



MULTIFAMILY

2018 U.S. and Canada Investment Forecast

Marcus & Millichap

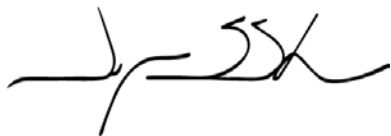
To Our Valued Clients:

Apartment investments will maintain a positive outlook in 2018 as the combination of steady job creation, healthy demographics and an accelerating pace of household formation sustains renter demand. The consistent flow of newly developed units, a top of mind consideration for many investors, increased competition for Class A apartment assets in cities with disproportionate deliveries. The effects of the additions tend to be concentrated, and the deliveries will wane in the coming year, supporting sound performance metrics in most markets. Class B and C workforce housing will continue to outperform as vacancies in these properties remain at historical lows, enabling owners to justify strong rent growth.

The prospects for apartment investments in 2018 are particularly exciting. In addition to a bright economic outlook and elevated confidence levels among businesses and consumers, investors will benefit from increased clarity on tax laws. The revisions to the tax code are largely benign for commercial real estate, maintaining virtually all of the features most valued by our industry. Key provisions such as the 1031 tax-deferred exchange, mortgage interest deductibility and depreciation rules changed little, empowering continuity in most investment strategies. In addition, changes to tax codes on pass-through entities could provide an incentive for many investors to re-position portfolios and allocate additional capital to the sector. This combination could invigorate investor sentiment, bolster decision making and raise market liquidity.

Undoubtedly, new challenges will emerge in 2018, but numerous forward-looking metrics still point to additional runway for multifamily investments. As you recalibrate your investment strategies in this dynamic climate, our investment professionals stand ready to help you evaluate your options and implement your strategies.

Sincerely,



John S. Sebree

First Vice President, National Director | National Multi Housing Group



John Chang

First Vice President | Research Services

National Perspective

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National Multifamily Index (NMI)

- The top two markets last year trade places in 2018. Driven by robust employment in the tech sector and soaring home prices that keep rental demand ahead of elevated deliveries, Seattle-Tacoma ranks first on the chart. The metro outperforms last year's leader, Los Angeles (#2), which slid one spot.
- Sacramento's robust rent growth and low vacancy pushed the market up 12 positions in the ranking (#8) the largest increase in the Index. Other double-digit movers were Orlando (#17) and Detroit (#28), which each leaped 10 places.

National Economy

- Companies have considerable staffing needs, but with unemployment entrenched near 4 percent, they will continue to face challenges in filling available positions. These tight labor conditions should place additional upward pressure on wages, potentially boosting inflationary pressure in the coming year.
- The strong employment market, rising wages and elevated confidence levels could unlock accelerated household formation, particularly by young adults.
- One factor that could weigh on economic expansion under the new tax laws is the housing sector, which added just 3 percent to the economy last year, about two-thirds of the normal level. The new laws could cause homebuilders to reduce construction while shifting a portion of the housing demand from homeownership to rentals, and a rental housing shortage could ensue.

National Apartment Overview

- Steady job creation, above-trend household formation and elevated single-family home prices have converged to counterbalance the addition of 1.37 million apartments over the last five years, at least on a macro level, easing concerns of overdevelopment.
- In the coming year, rising development costs, tighter construction financing and mounting caution levels will curb the pace of new additions from the 380,000 units delivered in 2017 to approximately 335,000 apartments. Although the pace of completions will moderate in 2018, additions will still likely outpace absorption.
- Nationally, Class A vacancy rates have advanced to 6.3 percent in 2017 and will continue their climb to the 6.8 percent range over the next year. Vacancy rates for Class B and C assets will rise less significantly in 2018, pushing to 5.0 percent and 4.7 percent, respectively. Average rent growth will taper to 3.1 percent in 2018 as concessions become more prevalent, particularly in Class A properties.

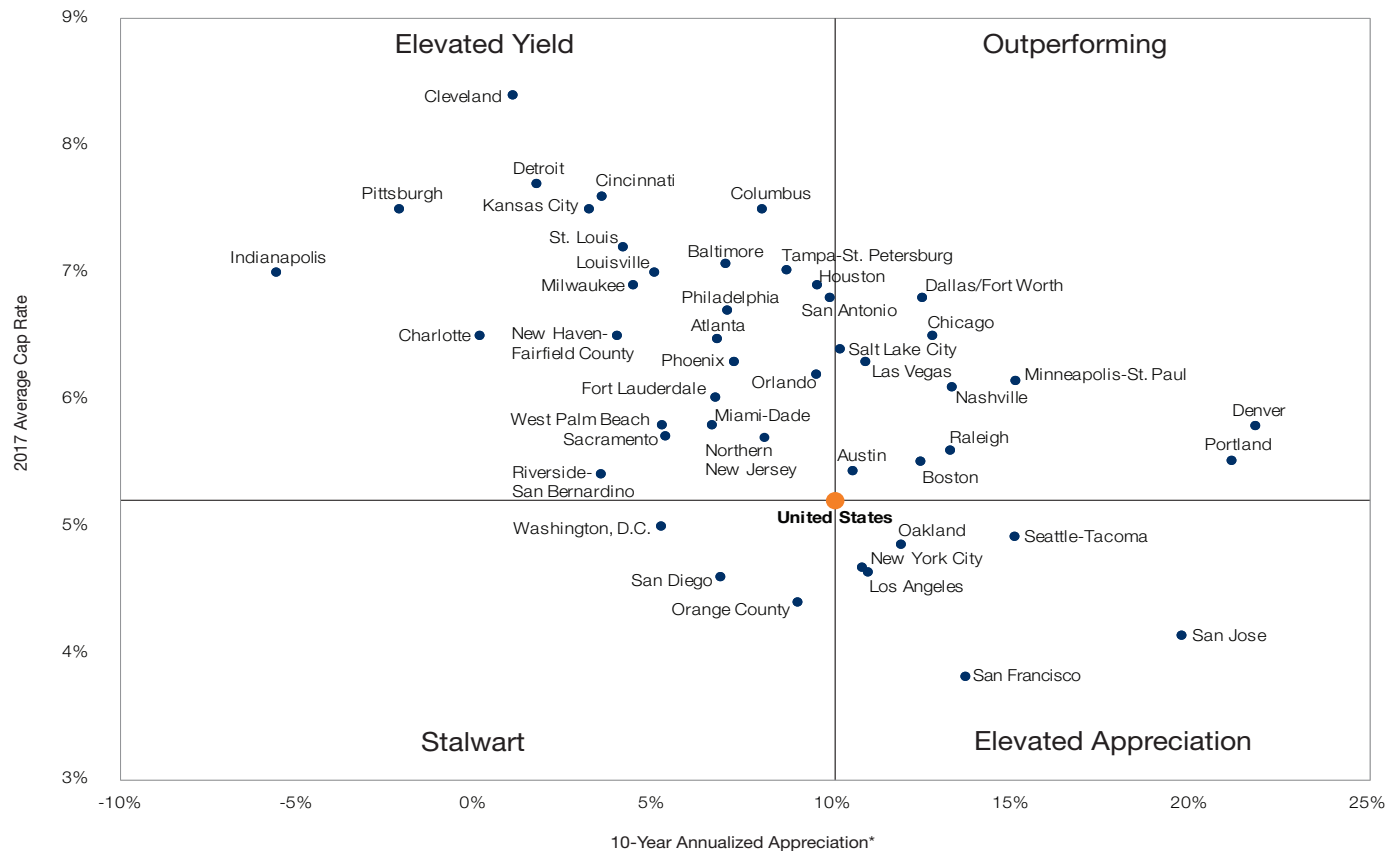
Capital Markets

- The Fed is widely expected to continue raising its overnight rate through 2018 to restrain potential inflation risk. Average apartment cap rates remained relatively stable in the low-5 percent range for the last 18 months, with a yield spread above the 10-year Treasury of about 280 basis points. Many believe cap rates will rise in tandem with interest rates, but this has not been the case historically.
- Debt availability for apartment assets remains abundant with Fannie Mae and Freddie Mac continuing to serve a significant portion of the multifamily financing, local and regional banks targeting smaller transactions, and insurance companies handling larger transactions with low-leverage needs.

Investment Outlook

- The prospects of a rising interest rate environment could weigh on buyer activity as the yield spread tightens. Cap rates have held relatively stable over the last two years, and the sturdy outlook for apartment fundamentals is unlikely to change substantively in 2018. The maturing apartment investment climate has continued its migration from aggressive growth to a more stable but still positive trend.
- To recalibrate their strategies, investors are broadening their search and sharpening their efforts to find investment options with upside potential. They have expanded criteria to include a variety of Class B/C assets, outer-ring suburban locations, and properties in secondary or tertiary markets.

Yield Range Offers Compelling Options for Investors; Most Metros Demonstrate Strong Appreciation Rates



Average Price Per Unit Range**

(Alphabetical order within each segment)

\$50,000 - \$75,999	\$76,000 - \$99,999	\$100,000 - \$149,999	\$150,000 - \$199,999	\$200,000 - \$299,999	\$300,000 - \$450,000
<ul style="list-style-type: none"> Cincinnati Cleveland Columbus Detroit Indianapolis Kansas City Memphis Pittsburgh 	<ul style="list-style-type: none"> Atlanta Charlotte Dallas/Fort Worth Milwaukee Las Vegas Louisville San Antonio St. Louis 	<ul style="list-style-type: none"> Austin Baltimore Houston Minneapolis-St. Paul Nashville Orlando Philadelphia Phoenix Raleigh Riverside-San Bernardino Sacramento Salt Lake City Tampa-St. Petersburg 	<ul style="list-style-type: none"> Chicago Denver Fort Lauderdale Miami-Dade New Haven-Fairfield County Northern New Jersey Portland Washington, D.C. West Palm Beach 	<ul style="list-style-type: none"> Los Angeles Oakland Orange County San Diego Seattle-Tacoma 	<ul style="list-style-type: none"> Boston New York City San Francisco San Jose

* 2007-2017 Average annualized appreciations in price per unit

** Price per unit for apartment properties \$1+ million

Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; Real Capital Analytics

U.S. Multifamily Index

Coastal Markets Top National Multifamily Index; Several Unique Markets Climb Ranks

Trading places. Seattle-Tacoma leads this year's Index after moving up one notch, driven by robust employment in the tech sector and soaring home prices that keep rental demand ahead of elevated deliveries. The metro outperforms last year's leader, Los Angeles (#2), which slid one spot. Midwest metro Minneapolis-St. Paul (#3) rose one notch as its diverse economy generates steady job growth and robust rental demand, maintaining one of the lowest vacancy rates among larger U.S. markets. San Diego (#4) jumped five spots as deliveries slump while household formation proliferates, resulting in sizable rent growth. Portland (#5) inches up a slot to round out the top five markets. East Coast markets fill the next two positions: Boston (#6) moves down three slots as rent growth slows while vacancy ticks up, and New York City (#7) rises three places as stout renter demand holds vacancy tight.

Index reshuffles with big moves. Sacramento (#8) posted the largest increase in the Index, vaulting 12 positions to lead a string of California markets that fill the next five slots. Robust rent growth and low vacancy pushed the market up in the ranking. Other double-digit movers were Orlando (#17) and Detroit (#28), which each leaped 10 places. Employment gains and in-migration are generating the need for apartments in Orlando, maintaining ample rent advancement. In Detroit, steady employment and a slow construction pipeline keep demand above supply, allowing rents to flourish. The most significant declines were registered in Austin, Nashville and Baltimore. Austin (#31) tumbled nine spaces as elevated deliveries overwhelm demand slowing rent growth. Nashville (#35) and Baltimore (#45) each moved down six steps as demand has yet to absorb multiple years of elevated inventory gains. Although Kansas City (#46) retains the bottom slot, there is greater change in the lower half of the NMI as more Midwest markets rise.

Index Methodology

The NMI ranks 46 major markets on a collection of 12-month, forward-looking economic indicators and supply-and-demand variables. Markets are ranked based on their cumulative weighted-average scores for various indicators, including projected job growth, vacancy, construction, housing affordability and rents. Weighing both the forecasts and incremental change over the next year, the Index is designed to show relative supply-and-demand conditions at the market level.

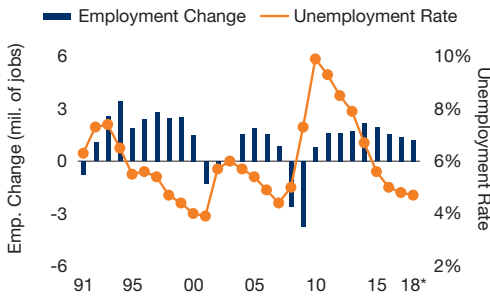
Users of the Index are cautioned to keep several important points in mind. First, the NMI is not designed to predict the performance of individual investments. A carefully chosen property in a bottom-ranked market could easily outperform a poor choice in a higher-ranked market. Second, the NMI is a snapshot of a one-year horizon. A market encountering difficulties in the near term may provide excellent long-term prospects, and vice versa. Third, a market's ranking may fall from one year to the next even if its fundamentals are improving. The NMI is an ordinal Index, and differences in rankings should be carefully interpreted. A top-ranked market is not necessarily twice as good as the second-ranked market, nor is it 10 times better than the 10th-ranked market.

Market Name	Rank 2018	Rank 2017 ¹	17-18 Change
Seattle-Tacoma	1	2	↗ 1
Los Angeles	2	1	↘ -1
Minneapolis-St. Paul	3	4	↗ 1
San Diego	4	9	↗ 5
Portland	5	6	↗ 1
Boston	6	3	↘ -3
New York City	7	10	↗ 3
Sacramento	8	20	↗ 12
Riverside-San Bernardino	9	11	↗ 2
Oakland	10	5	↘ -5
San Francisco	11	7	↘ -4
San Jose	12	8	↘ -4
Phoenix	13	12	↘ -1
Denver	14	13	↘ -1
Atlanta	15	14	↘ -1
Northern New Jersey	16	18	↗ 2
Orlando	17	27	↗ 10
Raleigh	18	16	↘ -2
Orange County	19	17	↘ -2
Miami-Dade	20	15	↘ -5
Tampa-St. Petersburg	21	19	↘ -2
Fort Lauderdale	22	23	↗ 1
Philadelphia	23	30	↗ 7
Salt Lake City	24	25	↗ 1
Chicago	25	21	↘ -4
Columbus	26	35	↗ 9
Charlotte	27	24	↘ -3
Detroit	28	38	↗ 10
Houston	29	31	↗ 2
Dallas/Fort Worth	30	26	↘ -4
Austin	31	22	↘ -9
Washington, D.C.	32	32	■ 0
Las Vegas	33	28	↘ -5
Cincinnati	34	34	■ 0
Nashville	35	29	↘ -6
Indianapolis	36	42	↗ 6
San Antonio	37	36	↘ -1
Milwaukee	38	33	↘ -5
Cleveland	39	40	↗ 1
St. Louis	40	44	↗ 4
West Palm Beach	41	37	↘ -4
Pittsburgh	42	43	↗ 1
Louisville	43	45	↗ 2
New Haven-Fairfield County	44	41	↘ -3
Baltimore	45	39	↘ -6
Kansas City	46	46	■ 0

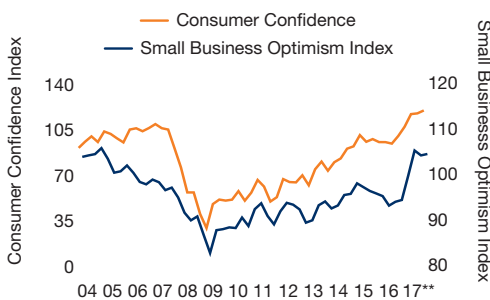
¹ See National Multifamily Index Note on page 64.

Growth Cycle Invigorated by Confidence; Tax Laws Could Transform Housing

Employment vs. Unemployment



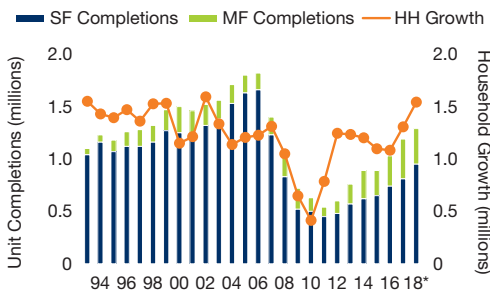
Optimism Reinforces Growth



Core Retail Sales vs. Wage Growth



Household Growth Outpaces Construction



Tight labor market restrains hiring as confidence surges. The steady economic tailwind benefiting apartment performance is poised to carry through 2018 as a range of positive factors align to support growth. Consumer confidence recently reached its highest point since 2000 while small-business sentiment attained a 31-year record level, both reinforcing indications that consumption and hiring will be strong. The total number of job openings has hovered in the low-6 million range through much of 2017, illustrating that companies have considerable staffing needs, but with unemployment entrenched near 4 percent, companies will continue to face challenges in filling available positions. These tight labor conditions should place additional upward pressure on wages, potentially boosting inflationary pressure in the coming year. The strong employment market, rising wages and elevated confidence levels could unlock accelerated household formation, particularly by young adults. Last year, the number of young adults living with their parents ticked lower for the first time since the recession, signaling that these late bloomers may finally be considering a more independent lifestyle.

Housing preferences may change under new tax laws. The new tax laws could play a significant role in shaping both the economy and housing demand in 2018. Reduced taxes will be a windfall for corporations, potentially sparking invigorated investment into infrastructure. The rise in CEO confidence over the last year already boosted companies' investment by more than 6 percent, accelerating economic growth. However, the tax incentive-based stimulus will likely offer only a modest bump to GDP in 2018 because corporate investment comprises just 12 percent of economic output. One factor that could weigh on economic expansion under the new tax laws is the housing sector, which added just 3 percent to the economy last year, about two-thirds of normal levels. The increased standard deduction and restrictions on housing-related deductions will reduce some of the economic incentive to purchase a home, further sapping the strength of the housing sector. Nonetheless, the increased standard deduction could benefit apartment investors, encouraging renters to stay in apartments longer and reducing the loss of tenants to homeownership.

2018 National Economic Outlook

- Labor force shortage weighs on job creation.** The economy has added jobs every month for more than seven years, the longest continuous period of job creation on record. The trend will continue in 2018, but the pace of job additions will moderate, falling below 2 million for the year as the low unemployment rate restricts the pool of prospective employees.
- Wage growth poised to accelerate.** Average wage growth has been creeping higher in the post-recession era, with compensation gains in construction, professional services and the hospitality sectors outpacing the broader trend. The tight labor market will continue to pressure wage growth, potentially sparking inflation in the process.
- Tax laws could invigorate apartment demand.** Since 2011 household formations have outpaced total housing construction, a key ingredient in the tightening of apartment vacancies. The new tax laws could cause homebuilders to reduce construction while shifting a portion of the housing demand from homeownership to rentals, and a rental housing shortage could ensue. If this behavior change occurs in conjunction with additional young adults moving out of their own, apartment demand could dramatically outpace completions.

* Forecast

** Through 3Q

Demand Outlook Sturdy as Pace Of Construction Begins to Retreat

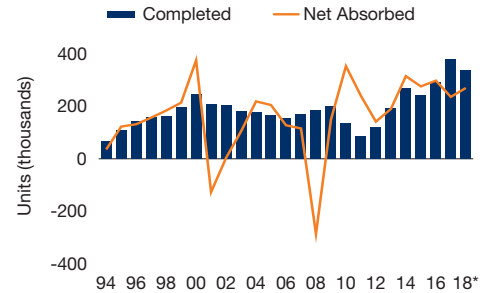
Investors wary of apartment construction. The wave of apartment completions entering the market in recent years has permeated the investor psyche, raising concerns of overdevelopment and escalating vacancy rates, but numerous demand drivers have held this risk in check. Steady job creation, positive demographics, above-trend household formation and elevated single-family home prices have converged to counterbalance the addition of 1.37 million apartments over the last five years, at least on a macro level. Though a small number of markets have faced oversupply risk, the affected areas tend to be concentrated pockets, with upper-echelon units facing the greatest competition. For traditional workforce housing, Class B and C apartments, the risks stemming from overdevelopment have been nominal, and in most metros, even the Class A tranche has demonstrated sturdy performance. In the coming year, rising development costs, tighter construction financing and mounting caution levels will curb the pace of additions from the 380,000 units delivered in 2017 to approximately 335,000 apartments. However, the list of markets facing risk from new completions will stretch beyond the dozen metros that builders have concentrated on thus far. This will heighten competition, requiring investors to maintain an increasingly tactical perspective integrating vigilant market scrutiny and strong property management.

Competitive nuances increasingly granular. Although the pace of apartment completions will moderate in 2018, additions will still likely outpace absorption. This imbalance will most substantively affect areas where development has been focused, such as the urban core where vacancy rates have risen above suburban rates for the first time on record. Nationally, Class A vacancy rates have advanced to 6.3 percent in 2017 and will continue their climb to the 6.8 percent range over the next year. Vacancy rates for Class B and C assets will rise less significantly in 2018, pushing to 5.0 percent and 4.7 percent, respectively. Although vacancy levels are rising, three-fourths of the major metros have rates below their 15-year average. Still, the magnitude of new completions coming to market and the high asking rents these new units command will spark increased competition for tenants, generating a more liberal use of concessions in 2018 as landlords attempt to entice move-up tenants.

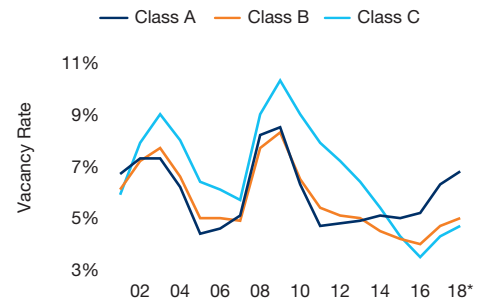
2018 National Apartment Outlook

- **Rent growth tapers as concession use edges higher.** Average rent growth will taper to 3.1 percent in 2018 as concessions become more prevalent, particularly in Class A properties. Rent gains in the Class C space, which were particularly strong last year, will face greater challenges as affordability restrains demand. Although job growth has been steady for seven years, wage growth has been relatively weak, particularly for low-skilled labor.
- **Congress may nudge apartment demand.** The new tax laws could reinforce apartment living as the larger standard deduction reduces the economic incentive of homeownership. Previous tax rules encouraged homeownership with itemized deductions for property taxes and mortgage interest that often surpassed the standard deduction. These advantages have largely been eliminated, particularly for first-time buyers.
- **Are millennials finally moving out on their own?** The 80 million-strong millennial age cohort, now pushing into their late 20s, may finally be showing independence. Since the recession, the percentage of young adults living with their parents increased dramatically, but last year that trend reversed. Should the share of young adults living with family recede toward the long-term average, an additional 3 million young adults would need housing.

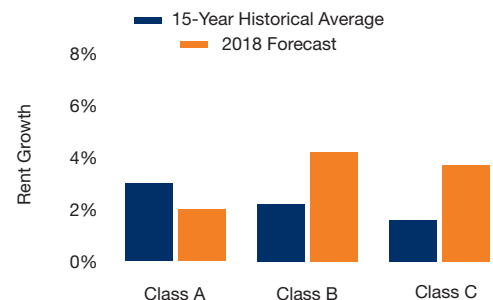
Completions vs. Net Absorption



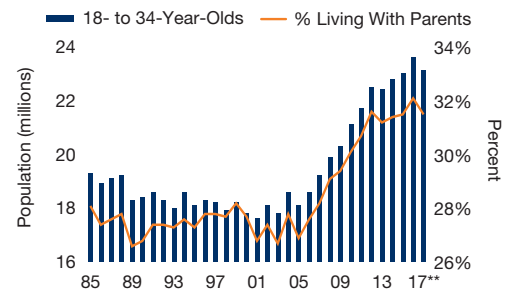
Vacancy by Class



Rental Growth by Class



Young Adults Living with Parents



* Forecast
** Estimate

Fed Normalization Portends Rising Interest Rates; Capital Availability for Apartments Elevated

Fed cautiously pursues tighter policies. Investors have largely adapted to the modestly higher interest rate environment, and most anticipate additional increases in 2018 as the Federal Reserve normalizes both its policies and its balance sheet. The Fed is widely expected to continue raising its overnight rate through 2018 as it tries to restrain potential inflation risk and create some dry powder to combat future recessions. The Fed will, however, be cautious about pushing short-term rates into the long-term rates, which would create an inverted yield curve. The spread between the two-year Treasury rate and the 10-year Treasury rate has tightened significantly, and if the Fed is too aggressive in its policies, the short-term interest rates could climb above long-term rates. This inversion is a commonly watched leading indicator of an impending recession. The new chairman of the Fed, Jerome Powell, will likely make few changes to the trajectory of Fed policies, and he is widely expected to continue the reduction of the Fed balance sheet. Powell may consider accelerating the balance sheet reduction to ensure long-term rates move higher. That said, Powell is widely perceived to be a dovish leader who will advance rates cautiously.

Readily available debt backed by sound underwriting. Debt availability for apartment assets remains abundant, with a wide range of lenders catering to the sector. Apartment construction financing has experienced some tightening, a generally favorable trend for most investors. Fannie Mae and Freddie Mac will continue to serve a significant portion of the multifamily financing, with local and regional banks targeting smaller transactions and insurance companies handling larger deals with low-leverage needs. In general, lenders have been loosening credit standards on commercial real estate lending, but underwriting standards remain conservative with loan-to-value ratios for apartments in the relatively conservative 66 percent range. An important consideration going forward, however, will be investors' appetite for acquisitions as the yield spread between interest rates and cap rates tightens.

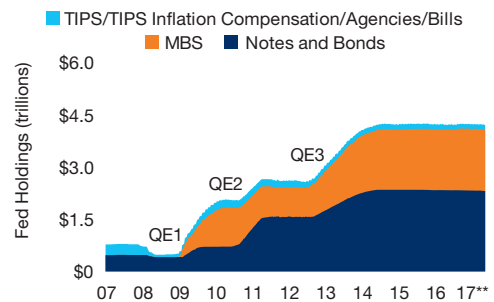
2018 Capital Markets Outlook

- **Yield spread tightens amid rising interest rates.** Average apartment cap rates have remained relatively stable in the low-5 percent range for the last 18 months, with a yield spread above the 10-year Treasury of about 280 basis points. Many investors believe cap rates will rise in tandem with interest rates, but this has not been the case historically. Given the strong performance of the apartment sector, it's more likely the yield spread will compress, reducing the positive leverage investors have enjoyed in the post-recession era.
- **Inflation restrained but could emerge.** Inflation has been nominal throughout the current growth cycle, but pressure could mount as the tight labor market spurs rising wages. Elevated wages and accelerating household wealth could boost consumption, creating additional economic growth and inflation. The Fed has become increasingly proactive in its efforts to head off inflationary pressure, but the stimulative effects of tax cuts could overpower the Fed's efforts.
- **Policies likely to strengthen dollar and could pose new risks.** One wild card that could create an economic disruption is the strengthening dollar. The economic stimulus created by tax cuts together with tightening Fed monetary policy place upward pressure on the value of the dollar relative to foreign currencies. This could restrain foreign investment in U.S. commercial real estate, but it could also weaken exports and make it more difficult for other countries to pay their dollar-denominated debt, which in turn weakens global economic growth.

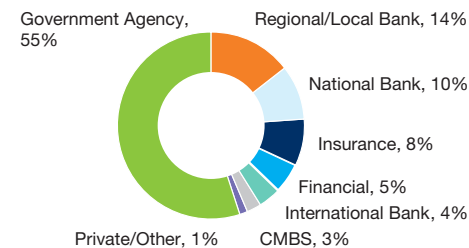
10-Year Treasury vs. 2-Year Treasury Yield Spread Tightens



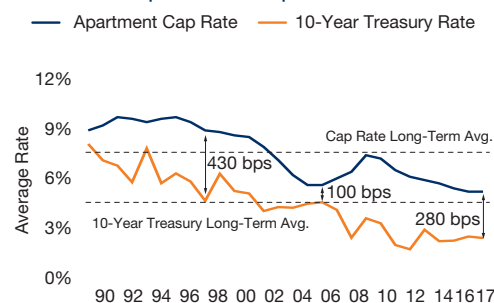
Fed to Begin Balance Sheet Normalization



2017* Apartment Lender Composition By Percent of Total Dollar Volume



U.S. Apartment Cap Rate Trends



* Through December 12

** Through December 6

◇ Estimate

Apartment Investors Recalibrate Strategies; Broaden Criteria to Capture Upside Opportunities

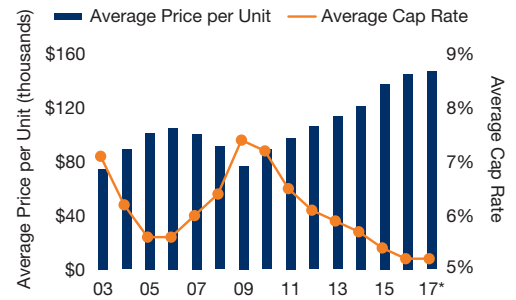
Appreciation flattens as buyers recalibrate expectations. The maturing apartment investment climate has continued its migration from aggressive growth to a more stable but still positive trend. Investors have reaped strong returns in the post-recession era through significant gains in fundamentals and pricing, but the growth trajectory has flattened as the market has normalized. The pace of apartment rental income growth has moved back toward its mid-3 percent long-term average and investor caution has flattened cap rates, moderating appreciation. With much of the gains created by the post-recession recovery absorbed and most of the value-add opportunity already extracted, it has been increasingly difficult for investors to find opportunities with substantive upside potential. At the same time, apartment construction has finally brought macro-level housing supply and demand back toward equilibrium, restraining upside potential in markets with sizable deliveries. These challenges have been compounded by a widened bid/ask gap, with many would-be apartment sellers retaining a highly optimistic perception of their asset's value. It will take time for investor expectations to realign, but buyers and sellers are discovering a flattening appreciation trajectory. Still, a range of opportunities remain.

Investors broaden criteria as they search for yield upside. Investors are recalibrating strategies, broadening their search and sharpening their efforts to find investment options with upside potential. They have expanded criteria to include a variety of Class B and Class C assets, outer-ring suburban locations, and properties in secondary or tertiary markets. The yield premium offered by these types of assets has drawn an increasing amount of multifamily capital. In the last year, nearly half of the dollar volume invested in apartment properties over \$1 million went to secondary and tertiary markets, up from 42 percent of the capital in 2010. This influx of activity has caused cap rates in tertiary markets to fall from the high-8 percent range in 2010 to their current average near 6 percent. During the same period, national cap rates of Class B/C apartment properties have fallen by 200 basis points to the mid-5 percent range. Considering the low cost of capital, these yields have remained attractive to investors with longer-term hold plans.

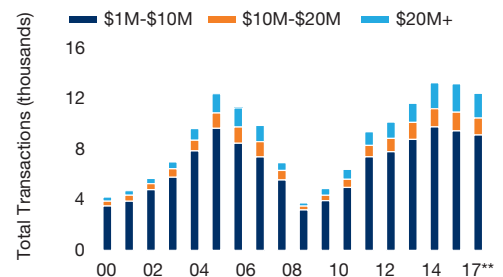
2018 Investment Outlook

- **New tax laws could shift investor behavior.** Additional clarity on taxes should alleviate some of the uncertainty that held back investor activity over the last year while helping to mitigate the expectation gap between buyers and sellers. Reduced tax rates on pass-through entities could spark some repositioning efforts, bringing additional assets to market and supporting market liquidity.
- **Tighter monetary policy could narrow yield spreads.** Prospects of a rising interest rate environment could weigh on buyer activity as the yield spread tightens. Cap rates have held relatively stable over the last two years, and the sturdy outlook for apartment fundamentals is unlikely to change substantively in the coming year. As a result, investors' pursuit of yield will likely push activity toward assets and markets that have traditionally offered higher cap rates.
- **Transaction activity retreats from peak levels.** Apartment sales continued to migrate toward more normal levels last year as investors' search for upside and value-add opportunities delivered fewer candidates. Markets with a limited construction pipeline but with respectable employment and household formation growth will see accelerated activity, while markets facing an influx of development could see moderating investor interest.

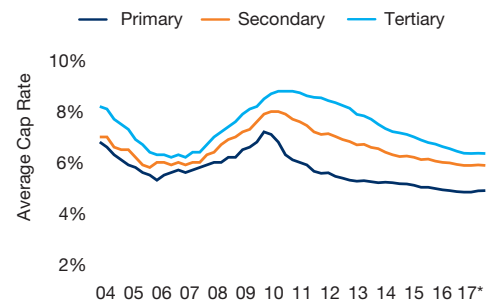
Price and Cap Rate Trends



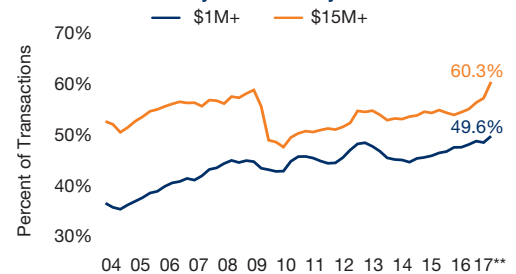
U.S. Apartment Investment Transactions Moderating



Cap Rate Trends by Market



Apartment Transactions in Secondary And Tertiary Markets by Tranche

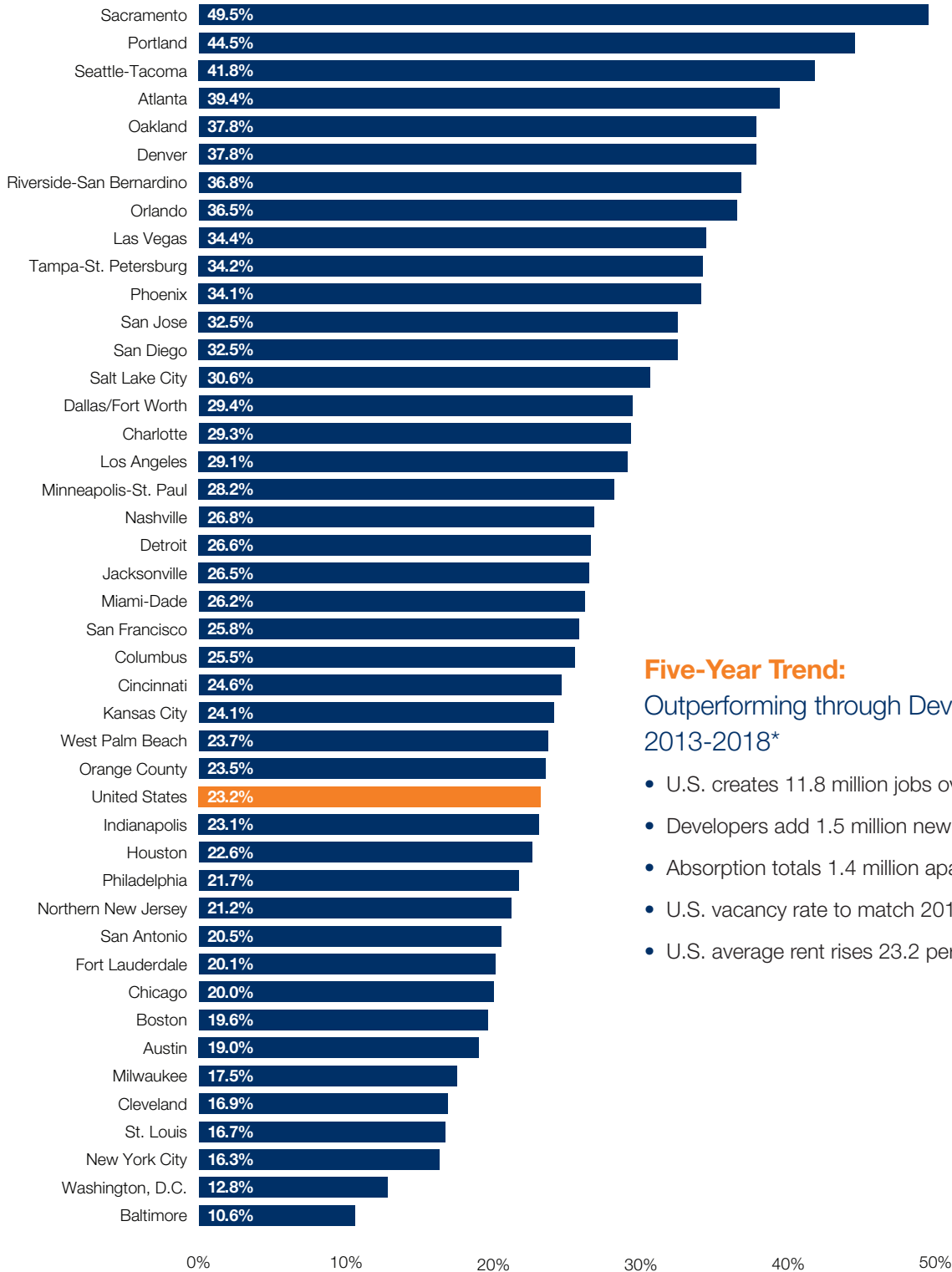


* Through 3Q

** Trailing 12 months through 3Q

Five-Year Apartment Income Growth by Metro

Percent Change 2013-2018*



Five-Year Trend:

Outperforming through Development Cycle 2013-2018*

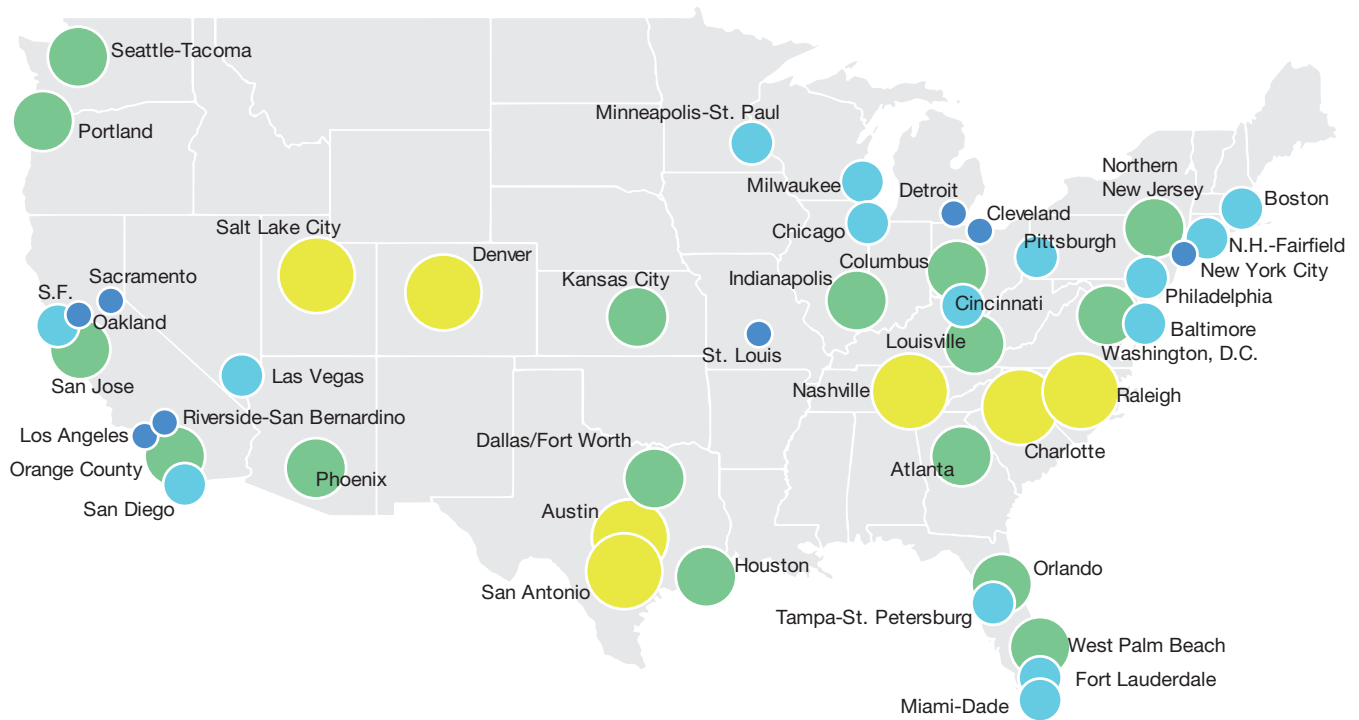
- U.S. creates 11.8 million jobs over five years
- Developers add 1.5 million new apartments
- Absorption totals 1.4 million apartment units
- U.S. vacancy rate to match 2013 at 5.0 percent
- U.S. average rent rises 23.2 percent

Five-Year NOI Growth % (Change in Occupancy x Rent Growth)

* Forecast

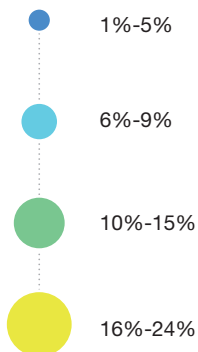
Five-Year Development Wave Transforms Rental Landscape

Inventory Growth 2013-2018



Inventory Change by Market 2013 to 2018

Multifamily Inventory Growth



Top 10 Markets by Inventory Change

Largest Growth	Five-Year Inventory Change	Five-Year Rent Growth
Austin	23.6%	22%
Charlotte	22.9%	30%
Nashville	21.7%	31%
Salt Lake City	20.9%	31%
Raleigh	19.5%	27%
San Antonio	18.7%	20%
Denver	17.9%	41%
Seattle-Tacoma	15.9%	41%
Orlando	15.3%	35%
Dallas/Fort Worth	15.3%	30%
U.S.	9.8%	23%

Smallest Growth	Five-Year Inventory Change	Five-Year Rent Growth
Cincinnati	6.6%	24%
Chicago	6.2%	21%
Oakland	5.8%	40%
Riverside-San Bernardino	5.6%	36%
St. Louis	5.5%	14%
Los Angeles	5.4%	31%
New York City	4.6%	15%
Cleveland	4.6%	15%
Sacramento	3.8%	48%
Detroit	2.9%	25%

Sources: Marcus & Millichap Research Services; MPF Research

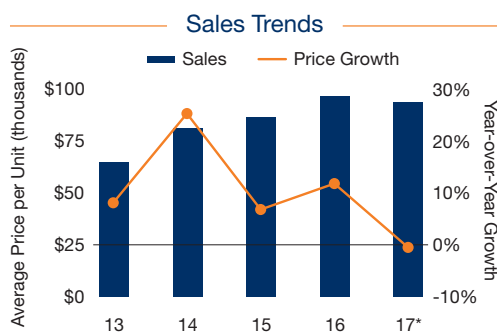
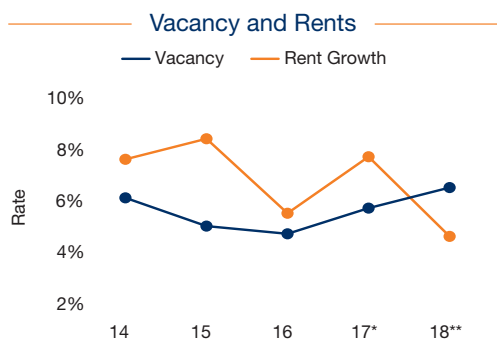
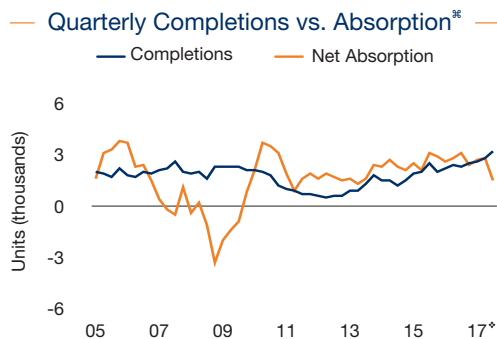
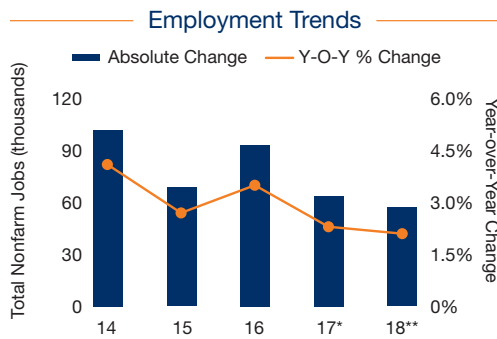
Atlanta's Diverse Economy Attracts New Residents, Investors in Search of Yield

Economic growth and positive demographics support apartment demand. Several bustling industries including financial services, technology, telecommunications and film propel Atlanta's job growth rate above the national pace. As a result, numerous individuals are relocating to the metro in search of employment, keeping the pace of household formation strong. Elevated demand in 2018 supports net absorption topping 10,000 units for a second consecutive year, though heightened deliveries will outstrip overall apartment demand and place upward pressure on vacancy. Softening vacancy remains localized to areas with elevated completions, from Midtown up to Sandy Springs, and further additions in 2018 will likely keep the rate elevated. Despite higher vacancy, rents in Midtown and Buckhead remain the highest in the market, pushing some residents into more affordable areas. As a result, more than \$1 billion in development has been announced west of the Chattahoochee River, and demand for apartments here rises as units are delivered.

Diverse buyer pool targets Atlanta apartment assets. Both out-of-state and in-state buyers in search of apartment properties priced between \$1 million and \$10 million are primarily targeting complexes in suburban locations. South Fulton County, Clayton County and Cumberland draw attention from these investors and initial yields average in the high-6 percent to low-7 percent span. Institutional capital remains focused on the area inside Interstate 285, where thousands of units will come online this year. In the downtown area, units are anticipated to fill quickly amid the resurgence of the area, led primarily by off-campus students and faculty for Georgia State University, offering new opportunities for these institutional buyers. As the metro's price per unit normalizes, existing Class A buildings typically trade at first-year returns in the mid-5 percent range, with initial yields closer to 5 percent for newly developed assets.

2018 Market Forecast

- NMI Rank** 15, down 1 place ↘ Elevated completions raise vacancy, lowering Atlanta one spot in this year's ranking.
- Employment** up 2.1% ↗ Job growth remains above the national pace this year as 57,000 workers are added to payrolls.
- Construction** 15,000 units ↘ Deliveries stay heightened in 2018, with the majority of units slated to come online inside the perimeter, where more than 9,000 units will be added to inventory.
- Vacancy** up 80 bps ↗ The vacancy rate rises from last year to 6.5 percent in 2018 as completions remain at their highest level since the early 2000s.
- Rent** up 4.6% ↗ The average effective rent will increase again this year, albeit at the slowest pace since 2012. The average reaches \$1,197 per month in 2018.
- Investment** ● Vinings, Cumberland and Downtown Atlanta are areas of revitalization, and investors will take a keen look for both new assets and value-add opportunities.



* Estimate; ** Forecast; * Through 3Q; * Trailing 12-month average
Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

Interest in Homeownership Making Shift in Austin; Good News for Apartments

Declining homeownership rate reinforces healthy apartment demand.

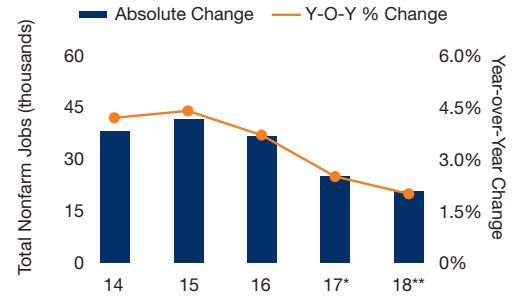
Steady job creation is spurring a strong pace of net in-migration and household formation trends in Austin. A majority of these new residents are favoring apartments as rising home prices push the concept of ownership out of reach for many, and the homeownership rate fell from a high of 71 percent in 2006 to just over 50 percent in the third quarter of 2017. As renting becomes a favored option, positive net absorption fell short of supply additions by just 6,000 units over the last five years; developers added nearly 50,000 apartments during the span. Softening vacancy remains limited to select neighborhoods, such as the area just east of I-35 near downtown and farther south near Slaughter Lane, as well as northwest at Anderson Mill and Highway 183. Deliveries in 2018 fall to a five-year low, shifting from these submarkets of higher vacancy into other areas where vacancy is in the low- to mid-4 percent band.

Investors scour Austin metro for unique opportunities. Healthy demographic trends and a shift in residents' attitude away from homeownership keep investors optimistic about the Austin apartment market. Values have risen nearly 50 percent above the previous peak achieved in 2007, but a slowdown in rent growth is contributing to a normalization of price appreciation. The flattening appreciation could spark additional listings that will be met with avid buyer interest. Investors who are most intimate with the market will be positioned to capitalize on any property inefficiencies, generating future returns above 6 percent. In addition to properties located within central Austin, assets located along the I-35 corridor from San Marcus in the southern portion of the metro to Georgetown in the north are highly sought after. Growing suburbs such as Cedar Park and Pflugerville also generate healthy investor interest.

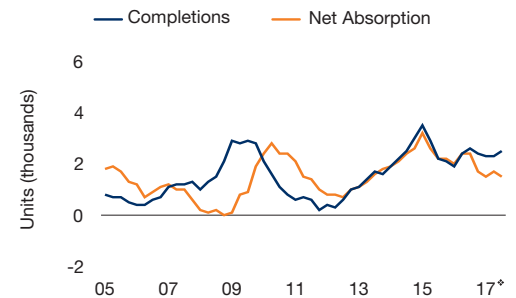
2018 Market Forecast

- NMI Rank** 31, down 9 places One of the highest vacancy rates among the major markets pushes Austin down nine positions in the Index.
- Employment** up 2.0% A tight labor market slows job gains as employers create 20,500 positions this year. The pace of growth remains above the national level while the unemployment rate is one of the lowest in the country.
- Construction** 8,300 units Completions reached a new peak in 2017 as 12,800 units came online. This year's delivery of 8,300 apartments will be the lowest since 2013.
- Vacancy** up 30 bps Supply additions outstrip demand for a third consecutive year and vacancy rises to 6.2 percent, remaining near the 15-year average.
- Rent** up 2.3% The average effective rent advances to \$1,243 per month in 2018. This is approximately \$750 lower than the monthly mortgage payment on a median-priced home.
- Investment** High land and materials costs have kept building mostly limited to higher-quality apartments, producing a steady stream of investment options for institutional capital seeking new assets.

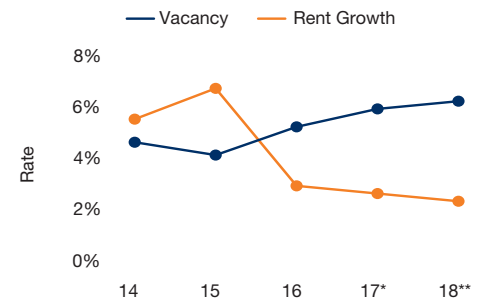
Employment Trends



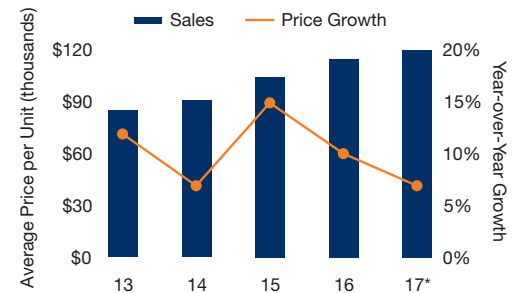
Quarterly Completions vs. Absorption*



Vacancy and Rents

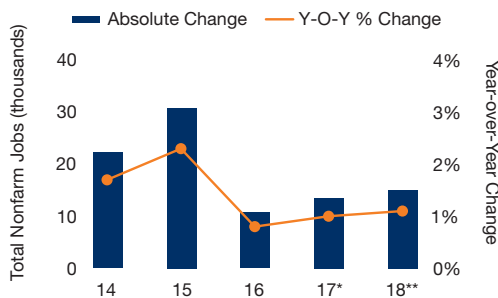


Sales Trends

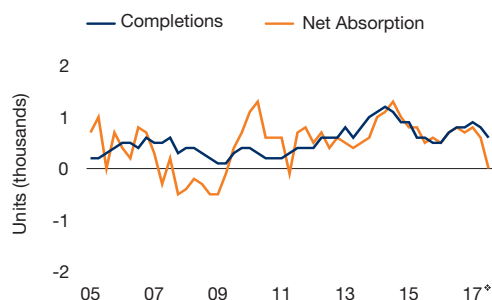


* Estimate; ** Forecast; * Through 3Q; * Trailing 12-month average
Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

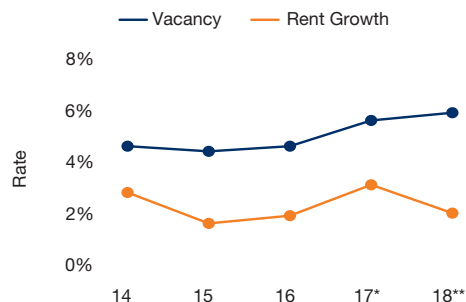
Employment Trends



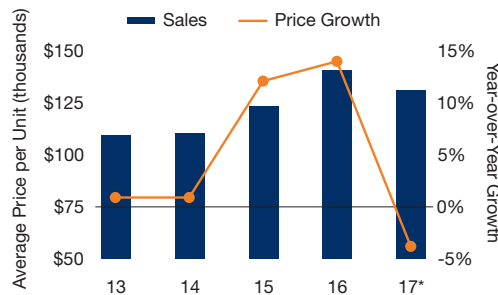
Quarterly Completions vs. Absorption*



Vacancy and Rents



Sales Trends



Tempered Demand Meets Elevated Completions; Rents Maintain Moderate Gains

Construction boosts vacancy but job gains keep absorption positive.

Hiring in the metro grew by a similar rate to the U.S. in 2017 and is expected to improve this year, helping raise the median income. In turn, expanding household formations will increase net absorption this year after dropping off in 2017. Still, rental demand is not expected to match supply as the amount of new deliveries intensifies to 2013 levels, the peak of the current cycle. High development activity will spur the third consecutive year of ascending vacancy. An expanding employment base facing homeownership costs that exceed the national average still favors renting, however, particularly for lower-amenity properties. Steady demand for apartments will push the average effective monthly rent up for the ninth year in a row.

Investors target older assets, pushing the average cap rate up.

Although the overall market is experiencing an uptick in the vacancy rate, older properties in select areas are witnessing minimal vacancy. Investors are responding with a considerable focus on Class C properties in central locations such as downtown, where assets traded with yields in the 7 percent range. Higher first-year returns can be found for similar property types in other areas as the average Class C cap rate is 7.5 percent. Class A and B complexes trade at cap rates approximately 170 to 260 basis points lower. Rates across all property types have risen over the past year as buildings skew older. Transaction velocity also increased, driven by active investment from a combination of local and out-of-state buyers. Owners in the market hail from a variety of locations, including both coasts, D.C., and the Midwest. This broad attraction to the metro underscores the strength of the market.

2018 Market Forecast

- NMI Rank** ↘ A third consecutive year of elevated deliveries dragged Baltimore down six places in the NMI.
- Employment** ↗ The addition of 15,000 new hires in 2018 exceeds the 13,500 positions added in 2017, which was a 1.0 percent increase. Job gains in healthcare and entertainment made up for declines in distribution, retail and utilities.
- Construction** ↗ Development will expand by 29 percent relative to the previous year, when 2,800 apartments came online, approaching 2013's peak when 3,900 units were built.
- Vacancy** ↗ The vacancy rate will rise to 5.9 percent in 2018, a much more modest increase than the 100-basis-point jump witnessed in 2017.
- Rent** ↗ Average effective rent will rise to \$1,321 per month. The average monthly effective rent at the end of 2017 was \$1,295.
- Investment** ● Class C properties dominate the share of recent transactions as investors follow higher-yield, low-vacancy opportunities both inside and outside the core.



* Estimate; ** Forecast; * Through 3Q; * Trailing 12-month average
Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

Suburban Assets Ignite Buyer Demand As Low Vacancy Persists

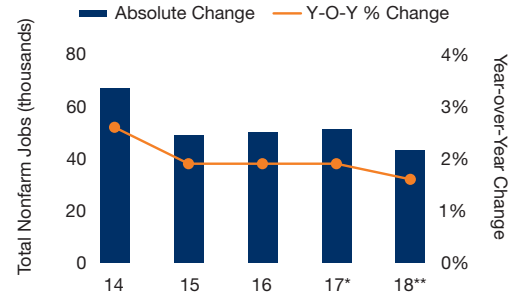
Household growth keeps vacancy tight amid elevated completions. Talent from Boston's numerous universities cultivates a thriving tech and startup scene, underpinning household formation and benefiting apartment demand. The steady pace of positive net absorption has kept up with deliveries and maintained vacancy below 4 percent for seven consecutive years; the rate will remain tight in 2018. Limited availability spurs residents to scour the market for apartments as high costs push homeownership out of reach for many. To meet the need for rentals, construction will remain elevated for a fifth year, placing slight upward pressure on vacancy as space begins to lease. Several outlying suburban submarkets will maintain sub-3 percent vacancy amid limited completions and rents up to \$1,000 per month cheaper than in the urban core and Cambridge area.

Competition pushes buyers outside the core. One of the tightest vacancy rates among the major metros and a reputation for being one of the most difficult markets nationally to add supply will continue to attract a diverse pool of investors to Boston apartment assets this year. Investors' desire will persist for properties in the Downtown, Cambridge and Seaport areas, where cap rates in the sub-4 to 5 percent band are typical. Buyers in the \$1 million to \$10 million price tranche who have been priced out of popular neighborhoods will find opportunities in outlying suburbs. Assets in Salem and along the North Shore will command investors' attention, particularly for yield-driven buyers as first-year returns 200 basis points above the metro average are located here. Properties in southwestern suburbs with proximity to transit stops will also remain a popular target. The area boasts one of the lowest vacancy rates metrowide, bolstering strong rent growth. Complexes in these southwest suburbs trade hands with cap rates in the 6 percent area.

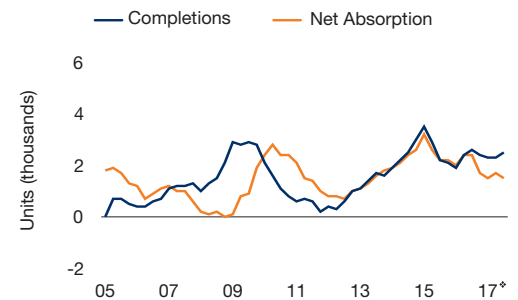
2018 Market Forecast

- NMI Rank**  Boston remains in the top 10 though constrained rent growth lowered the metro three spots this year.
6, down 3 places
- Employment**  After 51,000 workers were added to staffs in 2017, employers will create 43,000 jobs in 2018. Tight unemployment in the 3 percent band persists, making it difficult for employers to find qualified workers.
up 1.6%
- Construction**  Completions are roughly on par with the cyclical peak of 8,900 units delivered in 2017. Deliveries shift focus to the suburbs after the urban core received most of the supply additions in previous years.
8,800 units
- Vacancy**  The influx of deliveries weighs on vacancy this year, and the rate ticks up to 3.6 percent.
up 20 bps
- Rent**  Tight vacancy will aid in a slight increase in effective rent to \$1,996 per month metrowide. Stronger rent growth will be found in outlying suburban locations.
up 1.1%
- Investment**  The completion of more than 40,000 apartments in five years should create opportunities for buyers seeking newer core assets. Class A stock typically trades with cap rates in the sub-4 percent band.

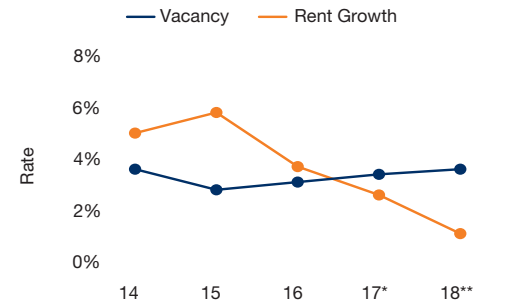
Employment Trends



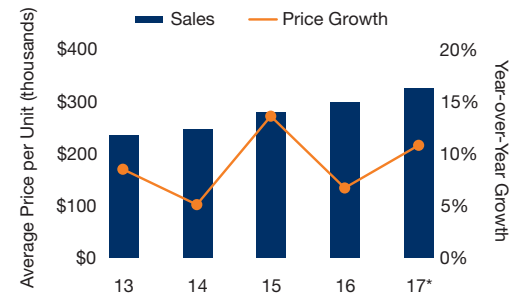
Quarterly Completions vs. Absorption*



Vacancy and Rents

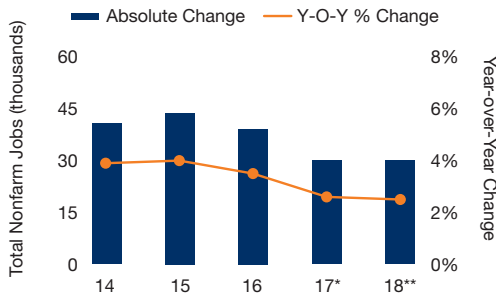


Sales Trends

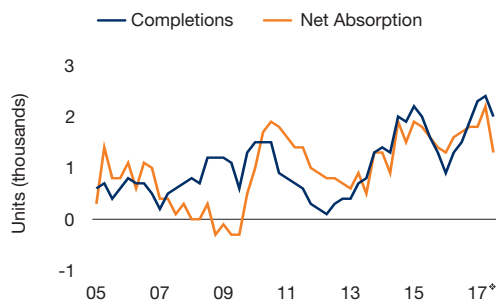


* Estimate; ** Forecast; * Through 3Q; * Trailing 12-month average
Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

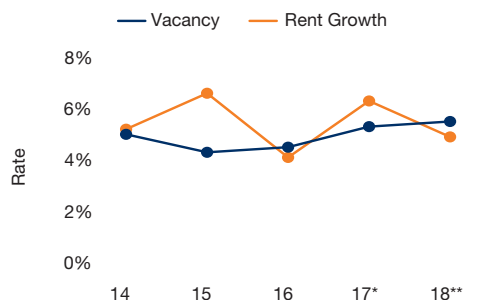
Employment Trends



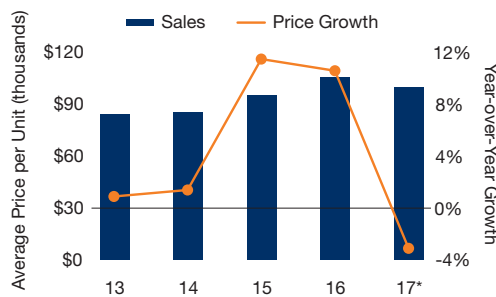
Quarterly Completions vs. Absorption*



Vacancy and Rents



Sales Trends



Apartment Market Weathers Delivery Climb; Investor Competition Robust in Charlotte

Charlotte's rental market bolstered by strong and stable job market. The steady stream of employers relocating to and expanding in the region provides a vast supply of employment opportunities, drawing job seekers. During 2018, the metro's population is expected to swell by roughly 62,000 residents, at a growth rate three times the national pace. Many of these people will be young professionals in the prime renter cohort who seek apartments in walkable neighborhoods close to jobs and amenities. As such, apartments in the trendy South End and Uptown neighborhoods will be highly desired. Developers have finalized more than 6,100 rentals in these communities since the beginning of 2015 and another 2,000 units are due for completion this year. Marketwide, deliveries will ease from last year's high, keeping vacancy in check and providing an optimistic outlook for rent gains in most submarkets during 2018.

Out-of-state buyers dominate apartment transactions in Charlotte. The metro's vibrant economy and significant corporate presence has resulted in a large influx of investors, especially from major coastal cities in the Northeast and California. Many are exchange buyers lured by lower entry costs and a more robust yield potential than can be found in their home markets. New deliveries in Uptown and the South End are capturing buyer interest at cap rates typically in the high-4 to 6 percent range. More investors are also considering assets in East Charlotte. Here vacancy and rents are among the lowest in the metro, providing a long runway for rent growth, while redevelopment efforts add to the array of amenities. Vigorous competition for limited supply of available properties near the core has moved many local investors to outlying submarkets. Class B/C assets with less than 80 units are targeted at initial yields in 6 to 7 percent span, boosting sales activity in Gaston and Cabarrus counties.

2018 Market Forecast

- NMI Rank** ↗ High vacancy reduced Charlotte to the 27th spot in the 2018 NMI. 27, down 3 places
- Employment** ↗ Roughly 30,000 positions will be created during 2018, a 2.5 percent gain. This is the ninth consecutive year that job growth has outperformed the national rate. up 2.5%
- Construction** ↗ After reaching the highest peak since 2000 last year when 8,300 apartments were finalized, completions ease to 7,500 units in 2018. 7,500 units
- Vacancy** ↗ Absorption of an annual 6,700 units falls shy of a still-elevated delivery pace, inching vacancy up 20 basis points to 5.5 percent in 2018. Last year, vacancy rose 80 basis points. up 20 bps
- Rent** ↗ A 6.3 percent surge in the average effective rent last year is followed by a 4.9 percent gain to \$1,125 per month during 2018. up 4.9%
- Investment** ● A 1,300-acre mixed-use development is planned west of Charlotte Douglas International Airport and east of the Catawba River. The River District project could add thousands of residential units over the next 30 years, expanding competition for existing apartment owners.

* Estimate; ** Forecast; * Through 3Q; * Trailing 12-month average
Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

Surging Development Moderates Rent Growth; Variety of Investment Opportunities Attract Buyers

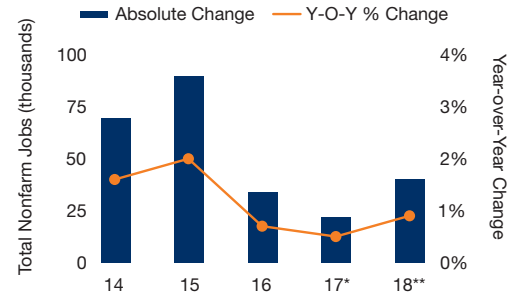
Robust construction in the core outpaces net absorption. Vacancy will edge higher in Chicago this year as completions reach new highs. More than half of all deliveries will be in the urban core, pushing vacancy up in the Loop and other downtown Chicago neighborhoods as supply outstrips demand. The influx of luxury and high-tier rentals will increase the use of concessions and moderate rent growth as units begin to lease. Further corporate expansions in the Loop, including Walgreens and Amazon, are luring additional residents downtown, minimizing a significant uptick in the area's vacancy. In the suburbs, relatively lower rents will keep vacancy below 5 percent despite a growing construction pipeline. Rising property and utility taxes may motivate individuals considering homeownership to continue renting, further benefiting apartment demand.

Favorable cap rates spur investor interest in Chicagoland. First-year returns that trend above gateway markets will entice a diverse pool of buyers this year. Institutional investors will drive deal flow in the urban core and a jump in completions may provide additional opportunities for top-tier assets. Buyers in the \$1 million to \$10 million price tranche that have been priced out of downtown will target properties along "L" stops, particularly near the northern lakefront where cap rates in the high-5 percent area can be found. Less risk-averse buyers will chase yields in the 9 percent band in southern Chicago suburbs. These southern neighborhoods typically maintain vacancy rates below 4 percent. Metrowide, demand has pushed valuations beyond the previous cycle's peak and buyers have begun to show resistance to higher prices. These widening expectations between buyers and sellers may slow deal flow this year. Additional headwinds include concerns about rising taxes due to state and local budget issues, which could prompt some owners to list.

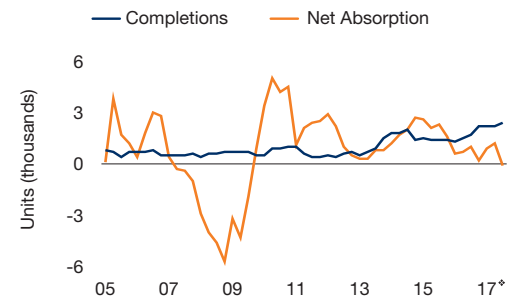
2018 Market Forecast

- NMI Rank** ↗ A surge of Class A supply will increase vacancy, dropping Chicago four rungs.
25, down 4 places
- Employment** ↗ Following a gain of 24,000 positions in 2017, employers will ramp up hiring in Chicago with the addition of 40,000 jobs this year.
up 0.9%
- Construction** ↗ Construction heightens from the 8,600 units completed last year. Roughly 4,000 apartments will be delivered in the suburbs.
9,900 units
- Vacancy** ↗ Elevated completions will outpace demand this year, lifting vacancy to 5.6 percent. An influx of higher-end space in the urban core will primarily drive the increase as it enters a period of lease-up.
up 50 bps
- Rent** ↗ The average effective rent will climb to \$1,465 per month in 2018, building on a 4.2 percent appreciation registered last year.
up 3.3%
- Investment** ● Most transactions typically involve smaller complexes with less than 100 units. Older-vintage properties, where lower vacancy persists, will garner significant attention from private investors.

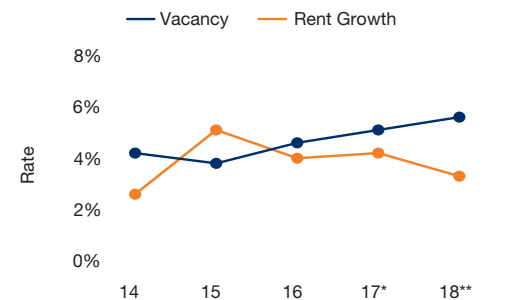
Employment Trends



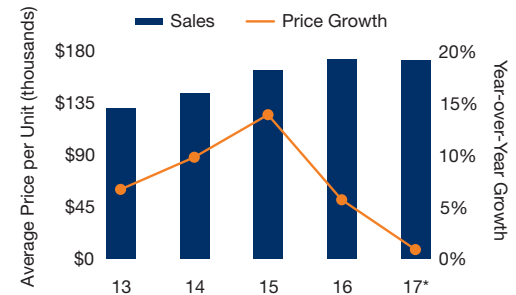
Quarterly Completions vs. Absorption*



Vacancy and Rents

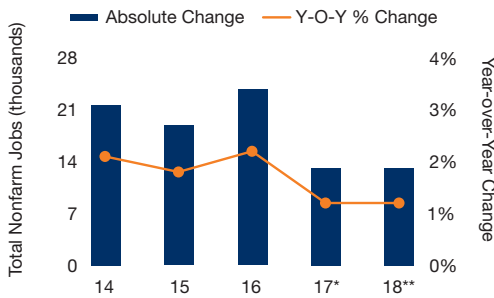


Sales Trends

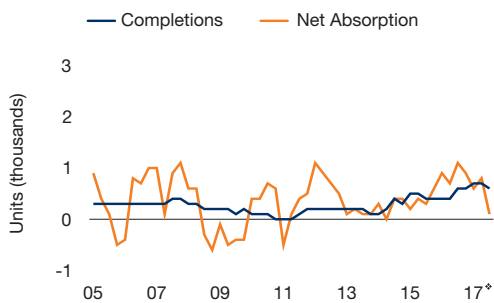


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Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

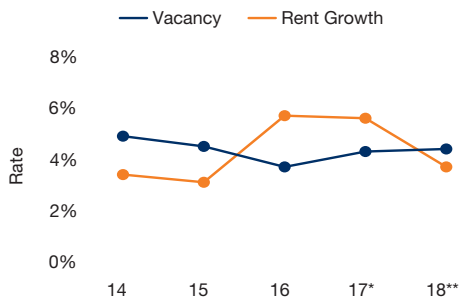
Employment Trends



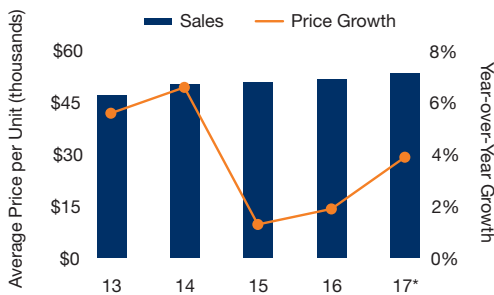
Quarterly Completions vs. Absorption*



Vacancy and Rents



Sales Trends



Consistent Positive Absorption Supports Developer Interest Amid Solid Economic Growth

Robust rental demand incites rent increase. Steady household growth generated by a strengthening workforce will support low vacancy this year. The 2018 vacancy rate will be one of the lowest the metro has registered in the past decade due in large part to vigorous absorption in the last four years. Net absorption will fall just shy of the 1,600 rentals scheduled for completion. Most projects coming to market in the next 12 months will finish in the first half of the year, many of them being Class A properties. Approximately 450 units will be in the Evanston area, while downtown Cincinnati will gain roughly 400 apartments. As more luxury rentals are leased, rents will inch closer to the \$1,000 mark this year. The average effective rent will remain approximately 35 percent below the national average, but the consistent rental demand will pressure rents higher.

Neighborhoods near urban core attract buyers. Strong market dynamics and the probability for high revenue growth will lure investors to Cincinnati in 2018. In recent years, buyers have focused on Class B and C assets northeast of downtown where initial yields have historically been in the 8 percent range. This area along with other surrounding sections of the core are experiencing rejuvenation efforts, providing investors with many value-add opportunities among Class B and C apartments this year and beyond. Neighborhoods adjacent to the University of Cincinnati campus have also received heavy interest in past years with investors attracted by extremely low vacancy rates and the robust demand produced by the continuously growing university population. Properties in this area generally trade at cap rates across the 8 percent range. Buyers seeking newer properties typically go to the other side of the river to more suburban neighborhoods in Boone and Kenton counties where initial returns average in the low- to mid-6 percent realm.

