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1701 Pennsylvania Avenue NW Suite 200
Washington, D.C. 20006
March 19, 2025

VIA EMAIL & CERTIFIED U.S. MAIL RETURN RECEIPT REQUESTED

Paul McDermott
Chairman and CEO
ELME Communities
7559 Wisconsin Avenue Suite 900
Bethesda, MD 20814

Subject: Strategic Restructuring Proposal for ELME REIT

Dear Mr. McDermott,

Please accept this proposal as a formal indication of our interest in working with you and the Board of Trustees of Elme Communities.

Formal Proposal to the Board of Elme Communities REIT: Continue the Realignment

Executive Summary:

Washington REIT/Elme should continue the realignment that Elme's CEO, Paul McDermott, and its Board initiated several years ago. This outline shows how to continue pursuing that realignment to enhance shareholder returns and align the company's focus toward a vast niche multifamily market that it is already serving in part.

The most successful REITs have demonstrated the efficacy of combining niche focus with the pursuit of consolidation at massive scale. The strategy outlined below will build upon Elme's current foundation and will be far more beneficial for shareholders than an outright sale or a merger with another conventional multifamily portfolio.

Our primary objective is to substantially increase share prices in order to relieve legacy shareholders burdened by high historical equity costs as well as to deliver strong returns for investors who purchased shares at lower prices. Current shareholders will have satisfactory options if they wish to harvest their investments, or they can hold or increase their positions as they see the benefits of the strategy realized.

Objective:

Increase the value of shareholders' equity more than 81% vs VWAP, more than 62% vs expected acquisition bids from the Board's strategic process in April 2025, and more than 50% vs NAV; within 24 months of initiating this strategy. **Projected price per share $31.25 in May 2027**.

How We Achieve the Objective:

1. **Continue Elme's Realignment Plan: Sell the Non-Strategic Multifamily Properties**
    - Pivot away from the value-add Sunbelt strategy that is being pursued by too many competitors, public and private, and focus on the foundation of the REIT's historical success.
    - Sell 15 non-strategic multifamily properties to optimize the portfolio to its new focus.
    - Projected proceeds: $1.1 billion cash or UPREIT/DownREIT units from another REIT.
    - Choose to distribute the proceeds as a special dividend, share repurchase or redeploy capital for strategic acquisitions.
2. **Continue ELME's Realignment Plan: Sell the Watergate Office Building**
    - Execute the sale of the Watergate office building and focus on multifamily real estate.
    - Projected proceeds: $90 million.
    - Redeploy the proceeds for new strategic acquisitions.
3. **Harness Embedded Value: Sell Land Under the Strategic Portfolio**
    - Ground lease the land underlying the strategic portfolio.
    - Access $350 million of investable cash from non-cash flowing assets.
    - Recycle sale proceeds for new strategic acquisitions.
4. **Create Efficiency Gains: Reduce General and Administrative Expenses**
    - Reduce G&A spending by 60% to bring it in line with industry norms.
    - Current G&A expenses: $25 million annually.
    - G&A expense target post-reduction: $10 million annually (e.g., 40bps vs 100bps).
    - $275 million in shareholder value creation.
5. **Create Efficiency Gains: Property Management**
    - Continue embracing technology for lead management, vendor/purchasing management, collections, and resident support.
    - Bring property management expenses in line with the best-in-class operators.
    - Expected savings: $2.5 million annually.
    - $45 million in shareholder value creation.
6. **Gains from New Product: Introduce Serviced Apartments**
    - NoVa/DC/Md is the top corporate housing market in the country.
    - 15% of units (approximately 625 units of 4,200 retained) among strategic properties will be rented as long-stay furnished apartments.
    - $7 million additional NOI annually.
    - $125 million in shareholder value creation.

