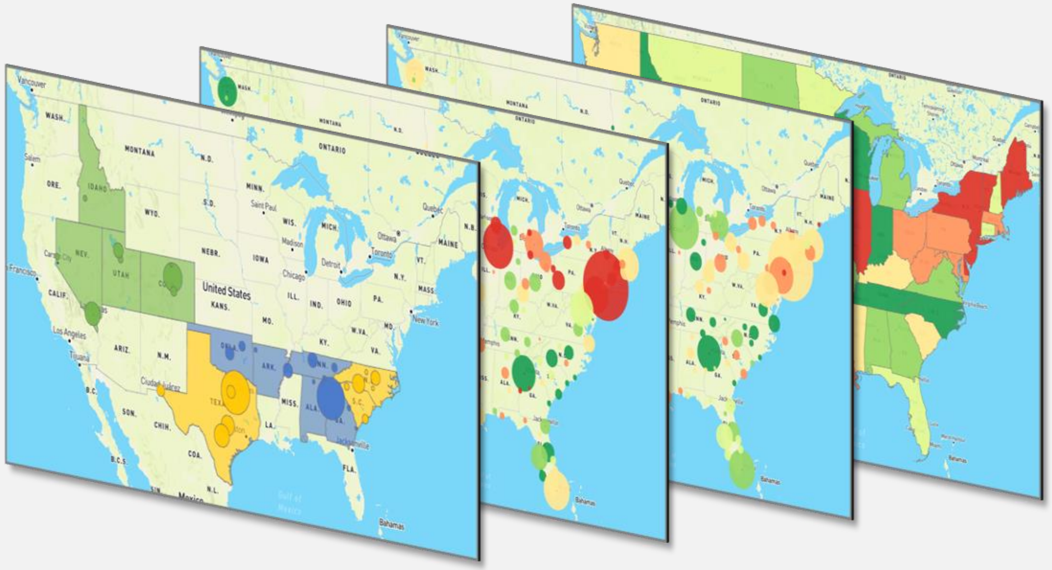
Silverstone Partners



Market Selection Framework

AUGUST 2022

CAUTIONARY STATEMENT CONCERNING FORWARD LOOKING STATEMENTS

This document contains forward-looking statements. In addition, from time to time, we or our representatives may make forward-looking statements orally or in writing. We base these forward-looking statements on our expectations and projections about future events, which we derive from the information currently available to us. Such forward-looking statements relate to future events or our future performance, including: our financial performance and projections; our growth in revenue and earnings; and our business prospects and opportunities. You can identify forward-looking statements by those that are not historical in nature, particularly those that use terminology such as “may,” “should,” “expects,” “anticipates,” “contemplates,” “estimates,” “believes,” “plans,” “projected,” “predicts,” “potential,” or “hopes” or the negative of these or similar terms. In evaluating these forward-looking statements, you should consider various factors, including: our ability to change the direction of the Company; our ability to keep pace with new technology and changing market needs; and the competitive environment of our business. These and other factors may cause our actual results to differ materially from any forward-looking statement. Forward-looking statements are only predictions. The forward-looking events discussed in this document and other statements made from time to time by us or our representatives, may not occur, and actual events and results may differ materially and are subject to risks, uncertainties and assumptions about us. We are not obligated to publicly update or revise any forward-looking statement, whether as a result of uncertainties and assumptions, the forward-looking events discussed in this document and other statements made from time to time by us or our representatives might not occur.

SUMMARY OF RISK FACTORS

We face risks, which include, but are not limited to, the following:

- The availability of financing and attractiveness of its terms;
- Changes in economic conditions generally and the real estate market specifically;
- Changes in interest rates;
- Competition in the real estate industry generally and the apartment community sub-industry specifically;
- The supply and demand for properties in our target market areas;
- Our ability to successfully identify and acquire desirable properties;
- Our inability to efficiently manage our properties; and
- Legislative and regulatory changes.

Introduction

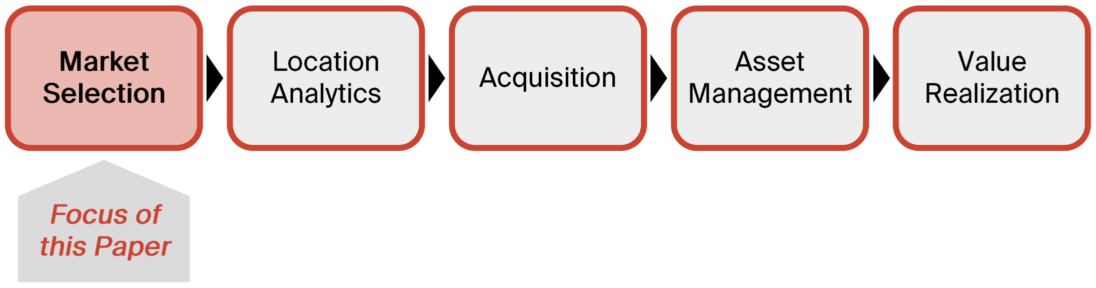
Silverstone Partners' Value-add strategy is to invest in multifamily assets in high-growth US markets, where we see clear evidence of supportive supply/demand fundamentals, a favorable macroeconomic backdrop, and a compelling long-term outlook. A thoughtful, methodical and disciplined approach to both market and asset selection then gives way to an active asset management program to maximize the investment's value. However, **selecting the right markets in which to pursue opportunities is the critical first step.**

The rapidly-evolving multifamily sector will encounter several key headwinds going forward. Population growth is slowing and economic growth is shifting, creating an uneven growth profile in the various regions and markets across the US. Affordability, environmental, political, and policy issues are now front-and-center considerations for both tenants and real estate investors. Lastly, the forces of interest rates and inflation are becoming progressively volatile, creating considerable uncertainty to the return environment going forward despite the wall of capital that is still looking to be deployed into the sector.

However, we believe the multifamily sector still offers many opportunities for outperformance. Despite the risk of recession, wage growth is robust, economic growth in certain regions is pushing higher, and rising development costs will counter some of the effects of rising rates on asset values. Finding areas of outperformance has rarely been so difficult, or rewarding. A keen understanding of the occupier, investment and broader financial market conditions allows for a disciplined investment approach to maximize the chances of success.

At Silverstone Partners, we apply a data-driven approach to market evaluation and selection, leveraging traditional data for both real estate performance and the economy, as well as alternative data sources. We employ a "Goldilocks" mindset to our analysis – not flooding our process with excessive volumes of irrelevant data, but also not leaving material information overlooked as we evaluate our universe of opportunities. The end result is a collectively comprehensive assessment of market prospects that can then be married with a more qualitative perspective to inform a deployment strategy that can be executed with conviction.