2018 Market Forecast

- NMI Rank** ■ Cincinnati failed to gain ground in this year's Index as forecasts for other markets strengthened.
34, no change
- Employment** ↗ Almost 14,000 people will be added to the city's workforce in 2018, on par with the national growth rate.
up 1.2%
- Construction** ↘ Deliveries will drop from last year's 2,500 rentals. Over the next 12 months, the largest completion will be The RED apartments, a 246-unit building in Madisonville.
1,600 units
- Vacancy** ↗ Vacancy will increase to 4.4 percent, which is 70 basis points higher compared with two years ago.
up 10 bps
- Rent** ↗ Average effective rent will rise to \$970 per month, up from last year's mark of \$935. Monthly rents have appreciated nearly 25 percent in the past five years.
up 3.7%
- Investment** ● The city center will continue to lure investors who are seeking Class B and C assets in hopes of upgrading the properties and attracting residents looking for modern complexes near the downtown area.

* Estimate; ** Forecast; * Through 3Q; * Trailing 12-month average
Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

Downtown Population Rise Drives Absorption, Sustaining Investor Activity in Cleveland

Residents flock to downtown, generating demand spike for housing.

Steady job growth, which benefits from rising funding for startups and the expanding Cleveland Clinic, is driving household formation and reinvigorating the former manufacturing-dominated metro. Corporate expansions and direct rapid-transit lines to the hospital have aided significant growth downtown. The core has revitalized as new apartments, appealing restaurant concepts and a vibrant nightlife lure residents to the area. Between 2000 and 2015, the downtown area's population increased 77 percent, hitting a record high last year. The trend is expected to persist amid healthy economic growth, underpinning demand for apartments. The need for quality space fueled record-high construction last year and nearly half of all completions were in central Cleveland. This year, fewer units will be added to stock in the core, allowing demand to catch up with last year's influx of supply and improve vacancy in this area. Metrowide, vacancy will tick up slightly but remain below the 5 percent equilibrium as a surge in suburban supply outpaces net absorption.

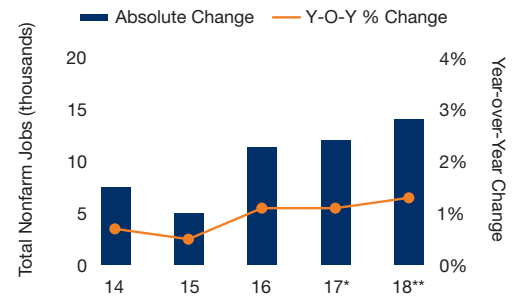
Investors widen acquisition criteria as available assets remain constrained.

A stable economy will bolster demand for Cleveland's apartment assets in 2018. Metrowide, sales velocity is driven by local and out-of-state investors targeting assets in the \$1 million to \$10 million price tranche. Many of these buyers are scouring the market for properties built in the 1990s that have value-add potential, though limited listings in this vintage will push many investors to well-located older complexes. Deal flow remains heightened in inner-ring suburbs directly east and west of downtown, including Lakewood, Cleveland Heights and Shaker Heights. Additional opportunities may become available as owners facing lifestyle changes or loan maturities may opt to list their assets.

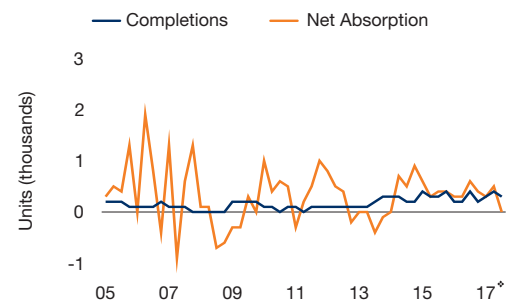
2018 Market Forecast

- NMI Rank** ↗ Population growth in the core underpins apartment demand, raising Cleveland one slot.
39, up 1 place
- Employment** ↗ Building on a gain of 12,000 workers, employers will create 14,000 positions in 2018. Progressive Insurance plans to expand in Cleveland, bringing 900 new jobs.
up 1.3%
- Construction** ↘ Completions will moderate slightly from the 1,900 apartments created in 2017. The largest project is the 280-unit One University Circle near the Cleveland Clinic.
1,500 units
- Vacancy** ↗ Positive net absorption of 1,275 units will not outpace additions, ticking vacancy up marginally to 4.0 percent. Last year, cyclical-high construction also outweighed demand, lifting vacancy 60 basis points.
up 10 bps
- Rent** ↗ Low vacancy supports a moderate increase in rent to \$915 per month. In 2017, rent rose 3.8 percent.
up 2.3%
- Investment** ● Population growth in Downtown Cleveland may motivate out-of-state buyers to inject capital into area apartments. Higher-than-average deliveries may provide investors acquisition opportunities for top-tier assets trading at cap rates in the mid-6 percent band.

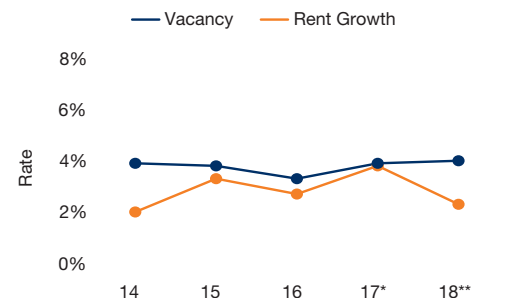
Employment Trends



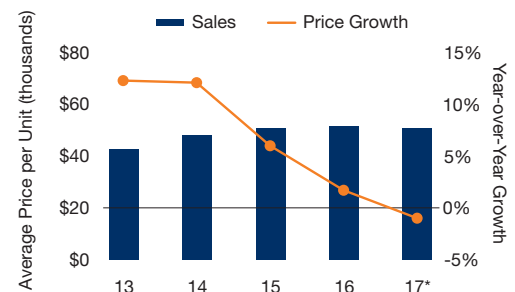
Quarterly Completions vs. Absorption*



Vacancy and Rents

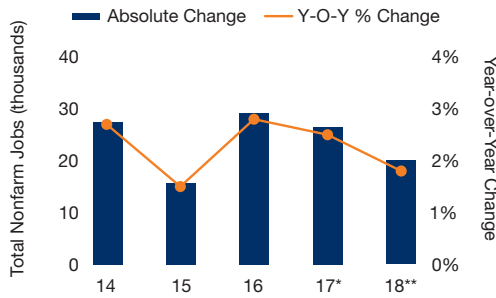


Sales Trends

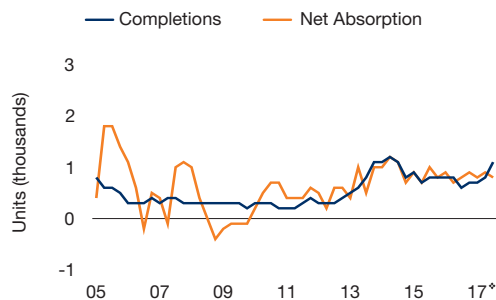


* Estimate; ** Forecast; * Through 3Q; * Trailing 12-month average
Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

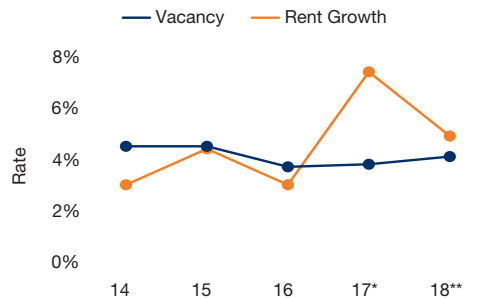
Employment Trends



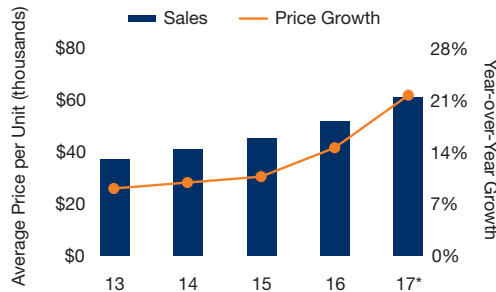
Quarterly Completions vs. Absorption*



Vacancy and Rents



Sales Trends



Economic Tailwinds Drive Rent Growth, Piquing Out-of-Metro Buyer Attention

Healthy job growth spurs household formation, expanding rental pool.

Columbus' relatively lower cost of doing business and deep pool of recent college graduates continue to lure employers to the metro. Facebook and the fashion rental company Le Tote are each planning new facilities in the area, creating hundreds of jobs. A steady pace of hiring will fuel household formation and underpin rental housing demand this year, keeping vacancy tight. The rate has remained below 5 percent for six consecutive years, highlighting the limited inventory available. Low vacancy has spurred development and construction will remain above the previous five-year average in 2018. Most deliveries will be higher-end units near downtown and the Ohio State University campus. An influx of new apartments this year and last will slightly weigh on vacancy as units begin lease-up. Rising vacancy will not hinder rent growth as the average effective rent reaches a new high.

Favorable returns entice out-of-state buyers. The pursuit of higher yields will likely lead investors to Columbus this year. Out-of-metro buyers are increasingly competing with local investors for apartment properties that trade at cap rates up to 250 basis points higher than gateway markets. Many private buyers are targeting older assets in Upper Arlington with plans to renovate and expand amenity packages to increase rents. The Upper Arlington area has one of the lowest vacancy rates metrowide and healthy rent growth. Intense bidding for properties in the area may place upward pressure on prices, prompting some owners to list. Here, complexes typically change hands with initial yields in the mid-6 percent band. New developments may provide additional opportunities. Most deliveries will be higher-end units near downtown, the Ohio State University, and prosperous northern suburbs such as Dublin and New Albany. Cap rates for Class A listings typically average in the mid- to high-5 percent range.

2018 Market Forecast

- NMI Rank** 26, up 9 places: Strong household growth and tempered supply elevate Columbus nine rungs in the Index.
- Employment** up 1.8%: Building on last year's 2.0 percent advance, employers will add 20,000 workers to staff in 2018.
- Construction** 4,100 units: Completions will moderate from the cyclical high of 5,000 units recorded in the prior year. Downtown/University District will receive roughly half of all deliveries.
- Vacancy** up 30 bps: Arrivals above the previous five-year average will outpace demand, ticking up vacancy 30 basis points to 4.1 percent. In 2017, vacancy rose 10 basis points.
- Rent** up 4.9%: Vacancy remains tight, supporting an increase in the average effective rent to \$955 per month in 2018. Last year, effective rent climbed 7.4 percent.
- Investment**: Apartment assets in proximity to major thoroughfares into Downtown Columbus will garner investors' attention. Buyers in the \$1 million to \$10 million price tranche will dominate bidding.

* Estimate; ** Forecast; * Through 3Q; * Trailing 12-month average
Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

Increasing Home Prices, Limited Pace of Income Growth Foster Metroplex Apartment Demand

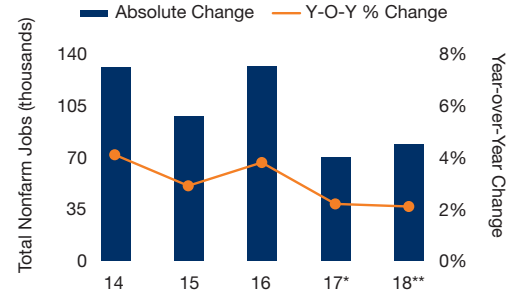
Rising cost of homeownership tips the scale in favor of renting. The Dallas/Fort Worth Metroplex leads the nation in absolute job creation for a third consecutive year, producing strong household formation trends. Many of these residents are filtering into apartments as homeownership in the metro falls out of reach. Over the last five years, the median home price has increased approximately 50 percent to a quarter million dollars, with prices in some core neighborhoods well above half a million dollars. At the same time, the projected minimum qualifying income for a median-priced residence also grew 50 percent, while the median household income rose marginally. The gap in growth between these two keeps single-family ownership unattainable for a number of residents, and the homeownership rate remains below the national average. These trends bode well for apartments, as absorption stays healthy at a time when developers are adding a record number of units to inventory.

Growing economy, strong demographic trends attract investors to wide range of deals. Vacancy among Class B and Class C units was tight at the end of 2017, resting below 5 percent. Rising demand from residents in search of less expensive housing options keeps demand robust for these units, leading to an elevated pace of rent growth compared with Class A apartments. Stabilized properties are in high demand, especially those in need of upgrades, and they sell for a cap rate of around 6.3 percent. While the pace of new construction could have a short-term impact on the Class A segment in select neighborhoods, overall apartment operations remain extremely healthy. As a result, institutions continue to target recently completed complexes and high-quality properties, which sell for first-year returns in the 5 percent to 6 percent band.

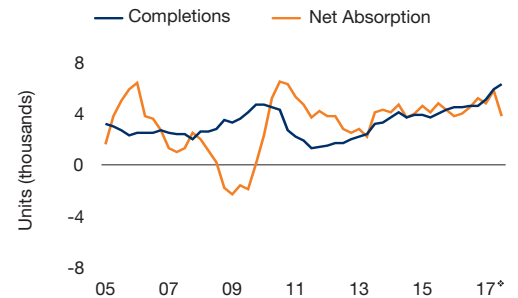
2018 Market Forecast

- NMI Rank** ⬇️ Dallas/Fort Worth slipped four places as vacancy remains above the 5 percent equilibrium. 30, down 4 places
- Employment** ⬆️ A tight labor market slows job gains from previous years of record growth, and payrolls rise by 78,500 workers this year. up 2.1%
- Construction** ⬇️ Including this year's completions, more than 100,000 units will be added to stock since 2012. Deliveries in 2018, combined with last year's additions, account for more than half of all new units during the last five years. 24,000 units
- Vacancy** ⬆️ Absorption remains on par with the prior three years, though it falls short of supply increases. As a result, vacancy rises for a second consecutive year to 5.9 percent. up 50 bps
- Rent** ⬆️ The pace of average effective rent growth is moderating as it advances to \$1,119 per month in 2018. up 3.4%
- Investment** ⬆️ The threat of newly constructed assets to Class B and Class C apartments is minimal as rent spreads are substantial in many submarkets, especially Intown Dallas and Oak Lawn/Park Cities. This keeps smaller private investor interest in these areas strong.

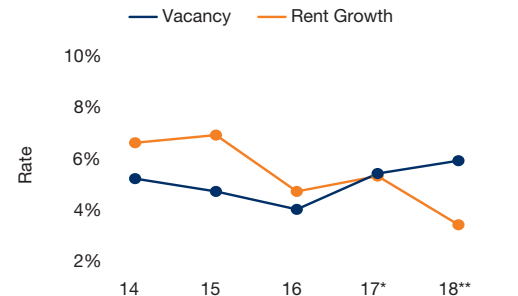
Employment Trends



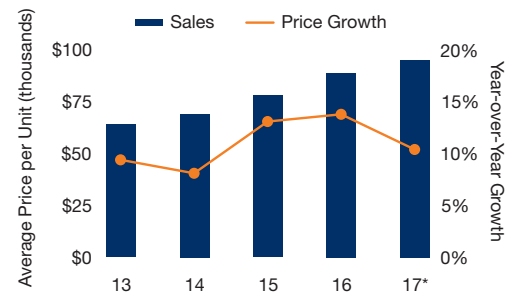
Quarterly Completions vs. Absorption*



Vacancy and Rents

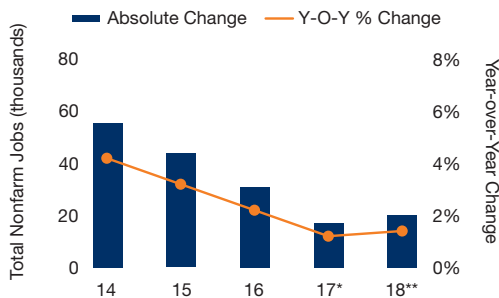


Sales Trends

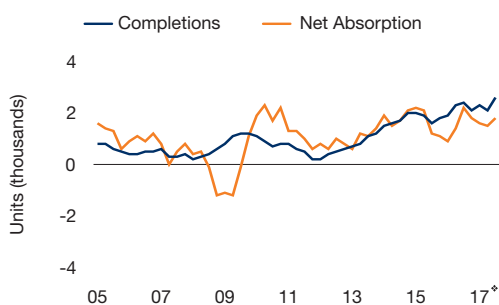


* Estimate; ** Forecast; * Through 3Q; * Trailing 12-month average
Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

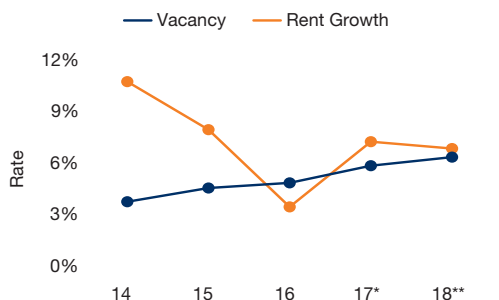
Employment Trends



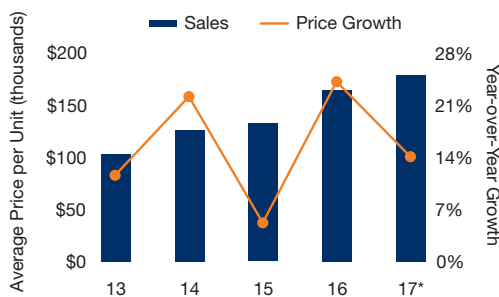
Quarterly Completions vs. Absorption*



Vacancy and Rents



Sales Trends



Amid Soaring Home Prices and High In-Migration, Demand Keeps Investors Digging for Opportunities

Inflow of young renters drives demand. In 2018, tech firms will provide a slew of employment opportunities to incoming residents, contributing to a tremendous boost in the 20- to 34-year-old population cohort. With single-family home prices rising far above the national median in past years, residents find apartment leasing an attractive alternative to the costly, long-term commitment of a mortgage. Strong rental demand has resulted in an influx of new supply in recent years and heightened construction activity in 2018, particularly in the downtown area and in the adjacent Five Points and Highland neighborhoods. Denver has experienced healthy absorption over the last several years and will continue that trend in the next four quarters as more than 12,000 rentals are slated for delivery. Amid robust demand, vacancy rates will remain near the 6 percent mark in the coming year.

Older units present buyers with extensive options. As Denver's allure intensifies, the market's average rent will climb above the \$1,500 mark in 2018, at a pace considerably faster than the national rate. While residents seek the modern amenities found in new projects, many search for recently upgraded properties that come at a lower price, including a number of complexes in the western suburbs of Lakewood and Littleton. Here, an abundance of Class B and C buildings exist, many of them newly renovated from mid-20th century construction. Private investors will continue to target these properties this year as initial returns have been historically favorable in the 6 percent span. Class B units in the northern sections of the metro, such as Westminster and Broomfield, have attracted institutional investors. These complexes offer value-add opportunities, supporting potentially high revenue growth and first-year yields in the 5 percent range.

2018 Market Forecast

- NMI Rank** 14, down 1 place: Supply outstrips demand, edging Denver down one position in the NMI.
- Employment** up 1.4%: Employers will add 20,000 new hires to payroll in 2018, up from approximately 17,000 in the previous 12 months.
- Construction** 12,300 units: Completions will remain elevated in 2018 as more than 12,000 rentals are added to inventory, the third most since the turn of the millennium. Last year, 12,500 units were completed.
- Vacancy** up 50 bps: The continued building boom will push the vacancy rate to 6.3 percent this year despite the absorption of roughly 10,000 units.
- Rent** up 6.8%: Following a 7.2 percent hike last year, rent growth will ease in 2018 due to heightened deliveries. The average effective rent will rise to \$1,550.
- Investment**: A competitive bidding environment will evolve as limited listings retain a tight buyer and seller gap, resulting in a healthy investment climate.

* Estimate; ** Forecast; * Through 3Q; * Trailing 12-month average
Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

Tight Vacancy, Solid Rent Growth Activate Developers, Entice Buyers

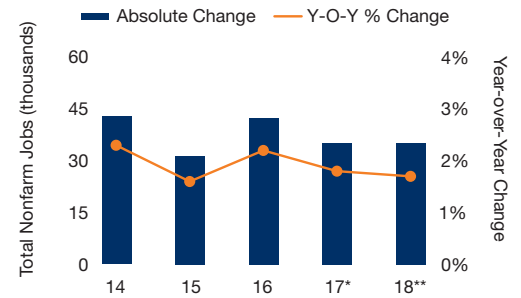
Vacancy in Detroit among the lowest in the nation. A robust need for apartments comes from steady employment growth that lures job seekers to the metro and an increasing number of downsizing households looking for a more carefree lifestyle near amenities. While demand for rentals grows this year, the restrained development pipeline will keep the vacancy rate below equilibrium in most areas of the metro. The city of Detroit will be the center of this year's multifamily construction, led by the continued redevelopment of former office buildings into apartments. Supply additions are not limited to the transformation of older buildings as rents reaching new highs are making ground-up construction viable in more areas of the city. Newly constructed buildings will be delivered from downtown to the New Center neighborhood during 2018. Many of these projects are mixed-use buildings with apartments above ground-floor retail space along major transit corridors. These new buildings and the numerous amenities nearby will appeal to young professionals working in Detroit.

Investors follow renters and developers back into the city. As more businesses relocate into downtown Detroit, the demand for rentals with easy access to employment opportunities extends redevelopment efforts farther into the surrounding neighborhoods. Competition remains lively for the limited supply of available buildings as increased rent growth and a perceived lack of properties to exchange into keep many owners in a holding pattern. Last year's tax reassessment of properties within the city of Detroit may provide additional listings as some owners with large tax fluctuations consider selling. Buyers seeking steady cash flows may look to suburban communities such as Novi, where a lack of new inventory and strong renter demand push rents higher.

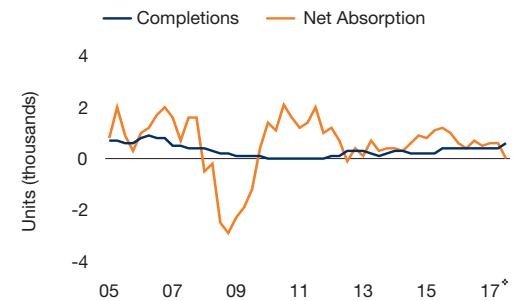
2018 Market Forecast

- NMI Rank** ⬆️ Still-tight vacancy and healthy rent growth ascend Detroit 28, up 10 places
- Employment** ⬆️ Job growth is expected to outpace the national rate for the third consecutive year as 35,000 jobs are created in 2018. Last year a 1.8 percent gain was registered.
- Construction** ⬇️ Deliveries ease from last year's cyclical high of 2,800 rentals, as 2,400 units are due for completion in 2018, the second highest construction pace in 12 years.
- Vacancy** ⬆️ Vacancy will end 2018 up 10 basis points at 3.1 percent amid a second year of heightened inventory additions that surpass absorption. Vacancy rose 50 basis points in 2017.
- Rent** ⬆️ The average effective rent tops \$1,000 per month for the first time in 2018, rising 5.4 percent to \$1,014 per month at year end. Rents jumped 6.4 percent in 2017.
- Investment** ⬆️ Mixed-use apartment projects along major transit corridors stocked with amenities in both urban and suburban locations are boosting the property values of nearby rental assets. Properties with some upside potential in transitioning neighborhoods are in demand.

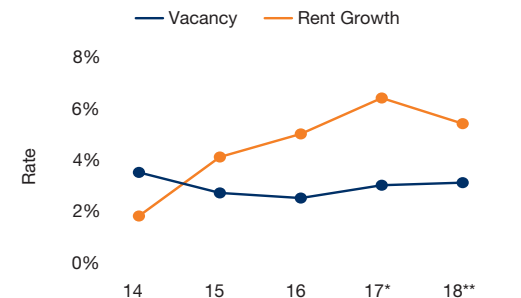
Employment Trends



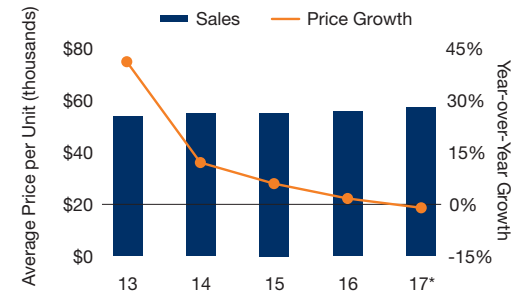
Quarterly Completions vs. Absorption*



Vacancy and Rents



Sales Trends









* Estimate; ** Forecast; * Through 3Q; * Trailing 12-month average
Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

Urban Synergy on the Rise In South Florida's Latest Boomtown

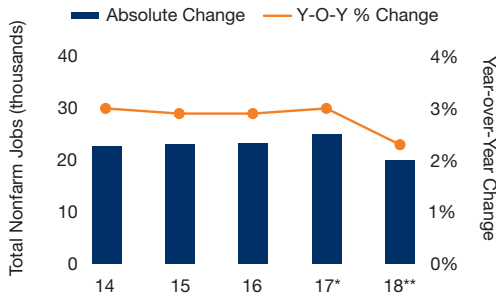
Wave of change underway as more people choose to live and work in Broward County. Supported by the fastest-growing labor market in South Florida, household formation is surging across Fort Lauderdale. Attracted by a downtown resurgence and apartment rents that are more affordable than those in Miami, the younger generation is moving to the area in greater numbers. The burgeoning neighborhoods of Flagler Village and FAT Village are drawing interest from tenants and developers, driven by pent-up demand for dense, walkable urbanism along with the lifestyle and amenities that follow. Adding to demand for downtown apartments is Brightline, a newly finished train service that links Fort Lauderdale to Miami and West Palm Beach. In the future, the Wave streetcar line could follow, providing greater connectivity across Fort Lauderdale. The transformation of Fort Lauderdale and Broward County continues this year as at least 18 apartment projects are underway across the metro.

Booming population, new development boost investor sentiment in Fort Lauderdale. Enticed by new zoning guidelines introduced several years ago as well as transit-oriented development, developers are investing in Fort Lauderdale and modernizing the city. A favorable tax and regulatory environment along with strong job growth and positive in-migration trends provide greater upside potential for long-term above-average rent growth than other major metros, contributing to robust investment prospects. Newer, stabilized Class A complexes are in high demand and commonly change hands at cap rates in the low-4 to mid-5 percent range. Buyers in search of higher yields will focus on the more suburban locations of Oakland Park, Hallandale Beach and Pembroke Pines, where initial yields can range as high as the mid-7 percent territory. Strong property performance could encourage some owners to hold onto assets for longer, potentially reducing listings this year and slowing sales activity.

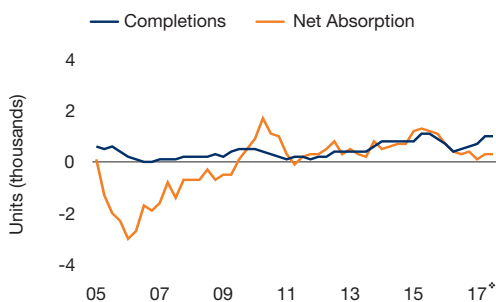
2018 Market Forecast

- NMI Rank** 22, up 1 place  A rate of hiring that outpaces most other metros will move Fort Lauderdale up a place in the Index.
- Employment** up 2.3%  Fort Lauderdale will lead employment growth in South Florida this year as 20,000 jobs are anticipated to be created, expanding below last year's 3.0 percent pace as the labor market tightens.
- Construction** 2,300 units  Deliveries are cut by nearly half this year from the 4,050 units completed in 2017. Construction will be concentrated in more suburban locations.
- Vacancy** up 30 bps  Net absorption remains stout, though it falls behind completions for a second straight year, boosting the vacancy rate to 5.4 percent at year end. A 120-basis-point jump was registered in 2017.
- Rent** up 2.2%  Rising vacancy slows rent growth from the 2.6 percent increase marked last year, bringing the average effective rent to \$1,515 per month.
- Investment**  New restaurants, bars and mass-transit options coming downtown will spur further tenant demand, driving more investors to properties in the transitioning neighborhoods of Fort Lauderdale.

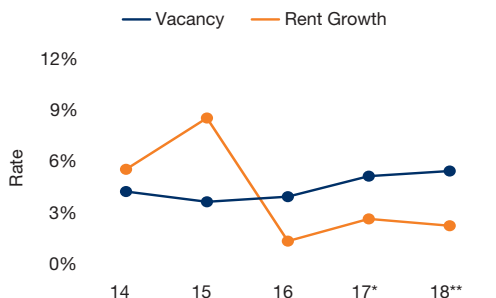
Employment Trends



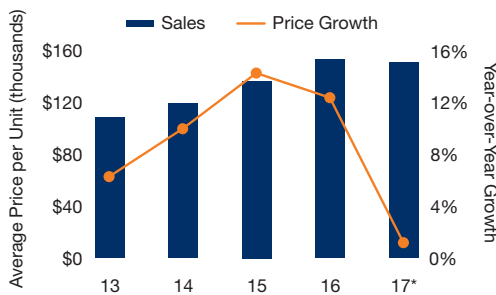
Quarterly Completions vs. Absorption*



Vacancy and Rents



Sales Trends



* Estimate; ** Forecast; * Through 3Q; * Trailing 12-month average
Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

Houston Apartment Market Emerges Strong Following Hurricane Harvey

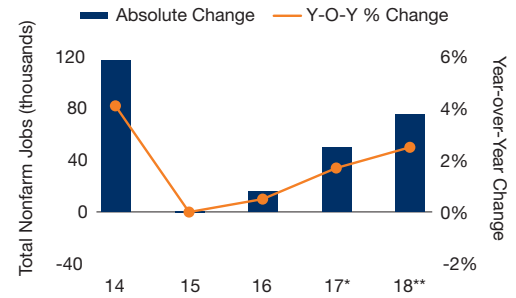
Apartments play pivotal role for displaced Houstonians and relief workers. The impact of Hurricane Harvey on the Houston apartment market lingers in 2018, relieving many of the pains generated in previous years by a struggling oil and gas sector. Job creation stemming from recovery efforts this year draws temporary residents in need of leases for less than one year. In addition, countless local households will continue to seek apartments for short-term housing while permanent residences are repaired. The combination of these actions has strengthened apartment demand and helped tighten vacancy, especially in the Class A segment, mitigating some concerns of overbuilding in select areas as absorption catches up with supply. Vacancy retreated to a new low level late last year as a result, but the decline will be temporary and the rate will slowly climb through 2018 as units come back online and residents return to homes. Though increasing this year, vacancy stays historically low as the number of available units normalizes and rent growth begins to stabilize.

Harvey flooding reinvigorates apartment investment activity in Houston. Demand for Houston area apartments strengthens this year as investors' attitudes become more bullish. The flooding from Hurricane Harvey creates some unique investment opportunities as owners choosing to list damaged assets are met with strong interest from buyers in search of upside potential. These investors are attracted to the metro's diversifying economy and healthy demographic trends but will be mindful of properties' locations within flood plains and expected increases in insurance costs, in addition to remediation expenses. Institutions will also find new opportunities as supply additions dwindle this year and Class A units delivered over the past 12 months stabilize. These investors will take a keen look at lease expirations and be mindful of the length of terms when evaluating deals.

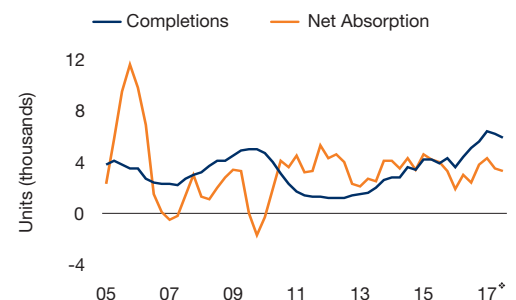
2018 Market Forecast

- NMI Rank** ↗ A cooldown in completions combined with healthy job growth will raise the metro two spots in the NMI.
29, up 2 places
- Employment** ↗ Employment rises by 75,000 positions this year as hiring in a number of sectors resumes. Construction jobs remain elevated as homes and businesses are restored.
up 2.5%
- Construction** ↘ Deliveries dip dramatically this year after the addition of more than 44,000 apartments over the past two years.
10,800 units
- Vacancy** ↗ As damaged apartments come back online and area residents return to homes, vacancy rises to 5.5 percent, staying 240 basis points below the 15-year average.
up 100 bps
- Rent** ↗ Rent growth normalizes in 2018 as the average advances to \$1,106 per month. Last year, strong housing demand in the last quarter of the year resulted in a 6.7 percent annual rent increase.
up 1.8%
- Investment** ○ Financing for properties located within select pockets has been limited over the last couple of years due to softening property operations. As assets in these submarkets begin to stabilize, additional financing opportunities will emerge this year, reigniting investment activity.

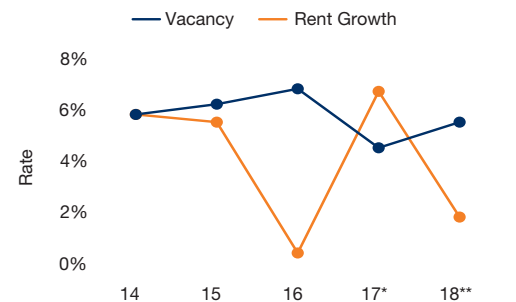
Employment Trends



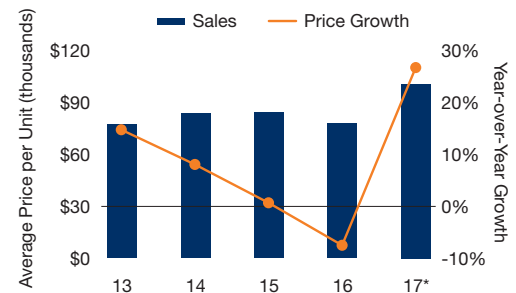
Quarterly Completions vs. Absorption*



Vacancy and Rents

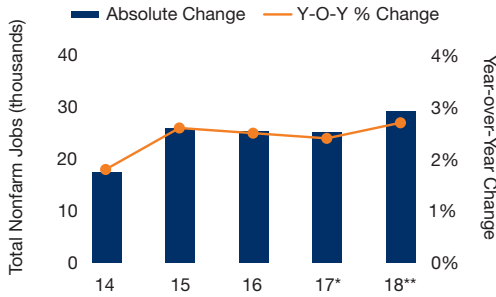


Sales Trends

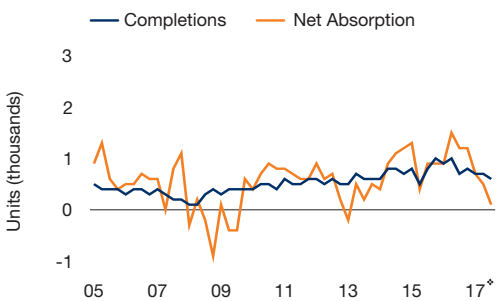


* Estimate; ** Forecast; * Through 3Q; * Trailing 12-month average
Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

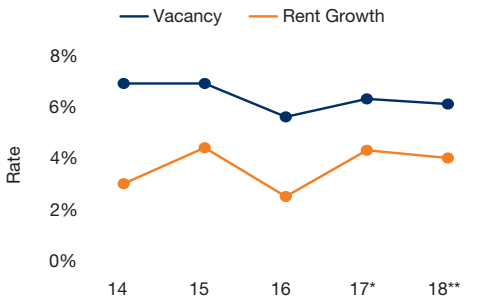
Employment Trends



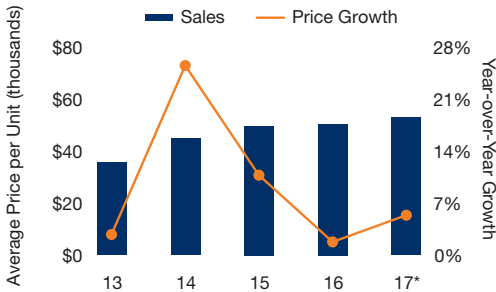
Quarterly Completions vs. Absorption*



Vacancy and Rents



Sales Trends



Buyers Race to Suburban Submarkets Amid Lofty Valuations in City Center

Thriving tech scene generates strong employment growth. Recent graduates of the many nearby universities will offer employers a deep talent pool, encouraging robust employment growth and marking the fourth successive year in which Indianapolis' hiring will outpace the national rate. Tech jobs will become more prolific this year as startups and existing businesses expand into the city's central business district. Here, housing demand increased in the last four quarters, a trend that will persist in 2018 as Salesforce and Cummins add employees in new facilities near Monument Circle. Downtown Indianapolis will also experience a bump in construction activity this year to 700 completions following 600 units in 2017. In Hamilton County, development will soften in the next four quarters as less than 800 rentals are delivered, ending four consecutive years of at least 1,000 completions. Although net absorption will be healthy in the next 12 months, vacancy will recognize a small jump produced by another year of heightened deliveries.

Elevated rents induce investor optimism. As market demand swells, the average effective rent will advance to more than \$900 per month in 2018, marking one of largest annual rent increases Indianapolis has recorded since the turn of the century. Amid the potential for high revenue growth, this area will continue to attract many investors with its opportunities for favorable returns. In recent years, Class C properties within the city of Indianapolis posted first-year yields in the high-8 percent span, while Class B complexes recognized initial returns in the high-6 percent realm. As investors move farther from downtown, they generally witness rising cap rates that typically eclipse 9 percent among Class C assets in Lebanon, Anderson and other suburban submarkets. Lured by favorable yields, more out-of-state investors will come to the region and compete with local buyers, maintaining a strong bidding environment.

2018 Market Forecast

- NMI Rank** 36, up 6 places Tied for the second-highest rate of job growth in the nation, Indianapolis will advance six positions in the Index.
- Employment** up 2.7% In 2018, the Indianapolis workforce will grow by approximately 29,200 employees, up from the 2.4 percent increase last year.
- Construction** 2,500 units Amid a period of intense demand, the metro will record the completion of 2,500 rentals this year. In 2017, Indianapolis delivered approximately 2,200 apartments.
- Vacancy** down 20 bps As the amplified pace of deliveries continues, absorption will overtake the heightened completions in 2018 as vacancy drops to 6.1 percent. This decrease follows a 70-basis-point climb last year.
- Rent** up 4.0% With solid demand, rents will jump this year, pushing the average effective rent to \$875 per month following a 4.3 percent advance last year.
- Investment** As suburban household formation strengthens, investors will capitalize on vigorous demand and potentially high revenue growth among Class B and C assets offering value-add opportunities.

* Estimate; ** Forecast; * Through 3Q; * Trailing 12-month average
Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

Yield-Seeking Investors Scoop Up Class C Assets In Core as Construction Rises

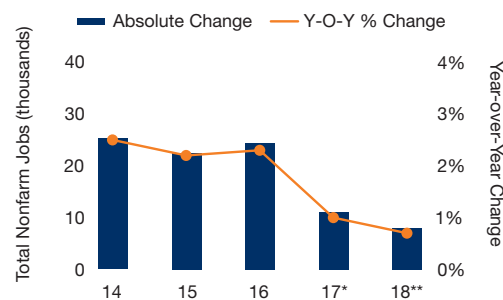
Confluence of development in the core overshadows broad demand. The tight labor market in Kansas City has forced unemployment to the lowest rate since 2000 and boosted demand for local apartments. The vibrant urban population, consisting primarily of millennials, has been scooping up rentals throughout the metro, overwhelmingly favoring a live-work-play lifestyle associated with the downtown submarkets. Developers have followed suit, pushing deliveries in the core and north of the river to cycle highs, with overall completions reaching levels not posted since 2000. Vacancy has shifted higher during this period, with net absorption unable to keep pace with concentrated supply growth. Submarkets with much less development have flourished in this environment, particularly southern Johnson County and eastern Jackson County, enabling lower vacancy rates and more steady rent growth. An influx of new Class A properties in the core will drive a mid-single-digit rise in the average effective rent, the ninth straight year of appreciation.

Value buyers flock to cap rates far exceeding primary markets; Class C assets dominate transactions. The search for yield has prompted a significant focus on secondary and tertiary markets, benefiting Kansas City rentals where first-year returns can begin in the low-6 percent for institutional-grade assets. However, the vast majority of investors are acquiring properties in the Class B and C space, where yields can reach the low-8 percent range, encouraging capital flows from coastal markets and regional hubs. Prime locations in the urban core near the Plaza or the Power and Light District are in high demand, particularly assets with more than 15 units that allow investors to deploy a greater amount of capital to the deal. Garden properties containing more than 200 rentals can be obtained in southern Johnson County or eastern Jackson County and will exchange ownership in the low- to mid-6 percent range.

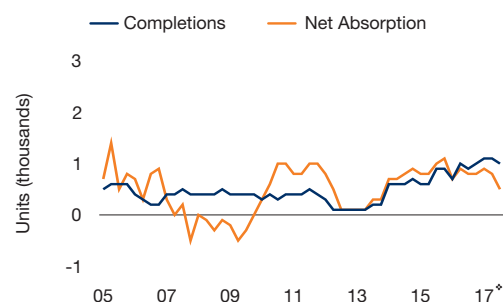
2018 Market Forecast

- NMI Rank** 46, no change ■ Another year of construction and vacancy increases will keep the metro at the bottom of the Index.
- Employment** up 0.7% ⬆ Kansas City firms create 8,000 jobs this year, expanding total employment by 0.7 percent. In the previous four quarters, 10,000 workers were added to payrolls.
- Construction** 4,200 units ⬆ Development accelerates for a seventh straight year as builders complete more than 4,300 rentals in 2018. Nearly 4,000 apartments were brought online last year.
- Vacancy** up 70 bps ⬆ Vacancy rises 70 basis points to 6.5 percent as heightened construction in the core outpaces net absorption. In 2017, vacancy advanced 80 basis points.
- Rent** up 4.3% ⬆ The influx of Class A properties in higher-rent submarkets raises the average effective rent 4.3 percent to \$960 per month, following a 6.2 percent surge in 2017.
- Investment** ● Assets between 135th Street and I-435 in southern Johnson County will be sought after for relative pricing power and an affluent renter profile. Smaller properties in these locations are perfectly suited for deals under \$10 million and provide yields in the mid-6 percent range.

Employment Trends



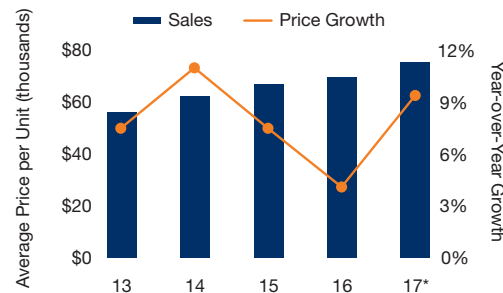
Quarterly Completions vs. Absorption*



Vacancy and Rents

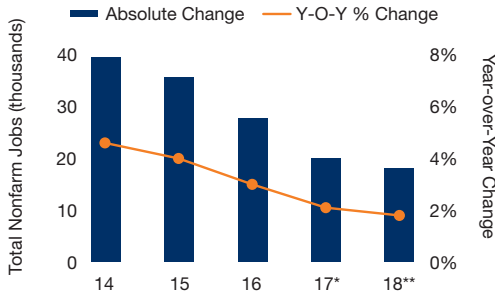


Sales Trends

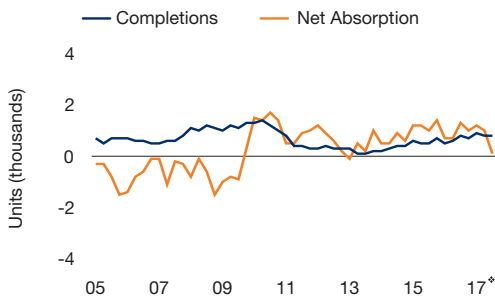


* Estimate; ** Forecast; * Through 3Q; * Trailing 12-month average
Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

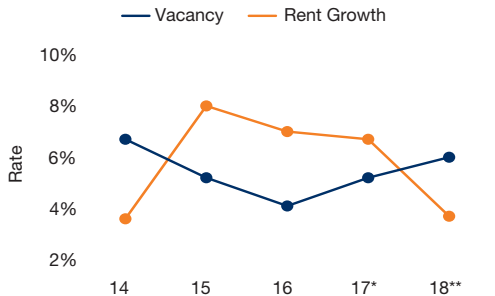
Employment Trends



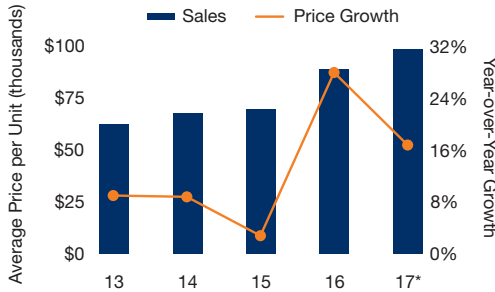
Quarterly Completions vs. Absorption*



Vacancy and Rents



Sales Trends



Yield-Driven Investors Head to Vegas for Higher Returns; Supply Creating Performance Dispersion

Booming employment growth improves demand for rentals; construction pressures taking hold. The stable national recovery has spread to Las Vegas, generating demand for leisure and hospitality positions as tourism spending increases. The resulting job creation has trimmed the unemployment rate to the lowest level since 2008, fostering demand for apartments. Tighter vacancy and above-the-national-average rent growth in previous years prompted a greater focus on development, with completions in 2017 and 2018 exceeding 3,500 units annually. Supply pressures are beginning to weigh on overall performance in the northern and western portions of the metro, lifting vacancy moderately as net absorption failed to keep up with completions. However, low vacancy submarkets are generating significant tailwinds to rent growth, particularly in Henderson and Paradise, with appreciation exceeding 5 percent metrowide from 2015 through 2017. A similar low- to mid-single-digit advancement will be undeterred in 2018, led by performance at new Class A properties.

Investments benefit from yield arbitrage; coastal capital finding a home in Vegas. Spurred by returns that can exceed 200 basis points above their home markets on the coasts, investors have been eagerly deploying capital in Las Vegas. Along with the late-recovery aspects of the market, investors have enjoyed significant cap rate compression, with first-year returns now averaging in the mid-5 percent range. Assets in the southern portion of the metro, particularly in Summerlin and near the Strip, remain in high demand among all types of investors. These submarkets have benefited from significant rent growth, yet in some locations the average effective rent still lags the previous peak recorded in 2007, offering upside potential as the year advances. Value-add properties are still eagerly sought after yet remain increasingly difficult to procure, making outside returns more elusive than in prior years of the current cycle.

2018 Market Forecast

- NMI Rank** A decline in net absorption demotes Las Vegas on the NMI despite favorable job and rent growth.
33, down 5 places
- Employment** Organizations hire 18,000 people this year, increasing total employment by 1.8 percent as leisure and hospitality positions power gains.
up 1.8%
- Construction** Developers complete 3,700 rentals this year, reaching the highest point of the current cycle and marginally surpassing the 2017 total of 3,500 apartments.
3,700 units
- Vacancy** A second straight year of completions exceeding 3,500 units pushes the metro vacancy rate up 80 basis points to 6 percent. Last year, vacancy rose 110 basis points.
up 80 bps
- Rent** The average effective rent advances 3.7 percent to \$980 per month as higher concessions are offered in lease-up properties, trimming growth from 6.7 percent in 2017.
up 3.7%
- Investment** A significant amount of deal flow is moving to the urban core as office space construction accelerates. The average effective rent in these submarkets remains more affordable than in outer suburbs, offering incentives for newly hired employees to consider leasing apartments nearby.

* Estimate; ** Forecast; * Through 3Q; * Trailing 12-month average
Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

Cycle-High Apartment Development Overshadows Robust Rental Demand

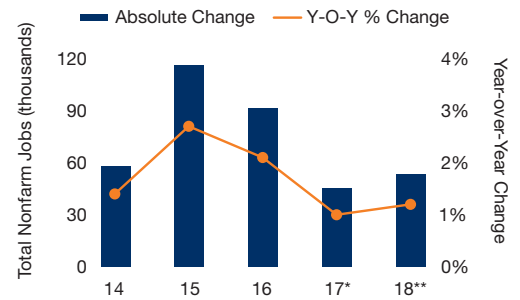
This year, job growth rebounds at an opportune time, sparking demand for new units. Fueled by a consistently expanding professional sector, the metro's employment base will swell by more than 50,000 positions in 2018. A tight labor market has prompted employers to recruit from outside the metro to fill higher-paying tech, law and financial-related job openings. Relocations and income growth should support a heightened rate of household formations, which bodes well for the rental market during a period of out-of-reach home prices and elevated apartment construction. Downtown Los Angeles and adjacent Mid-Wilshire are slated to receive the largest influx of new units this year, placing further upward pressure on vacancy, namely in the downtown area. Hollywood, Marina del Rey and Glendale will also witness upticks in delivery volume, yet pent-up demand should sustain availability at or below 4 percent. Elsewhere, a lack of large-scale development will allow absorption to catch up with new supply, holding metro vacancy below 6 percent at year end.

Rise in valuations pushes private investors outside the core. An extended period of asset value appreciation and a growing buyer pool have motivated more owners to list newer properties and older value-add complexes in Los Angeles County. The sharp rise in apartment supply within Downtown Los Angeles has core-focused investors targeting opportunities in the nearby neighborhoods of Hollywood, Mid-Wilshire and Koreatown. Here, upside-producing Class B and C assets often net buyers low-3 percent to low-4 percent yields. Minimal deliveries and limited vacancy in Santa Monica heighten institutional buyer demand for Class A rentals throughout Silicon Beach. Here, minimum yields bottom out below 3 percent. Local and in-state investors active in the sub-\$10 million tranche prefer properties in Glendale, Pasadena and Burbank, attracted to these markets' proximity to employment hubs and higher yields.

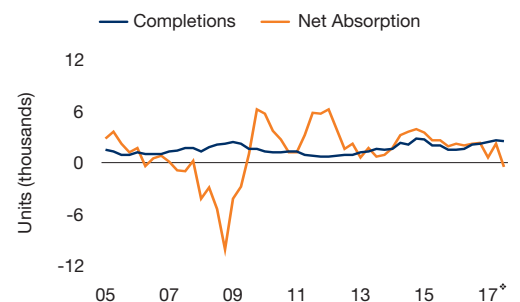
2018 Market Forecast

- NMI Rank** ↗ A surge in construction offset job gains to drop last year's top metro to the second slot.
2, down 1 place
- Employment** ↗ Employers will hire 53,000 workers in 2018, an increase up 1.2% from the 45,000 positions added last year.
- Construction** ↗ Focusing on downtown Los Angeles submarkets and Marina del Rey, developers will complete more than 17,000 rentals in 2018, a rise from the 12,000 units delivered last year.
- Vacancy** ↗ Development will reach a cyclical high this year, outpacing strong absorption and increasing the metro's vacancy up 110 bps to 5.2 percent.
- Rent** ↗ Sub-4 percent vacancy across much of the metro and a wave of new luxury units advance the average effective rent to \$2,200 per month. up 6.3%
- Investment** ● Sellers obtain premium pricing for post-2000-built properties near employment hubs in Santa Monica and Hollywood amid strong job creation and rent growth. Comparable product in revitalized areas of downtown Los Angeles and Mid-Wilshire will also garner interest from institutional buyers.

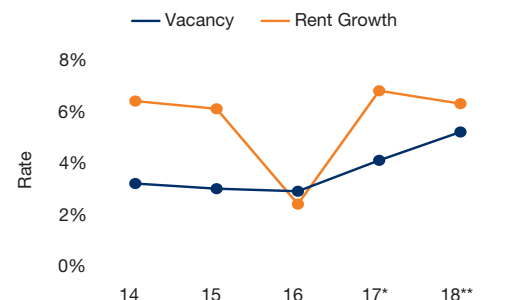
Employment Trends



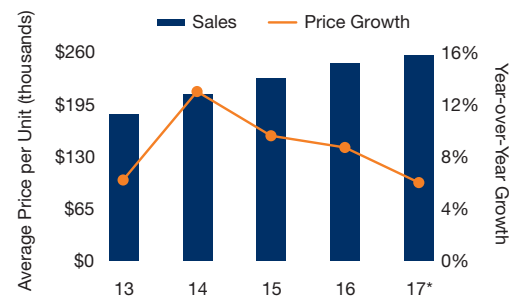
Quarterly Completions vs. Absorption*



Vacancy and Rents

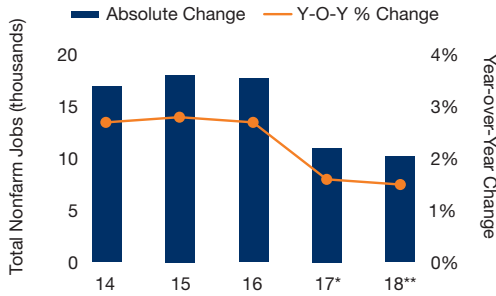


Sales Trends

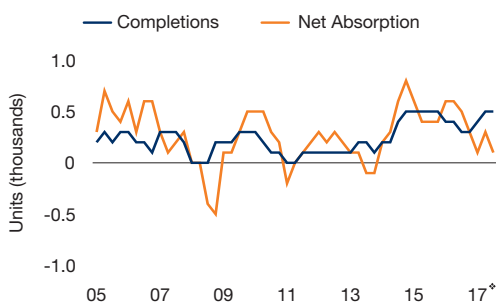


* Estimate; ** Forecast; * Through 3Q; * Trailing 12-month average
Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

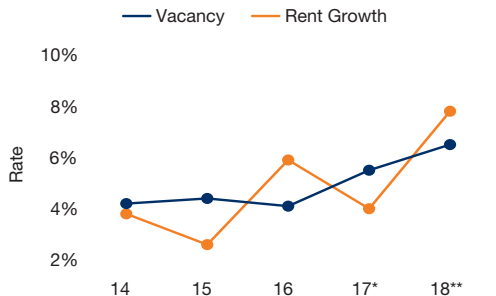
Employment Trends



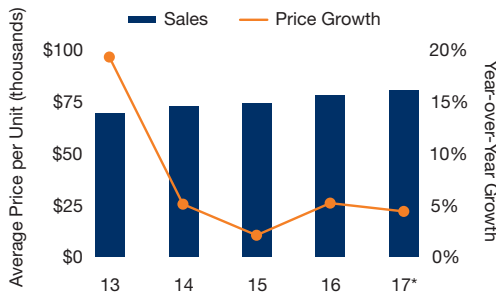
Quarterly Completions vs. Absorption*



Vacancy and Rents



Sales Trends



Outside Investors Push Pricing Amid Cycle-High Development

Positive demand drivers alter new units' impact. For a second straight year, developers complete more than 2,000 rentals, further testing demand for luxury apartments in Louisville. This influx of new product increases metro vacancy in 2018, yet a team of factors should fuel positive absorption, preventing an alarming uptick. Payroll expansions by tech firms, manufacturing companies and hospitals will support consistent year-over-year hiring and income growth this year. Sub-5 percent unemployment suggests employers will recruit from outside the market to fill open positions or hire recent local graduates. These job gains should increase the rate of household formations and bolster the market's millennial base. With demand drivers in place, the metro awaits the delivery of 2,800 units in 2018, the highest level since 2000. Southwest and Central Louisville welcome the largest concentrations of new rentals. The latter locale is most susceptible to a notable rise in vacancy; the rate hovers around 8 percent entering the year.

Out-of-state investors jockey for larger listings; local buyers broaden investment radar. The combination of multifamily values setting a new peak together with the diverse buyer pool motivate sellers to list assets. Investors are targeting core and suburban properties at an average cap rate of 7 percent. Buyers from outside the metro pursuing newly built Midwest assets are reviewing 200-unit-plus complexes in the East End at low-5 percent yields. Regional value-add firms are drawn to South Jefferson County, acquiring larger Class C assets at mid- to high-7 percent returns while rental development remains limited. Increased competition in this area is forcing local buyers to also target opportunities in Shawnee and Crescent Hill, where sub-25-unit properties frequently sell for less than \$50,000 per unit. Downtown neighborhoods, most notably Old Louisville, represent an additional focus for in-town investors seeking a mix of vintages and above-average yields.

2018 Market Forecast

- NMI Rank** 43, up 2 places: Standout multifamily rent and revenue growth improves Louisville's position on the NMI relative to last year.
- Employment** up 1.5%: Louisville employers add 10,200 positions this year, down slightly from the 1.6 percent gain in 2017 when 11,000 jobs were created.
- Construction** 2,800 units: Delivery volume in 2018 surpasses the more than 2,000 units completed last year. Southwest and Central Louisville welcome 1,700 new rentals combined.
- Vacancy** up 100 bps: Cycle-high development outpaces positive absorption, expanding the metro's vacancy to 6.5 percent, the highest year-end rate in 10 years.
- Rent** up 7.8%: An influx of luxury apartments aids overall rent growth, with the average effective rate advancing to \$925 per month following a 4.0 percent rise last year.
- Investment**: A wave of conventional deliveries create additional opportunities for outside investors focused on secondary markets to acquire newly built, core assets at low-5 percent minimum yields.

* Estimate; ** Forecast; * Through 3Q; * Trailing 12-month average
Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

Job Growth, In-Migration Supporting Household Formation But Development Growing Faster

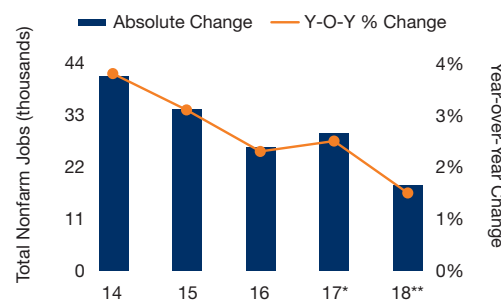
Rental demand lifted by rising cost of homeownership. A shortage of single-family homes for sale sent the median home price up 4.4 percent last year, more than seven times faster than median household income growth. This keeps many residents in the renter pool, and developers have responded by boosting multifamily inventory. Development will remain robust to meet the needs of a growing workforce, underscored by substantial in-migration trends, bringing deliveries this year to a new high for the current cycle. Construction will be heavily weighted to the urban corridors of downtown Miami, South Beach and Coral Gables, resulting in fewer projects rising in more suburban settings than previously. The number of units completed this year will outpace absorption of rentals, pushing the average vacancy rate to its highest level in years. As apartments lease up, effective rent growth will slow in the process as incentives are likely to increase over the coming year.

Abundance of capital, development support investor confidence. Investment demand will remain strong in Miami, though limited listings will restrain sales activity. Investors seeking to tap their equity in existing assets may exchange into larger assets but will need to be flexible in their approach. Private parties searching for value-add opportunities will be active in the transitioning neighborhoods of Little Havana, Little Haiti and Allapattah, though competition from institutional buyers has intensified. Investors will readjust search parameters this year, eyeing properties farther from the urban core where rents are more affordable. First-year yields in suburban locations such as North Miami Beach and Hialeah fall in the upper-5 to mid-6 percent band on average. Increased construction has drawn significant interest from buyers looking for newly developed product, and Class A assets often trade at cap rates in the low- to mid-4 percent range.

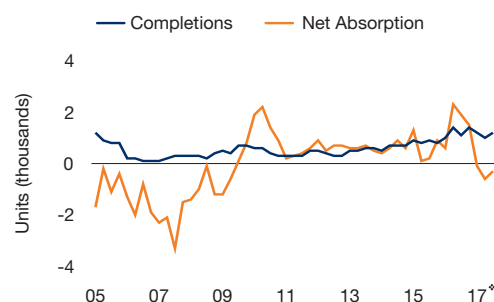
2018 Market Forecast

- NMI Rank** ⬇️ Increases in development and vacancy, combined with a downtick in job expansion, lead to a slip in the Index.
20, down 5 places
- Employment** ⬆️ Employment growth slows from the 2.5 percent expansion registered a year ago as 18,000 jobs are anticipated to be created.
up 1.5%
- Construction** ⬆️ Miami's construction boom will extend for another year as 7,100 apartments are slated for completion this year. In 2017, nearly 5,000 units were delivered.
7,100 units
- Vacancy** ⬆️ Net absorption will be eclipsed by construction, pushing the vacancy rate up to 5 percent, adding to a 160-basis-point jump posted last year.
up 120 bps
- Rent** ⬆️ The average effective rent rises moderately in 2018, reaching \$1,550 per month at year end, a decline from the 7.6 percent year-over-year pace in 2017.
up 4.0%
- Investment** ⬇️ Markets beyond the Greater Downtown Miami area will register sharp declines in completions, motivating investors to place capital in fully occupied Class B and C complexes due to their stable rent growth.

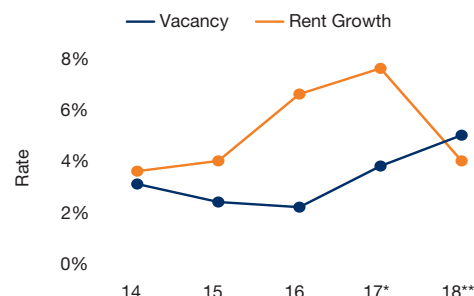
Employment Trends



Quarterly Completions vs. Absorption*



Vacancy and Rents

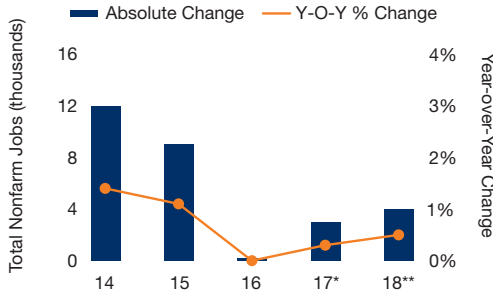


Sales Trends

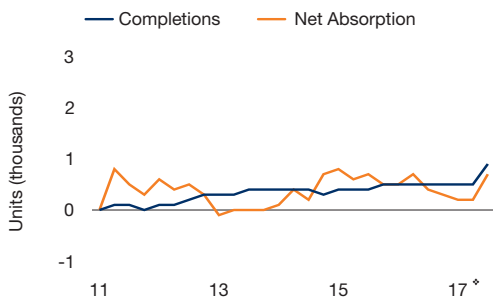


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Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

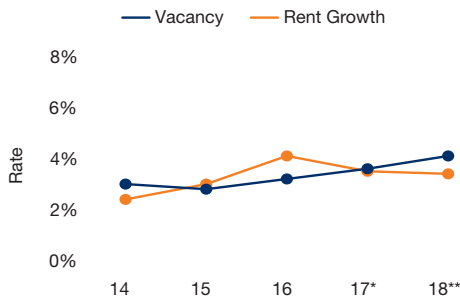
Employment Trends



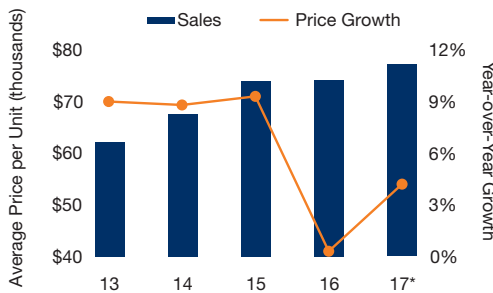
Quarterly Completions vs. Absorption*



Vacancy and Rents



Sales Trends



Vacancy Still Tight Despite Active Development; Expanding Construction Jobs Boosting Demand

Completions climb to a cyclical high. Nearly every submarket is scheduled to add new inventory in 2018, with the area extending from downtown Milwaukee west along the Interstate 94 corridor to Wauwatosa receiving the bulk of the deliveries. Even with a record delivery pace, the metrowide vacancy rate will remain below equilibrium at 4.1 percent, although the rate in select neighborhoods and classes may temporarily rise until new buildings are stabilized. Demand for units will come from the roughly 5,200 new households that are expected to be formed this year. Many of the new renters are job seekers moving to the region. Hiring along the I-94 corridor south of Milwaukee should pick up as construction begins on the massive Foxconn facility in Racine County. Roughly 10,000 people are expected to be hired. Apartment availability in the Racine submarket is already tight due to a limited supply and less than 200 units are scheduled for delivery this year, which will likely generate rental demand in nearby submarkets.

Steady cash flows and rising valuations attract new investors to Milwaukee. These same factors coupled with the difficulty in readily finding reinvestment opportunities have many owners opting to refinance and hold rather than list. As a result, competition has intensified for the limited supply of available assets, especially in the desired Bay View neighborhood of Milwaukee or Wauwatosa. The tight supply requires that buyers have realistic price expectations and put in strong opening offers to be successful. The anticipated rise in interest rates this year could motivate some owners who do not have a long-term hold strategy to market properties while buyer interest remains piqued, providing more options as the year progresses. Class B 1980s- and 1990s-vintage buildings with more than 75 units are highly sought after at cap rates that are generally in the 6 percent range.

2018 Market Forecast

- NMI Rank** ↘ Milwaukee slides into 38th place in the 2018 NMI due to sluggish employment growth and heightened deliveries. 38, down 5 places
- Employment** ↗ Employment growth remains below the national level during 2018, with the addition of 4,000 positions, a 0.5 percent expansion. up 0.5%
- Construction** ↗ Deliveries rise slightly from last year's elevated pace, reaching a cyclical high of 3,900 units in 2018, with nearly all submarkets receiving new inventory. 3,900 units
- Vacancy** ↗ The elevated construction pace will outpace the annual net absorption of 3,000 units, moving vacancy up 50 basis points to 4.1 percent at year end. Last year vacancy rose 40 basis points. up 50 bps
- Rent** ↗ Tight vacancy will extend the five-year stretch of rent gains another year as the average effective rent swells 3.4 percent to a new market high of \$1,075 per month. up 3.4%
- Investment** ○ Assets in Racine County are gaining investor interest ahead of the massive Foxconn plant in Mount Pleasant. The facility will create up to 10,000 construction jobs and employ up to 13,000 people at full capacity.

* Estimate; ** Forecast; * Through 3Q; * Trailing 12-month average
Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

High Occupancy, Strong Rent Growth Raise Questions of Affordability

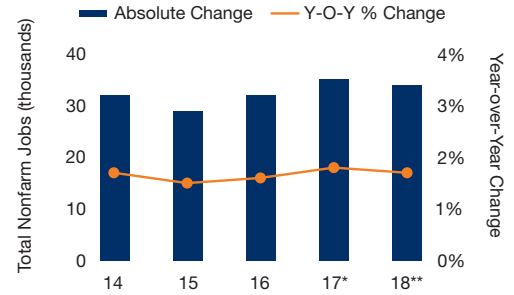
One of the Midwest's most vibrant economies sustains vigorous demand for apartments. Amid an abundance of job openings and a lack of workers to fill them, employers in Minneapolis-St. Paul are increasing recruiting efforts. As a result, nearly 20,000 households are expected to seek residency in the metro this year and many will choose to rent. The robust need for apartments has kept metrowide vacancy among the lowest in the nation during the last five years and the availability of Class C units is especially acute with the vacancy rate hovering below 2 percent since mid-2015. These tight conditions are occurring throughout the region even as apartment supply has increased by more than 23,000 units since the end of 2012. The lack of unoccupied rentals coupled with the wave of new luxury apartments built in the most expensive neighborhoods has contributed to effective rent soaring 26 percent during the same period, making affordability a mounting concern. In some neighborhoods favored by young professionals, micro units are being offered as a lower-price-point rental option.

Investors attracted by high occupancy and rising rents. The surge in new supply amid favorable demographic trends and strong operations is attracting institutions and private capital. Recently delivered properties near large employment hubs with more than 200 units are especially desired at cap rates that can dip below 5 percent. An elevated construction level this year will offer acquisition opportunities as merchant developers sell recently stabilized buildings to fund their next projects. At the opposite end of the spectrum, private buyers will have to compete with housing nonprofits for the limited supply of pre-1980s Class B/C assets being marketed. Nonprofits are receiving funds from some municipalities and other organizations to purchase older apartment buildings throughout the metro in exchange for keeping the rents affordable for many years.

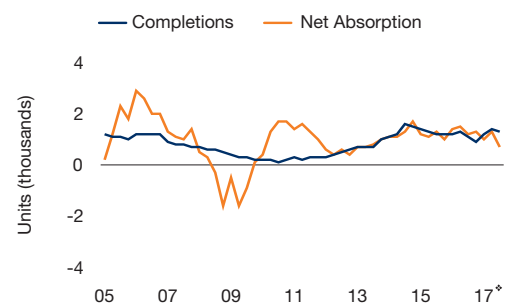
2018 Market Forecast

- NMI Rank**  Low vacancy coupled with rising rents inch the market one step closer to the top spot in the Index.
3, up 1 place
- Employment**  The lack of available workers to fill thousands of open positions restrains employment growth as 34,000 jobs are created in 2018. The unemployment rate has remained below 4 percent for the last three years.
up 1.7%
- Construction**  Deliveries ease from 5,400 units last year but stay above the five-year average; 5,100 apartments are scheduled for completion in 2018.
5,100 units
- Vacancy**  Net annual absorption of 5,200 units surpasses supply expansion as vacancy dips 10 basis points to end 2018 at 2.9 percent. A 70-basis-point increase was posted last year.
down 10 bps
- Rent**  Rent growth tops the national rate for the third consecutive year, climbing 5.1 percent to \$1,298 per month in 2018 and building on last year's 7.8 percent surge.
up 5.1%
- Investment**  Value-add investors may find competition less intense among properties built from the 1980s to 2000. Assets along major transit routes that can be quickly refurbished will be targeted.

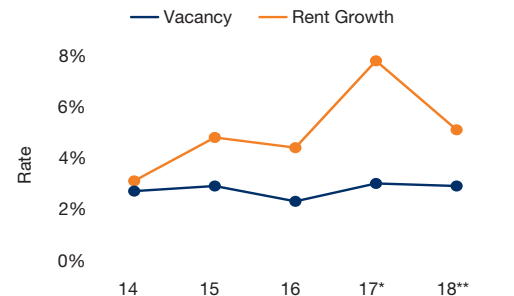
Employment Trends



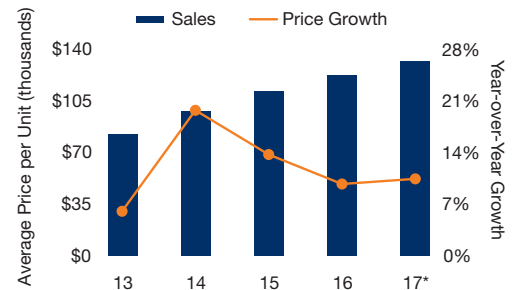
Quarterly Completions vs. Absorption*



Vacancy and Rents

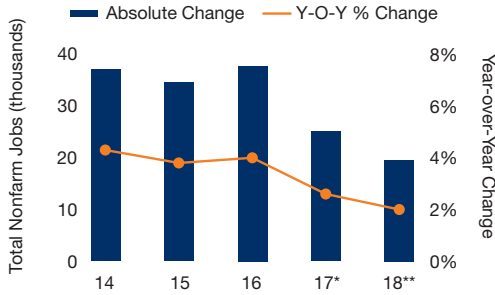


Sales Trends

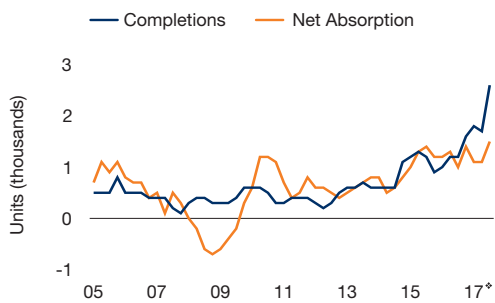


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Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

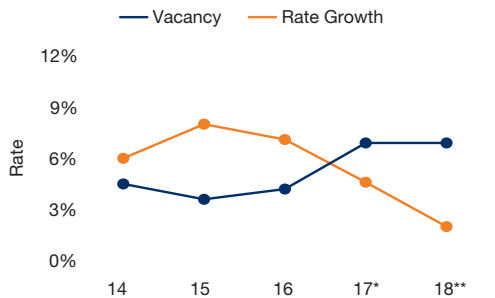
Employment Trends



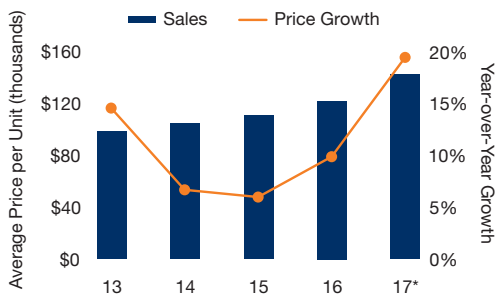
Quarterly Completions vs. Absorption*



Vacancy and Rents



Sales Trends



Nashville's Diverse Economy Keeps Demand Steady; Construction Pipeline Thinning

Deliveries concentrated in select pockets while majority of market boasts tight vacancy. Music, healthcare, manufacturing and financial services are driving the Nashville economy and spurring a stable pace of household creation. The metro has experienced a recent economic boom, and strong housing demand encouraged developers to move forward with thousands of units. The thinning development pipeline will realign with demand in 2018, restraining additional vacancy growth. Completions remain concentrated in Central Nashville, which is set to receive the bulk of new supply as more than 3,100 units come online in 2018. Vacancy in the area climbed from 5.0 percent in 2016 to over 16 percent last year, and a robust pace of inventory additions will keep vacancy elevated here in 2018. Throughout the remainder of the metro, most submarkets boast vacancy below 5 percent, keeping overall rent growth positive as the average continues to reach higher this year.

Investors scour Nashville for deals; fewer listings strain transaction activity. Limited listings will prompt investors to spread capital throughout Nashville neighborhoods this year. Sales were bifurcated over the last year, with private buyers seeking properties at price points below \$5 million and institutions targeting newly developed luxury assets priced at over \$20 million. Tight vacancy in Class C properties has caused rents to rise at a healthy pace, drawing investors to the market. As a result, demand for these properties is strong; they offer attractive returns as high as the mid-8 percent area. The West End and CBD garner strong investor interest, as do suburban neighborhoods to the northeast such as Rivergate and in Sumner County. Heightened deliveries over the past two years have produced opportunities for institutional capital in these areas as well, with first-year yields averaging near 6 percent. Institutions favor the market for its diverse and expanding economy plus its large millennial population.

