



Investor Presentation

February 2024



Trove, Arlington, VA

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Certain statements in this investor presentation are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and involve risks and uncertainties. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. In some cases, you can identify forward looking statements by the use of forward-looking terminology such as "may," "will," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," or "potential" or the negative of these words and phrases or similar words or phrases which are predictions of or indicate future events or trends and which do not relate solely to historical matters. Such statements involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance, or achievements of Elme Communities to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Additional factors which may cause the actual results, performance or achievements of Elme Communities to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements include, but are not limited to: our ability to achieve operational benefits, efficiencies and FFO upside from infrastructure transformation and expected centralization; the accuracy of the components affecting 2024 Core FFO per share guidance; whether actual inventory growth in Elme's submarkets will align with projections ; the risks associated with ownership of real estate in general and our real estate assets in particular; the economic health of the areas in which our properties are located, particularly with respect to the greater Washington, DC metro and Sunbelt regions; risks associated with our ability to execute on our strategies, including new strategies with respect to our operations and our portfolio, including the acquisition of apartment homes in the Sunbelt markets and our ability to realize any anticipated operational benefits from our internalization of community management functions; the risk of failure to enter into and/or complete acquisitions and dispositions; changes in the composition of our portfolio; reductions in or actual or threatened changes to the timing of federal government spending; the economic health of our residents; the impact from macroeconomic factors (including inflation, increases in interest rates, potential economic slowdowns or recessions and geopolitical conflicts); risks related to our ability to control our expenses if revenues decrease; compliance with applicable laws and corporate social responsibility goals, including those concerning the environment and access by persons with disabilities; risks related to not having adequate insurance to cover potential losses; changes in the market value of securities; terrorist attacks or actions and/or cyber-attacks; whether we will succeed in the day-to-day property management and leasing activities that we have previously outsourced; the availability and terms of financing and capital and the general volatility of securities markets; the risks related to our organizational structure and limitations of share ownership; failure to qualify and maintain our qualification as a REIT and the risks of changes in laws affecting REITs; and other risks and uncertainties detailed from time to time in our filings with the SEC, including our 2023 Form 10-K filed on February 16, 2024. While forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. We undertake no obligation to update our forward-looking statements or risk factors to reflect new information, future events, or otherwise.

Use of Non-GAAP Financial Measures and other Definitions This presentation contains certain non-GAAP financial measures and other terms that have particular definitions when used by us. The definitions and calculations of these non-GAAP financial measures and other terms may differ from those used by other REITs and, accordingly, may not be comparable. Please refer to the definitions and calculations of these terms and the reasons for their use included later in this investor presentation.

Definitions and Reconciliation of Certain Forward-Looking Non-GAAP information This presentation also includes certain forward-looking non-GAAP information. Due to the high variability and difficulty in making accurate forecasts and projections of some of the information excluded from these estimates, together with some of the excluded information not being ascertainable or accessible, the Company is unable to quantify certain amounts that would be required to be included in the most directly comparable GAAP financial measures without unreasonable efforts.

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About Us



We are a research-led, value-oriented,
multifamily owner and operator.

Elme Communities
“elevating home”

Value Creation Strategy

We expect to earn a lower implied cap rate by delivering above-average growth in a dynamic macro environment while continuing to evaluate opportunities to grow our Sunbelt footprint



Affordable Rents

Value-oriented price points provide insulation from new supply and favorable long-term demand outlook



Operational Upside

Infrastructure transformation yielding significant operational benefits and efficiencies



Washington Metro Stability

Allocation to Washington Metro should provide stability across business cycles



Investment Grade Balance Sheet

Strong liquidity, a fully unencumbered balance sheet, and no scheduled maturities until 2025



~3.3k Home Renovation Pipeline

Opportunity to renovate and generate solid cash on cash returns



Research-led Capital Allocation

Investment strategy targets deepest segments of demand curve in outperforming markets

Apartment Portfolio Overview

Value-oriented apartment communities with strong long-term growth prospects

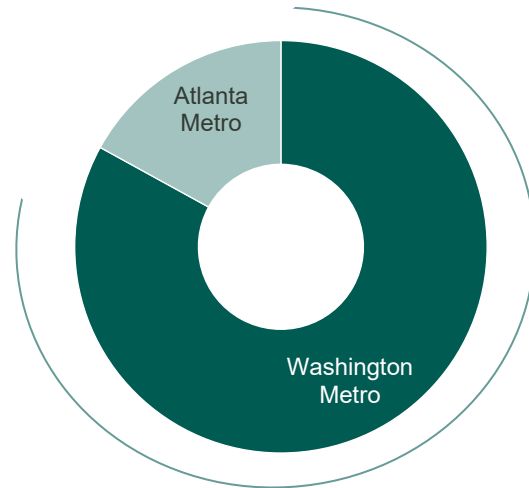
~9,400
Homes

~3,300

Renovation Pipeline (homes)

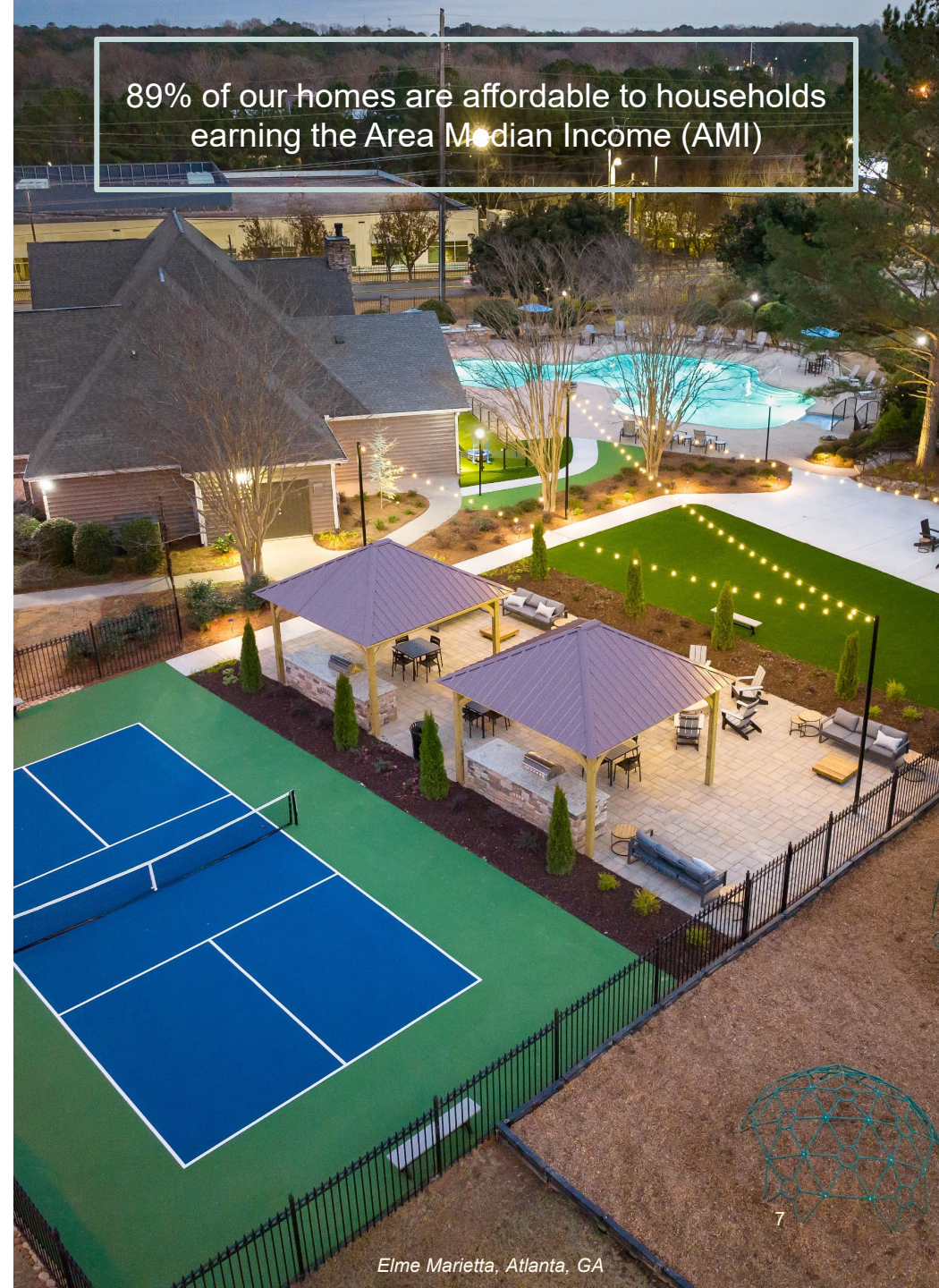
~\$3.6M

Anticipated Operational
Upside
(2024-2025)



Washington Metro drives over 80% of our multifamily NOI, providing a solid foundation of employment stability

89% of our homes are affordable to households earning the Area Median Income (AMI)



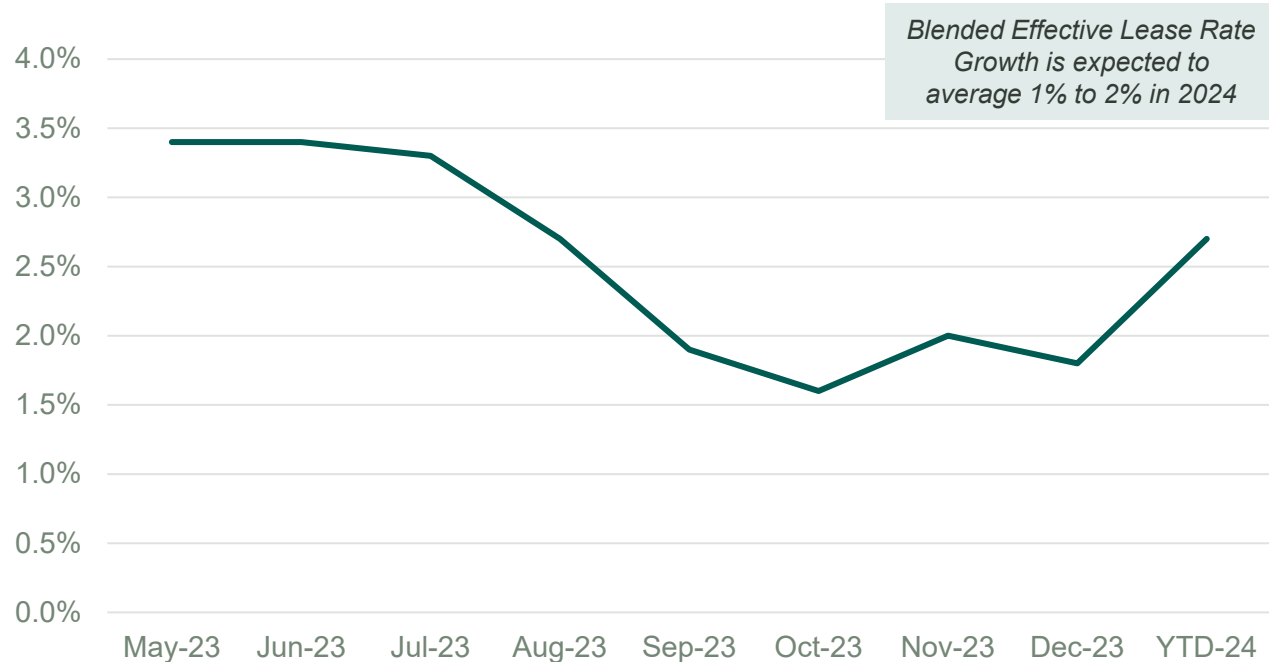


Q4 Update

Blended lease rates are trending in the low single digits reflecting stable demand patterns for mid-market rents in the Wash Metro

Effective Blended Lease Rate Growth

2024 same-store pool



Earn-In and LTL
as of 1/31/2024

1.7%

2024 Earn-In
(2024 SS pool)

1.2%

SS Loss to Lease
(2024 SS pool)

Leases
as of 1/31/2024

57%

Below Market Leases¹
Before Concessions

45%

Below Market Leases
After Concessions

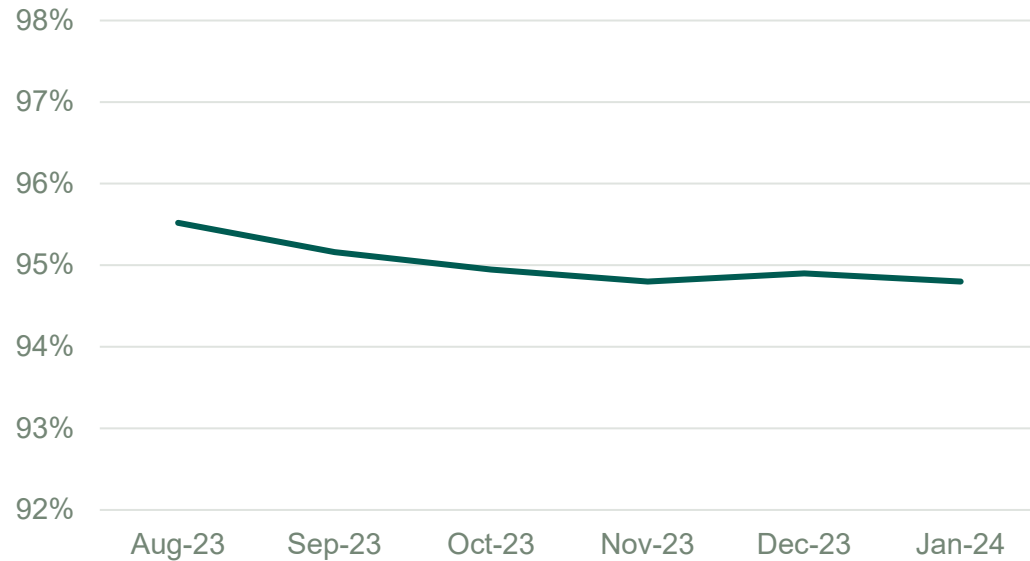
1) Represents leases that are priced below current market rents before leasing concessions

2) YTD-24 as of 2/11/24

Occupancy remains in line with our targeted range supported by strong resident retention

Same-Store Average Occupancy

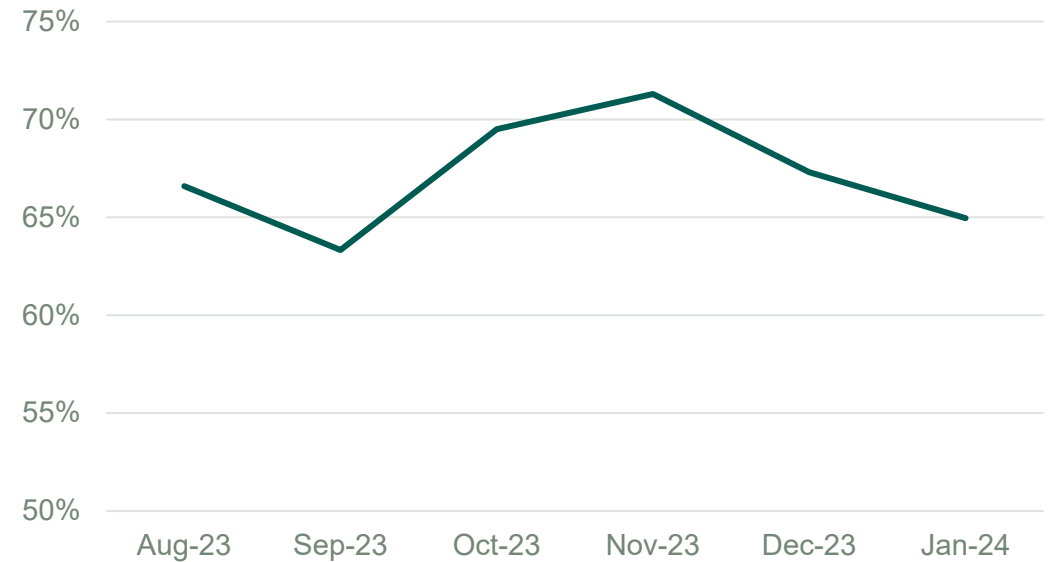
2024 same-store pool



Total occupancy is moderating due to the combination of stable demand in the Washington Metro, offset by occupancy pressures in Atlanta due to the timing of evictions and supply driven impacts.

