Hines GLOBAL PERSPECTIVES

Living for the Future

June 2021

Sunrise at E. 56th, New York




CONTENTS

The opinions expressed herein are those of Hines. Other market participants may reasonably have differing opinions.

EXECUTIVE SUMMARY

The COVID-19 pandemic disrupted routine and mobility. Suddenly the home became our world: those familiar four walls morphed into an all-encompassing space where we lived, worked, played, exercised, taught, created and socialized, when permitted.

The divisive nature of this global pandemic and lockdown presented many different personal situations when it came to housing. Some cherished time away from the office while others struggled to juggle. Those living alone were isolated for prolonged stretches; college students deferred their education or were taught virtually; care facilities closed their doors to visitors.

However, beneath this complex spectrum of individual circumstances lay one unifying factor: In 2020 great swaths of people examined their lifestyle and reevaluated their housing needs at the same time.

The rental sector has an opportunity like never before to provide variety and location.

As a result, the living sector – particularly residential-for-rent – proved one of the more resilient real estate investment classes coming out of what was arguably the acute phase of the pandemic.

In the U.S., asking rents in the multifamily sector held up better than in previous downturns,[1] while 95% of rent was collected in the U.K. across all build-to-rent products – the equivalent of multifamily.[2] This compared with less than an 80% collection rate in commercial real estate.[2] Across continental Europe, inner city apartments remained expensive for locals even though the demand from expats and young international professionals fell away.

Behind these macro trends is a fragmented picture. Many private landlords lost rental income, along with ancillary income from waived fees, deferred rents and defaults. It became a tenants' market as some took advantage of flexibility in their leases and returned to family homes causing a resurgence in suburban living. Construction of new rental buildings and marketing launches were delayed, while occupancy rates and asking rents in city centers and central business districts fell.

[1] CBRE 2021 US Real Estate Market Outlook Multifamily as of December 31, 2020, and internal interviews with Hines experts.
[2] Knight Frank data as of June 30, 2020, in the Local Government Chronicle: Why build-to-rent has remained resilient despite Covid-19.

Yet, in correction and change lies opportunity. Long-term investment prospects in the residential-for-rent sector appear strong, both because of and despite COVID-19. Unit and neighborhood design are evolving fast, with the concept of 15-minute microcities, purpose-built rental villages of single-family units, and the home as a well-being space all taking center stage.

U.S. investment in multifamily is expected to increase to roughly $148 billion in 2021. That is lower than the 2019 record of $191 billion but 33% above the 2020 estimate of $111 billion.[3]

U.S. investment in multifamily is expected to increase to roughly

$148B

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$111B

We believe the following factors are creating opportunity in the purpose-built rental market:

- The number of people renting usually increases after a crisis.
- Home ownership affordability ratios are stretched.
- There is growing demand for greater flexibility, mobility and life experience.
- The renter-by-choice demographic is expanding, particularly among millennials.
- The number of wealthy households that rent is rising.
- There is a new-found expectation of functionality, services and amenities in our homes and buildings, all while creating and enabling community.
- Awareness of fitness, health and wellbeing are heightened.

In short, more people and more types of people will have to rent or will choose to, while expecting more from their surroundings. The residential-for-rent sector has an opportunity like never before to provide variety and location.

This paper, *Living for the Future*, sets out how developers, landlords and investors can shape the post-pandemic rental revolution, presenting residents with a new standard of flexibility in their homes, buildings and lives.

[3] *CBRE 2021 US Real Estate Market Outlook Multifamily*

MEET

OUR EXPERTS

This paper was compiled following the Hines Global Perspectives Forum: Future-proofing the Living Sector post COVID-19, as well as through a series of in-depth interviews with leading experts from within Hines listed here.

JUAN DELGADO
Senior Vice President, Conceptual Construction

MARY TREVINO
Managing Director, U.S. Multifamily Development

ALEX KNAPP
Chief Investment Officer, Europe

PAVLOS GENNIMATAS
Managing Director, European Living

LISA NEWTON
Senior Vice President, Multifamily Operations

PAIGE PITCHER
Director, Innovation

JOSH SCOVILLE
Senior Managing Director, Research

PAUL ZARIAN
Director, U.S. Southeast

SARAH HAWKINS
Senior Managing Director, U.S. East Region

TOM RIX
Managing Director, Europe Living Management

THE RISE OF SUBURBIA

Since the Global Financial Crisis, creative regeneration of downtown and transformative master-planning have driven urbanization. This drew the best talent to the world's leading cities, leaving outlying towns underinvested.

Demographic shifts coupled with the COVID-19 impact on consumer mindsets and the property market cycle makes this prime time for suburbia. The flight to the commuter belt is not new and historically has been triggered by health or environmental crises. This time, many connected structural trends are driving the spread of households into less dense locations:

- Awareness of air pollution and the climate crisis
- The high price of apartments in global cities
- Millennials reaching family-raising age
- The role of nature in health, well-being and mindfulness

SARAH HAWKINS
Hines

> **"For those on the cusp of making the decision to move to the suburbs, the pandemic gave them a push."**

These trends have been compounded by pandemic-related factors:

- Reevaluation of lifestyle and priorities
- The prospect of working from home more often
- The desire for more space and outdoor life after lockdown
- Contagion anxiety and fear of density

Although there is still huge uncertainty over the future home-office dynamic, many clearly expect their time working at home to remain permanently higher.

