

Cardinal Group

COMPANIES



MARKET STUDY

CLIENT
SAMPLE COMMUNITY
SAMPLE CITY, ST

Date:

To: Client

From: Cardinal Group Consulting

Re: Market Study - Sample Community | Sample City, ST

For the purposes of this assessment, the community located on Sample Community is referred to as the “Community” or the “Subject” herein. The objective is to provide a market study to assess the market environment, demand drivers, unit mix, and amenity analysis.

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EXECUTIVE SUMMARY

- The Sample University (the “University”) has increased enrollment by 19% since 2013, increasing from 43,710 to 52,065 students.
 - Similar to the University’s total enrollment, international enrollment has grown, increasing from 5,996 to 8,828 students, or 14% to 17% of total enrollment.
 - Total out-of-state students have surpassed total in-state student enrollment, with out-of-state students accounting for 51% of total enrollment.
- The University has the capacity to house about 11,464 on-campus beds, 22% of the Fall 2023 total enrollment. The market currently has 9,153 private, off-campus student housing (POSH) beds.
 - As part of the University’s ongoing commitment to providing their students with more affordable housing on-campus, the Central Campus Housing project is under construction and is hoping to deliver 2,300 beds by Fall 2026, increasing the on-campus capacity by 20%.
- From 2013 - 2023, the market has seen over 5,000 new beds delivered, experienced an average occupancy of 97%, and had a compound annual growth rate of 5.1%.
- The Community proposes 834 new beds. To reach stabilization at 95% occupancy, the Community will need to achieve a capture rate of 1.9% of total enrollment living off-campus.
- Excluding the Subject, there are four developments underway and eight developments proposed in the market, near Central Campus. If all three under-construction POSH developments are delivered by Fall 2025, the total POSH bed supply will increase by 17%. If the five proposed POSH developments are delivered, the total POSH bed supply will increase by an additional 45%.
- Standard amenities in the competitive set include a fitness center, coffee bar, study lounge, and furnished units. Other popular amenities include a rooftop deck, resident lounge, BBQ grills, and a game room. We recommend The Subject focus on offering one or two extremely high-quality amenities, namely a fitness center and study area, as well as a private shuttle to and from campus to lower amenity-related expenses, offer exceptional value to residents, and boost occupancy.
 - We recommend including a utility package of \$80 in the asking rental rate, and marketing rates as utility inclusive.
- Concessions in the market typically include reduced rates on select units and waived leasing fees and security deposits. Given the market’s hefty pipeline, concessions will likely persist given their existing popularity. The Community may need to utilize strategic concessions during lease-up.
- On average, the competitive set is 99% occupied and 70% pre-leased. Community #11 is still under construction and has not opened to residents at this time. We recommend performing another competitive set survey in November or December to review the market’s leasing velocity.

- The Community proposes 27 studio units (10% of the unit mix), 36 one-bed units (13%), 61 two-bed units (22%), 21 three-bed units (8%), 89 four-bed units (32%), and 46 five-bed units (16%). The Community's weighted average unit size is 1,064 SF, 154 SF larger than the competitive set average. Five-bedroom units are rare in the competitive set, but are more common in single family houses nearby.

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MARKET OVERVIEW

UNIVERSITY SUMMARY

UNIVERSITY SUMMARY <i>Sample University</i>			
ADMISSIONS		COST & TUITION	
Acceptance Rate	18%	Tuition & Fees (In-State)	\$16,896
Avg. GPA of Incoming Freshman	3.95	Tuition & Fees (Out-of-State)	\$57,740
Avg. SAT of Incoming Freshman	1,440	Room & Board (On-Campus)	\$14,561
Avg. ACT of Incoming Freshman	32.5	% of Students Receiving Financial Aid	46%
SCHOOL SUMMARY		HOUSING	
Location	City, ST	On-Campus Living Requirement	None
Undergraduate Enrollment	33,730	Total Beds (On-Campus)	11,464
Graduate Enrollment	18,335	Total Off-Campus Demand	40,601
Total Enrollment	52,065	Total Beds (POSH)	9,153
		On-Campus Occupancy	97%

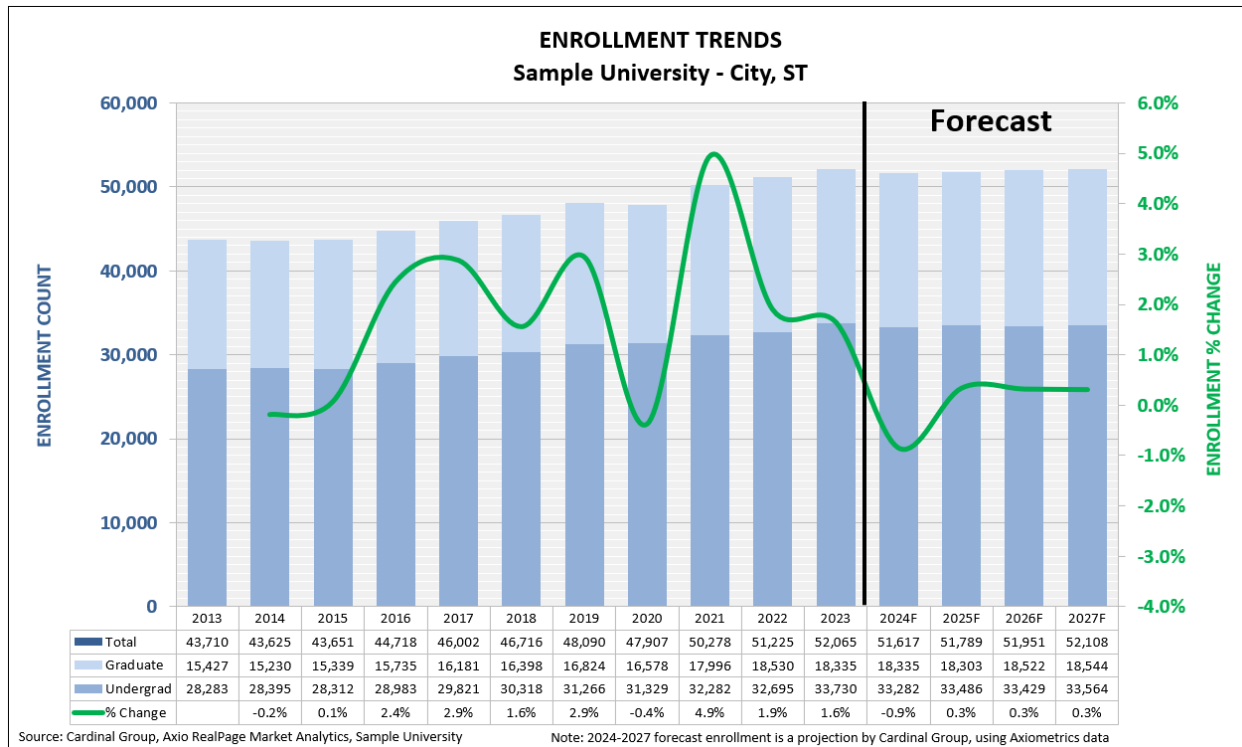
Source: Cardinal Group, Axio RealPage Market Analytics, College Data, U.S. News & World Report, Facts & Figures

Founded in 1817, the Sample University (the “University”) is the oldest and highest-ranked public university in the state. The main campus is the largest of the three campuses and is divided into three main areas: Central Campus, North Campus, and Medical Campus. Of the 52,065 students enrolled in Fall 2023, 33,730 (65%) were undergraduates. With over 87,000 applicants, the University only accepted 18% of the Fall 2023 applicants. The University boasts a high retention rate of 97% of first-year students. In addition, 96% of undergraduate and 83% of graduate students attend school full-time, indicating a strong demand for student housing near campus.

According to Axiometrics, the University offers 11,464 on-campus beds, 22% of total enrollment, as of Fall 2023. However, in the On-Campus Housing section herein, there were an estimated 11,080 on-campus beds. The University was unable to confirm the exact total of on-campus beds. Although freshmen are not required to reside on campus, about 97% of first-year students reside on campus. Historically, according to Axiometrics, on-campus housing has averaged 96% occupancy. As of Fall 2023, there were 9,153 private, off-campus student housing (POSH) beds in the market, compared to a total off-campus demand of 40,601. Due to the inclusion/exclusion of several POSH and student competitive communities, the total POSH beds in the market differ from the competitive set included in the Competitive Set Survey section below.

ENROLLMENT TRENDS

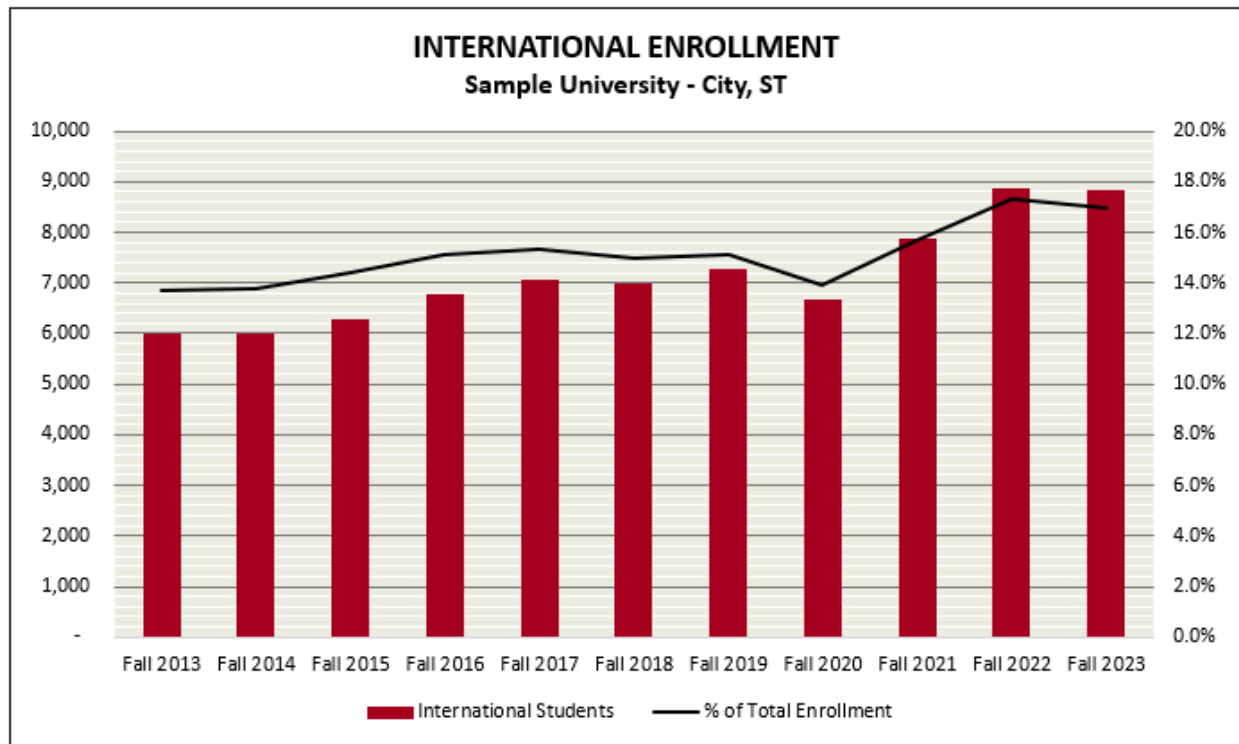
The following chart depicts historical enrollment growth at the Sample University.



Enrollment numbers were obtained from Axiometrics, which utilizes the University's common data set and confirmed on the University's Enrollment Reports. From 2013 - 2023, enrollment increased by 19% from 43,710 to 52,065 students. During that period, the University experienced a compound annual growth rate of 1.8%. Aside from 2014 and 2020, the University has seen consistent growth year after year, illustrating the University's growing popularity. Like national trends impacted by COVID-related disruptions, the University's enrollment decreased by 0.4%, or 183 students, in 2020 from 2019. However, the University's enrollment quickly recovered in 2021 with a 4.9% increase, or 2,371 students. Since then, the University has averaged a 1.8% enrollment growth.

Axiometrics forecasts enrollment to grow steadily at 0.3% annually moving forward, a drop from the average 1.8% enrollment growth in the past ten years. It's unclear why Axiometrics predicts an enrollment slowdown as historical data presents an average increase of 1.8%. If the University maintains the average enrollment change in the last five years, future enrollment could grow steadily at an average of 2%, rather than Axiometric's prediction of 0.3%. It'll be important to monitor the enrollment trends moving forward.

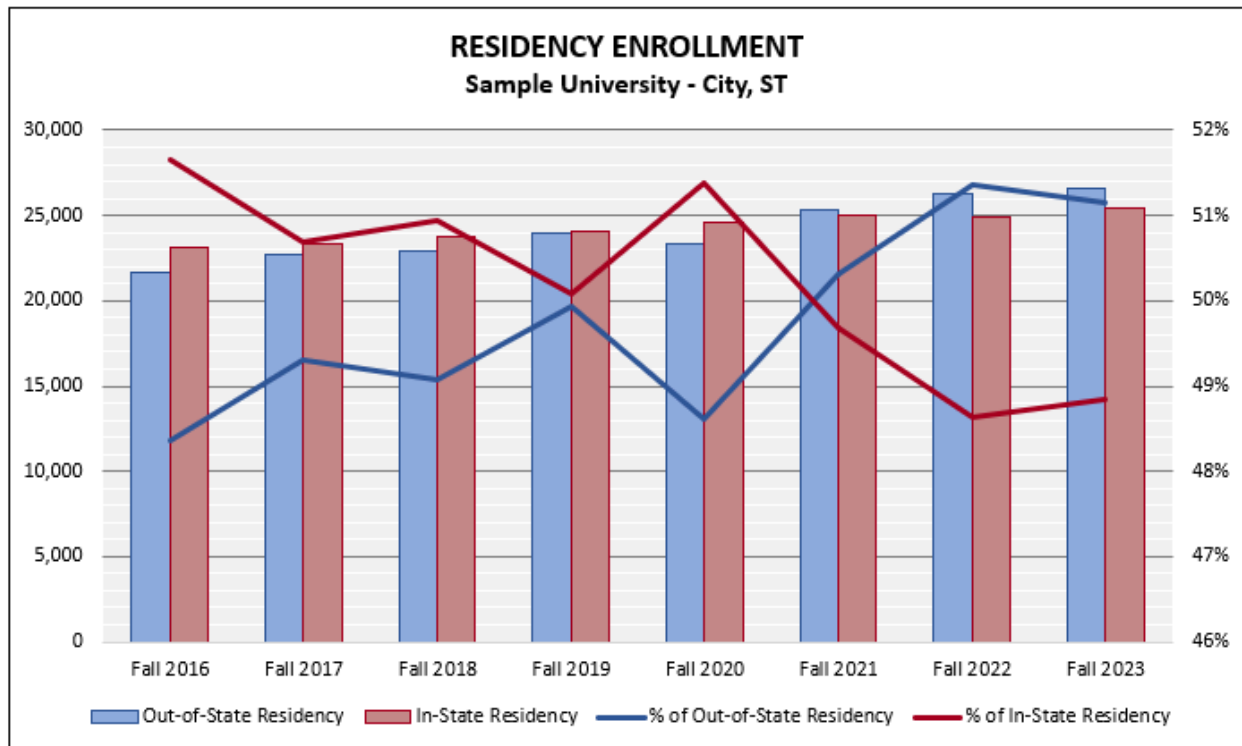
INTERNATIONAL ENROLLMENT TRENDS



Source: Cardinal Group, Sample University

The chart above illustrates changes in total international enrollment at the University from Fall 2013 to Fall 2023. From 2013 - 2023, international enrollment experienced moderate growth, increasing from 5,996 to 8,828 international students, or 13.7% to 17% of total enrollment. International enrollment fell slightly in 2018, 2020, and then 2023. The reason for the enrollment decline of 68 students in 2018 remains unclear. Enrollment likely dropped in 2020 due to COVID-related restrictions, as international enrollment quickly recovered in 2021 with 7,875 students, an increase of 17.9%, or 1,195 students from 2020. The University saw the largest growth in enrollment for international students that year since 2010. Then, the University experienced another large international enrollment growth in Fall 2022, increasing international enrollment by 12.8%. Recently, international enrollment fell by 0.6%, or 52 students. The recent decrease in enrollment could be a course correction after the significant spikes in the previous two years. As the University has seen more international enrollment drops, future international enrollment growth may be limited. The Community should continue to monitor international enrollment trends to ensure that international enrollment decline will not negatively impact total enrollment or the Community in the future.

