

Rent Roll Analysis of XYZ West Drive

This rent roll analysis of property XYZ West Drive is based on Jan-June'18 rent roll and security deposit data provided to OHI by client. The analysis provides a deep dive into rental numbers such as rents, occupancy, move-in and move-outs, renewals to discern trends, opportunities and potential issues. Given the limited availability of data, the analysis is not an exhaustive one and is meant to highlight areas to be explored further.

Rent Roll Summary

| | | |
|-------------------------------------|---------------------|--|
| Type of Property | Residential | Multifamily |
| Period of Analysis | Jan to June'18 | Actual Rent Roll |
| Number of Units | 192 | As per Rent Roll |
| Average Occupied Units | 179 | Based on analyzed period |
| Average Vacant Units | 17 | Based on analyzed period |
| Size on Units/Average size Per Unit | 1x1 & 2x2/ 993 SQFT | Based on Actual Rent Roll |
| Market Rent | \$ 278,976 | Average Market Rent during the analyzed period |
| Lease Rent | \$268,224 | Average Lease Rent during the analyzed period |

Note: - Rent roll analysis done based on last 6 month rent roll available to evaluate property worthiness with acquisition objective. Analysis period Jan'18 to Jun'18.

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| Rent Analysis | | | | |
|----------------|-----------------------|-----------------------|-------------------------|--------------|
| Month | Avg. Leased Unit Rent | Avg. Market Unit Rent | Total Actual Collection | % Collected |
| Jan | 1,383 | 1,457 | \$277,490 | 99.2% |
| Feb | 1,381 | 1,457 | \$260,406 | 93.1% |
| Mar | 1,392 | 1,457 | \$263,213 | 94.1% |
| Apr | 1,401 | 1,457 | \$214,957 | 76.8% |
| May | 1,410 | 1,445 | \$268,359 | 96.7% |
| Jun | 1,415 | 1,445 | \$252,790 | 91.1% |
| Average | 1,397 | 1,453 | \$256,202 | 91.8% |

The property has consistently leased below its market rent. The average monthly unit rental has been \$1,397 against an average monthly unit market rent of \$1,453. The below market rent leasing is prevalent across all the three-unit types- 1*1 ,2*2 unit and 2*1 type. The average monthly rent of the property stood as **\$256,202** and the property has consistently collected ~ **92%** of its billed rent.

| Occupancy Analysis | | | | |
|--------------------|--------------|--------------|----------------|----------------|
| Month | Physical | Economic | 30 Days Leased | 60 Days Leased |
| Jan | 91.1% | 90.3% | 5% | 13% |
| Feb | 91.5% | 90.7% | 8% | 13% |
| Mar | 87.9% | 85.1% | 10% | 18% |
| Apr | 90.1% | 90.0% | 8% | 18% |
| May | 91.6% | 91.4% | 5% | 14% |
| Jun | 87.2% | 85.6% | 13% | 21% |
| Average | 89.9% | 88.8% | 8% | 16% |

The average physical occupancy has been 90% and economic occupancy has been 89%. The property's occupancy trends show quarter end dips in last six months. This coupled with marginally below market rental performance indicate opportunities to increase occupancy. Also, 16% of residents (~ One in Every Six) Residents have leased in within 60 days, indicating that a **significant number of tenants have low stickiness(loyalty)** to the property. This is covered further under the Renewal and Loyalty section.

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| Move-In Analysis | | | |
|------------------|------------------|----------------|-----------|
| Month | No. of Vacancies | No. of Move in | Fill Rate |
| Jan | 16 | 3 | 19% |
| Feb | 15 | 7 | 47% |
| Mar | 13 | 12 | 92% |
| Apr | 17 | 3 | 18% |
| May | 17 | 0 | 0% |
| Jun | 22 | 0 | 0% |
| Average | 17 | 4 | 29% |

There is an average 17 units vacant during this period. Fill rate has dropped drastically in the April-June period, despite property being leased at marginally below market rentals. **The higher vacancy period in April-June** needs to be investigated for potential leasing issues as the leased rents continue to be below market rents.

| Move-Out Analysis | | | |
|-------------------|-----------------|-------------------------|--------------|
| Month | No. of Move out | YTD Annualized Turnover | Turnover YTD |
| Jan | 11 | 69% | 6% |
| Feb | 6 | 53% | 9% |
| Mar | 10 | 56% | 14% |
| Apr | 7 | 53% | 18% |
| May | 0 | 43% | 18% |
| Jun | 0 | 35% | 18% |
| Average | 6 | 52% | 14% |

The property has shown marked improvement in April-June quarter in retaining residents. There have been no move-outs in last two months and the YTD annualized turnover has dropped from a high of 69% in January to 35% in June. This drop-in move-outs along with the below market rent leases indicate that the occupancy levels can be pushed up further through better leasing and marketing activities.

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| Renewal & Tenancy Period Analysis | | | | | |
|-----------------------------------|--------------|----------------------------------|------------|------------|------------|
| Month | Renewal Rate | Avg. Tenancy Period- In Month | <1 Yrs.# | 1-2 Year# | 2+ Year# |
| Jan | 70% | 23 | 51% | 21% | 28% |
| Feb | 55% | 23 | 51% | 22% | 27% |
| Mar | 56% | 23 | 53% | 21% | 26% |
| Apr | 67% | 24 | 50% | 24% | 26% |
| May | 44% | 24 | 49% | 24% | 27% |
| Jun | 52% | 24 | 49% | 24% | 27% |
| Average | 57.3% | 24 | 51% | 22% | 27% |

Number of occupied units

The average renewal rate has hovered around 53%. In addition, the average tenancy period has been two years, with 51% of tenants having leased up within the year. **This clearly highlights the low stickiness and loyalty of the existing residents.** Given that most of the residents have stayed in the property for less than two years, there is lower stability and predictability of the rent revenue streams.

| Security Deposit Analysis | | | | |
|---------------------------|---------------|----------------|----------------|-----------------|
| Month | <=25% of Rent | 26-50% of Rent | 51-75% of Rent | 76-100% of Rent |
| Jan | 20% | 43% | 33% | 7% |
| Feb | 19% | 44% | 31% | 8% |
| Mar | 19% | 42% | 34% | 7% |
| Apr | 21% | 45% | 29% | 7% |
| May | 18% | 47% | 28% | 7% |
| Jun | 18% | 48% | 28% | 6% |
| Average | 19% | 45% | 31% | 7% |

The above values state the distribution of residents' security deposit against different rental slabs. The security deposit coverage has been quite low in the property with less than 7% of the residents providing a month's rent as security deposit. About 45% of residents have security deposit less than 15 days of rent.

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