rate fell only 20 basis points from Q1 2020. Few would have predicted such an outcome. In fact, according to CoStar, absorption in the quarter remained positive at around 51,000 units.

Beyond the overall average, other trends have emerged, Class B and C properties have performed better, registering 1.1% and 1.8% YOY rent growth in Q2 2020, while Class A rents declined by 1.5%. In addition, suburban properties have tended to perform better than their urban core counterparts, where new supply has been concentrated.

Sales volume was down significantly in Q2 as investors assess the market. However, pricing has not yet been affected. The average apartment cap rate remained steady in Q2 2020.

SOUTHEAST/MID-ATLANTIC MARKETS

YOY Job Growth



SOURCES: BUREAU OF LABOR STATISTICS

The impact of COVID was felt in every metropolitan area in the southeast. Total YOY employment declines ranged from -3.6% in Ocala, FL to -16.8% in Myrtle Beach, which depends heavily on tourism.

However, as a region, the Southeast and Mid-Atlantic has fared relatively well. Of the 51 metropolitan areas tracked here, 39 lost less employment as a percentage of their total, than the US average.

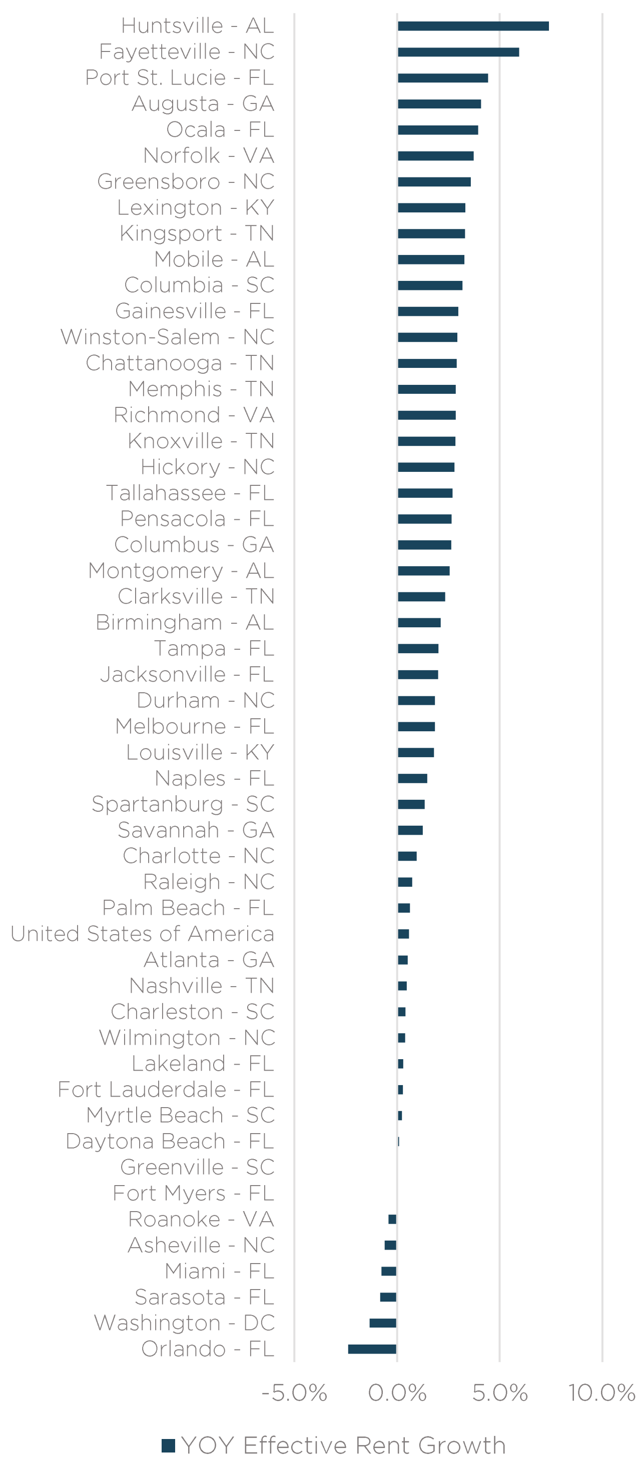
The full impact of these job losses on apartment markets has likely been muted by the aggressive stimulus and unemployment benefits provided by the federal government. Without stimulus, the future becomes less certain, and the probability of larger rent declines certainly rises.

Nevertheless, it should be remembered that rents and occupancy do not move in lockstep with job growth at the metro level, and much less at the submarket or property level.

MIDDLEBURG COMMUNITIES

SOUTHEAST/MID-ATLANTIC MARKETS

YOY Rent Growth



YOY rent growth remained positive for most metro areas in the Southeast and Mid-Atlantic in Q2 2020. Most outperformed the national average and a few metros, such as Huntsville and Augusta actually posted strong growth of over 4.0% - good numbers even in a strong economy.

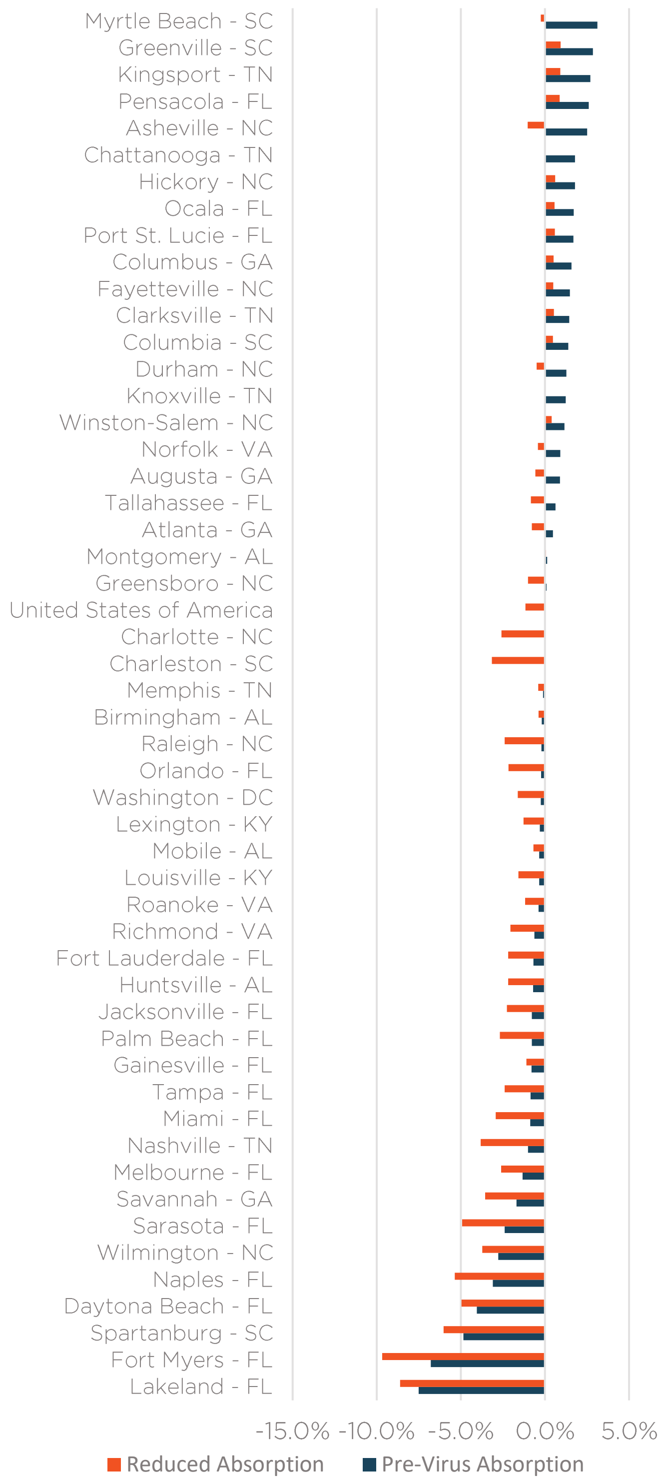
Interestingly, Washington, DC, which many view as the most recession-proof metro saw its average rent decline by 1.3%. Only Orlando, with a decline of 2.4%, turned in a worse result.

SOURCES: BUREAU OF LABOR STATISTICS

MIDDLEBURG COMMUNITIES

SOUTHEAST/MID-ATLANTIC MARKETS

Projected Change in Occupancy in 1 Year



SOURCES: COSTAR, MREP

One way to assess the potential future health 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 likely 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.

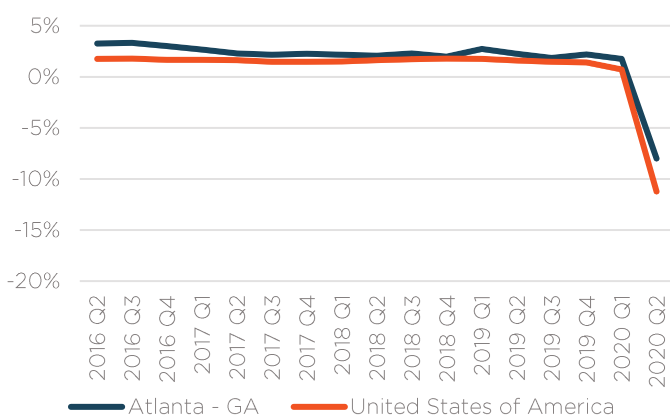
MIDDLEBURG COMMUNITIES

ATLANTA

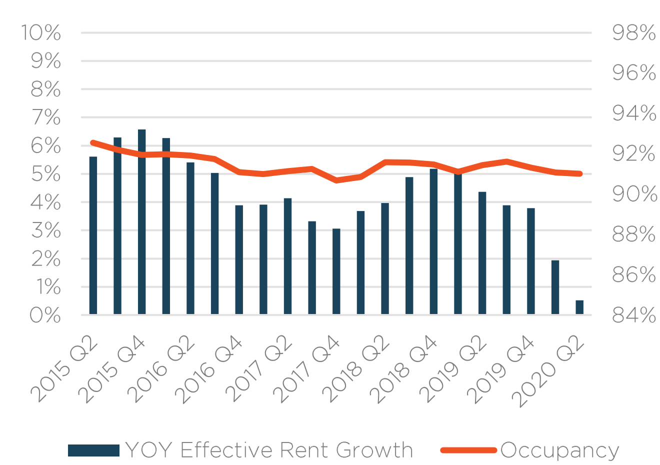
$72,000 MEDIAN HOUSEHOLD INCOME ↑ 2.0% YOY	**6,078,000** POPULATION ↑ 1.2% YOY	**10.4%** UNEMPLOYMENT RATE ↑ 700 BPS FROM Q2 2019
3.4 HOME PRICE-TO-INCOME RATIO	**0.5%** YOY EFFECTIVE RENT GROWTH ↓ 380 BPS FROM Q2 2019	**3.4%** UNITS U/C AS % OF STOCK ↓ 60 BPS FROM Q2 2019

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

YOY Job Growth



YOY Effective Rent Growth and Occupancy



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 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 3.4% 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.

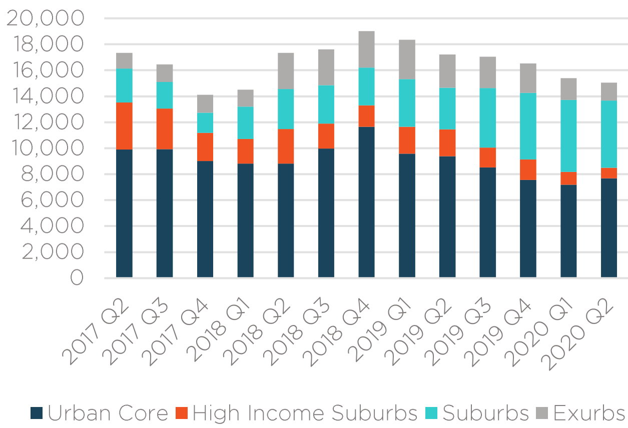
Average rents for Class A properties in the urban core and high-income suburbs, including Buckhead are down by 3.2% and 4.5% respectively. More affordable Class B and C properties performed better, registering 2.0% YOY growth overall and 3.7% in the suburbs.

SOURCES: COSTAR, ZILLOW, FEDERAL RESERVE ECONOMIC DATABASE

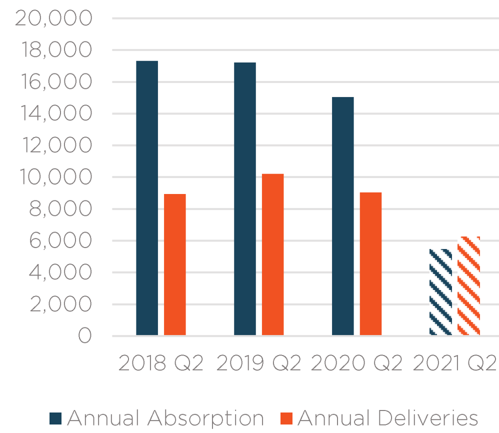
MIDDLEBURG COMMUNITIES

ATLANTA

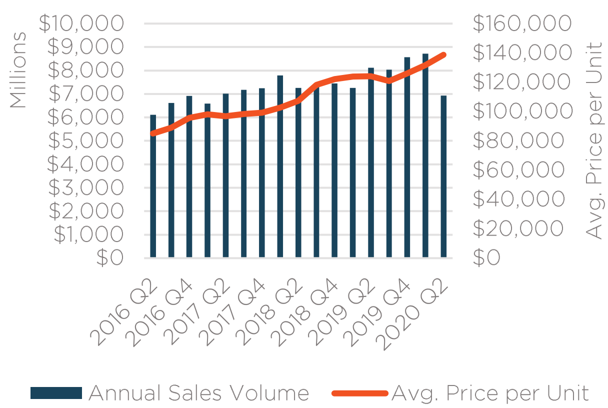
Units Under Construction



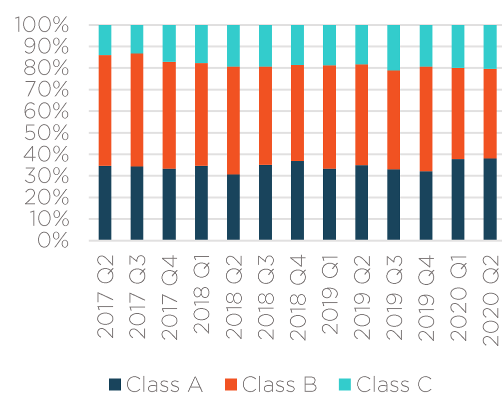
Absorption and Deliveries



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	85.5%	$1,819	-3.2%	0.7%
High-Income Suburbs	88.8%	$1,533	-4.5%	1.1%
Suburbs	87.6%	$1,405	0.1%	3.8%
Exurbs	86.9%	$1,328	1.2%	5.1%
Total	86.9%	$1,597	-2.5%	1.5%
CLASS B/C	OCC. RATE	EFF. RENT	YOY RENT GROWTH	5. YR. AVG. RENT GROWTH
Urban Core	91.4%	$1,323	1.4%	3.6%
High-Income Suburbs	94.1%	$1,236	-0.7%	3.9%
Suburbs	92.2%	$1,050	3.7%	5.8%
Exurbs	94.0%	$1,069	2.0%	5.2%
Total	92.6%	$1,123	2.2%	5.0%

