NATIONAL MULTIFAMILY HOUSING COUNCIL

APARTMENT LEADERSHIP RESIDES HERE™

Alexan Union Market
Washington DC

2017 NMHC Annual Meeting
January 24-26, 2017
PGIM Real Estate Overview – Domestic Platform

$45.8 Billion Gross AUM\(^1\)
- 4 Executive Management
- 28 Portfolio Management
- 48 Transactions (Acquisitions/Dispositions)
- 81 Asset Management
- 26 Business Development, Communications, Marketing & Investor Services
- 8 Investment Research
- 3 Investment Risk Management
- 9 Global Securities
- 176 Support Staff (Administrative Assistants, Compliance, Finance/Operations, HR, Legal, Operational Risk, Sustainability, Systems)

384 DEDICATED EMPLOYEES / 178 INVESTMENT PROFESSIONALS\(^2\)

GEOGRAPHIC DISTRIBUTION\(^1\)
- 32.2% Pacific
- 26.2% Northeast
- 14.1% Southeast
- 13.0% Mideast
- 6.9% E. North Central
- 4.5% Southwest
- 1.9% Mountain
- 1.2% W. North Central

SECTOR DISTRIBUTION\(^1\)
- 36.5% Office
- 25.4% Residential
- 17.6% Retail
- 7.7% Industrial
- 6.3% Storage
- 2.5% Senior Housing
- 1.5% Land
- 1.4% Other
- 1.1% Hotel

\(^1\) As of September 30, 2016, total net U.S. assets under management equal $33.2 billion. \(^2\) Staffing as of September 30, 2016 in allocated full-time employees.
# Alexan Union Market - Project Summary

## General Information

<table>
<thead>
<tr>
<th>Category</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Location</td>
<td>Union Market Washington, DC</td>
</tr>
<tr>
<td>Site</td>
<td>1.17 acres</td>
</tr>
<tr>
<td>Construction Type</td>
<td>12-story, Type I</td>
</tr>
<tr>
<td>Total SF</td>
<td>310,151 SF (multifamily); 30,000 SF (retail – NAP)</td>
</tr>
<tr>
<td>Development Partner</td>
<td>Trammell Crow Residential</td>
</tr>
<tr>
<td>Construction Start</td>
<td>June 2016</td>
</tr>
<tr>
<td>Projected Completion</td>
<td>April 2019</td>
</tr>
<tr>
<td>Expected Hold Period</td>
<td>Medium to Long Term</td>
</tr>
<tr>
<td>Deal Structure</td>
<td>Joint Venture</td>
</tr>
<tr>
<td>Walk Score</td>
<td>91</td>
</tr>
</tbody>
</table>

![Map of Alexan Union Market location](image)
Alexan Union Market – Washington DC Market Overview

- Job outlook remains positive despite a general reduction in the size of the federal government expected in the near term
  - Average of 44k jobs per year over next 5 years vs long term average of 42k
  - More diverse economy today
- Supply / demand dynamics are favorable, particularly in 2018 and beyond, as deliveries are projected to decline while demand remains robust

1 Source: Delta Associates as of 4Q16.

Image Source: Eastdil Secured
Alexan Union Market - EDENS Ownership / Committed Tenancy

- 150,000 SF Residential/Retail (PUD In Process)
- Distillery Conversion (Opened November 2016)
- 26,000 SF “Creative Community” (20K+ SF Leased/Occupied)
- Office/Restaurant Conversion (TBD)
- 250,000 SF Office Building (58,000 SF Preleased)
- Angelika Film Center (PUD Approval)
- Distillery Conversion (Opened November 2016)
- Office/Retail/Restaurant Conversion (Design/Code Updates In Process)
- Small Concept Grocery (Trader Joe’s)
- Two Story Retail Conversion (Blue Bottle)

Image Source: Trammell Crow Residential / EDENS

- Grocery
- Food & Beverage
- Soft Goods
- Creative Office
- Entertainment

Trader Joe's
Garces Restaurant Group
Tap + Garden
West Elm
Lab 1270
Cotton & Reed
Blue Bottle Coffee
Dolcezza
Angelika Pop Up
Sensis
Huge
Venga
Alexan Union Market - Ownership / Development Map

