AMHERST CAPITAL MARKET UPDATE | DECEMBER 2017

2018 Market Outlook - U.S. Real Estate

KEY TAKEAWAYS:

- We generally believe that the premium for liquidity remains high despite steady growth and few immediate concerns. We see this across the different asset classes as well as within MBS/real estate
- Across spread products, the liquid MBS and public securities remain the least well compensated for risks and exhibit a high liquidity premium
- Within CRE lending as well, we find that there is a significant pickup in risk-adjusted spreads in transitional CRE lending versus more liquid CMBS-type loans on stabilized properties
- In SFR we find the most attractive value in middle-of-the-pack properties in areas of at or above average median incomes. Here again, the premium to go to higher priced homes in higher income areas (which are likely more liquid) effectively values the same cashflow stream at a 20% premium
- The tax reform proposals could have significant implications across property markets but the details remain in flux

Amherst CAPITAL MANAGEMENT

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2018 U.S. REAL ESTATE OUTLOOK:

INTRODUCTION

Key themes

01 There is room for real economy fundamentals to improve but financial markets have gotten ahead .... ***pages 3 – 9***

02 Institutional involvement has reached a critical mass in single family rental (“SFR”) and will continue to rise further .... ***pages 10 – 16***

03 Commercial real estate (“CRE”) is likely in later stages of the cycle as compared to residential. We believe debt investments, especially transitional, provide the best risk-reward potential in CRE .. ***pages 17 – 28***

04 Public market opportunities are few and far between but the Federal Reserve taper may provide better entry points .... ***pages 29 – 34***

AMHERST CAPITAL MARKET UPDATE

U.S. Real Estate – 2018 Outlook

Financial Markets on a Tear – Real Economy has Lagged

- Real economy measures like employment growth and CRE price growth were positive in 2016-2017 but the pace is slowing
- Financial markets on the other hand have outperformed across the board with current spreads/ levels at their tights
- Volatility is at historic lows even as expectations around tax reform and deregulations are being priced in

METRIC	2014	2015	2016	2017 YTD*	
GDP Y-o-Y Growth (%)	2.7	2.0	1.8	2.3	Real Economy metrics were mixed /slowed in 2016-2017 vs prior two years
Non Farm Payrolls Monthly Average (000s)	249.8	226.1	186.7	174.2	
Commercial Property Price Growth	13.0%	10.1%	8.4%	8.4%	
Home Price Growth	3.9%	4.2%	5.5%	4.8%	
S&P 500 Price Return	11.3%	-0.7%	9.6%	17.8%	Financial Markets have outperformed in 2016-2017 vs prior two years
IG Corp Spread Change (bps)	4	22	-21	-16	
HY Corp Spread Change (bps)	52	113	-115	-34	
CMBS BBB Spread Change (bps)	-12	212	-75	-150	
CRT M3 Spread Change (bps)	35	43	-180	-102	
University of Michigan Consumer Sentiment (avg)	84	93	92	97	Driven by strong consumer / market sentiment
Conference Board Consumer Confidence Index (avg)	87	98	100	120	

**Updated through latest available as of December 2017. Note: Commercial property price growth based on CPPI overall price index from RCA, Home Price growth based on Amherst National HPI, IG Corporate Spread Change based on OTR CDX IG spread, HY Corporate Spread Change based on OTR CDX HY spread, CMBS BBB Spread change based on JPM quoted benchmark CMBS BBB spreads, CRT M3 Spread Change based on benchmark CRT M3 spreads from Bank of America Research.*

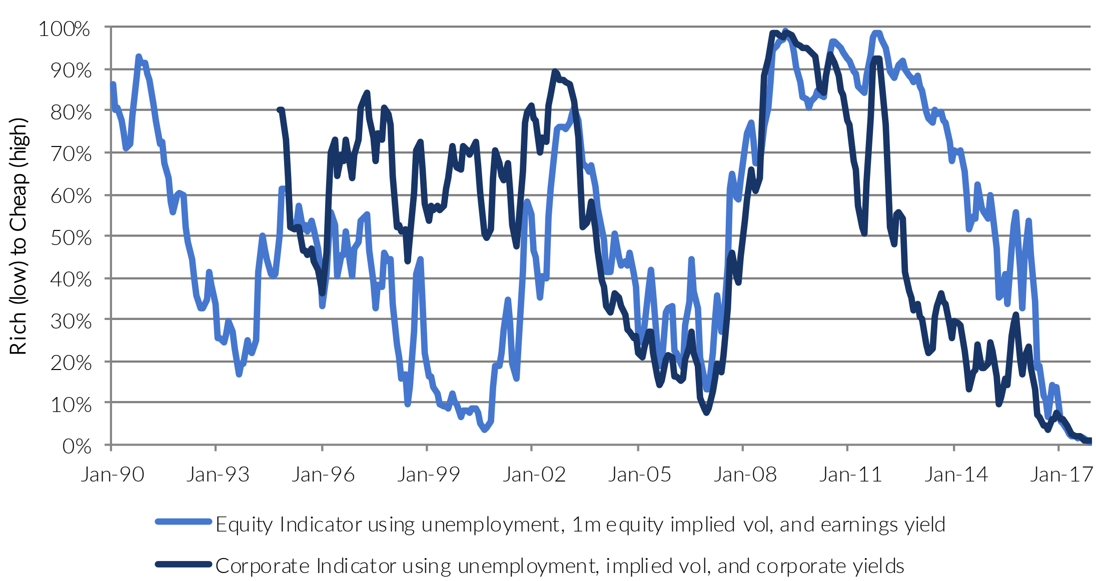
Source: US Treasury, RCA, Amherst InsightLabs, Bank of America, JPM and Bloomberg as of December 2017.

Market Risk Indicators Point to Higher Downside Risk

- Equities and corporate credit appear to be overvalued compared to historicals using unemployment, earning/bond yields and volatility metrics
- The market risk indicator is at the lows of the last 25 years, starting from 1990 for equities and 1994 for credit (50th percentile is neutral, closer to 100 percentile is cheap and closer to 0 percentile is rich). This is the case even after adjusting earnings yield for potential reduction in corporate tax rates
- Historically, the indicator has been a good marker for future medium term performance

> *"Equities and corporate credit appear to be overvalued vs. historicals using unemployment, earning/bond yields and volatility metrics."*

EQUITIES AND CORPORATES ARE RICH BASED ON MARKET RISK INDICATOR (JAN 1990 – NOV 2017)



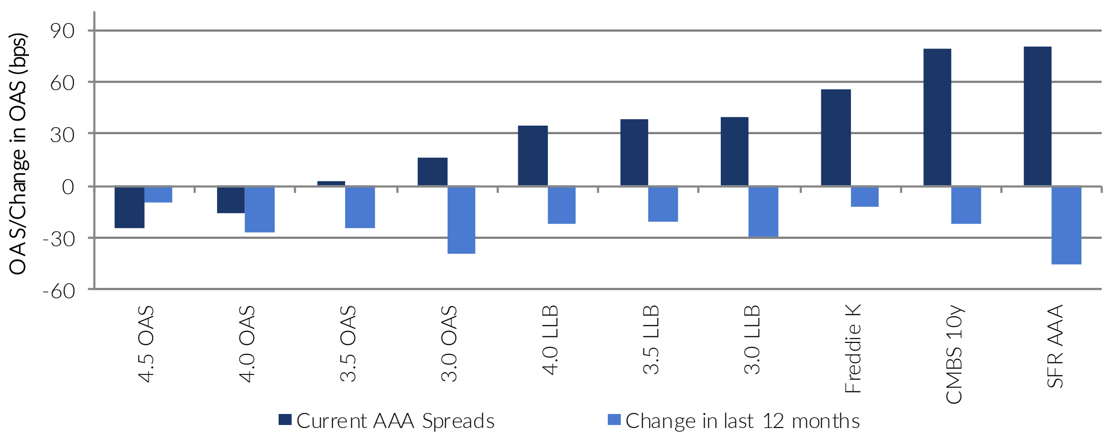
Note: Earning yields are calculated from S&P 500 earnings yields and corporate yields are based on Bank of America's Single-A rated corporate index.

Source: Bank of America, Bloomberg as of December 2017. Indicators are a percentile over the time period smoothed over 3 months periods. Source: Amherst Capital, Bloomberg and Barclays as of December 2017.

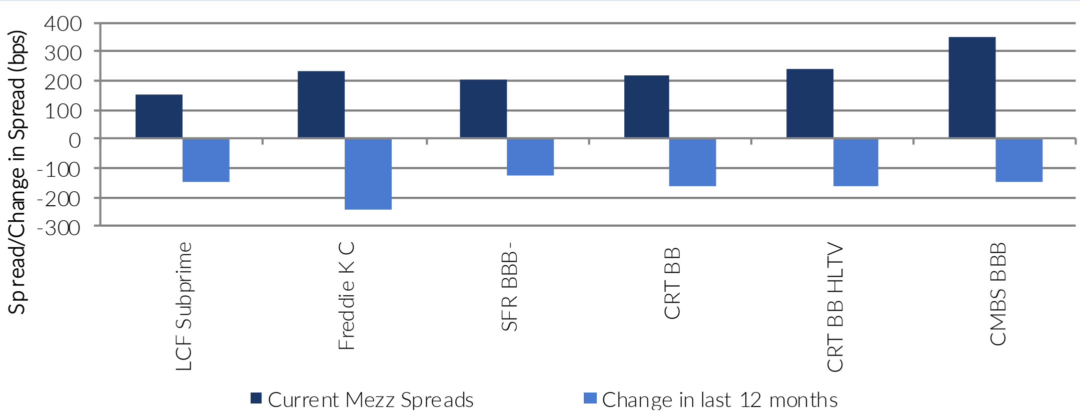
Securitized Spreads Have Rallied, Credit Curve is Flatter

- The rally in risk assets has extended into publicly traded real estate backed securitized bonds as well
- AAA spreads are 20-30bps tighter over the year; mezzanine BBB rated spreads are tighter by 150-200bps or more
- The current compensation for taking credit risk appears to be minimal in the publicly traded space

AAA RATED SECURITIZED PRODUCTS HAVE RALLIED 20-30BPS OVER 12 MONTHS



EQUITIES AND CORPORATES ARE RICH BASED ON MARKET RISK INDICATOR



Note: Current indicative spreads as of December 1, 2017. 12 Month spread changed based on change from December 2, 2016 to December 1, 2017.
Source: Amherst Capital based on data from Amherst Insight Labs, JPM and Bank of America Merrill Lynch as of December 2017.