Same-Store Resident Retention

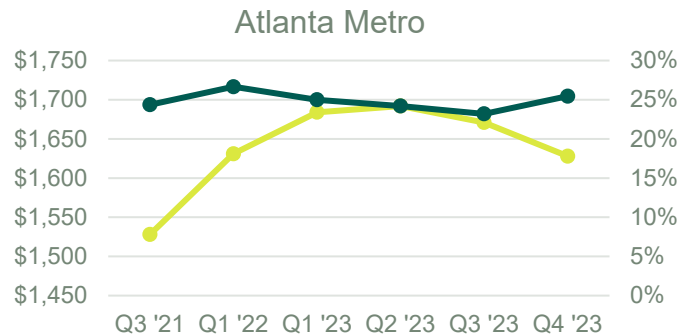
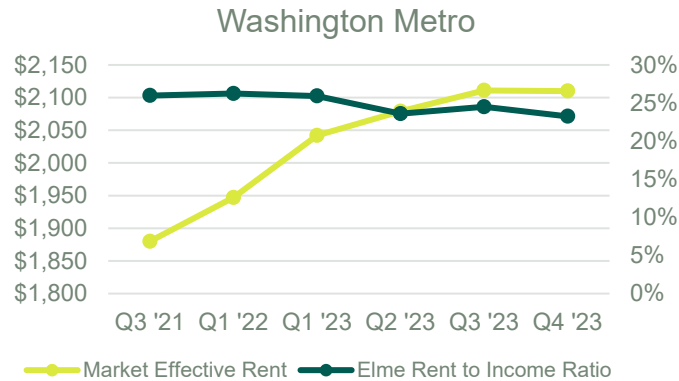
2024 same-store pool



We are focused on maximizing revenue by prioritizing resident retention. Our effective renewal rates remain very strong, averaging over 6% in January and February thus far.

Elme residents continue to maintain stable incomes, have good credit, and work in varied industries

Stable Rent to Income



Improved Credit

697

Average Credit Score
as of December 2023

Raised credit standards as we
have acquired communities

Balanced Employment Mix

ATL / WSH

Professional / Business Services
15% / 27%

Education and Health Services
16% / 14%

Government
5% / 14%

Leisure and Hospitality
11% / 7%

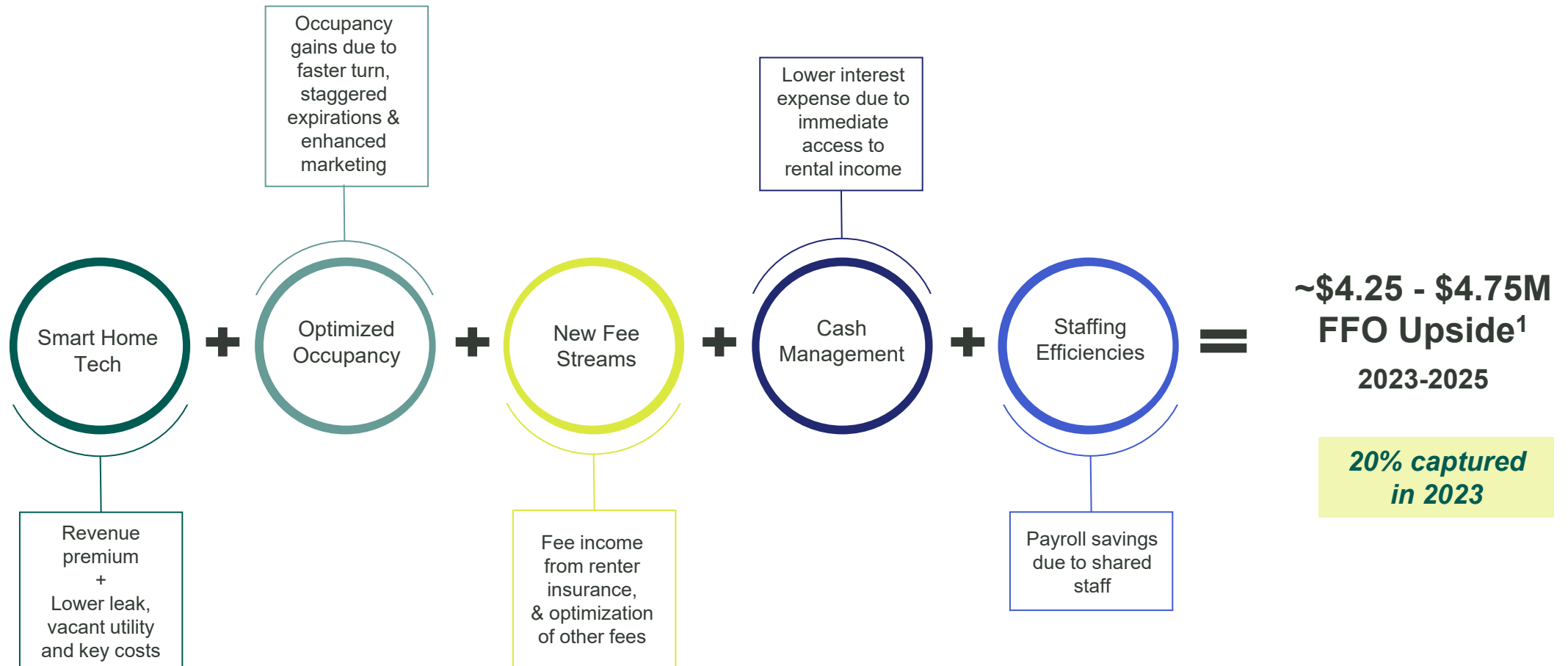
Retail Trade
11% / 6%

Construction
10% / 4%

Financial Activities
7% / 7%

Note: Rent to Income ratios reflect new leases only. Source: Market Effective Rents from RealPage; Average Credit Score from Esusu; all other underlying data from Elme Communities
Elme Communities

Operational improvements are driving better performance and profitability from our portfolio



¹ This expectation is based on current assumptions, which may differ materially from actual results.

...with continued NOI opportunities beyond the initial \$4.25 million to \$4.75 million target

Managed WiFi

We plan to roll out managed WiFi across our portfolio over the next few years which **adds to our existing upside target**



Phase I: 7 communities, 3,300 homes

Phase II: 7 communities, 1,500 homes

Centralization Phase II

Expect future centralization phases to drive **additional value beyond** our initial operational upside estimate of ~\$4.5 million of FFO:



New Leasing

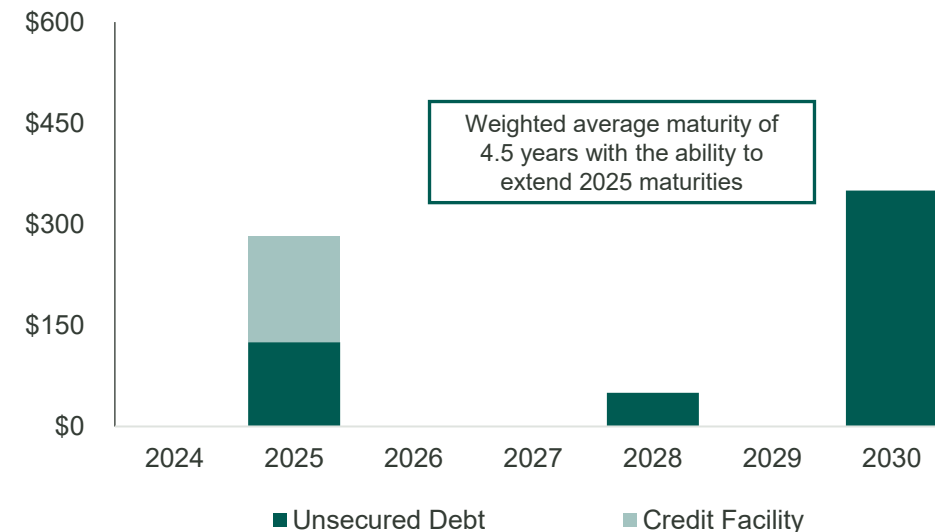
Facilities Management and Maintenance

Our investment-grade balance sheet provides optionality and ample liquidity

- ✓ Investment Grade Rating BBB / Baa2 (S&P / Moody's)
- ✓ Well-laddered and flexible with options to extend the 2025 maturities
- ✓ 100% unsecured debt
- ✓ ~80% available capacity under \$700 million credit facility³
- ✓ Net Debt / Adjusted Annualized EBITDA at 5.5x
- ✓ Ample cushions to covenants

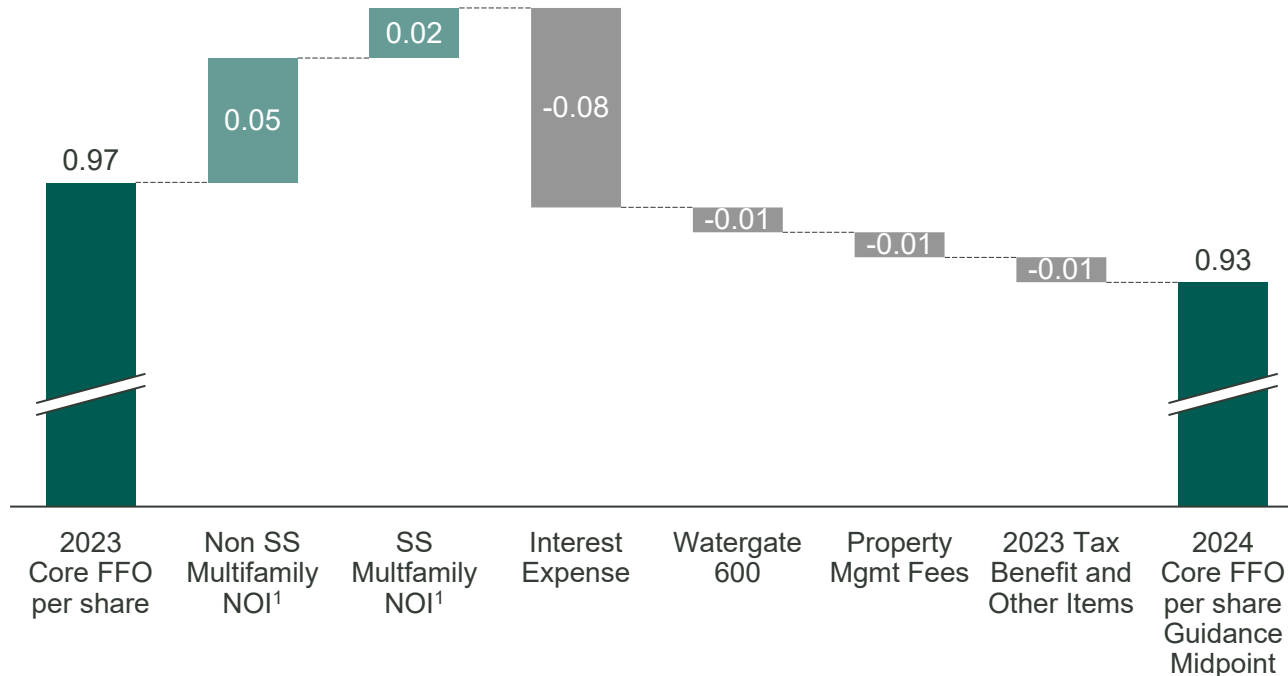
1) The credit facility's term ends in August 2025, with two six-month extension options.
2) The 2023 \$125 million 2-year Term Loan matures in January 2025, with two 1-year extension options, and it has a variable interest rate based on adjusted SOFR plus 95 basis points. In March 2023, we entered into an interest rate swap arrangement with an aggregate notional amount of \$125 million that effectively fixed the interest rate to 4.73% for the 2023 Term Loan beginning on July 21, 2023 through the Term Loan's maturity date of January 10, 2025.
3) Capacity based on the Line of Credit balance as of 12/31/2023

Debt Maturity Schedule ^{1,2}
as of December 31, 2023
(figures in millions)



Projected Core FFO growth from our multifamily portfolio offset by higher interest expense and fees

Components of 2024 Core FFO Per Share
(based on midpoint of Core FFO guidance range)



- Non-SS Multifamily NOI growth driven by Elme Druid Hills acquisition in Q3 2023
- SS Multifamily NOI growth driven by rent growth and bad debt improvement
- Interest expense increase driven by higher balance and interest rate on our revolving credit facility, and higher interest rate on our 2023 term loan
- Watergate 600 is expected to experience a mid single-digit occupancy decline
- Property Management fees increased due to higher multifamily revenue
- Impact of the 2023 Tax Benefit represents non-recurring income received in 2023 related to a prior property sale

1) Non SS Multifamily NOI includes Elme Druid Hills and Riverside Development. SS Multifamily NOI includes multifamily and retail operations at multifamily properties.
 2) Elme's 2024 Core FFO per share guidance midpoint is based on the assumptions set forth in the 2/15/2024 press release, as well as a number of other factors, many of which are outside Elme's control and all of which are subject to change. Actual results may differ materially from these estimates. Please see the forward-looking statement on slide 2 of this presentation for a discussion of risks that could cause actual results to differ materially from any potential or estimated results.



