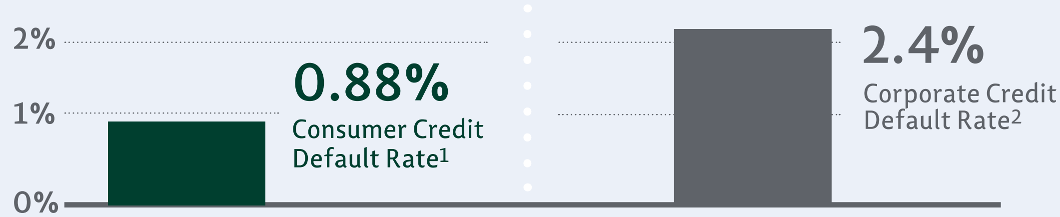
RESOURCE REAL ESTATE

Fast Facts: Apartment Credit Quality vs. Single-tenant Corporate Debt

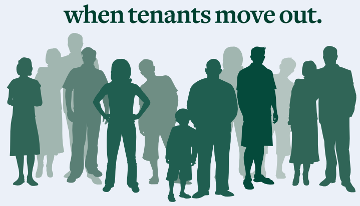
Many Apartment Tenants Vs. Single-Tenant Corporation

Consumer credit has a lower default rate than corporate credit.



Apartments are granular because they have a smaller impact on overall investments.

Mid to large apartment communities rent to 250-1,000 uncorrelated, personally signed credit tenants. Money still comes in, even when tenants move out.



Result of move out:
Small impact on overall investment.

When the only tenant in a single-corporate tenant building moves out upon lease expiration, the property makes no money until it gets a new tenant.

Result of move out:
Major impact on overall investment.

Apartments protect against inflation because they issue short-term leases.

Apartment Leases

Short-term: 10-12 months

Tenants: Annual renewal capture market inflation*

*During non-inflationary or deflationary periods rents may remain stagnant.

Single-Tenant Leases

Long-term: 9-12 years

Tenants: Generally, high-quality tenants do not experience rent escalation, meaning rents do not get adjusted during lease

Apartments may be a less risky investment than a single-corporate tenant investment because they have more tenants to fall back on if one or two of them default.

1. Consumer credit default rate: This index measures the default rates across autos, first and second mortgage and bankcards, and also offers investors a broader benchmark combining and measuring the default rates of all four indices included in the S&P/Experian Consumer Credit Default Indices, as of 5/15.
2. Moody's Monthly Default Report includes speculative-grade default statistics by region and industry, as well as year-ago rates and year-ahead forecasts. It also provides recent rating transition data, Moody's global distressed index data and default rates among Moody's-rated loan issuers. Moody's 12-month global speculative-grade default rate closed at 2.4% as of 5/15.

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RRE-FLY-008-Z01