OPPORTUNITY ZONES
A NATIONAL LOOK

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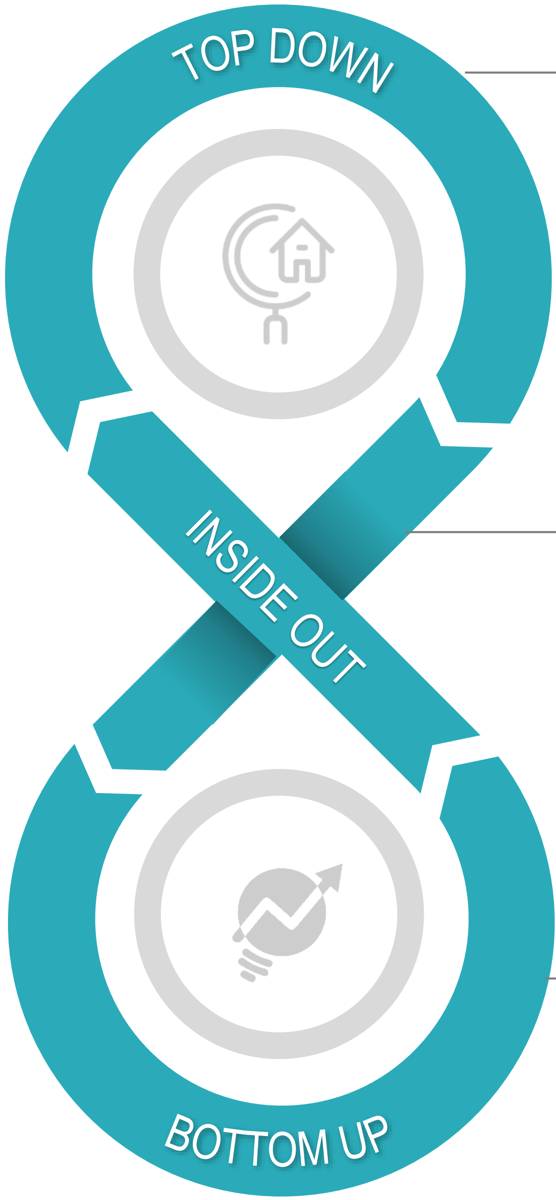
RCLCO: A TOP-TO-BOTTOM VIEW OF OZS



INVESTMENT STRATEGY & ASSET MANAGEMENT

Representing institutional LPs and other capital providers

Portfolio Strategy
Capital Formation
Transaction Strategy

MANAGEMENT CONSULTING

Collaborating with real estate companies to optimize performance

Strategic Planning
Partner Selection
Project/Market Monitoring

PROJECT-LEVEL ECONOMICS

Evaluating real estate investments and development projects

Project Underwriting
Market Feasibility
Demand Analyses
Product Segmentation, Positioning & Pricing

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RCLCO evaluated OZs across a range of perspectives

Motivation: tracking *neighborhood change*

Real Estate Investment

- Institutional capital flows and other measures of investor interest
- Focus on MF starts and development volume

Changing Demographics

- Neighborhoods on the cusp of change
- Important indicator of displacement
- Educational attainment, racial composition, household size

Income Levels

- OZs with a range of starting income levels: $115K - $9.5K
- Rising income levels across many qualified zones