Portfolio Overview

Apartment Portfolio Composition

Focused on value-oriented apartment communities at mid-market price points that do not compete with new supply

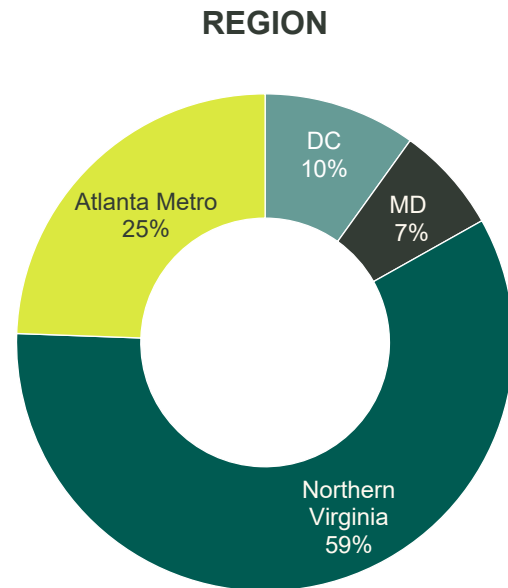
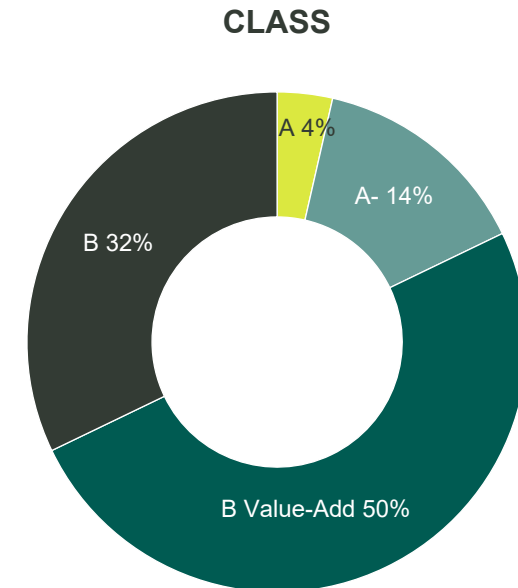
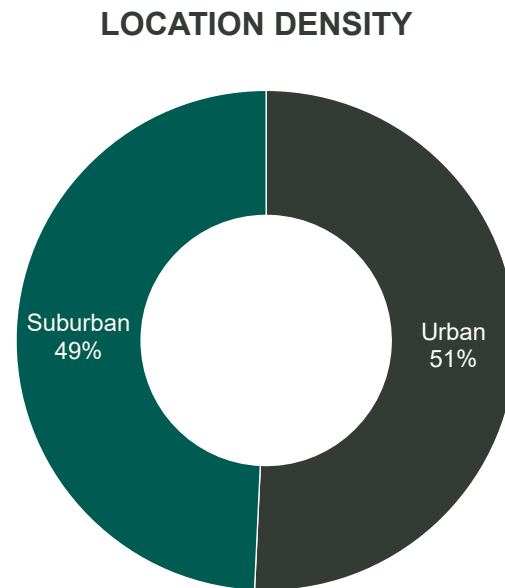


Chart based on number of homes



Washington Metro Communities

96%

Q4 Wash Metro
Average Occupancy

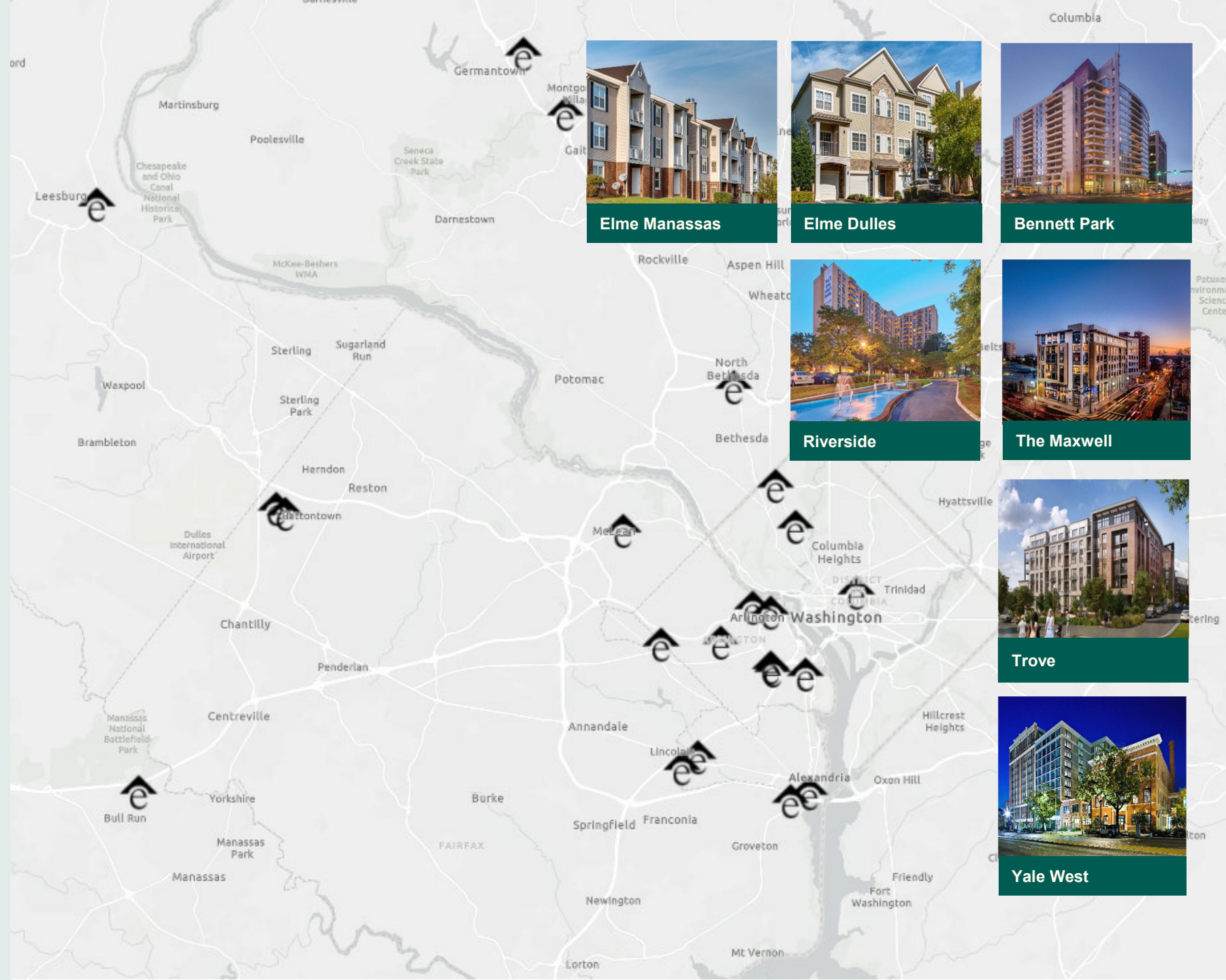
96.5%

Q4 Wash Metro
Ending Occupancy

71%

Q4 Wash Metro
Retention

~80% of our Washington Metro apartment homes are situated in Northern Virginia, where more than 50% of overall employment in the Washington Metro region stems from.



Elme Manassas



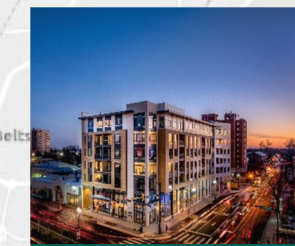
Elme Dulles



Bennett Park



Riverside



The Maxwell



Trove



Yale West

Atlanta Metro Communities

91.1%

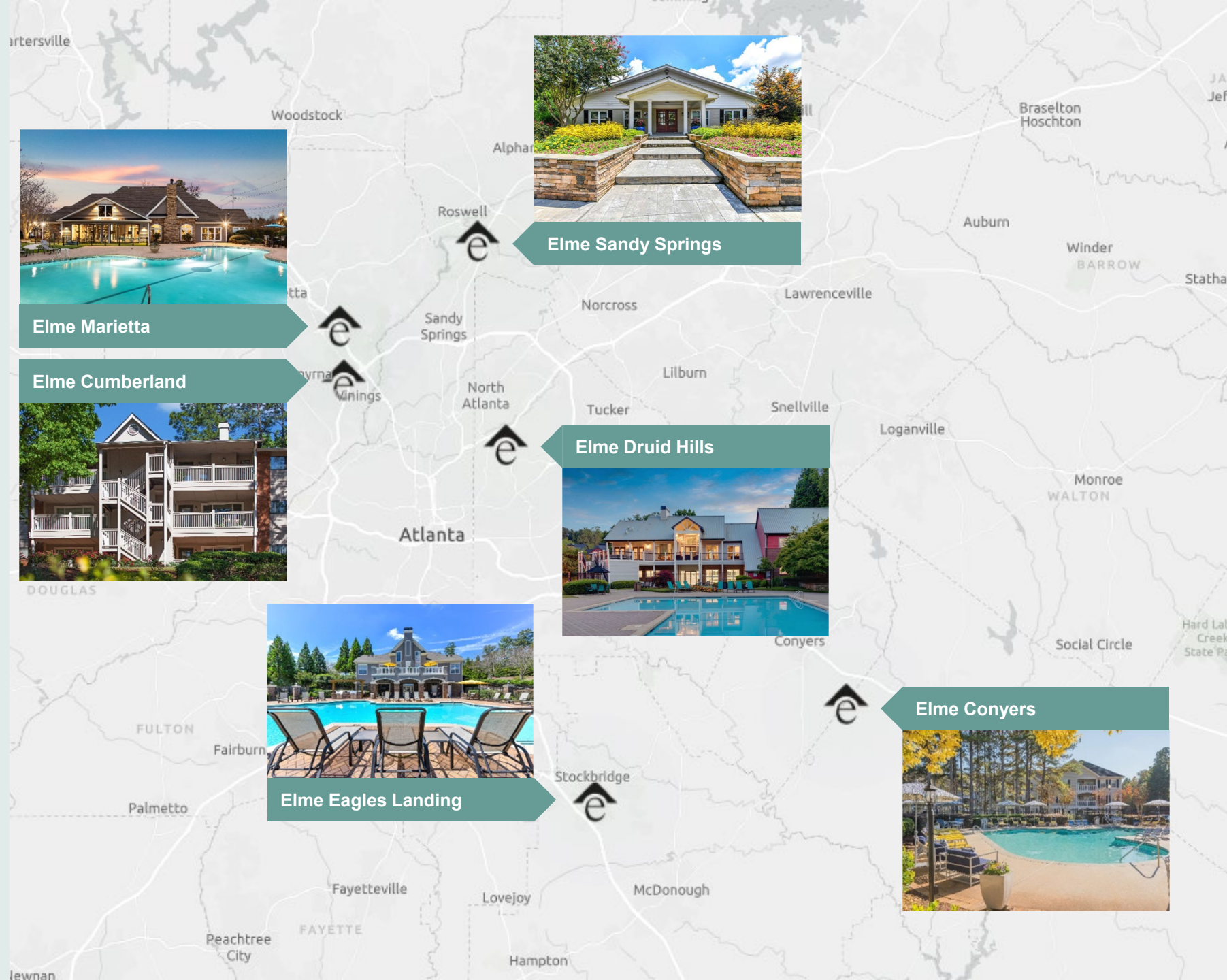
Q4 Atlanta Metro
Average Occupancy

91.4%

Q4 Atlanta Metro
Ending Occupancy

67%

Q4 Atlanta Metro
Retention



Elme Marietta



Elme Cumberland



Elme Eagles Landing



Elme Sandy Springs

Elme Druid Hills



Elme Conyers



Elme Druid Hills



500-home garden style multifamily complex, **inside the Perimeter**



Expansive area with **10 homes per acre**



Accessible to new medical developments and **growing** job base of over **550,000 jobs**



Affluent area with household income that supports **rent to income** ratio of **20%**

Acquisition aligned with our strategy

Class B Value-Add with Limited Competition from New Supply
Rent levels at 85% to 95% of market median with renovation potential, providing opportunity to grow rents and create value over time without directly competing with new supply

Outperformance
Rent growth at community outperformed the Briarcliff submarket and broader Atlanta market average on a trailing 5- and 10-year basis

Exceptional Price
Acquired for \$108 million, representing a discount to replacement cost of over 30% - an acquisition which is expected to perform very well over time driving long-term shareholder value

Continuity for Existing Residents
Onboarded community onto operating platform, and retained 100% of community team with extensive local community management and leasing experience



Value-add programs are generating strong returns





14.7% ROI

2020-2023
Full renovations

19% ROI

2020-2023
Home upgrades

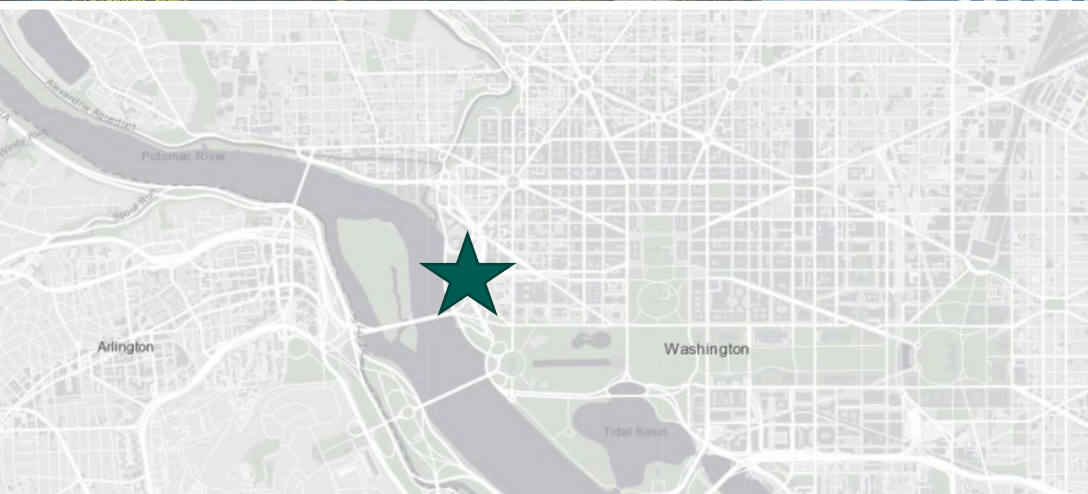
(cash-on-cash return, excludes rent growth achieved on comparable unrenovated homes)