2018 Market Forecast

- NMI Rank** 35, down 6 places: One of the highest vacancy rates in the nation drops Nashville six slots in the NMI.
- Employment** up 2.0%: Employers will create 19,500 positions as job growth outpaces the national rate again this year. The metro's unemployment rate also remains one of the lowest in the country.
- Construction** 5,600 units: Completions fall by approximately 40 percent this year as builders scale back into alignment with demand.
- Vacancy** no change: Annual absorption of 5,200 apartments stays on par with the last three years and keeps vacancy at 6.9 percent in 2018.
- Rent** up 2.0%: Average effective rent continues to advance this year, albeit at a slower pace, reaching \$1,178 per month.
- Investment**: Strong housing demand in the CBD and West End continues to attract investors searching for newly developed properties and existing stabilized deals that generate steady cash flow.

* Estimate; ** Forecast; * Through 3Q; * Trailing 12-month average
Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

Elevated Construction Restrains Market Despite Increased Commuter Demand

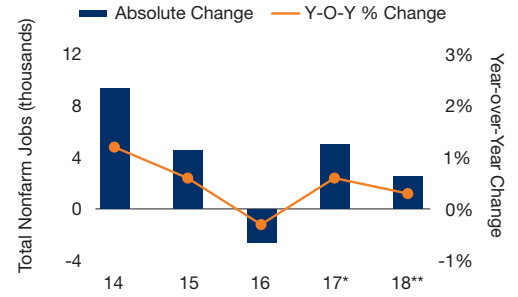
Development overshadows positive dynamics in near term. Incredibly tight housing market conditions in New York City are spilling over into southern Connecticut as tenants explore more affordable housing options. With the spread between the two locations exceeding \$1,000 per month on average, households have opted for longer commutes in exchange for significant savings. The resulting strength has prompted an elevated development pipeline, which has begun to weigh on the headline vacancy rate as net absorption fails to keep pace with supply growth. Although the overall amount of new additions will contract moderately in the year ahead, a fifth straight year of construction in excess of 1,200 units will place upward pressure on the vacancy rate and prompt a higher-concession environment as new properties lease up. Rent appreciation will remain muted in the current environment, ticking up by a low-single-digit percentage over the coming year.

Class C assets coveted by investors as renters seek out affordability. Seeking higher yields than are available in the New York City metro, buyers have flocked toward properties with first-year returns that will begin in the mid-5 percent band, as much as 200 basis points above prime locations in Manhattan and Brooklyn. Mid- to large-scale assets will draw institutional capital sources, particularly properties along the Metro North train route in Stamford or Bridgeport. However, smaller deals containing less than 20 units and priced under \$10 million are making up the bulk of transactions; yields can push up into the mid-6 percent band. The Class C product in most of these trades remains insulated from the new supply coming to market, providing security to cash-flow-motivated buyers. Furthermore, the influx of development in the Class A segment will provide options for institutional capital seeking new construction as merchant builders look to exit.

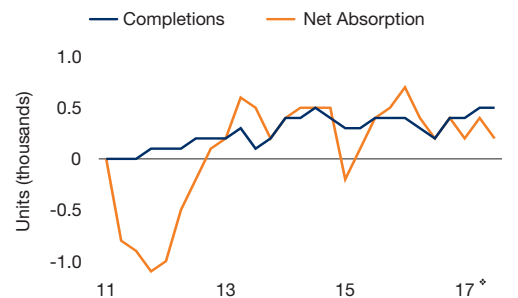
2018 Market Forecast

NMI Rank 44, down 3 places	Concerns of overdevelopment drop New Haven-Fairfield County three spots in this year's Index.
Employment up 0.3%	Organizations add 2,500 jobs this year, advancing hiring by 0.3 percent as low unemployment triggers a hiring slowdown. In 2017, 5,000 positions were created.
Construction 1,200 units	Development ticks lower in 2018 as builders complete 1,200 rentals, led by 750 units in Stamford and Norwalk. Last year, 1,400 apartments were brought to market.
Vacancy up 60 bps	The vacancy rate inches up 60 basis points to 5.2 percent as elevated construction along the Metro North weighs on occupancy. Last year, vacancy increased 110 basis points.
Rent up 1.2%	Rising competition in lease-up strains growth in the average effective rent, rising 1.2 percent to \$1,655 per month. The average effective rent rose 2.8 percent in 2017.
Investment	Properties built in the 1970s and 1980s will draw yield-seeking buyers from New York City seeking stable cash flows and appreciation through long-term holdings.

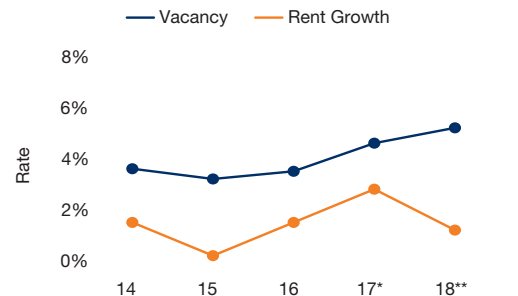
Employment Trends



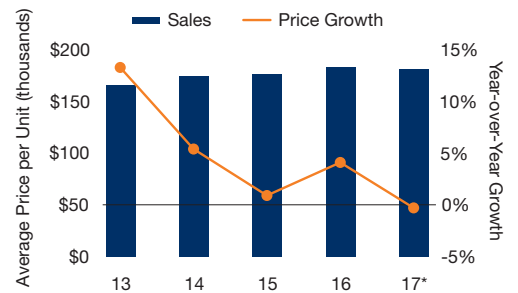
Quarterly Completions vs. Absorption*



Vacancy and Rents

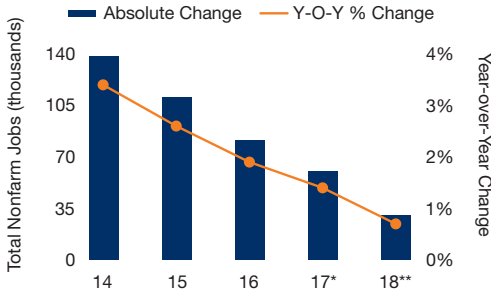


Sales Trends

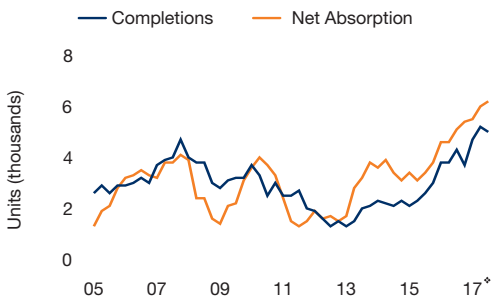


* Estimate; ** Forecast; * Through 3Q; * Trailing 12-month average
Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

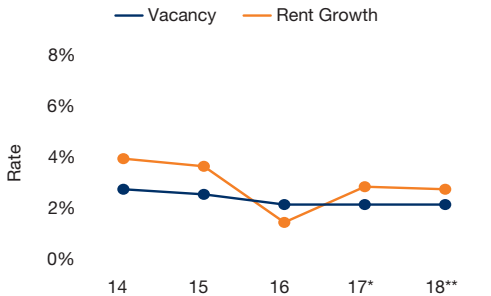
Employment Trends



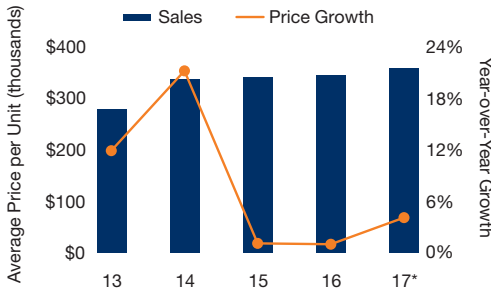
Quarterly Completions vs. Absorption*



Vacancy and Rents



Sales Trends



Investors and Developers Focus on Outer Boroughs Amid Tight New York Rental Market

Rollover in supply pressures keeps vacancy extraordinarily tight. Nearly a decade into the current expansion, New York City rental demand remains on strong foundations. Unemployment has fallen below 4 percent, prompting steady household formation throughout the five boroughs. Amid high prices for single-family homes, the vast majority of the new households have opted for rental housing, pushing the overall vacancy rate to nearly 2 percent. Tight conditions have spurred significant supply growth over the past few years, mainly aimed toward transforming neighborhoods along the East River in Brooklyn and Queens. Renters have enthusiastically pursued the new offerings, particularly given the discounts compared with similar options in Manhattan. Supply growth peaked in 2017, indicating tight vacancy will persist throughout the year, with periodic upticks in select submarkets as newly built projects lease up. The slowdown in the pace of construction offers the potential for reacceleration in rent growth as pressure to provide incentives subsidies, particularly in high-demand neighborhoods along commuter routes.

Rezoning, transformational neighborhoods offer investors opportunity in New York City. Seeking assets for appreciation and slightly higher yields than core submarkets in Manhattan, investors are deploying capital primarily in the outer boroughs along the East River in Brooklyn and Long Island City in Queens. Cap rates in these locations can be 50 to 100 basis points above similar product in Manhattan, removing some concern regarding the coming L-Train shutdown in 2019 that will affect Williamsburg and neighborhoods to the east. Recent zoning changes are also opening new opportunities for redevelopment in Manhattan, as expanding air rights offer the potential for greater density. First-year returns average in the low-4 percent band for prime assets and locations, while deal flow remains contingent on listings amid rising property level incomes.

2018 Market Forecast

- NMI Rank** 7, up 3 places: A slight ease in completions and extremely low vacancy move New York City up three rungs.
- Employment** up 0.7%: Organizations create 30,000 positions this year, dominated by high-wage office-using employment. In the prior year, 60,000 workers were added to payrolls.
- Construction** 20,000 units: Deliveries remain elevated at 20,000 units, contracting slightly from 2017's 22,000 rentals. Offerings in Manhattan and Brooklyn highlight widespread development.
- Vacancy** unchanged: Vacancy remains at 2.1 percent as newer properties witness longer lease-up periods, particularly in Brooklyn and Queens where construction is most concentrated.
- Rent** up 2.7%: The average effective rent climbs 2.7 percent to \$2,690 per month as a structurally high percentage of households seek rental accommodations. Average rent advanced 2.8 percent last year.
- Investment**: Transforming neighborhoods in the outer boroughs will present attractive opportunities for higher yields, particularly assets along commuter trains and subway stops.

* Estimate; ** Forecast; * Through 3Q; * Trailing 12-month average
Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

Healthy Rent Growth Outpacing National Trend, Favorable Pricing Attracts Restored Capital

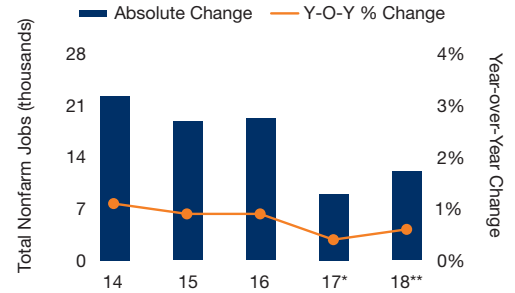
Rising net absorption falls short of record new development levels, causing vacancy to edge up. Additional employment opportunities and proximity to New York City are contributing to new household formations in Northern New Jersey. Given the cost of local homeownership and the premium for Manhattan rentals, newly formed households will lead to improved renter demand. As a result, net absorption will trend upward. Developers are responding to this demand boom by dramatically boosting supply. Construction levels for 2018 are at their highest since the turn of the millennium, with particular focus on commuter-friendly neighborhoods. While net absorption is flourishing, many Class A properties in Newark and Morris County are experiencing longer lease-up periods, driving the regional vacancy rate up by a modest amount. In most parts of the metro apartment vacancy remains tight. The average effective monthly rent, based on strong underlying multifamily fundamentals, will advance for the ninth straight year regardless of recent changes to vacancy.

More capital flows inland as institutions continue to favor Hudson Waterfront. The investment landscape for Northern New Jersey remains strong thanks to rising rents and improving job growth. Capital from the neighboring Empire State continues to flow in as investors routinely look to New Jersey's Gold Coast as a top-tier investment location. Jersey City's Journal Square gained attention as the number of deals in the neighborhood jumped between 2016 and 2017. Increased competition has pushed some local, private investors toward secondary and tertiary markets where yields on Class C buildings lie in the 6 percent range. Class A properties in premier spots feature cap rates below 5 percent. Class B complexes outside the core trade about 100 basis points higher. While older structures in the Newark area will sometimes sell for a 7 or 8 percent cap rate, the metro average hovers around 6 percent.

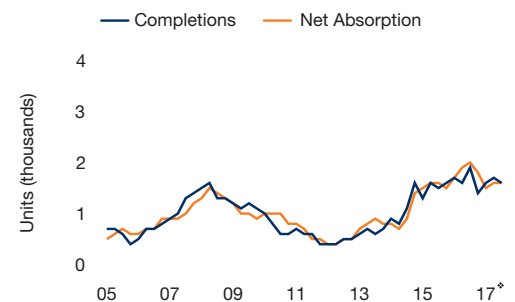
2018 Market Forecast

- NMI Rank** ↗ Strong absorption will move Northern New Jersey up two spots despite surging construction activity.
16, up 2 places
- Employment** ↗ Employers will hire 12,000 new people in 2018. Last year the workforce expanded by 9,000 positions, a growth rate of 0.4 percent.
up 0.6%
- Construction** ↗ The construction pipeline expands by 55 percent in 2018. Last year 9,500 apartments were delivered. Previously this cycle, annual development had not exceeded 6,500 rentals.
14,700 units
- Vacancy** ↗ Numerous completions push vacancy up to 4.9 percent. Over the past seven years the vacancy rate has fluctuated between 4.2 and 4.7 percent.
up 40 bps
- Rent** ↗ The average effective rent will increase to \$1,885 per month in 2018 notwithstanding the uptick in vacancy. In 2017 rents rose 4.2 percent to \$1,820 per month.
up 3.6%
- Investment** ● Newark and Journal Square lead submarkets in transactions priced between \$1 million and \$10 million, which are predominantly composed of Class C properties with yields of low-6 percent.

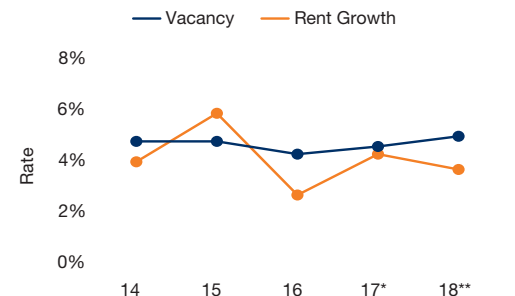
Employment Trends



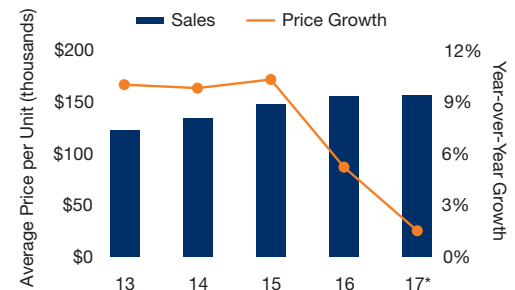
Quarterly Completions vs. Absorption*



Vacancy and Rents

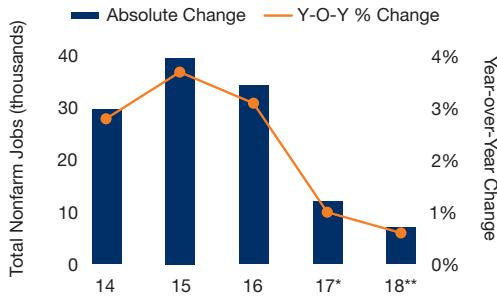


Sales Trends

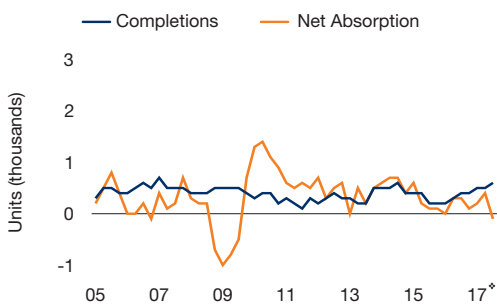


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Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

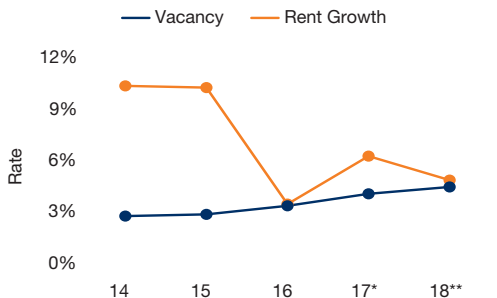
Employment Trends



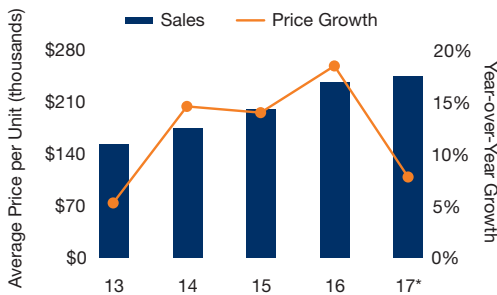
Quarterly Completions vs. Absorption*



Vacancy and Rents



Sales Trends



Affordability Draws Tenants to East Bay; Near-Term Supply Pressures Weigh on Performance

Surging development outpacing demand. Boosted by the broad-based economic upswing in the Bay Area, Oakland multifamily demand has risen in lockstep with the rest of the region. Continuous job creation and the desire for more affordability have pushed the metro vacancy rate to extremely low levels as tenants migrated eastward. The rising tide of demand has since prompted considerable supply pressures, which are beginning to weigh on top-line vacancy and rent improvement. Supply growth in 2017 nearly doubled previous years of the current cycle, ushering in an adjustment period as the new Class A units are leased up. The resulting marketplace has spurred a move higher in vacancy, although the rate is still tight by historical standards. Similar conditions will remain in place this year, with the development pipeline set to slightly exceed 2017 levels. Rent growth should prove resilient, with a mid-single-digit advancement likely, although the urban core where the pipeline is most dense will experience elevated concessions during lease-up.

Class B and C assets dominate investor activity as buyers target household migration. Amid a search for relatively higher yields compared with other Bay Area metros, buyers are targeting well-positioned assets along major transportation routes. Properties in the southern portion of Alameda County remain the most popular, fueled by excellent demographics, direct routes to employers in San Jose and less competition from new construction. Class B and C assets dominate transaction activity as buyers seek to insulate themselves from supply concerns at the high end of the marketplace while ensuring that rent rolls remain filled by offering more affordable options. Cap rates will begin in the high-4 to low-5 percent band, depending on location and quality.

2018 Market Forecast

- NMI Rank** ↘ The lack of affordable units pushes Oakland down five slots to the 10th position in this year's NMI.
- Employment** ↗ Nearing full employment, job creation reaches 7,000 new positions, a 0.6 percent growth rate. Last year, 12,000 workers were hired, a 1 percent expansion.
- Construction** ↗ Construction accelerates as builders complete 3,700 units this year, mostly targeting the core of Oakland. Last year, 2,900 rentals were brought online.
- Vacancy** ↗ Concentrated development in the core weighs on vacancy, which rises 40 basis points to 4.4 percent. In 2017, vacancy increased 70 basis points as net absorption failed to keep pace with completions.
- Rent** ↗ A shortage of housing prompts a 4.8 percent rise in the average effective rent to \$2,300 per month. An increase of 6.2 percent was recorded during the prior 12 months.
- Investment** ● Properties built in the 1970s and 1980s located along I-880 remain in high demand, particularly assets in San Leandro and Hayward where city initiatives are actively courting in-migration.

* Estimate; ** Forecast; * Through 3Q; * Trailing 12-month average
Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

Pent-Up Demand Meets Second Wave Of Deliveries; Investors' Options Diverse

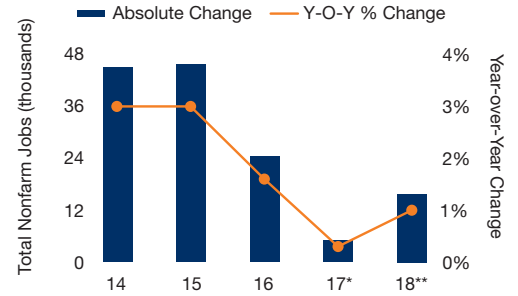
Hiring rebound, out-of-reach home prices drive positive rental absorption amid development wave. After deliveries reached a cyclical high last year, apartment construction remains elevated in Orange County with more than 5,000 rentals slated for completion in 2018. High single-family home prices limit residential housing options for many residents, keeping apartment demand strong. However, demand is falling short of the completions, generating a moderate increase in vacancy. A rise in higher-paying positions this year will advance earnings and encourage household formation, supporting tight vacancy and rent increases across all asset classes. Vacancy in Irvine and Anaheim will be most affected by new supply moving forward. Nearly half the apartments delivered this year will be in Irvine, while Anaheim welcomes more than 700 units this year. An additional 1,000 apartments are slated for completion in 2019 in the Platinum Triangle. The remaining deliveries will be spread throughout the metro this year.

Class C deals in affordable rental markets steer transaction velocity. Flattening appreciation and a large regional buyer pool are motivating more owners to sell properties in Orange County. Value-add opportunities that require renovations or improved management efficiencies are obtainable for yield-seeking investors in both inland and coastal cities, equating to a high volume of older Class C transactions. Investors eyeing below-market pricing pursue deals in Anaheim and Santa Ana, where cap rates extend to the mid-5 percent range. The coastal communities of Huntington Beach and Costa Mesa attract buyers willing to accept lower returns and higher price points for comparable complexes. Here, well-located rentals trade for initial returns below 3 percent. Investors targeting cities with a mix of available asset types are drawn to the college town of Fullerton, where cap rates are in line with the metro's average of 4.4 percent.

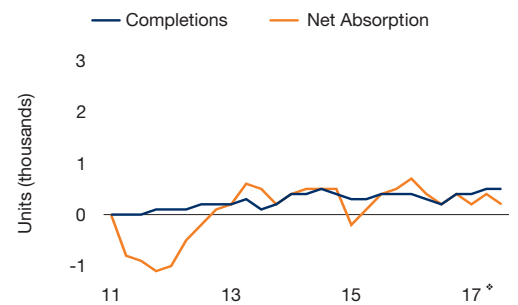
2018 Market Forecast

- NMI Rank** ↗ Escalated completions and a moderate vacancy increase move Orange County down two places.
19, down 2 places
- Employment** ↗ Orange County employers add 15,700 positions in 2018 after expanding payrolls by 5,000 workers last year, a low point for this cycle.
up 1.0%
- Construction** ↗ Developers complete a high volume of apartments for a second consecutive year following the delivery of more than 7,400 rentals in 2017.
5,100 units
- Vacancy** ↗ Strong annual absorption prevents a second wave of deliveries from significantly increasing vacancy. Overall availability in the metro will hover below 5 percent for an eighth consecutive year, ending 2018 at 4.6 percent.
up 50 bps
- Rent** ↗ A fourth straight year of rent growth propels the average effective rate to \$2,065 per month.
up 4.7%
- Investment** ↗ The limited availability of large Class A assets restrains transaction velocity. Any post-2000-built assets listed should receive robust buyer interest and net premium pricing.

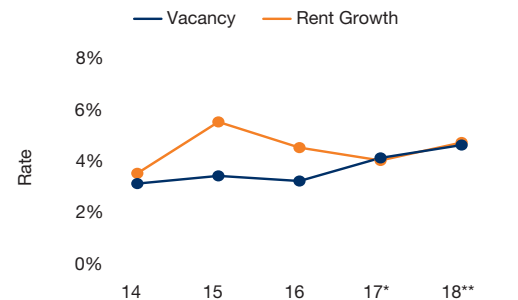
Employment Trends



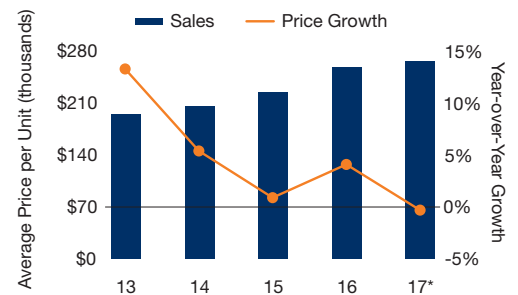
Quarterly Completions vs. Absorption*



Vacancy and Rents

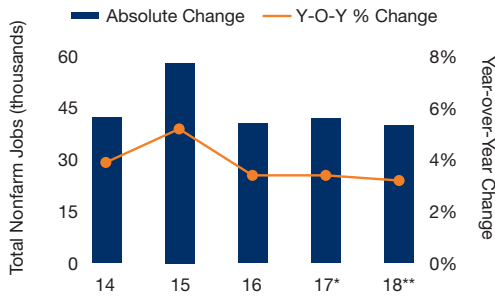


Sales Trends

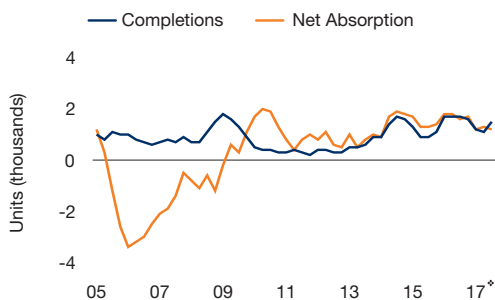


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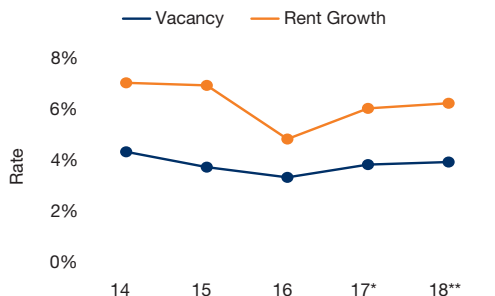
Employment Trends



Quarterly Completions vs. Absorption*



Vacancy and Rents



Sales Trends



Exceptional Job Growth Offers Favorable Outlook; Investors Eye Strong Rent Gains

Apartment demand fueled by robust job growth and in-migration. Employment gains well above the national rate are helping to attract new residents to the Orlando metro. Corporate headquarter relocations and increases in advanced manufacturing, healthcare and defense are providing well-paying jobs, while large student bodies at the University of Central Florida and Valencia College contribute to an educated workforce. Last year, the population rose by more than 78,000 people and in-migration will continue this year, generating a robust need for housing. The influx of young professionals seeking an amenity-rich urban lifestyle will help fill new apartments near the city core, where the mixed-use Creative Village is underway. The first phase will bring more than 1,000 apartments over the next few years in addition to a branch of UCF/VC and a hotel. Throughout the market, rising rents are maintaining high occupancy levels in Class C rentals as affordable units remain in high demand.

Last year's storms move buyers inland. More coastal investors are considering diversifying away from the shore, intensifying competition for listed properties in the Orlando metro. The market's favorable demographic trends and lower price points than are available in other nearby metros are also drawing new out-of-state and international buyers. Many investors are searching for assets in the city of Orlando and the first-ring suburbs at cap rates that typically start in the 5 percent range. Recently built inventory near downtown Orlando should attract institutional investors as the new stadium for the Orlando City soccer club and other revitalization projects generate apartment demand. A lack of available listings in the core may require investors to expand their search criteria and be willing to move to secondary and tertiary submarkets, where cap rates average nearly 100 basis points higher.

2018 Market Forecast

- NMI Rank** ↑ Strong employment growth and high in-migration catapult Orlando 10 notches in the NMI.
17, up 10 places
- Employment** ↑ For the sixth consecutive year, at least 37,000 jobs will be created metrowide as headcounts post a 3.2 percent increase in 2018.
up 3.2%
- Construction** ↓ Annual deliveries slow from last year's cyclical peak of 7,700 rentals to 7,000 apartments in 2018. More than 28,300 units were added in the previous five years.
7,000 units
- Vacancy** ↑ New supply will overtake the forecast net absorption of 6,500 units, moving vacancy up 10 basis points to 3.9 percent at year end. A 50-basis-point rise was registered last year.
up 10 bps
- Rent** ↑ Rents post another year of strong gains as the average effective rent leaps 6.2 percent to \$1,233 per month in 2018, building on last year's 6.0 percent jump.
up 6.2%
- Investment** ○ Throughout the market, sizable rent gains during the last five years have filled Class C apartments, attracting private capital.

* Estimate; ** Forecast; * Through 3Q; * Trailing 12-month average
Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

Rents Maintain Ascension Trend; Regional Investors Attracted by Higher Yields

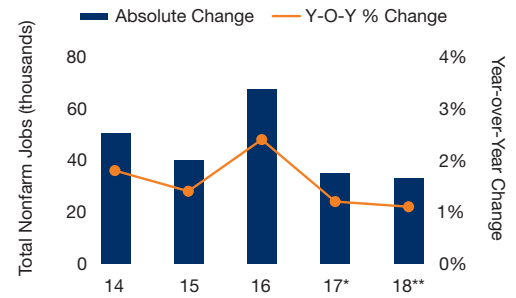
Rent growth persists while widespread construction places upward pressure on vacancy. Additional jobs in food service, hospitality and the medical field are spurring new household formation in Philadelphia. This is driving a positive rebound in net absorption after the pace of leasing dropped in 2017. New renters will have a variety of options as construction continues at an elevated pace, although building has tempered somewhat when compared with last year. The new supply will meet demand unevenly across the metro. Certain regions where vacancy is tight, such as northeastern Philadelphia, will readily consume the supplementary development. Other areas, including Norristown and southwest Philadelphia, are raising concessions amid added stock. The varied impact will translate to an uptick in the marketwide vacancy rate following a larger jump in the previous year. Despite this upward shift, average monthly rents will increase for the ninth consecutive year due to positive market demand.

Investors cast wider net, target older properties. The multifamily environment in Philadelphia will stay strong as the level of capital seeking investment outweighs available inventory. New York- and New Jersey-based investors continue to find the area attractive due to lower entry costs and higher yields. Recent transactions involving Class C buildings featured high-6 percent cap rates, while Class B complexes traded 40 to 60 basis points lower. Meanwhile, top-tier assets are witnessing mid-4 percent first-year returns. Many smaller properties with sale prices between \$1 million and \$10 million were recently traded in Center City and north/northwest Philadelphia at yields ranging from mid-6 to low-7 percent. Investors are also looking toward suburban opportunities where prices per unit offer a lower point of entry.

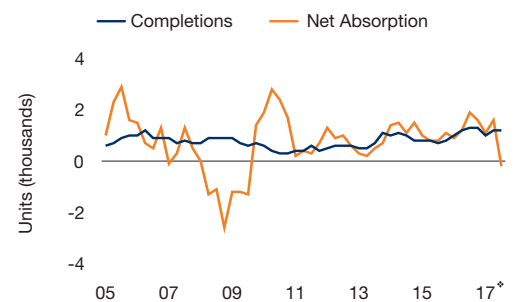
2018 Market Forecast

- NMI Rank** ↗ Another year of rent gains and a drop in deliveries will move Philadelphia up seven positions in the Index.
23, up 7 places
- Employment** ↗ Employers will add 33,000 positions in 2018, a slight drop from the 35,000 jobs that were created last year. A higher-than-national level of unemployment will place less pressure on recruiters regarding future hiring.
up 1.1%
- Construction** ↘ Developers added 5,400 apartments in 2017. The construction pipeline for 2018 will decline by 19 percent but stay above the five-year average.
4,400 units
- Vacancy** ↗ Following a 90-basis-point rise last year, the vacancy rate will increase by a third of that in 2018 to reach 5.1 percent. Levels this high were last recorded prior to 2014.
up 30 bps
- Rent** ↗ Average effective monthly rent will go up by \$55 in 2018 to \$1,355, not quite matching the 5.3 percent jump reported last year. Rents have climbed every year since 2009.
up 4.2%
- Investment** ○ Recent multifamily expansion in King of Prussia highlights interest in new suburban downtown developments.

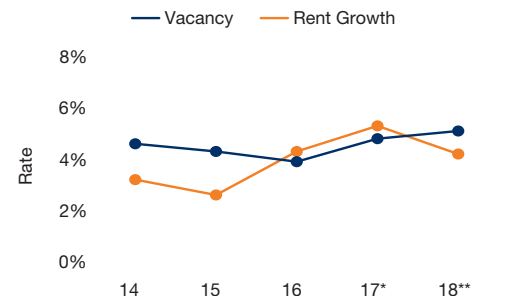
Employment Trends



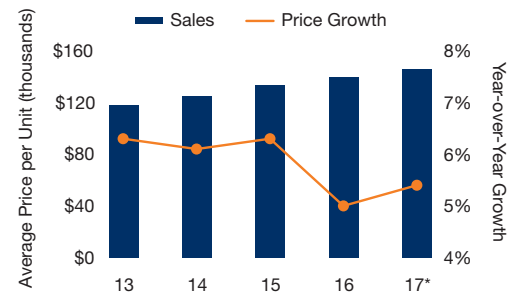
Quarterly Completions vs. Absorption*



Vacancy and Rents

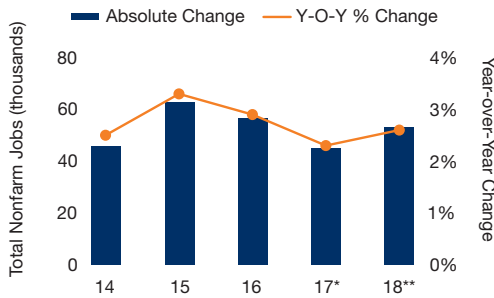


Sales Trends

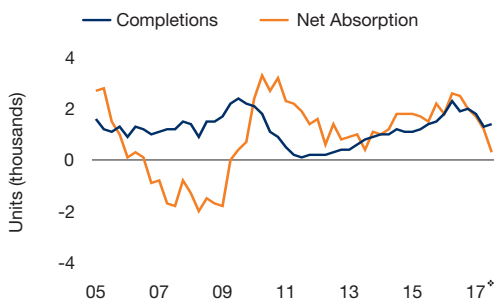


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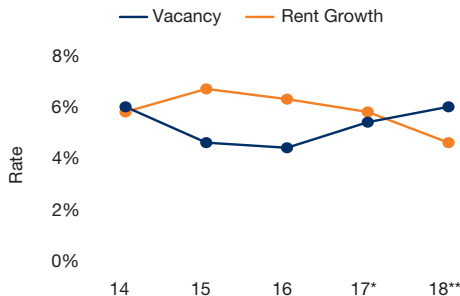
Employment Trends



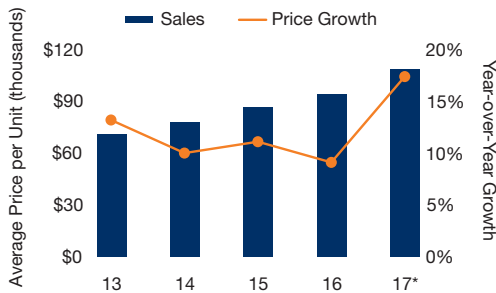
Quarterly Completions vs. Absorption*



Vacancy and Rents



Sales Trends



Job Gains Foster Heightened Economic Growth; Increased Completions Ease Rent Gains

Development climbs further as household growth doubles the national rate. Phoenix will record healthy employment growth headlined by finance and insurance employers in 2018, while hotels, bars and restaurants continue to be a constant behind the city's flourishing economy and robust household formation this year. In 2017, Phoenix gained approximately 100,000 new residents with about 20 percent consisting of 20- to 34-year-olds. The growing number of young professionals will persist, resulting in strong housing demand and escalated completions this year. The Biltmore area and neighborhoods adjacent to the Arizona State University campus in Tempe will experience the most construction activity with a combined 3,000 units slated for delivery in the next four quarters. Although the substantial flow of new units will result in a vacancy hike this year, net absorption will be fueled by in-migration.

Satisfying returns preserve investor interest. Last year, rents in Scottsdale, particularly near Old Town, noted considerable boosts. In the past, buyers have found lucrative opportunities in this area thanks to its ability to push rents and generate strong revenue growth. Cap rates in South Scottsdale are typically in the high-5 percent range and the submarket will remain a highly sought location for acquisitions. While investors have posted favorable initial returns in the East Valley, they have also found success in western suburbs such as Glendale. Here, buyer interest will remain strong due to steady rent growth and value-add opportunities. In recent years, Glendale has consistently logged first-year yields stretching across the 6 percent expanse. As the apartment market fundamentals remain heightened, the bidding environment will stay competitive with excess capital chasing limited listings.

2018 Market Forecast

- NMI Rank**
13, down 1 place
Phoenix will step down one rung in the Index as development reaches its highest point since 2009.
- Employment**
up 2.6%
The metro's unemployment rate will continue to compress as 53,100 employees will be added to payrolls in 2018. This follows a 2.1 percent increase in employment one year earlier when about 42,000 jobs were created.
- Construction**
8,400 units
The pipeline contains over 8,000 rentals scheduled for delivery this year, the most since 2009 when 8,700 units finished. Last year, 6,600 apartments were completed.
- Vacancy**
up 60 bps
With the metro gaining its highest number of completions since 2009, vacancy will jump to 6 percent in 2018. Last year the rate climbed 100 basis points, which was the largest lift since 2009.
- Rent**
up 4.6%
As demand amplifies, the average effective rent will rise to \$1,034 per month in 2018, the first year that rent growth has not exceeded 5 percent since 2013.
- Investment**
Investors expect vacancy to stabilize as demand elevates, creating lucrative options for buyers seeking properties with needed operational improvement.

* Estimate; ** Forecast; * Through 3Q; * Trailing 12-month average
Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

Healthcare Sector Sustains Outlook for Pittsburgh Apartments, Luring Investors to Area Assets

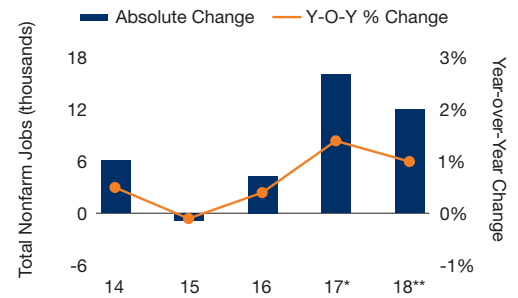
Medical industry spurs hiring, supporting demand for housing. The considerable number of universities in Pittsburgh will provide a diverse hiring pool for the area's growing medical sector. UMPC, one of the metro's largest hospitals, announced plans for three specialty hospitals in the area after its competitor Allegheny Health Network revealed its intention to open five more hospitals and facilities late last year. The expanding healthcare systems will likely bring many higher-paying jobs to the metro, driving household formation and underpinning demand for apartments. Low vacancy over the course of the recovery sparked elevated completions in the past four years and the heightened pace of deliveries will persist through 2018 as individuals search for quality apartments. The influx of new units will place slight upward pressure on vacancy as space begins to lease, though the growing health sector may attract new residents and aspiring doctors to the area, further benefiting vacancy improvement in the long term.

Cash-flow potential captures investors' attention. Tight vacancy over the course of the recovery has motivated many owners to hold their properties, limiting the number of listings available and lifting average prices. Appreciated values above the last cycle may prompt owners to list their assets this year, particularly as buyers priced out of nearby East Coast markets are willing to pay a premium for quality properties. Investors are primarily targeting downtown assets, though the limited inventory has spurred buyers to expand their acquisition criteria. Sales velocity has increased south of the urban core and properties along major thoroughfares, including U.S. Route 19, have garnered significant attention. Here, initial yields in the high-7 to high-8 percent band can be found. Metrowide, apartment assets change hands with average cap rates in the mid-7 percent area, roughly 200 basis points higher than gateway markets. Higher-than-average returns will place Pittsburgh on the radar for many yield-seeking buyers.

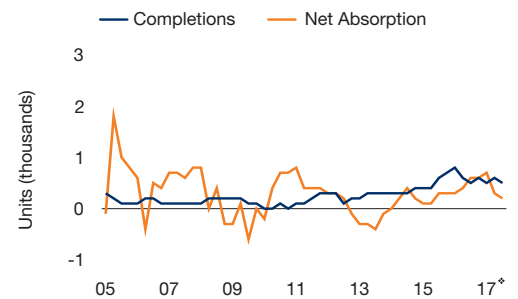
2018 Market Forecast

- NMI Rank** ↗ Steady employment growth and more high-wage jobs elevate Pittsburgh in this year's NMI.
42, up 1 place
- Employment** ↗ Establishments will add 12,000 employees this year after a 1.1 percent rise was recorded in 2017. The unemployment rate has fallen significantly over the past year, making it difficult to find quality workers.
up 1.0%
- Construction** ↗ Deliveries advance from the 1,800 apartments completed last year. The 364-unit Riverfront Landing 1 in Central Pittsburgh is the largest project on track for completion in 2018.
2,200 units
- Vacancy** ↗ Net absorption of 1,700 units will not keep pace with supply additions, edging up vacancy to 5.3 percent in 2018. Last year, the rate fell 40 basis points.
up 30 bps
- Rent** ↗ Rent growth moderates from the 5.4 percent increase recorded in 2017, reaching \$1,115 per month. Improvements remain above the previous five-year average.
up 3.4%
- Investment** ● The booming healthcare industry will generate housing demand near hospitals and employment centers, bolstering investor interest in these areas.

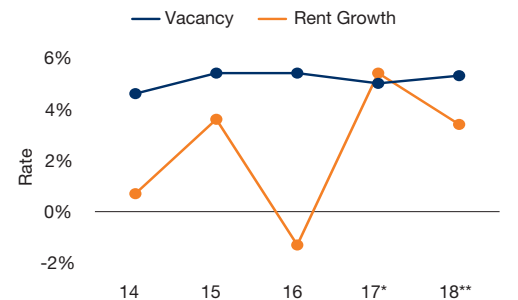
Employment Trends



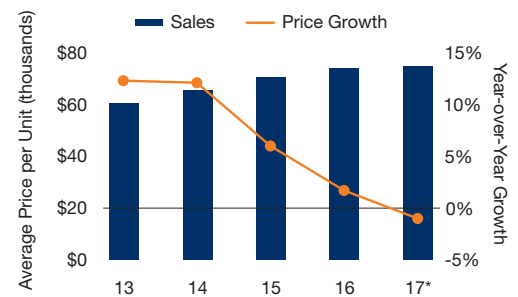
Quarterly Completions vs. Absorption*



Vacancy and Rents

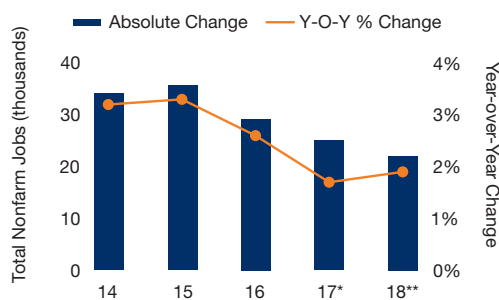


Sales Trends

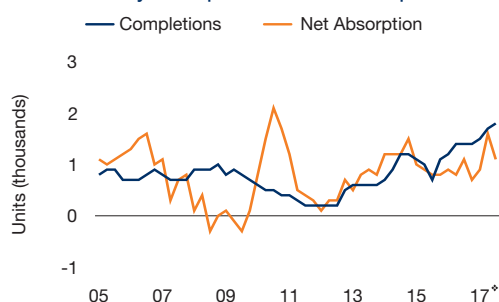


* Estimate; ** Forecast; * Through 3Q; * Trailing 12-month average
Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

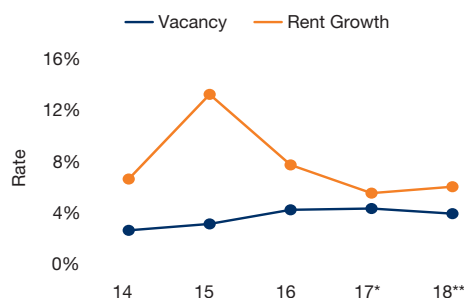
Employment Trends



Quarterly Completions vs. Absorption*



Vacancy and Rents



Sales Trends



Regulatory Changes Bring Uncertainty To Portland's Apartment Market

Policy change could exacerbate housing shortage. A moderating pace of completions and persistent rental demand will keep vacancy low in 2018. The rate has remained below 4.5 percent for eight years, pushing rent up to record levels. The shortage of units, particularly for low- and moderate-income households, led the city of Portland to pass the inclusionary zoning policy that required builders to set aside some units for low-income residents. The city estimates 23,000 units are needed to meet the need for low- to moderate-income housing. Many developers fear that the required affordable rentals will not generate enough returns to offset the cost. A surge in multi-housing permitting before the policy could bring thousands of new market-rate units to the metro but builders may decide to hold off on these projects. Slowing completions in 2018 coupled with strong tenant demand will push down vacancy and drive a respectable increase in rent growth.

Range of opportunities entice investors. Low vacancy and steady economic growth will maintain investor interest in Portland. Out-of-state buyers are increasingly competing with local investors for yields up to 100 basis points higher than other West Coast markets. Properties directly east of the Willamette River, where above-average rent growth has persisted for the previous two years, will continue to garner investors' attention. Here, initial yields in the high-4 percent band can be found, below the market average of 5.5 percent. Strong demand for assets has vaulted property valuations above the previous cycle's peak, potentially moderating sales velocity as buyers become more selective in acquisition criteria. Additional risk factors include the tightening of lending requirements and proposed changes for retrofitting unreinforced masonry buildings (URM). The URM requirements may prompt some owners to list their assets. New investors may find it worthwhile to make the improvements as many of these apartment properties are in desirable areas.

2018 Market Forecast

- NMI Rank** 5, up 1 place: Portland ascends one spot in the NMI amid tight vacancy and improving rent gains.
- Employment** up 1.9%: Hiring above the national rate of growth will persist this year; employers add 22,000 jobs in 2018.
- Construction** 4,800 units: Roughly half of all completions will be in Central and East Portland. In 2017, of the 6,700 apartments delivered, 440 were affordable housing units, providing little relief to the shortage of low-income housing.
- Vacancy** down 40 bps: Net absorption of 5,500 apartments will outpace completions, lowering vacancy to 3.9 percent. Last year, vacancy ticked up 10 basis points.
- Rent** up 6.0%: Strong demand for rentals will spur rent growth. The average effective rent will reach \$1,400 per month this year, building on a 5.5 percent gain recorded in 2017.
- Investment**: Employment growth and tight vacancy generate new housing demand, potentially pushing valuations higher in assets near major employment hubs.

* Estimate; ** Forecast; * Through 3Q; * Trailing 12-month average
Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

Trends Point to Strong Apartment Performance; New Investors Scour Region for Opportunities

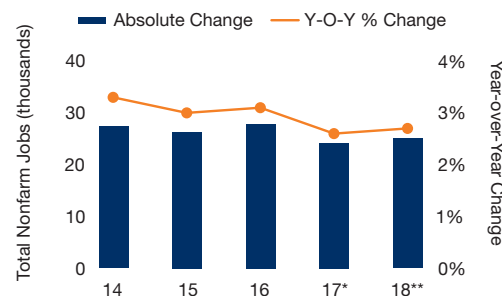
Steady job gains and significant in-migration maintaining apartment demand. During 2018, more than 60,000 new residents are expected in the Raleigh metro and roughly a fourth of them fall into the 20- to 34-year-old age bracket, the prime renting cohort. Demand for rentals in the Brier Creek area of Raleigh should increase as Infosys establishes its tech hub with 2,000 workers by 2021. Throughout the market, increased leasing activity amid a thinning construction pipeline this year will tighten vacancy and produce healthy rent gains. Not all submarkets and class types, however, will fare equally. An elevated delivery pace in downtown Durham, the surrounding Research Triangle Park area and Central Raleigh will push Class A vacancy higher as multiple buildings are placed into service within a short period. As a result, some operators may need to offer incentives during lease-up to stabilize properties quickly.

Favorable growth trends and business climate lure investors to Raleigh. Many buyers are coming from major Northeast and California coastal markets seeking lower entry costs and the potential for higher yields. The supply of available listings remains tight as economic uncertainties coupled with a slim choice of reinvestment alternatives spur many owners to hold. With buyers plentiful, assets priced appropriately are receiving multiple offers at or above list price. Rising valuations could motivate some owners to sell in the quarters ahead, especially in areas where deliveries are increasing competition for renters. The wave of new inventory over the last several years will keep institutional investors active at cap rates that dip below 5 percent for premium assets. Properties near the downtown cores, the universities and Research Triangle Park will be especially desired. Buyers focusing on higher first-year yields may find opportunities in secondary and tertiary submarkets within the metro or smaller cities nearby where cap rates can be 100 to 200 basis points higher.

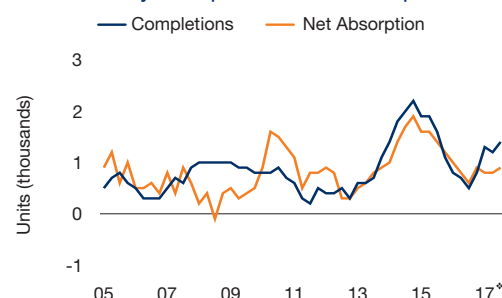
2018 Market Forecast

- NMI Rank** 18, down 2 places Raleigh's decelerating rent growth weakens its position in the Index, moving the market down two steps.
- Employment** up 2.7% An employment gain of 2.7 percent will add 25,000 workers to payrolls in 2018, well above the national rate of 1.2 percent.
- Construction** 4,300 units Following the finalization of 6,400 rentals last year, deliveries will diminish to 4,300 units during 2018.
- Vacancy** down 40 bps The annual net absorption of 4,700 apartments will surpass completions during 2018, contracting vacancy 40 basis points to 5.0 percent. Last year, the vacancy rate advanced 60 basis points.
- Rent** up 4.4% The average effective rent climbs 4.4 percent to \$1,143 per month at the end of 2018, building on last year's 4.8 percent leap.
- Investment** The completion of Union Station, a multimodal transit center in the Warehouse District of Raleigh this year, will increase demand for apartments downtown, attracting buyer interest.

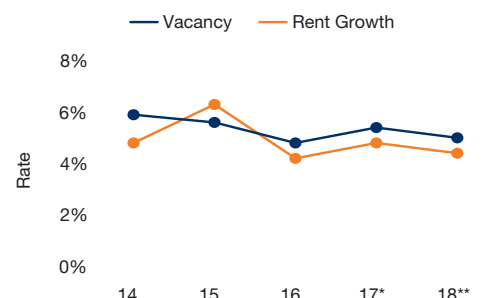
Employment Trends



Quarterly Completions vs. Absorption*



Vacancy and Rents

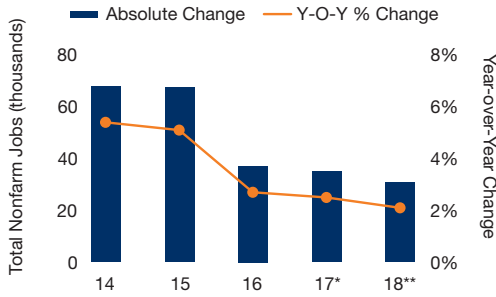


Sales Trends

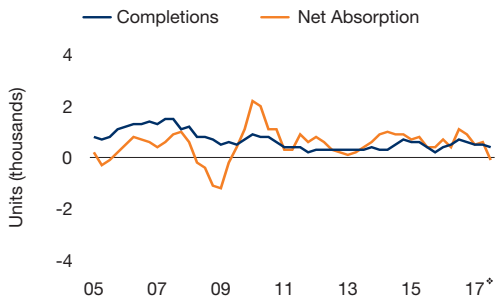


* Estimate; ** Forecast; * Through 3Q; * Trailing 12-month average
Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

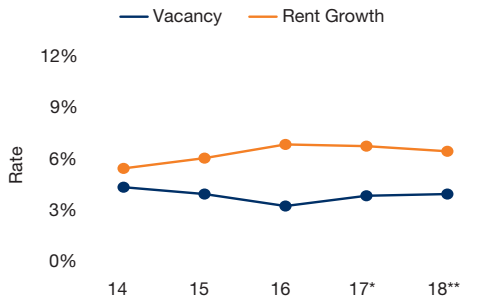
Employment Trends



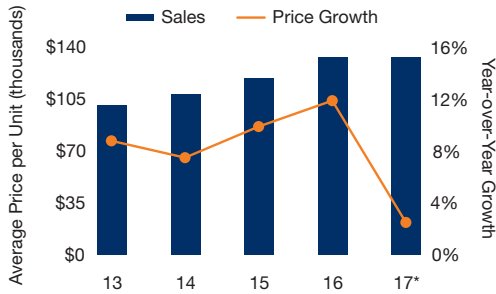
Quarterly Completions vs. Absorption*



Vacancy and Rents



Sales Trends



Tenant Demand, New Supply Align; Investors Target Areas of Limited Development

Construction pipeline favors nominal vacancy rate adjustment. The Inland Empire will remain the tightest major Southern California rental market in 2018, with a consortium of factors fueling apartment demand. Unwavering job creation will support consistent year-over-year employment and income growth. Steady hiring further encourages household formations and relocations during a time when the price gap between a monthly mortgage payment and the average rent rests at more than \$450 per month. As more households opt for apartments, recently vacated units should be quickly backfilled. The number of units completed this year should also conclude a brief period of rising vacancy. Apart from concentrations in Chino Hills, Ontario and Riverside, minimal new apartments will be finalized this year. The limited future deliveries should allow vacancy to tighten in some of the region's most affordable locales while areas of recent development are given time to absorb new product.

Consistently stout rent growth, stable returns appeal to buyers. Multi-family asset values have not changed in the past two years, influencing owners of Class B and C properties to list, often with plans to reinvest proceeds into other asset types locally. Steady economic growth and a low cost of entry keep investors throughout Southern California interested in the metro, many seeking sub-\$10 million deals at mid-5 percent yields or higher. Out-of-state buyers are in play for hard-to-find larger value-add opportunities. These properties can net investors notable upside following propertywide renovations and improved management efficiencies. In cities with less than 4 percent vacancy, 1980s- and 1990s-built complexes are highly sought after, yet acquisition opportunities will dwindle after a high volume of these properties traded over the past two years. In outlying areas of the metro, local buyers are active in Hemet and the Coachella Valley, targeting 5 to low-6 percent yields for older properties.

2018 Market Forecast

- NMI Rank** ↗ Low vacancy resulting from strong absorption lifts this Southern California market in the ranking.
9, up 2 places
- Employment** ↗ Employers will create 30,700 positions in 2018 after 35,000 jobs were added last year.
up 2.1%
- Construction** ↗ Delivery volume increases after developers completed 1,060 rentals in 2017. Chino Hills welcomes 670 new units this year.
1,700 units
- Vacancy** ↗ Annual demand keeps pace with construction, equating to a minimal increase in unit availability following a 60-basis-point rise in 2017. By year end, vacancy will sit at 3.9 percent.
up 10 bps
- Rent** ↗ The average effective rent advances by more than 6 percent for a fourth consecutive year, climbing to \$1,500 per month.
up 6.4%
- Investment** ○ Buyer demand for post-2000-built properties is robust, yet these listings will be limited during a period of strong rent gains. Available assets in Ontario and Rancho Cucamonga should trade at mid-4 percent yields, with price tags exceeding \$200,000 per unit.

* Estimate; ** Forecast; * Through 3Q; * Trailing 12-month average
Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

Demand Paces Heightened Building; Favorable Outlook Sparks Price Surge

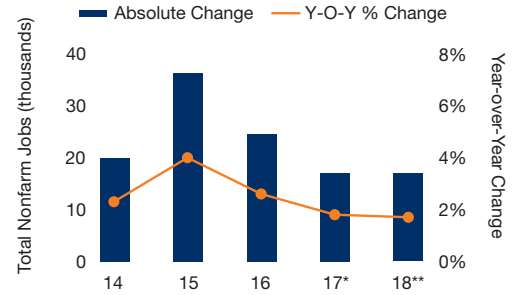
Sacramento remains one of California's tightest markets. A cycle-high volume of apartments will be delivered in 2018, yet the metro's vacancy rate will adjust nominally, hovering around 3 percent. Diversified job creation led by a growing health industry will encourage a strong rate of household formations and attract more millennials to the area, fueling consistent renter demand. The more than \$500 gap between the average rent and a monthly mortgage payment also bodes well for the multifamily sector during a span of increased construction. Central Sacramento is slated to welcome the most rentals this year at nearly 500 units. Outside the core, completions are spread throughout the metro, with 200-unit-plus projects slated for delivery in South Sacramento, Natomas and Rocklin. The distribution of new properties combined with steady renter demand will keep many suburbs' vacancy below the metro average, allowing a fourth consecutive year of stout overall rent growth.

Suburban transaction velocity steers deal flow. The metro's average unit sales price recently surpassed the 2007 peak by climbing 30 percent year over year as increased buyer competition for smaller assets drove values. This boost in pricing could influence more on-the-fence owners to list this year, while others opt to hold as vacancy remains tight and robust rent gains persist. Rising unit values should not deter regional buyers from the Bay Area and Southern California as the metro's average price tag of roughly \$130,000 per unit keeps the market an affordable investment alternative. The availability of 5 and 6 percent returns also lures in-state, value-add investors to the capital, most seeking sub-\$10 million deals. Class C buyers heavily target the closer-in suburbs of Arden, Arcade and Carmichael, eyeing 1960s- to 1980s-built complexes. Buyers seeking a more diverse mix of available assets and pricing will home in on South Sacramento, Rancho Cordova and the college town of Davis.

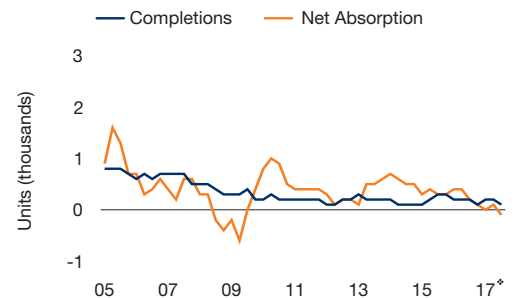
2018 Market Forecast

- NMI Rank** ⬆️ Sacramento makes the largest leap in this year's Index, jumping 12 slots into eighth place as strong renter demand keeps vacancy low and boosts rent.
8, up 12 places
- Employment** ⬆️ Sacramento employers will create 16,900 jobs this year after adding 17,000 workers in 2017. Increases in the number of hospitality, healthcare and education-related positions drove recent payroll gains.
up 1.7%
- Construction** ⬆️ The number of units completed in 2018 eclipses the delivery total from the previous two years combined but is still well below the annual average between 2002-2006.
1,900 units
- Vacancy** ⬆️ Pent-up demand nearly negates increased development, with unit availability inching up to 3.1 percent. Last year, metro vacancy rose 40 basis points after bottoming out at 2.6 percent in 2016.
up 10 bps
- Rent** ⬆️ The average effective rent advances to \$1,450 per month following an 8 percent rise in the previous year.
up 8.7%
- Investment** ● A wave of project openings in downtown Sacramento and Midtown this cycle could offer buyers seeking urban core stability with additional investment opportunities.

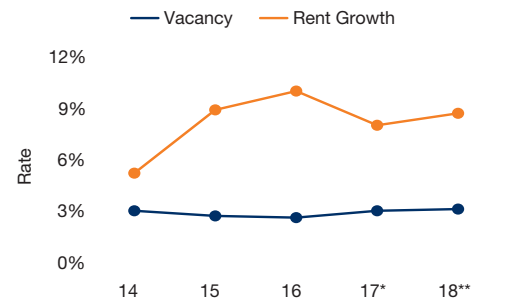
Employment Trends



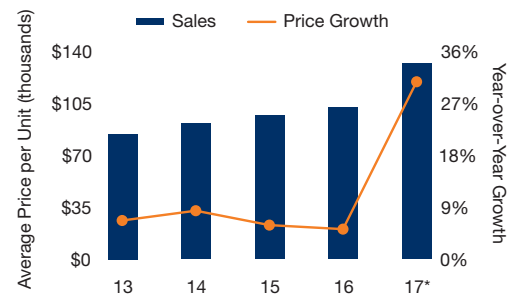
Quarterly Completions vs. Absorption*



Vacancy and Rents

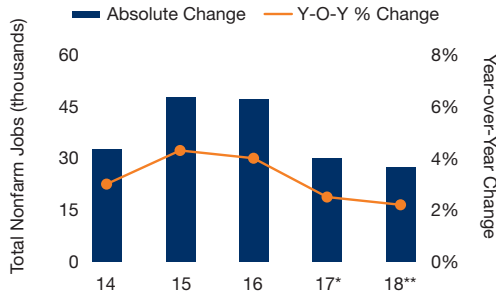


Sales Trends

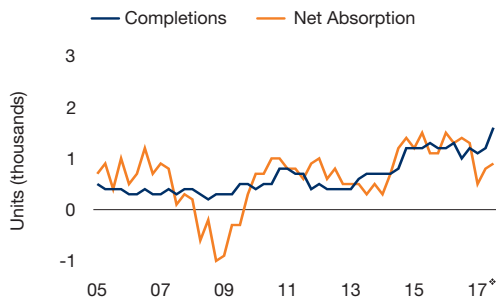


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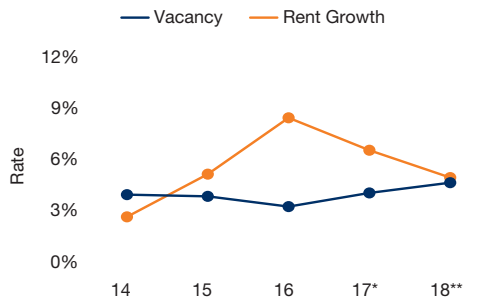
Employment Trends



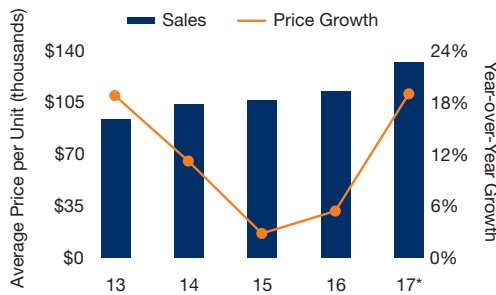
Quarterly Completions vs. Absorption*



Vacancy and Rents



Sales Trends



Tech Remains the Driver Behind Strong Economy, Fueling Interest from West Coast Buyers

Salt Lake City's average vacancy will rise as the metro adjusts to heightened deliveries. Led by professional and technical services, Salt Lake City will register a strong year of employment growth in 2018. The Silicon Slopes, an area densely populated by tech companies, will remain a hiring hub, attracting a multitude of new residents. Of the new inhabitants, a sizable portion will be millennials, a cohort growing at an accelerated pace, supporting amplified development. The downtown area will experience the most construction activity this year with approximately 2,300 completions, almost half of the total rentals the metro will receive. Following the recent influx of new units, development should slow down as just 650 rentals are currently forecast for completion in 2019, though the total will likely rise. Although tight vacancy has persisted in recent years, the average rate will post a slight upswing in the next four quarters as absorption attempts to keep pace with new supply.

Favorable yields lure investors to Northern Utah. Attracted by strong market dynamics and the potential of significant rent growth in upcoming years, West Coast investors have found Salt Lake City to be an attractive option for potentially high revenue growth. Buyers from Los Angeles and the Bay Area will continue to invest in properties on the Wasatch Front in 2018 as an alternative to the low yields in their local markets. In recent years, both in-state and out-of-state buyers have been attracted to the suburbs of Midvale and Sandy. Here, residential and retail developments are underway, and they will serve as promising focal points for future apartment construction. In these areas, first-year returns average in the high-5 to low-6 percent realm, while the metro will post cap rates in the mid-5 percent span this year.

2018 Market Forecast

- NMI Rank** ↑ 24, up 1 place
Rising vacancy limits a greater improvement in the Index, as Salt Lake City moves up one place and remains in the bottom half of the NMI ranking.
- Employment** ↑ up 2.2%
The Salt Lake City workforce will expand as 27,300 new hires are added to payrolls, outpacing than the national rate of 1.2 percent. This will keep the unemployment rate near the 3 percent mark.
- Construction** ↓ 5,300 units
Completions will drop this year as more than 5,000 rentals are slated to deliver in 2018 following 6,400 completions one year earlier.
- Vacancy** ↑ up 60 bps
Deliveries will outpace absorption this year, generating a vacancy rate rise to 4.6 percent and contributing to the 140-basis-point increase over the past two years.
- Rent** ↑ up 4.9%
The average effective rent will post a marginal boost this year to \$1,105 per month, down from the 6.5 percent hike last year.
- Investment** ●
High property valuations will continue to be a primary motive among sellers as Class A complexes frequently change hands, particularly near the University of Utah campus.

* Estimate; ** Forecast; * Through 3Q; * Trailing 12-month average
Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

Developers Shift Focus in San Antonio; Private Investors Dominate Sales

Construction remains elevated as new residents seek housing options.

San Antonio's employment growth rises faster than the national rate again this year, attracting new residents and releasing additional pent-up housing demand. Positive net absorption of more than 5,000 units in six out of the last 10 years has prompted a frenzy of development with over 27,000 units added to stock since 2014. A majority of these apartments were brought online in the northern portion of the metro, though deliveries here will taper this year as developers shift focus to the southwest near Lackland Air Force Base. Approximately 2,000 units are underway north of the base, more than the total inventory delivered here in the last five years. The location of these properties near several major thoroughfares will draw residents in search of more affordable housing options than those in northern areas, which typically average \$150 to \$200 per month higher.

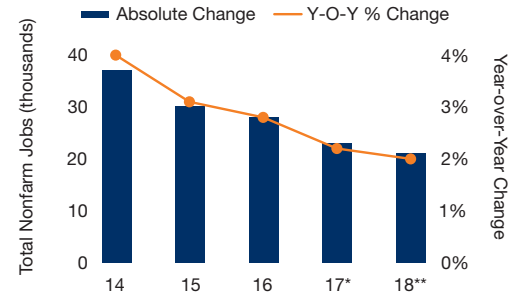
Local buyers remain optimistic, target assets in need of repositioning.

Value-add opportunities have become extremely limited as the majority of older assets are already upgraded. Instead, buyers are repositioning previously renovated assets by funneling additional capital into properties for upgrades or making significant changes to management practices, expecting future returns in the low-6 percent area. Properties built within the last five years with Class A-minus/B-plus finishes are providing some unique prospects for investors in search of upside. Initial yields for these deals are similar to those for other repositioning opportunities of older properties. An increase in deliveries of luxury units also provides ample prospects for high-net-worth buyers as institutions remain focused on larger markets. Elevated deliveries over the past few years have kept sales of new assets concentrated in the northwest portion of the metro, where first-year returns are in the mid-5 percent area.

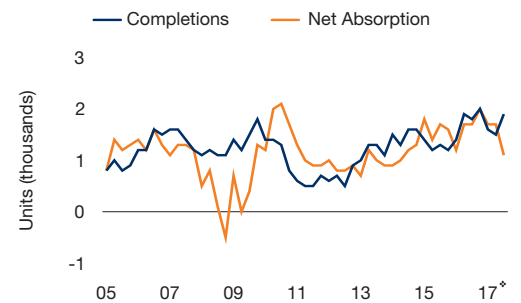
2018 Market Forecast

- NMI Rank** ↗ Vacancy above the national level places San Antonio in the 37th slot in this year's NMI.
37, down 1 place
- Employment** ↗ A tight labor market slows the pace of job growth this year as 21,000 positions are created. Healthcare and financial services firms provide a large share of employment gains.
up 2.0%
- Construction** ↗ Deliveries during 2018 fall below the previous five-year average of approximately 6,500 units.
5,000 units
- Vacancy** ↗ Demand outweighs supply additions this year as 5,300 units are absorbed and vacancy falls to 6.7 percent.
down 30 bps
- Rent** ↗ Vacancy remains below the historical long-term average, encouraging steady effective rent growth this year, and the average reaches \$983 per month.
up 3.4%
- Investment** ● Investors interested in newer assets will shift some attention to Southwest San Antonio as deliveries increase. Lackland Air Force Base and an expanded highway system that allows easier access to Northwest San Antonio, where a number of companies are growing, make this an attractive area.

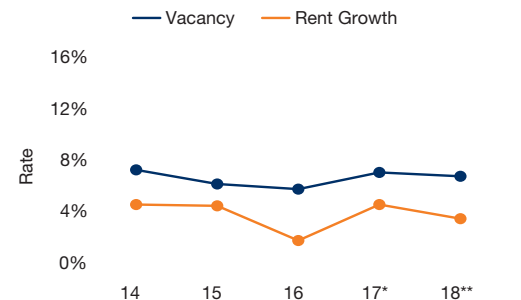
Employment Trends



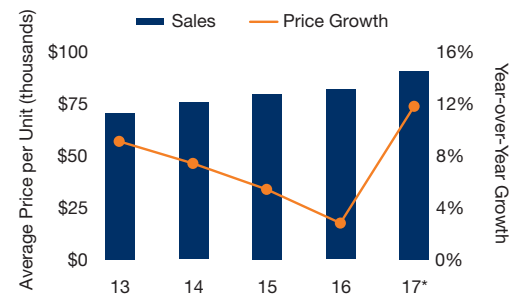
Quarterly Completions vs. Absorption*



Vacancy and Rents

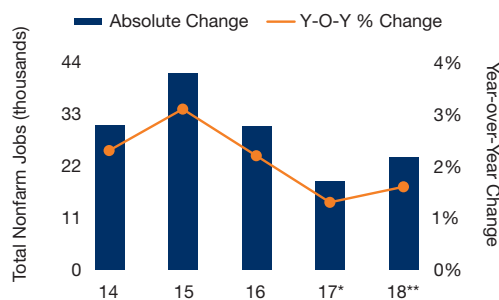


Sales Trends

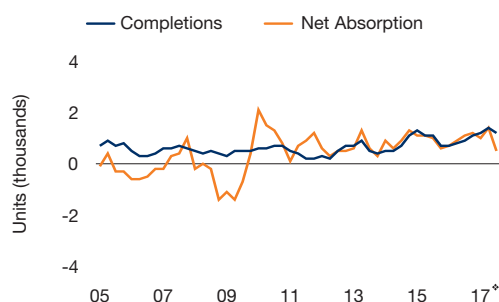


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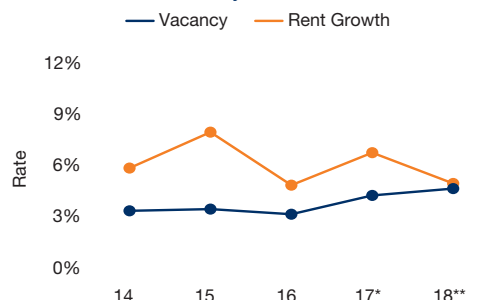
Employment Trends



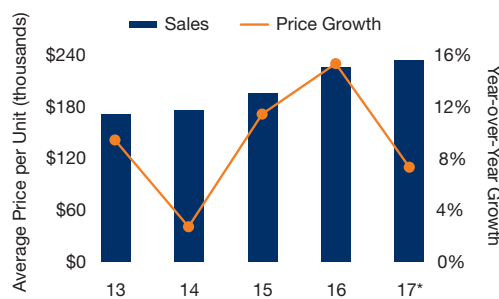
Quarterly Completions vs. Absorption*



Vacancy and Rents



Sales Trends



Downtown Development Elevated; Widespread Rent Growth Broadens Buyers' Criteria

Improving demand drivers, moderating completions will hold vacancy tight. Increased hiring, aided by a boost in the number of degreed professionals, will equate to a cycle-high level of millennial relocations and household growth this year as employers recruit from outside the metro during a period of historically low unemployment. The nearly \$1,300 per month gap between a monthly mortgage payment and the average rent will influence most of these newly formed households to lease an apartment. Pent-up demand will negate the effects of most upcoming deliveries, with downtown being the exception. Here, roughly 2,450 rentals will be finalized this year. An additional 900 units will reach completion in other San Diego neighborhoods including Grantville and Encanto. Higher construction costs result in below-average development in most of the county, allowing demand to rebound in Mission Valley, Kearny Mesa and Carmel Valley, areas that welcomed an influx of new units during the fourth quarter of 2017. In upcoming years, renter demand could support additional construction, yet land availability remains limited.

Long- and short-term holders scan fringe-of-core neighborhoods, cities of sub-3 percent vacancy. Multifamily asset values have notably escalated over the past three years, motivating more owners to list in both trendy neighborhoods a more affordable locales. The metro's average sales price remains below that of Orange and Los Angeles counties, attracting a mix of local and in-state buyers searching for an affordable entry-level cost in Southern California. Sub-4 percent yielding opportunities in Hillcrest, North Park and Mission Valley should drive deal flow within San Diego, while downtown transactions remain rare. Outside the city, Class C acquisitions are the typical investment play in tight markets, with El Cajon, Vista, Escondido and Chula Vista all popular spots. Local investors also target Pacific Beach and Ocean Beach for well-performing, smaller properties.

2018 Market Forecast

- NMI Rank** 4, up 5 places: Fewer deliveries and strong rent growth keep San Diego among the top 10 markets in this year's NMI ranking.
- Employment** up 1.6%: Employers will create 23,800 positions this year after expanding payrolls by 18,700 jobs in 2017.
- Construction** 4,200 units: Following a cycle-high volume of completions in 2017, delivery volume moderates by 2,000 rentals. Roughly 80 percent of units finalized this year will be in the city of San Diego.
- Vacancy** up 40 bps: Demand will nearly match construction as the metro's vacancy rate rises slightly to 4.6 percent. In 2017, availability increased by 110 basis points, driven by an influx of fourth-quarter deliveries.
- Rent** up 4.9%: Rent gains in the smaller cities and downtown San Diego push the metro's average effective rent to \$1,956 per month. Last year, rent advanced 6.7 percent.
- Investment**: San Diego's lack of developable land will inflate buyer interest for newer assets in neighborhoods that border Balboa Park or major universities. Existing properties that can be redeveloped or torn down should garner increased attention in and around downtown.

