

Cardinal Group

COMPANIES



OPERATIONAL ASSESSMENT

CLIENT
SAMPLE COMMUNITY
SAMPLE CITY, ST

Date:

To: Client

From: Cardinal Group Consulting

Re: Operational Assessment | Sample Community - City, ST

Based on our market research and operational expertise, we have prepared the following Operational Assessment to evaluate Sample Community and identify opportunities to improve performance and drive value creation. For the purposes of this assessment, the Sample Community is referred to as the “Community” or the “Subject” herein. This document should be used as a guide only; to fully provide a comprehensive and accurate plan, reliable timelines, and an operational strategy we would feel fully confident in, our team would need the operational reins of the Community.

This memo is structured as follows:

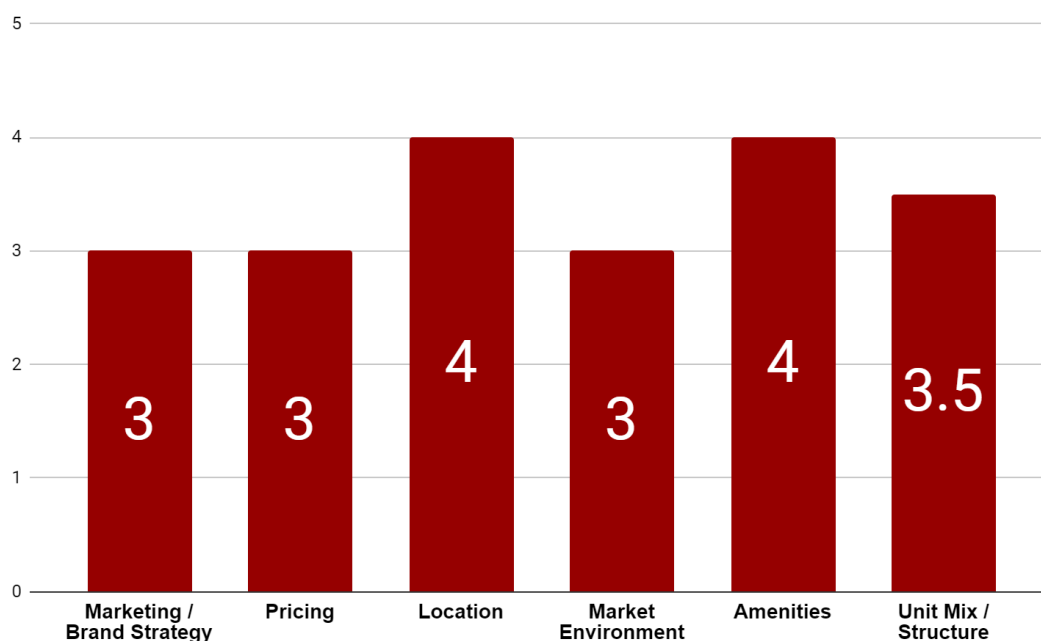
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EXECUTIVE SUMMARY

Enrollment at the Sample University (the "University") has increased by 16% from 59,740 to 69,320 students since 2013 represented by a compound annual growth rate of 1.7%. By 2027, the University is forecasted to have a total enrollment headcount of 72,557 students, a 4.7% increase from current enrollment (69,320). International students account for 3.3% of total enrollment and out-of-state students make up 5.5% of total enrollment. The University has prioritized conservative growth focused on student retention rather than increasing enrollment via freshman admissions.

The University market has experienced moderate new development, resulting in an average occupancy of 99.4% and fluctuating rent growth. Despite the high occupancy, competition is high in the market and concessions are prevalent. There is a significant amount of new development in the pipeline, roughly 8,000 beds, though only four communities in the pipeline have expected delivery dates.

STRENGTHS & WEAKNESSES



We believe the Community has an above-average location, robust amenity offering, and strong unit mix, but there is room for improvement in the Community's price and marketing/brand strategy. The Community's marketing/brand strategy is rated as average, primarily based on low ORA scores and a perceived lack of energy in the Subject's leasing experience based on our secret shop conducted over the phone. The Community seems to be underestimating its feasible rental rates, as evidenced by rents that fall below comparable communities with an inferior product offering. The Community should evaluate their rental rate ceiling based on their current product offering, and boost their leasing experience in order to create energy in prospective and current residents.

The competitive set includes seven communities with an average of 99% occupancy. The competitive set is currently pre-leased at 89% for the Fall 2024 semester. All communities in the competitive set offer standard amenities such as a pool with a grilling area, a fitness center, and a study lounge or business center. All communities in the competitive set offer fully furnished units.

After reviewing the Community's historical financials, there are several areas for potential improvement such as Other Income, Insurance, Payroll and Related, and Utilities. There was no specific section detailing historical financials for Service Contracts, though we have called out several contract-related issues that need to be addressed. The high amount of Late Fees is concerning to us as it represents a large number of late rent payments and possible problems with the rent collection or qualification processes. We believe there is an opportunity to lower Cable and Internet expenses by terminating the Subject's current Cable contract.

Cardinal Group received a detailed work order report spanning from 4/26/2023 to 4/25/2024. The Community experienced an average of 3.7 work orders per bed in 12 months, with an average time-to-complete of 2.2 days. The maintenance team seems to be an asset to the Community as the Subject's time-to-complete is lower than Cardinal's portfolio average. Over 11% of all work orders were related to pests, which brings into question the quality of service provided by the Subject's current pest control service provider.

Cardinal Group received and reviewed 16 service contracts. Most contract amounts are consistent with the corresponding expenses in the Financial Statements received; the total monthly expense load for the contracts received amounts to \$29,810/month or \$615 per bed, with \$12,728 in annual fees. Four contracts are missing signatures, and the status of eight contracts is unknown but presumed to be active. There are seven other possible contracts mentioned in the T-12 that were not provided to us, and others still outstanding that are common in POSH communities.

County Utilities has advised Conservice that the water and sewer rates are projected to increase by a respective total of 5.0% and 10.0% in the calendar year of 2024. In addition, the water and sewer rates are projected to increase by a respective total of 3.0% and 10.0% in the calendar year of 2025. Water consumption at the Community has averaged 11,445 gallons/unit/month over the past 12 months compared to the industry average of 3,500 gallons/unit/month. Utility deposits are required when taking over electric, water, and sewer accounts.

A PCA survey was performed on the Subject, which uncovered various maintenance issues that should be addressed. Among these, a few life and safety hazards were uncovered which should be corrected immediately. The other findings included in this report should be addressed, though are less pressing.

Cardinal recommends the Community renovate unit interiors with new backsplashes in unit kitchens, which could increase the quality of units and drive demand when new communities are delivered. Additionally, Cardinal recommends that the Subject's study areas undergo a redesign in order to center the space's focus on either academic pursuits or social interaction, but not both. Lastly, we recommend the Community increase security measures by increasing security patrols, installing security cameras, and installing a security fence and gates at each entrance in order to provide residents with the often-requested safety one expects from their home.

FINANCIAL ANALYSIS

The Financial Statements provided were broken down into typical Income and Expense Categories. We received a five-month statement for 2021 (August-December) and full year statements for both 2022 and 2023. We also received a Trailing 12-Month Income Statement (T-12) from March 2023 to February 2024.

INCOME

Rental Income | Based on the current rent roll we received, it's anticipated that the monthly rental income would be ~\$604,000. However, in the T-12, monthly rental income averaged ~\$627,000. With a gain to lease of roughly \$21,000 per month, it is possible that the Subject's market rent estimates are lower than they should be.

The model unit seems to go un-leased throughout the academic year, resulting in over \$44,000 of unrealized revenue. As the Subject has a history of high occupancy, we recommend evaluating the feasibility of renting out the model unit once all other units have been leased.

Lastly, the Subject recorded over \$53,500 in negative revenue due to "Revenue Write-Off." In October of 2023 alone, over \$13,800 of negative revenue was recorded under this line item. We have asked the Seller for more information regarding the meaning of "Revenue Write-Off."

Other Income | Other Income totaled over \$525,700 over the past 12 months. Without performing a current lease audit, we cannot confirm whether Other Income is consistent with the leases. The Community appears to be missing out on supplemental income by not charging an equipment and furniture rental fee or charging for credit reporting services. As other comparable properties in the market do not charge a furniture fee, we do not recommend charging such a fee. We do, however, recommend that the Community implement a credit reporting service, which would bring in ancillary revenue and allow residents to grow their credit scores as they pay rent.

The Subject had \$65,000 in Cancellation/Termination Fees in the last 12 months. It is possible that, based on the high occupancy rate that the Subject has achieved, these fees could be related to re-letting and not true cancellations from residents. We have asked the Seller for more information regarding these fees and will provide updates as we receive them. If these fees are true cancellation fees, then an evaluation should be performed into why so many residents cancel their leases.

The Subject garnered over \$50,000 in Late Fees from their residents over the past 12 months, which equates to roughly \$83 per bed. On the surface these late fees are additional revenue, which helps the Community's bottom line. Late fees, however, are a symptom of late rents which can cause financial and operational distress for an asset. Late fees could stem from both current, qualified residents and current residents that have signed leases but do not technically qualify to rent based on their income or guarantor status. Without a formal lease audit, which would create transparency in the qualification status of residents and highlight areas to improve in the leasing and rent collection process, the reason for the large amount of late fee charges cannot be known.

EXPENSES

Advertising / Promotion | Generally, Advertising/Promotion expenses were in line with what we expect to see from a well-known community. Some line items, specifically Promotional Events, Promotional Items, and Resident Incentives, among others, could be included as Marketing & Promotions items instead of Advertising items. We recommend understanding the difference between Resident Incentives (Advertising) and Rent Concessions/Incentives (Rental Income). We have reached out to the Seller for clarification between these two line items.

General & Administrative | General & Administrative expenses total \$88,496 (\$147/bed), which is below Cardinal Group Management's (CGM) portfolio averages of \$275/bed. One line item, Legal Fees/Evictions, totaled \$2,556 in the past 12 months, and a separate section, Professional Expense, also has a Legal Fees line item totaling \$792. We recommend clarifying with the Seller on the difference between these two expenses.

Insurance | Expenses related to Insurance cost the Subject nearly \$270,000 over the past 12 months. Insurance - General Liabilities grew significantly between July and August of 2023, from an average payment of \$3,916/mo to an average payment of \$24,207/mo. This rise in monthly expense could be related to a drop in property insurance payments through escrow, from \$8,567/mo to no monthly expense, found under the line item Insurance - Property - Escrow. It is possible that an escrow payment amortization schedule was set up at delivery, and matured in July of 2023. We recommend clarifying these sudden changes in expenses with the Seller.

Shuttle, Landscaping, & Security | Expenses due to Shuttle Service cost the Community over \$105,000 from March 2023 to February 2024. The contract in hand details a cost structure of \$32/hr, 15 hrs per day, five days per week for the Fall and Spring semesters, as well as 12 hrs per day during the University's Summer semester. At a minimum, the shuttle service costs outlined in the service contract amount to roughly \$87,500 annually. The shuttle expenses in the financial statements amount to a 21% increase in service costs from the contract, though this does not raise concerns, as the contract seems to allow for fluctuating service times based on University operations and class schedules.

Landscaping cost a total of roughly \$45,000 over the past 12 months, which is in line with the provided Landscaping service contract. Nearly \$4,500 of these costs were from Mulch/Pine Straw and Tree Service, which are not included as separate charges in the provided Landscaping contract. While these costs do not seem high, we do recommend confirming that these are not service contract charges.

Security expenses totaled \$32,147 over the past 12 months. The Contracted Security Service expense item is slightly higher than what the contract directly states but still falls in line with what we would expect. In addition to the Fire/Life Maintenance Contract found in the Repairs & Maintenance section, there is a Security Fire Alarm Monitor expense totaling \$456 that does not align with the Fire Inspection contract currently in hand. If this is part of the Fire Inspection contract, it should be included in the same expense item.

Payroll & Related | Payroll expenses total \$421,503 (\$700/bed), which is below CGM portfolio averages of \$872/bed. Salary and Wages - Admin totaled nearly \$240,000 over the past 12 months, compared to the total administrative salaries and wages of about \$168,000 reported in the provided

Payroll Breakdown. The Seller has attributed this \$71,579 discrepancy to a mistake in the Payroll Breakdown provided, specifically the omission of a Resident Services Manager. We have requested an updated Payroll Breakdown from the Seller and will provide updates as we are able.

Additionally, it appears as though the Subject stopped using a payroll processing service as evidenced by zero expenses toward Payroll Processing Expense in the last eight months. It is not likely that the Subject has discontinued use of a payroll processing service, so the lack of expense in this line item should be clarified.

Repairs & Maintenance | Expenses related to Repairs & Maintenance totaled \$129,015, or \$214/bed, over the last 12 months, which is higher than Cardinal's average of \$158/bed.

- Contract Services - Two contracts, Exterminating/Pest Control and Fire/Life Maintenance Contract, cost significantly more than was outlined in each service contract. Exterminating/Pest Control appears to have roughly \$12,000 of biannual work expensed that is not outlined in the contract, and Fire/Life Maintenance Contract seems to include \$2,662 of charges that are not explicitly detailed by the service contract. We did not receive an HVAC Maintenance Contract and cannot speak to the costs as they appear in the T-12.
- Supplies / Materials - R&M Supplies and Materials totaled \$63,075, of which \$21,000 was solely for Fire/Life Safety Repairs. We recommend clarifying what supplies and materials were purchased and why they were needed. Additionally, many of the line items included in Supplies/Materials are vague and offer little insight into what they entail. More clarity on Exterior Supplies/Repairs and HVAC Repairs should be provided by the Seller. We have reached out to the Seller for more information on these items and will provide updates as we are able.

Turn Expense | Expenses related to Turn totaled \$74,021, or \$123/bed, which is in line with or below what we would expect to see from a community of this size and vintage.

Utilities | Utilities and Utility-Related expenses totaled \$267,870 (\$445/bed) in the last 12 months, which is extremely low and could pose possible concerns. For example, the Subject's T-12 reports a per-bed, per-month unit electricity cost of just under \$2/mo, whereas the benchmark report received from Conservice estimates an average per-bed, per-month unit electricity cost of \$48/mo. Additionally, the provided Trailing 12-month Utility Report provided by the Seller reports a total of \$373,000 for unit electricity for the past 12 months, compared to a total of \$14,000 found in the financial T-12. Based on these discrepancies, we recommend clarifying the difference in all utilities between the two reports with the Seller. We have asked for clarification on the low utility expenses in the T-12.

The highest utility expenses were Electricity - Common Area at ~\$82,600, Internet Contract at ~\$51,400, and Cable TV Contract at \$33,400. These expenses line up with the rates outlined in the contracts provided. There may be an opportunity to save \$33,000 each year by terminating the current Cable service contract, though we do not recommend terminating until the current agreement reaches the end of its initial term.

MAINTENANCE & WORK ORDER REVIEW

The Maintenance & Work Order Review below contains initial findings. These findings will be updated as additional information becomes available.