RCLCO Gentrification Index

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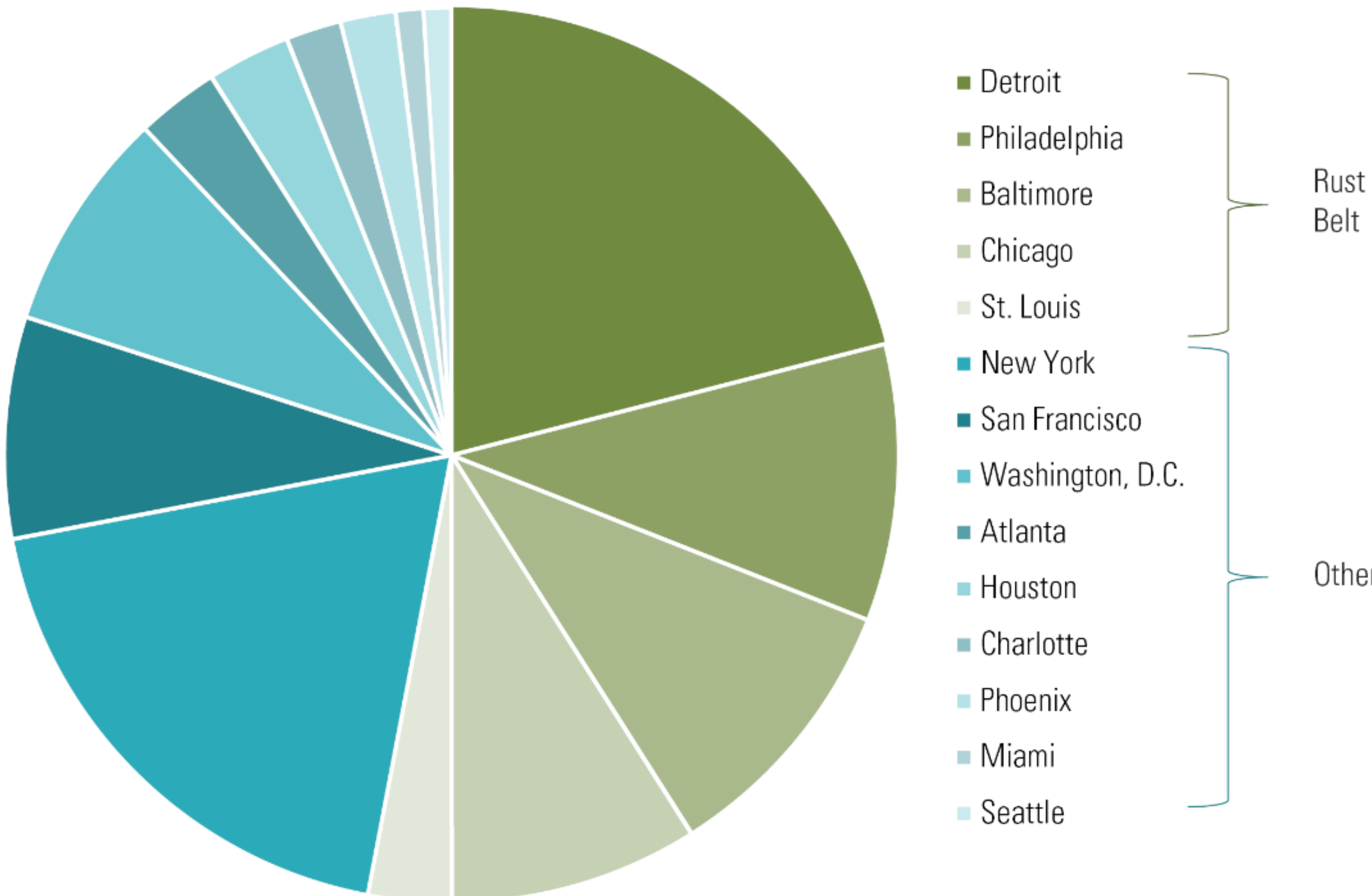
We found several consistent patterns…

