forum[1]

2024 ANNUAL OUTLOOK

1. Forum Investment Group LLC is primarily comprised of Forum Capital Advisors LLC and FCA Capital Markets LLC, and is affiliated with Forum Real Estate Group, LLC (collectively, "Forum").
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We believe focus and persistence lead to opportunity.

Darren Fisk

Founder and CEO

We could not be more enthusiastic about the strides we have made at Forum to prepare our investors for the opportunities we see in 2024. In the past year, Forum continued to enhance its platforms to take advantage of the challenges and opportunities we see in the multifamily markets. We optimized our internal team adding Managing Partner, Lee Beck, as Head of Investment Management and a number of new Distribution team members to service new and existing relationships. As noted in the following commentary, we believe current multifamily market conditions have the potential to create more attractive opportunities in 2024.

We began 2023 in a different world, in many ways, following three plus years of the COVID pandemic. The economy recovered its vibrancy and brought with it inflation for the first time in recent memory. Technology continued to charge forward and potentially change how many of us live. Large language models, ChatGPT being its most popular manifestation, proved again that AI-driven functionality displayed the potential to upend how we find information. We expect this technology will bring both expected and unexpected changes in just about every industry, not just medical and technology, and we are evaluating how to potentially harness it at Forum.

Inflation ruled market conversations during 2023 and we believe it will continue to have impact in 2024 and beyond. Higher mortgage costs made home buying even more difficult for many.[1] Meanwhile, fewer homeowners were selling their homes to avoid facing higher rates.[2] Higher borrowing costs and multifamily income returns ("cap rates") depressed values and created capital dislocations for some in the industry.[3] Even so, we are looking ahead to what we believe could be a unique investment opportunity. Historically high inflation can create commensurately high cap rates which typically result in a higher-quality, more income-driven equity return, and better credit for lending. To take advantage, in 2023 we enhanced our investment offerings, refined our processes, and added new, key experts and thought leaders. We opened new distribution channels and implemented strategies aimed at opening many more. We look forward to discussing these with you in more detail in 2024.

We took these measures to make Forum and its investors even more competitive and enhance our ability to deliver long-term growth. We also continue to innovate in how we communicate with you, and you heard from us in new ways in 2023. Please stay tuned for more choices in your communication with us as we maintain the transparency that has been a Forum hallmark.

It was not that long ago that we said recessions may be the best times for businesses nimble enough and with vision. We believe we lived that philosophy in 2023, setting Forum and its investors up for an exciting 2024. Trust is our calling card and you have been critical in growing that value over the years. We open 2024 with the goal of exceeding your expectations again.

1. *Wall Street Journal, "There's Never Been a Worse Time to Buy Instead of Rent", October 22, 2023.* **2.** *Statistica.com, January 3, 2024.* **3.** *Bloomberg.com, "Short Sellers See Distress Emerging in Apartments as Borrowing Costs Surge", January 6, 2024.*

Current Market Perspective

Jay Miller

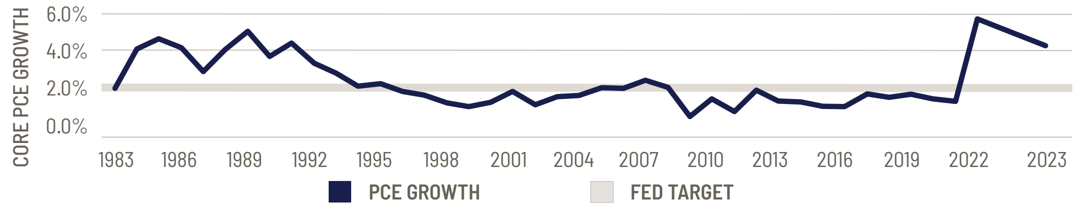
Chief Investment Officer

We look forward to 2024 with guarded optimism. This time last year, rising inflation topped the list of market drivers as it charged ahead for the first time in more than 20 years. The U.S. Federal Reserve (the “Fed”) was responding with rate hikes bringing recession and market uncertainty into the conversation. As we look into 2024, we see a potentially more stable picture. We believe recession is less likely and see stability ahead. All of which, we believe, will contribute to increased real estate transactions volume and price discovery in 2024.