Real Estate Value Chain



Executive Summary

Silverstone's Value-add investment strategy is underpinned by a market evaluation and selection framework in which we identify the markets with the most attractive return prospects for our portfolio. Developing this investment strategy is a critical first step in the design and building of a portfolio, as previous work has shown that market selection is the most critical decision for a real estate investor.

To identify the most attractive markets for investment, we employ an objective, data-driven and analytical approach, focusing on metrics that have historically demonstrated themselves to be predictive of future performance, as well as other metrics that we believe will be important in the future. We identify markets and regions that are expected to have strong performance in the near-term, and also evaluate characteristics that contribute to their long-term performance, notwithstanding their current position in the near-term cycle. This perspective focuses on real estate fundamentals, on top of which pricing will then be considered.

Our conclusions, summarized on the right, **reaffirm our conviction of attractive opportunities in the sunbelt region, specifically key markets in Texas and the Carolinas.** These two areas are demonstrating strong near-term fundamentals and are also well-positioned for sustained healthy performance in the years to come. In addition to this, **we believe there are attractive opportunities in other nearby markets, mostly in the Upper South sunbelt, as well as the Mountain region.** These markets offer both diversification potential as well as relatively favorable pricing given current investor trends.

Market Selection Strategy Highlights

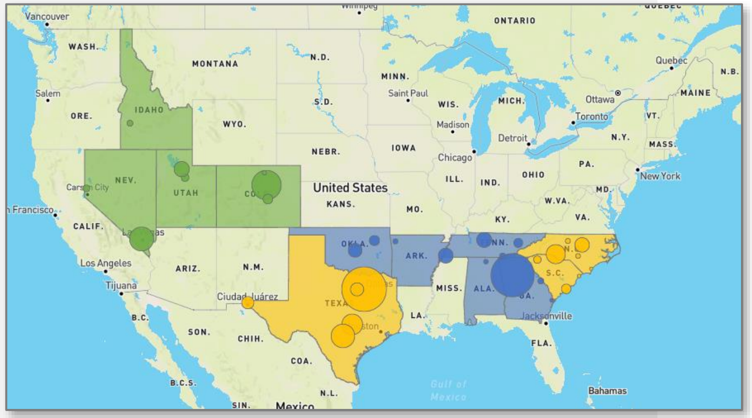
- Evaluation process driven by search for higher growth, positive occupier market fundamentals, greater affordability, and a sustainable long-term outlook
- Current focus on Texas and Carolinas reinforced by positive near-term and long-term outlook remains intact
- Expanded focus to additional markets in the Upper South sunbelt as well as Mountain region

Target Markets

Markets: Texas, North Carolina, South Carolina

New Sunbelt Target Markets: Georgia, Arkansas, Tennessee, Oklahoma, Alabama

New Mountain Target Markets: Utah, Idaho, Nevada, Colorado

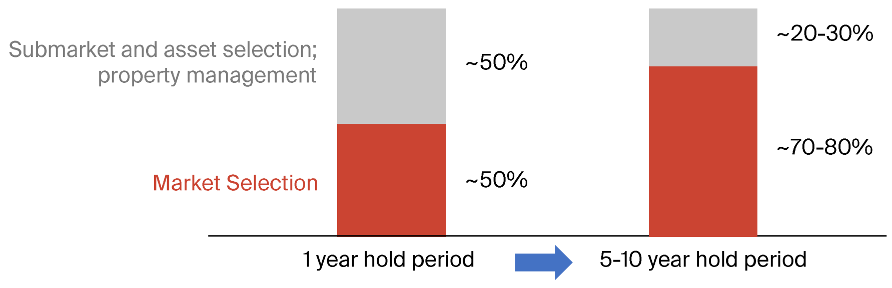


Investment Approach – The Importance of Market Selection

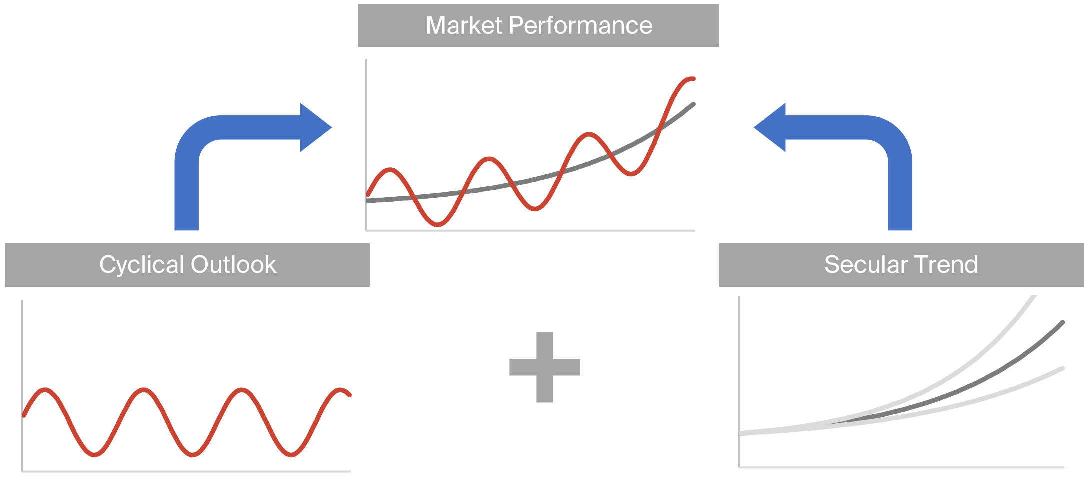
As we seek to deploy capital into individual assets, our assessment begins at the market level. Previous work has shown that market selection remains the most critical decision for an investor, accounting for approximately 50% of an asset's performance in the near-term – and this attribution share increases as the hold period grows. Similar to a tide that lifts or lowers all boats, this perspective forms the basis upon which the best submarkets and assets can then be selected, and superior asset management can then be applied to realize a property's full potential. This fundamental alignment of the portfolio we build for our investors, within our markets of highest conviction, will maximize our chances of success for our asset management efforts to bring the greatest return on our capital.

Our market selection framework begins with consideration of two distinct timeframes – the **near-term outlook** and **long-term prospects**. Separating these views invites two distinct but equally important perspectives on real estate investment prospects and is also consistent with the two major forces driving real estate returns – cyclical and secular. We make this distinction as a market that is currently well-positioned in the near-term cycle may have poor long-term prospects that will hinder its performance further out. Conversely, a market that does not currently offer compelling return prospects may be worth monitoring for future opportunities if the long-term prospects are still attractive. Ideally, we seek markets that have attractive investment prospects in both near-term and long-term.

Drivers of Real Estate Return – The Importance of Market Selection



Components of Market Performance



Investment Approach – Separating the Near-term Cyclical Outlook from the Long-term Secular Trend

In the near-term (three-five years), markets can experience varying levels of demand, changes to supply, or more immediate economic headwinds or tailwinds. Furthermore, close scrutiny of these factors can also identify emerging risks to a market, allowing investors to direct capital to or away from those markets offering relatively higher or lower risk-adjusted return prospects.