Historical Key Metrics	Full Renovation	Home Upgrades
Avg. cost per home	~\$17,000	~\$4,000
Avg. ROI cash on cash returns	Mid-teens	High-teens
Before Renovation		
After Renovation		
Scope	Appliances, counter-top replacement, new cabinetry, kitchen backsplash, open format kitchen, plumbing fixture updates, light package, flooring	One of the following: Appliances, counter-top replacement, plumbing fixture updates, light package, flooring



Watergate 600

- Watergate 600 has a high-quality institutional tenant base and a weighted average lease term of approximately 6 years
- As our sole remaining commercial asset, Watergate 600 was retained to maximize its value as an iconic building with high quality institutional tenant base
- 2024 assumption: NOI is expected to range between \$12.0 million to \$13.0 million



300,000
NRSF

87.8%
Occupied

~6
WALT (Years)

as of December 31, 2023

MAJOR TENANTS



ATLANTICMEDIA

ML MOLOLAMKEN



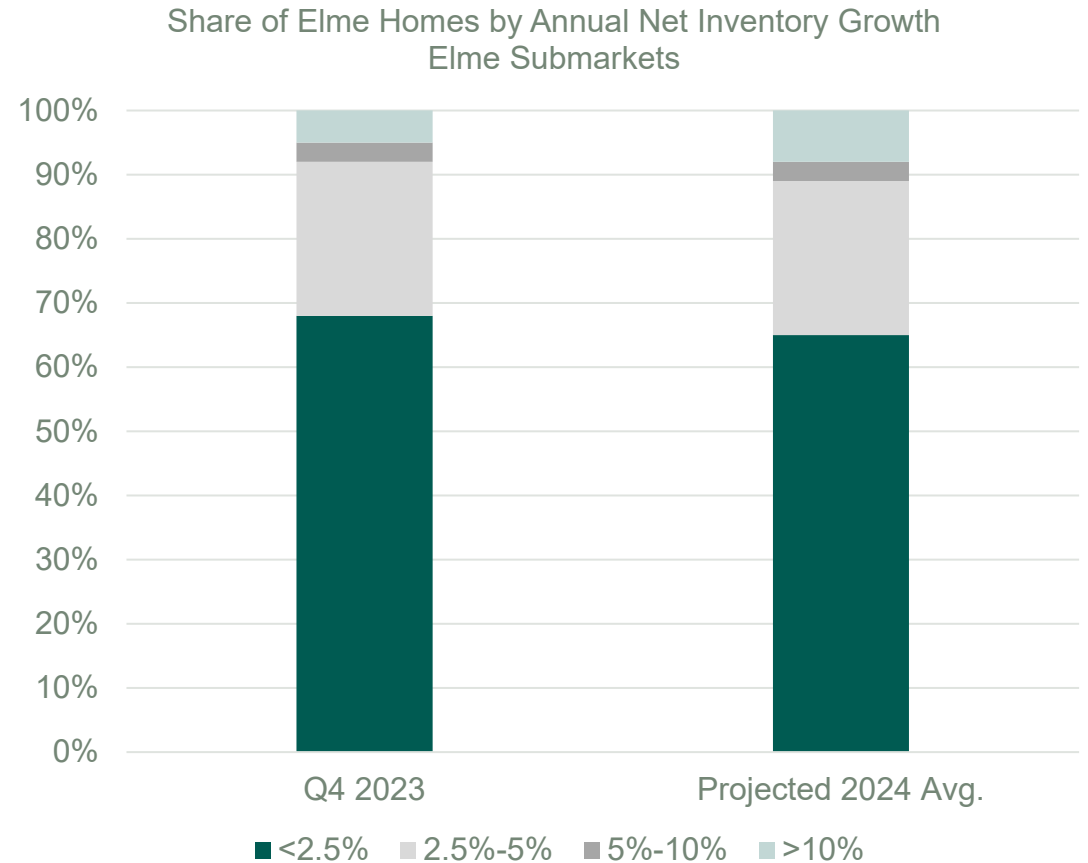
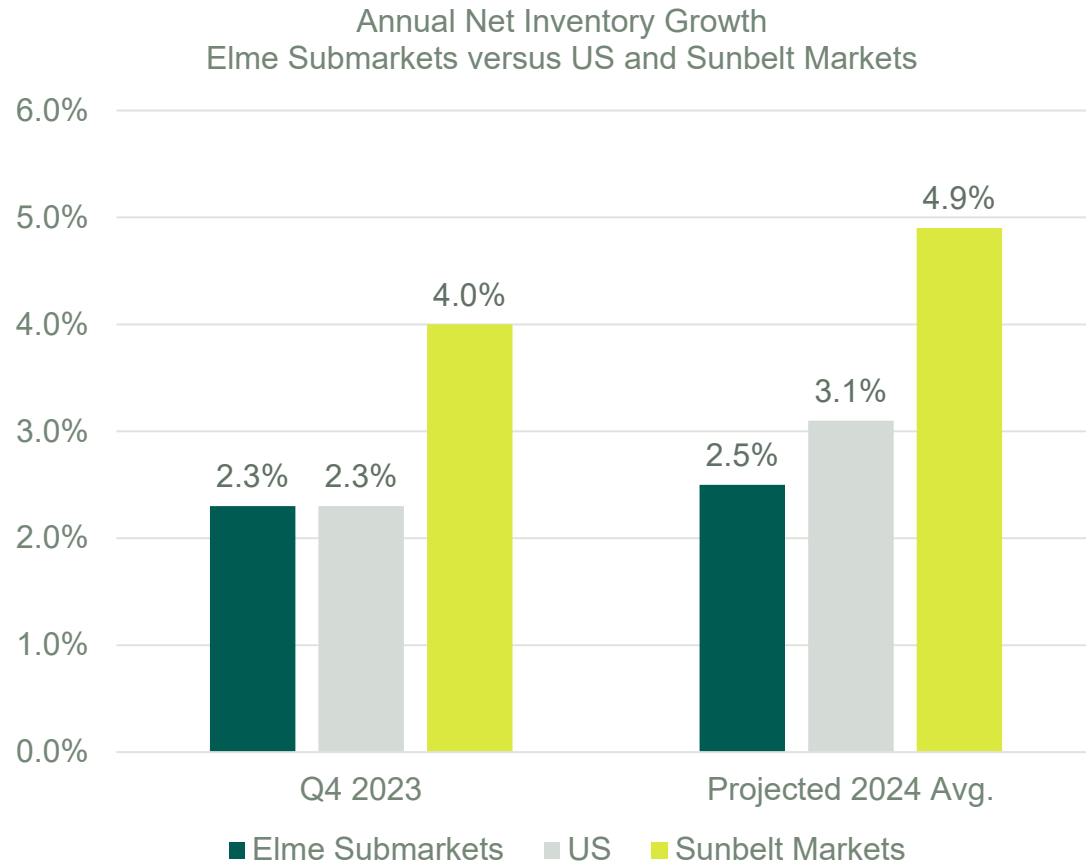
Research-Led Capital Allocation

Competitive Differentiation

We have a disciplined strategy that targets the deepest part of the demand curve, in economically dynamic markets and submarkets. These generators of strong demand coupled with price point supply insulation result in a track record of rent growth outperformance in our targeted vintages of assets. Our strategies are designed to harness these market dynamics for long-term rental growth.



Inventory Growth in Elme Submarkets

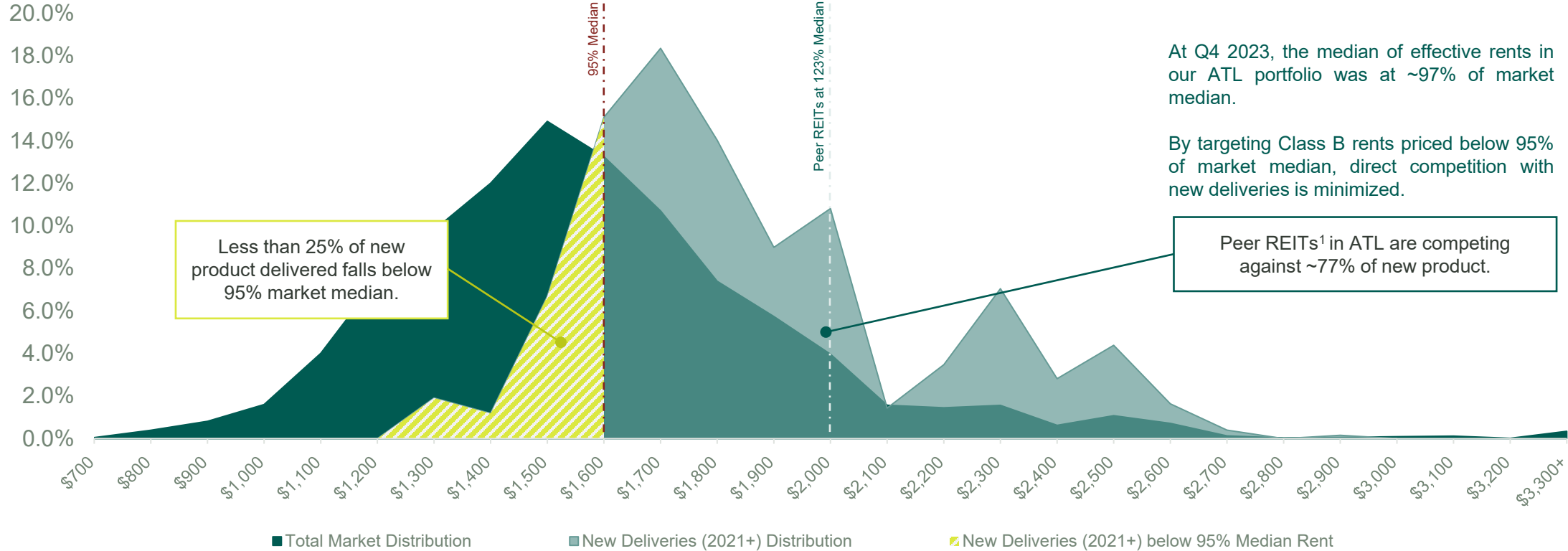


Price Point Insulation from New Supply

Our disciplined approach to market pricing position of our community acquisitions provides considerable mitigation of supply pressures from new product, while simultaneously maintaining an affordability gap, enabling targeted renovation programs.

Total Market Rent Distribution vs. New Product (2021+) Deliveries

Atlanta Metro – Q4 2023



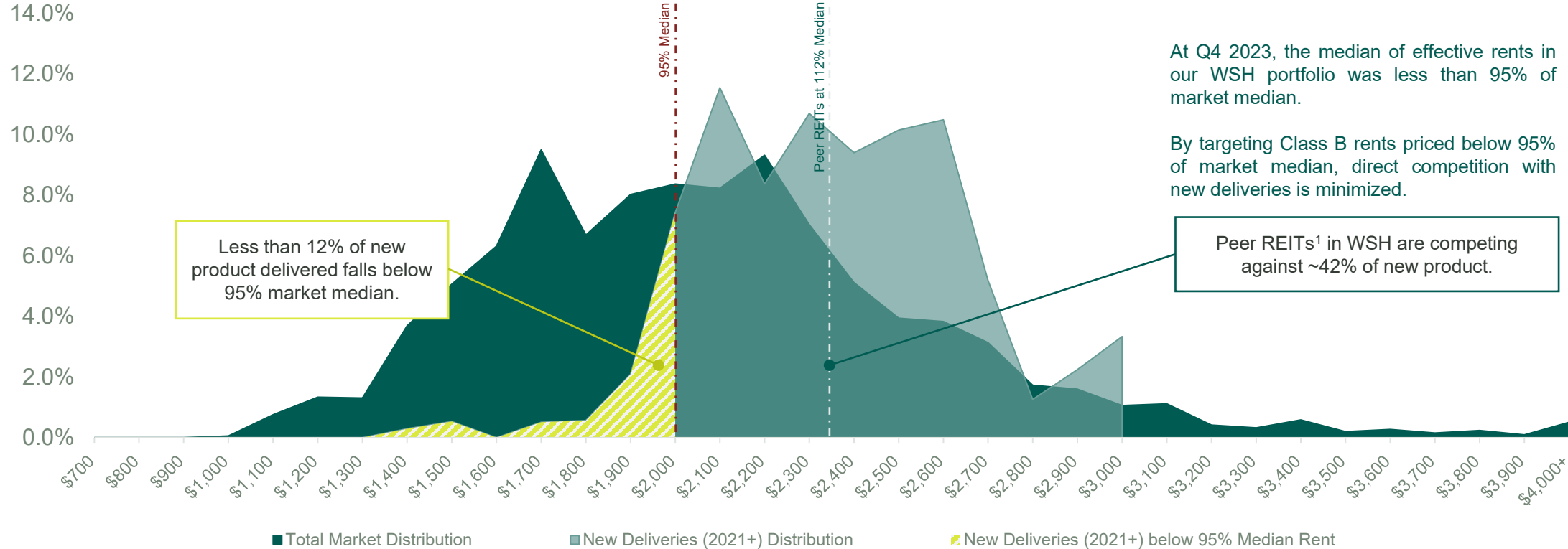
1) Peer REITs include AIV; CPT; EQR; IRT; MAA; and NXRT, and analysis compares the average of their ATL portfolio effective rents relative to the ATL market median, all Q4 2023 RealPage reported data.
Source: Underlying data from RealPage

Price Point Insulation from New Supply

Our disciplined approach to market pricing position of our community acquisitions provides considerable mitigation of supply pressures from new product, while simultaneously maintaining an affordability gap, enabling targeted renovation programs.

Total Market Rent Distribution vs. New Product (2021+) Deliveries

WSH Metro – Q4 2023



At Q4 2023, the median of effective rents in our WSH portfolio was less than 95% of market median.

By targeting Class B rents priced below 95% of market median, direct competition with new deliveries is minimized.