A recent study by Gensler found 12% of those working from home full time wanted to continue doing so, while 30% wished to spend at least three days per working week at home once offices reopen.[4]

Even one extra day working from home makes it feasible for households to consider living further from employment hubs within a more suburban environment.

"Pre-COVID, we were already experiencing an outmigration from New York City. Millennials, a generation wedded to urban life, had delayed getting married and having children," said Sarah Hawkins, Senior Managing Director of the U.S. East Region for Hines. "But they have now reached that point and gone in search of more space in the suburbs. For those on the cusp of making that decision, the pandemic gave them a push. It is not a mass exodus but a natural rebalancing," added Hawkins.

Demand for U.S. suburban apartments in mainstream markets rose

2.7%

Occupancy gains in suburban submarkets average

2.3%

Rental growth in suburban submarkets averaged

3.6%

CoStar and Hines Proprietary Research ("Hines Research") for the 12 months to Q4 2020

[4] *Gensler. U.S. Work From Home Survey 2020: Back to the Office Briefing #1 (gensler.com)*

As a result, rental demand and growth in the mainstream suburban sub-market outpaced urban, secondary and central business districts over the first half of the pandemic. The lack of new multifamily housing in the suburbs and oversupply in big cities also played a part.[5]

According to CoStar and Hines' own research, demand for U.S. suburban apartments in mainstream markets rose 2.1%, occupancy rates nudged up 0.2% and annual rental growth was 2.2% in the third quarter of 2020 compared to the same prior-year period.[6]

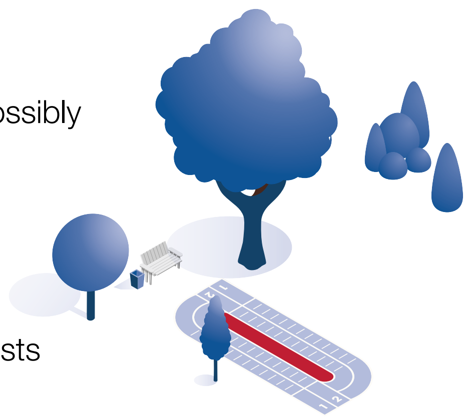
"Much of the professional workforce is shifting away from the monotony of the five day per week commute," said Hawkins. This gives investor-developers more scope to offer residents a wider choice of location and price.

The traditional commuter zone is expanding. Families want to be closer to nature and developments can extend beyond mass transit. Transport into the city is still a consideration but is now just one of a number of factors, not the dominant one.

"People are moving to places they would not have considered before and millennials will not entertain the notion of the long daily commute that was unquestioningly endured by prior generations. This is a shift we must respond to," said Hawkins.

Suburban investment priorities

- Suburban lateral schemes with single-family units based around wide-open space
- Focus on schools
- Larger units to attract families
- Mixed tenure for retirees moving to be close to grandchildren, possibly within the same new neighborhood
- A curated collection of community-forming amenities
- Proximity or ease of access to employment hubs
- In areas with limited rental stock due to strict zoning and land costs



[5] *Hines Research, Urban Exodus in the US: What's at play* [6] *CoStar and Hines Research as of 2020 Q3 in the paper: Urban Exodus in the U.S. What's the play?*

The new kid on the block: Single family units for rent


Wildflower Ranch, Dallas

The quest for space is driving demand for single-family residences – purpose-built detached houses in curated mini-communities that replicate traditional streets with modern amenities.

"It provides consumers with the previously unavailable option to test a new area and access the type of housing product a homeowner would enjoy without the need to generate a down payment," explains Paul Zarian, Director at Hines. "Single-family rental neighborhoods provide the lifestyle of homeownership while untethering them from the long-term financial commitment of owning," added Zarian.

Affordability and flexibility are both drivers. "This new product leaves the door open for future flexibility. It will appeal to many people who are close to having children but do not know how big their family will be. It may even replace the first rung on the home-ownership ladder where young couples and individuals buy a starter home only to quickly outgrow it," continued Zarian.

An example is Wildflower Ranch. Located north of the city of Fort Worth, this project is an innovative family-focused development that when complete will offer some single-family homes for rent. These homes are built around a lazy river swimming pool and leisure complex, with trails and recreational space, and a new school and community pavilion, all within 1,100 acres of landscape. The freeways are near, enabling easy access to jobs throughout the Dallas/Fort Worth metroplex.

PAUL ZARIAN
Hines

"This new product leaves the door open for future flexibility. It will appeal to many people who are close to having children but do not know how big their family will be."

The Parks at Walter Reed, Washington, DC

THE URBAN RENTAL RECOVERY

The pandemic has put urban investment fundamentals under serious stress. This has been particularly apparent in the rental sub-sector as short-term flexible leases allowed tenants to flee the city for more space. Why pay more per month in rent for a smaller unit in the city when cultural attractions, amenities and offices are closed?

“Over the last decade, cities benefited from the double-demand impact of empty nesters moving back into the city and the millennial generation that preferred the convenience of urban life,” said Josh Scoville, Head of Research at Hines. “The millennials are now coming into their child-rearing years and that typically drives the desire for more space and better schools in the suburbs.”

JOSH SCOVILLE
Hines

“The big question during the recovery will be whether the shrinking disparity in rents between urban and suburban submarkets will encourage tenants to move back from the suburbs to the cities. Early data indicate that many will.”

On average, rents in urban submarkets fell 3.7% in 2020, including a 7.3% decline in CBDs and a 6.4% decline in secondary business districts.[7] "While rents in urban submarkets remained under pressure for all of 2020, we did begin to see tenants return to cities in the latter half of the year and that trend continued to accelerate in the early months of 2021," said Scoville.