U.S. Real Estate – 2018 Outlook

Real economy fundamentals still have some room…

HOUSING APPEARS WELL SUPPORTED; INVENTORIES ARE AT HISTORIC LOWS

- Home prices appear well supported with a lack of inventory due to the historically low levels on construction spending post the great financial crisis ("GFC")
- The low levels of unemployment should eventually start showing up in wages and inflation, both of which are generally supportive of assets backed by cashflows such as single family rental (SFR) homes and other CRE

CRE CAP RATE SPREADS ARE AT HISTORICAL AVERAGES; RENTS GAINS CONTINUE OUTSIDE OF SPECIFIC GEOS/ SUBSECTORS

- Cap-rates are low but cap-rate spreads to longer-term interest rates are at about average levels and not a point of major concern nationally. Rents should be relatively well supported by an economy that continues to grow at moderate pace
- Need to pay extra attention to geography and segments experiencing secular declines like parts of retail

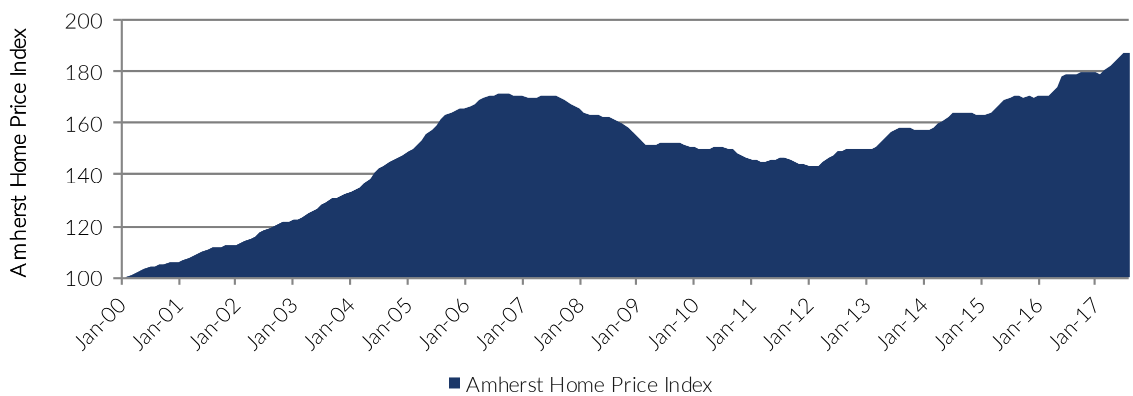
TAX PLAN IS MOSTLY A POSITIVE FOR SFR/CRE

- The tax plan in the works seems to be mostly positive to CRE but could have a negative affect on higher end residential homes
- As for SFR, we believe this is likely to matter less for institutions as they usually target homes with much lower values. Also, the increased standard deduction should on the margin favor renting over buying - a slight positive for SFR

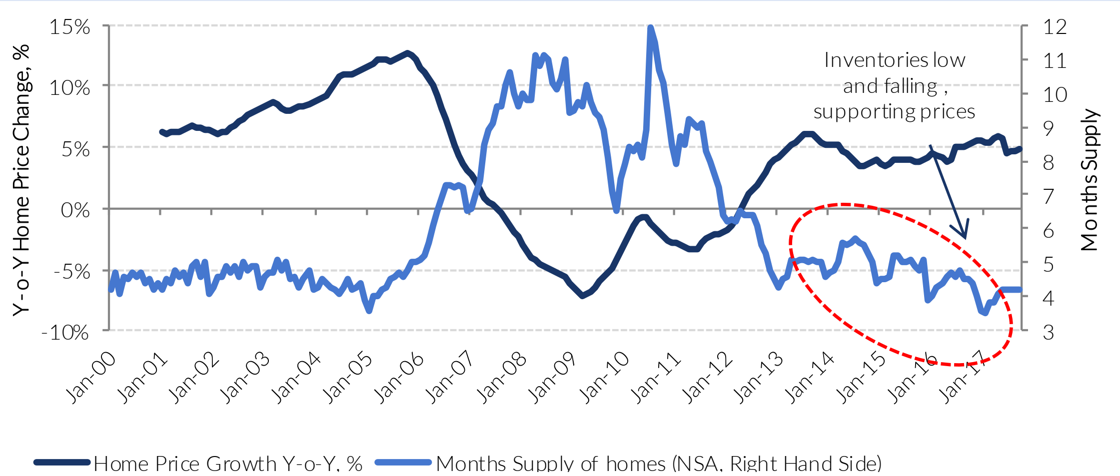
Housing Prices Continue to Grow at About 5% Pace

- U.S. home prices continued to grow steadily at about 5% y-o-y through September 2017. Home prices now exceed the pre-GFC peak by about 9%
- Home price appreciation (HPA) has held at a steady rate of about 5% annual pace for the last 5 years with relatively low volatility
- Fundamentally cheap valuations continue to be supported by low and falling levels of inventory as the housing market is now estimated to be under-constructed by 1.5-2mm units

AMHERST HOME PRICE INDEX (JAN 2000 = 100 – AUG 2017)



HOME PRICE GROWTH HOLDS STEADY AT AROUND 5% (JAN 2000 – OCT 2017)

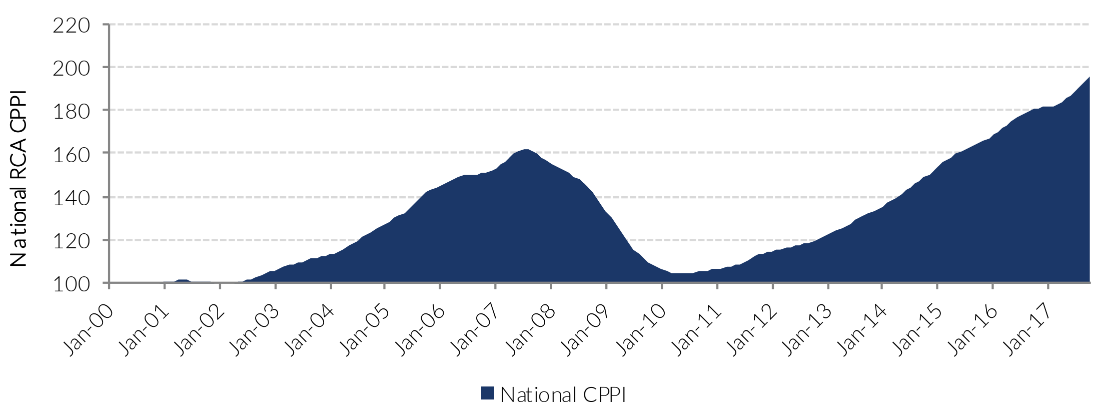


Source: (Top) Amherst InsightLabs as of November 2017. (Bottom) National Association of Realtors, Amherst Insight Labs as of December 2017.

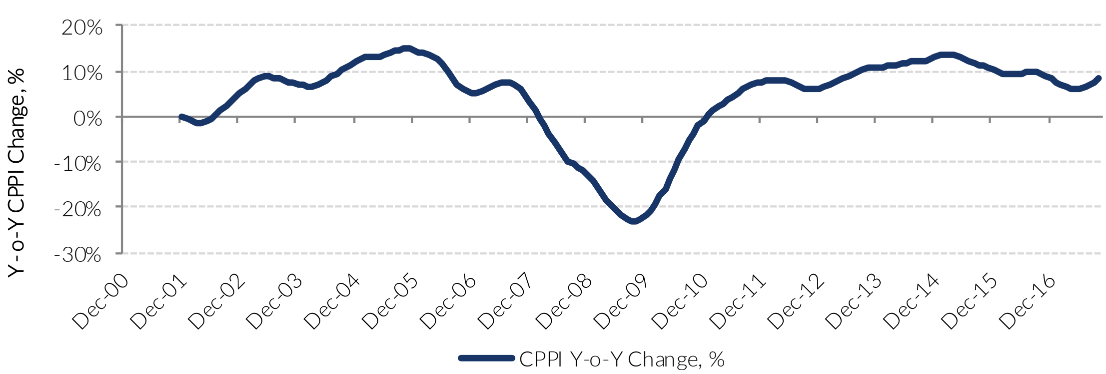
CRE Prices Grow at 7% YoY, Cap Rates Have Some Cushion

- CRE prices continue to grow at about 7% y-o-y through October 2017
- On average, prices now exceed the pre-GFC peak by about 19%
- Price appreciation has slowed recently with drags from retail; overall growth is more volatile than SF housing
- Transaction volumes have moderated in 2017

COMMERCIAL PROPERTY PRICE INDEX (DEC 2000 = 100 – OCT 2017)



CRE PRICE GROWTH HAS STABILIZED TO A 7% RATE (DEC 2000– OCT 2017)



Source: RCA CPPI as of December 2017.