In the late December Federal Open Market Committee (“FOMC”) meeting, the Fed made news, even as it held interest rates steady for a third meeting, as expected. In his post-meeting press conference, Chairman Powell allowed that the FOMC had discussed rate cuts at its meeting, surprising some. Markets reacted enthusiastically with the 2-year Treasury yield dropping and equity markets climbing. Whether rate cuts are imminent, and whether borrowing costs will follow, remains highly uncertain in our view, but the data seems to support steady rates. Year-over-year wage growth reported in Q4 remains strong but is moderating, allowing the Fed to leave rates alone for now.

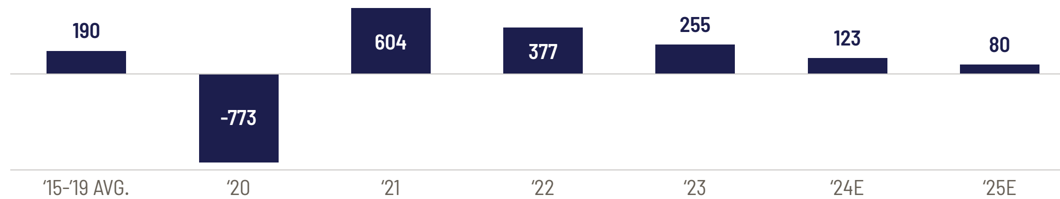
1. *GreenStreet Residential Sector Update, December 1, 2023.*

CORE PERSONAL CONSUMPTION EXPENDITURES (PCE) GROWTH | 1983—2023

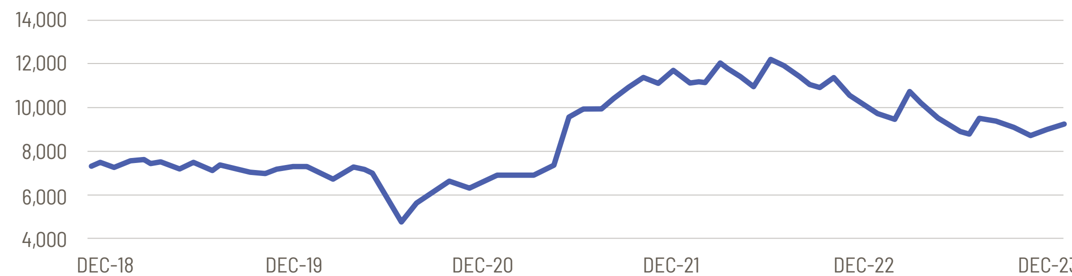


Source: Federal Reserve Bank of St. Louis, 1/29/2024.

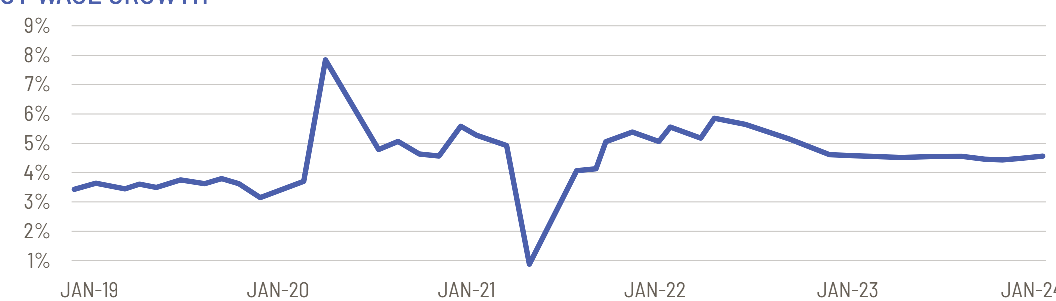
NONFARM EMPLOYMENT - AVG. JOB GROWTH PER MONTH[1]



JOB OPENINGS (000'S)[2]



