Harnessing AI and Machine Learning

THE GREEN CITIES COMPANY

In an era of technological advancement, innovation is not optional; it is foundational to success and performance.

Artificial intelligence and machine learning are reshaping how real estate markets are analyzed, underwritten, and navigated. At their best, these tools do more than process data; they can enhance the investment decision-making process. The recently developed and proprietary Green Cities' AI/ML models illustrate our commitment to integrating data analysis in our decision-making process and supporting our culture of continuous innovation. By projecting key metrics such as multifamily rent growth and pricing, while identifying the underlying factors driving them, our models translate complex datasets into clear and actionable insights that inform our investment decision process. The strongest real estate investment outcomes occur when a sound business plan is met with hands-on operational excellence with favorable market conditions. As leaders in operational execution, our AI/ML models further strengthen our ability to evaluate potential market scenarios and make more informed investment decisions.[1]

Today at Green Cities we prioritize AI/ML initiatives we believe are fundamental to maintaining a competitive advantage and achieving better outcomes for our investors[1]. Green Cities' proprietary Machine Learning Growth Predictor (ML-GP) and Cap Rate forecast models help us understand multifamily market drivers, trends, and expected performance. These models are built on Light Gradient Boosting Machine frameworks, originally developed by Microsoft, and are selected against a dozen other candidates for accuracy, speed, and scalability. Our models analyze millions of relationships between factors and build weighted influence maps that quantify these relationships and data patterns. Each model iteration sequentially improves the errors of the previous model and refines the overall predictive accuracy. Beyond accuracy, our models are strategically trained and optimized independently by each MSA for unique underlying drivers and dynamics, and are only interconnected through Macro/national data factors. This approach differs from industry-wide datasets, which typically do not employ fully independent MSA models when producing rent-growth forecasts. As such, Green Cities' models are designed to learn more market specific relationships between a mix of economic and multifamily fundamental data, discard decaying patterns, and adapt intelligently to market shocks, like COVID. All of these efforts are employed within each model and are automated and fast enough to update on a quarterly basis.[2]

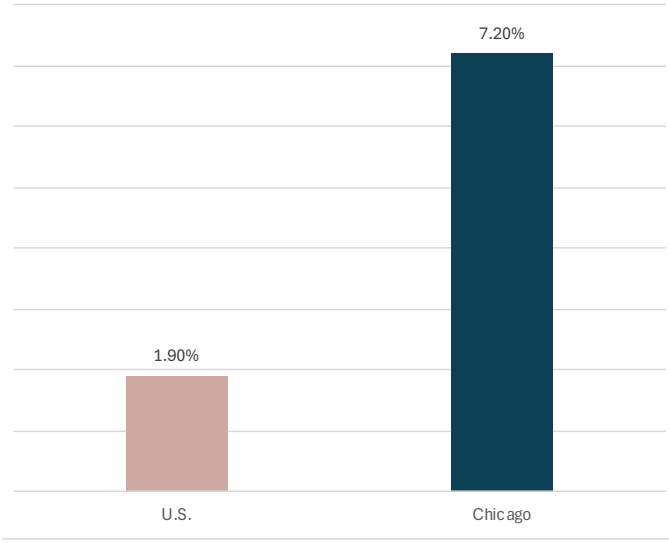
1 No strategy, formula or approach can guarantee gains or avoid losses. While AI/ML has advanced significantly, its impact remains uncertain and introduces risks that could affect performance. Green Cities supplements AI/ML with additional resources to help manage these risks.
2 Model outputs are hypothetical, based on assumptions and historical data, and may not reflect future market conditions or results

A tool is only valuable if it is both accurate and boosts confidence. To evaluate the confidence of the model, we utilize a Mean Absolute Scaled Error (MASE) score, a metric for comparing the strength of any forecast against a naïve, baseline forecast. A lower MASE score indicates a better performing forecast, with a score of 0% indicating no error under this metric. With every model iteration, our MASE scores have improved. Version 2.8 achieved average and median MASE scores of 24% and 18% respectively across 22 trained markets, while our latest v2.9 model improved those scores to a 16% average and 13% median across all 22 trained markets, which demonstrates continued gains in forecast reliability.[3]

Today, Green Cities is using the ML-GP and Cap Rate models to target and underwrite markets with projected higher performing future growth and better relative value. This is best exemplified through the lens of a 2025 multifamily investment made by Green Cities, utilizing these tools: the property, an asset situated in Chicago's vibrant West Loop/Fulton Market district, was constructed in 2014 and comprises 223 units. Beginning in 2024, Green Cities' AI/ML models steered our attention toward Chicago, highlighting it as a promising market for rent growth and value.