1. Highly gentrified OZs are concentrated in 'Rust Belt' cities

Count of 100 Most Gentrified Opportunity Zones



Source: RCLCO

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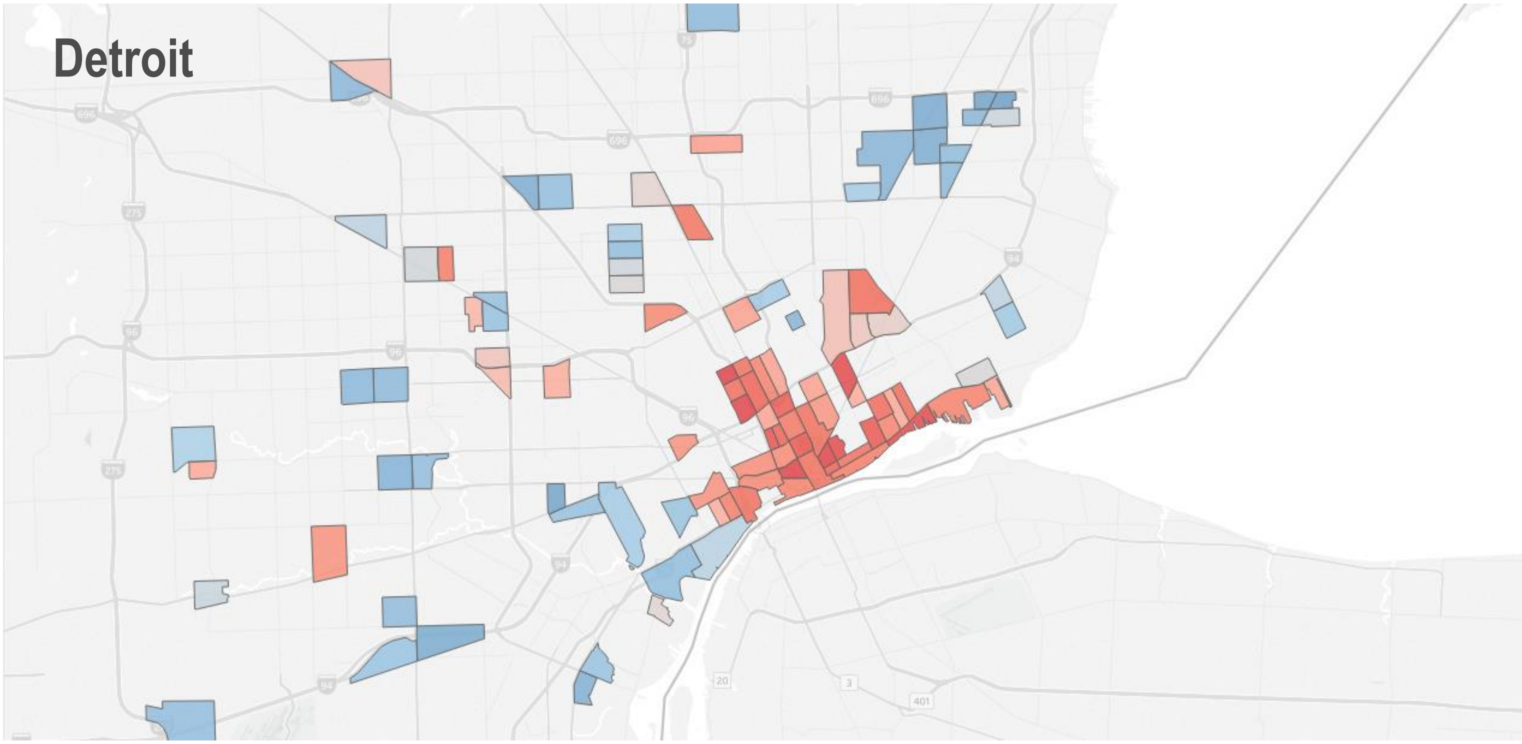
We found several consistent patterns…

2. Gentrification is most pronounced in urban neighborhoods



3. While the vast majority of selected Opportunity Zones fall within economically challenged neighborhoods, there remain significant outliers

<u>Example: DUMBO and Downtown Brooklyn</u>

Median HH Income: $112,000

% Bachelor's Degree: 56%

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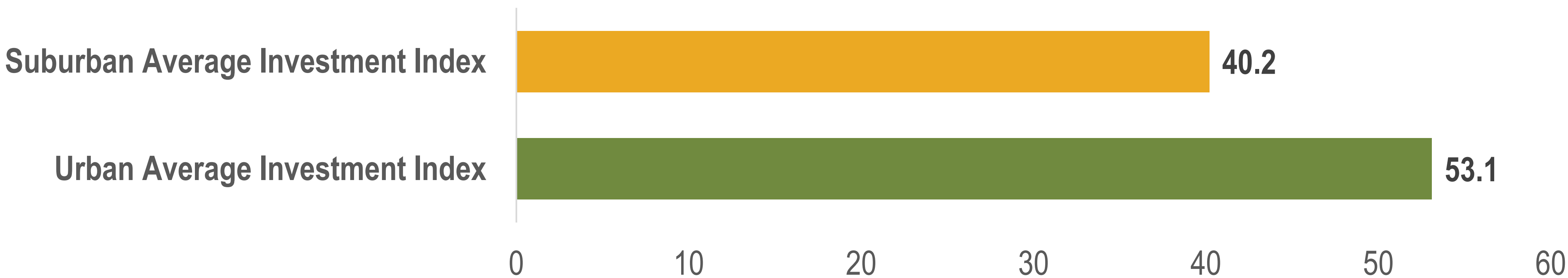
A backwards look at investment in OZs confirms conventional wisdom