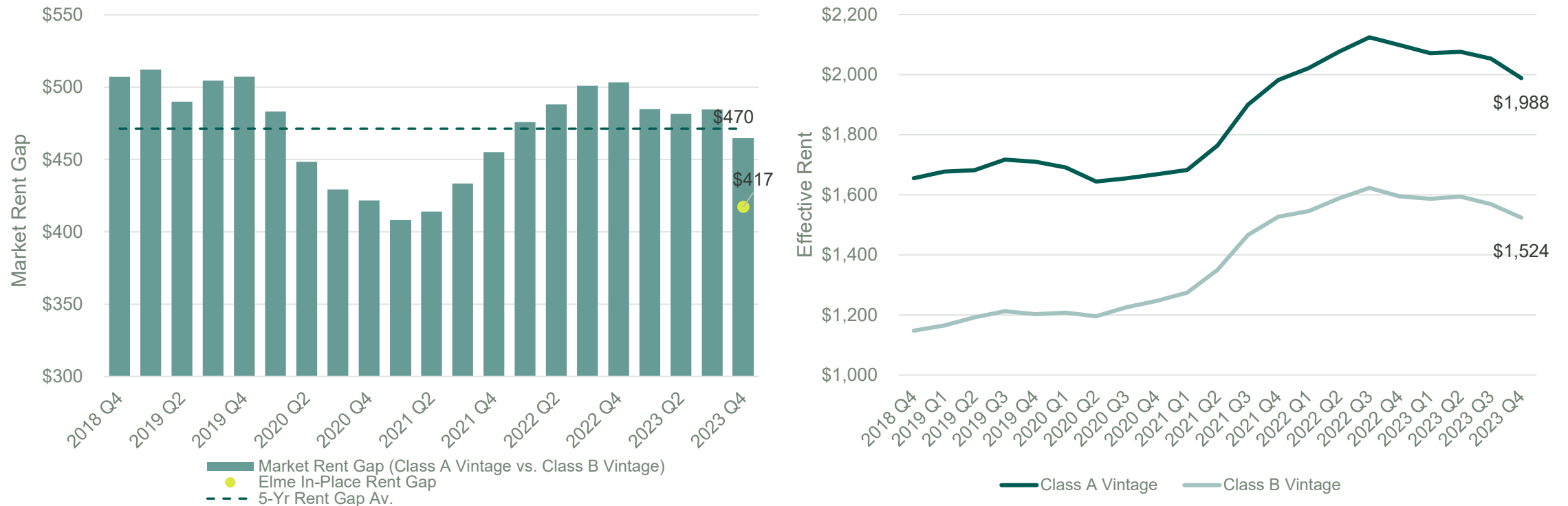
Peer REITs¹ in WSH are competing against ~42% of new product.

1) Peer REITs include AVB; CPT; EQR; MAA; and UDR, and analysis compares the average of their WSH portfolio effective rents relative to the WSH market median, all Q4 2023 RealPage reported data. Source: Underlying data from RealPage

Affordability Gap in the Atlanta Market

In Q4 of 2023, the rent gap between Class A vintage and Class B vintage in the Atlanta market was ~\$470 in monthly effective rent. Compared to Elme Atlanta's in-place effective rent, the rent gap was ~\$420.

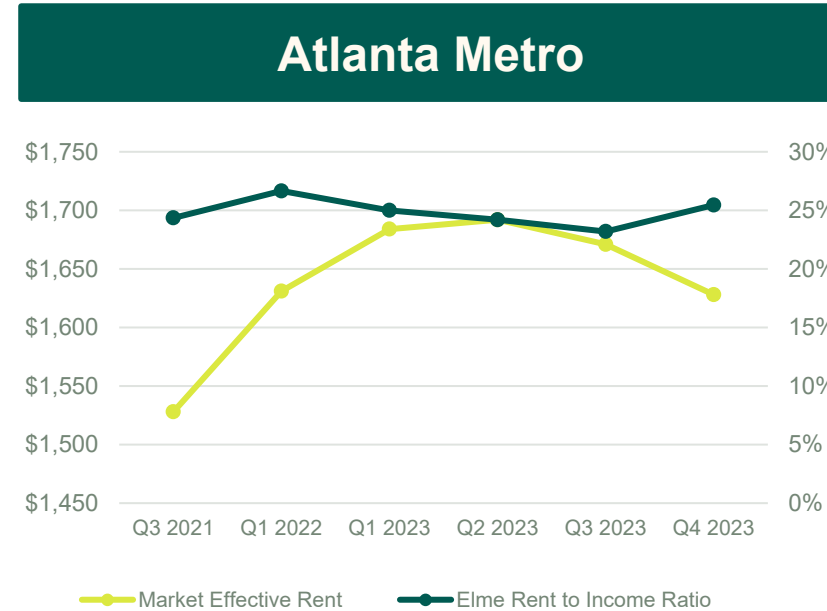
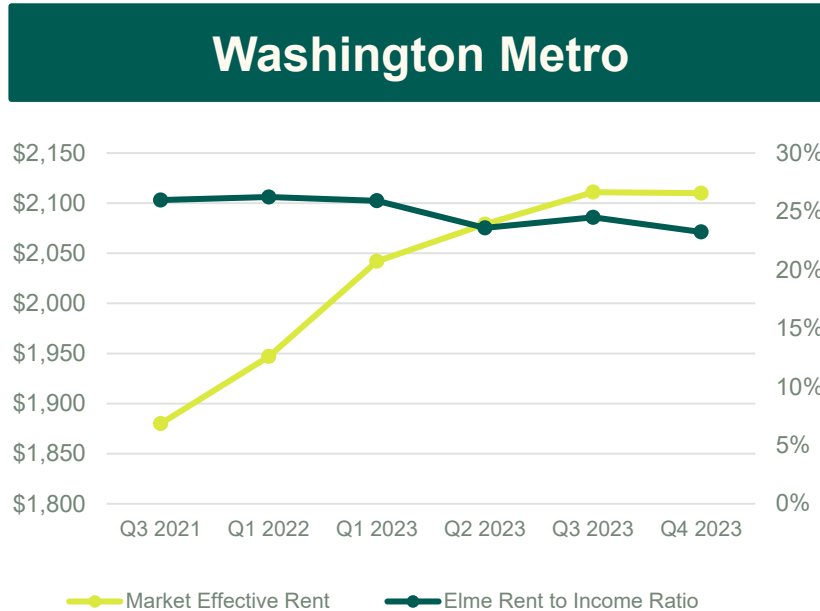
Rent Gap and Quarterly Effective Rent
Class B Vintage vs. Class A Vintage¹
 Q4 2018 through Q4 2023



¹Class A product defined as product delivered in 2010+; Class B product defined as vintage built in the 2000s, 1990s, 1980s, and 1970s
 Source: Elme Atlanta in-place rents from Elme Communities; all other underlying data from RealPage

Financial Health of Our Resident Base Remains Stable

While rents in the Washington and Atlanta regions have grown significantly over the past two years, rent to income ratios among our new residents have remained largely unchanged, enabling continued rent growth across our portfolio.



New Resident Incomes Q4 '23
~ \$93K

New Resident Incomes Q4 '23
~ \$66K

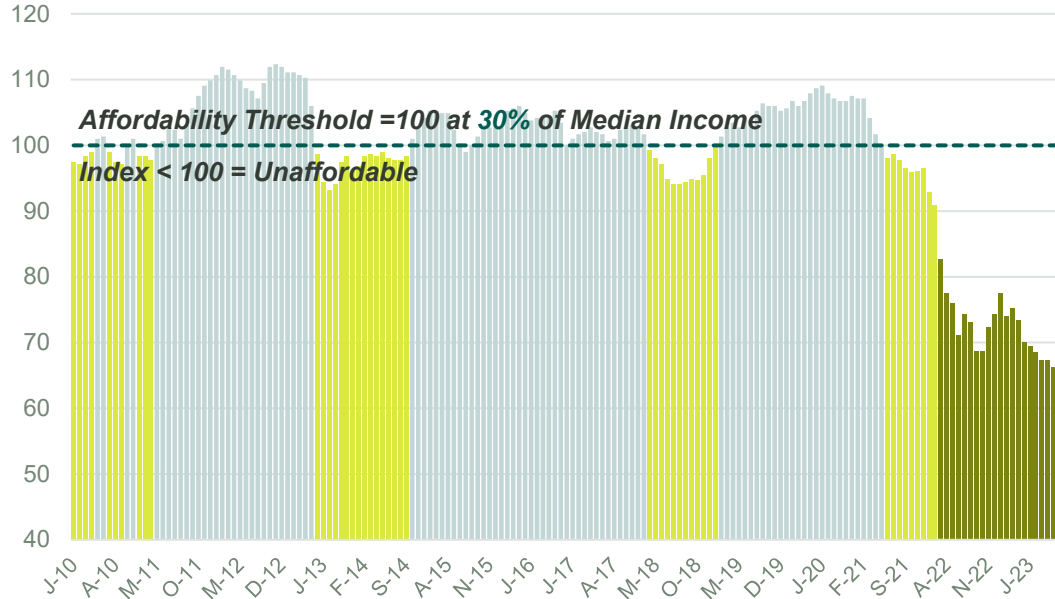
Note: Rent to Income ratios and median incomes reflect new leases only. Source: Market Effective Rents from RealPage; all other underlying data from Elme Communities

Affordability and Target Vintage Rent Growth Outperformance

Our mid-market focus is well positioned in a period of decreased affordability and increased supply pressure

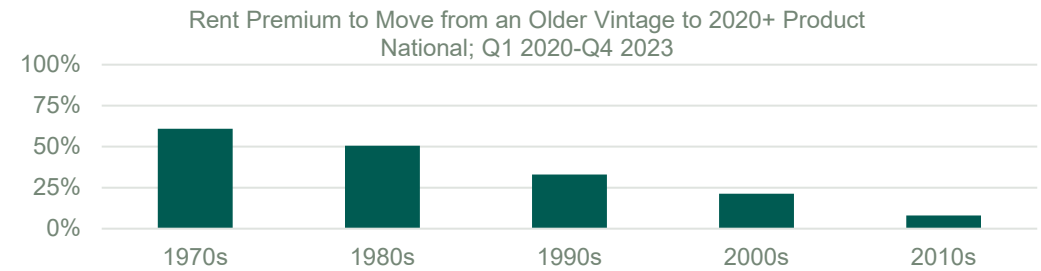
Mid-Market Renters Priced Out of Homeownership Nationally

Federal Reserve Bank of Atlanta NHOW Monitor
National; Jan 2010 - September 2023



Housing affordability is under pressure – especially for our target residents.

New Product Vs. Class B Vintage Rent Gap



Class B insulated from new supply, with affordability gap at 20% to 60% in additional monthly rent to move to new product

Class B Vintage Outperformance

Class B¹ versus All Product or Class A¹ (2010s+)
Delta in Average of YoY Eff Rent Growth; Q1 2019-Q4 2023

ATL
67 bps relative to all product /
235 bps relative to Class A

WSH
82 bps relative to all product /
110 bps relative to Class A

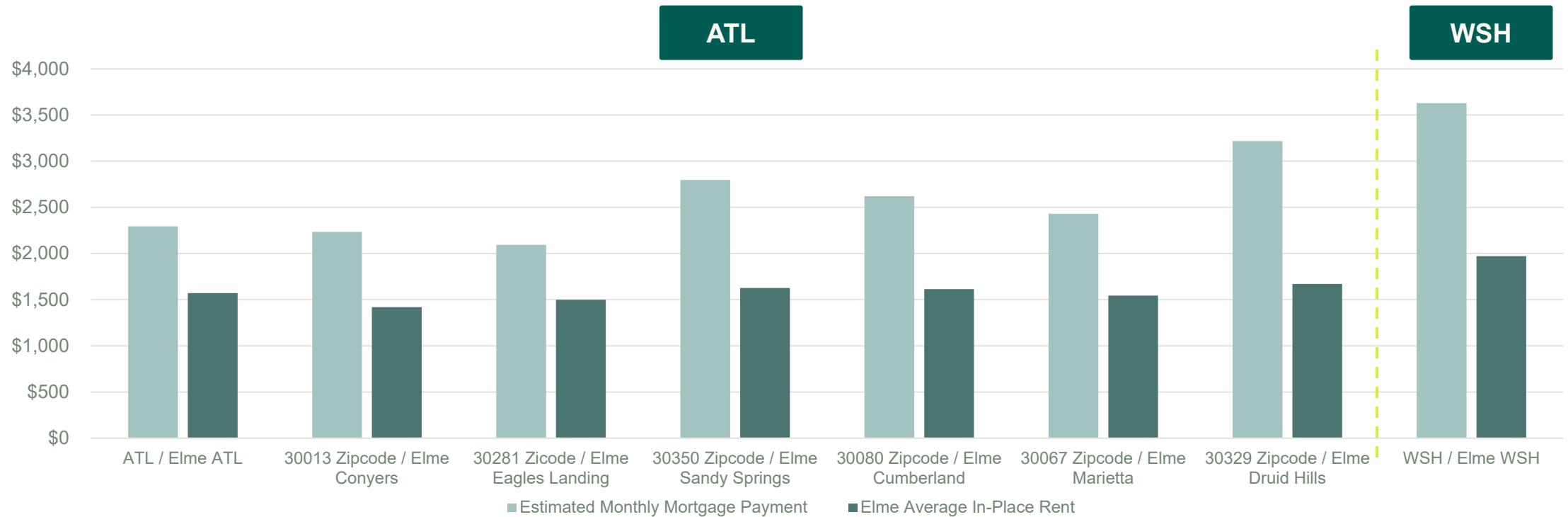
¹Class A product defined as product delivered in 2010+; Class B product defined as vintage built in the 2000s, 1990s, 1980s, and 1970s
Source: Underlying data for NHOW Monitor from Federal Reserve Bank of Atlanta; all other underlying data from RealPage
Elme Communities

Elme Rent Vs. Cost to Own

With a 20% down payment and at current interest rates, the cost to own is significantly higher than renting across our communities. In our Atlanta submarkets, the entry-level ownership premium is ~\$700, while in Washington it is greater than \$1,200.