U.S. Real Estate – 2018 Outlook

Best Ideas in Real Estate Space

SINGLE FAMILY EQUITY

We believe single-family rentals offer the ability to provide stable, low volatility, outsized, income-oriented returns

- Diversification: little correlation between U.S. home prices and equities[1]
- Inflation linked: rents have historically kept pace with or exceeded the U.S. inflation[2] rate
- HPA exposure: U.S. home prices have grown 3.6% / year since 1987[1]
- Retail homebuyer takeout opportunity: we believe retail buyers have historically purchased homes at lower cap rates vs investors

COMMERCIAL REAL ESTATE

We believe commercial real estate transitional lending is the sweet spot in the CRE debt space

- CRE market participants tend to overvalue in-place performance and over-estimate the risk of transitional properties
- Current CRE valuations and the market cycle favor a defensive position and a move up the capital stack
- Current regulatory environment has made it more challenging for traditional lenders (i.e. banks) to finance transitional properties

MORTGAGE BACKED SECURITIES

Focus in securitized products is to stay defensive in credit and pick spots within Agency MBS

- The compensation for taking credit risk is now minimal across CMBS and residential credit
- The Federal Reserve tapering of MBS holdings is estimated to create additional net supply of approximately $200bn in MBS for each of 2018 and 2019
- The market's ability to absorb this supply remains to be tested and we believe there will be better entry points into this sector

Source: (1) S&P Case Shiller U.S. National Home Price Index, 3/17. Time period 1987-March 2017. Equity returns based on S&P 500 including reinvested dividends. (2) Amherst Capital calculated based the US Census Bureau rent growth and BLS CPI Urban Consumers NSA inflation as of March 2017.

2018 U.S. REAL ESTATE OUTLOOK:

SINGLE FAMILY RENTAL MARKET THEMES

> *"Institutional involvement has reached a critical mass in SFR and will continue to rise further"*

01 Institutional SFR activity continues to progress and has attained critical mass. We expect institutional involvement in the single-family rental space to continue to grow in 2018

02 We believe cap-rates in the single-family rental space remain attractive even as long term trends favoring rental demand, especially for single-family homes, remain strong

03 There is more evidence on benefits professional scale management and funding strategies for single family homes

04 We discuss two recent items on investors' minds –

- How did the industry cope with the hurricanes?
- What potential changes proposed in the House Tax Plan may mean for SFR?

Hurricane Damage has been Limited – Harvey as a Case Study

- For all Houston homes (not just SFR), about 11-12K were destroyed in the hurricane with another 62K sustaining major damage
- Houston concentration within institutional SFR is estimated around 5% overall with American Homes 4 Rent, Colony and Progress owning more than a 1,000 Houston homes each

INSTITUTIONALLY OWNED SFR IN THE HOUSTON AREA (10,728 TOTAL)

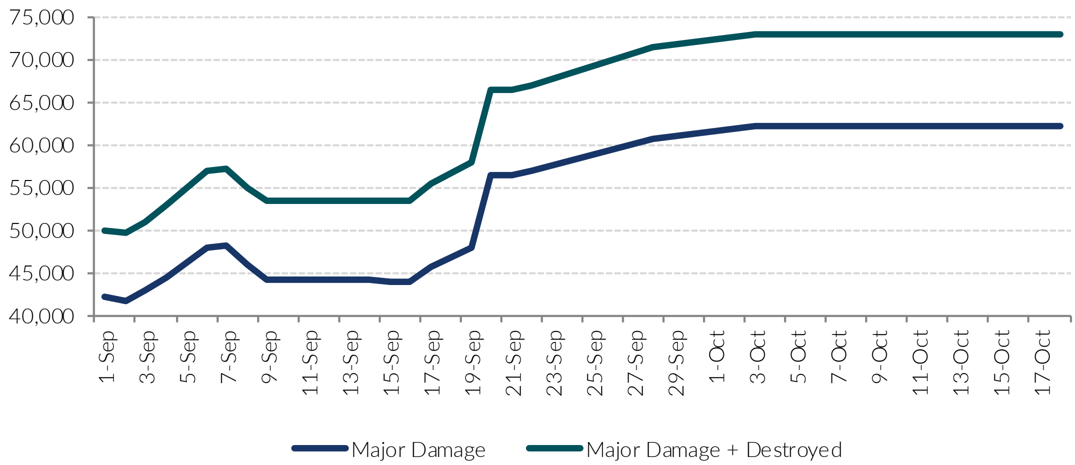
INSTITUTION	# HOMES IN HOUSTON	% HOUSTON
American Homes 4 Rent	3,151	6.30%
Colony Starwood	2,615	7.80%
Progress	1,445	7.51%
Altisource	807	8.20%
Camillo	778	65.32%
Tricon	690	10.09%
Main Street	506	5.55%
GTIS	493	17.28%
Gorelick	159	8.05%
Silver Bay	76	0.89%
Cerberus	8	0.13%
Blackstone	0	-
Havenbrook	0	-
Haven Homes	0	-
Vinebrook	0	-
Lafayette	0	-
Connorex	0	-

"The greatest impact was on Galveston and Jefferson counties, away from Harris county, which has the highest concentration of institutional SFR homes."

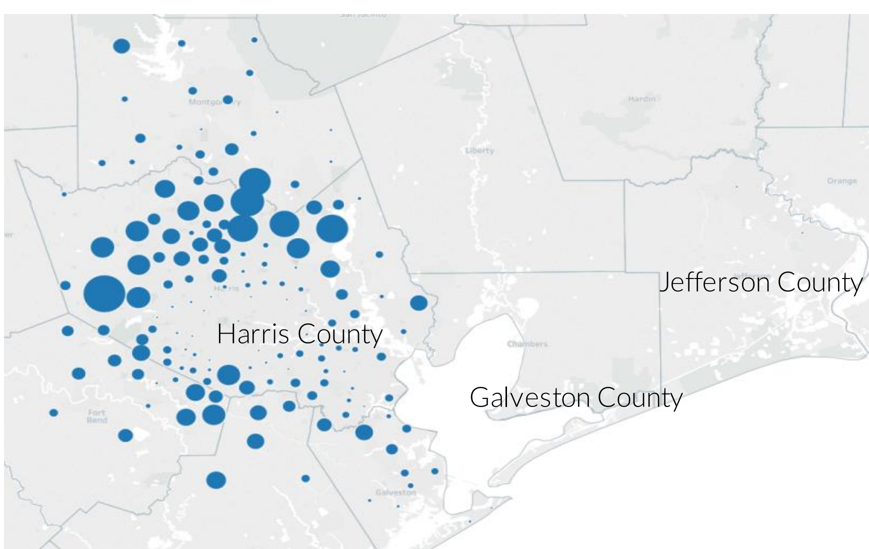
Source: Texas Department of Public Safety, Amherst Insight Labs, Amherst Capital as of October 2017.

Hurricane Damage has been Limited – Harvey as a Case Study (cont'd)

TEXAS DEPARTMENT OF PUBLIC SAFETY ESTIMATES DAMAGE DUE TO HARVEY (SEP 2018 – OCT 2018)



MOST DAMAGE IN JEFFERSON AND GALVESTON COUNTIES AWAY FROM MOST INSTITUTIONAL SFR



Note: Dots represent concentration of institutionally owned homes in the Houston MSA.
Source: Texas Department of Public Safety, Amherst Insight Labs, Amherst Capital as of October 2017.

*Assessing the Credit Costs of Hurricane Harvey**

FOR THE INDUSTRY AS A WHOLE, COSTS ARE LIKELY TO BE RELATIVELY LIMITED

- About 5% of the pool is in Houston and a slightly lower proportion in the areas of Florida most affected by Hurricane Irma.
  We conservatively assume altogether a maximum of 10% of institutional homes were in the affected areas
- Percent of homes in affected areas with meaningful damage is in the 5-10% range. This translates into about 50-100bps of institutional SFR holdings
- Average costs to repair the damage is about $15-20K which translates into 10-15% of the average value of these homes
- On the entire portfolio, this results in 10-15bps of cost, some of which is likely covered by insurance
- While losses may vary across institutions, we expect aggregate costs to be manageable

THE PUBLICLY TRADED SFR INSTITUTIONS HAVE REPORTED COMPARABLE NUMBERS

- American Homes 4 Rent (“AMH”) owned 9,000 homes across impacted areas (total portfolio ~50k homes)
  - About 150 were reported as having suffered major damage (uninhabitable - will take 6 months to 1 year to bring back online)
  - 2,400 had minor damage (damaged roofs and fences) which had $5.8mm worth of damage (avg. $2,417 per home)
  - Costs for AMH net of insurance are $10.1mm (~10bps of entire portfolio value) out of total repair costs of $21mm (about 20bps of entire portfolio value)
  - This compares with quarterly rents collected by AMH of $207mm
- Invitation Homes does not own any Houston homes, but for homes in Florida and some in Atlanta, they report $16mm worth of casualty loss expense of which “some” is recoverable from insurance
- Starwood Waypoint Homes recorded $12.8mm of estimated net casualty losses in Q3 2017

*Source: Analysis based on SEC Filings from AMH, SFR and INVH, Bloomberg combined with Amherst InsightLabs data as of November 2017.

Professional Scale Management Matters

- Most homes hit in Houston were outside the 100-year flood zone, where flood insurance is not required
- Most individual investors would not buy flood insurance on those homes – most institutions had some insurance in place
- Institutions have the ability to move affected tenants to their vacant units and likely have stronger ability to mobilize resources and repair the homes
- Impact of hurricanes is just one example - economies of scale, bulk discounts on labor/material, use of technology and professional management are advantages that we believe institutions will continue to enjoy vs. individual investors

ACQUISITION
Analytical appraisal and enhanced underwriting through proprietary technology

REPAIR
Seek to deliver high quality work at competitive cost and timeline

LEASING
Seek to optimize rents and maximize occupancy through technology-enabled marketing and leasing platform

TENANT MANAGEMENT
Customer satisfaction and asset preservation through local property maintenance and management

Source: Amherst Capital as of December 2017.