Rents declined
7.3%
in CBDs and
6.4%
in secondary business districts

Average rental prices in London have dropped nearly 7% and some areas of the city saw as much as a 28% drop.[8] This was compounded by former Airbnb homes being flipped from short-term vacation rentals to short-term living accommodations and flooding the market.[9]

Paris experienced a similar exodus as homeowners and tenants ventured out to Normandy, La Perche and Burgundy, causing downward pressure on rents, according to a January 2021 French property market report by Notaires de France.

However, this correction in rents is now tempting tenants back to the city. As global gateway cities become more affordable, there are early signs of a rebound. This has largely been driven by savvy tenants taking advantage of the moment.

"The big question during the recovery will be whether the shrinking disparity in rents between urban and suburban submarkets will encourage tenants to move back from the suburbs to the cities. Early data indicate that many will but there will be a segment that stays in the surburbs regardless of what happens to urban rents, due to lifestyle choices," added Scoville.

SARAH HAWKINS
Hines

> **"The flexible working lifestyle emerging from the pandemic means cities like New York will be accessible for even more workers. People have more living options if they can commute to the city three or four days per week, rather than five. This makes the urban ecosystem an even more attractive office hub than before for many people."**

[7] CoStar and Hines Research as of 2020 Q4 [8] Spareroom.co.uk, as of June 30, 2020. [9] LonRes Prime London Market Update 2021 (lonres.com).

Although some businesses are reevaluating their office footprint, big business is showing an unwavering belief in major cities. Apple is opening its European headquarters in Battersea Power Station, London, this year while the construction of Google's head office, "the landscaper," at Kings Cross is underway. In New York, Google, Amazon and Facebook have deepened their commitment to the city, occupying larger office blocks. Uber brought employees back to in-person work in March 2021 with great fanfare, as they opened their brand-new headquarters in San Francisco.[10] Where giants go, unicorns follow, forming industry and ancillary clusters. New multifamily developments will be pegged to large employment hubs too.

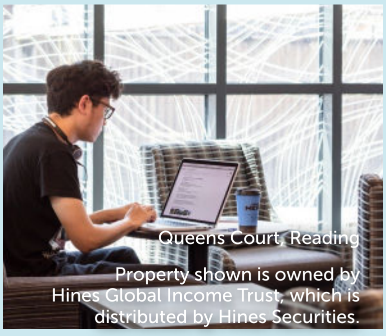
Urban investment priorities

- Class A urban multifamily developments for those who want to walk or cycle to work
- Smaller units with built-in amenities and services that add value
- Student accommodation in university towns and cities or as part of bigger urban mixed-use developments
- City retreats for culture-seeking, downsizing baby boomers
- High-quality senior living and care-assisted schemes

Stadtquartier Suedkreuz, Berlin

[10] *San Francisco Chronicle, March 26, 2021*

Student housing: It's time to grow up



Queens Court, Reading

Property shown is owned by Hines Global Income Trust, which is distributed by Hines Securities.

The impact of COVID-19 has been disproportionately disruptive to purpose-built student housing. Many international students chose to defer their studies because of travel restrictions and safety concerns, so demand for student beds fell.

The closure of the hospitality and leisure sector, which usually provides many jobs for undergraduates, meant that 22% of students in the U.K. could not pay their full rent in the last quarter of 2020, according to the National Union of Students (NUS).[11]

Some large, institutionally backed landlords absorbed part of the pain by offering rent cuts, and a few of the smaller companies that own purpose-built blocks went into administration. In the U.K., student rents have fallen by 10% to 15%.[12]

However, student accommodation is one of the real estate sub-sectors that appears set to enjoy the greatest post-pandemic growth. Private equity backers certainly hope so. In 2021, more than a third[13] of deals in the U.K. have been financed by private equity compared with a total of 15% from 2016 to 2019, according to research by JLL.

This may be attributed to pent-up demand created during the pandemic as well as a demographic spike in undergraduate numbers. The shortage of purpose-built accommodation in the U.K. and continental Europe should boost interest.

Although Brexit was a concern for the U.K. market, with applications from European students down 40%,[14] this is expected to reverse as the U.K. government introduces policies to attract back overseas students. "The pull of a British education and the red-brick establishments to students from China, India and the U.S. is expected to be stronger than ever after the coronavirus crisis has subsided," said Tom Rix, Managing Director of Hines Europe Living Management, which includes student living brand aparto.

There are several clear growth areas. "There is a need for new accommodation in towns and cities where universities have ambitious growth plans," explains Rix. "There are also opportunities in continental Europe, such as Milan and Barcelona where most students have traditionally lived at home," Rix added.

Real value can be added by operating these buildings as well as owning them. "Overseas students want a one-stop product with a trusted landlord brand and no hidden costs. Post-pandemic sanitization and safety procedures will also be of paramount importance, which is easier to manage in a purpose-built environment," Rix adds. Integrated, smart technology is part of the package; an increased usage of mobile apps over the pandemic provided for contact tracing along with other amenities and services.

TOM RIX
Hines

"After social restrictions there will also be a greater desire to immediately engage with a microcommunity. This premise of student experience and community elements will shape the design of student accommodation in the 2020s."