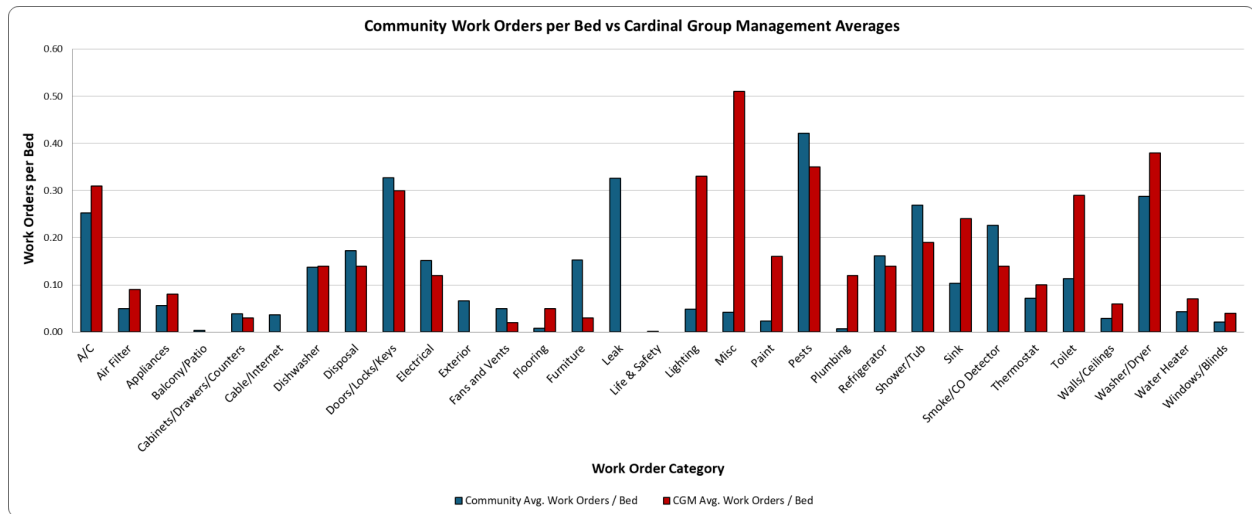
WORK ORDER SUMMARY							
4/26/2023 - 4/25/2024							
Work Order Type	# of WO	WO / Bed	CGM Avg.*	Variance to CGM Avg.	Days to Complete	CGM Avg.*	Variance to CGM
A/C	152	0.25	0.31	-19%	1.5	3.4	-55%
Air Filter	30	0.05	0.09	-45%	3.3	3.2	2%
Appliances	34	0.06	0.08	-29%	1.6	4.0	-59%
Balcony/Patio	2	0.00	0.00		11.5	0.0	
Cabinets/Drawers/Counters	23	0.04	0.03	27%	1.8	4.4	-60%
Cable/Internet	22	0.04	0.00		1.2	12.0	-90%
Dishwasher	83	0.14	0.14	-2%	0.9	3.8	-77%
Disposal	104	0.17	0.14	23%	0.7	2.6	-73%
Doors/Locks/Keys	197	0.33	0.30	9%	1.7	5.1	-66%
Electrical	91	0.15	0.12	26%	1.3	3.2	-59%
Exterior	40	0.07	0.00		1.3	0.0	
Fans and Vents	30	0.05	0.02	149%	3.1	4.0	-22%
Flooring	5	0.01	0.05	-83%	3.6	4.6	-22%
Furniture	92	0.15	0.03	409%	3.4	3.6	-6%
Leak	196	0.33	0.00		2.7	0.0	
Life & Safety	1	0.00	0.00		0.0	0.0	
Lighting	29	0.05	0.33	-85%	3.4	3.1	12%
Misc	25	0.04	0.51	-92%	1.0	3.9	-75%
Paint	14	0.02	0.16	-85%	2.7	8.7	-69%
Pests	254	0.42	0.35	21%	1.3	3.5	-62%
Plumbing	4	0.01	0.12	-94%	2.3	2.6	-14%
Refrigerator	97	0.16	0.14	15%	1.3	3.6	-65%
Shower/Tub	162	0.27	0.19	42%	1.1	2.9	-61%
Sink	62	0.10	0.24	-57%	0.9	2.9	-69%
Smoke/CO Detector	136	0.23	0.14	61%	1.9	2.4	-18%
Thermostat	43	0.07	0.10	-29%	1.3	3.3	-61%
Toilet	68	0.11	0.29	-61%	0.9	2.3	-62%
Walls/Ceilings	17	0.03	0.06	-53%	3.3	4.3	-23%
Washer/Dryer	173	0.29	0.38	-24%	3.1	3.9	-21%
Water Heater	26	0.04	0.07	-38%	2.0	2.3	-12%
Windows/Blinds	13	0.02	0.04	-46%	1.5	4.0	-64%
Totals / Averages	2,225	3.7	4.4	-17%	2.2	3.5	-37%

* Portfolio averages are estimated based on comparable work order categories completed for comparable student beds

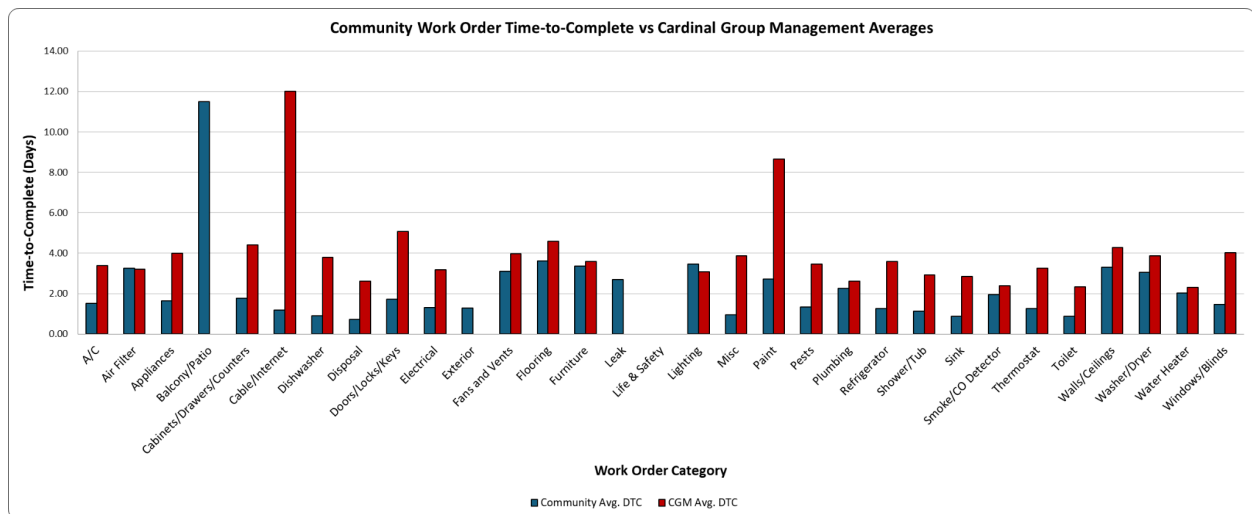
According to the Work Order logs we received, there were about 2,297 service requests submitted between April 26, 2021 and April 25, 2024. We have excluded Make Ready/Turn work orders and work orders open for more than 30 days, as these were likely left open by mistake or due to a lack of replacement parts. In total, 2,225 maintenance requests were analyzed.

As the table above and the charts below illustrate, the majority of these maintenance requests were related to Pests (11.4%), Doors/Locks/Keys (8.9%), Leaks (8.8%), and Washer/Dryers (7.8%). Additional categories of note are A/C (6.8%) and Electrical (4.1%).

The Community experienced approximately 3.7 work orders/bed from April 2023 to April 2024. This is compared to the CGM portfolio average, for similar vintage communities over the same time period, of roughly 4.4 work orders/bed. The Community's average adjusted work order completion time is ~2.2 days, compared to the CGM portfolio average of 3.5 days.



The chart above compares the number of work orders at the Community on a per bed basis to CGM's comparable communities. The chart below compares work order time-to-complete at the Community to comparable CGM communities. During the period from April 26, 2023 to April 25, 2024, there were approximately 51,974 work orders logged across more than 11,730 CGM beds.



PESTS SUMMARY	
Pest Type	# of WO
Insects	218
Mold	22
Mold, Insects	1
Other	13
Totals / Averages	254

Pests (11.4%) | There were 254 maintenance work orders related to pests from April 26, 2023 to April 25, 2024, or the sample period. Over 85% of Pest-related work orders mentioned insects; ants and roaches comprised the majority of insect-related Pest maintenance requests. Additionally, 22 work orders pertained to mold. Residents reported mold in the HVAC vents and the shower/bathtub, which could pose a substantial but remediable risk to resident health. Given the Subject’s location, humidity and heat have likely created a habitable environment for mold. The Subject’s HVAC capabilities, including air filters and cooling systems, should be inspected. Given the significant number of A/C-related work orders (152), there may be a need to increase professional HVAC services at the Subject,

though an inspection should be performed before making an intervention. Lastly, the substantial number of insect-related work orders suggest the current pest control services may not be satisfactory. Additionally, Exterminating/Pest Control was a particularly large Service Contract line item as mentioned in the Financial Review. We recommend discussing the lacking pest control services with the current provider in order to negotiate either more attention to detail or better pricing. It would also be prudent to start taking bids for pest control services should termination of the current provider become necessary.

Doors/Locks/Keys (8.9%) | While work orders relating to Doors/Locks/Keys made up 8.9% of all work orders, these requests were mostly from residents that were either locked out of their unit, had lost their unit/mailbox key, or needed batteries for their front door lock or garage FOB. Doors/Locks/Keys maintenance requests are typically completed within 1.7 days, significantly lower than the Cardinal Group average. A low time-to-complete is essential when working with residents’ front doors, as faulty locking mechanisms could put residents at risk.

Leak (8.8%) | There were 196 work orders for leaks. Roughly 36% of leaks were reported as faucet leaks, which can lead to heightened water waste and expenses if left untreated. Approximately 27 maintenance requests were submitted due to ceiling leaks, though it is unclear whether these are from roof failures or from leaks originating on the second floor. Seven Leak-related work orders mentioned leaks appearing via light fixtures or ceiling fans, both of which could prove dangerous to the safety of residents. Appliances were also the source of many leaks, with 28 work orders mentioning either the refrigerator, washer, dryer, dishwasher, or disposal. As leaks can damage community interiors, waste water, and increase utility expenses, we recommend evaluating the need for leak sensing technology, which has a proven track record of saving unneeded expenses due to leaks. Additionally, leaks are typically emergencies in the eyes of residents, and we recommend prioritizing leak-related work orders in the future.

LEAKS SUMMARY	
Leak Type	# of WO
A/C	15
Appliances	28
Ceiling	27
Door	1
Fans/Vents	4
Faucet	70
Flooring	9
Life & Safety	1
Lighting	7
Other	1
Plumbing	13
Shower	2
Sink	7
Toilet	5
Tub	3
Walls	1
Windows	2
Totals / Averages	196

Washer/Dryer (7.8%) | Residents submitted a total of 173 Washer/Dryer maintenance requests. Common themes of washer requests include stuck appliance doors, mid-cycle machine failure, and drainage issues. Common themes of dryer requests include failure to dry and clogged dryer vents. Dryer vent clogs should remain a priority to the maintenance team as

these can become fire hazards, and flooding washing machines can become leak hazards as well, though these are less life threatening. The Subject's maintenance team has averaged 3.1 days to complete Washer/Dryer related work orders, which is slightly lower than CGM's average of 3.9. The maintenance team seems to be an asset to the Subject as they have kept the average time-to-completion at 2.2 days, which is considerably lower than CGM's average of 3.5 days.

A/C (6.8%) | Air conditioning was the subject of 152 work orders within the sample period, nearly all of which mentioned a failure to cool the unit. Air conditioning is crucial to residents' quality of life in the Sample State, and commonplace A/C failures can leave a bad taste in residents' mouths, leading to a poor reputation in the market. According to the T-12 provided, over \$12,000 was spent on either HVAC Maintenance Contract (Repair & Maintenance - Contract Services) and HVAC Repairs (Repairs & Maintenance - Supplies/Materials). It may be prudent to prioritize HVAC preventative maintenance efforts in the winter months when use is lower, possibly leading to fewer A/C work orders and lower reactionary R&M expenses.

Electrical (4.1%) | Only 91 work orders were classified as Electrical issues, though there was a theme with the requests. Many of the requests mentioned appliances like washers, dryers, ovens, refrigerators, and microwaves drawing enough power to flip the breaker. This is not typically as common an occurrence in other communities, and could signify faulty wiring or faulty appliances. We recommend inspecting the appliances and breaker boxes associated with appliance-related breaker trips, and evaluating the possibility of phasing in more energy efficient appliances as others fail.

Please see Exhibit H for a summary of the provided maintenance requests.

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SERVICE CONTRACT REVIEW

The Service Contract Review below contains Cardinal Group Consulting's findings related to the service contracts received.

We have received and reviewed 16 service contracts. As provided in the Financial Analysis, most contract amounts are consistent with the corresponding expenses in the Financial Statements received; the total monthly expense load for the contracts received amounts to \$22,524/month or \$615 per bed, with \$12,728 in annual fees.

There are multiple contracts that have passed their end date and have unknown activity statuses. We did not receive any notices of termination, so these contracts are presumed to still be active as all contracts received contain auto-renew clauses except for Vendor-Towing. The activity status of all contracts should be confirmed by the Seller.

Three contracts were received without signatures from the Vendor; Elevator Preventative Maintenance, Towing Service, and Shuttle Service. One contract, Emergency Telephone, was not signed by the Seller. We recommend acquiring signed contracts from the Seller as unsigned contracts are not binding and pose risk to the Subject.

The service contract with Vendor-Towing does not include the Establishment of Rates attachment, Duly Authorized Agent List, and the Driver and Identification # List, all of which are necessary, in conjunction with signatures, in order to complete the agreement. It is possible that this contract is no longer active, or was never active to begin with. The activity status of this contract should be confirmed with the Seller.

There are at least seven service contracts referenced in the Financial Statements provided regarding Marketing & Advertising, Answering and Telephone Services, Property Management Software, Printing, and HVAC Maintenance that were not provided to us. We recommend obtaining these contracts and other common contracts if applicable from the Seller.

As previously mentioned, there may be an opportunity to increase NOI by not renewing the current Cable contract in place, as a shift to streaming devices such as Roku or Amazon Fire TV Stick can allow residents to stream media from their preferred platforms at no monthly cost to the Subject. We do not recommend terminating the Cable contract in place before the termination date in July, 2026.

Please see Exhibit A UPDATE for a summary of the contracts including vendors, key dates, and associated notes.

HISTORICAL UTILITY REVIEW

Cardinal Group Consulting engaged Conservice to perform an analysis of historical utility bills for recommendations on potential cost savings and ancillary revenue generators.

As mentioned in the Financial Analysis, The T-12 Income Statement and the T-12 Utility Report do not align.

- Common Area Electricity on the Income Statement totals \$82,556 for the last 12 months, while Common Area Electricity on the Subject's Utility Report totals \$80,682 for the last 12 months.
- Unit Electricity on the Income Statement totals \$13,890 for the last 12 months, while Unit Electricity on the Subject's Utility Report totals \$373,394 for the last 12 months.
- Common Area Water/Sewer on the Income Statement totals \$12,090 for the last 12 months, while Common Area Water/Sewer on the Subject's Utility Report totals \$61,735 for the last 12 months.

These discrepancies could be caused by reporting the net utility expenses in the T-12 Income Statement instead of the gross utility expenses. The accounting method for the Subject's utilities should be investigated.

Cardinal Group Consulting engaged Conservice to perform an analysis of historical utility bills for recommendations on potential cost savings and ancillary revenue generators. Findings from Conservice's Utility Analysis Report can be found below.

The current utility billing program at the Community includes a submetered billing program for water and sewer usage; residents are billed directly, based on the usage in each unit divided by the number of residents in the unit. The Community also utilizes a Direct Metered billing program for electricity usage through Simple Bills; the local provider creates invoices for electricity for each unit and sends those invoices to the community, which passes them along to residents. The Community pays for trash, internet and basic cable.

Below please find a summary of the findings:

- **Rates:** County Utilities projects rate increases for both water and sewer in 2024 and 2025; Electric projects electricity rates to decrease in 2024 and increase in 2025.
 - **Water:** County Utilities has advised Conservice that the water rates are projected to increase by a total of 5.0% in the calendar year of 2024. In addition, the water rates are projected to increase by a total of 3.0% in the calendar year of 2025.
 - **Sewer:** County Utilities has advised Conservice that the sewer rates are projected to increase by a total of 10.0% in the calendar year of 2024. In addition, the sewer rates are projected to increase by a total of 10.0% in the calendar year of 2025.
 - **Electric:** Electric has advised Conservice that the electric rates are projected to decrease by a total of 4.1% in the calendar year of 2024. In addition, the electric rates are projected to increase by a total of 1.5% in the calendar year of 2025.

- **Water Usage:** Water consumption at the Community has averaged 11,445 gallons/unit/month over the past 12 months compared to the industry average of 3,500 gallons/unit/month. Water consumption is drastically higher than the industry average, however, Conservice reported no indication of a leak or other major issue with the water piping or meters. Conservice recommends performing a thorough analysis on water consumption and irrigation systems moving forward, in addition to continuing the billing program in place.
 - Conservice reviewed the previous 12 months of water invoices at the Community and while the consumption fluctuates throughout the year, all signs indicate that there is simply high usage at the Community.
 - Across two different comparable communities, Conservice estimates the cost of water utilities per bed per month to be \$3.44. For comparison, Conservice is estimating the average cost per bed at the Subject for water is \$4.00.
- **Utility Recommendations:** Conservice recommends implementing a SyNERGY utility management program to eliminate late fees and recover vacant utility theft costs as well as manage vacant costs and ensure correct billing practices.
 - **Electric:** Conservice recommends continuing a billing program to ensure that 100% or \$375,728.00 annually of electric unit expenses is recaptured.
 - **Water:** Conservice recommends continuing a billing program to ensure that 58% or \$16,160.00 annually of water expenses is recaptured.
 - **Sewer:** Conservice recommends continuing a billing program to ensure that 80% or \$41,842.00 annually of sewer expenses is recaptured.
 - With the above recommendations, Conservice projects a total potential recapture of \$433,730. Using a 6% cap rate, the estimated property value associated with utility billback income is approximately \$7,228,830.
- **Utility Deposits:**
 - County Utilities advised Conservice that there are utility deposits required when taking over the water and sewer accounts. The provider could not advise the exact formula to determine a deposit but did say they believed it is based on the average monthly expenses over the previous 12 months. Using this method, Conservice is projecting that the potential deposit for this provider is \$5,500.00.
 - Electric advised Conservice that there are utility deposits required when taking over the electric accounts. The provider advised that the deposit is calculated by taking the average monthly expense of the previous 12 months of expenses, then multiplying that average by two. Using this formula, Conservice is projecting that the potential deposit for this provider is \$76,000.00.

Please see Exhibit G - Utility Benchmarking Report for an estimation of average per-unit, per-month utility costs for the market.