7. **Gains from Portfolio Expansion: Acquire Strategic Assets at Attractive Prices**
    - Acquire $750+ million in strategic markets using proceeds from land and Watergate at 40% leverage.
    - Annually, acquire $500 million to $2 billion of multifamily properties in markets proximate to major military installations.
    - Partner with Bainbridge Communities, a Top 10 multifamily developer, to develop new communities adjacent to military installations nationwide in a sidecar JV to create additional acquisition opportunities.
    - $165 million of shareholder value creation from 250bps improvement FFO multiple from 18x to 20.5x.
8. **Create and Dominate a Niche Market:**
    - **$180 Billion Off-Base Military Multifamily Market:**
        - The total military housing market is $450 billion.
        - 80% of total military housing (i.e., $360 billion) is located off-base and privately held.
        - 40% of total military housing (i.e., $180 billion) is market rate off-base multifamily housing.
        - The market is highly disaggregated with no military oriented portfolios of meaningful scale.
    - **Economic Stability of Military Adjacent Communities:**
        - The communities adjacent to major military installations exhibit economic stability, driven by the presence of these installations which provide jobs, economic activity, and a resilient tenant base.
        - Strategic military installations are reliable, sustainable economic engines regardless of political alignment in the federal government.
        - Areas surrounding major military bases experience stronger CAGR compared to other sectors.
        - **Elme Already Enjoys the Benefits of a Successful Off-Base Military Portfolio**
9. **Management Expertise:**
    - **Experienced Leadership:**
        - Enhance Elme's current management with a small team from Accend with years of experience in military adjacent multifamily housing and direct-to-consumer serviced apartments.
10. **Brand Realignment:**
    - **Change REIT Identity to American Military REIT:**
        - Emphasize focus on military-connected housing and assets.
        - Retain ELME for guest-facing branding for conventional housing.
        - Introduce H4N ("Home for Now") branding for serviced apartments.

Implementation Plan and Timeline:

- **Q2 2025:**
  - Grant Accend Capital access to the ELME data room.
  - Accend will present the Board with a refined model of this strategy outline.
  - Non-deal road show to investors Elme/Accend/Advisors
    - One-on-One with top institutional holders.
    - Multicity presentations for all shareholders.
  - The Board adopts strategic plan and integrates Accend executives into ELME management team.
  - Finalize the identification of non-strategic multifamily properties and initiate the sale process.
  - Begin the sale process for the Watergate office building.
  - Start the REIT renaming process to American Military REIT.
- **Q3 2025:**
  - Complete the sale of non-strategic multifamily properties.
  - Finalize the sale of the Watergate office building.
  - Implement measures to reduce G&A expenses.
  - Begin allocating 5% of the unit inventory to serviced apartments.
- **Q4 2025:**
  - Complete the sale of underlying land in the strategic portfolio.
  - Begin reinvestment into strategic acquisitions.
  - Initiate development joint venture with Bainbridge Communities.
- **Q1 2026:**
  - Finalize the first phase of new strategic acquisitions.
  - Complete G&A reset.
- **Q2 2026:**
  - Add 2.5% of units added to serviced apartment inventory.
  - Evaluate an equity offering for additional acquisitions.
- **Q3 2026:**
  - Equity offering.
  - Additional strategic acquisitions.
  - Add 2.5% of units added to serviced apartment inventory.
- **Q2 2027:**
  - Equity offering.
  - Additional strategic acquisitions.
  - Add 2.5% of units added to serviced apartment inventory.
- **Q3 2027:**
  - Final 2.5% of units added to serviced apartment inventory.
  - Realize the return objectives from the 2025 Strategic Alternatives Initiative.

Conclusion:

This restructuring proposal aims to immediately position Elme REIT for outsized financial returns and growth. By tapping into the vast potential of the off-base military multifamily market, divesting non-essential assets, cutting costs, and strategically investing in high-demand areas, the REIT will establish itself as the leader in military-adjacent real estate. This plan not only addresses current financial challenges but also lays a durable foundation for future success as “American Military REIT”.

Call to Action:

We request access to the Elme Communities data room in order refine the details and projections outlined above. In advance of a decision by the Board regarding its choice of strategic alternatives for Elme, we recommend scheduling one or more meetings between Accend and the Board of Trustees to discuss this proposal further.

Thank you for your consideration.

Jeffrey Scott Szorik
Co-Founder/CEO
Accend Capital LLC
March 19, 2025

cc: Andrew J. Jonas, Goldman Sachs