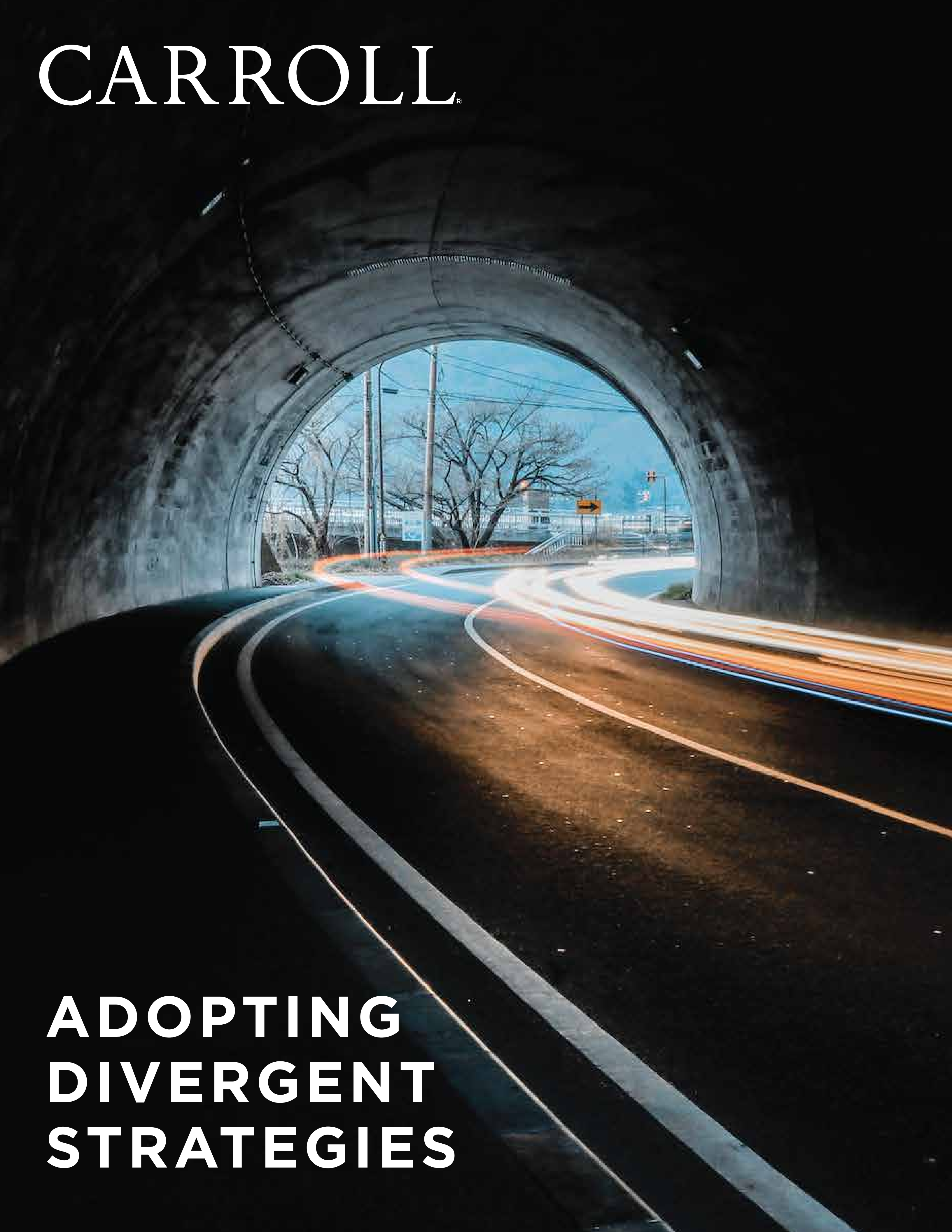
CARROLL

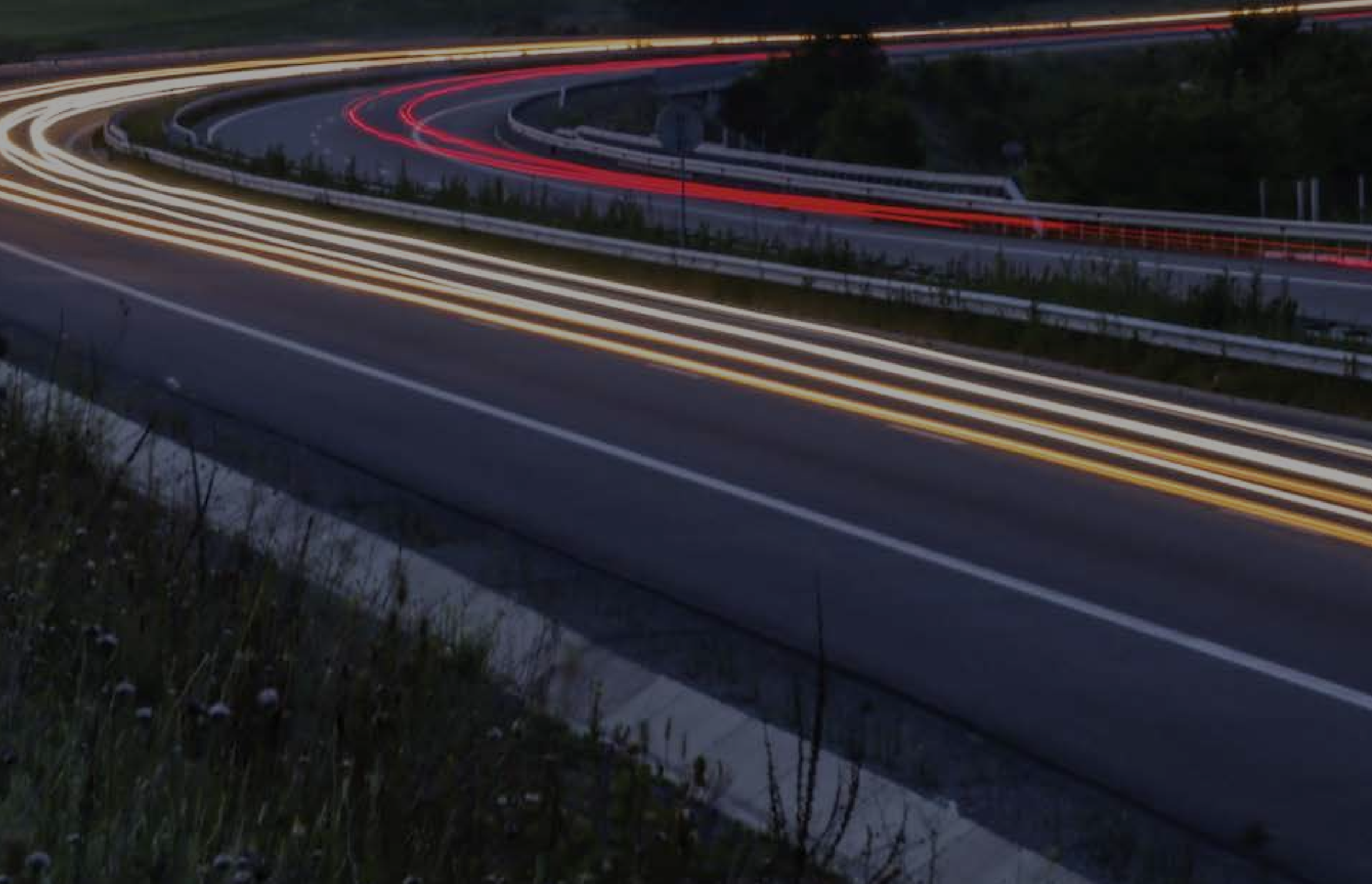


ADOPTING DIVERGENT STRATEGIES

Introduction

When industry giants start drifting towards a trend, the herd mentality follows, leaving a void in another area. So instead of being a late adopter, Carroll has shirked the notion of "following the herd". Rather, Carroll has a history of proactively assessing market conditions, pinpointing opportunity, and executing on a thoughtful strategy to realize results, while many other investors continued to target the same traditional investments and strategies. Carroll has created and found opportunity in several areas in this current cycle which exhibit its proactive investment strategy, including the following:

1. Undervalued MSAs
2. Suburban assets
3. Workforce housing



01

Undervalued MSAs

Following the Global Financial Crisis, the Florida housing markets were hit harder than most major markets, with property values plummeting at a more drastic rate than the United States average. In fact, Florida had the third sharpest drop (50%) in home prices in the US, behind only Arizona (51%) and Nevada (60%) (Source: CoreLogic). Many investors then employed a "flight to quality" strategy, leaving Florida markets like Tampa, Orlando and Jacksonville, and investing solely in gateway markets (New York, DC, Los Angeles, San Francisco, etc.). Even lenders were shying away from Florida at the time – for example, Jacksonville was a "no fly zone" for many lenders.

However, Carroll saw inherent opportunity and went "long" in Florida for the following reasons:

- **No state income tax**
- **Business-friendly climate**
- **Diverse economies**
- **Good weather**
- **Job and population growth**
- **Relatively low cost of living**
- **Quality of life**
- **Natural supply constraints (Gulf of Mexico, Atlantic Ocean, Everglades)**
- **Strong university system across the state**

Since 2011, Carroll has acquired 57 properties (20,000+ units) valued at $2.9 billion in the state of Florida. It has realized 31 investments ($1.9 billion) for an average return of 28% IRR / 1.70 EM. As of 2Q19, Carroll has 26 properties, 8,500 units in Florida, which represents 37% of its portfolio. Its Florida portfolio is 93% occupied and has exhibited annualized rent growth of 6% since acquisition.