Affordability Gap Between Renting and Owning Median Home Sale Prices and Elme In-Place Rents

Atlanta and Washington – Q4 2023



Source: Median sale price data at metro level from NAR; median sale price data at zip code level from Redfin Market Insights; Elme in-place rents from Elme Communities; other mortgage payment assumptions from third-party websites
 Note: Estimated Monthly Mortgage Payment calculation assumes 30-year fixed interest rate at 6.6% as of end of December 2023, inclusive of taxes and insurance; using average of trailing 3-month sales price at zip code level.



Multifamily Strategies and Target Market

Portfolio Strategies

We target submarkets with attributes we believe are most likely to drive rent growth, tailoring our specific investment strategy to best create value.

CLASS A-

Vintage:	2000's
Price Point:	100% – 110% of market median rent
Rent Growth Drivers:	Operational improvements, unit upgrades, prop-tech, submarket rent growth, future renovations



CLASS B VALUE-ADD

Vintage:	1980's, 1990's, 2000's
Price Point:	80% – 95% of market median, pre-renovation rent
Rent Growth Drivers:	Operational improvements, full renovations, submarket rent growth



CLASS B

Vintage:	1980's, 1990's, 2000's
Price Point:	80% – 95% of market median
Rent Growth Drivers:	Operational improvements, submarket rent growth, future renovations



Primary Resident Segmenting and Strategy

We target a diverse set of renters across markets and prices creating greater portfolio stability and strength

CLASS A-

- Mix of single householders and married couples in their mid-20s to late-30s.
- Environmentally, health, and image conscientious — all impacting their purchasing decisions.
- Household income is generally between \$80,000 – \$100,000, varying by market.

Renters are partial to city living and convenience — our Class A- strategy focuses on urban and suburban assets that are perceived as a value play to renters.

CLASS B VALUE-ADD

- Diverse mix of families and singles, some with roommates.
- Characterized by careful spending — but with different drivers: some residents tend to be price savvy but will pay for brands they trust, while others carefully balance spending with student loans or retirement funds.
- Household income generally between \$70,000 – \$90,000, varying by market.

Renters are savvy and look for both value and social alignment — our Class B Value-Add strategy provides upgraded living at affordable prices.

CLASS B

- Mix of life stages — from new college graduates to retirees, and a mix of education and jobs — from blue collar workers to new college graduates.
- Characterized as careful spenders due to their limited incomes, Class B renters are hard working and striving to get ahead.
- Household income generally between \$65,000 – \$85,000, varying by market.

Renters are price-conscious and hard working — our Class B strategy appeals to the largest rental cohort with broad demographic characteristics who are long-term renters.

Execution Track Record Continues

Since 2013, we have completed ~\$5.1 billion of strategic portfolio transactions to significantly reduce concentrations of non-core retail and office assets, while becoming a value-oriented multifamily company.

In 2019, our research-led suburban multifamily Elme (formerly known as Assembly) portfolio acquisition added value to our portfolio and has outperformed our expectations during the pandemic.

In 2020, we leveraged a covered land site to deliver Trove, a 401-home, Class A project 1.5 miles from Amazon HQ2, at a >30% total basis discount to current value.

In 2021, we initiated our expansion into the Sunbelt region and have since closed on six acquisitions in Atlanta and continue to pursue additional value-add opportunities.

\$1.6 Billion of Value-Oriented Multifamily Investments since 2015





Environmental, Social, Governance

2023 ESG Updates and Achievements

- Improved our MSCI ESG Rating to 'A'
- Classified as "Prime" within the ISS ESG Corporate Rating program
- Increased female representation on our Board (42%)
- Increased communities equipped with EV charging stations, expanding into Georgia
- Completed GRESB for the 10th consecutive year, and for the first time as a multifamily company, achieving Green Star status for our holistic ESG efforts
- Held one or more active sustainability certification(s) across 70% of our multifamily communities
- Certified our first five communities to Fitwel Health & Wellness Standards
- Achieved 2023 Green Lease Leaders Gold from Institute for Market Transformation and the U.S. Department of Energy's Better Buildings Alliance
- Our roof top solar facilities in DC produced over 580,000 kWh of clean energy, generating over \$230,000 of net revenue in REC sales in addition to avoiding over \$85,000 in utility costs.
- Through our third-party partner, reported on-time rent payments to all three credit bureaus for over 11,000 residents, improving average resident credit score by over 10 points, as well as establishing over 500 credit scores.
- Through our third-party partner, supported over 150 individuals and families with interest-free loans for rent, totaling over \$285,000.



Read our 2023 ESG Report:
elmecommunities.com

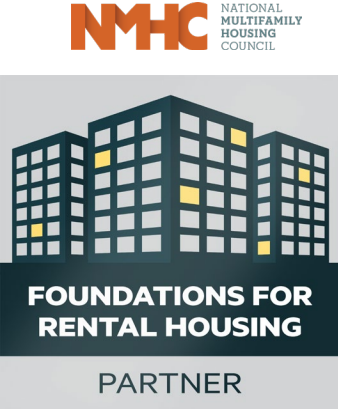


Elme Communities



Demonstrating Leadership in ESG

We believe that sustainable and healthy buildings should be available to all price points, including the value living sector.



In Q3, NMHC launched the **Foundations for Rental Housing** for supporting residents while providing quality housing and a positive customer experience. Elme is proud to have participated in the development of the program and being a “Foundations Partner”.



Electric Vehicle Charging

41%

Homes have access to EV Charging Equipment¹



1.1M sqft of communities completed Fitwel Health & Wellness Certification in 2023



Achieved recognition within ENERGY STAR Certification Nation by achieving ENERGY STAR Certifications at over 34% of communities¹



70%

Multifamily communities currently holding one or more sustainability certification¹

¹ Weighted average of our homes, inclusive of our 2022 and 2023 acquisitions

Our Commitment to the Environment

We are delivering on opportunities to bring clean energy to the value living sector.

Solar Now Online

581,378 kWh

Solar Production in 2023

1,167,718

Lbs. of GHG Emissions Avoided

8,758

Equivalent Number of Trees in Sequestered Carbon

>\$230,000

Net Sales of Solar Renewable Energy Certificates (SRECs)

>\$87,000

Avoided Utility Costs by Powering Our Own Communities



Location-Specific Transitional Risk

We monitor the legislation in our markets to ensure we are compliant with any local and regional building performance standards, GHG emissions requirements, or other potentially impactful regulations.



State / Region	Location-Specific Transitional Risk
Virginia	None <i>No known pending or upcoming legislation in our specific cities/counties.</i>
Georgia	None <i>No known pending or upcoming legislation in our specific cities/counties.</i>
Washington, DC	Compliant <i>All four of our DC assets are covered under the DC Building Energy Performance Standards (BEPS), and all four are compliant per the city, having exceeded the required ENERGY STAR rating.</i>
Maryland	None <i>None of our communities are included in the covered list of buildings under Montgomery County Building Energy Performance Standards (BEPS) due to their small size.</i>

Our Commitment to Financial Inclusion

At Elme, we're supporting financial inclusion

Our partnership has provided **\$288,000+** in rent support, established **500+ credit scores**, and we have **11,000+** residents reporting¹



89% Homes affordable to households earning the Area Median Income (AMI)

82% Homes affordable to households earning 80% of AMI

37% Homes affordable to households earning 60% of AMI

We aim to increase the availability and equality of financial service opportunities, remove barriers to the financial sector, and enable individuals to improve their financial wellbeing.

To that end, we have launched a partnership with **Esusu**. Through this partnership, 100% of Elme Communities will be reporting on-time rent payments (but never delinquencies) to all three credit bureaus every month, helping residents build credit just by living with us. Additionally, all residents can apply for interest-free housing stability loans through the program, covering up to three months of rent during times of need.



¹ Metrics for CY2023



Reporting and Ratings

Improving our ESG Ratings¹

- MSCI:** In 2023, we increased to A-rated within MSCI’s ESG Ratings Program, demonstrating our continued efforts and success deploying a holistic ESG program.
- ISS:** In 2023, we achieved a “Prime” status within the ISS Corporate ESG Performance program.
- Sustainalytics:** In 2023, our Sustainalytics ESG Risk Profile decreased to 11.9, and we maintained a “Low Risk” rating when it comes to ESG, helping investors feel confident in our REIT.
- GRESB:** Over the years, we saw an increase in our GRESB score by over 30 points thanks to our teams’ efforts and focus on ESG across all departments. In 2023, we filed for the first time as a multifamily company, and despite being in a new and highly competitive peer group, continued to achieve “Green Star” recognition with a score of 76, outperforming GRESB averages.

¹ Historical ESG Ratings may reference the Company’s former name and ticker, “Washington Real Estate Investment Trust” or “WRE”, respectively.

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MSCI
ESG RATINGS

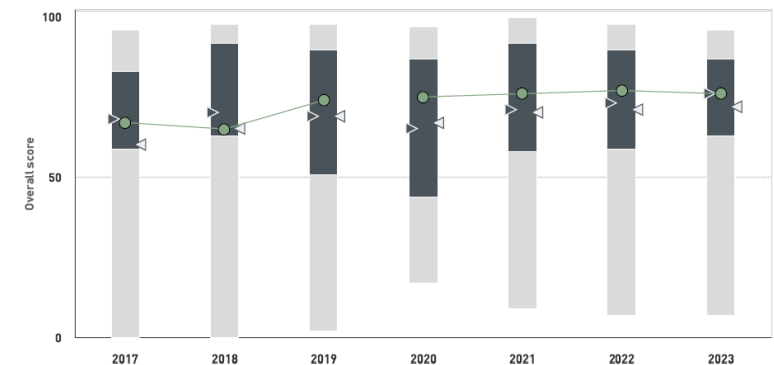


CCC	B	BB	BBB	A	AA	AAA
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Corporate ESG
Performance

Prime

RATED BY
ISS ESG



● This Entity
 ● Peer Group Range
 ● GRESB Range
 ▲ Peer Group Average
 ▲ GRESB Average



Appendix

Completion of our strategic transformation positions us to focus on adding value as a multifamily operator

2021

- Transformed into a **multifamily-focused REIT** by selling our office and retail portfolios
- **Geographically expanded** into the Sunbelt

2022

- Initiated the execution of a **major one-year infrastructure and technology overhaul**
- Rebranded to **Elme Communities**
- **Recruited new talent**, including key portfolio-level operational positions

2023

- Transitioned to a **best-in-class technology platform**
- **Implemented a human capital program** enabling high employee and resident retention
- Implemented an **efficient and scalable infrastructure platform by onboarding 100% of community-level operations to Elme management**, growing our Elme team to ~250 employees
- Appointed a **Chief Operating Officer**
- Positioned to **add value as a multifamily operator**
- **Furthered expansion** into the Sunbelt

2024 & Beyond

- Expect to execute on **advancing operational and centralization initiatives** to maximize NOI and enhance our teams and residents' experiences



>25,000
hours of internal
time spent



93%
community team retention
during transition



100%
communities
onboarded

Full Year Guidance and Assumptions

2024 Guidance^{1,5}

Core FFO per diluted share	\$0.90 - \$0.96
Same-store Multifamily NOI Growth ³ Non-same-store Multifamily NOI ² Other same-store NOI ⁴	0.25% - 2.0% \$5.25 million - \$6.25 million \$12.0 million - \$13.0 million
Property Management Expense G&A, net of core adjustments Interest Expense	\$8.5 million - \$9.0 million \$24.25 million - \$25.25 million \$37.25 million - \$38.25 million

¹ As of February 15, 2024

² Includes Elme Druid Hills and Riverside Development. Guidance does not contemplate any additional acquisitions or dispositions.

³ Includes revenues and expenses from retail operations at multifamily communities

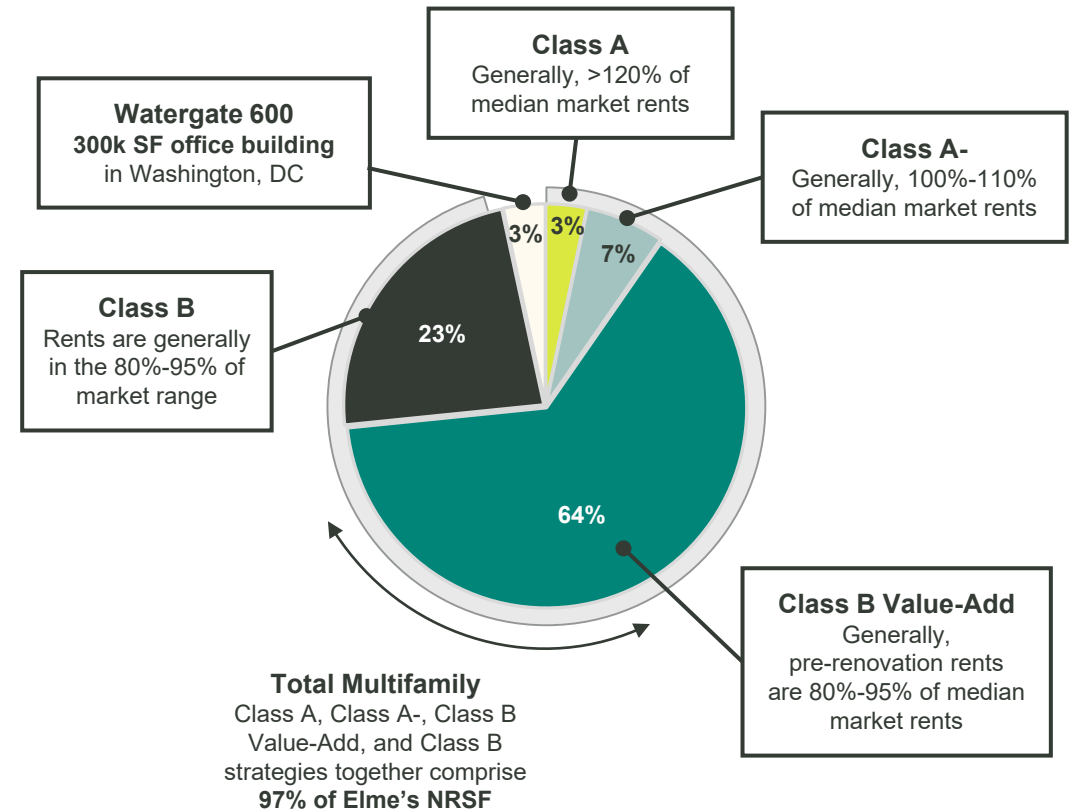
⁴ Consists of Watergate 600

⁵ Elme Communities' 2024 Core FFO guidance and outlook are based on a number of factors, many of which are outside the Company's control and all of which are subject to change. Elme Communities may change the guidance provided during the year as actual and anticipated results vary from these assumptions, but Elme Communities undertakes no obligation to do so.