* Estimate; ** Forecast; * Through 3Q; * Trailing 12-month average
Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

Slowing Supply Growth to Power Rent Gains On the Peninsula

Housing-constrained peninsula to benefit from sliding supply injections.

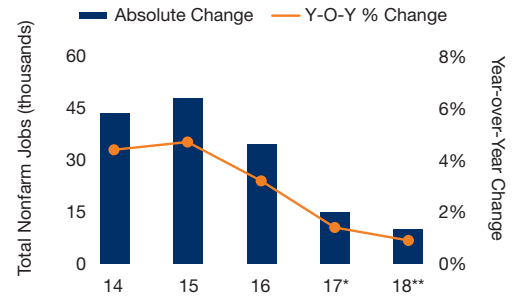
Amid the lowest unemployment rate since the late 1990s, household demand remains strong in this metro. Buoyed by a substantial shortage of available housing, particularly rental options, as the average home price tops \$1 million, vacancy has stabilized near 4 percent. The considerably tight marketplace has prompted steady rent growth, advancing nearly 70 percent since 2009. Incredible strength sponsored a significant supply response in recent years, peaking in 2017. The concentration of properties delivered in SoMa eased the housing shortage in the urban core and led to a modest backup in vacancy in 2017. While periodic upticks in vacancy will occur this year in select submarkets where development remains elevated, a 50 percent drop in overall supply additions will spur a more balanced approach to leasing up new properties, reducing incentives and supporting more robust rent advancement over the coming year.

Lack of renter options underpins investment thesis. Amid an environment of continuous appreciation, investors have been deploying capital throughout the peninsula, with a particular focus on assets inside the city limits. The shortage of available housing options in these neighborhoods keeps rental rates elevated, supporting significant NOI growth. When venturing into San Mateo County, buyers will focus on locations near major transportation routes to appeal to public transit commuters. A slight value-add component remains highly desirable, yet the market is fully pricing these opportunities, leaving little upside for investors after completing renovations. More dramatic returns can be realized by redeveloping outdated industrial into multifamily housing or mixed-use offerings provided necessary permitting can be obtained. Looking ahead, participants should closely monitor the growing movement toward stricter rent control and new statutes in previously unregulated markets.

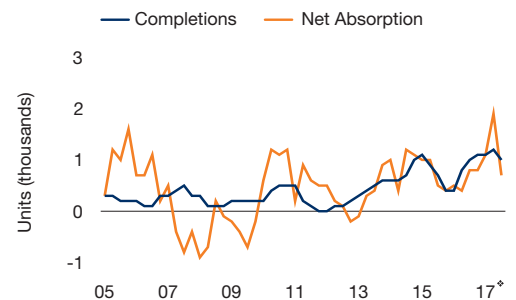
2018 Market Forecast

- NMI Rank** ↗ San Francisco drops out of the top 10 in the Index as markets with larger vacancy improvement jump ahead. 11, down 4 places
- Employment** ↗ Organizations create 10,000 jobs this year as tight unemployment weighs on growth. Unemployment will fall to the lowest point in nearly two decades. up 0.9%
- Construction** ↘ Deliveries slide from the multidecade high reached in 2017 to 3,200 units this year, representing a near 50 percent decline in development year over year. 3,200 units
- Vacancy** ↗ Vacancy ticks up 10 basis points to 4.3 percent as new supply remains concentrated in the core and inventory additions stay elevated for the supply constrained metro. up 10 bps
- Rent** ↗ The average effective rent hits \$3,150 per month, rising 2.3 percent as incentives offered during lease-up weigh on revenue growth. A 3.3 percent rise recorded in 2017. up 2.3%
- Investment** ↗ Buyers continue to seek assets that are in need of more aggressive property management in order to generate higher returns.

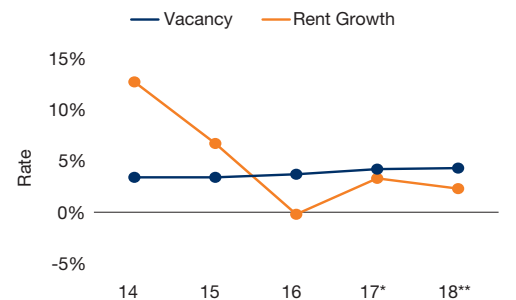
Employment Trends



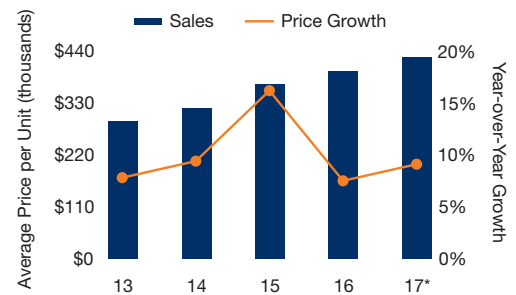
Quarterly Completions vs. Absorption*



Vacancy and Rents

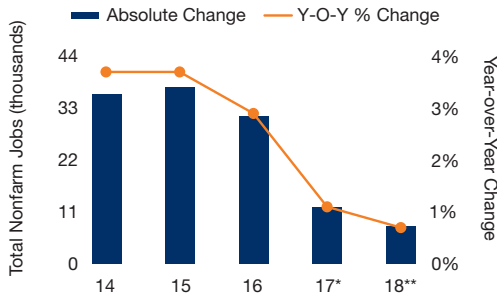


Sales Trends

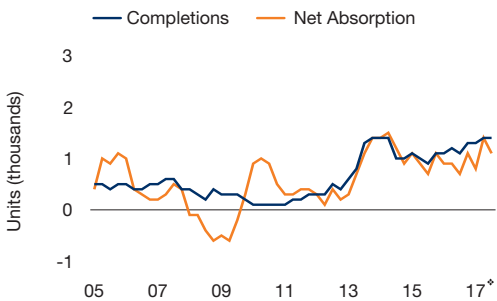


* Estimate; ** Forecast; * Through 3Q; * Trailing 12-month average
Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

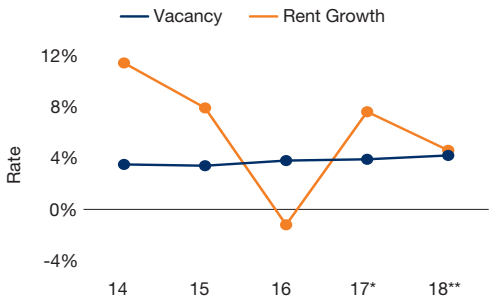
Employment Trends



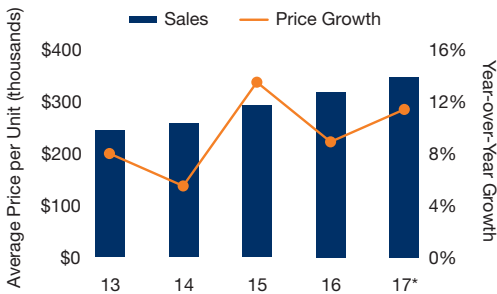
Quarterly Completions vs. Absorption*



Vacancy and Rents



Sales Trends



* Estimate; ** Forecast; * Through 3Q; * Trailing 12-month average
Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

Tech Firms Drive Local Demand for Talent; Slower Development to Trim Vacancy

Moderating development schedule set to boost multifamily operations.

Led by numerous tech and professional firms, unemployment has fallen substantially in the San Jose metro and is driving significant housing demand. The high cost of single-family homes, coupled with a shortage of available apartments, triggered the largest number of multifamily completions in two decades in 2016. Although vacancy ticked up moderately last year, the pipeline will thin substantially this year, allowing vacancy to stabilize as recently built units are filled. While this process involved some rent discounting during lease-up as construction peaked, continued growth in high-paying skill positions will create sufficient demand to improve NOIs as rents reaccelerate. This past year, rent control gained some traction in the metro. In San Jose, a 5 percent limit on annual rent hikes with allowances passed, along with annual rent increases limited to between 2 and 5 percent in Mountain View.

Suburban assets near corporate campuses in high demand; land constraints figure heavily into investment thesis.

Low interest rates and consistent job growth are motivating investors to deploy capital in the San Jose metro. While an increase in completions pushed vacancy up temporarily, a slower pace of construction in the year ahead could lead to even greater investment volume as buyers position to realize additional performance upside. Well-located complexes near corporate campuses will be an institutional favorite, while private parties and syndicates scour for value-add opportunities to capture potentially higher returns. Metrowide, cap rates will begin in the low-4 percent range and extend into the high-4 percent band on average, although assets can close up to 50 basis points on either side of the average. Merchant builders wishing to exit newly developed properties will provide additional investment opportunities, particularly as listings remain limited.

2018 Market Forecast

- NMI Rank** 12, down 4 places
Climbing vacancy and a slowdown in rent growth drop San Jose in the Index.
- Employment** up 0.7%
The lowest unemployment rate in 17 years leads hiring to 8,000 new jobs this year, increasing by 0.7 percent. Last year, 12,000 workers were hired, a 1.1 percent gain.
- Construction** 3,150 units
Development activity cools modestly, sliding to 3,150 units from 2017's total of 3,950 rentals. Deliveries will remain concentrated in Central San Jose and Milpitas.
- Vacancy** up 30 bps
Vacancy ticks up 30 basis points to 4.2 percent as construction weighs on overall results. Last year, vacancy rose 10 basis points as supply outpaced net absorption.
- Rent** up 4.6%
The average effective rent rises 4.6 percent to \$2,750 per month as higher incentives weigh on top-line growth. In 2017, average effective rent tacked on 7.6 percent.
- Investment**
Deal flow remains dependent on willing sellers amid constant rent growth. Owners of fully valued assets may choose to list in order to diversify portfolios, while institutions have been selling based on planned rates of return and fund life cycles.

Seattle's Flourishing Multifamily Market on Track For Outstanding Performance

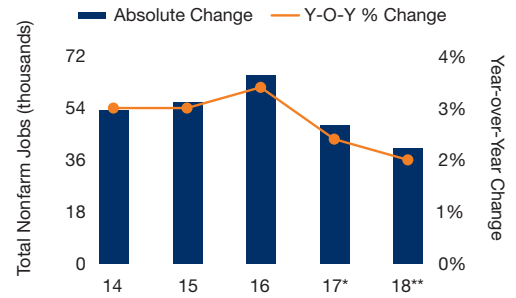
Housing shortage fueling rapid expansion of Seattle's multifamily market. An unprecedented development boom in downtown Seattle has created a magnet for talent, driving more companies to locate in the area. As tech giants maintain a robust pace of hiring, demand for housing across the metro will remain at heightened levels. A sharp rise in for-sale home prices and limited available inventory ensure rapid growth of the renter pool this year. The median home price in the Seattle-Tacoma metro is more than five times greater than the median income, pointing to the benefits that residents can achieve through rental housing. In several of Seattle's submarkets, the median home price sits above \$700,000, exacerbating the need for more rental units across the metro, particularly as downtown apartment vacancy plummeted last year. While supply injections will be widespread, the largest concentration will once again be in the South Lake Union/Queen Anne submarket, which will receive roughly one-fifth of expected completions this year.

Investors remain confident as property performance set to improve even further. Rising household growth, robust rent increases and steady asset appreciation will keep investors active in the Seattle-Tacoma metro this year. While debt remains inexpensive, buyers are mobilizing across the market, searching for a haven to place capital at cap rates that often fall below 5 percent. A slower pace of completions this year will divert an even greater investment volume toward existing assets as buyers position to realize additional performance upside. Complexes in proximity to major employment centers will be eyed by institutions, while private parties will expand search parameters for value-add opportunities to capture higher yields. Buyers will be active in the outlying cities of Everett, Lynwood and Tacoma as assets often trade with cap rates that are at least 100 basis points above similar properties in Seattle's urban core.

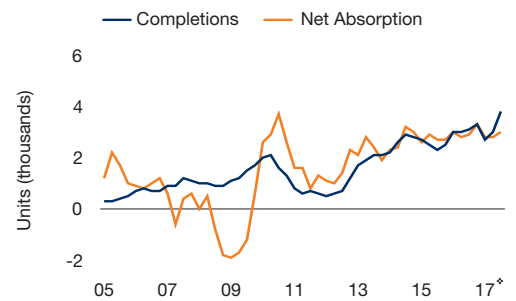
2018 Market Forecast

- NMI Rank** ⬆️ The Seattle-Tacoma market moves up to the top position in this year's NMI on robust demand and strong rent gains.
1, up 1 place
- Employment** ⬆️ The workforce expands by 40,000 jobs this year, marking a slower pace of growth from 2017 as the availability of skilled labor shrinks.
up 2.0%
- Construction** ⬇️ Following the largest level of completions in more than a decade last year at 15,100 doors, deliveries slow to 11,100 units anticipated to open this year.
11,100 units
- Vacancy** ⬇️ A slowdown in construction allows demand to outpace supply growth, dropping the vacancy rate to 3.5 percent at year end. A 40-basis-point climb was posted in 2017.
down 30 bps
- Rent** ⬆️ Effective rent growth moderates from a 7.1 percent rise registered last year, climbing in 2018 to an average of \$1,643 per month.
up 5.4%
- Investment** ⬆️ Positive demographic trends and robust rent growth will hold investment levels strong. Rising competition for assets in the immediate vicinity of Seattle will spur greater investment in Pierce and Snohomish counties this year.

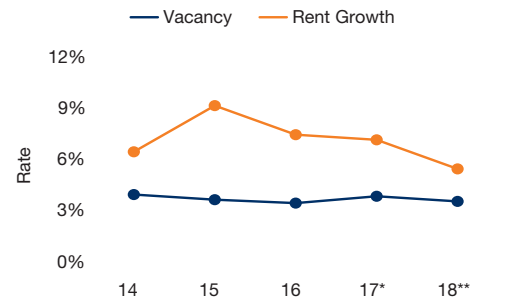
Employment Trends



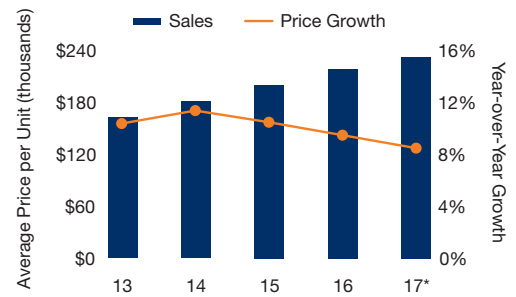
Quarterly Completions vs. Absorption*



Vacancy and Rents

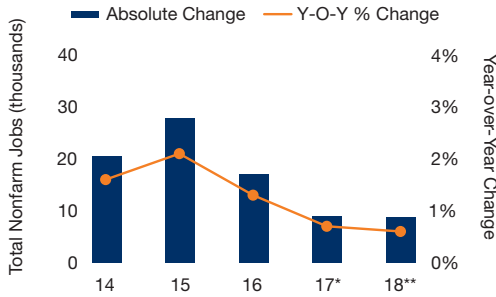


Sales Trends

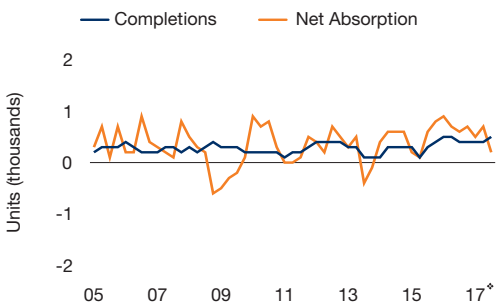


* Estimate; ** Forecast; * Through 3Q; * Trailing 12-month average
Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

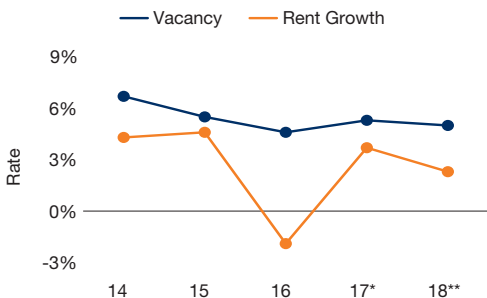
Employment Trends



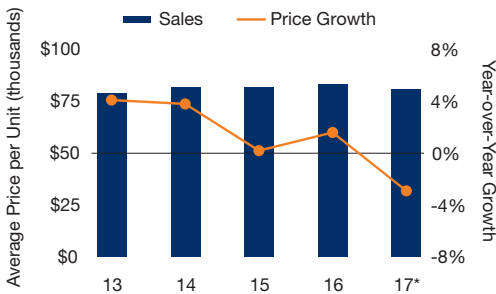
Quarterly Completions vs. Absorption*



Vacancy and Rents



Sales Trends



Developers and Investors Target Western St. Louis Amid Steadfast Economic Progress

St. Louis follows a steady growth path as vacancy declines and rents rise. The outlook is bright for the metro. Employment will improve modestly in 2018 as employers in the prominent local sectors of healthcare and education recently increased their pace of hiring. Adding new degreed professionals to the workforce has helped the median level of income grow at a faster rate than the country as a whole. With rents in the area lying well below the national average, newly formed households will look to the comparatively more affordable option of renting. This year, persistent rental demand will outpace new completions, which are focused in the neighborhoods west of downtown. In response, the vacancy rate will fall, resuming an eight-year trend that was briefly interrupted in 2017 due to a construction surge. The average effective monthly rent for the area will again rise as vacancy tightens.

Consistent asset performance and high yields create an appealing market for investors. Increased transaction velocity over the past 12 months signals additional engagement in the market as investors are incentivized by positive economic metrics and multifamily fundamentals. Although most trades involved local participants, East and West Coast parties also will pursue opportunities in the market, drawn by higher yields than what they would find at home. For Class A properties, cap rates have tightened to the low-6 percent range. First-year returns for Class B complexes were 50 basis points higher, and Class C buildings featured yields in the high-6 to low-7 percent range. Such values are common for suburbs west of downtown. Other prospects present themselves farther afield in places such as Jefferson County and St. Charles, Missouri, and O'Fallon, Illinois. Nevertheless, locales closer to the city center are especially popular; the most targeted neighborhood in the metro was Central West End near Forest Park.

2018 Market Forecast

- NMI Rank** ↗ A sharp drop in deliveries tightens vacancy and moves St. Louis up in the NMI.
40, up 4 places
- Employment** ↗ St. Louis employers will add 8,700 workers during 2018. Last year, total employment rose by 0.7 percent. The unemployment rate remains below 4 percent.
up 0.6%
- Construction** ↘ New development declined 62 percent from last year's 2,800 units, the highest level of construction observed so far this cycle.
1,070 units
- Vacancy** ↘ Vacancy will fall to 5 percent this year following the 70-basis-point jump that occurred in 2017 when construction notably outpaced net absorption.
down 30 bps
- Rent** ↗ Tightening vacancy will help grow the average effective rent by \$20 to \$880 per month. Last year rents climbed 3.7 percent.
up 2.3%
- Investment** ● In addition to being the most popular neighborhood among investors, Central West End is also receiving the most new units in 2018, creating an environment rich in both redevelopment and long-term hold strategies.

* Estimate; ** Forecast; * Through 3Q; * Trailing 12-month average
Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

Urban Revitalization Efforts Bolster Rental Supply; New Investors Finding Opportunities

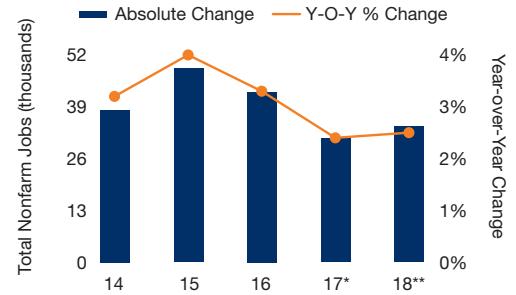
Redevelopment projects add thousands of apartments. Major mixed-use developments underway throughout the metro underpin the largest inventory increase in 16 years. Developers are most active in highly desired neighborhoods within the transforming downtowns of St. Petersburg and Tampa, where many young professionals and downsizing empty-nest households are seeking an urban lifestyle. Central Tampa will receive the greatest portion of the new units as towers in the Westshore Marina District, Channel District and in the Water Street redevelopments are completed. Multiple buildings simultaneously entering lease-up will temporarily raise vacancy rates and slow rent gains in some of these areas as operators use incentives to attract tenants. Owners of existing buildings nearby should stay abreast of competitive units that could affect their NOI. Rent growth will keep demand elevated for more affordable apartments, further tightening vacancy and driving rents higher in Class C buildings.

Robust economy and advantageous demographic trends attract wide range of investors. Favorable market conditions have many owners choosing to hold, restraining the supply of marketed properties. The tight inventory of for-sale listings could ease in the coming months as more owners re-evaluate the impact of last year's storms on their portfolios. An expected rise in insurance rates this year may be the incentive that prompts some apprehensive out-of-state investors or owners with properties in flood-prone areas to consider selling. The tight vacancy rate and sizable rent gains in Class C buildings have generated stiff competition for available listings and may require investors to expand their portfolio parameters and make a strong opening offer to be successful. At the opposite end of the spectrum, the growing stock of new inventory will lure additional institutional investors at cap rates that are typically in the 5 percent range.

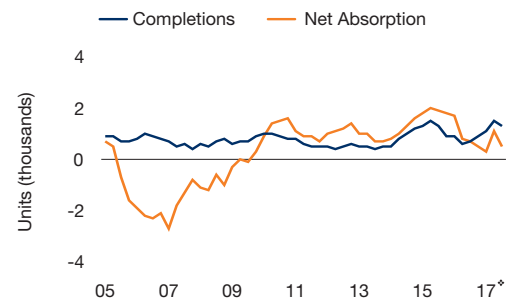
2018 Market Forecast

- NMI Rank** ↗ A surge in construction pushes vacancy up, resulting in a slip in the market's ranking this year.
21, down 2 places
- Employment** ↗ During 2018, employment rises by 2.5 percent as roughly 34,000 workers are added. At year end, nearly 200,000 jobs will have been created in the last five-year period.
up 2.5%
- Construction** ↗ Apartment supply reaches the highest point since 2002 as 5,600 rentals are placed into service. Central Tampa receives roughly 1,700 of these units.
5,600 units
- Vacancy** ↗ Two consecutive years of elevated deliveries move vacancy up 80 basis points to 5.7 percent at year end on annual net absorption of 3,300 units. Last year vacancy jumped 90 basis points.
up 80 bps
- Rent** ↗ The average effective rent climbs 6.3 percent in 2018 to \$1,197 per month. Rents have soared 50 percent since the beginning of 2010.
up 6.3%
- Investment** ● Existing assets in revitalizing areas may be confronted with rising valuations and higher property taxes as neighborhood conditions improve, prompting some owners to consider selling.

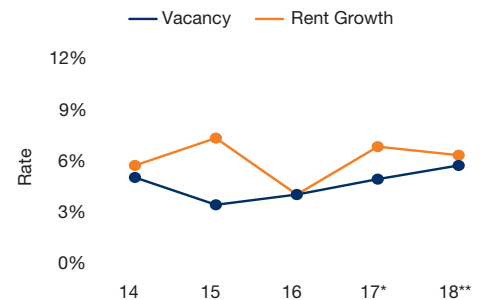
Employment Trends



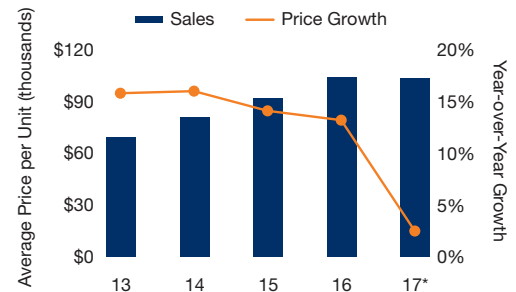
Quarterly Completions vs. Absorption*



Vacancy and Rents

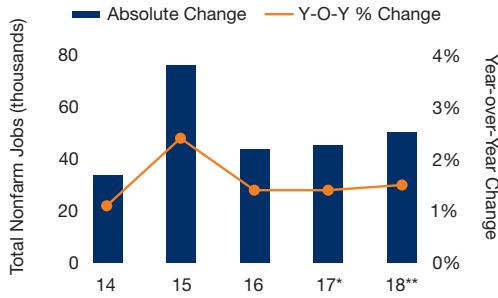


Sales Trends

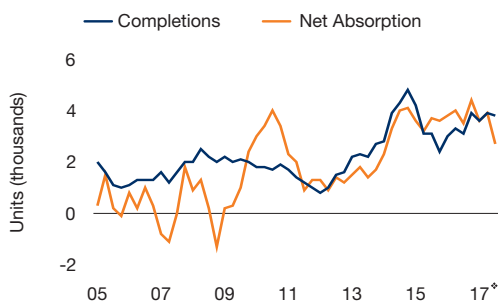


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Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

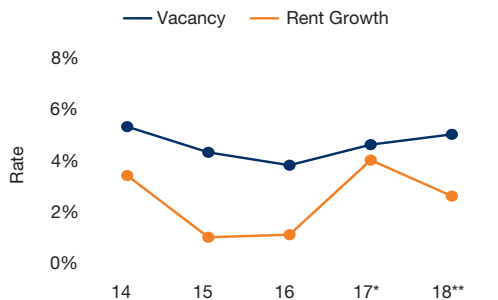
Employment Trends



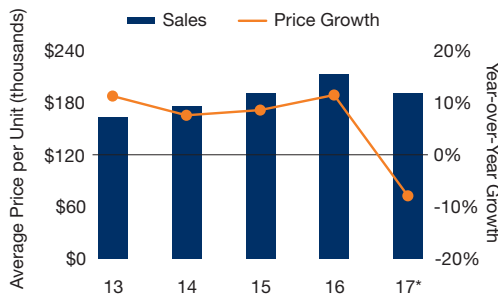
Quarterly Completions vs. Absorption*



Vacancy and Rents



Sales Trends



Active Investment Landscape Bolstered by Strong Economic Fundamentals

Construction in and around the Beltway raises vacancy despite continued job and rent ascension. A surge in the number of individuals working for educational institutions contributed to another year of solid employment growth for the nation's capital. Workforce expansion in conjunction with an unemployment rate below 4 percent contribute to a rising level of median income. More households are forming in the metro, and with the cost of homeownership over one and a half times the U.S. median home price, renting remains an attractive residency option. Because of these factors, net absorption will stay positive in 2018. As with demand, supply will also be up. Completions in the Greater Washington, D.C., area are increasing in 2018 to the second highest level in a decade. The large number of incoming developments will outpace demand and inflate the vacancy rate for the second year in a row. Despite the change in vacancy, strong overall economic indicators will prompt average effective monthly rent to climb in value for the 16th consecutive year.

Cap rates stay consistent as investors choose from varied stock. The robust economy of Washington, D.C., with established growth trends in jobs and rent, grants investors a variety of appealing multifamily options. Class C properties trade frequently, while a plentiful stock of new buildings now exist for purchase. Cap rates on average have stayed flat through 2017 and do not vary widely across classification. Most transactions fall in a low-5 to low-6 percent range. Some Class A complexes trade at a low- to mid-4 percent cap rate, while first-year returns on certain older or more suburban properties will extend above 6 percent. The Adams Morgan neighborhood in northwest D.C. maintains its popularity; it witnessed the highest number of transactions in 2017. As the capital's economy continues to thrive, local investors will find additional attractive opportunities that offer higher first-year returns, premium rents or other qualities.

2018 Market Forecast

- NMI Rank** ■ Washington, D.C., remains in the same position in the NMI that it held last year as its vacancy equals the U.S. rate.
32, no change
- Employment** ↗ Employers will add 50,000 jobs in 2018, up from 45,000 jobs last year.
up 1.5%
- Construction** ↗ Deliveries will expand by 14 percent this year, making 2018 the most active year for completions since 2014. Last year 14,700 units were brought online.
16,800 units
- Vacancy** ↗ Net absorption will not offset prolific construction, contributing to further vacancy pressure. Following an 80-basis-point rise in 2017, the vacancy rate will advance by half as much to 5 percent this year.
up 40 bps
- Rent** ↗ The average effective rent will climb to \$1,725 per month in 2018, a more modest rise over the 4 percent gain from last year.
up 2.6%
- Investment** ● Cap rates remain stable as capital flows into the highly traded D.C. neighborhoods of Anacostia and Fort Totten, in addition to Arlington County.







* Estimate; ** Forecast; * Through 3Q; * Trailing 12-month average
Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

Efforts Underway Across Palm Beach County Targeted at Millennials Beginning to Pay Off

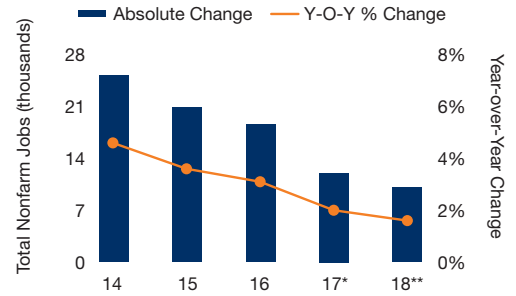
Younger population growing faster in West Palm Beach than rest of South Florida. An expanding workforce that is growing in alignment with the national rate together with robust in-migration will drive a rise in demand for rental housing. Not only will retirees continue moving to Palm Beach County in strong numbers, but the younger generation will take up residence at increased levels. The employment hubs of Boca Raton and West Palm Beach benefit from the depth of skilled labor produced by the numerous colleges and universities in South Florida, altering the character of the market. To adapt to the younger cohort, developers in conjunction with municipalities are moving forward with plans to update aging corridors, bringing more restaurants, bars and retail to cities such as Boynton Beach and Delray Beach. Development in these cities and the rest of the county has been strong, though completions mark a sharp drop this year. North Palm Beach County, an area increasingly known for its growing biotech sector, will receive the most apartments this year.

Investment prospects remain stout in South Florida's smaller market. A unique blend of demand drivers coupled with improving property metrics will hold investor attention strong this year. The recent boost in new supply will maintain interest from institutions and private parties looking to deploy capital at cap rates that are often the highest in South Florida. Newly constructed, stabilized properties trade with an initial yield in the upper-4 percent range. Redevelopment efforts in Boynton Beach and a large stock of properties built before 1980 that are ripe for renovation will spur demand from investors searching for Class C assets in the \$1 million to \$5 million range. Acquisition of complexes with less than 100 units will also be on the rise as listings of larger properties have declined. West Palm Beach has a large inventory of smaller assets, which are eyed by investors for cap rates in the low-6 to upper-7 percent band.

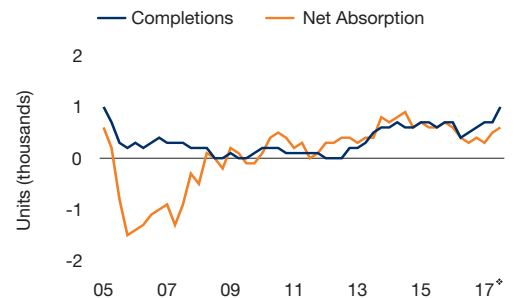
2018 Market Forecast

- NMI Rank** 41, down 4 places  Vacancy above the U.S. average and lower rent growth move West Palm Beach down in the NMI.
- Employment** up 1.6%  Employers will create 10,000 jobs in 2018, expanding the workforce just under the 2.0 percent pace registered last year.
- Construction** 1,400 units  Construction drops to its lowest level since 2012, falling substantially below the more than 4,600 units delivered in 2017.
- Vacancy** down 20 bps  Limited supply growth allows a modest vacancy rate drop, reaching 6.6 percent at year end. One year earlier a 240-basis-point rise was posted.
- Rent** up 2.0%  Following a 4.3 percent increase in 2017, the average effective rent climbs at a slower pace this year, ending 2018 at \$1,535 per month.
- Investment**  A rise in restaurants, retail and nightlife in markets east of Federal Highway will strengthen rental demand as the younger cohort continues to fill nearby units and take up employment in the county.

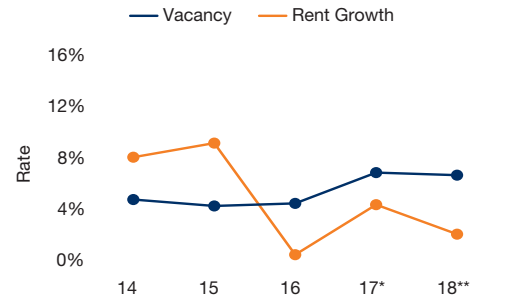
Employment Trends



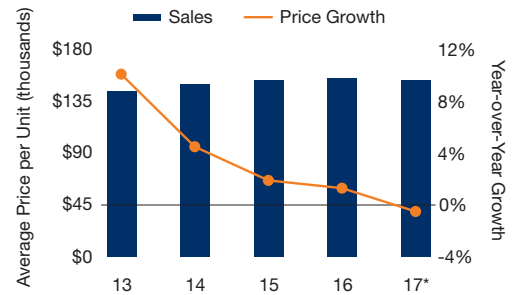
Quarterly Completions vs. Absorption*



Vacancy and Rents

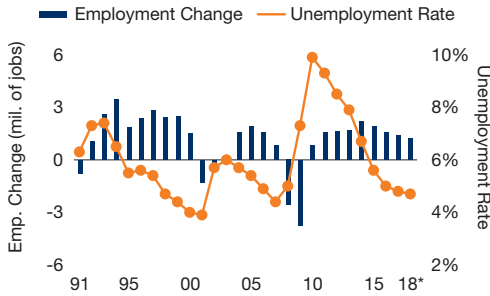


Sales Trends

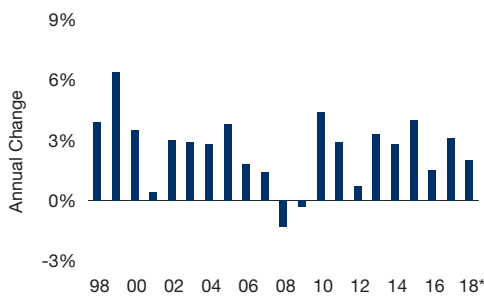


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Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

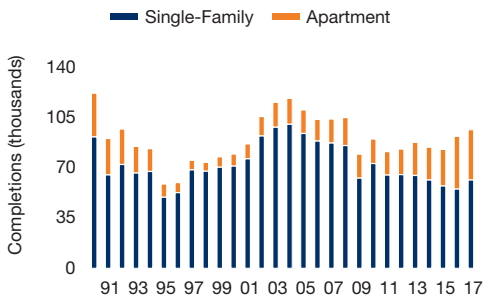
Employment vs. Unemployment



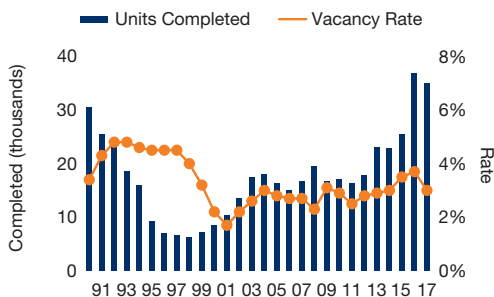
GDP Change



Home Construction*



Completions vs. Vacancy*



Following Strong Growth Last Year, Elevated Household Debt Weighs on Economic Outlook

Slowing housing appreciation weighs on growth outlook. Supported by strong consumption, the Canadian economy posted outsize growth in the 3 percent range last year. However, many consumers funded their shopping with low-interest equity lines on rapidly appreciating houses. Residential housing investment accounted for 7.8 percent of GDP in 2017, a record high. With debt levels and interest rates rising while housing appreciation flattens, consumption is beginning to wane. This softening is being compounded by the nominal pace of wage growth, though the tight labor market may begin to place upward pressure on wages in the coming year. Rising incomes would support steady consumer spending, though growth will be moderated by the necessity to lower monthly debt obligations. The net impact will be economic growth in 2018 that moves back into alignment with the longer-term average in the 2 percent range.

At the end of last year, the Bank of Canada kept interest rates at 1.0 percent.

The bank's cautious stance has been influenced by limited wage increases, the ability of highly indebted households to absorb higher interest rates, stricter mortgage regulations and uncertainty over trade policies. While economic growth has been largely driven by inflated housing markets and household borrowing, a shift will be underway in 2018 as signs are pointing to a slowdown in residential housing investment. The direction that the Central Bank will take on interest rates this year remains uncertain. With the possibility of a rate cut, the Canadian dollar would be expected to maintain its downward trend against the U.S. dollar. Should the NAFTA deal be terminated, however, then the assumption would be for the Canadian dollar to fall even lower.

2018 Canadian Economic Outlook

- **Reaching 5.9 percent in November, the jobless rate marked its lowest point since the recession.** As the labor market tightens across Canada and employers struggle to match qualified workers with open positions, incomes should rise at a greater rate. In 2017, employees' average weekly pay marked a 1.8 percent increase, a sharp rise from the 0.5 percent gain registered in 2016. This year, income growth of 2.3 percent is anticipated.
- **An estimated 290,000 jobs will be created across Canada this year,** down slightly from the addition of 340,000 workers in 2017 as the labor market tightens. Continued growth in business investment and exports will support these job gains, though potential employment growth is under threat as the future of NAFTA is uncertain. OPEC's decision to maintain cuts to production will benefit oil prices though, furthering investment in the mining industry and spurring job creation.
- **Core inflation will remain low for the foreseeable future,** holding below the Bank of Canada's 2 percent target. Slack in the economy is still present as there are signs of underemployment among prime-age workers and a rise in seniors working beyond the traditional retirement age. Sluggish wage growth has also been a factor in low inflation, which could in part be due to globalization and Canadian workers being in competition with others in developing countries. Inflation is being directly lowered by globalization as well due to the cost of imported goods being driven down.

* Forecast

* Through October

Sources: Altus Data Solutions;

Marcus & Millichap Real Estate Investment Services Canada Inc., Brokerage

Mortgage Stress Tests Set to Keep More Residents Renting for Longer

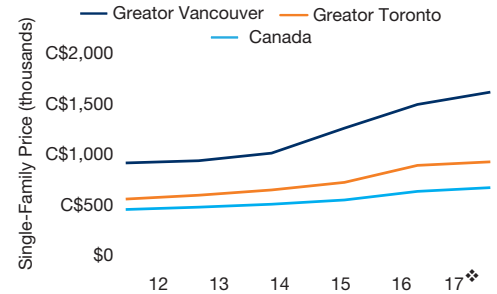
New finance rules could mitigate downside risks to economy. Household debt has grown at a faster pace than household income, fueled by people borrowing against their homes. The substantial home price appreciation and ensuing borrowing has culminated in a household debt to disposable income ratio of 170 percent. Changes to housing finance rules should help mitigate this vulnerability. In 2016, the government issued stricter standards for mortgage ratios with downpayments below 20 percent, enacting stress tests to evaluate borrowers' ability to withstand rising interest rates. At the end of 2017, guidelines were further refined for low ratio mortgages with at least a 20 percent downpayment, putting in place a similar stress test and limiting the formation of more highly indebted households. New rules targeting the mortgage market will test borrowers' financial capacity in 2018. A recent Bank of Canada analysis reported that roughly 10 percent of Canadians who received an uninsured mortgage between mid-2016 and mid-2017 would have failed the new tests and not qualified for a home loan.

Demand for apartments will remain heightened as more regulations on homeownership are in place and single-family affordability continues to be a substantial challenge to residents. Strong job creation and elevated household formation led to a 70-basis-point reduction to the national apartment vacancy rate last year, decreasing to 3 percent in October. Tightening vacancy contributed to a 3.2 percent increase to the average rent, pushing it to C\$956 per month. While multifamily construction is forecast to attain a cycle peak this year, demand on a national basis will surpass supply increases. Land-use restrictions, the high cost of construction and development-hindering policies are weighing on the tightest markets of Vancouver and Toronto, creating challenges to building more apartments.

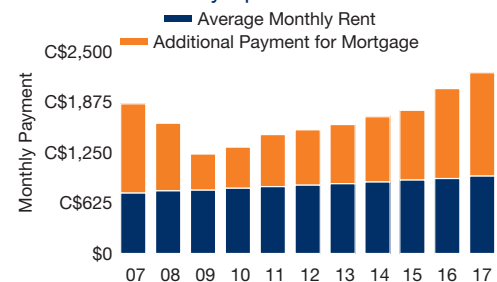
2018 Canadian Housing Outlook

- **The Ontario Fair Housing plan was introduced last April to ease the rapid growth in home resales and price inflation in Toronto and the surrounding area.** The plan included a 15 percent tax on purchases by non-residents, similar to the tax passed in Vancouver in 2016. The immediate reaction to these taxes was a slowing of sales activity for both condominiums and single-family homes, along with a temporary reduction in price growth and a rise in new listings. These measures contributed to a change in market sentiment related to the speculative buyer behavior, placing the Greater Toronto Area in a period of readjustment while Vancouver appreciation has become reinvigorated.
- **Detached single-family homes well beyond the reach of most residents.** In the Greater Toronto Area, the benchmark home price reached C\$915,600 for a single-family home, up 65 percent from November 2012. The benchmark price was substantially higher in the Greater Vancouver Area in November, marking a 75 percent rise over the past five years to C\$1,608,000. The exorbitant increase to the cost of homeownership will maintain exceptional demand for rental housing, holding apartment vacancy at record low levels.
- **The average mortgage rate at the end of 2017 was 2.96 percent.** Financial institutions will add 200 basis points to their contractual rate to vet mortgages for the new standards. Uncertainty remains over whether the Bank of Canada will lower or increase interest rates next year. Should rates rise and debt service obligations grow, greater demand will be placed on the rental market as households attempt to repair their finances.

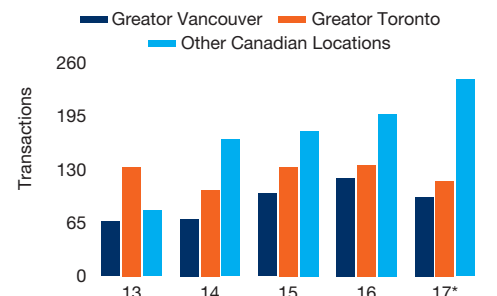
Single-Family Detached Benchmark Price



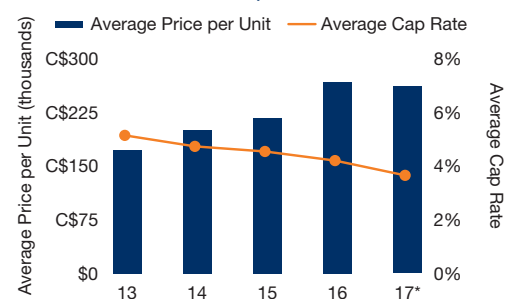
Average Canadian Mortgage vs. Monthly Apartment Rent*



Canadian Apartment Transactions



Price and Cap Rate Trends



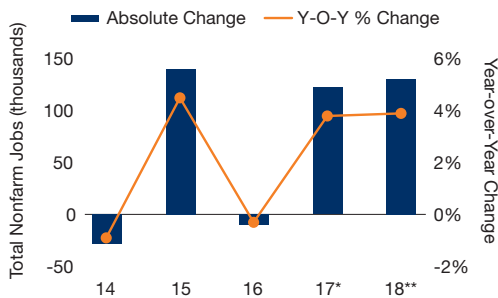
* Estimate

✦ Through October

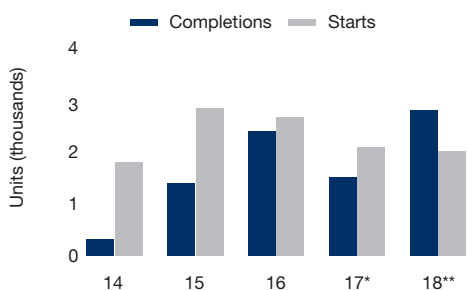
Sources: Altus Data Solutions;

Marcus & Millichap Real Estate Investment Services Canada Inc., Brokerage

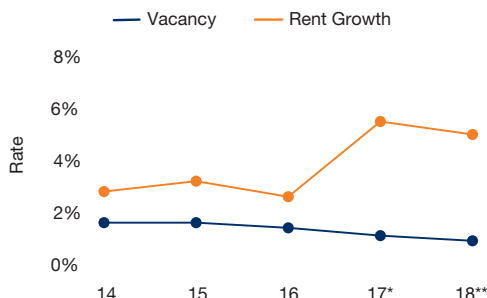
Employment Trends



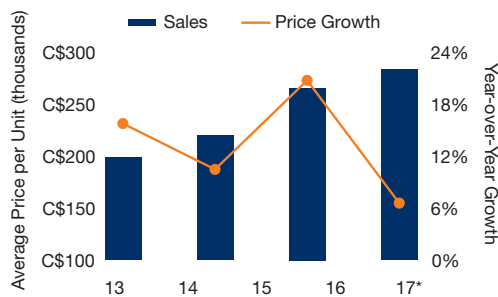
Supply



Vacancy and Rents



Sales Trends



Robust Job Market, Strong Immigration Trends Stoke Substantial Demand for Rental Housing

Imbalances in Toronto housing market benefit area apartments. Rising employment, a strong local economy and robust household formation are contributing to an increased demand for rental housing. The high cost of homeownership in Toronto also adds to the need for more apartments, particularly as home prices have risen significantly. The benchmark home price in the Greater Toronto Area climbed 4.2 percent over the past year to C\$915,600. New policy measures taking effect this year will increase creditworthiness standards for borrowers and likely add further pressure to the rental market. Multifamily construction has been limited, unable to meet the growing housing demand and bringing apartment vacancy down to a tight level just above 1 percent. A constrained multifamily sector has driven a rise in condo rentals, one of the main sources of new supply in the GTA. Despite provincial guidelines allowing for no more than a 1.8 percent rental rate increase for existing tenants, stout demand and an influx of new units will support a mid-single-digit rent gain this year.

Shallow development pipeline and limited pool of investment opportunities push multifamily prices to record highs. Rising competition for Toronto's apartments assets, along with a shortage of listings, has pushed prices higher. On a per unit basis, the average price has risen at a double-digit pace in the city of Toronto over each of the past three years, climbing past C\$380,000 per unit in 2017. Soaring prices will potentially bring out more sellers as current owners opt to exit appreciated assets, although a lack of available options in which to redeploy capital could weigh on that decision. Buyers will expand search parameters this year as many private investors have been priced out of the urban core, looking to areas such as North York and Etobicoke. First-year cap rates across the GTA fall in the mid-3 percent territory and can reach as high as the low-5 percent band in some instances.

2018 Market Forecast

- Employment** up 3.9% Employment growth surges this year with the creation of roughly 130,000 jobs, up from the addition of approximately 122,000 jobs last year.
- Construction** 2,800 units Completions climb to their highest level of the current cycle this year, outpacing last year's deliveries by roughly 1,300 units.
- Vacancy** down 20 bps Rental demand exceeds construction, dropping the vacancy rate down to an exceptionally low 0.9 percent and adding to a 30-basis-point reduction posted in 2017.
- Rent** up 5.0% Following a 5.5 percent increase to the average effective rent in 2017, rent growth slows moderately, climbing to C\$1,373 per month.
- Investment** Buyers will be increasingly active outside of the high-priced urban core. Multifamily assets in the cities of York and Etobicoke often trade below the market average, hovering near C\$200,000 per unit.

* Estimate; ** Forecast

Sources: Altus Data Solutions;






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High Cost of Homeownership, Job Growth Driving Interest in Apartments

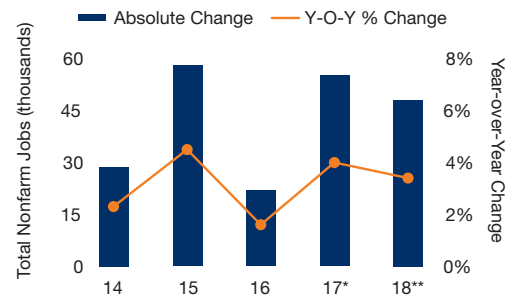
Household shortage filling area apartments to near capacity. Robust job growth and steady household formation are driving demand in an extremely tight market. Single-family home prices in Vancouver have surged in recent years, with the benchmark price for a single-family detached home recently surpassing C\$1.6 million, reducing housing affordability across the metro. New mortgage stress tests being put in place for potential homebuyers could disqualify future borrowers, leading to a growing rental pool across Vancouver. As the dream of homeownership begins to fade, more residents are filling apartments, bringing the average vacancy rate down to the 1 percent area. Even with availability so low, apartment construction has been modest during this cycle, though a new high will be reached this year as roughly 5,200 apartments are forecast for completion. An influx of modern units will generate accelerated rent increases across the metro.

Construction boost providing more opportunities for investors. Reflecting the record-breaking prices and two modest interest rate increases, apartment transactions slowed substantially last year. Listings have been limited as tight vacancy has motivated owners to hold onto assets for longer periods and receive stable cash flows. As the average price remains above C\$320,000 per unit, investors are focusing on areas farther into the suburbs. Buyers will continue the search for older, low-density rental properties for redevelopment, though these properties are often fully priced, leaving little room for upside upon renovation. Going-in cap rates in the Greater Vancouver Area are an exceptionally low 3 percent on average, and further NOI growth will be inhibited by the standard allowable rent increase being capped at 4 percent in 2018. A rise in deliveries over recent years could bring more listings to the market this year, particularly for stabilized assets and by owners who are motivated to capitalize on a rise in equity.

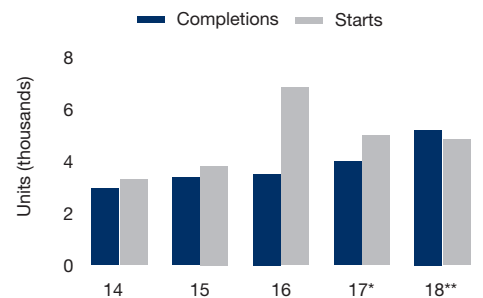
2018 Market Forecast

- Employment**  Job growth slows moderately as 48,000 workers are hired this year, following the creation of 55,000 positions in the previous yearlong period.
up 3.4%
- Construction**  Deliveries climb to a new high-water mark, surpassing the completion of roughly 4,000 units last year.
5,200 units
- Vacancy**  The vacancy rate remains exceptionally tight this year, rising to a low 1.1 percent by year end. In 2017, the vacancy rate also jumped 20 basis points.
up 20 bps
- Rent**  Robust rental demand supports a stout increase to the average effective rent to end 2018 at C\$1,386 per month, rising slightly faster than the 5.8 percent rise posted last year.
up 6%
- Investment**  A growing number of municipal policies and regulations have increased the barrier to entry with the potential to reduce intense bidding and strong competition for area assets, bringing more private investors off the sidelines in some submarkets.

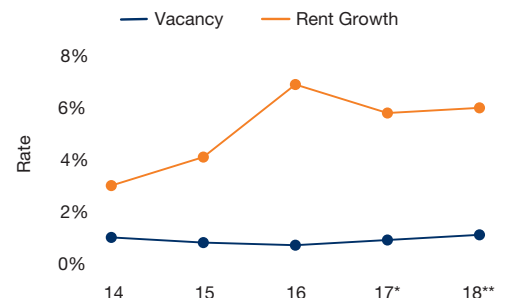
Employment Trends



Supply



Vacancy and Rents



Sales Trends



* Estimate; ** Forecast;

Sources: Altus Data Solutions;

Marcus & Millichap Real Estate Investment Services Canada Inc., Brokerage

United States

Corporate Headquarters

Marcus & Millichap
23975 Park Sorrento
Suite 400
Calabasas, CA 91302
(818) 212-2250
www.MarcusMillichap.com

Albuquerque

5600 Eubank Boulevard N.E.
Suite 200
Albuquerque, NM 87111
(505) 445-6333
Craig. R Swanson

Atlanta

1100 Abernathy Road, N.E.
Building 500, Suite 600
Atlanta, GA 30328
(678) 808-2700
Michael J. Fasano

Austin

9600 North Mopac Expressway
Suite 300
Austin, TX 78759
(512) 338-7800
Craig R. Swanson

Bakersfield

4900 California Avenue
Tower B, 2nd Floor
Bakersfield, CA 93309
(661) 377-1878
James B. Markel

Baltimore

100 E. Pratt Street
Suite 2114
Baltimore, MD 21202
(443) 703-5000
Bryn Merrey

Baton Rouge

10527 Kentshire Court
Suite B
Baton Rouge, LA 70810
(225) 376-6800
Jody McKibben

Birmingham

The Steiner Building
15 Richard Arrington Jr.
Boulevard North
Suite 300
Birmingham, AL 35203
(205) 510-9200
Jody McKibben

Boise

800 W. Main Street
Suite 1460
Boise, ID 83702
(208) 401-9321
Kent R. Williams

Boston

100 High Street
Suite 1025
Boston, MA 02110
(617) 896-7200
Tim Thompson

Brooklyn

One MetroTech Center
Suite 2001
Brooklyn, NY 11201
(718) 475-4300
John Horowitz

Charleston

151 Meeting Street
Suite 450
Charleston, SC 29401
(843) 952-2222
Benjamin Yelm

Charlotte

201 S. Tryon Street
Suite 1220
Charlotte, NC 28202
(704) 831-4600
Benjamin Yelm

Chicago Downtown

333 W. Wacker Drive
Suite 200
Chicago, IL 60606
(312) 327-5400
Richard Matricaria

Chicago Oak Brook

One Mid-America Plaza
Suite 200
Oakbrook Terrace, IL 60181
(630) 570-2200
Steven D. Weinstock

Chicago O'Hare

8750 W. Bryn Mawr Avenue
Suite 650
Chicago, IL 60631
(773) 867-1500
David G. Bradley

Cincinnati

600 Vine Street
10th Floor
Cincinnati, OH 45202
(513) 878-7700
Colby Haugness

Cleveland

Crown Centre
5005 Rockside Road
Suite 1100
Independence, OH 44131
(216) 264-2000
Michael L. Glass

Columbia

1320 Main Street
Suite 300
Columbia, SC 29201
(803) 678-4900
Benjamin Yelm

Columbus

230 West Street
Suite 100
Columbus, OH 43215
(614) 360-9800
Michael L. Glass

Dallas

5001 Spring Valley Road
Suite 100W
Dallas, TX 75244
(972) 755-5200
Tim A. Speck

Denver

1225 17th Street
Suite 1800
Denver, CO 80202
(303) 328-2000
Bob Kaplan

Detroit

Two Towne Square
Suite 450
Southfield, MI 48076
(248) 415-2600
Steven R. Chaben

Encino

First Financial Plaza
16830 Ventura Boulevard
Suite 100
Encino, CA 91436
(818) 212-2700
James B. Markel

Fort Lauderdale

5900 N. Andrews Avenue
Suite 100
Fort Lauderdale, FL 33309
(954) 245-3400
Ryan Nee

Fort Worth

300 Throckmorton Street
Suite 1500
Fort Worth, TX 76102
(817) 932-6100
Kyle Palmer

Fresno

8050 N. Palm Avenue
Suite 108
Fresno, CA 93711
(559) 476-5600
James B. Markel

Greensboro

200 CentrePort Drive
Suite 160
Greensboro, NC 27409
(336) 450-4600
Benjamin Yelm

Hampton Roads

999 Waterside Drive
Suite 2525
Norfolk, VA 23510
(757) 777-3737
Benjamin Yelm

Houston

Galleria Tower II
5051 Westheimer Road
Suite 375
Houston, TX 77056
(713) 452-4200
David H. Luther

Indianapolis

600 E. 96th Street
Suite 500
Indianapolis, IN 46240
(317) 218-5300
Josh Caruana

Iowa

425 Second Street S.E.
Suite 610
Cedar Rapids, IA 52401
(319) 333-7743
Richard Matricaria

Jacksonville

5220 Belfort Road
Suite 120
Jacksonville, FL 32256
(904) 672-1400
Justin W. West

Kansas City

7400 College Boulevard
Suite 105
Overland Park, KS 66210
(816) 410-1010
Richard Matricaria

Knoxville

1111 Northshore Drive
Suite S-301
Knoxville, TN 37919
(865) 299-6300
Jody McKibben

Las Vegas

3800 Howard Hughes Parkway
Suite 1550
Las Vegas, NV 89169
(702) 215-7100
Todd R. Manning

Long Beach

One World Trade Center
Suite 2100
Long Beach, CA 90831
(562) 257-1200
Damon Wylar

Los Angeles

515 S. Flower Street
Suite 500
Los Angeles, CA 90071
(213) 943-1800
Enrique Wong

Louisville

9300 Shelbyville Road
Suite 1012
Louisville, KY 40222
(502) 329-5900
Colby Haugness

Manhattan

260 Madison Avenue
Fifth Floor
New York, NY 10016
(212) 430-5100
John Krueger

Memphis

5100 Poplar Avenue
Suite 2505
Memphis, TN 38137
(901) 620-3600
Jody McKibben

Miami

5201 Blue Lagoon Drive
Suite 100
Miami, FL 33126
(786) 522-7000
Scott Lunine

Milwaukee

13890 Bishops Drive
Suite 300
Brookfield, WI 53005
(262) 364-1900
Todd Lindblom

Minneapolis

1350 Lagoon Avenue
Suite 840
Minneapolis, MN 55408
(952) 852-9700
Craig Patterson

Mobile

208 N. Greeno Road
Suite B-2
Fairhope, AL 36532
(251) 929-7300
Jody McKibben

Nashville

6 Cadillac Drive
Suite 100
Brentwood, TN 37027
(615) 997-2900
Jody McKibben

New Haven

265 Church Street
Suite 210
New Haven, CT 06510
(203) 672-3300
J.D. Parker

New Jersey

250 Pehle Avenue
Suite 501
Saddle Brooke, NJ 07663
(201) 742-6100
Brian Hosey

Newport Beach

19800 MacArthur Boulevard
Suite 150
Irvine, CA 92612
(949) 419-3200
Jonathan Giannola

Oakland

555 12th Street
Suite 1750
Oakland, CA 94607
(510) 379-1200
Kent R. Williams

Oklahoma City

101 Park Avenue
Suite 1300
Oklahoma City, OK 73102
(405) 446-8238
Kyle Palmer

Ontario

One Lakeshore Center
3281 E. Guasti Road
Suite 800
Ontario, CA 91761
(909) 456-3400
Cody Cannon

Orlando

300 South Orange Avenue
Suite 700
Orlando, FL 32801
(407) 557-3800
Justin W. West

Palm Springs

777 E. Tahquitz Canyon Way
Suite 200-27
Palm Springs, CA 92262
(909) 456-3400
Cody Cannon

Palo Alto

2626 Hanover Street
Palo Alto, CA 94304
(650) 391-1700
Steven J. Seligman

Philadelphia

2005 Market Street
Suite 1510
Philadelphia, PA 19103
(215) 531-7000
Sean Beuche

Phoenix

2398 E. Camelback Road
Suite 300
Phoenix, AZ 85016
(602) 687-6700
Ryan Sarbinoff

Portland

111 S.W. Fifth Avenue
Suite 1550
Portland, OR 97204
(503) 200-2000
Adam Lewis

Raleigh

101 J Morris Commons Lane
Suite 130
Morrisville, NC 27560
(919) 674-1100
Benjamin Yelm

Reno

241 Ridge Street
Suite 200
Reno, NV 89501
(775) 348-5200
Ryan G. DeMar

Richmond

4870 Sadler Road
Suite 300
Glen Allen, VA 23060
(804) 205-5008
Benjamin Yelm

Sacramento

3741 Douglas Boulevard
Suite 200
Roseville, CA 95661
(916) 724-1400
Ryan G. DeMar

Salt Lake City

111 South Main Street
Suite 500
Salt Lake City, UT 84111
(801) 736-2600
Kent R. Williams

San Antonio

8200 IH-10 W
Suite 603
San Antonio, TX 78230
(210) 343-7800
Craig R. Swanson

San Diego

4660 La Jolla Village Drive
Suite 900
San Diego, CA 92122
(858) 373-3100
John Vorsheck

San Francisco

750 Battery Street
5th Floor
San Francisco, CA 94111
(415) 963-3000
Ramon Kochavi

Seattle

Two Union Square
601 Union Street
Suite 2710
Seattle, WA 98101
(206) 826-5700
Joel Deis

St. Louis

7800 Forsyth Boulevard
Suite 710
St. Louis, MO 63105
(314) 889-2500
Richard Matricaria

Tampa

4030 W. Boy Scout Boulevard
Suite 850
Tampa, FL 33607
(813) 387-4700
Ari Ravi

Tulsa

7633 East 63rd Place
Suite 300
Tulsa, OK 74133
(918) 294-6300
Kyle Palmer

Ventura

2775 N. Ventura Road
Suite 101
Oxnard, CA 93036
(805) 351-7200
James B. Markel

Washington, D.C.

7200 Wisconsin Avenue
Suite 1101
Bethesda, MD 20814
(202) 536-3700
Bryn Merrey

West Los Angeles

12100 W. Olympic Boulevard
Suite 350
Los Angeles, CA 90064
(310) 909-5500
Tony Solomon

Westchester

50 Main Street
Suite 925
White Plains, NY 10606
(914) 220-9730
John Krueger

The Woodlands

1450 Lake Robbins Drive
Suite 300
The Woodlands, TX 77380
(832) 442-2800
David H. Luther

Canada**Calgary**

602-16 Avenue NW
Suite 211
Calgary, AB T2M 0J7
(587) 349-1302
Rene H. Palsenbarg

Toronto

20 Queen Street W
Suite 2300
Toronto, ON M5H 3R3
(416) 585-4646
Mark A. Paterson

Vancouver

400 Burrard Street
Suite 1020
Vancouver, BC V6C 3A6
(604) 675-5200
Rene H. Palsenbarg

National Multi Housing Group

John S. Sebree | First Vice President, National Director
(312) 327-5417 | john.sebree@marcusmillichap.com

National Research Team

John Chang | First Vice President, Research Services
Jay Lybik | Vice President, Research Services
James Reeves | Publications Director
Peter Tindall | Director of Research Data & Analytics
Tamarah Calderon | Research Administrator
Connor Devereux | Research Analyst
Maria Erofeeva | Graphic Designer
Marette Flora | Senior Copy Editor
Jessica Hill | Market Analyst
Aniket Kumar | Data Analyst
Aaron Martens | Research Analyst
Michael Murphy | Research Analyst
Chris Ngo | Data Analyst
Brandon Niesen | Research Associate
Nancy Olmsted | Senior Market Analyst
Spencer Ryan | Data Analyst
Cody Young | Research Associate
Catherine Zerkowski | Research Analyst

Contact:

John Chang | First Vice President, Research Services
4545 East Shea Boulevard, Suite 201
Phoenix, Arizona 85028
(602) 707-9700 | john.chang@marcusmillichap.com

Media Contact:

Gina Relva | Public Relations Director
2999 Oak Road, Suite 210
Walnut Creek, CA 94597
(925) 953-1716 | gina.relva@marcusmillichap.com

Senior Management Team

Hessam Nadji | President and Chief Executive Officer
(818) 212-2250 | hessam.nadji@marcusmillichap.com

Mitchell R. LaBar | Executive Vice President, Chief Operating Officer
(818) 212-2250 | mitchell.labar@marcusmillichap.com

William E. Hughes | Senior Vice President
Marcus & Millichap Capital Corporation
(949) 419-3200 | william.hughes@marcusmillichap.com

Gregory A. LaBerge | First Vice President, Chief Administrative Officer
(818) 212-2250 | gregory.laberge@marcusmillichap.com

Martin E. Louie | Senior Vice President, Chief Financial Officer
(818) 212-2250 | marty.louie@marcusmillichap.com

Adam P. Christofferson
Senior Vice President, Division Manager, Southern California Division
(818) 212-2700 | adam.christofferson@marcusmillichap.com

Richard Matricaria | Senior Vice President, Division Manager, Midwest Division
(312) 327-5400 | richard.matricaria@marcusmillichap.com

Bryn Merrey
Senior Vice President, Division Manager, Mid-Atlantic/Southeast Division
(202) 536-3700 | bryn.merrey@marcusmillichap.com

Paul S. Mudrich | Senior Vice President, Chief Legal Officer
(650) 391-1700 | paul.mudrich@marcusmillichap.com

J.D. Parker | Senior Vice President, Division Manager, Northeast Division
(212) 430-5100 | j.d.parker@marcusmillichap.com

Alan L. Pontius | Senior Vice President, National Director, Specialty Divisions
(415) 963-3000 | alan.pontius@marcusmillichap.com

Kent R. Williams | Senior Vice President, Division Manager, Western Division
(858) 373-3100 | kent.williams@marcusmillichap.com

¹National Multifamily Index Note: Employment and apartment data forecasts for 2018 are based on the most up-to-date information available as of November 2017 and are subject to change.

²Statistical Summary Note: Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of November 2017. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.

Sources: Marcus & Millichap Research Services; Altus Data Solutions; American Council of Life Insurers; Blue Chip Economic Indicators; Bureau of Economic Analysis; Canadian Real Estate Association; Capital Economics; CMHC; Commercial Mortgage Alert; CoStar Group, Inc.; Experian; Fannie Mae; Federal Reserve; Freddie Mac; Moody's Analytics; Mortgage Bankers Association; MPF Research; National Association of Realtors; Real Capital Analytics; Real Estate Board of Greater Vancouver; Real Estate Board of Greater Toronto; RealFacts; Standard & Poor's; The Conference Board; Trepp; TWR/Dodge Pipeline; U.S. Bureau of Labor Statistics; U.S. Census Bureau; U.S. Securities and Exchange Commission; U.S. Treasury Department.

Market Name	Employment Growth ²				Completions (Units) ²				Vacancy		Rate ²		Effective Monthly Rate ²				Average Price/Unit ²			Market Name
	2015	2016	2017*	2018**	2015	2016	2017*	2018**	2015	2016	2017*	2018**	2015	2016	2017*	2018**	2015	2016	2017*	
Atlanta	2.7%	3.5%	2.3%	2.1%	8,140	9,850	16,300	15,000	5.0%	4.7%	5.7%	6.5%	\$1,007	\$1,062	\$1,144	\$1,197	\$86,360	\$96,510	\$93,540	Atlanta
Austin	4.4%	3.7%	2.1%	2.0%	8,390	9,700	12,800	8,300	4.1%	5.2%	5.9%	6.2%	\$1,151	\$1,184	\$1,215	\$1,243	\$104,030	\$114,470	\$119,540	Austin
Baltimore	2.3%	0.8%	1.0%	1.1%	1,900	3,390	2,800	3,600	4.4%	4.6%	5.6%	5.9%	\$1,233	\$1,256	\$1,295	\$1,321	\$123,250	\$140,470	\$131,000	Baltimore
Boston	1.9%	1.9%	1.9%	1.6%	7,250	7,930	8,900	8,800	2.8%	3.1%	3.4%	3.6%	\$1,856	\$1,925	\$1,975	\$1,996	\$279,470	\$298,260	\$325,310	Boston
Charlotte	4.0%	3.5%	2.6%	2.5%	5,150	7,770	8,300	7,500	4.3%	4.5%	5.3%	5.5%	\$968	\$1,008	\$1,072	\$1,125	\$95,100	\$105,200	\$99,530	Charlotte
Chicago	2.0%	0.7%	0.5%	0.9%	5,720	8,700	8,600	9,900	3.8%	4.6%	5.1%	5.6%	\$1,309	\$1,361	\$1,418	\$1,465	\$163,120	\$172,360	\$171,630	Chicago
Cincinnati	1.8%	2.2%	1.2%	1.2%	1,780	2,510	2,500	1,600	4.5%	3.7%	4.3%	4.4%	\$837	\$885	\$935	\$970	\$50,730	\$51,710	\$53,450	Cincinnati
Cleveland	0.5%	1.1%	1.1%	1.3%	1,430	910	1,900	1,500	3.8%	3.3%	3.9%	4.0%	\$838	\$861	\$894	\$915	\$50,760	\$51,610	\$50,880	Cleveland
Columbus	1.5%	2.8%	2.0%	1.8%	3,360	2,620	5,000	4,100	4.5%	3.7%	3.8%	4.1%	\$822	\$847	\$910	\$955	\$45,190	\$51,780	\$61,020	Columbus
Dallas/Fort Worth	2.9%	3.8%	2.2%	2.1%	17,090	18,270	31,800	24,000	4.7%	4.0%	5.4%	5.9%	\$982	\$1,028	\$1,082	\$1,119	\$77,980	\$88,740	\$95,010	Dallas/Fort Worth
Denver	3.2%	2.2%	1.2%	1.4%	7,270	8,470	12,500	12,300	4.5%	4.8%	5.8%	6.3%	\$1,310	\$1,354	\$1,451	\$1,550	\$132,360	\$164,340	\$178,440	Denver
Detroit	1.6%	2.2%	1.8%	1.7%	1,410	1,790	2,800	2,400	2.7%	2.5%	3.0%	3.1%	\$861	\$904	\$962	\$1,014	\$55,160	\$55,760	\$57,350	Detroit
Fort Lauderdale	2.9%	2.9%	3.0%	2.3%	3,750	2,330	4,050	2,300	3.6%	3.9%	5.1%	5.4%	\$1,427	\$1,445	\$1,483	\$1,515	\$136,360	\$153,230	\$150,870	Fort Lauderdale
Houston	0.0%	0.5%	1.7%	2.5%	17,010	22,310	22,000	10,800	6.2%	6.8%	4.5%	5.5%	\$1,014	\$1,018	\$1,086	\$1,106	\$84,100	\$77,820	\$100,680	Houston
Indianapolis	2.6%	2.5%	2.4%	2.7%	3,870	3,140	2,230	2,500	6.9%	5.6%	6.3%	6.1%	\$786	\$806	\$841	\$875	\$49,640	\$50,510	\$53,000	Indianapolis
Kansas City	2.2%	2.3%	0.9%	0.7%	3,660	3,820	3,950	4,270	4.8%	5.0%	5.8%	6.5%	\$843	\$866	\$920	\$960	\$66,790	\$69,510	\$75,330	Kansas City
Las Vegas	4.0%	3.0%	2.6%	1.8%	2,830	2,860	3,500	3,700	5.2%	4.1%	5.2%	6.0%	\$828	\$886	\$945	\$980	\$69,460	\$88,940	\$98,180	Las Vegas
Los Angeles	2.7%	2.1%	1.0%	1.2%	6,130	8,720	11,900	17,200	3.0%	2.9%	4.1%	5.2%	\$1,892	\$1,938	\$2,070	\$2,200	\$226,720	\$246,380	\$255,990	Los Angeles
Louisville	2.8%	2.7%	1.6%	1.5%	1,980	1,120	2,050	2,800	4.4%	4.1%	5.5%	6.5%	\$779	\$825	\$858	\$925	\$74,070	\$77,890	\$80,300	Louisville
Miami-Dade	3.1%	2.3%	2.5%	1.5%	3,240	5,780	4,950	7,100	2.4%	2.2%	3.8%	5.0%	\$1,300	\$1,386	\$1,491	\$1,550	\$173,050	\$178,650	\$160,370	Miami-Dade
Milwaukee	1.1%	0.0%	0.3%	0.5%	1,800	2,020	3,800	3,900	2.8%	3.2%	3.6%	4.1%	\$965	\$1,005	\$1,040	\$1,075	\$73,860	\$74,060	\$77,080	Milwaukee
Minneapolis-St. Paul	1.5%	1.6%	1.8%	1.7%	4,650	3,710	5,400	5,100	2.9%	2.3%	3.0%	2.9%	\$1,098	\$1,146	\$1,235	\$1,298	\$111,360	\$122,190	\$131,890	Minneapolis-St. Paul
Nashville	3.8%	4.0%	2.4%	2.0%	3,700	6,520	9,700	5,600	3.6%	4.2%	6.9%	6.9%	\$1,031	\$1,104	\$1,155	\$1,178	\$110,970	\$121,980	\$142,500	Nashville
New Haven-Fairfield County	0.6%	-0.3%	0.6%	0.3%	1,780	1,800	1,400	1,200	3.2%	3.5%	4.6%	5.2%	\$1,568	\$1,591	\$1,636	\$1,655	\$176,060	\$183,320	\$180,990	New Haven-Fairfield County
New York City	2.6%	1.9%	1.4%	0.7%	12,010	14,670	22,000	20,000	2.5%	2.1%	2.1%	2.1%	\$2,512	\$2,548	\$2,619	\$2,690	\$340,400	\$343,840	\$356,890	New York City
Northern New Jersey	0.9%	0.9%	0.4%	0.6%	6,300	5,680	9,500	14,700	4.7%	4.2%	4.5%	4.9%	\$1,703	\$1,747	\$1,820	\$1,885	\$147,670	\$155,310	\$155,680	Northern New Jersey
Oakland	3.7%	3.1%	1.0%	0.6%	710	1,740	2,900	3,100	2.8%	3.3%	4.0%	4.4%	\$1,998	\$2,066	\$2,194	\$2,300	\$199,310	\$236,150	\$244,660	Oakland
Orange County	3.0%	1.6%	0.3%	1.0%	3,970	3,620	7,440	5,100	3.4%	3.2%	4.1%	4.6%	\$1,815	\$1,896	\$1,972	\$2,065	\$224,130	\$257,200	\$264,970	Orange County
Orlando	5.2%	3.4%	3.4%	3.2%	4,370	6,500	7,700	7,000	3.7%	3.3%	3.8%	3.9%	\$1,045	\$1,095	\$1,161	\$1,233	\$98,660	\$105,030	\$123,330	Orlando
Philadelphia	1.4%	2.4%	1.2%	1.1%	3,350	5,080	5,400	4,400	4.3%	3.9%	4.8%	5.1%	\$1,184	\$1,235	\$1,300	\$1,355	\$132,890	\$139,550	\$145,360	Philadelphia
Phoenix	3.3%	2.9%	2.1%	2.6%	6,190	8,030	6,550	8,400	4.6%	4.4%	5.4%	6.0%	\$880	\$935	\$989	\$1,034	\$86,290	\$94,110	\$108,230	Phoenix
Pittsburgh	-0.1%	0.4%	1.1%	1.0%	2,640	2,380	1,800	2,200	5.4%	5.4%	5.0%	5.3%	\$1,036	\$1,023	\$1,078	\$1,115	\$70,420	\$73,660	\$74,440	Pittsburgh
Portland	3.3%	2.6%	1.7%	1.9%	4,250	5,500	6,700	4,800	3.1%	4.2%	4.3%	3.9%	\$1,163	\$1,252	\$1,321	\$1,400	\$133,470	\$153,490	\$179,180	Portland
Raleigh	3.0%	3.1%	2.6%	2.7%	4,450	3,030	6,400	4,300	5.6%	4.8%	5.4%	5.0%	\$1,003	\$1,045	\$1,095	\$1,143	\$107,940	\$121,620	\$126,930	Raleigh
Riverside-San Bernardino	5.1%	2.7%	2.5%	2.1%	990	2,560	1,060	1,700	3.9%	3.2%	3.8%	3.9%	\$1,237	\$1,321	\$1,410	\$1,500	\$118,970	\$133,140	\$132,780	Riverside-San Bernardino
Sacramento	4.0%	2.6%	1.8%	1.7%	1,070	390	940	1,900	2.7%	2.6%	3.0%	3.1%	\$1,123	\$1,235	\$1,334	\$1,450	\$96,750	\$101,820	\$131,540	Sacramento
Salt Lake City	4.3%	4.0%	2.5%	2.2%	4,610	4,740	6,400	5,300	3.8%	3.2%	4.0%	4.6%	\$912	\$989	\$1,053	\$1,105	\$106,570	\$112,320	\$131,900	Salt Lake City
San Antonio	3.1%	2.8%	2.6%	2.0%	4,920	7,830	8,800	5,000	6.1%	5.7%	7.0%	6.7%	\$895	\$910	\$951	\$983	\$79,380	\$81,640	\$90,660	San Antonio
San Diego	3.1%	2.2%	1.3%	1.6%	2,920	4,310	6,200	4,200	3.4%	3.1%	4.2%	4.6%	\$1,668	\$1,748	\$1,865	\$1,956	\$194,530	\$224,220	\$232,720	San Diego
San Francisco	4.7%	3.2%	1.4%	0.9%	1,550	4,200	6,300	3,200	3.4%	3.7%	4.2%	4.3%	\$2,988	\$2,982	\$3,080	\$3,150	\$369,650	\$397,540	\$426,160	San Francisco
San Jose	3.7%	2.9%	1.1%	0.7%	4,550	5,160	3,950	3,150	3.4%	3.8%	3.9%	4.2%	\$2,474	\$2,444	\$2,630	\$2,750	\$291,530	\$317,620	\$346,560	San Jose
Seattle-Tacoma	3.0%	3.4%	2.4%	2.0%	9,980	13,180	15,160	11,100	3.6%	3.4%	3.8%	3.5%	\$1,356	\$1,456	\$1,559	\$1,643	\$199,880	\$218,770	\$232,200	Seattle-Tacoma
St. Louis	2.1%	1.3%	0.7%	0.6%	1,510	1,640	2,800	1,070	5.5%	4.6%	5.3%	5.0%	\$845	\$829	\$860	\$880	\$81,680	\$82,990	\$80,280	St. Louis
Tampa-St. Petersburg	4.0%	3.3%	2.4%	2.5%	3,740	3,630	5,300	5,600	3.4%	4.0%	4.9%	5.7%	\$1,013	\$1,054	\$1,126	\$1,197	\$91,670	\$103,740	\$103,270	Tampa-St. Petersburg
Washington, D.C.	2.4%	1.4%	1.4%	1.5%	9,480	15,480	14,700	16,800	4.3%	3.8%	4.6%	5.0%	\$1,599	\$1,616	\$1,681	\$1,725	\$190,900	\$212,860	\$190,930	Washington, D.C.
West Palm Beach	3.6%	3.1%	2.0%	1.6%	2,600	2,470	4,660	1,400	4.2%	4.4%	6.8%	6.6%	\$1,437	\$1,443	\$1,505	\$1,535	\$152,590	\$154,630	\$153,290	West Palm Beach
United States	1.9%	1.6%	1.4%	1.2%	241,130	292,920	380,000	335,000	4.1%	3.9%	4.7%	5.0%	\$1,243	\$1,284	\$1,343	\$1,384	\$137,309	\$145,051	\$146,903	United States

* Estimate ** Forecast ² See Statistical Summary Note on Page 64.