Please see Exhibit J for the full Conservice Assessment

COMMUNITY INSPECTION SUMMARY

Cardinal employed the services of a third-party vendor to perform unit inspections on 36% of units at the Community along with inspections of common areas, amenities, building envelopes, and systems. Unit Inspections revealed the Community to be in generally fair to good condition. Very few in-unit repairs or replacements were observed as necessary among model units and leasing facilities. There were minimal issues with common areas, exteriors, and amenity spaces that needed attention, and some more expensive issues that can be addressed later or over time.

The Unit Inspections table below represents a summary of the residential unit walks, organized by room, and categorized within each room. As can be seen, one dishwasher is in need of replacement, one bathroom's hardware is in need of repair, and the flooring and walls of one bathroom need repair. All recommended unit interior repairs and replacements are estimated to cost about \$450. The estimated cost to repair the miscellaneous building envelope, systems, and common area concerns is estimated to be about \$162,780. Together all recommended repairs for the Community would be \$163,230. The total cost of immediate priority items was estimated to be \$2,150.

Unit Inspection Summary																				
COMMON AREA																				
	HVAC	Water Heater	Water Heater Fan	Walls	Blinds	Ceiling	Ceiling Fan	Lighting / Electrical	Flooring	Entry Way Flooring	Faucet	Patio / Balcony	Patio Door / Glass Door	Entry / Exterior Door	Fireplace	Washer	Dryer	Smoke Detector	CO Detector	Window Sills / Seals
Good	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50
Repair	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Replace	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50

KITCHEN														
	Walls	Floor	Ceiling	Lighting / Electrical	Sink	Faucet	Garbage Disposal	Dishwasher	Refrigerator	Stove	Microwave	Cabinets	Countertops	Doors
Good	50	50	50	50	50	50	50	49	50	50	50	50	50	50
Repair	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Replace	0	0	0	0	0	0	0	1	0	0	0	0	0	0
Total	50	50	50	50	50	50	50	50	50	50	50	50	50	50

OTHER				
	Pets	Pests	Moisture	Sprinkler Heads
Okay	50	50	50	50
Yes	0	0	0	0
Units:	50	50	50	50

BEDROOMS									
	Walls	Closet Doors	Flooring	Ceiling	Ceiling Fan	Lighting / Electrical	Windows	Blinds	Doors
Good	214	214	214	214	214	214	214	214	214
Repair	0	0	0	0	0	0	0	0	0
Replace	0	0	0	0	0	0	0	0	0
Total	214	214	214	214	214	214	214	214	214

BATHROOMS															
	Sink	Faucet	Mirror	Exhaust / Venting	Walls	Ceiling	Lighting / Electrical	Tub / Shower	Tub / Shower Faucet	Tub / Shower - Tile	Cabinets	Countertops	Flooring	Toilet	Doors
Good	215	215	215	215	214	215	215	215	215	215	215	215	214	214	215
Repair	0	0	0	0	1	0	0	0	0	0	0	0	1	1	0
Replace	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	215	215	215	215	215	215	215	215	215	215	215	215	215	215	215

Unit Inspection Summary table is for illustrative purposes only.

Please see Exhibit B - Unit Condition & Cost Summary for additional details on estimated repair and replacement items and associated costs.

Please see Exhibit C - Unit Condition Tables for a unit-specific breakdown of repair/replacement items.

UNIT INSPECTIONS

The on-site team was well-prepared for inspections with keys, notices, and one escort on-hand at the requested date and time. At the start of the site assessment, a brief interview was conducted with the Maintenance Team Lead. The total cost of unit repairs and replacements was estimated to be \$450.

Flooring | On-site inspections revealed a gap between the wall and floor of the leasing bathroom. This gap should be caulked and sealed in order to prevent any water damage that may affect the wall assembly.

Walls | There was one instance of damaged wall tile in the leasing bathroom. In addition to the broken tile, the toilet paper holder was observed to have come unfastened to the wall. These issues are largely cosmetic, though we recommend replacing the tile in question and repairing the toilet paper holder.

Appliances | The dishwasher in the model unit was observed to be missing the anti-tilt bracket which secures the appliance in place. Replacing this bracket will be a low cost project that will extend the life of the appliance, and provide the standard of living offered by the Subject should the model unit be leased.

Please see Exhibit D - Unit Category Defects Report for photos of in-unit defects.

Please see Exhibit E - Unit Photos & Comments Report for photos of all inspected units.

BUILDING EXTERIOR, COMMON AREA, & AMENITY INSPECTIONS

Overall, the Subject appeared to be in fair to good condition. The inspection team noted that some elements of the Subject's exterior and common areas were in good condition and did not need attention. Additionally, most of the items described below are simply at the end of their useful life and should be replaced. Issues with water, irrigation, and drainage were common at the Subject, and some safety concerns should be addressed promptly. The total cost of common area, amenities, and systems repairs and replacements was estimated to be \$162,780. The total cost of immediate priority items was estimated to be \$2,150.

Fire Protection | The survey team observed a fire extinguisher in the elevator machine room that had an expired tag, and the grill area in the pool courtyard lacked a fire extinguisher completely. We recommend inspecting the charge and tag status of the extinguishers on site, and replacing or recharging where necessary. A new fire extinguisher should be made available and accessible in the grill area as well.

Pool Area | The pool was generally in good condition as reported by the survey team. Expansion and control joints need to be recaulked, and some pool tiles need to be replaced, which are ORLANDO estimated to cost ~\$3,850 total. The pool area was also missing emergency phone signage, which is a violation of the Department of Health statutes. Signage should be installed in an easily visible location near the emergency phone immediately.

Irrigation & Plumbing | During the site visit, multiple leaks were found in the irrigation distribution lines around the Subject. It is recommended to conduct a system audit and repair any leaks. Many of the irrigation distribution piping and drip lines were exposed as well, which could shrink the effective lifespan of the equipment and pose a trip hazard. The cost to repair damaged irrigation systems is estimated at \$2,800 total.

The survey team observed a leaking water bibb on the exterior of the leasing office which should be replaced. The bibb's drip rate was measured at approximately one drip per second, which could amount to 3,000 to 5,000 gallons of wasted water each year. Water was pooling under the dripping bibb, leading to early signs of water damage in the siding nearby.

Stormwater Management & Drainage | The landscaping slope between Building 1759 and the parking garage does not allow adequate drainage of rainwater. Ponding was visible upon inspection. A proper and effective drainage channeling system such as a trench or ditch should be installed in order to allow water to flow to either the north or south.

Several downspouts were observed to be too short, resulting in rainwater drainage that could damage the foundation of several buildings. We recommend replacing damaged and ineffective downspouts to allow rainwater to drain away from the building. The total cost to fix the reported stormwater and drainage issues is estimated at \$9,500.

Roofing | Several of the roofs' sheathing were exhibiting a wavy pattern, which could indicate underlying structural issues or damage that should be inspected immediately. Left unaddressed, these structural issues could compromise the integrity of the entire building. We recommend a structural engineer inspect the attic trussing. Since the extent of issues associated with the wavy roofing is currently unknown, we have not included repair costs in the \$2,000 estimate for inspection.

Building Envelope | Various building walls and siding exhibited algae growth which could degrade the building structure and cause health issues for residents. Additionally, algae growth diminishes the appearance of the Subject's buildings, lowering the perceived quality to below the Subject's true condition. We recommend cleaning the existing algae and treating the areas to prevent further growth, which is estimated to cost roughly \$880.

Several window screens were damaged upon inspection of the Subject. We recommend replacing the damaged screens.

Most of the siding at the Subject was observed to be in excellent shape. The exterior stone siding, however, was not installed correctly. The survey team reported that the stone siding was not sealed at the time of construction, and the mortared exteriors should be washed and sealed in order to extend the life of the siding. The total estimated cost to seal all stone siding at the Subject is approximately \$111,946. While this cost may seem high, the stone siding could last as long 20 years from construction before notable damage would occur, though if properly sealed and maintained, the siding could last 75 years or more. Any sealing initiatives could be stretched over the course of years in order to keep costs affordable.

Exterior Stairs | Exterior stairs at the Subject were exhibiting signs of corrosion at the joints. Many of the stair treads did not have positive drainage slope at the time of inspection, which could be a

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cause for corrosion. The corrosion-affected areas on the stairs should be properly prepped, dried, primed with cathodic primer, and painted with a cathodic paint. This maintenance should be continued at least every three years. We estimate the initial maintenance to cost roughly \$1,300.

Lighting | On-site inspections revealed damage to the light fixtures at the Community's entrance, which should be repaired or replaced as necessary. More concerning, however, is a non-functional lamp in the parking garage's fourth level stairwell. The survey team identified the problem as a faulty light sensor. Dark stairwells can pose a risk of slips, trips, and falls from lack of adequate lighting. The lighting situation should be inspected and fixed immediately. The estimated cost to remediate both lighting issues is approximately \$500.

Landscaping | The survey team observed soil and landscaping erosion near the fire sprinkler release pipes outside each building's riser room. The eroded areas should be filled in with soil and landscaped in the short term. Moving forward, a splash guard should be used during system tests to avoid further erosion. The survey team estimated the total cost of landscaping to be roughly \$1,125 for all eroded areas.

The survey team reported miscellaneous sidewalk damage around the Subject site. Repairs of the affected sidewalks are estimated at \$350 total.

Miscellaneous palm trees line the sidewalks at the Subject, and some of these trees are reportedly too close to the building envelope, which could cause damage to building exteriors and provide interior access to larger pests. The survey team recommended that the offending trees be trimmed back from building walls and windows, and regularly maintained. A total of \$2,200 was estimated for this project.

Elevators | The parking garage elevator is currently out of commission and has been deemed too costly and risky to fix. We recommend taking bids for the repair of the garage elevator as the provided quote and the surveyors' estimate vary by roughly \$7,000, and a working elevator in the garage could increase the Subject's sale price at disposition. Should residents begin making complaints about the elevator, we recommend making the necessary repairs and installing lightning countermeasures.

The leasing office elevator was reported to be shaky upon start of movement, and the initial few feet of movement were rough as well. Overall, the elevator failed the ride quality test performed by the surveyors. In order to provide residents with a high quality experience, we recommend having the elevator contractor inspect the operations of the elevator and recalibrate as necessary. Assuming no parts must be bought, the surveyors estimated the cost of \$750 for the recalibration.

Please see Exhibit F - CapEx Observations for photos, descriptions, and cost estimate details related to CapEx Observations

MARKET ENVIRONMENT

UNIVERSITY SUMMARY

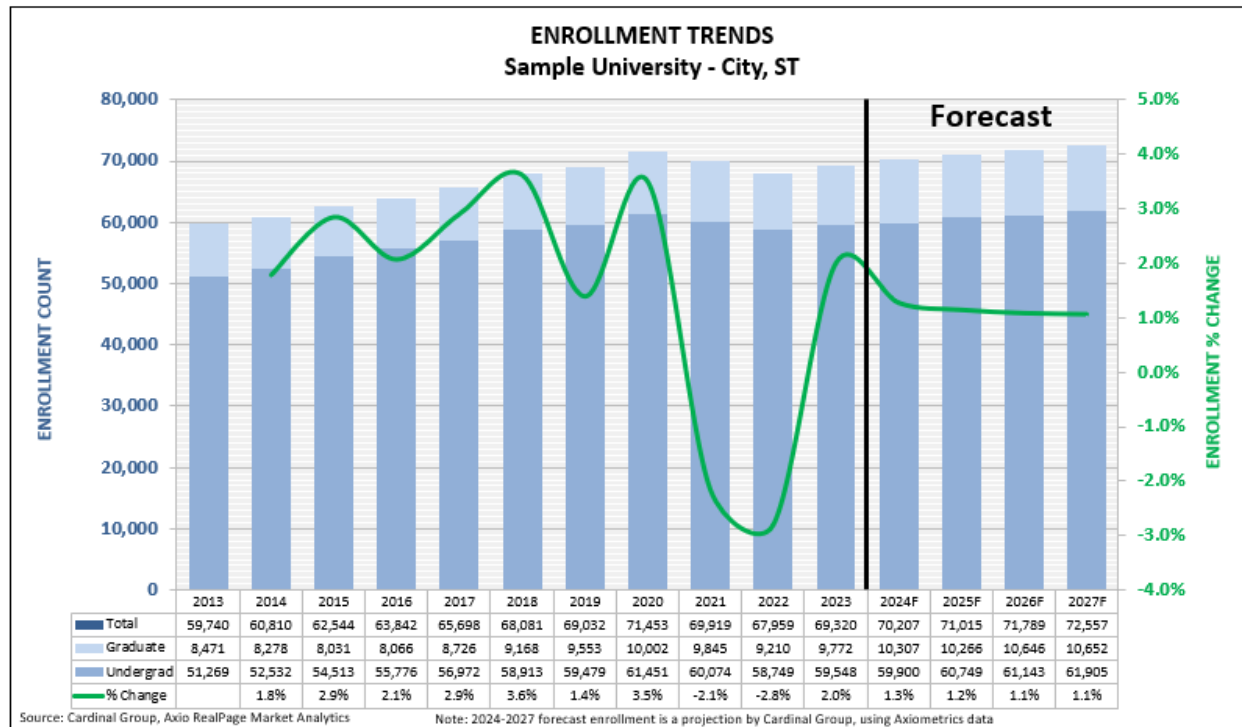
UNIVERSITY SUMMARY <i>Sample University</i>			
ADMISSIONS		COST & TUITION	
Acceptance Rate	45%	Tuition & Fees (In-State)	\$6,368
Avg. GPA of Incoming Freshman	4.2	Tuition & Fees (Out-of-State)	\$22,467
Avg. SAT of Incoming Freshman	1,319	Room & Board (On-Campus)	\$15,540
Avg. ACT of Incoming Freshman	26	% of Students Receiving Financial Aid	48%
SCHOOL SUMMARY		HOUSING	
Location	City, ST	On-Campus Living Requirement	None
Undergraduate Enrollment	59,548	Total Beds (On-Campus)	7,532
Graduate Enrollment	9,772	Total Off-Campus Demand	61,788
Total Enrollment	69,320	Total Beds (POSH)	19,046
Source: Cardinal Group, Axio RealPage Market Analytics, College Data, U.S. News & World Report		On-Campus Occupancy	99%

Founded in 1963, the Sample University (the “University”) is a four-year public institution located on 1,415 acres in Sample City, ST. As of Fall 2023, the University had a total enrollment of 69,320, of which 59,548 (86%) were undergraduates. With more than 60,000 students, the University is the largest university by enrollment in the state. The University is regarded as moderately priced and boasts a high retention rate of 92% for first-year students who return for their sophomore year. Additionally, 70% of undergraduate students attend school full-time.

The University offers 106 bachelor's, 95 master's, 31 research doctorates, 3 professional doctorates, and 3 specialist degree programs, providing students with a variety of programs to obtain a degree. The top three bachelor's programs at the University are Psychology, Integrated Business, and Integrative General Studies.

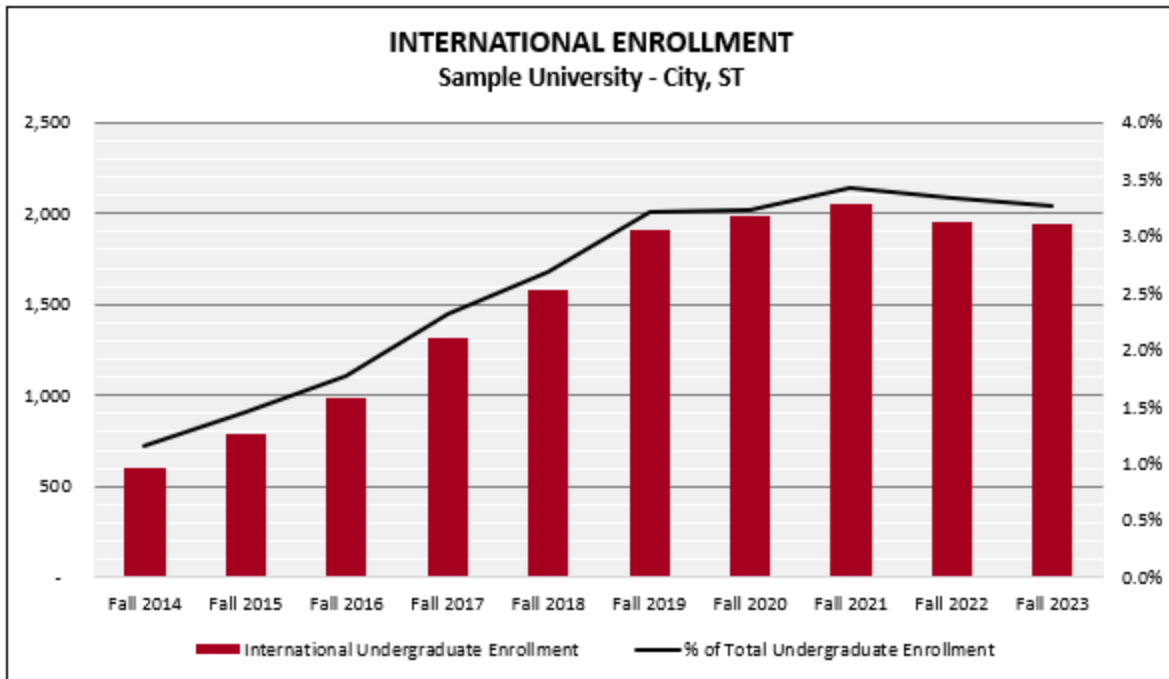
The University offers about 7,500 on-campus beds and freshmen are not required to live on campus. The University also manages three apartment communities located off-campus which are not included in the on-campus bed count. There are about 19,046 POSH beds available in the market, compared to a total off-campus demand of about 61,788.

