Quarterly Multifamily Commentary

Q2 2023

Cottonwood Communities, Inc. ("CWREIT")

(Information provided as of 6/30/23 unless otherwise noted)

BUSINESS OVERVIEW

- As of the end of the second quarter of 2023, CWREIT had a gross asset value of $2.6 billion with a total of 39 multifamily investments operating in 13 U.S. markets representing over 11,000 multifamily units. Average effective rents were $1,780 with an average portfolio-wide occupancy of 93%.
- Same-store communities net operating income ("same-store NOI") growth for the three and six months ended June 30, 2023 was 7.5% and 7.3%, respectively, demonstrating healthy fundamental operating conditions during the period.[3]
- Net asset value ("NAV") per share as of June 30, 2023 was $17.46, which is down from $19.58 at year-end 2022.
  - The biggest impact to reductions in value come from CWREIT's Independent Valuation Advisor ("Altus Group") increasing assumed Average Terminal Cap Rates from 4.4% to 5.09% since June 30, 2022 and increased Average Discount Rates from 5.6% to 6.3% over the same period.

MARKET INSIGHTS

- Beginning in March 2022 through July 2023, the Federal Funds Rate moved from 0% to 5.25% - 5.50%, which is the fastest rate hike campaign in the Fed's long history. The current rate is now the highest it has been in 22 years. These aggressive rate hikes by the Fed have impacted various sectors of the economy, especially the real estate market. The Fed's actions have impacted the capitalization rates assumed by investors and resulted in value declines across the multifamily sector.
- With the rise in the Fed Funds Rate, borrowing costs have increased for mortgage borrowers, and as a result, potential homebuyers may delay home purchases and remain renters for an extended period.
- The liquidity crisis facing regional banks has had a direct impact on the availability of bank capital available for construction lending. We believe the dramatic pullback in lender appetite will further benefit existing multifamily asset owners as the nationwide housing shortage continues to worsen.
  - Data reported by RealPage, Inc.[6] shows an approximate 20% drop in U.S. Multifamily constructions starts in 2Q23 vs. 2Q22, and a 41% decline 2Q23 vs. 1Q23, evidencing the impact that the debt capital markets are having on the supply pipeline.
- We believe the most attractive opportunities to place new investment dollars today is in multifamily credit. With less construction lending availability, we believe there is an enhanced need for structured capital and that the quality of opportunity, borrower credit quality and investment terms have improved for credit providers over the last 12-18 months.

PERFORMANCE[1]

Share Class		Inception	YTD Return	1 Year Return	ITD Return
Class T[2]	no sales charges	12/1/21	-9.42%	-13.24%	**7.42%**
	with sales charges	12/1/21	-12.48%	-16.17%	**5.10%**
Class D[2]		5/2/22	-9.15%	-12.73%	**-6.39%**
Class I		12/1/21	-9.04%	-12.51%	**8.34%**
Class A	w and w/o sales charges	12/18/18	-9.04%	-12.51%	**18.04%**

Past performance is not indicative of future results.

KEY INVESTMENT UPDATES

- On April 14, 2023, CWREIT closed on a new investment towards the development of a $75.5 million, 180-unit multifamily development project in Hollywood, Florida.
  - **$10 million** commitment from CWREIT
  - **Mezzanine loan** structure
  - **36-month term** with one 12-month extension option
  - **14.5% fixed interest** per annum[4]
  - **1.40x** minimum multiple[5]
- On May 31, 2023, CWREIT's Cottonwood Broadway, 254-unit, ground-up development project in Salt Lake City was completed.
  - Early lease up is currently underway with the first move-ins occurring on **June 15, 2023**.
  - This marks the completion of **Cottonwood's third ground-up development project** – the first, Sugarmont, was completed in June 2021 and is currently stabilized at 90.9% occupancy and the second, Park Avenue, was completed in April 2022 and is currently stabilized at 92.7%.

2215 Hollywood (Hollywood, FL)

Cottonwood Broadway (Salt Lake City, UT)

PLEASE SEE FOOTNOTES ON PAGE 2.

