

SHADOW AUDIT

AVB

2022 SAME-STORE PORTFOLIO

AUDIT ID: SHADOW-005

DATE: 02/2026

CONFIDENTIAL

INSTITUTIONAL USE ONLY

METHODOLOGY

The Shadow Audit identifies underwriting bias by applying two standardized adjustments to reported Same Store results.

1. REVENUE MISS: 2% REDUCTION

Underwriters consistently overproject revenue growth.

2. EXPENSE GAP: 3% INCREASE

Underwriters consistently underproject expense growth.

These adjustments are applied to actual reported numbers from the SEC 10-K filing. The resulting Proforma NOI represents a normalized operating baseline.

The difference between Current NOI and Proforma NOI is the NOI Gap. Valuation impact is calculated using a 5.5% cap rate.

This methodology is applied consistently across all Shadow Audits to enable comparable analysis across portfolios and time periods.

SOURCE DATA

AVB 2022 10-K FILING

Filed: February 2023

Access:

<https://www.sec.gov/Archives/edgar/data/915912/000091591223000004/avb-20221231.htm>

SAME-STORE TABLE (Page 37)

	For the year ended December 31,	
	2022	2021
Net income	\$ 1,136,438	\$ 1,004,356
Property management and other indirect operating expenses, net of corporate income	114,200	98,665
Expensed transaction, development and other pursuit costs, net of recoveries	16,565	3,231
Interest expense, net	230,074	220,415
Loss on extinguishment of debt, net	1,646	17,787
General and administrative expense	74,064	69,611
Income from investments in unconsolidated entities	(53,394)	(38,585)
Depreciation expense	814,978	758,596
Income tax expense	14,646	5,733
Casualty loss	—	3,119
Gain on sale of communities	(555,558)	(602,235)
Gain on other real estate transactions, net	(5,039)	(2,097)
Net for-sale condominium activity	(88)	977
Net operating income from real estate assets sold or held for sale	(22,746)	(61,105)
NOI	1,765,786	1,478,468
Commercial NOI (1)	(36,144)	(25,326)
Residential NOI	\$ 1,729,642	\$ 1,453,142

(1) Represents results attributable to the commercial and other non-residential operations at our communities ("Commercial").

The Residential NOI changes for 2022 as compared to 2021 consists of changes in the following categories (dollars in thousands):

"The increase in our Same Store Residential NOI in 2022 is due to an increase in Residential rental revenue of \$218,692,000, or 10.9%, partially offset by an increase in property operating expenses of \$39,015,000, or 6.0%, over 2021."

Source verification: All numbers extracted directly from the above filing. No estimates or adjustments to source data.

ANALYSIS

CURRENT OPERATIONS

Revenue	\$2,225,499,339
Expenses	\$ 689,265,000
NOI	\$1,536,234,339

ADJUSTMENTS

Revenue Miss (2%)	-\$44,509,987
Expense Gap (3%)	+\$20,677,950
Total Adjustment	-\$65,187,937

PROFORMA OPERATIONS

Proforma Revenue	\$2,180,989,352
Proforma Expenses	\$ 709,942,950
Proforma NOI	\$1,471,046,402
NOI Gap	\$ 65,187,937
Decline	4.24%

VALUATION IMPACT (5.5% CAP)

Current Value	\$27,931,533,445
Proforma Value	\$26,746,298,230
Value Creation	-\$1,185,235,215

CALCULATION CHECK

Proforma Revenue = Revenue × 0.98
 Proforma Expenses = Expenses × 1.03
 Proforma NOI = Proforma Revenue – Proforma Expenses
 NOI Gap = Current NOI – Proforma NOI

NorthQuest

This analysis is based on publicly available SEC filings. NorthQuest LLC applies a standardized methodology to identify underwriting bias. Results are estimates and should be verified through full due diligence prior to any acquisition decision.

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