RESIDENCY ENROLLMENT TRENDS



Source: Cardinal Group, Sample University

The chart above illustrates the breakdown of the University's total enrollment based on residency. Resident enrollment breakdown for 2013 - 2015 was not available for total enrollment. Out-of-state students include students who do not reside in the state and international students. Unlike other universities, the University has a very close split between in-state and out-of-state students. Similar to the previous international enrollment trend, total out-of-state students dropped in 2020 to 23,289 students and then quickly recovered in 2021 to 25,296 students. Meanwhile, in-state students have seen consistent enrollment growth even during 2020 when COVID-related restrictions were present. As seen above, in recent years, out-of-state students (51% of total enrollment) have surpassed the total number of in-state students (49%). An increase and large population of out-of-state students provide promising additional demand for the Subject and other POSH communities, as they require housing near campus throughout their academic career.

ON-CAMPUS HOUSING

The table below details the total capacity, average yearly rate, and average installment rate of on-campus accommodations for Fall 2023. Fall 2024 rates have not been released on the University's housing website. The on-campus bed count below differs from the previously mentioned on-campus beds in the University Summary section above, as these are estimated bed counts as noted on University's housing website.

Building	Estimated Capacity - Beds	Average Yearly Rate	Average Installment Rate
North Campus			
North Campus 1	579	\$15,521	\$1,940
North Campus 2	1,276	\$14,124	\$1,765
North Campus - Total/Avg:	1,855	\$14,822	\$1,853
Central Campus			
Central Campus 1	522	\$15,196	\$1,900
Central Campus 2	83	\$15,521	\$1,940
Central Campus 3	852	\$15,196	\$1,900
Central Campus 4	74	\$15,196	\$1,900
Central Campus 5	82	\$15,196	\$1,900
Central Campus 6*	28	\$9,856	\$1,232
Central Campus 7*	146	\$16,013	\$2,002
Central Campus 8	460	\$14,749	\$1,844
Central Campus 9	353	\$14,124	\$1,765
Central Campus 10	1,145	\$14,124	\$1,765
Central Campus 11	1,043	\$14,749	\$1,844
Central Campus - Total/Avg:	4,788	\$14,538	\$1,817
Central Campus - Hill			
Hill 1	560	\$15,196	\$1,900
Hill 2	1,167	\$14,124	\$1,765
Hill 3	428	\$15,196	\$1,900
Hill 4	425	\$15,196	\$1,900
Central Campus - Hill - Total/Avg:	2,580	\$14,928	\$1,866
Combined Total/Avg:	9,223	\$14,561	\$1,747

Source: Cardinal Group, Sample University, CoStar

* Graduates may also live in these living communities

Undergraduate Residence Halls | The University provides three residential areas, North Campus Housing, Central Campus Housing, and Central Campus - Hill Neighborhood Housing, with multiple traditional residence halls containing single-, double-, triple-, and quad-occupancy rooms and suites. Although students are not required to live on campus, the University provides 17 on-campus residence halls for undergraduates. The majority of housing is located on Central Campus. Across these 17 halls, the University can house an estimated 9,223 students (27.3% of total undergraduate students). The average monthly rental rate for on-campus residence halls, including the Basic Unlimited meal plan, is \$1,747 for an eight-month lease term. We were unable to pull the breakdown of just housing costs excluding the meal plans.

Building	Estimated Capacity - Beds	Average Yearly Rate	Average Installment Rate
Graduate 1*	630	\$9,451	\$1,181
Graduate 2 (Furnished)	~1,000	\$10,043	\$1,255
Graduate 3 (Unfurnished)		\$9,665	\$1,208
Graduate 4 (Meals Included)**	227	\$15,680	\$1,307
Total/Avg:	1,857	\$10,680	\$1,232

Source: Cardinal Group, Sample University, CoStar

* Has the option to be 8 or 11.5 month contracts

** Only offers a 12-month contract.

Graduate Housing | The University has an estimated capacity to house 1,857 graduate students. Graduate 1 and 4 offers longer lease terms compared to the undergraduate and Graduate 2 and 3' eight-month lease terms. Graduate 4 housing includes meals with its costs. The average monthly rental rate for graduate students is \$1,232/month.

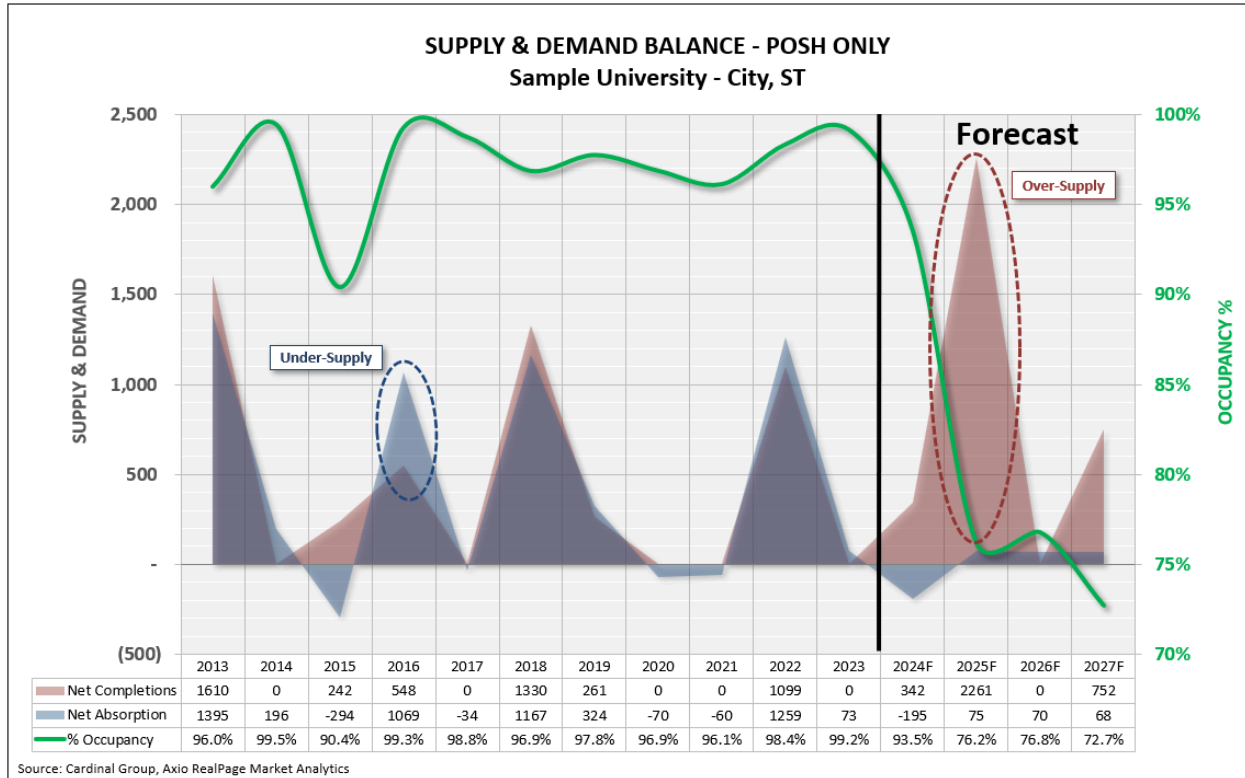
Leasing Ordinance | On-campus housing applications begin in April after the enrollment deposit is received. From May through August, students begin submitting their housing contracts and selecting their rooms. Due to the University's late housing decisions, the off-campus market may experience peaks later in the pre-lease term, as students wait to hear back if they were granted on-campus housing. On top of that, the Early Leasing Ordinance and Right to Renew ordinance state when a landlord can send a renewal to a current resident. Residents have the opportunity to sign a renewal lease up to 150 days before the end of their current lease period. That said, if a lease ends on August 28, the current resident can accept a renewal lease until March 31. If a resident chooses to not renew, the landlord can then lease that space to other prospective residents. Given that this is still a relatively new ordinance, leasing in this market has not been delayed. It'll be important to monitor the leasing velocity to see if this ordinance has impacted leasing strategies in this market.

FUTURE ON-CAMPUS DEVELOPMENT

According to Axiometrics, the University currently accommodates 11,464 on-campus beds, 22% of Fall 2023 total enrollment. The University had initially proposed the North Campus Housing Project back in 2022, which was where the former Graduate 2 Apartments stood. The Project planned to deliver 1,200 beds, an increase of 700 beds from the former Graduate Apartments. After feedback from the students, the University decided to then develop an on-campus housing residence hall in Central Campus where the majority of students preferred to live. In doing so, the University then paused further development of the North Campus Housing Project, which is now canceled as of March 2024 according to the University Project Update page. The University has begun construction of Central Campus Housing Project Phase I with hopes to deliver 2,300 beds by Fall 2026. The delivery of 2,300 beds will increase the University's on-campus capacity by 20% and would accommodate 26% of Fall 2023 total enrollment. The University has also begun discussions of planning a Phase II which would hopefully bring an additional 2,200 beds; however, this is unconfirmed and still in the early stages. The increase in on-campus housing could further impact the off-campus housing market as on-campus housing offers students convenient locations with affordable pricing. Leasing velocity may slow down and average market occupancy may drop once these beds are delivered to the market.