ENROLLMENT TRENDS



From 2013 - 2023, the University's enrollment increased by 16% from 59,740 to 69,320 students. During that time, the University experienced moderately strong enrollment growth with a compound annual growth rate of 1.7%. The University experienced strong growth from 2013 to 2020 with a CAGR of 3%, but enrollment dropped in both 2021 and 2022. The University has gone on record saying that the decline in enrollment was a deliberate move after the quality of education received by students came under question due to low teacher:student ratios. In 2023, University's enrollment grew by roughly 2%, which could indicate a shift toward positive enrollment growth as University plans to "grow conservatively" by focusing on student retention moving forward. Axiometrics forecasts enrollment growth to average 1.1% out through 2027, which is below historical averages.

INTERNATIONAL ENROLLMENT



Source: Cardinal Group, Sample University

The chart above illustrates changes in total international enrollment at the University from Fall 2014 to Fall 2023. As seen above, there has been robust growth in the University's international cohort, increasing from 549 to 1,942 international students, or 1.2% to 3.3% of total enrollment. Unlike total enrollment, international enrollment hit a peak in 2021, reaching 2,053 students, or 3.4% of total enrollment, before dropping again in 2022 and 2023. International students can provide an invaluable pool of demand to POSH communities as these students do not typically have other means of housing readily available to them. Based on the trends above and the University's focus on conservative growth and student retention, international enrollment at the University could experience very minimal growth, if any, in the near future.

Similar to international students, out-of-state students provide an important source of POSH demand as they too often rely on student housing communities as their living space. Out-of-state enrollment has remained relatively steady since 2019, growing only by 1.3% from 3,798 to 3,846 students in the last five years. For the most part, out-of-state enrollment has wavered around 3,820 total students. Both the international and out-of-state student populations should be important target markets for the Subject, and the Subject's marketing campaigns should reflect that as well.

ON-CAMPUS HOUSING

The table below details the total number of beds, yearly rate, and monthly rate of on-campus housing units for Fall 2023.

Community	Estimated Capacity - Beds	Unit Type	Average Yearly Rate	Average Installment Rate
Residence Hall 1	436	Private	\$4,940	\$549
Residence Hall 2	467	Shared	\$5,970	\$663
Residence Hall 3	815	Private (4x2)	\$7,000	\$778
Residence Hall 4	701	Private (4x2)	\$6,720	\$747
Residence Hall 5	1,026	Shared	\$5,400	\$600
Residence Hall 6	668	Private	\$6,740	\$749
Residence Hall 7	815	Private (4x2)	\$7,000	\$778
Residence Hall 8	600	Private (4x4)	\$9,130	\$1,014
Residence Hall 9	508	Private (4x2)	\$9,480	\$1,053
Residence Hall 10	510	Private (4x2)	\$9,480	\$1,053
Residence Hall 11	478	Private (4x2)	\$9,480	\$1,053
Residence Hall 12	508	Private (4x2)	\$9,480	\$1,053
Combined Total/Avg.	7,532		\$7,379	\$820

Source: Cardinal Group, Sample University 2020-30 Master Plan

*Average Installment Rate based off nine-month academic year

Residence Halls | The University offers students traditional residence halls with single- and double-occupancy rooms. As of 2023, the University offers its students ~7,532 on-campus beds across nine student residence communities. Residence Halls 9 - 12 are part of a larger student community aptly. On-campus students pay an average monthly rate of \$820 per bed, totaling nearly \$7,380 over the nine-month academic year, excluding any meal plan costs. These monthly rates include fully furnished rooms with included utilities and various amenities. Not pictured above is the University's College Apartments, which serves students at an extension college, about a 30-minute drive from the main campus.

The University does not require any students to live on campus, but on-campus occupancy typically averages around 99%, excluding 2020 when on-campus occupancy fell to 78.6% due to the COVID pandemic.

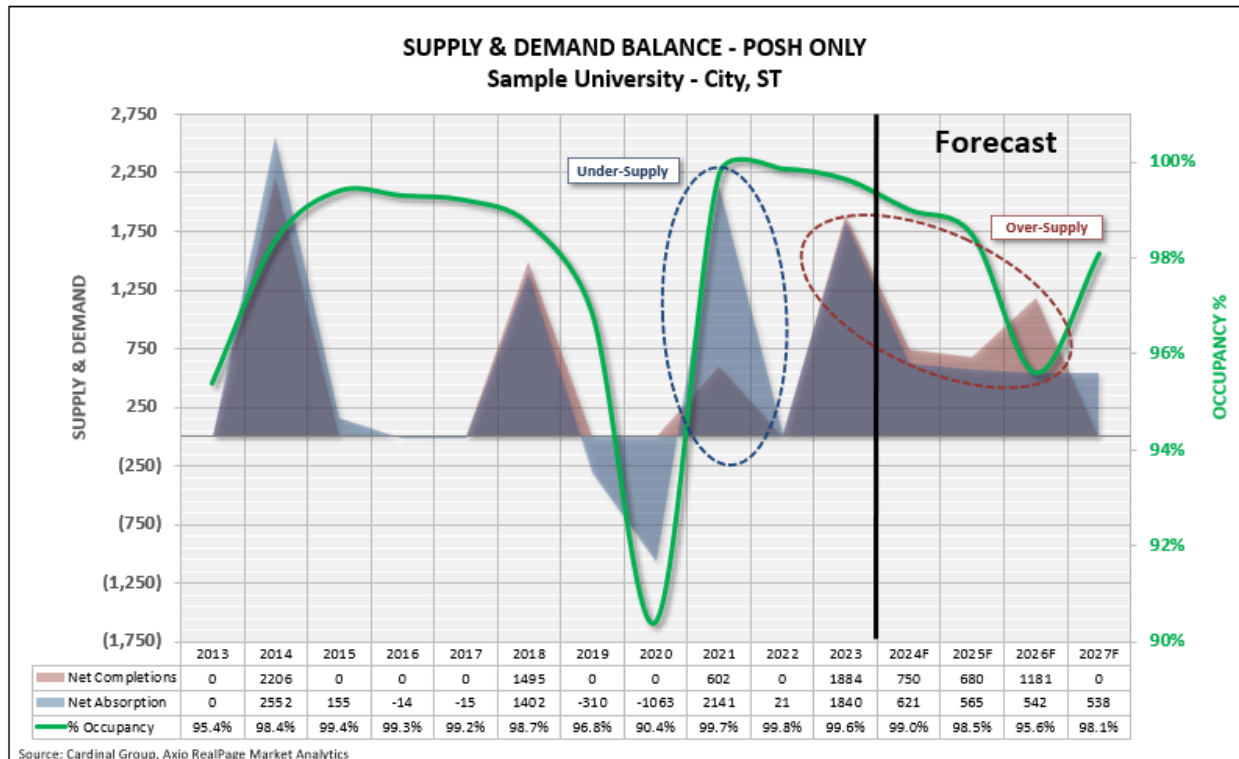
CAPTURE RATE

Capture Rate <i>Sample University</i>		
	Full-Time Enrollment	Total Enrollment
Students	46,093	69,320
(Less) On-Campus Beds	(7,532)	(7,532)
Total Demand	38,561	61,788
Subject Beds	602	602
Capture Rate	1.48%	0.93%
Total Beds (POSH)	19,046	19,046
Capture Rate (Total POSH)	50.95%	31.80%

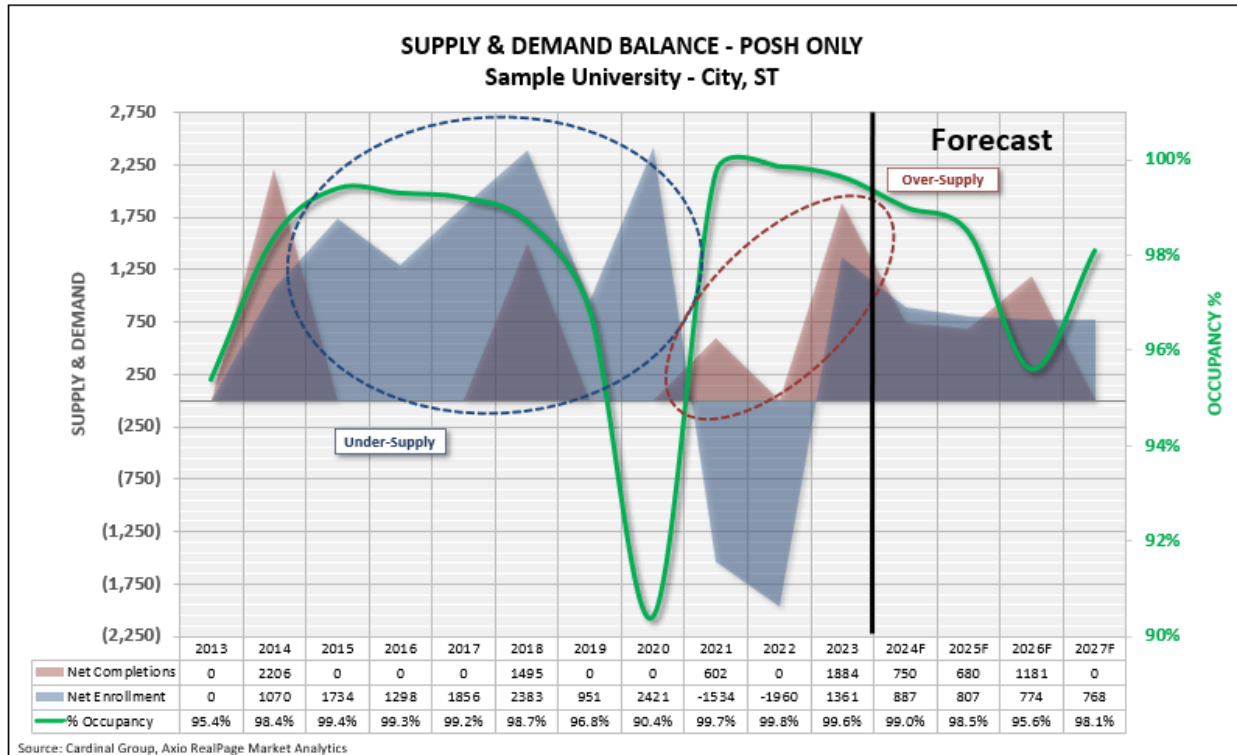
Due to the University's lack of on-campus housing, the total off-campus housing demand makes up a healthy 84% of full-time enrollment and 89% of total enrollment numbers, 38,561 and 61,788 students, respectively. The Subject offers 602 beds to students living off campus, and in order to reach stabilization at 95% occupancy, the Community will need to achieve a capture rate of 1.48% among full-time students or 0.93% among all students living off campus. Considering the total POSH supply in the University market, if all POSH communities including the Subject were to reach 95% occupancy, the total POSH supply would capture 50.95% of the University's full-time students and 31.8% of the University's total enrollment.

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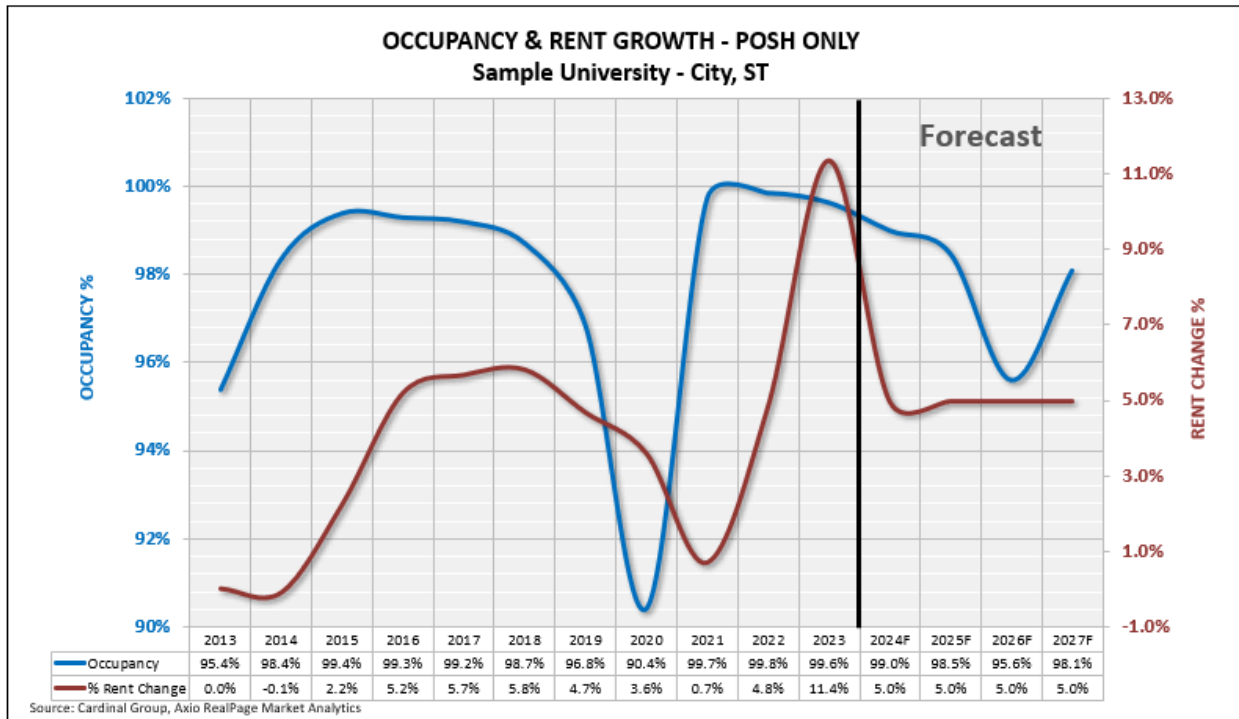
MARKET ANALYSIS



Deliveries (Net Completion vs. Net Absorption) | The chart above illustrates supply and demand metrics for the market. The market has seen a significant amount of new development in recent years with nearly 6,190 private off-campus student housing (“POSH”) beds delivered from 2013 through 2023. From 2018 to 2023, nearly 4,000 beds were delivered within the University student market. In the same timeframe, occupancy rose from 98.7% to 99.6%, illustrating very strong historic demand in the market. Absorption was strong across the market until 2020 when it decreased by 1,878 beds, resulting in occupancy dropping from 97% to 90%. This drop in occupancy is likely wholly attributed to the pandemic. The University market bounced back heartily in 2021 when 2,141 beds were absorbed, while only 602 beds were delivered to the market (the Subject), and occupancy reached a high of 99.7%. Although there are over 2,600 beds expected to be delivered from 2024 - 2027, occupancy is anticipated to average 97.8% moving forward and is not expected to dip below 95% in the foreseeable future. Based on the current known pipeline, the market is expected to see completions outpace absorption out to 2027, which could increase competition and lower occupancy market-wide. A deeper look into the University’s POSH pipeline is provided further in this report.



Deliveries (Net Completion vs. Net Enrollment) | The chart above illustrates how the University's enrollment growth has affected the student housing market. From 2013 to 2020, a strong enrollment growth rate helped the market absorb a net positive 2,708 beds despite COVID-related fluctuations in absorption. With the University's strong enrollment, occupancy averaged 98.2% from 2013 - 2019. Although enrollment increased by 2,421 students (3.5%) in 2020, occupancy dropped to 90%. After the implementation of the University's Conservative Growth Plan, the University dropped enrollment numbers in 2021 by 1,534 students (2.1%) to keep in line with a more sustainable growth model. As a result of the University's enrollment drop, completions have outpaced enrollment growth for the past three years. The University expects to keep enrollment growing slowly moving forward, and Axiometrics forecasts this growth to average 1.1% annually for a total of 3,237 new students by 2027. The University's choice to limit enrollment could subsequently limit demand as the market's pipeline delivers, which could put downward pressure on absorption rates. Fall 2023's rise in enrollment offers an optimistic possibility of continued positive growth. Enrollment should be monitored moving forward and should instruct marketing strategies as competition grows.



Occupancy | The Sample University market experienced an average occupancy of 97.9% from 2013 through 2023. Despite the roughly 3,700 deliveries since 2013, occupancy remained strong until the onset of COVID-19 in 2020. As mentioned, average occupancy dropped to a low of 90% before jumping back up to 99.7% just a year later, illustrating the strength of the market. From 2024 - 2027, occupancy is projected to average 97.8%, with a dip to roughly 95.6% in 2026 should the two known proposed communities be completed that year. New completions should be monitored, and changes in market occupancy should inform decisions regarding rental rates, marketing, and concessions moving forward.