Over longer periods (5+ years), secular trends become more dominant. These are often socio-economic, demographic, political or environmental forces that may take several years, if not decades, to play out. However, they can greatly influence investor sentiment and underwriting, and thus remain an important part of a sound real estate investment strategy. Understanding how these forces are likely to impact the long-term performance of a market will help us “plant a flag” in markets that have an attractive long-term outlook.

Characterizing our views through data allows us to objectively evaluate our entire universe of markets, after which a short-list of attractive markets can then be more closely assessed. Our framework leverages a host of both traditional and alternative data sources, assembling almost two million datapoints covering more than 130 markets, analyzing historical trends and relationships, as well as current market positioning. In many cases the results were confirmatory of our long-held beliefs, while in others, our views were challenged. Finally, this exercise helped us uncover and better understand new markets that should be on our radar for investment. As we continue to expand our platform and portfolio, updates to and revisitation of this framework, as well as the incorporation of new sources of information, are a high priority for us to ensure that we, and hence our investors, are well-positioned.

Market Performance: Near-term Outlook vs Long-term Prospects

		Near-term Outlook	
		Negative	Positive
Long-term Prospects	Positive	Monitor for future opportunities	Primary focus of investment efforts
	Negative	Monitor for change in conditions	Selectively invest with a shorter hold period

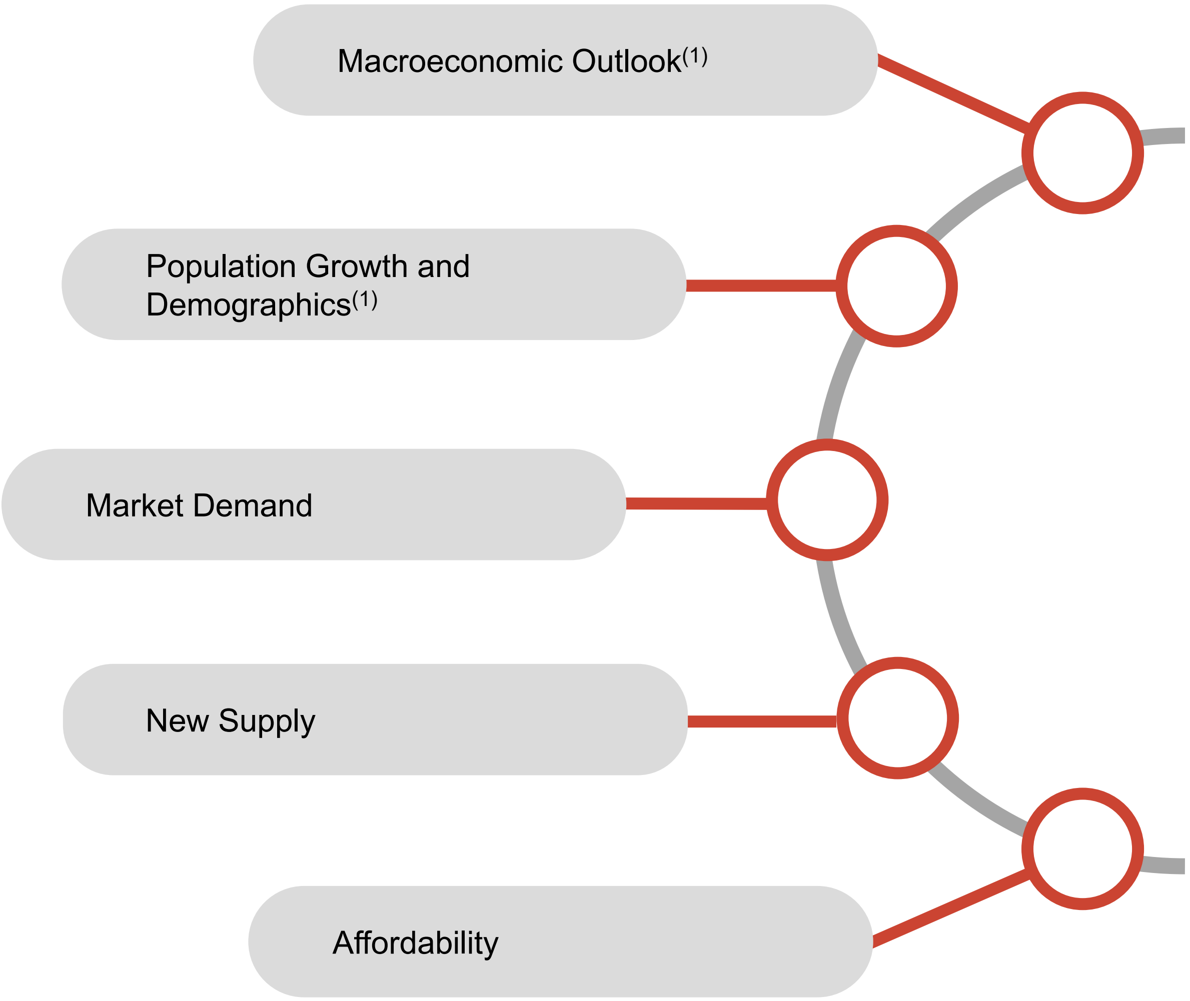
Near-term Outlook – A Focus on Economics, Demographics, Affordability and Supply / Demand Fundamentals

The objective of our evaluation of near-term prospects is to understand the likely path of rent growth and market demand over the next three to five years. This perspective serves as a critical input into our assessment of individual opportunities, as well as identifying any significant headwinds, tailwinds, or risks to the outlook.

A market's rent growth is most strongly related to the balance of supply and demand and the capacity for the tenant base to absorb increases to rent. To this end, we prefer markets where there is a favorable macroeconomic and demographic growth story, occupancy is high, demand is likely to outpace new supply, and rents are relatively affordable – these considerations guide our selection and evaluation of metrics.