MARKET ENVIRONMENT

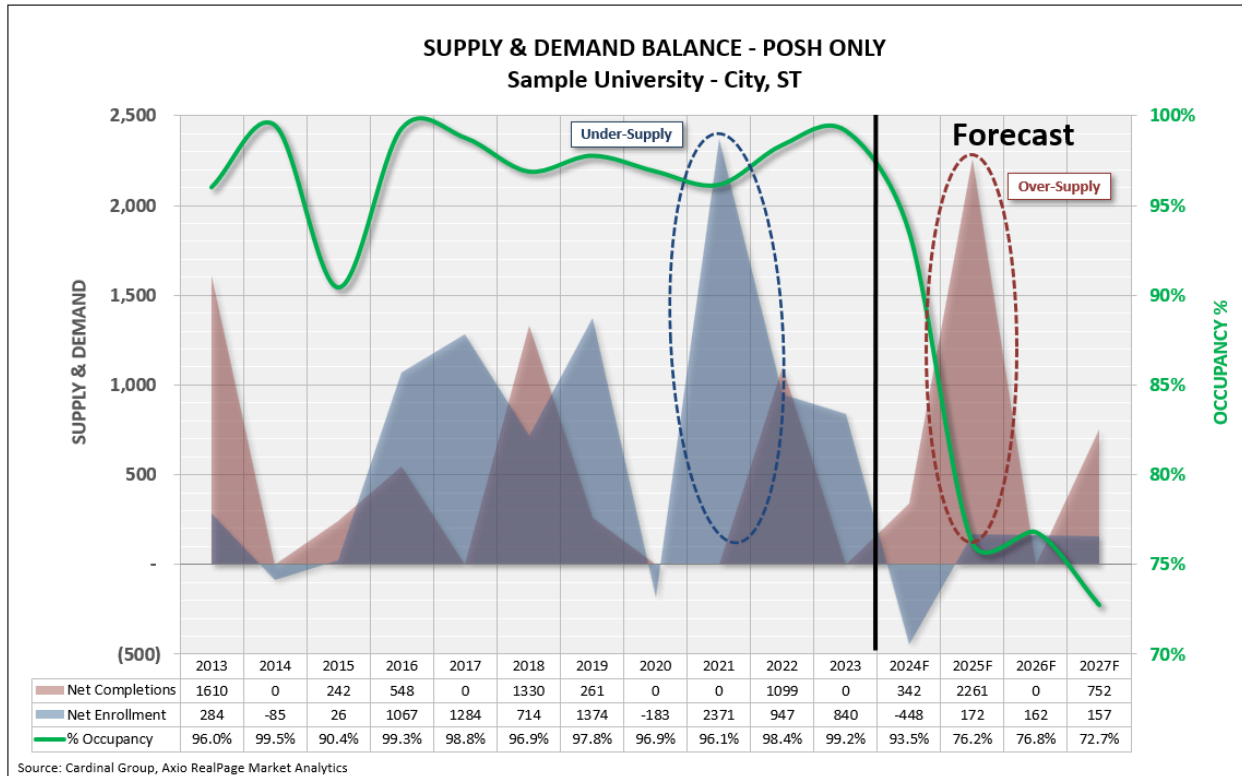
MARKET ANALYSIS



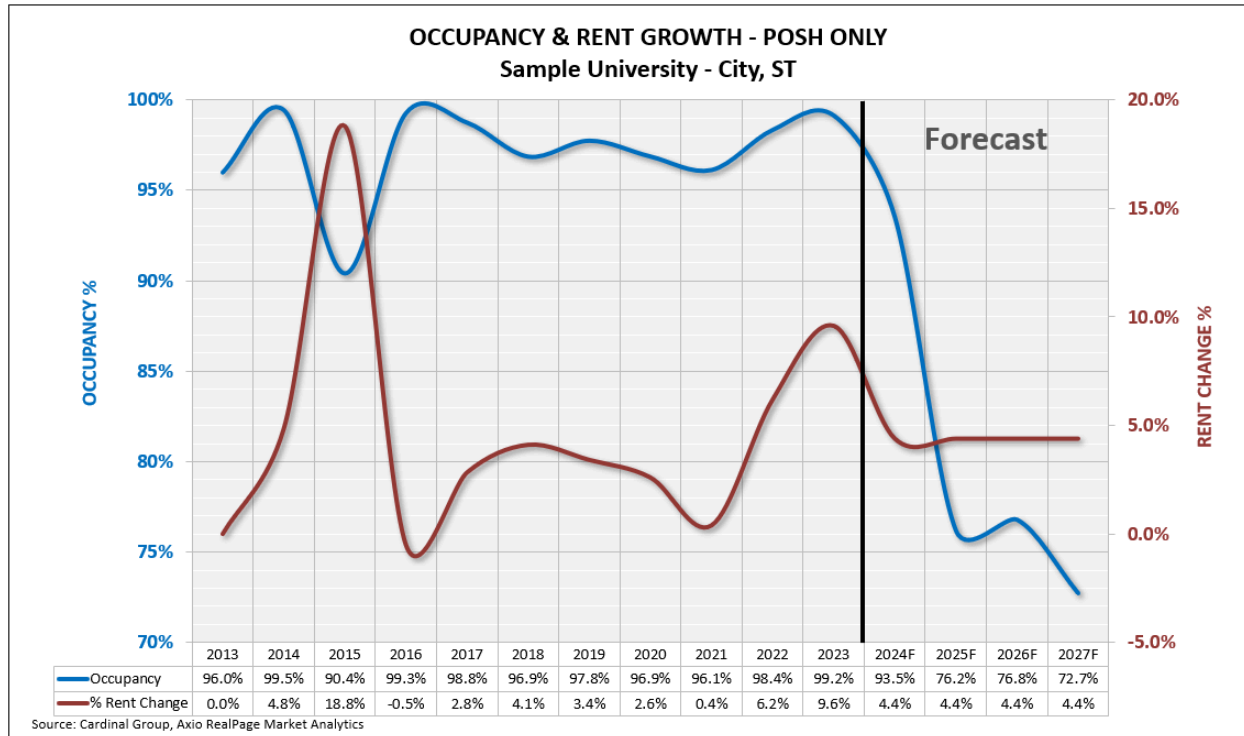
Deliveries (Net Completions vs. Net Absorption) | The chart above illustrates supply and demand metrics for POSH communities in the market. Since 2013, the market has seen a substantial increase in POSH supply, with over 5,000 new beds delivered. The bulk of these beds were delivered in 2013, 2018, and 2022, 1,610 (32% of total beds delivered since 2013), 1,330 (26%), and 1,099 (22%), respectively. Despite temporary occupancy drops that coincided with periods of large delivery of beds exceeding student demand, the market quickly recovered the year after, illustrating the resilience and adaptability of the market.

With ~3,355 POSH beds in the pipeline, Axiometrics anticipates the market will gradually absorb new beds as occupancy is projected to drop to a low of 72.75 in 2027. After the projected delivery of 2,261 POSH beds in 2025, the market is expected to slowly recover in 2026 with an average market occupancy of 76.8% as no new beds are anticipated. However, the University is also expected to deliver 2,300 on-campus beds in 2026, which may impact off-campus housing. Although the forthcoming increase in supply indicates an ongoing commitment to meet the housing needs of the student population, Axiometrics' prediction of an occupancy drop may indicate a period of oversupply with a longer recovery period than the market is historically used to. Should enrollment growth average an annual 1.8% increase rather than Axiometrics 0.3% average annual growth, occupancy would increase to 87.4% in 2027. Therefore, the absorption of new supply will be influenced by various factors such as enrollment trends, the completion of Central Campus Housing, and the delivery of POSH communities in the pipeline.

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Deliveries (Net Completions vs. Net Enrollment) | The chart above demonstrates how the University's enrollment has influenced the POSH market. The market has seen considerable enrollment growth, with net enrollment exceeding net completions in certain years. Despite the large delivery of POSH beds, the market averaged 97% occupancy since 2013, with only a major drop in occupancy to 90.4% in 2015. It's possible the drop in occupancy was affected by the enrollment decline in 2014 and the minimal 0.1% enrollment growth in 2015. In 2018, 1,330 new POSH beds were delivered, and the University only increased enrollment by 714 students, occupancy then dropped from 98.8% to 96.9%. However, the year after, the market quickly recovered, showing the need for student housing, with an increase of occupancy to 97.8% as enrollment increased by 1,374, despite 261 new POSH beds being delivered. However, with a strong development pipeline and Axiometrics' limited enrollment growth in the future, it's likely that the University's net enrollment will not fully absorb all new deliveries, resulting in a long oversupply period and occupancy dropping to 72.7% in 2027. However, as previously mentioned, if enrollment growth continues to average an annual growth rate of 1.8% as it has the last five years, occupancy will reach a forecasted 87.4%. It'll be important to continue monitoring enrollment projections and the pipeline, as limited enrollment growth and large POSH deliveries could impact market-wide absorption and occupancy.



Occupancy | The market averaged 97.2% occupancy from 2013 - 2023. As seen above, occupancy had dropped from 99.5% in 2014 to a low of 90.4% in 2015. This low drop in occupancy could be a result of the dramatic 18.8% rent growth and new POSH beds being delivered coupled with limited enrollment growth in 2014 and 2015. Despite the occupancy drops, the market has generally recovered over time, demonstrating the strength of the market. However, with 3,355 beds in the pipeline and limited enrollment growth, Axiometrics predicts a large occupancy drop until 2027, an average of 79.8% occupancy from 2024 -2027. Should enrollment remain strong as it has in the past five years, the market could see an average of 90.4% occupancy from 2024 - 2027.

Rent | From 2013 - 2023, the market experienced moderate rent growth with a compound annual growth rate of 5.1%, with average market rents increasing from \$819/bed/mo to \$1,347/bed/mo. The market experienced significant rent changes, from a dramatic rent growth of 18.8% in 2014 to a slight rent decline of 0.5% in 2015. This dramatic rent increase likely caused the drop in occupancy. The market recently experienced another spike in rents, achieving a 9.6% increase in 2023. Projections indicate that rent growth will average 4.4% from 2024 - 2027, but the delivery of 3,355 beds during this same period may cause rent growth to fluctuate dramatically, considering that occupancy is expected to dramatically drop with these large deliveries.

CAPTURE RATE

CAPTURE RATE OF STUDENT ENROLLMENT			
<i>Sample University - City, ST</i>			
	<u>Out-of-State</u> <u>Enrollment</u>	<u>Full-Time</u> <u>Enrollment</u>	<u>Total</u> <u>Enrollment</u>
Students	26,635	48,167	52,065
On-Campus Beds*	(11,080)	(11,080)	(11,080)
Total Demand	15,555	37,087	40,985
Proposed Beds	834	834	834
Capture Rate	5.1%	2.1%	1.9%

*Estimated On-Campus bed count pulled from University Housing Website

Source: Cardinal Group, Axiometrics, Sample University

Due to the University's large on-campus housing, total off-campus demand makes up 58% of total out-of-state students, 77% of full-time enrollment, and 79% of total enrollment, 15,555, 37,087, and 40,985 students, respectively. With 834 proposed beds, the Community will need to achieve a capture rate of 5.1% of out-of-state students living off-campus, 2.1% of full-time students living off-campus, and 1.9% of total enrollment living off-campus to reach 95% occupancy. Once Central Campus Housing Project Phase I delivers 2,300 on-campus beds, the Community will need to capture 2% of total enrollment living off-campus to reach 95% occupancy.

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DEVELOPMENT PIPELINE

MULTIFAMILY DEVELOPMENT PIPELINE							
Sample University - City, ST							
UNDER CONSTRUCTION							
MAP #	PROJECT NAME	ADDRESS	DEVELOPER	TYPE	DELIVERY DATE	UNITS	BEDS
1	Project 1	Address 1	Developer 1	On-Campus	Aug-26	1,150	2,300
2	Project 2	Address 2	Developer 2	POSH	Aug-25	253	521
3	Project 3	Address 3	Developer 3	POSH	Aug-25	217	729
4	Project 4	Address 4	Developer 4	POSH	Aug-24	127	342
TOTAL	4					1,747	3,892
PROPOSED							
MAP #	PROJECT NAME	ADDRESS	DEVELOPER	TYPE	DELIVERY DATE	UNITS	BEDS
5	Project 5	Address 5	Developer 5	POSH	Unknown	454	1,540
6	Project 6	Address 6	Developer 6	POSH	Aug-27	376	752
7	Project 7	Address 7	Developer 7	POSH	Aug-25	273	1,011
8	Project 8	Address 8	Developer 8	POSH	Unknown	211	211*
9	Project 9	Address 9	Developer 9	POSH	Unknown	202	645
10	Project 10	Address 10	Developer 10	S.C.	Jan-26	296	296*
11	Project 11	Address 11	Developer 11	S.C.	Sep-26	196	196*
12	Project 12	Address 12	Developer 12	S.C.	Sep-24	150	150*
TOTAL	8					2,158	4,801
TOTAL COMBINED							
TOTAL	12					3,905	8,693

Note 1 - "POSH" = Private Off Campus Student Housing properties that lease by-the-bed.

Note 2 - "S.C." = Student Competitive properties that lease by-the-unit.

* Bed count was unknown and utilized the Unit count as the minimum Bed count

Source: Cardinal Group, Axiometrics, CoStar

For Sample purposes, the map has been removed.

Excluding the Subject, there are a total of four developments underway and eight developments proposed in the market, near Central Campus. If expanded further out, there are an additional five student competitive developments proposed in City .

Of the four developments underway, one is on-campus, which was previously discussed in the Future On-Campus Development section above, and three are POSH communities. Of the three POSH communities under construction, one, Community #11, is expected to deliver in the Fall and is 45% pre-leased. The two other POSH communities are expected to deliver in Fall 2025; however, Project #2 has been under construction with the delivery date already pushed back once. Some sources indicate that the project was previously noted to be delivered in Fall 2024, with its website now indicating a Fall 2025 delivery. If all three under-construction POSH communities deliver by Fall 2025, the total POSH bed supply will increase by 17%

Of the eight developments proposed, five are to be POSH communities and three are to be student-competitive. Of the POSH communities proposed, all developments are proposed to be right by the campus boundaries, providing students with quick and easy access to classes located in Central Campus. Although Project #6 is located by campus boundaries, this part of the University is where the majority of the athletic games are located and less of where the academic classes are. If the five proposed POSH communities deliver, the total POSH bed supply will increase by an additional 45%.

COMPETITIVE SET SURVEY

COMPETITIVE SET

Cardinal Group has invested heavily in our own proprietary market environment tool called Terrain. This system uses an Application Programming Interface System (API) to gather data from multiple research resources including Entrata and RealPage to automatically populate competitive set data such as rental rates and occupancy. Terrain has been designed with the intention of limiting the time on-site teams must commit to calling competitive communities for leasing information. We also use two third-party sources to supplement our proprietary market information: Axiometrics and CoStar. The data from these sources are compiled to build out of our proprietary market survey tools and verified after setup through either an in-person or phone market survey. These reports are distributed to Ownership as part of the Weekly Reporting Suite, but they are also accessible at any time via our Keystone data visualization tools provided to Ownership.

COMPETITIVE SET SUMMARY															
Sample Community (Sample University, City, ST)															
Map #	Property Name	Units	Beds	Year Built	Type	Class	Pre-Lease	Occupancy	Avg. S.F.	Mkt. Rent per Unit	Mkt. Rent per Bed	Mkt. Rent per S.F.	Adj. Rent per Unit	Adj. Rent per Bed	Adj. Rent per S.F.
1	Community 1	220	427	2022	Student Housing	B	57%	99%	729	\$3,665	\$1,888	\$5.03	\$3,773	\$1,944	\$5.18
2	Community 2	98	300	2013	Student Housing	B	95%	100%	740	\$4,544	\$1,485	\$6.14	\$4,716	\$1,541	\$6.37
3	Community 3	57	261	2019	Student Housing	B	77%	100%	1,388	\$7,957	\$1,738	\$5.73	\$8,140	\$1,778	\$5.86
4	Community 4	115	290	2018	Student Housing	A	75%	97%	837	\$4,777	\$1,894	\$5.71	\$4,934	\$1,956	\$5.89
5	Community 5	99	375	2018	Student Housing	B	82%	100%	1,220	\$7,093	\$1,872	\$5.82	\$7,328	\$1,934	\$6.01
6	Community 6	242	642	2018	Student Housing	A	40%	99%	985	\$4,293	\$1,618	\$4.36	\$4,442	\$1,674	\$4.51
7	Community 7	205	545	2016	Student Housing	A	66%	100%	952	\$4,688	\$1,765	\$4.93	\$4,794	\$1,803	\$5.04
8	Community 8	155	194	2014	Student Competitive	B	91%	93%	749	\$2,483	\$1,984	\$3.32	\$2,719	\$2,173	\$3.63
9	Community 9	106	345	2008	Student Housing	A	78%	100%	921	\$5,266	\$1,618	\$5.72	\$5,588	\$1,717	\$6.07
10	Community 10	180	413	2013	Student Housing	B	97%	100%	810	\$4,043	\$1,762	\$4.99	\$4,185	\$1,824	\$5.16
11	Community 11	116	331	2024	Student Housing	A	45%		1,107	\$5,725	\$2,006	\$5.17	\$5,839	\$2,046	\$5.27
Sub - Proposed	Sample Community	280	853	2027	Student Housing				1,064	\$5,265	\$1,767	\$4.95	\$5,265	\$1,767	\$4.95
Total	11	1,593	4,123												
Wgt. Avg.		145	375	2017			70%	99%	910	\$4,577	\$1,768	\$4.99	\$4,740	\$1,832	\$5.17
Min		57	194	2008			40%	93%	729	\$2,483	\$1,485	\$3.32	\$2,719	\$1,541	\$3.63
Max		242	642	2024			97%	100%	1,388	\$7,957	\$2,006	\$6.14	\$8,140	\$2,173	\$6.37

Note: Summary Figures do NOT include the Subject Property
Source: Cardinal Group Companies LLC

Date Modified 4/3/2024

The competitive set includes ten POSH communities and one student competitive community for a combined 4,123 beds. These communities were built between 2008 - 2024, with an average vintage of 2017. Community #11 is still under construction, but is in its lease-up period, pre-leased at 45%. The total POSH beds in the market differ from the competitive set due to the exclusion of various POSH communities and the inclusion of a student-competitive community.