2025 market data ultimately showed Chicago's effective rent growth reaching 7.2%, far surpassing the 1.9% average observed across the broader U.S. market and aligning with what the model indicated for that period.[4] Additionally, all third-party data commonly utilized by our industry predicted lower growth for Chicago, suggesting that the market had not yet recognized the emerging strength in Chicago's multifamily sector, giving our team valuable insight.[5] As a result, we were able to acquire the Chicago West Loop asset at a 6% in place cap rate, representing compelling relative value compared to other markets, as Chicago's robust forthcoming rent growth had not yet been reflected in market pricing.

Chicago Effective Rent Growth Outperformance
Multifamily Effective Rent Growth, 2025



Source: RealPage

As multifamily investing enters its next cycle alongside available technology and its accompanying tools, the firms likely to outperform will be those that combine operational excellence with shrewd and disciplined decision-making propelled by data-driven insight. Green Cities believes our utilization of AI and machine learning tools strengthen our underwriting and decision-making conviction and ultimately lead to more resilient investment strategies.

3 No representation is made that any model or forecast will be accurate or achieve any particular result. Past performance (including past model accuracy) is not indicative of future results. MASE and similar statistics are backward-looking model metrics, not investment performance.
4 Model outputs are hypothetical and may differ materially from actual results in other periods or markets
5 Example or case study provided above is for illustration only, and my not be indicative of future results, and is not intended as a recommendation. Other investments and forecasts may have different results, and my not be accurate. Rent growth does not necessarily translate into positive overall investment returns and not a guarantee of overall performance of an investment. Past performance of accuracy is not indicative of future results.

THE GREEN CITIES COMPANY

IMPORTANT INFORMATION & DISCLOSURES

This document is for informational purposes only and does not constitute investment advice, an offer to sell, or a solicitation of an offer to buy any security. Any descriptions of processes, models, or strategies are provided for illustrative purposes only and may change without notice. Additionally, it does not constitute an offer to enter into an investment agreement with the recipient of this document nor is it an invitation to respond to it by making an offer to enter into an investment agreement. This material also contains third party material that does not necessarily represent the opinion of The Green Cities Company. The Green Cities Company is not responsible for the accuracy of any third- party information provided in this presentation and expressly disclaims any liability for the use of it.

Certain historical information has been included in this material and such performance information is presented by way of example only. No representation is made that the performance presented will be achieved by any Green Cities investments or funds. This material is not intended to be relied upon as a forecast, research, or investment advice, and is not a recommendation, offer or solicitation to buy or sell any securities or to adopt any investment strategy. Reliance upon information in this material is at the sole discretion of the reader. Certain content discusses forecasts, model outputs, or hypothetical results (including metrics such as MASE). Hypothetical or model performance is subject to numerous inherent limitations, does not investment results, and may not account for market or economic factors that could materially affect outcomes. No representation is made that any model or forecast will be accurate or achieve any particular result. Institutional Investors Only: Hypothetical/pro forma return information is for discussion purposes only, is not a guarantee of future performance, and actual results may vary materially due to market and other factors.

There has been significant recent progress and development in the area of artificial intelligence, but the impact of such evolving technology to the Green Cities and Green Cities Fund's investments cannot be determined at this time. In considering prior performance information contained in this material, investors should bear in mind that past performance is not necessarily indicative of future results. This material presents the author's opinions reflecting current market conditions. All investments involve risk, including loss of principal, and are subject to market and other risks, including but not limited to real estate, liquidity, interest rate, tenant, regulatory, and macroeconomic risks.

greencities.com