The economic and demographic outlook[1] is informed by metrics indicating that a market is expected to see above-average growth and has a bias towards high-growth industries, population increases, as well as rising household wealth. Market affordability is assessed through the cost of renting compared to both incomes as well as home ownership, among other metrics. Finally, we evaluate expected demand for rental apartments against supply, as an indication of a market's positioning within its cycle. (Further detail on the full list of metrics can be found in the Methodology section)

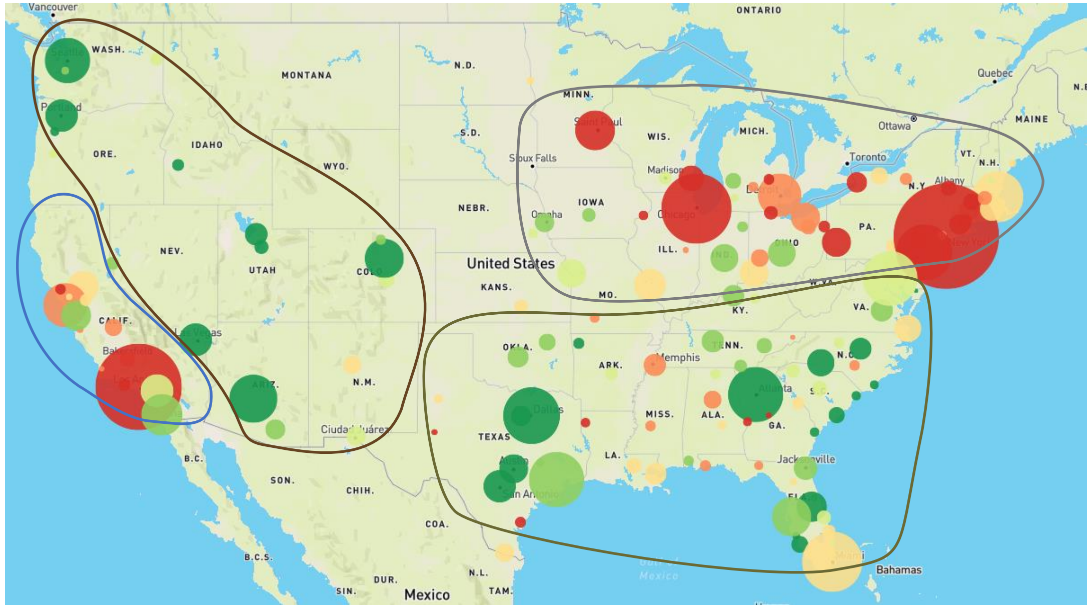
Through this process we identify a short-list of attractive markets, which is then complemented by a deeper dive to better understand the nuances that inevitably exist, as well as a more qualitative assessment with local experts and market visits.



(1) Forecasts sourced from Oxford Economics

Near-term Outlook – A Focus on Economics, Demographics, Affordability and Supply / Demand Fundamentals

Near-term market Outlook



*Bubble size denotes population

Unfavorable Outlook — Favorable Outlook

The results generally point to the most favorable near-term opportunities still in the Sunbelt and Mountain regions, as has been the case for several years now. Households and businesses alike remain attracted to these states given the greater affordability, compelling job opportunities, temperate weather, and lower tax environment. While many of these markets have seen construction activity increase, many seem able to absorb this new supply given the masses of people moving in (although supply remains a critical metric to watch), while higher rents are supported both by more favorable affordability as well as higher future incomes. This narrative is also consistent with the expectation that the larger markets in the northeast and west coast continue to remain challenged by outmigration, affordability and political risk.

The majority of markets can be largely segmented into four primary categories worth monitoring as a part of our investment strategy:

Mountain and Northwest

These markets continue to gain momentum due to the lower cost of living, favorable macro tailwinds, and higher quality of life

Northeast and Midwest

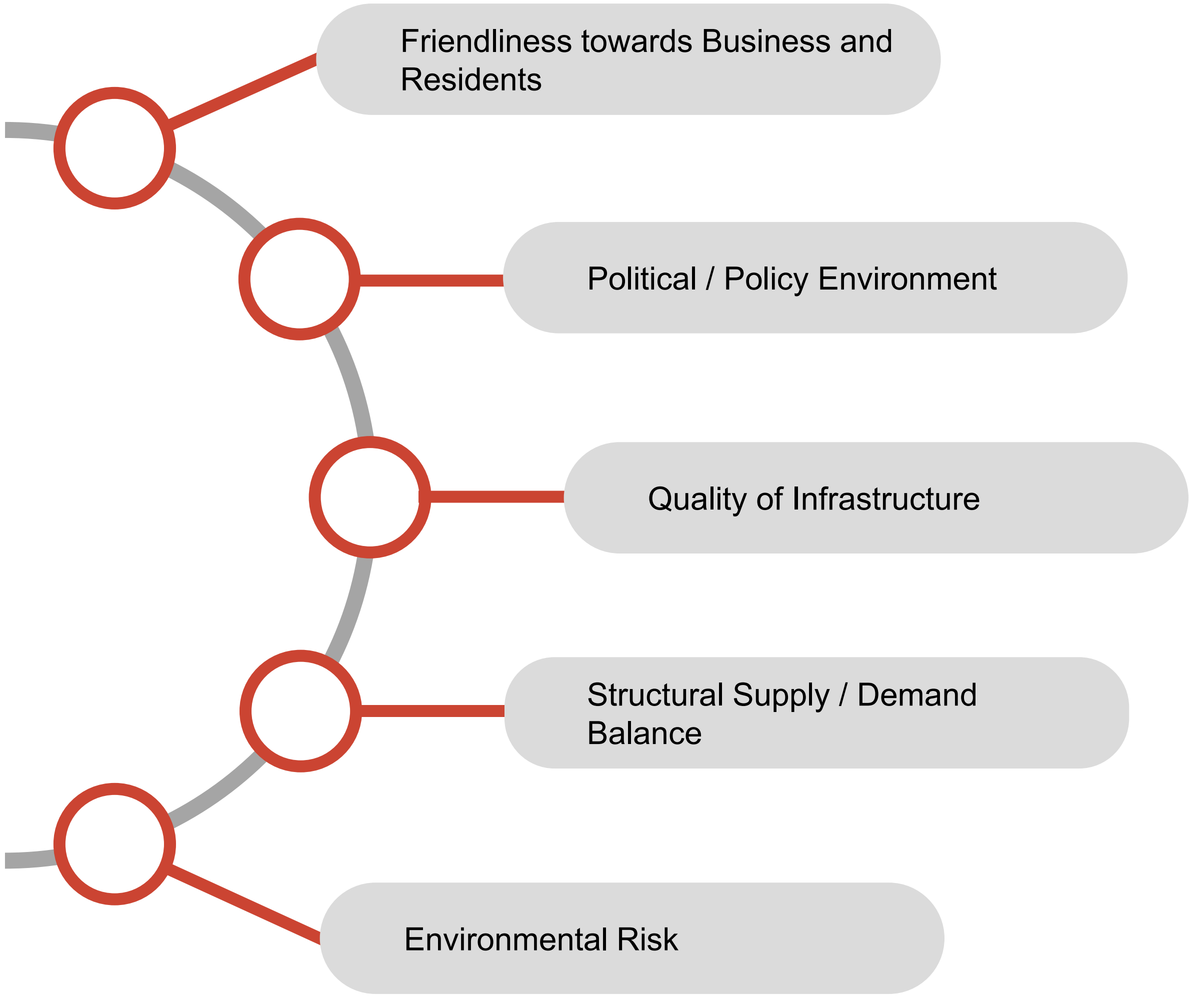
Market challenges remain given affordability headwinds and outmigration trends

California

Market challenges remain given affordability and outmigration trends

Sunbelt

Strong performance expected to continue given highly favorable macro tailwinds



Long-term Prospects – A Focus on Sustained Drivers of Performance

Market selection with a long-term perspective evaluates the primary factors that are critical to performance of real estate market fundamentals over a sustained period (5+ years). Given that real estate performance is primarily driven by economic, population and income growth, a city's attractiveness to businesses and people, as well as its ability to mitigate structural risks, are determining factors for success.