[11] Students left to fall prey to landlords claims union, landlordtoday.co.uk and Student renters face a financial crisis due to the pandemic January 13, 2021 nus.org.uk. [12] Interview with Wilson Lamont, co-head of European real estate for Ares Management Corp in Bloomberg: Private Equity thinks student property is a post-covid winner March 26, 2021. [13] JLL research as reported by Bloomberg March 26, 2021. [14] Politico: Applications from EU students to UK universities down 40% – February 18, 2021

Tackling the senior living supply crisis


Sunrise at E. 56th, New York

Senior living – managed housing with integrated, daily assisted care – is an essential property type in exceedingly short supply across the U.S. and Europe. Despite a difficult 12 months where move-in rates fell far below normal levels, senior living is seen as a long-tailed growth sector across different regions.[15,16]

The 85+ age group in the U.K. is the fastest growing cohort and is set to double to 3.2 million by mid-2041.[17] The same is true for 85+ population in the U.S. which is expected to more than double to 14.4 million in 2040.[18]

The undersupply is particularly stark in New York's Manhattan as it has one of the lowest ratios of senior housing beds per capita in the U.S., while its senior population is rapidly outpacing both U.S. and Manhattan population growth.

For instance, in the affluent inner-city enclave, there were only 150 memory-care beds and less than 1,000 assisted-living beds to serve more than 100,000 people over the age of 75.[19]

This supply/demand imbalance is further complicated by a changing target demographic. "Aging is a universally unique experience for everyone. Those needing help with daily tasks are typically in the 85-year-old range. But there is an entire subsegment of healthy 65- to 75-year-olds who are looking for a community to live their best life while also planning for future needs," added Hawkins.

There is an opportunity to fill that void – and one solution may be creating a holistic ecosystem or village focused on health and wellness at every age. The village would offer senior living options and related support which would include medical offices, a hotel and spaces to encourage community engagement and multi-generational healthy lifestyles as well as additional residential offerings for younger residents.

MARY TREVINO
Hines

"Solving for senior space is an urgent need. Following the pandemic we will see pent-up demand from people who want to ensure their parents or spouses are properly cared for. Peace of mind is a tall order for the senior living industry to meet."

[15] Senior Housing News as of Q4 2020. [16] Grandview Research, U.S. Assisted Living Facility Market, January 2021. [17] Later Life in the United Kingdom, AgeUK, 2019. [18] Profile of Older Americans, U.S. Department of Health and Human Services, 2019. [19] Manhattan Senior Living Market, March 2, 2021 - Hines.

Meriel Marina Bay, Boston

THE SUPER-USE OF BUILDINGS

Amenities have become the key attraction in multifamily schemes and are vital to the success of individual assets.

“Before COVID there was a focus on flexible, indoor, communal areas,” said Juan Delgado, Senior Vice President of Conceptual Construction for Hines. “Common areas were designed to allow for adaptable entertainment spaces which could be booked for parties and dinners, which essentially operated to make the amenity space bigger as needed,” added Delgado.

“As of 2021, a renewed focus on private space is changing the design of the individual apartment home. The pandemic emphasized for many residents the need to enable a work-life balance solely at home which we are attributing to the rise in demand for larger apartments like two bedrooms plus a den which can switch use from an office to a guest room or a home gym,” Delgado explained.

Outside the unit, the pandemic will ramp up the amenities race again, with emphasis on outside space and safe human interaction. This will include:

- Outdoor exercise zones
- Outdoor all-weather socializing space
- Mindfulness retreats
- More community events programs
- Sanitizing technology such as touchless elevator buttons, voice-activated lighting and use of antimicrobial materials such as bamboo, engineered quartz and copper
- Touchless parcel delivery and storage service
- Food delivery entrances
- Bike workshops

JUAN DELGADO
Hines

"A renewed focus on private space is changing the design of the individual apartment home."

"We must do more with the same structure – simply adding more amenities that diminish your margin is not the solution," said Paige Pitcher, Director of Innovation at Hines. "Spaces must be adaptable and flexible, incorporating more than one use. It is more than mixed-use, it is about the super-use of a building."

"The verb associated with residential space must go beyond 'living' and offer settings for much more. Blending these activities into a single building was only accelerated by COVID," Pitcher added. "Now we must think creatively about zones or spaces that can change function. For example, the unused meeting room can now become a streaming studio to record podcasts, hold Zoom conferences or shoot entrepreneurial product videos for YouTube."