YOY WAGE GROWTH[3]



__1.__ Source: U.S. Bureau of Labor Statistics (Historical Data), Costar (Future Projections) __2.__ Source: U.S. Bureau of Labor Statistics
__3.__ Source: U.S. Bureau of Labor Statistics

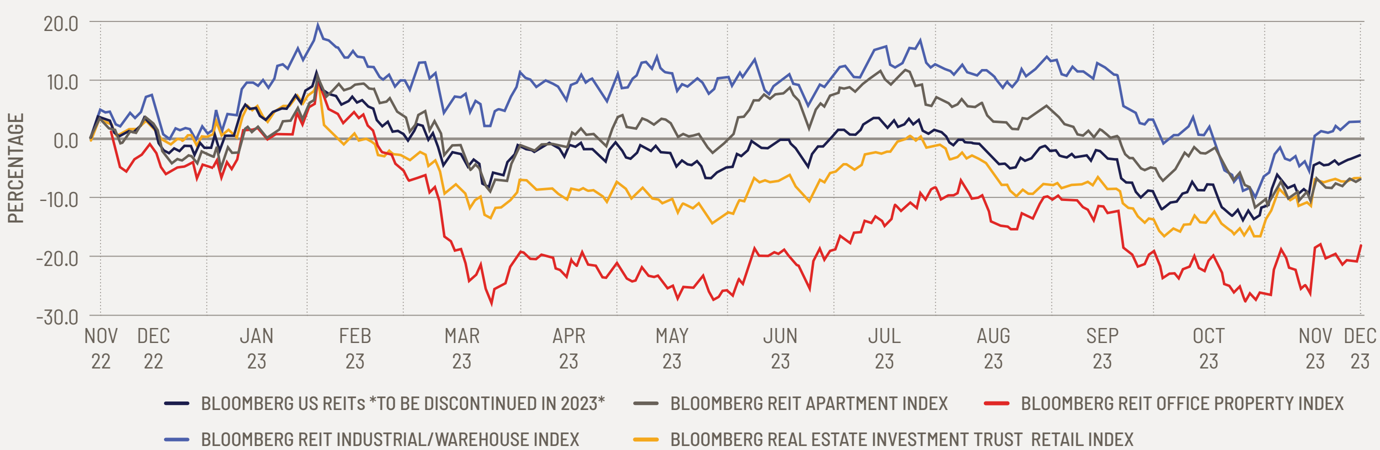
Real Estate Market Overview

The Fed hiking cycle has not come without costs of course. Given that real estate values are highly impacted by changing interest rates, the Fed's aggressive rate hiking strategy has put downward pressure on valuations. Bloomberg notes that public REIT performance has been in negative territory for more than a year, notwithstanding relatively positive performance from multifamily.

Moreover, in the second half of 2023, the yield on 10-year Treasury bonds spiked, crossing the 5% mark for the first time since 2007.[1] The increase in the cost of debt further clouded property valuations and caused what GreenStreet referred to as "widespread declines in pricing," in its December 5, 2023, Commercial Property Outlook.[2]

The capital markets affect different real estate sectors in different ways. The Bloomberg table below reflects that Office, for example, experiences its own unique demand dynamic. Rental housing has generally shown to be more sustainable than office space. As a result, we believe that the multifamily market may enjoy a much stronger outlook. The table also shows that the fourth quarter delivered higher share prices for public REIT's in general. We believe that higher REIT share prices support increased transactions volume in 2024.

BBREIT INDEX, PUBLIC SECTOR PERFORMANCE



Source: BBG REIT, as of December 2023.

1. *Federal Reserve Bank of St. Louis.* **2.** *Greenstreet Commercial Property Outlook, December 5, 2023.*

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As is widely reported, the Fed reminds everyone that inflation has not met target and hikes remain a possibility if the data calls for it. Also, as indicated by the movement of the 10-year Treasury bond in Q3 2023, borrowing costs can move independently of the Fed funds rate.[1] In fact, long-term rates might remain higher and more dependent on Treasury supply and demand. An unending Federal deficit will support supply, but demand could be limited as the largest buyers of treasuries have, in recent years, been central banks, including the Federal Reserve, all of which have become net sellers of treasury securities.[2]

Long-term rates might remain higher and more dependent on Treasury supply and demand.