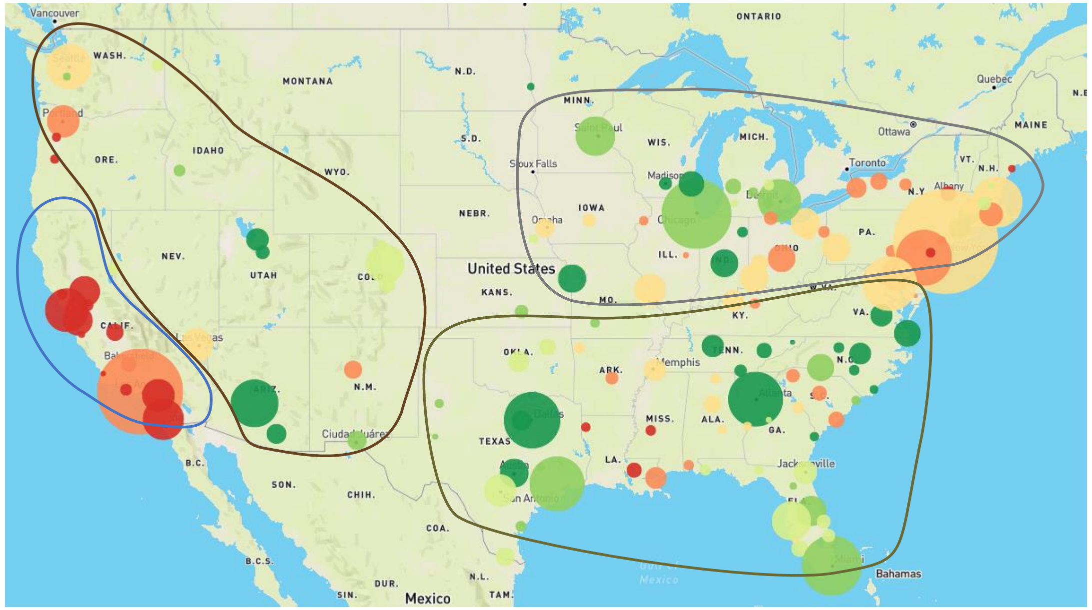
Businesses will consider the merits of a city for inception, expansion or relocation based on a host of factors, but most importantly the primary industries and specializations of the city, the political, corporate tax and regulatory environment, the quality of its infrastructure, and the general friendliness towards businesses.

Talented employees and other prospective residents will look to the quality of life and the availability of career opportunities, which is consistent with factors such as the presence of high-quality jobs, advantageous living costs, quality of schools and other amenities, safety, and personal taxes, among many others. In the most ideal of environments, a city can create a virtuous cycle of attracting both employers and employees, and build a high quality, productive industry base which ultimately has a large benefit to the long-term opportunities of multifamily real estate.

Lastly the long-term performance of real estate fundamentals is also influenced by a number of structural factors including environmental considerations and the development environment, with those markets less susceptible to the impacts of climate change as well as markets with greater supply constraints generally expected to see more favorable long-term performance.

Long-term Prospects – A Focus on Sustained Drivers of Performance

Long-term Prospects



*Bubble size denotes population

Unfavorable Outlook — Favorable Outlook

From a secular perspective, the sunbelt, the southern Mountain states, as well as select Midwest states generally screen as currently attractive. These areas typically offer a business-friendly environment and are attractive to residents given the milder weather and lower cost of living. They are also less susceptible to environmental risks in comparison to the coastal markets, although the risk of drought and excessive heat in the southern US are key considerations.

Of note are the less favorable prospects in California and (to a lesser extent) the Northeast. Headwinds are mostly related to the environment as well as policy, where rent control laws are generally less favorable to landlords, while the tax environment discourages both businesses and residents alike. One notable positive of these markets, however, is that they typically have higher barriers to new supply, which should support higher structural rent growth. However, as most of these markets are seeing low (and in some cases negative) population growth, this becomes less of a tailwind. In contrast, while new development is easier in the sunbelt markets, the support from demand is largely mitigating this risk, but this also bears monitoring.

Mountain and Northwest

Generally favorable, although Northwest markets have less accommodating policies towards businesses

Northeast and Midwest

The political and business friendliness are still the primary negatives, which will likely continue to lead to out-migration

California

Political and policy factors, as well as friendliness towards businesses, are key headwinds

Sunbelt

A sustained overall secular outlook given the favorable environment to both businesses and residents alike

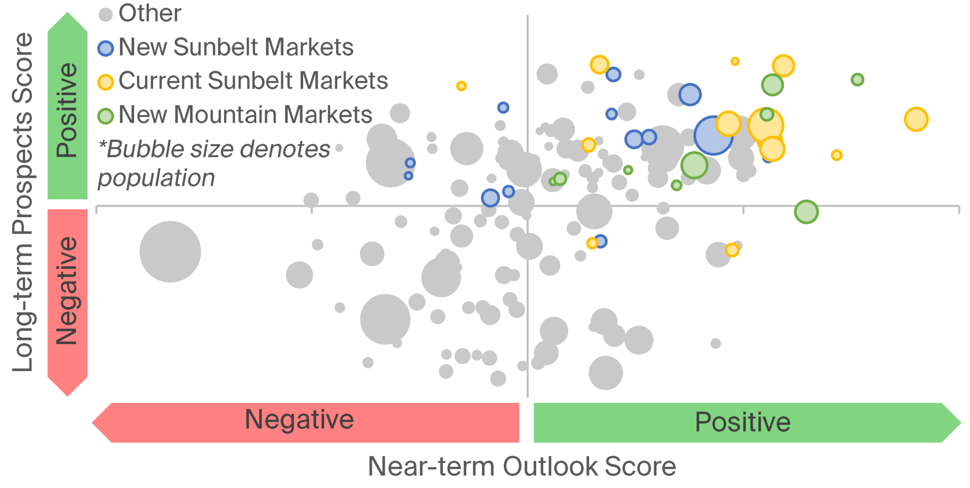
Conclusions – An Expanded Focus on the Upper Sunbelt and Mountain Regions

Combining our near-term outlook with our assessment of long-term prospects, we draw several conclusions which inform our approach to market selection and our Value-add investment strategy.