Current occupancy, in the communities that are stabilized, ranges from 93% to 100%, with a weighted average occupancy of 99%. Over half of the competitive set is fully occupied at the time of this analysis. Community pre-leasing ranges from 40% to 97%, and averages out to 70% across the competitive set. Community #6 is leased at 40% and Community #10 is pre-leased at 97%.

The weighted average market rent per bed ranges from \$1,485/bed/mo - \$2,006/bed/mo (\$3.32/SF - \$6.14/SF). The weighted average market rent per bed across the competitive set is \$1,768/bed/mo (\$4.99/SF). The weighted average adjusted rent per bed, which accounts for utility structure differences, furnished units, and concessions across the competitive set, is \$1,817/bed/mo (\$5.13/SF) and ranges from \$1,528/bed/mo - \$2,151/bed/mo (\$3.59/SF - \$6.32/SF).

COMPETITIVE SET MAP

For Sample purposes, the Competitive Set map has been removed.

The map above illustrates the location of the competitive set relative to the Subject. There are two high-density areas, or 'nodes', just outside of the central campus to the southeast and west. Three comparable communities and The Subject are located further away from campus outside of these nodes. The Subject is the furthest community from the University, located just under a mile walk from the University's Graduate Library. It will take students roughly 20 minutes to walk to the Graduate Library from The Subject.

Within walking distance of the Subject lies the Farmers Market, a popular weekend hangout spot for students, and Main Street, where many students enjoy food, drinks, and nightlife. The Subject is three blocks away from the Food Co-op, which offers limited groceries with an emphasis on produce and pre-made meals. If students prefer a more conventional grocery experience, they can walk to Target roughly 15 minutes east.

Five communities in the competitive set identified their location and proximity to campus as one of the main reasons why residents chose their community. The Community has the opportunity to offer a premier amenity, a shuttle to campus, which could drive occupancy at The Subject despite its distance from campus.

AMENITIES

COMMUNITY FEATURES SUMMARY										
Sample Community (Sample University, City, ST)										
Map #	Property	Fitness Center	Coffee Bar	Jacuzzi/Hot Tub	Roof Deck	Resident Lounge	BBQ Grills	Study Lounge	On-Site Public Transit	Game Room
1	Community 1	X	X	X			X	X		X
2	Community 2	X	X							
3	Community 3	X	X		X	X	X	X		
4	Community 4	X	X	X	X	X		X		
5	Community 5	X	X		X	X	X	X		
6	Community 6	X	X			X	X	X	X	X
7	Community 7	X	X	X	X	X	X	X		X
8	Community 8	X	X				X	X		X
9	Community 9	X	X			X		X		X
10	Community 10	X			X	X		X		X
11	Community 11	X			X		X	X		X
Count		11	9	3	7	7	7	10	1	7
%		110%	90%	30%	70%	70%	70%	100%	10%	70%

Note: Summary Figures do NOT include the Subject Property
Source: Cardinal Group Companies LLC

Date Modified 4/3/2024

The table above describes common and uncommon amenities found in the competitive set that are impactful to The Subject. Must-have amenities include a fitness center, coffee bar, and study lounge. Other popular amenities include a rooftop deck, resident lounge, BBQ grills, and a game room. Only one community, Community #6, offers a private shuttle to and from campus, which highlights the opportunity for The Subject to provide a unique and sought-after amenity.

All communities in the competitive set offer a fitness center, and while fitness center quality differs between communities, there is room for improvement in the market. The Subject is in a position to offer what students reportedly want most: a large, high-quality fitness experience. The Subject can provide various cardio machines, free weights, weight training machines, functional trainers, and studio space for yoga, stability work, and calisthenics. Fitness oriented resident programming can elevate the space further and drive demand from students. Overall, we recommend creating a fitness experience that acts as the focal point for The Subject's amenity offering.

As is the case with many student markets, a study area is a necessity. We recommend implementing a larger study space that provides a welcoming, open-air feel, as students who wish to study privately often use their desks in their rooms. Should amenity space allow, however, including one or two private study nooks or a private conference room could prove beneficial as well.

COMMUNITY SURVEY				
123 N Ashley - Competitive Set (University of Michigan, MI)				
Map #	COMMUNITY	MOST USED AMENITY	MOST DESIRED AMENITY	WHY DO RESIDENTS RENEW
1	Standard at Ann Arbor	Club Room, Pool Deck	-	Proximity to Downtown
2	Z West	Fitness Center	Coffee	Customer Service
3	Vic Village North	Fitness Center, Roof Deck	Parking, Pool	New Building, Proximity to Campus
4	Hub Ann Arbor	Rooftop Deck, Hot Tub	-	Customer Service, Clean Building
5	Six11	Study Lounge	-	Location
6	The Yard on South Main	Private Shuttle	Sauna, Hot Tub	Proximity to Ross & Law, Private Shuttle, In-Unit Laundry
7	Foundry Lofts	Fitness Center, Study Rooms	Various Gym Equipment	Amenities, Proximity to Campus
8	Ann Arbor City Club	-	-	Location, Amenities
9	Saga Ann Arbor	Sky Lounge, Coffee Machine	-	Affordable, Community Staff
10	The Varsity at Ann Arbor	Fitness Center	Hot Tub	Affordability
11	Vic Village South	-	-	New Building, Proximity to Campus

The most utilized amenities in the competitive set are the fitness centers, rooftop spaces, and study lounges. Over half of the communities could not identify a “most desired amenity” and reported that residents were satisfied with the current offerings, but of those that did provide an answer, pools and hot tubs were popular. Interestingly, more than one community reported that hot tubs receive less use in the winter, even though other communities’ residents reportedly ask for them the most. It is possible that forgoing a pool or hot tub in the amenity suite could help to lower expenses and pass savings along to residents, which could help to drive occupancy and pre-lease velocity in a market that can prove slow to lease up.

Community #6 is the only comparable community to provide a private shuttle to and from campus. Community #6’s shuttle runs its route every half hour, and makes stops at the Union and the Central Campus Classroom Building, or CCCB. Community #6 reported that their most used amenity was, by far, the campus shuttle. Community #6 also made clear that the shuttle service is a main reason why residents originally lease and opt to renew. The Subject could benefit greatly from the use of a shuttle system similar to Community #6’s. Giving residents another option to get to campus efficiently would likely prove valuable to prospecting students and current residents alike.

Overall, we believe that The Subject does not need a pool or hot tub to be successful. By focusing first and foremost on the fitness center and providing a clean, open study lounge that provides printing services and allows students to work in groups or alone, The Subject can offer slightly more affordable units that will draw demand. Additionally, by including an \$80 utility package in marketed rents, The Subject can offer an in-demand feature that no other comp does, and still price their units at a fair market price. In addition to these the fitness center and study lounge, The Subject should offer a private shuttle to and from campus, package lockers, bike storage with an optional repair station, a small coffee and espresso machine, and an outdoor courtyard with a lounge area, grill area, and lawn games. Units should come furnished and include interior standards such as stone counters, full kitchens with stainless appliances, wood-style floors, and garden tubs.

COMPETITIVE SET AMENITIES



(Community #1)



(Community #3)



(Community #7)



(Community #8)



(Community #9)



(Community #10)

PARKING

PARKING COMPARISON					
Sample Community - Competitive Set (Sample University, City, ST)					
Map #	COMMUNITY	GARAGE RESERVED	TOTAL PARKING	PARKING RATIO	EV STATIONS
1	Community 1	139	139	0.6	4
2	Community 2	38	38	0.4	-
3	Community 3	-	-	0.0	-
4	Community 4	85	85	0.7	-
5	Community 5	105	105	1.1	2
6	Community 6	170	170	0.7	2
7	Community 7	107	107	0.5	1
8	Community 8	244	244	1.6	6
9	Community 9	70	70	0.7	-
10	Community 10	69	69	0.4	-
11	Community 11	60	60	0.5	2
Sample Community		130	130	0.5	-
Weighted Average:		119	119	0.7	3

Source: Cardinal Group Companies

Date Modified 4/3/2024

PARKING FEE COMPARISON			
Sample Community - Competitive Set (Sample University, City, ST)			
Map #	COMMUNITY	GARAGE RESERVED	TANDEM
1	Community 1	\$300	-
2	Community 2	\$245	-
3	Community 3	-	-
4	Community 4	\$250	\$150
5	Community 5	\$300	-
6	Community 6	\$250	\$150
7	Community 7	\$250	-
8	Community 8	\$220	-
9	Community 9	\$215	-
10	Community 10	\$250	-
11	Community 11	\$349	-
Sample Community		-	-
Weighted Average:		\$258	\$150

Source: Cardinal Group Companies

4/3/2024

The table above illustrates the number of parking spaces, EV charging stations, and the monthly parking fee that each community offers. The average number of parking spaces in the competitive set, among the communities is 119 spaces, or 0.7 spaces per unit.

The majority of the competitive set offers EV charging stations, and the average number of stations among communities that offer them is three. We recommend including at least two EV charging stations in the parking garage in order to provide parking options for residents with EV's.

The Community plans to offer roughly 130 parking spaces. We recommend a single parking option with a rate between \$100-\$200 per month in order to maximize garage occupancy, and continued monitoring of parking fee growth potential.

CONCESSIONS

CONCESSION COMPARISON <i>Sample Community - Competitive Set (Sample University, City, ST)</i>		
Map #	COMMUNITY	CONCESSION
1	Community 1	Reduced Rates on Two's and Four's
2	Community 2	Raffle Giveaway, Discounted Prices on 5 Occ Beds
3	Community 3	-
4	Community 4	Waived Security Deposit
5	Community 5	Waived Leasing Fees and Security Deposit
6	Community 6	Waived Security Deposits
7	Community 7	Discounts on Select Units
8	Community 8	-
9	Community 9	\$200 Gift Card
10	Community 10	-
11	Community 11	-

Concessions are prevalent in the market. As the chart above illustrates, concessions typically include reduced rates on select units and waived leasing fees and security deposits. Given the market's hefty pipeline, concessions will likely persist given their existing popularity. Concessions could be a valuable tool during lease-up for The Community, and as such, concessions should be monitored as the development process progresses.

LEASING VELOCITY

MARKET PRE-LEASE VELOCITY

Prelease Velocity												
ANNUAL DATA												
	January	February	March	April	May	June	July	August	September	October	November	December
2012	35.8%	52.6%	62.6%	66.3%	78.2%	88.3%	92.0%	98.3%	0.0%	0.0%	11.9%	19.0%
2013	37.2%	54.6%	59.1%	69.4%	78.8%	83.3%	89.2%	90.7%	0.0%	13.8%	20.3%	35.5%
2014	44.0%	38.4%	56.9%	63.2%	71.8%	75.8%	97.1%	99.5%	0.0%	12.0%	29.2%	40.5%
2015	53.5%	52.3%	58.8%	69.5%	73.6%	76.7%	85.5%	94.8%	11.1%	1.2%	28.5%	49.6%
2016	56.2%	62.7%	75.5%	84.3%	95.4%	95.6%	97.4%	99.7%	2.1%	12.3%	31.3%	45.2%
2017	54.5%	64.6%	72.3%	79.9%	85.7%	90.1%	93.9%	98.7%	0.0%	5.9%	40.0%	47.4%
2018	59.7%	64.1%	73.2%	70.8%	80.3%	89.4%	93.4%	97.1%	0.0%	12.7%	30.8%	58.7%
2019	63.3%	68.2%	70.5%	77.6%	86.7%	91.4%	95.1%	98.0%	0.0%	18.4%	44.8%	62.8%
2020	65.5%	70.9%	77.3%	82.1%	85.7%	86.2%	92.4%	95.1%	0.0%	5.2%	25.8%	44.0%
2021	49.1%	52.5%	60.1%	71.0%	84.6%	90.6%	99.1%	100.0%	0.1%	6.8%	35.7%	50.4%
2022	49.9%	73.4%	82.0%	89.9%	93.0%	96.4%	97.9%	98.8%	6.3%	18.4%	36.6%	56.6%
2023	62.5%	73.3%	77.8%	85.3%	90.0%	94.9%	98.1%	99.3%	0.7%	10.4%	27.8%	42.6%
10-YEAR AVERAGE DATA												
	January	February	March	April	May	June	July	August	September	October	November	December
Avg. Prelease Rate	52.6%	60.6%	68.8%	75.8%	83.7%	88.2%	94.3%	97.5%	1.7%	9.8%	30.2%	46.0%
Monthly Change	6.6%	8.0%	8.2%	6.9%	7.9%	4.5%	6.1%	3.2%	1.7%	8.1%	20.5%	15.8%
% Total Leases Signed	6.7%	8.2%	8.4%	7.1%	8.1%	4.7%	6.2%	3.3%	1.7%	8.3%	21.0%	16.2%
Maximum % Leased	65.5%	73.4%	82.0%	89.9%	95.4%	96.4%	99.1%	100.0%	11.1%	18.4%	44.8%	62.8%
Minimum % Leased	35.8%	38.4%	56.9%	63.2%	71.8%	75.8%	85.5%	90.7%	0.0%	0.0%	11.9%	19.0%

