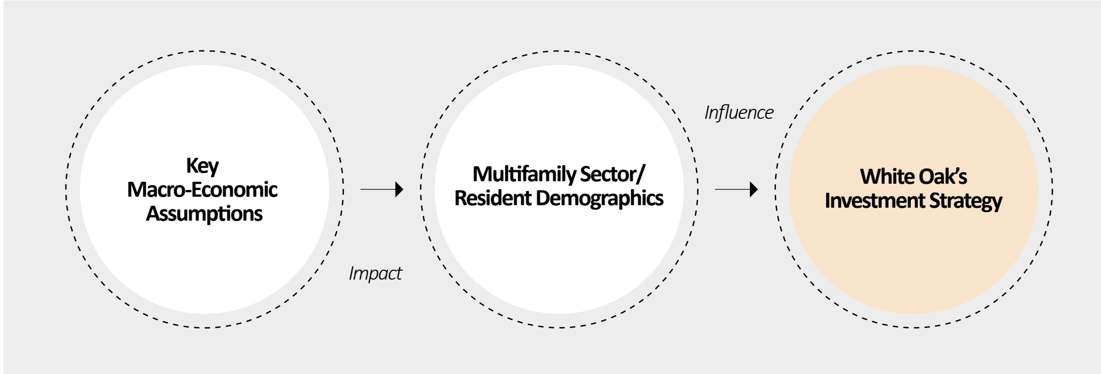


MID-YEAR (REFRESH) OUTLOOK FOR 2024

KEY MACRO-ECONOMIC ASSUMPTIONS

- Recent comments from Fed Chairman Jerome Powell indicate that rate cuts will occur before inflation slows to the 2% target.
- Inflation continues to recede, as the June CPI reported lower than expected price growth. The Fed's preferred inflation measure (PCE) also continues to decline, and the next report will publish July 26th, just before the next FOMC meeting.
- The labor market has cooled in the first half of the year as the unemployment rate grew 40bps to 4.1% in June.
- Lower income consumer credit problems increase given the elevated interest rate and softening employment environment.
- Homeownership is further out of reach for many, as home prices, construction costs and mortgage rates are all high.