* Estimate ** Forecast ² See Statistical Summary Note on Page 64.

AN EXPERT ADVANTAGE

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Research Services

2398 E. Camelback Road Suite 550 Phoenix, AZ 85016

(602) 687-6700

Offices Throughout the U.S. and Canada

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2017

U.S. MULTIFAMILY INVESTMENT FORECAST



IN-DEPTH LOCAL
MARKET ANALYSIS



NATIONAL
PERSPECTIVE



INDUSTRY-FOCUSED
EXPERT RESEARCH

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To Our Valued Clients:

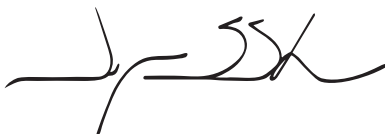
Apartment investments remain well positioned entering 2017, though several important macro-level dynamics have begun to shift course. The November election set in motion a range of fiscal, monetary, regulatory and economic changes that will merit close investor attention. Prospective modifications to tax laws, a rising interest rate environment and upward revisions to economic forecasts could all influence investor behavior, while rising apartment completions will also generate a dynamic landscape. While the outlook points to another positive year for apartments as a whole, the many nuances will encourage investors to become much more tactical in their decisions.

The economic cycle, now well into its seventh year of growth, has supported the creation of more than 15 million jobs and the absorption of about 1.8 million apartments. Though many believe that the longevity of the cycle alone predicts a looming slowdown, few signs of a pending downturn have emerged. Hiring remains sound, adding between 2.0 million and 2.5 million jobs to the economy each year, while the unemployment rate has held steady in the 5.0 percent range — effectively full employment. These trends will continue to unlock positive demographics, empowering the 80 million strong millennial generation to create new households and bolster housing demand. Although apartment construction in 2017 will reach its highest level in more than 30 years, it remains below peak levels set in the 1980s when baby boomers were coming of age, and demand is expected to largely keep pace, at least on a macro level.

The investment climate will remain active as a confluence of buyers seeking the stable returns of apartment assets acquire properties from investors ready to cash in on record growth. Liquidity in secondary and tertiary markets is elevated, and many metros are achieving record prices. The dynamics point to an engaging year of investment activity with a wide range of buyers and sellers repositioning portfolios as they recalibrate their strategies ahead of the anticipated changes in the tax code, an evolving interest rate outlook, the prospect of rising cap rates and a wave of multifamily completions.

Many unknowns assuredly await investors in the coming year as a new presidential administration takes the reins and a unified Congress portends more decisive action. These forces will converge with a strengthening dollar, a potentially more aggressive Federal Reserve and generally weak international economies to create both opportunities and challenges for investors. We hope this report provides useful insights that will help investors navigate the changing landscape. As you recalibrate your strategies, our investment professionals look forward to assisting you in meeting your goals.

Sincerely,



John S. Seabee

First Vice President, National Director | National Multi Housing Group



John Chang

First Vice President | Research Services

National Perspective

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Developed by Hessam Nadji, President and Chief Executive Officer, and John Chang, First Vice President, Research Services. The Capital Markets section was co-authored by William E. Hughes, Senior Vice President, Marcus & Millichap Capital Corporation. Additional contributions were made by Marcus & Millichap market analysts and investment brokerage professionals nationwide.

National Multifamily Index (NMI)

- Several markets with favorable supply-and-demand balances and momentum in hiring made large moves to ascend to the top spots in the 2017 National Multifamily Index (NMI).
- Los Angeles advanced 11 places in the Index from one year ago to take the highest position in 2017 behind a forecast for further tightening in vacancy and minimal supply growth. Robust job growth propelled the seven-rung rise of Seattle-Tacoma (#2) and Boston (#3) also executed an advance of seven places on its strong job market.
- Minneapolis-St. Paul (#4) is the highest-ranked Midwest metro this year. San Francisco (#7) and San Jose (#8) were downgraded from the top of last year's NMI as their growth cycles mature, and New York City also declined to the last spot in the top 10.

National Economy

- Economic performance in 2017 could benefit from the carryover of last year's momentum. The uncertainty regarding fiscal, trade and other policy goals not yet formulated by the incoming administration could generate a drag on economic growth in the first months of the Trump term.
- The ability of the new administration and Congress to work together was a matter of speculation at the end of last year. Promises of infrastructure spending could find some bipartisan agreement in the coming year, but implementation of a plan could necessitate additional government borrowing.
- The economy added approximately 2.2 million jobs in 2016 but the reduction in labor market slack will support 2.0 million new hires this year. An increase in consumer spending, combined with the possible implementation of fiscal policies, should generate GDP growth in the 2.5 percent range during 2017.

National Apartment Overview

- Projected job creation and rental household formation will support demand, while demographic trends also support low vacancy and a steady pace of rent increases. Notably, the ongoing flow of millennials into the workforce, a segment of the population with a high propensity to rent, represents a robust driver of growth in the multifamily sector.
- Developers will bring 371,000 units to the market in 2017. In addition to disciplined construction lending, proposals of increased government infrastructure spending could elevate competition for construction materials and labor needed for multifamily construction.
- National apartment vacancy will end 2017 at 4.0 percent as rapidly increasing household formation generates robust net absorption that supports a 3.8 percent rise in the average effective rent. Class A vacancy rates will climb in many markets where substantial supply influxes are on tap.

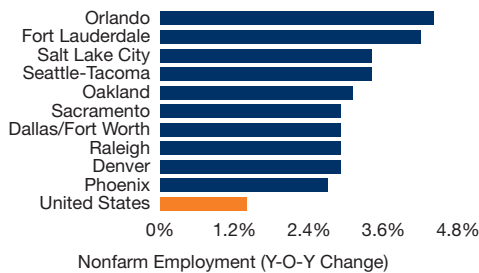
Capital Markets

- Lending capacity for multifamily acquisitions and refinancing remains healthy, but the rise in the yield on the 10-year U.S. Treasury following the election creates some uncertainty concerning where long-term rates will settle.
- Higher interest rates and tighter lender underwriting could cultivate additional investor caution. However, a potential easing of Dodd-Frank regulations on financial institutions could create additional lending capacity for other capital sources.

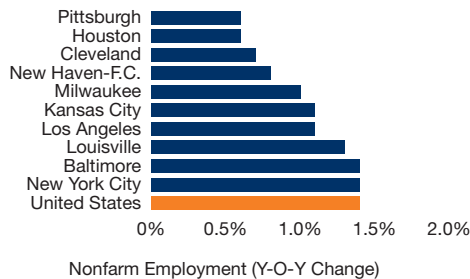
Investment Outlook

- The rise in the average sales price during 2016 maintained the average cap rate in the low-5 percent range and prompted many investors to search for higher yields in secondary and tertiary markets.
- Investors remain cautiously optimistic. However, speculation on how a new presidential administration will govern is certain to influence investors' outlooks temporarily, at least through the early months of a Trump presidency.

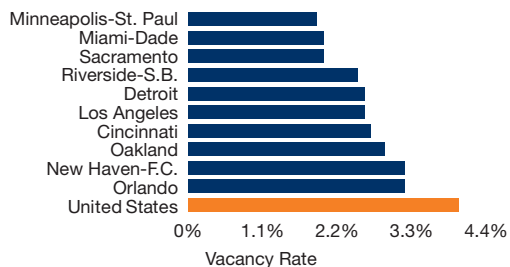
Markets with the Highest Expected 2017 Employment Growth



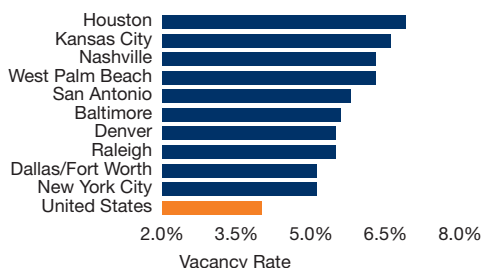
Markets with the Lowest Expected 2017 Employment Growth



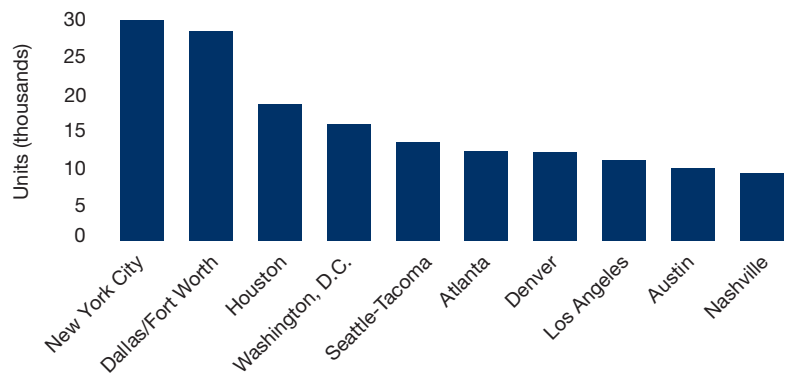
Markets with the Lowest Expected 2017 Vacancy Rates



Markets with the Highest Expected 2017 Vacancy Rates



Markets with the Highest Expected 2017 Completions



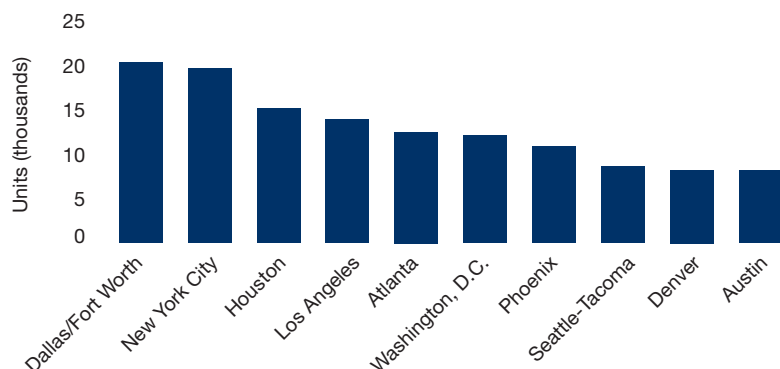
Big Advances Shuffle the Lineup of Markets Sitting Atop 2017 National Multifamily Index

New leader heads the rankings. Several markets with favorable supply-and-demand balances and high rankings in other performance gauges made large moves to ascend to the top spots in the 2017 National Multifamily Index (NMI). Los Angeles advanced from one place outside the top 10 last year to claim the highest position in 2017 behind a forecast of further tightening in vacancy and minimal supply growth. Robust job gains propelled the seven-rung rise of Seattle-Tacoma (#2) and Boston (#3) also executed an advance of seven places on its strong job market. Minneapolis-St. Paul (#4) posts the lowest vacancy rate among all markets and is the highest-ranked Midwest metro. Oakland (#5) rounds out the top five and initiates a run of West Coast markets. Portland (up two spots to #6) sports low vacancy and high rankings in other factors, while San Francisco (#7) and San Jose (#8) were downgraded from the top of last year's NMI as their growth cycles mature. San Diego's drop to the ninth slot occurred as supply growth offset a sizable gain in rents and low overall vacancy. An increase in vacancy will weigh on rent growth in New York City (#10), prompting a demotion of seven places. An upswing in performance pushed up Riverside-San Bernardino (#11), while a quickened pace of rental housing demand and job gains catapulted Phoenix (#12) seven spots. Miami-Dade (#15) retained its ranking from 2016 and is preceded by Denver (down seven places to #13 on substantial completions) and Atlanta (#14), which made a climb of six places behind a projected drop in vacancy and solid job growth.

Rising Markets, Metros With Maturing Cycles Populate Middle of 2017 NMI

Geographic mix of markets features Florida, Texas. The middle tier of this year's Index offers a mix of ascending markets and other metros that have reached turning points. Raleigh leads the group as the 16th-ranked market, followed by Orange County (#17), which descended five places on higher near-term supply growth. Despite a considerable increase in rents, Northern New Jersey (#18) plunged five places on the tepid performance of other gauges. A vacancy decline and elevated rent growth vaulted Tampa-St. Petersburg (#19) eight slots. It is joined in the middle third of the NMI by other Florida metros, Fort Lauderdale (#23) and Orlando (#27), that also improved their placement from one year ago. Sacramento (up six places) rounds out the top 20, while a drop of four places lands Chicago in the 21st spot. Restrained supply additions were insufficient to offset a rise in vacancy and a mod-

Markets with the Highest Expected 2017 Absorption



eration in rent growth. Austin (#22) tumbled eight spots but is the top-rated Texas market, as heavy supply growth precipitated the eight-place fall of Dallas/Fort Worth (#26). Completions contributed to Salt Lake City (#25) slipping two places, and elevated supply risks in Nashville (#29) also hastened a drop of eight places. Philadelphia receded two places to #30 but remains in the middle tier.

Midwest Metros Improve Rankings But Supply Growth Pulls Down Other Markets

Houston (down nine places to #31) could get some relief if oil prices rise in 2017, but rent growth will remain subdued. Washington, D.C., (#32) holds onto last year's ranking, while Cincinnati (#34) and Columbus (#35) rise to claim higher rankings. One of the nation's thinnest construction pipelines and declining vacancy fueled Cincinnati's seven-rung ascent. Detroit (up one place to #38) and Indianapolis (#42), which rose three slots in the NMI, are other Midwest metros enjoying brighter prospects. New Haven-Fairfield County (#41) advanced three rungs as sluggish rent and job growth outweighed a favorable balance of supply and demand. Closing out the Index, supply growth that will sharply raise vacancy rates pushed down Louisville (#45) seven places and Kansas City (#46) six slots.

Index Methodology

The NMI ranks 46 major markets on a collection of 12-month, forward-looking economic indicators and supply-and-demand variables. Markets are ranked based on their cumulative weighted-average scores for various indicators, including projected job growth, vacancy, construction, housing affordability and rents. Weighing both the forecasts and incremental change over the next year, the Index is designed to show relative supply-and-demand conditions at the market level.

Users of the Index are cautioned to keep several important points in mind. First, the NMI is not designed to predict the performance of individual investments. A carefully chosen property in a bottom-ranked market could easily outperform a poor choice in a higher-ranked market. Second, the NMI is a snapshot of a one-year horizon. A market encountering difficulties in the near term may provide excellent long-term prospects, and vice versa. Third, a market's ranking may fall from one year to the next even if its fundamentals are improving. The NMI is an ordinal Index, and differences in rankings should be carefully interpreted. A top-ranked market is not necessarily twice as good as the second-ranked market, nor is it 10 times better than the 10th-ranked market.

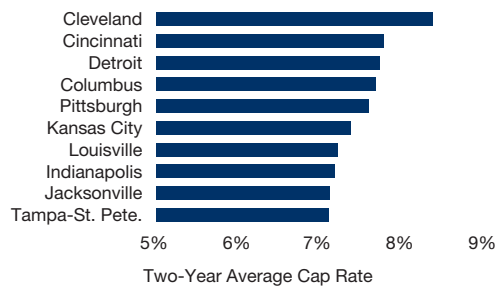
Market Name	Rank 2017	Rank 2016 ¹	16-17 Change
Los Angeles	1	11	↗ 10
Seattle-Tacoma	2	9	↗ 7
Boston	3	10	↗ 7
Minneapolis-St. Paul	4	7	↗ 3
Oakland	5	4	↘ -1
Portland	6	8	↗ 2
San Francisco	7	1	↘ -6
San Jose	8	2	↘ -6
San Diego	9	5	↘ -4
New York City	10	3	↘ -7
Riverside-San Bernardino	11	16	↗ 5
Phoenix	12	19	↗ 7
Denver	13	6	↘ -7
Atlanta	14	20	↗ 6
Miami-Dade	15	15	■ 0
Raleigh	16	NEW	■ NA
Orange County	17	12	↘ -5
Northern New Jersey	18	13	↘ -5
Tampa-St. Petersburg	19	27	↗ 8
Sacramento	20	26	↗ 6
Chicago	21	17	↘ -4
Austin	22	14	↘ -8
Fort Lauderdale	23	24	↗ 1
Charlotte	24	29	↗ 5
Salt Lake City	25	23	↘ -2
Dallas/Fort Worth	26	18	↘ -8
Orlando	27	30	↗ 3
Las Vegas	28	34	↗ 6
Nashville	29	21	↘ -8
Philadelphia	30	28	↘ -2
Houston	31	22	↘ -9
Washington, D.C.	32	32	■ 0
Milwaukee	33	25	↘ -8
Cincinnati	34	41	↗ 7
Columbus	35	36	↗ 1
San Antonio	36	31	↘ -5
West Palm Beach	37	35	↘ -2
Detroit	38	39	↗ 1
Baltimore	39	33	↘ -6
Cleveland	40	37	↘ -3
New Haven-Fairfield County	41	44	↗ 3
Indianapolis	42	45	↗ 3
Pittsburgh	43	43	■ 0
St. Louis	44	46	↗ 2
Louisville	45	38	↘ -7
Kansas City	46	40	↘ -6

¹ See National Multifamily Index Note on page 64.

High-Yield Index

Market Name	Rank 2017
Cleveland	1
Cincinnati	2
Detroit	3
Columbus	4
Pittsburgh	5
Kansas City	6
Louisville	7
Indianapolis	8
Jacksonville	9
Tampa-St. Petersburg	10

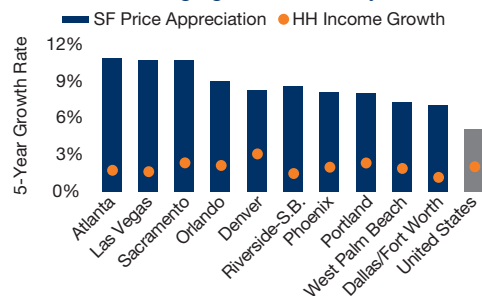
High-Yield Markets



Housing Affordability Index

Market Name	Rank 2017
Atlanta	1
Las Vegas	2
Sacramento	3
Orlando	4
Denver	5
Riverside-San Bernardino	6
Phoenix	7
Portland	8
West Palm Beach	9
Dallas/Fort Worth	10

Emerging Unaffordability



Midwest Markets Entice Cash-Flow Buyers With High Yields

As demand compressed cap rates in many of the nation's premier metros, investors increasingly perused secondary and tertiary markets for higher yields. While these markets are often associated with higher risk, buyers believe the nation's economic growth trajectory will remain positive and support superior returns for assets outside core metros. The High-Yield Index highlights markets with larger-than-average cap rates that are expected to garner attention from investors. These metros typically have limited construction pipelines and offer steady income prospects. When targeting high-yielding assets, investors must consider their timing and exit strategies as market liquidity does not always align with investment horizons.

- The Great Lakes markets of Cleveland, Cincinnati, Detroit, Columbus and Pittsburgh dominate the list of high-yield markets. These metros recovered from the recession later than most, resulting in moderate construction levels over the last 10 years. Revitalization, especially near urban cores, is increasing investor optimism for apartments in these markets.
- Opportunistic investors are drawn to the value-add potential of older Class B/C inventory in this index's metros. Investors interested in long-term holds are active in these high-yield areas as steady job and household expansion support consistent apartment demand.
- Many of these markets offer lower entry costs with per unit pricing less than a fourth of larger coastal markets. Improving operations have boosted cash flows, motivating yield-seeking buyers to inject capital.

Appreciating Housing Markets Lock in Rentals

Low for-sale inventory of single-family homes is driving a tight housing market across the country, and some metros are experiencing a greater housing crunch than others. The Housing Affordability Index focuses on markets where home price appreciation has been strongest over the last five years but where income growth has not kept pace, spurring strong demand for rental housing and encouraging healthy rent gains. Future home price appreciation and rising interest rates will continue to widen the gap in affordability between monthly mortgage payments and rents, producing a consistent stream of renters that restrains vacancies and supports rent growth.

- Employment growth in the Orlando, Las Vegas, Sacramento and Phoenix markets is dominated by the service industry, with gains in tourism-related segments and retail trade accounting for a large portion of positions. Jobs in the service industry typically provide wages below requirements for homeownership, increasing demand for area apartments and supporting rent growth.
- Limited availability of entry-level single-family homes, especially in Denver, Portland and West Palm Beach, will place additional upward pressure on home prices in many of these markets. The affordability gap will continue to widen as home prices rise and income growth does not keep pace, encouraging another year of strong apartment absorption and rent gains.
- Relative affordability of renting compared with homeownership will supply a broad base of renters, helping to keep the vacancy rate down. Atlanta, Las Vegas and Sacramento have the widest disparity between home price appreciation and household income growth.

Outsize Rent Growth Potential Offers Enticing Upside

The Upside Potential Index ranks markets where residents pay a smaller portion of their income toward monthly rent compared with other markets in the nation, allowing for greater potential rent growth. Highlighted by tight vacancy, modest development activity and housing expenditures that fall far below national rates, the metros in this index offer greater performance upside for well-positioned assets. Healthy operating metrics and expanding economies among these markets will increase rental housing demand this year, potentially providing owners and operators with solid revenue growth. A wide gap between residents' monthly rent and monthly incomes in these areas allows for further rent gains for some of the most desired apartment complexes.

- The median household income in eight of these markets is above the national median. Both Salt Lake City and Minneapolis-St. Paul exceed the national median by more than 20 percent, yet tenants' expenditures in each market for monthly rent are below the national average, suggesting room for aggressive rental growth in well-positioned properties.
- Assets in Indianapolis and Columbus offer investors significant upside potential as each market's median household income is above the national rate. The metros' rents are approximately one-third of the national average rent, each resting below \$900 per month.
- Vacancy remains below 3 percent in Cincinnati and Detroit, providing many owners with strong monthly cash flows as renters' ability to pay higher rent is evident in their low housing cost compared with their income.

Elevated Yields, Strong Rent Growth Boost Total Returns

As the business cycle enters its eighth year, real estate values have recorded robust gains since the depths of the recession. Broad-based job creation and limited supply growth have dramatically tightened vacancy rates, prompting significant improvement in average effective rents. Investors' aggressive pricing has compressed cap rates in the vast majority of markets, with many sitting at the lowest levels ever recorded. As a result, numerous buyers are seeking total return opportunities through a combination of higher cap rates and dramatically climbing rents. The Total Return Index ranks metros by the largest expected rent growth for the coming year and highest current cap rates, combining the two elements for appreciation in NOIs and potential for increases in the future resale value of the asset.

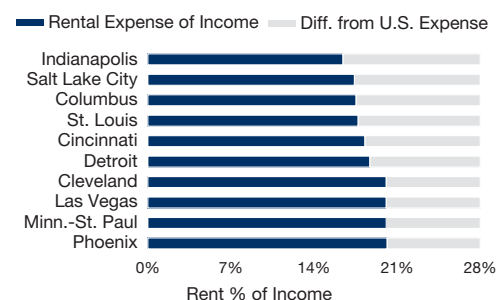
- Investors seeking higher returns will move inland from coastal metros to those in the Total Return Index. Many of these markets are later to recover and offer cap rates that average in the 6 to 7 percent range, 200 to 300 basis points higher than many primary markets on the coast.
- Strengthening fundamentals and favorable demographic trends are driving rent growth in these markets, providing buyers the potential to raise NOIs. Rent gains of 4 to 7 percent can be found in most of these metros, particularly Salt Lake City, Sacramento and Phoenix.
- Cleveland, Cincinnati and Detroit lead the charge for yields, though aggressive investor pricing energized by competitive bidding will compress cap rates through the year.

Specialty Indexes

Upside Potential Index

Market Name	Rank 2017
Indianapolis	1
Salt Lake City	2
Columbus	3
St. Louis	4
Cincinnati	5
Detroit	6
Cleveland	7
Las Vegas	8
Minneapolis-St. Paul	9
Phoenix	10

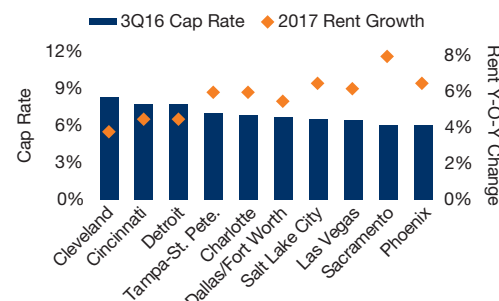
Undervalued Rent Opportunities



Total Return Index

Market Name	Rank 2017
Cleveland	1
Cincinnati	2
Detroit	3
Tampa-St. Petersburg	4
Charlotte	5
Dallas/Fort Worth	6
Salt Lake City	7
Las Vegas	8
Sacramento	9
Phoenix	10

Appreciation Benchmark Metros



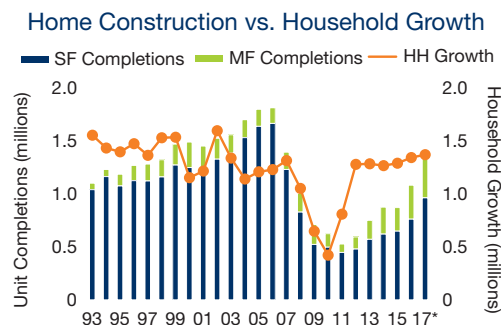
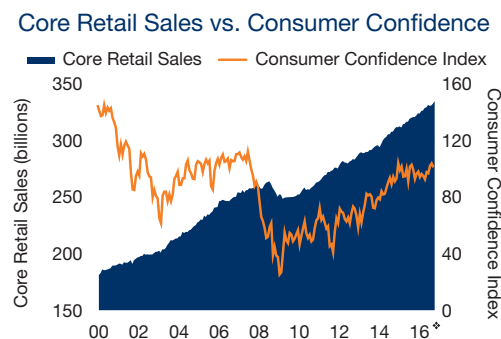
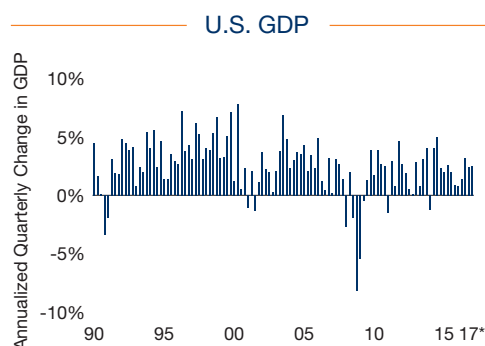
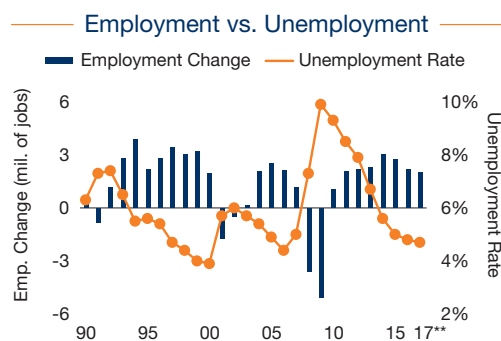
Prospects for Economic Growth Positive, But Election Implications Still Evolving

U.S. economy carries momentum into 2017. After modest GDP growth in the first half of 2016, the pace of expansion picked up strength as the labor market and growing consumer confidence helped close the year on a strong note. Economic performance in 2017 could benefit from the carryover of last year's momentum. However, the uncertainty regarding fiscal, trade and other policy goals not yet clearly stated by the incoming administration could generate a drag on growth in the first months of the Trump term. Against this backdrop, the economy should still create sufficient jobs to absorb new labor force entrants, but growth in U.S. payrolls during 2017 will moderate due to the tightness of the labor market and retirements of older workers. Amid rising wages and low household debt levels, consumers traditionally feel confident to increase their spending, and consumption trends appear positive in the near term. While existing single-family home sales grew modestly due to tight inventory, new-home construction and sales are rising to relieve some pent-up demand for housing. Household formation and housing completions are on course to align this year, indicating an imminent end to the housing shortage that has persisted throughout this economic cycle.

Faster pace of growth and less gridlock anticipated, but details of administration's plans still forming. As currently understood, the Trump administration's economic policies will focus on fiscal stimulus, lower taxes and reduced regulation as a means to jump-start the pace of domestic economic growth. With Republican control of Congress and the White House, a range of issues including the passage of the budget and raising of the debt limit could occur more quickly and efficiently. The new administration's expressed intent to improve infrastructure and increase spending on defense could lift economic growth in 2017, especially if legislation is enacted quickly. The ability of the new administration and Congress to work together to put forth an agenda aimed at escalating economic growth was a matter of speculation at the end of 2016. The relationship could take some time to sort out, potentially delaying the execution of the agenda. Promises of infrastructure spending could find some bipartisan agreement in the coming year, but financing an initiative also comes with longer-term risks. A rise in federal spending that requires new borrowing could increase the budget deficit, pushing long-term interest rates higher and raise inflationary pressure. In anticipation of higher long-term rates and a more robust pace of economic growth, the Federal Reserve is widely expected to lift its short-term lending benchmark more aggressively in 2017.

2017 National Economic Outlook

- **Job growth remains steady in tight labor market.** The economy added approximately 2.2 million jobs in 2016, but with unemployment below 5 percent, the tight labor market will moderate to 2.0 million new hires this year. Expanding payrolls will be broad-based, but rising home construction plus the possibility of increased defense spending could result in meaningful construction and manufacturing sector gains.
- **Wealth effect provides new fuel for consumption.** As a tight labor market drives up wages, consumer spending should accelerate further, pushing economic growth. Increased consumer spending combined with the possible implementation of fiscal policies should generate GDP growth in the 2.5 percent range in 2017.
- **Rise in federal spending could crimp growth.** Rising interest rates and a strong U.S. dollar can signal positive economic growth. Yet, they can also negatively impact the expansion by cutting exports due to the higher cost of American products and deferring investment due to higher financing costs. Overall economic health in 2017 looks solid, but potential downside effects exist.



* Forecast

◆ Through October

Maturing Economic Cycle Still Favors Apartment Sector Performance

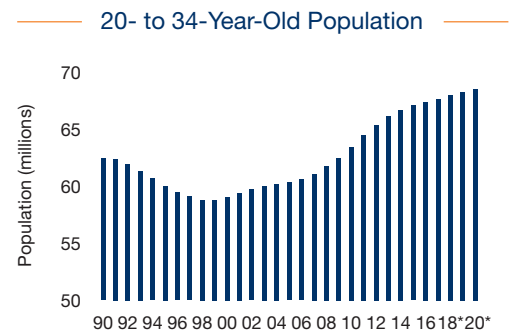
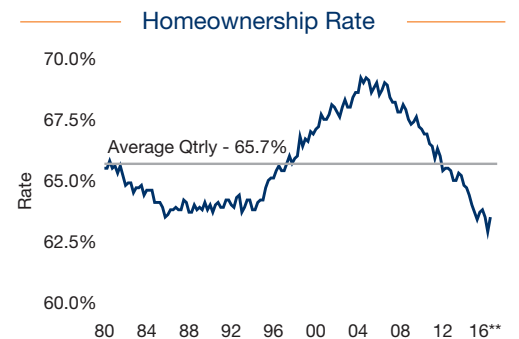
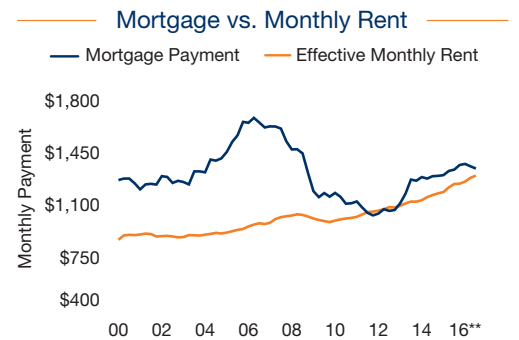
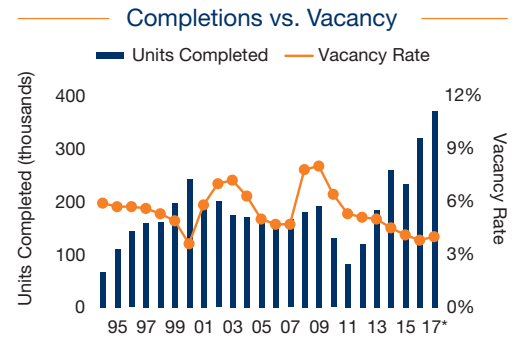
Tenant demand remains strong. The expansion of the U.S. economy for a seventh consecutive year sustained a high level of asset performance that reinforced the confidence of property owners and investors. Among key demographic and economic drivers, job creation and household formation during the year translated again into noteworthy net absorption. In 2017, projected job creation and rental household formation will support demand, while demographic trends also provide a meaningful tailwind for maintaining low vacancy and a steady pace of rent increases. The entrance of millennials into the workforce, in particular, remains a potent force in the multifamily sector as these individuals have a high propensity to rent. Nationally, the homeownership rate descended to a 51-year low of 62.9 percent last year and is projected to remain in the low-60 percent band in 2017. The low rate is not altogether surprising given the social narrative of mobility, flexibility and burdensome student debt following the financial crisis. Millennials' tendency toward later marriage and family formation should translate into sustained new demand for rentals and extended tenures in apartments.

Peak in construction expected in 2017. Rentals slated for completion this year were authorized some time ago, but a recent leveling off in permit issuance signals that the wave of development will likely crest this year. Construction lenders are also exercising discretion, critically assessing the experience of development teams, closely scrutinizing return projections and factoring in expectations of more subdued NOI growth. In addition to conservative lending, proposals of increased government infrastructure spending could elevate competition for construction materials and labor needed for multifamily development. The likely crest of apartment construction this year coincides with easing rent growth trends. Most of the softening will occur in the recently delivered upper-tier assets. Completions of luxury rentals will exert more pressure on the Class A vacancy rate in 2017, while the outperformance of Class B and Class C assets will encourage a further reconsideration of investment strategies. Some newer assets will benefit from strategic locations in niche neighborhoods while others will face stiff competition from a wave of development. That said, most markets facing significant apartment additions also have a somewhat captive renter pool as home prices are elevated as well.

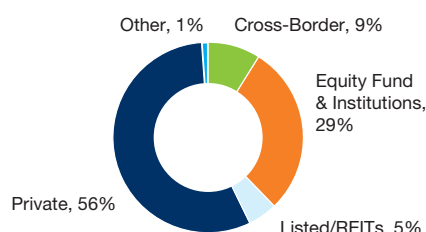
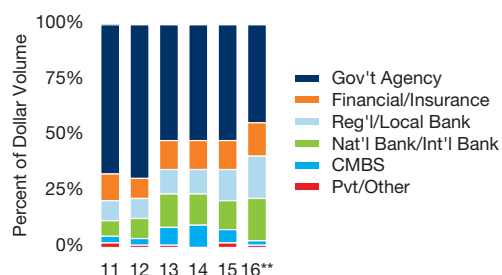
2017 National Apartment Outlook

- **New supply tests the limits of demand in some metros.** The coming year will bring 371,000 units to the market, outpacing last year's total of 320,000 rentals. Highly amenitized Class A properties in urban locations will be the most challenged by new stock. Assets with the potential to outperform include the Class B and C tier, as well as those in secondary and tertiary markets that have not attracted meaningful interest from developers.
- **Low vacancy supports continued rent growth.** U.S. vacancy will end 2017 at 4.0 percent as rapidly increasing household formation generates robust net absorption that leads to a 3.8 percent increase in the average effective rent. The pace of rent growth marks a deceleration from last year's pace.
- **Demographics create a structural lift.** Pent-up millennial household formations remain a vast potential source of future apartment demand. If millennials created households at the same rate today as before the recession, an additional 1.7 million households would exist. This represents potential demand for nearly 1 million units in housing, which is more than the total net absorption recorded nationwide for the past four years.

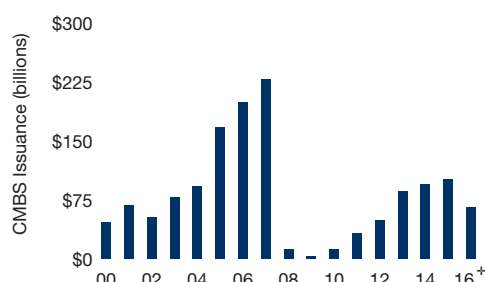
National Apartment Overview



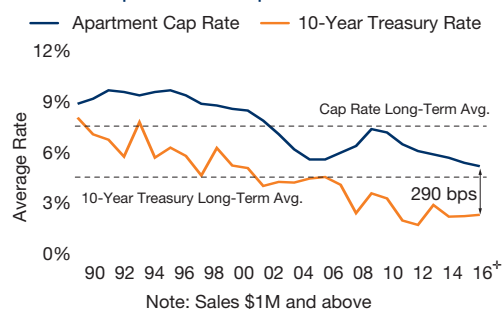
* Forecast
** Through 3Q

Apartment Acquisitions
By Buyer Type*Apartment Mortgage Originations
By Lender

CMBS Issuance



Apartment Cap Rate Trends

Options for Multifamily Borrowers Remain Broad,
But Rising Interest Rate Trend a Key Question**Borrowers seeking certainty as Fed, new administration weigh actions.**

Lending capacity for multifamily acquisitions and refinancing remains healthy, but several trends that will affect capital markets this year are gaining traction. The rise in the yield on the 10-year U.S. Treasury following the election prompted many borrowers to pause in order to determine where long-term rates would stabilize. Though cap rates could begin to rise in 2017 if the climb in the 10-year accelerates, the sound economy and global capital flows into U.S. government debt might also mitigate some of the increase and provide greater certainty. A contained rise in cap rates could also provide an opening for investors shut out by the significant yield compression of the past several years and provide new lending opportunities. Prior to the rise in the 10-year, construction lenders were taking a more cautious stance in financing projects. A more conservative approach by lenders is likely to be a positive force this year, restraining the development pipeline at a point in the cycle where overbuilding risks often intensify.

The role of CMBS in 2017 to be defined. Volume was down in 2016, partly as a result of greater risk aversion early in the year. The first CMBS offerings written under the new Dodd-Frank risk-retention rules were issued last summer and comprised a relatively low risk pool of loans issued at low LTVs. The offerings were well received and provide a potential blueprint for future deals. CMBS rates rose after the election, and issuance may lag in the first quarter of 2017 until lenders and bond investors gain greater clarity on rates and risk-retention requirements. These requirements will likely survive some regulatory reform within Dodd-Frank, but other capital sources will take precedence over CMBS.

2017 Capital Markets Outlook

- Monetary policy actions set to accelerate.** The 10-year U.S. Treasury rate held below 2 percent until a surge following the election raised the rate above that threshold and potentially established a new and higher range for the benchmark. Moderate economic growth and muted inflation throughout the growth cycle allowed the Federal Reserve to hold off on rate hikes, which has supported additional cap rate compression. However, the Trump administration's fiscal plans built on higher spending and reduced taxes could accelerate economic growth. Intensifying inflationary pressure under that scenario could encourage the Federal Reserve to quicken the pace of its efforts to raise its short-term benchmark.
- Inflation on the upswing, but for the right reasons.** Though inflationary pressures are beginning to grow, increases are occurring from a historically low base. Further, inflationary pressure has arisen from wage growth and stabilization of oil prices, both positives for the overall economy. Higher wages will encourage spending while inflationary pressure on prices will raise overall consumption, the primary driver of economic growth.
- Underwriting discipline persists; ample debt capital remains.** Multifamily originations increased in 2016, with agency lending dominating the overall marketplace. The government agencies underwrote about \$105 billion in loans last year and remain a primary source of multifamily originations in 2017 due to their efficient execution. Acquisition debt remained plentiful throughout 2016, but borrowers' rates rose late in the year in conjunction with higher Treasury yields, and loan-to-value ratios compressed. The combination of higher rates and tighter lender underwriting created some investor caution that could carry over into 2017. A potential easing of Dodd-Frank regulations on financial institutions could create additional lending capacity for other capital sources.

* Trailing 12 months through 3Q

** Through 3Q

+ Through November 28

Wider Range of Markets Likely Come into Play As Property Cycle Maintains Momentum

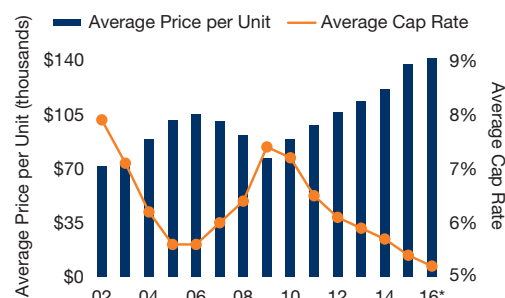
Investors cautiously optimistic heading into 2017. Positive performance trends will sustain investor engagement entering 2017, though a modest pull-back in activity could continue. At first glance, the slowdown in investment sales last year seems at odds with the favorable conditions driving the apartment sector, but the downtick also reflects the influence of outside events on investors' perspectives. Bouts of equity market volatility, the protracted U.S. presidential campaign and uncertainty on monetary policy sowed greater caution and reassessment of risk in 2016. The outcome of the election and speculation on how a new administration will govern are certain to be factors affecting investors' outlooks, at least through the early months of a Trump presidency. A rise in the yield on the 10-year U.S. Treasury at the end of 2016 is also a factor certain to carry over into 2017. Higher interest rates compressed the yield spreads over the cost of capital, driving speculation that cap rates will also rise. Historically cap rates have not moved in unison with Treasuries, so upward pressure on yields is not a foregone conclusion. Nonetheless, a gap between buyer and seller expectations could widen.

Capital allocations moving beyond core markets. The rise in the average sales price during 2016 maintained the average cap rate in the low-5 percent range and prompted many investors to expand the map to locate higher yields. As 2017 unfolds, interest in secondary and tertiary markets could further intensify as supply-and-demand imbalances arise in some metros. The average yield in tertiary markets compressed last year to the mid-6 percent range to settle 160 basis points above the average primary market yield. A similar trend persists in secondary markets, which raises the potential for additional arbitrage plays from primary to secondary and tertiary markets. Within the asset classes, recently completed Class A complexes that have stabilized will remain highly sought. Class B and C properties also remain highly attractive as vacancy rates and rent growth have been quite strong in the traditional workforce segment.

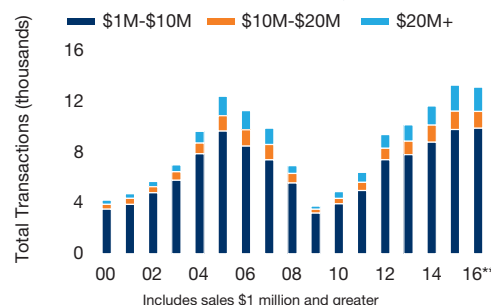
2017 Investment Outlook

- **The pursuit of yield will intensify.** With assets in major metros commanding high valuations and selling at compressed yields, the opportunity to capture potentially higher yields in secondary and tertiary markets will likely warrant greater consideration. The cap rate spread between preferred and tertiary markets stands at roughly 200 basis points, about half the 2012 peak but close to its long-term average of 240 basis points.
- **Investors become more selective.** Supply-and-demand imbalances will persist in some metros, encouraging investors to closely evaluate the project pipeline and assess the effects of new supply on asset performance. Transaction volume in 2017 should remain healthy but could ease from recent peak levels as marketing times and due diligence periods extend.
- **Foreign capital remains factor in the buyer pool.** U.S. commercial real estate remains desirable for overseas investors despite the strengthening dollar. For many, the stability and potential growth offered by U.S. assets compared with other countries underpins long-term capital preservation strategies.

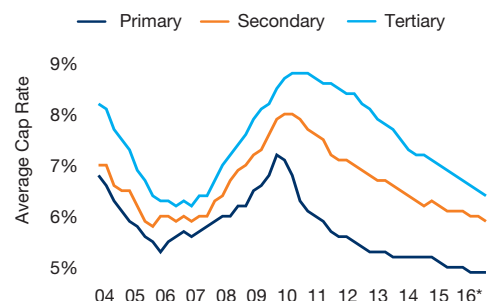
Price and Cap Rate Trends



U.S. Apartment Investment Transactions Moderating in 2016



Cap Rate Trends by Market



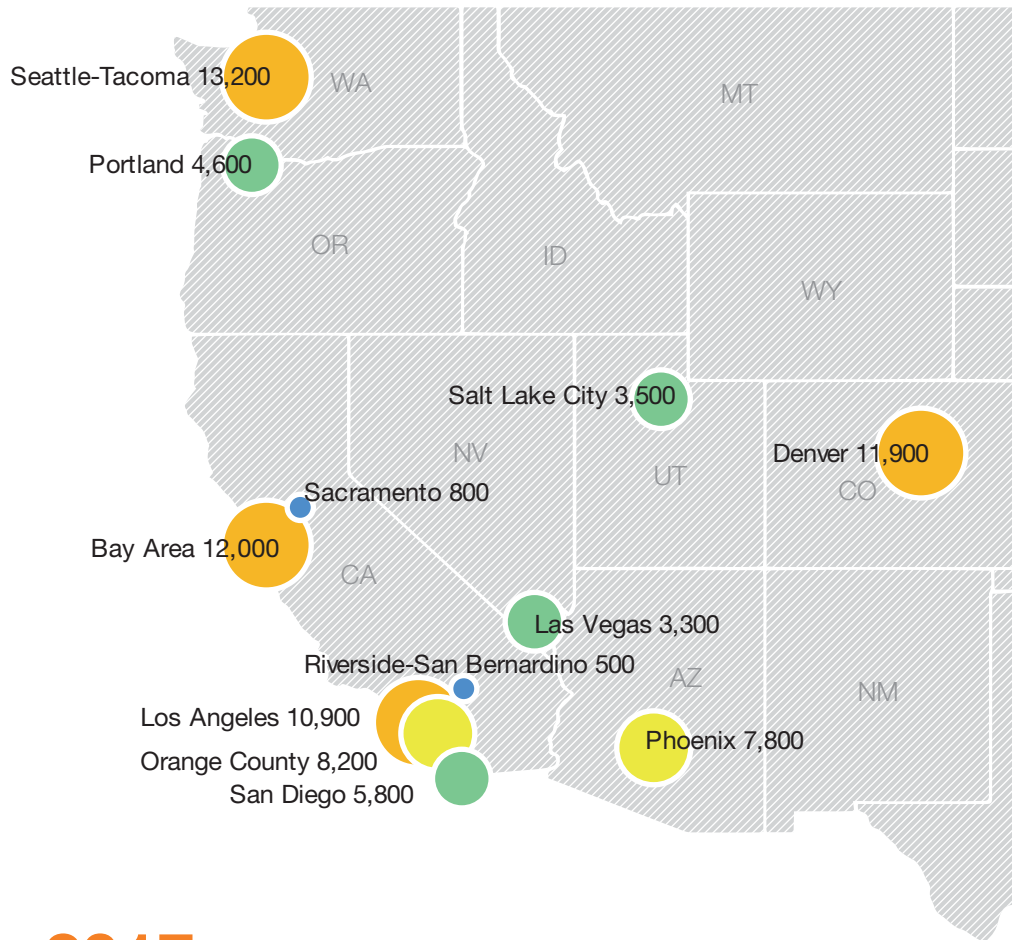
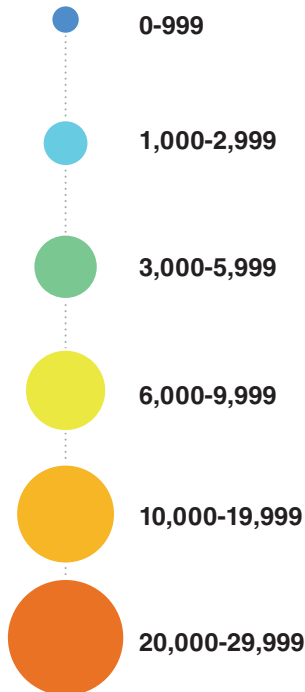
Apartment Cap Rate Trends



* Through 3Q
** Trailing 12 months through 3Q

2017 Forecast Completions Highest Since 1980s But Remain Concentrated

2017 Completions



2017

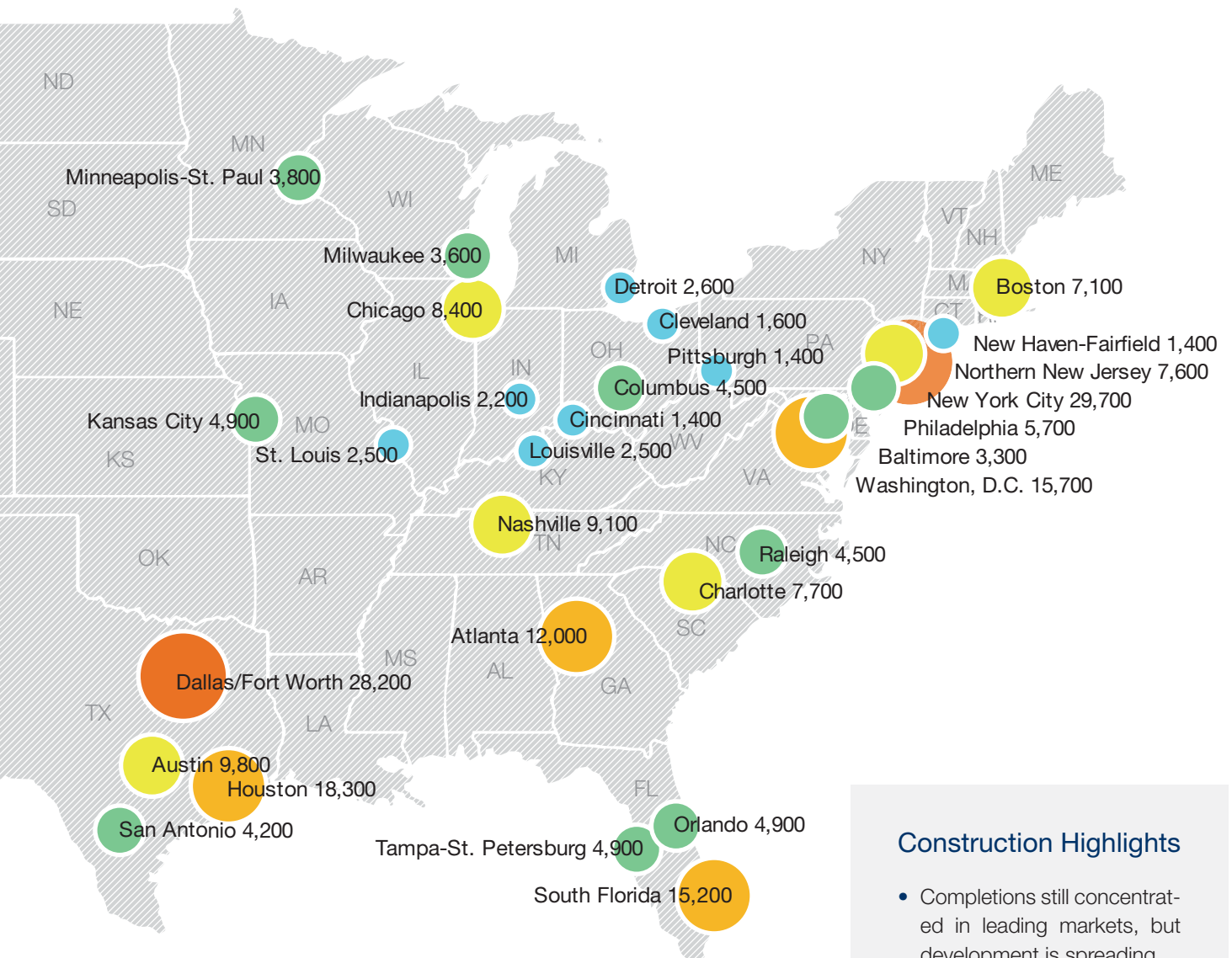
Top 10 Construction Markets	Absorption	Supply
New York City	19,500	29,700
Dallas/Fort Worth	20,200	28,200
Houston	15,000	18,300
Washington, D.C.	12,100	15,700
South Florida ☼	13,400	15,200
Seattle	8,600	13,200
Bay Area ♦	10,800	12,100
Atlanta	12,400	12,000
Denver	8,200	11,900
Los Angeles	13,900	10,900
United States	324,500	371,000



☼ Miami, Fort Lauderdale, West Palm Beach

♦ San Francisco, San Jose, Oakland

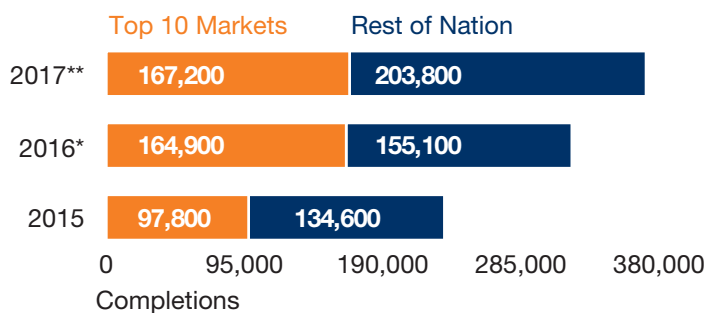
Source: MPF Research



Construction Highlights

- Completions still concentrated in leading markets, but development is spreading.
- Some secondary markets with elevated construction face submarket-level risk.
- Class A apartments in areas of significant construction face greater risk.
- Construction pipeline thins after 2017.

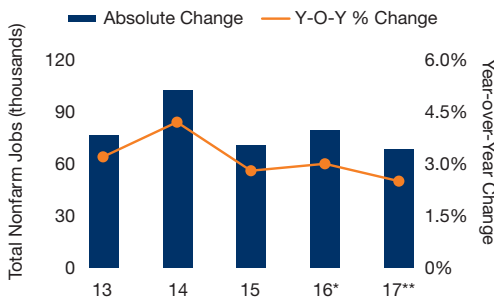
National Supply



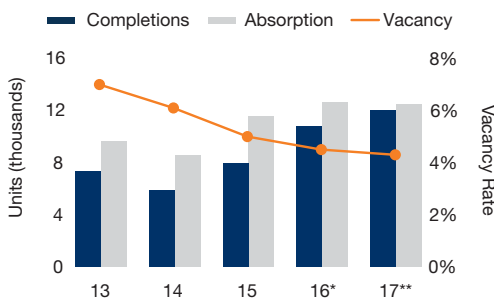
* Estimate ** Forecast

Diverse Growth Igniting Apartment Demand, Declining Vacancy and Elevating Rents

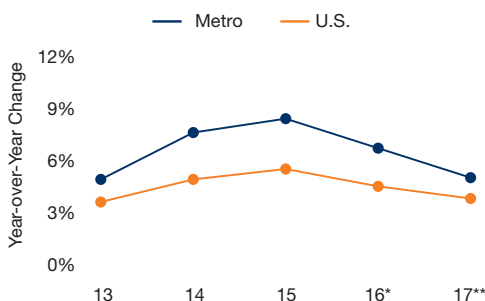
Employment Trends



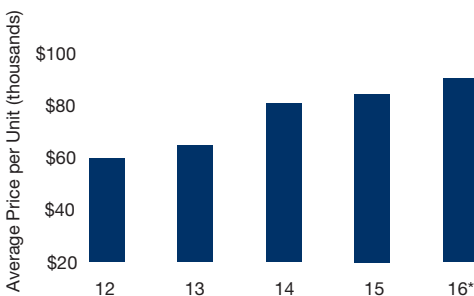
Supply and Demand



Effective Rent Trends



Sales Trends



Vacancy remains tight despite substantial construction. Growth in de-greed fields will expand recruiting to outside of Atlanta and support additional relocations to the metro during 2017, fortifying rental housing demand. New industries will also play a vital role. Notably, the metro has become a hotbed for television and film production, which are bringing hundreds of new jobs to the area. A shortage of production facilities represents the motivation for Georgia Motion Picture Studios to build a \$280 million mixed-use development that will become the state's largest TV and film production lot. Construction begins this year along Atlanta's northeast perimeter and will include more than 600 apartments. Construction crews remain active around the metro, with several complexes coming online in Midtown and Buckhead. Despite another year of sizable supply growth, healthy tenant demand will tighten the vacancy rate for an eighth consecutive year and raise the average rent to an all-time high in 2017.

Value-add opportunities dominating deal flow. Investor optimism regarding the metro's economic outlook will encourage transaction activity this year and create new opportunities for owners to bring their properties to market. Investors favor Class B/C garden-style properties within the perimeter near access to major transportation routes. In these areas, improvements and updated amenities can increase market rents and raise property revenue. First-year returns for these assets typically start in the high-5 percent band. The Cumberland/Galleria area also will draw investor interest this year as a new stadium for the Atlanta Braves opens. Several multifamily complexes will be completed near the stadium, providing potential opportunities for investors in institutional-grade assets. Complexes in this area typically trade with cap rates in the low-6 percent range, but the new demand drivers could intensify bidding and place downward pressure on first-year returns.

2017 Market Forecast

- NMI Rank** 14, up 6 places Corporate expansions drive household growth, moving Atlanta up six positions.
- Employment** up 2.5% Atlanta employers will create 68,000 positions in 2017, extending gains recorded over the past six years. Last year, approximately 79,000 jobs were added.
- Construction** 12,000 units More than 12,000 apartments remain on track for delivery this year, up from 10,800 units in 2016.
- Vacancy** down 20 bps Strong tenant demand pushes vacancy down to 4.3 percent. Net absorption of 12,600 units cut the vacancy rate 50 basis points one year ago.
- Rent** up 5.0% Positive demand drivers and a reduction in vacancy support a 5.0 percent rise in the average rent to \$1,128 per month in 2017. An increase of 6.7 percent was posted last year.
- Investment** Cap rates in the low-6 percent area remain up to 150 basis points higher than the typical first-year returns in gateway cities and will attract out-of-state investors, primarily from New York, California and South Florida, to the Atlanta apartment market.

* Estimate ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Household Formation Favors Renting in Austin, Keeps Apartment Vacancy Historically Low

Rising home prices and robust housing demand will support healthy renter household formation. Home price appreciation occurred at a record pace for the past four years, outpacing both rent and income growth. Renting has become the more affordable option, particularly in urban areas of the metro, driving strong absorption trends during a period of record building, keeping vacancy low. To address this demand, completions will remain elevated this year, though they will dip slightly from last year's record level. Even though the market's total employment annual growth will slow, residents moving to the metro coupled with graduates entering the job market will keep demand for housing robust. The ability of many to purchase their first home in the market will be low as prices in desired neighborhoods climb out of reach. The tightening of the housing market will have many of these new households favoring apartments over homeownership in the coming months. Vacancy will stay below 5 percent and generate healthy rent gains across the market during 2017.

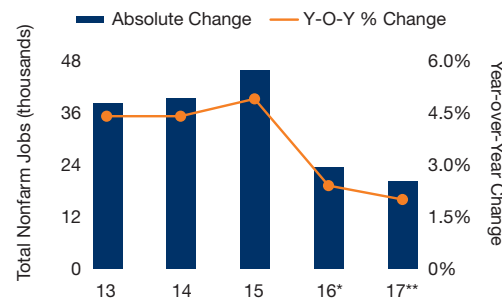
Limited for-sale inventory has intensified bidding for Austin apartments. Competition to acquire area apartments has intensified, pushing up prices. Some owners will be motivated to capitalize on increased equity and list assets to trade into higher-quality properties offering stable returns. Private buyers are targeting stabilized Class B/C deals in the \$1 million to \$10 million range, and properties in Hyde Park and north of the core are in highest demand. These complexes typically trade at first-year returns in the low- to mid-5 percent area, and cap rates trend upward 100 basis points for properties located farther from the core. A rise in deliveries over the past few years has generated strong investment activity among institutional funds and REITs. These buyers are chasing a number of recently developed and stabilized deals, with initial yields averaging in the high-4 percent to low-5 percent span.

2017 Market Forecast

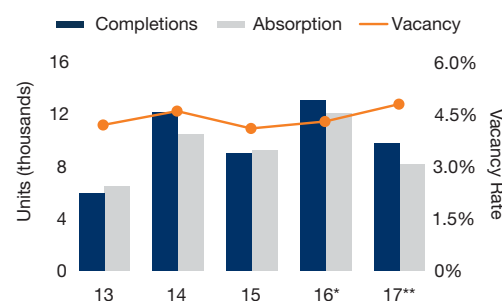
- NMI Rank** ↗ A large influx of supply during the past four years reduces Austin's ranking in this year's Index.
22, down 8 places
- Employment** ↗ Austin employers will create 20,000 jobs during 2017, increasing employment 2.0 percent. Last year, 23,400 positions were generated.
up 2.0%
- Construction** ↗ Following record completions in 2016 when builders brought 13,100 apartments online, deliveries will fall closer to 2015's level this year.
9,800 units
- Vacancy** ↗ The absorption of more than 8,100 apartments will fall short of supply additions and vacancy will climb 50 basis points to 4.8 percent. Last year, the rate increased 20 basis points.
up 50 bps
- Rent** ↗ The average effective rent will rise 3.5 percent in 2017 to \$1,255 per month. The average rent moved up 5.4 percent during 2016.
up 3.5%
- Investment** ↗ Owners who have executed value-add strategies and benefited from strong rent gains over the past years may consider exchanging as the pace of rent growth slows.

Austin

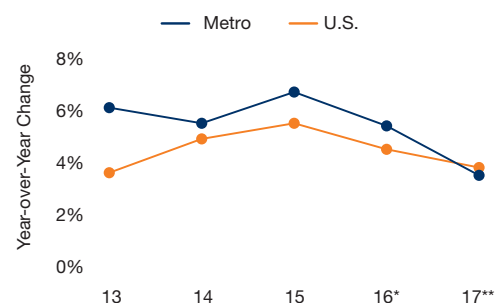
Employment Trends



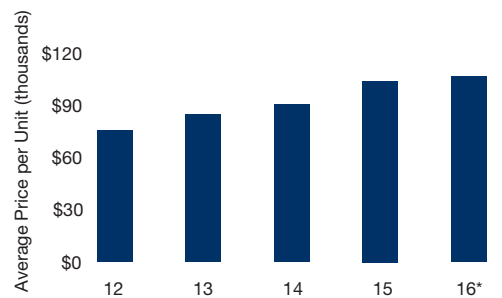
Supply and Demand



Effective Rent Trends



Sales Trends



* Estimate ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Higher Yields Prompt Investor Allocations; Development Supported by Employment Growth

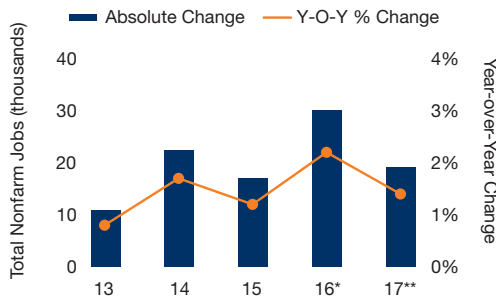
Strong job creation overshadowed by construction. Following the best year for job growth in the current cycle, demand for workers remains steady in a number of sectors including healthcare, government and trade. In addition, metro stalwart Under Armour is rapidly expanding its presence. The upswing in hiring has been met with a substantial delivery schedule mostly concentrated in core submarkets in downtown Baltimore, prompting a modest rise in vacancy due to the rapid pace of construction. Over the coming year, the trend of higher development will remain in place, with expected supply increases roughly unchanged. Construction will remain most concentrated in the urban core as builders capitalize on demand for residences offering a live-work-play environment. The market will undergo a period of softening as deliveries move higher, with vacancy set to rise for a second straight year as net absorption falls short of completions. However, the volume of new Class A product is raising average effective rental rates in the metro, which will record an eighth consecutive year of advancement.

Investors bifurcate between income-oriented and capital-preservation trades. Low interest rates have sparked tremendous demand for Baltimore apartment assets, particularly along Interstate 95 as property buyers seek assets near transportation access. While private parties have been active in the outer suburbs where higher yields are available, institutional investors are focusing on downtown Baltimore submarkets near corporate offices and research facilities. Broadly, cap rates will begin in the low-6 percent range and extend as high as the low-7 percent range farther away from the core. A consistent rise in development may bring out additional sellers in the year ahead, accelerating deal flow. Properties in transitional neighborhoods with value-add potential will spur much greater interest.

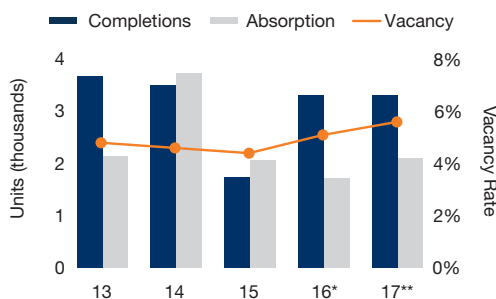
2017 Market Forecast

- NMI Rank** ⬇️ Slow employment growth dragged Baltimore down six positions in the NMI.
39, down 6 places
- Employment** ⬆️ Baltimore employers will hire 19,000 workers this year, expanding payrolls 1.4 percent. In the previous four quarters, 30,000 people found employment, a 2.2 percent growth rate.
up 1.4%
- Construction** ■ Following the delivery of 3,300 units in 2016, development will remain unchanged with the completion of 3,300 rentals this year.
3,300 units
- Vacancy** ⬆️ After rising 70 basis points last year, vacancy will tick up an additional 50 basis points to 5.6 percent as net absorption lags development.
up 50 bps
- Rent** ⬆️ The average effective rent will advance 3.0 percent this year to \$1,315 per month. Last year, the average rent rose 3.6 percent.
up 3.0%
- Investment** ○ Cap rate compression will continue this year as investors migrate from Washington, D.C., to Baltimore in search of potentially higher returns.

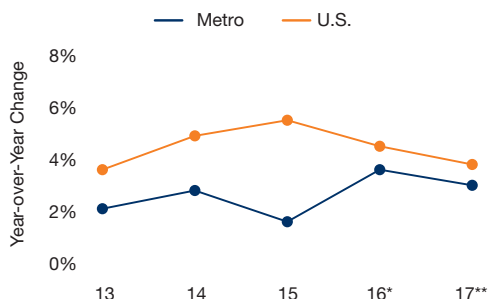
Employment Trends



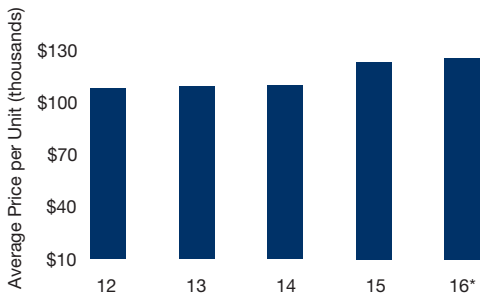
Supply and Demand



Effective Rent Trends



Sales Trends



* Estimate ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Diverse Hiring in Boston Raises Tenant Demand; Rent Growth Trend Remains Strong

Consistent absorption trend maintains low vacancy and steady pace of rent increases. The formation of new households will underpin substantial net absorption in Boston this year and maintain low vacancy across the metro. Expansions in the education, tech and healthcare fields are driving hiring and enlarging the pool of prospective renters, helping to absorb new apartment stock. Projects in east Boston, the Seaport District and several towns that surround the city form the focus of developers and account for a considerable portion of completions this year. New stock could relieve some pent-up demand that has developed, helping minimize the upward pressure on the vacancy rate and keeping it near historic lows. Low vacancy rates across all asset classes support consistent rent growth, with the metrowide average effective rent increasing in the 5 percent range for the fourth consecutive year. Concession use may increase slightly as new units come online.

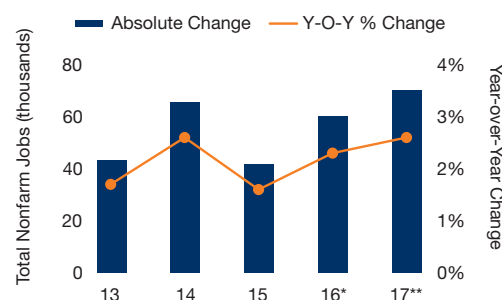
Investors broaden criteria to win deals and capture higher yields. Competition and record asset pricing appear unlikely to dampen buyer demand for rental properties in the metro. Investors' desire for product in downtown Boston, the Fenway neighborhood and the city's Seaport District will persist, with the significant gap between Class A and Class B/C rents suggesting upside remains in the lower-tier asset sectors. Depending on quality, properties in the city's core will trade with cap rates in the mid-4 percent range and occasionally at less than 4 percent. Assets in outlying suburbs remain attractive to investors searching for higher yields. These surrounding locales offer a host of Class B/C properties that trade at 100 basis points above the metro norm. Outlying submarkets also boast tight vacancy and rising rents. Overall, investor demand should exceed listing volume this year despite a likely increase in owners taking advantage of record pricing and low interest rates to test the transaction market.