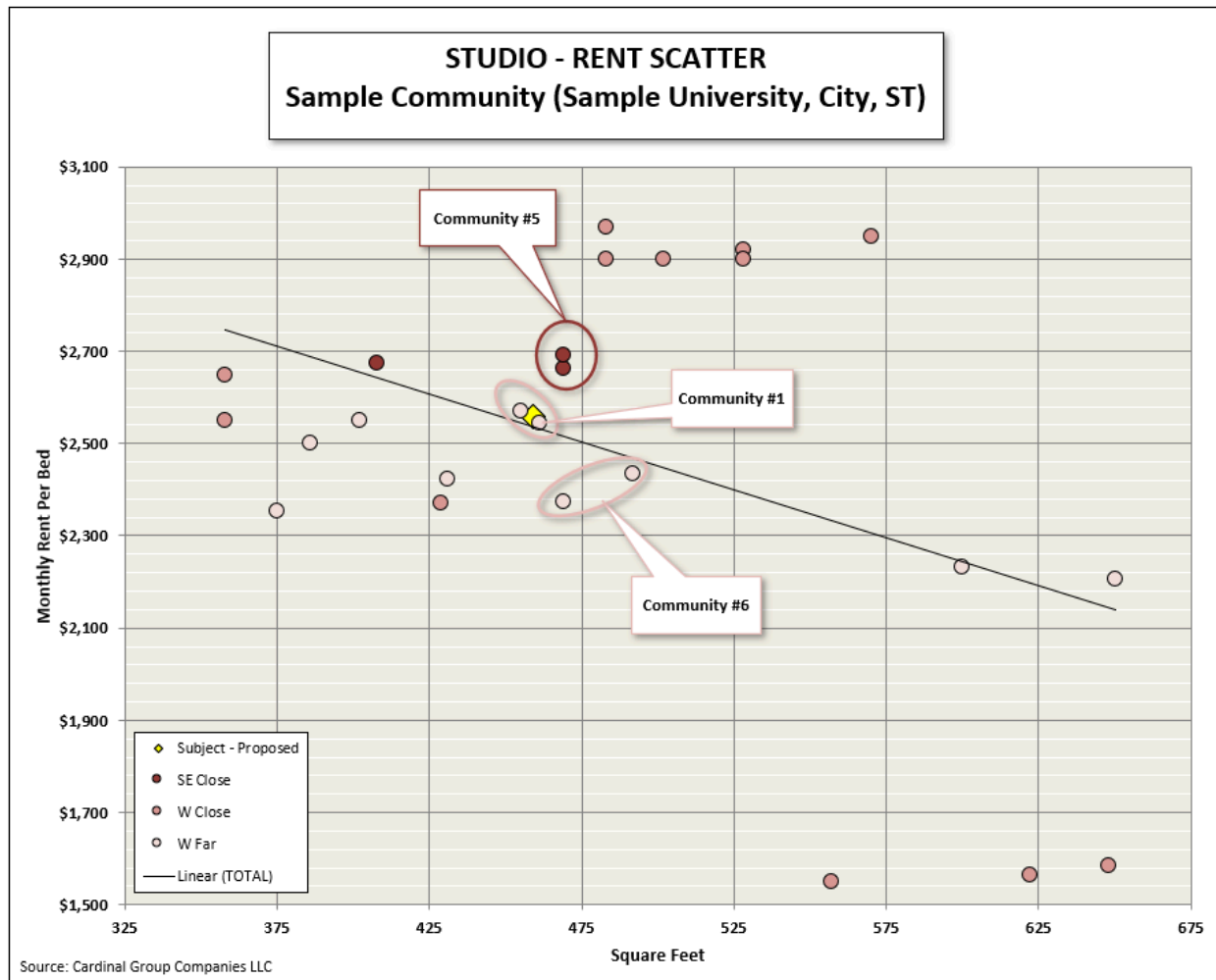
Source: Cardinal Group Companies & Axiometrics Date Updated: 4/2/2024

The table above represents the pre-lease velocity for POSH communities in the market. Many communities were missing data on RealPage's time series report, and several communities only had pre-lease data for a few months at a time. The line between August and September indicates the beginning of the next lease term. It should be noted that these are pre-leasing percentages. The January 2023 62.5% pre-leasing percentage is for the 2023 - 2024 lease term, while the November 2023 27.8% pre-lease percentage is for the 2024 - 2025 lease term.

As seen above, the market begins pre-leasing in late September/early October and typically reaches its maximum pre-lease rate by move-in. According to RealPage, the market reached a pre-lease rate of 100% once in August of 2021. On average, the market reached 97.5% pre-lease in August from 2012 - 2023. In December of 2023, market pre-leasing rates lagged slightly behind the historical average at 42.6% pre-leased. With an increase in supply in the pipeline, it's possible that the leasing velocity could continue to slow moving forward as competition rises and demand becomes limited. On average, heavy leasing occurs in November, December, and March. We recommend the Subject continue to monitor pre-leasing trends and re-evaluate the 2024 - 2025 AY's leasing velocity in August.

UNIT MIX & RENTS

RENTS: STUDIO



In the chart above, each dot represents one floor plan in the competitive set, while the colors denote the location of each community. Three locations have been used in this analysis, the southeast and western nodes, and outlying communities to the west of campus.

Seven communities in the competitive set offer studio units. Studio units range in size from 358 SF - 650 SF, with market rental rates ranging from \$1,549/bed/mo - \$2,969/bed/mo (\$3.39/SF - \$7.40/SF) before adjusting for utilities, furnished units, and concessions. The weighted average square footage is 462 SF, and the weighted average market rental rate is \$2,461/bed/mo (\$5.70/SF).

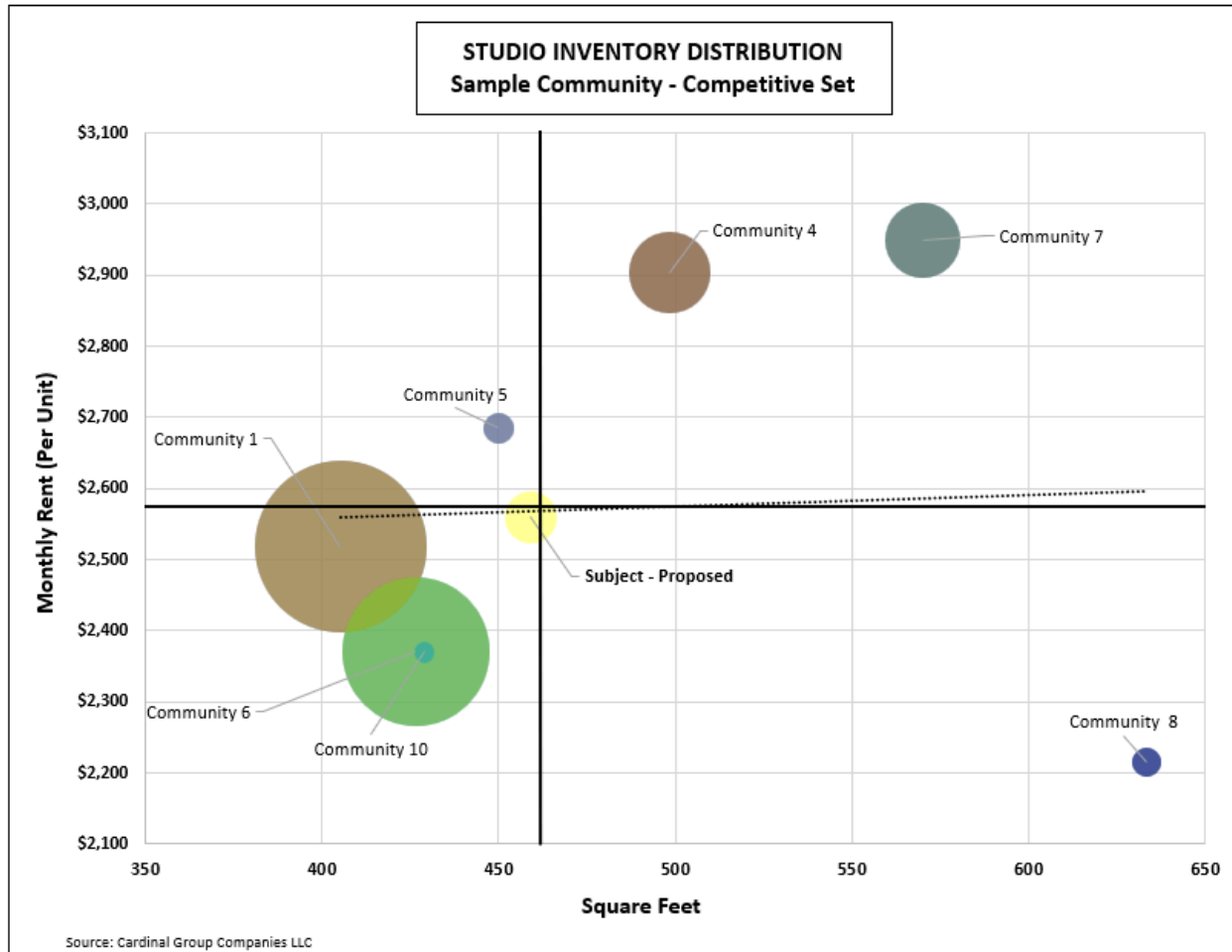
Based on our amenity inclusion recommendations and The Subject's site location, we have identified two strong comps for The Subject, Community #1 and Community #6. These two communities offer similarly sized floor plans to The Subject's and have locations that are not in either housing node near campus. Community #1 and Community #6 are discussed in detail below.

CardinalGroup.com

Community #1, a 2022 vintage community with 427 beds, lies to the west of campus, about 0.2 miles from the campus border, or a 13-minute walk to the Graduate Library. Community #1 offers quartz countertops, wood-style flooring, a full kitchen with stainless steel appliances, tile backsplashes, smart locks, bike racks, and garden tubs with tile surrounds. It offers the competitive set's standard amenities as well as a heated spa on its mid-level terrace, an EV car-sharing program, on-site retail, and a conference room. While these amenities are nice, most of them are relatively basic in terms of design and offering, a pattern found throughout POSH market. Community #1's fitness center provides enough equipment to get a workout in, but fails to achieve an experiential level as an amenity. Its spa terrace does allow for boosted rents, but is only used heavily on either end of the academic year. Lastly, Community #1's study lounge is largely focused on private study, and while this isn't necessarily a negative, leaves something to be desired when it comes to group work. Community #1 does offer a nice study terrace directly outside of the study lounge, which provides a serene outdoor environment away from the pool terrace where students can get some fresh air while working. Overall, Community #1 offers generally nice amenities, though some seem to be unappreciated by the students, more expensive than they are worth, and unnecessary when it comes to maximizing occupancy, especially when students favor affordability so heavily.

Community #6, a 2018 vintage with 642 beds, lies to the southwest of campus, about 0.16 miles from campus, or a 15-minute walk to Graduate Library. Community #6's location close to the Law School comes with pros and cons, though ultimately residents seem unhappy with its proximity to the noisy train tracks. Community #6's unit interiors are very similar to Community #1's with quartz countertops, wood-style flooring, full kitchens with stainless steel appliances, tile backsplashes, and garden tubs. In lieu of a terrace, Community #6 offers an interior courtyard with a heated pool, firepit seating, lawn games, grills, and outdoor TVs. Community #6's fitness center is split between two stories, with weight training equipment and free weights on the first floor and a spin studio on the second floor. Lastly, a study lounge offers separate study rooms, a larger conference room, and a more public study area, though the study area does not allow for much group study. Community #6's outdoor courtyard gives residents enough room to spread out, though the pool leaves much to be desired as it is shaded most of the day. Community #6 offers a private shuttle to and from campus, which was reported to be the most used amenity at the community by far, was the reason many residents renewed their leases or leased primarily.

The Community proposes 27 studio units that measure 459 SF in size, an average rate of \$2,560/bed/mo, utilities inclusive. This places The Subject at a slight discount to Community #1's comparable units, but at a premium to Community #6's studios. We believe the Community should be priced at a discount to Community #5, a 2018 vintage community southeast of campus, due to Community #5's superior location and larger studio units.

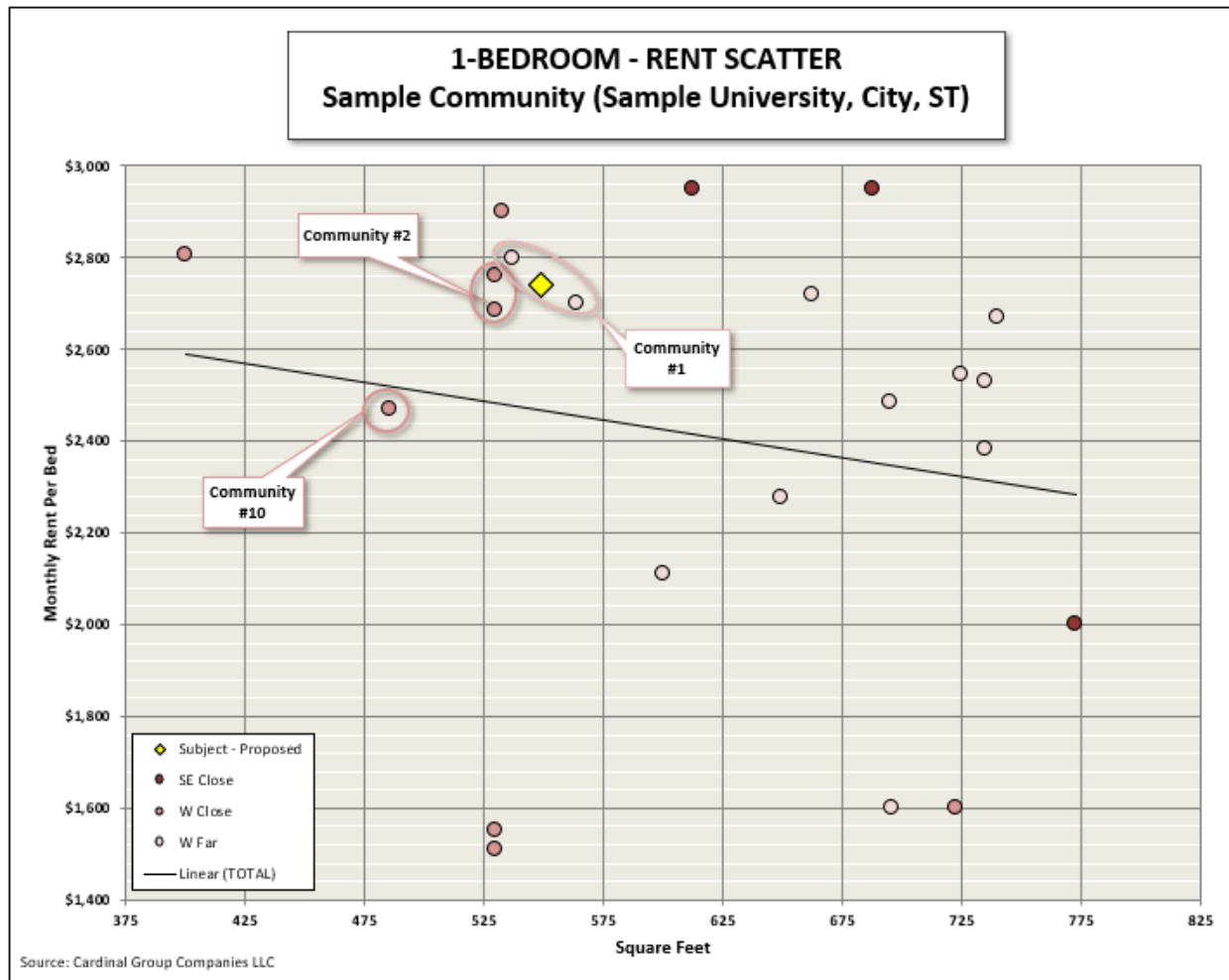


The chart is divided into four quartiles based on the weighted average square footage of studio units (462 SF) and the weighted average market rent per unit (\$2,580/mo).

Unlike the scatter charts, the chart above illustrates the weighted average studio rent per unit at each community in the competitive set based on the total number of studio units at each community. The size of each bubble represents the amount of inventory at each community. For example, Community #1 offers 89 total studios, the most in the competitive set, and thus has the largest bubble.