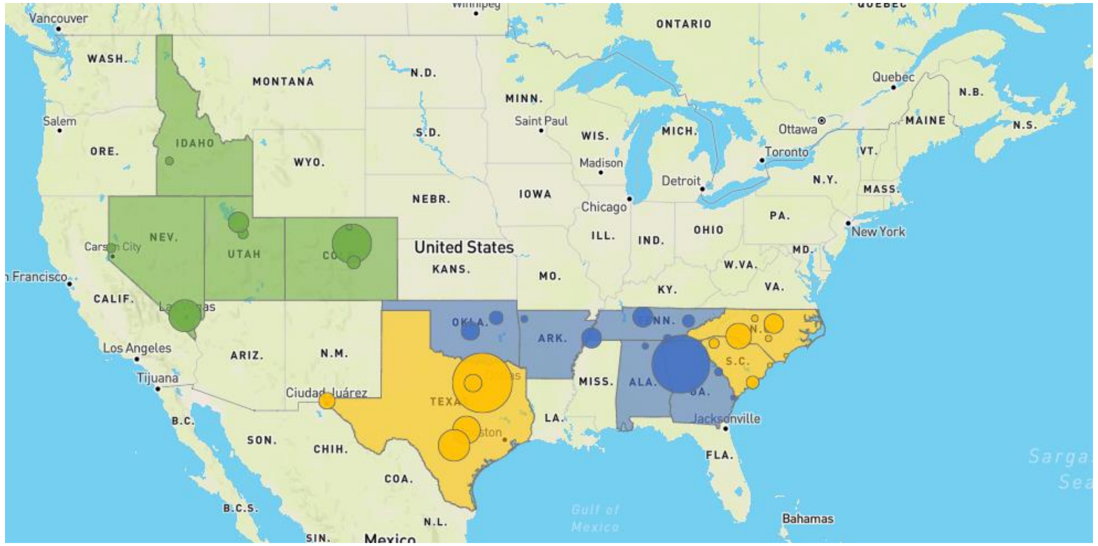
First, we retain our high conviction on the sunbelt region, with **our focus on Texas and the Carolinas very much intact.** These markets are demonstrating healthy near-term momentum and market dynamics remain favorable. Furthermore, the secular tailwinds driving the in-migration of business and residents alike appear to have significant staying power – it is very possible that this trend could continue to play out for a decade or more. Several other markets are demonstrating similarly attractive characteristics; thus we are expanding our investment focus to include key markets in Oklahoma, Tennessee, Georgia, Arkansas and Alabama.

We also see additional compelling opportunities in several Mountain states, specifically Utah, Idaho, Nevada and Colorado, where the outlook is positive both in the near-term as well as from a secular perspective. We are exploring opportunities in both primary and secondary cities, where we feel there are opportunities for both growth and yield.

Near-term Outlook Score vs Long-term Prospects Score



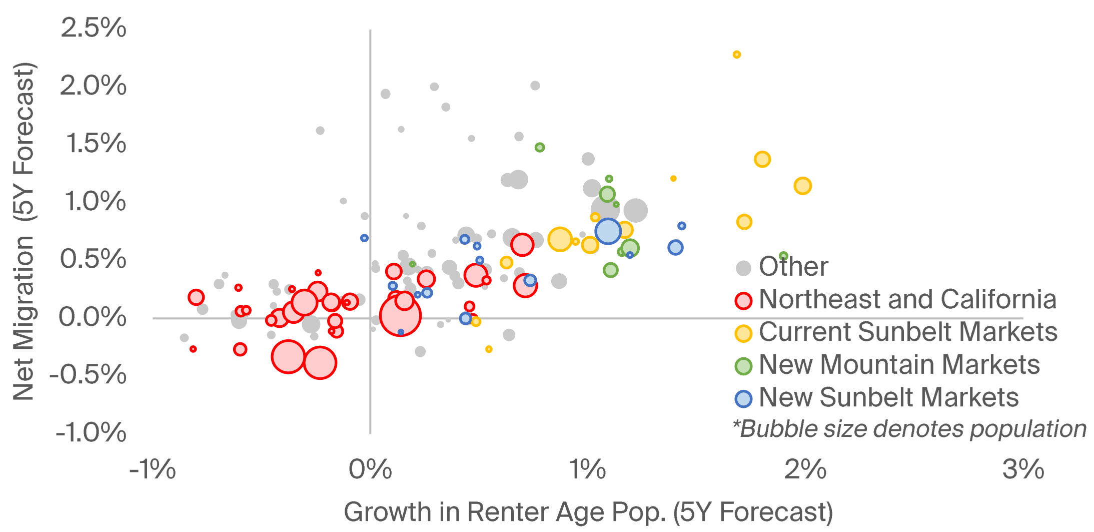
Map of Target Markets



Deeper Dive – Migration, Population and Demographic Shifts Continue to Lend Support to our Target Markets

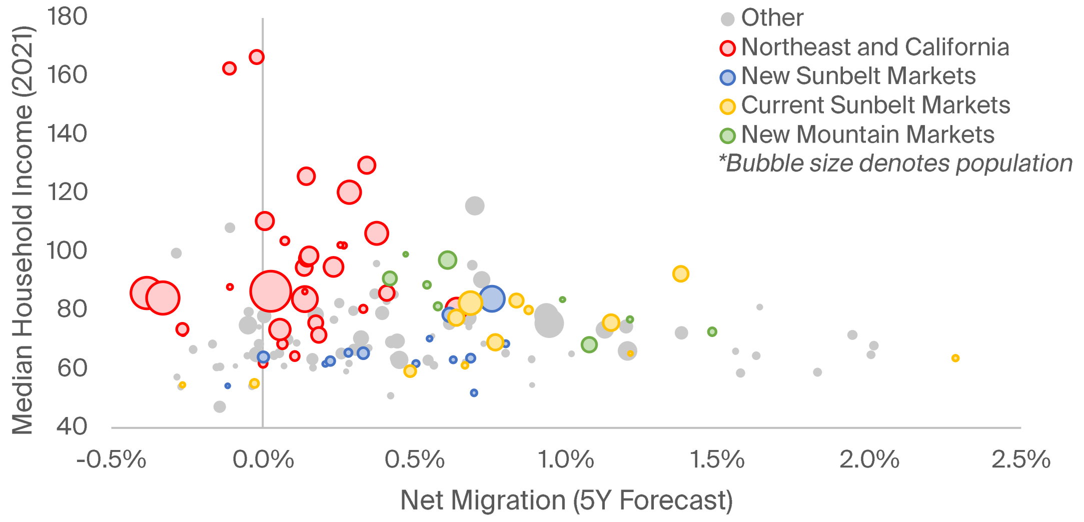
Population growth and demographic shifts are expected to benefit the Sunbelt and Mountain regions, as well as other smaller markets in the near-term at least, continuing a decade-long trend. Household income characteristics and migration patterns will be an additional tailwind to the smaller, more cost-effective regions in the south and inland west vs the gateway and northeast markets. Home ownership is also experiencing significant challenges, as home prices have been rising across the nation and the number of homes for sale remains near cyclical lows, a challenge that is compounded by rising construction costs. These dynamics are translating into sustained interest in rental properties in our key markets of focus.