Rent | From 2013 - 2023, the market has seen significant rent increases, experiencing a compound annual growth rate of 4.8%. When occupancy dropped in 2020, rent growth declined to 0.7% the following year, but then managed to bounce back by to 4.8% growth from 2021 to 2022. In 2023, rent growth hit a 10-year peak with an 11.4% YoY increase in rates. Despite the significant pipeline and slow but positive enrollment growth expected in the upcoming years, Axiometrics projects the market to achieve an average rent growth of 5.0% moving forward, though this could change as new developments are announced and pipeline delivery timelines become clearer.

DEVELOPMENT PIPELINE

MULTIFAMILY DEVELOPMENT PIPELINE UNIVERSITY OF CENTRAL FLORIDA - ORLANDO, FL							
UNDER CONSTRUCTION							
MAP #	PROJECT NAME	ADDRESS	DEVELOPER	TYPE	DELIVERY DATE	UNITS	BEDS
1	Current Orlando	4750 Data Ct	Trinitas Ventures/Harrison Street Real Estate	POSH	May-24	286	750
2	Aperture	12727 E Colonial Dr	Toll Brothers/The Davis Companies	POSH	Aug-25	204	680
TOTAL	2					490	1,430
PROPOSED							
MAP #	PROJECT NAME	ADDRESS	DEVELOPER	TYPE	DELIVERY DATE	UNITS	BEDS
3	Landmark Properties Development	12101 Research Pkwy	Unknown	POSH	Unknown	Unknown	Unknown
4	Verve Orlando	3133 N Alafaya Trl	Subtext	POSH	Sep-26	164	626
5	Former Place at Alafaya	11600 Mackay Blvd	Beachwold Residential	POSH	Unknown	600	2,400
6	Vibe	Corporate Blvd & Quadrangle Blvd	Gilbane	POSH	Unknown	303	668
7	Fountain Residential Partners Development	2820 N Alafaya Trl	Fountain Residential Partners	POSH	Unknown	253	605
8	ACC Development	12124 High Tech Ave	American Campus Communities	POSH	Unknown	250	898
9	Dinerstein Development	Corporate Blvd & Quadrangle Blvd	Tramell Webb Partners/Dinerstein Companies	POSH	Unknown	217	868
10	Fifty South Student Housing	11731 E Colonial Dr	Progressive Capital Group	POSH	Aug-26	166	555
TOTAL	8					1,953	6,620
TOTAL COMBINED							
TOTAL	10					2,443	8,050

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.

Source: Cardinal Group, Axiometrics

For Sample purposes, the Development Pipeline map has been removed from the memo.

There are two POSH communities under construction which are expected to deliver 1,430 beds to market. Once delivered, total POSH supply will increase by 7.5%. Eight communities are still in the proposal stages of development, and only two have estimated delivery dates. If all proposed communities are completed, the total POSH supply will rise by 6,620 beds, or 35%.

Project 1 | Project 1, a 750-bed mid-rise community, is currently under construction and set to open its doors to University students before Fall 2024. Project 1 is expected to offer a similar product overall to the Subject, with a fitness center, yoga studio, sauna, pool, hot tub, pool-side jumbotron, game room, private study rooms, a common study area, half basketball court, and a small dog park. Units include wood-style flooring, stainless steel appliances, quartz countertops, soft-close cabinets, and garden-style tubs. Project 1's site is located northwest of campus. Project 1 is closer to campus than the Subject, though community surveys suggest that this may not be the biggest priority for many students. While Project 1's amenity offering could be considered superior to the Subject's, the two communities have incredibly similar unit interiors.

Project 2 | Project 2, a 680-bed mid-rise community, is currently under construction and is expected to deliver in time for the 2025-26 school year. Project 2 is expected to offer a standard amenity suite with a pool, outdoor fire pits, a two-story fitness center, private study rooms on each floor, a common study area, a resident lounge, a game and eSports room, and a private shuttle to and from campus. Units include wood-style flooring, stainless steel appliances, quartz countertops, soft-close cabinets, and smart locks. Project 2's development site is located south of the University, so students will enjoy the private shuttle, similar to the Subject's. Project 2 has an inferior location to the Subject as residents will have to cross two major roads to get to a grocery store and retail centers.

Project 4 | Project 4, a 626-bed community, is currently proposed and expected to be delivered in the Fall of 2026. Little is known about Project 4 other than its proposed location southwest of campus. Similar to Project 1, Project 4's site location will benefit students who want to live close to campus, as residents will be able to bike and possibly walk to campus from Project 4.

Project 10 | Project 10, a 555-bed mid-rise community, is currently proposed and expected to be delivered in the Fall of 2026. Project 10's development site is just across from the Subjects. The Subject's location is superior to Project 10's due to its proximity to the grocery store.

The University's large student housing pipeline does draw concerns, especially considering the University's enrollment growth plans. The Subject has benefitted from a positive reputation and good location but will need to differentiate itself moving forward and solidify its reputation even more so than it already has. Cardinal Group's differentiation recommendations are expanded upon further in this report.

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ON-CAMPUS DEVELOPMENT

For Sample purposes, the On-Campus Development map has been removed from the memo.

The University outlines over 35 planned enhancements, updates, and developments to campus in its 2020 - 2030 Campus Master Plan. Five of these projects have been outlined above in blue, though a map showing the locations of all planned projects can be found on the page below. Most of the University's capital projects include updates to existing sports facilities, educational halls, and infrastructure systems, new graduate and special purpose housing, the Recreational and Wellness Center (RWC), and the Resident Life Facility, which could indirectly impact the Subject.

Football Campus | The University's Football Campus is expected to receive a major upgrade including one and a half acres of new development that will bring students an entirely new way to tailgate on gameday and relax during the week. This new development will introduce various pools, mini golf, lawn games, dining halls, sport courts including sand volleyball, and a lazy river to the area southeast of the University's football stadium. This project was announced in 2019. The creation and marketing coupled with the University's conference change could drive enrollment growth moving forward, meaning more demand for student housing near the University.

Graduate Housing | University is expected to introduce new on-campus graduate housing, the first of its kind, to campus. The unnamed graduate community is planned to bring 150,000 SF of new development. Little is known about the planned capacity of the graduate housing project, but any new housing will decrease demand in the market.

Recreation and Wellness Center | The University plans to add to the existing Recreation and Wellness Center on campus, bringing 50,000 SF of new fitness and health related amenity space to campus. The RWC acts as the hub for the University's intramural sports, sports medicine, and fitness community on campus. The Master Plan outlines plans to add new sport courts, multipurpose rooms, fitness space, and added space to the existing outdoor adventure center. Depending on the perceived quality of the updated RWC, students could choose to live closer to campus in order to take advantage of the new amenities, which could pull demand away from the Subject.

Dining, Housing, Residence Life Facility | Over 260,000 SF of new development is planned for the new Dining, Housing and Residence Life Facility which will introduce new student housing and meal plan dining to campus. The exact capacity of the new housing facility is currently unknown, though the project's scale suggests an impactful increase to the University's on-campus housing inventory. Overall, the new facility could decrease student housing demand in the University market.

Special Purpose Housing | The University plans to build 32,000 square feet of Greek Housing across two new buildings, as well as a Greek Life Center. The two new housing buildings are expected to offer 40 beds each, which is a small portion of the 69,000+ students that attend the University.

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 System (API) to gather data from multiple research resources including Entrata and College House to automatically populate competitive set data such as rental rates and occupancy/pre-leasing. 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 three third-party sources to supplement our proprietary market information: Axiometrics, College House, and CoStar. The data from these sources is compiled for the build-out of our proprietary market survey tools and verified after setup by each community 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	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	208	745	2018	A	76%	99%	1,272	\$3,824	\$1,068	\$3.01	\$3,911	\$1,092	\$3.07
2	Community #2	201	765	2023	A	89%	99%	1,283	\$4,624	\$1,215	\$3.60	\$4,806	\$1,263	\$3.75
3	Community #3	221	894	2014	A	96%	100%	1,942	\$4,107	\$1,015	\$2.11	\$4,301	\$1,063	\$2.21
4	Community #4	365	1,096	2023	B	93%	100%	1,024	\$3,737	\$1,245	\$3.65	\$3,933	\$1,310	\$3.84
5	Community #5	254	730	2003	B	78%	99%	1,076	\$2,933	\$1,021	\$2.73	\$3,152	\$1,097	\$2.93
6	Community #6	177	750	2018	A	90%	100%	1,875	\$5,100	\$1,204	\$2.72	\$5,375	\$1,269	\$2.87
7	Community #7	156	624	2007	B	100%	100%	1,368	\$1,802	\$901	\$1.32	\$1,818	\$909	\$1.33
Sub - IP	Sample Community	138	602	2021	A	92%	99%	1,837	\$4,670	\$1,071	\$2.54	\$4,607	\$1,056	\$2.51
Total	7	1,582	5,604											
Wgt. Avg.		226	801	2015		89%	100%	1,355	\$3,745	\$1,108	\$2.86	\$3,920	\$1,157	\$3.00
Min		156	624	2003		76%	99%	1,024	\$1,802	\$901	\$1.32	\$1,818	\$909	\$1.33
Max		365	1,096	2023		100%	100%	1,942	\$5,100	\$1,245	\$3.65	\$5,375	\$1,310	\$3.84

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

Date Modified 5/30/2024

The competitive set includes seven POSH communities with a combined total of 5,627 beds. These communities were built between 2003 and 2023, with an average vintage of 2015. Both Community #5 and Community #6 have undergone renovations recently. Community #5 has continued its unit renovation effort and has very few units left to renovate. Community #6 recently finished renovations on its clubhouse in January 2024.

Current occupancy ranges from 99% - 100% with a weighted average of 100%. Pre-leasing rates range from 76% to 100% with a weighted average of 89%. Only Community #7 is 100% pre-leased as of 5/30/2024. The weighted average market rent per bed across the competitive set is \$1,108/bed/mo (\$2.86/SF) and ranges from \$901/bed/mo to \$1,245/bed/mo (\$1.32/SF - \$3.65/SF). The competitive set's weighted average adjusted rent per bed, which accounts for utility structure differences and concessions, is \$1,157/bed/mo (\$3.00/SF) and ranges from \$909/bed/mo - \$1,310/bed/mo (\$1.33/SF - \$3.84/SF).

All communities offer units with stone countertops, wood-style flooring, ceiling fans, and in-unit laundry. Community #5 offers both stainless steel appliances and white appliances, and Community #7 offers black appliances. All other competitors offer stainless steel appliances.

COMPETITIVE SET MAP

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

The map above illustrates the competitive set's location relative to the Subject. All communities except for Community #6 are located south of the University Student Union, or the center of campus. Community #4 is the closest comp to the University Student Union, and Community #2 is the closest comp to the campus border. Local restaurants, retail, and grocery stores put the Subject in an extremely desirable location. Though the Subject is an 11-minute drive from the University Student Union, many comparable communities reported that proximity to campus isn't necessarily high on students' list of reasons to lease, which bodes well for the Community. The Subject will benefit greatly from continuing to offer shuttle transportation to and from campus, as many students either do not have cars or do not want to pay for gas and campus parking passes.

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AMENITIES

COMMUNITY FEATURES SUMMARY										
Sample Community (Sample University - City, ST)										
Map #	Property	Pool(s)	Fitness Center	Jacuzzi/Hot Tub	Study Lounge	Outdoor Fireplace	BBQ Grills	Fitness Classes	On-Site Public Transit	Spa/Sauna
1	Community #1	X	X	X	X		X	X		X
2	Community #2	X	X		X		X	X	X	X
3	Community #3	X	X							X
4	Community #4	X	X		X	X	X			
5	Community #5	X	X	X		X				
6	Community #6	X	X		X		X			
7	Community #7	X	X	X	X	X	X		X	
Sub - IP	Sample Community	X	X	X	X	X	X	X	X	X
	Count	7	7	3	5	3	6	2	1	3
	%	117%	117%	50%	83%	50%	100%	33%	17%	50%

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

Date Modified 5/30/2024

As the chart above illustrates, many communities in the competitive set have similar amenities. Standard amenities include a pool with a grill area, a fitness center, and a study lounge or business center. Every community in the competitive set offers fully furnished units. Community #1 offers the most extensive amenity package in the competitive set with unique amenities such as smart technology, a yoga/spin studio, a volleyball court, a hot tub, and bike storage. Aside from the Subject, Community #2 is the only other community that offers a private shuttle to campus.

COMMUNITY SURVEY				
Sample Community - Competitive Set (Sample University - City, ST)				
Map #	COMMUNITY	MOST USED AMENITY	LEAST USED AMENITY	MOST DESIRED AMENITY
1	Community #1	Pool	Volleyball Court	Dog Park, Golf Simulator
2	Community #2	Pool	West Courtyard	Fire Pit
3	Community #3	Pool	Tennis Court	-
4	Community #4	Pool	Hammocks	Hot Tub
5	Community #5	Pool, Fitness Center	Study Rooms	More Fitness Equipment
6	Community #6	Pool	Volleyball Court	Dog Park
7	Community #7	Fitness Center, Study Rooms	Fire Pit	-

The most utilized amenities in the competitive set are pools, though fitness centers and study rooms were mentioned in our community surveys as well. Although the Community offers some of the most utilized amenities, with a fitness center and pool, there is an opportunity to improve the competitive positioning of the asset through the implementation of complementary features such as fitness classes and golf lessons. Additionally, we believe renovations to the study lounge with an emphasis on providing residents a place to both collaborate with a group and work privately could draw demand. Community #5 reported that their least-used amenity was the study area, though this could be due to the fact that their two private study rooms are located next to the resident lounge, and their glass doors do not offer much in the way of seclusion needed for studying. Providing thoughtful and impactful resident programming based on resident surveys could prove beneficial to the Community's reputation among students. Overall, the Subject has an amenity suite that is desirable, unique, and of high quality. Small upgrades that compliment each amenity space, thoughtful community programming, and a subtle refocus to the study area could all help to set the Subject as the market standard in amenity quality.

AMENITY PHOTOS



(Community #1)



(Community #2)



(Community #3)



(Community #4)



(Community #6)



(Community #5)

CONCESSIONS

CONCESSION COMPARISON		
<i>Sample Community - Competitive Set (Sample University - City, ST)</i>		
Map #	COMMUNITY	CONCESSION
1	Community #1	Waived Leasing Fees, \$550 Off First Month's Rent (4x4's)
2	Community #2	Waived Leasing Fees with Signing within 24 hrs of Touring,
3	Community #3	-
4	Community #4	Discounted Rates on 4x4's
5	Community #5	Waived Admin Fee, Reduced Rate on 4x2 L
6	Community #6	Waived Leasing Fees
7	Community #7	-

Concessions are common in the University market and typically consist of waived fees, discounted rates, and discounts to first month's rent. Concessions are likely common for two reasons; preleasing competition is growing as the Fall 2024 semester approaches, and an influx of new beds has increased competition generally in the market. Typically, heightened competition is the culprit behind high concession use, and the University market is no exception. As new beds are brought to market, concessions will likely continue to become a marketing standard among POSH communities.

