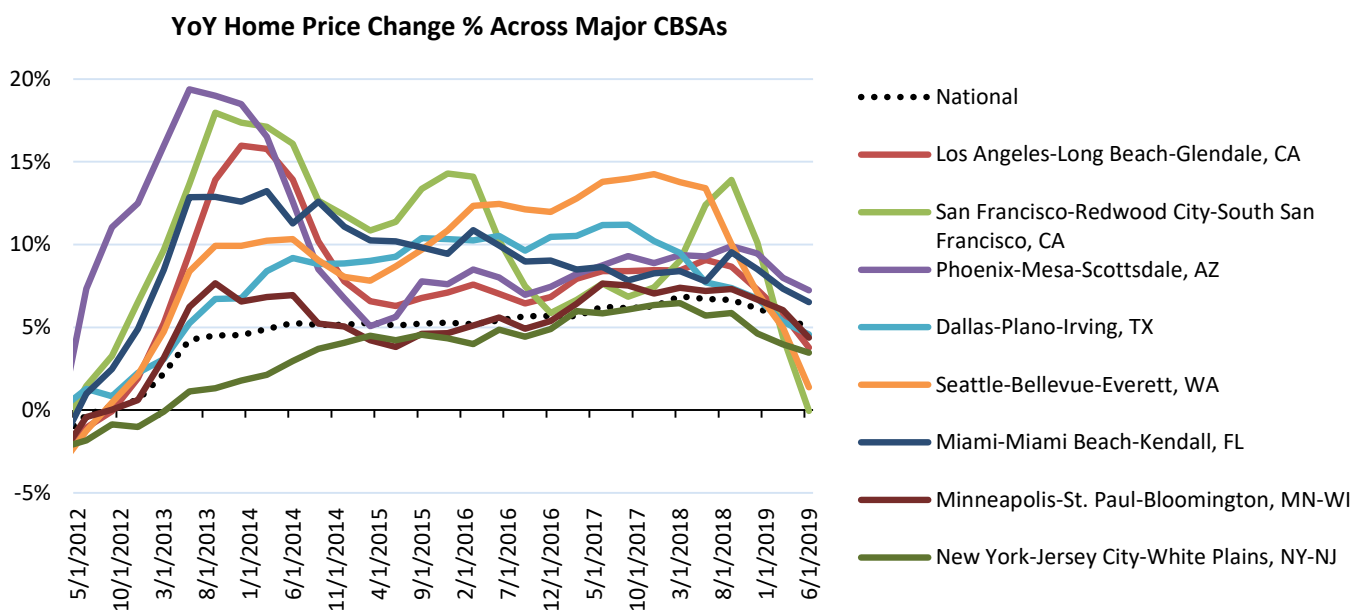


Housing Inventory Assessment

Home Price Appreciation Trends and Considerations

Home price appreciation nationally and in most large Core-Based Statistical Areas (CBSAs) across the country has slowed down to low single-digits over the past year (Figure 1), reflecting tepid demand mainly caused by affordability challenges as well as local housing demand and supply dynamics.

Figure 1. The FHFA Home Price Index offers a measure of changes in single-family house prices based on repeat sales or refinancing data at the property level.



Supply-Demand Dynamics At the Core of Future Home Price Performance

The fundamental supply-demand relationship is one of the key factors affecting housing:

- Property valuations can be adversely impacted, if there is a real or even perceived imbalance caused by decreased demand or over-supply of housing inventory.
- Price points of offered housing supply, if not-in-line with local demand, may also lead to market imbalances.

In an effort to gauge the health of the housing sector going forward, we studied incremental supply and demand in single family and multifamily markets across various CBSAs.

Findings: The total new construction (single family and multifamily) volume may finally be adequate, however it needs to be offered at a broader range of price cohorts, otherwise, it could lead to local supply-demand imbalances and negatively affect property valuations.