Renter-age Population Growth vs Net Migration – Forecast (2021-2026)



Those markets expected to see the most in-migration of new residents are also those that will see the greatest increases to renter-age population. While we expect that our current target Sunbelt markets will lead that strength, our new target markets in the Upper Sunbelt and Mountain regions are also likely to be significant beneficiaries.

Net Migration (2021-2026 Forecast) vs Median Household Income (2021)

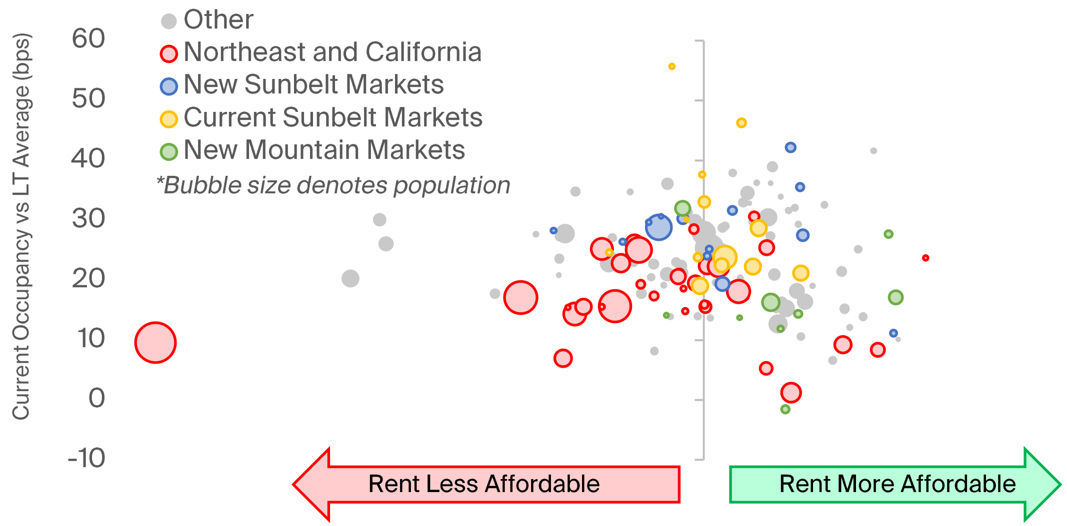


We expect that the primary sources of out-migration will continue to be from the northeast and California – markets that currently have higher household incomes vs the national average. The in-migration of these residents, with their incomes, to our target markets will benefit the overall market, supporting rent growth potential.

Deeper Dive – Market Dynamics Supportive of Rent Growth

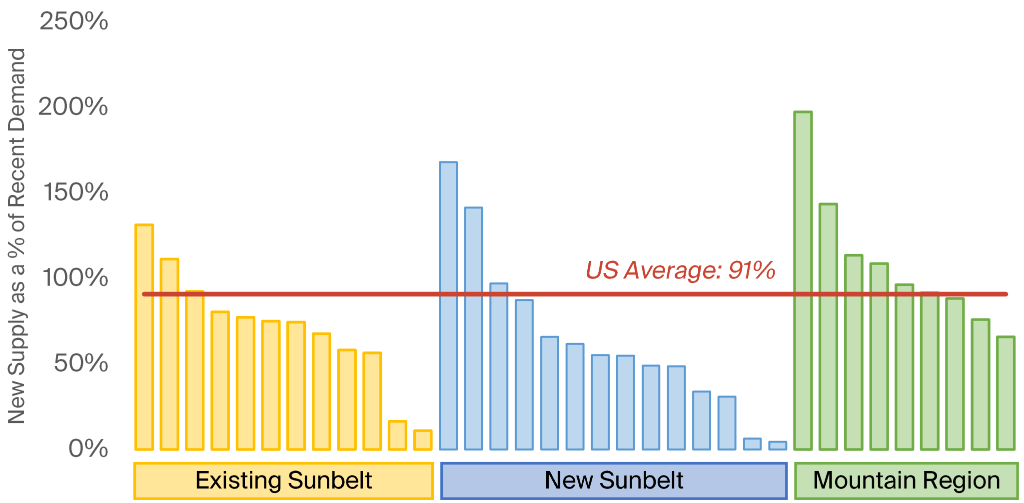
Market fundamentals at the national level are fairly healthy, as exceptionally strong demand coupled with a slowdown in construction (during the pandemic due to stoppages, and more recently exacerbated by supply chain issues) has led most markets to occupancy levels well above their respective historical averages. This has put significant upwards pressure on rental rates, which in some cases is challenging renter affordability. We observe relatively tight market conditions and greater affordability in our target markets within the Sunbelt and Mountain regions, which should create room for rents to increase. In response to the tight market conditions, construction activity has increased meaningfully. However, given the starting point of already high levels of occupancy, market conditions should remain relatively healthy, barring a significant slowdown in demand.

Current Occupancy (vs Long-term Average) vs Renter Affordability (1)



Virtually all markets are seeing occupancy above their historical averages, which is strongly predictive of above-average rent growth. Our current and expanded target set of markets within the Sunbelt and Mountain regions are generally more affordable[(1)], suggesting more room for rental growth.

Current Supply Pipeline as a Percentage of Recent (3Y Historical) Demand



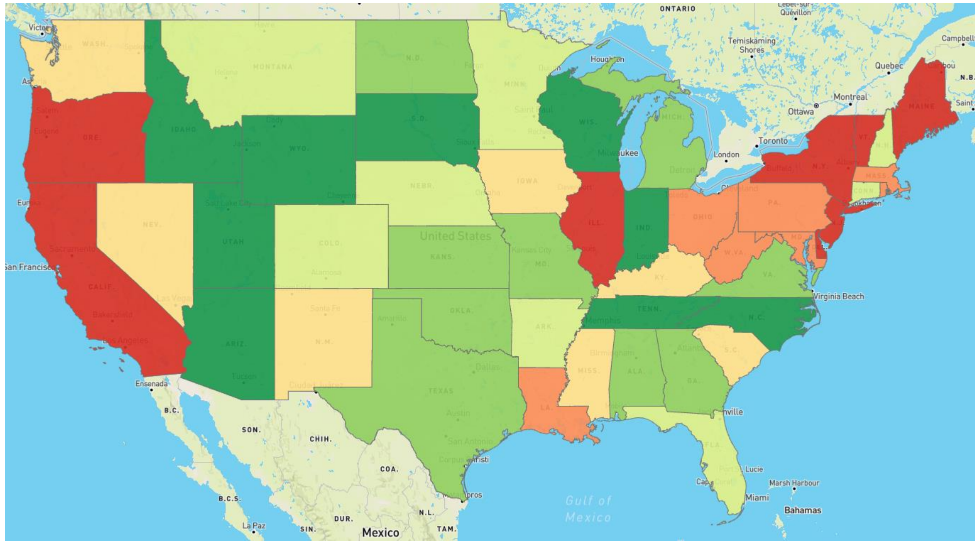
Construction activity (average over the next two years) is elevated in many markets, however relative to recent demand (average over past three years), most pipelines are manageable (assuming demand remains healthy). Given the high occupancy rates, tight conditions are likely to persist for the foreseeable future.