SOURCES: COSTAR

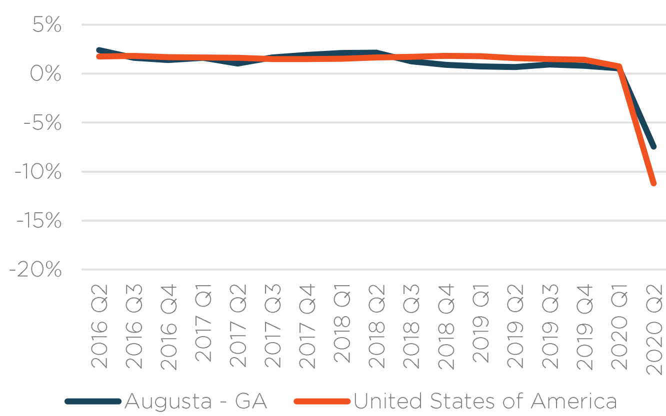
MIDDLEBURG COMMUNITIES

AUGUSTA

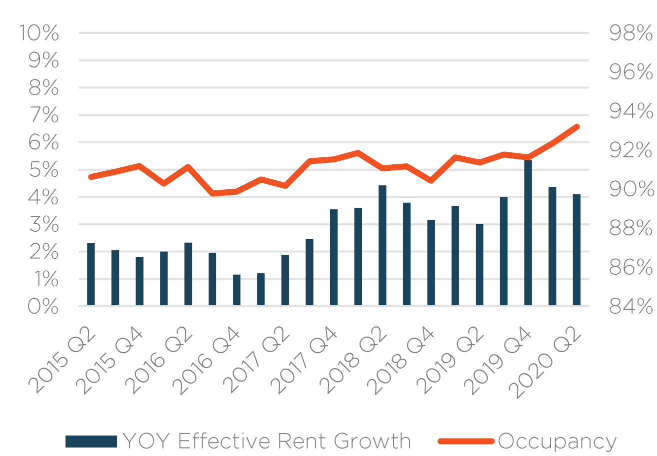
$56,000 **MEDIAN HOUSEHOLD INCOME** 4.2% YOY	**611,000** **POPULATION** 0.6% YOY	**8.8%** **UNEMPLOYMENT RATE** 510 BPS FROM Q2 2019
2.8 **HOME PRICE-TO-INCOME RATIO**	**4.1%** **YOY EFFECTIVE RENT GROWTH** 110 BPS FROM Q2 2019	**2.2%** **UNITS U/C AS % OF STOCK** 130 BPS FROM Q2 2019

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 effective rent growth has topped 4.0% in each of the last four quarters, a remarkable run for this metro, especially in the face of COVID.

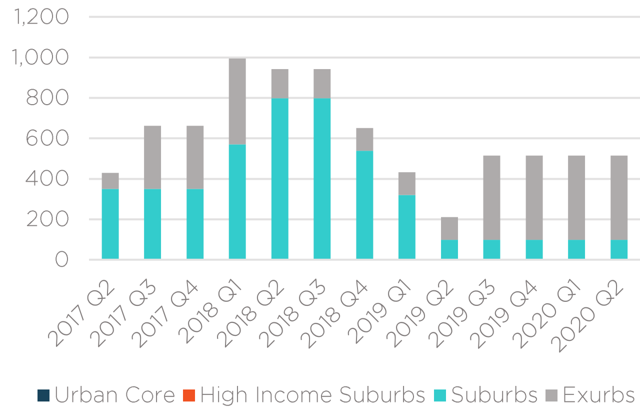
The relatively large concentration of government/army employees in this metro appears to be insulating it from the worst impacts of the recession. Through Q2 2020, its total employment was down by 7.5%, compared to an 11.2% decline in the United States.

Augusta also benefits from a small pipeline of just 425 units, representing 2.2% of inventory.

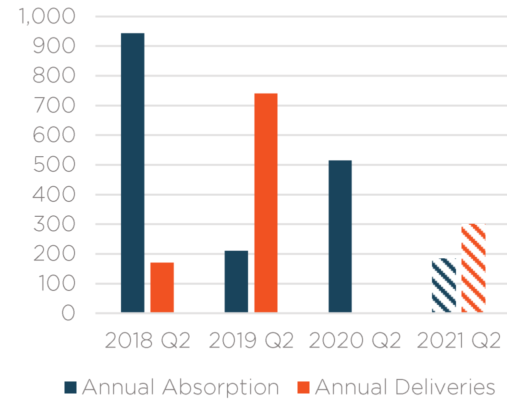
The strong performance seems to have attracted the attention of investors as well. The annual sales volume of $444 million in Q2 2020 set a new record for the metro as well as the average price per unit of $114,000.

AUGUSTA

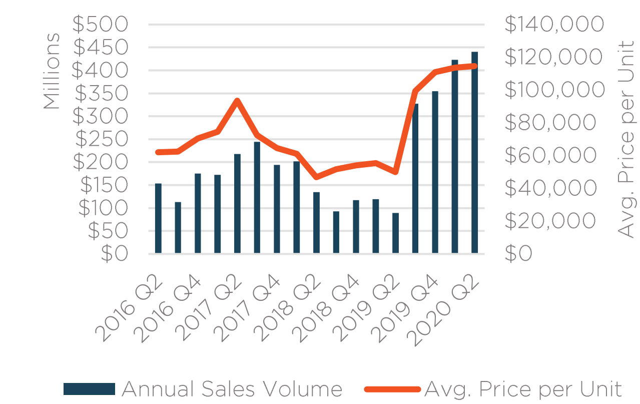
Units Under Construction



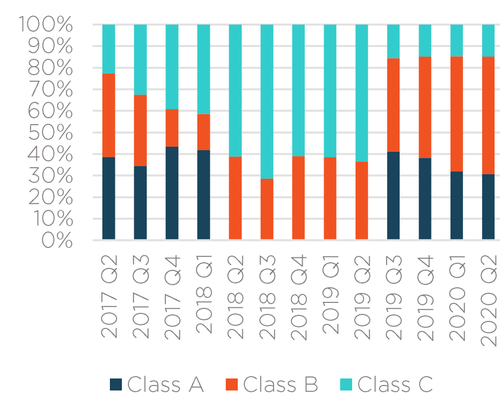
Absorption and Deliveries



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	89.6%	$1,185	5.1%	2.9%
Exurbs	94.5%	$1,132	9.9%	3.0%
Total	91.4%	$1,167	6.9%	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	92.3%	$825	4.4%	3.4%
Exurbs	95.0%	$850	2.3%	3.7%
Total	93.5%	$836	3.4%	3.5%

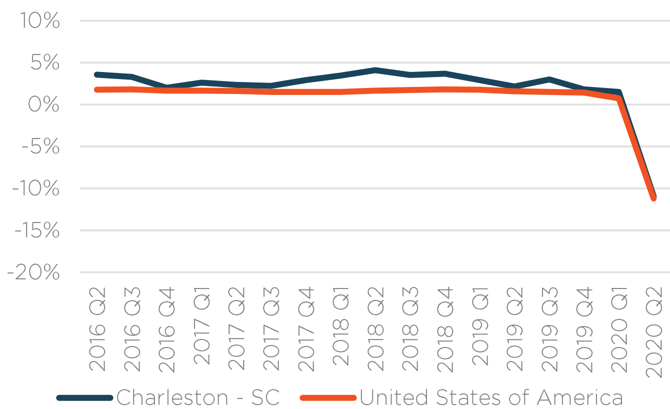
SOURCES: COSTAR

CHARLESTON

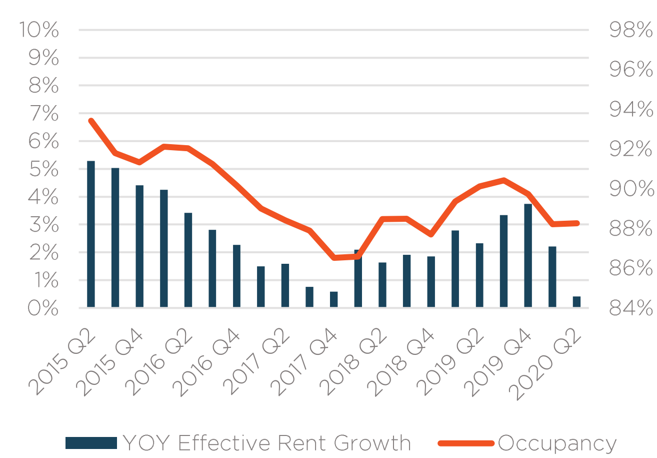
$67,000 **MEDIAN HOUSEHOLD INCOME** ↑ 1.6% YOY	**808,000** **POPULATION** ↑ 1.1% YOY	**11.1%** **UNEMPLOYMENT RATE** ↑ 860 BPS FROM Q2 2019
4.2 **HOME PRICE-TO-INCOME RATIO**	**0.4%** **YOY EFFECTIVE RENT GROWTH** ↓ 190 BPS FROM Q2 2019	**9.1%** **UNITS U/C AS % OF STOCK** ↓ 120 BPS FROM Q2 2019

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.

While Mercedes and Volvo have restarted production, the reduced demand for air travel has left a cloud of uncertainty over Boeing. Its leadership is currently deciding whether to consolidate production of the 787, currently split across Everett, WA, and Charleston, to one location.

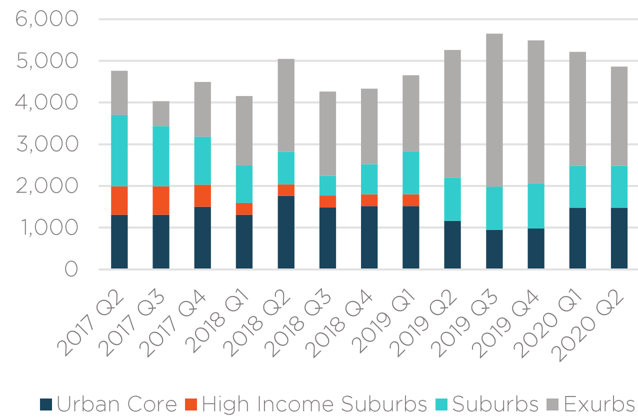
In addition, tourism and travel, also an important component of Charleston's economy, will suffer heavily as a result of the virus and the prospects for a quick recovery of this sector are dimmer than for manufacturing.

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.

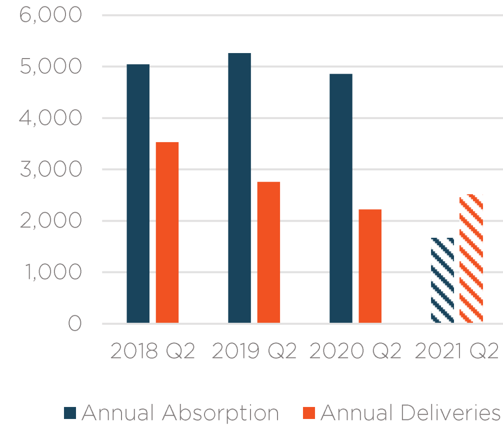
So while Charleston continues to have excellent long-term prospects, the apartment operators in this market, especially those with properties in or near the urban core, may need to brace themselves for a rough year ahead.

CHARLESTON

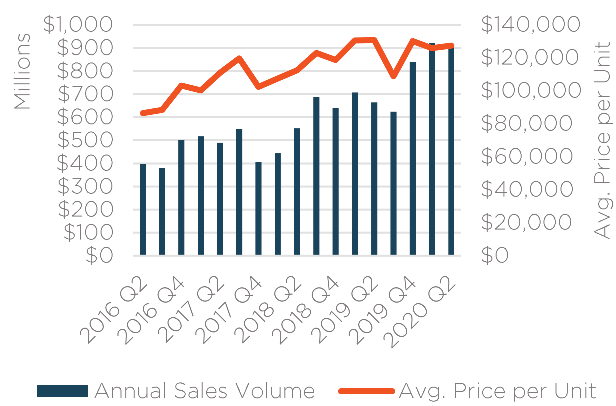
Units Under Construction



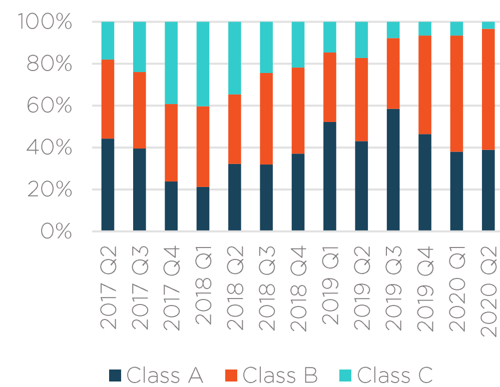
Absorption and Deliveries



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	62.1%	$1,903	1.0%	-0.2%
High-Income Suburbs	89.3%	$1,628	-0.7%	-0.3%
Suburbs	90.2%	$1,302	2.1%	0.2%
Exurbs	77.7%	$1,320	-2.5%	2.5%
Total	81.9%	$1,412	-0.6%	0.1%
CLASS B/C	OCC. RATE	EFF. RENT	YOY RENT GROWTH	5. YR. AVG. RENT GROWTH
Urban Core	70.7%	$1,573	-5.9%	1.9%
High-Income Suburbs	90.3%	$1,336	-0.1%	0.8%
Suburbs	91.5%	$1,026	1.6%	3.5%
Exurbs	92.7%	$1,119	1.6%	4.4%
Total	91.0%	$1,101	1.1%	3.3%

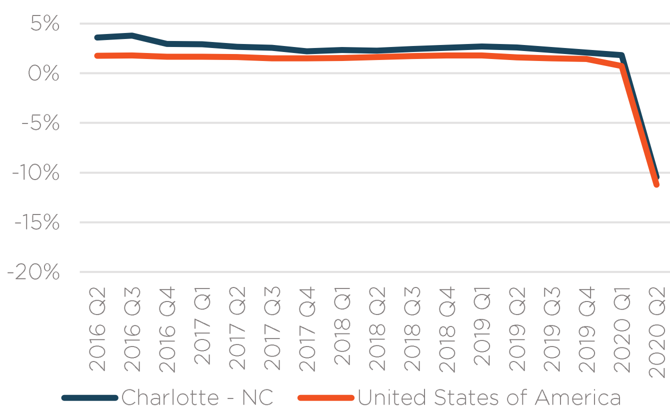
SOURCES: COSTAR

CHARLOTTE

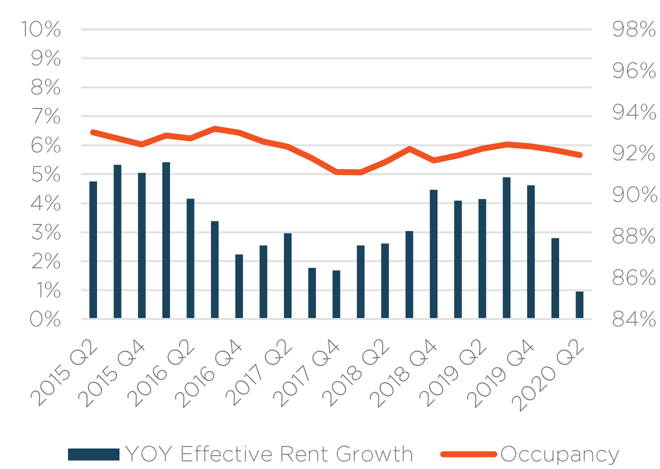
$64,000 MEDIAN HOUSEHOLD INCOME ↑ 1.6% YOY	**2,646,000** POPULATION ↑ 1.7% YOY	**11.4%** UNEMPLOYMENT RATE ↑ 780 BPS FROM Q2 2019
3.8 HOME PRICE-TO-INCOME RATIO	**1.0%** YOY EFFECTIVE RENT GROWTH ↓ 320 BPS FROM Q2 2019	**7.6%** UNITS U/C AS % OF STOCK ↓ 120 BPS FROM Q2 2019

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

YOY Job Growth



YOY Effective Rent Growth and Occupancy



SOURCES: COSTAR, ZILLOW, FEDERAL RESERVE ECONOMIC DATABASE

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 has not suffered a disproportionate impact to employment from the recession. Through June 2020, its employment losses closely tracked the national average.