Potential New Tax Plan Should be Mostly Positive to SFR

While the tax proposal could still undergo changes, we examine how it affects SFR as it is now

ELIMINATION OF DEDUCTIONS

- The elimination of the mortgage interest deduction for homes above $500K is less meaningful for the target SFR segment of homes which are well below at $150K-200K on average
- Similarly, the limit on property tax deduction of $10K per home is also meaningful only on higher value homes
- We could see some trickle down effect as owners of bigger homes are somewhat penalized but this will likely be balanced by possible increases in disposable incomes

INCREASED STANDARD DEDUCTION

- The increase in the household standard deduction makes households less likely to claim the mortgage interest deduction. This reduces the incentive to own a home versus the current law, potentially changing the marginal rent-vs.-buy price point for some households
- The effect is likely to be marginal given the relatively low usage of itemized deductions at or around the median household income levels institutions have targeted

HIGHER DISPOSABLE INCOMES

- The tax proposals increase household disposable incomes by 5-10% overall – more rent paying ability
- This may over time increase the savings rate for households and allow for households to save up for down payment on their homes quicker than otherwise possible

U.S. SFR – WHAT TO LOOK FOR IN 2018?

ON THE ROAD TO A MAINSTREAM CRE ASSET CLASS

- SFR operators have continued to improve their NOI margins – the industry is still new and institutions will likely figure out how to operate even more efficiently over time. The market will watch this closely

- We are likely to see a further expansion in financing sources - American Homes 4 Rent is expected to use their IG bond rating to issue unsecured corporate debt; may see more SFR deals backed by the GSEs

- Invitation Homes and Starwood merger should complete in late 2017 creating an entity that will likely have enough market capitalization to be a top 20 REIT. This should add further legitimacy to the sector

- While some more operator consolidation and large portfolio trades are possible, the focus on acquiring properties one at a time and improving operating efficiencies should continue

- Institutions focusing on the right asset, right location and vertical integration are likely to be in the best position to outperform, in our opinion

2018 U.S. REAL ESTATE OUTLOOK:

COMMERCIAL REAL ESTATE MARKET THEMES

> ***“Late stage, but attractive risk reward in the private debt space”***

01 Price and rent growth have moderated but are still healthy by historical measures. We favor being in debt versus equity

02 We believe the market misprices transitional properties (and debt) versus stabilized. On a risk adjusted basis, it is our opinion that transitional debt continues to offer an attractive opportunity for investors

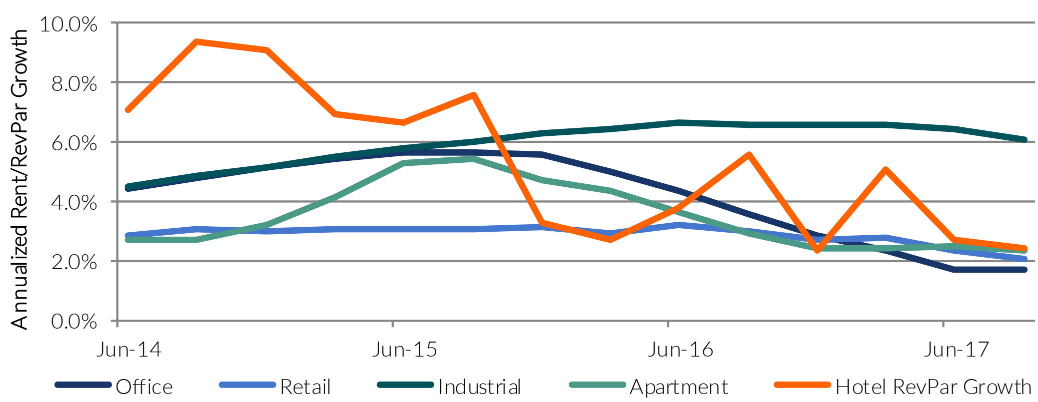
03 We discuss three recent items on investors’ minds –

- What trends do we see across different CRE?
- Can a simple location score metric identify worse malls?
- What could changes proposed in the new Tax Plan potentially mean for CRE?

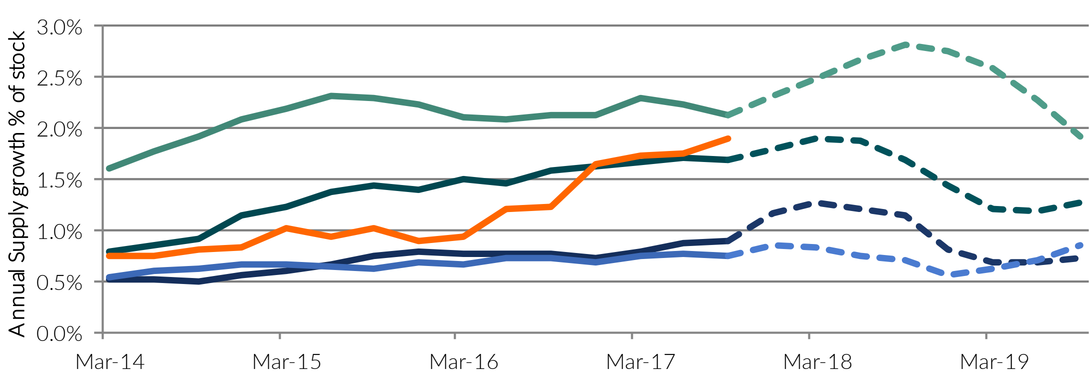
CRE Rent Growth is Moderating as Supply Picks Up

- Rents have slowed to about 2% growth on a y-o-y basis through Q3 2017 in office, retail, apartment and hotel sectors after faster growth in 2014-2015, while e-commerce fueled industrial rents grew at 6%
- New supply is expected to slow down growth further in the year ahead

RENT GROWTH SLOWING IN MOST SECTORS (JUN 2014 – SEP 2017)



NEW SUPPLY WILL PICK UP IN NEXT TWO YEARS (MAR 2014 – SEP 2019)

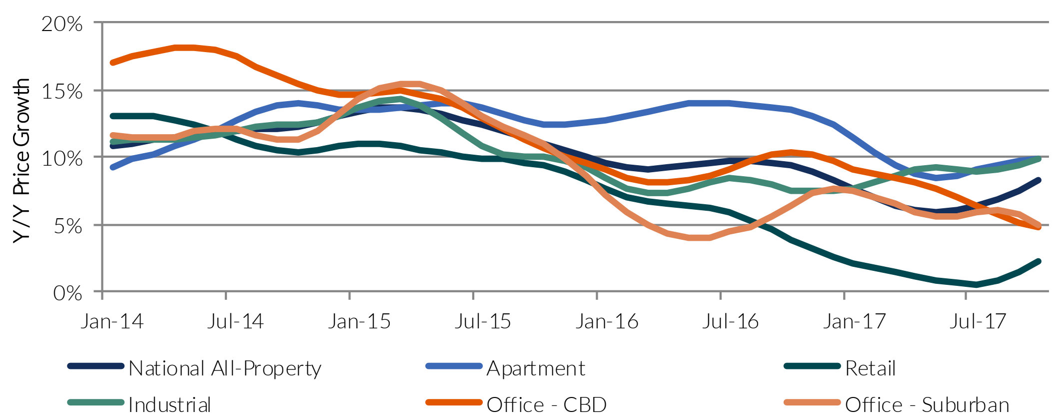


Source: Costar, Smith Travel as of October 2017.

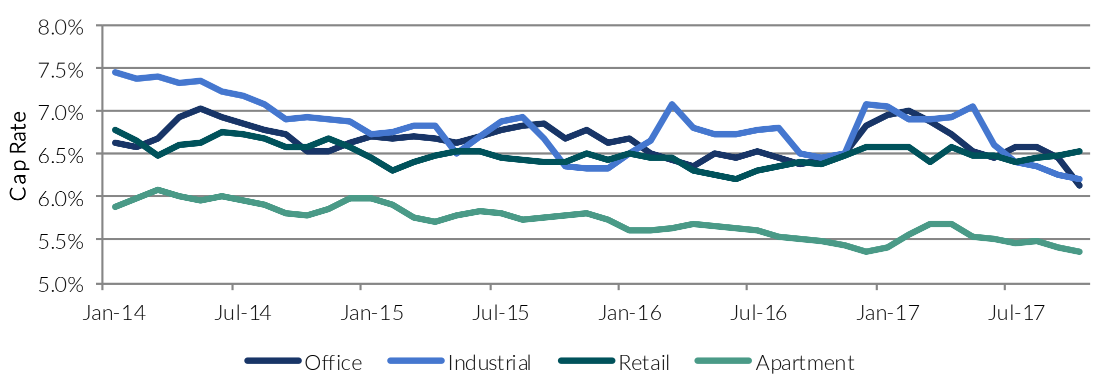
Commercial Property Prices Still Growing

- Price growth has slowed to about 7% on an annual basis through October 2017 from 15% in 2014-2015 but is still growing at a respectable rate outside of retail
- Cap rates are stabilizing at around 6-6.5% but are still showing some signs of compression over last couple quarters, as lending rates have tightened

PRICE GROWTH HAS SLOWED SINCE 2014 BUT STILL 7% Y-O-Y (JAN 2014 – OCT 2017)



CAP RATE COMPRESSION HAS RESUMED IN RECENT QUARTERS (JAN 2014 – OCT 2017)

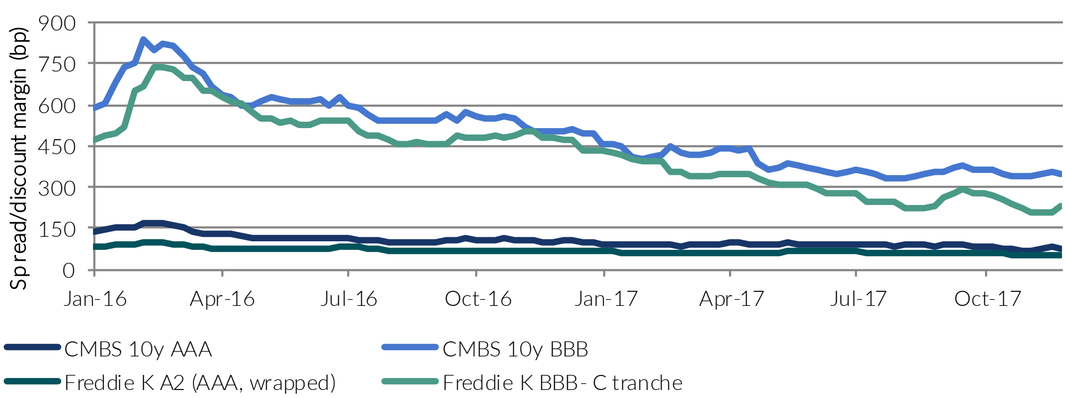


Source: RCA as of November 2017.