1. *Federal Reserve Back of St. Louis Federal Reserve, Q3 2023.*
2. *Newmark; Agency and Cap Markets Update Week of December 18, 2023.*

Why Multifamily?

Multifamily begins 2024 on solid footing fundamentals. 2023 ended with supply outpacing steady demand, keeping multifamily rents effectively flat with year over year rent growth finishing at 0.3%.[1] We believe near-term supply issues are off-set by long-term demand dynamics. We also believe that a cessation of the Fed rate hiking portends a near-term floor in multifamily valuations. In our estimation, 2024 is setting up as the opening of a new buying window for multifamily.

Renting has rarely been more affordable compared to buying. The average monthly new mortgage payment is 52% higher than the average apartment rent—the biggest gap since at least 1996.[2]

And in the meantime, renter credit is only getting stronger. There are currently more than four times as many renter households with incomes of more than $1 million than in 2017.[3] Looking back to 2012, the number of renters earning over $200,000 a year is also up fourfold. This sector's demand support potentially creates a long-term buffer against any capital markets volatility.

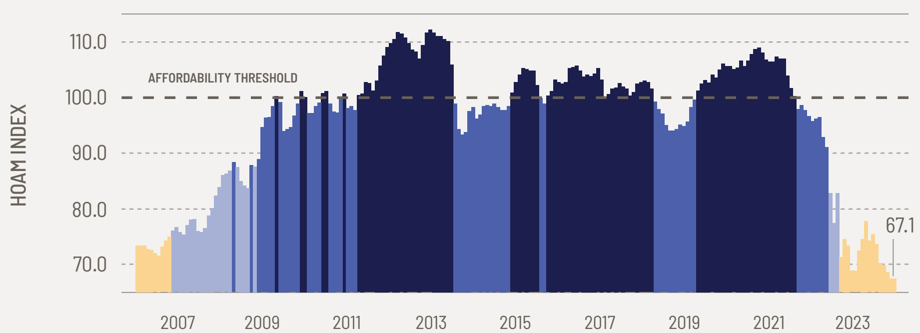
These dynamics support our belief that multifamily demand is sustainable in the long term. Absorption has remained healthy across the country, led by many of the markets that saw the most deliveries including Austin, Orlando, Phoenix, Dallas and Nashville.[4] Moreover, multifamily owners are renewing well over half of their tenants, and at rates more than 6% higher.[5]

1. YardiMatrix, 2023 Matrix December Report, December 2023. 2. Wall Street Journal, "There's Never Been a Worse Time to Buy Instead of Rent", October 22, 2023. 3. Wall Street Journal, "The Rise of the Forever Renters", December 22, 2023. 4. YardiMatrix, 2023 Matrix December Report, December 2023.

PREMIUM/DISCOUNT TO BUY A U.S. HOME VERSUS RENTING IT

Source: CBRE Research, CBRE Econometric Advisors, Freddie Mac, U.S. Census Bureau, Realtor.com®, FHFA.