New development and capital flows are concentrated in OZs within major gateway markets; primarily in urban locations

Top 10 Most Active Markets – RCLCO Investment Index

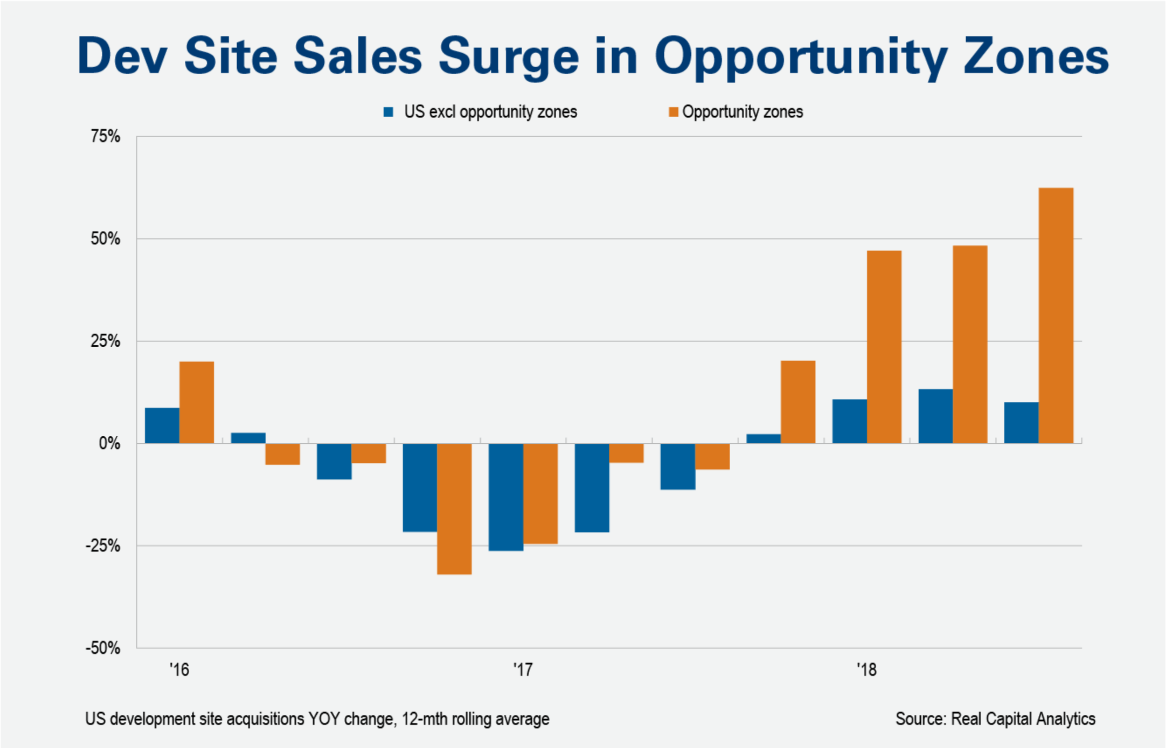
1	San Francisco	**6**	Baltimore
2	Denver	**7**	Washington, D.C.
3	New York	**8**	Boston
4	Los Angeles	**9**	Philadelphia
5	Miami	**10**	Minneapolis



Implication: As of yet, potentially overlooked opportunities outside traditional markets/submarkets

Initial data shows substantial capital inflows into qualified zones

CoStar and RCA are already reporting increased activity in OZs and higher pricing in select markets



- ► Private, local owners are dominant players for the time being
- ► Industrial over-represented; office and retail under-represented