2017 Market Forecast

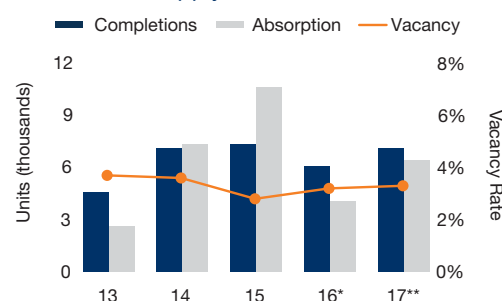
- NMI Rank** ↗ Boston's balanced supply and demand raise it into the top five this year.
3, up 7 places
- Employment** ↗ A growth rate of 2.6 percent equates to 70,000 new jobs in Boston. Nearly 60,000 positions were created in the metro during 2016.
up 2.6%
- Construction** ↗ Completions are on track to rise to 7,100 apartments in 2017. Since 2012, more than 25,000 rentals were placed in service.
7,100 units
- Vacancy** ↗ Completions exceed net absorption, leading to an increase in the vacancy rate to 3.3 percent during 2017. In 2016, vacancy climbed 40 basis points.
up 10 bps
- Rent** ↗ Strong growth in outlying suburbs and close-in submarkets raises the average effective rent to \$2,064 per month. An increase of 5.9 percent was posted last year.
up 5.0%
- Investment** ↗ The delivery of more than 27,600 rentals in four years should create opportunities for investors desiring new rentals in Boston's core and first-ring suburbs.

Boston

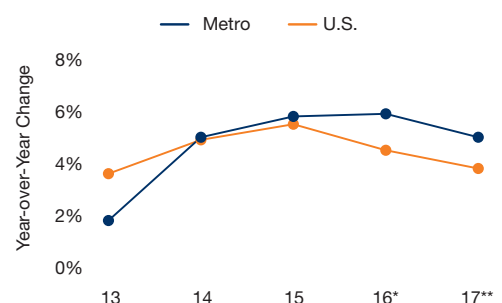
Employment Trends



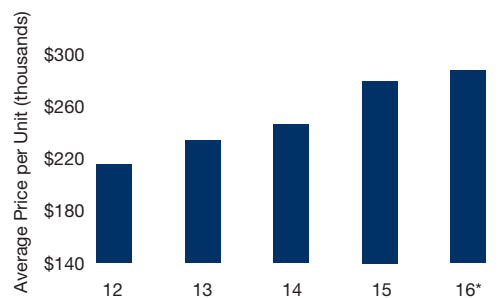
Supply and Demand



Effective Rent Trends



Sales Trends



* Estimate ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Favorable Absorption Trends Boost Charlotte's Rental Market; Investors Eager

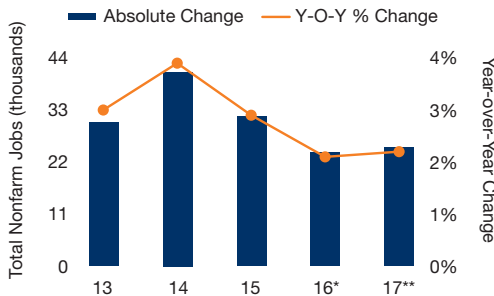
Higher-wage jobs enter the Queen City, prompting broad demand for apartments. Charlotte's diverse economic base, well-developed transportation network and skilled labor force continue to attract companies to the area. As new firms arrive and others expand, apartment operators will benefit from another year of solid employment growth that draws job seekers to the metro. Young professionals with incomes above the metro average who prefer an urban lifestyle will support the wave of apartments being completed near downtown as they have a high propensity to rent. The desirable urban core will receive more than a third of the total units coming online in 2017, which may temporarily soften vacancy in some neighborhoods while multiple buildings lease up. Robust rent growth throughout the metro will increase the number of people seeking more affordable units, improving vacancy in Class B/C apartments. Marketwide, apartment demand will keep pace with deliveries, holding vacancy steady while rents post another year of gains well above the national average.

Surge of Class A assets lures investors to Charlotte's expanding market. Buyers seeking to place capital in apartment properties along the East Coast will find higher cap rates and lower entry costs in Charlotte than many other major markets nearby. The prolonged wave of luxury Class A construction provides investing opportunities for institutions and funds at initial yields starting in the 5 percent range. Elevated rents in the new units, especially near Uptown Charlotte, will support renter demand for updated Class B/C apartments in these neighborhoods. Improving operations and greater initial yields in these tiers will generate strong buyer interest for Class B/C properties, particularly those with a value-add component. Though the supply of these assets has dwindled, buildings in transforming blocks within Charlotte Center City will provide some buying opportunities for investors.

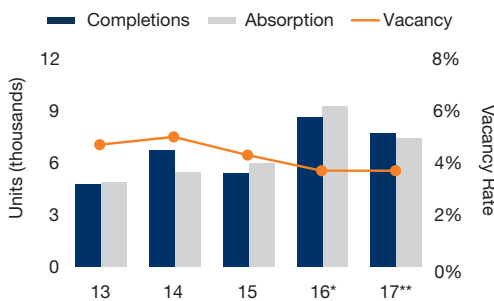
2017 Market Forecast

- NMI Rank** ↗ Solid household growth helps maintain vacancy, raising Charlotte five rungs.
24, up 5 places
- Employment** ↗ During 2017, Charlotte employers will create 25,000 jobs, a 2.2 percent expansion. Last year, total employment ticked up 2.1 percent.
up 2.2%
- Construction** ↘ Builders will complete 7,700 apartments in 2017, down 900 units from last year's pace, which set a 16-year high.
7,700 units
- Vacancy** ■ Demand for rentals will keep pace with new inventory additions. As a result, the vacancy rate will remain unchanged at 3.7 percent in 2017. Strong absorption produced a 60-basis-point drop last year.
no change
- Rent** ↗ Sizable tenant demand coupled with a surge of new luxury stock this year will underpin a 6.0 percent climb in the average effective rent to \$1,099 per month. In 2016, a 7.1 percent jump was registered.
up 6.0%
- Investment** ○ Strong rent growth throughout the market will produce the potential for higher cash flows, luring a wide range of investors to apartment assets.

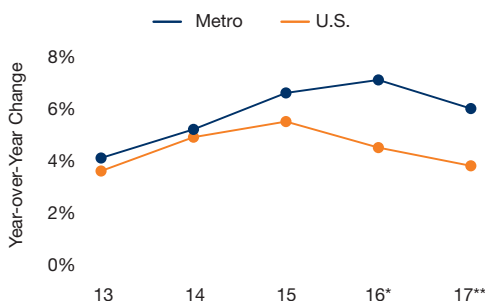
Employment Trends



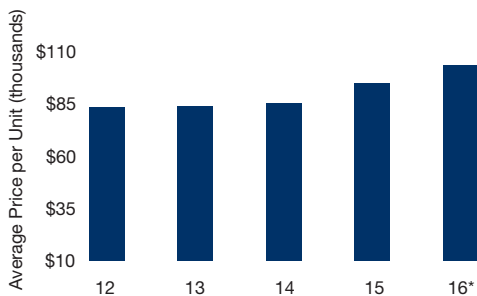
Supply and Demand



Effective Rent Trends



Sales Trends



* Estimate ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Rent Growth Strong Across Metro As Local Economy Maintains Pace of Growth

Employment growth and allure of city life underpin solid rent gains. Vacancy in Chicagoland will edge higher to a still-tight level in 2017 as the pace of hiring accelerates and apartment completions reach the highest level in more than 16 years. Construction is occurring throughout the greater metro area with several high-profile projects commencing in both the city and the suburbs. Urban operators will be equipped to handle the supply influx as the ongoing corporate migration from the suburbs brings high-paying positions and young professionals to the city. The suburbs will also perform well, particularly in Schaumburg and Oak Brook, where employment opportunities, large regional malls and easy freeway access bolster underlying tenant demand. Overall, both market segments are set to achieve healthy rent growth in 2017, marking the third consecutive year of mid-single-digit hikes.

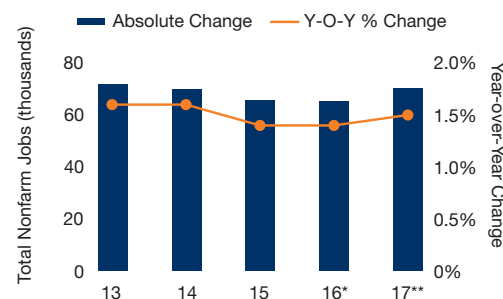
Variety of investment opportunities exist, enticing broad range of buyers. Improving property operations and yields that trend above the national level will keep the flow of investment capital steady this year. A diverse spectrum of demand exists for Chicago apartments, with buyers pursuing deals across all size and price tranches. For the institutional investor, the delivery of high-end properties in the metro's marquee neighborhoods will present buying opportunities, while private investors seeking greater cash flow may target Class C assets in areas with upside. The intense demand in the past few years lifted the average price well beyond the prior cycle's peak and buyers have begun to show resistance to elevated pricing as sellers' expectations rise. A further widening of buyer and seller pricing expectations may moderate the rise in valuations and slow deal flow. Additional risk factors facing the market include perennial concerns about the city and state budget, which could potentially create some uncertainty in tax policy.

2017 Market Forecast

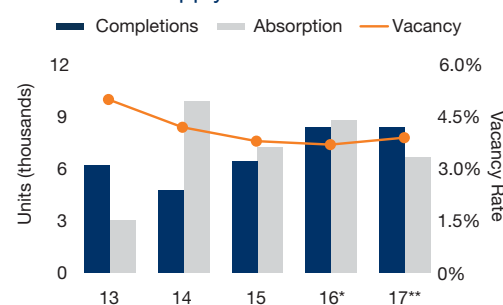
- NMI Rank** Rising vacancy and slow job growth pushes Chicago down one slot below the top twenty.
21, down 4 places
- Employment** Following a gain of 65,000 workers in 2016, establishments will create 70,000 jobs this year, marking an increase in payrolls of 1.5 percent.
up 1.5%
- Construction** Apartment developers will deliver 8,400 units in 2017, on par with last year's total. This marks the greatest level of multifamily completions since 2000.
8,400 units
- Vacancy** The metrowide vacancy rate will rise 20 basis points to 3.9 percent this year as the influx of supply over the past two years leases up.
up 20 bps
- Rent** The average effective rent will climb 4.5 percent to \$1,442 per month in 2017, building on a 5.4 percent increase registered last year.
up 4.5%
- Investment** Properties in areas along the North Lakefront such as Lake View, Uptown and near DePaul University will garner enhanced investor interest.

Chicago

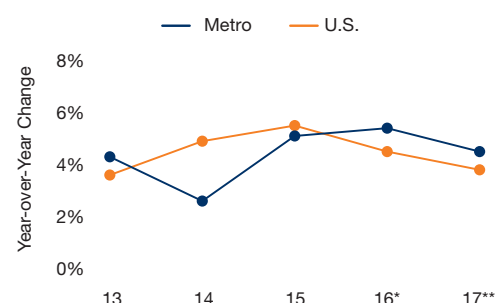
Employment Trends



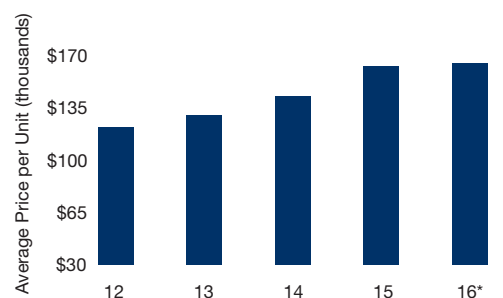
Supply and Demand



Effective Rent Trends



Sales Trends









* Estimate ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Apartment Sector Achieving Rarely Seen Performance; Outlook Remains Strong

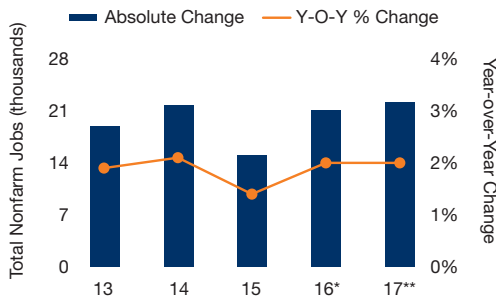
Market's vigor nearly unprecedented. The household formation resulting from the expanding workforce is paying dividends for the apartment sector, keeping the vacancy rate near levels seldom seen in Cincinnati. The record number of units brought online in 2016 was substantially absorbed, raising investors' confidence in the metro heading into 2017. A lull in completions will magnify the effects of steady demand growth on the vacancy rate, yielding a level of less than 3 percent this year. Beyond 2017, the construction pipeline will thin further; currently, less than 600 units are underway and scheduled for delivery after this year. Demand for apartments in all classes of assets remains vibrant, led by the Class B and Class C segments of the market, where high retention and quick re-leasing of vacant units are maintaining tight vacancy. On-going expansions in lower-paying service-sector jobs provide a reliable source of demand in this segment.

Stable returns and evolving neighborhoods lure variety of buyers. Record-low vacancy and a diversified employment base will drive rent growth, drawing more investors to the market this year. The slowdown in completions will present buyers an opportunity to acquire assets during a period of heightened demand and minimal competition from new supply. Properties in the city's downtown and central business district, along with areas near the University of Cincinnati, will be sought after. These locales sport minimal vacancy and boast the market's highest rents. Yield-seeking buyers will find opportunities in transitioning downtown neighborhoods and spots northeast of the core, where Class B and C assets trade with cap rates in the 8 percent range. Investors targeting newly built properties will have a choice of urban mid-rise construction or two- to four-story suburban properties in the northeast and south of the city in Kentucky. Recently delivered assets will command cap rates in the 6 percent vicinity.

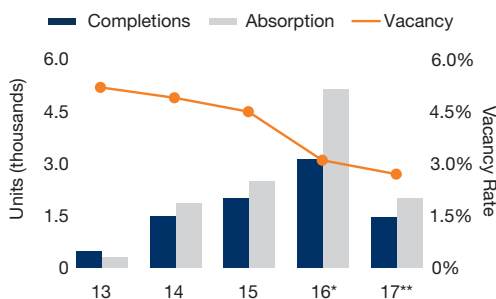
2017 Market Forecast

- NMI Rank** 34, up 7 places  A projected decrease in vacancy, solid job growth and a limited development pipeline elevate Cincinnati seven places this year.
- Employment** up 2.0%  Nearly 22,000 new hires are on tap in 2017, marking a slight increase from 21,000 jobs last year.
- Construction** 1,400 units  The 1,400 apartments slated to come online represent a decrease from the 3,100 rentals delivered in 2016.
- Vacancy** down 40 bps  Vacancy will decline for the fourth consecutive year. After a 140-basis-point drop last year, an additional decline of 40 basis points yields a rate of 2.7 percent in 2017.
- Rent** up 4.5%  An influx of new stock, coupled with tightening vacancy, support an increase to \$921 per month. Last year, the average effective rent advanced 5.3 percent.
- Investment**  Minimal vacancy in the Class C segment could stimulate greater demand for these assets in the \$1 million to \$5 million price tranche.

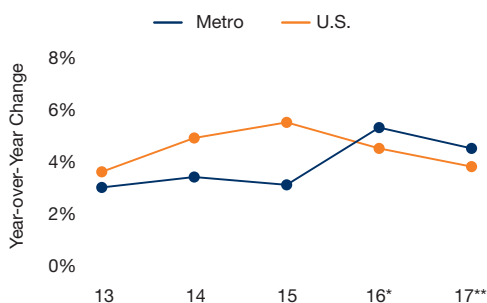
Employment Trends



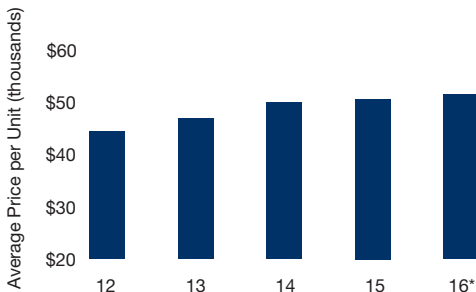
Supply and Demand



Effective Rent Trends



Sales Trends



* Estimate ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Demographic, Economic Tailwinds Keep Cleveland on Growth Path

Vacancy remains low as inventory rises. The steady rise in household creation and job growth is driving a need for rental housing in Cleveland. To meet demand, builders will ramp up apartment construction this year. Properties on tap for delivery in 2017 are primarily located in and around Central Cleveland, reflecting growing needs for apartments near transportation, workplaces, retail and entertainment. In addition to new ground-up construction, the conversion of several old office buildings into luxury rentals will provide more inventory and fuel rent growth in the area during 2017. The rise in construction will create a temporary imbalance in supply and demand, driving the metrowide vacancy rate higher. The increase, however, will nonetheless keep vacancy at a level sufficient to support a respectable pace of rent growth.

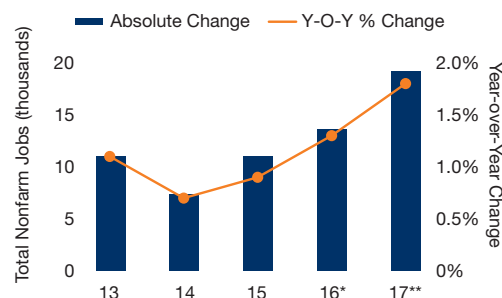
Ability to capture higher yields piques investors' attention. Low vacancy and a stable economy will drive investor interest in Cleveland's apartment assets through 2017. In addition, returns up to 300 basis points greater than those found in gateway cities will further motivate local and out-of-state buyers to deploy capital into the metro. While these investors are primarily seeking properties within downtown, the limited pipeline of listings there will push many buyers to well-located suburban assets. In particular, older garden-style and mid-rise complexes with value-add opportunities are in high demand. Several investors targeting these assets will expand amenities and/or renovate apartments to increase effective rents anywhere starting at \$50 per month up to \$200 per month in popular neighborhoods. Metrowide, apartments in Cleveland trade with first-year yields in the low-8 percent span. Older Class C assets changed hands with cap rates in the low-9 percent range late last year, while stabilized properties in high-demand areas traded as low as 5 percent.

2017 Market Forecast

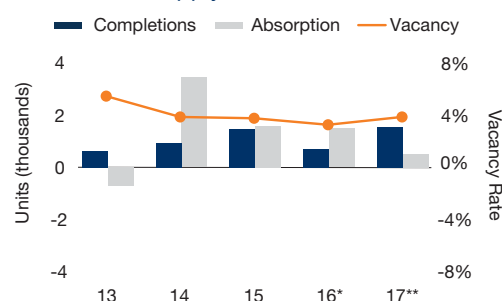
- NMI Rank** ↗ Cleveland's decelerating rent growth dragged the metro down 3 places, down 40, down 3 places
- Employment** ↗ Employers in Cleveland will expand payrolls 1.8 percent up 1.8%
- Construction** ↗ Completions are on course to reach a cycle high this year with nearly 1,600 units. Approximately 700 apartments came online in 2016.
- Vacancy** ↗ A surge in construction will raise the vacancy rate to 3.9 percent. Nearly 1,500 units were absorbed in 2016 to slice vacancy 50 basis points.
- Rent** ↗ Low vacancy supports a 3.8 percent increase in the average effective rent to \$913 per month this year, a slowdown from last year's 5.0 percent gain.
- Investment** ↗ Out-of-state investors will increase competition in Cleveland. Properties located east of downtown will garner attention from investors looking to purchase at cap rates up to 200 basis points higher than the market average.

Cleveland

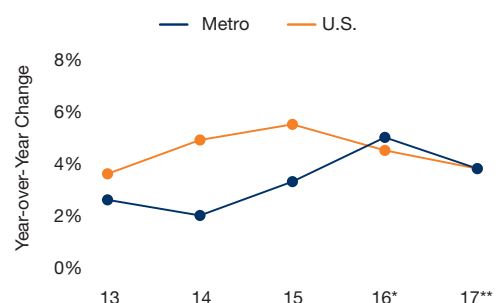
Employment Trends



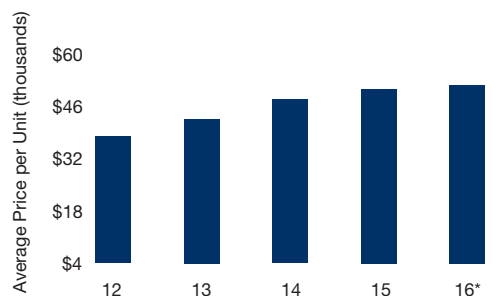
Supply and Demand



Effective Rent Trends



Sales Trends









* Estimate ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Columbus Climbs Secondary Market Rankings Amid Steady Absorption

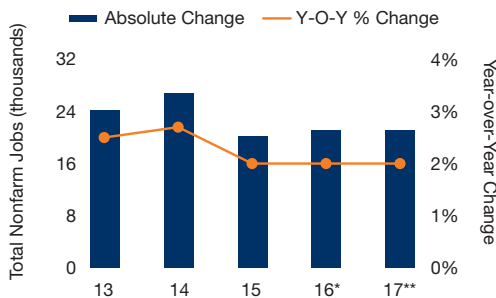
Confidence in metro swells. Steady job creation has underpinned rental housing demand to sustain tight vacancy in Columbus. Led by a boost in retail, tech and education positions, annual employment growth will surpass 20,000 jobs for the seventh consecutive year. The city's Downtown and University District will account for more than half of the market-rate rentals slated for delivery this year. Workers, along with students attending Ohio State University, will occupy many of these new, generally smaller properties. Developments with larger unit counts will also come online in outlying northwest cities in 2017. The combination of low vacancy and higher rents on new rentals will support rent growth that surpasses the national average.

Buyer pool expands as metro demonstrates sustainable growth. The pursuit of higher yields will lead more investors to secondary locales this year, and Columbus will likely stand out. The market's diverse stable of established demand drivers, including a large student population, strong rent growth and attractive cap rates will stoke buyer competition. Upward pressure on pricing could potentially persist behind the broader and deeper pool of potential investors. These groups will likely focus extensively on downtown Columbus, near Ohio State University, and within the areas that bridge the two locations. These locales boast the lowest vacancy rates in the metro and the highest rents, offering prospects for consistent NOI growth. Initial yields can fall at least 100 to 150 basis points below the metro average of 7.6 percent in these areas, which also account for the highest concentration of Class A properties in the metro. Buyer demand will also rise for pre-1980s assets. Outlying areas with affordable rents, tight vacancy and a sizable inventory of Class B and C assets should draw more focus, with transactions closing at cap rates in the 8 to 9 percent range.

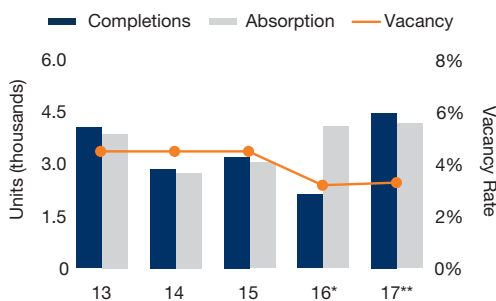
2017 Market Forecast

- NMI Rank** 35, up 1 place  Low vacancy moves Columbus up one position in this year's NMI.
- Employment** up 2.0%  The addition of 21,000 workers during 2017 duplicates the number of new hires in 2016.
- Construction** 4,500 units  A record 4,500 units will come online this year, far surpassing the 2,100 rentals delivered in 2016. Through last year, developers have added nearly 17,000 units to stock since the recession ended.
- Vacancy** up 10 bps  Net absorption of 4,200 units slightly trails completions, lifting vacancy this year to a still-tight 3.3 percent. In 2016, the vacancy rate tumbled 130 basis points, the largest annual decline this cycle.
- Rent** up 4.2%  Tight vacancy will push the average rent up to \$898 per month in 2017. The average rent increased more than 4 percent in each of the preceding two years.
- Investment**  The strong performance of luxury units will fuel investor competition for low- and mid-rise product built in the last five years. Competitive bidding for these assets could place additional upward pressure on prices.

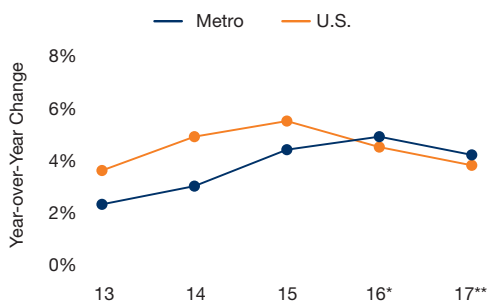
Employment Trends



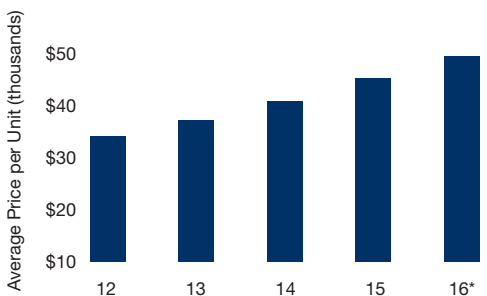
Supply and Demand



Effective Rent Trends



Sales Trends



* Estimate ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Nation-Leading Employment Growth Sparks Household Formation and Ignites Construction

Broad-based hiring encourages household formation and construction.

Another year of robust job creation will bolster housing demand in the Metroplex, supporting healthy net absorption and keeping apartment vacancy historically low. A highly educated and skilled labor force spurs a wide range of companies to relocate or expand, and hiring across a range of sectors supports demand for all apartment classes. Young professionals lured to the metro in search of jobs in financial services and other corporate-backed positions are creating intense demand for luxury apartments. Combined with last year, more than 40,000 new apartments have been built across the market. Job gains in service and consumer-driven sectors including education, healthcare and retail support pay wages more aligned with Class B and Class C rents. Growth in these segments could provide a steady stream of tenants. Tight vacancy at these complexes will keep the overall rate historically low as completions reach a new peak.

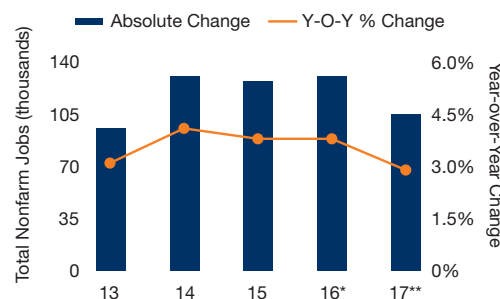
Healthy economy drives investment in Class B and C properties. Local parties are scouring the Metroplex for upside potential. Assets that need minor renovations to push rents or reduce vacancy, or those providing instant cash flows that may need enhancements to increase returns, are in high demand. Out-of-state buyers will focus on stabilized properties. Initial yields for these complexes have compressed and demand for these properties remains strong. Stabilized Class B deals change hands at average cap rates in the high-5 percent to low-6 percent range, while Class C complexes in favorable locations and in good condition are trading approximately 50 basis points higher. Investors are primarily targeting apartment assets inside the North Texas region, but increased buyer competition will encourage more investors to seek opportunities in nearby secondary and tertiary markets. Properties in these locations typically draw first-year returns 50 to 75 basis points higher than the Metroplex average.

2017 Market Forecast

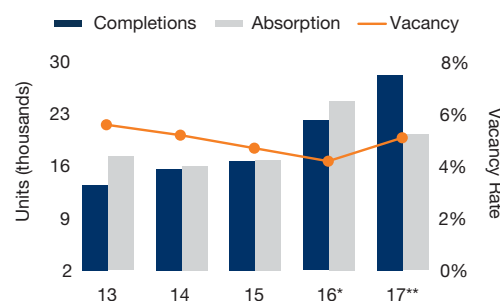
- NMI Rank** ⚡ Another year of substantial supply growth demoted Dallas/Fort Worth eight slots in this year's Index.
26, down 8 places
- Employment** ⚡ Staffing in the Metroplex will rise 2.9 percent this year as 105,000 workers are added. In 2016, employers created 130,500 jobs.
up 2.9%
- Construction** ⚡ Apartment construction is at a record level, and builders will bring 28,200 apartments online during 2017. Nearly 22,100 units were placed in service last year.
28,200 units
- Vacancy** ⚡ The absorption of 20,200 apartments this year will fall short of supply additions, raising the vacancy rate 90 basis points to 5.1 percent. Last year, the vacancy rate fell 50 basis points.
up 90 bps
- Rent** ⚡ Rent advanced 7.4 percent during 2016, and healthy gains will continue through this year. The average will rise 5.5 percent to \$1,113 per month in 2017.
up 5.5%
- Investment** ⚡ The majority of construction in the Metroplex is occurring in the Dallas area, and limited new supply in Fort Worth will encourage investors to seek opportunities here.

Dallas/Fort Worth

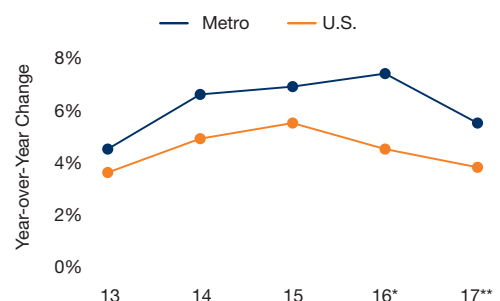
Employment Trends



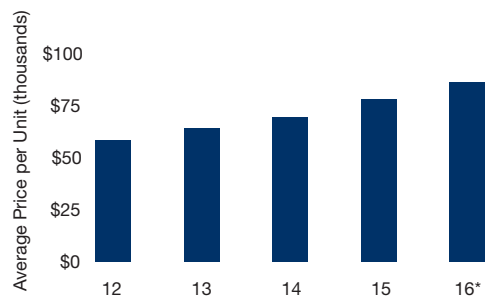
Supply and Demand



Effective Rent Trends



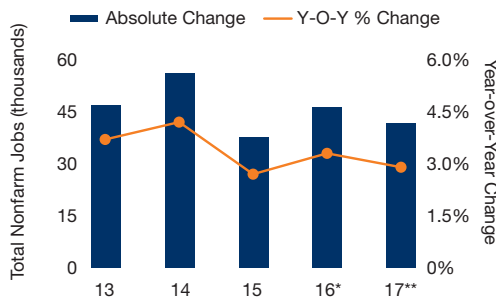
Sales Trends



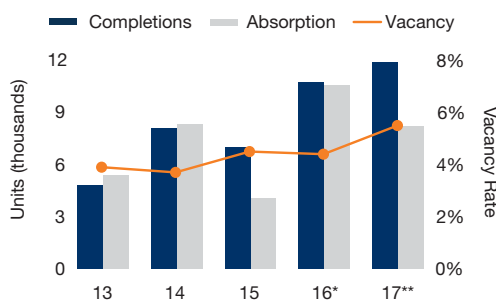
* Estimate ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Job Gains, Limited Single-Family Home Options Drive Households to Denver Apartments

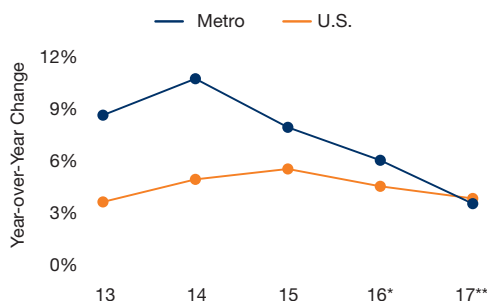
Employment Trends



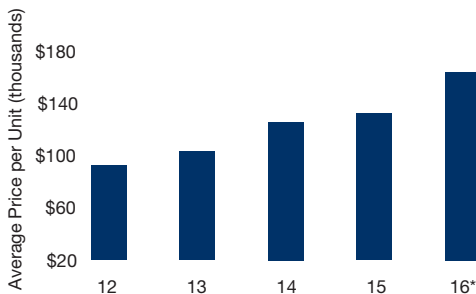
Supply and Demand



Effective Rent Trends



Sales Trends



Rising cost of homeownership moderates vacancy gains as completions remain elevated. Strong job growth is attracting a number of new residents to the metro, facilitating a steady pace of household formation that will drive apartment absorption in Denver during 2017. The single-family housing market is tight, extending tenures in rentals. Home prices have risen faster than rent and the median household income over the past several years. As a result, demand for apartments has been strong, slicing vacancy to historical lows in recent years. This demand has spurred builders to move forward with numerous apartment projects; more than 30,000 units were added to stock in the last four years. Deliveries remain elevated this year and are concentrated in central Denver. Supply additions will outpace demand as a record number of units are completed, but the vacancy rate could remain below early-2000 levels. Pockets of elevated vacancies could emerge this year, but rising home prices and limited single-family construction will keep many in affordable rental options.

Private buyers spur transaction activity in Denver; healthy competition places upward pressure on prices. Low vacancy and solid rent gains for Class B and C properties have encouraged private, local buyers to be most active in the market. Sales of these assets are dominating deal flow, placing upward pressure on prices, with opportunities in the core changing hands at cap rates in the low- to mid-5 percent area. Buyers seeking upside potential will look for opportunities in suburban areas, which have more affordable rents. Tight vacancy in many of these locations is supporting above-average rent growth, allowing investors to capitalize on rising NOI and property values. Those choosing to sell now are reinvesting in higher-yield opportunities elsewhere in the metro or in Colorado Springs. Increased construction has drawn significant interest from buyers, and Class A assets often change hands at cap rates in the low- to mid-4 percent range.

2017 Market Forecast

- NMI Rank** 13, down 7 places → Concerns of overbuilding and rising vacancy knocked Denver out of the top 10.
- Employment** up 2.9% → The projected rate of growth translates to 41,500 jobs in 2017, down from 46,000 new hires last year.
- Construction** 11,900 units → Denver's building boom will extend for another year as nearly 11,900 apartments are added to inventory during 2017. Last year, developers completed more than 10,700 units.
- Vacancy** up 110 bps → Net absorption remains strong, but supply additions underpin an increase in the vacancy rate to 5.5 percent this year. A minor drop in vacancy was recorded in 2016.
- Rent** up 3.5% → The average effective rent will rise 3.5 percent this year to \$1,438 per month, a decline from the 6 percent year-over-year pace in 2016.
- Investment** → Hiring in service-related sectors is driving healthy demand for Class B/C apartments, attracting a larger buyer pool to sustain strong competition for area apartments.

* Estimate ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Q-Line Will Carry Renters Back Into Detroit; Eager Investors Will Follow

Prominent revitalization efforts bolster Detroit's rental market. Apartment demand in the city of Detroit will benefit from this year's opening of the Q-Line and Little Caesars Arena, the Red Wings' new home ice. The arena will be ready for the 2017-2018 hockey season and is the centerpiece of District Detroit, a 50-block redevelopment that will also include a mixture of residential, office, restaurant, hotel and retail space in the coming years. The project is located along the Q-Line as it runs between downtown and the New Center neighborhood. Demand for rentals along the route will proliferate as more companies move downtown. Strong employment growth will also improve operations in suburban apartments. As the region becomes the center of self-driving vehicle technology, many firms are opening offices near auto companies and suppliers to take advantage of the synergy. These factors generate robust demand for rentals and contribute to soaring construction. New apartments in most areas of the metro will be quickly absorbed, keeping vacancy below the long-term equilibrium and leading to another year of sizable rent gains.

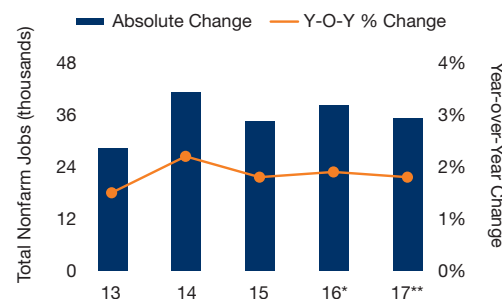
Favorable news coverage regarding Detroit's renaissance will attract a wide range of buyers to the metro. Many investors will be lured by the potential for higher yields at lower entry costs than are available in many other markets. Assets in Oakland and Macomb counties will be targeted as desirable neighborhoods and higher home prices in these areas draw renters. Robust absorption in downtown Detroit will also garner the attention of buyers. Stabilized buildings in the core that have been extensively refurbished will draw investors at the top end of the market at cap rates in the 5 percent span. Yield-seeking buyers will find opportunities in redeveloping neighborhoods surrounding the core and along the Q-Line. As construction and renovation flourish in these districts, owners should keep apprised of projects nearby that could affect their NOI.

2017 Market Forecast

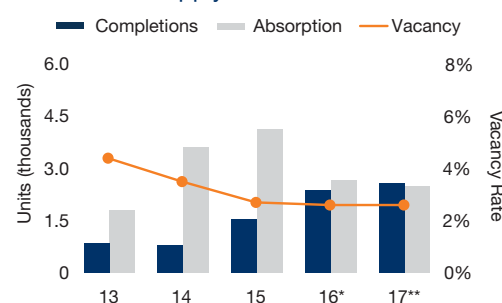
- NMI Rank** ⬆️ Detroit's restrained development and vacancy under 3 percent move it up one notch in the Index.
38, up 1 place
- Employment** ⬆️ Following the generation of 38,000 positions last year, employers will add 35,000 workers to staffs in 2017, a 1.8 percent hike. More than 28,000 jobs have been created annually for the past seven years.
up 1.8%
- Construction** ⬆️ Construction will reach an 11-year high this year as 2,600 apartments are slated for delivery. Last year, 2,400 rentals were brought into service.
2,600 units
- Vacancy** 🟩 Absorption of apartments will keep pace with deliveries this year, holding vacancy at 2.6 percent. A 10-basis-point decline in vacancy was posted last year.
no change
- Rent** ⬆️ The average effective rent will advance 4.5 percent to \$951 per month during 2017. Rents soared 5.7 percent last year, a four-year high.
up 4.5%
- Investment** ⬆️ Vacancy below 2 percent in many suburban submarkets raised construction activity in these areas, providing new assets for investors to purchase in the near future.

Detroit

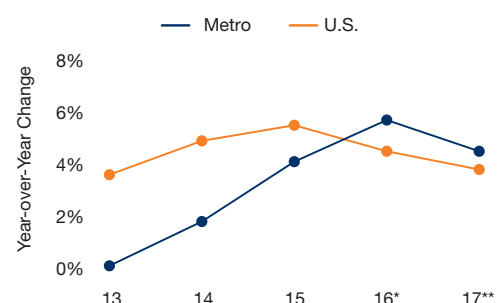
Employment Trends



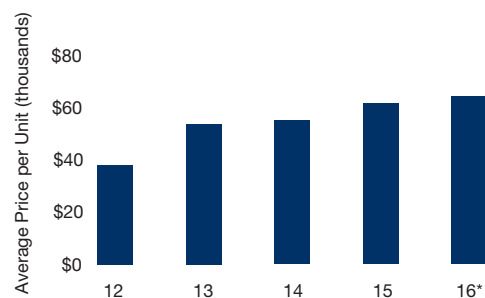
Supply and Demand



Effective Rent Trends



Sales Trends









* Estimate ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Healthy Operating Metrics Secure Greater Interest in Broward County

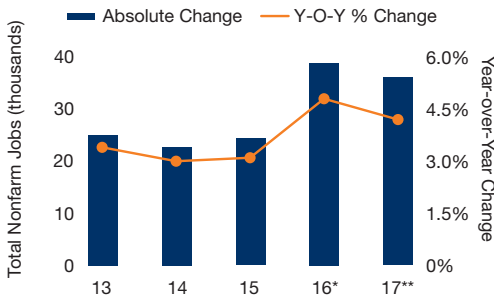
Healthy demand set to push rents higher. Substantial job growth in Broward County in 2017 along with rising home prices will drive more residents to the rental market, boosting rents to new highs. The apartment market is on firm footing and well positioned to generate additional rent growth, even as completions hit a cycle high this year. Vacancy is set to rise in 2017, though its affect on the market will be minimal, allowing for the eighth consecutive year of rent gains. Deliveries this year will be back loaded and will be balanced between suburban and urban locations. Development will be widespread, with the areas of most completions being Fort Lauderdale proper followed by Hollywood. Demand for rental housing remains robust in Broward County, marking the ninth year of positive net absorption in 2017, holding the vacancy rate below 5 percent.

Competition for Class B and C assets intensifies. Investors will remain active in Broward County in the search for stable cash flows and potential price appreciation. As prices in the urban core swell, more private investors will pursue suburban assets for greater relative value. Tight vacancy and limited construction enhance the appeal of Class B and C complexes. Deal flow will be led by these properties, with some of the well-located and better-quality assets inciting keen bidding and driving up prices. Favorable operating metrics in the areas of Oakland Park, Lauderhill, Pompano Beach and Deerfield Beach will fuel buyer interest as many assets here offer additional performance upsides. Class B and C properties in these areas change hands with going-in cap rates in the low-5 to upper-6 percent band. High demand in this segment for value-add plays and a minimal amount of listings will divert some interest to new construction across the county. Large complexes coming online this year in Fort Lauderdale will suit institutional buyers' needs, sustaining deal flow in the Class A segment.

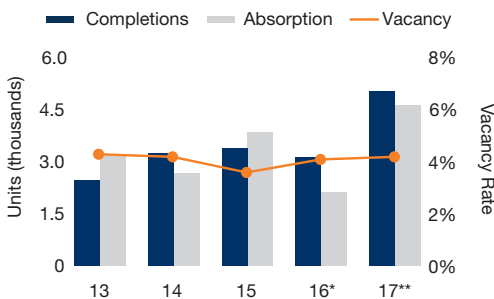
2017 Market Forecast

- NMI Rank** 23, up 1 place  Strong employment growth moves up Fort Lauderdale one spot.
- Employment** up 4.2%  Employers will add 36,000 workers to payrolls in 2017, expanding the workforce 4.2 percent. Last year 38,800 jobs were created to hold unemployment below the national average.
- Construction** 5,000 units  Completions will rise. More than 5,000 units are slated for delivery in 2017, up from 3,100 apartments last year.
- Vacancy** up 10 bps  Vacancy will rise for a second consecutive year. Following a 50-basis-point increase in 2016, vacancy will climb 10 basis points to 4.2 percent in 2017.
- Rent** up 4.7%  The average effective rent will increase 4.7 percent to \$1,562 per month; in 2016, the average effective rent rose 4.6 percent.
- Investment**  Service begins in 2017 for the Brightline express train with service from Miami to West Palm Beach. Complexes near the route will be highly sought after by investors in search of value-add opportunities.

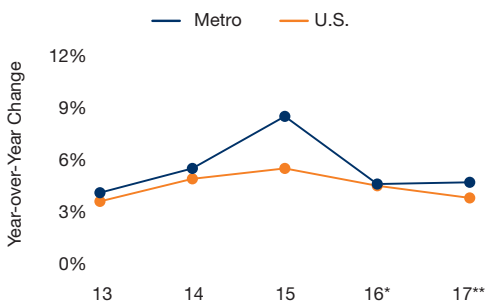
Employment Trends



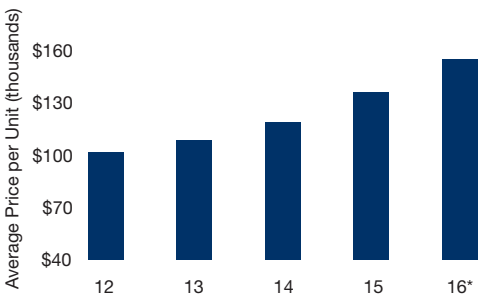
Supply and Demand



Effective Rent Trends



Sales Trends



* Estimate ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Diverse Job Gains, Positive Long-Term Economic Outlook Encourage Houston Investors

Service-sector employment growth creates demand for Class B/C apartments. Renter household formation will remain robust this year as hiring in service-related segments such as healthcare, retail trade, and leisure and hospitality lead job gains. Employment growth in these industries will support healthy absorption for Class B/C properties, keeping vacancy tight and spurring positive rent gains in 2017. Class A stock has expanded substantially in recent years as a development boom spiked to support the thriving energy industry following the previous recession. Large job losses in the energy segment and related fields as a result of falling oil prices over the last two years have weighed on demand for luxury units now coming online. Should the price of oil return to \$65 per barrel this year, the threshold many say is needed to resume hiring, the employment outlook will brighten and increase demand for recently completed apartments.

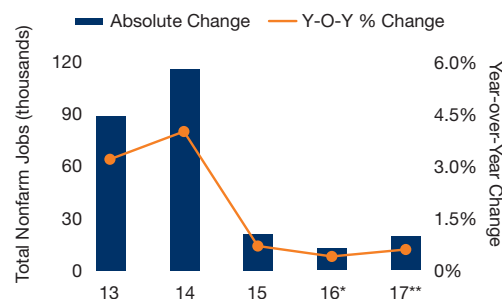
Positive long-term outlook motivates investors to ride energy sector improvements. Job growth in the area's petrochemical industry as well as service sectors will support strong demand for assets in the eastern and southern portions of Houston. Investors seeking to acquire assets with untapped upside potential or the opportunity to add value are targeting complexes located here. These typically change hands at initial yields in the mid-7 percent area and potentially lower. Opportunistic investors seeking troubled assets have been frustrated as most assets are well capitalized. Complexes inside the loop remain attractive to buyers, trading at first-year returns closer to the low- to mid-5 percent area. Moving into suburban locations, properties trade about 50 basis points higher. A decline in renter demand in the western half of the market due to mass energy sector layoffs has reduced occupancy and rents in these submarkets. Should the energy sector improve and resume hiring, these assets are prime for healthy rent gains and could provide additional value-add options for some investors.

2017 Market Forecast

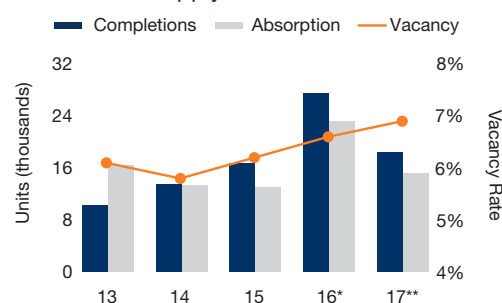
- NMI Rank** ⬇️ Slow job growth and a supply increase relegate Houston to the lower tier of the Index.
31, down 9 places
- Employment** ⬆️ Houston employment will expand in 2017 as 19,500 jobs are created. Last year, 12,500 new hires were added.
up 0.6%
- Construction** ⬇️ Following the addition of 27,400 apartments in 2016, builders will decrease deliveries to 18,300 units this year.
18,300 units
- Vacancy** ⬆️ The absorption of nearly 15,100 units will fall short of supply additions this year, and vacancy will rise 30 basis points to 6.9 percent.
up 30 bps
- Rent** ⬆️ Rent growth slowed last year as the average effective rent advanced 1.6 percent. In 2017, another year of increasing vacancy slows rent growth to 1.0 percent as the average reaches \$1,040 per month.
up 1.0%
- Investment** ⬆️ Private, local and regional investors remain the main participants in the market this year, targeting Class B and C assets for potentially healthy long-term gains.

Houston

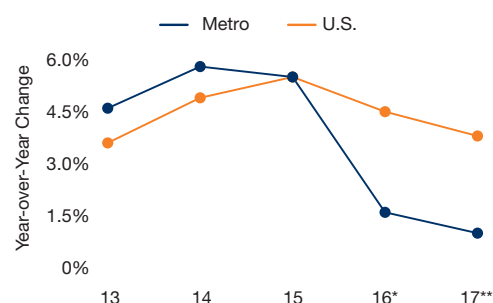
Employment Trends



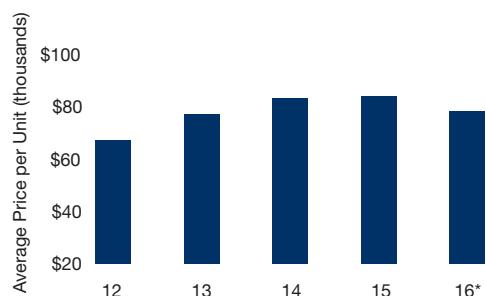
Supply and Demand



Effective Rent Trends



Sales Trends







* Estimate ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Hiring Elevates Rental Demand; New Investors Consider Indianapolis Apartments

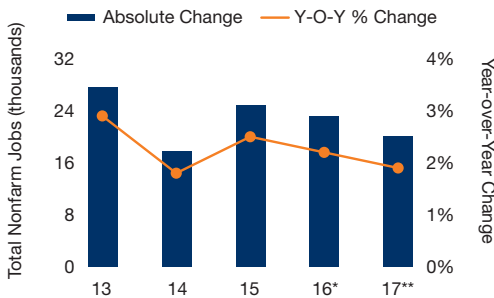
Tech expansion boosts hiring, underpinning multifamily market. Strong tech sector growth is bolstering employment gains in the Indianapolis metro and contributing to the demand for apartments. Jobs in the segment have proliferated since the 2013 purchase of ExactTarget by Salesforce.com. Significant expansion of Salesforce is attracting other tech companies to the metro. A lower cost of living and doing business, as well as the large pool of skilled workers, also draw firms. Many of the new hires are graduates of the region's numerous colleges and universities. A large portion of these young professionals prefer an urban lifestyle with a variety of amenities and transit options close by. This will support the need for rentals near city cores and developers are already active in downtown Indianapolis and Carmel. The metro will also benefit from its position as a logistics hub. The boom in e-commerce will create additional jobs around the outer interstate loop, strengthening many suburban operations. Demand for rentals is outpacing new supply and will contribute to dropping vacancy to the lowest point of this cycle while driving rents higher in 2017.

Improving operations garner the attention of investors. The tightest vacancy since 2000 and cap rates above those available in many other markets lure capital to apartment assets in Indianapolis. Syndicates and high-net-worth individuals from the coasts desire newer buildings in walkable urban neighborhoods, especially in downtown Indianapolis or Carmel, at cap rates that start in the 5 percent span. As a result, well-price buildings in desired locations will receive multiple offers. The increase in competition may require buyers to expand their traditional investment criteria and be willing to consider assets with fewer units or Class B/C properties. Risk-tolerant investors will move into cities such as McCordsville or Lebanon where smaller assets can trade at initial yields in the 8 percent range.

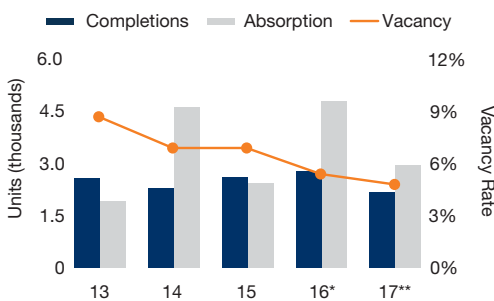
2017 Market Forecast

- NMI Rank** 42, up 3 places  A reduction in completions facilitates a three-rung rise for Indianapolis this year.
- Employment** up 1.9%  During 2017, employers in the metro will add 20,000 new workers to staffs, a 1.9 percent increase. Last year, a 2.2 percent gain was registered.
- Construction** 2,200 units  The pace of deliveries will ease slightly in 2017 as 2,200 apartments are scheduled for delivery. Last year, a 16-year high was reached as 2,800 rentals were completed.
- Vacancy** down 60 bps  Slower inventory growth amid strong demand will produce a 60-basis-point contraction in the vacancy rate to 4.8 percent during 2017. Last year, vacancy plummeted 150 basis points.
- Rent** up 3.2%  The average effective rent will rise 3.2 percent to \$847 per month, one of the most affordable rents among major U.S. metros. Last year, rent climbed 4.5 percent.
- Investment**  Strong population growth in suburban cities such as Greenwood and Whitestown will attract renters as well as investors to apartment assets nearby.

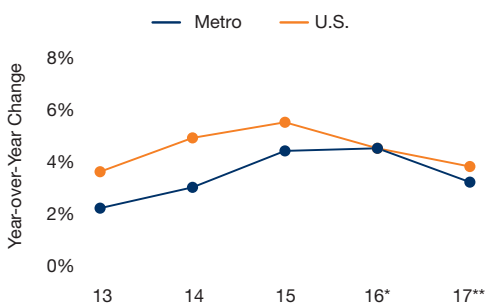
Employment Trends



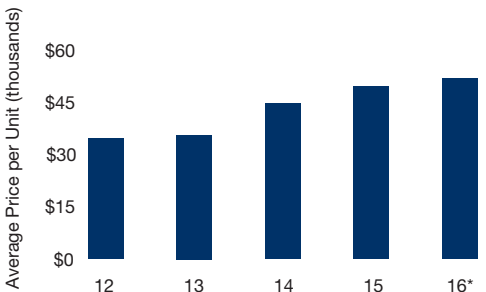
Supply and Demand



Effective Rent Trends



Sales Trends



* Estimate ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Kansas City on Precipice of Transition; Construction to Outpace Demand

Positive demand still intact but falling short of development pipeline.

Gains in employment continue to drive a moderate pace of household formation and generate rental housing demand in the Kansas City metro. Completions, however, will rise notably during 2017 and raise the vacancy rate to a six-year high. Upward pressure on vacancy will persist beyond this year as work continues on 3,100 rentals scheduled for completion in 2018 and after. Central Kansas City remains a point of focus for developers, with more than 1,700 new units on tap in this submarket during 2017. Prior to 2017, new Class A rentals were well absorbed and operators were able to consistently raise rents, but the size of the prospective renter pool could be tested in the months ahead. Some pressure to offer concessions could emerge, contributing to a reduced pace of growth in the marketwide average effective rent.

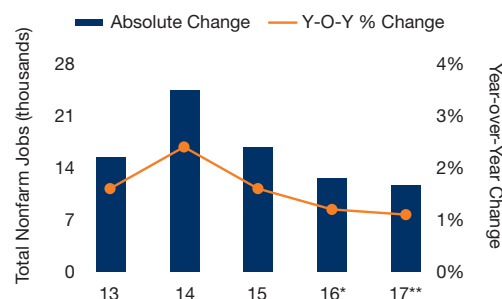
Transitioning market an opportunity for high-yield investors. Seasoned local buyers with deep knowledge of tenant demand drivers and who possess insights on specific communities' long-term plans will take advantage of this year's shift in operating metrics. Select coastal buyers will also remain active, seeking to capture first-year returns that can run 300 basis points higher than their home market, though competition will intensify. Entering this year, the average price has yet to reach its pre-recession high as the average cap rate holds stable in the low-7 percent range. An overall slowdown in rent growth teamed with rising vacancy could bring more assets to market before downward pressure on values begins to mount. Class B and C assets will remain highly desired, especially in redeveloping areas of downtown Kansas City, particularly along the 2-mile KC Streetcar line. The widening rental gap between asset classes could offer upside for many properties.

2017 Market Forecast

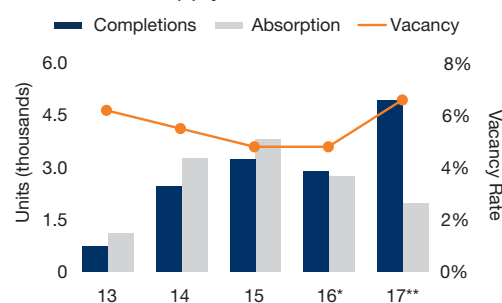
- NMI Rank** ⚡ A combination of slow household growth and rising vacancy placed Kansas City at the bottom of the ranking.
46, down 6 places
- Employment** ⚡ An increase of 11,600 jobs during 2017 represents a slowdown from the 12,600 new hires last year.
up 1.1%
- Construction** ⚡ Following the completion of approximately 2,900 rentals last year, deliveries are on track to accelerate in 2017.
4,900 units
- Vacancy** ⚡ Net absorption of 2,000 rentals substantially trails the projected increase in stock, lifting the vacancy rate to 6.6 percent. In 2016, vacancy was unchanged at 4.8 percent.
up 180 bps
- Rent** ⚡ After advancing by 6 percent or more in consecutive years, the average effective rent will increase by 3 percent in 2017 to \$921 per month.
up 3.0%
- Investment** ⚡ Recently stabilized properties will present additional investment opportunities. Central Kansas City and Overland Park have new, smaller loft projects that could appeal to buyers targeting revitalized neighborhoods.

Kansas City

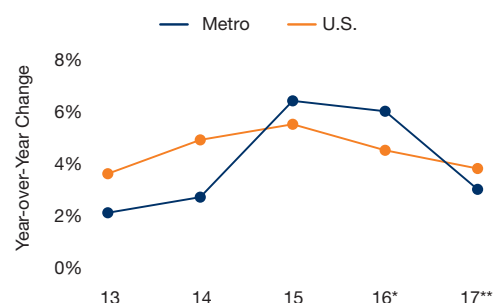
Employment Trends



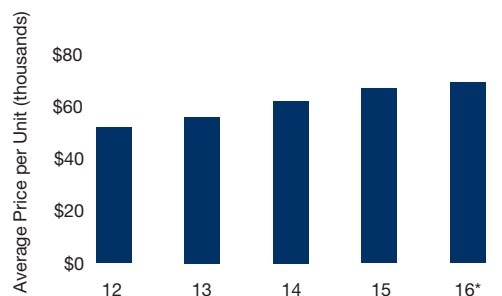
Supply and Demand



Effective Rent Trends



Sales Trends



* Estimate ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Households Line Up to Absorb New Rentals; Vacancy and Rents to Improve

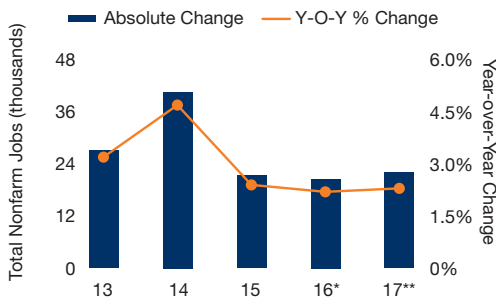
Property fundamentals strengthen as deep renter pool fills new development. Robust tourism combined with the region's growth as an e-commerce logistics hub are driving population and household growth rates over twice the national average and spurring healthy demand for apartments. As the metro's population expands from strong net migration, construction and healthcare employment lead growth. All sectors see positive gains, resulting in accelerated hiring during 2017. The metro's low cost of living and expanding economy draw the most new migrants from high-cost Southern California. Additionally, growth of the 20 to 34 age cohort keeps accelerating and sits well above the national average, causing steady demand for multifamily units. Since hitting a lull in 2013, development of new apartments has gained significant traction as the vacancy rate has fallen and rent growth exceeded the nation. New households in the region, showing a strong propensity to rent, will once again keep absorption totals in excess of newly added units, pushing down vacancy further to the lowest level since 2006. Growing demand drivers keep the Las Vegas market on course to post the lowest vacancy rate this cycle and will support another year of rent growth above the U.S. average.

Relatively higher yields, optimistic outlook stoke buyer demand. Improving property operations and healthy returns will sustain the flow of investment capital to Las Vegas apartments. Intense cap rate compression in many of the California markets will attract cash-flow-oriented investors to the metro. First-year returns for Las Vegas assets average in the mid-6 percent range, approximately 150 to 200 basis points greater than those in the Golden State. Additionally, the prospect for future NOI improvements is strong as a relatively late recovery creates a runway for future growth. Investors will favor Class B and C assets for their potential to provide greater yields and lower price points that offer an easier entry into the market.

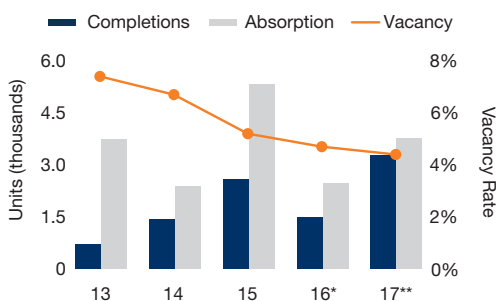
2017 Market Forecast

- NMI Rank** ↗ The market's strong demand drivers and rent elevate Las Vegas in the 2017 NMI.
28, up 6 places
- Employment** ↗ Establishments will hire 22,000 workers in 2017. The metro gained 20,500 workers last year, led by growth in the education and health services sector.
up 2.3%
- Construction** ↗ Developers will complete 3,300 apartments in 2017, building on last year's total of 1,500 new units. This marks the greatest annual supply addition since 2010.
3,300 units
- Vacancy** ↘ Positive net absorption of more than 3,700 units reduces vacancy this year to 4.4 percent. A 50-basis-point reduction was posted in 2016.
down 30 bps
- Rent** ↗ The average effective rent climbs 6.2 percent to \$945 per month in 2017, representing a moderation from last year's robust gain of 7.5 percent.
up 6.2%
- Investment** ○ Investors remain attracted to facilities located in Downtown Las Vegas or on the Strip. Underlying tenant demand here is strong as renters favor easy access to jobs, entertainment and shopping districts.

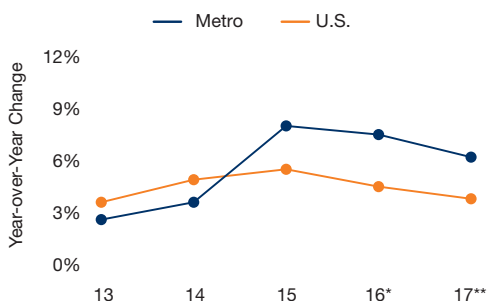
Employment Trends



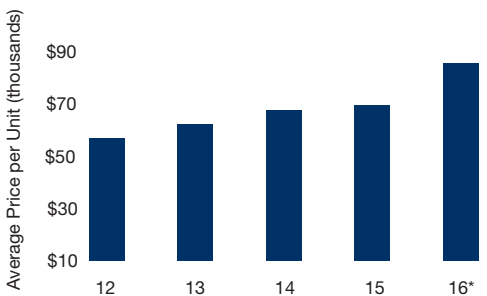
Supply and Demand



Effective Rent Trends



Sales Trends



* Estimate ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Downtown Revitalization in Full Swing; Housing Demand Remains Robust

Soaring home prices channel rising demand toward apartments. An upswing of development, spurred by the renovation of downtown Los Angeles, produced the largest supply injection in more than two decades. However, an improving labor market and the high cost of single-family housing generated surging demand for rentals, bringing vacancy to a new cycle low. While development will remain elevated, construction is declining outside of the urban core submarkets in the Greater Downtown Los Angeles area, spurring broad declines in vacancy. Job growth, while slower than previous years of the current business cycle, remains highly supportive of additional household formation as well. As a result, the metro vacancy rate will contract further as new households predominantly choose rentals. While a tighter operating environment will support additional growth in the average effective rent, performance will be dictated by local drivers in individual submarkets. Robust corporate worker demand in the Westside Cities and South Bay will accelerate rent gains, while being offset by rising vacancy in supply-laden Downtown Los Angeles.

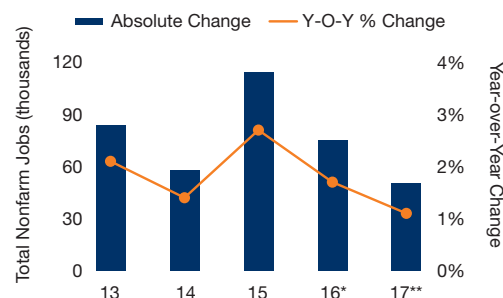
Investors seek out vintage complexes as valuations in the core rise. Following several years of sizable appreciation in asset values, investors are becoming more tactical. The sharp increase in new apartment supply at the high end of the market has refocused participants on Class B and C offerings with upside potential through renovation. Although these opportunities have dwindled due to high demand, particularly in Downtown Los Angeles, neighborhoods with older construction such as the South Bay and the Westside Cities still offer some prospects. Meanwhile, yield-oriented investors are boosting allocations in the San Fernando Valley, where the highest cap rates in the metro are found. Metrowide, initial returns on closed transactions will range from the low-4 to high-4 percent band, depending on asset quality and location.

2017 Market Forecast

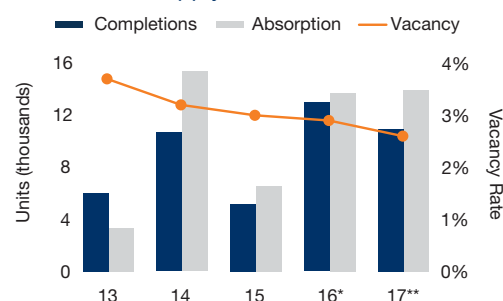
- NMI Rank** ↗ 1, up 10 places
Advancing faster than any other market, Los Angeles fills the top spot with strong rental demand and limited development restraining vacancy.
- Employment** ↗ up 1.1%
Los Angeles organizations will hire 50,000 workers this year, expanding payrolls by 1.1 percent. Last year, 75,000 jobs were created.
- Construction** ↘ 10,900 units
Focusing on the Downtown Los Angeles submarkets, developers will complete 10,900 units in 2017, a marginal decrease from the 12,900 brought online last year.
- Vacancy** ↘ down 30 bps
A slower pace of development and steady job growth will contract the vacancy rate 30 basis points to 2.6 percent. In the prior year, vacancy fell 10 basis points.
- Rent** ↗ up 5.4%
Declining vacancy will trigger a 5.4 percent rise in the average effective rent to \$2,095 per month during 2017. The average effective rent advanced 5.0 percent in the previous four quarters.
- Investment** ○ Markets outside of the Greater Downtown Los Angeles area will record sharp slowdowns in deliveries, motivating buyers to deploy capital for fully occupied Class B and C properties.

Los Angeles

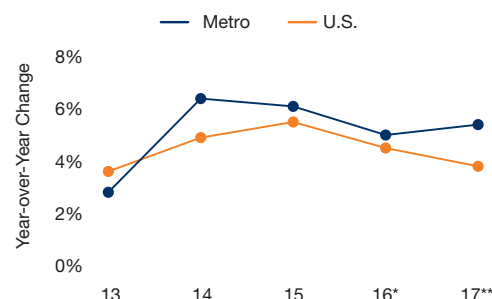
Employment Trends



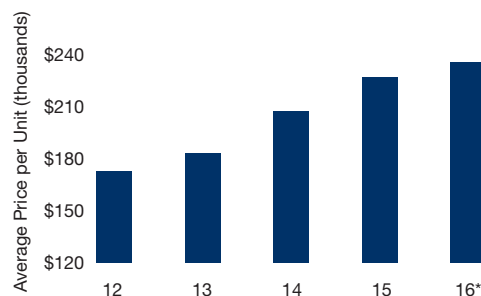
Supply and Demand



Effective Rent Trends



Sales Trends



* Estimate ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Market Name	Employment Growth ²				Completions (Units) ²				Vacancy	
	2014	2015	2016*	2017**	2014	2015	2016*	2017**	2014	2015
Atlanta	4.2%	2.8%	3.0%	2.5%	5,900	7,900	10,800	12,000	6.1%	5.0%
Austin	4.4%	4.9%	2.4%	2.0%	12,100	9,000	13,100	9,800	4.6%	4.1%
Baltimore	1.7%	1.2%	2.2%	1.4%	3,500	1,700	3,300	3,300	4.6%	4.4%
Boston	2.6%	1.6%	2.3%	2.6%	7,100	7,300	6,100	7,100	3.6%	2.8%
Charlotte	3.9%	2.9%	2.1%	2.2%	6,700	5,300	8,600	7,700	5.0%	4.3%
Chicago	1.6%	1.4%	1.4%	1.5%	4,700	6,400	8,400	8,400	4.2%	3.8%
Cincinnati	2.1%	1.4%	2.0%	2.0%	1,500	2,000	3,100	1,400	4.9%	4.5%
Cleveland	0.7%	0.9%	1.3%	1.8%	900	1,500	700	1,500	3.9%	3.8%
Columbus	2.7%	2.0%	2.0%	2.0%	2,900	3,200	2,100	4,500	4.5%	4.5%
Dallas/Fort Worth	4.1%	3.8%	3.8%	2.9%	15,600	16,600	22,100	28,200	5.2%	4.7%
Denver	4.2%	2.7%	3.3%	2.9%	8,100	7,000	10,700	11,900	3.7%	4.5%
Detroit	2.2%	1.8%	1.9%	1.8%	800	1,500	2,400	2,600	3.5%	2.7%
Fort Lauderdale	3.0%	3.1%	4.8%	4.2%	3,200	3,400	3,100	5,000	4.2%	3.6%
Houston	4.0%	0.7%	0.4%	0.6%	13,500	16,600	27,400	18,300	5.8%	6.2%
Indianapolis	1.8%	2.5%	2.2%	1.9%	2,300	2,600	2,800	2,200	6.9%	6.9%
Kansas City	2.4%	1.3%	1.2%	1.1%	2,500	3,200	2,900	4,900	5.5%	4.8%
Las Vegas	4.7%	2.4%	2.2%	2.3%	1,400	2,600	1,500	3,300	6.7%	5.2%
Los Angeles	1.4%	2.7%	1.7%	1.1%	10,600	5,200	12,900	10,900	3.2%	3.0%
Louisville	2.7%	3.1%	2.0%	1.3%	1,900	2,000	1,200	2,500	4.2%	4.4%
Miami-Dade	3.9%	2.0%	1.9%	2.2%	2,500	2,600	6,100	5,700	3.1%	2.4%
Milwaukee	1.4%	0.8%	0.6%	1.0%	1,400	2,000	1,700	3,600	3.0%	2.8%
Minneapolis-St. Paul	1.7%	1.7%	2.0%	1.8%	5,900	4,200	4,100	3,800	2.7%	2.9%
Nashville	4.3%	3.7%	2.5%	2.1%	3,800	4,100	7,500	9,100	4.5%	3.6%
New Haven-Fairfield County	1.2%	0.6%	1.0%	0.8%	2,500	1,700	1,600	1,400	3.7%	3.2%
New York City	3.4%	2.4%	1.9%	1.4%	8,600	11,600	29,000	29,700	2.3%	2.3%
Northern New Jersey	1.1%	1.7%	1.9%	1.7%	6,300	6,800	8,500	7,600	4.1%	4.3%
Oakland	2.9%	2.8%	2.6%	3.1%	1,600	700	2,100	3,000	2.7%	2.8%
Orange County	3.1%	3.1%	2.6%	2.1%	4,500	3,400	2,900	8,200	3.1%	3.4%
Orlando	4.0%	4.4%	5.0%	4.4%	6,200	4,800	7,000	4,900	4.3%	3.7%
Philadelphia	1.8%	1.7%	1.9%	1.7%	2,600	3,200	5,900	5,700	4.6%	4.3%
Phoenix	2.6%	3.8%	2.7%	2.7%	4,400	6,100	7,500	7,800	6.0%	4.6%
Pittsburgh	0.5%	0.2%	0.0%	0.6%	1,100	2,100	2,100	1,400	4.6%	5.4%
Portland	3.2%	3.4%	2.5%	2.2%	4,700	4,400	6,500	4,600	2.6%	3.1%
Raleigh	3.3%	2.9%	2.8%	2.9%	8,200	4,500	4,900	4,500	5.9%	5.6%
Riverside-San Bernardino	5.4%	3.6%	2.2%	2.0%	2,500	1,100	2,600	500	4.3%	3.9%
Sacramento	2.3%	3.1%	3.1%	2.9%	500	1,300	1,000	800	3.0%	2.7%
Salt Lake City	3.0%	3.5%	3.4%	3.4%	4,100	3,800	5,400	3,500	3.9%	3.8%
San Antonio	3.9%	2.7%	2.2%	1.9%	6,200	4,700	7,300	4,200	7.2%	6.1%
San Diego	2.3%	2.9%	2.3%	2.0%	4,800	2,700	3,100	5,800	3.3%	3.4%
San Francisco	4.3%	4.5%	2.2%	1.6%	4,200	1,500	5,200	5,600	3.4%	3.4%
San Jose	4.0%	4.2%	3.3%	2.7%	4,100	3,800	5,900	3,500	3.5%	3.4%
Seattle-Tacoma	3.0%	3.0%	3.4%	3.4%	10,900	9,500	13,800	13,200	3.9%	3.6%
St. Louis	1.6%	1.7%	2.7%	2.0%	1,300	1,300	1,600	2,500	6.7%	5.5%
Tampa-St. Petersburg	3.2%	3.7%	2.8%	2.3%	4,500	3,400	3,200	4,900	5.0%	3.4%
Washington, D.C.	1.1%	2.2%	2.7%	1.7%	19,300	8,900	13,600	15,700	5.3%	4.3%
West Palm Beach	4.5%	3.9%	2.0%	2.5%	2,300	2,600	2,200	4,500	4.7%	4.2%
United States	2.2%	2.0%	1.5%	1.4%	259,600	232,400	320,000	371,000	4.5%	4.1%

Rate ²		Effective Monthly Rate ²				Average Price/Unit ²			Market Name
2016*	2017**	2014	2015	2016*	2017**	2014	2015	2016*	
4.5%	4.3%	\$929	\$1,007	\$1,074	\$1,128	\$80,880	\$84,460	\$90,430	Atlanta
4.3%	4.8%	\$1,079	\$1,151	\$1,213	\$1,255	\$90,560	\$104,030	\$106,560	Austin
5.1%	5.6%	\$1,214	\$1,233	\$1,277	\$1,315	\$109,960	\$123,250	\$125,590	Baltimore
3.2%	3.3%	\$1,755	\$1,856	\$1,966	\$2,064	\$246,030	\$279,470	\$287,700	Boston
3.7%	3.7%	\$908	\$968	\$1,037	\$1,099	\$85,270	\$95,100	\$103,520	Charlotte
3.7%	3.9%	\$1,245	\$1,309	\$1,380	\$1,442	\$143,230	\$163,120	\$165,310	Chicago
3.1%	2.7%	\$812	\$837	\$881	\$921	\$50,070	\$50,730	\$51,530	Cincinnati
3.3%	3.9%	\$811	\$838	\$880	\$913	\$47,900	\$50,760	\$51,870	Cleveland
3.2%	3.3%	\$787	\$822	\$862	\$898	\$40,840	\$45,190	\$49,340	Columbus
4.2%	5.1%	\$919	\$982	\$1,055	\$1,113	\$68,970	\$77,980	\$86,010	Dallas/Fort Worth
4.4%	5.5%	\$1,214	\$1,310	\$1,389	\$1,438	\$125,860	\$132,360	\$164,200	Denver
2.6%	2.6%	\$827	\$861	\$910	\$951	\$54,940	\$61,650	\$64,220	Detroit
4.1%	4.2%	\$1,315	\$1,427	\$1,492	\$1,562	\$119,290	\$136,360	\$155,380	Fort Lauderdale
6.6%	6.9%	\$961	\$1,014	\$1,030	\$1,040	\$83,520	\$84,100	\$78,410	Houston
5.4%	4.8%	\$753	\$786	\$821	\$847	\$44,790	\$49,630	\$51,930	Indianapolis
4.8%	6.6%	\$792	\$843	\$894	\$921	\$62,130	\$66,790	\$69,110	Kansas City
4.7%	4.4%	\$767	\$828	\$890	\$945	\$67,580	\$69,460	\$85,610	Las Vegas
2.9%	2.6%	\$1,784	\$1,892	\$1,987	\$2,095	\$206,820	\$226,720	\$235,380	Los Angeles
3.5%	4.9%	\$759	\$779	\$825	\$858	\$72,560	\$74,070	\$85,890	Louisville
2.1%	2.0%	\$1,250	\$1,300	\$1,351	\$1,410	\$147,960	\$173,050	\$185,310	Miami-Dade
3.2%	4.9%	\$937	\$965	\$1,005	\$1,033	\$67,580	\$73,860	\$73,920	Milwaukee
2.2%	1.9%	\$1,048	\$1,098	\$1,161	\$1,219	\$97,970	\$121,360	\$126,480	Minneapolis-St. Paul
3.8%	6.3%	\$955	\$1,031	\$1,116	\$1,155	\$104,660	\$110,970	\$115,370	Nashville
3.3%	3.2%	\$1,563	\$1,567	\$1,633	\$1,665	\$174,450	\$176,060	\$180,280	New Haven-Fairfield County
2.8%	3.3%	\$2,465	\$2,555	\$2,640	\$2,705	\$336,740	\$346,510	\$348,390	New York City
4.3%	4.1%	\$1,609	\$1,719	\$1,789	\$1,882	\$133,840	\$147,670	\$158,670	Northern New Jersey
3.1%	2.9%	\$1,813	\$1,998	\$2,146	\$2,275	\$174,810	\$199,310	\$220,580	Oakland
2.9%	3.8%	\$1,721	\$1,815	\$1,909	\$2,004	\$205,470	\$224,130	\$243,610	Orange County
3.4%	3.2%	\$978	\$1,045	\$1,113	\$1,180	\$86,730	\$98,660	\$103,950	Orlando
4.3%	4.7%	\$1,154	\$1,184	\$1,248	\$1,304	\$124,990	\$132,890	\$128,660	Philadelphia
4.4%	3.4%	\$825	\$880	\$937	\$998	\$77,650	\$86,290	\$95,250	Phoenix
4.6%	4.9%	\$1,000	\$1,036	\$1,078	\$1,116	\$65,430	\$77,390	\$79,910	Pittsburgh
3.4%	3.6%	\$1,027	\$1,163	\$1,280	\$1,371	\$122,410	\$133,470	\$143,050	Portland
5.6%	5.5%	\$944	\$1,003	\$1,065	\$1,130	\$100,710	\$107,940	\$121,600	Raleigh
3.1%	2.5%	\$1,167	\$1,237	\$1,337	\$1,430	\$108,300	\$118,970	\$131,300	Riverside-San Bernardino
2.8%	2.0%	\$1,031	\$1,123	\$1,247	\$1,347	\$91,330	\$96,750	\$102,220	Sacramento
2.9%	3.8%	\$868	\$912	\$985	\$1,049	\$103,640	\$106,570	\$111,130	Salt Lake City
5.9%	5.8%	\$857	\$895	\$933	\$975	\$75,350	\$84,530	\$84,950	San Antonio
2.9%	3.4%	\$1,546	\$1,668	\$1,775	\$1,882	\$174,640	\$194,530	\$219,520	San Diego
3.6%	4.2%	\$2,800	\$2,988	\$3,000	\$3,100	\$318,000	\$369,650	\$395,890	San Francisco
4.0%	3.9%	\$2,292	\$2,474	\$2,479	\$2,552	\$256,770	\$291,530	\$321,830	San Jose
3.2%	4.2%	\$1,243	\$1,356	\$1,469	\$1,557	\$180,880	\$199,880	\$217,260	Seattle-Tacoma
4.6%	4.9%	\$808	\$845	\$885	\$920	\$81,480	\$81,680	\$81,730	St. Louis
4.0%	3.8%	\$944	\$1,013	\$1,078	\$1,143	\$80,310	\$91,670	\$95,900	Tampa-St. Petersburg
3.9%	4.4%	\$1,583	\$1,599	\$1,661	\$1,711	\$175,860	\$190,900	\$222,070	Washington, D.C.
5.2%	6.3%	\$1,317	\$1,437	\$1,485	\$1,530	\$149,770	\$152,590	\$167,750	West Palm Beach
3.8%	4.0%	\$1,178	\$1,243	\$1,299	\$1,348	\$121,230	\$137,310	\$141,380	United States

Large Supply Influx in Louisville Pressuring Vacancy Rate, Trimming Rent Growth

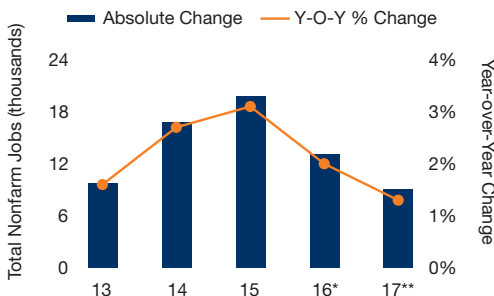
Demand growth will ease as pipeline empties. A year of transition is in store in the Louisville market during 2017. Developers will step up efforts and raise completions to a cycle high this year, coinciding with a projected slowdown in hiring. A substantial rise in the vacancy rate is likely metrowide, one year after a 16-year low was recorded, and rent growth will moderate from the nearly 6 percent pace recorded during 2016. Projects comprising more than 1,500 units are on tap in Central Louisville and the northeastern section of the city. The vacancy rate in these areas ended last year in the low-4 percent range but appears likely to rise notably during 2017, potentially prompting the more frequent use of concessions. The coming year will test the limits of demand for upper-tier rental housing in the urban core.