02

Suburban Assets

Similar to investors leaving the state of Florida, Carroll's competitors were also flocking to urban city and neglecting the suburbs. Conversely, Carroll saw inherent value in the suburbs for the following reasons:

- **Highly-rated public school systems**
- **Affluent demographics (high median incomes and single family home values)**
- **Economic barriers to entry due to zoning restrictions, land availability, and unattractive economics to new developments**
- **Relative affordability**
- **Quality of life**

Carroll also looked at the following job and population trends, indicating a preference for suburban lifestyles (Source: Urban Land Institute, BLS, census data):

- **In America's 50 largest (and most urbanized) metropolitan areas, suburbs account for 79% percent of the population, 78% of the households, 32% of the land area, and 75% of young adults aged 25 to 35.**
- **In the early 2010s, after the financial crisis walloped the housing market, average growth rates in cities with populations greater than 250,000 outpaced the suburbs. But over the past five years, the average annual growth in America's big cities has slowed by 40%, according to census estimates.**
- **Suburban growth has driven recent metropolitan growth. From 2000 to 2015, suburban areas accounted for 91% of U.S. population growth and 84% of household growth in the top 50 metro areas.**

Additionally, the concentration of new multifamily development post-recession has been concentrated in urban cores of major MSAs, which has resulted in high concessions and muted rent growth relative to the suburbs. Between 2010 and 2017, the rental apartment inventory in urban neighborhoods increased by 32%, compared to 16% in the suburbs (Source: REIS). As a result, post-recession average annual rent increases for suburban multifamily have been much higher than urban: 4.0% vs. 3.1% (Source: CBRE-EA).

Since 2011, Carroll has acquired 137 suburban properties (46,000+ units) valued at $5.8 billion. It has realized 68 investments ($3.2 billion) for an average return of 30% IRR / 1.81 EM. As of 2Q19, Carroll has 69 properties, 22,564 units in suburban areas (82% of its portfolio). Its suburban portfolio is 94% occupied and has exhibited annualized rent growth of 5% since acquisition.

03

Workforce Housing

Traditionally, Carroll's investment strategy targeted suburban value-add properties built after 1990 with 9-foot ceilings (B+ to A- quality). However, this segment of the market was (and still is) being valued at lower cap rates than any other, while post-renovated rents are starting to compete with lease-up rents of new construction (i.e. featuring concessions), making it difficult in some cases to push rents on post-renovated garden product.

While Carroll's competitors were continuing to invest in this segment of the market, Carroll pivoted to workforce housing investments for the following reasons.

- **Muted wage growth in the low-to-medium skill jobs and a growing middle-class cohort has contributed to the high number of workforce housing renters (i.e. renters by necessity).**
- **Little to no new workforce housing supply**
- **Workforce housing has outperformed Class A for the past several years, with lower vacancy rates and higher rent growth than market averages.**
- **Single family home prices have risen at a faster pace than wages and multifamily rents, making homeownership unattain able for most middle-class Americans.**

In 2017, Carroll Organization teamed up with PGIM Real Estate to make a massive macro bet on workforce housing in high-growth Sunbelt markets with the acquisition of a ~$1 billion portfolio (28 properties, ~8,500 units) in Texas, North Carolina, Tennessee and Florida. In continuation of this strategy, Carroll has now acquired 43 workforce housing properties (13,400 units) valued at $1.7 billion since December 2017. It has already realized eight investments ($236 million) in this strategy for an average return of 46% IRR / 1.3 EM. As of 2Q19, Carroll has 35 workforce properties (11,000+ units; 36% of its portfolio) in its workforce portfolio, which is 94% occupied and has exhibited annualized rent growth of 5% since acquisition.

About CARROLL

Carroll is a Private Real Estate Company that combines the infrastructure and abilities of an institutional investor, with a best in class team of real estate operations professionals. This unique combination of skills has allowed Carroll to become a top national real estate owner and operator. Our core focus is to acquire properties that exhibit attractive long-term investment characteristics, and improve the performance of these properties using our talented and passionate professionals.

Carroll has made a conscious effort to become institutional in our execution, reporting, and communications with our clients; while maintaining the mindset of an entrepreneur. We study trends, make quick thoughtful decisions, and continually recruit and hire the brightest minds in the business.

Our investments focus on capital preservation, generation of current cash flow, and the implementation of value creation strategies. This investment philosophy, in our opinion, is what makes our company unique. While we will always be ambitious, Carroll has the ability, and desire, to be patient and wait for the right investment opportunities.

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