Community Details

Properties	Location	Class	Homes	NRSF (000s)
Clayborne	Alexandria, VA	A-	74	60
Riverside Apartments	Alexandria, VA	B Value-Add	1,222	1,001
Elme Alexandria	Alexandria, VA	B Value-Add	532	437
Cascade at Landmark	Alexandria, VA	B Value-Add	277	273
Park Adams	Arlington, VA	B	200	173
Bennett Park	Arlington, VA	A-	224	215
The Maxwell	Arlington, VA	A-	163	116
The Paramount	Arlington, VA	B	135	141
The Wellington	Arlington, VA	B Value-Add	710	600
Trove	Arlington, VA	A	401	293
Roosevelt Towers	Falls Church, VA	B	191	170
The Ashby at McLean	McLean, VA	B	268	274
Elme Dulles	Herndon, VA	B Value-Add	328	361
Elme Herndon	Herndon, VA	B Value-Add	283	221
Elme Manassas	Manassas, VA	B Value-Add	408	390
Elme Leesburg	Leesburg, VA	B	134	124
Elme Bethesda	Bethesda, MD	B	193	225
Elme Germantown	Germantown, MD	B Value-Add	218	211
Elme Watkins Mill	Gaithersburg, MD	B	210	193
3801 Connecticut Avenue	Washington, DC	B Value-Add	307	178
Kenmore Apartments	Washington, DC	B Value-Add	371	268
Yale West	Washington, DC	A-	216	173
Elme Conyers	Conyers, GA	B	240	228
Elme Marietta	Marietta, GA	B Value-Add	420	415
Elme Sandy Springs	Sandy Springs, GA	B Value-Add	389	506
Elme Cumberland	Smyrna, GA	B Value-Add	270	321
Elme Eagles Landing	Stockbridge, GA	B	490	534
Elme Druid Hills	Atlanta, GA	B Value-Add	500	477
Total // Stabilized Multifamily Communities			9,374	8,578
Watergate 600	Washington, DC	-	N/A	300

Strategy Diversification Percentage of NRSF



Financials from Q4 2023 Supplement

Consolidated Statements of Operations
(In thousands, except per share data)
(Unaudited)



	Twelve Months Ended		Three Months Ended				
	December 31, 2023	December 31, 2022	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022
OPERATING RESULTS							
Revenues							
Real estate rental revenue	\$ 227,911	\$ 209,380	\$ 58,852	\$ 56,651	\$ 56,599	\$ 55,809	\$ 55,593
Expenses							
Property operating and maintenance ⁽¹⁾	(50,985)	(47,384)	(12,625)	(12,696)	(13,325)	(12,339)	(12,090)
Real estate taxes and insurance ⁽¹⁾	(28,845)	(26,617)	(7,629)	(7,101)	(6,933)	(7,182)	(6,614)
Property management	(8,108)	(7,436)	(2,226)	(1,935)	(2,178)	(1,769)	(1,974)
General and administrative	(25,887)	(28,258)	(5,996)	(6,370)	(6,680)	(6,841)	(7,260)
Transformation costs	(6,339)	(9,686)	—	(985)	(2,454)	(2,900)	(3,041)
Depreciation and amortization	(88,950)	(91,722)	(24,095)	(21,904)	(21,415)	(21,536)	(21,851)
Real estate impairment	(41,860)	—	—	(41,860)	—	—	—
	(250,974)	(211,103)	(52,571)	(92,851)	(52,985)	(52,567)	(52,830)
Real estate operating (loss) income	(23,063)	(1,723)	6,281	(36,200)	3,614	3,242	2,763
Other income (expense)							
Interest expense	(30,429)	(24,940)	(9,386)	(7,418)	(6,794)	(6,831)	(6,552)
Loss on extinguishment of debt	(54)	(4,917)	—	—	—	(54)	—
Other income	569	712	—	—	569	—	258
Net loss	\$ (52,977)	\$ (30,868)	\$ (3,105)	\$ (43,618)	\$ (2,611)	\$ (3,643)	\$ (3,531)
Per Share Data:							
Net loss	\$ (0.61)	\$ (0.36)	\$ (0.04)	\$ (0.50)	\$ (0.03)	\$ (0.04)	\$ (0.04)
Fully diluted weighted average shares outstanding	87,735	87,388	87,788	87,759	87,741	87,649	87,491
Percentage of Revenues:							
General and administrative expenses	11.4 %	13.5 %	10.2 %	11.2 %	11.8 %	12.3 %	13.1 %
Net loss	(23.2)%	(14.7)%	(5.3)%	(77.0)%	(4.6)%	(6.5)%	(6.4)%
Ratios:							
Adjusted EBITDA ⁽²⁾ / Interest expense	3.8x	4.1x	3.2x	3.9x	4.2x	4.2x	4.3x

⁽¹⁾ Certain immaterial amounts in prior periods have been reclassified to conform with the current period presentation.

⁽²⁾ Adjusted EBITDA is a non-GAAP measure. See "Definitions" for the definition of Adjusted EBITDA.

Financials from Q4 2023 Supplement

Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) (In thousands) (Unaudited)



	Twelve Months Ended		Three Months Ended				
	December 31, 2023	December 31, 2022	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022
Adjusted EBITDA⁽¹⁾							
Net loss	\$ (52,977)	\$ (30,868)	\$ (3,105)	\$ (43,618)	\$ (2,611)	\$ (3,643)	\$ (3,531)
Add/(deduct):							
Interest expense	30,429	24,940	9,386	7,418	6,794	6,831	6,552
Real estate depreciation and amortization	88,950	91,722	24,095	21,904	21,415	21,536	21,851
Real estate impairment	41,860	—	—	41,860	—	—	—
Non-real estate depreciation	886	822	158	291	222	215	178
Severance expense	785	474	391	—	—	394	—
Transformation costs	6,339	9,686	—	985	2,454	2,900	3,041
Relocation expense	629	74	3	306	134	186	74
Structuring expenses	60	1,161	—	—	—	60	60
Loss on extinguishment of debt	54	4,917	—	—	—	54	—
Adjustments to deferred taxes	(526)	—	(526)	—	—	—	—
Adjusted EBITDA	\$ 116,489	\$ 102,928	\$ 30,402	\$ 29,146	\$ 28,408	\$ 28,533	\$ 28,225

⁽¹⁾ Adjusted EBITDA is a non-GAAP measure. See "Definitions" for the definition of Adjusted EBITDA.

Financials from Q4 2023 Supplement

Consolidated Balance Sheets
(In thousands, except per share data)
(Unaudited)



	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022
Assets					
Land	\$ 384,097	\$ 384,097	\$ 373,113	\$ 373,171	\$ 373,171
Income producing property	1,960,020	1,941,663	1,911,381	1,903,648	1,897,835
	2,344,117	2,325,760	2,284,494	2,276,819	2,271,006
Accumulated depreciation and amortization	(528,024)	(506,298)	(523,153)	(502,104)	(481,588)
Net income producing property	1,816,093	1,819,462	1,761,341	1,774,715	1,789,418
Properties under development or held for future development	30,980	31,095	31,260	31,260	31,260
Total real estate held for investment, net	1,847,073	1,850,557	1,792,601	1,805,975	1,820,678
Cash and cash equivalents	5,984	8,079	5,554	7,044	8,389
Restricted cash	2,554	2,104	1,887	1,487	1,463
Rents and other receivables	17,642	15,300	15,746	16,095	16,346
Prepaid expenses and other assets	26,775	34,233	22,711	24,398	25,730
Total assets	<u>\$ 1,900,028</u>	<u>\$ 1,910,273</u>	<u>\$ 1,838,499</u>	<u>\$ 1,854,999</u>	<u>\$ 1,872,606</u>
Liabilities					
Notes payable, net	\$ 522,345	\$ 522,150	\$ 521,955	\$ 521,761	\$ 497,359
Line of credit	157,000	149,000	24,000	35,000	55,000
Accounts payable and other liabilities	38,997	40,666	36,920	28,583	34,386
Dividend payable	15,863	15,868	15,834	15,869	14,934
Advance rents	5,248	3,365	2,949	1,800	1,578
Tenant security deposits	6,225	6,171	5,913	5,671	5,563
Total liabilities	745,678	737,220	607,571	608,684	608,820
Equity					
Preferred shares; \$0.01 par value; 10,000 shares authorized	—	—	—	—	—
Shares of beneficial interest, \$0.01 par value; 150,000 shares authorized	879	878	878	877	875
Additional paid-in capital	1,735,530	1,734,657	1,733,388	1,731,701	1,729,854
Distributions in excess of net income	(569,391)	(550,442)	(490,939)	(472,503)	(453,008)
Accumulated other comprehensive loss	(12,958)	(12,332)	(12,693)	(14,056)	(14,233)
Total shareholders' equity	1,154,060	1,172,761	1,230,634	1,246,019	1,263,488
Noncontrolling interests in subsidiaries	290	292	294	296	298
Total equity	1,154,350	1,173,053	1,230,928	1,246,315	1,263,786
Total liabilities and equity	<u>\$ 1,900,028</u>	<u>\$ 1,910,273</u>	<u>\$ 1,838,499</u>	<u>\$ 1,854,999</u>	<u>\$ 1,872,606</u>

Financials from Q4 2023 Supplement

NAREIT Funds from Operations/ Adjusted Funds From Operations
(In thousands, except per share data)
(Unaudited)



	Twelve Months Ended		Three Months Ended				
	December 31, 2023	December 31, 2022	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022
Funds from operations (FFO)							
Net loss	\$ (52,977)	\$ (30,868)	\$ (3,105)	\$ (43,618)	\$ (2,611)	\$ (3,643)	\$ (3,531)
Real estate depreciation and amortization	88,950	91,722	24,095	21,904	21,415	21,536	21,851
Real estate impairment	41,860	—	—	41,860	—	—	—
NAREIT funds from operations (FFO)⁽¹⁾	77,833	60,854	20,990	20,146	18,804	17,893	18,320
Loss on extinguishment of debt	54	4,917	—	—	—	54	—
Severance expense	785	474	391	—	—	394	—
Transformation costs	6,339	9,686	—	985	2,454	2,900	3,041
Relocation expense	629	74	3	306	134	186	74
Structuring expenses	60	1,161	—	—	—	60	60
Write-off of pursuit costs	73	174	24	—	9	40	—
Adjustments to deferred taxes	(526)	—	\$ (526)	—	—	—	—
Core FFO⁽¹⁾	\$ 85,247	\$ 77,340	\$ 20,882	\$ 21,437	\$ 21,401	\$ 21,527	\$ 21,495
Allocation to participating securities ⁽²⁾	(255)	(232)	(46)	(71)	(68)	(70)	(41)
NAREIT FFO per share - basic	\$ 0.88	\$ 0.69	\$ 0.24	\$ 0.23	\$ 0.21	\$ 0.20	\$ 0.21
NAREIT FFO per share - fully diluted	\$ 0.88	\$ 0.69	\$ 0.24	\$ 0.23	\$ 0.21	\$ 0.20	\$ 0.21
Core FFO per share - fully diluted	\$ 0.97	\$ 0.88	\$ 0.24	\$ 0.24	\$ 0.24	\$ 0.24	\$ 0.24
Common dividend per share	\$ 0.72	\$ 0.68	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.17
Average shares - basic	87,735	87,388	87,788	87,759	87,741	87,649	87,491
Average shares - fully diluted (for NAREIT FFO and Core FFO)	87,815	87,491	87,836	87,799	87,785	87,840	87,622

⁽¹⁾ See "Definitions" for the definitions of NAREIT FFO and Core FFO.

⁽²⁾ Adjustment to the numerators for FFO and Core FFO per share calculations when applying the two-class method for calculating EPS

Financials from Q4 2023 Supplement

NAREIT Funds from Operations/ Adjusted Funds From Operations (continued)
(In thousands, except per share data)
(Unaudited)



	Twelve Months Ended		Three Months Ended				
	December 31, 2023	December 31, 2022	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022
Adjusted funds from operations (AFFO)⁽¹⁾							
NAREIT FFO⁽¹⁾	\$ 77,833	\$ 60,854	\$ 20,990	\$ 20,146	\$ 18,804	\$ 17,893	\$ 18,320
Non-cash loss on extinguishment of debt	54	4,873	—	—	—	54	—
Tenant improvements and incentives, net of reimbursements	(277)	(1,025)	(267)	—	—	(10)	—
Leasing commissions capitalized	(56)	(16)	—	—	—	(56)	(16)
Recurring capital improvements	(8,592)	(7,682)	(2,642)	(1,490)	(2,456)	(2,004)	(2,656)
Straight-line rent, net	(187)	(492)	(27)	(74)	(57)	(29)	(55)
Non-cash fair value interest expense	—	210	—	—	—	—	—
Non-real estate depreciation and amortization of debt costs	5,108	4,664	1,217	1,348	1,276	1,267	1,147
Amortization of lease intangibles, net	(818)	(945)	(248)	(155)	(178)	(237)	(337)
Amortization and expensing of restricted share and unit compensation ⁽³⁾	5,474	7,988	1,508	1,432	1,346	1,188	1,831
AFFO⁽¹⁾	78,539	68,429	20,531	21,207	18,735	18,066	18,234
Cash loss on extinguishment of debt	—	44	—	—	—	—	—
Non-share-based severance expense	653	202	313	—	—	340	—
Relocation expense	629	74	3	306	134	186	74
Structuring expenses	60	1,161	—	—	—	60	60
Transformation costs ⁽⁴⁾	6,339	9,378	—	985	2,454	2,900	3,041
Write-off of pursuit costs	73	174	24	—	9	40	—
Adjustments to deferred taxes	(526)	—	(526)	—	—	—	—
Core AFFO⁽¹⁾	\$ 85,767	\$ 79,462	\$ 20,345	\$ 22,498	\$ 21,332	\$ 21,592	\$ 21,409

⁽¹⁾ See "Definitions" for the definitions of AFFO and Core AFFO

⁽²⁾ Includes share award modifications related to transformation costs

⁽⁴⁾ Excludes share award modifications related to transformation costs

Financials from Q4 2023 Supplement

Net Operating Income (NOI) - Multifamily (Dollars In thousands)



	Apartment Homes as of December 31, 2023	Twelve Months Ended		Three Months Ended				
		December 31, 2023	December 31, 2022	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022
Rental and other property revenues								
Same-store	7,795	\$ 185,958	\$ 174,491	\$ 46,776	\$ 46,610	\$ 46,786	\$ 45,786	\$ 45,051
Acquisitions	1,579	22,429	14,936	7,160	5,233	5,079	4,957	5,314
Development	N/A	—	—	—	—	—	—	—
Non-residential ⁽¹⁾	N/A	924	1,073	219	222	235	248	266
Total rental and other property revenues⁽²⁾	9,374	209,311	190,500	54,155	52,065	52,100	50,991	50,631
Property operating expenses								
Same-store		65,067	62,818	15,788	16,274	16,765	16,240	15,390
Acquisitions		8,996	5,508	2,899	2,068	2,203	1,826	1,810
Development		224	128	56	56	54	58	57
Non-residential		248	281	163	33	32	20	67
Total property operating expenses		74,535	68,735	18,906	18,431	19,054	18,144	17,324
Net Operating Income (NOI)⁽³⁾								
Same-store		120,891	111,673	30,988	30,336	30,021	29,546	29,661
Acquisitions		13,433	9,428	4,261	3,165	2,876	3,131	3,504
Development		(224)	(128)	(56)	(56)	(54)	(58)	(57)
Non-residential		676	792	56	189	203	228	199
Total NOI		\$ 134,776	\$ 121,765	\$ 35,249	\$ 33,634	\$ 33,046	\$ 32,847	\$ 33,307
Same-store metrics								
Operating margin ⁽⁴⁾		65%	64%	66%	65%	64%	65%	66%
Retention		63%	62%	65%	61%	63%	64%	60%
Same-store effective lease rate growth								
New		(0.2)%	8.8%	(2.4)%	0.1%	0.4%	0.7%	1.5%
Renewal		6.2%	11.1%	6.2%	5.1%	6.4%	8.0%	10.5%
Blended		3.3%	10.1%	2.5%	3.0%	3.7%	4.5%	5.9%

⁽¹⁾ Includes revenues and expenses from retail operations at multifamily communities.