Studio units are common, making up 18.1% of the competitive set's total unit supply. The Subject's proposed 27 studio units will increase the set's total studio supply by 9.3%. Due to its relatively low supply and below-average square footage, Cardinal agrees with the proposed averaged rental rate of \$2,560/mo (\$5.58/SF). Community #1, Community #5, and Community #7 reported that studios were one of their most popular unit types, likely because of their more affordable rents. The Community #1's studios average \$2,518/mo (\$6.21/SF), Community #5's average \$2,685/mo (\$5.97/mo), and Community #7's average \$2,989/mo (\$5.17/mo).

RENTS: 1-BEDROOM



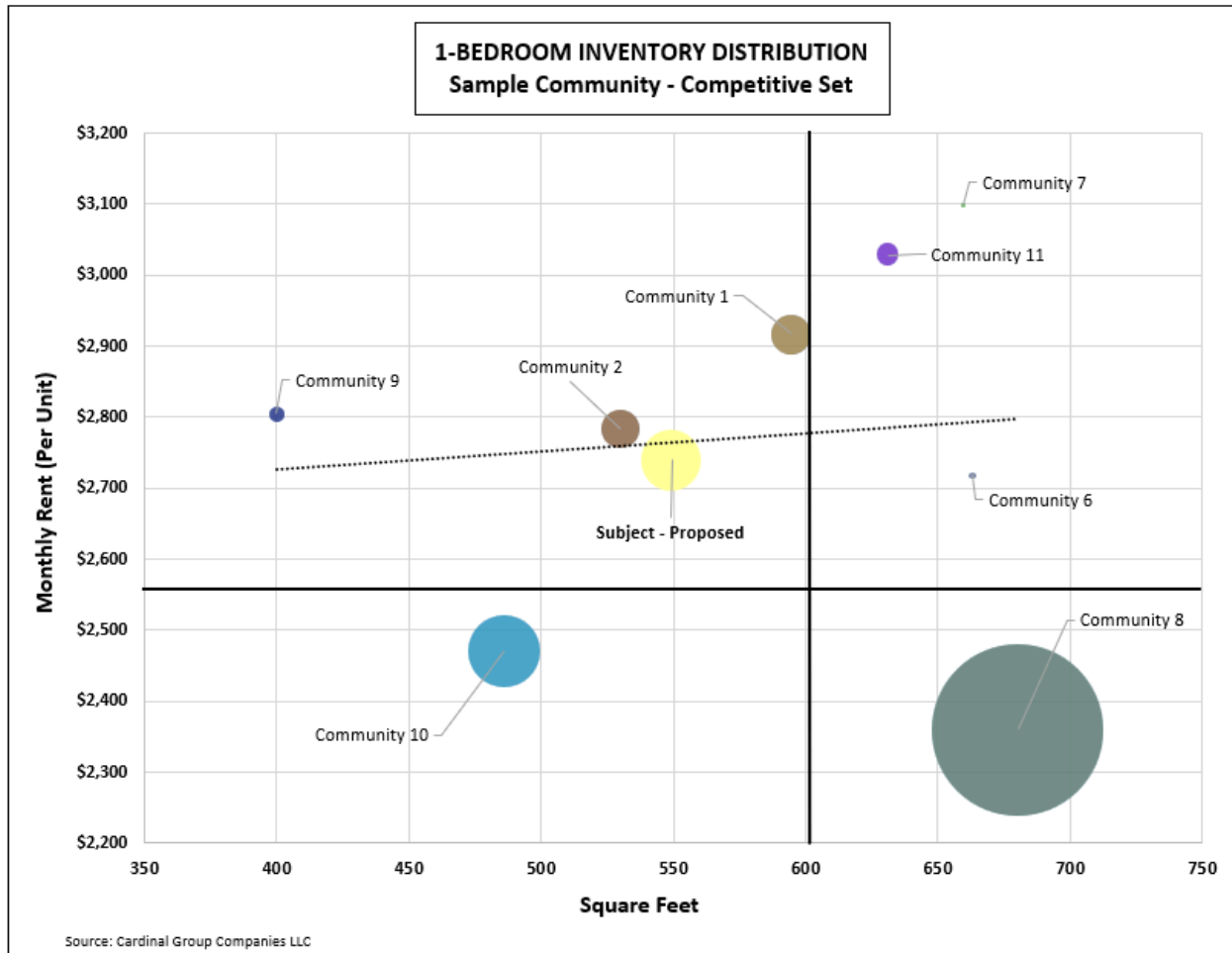
Eight communities in the competitive set offer one-bedroom units. One-bedroom units range in size from 400 SF - 773 SF with market rental rates running from \$1,509/bed/mo - \$2,949/mo (\$3.24/SF - \$7.01/SF). The weighted average square footage is 603 SF, with a weighted market rental rate of \$2,395/mo (\$4.38/SF).

The average rate-per-bed for one-beds is lower than that of studios largely due to the prevalence of double occupancy units, as well as the inclusion of Community #8, which offers lower rental rates as a student-competitive community.

Community #2 and Community #10, two 2013 vintage communities, offer smaller one-beds than The Subject, but are closer to campus in the west node. Community #10 offers an average amenity suite with a fitness center, yoga studio, study area, resident lounge, and a rooftop terrace. Community #2 offers a bare amenity suite with a fitness center and coffee bar. Community #2 did offer onsite retail, but has not had a commercial tenant for at least a year, according to the community.

The Community proposes 36 one-bedroom units that measure 549 SF in size at an average rate of \$2,740/bed/mo, utilities inclusive. This places The Subject at a slight discount to Community #1's and Community #2's more expensive comparable units, but at a premium to their less expensive comparable units. The Community should be priced at a premium to Community #10 and Community #2 as a whole, though we do not recommend pricing over Community #2's more expensive units given The Subject's location.

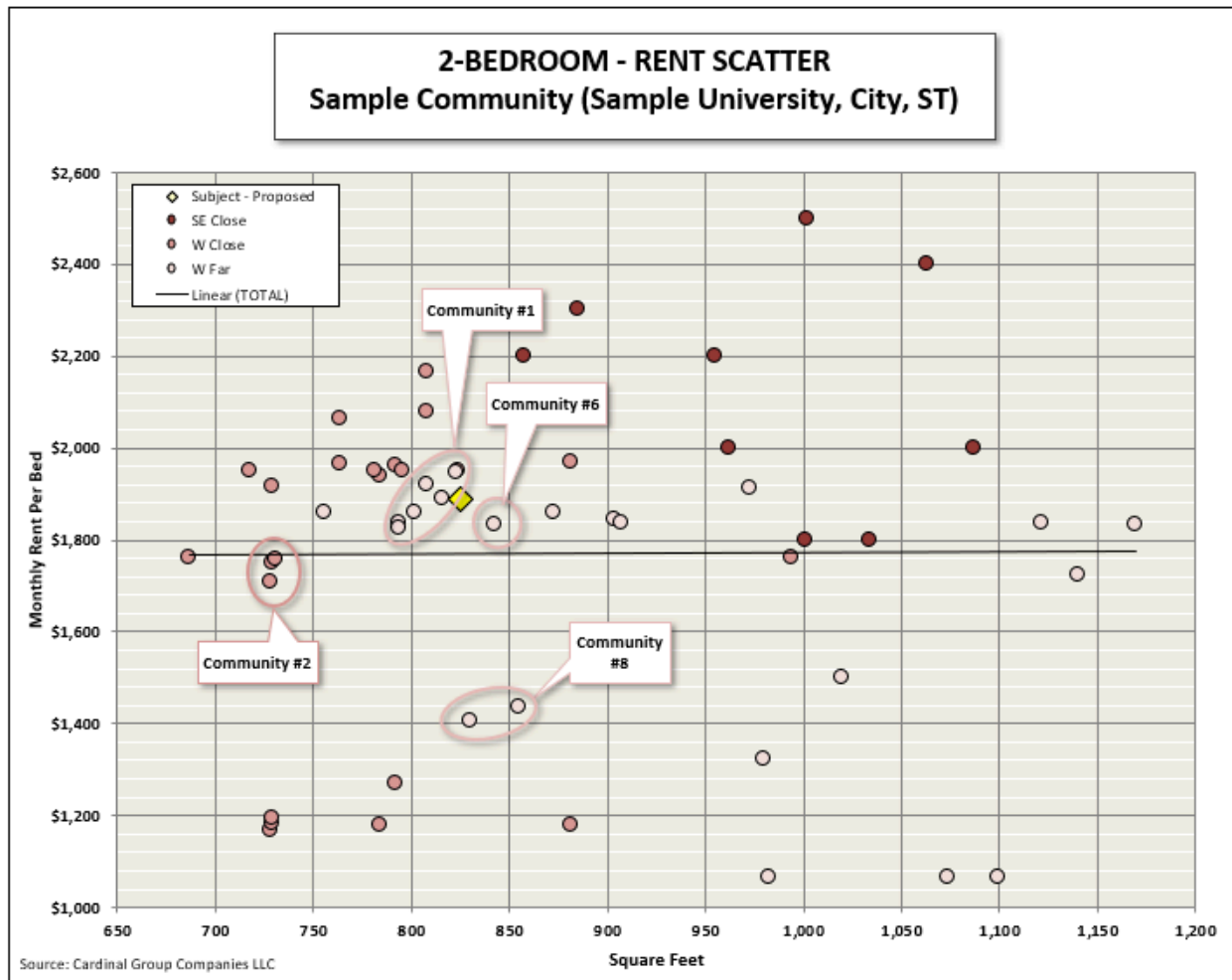
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The chart is divided into four quartiles based on the weighted average square footage of one-bedroom units (603 SF) and the weighted average market rent per unit (\$2,560/mo).

One-bedrooms are slightly limited in the market, making up 13.7% of the competitive set supply. The Community proposes 36 one-bedroom units at an average size of 549 SF and an average market rent of \$2,740/mo (\$4.99/SF) for one-bed units. These rents are a discount to both Community #1 and Community #2, but a premium to Community #10. Both Community #2 and Community #1 have fewer units to fill than The Subject, which helps raise rental prices. Additionally, Community #1 and Community #2 offer double occupancy units that rent for over \$3,000/mo. Community #10, which does not offer double occupancy options, has 42 one-bed units to fill, six more than The Subject's supply, and at 63 SF larger than Community #10, The Subject's rents seem feasible given the recommended amenity offering. The use of double occupancy units should be explored further, as Community #2 reported their doubles as the most popular floor plans due to affordability.

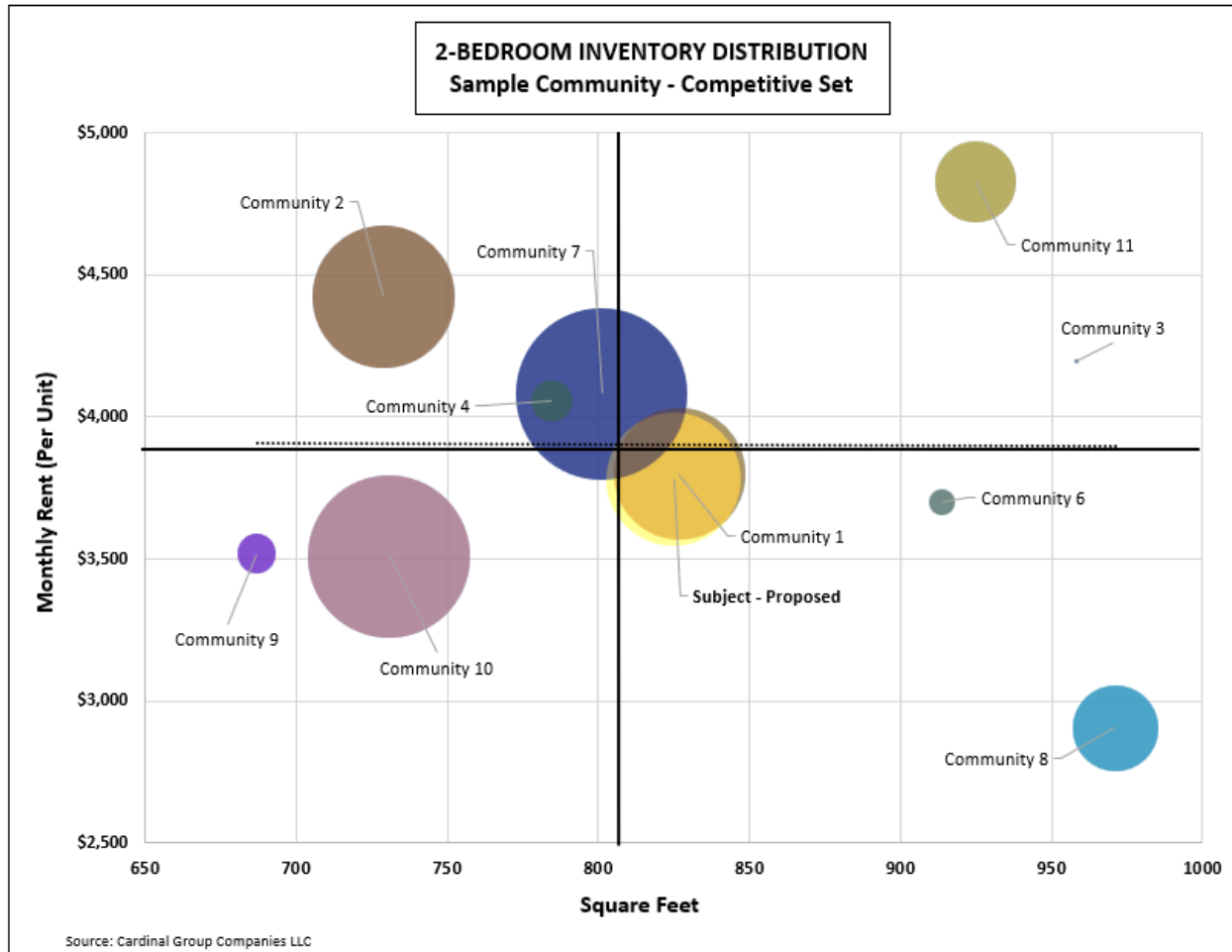
RENTS: 2-BEDROOM



All communities in the competitive set, except for Community #5, offer two-bedroom units. Two-bedroom units range in size from 687 SF - 1,170 SF with market rental rates ranging from \$1,065/bed/mo - \$2,499/bed/mo (\$2.70/SF - \$6.54/SF). The weighted average square footage is 807 SF with a weighted average market rental rate of \$1,662/bed/mo (\$4.91 SF). The Community proposes 61 two-bedroom units averaging 825 SF in size with an average market rate of \$1,890/bed/mo for private two-bed units, a \$228 premium to the competitive set's weighted average market rate.