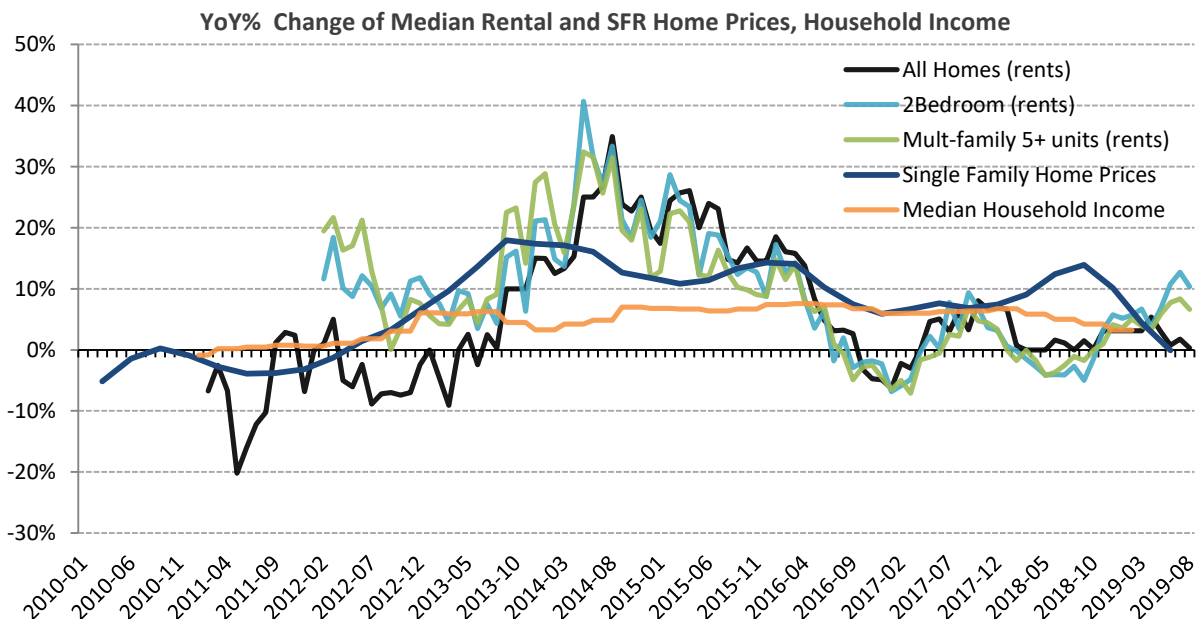
Summary Findings and other Considerations

Based on a comparison of total new supply coming to the market (new construction) relative to the total household formation at the CBSA level over the past five years, we can imply that many housing markets, after years of increased construction activity, are close to being in an equilibrium (see the description of the methodology and its results on pages 3 and 4).

- It is important to note, however, that there may be a disconnect in price cohorts of inventory being built vs. its demand. Many areas shown as potentially having ample amount of supply available for occupancy are in fact saturated with luxury homes/apartments and in price ranges outside of reach for potential occupants in the area.
 - One of the main factors contributing to the lack of affordable housing in both, residential and multifamily, sectors is the increasing cost to build. Labor, land, material costs, regulatory obstacles, as well as tariffs contributed to increase in construction expenses and translated into higher property prices and rents.
 - Additionally, income growth rates have not kept pace with home price growth rates or rents being demanded by new developers targeting more affluent and amenities focused professionals.

Figure 2.

Using San Francisco-Oakland-Hayward CA as an example, area's median household income grew 46.38% since 2010, while multi-family rents increased over 128% and home prices rose 90%, potentially adding supply in a market that is in need for more affordable housing, but not at price levels being constructed.



CBSA Level Supply-Demand Dynamics

- Based on the presumption that supply-demand is near equilibrium once built supply (housing completions) is within 10% of additional demand (household formation), we estimate that vast majority of the top 20 CBSA housing markets are stable.
 - Only 3 of the top 20 CBSAs (Seattle, San Diego, and Boston) are still showing a shortage of housing supply.
 - The volume of construction permits has already peaked in many of the areas, suggesting builders are also seeing adequate supply pipeline across markets.