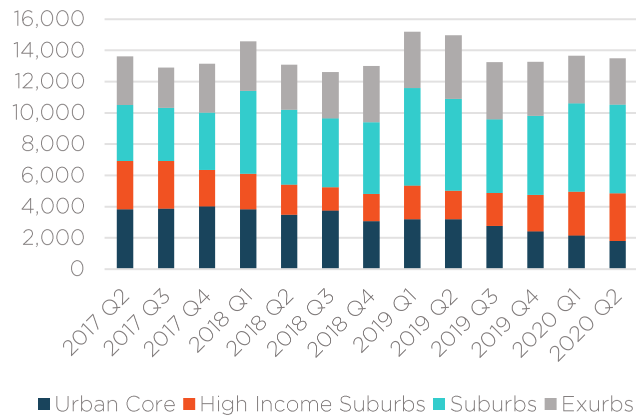
However, even that proportionate loss of employment has already had a significant impact. In the urban core, the average effective rent for Class A properties fell by 8.2% in the last year and by 2.8% for Class B/C properties. In contrast, the suburban and exurban submarkets generally continued to see positive rent growth.

While the suburbs and exurbs will likely continue their relative outperformance, the overall market average rent growth is likely to dip into negative territory in Q3 and Q4 of this year.

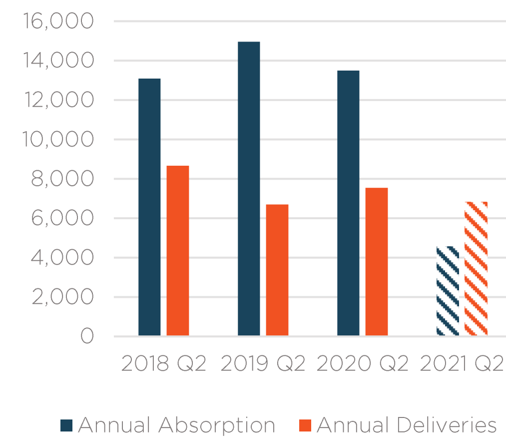
MIDDLEBURG COMMUNITIES

CHARLOTTE

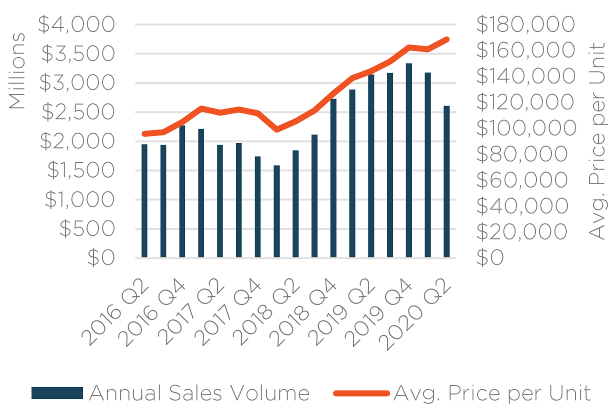
Units Under Construction



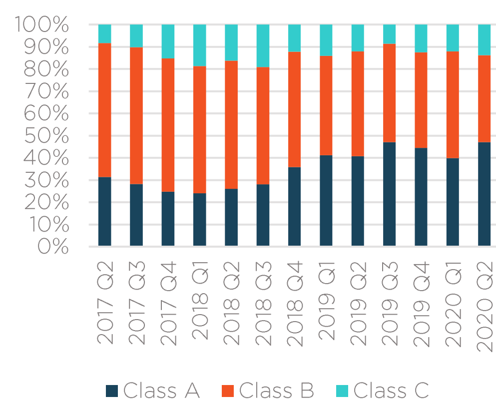
Absorption and Deliveries



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	85.9%	$1,657	-8.2%	-0.1%
High-Income Suburbs	87.7%	$1,517	0.7%	1.2%
Suburbs	89.7%	$1,277	-1.0%	2.6%
Exurbs	88.6%	$1,242	2.8%	3.2%
Total	88.3%	$1,394	-1.6%	1.6%
CLASS B/C	**OCC. RATE**	**EFF. RENT**	**YOY RENT GROWTH**	**5. YR. AVG. RENT GROWTH**
Urban Core	90.5%	$1,521	-2.8%	1.4%
High-Income Suburbs	93.0%	$1,148	1.9%	3.3%
Suburbs	92.8%	$1,060	3.6%	4.7%
Exurbs	94.5%	$1,001	3.1%	4.4%
Total	93.3%	$1,096	2.4%	3.9%

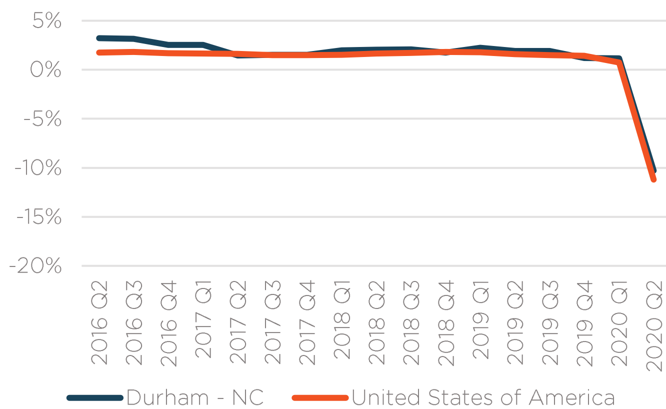
SOURCES: COSTAR

DURHAM

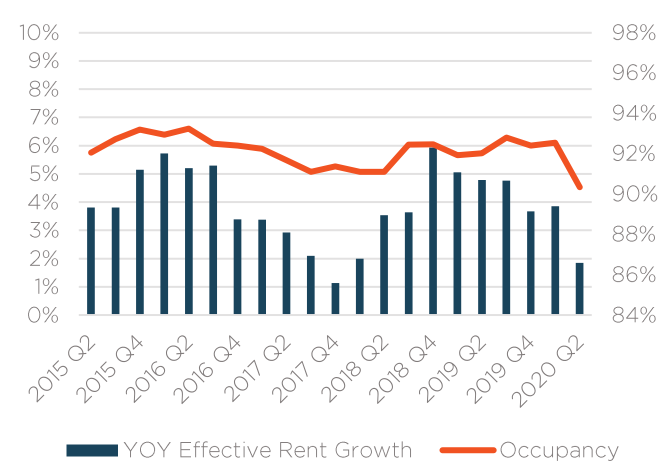
$65,000 **MEDIAN HOUSEHOLD INCOME** ↑ 2.1% YOY	**589,000** **POPULATION** ↑ 1.2% YOY	**9.1%** **UNEMPLOYMENT RATE** ↑ 560 BPS FROM Q2 2019
4.3 **HOME PRICE-TO-INCOME RATIO**	**1.9%** **YOY EFFECTIVE RENT GROWTH** ↓ 290 BPS FROM Q2 2019	**4.3%** **UNITS U/C AS % OF STOCK** ↓ 170 BPS FROM Q2 2019

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

YOY Job Growth



YOY Effective Rent Growth and Occupancy



Durham's apartment market had momentum heading into the COVID recession. YOY rent growth measured 3.9% in Q1 2020 and had been at least that high for each of the preceding six quarters.

In Q2 2020, rent growth dropped to just 1.9%, a significant drop compared with recent history, but still quite respectable in the current environment. Occupancy dropped by 200 basis points in Q2 but that had more do with a spate of new deliveries than COVID. Absorption remained positive in Q2 2020. All in all, Durham's apartment market has withstood COVID well thus far.

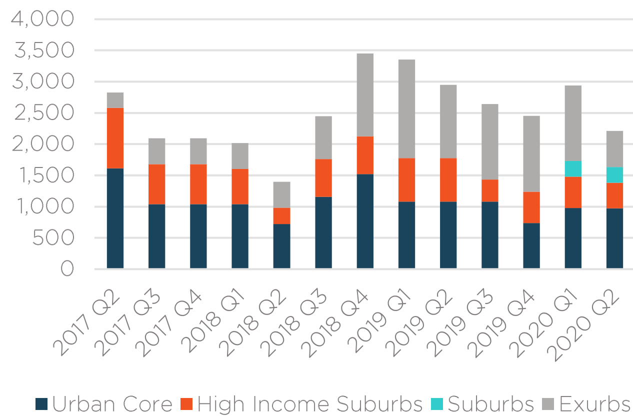
Although the future is more uncertain due to COVID (daily new cases counts remain significant in North Carolina, Durham's strong anchors of Duke and UNC-Chapel Hill should provide some stability to the economy. YOY rent growth may dip into the red in Q3 and Q4 but any declines are unlikely to be deep.

SOURCES: COSTAR, ZILLOW, FEDERAL RESERVE ECONOMIC DATABASE

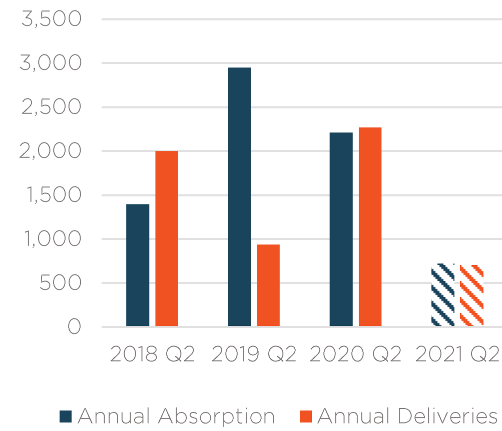
MIDDLEBURG COMMUNITIES

DURHAM

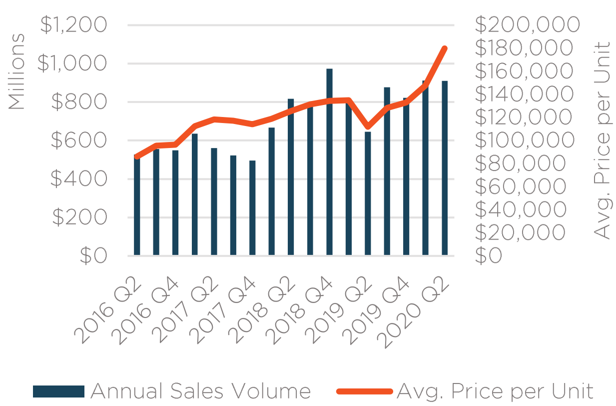
Units Under Construction



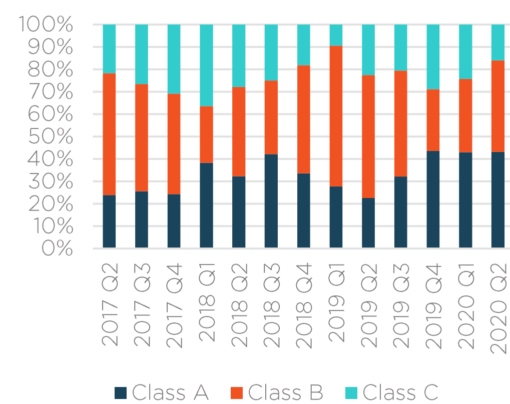
Absorption and Deliveries



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	82.0%	$1,670	1.1%	2.3%
High-Income Suburbs	89.3%	$1,295	0.4%	2.6%
Suburbs	94.1%	$1,256	-1.8%	1.7%
Exurbs	69.5%	$1,555	1.6%	2.3%
Total	82.4%	$1,481	1.3%	2.5%
CLASS B/C	OCC. RATE	EFF. RENT	YOY RENT GROWTH	5. YR. AVG. RENT GROWTH
Urban Core	91.4%	$1,069	3.2%	4.5%
High-Income Suburbs	93.7%	$1,128	0.4%	4.4%
Suburbs	92.8%	$970	2.0%	4.5%
Exurbs	92.2%	$1,086	3.1%	3.5%
Total	92.3%	$1,090	2.2%	4.2%

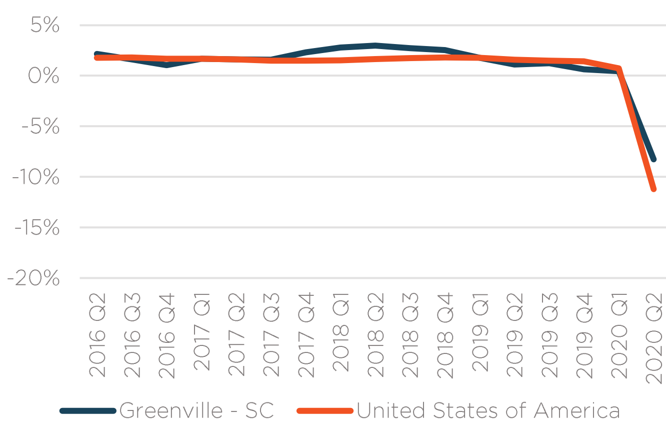
SOURCES: COSTAR

GREENVILLE

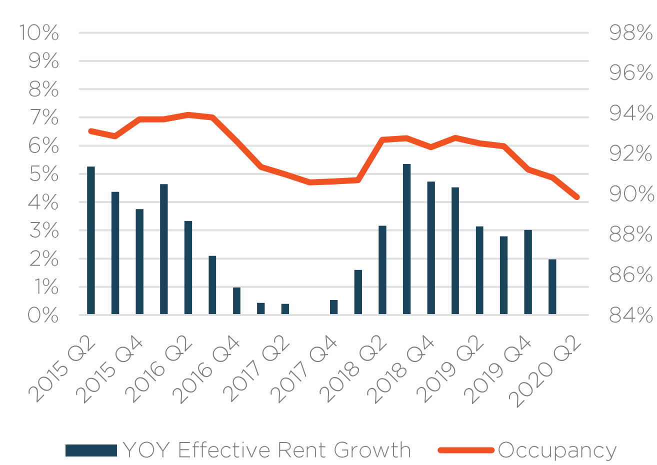
$59,000 MEDIAN HOUSEHOLD INCOME ↑ 3.1% YOY	**921,000 POPULATION** ↑ 1.0% YOY	**11.0% UNEMPLOYMENT RATE** ↑ 840 BPS FROM Q2 2019
3.5 HOME PRICE-TO-INCOME RATIO	**0.0% YOY EFFECTIVE RENT GROWTH** ↓ 310 BPS FROM Q2 2019	**0.6% UNITS U/C AS % OF STOCK** ↓ 440 BPS FROM Q2 2019

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 has fallen to just 77%, and overall Class A rents fell by 3.2% YOY. Although the urban core saw the most decline – 3.9% - Class A rents were down in the suburbs and exurbs as well. Class B/C rents generally performed better, except in the urban core, where they declined even more than Class A rents. Overall YOY rent growth was just flat in Q2 2020.