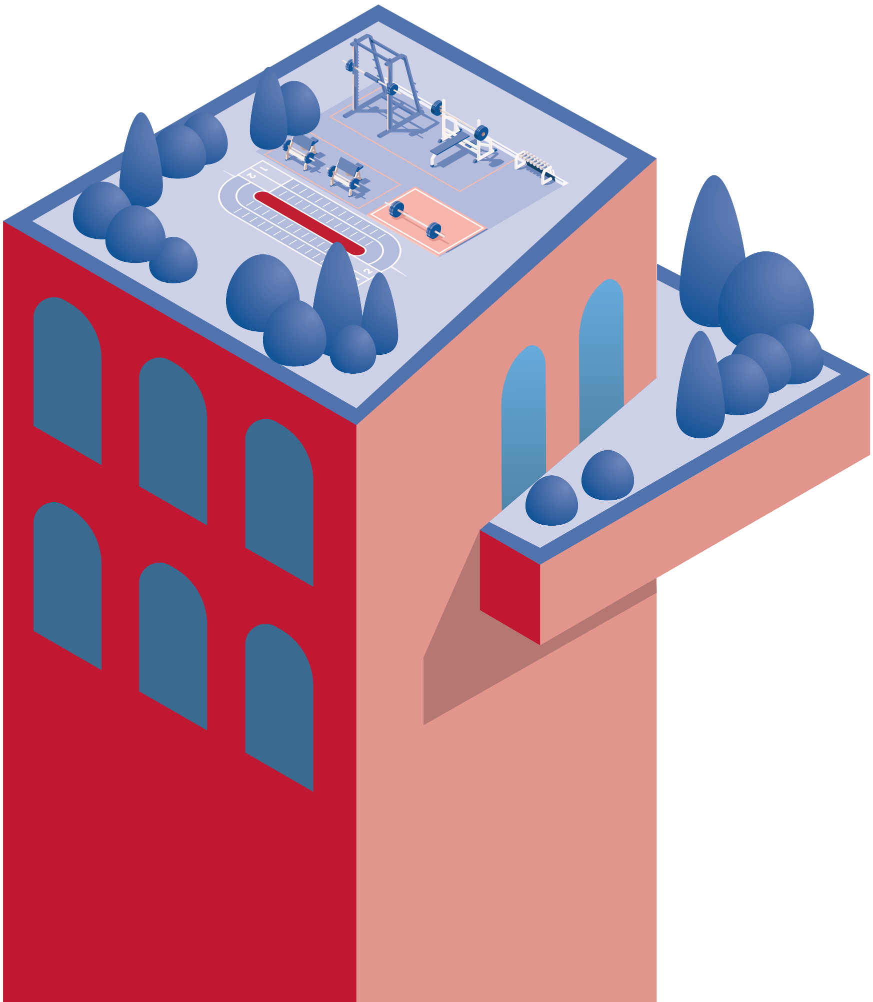
Design can encourage higher levels of physical activity, allow for social distancing, deliver higher-quality air and enhanced cleanliness. There even appears to be a rent premium for wellness certification.

That could include more efficient HVAC systems (heating, ventilation and air conditioning), air filtration, more natural light, air-cleaning plants, carbon storage, alternative concrete, the use of trees and soil, and living roofs and walls.

In combination with electric vehicle-sharing and sites that are geared up for active transport and well-connected to public transit, these attributes can support personal well-being and contribute toward achieving the United Nations' sustainable development goals (SDGs).

There is crossover into the world of consumer domestic technology – from mattresses that analyze sleep patterns to toilets that measure hormone levels and air-filtration systems that optimize the air quality for individuals, based on their allergies and the daily pollen count.

"Customers are asking their homes to do more for heightened health and well-being. We must find a respectful and responsive way to blend consumer and core building technology and services to create the ultimate smart home for that individual resident," Pitcher said.



PAIGE PITCHER
Hines

"The verb associated with residential space must go beyond 'living'."

How to maximize space

The rental block of the future will address affordability, density, sustainability and well-being. Residents will expect the home to be the healthiest place in their day. As one site enables live-work-play, the success of the scheme rides on clever and flexible space – from the YouTube recording studio that transforms into a family game room to bookable suites for overnight visitors.

1. Podium garden
With outdoor fitness zones

2. Convenience center
E-vehicle charging and parking, concierge, lockers for deliveries

3. Spa and wellness suite
Pool, gym, studio and therapy rooms

4. Cinema and conference facilities

5. Atrium
Living walls filter the air; healthy snack vending machines

6. Flexible communal space
Zoom booths

7. Green and brown roofs
Aiding irrigation, storing rainwater and recycling greywater

8. Rooftop sports facilities
Kitchen gardens, allotments and sports facilities

9. Outdoor cinema

10. Deeper balconies

11. Carbon absorbing concrete blocks and terracotta tiles

The creation of community

The Emerson, Centreville

Property shown is owned by Hines Global Income Trust, which is distributed by Hines Securities.

The pandemic will strengthen the desire for neighborhoods that embrace connectivity, amenity, community spirit and place.

"We will see less segmentation of the rental product and more and more truly mixed-use developments in outlying urban-suburban areas where there is more space," said Lisa Newton, Senior Vice President of Multifamily Operations.

Even before lockdown, loneliness was widespread. Increasingly developers and architects are designing buildings and schemes to address this. With COVID-19 triggering contagion anxiety too, a master plan must encourage interaction while creating a sense of space with the ability to retreat.

Wider mixed-use schemes are being based on the principle of positive friction – a series of interconnected spaces that encourage residents and visitors to bump into each other. "People need personal connections and social experiences fostered by building a sense of community," said Newton. "Options to socialize in person will return, and options to socialize virtually will remain."

Mixed-use schemes will evolve into live-work, 15-minute microcities where all amenities are within easy access for residents with varying mobility needs.

LISA NEWTON
Hines

"Some people will work from home more often and therefore need spaces within a community where they can escape the four walls of an apartment to take a Zoom call in private. Sound-proofed booths within a social space will become a sought-after amenity."

Cherrywood, Dublin

WHERE IN THE WORLD TO INVEST NEXT?

The pandemic-induced recession hit urban sub-markets harder than suburban ones in 2020. Therefore, despite COVID-related disruption to supply chain and increased cost of construction materials, suburban sub-markets are expected to lead the multifamily sector growth in 2021, with urban sub-markets following.

However, it is important to realize that, while there are more opportunities to invest and build further from the city, the long-term trend for urbanization will not subside.

The renter-by-choice demographic is evolving and growing, and now includes more affluent residents. While some will choose more rural suburbs, others will want to remain in or return to the city. This depends on work-from-home arrangements that will vary by industry, company and household. For many, working from home will damage work-life balance or become a disruptive environment.