No	CBSA Name	Estimate Household Chg 2015 - 2019YTD	Building Permits 2015 - 2019YTD	Estimated Housing Starts 2015 - 2019YTD	Estimated Housing Completions 2015 - 2019YTD	2015-2019YTD Supply vs. Demand ¹	Peak Year for Permits 2011-2019 Est. ²
1	Los Angeles-Long Beach-Anaheim CA	111,273	144,226	123,034	115,204	104%	2015
2	Chicago-Naperville-Elgin IL-IN-WI	70,264	87,364	76,846	70,825	101%	2017
3	Phoenix-Mesa-Scottsdale AZ	117,706	135,133	127,358	113,238	96%	2019
4	Dallas-Fort Worth-Arlington TX	198,267	280,333	253,839	228,643	115%	2018
5	Atlanta-Sandy Springs-Roswell GA	150,798	162,692	153,749	140,531	93%	2018
6	New York-Newark-Jersey City NY-NJ-PA	112,422	266,154	218,305	199,678	178%	2015
7	Seattle-Tacoma-Bellevue WA	119,453	122,874	105,561	95,327	80%	2018
8	Denver-Aurora-Lakewood CO	80,127	96,970	87,456	80,494	100%	2017
9	Riverside-San Bernardino-Ontario CA	55,457	59,832	57,449	52,796	95%	2018
10	Houston-The Woodlands-Sugar Land TX	241,073	242,188	231,977	224,247	93%	2014
11	Minneapolis-St. Paul-Bloomington MN-WI	53,019	73,476	65,370	56,041	106%	2019
12	Portland-Vancouver-Hillsboro OR-WA	61,371	69,802	61,869	56,267	92%	2019
13	San Diego-Carlsbad CA	42,437	46,394	39,618	36,080	85%	2016
14	Sacramento--Roseville--Arden-Arcade CA	32,302	36,664	35,253	30,996	96%	2017
15	Washington-Arlington-Alexandria DC-VA-MD-WV	81,143	120,120	108,460	101,482	125%	2019
16	Miami-Fort Lauderdale-West Palm Beach FL	67,950	96,670	82,120	73,690	108%	2015
17	Boston-Cambridge-Newton MA-NH	72,613	67,712	57,679	52,188	72%	2019
18	San Francisco-Oakland-Hayward CA	58,491	71,893	60,506	52,566	90%	2018
19	Tampa-St. Petersburg-Clearwater FL	78,042	84,707	78,953	70,435	90%	2019
20	Orlando-Kissimmee-Sanford FL	92,954	107,033	99,089	88,208	95%	2018

Notes: Please reference page 4 for a detailed description of the framework methodology.

¹ Supply vs. Demand 2015-2019YTD: ratio of total estimated housing completions to total estimated household change 2015-2019YTD illustrates the supply/demand dynamic in the area for single family and multifamily properties. A ratio above 100% may signal over-supply, while numbers below 90% are potentially indicative of a shortage in new construction.

² Peak Year for Permits 2011-2019 Est.: Year with the highest number of building permits (Total). Many of the CBSAs are showing a decrease in building permits and therefore will expect lower building activity in the future and a decreased supply coming to the market.

Framework Factors and Methodology

Demand Side:

- Estimate Household Formation between 2015-2019YTD (Total, Owner, Renter) to size the additional demand of for housing in the area.

Supply Side:

- Additional Housing supply by metro area is estimated using Building Permits 2015-2019YTD (Total, Multi-family, Single-family).
 - The timing and total volume of completions are estimated using data relationships between Permits, Starts, and Completions:
 - For instance, based on historical averages Multifamily Unit Starts are 22.5% lower than Permits, while Multifamily Completions are 7.5% lower than Starts.
 - Additionally, the average length of time to construct a new Multifamily building takes roughly 15 months.

Results:

- CBSA level supply-demand relationship is exemplified using the ratio of total estimated housing completions to total estimated household change over the past five years. Changes in the relationship may be indicative of the health of the market and future home price performance.
- Trends in filed building permits (Peak Year for Permits 2011-2019 Est.) illustrate future supply pipeline. Areas that have already peaked in terms of new housing being built are thought to be at or near the equilibrium and will experience a drop in new construction supply in the near future.

Certain assumptions are made in our framework, which could impact results of the analysis:

- Housing Inventory framework ignores the existing supply of housing stock available for occupancy. The overall sharp drop in all vacancy rates since 2010 implies the absolute level of potentially available units for occupancy isn't material.
- Pent-up demand (potential purchasers/renters sitting on the sidelines that are expected to eventually enter the market). This number is thought to be as low as 0.9 million and as high as 4.0 million at the national level and vary greatly across geographies and price points.
- Obsolescence of approximately 300,000 housing units annually due to age, functionality, desirability or environmental causes.
- Local economies, including job and wage growth, as well as area's desirability play an important part in housing health by affecting demand. Any changes in historical trends related to local employment patterns and/or sectors may have profound impact on housing.

