Q1 2016 Student Housing Market Update

The following information represents the most current data available, in some cases limited to the end of the fourth quarter of 2015. When available, data reported for the first quarter of 2016 is also incorporated.

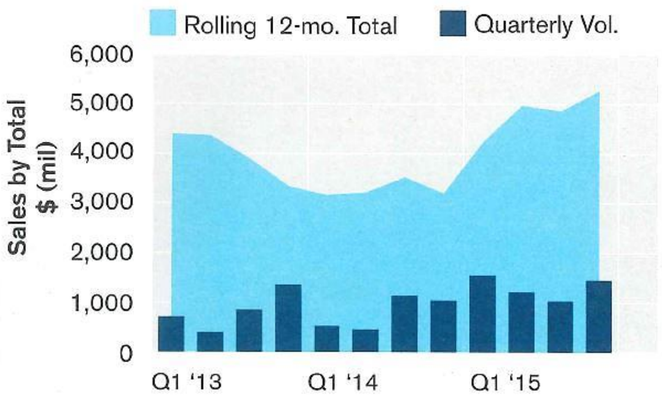
Transaction Activity

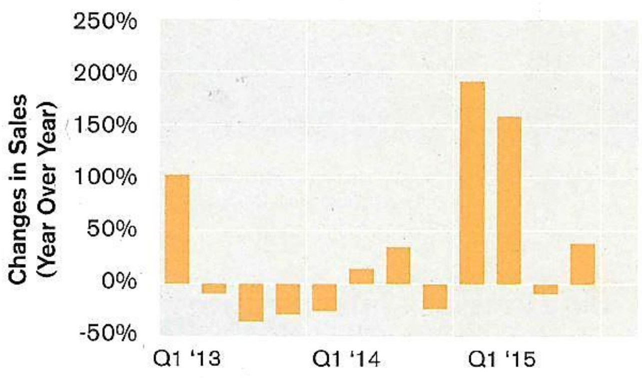
STUDENT HOUSING PROPERTY SALES: U.S.

	2014	2015	Change
Total Volume, Past 12 Months	$3.20B	$5.28B	65%
Total Volume, Q4 (2015 vs. 2014)	$1.04B	$1.45	39%
Property Sales, Q4 (2015 vs. 2014)	40	52	30%

Source: Real Capital Analytics

HISTORICAL VOLUME ($M) AND YEAR-OVER-YEAR CHANGE (%): U.S.





Source: Real Capital Analytics

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- 2015 set a new record for the level of capital investment into the sector. According to FourPoint, sales volume over the year totaled over $4.8 billion, surpassing the previous high in 2012 by approximately 20%. According to Real Capital Analytics, 2015's fourth-quarter sales volume totaled approximately $1.04 billion, an increase of approximately 39% over 2014 fourth-quarter sales.
- In stabilized properties within 0.5 miles of campus, rents grew by 2.2%. Properties located between 0.5 and 1 mile from campus posted 2.4%, whose rent growth Axiometrics attributes primarily to a relative lack of new deliveries at these distances permitting extra leasing cycles' worth of rent increases.
- According to Real Capital Analytics, as of the close of 4Q 2015, the average capitalization rate for all student housing property transactions rose by 21 basis points relative to the same time in 2014.
- However, according to FourPoints, the average capitalization rate for class-A properties fell over 2015, from approximately 6.0% to approximately 5.75%, ranging as low as 4.6% for the most desirable properties, comfortably maintaining approximate parity with record lows for traditional multifamily properties.