Structured/CRE Spreads have Rallied to Post-2010 Tights

- Tighter spreads in lending markets have helped support prices even as rent growth slows
- AAA conduit CMBS spreads are 22bps tighter year-to-date and y-o-y
- BBB conduit CMBS spreads are about 145bps tighter YTD and 150bps tighter y-o-y
- Tighter spreads have also been seen in the lending market, with coupon rates about 20-30bps tighter on average YTD

STRUCTURED PRODUCT CREDIT SPREADS HAVE TIGHTENED… (JAN 2016 – NOV 2017)



…AS HAVE CRE LENDING RATES

		>60 LTV 10 YEAR FIXED RATE LOANS		
		11/9/2017	1/4/2017	SPREAD CHANGE*
	Multifamily - Agency	180	205	-25
	Multifamily - Non-Agency	135	145	-10
	Retail - Malls	170	200	-30
	Retail - Grocery Anchored	170	205	-35
	Retail - Strip & Power Center	180	210	-30
	Industrial - Multitenant	170	200	-30
	Office - CBD	170	200	-30
	Office - Suburban	185	210	-25
	Lodging - Full Service	210	230	-20
	Lodging - Limited Service	230	250	-20

*Spread in basis points. Sources: (Top Chart) JPM as of December 2017. (Bottom Chart) Cushman Wakefield as of December 2017.

Source: CMBS spread changes based on JPM spreads through November 30, 2017, compared to December 29, 2016 (for YTD), and December 1, 2016 (y-o-y). Lending spreads changes YTD based on Cushman Wakefield from November 9, 2017 from January 4, 2017.

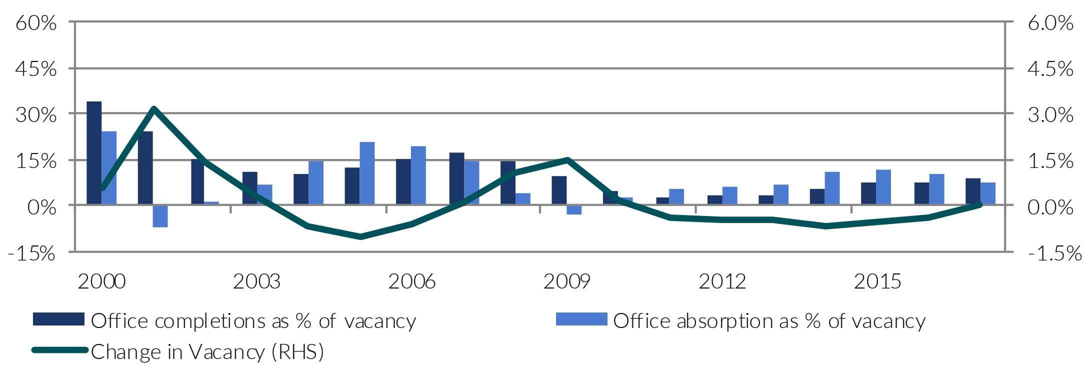
Office Fundamentals show modest growth

- Office rent growth has slowed since the peak in 2015
- Absorption has so far kept up with completions, and vacancies remain stable at about 10%
- We expect the office market to remain stable with significant variation within individual metros

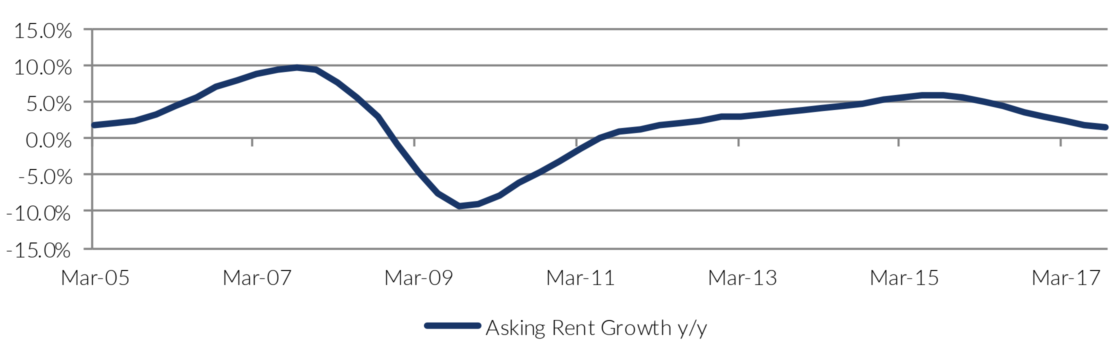
CURRENT MARKET STATS*

	Q3 2017 Value	1 Year Change
Rent Growth Annual	1.6%	-2.1%
Vacancy	10.2%	0.0%
Absorption % of Stock	0.8%	-0.4%
Completions % of Stock	0.9%	0.1%
Under Const, as % of Stock	1.6%	-0.1%

OFFICE COMPLETIONS AND ABSORPTION (DEC 2000 – SEP 2017)



OFFICE RENT GROWTH (MAR 2005 – SEP 2017)



*Source: Costar as of Q3 2017.

Note: 1 year change is change from Q3 2017 from Q3 2016.

U.S. Real Estate – 2018 Outlook

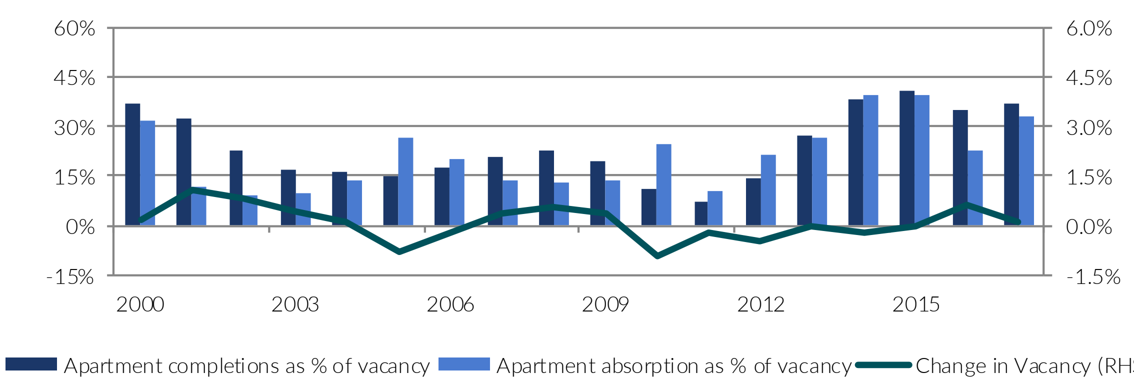
Apartment Rent Growth Becoming More Sustainable

- Apartments have benefited from a recovering economy and greater demand for renting
- After a sharp run up in rents in 2015, rent growth has returned to a more sustainable 2.3% rate
- Supply appears to be increasing again going forward, with 4.5% of stock under construction

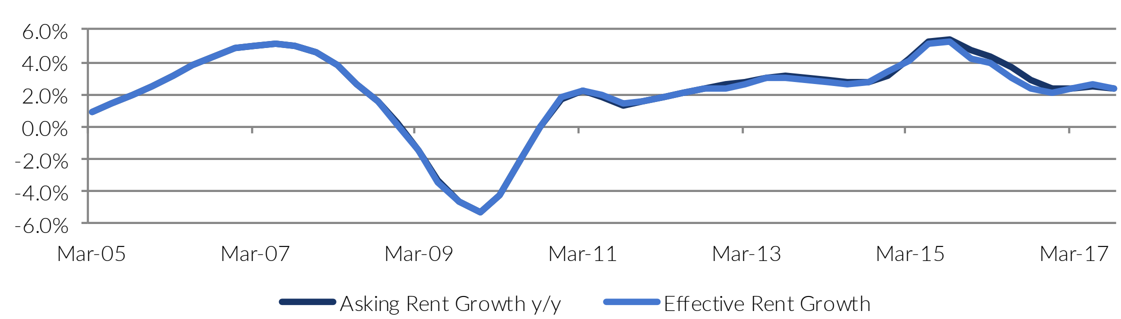
CURRENT MARKET STATS*

	Q3 2017 Value	1 Year Change
Rent Growth Annual	2.3%	-0.6%
Vacancy	5.8%	0.1%
Absorption % of Stock	1.9%	0.2%
Completions % of Stock	2.1%	0.0%
Under Const, as % of Stock	4.5%	0.3%

APARTMENT SUPPLY & CONSTRUCTION REMAIN ELEVATED (DEC 2000 – SEP 2017)



RENT GROWTH HAS STABILIZED AFTER 2015 SPIKE (MAR 2005 – SEP 2017)



*Source: Costar as of Q3 2017.

Note: 1 year change is change from Q3 2017 from Q3 2016.