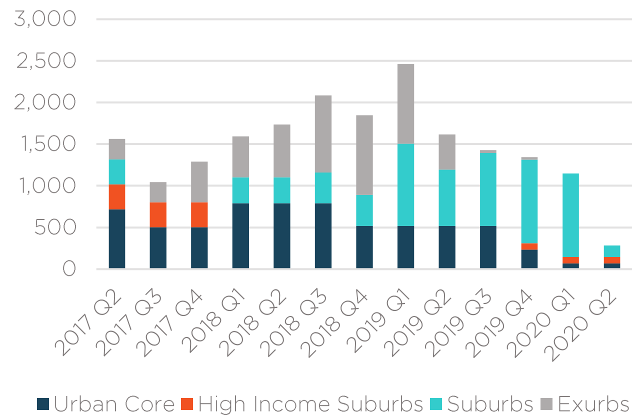
Q3 and Q4 will likely see overall average rents turn negative but the longer term outlook for Greenville is actually more positive than in many metros. As of Q2 2020, CoStar reported just 472 units under construction. For a growing metro area of 921,000 people, this is a very small number. Even if absorption drops dramatically in comparison to previous years, it will still exceed new deliveries. That dynamic should drive occupancy back up and improve the market's health.

Moreover, despite some layoff announcements by major employers in the region, Greenville has significantly outperformed the national average, losing just 8.3% of its total employment, compared to an 11.2% loss for the country as a whole.

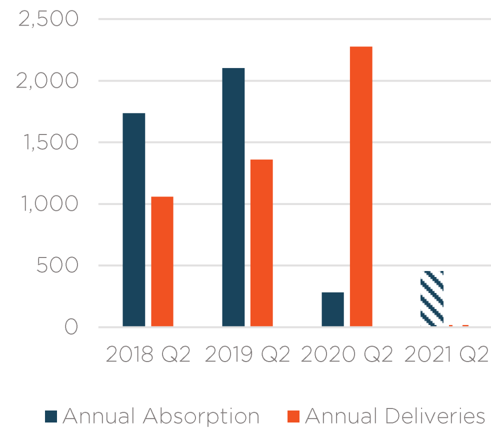
MIDDLEBURG COMMUNITIES

GREENVILLE

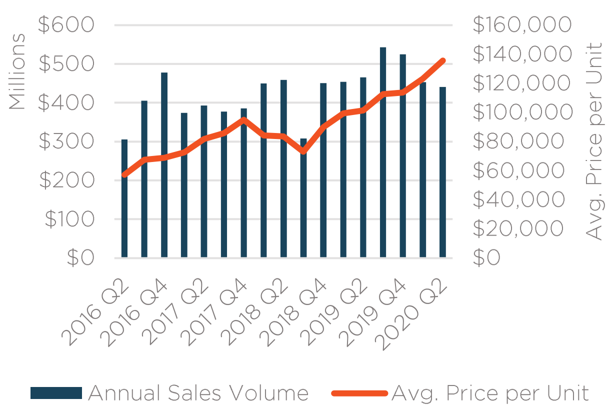
Units Under Construction



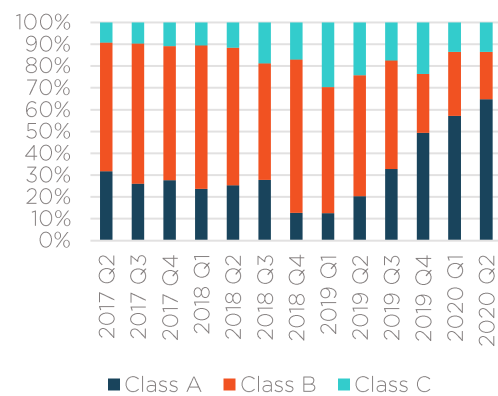
Absorption and Deliveries



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	76.9%	$1,475	-3.9%	-0.2%
High-Income Suburbs	92.5%	$1,021	-0.8%	2.7%
Suburbs	91.0%	$1,119	-1.6%	0.6%
Exurbs	86.5%	$1,052	-1.4%	3.2%
Total	81.5%	$1,194	-3.2%	0.3%
CLASS B/C	OCC. RATE	EFF. RENT	YOY RENT GROWTH	5. YR. AVG. RENT GROWTH
Urban Core	86.4%	$1,110	-8.4%	0.3%
High-Income Suburbs	93.1%	$956	4.2%	2.6%
Suburbs	89.1%	$922	1.1%	3.0%
Exurbs	94.3%	$831	2.6%	3.5%
Total	92.0%	$916	1.3%	2.8%

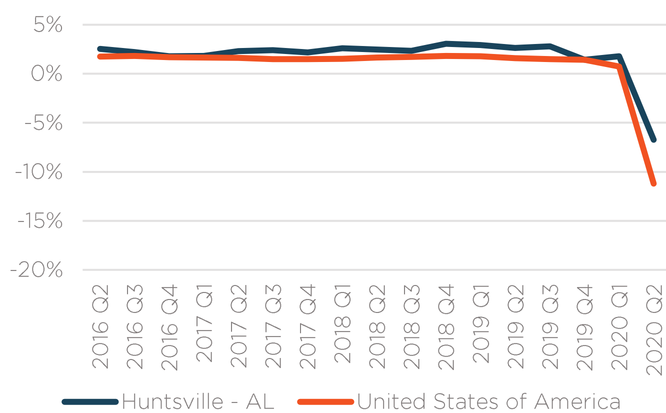
SOURCES: COSTAR

HUNTSVILLE

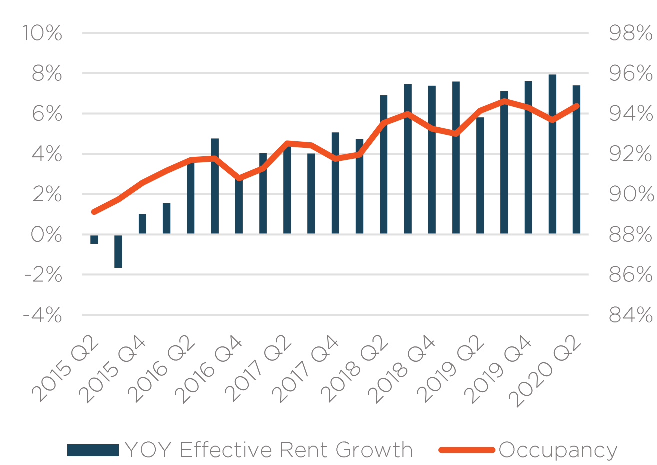
$67,000 MEDIAN HOUSEHOLD INCOME ↑ 3.5% YOY	**477,000** POPULATION ↑ 1.5% YOY	**8.2%** UNEMPLOYMENT RATE ↑ 570 BPS FROM Q2 2019
3.0 HOME PRICE-TO-INCOME RATIO	**7.4%** YOY EFFECTIVE RENT GROWTH ↑ 160 BPS FROM Q2 2019	**7.5%** UNITS U/C AS % OF STOCK ↑ 240 BPS FROM Q2 2019

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.

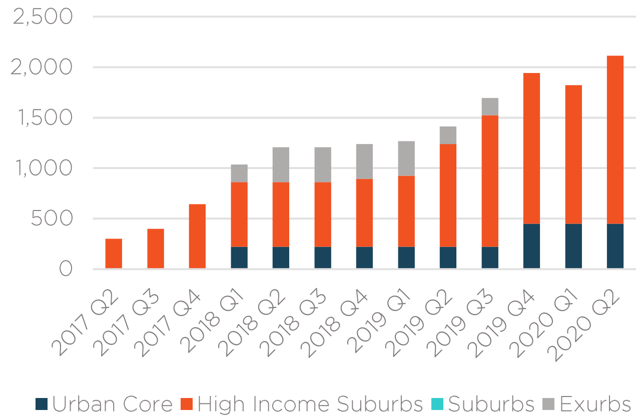
Companies have taken note and major new commitments to the area have been announced by Blue Origin, Mazda/Toyota, and the FBI, which is working on a $1 billion expansion in the area. Data from the Bureau of Labor Statistics confirms Huntsville's relatively strong labor market. Through Q2 2020, its total employment had only declined by 6.7%, compared to the 11.2% decline experienced nationally.

All of this activity has led to stunning rent growth and improved occupancy that, remarkably, has persisted even into Q2 2020. Overall rents were up by 7.4% over Q2 2019, led by Class B/C assets, which have seen average rent growth of 9.3% in the last year. Occupancy remained high at 94.4%, a slight improvement over the previous quarter.

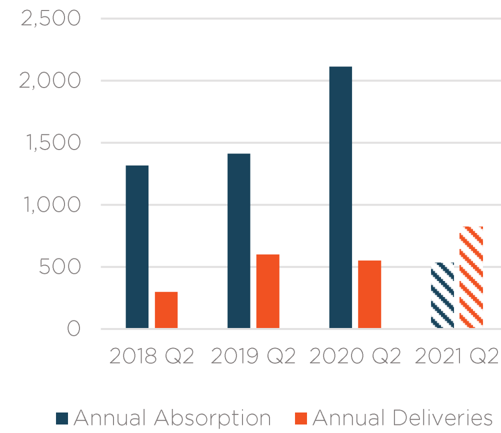
One concern, however, is a substantial pipeline amounting to 7.5% of existing stock. Still, on balance, Huntsville is likely to be one of the best performers in the Southeast through this recession.

HUNTSVILLE

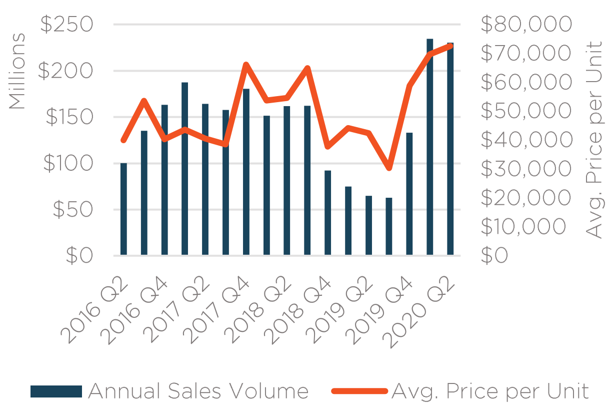
Units Under Construction



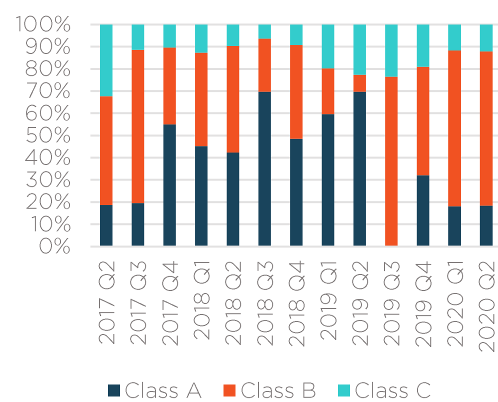
Absorption and Deliveries



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	97.8%	$1,489	-3.0%	5.4%
High-Income Suburbs	89.9%	$1,187	2.5%	5.0%
Suburbs	NA	NA	NA	NA
Exurbs	86.1%	$1,294	3.4%	2.7%
Total	90.4%	$1,228	1.7%	4.8%
CLASS B/C	OCC. RATE	EFF. RENT	YOY RENT GROWTH	5. YR. AVG. RENT GROWTH
Urban Core	97.9%	$769	0.1%	4.0%
High-Income Suburbs	95.0%	$904	9.5%	6.4%
Suburbs	NA	NA	NA	NA
Exurbs	95.3%	$721	9.8%	5.6%
Total	95.2%	$826	9.3%	6.0%

SOURCES: COSTAR

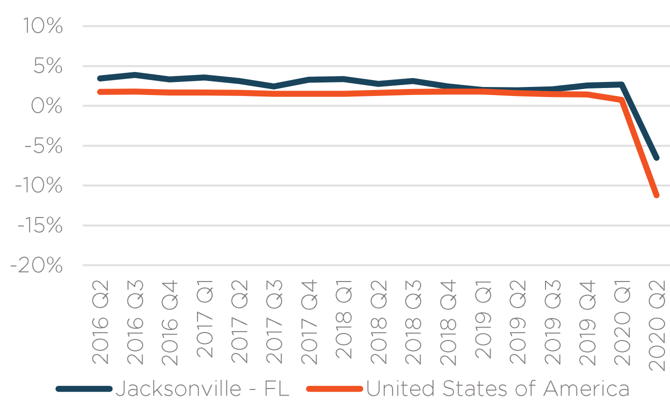
MIDDLEBURG COMMUNITIES

JACKSONVILLE

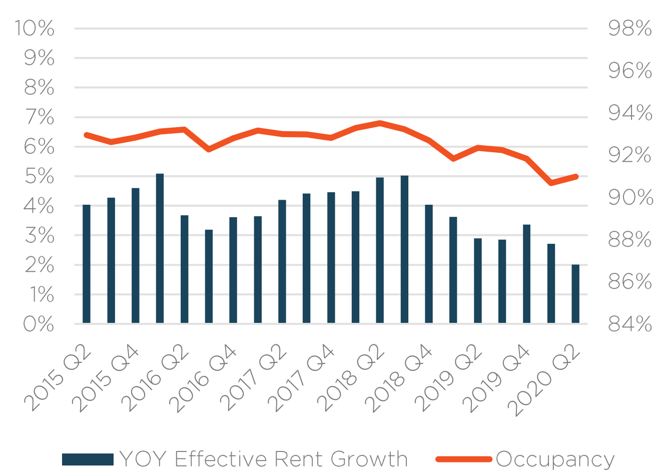
$63,000 **MEDIAN HOUSEHOLD INCOME** ↑ 3.3% YOY	**1,575,000** **POPULATION** ↑ 1.4% YOY	**9.9%** **UNEMPLOYMENT RATE** ↑ 670 BPS. FROM Q2 2019
3.8 **HOME PRICE-TO-INCOME RATIO**	**2.0%** **YOY EFFECTIVE RENT GROWTH** ↓ 90 BPS FROM Q2 2019	**4.0%** **UNITS U/C AS % OF STOCK** ↓ 170 BPS FROM Q2 2019

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



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.

So far, these industries appear to have held up relatively well in the face of the COVID recession. YOY job losses in Jacksonville measured just 6.5% in Q2 2020, a significantly better performance than the national loss of 11.2%.