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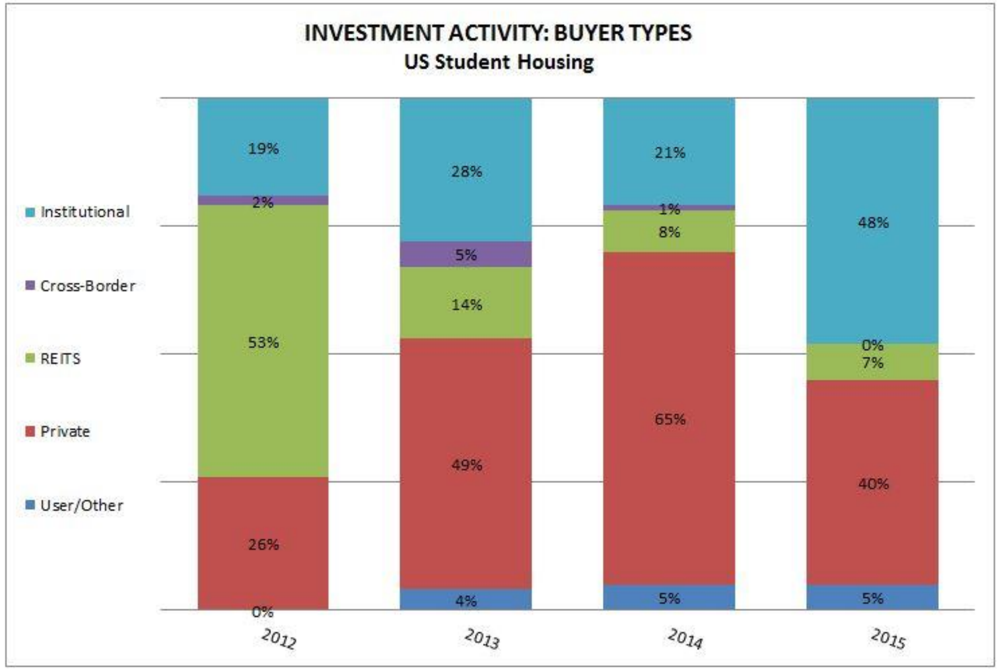
Capital Flows and Ownership



Source: Real Capital Analytics

- According to Real Capital Analytics, 2015 ended with a deepening trend of institutional owners increasing their acquisition activity. As such, they have reasserted their primacy (48%) over private owners (40%) as the most prominent buyers of student housing.

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- By year-end 2015, dispositions by private owners outpaced that of REITS, easily absorbed by a concurrent Q4 surge in acquisitions by institutional owners. Whereas private owners maintained an approximate balance of acquisitions and dispositions, however, institutional owners were without question the most active buyers. Institutional investors such as Singapore's GIC now vie with Harrison Street as top investors of US student housing properties, indicating a combination favorable to the company in which gradual consolidation is accompanied by the entry of further large-scale institutional buyers of completed properties.
- According to FourPoints, 2016 investment activity is expected to remain strong. A combination of record-low capitalization rates among both traditional multifamily and Class-A student housing properties, as well as supply-demand imbalances among local markets, portends continued support for price growth among well-located, Class A student housing assets. The Company anticipates that the sector, along with other US real estate investments, from a flight to safety among both domestic and foreign investors.

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LARGEST INVESTORS IN PRIVATE STUDENT HOUSING BEDS

Buyer	Acquisitions, $m, Prior 24 Mos.	Number of Properties	Recent Activity
Harrison Street Real Estate Capital (Chicago, IL)	$1,900.7	63	Acquired 38,000 beds from CCG
The Scion Group (Chicago, IL)	$1,569.9	28	Acquiring University House (11,000 beds)
Canadian Pension Plan Investment Board (Toronto, Canada)	$1,175.0	16	Participated in above acquisition
GIC (Government of Singapore) (Singapore)	$1,175.0	16	Participated in above acquisition
Principal Financial (Des Moines, IA)	$455.1	10	$650m GMH JV to buy student housing
American Campus Communities (ACC) (Austin, TX)	$379.3	8	1882 beds in one-off acquisitions

Source: Student Housing Business

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Demand, Supply, and Development