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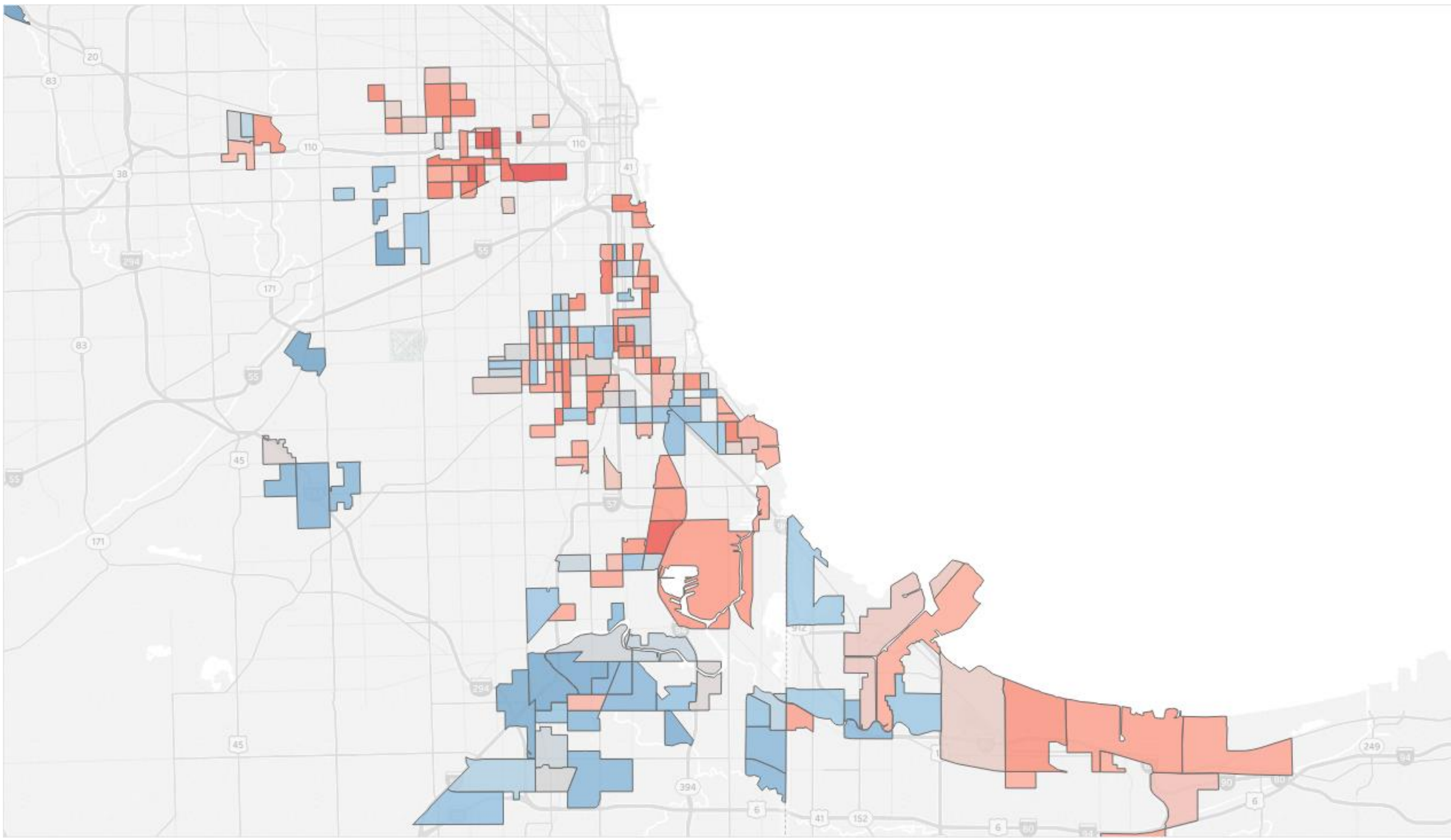
Source: Real Capital Analytics