The scarcity of Class A products and liquidity in the housing market for families in suburban areas creates an investment opportunity for new districts close to nature and transport. But there are also good reasons to focus on leading, secondary and emerging cities.

"The major advantage cities will retain in a post-pandemic world is the relative abundance of amenities," said Alex Knapp, Chief Investment Officer for Hines' European region. "When you have cultural amenities such as stadiums, libraries and theaters, the suburbs do not have a chance of competing with urban centers, even with a predicted renaissance of the old local high street and the creation of new ones," added Knapp.

Urban centers have an agglomeration of human talent that creates a dynamic such that two plus two is greater than four. That has been widely proven in a variety of ways by urban planners for many years and in 2019, Oxford Economics estimated productivity levels for metropolitan areas relative to the countries they are located in. Beijing and Shanghai are more than twice as productive as China as a whole, while San Francisco creates 80% more value than the U.S. This is why the long-term pull and importance of the city and the investment case continues to be so compelling, despite the COVID exodus.[20]

In Eastern and Southern Europe lower demand for home ownership and a potential house price slowdown is leading developers to shift focus from build-to-sell to build-to-rent, which are traditionally owner-occupier markets.

"Overall, we expect further diversification of product based on local demographics and economics. We also expect as the graduate generation grows up, their desire for travel, experience and mobility will drive the need for purpose-built rental in cities such as Madrid and Milan," explained Pavlos Gennimatas, Managing Director of European Living, Hines. "Tight rent regulations (such as rent capping) that seek to protect tenants often increase the importance of an attractive, efficient, well-amenitized and community-connected building – specifically related to build-to-rent in the European market."

ALEX KNAPP
Hines

> **"When you have cultural amenities such as stadiums, libraries and theaters, the suburbs do not have a chance of competing with urban centers, even with the renaissance of the old local high street and the creation of new ones."**

[20] *Hines Research as of 2020 Q3 in the paper: Urban Exodus in the U.S. What's the play?*

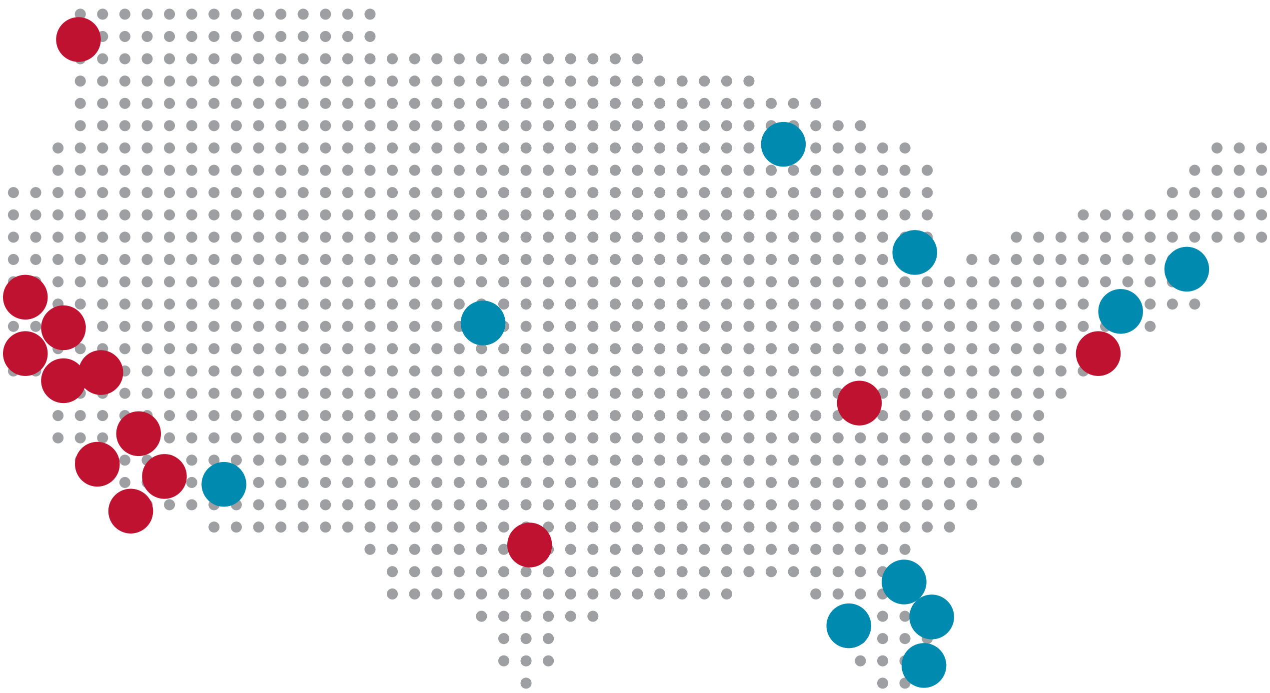
Choosing a city investment location and its surrounding commuter belt is based on the following factors and reflected in exhibit 1 and exhibit 2 below.

- Supply
- High house prices driving the need to rent
- A favorable regulatory environment with no rent-capping market intervention
- Cities that draw and foster human talent
- Cities designed or redesigned to accommodate active or communal transportation options
- Growth of households
- Forecast rental growth
- Disposable income
- Leisure and hospitality employment revival post COVID-19
- Expected population density growth

PAVLOS GENNIMATAS
Hines

> **Overall, we expect COVID-19 to create further diversification of product.**

EXHIBIT 1: Where to invest in the U.S.