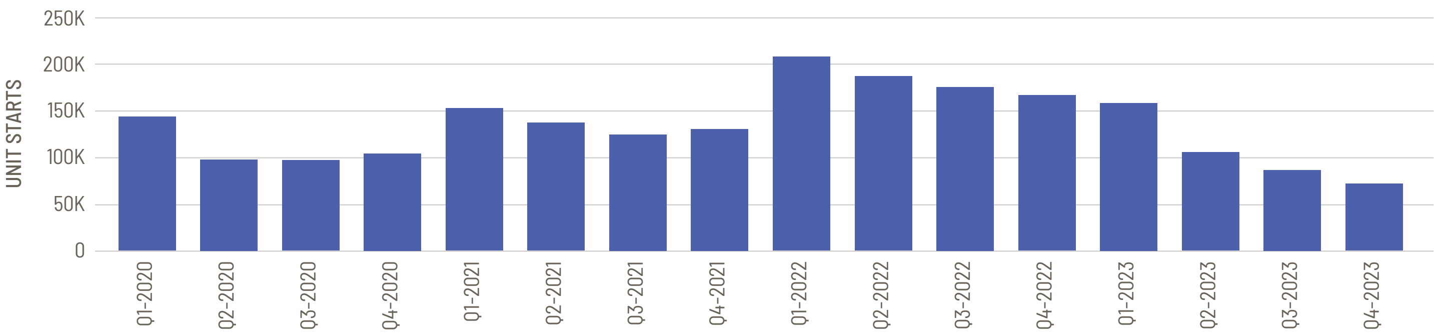
FEDERAL RESERVE BANK OF ATLANTA NATIONAL HOME OWNERSHIP AFFORDABILITY MONITOR (HOAM) INDEX



Source: Federal Reserve Bank of Atlanta. Note: Data through September 2023.

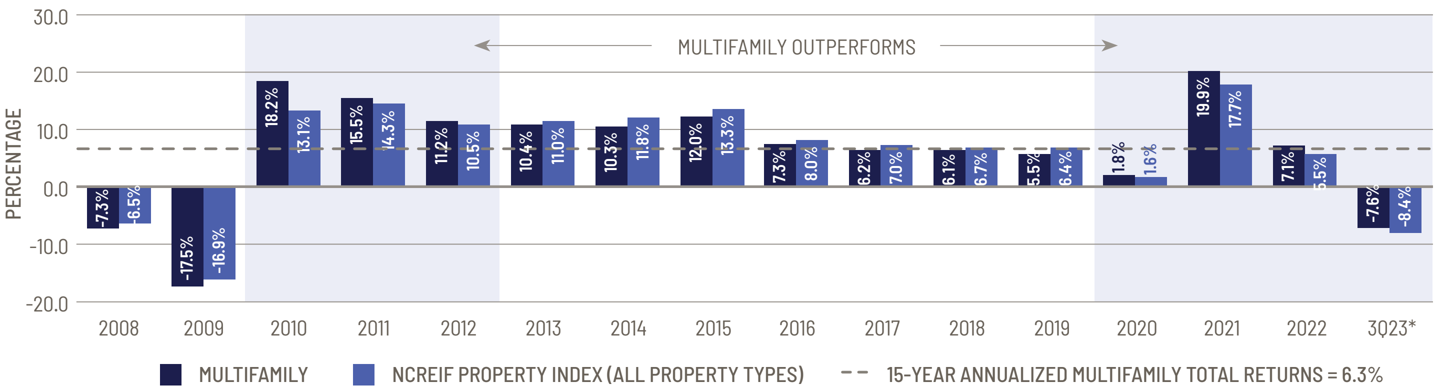
By contrast, we consider the near-term supply issues to be transitory as construction starts have already fallen off. For multifamily focused managers like Forum, these fundamental dynamics reflect our abiding belief in the sector. Forum's unique market position gives it a unique perspective. As a developer and an equity and debt investor, we remain alert to changes in all capital markets. As rates have increased, we have endeavored to minimize the effect of rising rates through fixed-rate loans and a graduated maturity schedule. In the meantime, renter demand is supported by the rising rate dynamics as renter options are limited with fewer homes, and at higher prices providing relative outperformance among the real estate sectors.