Chicago OZs demonstrate similar patterns of neighborhood change

RCLCO Gentrification Index



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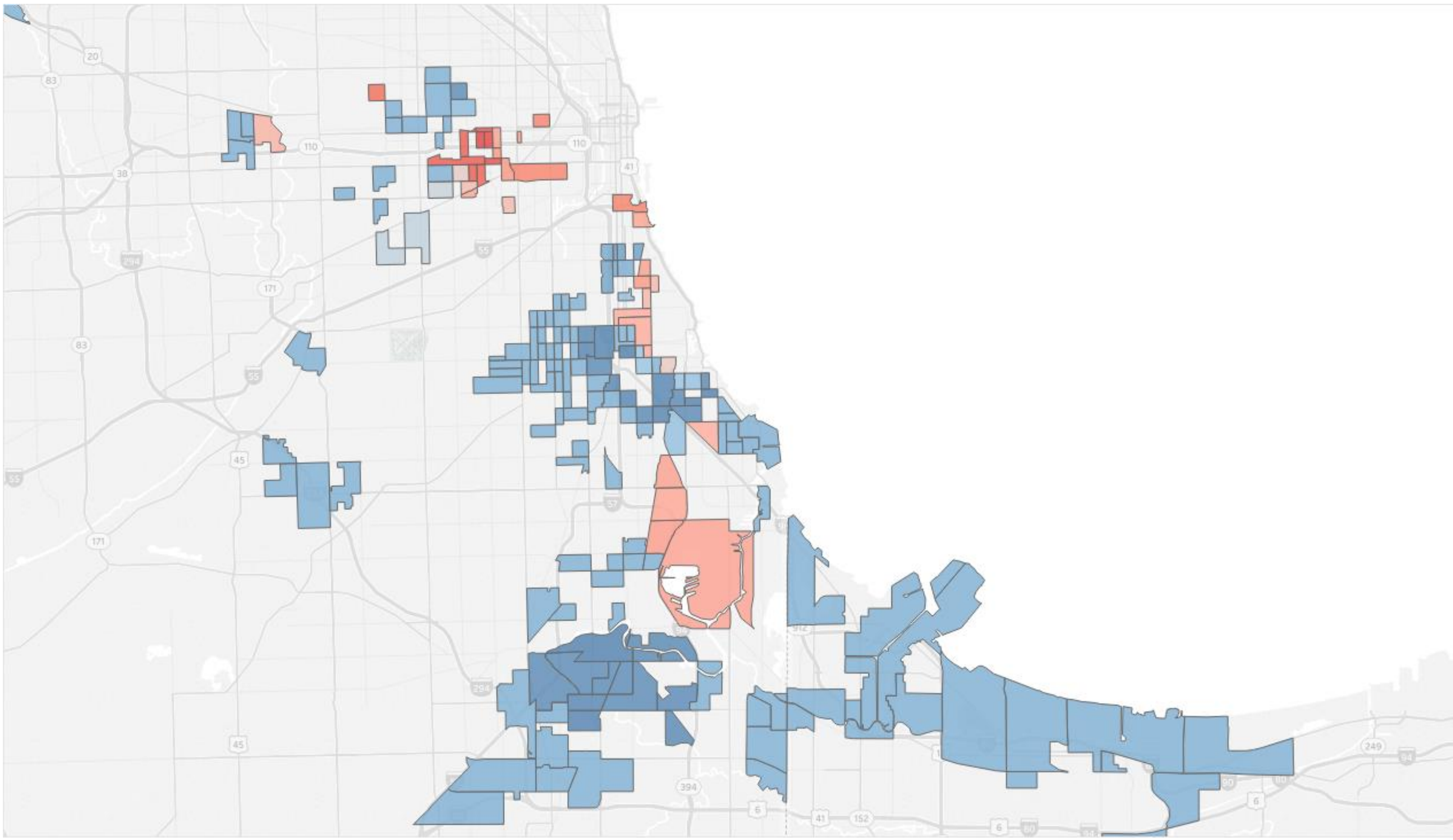
Chicago OZs demonstrate similar patterns of neighborhood change