- Strengthening tenant demand has not slackened. According to Axiometrics, as of 1Q2016, pre-leasing for the 2016-2017 academic year (60.1%) still outpaced that of the prior year (55.5%), by approximately 4.6% of occupancy. This is attributed to an approximate decrease of 18,000 newly-delivered beds relative to their fall 2014 peak.
- As of March 2016, Axiometrics indicated an annual average effective rent per bed of $617 for the Fall 2016 pre-lease, a 2.4% increase over the March 2015 average. Moderation of new supply deliveries is cited as the primary driver of this rent growth.
- Notwithstanding the healthy overall market environment for student housing, each university town behaves as its own, distinct micro-market. Pinecrest has experienced firsthand the effects of introducing significant quantities of new supply into specific markets. Typically such effects are short-term and limited to the initial lease-up, both in terms of rental rates and occupancy, as the market adjusts and more students migrate from the surrounding “shadow market” of single family homes and dated conventional multifamily properties.
- The importance of market selectivity for new projects remains paramount, in line with the Company’s emphasis on targeting markets with strong university demographics for investment.

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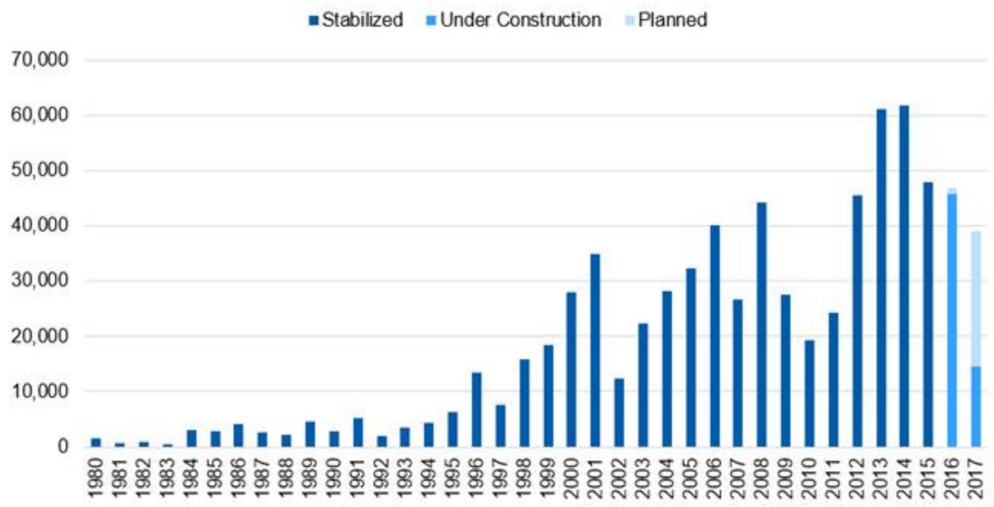
YEAR-OVER-YEAR STUDENT HOUSING DELIVERIES

Year	Beds Delivered
2013	59,774
2014	63,182
2015	47,822
2016*	48,921
Total*	219,699

*Forecast. Source: Axiometrics



Source: Axiometrics

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REIT Activity

- The performance of the two remaining publicly traded student housing REITs are viewed by some as a bellwether for the sector at large. Pinecrest's observations therefore extend to the performance of American Campus Communities (ACC) and Education Realty Trust (EdR).

ACC	1Q16	1Q15	% Change	EdR	1Q16	1Q15	% Change
Share Price	47.02	42.84	9.8 %	Share Price	41.60	34.80	19.5 %
FFO	$81.8 m	$77.0 m	6.2 %	FFO	$22.8 m	$23.1 m	-1.4 %
Same-Store Wholly-Owned Occupancy	96.8%	97.6%	-0.8%	Same-Store Wholly-Owned Occupancy	82.5%	81.6%	1.1%
Same-Store Wholly-Owned NOI	$95.5m	$93.1m	2.6%	Same-Store Wholly-Owned NOI	$38.2 m	$35.2 m	8.5%
Same-Store Wholly-Owned Pre-Leased	77.4%	75.7%	1.7%	Same-Store Wholly-Owned Pre-Leased	79.1%	75.2%	3.9%
YTD Dispositions ($)	$73.8 m	$231.0 m	-68.1%	YTD Dispositions ($)	$52.4 m	$0.0m	-- --
(Beds)	1,324	6,001	-77.9%	(Beds)	384	0	-- --
YTD Acquisitions (Beds)	0	1,772	-- --	YTD Acquisitions (Beds)	194	0	-- --
YTD Development Pipeline ($)	$1,184.5 m	$747.8 m	58.4%	YTD Development Pipeline ($ per quarter)	$637.0 m	$506.3 m	25.8%