Investment sweet spots

- Austin - TX
- East Bay - CA
- Inland Empire - CA
- Long Island - NY
- Los Angeles - CA
- Orange County - CA
- Nashville - TN
- Reno - NV
- Sacramento - CA
- San Diego - CA
- San Francisco - CA
- San Jose - CA
- Seattle - WA

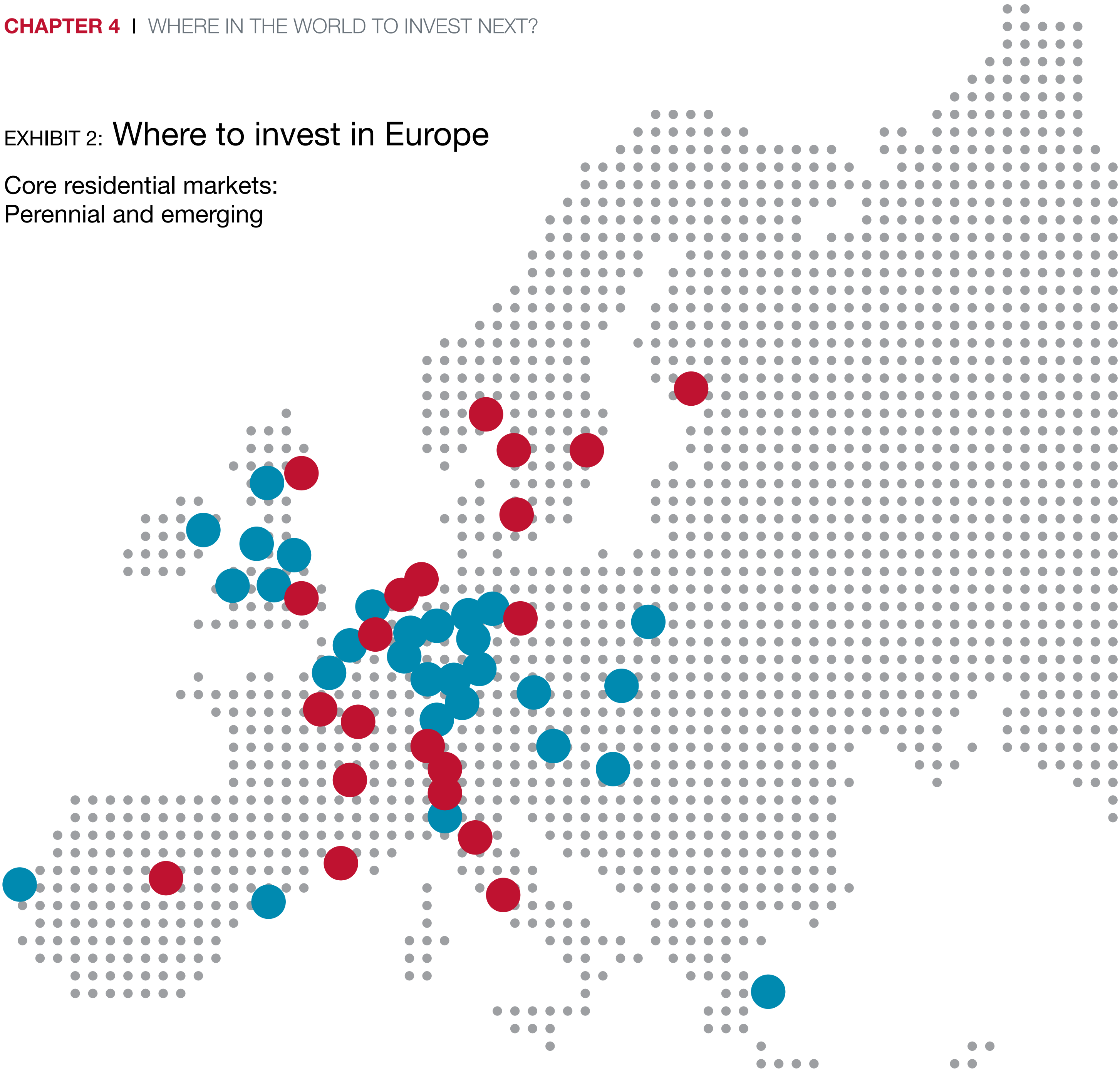
Ones to watch

- Boston - MA
- Denver - CO
- Fort Lauderdale - FL
- New York - NY
- Orlando - FL
- Milwaukee - WI
- Minneapolis - MN
- Palm Beach - FL
- Phoenix - AZ
- Tampa - FL

Sources: MSCI-IPD, Oxford Economics, Hines Research. As of 2020 Q1.

EXHIBIT 2: **Where to invest in Europe**

Core residential markets:
Perennial and emerging



Investment sweet spots

- Amsterdam
- Berlin
- Copenhagen
- Edinburgh
- Florence
- Gothenburg
- Helsinki
- London
- Luxembourg
- Lyon
- Madrid
- Marseille
- Milan
- Munich
- Oslo
- Paris
- Roma
- Rotterdam
- Stockholm
- Utrecht
- Zurich

Ones to watch

- Athens
- Barcelona
- Birmingham
- Bremen
- Brunswick
- Brussels
- Budapest
- Cardiff
- Cologne
- Dresden
- Dublin
- Dusseldorf
- Frankfurt
- Glasgow
- Hamburg
- Krakow
- Leipzig
- Lille
- Lisbon
- Liverpool
- Manchester
- Nuremberg
- Prague
- Ruhr
- Stuttgart
- The Hague
- Turin
- Vienna
- Warsaw

Sources: MSCI-IPD, Oxford Economics, Hines Research. As of 2020 Q1.