For questions or additional information, please contact:

Sunil Chowdry, CFA

1999 Harrison St., Suite 1575
Oakland, CA 94621
Telephone No: (925) 289-7601
Fax No: (925) 289-7613
schowdry@falconbridgecapital.com

Jessica Huang

Chief Financial Officer
Telephone No: (925) 289-7602
jhuang@falconbridgecapital.com

Aga Linsky

Portfolio Management & Research
Telephone No: (925) 204- 6188
alinsky@falconbridgecapital.com

- BY ACCEPTING A COPY OF THIS CONFIDENTIAL PRESENTATION, THE RECIPIENT AGREES THAT NEITHER IT NOR ANY OF ITS EMPLOYEES OR ADVISORS SHALL USE THE INFORMATION FOR ANY PURPOSE OTHER THAN EVALUATING THE SPECIFIC TRANSACTION DESCRIBED HEREIN OR DIVULGE TO ANY OTHER PARTY SUCH INFORMATION. THIS CONFIDENTIAL PRESENTATION SHALL NOT BE PHOTOCOPIED, REPRODUCED OR DISTRIBUTED TO OTHERS WITHOUT THE PRIOR WRITTEN CONSENT OF THE PRINCIPALS.
- NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED HEREIN, THE RECIPIENT (AND EACH EMPLOYEE, REPRESENTATIVE, OR OTHER AGENT OF THE RECIPIENT) MAY DISCLOSE TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, THE TAX TREATMENT AND TAX STRUCTURE OF THE TRANSACTIONS DESCRIBED HEREIN) AND ALL MATERIALS OF ANY KIND THAT ARE PROVIDED TO THE PROSPECTIVE INVESTOR RELATING TO SUCH TAX TREATMENT AND TAX STRUCTURE (AS SUCH TERMS ARE DEFINED IN TREASURY REGULATION SECTION 1.6011-4). THIS AUTHORIZATION OF TAX DISCLOSURE IS RETROACTIVELY EFFECTIVE TO THE COMMENCEMENT OF DISCUSSIONS WITH PROSPECTIVE INVESTORS REGARDING THE TRANSACTIONS CONTEMPLATED HEREIN.
- THE FINANCIAL PROJECTIONS INCLUDED HEREIN HAVE BEEN PREPARED ON THE BASIS OF ASSUMPTIONS STATED THEREIN. FUTURE OPERATING RESULTS ARE IMPOSSIBLE TO PREDICT AND NO REPRESENTATION OF ANY KIND IS MADE RESPECTING THE FUTURE ACCURACY OR COMPLETENESS OF THESE FORECASTS.
- THIS DOCUMENT AND THE RELATED ORAL PRESENTATION IS NOT AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY SECURITIES.
- THE INFORMATION INCLUDED HEREIN IS PRELIMINARY, AND WILL BE SUPERSEDED BY A DEFINITIVE PRIVATE PLACEMENT MEMORANDUM.
- WE WILL NOT ACCEPT ANY OFFER BY YOU TO PURCHASE SECURITIES AND YOU WILL NOT HAVE ANY CONTRACTUAL COMMITMENT TO PURCHASE SECURITIES UNTIL AFTER YOU HAVE RECEIVED THE DEFINITIVE PRIVATE PLACEMENT MEMORANDUM.
- DISCUSSIONS OF FEDERAL TAX ISSUES IN THIS PRESENTATION ARE NOT INTENDED TO BE RELIED UPON BY INDIVIDUAL INVESTORS. EACH INVESTOR SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.
- THERE CAN BE NO ASSURANCE THAT PROJECTED RETURNS WILL BE ACHIEVED OR THAT THE FUND WILL BE ABLE TO IMPLEMENT ITS INVESTMENT STRATEGY OR ACHIEVE ITS INVESTMENT OBJECTIVES.
- GROSS IRRs DO NOT REFLECT MANAGEMENT FEES, CARRIED INTEREST, TAXES, TRANSACTION COSTS AND OTHER EXPENSES TO BE BORNE BY INVESTORS IN THE FUNDS, WHICH WILL REDUCE RETURNS.