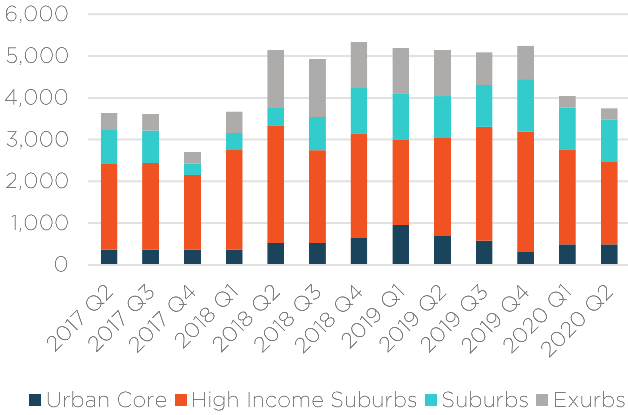
The apartment market has also held up well. Overall YOY rent growth in Q2 2020 came in at 2.0%, a solid result during a pandemic. Occupancy is about 130 basis points below its level in Q2 2019 but it actually ticked slightly up in comparison to Q1. 2020.

The overall average numbers obscure weakness in the urban core. The average effective rent among Class A properties in the urban core is down by 8.7% over last year. However, too much should not be read into that number as there is a limited inventory of such units and the introduction of concessions by one or two properties could easily cause the large reduction.

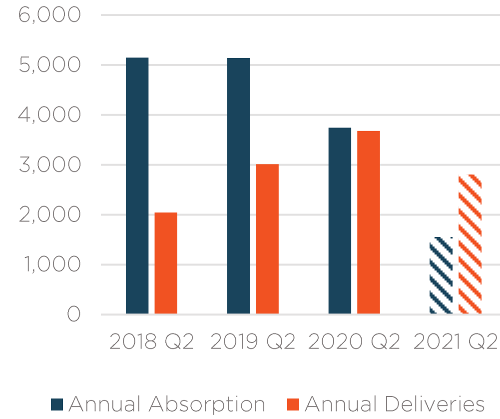
SOURCES: COSTAR, ZILLOW, FEDERAL RESERVE ECONOMIC DATABASE

JACKSONVILLE

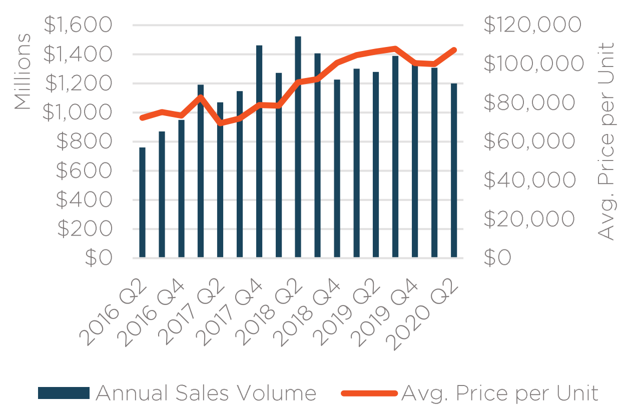
Units Under Construction



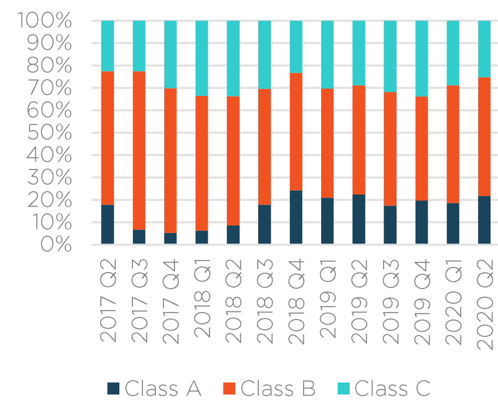
Absorption and Deliveries



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	84.9%	$1,338	-8.7%	-0.2%
High-Income Suburbs	92.2%	$1,343	1.2%	2.1%
Suburbs	92.2%	$1,345	0.4%	1.5%
Exurbs	62.5%	$1,325	3.1%	5.4%
Total	88.1%	$1,342	-0.3%	2.0%

CLASS B/C	OCC. RATE	EFF. RENT	YOY RENT GROWTH	5. YR. AVG. RENT GROWTH
Urban Core	87.1%	$959	14.0%	6.9%
High-Income Suburbs	91.2%	$1,106	1.5%	3.7%
Suburbs	90.9%	$942	3.7%	4.6%
Exurbs	94.5%	$1,056	5.0%	4.6%
Total	91.8%	$1,035	3.0%	4.2%

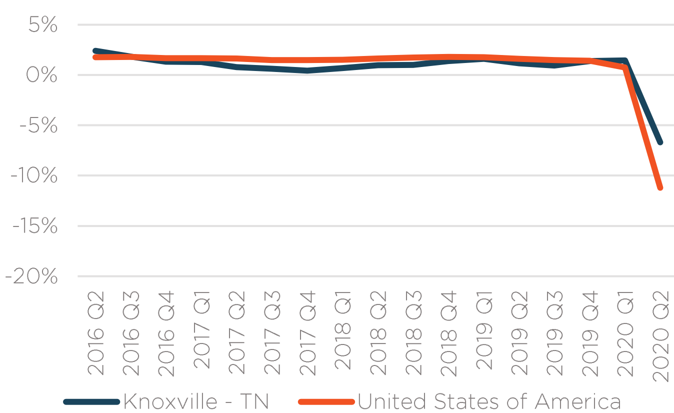
SOURCES: COSTAR

KNOXVILLE

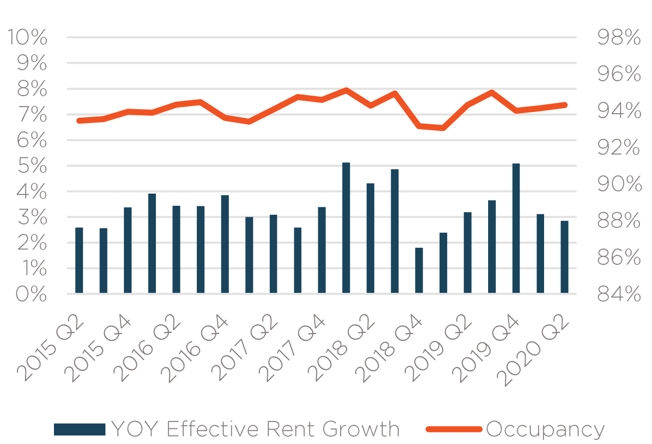
$57,000 MEDIAN HOUSEHOLD INCOME ↑ 3.9% YOY	**897,000** POPULATION ↑ 0.7% YOY	**10.1%** UNEMPLOYMENT RATE ↑ 690 BPS FROM Q2 2019
3.5 HOME PRICE-TO-INCOME RATIO	**2.9%** YOY EFFECTIVE RENT GROWTH ↓ 30 BPS FROM Q2 2019	**3.0%** UNITS U/C AS % OF STOCK ↓ 30 BPS FROM Q2 2019

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 in most quarters, YOY rent growth has exceeded 3.0%. In Q2 2020, Knoxville managed overall YOY rent growth of 2.9% even as occupancy ticked up slightly from 94.1% in Q1 2020 to 94.3% in Q2.

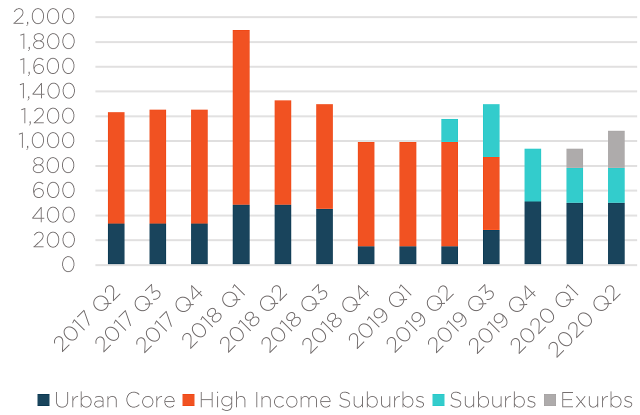
One of the reasons for Knoxville's decent performance is a relative lack of new construction. Only 3,000 units have been added to the inventory over the last five years, an increase of just 11%.

As of Q2 2020, the pipeline remains small at 1,085 units or about 3.0% of the existing stock and CoStar projects that only 248 of those units will deliver in the next year. If that holds true, Knoxville may turn out to be one of the better performing markets over this recession.

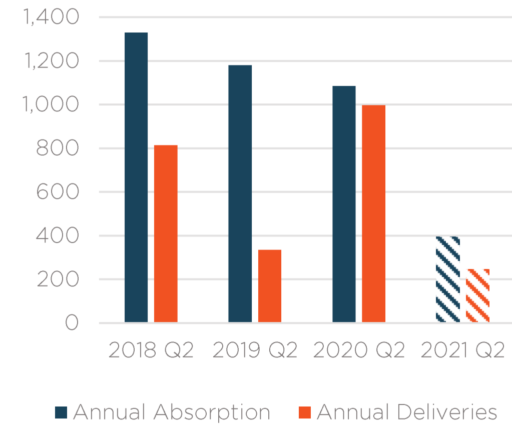
MIDDLEBURG COMMUNITIES

KNOXVILLE

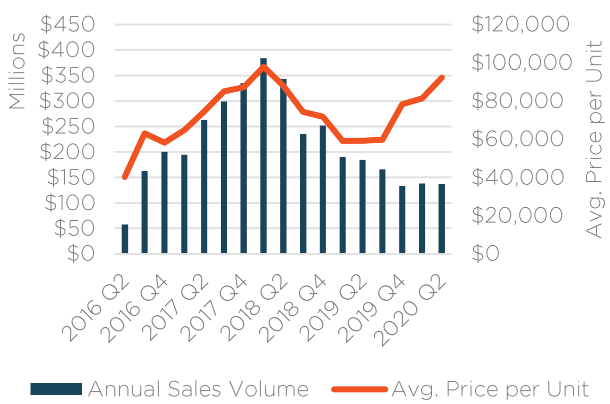
Units Under Construction



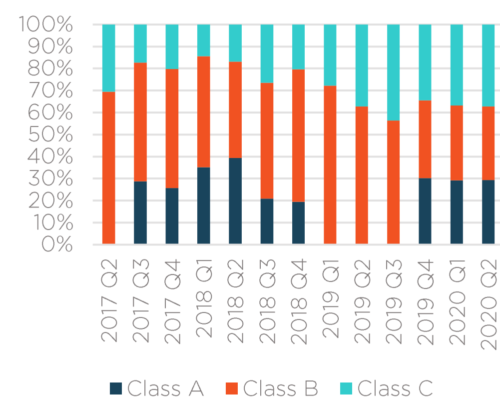
Absorption and Deliveries



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	82.8%	$1,488	-2.4%	0.2%
High-Income Suburbs	84.4%	$1,316	1.7%	2.9%
Suburbs	95.7%	$1,224	3.1%	2.2%
Exurbs	96.0%	$1,114	1.3%	3.3%
Total	88.9%	$1,276	1.5%	2.6%
CLASS B/C	OCC. RATE	EFF. RENT	YOY RENT GROWTH	5. YR. AVG. RENT GROWTH
Urban Core	93.9%	$905	4.6%	3.2%
High-Income Suburbs	94.0%	$1,128	5.9%	3.5%
Suburbs	95.5%	$849	3.4%	3.9%
Exurbs	95.9%	$718	3.1%	3.4%
Total	95.2%	$838	3.5%	3.7%

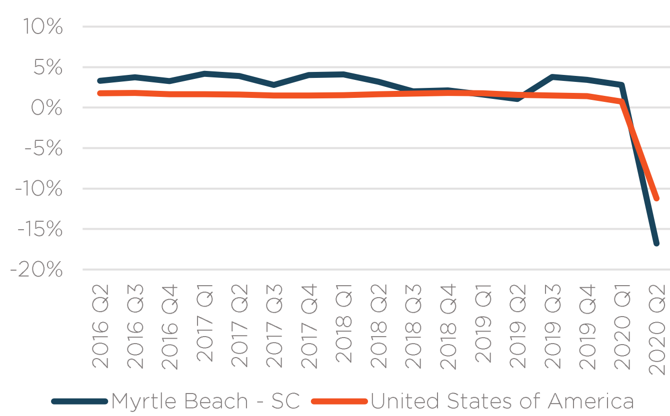
SOURCES: COSTAR

MYRTLE BEACH

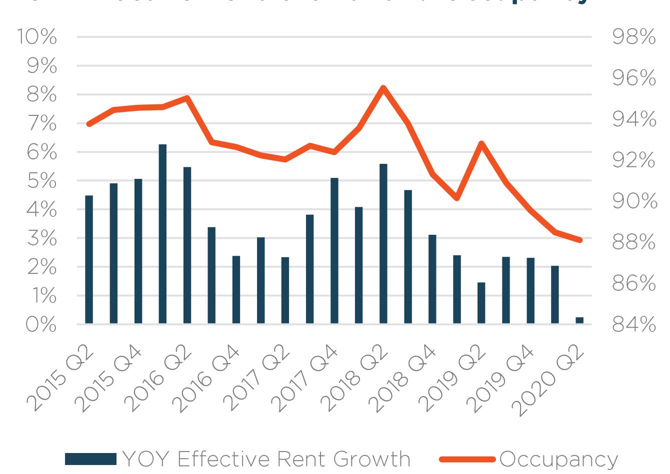
$54,000 **MEDIAN HOUSEHOLD INCOME** ↑ 3.3% YOY	**502,000** **POPULATION** ↑ 1.9% YOY	**16.4%** **UNEMPLOYMENT RATE** ↑ 1,210 BPS. FROM Q2 2019
4.3 **HOME PRICE-TO-INCOME RATIO**	**0.2%** **YOY EFFECTIVE RENT GROWTH** ↓ 30 BPS FROM Q2 2019	**2.0%** **UNITS U/C AS % OF STOCK** ↓ BPS FROM Q2 2019

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

YOY Job Growth



YOY Effective Rent Growth and Occupancy



SOURCES: COSTAR, ZILLOW, FEDERAL RESERVE ECONOMIC DATABASE

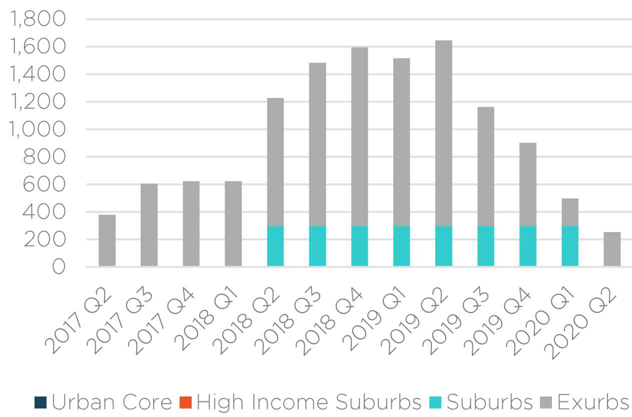
Myrtle Beach is the second fastest growing metropolitan area in the country. The census estimates that it added 16,000 people in 2019 alone, a 3.3% increase. For comparison's sake, that's 4,000 more than Charleston, SC a much larger metro area that is also growing fast.

Prior to the onset of COVID, Myrtle Beach had also seen rapid job growth, driven in part by the health care sector. However, Myrtle Beach's economy is still highly dependent on tourism, so it comes as no surprise that Myrtle Beach has suffered disproportionately large job losses. YOY job losses measured 16.8% in Q2 2020, a stunning number.