(1) Our Affordability index includes metrics related to rent vs. income and ownership costs, income inequality and rent burden among lower income residents

Deeper Dive – Long-term Market Positioning

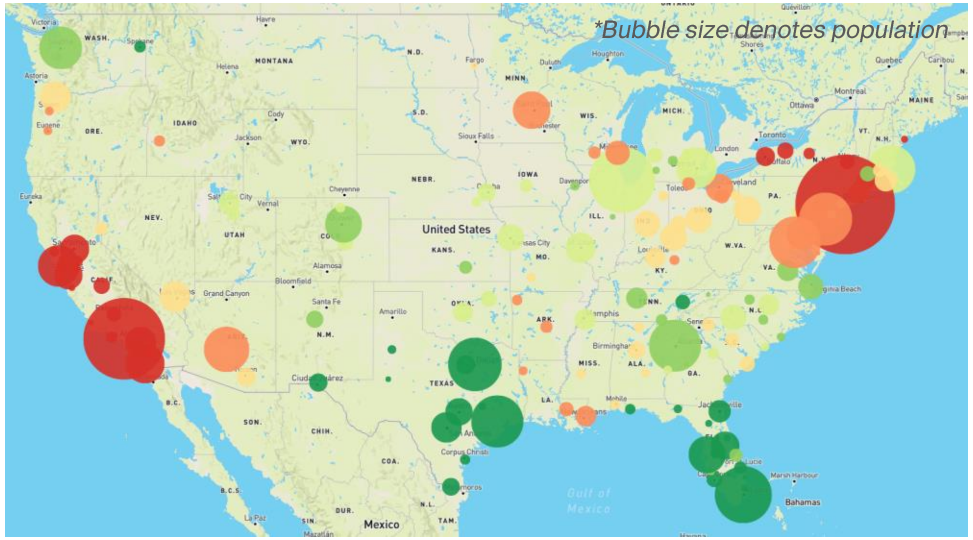
Long-term city attractiveness is dependent on both businesses and residents finding a compelling set of characteristics, encouraging in-migration, growth or establishment. Assessing attractiveness to businesses is mostly done by state (as most policies are set at this level, and cities within the state will take their cues from there), and it is clear that the south, midwest and mountain regions screen best. This is largely consistent with our City Attractiveness score – which measures attractiveness to residents - with those in the lower south, specifically Texas and Florida, faring the best (mostly due to low taxes, low cost of living and a high quality workforce), although they are closely followed by cities in the midwest, mountain region and upper south sunbelt. Identifying the regions that appear most attractive along both of these dimensions is essential in assessing the secular strength of each market.

Attractiveness to Businesses (Political / Policy Environment & Business Friendliness)



The sunbelt, mountain and midwest regions have business-friendly environments, the most stable state finances, and policies that are favorable to landlords

City Attractiveness to Residents



The cities most attractive to residents from a secular perspective are still in the south and sunbelt. However, key markets in the upper south sunbelt as well as the mountain region are also compelling. Large gateway markets in the northeast and California still screen poorly.

Methodology

Our methodology is based on a host of metrics that have either historically proven to be valuable predictors of the performance of real estate fundamentals, or we believe will be of importance going forward.

Near-term Outlook Metrics

These metrics have been found to be either indicative of where a market is in its cycle, or have predictive value for market fundamentals

Macroeconomic Outlook(1)	• GDP Growth • Employment Growth • Unemployment	• Location Quotient • Level of Education • Home Price Appreciation
Population Growth and Demographics(1)	• Net Migration • Average Wages • Household Growth	• Population Growth (Total) • Population Growth (Renter-age) • Median Household Income
Market Demand	• Occupancy • Historical Rent Growth • Recent Absorption	• Change in Renter Finances
New Supply	• Supply vs Market Size • Supply vs Recent Demand	• Permits vs Market Size • Permits vs Recent Demand
Affordability	• Rent-to-Income Ratio • Rent-to-Mortgage Ratio • Gini Index of Inequality	• % of Cost-burdened Households

Long-term Prospects Metrics

These metrics have either historically been, or are expected to be, critical measures of the secular performance of real estate fundamentals

Friendliness to Businesses and Residents	• Cost of Living • Personal Tax Rate • Workforce Quality • Level of Education • Life, Health and Inclusion	• Cost of Doing Business • Business Friendliness Score • Access to Capital • Technology and Innovation
Political / Policy Environment	• Philosophy towards Affordability • State Pension Liabilities	• Financial Stability • Budget Balance • Corporate Tax Score
Quality of Infrastructure	• ASCE Infrastructure Score • CNBC Infrastructure Score • Transit Score	• Travel Time to Work • Internet Connectivity
Structural Supply / Demand Balance	• Average (Long-term) Occupancy	• Population Density
Environmental Risk	• Storm Risk • Heat Risk • Drought Risk	• Fire Risk • Flood Risk

(1) Forecasts sourced from Oxford Economics

About Us

Silverstone is an opportunistic real estate investment firm based in Los Angeles. Employing a high-touch approach to asset management and leveraging the strength of our network, we identify opportunistic investments in both equity and debt across major U.S. markets. Our dual mission is to revitalize properties into thriving places and deliver superior returns to our investors—objectives we believe are closely linked.

Founded in 2022, Silverstone currently manages capital on behalf of high-net-worth investors and family offices.

Manoj Ramprakash

Principal

Manoj leads Silverstone as its principal, overseeing all aspects of the firm, including acquisitions, development, investor relations, and operations. Before launching Silverstone in 2022, he spent a decade with Oxford Properties, where he was a senior member of the investments team based in their New York office.

During his time at Oxford, Manoj was instrumental in producing successful outcomes for several of Oxford's operating businesses. His contributions ranged from the origination and full payback of over $1.2 billion in subordinate debt to overseeing Oxford's investment in the St. John's Terminal development, which resulted in a $2.1 billion sale to Google. Over his career, Manoj has been involved in the deployment and execution of over $5 billion of joint venture equity. Prior to Oxford, Manoj started his career with J.P. Morgan in New York.

Manoj holds an HBA with distinction from the Ivey Business School at Western University. He is actively involved with the Pension Real Estate Association (PREA) and currently serves on its Rising Leaders Committee.