Community #8, a 2014 vintage student competitive community with 194 beds, is the closest comp in the set to The Subject at just a block south. Community #8 is an 'apartment hotel' community, which offers both dedicated short-term hotel-style rentals and long-term apartment-style leases. Community #8 offers almost complete customizability with their units, allowing residents to choose if they would like a backsplash in one of two colors, or other features such as strippable wallpaper and FF&E packages, among others. Students do not seem to rent at Community #8 due to its short pre-lease window, only letting residents lease a unit two months from move-in at maximum. The Subject's rents should not fall below Community #8's rents.

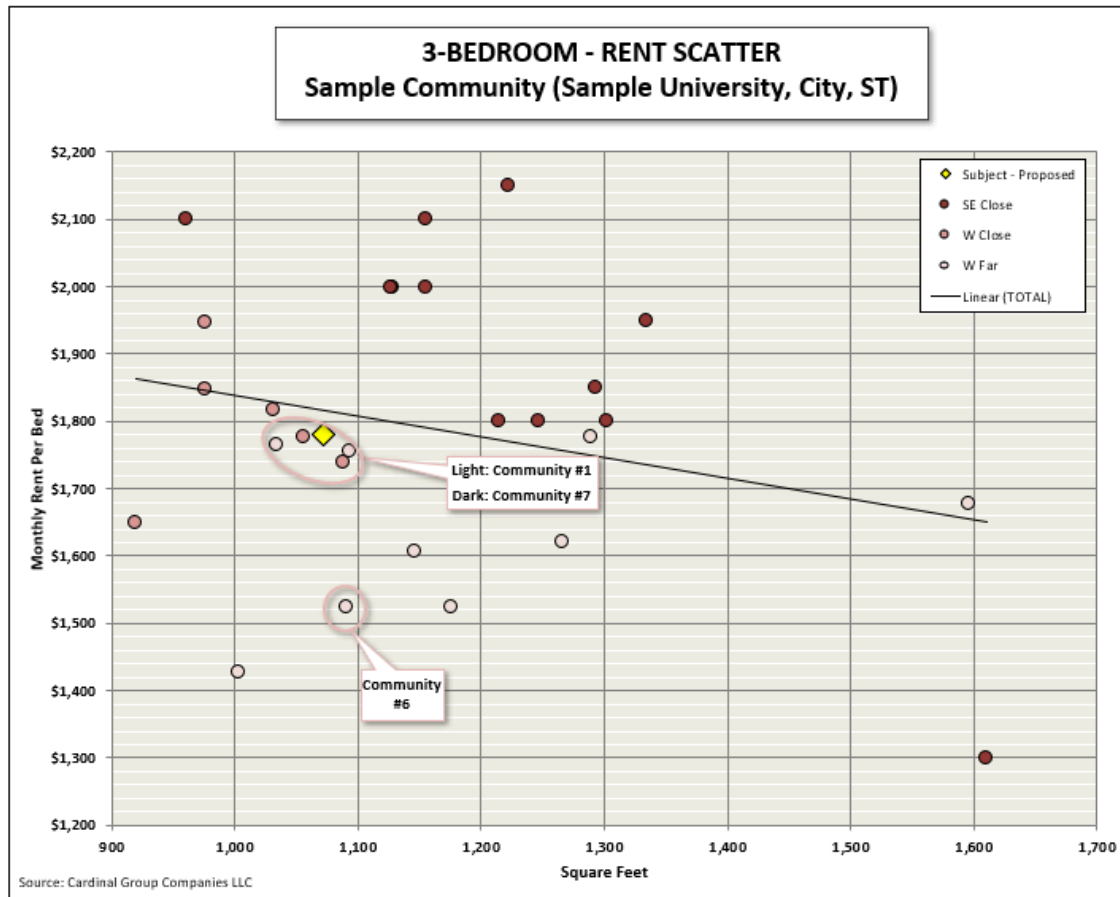
CardinalGroup.com



The chart is divided into four quartiles based on the weighted average square footage of two-bedroom units (807 SF) and the weighted average market rent per unit (\$3,907/mo).

Two-bedrooms are popular in the competitive set, accounting for 25.4% of the competitive set's total unit supply. The Community is currently proposing 61 two-bedroom units with an average unit size of 825 SF and priced at an average of \$3,780/unit (\$4.91/SF). In addition to offering more affordable units, a theme that is important to students, it will be crucial for The Subject to create a sense of community within the building. This can be achieved through community-oriented resident events, excellent customer service, and amenities that draw residents together like a private shuttle, outdoor seating, and an open study area.

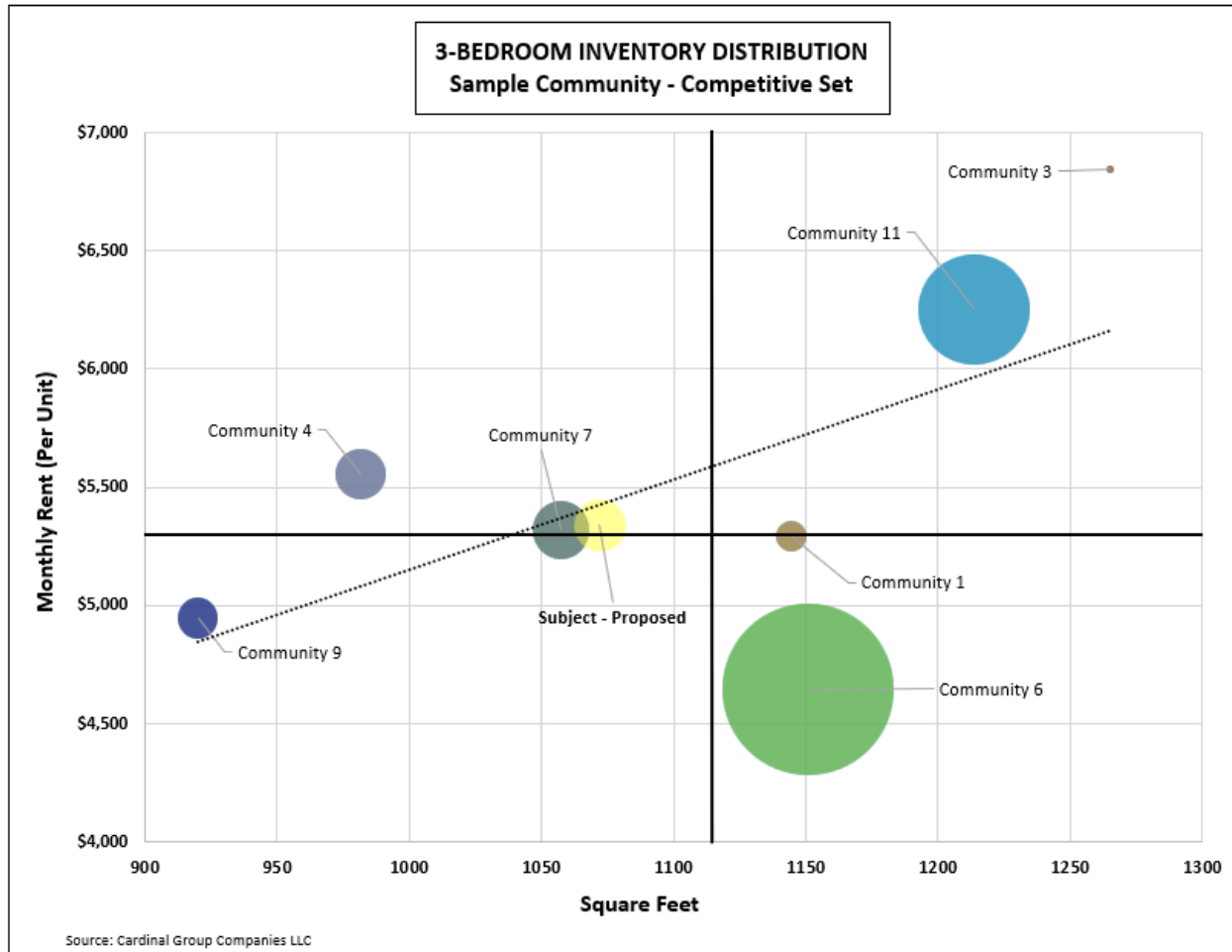
RENTS: 3-BEDROOM



Seven communities in the competitive set offer three-bedroom units. Three-bedroom units range in size from 920 SF - 1,611 SF with market rental rates ranging from \$1,299/bed/mo - \$2,149/bed/mo (\$3.15/SF - \$6.55/SF). The weighted average square footage is 1,117 SF with a weighted average market rental rate of \$1,727/bed/mo (\$4.79 SF). The Community proposes 21 two-bedroom units averaging 1,072 SF in size.

Community #7, a 2016 vintage community with 545 beds, is located west of campus, about a 10-minute walk from the Graduate Library. Community #7 offers standard amenities with a fitness center, study lounge, hot tub deck, rooftop deck, outdoor courtyard with grills, and a tanning booth. Unit interiors have a unique style, but offer standard features like stone counters, stainless appliances, and wood-style flooring.

The Subject's three-bedroom units rent for an average of \$1,780/bed/mo (4.98/SF), a \$5 premium to Community #7's smaller three-bed and a \$35 premium to Community #1's larger three-bed. Typically, we would recommend that The Subject price below Community #7 due to the difference in location between the two communities. Community #7, however, is running a special of discounted rates on three-bedroom and four-bedroom units. We feel these rents are feasible considering the private shuttle amenity and inclusion of utilities at The Subject.

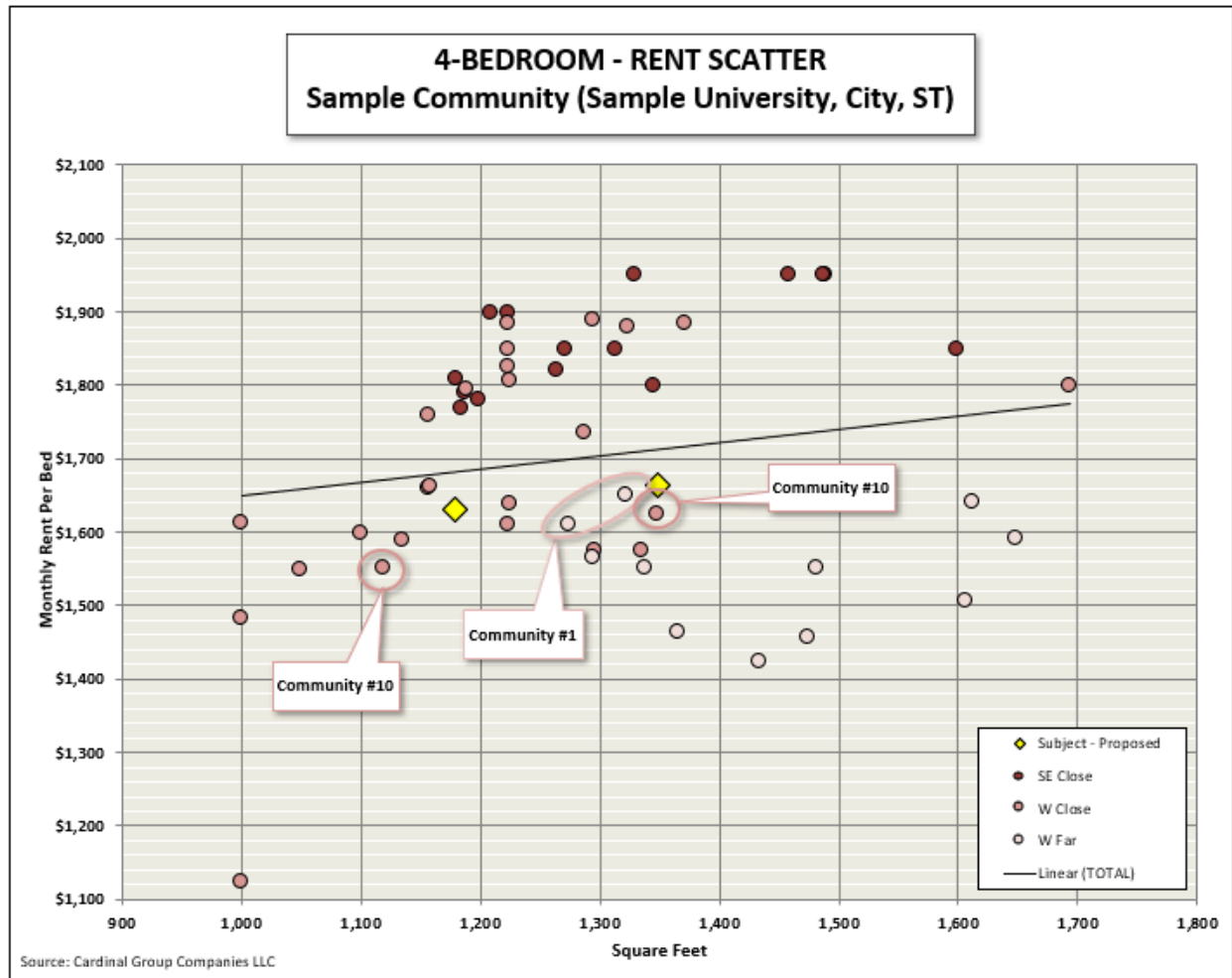


The chart is divided into four quartiles based on the weighted average square footage of three-bedroom units (1,117 SF) and the weighted average market rent per unit (\$5,311/mo).

Three-bedrooms are uncommon in the competitive set, accounting for 11.7% of the competitive set's total unit supply. The Community currently proposes 21 three-bedroom units with an average unit size of 1,072 SF and rent at an average unit rate of \$5,340/mo, \$29 above the market average.