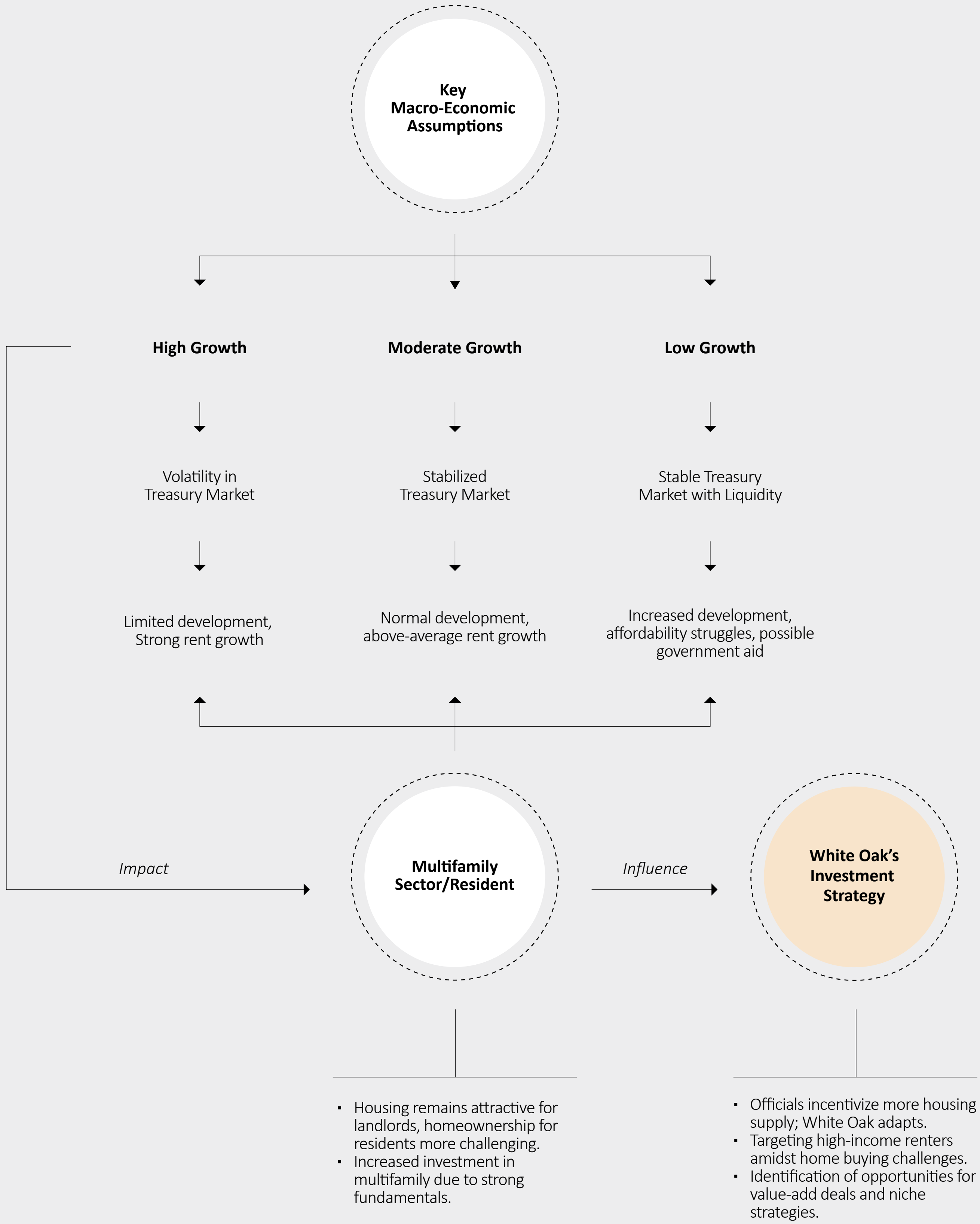
RESULTING MULTIFAMILY SECTOR IMPACT

- Increased BOV activity suggests sellers may be more inclined to transact in the second half of the year. New supply is scheduled to peak by the end of 2024 due to pandemic-hangover from construction supply chain challenges in 2020 and 2021, resulting in negative to moderate organic rent growth (nationally, generally) in 2024.
- Non-controllable operating expenses, specifically insurance and real estate taxes, continue to increase at higher rates than historical averages as insurance companies pass on CAT storm losses through premium increases and office valuation declines hurt local tax revenue bases.
- New construction starts remain generally muted (because of SOFR-based floating-rate construction loans remain high, investor capital for development is scarce, and regional banking challenges), causing new supply to be limited well beyond 2025, thereby further exacerbating the U.S. housing shortage.
- Some increased insulation from home purchase due to elevated mortgage rates, lack of supply (as existing homeowners are in no hurry to give up their sub-3% mortgage rates locked in during 2020/2021, resulting in low existing home sales volume).
- Workforce/affordable housing bad debt is up, rent collections and economic occupancy are down.
- An abundant amount of capital raised by non-traditional lenders, such as debt funds, combined with healthy long-term sector fundamentals, is generally filling the gap to ward off any meaningful distressed sales activity within the multifamily sector.

POTENTIAL IMPACT TO WHITE OAK'S INVESTMENT STRATEGY

- Pressure continues to mount for certain merchant developers: floating-rate construction loan interest reserves are depleted, and loans are maturing; asset values remain down making refinance scenarios less attractive; sellers are now faced with a decision: recap or sell.
  - Likely to remain the most attractive opportunity for White Oak in 2024: selectively acquiring brand new, pre-stabilized, Class A properties at discounts to replacement cost, very attractive three-year stabilized cap rates.
  - Potential for outsized rent growth due to declining new supply which could push the 3 year stabilized cap even higher.
  - Class A resident incomes are typically more resilient than lower-skilled/income Class B/C renters during a softening employment market. (See White Oak's insight piece "The Economic Resiliency of Class A" for more details.)
  - Housing preferences have changed, partly due to the aforementioned unattainability of home ownership, but also for lifestyle desires, such as high-quality amenities within multifamily product and walkability to community drivers — schools, cafes, gyms and town centers that are now plentiful in suburban locations. As a result, the average age of White Oak's resident is close to 40 years old, as opposed to the stereotypical recent college graduate, need-based renter saving for a home.
- Bad debt problems are likely to continue to challenge operations in the workforce/affordable segment (pandemic savings depleted), thereby (theoretically) causing cap rates to widen within this class of multifamily (value-add) to an appropriate risk premium that has not existed for several years.
  - White Oak pivoted away from value-add multifamily ~5 years ago when the risk premium went away and pricing became homogeneous with brand new, Class A product.
  - White Oak has been an active seller of value-add product this year, taking advantage of deep buyer pools for well-located assets with upgrade potential.
  - White Oak has a strong value-add track record and is nimble to pivot back to this multifamily class if/when pricing makes sense again.