Source: ACC, EdR Earnings Reports

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- Performance of properties owned by ACC and EdR saw an increase in first quarter 2016 same-store pre-leasing over the previous year of 1.7% and 3.9%, respectively. Same-store property NOI posted significant year-over-year gains in the first quarter as well, reflecting rent increases of 2.5% for ACC and approximately 3.5% for EdR. All data indicates ongoing positive absorption of newly-delivered properties for both REITs.
- Balance sheet improvements pursued by ACC and EDR have resulted in improved credit ratings and access to liquidity. This has permitted both REITs to pursue a more balanced mix of development activity and one-off acquisitions alongside ongoing programs of capital recycling via strategic dispositions.
- In EdR's 1Q16 Earnings call, Tom Trubiana, President of EdR, identifies three main drivers of current programming: historical lows among capitalization rates for pedestrian-to-campus student housing properties, rising construction costs, and their preference for a 150-basis point spread between yields on acquisitions and developments. Together, these have left the firm open to development opportunities with sub-7% yields. By the same token, however, as CEO Randy Churchey emphasizes, this also requires that acquisition programs retain a tightly disciplined focus on select, individual properties with clear upside potential, rather than portfolio-sized investments.

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- As noted in ACC's 1Q16 Earnings report, ACC's CEO Bill Bayless has also stressed that whereas recent dispositions may appear dilutive of earnings in the immediate term, the company is now poised to pursue development more vigorously, in time with what he describes as "notable [participation] from institutional and global capital" that underpins "tremendous external growth opportunities" in 2017 as the pool of buyers only deepens.
- In terms of development, both firms' earnings reports draw particular attention to the primary role and expansion of their respective third-party on-campus development partnerships with Tier-I universities, again in keeping both with increasing scarcity campus-walkable sites ready for development in a low-yield environment combined with greater barriers to entry in on-campus environments.
- As such, it remains reasonable to look primarily toward institutional capital rather than REITS as potential buyers of completed properties.

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Construction Financing Trends

- Lenders are now offering lower payout ratios.
- Most construction loans now require principal repayment recourse.

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Summary

- The same criteria that formed the basis for establishing the Company's initial business plan remain valid in the student housing market, and data suggests that overall market conditions continue to improve, further reinforcing our strategy. Student housing remains attractive to investors because it continues to be a highly fragmented industry, with no single owner or group of owners holding a dominant market position. Growing capital flows into the sector from institutional and private investors worldwide should continue to support strong asset values, and likely additional future consolidation in ownership should align with the Company's ability to identify and develop sites more easily overlooked by larger market participants.
- A high degree of flexibility with respect to land assemblage as well as development timing further supports Pinecrest's ability to align the needs of each campus community with the product the Company produces. The Company's business plan of developing top-quality, best-in-market projects in locations with easy pedestrian access to campuses is therefore enriched further by the ability to maximize yields based on an optimal balance of construction costs and local market conditions. We continue to believe that an eventual exit strategy of selling stabilized assets to institutional investors may provide good pricing to Pinecrest. Institutional investors may increasingly favor bolstering growth in the face of tighter yields from rising construction costs, the increasing scarcity of suitable sites for class A developments, and relative insulation from the effects of rising interest rates.