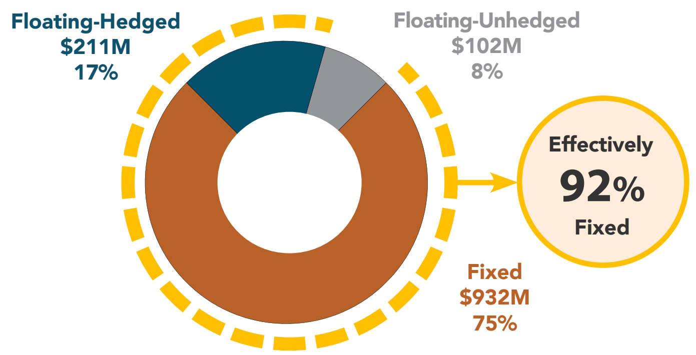
SUMMARY OF PROPERTY-LEVEL DEBT CAPITAL

During the first quarter of 2023, we refinanced seven properties for $326 million, receiving net proceeds of $58 million and obtaining a weighted average term and rate of 6.8 years and 5.08%, respectively on those transactions.

As of June 30, 2023, the graph shows portfolio-wide, the total of $1.2 billion of property level debt currently has the following debt metrics:

- All-in rate: **4.80%**[7]
- Average term to maturity: **6.2 years**
- Property loan-to-value ("LTV"): **51.7%**
- Debt service coverage ratio ("DSCR"): **1.70**[8]
- Debt yield: **8.0%**[8]

Fixed vs. Floating Rate Debt



DISTRIBUTION HISTORY[9]

- CWREIT has **consistently paid distributions to investors since inception** (55 consecutive months).
- The current annualized distribution of $0.73 per share represents a **46% increase** from the initial $0.50 per share paid in 2019.

Note that distributions are not guaranteed and may be funded from any source, without limitation, including cash flow from operations, asset sales, borrowings, offering proceeds, advance or deferral of fees, expense reimbursements or return of capital.

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1) Class A shares were offered from August 2018 through December 2020 and are no longer available for sale in the primary offering. Return information was prepared based on the NAV per share of common stock of CWREIT, as of June 30, 2023 of $17.4638, the most significant component of which consists of estimated fair values of real property assets. As with any real property valuation, the estimated fair values of real properties are based on a number of judgments, assumptions or opinions about future events that may or may not prove to be correct. As return information is calculated based on NAV, return information presented will be impacted should the assumptions on which NAV was determined prove to be incorrect. Further, CWREIT stockholders may not realize CWREIT's most recently computed NAV per share of common stock in the event he or she attempts to sell his or her shares of common stock in CWREIT or upon the liquidation of CWREIT. See the prospectus as supplemented to date for information about the computed NAV and the valuation procedures followed by CWREIT in connection with its determination of NAV. Return information is not a measure used under GAAP. CWREIT has incurred $30.9 million and $34.0 million in net losses for the six months ended June 30, 2023 and for the year ended December 31, 2022, respectively. This amount largely reflects the expense of real estate depreciation and amortization in accordance with GAAP. Additional information about our net losses as calculated under GAAP is included in our annual and interim financial statements. Our net losses as calculated under GAAP and a reconciliation of our GAAP equity to our NAV are provided in our annual and interim financial statements. Inception to date ("ITD") returns for CWREIT are annualized consistent with the IPA Practice Guideline 2018. **2)** Inception-to-date returns are net of ongoing annual distribution fees of 0.85% (Class T) and 0.25% (Class D), and for Class T "with sales charges" only, also assume the full upfront Sales Load of 3.5% at initial subscription. **3)** CWREIT defines same-store NOI as operating revenues less operating expenses for stabilized properties, both consolidated and unconsolidated, owned for the entirety of the periods presented. See CWREIT's Quarterly Report on Form 10-Q for the period ended June 30, 2023 for a reconciliation of NOI and additional information on how to review this metric. **4)** The interest rate is not a measure of our investment performance, nor is it indicative of distributions that we may provide to investors. It should not be relied on to predict an investor's returns in us. **5)** If mezzanine debt is redeemed prior to the initial term, we are entitled to a make-whole minimum multiple of the original investment amount. **6)** Source: RealPage Market-Rate Apartment Affordability Study 2023 Update (https://on24static.akamaized.net/event/42/89/23/8/rt/1/documents/resourceList1692041699747/2023affordabilitywebcastdeckstudiocopy1692041696728.pdf) **7)** All-in rate is the blended at share effective interest rate (inclusive of rate caps) of all asset level debt as of 6/30/23. **8)** DSCR and debt yield are calculated at share using trailing debt service and NOI. **9)** Past performance is not indicative of future results. Distributions are not guaranteed. CWREIT funded total distribution paid during the six months ended June 30, 2023, which includes net cash distributions and distribution reinvestment by stockholders, with $24.0 million from additional borrowings and $1.4 million of offering proceeds from issuance of common stock pursuant to the distribution reinvestment plan. CWREIT funded total distributions paid during 2022, which includes net cash distributions and distributions reinvested by stockholders, with $18.6 million prior period cash provided by operating activities, $14.0 million from additional borrowings, and $9.6 million of offering proceeds.