⁽²⁾ Utility costs reimbursed by residents are included in real estate rental revenue on our consolidated statements of operations. Utility reimbursements totaled \$8.1 million and \$7.3 million for the twelve months ended December 31, 2023 and 2022 respectively, and \$1.9 million, \$1.9 million, \$2.2 million, \$2.1 million and \$1.9 million for the three months ended December 31, 2023, September 30, 2023, June 30, 2023, March 31, 2023 and December 31, 2022, respectively.

⁽³⁾ NOI is a non-GAAP measure. See "Definitions".

⁽⁴⁾ Operating margin is calculated by dividing the same-store NOI (non-GAAP) by same-store rental and other property revenues.

Financials from Q4 2023 Supplement and Guidance Reconciliation

The following tables contain reconciliations of net loss to NOI and same-store NOI for the periods presented (in thousands):

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2023	2022	2023	2022
Net loss	\$ (3,105)	\$ (3,531)	\$ (52,977)	\$ (30,868)
Adjustments:				
Property management expense	2,226	1,974	8,108	7,436
General and administrative expense	5,996	7,260	25,887	28,258
Transformation costs	—	3,041	6,339	9,686
Real estate depreciation and amortization	24,095	21,851	88,950	91,722
Real estate impairment	—	—	41,860	—
Interest expense	9,386	6,552	30,429	24,940
Loss on extinguishment of debt, net	—	—	54	4,917
Other income	—	(258)	(569)	(712)
Total Net Operating Income (NOI)	\$ 38,598	\$ 36,889	\$ 148,081	\$ 135,379
Multifamily NOI:				
Same-store Portfolio	\$ 30,988	\$ 29,661	\$ 120,891	\$ 111,673
Acquisitions	4,261	3,504	13,433	9,428
Development	(56)	(57)	(224)	(128)
Non-residential	56	199	676	792
Total	35,249	33,307	134,776	121,765
Other NOI (Watergate 600)	3,349	3,582	13,305	13,614
Total NOI	\$ 38,598	\$ 36,889	\$ 148,081	\$ 135,379

2024 Guidance Reconciliation Table

A reconciliation of projected net loss per diluted share to projected Core FFO per diluted share for the full year ending December 31, 2024 is as follows:

	Low	High
Net loss per diluted share	\$(0.15)	\$(0.09)
Real estate depreciation and amortization	1.05	1.05
NAREIT FFO per diluted share	0.90	0.96
Core adjustments	—	—
Core FFO per diluted share	\$0.90	\$0.96

Definitions

Adjusted EBITDA is earnings before interest expense, taxes, depreciation, amortization, gain/loss on sale of real estate, casualty gain/loss, real estate impairment, gain/loss on extinguishment of debt, gain/loss on interest rate derivatives, severance expense, acquisition expenses and gain from non-disposal activities and transformation costs. Adjusted EBITDA is included herein because we believe it helps investors and lenders understand our ability to incur and service debt and to make capital expenditures. Adjusted EBITDA is a non-GAAP and non-standardized measure and may be calculated differently by other REITs.

Adjusted Funds From Operations (“AFFO”) is a non-GAAP measure. It is calculated by subtracting from FFO (1) recurring improvements, tenant improvements and leasing costs, that are capitalized and amortized and are necessary to maintain our properties and revenue stream (excluding items contemplated prior to acquisition or associated with development / redevelopment of a property) and (2) straight line rents, then adding (3) non-real estate depreciation and amortization, (4) non-cash fair value interest expense and (5) amortization of restricted share compensation, then adding or subtracting the (6) amortization of lease intangibles, (7) real estate impairment and (8) non-cash gain/loss on extinguishment of debt, as appropriate. AFFO is included herein, because we consider it to be a performance measure of a REIT’s ability to incur and service debt and to distribute dividends to its shareholders. AFFO is a non-GAAP and non-standardized measure, and may be calculated differently by other REITs.

Core Adjusted Funds From Operations (“Core AFFO”) is calculated by adjusting AFFO for the following items (which we believe are not indicative of the performance of Elme Communities’ operating portfolio and affect the comparative measurement of Elme Communities’ operating performance over time): (1) gains or losses on extinguishment of debt and gains or losses on interest rate derivatives, (2) expenses related to acquisition and structuring activities, (3) non-share-based executive transition costs, severance expenses and other expenses related to corporate restructuring and executive retirements or resignations, (4) property impairments, casualty gains and losses, and gains or losses on sale not already excluded from Core AFFO, as appropriate, (5) relocation expense, (6) transformation costs and (7) write off of pursuit costs. These items can vary greatly from period to period, depending upon the volume of our acquisition activity and debt retirements, among other factors. We believe that by excluding these items, Core AFFO serves as a useful, supplementary performance measure of Elme Communities’ ability to incur and service debt, and distribute dividends to its shareholders. Core AFFO is a non-GAAP and non-standardized measure, and may be calculated differently by other REITs.

Core Funds From Operations (“Core FFO”) is calculated by adjusting NAREIT FFO for the following items (which we believe are not indicative of the performance of Elme Communities’ operating portfolio and affect the comparative measurement of Elme Communities’ operating performance over time): (1) gains or losses on extinguishment of debt and gains or losses on interest rate derivatives, (2) expenses related to acquisition and structuring activities, (3) executive transition costs, severance expenses and other expenses related to corporate restructuring and executive retirements or resignations, (4) property impairments, casualty gains and losses, and gains or losses on sale not already excluded from NAREIT FFO, as appropriate, (5) relocation expense, (6) transformation costs and (7) write off of pursuit costs. These items can vary greatly from period to period, depending upon the volume of our acquisition activity and debt retirements, among other factors. We believe that by excluding these items, Core FFO serves as a useful, supplementary measure of Elme Communities’ ability to incur and service debt, and distribute dividends to its shareholders. Core FFO is a non-GAAP and non-standardized measure, and may be calculated differently by other REITs.

NAREIT Funds From Operations (“FFO”) is defined by 2018 National Association of Real Estate Investment Trusts, Inc. (“NAREIT”) FFO White Paper Restatement, as net income (computed in accordance with generally accepted accounting principles (“GAAP”) excluding gains (or losses) associated with the sales of properties, impairments of depreciable real estate and real estate depreciation and amortization. We consider NAREIT FFO to be a standard supplemental measure for equity real estate investment trusts (“REITs”) because it facilitates an understanding of the operating performance of our properties without giving effect to real estate depreciation and amortization, which historically assumes that the value of real estate assets diminishes predictably over time. Since real estate values have instead historically risen or fallen with market conditions, we believe that NAREIT FFO more accurately provides investors an indication of our ability to incur and service debt, make capital expenditures and fund other needs. Our NAREIT FFO may not be comparable to FFO reported by other REITs. These other REITs may not define the term in accordance with the current NAREIT definition or may interpret the current NAREIT definition differently. NAREIT FFO is a non-GAAP measure.

Net Debt to Adjusted EBITDA represents net debt as of period end divided by adjusted EBITDA for the period, as annualized (i.e. three month periods are multiplied by four) or on a trailing 12 month basis. We define net debt as the total outstanding debt reported as per our consolidated balance sheets less cash and cash equivalents at the end of the period.

Net Operating Income (“NOI”), defined as real estate rental revenue less direct real estate operating expenses, is a non-GAAP measure. NOI is calculated as net income, less non-real estate revenue and the results of discontinued operations (including the gain or loss on sale, if any), plus interest expense, depreciation and amortization, lease origination expenses, general and administrative expenses, acquisition costs, real estate impairment, casualty gain and losses and gain or loss on extinguishment of debt. NOI does not include management expenses, which consist of corporate property management costs and property management fees paid to third parties. NOI is the primary performance measure we use to assess the results of our operations at the property level. We believe that NOI is a useful performance measure because, when compared across periods, it reflects the impact on operations of trends in occupancy rates, rental rates and operating costs on an unleveraged basis, providing perspective not immediately apparent from net income. NOI excludes certain components from net income in order to provide results more closely related to a property’s results of operations. For example, interest expense is not necessarily linked to the operating performance of a real estate asset. In addition, depreciation and amortization, because of historical cost accounting and useful life estimates, may distort operating performance at the property level. As a result of the foregoing, we provide NOI as a supplement to net income, calculated in accordance with GAAP. NOI does not represent net income or income from continuing operations calculated in accordance with GAAP. As such, NOI should not be considered an alternative to these measures as an indication of our operating performance.

Definitions

Average Effective Monthly Rent Per Home represents the average of effective rent (net of concessions) for in-place leases plus the market rent for vacant homes, divided by the total number of homes. We believe Average Effective Monthly Rent Per Home is a useful metric in evaluating the average pricing of our homes. It is a component of Residential Revenue, which is used to calculate our NOI. It does not represent actual rental revenue collected per unit.

Average Occupancy is based on average daily occupied apartment homes as a percentage of total apartment homes.

Current Strategy represents the class of each community in our portfolio based on a set of criteria. Our strategies consist of the following subcategories: Class A, Class A-, Class B Value-Add and Class B. A community's class is dependent on a variety of factors, including its vintage, site location, amenities and services, rent growth drivers and rent relative to the market.

- Class A communities are recently-developed, well-located, have competitive amenities and services and command average rental rates well above market median rents.
- Class A- communities have been developed within the past 20 years and feature operational improvements and unit upgrades and command rents at or above median market rents.
- Class B Value-Add communities are over 20 years old but feature operational improvements and strong potential for unit renovations. These communities command average rental rates below median market rents for units that have not been renovated.
- Class B communities are over 20 years old, feature operational improvements and command average rental rates below median market rents.

Debt Service Coverage Ratio is computed by dividing earnings attributable to the controlling interest before interest expense, taxes, depreciation, amortization, real estate impairment, gain on sale of real estate, gain/loss on extinguishment of debt, severance expense, relocation expense, acquisition and structuring expenses and gain/loss from non-disposal activities by interest expense (including interest expense from discontinued operations) and principal amortization.

Debt to Total Market Capitalization is total debt divided by the sum of total debt plus the market value of shares outstanding at the end of the period.

Earnings to Fixed Charges Ratio is computed by dividing earnings attributable to the controlling interest by fixed charges. For this purpose, earnings consist of income from continuing operations (or net income if there are no discontinued operations) plus fixed charges, less capitalized interest. Fixed charges consist of interest expense (excluding interest expense from discontinued operations), including amortized costs of debt issuance, plus interest costs capitalized.

Ending Occupancy is calculated as occupied homes as a percentage of total homes as of the last day of that period.

Lease Rate Growth is defined as the average percentage change in either gross (excluding the impact of concessions) or effective rent (net of concessions) for a new or renewed multifamily lease compared to the prior lease based on the move-in date. The blended rate represents the weighted average of new and renewal lease rate growth achieved.

Recurring Capital Improvements represent non-accretive building improvements required to maintain a property's income and value. Recurring capital improvements do not include acquisition capital that was taken into consideration when underwriting the purchase of a building or which are incurred to bring a building up to "operating standard". This category includes improvements made as needed upon vacancy of an apartment. Aside from improvements related to apartment turnover, these improvements include facade repairs, installation of new heating and air conditioning equipment, asphalt replacement, permanent landscaping, new lighting and new finishes.

Relocation expenses represent costs associated with the relocation of the corporate headquarters to a new location in the Washington metro region.

Retention represents the percentage of leases renewed that were set to expire in the period presented.

Same-store Portfolio includes properties that were owned for the entirety of the years being compared and exclude properties under redevelopment or development and properties acquired, sold or classified as held for sale during the years being compared. We categorize our properties as "same-store" or "non-same-store" for purposes of evaluating comparative operating performance. We define development properties as those for which we have planned or ongoing major construction activities on existing or acquired land pursuant to an authorized development plan. Development properties are categorized as same-store when they have reached stabilized occupancy (90%) before the start of the prior year. We define redevelopment properties as those for which we have planned or ongoing significant development and construction activities on existing or acquired buildings pursuant to an authorized plan, which has an impact on current operating results, occupancy and the ability to lease space with the intended result of a higher economic return on the property. We categorize a redevelopment property as same-store when redevelopment activities have been complete for the majority of each year being compared. We currently have two same-store portfolios: "Same-store multifamily" which is comprised of our same-store apartment communities and "Other same-store" which is comprised of our Watergate 600 commercial property.

Transformation Costs include costs related to the strategic shift away from the commercial sector to the residential sector, including the allocation of internal costs, consulting, advisory and termination benefits.



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