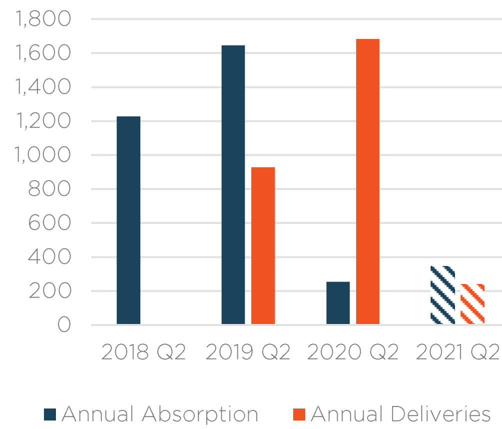
However, the Myrtle Beach apartment market appears to be less sensitive to employment than other markets. In the last recession, for example, Myrtle Beach also lost a disproportionately large number of jobs but its average rent declined by less than the national average. A high concentration of retirees, whose income is not dependent on the local economy, likely explains this resilience. As a result, we do not expect outsize negative impacts on the apartment market in Myrtle Beach. YOY rent growth may turn slightly negative in Q3 and Q4, like many other markets, but large declines are unlikely.

MYRTLE BEACH

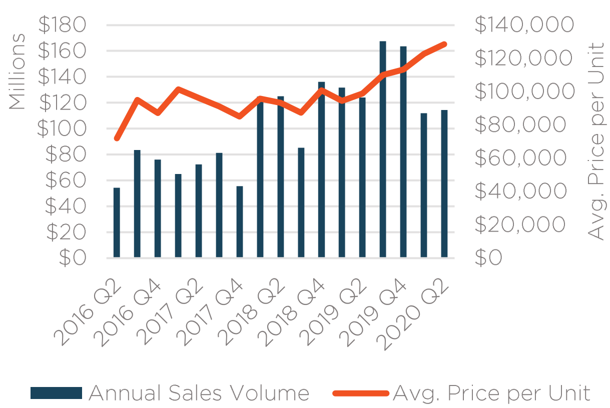
Units Under Construction



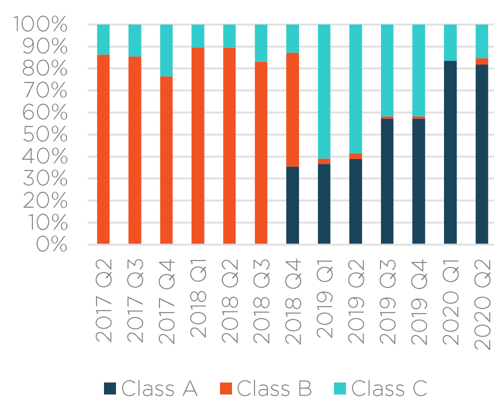
Absorption and Deliveries



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	93.7%	$1,193	-1.6%	2.3%
Exurbs	85.3%	$1,116	1.5%	2.9%
Total	87.6%	$1,135	0.6%	2.5%
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	85.3%	$865	3.7%	3.2%
Exurbs	88.9%	$953	0.7%	3.7%
Total	88.3%	$954	0.9%	3.6%

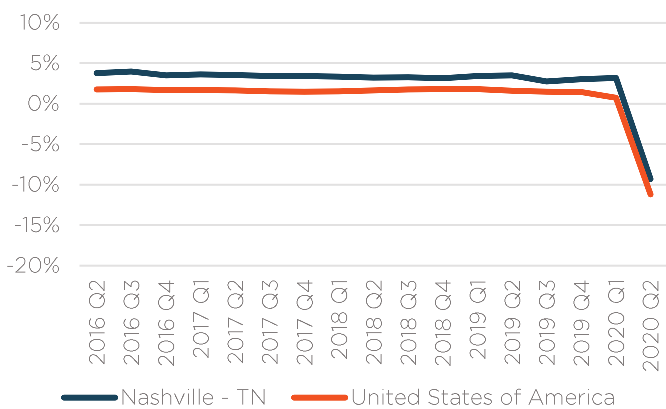
SOURCES: COSTAR

NASHVILLE

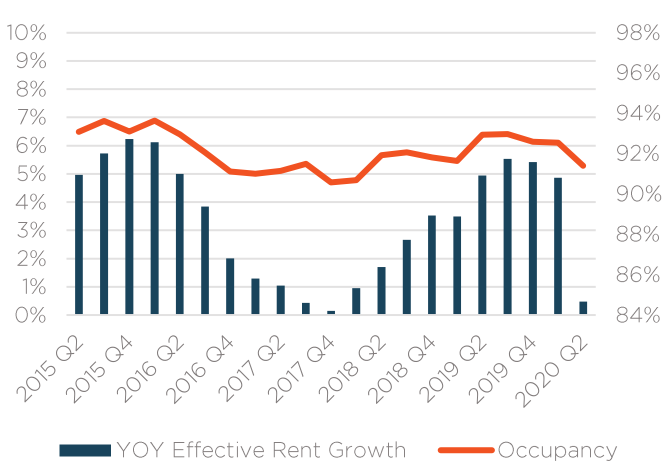
$69,000 MEDIAN HOUSEHOLD INCOME ↑ 2.3% YOY	**1,979,000** POPULATION ↑ 1.3% YOY	**12.3%** UNEMPLOYMENT RATE ↑ 970 BPS FROM Q2 2019
4.2 HOME PRICE-TO-INCOME RATIO	**0.5%** YOY EFFECTIVE RENT GROWTH ↓ 450 BPS FROM Q2 2019	**9.8%** UNITS U/C AS % OF STOCK ↑ 310 BPS FROM Q2 2019

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.

Q2 2020 marked the end of that expansion. However, even in losing jobs it continued to outperform the national average. Its losses of 8.5% of total employment compare favorably to the national decline of 11.2%. Considering the importance of tourism to the Nashville economy, that outcome is remarkable.

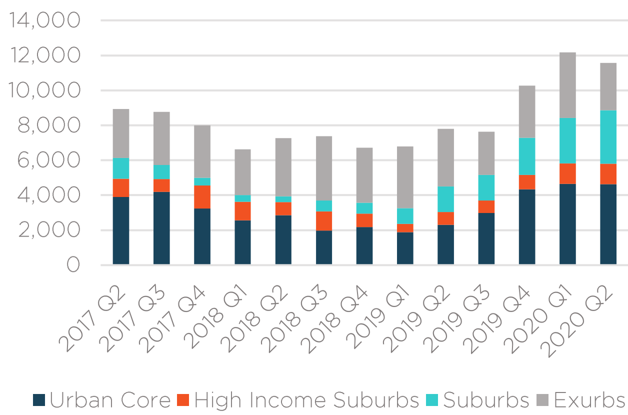
Nevertheless, YOY rent growth dropped sharply, from 4.9% in Q1 2020 to just 0.5% in Q2. The average effective Class A rent actually declined by 1.3% over the year prior. The urban core saw the largest drop, but Class A declines permeated all geographies in the market. Class B/C properties generally performed better, at least as measured by rent growth.

Nashville's weakness is its large pipeline. Although this metro has absorbed a huge amount of new supply in the last few years, the next few quarters will put this metro's apartment market to its toughest test yet. Over 12,000 units are under construction, representing nearly 10% of the current inventory, and COVID is still spreading throughout the state.

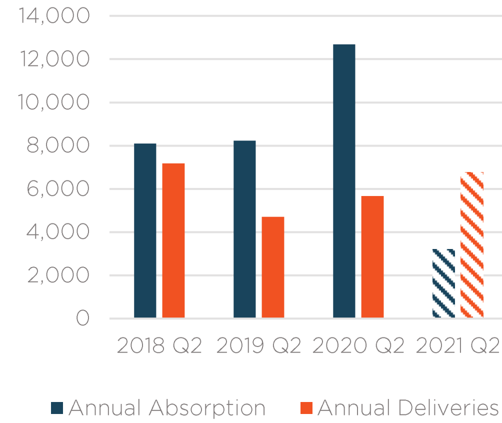
Ultimately, Class A rents will likely continue to slide through Q3 and Q4 but Class B and C apartments, which are less impacted by new supply, should fare better.

NASHVILLE

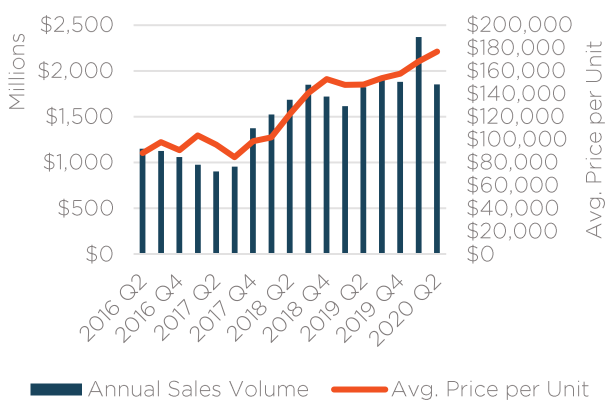
Units Under Construction



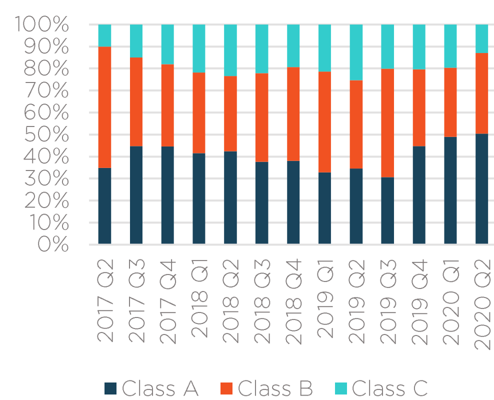
Absorption and Deliveries



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	85.0%	$1,960	-2.4%	0.7%
High-Income Suburbs	89.4%	$1,614	-0.4%	1.9%
Suburbs	87.9%	$1,303	-0.2%	3.1%
Exurbs	85.3%	$1,223	-0.5%	2.9%
Total	86.0%	$1,573	-1.3%	1.4%
CLASS B/C	OCC. RATE	EFF. RENT	YOY RENT GROWTH	5. YR. AVG. RENT GROWTH
Urban Core	92.6%	$1,502	1.1%	3.1%
High-Income Suburbs	94.4%	$1,292	-1.1%	2.0%
Suburbs	93.8%	$1,066	2.1%	4.4%
Exurbs	92.5%	$1,035	2.8%	4.0%
Total	93.4%	$1,131	1.7%	3.6%

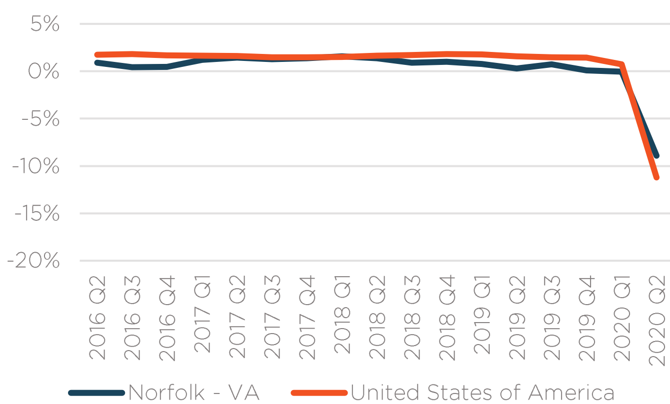
SOURCES: COSTAR

NORFOLK

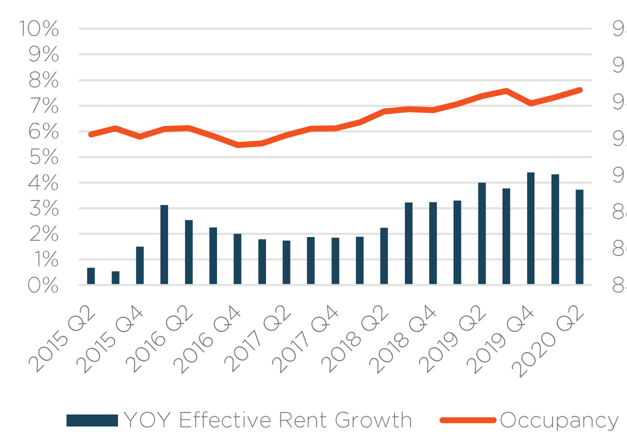
$69,000 **MEDIAN HOUSEHOLD INCOME** ↑ 3.3% YOY	**1,737,000** **POPULATION** ↑ 0.3% YOY	**10.6%** **UNEMPLOYMENT RATE** ↑ 750 BPS FROM Q2 2019
3.5 **HOME PRICE-TO-INCOME RATIO**	**3.7%** **YOY EFFECTIVE RENT GROWTH** ↓ 30 BPS FROM Q2 2019	**2.2%** **UNITS U/C AS % OF STOCK** ↓ 10 BPS FROM Q2 2019

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, although job losses in Q2 were actually somewhat less than the US average.

Slow job growth has been accompanied by slow rent growth for most of the last five years with the important exception of the recent past. YOY rent growth has exceeded 3.5% in each of the last five quarters, including Q2 2020. Overall occupancy has also trended upwards and, as of Q2 2020 stood at 94.7%, a high average relative to many peer metro areas in the Southeast and Mid-Atlantic regions. Based on these statistics, Norfolk is clearly among the best performing markets in the southeast during the COVID pandemic.

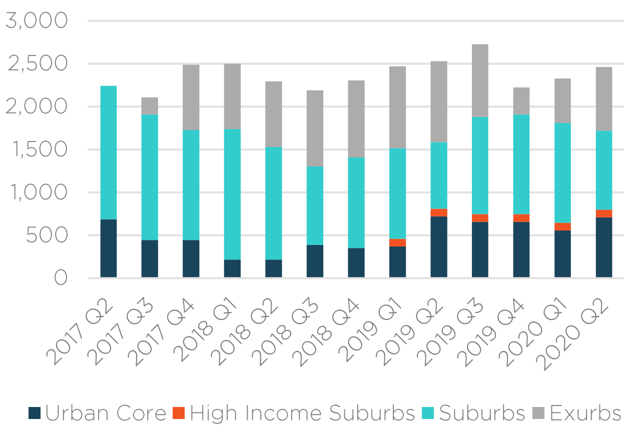
One consequence of the mostly slow growth has been limited interest among developers. The pipeline of units under construction has remained less than 3.0% of existing inventory for most of the last five years, including in Q2 2020, when it measured just 2.2%

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.