Local investors shifting focus, expanding searches to other neighborhoods. Although the Louisville market may have peaked last year, the still-strong performance outlook and attractive yields should maintain buyer interest. Local investors who are intimately familiar with the nuances of the market will adjust search criteria, with some favoring the suburbs over downtown Louisville and popular East End neighborhoods. Areas with minimal near-term deliveries and more seasoned rental stock could present opportunities for investors in Class B/C complexes, where strong workforce housing demand is maintaining vacancy of less than 4 percent. These assets will trade at cap rates from the mid-6 percent to the 8 percent range, depending on location and access to transportation. Out-of-state investors are also active in the metro, drawn by an average cap rate of 7 percent. Investors seeking to trade out of more costly markets to capture potentially higher yields and add geographic diversification to their portfolios will continue to scour the metro. Assets in the East End or adjacent to major employers including hospitals and universities will elicit interest.

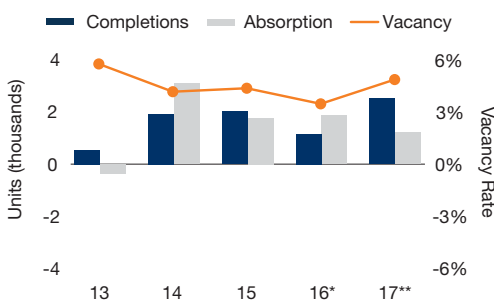
2017 Market Forecast

- NMI Rank** ↘ A large increase in vacancy prompted the decrease in Louisville's ranking this year.
45, down 7 places
- Employment** ↗ Employers will add 9,000 workers during 2017. Expansions in healthcare and additions to retail staffing underpinned a gain of 13,000 jobs last year.
up 1.3%
- Construction** ↗ The pipeline contains 2,500 apartments scheduled for delivery throughout 2017, up from the 1,200 rentals delivered in 2016.
2,500 units
- Vacancy** ↗ Higher completions propel a jump in the vacancy rate to 4.9 percent in 2017. A decrease of 90 basis points to a historical low of 3.5 percent occurred last year.
up 140 bps
- Rent** ↗ This year's projected gain raises the average effective rent to \$858 per month but trails the increase posted last year of 5.9 percent.
up 4.0%
- Investment** ○ Several projects will open during 2017, creating an opportunity for out-of-area investors seeking to geographically diversify portfolios.

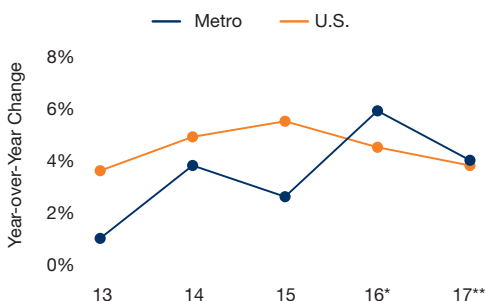
Employment Trends



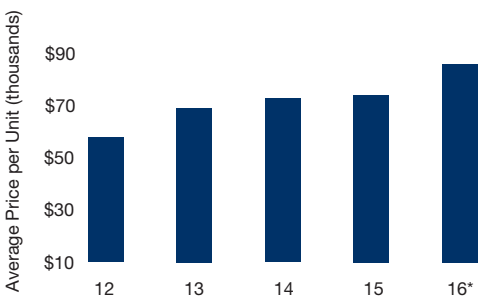
Supply and Demand



Effective Rent Trends



Sales Trends



* Estimate ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Perpetually Low Vacancy Supports Development; Budding Possibilities Beyond Urban Core

Steady job and household growth fill new units countywide amid elevated deliveries. Strong housing demand driven by improvements in the labor market and household formation will hold the metro's vacancy rate near the cycle low this year. Market demand will keep deliveries elevated in 2017. Completions are expected to more than double the 10-year average this year as 5,700 units come online. Most of the new rentals are rising in downtown as more residents obtain employment in this area. The high cost of single-family housing coupled with limited housing construction for first-time homebuyers will provide a steady stream of renters. Outside of downtown, 2,200 Class A units will be opening across the county, most notably in the commuter residential areas of Coral Gables and South Miami. Countywide, eight years of positive absorption are keeping vacancy below 3 percent and will allow the annual market effective rent to rise again this year.

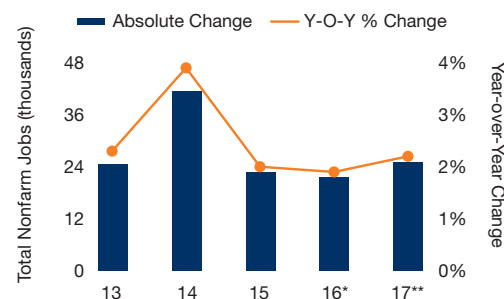
Performance upside holds strong, gaining greater traction from buyers. Robust rental growth will boost apartment appreciation and preserve investor sentiment in 2017. Class B and C assets are poised to perform well this year. Intense bidding and a swell in pricing may widen buyer and seller expectations, pushing more investors to tertiary submarkets. Investors in search of additional upside potential may find suitable properties in East Little Havana, North Miami Beach and Miami Gardens. Lower monthly rents and curbed construction in these corridors will provide further revenue gains this year. In these submarkets, assets trade with yields in the upper-5 to lower-8 percent range depending on location and quality. Metrowide Class A units commonly trade roughly 100 basis points lower in the 4 percent range. A surge in luxury development will grow interest among institutional buyers, supporting robust trading in this segment.

2017 Market Forecast

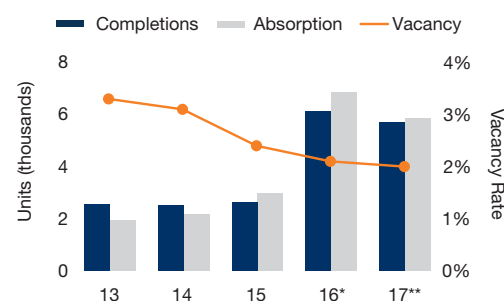
- NMI Rank** ■ Strong demand drivers and sustained sub-3 percent vacancy rates maintain Miami-Dade's position.
15, no change
- Employment** ↗ The workforce will grow by 25,000 people this year. In 2016, Miami-Dade employers added 21,500 jobs, led by the professional and business services sector.
up 2.2%
- Construction** ↗ Elevated construction extends into its second year with the completion of 5,700 units anticipated for 2017. Last year 6,100 apartments were delivered.
5,700 units
- Vacancy** ↘ Net absorption will nudge past completions this year, pushing the rate 10 basis points lower to a tight 2 percent. Last year vacancy dropped 30 basis points.
down 10 bps
- Rent** ↗ Strong demand and tight vacancy will grow rents in 2017, increasing 4.4 percent to \$1,410 per month. Last year rent climbed 3.9 percent.
up 4.4%
- Investment** ○ Construction is ramping up on Miami Worldcenter this year. Properties in the surrounding corridor will garner greater attention from investors in search of promising future returns.

Miami-Dade

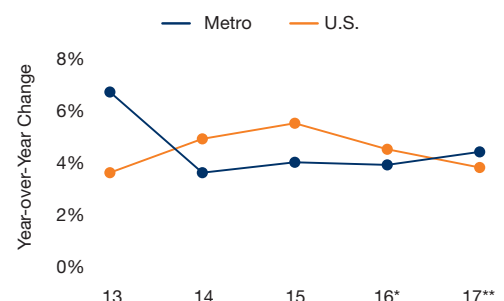
Employment Trends



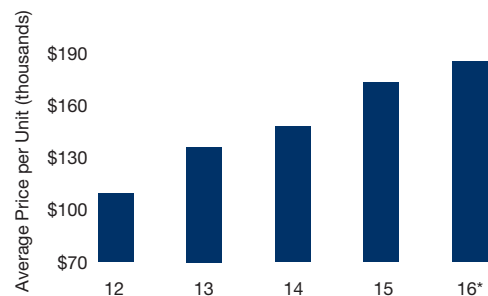
Supply and Demand



Effective Rent Trends



Sales Trends



* Estimate ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Downtown Revitalization Draws Development; Range of Opportunities Reside Outside the Core

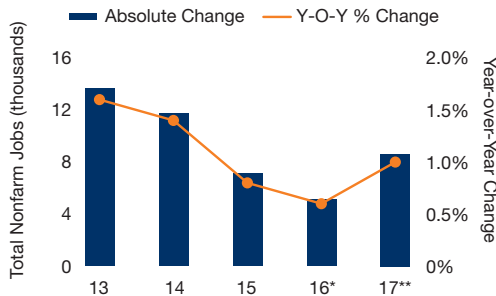
Completions hit a record high. Following three years of exceptionally tight vacancy levels, the development pipeline in Milwaukee will surge in 2017. Moderate but steady employment gains throughout this cycle have thus far supported absorption that has kept pace with deliveries, but in the coming year vacancy rates will rise substantively. Much of the development is concentrated in revitalized urban core neighborhoods, and although the wave of new units will generate some localized challenges for operators, it also has the potential to reinforce some localized challenges for operators, it also has the potential to reinforce urban lifestyle options. The elevated deliveries will more dramatically affect Class A assets in the heart of the city, but Class B/C properties, which constitute the bulk of the rental housing stock, will maintain momentum and underpin another year of moderate rent growth across the metro.

Redevelopment opportunities a primary investor focus. Milwaukee will continue to garner investor interest through 2017 as the market generates stable performance metrics despite the development surge. Buyers will favor submarkets that offer stable income flows and prospects of future growth. The limited number of available listings, however, will spark a competitive buyer landscape but also create an encouraging marketplace for sellers interested in repositioning their portfolios. Investors in search of additional performance upside will seek assets to the northwest of the urban core, an area prime for redevelopment along with corridors west of downtown. Lower monthly rents and constrained construction in these parts of the metro support potentially positive revenue gains in 2017. Assets of older variety offer a large pricing advantage relative to new properties. Following renovations, these upgraded Class C units may find a welcome audience. Cap rates for assets in this segment begin in the mid-6 percent area, a 50-basis-point premium against recent construction downtown.

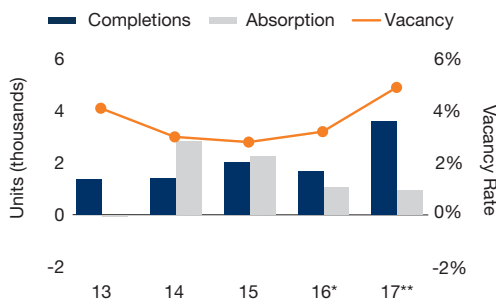
2017 Market Forecast

- NMI Rank** ↘ Tepid job gains reduced Milwaukee to the 33rd spot in the 2017 NMI.
33, down 8 places
- Employment** ↗ This year, employers will add 8,600 workers to payrolls, a 1 percent expansion of the workforce. During 2016, 5,100 jobs were created.
up 1.0%
- Construction** ↗ Completions remain on track to reach the peak of the current cycle, hitting 3,600 apartments this year. Roughly 1,700 units were delivered in 2016.
3,600 units
- Vacancy** ↗ Substantial supply growth will raise the vacancy rate 170 basis points to 4.9 percent in 2017, exceeding the climb of 40 basis points last year.
up 170 bps
- Rent** ↗ Rising inventory will reduce the rate of growth in the average effective rent to 2.8 percent, ending 2017 at \$1,033 per month, compared with a 4.1 percent bump last year.
up 2.8%
- Investment** ○ Value-add and redevelopment opportunities remain abundant in the surrounding neighborhoods of Milwaukee, providing stable cash flows and upside potential.

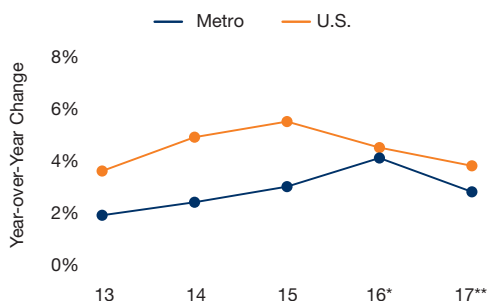
Employment Trends



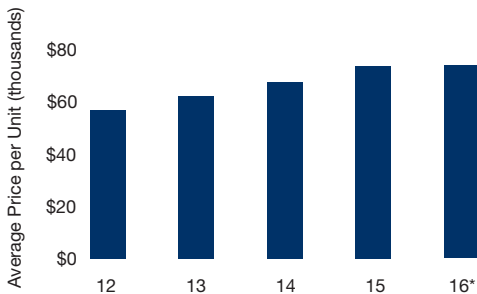
Supply and Demand



Effective Rent Trends



Sales Trends



* Estimate ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Robust Demand Keeps Vacancy at Historical Low, Bolstering Rent Growth in Minneapolis-St. Paul

Steady hiring, moderate apartment construction align to restrain vacancy. The consistent, prolonged employment expansion has drawn a wide range of new residents to Minneapolis-St. Paul. The persistently low unemployment rate in the metro is requiring employers to recruit workers from outside the region, drawing additional employees. Many of these are young professionals between the ages of 20 to 34, the prime renter cohort. Rising incomes are also affording more people the means to establish their own households. With home prices escalating, renting may be a more affordable option for desired amenities in preferred neighborhoods such as downtown Minneapolis. Demand for apartments will be especially strong along major transportation routes in both urban and suburban locals. Developers are active in these areas, yet the heightened pace of deliveries will not keep up with robust demand, fostering another year of substantial rent growth.

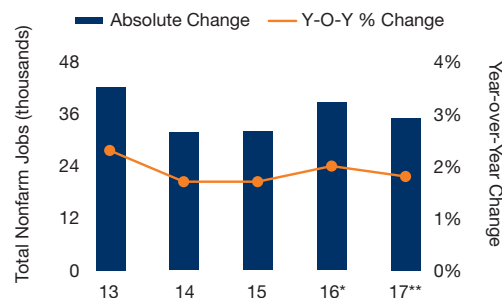
Depth of investment options caters to wide range of investor strategies. One of the strongest apartment markets in the nation has a wide range of investors searching for assets. Intense buyer demand coupled with escalating prices will encourage more owners to re-evaluate their portfolios. Some will take advantage of strengthening operations to refinance this year for long-term holds, while others who do not wish to risk owning through another cycle are marketing properties. Additional buying opportunities will come from the wave of recently completed buildings that will attract buyers at the top end of the market at cap rates that can dip below 5 percent for premium properties. Private owners in neighborhoods where competition has proliferated such as the North Loop or Prospect Park and do not desire upgrading to remain competitive may find this a favorable time to exchange into assets in other locations. Investors will find initial yields for Class B assets typically start in the mid-5 percent area.

2017 Market Forecast

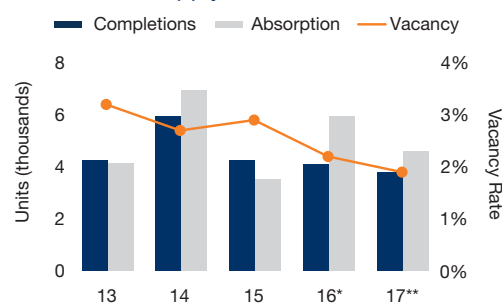
- NMI Rank** ↗ The tightest vacancy rate in the country vaults Minneapolis-St. Paul into the top five.
4, up 3 places
- Employment** ↗ The employment base will expand by 35,000 workers during 2017. All major employment sectors contributed to a 2.0 percent gain last year.
up 1.8%
- Construction** ↗ After 4,100 apartments were completed last year, 3,800 units are scheduled for delivery in 2017. Record-low vacancy, however, could fast-track additional projects.
3,800 units
- Vacancy** ↘ Building on a 70-basis-point decline in the vacancy rate last year, the rate will recede 30 basis points to 1.9 percent this year, the lowest year-end vacancy since 2000.
down 30 bps
- Rent** ↗ Robust demand for apartments is boosting rents. Effective rent will climb an average of 5.0 percent to \$1,219 per month in 2017, following last year's 5.7 percent leap.
up 5.0%
- Investment** ● Properties with a value-add component are especially sought after. Buyers desire buildings close to amenities and transit in transitioning urban neighborhoods near downtown Minneapolis and St. Paul.

Minneapolis-St. Paul

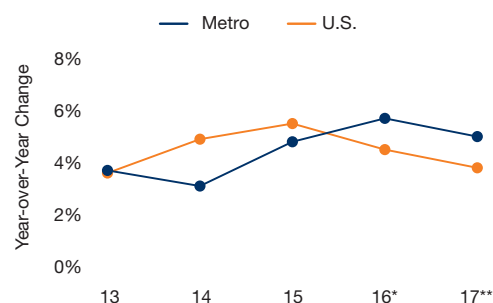
Employment Trends



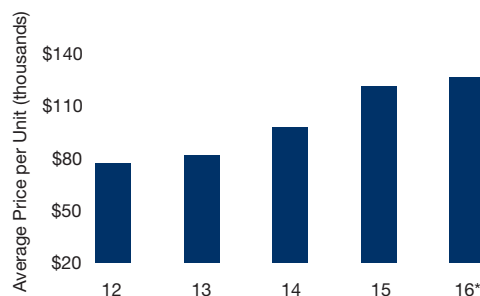
Supply and Demand



Effective Rent Trends



Sales Trends



* Estimate ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Vacancy Rate Climbing in Nashville Amid Period of Rising Stature With Investors

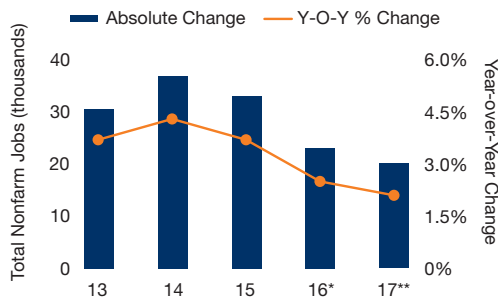
Hiring in service-related industries supports demand outlook. Expansions in the healthcare sector and building trades will support job creation in excess of the U.S. rate of increase this year and generate new demand for rental housing. Graduates from local colleges entering tech or healthcare fields will find employment opportunities in Nashville and join a steady flow of new residents relocating from other areas to form a sizable pool of potential renters. New rental demand, though, will not keep pace with completions this year. Projects slated for delivery in 2017, largely comprising luxury units, will be located in neighborhoods including Music Row, Downtown and the East End. The Class A vacancy rate is most likely to rise as new rentals lease up, but low vacancy in Class B/C complexes will persist as new jobs at hotels and in retail generate new demand.

Nashville's economy and prospects garner investor consideration. Assets trade at cap rates averaging in the high-5 percent range, with properties in outlying and expanding cities including Murfreesboro commanding first-year returns in the high-6 to 7 percent band. Many large investors targeting new Class A properties throughout the metro will provide a potential exit strategy for merchant builders. At the other end of the price spectrum, tight vacancy and growing rents in the Class B/C segment will stoke greater interest among capital sources that include smaller institutions, larger private entities and well-capitalized individuals. Properties in the northern, southern and southeastern sections of the city will emerge as the focus of these investors. In centrally located neighborhoods undergoing revitalization and an expansion of retail options, investors seeking potential upsides will upgrade assets and raise rents to attract tenants who cannot afford luxury rental housing.

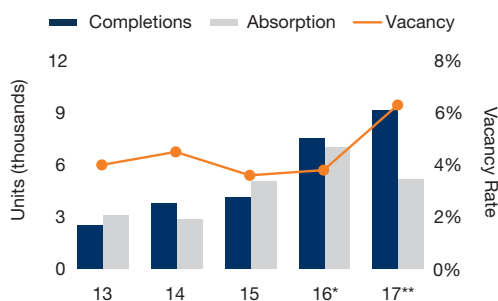
2017 Market Forecast

- NMI Rank** ↘ Concerns of oversupply drop Nashville eight rungs in this year's Index.
29, down 8 places
- Employment** ↗ Nashville employers will add 20,000 workers during 2017, increasing headcounts 2.1 percent; 23,000 positions were created last year.
up 2.1%
- Construction** ↗ Roughly 9,100 units will come online during 2017, marking the high point of this cycle. More than 15,000 rentals were placed in service over the past three years.
9,100 units
- Vacancy** ↗ Projected net absorption of 5,100 units lags completions, supporting an increase in the vacancy rate this year of 250 basis points to 6.3 percent.
up 250 bps
- Rent** ↗ Rising vacancy will temper rent growth, with the average effective rent increasing 3.5 percent this year to \$1,155 per month.
up 3.5%
- Investment** ○ The completion of multiple Class A projects in the next 24 months will create numerous opportunities for well-capitalized investors seeking newly built, primarily mid-rise complexes.

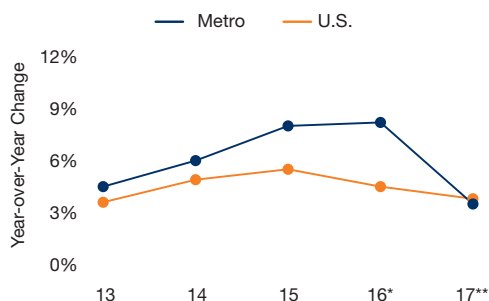
Employment Trends



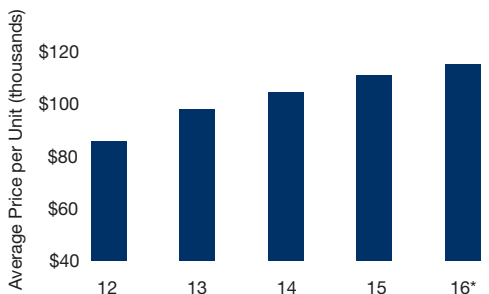
Supply and Demand



Effective Rent Trends



Sales Trends



* Estimate ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Comparative Affordability Attracts Commuters; Yield-Driven Buyers Active in Connecticut

New demand paces supply additions. A broad range of demand drivers will contribute to stable growth in the New Haven-Fairfield County multifamily sector in 2017. Demand in the Fairfield market is largely fueled by the healthcare, technology, hospitality and financial services sectors, along with cost advantages to New York City workers as rents can be up to \$2,000 less in certain areas. This has driven developers to Fairfield County in greater numbers, particularly to the Stamford-Norwalk metro where several developments are within walking distance of commuter rail. East along I-95 into New Haven County, steady job growth among higher-paying biotech firms, along with prestigious universities and world-class healthcare, will supply a healthy level of tenants to the market. A high propensity to rent among the younger cohort and modest increases to supply will hold the vacancy rate in New Haven below 4 percent this year. Rent growth across the region will be buoyed by new Class A construction.

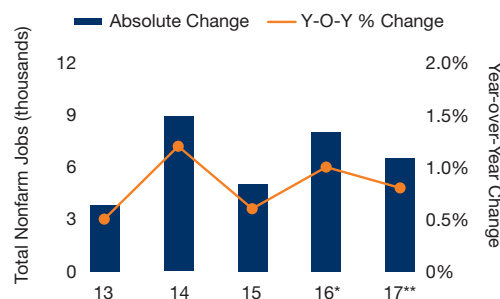
Favorable yields grow buyer interest. Buyers will shift capital to the New Haven-Fairfield market, where initial yields run higher than nearby metros. Steady development and growing rents will fuel both institutional and private client interest in Stamford, Norwalk and New Haven while a rise in the number of smaller properties will draw the attention of private investors. The shortage of listings in the market holds down deal flow, creating periodic supply-and-demand imbalances that drive prices higher. Some of the best properties in the area command prices in excess of \$350,000 per unit. Value-add assets are also highly sought after. Class B complexes can range from a mid-5 to mid-6 percent cap rate depending on location and provide additional performance upsides upon renovation. Cap rates for Class A assets can drop to 5 percent territory while Class C offerings start in the upper-6 percent band, a 180-basis-point lift compared with similar assets in New York City.

2017 Market Forecast

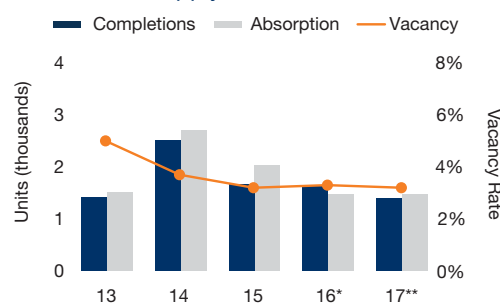
- NMI Rank** ↗ New Haven-Fairfield County's tightening vacancy and limited development advanced the market's ranking.
41, up 3 places
- Employment** ↗ Employers will create 6,500 jobs in 2017, short of last year's total of 8,000 positions. Job growth in 2016 was led by the financial activities sector.
up 0.8%
- Construction** ↗ This year, 1,400 rentals remain on track for delivery. Approximately 1,600 units came online last year.
1,400 units
- Vacancy** ↘ Net absorption of 1,460 units this year will compress the vacancy rate 10 basis points to 3.2 percent and erase last year's increase.
down 10 bps
- Rent** ↗ Demand for rental units will bring the average effective rent to \$1,665 per month in 2017, a 2.0 percent increase from last year. The average rent rose 4.2 percent in 2016.
up 2.0%
- Investment** ○ A \$100 million development plan was approved in New Haven between the downtown and the Hill neighborhoods. The site can accommodate in excess of 500,000 square feet of research and office space and will include approximately 150 rental housing units.

New Haven-Fairfield County

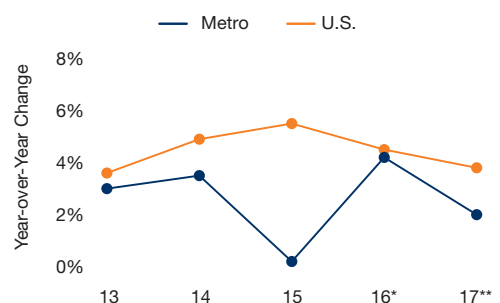
Employment Trends



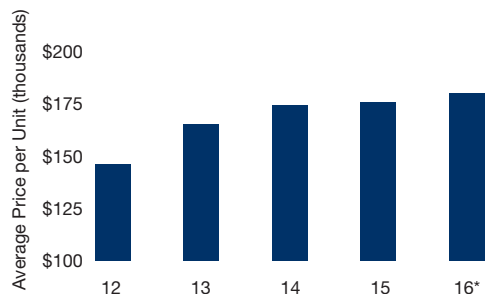
Supply and Demand



Effective Rent Trends



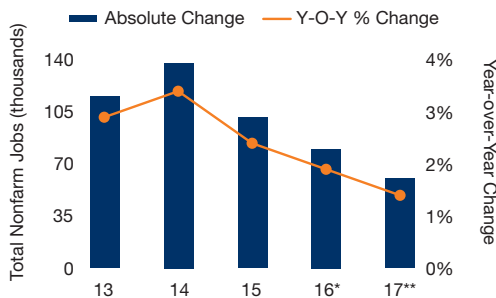
Sales Trends



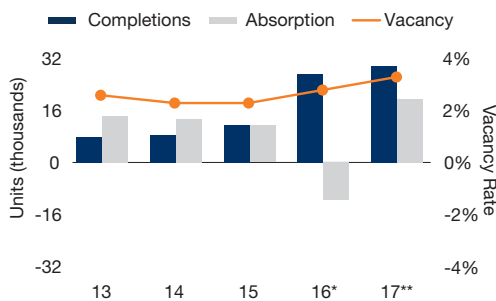
* Estimate ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Job Creation Supporting Household Formation; Booming Development Weighing on Rent Growth

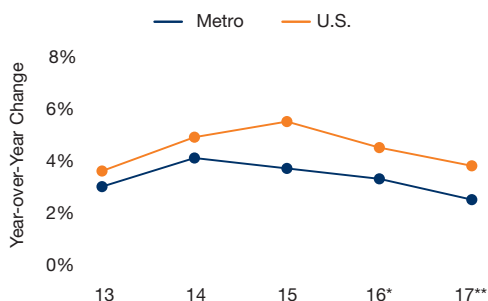
Employment Trends



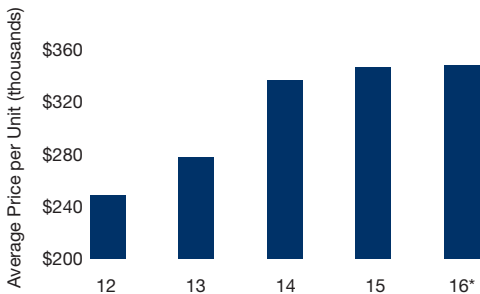
Supply and Demand



Effective Rent Trends



Sales Trends



Historic delivery schedule fosters slower pace of rent growth. A consistent pace of labor market improvement, boosted by the broad spectrum of corporate, government and non-profit organizations in the metro, is triggering considerable demand for apartments. Due to the high cost of owner-occupied housing, particularly in the most desired neighborhoods, the vast majority of residents are seeking rental accommodations. As a result, developers have expanded the project pipeline to one of the largest volumes in two decades, with planned sites most concentrated in Brooklyn and Manhattan. Although deliveries are expected to reach nearly 30,000 units this year, robust net absorption will limit the uptick in vacancy to a manageable level. However, the sheer volume of new construction will diminish the prospects for substantial average effective rent growth over the coming year. Some operators may elect to selectively employ concessions to fill units as supply growth intensifies competition.

Private investors propel sales in outer boroughs; repositionings remain key focus of buyers in Manhattan and Brooklyn. Aggressive buyer activity has notably elevated prices, which has begun to weigh on transaction volume. Looking ahead, buyers will head to the outer boroughs in search of higher yields, led by private investors seeking more robust cash flow. Meanwhile, institutions and syndicates will keep acquiring assets in Manhattan and Brooklyn, while repositioning apartments and retail spaces when possible in order to boost returns. Overall, cap rates range from the low-4 to mid-5 percent band. Trophy asset yields in Manhattan can dip into the high-3 percent range, while the majority of closed transactions are likely to skew toward Brooklyn, particularly in the submarkets along the East River.

2017 Market Forecast

- NMI Rank** A fall to the 10th spot occurs as employment growth eases and deliveries rise to a new annual high.
10, down 7 places
- Employment** Employers will add 60,000 workers this year. In the previous 12 months, 80,000 jobs were created.
up 1.4%
- Construction** Development will remain elevated in 2017, with builders completing 29,700 rentals, nominally more than last year's total. Projects will be most concentrated in Brooklyn and Manhattan.
29,700 units
- Vacancy** After recording a 50-basis-point rise in 2016, the metro vacancy rate rises an additional 50 basis points this year to 3.3 percent.
up 50 bps
- Rent** Significant development expands the use of concessions to fill vacant apartments and supports a 2.5 percent advance in the average effective rent to \$2,705 per month.
up 2.5%
- Investment** The 2019 construction on the L Train will be a focal point for investment decisions along the route, particularly in Brooklyn. Progress on new 421a legislation will trigger additional activity.

* Estimate ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

New Jersey Renter Demand Strong As Many Consider Affordable Alternatives

Greater affordability and short commutes keep leasing velocity high.

Northern New Jersey has become a highly desirable alternative for Manhattan and Brooklyn residents because of its quality of life and affordability. Rents that can be \$2,000 less than those in New York City and a growing number of corporate jobs that have relocated to the area will draw renters from across the Hudson in 2017. Leasing velocity will be rapid, filling many of the new units anticipated for completion this year. The majority of the more than 7,000 new units on tap will be in Jersey City, a highly sought address with numerous transportation options into New York. Thriving demand for rental housing across Northern New Jersey maintains low vacancy and will support an increase in effective rents for the eighth consecutive year.

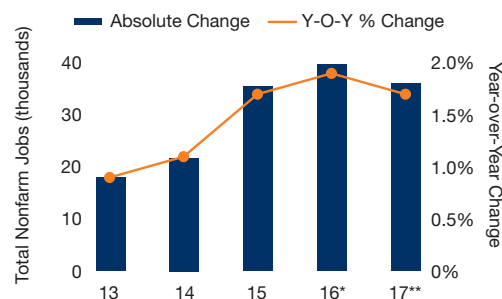
Expanding economy, stable cash flows keep buyers active. A positive demographic outlook and solid employment growth are attracting investors to apartment assets in Northern New Jersey. Capital is flowing across the Hudson River as buyers seek to capitalize on properties that can trade with cap rates 200 basis points greater than comparable assets in New York. Strong competition among institutional investors along the transit-connected Gold Coast will push more private buyers farther inshore this year. Value-add opportunities will account for the majority of private trades; these older buildings offer greater relative value over new construction. Once renovated, owners are able to command higher rents, fueling solid revenue gains. Properties closer to the Hudson trade with going-in cap rates in the mid-5 percent territory, while assets ripe for redevelopment close in the mid-6 to low-7 percent range, pointing to strong interest at all price points. Elevated construction over the past two years should fulfill institutional interest for luxury properties, with some of the best assets able to trade below initial yields of 5 percent.

2017 Market Forecast

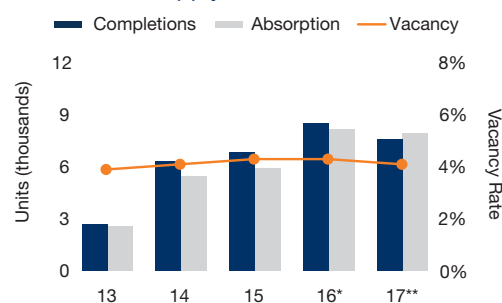
- NMI Rank** ↗ Modestly softening demand drivers and elevated construction restrained Northern New Jersey in the NMI.
18, down 5 places
- Employment** ↗ Job growth will ease from last year's pace. This year 36,000 workers will be added to payrolls, a 1.7 percent expansion. A gain of 39,600 jobs was recorded in 2016.
up 1.7%
- Construction** ↗ For the fourth consecutive year, developers will complete more than 6,000 units. Following the delivery of 8,500 rentals last year, 7,600 are scheduled in 2017.
7,600 units
- Vacancy** ↘ Strong leasing will bring the vacancy rate down 20 basis points this year to 4.1 percent. In 2016 the vacancy rate was unchanged on net absorption of 8,100 units.
down 20 bps
- Rent** ↗ The average effective rent will climb 5.2 percent to \$1,882 per month in 2017, exceeding last year's pace.
up 5.2%
- Investment** ↗ A swell in prices along densely populated corridors of the Gold Coast will drive more investors into the market's interior, where attractive returns can be captured. Rising land costs could soon spur greater development to sites near transit hubs in the counties of Essex and Morris.

Northern New Jersey

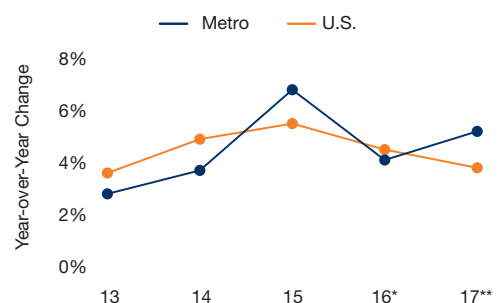
Employment Trends



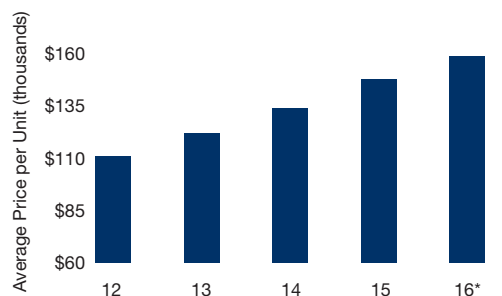
Supply and Demand



Effective Rent Trends



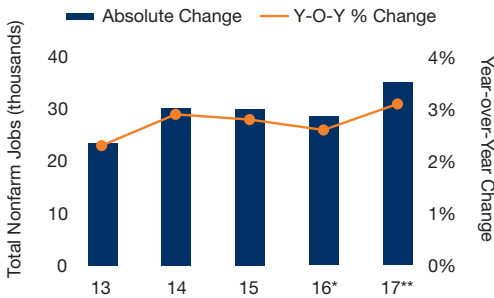
Sales Trends



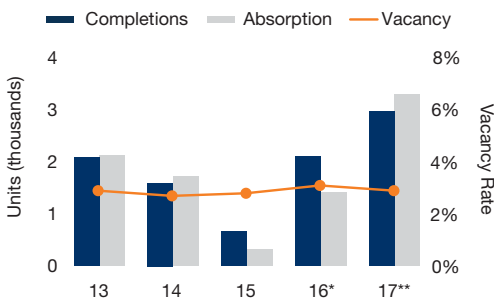
* Estimate ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Renter Demand for Oakland Remains Strong As Residents Seek Affordable Options

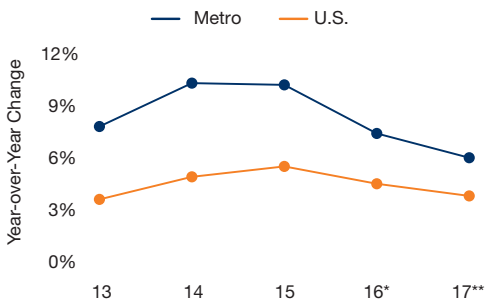
Employment Trends



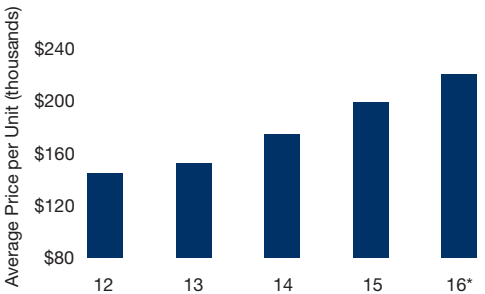
Supply and Demand



Effective Rent Trends



Sales Trends



Job growth maintains low vacancy amid development upswing. The relative affordability of housing and strong economic performance will intensify demand for Oakland apartments, resulting in higher rents and reduced vacancies. Many residents are migrating to the East Bay as a more affordable alternative to San Francisco and San Jose. Businesses are also making the move, bringing young professionals and high-paying job opportunities with them. Corporate relocation coupled with homegrown business growth will underpin one of the strongest absolute job gains since 2000. The thriving workforce, together with a rate of household formation that trends well above the national pace, will strengthen the underlying demand for apartments. Additionally, limited residential construction during the past few years has left Oakland facing a housing shortage. Though developers will ramp up deliveries in 2017, the overwhelming demand for housing will outstrip new supply. As a result, metrowide vacancy will remain highly compressed in 2017, spurring another year of healthy rent growth.

Investors attracted to market stability and optimistic outlook. Improving property fundamentals and strong market upside will encourage further investment in the East Bay multifamily market. Buyers seeking security and capital appreciation prospects will heavily pursue listings in urban Oakland, where a robust renter pool and barriers to new development offer value. These deals generally change hands at yields in the low-4 percent range with the metrowide average hovering near 5 percent. Yields are at historical lows as investor liquidity and economic optimism intensify the bidding environment, maintaining upward pressure on pricing. Class C properties in particular will remain highly sought after as investors scour the market for returns at more affordable price points.

2017 Market Forecast

- NMI Rank** ↘ The highest-ranked metro in the Bay Area market slips one slot but remains in the top five.
5, down 1 place
- Employment** ↗ The workforce will expand 3.1 percent in 2017 with 35,000 jobs. A gain of 28,500 positions last year featured growth in construction and healthcare.
up 3.1%
- Construction** ↗ Following a supply injection of 2,100 units in 2016, apartment developers will deliver 3,000 rentals this year, the most since 2000.
3,000 units
- Vacancy** ↘ Healthy net absorption drives a 20-basis-point drop in metrowide vacancy to 2.9 percent in 2017. Last year, the rate swelled 30 basis points.
down 20 bps
- Rent** ↗ The average monthly rent reaches \$2,275 this year, 6.0 percent more than the year-end 2016 level. An increase of 7.4 percent was posted last year.
up 6.0%
- Investment** ● Investors will pursue properties with easy access to the other side of the Bay as many residents who work in San Francisco or San Jose choose to live in more affordable East Bay communities and commute to their workplace.

* Estimate ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Prices Escalate as Capital Finds Home In the Security of Orange County Apartments

Rents and vacancy rise amid development boom. Elevated Orange County housing prices together with steady hiring will keep demand for rental housing strong in 2017. The metro's diversified economy will make strides this year with gains coming from financial services companies, tech firms and the tourism sector. These job opportunities, along with a high quality of life, will accelerate household formation. Additionally, high single-family home prices make home-ownership out of reach for most, pushing many residents into rentals. A wave of construction will hit Orange County in 2017, setting the highest pace of development since 2000. The surge in construction will place upward pressure on vacancy as a temporary supply-and-demand imbalance causes softening. Rising vacancy will not impede another year of healthy rent growth with absolute effective rents on track to break an average of \$2,000 per month for the first time.

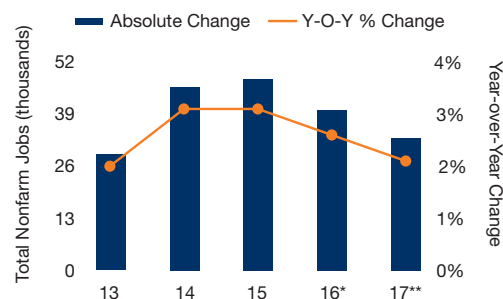
Intense bidding driving up prices. Market stability and consistent rent growth will keep investor demand elevated in 2017. Rising economic uncertainty will direct buyers toward security and capital preservation prospects, encouraging further investment in the steady Orange County apartment market. The north and central parts of the metro will garner the most buyer demand with Class B cap rates that average in the mid-4 percent range. Overall, first-year returns trend well below the pre-recession low as aggressive bidding activity keeps prices on the rise. Apartment developers may target industrial sites for conversion opportunities as these infill redevelopment projects remain popular. Property owners who list their assets will likely find a deep and highly motivated pool of buyers. Many of these sellers will look to transfer their equity into a less-management-intensive product type, while others see now as an opportunity to cash out and take profits.

2017 Market Forecast

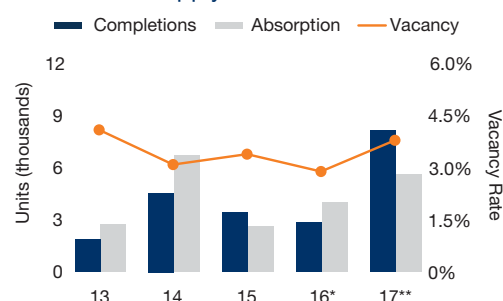
- NMI Rank** ↗ Development surge and vacancy uptick restrain this 17, down 5 places
- Employment** ↗ Orange County employers will add 33,000 workers to payrolls in 2017, an expansion of 2.1 percent. Last year, the local workforce grew 2.6 percent through the creation of 40,000 jobs.
- Construction** ↗ Following the delivery of 2,900 units in 2016, developers will complete an additional 8,200 apartments this year. The Irvine and East Anaheim areas of the county will receive the bulk of new rentals.
- Vacancy** ↗ Vacancy will climb to 3.8 percent in 2017. A decrease of 50 basis points came last year.
- Rent** ↗ The metro will record a rent gain of 5.0 percent this year to \$2,004 per month, slightly less than the increase registered in 2016.
- Investment** ↗ Developers may target value-add opportunities in North Orange County where minor cosmetic improvements or management efficiencies can yield considerable upside.

Orange County

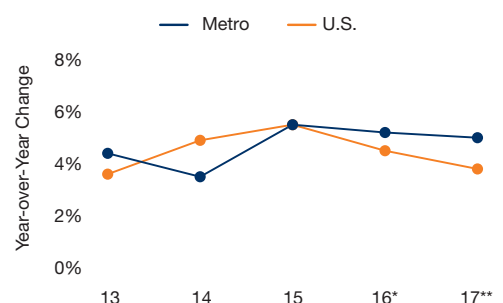
Employment Trends



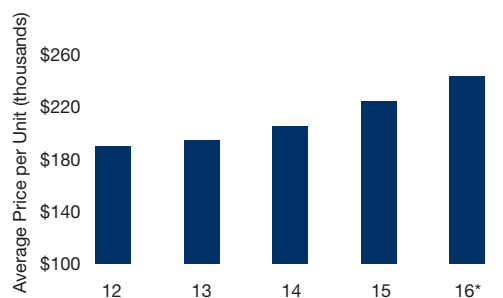
Supply and Demand



Effective Rent Trends



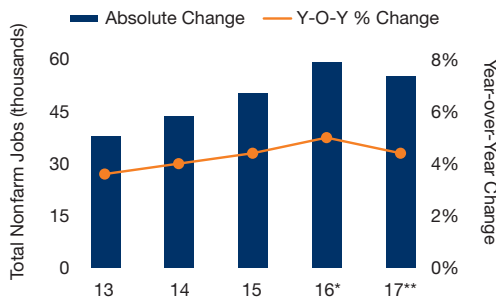
Sales Trends



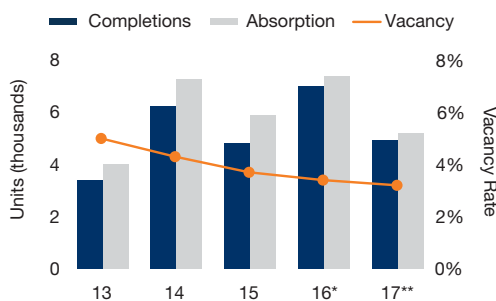
* Estimate ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Hiring Spree Bolsters Household Formation; Apartment Demand Spurs Rent Growth

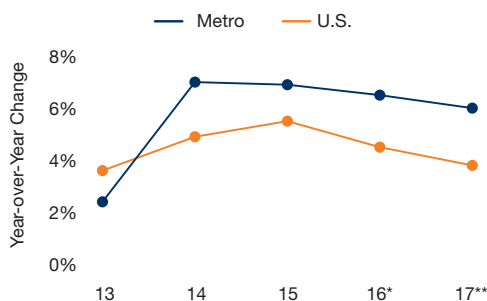
Employment Trends



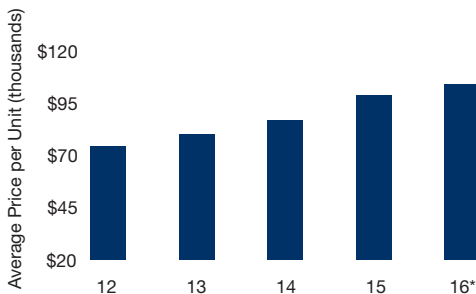
Supply and Demand



Effective Rent Trends



Sales Trends



Strong demographics boost demand for rentals. Another year of vigorous employment growth will drive positive in-migration and fuel household formation in Orlando. In particular, a flurry of hiring in service sectors will foster steady household formation among the 20- to 34-year-old age cohort, which typically favor apartments. The expanded rental pool will keep vacancy near historical lows as net absorption outpaces completions. Deliveries will moderate this year, moving back into alignment with the five-year average after reaching a cycle high in 2016. Several larger complexes are due for completion in Central Orlando and South Orange County as many high-income individuals gravitate toward luxury units near shopping, entertainment and restaurants. Vacancy in these locales will tick up slightly as new units begin to lease up. Overall, strong tenant demand will place further downward pressure on metrowide vacancy. These tight conditions and healthy demographics will support an eighth consecutive year of rent growth, setting a record-high average monthly rent.

Competitive investor pool pushes buyers beyond the core. Orlando's vibrant economy and improving rental market operations will fuel investor interest. Larger complexes with more than 200 units and a value-add component will dominate deal flow among institutional buyers. Additionally, properties located near the employment hubs of central Orlando and Kissimmee will be a popular target among investors. In these areas, complexes trade with cap rates in the low- to high-5 percent range. As the bidding environment heats up, elevating property values, several private buyers will seek well-located assets in secondary or tertiary areas for lower entry costs. Additionally, yield-seeking investors will target properties directly west of downtown and Interstate 4, where cap rates fall in the mid-7 percent range. Metrowide, multifamily assets typically price at yields in the low-6 percent area.

2017 Market Forecast

- NMI Rank** 27, up 3 places A substantial employment increase and low vacancy raise Orlando three positions.
- Employment** up 4.4% Orlando employers will add 55,000 positions this year, expanding the workforce by 4.4 percent. In 2016, 59,000 jobs were created, led by leisure and hospitality.
- Construction** 4,900 units Development will moderate in 2017, as more than 4,900 apartments are scheduled for delivery. Last year, 7,000 units were finalized.
- Vacancy** down 20 bps Strong tenant demand will lower vacancy 20 basis points this year to 3.2 percent. A 30-basis-point decline occurred in 2016.
- Rent** up 6.0% Following a 6.5 percent rise last year, effective rent will increase 6.0 percent to \$1,180 per month in 2017.
- Investment** Multifamily assets near major thoroughfares and employment hubs will be of particular interest to investors. Higher yields than several gateway metros will motivate buyers to allocate capital to Orlando.

* Estimate ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Broad-Based Job Gains Drive Rent Improvement; Investors Pursue Philadelphia for Stability and Yield

Healthy employment growth supports multifamily demand. The steady Philadelphia apartment market will gather steam in 2017 as sturdy employment growth intensifies demand for rentals. The metro boasts a highly diversified local economy and expansions are occurring in an array of sectors. Healthcare and educational institutions remain stalwart job creators, with professional and business services and tourism-related hiring also on the rise. Employers draw talent out of Philadelphia's deep college network. Recent college graduates often pursue rental housing in the metro's most dynamic neighborhoods, drawn by strong urban amenities and a walkable lifestyle. As a result, Center City and other locales near downtown enjoy a deep pool of renters. These areas, along with King of Prussia, are receiving the bulk of new supply. The sizable pipeline of projects slated for delivery in 2017 will place upward pressure on vacancy, though the metrowide vacancy rate will remain below the 15-year average. Sustained low vacancy, coupled with high-end deliveries hitting the market, will encourage another year of respectable rent growth.

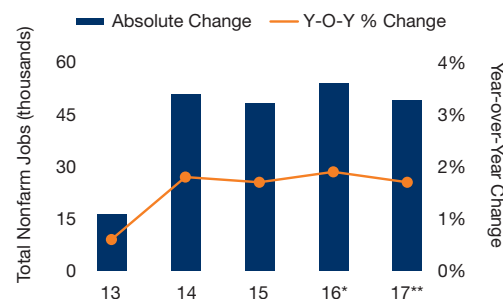
Strong operations and above-average yields encourage investment. Risk-averse investors seeking consistent yield will put capital to work in the stable Philadelphia multifamily market. Cap rates average in the mid- to high-6 percent range, offering buyers a differential of roughly 150 basis points more than the national level. Investors from New York City remain highly active in the metro as intense cap rate compression in their home market encourages expanding the search for yield. The inventory of for-sale properties remains limited, forcing buyers to bid aggressively on available listings. As a result, the average price per unit will trend above the pre-recession level, particularly in urban areas where demand is strongest. Moving forward, deal flow may accelerate as record valuations entice more property owners to bring their assets to market.

2017 Market Forecast

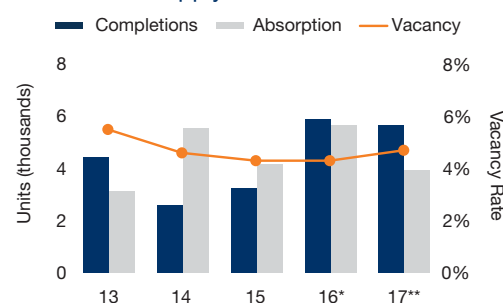
- NMI Rank** ↗ Higher vacancy triggered a two-place fall for Philadelphia in the Index.
30, down 2 places
- Employment** ↗ Following a job gain of 54,000 workers last year, the Philadelphia workforce will add 49,000 employees in 2017, an increase of 1.7 percent.
up 1.7%
- Construction** ↗ Developers completed 5,900 rentals in 2016. This year, the inventory of apartments will expand by 5,700 units, 2,300 of which will come online in Center City.
5,700 units
- Vacancy** ↗ The considerable volume of completions in 2017 will raise vacancy 40 basis points this year to 4.7 percent following no change last year.
up 40 bps
- Rent** ↗ After a climb of 5.4 percent in 2016, the projected average effective rent of \$1,304 per month in 2017 marks a 4.5 percent increase.
up 4.5%
- Investment** ↗ Assets in Center City will receive the most investor interest as its status as an employment hub and entertainment district draws a deep pool of renters. Deals here typically trade at cap rates in the low-5 percent band.

Philadelphia

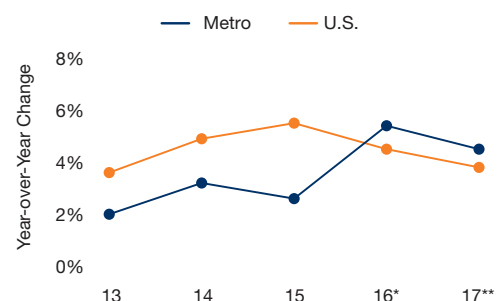
Employment Trends



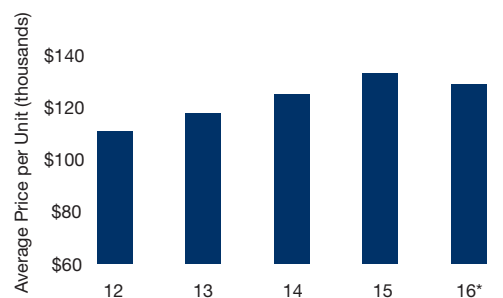
Supply and Demand



Effective Rent Trends



Sales Trends







* Estimate ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Valley's Demand Drivers, Growth Prospects Heightening Appeal to Investors

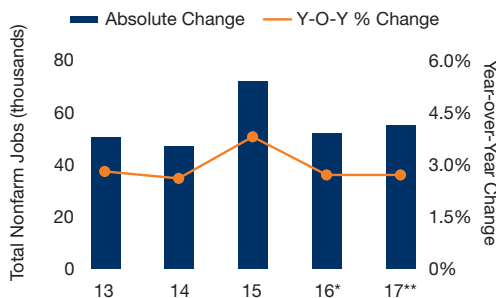
Arrival of new residents enlarging renter pool. The substantial flow of relocations to the Valley is driving household formation and stoking rental housing demand, creating a highly favorable operating climate for multifamily property owners and investors. More than 200,000 new residents came to the metro since 2014, a level that rivals in-migration trends prior to the recession. Many are coming to work in higher-paying professional fields or the area's expanding insurance industry. The completion of corporate campuses over the past two years for national insurance companies and the expansion of degreed employment at those places and their local vendors and subcontractors are feeding demand for higher-end apartments. Class A vacancy in the Valley dipped last year to the 5 percent range, indicating that strong demand persists, and vacancy in newly built units also fell. Completions are due to rise this year and the unit tally features a heavy dose of market-rate units in central Phoenix and Mesa.

Investors intensify search for value. Elevated transaction velocity lifted the average price to a post-recession high during the past 12 months. Equity flows will likely persist in the coming year, with investors seeking to take advantage of new opportunities or strong rental housing demand in specific sections of the metro. In the city of Phoenix, upside opportunities near the light rail should garner attention, and the proposed expansion of the line could open up previously overlooked neighborhoods for investment. Scottsdale contains some of the Valley's most desirable neighborhoods and a sizable block of Class A and Class B properties. Low vacancy here and a thin construction pipeline will likely garner investor attention. Additional transactions will provide transparency on value and encourage more listings. Overall, the average cap rate in Phoenix has compressed to the low-6 percent range in the past few years, a level that will elicit interest from out-of-area buyers seeking higher returns.

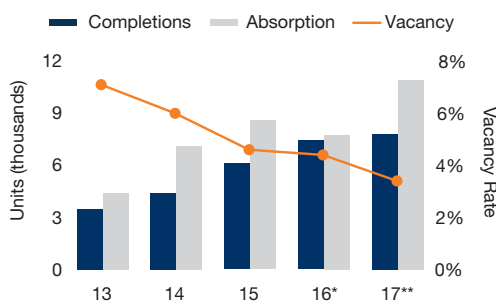
2017 Market Forecast

- NMI Rank** 12, up 7 places  The large jump in this year's NMI comes on robust employment growth and improvements in vacancy and rent.
- Employment** up 2.7%  Expansions of local businesses support an increase of 55,000 jobs in 2017. Growth in leisure and hospitality as well as financial services contributed to a gain of 52,000 positions last year.
- Construction** 7,800 units  The pipeline contains 7,800 units scheduled for delivery in 2017. An additional 3,500 rentals are lined up for completion in 2018. In 2016, 7,500 units were delivered.
- Vacancy** down 100 bps  Projected net absorption of 10,900 rentals in 2017 substantially exceeds supply additions and generates a decline in the vacancy rate to 3.4 percent. The vacancy rate receded 20 basis points in 2016 amid strong tenant demand in all asset classes.
- Rent** up 6.5%  Low vacancy and a wave of luxury completions will push the average rent up to \$998 per month this year. Gains of more than 6 percent were also posted in the preceding two years.
- Investment**  Strong operations will maintain intense investor demand this year, with sights shifting to neighborhoods with growing population density and emerging transportation corridors.

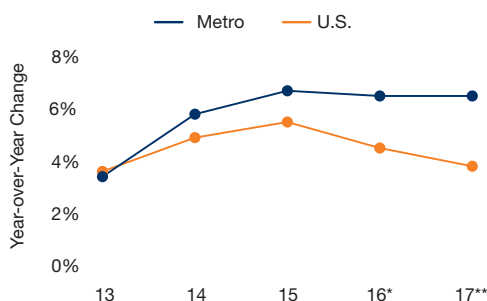
Employment Trends



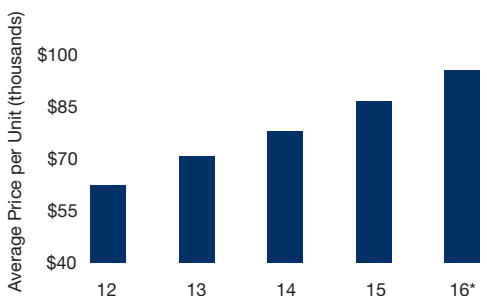
Supply and Demand



Effective Rent Trends



Sales Trends



* Estimate ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Job Growth Fosters New Households; Out-of-Metro Buyers Seek Pittsburgh Assets

New tech industries drive income growth; rents climb. The considerable number of universities in Pittsburgh will provide a diverse hiring pool for the area's growing tech sector in 2017. The metro's unique road system has attracted companies, including Uber, to test new automated car technology, bringing many high-paying jobs to the area. A rise in income will foster another year of steady household growth, fueling demand for apartments. Development will moderate this year but remain near the average recorded over the past five years. The areas of Oakland and Shadyside will receive the majority of construction, providing housing for college-age students, who typically favor rentals, near Carnegie Mellon and Chatham universities. After a sizable number of rentals came online over the course of the recovery, vacancy will tick up this year as supply outstrips demand. The rise in vacancy will not hamper rent growth this year as rental rates surpass the record average rent per month set in 2016.

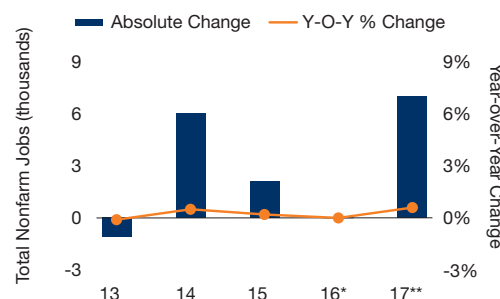
High returns and lower entry costs capture investors' attention. Multifamily assets will garner interest from both local and out-of-state buyers in 2017. The metro's steady rental operations have encouraged many owners to hold on to their properties, limiting available listings and placing upward pressure on property values. However, many out-of-state investors are willing to pay a premium for the market's apartment assets after being significantly priced out of nearby metros including New York City and Boston. Additionally, yield-seeking buyers are attracted to Pittsburgh's higher returns, which are up to 300 basis points greater than in these gateway markets. The metro typically boasts first-year returns in the mid-7 percent range. As demand compresses returns and valuations rise, sellers may take advantage, driving additional deal flow. The addition of new Class A product may provide some investors with opportunities at the top end of the market.

2017 Market Forecast

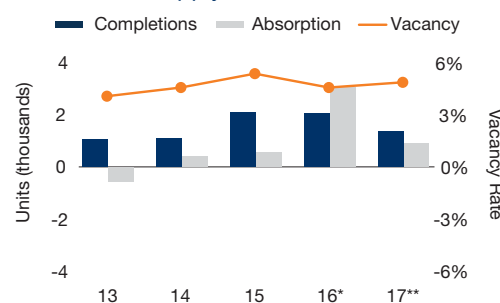
- NMI Rank** 43, no change A decline in completions enabled Pittsburgh to retain its ranking in this year's Index.
- Employment** up 0.6% Pittsburgh establishments will add 7,000 workers this year after employment was flat in 2016. A slowdown in Marcellus Shale drilling hampered job growth last year.
- Construction** 1,400 units Completions will moderate this year as developers are on track to deliver 1,400 apartments. Last year, more than 2,100 units were built.
- Vacancy** up 30 bps Vacancy will rise 30 basis points in 2017 to 4.9 percent. In the previous year, vacancy fell 80 basis points as nearly 3,100 units were absorbed.
- Rent** up 3.5% Despite rising vacancy, the growing supply of new rentals generates a 3.5 percent increase in rent to \$1,116 per month. In 2016, rent climbed 4.1 percent.
- Investment** Strong tenant demand and rising property values will encourage some owners to list their assets. Returns up to 300 basis points greater than nearby coastal markets will attract buyers.

Pittsburgh

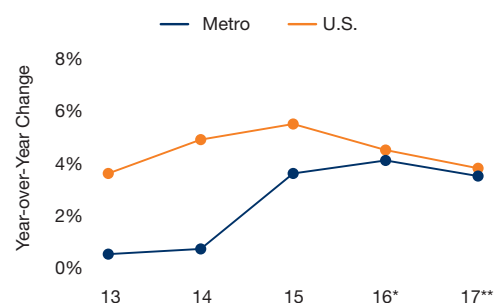
Employment Trends



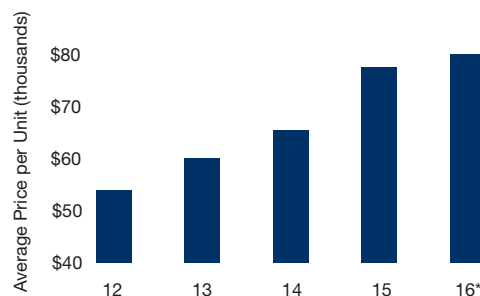
Supply and Demand



Effective Rent Trends



Sales Trends



* Estimate ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Substantial Rent Growth Drives Demand In Portland's Secondary Submarkets

High cost of homeownership fuels rental demand. Portland's lower cost of doing business compared with other West Coast metros and its highly skilled workforce will underpin hiring in 2017. Companies including Nike, DiscoverOrg and Simple Financial are expanding local operations, bringing higher-paying jobs to the metro and driving household formation. Despite rising incomes, the metro's skyrocketing home prices and the cost of a downpayment will push many individuals to apartments. Developers have responded, delivering thousands of new rentals. Several Class A complexes designed to target higher-income households are slated for completion this year. While completions will moderate from the cycle high registered last year, vacancy will inch up as new complexes begin to lease. As vacancy remains below 4 percent and demographics strengthen, apartment rents will register another year of strong growth.

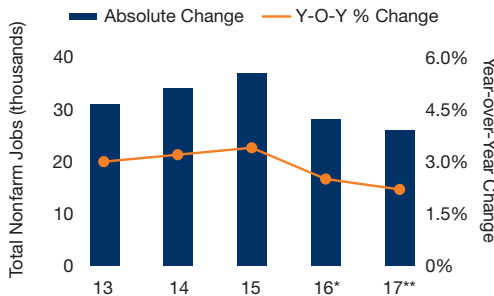
Tenant demand for lower rents draws buyers to suburban properties.

Tight apartment vacancy and a healthy economy will maintain investor interest in Portland. As rents rise for an eighth consecutive year, some tenants will seek units in secondary submarkets for affordability, fueling buyer demand in these areas. In particular, value-add opportunities within Gresham, Salem and Vancouver, where higher rents can be captured, will be targeted. On average, a well-located Class B/C asset in these locales will trade with yields in the low-5 to high-6 percent range while a Class A property in central Portland can start as low as 3 percent. Metrowide, multifamily assets typically trade with cap rates in the mid-5 percent span. Additionally, Portland's average yield is nearly 150 basis points higher than the average in California markets, motivating out-of-state investors to make acquisitions in the area. The competitive bidding environment may place further downward pressure on cap rates and elevate property values this year.

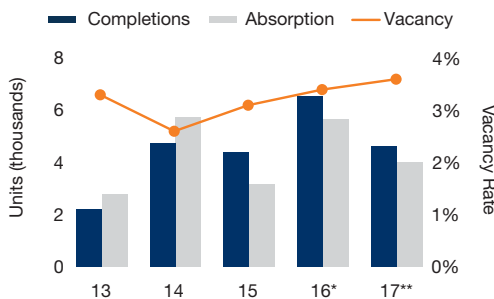
2017 Market Forecast

- NMI Rank** 6, up 2 places ↑ Portland climbs two rungs on its sub-4 percent vacancy and one of the highest rates of rent growth nationwide.
- Employment** up 2.2% ↑ This year, Portland employers will add 26,000 jobs. In 2016, roughly 28,000 positions were created, primarily in the trade, transportation and utilities sector.
- Construction** 4,600 units ↔ Developers are on track to complete more than 4,600 apartments in 2017. Last year, 6,500 units were added to inventory.
- Vacancy** up 20 bps ↑ The vacancy rate will tick up 20 basis points this year to 3.6 percent as completions enter a period of lease-up. In 2016, the rate rose 30 basis points.
- Rent** up 7.1% ↑ The average effective rent will surge 7.1 percent in 2017 to \$1,371 per month, a decline from last year's 10.1 percent increase.
- Investment** ○ Corporate expansions will generate new housing needs and elevate the performance of assets near major employment hubs. Additionally, high returns will lure California buyers to Portland.

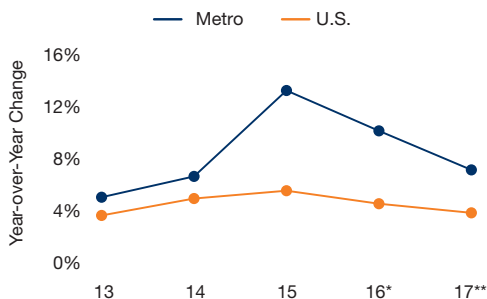
Employment Trends



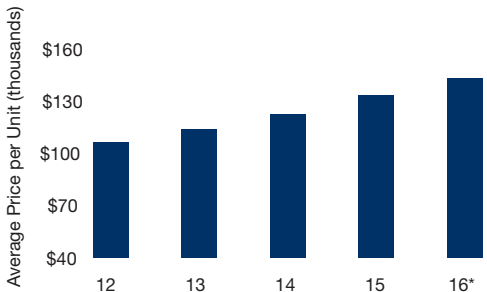
Supply and Demand



Effective Rent Trends



Sales Trends



* Estimate ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Steady Job Growth Underpins Rental Demand; Buyers Eye Cash Flow in Research Triangle

Higher tech incomes support demand for luxury rentals. Apartment operations in the Raleigh market are being buoyed by steady employment growth. For the sixth consecutive year, more than 20,000 jobs will be created, maintaining the unemployment rate below 5 percent. Expanding tech firms create a sizable portion of these positions, encouraging many university graduates to stay in the area and requiring companies to recruit additional skilled workers from outside the region. These factors are producing a surge in the 20- to 34-year-old population, the age cohort most likely to rent and a number of whom prefer to live in walkable urban neighborhoods with a variety of amenities nearby. As a result, apartment construction will be most prevalent in the high-demand downtown areas; however, nearly all of the metro's submarkets will receive new inventory this year. Marketwide, the vacancy rate will remain tight, producing another year of significant rent growth.