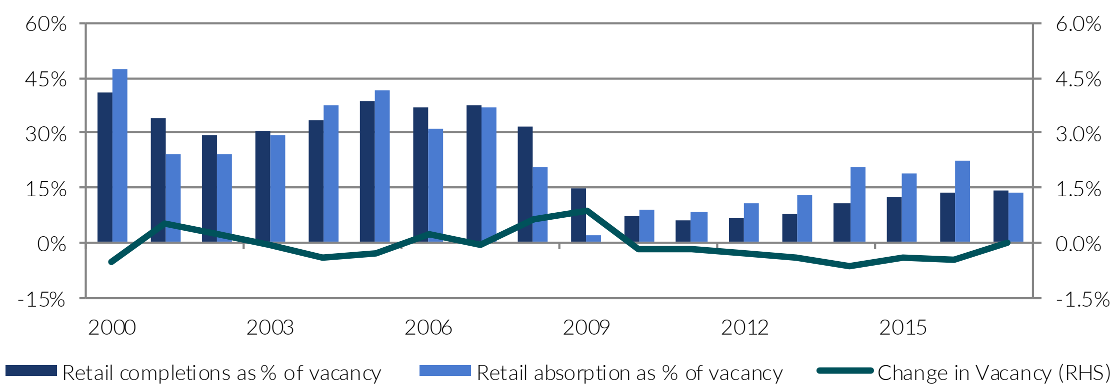
Retail Fundamentals Just Beginning to Reflect Some Store Struggles

- Retail rent growth is slowing as many retailers struggle with e-commerce
- Vacancy rates remain reasonable but absorption is falling. While B malls are struggling, higher end malls continue to perform well so far
- Little new construction in the space as most in industry focused on maintaining current occupancies

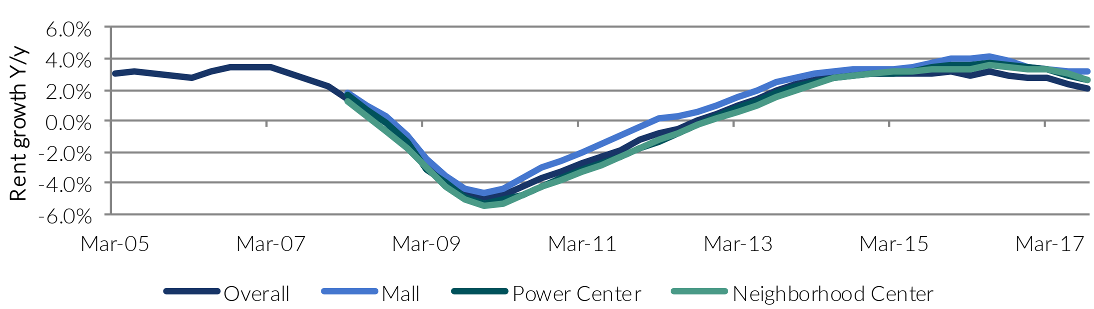
CURRENT MARKET STATS*

	Q3 2017 Value	1 Year Change
Rent Growth Annual	2.1%	-0.9%
Vacancy	5.1%	0.0%
Absorption % of Stock	0.7%	-0.5%
Completions % of Stock	0.7%	0.0%
Under Const, as % of Stock	0.7%	-0.1%

RETAIL CONSTRUCTION AND ABSORPTION (DEC 2000 – SEP 2017)



RETAIL RENT GROWTH SLOWING (MAR 2005 – SEP 2017)



*Source: Costar as of Q3 2017.

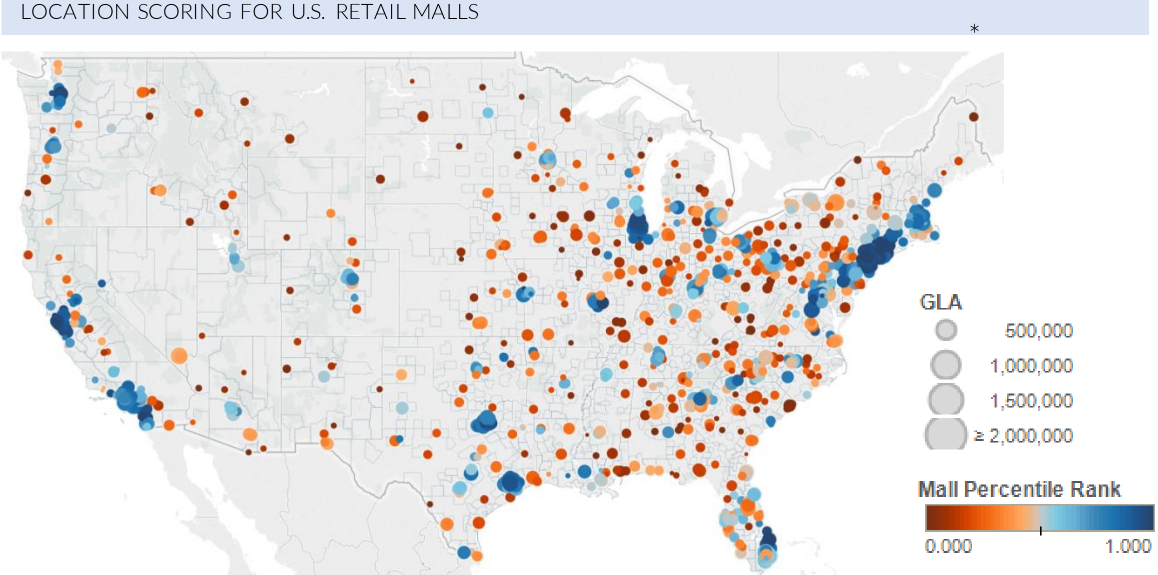
Note: 1 year change is change from Q3 2017 from Q3 2016.

Not All Retail is on Equal Footing

- While the struggles of lower-quality B-malls are well documented, not all malls are in bad shape
- We can differentiate between retail properties, such as malls, by scoring them based on a simple location based metric that captures consumer purchasing power as well as nearby competition
- Malls in areas with sparse population and lower disposable incomes are at a greater risk

> *"While the struggles of lower-quality B-malls are well documented, not all malls are in bad shape"*

LOCATION SCORING FOR U.S. RETAIL MALLS



**Note: GLA stands for Gross Leasable area and is measured in square feet*

Note: Percentile Ranking takes into account the population within 20 miles, the average income within 20 miles.
Source: Costar as of Q3 2017, Census Bureau ACS survey as of 2016, Amherst Capital.

Not All Retail is on Equal Footing even within Metros

- We can use the location scoring to differentiate malls within a metro
- Of the 17 malls in Atlanta metro area, 6 of the 8 lowest ranked malls using this metric have shown signs of distress (rank below 50th percentile nationally)
- Additionally, of the 6 middle tier malls in Atlanta (between 50-75% percentile), 3 malls have mortgages in 2012 CMBS, a vintage which many investors are concerned with, and one mall was sold in 2016 at a distressed valuation

ATLANTA HAS A WIDE VARIATION OF MALL LOCATION QUALITY

LOWEST SCORED MALLS IN ATLANTA HAVE SHOWN SIGNS OF DISTRESS

MALL	PERCENTILE RANKING (Nationally)	HISTORY OF DISTRESS
North Dekalb Mall	47%	Liquidated in 2014 for 51% Loss
Arbor Place	46%	None (in 2012 CMBS)
Cumberland Mall	45%	None (in 2013 CMBS)
The Gallery At South Dekalb	40%	Hope note modified loan
Sugarloaf Mills	39%	Loan received 5 year maturity extension
Gwinnett Place	38%	Liquidated at 94% loss
The Mall at Stonecrest	35%	Loan received maturity extensions
Southlake Mall	23%	Liquidated with 65% loss in 2014

Note: GLA stands for Gross Leasable area and is measured in square feet. Percentile Ranking takes into account the population within 20 miles, the average income within 20 miles, Darker areas on the map represent locations with higher median incomes.

Source: Census Bureau ACS survey as of 2016, Costar as of Q3 2017 and Amherst Capital.

U.S. Real Estate – 2018 Outlook

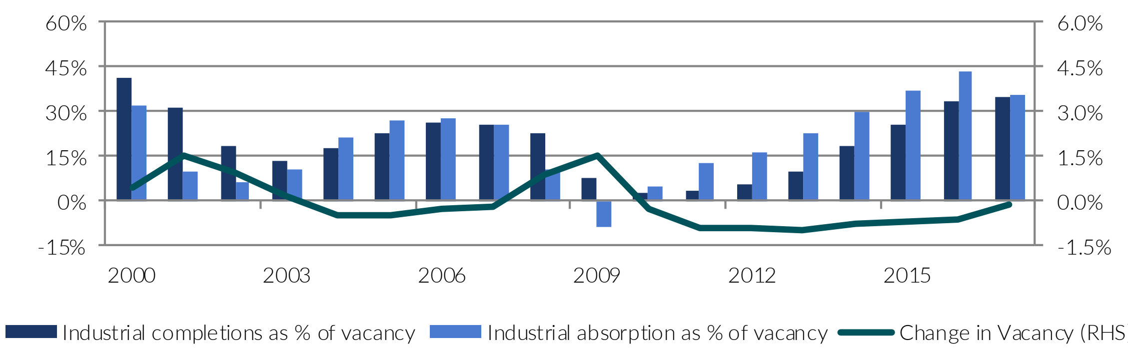
Beneficiary of Retail Malaise - Industrials Remain Hot

- Industrial CRE has been hot, with 6% y-o-y rent growth. It has benefited from growing warehouse demand
- Rent growth is starting to slow from 6% rate, and construction supply is picking up in response to demand
- While supply is increasing, for now there is still significant demand from e-commerce tenants that is expected to exceed supply

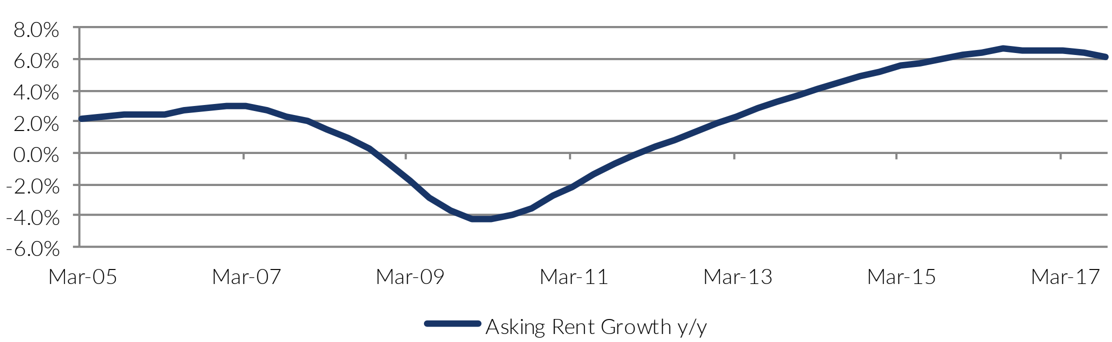
CURRENT MARKET STATS*

	Q3 2017 Value	1 Year Change
Rent Growth Annual	6.1%	-0.5%
Vacancy	4.9%	-0.1%
Absorption % of Stock	1.7%	-0.5%
Completions % of Stock	1.7%	0.1%
1 Year Forward Completions	1.7%	0.0%

INDUSTRIAL CONSTRUCTION AND ABSORPTION (DEC 2000 – SEP 2017



IND RENT GROWTH SLOWING A BIT BUT STILL STRONG (MAR 2005 – SEP 2017



*Source: Costar as of Q3 2017.