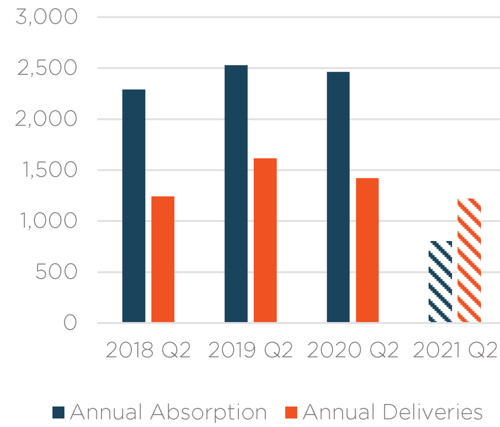
MIDDLEBURG COMMUNITIES

NORFOLK

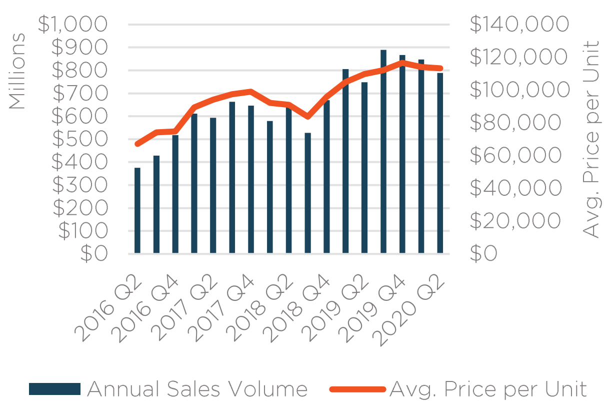
Units Under Construction



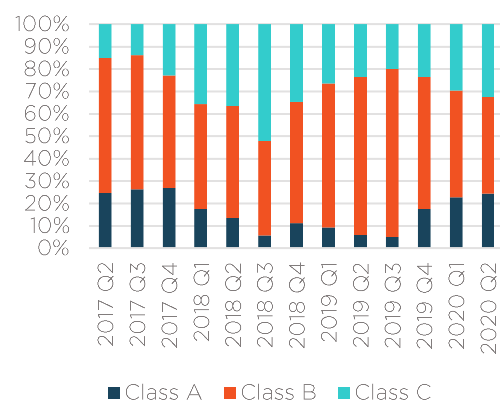
Absorption and Deliveries



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	95.4%	$1,491	0.6%	2.2%
High-Income Suburbs	96.9%	$1,436	4.5%	3.2%
Suburbs	93.6%	$1,382	4.0%	2.1%
Exurbs	87.5%	$1,466	3.2%	2.3%
Total	93.4%	$1,415	3.5%	2.3%
CLASS B/C	**OCC. RATE**	**EFF. RENT**	**YOY RENT GROWTH**	**5. YR. AVG. RENT GROWTH**
Urban Core	95.7%	$998	2.3%	2.4%
High-Income Suburbs	96.3%	$1,160	2.8%	2.8%
Suburbs	94.7%	$1,056	4.7%	3.3%
Exurbs	93.5%	$1,130	2.3%	2.5%
Total	94.9%	$1,059	3.8%	3.0%

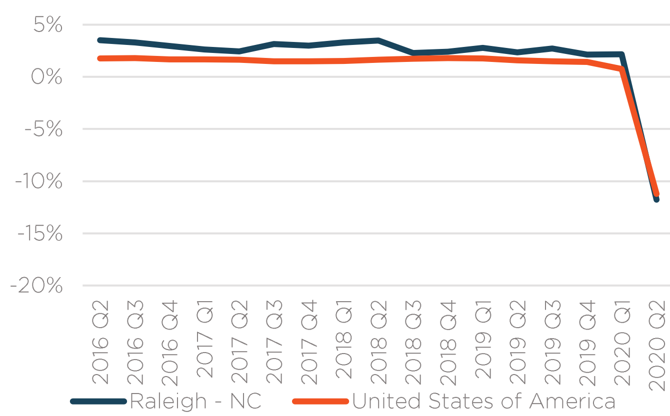
SOURCES: COSTAR

RALEIGH

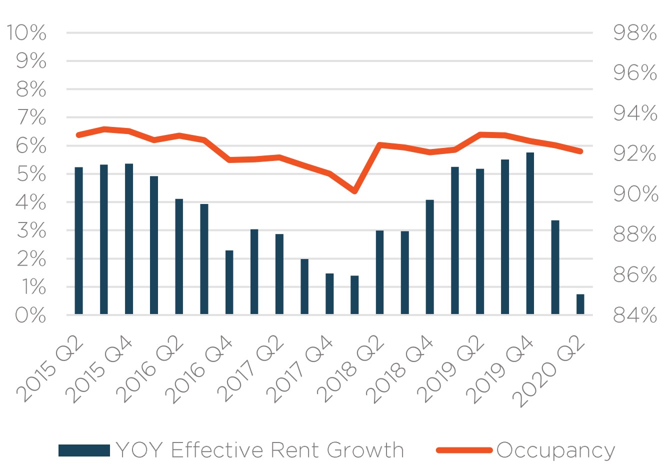
$78,000 MEDIAN HOUSEHOLD INCOME ↑ 1.5% YOY	**1,401,000** POPULATION ↑ 2.8% YOY	**9.9%** UNEMPLOYMENT RATE ↑ 640 BPS FROM Q2 2019
3.6 HOME PRICE-TO-INCOME RATIO	**0.7%** YOY EFFECTIVE RENT GROWTH ↓ 440 BPS FROM Q2 2019	**6.5%** UNITS U/C AS % OF STOCK ↑ 230 BPS FROM Q2 2019

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 $78,000. 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.

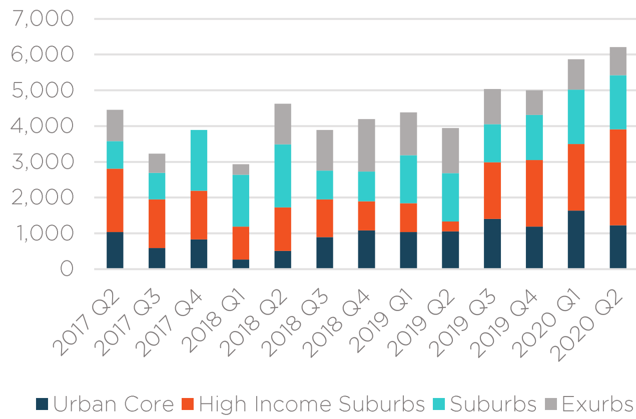
Raleigh's growth has sustained a strong, and relatively stable history of rent growth and occupancy over the last five years, despite the delivery of thousands of new units. However, Raleigh suffered substantial job losses in Q2 2020, about on pace with the US average and average YOY rent growth dropped sharply, from 3.4% in Q1 to just 0.7% in Q2. Class A rents actually fell by 0.3%. Class A rents, in particular, are likely to slide further in Q3 and Q4 due to the ongoing impact of COVID. Moreover, because the pipeline of units under construction in Raleigh actually expanded in Q2, Class A rents may face a slower road to complete recovery in 2021.

Nevertheless, the foundation of the Raleigh economy is still relatively attractive. Over the medium to longer-term Raleigh should remain a strong performer.

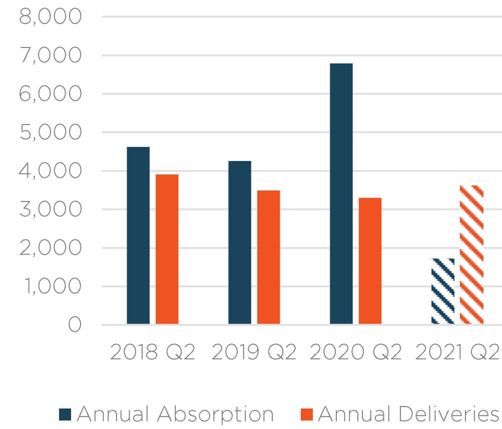
MIDDLEBURG COMMUNITIES

RALEIGH

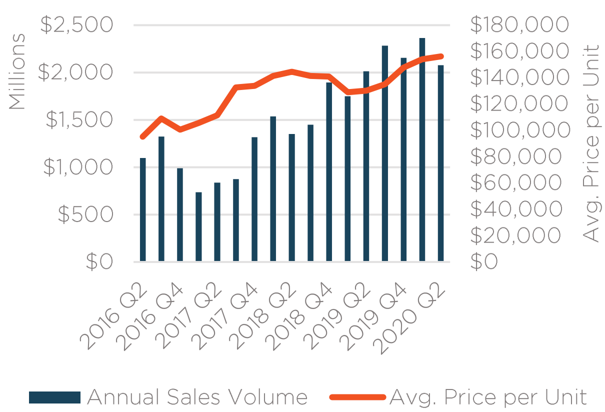
Units Under Construction



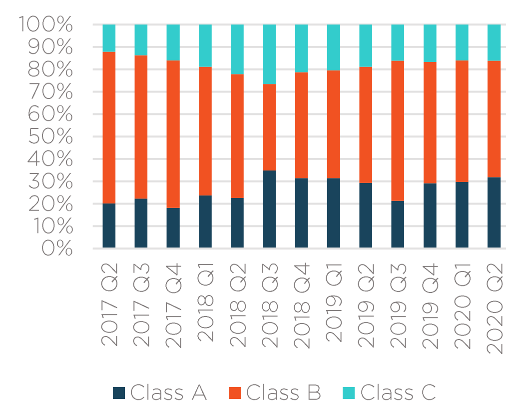
Absorption and Deliveries



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	82.9%	$1,497	-0.5%	1.8%
High-Income Suburbs	93.6%	$1,288	-1.0%	3.0%
Suburbs	89.5%	$1,292	1.5%	2.5%
Exurbs	83.3%	$1,192	-2.4%	2.0%
Total	88.5%	$1,348	-0.3%	2.4%
CLASS B/C	OCC. RATE	EFF. RENT	YOY RENT GROWTH	5. YR. AVG. RENT GROWTH
Urban Core	94.0%	$1,034	2.2%	3.8%
High-Income Suburbs	93.3%	$1,141	0.2%	3.3%
Suburbs	94.0%	$1,061	3.0%	4.2%
Exurbs	90.8%	$1,146	0.2%	3.0%
Total	93.2%	$1,101	1.4%	3.6%

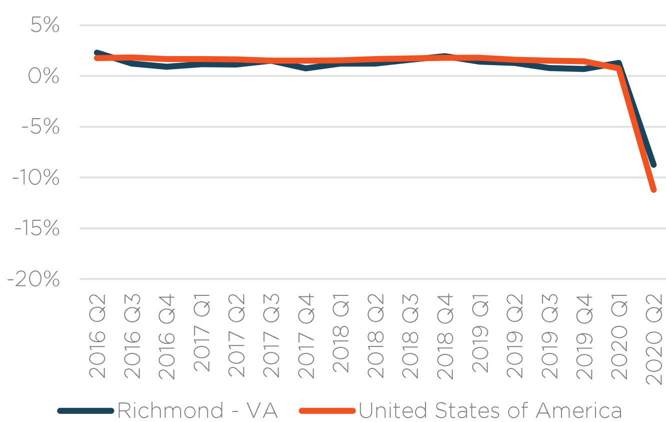
SOURCES: COSTAR

RICHMOND

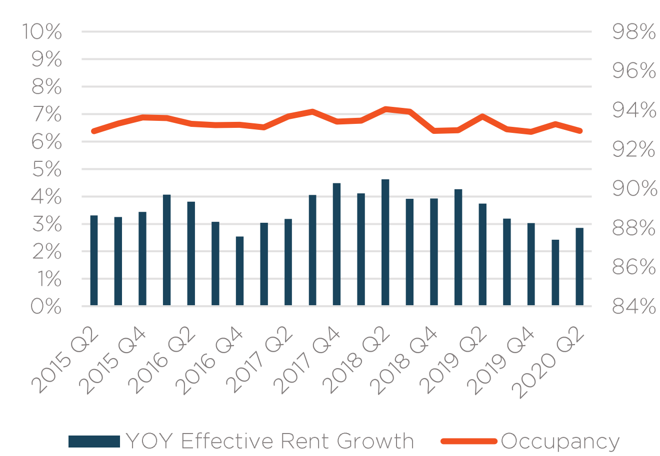
$70,000 **MEDIAN HOUSEHOLD INCOME** ↑ 2.5% YOY	**1,326,000** **POPULATION** ↑ 0.9% YOY	**9.9%** **UNEMPLOYMENT RATE** ↑ 700 BPS FROM Q2 2019
3.6 **HOME PRICE-TO-INCOME RATIO**	**2.9%** **YOY EFFECTIVE RENT GROWTH** ↓ 90 BPS FROM Q2 2019	**5.5%** **UNITS U/C AS % OF STOCK** ↓ 60 BPS FROM Q2 2019

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.

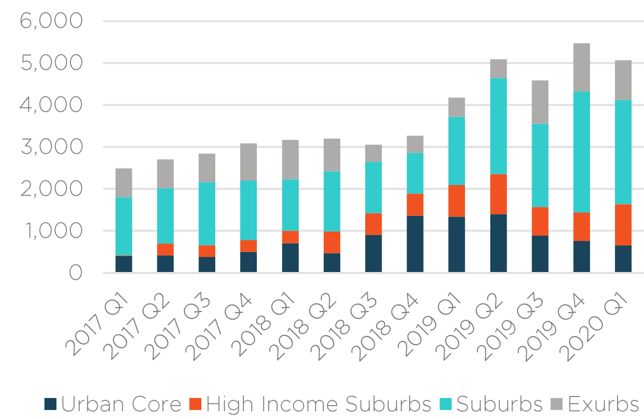
Indeed Richmond's apartment market in Q2 2020, looked much like any other quarter over the last five years, almost as if COVID never happened. The average effective rent was up by 2.9% over last year, led by Class B/C apartments, and overall occupancy, at 93.0% was essentially unchanged over recent history.

However, with state budget cuts potentially looming, Richmond's economic foundations are not immune to the impacts of COVID-19. Moreover, its pipeline, while certainly not as large as Nashville or Charlotte, is large in relation to this metro's own history. As a result, rent growth will almost certainly slow in Q3 and Q4. Still, Richmond has a fair chance of escaping this recession without a drop in overall average rents, which is more than can be said of most metros.