CONSTRUCTION STARTS RECEDING

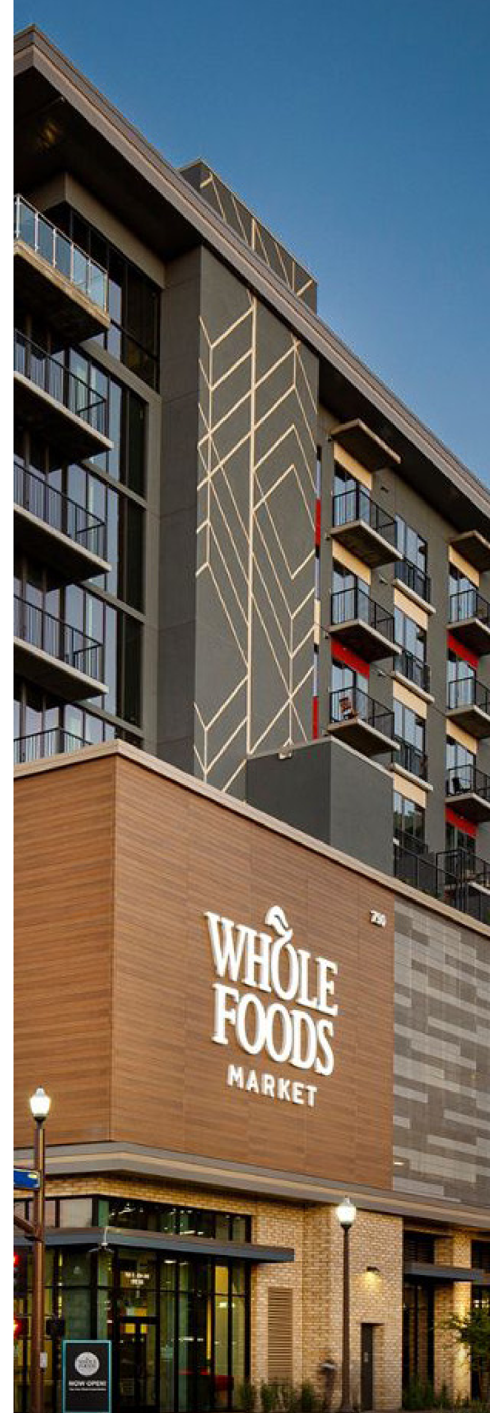


Source: Costar 2023.

CALENDAR YEAR TOTAL RETURNS



Source: 3Q23 total returns are annualized. Source: Newmark Research, NCREIF.



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1. *Fannie Mae Perspectives Blog: "U.S. Housing Shortage: Everything, Everywhere, All at Once", October 31, 2022.*

What you can expect from us in 2024

Opportunities change with markets. 2023 brought with it high interest rates and strong multifamily fundamentals beginning what we believe will be a unique vintage of multifamily debt investing that we expect to continue into 2024. Rising rates that benefitted debt investing created challenges in equity and development. Forum remained patient in 2023 with no equity acquisitions and limited development activity. As an expert in multifamily investing, development, acquisitions and debt, we remain committed to bringing investment opportunities our investors as they appear in the capital stack.

We remain vigilant as to differences in geographic markets as well and remain committed to digging in and separating the different types of opportunities. As an example, jobs outlook favor the Southeast and Texas but supply overhangs are largest in these markets. Likewise, coastal markets and the upper Midwest, where Forum has a portion of its portfolio, have slightly less job growth but far less supply hangover.[1]

We see strong fundamentals in the medium-term combined with pricing softness in the near-term, and potentially positive capital markets trends. If interest rates are indeed peaking, and we believe they are, markets may present a unique opportunity for investing today.

Multifamily demand shows no signs of abating. While the supply peak could be a few quarters away, 2023 saw the return of positive absorption. With the challenges in some parts of the markets and existing multifamily market fundamentals we see an interesting entry point for multifamily equity investing. Challenges for investors in other property sectors could reduce competition in the multifamily market. Some owners and developers will find themselves no longer able to refinance maturing loans in full and Forum expects to provide capital to these investors as well.

Forum is known for transparency and believes in over communication during times of market volatility, because investors don't have time to pay attention to everything. We are humbled by your trust and appreciate your partnership.

Darren Fisk
Founder and
Chief Executive Officer

Jay Miller
Chief Investment Officer

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1. *GreenStreet; Residential Sector Update – December 1, 2023.*

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Forum Investor Relations

InvestorRelations@forumcapadvisors.com
303.501.8860

Thank you