PARKING

PARKING COMPARISON							
<i>Sample Community - Competitive Set (Sample University - City, ST)</i>							
Map #	COMMUNITY	SURFACE	COVERED	GARAGE	TOTAL PARKING	PARKING RATIO	EV STATIONS
1	Community #1	24	-	800	824	1.1	-
2	Community #2	-	-	730	730	1.0	10
3	Community #3	79	829	-	908	1.0	-
4	Community #4	-	-	600	600	0.5	2
5	Community #5	730	-	-	730	1.0	-
6	Community #6	250	-	-	250	0.3	-
7	Community #7	751	-	-	751	1.2	-
Sub - IP: Sample Community		224	-	331	555	0.9	-
Weighted Average:		341	829	695	684	0.9	5

Source: Cardinal Group Companies

Date Modified 5/30/2024

PARKING FEE COMPARISON						
<i>Sample Community - Competitive Set (Sample University - City, ST)</i>						
Map #	COMMUNITY	SURFACE	SURFACE RESERVED	COVERED RESERVED	GARAGE	GARAGE RESERVED
1	Community #1	\$25	-	-	\$25	-
2	Community #2	\$13	-	-	\$70	-
3	Community #3	\$10	\$15	\$40	-	-
4	Community #4	\$50	-	-	\$50	\$75
5	Community #5	-	\$15	\$25	-	-
6	Community #6	\$15	-	-	-	-
7	Community #7	-	\$20	\$20	-	-
Sub - IP: Sample Community		-	-	-	\$35	-
Weighted Average:		\$24	\$16	\$30	\$49	\$75

Source: Cardinal Group Companies

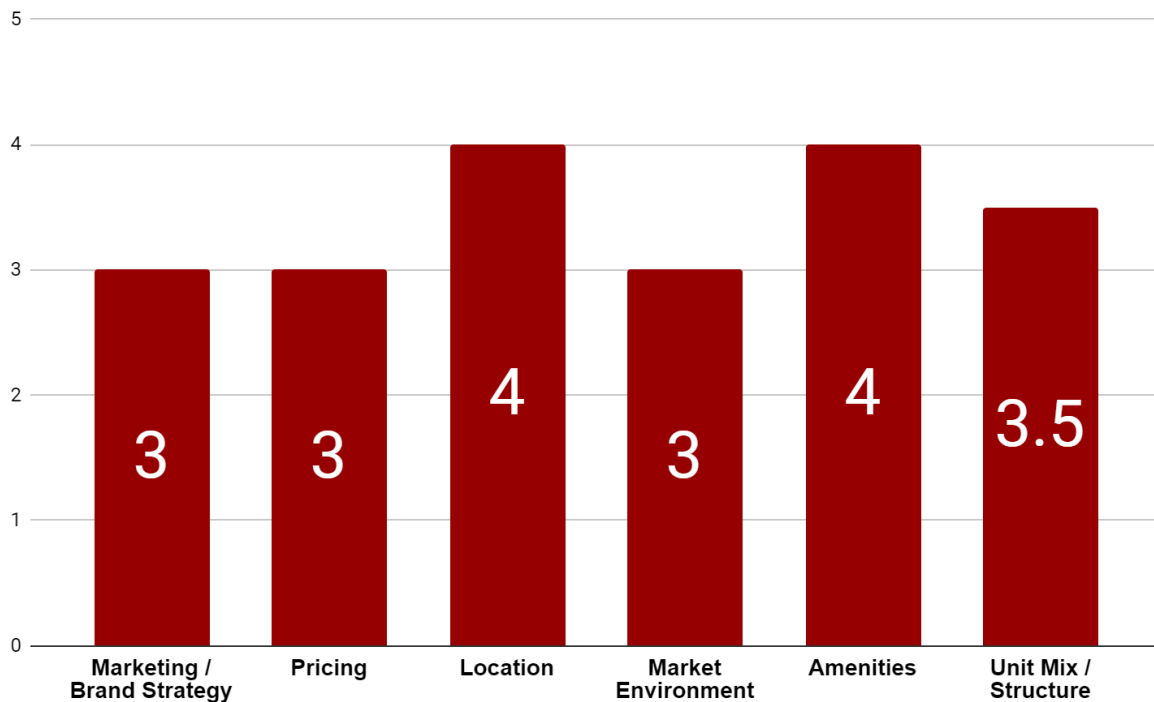
5/30/2024

The table above illustrates the number of parking and EV charging spaces available at each community, as well as parking fees. Parking space counts have been collected using community reports, data providers, and Google Earth, which may not represent the actual number of parking spaces available. Of the communities in the competitive set, the average number of parking spaces in the competitive set is 684 spaces, 3.0 spaces per unit or 0.9 spaces per bed. Only Community #2 and Community #4 offer EV charging stations, and we recommend looking into the feasibility of installing EV charging stations at the Subject. Given the Subject's proximity to the Freeway, residents may commute to Downtown and nearby cities on the weekends. The Community's parking ratio (spaces to beds) of 0.9 allows nearly every resident to park their car where they live.

As most communities offer surface, carports, and garage parking, parking fees vary according to the parking type. Community #5 and Community #7 do not charge residents for unreserved surface parking. On average, surface parking fees in the market are \$26/mo and garage parking fees are \$48/mo. Currently, the Subject charges \$35 per month for garage parking. With roughly 224 surface parking spaces and 331 garage parking spaces at the Subject, we believe there may be an opportunity to charge a monthly surface parking fee of \$10 - \$20 and a monthly garage parking fee of \$35 - \$45.

STRENGTHS & WEAKNESSES

The following assessment of the Subject was made based on our market research. The strengths and weaknesses were identified by grading critical components on a scale of 1 - 5; 1 being a low score and 5 being a high score. By understanding the Community's attributes and various market conditions that affect the Community, we were able to develop a recommended strategy that allows for a collaborative relationship between leasing velocity and value optimization.



MARKETING / BRAND STRATEGY (3 out of 5)

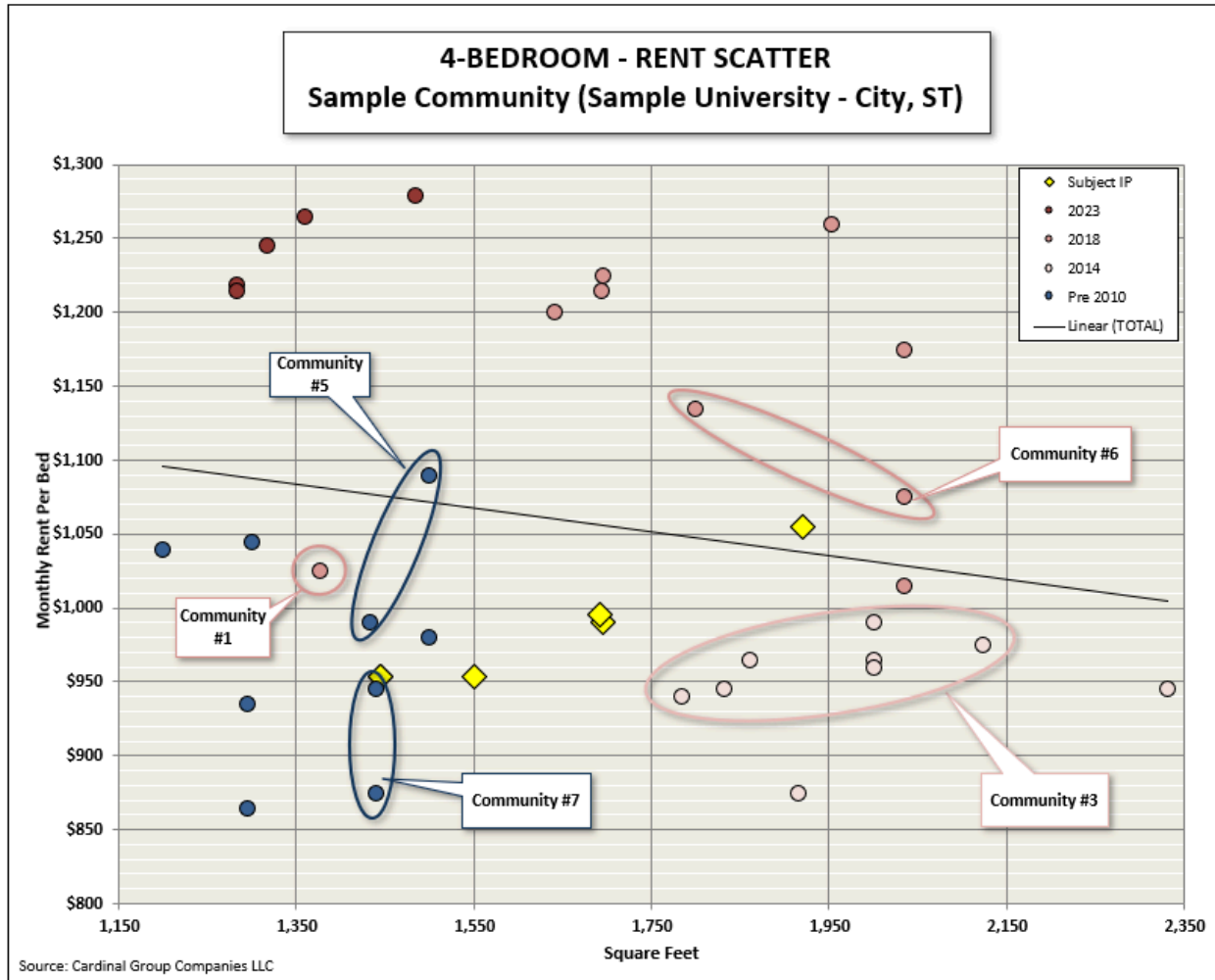
The Community has an average reputation in the market as evidenced by its strong digital marketing presence and social media platforms and its low Online Reputation Assessment (ORA) score, compared to the rest of the competitive set and leasing/customer service experience. The Community has a very active social media presence, allowing the Community to engage and interact with its prospects and current residents to help drive leasing traffic. Through its Instagram and TikTok pages, it's clear that the Community has created a fun and inviting atmosphere. However, the average ORA score, which reflects the Community's average reputation online, has many reviews centered around the lack of security and theft concerns. Installing gates and/or cameras around the Community may help alleviate current resident's concerns. Due to the low leasing experience received via phone, Cardinal believes there is an opportunity to ensure all team members have proper sales training and resources available to them to create a strong and inviting leasing experience for its residents and prospects to help push occupancy.

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PRICING (3 out of 5)

The monthly rents below are market rents and are not adjusted for concessions and utilities.

4-BEDROOM

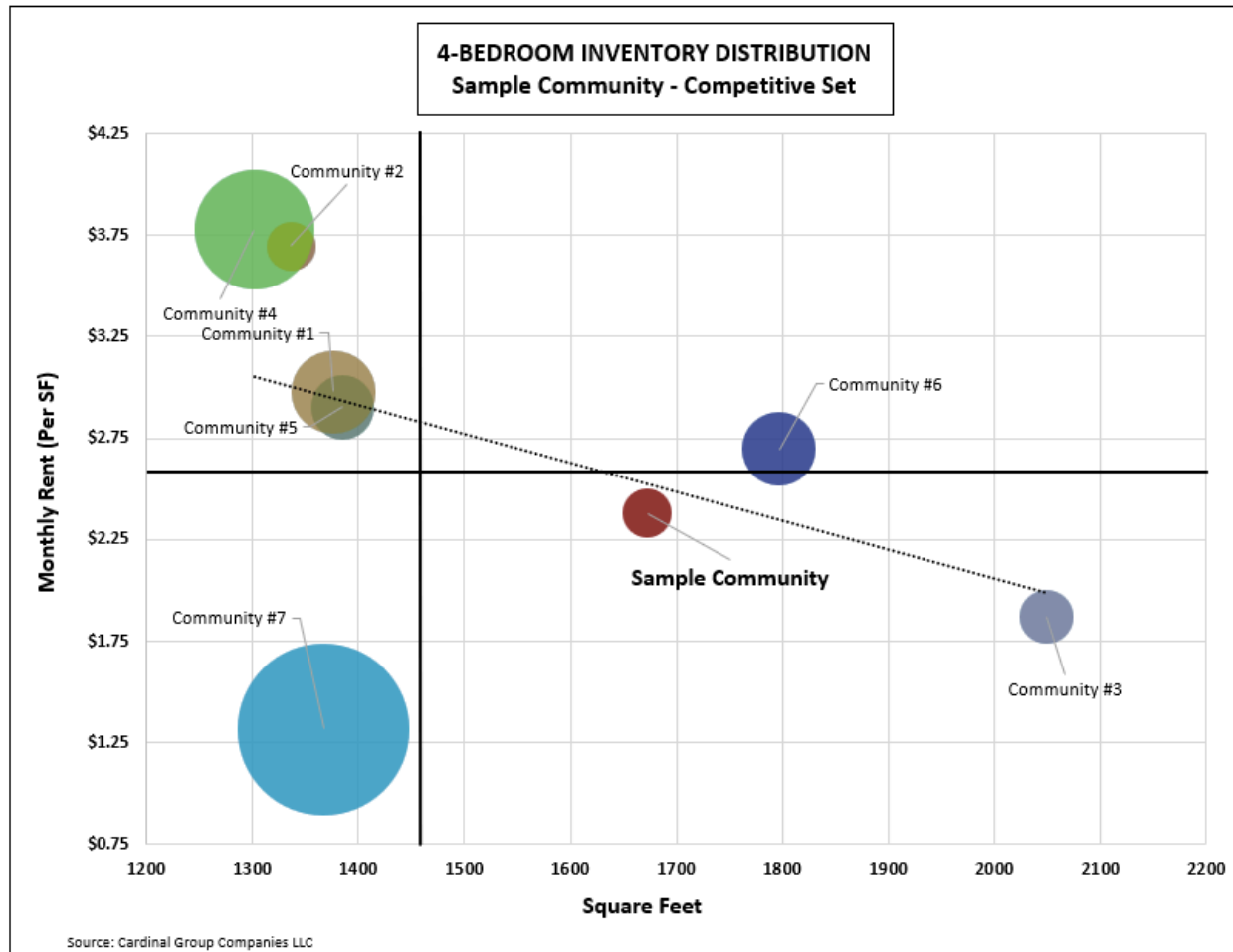


In the chart above, each dot represents one floorplan in the competitive set while the colors denote the communities' vintage. The average size of four-bed units in the competitive set is 1,466 SF, and the average market rent per bed is \$1,087/mo.

The Subject's four-bedrooms units are priced moderately well compared to similar communities, and has a pricing pattern that falls above Community #3's, in line with Community #7's VIP beds, but just under Community #1 and Community #6's four-bedroom units. Community #1, a 745-bed mid-rise community built in 2018, offers the most extensive amenity suite in the competitive set. Its unit interiors and exterior appearance are similar in quality to the Subject's, but Community #1's location is slightly superior, allowing it to achieve rents that are higher than the Subject's at

\$1,025/mo. Community #6 is a 750-bed garden style community built in 2018. Community #6's exterior appearance is similar to the Subject's and its amenity offering is slightly inferior; however, Community #6's unit interiors and location are both slightly superior and its units are bigger, which all allow for higher rents than the Subject (\$1,212/mo compared to the Subject's \$995/mo). The Community's units are priced nearly \$100/mo lower than the competitive set's average four-bed. As most of the Community's four-beds are larger than the set's average unit size, there may be room to slightly push rents before too many new communities enter the market and competition increases even more than it already has.

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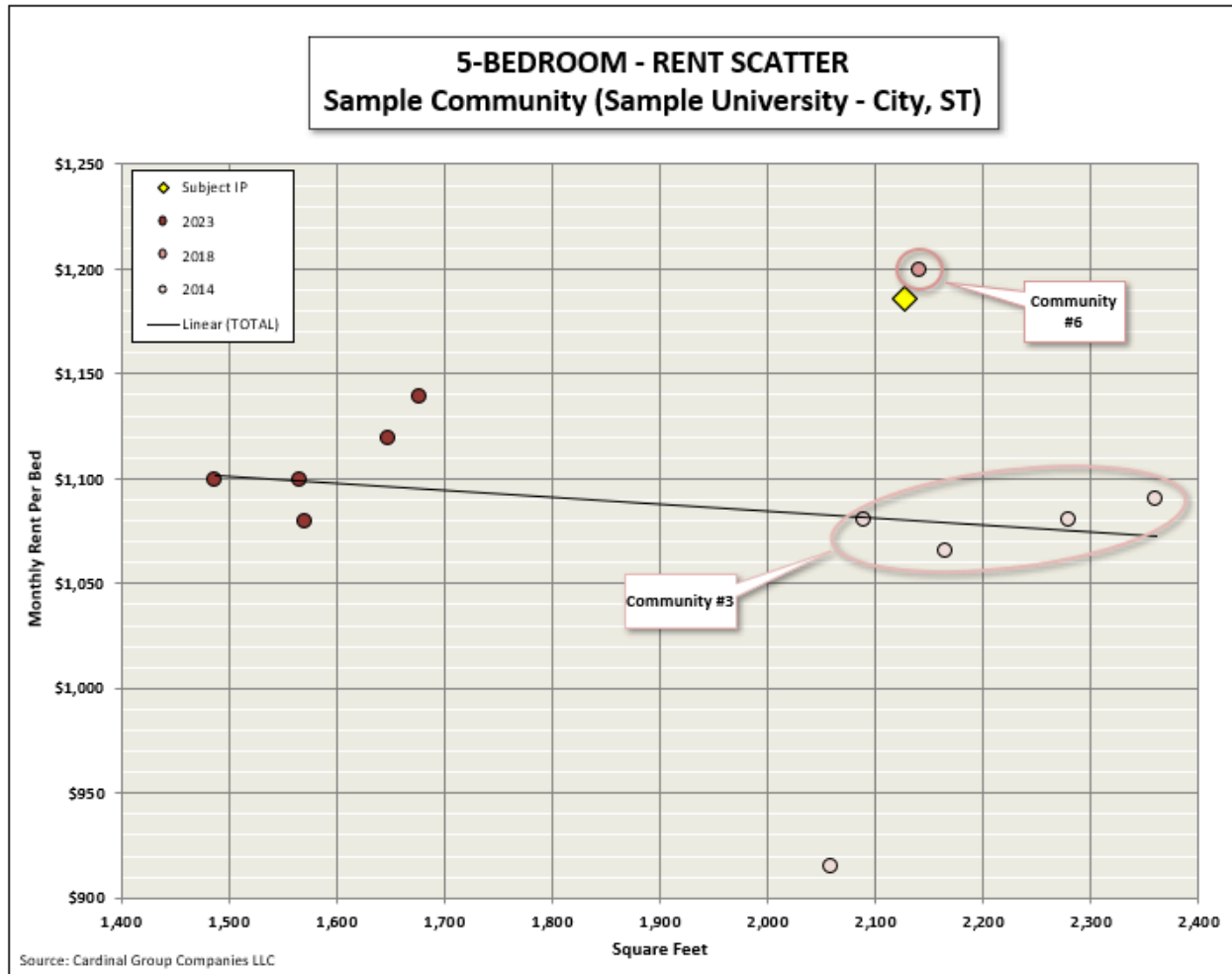


The chart is divided into four quartiles based on the weighted average square footage of four-bedroom units (1,466 SF) and the weighted average market rent per square foot (\$2.60/SF)

Unlike the previous scatter chart, the chart above illustrates the weighted average four-bedroom rental rate per square foot at each community in the competitive set based on the total number of four-bed units at each community, not the individual floor plan rental rates. The size of each bubble represents the amount of inventory at each community. For example, Community #7 offers 312 four-bedroom units, the most in the competitive set, and therefore has the largest bubble.