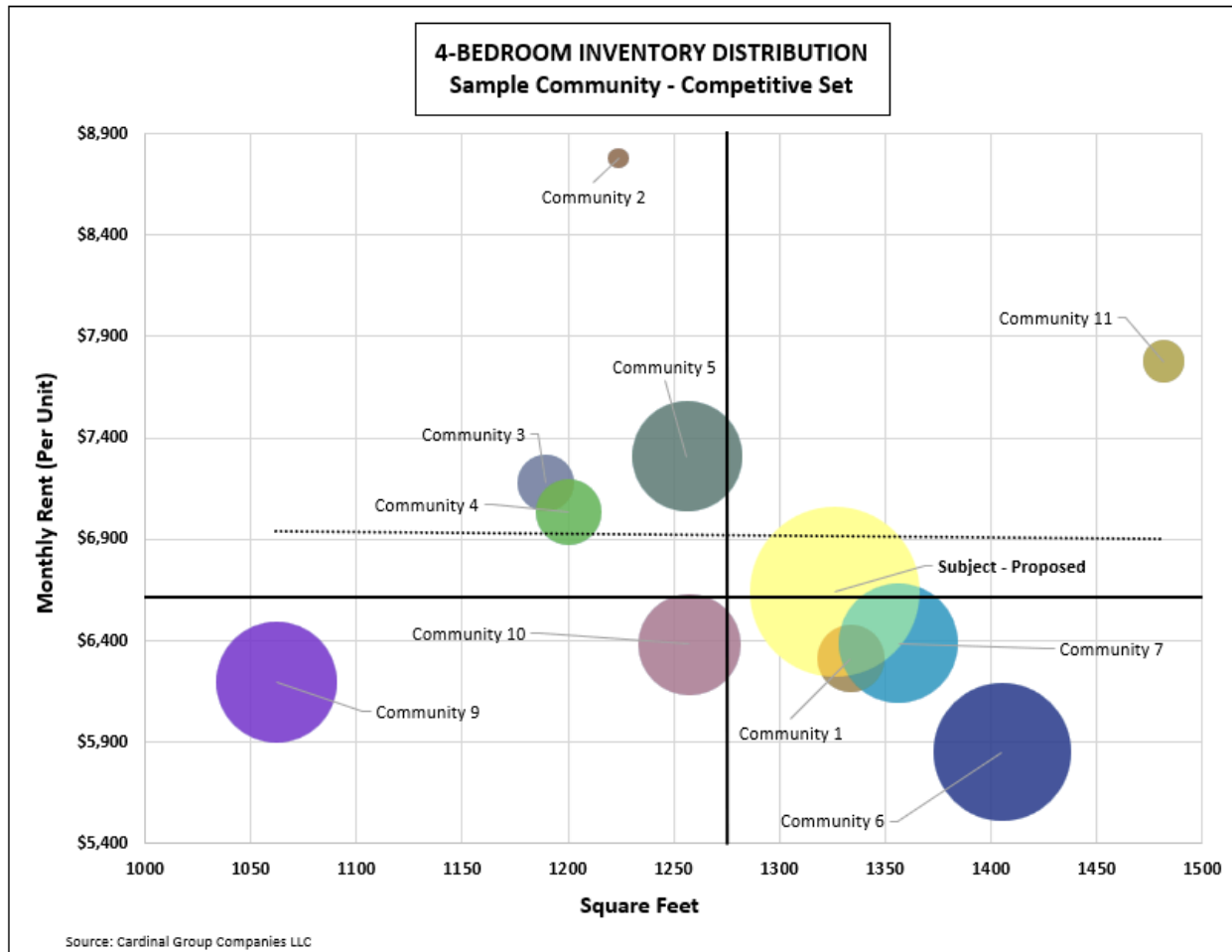
The Subject's relatively low number of three-bed units feels right in the market. While three-beds certainly aren't avoided in the market, they seem to have trouble leasing. Community #11's unit mix is 38% dedicated to three-bedroom units, which, when coupled with Community #11's high rental rates, lack of parking, and extremely bare amenity offering, could explain the community's low pre-lease rate at the time of this report.

RENTS: 4-BEDROOM



The majority of the communities in the competitive set offer four-bedroom units. Four-beds range from 1,000 SF - 1,693 SF with market rents per bed from \$1,124/bed/mo - \$1,949/bed/mo (\$2.98/SF - \$7.55/SF). The competitive set's weighted average square footage is 1,275 SF and the weighted average market rental rate is \$1,647/bed/mo (\$5.25/SF).

The Community proposes 89 four-bedroom units across two floorplans, measuring 1,179 SF and 1,349 SF with an average size of 1,326 SF. The Community's per-bed market rental rates are \$1,630/mo for the smaller floor plan and \$1,665 for the larger floor plan. These rates put The Subject's 1,349 SF units at a \$15 premium to Community #1's 1,322 SF floor plan. The Subject's trendline between its two floor plans follows the competitive set's trendline, and sets the smaller, 1,179 SF unit at an \$80 premium to Community #10's 1,120 SF floor plan.

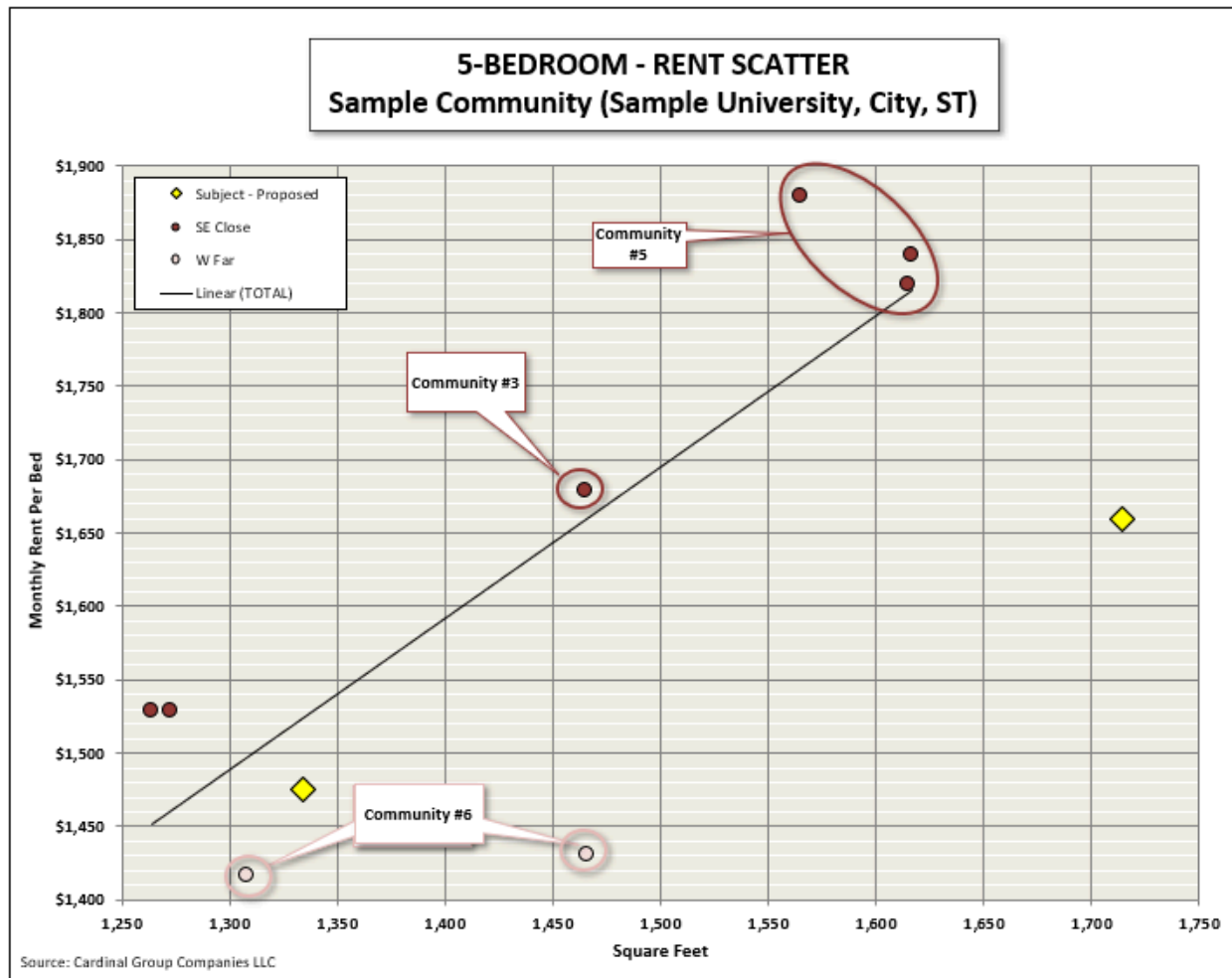


The chart is divided into four quartiles based on the weighted average square footage of four-bedroom units (1,275 SF) and the weighted average market rent per unit (\$6,617/mo).

Four-bedrooms are the most common unit type in the competitive set making up 27.5% of the competitive set's total unit supply. The Community proposes to build 89 four-bedroom units averaging 1,326 SF at a weighted average unit rent of \$4.39/SF. Upon delivery, The Subject's units will increase the competitive set's four-bed inventory by 20.3%.

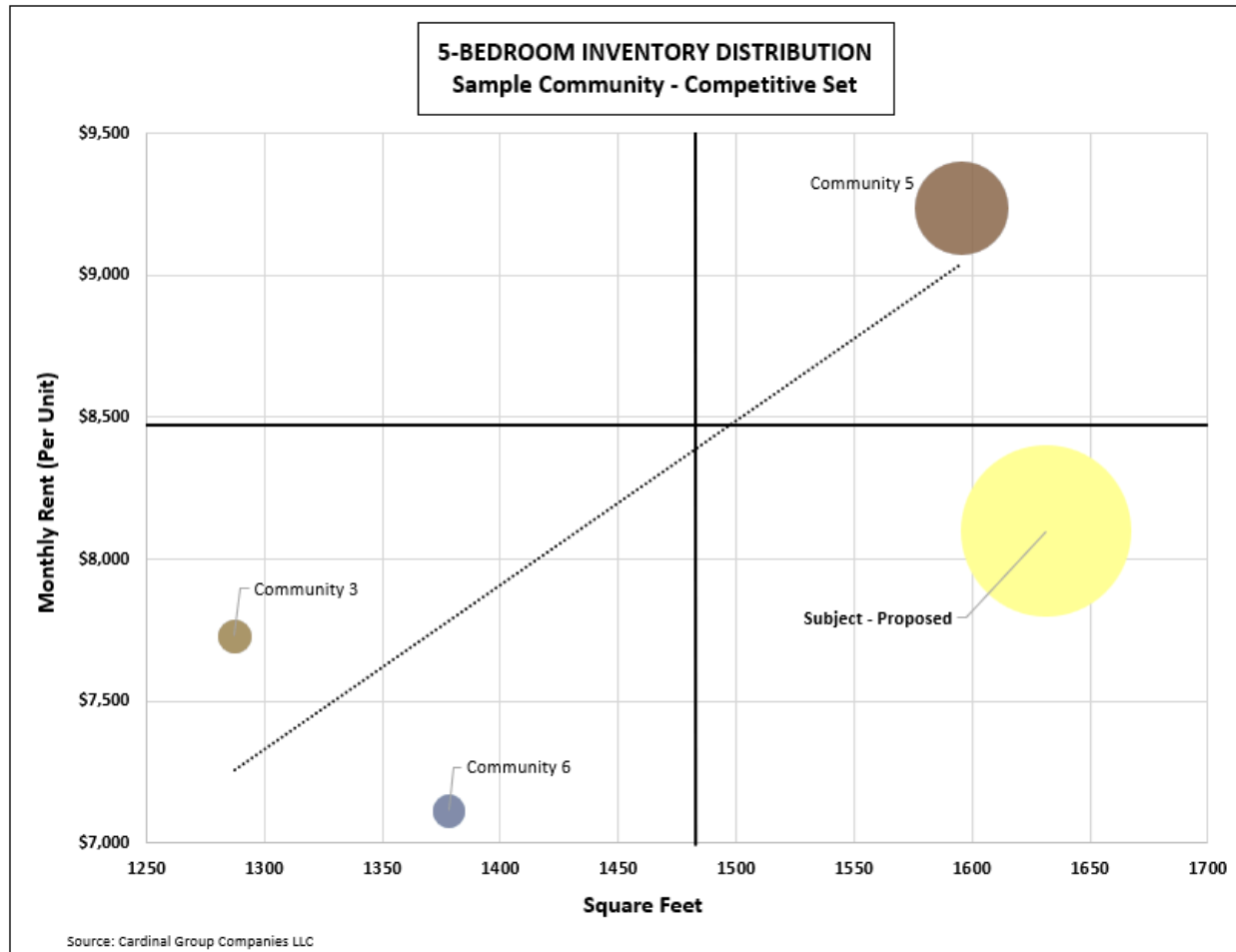
Similar to the three-beds above, Community #7 is currently running a discounted rate for select four-bed floor plans, resulting in a lower average rate for larger units than The Subject. Community #1 is also discounting four-bedroom rents currently as shown above. As previously mentioned, The Subject may need to offer concessions as well during lease-up in order to draw demand away from campus. These rates are slightly more aggressive than the other unit-type given the concessions offered for four-beds. Based on comp surveys, these rents seem feasible given the unit type's popularity, The Subject's large units with bed/bath parity, and The Subject's recommended amenity offering. Additionally, without the \$80 utility inclusion, The Subject's small and large four-bedroom market rents drop to \$1,550/bed/mo and \$1,585/bed/mo, respectively, and average \$6,321/unit/mo which is in line with comps that offer concessions on four-beds.

RENTS: 5-BEDROOM



Only three communities in the competitive set, Community #3, Community #5, and Community #6, offer five-bed units. Five-beds range from 1,264 SF - 1,617 SF with market rents per bed from \$1,416/bed/mo - \$1,879/bed/mo (\$4.88/SF - \$6.05/SF). The competitive set's weighted average square footage is 1,485 SF and the weighted average market rental rate is \$1,695/bed/mo (\$5.71/SF).

The Community proposes 46 five-bedroom units across two floorplans, measuring 1,334 SF and 1,714 SF with an average size of 1,631 SF. The Community's per-bed market rental rates are \$1,475/mo for the smaller floor plan and \$1,660 for the larger floor plan. For reasons previously mentioned, we recommend pricing The Subject's smaller units at a \$59 premium to Community #6's smaller unit. The Community's large five-bed floor plan will be the largest in the competitive set upon delivery. Using Community #6's trend, we have adjusted The Community's larger unit's rent, and added \$130 per bed as a premium for bed/bath parity. This premium seems fair given Community #6's charges a \$137 premium on its three-bedroom units with bed/bath parity. Despite the units' large size, The Community's large units should remain at a discount to Community #3's large five-beds due to location differences.



The chart is divided into four quartiles based on the weighted average square footage of five-bedroom units (1,485 SF) and the weighted average market rent per unit (\$8,476/mo).

Five-bedroom units are rare in the competitive set, accounting for 2.7% of the competitive set's total unit supply. The Community is currently proposing 46 five-bedroom units with an average unit size of 1,631 SF. The Community's five-bedroom units rent at an average of \$8,099/unit/mo (\$4.96/SF), a \$377 discount to the competitive set's average.

The Subject's large number of five-beds may seem daunting against a small competitive set supply. Five-beds, however, are a common occurrence when looking at single family houses for rent near campus. Rental houses are popular due to their affordability, and are only gaining traction as a housing option. According to Zillow, five-bedroom houses can range from \$6,750/mo to \$7,500/mo, a maximum discount of \$1,726/mo (20%) to the competitive set's average five-bed rate. Should the University exercise eminent domain over many nearby houses in order to build new on-campus housing, demand for five-bed apartments could rise. In either scenario, The Subject will need to provide a sense of community to its residents, something that is near impossible for rental homes to achieve.