"As a result of these advantages, cities are highly likely to regain their prominence in a post-pandemic world," said Scoville. "Cities have been around for thousands of years, endured multiple plagues, wars and bombings, but they always tend to rebound – perhaps with subtle changes, but their vibrancy remains."

According to Scoville: "Urban fundamentals are likely to continue unwinding into 2021 as new supply becomes available and demand is relatively muted. Underwriting must reflect these near-term market dislocations. Further out, they should rebound strongly as the recovery ensues."

One to Watch: Asia-Pacific Region

Unlike the established living sector in the U.S. and Europe, the Asia-Pacific region provides a new frontier or an emerging market for investors, owners, operators and developers. "An institutional residential offering doesn't exist in Australia or Japan which presents a unique opportunity for firms that know the intricacies of those local markets and can deliver a product to meet the need of a growing and aging population," added Knapp.

Tokyo

CONCLUSION

While the COVID-19 crisis triggered a months-long flight from office and retail properties, the living sector experienced unprecedented use as workers, seniors and students stayed home.

Post-pandemic, the highest-quality living and housing assets will offer flexible space, both inside and out, with comprehensive amenities and enhanced services that bring productivity and convenience on site. Leasing decisions will become more sensitive to small differences between properties, and product differentiation will be more important than ever.

Despite the collective reevaluation of housing needs and simultaneous scrutiny of lifestyle in response, the behaviors that result will be complex and diverse. The one-size-fits-all approach to residential-for-rent no longer applies.

“Some families will move to the suburbs and stay there. Others will seek to live in the heart of a city. Some downsizers will relocate to the buzzing theater districts of the world, whereas others will try to be as close as possible to children and grandchildren, and students will return to universities in droves. The real opportunity post-pandemic for the living sector is to respond to divergent behavior and need by creating choice and adaptability,” Knapp said.

The pandemic has encouraged the prioritization of space, but has also driven home the importance of community, mobility and experience – all of which, combined, are expected to drive growth in the rental sector.

General Risk Considerations

Alternative investments involve a high degree of risk. You should purchase these securities only if you can afford the complete loss of their investment. Risks will vary by investment, but in general risks include, but are not limited to:

- There is not a public market for shares of alternative investments so it will be difficult for you to sell your shares and, if you are able to sell your shares, you will likely sell them at a substantial discount;
- These offerings may be conducted on a "best efforts" basis and as such, there is a risk that the program will not be able to accomplish its business objectives if substantial funds are not raised in the offering;
- The availability and timing of distributions is uncertain and cannot be assured;
- Alternative investments may offer share redemption programs; however, there are significant restrictions and limitations on your ability to have all or any portion of your shares redeemed under such programs; if redemptions occur, they may be at a price that is less than the price you paid for the shares and/or the then-current market value of the shares;
- Distributions may be paid from sources such as proceeds from debt financings, proceeds from the offering, cash advances by the advisor, cash resulting from a waiver or deferral of fees and/or proceeds from the sale of assets; distributions may exceed earnings; if distributions are paid from sources other than cash flow from operations, there will be less funds available for investment, and their client's overall return may be reduced;
- Alternatives offered by Hines Securities, Inc. ("Hines Securities") may invest outside of the U.S. or in specific sectors which increases risk; in particular, international investment risks, include the burden of complying with a wide variety of foreign laws and the uncertainty of such laws, the tax treatment of transaction structures, political and economic instability, foreign currency fluctuations, and inflation;
- Alternatives offered by Hines Securities are sponsored by Hines and these programs generally pay substantial fees to Hines and its affiliates for day-to-day operations and investment selection. These affiliates are subject to conflicts of interest.

Alternative investments are not suitable for all investors. Please refer to the suitability standards set forth in the prospectus or offering memorandum of the particular investment.

The Coronavirus (COVID 19) pandemic has had an adverse impact on global commercial activity. Investments in real properties and real estate related securities have not been immune to the impact of the pandemic. Although the outlook is improving in certain areas of the world, including the United States, the United Kingdom, and Europe, considerable uncertainty still surrounds the Coronavirus and its potential effects on the population, which makes it difficult to ascertain the long-term impact it will have on commercial real estate markets.

This material contains forward-looking statements (such as those concerning investment objectives, strategies, economic updates, other plans and objectives for future operations or economic performance, or related assumptions or forecasts) that are based on our current expectations, plans, estimates, assumptions and beliefs that involve numerous risks and uncertainties. Any of the assumptions underlying the forward-looking statements could prove to be inaccurate and results of operations could differ materially from those expressed or implied. You are cautioned not to place undue reliance on any forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statements.

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About Hines

Hines is a privately owned global real estate investment firm founded in 1957 with a presence in 240 cities in 27 countries. Hines oversees a portfolio of assets under management valued at approximately $160.9 billion,[21] including $81.7 billion in assets under management for which Hines serves as investment manager, and $79.2 billion representing more than 172.9 million square feet of assets for which Hines provides third-party property-level services. Historically, Hines has developed, redeveloped or acquired approximately 1,450 properties, totaling over 485 million square feet. The firm has more than 180 developments currently underway around the world. With extensive experience in investments across the risk spectrum and all property types, and a pioneering commitment to ESG, Hines is one of the largest and most-respected real estate organizations in the world.

[21] Includes both the global Hines organization as well as RIA AUM as of December 31, 2020.

The Alloy, College Park

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