WHITE OAK'S OUTLOOK BEYOND 2024
(3-5 YEAR HOUSE VIEW)



KEY MACRO-ECONOMIC ASSUMPTIONS

- ***High Growth*** - short term interest rates remain elevated to slow economic growth, and quantitative tightening causes the U.S. Treasury market to remain volatile.
- ***Moderate Growth*** - short term interest rates decrease as inflation comes in balance, and slight quantitative easing causes the U.S. Treasury market to stabilize a bit.
- ***Low Growth*** - short term interest rates decrease substantially to spur economic growth, and quantitative easing causes the U.S. Treasury market to have more liquidity and become stable again; bad debt increases at lower income levels.

RESULTING MULTIFAMILY SECTOR IMPACT

- Housing fundamentals to remain favorable for multifamily owners regardless of the economic environment.
- We expect capital flows to multifamily to be higher than normal in the near term, as multifamily and industrial are the two real estate "darlings," resulting in cap rate spread to Treasuries compressing, due to strong fundamentals.
- ***High Growth*** - development and new supply limited; consumer is strong = strong rent growth and, in turn, NOI growth; asset appreciation exists due to attractive NOI growth, and some cap rate compression.
- ***Moderate Growth*** - development and new supply back to historical averages; housing shortage remains = above average rent growth, moderate NOI growth due to non-controllable expense challenges; asset appreciation from 2023 and 2024 acquisitions due to cap rate compression.
- ***Low Growth*** - development favored; workforce/affordable segment struggles financially, although it may be the biggest beneficiary of government stimulus.

POTENTIAL IMPACT TO WHITE OAK'S INVESTMENT STRATEGY

- Housing affordability gets worse regardless of the economic environment – construction costs likely to continue to increase for all housing, for sale or rental.
    - Buying high-quality multifamily properties in attractive locations at or below replacement cost in this environment is a higher conviction investment strategy, as compared to the potential to acquire lower-quality multifamily through a distressed opportunity that may come with higher frictional costs.
    - What incentives do national, state and local officials provide for supply to increase in the face of strong demand due to the growing U.S. population, and how can White Oak benefit from a strategy standpoint? This topic may develop as the housing shortage continues to deepen.
- Highest income renter demographic (lifestyle core/core-plus) likely to continue to be a flagship target for White Oak, unless pricing gets out of control. Historically, this resident would typically be a first-time home buyer, but there is a) great difficulty in the home purchase market today due to mortgage rate-driven reduced buying power, b) limited well located starter home inventory, c) shifting lifestyle priorities for the next demographic cohort.
- Will there be a window of opportunity for White Oak to acquire value-add deals at attractive risk premiums arising from bad debt issues and government stimulus?
    - White Oak's Key Investment Opportunity Dynamics – Strategic Opportunity Shift Indicators:
        - Cap rate discount between 3 year value-add plan rent vs 3 year stabilized core-plus.
        - Ingoing cap rate discount between similar product in primary vs. secondary markets.
        - Cap rate discount for lower growth locations compared to high supply/higher rent growth areas.
        - Dialogue with competitors who have exposure to office and other out of favor property types/locations.
        - Cities with immature multifamily markets and similar causal growth factors to those in Austin and Nashville in the most recent economic cycle.
        - Niche strategy investment opportunities between potential short economic cycles: build-to-core, "value-add-to-core."

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