Potential New Tax Plan Largely Beneficial to CRE

While the tax plan could still undergo changes, we believe the announced plan is beneficial to CRE vs. expectations

KEY BENEFITS LEFT IN PLACE

- Tax benefits for CRE such as interest deductibility, real estate depreciation and 1031 exchanges which allow reinvestment without tax payments, remain in place
- These features should help maintain equity and debt investor interest in real estate and support prices

INDIVIDUAL INCOME TAX CHANGES FAVOR APARTMENTS

- Limits on mortgage interest deduction above $500K should on the margin boost high-end rental demand
- Higher standard deductions should also lessen the incentive for homeownership to claim the mortgage interest deduction, increasing rental demand across income levels
- Higher take-home disposable incomes should also support higher rents

OTHER BENEFITS

- REITs may benefit from potentially lower tax rate of 25% but the exact details are not clear
- CRE could benefit if the plan increases spending and economic growth

CRE – WHAT TO LOOK FOR IN 2018?

SLOWER BUT STEADY SHOULD BE THE MANTRA

- Price and rent growth is likely to slowdown but still remain healthy – we are not calling for any broad-based correction
- Office performance likely to be metro-dependent as slow job growth and moderate supply likely lead to a sideways market overall
- More types of retail are likely to be threatened going forward, as online grocery sales potentially pick up
- Industrial should continue to benefit from e-commerce and should be able to absorb increasing supply in the near term
- A fiscal stimulus (tax cut) could help increase rents and speed up growth in the near term

EVERY CRE PROJECT IS UNIQUE BUT NEED TO WEIGH IN GEOGRAPHY AS WELL

- The New York City market is seeing significant supply in office, retail and apartments, which is likely to slow rent growth in this previously hot market
- Suburban office trends look slightly more positive . CBD office in some of the gateway cities (New York, San Francisco) is likely to slow down while Los Angeles, Boston and other tech metros grow
- In retail, rust belt areas with low population growth and overbuilt malls remain a concern. Upstate New York, Pennsylvania and Ohio are areas that have seen malls with significant distress
- In industrial, strong tenant demand in Chicago, Dallas and Atlanta is driving a sizable amount of new construction. Areas outside large cities like the Inland Empire, outer New York/New Jersey may continue to benefit from last-mile deliveries driving demand
- If the 500K limit on mortgage interest deduction passes, it could help apartment demand in coastal higher price areas

MORTGAGE BACKED SECURITIES MARKET THEMES

“Opportunities are Few and Far Between”

01 Valuations remain tight across the board – in government guaranteed MBS and in the private label space

02 We believe compensation for credit risk is minimal and does not adequately compensate for the leverage/idiosyncratic risks in most securitized sectors

03 Legacy RMBS and CBMS is fully priced except for some select opportunities within single asset and single borrower deals (“SASB”), CMBS and SFR securitizations

04 We discuss two recent items on investors’ minds –

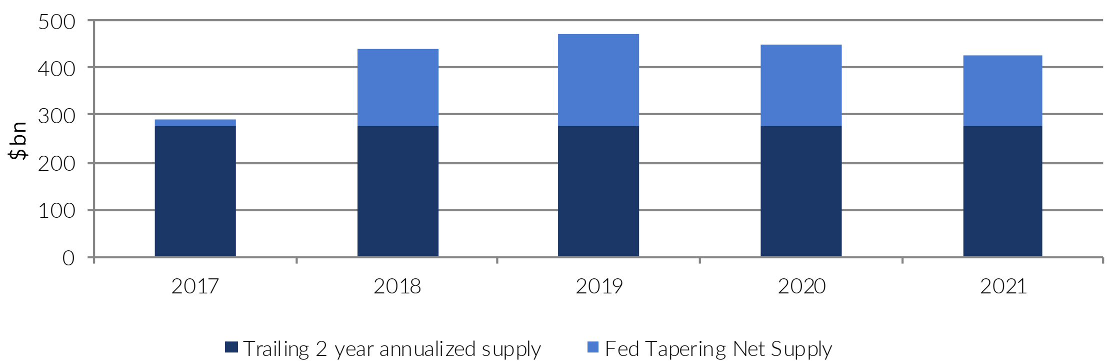
- How will the Fed taper affect MBS supply and, subsequently, MBS spreads?
- How do returns stack up in the public securities space for different levels of risk?

U.S. Real Estate – 2018 Outlook

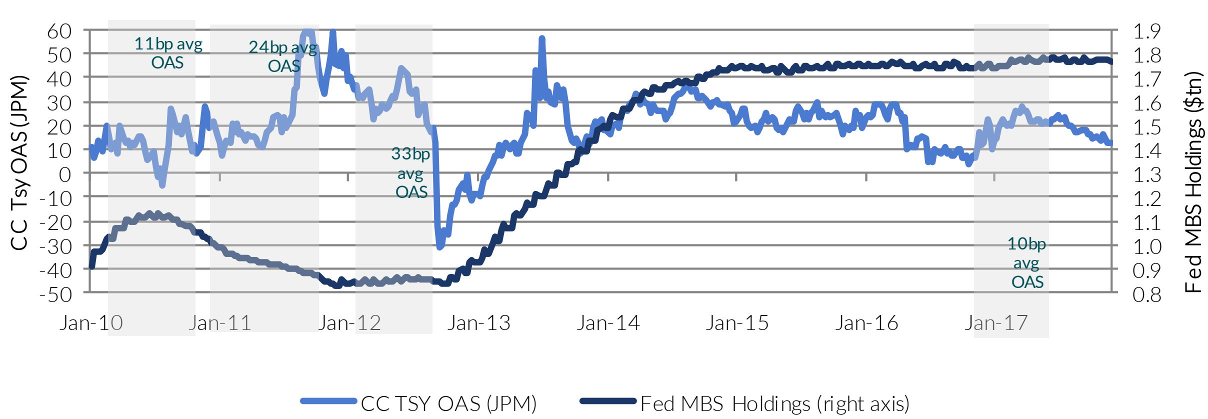
Meaningful MBS Supply Could Lead to Wider Spreads

- Based on latest guidance, Fed would likely be a net seller of $12bn MBS in 2017, followed by another $160bn in 2018 and close to $200bn in 2019
- This is a substantial increase in net supply as experienced by the private market (running at ~300bn annually) – taking the number closer to half a trillion
- MBS spreads could widen 10-15bps from current levels – possibly more which could create an opportunity

TAPERING WILL INCREASE NET SUPPLY BY 70-85% IN 2018-2019



MBS PERFORMANCE DURING RECENT FED MBS PORTFOLIO REDUCTION PERIODS (JAN 2010 – DEC 2017)

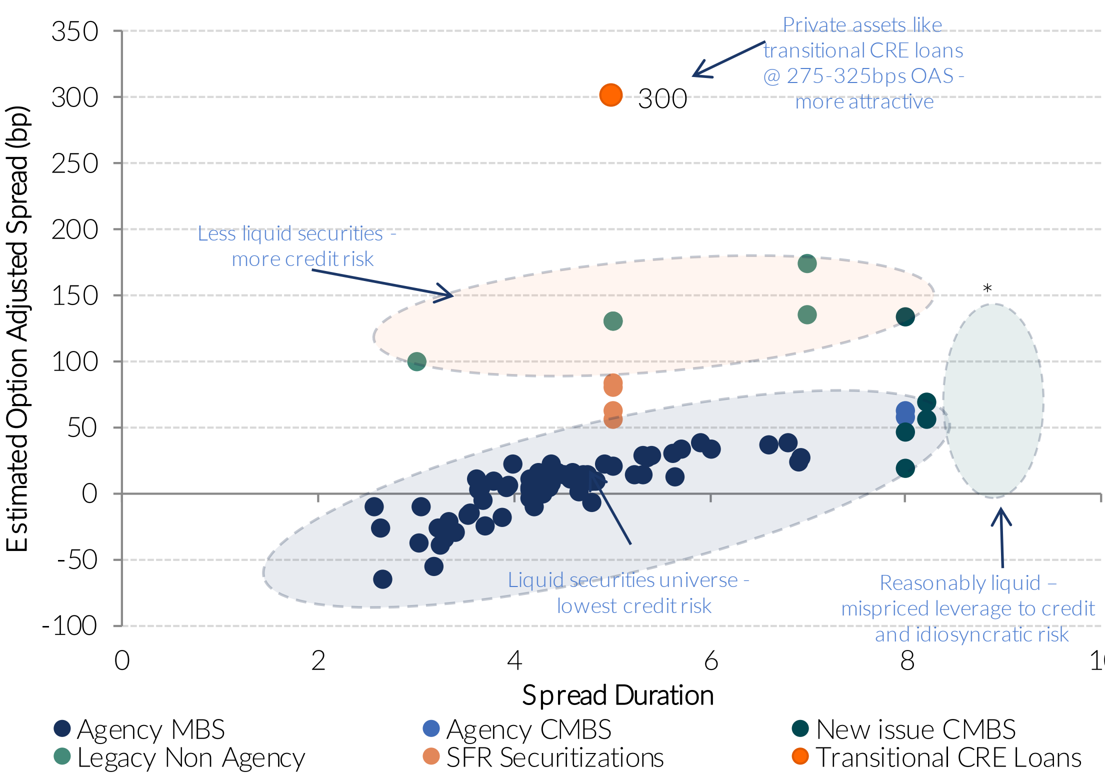


Source: (Top) Federal Reserve, Barclays estimates as of December 2017. (Bottom) JPM, Federal Reserve, Bloomberg, Amherst Capital as of December 2017.