RCLCO Investment Index



► **Investment overwhelmingly concentrated near Chicago's urban core**

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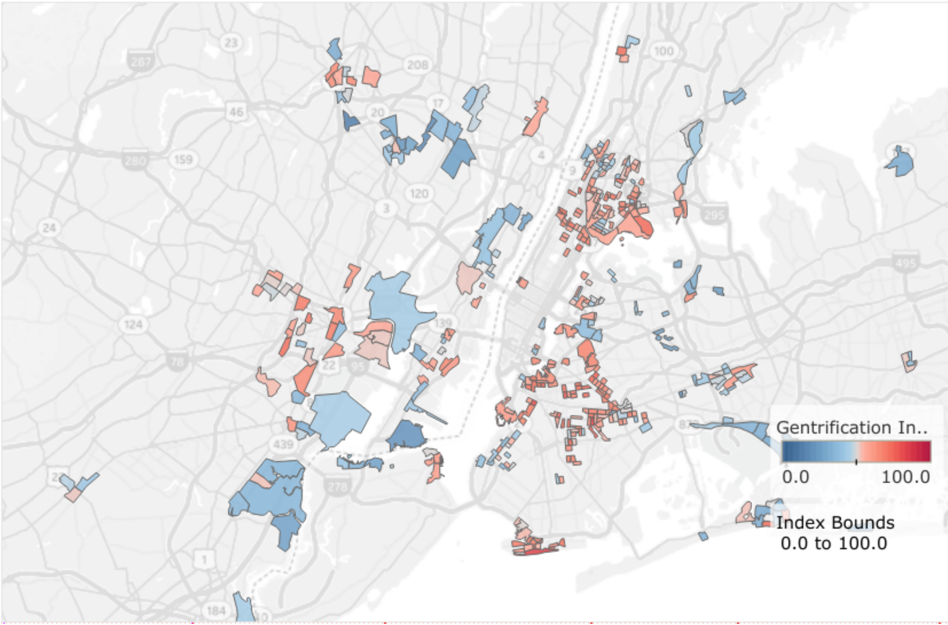
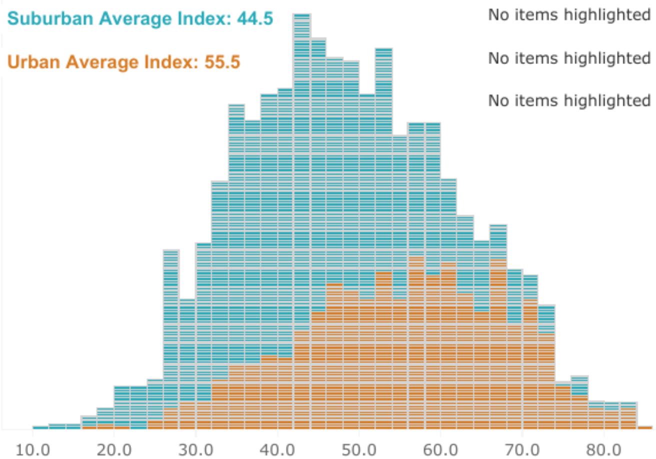
Source: Real Capital Analytics

RCLCO Opportunity Zone Gentrification Index





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Model Weights

Demographic Change
Average Importance

Income Change
Average Importance

Investment Change
Average Importance

15 Most Gentrified MSAs

MSA	Gentrification Index	Demographic Index	Income Index	Investment Index
San Francisco	55.0	55.6	58.4	51.1
Denver	54.4	55.4	56.8	51.0
Detroit	53.1	65.4	48.2	46.0
Baltimore	52.8	54.0	54.6	49.9
St. Louis	52.0	62.1	51.6	42.2
Philadelphia	51.8	52.8	54.1	48.5
New York	51.7	51.5	52.8	50.9
Chicago	51.2	66.2	50.3	37.0
Washington, ..	49.3	50.8	47.7	49.8
Los Angeles	49.0	48.3	48.5	50.3
Charlotte	49.0	54.3	51.5	41.3
San Diego	48.6	50.2	58.3	37.4
Atlanta	48.5	58.9	51.2	35.4
Miami	48.3	47.0	47.6	50.0
Minneapolis	48.2	41.9	55.5	47.1

HOW TO USE

Use the sliders above to change the relative importance of these three factors in the gentrification index. Specific states and MSAs can be higlighted using the search bars to the left. RCLCO's Gentrification Index is based on three factors:
1. Change in Investment - Recent volume of multifamily deliveries per capita relative to historical levels
2. Change in Income - 2010 median household income and the change in median household income between 20..

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For more information:
https://www.rclco.com/publication/building-opportunity-mapping-gentrification-and-investment-across-opportunity-zones/