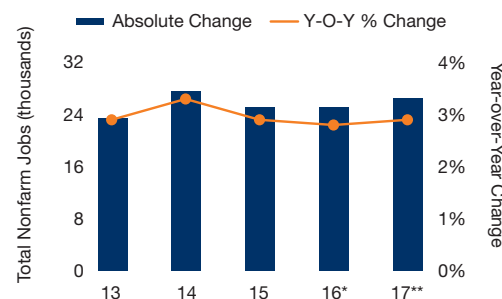
Cash flow potential entices investors to the Research Triangle. Positive demographic trends and rent gains well above the national average are luring investors to the Research Triangle and generating intense interest in marketed assets. For-sale inventory remains tight as two years of robust rent increases that have steadily improved cash flows, coupled with a perceived lack of reinvestment opportunities, make owners reluctant to list. Even though competition is strong for available properties, buyers have become more cautious and will spend more time on due diligence. New apartment buildings, especially those near a university or in walkable urban neighborhoods, attract the attention of buyers at the top end of the market with cap rates that will dip below 5 percent for premium properties and locations. Many private buyers are searching the metro for Class B/C buildings at initial yields that are generally in the 6 to 8 percent range. Assets with a lot of upside potential will trade below this level.

2017 Market Forecast

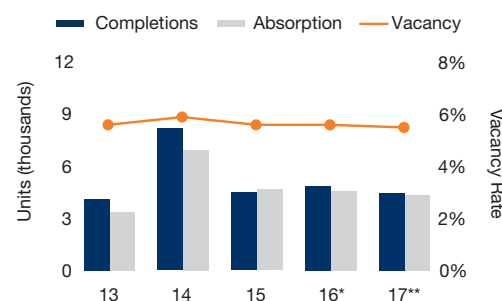
- NMI Rank** 16, new to NMI ■ A slight drop in vacancy and rent growth exceeding the U.S. rate enable Raleigh to debut high in the NMI.
- Employment** up 2.9% ↗ During 2017, employers will add 26,500 workers to payrolls, a 2.9 percent gain. Last year, job growth increased 2.8 percent.
- Construction** 4,500 units ↘ Deliveries will fall to almost half of the cyclical peak reached in 2014 as 4,500 units are placed into service this year. During 2016, 4,900 rentals were completed.
- Vacancy** down 10 bps ↘ A slower delivery pace will result in the vacancy rate inching down 10 basis points to 5.5 percent at the end of 2017. Last year, vacancy held steady as 4,600 rentals were absorbed.
- Rent** up 6.1% ↗ Sizable demand for apartments combined with a large supply of new luxury units will contribute to rent gains. Effective rent will jump 6.1 percent to \$1,130 per month in 2017. Last year, the average rent leaped 6.2 percent.
- Investment** ● New office buildings underway in the Durham Innovation District will increase the local employee base, attracting investors to apartment assets nearby.

Raleigh

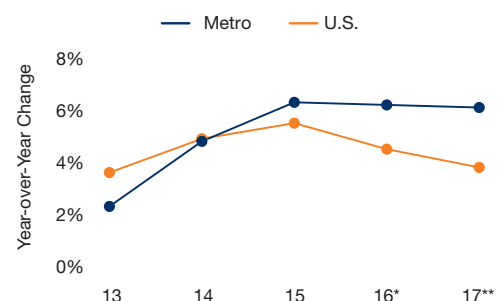
Employment Trends



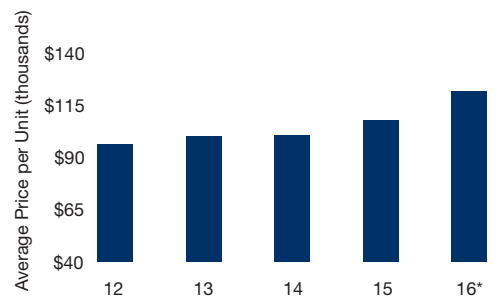
Supply and Demand



Effective Rent Trends



Sales Trends



* Estimate ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Apartment Market Tightens Amid Robust Job Growth; Buyers Snatch Up Value-Add Deals

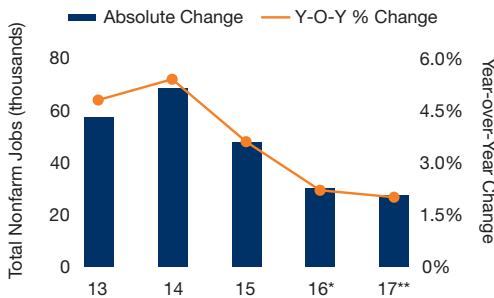
Strong net absorption pushes down vacancy, boosting rent growth. The robust economy of Riverside-San Bernardino will spur household formation as more jobs become available in 2017. In particular, job growth in wholesale trade, government and warehousing positions will attract millennials to the metro, supporting apartment demand. Construction will be minimal this year, after reaching a cycle high in 2016. The majority of units scheduled for delivery are designated for low-income housing in the Ontario/Chino area. The limited pipeline and vigorous net absorption will place downward pressure on vacancy this year, pushing the rate near the historical low. Tightening vacancy will support another year of above-trend rent growth.

Sizable rent growth drives sales of value-add assets. Low vacancy and a limited supply of Class A stock will attract opportunistic investors to the Inland Empire's multifamily assets. Class B and C properties in western locales, including Ontario and Rancho Cucamonga, will also be highly sought after. The areas' proximity and access to Los Angeles and Orange County fuel investor demand. Additionally, properties near California State University-San Bernardino will garner attention from buyers. Stabilized assets near the university can trade with returns as low as 4 percent. Yield-seeking investors will find opportunities in eastern portions of the Inland Empire where returns fall between the high-6 and low-7 percent range. Metrowide, many buyers will take advantage of rising rents by remodeling units and expanding amenities to raise effective rents. Well-located value-add properties typically change hands with initial yields in the mid-5 to low-6 percent range. Overall, first-year returns average in the low-6 percent area, but the competitive bidding environment may place further downward pressure on the average first-year yield and boost property values in 2017.

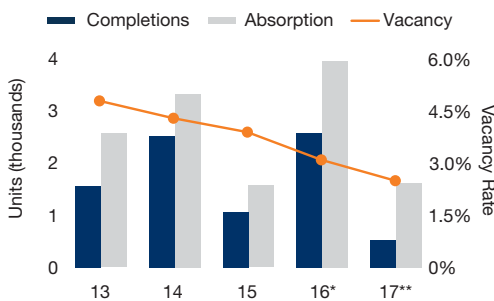
2017 Market Forecast

- NMI Rank** ↑ Inland Empire's restrained development raises the market to one spot outside the top 10.
11, up 5 places
- Employment** ↑ In 2017, Inland Empire employers will create 27,500 jobs. Last year, 30,000 positions were added.
up 2.0%
- Construction** ↘ Construction will be minimal this year, with 500 apartments scheduled for delivery, after reaching a cycle high in 2016 with 2,600 units.
500 units
- Vacancy** ↘ Vacancy will decline for a fifth consecutive year in 2017, contracting 60 basis points to 2.5 percent. A drop of 80 basis points occurred last year.
down 60 bps
- Rent** ↑ Low vacancy will drive up the average effective rent 7.0 percent this year to \$1,430 per month. In the previous year, rent climbed 8.1 percent.
up 7.0%
- Investment** ● Several large transportation projects are in the pipeline to clear up traffic and provide accessibility. Multifamily assets near these new roadways will garner attention from buyers this year.

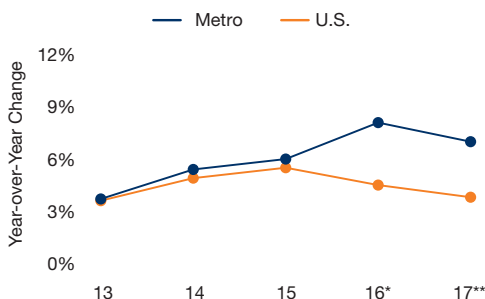
Employment Trends



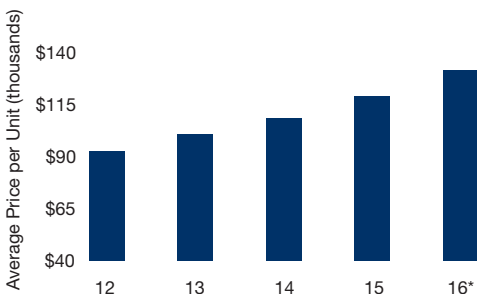
Supply and Demand



Effective Rent Trends



Sales Trends



* Estimate ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Rents Rise as Vacancy Remains Historically Low; Suburban Areas Drive Upside Potential

Sustained demand amid minimal deliveries has vacancy at extreme low.

A third straight year of steady job and household growth will fuel demand for rentals, pushing vacancy to historical lows in 2017. Operations will dip as net absorption outpaces the less than 1,000 new units scheduled for delivery. The limited volume of new apartments heightens demand for Class B and C properties, as will job growth in the government, retail trade and education and health-care segments. These factors, tightening vacancy and continued home price increases support another year of strong rent gains for the market, with average rents exceeding \$1,000 per month in all submarkets.

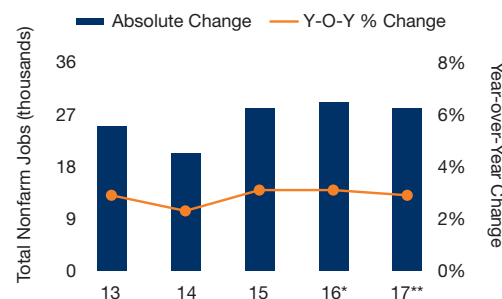
Local and regional investors drive sales of Class B properties. Robust demand and a lack of available units suggest upside remains in the market, elevating investor interest in 2017. Class B and C properties carry low vacancy and are well positioned heading into this year due to limited new supply. Buyer competition for these properties will escalate, applying upward pressure on prices. Investors searching for the most upside may target opportunities in the Northeast portion of the metro, which includes Carmichael and Arden-Arcade. Affordable rents, extremely tight operations and a lack of construction in these areas provide the foundation for additional rent growth this year. Across the board, assets in Sacramento will present investors with more favorable yields than Bay Area markets, trading in the mid-5 percent to low-6 percent range. Class B-plus assets in high-rental-demand areas will be targeted by investors who have executed their value-add strategies on Class C and older Class B assets and are ready to exchange while debt remains relatively inexpensive. The number of institutional firms vying for the limited 200-unit-plus deals in the metro should also spike while the threat of new deliveries remains low.

2017 Market Forecast

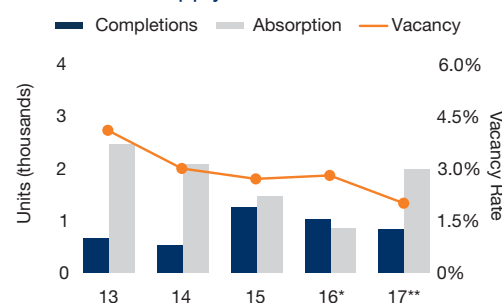
- NMI Rank** ↗ A large decrease in vacancy and exceptional rent growth propel a climb of six slots.
20, up 6 places
- Employment** ↗ Sacramento employers will add 28,000 workers during 2017, increasing headcounts by 2.9 percent. Last year, total employment rose 3.1 percent.
up 2.9%
- Construction** ↘ Completions remain minimal in 2017 as 800 apartments are scheduled to come online, down from 1,000 units delivered last year.
800 units
- Vacancy** ↘ Vacancy will decline by 80 basis points to 2.0 percent in 2017. Last year vacancy rose 10 basis points.
down 80 bps
- Rent** ↗ Historically low market vacancy will support rent growth, with average rents advancing by 8.0 percent to \$1,347 per month. Rents escalated 11.0 percent last year.
up 8.0%
- Investment** ○ This summer, six projects under construction will open in the eastern part of downtown and in midtown, potentially offering investors seeking urban hub stability newer assets to target.

Sacramento

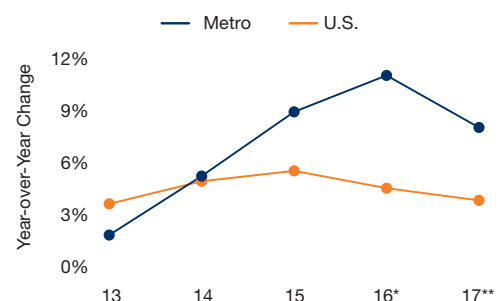
Employment Trends



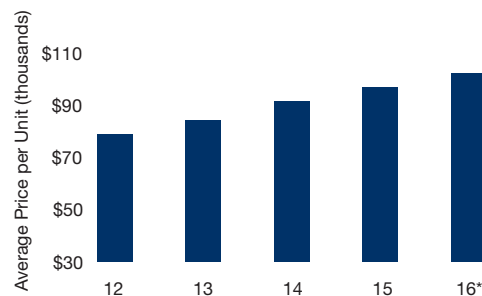
Supply and Demand



Effective Rent Trends



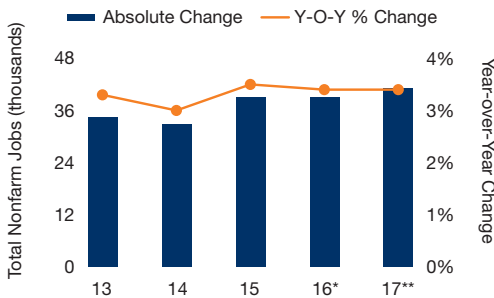
Sales Trends



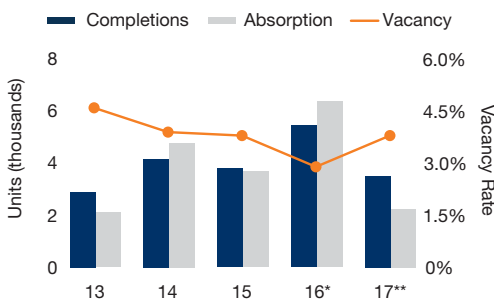
* Estimate ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Strong Yields, Healthy Rent Growth Attract Investors to Wasatch Front

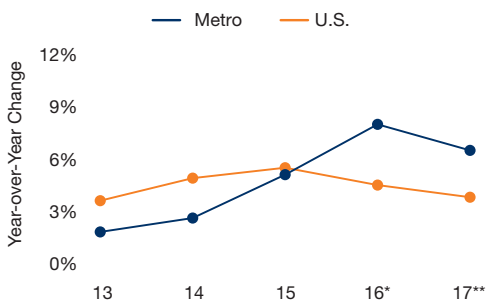
Employment Trends



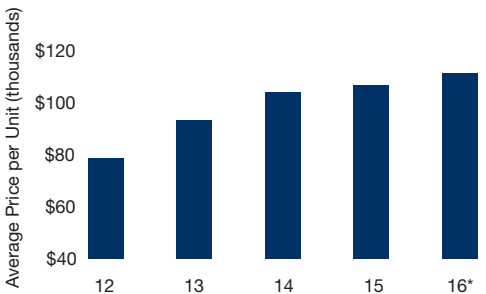
Supply and Demand



Effective Rent Trends



Sales Trends



Prosperous economy and robust household formation expand renter pool. A favorable demographic profile and strong employment growth position the Salt Lake City multifamily market for further improvements in 2017. The metro boasts an elevated rate of household formation that provides a long-term, intrinsic driver of housing demand. Additionally, the relative affordability of renting over homeownership, along with preferences for a live-work-play lifestyle, will direct many new residents to the rental market. Developers have responded to growing demand by expanding the construction pipeline. Deliveries reached a 16-year peak last year and will trend above the six-year annual average in 2017. Construction is geographically broad with projects commencing in each of the Wasatch Front's eight submarkets. In response to the upswing in construction, vacancy will temporarily rise as new projects begin marketing efforts. The increase in vacancy will not stifle rent growth, which is expected to advance at the second fastest annual rate since the recession.

High cap rates command interest of out-of-area buyers. Californian investors will further investigate real estate along the Wasatch Front as above-average yields and long-term growth prospects draw attention. Intense cap rate compression in many West Coast markets has left buyers seeking opportunities in secondary metros where greater returns can be achieved. Multifamily cap rates average between 150 to 200 basis points higher in Salt Lake City than California for comparable assets. This trend will intensify in 2017 as continued access to affordable debt and strong NOI growth encourage investment. Out-of-state buyers will compete with local players for available listings. Assets in the Salt Lake City core will garner the most investor interest as high single-family home prices push many into rentals.

2017 Market Forecast

- NMI Rank** 25, down 2 places The Wasatch Front's solid employment growth and rent gains were not enough to avert a demotion of two spots in this year's Index.
- Employment** up 3.4% The workforce will expand 3.4 percent in 2017 through the creation of 41,000 jobs. An employment gain of 39,000 workers was registered last year.
- Construction** 3,500 units Roughly 3,500 apartments are slated for completion during 2017. Last year, 5,400 rentals were placed into service metrowide.
- Vacancy** up 90 bps An increase in the vacancy rate to 3.8 percent this year completely erases the decline of 90 basis points registered in 2016.
- Rent** up 6.5% Healthy demand supports strong rent growth. Following an increase of 8.0 percent in 2016, the average effective rent will climb 6.5 percent to \$1,049 per month this year.
- Investment** Property owners who bring their assets to market will find a deep and motivated pool of buyers. The Salt Lake City CBD and urban areas in northern Utah County will receive enhanced investor attention.

* Estimate ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Apartment Vacancy Tightens in San Antonio, Intensifying Buyer Interest

Thinning construction pipeline, healthy net absorption place downward pressure on vacancy this year. A solid pace of employment growth is providing a steady stream of renters in San Antonio, and vacancy will retreat to the low point of this cycle during 2017. Builders added 26,500 apartments to inventory in the past four years, though the construction pipeline is beginning to thin. Completions will fall in 2017 at a time when a number of other metros are reaching a peak in the development cycle. Over the past several years, additions to supply have been concentrated in the northern portion of the metro, but a shift to other locations will alleviate softening vacancy in submarkets to the north. As demand catches up with supply, overall vacancy will tighten during 2017 while supply-side pressure induces increases in the other major metros of Texas. Contracting vacancy will encourage another year of healthy rent growth.

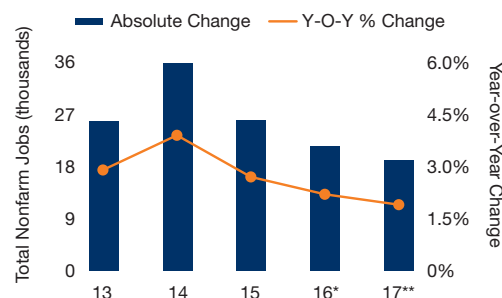
Investors target San Antonio for value-add options. Buyers are pursuing higher yields, targeting assets as vacancy tightens and spurs stable rent gains. Strong buyer interest is being met with limited inventory as a number of investors are holding onto properties. Some investors who purchased seven to 10 years ago or have held assets through multiple cycles may choose to list now and capitalize on favorable market conditions. As interest rates remain near historical lows early this year and prices have risen more than 20 percent above the previous peak, these investors will have the opportunity to redeploy capital to rebalance portfolios. Assets with some value-add component are in highest demand, and out-of-state buyers are heavily targeting the metro for deals. Overall, cap rates for apartments are in the high-6 to low-7 percent range, above most major metros in the state. Assets located in Central San Antonio, as well as suburban locations including New Braunfels and Boerne, receive intense buyer interest, typically trading 100 basis points below the market average.

2017 Market Forecast

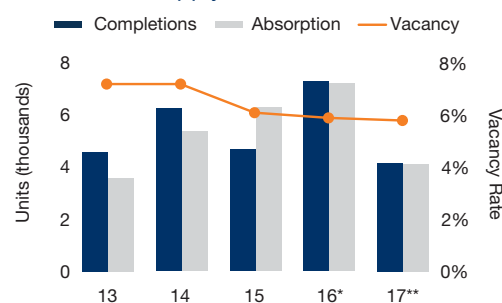
- NMI Rank** ↘ Vacancy that is higher than the national rate contributed to San Antonio's five-place fall in the NMI.
36, down 5 places
- Employment** ↗ The creation of 19,000 jobs during 2017 expands headcounts 1.9 percent. Last year, employers increased staffing 2.2 percent with the addition of 21,500 positions.
up 1.9%
- Construction** ↘ Builders will add 4,200 apartments to stock during 2017, representing a decrease from the nearly 7,300 units completed last year.
4,200 units
- Vacancy** ↘ Healthy demand for apartments and a dip in completions this year support a 10-basis-point decrease in the vacancy rate to 5.8 percent this year, a moderation from the 20-basis-point fall in 2016.
down 10 bps
- Rent** ↗ The average effective rent climbs during 2017 to \$975 per month, slightly exceeding last year's gain.
up 4.5%
- Investment** ● The completion of thousands of Class A luxury units in the metro over the past few years will draw significant interest from REITs and institutional funds. As these assets are stabilized, transactions will rise.

San Antonio

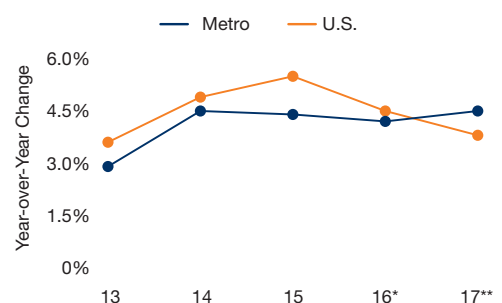
Employment Trends



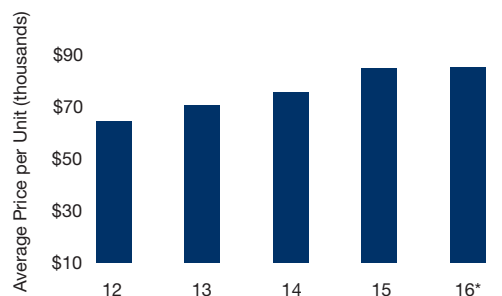
Supply and Demand



Effective Rent Trends



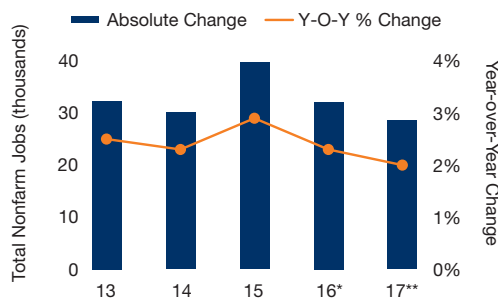
Sales Trends



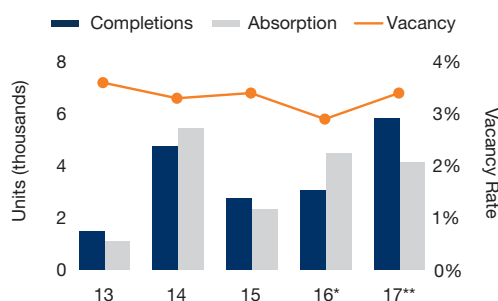
* Estimate ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Market Rides Wave of Demand Growth, Promoting Additional Capital Flows

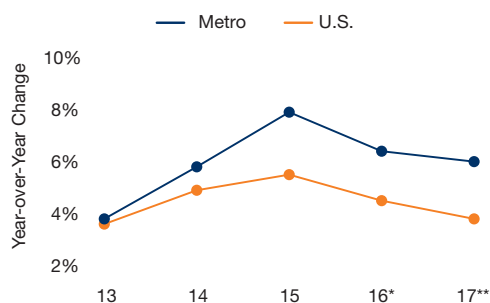
Employment Trends



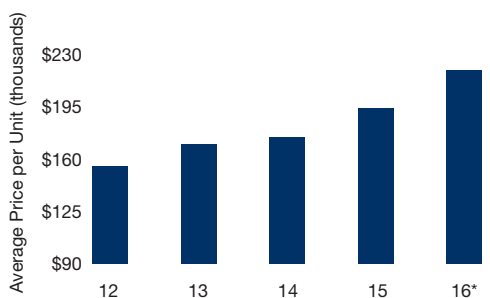
Supply and Demand



Effective Rent Trends



Sales Trends



Sub-4 percent vacancy persists for another year. Barriers to entry into single-family housing and the formation of new households through additional hiring will generate substantial rental demand in 2017. Expanding bar, restaurant and hotel employment, plus gains in retail staffing, are filling the pipeline of prospective Class B and Class C apartment residents. Vacancy in this segment ended 2016 in the mid-3 percent range but could decline further this year due to steady demand drivers in this segment of the market. In the Class A tier, professional and business services employment substantially surpasses its prior peak, generating new demand for luxury units. Class A vacancy of under 4 percent last year illustrates strong demand, but the limits of the upper end of the market will be tested this year. A more than twofold increase in completions of market-rate rentals accounts for nearly all of the jump in this year's deliveries and will pressure Class A vacancy.

Rent growth and vacancy level encourage investors. Low vacancy in the Class B and C complexes teamed with rapidly climbing Class A rents will draw a diversified investor pool to the market. Buyers' willingness to pay historically high prices for assets should persist, as factors that could limit future rent growth are minimal. Downtown San Diego and its surrounding neighborhoods will remain areas of high interest. These locations boast high rents and a rental mix covering all asset classes. Investors seeking potential upsides could increasingly eye the cities of Vista and San Marcos, where vacancy remains low and rents rise due to minimal new construction. As a sizable market for Class C transactions, the city of El Cajon also provides opportunities for buyers seeking repositionable assets for less than \$5 million. Overall, Class A and B properties will trade at 4 to mid-5 percent cap rates, with the market's average cap rate hovering around 5 percent.

2017 Market Forecast

- NMI Rank** ↗ San Diego keeps a position in the top 10 this year despite an increase in the vacancy rate.
9, down 4 places
- Employment** ↗ Expanding industries generate 28,500 jobs during 2017, up 2.0%, down from 32,000 new hires in 2016.
- Construction** ↗ Projects slated for delivery this year mark the high point of this cycle and intensify from the 3,100 rentals completed in 2016.
5,800 units
- Vacancy** ↗ This year's projected expansion to 3.4 percent erases the decline posted in 2016, when 4,500 rentals were absorbed.
up 50 bps
- Rent** ↗ The average rent will advance to \$1,882 per month this year. An influx of new units and rising Class B rents will fuel overall growth.
up 6.0%
- Investment** ● The market's lack of developable land will increase buyer interest for newer assets and existing properties that can be redeveloped, especially assets in and around downtown San Diego.

* Estimate ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Innovation Economy Flourishing; Supply Pressures Remain Elevated in Metro Core

Booming tech and professional hiring supporting economic growth well above national pace. Benefiting from numerous growth industries, including social media, biotechnology and IT, the San Francisco metro is generating significant demand for apartments. Although job creation has slowed, it continues to outpace the national rate, supporting steady absorption of apartments. Due to these factors, developers will remain extremely active this year, following a multidecade high in construction in 2016. While supply injections will be widespread, the largest concentration will once again be in the SoMa submarket, which will receive more than half of expected completions this year. More modest increases will come online in San Mateo County. The robust pace of deliveries will prompt higher vacancy levels over the coming year as projects are finished and leased up. Despite an uptick in vacancies, rents will generate modest growth in the coming year.

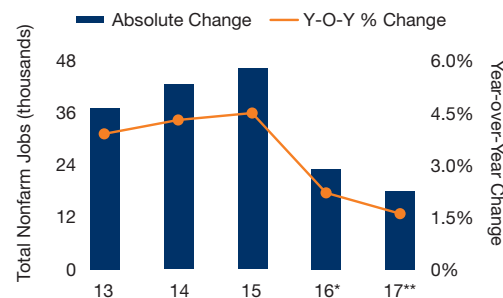
Investors eyeing Class B and C buildings for upside in rents and appreciation; deal flow remains strong. Substantial supply growth has had little effect on transaction volume as investors see a lack of construction beyond 2017. While NOI improvement has slowed, the extreme imbalances between supply and demand are supporting elevated valuations, with metro cap rates in the high-3 to mid-4 percent band, depending on asset quality and location. Class B and C properties in desirable locations have received considerable investor focus as buyers seek to insulate from supply pressures at the high end of the market. Historically low interest rates will remain a key factor in capital deployment considerations, encouraging an active market over the course of 2017. However, deal flow will remain contingent on the number of willing sellers, which has been declining in recent months.

2017 Market Forecast

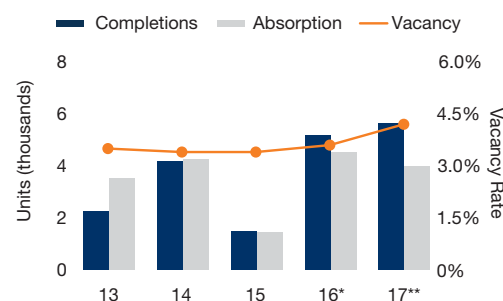
- NMI Rank** ↗ Markets with faster projected paces of growth passed San Francisco in the 2017 Index.
7, down 6 places
- Employment** ↗ Establishments will create 18,000 positions in the metro this year, expanding payrolls by 1.6 percent, following a gain of 23,000 workers in the prior 12 months.
up 1.6%
- Construction** ↗ Developers will complete 5,600 apartments this year, representing a modest upswing from 2016, when 5,200 units were brought online.
5,600 units
- Vacancy** ↗ After registering a 20-basis-point rise in 2016, the vacancy rate will increase 60 basis points to 4.2 percent as the pace of development outweighs demand.
up 60 bps
- Rent** ↗ After being largely unchanged last year, the average asking rent will rise 3.3 percent to \$3,100 per month as new buildings raise average prices.
up 3.3%
- Investment** ↗ Buyers are likely to look for assets outside the metro core where development is most concentrated. Properties in San Mateo County near major transportation routes and corporate campuses will see exceptional demand.

San Francisco

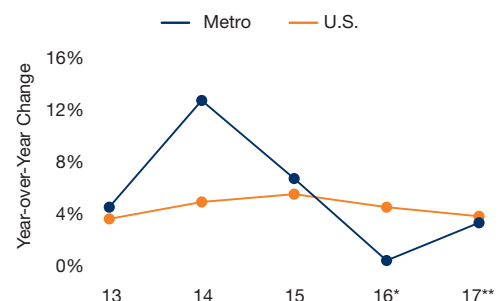
Employment Trends



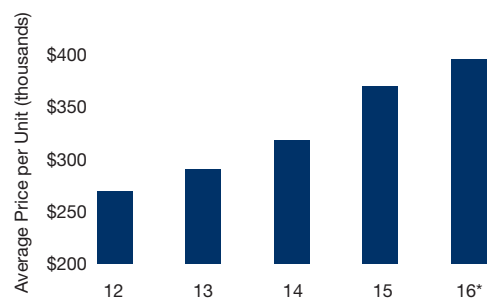
Supply and Demand



Effective Rent Trends



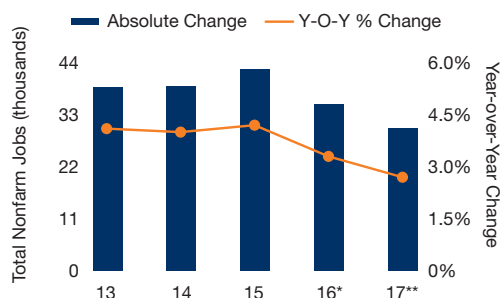
Sales Trends



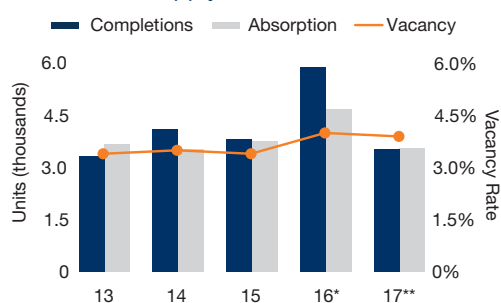
* Estimate ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Tech Firms Drive Local Demand for Talent; Slower Development to Trim Vacancy

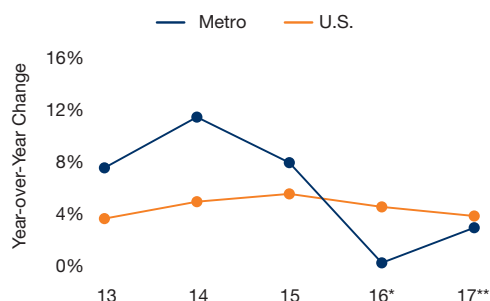
Employment Trends



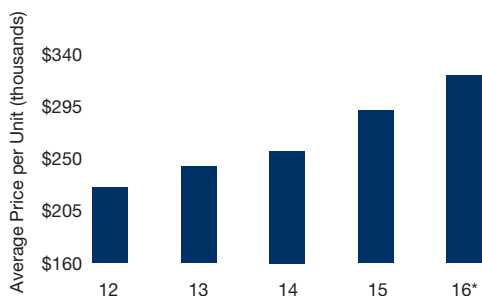
Supply and Demand



Effective Rent Trends



Sales Trends



Moderating development schedule set to boost multifamily operations.

Led by numerous tech and professional firms, employment growth has remained exceptional in the San Jose metro and is driving significant housing demand. The high cost of single-family homes, coupled with a shortage of available apartments, triggered the largest number of multifamily completions in two decades in 2016. Although vacancy ticked up moderately last year, the pipeline will thin substantially this year, allowing vacancy to decline as recently built units are filled. While this process involved some rent discounting in 2016, continued growth in high-paying skill positions will create sufficient demand to improve NOIs as rents re-accelerate. This past year, rent control gained some traction in the metro. In San Jose, a 5 percent limit on annual rent hikes with allowances passed, along with annual rent increases limited to between 2 and 5 percent in Mountain View.

Suburban assets near corporate campuses in high demand; land constraints figure heavily into investment thesis.

Low interest rates and consistent job growth are motivating investors to deploy capital in the San Jose metro. While an increase in completions pushed vacancy up temporarily, a slower pace of construction in the year ahead will lead to even greater investment volume as buyers position to realize additional performance upside. Well-located complexes near corporate campuses will be an institutional favorite, while private parties and syndicates scour for value-add opportunities to capture potentially higher returns. Metrowide, cap rates will begin in the low-4 percent range and extend into the high-4 percent band on average, although assets can close up to 50 basis points on either side of the average. Merchant builders wishing to exit newly developed properties will provide additional investment opportunities, particularly as listings remain limited.

2017 Market Forecast

- NMI Rank**
8, down 6 places
Softening rent growth and a leveling off in vacancy dropped San Jose in the NMI.
- Employment**
up 2.7%
San Jose employers will create 30,000 jobs this year. In the previous 12 months, 35,000 positions were added.
- Construction**
3,500 units
Development will slow to 3,500 units this year, following the 5,900 rentals delivered in 2016, which represented the highest volume in nearly 20 years.
- Vacancy**
down 10 bps
A slower pace of construction, coupled with an acute shortage of affordable rentals, will trigger a 10-basis-point drop in vacancy to 3.9 percent. Last year, vacancy rose 60 basis points.
- Rent**
up 2.9%
Tighter operations will prompt a 2.9 percent advance in the average asking rent to \$2,552 per month, following a nominal gain in 2016.
- Investment**
Assets with older construction near public transportation or corporate campuses will receive numerous value-add seekers. Deal flow will remain dependent on the number of willing sellers in the market.

* Estimate ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

New Luxury Towers in Seattle-Tacoma Attract Investors Seeking a Safe Harbor

Vigorous housing demand creates robust apartment market. Seattle-Tacoma has one of the fastest-growing employment markets in the nation as expanding tech firms contribute to a fifth consecutive year in which job gains reach at least 3 percent. In 2017, employment will advance at twice the national rate, generating a need for additional workers and housing. Single-family home prices are already beyond the reach of most residents, leading to the expansion of the vast existing renter pool. To meet this surge in demand for apartments, construction will reach one of the highest levels in the U.S., while vacancy remains below long-term equilibrium, driving the average effective rent to a new height. Tech workers, many relocating from the Bay Area, are filling a number of the units in luxury towers in Seattle and Bellevue, while renters seeking more affordable apartments will move into secondary and tertiary submarkets.

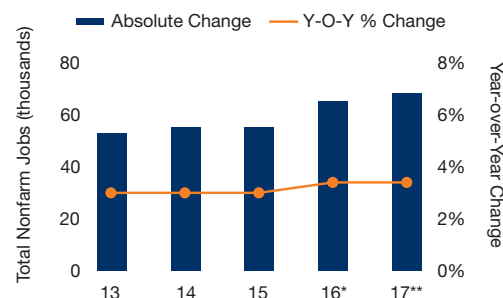
Strong rental market attracts investors from around the globe. The numerous high-rise projects near downtown Seattle and Bellevue will draw investors from near and far searching for a safe haven to place capital at cap rates that can dip below 4 percent. In areas where a surge in new inventory is expected, such as downtown Seattle, existing owners need to keep apprised of changes that will affect their operations. Effective rent growth in these districts may be restrained by the increased volume of incentive packages offered when multiple luxury buildings open. Buyers interested in higher yields and lower entry costs will search for properties in Snohomish and Pierce counties. Assets with rents below market rate or in need of cosmetic changes that will upgrade the building class will be especially sought after at cap rates that generally begin in the 5 percent range. While investors are plentiful and debt remains inexpensive, some owners may find this an opportune time to exchange.

2017 Market Forecast

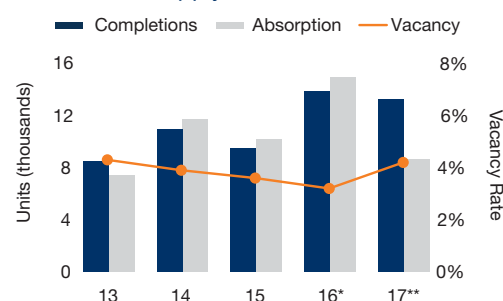
- NMI Rank** 2, up 7 places The Seattle-Tacoma market makes a big move toward the top of the Index on strong job growth and a decline in completions.
- Employment** up 3.4% In 2017, employment will surge 3.4 percent as 68,000 positions are generated. Last year, 65,000 new hires were added to payrolls.
- Construction** 13,200 units Following the highest annual delivery pace in 16 years, deliveries will ease slightly this year, as 13,200 rentals are scheduled for completion.
- Vacancy** up 100 bps New units will overwhelm absorption in 2017, resulting in vacancy rising 100 basis points to 4.2 percent. Last year, the rate declined 40 basis points.
- Rent** up 6.0% As vacancy rises, rent growth will ease. After an 8.3 percent surge last year, effective rent will advance 6.0 percent to \$1,557 per month in 2017.
- Investment** Improving operations, higher yields and lower entry costs will move more investors farther from downtown Seattle. Assets in Tacoma and Lynnwood will receive heightened attention this year.

Seattle-Tacoma

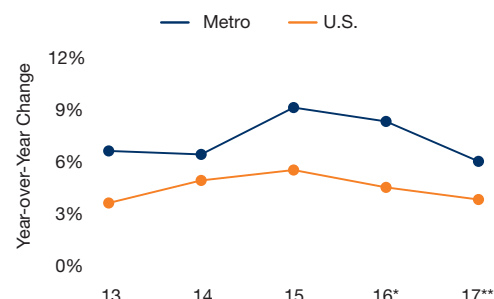
Employment Trends



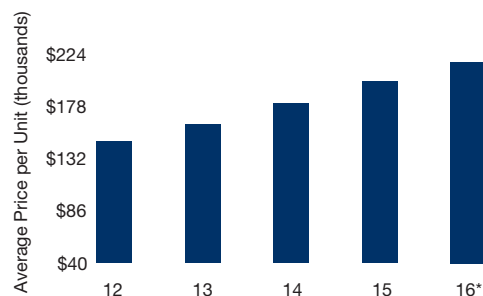
Supply and Demand



Effective Rent Trends



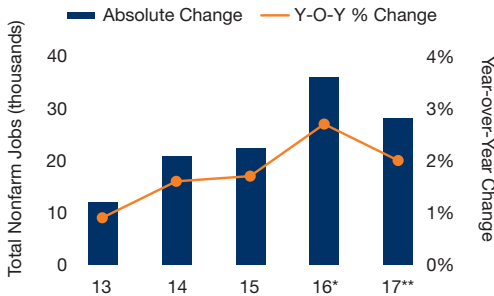
Sales Trends



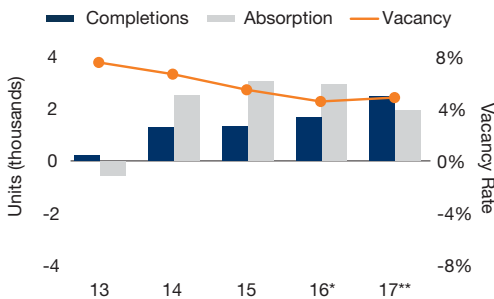
* Estimate ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Consistent Rent Growth in the Cards for St. Louis Amid Construction Boom

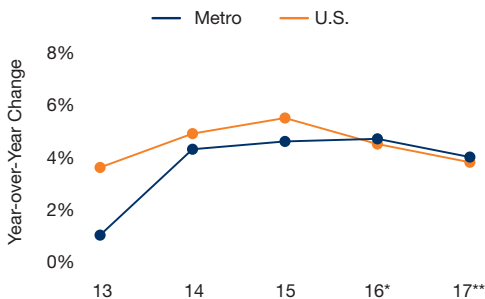
Employment Trends



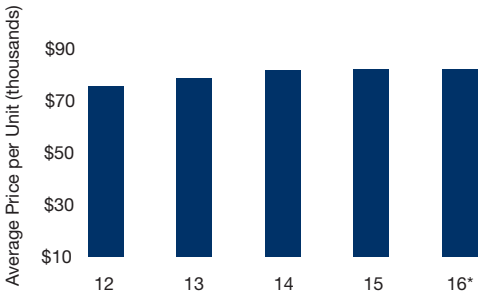
Supply and Demand



Effective Rent Trends



Sales Trends



Record deliveries minimally impact vacancy as rents steadily climb.

A second straight year of robust job growth led by the retail trade sector will support the absorption of new rentals, holding vacancy below 5 percent. The volume of units brought online in 2017 will be concentrated in four areas: the Central West End and Forest Park neighborhoods, downtown St. Louis and the bordering city of Clayton. Vacancy will slightly increase amid this wave of construction after declining for three straight years. The wide gap between Class A rents and Class B and C rates, coupled with minimal availability in the latter rental sector, indicates steady rent growth will occur at affordable properties. A pushback in Class A rents that occurred last year may continue in 2017, with affordability of single-family home prices offering comparable pricing. Class B and C rents will record a fourth consecutive year of growth.

Neighborhood revitalization and stable cap rates entice buyers. The opportunity to acquire a variety of assets offering higher yields will draw investors to the market. In evolving neighborhoods, upside-seeking investors will have their choice of repositionable Class B and C assets with caps starting in the mid-7 percent range. Buyers eyeing long-term holds could target the market's crop of recently constructed properties, with yields beginning in the mid-5 percent vicinity. The Central West End and Forest Park neighborhoods will be the most sought after by both investor types, as the areas are home to the highest rents, sub-5 percent vacancy and a number of upcoming deliveries. The opening of the 2.2-mile Loop Trolley route this spring will connect the neighborhoods of University City and Forest Park, further encouraging redevelopment and luring more investors to the city center. Outside the core, the communities of St. Charles and Creve Coeur could become growingly attractive options. Both absorbed recent deliveries with vacancy remaining below market average.

2017 Market Forecast

- NMI Rank** 44, up 2 places Job creation sparks household formation and drives a slight rise in the NMI for St. Louis.
- Employment** up 2.0% St. Louis employers will add 28,000 workers during 2017, increasing headcounts by 2.0 percent. Last year, total employment rose 2.7 percent.
- Construction** 2,500 units Completions peak this year, as 2,500 apartments are scheduled to come online, up from the 1,600 rentals delivered in 2016.
- Vacancy** up 30 bps Vacancy rises 30 basis points, reaching 4.9 percent in 2017. Last year, the metrowide vacancy rate established a 15-year low of 4.6 percent.
- Rent** up 4.0% The average effective rent is on track to advance 4.0 percent to \$920 per month this year, representing a slow-down from the 4.7 percent hike 2016.
- Investment** Historically high levels of completions will create numerous opportunities for investors seeking new low- and mid-rise properties in sections of the metro where stock has not been substantially upgraded in several years.

* Estimate ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Strong Rent Growth Fans Interest In Tampa-St. Petersburg Assets

Apartment demand increases, softening conditions in select neighborhoods as deliveries rise. Employment and household growth above the national level underpin demand for rentals throughout Tampa Bay. As a result, vacancy will remain below the long-term equilibrium for the third consecutive year, keeping developers active. Deliveries will reach the highest pace since 2002 and expanding demand will absorb the new supply, tightening marketwide vacancy further. New inventory in concentrated areas of the region will temporarily push vacancy up in confined pockets of the metro during 2017. The trend will be mainly limited to specific areas in the downtown cores as multiple buildings begin leasing. Additional competition in these areas will come from condos as new projects break ground. Marketwide, tightening vacancy will contribute to average rents setting a new high and improving NOI.

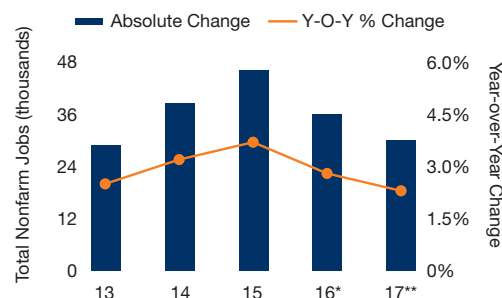
Bidding intensifies as buyer pool grows, lenders remain selective. Investors are active in Tampa Bay, lured by strong demographics, improving apartment fundamentals, lower entry costs and the potential for higher yields. Demand from an influx of buyers will surpass the availability of marketed properties, creating an energetic bidding environment. Even though competition remains stiff, lenders and investors are being more selective and will take longer to scrutinize deals. Buyers, however, will respond quickly and pay a premium for the well-located older Class B/C assets in need of cosmetic changes that will improve the properties' competitive standing. Cap rates for these complexes begin near 7 percent. Higher valuations and eager investors are prompting more long-term owners to re-evaluate their holdings. Improving cash flows will motivate some to re-invest capital to attract and retain tenants. It may be necessary in some pockets of the region where a surge in new inventory will increase competition for renters. Other owners will find this a good time to divest.

2017 Market Forecast

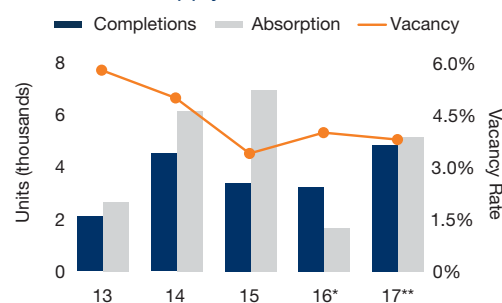
- NMI Rank** ↗ Substantial rent growth and a tightening in the vacancy rate fuel the market's ascent into the top 20 this year.
19, up 8 places
- Employment** ↗ Employers will add 30,000 new workers to staffs during 2017, a 2.3 percent increase. Last year, a 2.8 percent gain was registered.
up 2.3%
- Construction** ↗ Strong demand for apartments is keeping construction elevated. Following the delivery of 3,200 units last year, 4,900 rentals are on tap in 2017.
4,900 units
- Vacancy** ↘ After a 60-basis-point rise in the vacancy rate was recorded last year, the rate declines to 3.8 percent during 2017 on net absorption of 5,100 units.
down 20 bps
- Rent** ↗ Still-tight vacancy encourages rent growth. The average effective rent climbs to \$1,143 per month in 2017, after a 6.4 percent jump last year.
up 6.0%
- Investment** ○ Jobs and residents are moving back into the city cores. Apartment buildings in redeveloping trendy neighborhoods including the Harbor District in Tampa are attracting investors.

Tampa-St. Petersburg

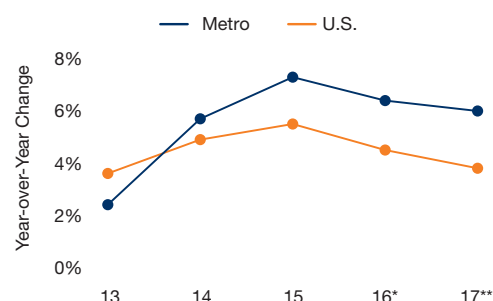
Employment Trends



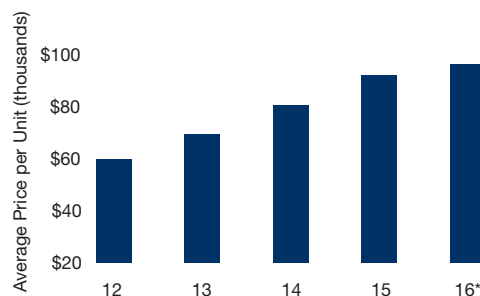
Supply and Demand



Effective Rent Trends



Sales Trends



* Estimate ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Postelection Economy Remains Bright; Robust Delivery Schedule Holds Little Sway on Rents

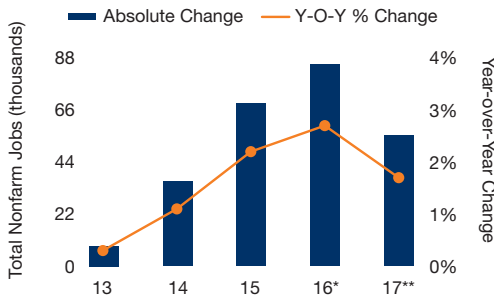
Net absorption remains elevated as construction edges higher. Following the election, the pace of hiring in the D.C. labor market will remain steady, although slightly less robust than the surging growth recorded last year. However, the high cost of housing and the long commutes required from more affordable submarkets will prompt tremendous net absorption in the core. The lofty incomes in the metro have supported a considerable delivery schedule of luxury apartments, which has prompted the injection of more than 65,000 units since 2010. Development will once again accelerate from 2016 levels, with deliveries broadly spread throughout the metro. The rapid, widespread development schedule will induce minor upticks in vacancy as the new units are leased up, yet the longer-term demographics and income profile remain highly supportive of future performance. Although vacancy will oscillate, growth in the average effective rent will continue unabated, with rents set to record a 15th consecutive year of advancement led by the metro core.

Tight occupancy and government employment base draw investors of all sizes. The diverse economic landscape of the Washington, D.C., metro is bringing in buyers of all sizes and profiles. Institutional investors are scooping up premier properties inside the District and the surrounding urban core. Meanwhile, smaller private parties and syndicates are focusing more on assets within the outer suburbs, where yields can be up to 150 basis points higher than the core. Broadly, cap rates can range from the high-4 percent to low-6 percent band, with the greatest pricing changes over the past year occurring in transition neighborhoods where population growth is trending higher. Properties offering upside potential through re-tenanting of apartments, or retail spaces in mixed-use buildings, will be highly coveted, although availability is rapidly shrinking due to the considerable demand from investors.

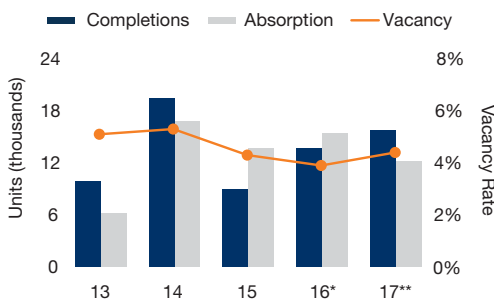
2017 Market Forecast

- NMI Rank** ■ An increase in completions keeps Washington, D.C., at the same spot in the Index that it occupied one year ago.
32, no change
- Employment** ↗ Following the creation of 85,000 jobs last year, the pace of hiring will ease to 55,000 positions in 2017.
up 1.7%
- Construction** ↗ Developers will deliver 15,700 units this year targeting submarkets inside the Beltway. Last year, 13,600 apartments were completed.
15,700 units
- Vacancy** ↗ The uptick in new supply, coupled with a slower rate of job growth, generates an increase in the vacancy rate of 50 basis points to 4.4 percent this year. In the previous year, vacancy slipped 40 basis points.
up 50 bps
- Rent** ↗ After advancing 3.9 percent in 2016, a slower rate of rent growth raises the average rent to \$1,711 per month as new luxury units come online.
up 3.0%
- Investment** ● Class B and C properties in core submarkets will draw considerable interest from investors as stability of cash flows takes priority amid rising development.

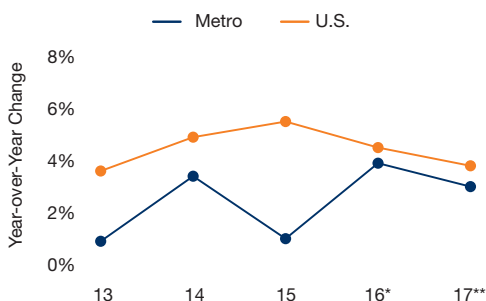
Employment Trends



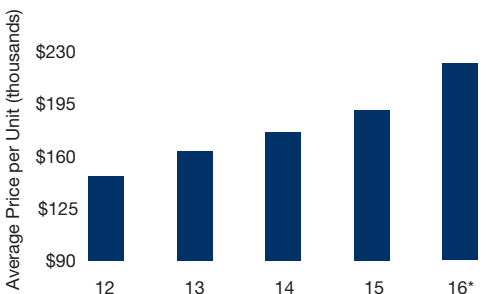
Supply and Demand



Effective Rent Trends



Sales Trends



* Estimate ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Strong In-Migration Helps Buoy Palm Beach County Apartment Market

Demographic shifts drive rental demand. The Palm Beach County apartment market stands on firm footing going into 2017, poised for further rent gains countywide. Tenant demand across the county is often spurred by services catering to the growing retiree population and large number of college students who choose to reside off campus. Hiring will increase most prominently in the healthcare and retail sectors, where thousands of positions were open at the end of last year, generating demand for affordable rentals. The construction pipeline remains active as developers seek to capitalize on the county's multiple demand drivers, culminating in completions that will reach a cycle high in 2017. The majority of new construction is underway in Boca Raton, Boynton Beach and Delray Beach, areas that command rents that enable luxury rental projects to pencil out.

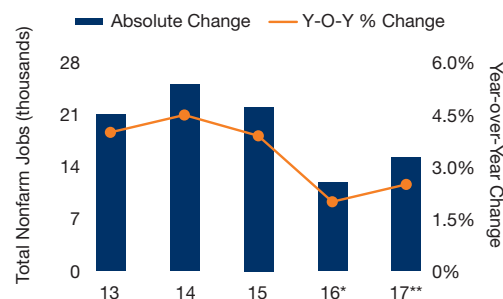
Solid performance furnishes broad investment opportunity. Healthy market operations going into 2017 will draw greater investment to Palm Beach County's multifamily stock, supporting asset appreciation. Tight vacancy and steady rent growth among Class B and C complexes point toward promising returns in these segments. Limited construction in these property classes will increase bidding over the course of the year, with the areas of West Palm Beach, Boynton Beach and Delray Beach eliciting more attention from investors. Cap rates in this slice of the market began at the mid-6 percent mark for transactions completed over the past year. A high volume of Class A assets in the county will suit institutional demand in 2017. A broad base of high-income tenants will quickly stabilize new luxury construction, providing additional options for institutional groups and high-net-worth individuals. This segment offers higher yields than what can be captured in larger markets, which could diversify risk in South Florida portfolios through the market's distinct array of demand drivers.

2017 Market Forecast

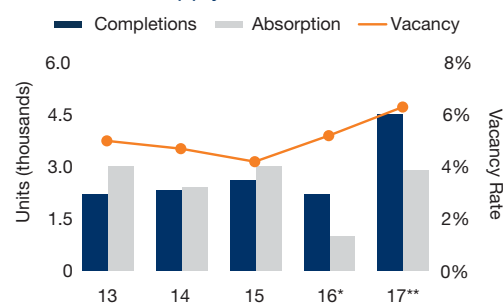
- NMI Rank** ↘ West Palm Beach slips in the NMI on a large rise in vacancy that suppresses rent growth. 37, down 2 places
- Employment** ↗ In 2017, 15,200 workers will be added to payrolls. In the preceding year, 11,900 jobs were created. up 2.5%
- Construction** ↗ Completions this year are two times the five-year annual average. Developers have 4,500 units lined up for completion this year, up from last year's 2,200 rentals. 4,500 units
- Vacancy** ↗ Vacancy will climb for the second consecutive year, advancing 110 basis points in 2017 to 6.3 percent. A 100-basis-point jump was posted last year. up 110 bps
- Rent** ↗ Rent growth remains steady despite rising vacancy. An increase of 3.0 percent this year to \$1,530 per month trails last year's 3.3 percent gain. up 3.0%
- Investment** ↗ Transit options will expand with the completion of the Brightline passenger train with service to Fort Lauderdale and Miami. Properties near the new station will garner greater interest.

West Palm Beach

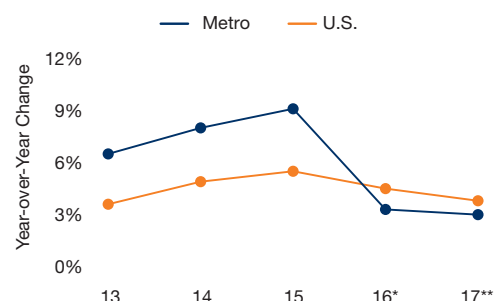
Employment Trends



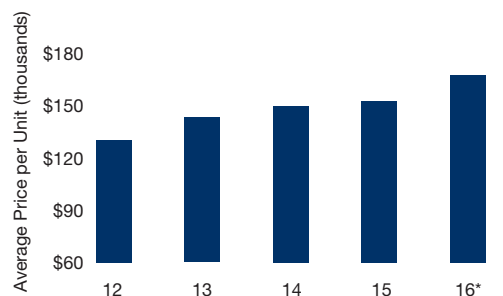
Supply and Demand



Effective Rent Trends



Sales Trends



* Estimate ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

United States

Corporate Headquarters

Marcus & Millichap
23975 Park Sorrento
Suite 400
Calabasas, CA 91302
(818) 212-2250
www.MarcusMillichap.com

Albuquerque

5600 Eubank Boulevard N.E.
Suite 200
Albuquerque, NM 87111
(505) 445-6333
J. Michael Watson

Atlanta

1100 Abernathy Road, N.E.
Building 500, Suite 600
Atlanta, GA 30328
(678) 808-2700
Michael J. Fasano

Austin

8310-2 N. Capital of Texas Highway
Suite 110
Austin, TX 78731
(512) 338-7800
Craig R. Swanson

Bakersfield

4900 California Avenue
Tower B, 2nd Floor
Bakersfield, CA 93309
(661) 377-1878
James B. Markel

Baton Rouge

10527 Kentshire Court
Suite B
Baton Rouge, LA 70810
(225) 376-6800
Matthew M. Fitzgerald

Birmingham

The Steiner Building
15 Richard Arrington Jr.
Boulevard North
Suite 300
Birmingham, AL 35203
(205) 747-3722
Jody McKibben

Boise

800 W. Main Street
Suite 1460
Boise, ID 83702
(208) 401-9321
Richard A. Bird

Boston

100 High Street
Suite 1025
Boston, MA 02110
(617) 896-7200
Tim Thompson

Brooklyn

16 Court Street
Floor 2A
Brooklyn, NY 11241
(718) 475-4300
John Horowitz

Charleston

151 Meeting Street
Suite 450
Charleston, SC 29401
(843) 952-2222
Raj Ravi

Charlotte

201 S. Tryon Street
Suite 1220
Charlotte, NC 28202
(704) 831-4600
Raj Ravi

Chicago Downtown

333 W. Wacker Drive
Suite 200
Chicago, IL 60606
(312) 327-5400
Richard Matricaria

Chicago Oak Brook

One Mid America Plaza
Suite 200
Oakbrook Terrace, IL 60181
(630) 570-2200
Steven D. Weinstock

Chicago O'Hare

8750 W. Bryn Mawr Avenue
Suite 650
Chicago, IL 60631
(773) 867-1500
Steve Rachman

Cincinnati

600 Vine Street
10th Floor
Cincinnati, OH 45202
(513) 878-7700
Ryan Sarbinoff

Cleveland

5005 Rockside Road
Suite 1100
Independence, OH 44131
(216) 264-2000
Michael L. Glass

Columbia

1320 Main Street
Suite 300
Columbia, SC 29201
(803) 678-4900
Raj Ravi

Columbus

230 West Street
Suite 100
Columbus, OH 43215
(614) 360-9800
Michael L. Glass

Corpus Christi

15217 S. Padre Island Drive
Suite 203
Corpus Christi, TX 78418
(361) 949-3300
J. Michael Watson

Dallas

5001 Spring Valley Road
Suite 100W
Dallas, TX 75244
(972) 755-5200
Tim A. Speck

Denver

1225 17th Street
Suite 1800
Denver, CO 80202
(303) 328-2000
Richard A. Bird

Detroit

Two Towne Square
Suite 450
Southfield, MI 48076
(248) 415-2600
Steven R. Chaben

Encino

First Financial Plaza
16830 Ventura Boulevard
Suite 100
Encino, CA 91436
(818) 212-2700
James B. Markel

Fort Lauderdale

5900 N. Andrews Avenue
Suite 100
Fort Lauderdale, FL 33309
(954) 245-3400
Ryan Nee

Fort Worth

300 Throckmorton Street
Suite 1500
Fort Worth, TX 76102
(817) 932-6100
Kyle Palmer

Fresno

8050 N. Palm Avenue
Suite 108
Fresno, CA 93711
(559) 476-5600
James B. Markel

Greensboro

324 S. Elm Street
Suite 300
Greensboro, NC 27401
(336) 450-4600
Raj Ravi

Hampton Roads

999 Waterside Drive
Suite 2600
Norfolk, VA 23510
(757) 777-3737
David Bradley

Houston

3 Riverway
Suite 800
Houston, TX 77056
(713) 452-4200
David H. Luther

Indianapolis

600 E. 96th Street
Suite 500
Indianapolis, IN 46240
(317) 218-5300
Josh Caruana

Iowa

425 Second Street S.E.
Suite 610
Cedar Rapids, IA 52401
(319) 333-7743
Matthew M. Fitzgerald

Jacksonville

5220 Belfort Road
Suite 120
Jacksonville, FL 32256
(904) 672-1400
Kirk A. Felici

Kansas City

7400 College Boulevard
Suite 105
Overland Park, KS 66210
(816) 410-1010
Matthew M. Fitzgerald

Knoxville

1111 Northshore Drive
Suite S-301
Knoxville, TN 37919
(865) 299-6300
Jody McKibben

Las Vegas

3800 Howard Hughes Parkway
Suite 1550
Las Vegas, NV 89169
(702) 215-7100
Todd Manning

Little Rock

5507 Ranch Drive
Suite 201
Little Rock, AR 72223
(501) 228-9600
Matthew M. Fitzgerald

Long Beach

One World Trade Center
Suite 2100
Long Beach, CA 90831
(562) 257-1200
Damon Wyler

Los Angeles

515 S. Flower Street
Suite 500
Los Angeles, CA 90071
(213) 943-1800
Enrique Wong

Louisville

9300 Shelbyville Road
Suite 1012
Louisville, KY 40222
(502) 329-5900
Matthew M. Fitzgerald

Manhattan

260 Madison Ave, Fifth Floor
New York, NY 10016
(212) 430-5100
John Krueger

Memphis

5100 Poplar Avenue
Suite 2505
Memphis, TN 38137
(901) 620-3600
Jody McKibben

Miami

5201 Blue Lagoon Drive
Suite 100
Miami, FL 33126
(786) 522-7000
Kirk A. Felici

Milwaukee

13890 Bishops Drive
Suite 300
Brookfield, WI 53005
(262) 364-1900
Todd Lindblom

Minneapolis

1350 Lagoon Avenue
Suite 840
Minneapolis, MN 55408
(952) 852-9700
Craig Patterson

Mobile

Pelican Square
101 Lottie Lane
Suite 3
Fairhope, AL 36532
(251) 929-7300
Jody McKibben

Nashville

6 Cadillac Drive
Suite 100
Brentwood, TN 37027
(615) 997-2900
Jody McKibben

New Haven

265 Church Street
Suite 210
New Haven, CT 06510
(203) 672-3300
J.D. Parker

New Jersey

250 Pehle Avenue
Suite 501
Saddle Brooke, NJ 07663
(201) 742-6100
Brian Hosey

Newport Beach

19800 MacArthur Boulevard
Suite 150
Irvine, CA 92612
(949) 419-3200
Robert Osbrink

Oakland

555 12th Street
Suite 1750
Oakland, CA 94607
(510) 379-1200
Kent R. Williams

Oklahoma City

101 Park Avenue
Suite 1300
Oklahoma City, OK 73102
(405) 446-8238
J. Michael Watson

Ontario

One Lakeshore Center
3281 E. Guasti Road
Suite 800
Ontario, CA 91761
(909) 456-3400
Kevin W. Boeve

Orlando

300 South Orange Avenue
Suite 700
Orlando, FL 32801
(407) 557-3800
Justin West

Palm Springs

777 E. Tahquitz Canyon Way
Suite 200-27
Palm Springs, CA 92262
(909) 456-3400
Kevin W. Boeve

Palo Alto

3000 El Camino Real, Building 4
Suite 200
Palo Alto, CA 94304
(650) 391-1700
Steven J. Seligman

Philadelphia

2005 Market Street
Suite 1510
Philadelphia, PA 19103
(215) 531-7000
Brenton Baskin

Phoenix

2398 E. Camelback Road
Suite 550
Phoenix, AZ 85016
(602) 687-6700
Don Morrow

Pittsburgh

204 Fifth Avenue
Suite 502
Pittsburgh, PA 15222
(412) 360-7777
Michael L. Glass

Portland

111 S.W. Fifth Avenue
Suite 1550
Portland, OR 97204
(503) 200-2000
Adam Lewis

Raleigh

101 J Morris Commons Lane
Suite 130
Morrisville, NC 27560
(919) 674-1100
Raj Ravi

Richmond

4870 Sadler Road
Suite 300
Glen Allen, VA 23060
(804) 205-5008
David Bradley

Reno

241 Ridge Street
Suite 200
Reno, NV 89501
(775) 348-5200
Ryan DeMar

Sacramento

3741 Douglas Boulevard
Suite 200
Roseville, CA 95661
(916) 724-1400
Ryan DeMar

Salt Lake City

36 South State Street
Suite 2650
Salt Lake City, UT 84111
(801) 736-2600
Gary K. Mangum

San Antonio

8200 IH-10 W
Suite 603
San Antonio, TX 78230
(210) 343-7800
J. Michael Watson

San Diego

4660 La Jolla Village Drive
Suite 900
San Diego, CA 92122
(858) 373-3100
John Vorsheck

San Francisco

750 Battery Street
5th Floor
San Francisco, CA 94111
(415) 963-3000
Jeffrey M. Mishkin

Seattle

Two Union Square
601 Union Street
Suite 2710
Seattle, WA 98101
(206) 826-5700
Joel Deis

St. Louis

7800 Forsyth Boulevard
Suite 710
St. Louis, MO 63105
(314) 889-2500
Matthew M. Fitzgerald

Tampa

4030 W. Boy Scout Boulevard
Suite 850
Tampa, FL 33607
(813) 387-4700
Ari Ravi

The Woodlands

2441 High Timbers
Suite 130
The Woodlands, TX 77380
(832) 442-2800
David H. Luther

Tulsa

7633 East 63rd Place
Suite 300
Tulsa, OK 74133
(918) 294-6300
J. Michael Watson

Ventura

2775 N. Ventura Road
Suite 101
Oxnard, CA 93036
(805) 351-7200
James B. Markel

Washington, D.C.

7200 Wisconsin Avenue
Suite 1101
Bethesda, MD 20814
(202) 536-3700
Bryn Merrey

West Los Angeles

12100 W. Olympic Boulevard
Suite 350
Los Angeles, CA 90064
(310) 909-5500
Tony Solomon

Westchester

50 Main Street
Suite 925
White Plains, NY 10606
(914) 220-9730
John Krueger

The Woodlands

1450 Lake Robbins Drive
Suite 300
The Woodlands, TX 77380
(832) 442-2800
David H. Luther

Wynnewood

308 E. Lancaster Avenue
Third Floor
Wynnewood, PA 19096
(215) 531-7000
Brenton Baskin

Canada

Calgary

602-16 Ave. NW
Suite 211
Calgary, AB T2M 0J7
(587) 349-1302
Rene H. Palsenbarg

Ottawa

343 Preston Street
Suite 1142
Ottawa, ON K1S 1N4
(343) 291-1018
Mark A. Patterson

Toronto

20 Queen Street W
Suite 2300
Toronto, ON M5H 3R3
(416) 585-4646
Mark A. Paterson

Vancouver

400 Burrard Street
Suite 1020
Vancouver, BC V6C 3A6
(604) 675-5200
Rene H. Palsenbarg

National Multi Housing Group

John S. Sebree | First Vice President, National Director
(312) 327-5417 | john.sebree@marcusmillichap.com

Developed by:

Hessam Nadji | President and Chief Executive Officer
John Chang | First Vice President, Research Services

National Research Team

John Chang | First Vice President, Research Services
Jay Lybik | Vice President, Research Services
James Reeves | National Production Manager
Peter Tindall | Director of Research Data & Analytics
Anne Blaisdell | Research Marketing Specialist
Tamarah Calderon | Research Administrator
Connor Devereux | Research Analyst
Maria Erofeeva | Graphic Designer
Rossetti Farrell | Data Analyst
Marette Flora | Senior Copy Editor
Art Gering | Senior Analyst
Jessica Hill | Market Analyst
Gregory Leight | Research Associate
Aaron Martens | Research Analyst
Adrian Mayron | Data Analyst
Michael Murphy | Research Associate
Mridul Nanda | Research Analyst
Nancy Olmsted | Senior Market Analyst
Spencer Ryan | Data Analyst
Catherine Zerkowski | Research Associate

Communications/Graphic Design

Michelle Cocagne | Senior Vice President, Communications

Contact:

John Chang | First Vice President, Research Services
2398 E. Camelback Road, Suite 550
Phoenix, Arizona 85016
(602) 687-6700 | john.chang@marcusmillichap.com

Media Contact:

Gina Relva | Public Relations Manager
2999 Oak Road, Suite 210
Walnut Creek, CA 94597
(925) 953-1716 | gina.relva@marcusmillichap.com

Senior Management Team

Hessam Nadji | President and Chief Executive Officer
(818) 212-2250 | hessam.nadji@marcusmillichap.com

Mitchell R. LaBar | Executive Vice President, Chief Operating Officer
(818) 212-2250 | mitchell.labar@marcusmillichap.com

Gene A. Berman |
Executive Vice President, National Director of Training and Development
(954) 245-3400 | gene.berman@marcusmillichap.com

William E. Hughes | Senior Vice President
Marcus & Millichap Capital Corporation
(949) 419-3200 | william.hughes@marcusmillichap.com

Gregory A. LaBerge | First Vice President, Chief Administrative Officer
(818) 212-2250 | gregory.laberge@marcusmillichap.com

Martin E. Louie | Senior Vice President, Chief Financial Officer
(818) 212-2250 | marty.louie@marcusmillichap.com

Adam P. Christofferson
Senior Vice President, Division Manager, Southern California Division
(818) 212-2700 | adam.christofferson@marcusmillichap.com

Richard Matricaria | First Vice President, Division Manager, Midwest Division
(312) 327-5400 | richard.matricaria@marcusmillichap.com

Bryn Merrey
Senior Vice President, Division Manager, Mid-Atlantic/Southeast Division
(202) 536-3700 | bryn.merrey@marcusmillichap.com

Paul S. Mudrich | Senior Vice President, Chief Legal Officer
(650) 391-1700 | paul.mudrich@marcusmillichap.com

J.D. Parker | Senior Vice President, Division Manager, Northeast Division
(212) 430-5100 | j.d.parker@marcusmillichap.com

Alan L. Pontius | Senior Vice President, National Director, Specialty Divisions
(415) 963-3000 | alan.pontius@marcusmillichap.com

Kent R. Williams | Senior Vice President, Division Manager, Western Division
(858) 373-3100 | kent.williams@marcusmillichap.com

National Multifamily Index Note: Employment and apartment data forecasts for 2017 are based on the most up-to-date information available as of November 2016 and are subject to change.

Statistical Summary Note: Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of November 2016. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.

Sources: Marcus & Millichap Research Services, American Council of Life Insurers, Blue Chip Economic Indicators, Bureau of Economic Analysis, Commercial Mortgage Alert, CoStar Group, Inc., Experian, Fannie Mae, Federal Reserve, Freddie Mac, Moody's Analytics, Mortgage Bankers Association, MPF Research, National Association of Realtors, Real Capital Analytics, RealFacts, Standard & Poor's, The Conference Board, Trepp, TWR/Dodge Pipeline, U.S. Bureau of Labor Statistics, U.S. Census Bureau, U.S. Securities and Exchange Commission, U.S. Treasury Department.

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Marcus & Millichap



Research Services
2398 E. Camelback Road | Suite 550 | Phoenix, AZ 85016
(602) 687-6700



Offices Throughout the U.S. and Canada

www.MarcusMillichap.com