Compensation for Risk Limited in Securitized Markets

- Outside of government guaranteed securities, liquid securities with lowest credit risk offer minimal spread
- The credit curve in general is very flat; deeper credit has somewhat wider spreads but barely enough to justify the risk

RELATIVE VALUE – CRE DEBT VS SECURITIZED UNIVERSE (AS OF NOV 2017)



Note: We use benchmark spreads from JPM/BAML for Agency CMBS, new issue CMBS, Legacy Non-Agency, and SFR securitizations. For Agency MBS, we use Amherst InsightLabs model OAS for TBA and specified pools. For Transitional CRE loans, we use representative OAS based on loans we see in the market.
Source: Amherst Capital, BAML, Amherst Insight Labs as of November 2017.

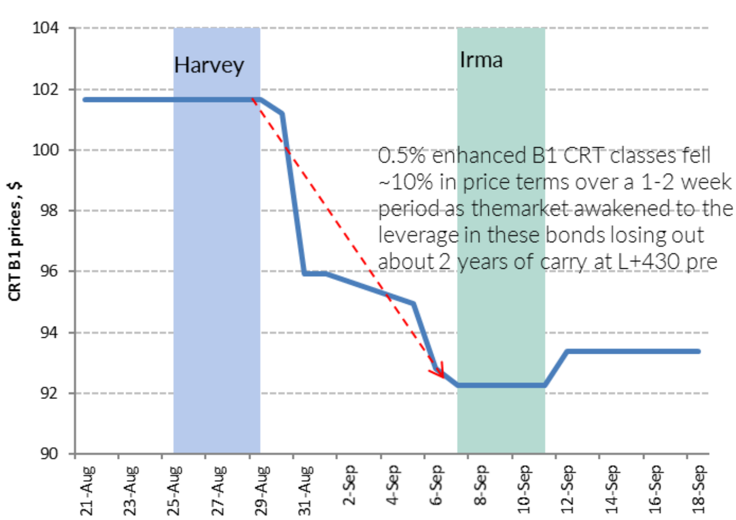
Credit Risk Transfer (“CRT”) – Highly Levered to Idiosyncratic Risks

- The market was awakened to the leverage in these bonds as the potential damage from Hurricanes Harvey and Irma became clear. The 0.5% enhanced and 0.5% thick B1 tranche lost about 10% in price terms or about 2 years of carry from the event
- We continue to believe that these are highly levered instruments which can react to every event of volatility on micro and macro issues from idiosyncratic issues like the hurricanes to overall slowdown in home price growth
- At current spreads a single event like this is enough to wipe out 2 years of carry and consequently these bonds are not compensated enough for taking on such extremely levered 10-11 year spread duration risk

CRT TRANCHE CE VS. HURRICANE AREA EXPOSURES – CAS 2017-C06 GRP 1

TRANCHES	CREDIT ENHANCEMENT	THICKNESS	% HOUSTON	% FLORIDA	% FLORIDA LIKELY IN PATH
M1	2.80%	1.00%	2.2%	5.8%	2.4%
M2	1.00%	1.80%			
B1	0.50%	0.50%			
B2 (First Loss)	0.00%	0.50%			

MARKET RECOGNIZED LEVERGAE IN CRT TRANCHES POST HURRICANES



Source: JPM CRT Price Data, National Hurricane Center, as of September 2017.

Overall Not Getting Paid Enough to Take Credit Risk

- The credit curve has compressed a lot in 2017. We believe the middle of the mezz stack is not adequately compensated for the leverage in these tranches
- AAA has modestly attractive OAS for its risk. The BBB OAS is usually similar but comes with much higher risk /worse liquidity, so it should trade at a wider OAS
- Owning the loans provides higher OAS than any non b-piece tranches even for these public deals
- We believe there are better opportunities taking liquidity risk in going from securities to making low LTV senior transitional CRE loans with upwards of 300bps OAS

RECENT CONDUIT CMBS NEW ISSUE PRICING

	CE (%)	PRICING SPREAD (bps)	OAS (bps)	EXPECTED LOSS	OPTION COST (bps)
SUPER DUPER	30	83	76	<1%	6
SUPPORT AAA	19.3	115	59	5%	56
AA	15.3	135	24	10%	111
A	11.1	185	22	13%	163
BBB-	6.5	350	104	20%	246
B-PIECE & FEES	0	*1500	948	39%	552
COLLATERAL	-	210	151	5.2%	59

RECENT SASB CMBS PRICING

	CE (%)	PRICING SPREAD (bps)	OAS (bps)	EXPECTED LOSS	OPTION COST (bps)
AAA CLASS	60.9	85	82	0%	3
AA	51.4	103	80	2%	23
A	43.1	120	78	3%	42
BBB+/A-	34.1	170	130	5%	40
BB/BBB	19.4	250	136	8%	114
B/BB	5	350	167	13%	183
B-PIECE & FEES	0	595	476	16%	119
COLLATERAL (with mezz)	-	288	128	11% (5% on senior loan)	160

Note: Expected Loss and option cost based on Amherst InsightLabs model.

Source: Amherst Insight Labs, Amherst Capital as of December 2017. (Top) BANK 2017-BNK9 deal marketing information as of December 2017. (Bottom) BBCMS 2017-DELC deal marketing information as of October 2017.

MBS – WHAT TO LOOK FOR IN 2018?

AGENCY MBS

- As the Federal Reserve taper ramps up, private market will need to absorb close to half a trillion in supply annually versus closer to 300bn currently – MBS likely to widen despite liquidity and regulatory support
- Outlier risks come from a sloppy reaction to the additional supply or from a larger than expected mortgage credit easing as rates normalize

OFF-THE RUN / PRIVATE LABEL AAA

- The compensation for lower liquidity (agency Multifamily) and lack of govt. guarantee (CMBS/SFR/new issue Resi AAAs) is about 15bps each. As a result, agency MF trades about 15bps back of relatively wide spec pools and unguaranteed AAA bonds trade another 15bps back of that
- Barring a flight to quality episode, the catalyst for this spread compensation to rise seem minimal. The hunt for yield across the investor spectrum should keep these AAAs fairly well bid vs. the agency MBS space
- Some risk of a flow through effect of the Federal Reserve taper

PRIVATE LABEL MEZZANINE BONDS

- Compensation for credit risk is minimal and does not adequately compensate for the leverage/idiosyncratic risks in more securitized sectors
- Look for select opportunities in the SFR and SASB CMBS space for now

Important disclosures

Amherst Capital Management LLC is a real estate investment specialist with approximately $6.1 billion[1] of assets under management. Amherst Capital was established in 2014 as a majority-owned subsidiary of BNY Mellon, and is minority-owned by Amherst Holdings, LLC a financial services holding company with more than 10 year history of utilizing its mortgage expertise to assist clients in navigating the real estate capital markets. Amherst Holdings is not an affiliate of BNY Mellon. Texas Treasury Safekeeping Trust Company is a founding seed investor of Amherst Capital.[2] Amherst Capital offers traditional and alternative real estate investment strategies to private and institutional investors globally. Amherst Capital's investment strategies are grounded in deep intellectual capital and proprietary technology designed to help clients meet their portfolio needs. For more information please visit www.amherstcapital.com

ABOUT AMHERST HPI MODEL

Amherst home price index is generated and maintained by Amherst Insightlasbs LLC. The index tracks price changes of single-family detached properties in 90 core- based statistical areas (CBSA) and 50 states in the US. The index is published monthly and is based on the Case Shiller repeated sales methodology. Unlike HPI published by S&P Case Shiller Weiss, Corelogic and Federal Housing Finance Agency (FHFA), Amherst HPI is a distressed-free index which does not include price changes due to foreclosures, short-sales, bank repossession and REO resale. The repeated sales HPI rely on tracking price changes in transactions of the same house over time. For each arms-length and distressed- free home sale transaction, a search is conducted to find information regarding previous arms-length and distressed-free sales of the same house. If an earlier transaction is found, the two transactions are paired into a “sale pair.” Sale pairs are designed to track price changes over time for the same house, while holding the quality and size of each house constant. After sales pairs are formed, the index is calculated under a weighted least square framework, in which weights are based on price anomalies and time interval within pairs.

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(1) As of June 30, 2017. This amount includes $4.5 billion assets pertaining to certain discretionary multi -sector fixed income clients of our affiliate Standish Mellon Asset Management Company, LLC (“Standish”), for which certain Amherst Capital employees provide advice acting as dual officers of Standish. In addition, discretionary portfolios with approximately $396 million are managed by certain of our employees in their capacity as dual officers of The Dreyfus Corporation. AUM includes gross assets managed in the single family equity and commercial real estate strategies, which includes $244 million and $17 million of leverage, respectively. Amherst Capital has an exclusive license with Amherst InsightLabs in the asset management industry. AIL is an affiliate of Amherst Capital and Amherst Holdings, LLC. (2) Seed capital Investor. It is not known whether the listed client approves or disapproves of the adviser or the advisory services provided.

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