SUMMARY OF RISK FACTORS

- An investment in our shares is speculative, illiquid and involves a high degree of risk and there is no guarantee that investors will receive any return or that they will not lose their entire investment.
- No public market exists for our shares. A stockholders' ability to dispose of their shares will likely be limited to repurchase by us.
- Our share repurchase program is subject to restrictions and our board of directors may modify or suspend our share repurchase program at any time.
- Purchases and repurchases of shares of our common stock are made based on the most recently disclosed NAV per share at such time, NAV does not currently represent our enterprise value and may not accurately reflect the actual prices at which our assets could be liquidated on any given day, the value a third party would pay for all or substantially all of our shares, or the price that our shares would trade at on a national stock exchange.
- Our board of directors may amend our NAV procedures from time to time.
- Distributions are not guaranteed and have in the past and may in the future be funded with offering proceeds, and we have no limit on the amounts we may pay from such sources.
- We depend on our advisor to select investments and to manage our business.
- We pay substantial compensation to our advisor and its affiliates, which increases the risk that our stockholders will not earn a profit on their investment.
- Certain of our officers and our directors are also officers and directors of our sponsor, advisor and their affiliates and, as a result, are subject to conflicts of interest, including conflicts arising from time constraints and the fact that the fees our advisor receives for services rendered to us are based on our NAV, which our advisor is responsible for determining.
- Stockholders' interest in us will be diluted if we issue additional shares.
- Stockholders' interest in our assets will also be diluted if our operating partnership issues additional units.
- There are restrictions on the ownership and transferability of our shares of common stock.
- If we fail to qualify as a real estate investment trust and no relief provisions apply, our NAV and cash available for distribution to our stockholders could materially decrease.
- We will be subject to risks generally associated with the development and operation of real estate including, but not limited to, economic risks, legislative risks, tax risks, environmental risks, financing risks, liquidity risks and lack of diversification.
- The outbreak of widespread contagious disease, such as the novel coronavirus, COVID-19, could adversely impact our operations and the value of our investments.
- Inflation and its adverse consequences on our operations.
- Mezzanine loans and preferred equity investments have a greater risk of default than a first position loan.
- Development projects involve risk including development risks, constuction risks, finacing risks and lease-up risks.
- We recently restated our financial statements and identified a material weakness in our internal controls, each of which may adversely affect us, including due to an increased risk of litigation.

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For more information, visit WWW.COTTONWOODCOMMUNITIES.COM. Financial advisors can reach us directly at 855.816.9112 or info@cwmarketsgrp.com or Cottonwood Investor Relations at investments@cottonwoodres.com for operational inquiries.

Orchard Securities, LLC, Member FINRA and SiPC
365 Garden Grove Lane, Suite 100 | Pleasant Grove, UT 84062