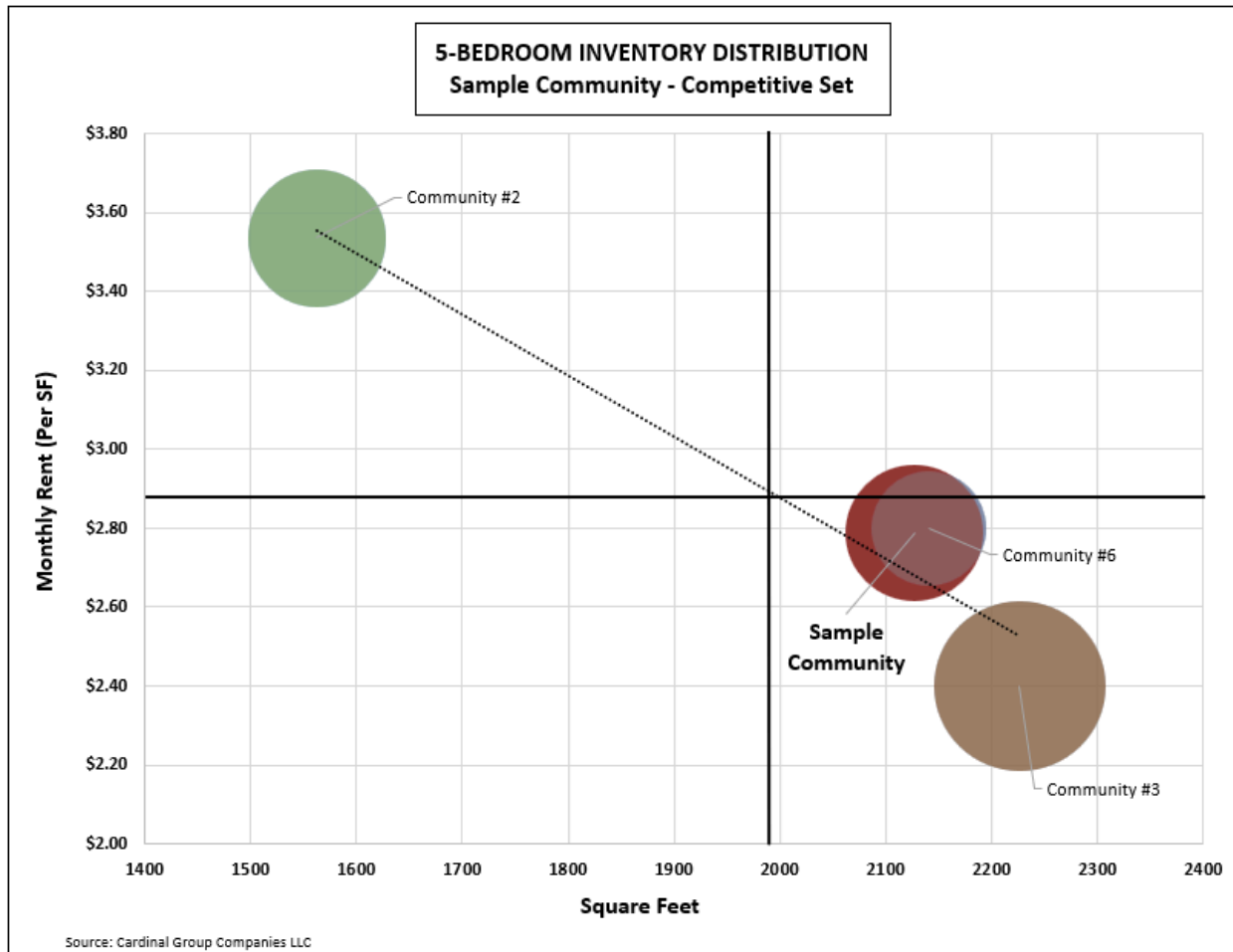
The Subject is priced \$0.32 lower on an average per-square-foot (PSF) basis than Community #6, but \$1.06/SF and \$0.51/SF higher than Community #7 and Community #3, respectively. The Subject offers 89 four-bedroom units, tied for the smallest number of four-beds in the competitive set with Community #2. Because the Subject has fewer four-bedroom units to lease up than nearly every other community in the competitive set, there could be room to grow prices as the Subject's units could lease quicker.

5-BEDROOM



The average size of five-bed units in the competitive set is 1,988 SF, and the average market rent per bed is \$1,116/mo.

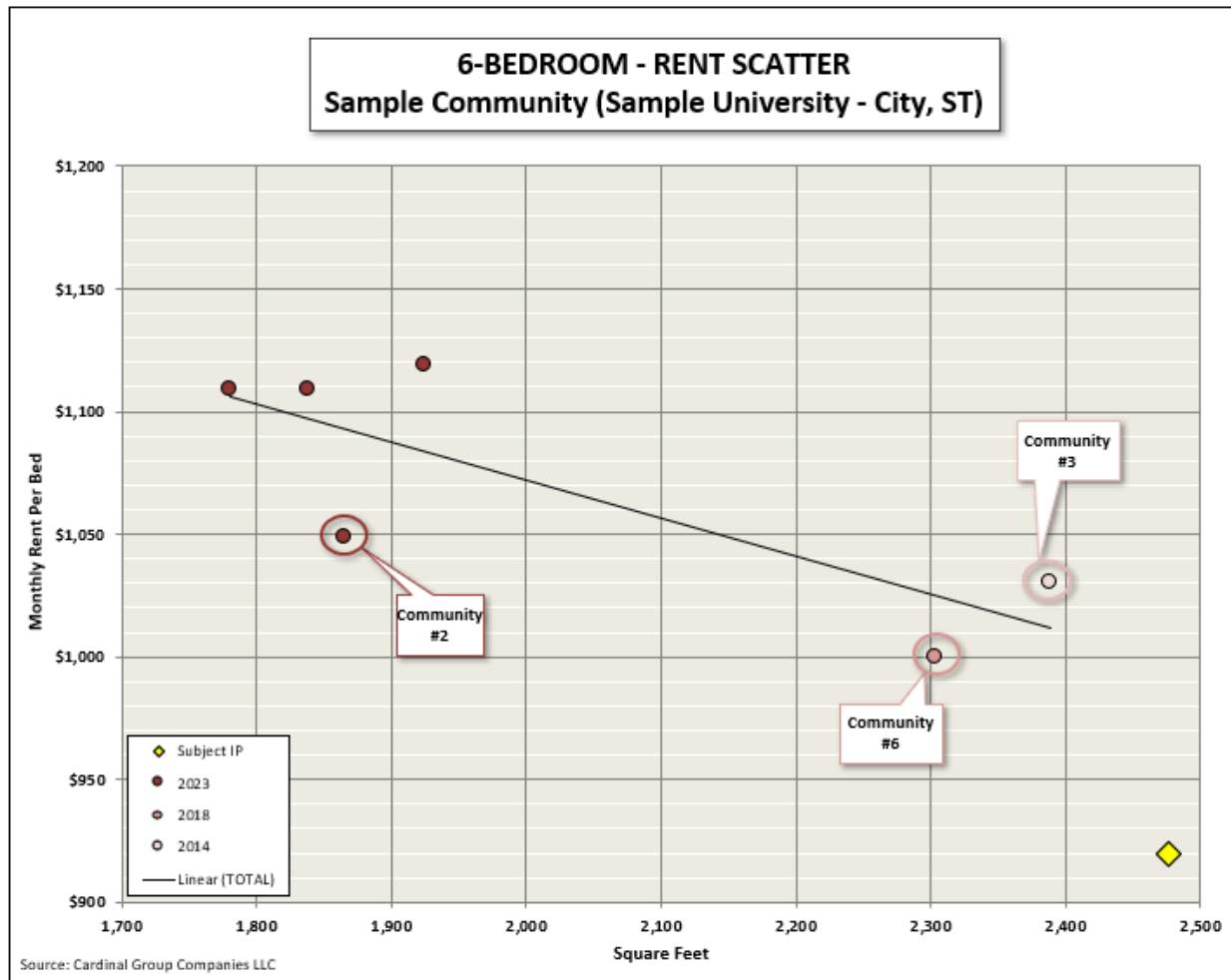
The Community only offers one five-bedroom floor plan that measures 2,127 SF in size and rents for \$1,186/mo, a significant increase from April's price point of \$1,018/mo. Community #6 offers a similarly sized unit at 2,141 SF for \$13 more at just under \$2,000/mo. Community #3, an 894-bed cottage-style community built in 2014, offers five different five-bedroom floor plans, all priced under the Subject's. Community #3 offers a similar amenity suite as the Subject, but its exterior appearance is slightly inferior and its unit interiors and location are inferior to the Subject's as well. Based on these comparisons, the Community's five-beds are priced competitively to those in the competitive set. Furthermore, the Community should continue to rent their five-beds at a discount to Community #6 as the Subject's units are smaller and slightly inferior to Community #6's. At the start of future lease-up periods, it may be prudent to lower the Subject's five-bed rents, and raise them gradually as beds are leased. The rental rates shown above represent late lease-up period rates.



The chart above is divided into four quartiles based on the weighted average square footage of five-bed units (1,988 SF) and the weighted average market rent per square foot (\$2.88/SF).

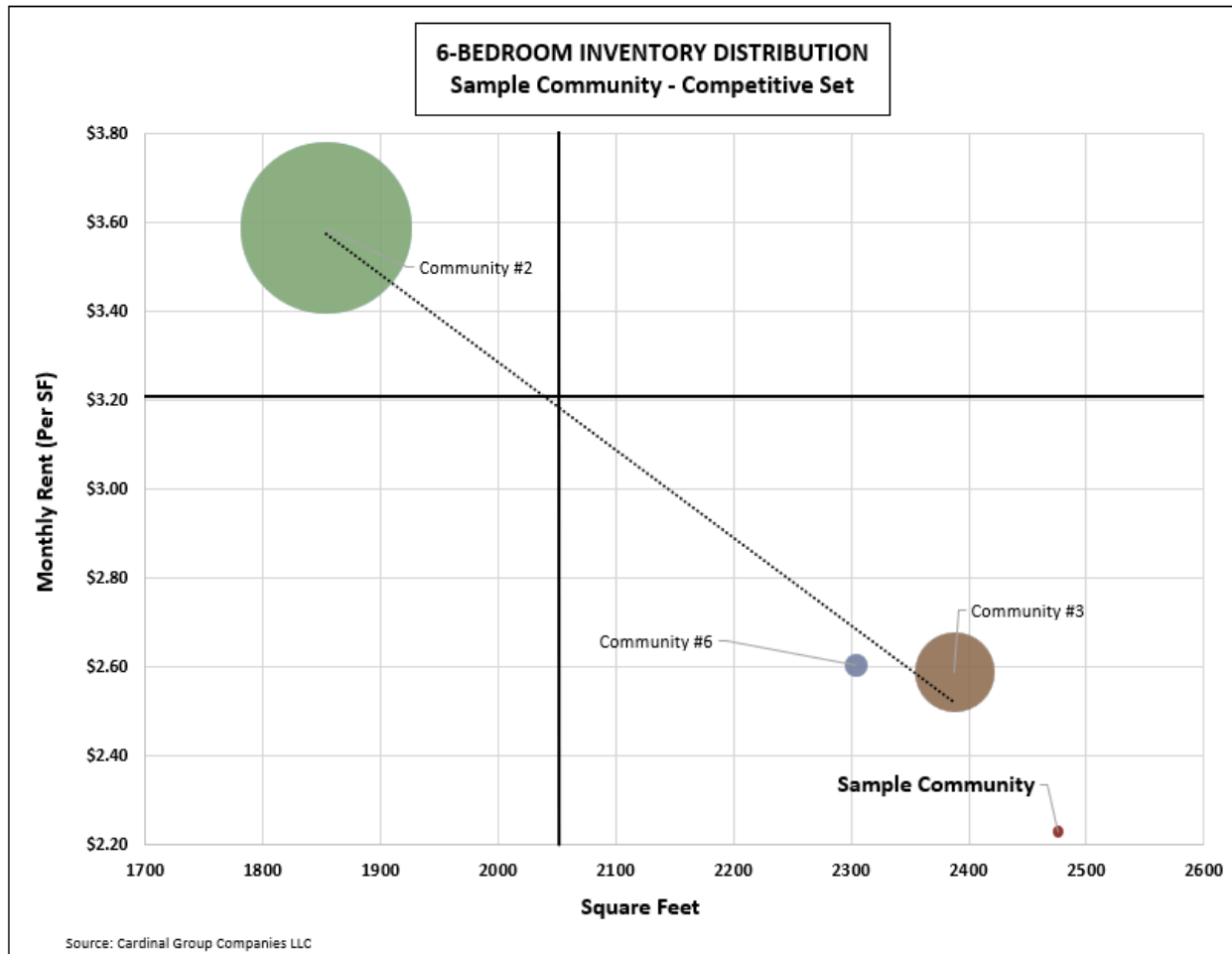
The Subject currently offers 48 five-bedroom units that measure 2,127 SF in size and rent for \$2.79/SF, which is a \$0.09/SF discount to the competitive set's average. Based on the most recent report from the Seller, the Subject recently raised rates to a \$0.39/SF premium to Community #3, a comparable community that offers an inferior overall product to the Subject. As the Subject has fewer units to lease up than Community #3, the current price point seems feasible if not slightly high. Moving forward, the Subject's rents should remain at a discount to Community #6's, which offers higher quality unit interiors in a slightly more desirable location.

6-BEDROOM



The average size of six-bed units in the competitive set is 2,047 SF, and the average market rent per bed is \$1,076/mo.

The Community offers one six-bedroom floor plan that measures 2,476 SF in size and rents for \$920/mo. Community #2, a 765-bed mid-rise community built in 2023, offers the most six-bedroom floor plans in the competitive set. Community #2 offers similar unit interiors to the Subject, but offers a slightly inferior amenity suite and is in a slightly inferior location as well, despite its proximity to the University's campus border. Community #2's exterior appearance, however, is slightly superior to the Subject's, likely because of its newer vintage. Our community survey with Community #2 revealed that their six-bedroom units were the most popular units, followed closely by their four-beds. Six-bed units are rare in the market and make up only 1.5% of the competitive set's total units.



The chart above is divided into four quartiles based on the weighted average square footage of six-bedroom units (2,047 SF) and the weighted average market rent per square foot (\$3.22/SF).

The Community offers the lowest number of six-bedroom units in the competitive set with only one unit. Because of the lack of six-bedroom units, there could be an opportunity to raise rents from where they stand currently at \$2.23/SF, nearly a dollar per square foot lower than the competitive set's average. As the Community offers the largest six-bed unit, there may still be an opportunity to raise rates above where they currently stand; however, raising six-bed PSF rental rates above Community #3 and Community #6 may not be feasible.

The Subject appears to be charging slightly lower market rates than what its product offering should achieve; there may be an opportunity to increase these rates. Given updates to certain unit interior finishes and amenities detailed further in this report as well as an emphasis on leasing experience and community programming, the Subject could possibly grow rents even more, though the feasibility of any rent growth should be analyzed fully before any rates are changed.

LOCATION (4 out of 5)

The Community has a location in the market that we believe deserves a four out of five. The Community is located south of campus. With the close proximity to the main street, residents have easy access to downtown and other nearby cities. The Community is located far from campus, so students will need to either bring their car or take the private shuttle that the Subject offers. Lastly, the Community is set far enough away from the highway that road sound is relatively muffled. Overall, the Subject has various nearby attractions and a better comparative location to some other similar communities, but the Community's distance from campus is its biggest detractor in terms of location.

MARKET ENVIRONMENT (3 out of 5)

The Subject's market environment is rated as a three out of five due to its strong history but uncertain future. The market has consistently seen occupancies over 95% for 10 out of the past 11 years, and over 99% for six out of the past nine years, showing extreme robustness in terms of absorption and occupancy in general. High occupancy, coupled with the fact that rent growth has experienced a compound annual growth rate of 4.8% over the last 10 years and recently saw 11.4% YoY rent growth in 2023, shows the market has a history of strength and resilience to change.

The future poses two main concerns; the first is the market's pipeline and the second is the University's enrollment growth. There are currently 2,611 beds over four communities set to deliver within the next three years. Another 5,439 beds across five communities are currently proposed, with no delivery date reported at this time. Despite the market's strong history of absorption, 8,050 beds are a substantial number of beds for the market to absorb without a significant impact. With the University showing recent declines in total and international enrollment and signs of a conservative growth plan focused on student retention, the market could see problematic drops in occupancy and rent growth depending on when these new beds are delivered. If pipeline deliveries are rolled out over the course of years, the market could see mitigated declines, but if too many beds are delivered too quickly, occupancy could drop to 95% or lower. Without known delivery dates, however, forecasts that include the entire University pipeline, not just known project completions, should not be relied upon.