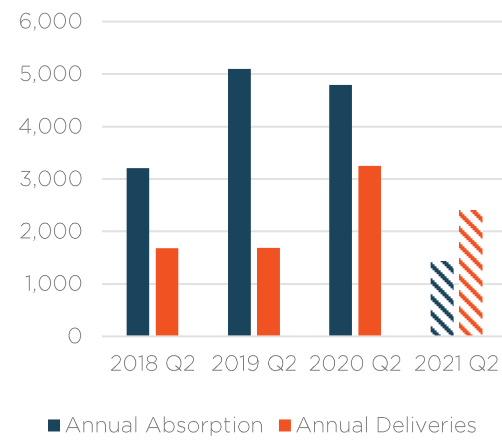
MIDDLEBURG COMMUNITIES

RICHMOND

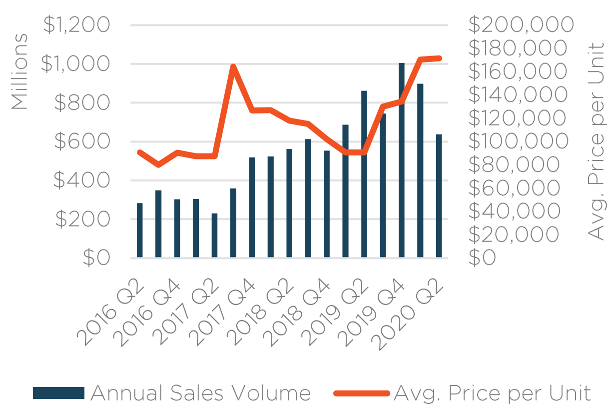
Units Under Construction



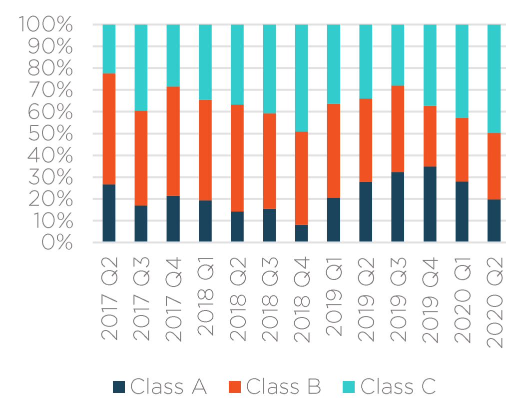
Absorption and Deliveries



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	91.4%	$1,418	3.2%	3.2%
High-Income Suburbs	69.8%	$1,345	-3.5%	3.0%
Suburbs	86.8%	$1,292	1.4%	2.7%
Exurbs	92.9%	$1,441	3.9%	2.5%
Total	86.4%	$1,353	1.1%	2.6%
CLASS B/C	OCC. RATE	EFF. RENT	YOY RENT GROWTH	5. YR. AVG. RENT GROWTH
Urban Core	94.5%	$1,191	0.8%	2.4%
High-Income Suburbs	94.9%	$1,248	4.2%	4.9%
Suburbs	93.7%	$1,052	2.9%	4.2%
Exurbs	95.8%	$1,079	4.7%	4.1%
Total	94.4%	$1,083	3.3%	4.1%

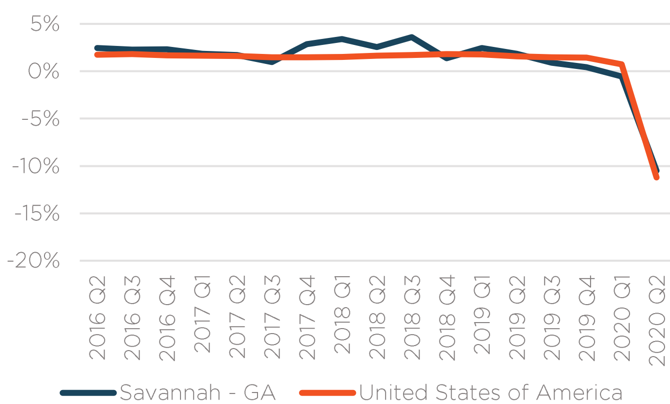
SOURCES: COSTAR

SAVANNAH

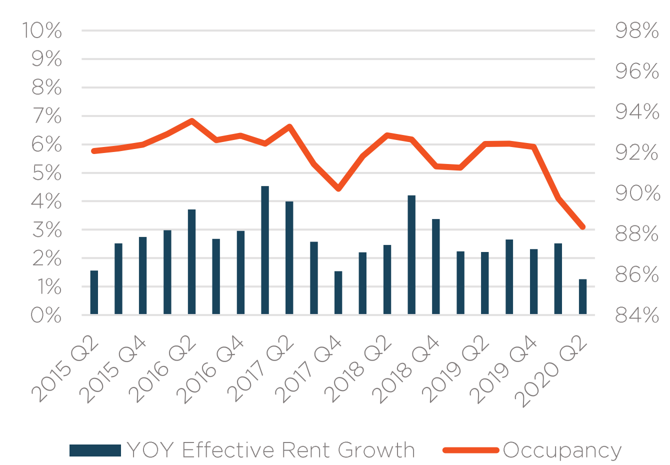
$61,000 MEDIAN HOUSEHOLD INCOME ↑ 2.6% YOY	**394,000 POPULATION** ↑ 0.6% YOY	**11.6% UNEMPLOYMENT RATE** ↑ 840 BPS FROM Q2 2019
3.5 HOME PRICE-TO-INCOME RATIO	**1.3% YOY EFFECTIVE RENT GROWTH** ↓ 100 BPS FROM Q2 2019	**4.9% UNITS U/C AS % OF STOCK** ↓ 560 BPS FROM Q2 2019

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

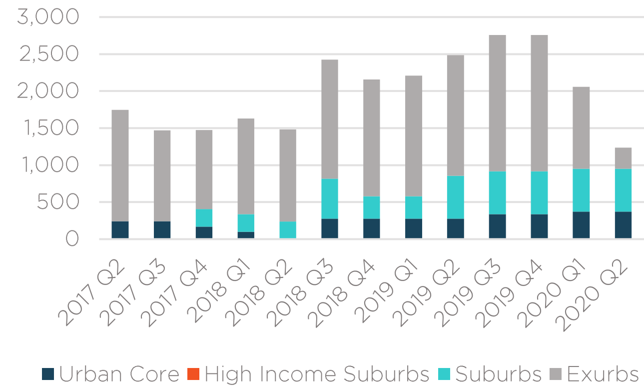
Savannah's key strengths – in logistics, manufacturing, and tourism, were, until the onset of COVID-19, supporting job growth at least equal to or better than the US average. The market had also begun to attract more interest from investors. Several Class A properties traded in just the last two years,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

With its relatively large pipeline and concentration of employment in the tourism industry, Savannah had reason for concern entering this recession. However, job losses have been in-line with the national average and while YOY rent growth certainly slowed, the 1.3% posted in Q2 2020 is not a bad result given the national environment.

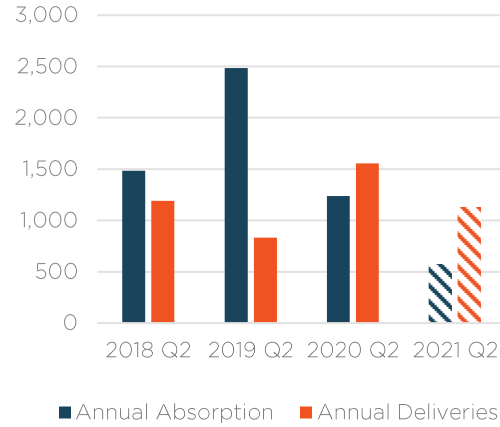
However, the pipeline remains a concern. Over 1,500 units have delivered in 2020 thus far, equating to about 6.3% of the total inventory and another 1,237 were under construction as of Q2 2020. Such a rapid expansion of the stock would put pressure on the market even in good economic times. So average rent declines, particularly for Class A properties, remain a likely possibility for the remainder of the year here.

SAVANNAH

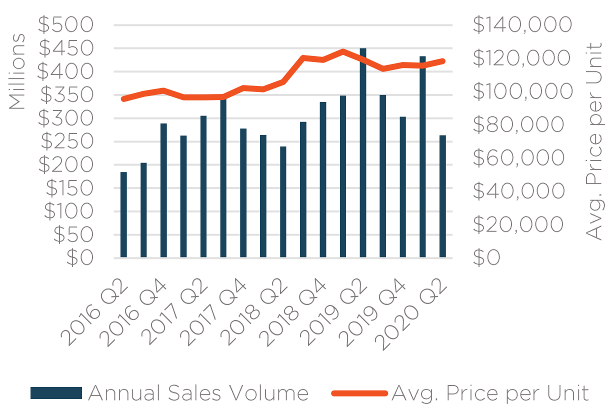
Units Under Construction



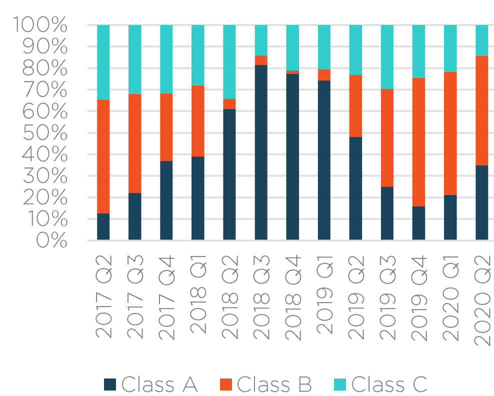
Absorption and Deliveries



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	86.1%	$2,232	2.5%	NA
High-Income Suburbs	NA	NA	NA	NA
Suburbs	90.1%	$1,330	-0.9%	NA
Exurbs	87.5%	$1,123	-2.8%	1.0%
Total	87.9%	$1,230	-1.8%	1.5%
CLASS B/C	OCC. RATE	EFF. RENT	YOY RENT GROWTH	5. YR. AVG. RENT GROWTH
Urban Core	91.7%	$1,087	-1.5%	2.8%
High-Income Suburbs	NA	NA	NA	NA
Suburbs	91.9%	$939	3.6%	3.9%
Exurbs	85.5%	$1,039	2.4%	3.0%
Total	88.5%	$999	2.8%	3.4%

SOURCES: COSTAR

WILMINGTON

$55,000
MEDIAN HOUSEHOLD INCOME
↑ 2.1% YOY

300,000
POPULATION
↑ 1.2% YOY

11.8%
UNEMPLOYMENT RATE
↑ 800 BPS FROM Q2 2019

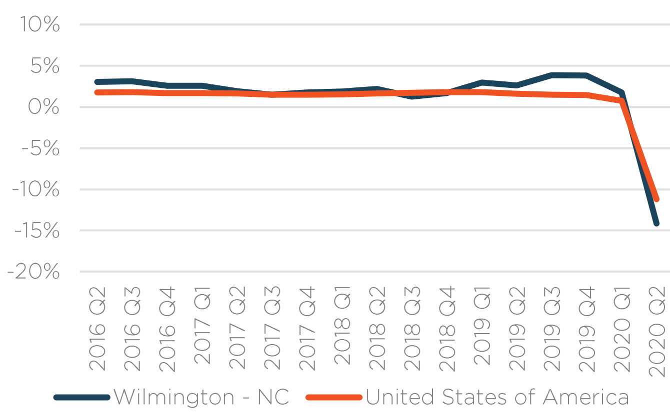
4.9
HOME PRICE-TO-INCOME RATIO

0.4%
YOY EFFECTIVE RENT GROWTH
↓ 730 BPS FROM Q2 2019

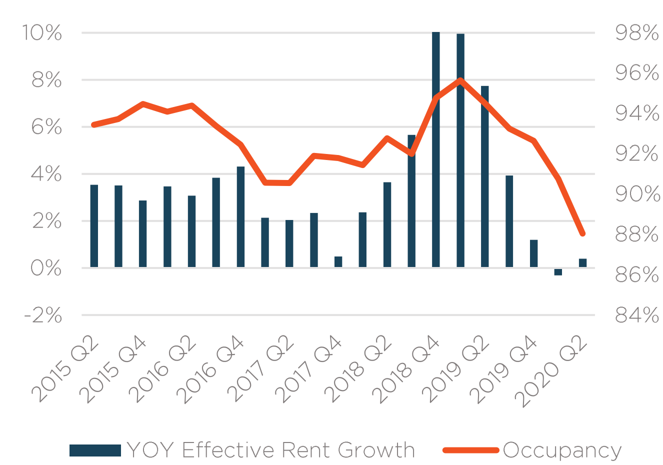
5.6%
UNITS U/C AS % OF STOCK
↓ 390 BPS FROM Q2 2019

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

YOY Job Growth



YOY Effective Rent Growth and Occupancy



SOURCES: COSTAR, ZILLOW, FEDERAL RESERVE ECONOMIC DATABASE

The Wilmington apartment market has experienced a roller-coaster ride in the recent past 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%.

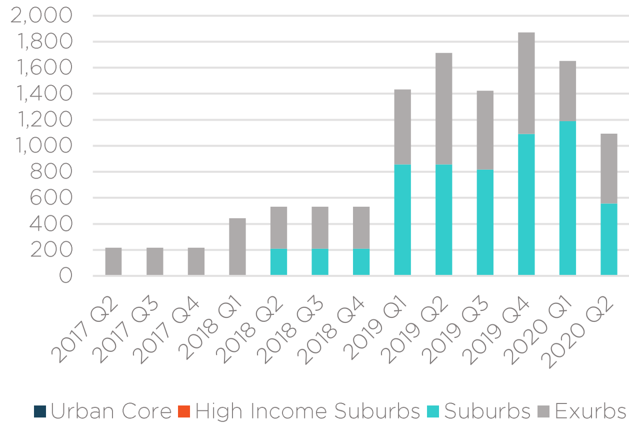
That gain was followed by a drop to slightly negative rent growth in Q1 2020, precipitated in part by a large amount of new supply that delivered at the end of 2019 and into 2020. In Q2, the average rent returned to positive growth but only by a minimal amount.

The Wilmington economy is heavily dependent on tourism, so its YOY loss of 14.1% of total employment, worse than the national average of 11.2%, is not totally surprising. However, retirees are an important segment of the Wilmington rental market. As a result, the Wilmington apartment market is likely to fare better than the severe job losses might suggest.

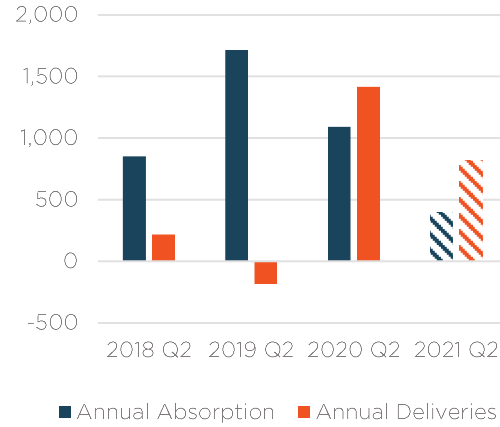
Still, YOY declines in rents in the coming quarters are more likely than not.

WILMINGTON

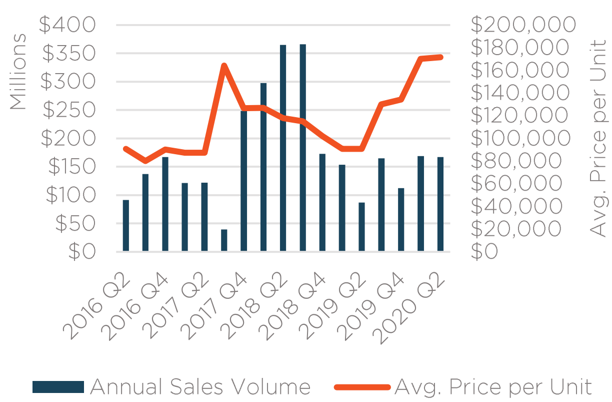
Units Under Construction



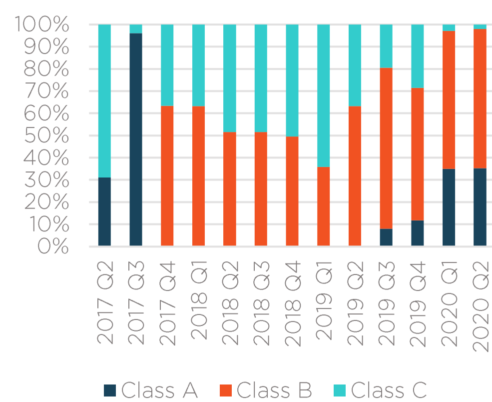
Absorption and Deliveries



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	73.9%	$1,422	-3.9%	1.9%
Exurbs	69.8%	$1,230	0.3%	NA
Total	71.8%	$1,335	-2.0%	2.6%
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	91.3%	$1,006	1.5%	3.6%
Exurbs	90.7%	$1,104	0.8%	4.0%
Total	91.0%	$1,050	1.2%	3.8%

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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