Image Source: Trammell Crow Residential / EDENS
Alexan Union Market - Existing Building Stock

Morse Street & 4th Street NE

Neal Place

5th Street NE

4th Street NE
Alexan Union Market – Repurposed Retail / Event Space

Image Source: EDENS
Alexan Union Market - Asset Renderings
## Alexan Union Market - Financial Metrics

<table>
<thead>
<tr>
<th>Financial Metrics</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Development Cost (Gross)</td>
<td>$147.6MM</td>
</tr>
<tr>
<td># of Units</td>
<td>431</td>
</tr>
<tr>
<td>Total Development Cost (per unit / PSF)</td>
<td>$342,380 / $476</td>
</tr>
<tr>
<td>Average Unit Size</td>
<td>721 SF</td>
</tr>
<tr>
<td>Development Yield</td>
<td>+/- 6.0%</td>
</tr>
<tr>
<td>Spot Cap Rate</td>
<td>4.75%</td>
</tr>
<tr>
<td>Spread</td>
<td>125-150 bps</td>
</tr>
<tr>
<td>UW Development Margin</td>
<td>+/- 20%</td>
</tr>
<tr>
<td>Property Level IRR (4yr hold)</td>
<td>15% - 16%</td>
</tr>
<tr>
<td>Equity Multiple (4yr hold)</td>
<td>1.6x - 1.7x</td>
</tr>
</tbody>
</table>

### Why we like the numbers too...

1. Most development deals in DC and other gateway cities are in the low to mid 5% range (some lower)

2. Spread to spot cap rates looks more like a suburban spread versus urban core infill

3. Underwritten development margin assumes an exit in the mid $400k/unit range, which can easily be comped

4. The Fund targets a return in the low double digits

Note: There is no guarantee that returns for these or similar investments in the future will be achieved.
Alexan Union Market - Rent Comps

1. Station House: $3,040; $3.62 PSF
2. The Anthology: $2,413; $3.56 PSF
3. Apollo H Street: $2,743; $3.40 PSF
4. Elevation: $2,266; $3.01 PSF
5. 2M Street: $2,047; $2.80 PSF
6. 360 H Street: $2,153; $2.71 PSF
7. Avalon 1st and M: $2,586; $2.88 PSF
8. Flats 130 & II: $2,395; $3.01 PSF
9. The Gale Eckington: $2,086; $2.75 PSF

Average Nominal: $2,434
Average PSF: $3.08

Source: Axiometrics as of 1/11/17

(1) Rents represent asking rents given that the property is in lease-up.
Alexan Union Market – Recent Washington DC Sale Comps

1. The Anthology: $521k/unit; 4.75% cap
2. Berkshire 15: $558k/unit; 4.25% cap
3. Jefferson Marketplace: $502k/unit; 4.25% cap
4. Atlantic Plumbing: $575k/unit; 4.55% cap
5. The Gale Eckington: $353k/unit; 4.7% cap
6. Flats 130: $459k/unit; 4.5% cap
7. 450K: $457k/unit; 4.5% cap

Average Per Unit: $489k
Average Cap Rate: 4.5%

Alexan Union Market: $342k/unit; ± 6.0% yield

Source: PGIM Real Estate Acquisitions Team as of 4Q16.
Alexan Union Market - Union Market Supply Pipeline

- 2017: 188 units
- 2018: 746 units
- 2019: 700 units
- 2020+: 1,850 units

Alexan Union Market
Alexan Union Market - Final Takeaways

**Investment Rationale**

- Build to core profile with value added upside
- Unique location in a gentrifying / repurposed / “foodie” warehouse district
- Unconventional 1st mover position
- Surrounded by well capitalized, like-minded institutional ownership and sponsorship
- Retail driven story
- Experienced partner / developer

**Investment Risks**

- Timing and materialization of the greater Union Market redevelopment
- Impact of +/- 3,500 units of supply within a two block radius of the project
- Rental rate and leasing risk
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