AMENITIES (4 out of 5)

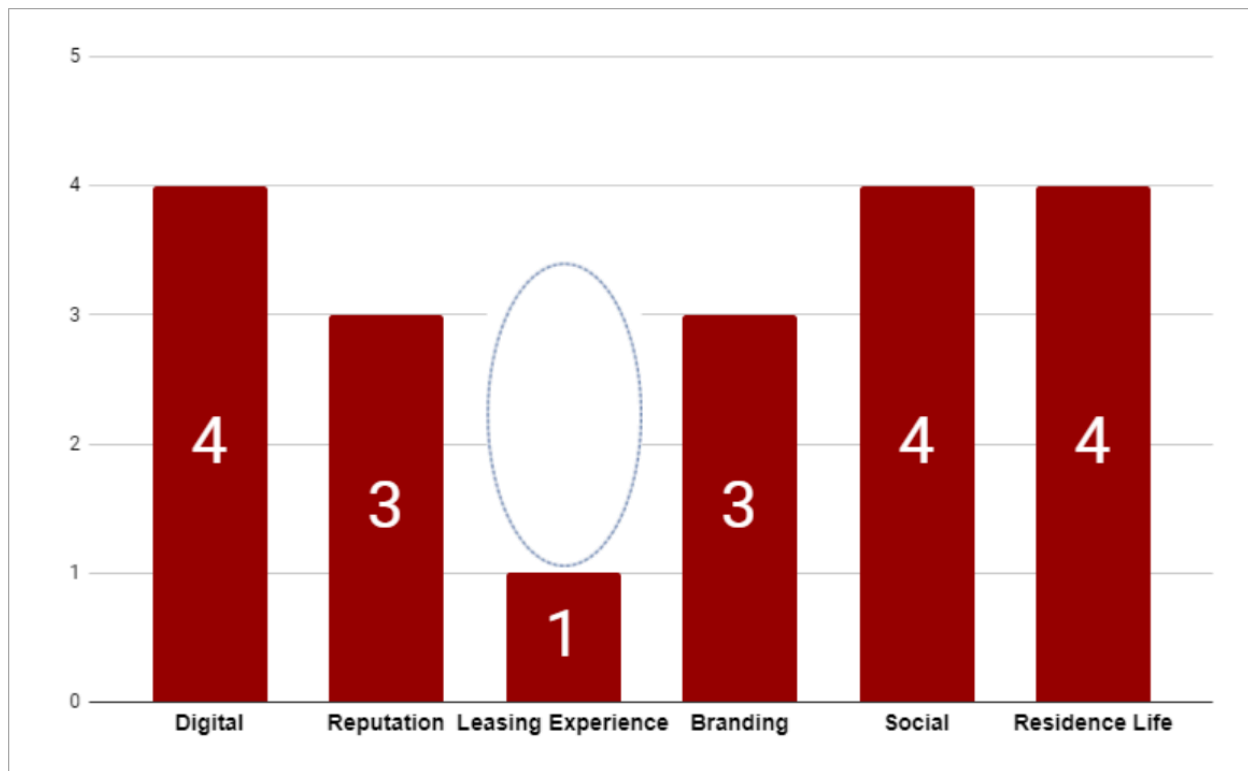
The Community is strongly amenitized, offering some of the most utilized amenities such as the fitness center, pool, and study lounge. The Community also offers unique amenities to residents including a private shuttle, golf simulator, and poolside jumbotron. Aside from the Community, Community #2 is the only other community that also offers a private shuttle, which could be marketed as a differentiating feature. We believe that the Community can capitalize on these unique amenities if the on-site team markets them well and utilizes them through impactful resident programming events.

Although the Community offers an extensive list of amenities, there is room for improvement. We believe there is an opportunity to improve competitive positioning through an update to the current study area offering. The Subject's study amenity gives students places to study both privately and in a group setting, but we believe that certain parts of the study area seem to do two different things at once by offering a study environment but also a place for residents to hang out. We recommend refocusing this space to excel at one of these things, offering an excellent, impactful and updated amenity space.

UNIT MIX / STRUCTURE (3.5 out of 5)

The Community consists of 89 four-bedroom units (65% of the unit mix), 48 five-bed units (35%), and one six-bed unit (<1%). The vast majority of units in the competitive set, 71%, are four-bedroom units which could signal a saturation of the Subject's primary unit type in the market. The Subject does a good job of insulating itself from the effects of saturation by offering six different four-bedroom floor plans and a respectable number of five-bedroom units, but if new developments continue to offer four-bedroom units, the Subject may find more difficulty leasing up. The Subject's main weakness with regards to unit mix is the fact that it does not offer any units with less than four bedrooms. Based on our community surveys, four-bed units remain a very popular unit type, so this weakness is not overly concerning at the moment.

MARKETING ASSESSMENT



DIGITAL (4 out of 5)

In general, the website for Sample Community is eye-catching and welcoming. The website has a catching title “Student Housing near University | Sample Community”, highlighting the Community’s name and referencing students and the University. The meta description, which can influence click-through rates, further highlights the Community by providing a summary of the Community’s “deluxe amenities and lavish features”. The Community’s header, which contains word tags and influences how the Community is ranked in Google searches, is moderate. The main header simply states “Student Apartments near University”. However, the secondary header provides more catching keywords such as “luxury amenities”, “unbeatable location”, and “dynamic community”. When searching on Google for top student housing in the city, the Sample Community was one of the four sponsored communities to pop up, reflecting the strength of their meta description and header.

Upon acquisition, we recommend reviewing the list of PPC words monthly to determine which keywords are creating results and which are not. To maximize the impact of the current digital marketing efforts, a complete audit of the SEO, Google PPC, and other targeting methods is recommended. This will pinpoint areas for potential improvement and ensure The Community is reaching the right audience efficiently. Additionally, leveraging effective words, compelling visuals, and strong targeted ads will help boost the reach and conversion rates of the campaigns.

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ONLINE REPUTATION (3 out of 5)

Online Reputation Assessment (ORA™) | Online reputation is very important to Cardinal and is one of 14 Portfolio Performance Metrics used to serve as portfolio-wide benchmarks. ORA™ is an exceptional tool we use to overcome the challenge of multiple review rating scales and identify a community's overall reputation. Developed by JTurner Research, a leading apartment industry research firm, the ORA™ statistical model aggregates and analyzes online ratings to generate a single score on a 0-100 scale which is easy to monitor, rank, and improve. Below are a few statistics from JTurner Research explaining why ORA™ Scores are so important:

- 75% of surveyed residents utilize online ratings & reviews multiple times during their search.
- Communities with higher ORA™ scores produced 15% more leases.
- In a survey, 25,000+ respondents stated that online ratings and reviews determine whether or not they will visit a community 7.33 times out of 10 times.
- JTurner monitors the online reputation of communities across more than 20 review sites and aggregates those scores to create a community's ORA™ score.
- **The national average ORA™ score is 62.5 while Cardinal's portfolio average is 65.9.**


The average ORA™ score in the competitive set is 63.2 over the past six months. The Sample Community has an average ORA™ score of 60.7, below the national, Cardinal's portfolio, and competitive set's average. However, the Community has an average 3.9-star Google rating amongst 250 reviews, indicating residents are generally satisfied with their living situation.

While most reviews are positive and highlight the Community's stellar amenities, the most recent negative reviews indicate a lack of security at the Community. Although the Community has an occasional roaming patrol at night, it appears that several residents have experienced several theft incidents, specifically regarding cars being broken into and non-residents roaming the Community. There may be an opportunity to increase patrols at the Community or evaluate the current services provided by the Security contract. The Community could also implement cameras and gates around the Community to increase security measures. Although the Community has had several negative reviews recently, the Community does a good job ensuring all reviews are acknowledged and responded back to in a timely manner. Below is an example of a typical review:

 **Pokemar**
6 reviews ⋮

★★★★☆ 3 months ago

I've lived here for about a year now. The place is nice and has good amenities, but parking is horrible and they have ZERO security. Multiple people have had issues with cars getting broken into and their stuff or even the car itself gets stolen. There are homeless camps nearby but there are no gates or any kind of security here tbh. It happens way too often for them to be unaware about it which is incredibly disappointing

 3

Response from the owner 3 months ago
Thank you for taking the time to leave us a review, we are so glad that you love our amenities. We do have roaming security that comes out every night to assist in keeping our residents safe.

LEASING EXPERIENCE (1 out of 5)

To determine the leasing experience, our team conducted a secret shop via phone. In general, the call was short and to the point. The team member we spoke to was friendly but took little initiative to gather information, build rapport, or vision-sell the Community. They greeted us by stating "It's a wonderful day at the Sample Community, how can I help you". The team member did not disclose their name or proceed to gather contact information from me in case the call dropped or to follow up with me. When asked about their availability for the Fall 2024 lease term, the team member proceeded to indicate that there were only the 5x5s for \$1,189/mo/person. The team member immediately provided the monthly rates rather than selling the floor plan first. The team member did not inquire if I had roommates or promote their roommate matching program, nor did the team member promote the unit features or amenities at the Community.

The call was short, lasting a minute. The team member did not seem enthusiastic about providing a prospective resident additional details regarding the availability, the Community's amenities and features, asking questions to establish a common ground with the caller, or gathering contact information to follow up on our call. The team member appears to approach the phone call with the idea that the prospective residents should direct the call. This may deter many prospective residents as they may not know the Community or know what questions to ask.

Perfecting the leasing experience will be important as this is one of the most crucial steps to increase occupancy and rates. As the Community invests money into driving leasing traffic, the Community's standard and branding continue through leasing tours (via in-person, virtually, or over the phone), and the prospect is treated with best-in-class customer service. The Community should create an environment that showcases the lifestyle a student can expect to experience while living at the Community. This process should start with the greeting, team members asking questions, directing the call, vision-selling, and building rapport. The onsite team will need to bring the online branding experience into real life.

BRANDING (3 out of 5)

The Community's branding is average and appears to be well-known in the market. The website and Facebook logo feel slightly outdated compared to the logo on their Instagram and TikTok pages. However, all logos maintain the same blue and teal color scheme, which is fitting for their resort-style beach vibe. The personality and its branding through colors, photography, and graphics speak volumes promoting a fun and community lifestyle where there is a little bit of everything for everyone.

SOCIAL (4 out of 5)

The Subject uses several social media platforms to market and advertise the Community. According to their website, the Community is active on Instagram and Facebook. However, on the Community's Google Page, they have both YouTube and TikTok listed as additional profiles.

The Community's Facebook page is not active as its most recent post was almost a year ago in May 2023. However, historical posts highlighted availability, amenities, resident events, and incentives. Similar to the Facebook page, the Community's YouTube page has not been active since January 2023. The YouTube page contains virtual tours, professional amenities ads, teasers, and lifestyle videos. It's important to continue to post highlights and updates of the Community.

The Community occasionally posts on its TikTok page. Although inconsistent, the posts range from featuring the Community's amenities to resident events to creative and popular memes. The Community's engaging and relatable posts grab students' attention without fully marketing and advertising the Community is a creative way to drive traffic to the Community.

With over 2,400 followers, the Community's Instagram page is the most active social media platform. The Community does a great job posting original content and implementing a consistent social media schedule posting multiple times a week that includes a mix of organic, resident-based content, and professionally designed photos and videos to increase engagement and boost followings. The posts create the Community to be a fun and engaging luxury student community.

As social media is often a top traffic driver for our student communities, it will be important to continue its current strategy on Instagram across all other social media platforms to target its primary demographic, students. Overall, the Community needs to remain consistent on all available social media platforms and ensure that they continue to post high-quality, engaging content to help show what life is like living at the Community to better engage with prospects and current residents alike.

RESIDENCE LIFE (4 out of 5)

Based on the Community's Instagram page, it is clear that the Community has hosted numerous resident events. On April 24th, their Instagram story highlighted a Wellness Wednesday event where residents can learn the health benefits of eating sushi. In its Resident Event's story highlights, which consist of previously posted stories, the Community has consistently hosted a resident event at least once a month ranging from educational events to contests to interactive events and fun social food gatherings. However, these appear to only be from 2021 and 2022. There was only one story highlighted in 2023. The Community has not remained consistent in updating this highlight with recent events posted on its stories.

Some of its recent resident events that were posted on its Instagram account include building charm bracelets, tea social, "You Speak We Listen" survey giveaway, DIY shirts, build your own bouquet, and a blood drive, a total of six resident event postings on their Instagram within the past four months. It also appears that the team hosts smaller events like at least one Wellness Wednesday each month that is not as large as some of these other events. It's likely that these minor events are only posted on its story rather than a full post. All of these advertised events on Instagram showcase the range of events from interactive events like building your own bouquet, to service-related events like blood drives, and simple fun food events like free boba tea.

The approach to resident life would be to equally engage with the University events as well as host the Community's own curated events specifically for its residents. We want to make conscious

decisions when planning monthly engagement events, acknowledging all our residents' cultures and backgrounds. This would include celebrating holidays special to our residents and catering food from restaurants that remind them of home. Events should be a good mix of celebrations as well as philanthropic opportunities, based around charities or initiatives our residents are passionate about. The more thoughtful events will show over time to the residents the renewed investment the Subject has made into their experience while living at the Subject. The Community has done a great job showcasing the resident events they host on a consistent basis.

[INTENTIONALLY BLANK]

CAPEX RECOMMENDATIONS

UNIT INTERIORS

The Subject's units are slightly inferior to the newer communities' unit interiors, though Cardinal only recommends the Community renovate kitchen spaces by adding a tile backsplash. Only two communities in the competitive set, Community #3 and Community #6, do not offer tile backsplashes in their kitchens and Community #1 is currently in the process of installing tile backsplashes. Community #2 is currently unconfirmed as to whether they offer tile backsplashes or not. With a large pipeline on the horizon, the Subject could benefit by making this update before new communities start opening.



(The Subject)



(Community #4)



(Community #5)



(Community #7)

AMENITY SUITE

Cardinal has provided recommendations for possible amenity renovations based on our competitive set survey and competitive set analysis. Recommendations based on the PCA survey performed by the third-party vendor can be found in the Community Inspection Summary section on page 10.

Study Area | Building upon the Community's existing range of amenities, a strategic enhancement opportunity exists within the study area. While the current space offers both individual and group study options, there may be benefits to refining its focus. Certain areas appear to serve a dual purpose, which could potentially dilute the effectiveness of both a dedicated study environment and a casual social space. To maximize resident satisfaction and further strengthen the Community's competitive edge, we recommend exploring a potential redesign that optimizes the study area for either focused academic pursuits or social interaction.



(The Subject)



(Community #1)



(Community #6)



(Community #4)

Security Systems and Services | As previously mentioned in the Marketing Assessment, reviews of the Subject highlight the opportunity to increase security at the Community by increasing patrol frequency, installing security CCTV systems, and installing a security fence and gates at each entrance in order to make residents feel safer in their own places of living. Completing this project would also in turn show residents that the Subject listens to their concerns and takes action to address them. An aerial view of the Subject with recommended security gate positions highlighted in red can be seen below, along with a typical entrance to the Subject.

For Sample purposes, the aerial view of the Community has been removed.



IMPLEMENTATION

Cardinal Group has recommended the implementation of certain capital expenditures in order to provide updated living spaces, community grounds, and amenities as new competing communities are introduced to the market. In addition, the third-party vendor has made recommendations on various updates to systems and infrastructure at the Subject, some of which were recommended to be completed immediately. The timeline below provides a high-level, annual overview of an implementation schedule and the associated costs of each project. The exact order in which to implement these updates and projects over each year is left to the discretion of the Buyer. All monetary and expense figures included herein are estimates. Actual costs may vary depending on your specific project requirements. For the most accurate pricing, please consult with qualified professionals to get quotes based on your location and project details.

Year 1 Immediate	Fire Protection Systems (Extinguisher Replacements)	\$75
	Emergency Phone Signage Placement	\$75
	Roof Trussing Inspection (Remediation Costs Not Included)	\$2,000
	Total Year 1 Immediate:	\$2,150
Year 1 Non-Immediate	Model Unit Repairs	\$450
	Fire Suppression System Testing Release Area Relandscape	\$1,125
	Lighting Systems Replacements	\$500
	Water Bibb Replacement	\$150
	Irrigation System Inspection and Repair	\$2,800
	Parking Garage Exterior Landscaping Slope Repair	\$1,500
	Community-Wide Roof Drainage Replacement	\$8,000
	Exterior Wall Repair and Clean (Not Including Stone Siding)	\$880
	Exterior Window Repair	\$300
	Exterior Stairs Repair	\$1,300
	Swimming Pool Joint, Edge, and Tiling Repair	\$3,828
	Sidewalk Repair	\$350
	Tree Trimming	\$2,200
Total Year 1 Non-Immediate:	\$23,383	
Year 2	50% Unit Kitchen Backsplash Install	\$42,500
	Fence and Access Gate Installation	\$55,000
Total Year 2:	\$97,500	
Year 3	50% Unit Kitchen Backsplash Install	\$42,500
	Study Lounge and Booths Update	\$75,000
Total Year 3:	\$117,500	